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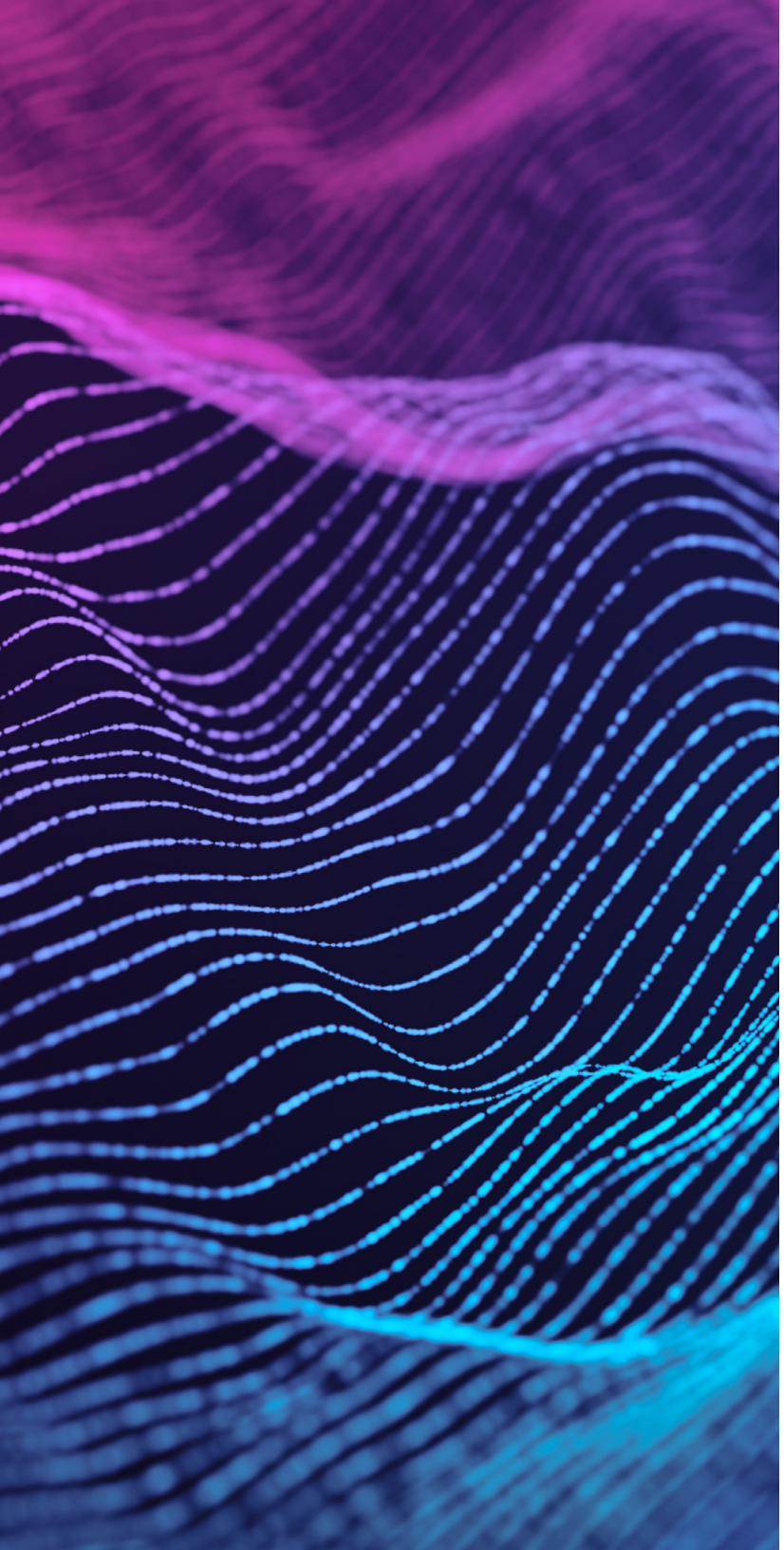
THE HEART AND SCIENCE
OF WORKERS' COMP

Tipping Points: When Good Claims Go Bad



OVERVIEW

Preventing typical workers' compensation claims from escalating to high-cost levels is a recurring challenge for employers because they often result in return-to-work (RTW) delays and sometimes in litigation.

These claims also create quandaries for carriers and payors. Most program managers are inclined to focus on managing costs and allow adjusters to use their experience and training. They also may be reluctant to have a case manager intervene if past partnerships delivered little ROI and incurred additional costs.

Yet unanticipated cost escalation is a problem that cannot be ignored. At stake is the effective stewardship of organizational assets and risk management protocols and, more importantly, the employee's health and wellbeing.

Exploring High-Cost Claims

Catastrophic claims, such as those involving traumatic brain injuries or burns, are often costly because treatment can be extensive and there can be liability lawsuits. Most TPAs and carriers assign case managers at the onset of these claims, while others do so when costs reach an arbitrary dollar figure.

However, there is no magic formula to flag low-cost cases that will evolve into complex, costly claims. Industry experience shows that 85% of claims resolve within guidelines, 10% need additional intervention and 5% develop into long-term, chronic claims that can cost millions of dollars; those are the claims we should and must address.[1]

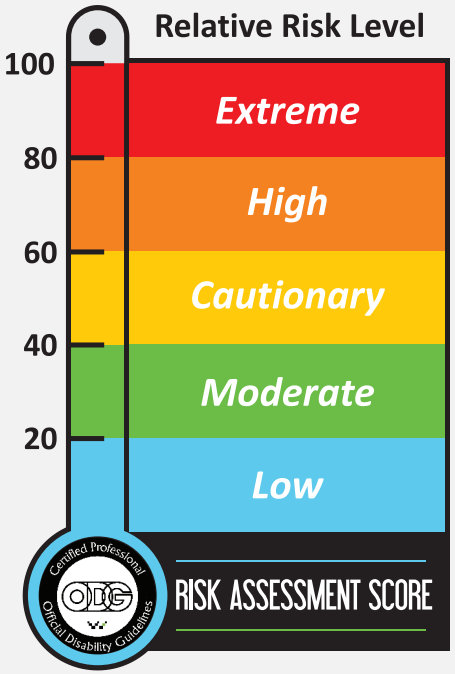
Equally uncertain is the cost carriers and employers accrue for delayed referrals to case management. A handful of researchers have conducted studies using retrospective claims data to compare interventions with control groups. However, they do not identify the cost of delays, but rather, savings achieved through intervention. One large insurer found significant savings — an 18% cost reduction — when involving nurse case managers on claims that met its criteria.[2]

Despite the dearth of data, most carriers and employers recognize that delays in case management intervention often lead to problems that could haunt a single claim for months or years. However, new tools and better approaches to data analysis can guide carriers and employers to more appropriate resolutions.

Implementing a Scientific Approach

A few managed care and case management organizations are leading the way in better identifying the tipping point of a claim by developing guidelines from evidence-based medicine, analytics and internal data. For example, Genex Services has shown how delays in case management intervention affect RTW.An analysis of a large set of complex claims clearly demonstrated that the longer the delay in intervention, the higher the costs and the longer it takes to return workers to their jobs. Other important findings:

- The first 0-30 days following injury is a critical window for identifying referral indicators.
- Claims that utilize case management within 0-3 months of the injury are twice as likely to achieve a successful RTW than those that are referred 3-12 months after the injury.
- For each month that passes from time of injury to referral, there is a steady drop in the RTW rate. The RTW rate can drop by close to 20 percentage points when delaying a year to refer.



Using Analytics to Improve Care

Data analysis can signal unanticipated claims escalation. Comorbidities such as obesity, heart disease or depression, or treatment delays or misdiagnosis, can serve as red flags for more aggressive intervention.

To better forecast medical, indemnity and administrative costs, which help predict a predetermined threshold for high-cost claims, the Work Loss Data Institute's Official of Disability Guidelines (ODG) has developed a Reserve Calculator that uses a statistical modeling program to analyze factors that could increase the severity of claims. High-risk claims are flagged with direction to refer for case management using evidence-based ODG guidelines.[3]

An adjuster with access to analytics and claimant data would know of pre-existing conditions, specifically those that may affect RTW. He could also track the claim to see when it exceeded industry RTW guidelines or, for example, when there was a spike in prescription drug utilization. Conversations with providers, frontline managers or field case managers might reveal other issues, perhaps a lack of family support, or other psychosocial factors that could affect recovery.

Unfortunately, when data is not available or properly utilized, it can delay intervention for months and even years.

Preventing Spiraling Claims

The reality of claims management today is that there are ways to identify and intervene on claims before they begin to be excessive. There are case management providers that will provide more than just a commodity approach to CM. The challenge we face as an industry is to more consistently identify, adapt and apply those solutions. An improved intervention process begins with a thorough understanding of when, where and for what types of injuries case management involvement is appropriate:

Field:

- Claims involving inpatient or outpatient surgery
- Severe eye injuries involving visual acuity changes or loss
- Cumulative trauma injuries
- Severe brain or closed head injury with loss of consciousness
- Spinal cord Injury

Recent analysis of claims for several large employers and carriers by Genex Services showed that the company's case management programs improved RTW rates by 25 percent over WCRI standards.

- 2nd & 3rd degree burns (>30% body) including chemical or electrical
- Stress or psychiatric claims
- Crushing injuries
- Traumatic amputations of the hand, foot, arm or leg
- Multiple fractures
- Any injury resulting in paralysis or coma

Telephonic:

- Early investigation to determine medical status
- Claims involving surgery (inpatient or outpatient)
- Claims with extensive diagnostic tests/imaging
- Claims with extended physical therapy or chiropractic care (longer than 4 weeks)
- Employees who are on modified duty for longer than 1 week

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CASE STUDY

Called in Late, Case Manager Facilitates RTW After Earlier Missteps

A claimant fell and broke his arm on the job. An urgent care facility said he needed surgery in the ER; the ER said he didn't need surgery. The break did not heal properly, resulting in considerable arm and shoulder pain, rendering this employee unable to return to work. He also gained a significant amount of weight post injury, which led to depression. After four months with no health status improvement or return-to-work date, the adjuster ordered an independent medical examination and referral to case management. The experienced case manager (CM) used her clinical and critical analysis skills to assess the claimant's medical situation, including emotional, motivational and social factors. The case manager noted that the claimant was a single man in his 50s, with no children and a limited support system. The CM took time to listen to the claimant, understand his concerns and treat him as a valued client. From that point forward, the claimant's attitude toward recovery and return-to-work plans improved. Following an aggressive treatment plan, including occupational therapy and surgery to reduce the pain, the claimant went back to work pain-free.

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- Claims with extended physical therapy or chiropractic care (longer than 4 weeks
- Employees who are on modified duty for longer than 1 week
- Severe lacerations of tendons, ligaments or muscles
- Prolonged or questionable treatments
- Claimants appear non-compliant
- Uncommon medical conditions
- Multiple physicians
- Inappropriate physician for diagnosis
- Questionable motivation/secondary gain
- History of previous injuries
- Chemical exposures
- Sprains/strains of the major joints — such as shoulder, ankle, knee, wrist
- Back sprains — including injuries to the cervical, thoracic, lumbar or sacral areas
- Fractures
- Carpal tunnel syndrome
- Traumatic amputation of a thumb, finger or toe

STEPS TO STOPPING CLAIMS ESCALATION

Provide information to the injured worker and the adjuster regarding health needs and service options to achieve cost-effective, outcome-based care that can reduce duration of care, complications or re-injury.

Manage cases at all decision points to help contain costs without sacrificing the quality of care provided to the injured worker.

Look at case beyond original assignment. Using case manager experience, knowledge of provider community, and clinical expertise, if there is opportunity for the case manager to make additional recovery or cost effective impact, make documented recommendation to the adjuster.

Analytics and data can play a critical role in helping organizations identify the tipping point of a claim, providing the facts that become the foundation of sound policies. Analytics alone do not change behavior or drive program success but, if operationalized, can change behavior or increase value.

› Language barriers

Case managers should also provide adjusters and customers with clear and readily accessible RTW benchmarks for specific injuries against industry and internal guidelines. Such information should be reviewed often and steps taken to promote utilization of case management. While most companies do have RTW guidelines for specific injuries that automatically require case management, it's important to note that case management may also be warranted when the prescribed treatment falls outside of, or exceeds, evidence-based guidelines with no functional improvement.

There are other factors contributing to claims escalation, such as:

› Lack of clear policy and guidelines from the organization to adjusters and providers

› Spotty-to-poor use of RTW guidelines and best practices

› Inadequate adjuster education and/or incentives based on performance rewards tied to the number of claims, and not need and accepted industry benchmarks

› Underutilization and underanalysis of available data

Is Case Management a Commodity?

Unfortunately, there is a real concern among employers and carriers that often case management is brought in too early or for claims for which there is little value. As a result, some in the industry have created a perception that case management is "just a commodity" — a class of goods for which there is demand, but which is supplied without quantitative differentiation across a market. Perhaps in part due to this concern, despite its proven value, especially early in the claims' cycle, use of nurse case managers remains low. While increasing, only about 10% of all U.S. workers comp claims today use nurse case

managers.[4]

In truth, the effectiveness of a case management program depends on the outcomes the organization providing the service is able to produce.While virtually any vendor can provide commoditylevel case management, what employers and carriers want are business partners that can:

- Quantify their value and ability to achieve better ROI and faster RTW
- Provide high-quality services quickly and efficiently
- Segment outcomes based on trigger diagnosis or codes (that is, bring some level of quantifiable benchmarks to help identify the claim tipping point)
- Provide services at a reasonable cost

Selecting a case manager based on price alone cannot improve the effectiveness of the process, because the rates do not relate to overall cost per claim. That's why a managed care provider that develops customized approaches to intervention will be more successful and cost-effective than the low-cost bidder.

Finding the Tipping Point

Every employer, carrier and TPA needs to develop its own claim tipping point. This requires a commitment to bring in case management early before a claim becomes a high-cost risk. It also means ensuring that criteria beyond a static and arbitrary dollar figure are used — for example, the combination of comorbidities with other claim factors such as diagnosis and psychosocial status.

This does not mean, however, using case management for all claims. Benchmarks, data, organizational culture and goals must be defined and incorporated into employer tipping point criteria.

Carriers and employers must also pledge to hold case management programs accountable. Look at their costs, how quickly they return employees to work, and whether they help to reduce litigation. Does the organization also tell you when case management is not necessary? Ask claimants about their experience. Is it positive, negative?

While the challenge to find effective strategies to enable more accurate and timely intervention remains for many, there are solutions available today. The key is finding the organization that takes case management beyond commodity status and supports industry guidelines, organizational goals and employee needs.

STEPS TO STOPPING CLAIMS ESCALATION

Work with the injured worker and adjuster to facilitate appropriate and coordinated care for a safe return to pre-injury level of function and RTW as quickly and safely as possible.

Foster a trusting relationship with the employee so the nurse can help him overcome both medical and non-medical barriers to recovery and RTW.

Focus on the outcome and assess treatment to ensure the right care, right time, right pathway. Redirect when necessary.

Minimize fragmentation and duplication of interventions and serve as a medical liaison to all parties.

Assist providers, injured workers and adjusters in recognizing the usefulness or limitations of services.

Be an advocate for the injured worker to facilitate his education about care choices for best outcomes within the complex workers' compensation system.

Information Sources:

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