Workers' compensation claims: Conquering costs and complexities

Massive data, missed opportunities

The complexities involved in workers' compensation—from underwriting through claim resolution—are so massive that insurers struggle to connect the dots. Data is abundant, but real insight is scarce.

Actionable data—held to exacting standards—can drive far better results for our industry. In fact, businesses that use analytics are twice as likely to be among the top quarter of financial performers and five times more likely to make decisions much faster than their competitors.[1] Unfortunately, many insurers aren't taking advantage of the analytical tools available.

The challenge for insurers is not only in using the right data but also in managing information effectively to streamline the overall claims function and improve outcomes. Established operating models and tools don't allow insurers to work this way, resulting in missed opportunities and increased risk.

Verisk

Increasing challenges as expertise erodes and costs rise

In an ideal world, all claims would be handled by experienced adjusters with jurisdictional knowledge and by the best lawyers, doctors, and nurse case managers.

But in reality, experienced adjusters retire, senior lawyers pass cases to associates, and using doctors and nurse case managers on every claim is simply too expensive. As a result, less experienced professionals are handling these cases. Consider this: A quarter of all insurance professionals are within a decade of retirement,[2] and there's currently a talent deficit of 400,000 positions within the industry.[3]

Adding to the shortage of experienced claims staff is the fact that claim complexity and severity are steadily on the rise, with the workers' compensation average medical cost per lost-time claim having risen steadily for the past 20 years.[4]

The result: Less experienced adjusters are handling far more difficult claims.

Compliance regulations complicate claims handling

While cost and complexity increase, changing compliance regulations and new court decisions that affect their interpretation complicate claims. Adjusters face increasing pressure to report claims accurately and on time at the state level while also meeting Medicare reporting requirements at the federal level.

If your systems can't handle this ever-quickening pace and complexity, results will suffer, including closing a claim that wasn't compliant, paying costly reporting fines, or watching a case unexpectedly explode into a high-severity claim without the expertise of your senior adjuster.

For insurers that want to mitigate their losses and achieve results that put them far ahead of their competition, they'll need a holistic approach that arms claim handlers with actionable data, ensures compliance, flags potential fraud, verifies medical treatment is appropriate, and connects the dots between underwriting and claims for complete visibility.

The following is just one example from the claims world.

The average medical cost per lost-time claim has risen steadily for the past

20 years

Claims spiral: Are you reactive or proactive?

Imagine you're confronted with this scenario:

- A 65-year-old workers' compensation claimant sustains a low-back injury. After rounds of physical therapy, his physician determines that surgery is necessary.
- The patient undergoes surgery but experiences complications due to comorbid conditions. Follow-up surgeries are unsuccessful, and the claimant is on multiple narcotics. Additionally, a spinal cord stimulator has been recommended.
- The doctor bills you for more visits than actually provided.

This claim spiraled out of control. It evolved from a benign low-back injury to a very complicated claim with difficult-to-contain costs. Subtle but important information was available at the time of first report of injury (FROI) to better manage this claim and contain costs.

The insurer could have mitigated the risks in the above case study. Here's how data and analytics could have been used to ensure a far better outcome:

- **Identify this as a high-severity claim and make the correct assignment.** Using industrywide data for a more complete picture at FROI, the claim manager could have assigned the case to the most senior adjuster, who would have taken the comorbid conditions into account or assigned a nurse case manager. Had this been done at the outset, the initial surgery might have been successful or, best-case scenario, might not have been necessary at all. This would have saved significant money and hours of effort.
- **Immediately identify exploding costs with daily severity scoring.** By getting daily updates on the severity of a claim using continuously updated data, the insurer could have been notified of the increased complexity and assigned the claim to a nurse case manager or supervisory review.
- **Identify treatment providers with problematic billing practices.** By accessing a database of medical billing data and provider paperwork supported by clinical experts, the insurer could have taken immediate action to correct the billing problems.
- **Ensure accurate compliance reporting.** With proper analytics in place, the adjuster could have ensured the claim data was properly reported at the state level, avoiding potential fines and saving resources needed to correct mistakes.
- **Automate Medicare compliance.** An automated compliance platform would have identified the individual as a Medicare recipient; and federal compliance issues such as Section 111 reporting, conditional payments, and future medicals would have been automatically addressed. This could save the insurer thousands of dollars in potential fines.

Applying a holistic approach to achieve uniform improvements

As the example shows, it's been difficult for insurers to address the multiple challenges facing the claims side of workers' compensation using existing systems and limited data sets. But new innovations are available that allow insurers to address these challenges. Verisk's workers' compensation claims solutions provide the depth and breadth necessary to fully manage the costs and complexities of workers' compensation—and insurers are experiencing impressive results:

wcNavigator®	Improve workers' comp claim outcomes with actionable insights that identify claim severity early and accurately	• Pilot studies show that the solution can identify ultimate severity (at claim closure) for more than 70% of high-severity claims at FNOL and 88% within 30 days
wcPrism®	Save time and money through automated and streamlined workers' comp compliance reporting with products that leverage a true transaction-based approach	• The wcPrism and wcAnalyzer suite boosted EDI compliance to the 90th percentile
wcAnalyzer™	Achieve dramatic compliance reporting improvements with analytics that provide actionable insights	
MSP Navigator®	Save time and avoid costly errors with the industry's most robust Medicare reporting solution	• Less than 1% of the ~700,000 claims reported over the last 8 quarters received actual errors from CMS
MSA Allocation Services	Increase savings through rigorous analysis of claim file cost drivers	• Medicare conditional payment savings averaging **91%** • Payments completely eliminated in **65%** of cases (based on 2018 data) • Better outcomes in proactive cost mitigation saved over **$60M** in 2018
CP Link®	The only fully integrated MSP reporting system to ensure full compliance through automation	• Saves ~900 hours in administrative file handling and referral time for every 1,000 claims • Saves from 45 to 100 days when resolving a claim
Conditional Payments	Eliminate risk and exposure in conditional payment disputes with expert advocacy	• Total conditional payment dispute savings topped **$43M** in 2018
ISO MedSentry®	Save millions of dollars by closing the gap on fraudulent medical billing using analytics and expert clinical analysis	• 71% average reduction in medical billing by suspicious providers • Insights from accessing loss histories and viewing fraud indicators from **1.3B** claims, with an average hit rate of **80%** in 2018

1. Bain Big Data Diagnostic Survey, 2013
2. Bureau of Labor Statistics
3. *2016 Insurance Industry Talent Trends,* The Jacobson Group
4. NCCI Holdings, Inc., 2016

Find out more about Verisk's portfolio of workers' compensation solutions that bring substantive improvements to your claims processing and settlement determinations.

For more information, please contact:

ISO Claims Partners 1-866-630-2772 CPinfo@iso.com

Verisk™