Taming Medical Costs … the 800 Pound Gorilla!
Kevin Fleming, President Paradigm Management Services
The most formidable challenge in Workers’ Compensation today is figuring out how to improve the recovery of injured workers while keeping costs at bay.

**Key Issues**
- Quality recovery
- Medical cost inflation
- Cases with medical spikes in outbound years
- Claims “leakage”
- Limited resources

**The Big Challenge:** Keeping Costs at Bay
With medical inflation increasing at an alarming rate, our industry faces a serious financial issue.

Source: NCCI; based on states where NCCI provides ratemaking services
Solutions such as negotiating provider discounts and bill review have kept unit costs contained...

Quality Solutions

- Bill review
- Provider negotiated discounts
- Utilization review
- Pharmacy benefit review

Help Keep Costs Contained
… however, the traditional solutions while good, are not good enough, we need bigger savings.

**Bigger Needs**

- Even lower spend on high volume, standardized cost categories
- Effectively addressing major categories of spend
- Long-term spend efficiency – no trading off long-term financial health because no one is looking
There are six strategies that matter when it comes to taming medical costs.

**Laws of the Jungle**

1. Survey Your Spend Territory
2. Sharpen Your Tools
3. Tackle the Big CATs
4. Keep an Eye on the Sleeping CATs
5. Work Through the Pain
6. Keep Track of Where You Are
After surveying their spend, most companies find they have three or four key areas that dominate their “spend territory.”

Top Cost Drivers

Types of Cases
- “Standardized” spend
- Catastrophic injuries
- Chronic and continuing

Categories of Spend
- Medical
- Pharmaceutical
Sharpen your traditional tools for the high volume, standardized spend.

Watch for Program “Leakage” Over Time

- Inaccurately paid medical expenses
- Rework due to human error
- Fines and penalties
- Need performance audits & benchmarking to maintain focus
- Need strict exception processing standards
- Need automated tools with checks and balances
Traditional tools for standardized spend (continued).

**Empowering All Your Options**

- PBM
- eBilling
- DME
- Payment Processing
- Prompt Pay
- Non-Discount Networks
- Bill Review
- IME
- HNC
- External PPO
- Onsite Field CM
- FROI
- Radiology Networks
- Peer Reviews
- PT Networks
- MPN
- SROI
- Internal
- FROI
- PPO MPN
- Fee Negotiations
- TCM
- Nurse Reviews
- UM
Use different tools to tackle the big catastrophic cases.

Different “Tools” for CATs

- Don’t treat CATs like kittens
- Telephone vs. Onsite
- Nurses vs. Physician/Nurse combination
- Inexpensive vs. Best-in-Class facilities and providers
Use different tools to tackle the big CATs (continued).

Need Systematic Care Management™

- Specialist physicians
- Catastrophic nurses onsite
- Full recovery plan from start
- Systematic medical management
- Data informing all aspects of care
- Checks and balances
- Guarantees “skin in the game”
Use different tools to tackle the big CATs (continued).

More Effective and Lower Cost

1. Based on an independent comparison by Milliman, the nation’s leading actuarial and consulting firm, of Paradigm cases to their proprietary database of similar Workers’ Compensation claims; Release to Return to Work is determined by the attending physician (not Paradigm)
Keep an Eye on the Sleeping CATs

Catastrophic cases can have serious spikes in costs years outbound from the original injuries.

Watch Out For:

- Spend in excess of $5K mo.
- Recurrent infections (respiratory, urinary tract, skin, bone)
- Chronic musculoskeletal and/or neuropathic pain
- New recommendations for invasive procedures
- Frequent hospitalizations
- Intensive equipment needs/long-term ventilator dependence
- Chronic wounds
Catastrophic cases can have serious spikes in costs years outbound from the original injuries (continued).

"Sleepers" – Outbound Cost Spikes

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<th>Claim Year</th>
<th>Total Paid Medical*</th>
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* Selected sample of five acquired brain injury claims with traditional medical management (i.e., not Paradigm cases); numbers adjusted for inflation.
Catastrophic cases can have serious spikes in costs years outbound from the original injuries (continued).

Like CAT – Need Different Tools

Systematic Care Management™ Works

■ Specialist physicians and catastrophic nurses onsite
■ Course correction plan from start
■ Systematic medical management
■ Data informing all aspects of care
■ Checks and balances
Chronic pain with its associated pharmaceutical bills and invasive surgeries cost organizations enormous amounts of money.

The Pain Problem – The Elephant in the Room (or on Your Back)

- Effects 1 in 5 adults
- 70,000 annual DR visits
- 250,000 lumbar surgeries are performed annually
- Pain medications are overprescribed
- $79 billion in annual spending
- Rampant litigation
Chronic pain (continued).

Pain is a Process

Acute Pain (0-3 months)
- atrophy
- insomnia
- fear of movement

Transitional (3-6 months)
- atrophy
- depression
- addiction

Chronic Pain Syndrome Greater than 6 months
- atrophy
- insomnia
- weight gain
- medical
- life roles

Best to intervene before this point!
Chronic pain (continued).

Early Intervention Pain Management
(Less than one year from date of injury)

Chronic Pain
(Average case age six years from injury date)

Early or Late – Systematic Care Management ™ Works

- Specialist physicians and catastrophic nurses onsite
- Immediate correction plan
- Systematic medical management
- Data informing all care
- Checks and balances

Return to Work | Off Narcotics | Return to Work | Off Narcotics | First Year ROI
---|---|---|---|---
84% | 43% | 34% | 53% | 184%
It is important to keep an eagle eye on the areas of greatest spend and track the results of your containment efforts.

**Program Must Haves**

- Tracking of return to work (single best medical and financial metric around)
- Short- and Long-term cost focus
- Regular tracking
- Senior leadership engagement
While transforming the way you address medical costs can take effort, there are a number of things you can start doing right away.

First Thing Monday

- Stick your neck out
- Pull your data
- Identify 15 cases
- Carve out your CATs

Start Saving Money & Ensuring Long-Term Financial Stability