Effective Oversight, Accuracy Provide the Keys to Managing Workers’ Compensation Claim Costs

As businesses wrestle with increasing workers’ compensation claim costs, medical expenses continue to be a key driver of those costs. According to the National Council on Compensation Insurance Inc. (NCCI), medical services today constitute almost 60 percent of workers’ compensation claim costs, up from about 40 percent in the early 1980s. Another cost driver over the last few years has been increased time away from work emerging with the recent recession and continuing with the sluggish economy and high unemployment.

For companies with loss-sensitive workers’ compensation insurance programs, a carrier’s claim management approach is a critical factor in helping to control their overall costs, according to Kevin Finn, vice president of National Accounts at The Hartford. “These large organizations face complex issues such as large deductibles, multiple locations and significant claim volume, so the challenges in managing losses are intensified.”

“Because most losses impact these companies’ balance sheets immediately, they are looking to partner with carriers that invest and innovate to help balance and minimize these cost increases,” says Finn.

However, just as important as managing costs, says Finn, is ensuring that employees receive the appropriate treatment. “The goal is to provide claim services that give the injured worker what they rightfully deserve while managing overall costs for the insured. Driving accuracy in claim outcomes plays a critical role in finding that balance.”

“So how can carriers help loss-sensitive clients best manage their workers’ compensation claim costs?”

According to Glen Pitruzzello, vice president of claims practices at The Hartford, one solution is a comprehensive medical oversight program that truly gets at the root causes of medical costs.

“The role of medical oversight in improving workers’ compensation claim outcomes has grown tremendously,” says Pitruzzello. “It’s important to seek a carrier that is continuously improving its processes, either by enhancing existing processes, or if needed, building a new capability internally. Innovative carriers also look to external service providers for new and effective solutions.”

CLAIM MANAGEMENT

For clients with bundled programs, says Finn, The Hartford offers claim service consultants -- a dedicated staff of experienced professionals who work closely with claim handlers to provide customized claim service and improved claim outcomes. For clients with unbundled programs, an account manager works in concert with the client and its TPA to most effectively manage losses.

“Typically, between 85 and 90 percent of these clients’ spend falls below their deductible,” notes Finn, “so effective claim management has a direct impact on the bottom line.”

It is also important to have a robust risk management information system (RMIS), such as The Hartford’s PowerPDR®, that enables users to monitor, manage and analyze past claims experience to help identify existing risks within their business.

PRESCRIPTION DRUG OVERSIGHT

With prescription drugs playing a major role in treating many work-related injuries, careful monitoring of every prescription and reviewing selected cases is critical to avoiding unnecessary or inappropriate costs.

The Hartford’s drug review program, for example, has enabled its clients to avoid inappropriate prescription expenses. But it’s not just about costs.

“It’s vital to protect companies from unnecessary costs,” says Dr. Robert Bonner, The Hartford’s vice president and medical director, “but at the same time carriers must ensure that injured employees receive timely, appropriate care. Our drug review process is about making sure the prescriptions we approve are appropriate and their costs accurate.”

PERMANENT PARTIAL DISABILITY (PPD)

When a worker has been injured on the job, resulting in irrevocable loss of some physical ability, the impairment rating assigned by a doctor has a significant impact on the benefits paid to the injured worker and the overall cost of the claim. The guidelines for assigning these ratings are complicated and can be inconsistently applied by doctors, making accurate results difficult to achieve.

To ensure the most accurate impairment ratings, The Hartford has developed a PowerPDR review process for assessing these ratings and the associated benefits and costs. That means an evaluation process where registered nurses, assisted by American Medical Association guidelines, review and verify the accuracy of PPD ratings.

When The Hartford’s review produces a rating different from the doctor’s, the nurse provides an explanation and recommendation. The doctor is not obligated to change the rating but often does.

“We use this same procedure whether our recommended PPD rating is higher or lower than the doctor’s,” says Bonner. “In all cases, our goal is accuracy.”

Bonner explains that about 40 percent of indemnity payments fall into the PPD category, and The Hartford’s review process has found that roughly 40 percent of the ratings received are incorrect or incomplete.

“PPD is a significant portion of overall loss costs,” says Bonner, “and we have had substantial success improving the accuracy of those cases.”

According to Pitruzzello, The Hartford’s programs and platforms have had a real effect on medical and indemnity loss costs over the past few years. “The objective is not just to lower costs, but to be as accurate and fair as possible to injured workers, so that we are doing what’s best for our customer on two critical fronts.”

“Our primary goal is to help our clients effectively manage their total cost of risk,” says Finn. “We have focused our innovations and resources on where they can have the most impact. Based on the trends within our client data, we’re seeing that happen.”

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