

Becoming Better Purchasers of Workers' Compensation Insurance Claims Services

JPRIMA – March 16, 2018



DP

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A FAIRFAX Company

Today's Journey

Workers' Compensation in California



Historical Perspective of CA Workers' Compensation, Aka "How We Got Here"



Where Things Stand Today



Main Cost Drivers and Strategies to Address



Why Integrated and Aligned Services Mean Better Outcomes for You



It's Your Future; *Take Charge!*



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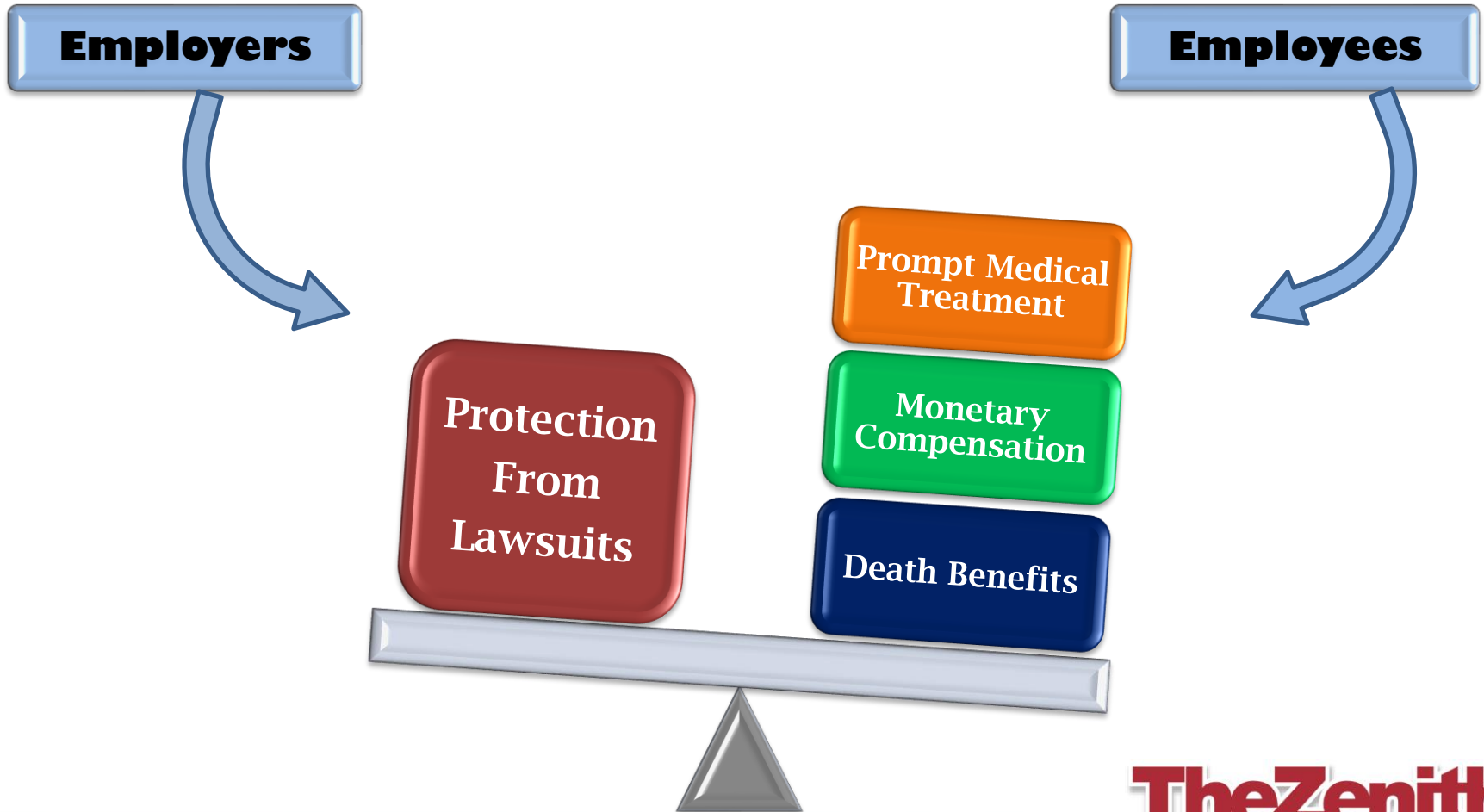
It's your future; *take charge!*

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WC Toolkit

"The Grand Bargain"

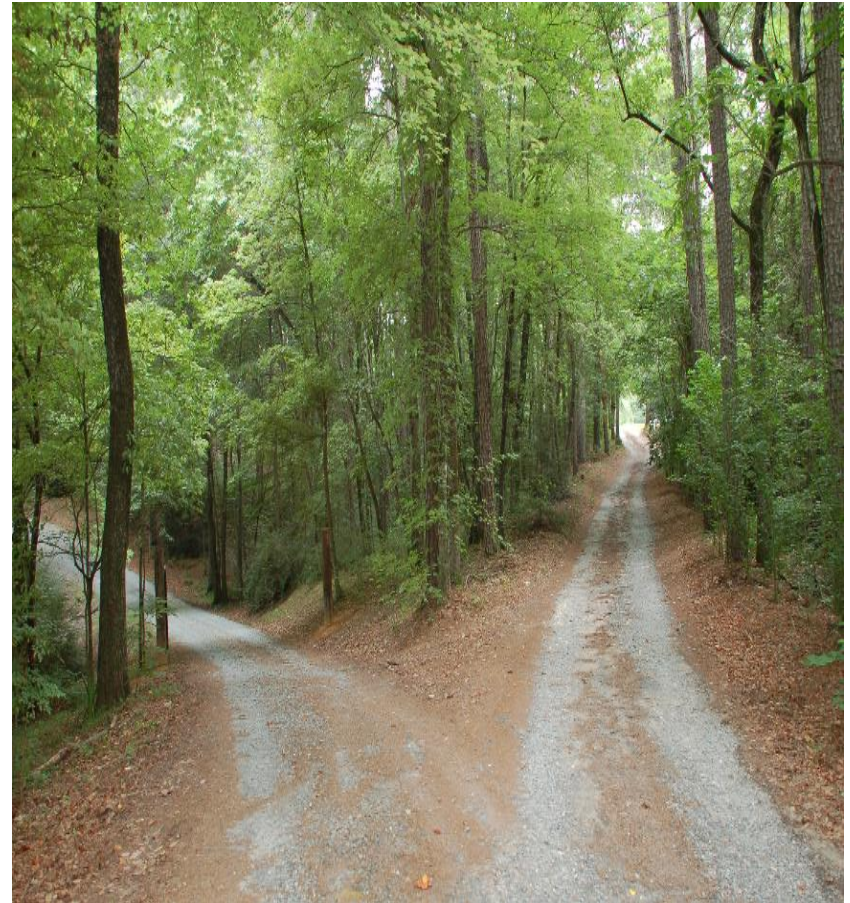
Workers' Compensation is based on *Compromise*



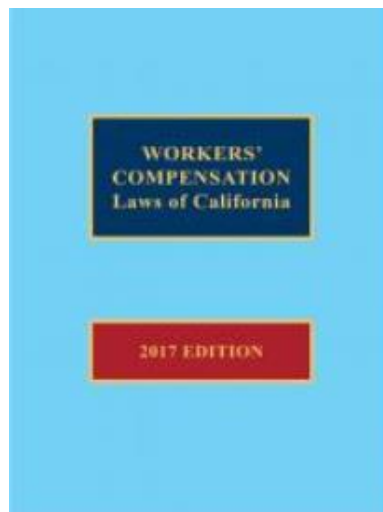
Meanwhile, in California...

High Costs Driven Primarily by:

- High Litigation
- High PD Claim Frequency
- High Medical Costs Later in the Life of the Claim
- Claims Reported Later and Stay Open Longer



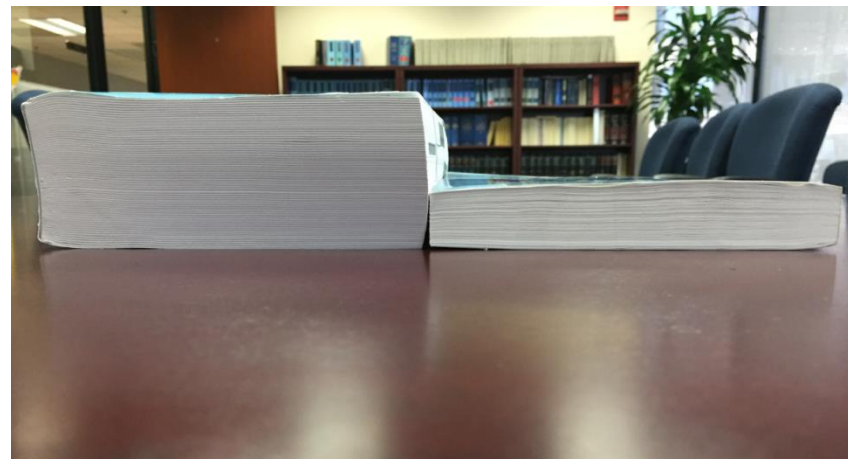
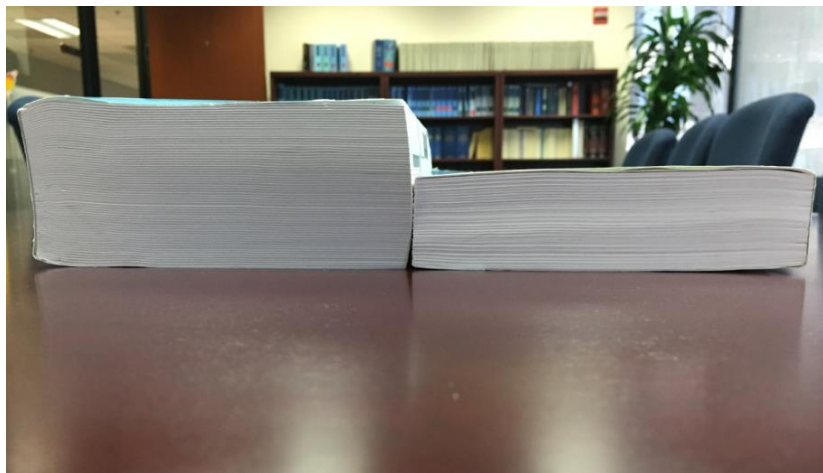
California Labor Code



What a Difference 10 Years Makes:

Current

1999



B

2003-2004 Reforms

Intent

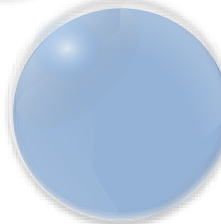
- Established Medical Provider Networks (“MPN”)
- Established Objective Guidelines for Permanent Disability.
- Apportionment: Employer Liable Only for Portion of Disability Directly Caused by Injury.
- Creation of “Panel Qualified Medical Evaluator”
- Limited Temporary Disability to Two Years
- Reduce Rates

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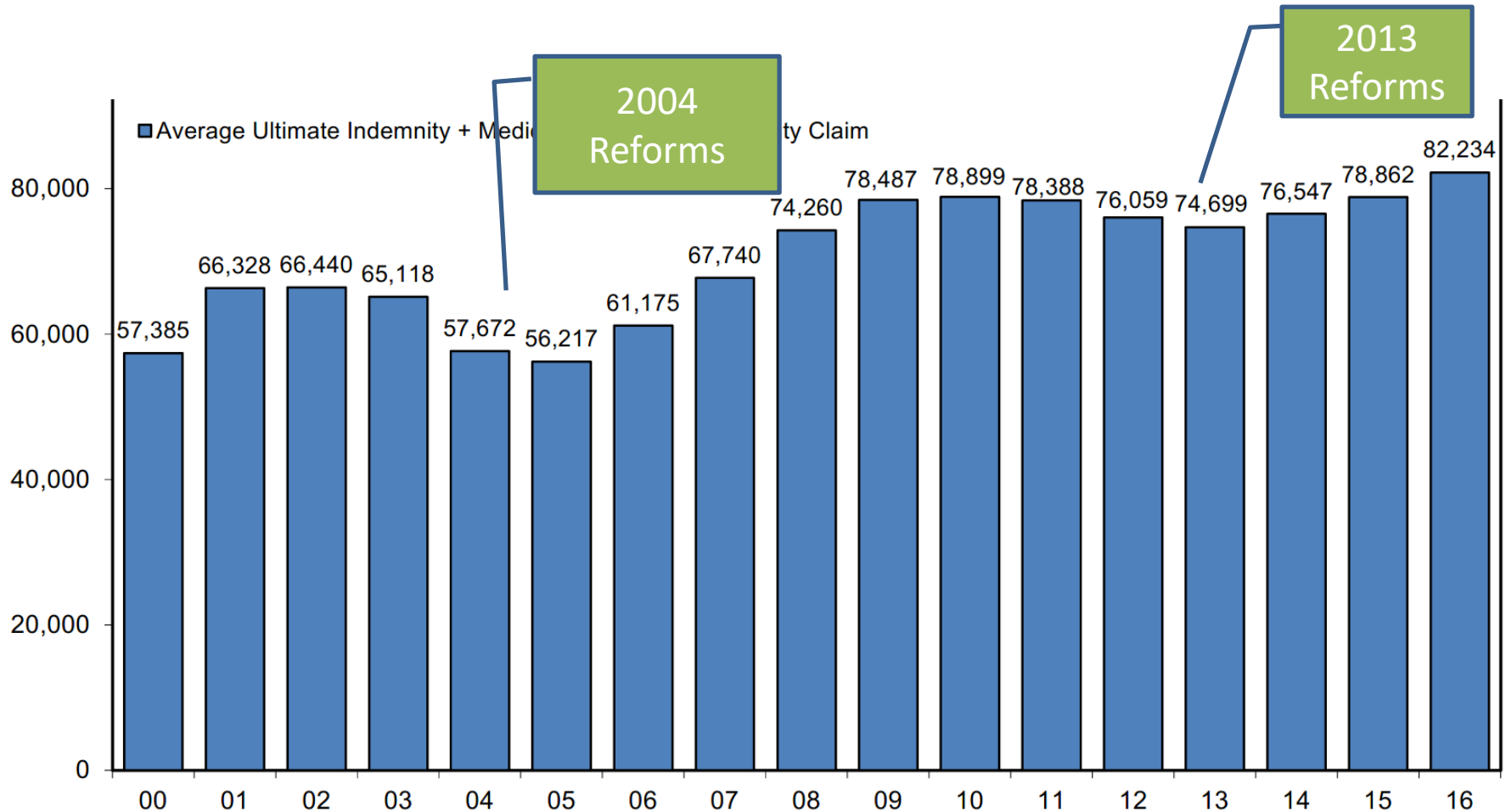
Why integrated and aligned services mean better outcomes for you



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Estimated Ultimate Losses Per Indemnity Claim including ALAE - Total Industry Results

After Declines During the Reform Years, Loss Costs Have Been Increasing...



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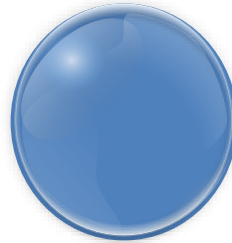
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Main Cost Drivers and Strategies to Address: *LITIGATION*



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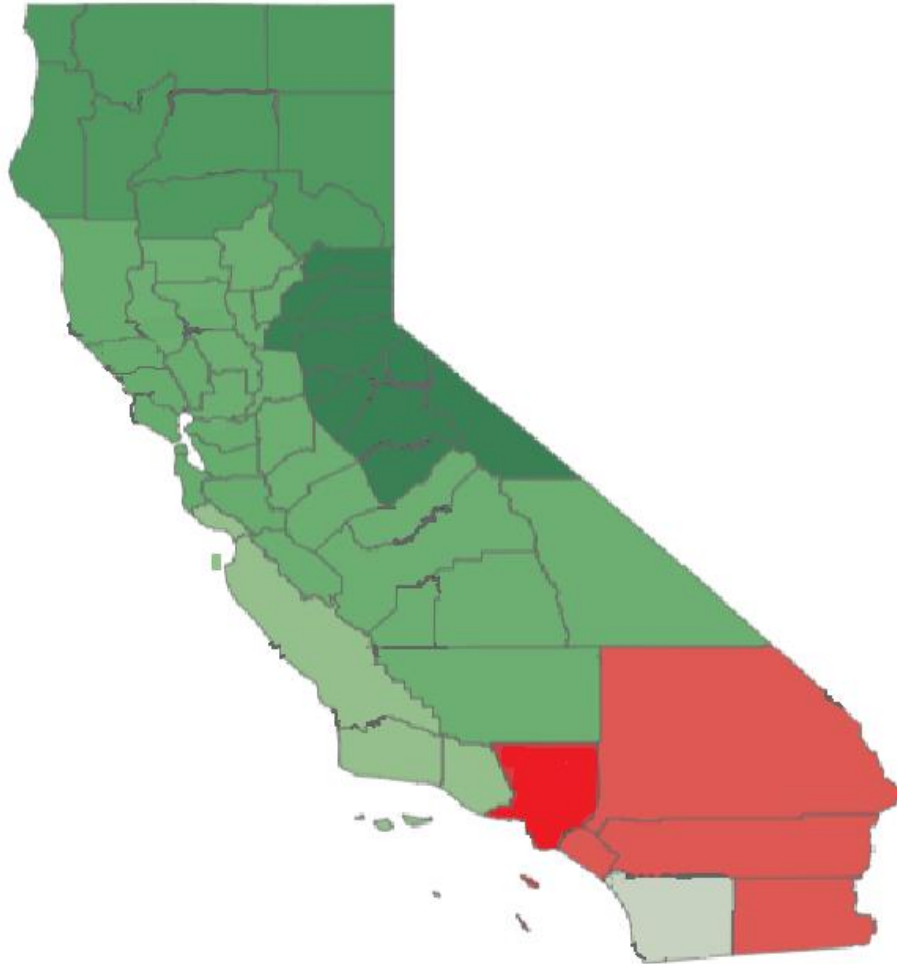


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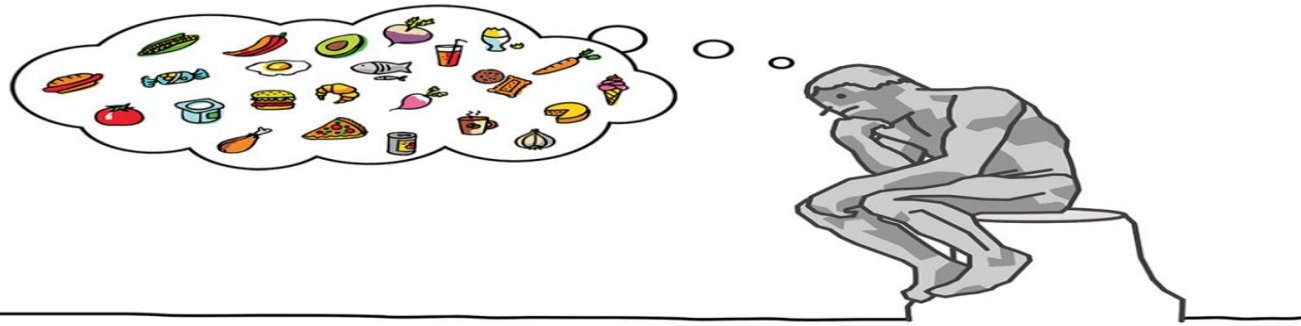
Litigation Heat Map

Have Attorneys Been Successful?



R

Source: CWCI Industry claim data



What Can You Do?

- The single most important indicator of litigation is: ***You!***
- Show your employees you care: Report claims quickly and take care of them.



Getting to Know Your Defense Counsel

Counsel Type

- In-house, or
- Outside Counsel

Payment

- Billable Hours, or
- Built-in

Staffings of Issues/Plans

- In-person, or
- Phone/Email

Cost-Effective,
Early-Resolution
Strategies

Workers' Compensation Appeals Board

Knowledge of Local Jurisdictions?

Southern California:

- 11 boards
- 95 judges

Northern California:

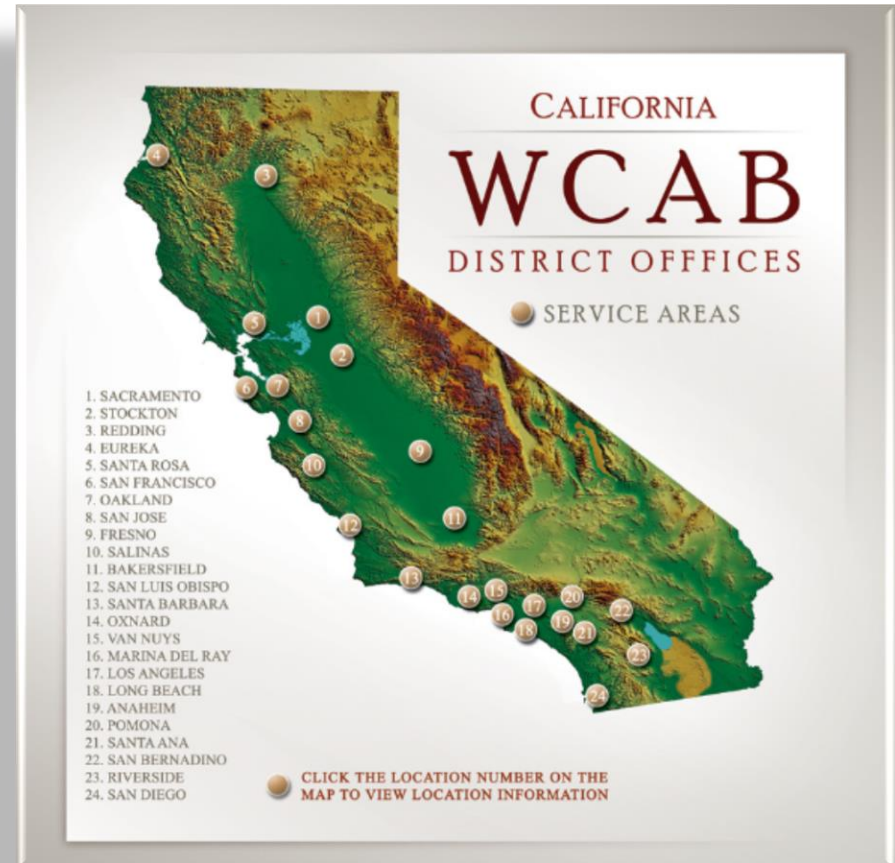
- 9 boards
- 45 judges

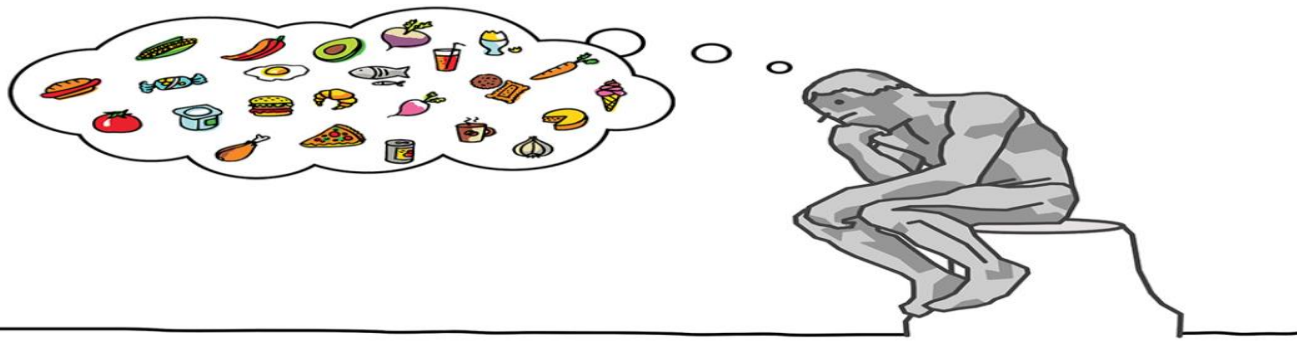
Central California:

- 3 boards
- 10 judges

San Diego:

- 1 board
- 4 judges





An Unintended Consequence: *Liens*

California's Commission on Health & Safety
and Worker's Compensation 2011 Study:

350,000 Liens Were Filed
in 2010

Claiming \$1.5 *Billion* in
Recovery

Costing an Average of
\$1,000 Per Lien to Handle



Ask a Prospective Carrier:

What is Their Stance on
Liens?

Are Multiple Strategies
Used?

Willing to go to Trial,
or Just Negotiate?

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Main Cost Drivers and Strategies to Address: *CUMULATIVE TRAUMA*



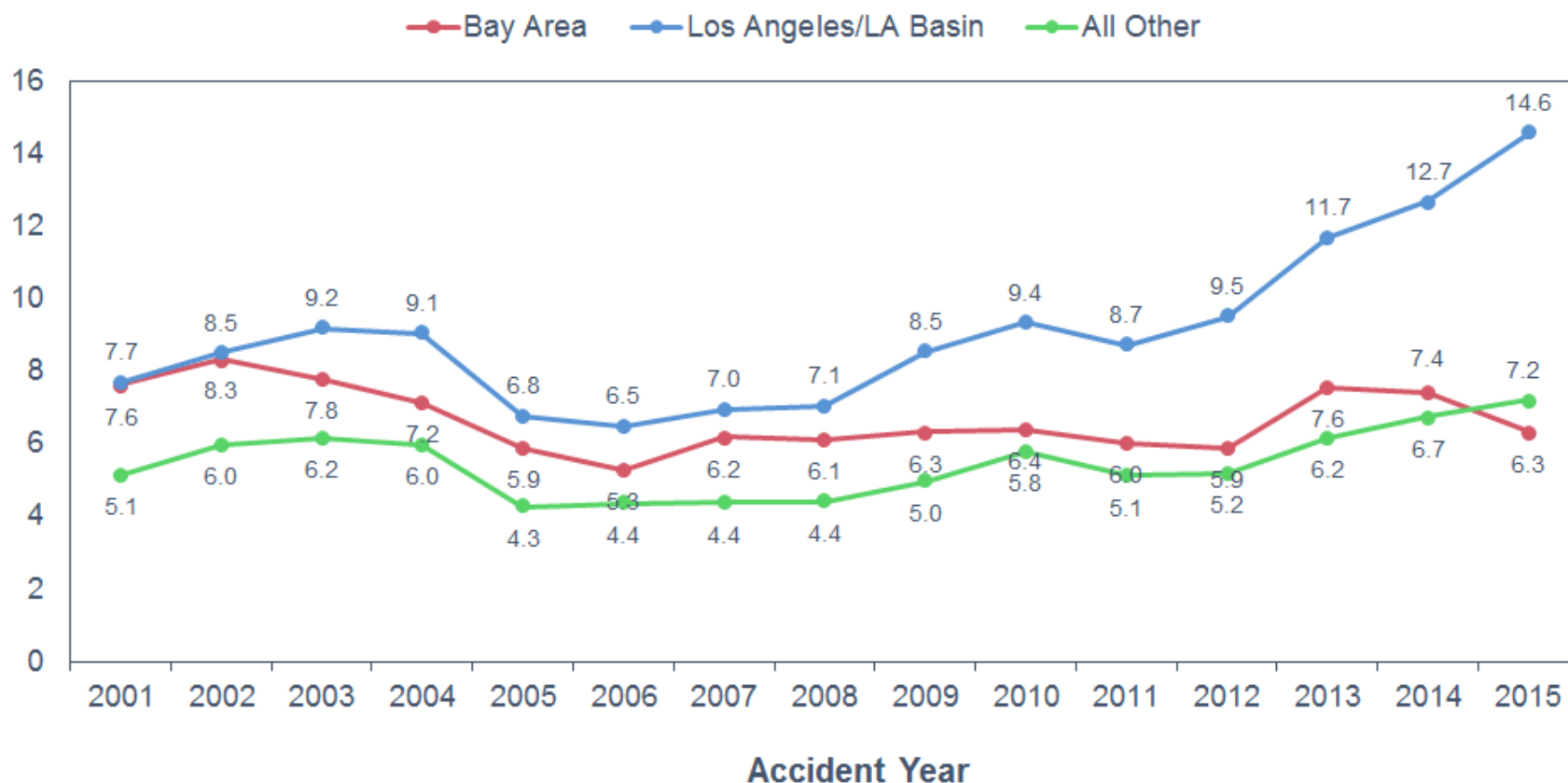
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Incidents of CT Claims Increasing Across the State

Cumulative Trauma Claims per 100 Indemnity Claims



B

Source: WCIRB unit statistical data at first report level. Regions are based on the zip code reported on the California workers' compensation policy for the employer. The 2013 information is based on preliminary data for a partial accident year.

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Claim Types – CT Injuries

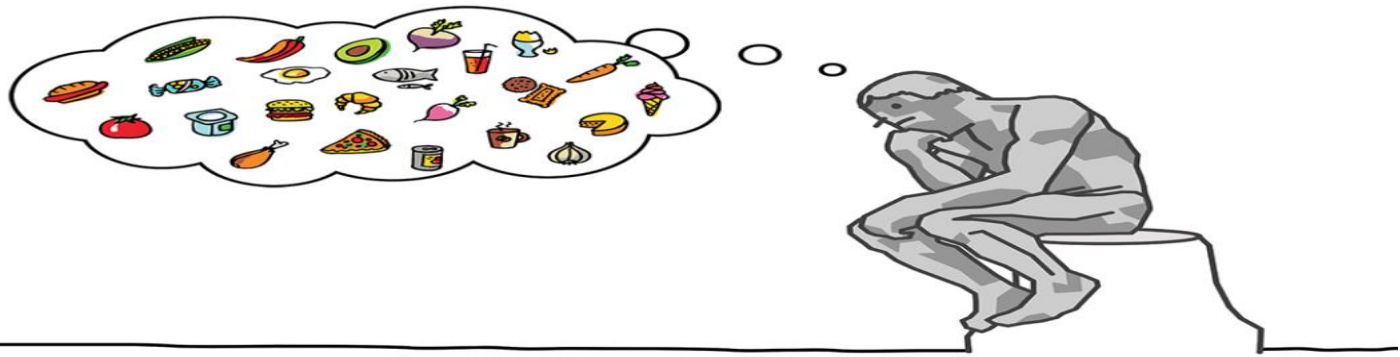
Types of CT's:

Post-termination

Long-term employee with physical job and comorbidities

Short-term employee

What Strategies Are Employed to Combat the Different Types of CT claims?



Strategies Should Be Flexible Based on the Situation:

- “Lay-Low”
- “Deny and Try”
- Aggressive Pursuit of Settlement
- Accept to Maintain Control

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Strategies to Meet These Challenges Head-on:

These Integrated & Aligned Services Help
You Get The Best Outcome:

Legal Expertise

Nursing Expertise

Board-Certified Medical Directors

Pharmaceutical Expertise

Translation Services

Field Adjusters

Medical Bill Review

Medical Provider Networks

Beware What Lies "Below The Surface"

Fees- \$2,721

"All In" Cost - \$6,000

Outside counsel fees – \$1,590
New and Reopen Fees - \$759
Supervision - \$500
Bill Review - \$418
Nurse Case Mgmt - \$304
Investigation - \$127
TPA Bonus - \$75
TPA Other Fees - \$135
UR - \$10

Total Expense = \$6,639

TPA Extra
Charges

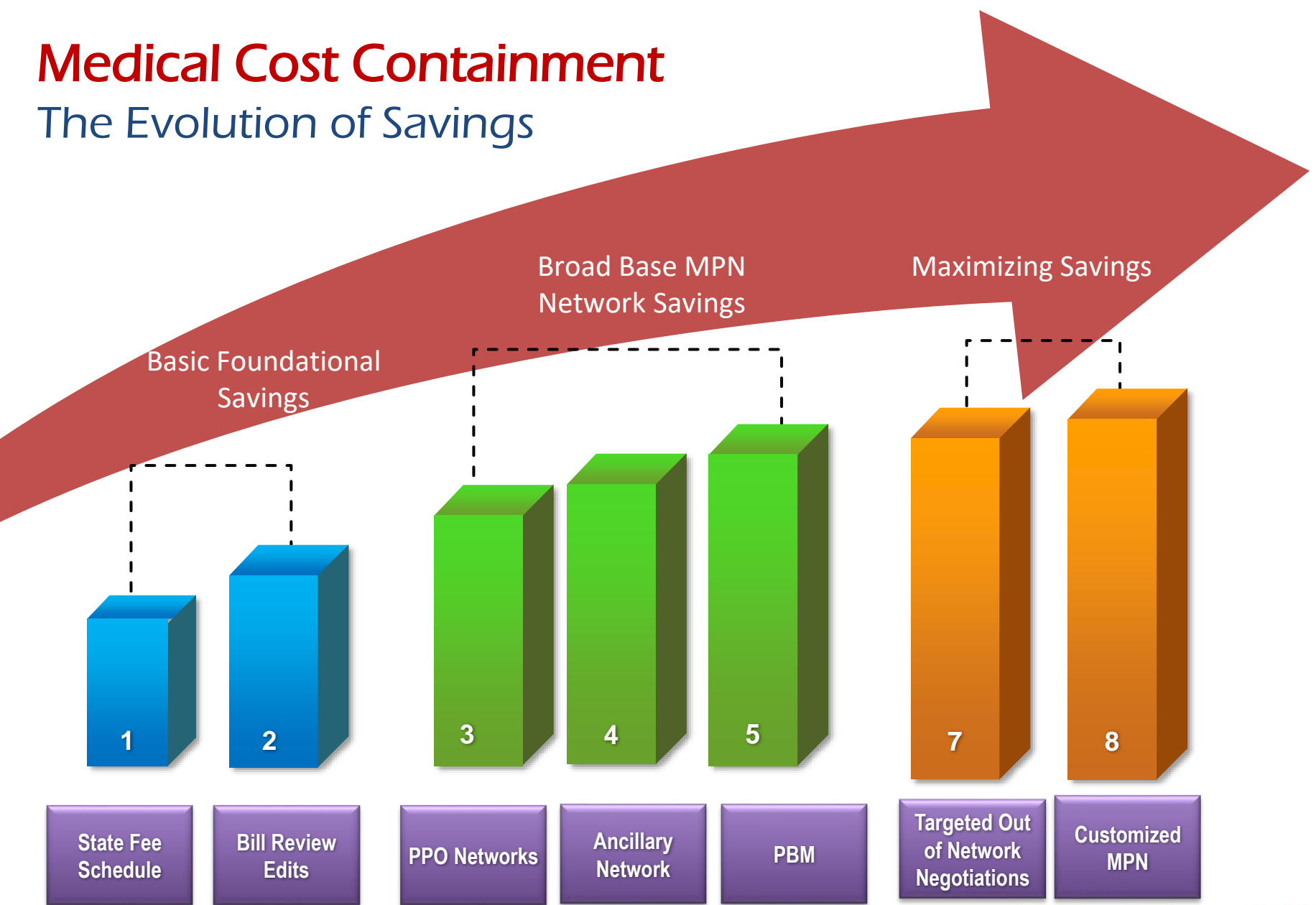
No hidden costs

In house UR
Medical Directors
In house Provider Mgmt
In-house attorneys
In House Bill Review
In house medical mgmt
Claims Management

Total Expense = \$6,000

Medical Cost Containment

The Evolution of Savings



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