Managing the Impossible

Today’s Speakers

• Kevin Fleming, CEO Paradigm Management Services
• Bob Briscoe, Principal Milliman Inc.
• Dr. Nathan Cope, CMO Paradigm Management Services
Paradigm is launching a new seminar series this year exploring a range of topics relevant to our clients.

Today: Managing the Impossible
Managing Traumatic Brain Injuries
Top Mistakes Managing CAT Claims
Protect Claims From Medical Cost Inflation
Economics of Large Dollar Claims
Self-Insured Claims Management
The Workers’ Compensation industry faces numerous business issues.

- **Steep accelerating rate of medical claim costs**

![Graph showing the trend of medical claim costs from 1991 to 2005.](image)
- **Higher severity, longer liability tails**
- **Unrelenting capital adequacy pressures**
- **Difficulty predicting catastrophic case reserves (“ladder up”)**

Source: NCCI; based on states where NCCI provides ratemaking services
Catastrophic cases drive disproportionate costs due to complexity.

Example: Simplified Lifetime Treatment Landscape for TBI

- Multiple treatments
- Multiple providers
- Multiple points of failure
- Increased costs

Diagram:
- Medical/Surgical
  - Acute Inpatient Rehabilitation
  - Sub-Acute Rehabilitation
- Residential Treatment
- Day Hospital
- Supported Living
- Vocational Services
- Community Support Groups
- Education Programs
- Neurobehavioral Therapy
- Outpatient Therapy
Efficient achievement of return to work is key to curtailing costs.

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Scientific studies repeatedly show the importance of securing and maintaining employment.

- Influences rehabilitation
- Direct correlation to expense
The Challenge

Defining Catastrophic Cases

- Intensive care/extended hospitalization
- Severe impact to body parts/systems
- Permanent ongoing health impacts
- Multiple complex surgeries
- Lengthy rehabilitation and/or retraining

Comparing Paradigm Cases to Like Industry Cases
Industry Findings

Looked at alone, industry performance was somewhat dismal.

- **Release to Return to Work**: 13%
- **Returned to Competitive Work**: 8%
- **Returned to Work Full Duty**: 1.5%

1. Based Milliman Inc. Workers’ Compensation industry claims data set of severe catastrophic cases
However, the matching Paradigm cases showed better medical outcomes.

1. Based on a independent comparison by Milliman, the nation’s leading actuarial and consulting firm, to their proprietary database of similar Workers’ Compensation claims. Release to Return to Work is determined by the attending physician (not Paradigm).
From a financial point of view, Paradigm delivers 36% lower total costs.

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What is wrong with the industry standard system of care?

No overarching “meta-intelligence” or planning

It is so much easier to do a penny-in-the-slot sort of practice, in which each symptom is at once met by its appropriate drug than to make a careful examination and really to study the case systematically.

– Sir William Osler, M.D., Johns Hopkins
THE IMPORTANCE OF POST-GRADUATE STUDY. LANCET 1900;2:73-5.
Medically, there are many likely reasons for the poor industry results.

**Five Key Breaks in the Chain of Care Delivery**

1. Inconsistent Fragmented Delivery & Missed Handoffs
2. Absence of Data to Determine Best Care Path & Outcomes
3. Few Evidence Based Care Standards & Existing Ones Not Followed
4. Lack of Expert Peer & Sub-Specialty Consultation
5. Problems & Risks Neglected (No Safety Nets)

Consequence: Errors greatly magnify acute and lifetime risks and costs.
Likewise there are a number of key reasons for Paradigm’s superior outcomes.

Systematic Care Management

- Integrated Data
- Expert Approach
- Long Term Planning
- Outcome Measures

Unique Guarantee

Outcome Guarantee
From a financial point of view, long-term medical is a key cost factor.

**Implications**

- Milliman data shows value of long-term medical – 65% of total industry costs
- Overall Paradigm costs are 36% lower; $39 MM of the $45 MM savings (86%) is from long-term medical
- Return on investment (ROI) of systematic care pays off!
Additionally, the financial impacts are felt well beyond case costs alone.
Conclusions

We hope you will join us for future webinars, and leave knowing the following.

- Medical costs continue to rise
- RTW is important to measure!
- Better outcomes and ROIs are possible
- Good news: you use Paradigm!