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Planning for What's Ahead in Catastrophic Care

Insights to help risk leaders align claims processes with the evolving needs of the most complex and costly workplace injuries.

From the Desk of
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Despite recent stability in the workers' compensation industry, today's turbulent business climate leaves risk managers with plenty to consider heading into 2026. While reduced claim frequency may have helped contain short-term costs, organizations still face significant headwinds—from rising medical expenses and talent shortages to vendor complexity and regulatory ambiguity.

These uncertainties become even more pronounced when planning for the most serious events. Although rare, a single catastrophic workplace injury can have a tremendous impact, both operationally and financially. This is especially true as catastrophic care grows more expensive and complex, driven by medical inflation, increased survivability, emerging technologies, and a broader range of recovery needs.

As you shape the next evolution of your claims strategy—and evaluate the resources, capabilities, and partnerships needed to support it—consider the following strategic inputs.

Catastrophic Care Is Getting More Expensive

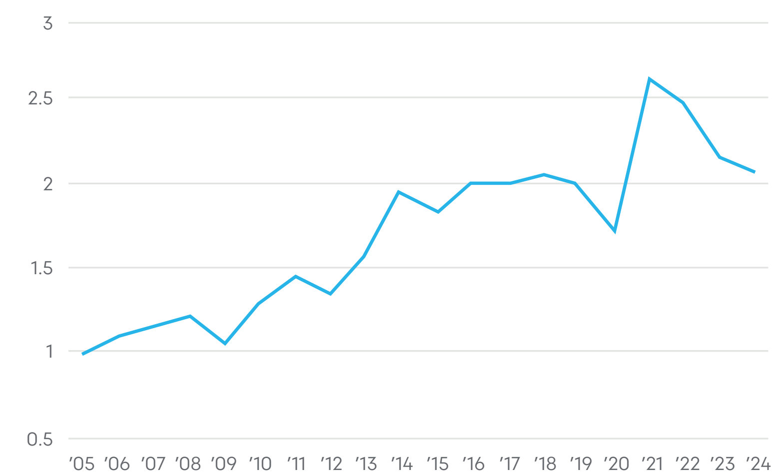
Since 2021, the top 20 high-cost claim diagnoses have seen a 38% increase in costs while the number of million-dollar claims rose by 61%.[1] It should come as no surprise that medical inflation, which continues to outpace general inflation, is a key contributor to this rise in medical spending. Supply chain disruptions, labor shortages, rising operational expenses, and increased development costs have put a strain on payers.

Another major cost driver that remains under-recognized—and for which many organizations are underprepared—is increased survivability. Thanks to rapid first responder actions, advanced trauma care, and medical innovation, seriously injured workers are surviving accidents that were once fatal and living longer than ever. This is unequivocally great news—but it also comes with an objective price tag. The costs associated with just a few weeks of catastrophic injury care can be significant, and lifetime medical expenses or settlements often escalate into the multi-millions. Yet, these investments are essential to enhancing the longevity, quality of life, and independence of injured workers.

These rising costs have first-dollar payers, excess carriers, and reinsurers increasingly concerned about the growing number of catastrophic claims breaching coverage layers. To navigate these challenges, organizations are turning to innovative solutions designed to manage both cost and complexity. These stakeholders benefit from the certainty and medical risk transfer offered by HERO Catastrophic® Outcome Plans, which provide a fixed cost and guaranteed outcome. With a track record of delivering superior outcomes, this model enables payers to expedite planning, accurately set reserves, and achieve early settlements.

Medical Costs Paid by Paradigm

The graph below illustrates the growth in average medical cost that Paradigm incurs for each Outcome Plan contract, normalized to a 2005 baseline. This trend highlights the increasing financial impact of medical inflation, rising care complexity, and improved survivability from more severe injuries.



More Complexity, Fewer Resources

Catastrophic workplace injuries typically require more than 100 medical and surgical encounters in the first year alone. This means a per-case average exceeding 60 medical providers, with the most complicated diagnoses like brain injuries often needing more. Managing this volume and complexity places significant strain on adjusters and diverts attention from other claims at a time when resources are more limited than ever.

According to a labor market study conducted by The Jacobson Group and Aon-Ward,[2] the demand for claims professionals in the property and casualty sector has reached the highest level in more than a decade. Ongoing hiring challenges and a shortage of specialized expertise in catastrophic claims—including your most experienced adjusters in the baby boomer generation retiring at a record pace—have raised serious concerns about the ability to deliver timely and effective interventions for the most severe injuries.

To promptly manage catastrophic injuries, our clients often rely on automated service instructions tailored to these complex cases. Paradigm can collaborate with you to create this guidance, helping your claims team activate the right care pathway utilizing Paradigm's proven model and team of condition-specific clinical experts. As carriers reimagine their forward-looking staffing models, Paradigm's deep bench of clinical experts can be your resource for expert coordination of complex cases that enables you to focus claims management resources where they're needed most.

Focus Area: Critical Care for Burn Injuries

Catastrophic burn injuries illustrate how cost, complexity, survivability, and emerging technologies converge to create uncertainty and demand increasingly specialized expertise. Thirty-eight percent (38%) of cases with a primary diagnosis of a burn injury have a medical spend of over $1 million, and 57% of injured workers with burns spend more than a month in an acute care hospital.[3]

Advances including surgical critical care, nutritional replacements, and novel skin grafting techniques have led to meaningful improvements in survivability rates. Specialized care management—delivered by a multidisciplinary team of surgeons, wound care experts, pain specialists, and behavioral health professionals—has also led to significantly improved long-term outcomes for burn survivors. Providing whole-person care and coordinating seamless transitions across care settings, while accurately managing costs, demands deep clinical expertise and a trusted network of providers with a proven track record.

Catastrophic Care Is Becoming More Advanced

Emerging medical technologies—from osseointegration to gene therapy—are expanding treatment possibilities in profound ways. Yet, they also present growing affordability challenges for payers.

Navigating these advances requires firsthand experience from clinical experts who can both account for them in the care plan while thoroughly planning for their cost and impact to recovery. HERO Catastrophic Outcome Plans leverage more than 1,200 specialized clinicians in our national network, including 60 board-certified physician specialists who are intricately involved in their field of practice. Whether preparing for the impact of GLP-1s or managing advanced burn treatments, our clients benefit from a partner with deep, condition-specific expertise.

Expanding Care: Addressing Psychosocial Needs

The workers' compensation sector is catching up to the effect of psychosocial factors on catastrophic injury recovery. Unaddressed mental health challenges, financial and housing instability, substance misuse, and related concerns affecting both the injured worker and their family can hinder recovery. For already stretched claims teams, this demands more time, more expertise, and more resources to proactively assess and address these critical risk factors.

Successfully broadening catastrophic care to include whole-person, whole-family support requires an established network of behavioral and clinical specialists who are equipped to promote positive psychosocial adjustment. Paradigm Outcome Plans integrate these needs into every step of the care journey, with behavioral health professionals providing support, coping strategies, and resources that help injured workers stay focused on recovery. With this approach, 87% of injured workers avoid the need for ongoing professional behavioral health services.[4]

Proven Expertise for Catastrophic Cases

With a flexible, consultative approach, Paradigm helps organizations navigate these challenges and address the unique needs of every catastrophic case. HERO Catastrophic Outcome Plans consistently create life-changing recoveries for injured workers and families, while ensuring long-term cost savings that limit catastrophic losses hitting excess coverage and reinsurance layers.

Connect with us to explore how Paradigm's experience from more than 20,000 catastrophic cases can help you prepare for what's ahead. We'll work together to deliver superior, durable outcomes for your most severe cases that are validated by a leading independent actuarial firm to achieve 32% lower lifetime medical costs and nearly six times higher return to gainful employment.

Learn more about how we provide certainty and lower lifetime medical costs for catastrophic cases.

paradigmcorp.com/catastrophic

Sources:
[1] Sun Life 2025 Report: High-cost claim and injectable drug trends analysis
[2] The Jacobson Group and Aon-Ward, 2024
[3] Paradigm catastrophic case data
[4] Paradigm case data when a psychosocial specialist is engaged, 2019-April 2025