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Using Internet Technology to Implement Best Practices

Robert Faulhaber

Everyone seems to agree that workers compensation has reached a crisis point but many disagree as to how the industry should resolve its challenges. In the quest for increased savings and improved results, some favor legislative reform; others say more training and education is needed; and yet another faction believes that increased management over third party administrators (TPAs) is the key.

No matter what the prescribed remedy, the main goal of workers compensation has always been to obtain the best, most appropriate medical care for injured workers at a reasonable cost and to return the employee back to work as soon as medically possible.

In the last three years, however, workers compensation costs have risen 50 percent,[1] driven in part by an average 125 percent increase in medical

costs per claim and a 23 percent increase in indemnity benefits.[2] Improving the efficiency of claims processing could save millions of dollars a year.

To turn the workers compensation situation around, risk managers are returning to long-established and well-tested best practices, but with a new twist. The Internet has been added as the "missing" technology piece — one that not only enhances best-practice results, but also improves cost containment, efficiency, and outcomes.

Regardless of whether an organization has a traditional insurance arrangement, retains a high level of risk, or self-insures its workers compensation program, sophisticated Internet tools and on-line access to information can be invaluable. This technology can help foster a culture of safety, ensure immediate response to injuries, and improve communication and collaboration between all parties involved in the workers compensation process.

The Role of Internet Technology

Today, workers compensation risk managers are being asked to do more with less. They must manage risk financing, establish safety and training programs, implement loss-control strategies, and determine the effectiveness of each risk management initiative.

To perform these functions more effectively, risk managers have begun to leverage Internet technology for its real-time connectivity benefits. For instance, on-line access to the right information can help risk managers identify exposures before they result in significant losses. Real-time connectivity improves communication and enhances the ability to share vital information among all the key stakeholders in the claims and risk management process. But to ensure they are leveraging the right tools, risk managers must first understand the various types of Internet systems available and the advantages of each.

Application Service Providers

Application Service Providers (ASPs) offer self-insured organizations access to state-of-the-art technology through remotely hosted applications. Instead of paying for software licenses, employers can "subscribe" to an application with costs often based on volume of business or for a set monthly fee. Because ASPs allow self-insured entities to reduce their information technology costs, they have gained favor among many organizations.

Browser-Based Software

Browser-based applications are specifically designed to run over the

Internet, and as the name suggests, require only a browser to operate. Middleware products, which are often necessary to link various programs, are not required for a browser-based system. A browser-based application is both a cost-effective and a secure Internet application model. Through standardized architecture like Java 2 Enterprise Edition (J2EE), these applications can be platform-independent, meaning they can run on Windows, UNIX, or any other operating system, and can be accessed from PCs, Macs, and personal digital assistants (PDAs).

Web Services

Web services are self-contained business functions that operate over the Internet. They are still new and many of the potential benefits and business uses are yet to be realized. Web services are important because they will enable systems in different organizations to interact with each other more easily than they do today. In the future, this technology will enhance communication, the exchange of information, and the speed of transaction processing.

Over the past few years, there has been a lot of hype about the Internet's potential to transform the claims and risk management process. Now, with browser-based technology, J2EE architecture, and Web services, these benefits are becoming a reality.

The Internet as a Vehicle to Support Best Practices

Insurance professionals have hardly been regarded as "early adapters" when it comes to technological advances. But as risk managers have seen how Internet technology has improved efficiency, workflow, and communication in other disciplines and industries, they have begun to accept and implement these tools in their own programs.

For instance, an immediate benefit of the Internet is the ability it affords organizations to work in a distributed environment. Today, employees, managers, and claims adjusters are often scattered throughout the country. Organizations require a level of connectivity and communication that makes it seem as if their team members are down the hall, not miles away. Browser-based technology provides a means for team members to work together via a common application no matter where they are located or what role they play.

Risk managers are also taking advantage of the easy and immediate access that the Internet provides to the information they need. Browser-based systems are designed to provide updates that are transparent or invisible to

the user – systems and data are automatically updated and maintained. Instead of having to access multiple applications or Web sites, users simply retrieve what they need from one convenient location. This saves an incredible amount of time, money, and hassle.

Many organizations have struggled with notifying the right people about urgent claims or losses. Now, using browser-based business rules, notifications occur through native Internet tools like e-mail or instant messaging systems or via wireless notification to a pager or cell phone.

Organizations that utilize Internet technology are finding that these systems are highly flexible and customizable to meet their unique risk management needs. One client's primary goal might be to improve standards of care; another client might want to reduce technology costs; still another might be aiming to increase efficiency. Truly "useful" browser-based technology is capable of meeting all these goals and fulfilling a broad range of other user needs as well.

Finally, Internet technology helps risk managers facilitate many workers compensation best practices. The following are a few best practices that technology can foster.

Gaining Efficiency

Efficiency gains are critical to any workers compensation claims operation. Today, many organizations process a high claims volume. Claims adjusters may handle an average caseload as high as 250 claims, exceeding best-practice recommendations of 150 claims per adjuster. Any efficiency gains achieved via browser-based technology can greatly assist in managing this workload. Today's Internet technology intuitively integrates many functions and capabilities. For instance, a claims system might incorporate e-mail, claims correspondence, and the latest generation of workers compensation forms, rather than relying on outside software programs to meet these needs. There are countless ways to increase efficiency, such as including an explanation of benefits on check stubs and having various electronic data interchange options to streamline information exchange with accounts payable, bill review, and human resources.

Reporting Claims Promptly

Studies have shown that if claims are reported quickly, this practice alone can result in significant cost savings. Foremost among the benefits of prompt reporting is the fact that workers receive immediate and appropriate care for their injuries. Many organizations have tried to adopt a strict policy

of prompt injury reporting, but paper-based, manual processes slow and often disrupt timely reporting. In addition, key data is sometimes missing or lost. If a long period of time passes before a claim is reported, this lapse can delay indemnity payments, hamper the investigation of the claim, and increase legal exposure. Today, Internet technology provides an effective infrastructure to make the injury-reporting process fast and simple. For instance, browser-based systems allow adjusters to enter claims information at any time from any location. The sooner claims are reported, the sooner they can be managed for optimal costs and care outcomes.

Avoiding Statutory Penalties

Another best practice in workers compensation is adhering to statutory guidelines in order to avoid penalties. Almost every step in the workers compensation process has a statutory timeline attached. If these timelines are not met, an organization faces stiff penalties. There may be hundreds of statutory timelines, depending on the nature and jurisdiction of the claim. Browser-based business rules can automatically track these timelines and notify adjusters and risk managers when deadlines are approaching and when specific actions must be taken. By utilizing browser-based technology, adherence to statutes becomes an efficient and streamlined process.

Verifying Claims Information

When a claim is first reported, accurate information is critical to effective claims handling. By employing Web services, tasks such as coverage confirmation, employment verification, and other validations are performed automatically in real time. Browser-based technology can carry out this verification process even if the policy and employee information is external to the claims handling organization.

Managing Return to Work

When an injured worker is able to stay at work or to return within a few weeks, the average cost of an injury can be less than $1000. However, when an injury extends beyond 30 days, there is an enormous capacity to increase costs, which could average as high as $50,000.[3] Managing return-to-work outcomes can significantly reduce costs, including both indemnity and medical expenses. Through pre-established browser-based business rules, nurse case managers can be immediately notified of new injuries and can promptly facilitate medical management. They can share information with

adjusters, ensuring a collaborative team effort to help the employee to obtain the best care and to get back to work safely.

Communicating With Front Line Managers

Front-line managers who are connected to the browser-based claims system can receive immediate notification of new injuries. This allows them to respond promptly and to facilitate return-to-work expectations onsite. Since they are literally on the front lines, they can ensure that injured employees follow medical instructions and adhere to work restrictions, thereby avoiding re-injury and additional claims activity.

Communicating With Medical Providers

Providers are also key to successful outcomes. Browser-based technology allows employers to provide physicians with detailed job descriptions and modified-duty options. This information can be shared with the treating physician to ensure that an objective determination is made regarding in what capacity an employee can return to work. These job descriptions allow providers to create an appropriate treatment program designed to return the employee back to normal duty with accommodations for any physical limitations that may exist.

Promoting Injury Prevention and Safety Protocols

Annual medical costs jumped 11.5 percent in 2001, and wage replacement costs rose roughly 6.6 percent annually from 1996 to 2001, according to NCCI.[4] With these inflation rates, the only sure way to effectively reduce costs is to prevent injuries from occurring in the first place. Risk managers are often tasked with building a safety culture and instituting programs to prevent injuries from occurring. To accomplish this, risk managers can utilize browser-based technology to generate real-time reports that pinpoint high-risk areas. For instance, a certain type of injury may commonly occur or a specific location may have a high volume of incidents. Risk managers can analyze this information to establish new policies, procedures, and training in an attempt to prevent injuries. For example, if back strains are identified as a common injury, employees may be asked to wear back braces on the job, or they may be trained in behaviors that can help reduce their injury rate. Through training, risk managers can help employees understand why safety guidelines exist, how injuries can potentially lead to severe, long-lasting, even permanent injuries, and how much it costs if injuries do occur.

Partnering With TPAs

Today's risk managers want to partner more closely with their TPAs and other vendors to ensure their dollars are being spent wisely. Browser-based software can be shared with TPAs, allowing risk managers to observe claims handling procedures, to oversee the efficiency of operations, and to carefully audit performance measures. Browser-based technology can track cost savings that a TPA can provide and determine where costs may be rising. These Internet systems allow risk managers to closely work with the TPA to achieve the best results.

Analyzing program results

Browser-based technology effectively captures and analyzes the claims data of a workers compensation program allowing an organization to assess the cost of its workers compensation program as a percentage of payroll or the cost of lost productivity per injured worker. These systems can also report claims-specific information, such as the number of workers compensation claims, the number of lost workdays, and the average cost and duration of a claim. By analyzing these statistics and comparing them to industry benchmarks, risk managers can begin to see the improvements brought about by employing best practices and the latest technology. Browser-based technology makes this information particularly easy to access via the Internet, and risk managers no longer need to rely on their claims department or TPA to access the data.

The Future of Internet Technology

The frequently disjointed workers compensation claims process provides countless opportunities to improve efficiency and outcomes. Risk managers who use browser-based technology can leverage a new information infrastructure to exchange data and services in ways that were previously nonexistent. Traditional labor-intensive, manual processes are being revolutionized through browsers on desktop and laptop computers. Organizations that do not leverage these systems will lose out on increased efficiency, cost-containment, and data-analysis capabilities.

Today, the quality of any risk management initiative depends almost entirely on risk managers receiving the "right" information to do their jobs effectively. The Internet is a powerful tool that enables information access and communication, keys to success in any workers compensation program.

Endnotes

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Robert Faulhaber is the president of Valley Oak Systems, Inc., a national provider of comprehensive claims administration and risk management systems headquartered in San Ramon, California. The company has been named to Inc. Magazine's list of the 500 fastest growing private companies two years in a row. Faulhaber can be contacted at rfaulhaber@valleyoak.com.

Valley Oak Systems, Inc.
5000 Executive Pkwy, Suite 340
San Ramon, CA 94583
Ph: 925-242-4600
Fx: 925-901-1020
www.valleyoak.com