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# Catholic Healthcare West Aims to Reduce Workers' Comp Costs

## A Case Study

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Catholic Healthcare West (CHW) is the largest not-for-profit health care provider in California and the largest Catholic hospital system in the western part of the United States. It has 41 hospitals, which span a service area encompassing parts of Arizona, Nevada and most of California.

As a large employer in the healthcare industry, CHW has recently been challenged, like many organizations, to control its workers' compensation costs. For a non-profit organization like CHW, workers' comp costs and losses come right off their bottom line, and can take funds away from their core mission to improve the health and safety of patients.

For a century and a half, CHW has carried out a tradition of compassionate, high-quality affordable health services. The organization has been incredibly good at providing outstanding patient service and satisfaction, and realized it also needed to provide these same services to its own injured employees.

### **The Workers' Comp Crisis**

Nationwide, workers' compensation costs have risen dramatically, driven in part by an 11.5 percent increase in medical costs and a 6.6 percent increase in indemnity (wage replacement) costs. Other challenges in the industry include increased utilization of services and unregulated outpatient and pharmacy care. To avoid high premiums and to have more control over costs, many organizations have chosen to self-insure their workers' comp programs.

Catholic Healthcare West is one of these organizations. They have been self-insured for workers' compensation since the early 1980s. With the mounting workers' comp crisis, many factors worked against the organization's basic objective to control costs and improve results.

As Director of the Workers' Compensation Program, Barbara Pelletreau oversees the CHW workers' comp program, directs each facility on risk management best-practices, and manages the overall performance of their third-party administrator (TPA).

“Right at the closing of last year, there was a huge increase in workers’ comp costs, which got everyone’s attention. As a result, our president made it a primary objective to bring these costs under control. In order to achieve this, we first needed to re-evaluate our current processes, technology, and objectives, and create significant cultural change throughout our organization,” said Barbara Pelletreau.

“Although the increase in costs drove this intense organizational focus on workers’ compensation, ultimately it is a ‘win-win’ situation for both the employees and the hospitals. By agreeing on a common goal – working safely to remain injury free – personally benefits employees, and at the same time, delivers financially favorable results to the employer,” said Pelletreau.

### **Surveying Coordinator Needs and Establishing Business Objectives**

With over 10 years of experience in workers’ compensation, Pelletreau started at CHW in January 2003. Her first project was to evaluate the organization’s business needs and establish clear goals for the workers’ comp program.

Pelletreau worked with two main groups: the workers’ comp risk managers, who are called workers’ comp coordinators and are located at each healthcare facility; and the claims administrators at the third-party administrator (TPA).

“We believed that the key to success was to ask the workers’ comp coordinators what they needed to manage risks and control claims costs at their respective facilities,” said Pelletreau. To obtain this information, Pelletreau surveyed the coordinators, asking questions like: What can we do to help you? What do you want to see in the future?

With this feedback, Pelletreau was able to define clear objectives for CHW’s workers’ comp program:

- 1) Reduce the frequency of workplace injuries at each facility
- 2) Control medical costs, so it would grow only at the current rate of medical inflation
- 3) Reduce loss days, which would have a direct effect on indemnity costs
- 4) Properly realign and re-evaluate technology to help meet business objectives

### **Training and Education to Prevent Injuries and Create Cultural Change**

CHW realized if they wanted to significantly reduce workers’ comp costs, the only sure way was to prevent injuries from occurring in the first place. If employees didn’t get hurt, this action alone would be a strong cost-saving initiative. Creating an injury-free culture was a primary organizational goal. As such, the workers’ comp coordinators at each facility were tasked with bringing about a cultural change toward safety and injury prevention.

“The coordinators acted as a kind of ‘Norma Ray’ character, helping employees and management to see how their behaviors and habits could bring about change in our workers’ comp costs. Some of the coordinators were doing this job well, while others were having challenges in establishing the vision. As a result, the president of each facility also played a role in driving cultural change,” said Pelletreau.

“We had lift equipment, but utilizing this equipment was not part of our culture. Typical behavior was still geared toward the old way of doing things. Now, with proper training and education, we are getting more nurses to understand why this equipment exists; how injuries could lead to severe, long-lasting, even permanent injuries, and how their behavior and establishment of safe habits can reduce the likelihood of injury,” said Pelletreau.

### **Controlling Medical Costs**

To reduce the medical costs associated with workers’ comp claims, CHW employed strict medical management through two key tactics, partnering with nurse case managers and selecting the most appropriate treating physician.

“We provided our nurse case managers with access to our Valley Oak claims management system, which allowed all parties to view current treatment protocols and disability guidelines. This provided hard savings of \$304,772 in the first seven months,” said Pelletreau. The Valley Oak claims system helped to facilitate communication between nurse case managers and claims adjusters, ensuring vital information was shared in real-time, regarding reasonable and appropriate treatment.

The other critical component for effective medical management was selecting the appropriate initial treating physician. Quality physicians who understand workers’ compensation requirements are essential for cost management. “CHW has many quality physicians, but we wanted to designate the medical providers best-equipped to respond to our injured workers. In some cases, it was an emergency room, and in other cases, it was an occupational injury treatment center or an urgent care center,” said Pelletreau.

### **Reducing Unnecessary Loss Time**

It typically costs more than \$100 a day for an employee to be out on a work-related injury. As a result, CHW wanted to tightly manage the return-to-work process. Providers were trained on return-to-work protocols and transitional work assignments, which allowed employees to heal while maintaining a productive work life.

“When an injured worker cannot immediately return to full duty, the person is given a transitional assignment. A diary entry is automatically triggered in the Valley Oak claims system, so the workers’ comp coordinator can closely manage the process, making sure transitional assignments are strictly adhered to in order to avoid aggravated injuries,” said Pelletreau.

For instance, a transcriptionist who may have sustained a soft tissue injury, like tendonitis, may be assigned transitional work of 4 hours a day, or 8 hours with 15 minute breaks every hour. The return-to-work screen in the Valley Oak claims system has become a major component for CHW. Coordinators run reports from this module to see what percentage of employees have returned to work, and whether it was to full or modified duty.

“This allows us to see how long it takes to recover, where and when people are injured, and how many days they’re missing. By performing this type of detailed analysis, our coordinators have seen how much they have saved. By focusing on injury prevention, CHW has decreased indemnity claims by 15 percent, for an estimated \$7 million in savings” said Pelletreau.

### **Properly Align Technology with Business Objectives**

Pelletreau also re-evaluated their current technology and determined how technology could be re-aligned to better serve the organization’s business objectives. She had received resounding feedback that the worker’s comp risk managers needed more training on how to maximize the benefits of their claims management software. There were several critical issues that her group needed to address on a systems level:

- **Effective risk management reports.** Workers’ comp risk managers wanted more information on cost drivers. System training and reconfigurations enabled risk managers to run reports and determine cost drivers all the way down to the individual claims.
- **Analyzing injuries.** Valley Oak Systems worked with CHW to configure the software, so it could provide meaningful injury analysis, including improved coding and reporting. Having information a “click away” allowed CHW to direct their resources to program management, not data management.
- **An electronic audit process.** With the intuitiveness of the Valley Oak claims system, CHW performed an online claims review and audit. This allowed valuable claims resources to maintain focus on proper claims handling and not engage in a time-consuming written claims review.
- **OSHA reporting.** Another simple system reconfiguration that saved CHW valuable time and resources was automating OSHA reporting. CHW avoided double data entry, and allowed the workers’ comp coordinators to re-direct more of their time toward program management.
- **Leveraging business rules.** CHW also took advantage of the Valley Oak business rules to set up automated alerts and notifications. Coordinators could then be notified when a new claim required their attention, when a claim experienced significant reserve changes, when potential fraudulent activity

needed further investigation, or when a claim might result in litigation. Such alerts helped the coordinators to manage claims effectively and efficiently.

“Valley Oak was a good partner, helping us to re-align the claims system to meet our specific business needs and objectives. If we wanted to make changes in one area, they helped us understand what the total effects would be and how we could minimize the impact on specific areas like security and maintenance,” said Pelletreau.

### **Summary of Program Improvements**

By using technology, CHW was able to realize their primary business objectives. The following statistics summarize the measurable benefits they reaped by aligning technology to support their workers’ comp objectives and best practices:

- **Reduced injuries:** The organization decreased lost-time claims per 100 payroll full-time equivalent (PFTE) employees by 41 percent.
- **Reduced costs:** Internet technology helped to drive upfront claims management, so the organization was able to:
  - Decrease total disability costs per 100 PFTE by 31 percent.
  - Reduce indemnity claims by 15 percent.
  - Achieve hard dollar savings of \$304,772 in seven months by working with nurse case managers.
- **Improve the efficiency of the claims process:** Effective claims management can only be achieved with prompt reporting and effective communication. Internet systems helped to:
  - Improve initial contact on claims from 60 to 92 percent of the time
  - Increase timely reporting of injuries from 40 to 86 percent of injuries reported within the first 5 days of an employer’s knowledge of the incident

These results show that technology is an effective tool in achieving measurable improvements that over time justify the investment in these systems. In addition to these hard dollar savings, there are also numerous other “soft” savings in the form of increased efficiency and more effective use of human resources. Obviously, high-tech solutions alone are not the answer. More than any other industry, workers’ comp must balance the efficiencies technology can bring to complement human intelligence and professional experience.

### **Bringing Claims Management to a Browser-based Environment**

“As we move forward, we’re looking at how Valley Oak’s software will enable us to deliver even better results and service. This is a key reason why we’re moving to iVOS®. This browser-based version of the Valley Oak claims system will streamline many of the inherent infrastructure, maintenance and security issues we’ve experienced in the past,” said Pelletreau.

With the continued challenges in the workers' compensation industry, partnering with Valley Oak has allowed CHW to fully leverage technology. With the continued challenges in the workers' compensation industry, Pelletreau and many other risk managers are leveraging technology to improve the performance of their workers' comp programs. Sophisticated capabilities has been central to providing CHW risk managers with the information they need to properly oversee claims administration, improve communication and collaboration with medical providers, and monitor the outcomes of program interventions.

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**About Valley Oak Systems, Inc.**

Valley Oak Systems, Inc. is a privately held corporation with headquarters in San Ramon, California. Founded in 1994, Valley Oak Systems has relied on the industry experience of its founders to provide high-quality, cost effective solutions for the claims administration industry. Its flagship product iVOS<sup>®</sup> is the leading browser-based, "one-system" solution that integrates claims management with bill review capabilities for multiple lines of insurance. Valley Oak Systems is dedicated to providing the highest quality software, services, and support to enable their clients to meet their goals. Valley Oak has been named for the second year in a row to the Inc. Magazine's list of the 500 fastest growing private companies, ranked #231 in 2003 and growing 738% in the last five years. For more information, go to [www.valleyoak.com](http://www.valleyoak.com), or call (925) 242-4600.

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