



IWIF is On Guard in Reducing Workers' Comp Medical Costs

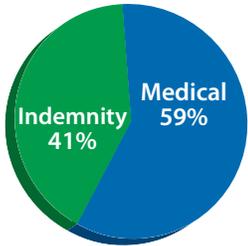
Maryland's injured workers are fortunate to have access to some of the best medical care in the world. But the cost of medical care in workers' compensation continues to increase nationally and in Maryland. These growing medical claims costs ultimately affect the rates Maryland businesses pay for workers' compensation. In 2005, the average medical cost per IWIF lost-time claim was \$4,254 and in 2010 it had increased 21% to \$5,368 for a total of \$82 million in medical costs. Without IWIF's commitment to controlling escalating medical costs over the years, these costs would be higher.

We know the factors that are driving these costs: medical inflation, changing definition of work-related injuries,

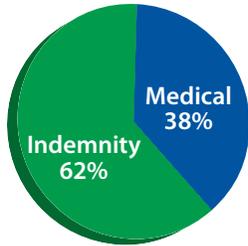
advanced medical procedures and technology, limited control of treatment utilization and increasing prescription costs including physician prescribing, selling and then dispensing drugs right from their offices.

You should also know that as your insurance partner, we are committed to instituting a number of effective medical cost containment measures. The most important is IWIF's total claims management expertise by our claims adjusters, nurse case managers and medical bill review team in providing timely service and treatment monitoring for each claim.

Another effective tool is our alliance with our Preferred Provider Organization. This is a state-wide network of doctors committed to improved outcomes and to following the Maryland Medical Fee Guide for the care of injured workers. Visit IWIF.com under "I am an Employer – Find a Doctor" to search for a medical provider in your area.



U.S. 2010 Claims Costs
NCCI States



IWIF 2010 Claims Costs

Employers:

You and your supervisors can take an active role with helping to control workers' comp claims' medical costs

1. Report all injuries promptly to IWIF.

Studies show the longer the delay in reporting an injury, the more costly the injury claim.

2. Pre-select a local medical provider from the OneNet physician's directory to recommend to your injured worker for medical care.

REMINDER: Maryland state law gives injured workers the right to seek medical treatment from any doctor they choose. We cannot direct medical care, but we can help recommend a local medical provider. Hospitals charge more than local medical clinics and providers.

3. Implement an Effective Return-to-Work Program.

The sooner an injured employee is medically able to return to transitional duty, the better. The goal is to reduce lost-time injury claims. As your lost-time days go down, so will all of the other associated workers' comp costs, especially medical. Employees seeking to avoid return to work will often use excessive doctor's visits and treatment in order to accomplish their objective of staying off the job.

4. Stay involved with the claim.

Keep the lines of communication open with your claims adjuster and injured worker.



Workers' Comp Medical Issue Snapshots

IWIF has implemented an array of claims medical cost containment measures:

1. Preferred Provider Organization (PPO): IWIF has an alliance with the One Net PPO. Medical bills received by IWIF are forwarded for re-pricing based upon fees doctors contractually agreed to receive. In 2010, IWIF savings were more than \$3.5 million.

2. Medical Bill Screening Vendor: This service is a re-pricing software program that IWIF uses to screen all medical bills that go to the PPO. This process is able to get us further savings by checking bills for CPT code unbundling, applying other states' fee schedules to out-of-state bills, and making sure correct procedure codes are used. This additional level of screening helped to save IWIF \$1.7 million in 2010.

3. Prescription Pain Management Program: IWIF has a team of nurses who review claimants' pain management programs for appropriateness. The largest area of focus is on the claimant's use of narcotics. Narcotic prescription costs for claimants now account for 43% of IWIF's total Rx costs. IWIF's nursing teams have developed relationships with Maryland area pain management doctors in using evidence-based treatment guidelines for chronic pain management. This program identifies appropriate and inappropriate drug use and brings attention to such issues as non-compliance. In 2011, this monitoring program has led to \$1.5 million in savings for IWIF.

4. Pre-certification of Major Medical Procedures: IWIF's claims and nursing teams monitor all requests for major medical procedures/surgeries and hospital admissions. They apply national, evidence-based treatment guidelines to the authorization process to ensure treatment is appropriate and indicated. This is a quality and cost containment effort that ensures injured workers receive appropriate treatment.

5. In-patient Hospital or Facility Stay Monitoring Program: The case of each claimant who stays overnight in a hospital or facility is reviewed for appropriate length of stay. Our Medical Pre-certification unit reviews each admission and coordinates medical services in the home to avoid extended stays. Cost savings for 2010 was more than \$400,000.

6. Hospital and Medical Provider Negotiated Savings: IWIF pays the majority of medical treatment bills within 14 days of receipt, and receives a discount for prompt payment from many medical providers and hospitals.

7. Physicians Advisory Council: IWIF's Executive team, Claims and nursing representatives meet twice a year with selected physicians to have an open discussion on new medical issues and changes in workers' compensation. This exchange of information has improved the appropriateness of medical services provided to IWIF's injured workers.

Maryland's Medical Fee Guide for Workers' Compensation is the first line of defense in controlling medical fees charged by medical providers (not Maryland hospitals). In the state of Maryland, the HSCRC (Health Services Cost Review Commission) regulates hospital charges.

Examples of expensive medical procedures and treatment the Maryland Workers' Compensation Commission has ordered for injured workers that may not have been ordered 10 years ago:

- Heart surgery
- Gastric bypass surgery
- Drug detox treatment

What is unbundling of CPT codes?

A physician records the medical treatment services he or she provides a patient using Current Procedural Terminology (CPT) codes. Each treatment has its own code. Some treatments are bundled together under one code (For example, a group of 14 blood lab tests for \$240), but in some instances those 14 lab tests can also be broken out and billed separately, say, at \$20 each x 14, which would be billed at \$280. The unbundling of certain treatments is an error that IWIF's medical bill screening vendor looks for to correctly re-bundle the procedures and pay the lower cost.