

# MANAGEMENT SAFETY NEWSLETTER

SELF INSURED WORKER'S COMPENSATION FUND MEMBERS

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## Predictive Analytics : Looking Into the Future to Control Your Workers' Comp Costs

Leading Self-Insured Groups (SIGs) are finally embracing "BIG DATA" trends and initiatives are underway to focus the power of machine learning on the claims and underwriting operations of SIGs. Advanced analytics and predictive modeling are helping SIGs improve loss ratios, enhance dividends and improve their market position.

### Underwriting

For years, underwriters tended to rely on gut and intuition versus analytics in evaluating prospects. This was referred to by a speaker as the "Magic 8-Ball" approach because there was no science behind the decisions that were made.

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MAAS Fund seeks loss data for trending & analytics

To start using analytics in the underwriting process, you have to be committed to it and willing to determine price based on the model. One of the speakers who runs a large SIG indicated that, when they started utilizing the analytics underwriting model, they lost over 150 accounts with over \$8 million in premiums. However, as a result of this action, they have significantly improved their profitability because the accounts they lost were draining resources from the profitable accounts. The analytics models for underwriting can also be extremely useful in focusing loss control efforts on the accounts in most need for such services. Another useful piece of this on the underwriting side is identifying your profitable business that is overpriced and ripe for significant competition.

### Claims

On the claims side, these analytics can assist in identifying claims that have the potential for adverse development. Data can be used to determine if intervention is needed to handle these claims differently so that better outcomes can be achieved. Many companies feel that they lack sufficient data for such analytics, however, studies have shown that most employers, carriers and TPAs are only using about 15% of the total data that they have access to when it comes to analyzing claims. In addition, the detailed treatment codes and the diagnosis codes in the medical bills contain a significant amount of data that is extremely useful for analysis. Analytics can also be used to adjust case loads for those handling more complex claims to better focus the efforts of nurse case managers.

# Workers' Compensation and the Aging Workforce

The aging workforce is a top concern among public entity risk managers. Over the past decade, employees 45-years old and over have increased by 40% and make up 44% of the workforce. Age 65 is no longer the typical retirement age. Employees are delaying retirement due to economics, including the need for medical benefits and sufficient resources to retire. As a result, the impact to employers has been drastic.



## Impact on Workers' Compensation Costs

Data reveals that there is a significant claims cost difference for older workers. In fact, the average claim cost was 73% higher for employees that are over 45-years old. Other trends include:

- Older workers have fewer accidents, but injuries tend to be more severe.
- Recovery time may be prolonged – an average of 13 days longer.
- Chronic pre-existing conditions can make treatment more complex, therefore
- Accident severity increases as related to the aging process compounded by pre-existing health conditions.

## 8 Strategies to Achieve Improved Workers' Compensation Outcomes

Employers now have to create a workforce that is more age friendly, take a more proactive approach to claims management and promote health and wellness to employees. The following strategies to help improve outcomes:

1. Be specific on the medical conditions being accepted.
2. Facilitate an aggressive integrated transitional duty program.
3. Make investments in the infrastructure of an effective disability management program.
4. Facilitate accurate investigations of workplace injuries.
5. Don't assume or allow assumptions.
6. Ensure that the claims administrator is focusing on claims that are likely to develop into worse claims.
7. Don't let doctors be lawyers and lawyers be doctors.
8. Coordinate claims strategies for all disability programs.

### Management Articles

- Aging Workforce
- Predictive Analytics

### EMS Staff Articles

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