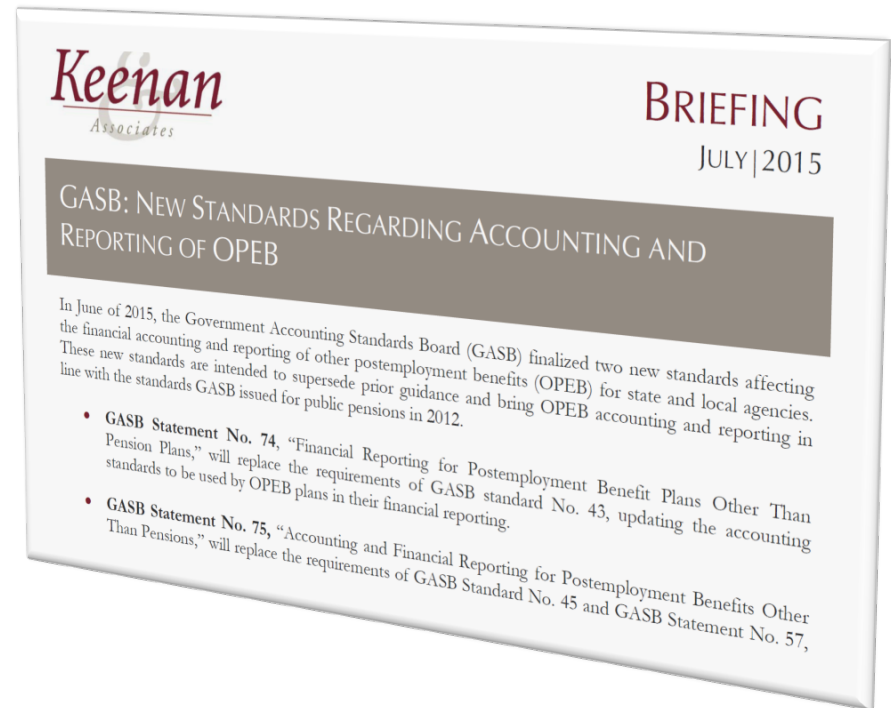


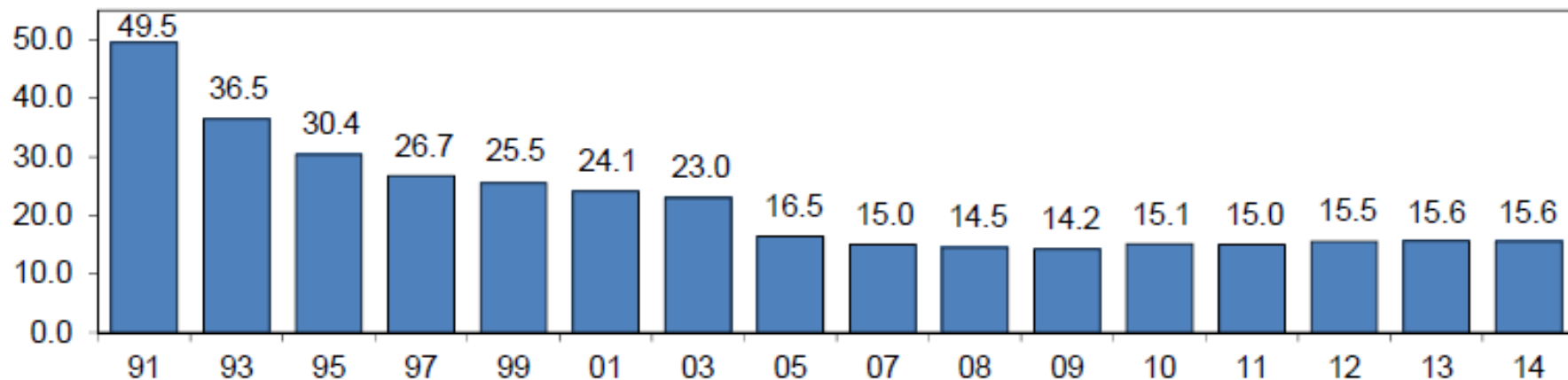
# If all public agencies provide Health & Welfare benefits and all employees are covered by Workers Compensation...

- Why do current (and long term WC Tail and OPEB) costs continue to escalate?
- As workforces age, how can we proactively implement global strategies to reduce these costs?



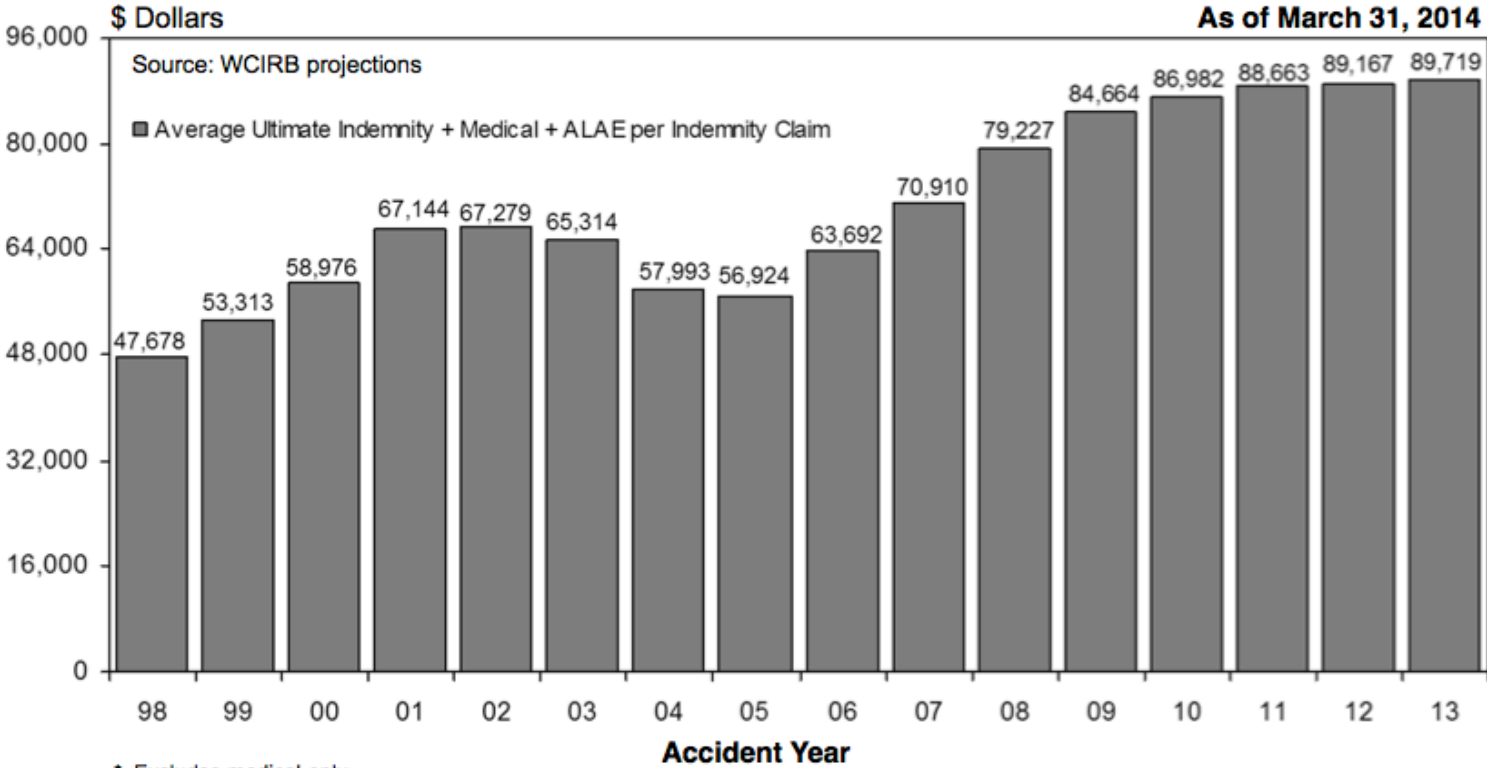
# Cost Drivers

## Estimated Indemnity Claims per 1,000 Employees by Accident Year



Source: WCIRB Report on the State of the California Workers' Compensation Insurance System 2015

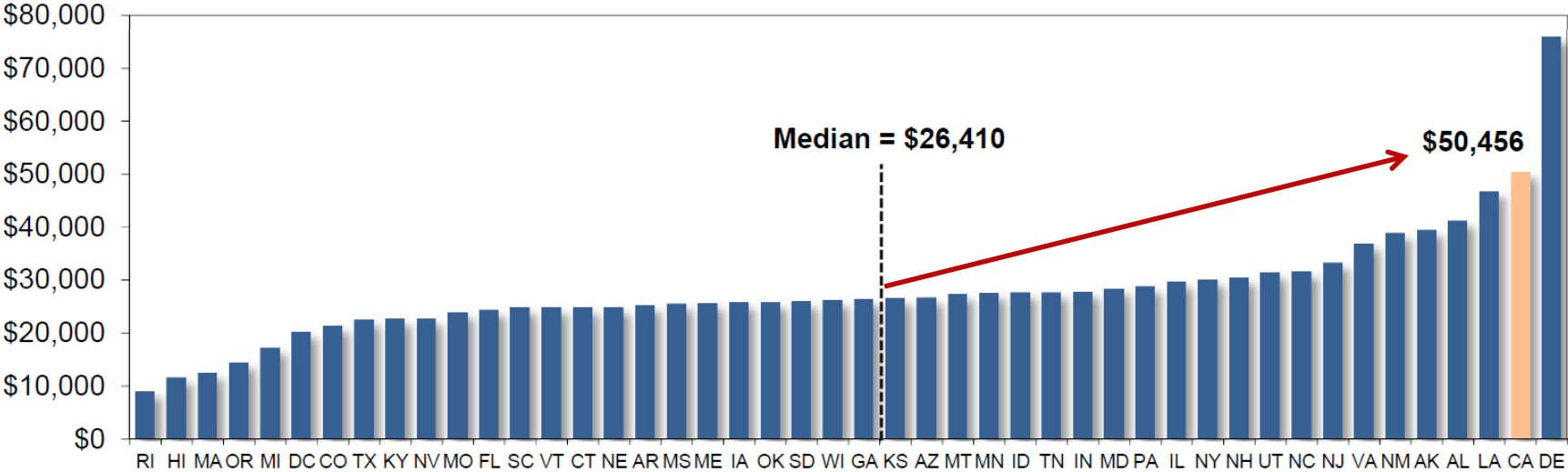
# California Workers' Compensation Projected Ultimate Total Loss\* and ALAE per Indemnity Claim



Innovative Solutions. Enduring Principles.

# Cost Drivers

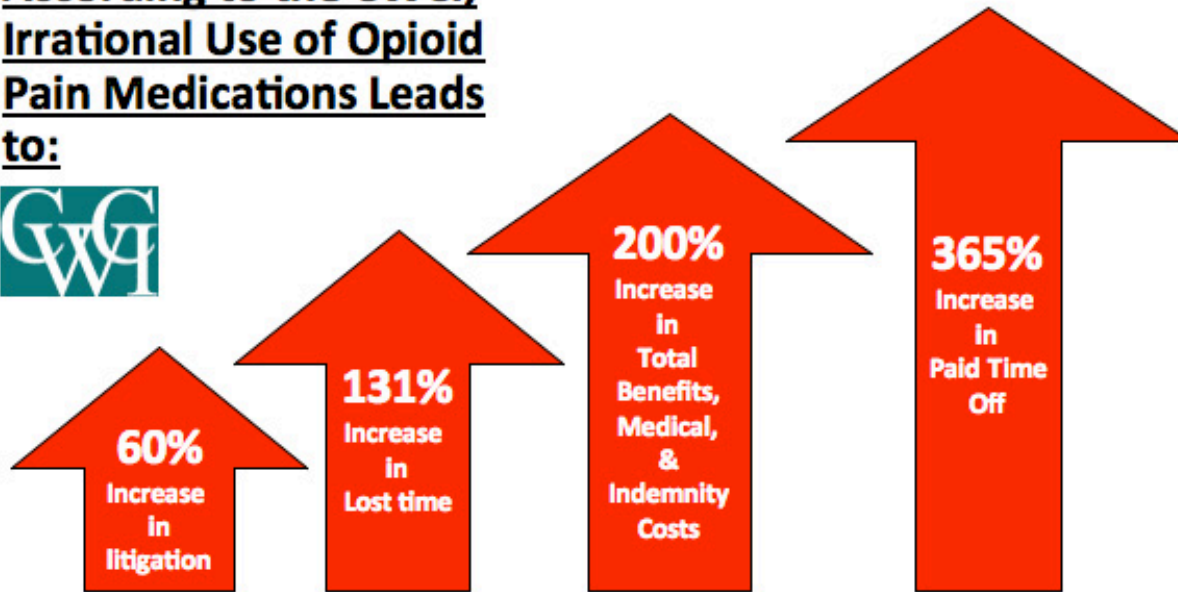
## Countrywide Incurred Medical Benefits per Indemnity Claim



Source: WCIRB Report on the State of the California Workers' Compensation Insurance System 2015

## Out of Control: The Rx Pain Medication Cost Spiral

According to the CWCI,  
Irrational Use of Opioid  
Pain Medications Leads  
to:



**1%** of physicians prescribe **33%** of all Opioids


**10%** prescribe **80%** of all opioids

California Workers Compensation Institute


*Innovative Solutions. Enduring Principles.*  
**Keenan**  
Associates

# Impact of Chronic Pain

**64%** of adults  
will experience  
**CHRONIC PAIN**



Costs for  
**BACK & NECK PAIN**  
**>\$80 Billion**  
Increasing by **50%**  
over 8 years



**\$64 Billion**  
**LOST** in productivity due to  
**CHRONIC PAIN**

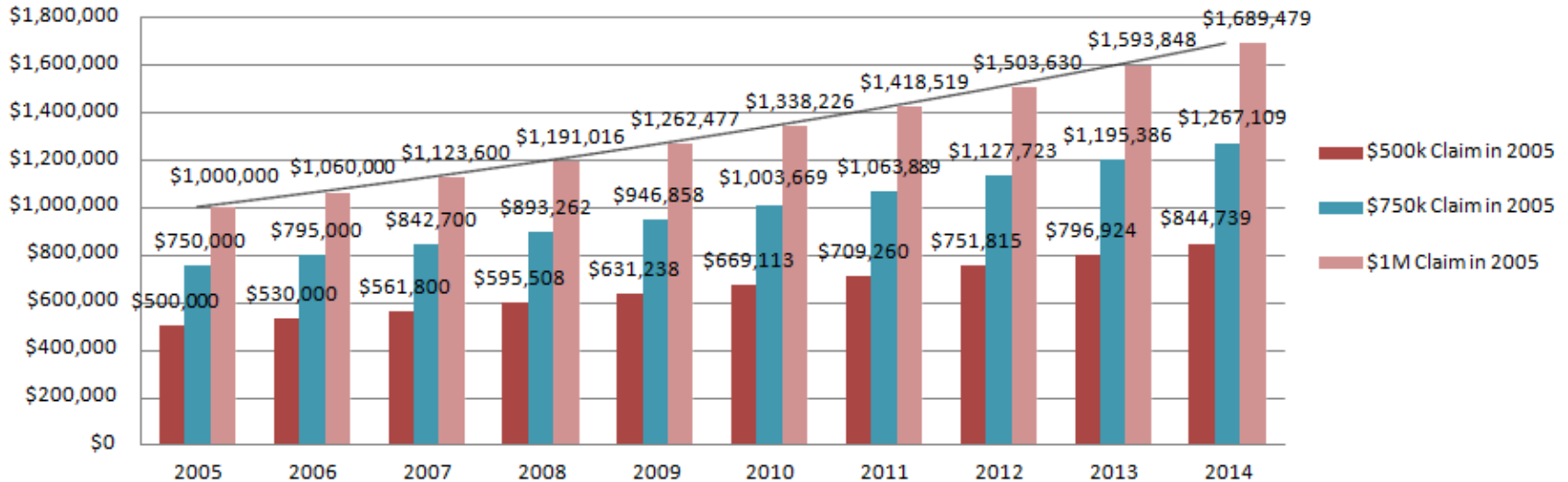
Source: 2014 American College of Occupational and Environmental Medicine  
from the ACOEM Chronic Pain Guideline chapter, *DisabilityGuidelines*<sup>TM</sup>

*Innovative Solutions. Enduring Principles.*

**Keenan**  
Associates<sup>TM</sup>

# WC Medical Cost have increased 69% with higher increases projected.

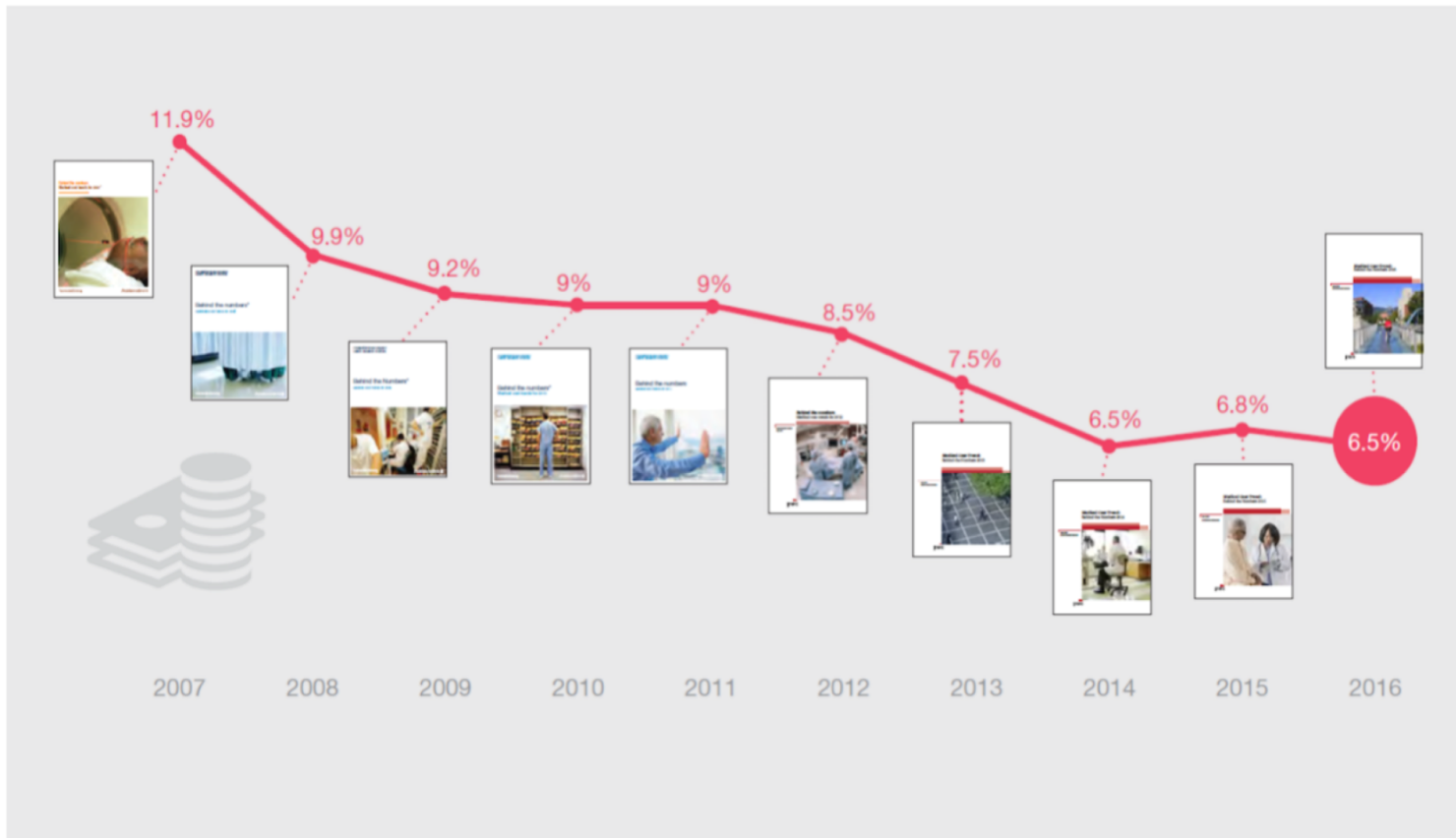
## 2005 - 2014 Estimated CA Medical Cost Inflation



- Consider three California, 2005 Calendar Year claims with these ultimate medical costs:
  - \$500k
  - \$750k
  - \$1M
- Average medical cost inflation follows WCIRB average medical claim cost changes between 1998 and 2012; Assumes 6.0%/YR for all years
- For example, a CY2005 workplace injury with ultimate medical cost of \$750,000 would have had an ultimate cost of \$1.267M if the injury occurred in 2014

# Healthcare spending growth rate for 2016 is 6.5%

HRI's projected medical cost trend over the years



Source: PwC Health Research Institute medical cost trends 2007–2016

PwC Health Research Institute



# Population Management

Risk factors per every 100 employees



Source: Department of Health and Human Services

Copyright © 2012 by Associated Financial Group, LLC

**Keenan**  
Associates

Innovative Solutions. Enduring Principles.

## Did you know?

### Smokers

**40%** more likely to have work injury<sup>1</sup>

<sup>1</sup> “San Francisco Launches Citywide ‘Make Today the Day’ Quit Smoking Campaign,” American Lung Association press release, January 5, 2010.

### Diabetics

**5X** higher worker’s comp medical costs when injured

Source: “The Impact of Comorbid Conditions on Workers Compensation Costs,” Coventry Workers Comp Services, 2010

### Obese workers

**2X** as likely to have work injury, **7X** higher worker’s comp medical costs, **13X** more days away from work

Source: “The Impact of Comorbid Conditions on Workers Compensation Costs,” Coventry Workers Comp Services, 2010

## Workers' Comp Claims Rose with Workers' Body Mass Index (BMI)

- **Normal BMI:** \$7,500
- **Overweight:** More than \$13,300
- **Mildly Obese:** More than \$19,000
- **Moderately Obese:** More than \$23,300
- **Severely Obese:** More than \$51,000 per 100 very obese workers



Source: The Costs of Obesity: The Country, the Work Place, Workers Compensation, NCCI Holdings, 2011 Annual Issues Symposium

Medical expenses for obese employees are 42 percent higher than for a person with a healthy weight, according to a report issued in 2010 by the Centers for Disease Control

# How much longer can we accept this?

- Medical costs per claim continue to increase
- Co-morbidities related to obesity and aging are increasing
- Increases in number of PTD claims
- Frequency improvements are no longer sufficient to offset increases in medical costs and severity of claims.



# Focus on the problem, not the symptom

1. Focus on total employee population health
2. Help employees stay healthy, safe and more productive





# Change Work Comp and Group Health to Total Workers' Health Conversation

## Group Health Insurance

- Benefit strategies
- Risk pool management
- Rate negotiation
- Compliance
- Wellness strategies, programs

## Workers' Comp Insurance

- Risk pool management
- Injury reduction
- Return to work
- Reduce claims cost

## Population Health Management

- Total cost of poor health: Workers' Comp claims, absenteeism, productivity and health insurance costs
- Health education/engagement/prevention
- Integrated care management and delivery

## Integrated Approach to Total Worker Health™



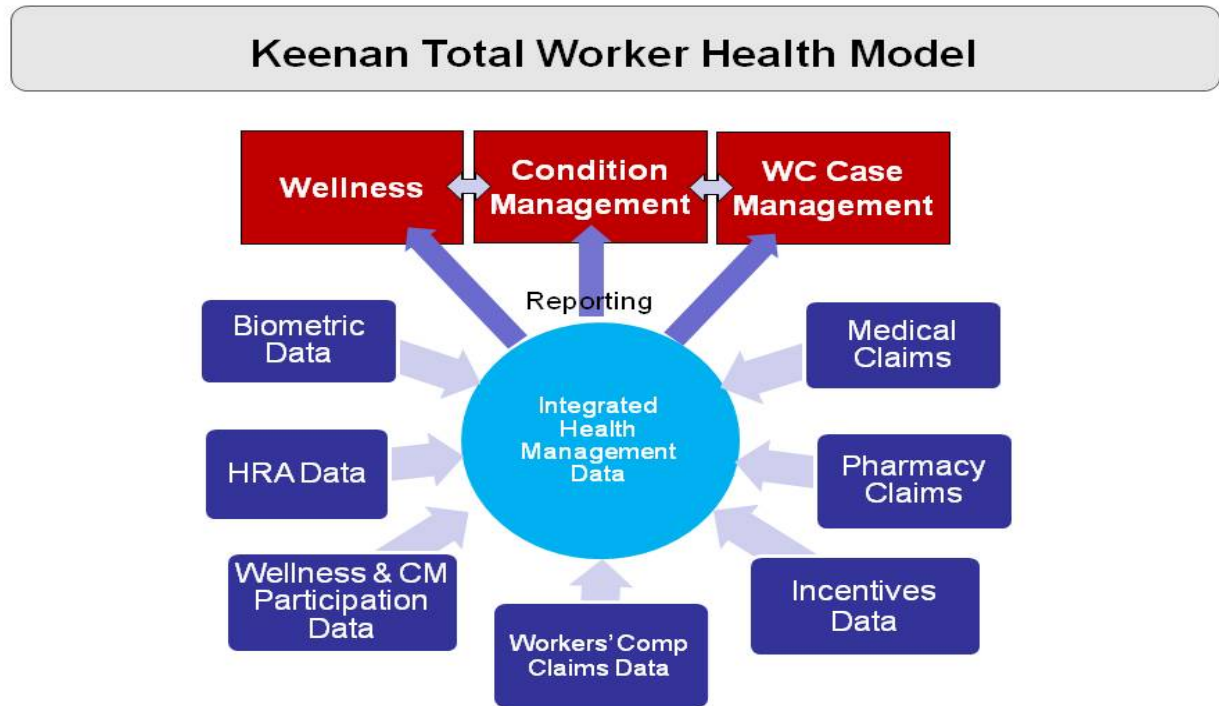
Adapted from: Liberty Mutual, 2010, Webinar, The Wellness-Work Comp Connection.  
Ron Goetzel, 2011, *Examining the Value of Integrating Occupational Health and Safety and Health Promotion Programs in the Workplace*, at <http://www.cdc.gov/niosh/docs/2012-146/pdfs/2012-146.pdf>.



# Total Worker Health Program

An integrated solution to reduce medical costs and create a healthy and productive workforce.

*Integration of health management data, biometrics, health risk assessment (HRA), medical claims, pharmacy claims, WC claims, participation in wellness and condition management programs, and incentives for employee engagement in those programs.*



# Total Worker Health Program

## ➤ Program Goals

- Promotion of optimal health status
- Prevention of illness, chronic conditions, and injuries
- Management of injuries and chronic conditions that can affect recovery
- Facilitation of recovery/transition back into the workforce
- Avoiding recurrence of injuries

## ➤ Three Integrated Components

- Wellness
- Condition Management
- Workers' Compensation Case Management

## ➤ Partnering with Program Service Providers

- Keenan consultants
- Healthcare carriers
- Third-party vendors



**Keenan**  
Associates

*Innovative Solutions. Enduring Principles.*

# Workers' Comp and Wellness Integration

- **Onsite medical/wellness clinic**
  - Physician and occupational health nurse
- **Clinic services:**
  - Annual physicals
  - Preventive screenings
  - Basic medical procedures & care
  - Accident prevention
  - Promotes employee wellness activities
  - Flu shots
  - Health education counseling
  - Weight management
  - Smoking cessation

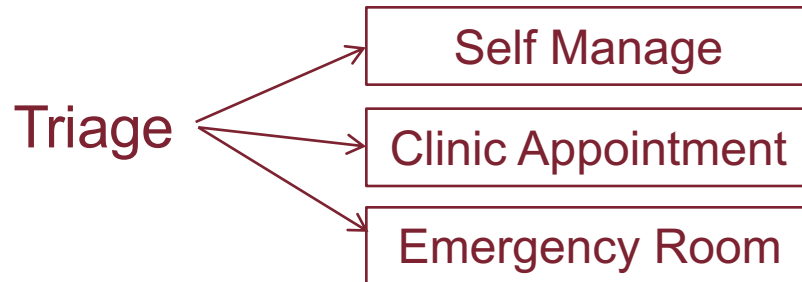


*Keenan*  
Associates

*Innovative Solutions. Enduring Principles.*

# Workers' Comp and Wellness Integration

- Employee is injured and files workers' comp claim
- Telephonic outreach by occupational health nurse



- Occupational health nurse works with attending physician to co-manage employee's care for duration of absence
- This approach allows for increased face time with injured worker, assuring their compliance and facilitating a quick return to work.
- Onsite clinic assists with the transition of injured employee back into the workforce.
- Appropriate wellness resources are provided based on employee's risk factors and health conditions, to help prevent re-injury and promote optimal health

# Measure and maximize the impact of top doctors and providers to ensure quality, outcomes and results

## Kaiser On - the - Job

Overall Primary Care Results ★★★★★

Table 1: Stratum Performance

	Provider Average	Peer Group Average
Cost of Claims	\$18,660.87	\$89,002.54
Claim Duration	310 Day(s)	508 Day(s)
Time off Work	46 Day(s)	202 Day(s)
Litigation Rate	5.94%	0.22%
Count of Claims	1970	35
Indemnity Mix	0%	0%

## Performance Metrics

Table 3: Performance by Stratum

Stratum	Score	Bills	Claims	Average Total Cost		Average Claim Duration		Average TTD	
				Results	Peers	Results	Peers	Results	Peers
Chiro	★★★★☆	151	20	\$52,553.30	\$83,936.05	630.05	441.21	108.1	223.32
Neurology	★★★★☆	19	12	\$82,281.95	\$117,636.04	890.58	577.23	139.5	291.53
Neurosurgery	★★★★☆	80	41	\$63,744.49	\$122,736.69	661.12	470.65	132.51	290.95
Orthopedic	★★★★☆	837	273	\$45,487.95	\$96,095.53	632.79	488.18	118.24	234.85
Primary Care	★★★★★	15653	1970	\$18,660.87	\$89,002.54	310.45	508.1	45.97	201.6
Surgery	★★★★☆	359	143	\$83,348.17	\$105,606.34	628.87	449.96	152.98	256.98

Table 4: Key Metrics and Ratios

Stratum	90-Day % Closed		180-Day % Closed		% Lost Time		Visits/Claim		ICD-9/Claims		OPT/Claim	
	Results	Peers	Results	Peers	Results	Peers	Results	Peers	Results	Peers	Results	Peers
Chiro	5.56	13.11	9.26	26.59	20.37	27.34	6.78	7.28	13.98	12	1.24	1.27
Dental	0	13.95	42.86	36.05	14.29	43.02	2.29	2.08	10	9.44	0.29	0.13
Neurology	5.56	6.74	7.41	12.19	20.37	24.97	1.61	2.1	20.85	14.6	2.59	2.2
Neurosurgery	15.45	6.1	26.36	11.5	20	15.97	1.3	1.43	16.95	17.19	1.4	1.71
Orthopedic	9.43	10.75	19.19	18.38	16.5	21.07	1.59	1.82	14.64	12.59	1.77	1.9
Primary Care	37.82	32.09	55.65	47.13	30.19	32.58	4.97	5.2	7.39	7.26	2.35	2.35
Psych	5.88	4.73	14.71	10.26	11.76	23.27	2.18	2.37	24.32	19.14	1.26	1.19
Surgery	20.88	18.95	28.57	24.27	12.64	18.26	1.13	1.22	14.33	14.05	1.86	2.23

# Best-Practice Wellness Program Components

## Biometric Screenings



## Healthy Challenges



## Health Assessment



### Five Reasons to Take the Total Health Assessment

Caring for others begins with looking after yourself. Take that first step by completing the Total Health Assessment.

The Total Health Assessment (THA) is a quick and easy online tool that gives you an in-depth look at your overall health. Here are five reasons to take the THA today:

1. **Gives you a snapshot of your health.** It will flag health risks that you can avoid, especially risks for chronic conditions such as diabetes or heart disease.
2. **Provides personalized tips to help you stay healthy and feel your best.** You'll get a confidential plan to guide you in making healthy changes.
3. **It's quick and easy.** The THA takes just 20 to 30 minutes to complete. Answer as many questions as you can; you don't need to have all the information to benefit.
4. **Is private, voluntary and confidential.** Kaiser Permanente as the employer will not receive any of your personal biometric information or your THA results.
5. **Could get you a \$150 bonus!** Under the new Total Health Incentive Plan, if 75 percent of your region's qualifying employees take the THA, they'll all get a \$150 bonus.

**Take care of yourself today.** Go to [www.kp.org/hwf](http://www.kp.org/hwf) and click on "Take the THA."



*Innovative Solutions. Enduring Principles.*

*Associates*

# Low-Cost/No-Cost Wellness Program Options

- **Carrier and Vendor Resources**

- Health assessment
- Online health education modules
- Onsite presentations

- **Community Resources**

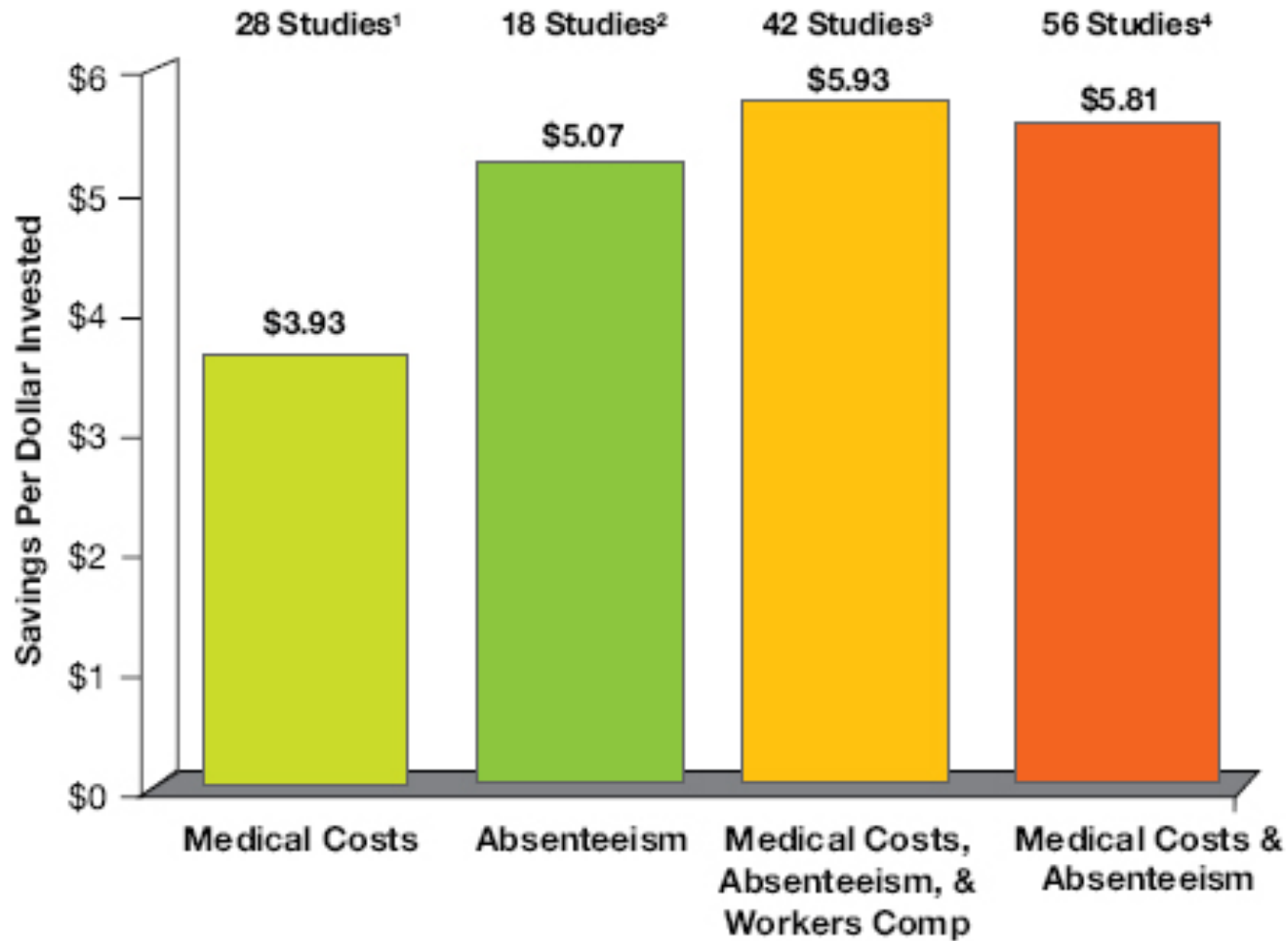
- American Heart Association
- American Diabetes Association
- American Cancer Society

- **Wellness Campaigns**

- American Cancer Society
- National Health Observances Calendar: <http://healthfinder.gov/nho/>



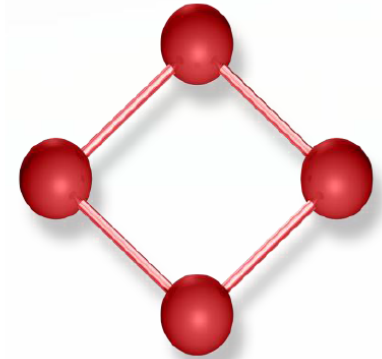
# Investing in Wellness Reduces WC Costs





# Total Worker Health Program

- Help you **connect the dots** of workers' compensation and employee wellness
- Discuss supporting evidence for **building wellness into your risk management plan**
- Review **critical elements** needed to get started
- Outline steps for **building and implementing** a wellness/work comp strategy
- Suggest methods for **measuring outcomes**



# The Bottom Line

A healthy employee is/has...

- More productive
- Fewer injuries & health claims
- Less absenteeism
- Improved quality of work

Today's environment will require new thinking and integrated health strategies to protect employees and save money for your agencies...

# LOOK INTO MY CRYSTAL BALL AND SEE THE FUTURE OF WORKERS COMPENSATION

**PARMA Conference**  
**February, 2016**

**Doug McKibbin**  
**Sr. Vice President**  
**Keenan**  
**[dmckibbin@Keenan.com](mailto:dmckibbin@Keenan.com)**