EXCELLENCE IN MEDICAL MANAGEMENT

The path to workers’ compensation profitability is digital

KENNETH SALDANHA | NIRMALRAJ YUVARAJ
SKYROCKETING MEDICAL COSTS HAVE LONG Pressured INSURANCE COMPANIES’ PROFITABILITY.

This is particularly evident in lines of business that require medical management, which is intended to ensure that members get the appropriate, cost-effective medical care they need. Now, thanks to advances in analytics and digital technologies, carriers finally have the chance to recoup some of the economics lost to medical inflation.

Today, the opportunities to digitize medical management are most prevalent in the approximately $60 billion workers’ compensation market in the United States. But the benefits of digital medical management will quickly extend to other markets and insurance lines that offer medical cost coverage.

A few pioneering insurers are already taking advantage of digital technologies and evidence-based decision-making tools to rein in escalating medical costs. They are the ones poised to reclaim their profitability, grow their market share, and win over customers with better service. Others would be wise to follow their lead—and soon. As costs continue to soar, traditional approaches to medical management are quickly becoming unsustainable. For many carriers, they already are.
Medical inflation has been running at 6 to 7 percent per year, outstripping general inflation by 4 to 5 percentage points. In fact, medical costs are now carriers’ number one cost driver for workers’ compensation claims, accounting for 50 to 60 percent of the typical total claim costs. In response, they need to shift their focus from wage replacement to medical benefits.

Carriers’ abilities to effectively manage medical costs have a demonstrable impact on their ability to attract new business. Insurance brokers now assess and score carriers on their medical management capabilities—specifically, the amount billed versus amount paid out. Brokers are setting the market expectation that the spread between medical bill charged and bill paid will be as high as 60 percent.

Not all of carriers’ medical management woes can be attributed to external forces. They are saddled with legacy cost management approaches that aren’t really geared to keep pace with runaway medical inflation. For example, they expend a disproportionate amount of time, energy and investments on administrative bill review and claimant fraud. They spend much less on identifying and capturing savings in higher-value areas such as clinical case management or provider fraud. Also, many carriers have limited visibility into platforms, networks and third-party providers responsible for managing care and administering payments. Rather than assessing their partners’ operational practices and economic levers, they simply accept “black box” solutions.
Advances in digital technologies and data analytics now make it possible for carriers to cut through the barriers that have stymied their efforts to create an efficient and cost-effective medical management capability. The healthcare industry has already adopted a number of solutions—from predictive analytics to automation—to better manage care and auto-adjudicate medical necessity.

To reclaim the profitability that has been eroded over time by medical inflation, volatile market forces, and a reliance on outdated approaches to medical management, carriers can now apply digital tools and healthcare best practices to identify and minimize waste across six areas of medical management (see Figure 1).
FIGURE 1
Value levers across the end-to-end medical management process

Opportunities sequenced from highest to lowest benefit potential:
1. Enhancing medical necessity review and clinical expertise
2. Optimizing the network (e.g., PPO, OON)
3. Analytics-driven provider fraud
4. Improving fee review and embed pharma evaluation
5. eBill expansion
6. Converting to electronic payments

By disaggregating the medical management process into these core components, and then taking steps to source and manage each one more effectively, carriers have the chance to drive greater efficiencies, better outcomes and better financial performance. Specific actions can activate each of these levers.

**MEDICAL NECESSITY REVIEW**

Analytics allow carriers to embed code-driven, digitally automated medical necessity reviews as the critical medical management protocol. Carriers might, for example, consider building data-driven capabilities that enable them to auto-adjudicate or flag exceptions on code-driven matches between injured body parts, diagnoses and treatments, and billing codes.

**NETWORK UTILIZATION**

Carriers often apply standard procurement principles and manage their medical networks as they manage other suppliers. They should enhance those procurement practices with digital capabilities, approach ecosystem management in a holistic way, and build a network of care partners committed to producing positive health outcomes for members.

**PROVIDER FRAUD**

By applying insights from richer medical management data sets, as well as artificial intelligence and machine learning, carriers can identify providers who are abusing the system. An increased focus on provider fraud, waste and abuse is a critical first step to optimizing the medical network, eliminating fraudulent activities, and ensuring that all remaining providers are committed to delivering the best outcomes for members.
ENHANCED ADMINISTRATIVE FEE REVIEW
To date, carriers have tried to manage medical costs by focusing on administrative fee review. Digital tools now allow carriers to do even more in this area. For example, pattern-recognition software provides enhanced decision support for the identification and escalation of “outlier” billing/claim issues. Other tools and sophisticated analytics can improve key processes—from medical necessity code-matching and rules configuration to claims, adjudication and payment.

E-BILL AND ELECTRONIC PAYMENTS
A number of carriers have adopted eBilling and ePayment solutions. But few have integrated these solutions to create a standardized and fully automated code-driven, end-to-end process. Thanks to recent digital advances, they can.

Beyond implementing new digital solutions to optimize medical management, leadership teams must take steps to ensure their workforces (e.g., adjusters, nurse case managers, bill reviewers) and network partners will adhere to new data-driven practices. At a minimum, leaders should communicate the need for change, incent workers to adhere to the new practices, and train them to use the new tools at their disposal. More broadly, they should aim to instill a medical management mindset and culture of continuous improvement. That lays the groundwork for sustainable growth and profitability.
Rigorous and holistic digital performance improvements of medical management drive substantial improvement results. Carriers who execute analogous programs could expect to:

**CAPTURE**
short-term savings of 15 percent of full program value by implementing minimal viable product solutions (see Figure 2).³

**IMPROVE**
their bill paid versus bill charged ratio by five to seven points. That translates into approximately $10 million for each point improvement per $1 billion of indemnity.⁴

**RECOUP**
10 to 12 percent of unaddressed medical provider fraud. Based on industry estimates, that represents a $7 billion opportunity.⁵
While the impact on a carrier’s profitability is profound, a digital approach to medical management delivers benefits to others as well. Namely, an injured worker gets better, timelier and more targeted medical interventions. And employers benefit because they gain more control over their claims costs and their injured workers are back on the job sooner.
For far too long, insurance providers with medical management responsibilities have watched their profitability drain away. Now, with new technologies and an industry-wide focus on delivering better health outcomes, the conditions are ripe for a data-driven, digital storm of economic improvement. We have witnessed, first-hand, the benefits carriers can achieve when they follow a proven formula for success. It’s time for others to follow suit.

**EVERY DAY THAT GOES BY IS A DAY THEY FOREGO THEIR FULL PROFIT POTENTIAL.**

Zurich Insurance Group recently launched Zurich Care Plus, an innovative program that combines digital tools and professionals’ case reviews to improve injured workers’ health outcomes and help customers improve their claims costs. In this new approach to medical management, Zurich:

- Applies new technologies to predict and monitor a patient’s anticipated course of treatment.
- Develops personalized care plans based on data and real-world evidence.
- Ensures medical necessity and appropriateness of care by evaluating charges on approximately 5,000 medical bills each day.

The program not only improves Zurich’s medical management capabilities, but also enables more targeted interventions for injured workers and improves costs for customers.
JOIN THE CONVERSATION

@AccentureStrat
www.linkedin.com/company/accenture-strategy

CONTACT THE AUTHORS

Kenneth Saldanha
kenneth.i.saldanha@accenture.com

Nirmalraj Yuvaraj
nirmalraj.yuvaraj@accenture.com
NOTES

1 Accenture Strategy analysis, 2017.
2 Ibid.
3 Ibid.
4 Ibid.
5 Ibid.

ABOUT ACCENTURE

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions—underpinned by the world’s largest delivery network—Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With approximately 425,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at www.accenture.com.

ABOUT ACCENTURE STRATEGY

Accenture Strategy operates at the intersection of business and technology. We bring together our capabilities in business, technology, operations and function strategy to help our clients envision and execute industry-specific strategies that support enterprise-wide transformation. Our focus on issues related to digital disruption, competitiveness, global operating models, talent and leadership helps drive both efficiencies and growth. For more information, follow @AccentureStrat or visit www.accenture.com/strategy.