

It Takes Vision to See the Paradigm Shift in Workers' Compensation

The persistent escalation in pharmacy and durable medical equipment spend over the last five years is no surprise to anyone in the workers' compensation industry. What is surprising is how companies have fallen short of developing effective solutions to counter this trend.

The workers' compensation industry is at a crossroads in managing costs. The real solution to rising costs requires a shift in the workers' compensation managed care model. Payors and employers must shift their focus from looking at the individual transactions and instead look at the full scope of products and services provided to injured workers. One company that has made this shift in focus is PMSI.

Industry Pioneer Takes the Lead

PMSI spent the last two years analyzing cost trends and collaborating with customers. This analysis, combined with 34 years of experience providing cost-effective solutions for workers' compensation, provided PMSI with the insight necessary to develop cost containment solutions that work across the entire claims lifecycle.

Chairman and CEO Eileen Auen believes that success rests on delivering what clients need. "Cost containment is clearly the first priority of our customers, so we have made it the focus of our company. This is reflected in our new tagline: *Proven Solutions for Cost Containment*. All three of our product lines—Pharmacy, Medical Services and Equipment and Settlement Solutions—offer solutions that facilitate lower costs and improved outcomes."

Success in workers' compensation requires a very different approach from what is employed in the group health space. As a provider focused solely on workers' compensation, PMSI is uniquely positioned to understand why costs rise as they do, and to develop ways to control and contain them.

The Rising Cost of Health Care in Workers' Compensation

There are many reasons why health care now accounts for more than half of the overall cost of providing workers' compensation benefits. While not an exhaustive list, the major drivers include:

Growing Costs of Products and Services

Improvements in medicine have not come cheaply. High single-digit increases in the Average Wholesale



Price of pharmaceuticals coupled with the cost of sophisticated products such as implantables have made rising unit costs a major issue for the industry.

Increasing Utilization

The increase in demand for medications has been steadily climbing over the past few years. According to PMSI's current *Annual Drug Trends Report*, the change in utilization helped drive up the total pharmacy spend per injured worker 6.5% in 2009.

Rising Severity of Injuries

While the overall number of workplace injuries is declining, the injuries that do occur are more severe and therefore more expensive to treat. According to a recent review of diagnostic codes by NCCI, expensive-to-treat injuries like sprained rotator cuffs increased by 2% while lower severity injuries decreased 8% over the months studied.

Escalating Administrative Burden

Increasingly complex caseloads and constantly evolving regulatory requirements have increased the challenge of managing cases more cost effectively.

The Solution: Holistic Cost Containment

Moving from a focus on individual transactions to cost containment across the claims lifecycle is a complete 360. To make this paradigm shift, payors must be able to conduct extensive analysis of their claims, deliver interventions that focus on the major drivers of costs, and balance the cost associated with

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greater management of cases against the potential to lower health care and indemnity costs. This shift is complicated and one that many payors have struggled to make. It is one that requires an organization with experience and vision, an organization such as PMSI.

Cost containment at PMSI is not a cliché. The company's approach is shown in the way that PMSI strategically coordinates and integrates its resources and expertise for many of the largest payors in the country. PMSI's focus on informatics and clinical interventions as well as its ability to develop specific programs to address industry issues, such as network penetration and the treatment of pharmacy costs in Medicare Set-Asides, has dramatically changed the landscape for many of its customers.

Additionally, PMSI's recent investments in new technology have enabled its customers to achieve effective, real-time management of claims and to share valuable information between case managers, adjusters and medical professionals quickly and efficiently. Backed by a team of industry experts, PMSI delivers a full suite of innovative, proprietary programs that drive down cost while improving quality.

Lower Costs Do Not Have to Be at the Expense of Improved Outcomes

PMSI's clinical management program, known as MedAssess™, is an innovative program that helps case managers and adjusters achieve better outcomes. The guiding principle behind MedAssess is a focus on the full scope of health care spend and its underlying drivers. MedAssess is the industry's broadest set of clinically sound and evidence-based programs that helps manage costs and coordinate care throughout the injury lifecycle delivering optimal health outcomes for the injured worker.

The MedAssess program works through Utilization Control at the time of transaction, Targeted Intervention immediately after the transaction, and Care Management across multiple transactions. Through this oversight, PMSI achieves significant results for customers. For example, PMSI's Multiple Prescriber program alerts adjusters and physicians regarding injured workers receiving narcotics from more than three prescribers. This program has resulted in a 90% success rate converting to one prescriber. Additionally, PMSI's Peer-to-Peer Outreach program, which guides prescriber therapy modifications, has delivered an 80% reduction in spend in selected cases.

Network Penetration Requires Innovation and Focus

Traditional cost-control techniques, such as converting to generics and dispensing through an approved network, only achieve network penetration levels of 50% – 70%. Given this opportunity for improvement, PMSI studied the reasons why claimants receive care out of network and developed solutions to bring their care back in network.

PMSI's PharmaComplete™ solution is a combination of programs that pushes network compliance to levels not usually seen in workers' compensation. Included in PharmaComplete are Specialty Network Arrangements that bring non-traditional sources of pharmacy transactions such as physician dispensers and mail order pharmacies into network; an Automated Re-Indexing system that assures 98% of all applicable prescriptions filled through the largest chains are priced as in network; and partnerships with clinics and compounding pharmacies to gain earlier insight into pharmacy transactions and facilitate conversion to in-network transactions.

Through these programs PMSI has achieved network penetration up to 90%, and it has cut the total out-of-network spend by as much as 30% for its customers.



COST CONTAINMENT TAKES VISION

BY LOOKING AT THE BIG PICTURE, PMSI FOCUSES ON LOWERING PHARMACY COSTS

To reduce the total cost of pharmacy benefit management, PMSI examined the entire landscape of how injured workers get and use medications across the claims lifecycle. The result is **PharmaComplete™**, a new comprehensive solution that drives network penetration up to 90%.

PharmaComplete fills more scripts at the best prices, uses advanced analytics, clinical oversight and management to stop misuse and drive better outcomes. Our partnerships with physicians and occupational health clinics allow earlier insight into prescribing patterns, while our aggressive out-of-network conversion strategies move transactions in network—fast. The result is total cost management on your entire pharmacy spend.

To learn more about PharmaComplete and all of our innovative solutions for containing the cost of workers' compensation, go to www.pmsionline.com/vision or call **877.ASK.PMSI**.



Pharmacy | Medical Services and Equipment | Settlement Solutions

Proven Solutions for Cost Containment

Cost Containment is the Future of Workers' Compensation

A fresh, innovative approach to cost containment is necessary for payors to successfully manage the costs of providing workers' compensation benefits. Approaches focused on the old transactional paradigm will inevitably lead to sub-optimal decisions and a failure to achieve long-term cost and quality improvement. Instead, payors should focus on this new paradigm and look to providers who are equipped and capable of partnering with them to meet the challenges of the workers' compensation marketplace.

For more information on PMSI and its proven solutions for cost containment in workers' compensation, please call **877.ASK.PMSI** or visit www.pmsionline.com/vision.