



NATIONAL WORKERS  
COMPENSATION  
AND DISABILITY  
CONFERENCE

# **Risk Transfer for Workers' Compensation**

## A Strategy to Help Protect Your Business

**Presented by: Joseph Berardo, Jr. *CEO, Carisk Partners***

# Introduction



**Joseph Berardo, Jr.**  
Chief Executive Officer, *Carisk Partners*

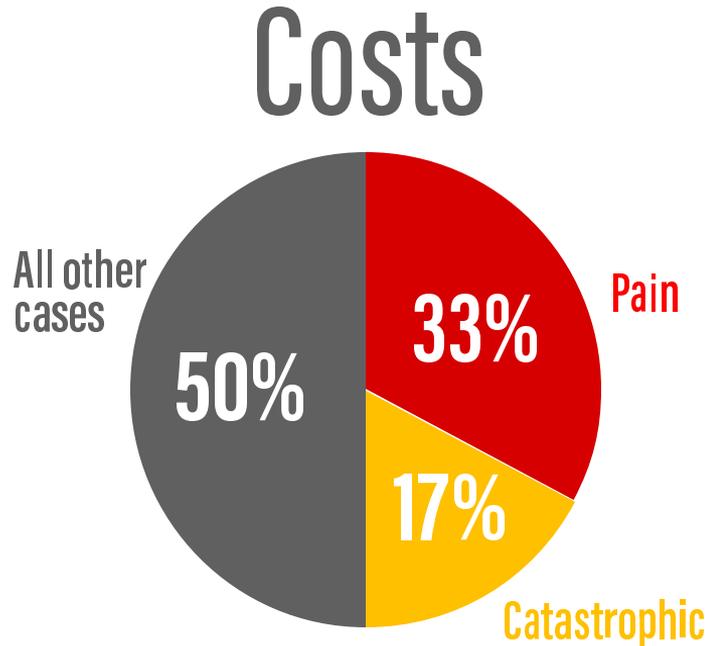
# Learning Objectives



- Outline drivers of costs in catastrophic workers' compensation cases
- Recognize benefits and limitations of risk transfer for catastrophic and complex claims
- Identify components of successful programs aimed at improving outcomes and lowering overall costs

# Catastrophic Injury Cost Drivers

# Catastrophic Injuries Drive Costs in Complex Cases



- 7% of catastrophic & pain-related injuries drive up to 50% of overall costs
- Acute catastrophic injuries can account for 17% of total incurred costs
- Medical advances have improved survival rates increasing overall costs
- Severe pain-related injuries can account for 33% of total incurred costs

Lipton, et.al. "Medical Services by Size of Claim", NCCI, 2009

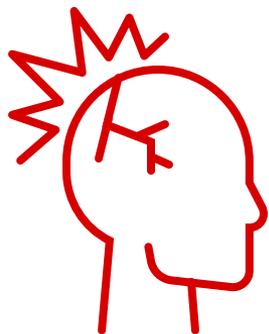
# Drivers of Workers' Compensation Medical Costs per Claim



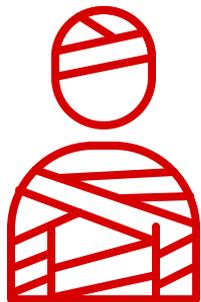
- Hospital costs rising fast
- New medical treatments can be costly
- Drugs/opioids
- Efficient provider network
- Inflated fee schedules
- Medicare set-asides

# Catastrophic Cases

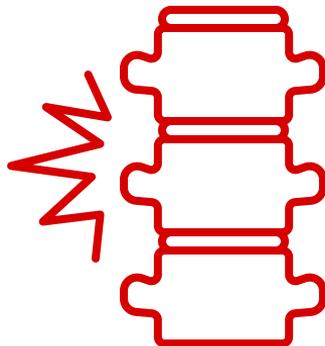
Acute & Non-Acute



Traumatic Brain Injury



Burns



Spinal Cord Injury



Severe Extremity Injury

For example: NCCI research on large-loss claims indicates brain and head injuries account for up to 17% of claims costing between \$3-\$5 Million and 30% in excess of \$10 million.

# Why Behavioral Health Matters

Psychosocial Issues are the #1 barrier to successful return to work



- Psychosocial issues are the No. 1 barrier to successful return to function/work outcomes
- The current system disregards the mental health effects of a physical injury
- Many injured workers develop co-morbid conditions that lead to delayed recovery

Sources: Rising Medical Solutions 2016 Workers' Compensation Benchmarking Study. November 2016. WCRI Report: Avoiding Litigation: What Can Employers, Insurers, and State Workers' Compensation Agencies Do? WC-10-18. IFEBP Mental Health and Substance Abuse Benefits 2016 Survey Results. Lexis Nexis Occupational Injuries and Illnesses 2016 Edition

# Frequency of BH Challenges In Workers Comp

## Risk factors for mental illness in claimants

### Pre-Injury



#### History of mental illness

Personal or family



#### Individual factors

Low self-esteem, difficulty communicating, medical illness, and substance abuse



#### Social and economic factors

Low income and exposure to violence or abuse

### Post-Injury



#### Chronic pain and insomnia

Worsening pain, sleep disturbance, and depression



#### Medications

opioid analgesics, benzodiazepines, anticonvulsants, and stimulants



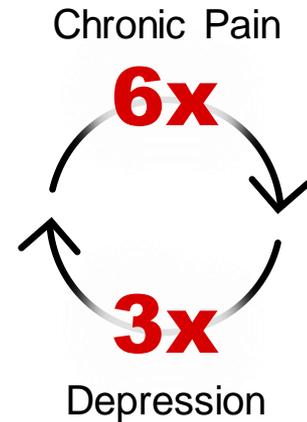
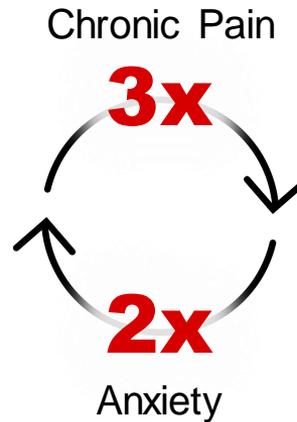
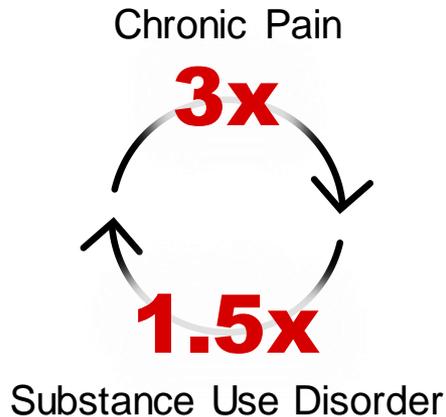
#### Drug-drug interactions

Increased sedation, fatigue and risk of overdose

- Mental illness results in lost earnings of \$193 Billion dollars annually
- Concern is elevated for workers' compensation and auto no-fault claimants, as injuries can increase the risk of developing mental health disorders, such as depression, anxiety, and post-traumatic stress disorder (PTSD).
- Injury-related symptoms, such as chronic pain and insomnia, can further precipitate and prolong mental illness.

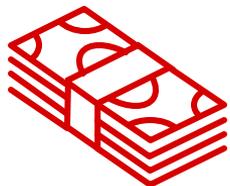
# Why Behavioral Health Matters

Bi-directional connection between physical pain and mental health



Reference: Hooten, W. M. (2016, July). Chronic pain and mental health disorders: shared neural mechanisms, epidemiology, and treatment. In Mayo Clinic Proceedings (Vol. 91, No. 7, pp. 955-970). Elsevier

# Why Behavioral Health Matters



- Out of guideline **long-acting opioid use** results in a **4X greater risk** of workers' compensation claim cost increasing by six figures.

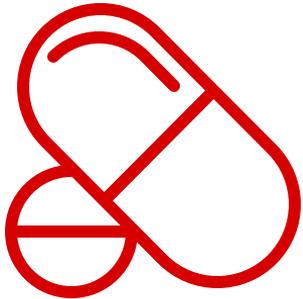


- Out of guideline long-acting opioid use, **combined with benzodiazepine use**, results in a **14X greater risk** of workers' compensation claim costs reaching six figures. (ref. Lavin)

Reference: Lavin et al. 2014. Impact of the Combined Use of Benzodiazepines and Opioids on Workers' Compensation Claim Cost. JOEM

# Behavioral Health

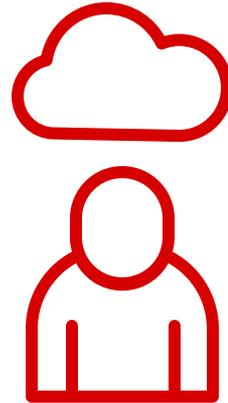
Common co-occurring medical and behavioral health challenges



Substance Use Disorder



Chronic Pain



Mood Disorders



Anxiety & Stress-Related Disorders

# Risk Transfer Strategies

# What Is Risk Transfer?



- Risk management technique for large-loss catastrophic workers' compensation cases
- Transferring the assumption of liability or burden of loss to a third party
- Established through reinsurance, contractual indemnification

# Risk Transfer

## Advantages

- Mitigates exposure — protects businesses from significant financial losses
- Reduces claim costs — keeps costs under claim reserves
- Allocates risk equitably, placing responsibility for risk to those who have an ability to control and insure against that risk
- Inclusive of flexible pricing options with potential to lower costs while reducing long-term risk exposure
- Programs include proactive behavioral health components yielding improved return to work, claims closure outcomes

# Risk Transfer

## Considerations

- Individual state laws may vary in requirements
- Ensure contract terms are specific and clear related to responsible parties
- Abrogation in certain cases:
  - Case closure or settlement
  - Injured worker passes
  - Injured worker relocates outside of U.S.
  - Attorney involvement restricts
  - Injured worker non-compliance/engagement

# Evaluation of Risk and Financial Certainty



- Medical cost projection by service category
- Incurred vs. projected
- Managed vs. unmanaged risk categories
- Risk profiles supported by evidence-based research
- At time of case closure, future medical cost projections provided

# Financing Risk

- Pricing should be detailed at the clinical level
- Underwriting approach clear and explained
- Risk factors and associated financial projections should be presented
- Flexibility to carve out specific risk categories
- Contract protections explained for situations where:
  - Contract performs at a “windfall” level
  - There are flexible terms related to certain risk factors where a contract “carve-out” may be appropriate
  - Claim is settled during the contract period
  - Patient/Injured worker disengages from the process

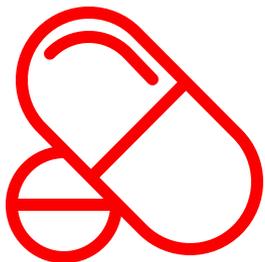
# How to Get Started



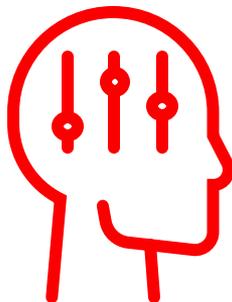
- Acute Catastrophic Cases
- Identify Delayed Recovery
- Assess Case Severity
- Risk Scoring and Predicting Long-Term Cost
- Contract Pricing & Execution

# Program Components to Lower Costs and Improve Outcomes

# Outcomes



Release return to work  
Return to function



Medication Optimization  
Opioid Weaning  
Mental Health Symptom Reduction  
Readmission Reduction



Cost Reduction  
Claims Closure  
Claims Reporting



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**Thank you.**