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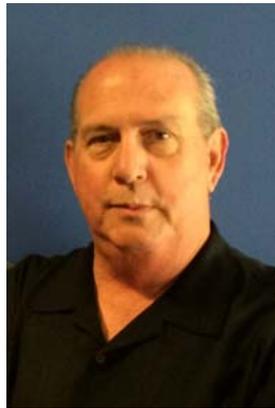


## Kevin Kilroy: Is There Really a Need to Address Future Challenges Facing the Workers' Comp Industry?

July 8, 2014 - WorkCompWire

By Kevin Kilroy, Chairman and CEO, Acrometis

Each of us should be asking our peers, our management and ourselves for a fair, objective and balanced review of the state of our industry. There is no doubt that the ever changing rigors of compliance mandates, the incessant increase in claims related medical spend and the rampant abuse of workers' compensation payers continues. The real issue facing the industry is what, if anything, are any of us doing to ensure that the processes, systems and oversight required to manage a successful claims operation result in better outcomes for injured workers and a healthy ecosystem that ensures the viability of payers and providers alike.



### The Data Is There – The Actions Are Not

Many of us are attending numerous professional forums held to share and disseminate trends in our industry, including NWDC, WCRI and the annual NCCI meeting, as well as participating in various web-based initiatives, researching using traditional media and even engaging in reliable personal networks of professionals to identify trends and challenges within our industry. The amount of information available, and the numerous sources from which this data is available, speaks volumes about the level of interest and concern from those of us employed within the workers' compensation industry.

In Orlando, Florida, in May of this year, NCCI held its annual conference and shared its research findings based on actual data collected from reporting states for 2013. Not surprisingly, the research NCCI presented indicated some slight improvement over prior years, and underscored some looming concerns for the future.

NCCI's newest chief actuary, Kathy Antonello, delivered her first "State of the Line" report summarizing her prediction for the year as "balanced," forecasting that the industry will experience an average combined ratio of 101% for 2013. While it's an average, and not something that every payer will achieve, that's a dramatic improvement in the last two years. But the combined ratio in and of itself isn't the sole indicator of long-term health for our industry, nor does it suggest that we should not pursue additional opportunities to improve the overall performance of our industry as we face an intensifying headwind in the years to come.

### An Alarming Trend

Another key take away for our industry, as reported by Ms. Antonello, was the continued decline in "new money yields" derived from invested income, trending below a sub 3% ROI. Prior years' investments generated substantially greater yields, which offset losses resulting from a negative

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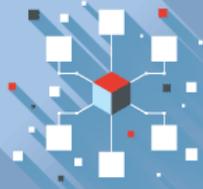
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combined ratio. As prior years' investments are now being retired, their replacements are neither as profitable, nor as capable of shoring up losses from unprofitable operational practices within our industry.

At the same time, NCCI reported that claim-related medical expenses currently comprise almost 60% of total workers' compensation costs overall and predicted that the medical expenses would soon exceed 70% by 2016. At one time medical expenses associated with a claim were considered almost trivial in both expense and administration, yet at the current rate of 60% and a projected increase that would top 70% they are neither trivial nor something that should be ignored in terms of expense or administration.

**Are You Unknowingly Bailing Someone Else Out?**

Research suggests, among other things, that the foundation of workers' compensation is under attack as medical costs are impacted by the Affordable Care Act. Providers are seeking new payers to fill the financial void that has resulted from declining group health reimbursements. While there is no nationally published research, our claims-processing system, CLAIMExpert, has identified an alarming increase in ineligible, duplicate and inappropriate workers' compensation claim submissions to payers from providers in the last three years, with the trend increasing daily.

Not surprisingly, states, seeking sources of revenues to offset diminished tax incomes, are increasingly pursuing penalties and fines levied on payers without regard to or concern for the increasing medical expenses associated with workers' compensation claims due to ineligible, inappropriate or duplicate submissions. In concert with the states pursuit of penalties and fines, the Workers' Compensation Commissions in many states have increased both the frequency and depth of their audits, further burdening an already challenged industry. When one considers that this increase results in more complicated and more time consuming processes for the majority of payers involved in evaluating these claims, one can rationally conclude that payers are being targeted by those who would game the system without any relief from those who are tasked with regulating the same.

**We Need to Look Through the Windshield — Not the Rearview Mirror**

As an industry we have historically been looking in the rearview mirror to assess operational challenges long after the opportunity has passed to mitigate those things that, given the opportunity to address, would result in better outcomes for injured workers and better fiscal health for payers. In an era in which most of us individually, and all of us professionally, have instant access to an infinite amount of information at the stroke of a key, why do we not have access to real-time claims-related data, information, trends and alerts?

**Change, Change and More Challenges**

At a time when we are faced with an increase from 17,000 ICD-9 to 155,000 ICD-10 codes, with the current number of ICD codes already in excess of a human's cognitive abilities to remember each of them, why aren't we employing more automation in the claims review process to determine whether or not these codes are eligible or appropriate before processing the claim?

With compression in profitability a constant challenge in every claim shop, and a resultant inability to increase staffing levels, claims professionals are being tasked with more process and less automated assistance. Investments in claims technology, never a focal point of workers' compensation, are still relatively insignificant.

**The Bottom Line on the Workers' Compensation Industry's Bottom Line**

The industry is investing less in technology, which leaves us burdened by an inability to capture and analyze real-time data in order to take corrective action. Combine that with an increasingly complex processing load on claims shops and claims professionals under increased regulatory



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pressure from states. Those problems add up as traditional health care providers submit inappropriate, ineligible or duplicate claims. The current state of affairs is a very real and formidable environment for increased losses, or even worse, the financial failure of a payer.

Doing what we've been doing for the past decade won't address the challenges facing our industry. Vendors, payers, managed care providers and captives need to identify solutions and work together to ensure the continued success, long-term health and viability of our industry. An indifference or unwillingness to confront the challenges ahead can lead to our respective businesses being grossly unprepared for the future. Working together, collaboratively and constructively, to provide meaningful benefits to our numerous constituents is the only way for our industry to overcome our known and unknown challenges.

**About Kevin Kilroy**

Acrometis' Chairman and CEO P. Kevin Kilroy has over 35 years of experience as a senior executive in the technology industry. As Chairman and CEO of Bluestone Software, Inc., (NASDAQ:BLSW) he led Bluestone from a small, venture funded enterprise middleware organization through multiple stages including a successful IPO and a subsequent merger with Hewlett Packard Corporation, and subsequently was Vice President and General Manager of HP's Middleware Division. He has held roles in notable technology companies such as iMany, Inc., Seer Technologies, CONTEL, Xerox and Avon Cosmetics. Kevin is regarded as an industry expert on business and technology developments, is a graduate of North Carolina Wesleyan College and was awarded their Distinguished Alumnus Award.

**About Acrometis**

Acrometis offers the most complete and automated claims processing platform designed specifically for the workers' compensation industry. Acrometis' expert, rules-based family of claims processing platforms allows for meaningful changes to the claims processing environment that in turn lead to maximized cost savings, efficiency, and productivity gains over the lifecycle of a claim. For more information about Acrometis, please visit [www.acrometis.com](http://www.acrometis.com), its blog (<http://wcinsights.com/>) or call 855.282.1476.



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