

Rough Notes[®]

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THE DOCTOR IS IN

*Physician-guided
managed care
produces dramatic
cost reductions*

H health care costs in the United States have become a real challenge to both employer and employee. As a result, U.S. corporations have been eager to find ways to reduce the financial burden generally associated with maintaining employee health coverage. Over the years, numbers of concepts have been tried and discarded. However, one method that has retained its usefulness has been managed care.

Managed care is a term that is used to describe a variety of techniques designed to reduce the cost of providing health benefits, while improving overall quality of care. Managed care is nothing new; it got its start as a result of enacting the Health Maintenance Organization Act of 1973. Managed care techniques were so successful that they were quickly adopted by a variety of private health benefit programs in addition to the traditional HMOs. A more recent convert to





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For the most part, managed care has its share of proponents, but controversy still follows its usage. The most vocal concerns center on whether managed care has actually reduced medical costs. Additionally, critics have also been concerned about managed care's overall impact on the quality of health care in the United States. Recently, the discussion has intensified since some managed care services seemed powerless to control medical costs.

Managed care basics

While the actual type and scope of managed care techniques vary from one provider to another, a basket of techniques serves as the core of many managed care programs. Among the more typical techniques are:

- Case Management—field nurse case managers who work with treating physicians and families to ensure the best possible patient care.
- Medical Bill Review—combines the expertise of senior-level bill analysts with proprietary quality assurance technology that flags possible violations of medical procedure coding, PPO network discounts, or state fee schedules.
- Utilization Review—uses staff nurses to review medical treatment plans and collaborate with treating physicians on patient care.
- Rx Utilization Management—reviews prescriptions, specifically Class II and Class III drugs, special requests, and prescriptions flagged by proprietary triggers as potentially out of scope or harmful to the patient.
- Claims Analysis—helps claims examiners resolve persistent issues and move toward settlement of difficult or long-term claims.
- Medicare Set-Asides—helps claims staff forecast MSAs more accurately, expedite reporting, and comply with Medicare's Secondary Payer Act for case settlements.

One of the issues to keep in mind when looking at any managed care program is the difference between programs for employee health plans and those that are directed towards medical costs associated with workers compensation. There are similarities of course; however, they must be structured differently due to

regulatory constraints. Since 2001, medical expenses for workers compensation insurance claims have increased nationwide by an annual average of 8% or, put another way, nearly double the medical consumer price index of 4.3% over the same period. These numbers, which are provided by the National Council on Compensation Insurance (NCCI), certainly paint a dire picture.

Like managed care for employee health plans, workers compensation managed care typically includes such techniques as case management, medical bill review, utilization review and discounts for networks. The array of services is similar, but the regulations that affect them are dramatically different.

Change is required

Aware that managed care has begun to lose its acceptance as a solution to workers compensation medical costs, one company, Paladin Managed Care Services, began looking for new ways to provide additional savings. Paladin favored using physicians to monitor appropriateness of the medical procedures without incurring unnecessary costs. Based on its long experience in the health care industry, Paladin had seen how managed care physicians, working collaboratively with treating physicians, could give patients the care they deserve at a lower cost.

In 2009, Paladin executives began designing a workers compensation managed-care program "that involved physicians throughout the claims process," notes Jeffrey D. Miller, COO of Paladin. "We tested ideas and measured results to prove that the overall quality of patient care was the key to lowering claims cost." Paladin believed that utilizing physician case managers in claims that involve severe injuries could enhance its managed care services. To date, Miller notes, "We have confirmed the value of our groundbreaking approach called 'Physician-Guided Care,' by reducing medical costs, accelerating patient recovery, and minimizing appeals of managed care decisions."

Paladin's customers can provide some of the best examples of what results are achievable under their physician-guided managed care services. One customer who has observed the benefits of the Paladin approach is GUARD Insurance Company. GUARD is a commercial property and casualty

carrier located in Wilkes-Barre, Pennsylvania. According to Dan Brennan, RN, MSN, senior vice president of claims, "Several years ago, we began restructuring our claims department and ended up being introduced to Paladin." At that point in time, GUARD was working on its bill review process for high-value claims, he notes. "Based on our analysis, we decided to select Paladin to provide these types of reviews." He points out that one of the key considerations was the peer-to-peer review that Paladin "does so well."

Brennan notes that "the traditional method of using a nurse to contact the treating physicians has only been providing marginal results."

Miller notes that Paladin's service "influences the entire care of the patient and arrives at the most effective treatment by eliminating redundant services and inappropriate procedures." Bottom line, Miller points out: "We have observed the long-term value of having our physicians get involved as early as needed, and stay involved throughout the life of the claim."

GUARD has now been using the Paladin bill review program for about a year and half and, Brennan observes, the initial results were impressive. But, he adds, "While the first quarter was good, I kept thinking these kinds of results are not going to hold." It is now over a year later, and he notes, "I have been pleasantly surprised." During this time, he says, "We have found that you get 100% better response when a doctor picks up the phone and contacts the treating physician." Just as important, he says, "The estimates for future costs are rarely disputed."

Paladin reports that the overall results to date are very encouraging, as well. Miller indicates that "between July 1, 2010, and May 31, 2011, the use of the physician case managers caused the medical expenses to drop by 8%." This, of course, compares quite favorably with the 2% increase in the medical cost inflation rate for the workers

compensation industry in 2010. The net result from adopting the Paladin approach was a 10-point spread.

Conclusion

Dan Brennan of GUARD Insurance noticed a difference almost immediately. "The result of the direct physician-to-physician relationship has made an improvement in our claims experience, and these results have held for over a year and a half."

Miller is quick to add that Paladin's approach to managed care is "achieving dramatic, positive results for policyholders, carriers, and patients," in many different venues. "The Paladin's clients have shown overall improvements that include 11% faster return to work and an 8% reduction in claims costs." Miller points out that the key to the approach is that "by overseeing the patient's medical treatment and approving requests from the beginning of a claim through the provision of the service, we consistently produce a better outcome for the patient, without incurring undue costs for our clients."

Brennan adds that the Paladin program is saving GUARD money because Paladin "gets it; they really get it."

Clearly, Paladin has been setting the industry standard for services that reduce claims costs while improving patient care. The approach, according to Miller, "combines physician-guided care with technology-driven efficiency to achieve better results for our clients, including insurance carriers, self-insured employers, insurance pools, municipalities and group health organizations." Based on the results so far, it is easy to see how successful Paladin has been at transforming managed care.

And there's more to come. GUARD's Brennan says, "Today we are revamping our Pharmacy Benefit Management program and we will be working with Paladin on this aspect of that program as well." ■



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Chief Operating Officer
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