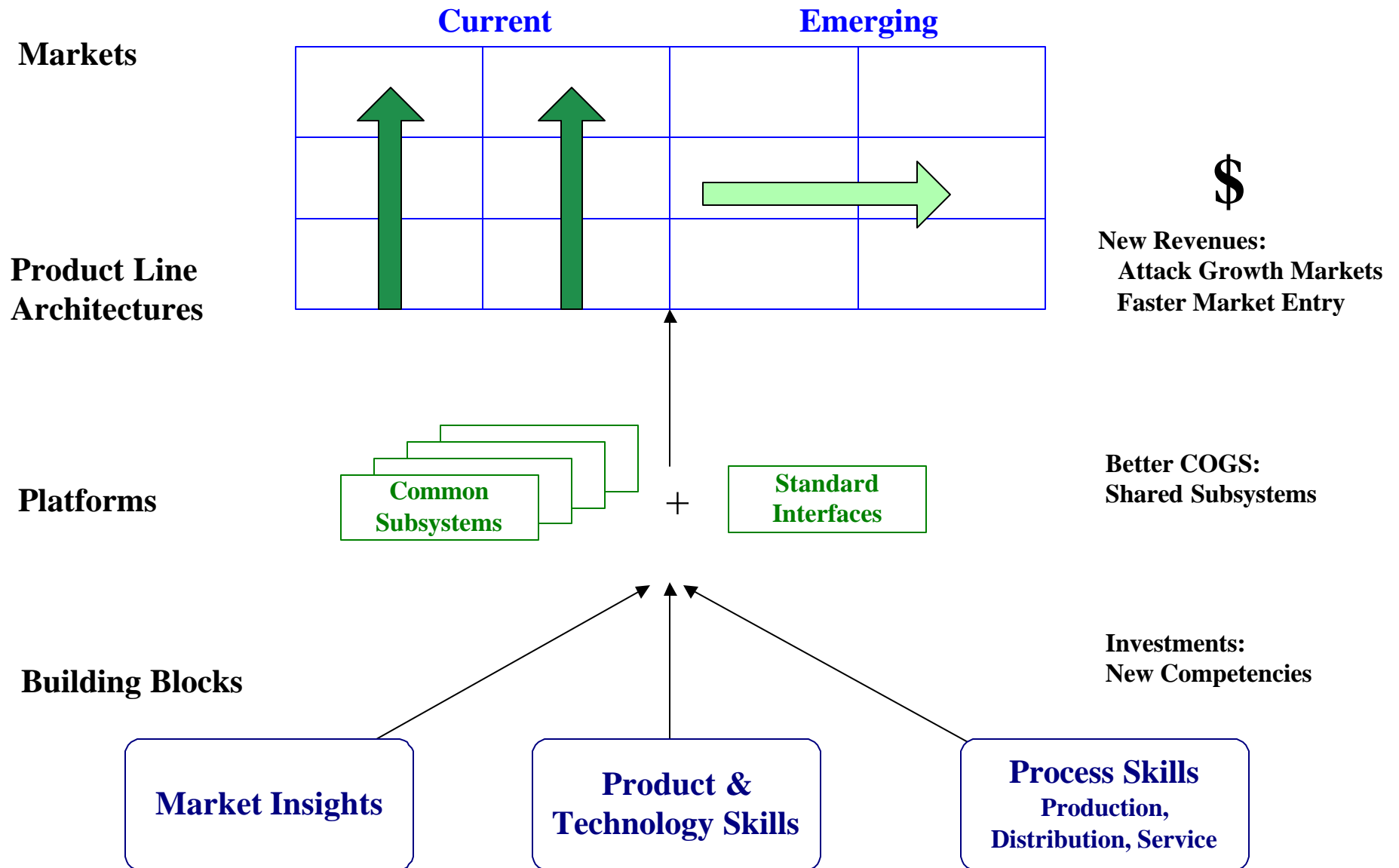


# Services

# An Integrative Strategy: The Power Tower



# Services

# Platform Design

# Some Facts About Workman's Compensation (circa 2000)

- \$60 billion per year industry, about 2,000 insurers, with self-insurance contracts by employers, “group” insurance (groups of similar firms), and hybrid group plus extra insurance coverage plans.
- Price discounting has made it hard to be profitable.
- Insurance rates rose about 90% between 1988 and 1993, and claims from occupational injury doubled in terms of dollars paid.
- The average claim dollar amount is about \$4,000
- Injured workers take about twice as long to recover as people having comparable injuries outside the workplace
- 85% of workplace injuries are caused by hazards in the workplace.
- Lost time from work occurs in 25% of workplace injuries, but cost 90% of the claims paid dollars.

# ManagedComp's Platform Strategy

## *“Risk Reduction Services”*

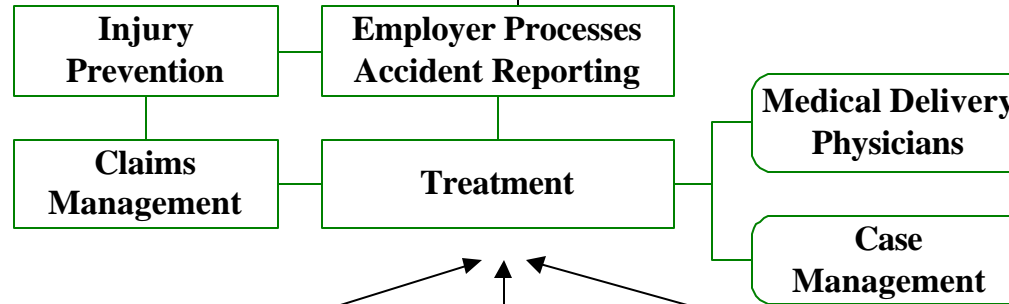
**Over 25 cents of every dollar spent on workers' compensation is waste**

- Needless injuries
- Undirected medical care (non occupational specialists)
- Negative financial incentives for employers and workers to clean up the workplace and report injuries fast.
- Poor return-to-work planning
- Other costs (such as administrative costs)

***Reduce that waste, through injury prevention and rapid injury recovery, and loss ratio's can plummet, market share gained by passing savings on to employers through lower insurance contract prices.***

	Manufacturing	Healthcare	Wholesale/ Retail Trade	Hospitality
Large >1000				
Medium 20 < 1000	<b>Primary Market Focus</b>			
Small < 20				

## ManagedComp



### Market Insights

- *Customer Selection*
- *Workplace Hazards*

### Domain Expertise

- *Injury Prevention*
- *Medical Management*
- *Case Management*
- Underwriting Expertise
- Financial Aspects of Insurance Products
- Claims Expertise

### Team and Performance Measurement

- *Team Development & Management*
- *Data to Monitor Subsystems Every Week*

\* Management considers the firm's skills in italics to be competitively distinctive.

# Injury Prevention

## The Discontinuity (in thinking) Subsystem Innovation

Subsystem	The Problem	Traditional Approach	ManagedComp's Approach
<b>Injury Prevention</b>	Inadequate safety guidelines. 85% of workplace injuries due to workplace hazards.	Random workplace checking for basic compliance, but not so much so as to increase the insurer's expenses.  <i>Injuries due to unsafe behavior constitute 85% of injuries.</i>	<b>Total Injury Prevention Process.</b> Safety consultants are assigned to a group of companies. Work intensively with top management to identify behaviors that lead to injuries. Set shared goals to fix hazards.  Apply prepackaged programs.  Measured on injury rates.  <i>Injuries are being reduced 10% per year.</i>

# Injury Reporting

## Fast and Correct Reporting

### Subsystem Innovation

<b>Subsystem</b>	<b>The Problem</b>	<b>Traditional Approach</b>	<b>ManagedComp's Approach</b>
<b>Injury Reporting</b>	Accidents are not reported rapidly. Injured persons go untreated or see the wrong physician. Problems that might be corrected quickly are left to worsen.	Insurers see rapid accident reporting as increasing claims expense.	Rapid reporting lessens overall claims expense. Procedures insure that injured workers are assigned a physician and a case worker within 24 hours.  Management systems & training for employers are essential to achieve these goals.  Measured on reporting cycle times.



# Medical Delivery - Treatment

## Getting the Right Doctors Subsystem Innovation

<b>Subsystem</b>	<b>The Problem</b>	<b>Traditional Approach</b>	<b>ManagedComp's Approach</b>
<b>Medical Delivery System</b>	Injured persons often see doctors who do not know best how to treat them. This increases disabled rates and lengthens return to work periods.	To "save costs," insurers will refer injured workers to any physician that is part of discount network.  <i>Lost time claims are 90% of total claims.</i>	Developed a network (now about 3000 persons) of primary occupational physicians who are paid on services contracts.  Measured on medical outcomes and patient satisfaction.  <i>Injured workers are treated more effectively.</i>

# Case Management

## Getting People Back to Work

### Subsystem Innovation

<b>Subsystem</b>	<b>The Problem</b>	<b>Traditional Approach</b>	<b>ManagedComp's Approach</b>
<b>Case Management</b>	Injured workers are left at home to fend for themselves.	Injured workers are not assigned a case manager for weeks.	<p>A Case Manager, responsible for a panel of companies, is assigned to an injured worker within 24 hours of injury.</p> <p>Establishes return to work plans.</p> <p>Oversees care.</p> <p>Measured on return to work cycles and bouncebacks.</p>

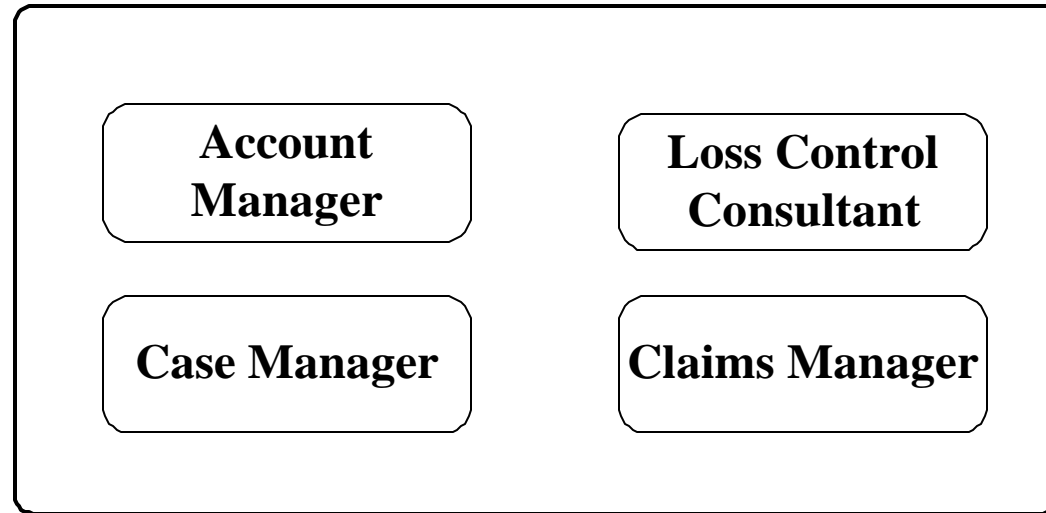
# Claims Management

## Preventing Fraud, Settling Bills

### Subsystem Innovation

<b>Subsystem</b>	<b>The Problem</b>	<b>Traditional Approach</b>	<b>ManagedComp's Approach</b>
<b>Claims Management</b>	Claims are paid late. Workers comp is also known for significant levels of fraudulent claims activity.	Claims are funneled through functional departments -- and delayed in the shuffle.  Processes are not designed to close claims rapidly.	Claims Managers obtain medical diagnosis and return to work plans, and have responsibility for specific employers and for fraudulent tendencies.  Unresolved claims are tracked to try to keep them at a minimum.

# Services Deployed in Colocated, Co-rewarded Teams



# Measures for Teams

Monthly and Year to Date, by Team % Region

- Sales (written insurance contract premiums)
- Number of Employer Accounts
- Open Claims Files
- Open Injured Worker Case Files
- Surveyed Client Satisfaction Rate
- Employer Injured Worker Reporting Cycle Time
- Loss Ratio (Claims to Premium Dollars)
- Employer Insurance Contract Renewal Rate (% of Accounts, % of Premiums)
- Claim Closing Ratio
- Dollar Cost Average per Claim
- Case Closing Ratio (% closed of all cases)
- Lost Time Rate (working days actually lost as a function of # of injuries)
- Injury or Incident Rate (per thousand insured)

# Measures for Doctors

## The Five Profiles of Physician Performance

- Medical Costs (assessed according to severity of cases)
- Indemnity Costs (total insurance costs, including lost time from work)
- Medical Quality (industry measures of medical outcomes)
- Customer Satisfaction
  - Employer surveys (once a year)
  - Patient Surveys (sampling, twice a year for new POPs, once a year for others)
- Negative “Spins” -- Return to Work “rebounds”/reinjuries
- Past History -- trend analysis for POPs on all measures above

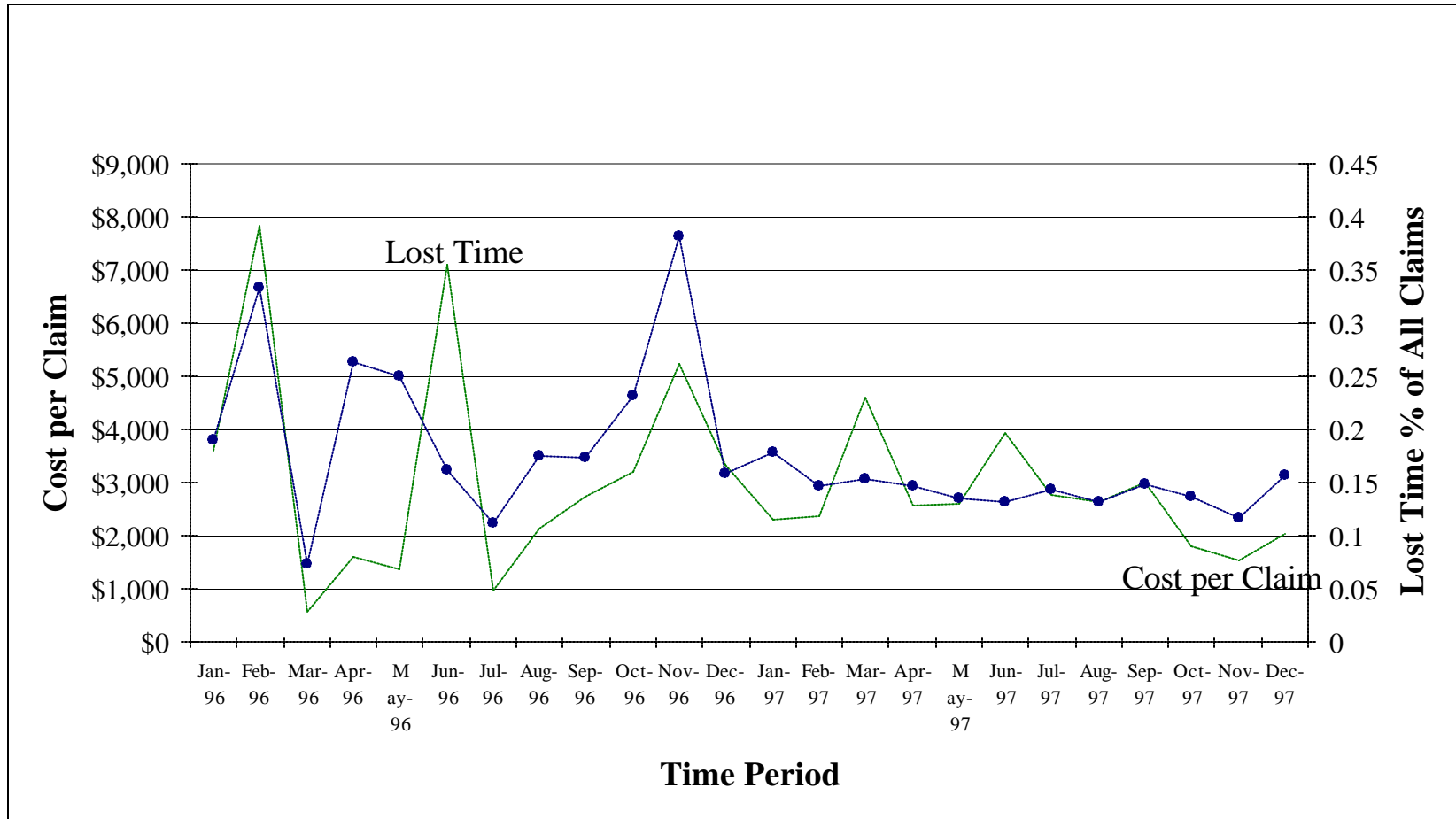
# The Platform Strategy

## *Bringing “Excitement” to a Dormant Industry*

**2500+ clients in 44 states, covering 300,000+ employees**  
**\$175m in premium revenue**

- Average client reduces its workman’s comp costs by over 25%, and 95% of all clients are experiencing cost savings.
- 60% fewer claims go to litigation
- Loss ratio (premium to claims) is 25% below industry average
- Client’s average claim dollar amount is about one third of industry average (about \$2,000)
- High client renewal rate, (67% to 100% in various regions)

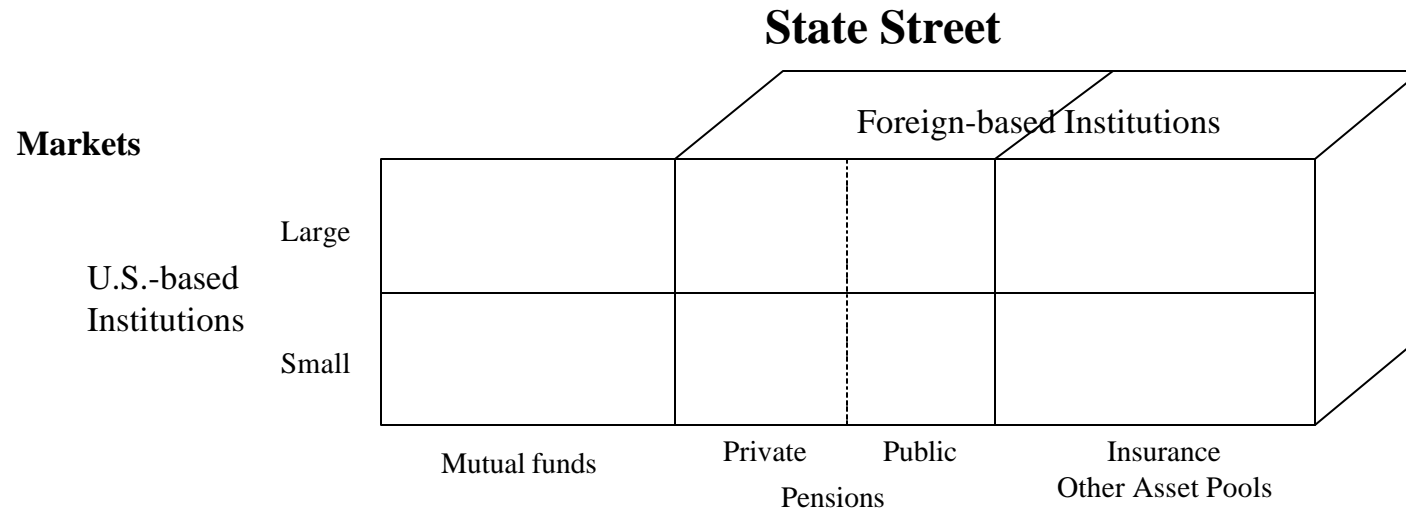
## Measures of Platform Effectiveness for ManagedComp Cost per Claim; Lost Time from Work





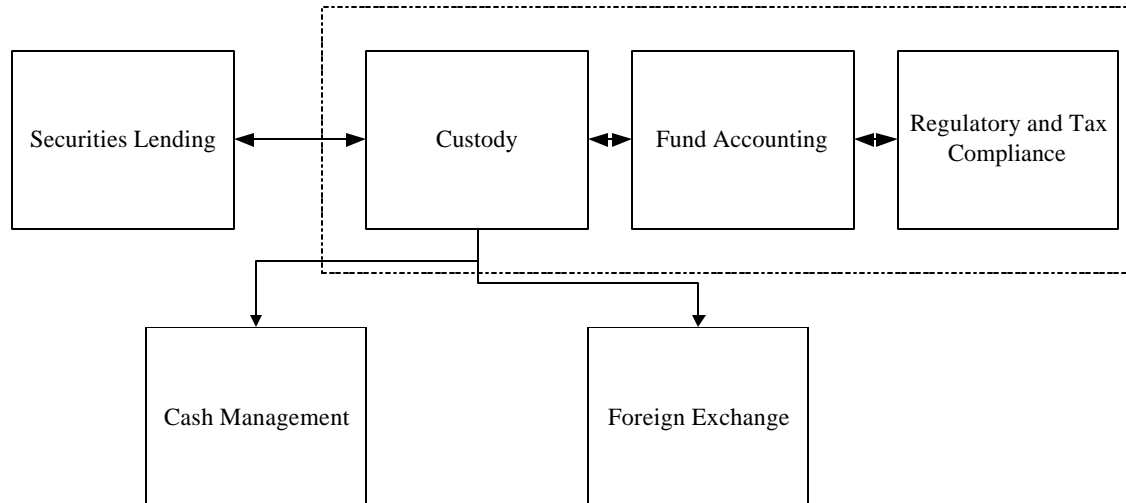
# Services

# Market Innovation

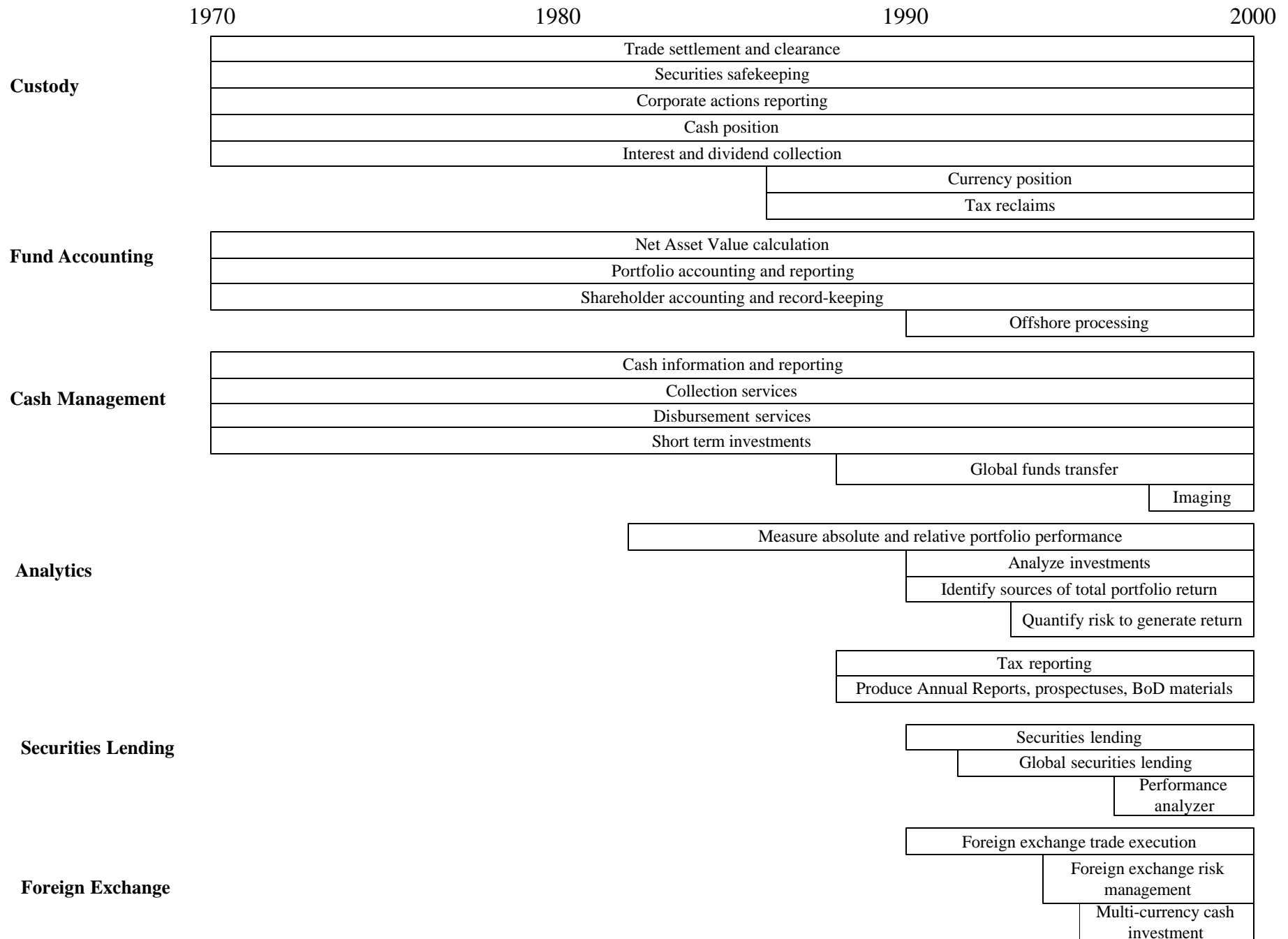


### Services/Products Tailored to Customers

### The Services Platform



## Figure 8 Subsystem Evolution



# Services

## New Business Models