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Avizent Executives and Top Clients Outline Trends Impacting Workers' Compensation and Liability Marketplace in 2010

While 2010 Holds Promise, Key Issues Remain on the Horizon

COLUMBUS, Ohio (February 16, 2010) — With 2009 destined to go down in history as one of the most tumultuous years on record for the property & casualty (P&C) insurance industry, organizations that purchase workers' compensation and liability insurance services are hopeful, yet cautious, for the coming year. Executives from Avizent, one of the fastest growing national claims and risk management service providers, predict a better year ahead, but caution that burdensome new legislation, coupled with a difficult economy will continue to create new challenges for the industry.

Avizent is well positioned to help organizations address many issues that the New Year may bring. Despite difficulties in the market, Avizent experienced a very successful 2009, which included the highest annual revenues and earnings in the company's history.

"While businesses nationwide have changed to adapt to the ongoing economic challenges, they will need to continue to tailor their strategic plans to respond to new laws and industry trends on the horizon," notes Thomas Watson, CEO of Avizent. "In 2010, we will continue to enhance our services and help clients prepare for these changes, control costs, improve outcomes and successfully respond to the needs of their business."

Based on analytical forecasts for 2010 and quarterly reviews and discussions with clients, Avizent executives have outlined the 10 trends they believe will most significantly impact the workers' comp and liability marketplace in the coming year.

1. **The severity and cost of workers' comp claims will continue to increase.** While the frequency of claims is declining, severity and overall cost – particularly for permanent total claims – have increased significantly. To combat rising workers' comp costs and ensure valuable employees return quickly and safely, employers will need new strategies such as involving medical experts in claims on the first day. Scott Noggle, Corporate Claims Service Vendor Manager at Enterprise Rent-A-Car, an Avizent client, explains, "Our biggest challenges are managing medical costs and getting employees back to work as soon as possible. With Avizent's TeamCOMP approach, nurse case managers work directly with claims adjusters from day one, which increases communication between all parties. This approach has helped Enterprise reduce overall medical costs and decreased the amount of time our employees are out on disability."
2. **Employers will demand greater accountability for every dollar spent; they will keep a sharp eye on every expense line item.** While the scrutiny on cost will affect every facet of workers' comp and liability programs, strategies such as subrogation recoveries and captive risk sharing arrangements will gain prominence as tools to control expenses. In addition, benchmarking and wide-spread auditing of claims files will grow, and it will be increasingly important to ensure compliance with regulatory requirements and internal best practices.
3. **The use of specialists and providers trained to treat workers' comp injuries will expand.** Due in part to increases in injury severity, employers will look toward specialists ranging from neurosurgeons to orthopedic diagnosticians to provide better outcomes, quicker return-to-work and more effective cost control. In addition, with stress among workers at an all-time high, networks will expand to include psychiatrists, psychologists and other counselors.

4. **Employers will focus on engaging their injured workers.** For years, “out of sight, out of mind” was the attitude of some employers about injured workers. Many employees become disengaged and unmotivated to return to work once removed from daily contact or support. As a result, some employees ended up on disability much longer than necessary. New research is showing that when supervisors and managers engage with employees often throughout their recovery and treatment process, it can help reduce disability costs and get injured workers back on the job faster.
5. **There will be a renewed focus on best outcomes.** TPAs and self-insured employers will push adjusters to ensure that they are minimizing potential financial “leakage” and maximizing every opportunity for the best outcomes on every claim. Strategies such as utilizing a network of experienced workers’ comp providers, earlier clinical intervention, proper diagnostic evaluation and peer-to-peer communication will expand as ways to control costs and help workers return to their jobs quickly and safely. The focus on outcomes creates new opportunities for employers to reduce costs, while improving the overall health and safety of their employees.
6. **Medicare, Medicaid and SCHIP (State Children’s Health Insurance Program) Extension Act Section 111 reporting will become a reality.** In 2009, employers feared and then gradually began to accept the new world of MMSEA Section 111 reporting. The act brings new electronic reporting requirements for non-group health claims, including workers’ comp, liability and no-fault claims. With potential high civil money penalties (\$1,000 per day per file for late reports), employers are looking for partners with the expertise and technology to help them ensure compliance. The associated avalanche of “conditional payment letters” from CMS (pressing their right of recovery under the Medicare Secondary Payer law) that is expected to result from Section 111 reporting will also be a concern.
7. **Technology will be moved to more areas within the P&C industry.** Technology has been an important tool to effectively manage the lifecycle of claims and improve program costs for the past decade. While there remain pockets of technological innovation, the insurance industry remains well behind most other segments. As the focus on cost efficiencies and outcomes grows, technology will gain new importance in areas of compliance and training, expanding opportunities for improvement in a wider array of program elements. “Business Rules” engines will become more prevalent out of necessity.
8. **Wellness will come to work.** A growing number of large employers use wellness programs to help manage productivity. Traditionally, there has been a barrier between workers’ comp and wellness programs – primarily because wellness is typically considered a group health benefit and workers’ comp falls under P&C insurance. The U.S. populace is aging and there are most definitely obesity problems extant. However, with the success wellness programs have had in improving productivity and with research indicating that healthier employees have lower workers’ comp expenses if injured, there will be more coordination and integration between workers’ comp and wellness programs.
9. **It will become okay to call in sick.** The H1N1 flu has forever changed employers’ attitudes about calling in sick. Healthcare experts remained concerned that the winter of 2010 could see even more cases of the swine flu than the fall of 2009. To adjust, employers are instituting new policies and encouraging employees not to come to work if ill.
10. **Innovative programs traditionally focused on the P&C market will be used to control escalating costs in the healthcare arena.** Once primarily an option for large employers, group captives are emerging as a key risk sharing strategy for small to mid-size employers and associations for their workers’ comp programs. New options also allow smaller companies to self-fund captives and use the program to cover health insurance excess, providing opportunities for program improvement and significant cost savings.

While the issues above will be significant, most industry experts believe one of the greatest concerns will be new legislation. With healthcare reform influx, the industry remains uncertain as to its impact on workers’ comp programs. However, in 2009 HR 635, a bill proposing the creation of The National Commission on State Workers Laws, was introduced. The bill would in effect create a commission of appointees to examine every state’s workers’ comp program, which many believe could become a precursor to Federal legislation.

“The complex legislative decisions currently being considered could have a dramatic impact on the workers’ comp arena and create more challenges for employers in 2010,” notes Watson.

About Avizent

Avizent, based in Columbus, Ohio, is one of the fastest growing national risk management service providers. They offer claims management, medical managed care, alternative risk options and RMIS technology. The company has offices in 40 locations across the United States. For additional information, visit the Avizent website at www.avizentrisk.com or call 888-646-9675.

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