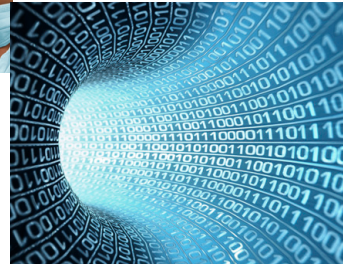


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Jeffrey Miller: Healthcare Reform and Workers' Compensation: Potential Impact

WorkCompWire March 14, 2011

Healthcare reform as passed in President Obama's "Patient Protection and Affordable Care Act" is a reality and will be with us in some form into the future. Opinions vary widely on the merits, drawbacks, and implications of this new law, and your particular assessment may depend upon which pollster you believe and your particular political ideology. Regardless of your political leaning, I'm sure you will agree that these reforms are our new reality and a significant realignment is in store for the business community.

As the implementation of the new law proceeds, you may well wonder how workers' compensation will be specifically affected by its provisions. Though the general public may focus on these reforms as they relate to healthcare for individuals and their families, there can be no doubt that those with

employment-related injuries and illnesses will also be affected. While workers' compensation comprises a relatively minor portion of our national healthcare expense, the impacts of these reforms will nonetheless be felt by employers, injured workers and insurers.

Capacity: A Potential Concern

A shortage of healthcare providers existed prior to the passage of healthcare reforms. A June 2009 Washington Post article acknowledged this phenomenon, adding projections that "the shortage of family doctors will reach 40,000 in a little more than 10 years", and "the overall shortage of doctors may grow to 124,400 by 2025." Further complicating the issue, the Kaiser Family Foundation recently estimated that 50 million non-elderly individuals are currently uninsured – nearly one-sixth

of the population of the United States. Given that the intent of the new legislation is to ensure that virtually all Americans have access to healthcare treatment, increased demand for medical services may make it more difficult to provide appropriate treatment for all who need it. While making affordable healthcare broadly accessible for our fellow citizens may be noble in its intent, its potential impact on capacity will necessitate careful management to assure that availability and effectiveness of care does not deteriorate.

Fortunately, most employment-related injuries covered by workers' compensation are not emergencies or acute. As such, most treatment for these injuries is provided in a manner similar to how elective procedures are handled, scheduled for days or weeks after initial diagnosis. The workers' compensation system provides for indemnity payments

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partially replacing lost wages to those unable to work while awaiting treatment. As such, if the potential capacity constraints further restrict the availability of medical providers, then it may take even longer for injured workers to be seen for treatment.

At last year's IAIABC conference in Los Angeles, Dame Carol Black, former Chairman of Academy of Medical Royal Colleges in London and England's current National Director for Health and Work, warned that Americans' expectations will require significant realignment based upon her experience with England's nationalized system. Indeed, according to a 2008 article published by the CATO Institute, in Great Britain "only 30 to 50 percent of patients are treated within 18 weeks." The indemnity implications of delayed treatment on this scale are enormous. Fortunately, our healthcare reforms preserve the existing competitive private market for healthcare, and will most likely not produce the extraordinary wait times experienced under Great Britain's system. However, it is conceivable that we will experience longer delays for needed treatment because of the increased demand on existing resources. We must acknowledge the possibility that these delays will also prolong recovery time and make a prompt return to work less achievable.

Claim Costs on the Rise?

Workers' compensation fee schedules are derived from Medicare rates based on actual provider charges. If increased overall demand for services drives higher pricing, then medical costs for injured worker treatment must also rise. Further, if the treatment of workplace injuries continues to be handled like elective procedures, longer treatment delays will drive wage replacement benefits and other claims costs upward as well. Longer recovery periods can also necessitate more aggressive and costly treatment and cause greater psychosocial impact. If we're not careful, workers' compensation throughout the US may develop many of the same problems employers and insurers face today in California, where medical expenditures

increased by 95% between 1999 and 2009 and are higher than ever despite a short-lived respite driven by reforms in 2002 and 2004.

Meeting the Challenges

While we wait for the dust to settle on the actual implementation of the "Patient Protection and Affordable Care Act", there is much that can be done to mitigate the workers' compensation implications of reform. Preparedness and assertive action are more important than ever. Prudent risk managers will institute new programs and enhance established practices to meet these challenges head-on.

Vigilant safety programs can be very effective in preventing injuries, and I'm sure all will agree that the least expensive accident is one that never happens. Many insurers offer on-site loss control support and other valuable resources to promote and maintain a culture of safety throughout the employer's organization. If a company is not taking full advantage of these services, now is a great time to start.

Unfortunately, accidents sometimes happen despite best efforts to prevent them. The good news is that there are proven strategies available today that promote prompt, effective medical treatment while carefully managing costs. Choosing a Medical Provider Network that includes physicians that specialize in the types of injuries that are typical of your industry and operations ensures that the right course of treatment is administered from day one, leading to a more complete and timely recovery. Preferred access to certain providers may be negotiated, ensuring that injured workers are treated with minimal delays. Time-tested medical management tools such as medical bill review and utilization review services can be very successful in assuring that the most effective

and appropriate medical treatments are delivered without incurring excessive or redundant charges. An ongoing transitional return to work program recaptures lost productivity and shortens claim duration while enhancing the injured worker's physical and psychological recovery. All of these strategies, augmented by direct physician involvement, drive superior workers compensation claim outcomes at lower cost, which may be the best defense against the anticipated and unanticipated impacts from medical care reforms.

About Jeffrey Miller

Jeffrey Miller is the Chief Operating Officer for Paladin Managed Care Services with locations in Irvine CA. and Chicago Ill., which is a wholly owned subsidiary of SeaBright Holdings, Inc. out of Seattle. Jeff has



over 25 years experience in the insurance managed care, healthcare, consulting and financial services industries. Jeff's career includes 16 years with Intracorp a wholly owned subsidiary of CIGNA Healthplan,

where he performed progressively broader and more complex finance and operating roles. He spent 4 years with Fair Isaac Corporation as Vice President of their Healthcare and Insurance Service unit where he grew the business to become one of the top businesses in its market space. Jeff was Vice President of Operations for Cerius Consulting, along with heading up the Healthcare and Business Transformation practices, and in 2007 left Cerius to form Amplify Consulting which was published by the Orange County Business Journal as one of Orange County's top 10 consulting firms.

He received a B.A. degree from California State University - Fullerton, an MBA from the University of St. Francis, and is a Six Sigma Black Belt.

Paladin Launches New Web and Social Media Sites

Paladin Managed Care Services is pleased to announce the launch of its new website and social media sites. Easy access to relevant and compelling information was the primary reason for the redesign of our website, www.paladinmc.com, and we're providing real-time access to important industry and product news via [Twitter](#) and our new [Facebook](#) site. We're also accessible via [LinkedIn](#), the business-focused social media site. Together, these portals serve to inform our clients and industry stakeholders, through their preferred social media tool, of relevant developments in the business, regulatory environments and at Paladin.

Paladin's new website offers comprehensive information about our wide range of medical management products and the extraordinary results we've achieved with our clients. Also included is a selection of educational articles about issues faced by the industry, useful links to state insurance and labor department websites, and information on upcoming industry events.

Our new social media capabilities allow us to provide our clients and other constituents with breaking news and industry developments that may affect them.

"We're extremely pleased to have completed our rebranding initiative with the launch of our new website and social media sites," said Paladin's Chief Operating Officer Jeffrey Miller. "These new communication tools will enable us to stay even more closely connected with our clients and the insurance and managed care industries, allowing us to more readily share our specialty knowledge and successful results achieved on behalf of our customers."

Now, wherever you go, Paladin is just a click away. Please visit our site, "friend" us on Facebook, follow us on Twitter and connect with us on LinkedIn to take full advantage of our enhanced communications capabilities.



Godellas and Vasquez Join the Paladin Team

We are very pleased to announce that Nick Godellas and Johnny Vasquez have been added to the roster at Paladin.

Supporting our ongoing effort to increase our depth of resources, Nick has joined us as our new Director of Managed Care. In this role, Nick is in charge of Paladin's account management function, leading our strategic vendor relationships and new product development. He has over 25 years' experience in the workers' compensation industry, and this in-depth knowledge is invaluable in his work in the insurance carrier environment, and managed care and governmental areas to keep Paladin on

the cutting edge. Nick has joined our team after many years working within the medical management department at SeaBright Insurance Company. Current and prospective vendors may contact Nick by phone at 847-837-8353 or via e-mail at nicholas.godellas@paladinmc.com.

Johnny Vasquez' new responsibilities as Paladin's Account Executive leverage his solid insurance and sales background to build upon Paladin's recent rapid growth, bringing our unique physician-centric approach to managed care services to clients nationally. Johnny came to Paladin after many successful years in progressively more challenging

sales roles at ADP, the last of which involved selling workers' compensation insurance to targeted employer segments. To learn more about how your company can improve its medical management results through Paladin's superior expertise, please call Johnny at 949-732-2435 or e-mail him at johnny.vasquez@paladinmc.com.

Jeff Miller, Paladin's Chief Operating Officer, said "We're very pleased to have Nick and Johnny with us at Paladin. They bring a wealth of skill and experience that will help us produce even better results for our clients and continue our successful growth."

Join Paladin at:

The Risk Management Society (RIMS)

May 1 - May 5, 2011
Convention Center West
Vancouver, BC

National Council of Self Insurers

May 15- 18, 2011
Tropicana Las Vegas Hotel and Casino
Las Vegas, NV

Public Risk Management Association (PRIMA)

June 5 - 8, 2011
Oregon Convention Center
Portland, OR

Council of Self-Insured Public Agencies (COSIPA)

June 9, 2011
Hilton Hotel
Concord, CA
June 30, 2011
Hilton Hotel
Costa Mesa, CA

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