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A wholly owned subsidiary of Liberty Mutual Insurance



Today's discussion

- What's an outcome-based network?
- What good are they?
- How are they developed?
- What are the benefits to employers and injured workers?



Basic premise of outcomes-based networks

- Better doctors may require higher fees, but ultimately will deliver lower claims costs because better care reduces disability and ultimate medical cost.
- Most of the work is in determining who's better



Workers Compensation PPO Networks - Current

- Focus has been on access and obtaining discounts
- Network operators compensated on % of savings
- Limited competition
- Employer choice of physician (network direction) is possible to a greater or lesser degree in 31 states (13 full, 18 partial), but networks can be operated to obtain discounts in almost all.
- Network participation by providers is based entirely on willingness to contract at specified rates. Quality and outcomes are usually not a factor.



Outcomes Based Network Strategy

Promote better care for injured workers by monitoring outcomes and process components of physician care.

Working Assumptions:

- High-quality care early in the life of a claim can produce better outcomes and is worth paying for
- Most variation in utilization is not driven by evidence
- There is no evidence that quantity of care = quality of care, and some evidence that excessive care, such as diagnostics and physical therapy, produces delayed RTW
- There is variation between providers in their ability to deliver high- quality outcomes



Outcomes Based Networks

- Selection of providers based on delivery of better healthcare outcomes than other providers in same market
- Discounting may be reduced or absent
- Reduced number of participating providers in each local service area
- Expectations – better claim outcomes, due to:
 - Lower disability costs (TTD days)
 - Reduction in inappropriate care (diagnostics, procedures, opioids)
 - Lower downstream medical loss (higher closure rates)
 - Lower ALAE and litigation costs (limited data for this)



Value Equation in Healthcare

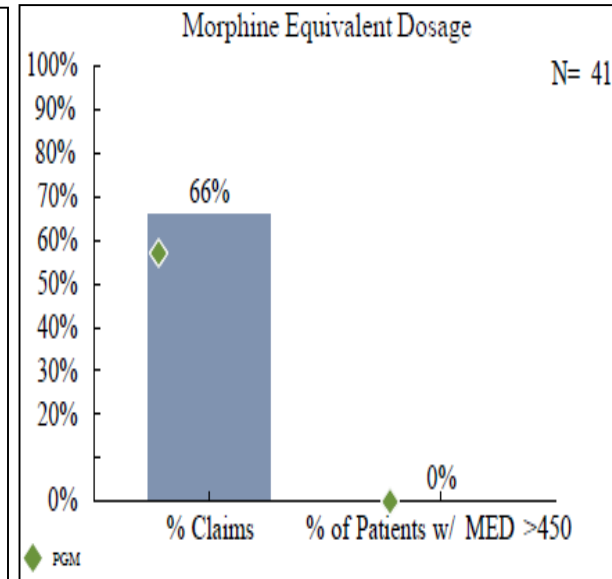
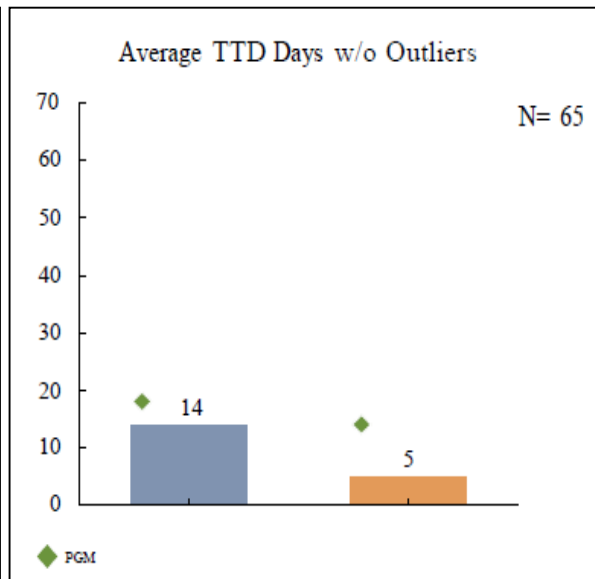
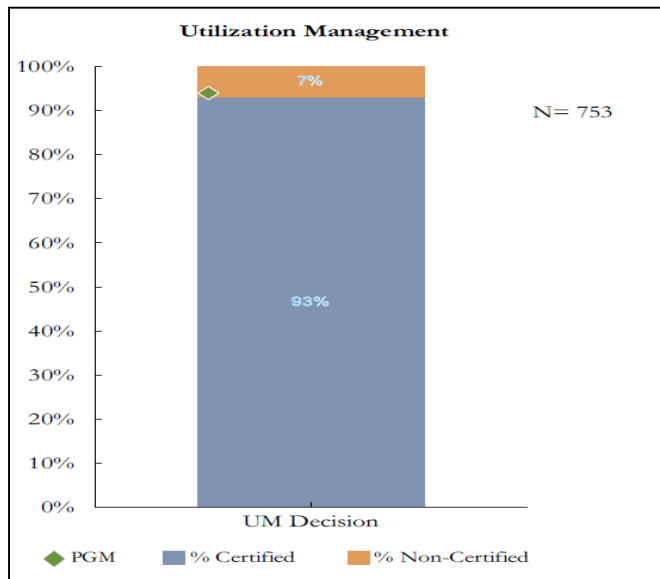
$$\text{Value} = \frac{\text{Quality (Health Outcomes)}}{\text{Cost}}$$



Understanding Value – Helmsman/Liberty Mutual Provider Performance Assessments

- Provider performance benchmarked against peers and/or national norms
- Provider performance evaluations (PPEs) created for high-volume point-of-entry providers
- PPEs mailed to providers with detailed results.
- Composite PPE results shared with customers to assist in developing physician panels.

Sample Individual Provider metrics

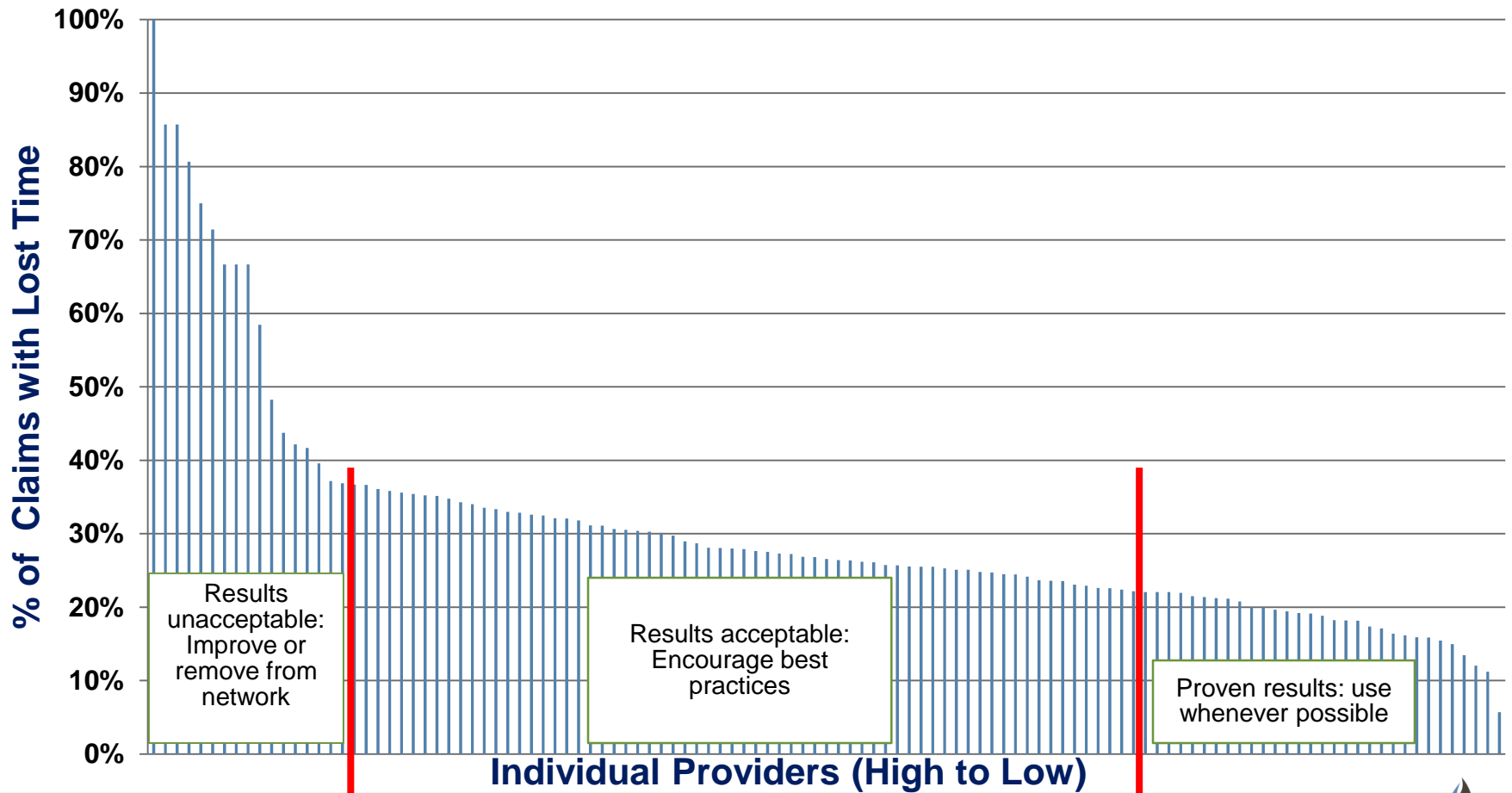


◆ Peer Group Median (PGM)

Sample aggregated metrics

CA physicians show highly variable results in RTW performance

Lost Time Claims by Physician



Nine Leading Indicators of Performance and Quality of Care

OUTCOMES	Total Temporary Disability Days 1		
PROCESS	Utilization Management: % Certified Procedures 2	Opioid Use Within First 4 Weeks From Injury 3	Low Back Imaging Within 1 st 4 Weeks From Injury 4
	Visits with Physician Dispensed Drugs 5	Composite Efficiency Index 6	
	Percent of Complex Office Visits 7	Percent of Prolonged Services 8	Percent of Miscellaneous Code Visits 9
BILLING & CODING			

Putting it all together – using provider performance data to create networks

- Data volumes are important – many providers don't have large # of claims
- State regulations may drive what is possible
- Blended approach to provider assessment is superior – no single score can capture all dimensions important to an employer
- Helmsman/Liberty networks utilize PPE data, along with other claim quality data such as provider incident reports, and reviews by Regional Medical Directors, nurses and customer risk managers.
- Customized strategy – we will also use outcomes based networks developed by others in selected states, and modify based on inputs above

