



Enlytened

Annual Trends Report

2022 Edition

Technology

Clinical

Networks





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Alex Sun
President & CEO

Dear Enlytened Reader,

This year more than ever, it's amazing to me to look back at how much we have all been through in such a short period of time. No one could have predicted just three years ago how much the world was about to change, and I think for us it's safe to say that there has never been a time when we have been so impacted by so many events outside of the P&C industry.

Fortunately, having managed our way through the most dramatic societal disruption of the last 100 years, together we have proven our resiliency and readiness for the transformational opportunities before us, despite the issues that persist. Whether it's workforce changes, inflation, supply chains or politics, each new challenge to our industry comes with an opportunity for growth, and an opportunity to improve the outcomes of the people we serve.

With a holistic view of auto collision, casualty and workers' comp claims, it is our responsibility at Enlyte to bring you insights with a unique perspective. Be it the impacts of automation or electrification, social inflation or social determinants of health, election results or drug price transparency, our experts are taking a closer look at the trends that shape your decision-making today, offering strategies to help you navigate whatever comes next.

We hope you enjoy the 2022 Enlytened Report and find value in the insights we are proud to share with you. We understand the importance of the work that you do, and we thank you for your commitment to the people we all serve.

Best regards,

A handwritten signature in black ink that reads "Alex Sun".

Alex Sun



CHAPTER 1

Strategies for Adapting to an Evolving Workforce

The Great Resignation and the move to remote work has forever changed the way we work, as well as the profile of our workforce. This will require employers to rethink everything from health and safety on the job, to new technology that makes training, onboarding and prioritizing easier.

CHAPTER 1

Auto Physical Damage,
Auto Casualty & Workers' Compensation

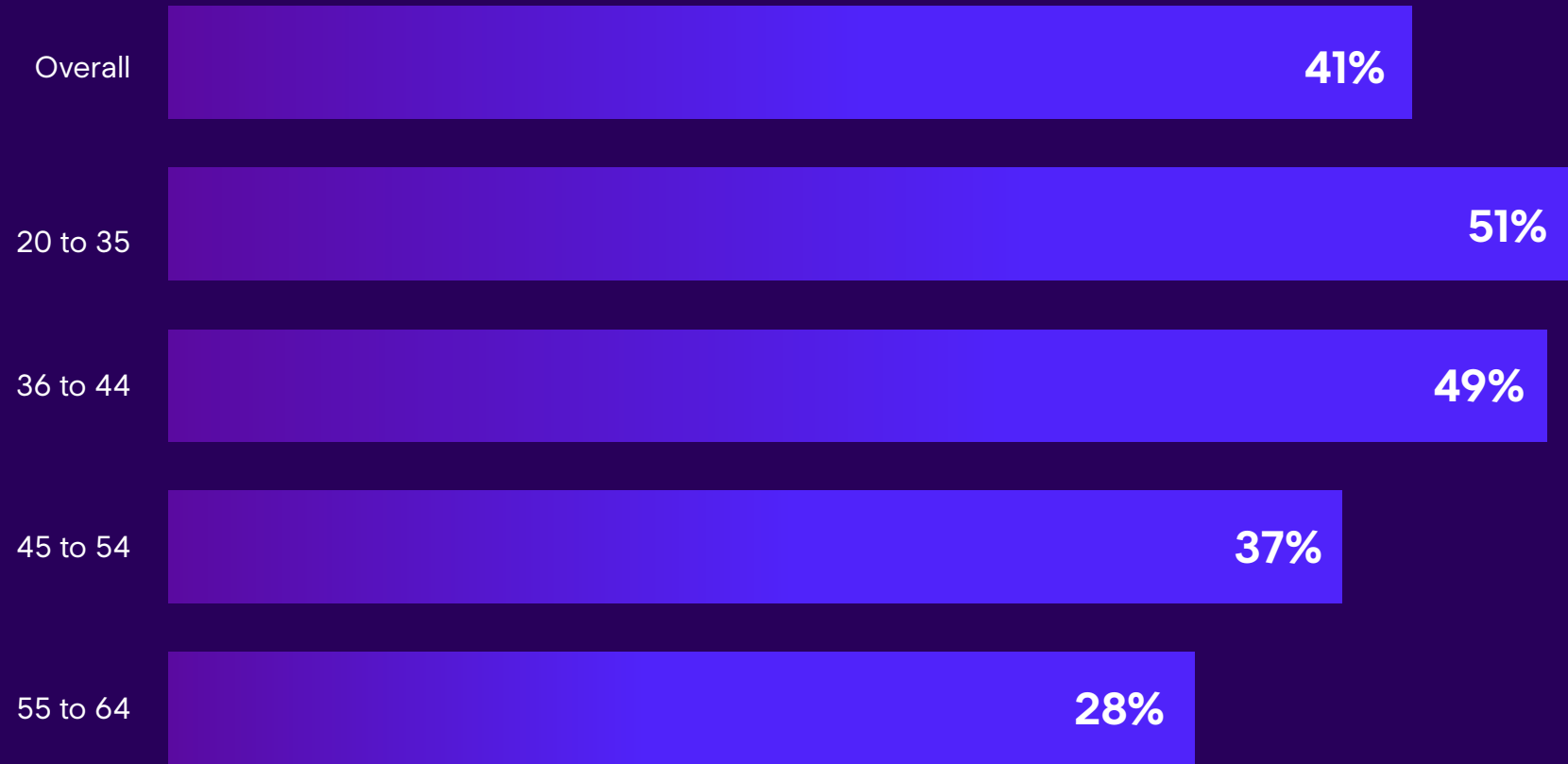
Strategies for Adapting to an Evolving Workforce



As a result of the pandemic, employee norms around work are changing and impacting the property and casualty workforce in diverse ways. Many are choosing to change jobs or careers altogether (aka the "Great Resignation"), large numbers of insurance professionals are retiring, substantially changing the workforce demographics (as much as 50% in some cases—read more in [Managing Social Inflation in a Talent Crisis](#)), and a majority have permanently shifted to remote work either some or all of the time. Prior to 2020 less than 10% of the professional workforce worked from home all or most of the time, and while some experts put remote work at more than 70% during the peak of the pandemic, today, it seems we have normalized with [approximately 60% now working primarily from home](#).

The move to remote work brought unanticipated changes to how we live and work. With shorter commutes and more time with family (and sweatpants), the collective shift has substantially changed how we think about employee wellness, how our teams connect and how we get work done. This has been a significant shift in the claims adjusting environment. Many industry executives are dealing with how to ensure the benefits of face-to-face collaboration in office locations doesn't disappear as the next generation of adjusters enter the workforce remotely. With three years of experience transitioning from office to home to hybrid, business leaders have largely moved on from debating the productivity of remote employees, and instead are wondering how to cultivate culture and connection, maintain health and wellness and ensure a positive employee experience in what appears to be a permanently distributed workforce.

Changing Workforce, Changing Workers' Comp Claims



More than two in five americans reported new or increased shoulder, back, or wrist pain since starting to work from home during the pandemic

Source: Chubb

While a majority of research points clearly to employees' preference to work from home all or some of the time, these changes are having both physical and mental impacts on workers. Given that some individuals moved from an office environment to their dining room tables, it may not be surprising that the rate of shoulder, back and wrist pain are on the rise. A study conducted by Chubb indicated more than 40% of Americans surveyed reported new or increased shoulder, back and wrist pain since they began working from home (see figure above). The largest uptick in pain was reported by those in the 20–35-year-old age bracket.

Strategies for Managing the New Remote Workforce



Evaluate ergonomic programs and explore opportunities for addressing work-from-home office set up.



Tap into behavioral health networks and the variety of provider types that can help employees navigate any stress, anxiety or isolation that may be limiting work performance or personal lives.



Automate and/or outsource manual functions with technology tools like machine learning or robotic process operation to provide decision support for high-priority tasks.

With ergonomic injuries potentially representing a larger proportion of the workers' comp claims mix in the coming years, it's important for employers to think about [prevention strategies and evaluate programs](#) to address home office setup and employee well-being.

In addition to addressing physical concerns, there are significant mental health implications as well. The World Health Organization [has reported a 25% increase](#) in the prevalence of depression and anxiety worldwide, largely attributed to employees transitioning to work from home environments. In many cases they worked longer hours, while exercising and communicating with others less. [According to a 2021 study](#) conducted by the American Psychological Association, 79% of employees experienced work-related stress, and nearly 3 in 5 employees reported negative impacts from it, including lack of interest, motivation or energy and lack of effort at work. Now that employees have adjusted to a work-from-home lifestyle, 72% report a different outlook on work-life balance, focusing more on their mental well-being. This has significant implications on what employees expect from their work experience.

With employees spending less time together, employers have to provide a different work experience than in years past, enabling new ways for

employees to learn, engage and collaborate with each other. [Deloitte](#) reports that "companies who score high in providing a great work experience for their employees are as much as 25% more profitable than those who don't." While big technology companies like Meta, Microsoft or Nvidia are working on next generation collaboration tools to keep employees engaged with each other, partners in the P&C industry are focused on leveraging employees' talents by automating manual tasks and surfacing the work and the data that workers' need most. [Claims processing systems equipped with machine learning, decision-support systems and robotic process automation](#) not only improve efficiency for claims organizations, they allow employees to spend time where it makes the most difference, and they make onboarding and training new claims professionals easier, with modern tools that new generations of employees expect.

Given that the shift to remote or hybrid work has evolved to a more permanent state, companies need to establish new best practices when it comes to mental and physical well-being initiatives, and the tools and technology that create a new, better employee experience. These are all items that are top-of-mind for industry executives as we navigate what is next in professional environments.



CHAPTER 2

Yes, Supply Chain and Inflation Affects Injured Employees' Recovery

In response to global supply chain challenges, many companies are moving from “just-in-time” to “just-in-case” logistics strategies, ensuring that extra supplies and resources are available at critical junctures in the supply chain.

CHAPTER 2

Workers' Compensation

Yes, Supply Chain and Inflation Affects Injured Employees' Recovery

By Nicole Usher

Senior Director, Operations
Apricus



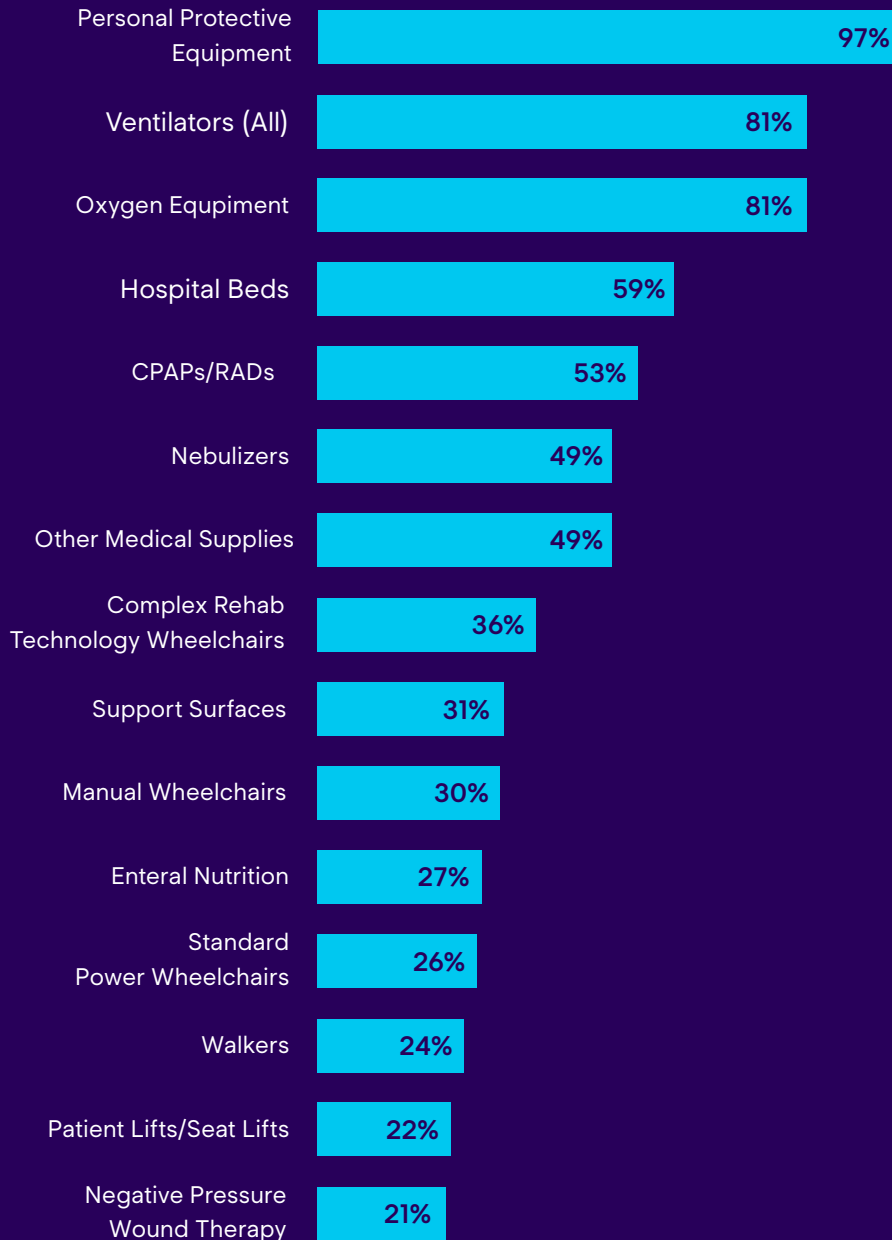
When we consider [supply chain shortages](#) and inflation people think about high gas prices, volatile housing markets and labor shortages, but supply chain disruption can have deep and widespread impacts across many industries, including auto repair, auto casualty and even workers' comp. In the claims industry the actual effort to restore the life of someone after a challenging event depends greatly on the supply chain of materials and services needed to help an injured employee recover and get back to a pre-injured state.

Injured individuals need a variety of specialty services including medical supplies, durable medical equipment, home health services, home modifications, transportation, and imaging and diagnostics. Rising costs and shortages related to parts for medical equipment, transportation, shipping and warehousing all continue to influence the availability of these needed services and supplies. The full impacts of these concerns are being felt across many areas of the workers' comp sector, putting an increased focus on the need for a robust claims supply chain.

Durable Medical Equipment (DME)

Amidst the supply chain issues and inflation, durable medical equipment suppliers have experienced their own shortages and [interruptions](#), including significant delays and order cancellations when receiving equipment and supplies. Many of these products, considered "collateral damage" from the pandemic's disruption, include wheelchairs, support surfaces, walkers, patient lifts, negative pressure wound therapy systems and other medical supplies. In fact, as much as 21% of negative wound pressure therapy companies and 49% of medical supply companies report being impacted.

Percent of Respondents Answering Yes to Experiencing Problems



Source: [Impact of COVID-19 Supply Chain Disruptions and Increased Costs on DME Suppliers](#)

Many companies outside of the P&C industry have actually shifted away from "just-in-time" logistics management and are instead adopting what is known as "just-in-case" operations. A "just-in-case" philosophy ensures extra supplies and resources are available at critical junctures in the supply chain to ensure that when disruption does happen, business continuity remains intact. DME providers are doing the same thing. Many who previously operated on [just-in-time](#) inventories supported by a handful of vendors are finding themselves fast-tracking new sources with less time for quality controls and are now shifting their thinking about manufacturing and sourcing. To address this, specialty network programs are using available data sources that include reliable DME information to help recognize and combat shortages.

Home Modification

The construction industry is also being impacted by the pandemic and if the housing market remains volatile it may continue to face complications from labor and supply chain shortages. There are indications that construction-related [labor shortages](#) will likely continue for some time. According to Associated Builders and Contractors (ABC), the construction industry needs to add nearly 650,000 additional employees to meet the current demand. Materials needed for all phases of construction may be harder to find, including items typically available, and lead times and costs could continue to increase for both specialty and ordinary materials despite a cooling housing market.

Unfortunately, as a result, providers offering home modifications and equipment installation are also facing similar shortages, increasing raw material costs and quality control issues related to material substitution. These specialized programs rely on contractors from a broad range of local and national home modification providers from many specialties to implement modifications such as adding ramps and modifying doorways or bathrooms for better accessibility in new or existing living spaces.

Transportation

On a daily basis, injured employees rely on transportation services to get them to and from doctor's appointments, work, or essential errands, and in some cases may need ground or air ambulatory services with forms of life support. This transportation is time sensitive and, when its availability is obstructed, can have critical impacts on recovery or return to work. In the current landscape, many might think rising gas prices and vehicle shortages would be having the greatest effect on medical transportation services, but the real impact is being felt through driver shortages.

Workers' comp drivers are highly trained in assisting individuals with their specific circumstances in relation to an injury and mobility need. With the demand rising, shrinking transportation service providers are inclined to require higher fees or prioritize more lucrative trips. This is further impacted by workers' compensation fee schedules in association with these services, which provide lower payments than others offer.

We are seeing drivers cancel confirmed trips because they were offered higher fares for considerably more money. This trend can cause delays in recovery time if needed health care services are not obtained in a timely manner, which is translating into longer open claims, higher costs, dissatisfied employees and compromised outcomes.

To combat this, specialty networks are analyzing data and engaging with national transportation networks regularly to understand each vendor's particular circumstances and to determine what they are experiencing and in which regions of the country to mitigate for them wherever possible. Specialty network programs are getting involved in the vendor solution, particularly with drivers where the question at hand is really "what's driving the driver?" For example, by finding ways to incentivize drivers by not passing costs along to them and encouraging them to see the benefit to participating fully in the network.

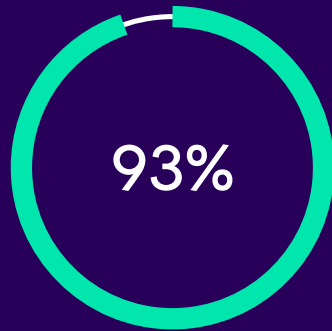
Imaging and Diagnostics

Imaging and diagnostic professionals are facing many challenges including financing of operations, equipment shortages and staffing deficiencies, creating long waits for testing and, in turn, delays in treatment. In addition, old or outdated equipment is becoming more of a factor as semiconductor chip and component [shortages](#) are on the rise.

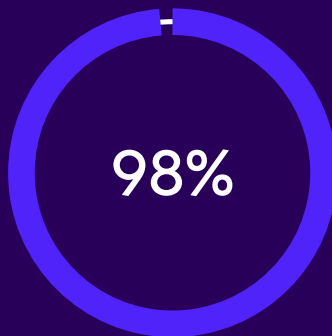
Diagnostics are a critical area that especially impacts employers and injured individuals who are waiting on imaging reports to determine treatment or get injured employees back to work or their pre-injury status. One example is EMGs or electromyography—a diagnostic procedure used to assess the health of the muscles and the nerves that control them—



Home Health Referrals Refused in 2021



■ Medicare-Certified Home Health and Hospice Agencies



■ Licensed Agencies

which is very common in workers' comp injuries. EMGs are often used in upper extremity injuries involving arms, back, hands, and in cases with pain, numbness or spasms. Post-surgery, an EMG may also be required to evaluate any damage or determine if repairs are complete and whether the worker is qualified for work.

Finding doctors and specialists that can perform EMGs in an already slim market is becoming increasingly difficult. Specialty network programs are struggling to schedule them on a timely basis. Private doctors may only offer appointments to non-patients once or twice a month meaning available slots fill quickly and in some cases, case managers face waiting months to schedule appointments. In addition, we are seeing more physicians and specialists retiring or moving out of the space, creating additional gaps. The silver lining here may be the potential advancement in some states of nurse practitioners or chiropractors stepping into this space, which has previously been reserved for physicians.

Often, diagnostic exams are required before injured employees go back to work and while they are receiving workers' comp payments. These tests can be critical in determining whether to accept a claim, if and when return to work is possible, or whether modified duty is an option. These issues are top of mind for injured employees, case managers, and employers and are not easily solved.

One option for addressing scheduling delays involves courtesy scheduling, which may help with more timely appointments, but doesn't provide the reporting and follow-up that specialty network programs excel at. Given this, we are seeing specialty network programs exploring different ways of engaging with new provider types to expand existing networks. For example, building relationships with hospital groups and outpatient or standalone facilities to change their perception on the value a specialty network partnership brings.

Home Health

It's well known nurses are [leaving the profession](#) at higher rates than ever since COVID, but as these nurses are being replenished it's not in home health care. Nurses are opting to work in doctor's offices or emergency rooms instead of home settings. We're seeing an overall shortage of home health providers specifically, and the remaining ones aren't accepting as many referrals due to shortages, fatigue, workload, skill sets and pay. A [survey](#) by the Pennsylvania Homecare Association found 93% of Medicare-certified home health and hospice agencies and 98% of licensed agencies [had refused referrals during the past year](#). Nursing services are also becoming more expensive overall. When shortages exist, nurses need to be enticed to take shifts, and when they can't vendors are forced to go outside their network to look for replacements.

To combat delays, financial incentives are becoming part of the solution in order to draw a balance between higher prices, staff, patient and employer impacts. When the average [cost](#) of a three-day hospital stay is around \$30,000, offering an extra dollar per hour for home health services post-surgery may be cheaper overall and lead to a better outcome for the patient.

It's more important than ever for a specialty partner to have a proactive strategy for supporting injured employees in the face of home health staffing shortages, which requires determining the best way to meet their needs. For example, with a request for a registered nurse (RN) for 24 hours a day for three weeks after a surgery, an experienced specialty partner might determine that 12 hours with a licensed practical nurse (LPN) and 12 hours with an RN could open up the pool of available nurse resources with a similar outcome.

Solutions to these ongoing shortages are not straightforward and moving past them requires specialty networks to watch these trends very closely with the help of real-time data analytics. Finding effective solutions also relies heavily on strong relationships with national providers who share data and work hand in hand with specialty program partners to help with financial and recruitment assistance.

Injured employees need accommodations that include a multitude of products and services, so the more specialty network programs can analyze and understand the overall market space, the more it becomes clear how supply chains and inflation are impacting claims costs and outcomes. Payers depend on these specialty network programs to work with them to balance accessibility to quality care for injured employees while controlling costs for these health care products and services. To do this, experienced specialty network programs are getting creative in finding opportunities to deliver products and services like DME, imaging, transportation and home health in new ways.

Lastly, to combat supply chain and inflation challenges payers must develop strong relationships with an established specialty network partner who can streamline their injured employee care. These partners can offer a single point of contact for all specialty equipment and services, scheduling, clinical oversight and, in turn, greater injured employee satisfaction. In today's environment payers need to ask themselves if their specialty network partner is fulfilling their injured employee's needs in a timely manner, outlining an initial plan, and providing ongoing communication and cost transparency. Specialty network partners should have processes in place to deliver not only savings, but superior service with a patient-centric approach. It should include digital strategies to streamline the overall process and provide full visibility into the actions being taken, as well as offer an integrated clinical management approach for optimal outcomes.





CHAPTER 3

Managing Social Inflation in a Talent Crisis

Early intervention with the right combination of people and systems to identify potential vulnerabilities can be the difference between a runaway verdict and a more predictable outcome.

CHAPTER 3

Auto Casualty

Managing Social Inflation in a Talent Crisis

By Steve Laudermilch

EVP & GM, Casualty Solutions
Mitchell



You don't have to look far to find news about staffing challenges as claims technical experts leave the workforce or shift to remote and hybrid work models. This growing scarcity of claims expertise becomes even more glaring as social inflation and claim volatility become even more prominent across our industry. Broadly, the term social inflation describes the trend in rising claims costs due to increased litigation settlements, larger jury awards, growing anti-corporate bias and aggressive tactics used by plaintiff attorneys.

According to [Verisk](#), for verdicts over \$1M the average size of jury awards is up 1000% from 2010 to 2018, rising from \$2.3M to more than \$22M. In 2019 alone, there was a 300% jump in verdicts of \$20M or higher. Social inflation is especially impactful for third-party auto liability claims, like the [now infamous 2021 verdict for \\$1 billion against two trucking companies in Florida](#).

“As an organization focused on optimizing the claims process, our goal is to arm the claims workforce with insightful business intelligence and decision support as it combats rising claim volatility and social inflation”

Steve Laudermilch

EVP & GM, Casualty Solutions
Mitchell



REP·TILE STRAT·E·GY

/ˈrep,tɪl ˈstrɑːdʒi/

Introduced in 2009, Reptile Strategy is used by plaintiff attorneys to engage jurors' "reptile brain"—the fight or flight response—to provoke the feeling that if a defendant's actions are allowed to continue, then the community and even the jury itself may be in danger.



Between 2017 and 2021, Lawyers Have Spent

\$6.8 Billion

On More Than

77 Million

National and Local Ads That Vilify Insurance Companies and Promise Astronomical Rewards

Trial attorneys are both driving and benefitting from this new trend, using multiple tactics to increase the size of jury awards, from jury consultants and litigation funding, to aggressive use of Time and Policy demands, "reptile strategy" and outrageous advertising expenditures to apply heavy pressure on claims organizations. Between 2017 and 2021 alone, lawyers spent \$6.8 billion on more than 77 million national and local ads that vilify insurance companies and promise astronomical awards. These outlandish jury awards not only have a direct impact on claim costs, they will ultimately "normalize" large awards, setting an unfortunate precedence for future verdicts.

Insurers are wrestling with the question of how to avoid these runaway verdicts and, while there is plenty of focus around optimizing defense strategies to mitigate non-economic damages, most experts agree the best way to escape a runaway verdict is to avoid a trial altogether. "When it comes to avoiding a trial, claims professionals play a critical role by being the first point of contact when the claim comes in," [writes Stephanie Fox, Senior Director of Legal Case Management, Casualty Solutions at Verisk](#). From demonstrating empathy to identifying claims with the potential to end up in trial, experienced adjusters have the best chance to make an early, positive impact on the outcome of a claim. Unfortunately, deep technical claims experts, it seems, are a rare commodity.

A 2021 survey by *Property Casualty 360* found that approximately 28% of adjusters anticipated retiring within the next five years. The National Association of Mutual Insurance Companies corroborated that trend, indicating 50% of the current insurance workforce will retire over the next 15 years. With so many insurance professionals retiring, and those who remain often working remotely, claims organizations have the difficult task of training and deploying the next generation of adjusters in a claims environment full of pitfalls and mine fields. That's a tall order for new hires who are learning the ropes through Zoom meetings and on-the-job experience.

¹ [Reptile: The 2009 Manual of the Plaintiff's Revolution](#)

One important lever in addressing both social inflation and a talent shortage is arming the new workforce with decision support tools that can accelerate technical development and alert adjusters to proceed with caution. Technology can help create a “rising tides lift all boats” support model that identifies claims for potential escalation and provides the “best practice” institutional guidance needed to inform crucial decisions. Fortunately for insurers, these are exactly the kind of tools new candidates are looking for. “Digitization and automation are decreasing routine, manual tasks and elevating insurance jobs. This is an excellent selling point with existing and prospective technologically minded [employees](#).” The result is the evolution of a claims adjuster role that uses technology to shed low value work and inform critical thinking that will shape claim outcomes.

Rethinking the claims organization as a partnership between technology tools and the expertise and empathy of human touch is key to optimizing results. Deep technical expertise is becoming scarce, so automation and analytics equips senior adjusters with the time and insight they need to navigate the growing number of complex claims susceptible to runaway verdicts. As important, it shortens the learning curve for new adjusters while also helping to attract more digital-native, data-driven candidates.

As an organization focused on optimizing the claims process, our goal is to arm the evolving insurance workforce with enough business intelligence and decision support to address the rising threat of social inflation. Early intervention with the right balance of people and technology can be the difference between an explosive verdict and a more predictable and fair outcome.





CHAPTER 4

Claims Automation: Separating Fact From Fiction

As an industry, we are just beginning to reconcile initial expectations with the current state of claims automation. So what better time to evaluate our progress and the road ahead?

CHAPTER 4

Auto Physical Damage & Auto Casualty

Claims Automation: Separating Fact From Fiction

By **Olivier Baudoux**

Senior Vice President,
Global Product Strategy & Artificial Intelligence
Mitchell



Claims automation. Touchless estimating. Straight-through processing (STP). These topics are top of mind for auto insurers looking to improve efficiency, reduce settlement time and enhance customer satisfaction by leveraging artificial intelligence (AI) in the claims process. Despite their interest, however, only 10% of [those surveyed](#) are making significant use of touchless claims while 97% acknowledge its value.

So why the disparity? Although the pandemic has accelerated advancements in virtual claims handling and opened the door to STP, there is still work to be done to deliver on the promise of a no-touch claim. As an industry, we are just beginning to reconcile initial expectations with the current state of the technology. So what better time to separate fact from fiction when it comes to STP?

Swinging Sentiment

Just a few years ago, AI was at the top of the technology trends list, giving the auto insurance sector high hopes in its ability to automate the claims process. At that time, [LexisNexis Risk Solutions](#) reported that 79% of auto insurance carriers were open to, or considering, the idea of touchless claims.

AI-enabled automation was becoming a reality. Machines could recognize the extent of the damage and whether a part should be repaired or replaced. Virtual estimating—considered the [first level of automation](#)—produced efficiency and consistency gains. From images, appraisers were completing as many as [15 estimates per day](#) versus three to four out in the field.

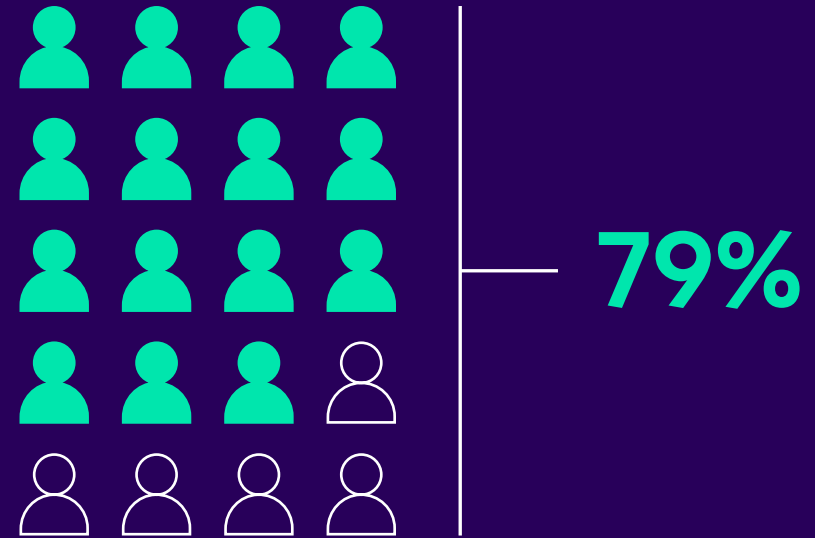
Then sentiment shifted. Full automation was not as close to complete as the industry once thought. In fact, a 2020 [Forbes article](#) stated that most companies embarking on AI-led transformation had been disappointed. And while automation is designed to make settling claims easier, it was clearly not capable of replacing human appraisers.

In addition, essential elements of building an accurate estimate were lacking. For example, if you cannot decode a vehicle identification number (VIN) and uniquely identify the model's options, how can you accurately predict what parts to repair or replace? Are you putting a bumper with sensors? What about headlamps? And if the part is made of a special material like aluminum, how should the repair plan differ? It also became clear that although AI could recognize the most important vehicle components, it needed to learn hundreds or even thousands more.

The Human Element

Another obstacle in using AI to do the work of human appraisers was the realization that humans do not process one image at a time or make decisions in isolation. Instead, they contextually review all available photos to understand the situation and the impacts on the vehicle before reaching a conclusion. AI, on the other hand, was not able to analyze multiple photos to determine unrelated prior damage. Adding to the challenge, human appraisers who had always completed estimates on their own were now asked to review and approve a pre-written estimate generated by AI—something they were not ready to embrace.

The result: claims automation sentiment went from hopeful to hopeless. Many organizations scaled back, moving their STP investments from operational objectives to research and development projects. They lost faith in touchless estimating and, instead, began to focus on more straightforward and realistic use cases for AI—such as triaging a claim or simply reviewing an already-written estimate (including for subrogation). Publications like [Forbes](#) also noted that although 87% of data science projects made it into production, “less than 25% of global organizations have developed an enterprise-wide AI strategy”.



By 2019, 79% of carriers were considering or open to the idea of touchless claims.

Hype vs. Commercial Viability

While this could be cause for concern, shifting sentiment is typical of new technologies. To explain it, Gartner has defined the technology lifecycle in five phases. Known as the [Gartner Hype Cycle](#), the phases begin with inflated expectations (Phase 1), peak based on a technology's early success (Phase 2), and experience waning interest as well as disillusionment when implementations fail (Phase 3). That said, as the technology becomes more widely understood and its benefits clearly defined (Phase 4), mainstream adoption occurs (Phase 5).

Gartner Hype Cycle





Today's Reality

Although sentiment and hype surrounding claims automation have changed dramatically in just a few years, the technology has never stopped advancing. In addition, previous shortcomings have been addressed. For example, advanced AI solutions like [Mitchell Intelligent Damage Analysis \(MIDA\)](#) can predict more than 300 internal and external parts as well as provide recommendations for operations including repair and replace, remove and install, and refinishing and blend.

Furthermore, decoding the VIN and selecting the correct part have been accomplished, for the most part, by [combining AI with vehicle information](#). For touchless estimating to produce an accurate appraisal, vehicle, repair and historical claims data are critical.

Going beyond OEM parts and incorporating recycled or aftermarket parts has also become a reality. This gives organizations a choice of part providers. Finally, AI can now correctly identify the primary point of impact as well as unrelated prior damage.

The Slope of Enlightenment

So where does the auto insurance industry stand on claims automation today? Recent studies and customer feedback seem to indicate that we have successfully passed the third phase of the Gartner Hype Cycle and are now entering Phase 4, or the slope of enlightenment. The key to this phase is realizing what is possible and how to put technology to use in situations that bring the most value. The creation of an estimate represents one use case for AI-enabled automation. Triaging and automating total loss claims are also very worthy candidates for AI. By 2025, [LexisNexis Risk Solutions](#) predicts that telematics data and AI will lead to 60% of claims triaged through automation. STP remains the vision. However, with only half of non-injury claims predicted to be fully automated by 2025, it is now considered a long-term goal.

Two Paths for Automation

With that in mind, how should we think about estimate automation? And what metrics should we track? In addition, since automation is a way to increase efficiency without compromising quality, is there a parallel path to STP and automating an estimate?

Straight-Through Processing

STP involves pre-populating as much of the estimate as possible and auto writing the lines with a high degree of confidence. That includes all operations, parts selections and pricing

generated by AI using vehicle and claims data—with a focus on low-severity incidents. Once this data is captured and photos or videos of the damage analyzed, machine-learning algorithms translate the results into component-level estimate lines for appraiser review and approval.

To measure the STP technology gains made over the last several years, there must first be agreement on what metrics to track, such as how many:

- Predicted estimate lines are correct based on what is considered the ground truth
- Parts were successfully mapped
- Estimate lines were added incorrectly and require revision
- Estimate lines are missing or are incorrect and necessitate manual intervention

Answering these questions will lead to a single, measurable indicator known as the North Star metric. For Mitchell, that metric is the efficiency gains delivered by automating the estimating process. Given its overarching objectives, STP is ultimately a function of the percentage of estimate lines that correctly auto-populate—producing critical time savings and, in turn, higher customer satisfaction.

While Mitchell's open platform integrates with the [industry's leading AI](#), our own AI—MIDA—has demonstrated substantial gains over the last year with a 16% increase in the percentage of estimate lines correctly auto-populated. **Continuing to fine tune MIDA's algorithms has also resulted in year-over-year improvements of:**

+26% Parts Properly Recognized

+12% Damaged Parts Correctly Identified

+8% Repair and Replace Labor Operations Accounted For



These improvements demonstrate just how rapidly the technology is advancing and how much progress has occurred in a short period of time.

Efficient Manual Estimating

Although STP is a fundamental goal and certainly the long-term vision, it is just as important to realize that manual appraisals and human judgment remain key to the estimating process. For severe accidents or claims related to the newest vehicles, appraiser involvement still yields tangible business benefits, like preventing cost leakage. Therefore, optimizing the core estimating solution to enhance the user's experience continues to be a priority. This may include surfacing the right photos at the right time, engaging an appraiser when there is ambiguity in the part selected, or even prompting a "real" person to confirm what the machine may not be certain of.

The Road Ahead

Claims automation has demonstrated that it can deliver significant benefits to both auto insurers and collision repairers. Among them: improved appraiser productivity, greater estimate consistency, enhanced policyholder satisfaction and faster settlement times.

As the technology advances and industry stakeholders look for ways to harness its true value, it is important to remember that:



STP is a long-term but achievable goal for many auto insurance claims



Estimator efficiency gains and AI accuracy should be among the metrics tracked



Human judgement remains essential to ensuring proper quality and decision making



Advancing AI-enabled technology will require human-machine collaboration



Defining and monitoring key metrics are critical to measuring automation progress



Appraisal writing is not an exact science, even with human appraisers

And while organizations have many choices when it comes to technology providers, partnering with those that offer an open platform and integration with best-in-class AI will help future-proof any claims automation project—allowing businesses to easily scale when, and if, they need to.



CHAPTER 5

Taking Charge: How EVs are Impacting Auto Insurance and Collision Repair

Electric vehicles (EVs) are making the transition from novelty to necessity. As EV adoption continues to grow, auto insurers and collision repairers must prepare for the impact on claims processes and costs.

CHAPTER 5

Auto Physical Damage & Auto Casualty

Taking Charge: How EVs are Impacting Auto Insurance and Collision Repair

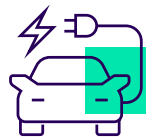
By Ryan Mandell

Director, Claims Performance
Mitchell



Electric vehicles are making the transition from novelty to necessity. In Q1 2022, sales of new model mild hybrids (MHEVs), plug-in hybrids (PHEVs) and full battery electric vehicles (BEVs) reached [an all-time high](#). In fact, overall EV sales volume increased by nearly 75,000 units while, at the same time, the new vehicle market experienced a 15% decline. Q2 was no different and [set a U.S. record for almost 200,000 EVs sold](#)—an increase of 66% year over year.

Rising fuel costs, greater model and manufacturer selection, and the desire for environmentally friendly transportation options are driving consumers to embrace electrification like never before. So, too, are state and federal initiatives such as California's plan to ban gas-powered cars by 2035 and the U.S. government's investment in EV charging networks. In Canada, the [Zero Emission Vehicle Infrastructure Program](#) (ZEVIP) is having a similar effect.



Multiple sources predict that the U.S. car parc will be 3% fully electrified by the year 2025 and almost 8% electrified by 2030.

Percentage of Repairable Claims Volume by Propulsion Type

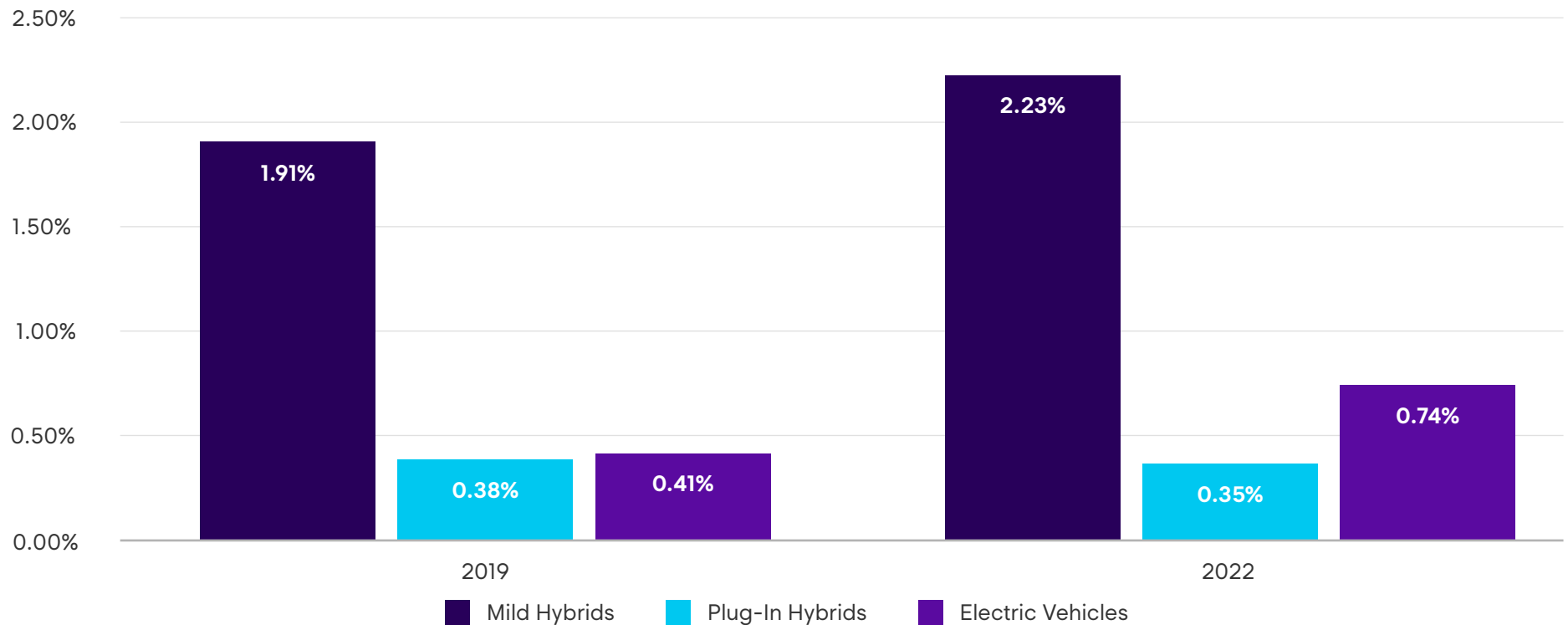


Figure 1

As EVs become a larger segment of the North American car parc, the automotive insurance industry is bracing for the impact. With the increase in EV sales comes an increase in the percentage of repairable claims attributed to EVs (Figure 1). When comparing 2022 year-to-date (YTD) to pre-COVID 2019, BEV repairable estimate frequency has nearly doubled from 0.41% of all estimates written to 0.74% while MHEVs and PHEVs combined to increase from 2.29% in 2019 to 2.58% in 2022 YTD based on Mitchell estimating data.

Not surprisingly, the Western United States (including California, the Desert Southwest and the Pacific Northwest) continues to see the highest rates of BEV adoption as well as the highest BEV repairable

claim frequency (Figure 2), according to the National Automobile Dealers Association (NADA). However, some parts of the country, such as the Mountain and Eastern regions, are experiencing a more rapid increase in BEV claim frequency. This suggests that the trend is expanding across the country, especially as charging infrastructure becomes more prevalent. NADA also reports that Canadian adoption has increased tremendously with the highest frequency and fastest increase coming in the province of Quebec, rising from 0.93% of repairable claims in 2019 to 2.44% in 2022 YTD (Figure 3).

BEV Estimate Frequency by National Automobile Dealers Association (NADA) Region

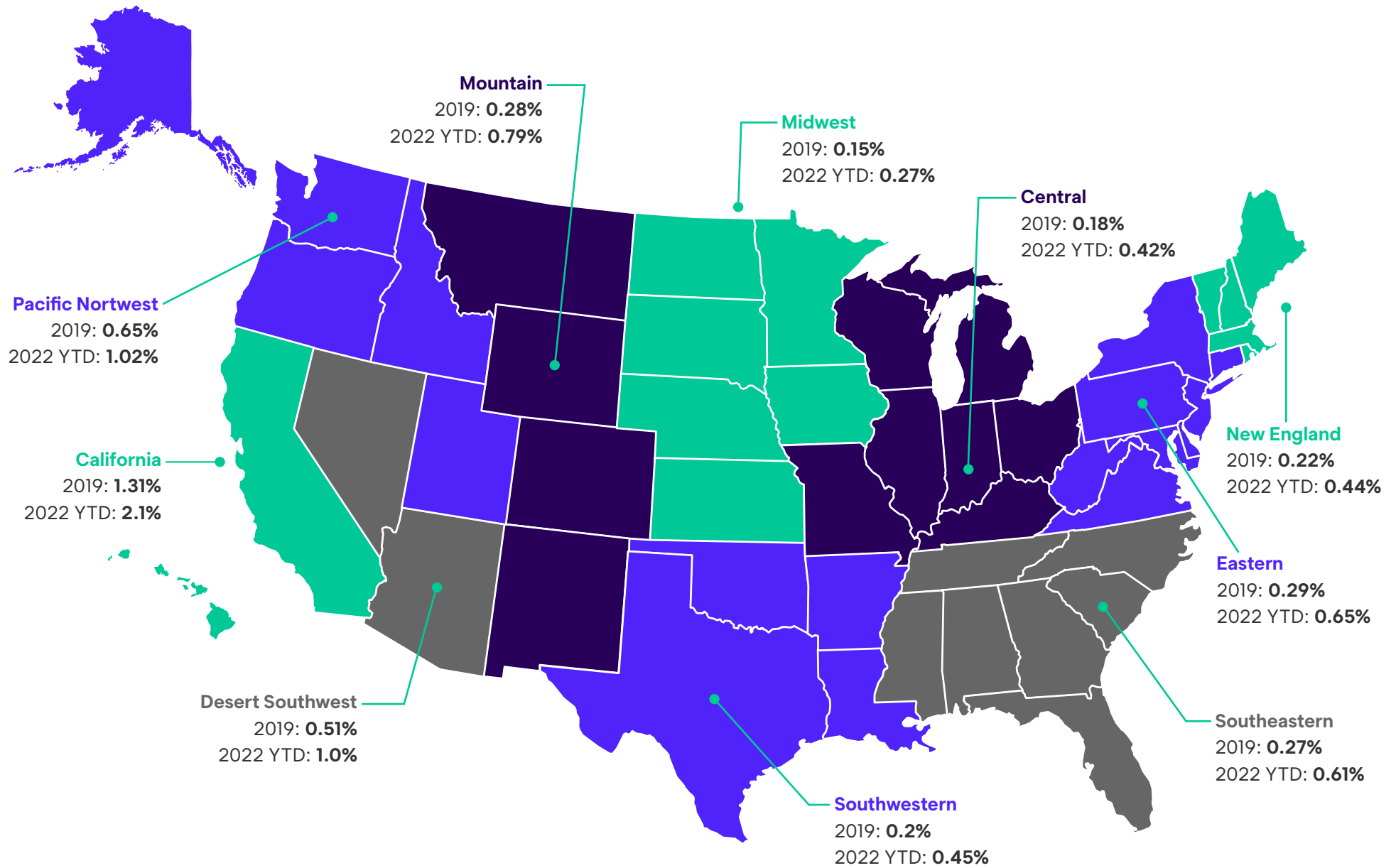


Figure 2

EV Repairable Estimate Frequency by Canadian Province

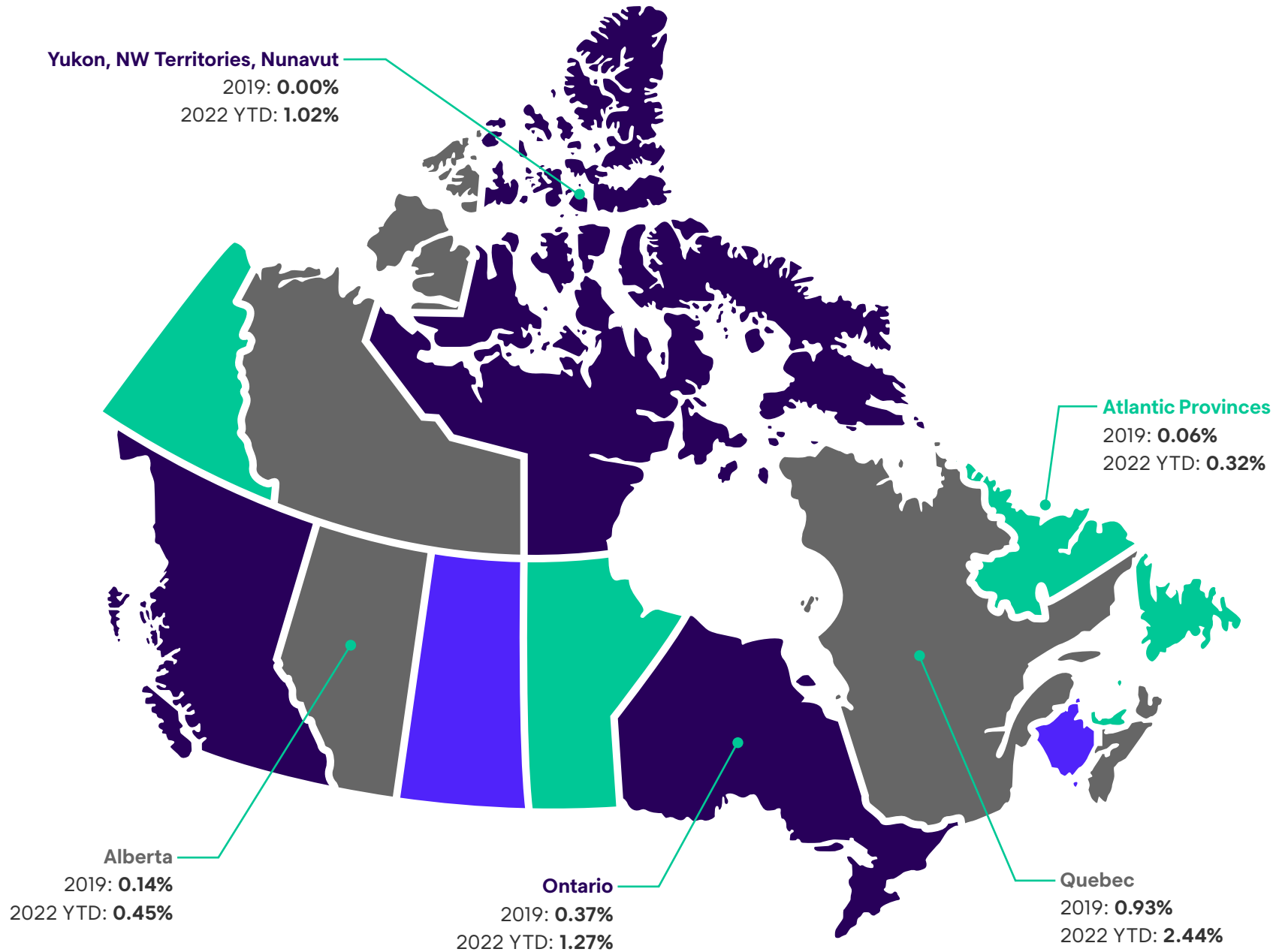


Figure 3

For the past decade, one factor that many analysts have pointed to that will continue to drive greater EV adoption has been the improving cost effectiveness of lithium-ion batteries. While this trend will certainly push the industry toward price parity between EVs and vehicles with Internal Combustion Engines (ICEs), early 2022 has seen a rapid change in raw material prices due to global supply chain disruptions and the Russia-Ukraine conflict. For the first time in 10 years, the [cost of lithium-ion battery manufacturing has increased](#) to approximately \$160/kwh as compared to nearly \$105/kwh at the end of 2021. Despite this trend and its effect on EV pricing, however, gross sales continue to accelerate.

Multiple sources, including [Bloomberg New Energy Finance](#), predict that the U.S. car parc will be 3% fully electrified by the year 2025 and almost

8% electrified by 2030 (Figure 4). Similarly, based on the Canadian government’s projected sales targets, [Price Waterhouse Coopers expects](#) that the Canadian car parc will also be 3% electrified by 2025 and an astonishing 11% by 2030. By comparison, when we examine Mitchell repairable claims data, Jeep vehicles represent roughly 3% of estimates written and Honda vehicles just over 8%. These figures are far from insignificant and automakers along with third-party service providers continue to invest in EV alternatives designed to accelerate adoption.

This unprecedented EV growth presents new challenges for collision repair facilities and, in turn, the auto insurance industry. These challenges include the introduction of complex electronic systems, differences in

Cumulative U.S. Electric Vehicles in Operation: 2010-2030

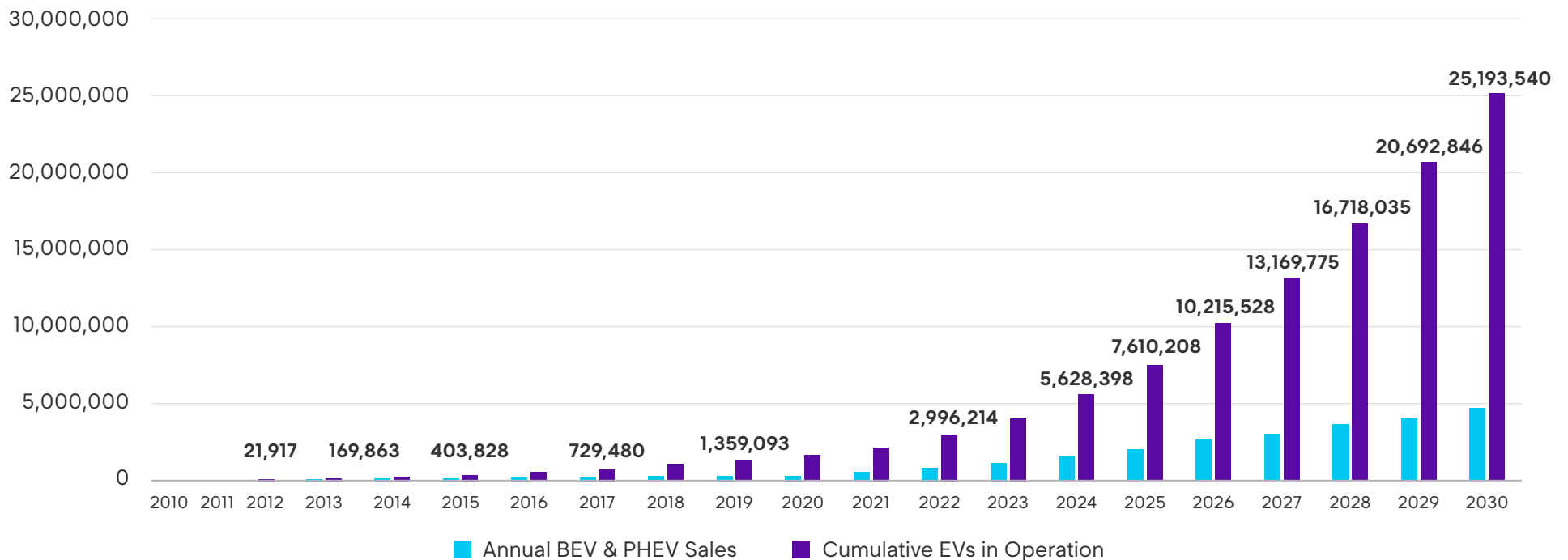


Figure 4
 Historical Data: GoodCarBadCar.net, InsideEVs, IHS Markit | Auto Manufacturers Alliance, Advanced Technology Sales Dashboard | Research, Forecast & Chart: Loren McDonald/EVAdoption

vehicle construction and, most importantly, impacts on safety. An examination of scanning results from [Mitchell Diagnostics](#) reveals nearly twice as many fault codes for BEVs as compared to ICE automobiles. Newer EVs are also advancing in complexity at a faster rate than their ICE counterparts with a 95% increase in the number of fault codes per scan for 2017 and newer EVs compared to 2016 and older. ICE vehicles, on the other hand, saw only a 32% jump in fault code volume for the same model year vehicles (Figure 5).

Furthermore, MHEVs and PHEVs account for more than two additional lines per estimate compared to ICE vehicles, and BEVs add more than 12 lines (Figure 6). The presence of a caustic and potentially explosive high-voltage, lithium-ion battery is to blame for many of these differences. The reason: it [has to be properly managed](#) during the course of a repair to protect repair facility employees, the vehicle owner, and the automobile itself. Strict precautions must be taken as soon as an electrified vehicle arrives at the shop. There is an entire section of the [I-CAR](#) website devoted to the intricacies of EV repair. The organization also has a wide range of training materials and resources designed to support collision repair professionals in the delivery of a proper and safe repair. Additionally, many manufacturers specify temperature exposure thresholds for their EV batteries. These thresholds [often require that the battery is completely removed](#) from the vehicle and isolated prior to the automobile going through a paint booth bake cycle.

The differences between EVs and vehicles powered by ICEs go beyond just the battery, however. Also noteworthy are the variances in metrics related to estimatics (Figure 7). For example, the emergence of OEM EV platforms has produced fewer aftermarket part options. This, in turn, results in greater reliance on automotive recyclers for alternative parts. Plus, since manufacturers rely more heavily on lightweight materials in the construction of EVs, [there may be fewer repair opportunities](#) for collision shops due to the way materials like aluminum, carbon fiber and composites respond in an accident. Newer, lighter weight substrates help offset the immense weight of the high-voltage battery but pale in comparison to the [repairability of mild steel](#).

Average Fault Code Volume Change

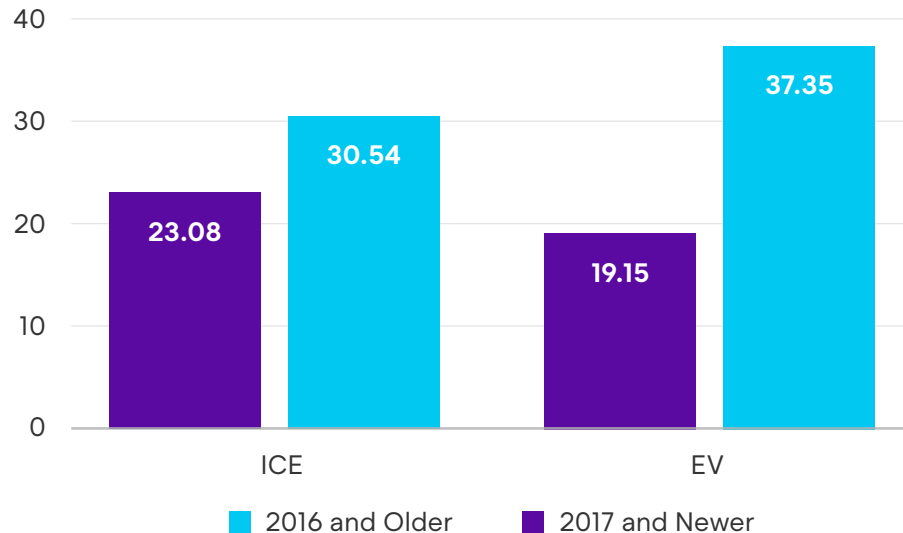


Figure 5

Average Number of Estimate Lines by Propulsion Type

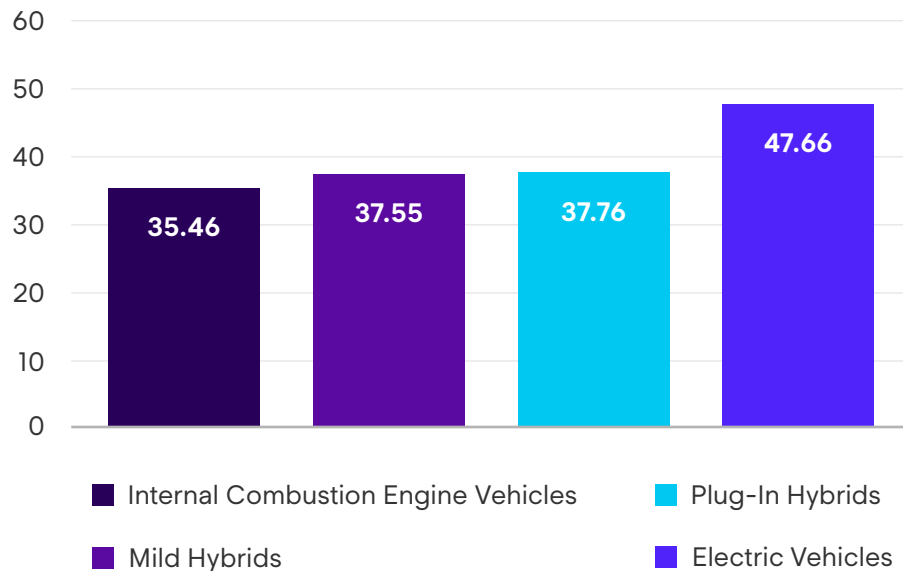


Figure 6

Estimating Key Performance Indicators (KPIs) by Propulsion Type 2019-2022

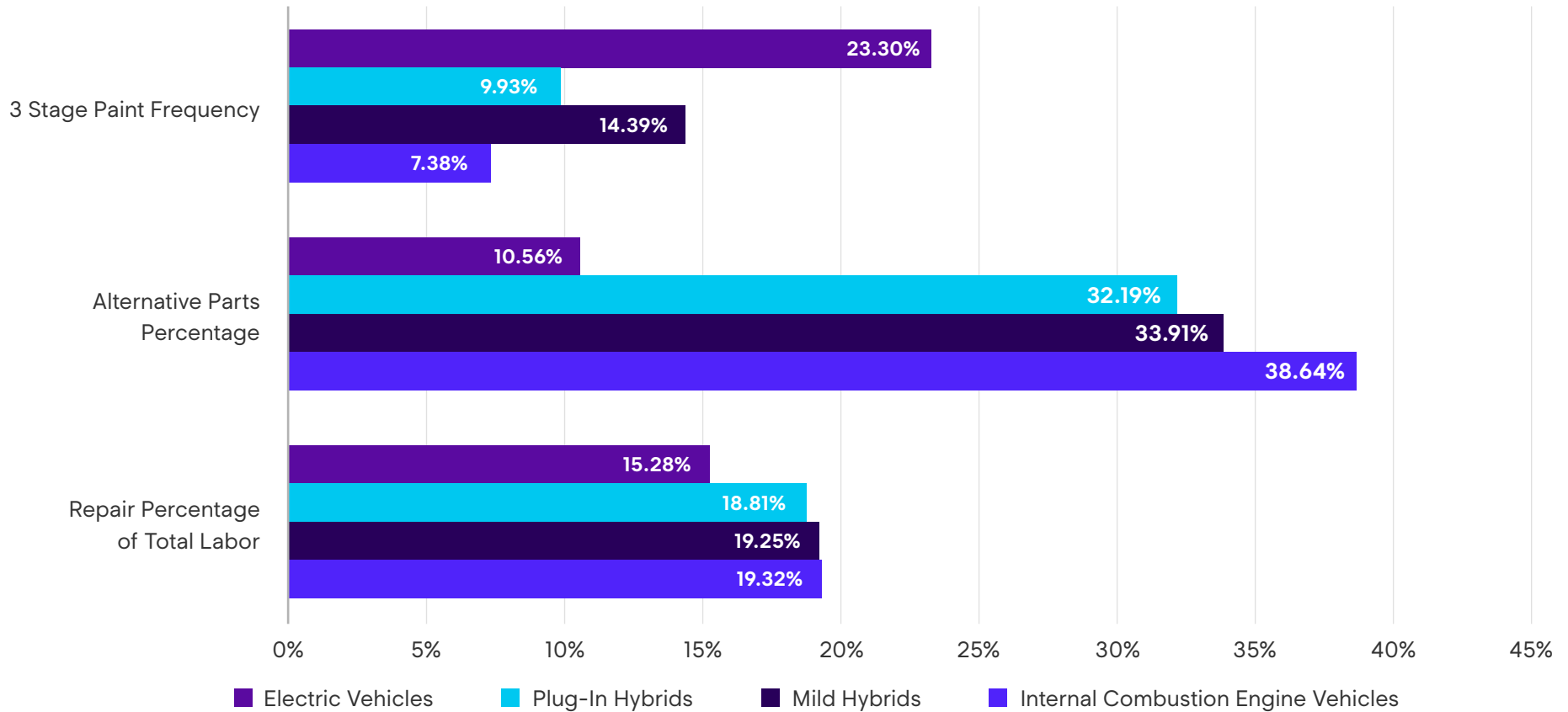


Figure 7

As EV adoption continues to grow, auto insurers and collision repairers will need to prepare. That preparation should include having the right tools, training and understanding of how EVs impact claims processes and costs. It should also include an evaluation of the technology solutions used to support collision damage appraisals. Historically, estimating platforms have not accounted for the stark differences between EVs and ICE-powered vehicles. For example, the “skateboard” design used in the current generation of EVs is dramatically different in terms of powertrain and parts. This can affect estimate accuracy, appraiser efficiency and

even proper repair—especially when EV-specific parts and categories are substituted for ICE alternatives. To account for these differences, appraisal solutions should be tailored to EVs with the addition of EV types, part categories, data organization and standard definitions for battery capacity and motor size. Having features like these can help streamline the appraisal process and return the growing number of EVs—and their owners—to the road safely and cost effectively following a collision.



CHAPTER 6

Regulatory Environment— the Election Edition

The results of this year's midterms represent a possible shift in legislative issues impacting the casualty claims industry. We break down what you can expect as new legislators take office.

CHAPTER 6

Auto Casualty & Workers' Compensation

Regulatory Environment— the Election Edition

By Tom Kerr

Director, Public Relations
Enlyte



“Term limits can really affect regulatory movement in workers’ comp, auto, property and casualty,” said Hibbert, Mitchell’s senior VP of regulatory compliance management. “These are very complex systems that are controlled at the state level, and once we lose a legislator who has knowledge in these areas, it’s a big deal.”

After a raucous mid-term election campaign, Americans finally had their opportunity to cut through the rhetoric on Nov. 8 and select local and federal candidates who will help shape state and national agendas for the next two years. The results? Plenty of surprises, and, as of this publication, a few unresolved issues that could impact P&C industry.

To gain a better understanding of how the mid-term elections could affect workers’ comp, provider networks and the auto industry, Enlyte asked our three leading regulatory experts—Brian Allen, Michele Hibbert and Lisa Anne Bickford—to weigh in on some of the key results from election night.

Freshman Education

Our experts agree that one of the major challenges the workers’ comp and auto insurance industries will face in lobbying the 118th Congress and state legislatures across the land, will be educating more than 1,000 freshman legislators about our industries. Aside from wins over incumbents, the changeover is due, in part, to retirements of veteran congresspeople. The “Great Resignation” has also impacted lawmakers as more move on from their congressional posts to accept positions in the private sector.

“Changing legislative personnel can result in significant policy shifts and an influx of freshman legislators means there’s going to be a new group of lawmakers who likely have limited knowledge of workers’ comp and auto,” said Allen, Mitchell VP of government affairs. “This poses a challenge, but also a unique opportunity for those of us in the industry as these lawmakers will need to be educated and we can have a substantial influence.”

Term limits in some states also played into the rise of first-time legislators. Of the 88 state legislative chambers that held elections this year, 25 of them (14 senate and 11 house) included 1,449 incumbents who could not seek reelection because of term caps, according to Ballotpedia.

This trend will now expand as voters in two states have passed new term limits. A ballot proposal adopted in Michigan will cap total years served as a state legislator to 12. The previous state cap restricted legislators to a total of two 4-year terms in the Senate plus three 2-year terms in the House (for a total of 14 years served). In North Dakota, voters decided to limit state legislators to eight total years, and the governor to two terms. Fifteen states now have term limits for legislators and 36 states have gubernatorial term limits, according to *US News and World Report*.¹

“Term limits can really affect regulatory movement in workers’ comp, auto, property and casualty,” said Hibbert, Mitchell’s senior VP of regulatory compliance management. “These are very complex systems that are controlled at the state level, and once we lose a legislator who has knowledge in these areas, it’s a big deal. They go away or, in other cases, they no longer will serve as chairman of an appropriations or insurance committee. We lose an ally.”

Across the state legislatures, 6,278 legislative seats were up for grabs this year. In primary elections, 229 incumbents had lost to challengers, making up a total of 4.7% of incumbents who filed for reelection, an increase of 46% compared to 2020, according to Ballotpedia.

¹[North Dakota Voters OK Term Limits for Governor, Legislators](#)

“Changing legislative personnel can result in significant policy shifts and an influx of freshman legislators means there’s going to be a new group of lawmakers who likely have limited knowledge of workers’ comp and auto.”

Brian Allen
VP, Government Affairs
Mitchell

Changes in U.S. Congress

While many state elections saw newcomers take seats from incumbents, the predicted “red wave” of elected GOP candidates failed to materialize. On the federal level, Republicans, at this point, appear to have gained control of the U.S. House of Representatives, but by a much slimmer margin than expected. As of Nov. 10, various media sources had control of the Senate coming down to three states: Georgia, Arizona and Nevada. The Dems actually flipped a seat in Pennsylvania, where state Lt. Gov. John Fetterman won a highly contested race with television personality Dr. Mehmet Oz. In other battleground states, New Hampshire and Michigan stayed blue, while North Carolina and Ohio went red.

“Voters have been saying they want to see change, but incumbents won in most cases and given the razor thin majorities, not much will change in Washington,” said Allen.

One Democratic incumbent whose fate is uncertain is Georgia Sen. Raphael Warnock, who failed to clear the 50% of votes needed to avoid a runoff against GOP candidate Herschel Walker. Now both candidates will continue their campaigns until Georgians head back to polls on Dec. 6 to determine the winner. Should Warnock, who had a slight edge over Walker, win the runoff, the Senate may become a straight 50-50 split, with Vice President Harris casting the deciding vote for tiebreaking measures. However, should Walker win the runoff, it would likely give Republicans majority control of both houses.

While we await the final count, our regulatory experts offered some likely scenarios in how the Congressional results could impact comp and auto, including these top issues.

Marijuana Legalization

For employers, workers’ compensation insurers and auto insurers, medical marijuana legalization has been an emerging concern for claim reimbursement. Most states permit use of medical marijuana, while 19 states and the District of Columbia allow recreational use. In the mid-term election, voters in five states decided on the matter of recreational legalization. Maryland and Missouri voters passed their

referendums to decriminalize marijuana, while voters in Arkansas, North Dakota and South Dakota rejected ballot measures on the issue.

How the mid-term election results will affect federal efforts to legalize marijuana are unclear. The current Democratic-controlled House had passed the Marijuana Opportunity Reinvestment and Expungement (MORE) Act in April, but the bill has stalled in the Senate. If such initiatives carry over to the next Congress, Bickford, Coventry’s director of government relations, believes they could face more resistance from a Republican-controlled House, which could be compounded if the Senate also ends up in Republican control.

“I don’t think marijuana legalization will be as big of a priority for Republicans,” she said.

Allen, however, believes there’s greater consensus across parties about marijuana legalization.

“Whether or not Republicans in the Senate make it a priority, I don’t know, but they have to do something because there’s too much conflict in the courts right now,” he said. “There’s too much conflict in the states, and the only way that conflict is going to be resolved is if the federal government acts on scheduling.”

Efforts to Federalize Workers’ Comp

While Enlyte regulatory experts agreed that it’s highly unlikely for states to lose control over maintaining their workers’ comp programs, the varying differences in how states implement their policies has increased calls for standardization. Last year, for instance, Congress appropriated \$600 million for the Department of Labor to study workers’ comp in various states. However, now with an anticipated divided or, perhaps, Republican-controlled Congress, Enlyte regulatory experts say it’s highly doubtful GOP legislators would support any initiative designed to take away control of workers’ comp from states.



Affairs of States

While much attention of this year's election has focused on the balance of power between the two chambers in Washington, state elections take on a greater significance to our industry due to state-regulation of the various workers' comp systems. Key examples of states impacted by state elections are Michigan and Pennsylvania.

Michigan

The Great Lakes State saw significant changes in its House and Senate as Democrats took control of both chambers for the first time in 40 years. Democratic Gov. Gretchen Whitmer also won reelection over main GOP challenger Tudor Dixon. What could this mean to our industry? Perhaps changes to auto insurance reform, an area where Republicans have made gains in recent years. Additionally, Hibbert said the shift will cause the P&C industries to lose long-standing allies at chair positions and will require the insurance industry to forge new relationships and create educational opportunities for the new majority party.

Pennsylvania

In the Keystone State, the GOP-led legislature had struggled to pass insurance reforms, meeting veto resistance over the past eight years by Dem Gov. Tom Wolf. With Wolf reaching his term limit this year, Democrat Josh Shapiro ran for and won his seat over GOP hopeful Doug Mastriano. While Shapiro has a history of working more cooperatively with Republicans than Wolf, he'll be joined in Harrisburg by new Democratic lawmakers who have won a considerable number of seats in the state House and Senate. In fact, as of Nov. 9, Pennsylvania Dems were on the verge of flipping the House for the first time in more than a decade.

What does this mean to our industry? Republican efforts to reform workers' comp or liability insurance, which is among the highest in the nation, could die on the vine.

Election Night Surprises

While many national pundits were surprised that a Republican rout didn't occur in the U.S. House and Senate, Enlyte regulatory experts reported other unforeseen results from the election.

The biggest surprise for Allen was that issues involving the economy and crime didn't adversely impact Democratic campaigns as many had predicted. Allen pointed out that preelection polling data was off considerably, not only on candidate margins but on issues motivating voters.

"Exit polling on the day of the election ranked control of Congress, democracy and abortion as the driving factors," he said. "Preelection polling listed the economy, crime and the border control."

Allen also noted that some candidates who sought endorsement from former President Trump fared worse because of it. Of the high-profile Senate candidates Trump endorsed, for example, only one—Ohio Republican JD Vance—won a decisive victory, besting Democratic Rep. Tim Ryan. Other Trump-endorsed candidates, including Pennsylvania Senate candidate Oz and Michigan gubernatorial candidate Tudor Dixon, lost, while other races were too close to call at press time.

In a night of surprises, Hibbert noted one area of interest for the P&C industry that didn't change—all four state commissioners who were up for reelection this year retained their seats. State-elected commissioner positions were contested in Georgia, California, and Kansas, while Oklahoma Insurance and Fire Safety Commissioner Glen Mulready ran uncontested.

Bickford added another surprise of note—the 20-point margin by which Republican Gov. Ron DeSantis won reelection over challenger Charlie Crist, a former Democratic congressman who, as a Republican, served as Florida governor more than a decade ago. In retaining his seat, DeSantis also captured traditional Democratic stronghold counties of Miami-Dade and Palm Beach. Political analysts are now speculating DeSantis may be a frontrunner presidential candidate in the 2024 Republican primary. This would key him up for a potential rivalry with former President Trump, who had originally endorsed DeSantis in his first gubernatorial run. The ink is barely dry on the 2022 midterm election ballots and posturing for the 2024 presidential race has already begun.





CHAPTER 7

How Personalized Care Leads to Faster Recovery Times

Understanding the social determinants of health and taking a more personalized approach to understand an injured employees' life circumstances can help them recover faster.

CHAPTER 7

Workers' Compensation

How Personalized Care Leads to Faster Recovery Times

By Helen Froelich

Senior Vice President, Utilization Management
Genex



In recent years, terms such as advocacy, engagement, coaching, and even “whole-person approach” have gained much attention within workers’ compensation—for good reason. Helping an injured employee on the road to recovery can be complicated and a “one-size-fits-all” approach is not effective.

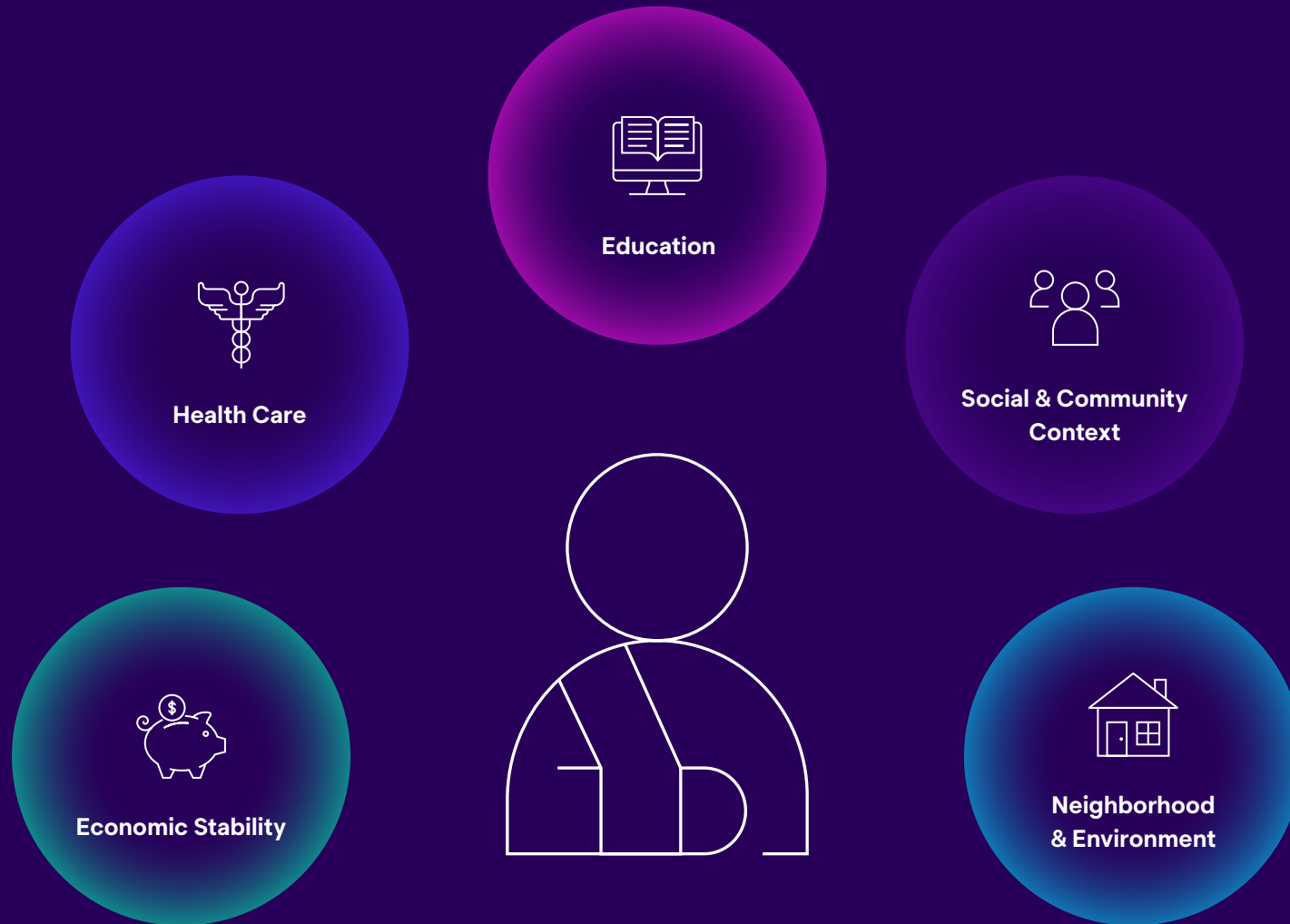
The discussion around a whole-person approach generates important questions such as, “How do we deliver a personalized experience and meet injured employees where they are in their journey to recovery?” Social determinants of health (SDoH) are a big part of the answer as studies on this topic estimate that the health care one receives only impacts 10 to 20% of health outcomes.

Given that, it only makes sense to examine SDoH and its impact on recovery and return to work. As we do this, we should look for ways to align our care management approach to identify and address non-medical barriers.

The [World Health Organization](#) defines SDoH as “the conditions in which people are born, grow, live, work and age” and those conditions, in turn, are “shaped by the distribution of money, power and resources.” Social determinants can positively or negatively affect one’s health.

For case managers, it is hard to ignore social determinants of health even if they have not always applied that term to what they are observing. Case managers get to know injured employees and their families on an intimate level. They can help ensure clinical programs avoid the pitfalls of only treating the primary diagnosis. In addition, they can look at the whole person and identify those SDoH that might be impeding recovery.

Social Determinants of Health (SDoH)



These efforts are designed around meeting injured employees where they are and understanding that the challenges they face allow us to help them achieve the best-possible outcomes. If we have deeper knowledge of the circumstances that surround injured employees we can intervene in ways that are more impactful. Plus, we know how important trust is in injured employees' recoveries. Most will appreciate that we are showing interest in their circumstances. Understanding the social determinants of health is crucial to understanding employees and seeing their path to recovery.



CHAPTER 8

Addressing the Impact of Violence in the Workplace

Violence in the workplace continues to be top of mind for many employers and remains one of the leading causes of occupational injuries. Critical incident stress management (CISM) is a comprehensive, systematic, and multifaceted approach to managing traumatic stress within an organization or a community.

CHAPTER 8

Workers' Compensation

Addressing the Impact of Violence in the Workplace

By **Tim Howard**

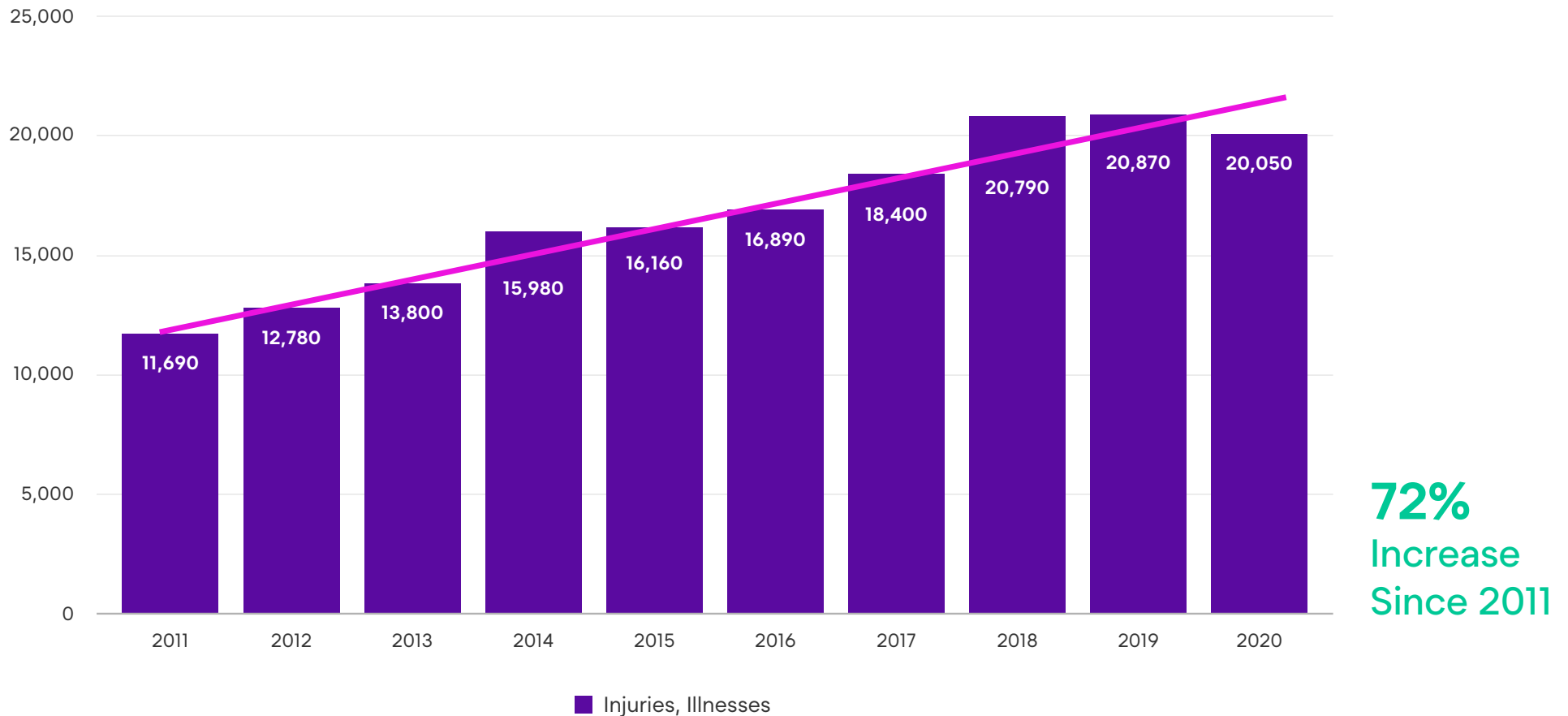
Senior Vice President, Field Case Management
Genex



Violence in the workplace continues to be top of mind for many employers and remains one of the leading causes of occupational injuries. Workplace violence is defined by OSHA as “any act or threat of physical violence, harassment, intimidation, or other threatening disruptive behavior that occurs at the work site.” Furthermore, workplace violence is more than physical assault and homicides, it also includes verbal abuse and bullying, and can impact more than just the impacted individuals, it can affect and involve employees, clients, customers and visitors, both directly and indirectly.

According to the Bureau of Labor Statistics, the private sector experienced 20,050 nonfatal injuries and illnesses resulting from assaults and requiring an average of five days away from work in 2020, with workplace assaults trending upward steadily since 2011 when the bureau first began recording. Among the most common reasons for workplace violence are criminal behavior, angry customers, employee dissatisfaction, a personal relationship gone wrong or differing beliefs.

Non-Fatal Work-Related Injuries & Illnesses Involving Days Away from Work Due to Workplace Assault: 2011-2020



Source: [Occupational Employment and Wage Statistics](#)

While prevention programs and awareness of risk factors can help employers minimize workplace violence, with incidents trending upward overall it's important for employers to prepare for crisis intervention and the potential implications that extend beyond the victim(s) to many more employees. Crisis intervention programs are critical as they seek to address the needs of anyone exposed to a critical event. Any crisis situation at the worksite can reduce employees' motivation, hamper productivity, or even cause workers to leave their jobs. If left unattended, these can ripple through the organization with long-lasting effects. Chaos and disorganization can harm overall productivity if employees are unable to cope or are absent from work due to stress-related illness.

Addressing bystander trauma through crisis intervention is important to the workplace as it supports all employees, not just those directly injured. In some cases, crisis intervention prevents the normal distress reaction from developing into an illness through the use of a Critical Incident Stress Management (CISM) program.

[Critical Incident Stress Management \(CISM\)](#) is a comprehensive, systematic and multifaceted approach to managing traumatic stress within an organization or a community. It focuses on assisting both individuals and groups that have experienced a traumatic event. The goal is to mitigate the effects of a critical incident and assist employees in recovering as quickly as possible. Often referred to as psychological first aid, crisis intervention can be administered by trained professionals with small groups or with individuals. This allows employees to share their thoughts and feelings about an incident while a crisis interventionist watches for signs of stress and discomfort. The CISM professional can then offer to hold one-on-one meetings with any employee who wishes to participate, generally limiting to a small number of sessions, with additional psychological intervention coordinated through the employee assistance program (EAP) or through a health plan and/or community resources.

The goal of any crisis intervention is to mitigate the harmful effect of traumatic stress, provide support and offer encouragement to accelerate recovery. Doing so is not only beneficial for those who experience a crisis situation, but it can also mitigate losses to productivity at an individual and organizational level. Those practicing crisis intervention should seek to make appropriate referrals to qualified mental health professionals and other providers when indicated. If the needed resources are not available through an employee assistance program (EAP) or an employer health plan, a referral should be made to community resources.

References

[Workplace Violence](#)

[Occupational Employment and Wage Statistics](#)

There are many resources available to employers for workplace violence prevention:

- › [OSHA workplace violence resources](#)
- › [Department of Labor](#)
- › [Society of Human Resource Managers toolkits](#)
- › [Centers for Disease Control](#)





CHAPTER 9

Drug Price Transparency, Rebates and Inflation

Legislative activity around drug price transparency and rebates could impact pharmacy benefit managers (PBMs) and especially, in some states, workers' comp.

CHAPTER 9

Auto Casualty & Workers' Compensation

Drug Price Transparency, Rebates and Inflation

By Brian Allen

Vice President, Government Affairs
Mitchell



One of the most persistent and complex challenges facing workers' compensation is managing prescription drug costs, and we are seeing a lot of legislative activity around drug price transparency and rebates. These efforts are primarily directed at Pharmacy Benefit Managers (PBMs) within the commercial and government health care markets, but in some states, workers' compensation PBMs are also subject to the regulation.

Price Transparency and Rebates

If the entire supply chain was subject to the same rules, price transparency and rebate reporting could be a useful tool; however, most of the laws are not capturing the full landscape. State laws are targeting PBMs and wholesalers but fall short on requiring accountability from the entire supply chain including manufacturers and dispensers.

In addition, rebates are offered to encourage the inclusion of a particular brand drug on the formulary; however, workers' compensation programs mandate the use of generic medications. In addition, in states requiring a formulary, the formulary is developed by the state. For non-formulary states, the PBM develops the formulary based on treatment guidelines, medical necessity and lower-cost generic medications as mandated, making brand formulary inclusion based on a rebate counterintuitive within the current workers' compensation system.

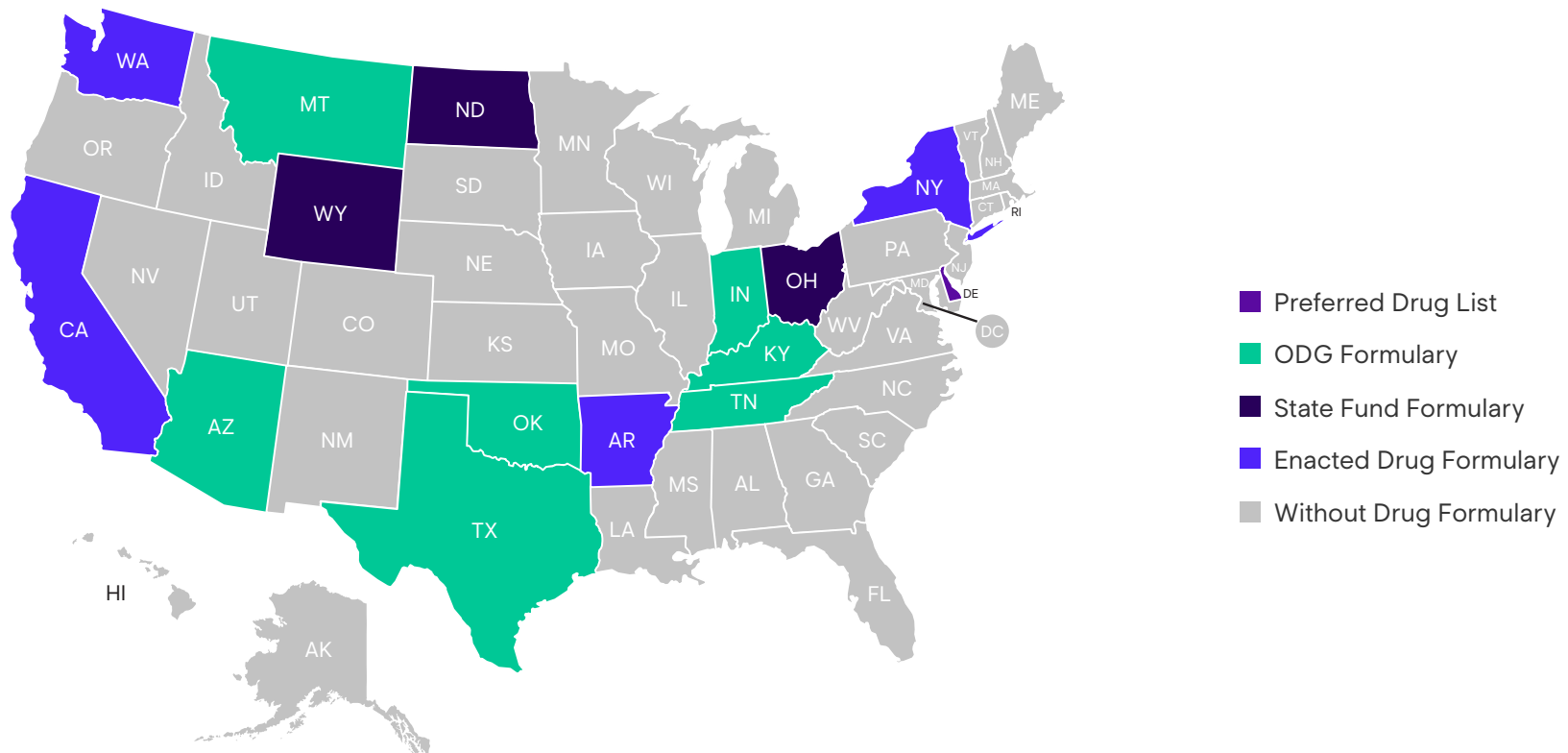
Inflation

Increases in drug prices over time have created additional challenges and continue to tax the health care system. According to a Department of Health and Human Services [Brief](#) from July 2021 to July 2022 drug manufacturers raised the price of 1,200 medications more than the rate of inflation (8.5%), with an average price increase of 31.6%.

One impact to rising pharmacy costs impacting workers' compensation may come from the "[Inflation Reduction Act](#)," which includes health care cost-reducing provisions including requiring drug manufacturers to pay rebates on drug prices rising above the inflation rate. However, it is too early to tell whether the drug cost provisions will be a benefit or cause indirect harm. Assuming the provisions stay intact and are implemented, there are a few possible [scenarios](#) for how the drug cost negotiation provisions of the law could impact workers' compensation.

Medicare could successfully negotiate lower prices, and the drug companies could lower the cost for everyone. Another possibility is that the manufacturers only reduce the cost for Medicare and maintain the same costs for other payers. Either would be good news for the workers' compensation market. However, in another scenario Medicare could successfully negotiate lower prices, but the drug companies could shift the costs to the rest of the market and simply recover loss of revenue by raising the prices for everyone else, which would be bad news for workers' compensation. It's hard to predict how this will pan out and will be something to watch closely.

Adding to an already complex landscape, high-impact drug classes associated with exponentially high costs, but representing relatively



low utilization, are being prescribed in workers' comp with growing frequency. Topicals are now a leading spend and source of concern in the workers' comp space, and the category seems to be the next horizon that billers and dispensers, especially physician dispensers, are turning to.

Effectively Containing Pharmacy Costs

It is important for risk managers and payers to understand the relationship and impact drug pricing, rebates and inflation are having on PBMs in workers' compensation. Payers need to work closely with PBMs to encourage the use of pharmacy networks to help contain costs, and policymakers need to take a hard look at drug spend data and evaluate whether now might be the time to consider a change. If negotiation can be a valuable tool for Medicare to reduce drug costs, employers and workers' compensation insurers need to be allowed to establish networks and negotiate prescription drug reimbursement to help manage costs as well.

In addition, deploying targeted clinical solutions can help drive pharmacy program optimization and cost savings. First by identifying challenging categories and implementing proactive solutions through clinical and/or regulatory levers to apply utilization management and billing controls. Second, by enforcing clinical controls and targeting impactful categories and scenarios for intervention where available. Third, by building these categories into predictive risk modeling. And finally, by looking for ways to continually collaborate with clients through reporting tools and data analytics to address areas of opportunity.





Closing

As we look ahead to 2023 and beyond, the trends that shape our industry are increasingly coming from a myriad of sources, impacting the work we do across several different vectors. It's more important than ever to understand the connections between the events that shape us and the work we do, using the right tools and information to create better outcomes for the people we serve. To stay on top of the latest trends in technology, clinical services or legislative and regulatory changes, sign up to receive regular updates from Enlyte. Our subject matter experts are here to bring you the latest insights to help transform P&C performance today, while charting the course to a brighter future.

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About Our Contributors



Brian Allen is a nationally recognized policy expert for workers' compensation and insurance issues across the country. Allen currently serves as vice president of government affairs for Mitchell's Pharmacy Solutions team. In this role, Allen provides insight into new legislation and regulations in the industry, authors articles and blogs for industry publications and frequently speaks at conferences across the country.



Olivier Baudoux is senior vice president of global product strategy and artificial intelligence for Mitchell's Auto Physical Damage division. A highly regarded technical leader and expert in artificial intelligence and automation, he excels in formulating technology strategies to meet diverse customer needs and managing development across global teams.



Lisa Anne Bickford has over 20 years of experience in government relations, information technology, law, and management consulting. Ms. Bickford is currently providing workers' comp and auto no-fault government relations support across the 50 states, with special focus on California, Florida, Texas, Illinois and New York. Ms. Bickford holds an MBA from California State University, Sacramento, and a BA in Economics from the University of Illinois at Urbana-Champaign, and serves as the Chair of the Pacific Regional Chapter of AAPAN and the Vice Chair of the Research and Standards Committee of the IAIABC.



Helen Froelich MS, CRC, is the senior vice president of Utilization Management Services, where she provides oversight of telephonic case management, utilization review, and physician advisor services for Genex's URAC-accredited utilization and case management programs. Ms. Froelich was previously the vice president of Genex's Case Management Services, providing business leadership, collaboration, and technological advisement to key operational departments. She was the lead business executive on Genex's Unity case management platform and CMS database initiatives.



Michele Hibbert is head of information management and support for Mitchell Casualty Solutions. Ms. Hibbert has decades of experience in medical billing & reimbursement, regulatory compliance and risk management. A former Chief Nosologist for the National Academy of Sciences, Ms. Hibbert has authored numerous articles on insurance fraud, analytics, training, claims processing and ICD-10 implementations.



Tim Howard is the senior vice president of Genex's Field Case Management program where he is responsible for oversight and delivery of the company's national field case management services. Mr. Howard has focused his team on a best-practice approach to yield superior medical and financial outcomes by linking telephonic and field case management functions. He joined Genex in 1992 as a local marketing manager in Nashville, TN, and has successfully progressed through various roles including southeast region vice president, where he was responsible for field and utilization management, IME, bill review, Medicare Set-Aside, and all southeast-based managed care services. Mr. Howard holds a bachelor's degree in marketing from the University of Alabama.



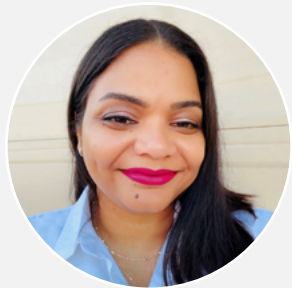
Tom Kerr is director of public relations at Enlyte, where he's responsible for leading and managing media/public relations strategies and content. He also serves as host of the popular industry podcast, Inside Workers' Comp. Kerr had previously served as director of communications at Genex, an Enlyte company, where he led and managed marketing communication strategies. Prior to joining Enlyte, Kerr was a marketing manager at MedRisk, where he launched the company's successful social media platforms, managed the public relations program and led corporate and desk-level marketing campaigns. Additionally, Kerr served as editor at Merion Publications for 18 years, where he launched 10 news magazines, including those directed to C-level health care executives, nurses and occupational therapists.



Steve Laudermilch is executive vice president and general manager of Mitchell's Casualty Solutions Group (CSG). In this role, Laudermilch guides the strategy and business operations of Mitchell's cutting-edge team and capabilities. CSG develops and delivers claims technology, analytics and workflow solutions for the auto casualty and workers' compensation markets, while helping restore the lives of injured drivers and employees.



Ryan Mandell is the director of claims performance for Mitchell's Auto Physical Damage division. In this role, he works hand-in-hand with insurance executives and material damage leaders to provide actionable insights and consultative direction. Ryan is an accomplished business leader with expertise in management, analytics, strategy and product development.



Nicole Usher is the senior director of operations of Apricus, an Enlyte Company. She has 15 years of experience in the workers' comp industry and has held multiple leadership positions including roles in finance, quality, and operations. With a longstanding knowledge of quality service delivery, she instills these values within her team, partners, and clients. As an operational leader, Nicole promotes innovative ways to provide superior client experiences that adhere to the complex nature of the industry, state regulations, and the needs of claims professionals.



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