

AUGUST 19-20



CLAIMS

SAFETY 
2013 SEMINAR

Workers' Compensation Challenges and Solutions

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Baldwin & Lyons, Inc.
The Pledge of Excellence

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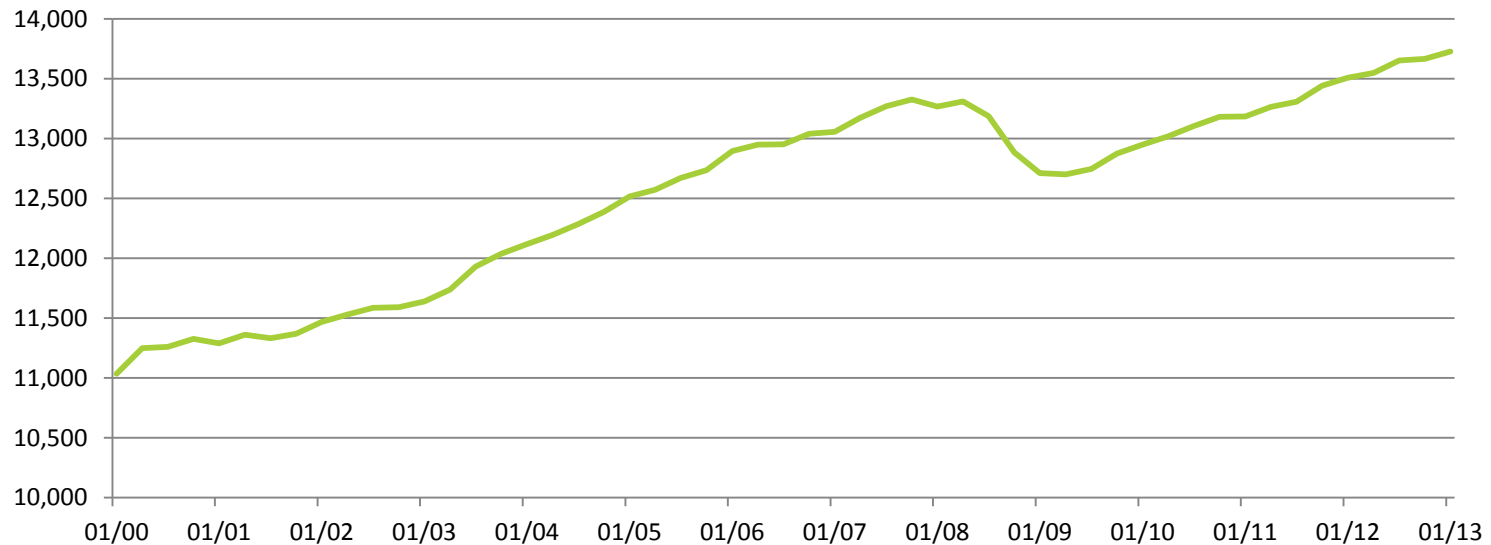
WORKERS' COMPENSATION TRENDS IN THE TRANSPORTATION INDUSTRY

Vikas Shah, FCAS, CERA, MAAA
Head Actuary, Pricing and ERM



After Recession, GDP Rebounded and Growing

Real GDP (annualized, seasonally adjusted, in billions)

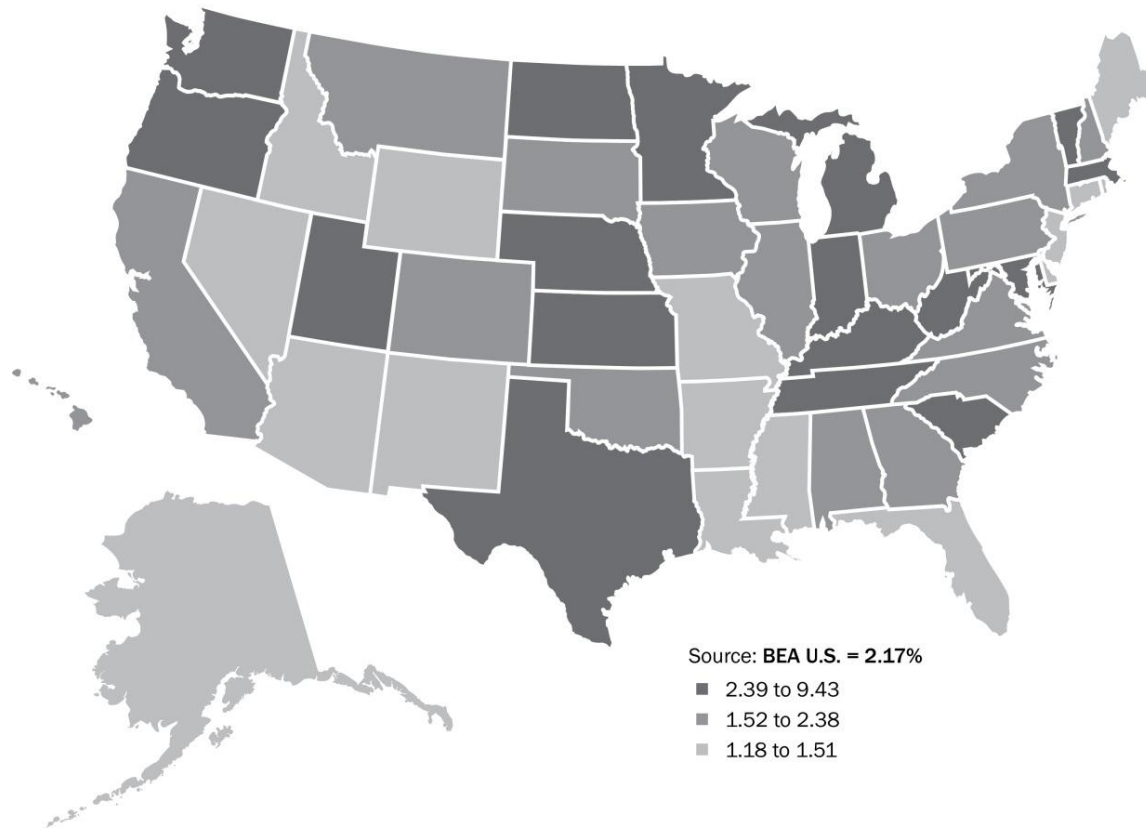


Sources: US Department of Commerce Bureau of Economic Analysis
Federal Reserve Bank of St. Louis FRED



U.S. Real GDP Growth by State

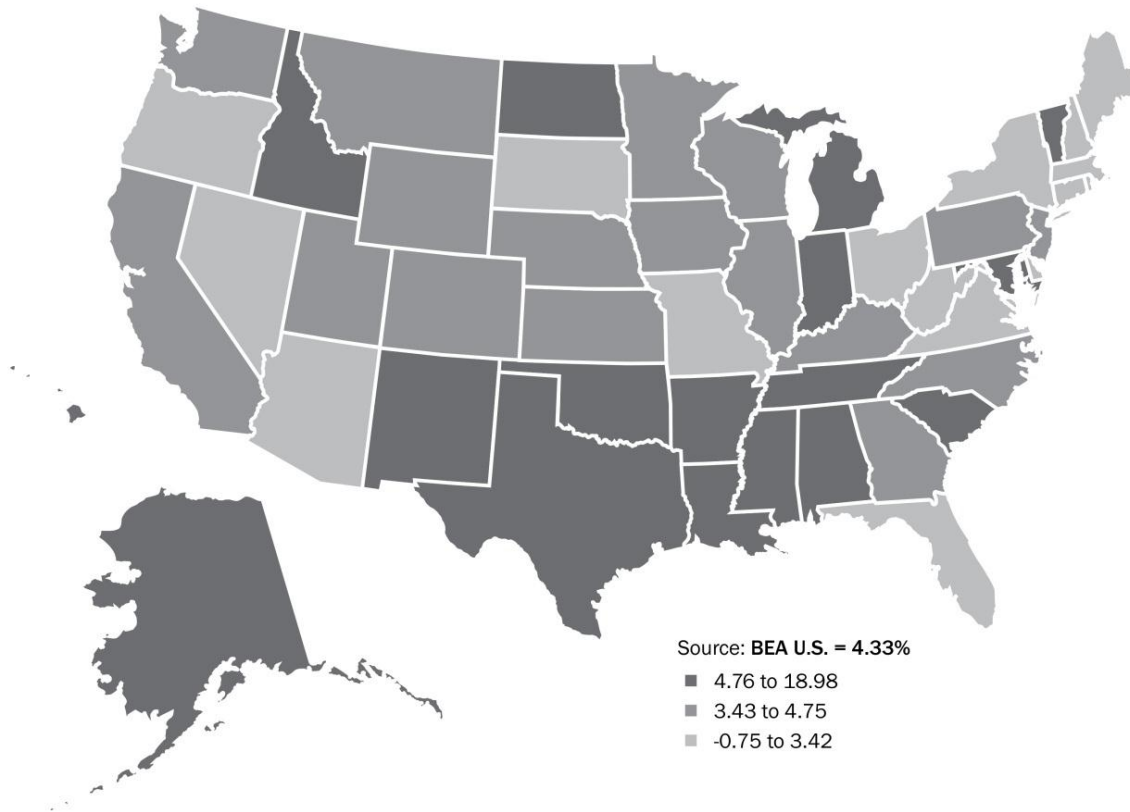
Real GDP by state (chained dollars) - All industry total, 2009-2012 compound annual growth rate





Transportation GDP Growing Faster than Overall

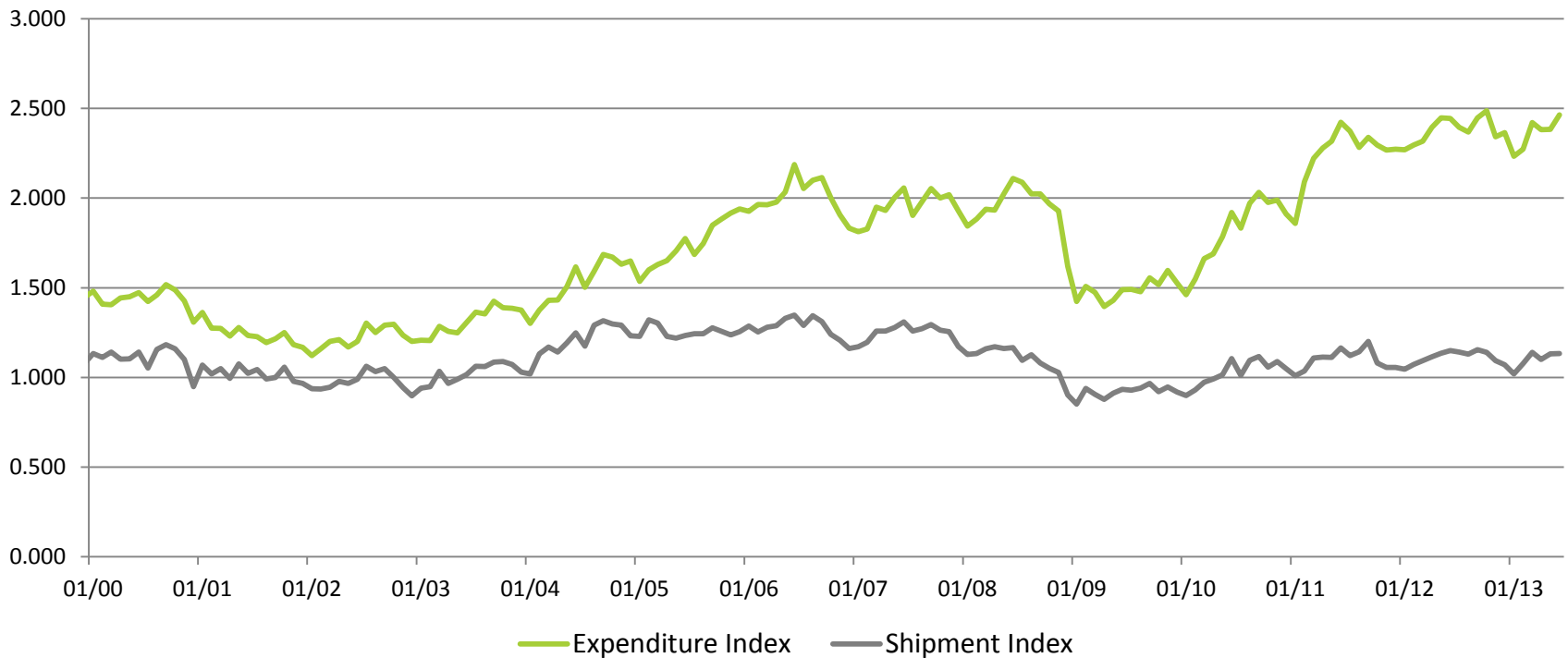
Real GDP by state (chained dollars) - Transportation and utilities, 2009-2012 compound annual growth rate





Cass Freight Indices (2000 – Present)

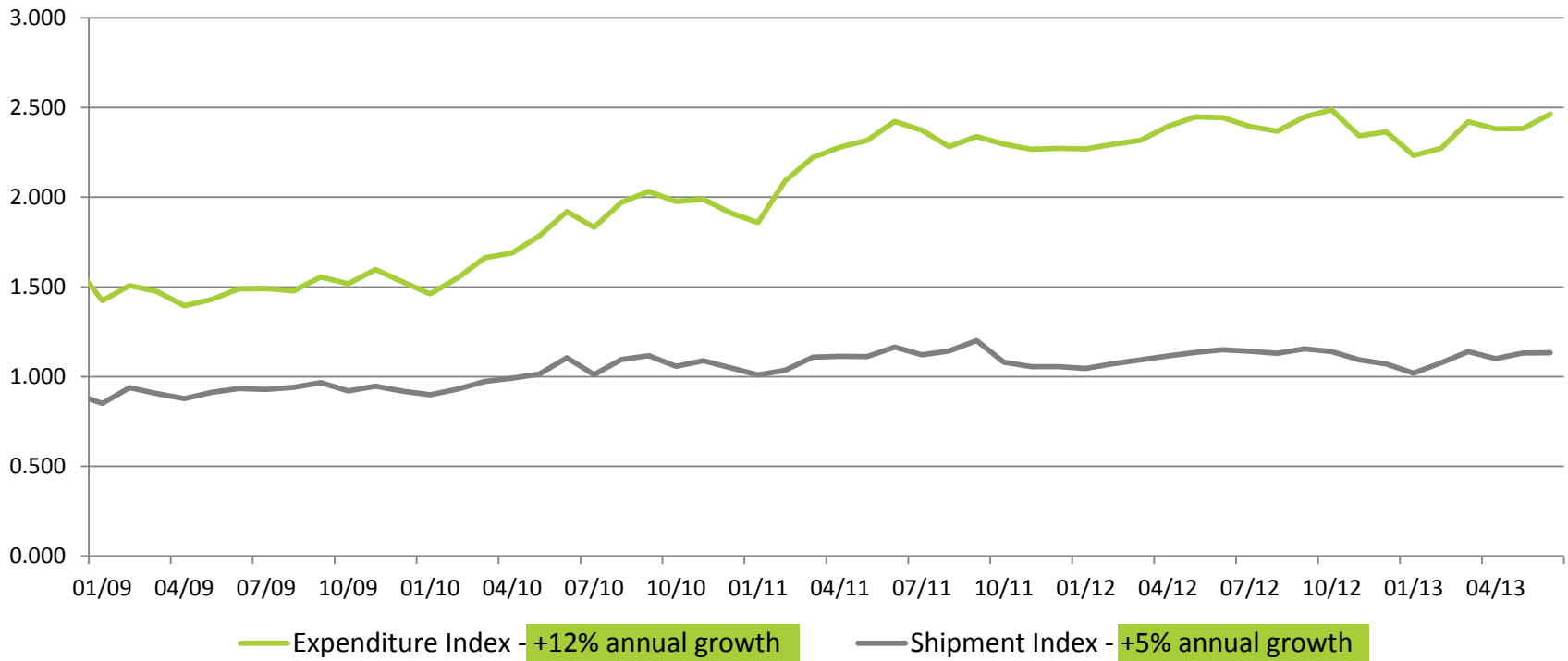
Cass Index, Expenditures and Shipments





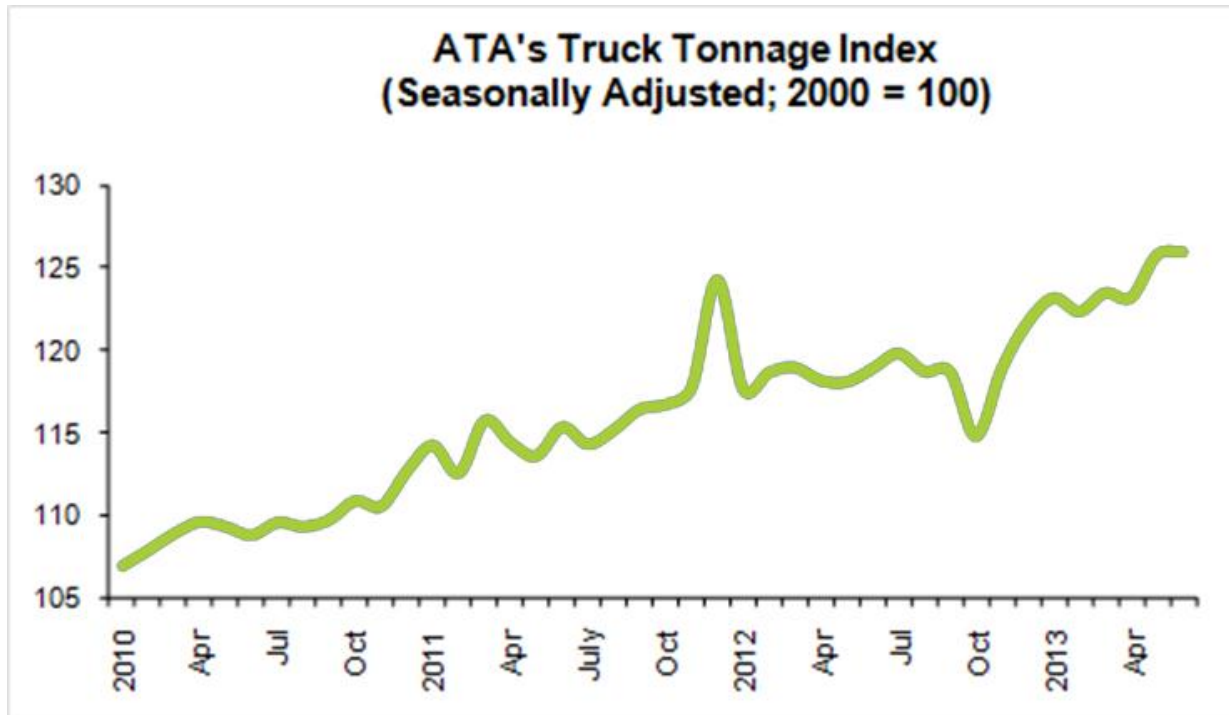
Cass Freight Indices (2009 – Present)

Cass Index - Expenditures and Shipments





ATA Truck Tonnage Index



YTD increase (through June) of 4.7% over 2012

Sources: American Transportation Association Truck Tonnage Index





Truck Drivers Age Distribution vs. All Occupations

Age	All Occupations % of Persons	Truck Drivers % of Persons
16-19	3%	1%
20-24	9%	5%
25-34	22%	18%
35-44	21%	22%
45-54	23%	28%
55-64	16%	19%
65+	5%	6%
Median Age	42.3	45.7

Sources: bls.gov, "Employed persons by detailed occupation and age, 2012 annual averages"





Incident Rate by Age

Age	All Industries		Truck Transportation	
	% of Persons	% of Incidents	% of Persons	% of Incidents
16-19	3%	2%	1%	1%
20-24	9%	10%	4%	5%
25-34	22%	22%	17%	18%
35-44	21%	23%	23%	22%
45-54	23%	25%	31%	28%
55-64	16%	15%	20%	19%
65+	5%	3%	5%	6%

Sources: bls.gov, "Employed persons by detailed industry and age, 2012 annual averages"
bls.gov, "Number of nonfatal occupational injuries and illnesses involving days away from work (1) by selected worker and case characteristics and industry, All U.S., private industry, 2011"





Transportation Industry Median Tenure vs. All Industries

Year	Median Tenure All Industries	Median Tenure Transportation/Warehousing
2002	3.7	4.3
2004	4.0	4.7
2006	4.0	4.3
2008	4.1	4.6
2010	4.4	5.0
2012	4.6	5.3

Sources: bls.gov, "Employee Tenure in 2012"





Incident Rate by Tenure

Tenure	All Industries		Truck Transportation
	% of Persons	% of Incidents	% of Incidents
0-1	21%	28%	34%
2-5	32%	35%	34%
5+	47%	36%	32%

Sources: bls.gov, "EMPLOYEE TENURE IN 2012"
bls.gov, "Number of nonfatal occupational injuries and illnesses involving days away from work (1) by selected worker and case characteristics and industry, All U.S., private industry, 2011"





Impact of Expanding Economy

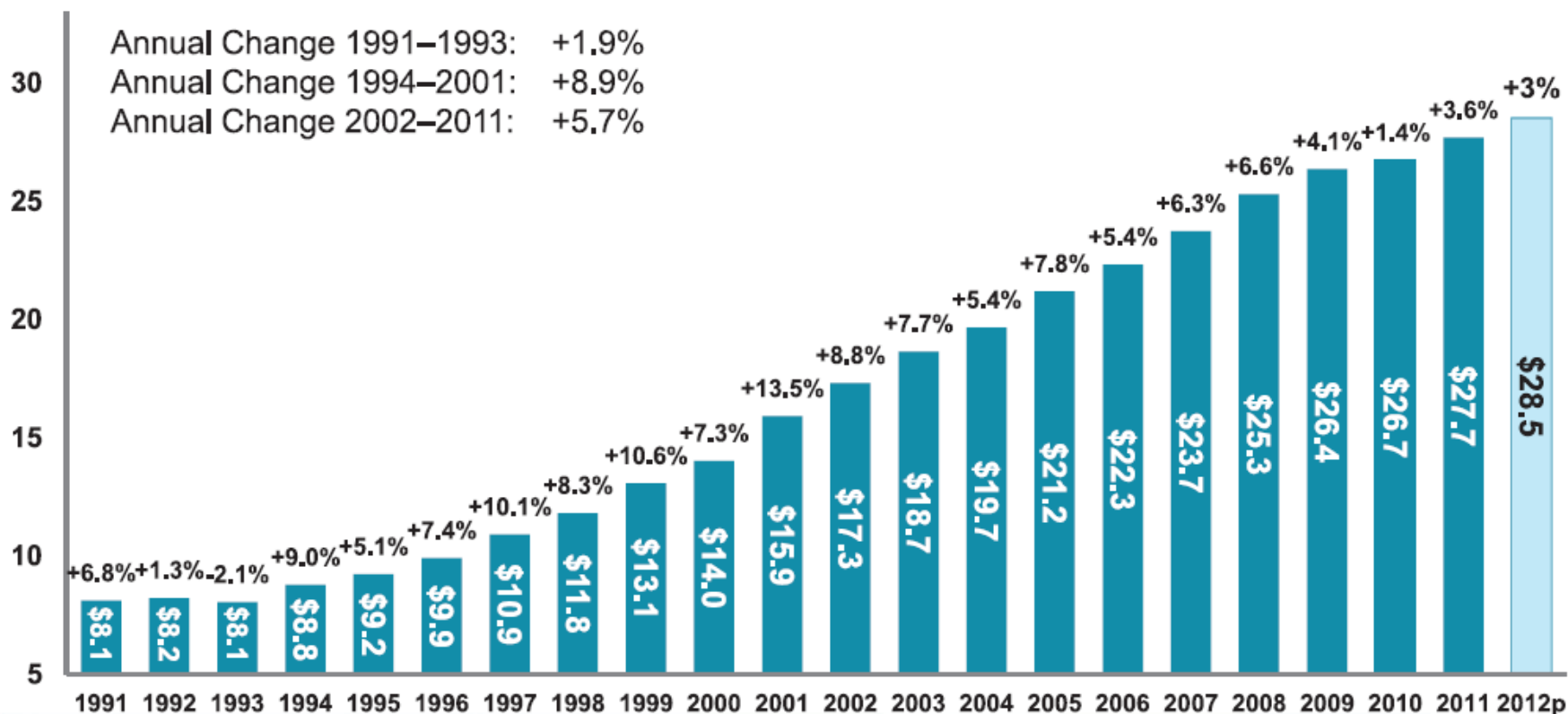
- Need more drivers
- Already experiencing large driver turnover
- HOS changes in effect
- Aging driver force compounds issue
- New drivers are less experienced
- Unfamiliar operations
- Claim frequencies will go up



Workers Compensation Medical Severity— Modest Increase in 2012

Average Medical Cost per Lost-Time Claim

Medical
Claim Cost (000s)



Accident Year

2012p: Preliminary based on data valued as of 12/31/2012

1991–2011: Based on data through 12/31/2011, developed to ultimate; excludes high deductible policies

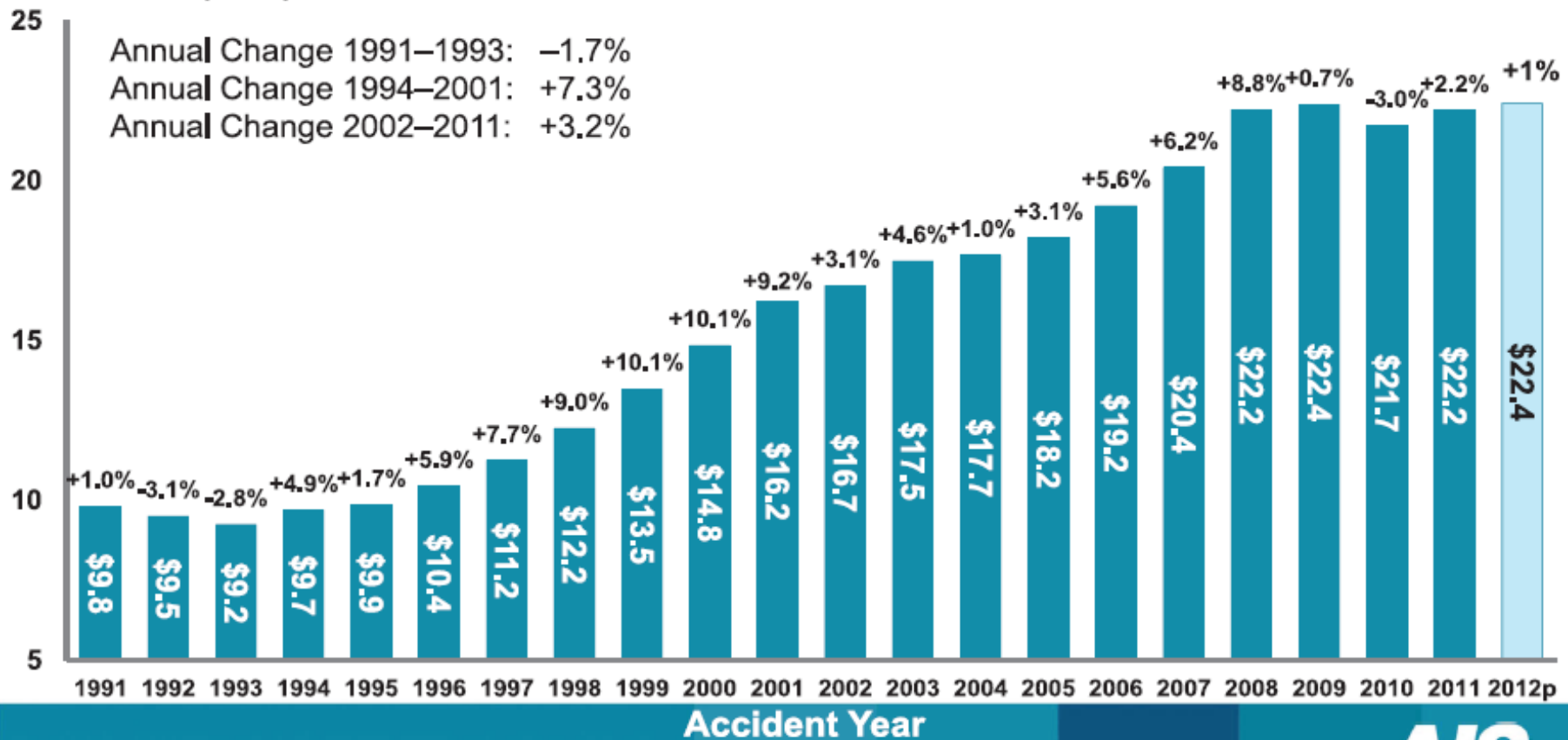
Average severity for the states where NCCI provides ratemaking services, including state funds; excluding WV

AIS
Annual Issues Symposium
2013

Workers Compensation Indemnity Claim Costs—Small Increase in 2012

Average Indemnity Cost per Lost-Time Claim

Indemnity
Claim Cost (000s)



2012p: Preliminary based on data valued as of 12/31/2012

1991–2011: Based on data through 12/31/2011, developed to ultimate; excludes high deductible policies

Average severity for the states where NCCI provides ratemaking services, including state funds; excluding WV

AIS
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Baldwin & Lyons Saves on Claim Costs

Region	Industry Trucking Work Comp Costs		Protective Trucking Work Comp Costs	
	Average Medical	Average Indemnity	Average Medical	Average Indemnity
Midwest	13,756	16,406	8,993	7,929
Northeast	13,274	18,183	12,125	14,549
Southeast	13,512	14,257	12,447	13,417
West	10,258	8,611	10,141	9,234
Total	12,637	13,519	10,710	10,734

Baldwin & Lyons' total of 21,444 per claims is 18% less than industry total of 26,156!

Sources: National Council on Compensation Insurance (NCCI) Workstation
Latest 3 available report periods, Trucking class codes only





Savings on All Types of Claims

Cause of Injury	Industry Trucking Work Comp Costs			Baldwin & Lyons Trucking Work Comp Costs		
	% of Claims	Average Medical	Average Indemnity	Average Medical	Average Indemnity	% Difference
Strain	33%	11,277	14,538	10,411	12,162	-13%
Fall/Slip/Trip	25%	16,110	17,347	9,863	10,836	-38%
Struck By	13%	8,826	8,654	10,064	6,726	-4%
Motor Vehicle	9%	31,753	31,902	24,658	20,326	-29%
Misc. Causes	8%	8,697	9,434	8,891	7,510	-10%
Striking Against/Stepping On	5%	5,329	5,743	2,359	3,053	-51%
Cut/Puncture/Scrape	3%	3,881	2,399	2,083	1,526	-43%
Caught in Between	3%	8,102	7,437	6,144	1,361	-52%
Burn	1%	12,822	6,638	4,123	8,116	-37%

Sources: National Council on Compensation Insurance (NCCI) Workstation
Latest 3 available report periods, Trucking class codes only





Largest Claims Result in Largest Savings

Loss Type	Industry Trucking Work Comp Costs			Baldwin & Lyons Trucking Work Comp Costs	
	% of Claims	Average Medical	Average Indemnity	Average Medical	Average Indemnity
Medical Only	58%	1,068	0	1,080	0
Temporary Total	26%	12,410	12,468	12,913	12,678
Permanent Total, Permanent Partial, Fatal	16%	49,263	61,940	46,154	48,651

Sources: National Council on Compensation Insurance (NCCI) Workstation
Latest 3 available report periods, Trucking class codes only





Another Look by Body Part Injured

Body Part Injured	Industry Trucking Work Comp Costs			Baldwin & Lyons Trucking Work Comp Costs		
	% of Claims	Average Medical	Average Indemnity	Average Medical	Average Indemnity	% Difference
Upper Extremities	31%	9,960	12,250	9,326	10,142	-12%
Lower Extremities	25%	9,946	10,500	6,107	6,709	-37%
Trunk	23%	12,945	16,220	11,930	13,892	-11%
Multiple Body Parts	10%	27,464	28,504	28,918	19,717	-13%
Head	9%	10,708	6,541	4,938	5,303	-41%
Neck	2%	21,044	26,727	29,768	19,766	4%

Sources: National Council on Compensation Insurance (NCCI) Workstation
Latest 3 available report periods, Trucking class codes only





WORKERS' COMPENSATION COST CONTAINMENT STRATEGIES

*Michael Case, Vice President of Claims,
General Counsel & Secretary*



Baldwin & Lyons, Inc.
The Pledge of Excellence



WC Challenges and Key Factors Driving Rising WC Costs



Utilization



Obesity



Prescription
drug costs



Tort costs



Aging workforce



Limited return-to-work
opportunities





Actions Taken to Combat Rising Costs

- **Nurse Case Manager (NCM) Program:**
 - **Supervised by our medical manager**, our NCM program is a regional system staffed with fully licensed RN-BSNs in the various states
 - **With an emphasis on early intervention**, nurses triage all lost time claims at day 14 and medical only claims with reserves over \$10,000
 - **Each nurse manages 40-50 claims** to develop a comprehensive medical management strategy
 - This ensures the injured worker receives the appropriate and most cost effective medical treatment
 - Nurses also facilitate return-to-work plans on claims requiring disability management
 - The entire team participates and conducts medical roundtables and committees on claims with special handling or medical challenges





Actions Taken to Combat Rising Costs

- **Field NCM Referral Process**

- Severity of injury, if claimant is hospitalized, failed/repeated surgeries, medical treatments without improvement, etc.
- Vetted panel of field NCMs
- Prior approval, limited engagement and NCM guidelines
- Bills are audited and approved by medical manager



- **Litigation Referral Process**

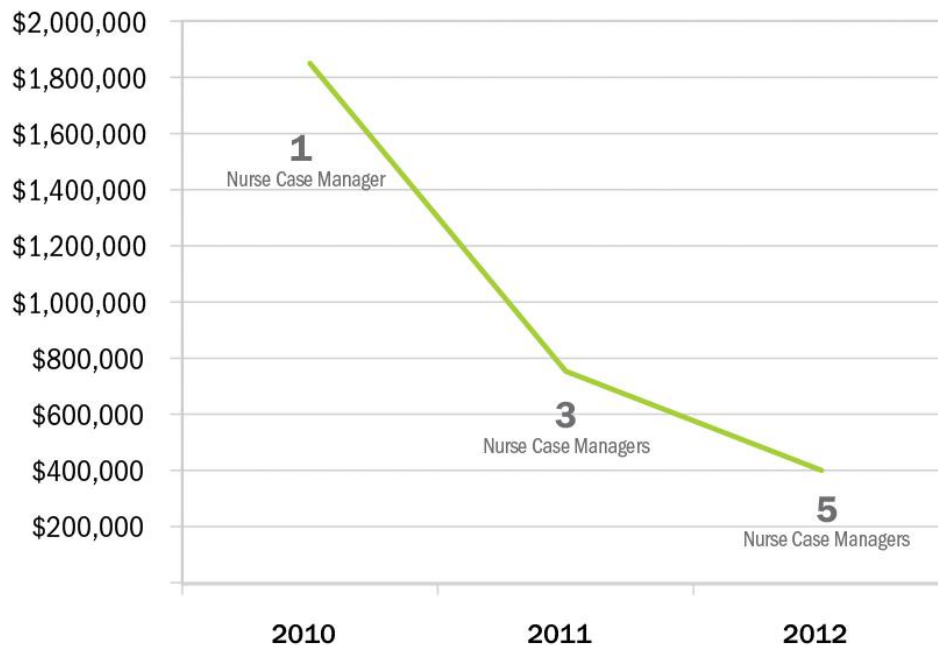
- Vetted panel counsel
- Prior approval, limited engagement and attorney guidelines
- Bills are audited and approved by litigation manager





Actions to Combat Rising Costs (continued)

Field NCM Referral Process -
LAE Expense Savings



+ In 2013 through the second quarter, our utilization review savings totaled **\$2,051,854**

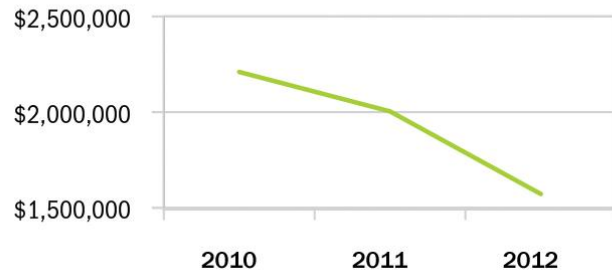




Actions to Combat Rising Costs (continued)

- **Litigation referral process/permanency & settlement review**
 - Vetted panel counsel/prior approval/limited engagement
 - Bills are audited and approved by litigation manager
 - All permanency awards/settlements must be approved

Litigation Defense Counsel Spending



- + In 2012, our litigation permanency & settlement review savings totaled **\$516,924**
- + In 2013, our savings through the second quarter totaled **\$326,917**





Actions to Combat Rising Costs (continued)

- Independent medical exam (IME) referral process
 - Vetted panel of IME doctors
 - Prep work performed by in-house NCMs
 - Mitigating costs of \$1,000 - \$1,200 per referral



✦ Our IME savings in 2012 totaled **\$181,000.**

Through the second quarter of 2013, our savings reached **\$129,000.**

- Medical inflation/average cost per lost time claim
 - Our average medical inflation from 2008 to 2011 was 2.71% versus the NCCI average of 3.925% over the same period





Predictive Modeling





Benchmark Against the Predictive Duration

Benchmark Against the Predicted Duration

Required Values

ICD-9-CM Code: 51.2 Days
Sprains and Strains of Other and Unspecified Parts of Back

Age: +15.9 Days

Gender: +1.9 Days

Job Class: +1.8 Days

Co-existing Medical Conditions

Primary: +55.8 Days

Secondary: +8.5 Days

Tertiary: +48.2 Days

Other Factors

Worker's Comp: +13.4 Days

Inside U.S.: 0 Days

Region by Zip Code:

U.S. Region: -18.9 Days

Predicted Days-of-Disability

177.7 Days

DURATION TRENDS

ICD-9-CM: 847

Cases	Mean	Min	Max	No Lost Time	Over 6 Months
24534	48	0	259	0.0335%	

- **Example:** 50 year-old male with lumbar sprain, very heavy job class with obesity, hypertension, smoker that lives in California





Return-to-Work (RTW) Solution

- CareWorks USA - Modified Duty Off-Site (MDOS) Program
 - Assists employers in returning their employees back to work by temporarily placing an employee with restrictions at a local non-profit organization.
 - Employees perform tasks and job duties within their physician-documented restrictions while continuing the rehabilitation necessary to transition back to their original job.
 - MDOS results in decreased lengths of disability, which in turn means direct cost savings and cost avoidance for our employees.
 - Placement success rate is 94%
 - Mid-range of lost time days saved per case is 59.5 days (1 to 119 days)
 - 79% successful RTW, 11% terminated for cause or violation of written work policy and 4% refuse participation
 - Average time to secure a placement is 48 hours
 - Average time from referral to MDOS start date is 8.6 days





Continuous Improvement

- CA MPN Network – controls medical costs in California
- California Certification
 - 160 hours of training
 - 4 super users
 - 4 certified handlers
- 24/7 Ask a Nurse Program – prevents/reduces claims





Baldwin & Lyons and PMSI

Creating a Value-Based Partnership

August 19, 2013

Pharmacy
Critical Care
Settlement Solutions



Proven Solutions for Cost Containment

Introductions

PMSI Presenter

Mitch Freeman, PharmD

PMSI Chief Sales and Marketing Officer

Topics of discussion

- PMSI company overview
- Pharmacy spend in workers' compensation
- PMSI cost containment approach
 - Lowest effective drug cost
 - Proactive clinical management
- Why PMSI?
- Questions and answers

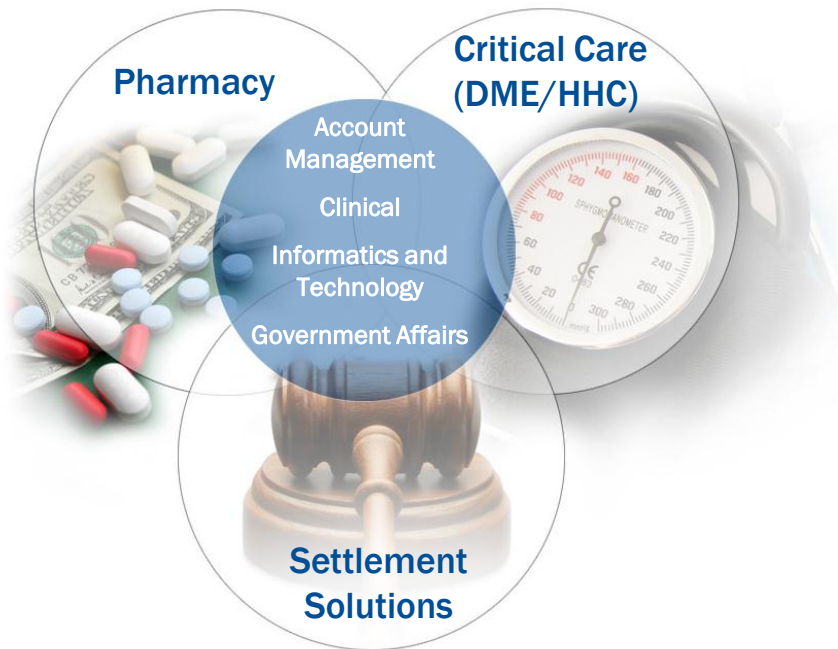


PMSI Company Overview



PMSI Company Overview – Fast Facts

PMSI has a history of providing innovative pharmacy solutions to the workers' compensation market



- Workers' compensation specialty services company
- Largest standalone workers' compensation-focused pharmacy benefit manager (PBM)
- Headquartered in Tampa, Fla.
- 670 employees
- PBM experiencing healthy growth
- Three business units supported by integrated account management, clinical, informatics, technology and government affairs functions
- Serves more than 900 clients including many of the country's largest payors and TPAs

PMSI Company Overview – Industry Challenges

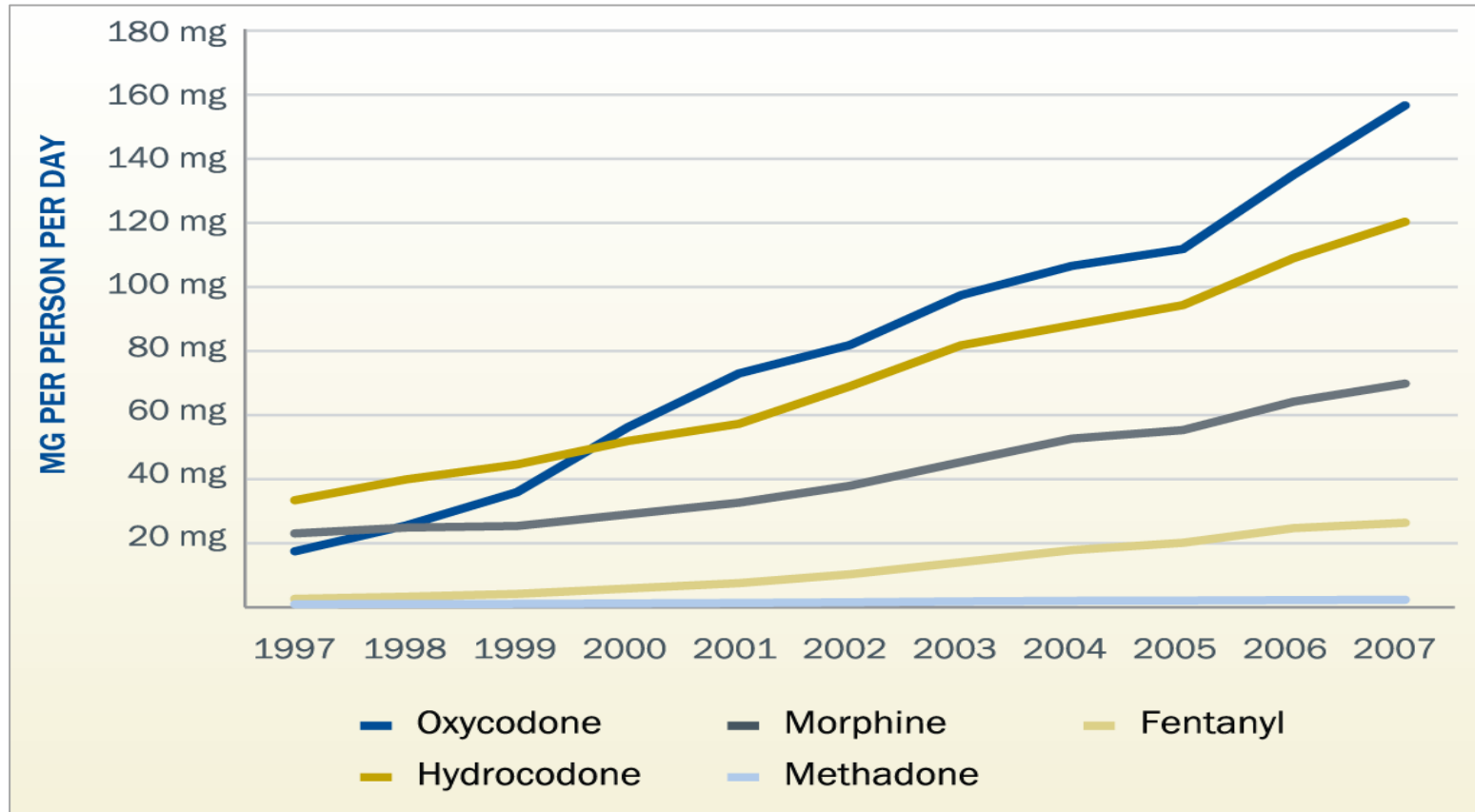
PMSI's program is designed to meet the unique challenges of workers' compensation

	Group Health	Workers' Compensation
Healthcare spending	<ul style="list-style-type: none"> ■ ~\$3 Trillion 	<ul style="list-style-type: none"> ■ ~\$30 Billion
Benefit structure	<ul style="list-style-type: none"> ■ Defined benefit plan ■ Varying levels of coverage ■ Eligibility determined prospectively ■ Closed network 	<ul style="list-style-type: none"> ■ Undefined benefit plan ■ 100% medical cost coverage ■ Eligibility determined retrospectively ■ Open network
Clinical focus	<ul style="list-style-type: none"> ■ Primarily medical issues ■ Chronic disease ■ End of life care ■ Health and wellness 	<ul style="list-style-type: none"> ■ Primarily physical injuries ■ Pain management ■ Appropriate use of narcotics ■ Return claimant to work
Pain medication mix	<ul style="list-style-type: none"> ■ 3% of total drug spend 	<ul style="list-style-type: none"> ■ 75% of total drug spend
Key customer issues	<ul style="list-style-type: none"> ■ Healthcare reform ■ Mandated benefits ■ Administrative efficiency ■ Utilization management 	<ul style="list-style-type: none"> ■ Narcotic use and diversion ■ Limited ability to direct care ■ Increasing severity of injuries ■ Network/utilization management
Regulatory dynamics	<ul style="list-style-type: none"> ■ Heavily influenced by federal government ■ Subject to uncertainty of healthcare reform 	<ul style="list-style-type: none"> ■ State-based legislation ■ Insulated from federal changes/budgetary issues

Pharmacy Spend in Workers' Compensation

Liberal Prescribing Leads to Opioid Overuse

Increase in opioid use in U.S. population

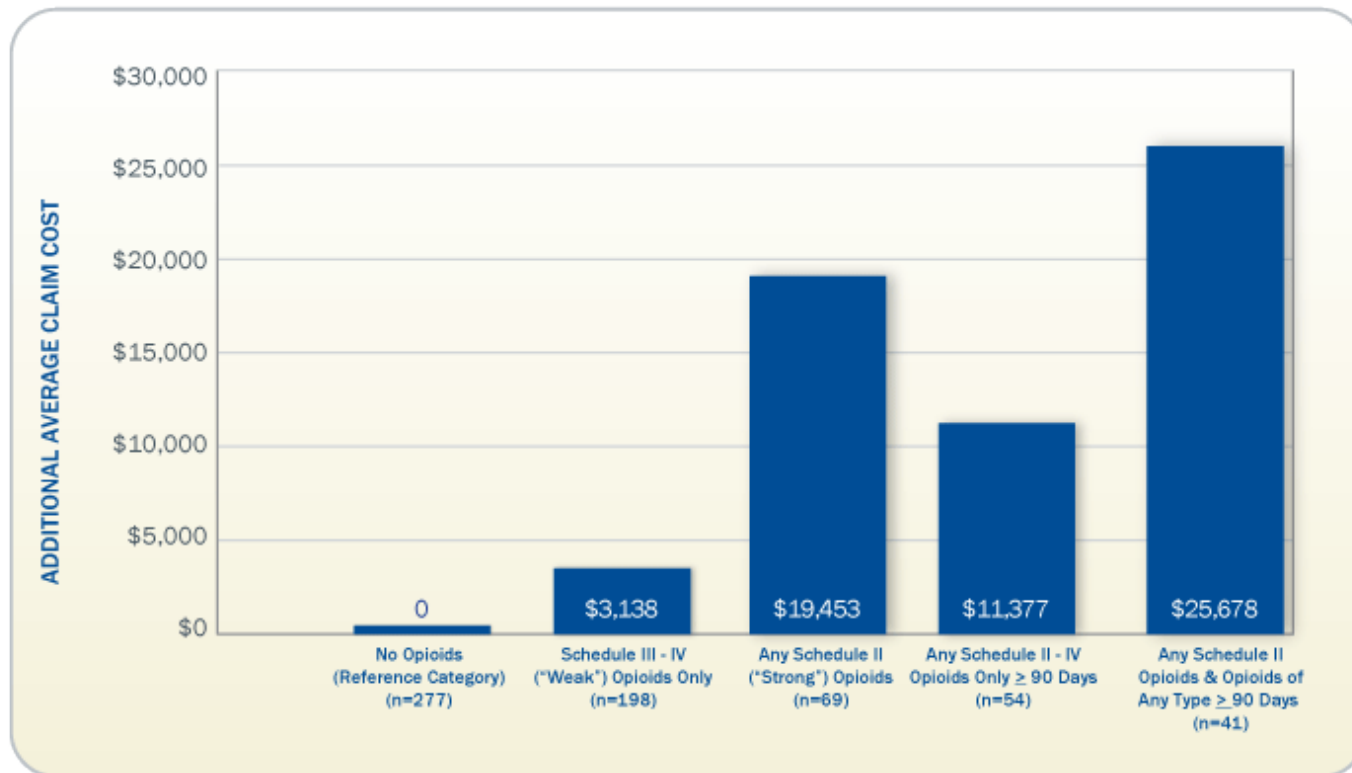


Adapted from: Substance Abuse & Mental Health Data Archive. National Survey on Drug Use and Health, 1999-2009. Retrieved from SAMHSA Data Archive Site at: <http://www.icpsr.umich.edu/icpsrweb/SAMHDA/>. Accessed January 4, 2012.

Opioids Increase Workers' Compensation Claims Costs

The impact of opioid use can be significant with respect to overall claims costs.

FIGURE 1: THE IMPACT OF PAIN IN WORKERS' COMPENSATION – INCREASED CLAIMS COST



Pain (Journal of the International Association for the Study of Pain), 142 (2009) 194-201, April 2009.

The Opioid Epidemic

- Sales of opioid analgesics have quadrupled between 1999 and 2010
- Opioid use has increased from 96 mg morphine equivalents per person in the US in 1997 to 710 mg per person in 2010
- From 1997 to 2007 sales have increased dramatically:
 - Hydrocodone +280%
 - Oxycodone +866%
 - Methadone +1,293%
- Extended-release opioids increased 146% from 2002 to 2009
- Immediate-release opioids increased 42% during same time period
- Workers' compensation claims involving Schedule II opioids add nearly \$20,000 to cost of claim

Pain Physician 2012; 15:ES9-ES38 • ISSN 2150-1149

Pain (Journal of the International Association for the Study of Pain), 142 (2009) 194-201, April 2009.

PMSI Cost Containment Approach

PMSI Cost Containment Approach



PMSI's multi-pronged approach to controlling drug costs and applying clinical expertise enables clients to better control overall pharmacy costs

Lowest effective drug cost

Strategy

Holistic approach to deliver the lowest possible effective unit cost to client

- 1 Gain visibility of total spend and drive spend in-network; approach all spend as controllable
- 2 Drive mail order when clinically appropriate
- 3 Ensure generic utilization
- 4 Offer highly competitive pricing

Approach

Proactive clinical management

Integrated set of programs and tools to ensure clinically appropriate utilization of medication

- 1 Assesses population risk through predictive modeling tools to identify appropriate interventions
- 2 Customize pre-dispense controls to stop the dispensing of inappropriate medications at the point of sale
- 3 Identify drug therapy issues as they occur – escalate and intervene as necessary to prevent cost or risk escalation
- 4 Apply intensive clinical management to complex claims to achieve long-term cost control

Superior cost containment

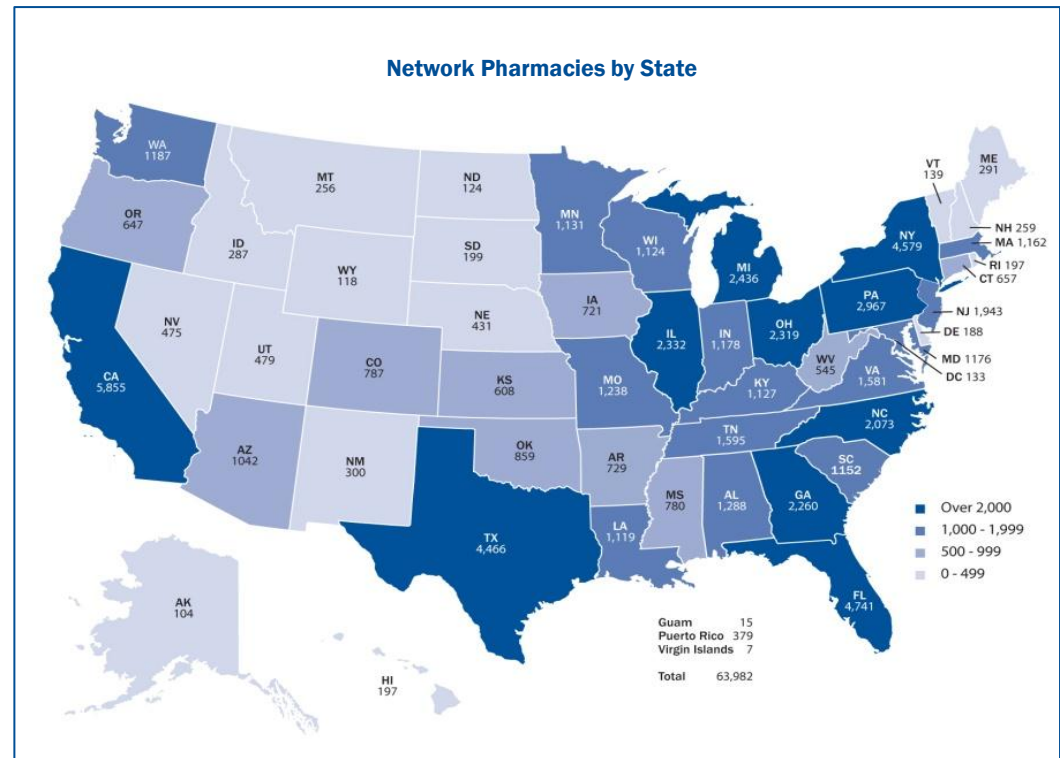
- Lowest net pharmacy costs
- Lower claim reserves

- Lowest net medical costs
- Increased ability to settle claims

Lowest Effective Drug Cost – Network Penetration

Tmesys – a retail network that is directly contracted and workers' compensation specific

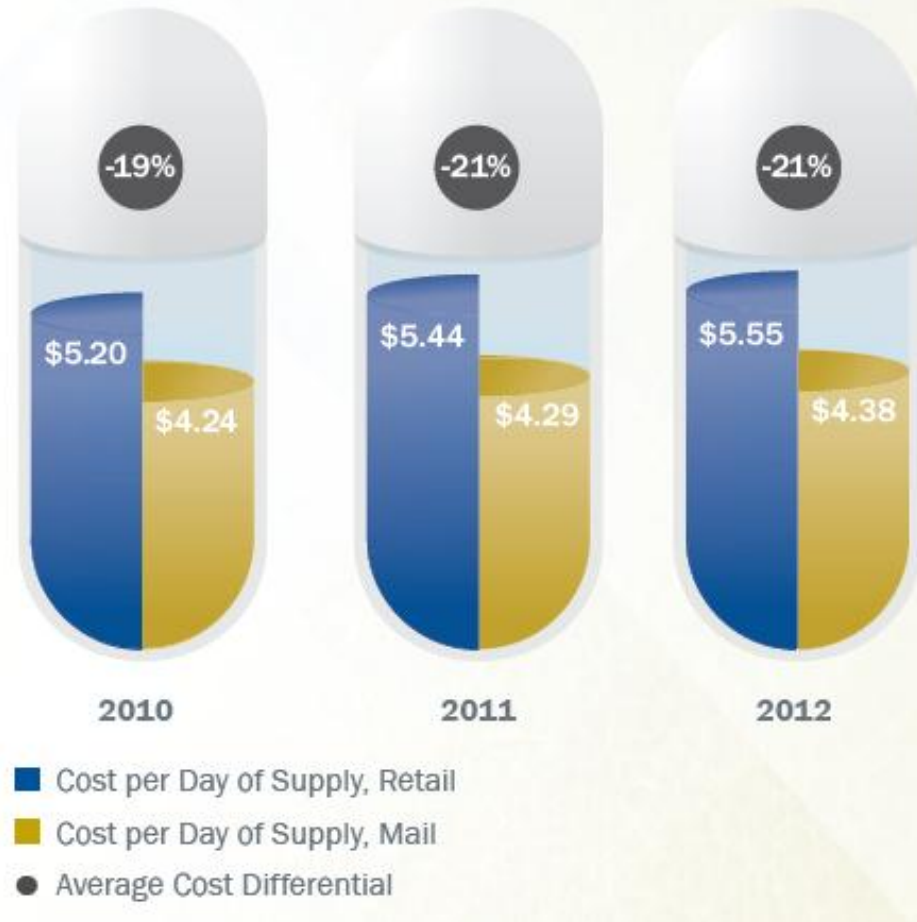
- Retail network of nearly 65,000 directly contracted pharmacies nationwide
- Owned and managed by PMSI
 - Direct relationships with pharmacies
 - Workers' compensation focused
 - Facilitates regulatory flexibility
 - Enables ability to build unique partnerships
- Managed by PMSI's proprietary, proven electronic adjudication engine
- Governed by comprehensive credentialing process and ongoing network management
- Point-of-sale edits customizable by client
- Optional specialty networks comprised of:
 - StoneRiver
 - Physician Dispensers/Repackagers
 - Compounding Pharmacies
 - Occupational Health Clinics
 - Mail Order Providers
- Extensive use of jurisdictional tools
 - CA MPN or PBN
 - NY Direction of Care guidelines
- Integrated with TalisPoint geo-mapping software
- Supported by innovative Pharmacy Cards (mail, electronic, e-health ticket)
- Includes client customizable risk-free First Fill and Samaritan Dose programs



Mail Order Continues to Drive Cost Savings

- Average mail order cost per day of supply in 2012 was approximately 21% less than the average retail cost per day of supply
- The rise in retail cost per day of supply continues to increase the average cost between retail and mail order since 2010, reaching 21% in 2011 and 2012.

Figure 5: Average Cost per Day of Supply, Retail vs. Mail



Lowest Effective Drug Cost – Mail Order

PMSI's workers' compensation-specific mail order pharmacy program has been refined by years of experience—achieving 21.5% average book of business penetration rates, with some clients reaching 40%+

Workers' Compensation Industry Challenges

Ensuring appropriate candidate identification

Driving recruitment and enrollment

Providing quick, reliable prescription delivery

Ensuring safe and appropriate utilization

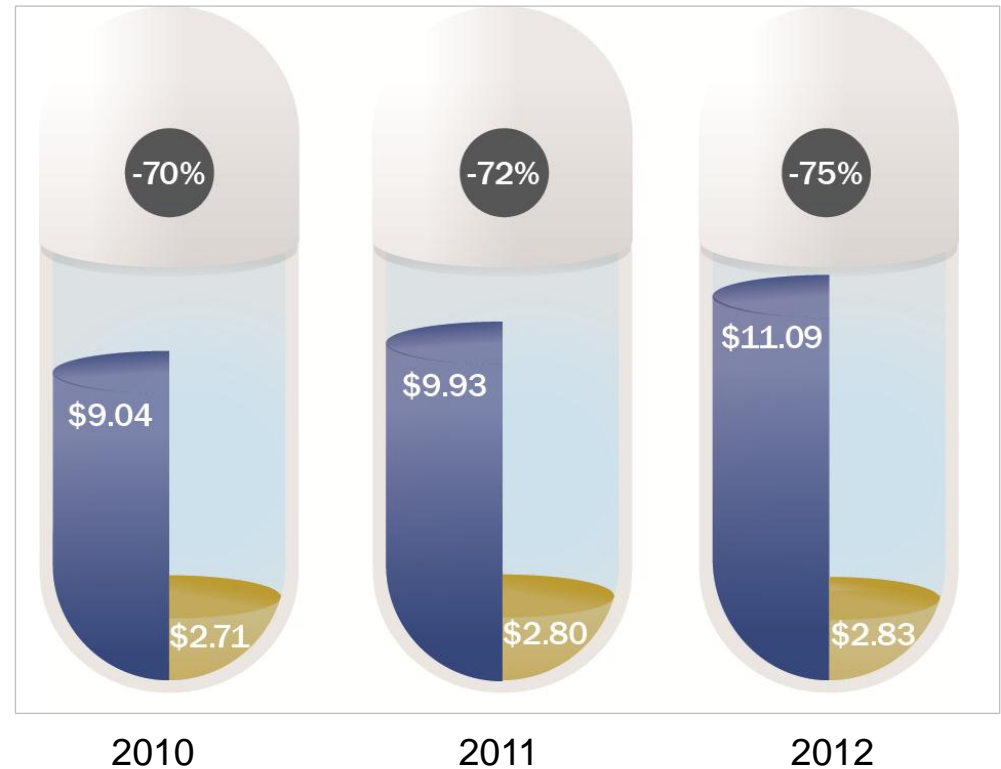
PMSI Approach

- Custom workers' compensation criteria that maximizes yield but ensures clinical appropriateness
 - Number of GPI iterations within the claims history
 - Minimum days since DOI
 - Minimum days spend
 - Minimum days to re-contact if refused
 - Minimum days of supply
 - Demographic factors (age, gender, language, etc.)
- Promotion of mail order only for medications associated with chronic injuries
- Team of 75 in-house employees focused on mail order
- Data scrubbing programs to access appropriate phone numbers
- Multiple outreach techniques including use of Silverlink state-of-the-art outreach technology
- Injured worker education kits
- Refill reminders as appropriate
- Customized recruitment campaigns
- Coordination of care to ensure that injured workers receive their medications when needed
- Partnership with Walgreens provides access to one of the country's largest inventory of mail order medications
- Expedited shipping as required
- Dedicated customer assistance team
- Unified drug utilization review (DUR) program
- Unified adjudication system (retail and mail order transactions)
- Direct pharmacist interaction with physicians on selected prescriptions
- Direct collaboration with prescribing physicians to address manufacturer back-order situations
- 99.9% accuracy rate

Brand vs. Generic Cost Differentials

- Average cost per day of supply of a generic medication was \$2.83
 - 0.8% increase in the average cost per day of supply
- Approximately 75% less than the \$11.09 cost per day of supply of a brand medication
 - 11.7% increase in the average cost per day of supply

Figure 1: Average cost per day of supply, brand vs. generic



- Cost per Day of Supply, Brand
- Cost per Day of Supply, Generic
- Average Cost Differential

Increased Use of Generics in 2012

- Generic efficiency improved between 0.2 – 1.5 percentage points for all claim durations
- Generic dispensing improved between 2.2 – 5.8 percentage points during the same interval

Figure 3: Generic Efficiency by Duration of Injury, 2011 vs. 2012

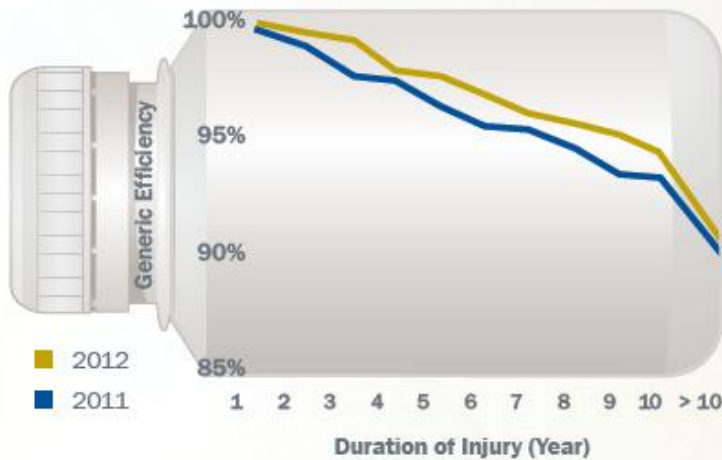
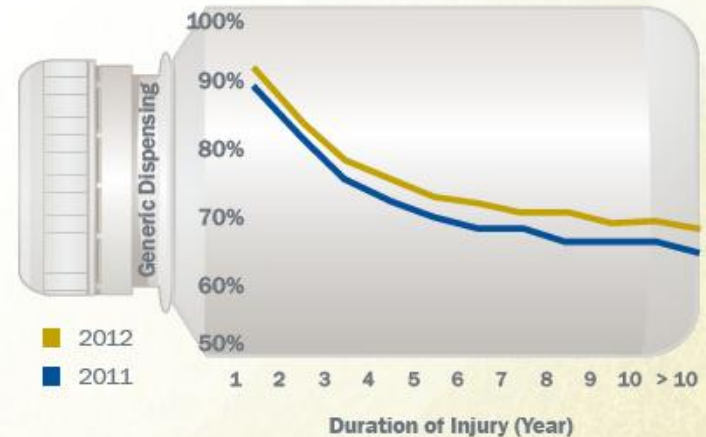


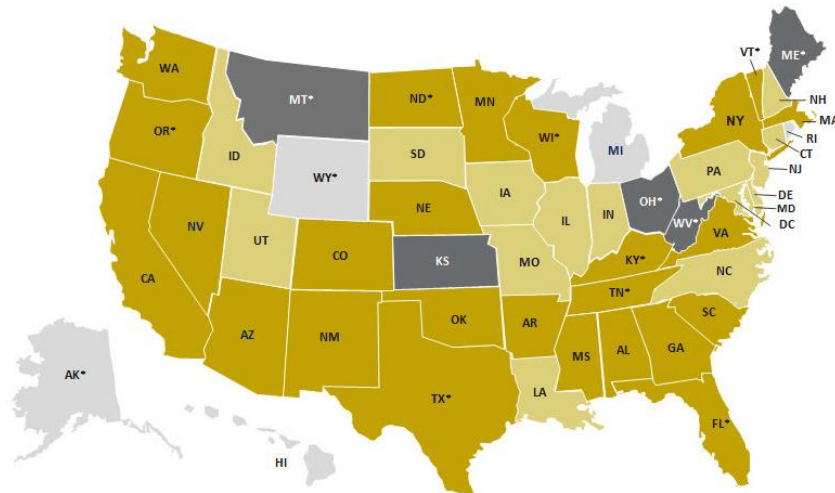
Figure 4: Generic Dispensing by Duration of Injury, 2011 vs. 2012



Lowest Effective Drug Cost – Generic Efficiency

PMSI has achieved high levels of generic efficiency and dispensing for our clients

Generic Mandate



- Substitution mandated
 - Substitution mandated except where prescriber notates DAW, DNS or similar
 - Substitution mandated except where written statement of medical necessity, prior authorization or other requirement provided/met
 - Substitution not mandated
- DAW** = Dispense as Written
DNS = Do Not Substitute


PMSI Approach/Differentiators

- PMSI institutes point of service controls to ensure generic medications are dispensed in generic-mandatory states when not restricted by the prescribing physician
- PMSI interacts with physicians and pharmacies directly without an intermediary – this is particularly helpful in cases of medication shortages
- PMSI contacts physicians who prescribe brand medications when a generic is available (e.g., DAW 1) – average conversion rate of 15%
- PMSI has an optional program to reach out to injured workers who request brand medications (e.g., DAW 2) – new program results TBD
- PMSI has an optional Step Therapy program to drive additional savings at point of sale – new program results TBD
- PMSI generic efficiency calculations do not exclude DAW1 and DAW2 transactions

Lowest Effective Drug Cost

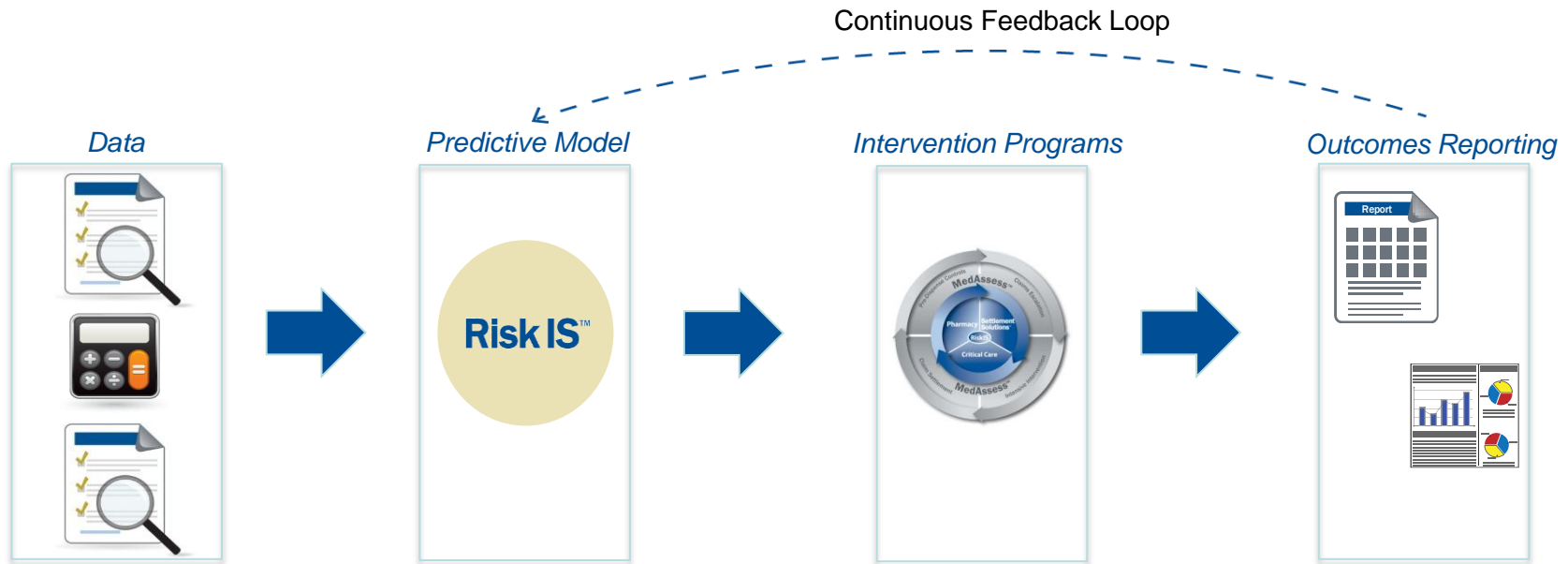
Strong partnerships have the ability to produce tremendous results

Metric	2012	2013 (YTD)	# Change	% Change
Network penetration	84.0%	89.6%	5.6 points	6.7%
Mail order penetration	11.5%	11.4%	(0.1) points	(0.01)%
Generic dispensing	79.1%	81.0%	2.1 points	2.7%
Generic efficiency	96.2%	97.4%	1.2 points	1.2%
% Savings	31.2%	34.2%	3.0 points	9.6%
Average cost per day of therapy (total) – in- and out-of-network	\$6.03	\$6.29	\$0.26	4.3%
Average cost per day of therapy (narcotics) – in-network	\$8.41	\$8.48	\$0.07	1.0%

 = Minimal increases in spend metrics resulting from annual Average Wholesale Price (AWP) increases of 4% – 6%

Proactive Clinical Management – PMSI’s Predictive Modeling System

PMSI uses predictive modeling to power its entire clinical program



PMSI Investment

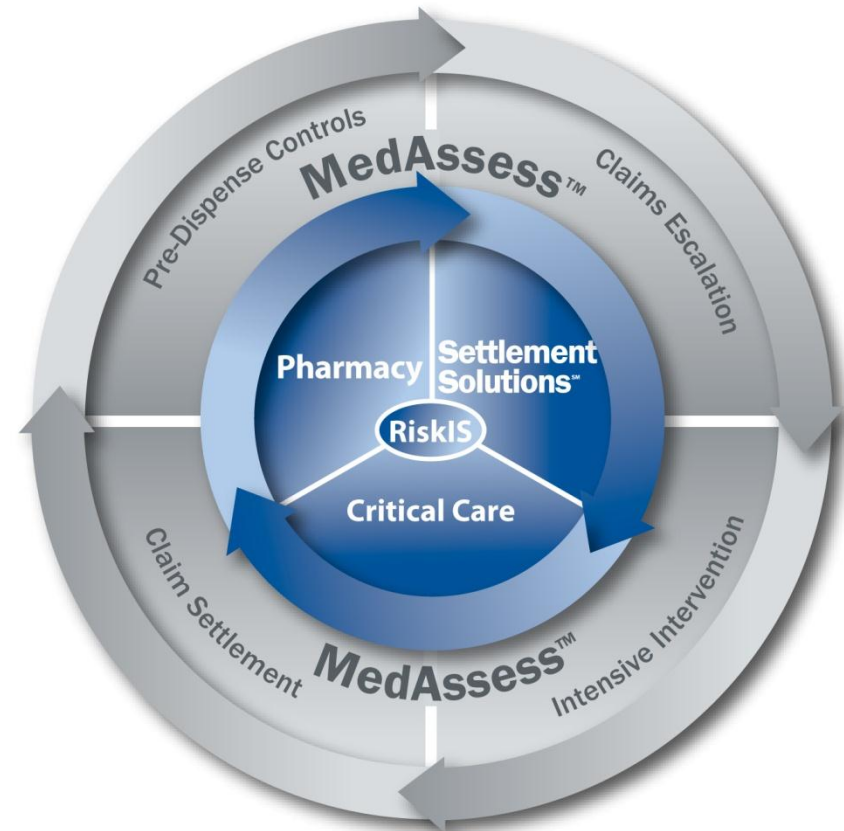
- Enterprise Data Warehouse containing more than 10 Million transactions
- 50 full-time associates – 30 for Clinical Services and 20 for Informatics
- \$10M operating budget and \$2M annual CAPEX budget
- State of the art MicroStrategy reporting package
- Guided by physician advisors and other clinical experts

Proactive Clinical Management – PMSI MedAssess™ Overview

PMSI's MedAssess program is differentiated from programs offered by other PBMs

PMSI Differentiators

- Largest workers' compensation-focused clinical team in the industry
- Most "live" experience specific to workers' compensation
 - More than 3,500 medication reviews
 - More than 2,500 peer reviews
 - More than 500,000 targeted interventions
- First to market with many of our clinical offerings
- Recipient of numerous industry awards and recognitions
- Clinical programs can be integrated with client infrastructure and preferred partners
- Dedicated clinical liaisons who design customized programs – do much more than deliver reports
- Integrated analytic platform (Risk IS) that is state of the art
- Active clinical management, not just clinical monitoring

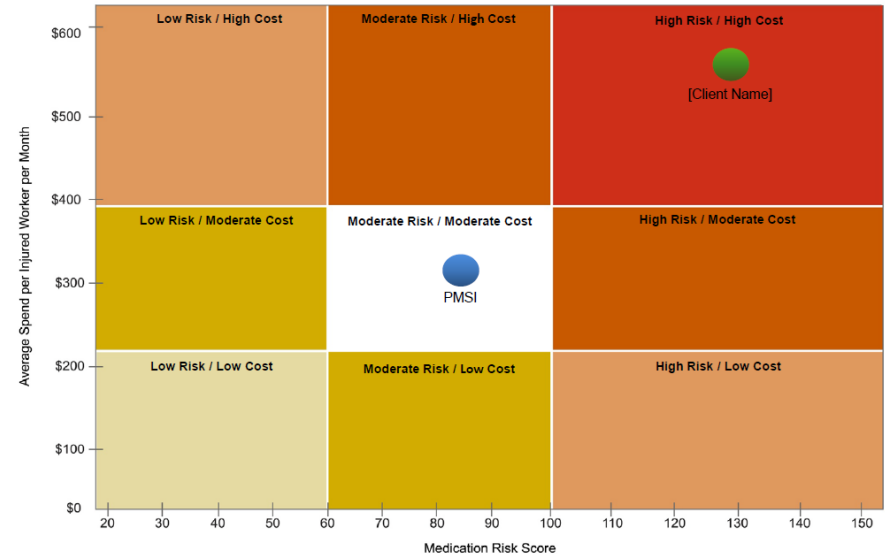


Proactive Clinical Management – Population Risk Scorecard

The Population Risk Scorecard assesses a client's risk profile to design a customized clinical program

- Proprietary Population Risk Scorecard assesses the client's risk of waste, fraud, or abuse in overall claim base
 - Benchmark health outcomes and drug costs against industry averages
 - Recommends clinical programs to mitigate risks and enable customization for clients
 - Includes analysis of 18 workers' compensation-specific clinical criteria
- Population Risk Scorecard used throughout client relationship
 - At outset for PMSI and client to understand unique risk factors of claim base and develop customized solutions
 - Every six months thereafter to monitor client's reduction of risk and cost
- PMSI recognized by industry for Population Risk Scorecard
 - 2013 Innovation Award by *Business Insurance* magazine
 - 2012 Industry Innovator Award from The Institute of HealthCare Consumerism

Population Risk Score



* Medication Risk is defined as the risk of medication-related poor health outcomes

Compares client portfolio's risk and claim cost vs. industry

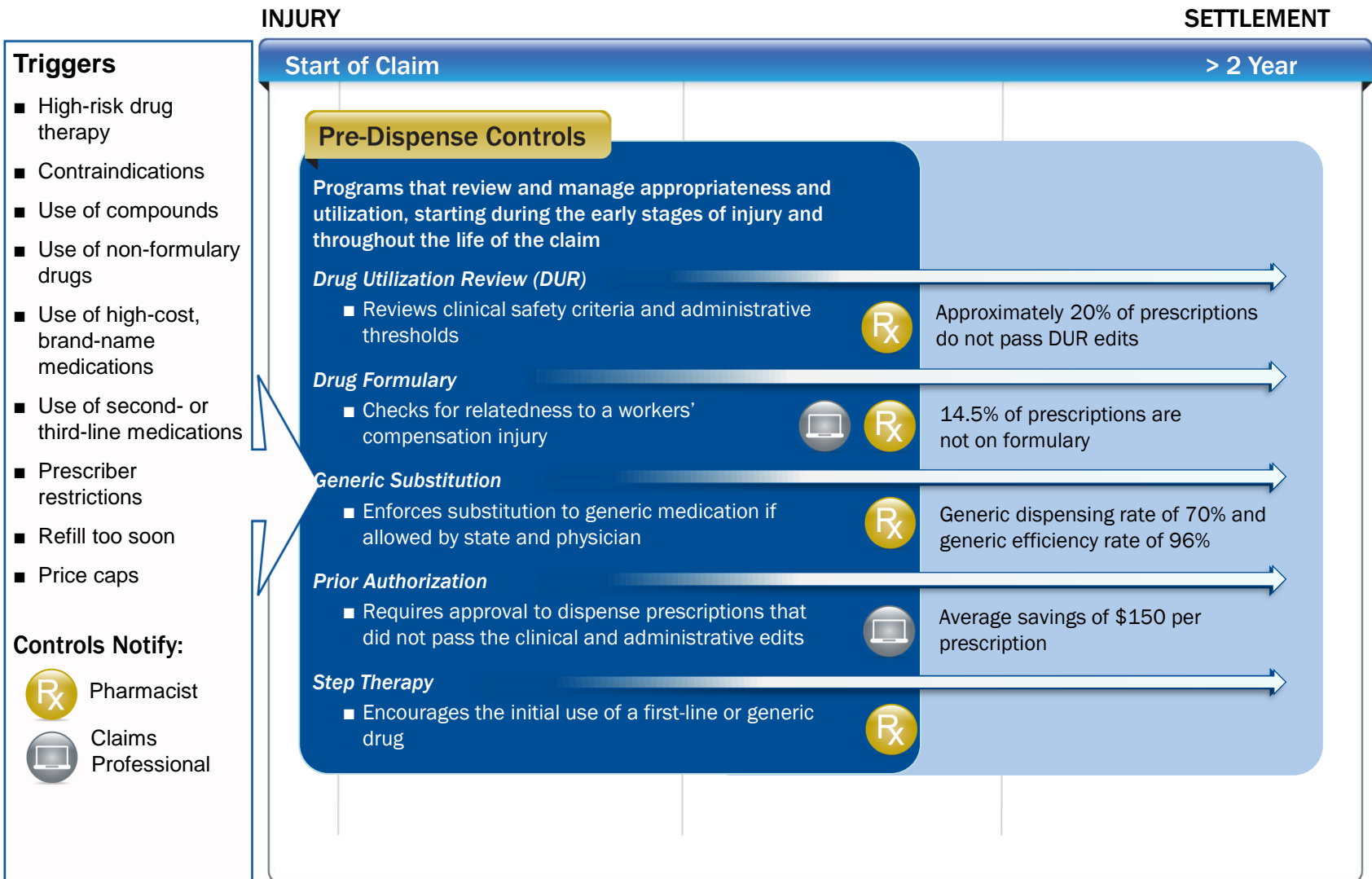
Population Risk Overview			
Population Criteria	[Client Name]	PMSI	
Total population studied	2715		
Average age of claim (in years)	14.6	6.3	
Average spend per injured worker per month	\$ 568.98	\$ 304.94	
Population risk score	130	85	

Recommends customized clinical programs to address risk factors

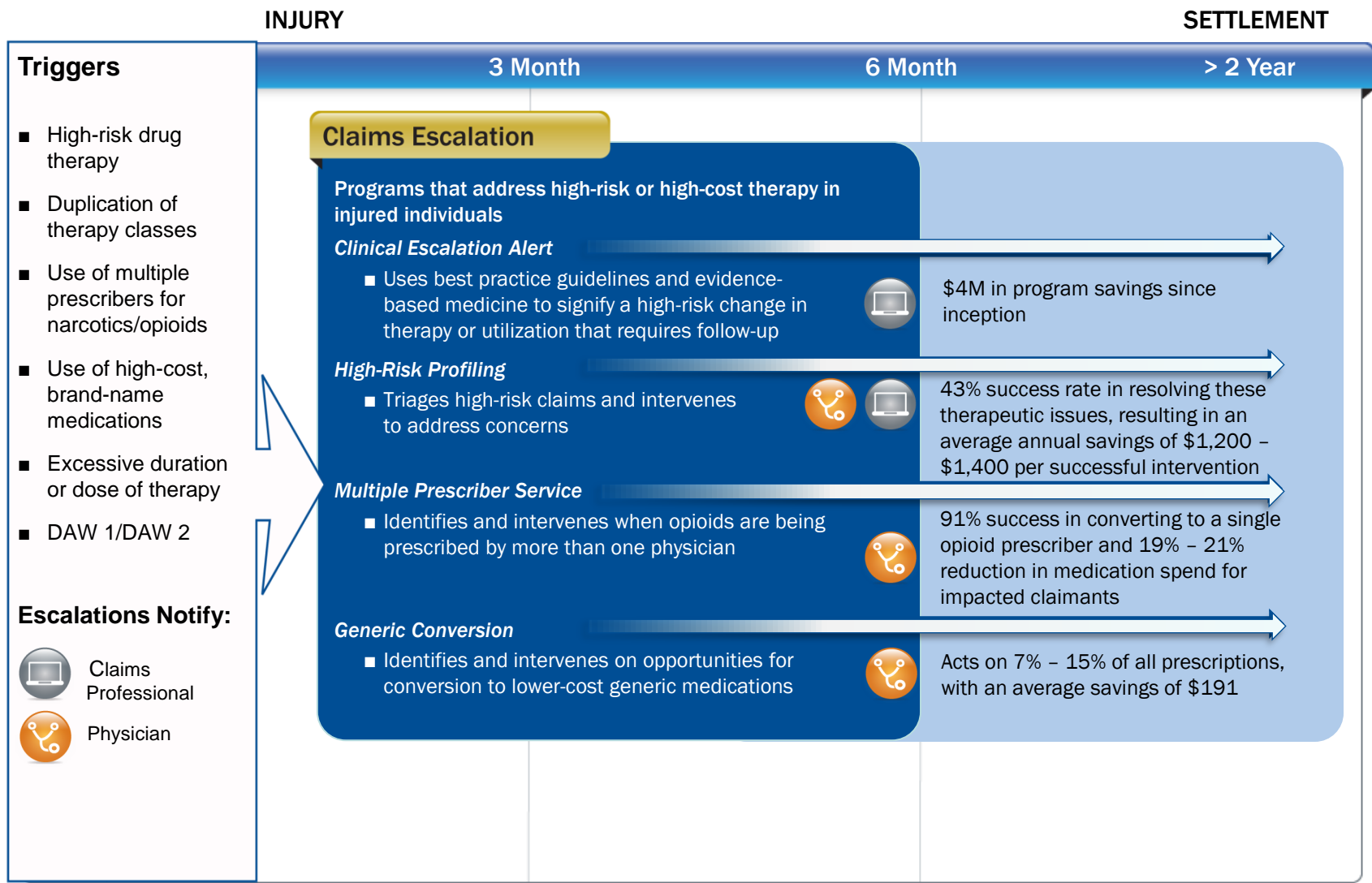
High risk factors for inappropriate drug use identified by PMSI

Population Risk Criteria and Intervention Recommendations			
Medication Risk Criteria	[Client Name]	PMSI	Recommendations for Resolution
Use of medications not typical for treatment of workers' compensation claims	16.5%	15.3%	<ul style="list-style-type: none"> Medication Review Medication Review with Peer-to-Peer Outreach
Use of medications from 5 or more therapeutic classes	17.4%	11.4%	<ul style="list-style-type: none"> Medication Review Medication Review with Peer-to-Peer Outreach High-Risk Profiling Service
Use of multiple prescribers for narcotic analgesics	15.2%	10.7%	<ul style="list-style-type: none"> High-Risk Profiling Service Multiple Prescriber of Narcotics Service Medication Review Medication Review with Peer-to-Peer Outreach Drug Testing and Monitoring

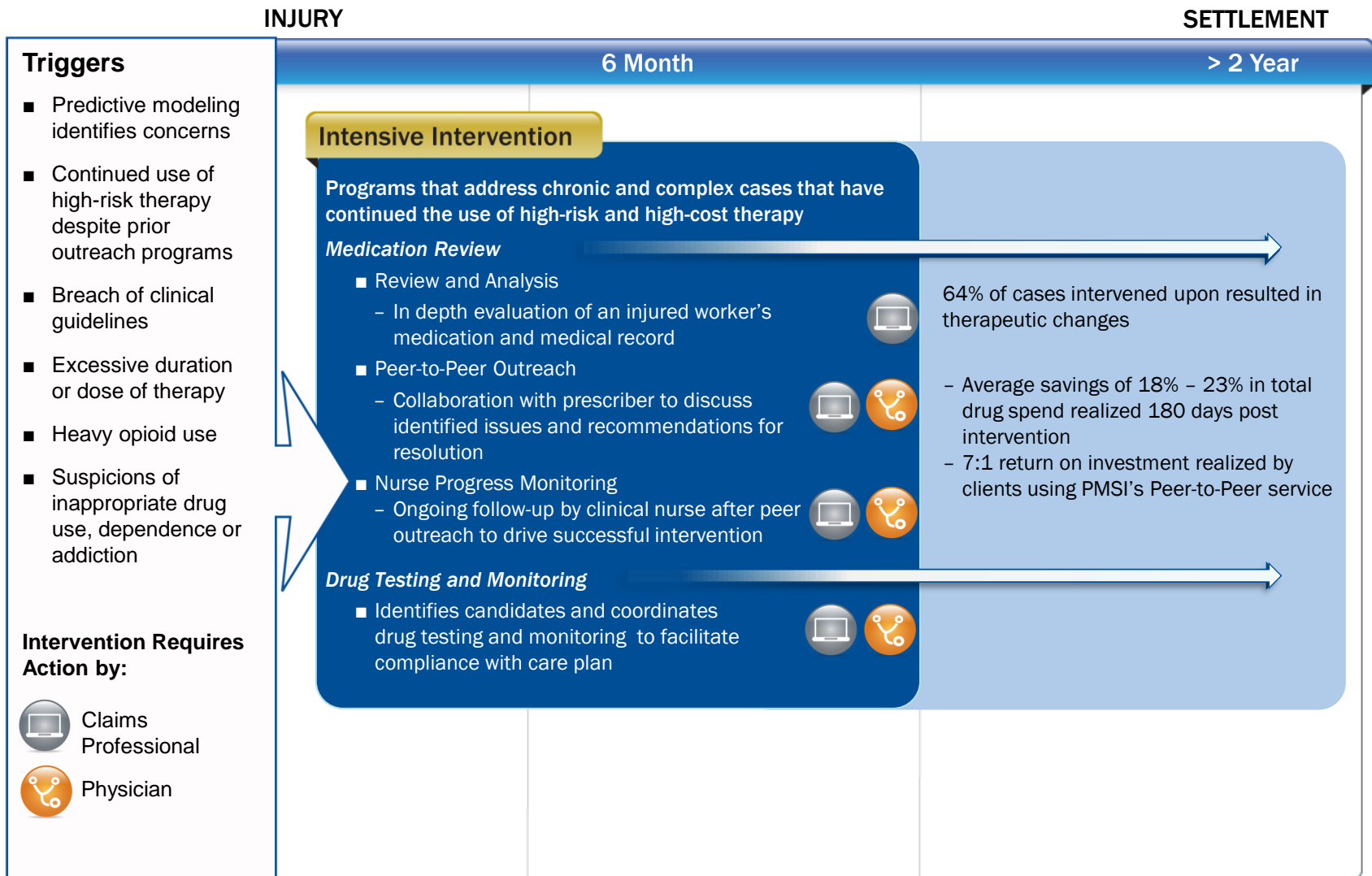
Proactive Clinical Management – MedAssess Pre-Dispense Controls



Proactive Clinical Management – MedAssess Claims Escalation



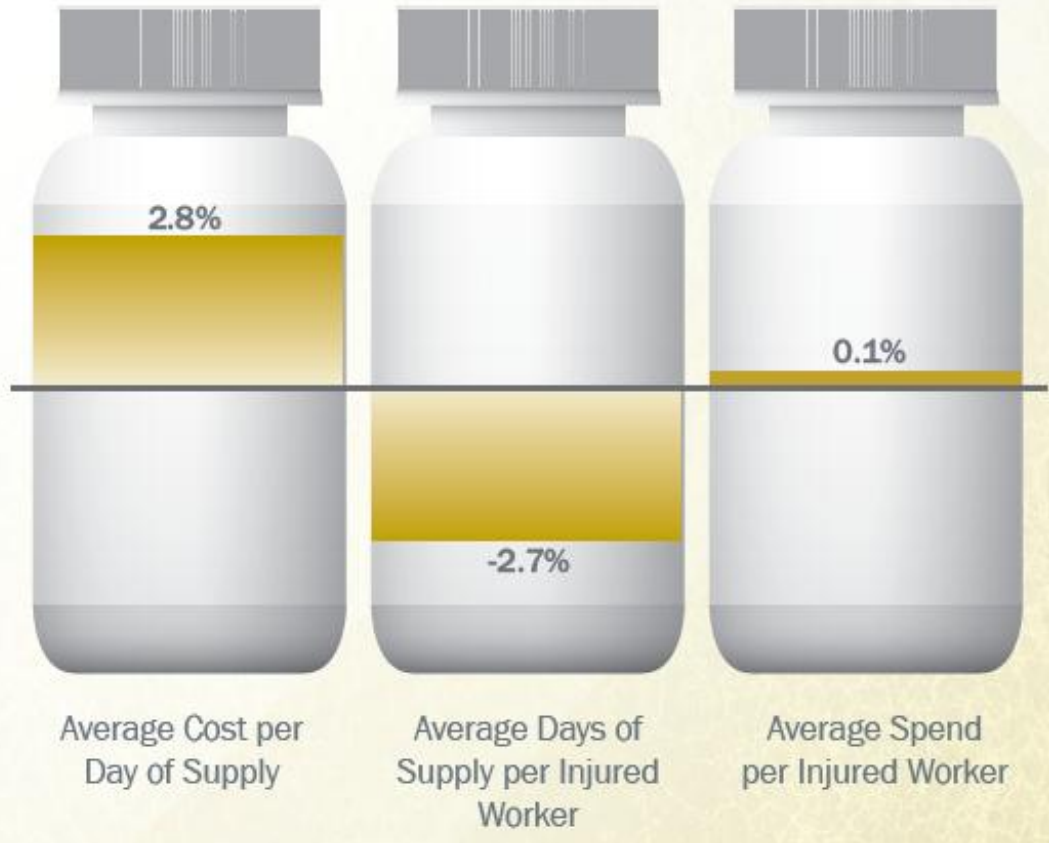
Proactive Clinical Management – MedAssess Intensive Intervention



2011 vs. 2012 Changes in Average Spend

- Average spend per injured worker was flat compared to 2011
- Driven by an increase in average cost per day of supply of 2.8%
- Offset by a 2.7% decrease in average days of supply per injured worker

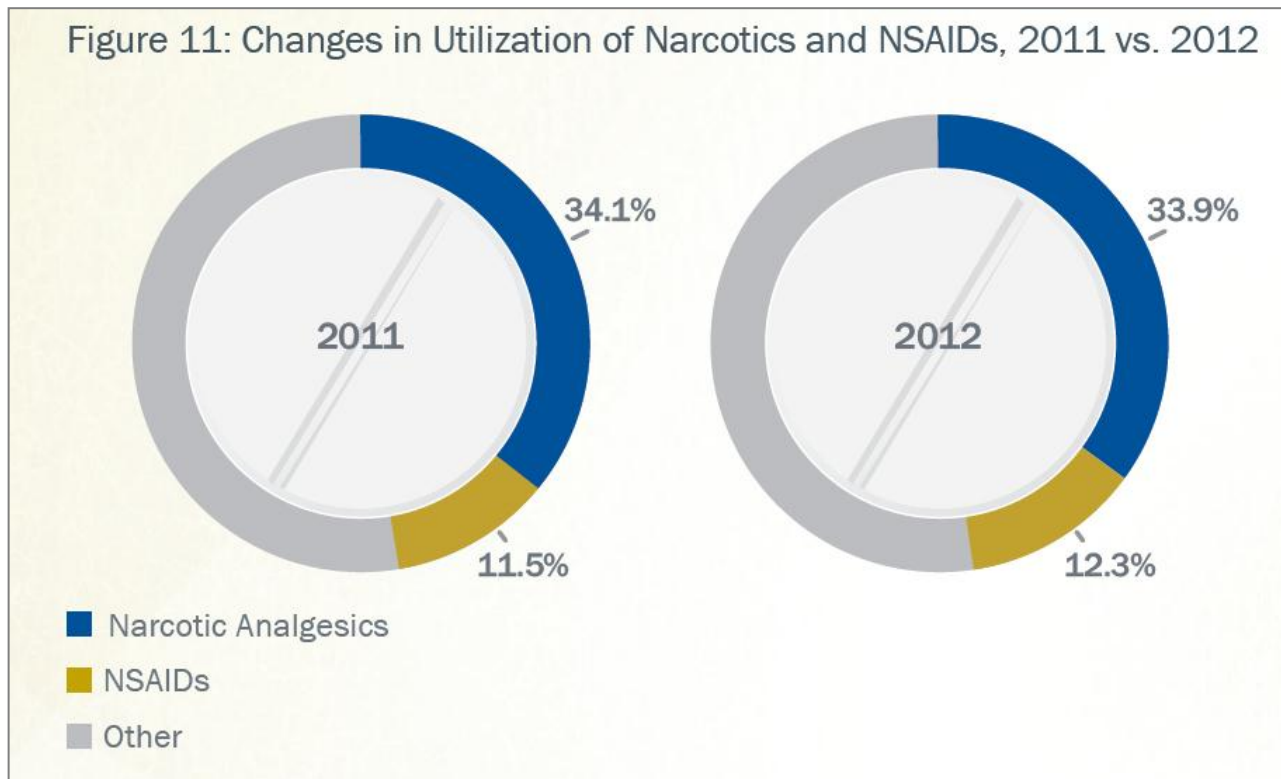
Figure 1: Percentage Change in 2012 Pharmacy Spend



Changes in Narcotic Utilization

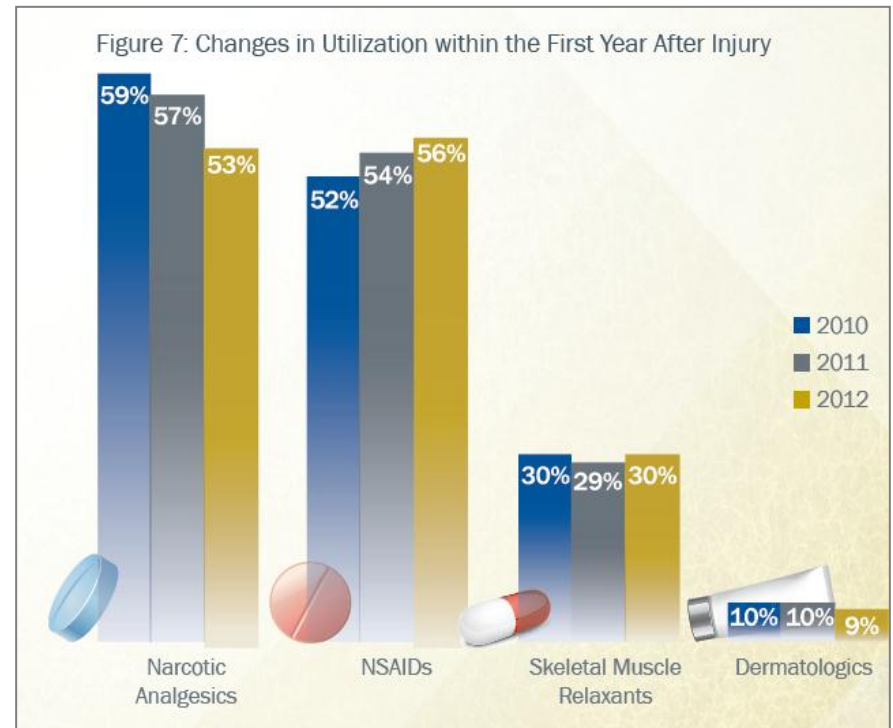
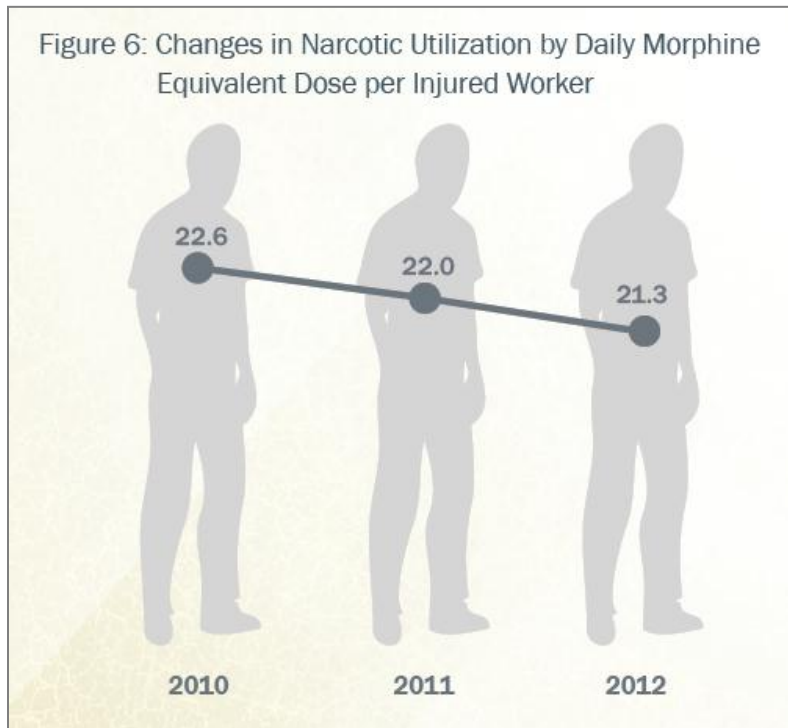
- Utilization of narcotic analgesics decreased 0.2% from 2011 to 2012, while NSAIDs' utilization increased 0.8% from 2011.
- Shift to less-expensive generic NSAIDs as first-line anti-inflammatory medications

Figure 11: Changes in Utilization of Narcotics and NSAIDs, 2011 vs. 2012



Decreased Narcotic Utilization in 2012

- Narcotic utilization per injured worker decreased 3.2%, as evidenced by the decrease in the daily morphine equivalent dose (MED) in 2012
- Additionally, the use of narcotics within the first year of injury declined 7%



Why PMSI?

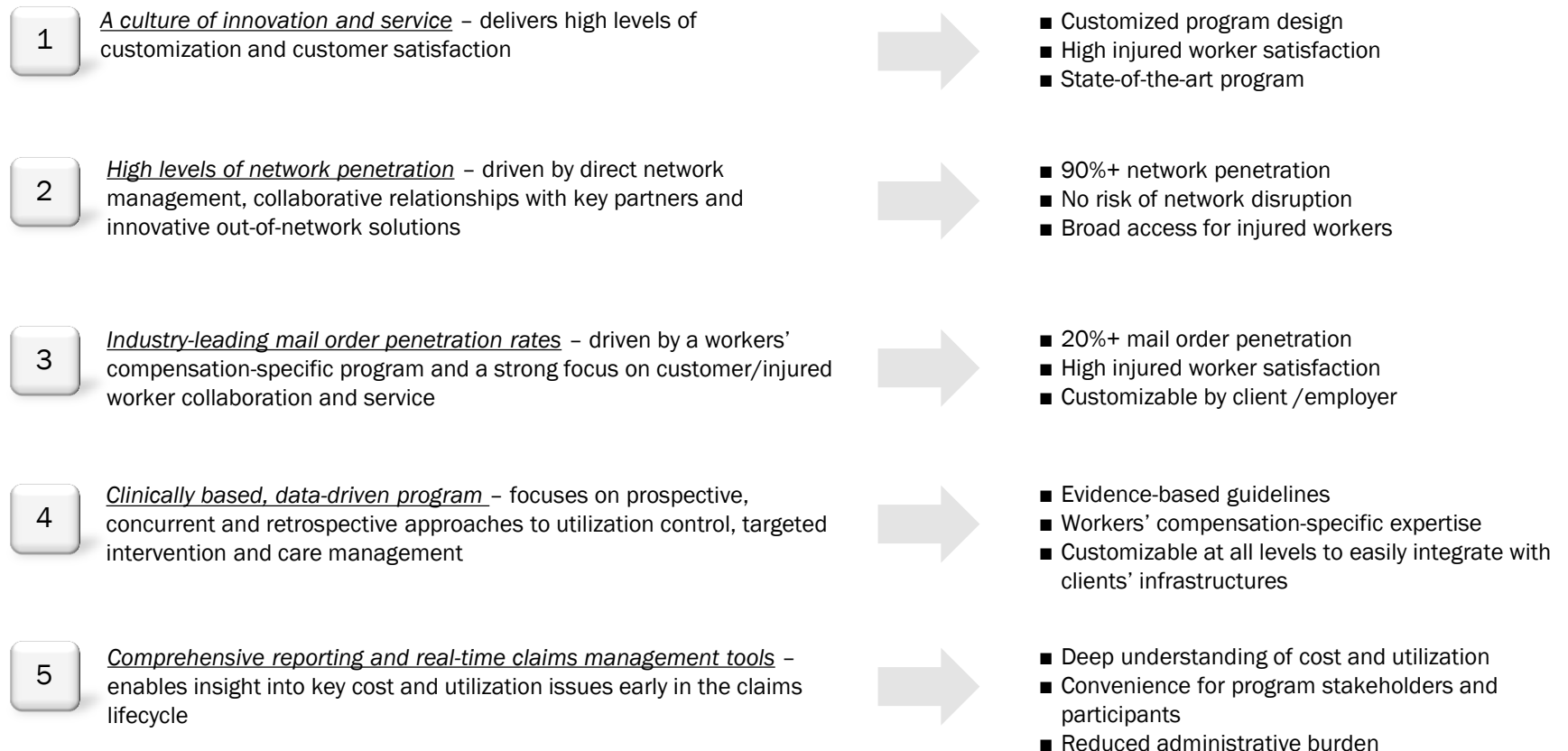


Why PMSI? – Key Differentiators

PMSI's key differentiators help us to build unique programs for our clients

PMSI Differentiators

Value to Client



Why PMSI? – Extensive Experience

PMSI's experience gives us the capabilities needed to serve our clients

- Unique network approach that maximizes penetration and provides control and stability
- Proactive, aggressive clinical intervention program tailored to fit our clients needs
- Client-centric account engagement that touches all points of the program
- Highly adaptable and streamlined implementation program
- Best in class clinically managed mail order program
- State-of-the-art technology and reporting tools that are designed for ease of use
- Client relationship is a “partnership” rather than a business transaction
- Experience in implementing TPAs and delivering a market-differentiated program

Questions and Answers



PMSI—THE ONLY SOLUTION YOU NEED

Founded in 1976, PMSI is a leader in developing solutions to control the growth of medical costs in workers' compensation while achieving maximum health outcomes. As one of the nation's largest and most experienced companies focused solely on workers' compensation, we deliver proven solutions for injured worker care across the claims lifecycle. PMSI's Pharmacy, Critical Care, and Settlement Solutions products deliver quantifiable results and improve the quality of care for injured workers. We provide our customers with the innovation, focus, expertise, analytics and technology needed to successfully and cost effectively deliver workers' compensation benefits.

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Pharmacy
Critical Care
Settlement Solutions

