Health Strategy Associates

The 2023 Survey of

Workers' Compensation Bill Review

Summer 2023

Joseph Paduda
Principal
Health Strategy Associates, LLC

203.314.2632
jpaduda@healthstrategyassoc.com

This is the fourth survey of workers' comp payers regarding bill review (BR) conducted by Health Strategy Associates, LLC. The survey focused on opinions, perceptions and attitudes about BR in workers' comp, paying special attention to functionality, management approaches, vendors, pricing, trends, and opportunities for improvement.

Unlike past surveys on BR, this one incorporated the views of front-line staff. We have found there are often significant differences in opinions between executives and the people who do the work. These differences can be invaluable.

Both quantitative and qualitative measures were used in the survey, and the questionnaire was structured in such a way as to "triangulate" on specific issues, to confirm opinions and perspectives thereby providing readers with confidence in the survey's findings. The quantitative questions used a 1-5 rating scale, with 1 on the low end (e.g., worse, or less important) and 5 at the high end (best, or most important). Note – not all respondents answered all questions, thus response rates/numbers will not always correlate with the total number of payers.

The survey was conducted by Joseph Paduda, Principal of Health Strategy Associates, LLC, and data aggregation, analysis and the final report were prepared by Jay Stith, Data Analyst and Paduda.

We want to thank the 22 workers' comp executives who each took up to 45 minutes to carefully and thoughtfully respond to the survey, and the 20+ front-line staff who responded to a brief on-line survey. In many cases, executives had to track down data and identify other experts in their organization to participate in the telephonic interview. Their willing participation is deeply appreciated. All responses are confidential, and care has been taken to "sanitize" responses to protect the anonymity of the respondents.

Executive Summary

Just as in 2018, the value of high-quality customer service cannot be overstated. Although bill review companies have spent years developing individual products, report libraries and brands, payers' perceptions of the overall BR industry are generally unchanged. Moreover, there is less of a gap between BR firms today than there was just five years ago. Additionally, the gap in the customer service scores of BR firms has shrunk.

Respondents noted BR companies are investing in new interfaces and building out AI protocols, while respondents identified quality customer service as their highest priority. These aren't necessarily contradictory, but it appears those investments are not materially improving payers' views of customer service.

Speed and accuracy are two of payers' top priorities. Increased levels of automation and e-billing are also important for many respondents - but not without qualification. While these respondents want automation and e-billing, they need accurate and consistent processing of bills and records to derive gains in efficiency and error reduction.

While survey respondents have strong feelings about the value of quality customer service and increases in automation, BR vendors need to remember that there are two distinct constituencies - executives who buy and front-line folks who use. Based on our surveys of each group, these two cohorts engage BR in different ways. As such, they have different perspectives on what creates a successful partnership between payer and vendor. Executives tend to look for more traditional elements of customer service guided by data and are largely positive about increased automation than front-line staff who are interested in prompt system updates and low error rates for customer service. The front-line staff think automation is helpful but not nearly the fix that executives believe it will be. They are looking more for customization rather than automation.

Finally, two factors that appear to influence respondents' views include:
- whether an organization handles BR "in-house" or "vends out" bill processing and
- the size of the organization.

Top findings are as follows:
1. The BR industry has maintained its level overall rating from 2018, with an overall average grade of 3.21, slightly higher than 3.18 in the previous survey.
2. While the overall view remains consistent, the differentiation among the grades of major vendors has become more compressed.
3. Customer service is of utmost importance in establishing a successful BR relationship. It is considered the primary reason for changing vendors and consistently ranked as one of the most crucial attributes in BR.
4. There is a noticeable difference between executives and front-line employees in the evaluation of their BR vendor's customer service. Front-line employees' average score was 3.6, while executives scored 4.2.
5. Automation is a hot topic in the industry, with a focus on improving turnaround time, auto-adjudication, and quality. However, some respondents are still looking for their BR vendor to better handle basic tasks.
6. E-billing is gaining popularity, particularly among larger respondents and those who handle BR internally.
7. BR vendors' pricing and results are perceived as more transparent compared to 2018 when only 90% of respondents said their vendor was

transparent. However, there are complaints about the complexity of calculating "savings" percentages.

8. Flat-rate pricing is becoming more popular due to its simplicity in calculating cost while the use of a percentage of savings is generally viewed unfavorably.

9. As the size of the payer organization increases so does the desire for flat-rate-per-bill pricing.

10. There is a significant difference in the number of bills processed each month between those handling BR internally and those outsourcing it. The difference has decreased significantly to just 1,300 bills this year, compared to 216,387 in 2018.

Background

BR is the process and function of re-pricing medical bills according to jurisdictional requirements and standards. This typically includes application of rules specific to that jurisdiction, clinical edits, and utilization review (UR) recommendations as well as fee schedules and other cost-specific tools. BR does not occur in a vacuum, but also involves integration with intake and claims systems, networks, UR, and case management, and other medical and claims management processes and tools. Outside factors profoundly affect workers' compensation medical costs. These include overall medical trend, changes in reimbursement for governmental programs, practice pattern evolution, and the flow of technology and new medical techniques into the health care "system."

Respondents

Executive-level respondents at 22 organizations located around the country and front-line staff who work closely with BR provided responses. Care was taken to ensure that the firms surveyed represented a broad cross section of the industry, both geographically and in the size and type of respondent organization. In some instances, there was more than one individual responding from a payer.

Front-line staff did not provide identifying information. In our experience, seeking demographic data greatly reduces responses and may well impact the veracity of those responses that are provided.

The Technical Stuff

E-Billing

E-billing has garnered substantial favorability among respondents in the workers' compensation industry, with 70% expressing a positive view towards its adoption. Respondents cited consistent themes as to why they value e-billing, primarily revolving around its potential to enhance efficiency through increased auto-adjudication, faster processing times, and simplified workflows. Additionally, respondents appreciated the promise of higher quality data due to reduced human input, leading to improved accuracy in bill processing.

However, despite the optimism, several respondents also acknowledged experiencing consistent accuracy issues with e-billing.

Interestingly, the preference for e-billing varied between respondents who managed BR operations internally and those who outsourced to vendors. Those with internal BR operations displayed a slightly higher inclination towards e-billing, with an impressive score of 4.7 on a scale of 1 to 5 (5 being highly favorable, 1 being unfavorable, and 3 representing a neutral stance). Those with external BR operations, gave e-billing a slightly lower, though still favorable 4.1.

Furthermore, the size of the respondent's organization appeared to be directly correlated with their appreciation of e-billing; in general the larger the organization the more positive their view.

Stewardship Reports and Information Management

Stewardship reports are a common tool for assessing performance and making informed decisions, but their impact varies among respondents. The results from this year's survey indicate that there are several steps BR companies could take to make both stewardship reports and data feeds more useful for payer operations. This would help BR entities better forge and solidify partnerships rather than remain in a vendor-style relationship.

Moderate Usefulness of Stewardship Reports: On average, stewardship reports received a modestly helpful rating of 3.6 on a scale of 1 to 5.

Comparison Between In-House and External BR Operations: There isn't much difference in the perceived usefulness of stewardship reports between internal and external BR operations respondents.

Impact on Respondent Size: Stewardship report ratings moderately decline with increasing respondent size. These results differ significantly from the 2018 survey,

where smaller organizations rated stewardship reports at a much lower 1.75. Possibly, the difference relates to the level of data management expertise of the respondent organization.

Most Valuable Information in Stewardship Reports: The most valuable information in stewardship reports is savings data in broad terms – similar to the 2018 survey. Additionally, respondents found insights on "improvements" to be made, network penetration, and road mapping to be highly relevant.

The point here is respondents do not want a rehash of data, they want to know what it means, how they need to evolve over the long term, how they compare to similar organizations, and where there are key gaps that need to be addressed.

An interesting difference between respondents handling BR externally rather than in-house is their level of interest in savings. Roughly half of the external respondents noted savings information is their top metric on stewardship reports. Yet nearly all of those handling BR in-house noted savings as their top metric.

Critical Feedback on Stewardship Reports: The most common complaint about stewardship reports revolves around data-related issues.

Reconsiderations

An increasing point of interest in the BR industry is re-cons and at what point they begin to impede adjustors'/processors' workflows, hurt customer service, increase risk of penalties, antagonize providers, or just generally become more trouble than they are worth.

Respondents mostly agreed that that they keep a close eye on re-cons as they are more often a problem than not – particularly when there is no information as to why the bill is getting re-considered.

Generally, the larger the organization, the less tolerance they have for a high re-con rate.

Interestingly when we examined the noted tolerance level for re-cons against scores for customer service there was no impact at all.

Data Management

Data Integration and Storage Practices: All respondents in the study capture and store the data obtained from their BR vendors. Among them, 75% integrate BR data into internal reporting, enabling payers to gain deeper insights and analyze

trends. On the other hand, 25% of respondents keep the data separate and run an internal dashboard with the data, possibly to maintain a more focused analysis on medical reimbursement and/or because they lack the ability to integrate BR data feeds into the payer's centralized database (if one exists).

Advancements in Data Operations: Compared to 2018, data operations have become more sophisticated.

Shift in Focus Areas: Notably, there has been a decline in discussions about predictive analytics and provider profiling in 2023 compared to 2018.

Thinking back to 2018, predictive analytics was a hot topic, with many vendors, actuarial firms and consultants championing the newest and coolest thing.

Must-Have BR Functions

Unsurprisingly, timely fee schedule uploads, simple rules engine, and in-depth coding review are considered "must haves" by 100% of the respondents.

Based on the results, clear tiers of importance emerge:

High Priority: the first three (timely fee schedule upload, simple rules engine, and in-depth coding review)

Significant Importance: State reporting, electronic integration with claims, network evaluation and selection, and complex bill review

Nice to Have: Customizable UR, clinical review, bill payment/check cutting.

Importance of BR Attributes

Respondents were asked to review a list of attributes associated with BR and grade them on a 1 to 5 scale (5 being best). Due to the differences between those handling BR externally or internally, there were different questions for "external" and "internal" entities.

It is important to note that some respondents have quite different if not unique needs and requirements related to BR functions, processes, and outputs. For example, single-state payers may handle state reporting themselves instead of delegating this to the BR vendor.

The external respondents placed a lot of emphasis on data integrity with an average – and quite high - score of 4.91. Consistent with every other survey done by Health Strategy Associates over the last two decades, customer service was highly valued; it and ease of working with the vendor averaged 4.75.

It is also noteworthy that no attributes received an average score lower than a 4 – revealing payers' high expectations for BR vendors.

Customer service demonstrates its importance by being graded as the second most important attribute with all respondents (internal and external) giving it a score.

Respondents' rating of ability to switch networks was noticeably different based on the respondent's internal/external status. External respondents gave it an average grade of 4.3 versus just 2.83 for internal respondents.

Customer service stood out as a crucial attribute for both sets of respondents in both survey years. The consistent high grades between respondent groups and years show the value in BR companies investing resources into high quality customer service operations and staff. Investments in this area yield high marks in a vital metric and will continue to do so.

Ability to switch networks is an interesting attribute as it experienced a significant increase in importance on the external side (+.67) while experiencing a significant decrease on the internal side (-.55). The latter may be due to single-market payers sticking with a proven network.

Metrics for Evaluating BR Vendors

Primary Metrics: Turnaround Time (TAT) is the most frequently evaluated metric.

Reductions Below Fee Schedule/Usual & Customary (FS/UC) charges closely follows,. Accuracy is also valued.

It is surprising that more payers don't place a higher value on accuracy. Fundamentally, the accuracy of the BR process is critical to multiple mission-essential functions, including medical costs, care management, provider assessment, regulatory compliance, network effectiveness, reserving, actuarial analysis and executive reporting. Inaccurate BR data affects decision making.

The Industry

When asked which model respondents preferred, the main factors they mentioned included the size and focus of the payer's organization along with the cost. In 2018 when asked which model respondents preferred, the respondents still cited the size of the organization, but levels of control and the level of expertise seem to have supplanted cost and organizational focus as the primary criteria for the internal/external decision. In 2023, much of the criteria remained

the same as 2018; the only change was the level of emphasis placed on the difficulty to find, train, and retain highly skilled bill reviewers.

The consistent thinking around size is interesting considering the shift in average respondent size for in-house and external processing. In 2018, the average monthly bills processed by the internal group was 259,820 compared to 43,433 for the external group, for a differential of 216,387. This spread was compressed to just 1,300 in 2023. The internal respondents averaged just 47,316 while the external respondents averaged 46,000. This is likely due to this year's survey including more single-state respondents than in the past.

Pricing Methodologies

Prevalence of Flat-Rate Per-Bill Pricing: Flat-rate per-bill emerged as the overwhelming favorite pricing methodology. The straightforward nature of flat-rate pricing makes it a popular choice among BR clients.

Disfavor for Percent of Savings Model: Percent of savings as a pricing methodology received limited support, with respondents expressing displeasure or reluctant acceptance of this style.

Changes Since 2018: The survey data indicates a significant increase in dissatisfaction due to confusing pricing methodologies.

Size of Organization Impact on Preferences: As the organization size increases, so does the preference for flat-rate per-bill pricing.

Transparency

The survey data indicates that BR companies have made strides in increasing transparency, or at the very least, creating the perception of enhanced transparency. An impressive 90% of respondents believe their BR vendor to be transparent. This is noteworthy when compared to the 2018 results, where only 52% of respondents believed their stewardship reports were transparent. The industry's efforts in improving transparency are evident from this substantial jump in the perception of transparency among BR vendors.

The change from the last survey probably is because respondents are much further along in the data management process than they were five years ago.

What Would Make a Client Change Vendors

Customer service was far and away the number-one reason cited by respondents for switching BR vendors. Poor customer service is defined as slow response

time, difficulties in communication, and lack of consistency. A significant portion of respondents (64%) indicated that a large decline in service would make them consider changing vendors.

Failure to handle the essential functions of BR, such as updating fee schedules, UR, poor TAT, and accuracy issues emerged as significant factors that cause respondents to contemplate a vendor change; 43% of respondents indicated that failure to handle the BR basics well would make them consider a change.

Failing or lagging technology was noted as a concern by 29% of respondents, highlighting the importance of technological capabilities in the BR process. Technological performance is a vital aspect, and any deficiencies in this area could lead to vendor switching.

The emphasis on customer service as a key driver for vendor switching has increased since 2018 when 52% of respondents indicated that poor customer service would lead to a change in BR vendor compared to this year's 64%.

Unmet Opportunity

The survey data indicates a shift in the distribution of granular and strategic thinkers among respondents, with an almost equal number in each category. However, there is little consensus on specific needs: increased integration (21%), better workflows (21%) and automation (26%) is prevalent among respondents, but individual preferences vary.

Notably, respondents expressed frustration with the lack of innovative, customizable solutions in the BR industry. This matches 2018 when there was no consensus among respondents; they were asking for improvements in multiple different technical aspects of BR.

We would note the stated desire for more product innovation (31.6%) contrasts with the industry's actual behavior. That stated, desire rarely translates into adoption in the form of actually buying/using new products, technologies, or capabilities. Instead, there's a strong tendency to wait-and-watch-and-see if innovation actually works.

In terms of innovation opportunities, increased use of AI in BR stood out. Respondents are eager for products that will use AI in a reliable way to speed up workflows.

External and internal perspectives align closely when it comes to thinking about the unmet opportunities in bill review.

Future of BR

The most common and prominent answer about the future of BR operations was the increase in automation. Fourteen out of 22 respondents explicitly said they anticipated automation would play a vital role in various facets of BR operations. AI was a notable aspect within the automation theme, with six respondents specifically discussing it.

Both executive respondents and front-line staff respondents voiced concern over accuracy. The most frequently mentioned element of BR frustrating front-line staff was how often basic info was incorrect.

The second most prevalent response highlighted the need for a change in the data and document flows coming from provider/payer/patient relationships. Eight out of 22 respondents recognized that the current workflow is not as efficient as it could be, leading to challenges at various levels.

The third most common answer revolved around a general need for a market or industry shift. This included discussions on addressing profitability issues, augmenting workflows as claim frequency decreases, and evaluating the positive and negative merits of vendors (six out of 22 respondents).

As in 2018, technological improvements remained a leading focus for respondents in the current survey. Along with general automation, areas like e-billing and auto-adjudication were highlighted as key aspects of technological advancements.

Looking at all three size groupings it appears as though the larger the organization, the further down the path of AI integration/automation they are. Larger respondents seem to have at least some AI integration/automation, mid-size respondents seem to be just starting to work on AI integration/automation, and most smaller payers seem interested but haven't devoted many resources to begin integrating AI/automation.

How About Those Vendors?

Overall Grades

The overall grade for all vendors stands at 3.21, consistent with the 2018 survey's average grade of 3.18. This slight increase from the 2012 average of 3.11 suggests the industry has held its position.

When breaking down the vendor grades by external versus internal respondents, we observe a notable flip from the 2018 survey. In the current survey, external
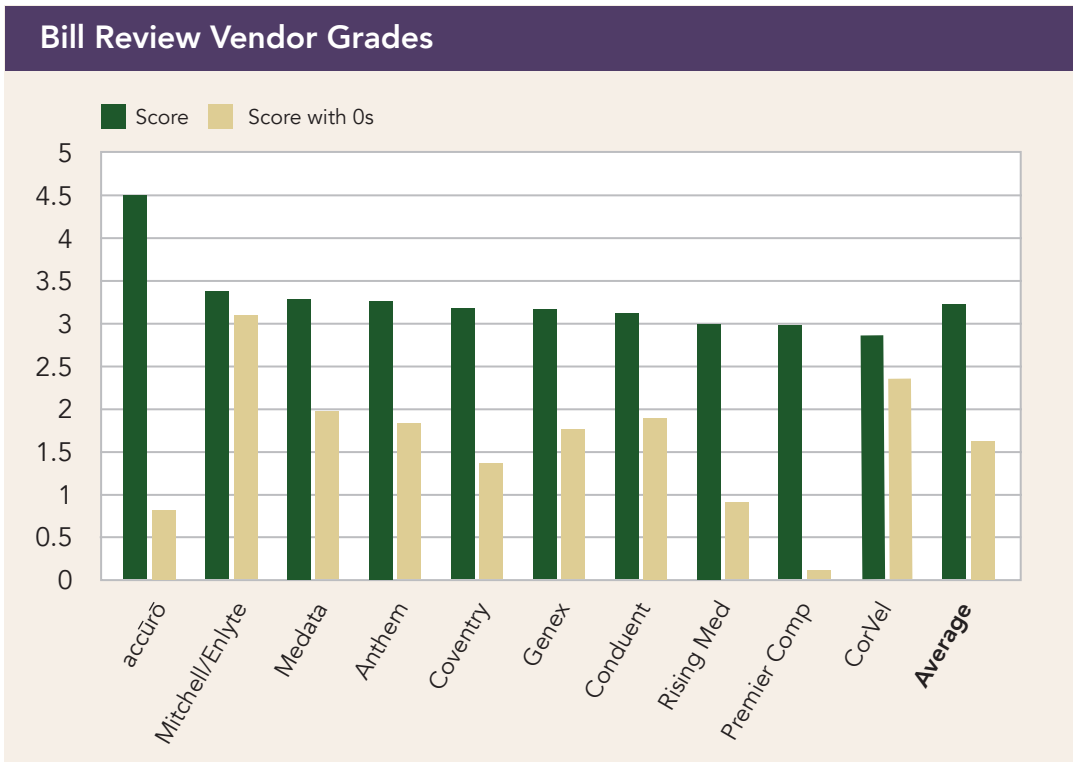
respondents graded BR vendors lower compared to internal respondents. In 2018, external respondents gave BR vendors a higher average score while internal respondents rated them lower.

We speculated that this was due to the mid-size organizations being stuck in a no-man's-land within BR company services. BR companies have set templates and business practices for small organizations just like they have for large organizations. However, the mid-sized organizations are stuck pulling from whichever set of practices better applies to them rather than having them created with their organization in mind. Combined with respondents' increased desire for customization within the BR attribute and functions areas, this still seems be the case.

Grades by Vendor

Analyzing the vendor-specific grades, accūrō Solutions stands out with the highest score of 4.5. However, it is essential to consider that this high score is based on very light volume. Mitchell/Enlyte and CorVel (21 and 19 respondents respectively) exhibit a strong presence in the market with significantly more respondents knowledgeable enough to grade those companies. The next closest vendor had just 14 grades.

Similar to the 2012 and 2018 surveys we provide ratings in two ways: one averaging ratings across respondents who knew enough about the vendor to

Bill Review Vendor Grades

Legend: Score (green), Score with 0s (tan)

Vendors (left to right): accūrō, Mitchell/Enlyte, Medata, Anthem, Coventry, Genex, Conduent, Rising Med, Premier Comp, CorVel, Average

Y-axis: 0 to 5

provide a rating, and the other counting "don't know" as a zero score. The logic behind this is simple; vendors are not likely to be considered if they are unknown.

Looking at strictly external respondent grades, the survey data shows respondents love accūrō Solutions (4.5) while CorVel struggles with an average grade of just 2.64. All other vendors are tightly clustered in the 3 to 3.2 range. On the internal side, Mitchell/Enlyte and Anthem have strong advantages with grades of 4 and 3.75 respectively. Overall, internal respondents were happier with the field of BR companies as most of the other vendors scored had average grades between 3.3 and 3.5.

Bill Review Vendor Grades by In-house or External Processing
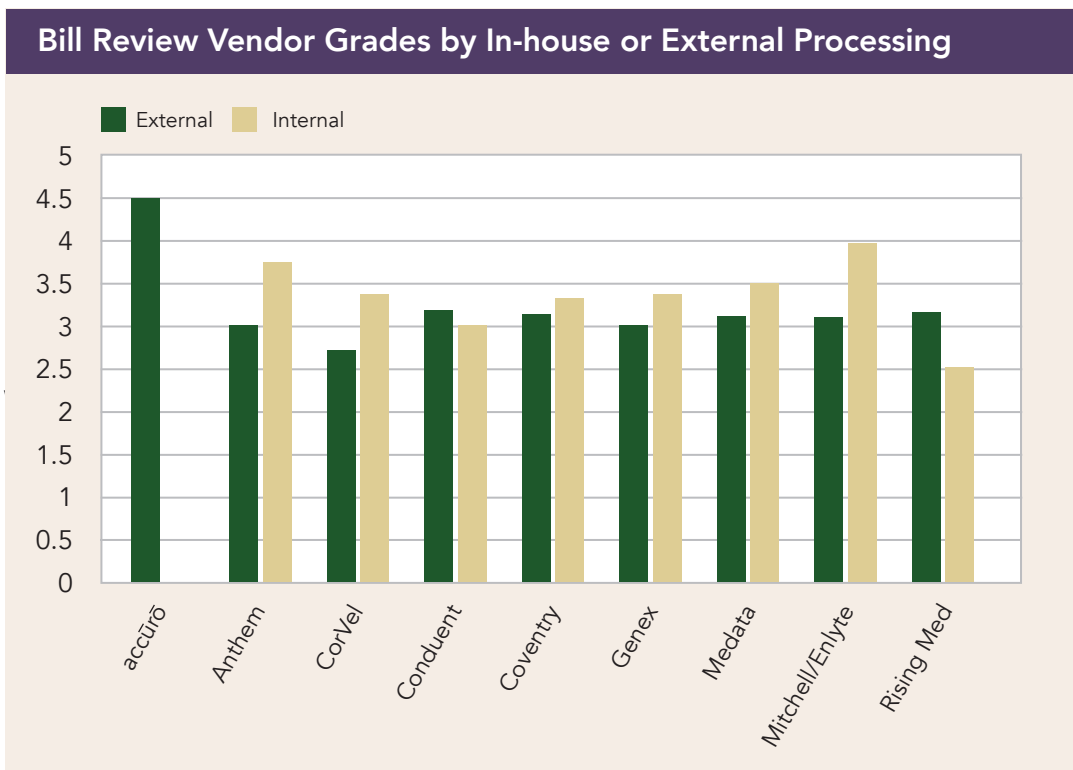
When it comes to grades based on size, substantial parity exists just like with the internal versus external comparisons. accūrō Solutions is the top vendor according to small (4.33) and medium size respondents (5) – though Medata (3.8) and Mitchell (3.33) top out in those groups respectively if you control for volume of grades.

On the flip side, the least-liked vendors by size are: Small – CorVel and Coventry (3), Medium – Medata (2.5), and Large – CorVel (2.25).

Medata, Conduent, and Rising Medical vary greatly depending on the size of the respondent. Medata has a 1.3, more than 25%, point difference between their

The 2023 Survey of Workers' Compensation Bill Review

score for small and medium sized respondents. The same is true for Conduent where their score for small respondents is just over 25% higher than their rather low score for mid-sized respondents.

Mitchell/Enlyte and Genex stayed steady through all three groups with almost no difference across the groups.

Bill Review Vendor Grades by Respondent Size
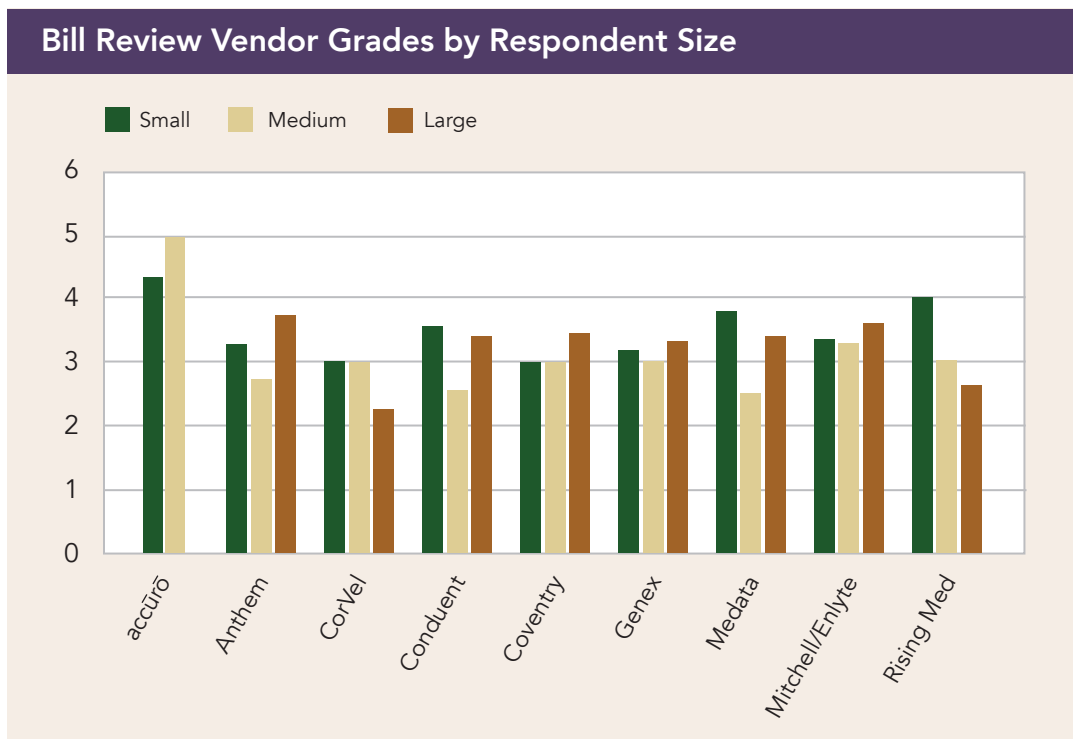
It stands to reason that the survey respondents favor their own vendors higher than the rest in the field – they have either switched for a particular reason or chose this vendor over the others via an RFP process. Of course, confirmation bias may well play a role. With that in mind, we scored all the vendors again but removed the respondent's grade for the vendor they use. Unsurprisingly, the overall average grade among all respondents for their own BR vendor was 4, meaningfully higher than the overall industry's 3.2 average grade.

Not surprisingly the top scoring vendor was accūrō Solutions and it along with the most frequently used vendors (Mitchell/Enlyte and Medata) showed the largest downward correction when their clients were removed from scoring. Even still,

---

[1] Important to note that these grades should not be compared with the grades from the previous section in most cases and the grades in the prior section came from both clients and non-clients (in all but one analysis) while these customer service scores are coming only from clients. For example, CorVel scores really well for customer service at 2nd place with a 4.67 average grade while being a lower scoring vendor overall.

those three vendors scored reasonably well – especially accūrō Solutions, which still led the way with a score of 4. Mitchell/Enlyte fell back just under 0.4 and Medata fell back just under 0.3 to both having scores of 3 flat. The adjusted scores for Medata and Mitchell/Enlyte did drop these vendors from 2nd and 3rd overall to being tied for 6th.

For the first time we gathered grades specifically from front-line employees on their current BR vendor. While executives' average scores for their current vendor was a 4, front-line employees scored their current vendor just a 3.6. This is not completely surprising as front-line employees voiced significant frustration over the prevalence of errors or missing information when dealing with automated functions while executives wanted automated features to work better but were overall quite positive on what the vendor could do for their organization as a whole.

Put another way, front-line folks see each error and have to deal with the repercussions while execs just see reports.

Customer Service

Since customer service was such a prevalent theme in the last survey, we asked several customer service specific questions to better analyze the driving force in a successful BR vendor/ payer relationship. These were in addition to customer service being an option in several other questions.

The main question was simply asking respondents to rate their current vendor's customer service. Unsurprisingly, the scores were rather good, averaging 4.17 out of 5. This marked a large increase from 2018 when the average score was just 3.56.

Looking at the results by vendor, accūrō Solutions led the way with an average score of a perfect 5 out of 5. They were followed by CorVel and Medata at 4.67 and 4.4 respectively. Mitchell/Enlyte had the lowest score at 3.71 and was the only vendor to have its clients in the survey grade customer service below a 4.[1]

When comparing customer service scores to overall scores for the respondent's vendor the connection appears rather tight.

Moving past just raw scores, respondents were asked about the relationship between aging technology and customer service. The results were even on whether respondents saw a connection between aging tech and customer service. Of those who saw a connection, the responses were fairly evenly split between those citing increases in the number of delays when needing to go back and forth

with customer service reps to fix a problem and older tech just not having enough of the functionality modern payers want, which creates overall frustration with the BR company.

Conclusion

Customer Service

As shown by the section above in addition to the numerous mentions throughout the report, customer service is the most critical aspect of a successful BR relationship. Being available and speedy – a more traditional conception of customer service – as well as being proactive/timely in updating systems – a more tech-driven conception of customer service – are two compulsory facets of high-quality customer service. Given that poor customer service is most likely to cost a BR vendor a client, quality customer service is just as much about defense as it is about growing.

While customer service is certainly imperative, new technology, specifically building out automation, is extremely important given the emphasis in the market for automation. These innovations need to be reliable, though. Automation that is seen as inaccurate will not allow for any speed gains and will hurt customer service perceptions. The BR market is increasingly becoming less differentiated and first-class automation solutions that increase data quality and speed up processing workflows stand out as a way to break away from the pack.

The market has shifted with respect to preferred pricing models, perceived levels of transparency, vendor grades, and how payers utilize some BR services, but despite all of this, customer service cannot be undervalued.