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Enlytened

2021 Trends Report

mitchell | genex | coventry

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Alex Sun
President & CEO

Dear Enlytened Reader,

During the last few years Mitchell, Genex and Coventry have done a lot of listening and learning from you, as we have brought our businesses closer together, aligning our purpose and focus to best partner with you and deliver value.

Now, we are proud to share with you the result of that effort. On Wednesday, October 13, 2021, we announced the creation of our new, parent brand, Enlyte. Our family of businesses, under the new Enlyte brand, creates a one-of-a-kind organization in the Property & Casualty industry with technology innovation, clinical services and network solutions, all backed by an unrivaled collection of expertise across the entire claims continuum. This new report, Enlytened, offers you a glimpse into that expertise, and the value we are committed to delivering.

As a trusted partner and innovator for more than seven decades, we recognize that today, more than ever, our industry is wrestling with disruption and a variety of challenges from multiple angles. That is why we have aligned our businesses to ensure that we deliver you the best of what our solutions, compliance insights, advocacy and expertise have to offer. We believe deeply that leveraging insights at the intersection of data, technology, clinical and network solutions allow us to create outcomes where the whole is truly greater than the sum of its parts.

We hope you enjoy this flagship issue of Enlytened 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,

Alex Sun

CHAPTER 1

Auto Physical Damage,
Auto Casualty & Workers' Compensation

Today's Top P&C Industry Trends

2021 has been filled with uncertainty. With the COVID-19 pandemic and the continual navigation of business and life, one of the only constants has been change. As we know, the pandemic changed the way people and therefore businesses operate. It looks like some of these changes may be permanent or have lasting impacts on the property and casualty industry.

The COVID-19 Pandemic Continues and Other Disasters Take a Toll

The property and casualty industry is still feeling the effects of COVID-19, and most likely will for a long time both due to regulations and enormous shifts in the way we work and live as a society.

In the near-term, the industry is still in the thick of it, as employers manage vaccine requirements, COVID-19-related claims continue to be reported as a part of both workers' compensation and auto claims, and mental health takes center stage.

On top of the COVID-19 pandemic, the world has been experiencing more natural disasters than ever before. According to a report from the International Federation of Red Cross and Red Crescent Societies, the number of disasters related to climate and weather have been on the rise since 1960 and have increased by about 35% since the 1990s. In 2020, a record year for hurricanes and wildfires, natural disasters accounted for $74.4 billion in losses, an 88% increase from $39.6 billion in 2019, according to the Insurance Information Institute.

These types of emergencies and the overall state of the climate can cause ripple effects for both workers' compensation and auto lines of insurance. For example, studies have shown that hotter temperatures have led to increased workplace injuries in California. Researchers have found in reviewing 11 million workers' compensation claims that, "temperatures of 95 degrees Fahrenheit (35C) and higher increase the risk of injury on the job by more than 15 percent, causing at least 20,000 workplace injuries every year in California alone."

In 2021, we've already had our fair share of disasters, from the polar-vortex in February to wildfires in the late summer and early fall. Experts don't see the rate of climate-related emergencies slowing down anytime soon, as many scientists predict, "stronger winds, more drought, more heavy downpours and floods" in the next decade.

The Future of Work is Now

According to the United States Census Bureau, more than a third of U.S. households reported working from home more frequently than before the pandemic. As the pandemic has continued throughout 2021, we have begun to see the lasting impacts of those changes as companies across the country implement longer-term policies that will allow their employees significantly more flexibility to work remotely than ever before. Now, experts predict that by 2025, 36.2 million Americans will work remotely, which is an 87% increase compared to pre-pandemic levels.

The monumental migration to remote work has already started to cause changes in our industry and will continue to affect property and casualty insurance well into the future. When the pandemic first hit, companies across the industry had to shift their operating models just to stay afloat. Now, over the past year, insurance companies and other claims organizations have continued to increase their use of technology and digitization significantly in order to stay competitive in a remote world. In a Mitchell study from early 2021, more than 70% of workers' compensation professionals reported that their companies started using at least one new type of technology during the pandemic.

The work-from-home trend will have lasting effects not only for how our industry operates and processes claims, but also on claim types, volumes and trends themselves. For example, Bloomberg estimates that telework will reduce miles driven by 270 billion miles per year annually, which could result in lower volumes of auto claims. In the workers' compensation industry, we may begin to see more claims related to work-from-home injuries for employees that would traditionally work from an office, compared to what we would typically expect to see in an environment where the majority of those employees report to an office daily.

Significant Legislative Changes

In 2021, both the workers' compensation and auto casualty industries have had significant legislative activity. Since the start of the pandemic, the regulatory landscape has shifted significantly, including new presumption laws in workers' compensation, no-fault system overhauls in states like Michigan, fee schedule changes and constant updates on the legalization of marijuana across the country. As we look ahead to the future, it will be critical that claims organizations, providers and other stakeholders continue to stay up-to-speed with the latest news and changes in each jurisdiction.

36.2 Million

Americans Will Work Remotely Which Is An

87% Increase

Compared To Pre-Pandemic Levels

Claim Trends and Enlyte Insights

By Ed Olsen
Director, Claims Performance Consulting

Ryan Mandell
Director, Claims Performance

These massive shifts in the industry have had a clear effect on claim trends in our industry today. Based on Enlyte data, we have outlined recent claim patterns in workers' compensation, auto casualty and auto physical damage to help paint the full picture of the state of the industry today.

Workers' Compensation

Recent Trends in Workers' Compensation, Based on Enlyte Data

PROFESSIONAL OFFICE

50% Charge Per Claimant Through April 2021

Top 3 Service Groups Based on Total Charge:
Increases in Average Charge Per Claimant on National Level Through End of 2020

75% Physical Medicine

42% Evaluation and Management

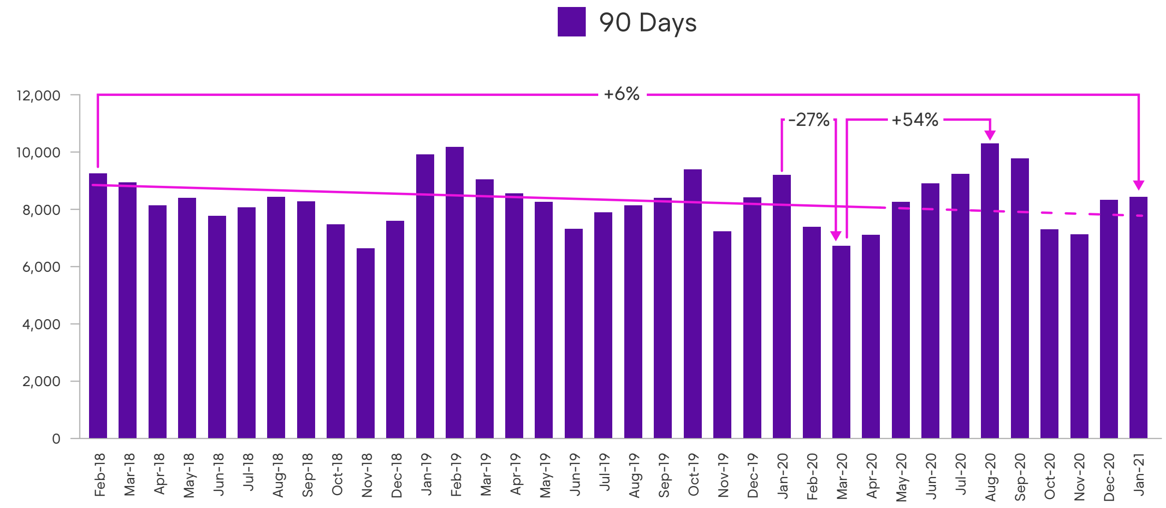
41% Radiology Services

TELEMEDICINE

50%

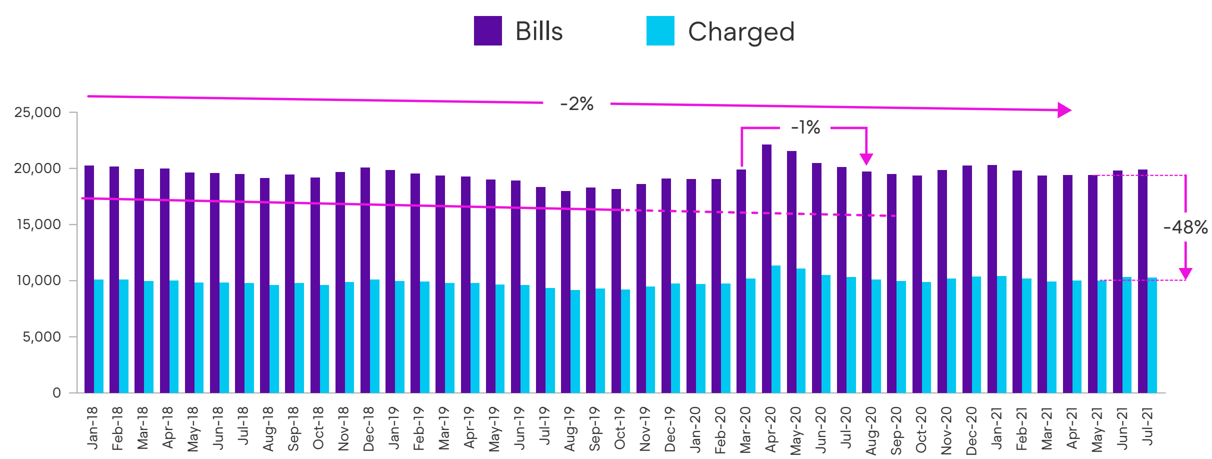
Charge Per Claimant Through April and May 2020 But Contribution to Total Spend Small Enough to Eliminate Any Adverse Charge Effects

Charge per Claimant: Loss Development, Workers' Compensation



Loss development through the first quarter of treatment following the date of loss demonstrates a decline in workers' compensation claim severity, with a ~27% dip in March 2020 followed by a 54% increase through the summer of 2020.

Charge per Claimant: Transactional Trend, Workers' Compensation



The loss development trend is supported by transactional data demonstrating a -2% compound annual growth rate of charge per claimant and a -2% compound annual growth rate for allowed per claimant. The downward rate is more due to the nature of the claim makeup and less about provider behavior and medical cost.

All data has been pulled on a national basis, but the contributions from each individual state may influence the national trend.

Auto Casualty: First Party

Recent Trends in First Party Auto, Based on Enlyte Data

PROFESSIONAL OFFICE

Top Driver of Severity Through April 2021

75% Charge Per Claimant

35% Contribution to Total Charged

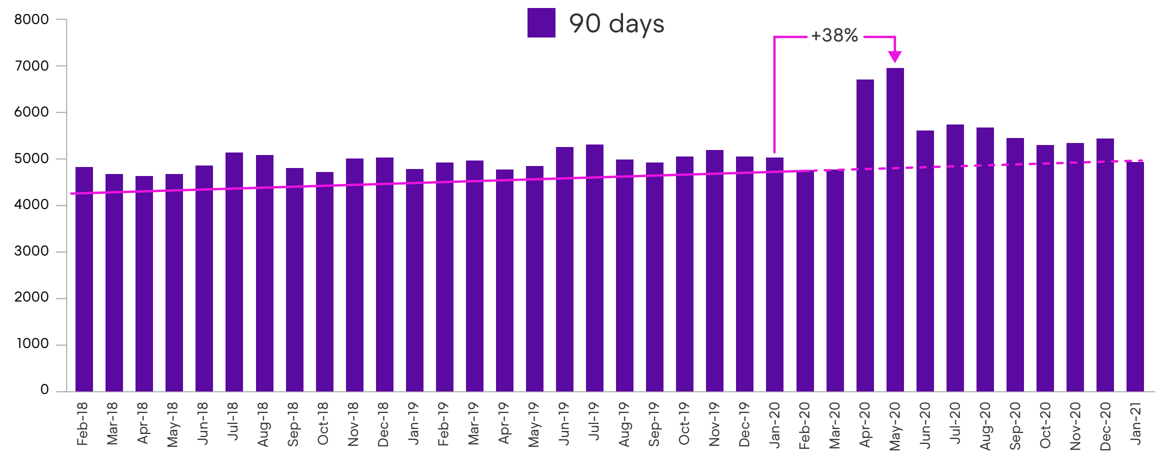
30% Charge Per Claimant for Surgical Codes

TELEMEDICINE

250%

Charge Per Claimant Through April and May 2020 But Contribution to Total Spend is So Small to Eliminate Any Adverse Charge Effect

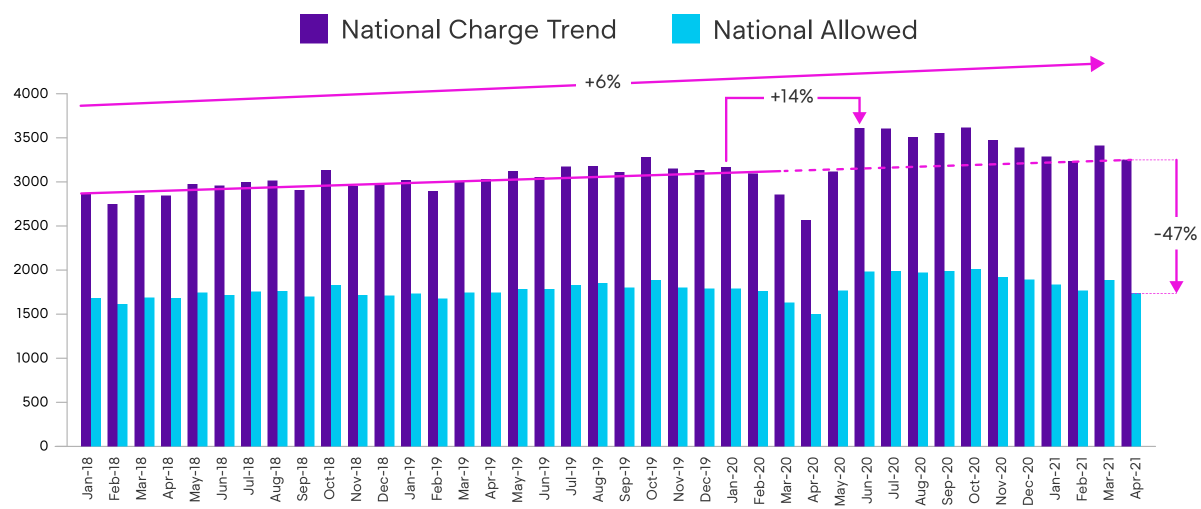
Charge Per Claimant: Loss Development, First Party Auto[i]



Loss development through the first quarter of treatment following the date of loss demonstrates a steady expansion of claim severity, with a ~38% increase associated with claims having a date of loss in April and May 2020.

[i] Loss development data is anchored to date of loss and limited to treatment rendered during a specific treatment period so each reporting period has access to the same amount of claim data.

Charge per Claimant: Transactional Trend, First Party Auto[ii]



The loss development trend is supported by transactional data demonstrating a 6% CAGR of charge per claimant but only a 1% CAGR for allowed per claimant.

[ii] Transactional trend data is based on the bills create date.

All data has been pulled on a national basis, but the contributions from each individual state may influence the national trend.

Auto Casualty: Third Party

Recent Trends in Third Party Auto, Based on Enlyte Data

TELEMEDICINE

Percent of Total Charges Has Increased, but Telemedicine Contribution to Total Spend Remains Insignificant

PAIN MANAGEMENT

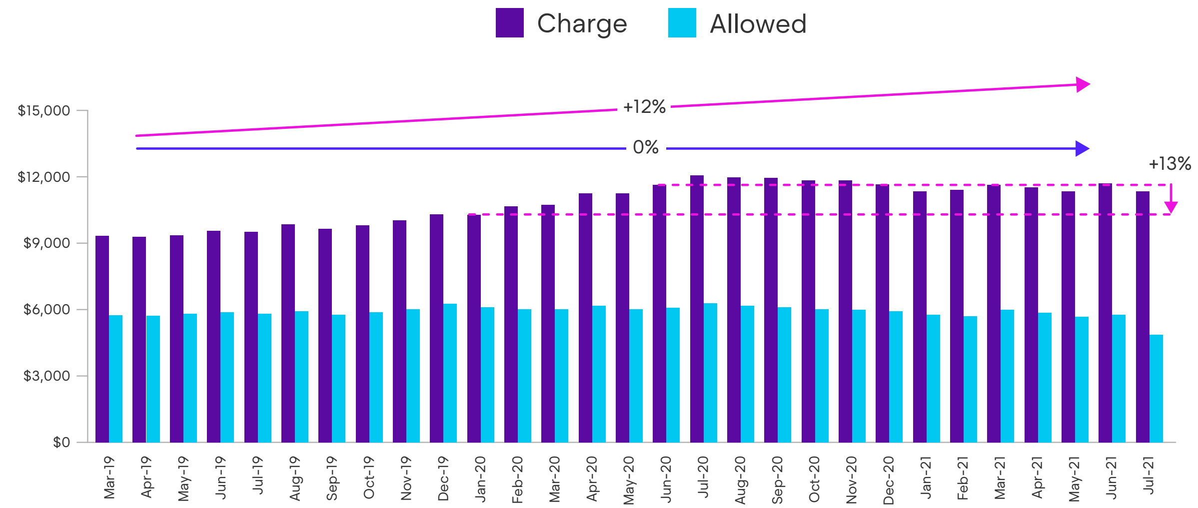
The Pain Management Trend Continues to Expand, Similar to Pre-COVID Trends

SOFT TISSUE, FRACTURE & TRAUMATIC BRAIN INJURY

Percent of Total Charges Associated with Soft Tissue Injury Claims Returned to Pre-COVID Rates by October 2020

Percent of Total Charges Associated with Fracture and Traumatic Brain Injury Care Increased, However, They are At Levels More Comparable with Pre-COVID Rates

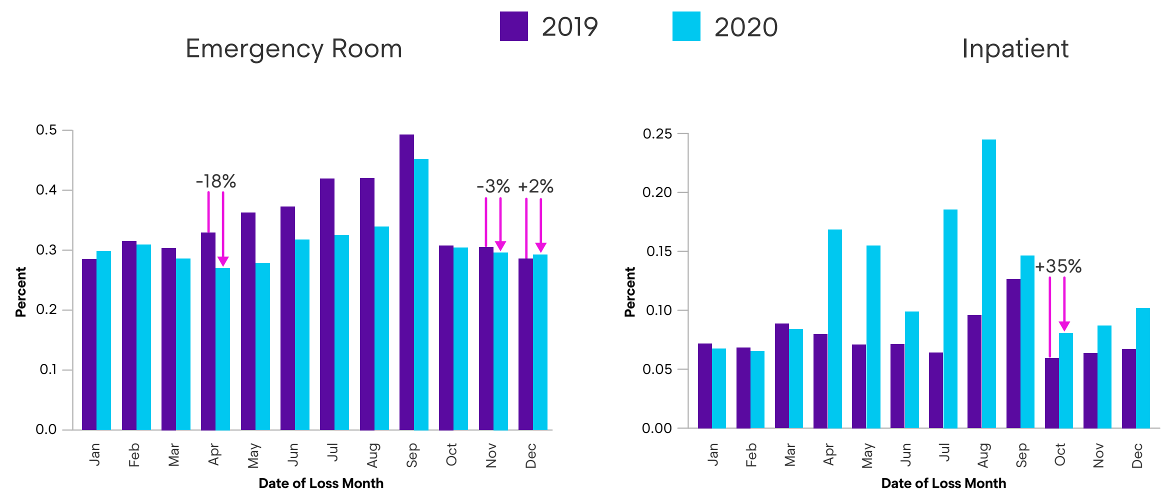
Charge Per Claimant: Loss Development, Third Party Auto[iii]



Charge per claimant has experienced a 12% CAGR since March 2019, reaching its peak in June 2020. Allowed per claimant CAGR has remained steady at 0%.

[iii] Demand date is identified as the claimants earliest bill create date.

Emergency Room and Inpatient Trends: Third Party Auto



The percent of total charges associated with the emergency room returned to pre-COVID rates by October 2020. The percent of total charges associated with inpatient care remains approximately 35% higher than pre-COVID rates.

All data has been pulled on a national basis, but the contributions from each individual state may influence the national trend.

Auto Physical Damage

Recent Trends in Auto Physical Damage, Based on Mitchell Data

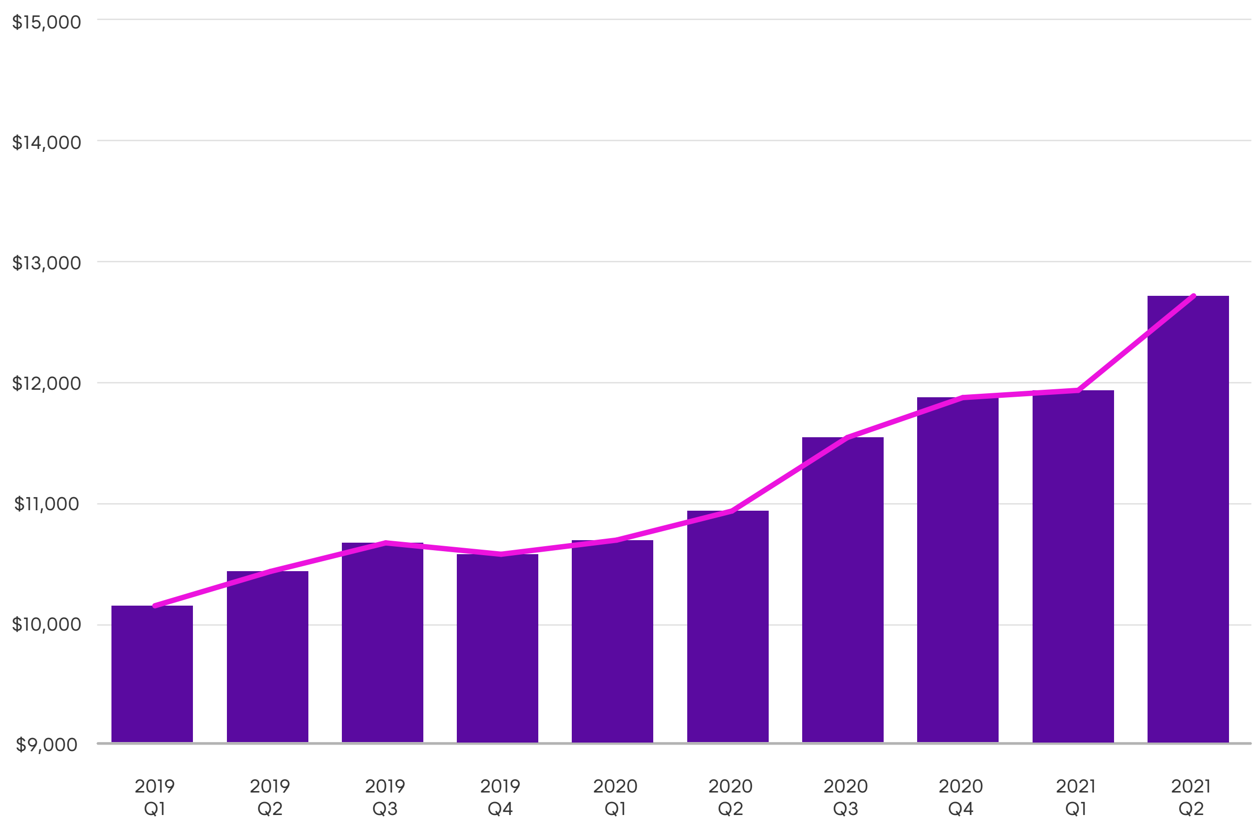
55.4%
Percentage of Repairable Claims Accounted for by Trucks/SUVs in 1H 2021

↑ 5.58%
Percentage Change in Truck/SUV Frequency Compared to 1H 2019

↑ 11.09%
Percent Average Repairable Severity Increase from 1H 2019 and 1H 2021

↓ 3.22%
Percentage Change in Overall Estimate Volume in 1H 2021 Compared to 1H 2019

Average Industry Total Loss Market Value



↑ 19.81%
Change in Average Total Loss Market Value in 1H 2021 Compared to 1H 2019

So how have these trends influenced the industry? What other factors are at play as we look to the future? Throughout this report, Enlyte will take a deeper look at these trends and dive into some of the pressing issues that are rising to the surface, to shine a light on what you need to know as we head into 2022.

CHAPTER 2

Workers' Compensation

Mental Health Claims: Identifying the Right Provider

By Anne Levins
Vice President, Product Strategy & Analytics

Mental health has emerged as one of the top challenges our industry is facing right now. Even prior to the pandemic, more adults were experiencing mental illnesses than ever before—19% of adults experienced a mental illness in 2017 and in 2019, about 1.5 million people more than in the previous year's dataset, according to Mental Health America. COVID-19 has only accelerated this trend. During the pandemic, four in 10 adults reported symptoms of anxiety or depressive disorder, which is a major increase compared to 2019 where only one in 10 adults reported the same.

Mental health issues are, by some measures, similarly widespread in the workplace. Surveys have shown nearly 25% of the workforce suffers from depression. Over the past few years, as mental health awareness has spread, the industry has begun to realize the effects of mental health issues in the workers' compensation industry all the more.

For example, employees with depression are absent from their jobs twice as often and have five times the "lost productive time" than their peers. According to McKinsey, 23% of employees with mental-health or substance-use disorders drive 60% of overall workers' compensation medical spending. Indeed, people with mental health conditions suffer two to six times the frequency of concurrent physical conditions compared with those who don't struggle with these challenges.

Mental health challenges can have a significant effect on an injured employee's recovery process, and as the pandemic continues, it's more important that the industry as a whole continues to put a focus on these issues and on providing injured employees with the mental health care and resources that they need.

Identifying the Right Provider

Mental health assistance and treatments can play an important role in an injured employee's recovery. But where do we start in getting them the help they need? When an injured employee is suffering through a mental illness, finding the right provider to help treat is a crucial first step. Here are a few tips and ways to set yourself up for success:

1. Use a behavioral health specialty network, which can help you quickly find the right behavioral health provider who specializes in the type of mental illness the injured employee is experiencing.
2. Consider a variety of provider specialties, including psychiatry, psychology, counselors, therapists and clinical psychology.
3. Confirm that the providers you're considering have the appropriate credentials, and partner with a leading network that manages credentialing and re-credentialing on a consistent basis.
4. Choose a provider with relevant experience, including those with a general focus on mental health issues, and those with specialties in certain conditions, such as PTSD and depression.

Finding the right provider is just the first step to managing mental health claims in the workers' compensation industry. Most injured employees need a full support system to help them restore their lives and return to work, including employers, adjusters, case managers, providers and more. For a comprehensive view of the current mental health situation in the industry today and the many ways claims organizations should be thinking about addressing them and supporting injured employees, download Enlyte's mental health eBook.

Download Now

CHAPTER 3

Auto Physical Damage

Three Economic Trends Transforming Auto Insurance

By Ryan Mandell
Director, Claims Performance

The auto insurance industry is at a turning point. After navigating the unwelcome effects of a global pandemic, carriers and collision repairers are eagerly awaiting a return to "normal". While last year's shelter-in-place restrictions changed consumer preferences and accelerated virtual claims handling, they also affected miles driven, accident frequency and policyholder premiums. Now, after nearly two years, the economy is slowly rebounding, even in spite of the Delta variant. However, COVID-19's influence on commute patterns, population redistribution and the current price of raw materials promises to have a long-lasting impact on automotive claims and proper, safe vehicle repair.

⇧ **24.36%**

Repairable Claims June 2021 vs. June 2020

Rising VMT and Fuel Prices

A recent report from the U.S. Department of Transportation showed that Vehicle Miles Traveled (VMT) rose 28.74% in May 2021 compared to May 2020, a decrease of only 4.06% when reviewing May 2019 data (Figure 1).

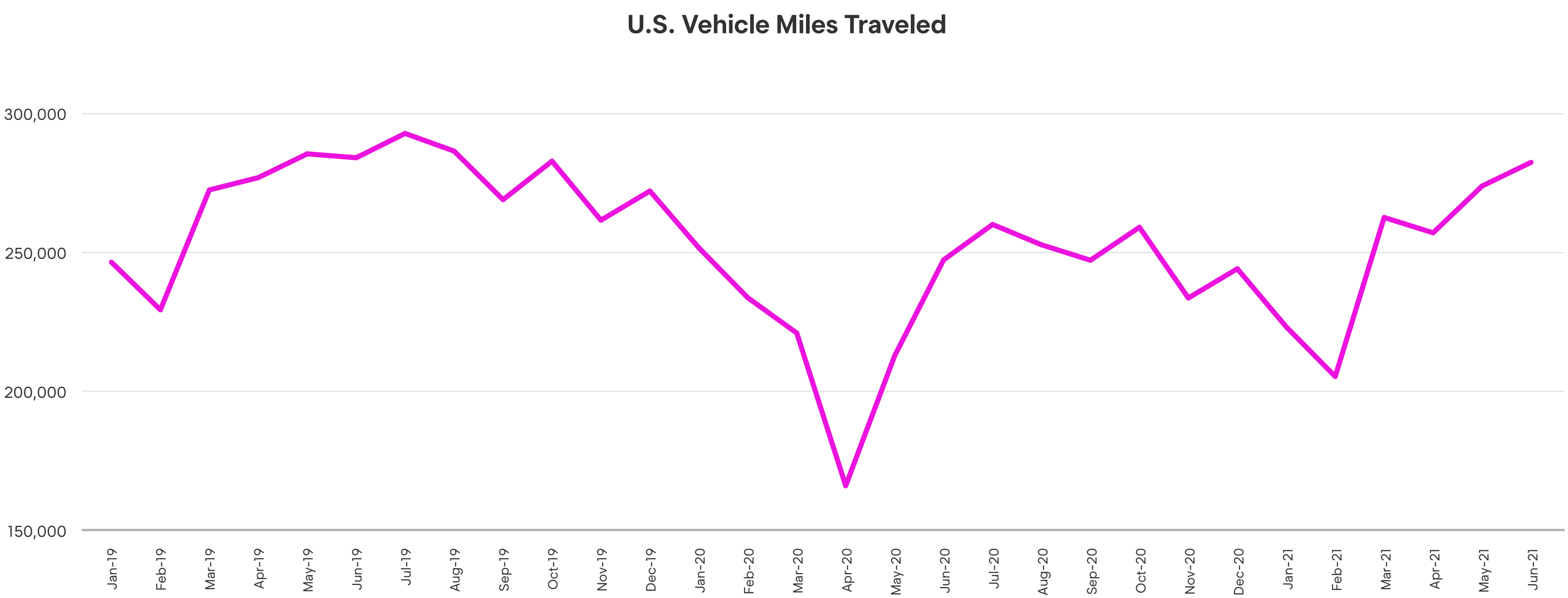


Figure 1: U.S. VMT from January 2019 to June 2021.

This growth in VMT occurred despite the rising cost of oil, which has jumped 36% in less than a year and reached a level not seen since the summer of 2018 as reported by the U.S. Energy Information Administration (Figure 2). With the increase in VMT, comes an increase in claims volume. In fact, we are already seeing a return to near pre-pandemic levels. For example, there was a 24.36% jump in the total number of repairable claims in June 2021 compared to June 2020 and only a 2.3% decline compared to June 2019, according to Mitchell data. With some business travel resuming and more companies preparing employees for an eventual return to office work, claims volumes will likely grow, potentially even exceeding pre-pandemic levels by the end of this year.

Average WTI Crude Oil Price Per Barrel

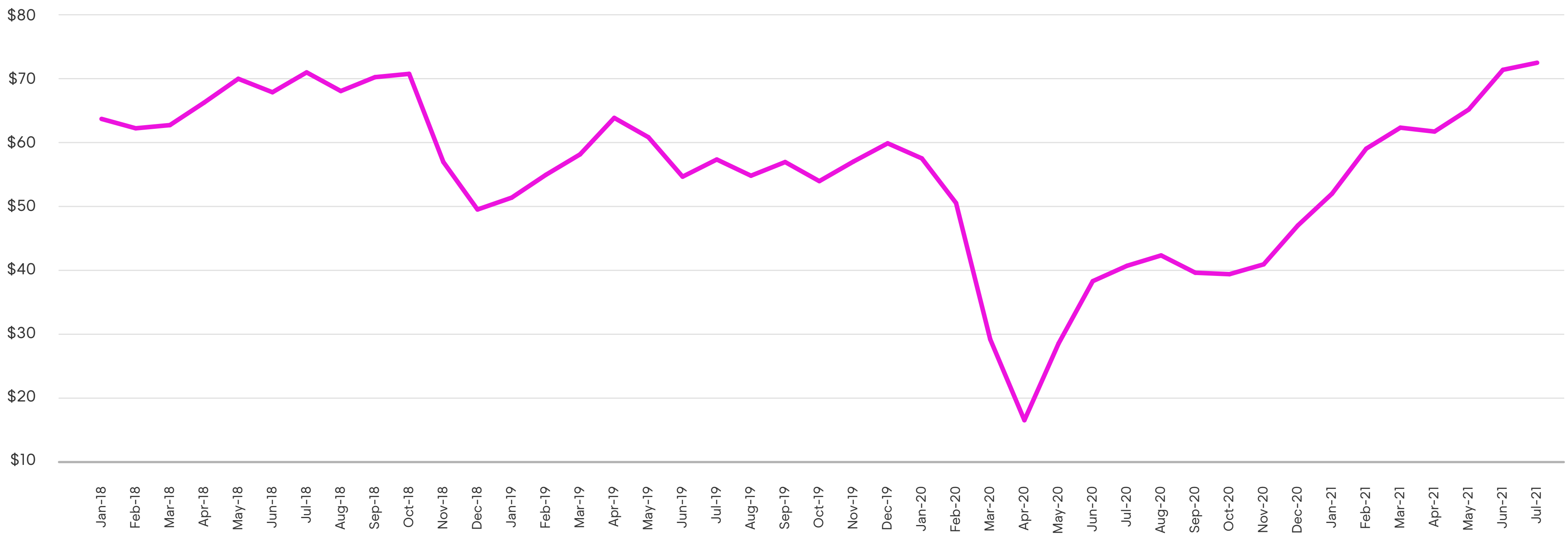


Figure 2: The average WTI crude oil price per barrel from January 2018 to July 2021.

The Impact of Inflation

Claims cost more today than they did a year ago, with the average repairable severity rising by just over 3% for 2021 year to date compared to the same time period in 2020 based on Mitchell's estimating data. While some of the expense can be attributed to advancements in automotive technology and complexity, inflation may also be to blame—driving higher parts prices as a result of government spending, supply chain imbalances, an increase in the cost of raw materials and other factors.

This is evident in the Consumer Price Index (CPI) data provided by the U.S. Bureau of Labor Statistics. In June 2021, there was a 0.9% increase compared to the previous month and a 5.4% increase compared to June 2020.

In addition, rising oil prices affect many components of the automotive repair process, especially solvent-based paints and materials as well as replacement parts. An analysis by S&P Global Platts shows a nearly 15% boost in the market price of toluene and isomer mixed xylene, which are primary ingredients used in the manufacturing of automotive clear coat (Figure 3). Petroleum is also a critical component of manufacturing new steel. The considerable rise in oil prices has resulted in an increase in steel costs—to the tune of 45.7% in July 2021 compared to July 2019.

Figure 3: The average price per metric ton of toluene and Isomer-mixed xylenes. Source: S&P Global Platts.

Not surprisingly, when the price of raw materials increases so too does the cost of goods made from those materials (though not immediately). Parts inflation is now affecting the automotive market, especially parts that are petroleum reliant like those made of steel sheet metal along with polyolefin plastic bumper covers. A review of the average OEM parts prices on Mitchell estimates demonstrates a consistent trend of rising prices for several of the most commonly replaced parts over the course of 2021. For example, the 2014-2019 Toyota Corolla Hood, 2015-2019 Dodge Challenger Front Bumper Cover and 2014-2019 Kia Soul Left Fender have jumped in price by 6.85%, 6.96% and 8.51% respectively between July 2019 and July 2021 (Figure 4). Prior to 2021, the prices of all three parts were relatively stable based on Mitchell data. If commodity prices continue to rise or even remain elevated, we may experience an additional increase in prices throughout the remainder of the year and into 2022.

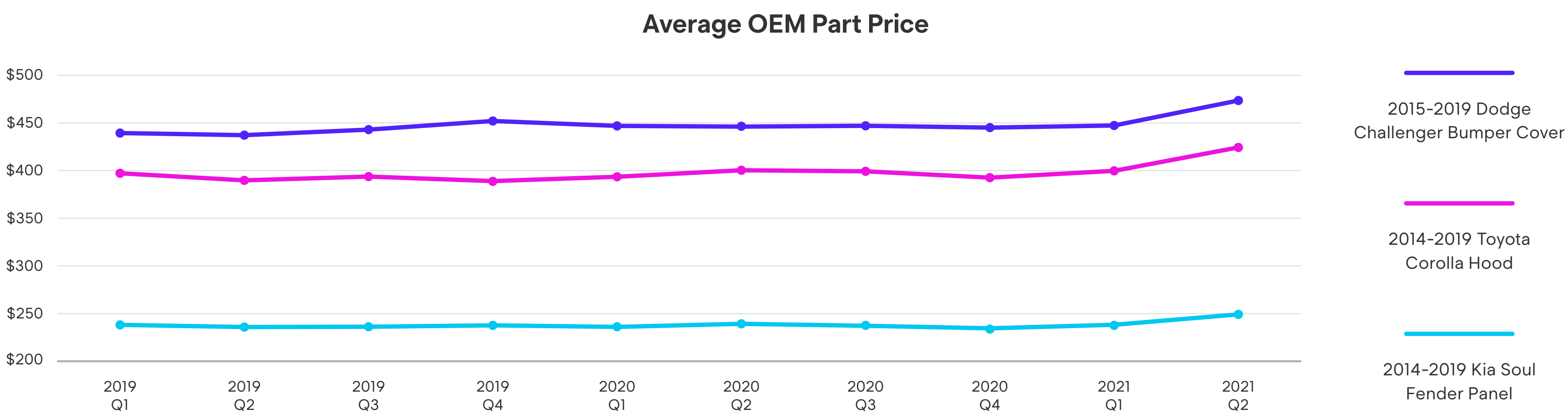


Figure 4: The average OEM price of three commonly replaced parts.

Population Shifts and Their Effects

Finally, we are experiencing a redistribution of populations across the United States as remote work becomes more common. This "urban exodus" is pushing some people to relocate to suburban areas that can support a hybrid work model from an affordable zip code. According to recent U.S. census figures, previously high-demand states for employment like Illinois, California and New York saw population declines in the wake of the pandemic while less crowded, tax-friendly states—including Texas, Florida, and Tennessee—experienced unprecedented population growth. Overall, the West and South are witnessing the greatest influx of residents. At the same time, the Northeast and Midwest continue to shrink as a percentage of the overall population (Figure 5).

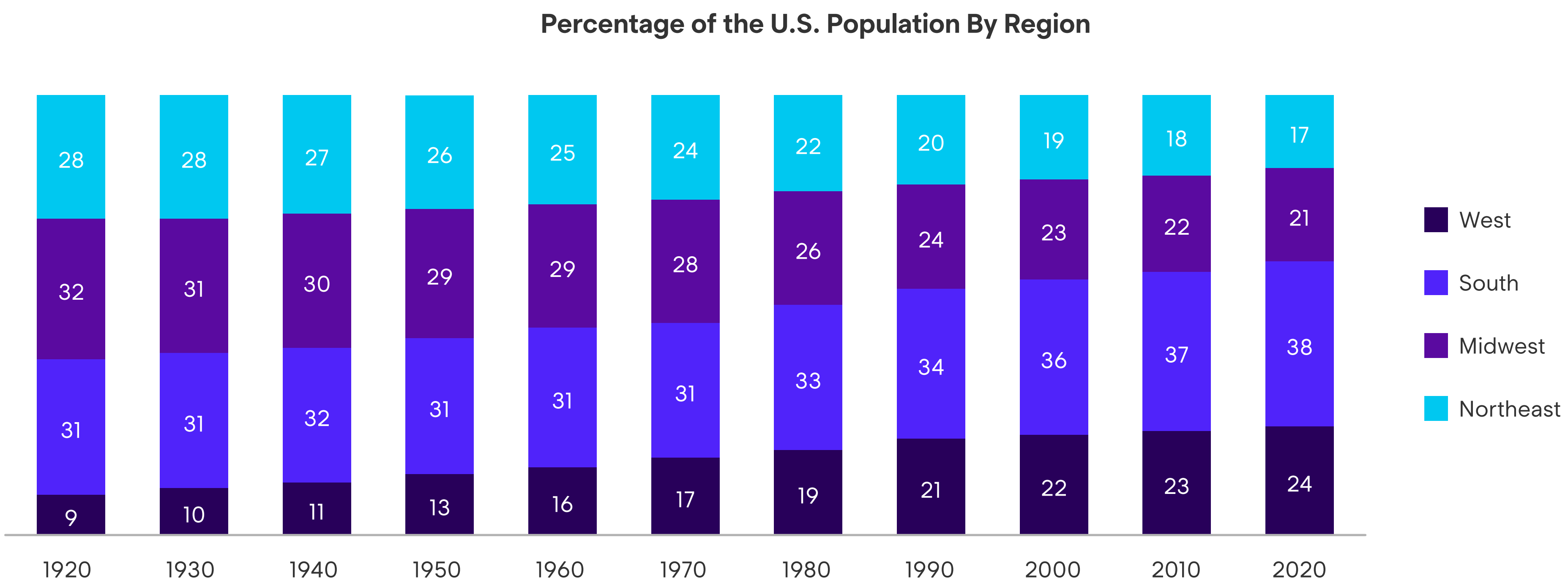


Figure 5: The percentage of the U.S. population by region. Source: William H. Frey analysis of U.S. decennial censuses 1920-2020.

This shift in population centers is significant as both insurers and repairers develop forward-looking strategies to meet customer needs. Certain markets may now be much more attractive for opening a new collision repair facility than they previously were. Additionally, more dispersed populations could require carriers to rely even more on virtual claims handling processes, especially if staff or shop coverage is sparse in various regions of the country.

For years, the industry has focused on changing vehicle technology and complexity and the impact to auto insurers and collision repairers. While this topic remains a primary concern, today's economic climate is perhaps equally as distressing. Abnormal levels of inflation, an expected return to normalcy in the transportation sector and a redistribution of the population mean that the industry of the (near) future will look very different from what many of us predicted previously.

CHAPTER 4

Auto Physical Damage,
Auto Casualty & Workers' Compensation

Technology Adoption During COVID-19 and Beyond

By Rebecca Morgan
Vice President, Product Management

Norman Tyrrell
Vice President, Product Management

The COVID-19 pandemic did have a few silver linings—one of the most notable across the world has been the incredible acceleration in the pace of technology adoption. Looking back, McKinsey now estimates that the pandemic sped up digitization by anywhere from three to seven years.

The property and casualty insurance industry—despite its historically slow rates of technology adoption—was no exception. At the start of 2021, Mitchell surveyed about 100 property and casualty insurance industry professionals to determine just how dramatic of a shift in technology usage the industry had experienced. The results painted a picture of an industry on the precipice of digital transformation:

- Claims organizations are still facing challenges related to the pandemic, and are using technology to help overcome them. Almost one-quarter (22%) of respondents ranked adapting to challenges from the COVID-19 pandemic as the top obstacle their organization is experiencing today, and 40% said they believe the pandemic has been the top driver of technology adoption.
- About three quarters of respondents reported that their organizations adopted new technologies during COVID-19. Looking ahead, respondents overwhelmingly shared that they think telemedicine (35%) and predictive analytics (35%) will have the biggest influence on the workers' compensation industry, specifically in the next five to 10 years.
- Despite all of the technological changes in 2020, the casualty side of the business still has a major opportunity to introduce automation into the claims process. Only 22.5% of respondents reported that their organization uses straight-through processing for 50% or more of the medical bills they manage.

40% of Participants Think That Changes and Pressures Related to the COVID-19 Pandemic Are the Main Driver Behind Workers' Compensation Technology Adoption

The auto physical damage sector saw changes that were even more exceptional, especially related to the rapid adoption of virtual, or photo-based, estimating and the industry's move toward claims automation. Today, 95% of auto insurance carriers have embraced virtual claims handling and by 2025, LexisNexis Risk Solutions predicts that more than 80% of auto insurance claims will be processed virtually with up to 50% of non-injury claims being fully automated.

But where do we go from here? Additional technology innovation is still needed—and fast. According to a July 2021 McKinsey report, 64% of executives across the country believe they need to build new digital business by 2023 in order to make their operating model economically viable. And by 2030, McKinsey predicts that more than half of current claims activities will be replaced by AI-enabled automation.

Three Trends Shaping the Future of Technology in the P&C Industry

In order to continue down the path of digitization and achieve the levels of technology adoption required to do business in a future post-COVID-19 world, there are three major trends to keep track of right now.

1. **Increasing Automation, With a Focus on Maintaining the Human Touch**
   While many claims organizations strive to increase automation, many are unsure how to do so while keeping a "human touch" in the parts of the claims process that need it most. As we look ahead, claims organizations may want to shift their mindset to think about how automation can supplement the work their employees' do to manage complex claims, rather than replace it. Think of it as "touch-less" versus "touchless." Automating touchpoints that require administrative work allows more time and opportunity for claims handlers to focus on more strategic or higher value tasks that require additional scrutiny.

2. **Relying More than Ever on Data Analytics**
   During the COVID-19 pandemic, we all learned first-hand to expect the unexpected, and the importance of being prepared for whatever may come our way. Though the future still isn't as predictable as it had been in past years and as trends continue to shift, the industry will likely lean into data analytics for clearer insights into the quickly-changing claim trends, recovery patterns and more. Some quick wins include using data to detect the risk of fraud, facilitating triage claims quickly and appropriately, and comparing performance with the industry.

3. **Reducing Use of Paper and Other Digitization Tactics**
   Managing paper bills and payments is expensive and time consuming for insurance carriers and other claims payers—for example, Mitchell estimates that paying medical bills via paper can cost anywhere from $4 to $30 per check. In addition to the extraneous costs, too many manual tasks in the claims process can cause challenges for claims organizations that are attempting to introduce more automation into their workflows or manage claims in a remote environment. As carriers and others in the industry develop their future plans, they should begin by identifying any areas of their workflows that involve handling paper or managing any other tasks that aren't digitized and consider replacing them with electronic processes.

Claim Technology into the Future

Though it is incredibly difficult to predict the challenges that may lay ahead for the property and casualty industry, we believe it's critical to track these three trends and consider new ways of introducing technology, automation and digitization into the claims process, allowing claims organizations to set themselves up for success now and with whatever comes their way next.

CHAPTER 5

Workers' Compensation

Return-to-Work & Clinical Trends

By Ron Skrocki
Senior Vice President, Product Management & Development

While the COVID-19 pandemic has presented the workers' compensation industry with clear challenges in helping injured employees return to work, there are additional factors and hurdles that claims organizations need to navigate to help restore lives.

Patient Education

One of the biggest hurdles is health literacy—the degree to which individuals have the capacity to obtain, process and understand basic health information to make appropriate health decisions. This is of particular concern for injured employees who fall in populations more at risk for low health care literacy: older employees, minorities, and those with living in medically underserved areas. The United States Department of Health and Human Services reports that one in three adults has a basic or below-basic level of understanding of health information.

Exacerbating this problem is the fact busy physicians have fewer opportunities for "focused face time" with patients. On average, physicians spend 16 minutes with a patient during a visit, with 12 minutes of that time dedicated to reviewing charts, documenting and ordering things like lab tests, according to the Annals of Internal Medicine, leaving only a few minutes for patient education.

In the workers' compensation industry, patient education is crucial. It empowers injured employees to become active participants in their recovery, improves compliance with treatment protocol and reduces the likelihood that frustrated or dissatisfied claimants seek litigation.

In a 2020 Genex Services patient education study, 97% of injured employees surveyed reported that proper patient education was one of the most important factors in meeting their recovery goals.

Comorbidities

As the population of Americans with chronic diseases has grown, so has the number of people who require complex health care services. According to the National Center on Compensation Insurance (NCCI), the average cost of workers' compensation claims connected to a comorbid condition is almost twice as much as that of comparable claims that do not involve comorbidities. In addition, workers' compensation claims with comorbidities equate to two-to-three times more lost time at work.

People who live with chronic conditions such as depression, diabetes and hypertension receive just 56% of their recommended health care services, according to the National Health Council. Not managing these conditions properly can lead to delays in return to work and increases in claim costs. Patient education can play a vital role—a recent study found that just 45 minutes of one-on-one education with a health care professional following their physician visit can result in better outcomes for patients who live with chronic diseases.

Return-to-Work Strategies

To help better manage these pressing issues, workers' compensation claim organizations should look to adopt a few key strategies:

1. **Patient Education:** Time with care providers is precious and when an injured employee has less time to ask questions or have medical terminology explained to them, it can delay recovery. Engage a case management team that can provide education and tools to the patient, helping to bridge the gap for injured employees and set them up for successful return to work.
2. **Patient Engagement:** Ensuring that injured employees are not only educated about their conditions but are also engaged with their treatment and recovery plan is critical to success. Patient apps are increasing joining in person, voice, text and email as effective engagement tools for claims, medical management and medical delivery staff.
3. **Detect Barriers to Recover:** Paired with patient-centered identification of barriers, predictive and demonstrated risk models continue to evolve as a key components to improved recovery time. Built on top of claims, medical management and treatment data, these models increasingly can help predict the "future weather" in advance of reading the "current temperature" of any given claim.

By implementing these strategies, workers' compensation claim organizations can set injured employees up for a timely return-to-work and recovery.

CHAPTER 6

Workers' Compensation

Top Pharmacy Trends

By Dr. Nikki Wilson, Pharm.D./MBA
Director, Clinical Product

While most of the industry endured dramatic changes in 2020 due to the pandemic, pharmacy trends remained fairly consistent compared to 2019, with minor shifts in overall claim costs and utilization. Below, we've provided a detailed analysis of the prescription activity trends we identified within Mitchell Pharmacy Solutions' in- and out-of-network channels from January 1 through December 31, 2020. To provide the most accurate view of continued trends in pharmacy program management, we focused our data analysis on claims aged 2 years or greater for comparison with the previous year.

Key Trends for All Therapeutic Classes

In 2020, the number of scripts per claim decreased by 3%, and the cost per claim decreased by 1%. Additionally, generic utilization increased almost 2%.

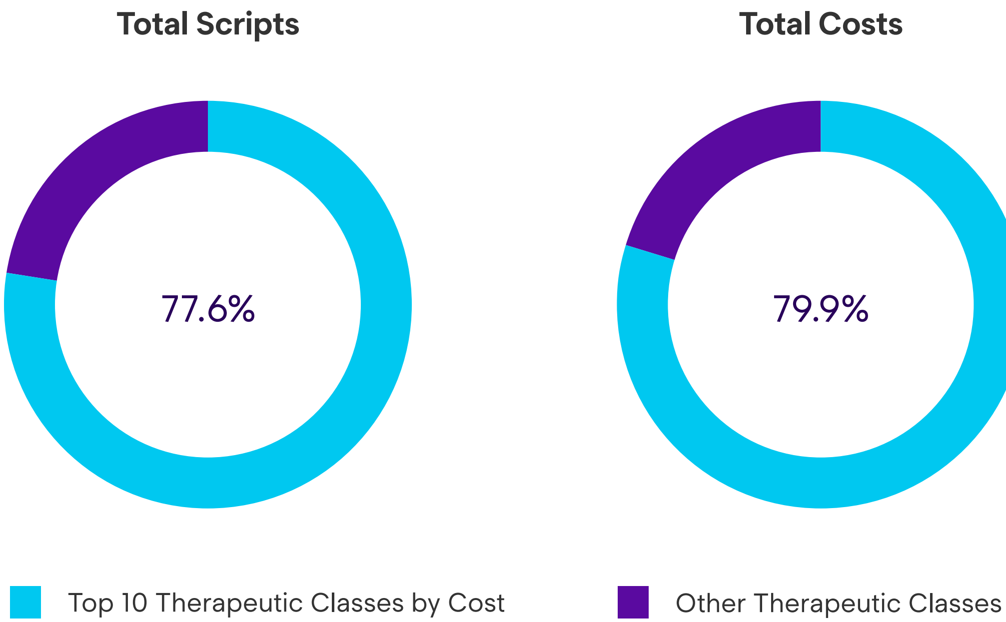
↓ **3%**
Number of Scripts Per Claim

↓ **1%**
Cost Per Claim

↑ **2%**
Generic Utilization

Top 10 Therapeutic Class Changes

Scripts per claim decreased 4.4% and cost per claim decreased 1.9% in 2020 for the top therapeutic classes when compared to 2019. When we took a closer look at therapeutic classes, we saw that the following top 10 classes accounted for 77.6% of total scripts and 79.7% of total cost, a slight decrease from 2019 of 78.3% of total scripts and 80.6% of total cost. Eight of the top 10 therapeutic classes by cost were also in the top 10 for utilization.



The top 5 therapeutic classes by number of prescriptions (ranked in descending order as follows) were opioids, NSAIDs, anticonvulsants, muscle relaxants and non-TCA antidepressants. All remained relatively flat as a percentage of **total scripts except for opioids, which decreased 1.5 percentage points**.

TOP 10 THERAPEUTIC CLASSES BY COST

1. Opioids
2. Topicals
3. Anticonvulsants
4. NSAIDs
5. Muscle Relaxants
6. Antidepressants, Non-TCA
7. Antiulcer
8. Gastrointestinal Agents
9. Respiratory
10. Hematological Medications

TOP 10 THERAPEUTIC CLASSES BY UTILIZATION

1. Opioids
2. NSAIDs
3. Anticonvulsants
4. Muscle Relaxants
5. Antidepressants, Non-TCA
6. Topicals
7. Steroid Medications
8. Antiulcer
9. Antihypertensives
10. Gastrointestinal Agents

Opioid Trends in 2020

Our analysis shows that both opioid usage and cost decreased in 2020, continuing the downward trend that we have seen over the past several years. The number of opioid scripts per claim decreased 9.3%, the cost per script decreased 3.8% and the cost per claim dipped 12.8% overall.

Percent Change Compared to 2019

9.3% **Number of Scripts Per Claim**

3.8% **Cost Per Script**

1.9% **Cost Per Claim**

Learn more about how we help our clients decrease utilization with A Personalized Approach to High-MED Opioid Management.

Total Scripts for Opioids Decreased by 1.5 Percentage Points

Trends in Topicals

One area to continue to watch over the next year is the topicals class. As opioid prescribing has decreased, alternatives for pain management have come into the spotlight. Our data show that topical medication utilization has increased slightly from 2019, rising 1.4% in share of costs and 0.5% in share of volume of all medications in 2020.

Industry data support this trend, with WCRI reporting that the payment share for topical medications in the average state increased from 9% in quarter one of 2015 to 19% in quarter one of 2020.

These trends are largely driven by prescription topical analgesics and private label topical analgesics (PLTAs), which represented 54.8% and 26% of topical costs, respectively, based on Mitchell Pharmacy Solutions 2020 data. PLTA scripts in particular are an area to watch; WCRI suggests that these drugs are nearly always dispensed in physician offices, a practice that has long been a concern in the workers' compensation industry.

Strategies to mitigate the impact of these drugs include close monitoring of the impact of these drugs on your program and potential auto-adjudication and denial of the high-cost topicals/PLTAs.

Our Methodology

Aggregate trends were based upon clients where both in-network (retail/mail-order and extended networks) and out-of-network (OON) Bill Review prescriptions were available for analysis. Including this client base allows for the most accurate representation of overall trend experience.

PRESCRIPTION TOPICAL MEDICATIONS

Include Flector Patch, Pennsaid, Lidoderm. Carry specific, limited FDA-approved uses that should be considered along with appropriate place in therapy for select patients.

PRIVATE LABEL TOPICAL ANALGESICS

Include Velma, Lidopro and Terocin. May contain same active ingredients as less expensive OTC products, but are not FDA-approved. Typically not recommended as a first-line therapy and may not offer greater clinical benefit than OTC alternatives.

CHAPTER 7

Auto Casualty & Workers' Compensation

Marijuana's Effects on P&C Claims

By Dr. Mitch Freeman, Pharm.D.
Senior Vice President & Chief Clinical Officer

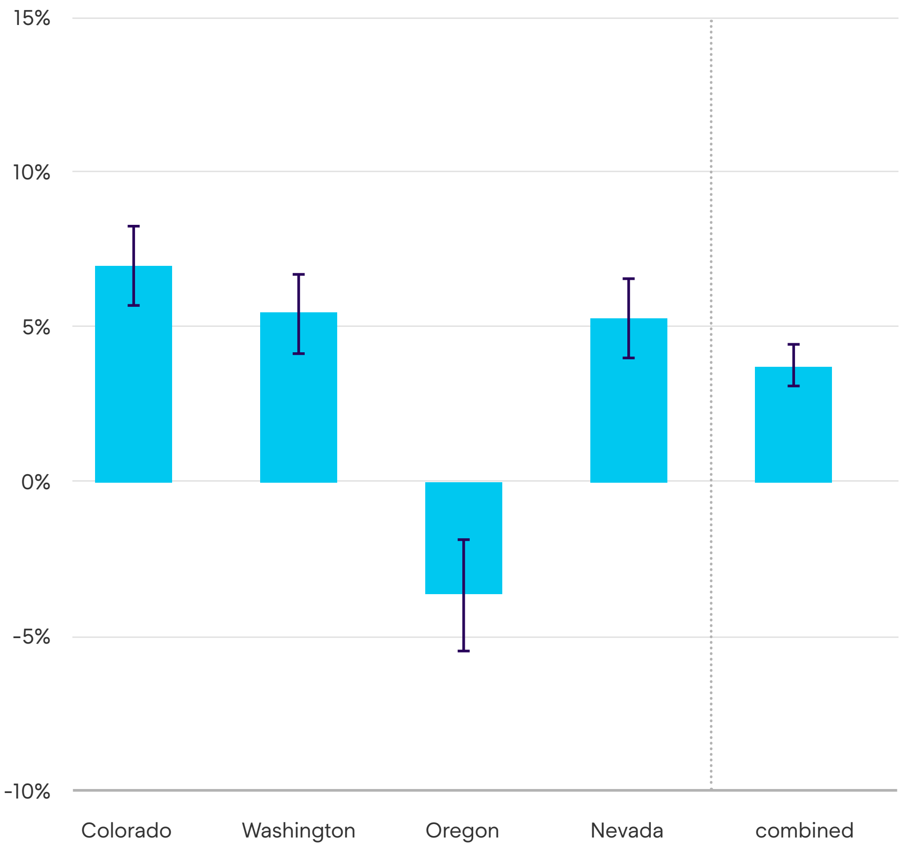
States continue to legalize marijuana for medical and recreational purposes, with New York and Virginia among the most recent. An overwhelming number of Americans support the legalization of the drug, according to an April 2021 Pew Research poll. But how does legalization affect outcomes for the property and casualty insurance industry, particularly in states that legalize the drug recreationally?

Auto Insurance

Marijuana intoxication while driving can impair drivers' cognitive functions, including in "attentiveness, vigilance, perception of time and speed, and use of acquired knowledge". However, unlike those impaired by alcohol, marijuana intoxication may make drivers more cautious, as some studies have suggested they tend to overestimate their level of impairment (e.g. slower driving and increased distance between cars). With this in mind, studies on whether accidents increase due to legalization, and furthermore whether accidents involving marijuana intoxication cause injury, are inconclusive. Let's look at some of the recent data below.

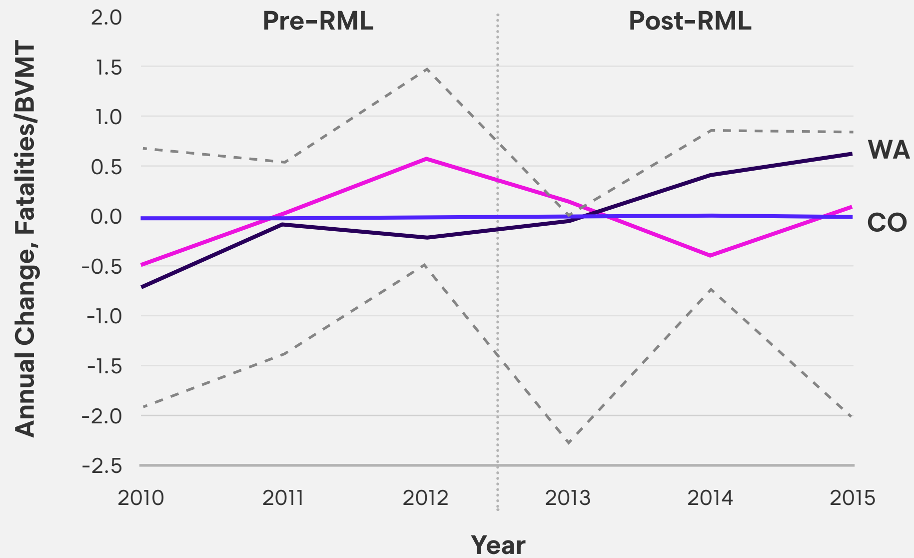
Recent research suggests that legalization correlates to a rise in auto accidents, with a study released by the AAA Foundation for Traffic Safety finding that the number of fatal crashes in Washington involving a driver who tested positive for THC has doubled since the state legalized the drug recreationally. Additionally, a 2021 study conducted by Insurance Institute for Highway Safety (IIHS) and the Highway Loss Data Institute (HLDI) supports the claim that auto accidents increase in states with legalized recreational marijuana, finding spikes in crashes in California, Colorado, Nevada, Oregon and Washington post-legalization.

Estimated Effect of Marijuana Sales On Collision Claim Frequencies



Insurance Institute for Highway Safety

Annual Changes in Vehicle Crash Fatality Rates per Billion Miles Traveled Before and After Recreational Marijuana Legalization



American Journal of Public Health

- - - - - Min/Max Control States

However, preliminary results from a separate study from IIHS show that emergency room visits related to car crashes in California, Colorado and Oregon were no more likely to be from drivers who used marijuana than those who had not. Additionally, a 2017 study published in the American Journal of Public Health found that there was no statistical difference in the rate of motor vehicle crashes in states that had legalized marijuana (namely, Washington and Colorado) compared to the control states that had not.

What do these studies mean for the auto industry? Causation is still uncertain and more studies need to be conducted to determine if auto accidents (and injuries) truly increase with marijuana legalization. As we continue to see states legalizing, and potentially a change of legal status at the federal level, the industry will need to develop ways to manage a potential increase of accidents involving marijuana intoxication, including how to determine true intoxication, whether intoxication leads to crashes that involve injuries, and how to manage cases involving both alcohol and marijuana intoxication.

Workers' Compensation

In the workers' compensation industry, marijuana legalization can also have implications. From a treatment standpoint, marijuana has been discussed as a possible treatment option for pain after an injury. However, from an impairment standpoint, marijuana creates concerns for employers and insurers.

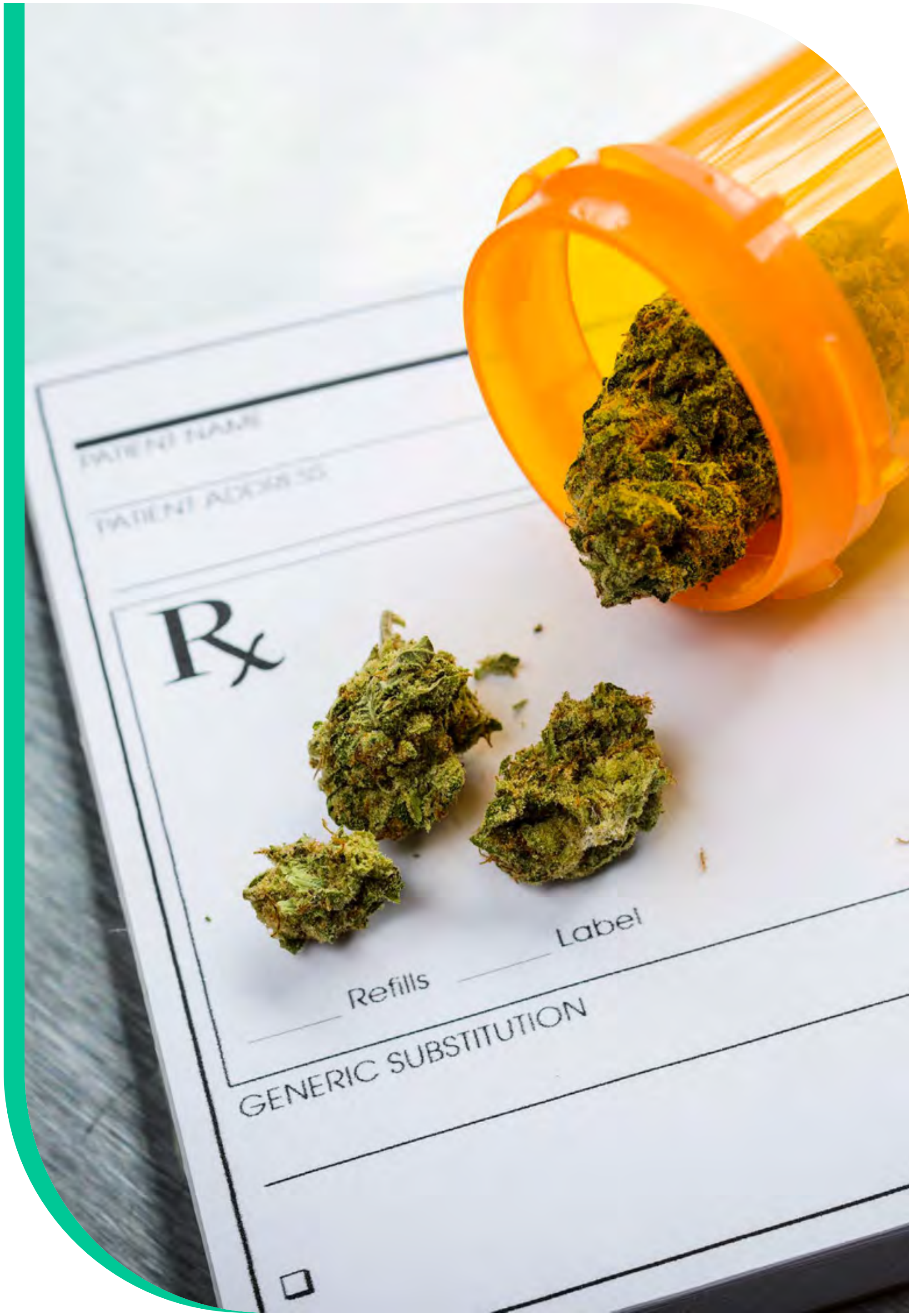
Although studies are limited on the efficacy of marijuana in the treatment of pain, some suggest that the drug could be effective in helping patients manage pain. Additionally, marijuana is purportedly less addictive than opioids, making it a potentially positive option for those dealing with chronic pain. However, much is still unknown about the long-term side effects of marijuana or whether it causes other concerning health issues.

As the workers' compensation industry considers the impacts of marijuana legalization, several questions must be considered:

- **Should medical marijuana be accommodated or reimbursed for those with a workers' comp claim?** In some jurisdictions, courts have ruled that medical marijuana use must be covered, while other jurisdictions have said it does not.
- **How can you detect impairment?** This can be particularly difficult with marijuana, as it can be detected in a person's bloodstream even after they are no longer impaired.
- **Will courts uphold a zero-tolerance policy?** Many states have considered or passed anti-discrimination laws that remove the ability to require a zero-tolerance workplace.

Ultimately, more research needs to be completed to truly understand the effects of marijuana and its role in treating chronic pain. However, many states and courts are well ahead of the scientific work being done to prove or disprove its efficacy, meaning insurers need to be vigilant about changing laws and court rulings. Visit our state-by-state marijuana laws map to learn the latest laws in your jurisdictions.

View Map



Closing

As we all look ahead to 2022 and beyond, the P&C industry will need to manage all of these trends on top of, and including, the direct effects of the COVID-19 pandemic. It is critical that claims organizations everywhere maintain focus and look out for evolving trends. To stay on top of the latest trends in technology innovation, clinical insights or legislative and regulatory changes, sign up to receive regular updates from Enlyte. We bring together the industry insiders you trust to break it all down with clear, actionable insights to help you see the industry from our 360-degree vantage point.

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About Our Contributors

Kate Farley-Agee oversees Coventry's national broad-based provider network and state-certified managed care organizations across the country. She also leads Coventry's Network Quality Management and Improvement department, Network Paneling and Reporting, and Network Performance groups. Kate has over 20 years' experience in the health care industry with an emphasis in network development and leadership.

Dr. Mitch Freeman, Pharm.D. is the Chief Clinical Officer for Mitchell Pharmacy Solutions. In his role, he is responsible for the strategic direction for clinical product and programs and leads the division's account management organization. Dr. Freeman has been recognized as a leader in innovative clinical solutions for both the workers' comp and auto casualty industries and is a frequent author and speaker. His clinical case study on Mitchell's Opioid Reduction Program was recently featured in the peer-reviewed Journal of Occupational and Environmental Medicine. He has more than 20 years of property and casualty industry experience and is a graduate of Florida A&M University where he received his doctorate of pharmacy.

Anne Levins is responsible for overseeing Coventry's product development and information strategy efforts. She is accountable for setting strategic direction and driving business growth through an integrated clinical solution to the workers' compensation market, including employers, third party administrators, and insurance carriers. Anne began her career with Intracorp in provider recruitment and account management. Since that time her role has evolved into a number of analytic and information strategy leadership positions and ultimately into her most recent role leading product development for Coventry.

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.

Rebecca Morgan is Vice President of Product Management for Mitchell's Workers' Compensation Solutions. Her teams are responsible for both medical bill review and claims reporting software deliveries for the workers' compensation market. Rebecca brings more than 20 years' experience in software engineering in the workers' compensation industry. She has a passion for improvement, leading teams to high performance and forming strong partnerships with customers. Prior to Mitchell, Rebecca worked with product delivery teams at Optum and Keane.

Ed Olsen is the Director of Claims Performance Consulting for Mitchell Casualty Solutions. A former medical trainer, claims team manager and chiropractic, Mr. Olsen's diverse background as both a provider and payer provides him a unique perspective on topics such as casualty claims, medical management, automated medical bill review and claim adjudication.

Ron Skrocki is a leading authority in disability management and medical bill review services, with more than 30 years' experience in medical management. As Senior Vice President of Product Management and Development, Mr. Skrocki is an innovative trailblazer who is instrumental in developing analytics-driven, flexible medical management strategies that implement utilization controls and data support to meet the current needs of today's health care programs. Prior to joining Genex in 2004, Mr. Skrocki held national level leadership positions in business and product development, sales, and operations. His vast industry experience spans the information technology sector specifically related to data management and systems development.

Norman Tyrrell is Vice President of Product Management for Mitchell's Casualty Solutions Group. Norman directs the product management and strategic planning activities for Mitchell's auto casualty solutions leading a passionate team of product professionals in delivering smarter technology solutions and deep industry expertise to Mitchell customers. As an experienced product and technology executive, Norman brings more than 20 years' of business and product management expertise across a variety of markets and industries.

Nikki Wilson, Pharm.D./MBA graduated with her Doctor of Pharmacy and Masters of Business Administration (MBA) from Creighton University. As a licensed Pharmacist, Wilson has over 11 years of comprehensive industry experience through leadership roles overseeing prescription home delivery programs, clinical pharmacy operations and benefit management, and product development.

Enlyte is Mitchell, Genex and Coventry, a family of businesses with one shared vision. We bring together the best of the P&C industry in a single, powerful organization connected by one overarching goal: transforming your performance now, so you can chart a course **to a better future**.

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