enlyte envision

TRENDS Report 2025

TOP INDUSTRY TRENDS
TO WATCH IN 2025

enlyte

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Alex Sun
President & CEO

Dear Enlytened Reader,

As we embark on another year together, I am once again amazed at how different our industry looks today versus just a few years ago. In these times of rapid change and market volatility, we recognize the importance of providing insights with a unique perspective across the claims landscape. In this year's report, we are pleased to offer everything from mental health strategies and legislative changes to collision trends and of course, AI.

2025 is sure to be marked by the impact of widespread gen AI adoption and proliferation. At Enlyte we are increasingly using gen AI in our everyday activities; in this report, in fact, you will find many articles that began with interviews and discussions transcribed using generative AI, data sets that were analyzed or visualized with the help of AI tools, article drafts that were prompted, evaluated and refined by writers and subject matter experts, and artwork that designers crafted with AI-enabled tools. Suffice to say, we are all on the AI train.

We hope you enjoy the 2025 Enlyte Envision Report and find value in the data and insights we are proud to share with you. With our unique view of claims activity across auto collision, casualty and workers' comp, and a history of bringing AI innovations to market, we feel a responsibility to support the important work that you do. Thank you for your commitment to the people we all serve.

Best regards,

Alex Sun

CHAPTER 1

The Year of (Generative) AI

While the buzz surrounding generative AI has been building for some time, 2025 is poised to be the year when this technology starts to change how we live and work. Companies are rushing to balance efficiency and costs with investments in systems, training, and change management, ready to fulfill the promise of AI. From software development to pharmaceuticals, professionals in every field will feel the impact of these advancements as they strive to keep pace with the rapidly evolving landscape. Many in the workforce today can recall the transformative effects of the internet's widespread adoption, and a similar paradigm shift is now unfolding with AI. As individuals and organizations race to stay ahead of the curve, seasoned experts are diligently working to establish robust foundations that ensure the safe, secure, and responsible development of AI-enabled innovations in our industry. This proactive approach aims to maximize the benefits of generative AI while mitigating potential risks, setting the stage for a new era of technological progress and human-AI collaboration.

Image enhanced with AI-enabled graphic tools.

CHAPTER 1

Auto Physical Damage,
Auto Casualty & Workers' Compensation

CIO Perspective: AI Readiness & Governance

By Ravi Nemani
Chief Information Officer, Enlyte

By Saundra Knight
Sr. Director of Communications
& Brand Strategy, Enlyte

Image enhanced with AI-enabled graphic tools.

Ravi Nemani
Chief Information
Officer, Enlyte

As the world stands on the precipice of a generative AI revolution, companies across industries are grappling with how to navigate this transformative technology. Enlyte, a leading provider of innovative solutions for the property and casualty (P&C) industry and an experienced innovator in machine learning AI, is at the forefront of this change. We sat down with Ravi Nemani, Enlyte's Chief Information Officer, to discuss the company's history with AI, its approach to AI governance, and how it plans to steer both itself and its clients through this exciting yet challenging time.

Q: As Enlyte's Chief Information Officer, you've seen the company's history with AI evolve over the years. Can you tell us about that journey and where it's headed?

A: Our history with AI goes back two decades, to when we were using techniques like genetic algorithms in our Auto Physical Damage (APD) scheduler to optimize routes for estimators. As compute capabilities exploded in the last several years, we were able to leverage more AI and machine learning models for prediction, classification, and categorization. The next evolution was driven by algorithms and dedicated AI chips and cloud compute, enabling us to crunch images and data, predicting damage and outcomes, and we've used this very successfully in our Mitchell Cloud Estimating and Mitchell Intelligent Estimating solutions. Now, we have the opportunity to move into gen AI and multimodal capabilities, giving it context from multiple datasets—images, text, audio, video—to provide specific outcomes across different lines of business. I am particularly interested in seeing the evolution of agentic AI and the ability to harness AI to drive creative automation in a safe and secure manner.

Q: What will be different about the next phase of evolution, with generative AI?

A: Looking forward, generative AI will be the glue that pulls together our existing assets, products, capabilities, APIs, and AI models, allowing us to rapidly adopt newer models and capabilities through natural language interfaces. We want to create a platform that enables us to quickly leverage emerging models while maintaining the security and privacy of our customers' data. It's not just about building language models—many companies can do that. Our focus is on applying these technologies to solve specific problems in our industry, using our expertise and data to bring value to our customers.

Q: With the rapid pace of change in generative AI, how is Enlyte preparing its workforce for this transformation?

A: Change is inevitable, and resisting that change or failing to keep up with changing needs can come at a cost. We can look to the casualties of the dot-com era for plenty of precedent about what happens when companies fail to understand change. Look, we are in the people business and having folks who are prepared and trained to effectively use gen AI will be a game-changer. We are very thoughtful about selecting the right use cases, applying the right technology and then training our workforce to use it effectively to deliver superior outcomes for our customers. However, we must adopt AI in a thoughtful, conscious, and secure manner that doesn't pose undue risks to our customers, their claimants, our employees, or the company. It's critical to have a good foundation with proper data governance and technical controls, and that foundation has to be solid with or without generative AI.

> "Our focus is on applying these technologies to solve specific problems in our industry, using our expertise and data to bring value to our customers."
>
> **Ravi Nemani**
> Chief Information Officer, Enlyte

"

I don't think AI will replace jobs; it will make people's tasks easier and free up time for other things. I don't hear a lot of people in our industry talking about having too many resources, so I think AI is going to help solve workforce and workflow challenges.

Ravi Nemani
Chief Information Officer, Enlyte

Image enhanced with AI-enabled graphic tools.

Q: How do you think about AI governance, to ensure that foundation remains strong?

A: At Enlyte, we have a comprehensive AI governance methodology that addresses people, processes, and technology. On the people front, we train our employees, making them aware of the risks, challenges, and opportunities that come with using AI. We provide educational resources, training sessions, and encourage knowledge sharing through internal "birds of a feather" groups, and we have a robust leadership task force focused on making sure our operations continue to flex and grow as the technology grows, and as our employees' needs change.

In terms of processes, we have established policies like an acceptable AI use policy and we follow industry best practices and risk management frameworks. For example, we adhere to guidelines from organizations like the National Institute of Standards and Technology (NIST) and the Center for Internet Security (CIS). We also have a rigorous process for identifying the right use cases and ensuring that the appropriate architecture, technology, and algorithms are applied.

On the technology side, we apply technical constraints on how and what can be done with AI. This includes using firewalls to control access to certain sites and providing secure ways for employees to leverage AI capabilities. We also ensure that our use of AI complies with relevant regulations, such as those set forth by the National Association of Insurance Commissioners (NAIC).

Q: Some worry that AI might replace jobs. What's your perspective on that?

A: While I acknowledge that some functions may be accomplished more easily by leveraging AI, I don't think AI will replace jobs; it will make people's tasks easier and free up time for other things. I don't hear a lot of people in our industry talking about having too many resources, so I think AI is going to help solve workforce and workflow challenges. For most people, once they experience generative AI in their own workflow, they'll realize how game-changing it can be and wonder how they didn't use it before. At Enlyte, adopting these technologies will enable us to deliver better services and offer newer ones to the organization, delivering products and services better and more efficiently. It's about making employees more productive.

Consider the evolution of programming languages for developers. We went from assembly code to COBOL, C++, and now even higher-level languages. Throughout this process, we didn't lose programming jobs. In fact, there are more programmers today than when we used assembly language. The same principle applies to AI. It will change how we work and create new opportunities, but it won't eliminate the need for human expertise and creativity.

Images enhanced with AI-enabled graphic tools.

Q: Which user groups or workers do you think will see the biggest changes or gains in productivity from using generative AI?

A: Generative AI has the potential to impact a wide range of user groups and workers across our industry. However, I believe some of the most significant gains in productivity will be seen by those involved in content creation, data analysis, and customer interaction.

For example, in marketing and communications, generative AI can assist in writing articles, creating social media posts, and even generating ideas for campaigns. This can dramatically reduce the time spent on these tasks while still maintaining high quality output.

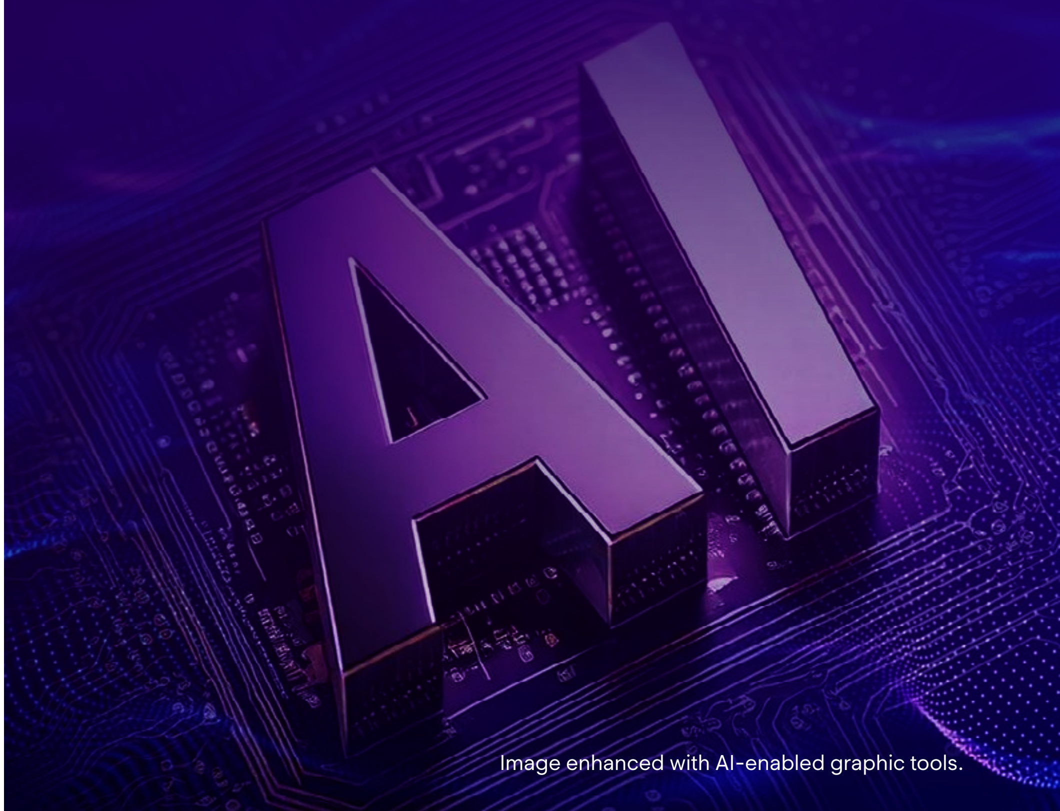
In the realm of data analysis, generative AI can help users quickly identify patterns, generate insights, and create visualizations. This is particularly valuable in claims, where we deal with vast amounts of data, claims artifacts, risk assessment, and customer behavior.

Customer-facing roles, such as claims adjusters and customer service representatives, can also benefit greatly from generative AI. By using AI-powered chatbots and virtual assistants, these workers can provide faster, more accurate responses to customer inquiries. Additionally, AI can assist in tasks like documenting customer interactions, summarizing key points, and suggesting next steps, allowing these employees to focus on more complex and empathetic aspects of customer service.

Ultimately, the workers who will see the most significant gains are those who are open to embracing these new tools and integrating them into their workflows. It's not about replacing human expertise but rather augmenting it with the power of AI. By leveraging generative AI, workers across various roles can streamline their tasks, freeing up time for higher-level, strategic work that drives value for our customers and our business.

> "Ultimately, the workers who will see the most significant gains are those who are open to embracing these new tools and integrating them into their workflows.

Ravi Nemani
Chief Information Officer, Enlyte



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Q: What is Enlyte's role to help the industry navigate this exciting time of innovation?

A: We intend to remain at the cutting edge of operationalizing data and driving better outcomes. The next evolution is taking our data, fully operationalizing it, getting insights, and better integrating our datasets. A lot of the heavy lifting that used to be challenging will become easier.

As an organization, we're excited about where this is headed and the opportunities it presents. We have a wealth of industry expertise and data that, when combined with generative AI, can revolutionize how we serve our customers.

However, we also recognize that this isn't just about the technology itself. It's about understanding how to manage change, implement AI into company workflows and culture, and provide a sense of security and credibility to our clients. That's where our decades of experience, combined with a focus on AI governance comes in. By having a strong framework in place, we can confidently navigate the challenges and opportunities that come with this technology. Whether it's using AI to streamline claims processes, detect fraud, or provide personalized customer experiences, we are ready for the changing landscape.

Q: Is there one thing you want people to remember as they think about generative AI in our industry?

A: Change always comes with a fight or flight response, but we must engage with this technology because it's not going away. We're in a phenomenal point in human evolution, and I'm thrilled about what it means for us as people and for our industry. With Enlyte's combination of industry expertise, data assets, and robust AI governance, we're well-equipped to be a steward through this transformative time and unlock new possibilities for improving claims outcomes.

AI by the Numbers

Tenured Claims Leaders Aligned on AI Interest

At a recent Enlyte Envision conference, attendees were asked about their interest in industry topics, their most pressing challenges, and the opportunities they're most excited about. 284 senior auto and workers' comp leaders provided their insights.

Tenured Claims Leaders Aligned on AI Interest

83%

indicated **AI & Tech Innovation**

as a Primary Topic of Interest (207 of 248 responses)

58%

indicated **Both**

(114 responses)

70%

indicated **Leveraging Data & Analytics**

as a Primary Topic of Interest (173 of 248 responses)

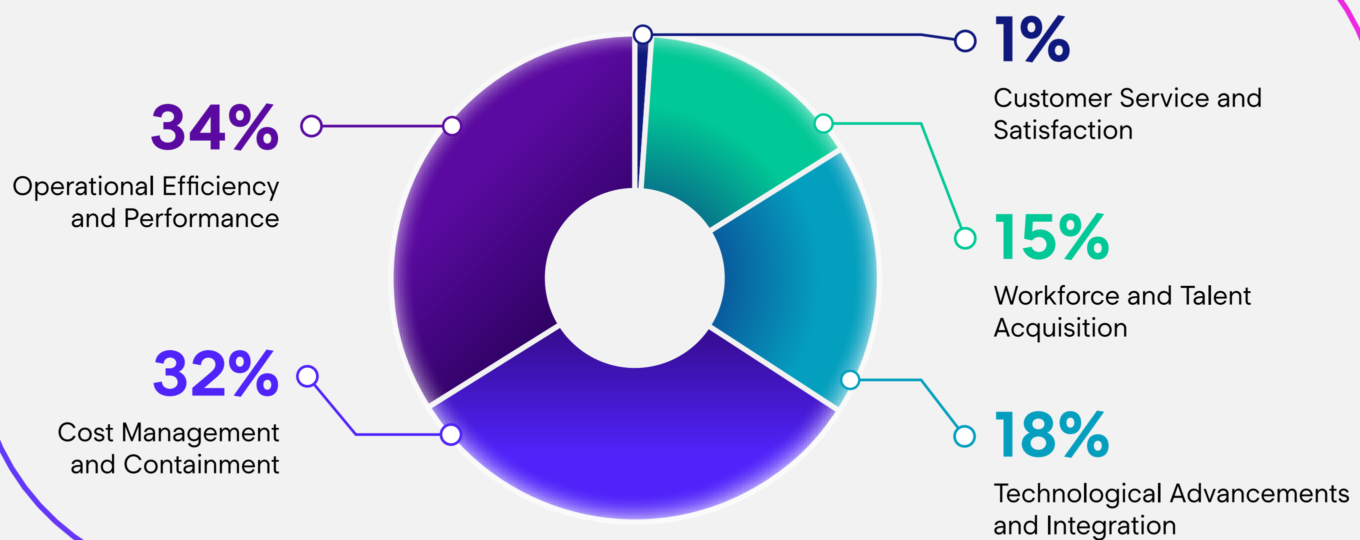
Though historically having a reputation for being risk averse or resistant to change, the claims industry's deep roots in data and analytics is colliding with the promise of AI, potentially changing attitudes about the need for technology innovation. When asked about their primary area of interest at the 2024 Envision conference, an overwhelming majority of tenured industry leaders were primarily interested in learning more about AI and technology innovation and leveraging data and analytics.

How many years have you been in the industry?

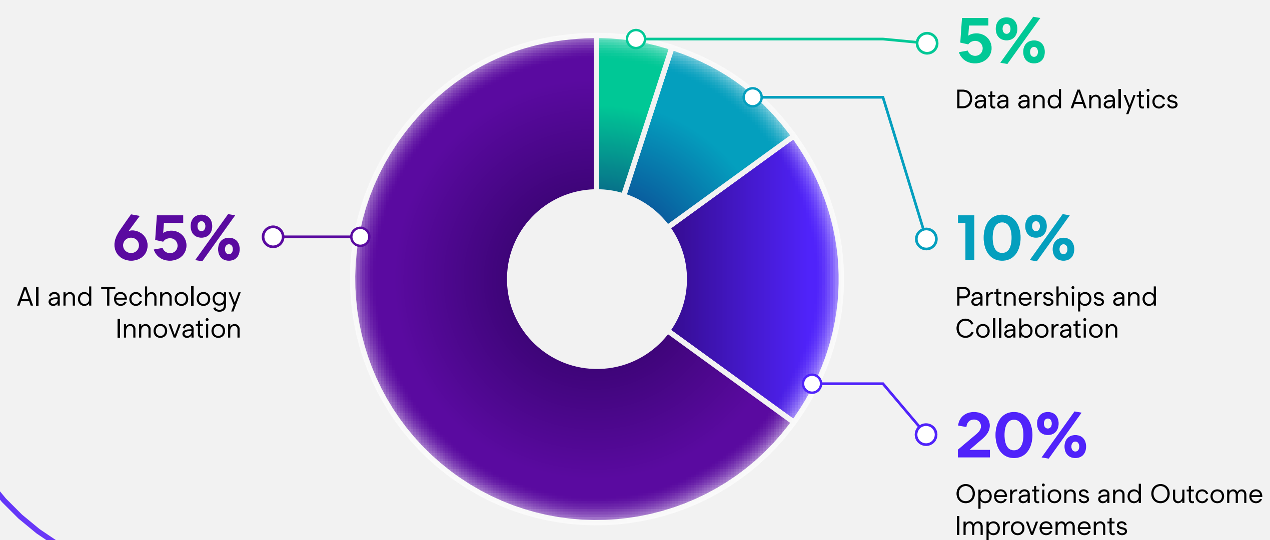
The Opportunities Are Part of the Challenge

A significant majority of respondents indicate they are most excited about the opportunities they see in AI and technology innovation, though most are also facing the challenge of improving operational efficiency while also managing costs. Investment in AI will likely play a role in providing solutions, but businesses will have to balance the cost of AI with performance expectations, and implement AI in ways that offer the best benefits over time.

What are the Biggest Challenges You're Facing?



What Industry Opportunities Excite You?



More, Faster, Better... but Not for Every Task

In a 2023 study conducted by the Boston Consulting Group and published by the *Harvard Business Review*, consultants were asked to use AI to complete a defined set of tasks with the help of AI. Researchers noted that some tasks are easily done by AI, while others, though seemingly similar in their level of difficulty, were beyond the capability of AI (at the time of the study). For tasks identified as "within the frontier of AI capability," results were measured against a control group, and the productivity gains were significant.

Navigating the Jagged Technological Frontier: Field Experimental Evidence of the Effects of AI on Knowledge Worker Productivity and Quality, Harvard Business Review and BCG, https://www.hbs.edu/ris/Publication%20Files/24-013_d9b45b68-9e74-42d6-a1c6-c72fb70c7282.pdf

12.2%
More Tasks

25.1%
Faster

40%
Higher Quality

Study represented 758 consultants, comprising 7% of workforce.

Generative AI Is Here: What do You Think?

With expertise ranging from Data Science to Pharmacy Benefit Management, Auto Repair to Regulatory and Case Management to Product Management, Enlyte asked 10 of its leaders across auto and casualty claims to share their thoughts about the challenges, concerns and the promise of generative AI.

Image enhanced with AI-enabled graphic tools.

Generative AI can streamline administrative tasks, accelerate insights, and access unstructured data for analysis that will enhance decision-making, empowering humans to focus on strategy and high-impact work.

Dave Torrence
EVP, Pharmacy Solutions

While I think governments may be slower to adopt or standardize AI regulation, in time I believe generative AI can enhance government operations by assisting with legislation drafting, interpretation and analysis, and by streamlining complex data and legislative processes.

Brian Allen
Vice President Government Affairs

Generative AI can significantly enhance workflows, enabling even more innovation and scalability through tools like AI-powered code generators, rapid prototyping, data-driven insights, and hyper-focused customer-centric product development, while building AI products centered around responsible AI principles.

Abhijeet Gulati
Sr. Director of Engineering, AI Solutions

I think there is (and should be) some apprehension about using generative AI with confidence to reduce clinical complexity. AI is a powerful tool—but not a replacement—for clinical professionals to achieve the best individual and program-based outcomes for injured workers and client programs.

Helen Froehlich
SVP, Utilization Management

Adopting generative AI is going to require that businesses balance reasonable investment and ROI expectations with the speed of innovation, while at the same time ensuring transparency to meet regulatory and ethical standards in a rapidly evolving landscape.

Dune Pagaduan
Sr. Director, Product Management, AI Solutions

In case management, gen AI can help us streamline document management, referral assignment, and communication, while predictive modeling will help the right cases to get to the right managed care service at the right time.

Tim Howard
SVP, Field Case Management

AI adoption takes a lot of preparation to be successful, and businesses will have to secure leadership buy-in, establish clear objectives, build an AI Center of Excellence, scale infrastructure, align processes, and upskill employees to foster innovation and mitigate risks.

Mohnish Singh
Product Manager, AI Solutions

We've heard so much about workforce shortages in recent years, I think generative AI can be an important part of the solution, helping to bridge the gap for knowledge transfer between tenured industry colleagues and new professionals entering the industry.

Tran Tran
Director, Product Management, Cloud Solutions

In our APD team, we've been building AI solutions for our clients since 2016. I'm excited about extending our solutions in the market with generative AI, while internally we have been deploying it throughout the organization; from vehicle content to engineering and support.

Debbie Day
EVP and GM, Mitchell APD Solutions

Change management is crucial for successful gen AI adoption, particularly in risk-averse industries like ours, but I think the strong desire for efficiency and automation can overcome adoption challenges.
I've seen a lot of shift in mindset towards embracing technology solutions over the past 12–18 months.

Rebecca Morgan
VP, Product Management, Casualty Solutions

Change always comes with a fight–or–flight response, but we must engage with this technology because it's not going away.

Image enhanced with AI-enabled graphic tools.

CHAPTER 2

2025 Collision Industry Trends

2025 promises to bring change to the auto insurance industry with lower claims volumes, higher severity and ongoing advancements in vehicle technology that will impact whether carriers meet—or miss—policyholder expectations this year. As the mix of electric, hybrid and ICE vehicles continues to shift, organizations will need to focus on adapting processes, policies and partnerships to ensure they can deliver exceptional customer service while maintaining operational efficiency in this evolving landscape.

CHAPTER 2

Auto Physical Damage
Auto Casualty

2025 Collision Industry Trends

By Ryan Mandell
Director of Claims Performance, Mitchell

The auto insurance industry has weathered its share of storms in recent years. Despite fewer claims in early 2024, carriers and collision repairers still face headwinds when it comes to vehicle complexity and its effect on severity and cycle time. To help your organization successfully navigate the road ahead, here are the four most notable trends to watch in 2025.

1. Total Loss Frequency Is Rising

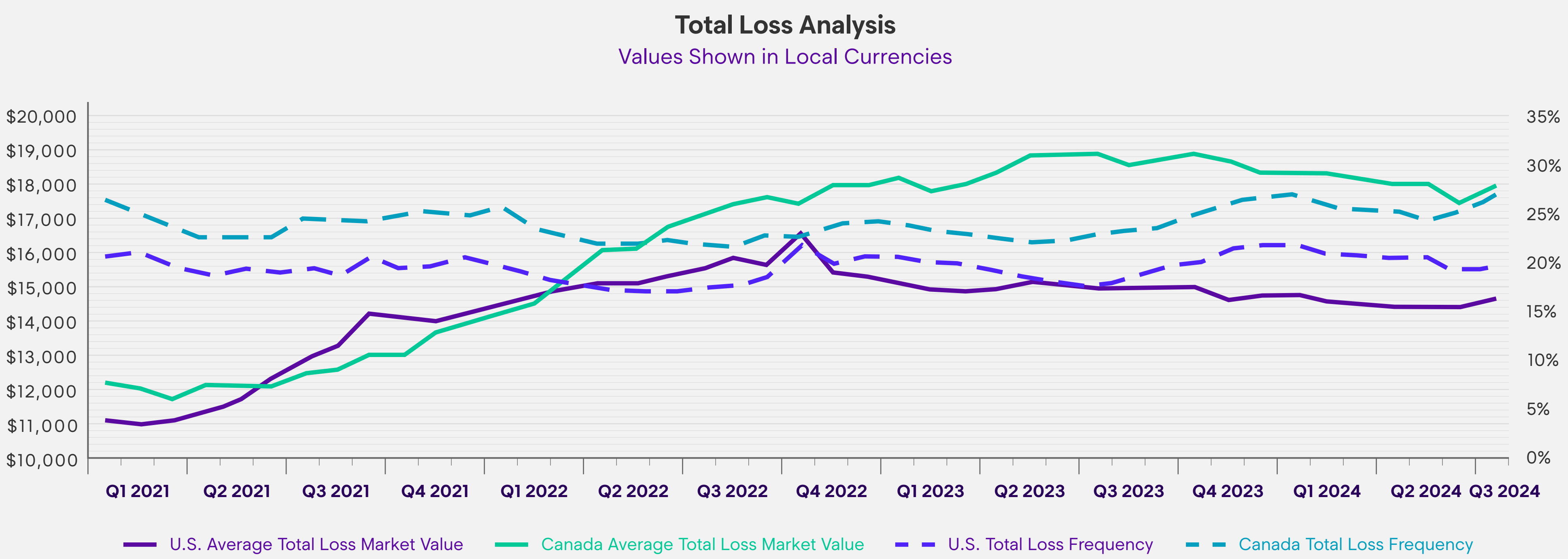
For years, new car depreciation began once a vehicle was driven off the lot. In fact, Kelley Blue Book reported that automobiles lost half their purchase price within the first five years. Having a used vehicle increase in value over time was not supposed to happen. But it did.

More recently, this trend has begun to unwind, and vehicle values are now rightsizing. In the U.S., for example, CarGurus reported that used automobile prices fell 7.25% this past summer compared to summer 2023. In Canada, the pace of depreciation—a 14.4% year-over-year decrease—happened more rapidly according to Black Book.

In addition to changing vehicle economics, the automobiles on our roads are getting older. In 2002, the average age of the car parc was nearly nine and a half years. In 2024, it increased to a record 12.6 years in the U.S. While the average vehicle in Canada is consistently two years newer, it has also trended older at a similar rate. As a result, the average age of a repairable, collision-damaged vehicle has risen as well (to 6.94 years in the U.S. and 6.01 years in Canada).

As vehicle values drop and the demand for new automobiles lessens, total loss frequency is increasing and is expected to continue its upward trajectory into 2025. Total loss market values, on the other hand, will likely return to where they would have been historically if we did not have a massive disruption during COVID. In fact, by May 2025, the average total loss market value is expected to be:

- 8.5% above historical average growth in the U.S.
- 13.2% above historical average growth in Canada



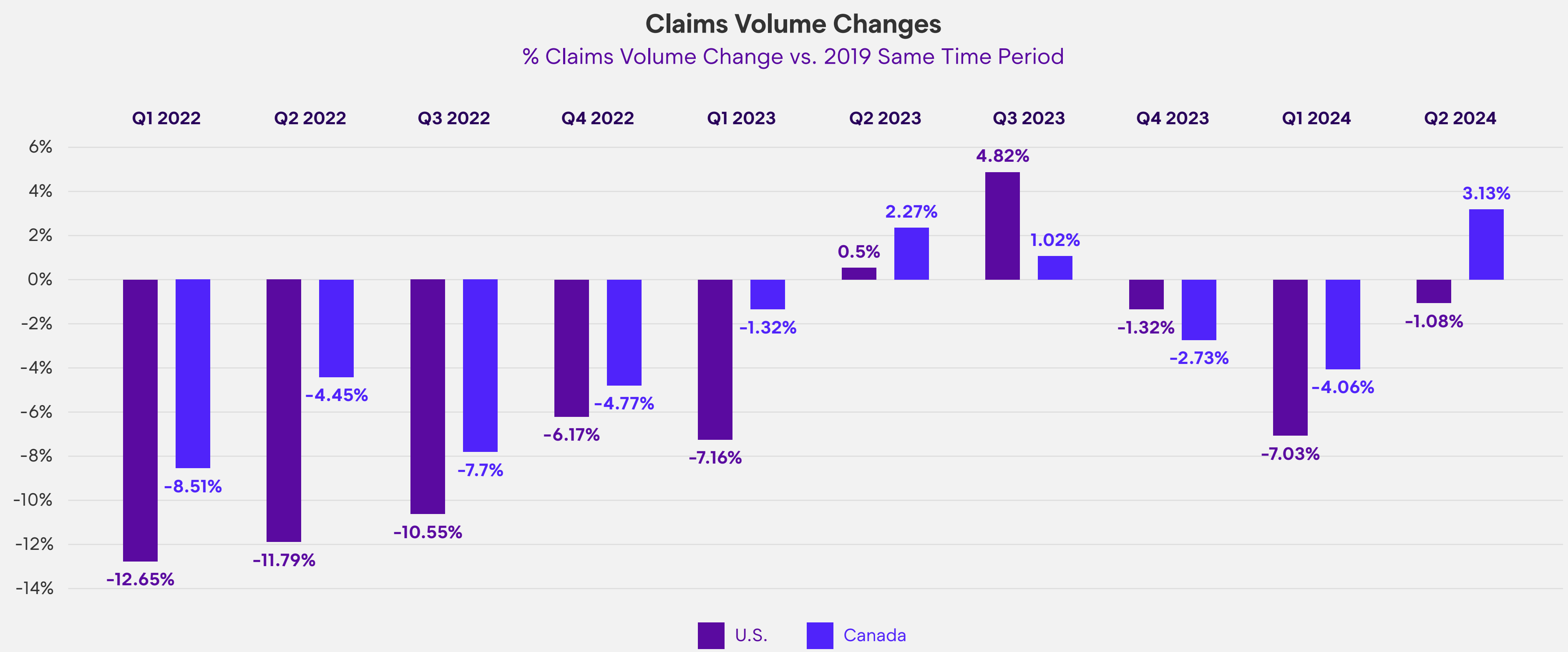
2. Claims Volumes Continue to Fall

The decrease in claims volumes was a hot topic in early 2024. The questions now are what is driving volumes down, will we see declines of 7% like we did in the U.S. in early 2024 as compared to 2019 and the pre-COVID era, and how will that affect insurance underwriting decisions and repair facility revenues?

Although many want to attribute the reduction in claims to the growing availability of advanced driver assistance systems (ADAS), the more likely cause was a mild winter. With no snow and ice on the road, less precipitation and warmer temperatures, there are fewer accidents.

However, that is not the whole story. Insurance affordability is also prompting consumers to make different choices. For example, to keep auto insurance bills from increasing when premiums rise, policyholders may decide to change their coverage or raise their deductible. According to data from the U.S. Bureau of Labor Statistics, many have chosen the latter option.

Before 2021, the Motor Vehicle Consumer Price Index (CPI) was flat for years. That is no longer the case and, more recently, it has risen dramatically along with deductibles. Between January 2019 and July 2024, the average first-party deductible grew by 47% in the U.S. and 30% in Canada. Drivers with higher deductibles often make different decisions when it comes to filing collision-damage claims, which could result in fewer "small", first-party claims in 2025.

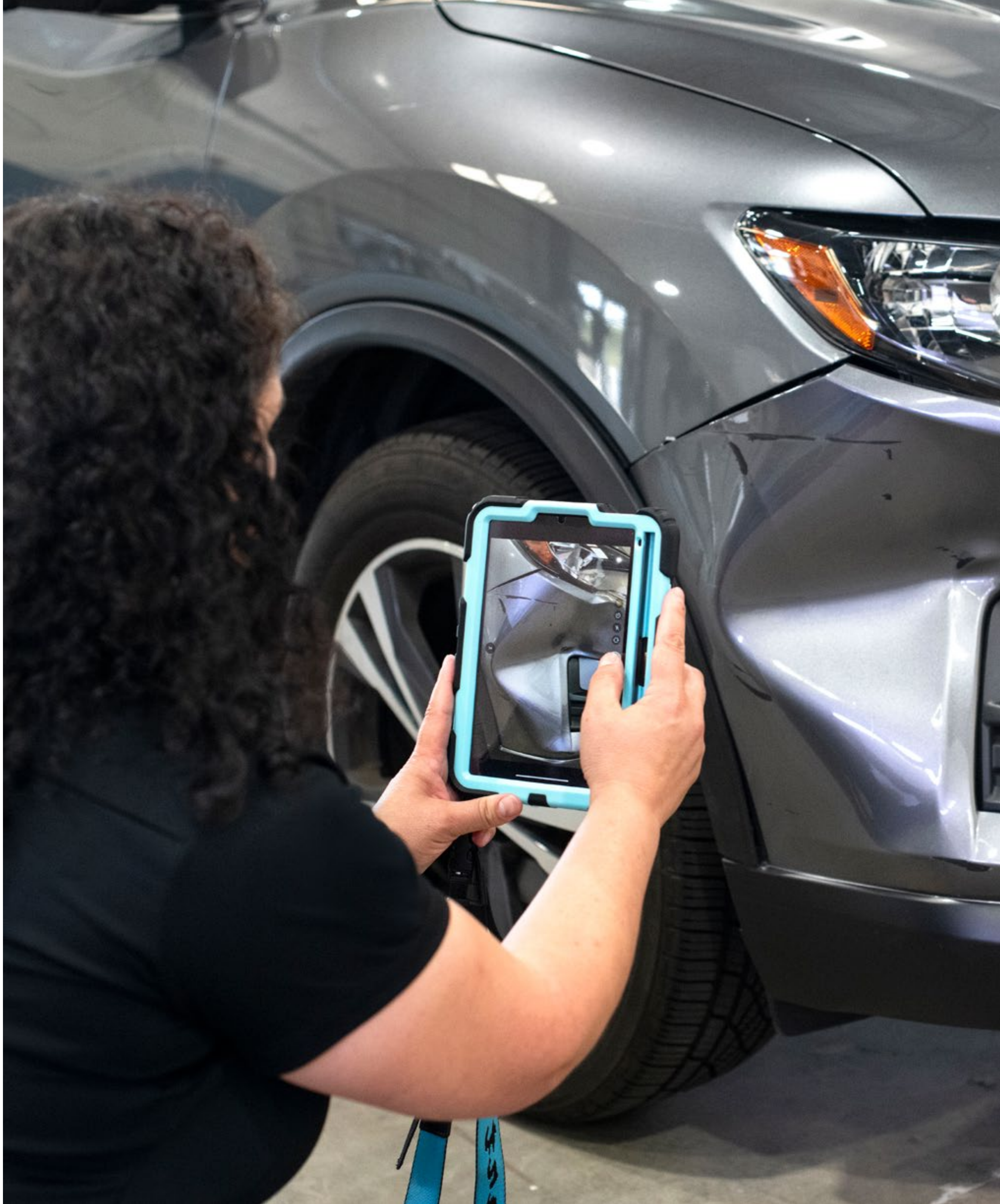


3. Vehicle Complexity Is Driving Up Severity

Despite fewer claims, average severity for repairable vehicles increased by over 5% in the first half of 2024 compared to the same time in 2023. Historically, that number has risen at a rate closer to 3% or 4%.

A primary reason for the growth in repairable severity is the increase in automobile complexity. Between 2019 and 2024, the average number of replacement parts listed on a damage appraisal jumped 15% and these parts now represent more than 51% of the overall repair cost. Since 2019, the average number of estimate operations has also risen by 20%. There are additional vehicle components—including more lightweight components—that have a higher replacement rate as well. Today it takes more to return a collision-damaged automobile to pre-loss condition—more parts, more operations and more labor.

Increasing vehicle complexity is also demonstrated by the different materials used in automobile construction. Between 2019 and 2022, more new body styles were introduced than in any other period. These styles included a growing reliance on the use of aluminum, composites, individual parts and technology. Some of that technology—like front cameras—are now standard and require recalibration regardless of the collision point of impact and severity. This can increase the cost of repair and create underwriting challenges for insurers.



Substantive Generational Changes

2019 Nissan Altima

Change from high strength steel (HSS) side structural reinforcements in 2018 to ultra-high strength steel (UHSS) in 2019. OEM MSRP is nearly identical but repairs are not allowed for UHSS.

2021 Kia Sorento

Front view camera mounted behind windshield now standard with an OEM MSRP of $1,236.33. Not available for 2020 model year.

2022 Honda Civic

Change from a HSS hood in 2021 to an aluminum hood in 2022 with an OEM MSRP delta of $342.10.

2019 Toyota RAV4

Change from a mild steel liftgate in 2018 to an aluminum liftgate in 2019 with an OEM MSRP delta of $283.60.

2019 Hyundai Santa Fe

Change from a mild steel core support in 2018 to a composite core support in 2019 with an OEM MSRP delta of $188.82.

2021 Nissan Rogue

Rear bumper assembly now has 35 components compared to 23 for the 2020 model year with an OEM MSRP of $529.37.

2021 Ford F-150

Front view camera mounted to grille now standard with an OEM MSRP of $330.88. Not available for 2020 model year.

As vehicles get older, they are becoming more expensive to repair. In 2024, damage appraisals for the 2019 Toyota RAV4 reveal an increase in the number of operations (+21%) and parts (+11%) compared to 2019 appraisals based on Mitchell data—suggesting that the industry's understanding of repairing these vehicles has evolved. The average number of calibrations performed on a 2019 Toyota RAV4 in 2024 also increased 22%. This is not due to a change in accident type, but a better understanding of the vehicle's repair requirements.

Other signs from 2019 to 2024 that point to severity trends continuing to increase this year in North America include the:

27% jump in the average repairable severity for new model-year vehicles

50% increase in average repairable severity for 5-year-old automobiles

6.4% increase in the frequency of 5-year-old vehicles

Image enhanced with AI-enabled graphic tools.

4. Electric and Hybrid Vehicles Present New Challenges

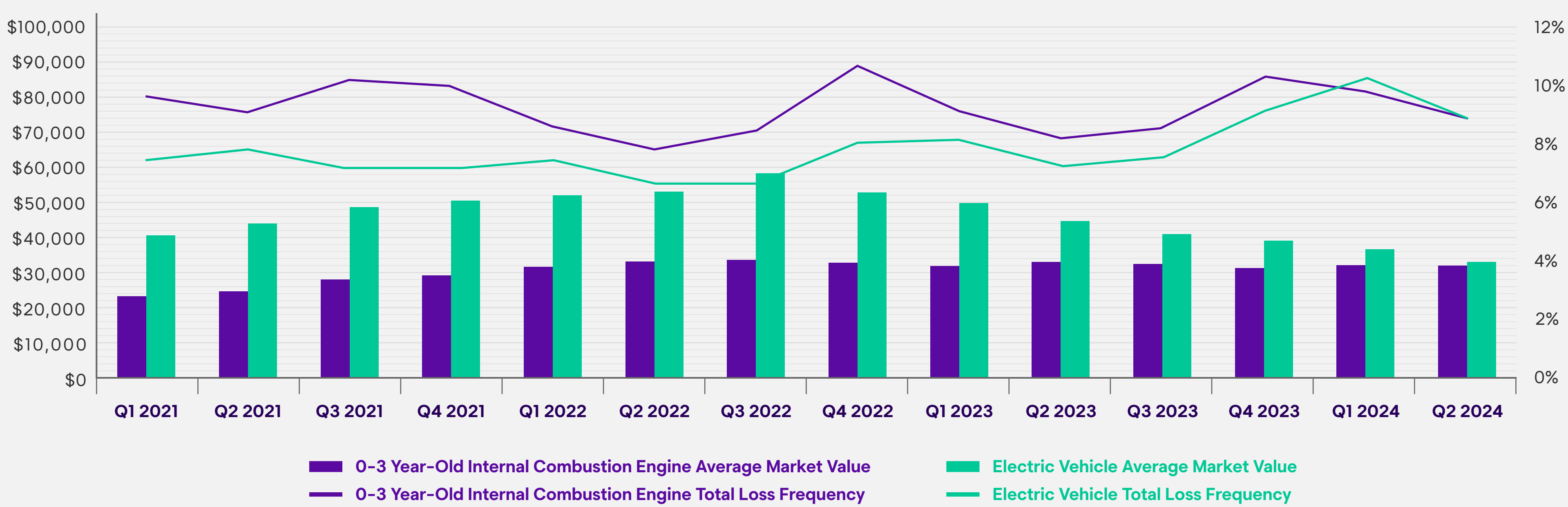
U.S. battery electric vehicle (BEV) sales grew nearly 52% in 2023 and exceeded the one-million mark for the first time ever. Although North American sales were relatively flat in 2024, hybrid sales have grown approximately 70% year over year. Despite the possibility that changes in U.S. policy could impact future growth, these ICE alternatives are still expected to increase in market share in 2025.

So why is that significant? When it comes to claim costs, BEVs tend to be more expensive to repair than ICE vehicles due to their complexity. However, how much more depends on the automobile. Similarly, hybrids also share many of the same complexities, but their average claims severity varies based on the type of hybrid. Mild hybrids—which rely on an ICE as the primary propulsion source—are closely aligned with ICE vehicles in terms of average claims severity. On the other hand, plug-in hybrids—which lack an ICE—are nearly identical to BEVs. BEVs and hybrids also have higher rates of supplement submissions following the initial damage appraisal—underscoring their added complexity and the increased need to do a tear down of the vehicle to understand the full extent of the repair required.

Related to total loss outcomes, the tables have turned. With greater price parity between BEV and ICE vehicles in 2024, total loss frequencies are now nearly identical. Last quarter, BEVs totaled at a rate of 9.9% in the U.S. and 10.11% in Canada versus 9.98% and 11.74% respectively for newer ICE automobiles—which are comparable to BEVs in their complexity and cost to repair. If price parity between the two vehicle types persists in 2025, expect similar outcomes in total loss frequency in the coming year.

Total Loss Comparison: Electric Vehicle vs. Internal Combustion Engine

Greater Price Parity = More Similarity in Total Loss Frequency



Shifting Gears and Adapting to Change

Based on these trends, auto insurers will need to be even more adept at assessing risk and managing costs in 2025—especially when vehicle advancements show no sign of slowing. However, by understanding the road ahead and enhancing coverage options, loss prevention programs, repair networks, claim workflows and technology solutions, carriers can improve policyholder satisfaction and exceed expectations while keeping pace with future automotive innovations.

This article was first featured in Claims Journal.

CHAPTER 3

The Impact of Provider Consolidation on Workers' Compensation

The health care industry has experienced significant consolidation over the past decade, with independent hospitals and physician practices increasingly absorbed by larger health systems. This trend, driven by financial, competitive, and regulatory factors, has far-reaching implications for claim costs, patient choice, and care delivery. As vertical integration reshapes the health care landscape, the industry faces the challenge of balancing potential benefits with the need to maintain competition and affordability.

CHAPTER 3

Workers' Compensation

The Impact of Provider Consolidation on Workers' Compensation

By Kate Farley-Agee
Vice President, Product Management, Enlyte

Over the past decade, the health care industry has experienced significant consolidation, particularly among providers, hospitals, medical groups and individual practices. More than 425 hospital and health system mergers were announced within a recent five-year period (2018-2023), with the percentage of community hospitals integrating into larger health systems increasing from 53 percent in 2005 to 68 percent in 2022. Mergers and acquisitions also accounted for the growing number of physicians working for hospitals or in practices owned by a hospital health systems. An American Medical Association report shows that between 2012 and 2022 the share of private practice physicians fell by 13 percentage points from 60.1 percent to 46.7 percent. The main factors driving consolidation are financial, competitive and regulatory.

Between 2012 and 2022 the share of private practice physicians **fell by 13 percentage points** from 60.1% to 46.7%.

Financially, providers are seeking economies of scale, efficiencies, and improved productivity, particularly in response to health care regulations and the Affordable Care Act. Additionally, venture capital became very active in the 2010s, slowed during the pandemic, and is now beginning to explore new opportunities. The Federal Trade Commission (FTC) has contributed to this trend by relaxing reviews and guidance in recent years, facilitating more mergers and acquisitions. These consolidations affect a broad spectrum of health care providers and facilities, including general acute care, specialty hospitals, rehabilitation hospitals, primary care providers, specialists, specialty providers, and mid-level providers.

Effect of Vertical Integrations

Vertical integration in health care refers to the consolidation of different levels of the health care supply chain, such as hospitals acquiring physician practices or insurance companies buying up health care providers. In general, some of the key effects of this trend in the health care industry include:

Increased market power: Vertically integrated health care systems can gain significant market power, allowing them to negotiate higher prices with payers and limit competition.

Higher health care costs: Studies have shown that vertical integration often leads to increased health care prices for consumers and payers, as the consolidated systems can exert more leverage.

Reduced access and choice: Vertical integration can reduce the number of independent health care providers, limiting patient choice and access to care, especially in concentrated markets.

Potential quality improvements: Proponents argue that vertical integration can improve care coordination and quality by aligning incentives across the continuum of care. However, the evidence of quality improvements is mixed.

Physician autonomy concerns: Physicians in vertically integrated systems may face reduced autonomy and clinical decision-making authority, as the larger system exerts more control.

Antitrust scrutiny: Regulators have increased their scrutiny of vertical mergers in health care due to concerns about their anticompetitive effects, though enforcement has been uneven.

Trends Focusing on Shorter Hospital Stays and Demand for Outpatient Specialty Services

In 2024, Workers' Compensation Research Institute (WCRI) released a study on this topic, "Impact of Medical Provider Consolidation on Workers' Compensation Payments". The report examines the impact of health care provider consolidation on workers' compensation medical payments across 27 states.

The report found increased consolidation of health care providers, particularly hospitals acquiring physician practices, leads to higher workers' compensation medical payments per claim. The analysis shows that a 10% increase in hospital-physician consolidation is associated with a 1.5% to 2.5% increase in workers' comp medical payments per claim. The impact is most pronounced for hospital outpatient and physician services, with payments increasing by 3–4% for a 10% rise in consolidation.

The WCRI report suggests the consolidation of providers allows for larger provider organizations to leverage their increased market power to negotiate higher prices with workers' comp payers. Vertical integration between hospitals and physician practices appears to have a larger impact on payments compared to horizontal consolidation among just hospitals or just physician practices. There seems to be evidence that growing consolidation among health care providers is a driver of higher workers' compensation medical costs in some states.

In addition, we see trends related to shorter hospital stays and increased demand for home health and outpatient services. Hospitals are under pressure to reduce inpatient lengths of stay and transition patients to lower-cost, post-acute care settings as quickly as possible. This has become more prevalent with advancements in medical technology, surgical techniques, and care management that have enabled many procedures and treatments to be performed on an outpatient basis. Payers, including government programs like Medicare, are incentivizing shorter hospital stays through payment models that penalize excessive lengths of stay and workers' compensation payers are seeing better outcomes and shorter duration of care for many workers' compensation injuries.

Outpatient and ambulatory care settings, such as physician offices, clinics, and freestanding surgical centers, are seeing increased utilization as more procedures and treatments are shifted out of the hospital. This trend is driven by patient preference for more convenient, lower-cost care, as well as efforts by payers to steer patients towards less expensive outpatient settings. The COVID-19 pandemic further accelerated the shift towards home health and outpatient care as patients sought to avoid exposure risks in hospitals.

Overall, these trends reflect a broader movement in health care towards delivering more care in lower-cost, community-based settings outside the traditional hospital inpatient environment. This transition has significant implications for health care providers, payers, and patients across the health care spectrum.

A 10% increase in hospital-physician consolidation is associated with a **1.5% to 2.5% increase** in workers' comp medical payments per claim.

Future Consolidation & Regulatory Response

The findings of the industry movement as well as the WCRI report and other data, indicate that policy efforts to limit provider consolidation could help contain workers' compensation medical costs in many states.

The report recommends that policymakers monitor provider consolidation trends and consider policies to promote competition, such as strengthening antitrust enforcement and developing alternative payment models.

Studies have shown that vertical integration (when hospitals acquire physician practices) often leads to increased health care prices for consumers and payers. A 2020 study revealed that hospital acquisitions of physician practices increased prices for privately insured patients by 14.1% on average, while another study found that hospital-owned physician practices charged 10–20% higher prices compared to independent physician practices. In addition, consolidated health systems can exert more bargaining power with insurers because the new systems are larger and represent a larger percentage of the market, leading to higher negotiated prices. The impact is substantial: a 2016 study found that hospital mergers resulted in price increases of 20% to 50% in affected local markets, while another study estimated that hospital consolidation increased prices by 6% to 18% on average. These findings consistently demonstrate that prices have increased significantly in areas where hospital and health system mergers have taken place.

While vertical integration can potentially yield some benefits, the predominant research suggests that it often leads to higher medical costs and reduced competition, access, and choice for patients—making it an important—albeit controversial—trend to watch.

CHAPTER 4

Provider Shortages and Creative Solutions

The P&C industry faces significant challenges due to projected physician shortages, particularly in specialties crucial to workers' compensation. To address these gaps, stakeholders are exploring innovative strategies such as integrating non-physician providers, expanding telehealth services, and leveraging specialty solutions for transportation and home health care. As the industry evolves, embracing technological advancements, strategic partnerships, and performance-based models will be crucial in ensuring high-quality care delivery and improved patient outcomes in the face of ongoing provider shortages.

CHAPTER 4

Auto Casualty, Networks & Workers' Compensation

Provider Shortages and Creative Solutions

By Nicole Usher
Sr. Director of Operations, Apricus

By Kate Farley-Agee
Vice President, Product Management, Enlyte

As the P&C industry grapples with unprecedented provider shortages, stakeholders are challenged to adapt and innovate to ensure the continued provision of high-quality care. According to the American Medical Association (AMA), the U.S. faces a projected shortage of 37,800 to 124,000 physicians within the next decade, with primary care alone facing a potential deficit of up to 48,000 providers. This crisis is particularly acute in specialties crucial to the P&C industry, such as orthopedics and neurology. For surgical specialty physicians, including orthopedists, the AMA predicts a shortage as high as 30,200 surgeons by 2034. These shortages pose significant challenges for maintaining robust provider networks, especially considering that P&C physician networks are largely comprised of these specialty providers. In response, network managers are exploring creative strategies to address these gaps, improve patient access to care, and develop programs that can effectively meet the demands of payers despite these growing challenges.

> The Association of American Medical Colleges projects the U.S. to experience a shortage of 17,000 to 42,000 radiologists and other specialized professionals by 2033.

Expanding the Use of Non-Physician Providers

One effective approach is integrating non-physician providers, such as nurse practitioners, physician assistants, and chiropractors, into primary care roles. This strategy not only expands the pool of available providers but also enhances access to care for less severe cases, allowing physicians to focus on more complex medical needs. States are increasingly recognizing the value these mid-level providers bring, resulting in regulatory changes that permit them to manage a broader range of cases. Provider network managers should take a proactive approach to understanding mid-level provider availability and implementing strategic contracting initiatives. This includes thorough credentialing verification and compliance with state requirements for both individual practitioners and group practices. In addition, the use of data analytics plays a crucial role in identifying market trends and strategically recruiting mid-level providers, ultimately improving access to medical care across the P&C industry.

Addressing Provider Shortages and Burnout

While provider burnout has decreased from pandemic levels, high patient workloads and practice limitations continue to impact medical professionals. For example, radiologist shortages significantly impact patient care and recovery times, with delays in imaging extending hospital stays and increasing costs. The Association of American Medical Colleges projects the U.S. to experience a shortage of 17,000 to 42,000 radiologists and other specialized professionals by 2033. These factors contribute to high stress levels and job dissatisfaction, underscoring the need for alternative staffing models and supportive measures. Incorporating non-physician providers like nurse practitioners and physician assistants can help alleviate some pressure on radiologists. Moreover, integrating artificial intelligence (AI) in diagnostic imaging can automate routine tasks, enabling radiologists to focus on complex cases and potentially improving job satisfaction.

Source: Medscape Radiologist Lifestyle, Happiness & Burnout Report, 2023

Telehealth Options

Implementing and encouraging the use of telehealth services for primary care, and specialty care such as physical and occupational therapy, allows access to care, and frees up medical resources to deploy more efficiently for patients is another strategy to supplement provider shortages. Remote consultations allow patients to consult with health care providers remotely at convenient times without travel constraints. This is particularly beneficial in remote areas as well as metropolitan areas. This approach also allows the provider to monitor patient progress more efficiently.

Policy Changes and Regulatory Changes

Advocating for policy and regulatory changes that relax some of the requirements could reduce barriers to patient care access. For example, one area to consider reviewing restrictions in the regulatory environment is telemedicine for certain states and proposing changes to increase access to telemedicine. In addition, the licensure and credentialing process for mid-level providers and the ability for those types of providers to provide primary gatekeeper care to patients may be helpful.

The Role of Transportation in Health Care Outcomes

Transportation is increasingly recognized as a critical factor in health care outcomes, sometimes overlooked in the broader discussion of provider shortages. The American Hospital Association highlights that transportation gaps not only hinder patient recovery but also incur costs for all stakeholders. One review of more than two dozen studies on how transportation challenges can affect health care found that 10 to 51 percent of patients cited lack of transportation as a barrier to care. In the context of provider shortages, ensuring access to reliable transportation networks is vital. Partnering with a specialty solutions provider to facilitate timely access to health care appointments through appropriate transportation services can help bridge the shortage gap, supporting injured employees with transportation that meets their individual needs and is cost-effective for payers.

The continual expansion and fine-tuning of rideshare services for non-emergency medical transportation (NEMT) has created innovative solutions to traditional transportation barriers. The evolution of technology is fundamentally changing how specialty providers can deliver transportation services to clients and their injured employees, creating a more efficient, reliable, and transparent system for all stakeholders. Higher expectations for drivers and services offered make a good match to meet the needs of injured employees, through door-to-door service with expressly credentialed drivers. Utilizing this type of service when appropriate keeps traditional transportation providers open for more critical patients with more extensive needs. Having access to these expanded services with proper oversight is an effective way to ensure access to medical care while managing costs.

Drawing Parallels with the Nursing Faculty Shortage

Insights from the nursing faculty shortage reveal key parallels with broader health care provider shortages. Like the constraints in nursing education, many areas in health care face bottlenecks due to educational and training limitations.

Offering competitive compensation and creating strategic partnerships can help mitigate these shortages.

For instance, incentivizing educational roles and creating joint appointments may attract more professionals to roles that are in high demand but low supply, such as radiology. Additionally, enhancing educational and training programs, much like the proposed solutions for nurse educators, can be pivotal in expanding the workforce in critical areas.

The continual expansion and fine-tuning of rideshare services for non-emergency medical transportation (NEMT) has created innovative solutions to traditional transportation barriers.

The Role of Physical Medicine in Addressing Provider Shortages

Physical medicine is critical in workers' compensation, where early intervention with physical therapy (PT) significantly enhances recovery outcomes, especially for orthopedic injuries. The shortage of physical therapy and occupational therapy (OT) providers has delayed initial evaluations, impacted recovery timelines and increased disability-related costs. While demand is high due to an aging workforce and stringent entry requirements for PT degrees, therapists are not leaving the P&C industry; rather, the challenge lies in meeting demand. Addressing these shortages involves strategic partnerships with networks that prioritize workers' compensation specialization and rapid patient evaluation. Enlyte leverages sophisticated scheduling tools and strict performance metrics to ensure timely, evidence-based care, supported by regulatory efforts such as compact licensure and telerehabilitation, which facilitate flexible, accessible service delivery.

Bridging the Gap with Home Health Care

As the health care industry grapples with persistent staffing shortages, specialty services like home health care are facing significant challenges in meeting the needs of injured employees. To combat these delays and ensure injured employees receive the care they require, payers can partner with a specialty solutions provider. These providers leverage a broad national network of home health and home care agencies, matching injured individuals' medical needs to the appropriate skill level required. By assessing social, lifestyle, and environmental factors, they facilitate comprehensive home care plans and ensure dependable, consistent care. In addition, specialty provider partnerships and their volume of business allow for prioritized handling of cases, helping to avoid disruptions in home care. Similarly, in the realm of physical therapy and other specialty services, innovative strategies that streamline billing processes and reduce administrative burdens can enhance provider satisfaction and patient outcomes, even amidst provider shortages and evolving regulatory environments. By leveraging these specialty solutions, payers can ensure injured employees receive the high-quality care they need to achieve the best possible recovery outcomes, despite provider challenges.

Evolving Fee Schedules and Compensation Models

The workers' compensation industry's financial landscape is also shifting, with changing fee schedules and compensation models influencing provider engagement. Provider networks offering competitive fee schedules that balance cost savings and fair reimbursement attract more participation from providers to join the network and stay in the network. As the health care sector increasingly embraces performance-based models, workers' compensation is expected to follow suit. This transition aims to align compensation with patient outcomes, encouraging providers to focus on delivering high-quality, efficient care. Providers are also navigating the complexities of balancing group health and workers' compensation practices, leading to increased consolidation within the industry. Network managers recognize the need for increased provider engagement and training. By empowering providers with the right knowledge and skills, they can better align patient care delivery with the administrative tasks required to bill and receive payment appropriately. This alignment helps ensure providers are equipped to skillfully handle the complexities of the health care system.

What to Look for in 2025

Looking ahead to 2025, the P&C industry is poised to continue embracing technological advancements and strategic partnerships to mitigate provider shortages and deliver enhanced patient care. Payers are partnering with provider networks that contract directly with providers to ensure those relationships remain secure. These networks also implement strategies to create an environment that removes hassle factors for providers, enabling them to focus on patient care.

By building strong provider relationships and equipping them with tailored training and tools, these networks are able to ensure better outcomes for both patients and providers. Additionally, provider networks who are actively engaged with state legislatures can stay current on regulatory changes to bring the P&C industry's perspective. Companies that strategically combine the traditional PPO network and specialty network businesses to be able to bring the strategies discussed above cohesively together are well positioned to be able to meet the need and challenge provider shortages bring to the industry. Through these strategic partnerships and data-driven approaches, the industry can enhance patient outcomes, operational efficiency, and provider availability to meet the evolving needs of 2025 and beyond.

CHAPTER 5

The Impact of Mental Health on Workers' Comp Claims

Mental health can significantly impact workers' compensation claims, affecting duration, costs, and recovery. Contrary to traditional views, mental health issues often result from return-to-work struggles rather than causing them. To effectively manage claims outcomes in cases with comorbidities and confounding factors, early assessment and intervention are crucial. Utilizing case managers to conduct thorough initial assessments, with data analytics to determine comprehensive case severity scores, can help improve treatment plans, expedite recovery, reduce costs, and improve patient outcomes.

CHAPTER 5

Workers' Compensation

The Impact of Mental Health on Workers' Comp Claims

By Jim Harris
Corporate Owner, Information Management & Customer Reporting and Analysis, Genex

Analyzing the Financial Impact of Mental and Behavioral Health on Comp Claims—Data Review Offers Insight on How Psychosocial Diagnoses Affect Return to Work

Mental health is a vital component of overall well-being. Conversely, poor mental health, whether preexisting or brought on by a workplace incident, can have a substantial impact on claim duration, costs, and recovery in workers' compensation.

Traditionally, the term mental health has been treated as a claims pariah in workers' comp, as it's been associated with delaying recovery and sending costs spiraling out of control. The old view often had it backwards, with payers linking issues such as anxiety and depression as the reason for return-to-work delays. Instead, it's often the employee's struggles in returning to work that lead to or exacerbate these mental conditions.

COVID-19 has helped change the way many employers and payers view mental health due to rises in workplace isolation, anxiety and depression among employees during the pandemic. A recent study by Business Group on Health found 63 percent of employers planned to expand their mental health care networks to address access to care in 2024. The share of employers who offer mental health navigation programs has also been steadily increasing. These programs direct employees to mental health care providers and support them during their search.

And employees are noticing these efforts. The American Psychological Association's 2023 Work and Well-being Survey revealed that seven in 10 workers believe their employer is more concerned about the mental health of employees now than in the past.

Still, understanding the prevalence of and most common mental health diagnoses in workers' comp claims is essential to better addressing the issue. For this reason, Enlyte recently analyzed 1.3 million claims with injury dates in 2023 at 18-months valuation, reviewing mental health diagnoses among them. Our goal was to shed light on how claims data can be used to identify mental, behavioral and social determinants of health (SDoH) issues.

Mental and Behavioral Health Claims Overview

Of the claims studied, 4.1% included at least one bill containing a mental or behavioral health diagnosis and/or treatment code. Although this percentage might seem modest, the associated claim costs and durations are significant. For instance, we found medical treatment duration involving mental health conditions is approximately 320% longer and average 4.3 months longer for recovery compared to claims without. Additionally, the medical costs are nearly 700% higher, with an average difference of $17,000 per claim.

Among those claims, our analysis identified the most prevalent mental health diagnoses. The top four are post-traumatic stress disorder, post-concussional issues, anxiety disorders and bipololar disorders.

Most Prevelent Mental Health Diagnoses

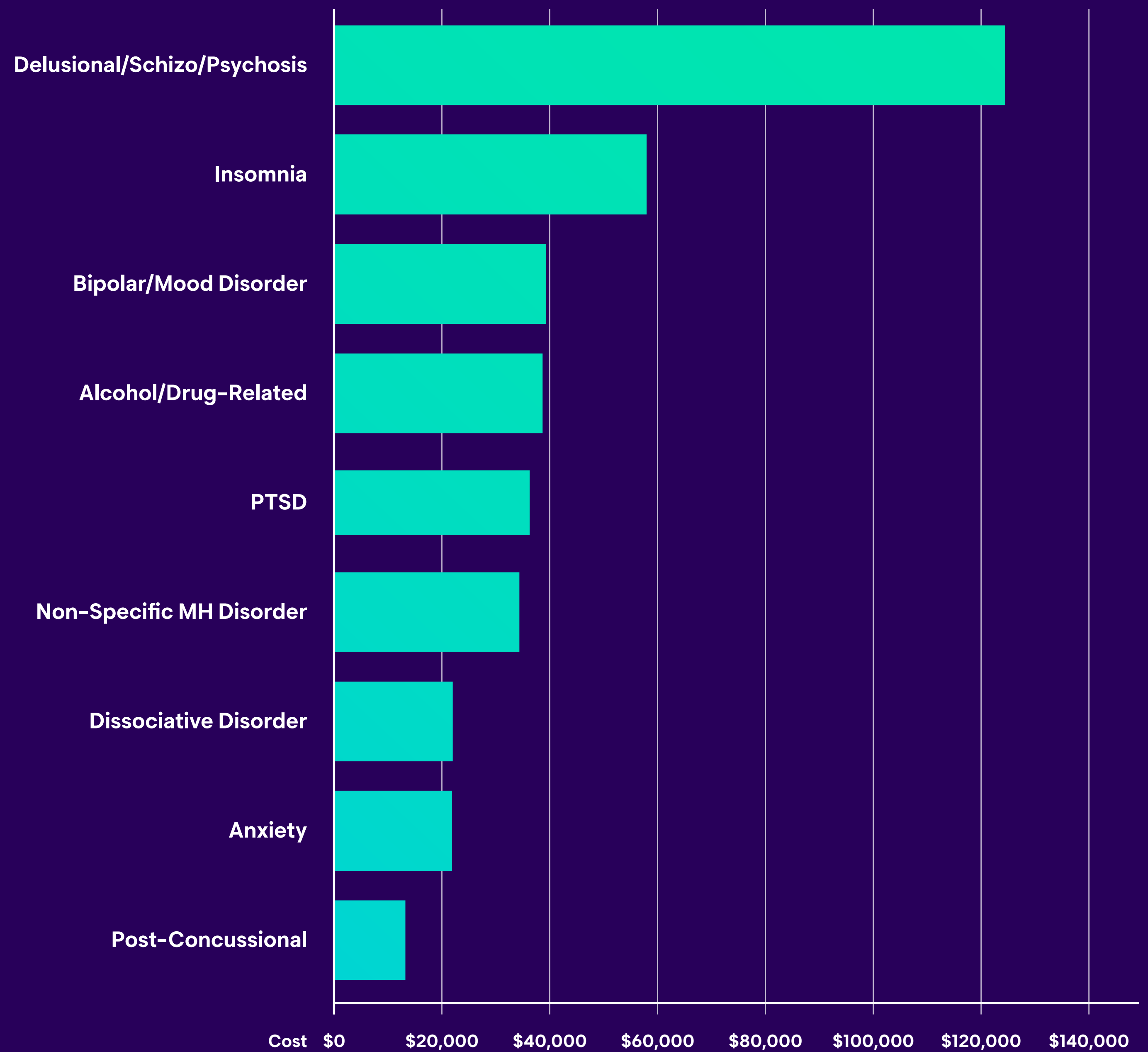
1. Post-Traumatic Stress Disorder (PTSD) 35.0%
2. Post-Concussional Issues 27.3%
3. Anxiety Disorders 17.7%
4. Bipolar/Mood disorders 10.8%
5. Alcohol/Drug-Related 4.5%

Interestingly, while PTSD is most common, it ranks No. 5 in medical cost per spend in our research, averaging around $40,000. The costliest condition is schizophrenia psychosis, with an average medical spend exceeding $120,000 per case, followed by insomnia at close to $60,000. Bipolar/mood disorder and alcohol/drug-related conditions registered above $40,000 per diagnosis.

692%

18–Month Spend

Top Mental Health Diagnoses By Spend



Treatment Duration and Cost Analysis

We also noticed significant variations in the data when looking at treatment duration, with claims ranging between 150 and 200 days. This extended period highlights the complexity and resource-intensive nature of managing such conditions. The average medical spend per case ranges from $20,000 to $40,000 for the top diagnoses, emphasizing the financial burden on health care systems. Non-specific mental health disorders (such as non-psychotic mental disorders and psychological and behavioral factors not associated with other diseases) had the longest duration at 250 days, followed by insomnia, bipolar/ mood disorder and PTSD.

320%

Longer Treatment Duration

Top Mental Health Diagnoses By Treatment Duration

Impact of Confounding Factors and Comorbidities

We also explored Enlyte's case management data from 2023, covering 49,000 cases, to determine the impact of confounding health factors and comorbidities on workers' comp claims. Our research showed approximately 52% of cases involved at least one confounding factor, such as obesity, opioid use, hypertension, and smoking.

These conditions prolong disability duration by about 90% and increase claim severity by 23%, according to our data.

Importance of Early Identification

Based on our data, early assessment of mental and behavioral health claims cases with comorbidities and confounding factors is vital for effective management. This includes incorporating early intervention case management when appropriate. Case managers are skilled at conducting thorough initial case assessments with injured employees to obtain a complete medical history, whether it's related or unrelated to that compensable injury. On the data analytics side, we incorporate that information to help determine a more complete case severity score, which offers a more reliable prognosis of return-to-work durations.

This includes psychosocial issues, socioeconomic challenges that may be overriding the individual's focus on recovery, and any other issues that could impact compliance with their health care treatment plan. This proactive intervention can lead to more effective treatment plan development and expedite recovery, reducing costs and improving patient outcomes.

Understanding these dynamics is essential for payers to make informed decisions and optimize resource allocation. By recognizing the significance of mental health in claims management, stakeholders can enhance patient care and achieve better financial outcomes.

CHAPTER 6

Opioid Trends—Is the Landscape Improving?

Recent drug trend analyses reveal a shift in workers' compensation pharmaceutical management. While opioid utilization continues to decline, topical and specialty medications are emerging as prominent factors in pharmacy expenditure. Analysis of Enlyte's recent Drug Trends data revealed that topical medications have surpassed opioids as the primary contributor to pharmacy costs. This development marks an important shift, necessitating the implementation of novel strategies to address escalating expenses. The increasing prevalence of topical and specialty medication classes is reshaping the landscape of workers' compensation drug trends, warranting close attention from industry professionals and policymakers alike.

CHAPTER 6

Auto Casualty
Workers' Compensation

Opioid Trends—Is the Landscape Improving?

By Nikki Wilson, PharmD/MBA
Senior Director, Clinical Pharmacy Services

Identifying Sources of High Drug Costs in Workers' Comp

With opioid use trending down, another drug category is grabbing a bigger share of total pharmaceutical spend.

In the P&C industry, the lead story in drug trends has long been opioids, which for years has accounted for the largest share of both volume and cost—even though both have been steadily declining. However, a new player seen gaining momentum in previous years has taken a share of the spotlight when Enlyte released our 2024 Drug Trends Report a few months ago. Topicals overtook opioids to account for the largest portion of overall pharmacy costs, even though they account for less than half the prescription volume of opioids.

It's an important moment for the industry. In one way, we should celebrate our success in reducing opioid utilization, the average strength of prescribed opioid dosages, and cost. But the rise of topicals, in large part due to unethical marketing practices, spotlights new issues that workers' comp will need to address over the next few years.

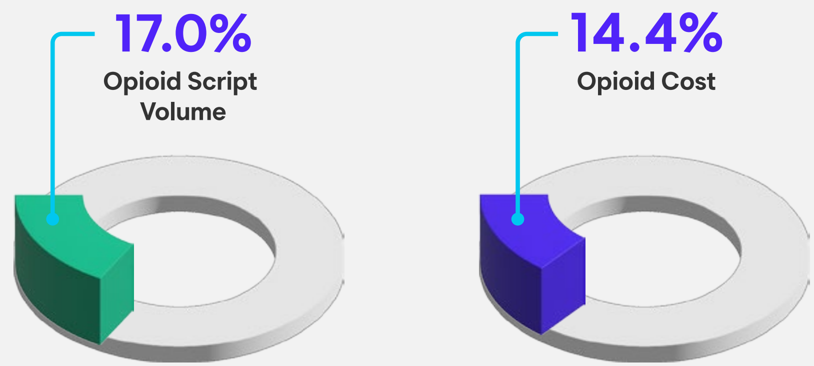
Enlyte has a unique vantage point from which to analyze drug trends because our data doesn't just look at retail and mail order scripts, rather, it also employs bill review pharmacy data to capture out-of-network and physician-dispensed medications. As a result, Enlyte data offers a holistic view of overall medication costs and trends.

Opioids' Long Downward Trend

Enlyte's 2024 Drug Trends Report reflects trends our clients experienced in 2023. Our latest numbers show opioids represented 17% of total scripts, down 1.2 percentage points (%-pts) from 2022. Costs also fell by the same amount, 1.2%-pts, to account for 14.4% of total spend. Perhaps most important for public health and the campaign to avoid over-prescribing these potentially highly addictive medicines, the average morphine equivalent dose (MED) continued to decline for the ninth consecutive year, falling 1.5% in 2023, while the number of opioid scripts with a high MED, defined here as 90 mg and above, were down a whopping 14%. The number of injured employees who were prescribed opioids fell as well, declining 1.4%-pts.

As noted above, opioids still account for the largest number of prescriptions, but no longer represent the top cost category, where they fall just behind topicals. These declines haven't come out of nowhere but are the result of a sustained effort around education, legislation, and changes to best practices among prescribing medical professionals. It shows the industry can make significant changes to improve the health of patients while also lowering costs.

The proportion of opioid scripts and cost **both dropped 1.2 % pts. from 2022.** While opioids **continue to decline as a percentage of total script volume and costs,** it remains essential to promote evidence-based risk management strategies.



*The inclusion of out-of-network specialty HCPCS in the total script count and costs has adjusted the percentage of opioids previously reported in Drug Trends Part 2.

Percentage of injured employees using opioids in 2023: 21.7%

The number of injured employees using opioids has continued to decline (down 1.4% pts. in 2023).

2023 Morphine Equivalent Dose (MED) Trends

1.5% reduction in average daily MED per script*

*MED of 90 mg or above

The Trouble with Topicals

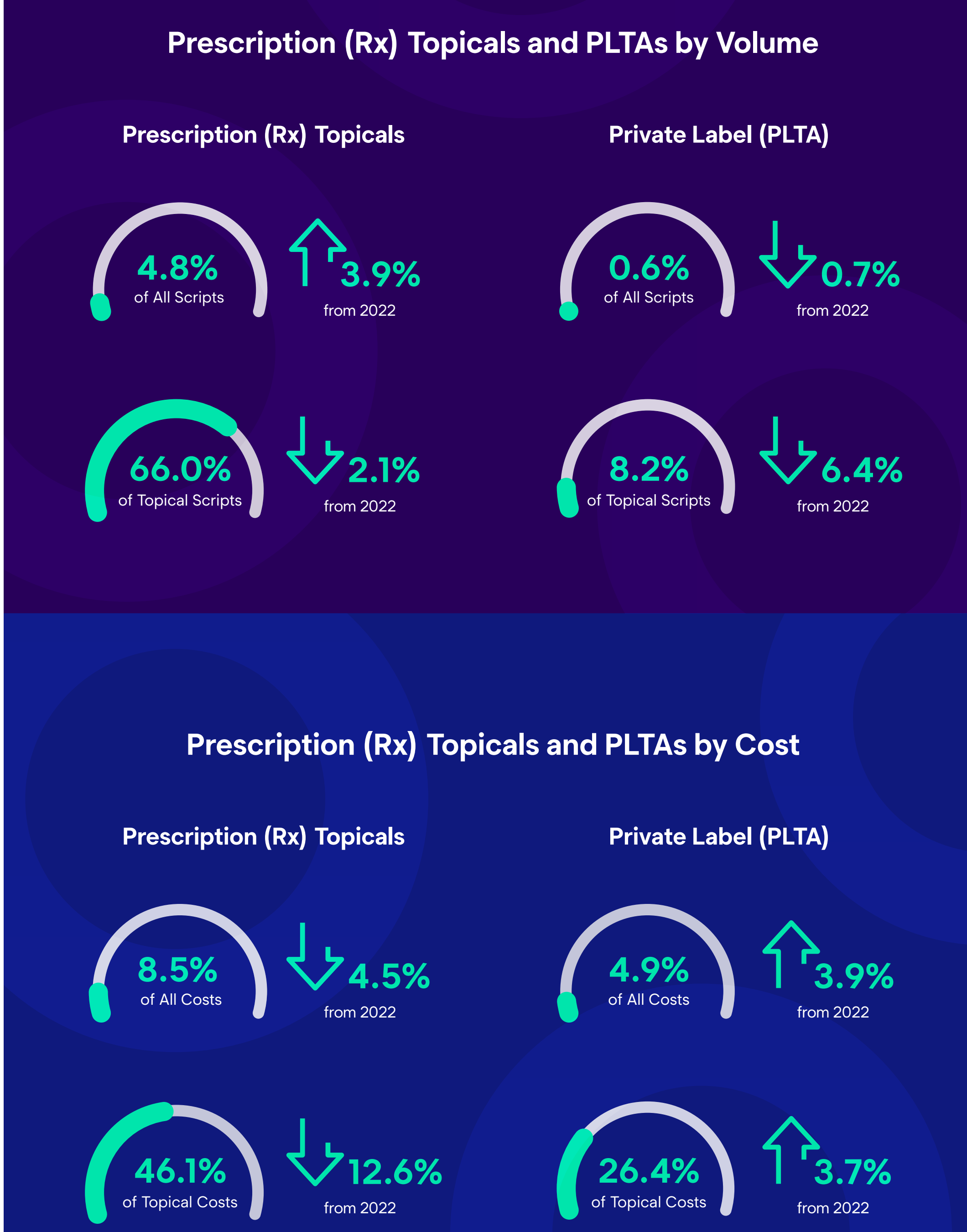
Topicals account for 7.2% of script volume (up 0.4%-pts from 2022), which makes them the 5th most-prescribed category of medication in workers' comp, but they represent 18% of total pharmacy costs (up 0.9%-pts). And while prescription topicals make up two-thirds of topical scripts, they only make up 46.1% of topical script costs. The cost drivers here are primarily private label topical analgesics (PLTAs), because while they are just 8.2% of topical script volume, they account for more than a quarter (26.4%) of topical costs. Overall topical category costs per script increased 6.4% while cost per claim grew 8.8%.

Here's a good example to demonstrate the underlying problem. Enlyte's data shows one manufacturer's (PLTA) cream containing 10% methyl salicylate and menthol 2% priced at $1,500 for a 2-ounce tube for the temporary relief of minor aches and pains of muscles and joints. Comparatively, a 3-ounce pack of over-the-counter Equate-branded Icy Hot equivalent containing methyl salicylate 30% and menthol 10% can be obtained without a prescription for around $3. That's a markup of almost 50,000%.

Combo packs are another area ripe for exorbitant pricing, averaging $1,200 per script. This involves prescriptions in which manufacturers package multiple, commercially-available products such as prescription drugs, supplements, or supplies including alcohol wipes or medical tape together for sale with a common therapeutic purpose at a considerably marked-up price, when the consumer could individually purchase these products for a combined average wholesale price often 10 times lower.

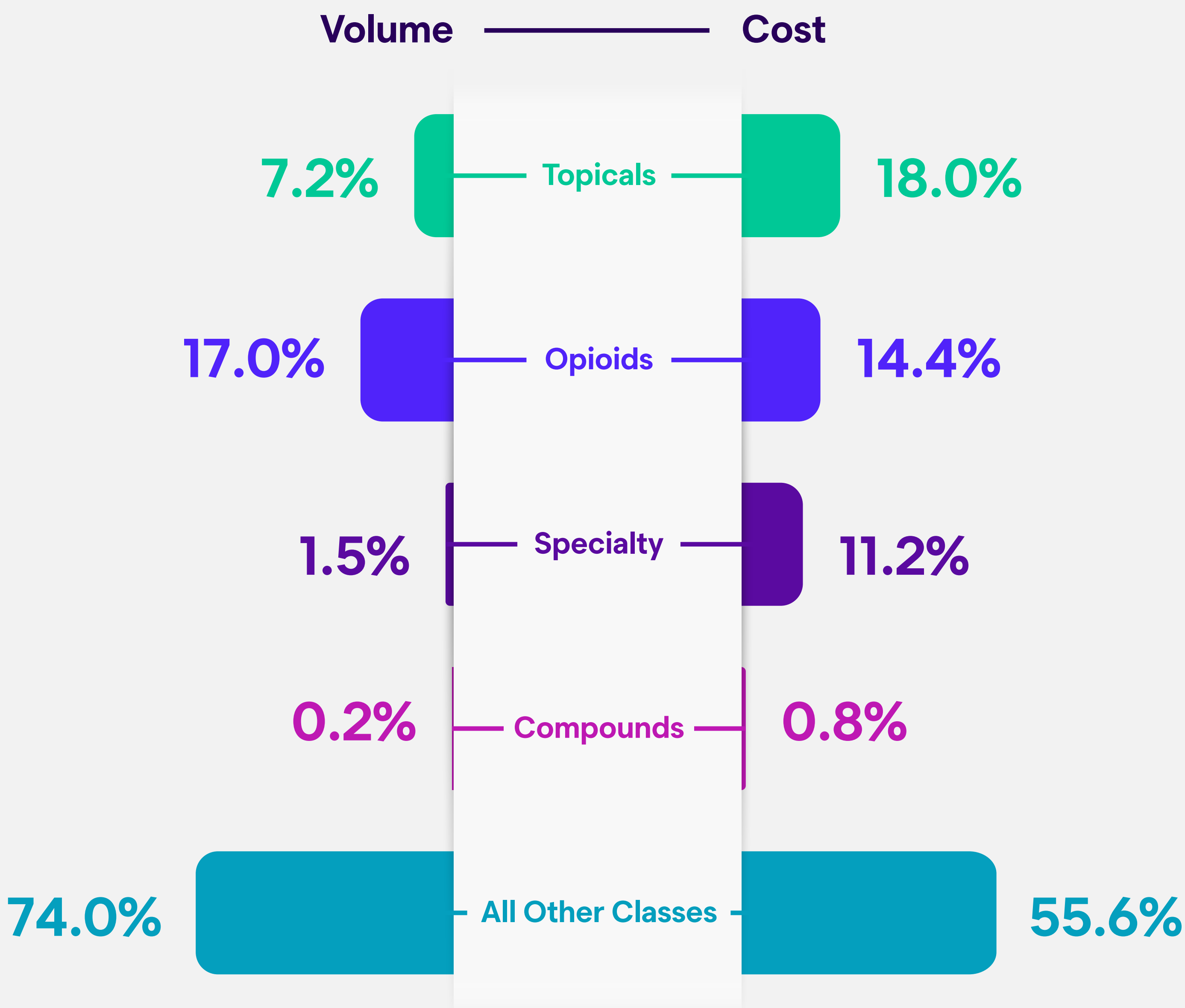
Combating these unethical practices and driving down costs will take time, but it is definitely an achievable goal.

A decade ago, compounds posed a similar problem, with massive, unjustified markups driving costs. Thanks largely to legislation and regulatory measures, compounds now account for just 0.2% of script volume and 0.8% of total cost.



Topical and specialty classes accounted for an increased percentage of total cost in 2023. While usage of opioids and compounds continues to decrease, **topicals and specialty medications accounted for a slightly larger share in 2023.**

2023 Proportion of High Impact Drug Classes*



*Includes out-of-network specialty HCPCS codes resulting in slight differences reported in Drug Trends Part 2.

Specialty Drugs: New Effective, Yet Expensive Migraine Medications, Drive Up Cost

Another important high-impact category is specialty drugs, which made up 1.5% of total scripts (up just 0.1% from 2022), but accounted for 11.2% of costs (up 1.3%). While the volume of scripts is relatively small, the cost per script and impact on cost is exponentially higher. Specifically, migraine medications saw increases of 17% for volume, 10.2% for overall share of cost, and specialty migraine meds saw a startling 97.3% increase in cost per claim, with an average script cost around $1,300.

The drivers here are a new class of migraine medications that work through a novel mechanism of action, so-called calcitonin gene-related peptide (CGRP) inhibitors, such as the injectable drug erenumab. Sold under the brand name Aimovig, it received FDA approval in 2018. Aimovig alone accounted for over 11% of migraine medication volume and about 12% of migraine medication cost in 2023, with an average cost per script of $971.

Other new migraine medications have come on the market since then, and they too, are similarly expensive and effective for preventative and acute treatment.

Typically, these migraine medications are prescribed as part of a treatment plan for a traumatic brain injury or some other work-related incident that would contribute to migraines. This newer class of drugs truly represent a breakthrough in addressing chronic, debilitating migraines, but they come with a higher price tag than alternative treatments, including triptans (the drug class typically recommended as first-line for acute migraine management) and will remain available as brand-only for several years.

Migraine Medications Saw Increases

17%

For Volume

10.2%

For Overall Share of Cost

Specialty Migraine Meds Saw A Startling Increase in Cost per Claim

97.3%

Managing Costs While Providing High-Quality Care

To manage costs without compromising patient care, workers' comp programs should start with good data and rigorous analysis. One cannot address a situation if it cannot be measured or identified, and especially with low-volume, high-impact drugs, the categories are not always obvious—they require analysis to uncover. Pharmacy programs need to incorporate proactive means to gather data post-dispense to help guide and inform helpful plan edits, formulary management, and medication prior authorization.

In addition, certain categories of pharmacy cost-drivers, in particular, private label topical analgesics, are marketed and sold directly to physicians for direct dispensing. So, until legislation and regulations catch up to deal with the issue of high markups and dispensing channel challenges, plans will need effective clinical and cost controls to address and capture these products for management. Dispensers that consistently abuse the loopholes allowing for these practices should be flagged and, if possible, care should be directed elsewhere to preferred network providers.

The workers' comp industry has a lot to be proud of when it comes to improving opioid trends, including reductions in scripts, cost, and MED, as well as successfully combating excessive costs with compounding practices. But, as topicals and combo packs demonstrate, the work is not complete. Enlyte will continue to engage with legislators, clients, and health care providers to ensure patients receive the high-quality care they need in alignment with evidence-based recommendations, while promoting patient safety and responsible cost management.

CHAPTER 7

Election Impacts—What to Do With New Legislation 2025

The 2024 U.S. election resulted in a Republican sweep of the executive and legislative branches, prompting widespread speculation about potential changes in the P&C insurance industry. While federal policy directions remain uncertain, state-level governance largely remained stable, suggesting a more consistent outlook for P&C. Enlyte regulatory leaders discussed expectations, and weighed in about minimal federal interference in state-controlled workers' compensation and auto insurance programs, and trickle-down effects from federal initiatives in cybersecurity, AI, and drug pricing transparency that may impact the sector. While much remains unknown, the administration's focus on deregulation and cost reduction could influence industry trends.

CHAPTER 7

Auto Physical Damage,
Auto Casualty & Workers' Compensation

Election Impacts—What to Do With New Legislation 2025

By Tom Kerr
Director of Public Relations

Election '24 Impact: Major Changes for P&C or More of the Same?

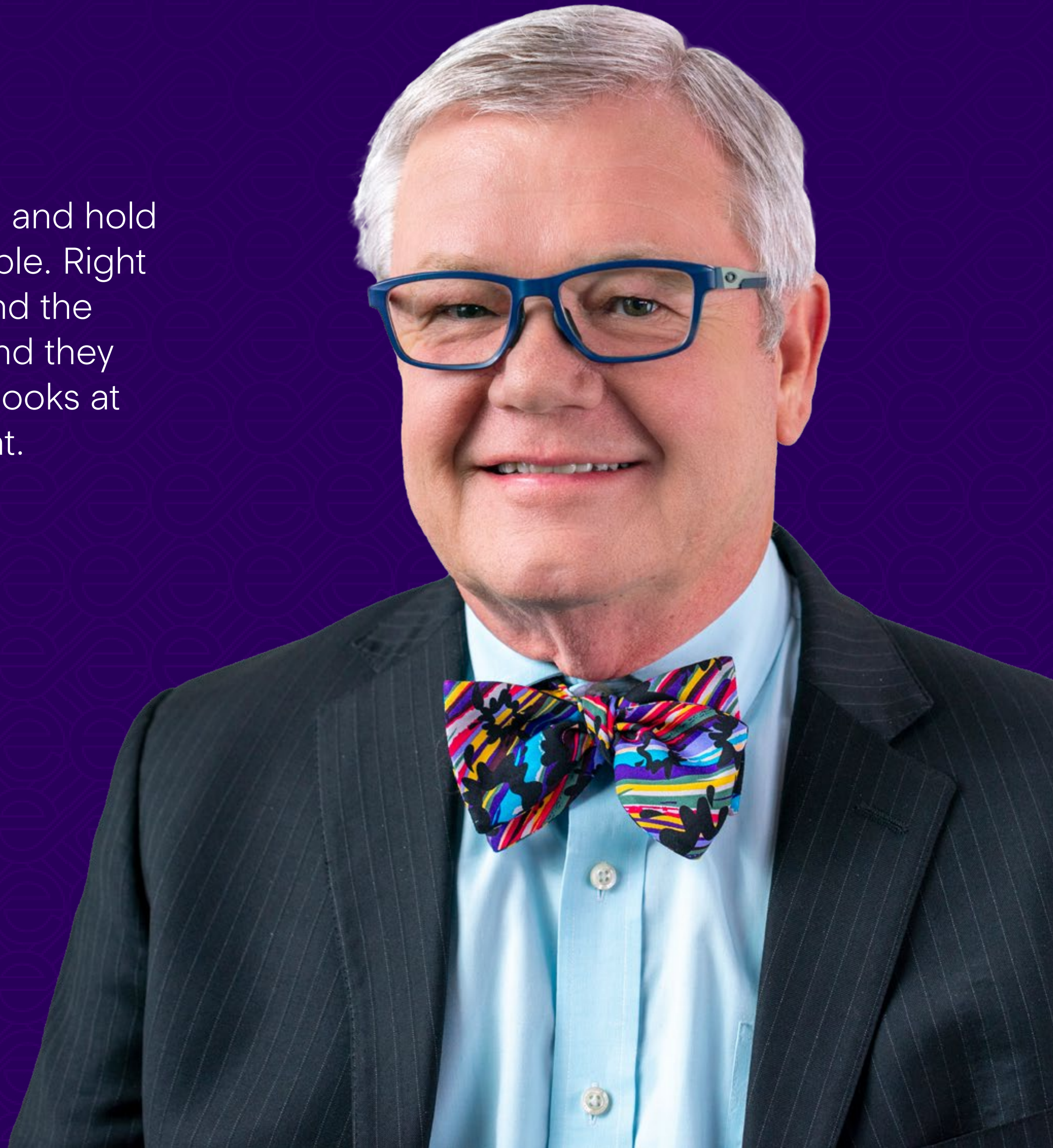
Election night 2024 ushered in what many see as monumental change to America's political direction as Republicans gained control of the executive branch and both houses of Congress.

While Washington's power shift has been determined, as of this publication, the policy direction of the second Trump administration remains mostly unclear, though the president-elect promised a significant course shift from his predecessor.

To gain a better understanding of how the 2024 election could affect workers' comp, provider networks and the auto industry, Enlyte asked our three leading regulatory experts—Brian Allen, Kate Farley-Agee and Michele Hibbert—to weigh in.

We're going to have to have courageous legislators step up and hold the drug companies accountable. Right now, they're just nibbling around the edges of drug transparency, and they really need to take some hard looks at where the money's being spent.

Brian Allen
VP of Government Affairs, Enlyte Pharmacy Solutions



Are Changes to P&C Coming?

While the 2024 election signaled a changing of the guard in Washington, a similar power shift didn't play out in most state governments, which could point to a more stable outlook for the P&C industry, according to our experts.

"One of the big election surprises to me was how little changed at the state level," said Allen, VP of Government Affairs, Enlyte Pharmacy Solutions. "If you look at the governors, the legislatures, a lot of the party composition really didn't change. Even in a state like Pennsylvania where there was a big shift in the electoral vote for president, the 2025 state legislative makeup is exactly the same as it was prior to the election. You have a Republican-led Senate and a one-seat Democrat majority in the House."

And though some have called for more standardization across state regulations in the past, Allen doesn't see the new administration interfering with state control of workers' comp and auto insurance.

"I anticipate the new Trump administration scaling back regulatory influence at the federal level," he said. "You'll see states go through normal processes of reform in their workers' comp and auto programs in 2025, but I don't think we'll see a movement at the federal level to get their fingers into state issues, and that would be good for the industry."

Other states like California, which has issued many progressive regulations in P&C over the past decade, also did not experience major changes on the state front, said Hibbert, SVP of regulatory compliance management. Michigan, however, did see a power shift that may influence P&C initiatives there.

"The Michigan Senate maintained its Democrat majority but now the House leans Republican," she said. "Over the past two years under the then Democratic-controlled state House, a lot of bills focusing on insurance regulations originated there. So, for current Gov. Whitmer, who is a Democrat, passing similar initiatives over the next two years could be a challenge. You'll likely see the House become more business-oriented than it was before."

Trickle-Down Effect

While states will determine much of what happens in P&C, trickle-down effect of some federal actions could impact our industry, Enlyte regulators said. This includes government efforts to ramp up cybersecurity and artificial intelligence initiatives designed to protect national interests.

The Trump administration's promise to reduce government costs and inflation could also affect the insurance sector, Hibbert said. Lower interest rates could encourage more risk taking, including the use and development of generative AI for underwriting and fraud detection.

Hibbert also sees Trump's call for government deregulation possibly leading to lower costs for businesses and Medicare. Conversely, increased tariffs on foreign imports could influence the cost of doing business in the insurance sector, especially when it comes to auto repair.

Farley-Agee, VP, Network Product Management, agrees the push for deregulation could lead to greater investment in AI and other tech innovations. It could expand the trend of mergers and acquisitions within our space.

"We've had a fair number of mergers and acquisitions in the last year after a slowdown the previous year," she said. "I think we'll see more M&A activities driving even more facility and provider consolidation."

Drug Transparency

Despite the power shift from blue to red in the U.S. Senate, Enlyte regulatory leaders expect the 119th Congress will continue efforts to reduce drug prices and increase PBM transparency.

"Drug prices in this country are outrageous," said Allen. "We're paying two or three times more than other industrialized countries for many prescriptions. There's no reason for it. We're basically subsidizing the rest of the world and that's got to stop. As legislators start looking at the facts about what's happening with drug pricing in this country and they start digging into where the real culprits are, there are going to be changes."

That is, unless pressure from drug company lobbyists, who routinely contribute to election campaigns, impact those efforts, Allen said.

"We're going to have to have courageous legislators step up and hold the drug companies accountable," he said. "Right now, they're just nibbling around the edges of drug transparency, and they really need to take some hard looks at where the money's being spent."

"When a new drug comes to market now, the average annual cost is $300,000," Allen continued. "It's ridiculously high. Why is it so expensive and what can we do to make it less expensive? Hopefully, bright minds will come together and figure it out because drug pricing in America needs to be fixed. It's really a drag on our health care system."

We've had a fair number of mergers and acquisitions in the last year after a slowdown the previous year. I think we'll see more M&A activities driving even more facility and provider consolidation.

Kate Farley-Agee
VP, Network Product Management

What About Medicare?

A big campaign issue in 2024 was protecting the solvency of Medicare. While Trump has vowed not to cut Medicare benefits, his initiatives on how to strengthen the program are mostly uncertain. So, should we expect major changes ahead?

"I don't see a whole lot of change happening right away with Medicare," said Hibbert. "I think it'll take some time for the administration to determine the direction they want to go."

"While Trump is trying to deregulate and save money in the federal government, he's not trying to defund Medicare. He's trying to find 'innovative ways' to pay for medical care."

One way of doing that is expanding Medicare Advantage (MA) plans. Also known as "Part C," these are Medicare-approved plans from private insurance companies that offer an alternative to original Medicare for health and drug coverage. These plans are typically popular among Americans, though MA plans have come under congressional scrutiny for prior authorization practices in recent years.

"It's more of value-based health care system and there is improved accuracy of payments in these plans," said Hibbert. "These plans help stave off Medicare payment and over-expenditures in that area."

Farley-Agee agrees that changes to Medicare will likely not happen immediately due to other initiatives the administration plans to prioritize. She's also doubtful that any such changes will have a major bearing on P&C in 2025.

"Neither party ran heavily on health care in general," she said. "Insurance was mentioned tangentially. Trump's efforts to spark deregulation may impact us, but I think the administration is more focused on improving free market capabilities. They'll look for ways to affect American's lives from a group health standpoint, including access to care, but I don't think they're focused specifically on workers' comp or auto."

Will Marijuana Rescheduling Happen?

Federal efforts to reschedule marijuana to Schedule III status have been continuing since May. Though this movement started as a Biden administration push, Enlyte regulatory experts believe these efforts will continue in 2025. The dual pressures of marketplace demand and public interest suggest this issue will no longer be left to states alone, and more recently, marijuana legislation at the federal level has gained bipartisan support.

For the Trump administration, a strong motivator for marijuana reclassification could be the potential for substantial federal tax revenue, Hibbert said. The prospect of federal legalization opens opportunities for financial institutions and insurers to enter the cannabis market, which currently operates in a legally ambiguous environment, Allen said.

"I think both Republicans and Democrats want to see it rescheduled and, in some cases, not scheduled at all," Allen said. "Many want it to be regulated like alcohol at the state level."

However, rescheduling marijuana at the federal level introduces a series of intricate regulatory questions. If marijuana is rescheduled to a Schedule III drug, questions arise about how to regulate its recreational use. Unlike other scheduled drugs, recreational use would require creating a special category under federal law. Furthermore, the current patchwork of state laws on marijuana usage has resulted in significant marketplace uncertainty, underscoring the need for cohesive federal action.

"The process is a bit messy now because the federal government hasn't acted for so long and just allowed the states to run marijuana regulations," Allen said.

"

I don't see a whole lot of change happening right away with Medicare. I think it'll take some time for the administration to determine the direction they want to go.

Michele Hibbert
SVP of Regulatory Compliance Management

The Great Unknown

While topics addressed here just skim the surface of how new electees will tackle legislative issues that could influence the P&C industry, our regulatory leaders admit there are a lot of unknowns as the country prepares for act two of the Trump presidency. This includes determining how his atypical cabinet appointees will shift the direction of powerful agencies such as the Department of Health and Human Services and the Centers for Medicare and Medicaid Services.

"In the end, there are a lot of positions to be filled and a lot of cabinet appointments that have to pass Senate approval," said Farley-Agee. "On the state level, judge appointments and confirmation of those judges in the coming year could have a direct impact on the P&C industry. So, it's too early to say how all these issues will play out. It will be something that our regulatory team will keep on top of for sure."

Stay current on regulatory and legislative updates throughout the year at www.enlyte.com/compliance

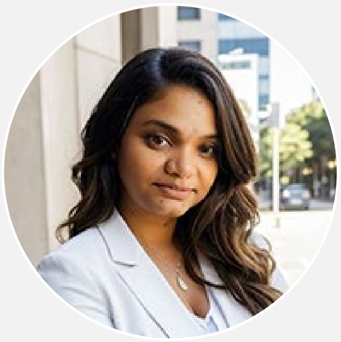
About Our Contributors

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

Jim Harris joined Genex in 2013 and is the corporate owner of information management and customer reporting and analysis. Mr. Harris is responsible for expanding the portfolio of reporting, analytic, and predictive modeling tools for our customers and field operations. He leads a team of analysts and report writers to ensure high-quality delivery of client reports, stewardships, and ad hoc requests, handling all product performance-related operational analysis and reporting.

Kate Farley-Agee is vice president, product management for Coventry, overseeing the company's product strategy for the national broad-based provider solution, custom provider networks, and certified state programs across the country. In her role, Ms. Farley-Agee also leads the regulatory and compliance, and government relations teams. Ms. Farley-Agee has almost 30 years of experience in the health care industry with an emphasis in managed care, network development, product management, provider relations, and leadership in group health commercial and P&C lines of business. She holds a BA in business economics a master's in management and organizational behavior, a master's in law as well as certificates in managed care and health care administration.

Michele Hibbert is senior vice president of regulatory compliance management for Enlyte's Casualty Solutions Group. Ms. Hibbert's responsibilities include managing the health information management, regulatory compliance, litigation support, educational services and claims performance consulting teams within Enlyte's Casualty Solutions Group. Prior to working at Enlyte, Ms. Hibbert spent 10 years working with inpatient and outpatient medical billing and reimbursement on the provider side, working at four large inpatient facilities as a coding and reimbursement manager.



Nicole Usher is senior director of operations for Apricus. Nicole has 17 years of experience in the workers' comp industry and has held multiple leadership positions including roles in finance, quality, and operations. With a longstanding knowledge of quality service delivery, she instills these values within her team, partners, and clients. As an operational leader, Nicole promotes innovative ways to provide superior client experiences that adhere to the complex nature of the industry, state regulations, and the needs of claims professionals.

Nikki Wilson PharmD/MBA provides clinical leadership and strategic direction as senior director of clinical pharmacy services at Enlyte. As a licensed pharmacist, Dr. Wilson has over 13 years of comprehensive industry experience through leadership roles across prescription home delivery programs, pharmacy operations and benefit management (PBM), and clinical program development. She is responsible for evolving and operationalizing strategic pharmacy initiatives as well as overseeing clinical service teams and program capabilities at Enlyte as an integral component of our full-service managed care organization. Dr. Wilson serves as a national thought leader and frequent contributor to industry presentations and publications. Dr. Wilson received her Doctor of Pharmacy and Master of Business Administration degrees from Creighton University in Nebraska.

Ravi Nemani serves as the Executive Vice President and Chief Information Officer at Enlyte, where he leverages over 25 years of experience in technology leadership in the insurance industry to drive innovation and operational excellence. In his current role, Ravi is responsible for overseeing the Information Technology function, ensuring that Enlyte's technology strategy aligns with its overarching business objectives. His expertise spans a wide range of areas, including AI, Cloud, Security, Architecture, Infrastructure and Product Development. Ravi holds an MBA from The Wharton School at the University of Pennsylvania and has degrees in Electronics and Communications Engineering and Computer Science.

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. He frequently speaks at industry events on trends in auto insurance, collision repair and vehicle complexity and has been quoted in publications including Bloomberg, CNBC, The New York Times, Wired UK, Road & Track and Automotive News.

Saundra Knight is senior director of communications and brand strategy for Enlyte. Ms. Knight has expertise in consumer behavior and the impact of emerging technology trends. For two decades she has developed market strategy for a wide range of technology innovators, focusing heavily on navigating market disruption.

Tom Kerr is director of public relations at Enlyte. With more than 30 years of experience in medical management media, Mr. Kerr is an award-winning writer and editor with a demonstrated history in the workers' compensation industry. Mr. Kerr is responsible for establishing and delivering the execution of multi-channel media relations strategies, creating strategic content and carrying out tactical plans to communicate the company's product offerings and vision. He also serves as host of the popular Enlyte industry podcast.

Enlyte delivers technology innovations, clinical expertise and network modernization to optimize every step of the claims journey for the best possible outcomes. Our experienced team provides innovative workflow solutions for insurers, repairers, and employers to improve outcomes for auto, casualty, workers' comp and disability claims.

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