



INDUSTRY TRENDS IN WORKERS' COMPENSATION

A 2019 review of the prevailing industry influences impacting claim outcomes





TABLE OF CONTENTS

2019 Industry Trends.....	4
Total Care Management.....	6
Global pharmacy trends.....	8
Generic utilization and efficiency.....	10
Opioid analgesics.....	11
Claim age.....	14
Utilization management.....	16
Therapeutic classes.....	18
Top medications.....	19
Specialty medications.....	20
Compounded medications.....	20
Looking ahead.....	22

2019 INDUSTRY TRENDS



A VENDOR FOCUSES ON TRANSACTIONS.
A PARTNER FOCUSES ON RELATIONSHIPS AND TRUST.

With 44 years leading pharmacy care services, Optum workers' compensation continues to grow, enhance our programs and services to answer the needs of our clients and the industry, and focus on ease of use for our clients and an improved experience for their injured persons. **In 2019, we worked hard to be a partner and not just a vendor to all of our clients.**

As a partner, Optum goes beyond simple transactional savings and looks at an injured person's complete treatment. Our holistic solution delivers the best outcomes for each injury, whether that's a prescription, a leg brace, physical therapy, or a visit to a specialist. As a true partner, we focus on the client's needs and help control costs and utilization and minimize risks.

We call this **Total Care Management**...it is the Optum way.

Over the following pages, we will review how, in 2019, our solution and focus led to numerous positive outcomes for our clients and the industry — including a continued drop in opioid utilization. And, with each pharmacy result, we will provide insight on how we anticipate this will impact potential ancillary, PPO and settlement solutions services.

DATA METHODOLOGY ANALYSIS

2018-2019

Paid workers' compensation transactions

880K+

Claims

~7.25M

In-network prescriptions



Prescriptions captured through network enforcement solutions



Excludes clients with less than a two-year history

TOTAL CARE MANAGEMENT



A COORDINATED HOLISTIC SOLUTION

With Total Care Management, Optum delivers a simple process, clear communications, and evidence-based guidance in all of our programs and services:



Pharmacy Care Services

Optum Pharmacy Care Services use clinical expertise, analytical tools, and industry knowledge combined with extensive experience processing millions of pharmacy transactions to deliver proven solutions for cost containment and forecasting industry direction. Our Pharmacy Care Services solution addresses key challenges that drive pharmacy spend, network penetration, unit cost, utilization, administrative costs, compliance, and service quality.



Ancillary Services

Whether an injured person needs medical supplies, transportation, translation, or other services like physical therapy or home health, Optum Ancillary Services are expertly delivered by a network of knowledgeable and trustworthy providers. Our easy-to-use portals and analytics help with claim predictability so you can be more efficient, lower claim costs, and improve the claim experience.



Medical Services

Optum offers a network of hospitals, physicians, clinics, and specialists who are credentialed and vetted to provide quality care for injured persons. Our exclusive connection with UnitedHealth Group's OneNet® network helps increase penetration rates, drive data integrity, and simplify claim administration, resulting in greater savings. By working in conjunction with our medical bill review service, we can increase your medical savings by streamlining workflows and driving efficiency.



Settlement Solutions

Optum Settlement Solutions provides a smarter, easier, healthier, and customizable way to achieve Medicare Secondary Payer (MSP) compliance and cost savings. By working with Optum, you can expect industry-leading settlement solutions and insight at competitive prices with no surprises to you or the injured persons you serve.

No matter which services you choose, we will help you design a program that focuses on your needs and is built on our three foundational pillars:

- **Network management** provides maximized network penetration, savings and data capture for reporting and analytics.
- **Clinical care management** delivers appropriate care, improves outcomes and cost avoidance and facilitates faster claim closure.
- **Client support & tools** works within your existing workflows to streamline training, identify emerging risk, support faster claim closure and provide real-time insights and reporting.

GLOBAL PHARMACY TRENDS



A major focus of the Optum solution is cost control. In 2018, we reported the largest decrease in cost per claim in over 10 years. In 2019, we nearly maintained this cost per claim with only a slight increase of **0.7%**.

Overall, our book of business saw fewer claims; but claims, in general, were more severe. As you will see later in this report, claims with a higher severity lead to a longer claim duration, which leads to a higher utilization rate. These older claims often exhibit longer medication duration times, more opioids, and higher cost medications. These factors are components of the **3.9%** increase in utilization. And, even with the additional **2.7%** increase in AWP, the strength of the Optum clinical program driving the use of generic medications, complete clinical oversight to control utilization and manage high-risk claims, helped lower the product and claim mix by **5.9%**. All of this, helped hold our cost per claim steady.



CLAIMS IN THE **OPTUM AUTO NO-FAULT** BOOK OF BUSINESS REMAINED STABLE. THE USE OF CLINICAL PROGRAMS AND A DECREASE IN OPIOIDS AND UTILIZATION HELPED DRIVE A **3% DECREASE IN COSTS PER CLAIM**.

PHARMACY OUTCOMES

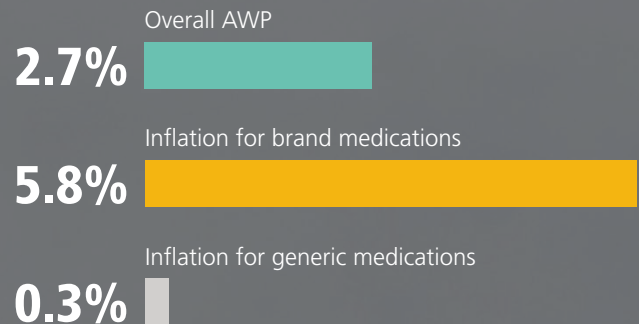
↓ **5.9%** Change in product and claim mix

↑ **2.7%** Average wholesale price

↑ **3.9%** Change in utilization

↑ **0.7%** Average prescription cost per claim

2019 Average wholesale price



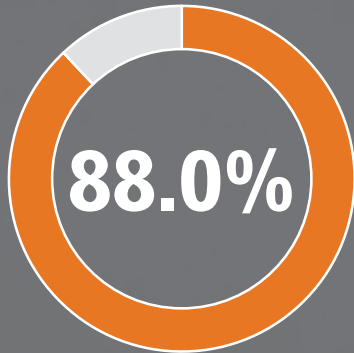
What drives AWP inflation?

- Entry into market
- Brand medication patent expiration
- Supply and demand
- Regulatory influence
- Number of manufacturers
- Issues with manufacturing

GENERIC UTILIZATION AND EFFICIENCY

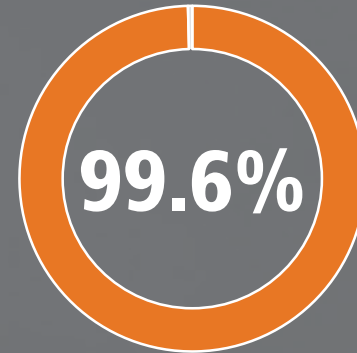
Generic utilization

The number of generics dispensed



Generic efficiency

The number of generics dispensed whenever a generic is available



WITH EVERY 1% INCREASE IN GENERIC UTILIZATION,
THERE IS A 3.7% DECREASE IN SPEND.

Generic medications by percentage of spend

Rank	Common brand name	Generic name	Therapeutic class
1	Percocet tablet	Oxycodone-acetaminophen	Opioid analgesics
2	Cymbalta capsule	Duloxetine	Antidepressants
3	Lyrica capsule	Pregabalin	Anticonvulsants
4	Lidoderm patch	Lidocaine	Dermatologicals
5	Celebrex capsule	Celecoxib	Anti-inflammatories
6	Neurontin tablet	Gabapentin	Anticonvulsants
7	Vicodin, Norco tablet	Hydrocodone-acetaminophen	Opioid analgesics
8	Neurontin capsule	Gabapentin	Anticonvulsants
9	Mobic tablet	Meloxicam	Anti-inflammatories
10	Lioresal tablet	Baclofen	Musculoskeletal therapy agents

Benefits of generic medications



Reduce overall claim cost



Clinically, as effective as brand medications



Accepted by the Centers for Medicare and Medicaid Services (CMS) for claim closure and settlement initiatives

MULTIPLE FACTORS LED TO LOWER OPIOID UTILIZATION

Our eight-year trend of lower opioid utilization continued in 2019. This year, we dipped just below 40% in the percentage of claims using opioids. In 2012, we were approaching 65% so we have made great strides for our clients and in the industry.

While there were fewer claims and fewer prescriptions in 2019 — that is only part of the answer. Multiple factors led to lower opioid utilization, which is positive for client outcomes but even better for the injured person and their quality of life.



Aggressive formulary management, whether initiated at the state level through policy change or an Optum formulary implementation, we use evidence-based medical guidelines to create formularies that are appropriate and effective for the treatment of an injury.



Better access to claim data through the Optum VitalPoint® portal allows claims professionals to review claim history and eligibility, be alerted to potential clinical concerns, communicate with clinical services and make informed decisions about medications.



Strategic communication and education with providers and prescribers through Optum Clinical Letters, Medication Reviews, injured person data and history, and legislative updates to inform stakeholders of potential clinical concerns and recommend treatment alternatives.



Clinical oversight throughout the claim lifecycle. Not every claim starts with a red flag or as high risk. But, without appropriate oversight, a low-risk claim can escalate to high risk as claim age increases, new medications are prescribed, and side effects requiring more medications, become more prominent. Clinical oversight provides the safety net for these claims to keep them, or get them, back on track. Our various tools and services allow us to identify, alert, review, intervene and monitor claim transactions and progress through closure or settlement.



Informative analytics sets Optum apart as we find the claims that need attention throughout the claim lifecycle.



Regulatory actions and influence at the state and federal level to implement guidelines and set limits for opioid use. The Optum Public Policy and Regulatory Affairs department monitors all regulatory activity and provides commentary and insight on how this will impact the workers' compensation industry.



Education and awareness of the industry, prescribers, providers and injured persons. Whether it is from the news, clinical updates, regulatory changes or personal experiences, people are more aware of the risks and benefits of medications and their continued use. People are asking questions, looking for alternatives for pain management and limiting their use.

OPIOID ANALGESIC OUTCOMES

Change in opioid utilization

↓ **1.7%** PTS

22.3% in 2018 to 20.6% in 2019

MED per claim

↓ **5.7%**

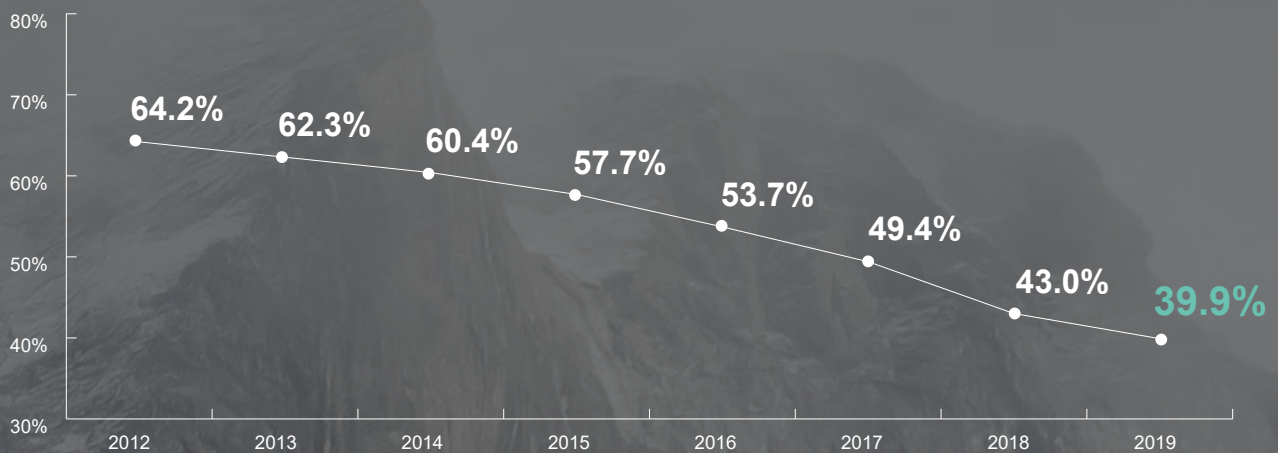
An average of just over 50 MED per claim

Opioid as a percentage of total spend

↓ **2.3%**

Overall at 22.3%

Percentage of claims using opioid analgesics



IF FEWER PEOPLE ARE TAKING OPIOIDS, WHAT'S THE IMPACT ON...



MEDICATION TREATMENTS

With fewer prescribed opioids in our book of business, we are seeing an increase in the following medications for pain:

- Nonsteroidal anti-inflammatory drugs (NSAIDs)
- Antidepressants and anticonvulsants that are often prescribed to treat neuropathic pain



ANCILLARY SERVICES

Optum anticipates increased referrals for alternative therapies to opioids including:

- Physical therapy to help with posture, strength and flexibility — helping to reduce pain
- Chiropractic visits for adjustments
- Non-traditional treatments such as exercise, yoga and acupuncture
- Electromedical devices such as TENS units
- Behavioral health treatments such as cognitive behavioral therapy and counseling as more than 50% of people with chronic pain also suffer from underlying depression; this bio-psychosocial approach looks at the whole person to help with pain control and recovery

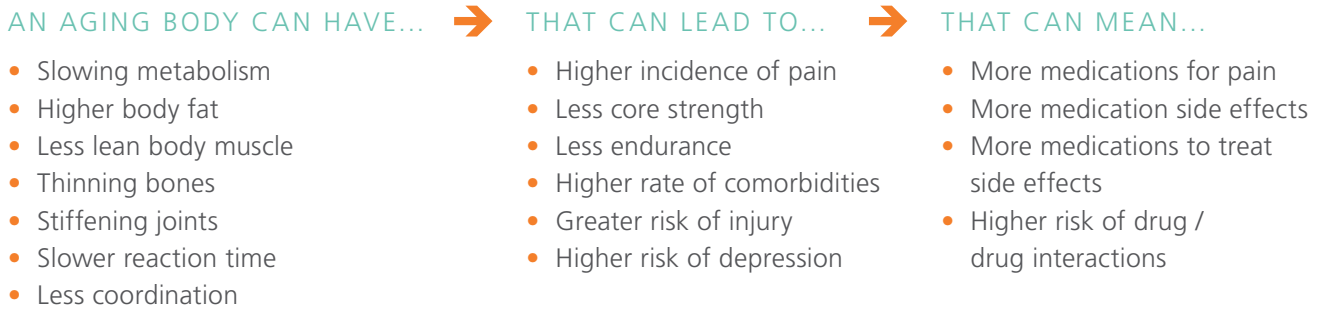


SETTLEMENT SERVICES

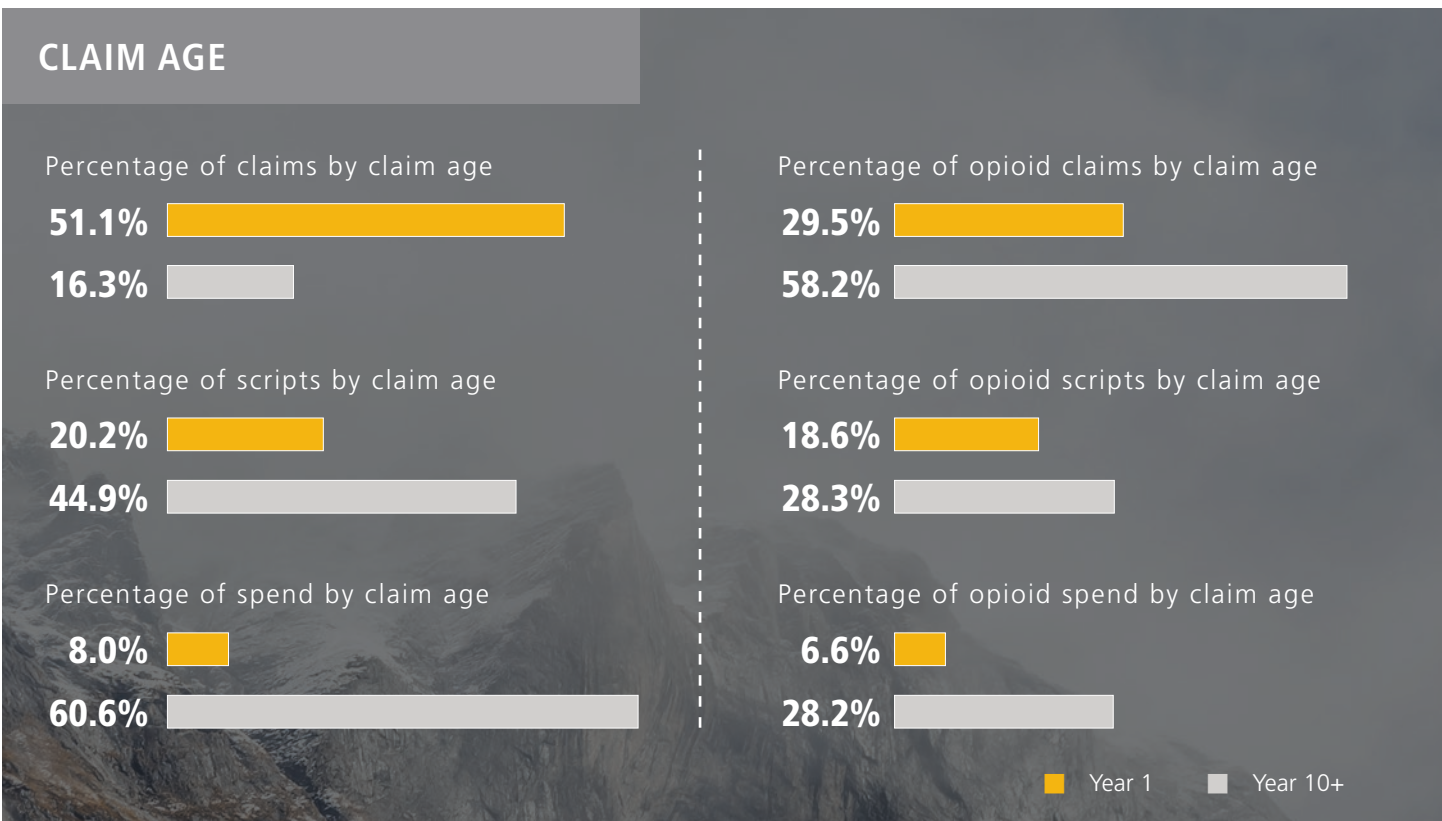
Prescribing fewer opioids in a claim translates to fewer prescribed medications for the side effects associated with opioids. Since medication costs tend to make up 40-50% of a settlement or Medicare Set-Aside (MSA) allocation, Optum anticipates that fewer medications will mean shorter duration of therapy, lower costs and hopefully the ability to settle and close more claims.

CLAIM AGE DRIVES COSTS AND UTILIZATION

No matter how we try to avoid it, age often impacts the functions of the body. If you are also recovering from an injury, this can add another layer of complexity and can slow the recovery process. Age also impacts how Optum responds to a claim.



Not only is it important to consider the age of the injured person for these reasons, but also the claim age. Optum 2019 data shows that overall, younger claims and younger injured persons tend to have a shorter duration of medication therapy and use lower-cost medications. Older claims and older injured persons often have a longer duration of medication therapy, higher cost and more medication types as a claim ages. The longer a claim remains active and treatments continue and progress, the greater the possibility the claim will increase in severity with more complex treatments, multiple medications, comorbid conditions, multiple providers and potential complications. The following data illustrates how claim age impacts the percentage of claims, prescriptions and spend for our book of business and for our claims using opioids.



WHEN MANAGING OLDER CLAIMS, CONSIDER THE IMPACT ON...



MEDICAL TREATMENTS

We often see:

- Higher overall direct medical costs for a claim
- Comorbid conditions increase claim duration
- Complications of multiple providers

With older claims, it is also recommended to consider reviewing information like the Beers Criteria, which includes certain medications that may not be safe for use in older individuals.



ANCILLARY SERVICES

You may see a continued increase in need or in the complexity of the required treatments:

- Increasing days and hours of care in home health services
- Durable medical equipment (DME) changing needs from walker to wheelchair



SETTLEMENT SERVICES

- Is the injured person approaching Medicare eligibility?
- Medications and treatments and how they will add to the overall claim cost and potential MSA allocation
- Conditional payment reimbursements

UTILIZATION SUMMARY

Average days' supply
per prescription

↑ 1.4%

Prescriptions per claim

↑ 2.4%

Change in product
and claim mix

↓ 5.9%

UTILIZATION MANAGEMENT

In 2019, we had great success in using our tools to help reduce and control overall costs. While we saw a small increase in days' supply per claim, most likely due to the increase in claim age (mentioned above), older claims tend to have an increase use of home delivery and longer days' supply. These older claims influenced the **2.4%** increase in prescriptions per claim. Additionally, our book of business noted a **1.4%** increase in average days' supply per prescription.

Moreover, our programs influenced a **5.9%** decrease in change in product and claim mix. The use of formulary management, clinical reviews, pharmacist reviews and other Optum programs and services helped to identify claims and medications that could be changed to help lower costs. For example, an increased use of generic medications, over-the-counter (OTC) medications and therapeutically appropriate alternative medications and treatments provide equivalent or better outcomes while at a lower cost.

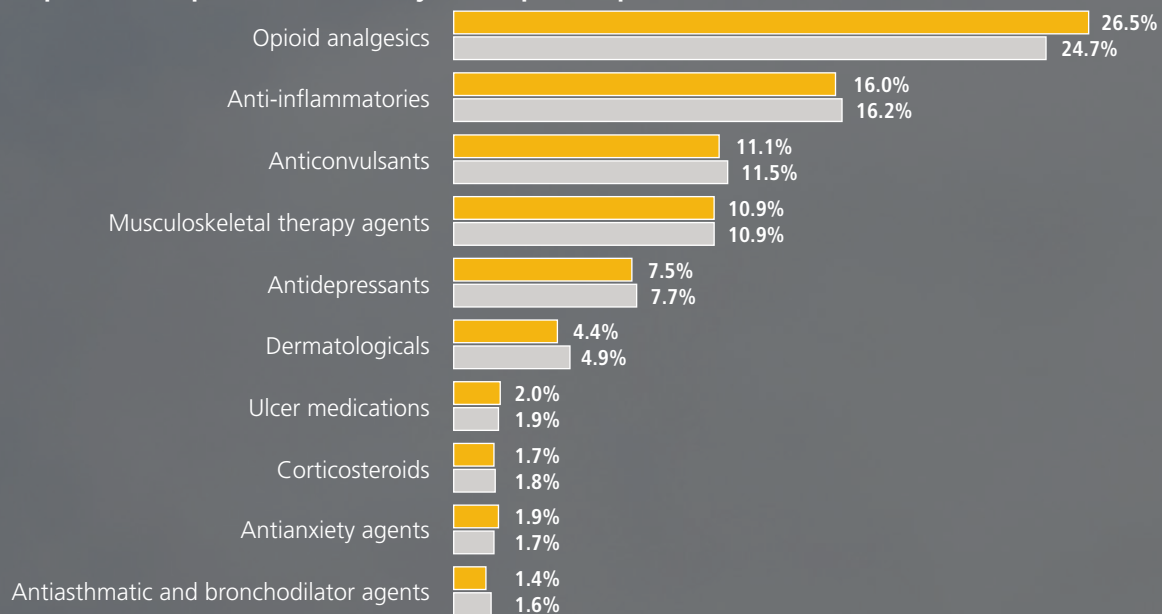


PRESCRIPTION FULFILLMENT

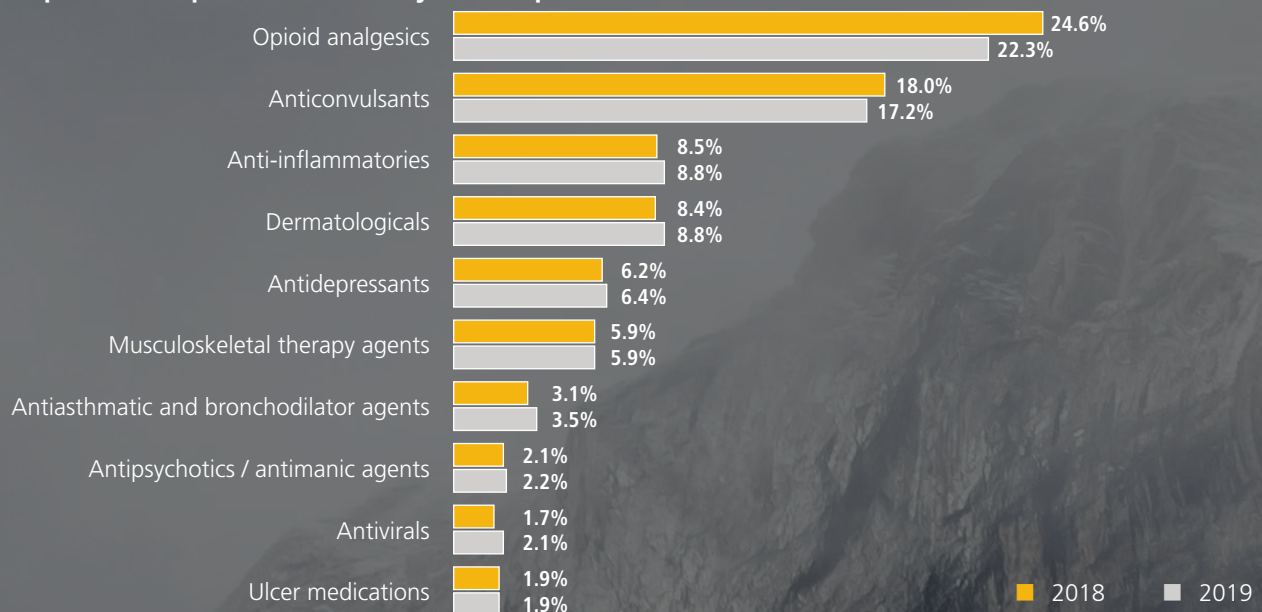
In comparing the top therapeutic classes by total prescription and total spend, there are a lot of similarities between 2018 and 2019. In both categories, there is a decrease in opioids. As we have previously stated, as opioids decrease, other medications may be used alternatively to relieve pain. This trend is noted by the increase in anti-inflammatories, dermatologicals and antidepressants, all of which can be used for pain control.

TOP 10 THERAPEUTIC CLASSES

Top 10 therapeutic classes by total prescriptions



Top 10 therapeutic classes by total spend



In the same comparison of medications by total prescription transactions and total spend, the similarities between 2018 and 2019 continue. Gabapentin switched places with cyclobenzaprine to take the #3 spot for most dispensed prescription. In terms of spend, gabapentin also stepped up to #7 as hydrocodone-acetaminophen dropped to #8.

TOP 10 MEDICATIONS

Top 10 medications by number of prescriptions

2019 Rank	2018 Rank	Common brand name	Generic name	Therapeutic class
1	1	Vicodin, Norco tablet	Hydrocodone-acetaminophen	Opioid analgesics
2	2	Motrin, Advil tablet	Ibuprofen	Anti-inflammatories
3	4	Neurontin capsule	Gabapentin	Anticonvulsants
4	3	Flexeril tablet	Cyclobenzaprine	Musculoskeletal therapy agents
5	5	Percocet tablet	Oxycodone-acetaminophen	Opioid analgesics
6	6	Ultram tablet	Tramadol	Opioid analgesics
7	7	Mobic tablet	Meloxicam	Anti-inflammatories
8	8	Lyrica capsule	Pregabalin	Anticonvulsants
9	9	Naprosyn tablet	Naproxen	Anti-inflammatories
10	10	Roxicodone tablet	Oxycodone	Opioid analgesics

Top 10 medications by spend

2019 Rank	2018 Rank	Common brand name	Generic name	Therapeutic class
1	1	Lyrica capsule	Pregabalin	Anticonvulsants
2	2	Oxycontin tablet	Oxycodone ER	Opioid analgesics
3	3	Percocet tablet	Oxycodone-acetaminophen	Opioid analgesics
4	4	Lidoderm patch	Lidocaine	Dermatologicals
5	5	Cymbalta capsule	Duloxetine	Antidepressants
6	6	Celebrex capsule	Celecoxib	Anti-inflammatories
7	8	Neurontin tablet	Gabapentin	Anticonvulsants
8	7	Vicodin, Norco tablet	Hydrocodone-acetaminophen	Opioid analgesics
9	9	Neurontin capsule	Gabapentin	Anticonvulsants
10	10	Mobic tablet	Meloxicam	Anti-inflammatories

SPECIALTY AND COMPOUNDED MEDICATIONS



Percentage of total prescriptions

0.5%

↑ 8.8%

Cost per prescription



Percentage of total prescriptions

0.2%

No change from 2018

↓ 16.2%

Percentage of total spend

↓ 23.9%

Percentage of total prescriptions

SPECIALTY MEDICATIONS

Specialty medications are more prevalent in group health to treat disease states such as cancer, rheumatoid arthritis, Hepatitis C, HIV and other complex conditions not widely utilized in workers' compensation — only **0.5%** of our total prescriptions — they tend to have high cost. The cost per specialty medication prescription rose **8.8%** in 2019. Because of these facts, we are keeping a close eye on them as we work through the opioid epidemic and watch for new medications in the pipeline to help control pain that might be considered specialty.

COMPOUNDED MEDICATIONS

The use of compounded medications remained consistent with 2018 at just **0.2%**. A traditionally higher-cost medication class, through our clinical care programs we can initiate actionable alerts, clinical letters and medication reviews to help inform claims professionals of potential alternatives and to monitor their utilization and recommend treatment changes as necessary to help lower costs and utilization. With this, there was a **16.2%** drop in percentage of total spend and a **23.9%** drop in percentage of total prescriptions.

IN 2019, COMPOUNDED MEDICATIONS REPRESENTED **0.7%** OF TOTAL SPEND AND **0.2%** OF TOTAL PRESCRIPTIONS.

WHEN MANAGING CLAIMS USING SPECIALTY AND COMPOUNDED MEDICATIONS, CONSIDER THE IMPACT ON...



CLINICAL OR MEDICAL TREATMENTS

- The use of these medications require increased oversight for high-cost and high-touch treatment
- The use of these therapies, may provide opportunities to implement DME or physical medicine treatments that reduce or augment the medication treatment, lowering costs or duration of use overall



SETTLEMENT SERVICES

- These medications may not be covered by CMS and provide an opportunity for clinical mitigation to lower costs
- If they are covered by Medicare Part D, they will most likely drive a higher settlement value
- Unless specifically addressed, CMS will require these medications be calculated throughout life expectancy

LOOKING AHEAD



WHAT WE ARE EXPECTING IN 2020 AND BEYOND

As we publish these 2019 results, we are in the midst of the COVID-19 (coronavirus) pandemic. Optum stands strong to support the needs of our clients and their injured persons. While we are experiencing changes every day, and adjusting to a new state of normal, what hasn't changed is our commitment to every injured person and to our clients.

As your partner...

- We are committed to keeping you informed of how COVID-19 is impacting the industry.
- We are committed to making sure your injured persons continue to receive the right medication or treatment, when they need it, for as long as they need it.
- We are committed to keeping our employees safe, all the while remaining fully staffed and operational to ensure that all of our programs and services are available and ready when you need them.
- We are committed to the Total Care Management of claims and the complete care of the injured person including all pharmacy, ancillary, medical and settlement services.

WE ARE COMMITTED TO FOCUSING ON YOUR NEEDS.

TOTAL CARE MANAGEMENT — IT IS THE OPTUM WAY.

The Optum Total Care Management is an industry-leading approach to care that benefits our payers, the workers' compensation and auto no-fault industry and, most importantly, the injured person. Our expanding network and enforcement programs, the largest data bank in the industry and proprietary analytic tools, a comprehensive clinical care management program and proprietary, easy-to-use technology, combined with our industry expertise, public policy and regulatory affairs advocacy, and a targeted focus on the care of the injured person — will help you achieve positive change and positive outcomes.



About Optum Workers' Comp and Auto No-fault Solutions

Optum Workers' Comp and Auto No-fault Solutions collaborates with clients to lower costs while improving health outcomes for the claimants we serve. Our comprehensive pharmacy, ancillary, medical services, and settlement solutions, combine data, analytics, and extensive clinical expertise with innovative technology to ensure claimants receive safe, efficacious and cost-effective care throughout the lifecycle of a claim. For more information, email us at expectmore@optum.com.

Optum and its respective marks are trademarks of Optum, Inc. All other brand or product names are trademarks or registered marks of their respective owners. Because we are continuously improving our products and services, Optum reserves the right to change specifications without prior notice. Optum is an equal opportunity employer.