

VCORESM (VARIABLE COST OF RISK EVALUATOR)

VCORESM is a proprietary tool developed by Marsh Risk Consulting's (MRC) Claim Consulting Practice for workers' compensation programs that provides a comparison of claims administrators based on the estimated net variable costs charged per year. VCORE is designed to assist you in identifying which workers' compensation vendor(s) can best help you improve your financial outcomes. While claim administrators comparisons are commonly based only on unit cost such as claim handling fees, bill review fees, and other administrative fees, these costs make up a small percentage of the variable cost. By providing comparisons of claims outcomes, VCORE offers a much more accurate way to compare administrators and reduce program cost.

SERVICE HIGHLIGHTS

One of the biggest challenges a company faces is how to control the variable costs of its workers' compensation program. Differences in claims administration philosophy, policies, and procedures have made it difficult to accurately compare the total cost outcomes of competing

administrators. VCORE assists you with a consistent and accurate evaluation of claims administrator cost outcomes during workers' compensation placement or claims administrator selection. VCORE uses actual data from competing claims administrators to level the playing field and provide side-

Who it's for:

- Clients who have retained Marsh to place their workers' compensation program
- Marsh workers' compensation clients who are evaluating costs charged by claims administrators prior to selection or contract renewal

What you get:

- A detailed comparison of estimated variable costs charged by claims administrators, including medical cost outcomes and claims administration fees
- An assessment of total cost outcomes to help you select the most appropriate claims administrator
- Valuable information for negotiating with claims administrators to reduce costs
- An innovative cost analysis tool available only from Marsh

by-side comparisons of estimated net variable costs. VSCORE calculates anticipated workers' compensation variable costs in two key areas—medical costs and claims administration fees.

MORE ACCURATE ESTIMATES OF MEDICAL BILL REVIEW OUTCOMES

The bill review service provided by claims administrators is intended to reprice medical bills to state mandated or usual and customary allowances. However, not all bill review programs are the same due to differences in procedure and software. In addition, not all claims administrators have the same network providers or the same discount arrangements. As a result, the total medical costs you pay may vary significantly among vendors.

- VSCORE uses a claims administrator's medical bill review outcome data and estimates your net medical costs with that vendor by applying your specific geographic distribution, claims history, and exposure information.
- The comparative breakdown of total medical cost outcomes can help you evaluate how well an administrator reprices medical bills, allowing you to better assess your total cost of risk and negotiate favorable terms.

MORE PRECISE CLAIMS HANDLING FEE CALCULATIONS

Total claims handling fees vary based on the definition of "indemnity" or "medical only" claims and the price set for each type. These definitions can vary greatly among administrators, resulting in significantly different claims handling costs.

VSCORE estimates the total number of indemnity versus medical-only claims for a particular administrator by considering the vendor's own definition of claims. This gives you valuable information about the projected total fees you might expect from different administrators.

THE VALUE OF VSCORE FOR YOUR ORGANIZATION

With VSCORE, you can better understand and manage the variable costs of your workers' compensation program, including the claims handling and medical cost outcomes. By analyzing your variable costs with VSCORE, you gain a powerful tool for selecting appropriate vendors and better controlling your total cost of risk.

Sample VSCORE Comparison

| XYZ Company | | |
|--|--------------------|--------------------|
| Primary WC Quote Comparison - Oct. 1, 2008 to Oct. 1, 2009 | | |
| Vendor Name | Incumbent | Vendor A |
| Total WC Premium | \$618,722 | \$687,357 |
| Est Retained Losses | | |
| Workers' Compensation | | |
| Indemnity Cost | \$1,665,000 | \$1,665,000 |
| Other Expenses | \$312,744 | \$312,744 |
| Medical Billed | \$3,613,636 | \$3,613,636 |
| Medical Paid | \$2,385,000 | \$1,951,364 |
| Medical Bill Repricing Expense | \$137,256 | \$179,881 |
| Total WC Retained Losses | \$4,500,00 | \$4,108,988 |
| Claim Handling Charges | | |
| Claim Count | | |
| MO | 1,224 | 1,287 |
| Indemnity | 208 | 138 |
| Indemnity Tier II | 28 | 20 |
| Indemnity Tier III | 10 | 5 |
| Incidents | 430 | 450 |
| Employers Liability | 0 | 0 |
| Per Claim Service Charge | | |
| MO | \$140 | \$150 |
| Indemnity | \$1,050 | \$1,100 |
| Indemnity Tier II | \$1,300 | \$1,350 |
| Indemnity Tier III | \$2,025 | \$1,500 |
| Incidents | \$50 | \$50 |
| Employers Liability | \$2,500 | \$2,500 |
| Total WC Claims Handling Charges | \$467,910 | \$401,850 |
| Retained Losses and Claims Handling Charges | \$4,967,910 | \$4,510,838 |
| ESTIMATED TOTAL COST OF RISK | \$5,586,632 | \$5,198,196 |

For more information on these and other solutions from Marsh Risk Consulting, visit www.marshriskconsulting.com or contact your local MRC or Marsh representative.

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