



VCORESM (Variable Cost of Risk Evaluator)



VCORESM is a proprietary tool developed by Marsh 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-by-side comparisons of estimated net variable costs. VCORE 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.

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

- VCORE 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.

VCORE 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 VCORE for Your Organization

With VCORE, 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 VCORE, you gain a powerful tool for selecting appropriate vendors and better controlling your total cost of risk.

Sample VCORE 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, visit www.marsh.com or contact your local Marsh representative.

The information contained in this publication provides only a general overview of subjects covered, is not intended to be taken as advice regarding any individual situation, and should not be relied upon as such. Insureds should consult their insurance and legal advisors regarding specific coverage issues. All insurance coverage is subject to the terms, conditions, and exclusions of the applicable individual policies. Marsh cannot provide any assurance that insurance can be obtained for any particular client or any particular risk.

Statements concerning legal matters should be understood to be general observations based solely on our experience as insurance brokers and risk consultants and should not be relied upon as legal advice, which we are not authorized to provide. All such matters should be reviewed with the client's own qualified legal advisors in these areas.

This document or any portion of the information it contains may not be copied or reproduced in any form without the permission of Marsh Inc., except that clients of any of MMC companies need not obtain such permission when using this report for their internal purposes so long as this page is included with all such copies or reproductions.

Marsh is part of the family of MMC companies, including Guy Carpenter, Mercer, and the Oliver Wyman Group (including Lippincott and NERA Economic Consulting).

Copyright © 2010 Marsh Inc. All rights reserved.

Compliance No. MA7-10531; Item #100466