

3. Retrospective Bill Processing

Much like pharmacy programs, maximum savings can only be achieved if claims are under management. But even with a tightly managed program, leakage can still occur, resulting in less aggressive savings, increased administrative burden and decreased visibility into spending.

Healthcare Solutions' retrospective program is integrated with customer bill review systems to identify and re-price out-of-network bills to in-network contracted rates. In addition, when a bill is received for a provider who is not in our network, we contact the provider to negotiate a lower rate. During the call, we begin contracting discussions and if credentialing standards are met, the provider is added to the network. This approach, which includes outreach to providers not in the network, increases the savings we are able to return to customers and ultimately results in a higher volume of claims under management.

When claims with recurring specialty healthcare needs are identified, we notify the adjuster or case management and prospectively redirect the claim to participating providers. In addition to ensuring that future services are billed at contracted rates, our prospective management program ensures that ordered supplies are appropriate, medically necessary and authorized by the adjuster or case manager.

This program simplifies billing processes by decreasing the number of vendors utilized, while simultaneously identifying claims offices not maximizing the benefits of Healthcare Solutions' prospective program. Our unique program yields far greater savings than a traditional bill review program and provides enhanced visibility into claimant utilization.

DME Program Features and Benefits:

- Nationwide network of credentialed providers ensures ample coverage and price competitiveness in every geographic area.
- Same day and weekend deliveries for rush orders are available, ensuring that the order gets to the patient when it's needed.
- A formulary embedded in an electronic product catalog enables each order to be fulfilled with a generic product by the lowest cost supplier unless otherwise specified by the adjuster.
- Aggressive rental to ownership conversion program automatically monitors all orders and applies all rental months toward the purchase of the item.
- Retrospective bill processing captures additional savings to increase claims under management and prospectively deliver future savings.

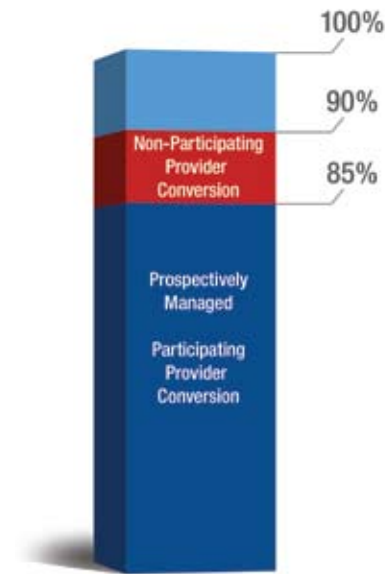


Healthcare Solutions' award-winning technology administers the durable medical equipment and supplies program to provide substantial cost savings and benefits to customers. The company's unique three-tiered management approach produces meaningful results for payer customers and provides positive outcomes for injured workers. For more information about the company's products and services, visit www.healthcaresolutions.com.

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90% of claims are prospectively managed and/or converted to contracted rates, resulting in more claims under management and substantial program savings.

THE INDUSTRY'S LEADING DME & SUPPLIES PROGRAM

A technology-based program with embedded clinical protocols

Medical Spending on durable medical equipment (DME) and supplies is estimated at \$4 billion annually. As claims severity has increased, so have associated medical costs. Traditionally, spending on durable medical equipment and supplies has been one of the most unmanaged areas of workers' compensation medical losses, frequently relying on claims adjusters to make decisions without knowing if the equipment requested is appropriate, effective or if there are lower cost substitutions. This has led to the utilization of higher-priced or unnecessary items.

Healthcare Solutions' comprehensive DME program transforms the DME process to dramatically reduce costs, increase operational efficiencies and ensure that appropriate clinical care is provided to all injured workers. Cost savings are delivered through preferred partner discounts, use of the industry's first clinical DME formulary, as well as through increased program penetration levels achieved through comprehensive prospective and retrospective utilization management programs.

Healthcare Solutions is the only company in the workers' compensation market to offer a three-tiered durable medical equipment and supplies program that includes:

1. An automated, **catalog-based system** that simplifies the order process and ensures consistent processing of all prospective orders;
2. An **embedded clinical formulary** that ensures injured workers receive the most clinically appropriate product at the lowest price;
3. A **retrospective bill program** that combines expertise in durable medical equipment and bill review to re-price out-of-network bills to in-network contracted rates and prospectively re-direct claims with recurring specialty healthcare needs to participating providers.

The company's three-tiered program ensures that the *lowest priced* products are supplied to injured workers by qualified providers while *reducing administrative burden on the adjusters* placing orders and *yielding substantial savings* for customers.

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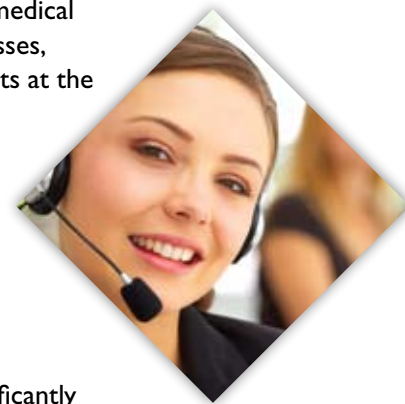
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1. Catalog-Based System

The backbone of the prospective DME management program is a proprietary catalog of top medical items utilized for workers' compensation medical claims. The catalog automates order processes, standardizes use of billing codes and ensures that customers receive the most reliable products at the lowest price.

Healthcare Solutions' catalog-based system is used by in-house patient care coordinators to fulfill order requests from claims adjusters and to dynamically identify the most appropriate supplier for each order based on formulary, price, quality and geographic availability.



Price Cap Program

For many commonly used DME items, Healthcare Solutions' catalog caps pricing at rates significantly below state fee schedule or usual and customary reimbursement. Price caps apply in product categories such as TENS units, bone growth stimulators, cold therapy units, crutches, wheelchairs and batteries and supplies. The price cap program is applied in addition to preferred partner discounts and provides savings ranging between 20% - 70% below state fee schedules or usual & customary reimbursements.

Rental Policies

Healthcare Solutions assesses all requests for rental equipment and determines the economic impact for the customer. In certain cases, it is more effective to purchase the equipment based on the duration of treatment required. When treatment duration is unknown, rental equipment is often warranted. Our system automatically monitors all rental orders and triggers a care coordinator to call the adjuster for purchase reconsideration if appropriate. For rental to ownership conversions, all rental months are applied to the purchase, ensuring that the customer never pays more than the worth of the item.

Ongoing Authorizations for Supplies

Healthcare Solutions notifies adjusters when supply and accessory re-filling appears out of the norm. To support this effort, we establish a schedule for every order, including term dates for orders requiring ongoing supplies and accessories. We provide monthly validation for the continued necessity of ongoing supplies up to the term date originally established. Should further supplies be required after the term date has expired, we request payer authorization to continue providing supplies. We also support fraud prevention and benefit abuse by requiring authorization for any request that has not previously been approved, including early refills or requests for additional supplies. This program automates the order refill process while continuing to provide decision-making authority to adjusters and case managers.

Electronic Integration

Healthcare Solutions further simplifies the claims administrative process through electronic integration with customers. The order process is streamlined through the daily transfer of eligibility files that include claimant demographic information that is loaded into the system and readily available as new referrals are placed. Electronic integration enables critical claims information to be utilized in the application of clinical protocols to deliver maximum program benefits to customers.

2. Clinical DME Formulary

Quite simply, our DME program philosophy is to provide injured workers the most clinically appropriate product at the lowest price. Similar to pharmacy programs, generic equivalents exist for DME and supplies. A formulary embedded in our electronic product catalog enables each order to be fulfilled with generic products by the lowest cost supplier unless otherwise specified by the adjuster. A clinically-guided generic substitution process reduces medical costs and is administered as a standard program. The formulary can be customized with clinical protocols specific to each customer to provide an additional level of clinical oversight for injured workers.



The DME formulary program results in:

- A significant reduction in total costs for DME and supplies
- More consistency in order processing
- A medically-based model that ensures injured workers receive appropriate care

Our technology enables a dual approach to deliver comprehensive results:

Low Sensitivity—Automated Conversions

The costs of bandages, ambulatory aids, wheelchairs and other supplies can vary widely. Common or low-cost equipment convert automatically from non-formulary to formulary items.

High Sensitivity—Utilization Management

High cost items and specific orders such as bone growth stimulators and TENS units are flagged for a specialized clinical review using the customer's utilization process.

This systematic approach, enabled by technology, is quick, easy and substantial. Average formulary savings exceed 10%. When added to preferred rates already established, savings in aggregate average greater than 30%.

Low Sensitivity - Automated Conversion			
Category	Spend	Formulary Savings %	Formulary Savings
Supplies (i.e. bandages, batteries)	\$235,000	5%	\$11,750
Miscellaneous (EI 399)	\$150,000	20%	\$30,000
CPM	\$30,000	7.4%	\$2,220
Subtotal - Low Sensitivity	\$415,000	10.8%	\$43,970
High Sensitivity - Utilization Management			
Category	Spend	Formulary Savings %	Total Savings
Bone Growth Stimulators	\$65,000	7.4%	\$4,810
TENS Units	\$20,000	7.4%	\$1,480
Subtotal - High Sensitivity	\$85,000	7.4%	\$6,290
TOTAL	\$500,000	9.1%	\$50,260

*Sample customer savings based on \$500,000 of paid medical spend on DME & Supplies. Results do not include additional savings achieved through preferred rates.