

INGENIX®

Medica Partners with Ingenix and Gains \$8.6 Million in Benefits from Ingenix Subrogation Services

Highlights

- Using Ingenix Subrogation Services, Medica will see a cumulative five-year net benefit of \$8,617,818, with a return on investment of 51%, and a payback period of 13 months.
- With Ingenix Subrogation Services, the payments recovered for Medica increased by more than \$4 per member per year compared to the previous year's results using a different subrogation vendor.
- Using reports generated by Ingenix Subrogation Services, Medica was able to project its potential subrogation recoveries on a monthly basis.
- The payments recovered using Ingenix Subrogation Services have helped Medica hold down the cost of premiums.
- Overall, Ingenix Subrogation Services has recovered a total of \$25,667,820 over five years.



Challenges

Medica provides health coverage to 1.4 million members. Its coverage is available to individuals, employers, third-party administrators, and government programs in Minnesota and select counties in Wisconsin, North Dakota, and South Dakota.

Medica constantly searches for ways to hold down premium costs for its members. One important tool it uses is subrogation—recovering the costs of accident-related claims that should be the responsibility of auto insurance, personal injury protection, workers' compensation, or another insurance policy.

Medica had outsourced its subrogation services to an outside vendor, but it was not completely satisfied with the vendor's services. Medica was looking for:

- **Increased recovery payments.** With the existing vendor, Medica recovered approximately \$4 per member per year in subrogation payments. Medica was looking for a company that could increase the recovery rate.
- **Benchmarks.** Medica wanted benchmarks related to its subrogation work so that it could more closely track the recovery rate, and be able to compare it with industry standards.
- **A partnership.** Overall, Medica was looking for a company that would be a partner willing to offer additional help and services, and not just subrogation services.

Solutions

Medica chose Ingenix Subrogation Services in early 2004. Medica knew of several firms that used Ingenix and were extremely satisfied with the partnership. In addition, Medica was impressed with the expertise and accessibility of the Ingenix staff.

Rick Munson, Director of the Medica Special Investigations Unit, recalls, “The entire staff we met with, from the top down, was extremely knowledgeable, helpful, and willing to be flexible in how they worked with us. I was immediately comfortable and felt it would be a good fit.”

“Ingenix understands our business, and they’re willing to provide us with whatever help, reporting, or staff that we need. Ingenix provides expertise in subrogation services and subrogation analytics and we know that we can always rely on their help and support.” —Rick Munson, Director of Medica’s Special Investigations Unit

Ingenix Injury Coverage Coordination and Subrogation Services identify, investigate, prevent, and recover payments for accident-related medical and disability expenses. Motor vehicle accidents, medical negligence, work-related accidents, premise liability, and defective product injury cases are among those investigated to determine the party responsible for bearing liability. Ingenix applies powerful analytics and experienced investigators to intensify recovery efforts so that the right claims are paid by the appropriate parties.

Ingenix applies proprietary analytics techniques developed by trained biostatisticians to mine claims data and identify accident-related injury cases on a daily basis. Claims history can be reviewed, and first- through fourth-level diagnosis codes are scrutinized to determine if potential third-party liability exists. Claims are grouped and quantified by episode, prompting investigation when expenses per episode exceed defined thresholds.

Results

Medica will see a cumulative five-year net benefit of \$8,617,818 from the use of Ingenix Subrogation Services, due to an increase of more than \$4 per member per year in payments recovered compared to the results achieved by the previous subrogation vendor. Overall, Ingenix has recovered a total of \$25,667,820 over five years. The deployment has a return on investment of 51%, and a payback period of 13 months.

“The savings generated by Ingenix Subrogation Services helps hold down the cost of premiums, which benefits our customers. With Ingenix as our partner, we expect to see more savings in the future, and know that Ingenix will provide any specialized reporting needs we have.” —Rick Munson, Director of Medica’s Special Investigations Unit

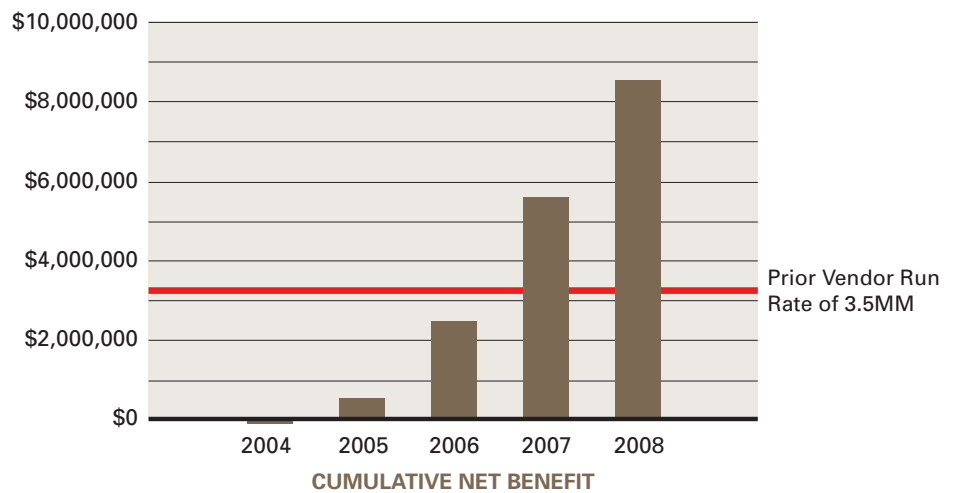
Ingenix also provides benchmarks and reports to Medica and its customers that help hold down costs. Ingenix offers Medica customers specialized reports, and provides customized reports for Medica account executives and sales staff. For example, staff from one of Medica’s groups required specialized reports about subrogation rates, and Ingenix sent staff members to work with the group and provide them with the reports they needed. Using reports generated by Ingenix Subrogation Services, Medica was able to project its potential subrogation recoveries on a monthly basis.

Ingenix has helped in other ways as well. Medica was involved in a sensitive matter regarding subrogation that could have involved litigation. Based on deep experience with similar matters, Ingenix offered expertise on how and whether to pursue litigation, what information was required, and what strategies to pursue.

“The strong working relationship we have is a critical part of the services Ingenix offers,” Munson says. “They understand our business, and they’re willing to provide us with whatever help, reporting, or staff that we need. Ingenix provides a wealth of expertise in subrogation services, and we know that we can always rely on their help and support.”

The following chart provides in-depth, financial details of savings and ROI realized by Medica since 2004.

| PROJECT SUMMARY BASED ON INCREMENTAL BENEFITS | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| ROI (Based on 5 years) | 51% | | | | | | |
| Payback Period (in months) | 13 | | | | | | |
| Cumulative Net Value (Based on 5 years) | \$8,617,818 | | | | | | |
| Project Costs & Previous Benefits | Start Up | 2004 | 2005 | 2006 | 2007 | 2008 | TOTAL |
| People Transition Costs | \$50,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$50,000 |
| Recovery Estimates without Ingenix | | \$3,400,000 | \$3,400,000 | \$3,400,000 | \$3,400,000 | \$3,400,000 | \$17,000,000 |
| Total Project Costs | \$50,000 | \$3,400,000 | \$3,400,000 | \$3,400,000 | \$3,400,000 | \$3,400,000 | \$17,050,002 |
| Benefits | Start Up | 2004 | 2005 | 2006 | 2007 | 2008 | TOTAL |
| Recovery with Ingenix | | \$3,400,000 | \$4,011,131 | \$5,343,040 | \$6,515,131 | \$6,398,518 | \$25,667,820 |
| Total Benefits | \$0 | \$3,400,000 | \$4,011,131 | \$5,343,040 | \$6,515,131 | \$6,398,518 | \$25,667,820 |
| Financial Analysis | Start Up | 2004 | 2005 | 2006 | 2007 | 2008 | |
| Net Value | (\$50,000) | \$0 | \$611,131 | \$1,943,040 | \$3,115,131 | \$2,998,518 | |
| Cumulative Net Value | (\$50,000) | (\$50,000) | \$561,131 | \$2,504,170 | \$5,619,301 | \$8,617,818 | |
| Net Present Value (Based on 5 years) | \$6,120,427 | | | | | | |
| Payback Period (in months) | 13 | | | | | | |
| ROI (Based on 5 years) | 51% | | | | | | |



About Medica

Medica is a non-profit corporation that includes a family of businesses: Medica Health Plans, Medica Health Plans of Wisconsin, Medica Insurance Company, Medica Self-Insured, Medica Health Management, LLC, and the Medica Foundation. It provides health coverage to 1.4 million members. Its coverage is available to individuals, employers, third-party administrators, and government programs in Minnesota and select counties in Wisconsin, North Dakota and South Dakota.

About Ingenix

Ingenix unites the brightest minds to transform organizations and improve health care through information and technology. We employ more than 8,100 professionals worldwide, including consultants, medical doctors, nurses, actuaries, biostatisticians, certified coders, epidemiologists, economists, engineers and software developers. We believe information is the lifeblood of health care. Applied at the right time and at the right place, when decisions need to be made, information can enhance the affordability, quality, usability and accessibility of care. For more information about Ingenix Subrogation Services, please visit www.ingenix.com/Medica or call (800) 765-6696.

Ingenix | Intelligence for Health Care | www.ingenix.com

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