



**EMERGING TRENDS IN THE
INDEPENDENT MEDICAL EVALUATION (IME) INDUSTRY**



EXECUTIVE SUMMARY

The independent medical evaluation (IME) is a critical tool that ensures impartial and objective medical assessment of an individual, performed at the request of that individual's lawyer, insurer, employer or insurer's lawyer. Over the past twenty years, the IME industry has undergone a great deal of change, largely due to evolving industry standards and legislative reform.

While insurers and other industry participants are familiar with the IME industry, not many have a detailed understanding of what is happening in the sector from a service-level perspective. This paper is a summary of the trends in the Canadian IME industry from the perspective of Cira Medical Services, a leading provider of IMEs. The paper will focus on the following key points:

- Regulatory changes, especially those in the Ontario auto-insurance industry, have been the greatest driving force of industry-wide changes to IME services across Canada.
- One of the main industry trends today is consolidation towards larger and more sophisticated vendors.
- The industry is placing greater emphasis on improving IME service standards by realigning corporate culture to focus on standards of quality, improved internal processes, and accountability.
- The IME industry has shifted towards better collaboration with its stakeholders which allows for better reform and industry-wide alignment.
- Going forward, IME providers will capitalize on advanced information technology to leverage data captures and perform trending analyses in order to identify process improvements and cost savings.
- IME providers can offer valuable insights from a service-level perspective when it comes to shaping future policy and legislative reforms.

Cira acknowledges that these observations may vary by individual perspective, but the purpose of this paper is to offer a general perspective of the trends that are shaping a new IME industry, and to also proactively identify future opportunities to ensure successful collaboration between IME providers and their stakeholders.



INTRODUCTION

The independent medical evaluation (IME) is a critical tool in the practice of insurance medicine and the claims assessment process. Historically, IMEs have proven to be a highly reliable and effective resource for identifying medical conditions and their bearing on injury-related claims. Many industries seek IME services for various purposes including property and casualty insurance claims, employment litigation, tort proceedings in the context of personal injury, life and health insurance claims for short- and long-term disability, and corporate and government employers who manage their own disability claims.

Over time, demand for opinions regarding IMEs has given rise to a service industry based on connecting the supplier (i.e., assessing physicians) to clients (i.e., those requesting an IME) and claimants (i.e., individuals undergoing assessments). While the basic service function of an IME has remained generally the same, the specific character of the industry has evolved considerably.

By way of a brief historical overview of the IME industry in Canada, in past decades IME providers operated in a highly fragmented service sector populated by a large number of small and relatively unsophisticated players.

Over the past two decades, the IME industry has experienced significant transformation which can be attributed to two key factors: regulatory changes and industry trends. This paper discusses the impact of those factors and explores how they interact with one another.

Since IMEs are a critical tool for the medico-legal, employer and insurance industries, regulatory reforms within those sectors play a significant role in shaping new trends in the IME industry. In particular, regulatory regimes governing automobile insurance are having a profound impact on present character and future direction of IME providers in Canada. This situation is well illustrated in Ontario, but other jurisdictions are witnessing similar developments.

Since Ontario is generally regarded as the largest market for IMEs, driven by both population size and the nature of the auto insurance system, this paper will largely focus on examples from the property and casualty insurance industry.

At present, Ontario IME service providers are continuing to grapple with the changes introduced in 2010 to the Statutory Accident Benefits Schedule (SABS) that codifies the terms of accident benefits coverage in the province. For the IME sector, growth trends in recent years have been substantially affected by the SABS rules that govern the levels of benefits payable to claimants and the extent to which medical assessments are required.

Overall, these regulatory changes have placed greater pressure on the IME industry to offer a product that can meet the challenges of an increasingly complex clinical-legislative interface and that demonstrates to clients the advantages of a comprehensive, clinically-focused IME service. The impact on the bottom line from these changes is still being felt within the industry today as both suppliers and insurers adapt to the new environment.



Ontario Automobile Insurance Anti-Fraud Task Force

In July 2011, the Ontario government formed the Auto Insurance Anti-Fraud Task Force in an effort to bring together stakeholders and government to collaboratively review the issues around auto insurance fraud and to recommend solutions.

The recently-released Anti-Fraud Task Force Report published November 2012 focuses on four key principles: prevention, detection, enforcement, and regulatory roles. The following recommendations from the report will significantly impact the strategic direction of, and future developments in the IME industry:

- Professional standards and training for assessors, in conjunction with regulatory health colleges, should be required to allow evidence-based practices to guide assessments in an independent, fair and cost-effective manner;
- Insurers should be required to publicly disclose how they choose and assess the business and the performance of medical assessment professionals; and
- The business practices of health care clinics that treat and assess auto insurance claimants should be licensed and regulated.

It is clear that to achieve these stated goals, IME service entities and their assessors will need to structure their future activities in a manner that allows for clear accountability and transparency. Sophisticated IME companies such as Cira Medical Services are optimally positioned as industry leaders to succeed within the framework outlined above.

The one common denominator through all of the layers of legislative change has been the remarkable resiliency of the IME industry and its ability to quickly adapt to new policies, new procedures and ongoing regulatory reform. Going forward, government regulation and policy will continue to be a primary driver of change, and the most successful IME companies will adapt well and react quickly to emerging industry trends. Three of the most significant recent IME industry trends include increased consolidation among IME service providers, improved service standards, and the move towards better collaboration among all stakeholders in the IME industry. In addition to staying abreast of these developments, the truly successful IME companies will pursue forward-thinking strategies that shift the perspective of IME companies from being solely regarded as service providers, to serving as trusted advisors and consultants.



INDUSTRY CONSOLIDATION

Consolidation among IME service providers mirrors a similar shift that has taken place in the broader property and casualty industry. As with the consolidation of the insurance market as a whole, consolidation amongst IME service providers enhances the ability to innovate and drive value. And just as consolidation in the insurer industry has created much more capable and competitive national players, a similar trend is apparent in the IME space.

Over the past few years, most of the major property and casualty insurers have moved from using dozens of IME providers in a relatively ad-hoc fashion to running formal Request for Proposal (RFP) processes and establishing preferred vendor lists of between three and six providers. In addition to pricing, the selection of providers is based on the quality of the reports, quality of systems and workflow processes, breadth of assessor lists, geographic coverage, and data reporting.

In this context, smaller and less sophisticated IME providers are often ill-equipped to meet the evolving needs of the insurance industry. In regions where IME services are limited by fee caps, many smaller companies have had to turn down unprofitable referrals while larger companies have been successful in offsetting costs by leveraging greater economies of scale. In the face of both a changing regulatory framework and increased demand for enhanced service offerings from clients, a number of smaller IME companies have seen the advantages to be had by integrating with larger, more sophisticated entities.

Consolidation among IME providers is such that significant opportunities are arising for larger IME providers to structure their enterprises on a national basis.

Key outcomes from the consolidation shift:

Geographic coverage: Larger IME companies are better positioned to offer timely and cost-efficient services due in part to their access to regional assessment centres and comprehensive rosters of medical professionals with proven experience in a range of disciplines. This broadens the reach of IME providers allowing them to, for example, service rural areas while maintaining high quality service and minimizing costs through streamlined operational efficiencies.

Regional presence: Clients recognize a distinct advantage in partnering with national IME providers that operate out of regional offices and demonstrate an understanding of unique local conditions. Structuring operations through regional service centres promotes a better understanding of provincial/territorial legislation, social/environmental trends, and demographics, as well as many other considerations relevant to each specific region.



Key outcomes from the consolidation shift: continued

National fee schedules: Many companies requesting IME services operate on a national level and thus prefer a streamlined price guide for IME requests. A few providers have been able to quickly adapt to this trend in order to satisfy this client preference. However, due to the regional differences and varying regulatory regimes across Canada, offering a fair and profitable national fee schedule can prove challenging for even the most sophisticated IME providers. A prime example of this is the \$2,000 fee cap for assessment services which was introduced to Ontario in 2010. One of the challenges with the fee cap is in billing for complex medical assessments which require additional expertise and time or service in remote locations. As a result, a considerable number of IME requests in Ontario have become unprofitable subsequent to the 2010 SABS reforms. National fee schedules continue to present a challenge that IME providers will have to overcome in order to sustain regional and national presence while offering comprehensive and competitive pricing.

Streamlined process: Possibly the most significant outcome from increased consolidation among IME providers is the ability to provide consistent service across the national marketplace. The larger IME providers now pursue strategies designed to facilitate seamless business interactions with national scale clients. These IME companies can offer consistency across all processes including intake, clinical coordination, dictation/transcription, quality assurance control, and report delivery. This minimizes the points of contact and ensures a clear and concise flow of information. The changes allow for improved quality, reduced scheduling time, effective error control and consistent delivery of services across the country. Further to this, efficient IME companies have implemented account management processes to better manage service delivery and client relations. Account managers offer enhanced client support to ensure long-term relationships.

The future of the IME industry will likely see further consolidation, and to remain competitive, IME providers must supplement advantages of scale with more sophisticated internal processes and product offerings. In doing so, best practices will continue to be refined to ensure that IME services are delivered with the highest levels of efficiency and professionalism with a view to delivering top quality, objective and defensible reports. In effect, the trend towards consolidation is putting greater emphasis on IME service standards.



ENHANCED SERVICE STANDARDS

Over the past few years, a number of well-established, industry-leading IME providers have differentiated themselves from their smaller competitors by placing greater emphasis on developing sound business models that place a premium on corporate professionalism. For some IME providers, this shift in service standards includes implementing new processes to ensure well-managed workflow and enhanced accountability based on a results-driven processes, invested data analysis for enhanced reporting, and tracking of internal and external performance metrics linked to client service and retention.

In addition to the changes around performance metrics and operational processes, greater investment is being made to establish new industry standards in terms of quality. IME service providers have shifted from acting primarily as “brokers” between the client and medical assessor to adding significant value to each stage of the IME referral process.

The enhanced service standards place new emphasis on end-to-end medical oversight and accountability and incorporate the following differentiators into the IME process:

Differentiators of the IME process:

Clinical Coordination: The clinical coordination of a file is a pivotal process in ensuring that assessments address pertinent clinical issues while rigorously adhering to the requirements of the applicable legislative framework. Furthermore, appropriate coordination has the potential to create significant cost efficiencies over the lifetime of a file by ensuring that only the most appropriate assessments are recommended and performed. To better manage clinical coordination, the leading IME providers employ clinical professionals with an in-depth understanding of relevant legislation in order to arrive at their assessment recommendations. Ultimately, this function adds value to the claimant experience by ensuring a seamlessly integrated and thorough assessment process.

Quality Assurance: Following clinical coordination, the actual assessment and report submission, all documents are vetted through a clinically-focused, quality assurance process to ensure that reports of only the highest quality are delivered to clients. Highly-skilled clinicians with experience in a variety of disciplines guide the quality assurance process to ensure that each opinion is objective, comprehensive and made within the scope of each assessor’s expertise.

As organizational service standards continue to evolve, many IME providers recognize the value in seeking external accreditation and maintaining memberships with relevant industry bodies.



Through organizations such as the Commission on the Accreditation of Rehabilitation Facilities (CARF), IME providers are empowered to take the lead in establishing industry benchmarks and best practices. Like most international, independent, accreditation bodies, CARF provides a visible stamp of a provider's commitment to maintain quality standards for all of the services and programs they provide. Accreditation status offers a mark of accountability, a trait that insurers are especially conscious of when selecting the right service provider to include on their vendor list.

In addition to accreditation, other relevant industry bodies such as the University of Montreal's internationally-acclaimed post-graduate certificate program in Insurance Medicine and Medico-Legal Evaluation, the Canadian Society of Medical Evaluators (CSME), the Medico-Legal Society of Toronto and The Canadian Defence Lawyers, are contributing to a heightened understanding of industry best practices within the realm of insurance medicine.

Diversification of Services

In addition to enhancing their service standards, many IME providers are also expanding their portfolio of services offered. One of the key drivers of this trend is the desire of companies to diversify into new markets and new lines of business in order to generate complementary revenue streams. In Ontario, for example, many IME companies began to diversify out of necessity as IME referrals took a sharp decline in 2010 after the most recent changes SABS took effect. The legislative reforms left many smaller IME companies unable to accommodate complex referrals without undermining profitability. Larger companies, meanwhile, are able to accommodate virtually all referrals given that other revenue streams are in place to support the traditional IME business. In the process, larger companies have been able to strengthen their reputations among clients. For many IME companies, revenue diversification has provided a degree of stability that clients will find to be indispensable going forward. Thus, it can be anticipated that diversification will continue to be a key focus of IME providers as they seek opportunities for new business and organic growth.

The new emphasis on quality service standards and improved service offerings has led many IME companies to increase their collaborative efforts with various stakeholders, including insurers and assessors, in order to develop a competitive model that improves management, processes, and communication.

COLLABORATION WITH VARIOUS STAKEHOLDERS

As they grow their businesses, IME service providers acquire extensive, in-depth knowledge of different industries in which their clients operate, along with the relevant regulatory regimes. The industry also offers a unique perspective at the service level in terms of how trends and legislative changes impact individuals who are the subjects of these assessments. Given the crucial role of the IME industry in terms of linking up various stakeholders, IME providers are well-positioned to work collaboratively and efficiently with all parties in order to deliver the highest quality of service to clients and individuals served.



Generally speaking, the market has increasingly seen value in maintaining an arm's-length relationship between insurers and assessors to promote impartiality by having a third party coordinate the IME process. Occupying the middle ground, IME providers have much to contribute that can add further value to the IME process.

Specifically with respect to the insurer market, collaboration is vital to ensuring a balanced regulatory environment. IME providers, insurers, regulators, the plaintiff bar and consumer advocacy groups will continue to work towards achieving compromises that promote regulatory efficiency.

Below the grand policy level, collaboration can focus on developing practical points of connection to help better inform stakeholders about the functioning of IME processes. For example, most of the sophisticated IME providers offer the capability for regularly scheduled on-site clinical coordination to support the technical aspects of medical file coordination. In addition to this, leading IME companies offer educational seminars hosted by in-house medical experts, file specialists and assessors as a value-add to clients. Collaborative efforts should additionally extend to claimants by facilitating a seamless process that ensures minimal inconvenience or disruption to the claimant. This can include coordinating appropriate notification, transportation, translation services, follow-up, and soliciting feedback through satisfaction surveys.

Finally, an ongoing positive relationship with assessors is a paramount concern for all IME companies. Developing and maintaining positive relationships with assessors involves ensuring that referrals are appropriate for their specialty and level of expertise, as well as acknowledging the assessor's concerns and communicating them to clients. The IME assessor is at the centre of the entire IME process and it is imperative to continually work with assessors in order to ensure the highest quality of service is provided to both the client and the claimant.

Collaboration with all stakeholders is essential to ensuring the viability of the IME industry going forward. As new trends emerge, IME companies must work effectively with all stakeholders to convert challenges into opportunities and then, ultimately, into value. Working together and collaboratively opens dialogue for innovation and shapes the road map for future success.

FUTURE CONSIDERATIONS FOR THE IME INDUSTRY

The trends in today's IME industry reflect the role that larger, more sophisticated IME companies are playing in converting challenges into opportunities.

It is clear that significant opportunities exist in terms of capturing, organizing and analysing the data being generated in connection with the functioning of IME service enterprises. The more sophisticated IME providers are making strategic investments to enhance their technology platforms and better manage their IME-related information. Cira Medical Services, for instance, is owned by SCM Insurance Services group, a company that leverages highly advanced technology and process expertise. SCM's familiarity with the underlying technology is a positive factor for integration, knowledge transfer, scalability, and future enhancements.



As a result of their ability to invest in information technology platforms, larger national IME companies can offer a unique value proposition through analysis of industry and region-specific trends in order to help their clients interpret and adapt to the ever-changing industry landscape, as well as to control costs. The ability of IME companies to adapt to these trends will play a large role in determining their future success. With the advanced capabilities in leveraging data, the next evolution of the IME industry could see a leap from the role as service providers to the role of trusted consultants in clinical risk management.

In addition to emerging technology trends, IME providers may play a key role in offering valuable insights from a service-level perspective to influence future legislative reform.

The next few years are likely to see further reform of the Ontario SABS framework. Since September 2010, tens of thousands of claimants have been placed in the Minor Injury Guideline (MIG) treatment pathway. With the ongoing uncertainty of the interpretation and application of the MIG framework, a significant number of claimants have applied for mediation through the Ontario regulator, the Financial Services Commission of Ontario (FSCO). The results of these pending cases will have significant impact to insurers and claimants alike and may well result in further revision of the MIG framework. Furthermore, given the increasing backlog of such hearings at FSCO, there has been a simultaneous increase in cases pursued on the tort side as an alternative to the no-fault system in Ontario.

Though the future remains uncertain for how these emerging trends will develop, the state of technology and the character of ongoing regulatory reform in Ontario will be key drivers of evolution within the IME industry in the next few years.

CONCLUSION

The IME industry is being transformed by a number of factors, including changing government policies aimed at controlling costs and tightening regulations.

As a result of the changing landscape, many IME providers have succeeded by adapting to industry trends such as consolidation, service enhancements and revenue diversification, as well as improved collaboration with stakeholders. Companies at the forefront of the industry are setting new standards in regard to service and establishing new best practices. These companies are also pioneering new services, leveraging technological advancements, and seeking new opportunities to lead the industry.

Whatever the outcome of these efforts, it remains in the IME industry's best interest to promote the highest quality practices possible, and this can only be achieved through rigorous standards of service and innovation. The future of the IME industry will favour those providers who not only possess the ability to adapt quickly to regulatory change, but can also to respond to and even set industry trends.



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