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California State University Annual Stewardship Meeting | 9-10-2021

Introductions

The California State University

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Alliant

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PEOPLE

Employees and customers

BRAND

Protection and risk mitigation

CUSTOMIZED
TO YOUR NEEDS

PROPERTY

Physical assets

BOTTOM LINE

Financial health

DRIVE TO THRIVE 2021

TECHNOLOGY
>>> consumer experience

RESILIENCY
>>> readiness

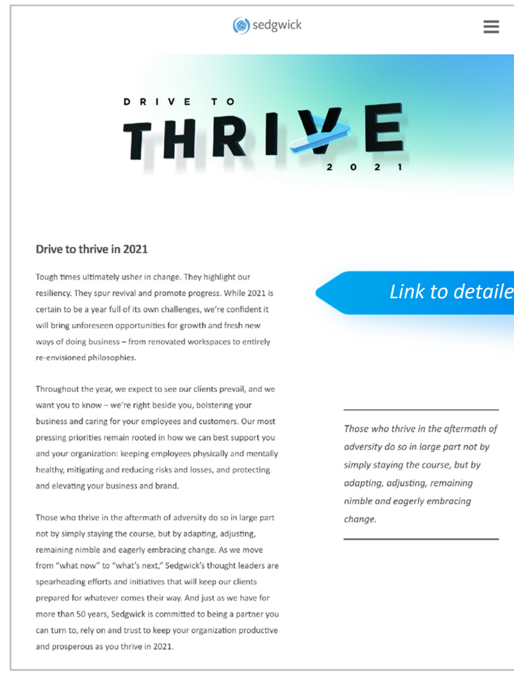
EVOLVING RISKS
>>> response

PEOPLE
>>> productivity

REGULATORY CHANGE
>>> compliance

CARE
>>> advocacy

TRENDS
>>> transformation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DRIVE TO THRIVE 2021

Drive to thrive in 2021

Tough times ultimately usher in change. They highlight our resiliency. They spur revival and promote progress. While 2021 is certain to be a year full of its own challenges, we're confident it will bring unforeseen opportunities for growth and fresh new ways of doing business – from renovated workspaces to entirely re-envisioned philosophies.

Throughout the year, we expect to see our clients prevail, and we want you to know – we're right beside you, bolstering your business and caring for your employees and customers. Our most pressing priorities remain rooted in how we can best support you and your organization: keeping employees physically and mentally healthy, mitigating and reducing risks and losses, and protecting and elevating your business and brand.

Those who thrive in the aftermath of adversity do so in large part not by simply staying the course, but by adapting, adjusting, remaining nimble and eagerly embracing change. As we move from "what now" to "what's next," Sedgwick's thought leaders are spearheading efforts and initiatives that will keep our clients prepared for whatever comes their way. And just as we have for more than 50 years, Sedgwick is committed to being a partner you can turn to, rely on and trust to keep your organization productive and prosperous as you thrive in 2021.

Those who thrive in the aftermath of adversity do so in large part not by simply staying the course, but by adapting, adjusting, remaining nimble and eagerly embracing change.

Link to detailed overview

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The Sedgwick difference

Strategy | customized, solutions-oriented approach to each client relationship

Innovation | diversified solutions portfolio and technology innovation

Knowledge | experienced resources with specialized knowledge in each industry and risk class

Scalability | extensive global footprint and ability to scale to meet client needs

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Executive Summary

We are proud to present our annual stewardship report for the California State University (CSU) Workers' Compensation Program. The partnership between the CSU and Sedgwick is in its 18th year - and what a year it's been. The entire fiscal year occurred during the pandemic. This resulted in significantly reduced reporting of new claims due to the substantial de-population of the campuses and the Chancellor's Office. The current performance indicators are on-par with the program's historically sound performance.

As we enter the first semester of repopulation, with the anticipated increase in new claim reporting, we will focus on the things that have been proven to provide and maintain solid results - inventory management, the CSU's Client Service Instructions (CSIs), and Sedgwick's Best Practices.

Highlights of FY2021

- Closing ratio at 117%
- Pending Claims down by 13%, with a 44% reduction in total paid for the FY
- Aged Pending (> 5 years old) down by 6%
- Resolutions remain a consistent focus, with Compromise and Release (C&R) settlements continuing to outpace all other settlements for the period, at 66% of the total settlements
- Double Play claim staffing accounted for 10% of all settlements and an accompanying $4M in reserve salvage
- 1st Wave COVID-19 results demonstrate the success of the CSU’s depopulation plan
- Excellent Alliant audit results
- 0% turnover during the pandemic

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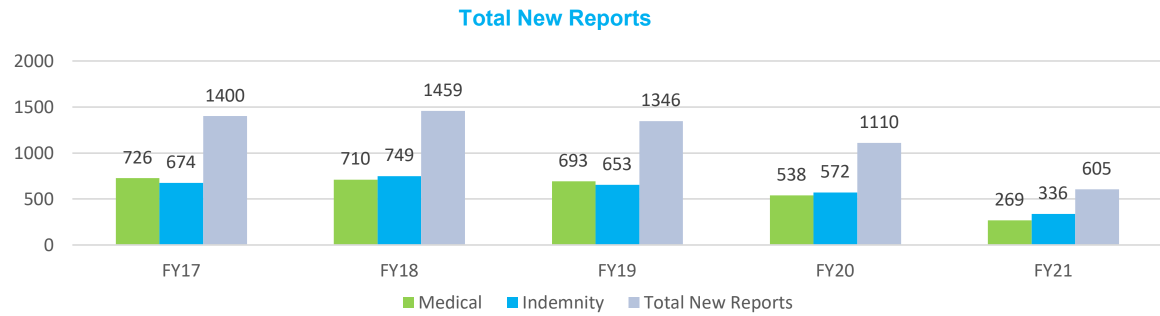
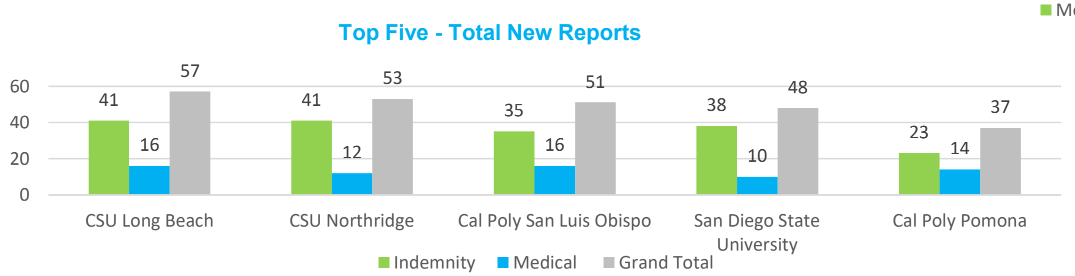
Program Performance Summary

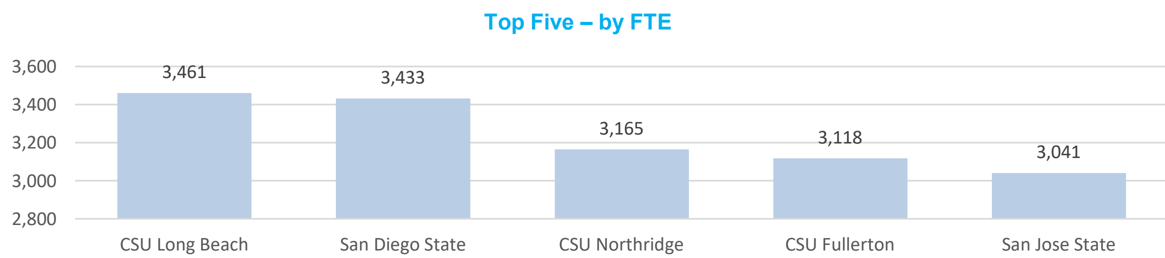
New claim volume for FY2021 is down by almost 50% due to the ongoing pandemic related campus depopulations





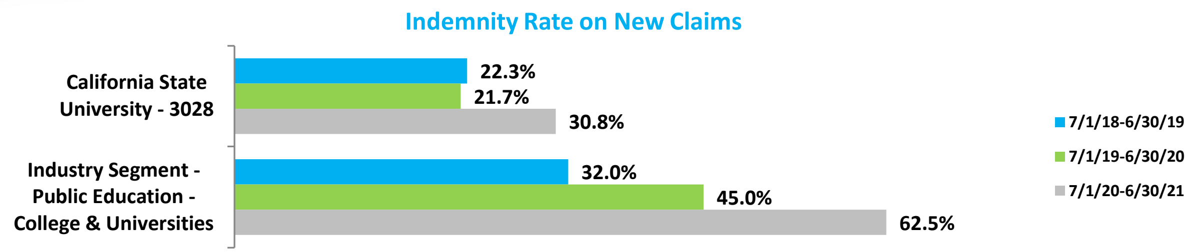
The Top Five Campus locations reported 41% of the new claims for FY2021

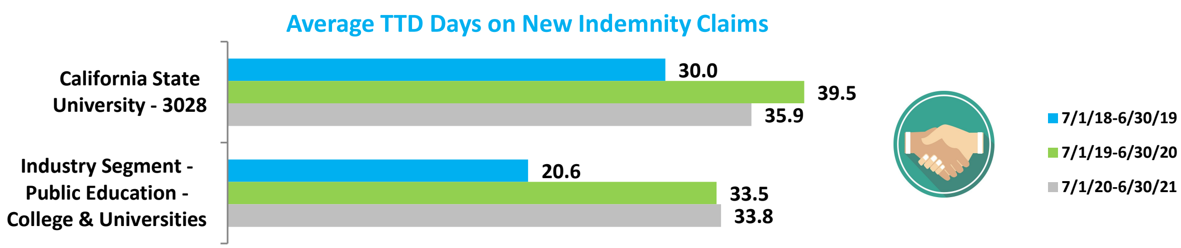
The Top 5 by frequency generally tracks with the Top 5 by FTE



Program Comparison to Book of Business (BOB) – NEW

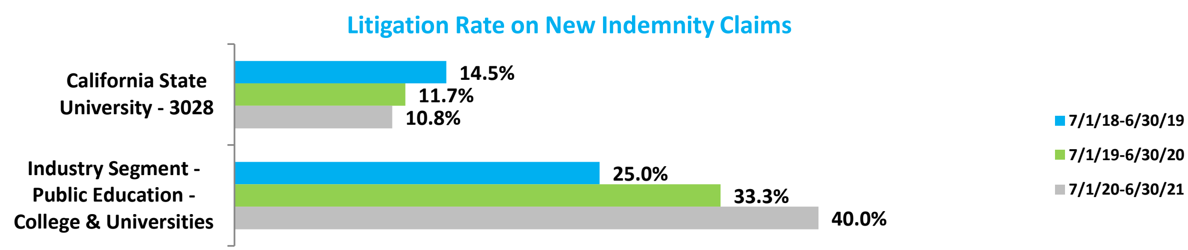
New claims with indemnity paid in period - indicator of severity





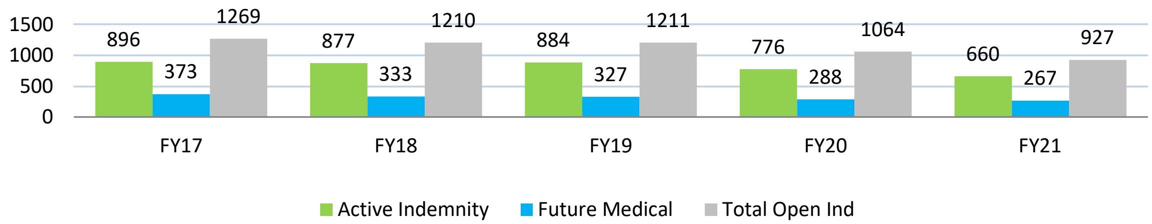
Evaluate as a cooperative opportunity (denoted by handshake icon) to tighten up RTW practices – interesting when viewed against the Indemnity Rate on New Claims

A nice confirmation of the quality of both the injured worker’s experience as an employee and as an injured worker

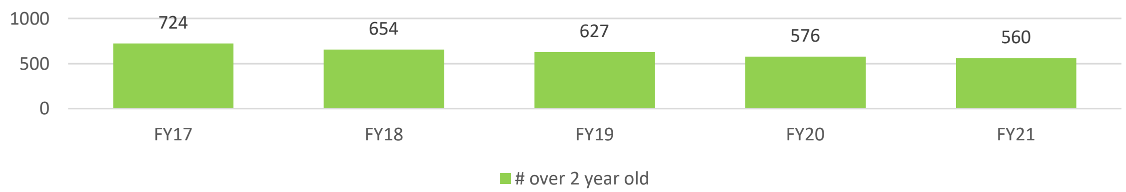


The CSU program has seen a significant reduction in open Indemnity inventory of 27% for the review period, and of 13% for FY2021 over FY2020

Open Claims – Indemnity



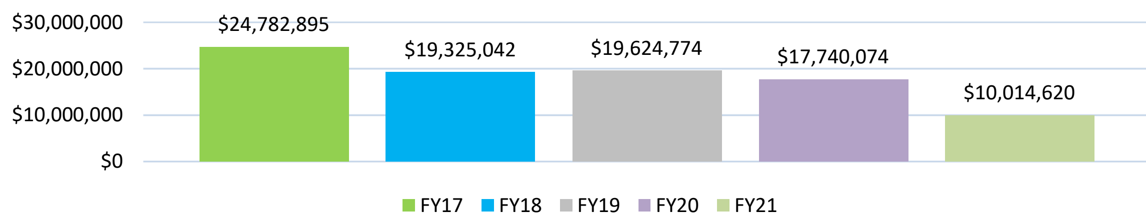
Open Claims – > 2 Years Old



A focus on the reduction of aged pending has positively impacted the population of claims open > 2 years

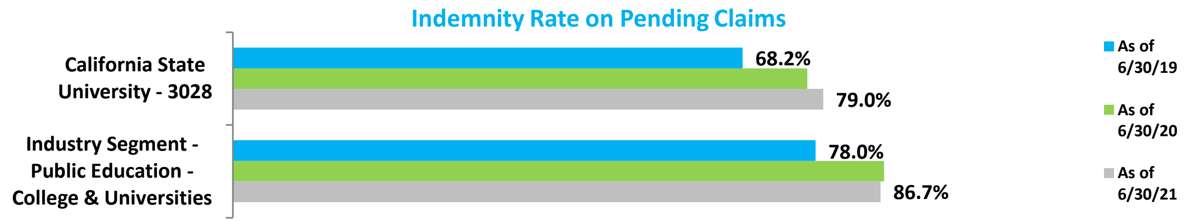
The paid in period has experienced a substantial reduction of 44% for FY2021 over FY2020 and 60% for the review period

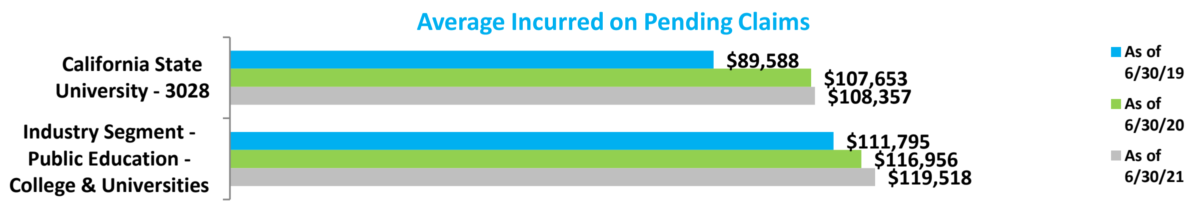
Open Claims – Total Paid



Program Comparison to BOB - PENDING

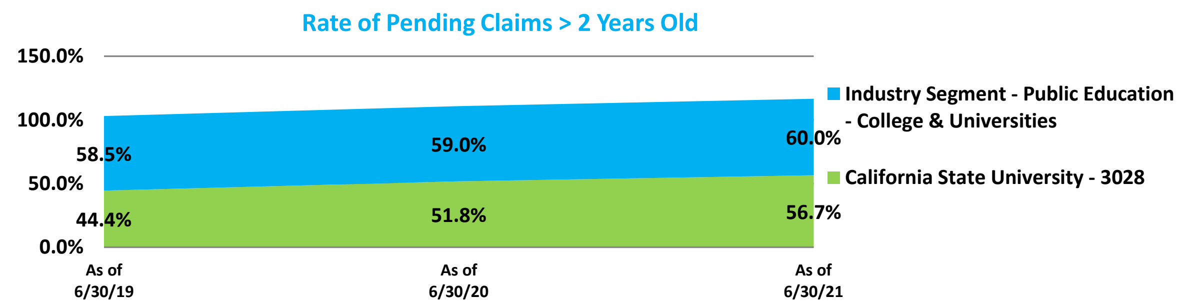
As with the new claims, this is a good indicator that the CSU is doing a good job of managing severity when compared to similar clients in the BOB





This tracks with our Indemnity Rate on Pending Claims – CSU outperforms the BOB

This an area of potential opportunity – the number of pending claims > 2 years old has reduced steadily, but the % has been increasing. This is a reflection of the significantly reduced new claim intake.



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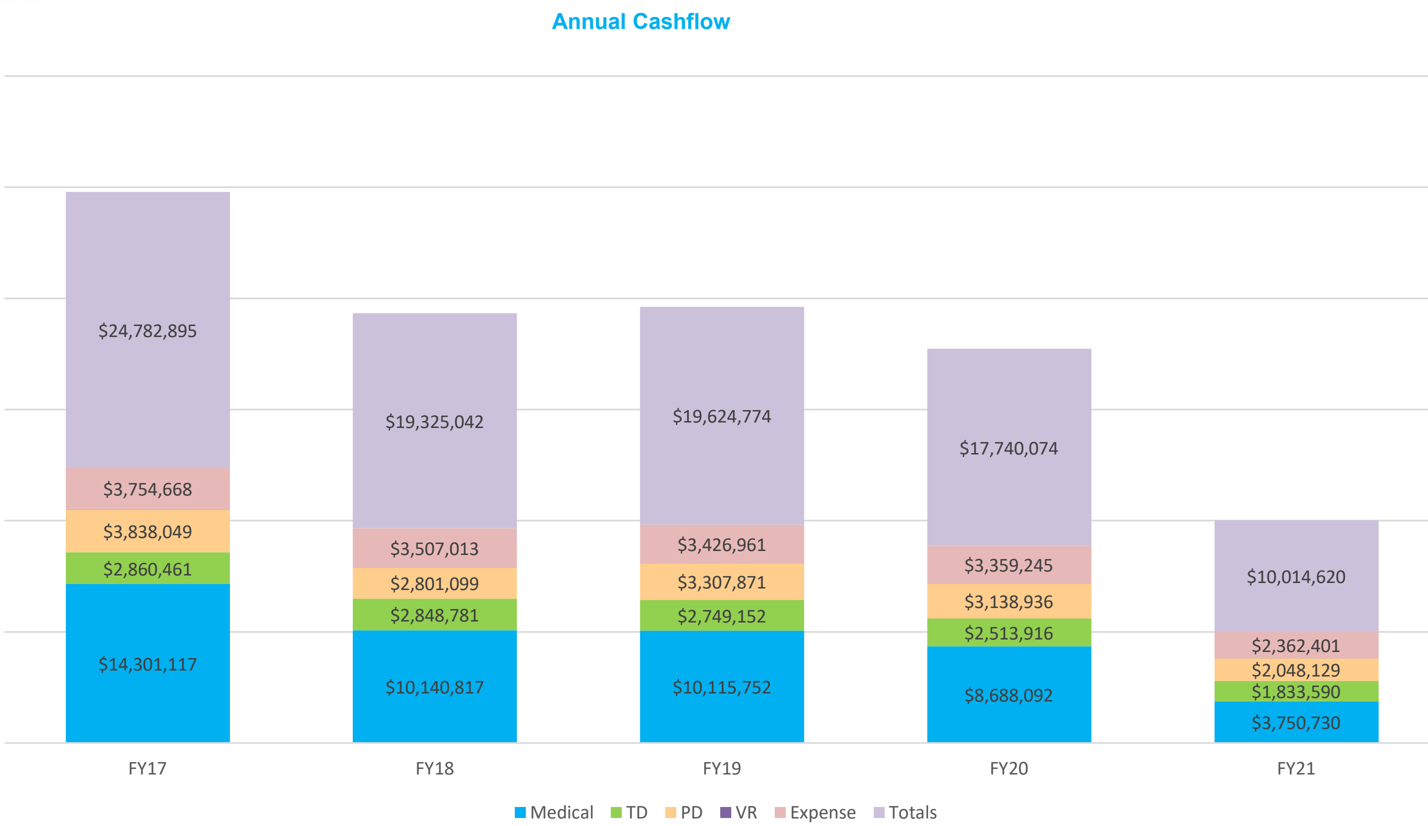
Program Statistical Analysis - Cashflow

Pre-pandemic Medical spend has been well controlled. The reduction in overall medical treatment and elective surgeries had a significant impact on the spend for FY2021 and FY2020

Our overall cashflow has been trending positively for several years

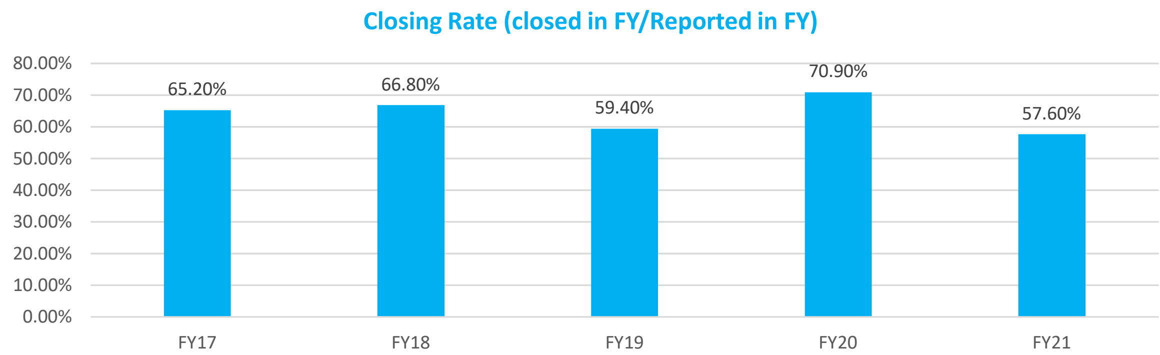
We will be diligent in continuing to identify savings opportunities as the repopulation and attendant increase in claim volume/cost develops

The VR spend is not represented on the chart as it is now a minimal expense, with an average of $28K/year for the last five years



Program Statistical Analysis - CLOSED

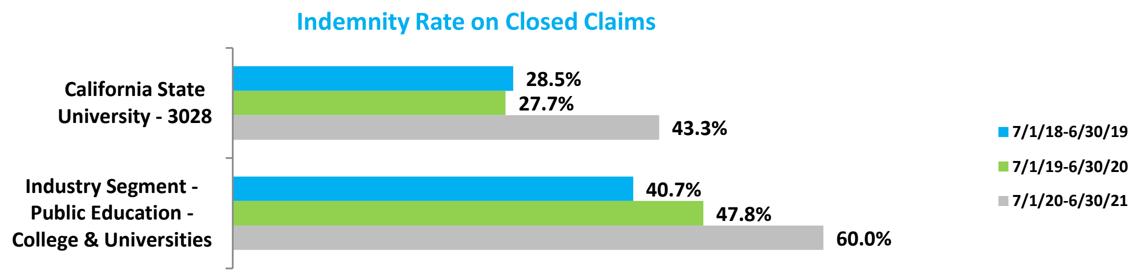
The CSU Program has a consistent history of closing ratios at 100% or better. This continues into FY2021 with a closing ratio that is essentially twice that of similar industry BOB comparisons

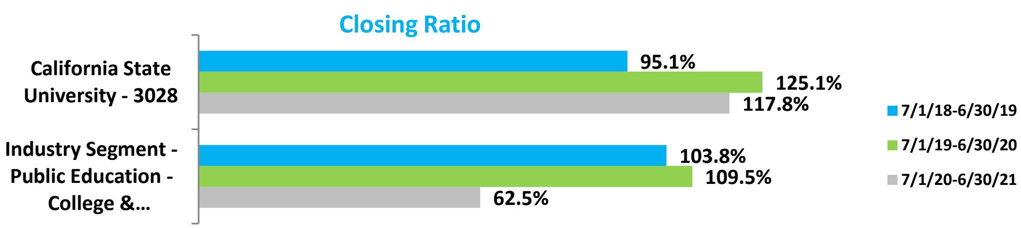


The Closing Rate reflects claims received and closed in the same fiscal year. We plan to focus on increasing this rate in FY2022

Program Comparison to BOB – CLOSED

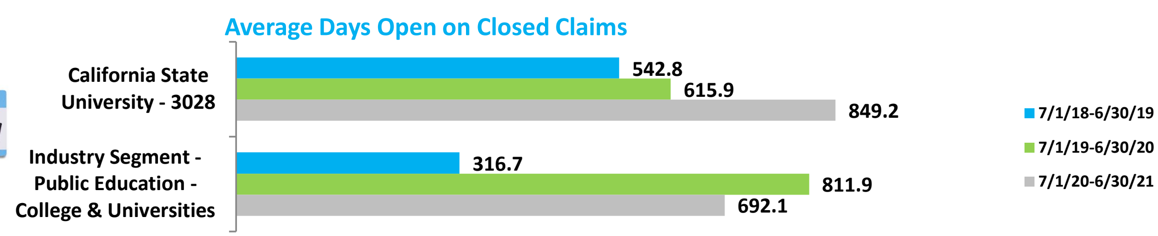
CSU outperforms the BOB for % of closed claims with indemnity paid by approximately 15%





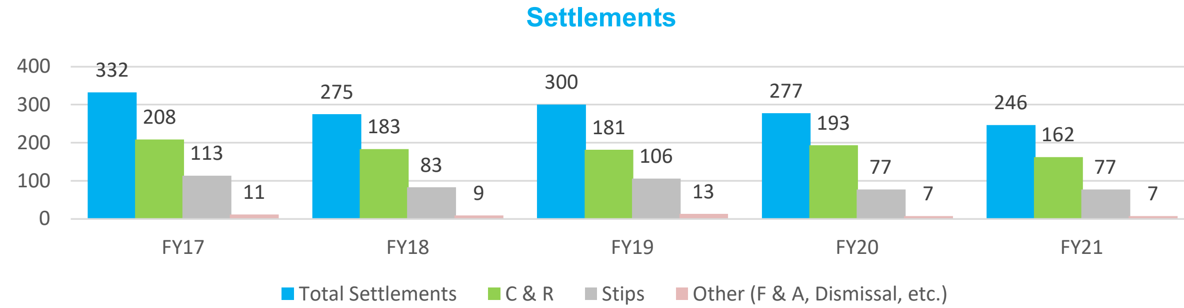
Inventory control has been a focus for the team, and this is borne out in these results

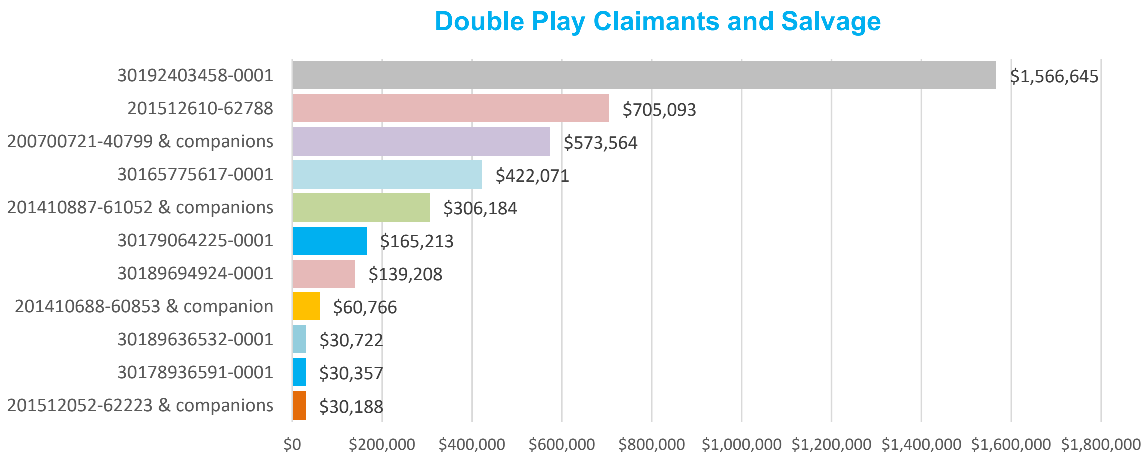
While we do view this as an opportunity (denoted by Opportunity icon) to be evaluated, it is important to note that this number includes many older claims that were closed in FY2021



Program Statistical Analysis - Settlements

Emphasis on full resolution continues with C&R settlements making up 66% of the total for the year. That is only 4% off from our five-year high of 70%

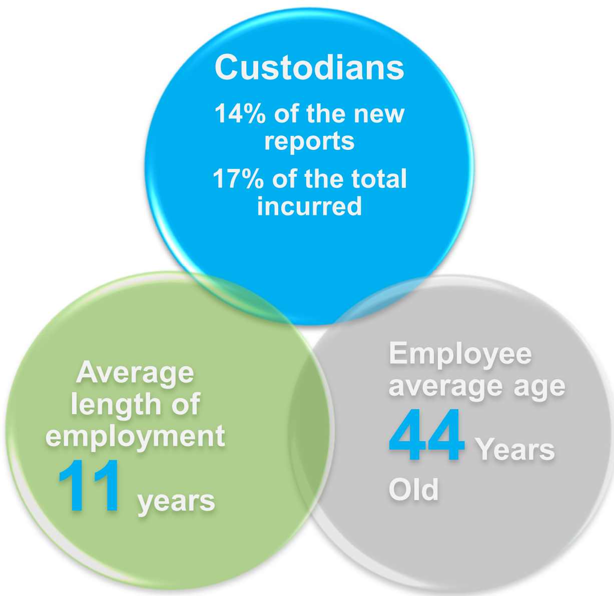




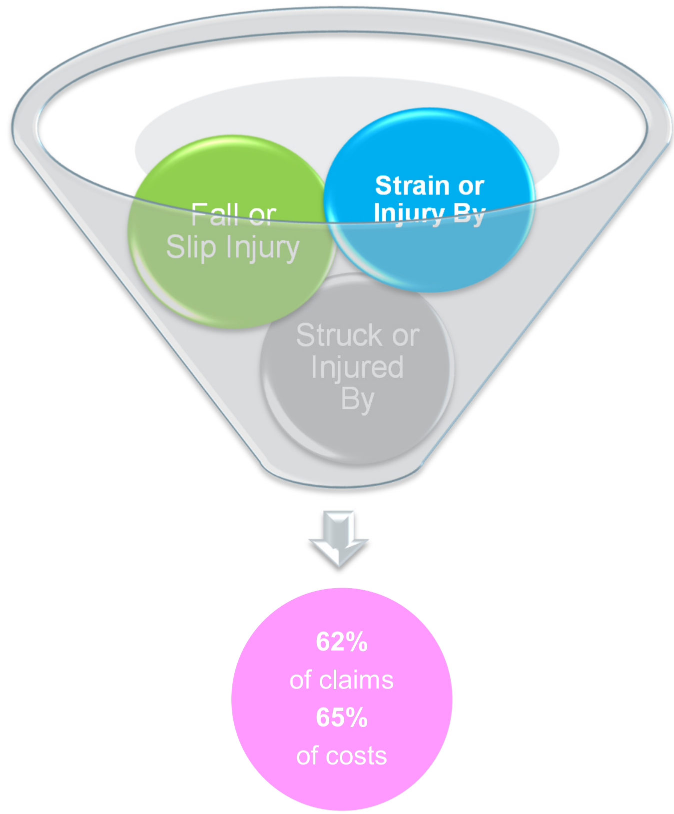
Double Play staffing was instrumental in our settlement activities, aiding in the resolution of 10% of the total settlements in FY2021. These efforts delivered a reserve salvage of over $4,000,000. This brings the overall program total salvage to over $14,000,000 for the life of the Double Play program

Loss Control Insights (FY2019-FY2021)

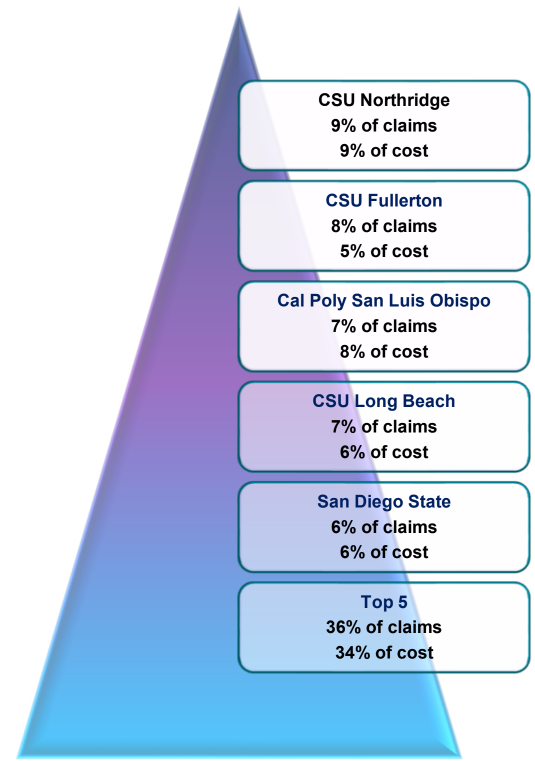
Who?



What?



Where?



CSURMA COVID-19 First Wave (3/1/2020 - 6/30/2021, as of 8/31/2021)

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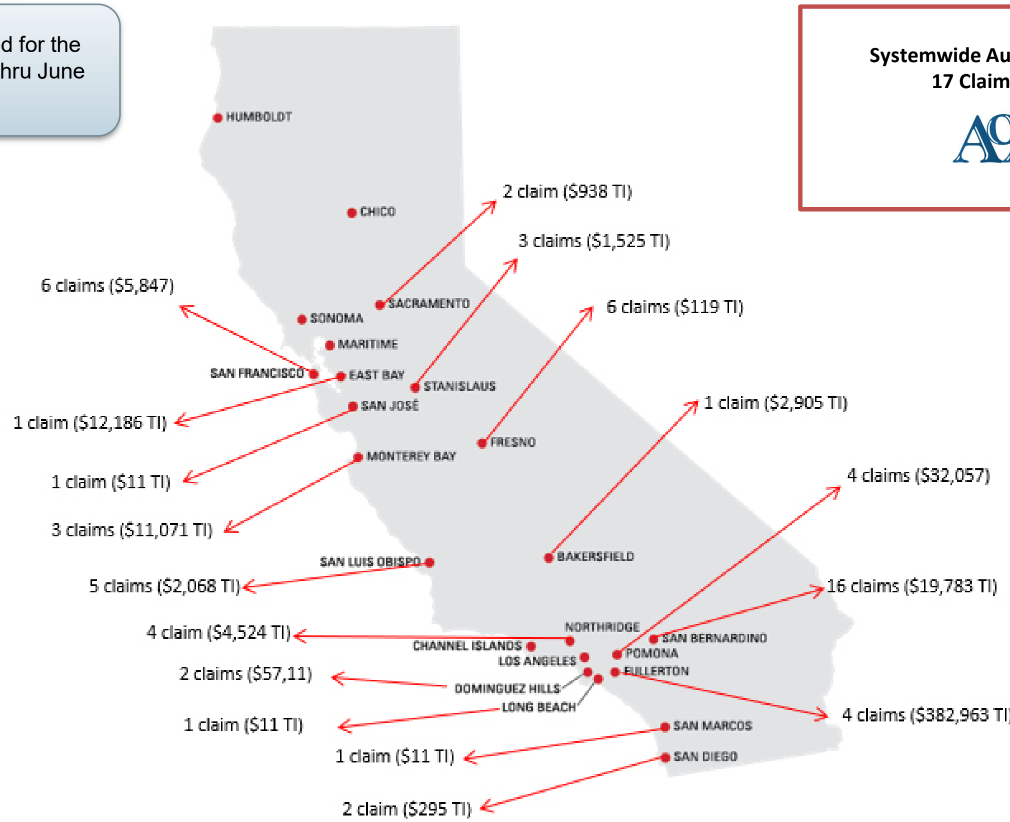
The system was substantially depopulated for the COVID-19 First Wave, from March 2020 thru June 2021

Total COVID-19 related reports through 6/31/2021 = 106 (79 claims and 27 Incident Only reports). This represents 10% of the total reports for the period

Work at Home (WAH) injuries account for 8% of the total reports for the period.

WAH injuries are almost exclusively related to RSI/Ergo causes. The outliers are one stress and one ortho claim from lifting



Systemwide Auxiliary Orgs WC Plan
17 Claims ($14,118 TI)

AOA Auxiliary Organizations Association

The Closing rate on this population of claims is 92%

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CSU Performance vs. Sedgwick Best Practices

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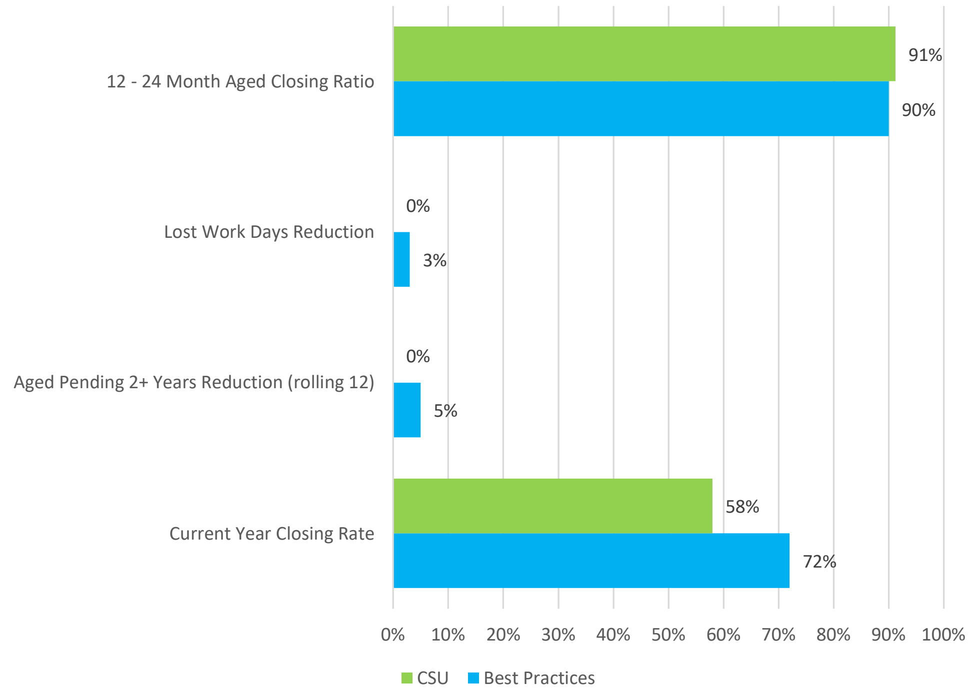
Together the CSU and Sedgwick have crafted a consistently well performing program, producing results of which we can all be proud

The benchmarking against Sedgwick's like-industry BOB shows that the CSU consistently outperforms their peer group

Because this program has never been one to rest on its laurels, we recommend using these performance indicators as a basis to establish a set of annual goals focused on speedy closure and reduced lost work-days,



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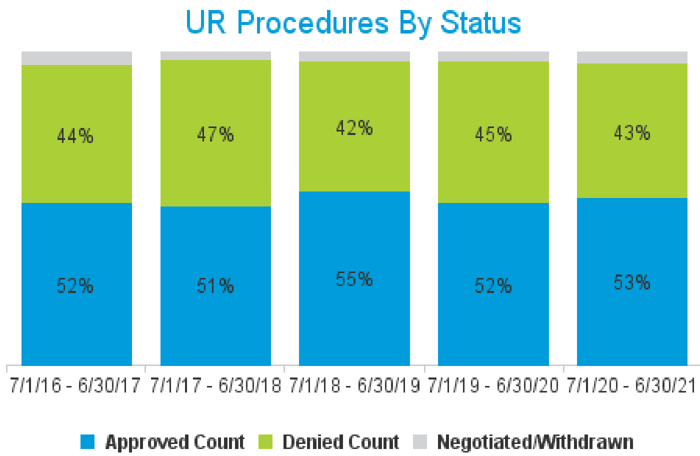
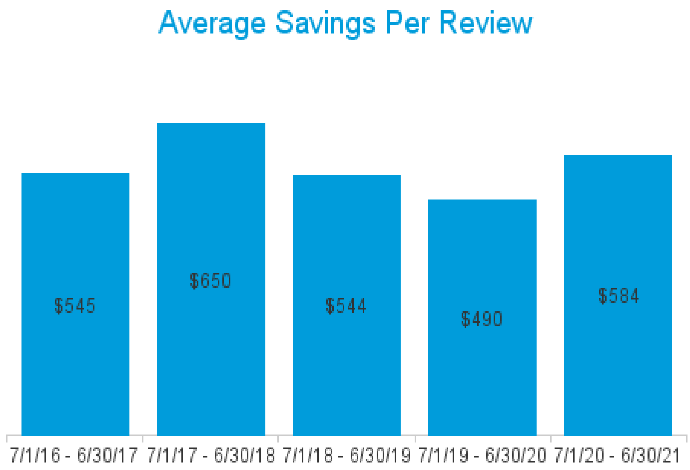
CSU 2021 Utilization review Outcomes| 9-10-2021

WC – Managed Care – Utilization Review





- CSU approval rate is 53% (vs. 58% for CA book of business)
- CSU denial rate is 43% (vs. 41% for CA book of business)
- Average savings/review for CA BOB averages $401/review (public sector) and $525 (entire BOB)
- 2018 was bolstered by higher-than-normal Rx savings and 2021 was a result of a singular claim

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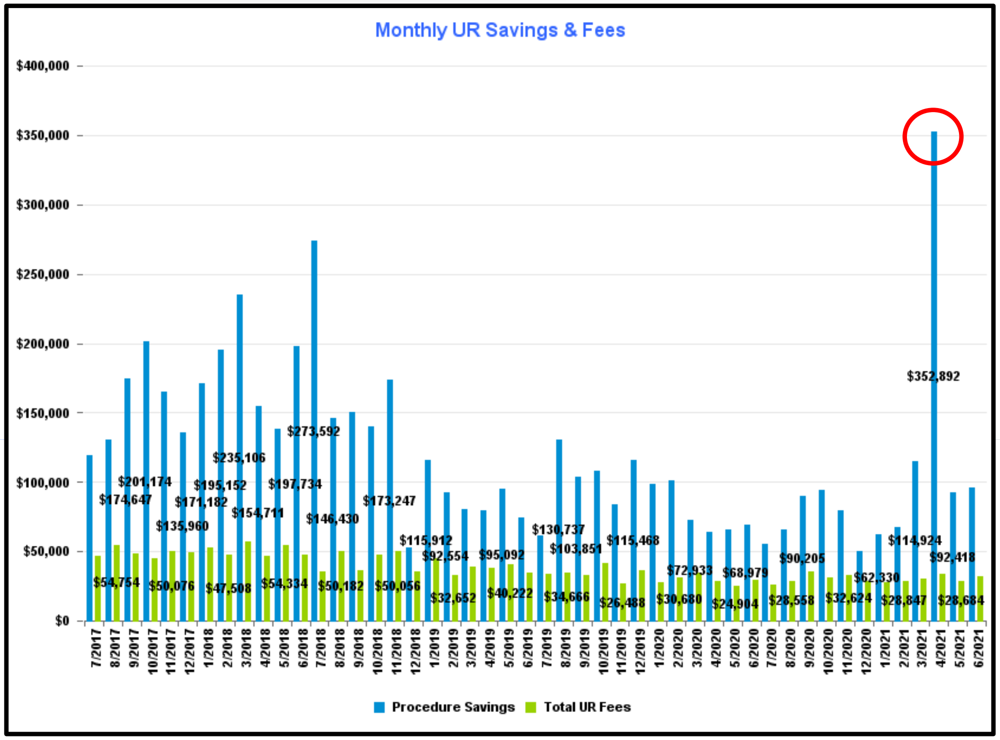

- Note that UR savings appear to diminish starting in 2019 – this coincides with the CA Rx Formulary, which saw diminished savings on Rx reviews since statewide implementation

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Key Statistics	
Savings	
$5,785,445	
Average Savings	% Approved
$3,189	52.48%
# of Reviews	% Negotiated
10132	0.82%
# of Procedures	% Withdrawn
30759	%
ROI	% Denied
$2.2	44.4%

- Lifetime program ROI is 2.2:1 (total fees: $2,430,817 from 2017-2021)
- 44.4% denial rate with Chiro, Pain Management and DME representing the highest categories for denial
- Highest UR volume categories are Chiro, PT/OT and pharmacy requests making up 63% of all UR requests (out of a possible 13 total reviewable categories)

Pharmacy UR

"Point of Sale"

- Referred at the pharmacy
- Program-specific criteria initiates email from PBM to Sedgwick
- Out of formulary, outside of guidelines or in UR-allowed/ required state
- Sedgwick has 4 hours to get back to pharmacy with decision
- Nurses use evidence-based guidelines, outreach to treating physician, and coordinates with examiner on file
- Documentation in PBM, OneTeam and JURIS

SIGNATURE ____________

DATE ____________

FIVE-STAR

Provider Benchmarking

42%
faster return to work

51%
lower incurred

54%
lower litigation rate

52%
shorter claim duration

WC –Program Considerations – Surgical Nurse

- Specialized surgery nurses to improve recovery times and facilitate safe, healthy return to work
- Nurse engages injured worker to focus on pre-operative physical strength, nutrition, co-morbidities, smoking cessation, home readiness
- Mobile app option to enhance engagement and compliance
- Post-operatively nurse manages and documents progress and compliance with strength training, recovery efforts, opioid use and pain perception

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Conclusion/Next Steps

Opportunities/Efficiencies for FY2022

Smart.ly – Enhanced Global Intake with fully customizable intake script

Pharmacy UR – Accelerated drug UR (four hours or less) embedded in the Sedgwick UR workflow

HR Data Feed – Significant automation of the new claim set-up process/ near real - time claimant data updates

Specified Performance Goals – Keyed to Sedgwick Best Practices and the specific needs of the CSU – quarterly progress reporting

Looking Ahead – Maintaining Focus on the Basics, While Navigating "The New Normal"

We appreciate your partnership, time, and attention in today's presentation. We believe that this is a "Cadillac" program and that this is a direct result of our close working relationship. The claims team on both sides of the equation function as essentially a single unit, providing a unique ability to handle issues as they arise in near real time - this is the most impactful aspect of the CSU/Sedgwick relationship. The 0% pandemic turnover really tells the story. In a time when folks were looking for an escape plan, our team was looking for ways to ease the burden.

At the beginning of this presentation we telegraphed the wrap-up. We plan to build on the solid results of the past by fine-tuning our focus on the basics, with an emphasis on expedient closure, maintaining tight inventory management, and by implementing tracked, measurable goals. At the same time, we know that this will be another year of elevated uncertainty. We will strive to identify and offer solutions for the challenges that are sure to arise as we get back to business as usual, all the while navigating the "New Normal."

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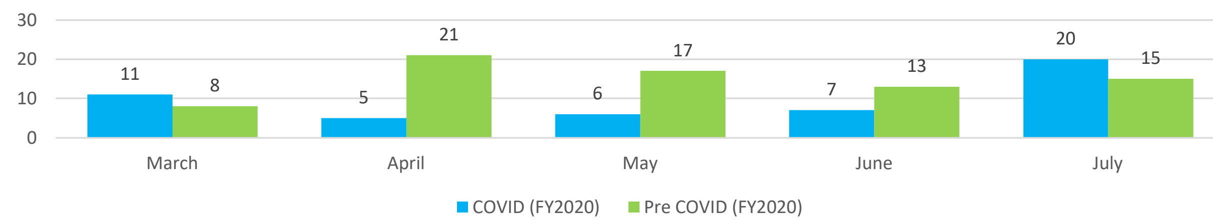
California State University Annual Stewardship Meeting - supplement | 9-14-2021

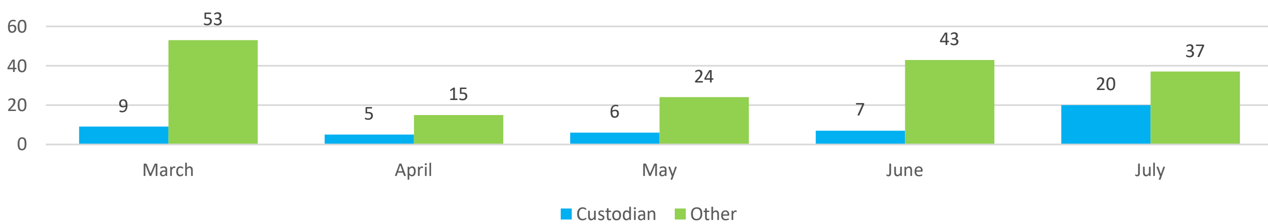
Early COVID-19 Custodial Injuries (3/1/2020 thru 7/30/2020) vs. Same Period Prior Year

The frequency of custodial injuries for the pre-COVID period was 51% greater than the COVID period

COVID vs. Pre COVID



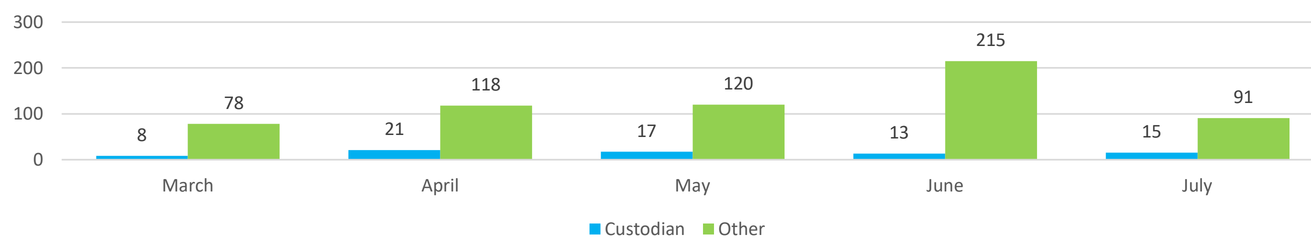
Custodian vs. All Others - Early COVID FY2020



The % frequency of custodial injuries for this period was predictably greater than usual 21% during early COVID due to the campus depopulations

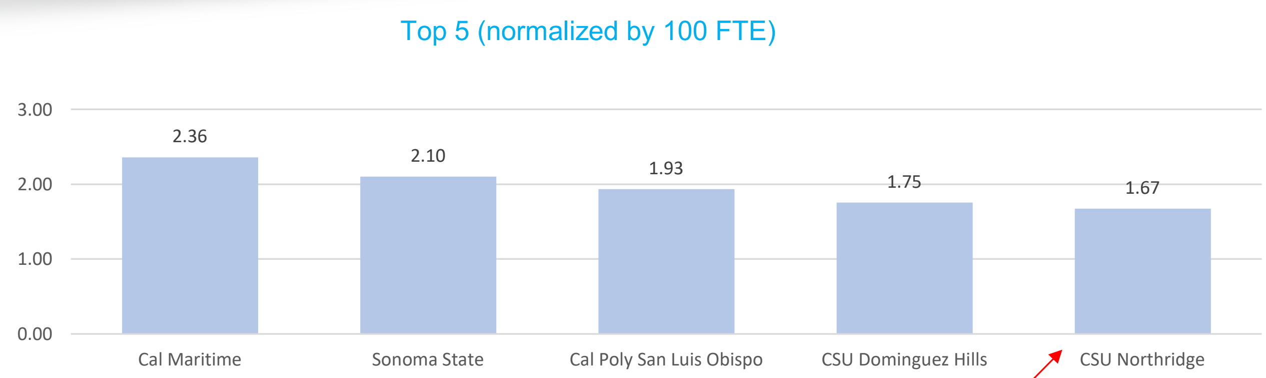
The frequency of custodial injuries was 11% for the same period - prior year. This tracks with the three-year loss control history of custodial injuries at 14%

Custodian vs. All Others - Same Period FY2019



FY2021 Top Five by Frequency – normalized by FTE

The Top 5 campuses by frequency based on claims per 100 FTEs. Interestingly the average for all campuses was 1.35 claims per 100 FTEs



The unadjusted Top 5 campuses by frequency shares only one location with the Top 5 by 100 FTEs