Creating an Award Winning Program
Risk Management
American Airlines Group
Creating an Award Winning WC Program

1. Gleaning Insight
2. Work Comp Leadership Team
3. American Airlines Vision and Work Comp Program
4. Accomplishments
5. Questions
Gleaning Insight

- Sharing insight from the Award Winning Workers’ Compensation team from the world’s largest airline.
- Award Winning- 2015 Teddy Award Winner
- Comp Laude Award by Work Comp Central
Workers’ Compensation Leadership

Director, Workers’ Compensation Corporate Insurance & Risk Management

Kris Sallee
Manager, Workers’ Compensation Eastern Region

Bryan Conner
Manager, Workers’ Compensation Western Region

Chris Parker
Manager, Analytics
Western Team

Drew Cashatt
Midwest Region

Paula Young
DFW- Region

Becky Johnson
Western Regional Administration

Kathy Woychick
Western Region

Annette Griffith
Texas- OK Region

Ed Rudi
Southwest Region
Workers’ Compensation Program

- 125,000 employees with over 15 union contracts
- Annual budget of $215M
- Outstanding workers compensation unpaid liabilities $660,561,342
- In 2016, we had 9,895 new claims reported to Sedgwick
  - 190 injuries per week
  - 27 injuries per day
  - One injury every 53 minutes
Doug’s Vision: To Restore American to the Greatest Airline in the World

**Focus on our customers’ needs and wants.**
Provide a network and a product that is as good or better than our competitors.

**Be an industry leader.**
Safe and reliable in airline operations – it must be part of the fiber of our company.

**Engage our team members.**
Ensure they have the tools and information they need to do the jobs they perform so well. Create an environment of coordinated, collaborative teamwork and mutual respect.

**Provide a return for our investors.**
As the largest airline in the world, we should be the most profitable. If not, investments will go to other airlines over ours and that is not a formula for success.

**Look to the future.**
Our industry is continuing to evolve and we need to ensure we are leading the change, not chasing it.

2/16/2017
Leap of Faith- Workers' Compensation Leadership

• Seeking ways to positively surprise our employees
  – Concierge Service- PT- Nurse Case Management- Medical Providers

• Seeking ways to make our employees proud of American Airlines

• Best employee relations in the industry- Yes this includes Workers’ Compensation

“Happy employees take care of customers and happy customers take care of shareholders by coming back.”

Forbes Magazine
Einstein’s Roadmap at Implementation

1. Work Comp Team Reorganization
   - Department realignment
   - Roles and responsibilities redefined
   - Frontline team member engagement
   - Streamlined communication

2. Partnership Selections
   - RFP
   - Interviews and Vetting

3. Created a culture of collaboration, advocacy and urgency
   - Sedgwick selected as Best in Class partner for claim administration for the combined airline

4. Claim Resolution
   - RTW
   - Settlement
Deep in the Weeds

1. Internal and External Process Checklists
   - Active Listening and Employee Engagement
2. Empowerment
   - Do Something - A decision is better than no decision
   - Don’t be afraid to act
3. Settlements and Closures
   - “Out of the Box” Creative Solutions
   - Settlement Conference
4. Education and Engagement
   - Visible and accessible to team members (including frontline) and partners
   - Proactively anticipate needs
   - Continuous training and support
5. Oversight and Accountability
   - Analytics team
   - Scorecards
   - Check Ride of the Medical Providers
   - Partner Audits
   - Claim Reviews
Partnership Selections

• When an employee is injured
  – Our focus is to ensure the employee receives prompt medical care and to facilitate a safe return to work while ensuring compliance with state law, company policy, and our collective bargaining agreements

• Best in Class Partners were selected who understood the new goals of the program. Multiple partners were included to ensure competition and improved performance

• Nurse case managers partners were selected to serve as an advocate and resource for the employee as well as local management for return to work issues
Relationship Management

- **Account Instructions** written to promote collaboration between the Sedgwick adjusters and AAG
  - Annual partnership meetings with AAG & Sedgwick—Every Adjuster
  - Quarterly recognition includes ‘traveling trophy’
  - Less than 10% voluntary adjuster turnover within

- **Clinical Oversight** with SPnet for Physical Therapy.
  - Saved over 6 Million dollars using the three (3) Gates Cost Containment Method

- **Training** is provided to all selected partners to better understand our core values and mission for the new workers’ compensation program
  - Tours/Meet and Greets with local management
  - Day in life of Flight Attendant/Airport Training
  - Workers’ Comp 101
  - Annual Partnership Summits
Relationship Management

Accountability

• Monthly/Quarterly meetings with union groups
• Quarterly claim reviews along with quarterly stewardship reviews
• Annual legal summit for all defense attorneys includes discussion of legal scorecard
• Legal Training for Medical Providers
Accomplishments
Resolution of claims

- Shifted focus on settling workers’ compensation claims
  - Introduction of settlement conferences in several major jurisdictions as well as collaborating with our vendor partners to find creative ways to resolve aged claims in a cost-effective manner
- AAG has experienced a 44% reduction in open claims from 2013 to 2016

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New Claims Process

• Since 2013, we achieved a 39% reduction in the amount of time to close a claim

• This improved claims performance illustrates that employees are returning to work sooner, they are requiring less medical treatment to recover from their injuries, allowing better utilization of our workforce and therefore reducing overall costs
Closing Ratio

- Current Year Closure Rate* on new claims has increased 25.5% since 2013.

*Current Year claims are the claims opened in each year and their status at year end.
Spend Overview

Medical Spend Overview

- Doctor (301), 11.6%
- Pharmacy (303), 8.7%
- Physical Therapy (316), 13.8%
- Settlement (390), 15.6%
- Surgeon (340), 8.0%
- All Other, 42.2%

*** Note 57% decrease in MSA’ costs since 2014
Overall Accomplishments

- **Merger Synergy of $40M**
  - Due to improved claims management and claims processes
- **Pending Reduction**
  - Decreased overall pending by 45%
- **Total Incurred**
  - Decreased total incurred by 23%
- **Reserves**
  - Decreased total outstanding reserves by 28%
- **Current Year Closures**
  - Four (4) Consecutive years with 78% Current Year closing ratio
- **Decreased Current Year durations YOY**
- **Aged Pending**
  - Decreased aged pending by 38%
- **Collateral requirements with AIG**
  - Collateral Reduction by 30%
Back to the Basics—Goals

**Current Year Closing**
Previous year end: 78%
Goal: 79%

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<th>Variance</th>
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**1-2 Year Pending**
Year begin: 78%
Goal: 94%

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**Aged Pending**
Previous year end: 1,479
Goal: 1,350

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**Legal Spend**
Previous year end: 9.40M
Goal: 9.05M

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**CY TTD Days**
Previous year end: 68.4D
Goal: 64.0D

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Questions