



White Paper

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An Industry Perspective

# Peak Claims Management

The Greater Journey To Claims Transformation

Implement new claims technology and you can achieve peak efficiency and overcome market challenges.

Peak claims management: it's what every insurer aspires to achieve. We're not talking about improving routine administrative tasks here. We're talking about realizing claims management visions and strategies that bring claims management into the digital age. Implement new claims technology and you can achieve peak efficiency and overcome market challenges.

Transforming claims management is emerging as a top priority for many insurers. Like many coveted goals, however, peak claims management can prove elusive when great technology becomes not-so-great technology, and that happens a lot where aging legacy systems struggle to keep pace with rapidly changing business technologies and a more complex marketplace. Being competitive in the face of regulation is more difficult. The overall business climate is increasingly competitive as well. Uncertainty plagues economies around the globe, and claims costs keep rising even as the need to introduce new products and cope with new exposures increases.

Insurance organizations and self-insurers want efficiency and effectiveness more than ever. They want effective risk management that reduces the impact of contingent liabilities and indemnity costs. And they want to keep their customer base intact even as they acquire new customers. Customers and prospects are undergoing change themselves. They demand new and better ways to self-serve themselves. They want access to portals where they can review and submit claims information. They want real-time access anywhere, anytime, even from the site of an automobile accident.

All claims organizations desire shorter claims cycles, more accurate and efficient claims data transfer, seamless integration with third-party vendors, and satisfied customers. Insurers, self-insureds, and claims organizations also want ways to spot trends and proactively monitor them. There's one effective solution to all these demands, desires, and challenges: the new claims technology.

### **Destination Claims Transformation: How To Get There**

A deliberate, seven-step strategy can assure a successful journey to claims transformation.

1. Develop a vision aligning with company strategies
2. Understand where you are today
3. Develop a plan
4. Establish success metrics
5. Gather resources & prepare for effective change management
6. Resolve & execute
7. Deploy the appropriate technologies

More and more insurers are opting to buy rather than develop their own systems.

### **A Dinosaur Called Legacy**

Legacy technology is rife with problems. It's akin to an old piece of farm machinery held together with baling wire, a technology dinosaur. Policyholders do business with many other financial institutions, principally banks and credit card companies. The opportunity to go online and login and manage their accounts is one of technology's great consumer empowerments. Digital consumers use modern technology everyday, and to them an old technology system stands out like a sore thumb.

Claims legacy technology (extinction bound) possesses limited capabilities and ages exponentially as newer technologies debut. It's risky. Sometimes it works. Sometimes it doesn't. But it always sends a consistent message to your customers: I am behind the times and so is my company.

Legacy technology is expensive to maintain. For one thing, those who developed the technology are disappearing as the workforce ages and younger IT personnel train to work with newer technologies.

Not only is a legacy system code intensive, it's also fragmented and often consists of multiple systems cobbled together. It comes as no surprise that its data is unreliable, isolated, and often hard to access. Legacy systems are also inflexible. Opportunities to extend their functionality and incorporate business rules are minimal. They're good at one thing though: creating informational and organizational silos.

With a broader-than-ever selection of systems and products to choose from and often lacking the specialized resources to develop systems, more and more insurers are opting to buy rather than develop their own systems. It's a wise choice.

### **Modern Claims Systems—They're Future Ready**

Compare legacy systems' limitations to what modern claims systems can do. The core systems are developed to embrace new technologies. First of all they open the way to providing customer portals. They can accommodate mobile technology, letting policyholders access the new technology from personal technologies. From the insurers and policyholder's perspective, it permits faster, easier access to the management of information. And beneficial to the insurer is the fact the new claims technology is embedded with information and integrates with a rich array of data sources. This capability paves the way for the highly coveted predictive analytics, which is more crucial than ever in the Information Age.

Insurers not only can anticipate projected results but initiate actions to better deal with claim management trends as well.

### See The Future

Living within insurance organizations' databases are facts, a rich history of claims data. Predictive analytics are an important asset in pre-loss and post-loss claim prevention and management—if you can compare before and after scenarios. That old adage of learning from one's past offers insurers a pathway to smarter operations. A modern claims system provides a way to predictive analytics: the ability to analyze current and historical files and make predictions about future risk scenarios. These analytics widen the door to contingency planning and cost containment. A stagnant legacy system simply can't optimize the use of predictive analytics. The result? A treasure trove of rich data lies untouched, useless. At best decisions must be made intuitively "from the gut," and these decisions often prove messy. Insurance organizations using predictive analytics make better decisions. Why ask, "What went wrong?" when you can say, "Here's what's coming and here's how we'll respond." Today's environment is too complex, too erratic to rely on gut instincts.

Forbes.com's "Why Predictive Analytics Is A Game-Changer,"<sup>1</sup> says high-performance businesses have a much more developed analytical orientation than other organizations and are five times more likely than low-performing competitors to view analytical capabilities as core to their business.

Predictive analytics are, in fact, game changers and effective claims management tools. Insurers not only can anticipate projected results but initiate actions to better deal with claim management trends as well.

Legacy systems are being replaced and all indications are that the trend will continue. Those claims organizations clinging to legacy systems remain saddled with inefficient operations. They're tied up by tedious manual processes, efforts to shorten lifecycles and reduce claims leakage, detect fraud, and mitigate risks. Progressive insurers, however, are buying rather than building new claims systems. They can use new claims management technologies and predictive analytics to better and more easily serve their customers and themselves.

Claims transformation delivers tangible benefits such as:

- Lower claims payments
- Increased efficiency
- Reduced expenses
- Better compliance
- More satisfied customers

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<sup>1</sup> <http://www.forbes.com/2010/04/01/analytics-best-buy-technology-data-companies-10-accenture.html>

The claimant can securely communicate electronically with claims staff.

Perhaps the best benefit of all is establishing a foundation permitting continuous improvement in the claims organization.

### **A Bonus - Virtual Employees**

Modern claims technology lets claims organizations offer policyholders portals where they can access information and enjoy a real-time collaborative relationship with their insurer. In essence, portals can make customers virtual employees. Through the portal, claimants can access their claims status and do a lot of legwork claims staff previously performed. A claimant can submit a claim, check a claim's status, and update records—without calling the service center. The claimant can securely communicate electronically with claims staff, a more streamlined communication channel.

This new-age collaboration empowers claimants, shrinks turnaround times, and reduces call center and administrative workloads, which frees staff to concentrate on more time-consuming, costlier claims. The portal allows the claimant, employer, and provider to see where a claim stands. Insurers' staff become more productive. Greater customer satisfaction results.

Another portal benefit is "business on the go." Technology obsession best describes society today. The digitalization of everything from print media, to how we locate addresses, to personal communications, and social networking has changed and will continue to change the consumer. Consumers are mobile, taking their technologies with them. Consumers are connected 24-7. Time-consuming paper-based processes are being shredded and consumers like it. There is no overstating the speed at which business takes place today. Flourishing business in the digital era boils down to eight words: immediate service and instant customer satisfaction, anywhere, anytime.

Today's policyholders use free wifi and an array of digital devices including laptops, smart phones, iPhones, and a proliferating number of tablets and pads. And eBooks may offer similar capabilities as digital convergence continues. With the new media, policyholders can access their claim anywhere, anytime.

A promising benefit is harnessing data and understanding it better than ever.

### **Operational Insight**

The new claims technology offers claims organizations exciting capabilities. A promising benefit is harnessing data and understanding it better than ever. Management can check claims volumes and monitor the performance of assorted claims-related tasks. With this superior information and insight, an insurer can continuously improve claims processes. Better understanding what drives processes, benchmarking results against standards, and analyzing trends refine operations for even more efficient results.

The journey to claims management transformation is well worth it as two remarkably different organizations discovered. A North American insurer and an international supermarket group each had different claims management needs. The insurer used modern claims technologies to transform its claims processes and achieve new efficiencies. The international supermarket group used modern claims technologies to obtain and analyze data to better predict claims scenarios and better refine its claims processes. The result for each is the same: new efficiencies and enhanced operations.

### **One Insurer's Greater Journey**

A North American P&C insurer provides vehicle owners comprehensive mandatory coverage. Its injury prevention program protects permanent and temporary residents from financial losses through accident injuries or death—regardless of fault. With 1,700 employees, it processes about 17,000 bodily injury claims yearly and provides total claims services.

The insurer's executive team sponsored a comprehensive claims management study that identified six ways to better serve customers: auto-adjudicate low-value claims, eliminate paper, reduce manual processes, lessen case and senior case managers' administrative burdens, create a single record system, and consistently apply rehabilitation plans.

### **Transformational Roadmap**

The insurer's claims Transformational Roadmap identified strategic and financial benefits:

- Enhance the customer experience by streamlining processes, reducing hand-offs, managing cases proactively, and maximizing medical improvement
- Give case managers the tools, guidelines, and time to focus on core responsibilities
- Move work to people versus people to work to achieve work allocation flexibility
- Reduce the need to locate people using paper
- Reduce risk by moving towards a paperless office

The system provides the insurer a single view of claims file information across the entire organization.

- Use new Key Performance Measures and get data for deep internal and external analysis to understand the business better
- Predict treatment outcomes better by collecting injury, treatment, and service provider data through multiple claims lifecycle points
- Interact with stakeholders, partners, and service providers better by communicating and tracking key decisions, events, and services program-wide
- Increase employee satisfaction by enhancing jobs to “knowledge worker” status
- Enhance corporate memory by creating document repositories and collaborative tools and processes

### A Peak-Performance Partnership

To achieve its objectives, the insurer partnered with FINEOS and Reed Group MD Guidelines, an expert return-to-work consulting agency. A modern claims solution to be integrated with Reed Group’s return-to-work guidelines would establish a common framework of reasonable recovery times.

FINEOS Claims provided a single-screen view where claims handlers could see claims details, claims status, tasks, supporting documents, medical records, rehabilitation plans, accident details, injured parties’ role in the accident, safety device use, and other cases. Reasonable recovery guidelines and estimated return to work information set expectations for recovery and return to work.

### Overcoming Challenges

Typical system users are case managers and supervisors, health care services consultants, legal team, and the payment-processing unit. The solution, fully web-based, lets the insurer’s claims handlers access claimants’ files from their desktops, claimants’ homes, or rehabilitation settings.

The solution provides integrated claim case management functions and automates business processes (especially for complex claims requiring rehabilitation) to reduce return to work time. It helps users manage the claims business lifecycle from first notice of loss and triage to claims evaluation and the setting of reserves and pre-authorizations through claims management and rehabilitation planning to file closure.

The system provides the insurer a single view of claims file information across the entire organization. It lets multiple resources view and work on claims at the same time, which makes for faster, more accurate claims decisions.

The claims system's embedded information moves severe cases to the forefront for fast resolution and more savings.

Centralized and accessible information supports claims business workflow and enhances customer service providing staff immediate access to data needed for service queries.

#### **Immediate Returns**

Claims cycles shortened and customer satisfaction climbed. Proactive case management helped lower claims-handling costs. The interaction among stakeholders, partners, and service providers improved. Better decisions, as predicted, took place with access to resource material. Reducing time spent on claim decisions, for example, provides an area ripe with savings potential. The claims system's embedded information moves severe cases to the forefront for fast resolution and more savings.

#### **Innovation That Defies Tradition**

A unique and innovative segment of the Transformation Initiative was development of the Rehabilitation Plan template within the FINEOS application. By incorporating a rehabilitation plan that uses expected disability durations and return-to-work expectations directly within the system, the insurer can create a recovery roadmap, ensuring tasks and activities helping return injured parties to health are initiated and completed on time and in proper order.

Other insurance organizations gave the insurer great feedback: the fact that its rehabilitation plan, coupled with the system-embedded disability duration guidelines, represents a truly innovative and unique system. The Rehabilitation Plan is a clean interface that uses dropdown lists to select appropriate rehabilitation activities, all with task dates to drive subsequent workflow. The guidelines provide the case manager and entire rehabilitation team the opportunity to target objective return to health/work dates and set goals around those dates.

Other benefits the new solutions provide include:

- Proactive claimant management that improved claimants' outcomes
- Staff focus on core competencies/duties rather than administrative tasks
- Faster transaction processing
- Workflow and business rules
- Straight-through processing for low-touch claims
- Self-service for service providers
- Improved engagement with service and healthcare providers



This North American insurer seized the technology and made the greater journey to claims transformation. Today, it better meets its goals while better serving a marketplace expecting service anywhere, anytime. A vastly different organization made the journey as well proving the value of implementing the new claims technologies.

### **Another Successful Transformation**

A self-insured international retail group of supermarkets with more than 2,900 stores and 213,000 employees and annual revenues of more than \$42 billion made the journey to claims transformation.

The group maintains an in-house managed property and casualty claims unit and annually experiences \$150 million of Workers' Compensation expenditures in lost time from work and medical care. Its goal was to retain predictable risk and transfer or mitigate volatile risks. With 85 percent of its total insurance spending retained through captives and 60 percent of spending related to Workers' Compensation, the group wanted to invest in sensible techniques with premium and ultimate loss reductions. As well, it wanted to focus on pre- and post-loss mitigation using various loss prevention and claim management techniques.

While the frequency of its Workers' Compensation Claims decreased slightly, the indemnity and medical severity trended upward. The group wanted to gain predictive analytics capabilities to better manage and control these trends, but the technology choice had to guarantee savings. Workers' Compensation claims predictive analytics requires a commitment of financial and human resources. To gain buy-in from operating companies the claims transformation project had to project and deliver results. The objective was to reduce both the forecasting of losses and Workers' Compensation payments.

To ensure optimal and successful results from a predictive analytics effort, core claims handling requirements had to be met or exceeded such as reporting claims within 24 hours of being notified. The desire was to establish a state-of-the-art "call in" center with trained professionals and tailored scripts in place.

As well, the claims management information system had to have the capability to flag claims with highest potential impact, even if they were medical-only claims at the intake point. Such flags would be based on factors or combinations of factors such as:

- Age
- Length of employment
- Weight
- Type of injury
- Detailed job description
- Prior claims/injuries

To gain predictive analytic capabilities, the group partnered with an established consulting firm that could deliver evaluation of loss and expense reserves, pricing and funding requirements, predictive modeling, risk retention, insurance management and operations, financial analysis, claims consulting, reinsurance, and other capacities.

### Claims Triage

With limited claims adjuster resources and approximately 22,000 claims a year, of which 8,000 are Workers' Compensation claims, the group saw in predictive analytics a way to better predict and manage the rising tide of severe claims. In particular, the group wanted the technology in place to return people to work as soon as reasonable. The information to help do that was embedded in the claims system: information that enabled the group to triage claims earlier and more effectively. In particular, it helped the claim process move severe cases to expert physicians with the track record to handle particular injuries expeditiously.

The new claims technology permitted intervention at the claims level that headed off adverse claim developments. The group's modeling approach enabled its claims staff to predict outstanding medical costs for an injured claimant for days one, 30, 60, 90, 180, and 360 days after the injury. Predictive analytics helped identify non-obvious cost drivers and drivers of future medical costs. In particular, the model helped predict potential high-cost claims that had gone undetected heretofore.

The group accomplished its goals of improving claims management. A totally paperless environment alone saves significant time and time is money. Today, 100 percent of its claims are reported within 24 hours, and this self-insured group is realizing savings and key benefits from the journey to claims management transformation.

In the big picture, new claims technologies let claims organizations achieve better control over claims costs, gain new efficiencies, and better comply with regulatory requirements.

### Seize The Technology

The greater journey—one ripe with benefits—for insurers and self-insurers today is acquiring new technologies that optimize claims management processes. And peak claims management is a crucial area where insurers and policyholders make direct contact at a pivotal time. Use new technology to create a customer claims portal and you better manage tech-savvy customers and avoid a huge pitfall: not appearing old school when it comes to claims automation, efficiency, and productivity. Today's policyholder simply is not yesterday's policyholder.

In the big picture, new claims technologies let claims organizations achieve better control over claims costs, gain new efficiencies, and better comply with regulatory requirements. In a more detailed picture, the new technology better detects and reduces fraud. It minimizes litigation, prepares an insurer to better manage future risks, reduces claims leakage, and shortens claims lifecycles. All these benefits show up in increased customer satisfaction and ultimately the balance sheet.

Great benefits await those insurers, self-insurers—any claims organization—making the journey to claims management transformation: seamless integration with third-party vendors, which provides faster, more accurate data and reports. Acquiring a more total view of risks and policyholders will make for a more efficient handle on operations in general, and one especially valuable benefit: a continuous cycle of improvement in the claims organization.

New claims technologies did more than transform these two dramatically different organizations. They differentiated themselves and created a world filled with invaluable potential. The lesson is clear: technology waits for no insurer. Insurers, thus, face a mandate to implement new claims technology if they're to keep pace with policyholders' and claimants' demands. Insurers that seize the new technology tilt the playing field in their favor. They better control costs, and they—not those afflicted with technology lag—respond faster. For them there will be no never-ending climb to operational efficiency. Peak claims management performance is theirs.

### About FINEOS Corporation

FINEOS is a market-leading provider of core software solutions for Insurance. Our flagship product, [FINEOS Claims](#), is the insurance industry's best-in-class solution for all Property & Casualty, Life, Disability and Government Insurance. Established in 1993, the company delivers innovative solutions to a global market and has customers, employees and established bases in North America, Europe, Africa and the Asia Pacific markets. For more information, visit [www.FINEOS.com](http://www.FINEOS.com)