

# Injury Schemes Seminar

Balancing Outcomes

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# The Importance of Claims Management in Injury Schemes

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# Agenda

- Objectives
- Introduction
- Why claims management is important
- Why claims management is challenging
- Themes from claims leakage studies
- Claims management fundamentals
- Examples of claims management spectrum



# Objectives

- To share some insights on what we see in claims management across the industry
- To highlight areas where schemes, insurers and claims agents need to focus management of claims to deliver on the promise to claimants



# Introduction

- The importance of claims management has been highlighted recently across the general and life insurance industries
- Most schemes/insurers/claims agents are investigating ways to improve their claims management
- We have observed
  - Significant variability in the quality of claims management practices and claims outcomes
  - Claims management has and does not always attract the focus that it needs. It needs to balance within the objectives of each scheme
    - Better experience for claimants
    - Improved health and quality of life outcomes for claimants
    - Fair and reasonable benefits for claimants
    - Better financial outcomes for schemes/insurers/customers/claims agents



# Introduction

- There is a spectrum of scheme models
  - Privately underwritten – insurers manage claims
  - Monopoly – managed in-house by government
  - Hybrid - outsourced to claims agents
- Claims management applies equally to all models



# Why claims management is important

- Delivers on the primary promise to claimants and insured's in the scheme
  - All other entities are service providers
- It is the product that schemes/insurers/claims agents deliver – the reason they exist
- All claimants are potential customers/premium payers
- What is claims management?
  - All activities undertaken to manage and resolve a claim and to deliver on the promise made to the insured/claimant
  - The key contributor to ensuring schemes remain financially viable



# Why claims management is challenging?

- Why is it challenging?
  - Scheme objectives and claimants objectives are not always aligned
  - Fine balance to get the right outcomes for claimants and the scheme
  - Shortage of qualified claims staff and ability to offer a career path
  - Claims management can be/is emotional
  - People are involved!
  - Constant changing landscapes
  - Multitudes of stakeholders
- Claims leakage studies have been conducted across the market demonstrating there are opportunities for improvement
- Key areas of opportunities are generally consistent across the industry



# Themes from claims leakage studies

Key theme	Description	Examples
People	Personnel competencies, training and career development, supervisory oversight, definition of roles, management capabilities.	By far the main cause Lack of negotiation skills, critical analysis and proactiveness, lack of training and skills
Process	Claims handling processes	Processes are inefficient or drive incorrect behavior e.g. quantity at the expense of quality
Supplier Management	Key claim supplier relationships, management, negotiation, pricing, contracting, and vendor oversight.	Inadequate management of supplier relationships, us vs. them mentalities A significant contributor
Governance / Organisation	Pervasive enterprise wide considerations including governance/oversight, authorities, roles/responsibilities, policies/procedures, operating model and internal controls.	Inadequate governance and oversight, lack of claims reviews Roles and responsibilities unclear and not linked to claims outcomes A significant contributor
Technology	Includes claims management systems, workflow systems, analytic systems.	An enabler but it should drive accurate data capture and enable analysis of data, primarily focused on speed of delivery vs. quality





# Claims management fundamentals

1. Clearly defined claims strategy to support the promise to claimants
2. People who are appropriately trained and supported to deliver claims management
3. System culture that supports desired outcomes
4. Data and monitoring (e.g. identifying outliers, testing new strategies, fraud, triage, medical data)
5. Management of service providers (e.g. lawyers, investigators, medical and allied health practitioners)
6. Continuous improvement and innovation
7. Accountability for results which are understood by participants
8. Enabled by technology



# 1. Claims strategy

Issue	Comments
<p>A clearly defined transparent claims strategy should align overall objectives of the scheme whether it is managed by private insurers, claims agents or managed by the government</p>	<ul style="list-style-type: none"><li>• Needs to be able to be translated into the every day role of the claims staff</li><li>• Claims staff should be <u>accountable</u> for performance of scheme – requires KPIs which align to activities and behaviours to support the claims strategy<ul style="list-style-type: none"><li>– This applies to scheme staff, insurers, service providers and claims agent staff <u>and</u> Boards</li></ul></li><li>• Transparency of the claims strategy will assist in ensuring everyone knows their role in delivering on the strategy</li><li>• Need to be a living document that is continually challenged and updated and evolves as the scheme evolves</li></ul>



## 2. People

Issue	Comments
The key issue!	<ul style="list-style-type: none"> <li>• This is a people business!</li> </ul>
Qualified, appropriately experienced and engaged staff with clear accountabilities	<ul style="list-style-type: none"> <li>• Accountable for claims outcomes</li> </ul>
Mix of skills to support claims strategy and desired outcomes	<p>Examples</p> <ul style="list-style-type: none"> <li>• Critical analysis/reasoning</li> <li>• Medical and allied health knowledge</li> <li>• Legal understanding</li> <li>• Negotiation skills</li> </ul>
Supported by effective and proactive leadership	<ul style="list-style-type: none"> <li>• Success comes from the top!</li> </ul>
Recruiting and training are key	<ul style="list-style-type: none"> <li>• Tenure of staff is a significant issue</li> <li>• Training is an investment not an expense</li> <li>• Rewarded as value adders not as an expense</li> </ul>



## 3. System culture

Issue	Comments
Driven by scheme regulator/manager, insurers and claims agents	<ul style="list-style-type: none"> <li>• The regulator has by far the biggest impact</li> <li>• Scheme design has a significant impact – benefits, process</li> <li>• Impacts everyone that touches the scheme</li> <li>• Examples of culture</li> </ul>
Compensation vs health and quality of life outcomes	<ul style="list-style-type: none"> <li>• Too often the former is the main focus</li> </ul>
Service provider attitudes	<ul style="list-style-type: none"> <li>• The 'profit motive' is a major driver of provider behaviour and insurers need to get a balance to achieve the best outcomes</li> <li>• Too often their needs (i.e. profit) comes before claimant needs</li> <li>• Where there is money involved some providers will exploit the scheme to their advantage</li> </ul>
Fairness to claimants is important	<ul style="list-style-type: none"> <li>• Paying what claimants are entitled to</li> <li>• Empathy and understanding removes hostility</li> <li>• This does not mean over paying!</li> </ul>



## 4. Data and monitoring

What and how?	Examples of how does/can the data be used?
Appropriate and accurate capture of data is key (but will not be perfect)	<ul style="list-style-type: none"> <li>Regular monitoring of claims experience assists in managing claims</li> </ul>
Capture of more detailed medical data (e.g. service level) can be very powerful	<ul style="list-style-type: none"> <li>Develop trend analysis that assists the claims managers to monitor their portfolios               <ul style="list-style-type: none"> <li>Needs to be practical not actuarially focused</li> </ul> </li> </ul>
QA/Audit be conducted over data capture to emphasise the importance of accurate data	<ul style="list-style-type: none"> <li>Triage</li> </ul>
	<ul style="list-style-type: none"> <li>Medical investigations</li> </ul>
	<ul style="list-style-type: none"> <li>Fraud investigations</li> </ul>
	<ul style="list-style-type: none"> <li>Linking to other data sources</li> </ul>
	<ul style="list-style-type: none"> <li>Testing new or monitoring claims strategies</li> </ul>



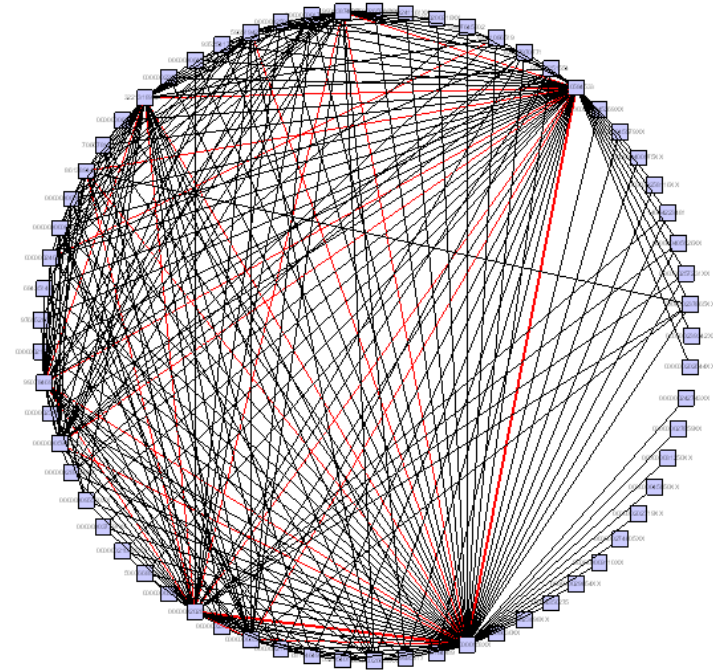
## 4. Data and monitoring – control cycle





## 4. Data and monitoring - how analytics add value

- Identifying the linkages between services providers will assist in
  - Over servicing, over billing
  - Different providers working together to exploit the scheme
  - Can be complex
- Identification of potential fraud by understanding the linkages





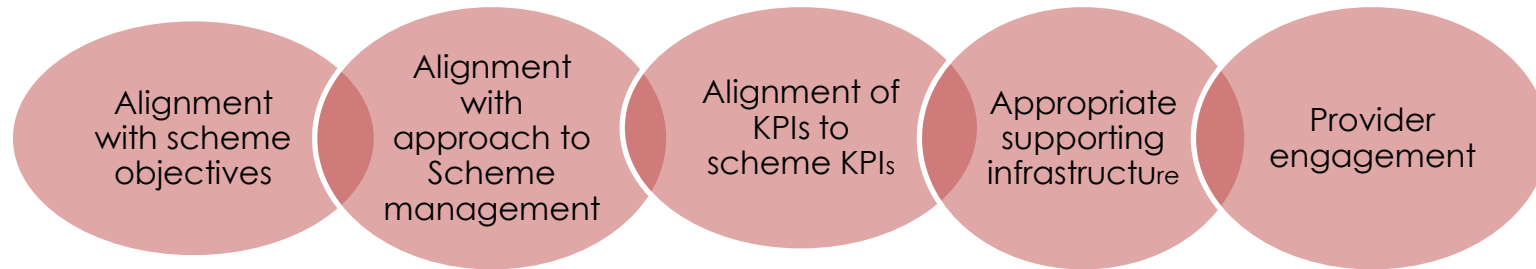
## 5. Management of service providers

Issue	Comments
Is a major challenge for schemes and insurers	
Third party providers include	<ul style="list-style-type: none"> <li>• Legal</li> <li>• Investigators</li> <li>• Medical</li> <li>• Allied health</li> <li>• Investigators</li> </ul>
Hands on management of service providers is key	<ul style="list-style-type: none"> <li>• Objective measures to ensure they are meeting the hygiene requirements</li> <li>• Contract needs to be robust</li> <li>• Monitoring performance and compliance is key               <ul style="list-style-type: none"> <li>• Objective measures to ensure they are meeting the hygiene requirements</li> <li>• Subjective measures to ensure quality is achieved</li> </ul> </li> <li>• Proactive engagement with them</li> </ul>





## 5. Management of service providers - requires a holistic approach



It needs to focus on behavioural/incentive issues to drive optimal provider behaviour



# 5. Management of service providers - lessons

Lesson	Comments
Providers' business focus is to maximise revenue and profit	<ul style="list-style-type: none"><li>• Reducing provider remuneration so they have difficulty making a profit makes their performance worse</li><li>• Remuneration of service providers needs to drive appropriate outcomes</li></ul>
Third party providers can add significant value to claims management	<ul style="list-style-type: none"><li>• Training in-house staff</li><li>• Access to value add skill sets</li><li>• External opinion and challenge</li><li>• External review</li></ul>



## 6. Continuous improvement and innovation

### Issue

First line quality assurance is critical

Second and third line assurance and review can assist

Use data analysis to monitor dates and timelines

Develop a continuous improvement framework and process with a feedback loop

- Regular claims quality reviews /leakage studies not only audits or process reviews

If claims management is outsourced ensure you review their performance regularly

Innovation is key to ensure you are meeting your customers' needs and so you keep ahead of the “pack”



# 7. Accountability

## Issue

Accountability for results/drivers of claims outcomes

- Boards – especially scheme boards
- Key management and all staff
- Service providers

Accountability needs to be at all levels not just at the top

The governance committee/Board are ultimately responsible so if you were in their position what would you want to see?

Accountability clarity is important



## 8. Technology

### Issue

Claims management can be good without “up to date” technology but it does generally make it more efficient

Is a key enabler but it is becoming more important

A key area for communication in keeping all stakeholders informed



# Examples of claims management spectrum

## Examples of inadequate approaches

Claims management strategy left to provider

Staff with limited training who are not qualified technical staff who can manage the process, negotiate and challenge the providers to get the best results

Assumes provider does right thing. Almost no intervention, appropriate checks and balance. Little challenging of provider & limited reporting from provider

KPIs not aligned with scheme objectives, Insurer/agent/regulator staff not accountable for scheme/provider performance

## Examples of positive approaches

Regulator, insurer or claims agent requires provider to follow a number of key claims strategies which are subject to technical review and remuneration

Regulator, insurer or claims agent has appropriate sized team of very experienced and technically qualified staff claims management, legal, medical and related areas

Significant intervention and challenging, performance of provider management team critically evaluated. Extensive reporting required from provider

KPIs focused on critical functions and decisions. Fully aligned to scheme objectives, insurer/agent/regulator staff KPIs, fully accountable for scheme/provider performance



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