

What 700 Workers' Compensation Claims Leaders Are Telling Us

Today's experts discuss the current status of claims management as the industry prepares tomorrow's leaders to take over.

By Rachel Fikes and Peter Rousmaniere

Some 5,000 insurer, TPA, and employer-based professionals fill claims leadership positions in workers' compensation operations nationwide. They think as much about the future as they do day-to-day operations. Between 2013 and the summer of 2015, approximately 700 of these leaders shared their insights through quantitative surveys and qualitative interviews conducted by the Workers' Compensation Benchmarking Study.

More specifically, 662 claims leaders have described, via online surveys, the current status of claims management by quantifying widespread industry challenges on more than 70 data points. This year, 40 claims executives have, mostly through focus group research, said where we need to go. They drew upon in-depth, spirited reviews of the survey results, and related these results to their visions—ranging from practical to aspirational—for the future.

Nearly three years into this ongoing study, many claims leader participants come back to a core theme: excellent claims management starts with claims professionals who are empowered by data, tools, and other resources, rather than being overwhelmed by them.

The fundamental question in claims management, therefore, becomes how to best enhance the quality of the decisions that claims professionals make—many times a day—typically managing exposures of upwards of \$10 million or higher.

Vision of Excellence in Claims Management

The 2015 focus group exercise revealed a broad consensus that claims management today requires professional levels of expertise and resources, not the sub-professional

levels that often are deemed acceptable.

Professional status and competence of claims professionals must be on par with professional expectations in other fields, such as engineering, architecture, and finance. There is no place for “para” anything—no paralegal, no paramedical, no paraprofessional model of workers' compensation claims management.

Claims professionals help one million newly disabled injured workers a year. This is a huge customer service challenge, particularly given that they must serve both the injured worker and the employer, while juggling regulatory and legal compliance issues. This demands a high degree of personal judgment, confidence, and complex decision-making, the most important of which cannot be relinquished to “tools.”

This vision of excellence conflicts with a common tendency to deeply downplay claims professional expectations and to pay more attention to the tools they use. One needs to view these tools as resources for claims professionals as they create value, keeping the claims professionals, not the tools, at center stage.

Leading Creators of Value

To achieve excellence, claims organizations should identify, target, and measure proficiency in core competencies. Survey takers were given a list of 10 competencies and asked to prioritize those most critical to claims outcomes. They ranked the top five as: medical management; disability/return-to-work management; compensability investigations; claims resolution; and case reserving.

According to 2015 participants, any significant advance in how payers and their

customers respect and trust a claims organization is tied to how claims management demonstrates it knows and aims for better claims outcomes, not just process improvement. Value in the eyes of payers and employers does not increase with process or efficiency improvements, desirable as they may be. Perceived value improves only with success in outcomes.

This view of claims core competencies therefore shifts dramatically from conventional process management under heavy regulatory mandates, to primarily one of outcomes management. It does not mean that compliance issues are ignored; they are approached more effectively within the framework of managing outcomes.

Measuring outcomes has been a challenge for claims organizations, however. Only 38 percent of 2014 survey respondents said that they use outcome-based data to manage claims operational performance. As one participating claims executive noted, “In claims, we’re challenged with how to measure what we do because so much is subjective. So, instead, the industry focuses on things we can measure that don’t really mean a thing and don’t really impact claims.” Other executives agreed, citing that many “check the box” metrics are process measures that do not predict outcomes. In other words, nice to do and measure but significant value is not being created.

An example of an outcome metric of great interest to claims executives—one that they believe is not used as much as it should be—is medical provider outcomes. In the 2014 survey, only 29 percent of respondents said that they measure provider outcomes, 62 percent did not, and nine percent were unsure.

Technology to Enhance Individual Judgment

The performance standards of many professions today are ambitious and data-driven, and the workers’ compensation claims profession is no different. This has, in part, driven the shift in claims handling from high contact with

Building Career Paths to Proficiency and Mastery

| Ideal State | Current Claims Organization Investment |
|--|--|
| In-depth training for new talent, including opportunities for career mobility and advancement for ambitious professionals. | <p>36% conduct formal training for new claims examiners, with little to no experience</p> <p>40 hours or less – average classroom training for new claims examiners</p> <p>31% have recognition/rewards for designations (e.g. CPCU)</p> |
| Cultivation of future leaders, including ongoing training, formalized succession planning and knowledge transfer programs. | <p>29% have formal career paths with growth opportunities</p> <p>51% conduct senior-level claims examiner training</p> <p>55% have formal knowledge transfer processes</p> <p>2% have formal mentoring programs</p> |

claimants to very low contact, but with a high inflow and measurement of data.

The claims community has favorite buzzwords related to the technology challenge: workflow automation, predictive modeling, and integrated systems. The top-ranked core competencies each demand that claims executives focus on simplifying the enormous technical task of applying diverse information to meet both regulatory and organizational standards, all while enhancing claims examiners’ decision-making versus slowing it down through too much information and/or disparate systems. Survey respondents indicate that 42 percent use workflow automation, 24 percent use predictive analytics, and 67 percent have some systems integration.

Some claims executives suggest significantly streamlining and simplifying the number of data fields and metrics required for claims management in order to avoid “analysis paralysis” and truly focus on what drives outcomes. If a new data field or metric is added, another one must go. One executive who has looked at the claims systems of numerous third party administrators said, “Many systems are set up to collect and meet state reporting guidelines, which is not the information we really need to manage claims. So organizations need to identify those few, critical data points that really move the needle.”

One interesting view of analytics

and predictive modeling has emerged, one that sees these tools as a form of knowledge transfer and even succession planning. With the rapid exodus of baby boomers out of the industry, this becomes a critical business strategy. “A good 20-year supervisor can eyeball a claim and tell if something is off. But now organizations need to bottle that wisdom, institutionalize it, and effectively harness the expertise that only a seasoned examiner has,” said one executive. “Sharing and applying this knowledge on a broader, more cost-effective basis is what analytics and predictive modeling means to me.”

The Claims Talent and Leadership of Today...and Tomorrow

The study efforts have delivered important insights into claims talent opportunities and challenges. The claims profession, as previously stated, is one that requires professional, not para-professional skill levels. Simply stated, claims management offers a richly complex problem set for people who have an aptitude for complex problem-solving to prosper. The challenge is finding, developing, and retaining these skilled professionals, particularly as the industry grays and a talent crisis looms.

A key strategy is to maximize the talents and style of the millennial generation—persons born between the early 1980s and the early 2000s. They account for virtually all recent and

new entrants into workers' compensation claims, and they will become the leaders of tomorrow. To recruit and retain the best of the millennials, claims executives are giving a great deal of thought toward appreciating how this cohort thinks, prioritizes, and behaves. Here are some beliefs about millennials and strategies for handling them.

Millennials are more positively responsive to socially conscious and purpose-driven employment. It makes sense to speak with them about claims management as a "noble profession," an oft-repeated sentiment among claims executives during the study's qualitative efforts. "This is a social benefit, that is the point of workers' compensation," says one claims executive. "We need to emphasize the service aspect of the claims examiner's role in delivering this benefit." Offers another claims executive, "If you take the approach that you are servicing the injured worker, it often goes a long way in terms of lowering costs, like less litigation."

Millennials are more excited by technology. As the first generation that is 100 percent native to this technology, millennials assume a highly charged, highly connected, highly flexible IT environment. They will not have the patience for outdated computers and mobile devices or inefficient, decades-old legacy systems. The relatively slow rate of adoption by claims organizations of IT-based performance enhancers should be viewed as an impediment to talent recruitment and retention.

Millennials tend to have high self-regard and advancement expectations. Millennials are passionate about skill and career development, but claims organizations currently provide a rather sobering level of formal training for new personnel to gain a basic level of proficiency. Additionally, claims organizations are not optimally prepared to help their more tenured staff master the art of claims management.

A Defining Vision

All of the professional expectations, skills

Typical Study Participants:

- Claims executive of a regional or national carrier
- Head of a claims unit with a self-administered employer
- Corporate risk manager
- Claims director at a TPA
- Claims administrator at a risk pool

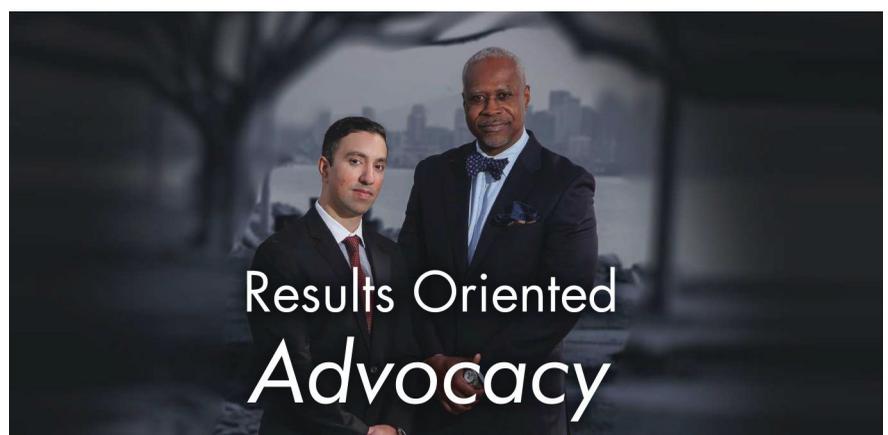
training, and knowledge building comes down to front- and supervisory-line claims professionals creating value in the human interaction. Nothing can make up for informed judgment applied to complex decisions and good communication skills. Says one employer claims executive, "Our customers want bottom line results, our injured workers want an 'experience.' The challenge is pleasing both and making it a win-win."

Through this multi-year study, we find that 2015's qualitative efforts with claims executives uncover a somewhat uncompromising and surprisingly aligned vision. One where process and compliance is no longer the dominant force, but where claims management is a creator of value and any attention towards technology and tools is related to how they empower the claims professional, the individual, to achieve competency and mastery in outcomes management.

This vision provides a platform for claims leaders and payers to upgrade claims management, likely requiring at least a five-year investment to achieve key goals. The study's upcoming 2015 Insights Report, a copy of which may be requested from Rising Medical Solutions, will focus on manageable targets of opportunities and strategies to not only overcome current industry challenges, but also raise the stakes. ■



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