



WORKERS' COMPENSATION BENCHMARKING STUDY

CLAIMS MANAGEMENT OPERATIONAL STUDY

WHITE
PAPER

How to Close the Claims Performance Gap

Top 3 Findings in 5 Years of the Workers' Comp Benchmarking Study

BY:

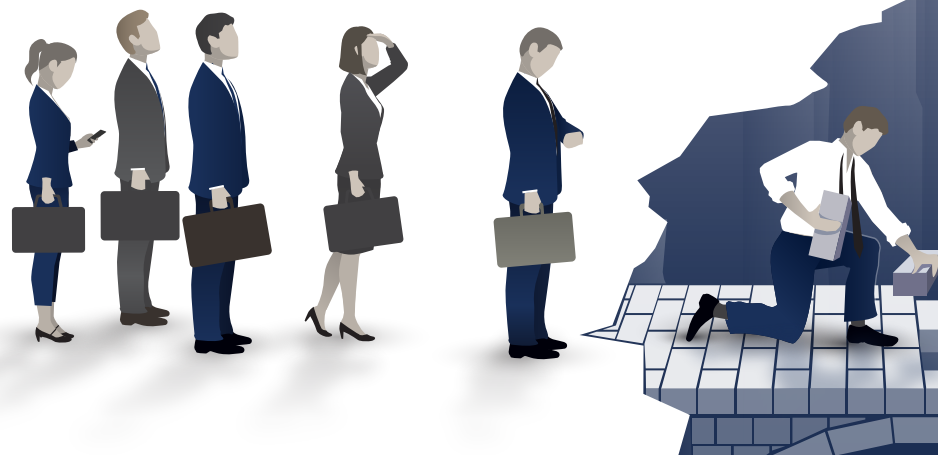
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Five years of polling over 1,700 claims executives has produced a persuasive, aggregate resource for measuring industry advancement. Published annually, the Workers' Compensation Benchmarking Study validates what's successful in managing workers' compensation claims and pinpoints what separates high performing claims organization from the average.

Since its 2013 debut, the study has sought to answer three main questions:

- What's most important for positive claims outcomes?
- What are top performing claims organizations doing better?
- *And ultimately*, how can the performance gap among organizations close?

To date, five study reports ([freely downloadable here](#)) have racked up of over 500 pages of text, tables, and graphs. Here we whittle and distill these robust, multi-year findings into the "Top 3" things we've learned about achieving superior claims performance.

Study results indicate 24% of claims payers are "high performers."
How do the other 76% catch up?

1 Best performers focus more on what's most important

Workers' compensation claims entail a wide array of challenges encompassing legal, medical, workplace, regulatory and psychosocial factors that impact recovery and claims closure rates. At the study's onset, survey respondents were asked to rank in order of importance the 10 "core competencies" most vital to successful claims outcomes.

Through the years, the study has continually posed the same question to claims leaders—the majority of whom work for insurers, third party administrators (TPAs), and self-administered employers—with little to no fluctuation in responses. Similar to the inaugural 2013 study, 2017 survey participants ranked *medical management, disability / return-to-work (RTW) management, and compensability investigations* as the top three capabilities most critical to claim outcomes.¹ Moreover, participants prioritized the 10 core competencies at close to 2013 rankings.²

It is not that other items on the list, including *litigation management* and *claims reserving*, are not important competencies. Rather, they are ranked as having a less significant impact on achieving the best claims outcomes—with survey participants defining an *employee's return to the same or better pre-injury functional capabilities* as the number one classification of a "good claims outcome."³ Upwards of one million compensable, new lost time claims occur each year. The vast majority, based on the nature of injury and worksite

characteristics, are capable of recovery and return to gainful employment. The 1,700-plus survey respondents clearly say that this is the business they are in.

High performers outpace lower performers by factors of 5, 6, and 10 when it comes to measuring core competencies and claims outcomes.

But higher performing claims organizations are **five times more likely** to measure their performance in core competencies,⁴ **six times more likely** to measure claim outcomes based on evidence-based treatment guidelines,⁵ and **10 times more likely** to measure claim outcomes based on evidence-based disability duration guidelines.⁵

The study found this out by introducing a ranking of respondents by claims closure ratio. A closure ratio of 75% means that for every three claims closed, four are opened. Organizations with a closure ratio of 100% run a tight ship, closing claims at the same pace they are opening new ones. Claims experts agree that a claims ratio of 101% or higher is a reliable sign that the organization is managing claims outcomes effectively.

For claims executives and system designers, the message is clear: focus on *and* measure key core competencies more in order to succeed.

2 Best performers invest more in people

Higher performing claims organizations better equip and better capitalize on their most important asset, their claims talent. First, when it comes to arming adjusters with *decision support tools* known to improve claims outcomes, they do so **four to five times more** than lower performers.⁶

They also consistently cultivate talent in ways other organizations do not.⁷ Higher performers are notably more engaged in developing their claims staff. In response to the industry's talent crisis, higher performers are **more likely** to raise staff performance expectations, spend money on training, and nurture mastery throughout their adjusters' careers.

When asked about *early staff development*, most respondents say it takes up to three months of training before new claims adjusters are ready for a full case load,⁸ and three to four years for training ROI to be positive.⁹ Yet overall, training budgets are slim. Fifty-one percent of training programs devote no more than 40 hours of formal training to new adjusters,¹⁰ and only 38% of organizations provide formal training at all to new inexperienced adjusters.¹¹

Soft skills training, like communication and critical thinking, is provided by high performers 4 times more.

Training that is provided typically focuses on basic process tasks to meet regulatory requirements. But higher performers also cultivate their adjusters' soft skills. Take communication. The adjuster must listen, describe, assign, explain, and negotiate. Currently, 42% of claims organizations conduct *communication skills training* for adjuster staff.¹² Top performers are **four times more likely** to do so.¹³

Also consider the "big picture" perspective. At a claim's outset, the adjuster is uniquely appointed to visualize and predict how the claim will resolve, and then adapt her or his strategy as new information emerges. Absent an understanding of the entire claim scope, an adjuster cannot lead, they can only follow. *Critical thinking training* is conducted by 32% of claims organizations,¹⁴ and is provided **four times more** among higher performers.¹⁵

Additionally, top performers invest much more in *career-long learning* and persistent improvement of their maturing staff. Claims proficiency grows over time only if the adjuster actively gains mastery, not just gains efficiency in stale techniques. Overall, ongoing training and development programs for senior adjusters is conducted in 47% of claims organizations¹⁶ and, again, higher performers do a lot more of it—**seven times more** in fact.¹⁷

Top performers cultivate career-long claims mastery among their teams 7 times more than lower performers.

Since the study's inception, the industry has grown increasingly aware of the importance of understanding and engaging the injured worker in order to address personal barriers to recovery. This is a historic shift from reactive, compliance-focused models of injured worker interaction. Known as *claims advocacy*, this employee-centric approach aims to remove adversarial obstacles, simplify access to benefits, build trust, and hold claims organizations accountable to metrics that go beyond cost containment.¹⁸

This shift is due in part to the new on-demand economy, which created cultural and multi-generational expectations around customer service, speed, and simplicity. The study began to explore claims advocacy in 2015, and results demonstrate that consumer-driven models around injury recovery have *emerged as a competitive advantage*, both from a claims outcome and a claims staff recruitment / retention perspective.

Responses to the 2016 study survey showed that 60% of organizations that had or intended to adopt advocacy-based claims models were top performers, **four times the rate** of lower performing claims organizations.¹⁹ They are also more likely to expect that advocacy-based models will positively impact claims staff development and retention.²⁰

Advocacy-based claims models are used 4 times more by top performers.

3 Best performers invest more in advanced tools and techniques

When it comes to information technology (IT), the most successful claims organizations are **far more likely** to have higher IT budgets, utilize predictive modeling, and invest in other metrics-gathering tools and techniques. Among a large array of activities, here are a few differentiators:

- *Data warehouses.* A central repository of data enables an organization to integrate claims, medical bills, legal documents, case management files, and other information. (The study asks about integration from a dozen data sources.) About half of all organizations use a *data warehouse* today, and usage among high performers is **five times the rate** of lower performers.²¹
- *Use of outcome-based data.* About 41% of organizations leverage various outcome-based systems / data, and top performers do so **six to 10 times more** than lower performers. This finding confirms many informal impressions that the average claims organization remains wedded to process management as its key business endeavor, rather than outcomes management.²²
- *Measuring medical provider performance.* Researchers have repeatedly proven that medical providers vary by outcomes, and their performance can be measured. The great majority of organizations do not measure these outcomes, but high performers do it **five times more**.²³
- *Predictive analytics.* For over a decade, predictive modeling's merits have been a much-contested topic. While study results show adoption is growing, only a third of claims operations use it. Yet high performers use it **eight times more**.²⁴

Top performers leverage predictive technologies at 8 times the rate of lower performers.

These advanced tools involve big investments in technology. Other emerging advances in claims management—notably, artificial intelligence—involve IT. Higher performers appear to be generally much more comfortable with making IT investments.²⁵

How to close the performance gap

With 24% of industry payers achieving top performer status,²⁶ what steps can the remaining 76% take to advance their operations?

The first step is adopting an **outcome versus a process improvement strategy for success**. The study shows in some dozen ways how high performers differ in outcome management. Employers are predominantly interested in outcomes. Injured workers are only interested in outcomes—theirs. Millennials entering the claims field today want an environment with high expectations for injured employees' health, functional, and work outcomes.

The essence of this strategy starts with investing in both claims talent and advocacy approaches. This second critical step means **setting high expectations for claims outcomes as well as staff efficacy**. One of the published [articles](#) authored by the study team is how to bring claims staff to peak performance. Another [article](#) uses examples of claims advocacy practices that improve outcomes in cases where claims staff must help injured workers overcome psychosocial barriers. A third [article](#) describes the practice of claims advocacy.

A final step in closing the performance gap is **bringing into the organization tools that make it easier to manage outcomes**. These tools typically involve IT investments, such as integrating data, predictive analytics, and medical provider metrics. But it's not technology alone, because each of these (and other) tools are productive only when the claims staff uses and trusts them, proactively rather than reluctantly.



Conclusion

For those claims organizations that choose to close the performance gap, **the data and path to success is clear.** The best claims organizations use and measure outcomes, equip their claimstalent to better influence outcomes, and allocate more financial resources to outcome management tools.

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Now in its sixth year, the annual Workers' Compensation Benchmarking Study continues to ask, "What makes for

exceptional claims management in workers' compensation?" The scope of the challenge is immense—with some three million new claims a year, topping 60 billion dollars in cost—and bears consistent posing of this imperative question.

The 2018 study will continue its investigation with first-person, focus group research on how industry leaders are driving success in medical performance management, consistently ranked by study participants as the number one core competency most critical to claims outcomes. The Report will be published in the Fall and, as in previous years, will be available to all without cost or obligation as a contribution to the workers' compensation community.

The five-year mark is an opportune time to ask organizations how they have used the Workers' Compensation Benchmarking Study within their claims operations. Here's what a few said.

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Trecia Sigle, former associate vice president of workers' compensation claims at Nationwide Insurance, has been using the Benchmarking Study to expand the company's workers' compensation claims practice. She says, "We are now in 44 states. Among my underwriting partners, the general consensus is that the study is very informative, very useful, and very well done. We have been relying on it to validate our practices and to build up our claims organization."



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David Price is vice president of risk management at UMR Inc., a TPA firm which started in New York state and is now expanding nationally as part of the UnitedHealthcare organization. The firm has used the Study to redesign its claims staffing model. It created the position of a plan advisor, who reaches out to the injured worker, describes benefits, and connects the worker to an adjuster. The plan advisor keeps up with the worker biweekly. Plan advisors are people with some medical background who are customer service oriented. The company also talks up with new prospective clients the benefits of a claims advocacy approach.



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Linda Butler came across the Study in its early years and dove in. She runs a 30-person claims staff at Walt Disney World Resort in Orlando. "There was so much information," she remembers. She printed a copy and left it out on her desk. In her annual five-year business planning sessions, she and her team try to stay "ahead of the curve" of what the best companies do. Additionally, for the Study's annual webinar on its findings, Butler has her entire team participate.



The comprehensive 2018 Workers' Compensation Benchmarking Study Report will be published later this fall.
A copy of that report may be [pre-ordered here](#).

Additional study group white papers are also available here:

[Do "10,000 Hours" Make a Great Claims Professional? How Claims Teams Can Achieve Peak Performance](#)
[How to Overcome Psychosocial Roadblocks: Claims Advocacy's Biggest Opportunity](#)
[The Power of Claims Advocacy: Thriving in an On-Demand Economy](#)

About the White Paper & Workers' Compensation Benchmarking Study

The Workers' Compensation Benchmarking Study is an ongoing investigation with the workers' compensation community to advance claims management. Since 2013, it has issued annual, in-depth reports based on large surveys and focus group research. To date, over 1,700 claims leaders have participated in study research. This white paper is one of the occasionally issued commentaries that more deeply explore issues from the annual reports. Rising Medical Solutions is the Benchmarking Study's director and publisher. All publications are **freely available** as a contribution to the workers' compensation community.

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¹ 2017 Study, Table 6, page 10

² 2013 Study, Table 3, page 12

³ 2016 Study, Table 6, page 9

⁴ 2017 Study, Table 7, page 11; and 2016 Study, Figure 5, page 11

⁵ 2017 Study, page 33 and Figure 23, page 34; and 2016 Study, Figure 5, page 11

⁶ 2016 Study, page 12 and Figures 6 - 9, pages 12 - 13

⁷ 2015 Study, page 11 for a comparison of ideal versus actual investment in talent development

⁸ 2017 Study, Table on page 68

⁹ 2017 Study, Figure 12, page 18

¹⁰ 2017 Study, Figure 11, page 18

¹¹ 2017 Study, Figure 10, page 18

¹² 2017 Study, Table 16, page 24

¹³ 2017 Study, second Table, page 78

¹⁴ 2017 Study, Table 16, page 24

¹⁵ 2017 Study, second Table, page 78

¹⁶ 2017 Study, page 19 and Figure on page 70

¹⁷ 2017 Study, Figure 14, page 19

¹⁸ 2016 Study, page 15

¹⁹ 2016 Study, Figure 11, page 16

²⁰ 2016 Study, Figure 12, page 17

²¹ 2017 Study, Figures 20 and 21, page 32

²² 2017 Study, Figure 22, page 33 and Figure 23, page 34

²³ 2017 Study, Table on page 90

²⁴ 2017 Study, Figure 5 and Table 9, page 13

²⁵ 2017 Study, Table 19, page 28 and Table on page 81

²⁶ 2017 Study, Table 5, page 7