

claims ADVISOR

INFORMATION FOR TODAY'S CLAIMS PROFESSIONALS

VOLUME 1, ISSUE 1

www.claimsadvisor.com

Better Metrics, Better Vendors, Better Outcomes

A New Way to Think About Managing Costs, Vendors, and Results

by Taylor Smith

As seasoned claims professionals know, the ability to demonstrate claims management effectiveness does matter to the prospective insured or client. It does make the difference between landing a new deal and watching business get placed with a competitor down the street.

This perspective changes how new technologies and processes that enhance claims management effectiveness should be viewed—not as cost reduction tools, but as revenue and opportunity drivers.

The Opportunity

One area of the claims management process that remains untapped in terms of opportunity is vendor management. Claims executives can take steps to realize quick ROI, distinguish their organization and gain a competitive advantage.

Specific aspects of vendor management claims executives can use to their benefit include:

- Management of claims vendors selected by adjusters on individual claims.
- Management of legal vendors selected by staff and outside counsel on litigated cases.

Some studies suggest that up to 60 percent of a claims organization's allocated expenses are spent on vendors in categories that range from aircraft repair to workers' compensation consultants. One estimate states that there are 44 million vendor referrals across the industry annually.

Every claims organization uses a different mix of vendors, from independent adjusters to engineers to

mold remediation specialists to copy services—and another 500 plus categories in between. The use of vendors is prolific. For example, the Web site ClaimsPages.com alone provides access to over one million service providers.

The Current State of Play

Despite its universal use of vendors, the industry has been slow to implement the types of controls and systems it uses in other areas. Most claims organizations cannot easily identify the basic metrics required to affect change and create improvement.

Some of the very simple questions claims organizations find difficult to answer about the vendor selection process include:

- How many vendor referrals they make

- In what service categories
- To which providers
- From which adjusters
- On which types of claims

Few organizations capture qualitative data about their vendors' work, either through surveys or other tools. This includes a failure to capture, except perhaps anecdotally, information about timeliness of work

QUICK LOOK

- Improved management of claims vendor referrals and assignments is a high-payoff opportunity waiting to be explored.
- A shared platform to make all vendor assignments can generate powerful metrics while simultaneously streamlining processes.
- Create immediate reductions in overall vendor cost, increase transactional efficiency and drive stronger vendor relationships in one easy step.
- A vendor management platform must be as easy to use as e-mail but offer significant flexibility to be successful.

product, overall quality and responsiveness.

In the litigation arena, vendor management is even more problematic. Generally, the law firms with whom a claims organization has partnered with select the vendors—from court reporters to medical records retention to exhibit preparation specialists—leaving the costs to be paid by the claims organization.

On what basis are these vendors being selected? Who are they? Are the same providers being selected by multiple firms? Are there opportunities to aggregate the firms' selection of key providers and leverage cost reductions in return for the volume being provided? Sadly, few claims organizations can answer those questions.

In select service categories, some organizations have implemented lists of “preferred” or “panel” vendors (drawing from their success

in doing so with law firms). However, without the right tools and processes in place, these organizations find it difficult to enforce the use of panels and to control the maverick spending associated with a claims handler who has a personal preference for someone not on the list or a law firm that chooses a court reporting firm based on their own desires.

Why is it Like This?

The reason these metrics are so difficult to create stems from a much broader problem; claims professionals, attorneys and the vendors they use are fundamentally limited by their disconnected systems.

Because vendors and their clients do not share a common platform to make and receive assignments, claims professionals rely on the tools available to them, e.g. e-mail, fax, phone, letter, and very frequently express mail or overnight

delivery, which can be quite expensive. None of these mechanisms, however, create the ability to track referrals, leverage data or create metrics. With these tools there are no metrics, no enforcement and no process.

Moreover, these inconsistent methodologies for assigning tasks to vendors are inefficient and expensive. When paper and express mail costs are factored into the equation, some claims organizations estimate that the process of making referrals costs between \$25 and \$45 per transaction. These inefficiencies represent significant opportunities for all concerned.

Disconnected systems and inconsistent referral processes create costs for vendors as well. As a result many have established Web-based forms that allow their customers to make online referrals easily and quickly. Unfortunately, however, the primary benefit of such tools is not to the

claims organization since any metrics the intake process can produce pertain only to that specific vendor.

Creating a Solution

The opportunity facing claims executives and professionals is to use a shared platform to make vendor assignments across all claims, both litigated and non-litigated, and by claims handlers and law firms. The platform must be easy to use. It should be Web-based so that it is accessible by customers and vendors. It must have the ability to transmit documents, pictures and invoices (just like e-mail) and capture referral due dates and assignment details.

The platform should have a list of vendors in every service category the claims organization uses. Adding a new vendor to a claims organization's list should be as easy as sending an e-mail from within the platform. A subset of these vendors should be labeled,





when applicable, as “panel” vendors for each specific claims organization.

When claims professionals search for a vendor, they should be able to search based on expertise, geography, cost and a community rating system that speaks to the vendor’s quality and responsiveness. When a non-panel vendor is selected, the user should be asked to identify why a non-panel vendor is being utilized so that these metrics help to continually refine and improve each organization’s panel lists.

Vendors should be able to review, accept or decline assignments easily and quickly within the platform. They should be able to ask questions and upload reports, pictures, work product and invoices just as easily as attaching them to an e-mail. Claims professionals, law firms and vendors alike should be able to see at a glance all outstanding vendor assignments and sort them by their vendors or customers.

What Can I Accomplish

What would the use of a shared platform that overcomes the disconnected systems of claims organizations and vendors accomplish?

The immediate cost control benefits include:

- Improved Spend Controls—through the creation, management, and enforcement of vendor panels, as well as improved volume leveraging to the tune of 10-15 percent reduction in vendor spend
- Improved Efficiency Gains—as much as \$25 to \$45 per transaction.

Viewed more strategically, a shared platform also means better:

- Guideline compliance
- Performance rating systems
- Data and analytics
- Panel enforcement
- Referral tracking
- Uniform referral processes

However, it is in the area of metrics that the vision is truly realized. Better vendors mean better work product, which means better case outcomes. And that is the pinnacle of success, the distinguishing factor that differentiates claims organizations and realizes competitive distinction.

With a shared platform that tracks every assignment,

metrics can be created in three key areas:

Spend and Assignment Metrics

- How much are we spending?
- On which vendors?
- For what services?
- What claims professionals and outside lawyers are driving certain referral activity?
- Are there vendor assignment trends?
- Which vendors have what percentage of my business?
- Can I leverage my spending for greater discounts?

Governance and Task Management Metrics

- Which vendors are my staff and outside firms using?
- Should I have panels?
- Are my panel vendors being used? If not, why not?
- How much maverick spending do I have?
- Am I re-assessing panel scope and types?
- Which tasks are pending? Which are overdue?

Qualitative Metrics

- Which vendors perform the best?

- Which are the most responsive?
- How do my panel and non-panel vendors compare?
- Are my service guidelines being followed?
- How do my claims professionals and law firms rate the vendors we are using?

Moving Forward

Today’s busy claims executives and professionals work constantly to meet customer demands and juggle competing priorities. They need every advantage they can find to succeed. Improving the management of vendor referrals and assignments is an opportunity waiting to be explored. Improvement is possible with just a few steps, is easy to implement and immediately yields better metrics, better vendors and better outcomes.

CA

Taylor Smith is vice president of Business Development for CaseRev, Inc., an online community of virtual teams bridging claims professionals, attorneys, and vendors limited by disconnected systems. Mr. Smith can be reached at 847-317-9167 or tsmith@caserev.com.