

The Fastest Growing Area of Consulting – Claims Management

Much has been written recently in the insurance and risk management trade publications about controlling claims – particularly in the area of workers' compensation.

Claims handling techniques and traditional responsibilities of claims adjusters have changed dramatically. The new century has introduced computerized claims systems and an entirely new approach to claims handling. The perceived increased efficiency of the claims handling process has resulted in fewer people handling more claims. Most carrier claim staff, third party administrators and independent adjusters are trained and equipped to handle routine claims but do not necessarily possess the expertise, skill, or experience needed to handle the large exposure claims. Claims today generate far greater financial exposures than in the past. The consultant's years of experience and background can be considered to be a valuable resource; a source of knowledge and expertise for a company faced with the potential of a major loss. If insurance company staff does not possess the expertise, experience, skills, and often times, a much needed creative thought process, the claims may not be properly evaluated nor may the defense and/or settlement negotiations and strategy options be thoroughly explored to assure the best possible result.

Given the potentially significant financial consequences to a company of poorly administered claims, the costs associated with regular outside auditing of all carrier and/or third party administrator (TPA) based claims and services should be considered as a part of the overall cost of risk by the prudent cost conscious risk manager or CFO.

Some factors to consider in evaluating your workers' compensation costs include:

- Evaluating the financial factors in your retrospective rating plan
- Evaluating the services provided by your agent, claims adjuster and/or TPA
- Evaluating the performance of the carrier or TPA claims staff
- Evaluating the allocated expenses for each claim

Retrospective Rating Plan Parameters

All retrospective rating plans are not created equal. Each has some factors in common. Also retros will have fixed costs, non-subject premiums, a loss conversion factor (LCF), a minimum and a maximum. It is important to understand not only the mathematics of the formula for payment determination, but where the numbers are obtained that fit into the formula. Are the factors based on premium or payroll? Is the LCF multiplied by losses or both losses and expenses? How are the minimum and maximum determined? Do they include expenses? losses only? non-subject premium? Which combination is best for your organization?

Claims Handling

Every claim, no matter how serious or how minor, must be handled with a view toward obtaining the earliest possible resolution and realizing the greatest possible savings for

the client, yet also insuring that the injured employee receives adequate treatment and benefits. The consultant should work closely with the client, the injured worker, the insurance company or TPA and the medical providers in an effort to get the employee back to meaningful work as quickly as possible.

It is important for your claims consultant to have in-depth knowledge of the workers' compensation system in the jurisdiction in which you are located along with multiple other states, venues, and jurisdictions. He or she should have the knowledge to interpret the laws, have a thorough understanding of the "system" and the ability to walk all those involved through the process. While some companies offer software solutions to evaluate compensability and calculate the value of claims, there is no substitute for an experienced individual whose main goal is to keep your best financial interests in the forefront.

A good claims management consultant can provide claims oversight to help reduce costs and move claims to closure in a consistent manner, as well as to provide technical expertise and personal service. Working as an advocate for the employer, the consultant strives to create a partnership based on trust, experience, and knowledge. Some of the actions that a claims consultant can take on your behalf should include coordinating periodic claims reviews, closely scrutinizing reserving practices and payments made on files and providing settlement recommendations on claims postured for resolution.

The consultant helps take control of claims and their associated costs, so you, the employer, can focus on running your business. He or she can assist in bringing claims to an expeditious and cost effective conclusion by facilitating claims reviews and working closely with the adjusters in offering recommendations and action plans. A good claims consultant is committed to acting as an assertive advocate for the client.

The performance of insurance carriers or third party administrators should be carefully evaluated, whether the claims handled are major or minor. The expertise and experience of the adjuster(s) assigned to manage your claims should be reviewed. Employers may have every confidence in the abilities of their insurance company, however, a good consultant can assure clients that they are getting the full value from their premium investments. In every case, the consultant must represent the interests of each and every client and not have any affiliation or ties to the carrier. Saving the client money should be the paramount goal.

One of the best ways to determine that claims are handled according to your expectations, every time, is to develop a comprehensive set of written Special Service Instructions sometimes referred to as Special Handling Instructions. Obtaining the claims adjuster's or TPA's agreement to abide by these instructions often involves skillful negotiation. If the adjuster or TPA does not agree to all the items in the Special Service Instructions, it is important to know which specific items provide you with the most potential cost savings and are not negotiable, and which ones can be safely removed and used as a negotiating tool while reaping the most cost effective claim handling benefit to you – the client.

Timing in having claims closed or reserves reduced is important as well. Depending on when your workers' compensation coverage renews or when your retrospective rating adjustments are calculated, meeting certain key dates can make a significant difference in how much money you pay for your insurance the following year or how much you may get back or have to pay on your retrospective rating adjustment. The right consultant will be cognizant of these dates and make a concerted effort to meet them when it is in your best interest.

Claims Adjustment Costs

We all know that it costs money to adjust claims. The issue is to be sure that you are getting the most for your money. The consultant should be able to evaluate the various claims handling costs including attorney fees, preferred provider discounts and bill review charges and have enough experience to know what costs are generally in the marketplace and how your costs compare. Some of these expenses are set by the carrier, but some can be negotiated as part of the renewal while others can be negotiated claim by claim.

Other Factors

Another facet of claims consulting services can expand into the areas of training and development. If you hire a new individual in your organization whose duties include handling of workers' compensation claims, a consultant with experience can assist you in training the right person and bring him or her up to speed in the area of claims handling. A consultant can tailor a programs to meet the needs of each individual company.

For more information regarding making T.E. Brennan Company a part of your TEAM, contact us today!

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