



## Insurance Claims Management: Improving Staff Capacity Using BPM

Automating with BPM technology facilitates claim triage that ensures claims managers are involved only in critical decision-making tasks and not more straightforward clerical work.

### Executive Summary

BPM and rules management technology enables businesses to gain both visibility into and control of the processes that are used to deliver value to their customers. It allows companies to streamline their operations by maintaining a single version of the process truth.<sup>1</sup> Companies that leverage this technology successfully are able to adjust their processes to respond to changing market dynamics and to find innovative ways of delivering more value at the same or lower cost, thus increasing overall profitability.

An insurance company that we worked with used BPM technology for just such a purpose - to take greater control of its claims processes. It used a rules engine to triage claims that it received in order to determine if a claim decision could be made without human intervention. In cases where the rules engine determined that human intervention was needed, a workload management solution was used to route the claim to an appropriately skilled claim manager. The expected net result of such a solution was to increase the number of automated claims from about 30% of total claims volume to more than 50%. Since automated claims cost less to adjudicate than

manual claims, this approach would result in an overall cost reduction for the company while unlocking extra capacity to handle the growth in business. In addition, the company gained direct control over the risk it was willing to take in its claims adjudication process.

### The Opportunity

Insurance companies can unlock significant value by streamlining their insurance claims processes.<sup>2</sup> One such opportunity could lie in increasing the capacity of the existing claims staff to handle higher claim volume by leveraging rules-based business process management (BPM) technology.<sup>3</sup> The improved capacity would let companies handle business growth without a corresponding increase in claim handling costs, thereby increasing overall profitability.

We recently helped a large insurance provider to leverage BPM technology in its disability claims department to this end. The BPM and business rules management (BRM) technologies were used to: 1) triage claims using a rules engine in order to determine the level of intervention required in claims management; and 2) split the claim into tasks and allocate the tasks to clerical staff and

claims managers based on the skill level required to process those tasks.

### Claims Triage

Complete claims that are in good order have a large amount of data that can be fed into a rules engine to determine whether a claim is a good candidate for making an automated claim decision. The insurance major we worked with reported that more than 70% of the disability claims that it received were adjudicated by manual intervention from claims managers, while the remaining 30% of claims required little to no manual intervention for making a claims decision. The company's senior management believed that this ratio could be reversed, as more than 70% of claims were simple cases of disability, such as pregnancy, which did not require much complex decision-making in order to be approved.

To prove senior management's hypothesis, the company decided to build a triage engine based on rules management software that provided a recommendation on the level of intervention required in order to make a claim decision. The engine was fed claim data such as the number of leaves requested, the claimant's condition code (based on the ICD codes), the date the claimant was expected to return to work, etc. to come up with a number from 1 to 3. A "1" meant that the claim could be a candidate for straight-through processing - i.e., a claim decision could be made without any manual intervention. A "2" meant that a junior claim manager could make a claim decision by looking at the claim data and/or by getting additional information from the claimant

or physician. A "3" meant that the claim needed intervention from a senior claims manager before a decision could be made. (Note: The criteria and numbers are indicative only.)

Claims from the previous full year were fed into the system to be assigned a triage number. The output was then analyzed to determine how many claims could have been auto-adjudicated but were processed by claim managers instead. The result (around 40% to 50%), though not close to senior management's prediction, was encouraging. The managers decided to keep fine-tuning the rules to optimize the level of risk they wanted to take on in their claim decision-making. Management was provided a tool that allowed them the flexibility to tweak their operations to find the right balance between the cost incurred to make a claim decision and the level of risk that the organization was comfortable with in automating claim decisions. This tool was combined with the workflow features of the BPM tool to route work to the claim managers with the appropriate skills. This routing of work was termed workload management.

### Workload Management

Claims managers are skilled resources who apply their judgment in making claim decisions. Consequently, they are expensive resources for an insurance organization. Fortunately, processing a claim involves some tasks that do not require judicious decision-making. Such tasks can include following up with the claimant or third party for missing documentation, validating that all required claim information has been collected (this is also called a check that the claim is in

### Before Workload Management: All Claim Tasks Allocated by Senior Claim Manager

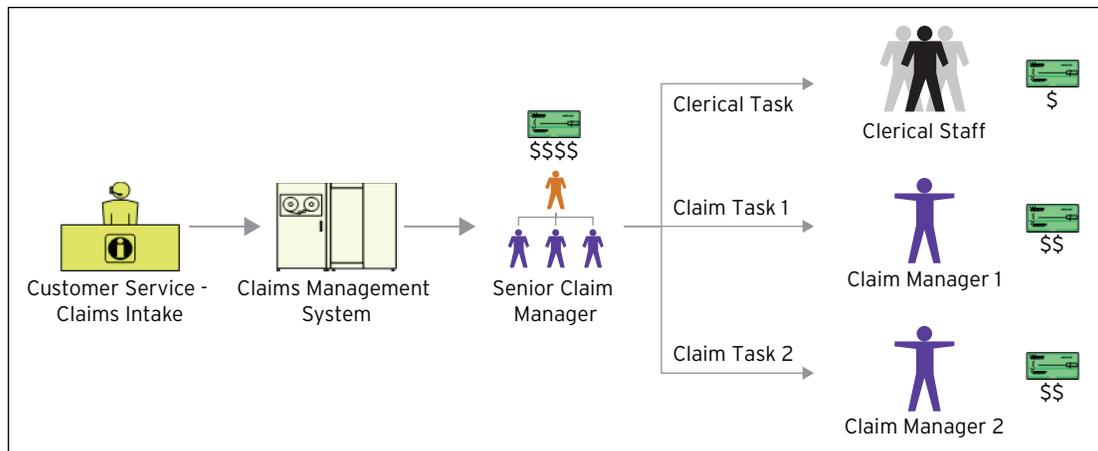


Figure 1

good order), etc. A claim can therefore be broken down into tasks and these tasks can be distributed among people/teams that have the appropriate skills. Such an approach allows the claim managers to focus on only the most critical claim tasks that need their attention, thus optimizing the use of their time.

Our client had a claims management system that broke down the claim into a number of tasks. These tasks could then be assigned and tracked separately during the processing of the claim. The existing system allocated all these tasks to the claim manager who then routed the work to appropriate resources. Management decided to use the BPM tool (Pega PRPC, in this case) to build a rule-based workflow to route these tasks to the claim managers and/or clerical staff with the appropriate skills in order to reduce the claim managers' workload, thus allowing them more time to focus on making critical decisions on a larger number of claims. The expected net result was the optimized utilization of staff and freeing up of capacity to handle larger claim volumes.

Following are some indicative criteria that were used to make the work allocation decisions:

**Customer number:** Claim tasks from certain customers were allocated to claim managers who were dedicated to those or similar customers.

**Task type:** Clerical claim tasks were routed to the clerical team and nonclerical tasks were routed to claim managers.

**Condition code:** A claimant would be assigned a condition code based on the reason for filing a disability claim. The physician's diagnosis was used to assign the condition code, which was based on the ICD code standard. The condition code was used to route the claim to a claim manager who was skilled at handling that kind of disability claim.

**Triage output:** The number allocated to the claim as a result of the triage process described earlier was also used to make work allocation decisions. The claim was routed to a claim manager who was appropriately skilled to handle the claim.

### Best Practices

Some of the best practices that were followed in this exercise included the identification, documentation, implementation and testing of the rules for triage and workload management in an iterative manner on historic claims data. This allowed for testing the envisioned approach in a controlled manner until management had gained sufficient confidence to implement the rules in production. Another best practice was to identify the rules that could be tweaked in real time to provide the business with the flexibil-

## After Workload Management: All Claim Tasks Allocated by Workload Management Rules

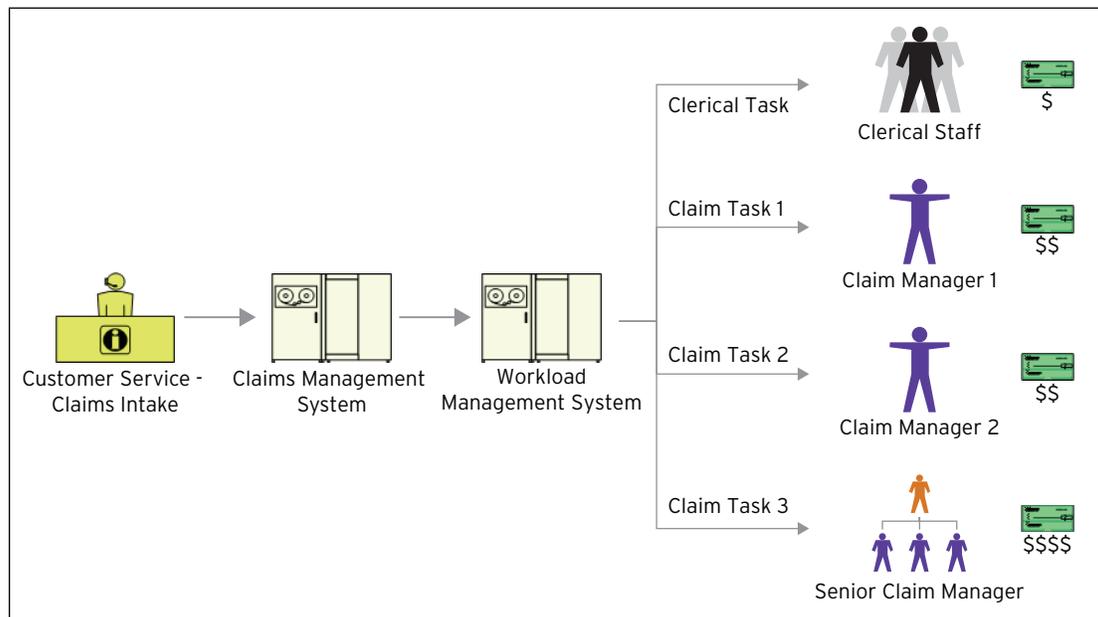


Figure 2

ity to change the rules for triage and workload management. This helped the business analyze the effect of changing some rules on the outcome of the process.

## Conclusion

BPM and rules management technology can provide companies with the flexibility to make their operations and business processes dynamic enough to quickly respond to changing business needs. Imaginative and creative use of these technologies can provide an edge to the organization to differentiate itself in the market through its operations. A triage engine combined with a

workload management solution is an example of how an insurance organization can use BPM technology to gain greater control over its claims operations and enhance the capacity of its existing claims staff.

In addition, the company successfully empowered the line managers in its disability claims department to tweak the rules to adjust operations to cater to market needs without involving a large IT expense. BPM technology can provide the visibility and control to ensure that the organization's processes are creating maximum value for its stakeholders.

## Footnotes

- <sup>1</sup> Connie Moore, "Want To Transform Your Business Processes? Get To A Single Version Of The Process," Forrester Inc. blogs, October 30, 2012, [http://blogs.forrester.com/connie\\_moore/12-10-30-want\\_to\\_transform\\_your\\_business\\_processes\\_get\\_to\\_a\\_single\\_version\\_of\\_the\\_process](http://blogs.forrester.com/connie_moore/12-10-30-want_to_transform_your_business_processes_get_to_a_single_version_of_the_process).
- <sup>2</sup> Craig Le Clair, Ellen Carney, "Insurance Claims: A Classic Untamed Process," Forrester Inc. Research, May 24, 2011, [www.forrester.com/Insurance+Claims+A+Classic+Untamed+Process/fulltext/-/E-RES59713](http://www.forrester.com/Insurance+Claims+A+Classic+Untamed+Process/fulltext/-/E-RES59713).
- <sup>3</sup> Laetitia Paterson, "Improving the Claims Management Process Through Workflow," SunGuard blogs Decembe 8, 2011, <http://blogs.sungard.com/ten/insurance/improving-the-claims-management-process-through-workflow>.

## About the Author

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