SEPARATING THE SIGNAL FROM THE NOISE: MAKING SENSE OF YOUR CLAIMS DATA

JOE POWELL | VP ANALYTICS | GALLAGHER BASSETT

Risk Managers today have access to more data than ever before. That is a double edged sword, as actionable insights can be drowned out by the sheer volume of metrics and reports available. In this session, we'll describe best practices for making meaning of your claims-related data, and how to draw insights that can lead to action to improve your program's outcomes.

OUTLINE

PART I: DECISION SUPPORT SYSTEMS

Well-designed and properly functional decision support tools based on predictive analytics can make significant impact on claims outcomes. But it's not about simply spewing output of predictive models. Decision support tools must be about the decision – including a clear recommendation of what to do, and why.

- A decision support system should align to a clear purpose and related actions / decisions.
  - Best practice: Decision support helps adjusters to decide when to assign a nurse to a claim, including rationale and checks to prevent
  - Not-so-good practice: Adjuster receives a claim complexity score, without guidance on how to use the number or what decisions the number would imply.
- Decision support systems must be trusted by the end user to be efficacious. They should include rationale, confidence level, and where appropriate a combination of human and algorithmic smarts.
- Decision support systems must be measured like any other practice, to ensure they are driving the result expected. This must be done in a rigorous way (e.g., complexity adjustment, statistically significant).

PART II: PERFORMANCE MONITORING

Performance monitoring tools (RMIS reporting & dashboarding) are important for risk managers to keep tabs on their program on a daily, weekly, or monthly basis – allowing them to avoid surprises and drive continual improvement. The sheer number of metrics and views available can be overwhelming to a risk manager. A simple framework can help risk managers to get the most out of performance monitoring tools.

- Awareness & Intervention (avoid surprises)
  - Alerts: *What have you been surprised by in the past, that you never want to be surprised by again? (Example: large reserve change)*
  - Exception reports: *What do you never want to happen? (Example: Litigated claim handled by non-litigated team)*
  - Watch lists: *What claims keep you up at night? (Example: volatile litigated claim)*
- Tracking & trending (drive performance improvement)
  - Performance trending: *What are the key metrics on your program, that you want to continually improve? (Examples: cost, closure, reserving, litigation)*
  - Cross-BU comparisons: *Which business units are performing better / worse on these metrics?*

- Progress relative to goals / confirmation of goals: *How is your organization performing relative to specified goals?*
- Root cause analysis: *Where metrics are trending unfavorably, why are they doing so, and what can be done about it?*

PART III: STEWARDSHIP

A claims stewardship meeting is the ultimate opportunity turn claims data into insights that can lead to actions to improve outcomes. A well-functioning stewardship process starts early, and separates the 'signal' of meaningful insights from the 'noise' of random variation and confounding factors.

- A good stewardship starts with a quantitative executive summary, which focuses attention on metrics signaling improvement opportunity
- Meaningful benchmarking is crucial to understanding not just how an insured is trending, but how they are performing relative to peers
- Teasing out meaningful data means avoiding common pitfalls in claims data analysis, including:
  - Not adjusting for exposure
  - Not adjusting for claim maturity
  - Not adjusting for state mix
  - Not adjusting for closure aggressiveness
  - Not adjusting for claim complexity