

### The Expert's Expert

*By Anne Loverde & Harry Colburn*

Every doctor needs a doctor, lawyers need a lawyer and even psychologists need someone in whom to confide. It only makes sense then that companies with workers' compensation claims need someone to watch out for them as well.

That's where Employers' Comp Advocate comes in. We are an independent risk management liaison that provides strategic analysis of workers' compensation programs and continued interaction with your carrier/ Third Party Administrator (TPA).

Before getting into what Employers Comp Advocate can do for your workers' compensation program, ask yourself this question: what do you consider a passing grade? 70%? Maybe 80%? Definitely 90%, right? Not if you're a carrier or TPA and the grade is auditing the effectiveness of claims handling. If that's the case then the passing grade is 52%. Troubling, isn't it? This shouldn't be a pass/fail score that relies purely on partially completing a task. Moving a workers' compensation claim toward a cost effective conclusion can only be done one way. It can only be done 100%. See the chart for an illustration of how an audit by

Employers' Comp Advocate on 150 workers' compensation claims for a company turned up the 52%. You'll see that it represents a report card on the quality of critical claims handling procedures by the assigned claims adjusters.

Knowing that your company needs the help of Employers Comp Advocate doesn't happen because of an article you read. It comes from knowing that without our assistance the claims adjusters' ability to complete each task satisfactorily resulted in an overall rating of 52%. Thus, they too fell significantly lower than the expected rating range of 95% - 100%.

The evaluation process in this study was performed over a 12-month period on newly reported lost-time claims handled by five assigned adjusters. Their work product and activities were reviewed at predetermined timeframes against performance issues and criteria that had been mutually agreed upon by the company and TPA.

As with all claims, an action plan is initially developed after recognizing key issues that need to be addressed through investigative activities. If a complete and thorough investigation is not performed, the adjuster is not armed with information relative to all aspects of the claim. It is imperative that the initial investigation details be preserved from the onset in order to maintain control of the

| <b>Performance Issues:</b>               | <b>% of Meets Criteria</b> |
|--|----------------------------|
| <b>File Handling/Investigations:</b>     |                            |
| Initial Contacts:                        |                            |
| Employee                                 | 95.67%                     |
| Employer                                 | 97.89%                     |
| Medical Treater                          | 94.87%                     |
| Compensability                           | 53.64%                     |
| Investigation Quality                    | 52.87%                     |
| Recognition of Key Issues                | 48.89%                     |
| Action Plan/Execution/Record             | 45.98%                     |
| <b>Reserves:</b>                         |                            |
| Accurate Initial Reserve                 | 49.97%                     |
| 45 days from DOA                         | 32.65%                     |
| Reserve Analysis Wrksh/ Rationale        | 27.76%                     |
| <b>Medical Management:</b>               |                            |
| Written Medical Reports                  | 66.38%                     |
| Evaluation of Med Info                   | 49.75%                     |
| Continued Verification of Disability     | 46.68%                     |
| Continued Verification of Treatment Plan | 45.98%                     |
| Explore L/D - RTW With ER/DR             | 45.96%                     |
| Develop/Execute RTW Plan                 | 32.45%                     |
| <b>Litigation Management:</b>            |                            |
| Assigned Legal Counsel                   | 50.00%                     |
| Appropriate Documentation                | 46.38%                     |
| Timeliness of Transfer of Information    | 49.67%                     |
| Expense Control                          | 28.50%                     |
| <b>Case Management:</b>                  |                            |
| Follow-up on Action Plan                 | 28.43%                     |
| Continued 15 day Contact                 | 24.87%                     |
| Expense Control                          | 38.76%                     |
| Key Issue Resolution/Disposition         | 27.16%                     |
| <b>Reporting:</b>                        |                            |
| File Updated Timely                      | 68.78%                     |
| State Forms Filed Timely                 | 90.45%                     |
| <b>Overall Rating</b>                    | <b>51.55%</b>              |

as needed for future reference. Note in the chart that an appropriate action plan was developed less than 46% of the time. This poor result is not surprising given the less than adequate scoring on the quality of investigations and the lack of recognition of key issues.

Obviously, an ineffective or inappropriate action plan causes problems from the beginning. Assuming, however, that the action plan set in motion is well designed, the continued verification of disability and treating medical plan is to be closely followed. Obtaining medical records and maintaining contact with the treating physician and injured employee become important parts of the follow-up process. These contacts enable the claims adjuster to gain valuable information regarding the status of the employee's medical condition. Unfortunately, in our study scores for continued verification of disability and of medical treatment didn't fare well. These scores never exceeded 66% with a poor 46% effectiveness in continued verification of the treatment plans.

In addition to effective adjuster case management, continued 15 day follow-up activities with employees help ensure an interest in their well-being and that they are back to work as soon as practical and in good condition. While this attention to detail is critical to effective claims management, regularly scheduled follow-up contacts only took place just over 25% of the time.

You'll also notice a litigation management section in the chart illustrating the numbers that make this study memorable. Since the claims adjusters' investigative results are the basis for the assigned counsel's case analysis and strategy, it is imperative that the adjusters perform their responsibility to the fullest. Numbers don't lie: only 50% of the time was there a timely transfer of information to legal counsel and appropriate documentation, resulting in probable excessive costs to the company.

Prior to the introduction of Employers' Comp Advocate the company believed their worker's compensation program was being handled effectively. They thought their TPA had everything under control. What they didn't realize was that with many cases there was "leakage" from otherwise controllable claims handling opportunities. There was a lack of thorough initial investigations and follow-through in claims action plans, unnecessary litigation expenses and inaccurate claim payments. The poor 39% expense control rating under case management includes such performance issues.

Not all these shortcomings can only be directly attributed to a claims adjuster. And our intent here is not to point a finger at anyone. Oftentimes supervisory direction and interaction on these claims can provide guidance and instructions to get the claims back on track. Unfortunately,

this direction and interaction is missing in many of the key steps of the 150 claims studied. That's where a company's watchdog helps to ensure effective claims handling. A watchdog like Employers Comp Advocate needs to be there to help prevent hidden costs from slipping through the cracks. Granted, these "cracks" aren't exactly small. In another recent study performed on closed and matured open claims, leakage was calculated near 30% with losses in excess of one million dollars.

Many of you reading this article have come to one of two conclusions. One – I know exactly what's being done with my workers' compensation claims. Or two – maybe I don't know how my workers' compensation claims are being handled. Unless you've worked with someone like Employers Comp Advocate, odds are good that the only correct answer is the latter. No matter how profitable your company has been in the past, no matter how effective you believe your carrier or TPA to be, you can't be sure unless you contact Employers Comp Advocate to learn what we can achieve for you. ■

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