Case Study: US Claims Management

Using Kaizen to Redefine Business Process Management

John Pirtle

In 2015, a US-based multi-billion dollar workers compensation firm was facing a problem familiar to many successful enterprises – rapid expansion had lead to organizational fragmentation and inefficiency. Inorganic growth had resulted in five discrete operating units and a variety of business processes, core systems, management practices and cultural attitudes. Rather than operating as a cohesive whole, the firm had evolved into a federation of cooperative business units.

Looking to establish a sense of 'one company', the leadership team realized that there was one business area that was common across the entire organization – claims processing. It was being handled by five separate platforms. Each operating unit had at least one business process outsourcing (BPO) agreement covering: claims intake, call center operations, invoice processing, provider credentialing, or some combination of all of these. It was an obvious target for efficiency, cost and organizational improvement.

The leadership team recognized that change would represent a major challenge and engaged an external consultant. John Pirtle, who led the consultant team, confirmed the challenges. Most notably, the organization lacked clarity on the effort required for many of the core activities. John proposed consolidating the multiple (FTE-based) BPO contracts into a single (consumption-based) agreement and committed to doing so in just 16 weeks.

The first step was to get a solid understanding of the current environment using a process mapping exercise that focused on defining:

- what activities were in-scope,
- the volume of work associated with each activity, and
- the level of effort required to complete each individual unit of activity.

Since each operating unit approached activities differently, this was a major effort. In some instances five separate process maps were developed for the same activity because each unit's approach was sufficiently different to warrant its own map.

The next step was to create value stream maps that investigated effort at the task level together with work volumes and average cycle times. This exercise looked in detail at the steps required to undertake each activity and embraced the Japanese business philosophy of *kaizen* (change for the better). Maps were built during facilitated stakeholder engagement sessions that outlined the discrete actions associated with each process and identified key areas that could be improved.

After completing the process and value stream maps (and building a shared understanding with all internal stakeholders) a request for solution (RFS) was developed. This was different from what the market typically saw. Rather than simply defining the problem and inviting proposals, it included all of the process and value stream maps

and gave deep insight into the operations of the company. It also included 'contract-ready' documents covering: master service agreements, pricing, service levels and governance. The idea was that each potential service provider would have a complete picture of the environment to improve the quality of proposals and expedite the overall process.

Rather than putting the project out for open tender, the RFS was distributed to just four potential service providers, each of which was pre-qualified as capable of implementing the project. They were given a week to digest the content of the RFS and provided direct access to actual claims processing systems so that they could experience operations first hand. Each was then invited to a collaboration session to share thoughts and engage in a (confidential) two-way dialogue of how to approach the initiative. Two weeks later, solutions were submitted.

Before making a final selection, the firm invited each service provider to another meeting during which its solution was reviewed in detail. These meetings were also used to discuss the contract-ready documents and ensure that any proposed adjustments were clear to both parties. Armed with a solid understanding of each solution and how providers would approach the project the evaluation team was able to make a fully informed decision. A service provider was selected and a contract signed that replaced multiple contracts with a single consumption-based BPO agreement.

And it was all done within the promised 16-week window.

By any measure, the results were impressive. From a financial perspective, the original business case estimated net savings in the region of 10-15% primarily through labor arbitrage. In reality, process optimization, waste reduction and business automation generated savings that were almost double the original estimate. Perhaps even more important was the increased claims throughput, reduced errors and improved customer experience. The solution also aligned with the original business driver - moving the organization to a single integrated approach that supported a journey towards a more unified company.

This case study is an excellent example of how a motivated leadership team supported by an experienced external advisor can make significant business improvements in short periods of time. It also illustrates the effectiveness of *kaizen* principles in technology transformation projects. Process and value stream mapping combined with providing the service providers access to the *gemba* (real world access to where the work is done), in this instance claims processing, provides a more comprehensive understanding of the business environment than traditional approaches. It minimized misinterpretation and ensured that provider solutions were appropriately aligned to the unique needs of the client.

About John Pirtle
John is an outsourcing and shared services innovator focused on the effective and efficient management of Information Technology and Business Process Outsourcing relationships. With over 30 years of international business experience, he has shaped over 50 major relationships totalling in excess of $100bn of contract value

ABOUT US
We guide clients through the changes required to implement sustainable technology-led strategies. We shape IT organizations and environments with an approach that unifies vision, action and the people who influence both. We have walked in your shoes as buyers, sellers and advisors ... and will walk with you now, on your journey.