



prIME
Assessments

Medical Legal Reporting Systems: An Overlooked Cause of Claims Leakage.

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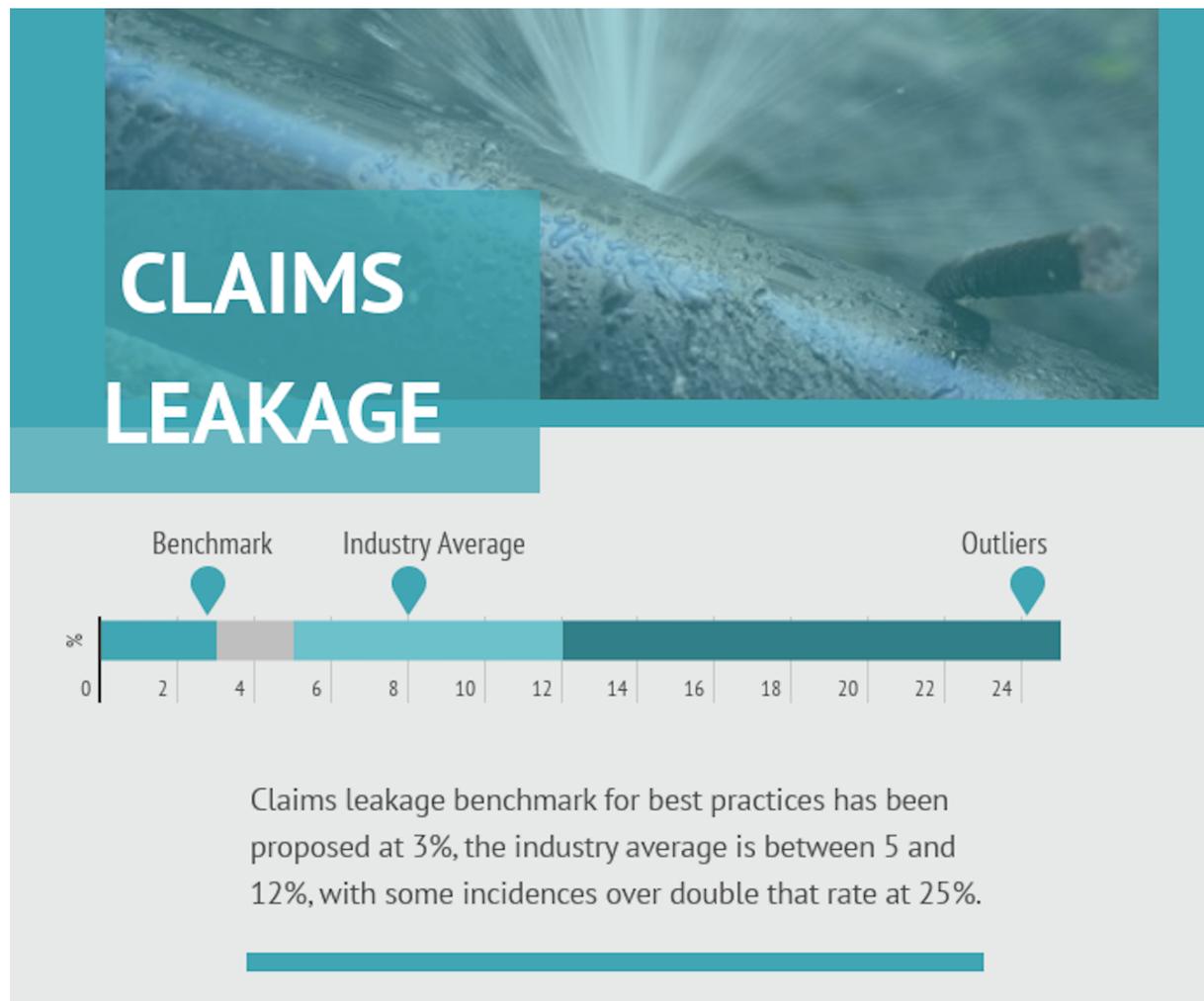
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1 Executive Summary

Claim leakage rightfully is a current focus on expenses control in the insurance process. There are a number of contributing elements to the leakage. Procurement of medical-legal reports is a source of vendor based leakage. In particular the Independent Medical Evaluation (IME) can be a double-edged sword; in some cases it is overused and others underused, both of these deviations from best practices contributes to controllable claims leakages. Standardization is one of the key corrective measures to control leakage. Optimized IME usage with improved triage for the services can reduce the ongoing issue of claims leakage.

2 Introduction

Claim leakage is a stubborn problem that can not be ignored. In the present unforgiving economic climate of increasing competition of rates, higher indemnities and low return on investment it is essential to control expenses. Estimates of claims leakage rates are between 5 and 12%, but in some incidences, as high as 25%. These rates far exceed the benchmark of less than 3%. Annual claims leakages are in the hundreds of millions in Canada, and in the billions in the USA.



Claims leakage represents a controllable gap between the optimal and actual settlement of a claim. The first items that come to mind are fraud and overinflated claims. But there are many others related to errors or inconsistency in processing of claims. Present usage trends in both the medical and legal services in claims management have been identified as significant contributors to claims leakage.

Claims departments must curtail claims leakage by optimizing training, strict adherence to procedures and protocols, improving information gathering and analysis and evaluation of usage of outside vendors, such as Independent Medical Examinations (IMEs).

3 Background

Claims leakage has been an ongoing concern in the insurance industry, and is becoming a priority in managing expenses. Increased competition, skyrocketing settlements and poor return on investment are contributing factors to the profitability of an insurance concern, but are outside the direct management of the company. Claims leakage on the other hand is the result of internal dealing with claims and is an area ripe for improvement.

With a rate of claims leakage often three to four times the optimal bench mark of 3%, the industry is looking for solutions to reign in the expenses. Assessments have identified a number of sources of the leakages. The obvious ones are fraudulent and overinflated claims. Most companies have adopted many strategies to curtail this source of loss.

Sources of Claims Leaks

-  Fraudulent and overinflation of claims.
-  Inadequate subrogation.
-  Human error.
-  Information processing and analysis.
-  Vendor dependence and management.
-  Client dissatisfaction.

Other contributors are human error, either in process or in judgement leading to overpayments or other increased expenditures. Failure to adhere to best practices in document and information gathering and analysis procedures has also been cited as a contributing factor. More indirect sources include delays in settlement invoking customer dissatisfaction, with the potential of loss of retention, and the risk of attorney engagement.

A final area of concern is vendor leakage. This involves the improper use of ancillary services when not necessary. Examples include the use of nurse case managers when not required, over reliance on poor return services such as surveillance and the physician based medico-legal evaluations and reporting (IME).

4 The Independent Medical Evaluation (IME)

Ironically the Independent Medical Evaluation (IME) has been cited as a source of claims leakage by both overuse and underuse. In addition they have also been identified as occurring too early and too soon in the claims process.

The IME is an important tool, but might be used too often for lack of alternatives. Review has shown that about one third of IMEs are not necessary. Another third often require further evaluation and supplemental reports due to incomplete charts, inappropriate timing of the exam, or incomplete questions and instructions by the requesting party.

The IME requires the selection of a specialist in the domain which is at issue. Unfortunately many of these specialists are not trained in the medico-legal, insurance and IME reporting fields. Their reports are often of limited value due to the lack of proper analysis of information, critical thinking and a properly reasoned and rendering of the report. This can lead to further delays, customer dissatisfaction, repeat IMEs or escalation of the matter to attorney involvement and possible litigation.

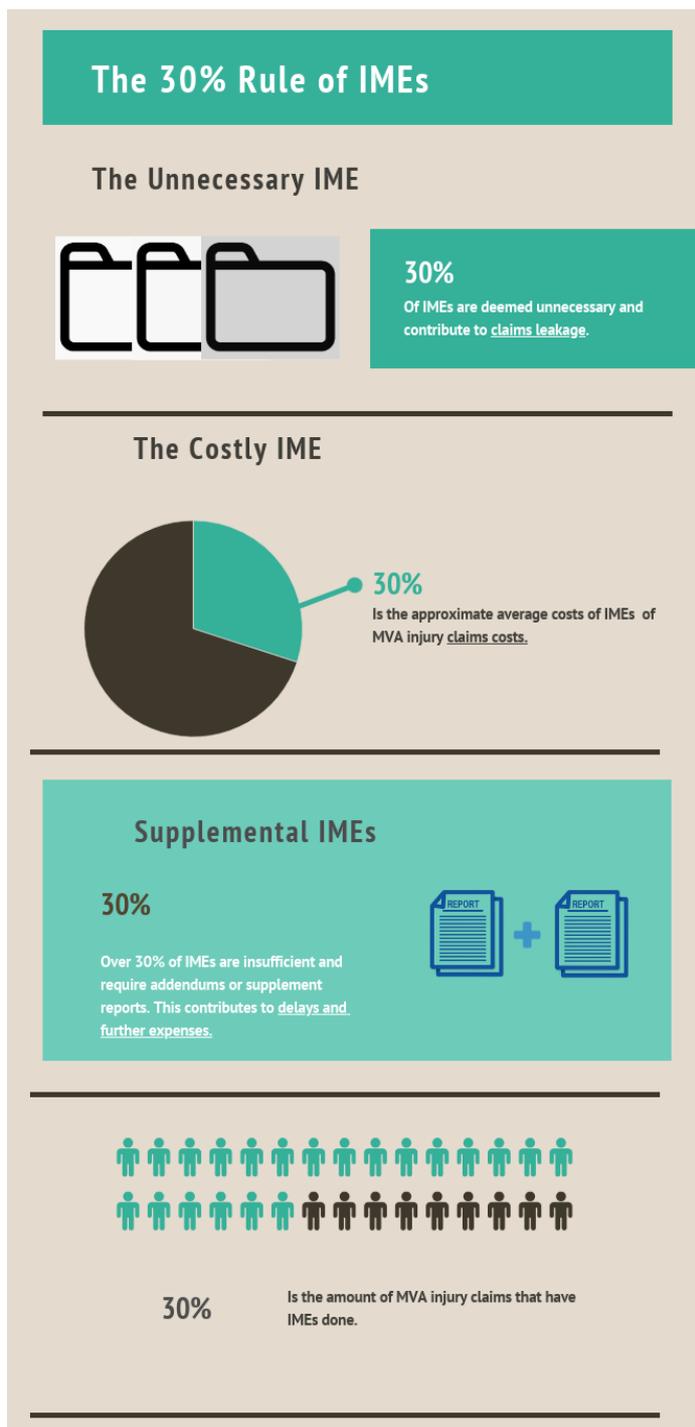
5 Sealing the Leaks

One of the most important strategies in controlling claims leakage is standardization. By ensuring proper training and proper adherence to procedures, in particular

document processing, structured analysis and use of outside vendors can help reduce the losses. The medical chart is particularly a challenge to process; it is an immense document of documents, from many sources and highly unstructured that contains key information within a vast collection of superfluous data. Leveraging technology to add structure though formatting, indexing, data extraction and metadata tagging improves analysis potential.

Numerous solutions have been proposed, InsurTech pushes the latest innovations to improve the process, managers have proposed increased manpower to permit more thorough in-house claims management and accountants have proposed seeking more competitive rates for outside vendors. These are all viable options but more can be done.

By developing alternatives to the IME, about one third of these expenses can be reduced. Furthermore by optimizing the IME when they are required will

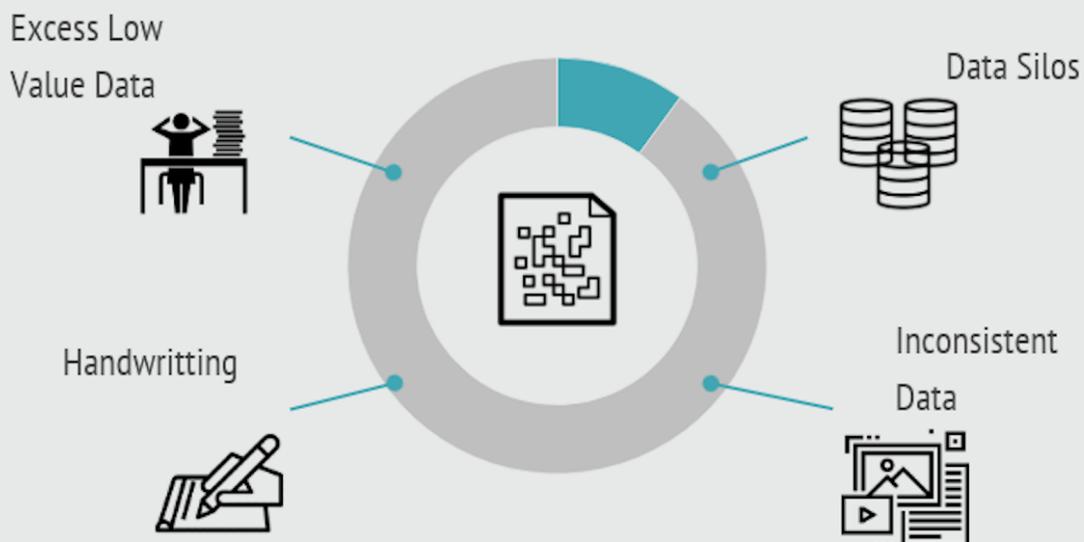


reduce costs in another third of these cases. Optimizing strategies include improved data accumulation and structuring permitting a more comprehensive analysis. With a thorough medical analysis before an IME the insurer can identify more precisely if it is required, and if so it can obtain

The Medical Chart

Issues of data from the medical chart.

90% of the medical chart is unstructured



direction as to the timing, the proper specialist and the precise matter at hand to be evaluated. This early medical involvement can be seen as a movement away from a filtering process of claims towards a triage process, identifying the proper course of action in handling the claim.

6 Conclusion

There are many sources that contribute to claims leakage. The inappropriate utilization of the IME leads to leakage in vendor expenses and in inflated indemnities depending on overuse or underuse. Standardized practices in regards to applying this important tool through improving workflows and triage can reduce the level of claims leakage.

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PRIME ASSESSMENTS

About prIME Assessments and IME360

prIME Assessments, established in Canada in 2016, is focused on leveraging technology to bring structure to the medical chart. By sequential algorithms prIME Assessment has developed methods to improve accessing data in the medical chart, which consists of records from multiple sources, inconsistent formatting, a collection of text, forms and handwritten entries, variable coding systems and lack of structured metadata. These improvements of the data permits deeper analysis of individual and groups of charts using new technologies such as machine learning and artificial intelligence in the fields of chart reviews for medico-legal, public health and research applications.

prIME Assessments has introduced IME360 to ameliorate the controversial present day mechanism that insurance companies use to assess health claims after accident injury by hiring an expert physician to assess the victim and formulate a report; the Independent Medical Evaluation (IME). With IME360, using algorithms, indexing and metadata, relying on technology and human expertise, the unstructured information in the medical chart is converted to more structured data. Furthermore, thorough analysis of the newly available information often can lead to resolution of the contested insurance claim without relying on the formal costly and time consuming IME.