The Powers Company

New Management Operating System
Helps Insurer Shrink Costs, Improve Service
And Prepare for Growth

Engagement Highlights

Industry
Insurance

Project Timeframe
22 Weeks

Project Results
Improvements in claims processing:

Reduced cost per claim processed 30%

Decreased inventory backlog 70%

Cut overtime hours more than 70%

Increased productivity 30%-plus

Reduced claim review and processing time 40%

"The Powers Company has brought tremendous value to our management reporting system. Previously, we had a vast quantity of spreadsheets that were meaningful to one or two people. Now we have one system that provides a report card for how we are doing as a whole. This information helps us effectively manage our business and prepare for the future in a confident and passionate manner."

**–Manager,
Special-Risk Claims**

This leader in special-risk insurance plans sought a fast-acting remedy to its operational growing pains. It needed to reduce its claims backlog, boost service levels, lower processing costs, and create a platform for growth. The Powers Company established performance standards by position, enhanced supervisory training, and implemented management systems to track productivity, backlog and cost of claims. The results? A 30 percent decrease in cost per claim handled and 70 percent drop in claims processing time.

Our client is a self-contained division of a large insurance company. It offers high-limit-accident medical expense products to colleges, universities, K-12 schools and sponsoring organizations. These plans cover student-athletes competing in sponsored activities, games and practices. Among other functions, the business unit markets, underwrites and services policies; collects premiums; administers claims; and handles case management.

Fix execution before expansion
The new vice president's vision was to expand the division's product offerings and roll them out to a much larger broker network. However, a period of fast growth had stretched its back office and management systems, leading to higher claims-processing costs, declining service levels, and a large backlog of claims and related correspondence. It was taking nearly two weeks to process mail related to claims – and another four weeks to resolve the issues. Before it could achieve its expansion goals, the division had to improve its processing cost and time challenges.

An initial two-week assessment performed by The Powers Company revealed the root cause of these problems: The division lacked an effective Management Operating System to plan and control the workload, measure and increase productivity, and provide managers with critical information to evaluate and improve the operation. Without these system elements, the management team was in a constant "fire fighting" mode, which prevented it from making improvements.

Management development
The Powers Company conducted workshops with managers and supervisors to discuss the elements required to improve operating performance. These workshops included:

Process Mapping
Roles and Responsibilities
Change Management
Introduction to Operating Systems
Planning and Assignment
Problem Solving and Root Cause Analysis
Reporting and Data Analysis
Follow-up and Coaching

The intent was to ensure that all managers and supervisors were familiar with the tools used to improve operating systems. We also implemented a train-the-trainer program to support future training needs and sustain improvements.

Map, track and set standards
The first step in implementing an effective Management Operating System was to map all of the department's processes, including premium collections, underwriting, policy issue and claims management. We analyzed each activity and measured the time required for every step. The resulting process maps helped identify areas that were critical to quality and productivity, and uncovered areas where the process was "bottlenecked." Additionally, these were used to establish a baseline of performance and to highlight areas for improvement. Mapping processes led to the elimination of waste and non-value-added activities and steps.

We worked hand in hand with management to establish time standards for critical steps in each process. This supported the development of performance standards for each area. We measured the volume of each activity and compared the amount of time required to the performance standards. This allowed supervisors to measure individual and group performance, and identify reasons for variance so corrective actions could be taken.

With large amounts of claims paperwork passing between areas and individuals, it was crucial to understand the backlog of work. The Powers Company devised a tracking system to monitor this paperwork. This enabled the measurement of work in and out of each area and the buildup of claims inventory. The monitoring of claims inventory allowed supervisors to take actions to reduce the buildup and improve service.

Performance reporting and progress tracking

Operating reports were developed to track key performance indicators (KPIs) on a daily and weekly basis. The reports were used to measure key indicators crucial to the business. These include claims received, claims processed, claims backlog, productivity, premiums collected, and quotes processed. These reports gave supervisors and team members feedback on performance. They were used as the foundation for improved communication within the organization, which is now focused on performance and action resolution.

The implementation of KPIs and ability to track performance increased accountability and focus. It allowed supervisors to "manage by the numbers" and develop corrective actions and plans to achieve goals. We also created and deployed an opportunity log. This tool records barriers to performance improvement and tracks progress in addressing and eliminating them.

Management system delivers

The components of the improved Management Operating System were implemented over a four-month period. They included:

> *Performance standards*
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> *Daily/weekly activity reports*
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> *Individual/departmental performance reporting*
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> *Identification and resolution of problems*
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> *Structured meetings to review performance*

Coupled with management training, these elements led to significant, measured improvements in the division's operations:

Claims-processing costs – *Cut by 30 percent*

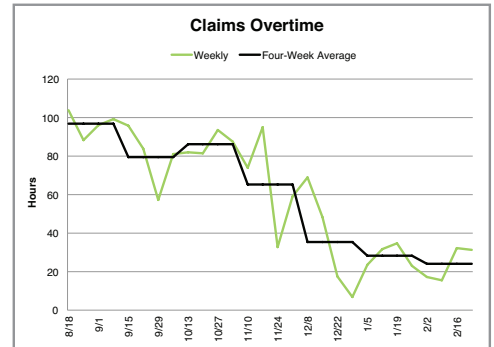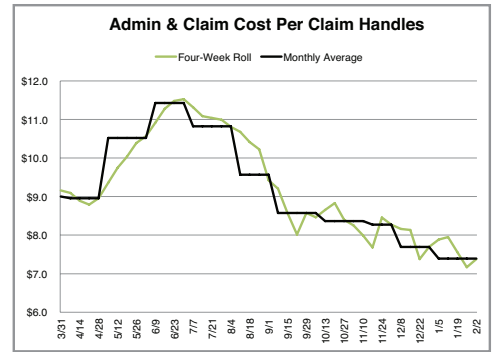**Overtime** – *Reduced by more than 70 percent*

Productivity – *Increased more than 30 percent*

Claims backlog – *Cut more than 70 percent*

Claims review/processing time – *Reduced by 40 percent*

Laying the ground for growth

In addition to the back-office improvements, The Powers Company developed a Sales Information System to extract information from the existing database. This allows the company to track wins and losses by market and producer, and to manage open quotes for easy follow-up.

Admin & Claim Cost Per Claim Handles
(Four-Week Roll, Monthly Average)

Claims Overtime
(Weekly, Four-Week Average)

A capacity planning program was developed to help project future needs as volumes changed. Reviewing goals "raises the bar" and forces managers to identify root causes of barriers and take corrective actions. A reward-and-recognition program was established to reinforce the positive behaviors and goals achieved. In addition, we worked with client to institute a quarterly audit process. This provides managers with feedback to sustain the Management Operating System and increase utilization.