Trends In Hospital Professional Liability Operations

Hospital systems today are facing an increasingly difficult operating environment. Revenues and reimbursements are decreasing, the capital market is becoming more and more restrictive and regulatory requirements and reporting are increasing. Add to this bleak financial picture the fact that medical school enrollments are declining annually and the shortage of physicians is increasing with a projected shortage of 100,000 by 2015.

The result? Hospitals are being forced to cut costs thereby jeopardizing patient safety and increasing risk. The effects of these factors are expected to result in an increase in frequency and severity of claims within the next 24 months.

Macro Trends in Hospital Insurance Operations

Independent Doctors ----------moving toward------------------------------------> Hospital Employed / Affiliated Doctors
Hospitals -------------------------combining to form-------------------------------->Health Systems
Carriers ---------------------------losing business to-------------------------------> Alternative Risk Transfer Market
Risk Management -------------taking on the activities of-----------------------> Insurance Operations

As individual hospitals consolidate into larger hospital systems, there has been an increase in the formation of Risk Retention Groups (RRGs) and Captives. As a result, self-insurance is replacing traditional carriers as the most cost-effective insurance solution. Risk management departments end up being responsible for administering the self-insurance operations including policy and claims administration without having the right tools in place. In order to support the self-insurance processing needs, most risk management departments resort to spreadsheets or try to utilize their existing risk management software solution.

Some hospitals, as an alternative to in-house processing, have elected to outsource their policy and claims administration processing to Third Party Administrators (TPAs). This frequently results in an increase in processing costs and a loss of control.

Micro Trends in Hospital Insurance Operations

Historically risk managers have been accustomed to managing risks on an incident and claims level. This approach has resulted in increasing concerns at the policy and underwriting level as rating procedures shift from actuarial "whole account" rating to factor-based rating. This shift is influencing underwriting practices and has a direct impact on the hiring of doctors.

Challenges Facing Hospital Captives

Risk managers and hospital medical professional liability managers know that one of the critical paths to succeeding in a rapidly changing business environment is to have dynamic and flexible business processes and systems that can change with the pace of the current market. This agility enables them to overcome the challenges of today's market such as the…

- Need to reduce the frequency and severity of claims.
- Necessity to more tightly manage underwriting practices (understand 'bad" risks and refine future risk assessment procedures).
- Difficulty integrating claims management and policy administration applications to
  - Eliminate dual entry and the resulting errors
  - Monitor limits and automate deductible billing
  - Provide experience reporting by physician, specialty, coverage, etc.
- Need to tie claims statistics directly to the corresponding policies.
- Difficulty synthesizing information from multiple departments / systems to derive actionable business intelligence.
- Necessity to manage outcomes in order to more accurately forecast future claims.
- Difficulty generating accurate and timely reports.
- Lack of confidence in the accuracy and auditability of manual processes.
- Difficulty managing exposures, incidents and claims.

- Increasing need to support the Medical Affairs, Risk Management, and Legal Departments.
- Uncoordinated litigation management resulting in imperfect physician defense efforts.
- Need to be able to Slot Rate and tie specific claims back to the responsible individual.
- Difficulty managing the spikes in renewal processing.
- Need to quickly respond to market conditions by adopting changes to policy terms and conditions in the least time possible.
- Difficulty utilizing the latest advances in technology and integrating with other software solutions.

If you can't measure your risk exposure, you can't manage it.

So, what's the answer?

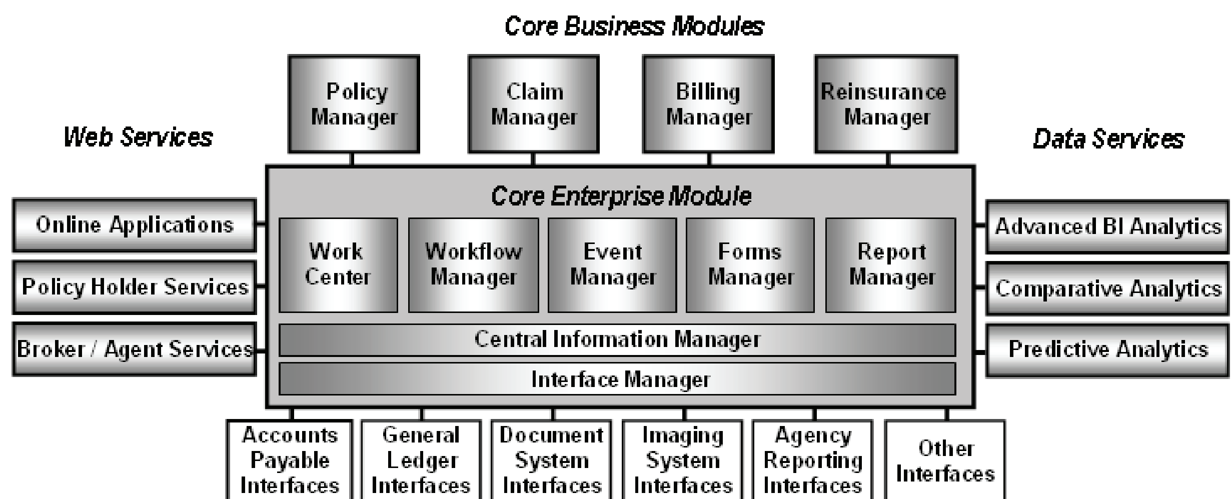
Today's technology solutions automate your complex business processes and decisions in order to support your organization's best practices. This enables you to streamline operations from the front office to the back office through process automation, intelligent decision-making and system flexibility. The results? Improved operational efficiencies, enhanced levels of customer service, and a technology solution that provides the flexibility and scalability required for future growth.

Automating Business Processes and Decisions

With the arrival of more personalized service levels, new regulations and reporting requirements and increased consolidation and competition, hospital systems face challenges that are becoming more and more complex. By effectively managing and automating business policies and processes, organizations can address the challenges of increasing complexity and ongoing change while creating a sustainable business advantage.

To help hospital systems manage the complexity of change across their operations, solutions with a tight focus on medical professional liability offer all of the functionality needed to administer policies handled by the hospital. These solutions utilize business rules to automate both processes and practices, creating a customized corporate asset that can be leveraged across the enterprise. This enables you to automate decisions and processes based on your organization's best practices to ensure consistency and adherence to organizational policies. In addition, new technology has made it possible for these solutions to integrate with existing systems, enhancing a company's capabilities while, at the same time, leveraging past investments in systems. 'Rip and replace' is no longer your only option.

Today's Integrated Solutions Deliver Service and Operational Excellence



Delphi Technology

Every enterprise system supporting medical professional liability should have a “core” set of modules. These include:

Policy Management

An automated underwriting solution enables your organization to apply its best practices for underwriting across all new business and renewals to maximize benefits such as improved underwriting productivity and reduced underwriting expense, reduced loss ratio, ease of doing business, improved individual risk selection and pricing, and streamlined processes and reduction of expenses. Leveraging these benefits allows you to gain consistency in risk acceptance, rejection criteria, and premium pricing.

Claims Management

A multi-line claims tracking and management system lets you capture extensive information for all claims functions and puts that data at your fingertips resulting in improved claims handling efficiency, decreased losses, and improved data integrity. Robust functionality includes: online incident reporting; skills-based adjuster assignment; automated workflow management; scheduled and ad hoc diary system; litigation management; payments; claims adjuster workload management; subrogation management; automatic coverage verification; reinsurance recoveries; track, report, and calculate lost work time; and define, manage, create form letters; full notes capability; and complete online claims history.

Central Information System

One of the most important modules is a central information system that stores all contact data used by other modules and applications, as well as the relationships between entities that have a connection to a claim or policy. A central information system eliminates the possibility of information being duplicated and improves the integrity of your organization’s data. The information entered into the central information system relates to the individuals (policyholder, claimant, employee, doctor, nurse, attorney, investigator, expert witness, etc.) or organizations (hospital, managed care facility, law firm, etc.) that you do business with. All clients or entities, regardless of their relationship with your company, must be entered in the central information system before they can be used in association with a claim or policy. Once the client information has been entered, it becomes available to any user with the appropriate clearance.

Self-Service Web Portal

Self-service web portals are the most efficient and cost-effective way to improve customer service. Once your physicians have registered, they can securely log into the self-service web portal where they can quickly access all of the functionality available to them including the ability to update information and request Certificates of Insurance (COIs). Access to information is secure and roles-based, and the functionality provided to each role is configurable.

Today’s Technology Solutions Deliver Measurable Business Results

Increased Operational Efficiency

Organizations can simplify complexity by controlling multiple sources of data through intelligent business rules and workflow management. Automated underwriting reduces the cost of processing new business and renewals by streamlining underwriting workflows and eliminating steps in the process – without sacrificing any of the business intelligence that goes into sound underwriting decisions. In addition, by automating key activities throughout the claims process, the claims solution delivers increased productivity in the back office and reduces the operational cost of processing and settling claims.

Increased Business Agility and Flexibility

In today’s competitive environment, the ability to adapt to rapidly changing market conditions often determines a company’s ability to retain its competitive edge. Today’s solutions are built to empower business users to rapidly modify operations in response to new product opportunities, market needs, and regulatory requirements. As a result, business processes and rules become corporate assets, enabling easy deployment across departments and geographies while still allowing for the specialization needed in each area. This enables organizations to use their business rules, policies, and processes for competitive advantage, achieving rapid change and easy deployment.

Educated Risk Management through Better Business Intelligence

Having all information available for coordinated reporting facilitates risk management, reconciliation of books, actuarial work, program analysis, loss runs, and refinement of future risk assessment procedures. This enables you to make more informed business decisions.

Better Data Controls for Transparency / Auditability

Online audit tracking and workflow automation ensure procedures are followed and traceable, as required for Sarbanes-Oxley compliance.

Flexibility for Growth

An easily configurable architecture means your organization will never find technical limitations to be a barrier when a growth opportunity presents itself.

Major Healthcare System Expands Claims Management System to Include Additional Lines of Business

The Problem:

- A leading hospital system wanted to consolidate all of its insurance operations, including its self-insured programs, on one platform in order to improve operating efficiency. This consolidation would enable the healthcare system to rate its risks more accurately and set reserves accordingly.
- The hospital was also faced with streamlining operations, reducing operating times, increasing efficiency, and improving reporting capabilities.

The Answer:

- A claims management system to manage the entire claims process for all lines of business.
- Automatically sends correspondence and / or generates an outbound call task when supplemental information is required from the policyholder or other parties.
- Straight-through processing of claims in most cases. Claims requiring additional handling are presented with a recommendation based on the available data.
- Provides the claims group with increased visibility into all fraudulent claims, enabling the organization to better prioritize its litigation and settlement activities.

The Result:

- A dramatic drop in litigation costs without a rise in claims paid out.
- Organizational productivity has grown by 37%.
- Fraudulent claims are identified more quickly, before they are settled.

A University Healthcare System Outgrew Its Claims Processing Software

The Problem:

- The hospital was using a risk management system for claims administration
- As the number of open files increased, they recognized the increasing need for insurance carrier-like capabilities and risk reduction

The Answer:

- A new system designed for the carrier market was installed supporting:
- Automated workflows and business rules
- Litigation management and legal bill review
- Case management

- Automated correspondence
- Reserve worksheets
- Extensive file notes and diary functions
- Interface to imaging and financial package

The Result:
- Consistent claim handling from examiner to examiner
- More claims handled per examiner through improved productivity
- Measurable reduction defense costs
- Improved business intelligence
- Control of the recoverables from reinsurers
- The company was able to utilize claims staff for an emerging TPA service

Mid-sized Healthcare System Needed Integration Across Systems

The Problem:
- Insurance and risk data was distributed across several systems
- The hospital system could not get an overall picture of its risk and exposure without merging data using spreadsheets

The Answer:
- Enterprise software was installed that allowed the hospital system to
- Consolidate data from several sources
- Standardize coding structures and create views of enterprise information
- Generate reports on exposures, loss development, loss ratios in a more timely and flexible manner
- Review risk down to the most detailed level
- Exchange data between incidents and claims

The Result:
- Improved information on exposure gave management a much better ability to control risk – beyond traditional risk management techniques
- Hospital hiring practices were changed and prospective employed physicians were subjected to “underwriting”

Self-insured Hospital Group Dissatisfied with Policy Administration Through a Broker

The Problem:
- The Captive outsourced the policy administration to a broker
- Over a period of time, costs increased and quality of service decreased

The Answer:
A policy administration system with support for:
- Automated application processing and quote generation
- Automated rating of all transactions
- Policy document generation with emailing option
- Workflows managed by the software with full audit trails
- Automatic processing of renewals
- A web portal that gave department self-service and visibility

The Result:
- The “common renewal date” crunch was over
- Rating changed from an actuarial chargeback to factor-based rating by risk
- No more “necessary evil” – the entire hospital organization was exposed to the benefits of the data
- Insurance underwriting practices led to improved hiring
- The service provided by the system allowed the hospital to offer insurance to affiliated doctors

Leading University Hospital System Improves Claims Processing Efficiency

The Problem:
- A leading university hospital system had the need to replace its existing claims system with a claims management system and risk management tool that was flexible enough to support the processing of its self-administered, multi-line claims programs.

The Answer:
A claims management system that could
- Eliminate redundant data entry via electronic interfaces
- Provide practical steps to improve the ease and accuracy of assigning codes
- Collect relevant risk management data
- Provide extensive risk management reporting and analysis reports.

The Result:
- Organizational productivity has grown by 23%
- Fraudulent claims are identified more quickly, before they are settled.

Self-insured Hospital Group Tightens Processing Controls and Improves Risk Management Procedures

The Problem:
- The legacy system needed to be replaced. “Build vs. buy”.

The Answer:
A policy and claims administration system with support for:
- Full data conversion of both policy and claims data
- Streamlining the underwriting process
- Reducing the risk of errors in paying claims
- Refining risk assessment procedures

The Result:
- Substantial productivity improvements at renewal
- Tighter controls for claims processing
- Improved risk assessment and underwriting
- More complete reinsurance reporting
- Enhanced access to expert witness intelligence
- Enhanced auditability of procedures
- Built-in PIAA reporting
- HIPAA compliance

Hospital Group Realizes Efficiency with Claims Automation

The Problem:
- Claims payouts were trending above benchmark and the company’s litigation costs were unnecessarily high.

The Answer:
Implementing a new claims management system, the company was able to:
- Provide visibility into the claims process
- Automate claims workflow, ensuring adherence to organizational policies and best practices
- Automate the data research and analysis surrounding claims
- Automate routing adjusting decisions
- Automate claims resolution and remittance

The Result:

- A dramatic drop in litigation costs without a rise in claims paid out
- Organizational productivity has grown by 25%
- Fraudulent claims are identified more quickly, before they are settled

Hospital Group Increases Productivity, Cuts Maintenance Costs Through Legacy System Transformation

The Problem:

- A leading hospital group grew by acquiring a number of smaller hospitals – each of whom had their own IT infrastructure on a variety of technology.
- The legacy systems were aging, unable to support new technologies and applications.
- Keeping up with on-going requests for configuration and business rule changes across hybrid systems exceeded IT capacity.
- The business was demanding new offerings – all of which required additional IT infrastructure and application development to scope, author, test, and deliver.

The Answer:

New technology enabled the hospital group to extend the functionality of their legacy systems and

- Eliminated their dependency on specialized code-based rules
- Empowered their business users to maintain and update business logic
- Enabled them to organize and manage their rules migration tasks
- Allowed them to utilize their unique rules-driven services and connectors to expose and connect business logic to applications across the enterprise

The Result:

- Able to maintain the involvement of legacy system experts in the maintenance of the new services
- Speed time-to-market with systems changes
- Cut maintenance costs of legacy systems by up to 40%

About Delphi Technology

For 20 years, Delphi Technology has been a leading provider of technology solutions to the insurance and risk management industries. By leveraging its extensive industry knowledge and experience, Delphi Technology delivers a comprehensive range of innovative technology solutions for property and casualty insurers, third party administrators (TPAs), self-insureds, and risk retention groups (RRGs).

Delphi Technology's OASIS suite provides proven software applications to run core insurance operations including underwriting, billing, policy administration, claims management, financial management, risk assessment, and reinsurance. OASIS enables companies to optimize their business processes and respond to changing business needs resulting in reduced costs, increased operational efficiency, and improved business intelligence.

Delphi Technology's professional services staff of 150+ technical and insurance experts utilize a proven implementation methodology ensuring the transfer of necessary market and business expertise throughout the deployment process resulting in successful implementations that come in on schedule and on budget.

Headquartered in Boston, MA, Delphi Technology has sales, support and development offices throughout North America.

For more information, please visit us at www.Delphi-Tech.com.

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