CLAIMFOX℠

CONSIDER IT DONE

5 Steps to Successfully Process Subpoenas for Claims Files.

Contents

Background

On a daily basis, the experts at ClaimFox, Inc., an industry leading claims data-flow management and request fulfillment company, interact with No-Fault Claims Directors, Managers, and Supervisors. Our proven ability to investigate and solve their challenges and provide solutions that meet their highly specialized needs is what drives our business. Our business is impacted by their need to succeed.

As a service to the industry, ClaimFox commissioned a study to explore the major challenges that every Claims Department experiences in claims management. This eBook not only reveals some startling statistics and trends in the insurance industry, but also uncovers the five major challenges that every Claims Department faces relative to successfully processing subpoenas. For each challenge identified, a strategy is also outlined to help Claims Departments everywhere thrive within the current environment.

40%

of claims adjusters' time is spent on activities that are not directly relevant in closing claims.

Statistics and Trends

Before revealing these challenges, let's examine some fairly troubling statistics and trends in the insurance claims industry.

1. The industry is growing in volume... and so are the costs

   + There are 262,540 claims adjusters worldwide.
   + There were 200,000 no-fault filings in New York during 2009.
   + Nearly half of all no-fault claims now result in litigation.
   + New York's Personal Injury Protection (PIP) average claim costs $8,690 per claim.
   + The average payout per no-fault auto insurance injury claim has increased more than 55% since 2004.

2. Adjuster time is becoming a diminishing resource

   Only 60% of their time is now spent on activities that actively assist in bringing a claim to a prompt and reasonable conclusion. These inefficiencies associated with inefficient processes, inappropriate use of claims resources, and excessive legal bills, drive costs up in the form of loss adjustment expense.

   The total losses in leakage are thought to be estimated at 1% to 4% of Net Written Premium (NWP), which is the written premium less deductions for commissions and ceded reinsurance, while claims indemnity leakage is estimated at 6% to 10% NWP. The inefficiencies are also adversely impacting

customer satisfaction. A shocking 43% of customers who reported low levels of satisfaction said they would definitely renew their policies.

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3. Losing talent is wasting money that could be spent on other revenue generating activities

Carriers are losing their top adjusters each year due to normal employee transitional flow and must find ways to keep this talent on board. Another reason for talent loss is that there is an overall aging among experienced adjusters. For example, 70% are over the age of 45 and 33% are over the age of 55, which means that many are nearing retirement. Only four percent are under the age of 35. There is clearly very little new talent joining the ranks. Research from Deloitte Consulting indicates that there will be a talent shortage of 84,000 claims adjusters by 2014. A combination of these factors is costing the industry significant dollars. The average cost to replace a worker in the United States is $17,000.

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This shortfall is critical because adjusters are considered to be the first line of defense. They are the means for driving the necessary maximum efficiency into the claims handling process. But, in order to overcome this shortfall and attract more talent to the industry, organizations must develop and implement a more effective approach for processing claims.

With so many startling statistics impacting the industry, the most important question is: Why is this happening? Let's look at the major pain points that all claims departments are facing.

Top 5 Challenges

Key Takeaways

A backlog in claims and lack of quality decisions due to the pressure of contending with such high volumes.

Inefficient claims processes related to a lack of expertise among adjusters who are not required to have any formal education beyond a high school diploma.

A burden of mandatory reporting requirements, which lead to complicated and costly decisions about investing in process and technology capabilities.

Challenges related to strict subpoena requirements.

New education requirements for adjusters about how to contend with privacy rules in relation to releasing PHI in a claimant's file.

There are 5 major pain points that undermine Claims Departments:

1. Rising Number of Claims

   Adjusters are under a lot of pressure. They are now assigned anywhere from 50 to 100 new claims a month, and they must close at least 50 or more total claims within a month. They are additionally stressed because the costs of no-fault cases significantly rose by an alarming 22% over a 2 year period, and costing companies considerably more than ever before.

2. Lack of Expertise

   While there are adjusters within every Claims Department that are a cut above the rest — they're highly efficient, do not make inappropriate claim expense payments, and deliver the highest levels of customer satisfaction – they cannot handle every claim. Despite an increase in responsibilities, including (1) minimizing settlement amounts, (2) settling claims quickly, and (3) delivering premier customer service, there are actually no formal education requirements to be a claims adjuster. A high school degree is typically the minimal pre-requisite for this type of job, which means the lack of expertise far outweighs the number of top-notch adjusters. Even more startling when you realize that satisfaction with claims handling drives 12.3% of overall satisfaction for policyholders.

3. Mandatory Reporting

   New regulations are adding to the challenges Claims Departments face. For example, the Centers for Medicare and Medicaid Services (CMS) are requiring signifi cantly more data to be reported. They are further scrutinizing what insurers are doing in terms of claims that involve Medicare benefi ciaries. Now, claims that involved no-fault insurance must be reported to the CMS or fines of up to $1,000 per day per reportable claim are possible.

   This has put pressure on Claims Departments to develop the most effective strategies to implement advanced technology to handle this additional mandatory reporting. Now, the question has become whether to build or buy these process improvements and new technology. There are clearly time constraints on developing and implementing changes. There are also cost and efficiency challenges to consider. Will this actually improve our processes over

20% - 25%

of an insurer's claims are in litigation, requiring the use of defense attorneys.

$260 billion

is spent in the American civil justice system making it the most expensive civil justice system in the world.

the long haul? Are there going to be assessment fees? How much are set-up fees? Will our system need regular maintenance? What are the reporting fees?

4. Subpoenas and Litigation Fees

20% to 25% of an insurer's claims are in litigation, requiring the use of defense attorneys. The no-fault regulations provide for attorney's fees of 20% of the claim, which caps out at $850. For preparatory services related to the arbitration forum or court, the attorney can receive up to $70 per hour for a maximum of $1,400. These fees cannot be avoided and here's why.

Subpoenas are legal documents issued by the court, so they cannot be avoided or refused without being subject to fines or incarceration. Additionally, insurers are required to defend their policyholders against lawsuits. Unfortunately, this has led to some staggering facts and figures about the American tort system. It now stands as the most expensive civil justice system in the world, costing $260 billion in 2004 alone. This translates to $886 in "litigation tax" per person, an increase of $41 per person from 2003. And, the costs keep growing, resulting in ever-increasing insurance premiums to off-set these costs. No-fault cases signifi cantly rose by an alarming 22% over a 2 year period, and costing companies considerably more than ever before.

5. Privacy Issues

Subpoenas are often part of the claims process. Processing subpoenas may include copying or reproducing hundreds, sometimes thousands, of pages of medical records as well as additional parts of the claims file. All of that information is considered confi dential and protected.

As court cases have tested the parameters of HIPAA, certain outcomes created additional challenges for Claims Departments, specifi cally as it relates to maintaining privacy of insured's information. For example, the release of protected health information (PHI) must be limited to the minimum necessary to accomplish the intended purpose of the use, disclosure or request. Signed standard no-fault forms no longer authorize insurers to release a patient's claim file. In order for a third party to get access to the insurance company's file, a special HIPAA compliant authorization must be signed by the patient. (With such an authorization, a third party is entitled to see only that portion of the insurance company's claims file that is necessary to litigate the issues that are involved in the dispute).

The 5 Steps

Based on the aforementioned challenges facing claims departments, there are 5 crucial steps that have been identified to successfully process subpoenas for claims files.

1. Logging, Tracking, and Verifying Requests
   - + Create a workflow for receiving requests.
   - + Define all the elements that determine if the request is valid. This means asking questions like: Is the claimant identifiable? Is the DOA accurate? Does the authorization meet HIPAA compliance guidelines?
   - + Implement a system for tracking the status of each request.
   - + Establish standards for validating the request and authorization.

2. Retrieving Claimant Information
   - + Verify the claim number and conduct a search in order to determine if the claimant is actually insured through the insurance carrier.
   - + Locate a claim file by accessing the main system that houses claims information and identifying any secondary record systems.
   - + Consider the use of a platform that can combine paper records with an electronic record.
   - + Investigate a method to retrieve the electronic and/or paper files that are stored on- or off-site.
   - + Develop an expertise for identifying the parts of the claims file that are authorized for release (which requires a complete understanding about what exactly is being requested).

3. Releasing Only Authorized Information
   - + Implement a validation process that verifies all 26 requirements are met on the authorization. This includes asking the following questions: Does the date of birth listed on the request match the one on the file? Did the claimant sign and date the authorization? If the claimant is deceased, is there the correct paperwork on file, such as a distributee form or proof of relationship, in order to release the records?
   - + Determine if the request can or cannot be processed.

+ If the request cannot be processed, immediately notify the requestor and update the status of the request in your tracking tool.

4. Safeguarding Confidential Information
   + Examine and review every page that fulfills the request for any and all legally protected or misfiled information.
   + Comply with the 15 document types listed on the Document Release Form, including Arbitration attorney letterhead, NF10 documents and medical bills.
   + Understand the regulations and guidelines laid out by HIPAA, which are intended to protect the medical records found within a claims file.
   + Communicate updates with the requestor on the status of the request and update that information in the tracking tool.

5. Completing the Request
   + Select the appropriate documents to be copied or reproduced.
   + Verify the claimant's identification on all the documents.
   + Compare the duplicated files with the original request letter.
   + Confirm that the status of the request is updated in the tracking tool.
   + Choose the delivery option, such as hardcopy delivery via USPS or FedEx, CD delivery or electronic transmission.
   + Provide customer service throughout the process.

Results of Incorrectly Processed Subpoenas

What could happen if a subpoena is processed incorrectly? Here are some potential outcomes that could ultimately result in a major loss of business:

+ Turnaround time increases dramatically.
+ Customer service complaints increase.
+ Privacy laws are violated.
+ Legal authorities of the court system can impose fines against the party who is responsible for not complying with the subpoena.
+ Policyholders are adversely affected by legal ramifications.
+ Adjusters could jeopardize their jobs.
+ Insurance rates can increase.

With these in mind, let's look at a case study of how ClaimFox was able to help one insurance company achieve successful results.

Case Study

Consider this case study of an insurance company burdened by these challenges, ultimately benefitting from a ClaimFox partnership.

For one client
we currently process:

15 million +
pages annually

20,000 hours
returned to their adjusters

15 locations

Challenges & Road Blocks

This insurance company has been in business for over 90 years and currently serves close to 8 million insurers. The company faced a number of challenges in processing subpoenas for claims files, including a decentralized process at five claims offices. They had a high volume of subpoena requests, but the current number of adjusters and support staff could not handle this volume. The largest of the claims offices was experiencing staffing constraints that were due in part to the increases in volume and stress level that accompanied this volume. For example, upwards of 50% of the requests consisted of more than five hundred pages that needed to be photocopied by adjusters and support staff. Although the company had previously hired a service to try and help with copying the medical records, this did not address the bigger issues they were facing. Since their records were in a hybrid system, parts of the claim files were located on an electronic system, and required printing. All of this resulted in excessive time and resource utilization that was costing this insurance carrier a significant amount of money. More importantly, processing subpoenas for claims files was not part of the carrier's core business and did not add value to their customer base like other services they provided.

The ClaimFox Solution

The company was desperate to find a solution and FAST! They decided to partner with ClaimFox. ClaimFox immediately centralized this process out of one location. ClaimFox hired well-educated and experienced specialists to handle all functions and responsibilities related to processing subpoenas and medical authorizations. ClaimFox installed sophisticated technology and innovative tracking and bridging software. ClaimFox currently processes more than 65,000 pages per month for this carrier.

The Results

With ClaimFox, this carrier finally found the right partnership that fit their needs, eliminating the frustrations once inherent with processing subpoenas. They no longer had to worry about having enough trained staff to process requests. They were able to eliminate unnecessary printing of electronic documents as well as relying on dated photocopying technology to reproduce thousands of pages. Now, this insurance company is once again able to focus their resources on their core business.

What to Look for in a Partner

This case study helps illustrate what to look for when searching for a partner to handle subpoenas for claims files.

For one client
we currently dedicate:

15
full-time employees

for 6
departments

across 50
states

What to Ask?

Start your search by asking the right questions:

+ How many clients are you currently servicing?
+ How many of these clients renew their contracts each year?
+ What are the qualifications of the specialists you have on staff?
+ Is there open communication with upper management?
+ How can you determine how many employees you will need to handle our volume, and subsequent changes to this volume?
+ How do you handle customer service calls?
+ Has your company ever committed a privacy breach?

Qualities to Look for in a Partner

A reliable partner should provide the following:

+ Detailed implementation plan
+ Proven training program and tools
+ Robust tracking system
+ Supportive environment
+ Continuous and open communication to all team members
+ Streamlined and documented processes and workflows
+ Detailed plans for equipment downtime
+ Strategies for changes in volume and unexpected absences
+ Disaster recovery and business continuity plan
+ Established set of best practices
+ Demonstrated industry expertise

About the Sponsor: ClaimFox

ClaimFox is a proven leader with more than 17 years of industry experience. We are dedicated to managing the integrity of our client's data-flow and claims request processing while leveraging the best business practices to deliver a measurable impact for our clients to exceed their goals and expectations.

98%

of our clients renew their contracts with us annually.

95%+

of our clients' customer service calls have been reduced by handling them centrally at our main office.

The ClaimFox Advantage

There are a number of advantages to working with ClaimFox:

+ Our clients trust us. Over 98% of them renew their contracts annually!
+ We want our clients to succeed. We reduce more than 95% of the customer service calls they receive about requests by handling them centrally at our main office!
+ We care about our clients. 100% of them get customized, documented operational business practices for their department!
+ Our clients rely on us. 100% of our staff is HIPAA compliance trained!

What Our Clients Say

"Our department sees a high volume of requests and, knowing ClaimFox has reliable and experienced staff, I am assured these requests are processed timely. Having the Customer Service Department at ClaimFox to resolve any concerns relieves our staff from being burdened by this task."

"As an automobile TPA in the assigned risk business, we are a high volume company with strict New York State Regulatory guidelines to follow and we depend heavily on ClaimFox's services. Their staff is professional, courteous, and easy to work with. They are always looking to make things more efficient and are compliant with all of our policies."

"Just for the record, we LOVE working with ClaimFox!"