

**Workers' Compensation  
Data Analytics:  
Why Stewardships Matter to Your  
Workers' Compensation Program**

**Executive Briefing**

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*PMA Executive Briefings explore strategies necessary to effectively manage workers' compensation costs.*

In the last two **PMA Executive Briefings**, we looked at how data analytics can be used to improve both pre-loss and post-loss results in workers' compensation programs – preventing losses and producing better claims outcomes.

In this issue, we examine the role of data analytics in identifying longer-term trends and developing strategies to improve workers' compensation program performance. These trends and recommendations are often presented to employers by insurance companies and Third-Party Administrators (TPAs) in annual stewardship reports. These reports tell the story of an employer's workers' compensation performance during the prior year(s).

**About Stewardship Reports**

The intent of workers' compensation stewardship reports is to move away from a tactical view of claims and losses toward a more strategic perspective designed to assist in reducing an employer's total cost of risk. The reports focus on outcomes, results, establishment of goals and strategies to achieve an employer's desired outcomes.

Stewardship reports often take a three-pronged approach:

1. Examine an employer's annual performance
2. Provide performance evaluations, which may include comparisons to previous years, as well as to peers and the industry
3. Provide strategies for achievement of goals

Key components of these reports may include:

- Executive summary with report goals and key outcomes and recommendations
- Financial statistics with yearly payments and recoveries
- Managed care analysis, including medical and pharmacy savings
- Pending analysis with open lost-time claims, loss summary, closure rates and timely reporting statistics
- Risk management analysis, including lost-time claims profile and trends
- Goals and recommendations for continued improvement, including risk control and claims strategies and legal updates

### More Data, More Detail

An increasing ability to access, capture and analyze data makes stewardship reporting more valuable than ever. The additional detail accessed by drilling down into claims offers deeper insight into why losses occur and how claims are managed. Information that once was available only in narrative form in claims adjusters' log notes may now be captured in defined data fields in an insurance company/TPA's claims system, facilitating better



tracking of information and more insightful data used to make better decisions.

When looking at claims data, medical spend is no longer seen as one large bucket of costs. Rather, both medical and pharmacy costs can now be broken out in significant detail. This data provides the insurance company/TPA with information to not only develop intervention strategies that keep claims on track, but also to identify longer-term trends for strategic planning.

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For example, when managing claims of injured workers who have comorbidities like smoking, diabetes and obesity, insurance companies/TPAs can use data analytics to understand how these conditions may complicate and lengthen recoveries as well as increase claims costs. This analysis, in turn, enables strategies to be developed to more effectively manage the recovery of a worker with comorbidities.

Stewardship reports may also contain results of risk control initiatives. The report should provide an analysis of the data and how it is correlated to the employer's specific operations. This analysis can provide information to improve performance and develop a long-term risk control plan.

### Stewardship Meetings: Putting Data in Context

Stewardship reports are typically presented in a meeting with the insurance company/TPA service team. In these sessions, the service team interprets the data for the employer, providing it in the context of peer comparisons and best practices, as well as broad industry trends, such as regulatory and jurisdictional issues and other key environmental factors.

***“The expertise of the service team in interpreting and analyzing your data, i.e., putting the data in context, is critical.”***

Also, the meeting should present data curated to address the specific needs of various audiences. These may include the CFO or finance director, CEO and other senior management, department directors, claims managers, excess insurance carriers, agents and brokers, and a board of directors. By providing information for specific audiences, a stewardship report becomes a much more valuable tool for employers. The information can then be used to demonstrate results of the risk management program to specific constituencies within the employer’s organizations, as well as to create buy-in for future strategic workers’ compensation initiatives.

The expertise of the service team in interpreting and analyzing your data, i.e., putting the data in context, is critical. Reviewing performance data without context may lead to incorrect conclusions.

Stewardship meetings provide the setting to determine strategic action items to be addressed in the upcoming year and to develop overall plans for the workers’ compensation program. This long-term view, with strategies for year-over-year improvements, offers employers an opportunity to achieve the ultimate goals: realizing the best outcomes for injured workers, optimizing claims performance, and reducing the total cost of risk.

## Benchmarking

Benchmarking is a process used in many industries to compare a company’s business processes and performance metrics to industry trends and best practices. It is an essential part of stewardship reports used to measure workers’ compensation programs. It typically shows comparisons of how an employer’s program is performing in comparison to:

- Itself, year-over-year
- Its peer group of businesses
- An industry as a whole

Benchmarking and the use of metrics is an excellent way to create sustainable results in a workers’ compensation program. It begins with establishing goals based on risk concerns, identifying what metrics are aligned with these goals and risk concerns, and determining how to measure success and make benchmarks and metrics actionable.



### ***About the Author***

**Lisa Romeu, Vice President of Claims Client Service, PMA Companies,** is responsible for providing leadership and management of the Claims Service Manager (CSM) function for both PMA’s insurance and TPA operations.

With over 25 years of experience in Claims and Client Services, Ms. Romeu is a graduate of Ursinus College, where she received Bachelor degrees in Communication Arts and Psychology. She received an MBA in Management from St. Joseph’s University and holds Associate in Claims (AIC) and Associate in Risk Management (ARM) designations.