STEPS FOR SUCCESS

TO BUILDING AN INTERNAL SUBROGATION DEPARTMENT

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COMPANIES HAVE STRUGGLED WITH THE BUILD-VS.-OUTSOURCE ARGUMENT, WITH BOTH SIDES SUPPORTED AT TIMES BY SHIFTS IN MARKET THEORY. MANAGING A SUBROGATION PRACTICE IS NOT IMMUNE FROM THIS DILEMMA, WITH SOME HEALTH PLANS DECIDING THAT OUTSOURCING TO A COMMERCIAL RECOVERY FIRM IS THE BEST FIT FOR THEIR BUSINESS, AND OTHERS DECIDING THAT AN INTERNALLY MANAGED PRACTICE MAY DELIVER HIGHER PROFITS AND IMPROVED CONTROLS.

In our work with multiple subrogation departments, we have found that well-run, internally managed departments can deliver a very high return on investment. In addition, internal subrogation departments can achieve high levels of control, enact new policies swiftly and significantly boost customer satisfaction.

Building an internal subrogation team can be a winning strategy but, as with most initiatives, there are certain factors that are crucial to its success. Following are the steps to building a subrogation team that delivers.

Build Your Case

The first step in building an internal subrogation department is to get executive support for the investment. Making the case is all about return on investment. Health plans must determine if an internal department can beat an external provider's ability to increase recovery revenues or reduce recovery costs. Well-run internal organizations can do both.

Increasing recoveries is a question of staff and technology: Can our team do a better job of finding the right cases to pursue, stay on top of them to completion and maintain focus? Technology is a huge driver, and plans that cannot afford to invest in a leading-edge case management technology solution should choose to work with an external commercial recovery firm. Staff is another important variable; internal departments have more flexibility when it comes to providing incentives and methods that produce results.

Expenses are another significant factor that can determine if an internal subrogation team makes sense for a plan. Commercial recovery firms are for-profit entities and make money by charging a fee on each recovery. If an internal organization can break even on gross dollars recovered, with no fees to pay, it is an automatic boost to the bottom line. If a plan has a large volume of self-funded accounts, it can come out ahead by charging recovery fees to these accounts. In addition to recovering dollars, an internal team can generate revenue.

Invest In The Right Technology

There have been a significant number of changes in the subrogation industry, from the impact of more knowledgeable attorneys, to high-profile cases that have lead plans to factor in more than just the dollar cost of the recovery in their decisions to pursue cases. The biggest change, however, is probably the volume of data that a subrogation department must access and review. National litigation databases are now available, and more courts are transferring their information to on-line systems. There is only one way that subrogation departments can hope to keep up, and that is by using advanced case management technology to comb through the data. Subrogation departments can no longer hire an endless number of employees to review cases; this is hugely inefficient and cuts into potential profit margins.

Technology significantly helps subrogation departments: it combs through the massive volumes of data to help determine the right cases to pursue, and it automates many of the repetitive tasks that must be accomplished in order to bring a case to successful closure. Technology is no longer a nice-to-have feature; it is imperative. In addition to increasing the speed and efficiency by which data is reviewed, it enables subrogation firms to catch a lot of cases that are often overlooked in the manual review process.

Technology can ensure that cases proceed systematically and that the right steps – such as letter generation – are taken automatically. It can manage the workflow to even the caseload among analysts, as well as to ensure that time-sensitive cases receive the appropriate follow through. For example, Florida requires that health plans pursue subrogation claims within 30 days of notice, and Minnesota workers' compensation requires intervention within 60 days of notice or 30 days of a hearing; technology solutions can capture those parameters and flag prioritized cases to ensure that analysts don't miss deadlines and lose out on recoveries.

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In addition to automating data review and follow-up, subrogation firms must choose technology solutions that provide comprehensive reports that measure progress and discover areas for improvement. In addition to tracking revenues, reports help firms manage their staff.

There are several technology options available today. Blue Cross Blue Shield of Minnesota uses a technology solution called iAutomate: OPL CaseManager Suite. It automates the process of reviewing all claims data and provides the department with a prioritized list of opportunities for follow up, as well as comprehensive management reports.

Build The Right Team

With a technology tool that automates many of the time-consuming and route aspects of case review, subrogation departments must build a team that can add value to the process. The rule of thumb is that subrogation departments need 10 full-time analysts for each million lives covered by the plan. Well-run plans with the right technology can reduce that ratio even further; for example, Blue Cross Blue Shield of Minnesota has approximately 7.5 FTEs per million lives covered.

It's not enough to hire the right number of people; it is also important to hire analysts with the right skills. A working knowledge of various kinds of insurance, including health, workers' compensation, homeowners and auto, is very important. In addition to understanding the basic terminology in cases, analysts with a broad insurance background can identify further recovery opportunities.

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Analysts with legal knowledge are also an asset to a subrogation team. Most analysts will need to know how to respond to requests from lawyers, both within the health plan and from external firms. They need to understand common arguments and be able to develop the appropriate response based on prior recoveries and the plan's parameters.

Ongoing training sessions can help plans keep staff up to speed on new developments in insurance or law, and any internal department should include this in an operating budget.

Get Creative With Incentives

Once you've built the team, it is important to respect this resource and manage it appropriately and well. Again, this is an area where the right technology solution can provide significant benefits.

Management must develop targets and metrics for analysts, both to drive revenue and measure job performance. Health plans must make sure that the backlog of cases is being addressed, and there are a couple of ways to incent the analyst team. One is to require a set dollar figure for recoveries, a goal, from each analyst per year. Many outsourced commercial recovery vendors follow this approach, in part because their entire revenues are driven by recoveries. Internal subrogation departments have a bit more flexibility because recoveries are just one aspect of overall revenues.

Each approach has merit, but when analysts are measured only on how many recovery dollars they bring in, they can make some questionable calls. Not every situation warrants, or allows for, a 100% recovery, with many calling for careful negotiation. But an analyst who needs to make quota can push for an overly aggressive deal that creates bad rapport within the industry. It also can lead to a high ratio of analyst burnout, which can be costly to a department. On the flip side, analysts that are lucky enough to have one or two high-dollar recoveries can meet their thresholds early in the year. It's tough to provide incentives to keep those members of the team focused and on track.

Another approach is to measure results based on time to closure, working the right cases within the right amount of time. If the case is managed properly, the recovery results will follow. This is the approach taken with Blue Cross Blue Shield of Minnesota, which requires analysts to work each part of their case within a certain time frame – such as, only a certain percent can be more than 30 days old since the last time the case was worked. The plan uses a variety of metrics to drive dollars, and analysts are audited once a month on their progress.

This approach requires a technology solution that delivers solid reports on a variety of parameters. Plans must have the flexibility to set and adjust thresholds in response to market fluctuations. In addition, the technology must be able to deliver reports that internal departments can use to prove and improve their financial contribution to the plan. Finally, the technology must be able to display trends that can be used to create forecasts in order to ensure that the department is on the right trajectory.

Supporting Members

Developing an internal subrogation department requires an investment in both people and technology. Combined with a management approach that emphasizes case closure rates, an internal team can deliver significant results to a plan's bottom line. However, internal teams deliver another benefit that is not as easy to measure: customer satisfaction. When plan members call an external recovery firm to discuss a claim, they are working with an analyst that has only as much information as was provided by the plan – usually the bare minimum needed for that case alone. Internal teams have access to more information, including data on pending and rejected claims, which enables them to provide more meaningful customer service to members. Happier members can impact a plan's bottom line beyond the internal subrogation department.