Benchmarking for Success

Benchmarking is often described as the process to measure company success in meeting a goal to improve the quality of a policy, product, strategy or program. Basically, benchmarking measures improvement numerically; numbers are used whether it is by dollar amounts, percentage amount or in whole numbers. Benchmarking is often done on a monthly basis to compare the results of the month just completed with the results from the prior month, prior quarter or prior year.

**Benchmarking Can Measure Performance & Quality of Claims Handling**

In workers’ compensation, many facets of the claims handling process can be benchmarked. Benchmarking can be applied to measure the performance and quality of claim handling of individual adjusters, the adjusters under one supervisor, the staff of one claims office, or the entire claims organization. To obtain the best results from benchmarking, we recommend the benchmarking be applied at the individual adjuster level. Benchmarking for any group being should be comprised of the results of all adjusters within the group.

Benchmarking by adjuster is important because it will quickly tell you which adjusters are striving to provide a high quality claims product, which adjusters are controlling the cost of your workers’ compensation claims, and where improvements are needed.

**Individual Claim Benchmarks Related To Claim Cost**

There are numerous criteria that can be benchmarked on an individual basis. The most frequently used benchmarks relate to claim cost and are often measured as a percentage change in cost, but can also be measured by a dollar change in cost. This includes:

* Indemnity benefits cost per claim, which can be broken down into:
  + Temporary total disability claims with no permanent impairment
  + Temporary partial disability claims, with no permanent impairment
  + Temporary total disability claims, with a permanent partial impairment rating
  + Temporary partial disability claims, with a permanent partial impairment rating
  + Permanent total disability claims
  + Death benefit claims
* Medical benefits cost per claim, which can be broken down into:
  + Doctor cost per claim
  + Hospital cost per claim
  + Diagnostic testing cost per claim
  + Drug cost per claim
  + All Other medical expense cost per claim
* Legal expense cost per claim
* Vocational rehabilitation cost per claim
* All other expense cost per claim
* Average cost of lump sum settlements

**Benchmarks to Measure Best Practice Compliance**

The second most common type of claim benchmarks is those used to measure compliance with Best Practices. The easiest way to measure these benchmarks is the use of the number of days taken to accomplish a particular task. Common time related benchmarks include:

* The number of days from the time a claim is reported to the claims office to the first contact with the injured employee
* The number of days from the time a claim is reported to the claims office to the first contact with the employer
* The number of days from the time a claim is reported to the claims office to the first contact with the medical provider
* The number of days from the time a claim is reported to the claims office to the first indemnity payment is made to the injured employee
* The number of days from the time a claim is reported to the claims office to the adjuster has filed the Insurance Services Office report
* The number of days between on-going contacts with the injured employee
* The number of days from the time the claims are reported to the claims office until the claims are closed
* The average number of days between when medical bills are received and when the medical bills are paid

**Many Options to Benchmark Claims Handling Process**

Many other areas of the claims handling process can be measured with benchmarks. This would include benchmarks for:

* The average number of days medical only claims are open
* The average number of days indemnity claims are open
* The total number of medical bills per file
* The ratio of medical only claims to indemnity claims
* The average number of days before an injured employee returns to work

When benchmarking is properly used, a company can identify the areas where improvements are occurring and the areas where improvements are needed. By benchmarking the claims handling, the insurer, self-insurer or third party administrator is able to improve both the quality of the claims handling and lower the overall cost of workers’ compensation claims.