

## Case Study -- Turnaround Claims TPA (Third Party Administrator)

This TPA was originally formed by one of the Blue Cross Blue Shield companies to pay medical claims for their larger clients who self-insure their employee's medical coverage. It served an important market niche and helped their parents provide a full range of services.

From the start, however, it was bogged down in bureaucracy. The Blue Cross parent made several attempts at fixing the situation but nothing really changed -- until they formed a separate division in the company for their "for profit subsidiaries." This TPA became a part of that division and was reorganized into a separate company, with the goal of becoming profitable.

The TPA has annual revenue of almost \$10 million from 225 accounts. The average number of claims paid each month is approximately 65,000. They have about 175 employees.

It had goals of becoming the best TPA in its state, returning an ROE of at least 15% to its parent and creating a culture of accountability and empowerment where continuous improvement was strongly supported. Considering the reality of their situation, these were lofty goals.

The reality was that this TPA had a 45 day backlog of work, service levels that were driving away business, an operating system that had just crashed (and took a week to resurrect) and expenses that needed to be trimmed by at least \$1.5 million. It was also losing its best claims examiners, partly because of the work situation and partly because two new competitors moved into the neighborhood and were offering premium wages plus signing bonuses.

In other words, they needed to fix everything. But the following needed to be done as quickly as possible:

- Eliminate the backlog. This would help both customer satisfaction and employee morale (as mandatory overtime was stopped).
- Stop key employees from leaving. This meant creating confidence that the current situation would improve and that their total compensation would increase.

- Quickly identify and implement a few big improvements. This would restore everyone's confidence and create needed momentum.
- Make the commitment and then improve the fundamentals within the company.

This last effort took most of the time and resulted in fundamental improvements by:

- Reorganizing their claims paying and service areas into multifunctional teams dedicated to serving specific clients.
- Streamlining work processes, maximizing the benefits from their operating system and integrating their manual and computer systems into a single workflow.
- Identifying and quantifying the key success measures for each team and unit. This ensured continued focus on results.
- Creating several management tools (e.g., interactive computer staffing models, work management approaches for team environments, etc.) to move a "span of control" to "span of information" management culture.
- Designing and implementing a new Gainsharing incentive compensation plan where teams of employees shared in the financial results they created when their results were above specific benchmarks.

We accomplished all of the TPA's goals with two projects (Design and Implementation) in a total of 23 weeks, with a single Senior Management Consultant from our firm. But it took a lot of involvement from many of their key employees at all levels. Every key employee, management and professional, was involved in some aspect of the effort. This resulted in broad support for the changes throughout the company.

The backlog was eliminated in 9 weeks, expenses reduced by \$1.5 million with an additional savings of \$500,000 from the Gainsharing plan. As service time and quality improved, customer satisfaction also got better and client retention improved. Sales dramatically increased and profit goals were met the following year.