

A Decade of Data: 4 Key Takeaways from the Work Comp Benchmarking Study



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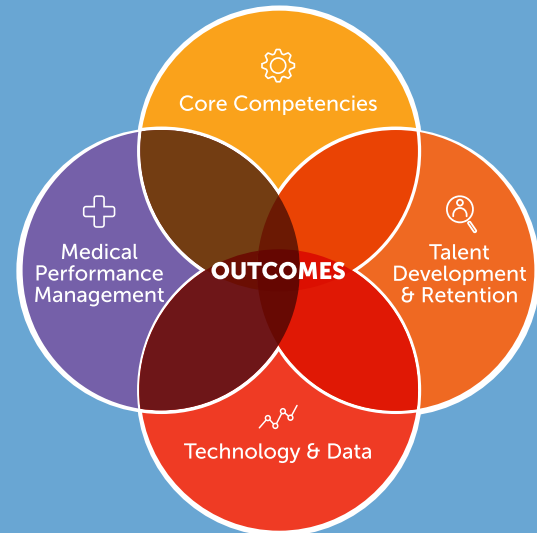


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Over the past decade, claims departments have faced enormous challenges and opportunities, including changing workplace dynamics stemming from the global pandemic, employee turnover and labor shortages, an accelerated focus on digital transformation, escalating claims severity, and greater social accountability for the treatment of injured workers. Yet, looking back, it may seem that “everything and nothing has changed.” Somewhere in between is reality.

On the tenth anniversary of the Workers' Compensation Benchmarking Study's inaugural publication, the latest study reprises survey questions used since the study began, revealing the trajectory of how claims management has (or has not) progressed over the past decade—ultimately delivering a 10-year industry report card.

4 Major Drivers of Claim Outcomes



Key to the study's decade of research is an ongoing examination of *how* high-performing claims organizations surpass trendlines and less successful peers in navigating persistent industry challenges and opportunities across the four (4) major drivers that influence claim outcomes:

- Core Competencies
- Talent Development & Retention
- Technology & Data
- Medical Performance Management

Using these drivers as guideposts, I have endeavored here to condense 10 years of investigation with claims executives and frontline professionals—which has resulted in more than 1,000 pages of text, tables, and graphs—into just four (4) key takeaways.

Key Takeaway #1: Top Performers Invest More in People

High-performing claims organizations (those with closure ratios $\geq 101\%$) invest more heavily in their workforce than lower-performing peers. With the shrinking labor market and worsening claims staff attrition rate, this may be the most critical differentiator of successful claims organizations right now, with talent strategies acting as a key driver for all other claims strategy prioritization.

The study findings below confirm the heartburn many claims organizations have been feeling. In the past 10 years, the number of organizations who are experiencing a 10 to 20 percent frontline turnover rate has nearly doubled. And the number of organizations who are experiencing a 20 to 30 percent turnover rate has nearly tripled.

So, how does our industry do more with less talent in the short-term? And how do we reverse the trend in the long-term? Technology, greater process efficiencies, training, and flexible and purposeful work are a big part of the answer.

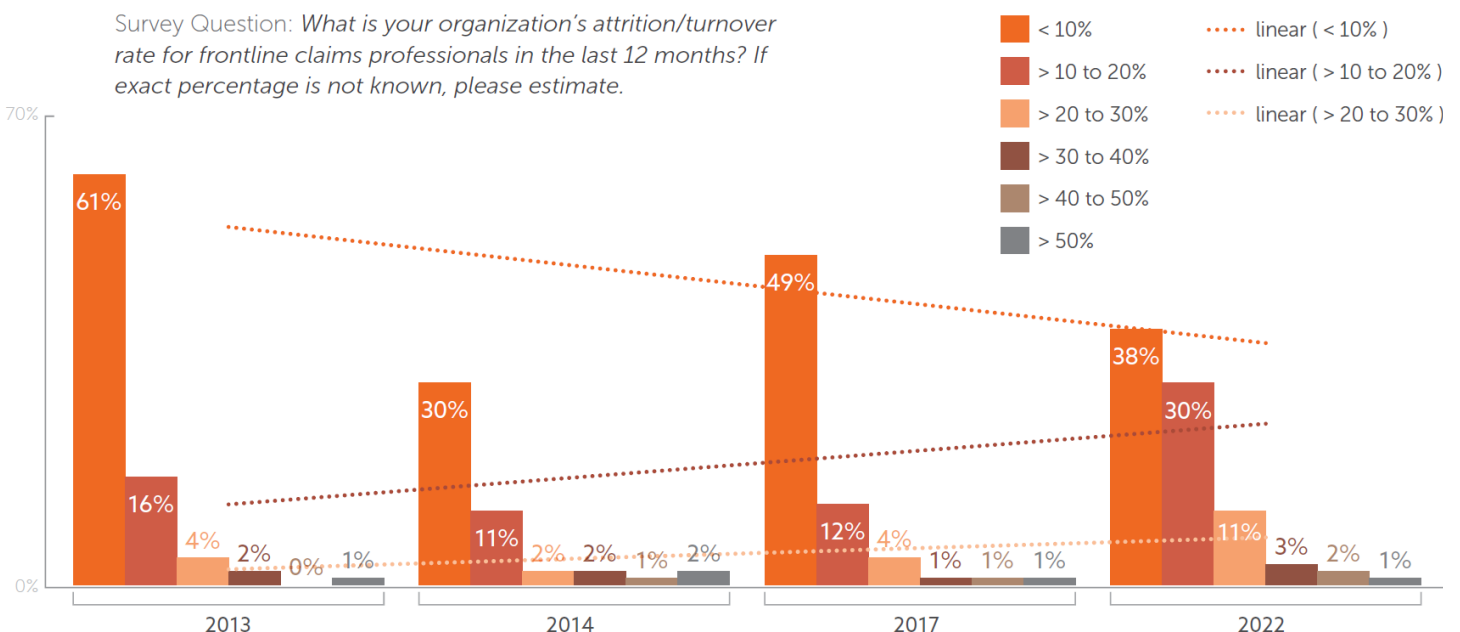
Talent acquisition and retention is significantly influenced by the ability to offer claims staff the option to work from home. Even before the pandemic, in our 2019 survey of frontline staff, claims professionals indicated that remote work options were one of the most highly valued benefits affecting their current and future employment considerations. For many claims leaders, the pandemic altered the perception that claims organizations could

effectively function in a remote work environment. However, while some claims organizations may anticipate a return to in-office operations, either full-time or in a hybrid model, the study reveals that higher-performing organizations are much more likely to provide claims professionals with increased flexibility in remote work arrangements compared to lower-performers AND be more mindful of potential negative impacts on camaraderie and innovation, indicating a willingness to address these aspects of the remote working environment to achieve positive results.

Higher-performing organizations report lower attrition rates compared to peers, and are also more likely to:

- Offer formalized training programs for both new and senior-level claims professionals
- Conduct more frequent training sessions, including soft skills training encompassing customer service, active listening, and communication skills
- Provide well-defined career paths that offer clear growth opportunities
- Incentivize claims staff with bonuses and performance-based strategies

Survey Question: *What is your organization's attrition/turnover rate for frontline claims professionals in the last 12 months? If exact percentage is not known, please estimate.*



Key Takeaway #2: Top Performers Focus on What's Most Important

Top Core Competencies Most Critical to Claim Outcomes

■ claims leader surveys
■ frontline staff survey

Rank	2013	2014	2017	2019	2022
1	Disability / RTW Management	Medical Management	Medical Management	Compensability Investigations	Disability / RTW Management
2	Medical Management	Disability / RTW Management	Disability / RTW Management	Disability / RTW Management	Medical Management
3	Compensability Investigations	Compensability Investigations	Compensability Investigations	Medical Management	Claims Resolution

Frontline claims professionals are called to be experts at a myriad of core competencies—from case reserving to litigation management and compensability investigations to medical management—which all compete for their time and attention.

Out of 10 key competencies survey participants could rank as *most* critical to claim outcomes, three (3) have consistently risen to the top, with disability/return-to-work management, medical management, and compensability investigations historically identified as most crucial to success, albeit not always in the same order. In the 2022 study, however, claims resolution unseated compensability investigations to take the third spot, which communicates a possible industry shift towards less adversarial claims management approaches.

For frontline staff, it is what high-performers *do* within top core competencies that make them different. Namely, they make it easier for claims professionals to focus on these key areas of success. Specifically, high-performing organizations are much more likely to define, align, measure, and reward daily operational best practices that propel performance within top core competencies and ultimately lead to desired and superior claim outcomes. Driving such key performance indicators (KPIs) and incentives to the frontlines makes it clear where they should be spending their time.

For instance, high-performing claims organizations are much more likely to incorporate injured worker satisfaction as a pivotal measure of claims management effectiveness and resolution. This highlights an inclination towards advocacy-based, worker-centric claims models, as

does the fact that higher-performers are much more likely to:

- Demonstrate awareness of advocacy models
- Have an operational advocacy model in place
- Leverage various advocacy model initiatives, such as empathy training, leveraging worker-centric technology/tools, and emphasis on workers' compensation as a benefit delivery system

Finally, when focusing on what's most important for superior claim outcomes, top performers' more prevalent adoption of advocacy-based claims models also supports what's critically important to claims talent—meaningful work.

In the study's 2019, pre-pandemic survey of nearly 1,300 frontline professionals, participants clearly demonstrate a service- and purpose-oriented attitude.

From defining a "good claims outcome" as getting employees back to work and health over other measures (such as lack of litigation), to identifying injured worker engagement and transforming the claims profession towards advocacy as the top impact areas of a worker-centric model—we can quantifiably see frontline staff leaning into the profession's helping and purposeful aspects. Add the pandemic experience into the equation, and purposeful work has only increased in importance. Organizations that recognize this need in their talent value proposition and claims culture will have a clear competitive advantage.

Key Takeaway #3: Top Performers Better Equip Staff with Tools & Data

In our 2019 survey of nearly 1,300 frontline claims professionals, 42 percent report utilizing upwards of five (5) or more systems in the daily management of claims. They also indicate their work is highly focused on both external and internal administrative activities (e.g., compliance tasks, claims system data collection requirements).

Specifically, nearly one-third of frontline staff report spending 30 to 40 percent or more of their time on external compliance activities. Additionally, half report that internal administrative requirements take 30 to 40 percent or more of their time.

Marry these timeframes together, and it leaves little room for strategic responsibilities (e.g., communicating with injured workers and key stakeholders, proactively coordinating return-to-work).

With frontline staff demonstrating the need for efficiency and automation, successful claims organizations address these needs better. No matter what you call it—whether it's artificial intelligence, machine learning, robotic process automation, predictive or prescriptive analytics, workflow automation, or good "old-fashioned" systems integration—top performers do a superior job of providing tools

and data that help frontline staff efficiently and effectively impact claim outcomes.

For instance, in the 2022 survey of claims leaders, 89 percent of high performers indicate they leverage one or more strategies to improve claims professional efficiency (e.g., workflow automation, increased investment in IT resources), compared to 75 percent of lower-performers. They also integrate with more systems/programs (e.g., predictive modeling, case management, bill review), and they use outcome-based data 25 percent more to manage operational performance (e.g., evidence-based guidelines). Additionally, compared to the market (shown below) and lower-performers, successful claims organizations are more likely to leverage system alerts and workflow automation so frontline staff are best utilized and can act on risk indicators quickly.

A final example of high-performance differentiation is in their greater provision of tools to improve frontline professionals' communication with injured workers (e.g., text messaging, web portals, mobile apps). This expanded tool set makes interactions more efficient and effective, and can increase injured worker satisfaction through more flexible communication methodologies that are now more common and preferred.

Survey Question: *How does your organization integrate analytics into claims systems with alerts/workflow automation to leverage claims resources more effectively? Select all that apply.*

■ claims leader surveys
■ frontline staff survey

Answer	2019	2020	2022
count	1282	337	388
None / Not Applicable	35%	26%	35%
Frequency and severity prediction	37%	42%	35%
Reserving	\	37%	34%
Claims resource assignment	\	19%	26%
Benefit calculations	\	31%	26%
Detect return to work or disability durations outside of evidence based medicine benchmarks	41%	27%	25%
Detect medical treatment utilization outside of evidence based medicine	45%	31%	24%
Compliance activities	\	30%	22%
Litigation detection	19%	25%	22%
Fraud detection	25%	27%	15%
Subrogation detection	\	27%	13%

Note: Participants were able to select more than one answer for this question

\ Not an answer option in this study year

Key Takeaway #4: Top Performers Better Facilitate a Whole Person Approach

In the evolution of workers' compensation, the industry's transition towards advocacy-based, worker-centric claims models has been a critical step—increasing from a 28 percent adoption rate in 2017 to a 47 percent rate in 2022. Advancing the adoption and integration of a biopsychosocial model of claims management is another critical step in the industry's transformation, enhancing frontline claims professionals' ability to impact total worker health and improve outcomes.

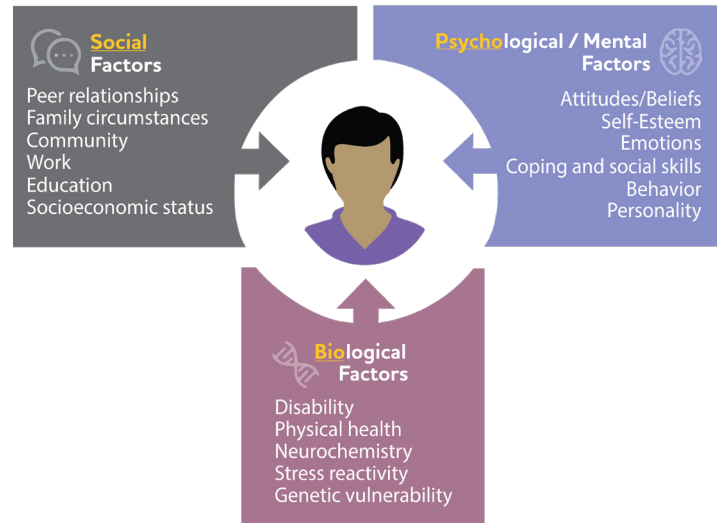
Successfully returning an employee to employment and health relies on much more than medical treatments, and higher-performers are more likely to empower frontline staff to address total worker health in an employee's recovery and return to work. This "whole person approach" involves enabling frontline staff to effectively manage both medical and non-medical aspects of a claim.

For medical interventions needed to treat an employee's injury, top performers have a higher rate of helping claims staff access and promote quality care by:

- Measuring provider performance and outcomes (e.g., treatment within evidence-based guidelines, total claim costs)
- Using return-to-work and patient functional outcomes to impact provider management (e.g., provider network removal for not meeting quality or outcome metrics, referral and patient channeling consequences)
- Incentivizing providers for quality performance (e.g., fast track payments, higher reimbursement rates, higher referral volume, limited or no UR)

For non-medical interventions often needed beyond treatment of the injured body part(s), there are a host of complicating risk factors that are well-known to the workers' compensation community. For instance, in the study's 10 years of research, claims leaders and frontline staff repeatedly rank psychosocial issues—such as catastrophic thinking, perceived disability, perceived injustice, and fear/avoidance—as the top barrier to optimal outcomes. Additionally, according to the U.S. Department of Health and Human Services, socioeconomic factors are responsible for approximately 40 percent of a patient's health, while 20 percent is attributable to medical care. While the industry, as a whole, has ground to cover in these risk factor areas, top performers are further down the road.

Components of Total Worker Health & Wellbeing



Specifically, our 2022 research found 30 percent of claims organizations enable claims professionals to identify/address social determinants of health (SDOH) and higher-performers are more likely to do so, particularly in the areas of leveraging SDOH risk factor data and training in culturally sensitive communication that uncovers barriers to recovery.

The 5 Domains of SDOH

- Social & Community Context
- Neighborhood & Built Environment
- Education Access & Quality
- Health Care Access & Quality
- Economic Stability

In terms of leveraging strategies to mitigate mental/behavioral health issues—which, notably, can be strongly influenced by an employee's SDOH conditions—top performers also surpass the market. Overall, compared to less successful operations, they are 18 and 22 percent more likely to arm claims staff to *identify* and *address* mental/behavioral health issues respectively. Areas of particular distinction include:

- Using questionnaires/screening tools to identify psychosocial risk factors
- Offering behavioral, mental, and/or telehealth specialty provider networks
- Providing Cognitive Behavioral Therapy (CBT) or Progressive Goal Attainment (PGAP) programs

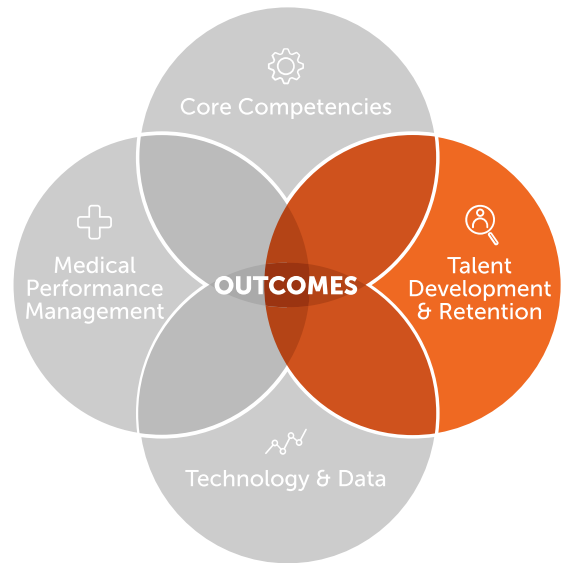
Conclusion

With 30 percent of claims payers achieving top performer status, what steps can the remaining 70 percent take to catch up?

For those claims organizations that choose to close the performance gap, the data is clear. The best claims organizations impact outcomes by better equipping and better capitalizing on their most important asset, their claims talent.

Given the industry's growing talent shortfall, a strong talent value proposition is critical to operational success across all study focus areas. To become a top performer, enterprise-wide strategies are essential to do more with less employees in our current and near state.

4 Major Drivers of Claim Outcomes



For more than a decade, the annual Workers' Compensation Benchmarking Study has and will continue to ask and report on, "What makes for exceptional claims management in workers' compensation?"

If you would like to obtain a copy of prior studies, they are available to all industry stakeholders without cost or obligation as a contribution to the workers' compensation community.

[Scan or click the QR code to request and download the studies.](#)



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