“Happiness begins with honesty, which creates trust, which leads to friendship, which means happiness.”

The Dalai Lama
THE VULNERABILITY OF Transparency LEADS TO Empowerment

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WHILE ON A U.S. TOUR EARLIER THIS YEAR, THE DALAI LAMA ADDRESSED THE TOPIC OF THE PURSUIT OF HAPPINESS. HE WAS QUOTED IN OUR LOCAL BUSINESS JOURNAL AS SAYING, “HAPPINESS BEGINS WITH HONESTY, WHICH CREATES TRUST, WHICH LEADS TO FRIENDSHIP, WHICH MEANS HAPPINESS.” HE MOST CERTAINLY WASN’T THINKING OF THE SUBROGATION INDUSTRY WHEN HE SPOKE THOSE WORDS. BUT THEY COULD EASILY TRANSLATE INTO AN ANALOGOUS STATEMENT: “SUCCESS IN SUBROGATION BEGINS WITH TRANSPARENCY, WHICH CREATES TRUST, WHICH LEADS TO CLOSER RELATIONSHIPS, WHICH MEANS MORE OPPORTUNITY AND SUCCESS.” LET ME EXPLAIN.
Subrogation is experiencing a powerful and exciting transformation. After decades of operating with relative consistency – using technology and processes that have deteriorated in effectiveness over time – subrogation is adopting a new generation of innovative technologies and methods that are dramatically stepping up the possibilities and outcomes for subrogation and overpayment recoveries.

Driving this sweeping change is transparency and core to transparency is information. With information comes insight which leads to change. For subrogation professionals, this means that visibility is essential for measurement, which enables improvement, which can deliver greater recoveries.

WHAT IS TRANSPARENCY?
From a simple point of view, transparency is when information that you want and need is available. It’s about having timely, flexible, accurate and diverse information at your fingertips that can be studied or analyzed to support a decision. Transparency also is about openness, communication and, I would argue, accountability. These topics create an important aspect of your business life: trust.

I should point out here that having transparency is just part of the equation. You must act on it for it to have value and impact. We also need to recognize that not everyone will have the same interpretation of what they see. That’s where good analysis becomes important.

Consider the corporate and accounting crisis in the 1990s. If key information had been available to the world might these scandals have been avoided? Maybe yes, maybe no. To be sure, information availability alone doesn’t cause change.

People need to take action with it. If transparency was widely practiced 15 years ago, one would hope that checks and balances could have kept corporations out of trouble. But even if information had been available, someone would need to be empowered or capable of doing something with it.

WHY YOU SHOULD CARE ABOUT TRANSPARENCY
Your customers face greater cost pressures today. Therefore, they care more about top line revenue and bottom-line savings. To achieve their goals, they are advancing their technologies and processes with new, leading-edge solutions; and the imperative for subrogation teams who serve them is to keep up with the pace of innovation. Your customers want more information, not less. Information has become more ubiquitous and your

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customers have come to expect visibility into your processes and performance. Innovations in technology, such as information analytics and cloud computing, enable this transparency and insight promising new levels of improved corporate performance and productivity.

The value of information can be seen when information analytics are applied to the business. According to a recent study published in the MIT Sloan Management Review,* high-performing companies use their corporate information more than others – 53 percent use insights they glean from data to guide strategic decision making. These organizations capture, aggregate, analyze and disseminate information throughout their enterprise effectively enabling transparency. Nearly half of organizations surveyed use data to guide day-to-day operations, an even more challenging task because it involves the integration of business intelligence (BI) into business processes.

In a subrogation context, a "Plan versus Actual" report reveals gaps. But it doesn’t answer how this gap is going to be solved, it’s merely information. This forces you to ask, why is my result not what I’m expecting? Or why are my results better than I expected? Like a lesson in history, we need to learn from what happened and apply concepts that demonstrate best practice to improve our overall environment.

Here are five specific reasons subrogation professionals should care about transparency:

1. **Business performance tracking.** All of us should be tracking the performance of our business, at least from a historical view. This again leads to the “why” question – why aren’t we doing better? Or, why are we surpassing our goals?

The most successful businesses use metrics to forecast the future and set goals to improve.

2. **Better customer service.** We have many types of customers: patients, groups, health plans, departments. If any of these customers aren’t happy with customer service, we haven’t earned their trust. Studies show that customers want more information and transparency is the solution. Sometimes problems are revealed but this is also the path to resolution. I’ve never been fired for raising a problem; I’ve gained a client’s trust. Now imagine if you knew of a problem and didn’t address it proactively – this might be just cause for a firing.

3. **Compliance.** ERISA, Sarbanes-Oxley, Medicare and Medicaid reporting, HIPAA and other directives remain a top priority for organizations. The motivating factor for transparency is simple: to avoid large government fines for noncompliance.

4. **Healthcare reform.** Transparency helps organizations to better prepare for the constant change that goes along with health reform. It also supports better recoveries and improves solvency.

5. **An easier life.** For individuals, transparency makes life easier. On-demand information means less time spent reporting and enables self-service reporting for groups. Analytics connect the dots for users, enabling visibility into trends for better insight. Subrogation specialists are empowered with macro and micro views, and become stronger leaders and agents for change.

**But while transparency can make us feel vulnerable, THIS IS ONLY TEMPORARY. once you learn to work with transparency, you’ll see its advantages – and soon you’ll feel empowered.**

**THE VULNERABILITY OF TRANSPARENCY LEADS TO EMPOWERMENT**

There is a downside to transparency – it can be intimidating, humbling and exposing. In many ways, transparency is about showing your strengths as well as weaknesses. Who likes to show their problems? Not many of us. Often our first reaction is: I don’t want my boss to know this information. Or, I don’t want my customers to see this. It’s a natural reaction to want to hide our flaws.

But while transparency can make us feel vulnerable, this is only temporary. Once you learn to work with transparency you’ll see its advantages – and soon you’ll feel empowered.

Transparency driven by powerful data mining and information analytics enables you to see what’s happening throughout the business, within seconds. You can drill down to case detail, or stay focused on the big-picture view – no more waiting for quarterly or monthly reports. In a transparent world information is available on demand.
Transparency also gives greater control and accountability; your recovery operation becomes more agile by making changes more nimbly, as needs arise.

Transparency also helps manage vendors and, if you outsource, you may have more than one vendor handling your subrogation or COB. Transparency provides much needed insight into their performance to better manage and guide their efforts. If you discovered that cases were left on the table, what would you do? By doing data mining audits on historical data, this outcome is highly likely – probably in the 2 to 6 percent range. You may also choose to look at a single vendor’s performance over time to define trending or look at various ratios. Across your recovery business, you may want to compare performance of vendors to see who is delivering better results.

Transparency also enables self-service reporting to member groups, giving them insight into what is happening and creating more confidence in results.

**HOW TRANSPARENCY DRIVES SUBROGATION ANALYSIS**

A transparent operation will give you access to information that can then be analyzed to reveal trends. Sophisticated analytic tools are not necessary; an Excel spreadsheet is a great place to start. Over time you may want to add more capability and there are excellent business intelligence tools on the market for these purposes. For now, trusty old Excel can show you the following:

- **Trending:** Monitor overall subrogation program health over time. Are your recoveries better or worse? How about your ratios? Are costs decreasing?
- **Exception reporting:** Receive automated alerts when rules are broken – for example, if you don’t want to recover or settle under 70 percent.
- **Benchmarking:** Compare your performance against others. Are you a relative low performer?
- **Simple ranking:** Determine priorities by quickly ranking your biggest and smallest customers, your best performers, and so forth.
- **Drilling:** Investigate and answer “why” when it comes to performance questions.

**TRANSPARENCY THROUGHOUT THE SUBROGATION PROCESS**

Transparency should be embedded into all six stages of the subrogation process:

- **EDI transparency** streamlines data processing and identifies points of failure, forcing issue resolution.
- **Identification transparency** improves data mining, giving you the opportunity to reduce “false positives,” which are types of cases that are often opened but rarely result in recoveries, for example, chronic disease states.

Using timely and accurate information – leads to new insight and it’s what your customers want from you. This is the path to improvement… and thus greater trust, opportunity and success in your recovery operation.
Investigation transparency reveals backlogs, forces analysis, improves investigation, and moves more cases to pending.

Pending transparency tracks diaries, reallocates workloads, and reduces settlement delays.

Settlement transparency automates follow-up on outstanding settlement proceeds, speeding total recoveries.

Recovery transparency analyzes recovery trends to identify areas of weakness, yielding increased recoveries.

WHAT TRANSPARENCY LOOKS LIKE

Here are several real-world examples of how transparency in subrogation enabled positive change:

- An organization used data mining to pinpoint related diagnosis codes to begin tracking chronic conditions. As a result, the company stopped sending out multiple letters to certain individuals eliminating unneeded member outreach and improving sensitivity, while at the same time reducing cost.
- An automated comparison of multiple vendors allowed a health plan to easily compare results, create benchmarks, and create SLAs across vendors.
- An audit of 18 months of historical data found 36% more recoverable claims than what a company had identified.
- An analysis of closed without collection reasons led to improved data mining, eliminating unnecessary illness-related inquiries and thereby minimizing member intrusion.
- Self-service reporting enabled a company to reallocate resources to higher priority functions.

FIVE STEPS TOWARD TRANSPARENCY

Let’s recognize that there are significant obstacles to transition to a more transparent organization. Most cite budget – or the absence of one – as the number one deterrent. But there’s another barrier, a more serious one: lack of understanding of how information analytics can help the organization. The MIT Sloan Management Review study shows that companies struggle to understand how analytics can help improve business results – and managers are too busy to investigate. Budget shouldn’t be an issue if your business case presents the right value and return on investment. An intelligent solution will pay off.

Move forward with these five steps:

1. **Audit:** start with an assessment of your productivity and profitability. Examine your workflow and call out the unproductive practices and workarounds. Identify reporting shortcomings and determine gaps in data access, timeliness and quality. Where can you improve?

2. **Consider:** how might greater transparency improve your results? What is the value to my organization?

3. **Research:** undertake market research to identify and vet potential vendors and approaches.

4. **Capture:** document a business case that highlights the need for change.

5. **Sell:** last but not least, develop a compelling business case and sell it to your management team.

CONCLUSION

The economy is badly bruised. Organizations have been scarred with years of soft revenues. Health reform is sounding the siren for greater transparency, compliance, and fraud and waste reduction. Simplified health insurance administration is long overdue.

It’s time to embrace transparency. There’s much to be gained from greater visibility, even if it means becoming vulnerable. While no one wants to reveal their weaknesses, organizational self-analysis – using timely and accurate information – leads to new insight and it’s what your customers want from you. This is the path to improvement… and thus greater trust, opportunity and success in your recovery operation.

*MIT Sloan Management Review from September 2010: 10 Insights - A First Look at the New Intelligent Enterprise*