



FRONTIER ASSOCIATES, INC.
MANAGEMENT CONSULTANTS

Case Study #10

The Case of the Competitive Claims

The Situation: Competing on Price

Claims Processing Corp (CPC)¹ has managed group health plans for more than three decades. Among other services, the firm processes medical claims between a client company's employees and a wide variety of HMOs and insurance companies.

CPC has focused on providing responsive and accurate claims service to its clients, who are regional and national employers with from 200 to 20,000 participants in their health plans, some with employees in multiple states and nations. Processing claims totaling well over \$500 million per year, CPC is among the largest of the US companies in its industry.

For years the company's processing time² had been essentially the same as that of the industry: 15 days on average, up to 35 days for difficult cases. As a result, the company often had to compete primarily on price.

The Goal: Create an Unbeatable Competitive Advantage

Despite having an industry average processing time, the company was successful in large part because of its superior customer service. However, Joe Stevens¹, the President of CPC, wanted to relieve the downward pressure on price by providing CPC customers with something they wanted that was available nowhere else. In Joe's words, he wanted to provide CPC's customers "*with such a dramatic and sustainable advantage in value that there would be no significant price discussion.*"

Our Analysis: Produce a Breakthrough

Joe had attended a Frontier Associates (FAI) presentation on its proprietary Breakthrough Process. To generate the dramatic and sustainable competitive advantage Joe sought clearly called for something beyond an incremental change that the competition could copy. Joe asked FAI to help create a breakthrough.



The FAI Solution: Conduct a Breakthrough Process

A breakthrough team was convened on October 11, 2002. The 30 team members represented all functional areas and management levels of the company. An FAI consultant facilitated this application of FAI's Breakthrough Process.

The meeting began with Joe briefly expressing the purpose of the process, and the obvious advantages that it would generate for the company and its workforce. Skepticism is typical at the beginning of a Breakthrough Process, and this group was no exception. The initial attitude of most participants was that while some incremental improvements might be made, generating a competitive advantage that the competition could not copy was unlikely.

The group then turned to defining, in measurable terms, what such a competitive advantage might look like. Processing time — the time it takes for an employee to receive a check and begin treatment — is a major component of the service experienced by a client company. A dramatic decrease in processing time would be of great help to the HR departments CPC deals with and, in turn, to their "clients," the employees in the health plans. A dramatic decrease would therefore give CPC a significant competitive advantage, especially when coupled with its existing focus on customer service. However, each of the firm's departments had been working for years to reduce processing time, and most felt they had squeezed every unnecessary minute out of the process. A dramatic reduction in processing time would require the support of the HMOs and insurance companies. But it was "obvious" that the insurance companies had no interest in providing checks faster. This is the belief that made accomplishing the breakthrough "impossible."

Despite these beliefs and attitudes, and without knowing how it would be achieved, the group agreed (by consensus) on the following criteria for a successful breakthrough (called "Success Criteria"):

- 100% of claims are processed within a maximum of 10 business days for all claims received on or after April 1, 2003.
- % pended and % close-out claims does not increase due to the solution.
- Operation is consistent with company values.
- Quality as measured by current measures does not worsen.
- Operation meets all applicable federal regulations.
- Average cost of processing claim stays the same or decreases.

The Success Criteria called for a 250% increase in speed for processing the most difficult claims and a minimum 50% increase in speed for processing the average claim — all to be accomplished in 4½ months from the final meeting! It



was clear to the group that such a breakthrough would be so far beyond the industry norm that others would have a most difficult time matching it.

Driving these Success Criteria was a Commitment: “Because it’s the right thing to do.” To some ears, this may sound trite. CPC, however, truly believes in serving people. It was obvious to them that people should get the care they need as soon as possible. Processing time added to the time someone in need of care had to wait. Thus, it was obvious that the right thing to do was to shorten processing time as much as possible. The passion generated by this commitment was the fuel for taking on such an apparently impossible goal.

Subsequent steps in the process included brainstorming, answering the question: “How did we fulfill the Success Criteria,” feasibility analysis, the development of action plans, and the making of promises to implement the action plans.

Total meeting time devoted to the Breakthrough Process was 17 hours, spread over three meetings separated by intervals of 2-3 weeks. The third and final meeting was on November 19. By the end of that meeting a detailed action plan for accomplishing the Success Criteria had been developed. Everyone in the group said the plan was feasible and would, if implemented, almost inevitably produce the Success Criteria. The plan involved combining four elements:

- Standardize the plans and forms required by the HMOs and insurance companies.
- Improve the computer system to enable client employees to enter much of the information themselves and automate some decision functions.
- Reorganize the roles and the methodology involved in processing medical claims.
- Educate the consumer and customer service teams so as to minimize time-consuming errors

None of these actions required a substantial financial investment beyond that which had already been budgeted

The Result: An “Impossible” Improvement!

On April 1, 2003, FAI received the following e-mail from Joe Stevens:

“Guess what! It’s April 1st, and there’s not one claim in our office that’s older than 10 days! And, we’re confident that we can keep it that way.”



The 10-day maximum promise has continued to be kept. In a subsequent letter to FAI, Joe Stevens said:

“The ‘Breakthrough’ sessions that you led were right on target; they were challenging, enlightening and motivating. They’ve enabled us to break through some seemingly impossible barriers and have inspired our people to accomplish the goal you helped us establish.... You’ve helped us immeasurably (although we are able to measure some of the outcome we’re achieving), and I want you to know how much I appreciate it.”

Summary

Breakthroughs can be reliably and intentionally produced. Key to producing the breakthrough for CPC was the following:

- The group was enrolled in the reason for a breakthrough in terms important to them (an unbeatable competitive advantage), and then created the Success Criteria and the Commitment themselves.
- Decision making was based on consensus, not compromise.³ Therefore each person’s participation was critical.
- During the process, people changed their perception from the goal being impossible to it being clearly possible.
- The focus was on accomplishment of the goal, not on finding reasons why the goal had not been accomplished in the past or resolving old problems.
- The group worked on the entire process as a unified company, rather than each department working only on its individual part of the process.
- The clients and the insurance companies were included in the solution.
- There were no limiting assumptions during the creation of the breakthrough. Everything was on the table.
- The group members were completely empowered. They understood the value of achieving the goal to something in which they were passionately interested (the Commitment). They saw that, if the goal were to be achieved, they were the ones that were going to have to figure out how to do it, and that they would be given the authority and resources to accomplish their plan.

¹ Names and some non-significant facts have been changed to maintain the anonymity of the client.

² Processing time is the time between the initial receipt of a medical claim by CPC to the issuing of the Explanation of Benefits (EOB) by the insurance company.

³ For a comparison of consensus and compromise, see *Effective Meetings #7: Consensus – Creativity and Win-Win*.