

## Improving Productivity with Technology

The current economic conditions and the price of gas and diesel fuel are placing considerable pressure on the profitability of most businesses. Many businesses are cutting back on non-core purchases in an effort to reduce expenses. They are also looking to do more with less. Technology has the capability to deliver the productivity improvements and expense savings that companies desire. Rather than defer purchases in tight economic conditions, this is the exact time when the technology is most needed. This article outlines some of the ways in which risk management information systems, especially claims systems, can improve productivity and reduce cost.

### Productivity Impact

You can't leverage people. While you can create the right pyramid structure within an organization to delegate work to more junior levels and better leverage senior staff, there are only so many hours in a day. Increasing the workload requires the hiring of additional personnel. You can leverage technology. Automating activities allows organizations to increase the productivity of all their staff. Those productivity benefits continue to be realized however much the workload is increased.

*"You can't leverage people .....  
You can leverage technology."*

How does a risk or claims management information system improve productivity? Depending on the specific functionality of the system, productivity improvements can be seen in the following areas:

- **Organization of the Claim:** A system which is structured around an occurrence will allow for a more efficient handling of the claims related to this incident. Productivity improvements can be achieved in several areas throughout the lifecycle of the claim.
  - Data entry: information can be entered once at the occurrence level rather than re-entered for each claim. This saves time in data entry and in locating information. Claim handlers can look in one occurrence file rather than searching multiple claims files. It also has benefits in ensuring consistency of information across the claims files.

- Claims management: the correct organization of the files can make it simpler to move between related claims files than opening and closing unrelated claims files.
- **Systems Integration:** integrating the claims system with internal systems allows for automatic data import and export. This prevents manual data entry at both the claims system and the internal systems. Integration to Human Resources and Operations or Dispatch systems will reduce the amount of information needed to report a claim. Integration to accounting systems will reduce the amount of work required for payments and check writing. Systems integration also provides consistency of information across the organization's different computer systems.
- **Automated Workflow:** certain tasks can be performed automatically by the claims system. Others may be structured within the system to allow more junior level staff to perform them. There are three areas of productivity improvements from automated workflows:
  - Automated activities: activities automated by a claims system might include form letters, acknowledgements and follow-ups, routing of reserve and settlement reviews, and the assignment or re-assignment of claims.
  - Delegation of activities: a claims system provides a structured process for the handling of claims. It incorporates intellectual capital in the process to be followed that is shared with multiple claim handlers. Junior staff can operate effectively within this tightly defined structure.
  - Transfer of activities: the electronic record allows a new employee or temporary replacement to easily pick up what has happened on a claim, both in terms of the content and the workflow. Each claim follows a consistent process. This can reduce training time and provide more flexibility in staffing

*"Systems integration prevents manual data entry. It also provides consistency of information across the organization."*

- **Subrogations:** an effective subrogation system can increase the likelihood of a recovery as well as reduce the time involved. Many systems are not focused on this issue and nor are claim handlers. An automated subrogation system will provide automated diary and follow-up systems, co-ordination of subrogations across related claims, and reporting of the subrogation status.
- **Diary system:** this is a key component of any claims system. Date specific tasks ensure that claims remain up-to-date and are proactively managed. Creating a diary system separate from the claims system creates additional work. It is likely to be less rigorous and harder to maintain.
- **Monitoring:** a claims system provides a manager with a tool to see the activity of all his or her claim handlers. This saves time for the manager. It also allows potential bottlenecks in activity to be identified and addressed making the group more productive.
- **Reporting:** an effective reporting system can greatly reduce the amount of time spent in compiling standard and impromptu reports for management. Typically the time spent gathering data for reports far exceeds the time spent conducting the analysis. Providing better access to data will reduce this data gathering time.

### Financial Analysis

Technology will free up time of existing staff allowing them to focus on other value added activities. Direct benefits in personnel costs will be seen in reducing the need for additional hires or temporary help to handle staff absences and reduced training times for new staff.

*“Returns can be attractive with pay-back periods less than one year and internal rates of return in excess of 100%.”*

For an analysis of productivity improvements and return on investment under Computer Risk Management's Risk 2006™ system, please email or call Ty Smith at [tsmith@riskmanagers.com](mailto:tsmith@riskmanagers.com) or 1-866-887-1829.

The additional hours made available by the technology have a financial value. That value is calculated based on the gross cost of an employee (salary, benefits and other expenses). The gross number can be reduced to an hourly rate, which can be used to calculate the value of the productivity improvements.

The financial analysis should include other benefits in addition to productivity improvements. These include:

- Reductions in the cost of claims as a result of a more formalized and consistent claims management process, coupled with better access to claims data.
- Increases in subrogations and other recoveries beyond the productivity gains from handling subrogations.

The financial analysis can be presented on a payback method or an internal rate of return. The pay-back method will calculate how long it will take for the projected financial benefits to exceed or “pay-back” the cost of acquiring the system. The internal rate of return treats the purchase of the system as an investment and calculates the projected annual return the organization is likely to achieve on that investment. From our experience, returns can be attractive with pay back periods of less than 1 year and internal rates of return in excess of 100% per annum.



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