

Case Study:

Post-Claims Underwriting PMO



CDI helps mitigate critical process gaps to avoid potential litigation.

Client Description:

A leading healthcare insurance provider that plans contracts with hospitals, physicians and other health care providers to provide prepaid healthcare coverage. Coverage includes hospital expenses, outpatient care, home care and other institutional services.

Background:

Insurance companies have a duty of good faith and fair dealing with the people they insure by protecting their interests in the same way they protect their own. These companies must act fairly and quickly to resolve claims. This duty of good faith and fair dealing is required from the insurance company whether or not it appears in any written contract.

In California, companies that provide medical insurance must review the information of applicants at the time the policy is written. Insurance companies may not wait until the applicant submits a big claim and then review the application seeking an excuse to cancel or not issue the policy. This illegal practice is called "post-claims underwriting" and is considered a violation of the insurance companies' duty of good faith to the policyholder.

Applicants who have their insurance policies cancelled after filing a large claim can bring a legal action against the insurer for bad faith. When the company issues an insurance policy, the person insured believes they have medical coverage and depend on it. If the company has a legitimate reason for denying coverage and informs the applicant at the time of application, the person can find other coverage. If the insurance company does not scrutinize the application until a claim is filed and then retroactively cancels the policies, the people insured by the company find themselves without insurance and liable for all medical expenses they thought were covered by their medical insurance.

"Post-claims underwriting" has become a high priority due to a number of class-action lawsuits in California. In addition to California, this issue has received spotlight attention in a number of other states and recently prompted a federal house panel investigation.

Business Issue:

Our client needed to evaluate the end-to-end application process and recommend a solution that would not breach any good faith and fair dealing policies. Senior Management, in conjunction with Enterprise Risk Management, initiated this project to fully mitigate the risks associated with rescinding claims and coverage, reforming policy rates and/or recouping claim payments.

The goal of the project was to identify any gaps necessary to avoid litigation, preserve provider and member satisfaction and provide benefits in line with the contract terms.

A core team was formed and consisted of key stakeholders from all impacted areas including claims, legal, medical, marketing, information technology and underwriting. As part of the charter, the core team was directed to recommend a solution that would resolve all the gaps and establish safeguard controls.

CDI Solution:

CDI's Program Management Office (PMO) was hired to lead the core team and provide its experience and expertise in the areas of program and risk management. CDI fulfilled the project management responsibilities and led the project team from initiation through the recommendation phase.

Utilizing best project and risk management practices, the team led by CDI set out to implement best practices by:

- Determining the state of the program's end-to-end processes in all areas

- Identifying and filling the existing gaps
- Implementing sound management controls and safeguards
- Establishing metrics for ongoing monitoring

CDI used various group settings such as team meetings, interviews, level setting education and workflow process maps to identify the gaps and issues and determine a proposed solution. Risk knowledge and expertise were the most critical components and required adherence to the entire risk process including risk identification, assessment, quantification, qualification and response planning.

Results:

Utilizing CDI in an independent project management role, the sponsor created a neutral environment, which when coupled with proven project management practices, resulted in a solution that seamlessly evolved from brainstormed ideas into detailed recommendations.

The very diverse and functional team was molded into a highly-effective team through CDI's project management acumen. Taking the enhancement approach, the core group was less defensive and more collaborative than initially envisioned. This project is a testament to the notion that with proven project management practices there is no need to spend a lot of time and money to create a fully workable solution.

In the end, the core team recommended a wide range of enhancements in areas including education, policies, procedures, systems, tools and process workflow and also suggested the implementation of controls, management oversight and performance metrics.

The project's recommendation was completed within the expected time frame.

Technologies Used:

- Project Management – methodologies and processes related to all nine knowledge areas: integration, scope, time, cost, quality, communications, human resources, risk and procurement
- Microsoft Office
- Visio
- Project
- SharePoint Services
- Risk Management Tool
- Group Facilitation Techniques
- Information Services