

**First Annual Survey of  
Workers' Compensation Claims Systems  
Summary Findings**

**Winter 2011**

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## **The First Annual Survey of Workers' Comp Claims Systems - Summary Findings**

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Each year, insurers, third-party administrators (TPAs), and corporations in the United States invest tens of thousands to tens of millions of dollars upgrading, replacing or modifying claims systems. Many of these projects take far more time and cost far more money than expected while delivering results that often fail to meet the original objectives. Moreover, the accelerating pace of change often means the “new” and/or “improved” system is nearing obsolescence shortly after it becomes operational. When one considers that the claims system is a significant tool for regulating care for injured workers’ and care/costs for policyholders, the problem becomes obvious: payers simply cannot afford to make poor decisions regarding their claims systems.

In late 2010, Health Strategy Associates, LLC (HSA) conducted the **First Annual Survey of Workers’ Compensation Claims Systems**. The survey was produced by Sandy Blunt and Joseph Paduda of Health Strategy Associates and included 144 respondents from two groups: executives and senior management (Execs) as well as desk-level adjusters and office managers (Front Line).

Among the key findings were the following:

- Respondents’ current systems have been in place on average approximately five and one-half years.
- Respondents (on average) expected to replace or significantly modify their current system in about two to three years
- Historically, the majority of respondents reported their last major systems change involved either building a new system internally or buying a commercial off-the-shelf application (COTS).
- In general, Execs wanted the system to control/automate/enforce consistent claims handling through forms generation, business rules engines and similar functionality, while Front Line wanted more flexibility and integration with external systems.
- Half of all the respondents thought their current system was lacking key business functionality.
- No vendor is universally recognized as the industry leader and many were unknown to a substantial percentage of respondents.

#### **Execs v Front Line**

While over 80 percent of the Front Line users were clear that there was no “full integration” between their claims system and their bill and/or utilization review systems, almost 60 percent of the Execs said the systems were integrated. This identifies a large area of disconnection and an opportunity for the industry. Even more significant was the divergence between the Front Line and the Execs in their responses to the follow-up question: “If your current system is NOT fully integrated with your bill review and utilization review system(s), do you wish it was fully integrated?” Here, 80 percent of the Front Line noted that “Yes” they wished they were integrated as compared to less than 30

percent of the Execs. Even more surprising was that over two-thirds of the Execs responded that the follow-up question was “Not Applicable” to their organizations.

Finally, one of the most striking results was the two groups’ top pick for the “biggest limitation of their current system.” Almost three quarters of the Front Line respondents cited “Lack of flexibility to meet changing business needs,” while half of the Execs noted that the “High cost of configuring improvements” was the biggest limitation.

In several additional areas, Execs and Front Line views and priorities differed sharply. These differences included:

- The most important features of their current system.
- The limitations of the current system.
- The desired benefits from a new system.
- Execs wanted features that standardized business practices, while the Front Line desired flexibility.

The workers’ compensation claims system industry is fragmented; system purchasers don’t clearly understand what their own users want, need and expect from their system, and no one provider or set of providers has any appreciable leadership position based on the responses from the two respondent pools.

### **Conclusion**

Clearly this is an immature market. Just as clearly, it will not remain as an immature market forever. HSA will track changes in the market over time and we expect to publish the Second Annual Survey this time next year.

For more information about Health Strategy Associates’ First Annual **Workers’ Compensation Claims Systems Survey**, please contact [Info@HealthStrategyAssoc.com](mailto:Info@HealthStrategyAssoc.com).