

Health Insurance Operations

CASE
STUDY

Membership Administration with Lean Healthcare Payer Principles

Reducing the 7 Wastes in Health Plan Administration

Situation – How to improve health payer operations by implementing lean standard processes

Volatile health plan markets were wreaking havoc on operational efficiency in membership administration (MA) operations. Confused plan sponsors and members generated waves of inquiries, errors and delays. This drove overstaffing with inexperienced hires, further reducing employee productivity. The plan's board mandated aggressive cost cutting targets that required effective continuous improvement. However, the market seemed too unstable to even begin.

Management selected a new COO who had successfully applied lean management to improve capacity planning in a hospital network's emergency rooms. Her first job on Wall Street helped with her lean thinking where process reengineering delivered flexibility for volatile trading operations. The same lean process improvement would deliver core transformation of health insurance membership administration operations.

Client Description, Project Scope, Objectives

The MA cost cutting plan specified cost reduction and increased employee productivity with no new hires or new technology. The Lab's non-technology improvement templates pinpointed the 7 wastes targeted by continuous healthcare payer improvement: defects (submissions), excess processing (rework), unnecessary waiting, avoidable motion and others. The COO demanded conversion of one-off methods into lean standard work modules. These delivered work sharing that reduced capacity planning spikes from volatility. It reclaimed 35 percent of organizational capacity. Service levels increased by 25 percent.

The MA groups comprise more than 1,300 employees within this Top 3 U.S. health insurance provider. They serve corporate, institutional and individual plans, including Medicaid and Medicare.

Implementation began with a 7-week, Phase I analysis. It delivered a guaranteed, self-funding, non-technology improvement work plan that launched a 6-month implementation effort.

Lean Healthcare Payer Process Improvement Implementation Examples

The Lab implemented 300 non-technology process improvements. Examples:

Lean Six Sigma Process Standardization: Capacity Planning—Teams were specialized by plan type, but plan characteristics were 80 percent similar. The specialization caused complex capacity planning, squandering 25 percent of capacity in wait time—one of the 7 wastes. Lean standard work definitions reduced specialization and standardized capacity planning, virtually eliminating wait time.

Lean Inbound Logistics: Plan Data—Roughly 3 percent of plan sponsors generated three-quarters of the errors from inbound logistics for data transmittal. These are "defects"—another of the 7 wastes. The Lab helped MA teams and plan sponsors jointly conduct business process reengineering for data transmittal and slash the inbound error rate by 90 percent.

Improved Capacity Management—All teams were staffed for peak demand: open enrollment. Consequently they were overstaffed during most of the year. The Lab's Activity Cube model capitalized on simplified teams and standardized processes to forecast workloads. It measured individual employee productivity delivering an increase of 30 percent within 3 months.

Top 3 U.S. Health Insurance Provider

Health Insurance Operations

United States

Project Sponsor:

Chief Operating Officer— Membership Administration

Non-technology, self-funding operational improvement implementation:

- No new technology
- End-to-end membership administration
- 6-month implementation

Project Objectives:

- Cost cutting
- Productivity improvement
- Operational efficiency

Project Scope:

- Corporate
- Institutional
- Individual
- Medicare
- Medicaid

Implementation Results:

- Operating cost ↓ 25%
- Annual savings \$26M
- Capacity improvement ↑ 35%
- Inbound error rate ↓ 90%
- Break even point 4 mos.
- ROI (12 month). 5X

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