



OIA Consulting Memo

Date: September 12, 2016

To: Anthony Panichelli, Manager Claims Quality Assurance
Michael Guerra, Director Claims Governance

From: Deena Harrison, Senior Internal Auditor
John Fox, Audit Director

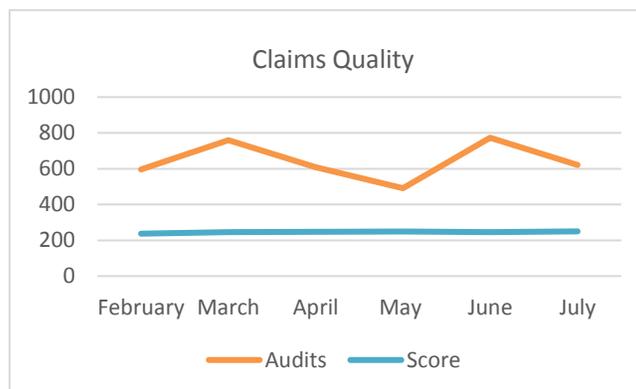
Subject: Claims Quality Assurance Review

Background:

An effective Quality Assurance (QA) program is designed to evaluate performance against standards, identify training opportunities, and recommend process improvements. Citizens has established a Claims QA program to ensure the Claims Operations teams adhere to the highest quality standards. Through performing quality evaluations, Claims QA identifies improvements in claims handling, customer service, operational efficiency, fiscal responsibility and compliance with regulatory requirements. The quality program aligns to the 8 phases of the Best Claims Practices and Estimating Guidelines: customer service, investigation, reserves, technical estimate, scope, coverage, negotiation and settlement and file management.

Throughout 2015, major revisions were made to the Claims QA program. Changes included new processes, management, staff, and the implementation of new software. Inpoint, a vendor hosted SaaS solution, is utilized to measure, monitor, and manage the quality assurance process. Initially challenges occurred with the ability to retrieve data and reports from Inpoint. The lack of data impacted the ability to provide reporting of results and to analyze trends to facilitate improvement opportunities. The Claims QA team worked with Inpoint to resolve this issue. Beginning in February 2016, the QA department was able to retrieve the data and generate reports.

Presented below is a graph that compares the number of claims quality reviews performed to the overall quality results. As of July 2016, 3,850 claims quality reviews were performed with a year to date Claims Performance Index (CPI) score of 246 out of a 300 point scale, which meets expectations. The monthly audit volume has fluctuated between 491 to 773 reviews. Monthly results have remained fairly consistent in the meets expectations range. Results have increased 13 points from February to July.



Audit Scope and Objectives:

The Office of the Internal Auditor (OIA) provided advisory support to evaluate the design and effectiveness of the quality assurance program to ensure that QA efforts effectively meet quality goals and work in the best interest of Citizens.

Areas of focus included observation and discussion of controls and processes in place to ensure:

- Accurate and complete sample selection
- Appropriateness of questions utilized to assess performance
- Accurate and consistent audit results
- Weighting of scores based on impact of error to company
- Accurate and timely reporting of results
- Root cause process in place to determine cause of errors and identify process changes and training needs
- Quality Assurance staff knowledge and processes are continually evaluated and remain up to date with business changes
- Opportunities exist for business areas to provide feedback regarding QA processes, results, and reports

The OIA performed the following:

- Interviewed the Manager of Claims Quality Assurance for an overview of the program from sampling to utilizing results to drive improvements in processes and behaviors.
- Performed walkthrough of Inpoint with the Senior Quality Assurance Representative and Manager of Claims Quality Assurance to observe the audit questionnaire and reporting of results.
- Interviewed a Claims Director to obtain an understanding of how Quality Assurance results are used in the performance management process and business area interaction with the QA process.

Results:

Through observation and discussions we noted several strengths in the QA program redesign efforts. As the program continues to evolve, management is encouraged to consider OIA suggestions to further strengthen controls and implement best practices related to determining adequate sample size, engaging the claims teams in validation of results, understanding vendor processes to retrieve data, validating vendor system access, recognizing outstanding quality and leveraging best practices across all Citizens Quality Assurance programs.

The Claims Quality Assurance team efforts to strengthen the process include:

- Designed and implemented Inpoint reporting process.
- Engaged business area in redesign of QA program.
- Established processes to increase consistency and accuracy of auditor results such as team calibrations, reviews of auditors, and help text within Inpoint.
- Created root cause process to identify, capture, and communicate causes of errors in order to identify claims improvement opportunities including process changes and training.
- Developed and implemented process to distribute issue notifications to management for errors identified that impact customer service and/or claims payment and require immediate attention and correction.
- Performing targeted QA reviews based on risk and business needs.

During discussions with OIA, Claims Quality management implemented action to address the following:

- The ability to make changes and extract the QA reports from Inpoint was restricted to one individual without a designated back-up resource to perform these functions in the event the individual is unavailable. Access for the Claims QA Manager was updated to include the ability to perform these functions as needed.
- A plan was developed to implement business unit calibration. Claims QA is encouraged to continue their efforts to implement a validation process for the Claims areas to review errors for accuracy prior to

reporting results. In addition to ensuring the accuracy of results, a validation process should strengthen the QA program by aligning QA and Claims staff knowledge of processes and increasing the credibility and reliability of QA results. Reports should be restated to reflect any changes to monthly and yearly results.

We encourage management to consider the following to increase effectiveness of the program:

- Sample size is currently based on auditor capacity.
 - Determine the percentage of claims volume covered by QA to ensure the sample size appropriately represents overall volumes of claims, types of claims, and adjuster workloads in order provide sufficient coverage.
 - Develop a QA staffing model to ensure that staffing remains adequate in the event of significant fluctuations in claims volume.
- The Claims QA Manager should be aware of the Inpoint vendor processes and timeframes established to back-up and retrieve QA data in the event of a system disruption.
- Validate the appropriateness of user access permissions and roles for Inpoint employees who have access to the Citizens Quality Assurance program. A process has been developed by Claims but has not been implemented.
- Establish an informal recognition program to reinforce team and/or individual performance for outstanding quality.
- Leverage and share best practices with other Citizens QA programs such as Underwriting. In addition to improving the design and effectiveness of QA programs, leveraging information across areas provides a greater opportunity to identify quality concerns impacting the overall effectiveness of Citizens end to end processes from the receipt of a policyholder's application to the payment of a claim.

We would like to thank management for the utilization of OIA consulting services.

Distribution:

Jay Adams, Chief Claims