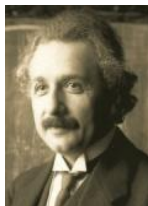


EXECUTIVE UPDATE : KPI's & KPP's that count! Key Performance Indicators and Predictors

MMXI/III

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“ Everything that can be counted does not necessarily count; everything that counts cannot necessarily be counted.



Albert Einstein (attributed)

Pure common sense! Today, data is collected at every corner of the business and consumer world. In fact, close to 47% of Americans are “on” **Facebook**. But does that count?

Corporations use key performance indicators to measure their degree of success with certain activities in the marketplace. Typically financial in nature, they strive to measure earnings per share (EPS), gross profit margin and earnings before interest, taxes, depreciation and amortization, better known as EBITDA.

Most everyone is familiar with these terms and it allows comparison of performance between like or similar companies or markets. Finance is straightforward. So that counts.

Turning to insurance however, what happens when an organization is asked about the success or practicality of its *claims operations*? Can a similar case be made with applicable KPIs for claims operations across organizations? Can the top KPIs that impact an organization be measured and compared in a way that is both meaningful and actionable? What counts in workers compensation claims?

Finding Data that Counts

Because workers compensation insurance data is subject to 50+ different versions of regulations, it has been problematic for the individual carriers, TPAs and self-insured employers to help them define measures in order to make “apples-to-apples” comparisons among the many clients or jurisdictions.

NationalWorkersComp

Clearinghouse TM

In 2011, the **National WorkersComp Clearinghouse TM**,

the nations only independent data repository, was launched which offers subscribers the opportunity to compare, benchmark and measure against industry data.

Other resources to explore are the various workers compensation research groups, as well as state reports and analysis. For example, WCRI (Workers Compensation Research Institute) publishes a number of reports that can be adapted for a company's particular use. PERI (Public Entity Research Institute) and CWCI (California Workers Compensation Research Institute) are two other organizations that have interesting measures.

Does the Data Count?

Data is collected on just about every conceivable aspect of workers compensation claims yet the data has yet to be used in a manner that successfully controls costs. The first step to making the data productive is to make it understandable and usable at various levels of a claims process.

This step also involves setting performance goals and metrics in both a strategic and operational manner and showing at each level how they impact success.

Figure 1: Definition of Measures

METRICS	KPI	KPP
A metric is a standard unit of measure, such as mile or second used for comparable assessments.	Key Performance Indicators are measures that matter...metrics tied to a target. KPI's are usually ratios to the target.	Key Performance Predictors are KPI's derived through an analytics exercise.

KPI's are indicators, statistics or metrics that are used to gauge the performance of an activity, process, or operating entity. Performance measures are also the reference markers used to measure whether a goal is being achieved.

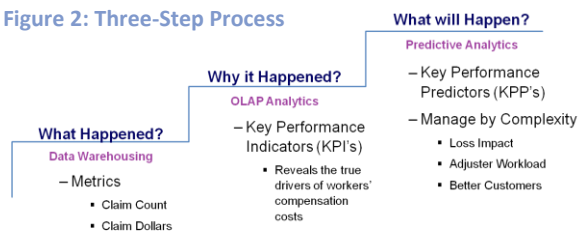
KPP's are new on the horizon and are derived through an analytics approach to the data. Top firms have had success in finding KPP's that count.

Performance measures should be based on a close inside review of a company's data. Such a close look can lead to the development of specific measures, such as a delayed disability measure, that could serve as a warning for a potentially explosive claim, as well as offer a new actionable measurement. It's much more than measuring an average claim cost by department or number of back injuries on a Monday morning.

Meaningful KPI's that Count!

Answering questions below will assist in the development of worthy measures. It's an exercise of discovery from basic metrics to leading edge analytics.

Figure 2: Three-Step Process



Producing KPI's with hidden nuggets provides an in-depth view that only an insurer can offer its clients. It suggests an intimate knowledge of the client's situation.

Through a comparison of one variable for a given distribution against a desired outcome (using both internal claim data and external data sets), univariate analysis is an excellent method to obtain these hidden and surprising KPP's.

Does r² Count?

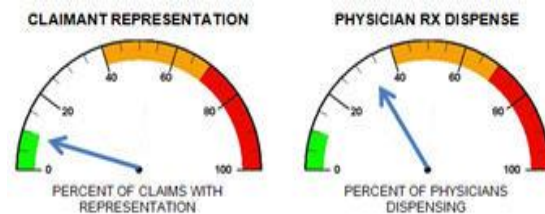
Using r² (r-squared) is all about confidence. As new KPIs emerge, they are often based on trends. The R² is a statistical measure that reports a value between 0 and 1.

The closer r² is to 1, the better the measure and conclusion that may be reached. It makes sense to always report the r² when presenting trend analysis.

How the Data is presented, Counts !!!

Imagine sitting through a presentation where literally 100 PowerPoint slides are shown. Unfortunately, it is a common occurrence when claim measures are presented. Ideally, you should have a convenient method to interpret and present results in a readable and actionable manner.

Figure 3: Quick View Dials



Cloud computing and dashboard analytics are quickly becoming the norm, all fully HIPAA-compliant. Various levels of detail are needed starting with Executive High-Level reporting with drill-down capability to investigate the underlying causes.

- Open the analytics process to the management level that can affect the greatest change.
- An easy-to-use interface should allow users to effectively drive the analytics process without becoming technical experts.

In the end, what counts is helping the millions of workers who are injured each year, return to work as fast as possible.

Here is what we count!



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