How Using AI in Data Analytics Fueled Positive Outcomes for LA County's Workers' Compensation Program

October 2023

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Abstract

The County of Los Angeles' massive WC program manages tens of thousands of claims at any given time. With only a small, dedicated team tasked with overseeing it all, the data analytics system must operate intelligently, swiftly, and accessibly to resolve claims and improve outcomes.

Finding the needle in a haystack: Identifying WC fraud

Identifying red flags using siloed audit systems or spreadsheets in a program of this magnitude is like trying to find a needle in a haystack.

According to the National Insurance Crime Bureau (NICB), WC fraud is a $30 billion problem annually in the U.S. In California, it is estimated that WC fraud costs the state between $1 billion to $3 billion per year.

Mr. Robles is the County of Los Angeles' Assistant Chief Executive Officer for Risk Management and Privacy, overseeing risks associated with a $30 billion public entity budget with over 100,000 employees.

Robles knew their platform had to do more heavy lifting if his team was going to be able to gain visibility into their claims handling and prevent future fraudulent claims. "I knew I needed a giant arrow that says: 'Look right here,'" he said.

Klear.ai helped Robles and his team consolidate their risk and data analytics down into one efficient, intelligent system that employs artificial intelligence (AI) and, more specifically, machine learning to identify potential fraud and flag problematic claims faster.

The Klear.ai platform includes anomaly detection, predictive modeling, social network analytics, text mining, and business rules to accumulate holistic data that provides a risk rating for each provider in the WC program.

Risk ratings encompass frequency of anomalies noted, the severity (amount spent) of those anomalies, and their breadth (how many different occurrences there have been) to directly pinpoint problematic claims.

Case study: Klear.ai uncovers $7 million prescription double billing error for L.A. County

When LA County WC claimants neglected to retrieve their prescriptions from the pharmacy in due time, Klear.ai's technology uncovered a double billing error. These prescriptions had already been paid for by the city's WC program, but when they were restocked and later refilled for the patients, the pharmacy mistakenly billed the program a second time for the same prescriptions.

Klear.ai's system found the outlier, resulting in a cost savings to the county of approximately $7 million.

"I got my return on investment within the first six months of implementing this technology," Robles said.

$500 million
Spending on WC claims annually

300
Adjusters supporting the LA County program

8
Person LA County Auditing team

$7 million
Uncovered double billing error

1 *California Department of Insurance "Workers' Compensation Fraud Convictions," Accessed August 9, 2023.*

Klear.ai empowers Robles' team with the insights they need to quickly investigate flagged providers and flagged claims while simultaneously correcting errors on the back end of their system.

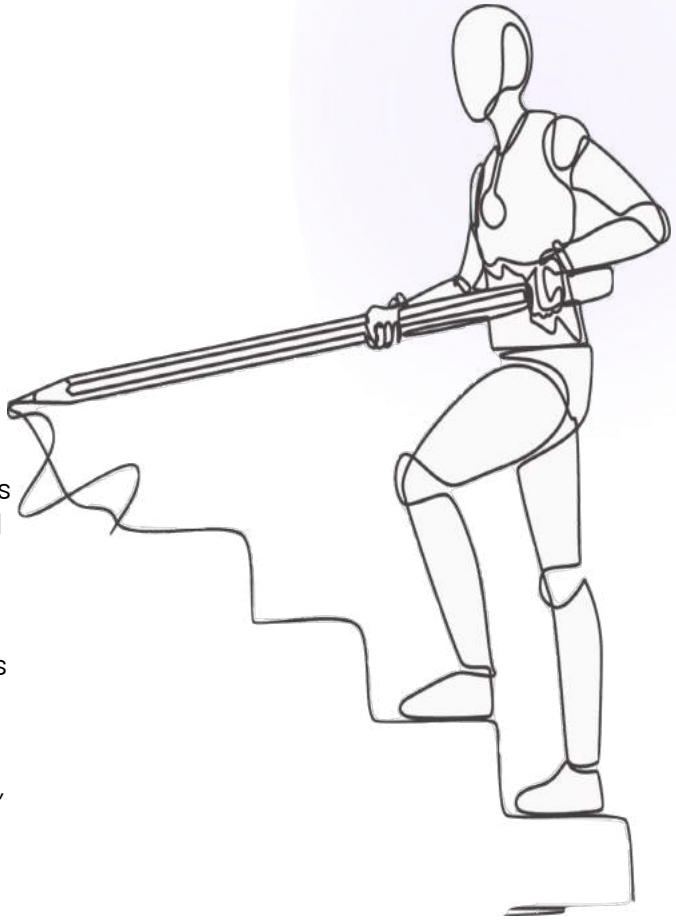
Identifying suspicious activity: fast, efficiently, targeted

Accumulated data is imperative for timely fraud identification. To discern fraudulent activity from a simple billing error, it's critical to have a pattern of activity to examine. A singular instance of overbilling, for example, may have been an accidental oversight from a provider that issued a duplicate bill for service. But, when billing practices jump by 200% or 300% over consecutive quarters, for example, it's a red flag.

In addition to such obvious patterns, Klear.ai's AI technology solution identifies outliers that traditional and human data analytics methods may miss. Soon after LA County's WC program began partnering with Klear.ai, the AI analytics identified a WC provider that should've been on the system's blacklist because of previous fraudulent billing. Robles' team was able to immediately remove the provider and subsequently avoid future issues associated with them.

The future is set on optimizing outcomes

The County of LA seeks better, faster insight into adjusters' successes and needs. Currently, an eight-person audit team performs an annual random sampling of 30-50 files from over 300 adjusters handling 15,000 new claims, and it's nearly impossible to assess how the adjusters are doing on a real time basis.



As Robles put it, *"that's just not going to show me if we have an adjuster doing the best job for our employees."*

Klear.ai's Audit module is set to analyze each County adjuster's three points of contact, including review of the adjuster's notes, how appropriately claims are documented, and if reserving is done correctly. This helps the team at LA County identify problematic adjusters and determine ways to help them perform better.

Robles also believes the same Audit module will help the team at LA County analyze the performance of physicians that treat injured LA County workers.

"The same analytics that are used to identify fraudulent doctors can be applied to the performance of the doctors," Robles said.

"What if you have Doctor A who can handle a fracture better, faster and get your employee back to work sooner than Doctor B? And have our injured employee see Doctor B — the County — and the employee walks away with higher satisfaction?"

Because LA County's WC program is committed to partnering with the best patient care providers, Robles plans to get even closer to achieving this goal with Klear.ai. "In the end that helps our employees, and the ultimate goal here is to optimize our ability to detect fraud and push legitimate claims through quickly."

Robles also plans to address employee performance from a loss control perspective in the near future. LA County's employees are largely made up of first responders who shoulder enormous burden and trauma as a regular part of their working lives. Robles envisions a platform that utilizes their new risk-rating technology to flag employees that may need support and intervention ahead of a claim.

Lessons learned on taking the plunge with AI data analytics

Robles and his team have seasoned insight about what it takes to get up and running with a new AI data analytics platform like the system they've implemented with Klear.ai.

Here are three steps to keep in mind:

Take baby steps

"You can't just go from point A to point Z when it comes to implementing with AI and machine learning," Robles said. Integrating these sophisticated systems must be done in an incremental fashion in order to achieve successful implementation. The change management must be thoughtfully planned out ahead.

Stay engaged with the data

It's important to stay close to the data and ensure that you know the story the data is telling — and is not — showing you. Robles sums it up succinctly: "If you don't understand the data, you're not going to be able to tell if it's right or not."

Be ready to pivot

Don't assume that the path you set out on at the beginning will stay unchanged. Be ready to change your course and your thinking as needed, because as Robles points out, "the way you understand it is not always right."

"This is something we can do, which ultimately could prevent that suicide from happening, or maybe prevents the deputy sheriff from having an excessive force claim, or a tragic shooting from occurring," Robles said.

Robles is optimistic about LA County's future with Klear.ai.

"It goes beyond identifying fraud waste. It's also about improving our outcomes when it comes to treatment, and it's going to be a satisfaction thing for our employees."

To learn more about Klear.ai's data analytics solutions, request a demo today.