



# AI and Claims Management

## A Pathway to Savings

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**The pursuit of efficiency** is an ongoing battle in insurance claims management. Before the pandemic, there were promising trends of decreasing cycle times, signaling potential advancements in claims processing. However, the global crisis not only halted this progress but also cast a stark light on the challenges faced by claims professionals across the industry.

As businesses navigate the complexities of P&C claims management, they are confronted by four main challenges: a looming workforce gap, an escalating demand for expertise in claims handling, the need for cost savings and outcomes, and legacy tech.

Together, these challenges pose significant hurdles for enterprises, requiring innovative solutions to maintain competitiveness and efficiency in an evolving landscape.

First and foremost, the **workforce gap presents a pressing dilemma.**

*The impending retirement of a substantial portion of the insurance workforce, coupled with a lack of younger talent entering the field, intensifies the scarcity of skilled professionals. Within the next 15 years, half of the insurance workforce will retire, resulting in over 400,000 vacant positions.<sup>1</sup>*

*The **growing need for expertise** in claims handling compounds the predicament. Escalating costs fueled by increased litigation underscores the imperative for a workforce equipped with specialized skills to efficiently adjudicate claims. The pace of tech-*

*nology adds another layer of complexity, necessitating teams adept at harnessing the power of digital tools to streamline processes and drive operational excellence.*

*Another issue is the need to appropriately **measure cost savings and outcomes**. Most of the industry fails to measure outcomes correctly, using simplistic metrics that do not control for year-over-year fluctuation in claims, causing many to become disillusioned with claims tools after feeling they were misled.*

*The tech gap also presents a barrier to efficiency and cost-effectiveness. Despite the potential of predictive analytics and workflow automation to revolutionize claims management, the industry lags in its widespread adoption. Currently, only 42% of organizations utilize predictive analytics for insurance claims. The failure to fully embrace advanced technologies perpetuates inefficiencies and undermines the industry's ability to optimize resource allocation and mitigate risk effectively.*

## **Enter: Artificial Intelligence (AI).**

While proper human intervention and structure is required, ultimately AI has the potential to overcome each of these challenges, offering significant time and cost savings in claims management and processing. Don't let the chatter around AI today inhibit your organization's use of it. Here's how you can achieve claims accuracy and efficiency with AI.

## **Benefits of leveraging AI for claims processing**

Using unstructured data and large language models (LLMs) in claims management can offer many benefits.

- **Reduced costs.** According to Milliman, the top 5% to 10% of claims often account for 80% of total costs, emphasizing the significance of early identification and intervention. For large enterprises, AI-driven cost reductions can add up to millions annually. In fact, AI-enabled claims triage can reduce claim severity 3% to 10%.<sup>2</sup> By predicting high-cost

claims early on, AI facilitates proactive interventions, ultimately leading to improved claims outcomes. Through features like straight-through processing, AI streamlines claims adjudication, automating up to 60% to 70% of claims, driving additional cost savings.

- **Enhanced data understanding.**

AI unlocks the potential for organizations to comprehend their claims data at a granular level, facilitating informed decision-making and strategic planning. By leveraging advanced techniques

such as risk adjustment, AI normalizes data to provide accurate benchmarks and comparisons across different time periods. This nuanced understanding of data enables claims professionals to identify trends, anticipate future risks and effectively communicate insights to leadership, enhancing organizational transparency and accountability.

- **Consistency improvements and leakage reductions.**

While attrition rates within claims

departments rise, AI offers the ability to standardize and automate claims processing tasks. By uniformly evaluating claims and mitigating potential errors or omissions, AI ensures consistency in decision-making. Additionally, AI prevents leakage by systematically analyzing claims data and identifying areas of potential loss. This proactive approach enhances operational efficiency and supports downstream activities such as predic-

**...AI ensures consistency in decision-making**

tive analytics and benchmarking, bolstering claims management.

- **Seamless technology adoption.**

AI solutions specifically tailored to claims data can be implemented quickly and painlessly. Modern AI-powered claims solutions are designed for ease of integration, compatible with diverse data formats and existing IT infrastructure. This minimizes disruption and facilitates rapid adoption of AI technologies within

claims departments. Also, AI's scalability enables organizations to start small and expand gradually, harnessing capabilities incrementally to drive wins in both efficiency and accuracy.

**ACTION ITEM:** *Using these benefits, build out a business case for AI in claims processing. Gain stakeholder buy-in now that will be critical to future AI adoption.*

### **Data and claims savings are unlocked with AI features**

The use of AI in insurance claims management is proving to be a transformative strategy for many organizations. However, not all AI tools are created equal. For one, the efficacy of AI models hinges on the quality, strength and accuracy of your data. To effectively harness AI in processing claims and drive savings, look for key features and functionalities in a comprehensive solution. These include:

#### **1 Benchmarking and status indicators**

A robust AI tool should offer benchmarking capabilities to assess claims against industry standards

and business-specific goals. By benchmarking claims and analyzing factors such as probability of loss time and attorney involvement, the tool can provide insights and generate universal scores for each claim. Additionally, real-time alerts can be triggered to notify users of significant developments or deviations from expected outcomes.

#### **2 Predictive modeling**

To predict future outcomes, organizations must harness historical data. Whether it's predictive modeling to evaluate the potential benefits of medical interventions or flagging claims for pharmaceutical evaluation based on medication usage, predictive modeling can anticipate outcomes and optimize decision-making processes.

#### **3 Straight-through processing**

Streamlining claims processing with straight-through processing eliminates the need for an adjuster or underwriter to touch low-cost or common claims, reducing processing times and enhancing efficiency. While this feature is still evolving, forward-thinking insurance profes-

sionals recognize its potential to improve business operations and enhance customer experiences.

#### 4 Utilization of claim narrative with AI

Effective utilization of AI involves leveraging advanced technologies like LLMs to analyze unstructured data, such as claim narratives — one of the most impactful innovations in claims handling. Unlike simplistic keyword searches, sophisticated AI tools can discern contextual nuances and accurately interpret information, leading to more informed decision-making and enhanced accuracy in claims processing.

#### 5 Notification of potentially large/costly claims

Identifying and prioritizing potentially large claims is key to effective claims management. AI-powered systems can analyze data to flag claims that require closer scrutiny, additional oversight or are trending to be high-cost, enabling claims professionals to allocate resources efficiently.

#### 6 Claims handling rules and procedures

AI can help identify claims that need attention and aid in establishing and refining claims handling rules and procedures. By leveraging claims trends based on a collection of data points over time, AI can provide clear guidance to self-insured

businesses, claims professionals and third-party administrators (TPAs).

**ACTION ITEM:** *Look for these essential features and capabilities in your AI claims tools to pave a path toward deeper understanding of your claims data, more efficient processing, and, ultimately, significant cost savings.*



## Developing a unique AI strategy for claims management

Ultimately, **developing an effective AI strategy** is not a one-size-fits-all endeavor; it requires careful consideration of your organizational structure, existing processes and available resources. Each organization is unique and will have its own set of challenges and opportunities in partnership with AI.

#### So, what steps should you take to embark on this journey?

First, it's essential to **assess** your organization's readiness and determine whether AI is the right fit for your needs. Investigate whether you have

the necessary **data** infrastructure in place to support AI-driven initiatives. While some roadblocks may exist, they are often surmountable with the right approach and expertise.

**Timing** is another critical factor. With modern claims AI solutions, implementation can be swift, often taking as little as eight weeks to get up and running. While immediate cost savings may not materialize on day one, establishing a clear strategy lays the foundation for long-term success with metrics embedded in the process to measure both cost savings and desired outcomes.

It's essential to continue **monitoring AI** and iterate if needed post-implementation — an often-overlooked part of the process. It not only allows your organization to measure savings, but to update your models for better problem solving and success. Analytics should provide valuable insights to guide tactical decisions on individual claims and strategic planning for overarching trends.

Additionally, **collaboration and communication** are essential elements of a successful AI strategy. Engage stakeholders across departments to ensure alignment and buy-in and

foster a culture of continuous improvement and learning. By leveraging AI as a tool for innovation and optimization, claims organizations can stay ahead of the curve and drive sustainable growth in an ever-evolving industry landscape.

Lastly, and perhaps most importantly, is the **quality of your data**. Often, organizations underestimate the richness and potential of their data, particularly the unstructured narrative within claims, which can help your organization obtain a more thorough

view of the cause of claims and their resolution. Tapping into data's full potential can yield invaluable insights. By harnessing advanced AI technologies, organizations can transform unstructured narrative data into actionable intelligence, enabling more informed decision-making and strategic planning.

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While the journey toward AI-powered claims management may pose challenges, the rewards significantly outweigh the investment. 🌟

**Case in point:** One organization lowered its workers compensation costs using Milliman Nodal to triage workers compensation claims shortly after being disclosed, improving claims management in the process. Using predictive analytics allowed this organization to flag 19 out of 20 claims within 30 days of being reported. After one year, this lowered claims severity by 15% and decreased claim closure time.

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