Turnaround Time of In-House Health Reimbursement Claims

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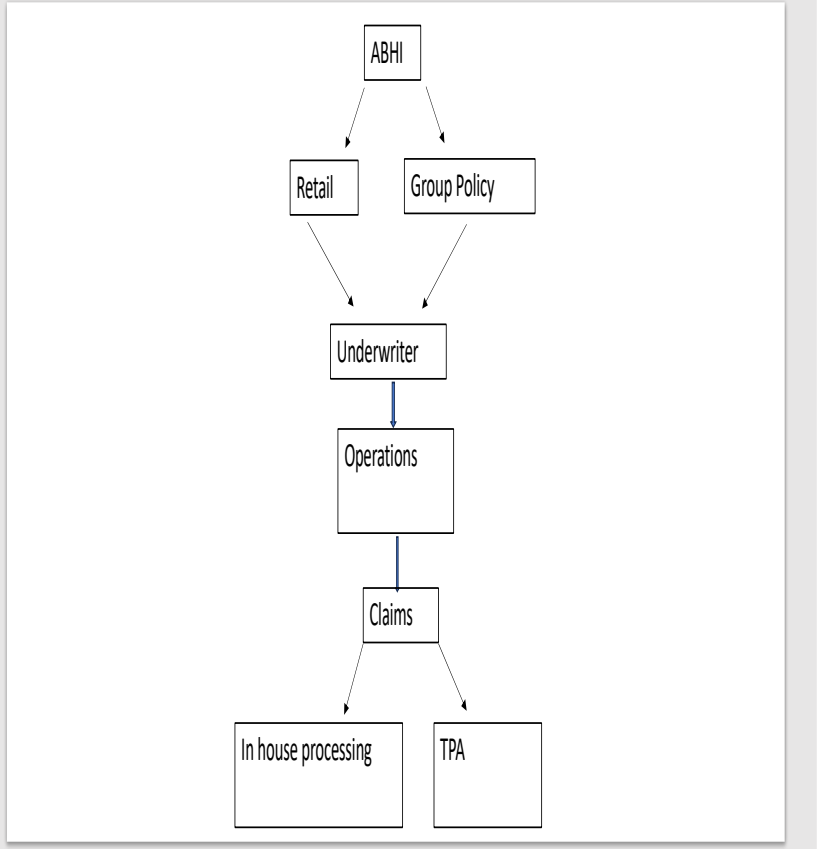
Introduction

- The healthcare sector in India is expanding quickly. The Indian healthcare industry is anticipated to grow by three times, at a CAGR of 22% between 2016 and 2022, from US$110 billion to US$372 billion.
- By 2023, the Indian hospital sector, which currently accounts for 80% of the global healthcare market, is predicted to reach US$132 billion.
- One of the key drivers of the general health insurance sector's expansion in India is the health insurance sector, which accounts for around 29% of the country's overall general insurance premium.
- The sector has changed since the IRDA (Insurance Regulatory Development Authority) Bill 1999 was passed. Private players now have access to the insurance market. The insurance sector in India presents significant investment opportunities for both domestic and foreign companies due to its enormous population base and unexplored market.
- India currently ranks sixth among the world's emerging insurance markets in terms of market size and is expanding by 32–34% annually.

ABHI CLAIM PROCESS



- Aditya Birla Capital's ABHI which stands for Aditya Birla health Insurance deals in healthcare insurance domain. Now there are two types of policies that any healthcare insurance company provides - Retail health policy and Group health policy.
- Now in Retail health policy the customer purchase the healthcare insurance policy through brokers, agents or they might have seen an advertisements online through policy bazar.
- Group health policies are also known as GMC (Group Mediclaim), here the insurance companies hire a broker and through that broker provide health policies to corporates/company's employees , spouses, parents, in-laws.
- Underwriter – now the policy has been provided to the individual customers or a GMC then the policy comes to the Underwriter where the team analyses the risk associated with the policy , check the demographic details if it is an individual policy or in case of group policy check the premium and number of employees can be enrolled in the policy and how much business that corporate can give us. Then the policy is placed.
- Operations – after the policy is being placed ,underwriter has given the confirmation, the operations team fit every details in the system of the health insurance company.
- Claims- Then the policy comes to the claims team, now here first the MIS team (Management information team) separates the claims into two parts – cashless and reimbursements, then provide the individual claims to the In- House Processing team and the GMC to the TPA.

Literature Review

- **Tech can reduce turnaround time for claim settlement by 70%** (Author: Kingson) - - This article states that insurance is just not a product that consumers can buy and safeguard for the future but is a commitment that consumers expect the insurance company to fulfil when they face crisis in their lives. Risk , fraud related issues, making prompt decisions without error is a massive challenge leading to inordinate delays in the settlement . Around 38% of the health insurance companies settled the claims on an average in 5 business days. Covid claims amounting to Rs 117 crore have remained unsettled, for FY 21, ending March 20221. Insurer using Artivatic's deep technology have witnessed 90% reduction in TAT for policy issuance, 70% reduction in claim TAT, 15% reduction in AML, risk and fraud.

- **Turnaround time affecting insurance business growth** (Author: Mohit Sharma)- This study focuses on the growth barriers of the insurance company due to longer turnaround time. It states possible reason for the longer TAT like short of workforce, staff is overburdened because of that, unable to leverage the latest technology and facing issues with the process development. Moreover having more backlogs affects the morale of the employees. Longer TAT impact operations, brings inconsistency in the process, leads to loss of cash and customers. Improving and updating the software would lead to faster automation and reduces human error and reduces the TAT time.

- **Claim settlement process of health insurance : TPA Vs In house claim department** (Author: Navneet Dubey) - This comparative analysis explains the difference between the claim settlement process by TPA and in-house claim processing units . have explained the pros and cons of both the TPA and in-house claim processing units but overall there is not much difference , as both implement the process that has been setup by the IRDAI. Building an in-house claim processing department allows the insurer to provide special offerings to their policyholder from time to time. there are a large number of cases requiring a formal judgement (on applicability or quantum of cover), a TPA may be inefficient and will end up escalating most cases to the insurer only. So, in case of in-house claims processing department where the entire process is done within the insurance company itself, claim process is more hassle-free and takes less time as compared to TPAs.

Literature Review

- **Delivering quality service: Balancing customer perceptions and expectations** (Authors: Zeithaml VA, Parasuraman A, Berry LL, Berry LL) - This empirical study looks at how quickly insurance claims are processed and how it affects consumer satisfaction. Surveys and conversations with policyholders help researchers get information about how quickly claims are resolved. In order to increase customer happiness and loyalty, the study emphasises the value of rapid and transparent communication, streamlined documentation procedures, and timely claim resolution.
- **Strategies for Enhancing Turnaround Time in Life Insurance Claims** (Authors : Kweilin Ellingrud, Alex Kimura, Bira Quinn, Jason Ralph) - This comparison analysis looks at how quickly life insurance claims are processed at various insurance firms. The study outlines a number of techniques used by insurers to shorten processing times, including the digitization of claim paperwork, the use of electronic medical data, and the adoption of collaborative platforms for effective beneficiary communication. The study emphasises the significance of technology adoption and process enhancements in hastening the resolution of life insurance claims.
- **Efficiency Improvement in Auto Insurance Claims Processing** (Author : Bhavani)- The auto insurance industry is the subject of this case study, which also looks into the factors that affect how quickly claims are processed. The researchers examine claims data from a sizable vehicle insurance company and pinpoint possibilities for improvement, including enhancing lines of communication with repair facilities, putting in real-time tracking systems, and utilising predictive analytics for quicker claim evaluation. The study offers perceptions on excellent practises that can be applied in comparable settings

Methodology

Type of study- Correlational Quantitative Study.

Research Question- What strategies can be used to streamline the processing of internal medical reimbursement claims?

Research Objectives –

- To study the current turnaround time of in-house health reimbursement claims.
- To identify the reason of turnaround time breach of in-house reimbursement claims.
- To identify the factors influencing the TAT of inhouse claims.
- To suggest recommendations accordingly to improve its efficiency.

Methodology

SAMPLING TECHNIQUE – Simple random sampling technique.

TYPE OF STUDY – Correlational Quantitative Study.

SETTING - ADITYA BIRLA HEALTH INSURANCE, MUMBAI.

STUDY POPULATION –

Inclusion criteria – Internal Reimbursement claims.

Exclusion criteria– External Reimbursement and cashless claims.

STUDY TOOL- Secondary Data.

Sample size – 10000 internal in-house health reimbursement claims.

Data collection method - Retrospective data.

Results

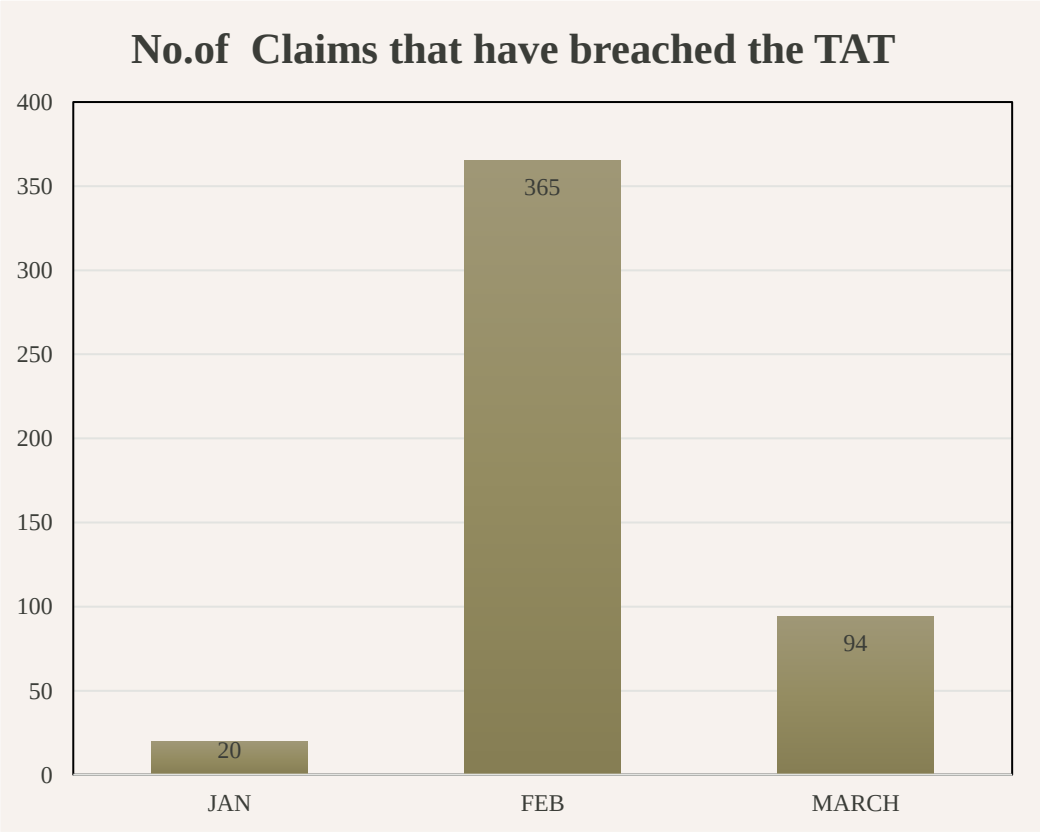


Figure – 1 No.of claims that have breached the TAT

- Out of the 10000 in-house reimbursement health claims of the month – January, February, March 2023. Now out of those 10000 in-house reimbursement health claims, we have selected the data that has crossed the TAT (Turnaround time) of 15 days.
- Figure -1 reflects the number of claims that have breached the turnaround time of 15 days , 20 claims in the month of January, 365 claims in the month of February, and 94 claims in the month of March 2023 have taken more than 15 days for the entire processing period.
- This has been collected from MIS team of the insurance company.
- When a claim breach the TAT of 15 days , the insurance company pays interest to the policyholder.

Results

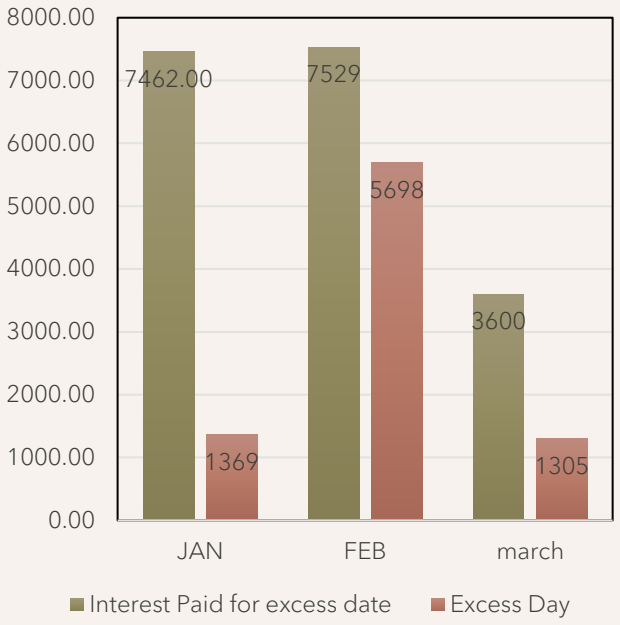


Figure – 2 interest of excess paid days

- For 20 claims in January month it took overall 1369 days, for 365 claims in the month of February it took 5698 extra days and in the month of March it took 1395 days for 94 claims to processed and with 8.50% yearly interest, the interest paid for excess days have also been mentioned where we can clearly observe that maximum interest paid was in the month of February.
- **Calculating the interest rate**

➢ **Total Interest Rate** always remain at **8.50%.**

➢ **Yearly Interest Rate = Paid Amount * Interest rate *365 days**

➢ **Interest Excess Rate = Total yearly interest * TAT days**

365 days

MONTH	Paid Amount	Interest Paid for excess date	Excess Day
JAN	691102	7462.00	1369
FEB	2178801	7529	5698
MARCH	621408	3600	1305

Table – 1 calculation of interest paid for 3 months

Results

- When we calculate TAT, the claims are broadly divided under these categories: -

  1)Claim number 2) Paid amount

  3)LDR (last document received) 4) Paid Date

  5)TAT 6) Actual TAT

  7)Excess day 8) Total interest rate

  9)Total yearly interest 10) Interest paid for excess date

- Now on further bifurcation it is divided into –

  a)Internal bucket. b)External bucket.

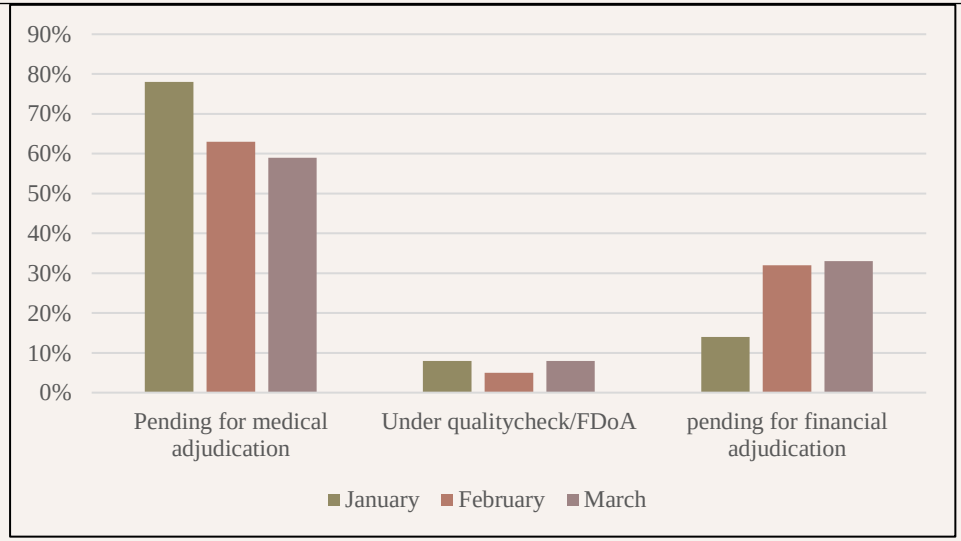


Figure 3- Reasons for TAT breach

- The internal bucket is the one that is taken into considerations, which basically deals with the in-house claim processing team, and helps us to understand why is there delay in processing and closing the claims withing 15 days from our team. It takes into considerations –

  -Pending for medical adjudication -Pending for insurer approval - Under quality check

  -Medical assessment -Debit note to be raised -Pending for financial adjudication

Major Findings from the study

1. **Current TAT of in-house health reimbursement claims-**

- The study comprises of the sample size of **10000 reimbursement** in-house health claims, from which we have seen that **479 in-house** reimbursement health claims have breached the TAT of 15 days.
- In the month of January 20 claims, in February 365 claims and 94 claims in the month of March have breached the TAT.
- Interest paid after the TAT breach is 8.50%, so accordingly we have calculated the Yearly Interest Rate and Interest Paid for excess date.
- If those haven't breached the TAT then the amount paid would have been, Rs 691102 in January, Rs 2178801 in February, Rs 621408 in March.
- Now after calculating the total excess days, it was 8372days, and calculating the interest on it, total interest paid by the insurance company was Rs 18591.
- The number of claims that breached the TAT was minimum in the month of January, then there was a spike in the breach of claims in the month of February and as compared with the last month in the month of march the claims were less that breached the timeline.

Major findings from the study

2. Reason of turnaround time breach of in-house reimbursement claims-

- Delay of process stakeholder's level.
- Delay in Inward System.
- Factors affecting the outstanding category status
- Claim is not admissible due to non-submission of deficient document
- Insurer not sharing the remarks properly and so the claim goes for re-processing and process gets delayed.
- Delay in response from the policyholder, even after 3 reminders delay in sending documents and these 3 reminders itself takes 45 days.

Discussion (Literature review wise)

1.Tech can reduce turnaround time for claim settlement by 70% - This study on the importance of insurance and its impact in the life of the consumer by author Kingson in the year 2021 clearly stated that the reasons for TAT breach like fraud related issues, human error and many more , but their top reasons remains- fraud related issues and human error. By fraud related issues they have highlighted that the consumers make fraud OPD receipts of the hospitals, fraud receipts of the pharmacy bills, and due to the human error refers to the inefficiency of the in-house processing team, their ignorance to check the documents properly, and also the policy coverage. These reasons for delay in processing of the claims resembles with our study, whereas in present study, the top three reasons found was remains – pending for medical adjudication, pending for financial adjudication and the quality check(that includes the fraud, abuse and risk management). The author further suggested that technology can reduce the turnaround time for claim settlement by 70%, because advance level software reduces the human error and also process the claims faster which is very much coherent with the present study and study also suggest the same.

2.Turnaround time affecting insurance business growth – This study was conducted by author Mohit Sharma in the year 2022, now this study is similar to the present study and the previous study that is tech can reduce turnaround time for claim settlement by 70%, where fraud related issues and human error were pinpointed as the main reason of concern for the delay of the claim processing , but in this study they have highlighted other issues like – short of workforce, staff is overburdened because of that, unable to leverage the latest technology and facing issues with the process development. The author further suggested that technology can reduce the turnaround time for claim settlement by 70%, because advance level software reduces the human error and also process the claims faster which is very much coherent with the present study and study also suggest the same.

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3.Turnaround time affecting insurance business growth – This study was conducted by author Mohit Sharma in the year 2022, now this study is similar to the present study and the previous study that is tech can reduce turnaround time for claim settlement by 70%, where fraud related issues and human error were pinpointed as the main reason of concern for the delay of the claim processing , but in this study they have highlighted other issues like – short of workforce, staff is overburdened because of that, unable to leverage the latest technology and facing issues with the process development. That is why author further suggested that hiring more efficient employees and leveraging the technology will benefit the insurance companies.

4.Claim settlement process of health insurance : TPA Vs In house claim department- This study was conducted by Navneet Dubey in the year 2022, where he stated the pros and cons of the in-house claim processing department of the insurance company and when the insurance companies hires a third party administrator to process the claims. The present study is similar to this study in dealing with the in-house claim department, and also there is not much difference as both conduct the process that has been implemented by the IRDA. . So, in case of in-house claims processing department where the entire process is done within the insurance company itself, claim process is more hassle-free and takes less time as compared to TPAs.

5.Delivering quality service: Balancing customer perceptions and expectations- The authors of this study have conducted the study in the year 1990 where he highlighted the connections between the faster processing of the claims with the customer satisfaction. This study resembles with our study as the reasons for delay in processing of health claims are almost the same which includes – payment errors made by the insurance companies, since there is payment error made by the operations and finance department by not collecting the proper UTR details , bank details , by entering the incorrect bank account number , and these payment errors are also from the in-house processing time .

Discussion(Literature review wise)

6.Efficiency Improvement in Auto Insurance Claims Processing, Strategies for Enhancing Turnaround Time in Life Insurance Claims – The mentioned two studies was conducted in the year 2022 that deals with the recommendation part of our study , where they have discussed a number of techniques used by insurers to shorten processing times, including the digitization of claim paperwork, the use of electronic medical data, and the adoption of collaborative platforms for effective beneficiary communication, and pinpoint possibilities for improvement, including enhancing lines of communication with repair facilities, putting in real-time tracking systems, and utilising predictive analytics for quicker claim evaluation. They have highlighted the reasons by which our processing of claims can be done faster.

7.The role of time constraints in consumer understanding of health claims – This study was conducted in the year 2021, it reflected another aspect of delay in processing of the claims that is less understanding of claims by the consumers, which we also found out while processing the claims during our survey time in the insurance company. It has been observed that less understanding of health claims by the consumers have led to delayed processing of claims, when they have submitted the documents for the policy to get approved . Everything is inter-related here, if one thing gets delayed it automatically starts affecting the other process one after the other. According to the theory of endogenous growth, better productivity is a crucial component of economic growth and provides an overall population growth. It was observed in a study that the CAGR for the number of policies was 19.50%, for members it was 24.84%, for claims it was 32.10%, for premiums it was 39.88% and for claims it was 40.29%. It was observed that the percentage of claims paid increased more than the percentage of premium paid.

Conclusion (Objective wise)

Our research was focussed on what strategies can be used to streamline the processing of internal medical reimbursement claims and to identify the current turnaround time of in-house health reimbursement claims, the reason of turnaround time breach of in-house reimbursement claims, the factors influencing the TAT of in-house claims and to suggest recommendations accordingly to improve its efficiency.

1.The current turnaround time of in-house reimbursement health claims -

- There are not much significant loss the in-house processing claims have faced as compared to the TPA processing team of the Aditya Birla Health Insurance company .
- Breaching of claims were the maximum were in the month of February, the march and least was in the month on January.

2.Now after observing the current TAT of in-house health claim , we have identified the reason for turnaround time breach , the various reasons are –

- Incorrect mapping of MIS data.
- Pendency of the internal bucket - pending for medical adjudication , pending for insurer approval, under quality check, medical assessment, debit note to be raised , pending for financial adjudication. Now out of all the reasons, the top three reasons were – pending for medical adjudication, under quality check and pending for financial adjudication for the three months .

Conclusion (Objective wise)

3.The various factors influencing the turnaround time breach are-

- Delay in the inward system which includes delay in receiving the hard copy of claim documents from the hospital or from the insured person.
- Delay in updating the policyholder details in the system.
- Delay in response after intimating the non-medico, so basically if one thing gets delayed it affects the entire process.
- Pending in the outstanding category .
- Improper document submission.
- Sum insured getting exhausted.

Healthcare organisations can significantly shorten the time it takes to process claims by eliminating bottlenecks in manual procedures, introducing automation and digitization, streamlining communication channels, optimising workflows, and streamlining regulatory requirements

Recommendations

To improve the current turnaround time of in-house reimbursement claims :-

1)Process Automation

2)Standardization and simplification

3)Electronic Data Interchange (EDI)

Reducing the reason for TAT:-

1)Reducing Errors in Mapping.

2)Implement error correction method mechanisms.

3) Validate and cross reference data

Reduction of factors influencing the turnaround time breach are :-

1) Workforce

2) Customer Relation Management.

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