Data analytics: A potent loss prevention strategy in the growing health care industry

While the U.S. economy has been in a serious slump during the past few years, one business sector—health care—has experienced no such decline.

Health services employment has shown consistent growth since 2002, according to a 2012 Conning Research & Consulting Strategic Study. Using Bureau of Labor Statistics (BLS) data, in May 2010, there were more than 2.6 million registered nurses—the fifth largest occupation in terms of total employment.

Health care services providers are also prone to more frequent workers’ compensation claims. According to BLS data, the nursing and residential care facilities segment had an incidence rate of 11.4 injuries per 100 workers in 2010, which was higher than the rates for both manufacturing and construction. This frequency of claims has led health care risk managers to seek better tools to help them pinpoint causes of loss and manage those risks.

“Increasingly risk managers are recognizing that data analytics can play a critical role in helping to diagnose issues and generate quicker and more long-term solutions,” said Kevin Finn, vice president of National Accounts for The Hartford.

Finn noted that with changes in federal health care mandates and concerns about margins, risk managers are under pressure to accomplish more with fewer resources.

PINPOINTING PROBLEM AREAS

The physical nature of occupations in the health care industry, as well as multiple work schedules contribute to the high frequency of workers’ compensation claims among health care employees, according to William Schaffner, vice president of Loss Control at The Hartford.

“Health care is a 24/7 industry, which means that around-the-clock shift work can result in a higher exposure to workers’ compensation claims,” said Schaffner. “It can also make it more difficult — and costly — to replace an injured worker. An employer may need to ask another employee to work extra shifts, which can make that employee more vulnerable to an injury.”

The multishift work environment also makes it more difficult to drill down into specific causes of loss, said Schaffner.

“When large health care organizations have employees working multiple shifts at multiple locations, it becomes a greater challenge to pinpoint where and when loss trends are occurring. This is where the ability to use data can drive a quicker, more specific response.”

GETTING TO THE ROOT CAUSE

Take, for example, a large hospital chain that had a high frequency of needle stick occurrences—70 percent higher than the industry average—which equated to $40,000—$50,000 in annual out-of-pocket costs to the client.

“Needle sticks are a common hazard for health care workers, but this was significantly higher than the expected rate,” Schaffner said.

The Hartford’s Loss Control team used its data analysis tool in conjunction with the company’s @venture® risk management information system, to uncover the key drivers in that high frequency rate. “Because we were able to drill down to the specific location, we found that the injuries were emanating from the surgical ward at that specific location,” said Schaffner. “The injuries turned out to be due to a type of needle used to administer injections.”

After completing a job study, The Hartford recommended two alternate options, which the client implemented and reversed the high frequency almost immediately.

“Without the ability to dig into the data, it would have been more challenging and much more time consuming to isolate the root cause,” said Schaffner.

TARGETED SOLUTIONS

Another client, a large children’s hospital, had a high incidence of slip and fall claims among employees, which is also not uncommon in health care, given the focus on cleanliness, especially floors.

“By using the data analysis tool, our Loss Control team was able to pinpoint that the claims were coming from a specific building and location, the surgical ward, where slip and falls were 10 times greater than across the rest of the hospital’s facilities,” said Schaffner.

A job site analysis revealed that the surgical ward floors were extremely slippery, having a very low coefficient of friction, which was measurable. “As it turned out, the cleaning staff was using a much more concentrated form of cleaning solution than recommended, making the floors much more slippery — and risky — than the rest of the hospital,” said Schaffner.

The fix was simple: By instructing the cleaning staff to follow the manufacturer’s recommended use guidelines, the hospital was able to reduce the number of injuries.

“Getting to the root cause quickly can have a substantial bottom-line impact by bringing focus to a company’s risk management efforts.”

“Without the data analysis determining that claims were emanating from the surgical ward at that specific location, it could have been months before anyone was able to come to that conclusion or they may have taken a broader, more costly approach that wasn’t necessary,” said Schaffner.

CLIENT-CARRIER COLLABORATION

While risk managers can and do work directly on the data analysis effort, in most cases The Hartford’s Loss Control specialists conduct the analysis, with risk management input.

“One of the critical success factors is that our Loss Control consultants work directly with risk managers. It is truly a partnership,” Finn said. “Instead of going off and crunching data somewhere, our consultants are working side-by-side with risk managers to find solutions. It’s the difference between being a true consultant versus just an inspector. Data analytics is a mutually beneficial tool in the risk management process.”

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“For a health care organization with a loss sensitive insurance program, 80 to 90 percent of the workers’ compensation spend is typically below the organization’s deductible,” said Finn. “A risk manager’s ability to manage those costs down helps the entire organization.”