MetaOps Presents:

“APICS Student Case Competition”

Thanks to: Ron Crabtree
2-16-07
Agenda

• The situation
• Data provided
• Guidelines
• Open Q & A
• You have been hired to help a 50-year old institution figure out how to introduce some new technology – document scanning – to replace antiquated microfilm equipment.
• This is unionized facility that has had a very poor track record in the past introducing new technology:
  – Fights with the union on changing people’s jobs
  – Many false starts and difficult cycles for adoption of changes
Dental claims are the biggest single type of in-bound mail that must be handled.

The current state business process takes about 4 days for a in-bound claim to make it to the claims adjudication department to start “value add” work

The company has recently embraced a “Lean” approach to doing things – and wants you to use an orderly approach to introducing this new technology
• In addition, it is clear that 4 days for getting a document out of the mail room is completely unacceptable
  – This time must be cut at least in half
• A Value Stream Map has been created to visualize the current movement of mail and documents (next slide)
Situation – Insurance Claim Processing
Service Industry Mail Room

• Today (if all goes well) the mail is handled 10 times before an adjuster sees the document – some mails handled 14 times

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Situation – Insurance Claim Processing
Service Industry Mail Room

Steps in the current state:
1. Pick up from post office
2. Unload – Receiving from post office on the first floor
3. PO Box sort – Pre-sorting
4. Open (slitters, different sizes) and place back into bins
5. Move the mail to the third floor in bins
6. Open and prepare the mail for microfilm – remove staples, fix document tears, match attachments
7. Prepare the documents for scanning – ID sheets
8. Micro film each page, place documents back into bins
9. Data entry of batches (bundles of claims)
10. Move mail to shelves in a holding area to wait for adjusters to pick up the claims to begin processing them

NOTE – a detailed PDF version of current state VSM in a spread sheet form will be provided to all student teams electronically.
• **Value Stream Map**
• Value Stream Map – rolled-up data in the first pass:
  – Average Paper Claim “cycle time” – time we are “doing something with it” = 49 seconds
  – Paper Claim “through time” is over 4 days if everything goes right the first time!
  – Value add time is about .04% - arrived at by diving the 49 seconds into 4 days of through time for their value stream
• There are different departments involved with processing today
• The 10 steps take place on 2 different floors
  Current state spaghetti diagrams have been created (next slides) to visualize current movement of the mail
• There are no limits on where the future process will be within the current building
Situation – Insurance Claim Processing
Service Industry Mail Room

• Spaghetti Diagram – 255 feet on 1st floor
Situation – Insurance Claim Processing
Service Industry Mail Room

• Spaghetti Diagram – 461 feet on 3rd Floor. If all goes right – 716 feet of movement by people
• The new scanners are a optical recognition technology that will eliminate microfilming
• Better yet – once a claim is scanned the paper is not needed by adjusters – they can work from the electronic file
• There is an apparent opportunity to re-think the whole process of handling mail – using a “Lean” way of thinking
• **Microfilm work station**
• Post-micro-film claims – heading to the adjusters
Data Provided

- New OCR Scanner setup
Guidelines

- For this project you get to pick your own team, who would you want on the team? Why?
- With respect to organization and layout of the work – what might you suggest?
- What would be your strategy to minimize issues with the unionized workforce – any re-alignment will affect current job descriptions!
- What questions do you suppose must be asked, understood and dealt with respect to the new technology (OCR scanners)
  - Infrastructure issues?
  - Other issues?
Guidelines

• Management has made it very clear that if we are going to move anything or anyone – we had better be able to MEASURE an improvement to the process
  – First – what is the best strategy to taking 50% of the time out of this process so that claims are available for adjudication quicker? What might that look like?
  – Can we reduce the labor time to do all this work in a measured way? After your analysis, how much improvement in productivity should be targeted?
    • How you will you measure the productivity gain?
Guidelines

• What will you do to minimize disruption to the business during the transition?
• Specifically what will you do – a step-by-step strategy – to avoid a big fight with the union before, during, and after making your changes?
Guidelines

• Your deliverables are answers to all the questions above in “guidelines”

• **Bonus consideration is given** for any additional ideas and other alternatives that your team develops to get the best possible results that have not been suggested in these guidelines
Q & A

• General questions at this point that we all get to hear together

• OK – let’s review the rules one more time...