CIS 8010

Team Exercise 5

The Acme Insurance Company Claims Processing Service

Statement of the Issue from the Perspective of Six Sigma: It takes about 43 days to process a claim check, which makes customers very unhappy. At the same time the cost per claim for ACME insurance is high, which makes the service unprofitable.

Upon cursory inspection of the available data, it has been determined that the primary outcome of interest (big Y) is to reduce the total lead-time to mail a claim check to customers. It has been determined that the primary factors (x's) driving the total lead-time are the time delays in the process (see Acme Value Stream Map). These delays are due to wasteful activities and undesirable variances in the value stream.

A value stream map of the claims process has been created. ACME has identified three areas in the value stream where delays are particularly high -- 1) the time it takes to enter a customer claim in the computer after receipt of a claim call, 2) the time it takes to receive two estimates from the customer, and 3) the time it takes to actually process a claims check at the end of the process. The hypothesis is that by removing the wasteful activities causing these delays, the total claims process lead-time will be reduced while also reducing the cost per claim.

ACME believes that by reducing the total lead time of the claims process, the customer will be more satisfied while, at the same time, the total cost per claim will decrease since cost per claim is a function of lead time. They believe this is true because most of the cost of processing a claim is fixed cost in the form of human resources, offices, computers, etc. By reducing the total lead-time for processing a claim, Acme can process more claims per day – increasing claims throughput. When waste is eliminated from the process, capacity is freed up in the form of human resources. This freed up capacity can be converted to financial benefits by processing more claims per day (serving more customers).

Thus, the focus of this Lean Six Sigma project is to determine and eliminate the drivers (the x's) of the delays in the process, which will reduce total lead-time. Again, this will ultimately improve the customer experience while at the same time reducing the cost per claim. Improving the customer experience will likely produce an increase in demand for Acme insurance products over time via word of mouth. Additional capacity can be used to serve more customers and to generate more revenue.

Assignment

Create a cause-and-effect diagram (AKA Fishbone Diagram) that identifies the primary outcome of interest (the big "Y") for the Acme Insurance Company claims process (phrased as a problem). Then identify the casual factors that could be driving this outcome (small x's). Hint: use the two categories 1) Method and 2) People for the C&E diagram. Look at the Acme Value Stream Map where there is a lot

of time preceding an activity. Articulate the possible reasons for these “time traps” (the small x’s) in the C&E diagram. Use the Lean “5 Why’s thinking” to drill down into the causal factors. Please create your own C&E diagram. The template at the end of this document is for example only (you do not need to create a “fish” outline).