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“COLOSSUS,” the computerized IME surrogate

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**A brief overview and adaptation from The Wall Street Journal article, “Colossus at the Accident Scene,” Jan. 2, 2003.*

Just when you thought it couldn't get any worse in personal injury reimbursement, along comes a software program guaranteed to drive your income down and deprive your patients their just due.

In a quiet, surreptitious move over the past few years, many of the biggest insurers in the U.S. have begun using *Colossus*, the pre-eminent claims-processing software in use today to assess personal injury claims. **Computer Sciences Corp.** out of El Segundo, California sells *Colossus*. 12 of the top 20 auto insurers are using it right now. Adherents say, as they always do, that this system is less open to fraud. How??? The system recommends settlement sums by comparing any given accident claim with a database of similar cases. Thus, *Colossus* keeps premiums down by making the whole process of paying claims more uniform. Bolstering this argument is the Insurance Research Council which grandly claims, “More than one-third of all auto bodily injury liability claims apt to involve fraud and/or inflated claims.” Moreover, Christine Sullivan, Dir. of Ins. Handling policies at Allstate states that, “*Colossus* is just a tool that helps claims adjusters maintain consistent damages for pain and suffering.”

Sounds reasonable doesn't it??? Sure it does. IMEs sounded reasonable to back in 1986 when they were first introduced in New Jersey. (where I was practicing at the time). That lasted about a week until we all saw how they really operated. Here now the other side of the story:

Numerous lawsuits have been filed by plaintiffs across the U.S. alleging breach of “good faith” laws against insurers and their use of *Colossus* in systematically driving down settlements and disregarding plaintiff's right to fair reimbursement for their injuries. In some of the suits, evidence was introduced to support allegations that Allstate deliberately omits much data from the database that is loaded into *Colossus* such as high awards that have been ordered to plaintiffs in jury verdicts, which tend to reward more money to claimants than do ordinary settlements. Any computer program is only as good as the data entered. By omitting the large settlements and jury verdict awards, the database of *Colossus* is skewed to a lower average and thus the program will naturally suggest a generally lower settlement range on all offers to plaintiffs.

Interestingly, Linda Brown, a former Allstate Senior claims manager, testified in an August 2000 deposition that she was specifically instructed by her superiors to OMIT JURY AWARDS and any settlements that exceeded \$50,000 when she was helping to structure the original Colossus database in 1995 for the State of Kentucky. This 12 year Allstate veteran added that similar efforts were undertaken nationwide in 1995 and that higher than average settlements again were usually always excluded in one of the annual updates for Kentucky in which she participated.

Critics of *Colossus* insist that reducing claims payments was the central goal of the *Colossus* project at Allstate. It was not a subsidiary side-bar argument but the all encompassing goal of the insurer and they were sure *Colossus* was their savior to single handedly bolster their profit margin. As evidence, critics point to the 1995 training manual for “Claims Core Process Redesign”, the name given by Allstate to its reorganized claims-handling process during the introduction of *Colossus*. The “new” process, the manual boasted, was intended to help “reduce claims made severity,” antiseptic industry hokum for lowering payments. The manual made it clear that Allstate was on a mission to target so-called how impact MVCs with the diagnosis of “neck strain” and the like which Allstate always suspected of being the source of most of their suspected fraud. So, in building their database for these types of claims, Allstate specifically loaded the software with the “lowest 10% of claims settles,” a savvy move that Allstate claimed would lead to fewer and lower settlements.

Virginia regulators, acting on a series of complaints in 1998, found that Allstate was not valuating claims based on the individual merits of each case but rather took software generated figures that applied to a downward “offset” to reduce the value of each claim. Allstate was fined for its inappropriate use of this software. Notwithstanding, Allstate boasts that the use of *Colossus* has helped the insurer in its underwriting ratio. In 1994, before Colossus entered the picture, Allstate paid out 65.9 cents in auto injury claims for every \$1 in collected premiums, according to A.M. Best which tracks this data in the insurance industry. By 1998, Allstate could brag that its claims to premium ratio had fallen to 51.7 cents. Allstate’s claims to premium ratio did edge up to 61.2 cents by 2001 but it was still the lowest among industry leaders says A.M. Best. In contrast, State Farm Mutual Insurance Co., the #1 auto insurer nationally, which insists it DOESN’T use Colossus or any similar program, paid out 83.2 cents on every \$1 collected in premiums in 2001- up from 70.7 cents in 1994.

There have been many suits and much recorded testimony about this controversial software. One of the most damning comes from an Allstate claims manager. Consider the testimony of Dani Bednar, an Allstate claims manager from 1990 to 1998, who testified in a Montana lawsuit. She regrets following company instructions to stay below the *Colossus* maximum. “I ripped off a lot of people and I feel bad about that. My goal at the time was to save Allstate money,” she says, “not settle claims for what the case was worth.”

What can you do about this? First, in any of your bills and/or patient claims that have been challenged, inquire as to whether or not the insurance company was using *Colossus*. If so, invoke some of the data you read here as to its controversial nature. Second, if the company is NOT using *Colossus*, inquire as to what software they are using and see if it is similar to *Colossus* and then use the same arguments against that. It is a constant fight against insurance companies, their legion of IMEs, Peer Reviewers and now fatally flawed software; all geared for only one purpose; to drive down payments. You must fight these issues and never give up.

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