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CASE STUDIES: Laidlaw

Cambridge's Audit Process Sheds Light on Substantial Opportunities for Cost Improvement for Laidlaw International

Situation

Laidlaw International Inc., recently acquired by First Group PLC, is the leading operator of school and bus transportation services in North America. Laidlaw handles all of its claims management services internally, but Cambridge Integrated Services has provided auditing services to the company for many years.

As Vice President of Risk Management for Laidlaw, Jeff Cassell is responsible for ensuring that all of the company's claims are being handled as efficiently and effectively as possible. Cassell initially hired Cambridge to conduct an audit of all of Laidlaw's claims and look for any lost economic opportunities or leakage. "Cambridge was brought in to provide an independent and comprehensive look at how Laidlaw's claims management system was being implemented and what the financial results of that system were," said Brad Lipscomb, Cambridge's Vice President of Business Practices.

The results, however, were not what Cassell was expecting.

"We believed that we were handling our claims extremely well," he said. "Firms I've worked with in the past used to come in and say, 'You're only at 3 percent leakage'; the numbers were always low. When Cambridge told us that we were really at 16 percent, I was astounded. But they explained exactly what they found and convinced me that we needed to make some fundamental changes."

Solution

Using an outcomes-based approach, Lipscomb and his team began working with Laidlaw to design and implement a system of best practices and steadfast metrics that would hold adjusters accountable for what they achieve, not just what process steps they follow.

"Every client is different," Lipscomb said. "Because Cambridge's recommendations are focused on our clients' desired outcomes, we can develop customized procedures and metrics that help their adjusters make the right decisions, ask the right questions and get the best results."

Lipscomb's team worked closely with Cassell to ensure that the adjusters understood the company's expectations and developed a system of checks and balances where files are double reviewed and scoring is constantly calibrated for accuracy.

"Our measurement technology measures desktop behaviors to ensure each claim produces the proper outcome," Lipscomb explained. "It's not about paying less on a claim, it's about paying the right amount. That's where the leakage occurs."

Results

Though it took nearly two years to implement all of Cambridge's recommendations, Cassell feels that the investment in time and money was well worth the return.

"We have now a 43-item audit that we consistently use," Cassell said.

"Cambridge taught us what we needed to do to achieve our goals, and now we require every adjuster to go through that same training and follow through on every claim they handle.

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“When we invited them back to re-audit, they found that our leakage had dropped from 16 percent to 7 percent,” he continued. “That nine-point drop translated into \$9 million saved. There’s no doubt that hiring Cambridge resulted in exceptional cost savings.”

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