

5

strategies to elevate your subrogation performance through vendor partnerships

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Introduction

Health plans can significantly enhance their subrogation outcomes by teaming up with specialized third-party vendors. Leveraging a vendor's expertise, technology, and scale, health plans can boost recovery yields, streamline operations, reduce administrative burden, ensure compliance, and minimize member abrasion.

Below are five effective strategies — with actionable best practices — to help maximize your subrogation performance through vendor partnerships, with examples from Carelon Payment Integrity Solutions.

1. Maximize efficiency with seamless vendor integration

Begin by integrating the vendor into your operations as a true partner, not just a contractor. This means aligning systems, data feeds, and workflows so that subrogation activity dovetails with your claims process. Leading subrogation vendors offer simple, structured implementation that can get programs running in a matter of months, minimizing IT demands and disruption. To achieve this:

- **Share data and systems.**

Provide the vendor with secure access to claims data (such as automated daily feeds or API integration) so they can identify subrogation cases in real time, or close to it. Top vendors use a single, user-friendly platform to manage cases, giving health plans full transparency and reporting access.

- **Define workflows and roles.**

Clearly delineate what the vendor handles (such as case identification, investigation, and recoveries) and what the health plan retains. For example, some plans fully outsource subrogation, while others co-source, letting internal staff handle certain cases and using the vendor for overflow or complex cases. Choose a model that optimizes resources without overburdening your team.

- **Set up joint governance.**

Hold regular meetings or develop a steering committee with the vendor's account managers and your internal stakeholders. Treat the vendor as an extension of your team, sharing your strategic goals and aligning on key priorities. The best vendor relationships work as true partnerships with a shared vision, rather than arm's-length transactions. In practice, this might include an executive sponsor at the vendor who remains engaged post-implementation to ensure ongoing success.

By integrating systems and fostering close collaboration, health plans can improve operational efficiency. A capable subrogation partner helps optimize resources and reduce internal workload by handling the heavy lifting of case recovery. In turn, your plan's staff can focus on core operations, while your vendor efficiently manages subrogation, from identification through resolution. The result is a seamless process that accelerates recoveries and cuts administrative costs.

Carelon seamlessly integrates into your existing infrastructure, acting not as a vendor, but as a true strategic extension of your team. From secure data sharing to co-sourced models and structured implementations, Carelon enables faster deployment, transparent workflows, and reduced overhead. Our white-glove onboarding and governance ensure every stakeholder is aligned from day one, which leads to increased efficiency and accelerated recoveries, with less disruption to your core operations.

2. Leverage advanced analytics and AI to boost recovery yields

To maximize recovery dollars, harness your vendor's advanced analytics and AI capabilities. Modern subrogation vendors use sophisticated tools — from predictive modeling to machine learning — to pinpoint more cases and pursue them more effectively than traditional manual methods. This data-driven approach improves hit rates and avoids the wasted effort of chasing dead ends. Vendors should offer:

- **Intelligent case identification.**

Rather than relying on blunt methods (like sending blanket questionnaires to members), advanced algorithms scan claims for patterns suggesting third-party liability (such as diagnosis codes for accidents). Vendors supplement claims data with external sources. For example, they might check accident reports or property/casualty insurance databases to find subrogation opportunities that an internal team might miss. By leveraging more data, these models can **reduce false positives** (meaning fewer fruitless cases) and **increase yield** by catching subtle recovery opportunities. In fact, continuously refining machine learning models cuts down on false leads and boosts overall recovery rates.

- **Automation and AI in case work.**

Leading vendor partners use AI to streamline investigation and settlement. For example, Natural Language Processing (NLP) can automatically read medical records and correspondence to flag cases likely to have recovery value, then forward only those cases to human analysts. This frees up the team to focus on viable recoveries instead of sifting through every document. Similarly, AI-based prioritization models rank cases by recovery potential and urgency each day, going beyond simple rules (like highest dollar or oldest first). This ensures the most promising cases get attention first, improving the chance of timely, successful recoveries.

- **Data-driven negotiations.**

Subrogation vendors often employ seasoned negotiators and staff attorneys equipped with analytics on past settlements. They can calculate optimal settlement ranges and leverage legal precedents, which improves resolution outcomes. The combination of legal expertise and data insights leads to higher settlement amounts and more recoveries per case than many health plans could achieve on their own.

100%

of our clients have seen a lift
in subrogation recoveries.*

By embracing these analytic tools through your vendor, you can significantly improve your recovery yields. Even more importantly, smarter case identification means fewer unnecessary outreaches to members and providers, which directly reduces abrasion. Health plans should insist on regular updates from the vendor about how AI models are performing and collaborate on continuous model tuning, using feedback from closed cases to make identification algorithms even sharper over time. In short, **advanced analytics and AI are key to maximizing subrogation ROI**, uncovering hidden recoverable dollars while containing operational effort.

With Carelon, health plans have access to best-in-class analytics, machine learning, and predictive modeling. As a result, 100% of our clients have seen a lift in subrogation recoveries. Our platform uses sophisticated data science and real-time external sources to uncover more high-potential cases, eliminate false positives, and streamline case prioritization. Advanced tools like NLP reduce manual workload while boosting identification accuracy and recovery yield. Partnering with Carelon gives you access to continuously evolving models and expert negotiators backed by deep data, translating to more dollars recovered with fewer resource investments.

3. Track performance robustly for continuous improvement

To ensure both the health plan and the vendor stay focused on results, it is highly advised to practice rigorous performance tracking and develop an improvement loop. Making subrogation a strategic asset requires going beyond a set-it-and-forget-it mentality. Instead, you must actively monitor your program and adjust as needed. You and your vendor partner should:

- **Define key performance indicators (KPIs).**

Work with your vendor to set targets for recovery outcomes and efficiency. Common KPIs include **total recovery dollars** (the absolute dollars recovered), **recovery rate** (recoveries as a percentage of total claims paid, which indicates effectiveness), and **cycle time** (average time from case open to recovery, indicating efficiency). Also consider **return on investment (ROI)**, or dollars recovered minus vendor fees, to ensure your program is cost-effective. Subrogation efforts often yield a very high ROI, with industry research showing a typical ROI of 809%. However, many insurers fail to track this: Only 17% of CFOs in one survey knew their subrogation ROI. Setting ROI targets can help executives see the value of their vendor partnership in financial terms.

- **Develop service-level agreements (SLAs) and quality metrics.**

In the contract, include SLAs for things like timely case initiation, regular status updates, and compliance rates. For example, you might require that the vendor initiates an investigation on a new lead within a certain number of days of a claim payment, or that they respond to member inquiries within 24 hours. Monitor quality as well, looking at accuracy of case handling (were all recovery dollars collected and allocated correctly?) and member complaint rates related to subrogation. High-performing vendors often track quality via audit scores on case files, so review these audit results in your oversight meetings.

- **Request transparent reporting and dashboard access.**

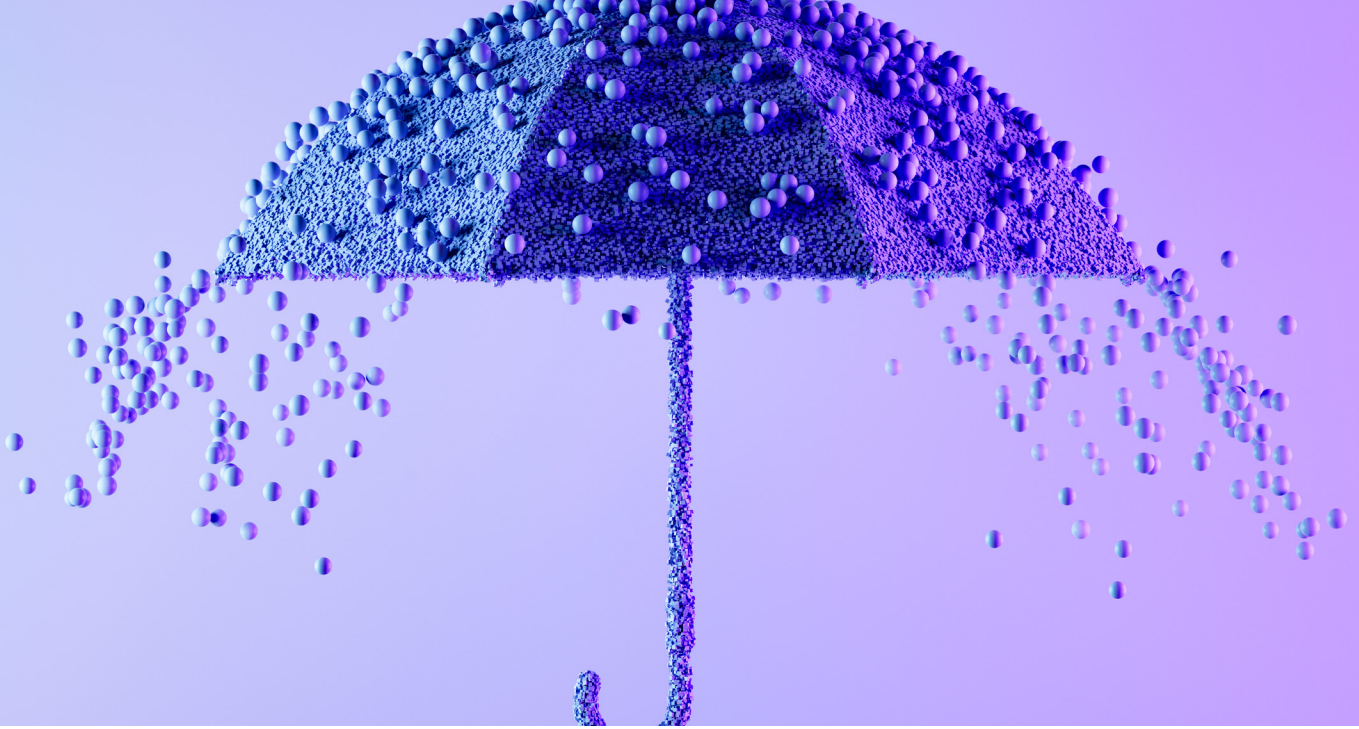
Insist on full transparency into your vendor's work. Best-in-class vendors provide real-time or frequent reporting portals where you can track case statuses, recovery outcomes, and activity logs 24/7. This might mean seeing every note or letter on a case, so your team has line-of-sight into how members are being handled and what money has been recovered. Most CFOs (83%) say they receive regular reports on subrogation performance (typically monthly or quarterly). Your plan should, too. These reports should highlight KPIs versus targets, as well as trends. For instance, you might see recovery dollars trending below target in a given quarter. It's a good idea to investigate why (perhaps a spike in litigation delays or a dip in identified cases) and use those insights to course correct quickly.

- **Commit to continuous improvement.**

Make performance reviews with your vendor a recurring cycle. Each quarter, evaluate results together and identify opportunities to improve. If certain types of claims yielded lower recoveries, the vendor might refine their algorithms or assign more experienced negotiators to those cases. If member response rates to inquiries are low, the outreach strategy might need adjustment.

Holding your vendor accountable through well-defined metrics and open communication ensures that promised improvements in recovery and efficiency materialize. It also helps detect any slippages early. In summary, **what gets measured gets managed — so measure everything important**. A proactive, metrics-driven partnership will drive higher recoveries and operational excellence in the long run. Encourage the vendor to suggest innovations. Some plans pilot new analytics models on a small scale and expand them if successful. By treating subrogation as a dynamic process, the vendor will be motivated to continuously optimize tactics and adapt to regulatory or market changes.

Carelon delivers full transparency, real-time dashboards, and data-rich reports that keep your program measurable and agile. We collaborate with health plans to set KPIs, monitor recovery trends, and optimize strategy through quarterly business reviews. Whether it's ROI, recovery rate, or cycle time, our teams are aligned to your goals. With Carelon, you're not just outsourcing — you're investing in a continuous improvement engine that drives long-term value and financial accountability.



4. Ensure regulatory compliance and mitigate risk

Subrogation sits at the intersection of insurance, healthcare, and legal domains, making compliance and risk management paramount. When partnering with a third-party vendor, a health plan must ensure robust safeguards are in place to meet all regulatory requirements and protect the plan's interests. Make sure your vendor has:

- **Regulatory expertise.**

Verify that your vendor has deep knowledge of the laws governing health subrogation. That includes Medicare Secondary Payer (MSP) rules if your plan covers Medicare beneficiaries; state insurance laws on subrogation and reimbursement; federal ERISA requirements for self-funded plans; and any recent case law that might affect recovery rights. A good vendor will adhere strictly to regulations and help you navigate changes. For example, Carelon maintains compliance in all 50 states, with dedicated attention to regulatory adherence. Make sure your vendor's processes (such as how they assert liens and request information) are continually updated to reflect current law and avoid illegal practices.

- **Experience with HIPAA compliance and secure data handling.**

The vendor will be dealing with protected health information (like claims details and member contact information), so HIPAA and data security compliance is non-negotiable. Ensure there is a Business Associate Agreement in place and that your vendor follows strict data protection protocols (encryption, secure portals, limited data access, etc.). Audit the vendor's security certifications. For instance, do they have HITRUST or SOC 2 certification? This is critical for mitigating the risk of data breaches. Health plan executives should ask for regular attestations or audit reports on the vendor's HIPAA compliance.

- **Contractual safeguards and oversight.**

Your contract should clearly outline the vendor's responsibilities and include indemnification clauses for any errors. For instance, if the vendor mishandles a case leading to a regulatory penalty or a lawsuit (such as a member suing over an improper lien), the contract should protect the health plan. It's wise to have periodic compliance audits of the vendor's subrogation files to ensure they followed due process (proper member notices, adherence to state filing requirements for liens, etc.). Many top vendors build compliance checks into their workflow. That might mean requiring a legal review step for high-value cases or using an approval matrix for settlements. Leverage the vendor's legal and recovery team expertise as a safeguard. Vendors often have staff attorneys well-versed in subrogation law who can ensure each recovery is pursued within legal bounds.

- **Clear plan language alignment.**

One often overlooked risk is mismatched plan language. The health plan's coverage documents or admin agreements must grant the right to recover from third parties; otherwise, recovery efforts could be challenged. Work with the vendor to review your plan's subrogation and reimbursement clauses to ensure they are strong and up-to-date. Vendors can provide insights on best-practice language, such as clarifying the plan's first-priority lien on recoveries or the obligation of members to cooperate. This proactive alignment mitigates the risk of losing recoveries due to legal technicalities.



Health plan executives should sleep easier knowing their vendor partner is safeguarding the plan's financial and legal interests at every step. By focusing on compliance and risk mitigation, health plans protect the significant savings subrogation provides. The goal is to avoid costly pitfalls, such as fines for privacy violations, lost recoveries due to legal challenges, or reputational damage from aggressive tactics. A well-chosen vendor will have a secure and proven approach to subrogation that streamlines recoveries and plays by the rules.

Carelon's subrogation solutions are grounded in deep regulatory expertise and airtight compliance practices. We proactively navigate complex rules across all states and federal frameworks like ERISA and MSP, ensuring recoveries are both lawful and defensible. With strict HIPAA protocols, security certifications, and audit-ready practices, Carelon helps you avoid costly legal missteps while protecting your plan and its members. Our legal teams even assist with plan language and reimbursement clause reviews, reducing risk from the ground up.

5. Prioritize the member experience and reduce abrasion

Subrogation is a sensitive process from the member's perspective, as it often occurs after an injury or accident, when the member might already be stressed. A critical way to elevate your subrogation program is to prioritize the member experience in every aspect of vendor collaboration. Improved recoveries mean little if they come at the expense of member goodwill. Strategies to protect and even enhance the member experience include:

- **Minimizing member disruption.**

Traditional subrogation practices often bombard members with mailed questionnaires asking if an injury was accident-related — a process that often confuses and aggravates plan members. Studies show that 85% of questionnaires are never returned, and only a small fraction lead to actual recoveries. An effective vendor partnership reduces this friction by using smarter case-finding methods, so members are only contacted when necessary. When outreach is needed, vendors should attempt to pre-fill known information and keep questions brief to lessen the burden on members.

- **Embracing multichannel, member-friendly communication.**

Meet members on their terms. Depending on demographics, that could mean using email or secure texting instead of paper mail for faster, more convenient communication. Analytics can help determine the best outreach modality for each member. For example, younger members might respond better to digital channels, whereas older members might prefer a daytime phone call. By modeling the optimal contact method and timing, one can improve response rates and resolve cases more amicably. All correspondence should be in plain language, clearly explaining why the information is needed and how the process helps keep healthcare costs down for everyone. It's also helpful if communication is co-branded or comes on health plan letterhead, as members are more likely to respond when they recognize that it is from their insurance provider, rather than an unknown vendor.

- **Delivering empathetic, high-touch service.**

Ensure the vendor's call center or recovery staff are trained to handle members with empathy and professionalism. Subrogation often requires discussing sensitive details (injuries, fault in an accident, etc.) which members may be hesitant to share. A courteous approach can make a big difference. Vendors with a customer-service mindset — being communicative, responsive, and listening to member concerns — will preserve your plan's reputation. Mystery-shop the vendor's member interactions or review call recordings if possible. Your members should feel they are being assisted, not harassed.

- **Seeking feedback and improvement.**

Treat member abrasion metrics as key performance data. Track things like the percentage of members who respond to inquiries, complaint rates, and how often multiple follow-ups are needed. If you see patterns of non-response or complaints, work with the vendor to adjust the approach. The best vendors strive to make member outreach as intuitive and user-friendly as possible. They'll welcome input on tailoring their methods to your population. Some health plans even survey a sample of members who went through the subrogation process to gauge satisfaction and identify pain points. This insight can drive process tweaks that humanize the experience.

Carelon minimizes member disruption by applying smart case targeting and intuitive communication strategies. Our outreach is timely, respectful, and omnichannel. It's designed to meet members where they are and reduce unnecessary burden. We prioritize empathy and clarity in all touchpoints, and we continuously refine our engagement based on real member feedback. With co-branded outreach and seamless resolution processes, Carelon helps protect your brand reputation, while achieving your recovery goals.

By actively managing the member experience, health plans can recover dollars while maintaining member trust and loyalty. A positive (or at least neutral) subrogation experience means members are less likely to feel blindsided or angry about the process. In fact, when done right, members come to understand that subrogation is about holding the responsible party accountable, not the health plan trying to claw back money unfairly. Vendors that excel here focus on reducing stakeholder abrasion, using technology and thoughtful communication to get the info needed with minimal friction. For health plan executives, the takeaway is clear: You do not have to sacrifice member satisfaction to achieve payment recovery. With the right vendor partner and a member-centric strategy, you can improve subrogation outcomes in a way that aligns with your plan's service values.

Key takeaways

Elevating subrogation services via third-party vendors requires a balanced approach. The five strategies above — from seamless integration and cutting-edge analytics to diligent oversight, compliance focus, and member-friendly practices — are all critical pieces of a successful partnership. Health plan executives should approach vendor selection and management with these goals in mind, setting high expectations for both financial performance and stakeholder satisfaction.

A well-integrated subrogation vendor can dramatically improve recovery yield and operational efficiency, as evidenced by industry examples of double-digit lift in recoveries. At the same time, through robust compliance controls and gentle member handling, the plan can avoid regulatory pitfalls and preserve goodwill. The best results come when a health plan treats subrogation, not as an afterthought but as a strategic program — one that, with expert vendor support, protects the plan's bottom line and contributes to a positive member experience. By following these best practices in vendor partnerships, health plans can turn subrogation into a powerful, sustainable cost-containment lever for years to come.

Carelon doesn't just do subrogation. We elevate it.

By partnering with Carelon, health plans can transform subrogation from a back-office function into a high-impact, strategic program. Our holistic model — combining intelligent technology, deep industry knowledge, legal precision, and member-focused execution — positions your plan to maximize recoveries, remain compliant, and build lasting trust with your members.