



White Paper

Guidelines for Claims Management System Selection

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January 2009

Overview

Selecting a new claim system can be an intimidating task due to the risks involved in going with the wrong choice. The complexity of the evaluation process requires an understanding of technology, change management, licensing and support options among others.

I've worked for big 5 consulting, software development and Insurance companies and have seen this process from both the vendor and client side, and if not tackled correctly a software selection initiative could be confusing, frustrating and risky.

The purpose of this white paper is to help you simplify this effort by focusing on what really matters and avoid getting caught up in the technical and vendor jargon.

Evaluation Criteria

In order to successfully evaluate a Claims Management system and the vendor responsible for its development and support, you should focus on the following areas:

Intuitive and responsive system

Examiners spend most of their day working on it, reviewing claims, entering notes, approving payments, creating letters, working on diaries, etc. so the system needs to be intuitive and simple to navigate. In addition, the examiner turnover rate is usually high in our industry so having a system that allows them to hit the ground running is extremely important.

I was once part of a selection process where the client invited all the vendors to setup their system in a conference room and asked them to leave the room to see if users were able to figure it out with no help. That's a great way for truly testing how easy to use a system really is.

A system can be very intuitive but if the performance is sluggish it can negatively impact your bottom line and frustrate examiners greatly. I've seen systems that are supposedly "industry leaders" where saving a claim or entering a new payment takes about 30 seconds, if not more. When I specifically asked a vendor about their performance issues their response was that "examiners spend most of their time working on notes, so the performance of the claim module is really not that important". Needless to say, examiners and claims assistants were not too happy with this answer.

In my opinion, no transaction (accessing and saving a claim, entering payments and reserves, creating letters and notes, etc.) should take more than 10 seconds, and the average transaction time should be only a couple of seconds. When evaluating system performance, always try to see the system in a production environment with real data and user load. Demos don't accurately depict response times.

Modern technology

You may have the ability to expand the packaged product by creating new reports, business rules, etc. Therefore, it's important that the system was developed using a modern framework, such as Microsoft .NET, to allow you to easily find developers to support your enhancements. Also, these modern

platforms have evolved significantly in the last few years facilitating rapid development and improved performance and stability.

Currently, the typical choice goes to a browser-based system to simplify deployments and support as well as allow users to access the system remotely. Although true for all types of architectures (browser-based, client-server, mainframe, etc.), security is of critical importance for browser-based systems that can be accessed remotely so a comprehensive security plan is key and is discussed in the following section.

Another important aspect in the technology choice is the underlying database. For the same reasons mentioned above, you want the database to be relational, Microsoft SQL Server or Oracle for example, since there's a vast number of DBAs available to support relational databases. The key is to have a relational database with a simple, yet efficient data model that allows you to create reports and mine your data independently from the vendor if you choose to do so.

An overlooked issue is usually the reporting database. Many vendors provide reporting as a module in their system but not many of them keep the reporting database separate from the transactional database and that's a real problem. If an inexperienced user decides to execute a resource-intensive report (Loss Run from program inception to date, for example), it could impact the system performance for other users executing critical tasks. The system should include a Data Warehousing database and its corresponding refresh mechanism where the transactional information is extracted nightly (or at the frequency of your choice) and kept separate from the transactional database.

Interfaces with third party organizations should also execute on the data warehouse so it is critical that it contains most of the fields that exist in the transactional database. This will simplify the development of external interfaces as well as the internal interfaces you may have within your organizations (Actuarial and Underwriting departments for example).

Security and hosting model

You may have the choice of using a system hosted by the vendor or hosted at your organization. There are pros and cons with both options and the decision typically depends on your IT organization. If your IT organization is mature, knowledgeable and has the bandwidth and infrastructure to support a new application, then it may make sense to host it yourself. Otherwise a vendor hosted solution may be the answer.

If you host the system, adequate authentication mechanisms should be in place and network security should be robust. Make sure the system allows you to configure the login/password strength and that database field encryption is available. At a minimum, the user password and claimant social security numbers should be encrypted in the database. This is true for both in-house and vendor hosted systems.

If you select the vendor hosting option, make sure the system is available and supported 24/7, you want the vendor to commit to continuous and uninterrupted service.

In either case, there should be an equipment redundancy or backup for any point of failure and a complete and well documented disaster recovery plan.

The system should include role-based security where users can be grouped by roles and their access set accordingly. The ability to see certain modules and fields or perform certain tasks such as creating claims or adding vendor should be driven by role to enforce appropriate segregation of duties.

System functionality

There are some basic modules that all modern systems should include: claim/claimant maintenance, payments and reserves, notepads, diaries, vendor management, letter generation, reporting, check printing, etc. Make sure these modules exist and are easy to use. In addition, it is important to review the functionality that will let your examiners focus on closing claims faster without being distracted by repetitive tasks and let your executive team manage your business more efficiently:

- Can the business rules and reports be expanded easily to support new requirements without waiting for new releases?
- Does the system let you enter payments in bulk without accessing each claim?
- Does it have a document management module that would allow your company to go paperless? Or at a minimum, can it interface with a document management system?
- Does it communicate easily with standard products, such as Microsoft Office, so that you can export claim information easily?
- Can you approve payments and reserves in batch?
- Are diaries always available and viewable so examiners can “work” their diaries efficiently?
- Does the system have an audit trail of all the fields in the database to track changes as well as who made them and when?
- Can you easily transfer claims in case an examiner goes on vacation or leaves your company?
- Is the system a complete package or would you have to contract with different vendors to provide the missing functionality? Think about reports, interfaces, check printing, on-line loss reporting, etc.

There are many more questions you may ask depending on your business requirements and workflow so make sure you develop a complete wish-list when evaluating a system.

Customer-focused Vendor

There are several factors to consider when evaluating a vendor. If their system meets the guidelines already discussed, the most important factor is their customer focus. Vendors should constantly work on improving their system and one of the best ways to accomplish this is to listen to their clients. Ask the vendor how often they meet with their clients to discuss new functionality and the challenges they are facing that may be the basis for system enhancements. These routine meetings should be free of charge since the vendor will benefit from having a more robust and feature-rich system.

References are the best way to figure out how much a vendor focuses on their clients so ask for a list of existing clients you can contact. If you know the vendor has dozens of clients and you only get one or two available references that should be a red flag for you. When you talk to these clients, ask them what the turn-around time is for critical issues/bugs, client involvement in feature selection for new releases, how accessible the vendor is after the initial implementation and if the system is reasonably bug-free in each release.

Other factors to consider when evaluating a vendor:

- **Experienced conversion team:** The conversion from an old system can make or break an implementation. I've seen vendors that require over a week of down time for a conversion. The conversion should be performed over a weekend and balancing reports provided before the system goes live to ensure a successful conversion took place. Ask the vendor to explain their conversion methodology and the list of systems they converted from before.
- **Research and Development:** A successful vendor in the technology industry should spend a considerable amount of time on R & D. That's how they keep up with new technologies and evaluate their feasibility in resolving customer business needs. Ask them about their product roadmap and technology initiatives.
- **Knowledge Transfer:** You want to have the option to develop reports, business rules and maybe expand the system capabilities *on your own*. Ask you vendor about their philosophy on knowledge transfer and if they are willing to share their know-how with you. This will allow you to be reasonably independent and lower your cost.

Affordable, Simple pricing structure

Each vendor has their own pricing structure so the key is for it is to be straight-forward. Transactional charges can be complicated and prone to surprises so I usually like the purchase outright option with annual maintenance fee, or even better a lease option. The Lease option forces the vendor to keep the system functionality and support competitive or they'd lose you, and it also allows you to make small monthly payments as opposed to a large amount upfront.

Ask the vendor about volume discounts, hourly rate for client requested enhancements and their usual cost for standard reports and business rules. That will give you an idea of what to expect once the system is in production.

Conclusion

Selecting and implementing a new claim system is not a trivial task. You want to make sure adequate time is spent evaluating the system capabilities and equally important, the vendor responsible for its development and support. A good claims system could significantly reduce your operational cost and increase revenue by automating labor-intensive tasks, reducing potential for fraud and penalties, creating a paperless environment and increasing customer satisfaction for clients, vendors and claimants. It all starts with the right selection.