NAVIGATING A CLAIMS SYSTEM UPGRADE

Critical Steps for Success When Customizing Processes

By Joseph F. Cascino and Victor Caggiano

In order to drive business through claims, supporting systems must enable companies to respond to the evolving needs of their customers, provide flexibility to incorporate new business requirements and processes with minimal IT intervention, and integrate with other internal and external systems. Claims are important events and require good service to promote customer retention. As such, claims management remains a priority issue for many property and casualty insurers because they provide the opportunity for these organizations to demonstrate their ability to quickly and efficiently process information, analyze data, and act upon facts.

Today's claims systems need to be nimble enough to address new business requirements such as online customer self-service and mobile accessibility. Customizations to existing systems are intended to provide additional functionality and tailor software functionality to a specific business model.

When customizing a claims system, insurers must consider both the business and technology issues at hand. While a claims system at its core is a technical component of the business, it is a critical part of the organization's infrastructure that contributes to overall growth. Business requirement changes drive system customization and need to be clearly defined, vetted throughout the organization, and analyzed for cost benefit prior to development. Approved enhancements should then be considered along with the current technology in an effort to develop a platform with future scalability that aligns with the organization's goals and strategy. These new business requirements, modified process flows, cost benefit analyses, and development strategy should be documented in a business requirements document (BRD).

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Understanding the Business Issues

An analysis of the processing issues and technology challenges must be completed before a solution can be defined. Once an understanding of the processing issues is determined, consider some basic questions:

- How large is the processing issue?
- Is this an issue that can be addressed outside of the system (administrative), or is there a technical aspect to the dysfunction?
- What types of modifications are needed?
- Can the company tackle this problem internally, or is an outside firm that has experience dealing with claims systems required?
- Should a new system be considered?

The focus should be on the full set of system capabilities required to make your claims system function as intended by the business. Regardless of whether you are customizing an existing system or considering a new system, the same methodical approach should be taken: understand the business issue, conduct preliminary analysis, define the scope, propose alternative solutions, assess the risk, document the cost benefit analysis, and submit a preliminary plan and feasibility study.

If it's determined that a current system can be enhanced with new software or hardware capabilities, you may be in luck because enhancing a current system can be more economical than implementing a new one. Enhancements increase performance, add new functionality, and provide scalability and flexibility to adapt to the changing needs or demands of the business.

For example, if underwriting has become creative in the way they write business, but the current system is not structured to process incoming claims outside of a generic template or the user interface does not have enough data files to handle the new process, then consider creating "as is" and "to be" business process flows and documenting how each process happens. Once documented, compare the two different flows, determine where your current process currently falls short, and begin to formulate the solution and/or technology enhancement needed to bridge the gap.

If you find that enhancing the current system isn't the best fit, then a system review and selection should begin. Every technology improvement undertaken—whether an enhancement or a replacement—is important, but implementing a new system will affect the entire organization. A detailed strategy that incorporates everything from server configuration, hardware needs, and location to employee user IDs and training will be needed.

Again, this is where understanding the business issue is so vital. If the business issue has been determined—for instance, the current system cannot handle the number of claims that the organization is processing or the system itself is just outdated—be sure to compare your business objectives and future goals to find the best solution for your organization.

Regardless of which system tier level you are considering, the objective of a proper system selection is to focus on one that can provide functionality for the business processes and, ultimately, earn buy-in and approval from the users, management, and stakeholders. The system selection process should focus on claims systems that are designed for your specific business model. The process should include vendor demonstrations, business process review, claims system evaluation and scoring, creating a vendor and system shortlist, checking vendor references, and properly managing contract negotiations with vendors. Also, be sure to stay educated on the different systems and your environment. Right now, moving to the "cloud" is hot. While that is a feasible option for many organizations, it might not be for yours, so be sure to do your homework.

Creating Your BRD

Ask yourself, "What enhancements are required to improve operational efficiencies and streamline processes? What documentation needs to be compiled to ensure the expectations of the sponsor, stakeholders, and users are captured correctly for future reference?"

Business requirements are a key component of any business-related

KEY CONSIDERATIONS FOR CUSTOMIZING CLAIMS SYSTEMS

- **Define your business model.** How best to provide superior service, optimize the claims process, reduce settlement costs, and improve claims outcomes.
- **Understand current business and technical issues.** What business processing issues and technology challenges are you experiencing with your current system?
- **Determine and document new areas of benefit in a business requirements document (BRD).** What enhancements are required to improve operational efficiencies and streamline processes? What documentation needs to be compiled to ensure that the expectations of the sponsor, stakeholders, and users are captured correctly for future reference? How best to develop and employ claims analytics? How best to empower claims professionals by providing intuitive, easy-to-use systems and interfaces?
- **Evaluate and select the best technology solution.** What modern technologies allow for your system to grow along with your company? How can they be incorporated into existing technology infrastructure?
- **Evaluate best practices for defining modifications and cost enhancements.** What methodologies and protocols can you incorporate to create your organization's best practices to operate more efficiently and effectively?
- **Create consistency.** Methodically address each step of system development, testing, deployment, and documentation with consistency.

project. Detailed requirements are the critical activities that help guide a project team to define the goals, objectives, and the scope of the work that will be performed. Requirements provide an objective means to measure the project's status and overall success. A BRD details the business solution for a project, including the documentation of customer needs and expectations. It can be used for system enhancements, evaluating systems, measuring fit, estimating cost to modify, and cost to implement.

Additionally, utilizing a well-defined and strictly followed methodology for managing projects provides a roadmap for success, with projects completed on time and within budget. Project methodology, when done correctly, incorporates both the business units and technical leads. The process enables effective decision-making, open collaboration for problem-solving, control change and scope, ability to minimize risks and issues, and timely status reporting.

Defining Modifications and Cost Enhancements

During this process, consider what methodologies and protocols can be incorporated to create organizational best practices that allow you to operate more efficiently and effectively. Incorporating best practices into your claims system means that the system reflects a vendor's understanding and inclusion of the most effective means of processing transactions. Typically, implementing best practices reduces risk and introduces compliance with requirements such as Sarbanes-Oxley, protection of data, cybersecurity, banking regulations, and international guidelines.

With the growth and emergence of modern technologies that are fundamentally impacting the insurance industry, insurance leaders need to stop looking the other way and embrace innovation and collaboration. The failure to adopt changing technologies and strategize for the future can put insurers at risk due to the amount of time it takes to catch up to emerging technologies. Being left behind with dated systems and technologies could adversely affect the customer experience, too. The end goal of today's enterprise experience is to shorten time to market; have relevant, real-time analytics at your fingertips; and win the loyalty of customers.

Insurers will gain greater control of their business using a structured, comprehensive methodology, with designed processes and workflows, to document, analyze, and enhance current claims systems. Enhanced claims systems ultimately will raise the performance of claims professionals, lower settlement costs, and improve claims outcomes. CM

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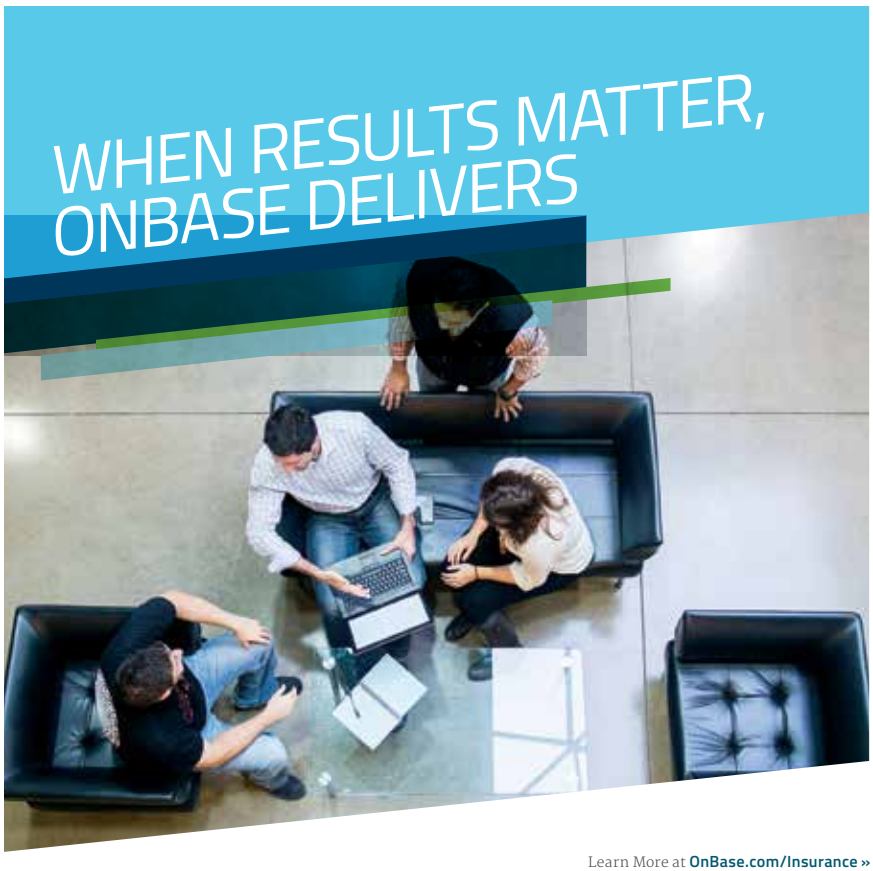

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