HOW IT PAYS TO AUTOMATE CLAIMS PROCESSING

BY STEVE MACKES

Dealing with enormous quantities of documents and data every single day, the insurance industry recognizes the value of information automation, with most organizations using at least some basic form of it. Virtually every company is able to automatically post transactions, feed information to Accounting and pay out claims. But in an increasingly competitive business, this level of automation adoption frequently falls short, unable to sufficiently reign in processing costs, lengthy cycle times and strained sales/customer relations.

Increasing the level of automation, especially in the area of claims processing, is essential for staying profitable and meeting future challenges. By reducing or eliminating time-consuming paper-based processes, improving information accuracy, streamlining the maintenance, storage and retrieval of data, flexibly capturing information from different sources and applying that to diverse business processes, an organization is suddenly more productive, cost-effective and responsive to sales initiatives and customer inquiries.

Moreover, the beneficial savings don't stop there. Smart claims processing automation is the foundation for applying additional cost-cutting automation to other departments and stakeholders. Consequently, an entire organization is able to operate efficiently with fewer resources while promoting greater, faster collaboration and coordination among diverse internal and external factions.

THE IMPACT OF CLAIMS PROCESSING AUTOMATION

While life insurance claims processing costs remain comparatively low, other types of insurance—health, property, casualty, accident, auto and workers comp—are significantly higher, with health insurance typically topping them all. Recent surveys on healthcare profit/loss ratios indicate that claims payments account for 60 to 110% of premiums. These figures underscore the importance of managing the healthcare claims process efficiently in order to realize any profit at all. There's also the issue of cycle times, which are particularly lengthy regarding property and casualty claims. All of this is compounded by an overall industry that is already fiercely competitive and becoming even more so.

In this environment, it is hardly surprising that insurance organizations and executives are constantly seeking ways to reduce spending and headcounts, accelerate cycle times and strengthen market positions. Accomplishing these goals requires, among other things, effective technology solutions and

the fast, cost-efficient deployment of them.

The processing of claims can be complex, but in a recent AHIP (America's Health Insurance Plans) study, electronic automation was nearly 50% less than the cost of processing paper claims. Better yet, time cycles with automation were greatly reduced to just a week or two, instead of the 30 to 60 days common with a manual paper process.

One to two weeks is a fast turnaround considering that roughly half of all claim files are put on hold due to insufficient information, duplicate claims or issues over coverage. And that a hold, on average, adds about 9 days of costly delay to the process.

The bottom line is that electronic automation enables an insurance organization to make enormous gains in both cost cutting (almost 50%) and process cycle times (as much as 85%), thereby improving overall productivity and helping with issues such as budgeting, resource allocation and cash flow.

BACK AND FRONT END SCANNING ADVANTAGES

As you go up the hierarchy of digital automation, as processing becomes more complicated, it also becomes more difficult to integrate. But technologies such as scanning and OCR pay valuable dividends with relatively little integration and have proven easy to implement and effective in both large and small organizations.

Back End Scanning is the process of digitizing physical information that has already been processed. By allowing the electronic filing of paper-based documents, Back End Scanning reduces storage costs, accelerates retrievals and practically eliminates lost documents. While productivity is improved, there is little impact on reducing cycle times. It should also be noted that the successful linking of scanned documents to transaction dates requires close coordination between the claims processing system and the document management system.

Front End Scanning, which involves the scanning of documents before they are processed, helps remove paper from claims processing. The claims department is able to work from digital document images. Outside of the claims department, Front End Scanning is often performed in a company's mail room because of the proximity to incoming physical information. While there is some training of employees required, it is more than justified by the potential payoff in greater productivity and reduced cycle times.

Both types of scanning are enhanced by OCR (Optical Character Recognition) and ICR (Intelligent Character Recognition) technologies that automatically extract information and maximize scanning quality. These applications are especially useful in complex claims automation processes and when documents are unstructured.

HOW IT PAYS TO AUTOMATE WORKFLOW

The implementation of workflow automation is an opportunity to upgrade and refine processes to the point of achieving best practices. Automating the workflow of claims processing streamlines tasks by getting rid of manual processes. Every item is continuously tracked, so that nothing is lost. Consequently, status details and documents are immediately available and easily obtained. Through a central, flexible repository, digital information is captured, extracted and routed according to an organization's specific workflow requirements. Tools can be implemented for agents, sales representatives and others to submit claims electronically, obtain the status of submitted claims and resolve claims-related problems from virtually any remote location. It is estimated that this capability alone is able to achieve a 500% improvement in productivity.

Claims can be submitted electronically in many different structured and unstructured formats, even through smart phones, thanks to the recent development of claims submission software apps specifically for claims adjusters. With the help of OCR and ICR unstructured information can be converted into standard, structured files. All in all, workflow automation provides opportunities, through greater information analysis, to further enhance operational efficiencies and the claims process in general.

Once workflow automation is running effectively for claims, it lays a solid foundation for expanding the inherent benefits of business-driven automation to other departments and even external networks. Of course, spreading workflow calls for additional tools, appropriately configured, to deliver the desired degree of automated compliance, monitoring, transparency and status. Other important considerations are security measures, account controls, reminders, follow ups and the level of user training required.

DEVELOPING A CUSTOMIZED PLAN

While claims processing automation offers great potential for lowering costs, accelerating responsiveness and increasing profits, it is not without risk. Implementing new complex services without adequate evaluation and a thorough understanding of how they impact the entire enterprise usually leads to disappointing results.

What is needed, first and foremost, is a sound roll out plan, customized to an organization's specific needs and that calls for applications to be phased in gradually. This, industry experience shows, provides the best potential for success. In developing such a plan, it is essential to consider not only the experience of others and services that reliably deliver proven results, but also the unique characteristics of your claim processing and how it affects other aspects of the organization.

Without a systematic, step-by-step approach, it is not uncommon for problems to pop up that are counterproductive and set back the entire automation roll out. It might be discovered, for instance, that a claims processing solution causes disruptions in other departments. While an organized plan helps

eliminate the potential for such problems, having no plan makes unexpected challenges all the more difficult to isolate, identify, control and correct.

HELP FROM GRM

Moving forward with claims processing automation is not a decision to enter into lightly. That's why it's wise to seek out the advice and analysis of an expert in the field, a full service, insurance- focused, information management provider such as GRM Document Management.

For insurance companies of all sizes and types, GRM has demonstrated its ability to accelerate and automate claims processing through state-of-the art scanning and imaging, web hosting and workflow automation, all successfully implemented to cut costs, improve productivity and positively impact the bottom line.

The web-based GRM Online Record Center repository alleviates claims processing labor and cost pain by quickly and securely capturing, compiling, managing and sharing huge volumes of information from any source. The Online Record Center enables workflow automation that replaces time-consuming, error-prone manual tasks with incredibly fast and accurate electronic capture, extraction and routing. Claims adjusters as well as remote agents have instant access to claimant data and every item generates an end-to-end audit trail.

Low cost implementation is another money saving benefit as the Online Record Center is a SaaS (Software as a Service) system requiring no upfront capital expenditures or maintenance/upgrade cost. For one affordable monthly fee, the repository system and its workflow automation capabilities, which are designed to work with existing, popular software and hardware, are at your command. These features along with the system's rapid deployment make it possible for an insurance organization to quickly realize a Return on Investment.

Going forward, GRM can help you take a critical look at your claims department structure and your claims process, assessing, in terms of automation, where you are now and where you want to be. With GRM's assistance, you are able to set clear goals and timelines, gain a better understanding regarding the strengths and weaknesses of your current processes, and develop a plan for implementing new automation to make them better.

MORE ABOUT GRM

GRM Document Management is a leading provider of lifecycle records and information management solutions. The company brings proprietary innovation, blended integration and new levels of cost efficiency to document storage, data protection, digital/electronic document management and certified destruction. With over 25 years of experience, GRM has earned the trust and continued business of more than 5,000 customers—large and small, domestic and multinational—representing a wide range of industries. Clients are served from state-of-the-art, climate-controlled facilities in major U.S. markets and internationally throughout China.