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David Stoddard: Good morning, good afternoon or good evening, depending on where you are in the world, and welcome to today's webcast, which is Part 1 of a five-part webcast series entitled "Five Jobs You Can Do Better with Intelligent Decision Automation." Today's webcast will focus on claims processing and is brought to you by InformationWeek, IBM and broadcast by United Business Media LLC.

I'm David Stoddard, today's moderator, and we want to make sure this event is as interactive as possible, so I'd like to make a few announcements before we begin.

You can join our interactive Q&A session at the end of the event by submitting your questions at any time during the webcast. Just type your question in the Ask a Question text area below the media player window and then click the Submit button. The slides will advance automatically throughout the event. If you'd like, you may download a copy of the slides by clicking on the Download Slides button, which is located below the presentation window. And if you're experiencing any technical problems, please click on the Help link below the media player and that will take you to our webcast help guide. You can also contact our live technical support helpline. Their number is located within the guide, as well.

Okay, on to our presentation, "Five Jobs You Can Do Better with Intelligent Decision Automation, Part 1: Claims Processing."

Joining me today is Brett Stineman, Senior Product Marketing Manager at IBM Websphere. He is responsible for guiding external positioning, messaging and promotion efforts related to ILOG's Business Rules Management Systems, or BRMS, offering. Prior to his position at ILOG, he was involved in marketing, product management and operations at various enterprise software companies, focused on business process management, content distribution networks and hosted applications.

Brett, I'd like to welcome you to our webcast.

Brett Stineman: Thanks a lot, and welcome to everyone who's with us today.

So, as you heard, this is the first of a five-part series, and we're going to cover a number of different areas across those five sessions related to this idea of intelligent decision automation. And we're going to be doing these each in 30-minute sessions, so I hope you find this valuable. We'd love to hear your feedback about the idea of trying to do this in very short and succinct set of sessions and really kind of drilling in on the key points that we want to deliver in each of these.

So, to begin, in terms of why we chose to start with the idea of claims as the first part of this five-part series, there's really three reasons we thought this would be a great starting point for the series.

And the first is, this is a really good example of the complexity that organizations are dealing with in terms of their everyday operations. And what you can see here are some results from the IBM Global CEO Study that took place last year, where CEOs in a number of different industries talked about issues that were of pressing importance to them, and one of these was around the idea of complexity. And you can see here from two specific sectors that the CEOs came from out of the entire group, the healthcare payers sector and the insurance sector, in both of these you can see that over half of the CEOs felt that there was going to be a high level of complexity over the next five years, and an even higher percentage felt that their preparation for it -- they needed to be prepared for it, and they needed their organizations to be prepared for it.

And, while this covers two of the sectors, I think it's important to note that we typically think of claims as being something in the insurance industry, and it actually covers other areas such as public sector and even in the products area across the entire supply chain, things like warranties and returns and things like that. So, this idea of the complexity of claims and how it fits into a number of different industries is quite relevant.

Secondly, there's the idea of this really shows the value that organizations can get out of looking at process improvement initiatives. So, you can see here specific to healthcare claims the American Medical Association did a study last year in what they call their National Health Insurer Report Card. You can see here they came up with this result that one out of five medical claims are processed with errors. And so, I mean, that really shows an area that organizations can focus in on to try to improve. And you can see here that their estimate was that for a 1 percent improvement in claims processing accuracy there would be cumulative savings of almost \$800 million. So, small, incremental improvement would yield very large monetary improvements to companies that are involved in claims processing.

The third reason why we were looking at claims was this idea of risk. We think this is really an important area for risk mitigation, and it ties in well to the next session, which will focus in on risk mitigation across a number of different areas. But you can see here a quote from Donald Light, of Celent Research, where he says for an insurance company claims is really a key aspect of understanding what risk exposure is.

So, with that, let's look at this idea of complexity. And claims really is a great example of how complexity fits into how organizations operate, not solely within their internal set of operations, but also within the set of relationships, in the interconnected network of relationships that organizations have when dealing with claims.

So, obviously, internally you've got different groups that need to focus on different areas, but there are also a number of outside parties that are involved in claims. So, there's -- from an insurance standpoint you could think of reinsurance that may take place. You have agents and brokers and other third parties that are acting on behalf of the customer. You've got service providers that are involved in providing various services related to the claim. You have the government and various regulations at different levels that need to be factored in. And then, of course, we can't forget the legal aspect and how that kind of ties into what organizations are doing in terms of claims processing. So, you've got this very broad set of relationships.

And one factor that organizations tend to have problems with related to this is difficulty in visibility across everything that's going on, both internally and externally, related to this network, and keeping track of all of those interactions that are taking place. So, this is a -- adds to that complexity. And then, of course, with regulatory compliance, this is a big issue, especially when you're dealing with multiple levels of regulatory agencies, so in the United States federal regulations, state regulations, local regulations; for multinational companies, dealing with regulations across different countries. And so the sum total of this creates a lot of complexity.

And then you also have to take into account the number of decision points that are involved in claims processing, from the first notice of loss and validation of the claim through segmentation, decisions around straight-through processing and assignment, and payment. And so all of these relate into this network and how it's interacting across the internal and external pieces of it.

Okay, so, taking into account this idea of the broad network that an organization needs to focus on relating to claims, there's a number of different ways that claims processing can be automated and improved upon using several different technologies.

One area is what we call business event processing. So, this is the idea of monitoring and looking for patterns of data that are coming in both through the internal systems and through the interactions with external parties and using this to become much more what we would call situationally aware and responsive to that data as it passes through over time.

Secondly is the idea of business rules management, and this is going to be the primary focus of what I'm going to talk about with some of our customer examples. So, business rules management is all about the idea of improving the quality of automated decisions that take place within various business systems, such as a claims processing system.

The third area is around business process management, and both business events and business rules are used to help provide guidance to various systems, and one of those systems might be an orchestrated processing application such as BPM. So, it uses the output from business events and business rules to help guide it in its behavior.

And then the last area is what we would call analytic technologies. And so these take data that could be coming from any of these technologies and other systems that (audio fades) and using that information to be able to help drive continuous decision improvement over time.

So, if we think of some kind of typical issues in claims processing in areas where our customers have been able to really see substantial improvement in how they're dealing with their claims systems, so these issues can be summarized into three key areas. The first one is this idea of high overhead cost -- lots of excessive manual processes, very high touch, and this creates a lot of cost and inefficiencies. The second is in the area of compliance, so inconsistencies in how claims are handled, the inability to deal with or to rapidly adapt systems based on new regulations. And then the third area is losses due to fraudulent claims and being able to get ahead of the curve, detect fraud before payment is made instead of having to chase it afterwards.

So, the first example that I'd like to talk about is a customer of ours that's called Benecard. Benecard is in the prescription benefit program space, so they provide various types of benefit programs both to the private and the public sector, and on behalf of those companies they handle all of the prescription details, working with various pharmacies to deliver prescriptions to clients and deal with the payment systems that need to go back and forth between the actual company that's running the overall program for the client and the actual patient.

So, some of the areas that they were really focused in on was the timeliness that they could process and settle their claims, and to increase the amount of transparency that there was in understanding how that settlement was taking place. Secondly, they wanted to be able to roll out new programs that were customized to their various customers, so those would be the actual public and private-sector companies that are involved in healthcare programs. And then lastly they wanted to have the flexibility to deal with this issue of evolving regulatory requirements that I talked about, so when a new requirement came in they wanted to be able to have their systems be able to take that into account in a matter of days or weeks instead of months.

Now, for Benecard the solution that they implemented was really focused around the WebSphere ILOG Business Rule Management System, which is -- the idea here is externalizing that decision logic out of individual systems, putting the business rules into a centralized repository and then having those systems interact with the Business Rule Management System when they need automated decisions at different points within their claims process.

And you can see here some of the areas that they focused in on to increase decision automation: Eligibility determination is at the front end of a claim; various types of data verification, both at the claim level and in terms of the clinical data, in terms of the prescriptions that were being prescribed to the customer, or to the patient; segmentation of the claim; as well as various types of payment and settlement determinations; and then enforcement of those regulatory guidelines.

And one of the nice benefits that they got out of using Business Rules Management System was this idea of sharing and reuse of decision services across their various claims processes. They're not having to have those siloed into every single process. They could keep the decision logic in the repository, make a change once and then that would become effective across the various claims processes that they have.

And you can see here the benefits that they were able to actually achieve, so, nice increase that they got through in their pass-through rate, and we see this quite frequently with our customers that are using business rules to increase straight-through processing, and at the same time being able to reduce their claims processing time and cost, and you see here, their estimate was a 30 percent reduction based on this business rules solution for claims processing.

The next example is a company that is in the property and casualty space, and this is a European property and casualty insurer that has -- its primary focus is in the Nordics region. So, they operate across a number of different countries, and what they had basically come up with over time is -- they rolled out into different countries, consolidated a couple of different companies that were focused on these individual regions, where that they had multiple systems and a great

amount of duplication in terms of decision logic across these systems and also in terms of the way they handled processes.

So, they looked at their claims processing as a great target for unification and automation across the various countries that they were involved in, and they did this using a combination of the WebSphere Business Process Management and the WebSphere Business Rules Management technologies, and using these in conjunction to, first off, decrease the amount of cost that they had in terms of their claims processing, but at the same time to increase customer satisfaction by being able to turn around those claims faster. And you can see below the graphic on the right-hand side, today they're able to actually settle three out of five private claims in the same day that they're received, and they believe that this is really kind of best in class for the insurance industry. And through the increased efficiency that they were able to achieve this amounts to substantial savings of employee work, as well as to focus employees on more value-add activities.

Now, from a decision automation standpoint, the areas that they were using the Business Rules Management piece as part of their overall solution, again, at the front end, around submission validation, around more automated decisions in terms of the liability that they had for the claim and the amount of compensation that they were going to be able -- that they were going to pay out related to that, doing specific calculations for payment, and then making determinations as to where they could have straight-through processing versus having to have a manual process where someone needed to look at it in order to make some of these determinations. And one of the things we see quite a bit of is that companies can achieve as high as 80 percent straight-through processing, and then, again, really focusing their personnel's time on those cases where it makes sense to have a person looking at it and where you need to have that special level of expertise.

Now, from this kind of multi-country aspect, what they wanted to be able to do is really automate and deal with the variation across the various countries as well as make sure that they were behaving consistently when possible. So there are certain cases where consistency makes sense. There's other cases, because of the way different countries operate and because of, again, the regulatory requirements, where they need to deal with variation, and they could actually handle both of those situations using the Business Rules Management piece.

And then, lastly, accelerating the implementation of the changes that they needed to make in terms of the decision logic.

Now, the next example goes back to this idea of fraud in claims, and we actually have a couple of customers that are dealing with healthcare claims fraud using a combination of predictive analytics technology, such as what comes from SPSS, and so you can see in the middle of this a screen shot from a product called SPSS Modeler that is used to take in data, look for patterns that could be used to create an analytic fraud model in a number of different areas, and then use those fraud models to feed into business rules. So, you can see a number of different areas such as collusion across healthcare providers; billing manipulation, where providers may understand that there's different ways that they could bill in order to get more money; and then looking for things like unnecessary treatments.

So, the fraud models can take data and look for ways to basically determine where these types of fraud would occur. That fraud model would then be translated into business rules that would then be used in conjunction with various processes and applications that exist within the organization, and, again, this idea of the rules are in a centralized place, you can make changes to those one time and they can become effective across many different systems that need them.

And, just for one example in terms of kind of billing fraud, so, one of our customers, which is called Swiss Medical, it's a healthcare payer in Argentina. They also run a number of medical clinics. They were finding that for a certain procedure doctors had realized that if they performed the procedure one way where a catheter had to be inserted into the patient, if the catheter came up through one part of the body versus another they could bill it differently and they could get more money, and so they were seeing a tendency of the providers to start doing the procedure in the more expensive way. They were able to discover this using analytic modeling. They then used that to create business rules that only allowed the providers to bill in a certain way, at the lower rate, and so that was able to save them a lot of money.

Now, you can see here a quote from James Taylor, who runs a company called Decision Management Solutions, and I think this is a great quote related to the idea of analytics and business rules. So he says, "Data mining and analytic insight are most valuable when they can be applied to the handling of individual transactions and customers through embedding them in decision services," so this idea of using analytics and business rules together. Business rules are accessed by these various systems in the form of what we would call a decision service. And so I think the combination of this is quite powerful and can really help organizations in terms of how they deal with fraud.

So, again, as I said earlier, insurance, healthcare, these are typical areas that people think about claims processing, but there are some other areas such as in the public sector. So, we have a customer in a U.S. state that handles what we call a captive workers' compensation fund. So, all the employers have to pay in through this single fund. And so what they really wanted to do was replace a very high-touch manual claims process, improve their data access and integration across different systems using BPM and then using Business Rules for increased decision automation and claims guidance for their various personnel.

We also have another customer that's going to be at our Impact event next month. It's called Victoria WorkSafe. It's a government entity in Australia. They're going to be talking about claims processing, and so if anyone's going to Impact, this would be a great place to learn more about claims in the public sector.

Another example, as I mentioned earlier in the product space, so anyone who's involved throughout the supply chain, from manufacturing through distribution and even in retail, the idea of warranties is an area where improved claims processing can really benefit them. So, we have here an industrial manufacturer of heavy equipment dealing with the warranties on that equipment and using business rules to enforce consistency in the way they handle those warranty claims, getting the amount of manual processing down so that they could help enforce that consistency, and then also moving from a batch processing model to real-time processing of the

claims submissions. The last thing that they were really looking to do was increase business user participation. The people who really had the subject matter expertise on how these warranties needed to be handled within their systems are now able to actually implement new business policies and have full transparency of that decision logic that their claims system uses.

So, to wrap things up, what we would like people to think about when they're thinking about claims process improvement is kind of a three-step approach: first, looking at ways that they can collaborate internally to understand and document their existing processes, using some process analysis capabilities to do kind of the as-is to to-be determination, and they can work with IBM personnel, we have something called a Process Improvement Discovery Workshop that can help with this; secondly, looking for the initial kind of pain points where they can build out their solutions, so start with a specific area, very targeted, use the right methodologies to implement automation with something called a Quick Win Pilot that really focuses on kind of the second area where within 90 days you can kind of build out that initial (audio fades); and then, thirdly, to establish an overall program, so start tactically and then think strategically about how you want to continually improve that process.

So, with that, I think we're going to take some questions. We have a couple of minutes to take questions, and then we have a couple of links so that people can find out more information.

David Stoddard: Great. Thanks, Brett. Great presentation.

Yes, before we get to the Q&A what you have before you is the link to the feedback form which has opened up on your computer, and if you could fill it out and submit the Submit Answer button at the bottom of the page that would be great. Your participation in the survey will help us improve future webcasts.

Okay, well, let's take on some questions here. Again, if you'd like to ask a question, just type your question into the text box located below the media player and then click the Submit Question button.

Well, Brett, the first question is, in terms of the technologies mentioned today, which is the best one to start with in terms of improving claims processing?

Brett Stineman: Yes, so this is an interesting question, and I mentioned earlier a number of different technologies that could be used to help improve the claims process, including things like Business Events Processing, Business Process Management, Business Rules Management. And I think it really comes down to kind of what the customer is trying to initially achieve. Now, these things can all be used together, including also analytics technologies, such as I mentioned, and I think there are very powerful solutions that can be developed using the combination of these technologies.

But, again, we like to try to think tactically to start with. So, if it's a problem about handoffs between different groups of people and helping to improve that, that's a great place for Business Process Management to be brought in and help to orchestrate the long-running process. If it's a matter of increasing straight-through processing, making some initial determinations to

determine whether something can be handled in a fully automated manner versus needing to be handed off to specialized claims processing groups, that's a great place for Business Rules. If it's about trying to do better detection of specific patterns of claims that are coming in, that's a great place for Business Events and also for analytics to determine what those patterns might be. So, again, I think start tactically, but with a strategic vision as to how you can use these various technologies together to really create powerful solutions.

David Stoddard: Okay. I think there is a lot of interest in the role of analytics in this. The next question is, how do analytic fraud models get translated into rules for use in a claims system?

Brett Stineman: Yes, so this is an area, there's a couple of different ways. So, looking at our specific solution, the WebSphere ILOG Business Rules Management System, we have provided some ways that you can actually import an analytic fraud model that's in the form of a standard called PMML. So, that model could be imported directly into the rule project as a decision tree, for instance. It could then be used by the business rules. Other times it may be more of a manual effort to basically take something like a scorecard that is generated using an analytic technology and then entering that as a scorecard within a rule set, for instance. We also have a way of creating rules as a scorecard. So, in some cases you can kind of automatically import other areas. That fraud model may need to be translated into a way that the business rules would be able to be -- be able to understand that model in a way that it could be used within a decision service.

David Stoddard: Okay, great. Another question about Business Rules Management Systems, how is the implementation different of the seemingly more generic Business Rules Management Systems versus a specialized claims management system such as Riskmaster?

Brett Stineman: Okay, this is a great question. So, I mean, this typically comes up, it's the idea of kind of a build versus buy of a packaged solution. So, many times organizations are looking for these specialized applications that come with a lot of out-of-the-box functionality. And for many organizations that can be the right approach. What we would like -- our argument typically is the flexibility that organizations get by using a technology such as a Business Rules Management System is quite substantial, so the ability to -- at the end of the day, every organization is going to need to customize whatever they buy, so even if you're buying a packaged solution you're going to need to customize it based on your specific policies and needs. And a Business Rules Management System provides a great degree of flexibility in how the system can be customized to meet the specific needs of each organization.

Another reason we tend to push this idea of using Business Rules Management System to do things such as claims processing or as a key technology for claims processing is the reuse aspect, so that you can take a business rule and you can reuse it across multiple processes that occur, both for claims and for other systems that might need those. And so this kind of a reuse aspect is something that a lot of organizations look at and find to be quite compelling.

David Stoddard: Okay, great.

Well, Brett, I think on that note we're going to close today's webcast. Thank you very much for your presentation.

And thank you to our audience for some really great questions. If we didn't get to your question during today's webcast, someone will get back to you shortly with an answer to your question.

And now you can see before you some links to resources that would be useful to you in this topic area and also links to where you'll be able to find the webcast once it is loaded up, probably within 24 hours. You will receive a personalized follow-up email with details and a link to today's presentation on demand. And, additionally, you can view today's event on demand by visiting www.netseminar.com.

So, again, I'd like to thank you for attending today's webcast, "Five Jobs You Can Do Better with Intelligent Decision Automation," and this has been Part 1, about claims processing, brought to you by InformationWeek and IBM.

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On behalf of our guest, Brett Stineman, thanks for your time, and have a great day.