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# Internet Claims: Separating The Hype From The Reality

By **Randy Wheeler**

In these uncertain times, many companies are facing more risks and potential losses from a variety of factors. Premiums are increasing across the board, and companies are under intense pressure to reduce operational costs and improve profitability in this volatile economy.

To improve performance, all companies managing claims—whether self-insured employers, public entities, insurance carriers or third-party administrators—must increase efficiency, identify and reduce their risks, and improve communication and the sharing of vital information among all entities involved in the claims process.

Over the last three years, there has been a lot of hype about how the Internet can transform claims administration. With the continued hard market, this is a critical time to distinguish between Internet hype and actual Internet benefits. By outlining the current offering of Internet claims technology, this article will discuss just how close we are to a completely Internet-based claims process.

Many claims administration systems today promise automation, real-time information, and the type of connectivity that would allow companies to access claims and risk information anytime, from anywhere. But just how much can Internet systems deliver, and what have been the barriers to implementation? First, it's important to understand the various types of Internet systems that are currently available:

**Internet-enabled.** The insurance in-

dustry has traditionally lagged behind other industries in implementing the technology that would allow it to significantly automate claims processing, increase productivity and reduce overhead costs. Many claims systems are just now becoming available on the Internet, but they are Window-based or mainframe-based applications that use the Internet for remote access. For many of these systems, only one or two functions can be driven over the Internet. For instance, a system may allow a first report of injury or a form to be submitted via the Internet, but it does not take complete advantage of the Internet's connectivity or real-time capabilities for all claims processing functions.

**Application Service Providers (ASPs).** An ASP model allows companies to access sophisticated claims systems via the Internet, while also lowering their costs in software, hardware and IT personnel. The company essentially outsources the installation, housing, maintenance and upgrades of the system to the ASP. The typical barrier to implementation has been that ASP systems are client-server or mainframe applications modified to run over the Internet, and therefore require middleware technology installed on individual workstations or special

servers in order to run. These middleware systems create an additional expense and can sometimes increase the vulnerability in a company's firewall.

**Truly Internet-based/Browser-based.** Being truly Internet-based means that the system is specifically designed for, or is native to, the Internet. As a result, all claims functionality, not just limited tasks, is available. In addition, the system does not require middleware systems to operate. This new generation of claims technology is commonly referred to as "browser-based," since the only thing an end-user needs to run the claims system is a browser—which today is a standard pre-packaged feature on most PCs. But since browser-based systems do not require middleware, they are more cost-effective, secure, and offer an improved Internet application model. As a result, more companies are looking to browser-based technology for their claims solutions.

Efficiency has been a major source of loss and waste for companies managing claims. One bad claim can result in thousands, even millions of dollars in losses. In addition, billions of dollars are lost due to antiquated paper-based methods that require significant human resources to manage. The traditional way of increasing throughput of claims has often been to add more people to the review process, which does not result in long-term operational efficiency or the implementation of technological best practices.



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By automating the claims process via browser-based systems, "paper-pushing" endemic to the insurance industry can be significantly reduced, routine transactions can be automated, and information can be shared for effective decision-making. The browser-based applications provide: connectivity (the system is available from any PC that has Internet access, and it does not require middleware software); transparency (information from a variety of sources can be consolidated in real-time and presented to adjusters and other parties without system interfaces and downloads), and real-time notification (a claims manager or risk manager can be automatically informed of an urgent claim or insurance activity through native Internet tools like e-mail).

The major impact of the Internet has been to provide a powerful weapon to dramatically increase productivity and share information among employers, insureds, adjusters, supervisors and risk managers. If all of these parties have timely information, the adjusters can properly manage claims in the first place, and they can help control costs and improve outcomes. The quality of the claims

process depends almost entirely on individual reviewers having the right information to do their jobs effectively, so they can operate as "knowledge" workers, not mere administrative staff.

Document or image processing can also increase the volume of claims handled without increasing overhead. In addition, straight-through processing significantly cuts the time spent on individual claims, helping to control costs.

"Paperless" claims management is moving closer to reality with many companies utilizing scanning, browser-based claims systems, and sophisticated online reporting and real-time notification to not only increase efficiency, but also to hone in on specific risks.


Traditionally, there has been no effective way to share vital claims and risk information. Since companies lacked the technology to track, report and access business intelligence, top-level executives were not always aware of problem areas. Vital pieces of risk information went unnoticed, and many executives were forced to essentially "fly blind" when managing future risks.

Claims and risk professionals today are demanding timely and accurate

information to facilitate improved outcomes, such as early return-to-work or injury prevention programs. With access to specific details, they can pinpoint where losses occur and what can be done to remedy high loss areas.

Browser-based systems are a far-reaching solution, serving as a real-time connection between critical information silos, consolidating multiple data sources, and providing exactly the type of access to information that executive decision-makers need to protect their assets and improve future performance.

With browser-based technology, a broad array of risk management notifications and reports are being made available to decision-makers with the ability to improve performance in high-cost, high-risk areas.

Browser-based claims administration and risk management systems can improve the claims process for the benefit of all stakeholders. Companies that use browser-based technology achieve greater savings, decrease losses, lower administrative overhead, and reduce overall claims costs by making the claims process faster, cheaper and more accurate. 



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