

# Internet Technology: *Boon or Bust* for Public Risk Managers?

There's no doubt that the hard market has brought a scarcity of coverage, an expansion of exclusions and a significant increase in premiums for public entities. As a result, these organizations are struggling to find new ways to protect their assets.

Today's public risk managers are being asked to do more with less. They not only handle risk financing, but also must focus on overall risk management strategies, such as safety programs, educating staff members on new policy and procedures, developing proper loss control strategies in key areas and determining the effectiveness of each initiative.

To improve performance, risk managers need a more rapid and effective means to identify risks before they result in significant losses, to monitor key performance indicators, improve communications and share information among all stakeholders involved in the risk management process. To meet these needs, risk managers would significantly benefit from the connectivity, transparency and real-time benefits that Internet technology delivers.

## **Technology as a Tool; the Internet as a Vehicle**

Public risk management has always been achieved through a lot of common sense backed up by good data, but where does this data come from? And how can risk managers get their hands on it?

Organizations are now looking to the Internet as a way to more directly and immediately facilitate the accessing and sharing of information with key decision-makers. After all, one bad claim can result in thousands, even millions of dollars in losses. To identify and control these losses, public

entities must utilize Internet systems to achieve connectivity, transparency and real-time notification:

**Connectivity**—Public entities have long been in search for convenient, cost-effective connectivity with individuals that need to communicate, including claims adjusters, risk managers, nurse case managers, supervisors and excess carriers. In this way, they can share information as it develops. Traditionally, decisions to connect these individuals were based on the costs of building a connectivity infrastructure, typically utilizing dial-up or dedicated lines.

Today, the cost savings achieved by true Internet connectivity vs. building a "private" network can be measured in the thousands of dollars per location saved each year. Even for entities with a private network already in place, utilizing Internet-based solution for risk management and claims administration still pays for itself in a few months. These systems are also flexible, and easily adapt to new offices or remote users that may be connecting from a PC, Mac, PDA or even a mobile phone.

**Transparency**—In our consumer-driven society, convenience is of utmost importance. Everyone wants easy access to the information they need, without being bothered with where the information came from or how it was compiled.

Internet systems are vital to delivering critical information where and when it's needed most. At the same time, the transfer and management of this information remain transparent. Instead of having to access multiple applications with different system requirements, user IDs and passwords, users simply retrieve what they need from one site. This saves an incredible amount of time, money and hassle.

**B Y R A N D Y W H E E L E R**

Randy Wheeler is the Founder and CEO of Valley Oak Systems Inc., a national provider of comprehensive claims administration and risk management systems, headquartered in Alamo, Calif. The company's success is demonstrated by the fact that they have never lost a client, and have been named to Inc. Magazine's list of the 500 fastest growing private companies. For more information, visit [www.valleyoak.com](http://www.valleyoak.com) or e-mail [rwheeler@valleyoak.com](mailto:rwheeler@valleyoak.com).

For instance by using an Internet system, public entities have lowered both their training and installation costs for software, hardware and networking needs and achieved increased information transfer as users are more likely to use the application when using only one site.

A good example of transparency is a claims administration system that automatically accesses the latest labor codes, compensation rates, medical bill repricing schedules and PPO contracts. The user doesn't have to "perform" an information update from their workstation, nor does the IT department have to manage multiple batch data interfaces.

One public insurance pool now accesses information for several data sources from a single site, streamlining communication between the pool, various members and their third-party administrators (TPA). At one time, the pool had utilized administrative staff members to fax information back and forth, create spreadsheets to track and create reports, and to obtain information from a variety of Web sites. After deploying the Internet system, the pool was able to re-deploy one FTE per each member to more productive roles, and significantly improved their claims outcomes. The savings in improved outcomes is more difficult to measure, but far exceeds the administrative savings.

Real-time notification—Keeping up with the latest, most important losses and developments within an organization is a critical issue. By using Internet-based business rules, a public entity can instantly inform its risk manager of an urgent claim or loss through native Internet tools like e-mail or via wireless notification to a pager or cell phone. For instance, if a significant loss occurred, such as a fire at a school, the system would instantaneously notify key decision makers and managers about the incident, so they could initiate appropriate response measures.

Real-time notification allows risk managers and executives to be better informed, prepared for meetings, and compliant with statutory timelines. For instance, many tasks and functions in workers' compensation run on mandated timelines. If these deadlines are not met, a public entity can be liable for penalties. With real-time notification, public entities can improve communication, and thereby reduce penalties on late regulatory reporting, late payments or late reporting on excess claims. As a

result, a lot of savings have been achieved and penalties averted through real-time notification.

### The Lay of the Land: Knowing What Internet Systems Are Available

Many of today's risk managers, feeling comfortable with the Internet in other areas of their lives, are more inclined to use the latest Internet tools for risk management. However, it's important to understand the various types of systems that are currently available and the benefits and disadvantages of each:

Internet-enabled—Many public entities have Windows-based or mainframe-based applications that utilize the Internet for remote access and to drive one or two functions. For the most part, however, public entities cannot fully leverage the Internet's real-time capabilities for their risk management functions using this model.

Application service providers (ASPs)—An ASP allows companies to access their system for a "subscription" cost. The ASP handles the installation, housing, maintenance and upgrades to the system. Many of these applications are client-server or mainframe applications that have been modified to run over the Internet, utilizing middleware technology, which not only creates additional technology expenses, but also creates vulnerabilities and/or problems in an organization's firewall security.

Truly Internet-based/Browser-based—The latest applications have been specifically designed to run over the Internet. A browser-based system as its name suggests only requires a browser—which is a standard option on most PCs. Since browser-based applications do not require middleware, they are more cost-effective, secure and offer an improved Internet model. It allows for immediate access to information at anytime, from anywhere. More companies are looking to browser-based technology to solve their risk management needs.

### Owning & Accessing Claims Data

Public risk managers not only need access to claims information in order to analyze losses and key performance indicators, but they also need to monitor the claims process as a risk factor in and of itself. Claims process inefficiencies add significantly to claims costs. Many public entities are now purchasing their own browser-based claims

administration system to ensure that the claims process is managed efficiently and to also have ultimate control over their claims data whether they are self-administered or TPA-administered.

Later, if a public entity decides to use another or an additional TPA, no data conversion is required; the new TPA simply logs on over the Internet to the entity's browser-based system. In addition, public risk managers would not have to rely on the TPA to provide risk management reports, instead risk managers would have direct access to the information they need, when they need it. Internet-based business rules can also be set up to immediately notify individuals when certain types of claims or activities have occurred, so a proper response can be initiated.

### Tracking Key Performance Measures

Until recently, few public entities had systems in place to capture the full range of data to analyze losses and to understand the effectiveness of their risk management initiatives. Today's integrated claims administration and risk management systems available via browser-based technology now allow public entities to have a centralized data repository from which they can monitor key performance measures.

By leveraging the Internet's connectivity, these measures are more readily accessible and can be utilized to identify potential opportunities for improvement and to formulate new initiatives that further reduce losses. If a key performance indicator is at a critical risk level, real-time notification can be leverage to automatically inform the appropriate decision maker or manager.

### The Future of Internet Technology

The connectivity, transparency and real-time nature of browser-based systems can help public entities institute effective claims administration and risk management strategies. The quality of any initiative depends almost entirely on individuals receiving the "right" information to do their jobs effectively. The Internet has become a powerful tool that enables the access and sharing of information among all stakeholders. Public risk managers who use browser-based technology can drive their risk management initiatives with greater business intelligence, simplicity, and control. •