

Small Business Strategies
FastForward

Staking claims

Alamo's Valley Oak Systems builds quicker, easier programs to process insurance forms

BY JESSICA MATERNA
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Randy Wheeler tries to save employees from too much bad daytime television.

He knows the odds are in his favor that no matter how careful people are, a large number of them will get hurt or sick this year. And the year after that. And after that.

He also knows that statistically, many people say they prefer the idea of getting well and getting back to work instead of waiting on the barcalounger for the green light from an insurance company. Needless to say, their employers would generally prefer it, too. And corporate claims departments want more convenient ways of processing the volume of information that comes with cataloging, investigating and processing insurance claims.

That's why Wheeler invented Valley Oak Systems, a one-man operation out of a home office that grew to a \$5.2 million company with 40 employees who crowd two floors of office space in Alamo. It aims to speed the sharing of claim information among insurers, employers, doctors and patients.

Hunt-and-peck progress

Wheeler's company had humbler beginnings as a consulting outfit of one, a natural move for the one-time engineering student on the East Coast. "I just kind of backed into the insurance industry," he said.



SOPHIE PANGRAZZI
SPEAK SOFTLY: Wheeler wields keepsake stick signed by clients.

He began Valley Oak Systems as a way to feed his entrepreneurial spirit while playing off the knowledge he gleaned working for a software company focused on insurance firms. He said he found a client within a week of opening shop.

But Wheeler knew he could do better. The insurance industry, he said, was slowed by its own conservatism. It needed an easier, quicker way to gather information and store it in one place. The problem, Wheeler said, was convincing the industry what he already knew was true.

"The insurance industry is slow to accept change, but once it does, it embraces it full-on," he said. Good thing, considering it took him several years to get the industry to put its arms around his technology.

When Wheeler was making his rounds as a consultant, most insurance departments within companies were processing claims on a DOS system, a method that was less antiquated than the paper and file system preceding it — but only just.

What Wheeler came up with was a Windows-based software suite that was more user-friendly. But it was slow to take. Wheeler was shopping his software to firms for two years, with mild success. The real turning point, he said, came in the first half of 1998, when his company won a request for proposals from the University of California system.

"Because this industry, by nature, is largely reference-driven, I knew it was going to take a longer time to see results," Wheeler said. "Getting the first few large customers, like University of California, really helped put our name out there."

In fact, most of Valley Oak Systems' 55 clients use the Window-based program, among them Marriott USA, the City and County of San Francisco, Verizon, Cendant, Federated Department Stores, PG&E, Costco, the cities of Alameda, Fremont, Burbank, Santa Monica, and San Diego, Sempra Energy and Contra Costa County. Upgrades are done every nine to 12 months to keep the system fresh, and Valley Oak Systems provides customer support in-house.

"The program is extremely user-friendly, and the people will answer the phone and answer your questions every time," said Sherry Carletta, interim director of University of California's risk management office. "We had a homegrown system before, and the difference is huge."

Moving at the speed of light

Now Valley Oak Systems has moved its system online.

And it is enticing an industry that is even more conservative in how it handles administration — the medical industry — by giving them the system for free.

SNAPSHOT

Name: Valley Oak Systems Inc. in Alamo
Year founded: 1994
Founder: Randy Wheeler
2001 revenue: \$5.2 million — projected
2002 revenue is more than \$7 million
Five-year percentage growth: 599 percent
Source and amount of startup capital: None, worked out of house as one-man operation until 1996; used money from first consulting clients to get office space
Number of employees: 40
Web site: www.valleyoak.com

"Yeah, I know, how do you make money off that?" Wheeler joked. "It's simple. You create a system in which information can be instantaneously plugged in and shared by companies, medical offices, attorney offices and hospitals, tell the doctors that they will be able to get their money quicker if the claims offices can get it processed quicker, and then give it to the doctors for free."

That, Wheeler said, entices the doctors to adopt the new methodology, and it

keeps claims offices and attorney offices happy, because they get pertinent information quicker. The claims offices and attorney offices will then pay for the Internet-based system, thereby keeping Valley Oak Systems happy.

It's too soon to tell just how popular the Internet-system may become; Wheeler said his firm's product launched earlier this year, with about a dozen clients - including the State of Utah and Iowa League of Cities - now using it. But he's optimistic.

"Bigger companies lose millions of dollars every year due to inefficiently processed insurance claims," Wheeler said. "They know if they can get the right information from doctors quicker, they can find out quicker whether their employees are able to come back to work, or are able to work, but perhaps in a different capacity, rather than be stuck waiting around for everyone to get on the same table and figure out what is wrong and what needs to be done to make them better and get them back to the job."

Jessica Materna is the small business editor for the San Francisco Business Times. ■