



Connecticut Interlocal Risk Management Agency

2006 IASA Technology Achievement Award Winner

How the iVOS® "one-system," browser-based solution enabled CIRMA to achieve outstanding service, savings, and performance

The Connecticut Interlocal Risk Management Agency (CIRMA) is recognized as one of the largest, most sophisticated public entity risk management pools in the nation. Initially formed in 1980 in response to the workers' compensation crisis, today CIRMA provides a comprehensive offering of coverage options, member educational opportunities, and consulting services.

CIRMA's mission is to meet the risk management and risk financing needs of Connecticut municipalities and local public agencies. Today after 25 years, CIRMA's vision has been realized. It is now the definitive market leader in public entity coverage, serving 85 percent of the municipalities in Connecticut. The organization is recognized for its financial strength, innovative risk control programs, and high member satisfaction and retention rates. Due to its many program benefits and comprehensive member services, CIRMA experienced phenomenal growth—600 percent since 2000.

With this success came new challenges. CIRMA realized it needed to modernize its IT infrastructure in order to handle increased claims capacity and to streamline its operational workflow. To address these challenges, CIRMA implemented the iVOS "one-system," browser-based claims management solution to support its strategic business objectives.

As a tribute to the project's innovation and measurable business impact, a distinguished panel of insurance industry experts awarded CIRMA and its technology partner, Valley Oak Systems, with the 2006 IASA Technology Achievement Award. Leading CIRMA's internal project management team were Bruce Wollschlager, President and CEO of CIRMA, and Bruce Clinger, Vice President of Claims. In this case study, we'll share their award-winning implementation and automation strategy.

THE CHALLENGE

A Strategic Automation Plan

CIRMA operates two risk-sharing pools, a Workers' Compensation Pool and a Liability-Automobile-Property Pool, and also provides risk management services to self-insured municipalities and public agencies. Since its inception, CIRMA has successfully expanded its capacity to accommodate new members and programs, and its success has been based on solid financial performance and a strong base of loyal members.

As CIRMA grew and matured, and its business environment became more complex, the organization's operational needs exceeded its existing system capabilities. Its IT environment consisted of several dissimilar, isolated system platforms which created significant operational inefficiency throughout the enterprise.

"To maintain our distinction as the premier provider of coverage for public entities, we needed to ensure our processes and operations would continue to run optimally into the future. This meant leveraging technology to ensure continued success," said Bruce Wollschlager, President and CEO of CIRMA.

"We met with our Board of Directors and drew out a strategic automation plan, which projected our infrastructure needs for the next 10 – 15 years," said Wollschlager. "The plan was the next step in the maturity of our organization, and outlined key IT requirements to support our vision and core business strategy."

A New Claims System

The key objectives of the strategic automation plan were to provide CIRMA with an enterprise-wide view of its business; minimize redundancy of systems and tasks; facilitate integration of information; and improve reporting capabilities to enhance decision-making throughout the organization.

CIRMA considered claims management to be a core business process and critical "touch point" with its members. Its in-house claims department utilizes an aggressive claims-handling approach that includes early intervention, thorough investigation, proactive management for optimal savings and outcomes, continual identification of risks and exposures, and vigorous legal defense when appropriate.

With CIRMA's growth, the organization experienced a significant increase in claims volume—going from 12,000 to 22,000 claims a year. As a result, improving the efficiency of its claims operation and finding a claims system to streamline processes became the key priority and first phase of CIRMA's strategic automation plan.

"We had a 25-year old legacy system," said Wollschlager. "It wasn't user-friendly and lacked contemporary claims-handling capabilities, so our operations were hindered by manual, labor-intensive processes. The legacy system created problems in data reliability, and for the most part, operated in a silo, so we couldn't use it to effectively communicate or share information across our organization."

SOLUTION & RESULTS

Benefits of the iVOS "One-System," Browser-Based Claims Software

CIRMA went through an extensive RFP process that resulted in the selection of the iVOS claims solution – which offered a highly integrated and interoperable "one-system" platform; browser-based technology that would enable Internet access and functionality; and "next generation" claims management capabilities that had saved other organizations as much as 20 percent in adjuster time and resources.

"We believed iVOS had the modern infrastructure, advanced features, and automated tools we needed to transition from a process-based response to a more decision-optimized approach," said Wollschlager.

CIRMA was enthusiastic about working with Valley Oak Systems because the vendor adhered to a service-oriented culture and client-focused philosophy that was similar to its own. In addition, Valley Oak's team could offer CIRMA both the technical expertise and in-depth experience in claims best practices.

Since the iVOS implementation, CIRMA has reaped the following benefits and advantages:

1. Integrated Infrastructure for Enterprise-wide Efficiency

With the system's "one-system" design, CIRMA consolidated its 10 lines of insurance, as well as related insurance functions, such as subrogation recovery and risk management reports, onto one platform. iVOS afforded the opportunity to leverage other technologies, such as scanning and document imaging, to further streamline operations.

Since iVOS is highly interoperable, the system easily interfaced with CIRMA's related applications, including its finance and managed care systems. This served to create a more cohesive IT environment that eliminated information silos and enabled more efficient communication and sharing of information with other business units.

"By bringing together various systems, insurance functions, and data, we had the power to re-engineer workflow, boost adjuster productivity, and optimize performance and outcomes," said Bruce Clinger, Vice President of Claims.

2. Browser-based Technology Builds Collaborative Platform

The system's browser-based platform allowed CIRMA to capitalize on remote operations that increased the scope of its business, staffing, and service opportunities. For instance, CIRMA's claims and risk management professionals can now logon at anytime, from anywhere. In fact, virtually an unlimited number of users can connect, providing CIRMA with a collaborative platform on which stakeholders can more effectively communicate and work together toward common goals and optimal outcomes.

"Finding a web-based system was our threshold requirement. We knew a system that was native to the Internet would provide members with capabilities to actively participate in the management and reduction of their own risks. For example, they can now access real-time claims information and loss reports," said Wollschlager.

"iVOS allowed us to eliminate the need for middleware such as Citrix, and ultimately, allowed us to transition to a more paperless environment," added Clinger. "Our claims adjusters can work from the office, home, or the road. We also allow our risk control and underwriting departments to access the system to view appropriate claims information."

3. Customization to Meet CIRMA's Unique Needs

Unlike other vendors and systems that dictated how claims should be handled, iVOS conferred the power and flexibility to design the workflow, best practices, and processes that were particular to CIRMA's unique claims-handling strategy.

The implementation team went through a rigorous process of customizing the system to meet CIRMA's needs. They customized screens so users viewed certain tabs and fields, which also ensured complete claims information was captured. CIRMA configured business rules to define efficient workflow, and restricted user access, providing "view only" capabilities to certain stakeholders. The team then built system interfaces to easily share and exchange information with its other core business systems, including its financial and managed care applications.

"As we went through the customization process, we had the opportunity to consciously question every existing process, procedure, and workflow," said Wollschlager. "Leveraging the system's flexibility and customizable features, we redesigned our entire operations for optimal efficiency and quality control. We consulted closely with Valley Oak's team to ensure we fully leveraged iVOS' capabilities to achieve our objectives."

4. Enhanced Efficiency and Productivity to Handle Increased Claims Capacity

iVOS enabled CIRMA to handle an increased volume of claims without jeopardizing performance or requiring additional staff. Automation and workflow management tools increased adjuster productivity, allowing them to focus on high-priority tasks, such as investigations and communication rather than administrative tasks.

Streamlined operations have helped CIRMA to keep its administrative expense ratio low – at 13.6 percent, whereas the industry average is 22 percent. For members, this means a larger percentage of their premium dollars goes to paying actual claims and providing value-added services. Operating in a cost-efficient manner, CIRMA is uniquely positioned to stabilize rates and continue to be the market leader.

The system also provides quality control capabilities. With iVOS business rules CIRMA can ensure best practices are consistently applied, and automated alerts are sent regarding high-risk activity. "For example, senior management is immediately notified of large loss claims," said Clinger. "Prompt notification of potentially high-loss, high-risk incidents allows our claims managers and supervisors to have increased oversight. They can ensure claims are assigned to adjusters who have the appropriate level of expertise and experience to result in optimal service and outcomes."

"Likewise, adjusters are held more accountable to certain guidelines and policies," said Clinger. "For example, iVOS allows us to define various authority levels. We configured the system so adjusters cannot indiscriminately set a high reserve or change reserves without a supervisory review being triggered. This provides us with more quality and consistency throughout the claims process."

In addition to enhancing the reserving process, CIRMA's subrogation team has improved recovery rates from negligent third parties. Using business rules, CIRMA set certain criteria to

trigger an alert when a potential subrogation case is submitted. The recovery expert can then utilize iVOS to streamline and enhance recovery efforts.

"It's more likely money will be available for recovery if the subrogation team is immediately notified of a case, so they can promptly investigate and initiate recovery of funds. The industry average for subrogation rates is two to three percent; we've achieved a rate of 11 percent, which has saved members \$3 million in 2005," said Clinger.

Beyond improving internal operations, iVOS also enables web-based transactions with external stakeholders. For example, CIRMA will provide members with the opportunity to streamline claims reporting with an online submission process. Using a call center, injury reporting currently costs CIRMA an average \$16 per claim, but web-based reporting will cost them approximately \$3 per claim. CIRMA anticipates approximately 20 percent of claims to be reported via the Internet. With 22,000 claims a year, the cost savings will be significant.

To further reduce administrative overhead, CIRMA also plans to utilize Internet-based distribution of its member reports. "Currently, manual preparation of reports takes an average of three people two weeks to run, collate, and mail," said Clinger. "After all the reports are printed, they stand in a stack about three feet tall. iVOS' ability to distribute reports via the Internet will save CIRMA two to three weeks of full-time resources, not to mention the paper and hassle of mailing them. It will be a tremendous administrative savings."

5. Extensive Risk Management Reports for Improved Loss Control

CIRMA's outstanding risk control programs involve working in close partnership with its members to reduce injuries and minimize loss costs. CIRMA does not have direct authority over its members, so it relies solely on a sense of partnership to achieve common goals and mutually desirable outcomes. Its risk management programs are designed to empower members with the knowledge and know-how to minimize risks.

CIRMA has formalized its risk assessment process through the creation of Stewardship Reports, which provide a three-sided perspective on each member, including 1) premiums, 2) risk and loss profile, and 3) trending data. These reports are prepared and distributed to members on a monthly basis, and provide a comprehensive analysis of past and current loss trends. It also outlines claims activity by accident type, injury code, and department. The reports identify key cost drivers that have impacted premiums. With these reports, members have come to understand their areas of high claims frequency and severity, so they can target these areas with loss prevention efforts.

The final section of CIRMA's Stewardship Report outlines a tailored risk control plan to prevent accidents, alleviate frequency and severity of claims, and establish benchmarks to monitor future performance. The plan also recommends specific risk control services and training sessions to help members address critical areas.

In addition to individual member analysis, CIRMA also analyzes organization-wide losses to develop new trainings and programs that benefit all members. In 2005, CIRMA held over 100 workshops, covering more than 70 topics. Most workshops are provided free of charge, and

address key issues in the successful operation of local public agencies. CIRMA also provides a Risk Management Resource Library, which now holds over 310 video training programs and was used by members for 245 training sessions in 2005.

"As a testament to our risk control success, we've seen members continue to grow in the sophistication of their risk-management efforts," said Wollschlager. "Workplaces are safer and losses are being better controlled."

6. High Member Satisfaction and Retention

CIRMA has become the market leader because it alone has the expertise and capacity to insure a wide variety of public entity exposures. Since CIRMA is member-focused, a key way it measures success is its ability to satisfy and retain members. Through close partnerships, CIRMA has helped many members to realize improved results and savings. Due to this commitment, retention rates have exceeded 90 percent every year since CIRMA's inception, and in 2005, 97 percent of Workers' Compensation members and 99 percent Liability-Auto-Property members renewed their policies.

"On an annual basis, we recognize outstanding performance with Risk Control Achievement Awards. Each year, member initiatives have become more advanced. Many programs address hazards common to other municipalities, and thereby, serve as a model for other entities to learn from and adopt," said Wollschlager.

For example, the Suffield Skate Park earned an award for its operations plan, which included rules, waivers, signage, an emergency plan, and a parent volunteer program. The New Haven Housing Authority was recognized with an award for its defensive driver training and back-injury prevention program, which contributed to reducing its workers' compensation loss ratio 43 percent. By working closely with its members, CIRMA will continue to meet the needs of Connecticut municipalities for years to come.

CONCLUSION

The IT Infrastructure for Future Growth and Success

CIRMA is now in its 26th year of successful service, quite an accomplishment considering the changes in Connecticut, the turmoil in the insurance industry, and the growing complexity of coverage concerns. The success enjoyed by CIRMA in this difficult market has been the direct result of the organization staying true to its vision to serve member needs, and its decision to leverage advanced technology to support its core business strategy.

"It was an honor to receive the IASA Technology Achievement Award for our iVOS implementation. Our main objective was to provide value to our members," said Wollschlager. "Toward this end, we've experienced tremendous success. We've re-engineering our business processes and embedded best practices throughout our claims operation. As a result, our expense ratio has dropped to a low of 13.6 percent. The next step in our strategic automation plan is to continue to integrate our core systems—including claims, underwriting, finance, and member services—which will enable us to ascertain a total risk picture and create an integrated infrastructure for optimal efficiency and member services into the future."

As a testament to how well CIRMA has realized its vision to meet member needs, its retention rates continue to soar, exceeding 90 percent every year since inception, and CIRMA continues to carry out its member-focused vision with passion, focus, and professional delivery. It is this dedication that has driven CIRMA to be the market leader in municipal coverage across the state of Connecticut.

About Valley Oak Systems, Inc.

Valley Oak Systems, Inc. is headquartered in San Ramon, California. Founded in 1994, Valley Oak Systems has relied on the industry experience of its founders to provide high-quality, cost-effective solutions for the claims administration industry. Its flagship product iVOS® is the leading browser-based, “one-system” solution that integrates claims management, risk management, medical bill review, policy underwriting, case management, billing, and event management capabilities for multiple lines of insurance. Valley Oak Systems is dedicated to providing the highest quality software, services, and support to enable their clients to meet their goals. As a tribute to the sophistication of its iVOS solution, Valley Oak Systems won the 2006 IASA Technology Achievement Award for its measurable business impact in the insurance industry. For more information, go to www.valleyoak.com, or call (925) 242-4600.

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