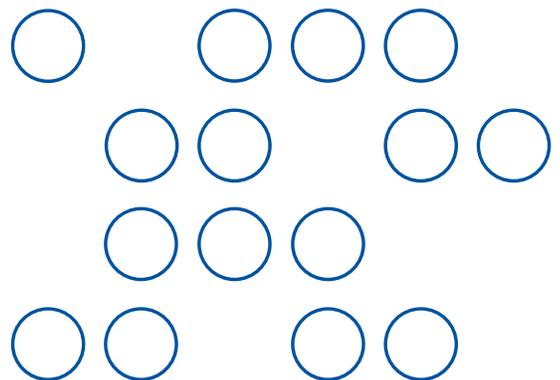




A New Approach to Group Billing Reconciliation

How a Secure, High-Performance Web Portal Can Improve the Insurer/Employer Relationship





The Challenge: Averting an Administrative Nightmare

Dr. Henry Kissinger once drew a distinction between “those who adapt their purposes to reality and those who seek to mold reality in light of their purposes.” When it comes to group billing reconciliation, many insurance carriers are in the second camp.

In their quest to standardize the means by which their monthly group invoices match customers’ employee records, these insurers have created a flawed and inflexible process that complicates the handling of exceptions (such as new employees on the payroll or changes in marital status and coverage). The process also typically demands that employer groups pay their invoices in full upon presentment – with any exception-driven credits or changes to be reflected in a future invoice.

This reality might suit the insurers’ back-office needs, but it flies in the face of optimal customer service best-practices, and it creates noncompliance problems with federal regulations and auditing requirements. And many employer groups aren’t cooperating. Instead, they’re reverting to ad hoc (and less than orthodox) ways of making exception-driven adjustments to insurer invoices – using e-mails, faxes, calls to the contact center, notes scribbled in margins or attached via paper stickies to hardcopy invoices – before they pay them.

This customer pushback demands manual interventions, increases Days Sales Outstanding (DSO) – often involving transactions in the hundreds of thousands of dollars every month – and causes an administrative nightmare for benefits administrators and human resources personnel alike.

Moreover, many customers are now demanding online control of the group-to-provider communication process as part of their RFP process. In some cases, insurers who can’t offer them a mutually managed customer experience are eliminated from the start.

This Group 1 Software white paper examines structured business processes based on customer communication management (CCM) and Web-based mailstream tools that enable both insurer and customer to document and agree upon exceptions in real time – creating an interactive group billing reconciliation process.

Putting the Wrong Foot Forward

Matching the carrier’s invoice with the client’s in-house human resource or enterprise system sounds simple; ideally, the two should match. That’s the basis of most carrier reconciliation processes.

In this ideal world, the insurer’s payment system calls for the customer – the employer group – to enter all changes or adjustments for the month of invoice (or prior months) into its enrollment system. The insurer demands payment in full on the original invoice, with all credits and debits to be reflected during the next billing cycle.

These credits and debits come from an adjustment sheet that accompanies the monthly invoice. The employer must validate that changes have been made for previous months’ exceptions. It must validate totals, find errors if they exist, and correct them using the insurer’s enrollment system. Again, credits are made during a future billing cycle.

If the carrier’s rules and operational procedures were followed, this process might indeed be simple. But in many cases these procedures aren’t followed. What typically happens is that the customer will attempt to match the carrier’s invoice against its own internal HR roster output; then it will delay any payment while the painful process of reconciliation and discrepancy resolution takes over.

This is a common problem for insurers: according to a recent study, only about one half of insurer’s group members pay invoices as presented using the insurer’s current enrollment systems.

The other 50 percent reconcile the invoice against their HR system’s records before any payment can be made. The employers are motivated to do this by both internal audit controls and regulatory demands such as Sarbanes-Oxley, which discourage – under penalty of criminal liability – accounting disparities between invoice amounts and actual amounts paid. Such un-regulated practices can lead to fraud.



Reconcilable Differences: A Painful Legacy Process

Invoice exceptions (and thus billing reconciliations) typically involve new employees, employees that have resigned or been terminated, or those who had a life event such as a marriage or the birth of a child. These events often must be reflected across multiple invoices, and the cost of the changes may be unique to the group to which the employee belongs. And it doesn't sound difficult until you look at the volume of changes that occur in just one month's time.

With legacy processes, every monthly invoice reconciliation generates a call (or multiple calls) to customer service and, eventually, the creation of complex financial adjustments to billing, receivable and enrollment systems.

The customer must find all discrepancies, then detail them to the insurer via telephone, fax or e-mail; or it must make changes and recalculations using manual, invoice "mark up" techniques. Some customers wait for all credits or debits before making a payment, delaying invoice payments to 90 days or beyond. Others pay short of the total. The insurer then must match short payments to adjustments. Manual adjustments must be validated and re-typed into systems.

The process creates hours of work and levies a heavy administrative burden for both parties – especially for insurers' benefits administrators who must manage multiple employer groups (see figure 1, below). It extends Days Sales Outstanding, and wastes money and productivity. It lacks security and privacy controls. And it frustrates customers and gives them a compelling reason to change carriers.

'Irreconcilable Differences:' An Insurer's Nightmare

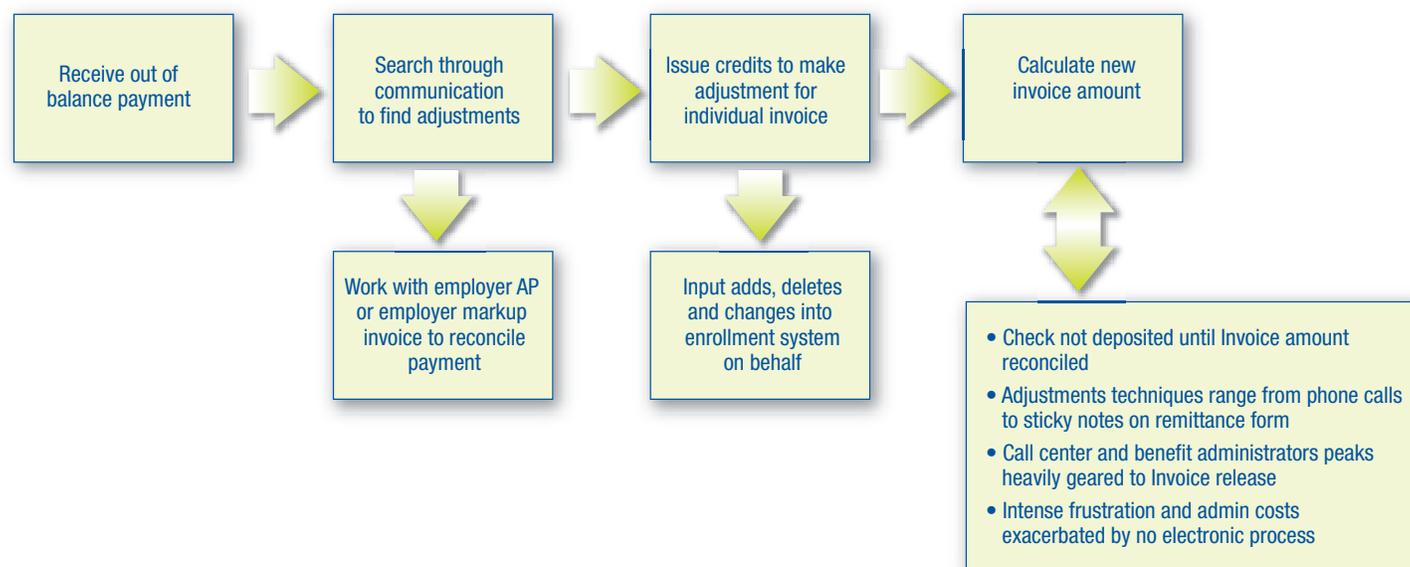


Figure 1. When invoices don't match HR records, the insurer's benefit administrators have to validate adjustments, then examine any correspondence with the employer, track down group costs and make the proper financial ledger adjustments.



The Solution: An Online Portal Supporting New Reconciliation Processes

Any solution that enhances the group billing reconciliation process must minimize manual intervention and provide a superior environment for exception processing. Fortunately, enabling technologies and process reforms that address

these challenges are just emerging. Their roots are in customer communication management (CCM), which provides – via customer, production and communication intelligence – a strategic framework for optimizing every touch point within and among organizations.

These solutions document exceptions and provide a formal and more interactive platform that enables the insurer and the group member to agree – upstream of the invoice

The Group Billing Reconciliation Solution

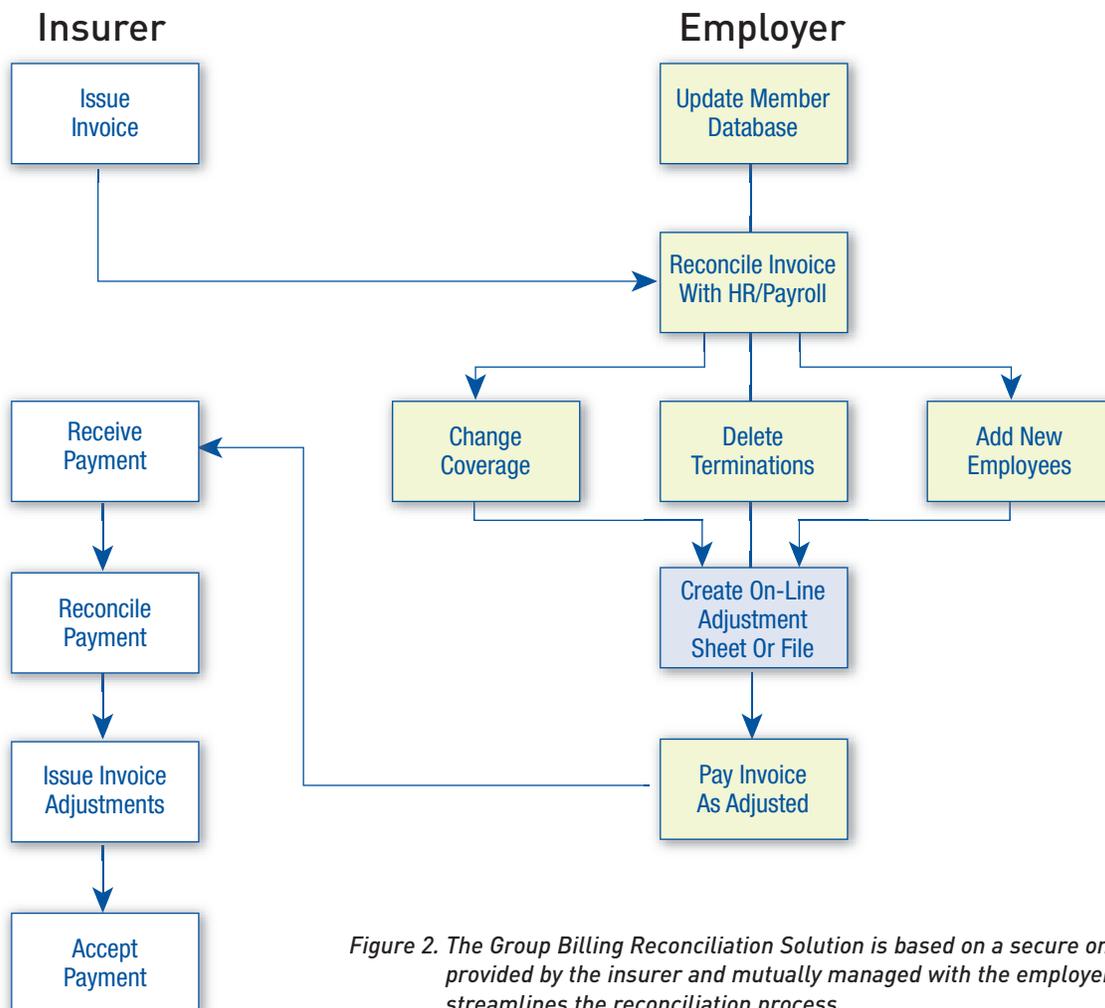


Figure 2. The Group Billing Reconciliation Solution is based on a secure online portal, provided by the insurer and mutually managed with the employer, which greatly streamlines the reconciliation process.



presentment and payment phase of the billing cycle. They allow the two parties to work from the same set of terminology and transparently manage exceptions and address invoice discrepancies.

While the insurer hosts these solutions, they give the group customer far more control of its communication with the carrier – and enable customers to make adjustments online. And the systems’ consistent document management process creates a clear audit trail (see figure 2, previous page).

The core of these solutions is a secure online portal that is built upon an infrastructure of online customer-care, account management, electronic bill presentment and payment, document management and storage technologies. This portal provides communication intelligence: it can consolidate multiple invoices into a single view, control access to optimize security, and provide an EBPP environment that can deliver invoices dynamically and in multiple formats

In addition to this online presentment and reconciliation portal, the solution can also include a broader range of CCM and mailstream optimization capabilities, including:

- Customer intelligence from data integration and data quality technologies, and intelligent invoice and document design and creation based on the customer’s unique preferences.
- Production intelligence to optimally manage physical and electronic communication, present and store very long documents, and optimize postal discounts.
- Channel intelligence to support multi-channel relationships and provide valuable analytics to make customer service processes more productive.

Communication Intelligence Can Streamline Group Billing Reconciliation

Figure 3. Online summaries make it easy to track adjustments and reconcile final billing.

Select Approved Groups

Invoice Adjustment Summary

Group Detail for Billing Period: 06/01/07 to 06/31/07								
Group Number 0479324			Benefit Group No. 001,006,007					
Bill Due Date:	Benefit Group Billed Amount:	Total Adjusted Amount:	Total Due after Adjustment:					
07/30/07	\$75080.00	\$-1817.80	\$73262.20					
Select	Employee	Group	ID#	Eff Date	New Status	Billed Amount	Adjust Amount	Armt Due
>	Ariens, J	001	25001568	05/15/07	Subscriber Only	\$854.33	\$-300.00	\$554.33
>	Delgado, J	001	25002239	05/01/07	Terminated	\$318.19	\$-318.18	\$0.00
>	Barnett	001	25003241	05/01/07	New Hire	\$0.00	\$427.39	\$427.39
>	Campo, H	006	25014641	05/01/07	Terminated	\$854.30	\$-854.30	\$0.00
>	Johnson, P	006	25017248	05/01/07	New Hire	\$0.00	\$854.30	\$854.30
>	Abbott, M	007	25018452	05/15/07	Family	\$318.19	\$536.11	\$217.92
>	Butters, L	007	25018563	05/01/07	New Hire	\$0.00	\$854.30	\$854.30
						Cancel	Approve	Print



Direct and Indirect Benefits of the New Process

This new approach to group billing reconciliation provides manifold benefits to insurers.

It reduces hours spent reconciling invoices against employer records, and it slashes invoicing, copying and mailing costs. It eliminates lost invoices and reduces Days Sales Outstanding by up to 15 days. It simplifies formerly complex adjustments

to financial systems and reduces billing customer support hours. And it improves security and can assist with HIPAA compliance.

But for insurers, the overarching benefit is simple, yet powerful: these solutions make it much easier for customers to do business with them. They engender higher levels of customer satisfaction, enable insurers to retain customers, win new business, and strengthen their competitive position and overall brand.

New Solution Delivers Convenience, Savings and Customer Satisfaction.

A new web portal is enabling one large regional health insurance provider to improve customer service and reduce time and costs associated with group invoice reconciliation.

Utilizing Group 1 Software's Group Reconciliation Solution, the carrier gives its large group customers interactive access to invoices and associated data via a secure online portal. Through this portal, customers can make line-item adjustments with pre-defined reason codes, filter and search invoice data by subscriber, upload subscriber changes, batch process new enrollments, and make payments.

The system enables the carrier's customer services representatives to access current and past invoices in electronic format, review recent account activity, and process payments.

The carrier expects to significantly reduce the administrative costs associated with the manual processing of invoice adjustments. The system is also expected to reduce costs associated with producing and mailing paper invoices and shorten the time between when an invoice is generated and payment is received. Finally, the Group 1 Software solution will help to ensure that sensitive subscriber data is handled in compliance with privacy and regulatory requirements.

Harnessing the Power of Customer Communication Management

In an era of higher costs, consumer empowerment and heightened competition for elite employer groups, health insurance carriers must drastically improve exception management and billing reconciliation. To do so, they must standardize the reconciliation process and provide a secure, high-performance online environment that gives their customers greater control and improves the accurate matching of invoices with HR records.

Harnessing the power of CCM, and the power of the mailstream – the documents (electronic and physical) and packages that flow within and between carriers and subscribers every day – is critical to these initiatives.

Group 1 Software, Inc., a Pitney Bowes company, provides end-to-end technology, design and process solutions for best-in-class customer communication management for insurance carriers. We can tell you more about what your organization needs to do to align your billing reconciliation systems and processes with your overall goal of improving customer relationships. To find out more, contact Group 1 Software at 1-888-413-6763 or visit www.g1.com.



