



● TECHNOLOGY

# Warming up to A Model

Small and midsize insurers like what they see in technology models known as ASPs. BY TOM STARNER

When it comes to processing medical bills associated with workers' compensation and other property/casualty commercial medical claims, Web technology arrived on the scene relatively late.

But, as the people responsible for managing payment of those claims will tell you, better late than never.

Beginning in earnest about five years ago, medical bill review and pricing has been consistently moving into a new world, namely the Internet. Using the application service provider model—a low-on-complexity, high-on-efficiency

Web native platform—small to midsize insurers, employers and third-party administrators are expediting medical bill review and pricing processes. And, according to some of the people with knowledge of this trend, it's a very welcomed, and somewhat inevitable, change.

"Technology has been good for us," says Don Bellinger, vice president, claims, at Majestic Insurance, the San Francisco-based workers' comp carrier with branch offices in San Diego, Long Beach, Calif., and Seattle. "We used to need extra clerical people to input the data, but with the service center and the ASP model, now the vendor

does it. It allows us to focus on what we do best—manage claims."

Bellinger adds that another key benefit of the ASP platform is the fact that it's completely browser-driven. All you need is a robust network and a reliable high-speed Internet connection—table stakes in today's business world—and you can reap ASP's fruits.

Also sometimes called a "hosted" solution, ASP means both the software and hardware sit at the vendor's location or at a third-party location for data security and storage. There are no servers to configure, software to update, or information-technology resources or staff to pay for. The ASP model takes care of it.

Bellinger outlines a fairly simple bill review and repricing process. Medical providers mail paper bills to Majestic, which next scans the bills into its system. Using the Web browser interface, Majestic shoots the digital images off to StrataCare, the Irvine, Calif., ASP medical bill review vendor, that then does the reviewing and repricing. StrataCare returns the results to Majestic, which prints and mails the checks to providers.

"We've been using it for four years, and it's been great," Bellinger says.

Donald Light, senior analyst in the insurance group at Celent, a San Francisco research and consulting firm, says that Bellinger's comments are typical of claims managers at smaller insurers, firms with under \$500 million annual premium in workers' comp or auto.

"At those sized companies, there are some pretty good business cases developed for saying that this is a skill set that is better to buy than to maintain internally," says Light. "It's not an absolute guide, but it's a very specialized skill set with lots of moving parts to track. And if you don't have enough scale in terms of the kind of volume of business you write, there's always a question of, 'Would this be better done if we could put it outside at some level?'"

Light, who lists Ingenix, StrataCare and CorVel as three key ASP medical bill review players, adds that while ASP isn't a new idea, it appears here to stay.

"Maybe what's new or the part of it that's new is the willingness of more insurance companies to look at an outsourced solution," he says.

Veronica Cressman, assistant vice president, medical programs, at Philadelphia-based ESIS Inc., a third-party workers' comp administrator and division of ACE USA, the large P/C carrier, uses several bill review vendors. In each case, the ASP model fits into the equation.

"We have outsourced medical bill review for a number of years, but in the last four years, we've increased the use of the simple Web portal interface," she says.

ESIS sends its paper provider bills to vendors for scanning and repricing. "It's really enhanced our efficiencies," Cressman says, adding that the process also allows for additional functions that ensure data integrity.

"We're not just running the bills through a software process," she says. "We also do clinical edit, duplicate detection and appropriate coding. The vendors send us the actual explanation of a bill review electronically."

Cressman notes that, using the Web portal, ESIS also shares its claims data with the bill review vendors, to ensure that the bill is associated with the correct comp claim.

"You could have 20 John Smiths, so you have to make sure you have the right claim with the right bills," she says.

Finally, with the Web portal, once the bill is scanned, the ESIS clients, self-insureds, ACE and other carriers, can go online and see the bill before its repriced.

"That way, they have upfront claims adjudication," she says. "We can put an indicator on every bill on my desktop. You can look at bills

from Dr. Jones, go through it line by line, and can suspend or deny online and send to the bill review vendor.”

Cressman adds that states are becoming more regulated on the comp front and want reporting data on many issues, including turnaround times and other performance measures. “By having everything with enhanced, faster technology, we are able to meet new state requirements,” she says.

Jody Thompson, chief operating officer, StrataCare Inc., explains that the ASP model was part of the company’s vision from day one.

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“We knew because smaller clients who did not have the resources to buy servers and set up their own host model would want to be able to tap into software,” he says. “We also saw people who only do 2,000

bills a month, and that situation makes sense for them to use the ASP model. A carrier reviewing 10,000 bills a month probably would host their own review hardware and software.”

Thompson adds, however, that some very large companies are looking into the ASP model as well.

“I can’t mention the retailer’s name, but they decided to go with the ASP model first, which is unusual,” Thompson says. “We built a fully scalable model, so a company can move from 10 users to 500 users quickly.”

Thompson notes that of the 60 percent of clients using StrataCare bill review applications, half are using the ASP model, and he expects that number to tilt toward ASP in the years ahead. “CIOs and IT directors who look at bill review software want nothing to do with third-party hardware/software,” he says. “They don’t want to spend that money.”

Tara Ambrose, vice president, insurance solutions, at Fair Isaac, the Minneapolis-based business analytics provider, echoes Thompson’s notion that the ASP model is on the rise.

“Client-server was the first major change, and we’re now seeing continued momentum and acceptance of the ASP model with insurance payers,” says Ambrose. “As we acquire new clients and hit renewals, we’re continuing to see a leaning toward ASP, except for largest environments.”

Apart from the administrative cost savings, by their nature, ASPs also offer constant updates of maintenance and fee schedules, with the result being highly accurate repricing and the best medical cost savings.

“With an ASP deployment situation, that update problem is removed from the client,” says Ambrose, adding that ASPs create efficiencies of 10 percent to 30 percent. “They always get the best data, which goes right to the bottom line of the insurer or self-insured.”

Celent’s Light says, in general, the ASP experience has been pretty good. “Can you find unhappy people using ASP? Sure,” he says. “Can you find people that after a while move back to it? That happens too.”

Above all, Light says, even within large self-insureds or insurers, IT typically has greater concern with mission-critical network issues, the ones related to the core business, not the claims-paying operation.

“When it comes to IT resources, the real clout of the humble claims-paying operation within the self-insured group is probably pretty low,” he says. “And that creates an even stronger case for this kind of implementation.”

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