



Enrollment Data Leakage: The expensive little secret of benefits administration

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by SHPS
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The Problem

Most mid-sized and large employers contract with one or more health insurance carriers and other benefits providers to deliver healthcare services to their employees and dependents. In the course of managing these benefits, employers are responsible for regular, timely delivery of enrollment data to each carrier. Disconnects in the data exchange process can cause even moderate-sized employers to unnecessarily spend millions of dollars annually. This data disconnect is applicable whether the organization chooses to outsource this function or perform it in-house.

The cause of these unnecessary expenditures can be defined as “enrollment data leakage”. Like most system-to-system data interfaces, the transfer of employee and dependent eligibility data from employers to health insurance carriers is complicated. In addition to physical data transfer concerns like connectivity and data security, semantic data processing rules tend to be very complex in the world of employee benefits. Anyone involved in the day-to-day processing of enrollment data knows there are myriad business rules for determining and communicating when coverage starts, stops and changes levels. Consistent enforcement of these business rules in multiple interfaces to multiple carriers is very challenging, even for the most sophisticated employer.

It should be no surprise, then, that most interfaces between employers and health insurance carriers involve some level of persistent errors. What is alarming to those outside the domain of benefits administration is the lack of controls that exist in the administration of most group benefit plans to prevent and address these errors. This lack of control is what allows enrollment data discrepancies to turn into significant financial liabilities for plan sponsors and artificially inflate the cost of premiums, Administrative Services-Only (ASO) fees and claims expenses.

Cost Impact

Real-life experience by employers of many sizes shows that these systemic errors have a significant impact on the bottom line. To illustrate how quickly enrollment data leakage errors can amount to large sums of money, consider just one type of costly error: over-enrollment of terminated employees. This scenario usually occurs when an employee ends employment with an organization and, for one of a variety of reasons, the transaction intended to communicate termination of the employee’s medical benefits never finds its way into the health insurance carrier’s eligibility system. The employee and his dependents remain “covered” in the carrier’s systems and are able to continue receiving coverage for healthcare services and pharmacy benefits. For an organization with 12,000

employees, average turnover level and enrollment data leakage rates, costs resulting from this type of error can easily approach \$1,000,000 per year¹.

For an employer to take the necessary steps to stop the outflow of unnecessary benefits expenses resulting from ineffective data management, the current state of their operational processes must be examined. Generally speaking, there are three basic eligibility data exchange models used to manage the interactions between employers (or their outsourced benefits administrators) and health insurance carriers: “fire and forget,” passive remediation and proactive closed-loop models. By comparing the characteristics of each model with current operational practice, employers can evaluate the financial gains that can be made by implementing process controls to improve data quality and reduce enrollment data leakage.

Interaction Models

“Fire and Forget”

This is a common situation employers find themselves in too frequently. Facing constant pressure on expenses related to benefits administration and limitations in many HRIS-based tools, the best many employers can hope for is to simply “get the files out the door” on a regular basis. Data transmissions may be executed in formats desired by the recipient or dictated by the sender, but in most cases there is no consistent feedback loop. Quite often, data discrepancies resulting from systemic interface problems are only noticed when an employee is directly impacted by incorrect eligibility information in the carrier’s system. Invariably, this impact is reported to the employer in the form of an angry call to the HR call center. System interface error reports are seldom generated or managed, data audits are almost never performed and there is not a strong link between eligibility data and the payment of ASO fees or premiums. Employers who operate in this model often experience enrollment data leakage rates of 10 percent or more.

Passive Remediation

Employers or third-party benefits administrators who have invested modestly in the construction of an infrastructure for managing eligibility data interfaces are often able to positively impact enrollment data quality by taking a few simple steps to increase the likelihood of accurate data transmission. Organizations that operate in the passive remediation model make a good-faith effort to fully test all interfaces, collect and analyze error reports provided by carriers, and conduct ongoing reviews of the quality of interfaces. Often times the system appears to be working well on the surface -- large-scale errors are identified; root-cause analysis is performed when errors are identified and billing data generally

¹ Example assumes annual per-employee cost of healthcare benefits of \$11,000, annual turnover rate of 15 percent, and over-enrollment termination leakage rate of five percent.

matches enrollment data. Hidden under this façade is the handful of coverage termination transactions that never make their way into the carriers' eligibility systems. Proactive data auditing and periodic full reconciliation are not core components of this operating model. As a result, employers or benefits administrators practicing passive remediation often experience enrollment data leakage rates in excess of five percent.

Proactive Closed-Loop

In sharp contrast to the previous operating models, a proactive closed-loop processing model features multiple control points to ensure that data transactions are executed efficiently and correctly. Specific, prescriptive steps are taken to validate the quality of data in carriers' systems and routine reconciliation is performed to ensure the synchronization of enrollment and financial data. Very few employers, and even fewer top-tier benefits administration firms, have invested the millions of dollars in infrastructure necessary to execute enrollment data transactions approaching the level of quality delivered under this model. For those who maintain a proactive closed-loop processing environment, enrollment data leakage rates can be held under one percent.

The successful provider of a proactive closed-loop service offers a solution that:

- Automates every step of the production processing environment from file generation to physical file delivery and confirmation;
- Ensures collection and comprehensive management of all feedback from data recipients, such as error reports generated when carriers process data files;
- Integrates proactive outbound data audits to ensure that each data transmission is received and processed by carriers;
- Synchronizes eligibility and billing data, ensuring that premium and ASO fee payment is in harmony with eligibility data; and
- Reconciles eligibility and financial data on a regular basis through automated tools that compare employer data with carrier data, identify discrepancies and facilitate root-cause analysis and remediation.

What To Do Next

Whether an employer chooses to maintain in-house control of enrollment data interactions with health insurance carriers or to outsource this function, the list of activities required to conduct these transactions efficiently is clear. The focus of any effective solution must combine prevention with reconciliation. Proactive controls must be built into the operational processes to ensure that data is transmitted consistently and accurately, and to verify that it is received and loaded properly. Integration between eligibility and financial data provides a critical control point and ensures that premiums or administrative fees are accurately calculated based on up-to-date enrollment data. Routine periodic

reconciliation must be used to detect and correct any data errors that are introduced through undetected systems disconnects or via manual intervention.

While this complex process might seem daunting to an employer faced with ever-increasing complexity in plan design and ever-decreasing staff budgets, there are places to turn for help. The industry-leading solution in the category of enrollment data management services is SHPS Carrier Exchange. Built from the ground up to provide this specific set of services, SHPS Carrier Exchange has been available in the marketplace for more than a dozen years serving mid-sized to large employers, health insurance carriers, third-party administrators, and government agencies. In addition to all of the requirements of the proactive closed-loop processing model described previously, SHPS Carrier Exchange provides a significant set of features designed to streamline customers' interaction with and oversight of the processes, including:

- Real-time online access to all enrollment and financial data maintained in the exchange;
- Online delivery of all enrollment and financial reports, including consolidated employer premium and ASO invoices;
- Support for even the most complicated financial reporting requirements, including allocation of benefits expenses to specific business units, product lines or locations within an organization;
- A state-of-the-art workflow management system that supports all data reconciliation domains, including inbound interface exceptions, financial discrepancies and carrier-generated error reports; and
- A client performance center, providing real-time operating reports and metrics enabling clients to monitor the execution of enrollment data interfaces and billing functions.

Additional administrative services can be easily bundled with SHPS Carrier Exchange, including COBRA administration, retiree / direct bill administration, spending accounts, and outsourced web-based eligibility and enrollment processing.

For more information, please contact SHPS at 1-888-421-7477 or visit us online at www.shps.com and select "Benefits Administration" under "Employer Solutions".