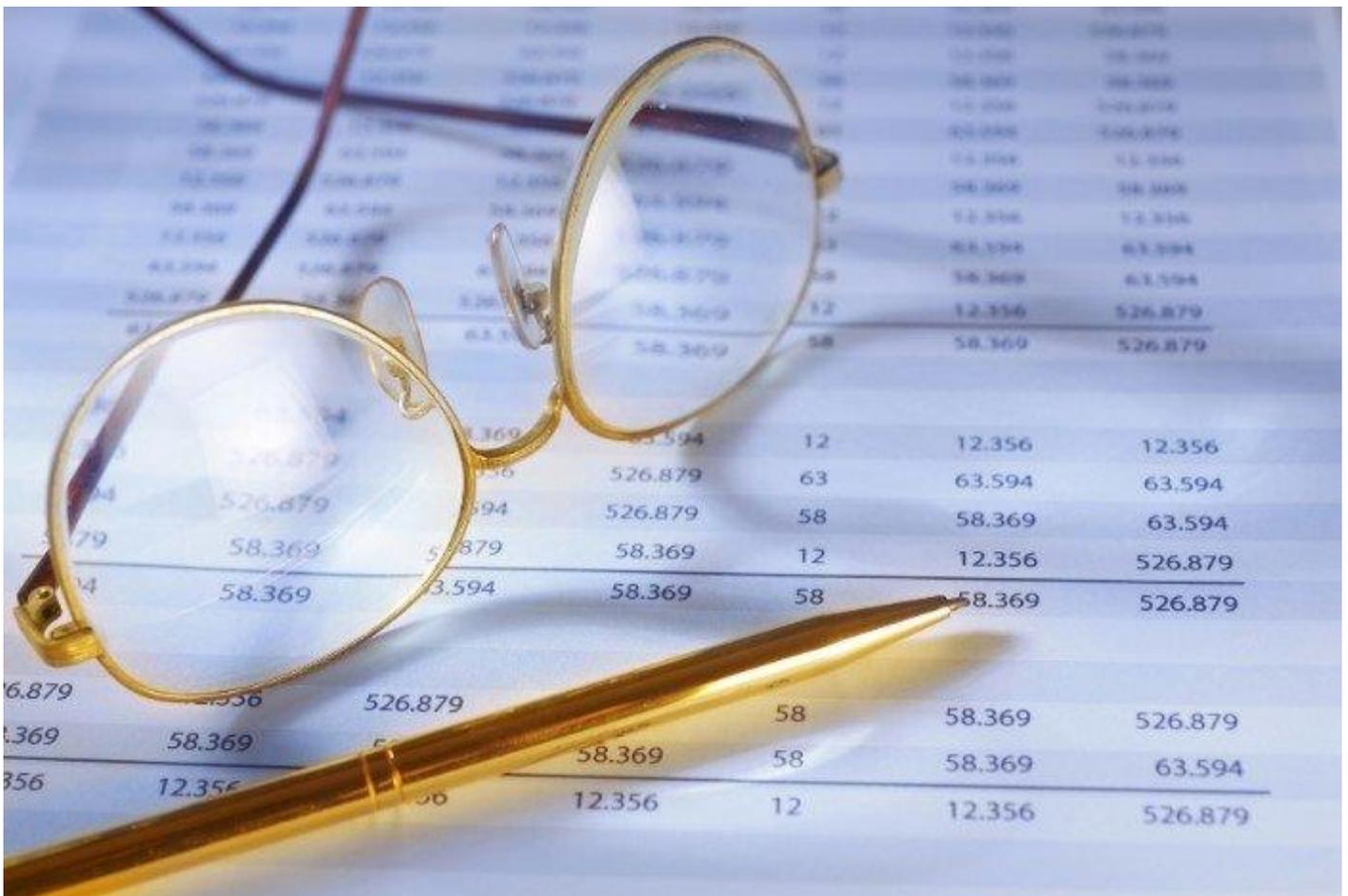


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Group benefits billing: An overlooked opportunity to gain efficiencies

In this article I'd like to discuss how and why billing — and in particular, group billing — is an overlooked opportunity for creating efficiencies at carriers.



I have to start by asking: What's so difficult about group billing?

That's a big question. In this article I'd like to discuss how and why billing — and in particular, group billing — is an overlooked opportunity for creating efficiencies at carriers. There's a vast difference in how up-to-date and relevant insurance company billing systems are for group benefits versus individual insurance. Simply stated, group billing is way behind where it should be.

It's true that billing is the ignored stepchild compared to the golden child of policy administration. Let's be real, billing is just not as sexy as writing new business. Carriers are focused on getting new business in the door; they aren't necessarily thinking of the intricacies of billing clients down the line. However, agents have a lot at stake when it comes to downstream billing and claims, as this can impact commissions and bonuses related to claims ratios. So in terms of overall agent engagement and satisfaction, it's a critical application. Without accurate and timely billing, insurers and agents don't get paid and customer communication falls off. So the fact that billing has become kind of an afterthought in many insurance companies' automation is really a missed opportunity to provide a superior level of service to agents and their large government or corporate customers.

In brief, here are the inefficiencies that currently exist in group billing, as I see them:

- Carrier development and support of legacy billing systems
- Integration to multiple customer systems for census loads (bringing new members into the system)
- Time spent on premium processing and invoice generation
- Customer policy membership management
- Setup of complex policy products and associated exceptions — often hard coded
- Cash management, especially the manual reallocation of payments
- Conservation processing — managing late payments, lapses, and reminder letters that conserve the business
- Customer management of invoices in spreadsheets or documents

Having named a few of them, I'll get into more detail on a some of them here.

How did we get here?

Group benefits policies — and for our purposes, we're primarily talking about life, disability and health insurance — are issued to employees of large companies. While the employer manages the plan overall, each individual employee (subscriber/member) is accounted for separately on the group policy invoice. In companies with thousands of employees, managing individual employee changes, adding new employees, and removing employees from policies quickly gets complicated.

Carriers and third-party agents who administer billing services for carriers are growing organically, but many aren't thinking ahead about how they're going to handle the sheer number of different types of invoices or bills they need to generate by plan, location, and coverage. Changes in core systems to meet new business demands or trends tend to be viewed as a series of one-off extensions of the current system, rather than looking at a better, modern, configurable solution that could address the billing process more efficiently across the board. With ever-increasing choice in insurance plans and products available to employers and employees alike, the complexity becomes overwhelming in the face of all these different audiences.

You may be thinking, how complicated can it be? These employers offer a couple of different plans to their employees. Can't they just press a button and list-bill them? The reality is that group plans have become so complicated and so riddled with exceptions that many carriers find they have to self-administer the billing for their clients with a custom group billing configuration of their current billing system, or an in-house development. Group billing probably has about a 10 percent rate of these exceptional scenarios — billing cases that have some type of complexity keeping them from being simple exact payment processing cases every month. Even if exact payments comprise 90 percent and the complications take up 10 percent of the billing load, the group billing staff will spend the majority of their time on that 10 percent.

Managing premium processing and making sure that, in the end, you have the right number on the bill, is a complicated and delicate task. The amount of manual work and manual calculation within each separate billing system is making it extremely difficult for typical billing staff to manage the ever-increasing complexities of group billing. With thousands of employees and their different contingencies involved, the ability to accurately reconcile overpayments, underpayments, reversals of payments, bad checks, etc. and print out an accurate invoice is making intelligent automation a necessity.

Integrating billing with core policy administration

At the beginning of this article, we noted that policy administration systems are often the golden child of insurance companies' technology investment. Policy administration is where all the customer and policy data

resides. Most carriers are well along in the process of automating their policy administration systems so that all of this data is managed and maintained in a systematic, orderly, digital fashion.

That's fine for individual policies where a customer subscribes to a policy and pays annually or monthly. Where things begin to fall off is when it comes group policies and the process of billing the customers where values need to be accurate at the subscriber/member level, taking into account the large number of variables that can impact each row on the invoice. Billing, as the poor relative or monster in the closet, has been relegated to a separate room — either a patched-together, semi-automated system or a completely manual one that is growing but does not have the sophistication to manage the necessary configurations and processes efficiently. So the carrier is left with a disjointed approach, and the agent and group customer struggle with overall accuracy and management of the process.

Policy administration systems are generally designed to support the submit, qualify, quote, issue, maintain and renew processes. Billing systems are typically designed to support billing contacts, payment plans, policy level billing, commissions, and disputes. They are not particularly well designed to manage employee (subscriber/member) information and all the different coverages that they have or have not purchased, all the different rates that they are or are not being charged. This is the domain of the group policy management solution, where the complexity is far greater than the standard individual billing requirements.

To my way of seeing it, the state-of-the-art approach for carriers offering group insurance would be a billing system that's designed for the purpose, and easily integrated with their policy administration system. It should be highly configurable, and have the ability to easily set up subscribers/members and their coverages. It should have the ability to easily configure templates to consume individual customer census files. Agents should be able to rely on the system's accuracy and determination of commissionable events. Customers should be able to specify how they want their bills prepared and grouped and have self-service tools to administer their policy subscribers/members, and manage payments through an on-line portal.

My final piece of advice: Don't wait for the big "suite" providers to deliver the solution; you could be retired before it happens. Look for a way to easily integrate this approach into your current environment.

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