

THE ABC'S OF CARRIER CONNECTIVITY

- A white paper from Ascentis Corporation

One of the many by-products of The Health Insurance Portability and Accountability Act (HIPAA) is the requirement for insurance carriers to connect electronically to their clients in order to increase efficiencies and lower costs. Is your company ready to take advantage of this new legislation?

First of all, let's set the scene. Imagine if your company's HR department could automatically – and electronically - send updated employee and benefits information from your internal HR system to your health insurance carriers? What if you could eliminate the error-ridden process of manually re-keying information from paper forms? Avoid all the potential employee privacy violation issues involved? Reduce the enormous paper trail that currently follows every transaction made?

It's alluring, isn't it? Especially when you look at the potential for errors and cost leakages involved in the traditional paper or web-based ways of handling and transmitting data between you and your insurance carrier.

Unfortunately, however tempting, this carrier connectivity process is far more complicated than it at first appears to be. Let's determine whether or not your company has the resources to take this on yourself.

Can your software really do it?

You may have made a significant investment in a software product to solve your HR problems. And, you may have been told that it provided carrier connectivity. But does it really? Or, does it simply run a report that you then pass on to your insurance carrier who then uploads it (or, more likely, re-keys it,) into their system?

There are very few software solutions that offer true carrier connectivity off-the-shelf and there's a simple reason for that. It is extremely complex to set-up and time-consuming to maintain.

Think you can do it yourself?

This really isn't a task for the faint-hearted. It certainly isn't a job for an HR professional and probably not a job your IT department will relish getting involved with. As mentioned before, the logistics of establishing an electronic connection to insurance carriers are complicated and challenging.

The Carrier Connectivity Process.

Let's look at the steps involved in establishing an electronic connection to your insurance carrier.

1. Negotiation

The first thing you have to realize when you start this connectivity process is that you are not the only one who is going to have to do some work to get this to function correctly. It's a project for your insurance carrier too. You are in all probability one of thousands of companies that they do business with.

If they work with you on this project, they also need to work with every other one of their clients who asks for the same consideration.

If you are a small to medium-sized company, say in the 100 to 1,000 employee range, what incentive does your insurance carrier have to work with you rather than a much larger client - be it a large company, a broker, or even a software vendor - who can offer them a much more sizeable return on their investment?

2. Technology Overhaul

Should you get through the first hurdle and persuade your insurance carrier to work with you on this project, your carrier will let you know how their systems are designed to receive information from connected employer groups. You will probably find that you do not currently have the technology in-house that will allow you to securely communicate with your particular carrier. There are also extensive federal regulations governing privacy and security that you must comply with. Details of these can be found in the following web sites:

<http://www.hhs.gov/ocr/hipaa/>

<http://a257.g.akamaitech.net/7/257/2422/14mar20010800/edocket.access.gpo.gov/2003/03-3877.htm>

3. Review the process

In order to simplify the process of connectivity, carriers will provide you with a carrier companion guide to coach you through the process and requirements. It helps if the person who is reading these guides and reviewing the process has an extensive knowledge of the HR process, as well as being an expert programmer and systems integrator.

Examples of these companion guides include:

http://www.ghi.com/pdf/Plan_enrollment_834.pdf

<http://hipaa.eyemedvisioncare.com/download/834%20Companion%20Guide.pdf>

https://www.aultcare.com/pls/portal30/docs/FOLDER/HIPAA_LINKS/834+COMPANION+GUIDE.PDF

4. Write the Code

Once you have reviewed the process and planned out precisely what you need to do, it's time to get down to the business of writing the code that will enable you to get your benefits enrollment data into the federally mandated enrollment file standard, ANSI X 12N 834. You can find documentation on the 834 file format at <http://www.wpc-edi.com/content/view/394/160/>. Your programmers will almost certainly need to review this site as it is unlikely that they will have worked with this file standard before.

To write this code so that the carrier will be able to read your data at the end of the process, you must follow their unique requirements as laid out in the companion document. You must also make sure that you comply with the federal regulations specified in <http://aspe.hhs.gov/admnsimp/final/txFR.htm>.

5. Testing

Obviously, for something as complex and crucial as a benefits enrollment system the stakes are very high. What if things don't work out according to plan? Are you adhering to federally mandated privacy and security issues? Your testing process must be rigorous and in fact, can easily be a process with as many as 37 steps.

This isn't just a time consuming process for you. The carrier has to devote significant time and energy to it as well - taking that time out of their normal business operations. As a result, a typical insurance carrier can only handle the testing process for one or two vendors a week. If you have any errors, you'll have to fix them and then get back in line for a new testing date.

You will have to do this for every insurance carrier you work with. How many carriers does your organization use?

6. Deployment

Once you get to this stage, congratulations are in order. You can now start to send complete census and changes files to each of the carriers that you have been working with.

Please beware that each insurance carrier will require that you feed them updated information on a regular, pre-defined schedule. This must be rigorously built into the HR schedule as you will have to verify that each transmission is successful.

7. Documentation

With a complex process like this, it is important that you thoroughly document each stage so that it is understandable to and repeatable by your colleagues in the HR department. Your organization has made a major investment in getting this project off the ground so it needs to be kept updated and maintained on a regular basis to stay useful and current and provide a return on the investment.

A CAUTION ABOUT TIMELINES

If you have stayed with us through our description of development and deployment you probably realize by now that this isn't going to be a quick process.

Even if you have excellent negotiation skills and the dedicated technical capability available to do all of this, you should allow at least six months to get connected. Of course, the benefits calendar is strictly controlled by your open enrollment calendar so you must look very carefully at your timeline before you start the process to ensure that it will all align efficiently.

Is your insurance carrier a long-term partner?

The other thing you are going to want to do before you start is to have a serious conversation with your CFO, or whoever in your organization decides who your insurance carriers will be. You need to be very sure that these organizations are ones you wish to work with for the long term. While having the flexibility to change insurance carriers might offer your organization significant savings and negotiation leverage, it's going to instantly invalidate all the work you've done and require you to start over again at step one.

So, what's the alternative?

The most practical solution for both carriers and clients is to stop reinventing the wheel and contract a third party software vendor who is dedicated to the process. They can deal with the myriad of insurance carriers and their individual requirements. They can take responsibility for complying with federal requirements. They can test and deploy all the systems and ensure that it all happens in a timely manner.

When you choose the software vendor you wish to work with there are some important considerations. Can you work with an off-the-shelf solution, or will you need a fully custom project? Or, do you lie somewhere in between?

If you need customization, does your vendor have the flexibility to handle that kind of project? If an off-the-shelf solution will work for you (and a well-designed one that offers some facilities for customization will for most customers,) is it part of a completely integrated solution that will help you in more than one aspect of HR management?

Remember, you need a vendor who is implementing true connectivity, not simply giving you the means to run a report, or create data file that you then transfer to each of your carriers. That kind of one-way, blind transfer of data is a sure recipe for errors and problems. A truly integrated system leaves you still in control of your data and can be easily and instantly changed and updated. Any change that happens in your HR system should automatically be reflected in all your carriers' systems.

The last question you need to ask yourself is whether your vendor has the specialized experience in all aspects of HR to

ensure that you end up with one system that covers all your needs?

It is very easy to forget that the primary function of the HR department should be to manage HR - not juggle paperwork and trouble-shoot software. Carrier connectivity is just one very important part of a bigger picture in HR automation, which if correctly implemented, should free up the HR professional to do their real job of ensuring that the right people are in the right places to grow and develop the organization as a whole.

Concluding thoughts.

Do we encourage companies to electronically connect to their insurance carriers? Yes! Do we think small and mid-sized organizations should establish the connection themselves? No!

The advent of HIPAA has brought to light many issues that can be easily addressed through the automation of all HR and benefits processes. Establishing an electronic connection between your HR system and your insurance carrier is a time-consuming and complex project. There are experts out there who have already figured it out - let them tackle this mandate for you so you can utilize your in-house resources on other strategic programs.

ABOUT ASCENTIS CORPORATION

For over a decade, Ascentis' HROffice product line has been automating HR and benefits processes for small and mid-sized organizations nationwide. Today HROffice reduces HR and benefits costs for over 1,200 companies ranging from professional service and manufacturing firms to government and non-profit agencies. HROffice integrates with many of the nation's largest insurance carriers.

A Microsoft Gold Certified Partner, Ascentis was named by Workforce Management to its 2005 hot list of the "Top HRMS Providers" for the second year in a row. Additionally, Forbes.com included Ascentis in its "Best of the Web Pick."

Connect, communicate, and control all aspects of HR with HROffice. For more information on Ascentis Corporation and the HROffice product line, visit www.ascentis.com or call 800.229.2713.

Ascentis Corporation
PO Box 53330
Bellvue, WA 98015
Tel: (425) 462-7171
Fax: (425) 462-1313
Sales: (800) 229-2713
www.ascentis.com
hinfo@ascentis.com