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Revolutionizing Group Health and Life

Seminar discusses technology's impact on employee benefits

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The impact of the Internet, intranets and extranets on the group life and health market was the focus of a recent seminar hosted by StarNex Inc., a Massachusetts-based software developer for the insurance industry. More than 200 local brokers and insurance company representatives were in attendance at the Laurel Manor Conference Center in Livonia.

Speakers at the seminar, sponsored by 23 insurance and managed care companies, the Michigan Association of Health Underwriters and Insurance Value Added Network Services, Inc. (IVANS), included Joe Markland, president of StarNex; Chip Lawson, senior product manager at IVANS; Bill Bloom, assistant vice president of business technology at The Hartford; and Allen Cohen, vice president of sales and marketing for Online Benefits, Inc.

Markland kicked off the presentations by identifying paper-intensive processes that still consume the employee benefit industry, citing such examples as the quote and proposal process, case installation and on-going enrollment, provider directories, employee booklets and claims administration. Despite technological advancements, more than 2 billion paper claims are filed annually.

"The insurance industry is behind other financial services industries in adopting new technologies," Markland says. "Most people can look up balances or transactions in their bank or mutual fund accounts online, but can't look up the status of claims or the balance in a cash value life insurance policy."

Insurance providers and third-party technology companies are just now beginning to utilize advancing Internet technologies to eliminate the paper in these business processes.

Insurance Company Solutions

Insurance providers have begun to develop their own solutions for many business processes. Bloom demonstrated The Hartford's online eligibility, quote process, claim status lookup and broker commission tracking system. Other providers put their HMO and PPO directories online, enabling employees to look up physicians on the Internet from home.

Insurance and managed care companies realize the cost savings gained by adopting new technologies. According to a Metropolitan Life study, if the cost of answering a customer service call with a live person is \$1, the cost of answering that same question with a Voice Response System is \$.50 and just \$.06 via the Internet.

"Employees want the ability to look up information about their benefits online," says Elaine Coffman, director of sales at Selectcare. "Online service can be available 24 hours a day and still significantly reduce costs. The banking and mutual fund industries have proven it."

Third-Party Solutions

Some business processes require third-party solutions because the processes are non-proprietary. "Proprietary solutions to non-proprietary problems will ultimately fail because the end user will reject them," says Lawson of IVANS, which is owned by more than 80 insurance companies and was formed to provide secure network services for the insurance industry.

"In the quote process, a broker usually quotes more than one company," he continues. "In eligibility maintenance, the average employer utilizes five insurance providers for various benefit plans. In each case, the end-user is submitting information to multiple sources. If each source had its own online solution, the same information would have to be typed into multiple systems, thus creating more work for the end user. It often requires third parties to develop platforms which can be used by all."

Several third-party solutions were featured at the seminar. Cohen of Online Benefits, Inc. illustrated the company's online benefit statements. StarNex demonstrated a quote request system, which enables brokers to submit requests to multiple insurers through a single entry system. Other companies, such as Budco, Employease and Common Census, have developed solutions for the eligibility process.

"We consolidate all of an employer's benefit plans from all insurers into a single online system," says Cohen.

"Employers want one system for their employees and brokers are demanding a single system for the quote process," adds Markland.

A Broker's Perspective

Employers have been looking for easier ways to administer their benefit programs while providing their employees with more options. As a result, benefit administration outsourcing through human resource outsourcing and employee leasing firms has become more popular.

"In order to stay competitive, we need to bring solutions to our clients or someone else will," says Dave Hoisington, a Troy-based broker. "Our clients are using the Internet in their own businesses and wonder why the insurance business is so far behind. They're looking for technology solutions that can help them reduce their internal administrative burden."

Will new technologies reduce or even eventually eliminate the role of the broker? Jim Hayes, vice president of sales at Allmerica/Citizens, doesn't think so. "We rely on the brokers to introduce our technology solutions to our joint customers," he says. "Many of our brokers sell our online eligibility system as a benefit to the customer."

"Neither brokers nor insurance companies can stop or win a technology war, and you can't fight market demand," adds Lawson. "Ultimately the buyers will get what they ask for." **HRB**

Joseph Markland is the president of StarNex Inc., which develops electronic insurance distribution solutions for the employee benefit and commercial line markets. StarNex recently completed development on ConnectSMART, which allows brokers to electronically submit employee benefit RFPs to multiple insurers. Markland can be reached at 800-903-7827.