

The future of Group Benefits management: Open, Collaborative and Client Centric

Last month we reviewed the inefficiency of the current business model. We understood clearly that unless we go through a major paradigm shift, we will continue to spend uselessly billion\$ in management fees.

Fortunately forward thinkers have looked into the future and have created a new model.

The « Insurance 2020: Innovating beyond old models » report written by The IBM Institute for Business Value Study presents the ideal model for managing employee benefits.

Here are extracts of that analysis:

“The aggregate capabilities of current technologies and the unexplored potential of emergent ones almost guarantee that the next several years will mark a fundamental change in the insurance industry. The question is how can insurance carriers profit from these changes? How can consumers be better served?”

The IBM analysis identified four large-scale trends that will likely confront insurers in the year 2020:

- Active and informed consumers across demographic groups reward non-traditional operators
- Technology virtualizes the value chain and lowers barriers to entry
- Innovation will be required
- Old modes of thinking threaten the industry's ability to innovate
- Interlopers will increasingly disrupt traditional insurance operations
- Industry leadership will require experimentation in operating models, processes, products and customer relationships
- Strategic investment in innovation today is critical to success in 2020

Then IBM comes to suggest this model:

“To develop new business and operational models, companies must encourage experimentation and establish a rugged, but not too rigid, process for innovation. IBM established the following innovation lessons from the 2004 Global Innovation Outlook initiative:

- o Innovation is increasingly:
 - Open
 - Collaborative
 - Multi-disciplinary
 - Global
- o New business designs emerging that thrive on collaborative innovation
- o Standards must take hold in every

industry

- Beyond IT standards
- Intelligent intellectual property reform
 - o The world revolves around the primacy of the individual.

These concepts can help form the basis of an innovation plan for a company that is committed to achieving more than just optimization.”

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In layman terms, IBM recognizes the current insurance technologies are “Closed, Isolated and Product Centric”. Most participants are working in silos, reinventing the wheel and sharing access to information within the organisation or client only.

The new model needs to look at Web 2.0 trends, where the consumer/participant can access, share and COLLABORATE to the evolution of the information. Web services such as Wikipedia, YouTube, social network, blogs and many other community WEB services popularity is not a fad, but a major trend. Consumers, whether individual or corporate, want to be in on the action. They want to share responsibilities, be part of the decision making and mostly get access to the information when they need it.

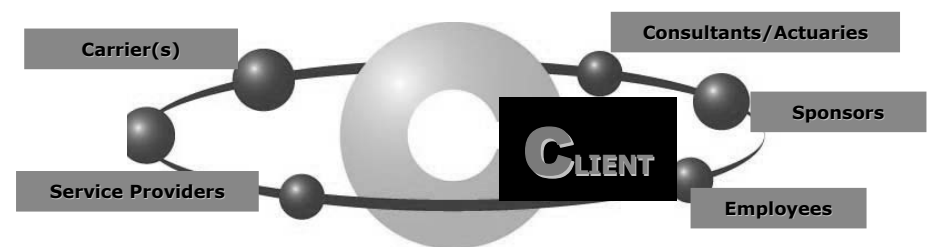
The insurance industry is no different, consumers want to buy the right insurance service, they want to understand the costs and products and they want to be able to access the right information when they need it. Insurance information will need to be CLIENT CENTRIC, OPEN and access to be UNIVERSAL.

My personal vision is that the solution to Group Benefit management need to mimic what the ATM revolution did to banking.

Here is my blueprint of the UNIVERSAL CLIENT CENTRIC COLLABORATIVE WEB solution that guarantees group benefit insurance saving by simplifying the management processes perfectly reflecting the new model of businesses proposed by IBM.

Graphic wise, we will replace the complex web model of the current inefficient model that we presented last month by one that become CENTRAL to the CLIENT. The C that stands for Client, Collaborative and Centric become the center of

our solar system. The beauty of this model is that the CLIENT can be any participant: Carrier, Sponsor, Advisor, health service or product provider, members, etc. The CLIENT is the owner of the information and he is the one that decides who will be the other participants. Every participant becomes an active part of this COLLABORATIVE solution. Each will have a controlled access to share and make contribution based on their unique “role(s)” and “rights”. One single platform, one single data base and each participant will access the information within a customized and optimized interface.



It is easy to understand how, this new COLLABORATIVE, OPEN, CLIENT CENTRIC, WEB model will allow major simplification of processes and cost reduction. Although I am proud to say that such technology exist today in very limited number, IBM foresees that it may take up to year 2020 for every participants of the industry to have moved into this new model.

Why will it take 12 years to get there? Most will wait because we are conservatives. We accept pain and punishment because we are familiar with them. For most carriers and major industry participants (“The current operational mode among the majority of carriers is deeply rooted in the past” extract from IBM report), the question is: why rock the boat? After all, as long as the sponsors will continue to foot the bill, why take the risk of changes?

“The problem is that we are now in an era in which technology can transcend nagging industry problems and change the game” dixit again IBM and those early adopters will get the early benefits of the change while putting pressure on the others.

Although we did refer you to this link last month, please allow me to do it again as I truly think it is important in order to fully grasp the concepts and the profound need for changes. The analogy of TODAY'S Group benefit management model to the fictional break up of financial card standard access is available through this URL web link:

http://www.c-surance.ca/C-SURANCE/newsletter_nov04_en/index.asp?c=1

To become the CLIENTS of such a model, one will need to be medium to large sponsors, professional advisor/actuary, TPA/TPP and/or Carrier. The smaller sponsors (under 150 members) as well as any other participant with limited group benefit expertise should access this platform through a qualified and certified professional advisor/actuary, TPA/TPP or carrier.

To be truly UNIVERSAL this platform needs to provide access to ALL the needed services: Administrative tools to insure billing as well as employer/employee contributions, links with HR or payroll services, claims management and automatic adjudication services as well as all the needed tools to simplify market evaluation.

As an employee benefit administrator responsible for the management and cost of your current group insurance you will become a major driver of this evolution.

Now that the table is set, we will be able to dig deep into the specific daily activities of managers. Next month we will explore the Administrative responsibilities of HR manager. We will look at the E&O risks, how to limit duplication of information and task and simplify your processes.



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Specialist in process optimisation, C-surance.ca provides WEB tools to simplify process and reduce cost of managing Group Insurance and Employee Benefits.