

Case Study:

Reducing the Cost of NAIC MAR Compliance

Precisely Uses Automated Analysis to Rein in Compliance Costs for a Leading Health Insurer

As one of the largest customer-owned health insurance companies, this organization offers a variety of health, life and related insurance products through its plans, affiliates and subsidiaries. In order to provide superior services and products to its individual members and group customers, this organization embarked on a journey to achieve operational excellence in all of its core business processes.

In an effort to support its board's mandate to comply with Sarbanes-Oxley (SOX) and National Association of Insurance Commission's Model Audit Rule (NAIC MAR), the organization looked to identify and mitigate information risks in their critical business processes. NAIC MAR, also known as Annual Financial Reporting Model Regulation, applies to all insurance carriers with written premiums over \$500 million. It is similar to the Sarbanes-Oxley Act of 2002 but requires management certification instead of external auditor certification.

The Challenge

In partnership with its internal and external auditors, the healthcare payer first identified all critical financial applications and information exchange interfaces in claims, payments, membership, actuarial, finance and accounting. External and internal audit reviews identified 77 financially critical interfaces for NAIC MAR compliance. Of those, 39 were identified for further assessment based on their risk profile.

To standardize the NAIC MAR compliance efforts and align with the operational excellence initiative, the insurer identified a number of interface needs:

Operational Analysis

Each interface and application should have a minimum of three analysis points: duplicate check, date check and balancing. These controls should be automated to reach process efficiency, plus standardized and centralized to reduce the cost of maintaining each rule deployed.

Client

Top Ten Healthcare Payer

Industry

Healthcare Insurance

Challenges

- Compliance with SOX and NAIC MAR was difficult
- Interface and data analysis was manual and inefficient
- No real-time status of analysis activities, research and resolution
- No visibility of key performance indicators

Results

- Increased process efficiency
- Automated and standardized error resolution
- Improved cycle time
- Reduced cost of analysis and audit
- Compliance and operational excellence

In an effort to support its board's mandate to comply with Sarbanes-Oxley (SOX) and National Association of Insurance Commission's Model Audit Rule (NAIC MAR), the organization looked to identify and mitigate information risks in critical business processes.

Operational Monitoring

Real-time status of the analysis activities, transaction volumes, resolution efforts and exception research should be available and accessible for effective management of the business operations. In support of the audit requirements, each application/interface is required to retain analysis activity information for a period of at least three years.

Operational Measurement

Key performance indicators, including the number of exceptions, the average time to resolve exceptions, and the transaction volumes by key group, should be estimated to help identify process improvement and productivity improvement opportunities.

The Solution

The organization engaged Precisely to assess and identify gaps, monitoring and measurement improvement opportunities in each of the 39 identified interfaces. The assessment process involved interviews with subject matter experts and review of the process flow, data structure, exception management process, and performance improvement objectives. The most critical part of the assessment was identifying the location and type of analysis within a process. As a policy, this organization wanted to put analysis at the point of entry rather than further downstream in the process.

Following the assessment, Precisely Strategic Services identified a total of 23 control improvement opportunities in 13 interfaces. In addition, Precisely recommended end-to-end process monitoring and measurements for all 39 interfaces. To support monitoring and measurement requirements, recommended a centralized visibility platform that required information from the automated analysis.

This health insurance organization has used the Precisely's solution for many years as their standard to mitigate information risks in its critical business processes. Based on the review of the gaps and recommended analysis design, the organization decided to leverage this solution to further close the identified gaps. As part of their software solution acquisition process, they identified a number of functional requirements:

- **Transaction Monitoring:** Monitor analysis results, transactions and exceptions in real-time
- **Measurement and Trending:** Optimize business processes by measuring and trending the underlying operational information
- **Compliance Reporting:** Create and view reports to support NAIC MAR compliance initiatives
- **User Capabilities:** Features like role-based visibility, wizards, view copy and paste, and use with limited and eventually no technical support
- **Centralized Solution:** Monitor analysis results and measure process performance at the enterprise level

Precisely analysis was also deployed to monitor and measure activities and process information into a single dashboard.

With Precisely, the company has adopted a standardized approach to resolution documentation, which is a key component to audits and compliance.

The Results

In addition to closing control gaps (duplicate, missing file and balancing checks) in all financially critical applications and interfaces for NAIC MAR compliance, the insurer lowered the cost of compliance, reduced operational risk and enhanced the visibility to all critical processes and analysis.

The solution was able to achieve the following results:

Compliance and Operational Excellence

Precisely solutions helped the organization close all analytic deficiencies using automated, standardized and centralized analysis. Manual controls were automated using the solution, resulting in cost savings and manual error prevention.

Lower Cost of Audit

The implementation of solution, monitoring and measurement solution helped the insurer aggregate the results and exception resolution documentation in a central location. In addition, this solution enabled the organization to retain results and reports for three years, eliminating the need for manual archiving. As a result of centralization and process-based visibility, the insurer has been able to lower its NAIC MAR audit cost by 30%.

Standardized Error Resolution

With Precisely, the company has adopted a standardized approach to resolution documentation, which is a key component to audits. Rather than each group using its own methods, like an Excel spreadsheet or a mainframe production log, the solution allows for notes to be added right to the analysis results. In support of the operational excellence initiative, the insurer engaged to assess an additional 39 business critical interfaces spanning multiple business areas, including claims, pharmacy claims management, federal employee plans and subsidiary information exchanges.

For more information

Call +1 (877) 700-0970 (U.S., Canada, and International), or visit www.precisely.com.