



## Pinnacol Assurance Case Study

### Pinnacol Assurance Gains More Than \$870,000 Using Ingenix eBilling Solution

#### Highlights:

- Pinnacol Assurance gained a five-year net benefit of \$871,577 from the use of Ingenix eBilling solution.
- The Ingenix eBilling solution deployment has a return on investment (ROI) of 243%, and a payback period of nine months.
- Even though state law allows Pinnacol Assurance 30 days to process bills, the company now pays providers, on average, within 10 days.
- Pinnacol Assurance has achieved financial accuracy of more than 99 percent and an overall accuracy rate of 97 percent for provider payments, in part due to the Ingenix eBilling solution.

#### Challenges

“Ingenix eBilling has decreased the cost of paper handling, increased staff productivity, streamlined our administration, and increased provider satisfaction. It has accomplished all the goals that we set out for it.”

— Ken Ross, President and CEO, Pinnacol Assurance

Pinnacol Assurance, the assured and trusted source of workers' compensation insurance for nearly 60,000 Colorado employers, is an industry leader in innovation, constantly adopting its technologies and best practices to better serve policyholders and their employees, medical providers, and insurance agents. Toward that end, it was looking to improve staff productivity, cut expense ratios, and reduce the cost of processing claims.

In 1998, Pinnacol Assurance was in the process of building its own bill payment engine and outsourced its bill payment function to an outside vendor. To improve productivity and efficiency, it completed in-house development, stopped outsourcing, and turned to Ingenix to complement its new system.

The in-house solution (enhanced by Ingenix eBilling) improved Pinnacol Assurance's efficiency for bill handling. The company recognized that it could be even more efficient if it increased its use of electronic data interchange (EDI) for bill processing. Pinnacol Assurance was looking for a solution that would:

- **Improve the efficiency of inputting bills.** Manually inputting bills was inefficient as was using scanning and optical character recognition (OCR). The company was looking for a way to import more bills with less manual work.
- **Improve accuracy rates.** Manual input of bills and OCR and scanning can lead to data entry errors and inaccurate billing, including overpayments and underpayments. Pinnacol Assurance wanted to improve the accuracy of its billing and payment procedures.
- **Reduce turnaround time.** Manual processes can be slow and time-consuming. Pinnacol Assurance recognized that handling billing and payments electronically would reduce the turnaround time not only for its own processes, but lead to decreased payment times for providers and greatly reduce disputes and bill resubmissions.
- **Easily scale for future growth.** Manual input and scanning is a staff-intensive process, and is difficult to scale. Pinnacol Assurance wanted a solution that would allow it to easily scale with future bill volume growth, without adding to costs.

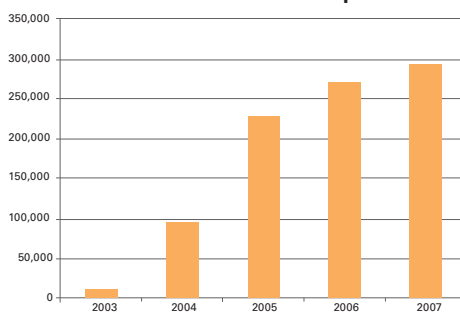
## Solutions

To bring the process in-house, increase accuracy and productivity, and decrease costs, Pinnacol Assurance turned to Ingenix eBilling solutions to leverage EDI for more efficient claim processing.

Ingenix eBilling is an end-to-end solution designed to provide direct connectivity and integrated bill editing to health care providers, payers, and state workers' compensation program administrators. It edits incoming electronic medical bills to check that all required data is provided, accurately and consistently. Edited results are communicated electronically to providers and payers. By standardizing disparate and/or inconsistent data, it is easier to process the information and reduces cycle times.

Pinnacol Assurance also implemented other measures to increase its efficiency and effectiveness. For example, it implemented autoadjudication steps into the bill review process, as well as aggregated bill payment.

Number of Bills Handled per Year



In 2003, Pinnacol Assurance increased its use of EDI by working with one of its key provider partners to change the process for receipt of medical records. (Up to that point, medical records had been required to be attached to bills). After this process was simplified, three more providers were added in early 2004. In March of 2004, the company helped promote marketing sessions held by Ingenix to its provider partners to help spur use of the Ingenix EDI capability. By April of that year, 71 providers were billing Pinnacol Assurance electronically, and new providers continually sign on.

The numbers of provider bills handled through EDI have increased dramatically. The chart to the left shows year-by-year EDI growth for the bills handled by Pinnacol Assurance using Ingenix Workers' Compensation eBilling.

## Results

Using Ingenix eBilling, Pinnacol Assurance has gained a five-year cumulative net benefit of \$871,577, due to increased productivity, and reductions in back-office management costs and direct costs associated with storing paper files offsite. The solution has a return on investment (ROI) of 243%, and a payback period of nine months. In addition, the solution has decreased bill-entry errors and reduced the amount of time it takes to process claims, prompting providers to give Pinnacol's medical payment team high marks on the latest provider satisfaction survey.

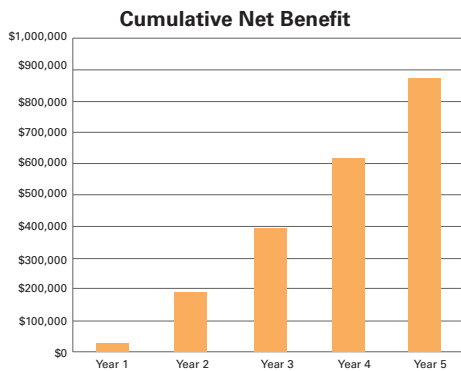
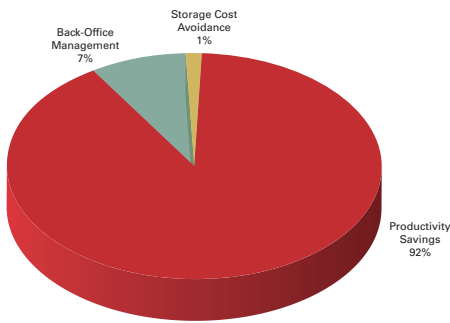
The electronic handling of claims has led to a more efficient and effective management of the bill review process. Pinnacol Assurance has seen \$1,138,596 in savings over five years as a result of productivity gains, because it did not have to hire additional staff to process claims. Pinnacol Assurance has also gained \$82,648 in back-office management savings due to the electronic handling of claims.

EDI has also decreased the time it takes to process claims and improved accuracy. Even though state law allows Pinnacol Assurance 30 days to process bills, the company now pays providers, on average, within 10 days. It has a financial accuracy of more than 99 percent and an overall accuracy rate of 97 percent.

In addition, the system has ensured the privacy and confidentiality of injured workers' personal information. Handling claims electronically ensures that injured workers' healthcare information is protected and using the most current standards results in the highest level of HIPAA-compliant security. Overall, the solution enhances Pinnacol Assurance's commitment to its medical providers, as well as the policyholders and employees they care for.

The following chart provides a detailed, five-year analysis:

5-Year Net Benefit = \$871,577



Project Summary							
ROI	243%						
Payback Period	9 months						
Cumulative Net Value	\$871,577						
Project Costs	Start Up	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
Equipment	\$50,000						
Annual Costs		\$25,488	\$59,194	\$70,142	\$76,884	\$76,884	\$308,592.44
Total Project Costs	\$50,000	\$25,488	\$59,194	\$70,142	\$76,884	\$76,884	\$358,592
Benefits	Start Up	Year 1	Year 2	Year 3	Year 4	Year 5	
Storage Cost Avoidance		\$720	\$1,672	\$1,981	\$2,172	\$2,381	\$8,926
Productivity Savings		\$85,000	\$214,200	\$255,000	\$278,800	\$305,596	\$1,138,596
Back-Office Management		\$6,667	\$15,483	\$18,346	\$20,110	\$22,042	\$82,648
Total Benefits	\$0	\$92,387	\$231,355	\$275,328	\$301,081	\$330,019	\$1,230,170
Financial Analysis	Start Up	Year 1	Year 2	Year 3	Year 4	Year 5	
Net Value	(\$50,000)	\$66,898	\$172,161	\$205,185	\$224,198	\$253,135	
Cumulative Net Value	(\$50,000)	\$16,898	\$189,059	\$394,244	\$618,442	\$871,577	
Net Present Value	\$638,067						
Payback Period (in months)	9						
ROI	243%						

**Glossary:**

**Return on Investment (ROI)** is the percentage return expected over a specified period of time. ROI is the total benefit divided by the total costs. This ROI metric is good for assessing the multiplier provided by the benefits relative to the total investment and costs.

**Net Present Value (NPV)** represents the cumulative present value of the expected return of a project over a specified period of time minus the initial costs of the project. This dollar figure provides visibility on the actual value of a project, taking into consideration the time value of money—the ongoing benefit of a project in today’s dollars. NPV tells you the magnitude of the project and if the project generates a profit.

**Payback Period** (or breakeven) is the time frame it takes for the project to yield a positive cumulative cash flow. Payback period is a key measurement of risk but does not take into account cash flows after the payback period.

ROI, NPV, and Payback should be used in conjunction to understand the rate, size, and timing of the return.

**Net Value** (or Net Benefit) is the benefit delivered to the organization for the investment made in the project. Net value is calculated by taking the total benefit minus the project costs.

**Storage Cost Avoidance** reflects a reduction in direct costs associated with storing files offsite and referencing them as needed.

**Productivity Savings** are realized because Pinnacol Assurance is able to handle increasing amounts of claims without having to hire additional processors.

**Back-Office Management** benefits are derived from staff time savings, based on more efficient and effective management of the bill copying and distribution process.

“Pinnacol Assurance is an industry leader when it comes to innovation. We take a very proactive approach to improving our efficiency, and increasing the satisfaction of our providers. Ingenix has been an ideal partner to help us accomplish those goals.”

— Ken Ross, President and CEO, Pinnacol Assurance

## About Pinnacol Assurance

For more than 90 years, Pinnacol Assurance has been Colorado’s assured and trusted source of workers’ compensation insurance for Colorado employers. Through its affiliated agents, Pinnacol provides comprehensive, competitively priced coverage; immediate attention to claims; a highly qualified network of **SelectNet** medical providers; and proactive safety programs to approximately 60,000 Colorado businesses. Over the past four years, Pinnacol has returned \$227 million in general dividends to its policyholders statewide—a mark of the company’s stability and strong financial health.

## About Ingenix

Ingenix delivers Intelligence for Health Care, uniting the brightest minds to improve health care through information and technology. Ingenix serves more than 250,000 diverse health care clients including insurance companies, federal/state agencies, pharmaceutical and biotech firms, Fortune 500 enterprises, hospitals, and physicians within the health care community. For more information about Ingenix and its products and services, please visit [www.ingenix.com](http://www.ingenix.com).

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