DATA RISK - WHY RMIS DATA QUALITY IS SO IMPORTANT

9/8/2008
Shelter Island Risk Services

Key RMIS Data Quality Problems and How to Avoid Them

Without high quality RMIS data, it can be impossible to "See the Forest for the Trees." This article briefly summarizes why the quality of RMIS data is important, sources of problems, and some ways to enhance RMIS data quality.

WHAT ARE THE RISKS?

In a business world as complex as today's, an inefficient RMIS data infrastructure can often prove to be a dangerous reality for many corporations. While the direct impact does vary somewhat from industry to industry, the need for effective RMIS data management is rooted in a company's need for effective loss control and claims management. Poor quality RMIS data may lead to ineffective loss control efforts, inefficiencies in working with claim professionals and potentially costly outcomes from decisions made when using erroneous data.

Ineffective RMIS data management will often result in excess expense, insufficient budgeting and unacceptable projections. For example, if a company is looking to implement specific loss control measures, RMIS data is crucial in evaluating which losses to target. Without high quality data, selecting the most tractable losses to address, proposing specific loss control actions, estimating required resources and developing reliable projections of expected losses and realistic expectations of potential savings are impossible to achieve.

Another area where poor quality compromises results is in balancing claim data to key policy triggers. Accounting for allocated loss expenses, erosion of aggregate deductibles, retentions and limits, and assessing claims against the correct policy are key elements that require exceptional accuracy. Inaccurate data may compromise renewal reports and collateral negotiations.

Most importantly, problems with RMIS data may result in inaccurate accounting accruals, allocations and actuarial projections of reserves: potentially leading to a subsequent restatement of financial results and serious legal consequences.

HOW RMIS DATA QUALITY ISSUES OCCUR

Many RMIS data quality issues arise at the input stage, in two different ways:

1. The client reports incorrect data to their loss intake mechanism; or
2. The intake mechanism incorrectly codes the information provided by the client.

Intake is the single most important area for improving RMIS data quality. Too often, clients accept an intake mechanism as "given". Effective RMIS data management demands efficient, effective and high quality intake, and develops tools and techniques to achieve it. Never forget that the users of RMIS data are rarely the originators so there is potential for serious disconnect between them.

Other issues that impair data quality:

3. Coding that is too granular – that is, too many unique codes for cause, nature, part, etc. Experience has shown that whoever does the coding often picks the first code that is a reasonable match; they do not search the entire list for a "perfect" match. As a consequence, identical injuries may receive different codes based upon the position of codes in lists and the initiative of individual coders.

4. Failure of intake system audit tools – for example, an intake system should refuse to routinely accept "unknown" or "other" as a description. Those unusual instances where important data is temporarily unknown should trigger a bring-up mechanism to require that missing information be filled in.
5. Locations involved in reporting losses must be made responsible for checking the quality of data they generate. Too often, the locations making the loss report are never asked to verify the data in the RMIS system; they should be considered the first line of defense against poor quality.
6. Claims management personnel must also be made responsible for the quality of the coded data they maintain. Proper periodic checks and balances must be part of the claims handling instructions to ensure ongoing accuracy and updates.
7. Improper setup of deductibles/retentions, limits, expense handling and other policy elements, due to system limits or human error result in improper summarization of loss data.
8. Ongoing data loads from third party sources are prone to errors when file structures are changed without notice, new programming is implemented and not communicated, etc.
9. Changing from one system to another, or from one carrier/TPA to another, is a source of enormous data quality headaches.

Reporting losses involves people at both ends; either may inadvertently make an error. Effective RMIS data management seeks to minimize these errors at the source, and efficiently find and correct those that get through.

IMPROVING RMIS DATA QUALITY

An effective RMIS data management program must be tailored to the specifics of a company's loss intake mechanism, RMIS system and analytical requirements. Good RMIS data management must be continuously practiced to be efficient and effective. Sole reliance on periodic auditing is not an effective way to prevent quality problems from arising, and requires far more effort to identify and correct missing and erroneous data than improving the reliability of intake systems and processes. The following are some examples, not exhaustive, of steps that may be useful.

1. Training –for both client and intake personnel – is often a missing element in the RMIS data management equation. Everyone should know how to report correctly, and why it is important.
2. Efficient forms and formats for reporting – again, for both client and intake personnel. Nothing assures poor data quality like a badly designed form; state WC forms are usually the worst.
3. Review and consolidate codes into the shortest possible useful lists. Systems designed to capture excessively granular data – for example the specific finger injured – are unrealistic and incapable of effective management. "Hand" is probably as much detail as necessary in a RMIS entry; additional information should be retained in a "notes" section.
4. Intake systems should contain robust quality checks, period. Select one that does and review it periodically

5. Simple reports provided to reporting locations should allow them to efficiently review RMIS system data against their records. Discrepancies should be reported centrally for correction.

6. Claim personnel must be required to check coding against the notes in their file to find and correct mistakes made at intake. If the Body Part code says "arm" and the doctor's report is for a broken leg, it should be easy to resolve the discrepancy!

7. All system elements should be tested thoroughly before approval. How policies work should be clearly understood on both sides, so that inadvertent errors are not programmed into the system; even if caught later, it may be difficult to identify all of the problems that result.

8. All third party data must be monitored for variances and exception reporting must be generated and reviewed for data inaccuracies. Control charts and Scorecards (developed for Quality Control) are excellent tools to measure progress

9. Whenever a major change in systems, carriers or TPA's is made, all data in the system must be balanced to its source, in complete detail. If this admittedly excruciating process is not performed, data quality in the new system will almost certainly be compromised.

10. Whether using a TPA or independent system, the contract should spell out expectations for quality, which party is responsible for specific controls, and penalties for noncompliance. An annual audit of a selection of records, making the results part of a formal review process, is a critical quality management technique. However, it should not be relied upon to identify all problems on a timely basis.

11. Periodically, the complete data set should be balanced to the sources to assure that corrections have been made properly, and errors do not go unnoticed.

A wide array of RMIS data management tools and techniques is far more efficient and effective than one or two; tools should be tailored to specific data sets, circumstances and requirements. Care should be taken to avoid making the solution worse than the problem – the desired outcome is not perfect data, but data that is usable and reliable.

CONCLUSION

Effective RMIS Data Management is necessary to adequately address loss control and claim management programs. RMIS data quality is particularly critical for determining accounting reserves.

A company should analyze its RMIS requirements and actual data quality to determine specific tools and techniques needed to efficiently assure the highest possible reliability, and periodically reassess them as their needs and RMIS evolve.

For more information, or an initial assessment of your RMIS data quality, please contact Shelter Island Risk Services at www.SiRisk.com or contact our headquarters located at 51 Tuthill Drive, PO Box 568, Shelter Island, NY 11964.