File Processing Issues and Challenges

Among the greatest challenges facing benefit administration service firms (BA's) and software providers is the setup and ongoing processing of incoming and outgoing data files. Benefit administrators and software providers serve as aggregators and distributors of employee demographic and benefit data. The data distribution aspect of the BA's function does not usually receive as much attention as the enrollment/data aggregation role.

The initial challenges in the role of data distributor are many. The BA must interact with multiple parties, each with different needs, requirements and methods of operation. The BA must be agile and flexible to deal successfully with this variety of trading partners.

How Data Files are Handled

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The BA deals with two types of files, i.e., incoming files from payroll and/or HRIS systems, and outgoing files sent by the BA to insurance companies, ancillary benefit administration providers (COBRA, FSA), payroll/HRIS systems and data warehouses. Each file may have a unique format and transmission/receipt frequency. No two files are exactly the same, even those with the same carrier. Every BA has its own preferred file format, as does each carrier. The perennial question is whose format will be used, the BA's or the carriers'? In our experience relatively few payroll vendors or carriers send or accept files in other than their own format (clients are more flexible and able to adapt to the BA's file specifications). Some BA's produce a generic outbound file, often in Excel format and make it available to the client for actual transmission to carriers. This may be acceptable in some circumstances, e.g., for smaller and mid-size clients, but most carriers for larger employers will insist that eligibility files sent by the BA must be in the carrier format. Due to the back and forth nature of this process, BA's should allow ninety days from the time of engagement to having files in production.

The Challenge of Synchronization

Thus, the BA must communicate with each trading partner to obtain its file specifications and operational requirements (i.e., file type, method of transmission, security, etc,). The BA must then analyze the specifications to make sure that all required data elements are available. Next, the analyst works with the data mapping specialist to assure that the source data from the BA's system will be translated properly to meet the trading partner's requirements. At this point, the BA is ready to send its initial test file. This file should be produced in a test/QA environment and the initial file is normally a full file. This means the BA must support multiple environments, e.g., Implementation, QA and Production. Keeping the data in these environments in synchronization can be a challenge in and of itself. The carrier then loads the test file in its QA environment, analyzes the results and produces exception reports. Exception reports are sent to the BA, the BA modifies its file layout, if necessary, reruns and resends the corrected file to the carrier and the process continues until both the BA and the carrier approve the final version. These files must, by law, be in the new 5010 format to meet HIPAA requirements as of January 1, 2012.

"New HIPAA requirements as of January 1, 2012."

Putting Files into Production

A file production schedule is established for each trading partner. The initial file, or the annual enrollment file for an existing client, is sent to the trading partner. This initial file transmission data is critical, since it must be early enough, usually on or before December 10th for a calendar year plan, so that carriers can issue new identification cards by January 1st. There can also be a problem after this initial/annual enrollment file is sent, since some carriers do not accept ongoing eligibility files after this initial file is sent. In these cases, the BA must set up a manual process to send "changes only" data for the remainder of the year. The above communication and testing process is repeated each year in order to incorporate changes in plan and benefit structures.

Protecting Data in Transit

The BA often hosts its own SFTP site, to which it delivers outbound files, and to which trading partners deliver inbound files. Processing procedures are established for both inbound and outbound files. BA's normally send ongoing/recurring files weekly, and some BA's are able to give clients insight into the status of file transmissions. There are varying degrees of rigor among BA's processes associated with file handling. In instances where the BA simply delivers an Excel file to the client for retransmission to the carriers, there is little emphasis on this phase of operations. On the other extreme, some BA's require that the receiving party confirm "receipt and load" of the file and perhaps even file counts. Finally, some BA's will not send the next scheduled file until the above confirmation is received. Major problems often occur at carriers when files are loaded out of sequence, so in an abundance of caution, the BA may delay sending a file without confirmation of receipt and load the prior file.

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A Better Approach to Processing Files

The actual processing and handling of the files themselves can be time consuming. For example, a BA with 200 clients for whom files are sent, with an average of 5 files each, will transmit approximately 1,000 outbound files per week, over 50,000 per year. This has to be done in an organized, consistent manner. Thus, the process must be as automated as possible. One solution, developed by Benefit Concepts in conjunction with Pervasive Systems, to automate inbound file processing is the proprietary "IHUB" solution. With this process, files are automatically retrieved from the SFTP site, decrypted, analyzed, exceptions noted, and good records loaded in the production environment. Also an exception report is automatically produced and emailed back to the file originator for resolution/clarification. This automated processing reduces manual efforts by approximately ten minutes per file per week. A BA with 200 clients can reduce man-hours by up to 116 per hour. As client and file volumes grow, an automated approach is essential, otherwise the workflow quickly becomes unmanageable.

The above file load approach adapted by Benefit Concepts, i.e., loading good records and noting exceptions on records with missing/incomplete data, is a practical, workable solution. Many, if not most, trading partners have adapted similar practices. It can be frustrating, however, when a file with tens of thousands of records is failed entirely because, for example, of one missing first name for one dependent. It is important, therefore, to understand each trading partners' file, acceptance criteria, and to establish processes to respond promptly when the exceptions occur.

Conclusion

After the initial fact gathering, test file creation, actual file testing, establishment of file transmission schedule and protocol, and then actually going live in the production mode, it often seems like the job has just begun. After a file is implemented, there is often a "shake out" period. It is not uncommon, despite thorough testing, that there are "misunderstandings" between trading partners. This creates the need for re-analysis, coding/mapping, and testing on an accelerated basis. In addition, shortcomings in data quality are exposed in the production world. Finally, there are the inevitable changes that occur, e.g., government mandates, acquisitions, divestitures, addition or deletion of plans, plan changes, and changes in trading partner procedures and data structures. These changes mean that file upkeep and maintenance is a never ending job that requires the BA to allocate significant resources in order to support the data distribution function.

About the Author

F. Jay Hoder has over 30 years experience in the insurance and employee benefit fields. He is a Certified Pension Consultant (CPC) and Chartered Life Underwriter (CLU).

He co-founded Benefit Concepts, a leader in the health and welfare administration outsourcing business.