

ANALYTICS: THE LONG-TERM FIX FOR LONG-TERM CARE

What happens when you're managing an insurance product worth billions that's: 1) complicated; 2) relatively new; and 3) not well understood? For a number of Long-Term Care (LTC) insurers, the result has been failure of the business.

The folks at Senior Health Insurance of Pennsylvania (SHIP), who have been in the LTC insurance business for 25 years, concluded that *analytics was so critical, they created a whole business around it*. This business, called Fuzion Analytics, has built a powerful LTC analytics solution to manage reserves, fight fraud, understand core business drivers better, and keep their finger on the pulse of their business.

They're betting on a big return for that investment.

MANAGE RESERVES

One of the biggest challenges of a LTC Insurer is managing the level of reserves (the money used to pay LTC claims). With LTC, you pay into it during your working years, and get money when you need it; in this case, for home health or nursing home care.

Analytics support managing reserves by:

- ~ Enhanced actuarial models, improving understanding of risk with claims and reserves (predictive modeling).
- ~ Helping clients remain healthy and independent (wellness programs, CRM).
- ~ Speeding client recovery time from care back to independence (outcomes analysis).
- ~ Preparing for the unexpected (what-if forecasting for claims rates).

To answer these questions well, you must be able to analyze a lot of data very efficiently. Systems have to be powerful, scalable and flexible.

FIGHT FRAUD, WASTE AND ABUSE

When you consider that LTC is a \$60 billion dollar industry, there's a lot of money in this business! If LTC fraud resembles other insurance fraud, a 3% fraud rate translates to a nearly \$2 billion/year savings opportunity.

Whether it's finding overbilling by home health workers or identifying a much larger scheme by a skilled nursing facility, data analytics enhances current manual review processes by automating detection, stopping improper payments and finding schemes faster.

The clues to most of this fraud are in the data, and the challenge is to identify the fraud in the midst of valid claims. You need analytics that can bring together a lot of disparate data, tag outliers, and do data mining that can find new patterns in the data.

YOU DON'T KNOW WHAT YOU DON'T KNOW

LTC analytics must be flexible enough to answer questions that have never been asked before. As Mark Schrum with Fuzion Analytics described it, their goal is to support "incremental insight with occasional breakthroughs." If their experience is like that of many other Teradata customers, *the annual return on just the first breakthrough each year more than pays for the solution*, and incremental insight pays dividends in transforming the business into a data-driven organization.

Some of the early discoveries with the Fuzion Analytics platform at SHIP include:

- ~ Finding a seasonality trend that dramatically affected reserve trend calculations.
- ~ Identifying outliers among providers using risk scores and rate comparisons.
- ~ Seeing warning signs of deteriorating health in their clients.

WHAT'S UNDER THE HOOD @ FUZION ANALYTICS

At the core of the solution is the Teradata data warehouse, initially deployed on a Teradata Data Warehouse Appliance. The data from more than a dozen sources are staged, cleansed, integrated and enhanced onto this high-performance analytics platform. It has the ability to scale in step with the growth of their analytics on any dimension including: broader and deeper data, near real-time arrival rates of data, increases in numbers

of users and complexity of analytics. This has been proven with Teradata customers in retail, telecommunications, banking, insurance and healthcare industries; in fact, in all industries Teradata serves.

In addition to Teradata, the team selected components from four other partners: IBI iWay and WebFocus (ETL, BI Dashboards), KXEN (Data Mining), CoreLogic (geospatial), and FICO (risk scoring). Then they teamed with Teradata and IBI to help them design and populate a high-performance data warehouse with integrated analytics. Using these technologies, they were able to start developing interactive reporting dashboards, predictive models, testing hypotheses in claim patterns, and looking for patterns of fraud and abuse.

ANALYTICS ≠ OPTIONAL

Contrary to popular belief, analytics is not a luxury and just nice-to-have. Businesses will only succeed if they can successfully execute their core mission, informed by enterprise analytics. Don't repeat the mistakes of the companies that failed because they didn't invest in analytics. Analytics will be the best investment you ever make.

To find out more about Fuzion Analytics, visit www.FuzionAnalytics.com

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