

IBM Global Business Services



Manitoba
Public Insurance

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PIPP Infrastructure Study:

Executive Summary of Findings

October 2006



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1. Introduction

The objective of the PIPP Infrastructure Study, commenced in December, 2005, was to better manage its evolution and ensure it continues to meet the evolving needs of Manitobans. Formalizing the knowledge gained from eleven years of actual PIPP experience and learning more about best practices implemented by other organizations elsewhere will provide a comprehensive road map for enhancing and strengthening the PIPP business model.

The scope of work to be performed consists of generating an implementation plan that once executed, positions the Corporation to:

- provide the information necessary to ensure the program continues to be financially sustainable including benchmarking;
- be proactive in managing necessary change;
- minimize risks to the plan and the Corporation.

MPI wished to be in a position to have identified proposed refinements to the infrastructure and business model to support PIPP into the future. A Transformation Roadmap was required of feasible and cost-effective initiatives to achieve those refinements.

This presentation is an Executive Summary of the PIPP Infrastructure Study. It contains the key observations, conclusions and deliverables from each of the Insight, Architecture and Roadmap phases of the study.



2. A New Vision for PIPP

The Vision for PIPP, developed in the Insight Phase, can be considered the most important element of the PIPP Infrastructure Study. It set the stage for all ensuing project deliverables.

Senior members of MPI (including the Executive Team) achieved consensus on the following Vision for PIPP:

"We will support Manitobans in their recovery from automobile accidents by being leaders in providing a personal injury plan:

- *Working with Legislators to meet the evolving needs of Manitobans in support of our Founding Principles;*
- *Sharing experiences and best practices with similar organizations;*
- *Empowering staff with the tools and resources to provide effective case management;*
- *Administering the plan consistently and equitably;*
- *Agreeing on standards of care with healthcare service providers as applicable;*
- *Employing staff that are knowledgeable in healthcare management and the healthcare system to maximize recovery in the shortest period of time."*

The Vision for PIPP provided the study team *design principles* with which the end state Business Model needed to comply. That is, the refreshed business model for PIPP should embody:

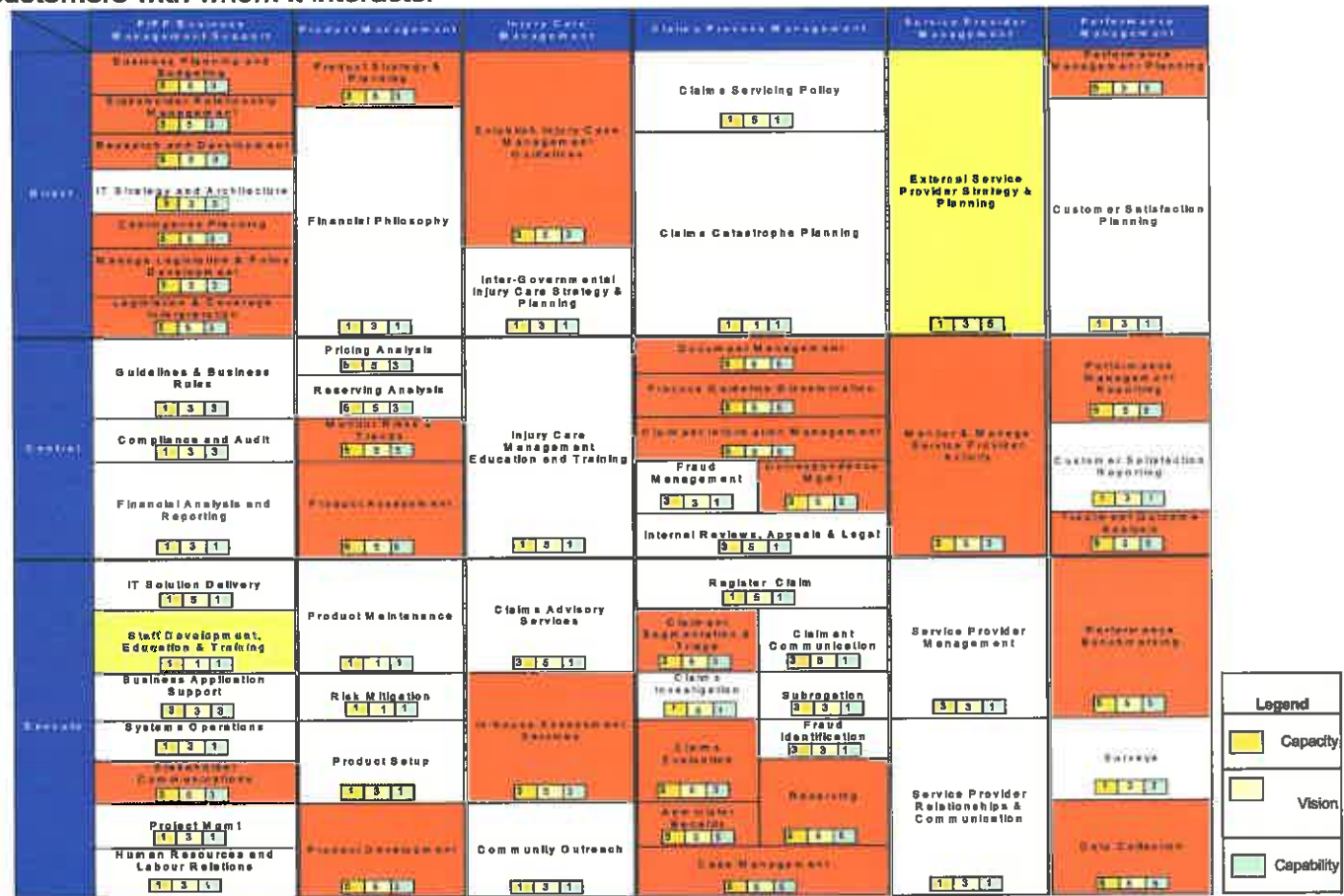
1. Strong Governance to maximize product and service performance, the management of issues and maintenance of the public's trust
2. Efficiency and Consistency in the delivery of service
3. Understanding of the internal and external business environment including the expectations and needs of internal and external stakeholders and customers
4. Deep knowledge of the product, its coverages and the unique situation that claimants find themselves in
5. Policy and product development to respond to the changing needs of stakeholders



3. The PIPP Component Business Model

The Component Business Model for PIPP, developed in the Insight Phase of the study, describes all the functions required by PIPP to realize its vision and meet its operating and statutory responsibilities. Each component contributes to either directing, controlling or executing PIPP products and services, and is defined by the activities it undertakes, the services it produces, the resources it requires, and the customers with whom it interacts.

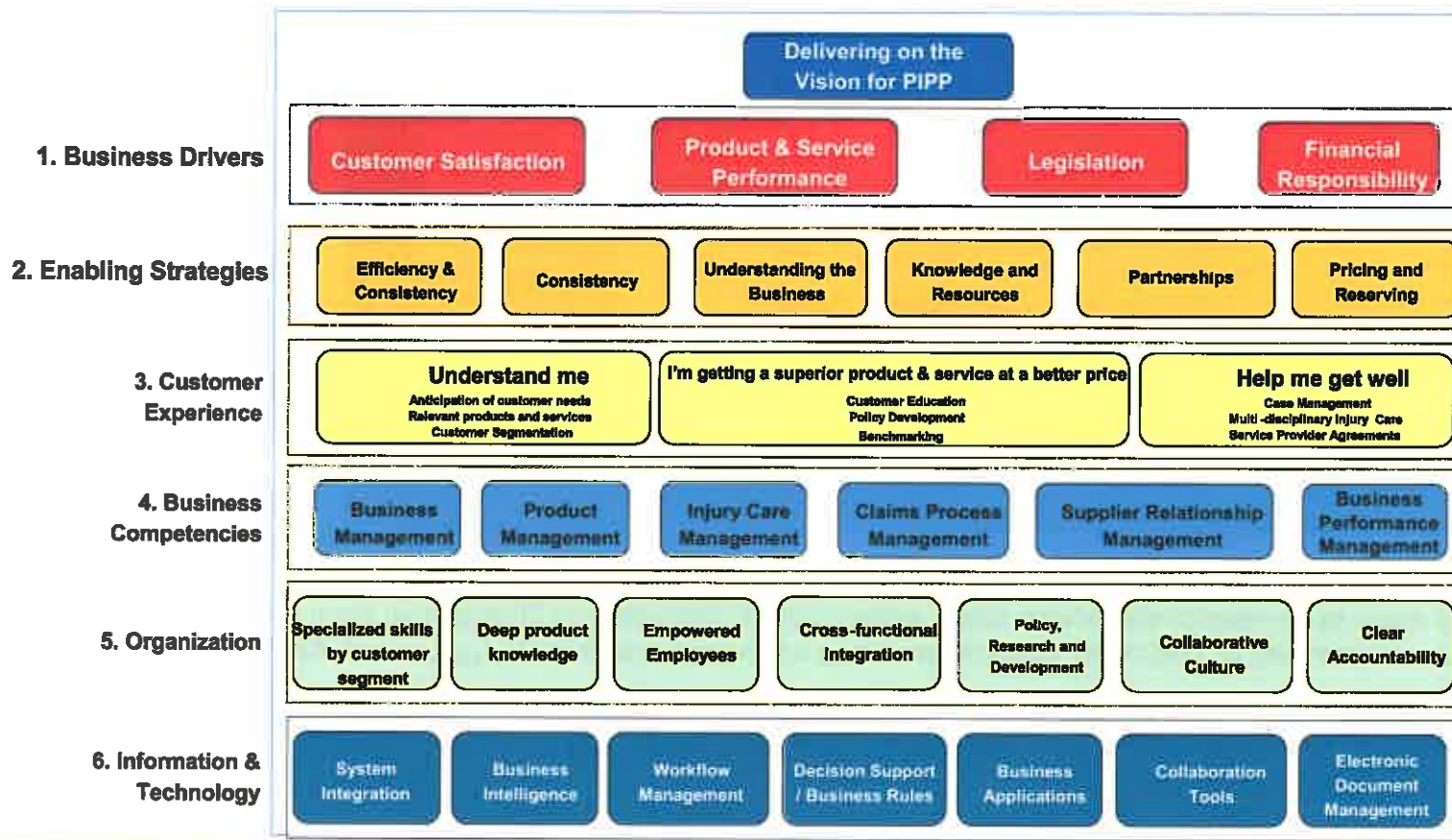
Within the Component Business Model, certain components were considered to be priority areas for further investigation and design based on the perceived opportunity to improved capacity (productivity) in that area, its importance in supporting the vision, and the requirement for new methods, thinking or tools. Those areas are shaded in the model to the right and their end state designs, compared with PIPP capabilities today, provided an important input to the identification of the Transformation Initiatives discussed later.





4. A Refreshed Business Model for PIPP

The end state Business Model for PIPP, illustrated below, identifies all the elements that would need to be in place to support the Vision for PIPP and its implied capability requirements and design principles. It is important to note that this Business Model does *not* imply a specific organizational structure, nor is it meant to imply a logical model with Information & Technology at its foundation: each element is equally important and adds value to Manitobans as its capability is introduced to PIPP over time.

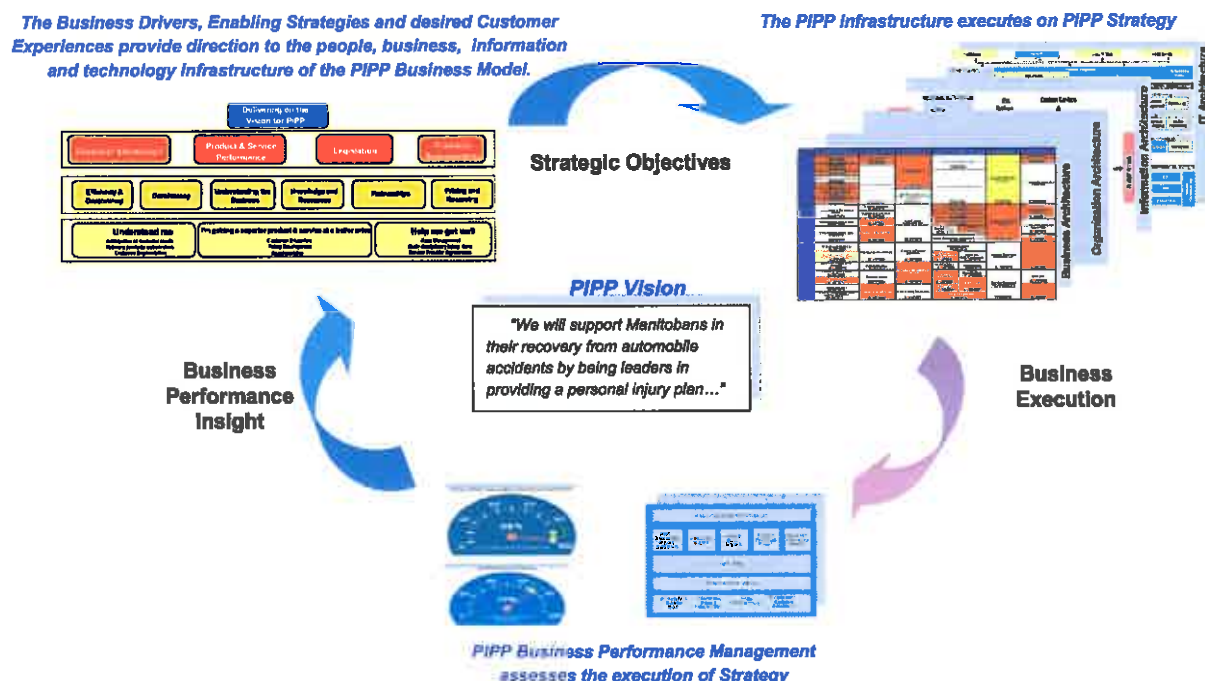




5. Executing the Strategy of PIPP

The elements of the refreshed PIPP Business Model are ultimately envisioned to work together dynamically in a Strategy and Execution lifecycle:

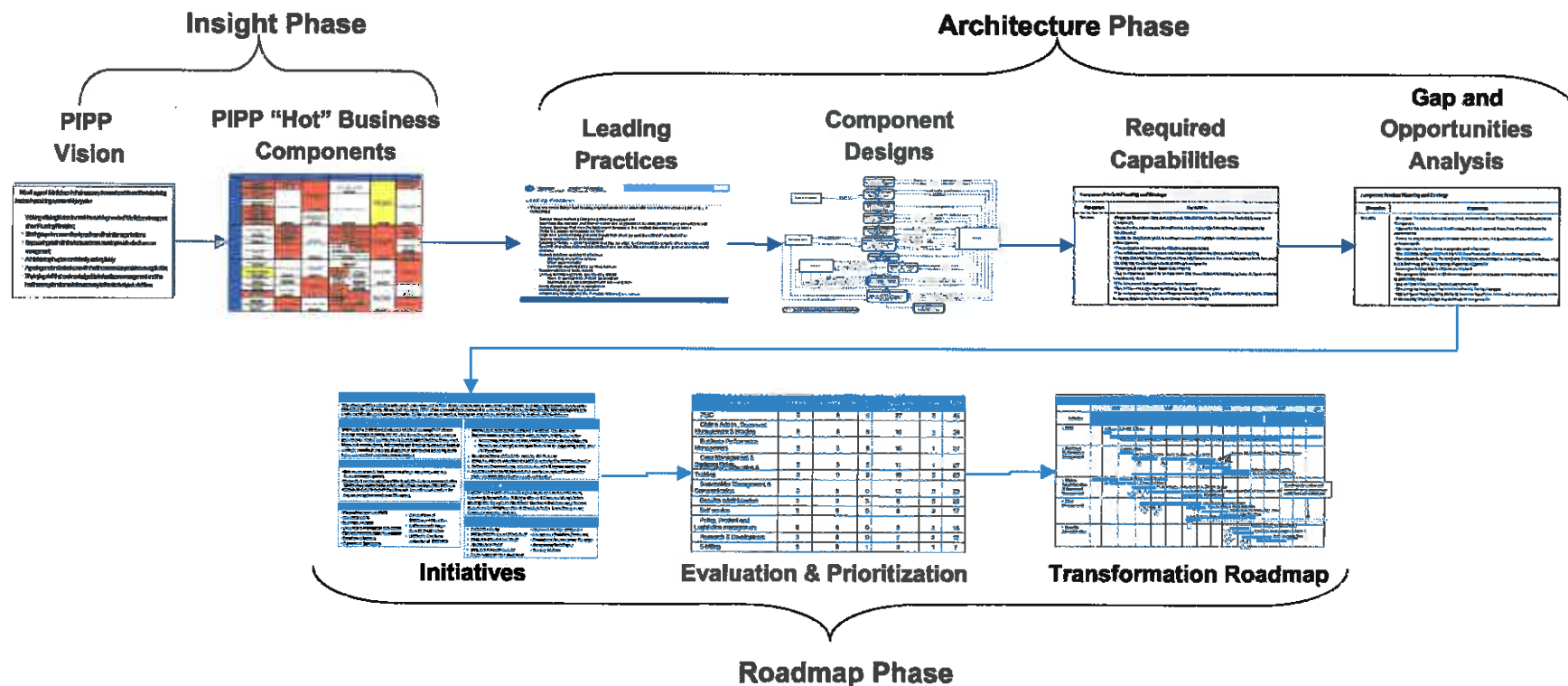
- the top three layers of the Business Model set the strategic direction and objectives for PIPP;
- the Business, Information, Technology and Organization layers (the infrastructure for PIPP) execute on the Strategy, and;
- the Business Performance Management Framework assesses that execution and provides insight to the re-setting and/or confirmation of Strategy.





6. Overview of Transformation Initiatives

One of the guiding principles of the PIPP Infrastructure Study was to ensure that proposed refinements to the PIPP Business Model and the Transformation Initiatives required to achieve those refinements could be clearly linked back to the Vision. The approach to the Study achieved this linkage as the illustration below indicates.



The following pages in this section present an overview of the Initiatives required to address the gaps between PIPP's current state and the capabilities needed to realize the refreshed Business Model and Vision for PIPP. Taken together, the Initiatives form a Transformation Program for PIPP. Detailed definitions of the Initiatives are included in the *Roadmap Phase* report.



6. Overview of Transformation Initiatives cont.

Initiative	High Level Description	Value
Program Management Office (core)	A centralized team established to perform the activities and tasks associated with managing the PIPP Transformation Program and its constituent projects. The PMO is responsible for stakeholder management, benefits realization, reporting to governance committee, managing the integrated program budget and schedule, resource assignment, change management and communications.	<ol style="list-style-type: none"> 1. Stakeholder alignment 2. Effective management of scope and issues 3. Monitoring the realization of benefits 4. More opportunities for reuse of Intellectual Capital 5. Improved people and resource management 6. Ensures integration of solutions and alignment with strategy 7. Coordinates the management of a significant amount of organizational change across the program.
Business Performance Management (BPM) (core)	BPM includes the development of a data warehouse with the analytic tools to provide timely, on-demand reporting of PIPP's Key Performance Indicators. Also supports PIPP's benchmarking requirements, treatment analysis, product management, BI claims processing, service provider and financial performance monitoring by introducing a logical information model for PIPP.	<ol style="list-style-type: none"> 1. A framework for comparing performance with that of other organizations 2. Better monitoring and reporting of performance across integrated processes 3. Improved support for strategic decision making and performance improvement opportunities 4. Improved access to injury claims information to aid in predicting outcomes, identifying emerging trends and causal factors
Claims Administration and Document Management (core)	Selects and implements a PIPP claims administration, document management and imaging solution to serve as the foundation for electronically capturing, storing and managing PIPP claim data and documents and all ensuing PIPP claims process visions. This initiative will also implement the design to move automated injury claims segmentation, triage and assignment to the first point of contact with the claimant.	<ol style="list-style-type: none"> 1. Foundation for effective Case Management 2. Improved customer service due to reduced handoffs 3. Collection of injury information in front of Case Management to support early intervention strategies 4. Reduction in effort currently driven by paper 5. Reduction in claim overpayments due to shorter time required to close files 6. Reduced paper storage costs 7. Reduction in the risk associated with reliance on paper 8. Ability to access claims information independent of geographic location



6. Overview of Transformation Initiatives cont.

Initiative	High Level Description	Value
<p>Case Management & Business Rules</p> <p>(core)</p>	<p>This initiative will provide enhanced capabilities for Case Managers to proactively manage the delivery of injury care services to PIPP claimants by enabling the Case Management functionality within the Claims Administration system including automated application of consistent business rules, assigning of tasks, monitoring activity against predefined goals, automated notification of next steps and accessing injury care guidelines on-line.</p>	<ol style="list-style-type: none"> 1. Empowered staff with the tools and resources to provide effective case management 2. Use of Injury Care guidelines to improve outcomes and reduce cost to settle Claim 3. Reduction in average disability claim duration and time lost from work 4. Improved case management quality and consistency by using decision-assist models to increase adherence to procedures and leading practices. 5. Work load balancing and prioritization at individual and group levels 6. Improved reporting, work item tracking, and status
<p>Benefits Administration</p> <p>(core)</p>	<p>This initiative will establish an environment that auto-adjudicates standardized service provider invoices, therefore requiring manual intervention only on an exception basis. This initiative will also automate the issuing of payments for benefits entitlement both on a recurring and a one-time basis and adjust reserves automatically.</p>	<ol style="list-style-type: none"> 1. Streamlines the handling of payments 2. Sets standards for invoices to reduce the number of exceptions and the effort required to resolve them 3. Reduction in the current effort required to manually process paper invoices 4. Improved service provider data for management analysis 5. Sets the foundation for electronic invoicing 6. Provides improved accuracy in reserving



6. Overview of Transformation Initiatives cont.

Initiative	High Level Description	Value
<p>Staff Dev, Education & Training</p>	<p>This initiative is focused on gradually moving MPI towards developing and implementing a more robust learning environment consisting of leading workforce management practices and e-Learning technology to meet employees' and managers' evolving training needs.</p> <p>Involves institutionalizing the People Capability Maturity Model (P-CMM) and implementing a learning architecture that integrates more of the required learning into the context of employee's and managers' work.</p>	<ol style="list-style-type: none"> 1. Better management of overall training efforts 2. Enhanced capabilities to track training against plans 3. Reduction in the amount of time employees and management must spend in classroom training 4. Shortened learning curve for people moving into new positions thereby making it easier for MPI to move employees through the organization 5. Opportunity to increase employee opportunity 6. Increased employee morale, satisfaction and retention
<p>Stakeholder Relationship Management</p>	<p>This Initiative designs and implements leading practices and the necessary infrastructure to provide a formalized and strategically-driven Stakeholder Relationship Management capability that positions PIPP to optimize its relationships with key stakeholders to achieve its business objectives and augment its public reputation.</p>	<ol style="list-style-type: none"> 1. Organizational capacity for PIPP to establish and maintain sustainable relationships with key stakeholders 2. Measure ongoing value of stakeholder relationships 3. Proactively influenced, set and managed stakeholder expectations 4. Forum for understanding and managing stakeholder concerns 5. Incorporate this understanding into management processes 6. Capacity to share information and experiences regarding stakeholders thereby facilitating succession between relationship managers.

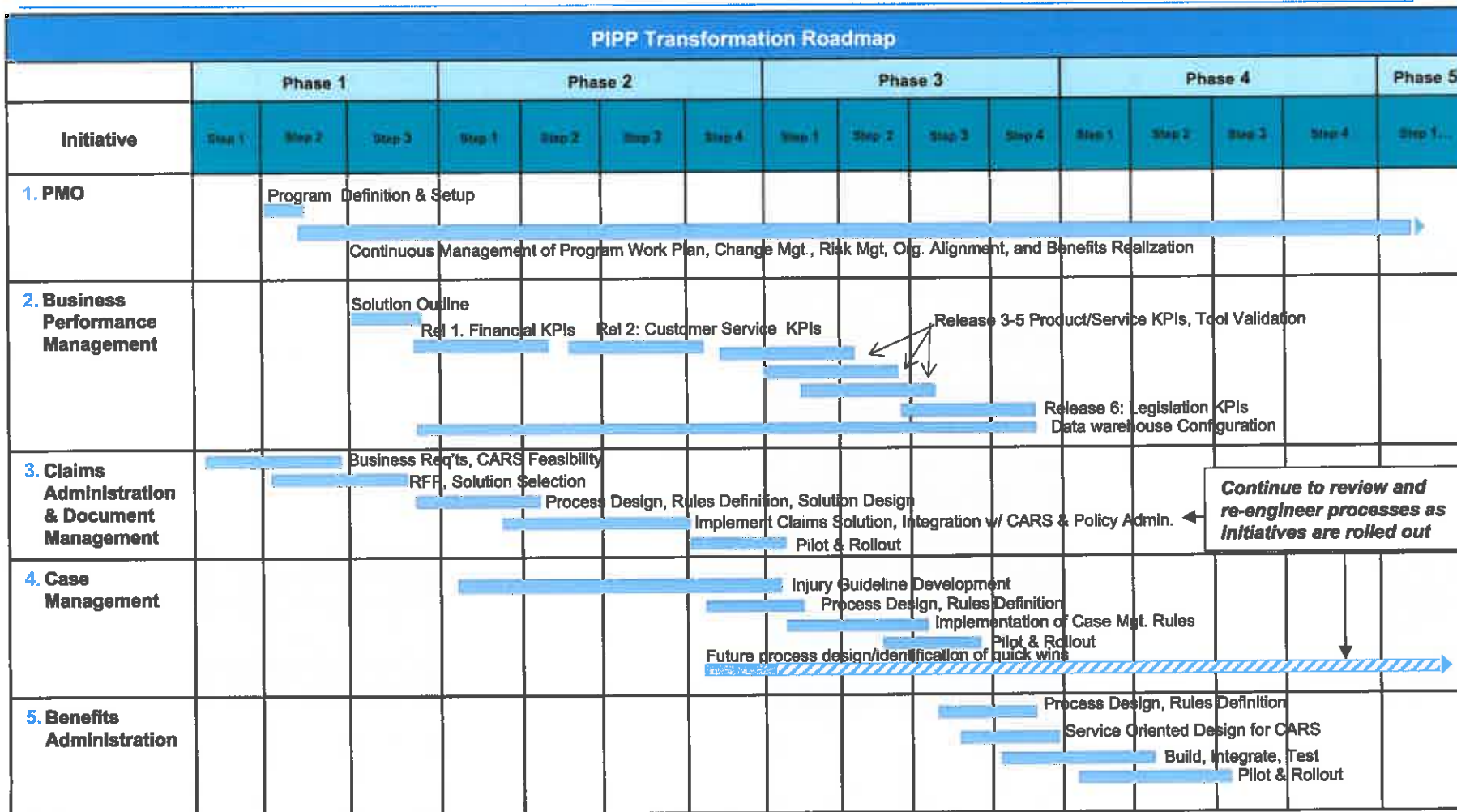


6. Overview of Transformation Initiatives cont.

Initiative	High Level Description	Value
Self-Service	This initiative provides self serve capabilities through a web portal to allow claimants to interact with MPI from the initial contact of FNOL through ongoing PIPP transactions. The portal will act as a resource for providing information to Claimants as well as enabling the receipt of claims information through the use of smart forms.	<ol style="list-style-type: none"> 1. Increased customer satisfaction by allowing communication with the customer when it is convenient for them 2. Provide a competitive, differentiated Claim experience 3. Reduce the amount of time required by PIPP staff to respond to standard claimant inquiries 4. Reduces the number of paper invoices received from claimants and thus the effort required to process them
Electronic Invoice Submission and Payment	This Initiatives focuses on automating the connectivity between Service Provider practice management systems and MPI's payment functions to allow a service provider to electronically submit invoices using industry standard transmission protocols such as HL7.	<ol style="list-style-type: none"> 1. Faster and more accurate exchange of payment information with external service providers and partners 2. Reduced cost of doing business with partners 3. Reduction in paper invoices and thus a reduction in effort that would have been required to process them 4. Up front edits will minimize the number of invoices submitted with errors requiring resolution
Policy, Product & Legislation Mgt.	This Initiative focuses on enhancing PIPP's capabilities to manage the development, communication and assessment of Policy, new products and product changes, and the regulations and legislation that govern the business of PIPP. This initiative provides important input to a number of the Product and Service Key Performance Indicators.	<ol style="list-style-type: none"> 1. Helps establish a "corporate memory" , including current status of projects, that survives the tenure of individual employees and supports R&D 2. Improves likelihood of the success of new products and product changes introduced to the market 3. Places appropriate levels of focus on legislative and policy issues
Research & Development	Introduces a formal R&D planning, budgeting and execution capability to the organization that can perform R&D activities outside of research embedded in other components, suitable for external publication.	<ol style="list-style-type: none"> 1. Ensures that PIPP policies, practices, products and services are keeping pace and/or staying ahead of other jurisdictional programs 2. Establishes and fosters a leadership position in personal injury protection insurance in support of the Vision for PIPP



7. PIPP Transformation Roadmap





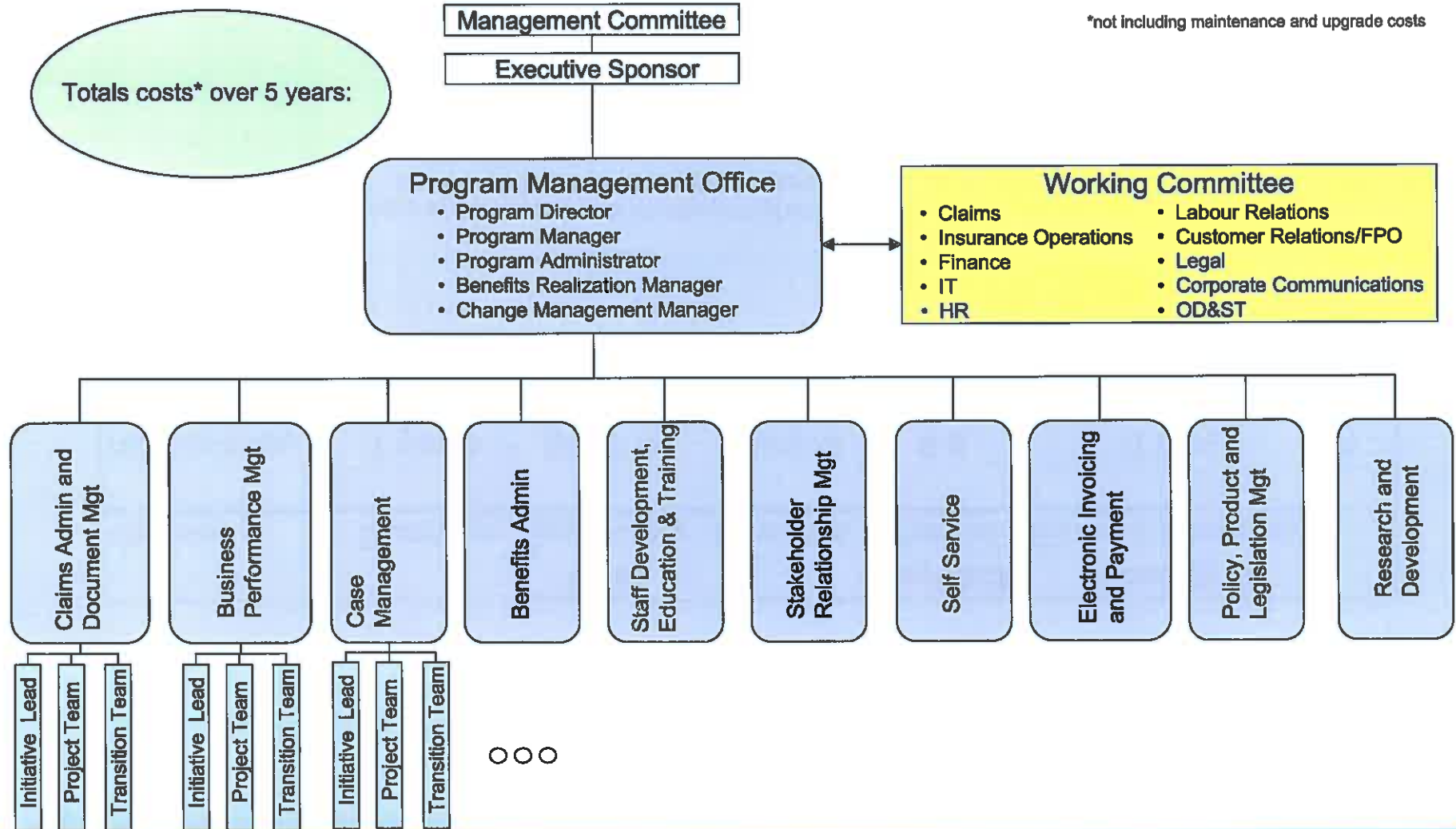
7. PIPP Transformation Roadmap cont.

PIPP Transformation Roadmap																
Initiative	Phase 1			Phase 2				Phase 3				Phase 4				Phase 5
	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 4	Step 1	Step 2	Step 3	Step 4	Step 1	Step 2	Step 3	Step 4	Step 1
6. Staff Development, Education & Training		Develop Level-2 P-CMM training & Dev.			Develop Level-3 P-CMM training & dev. practices				Develop Level-4/5 P-CMM							
		Build Learning DB			Deploy collaboration tools				Convert Training to self-directed modules							
7. Stakeholder Management				Establish Stakeholder Relationship Committee				Implement Stakeholder Rel. Governance and Processes								
				Develop Stakeholder Relationship Mgt. DB												
8. Self Service								Solution Req'ts & design				Implementation Portal foundation				
																Other Portals TBD
9. Electronic Invoicing and Payment													POC: Build Connectivity w/ ISV			
													Deploy to Chiro/Physio Community			
10. Policy, Product & Legislation Management		Develop requirements and business process model			Product & Policy Document Repository and Collaboration Tools											
11. Research & Development				Establish Program Mandate				Determine R&D Operating Budget				Develop R&D Portfolio				



8. Proposed PIPP Transformation Governance Structure

*not including maintenance and upgrade costs





9. Consolidated Business Cases

Option	Duration	Cost		Payback Period	Cost @ % Earned Premium	
		Cash Only	Benefits			
All initiatives	7 years	\$40.7 M	\$43.6 M	6.6	0.78%	1)
Core initiatives	7 years	\$27.1 M	\$41.9 M	4.8	0.54%	2)

Note:

- Cost and benefits subject to change based on:
 - Timing of execution to reflect escalating costs
 - Negotiation of licensing agreements for selected software packages
 - Selection of vendor (hourly rates)
 - Split of effort between MPI and selected vendor (currently assessed at 40/60 respectively)
- 1) If no benefits are achieved (money wise) the PIPP Infrastructure costs as a percentage of earned premiums would average 0.78% per year over the direction of the initiative.
- 2) If no benefits are achieved (money wise) the PIPP Infrastructure costs as a percentage of earned premiums would average 0.54% per year over the direction of the initiative.



Saving Assumptions

- PIPP is expected to realize financial benefits from:
 - Administrative Cost Reduction – Operational Efficiency
 - Average Claims Payment – Decision and Disability Duration

- Decision and Disability Duration Management improvements implemented through people, process and technology that will have the greatest financial impact:
 - Processing transactions faster
 - Managing a claim according to best practices and duration guidelines
 - Applying Early Claim Intervention strategies at the onset of a claim
 - Having access to resource material in order to make better decisions
 - Having ability to measure performance against duration guidelines

- Industry benchmarks suggest productivity improvements of 19% when workflow and document management technologies are introduced to a paper reliant claims environment minus 15% used for business case.

- Industry benchmarks also suggest that workflow and document management solutions reduce the amount of time required to stop paying ineligible claims by 22%, or 10 days – we have assumed 4 days in the business case applied to historical gross paid on closed claims, less death benefits and treatments

- Finally, we have assumed a reduction in the amount of effort required to process paper invoices as the Benefits Administration Initiative is brought on-line – 20% of the invoices that are delivered by Service Providers will be eligible for auto-adjudication



Cost Estimate Assumptions

All Initiatives

- Total effort with a built in 30% contingency on external labour estimated at 183,868 hours
- Assume 40% effort internal and 60% external
- Above assumptions based on actual implementation experience across private insurers and workers compensation organizations
- Package solution for bodily injury
- CARS continue to provide the projections for reserving functionality
- MPI provides primary technology infrastructure
- Use MPI existing document management and imaging solution



Cost Estimate Assumptions cont.

Core Initiatives

- Total effort with a built in 30% contingency on external labour estimated at 88,921 hours
- Assume 40% effort internal and 60% external
- Above assumptions based on actual implementation experience across private insurers and workers compensation organizations
- Package solution for bodily injury
- CARS continue to provide the projections for reserving functionality
- MPI provides primary technology infrastructure
- Use MPI existing document management and imaging solution

