

Build Versus Buy

Key Factors to Consider When Upgrading Your Claims Management System

To Build or Buy—That is the Question!

The rapid evolution of the insurance industry means that, more than ever, claims systems are under unprecedented pressure to support the influx of business. Companies across the globe are looking for new solutions that help them improve claims processing efficiency.

The best way to determine which is better for your company—a build vs. buy solution—is to weigh how effectively each option meets your business needs. Analyze the advantages and downfalls of both approaches to accurately assess whether to build an in-house system or choose a vendor solution that will improve the efficiency and accuracy of your claims management.

The most commonly asked question among businesses looking to invest in a newer, more effective claims management system:

**Should we build or buy
the solution to meet our needs?**

Option One: Build In-House

The rapid evolution of the insurance industry means that, more than ever, claims systems are under unprecedented pressure to support the influx of business. Companies across the globe are looking for new solutions that help them improve claims processing efficiency.

Benefits: Building or upgrading your in-house system will allow you to address your unique business needs directly and provide highly specialized attention to your specific problem.

Drawbacks: The time and capital costs required for your business to design, build and successfully implement an in-house solution can be prohibitively high, especially when considering the following:

- ▶ The opportunity cost of not working on other projects.
- ▶ Product and infrastructure development costs.
- ▶ The realistic costs, both finances and time, required to maintain both product and infrastructure.
- ▶ The following table illustrates the key factors you need to consider both in relation to your in-house capability and the overall business value when it comes to developing an in-house solution.

Key Factor	In-House Capability	Business Value
Unique Business Problem	When a unique business problem or market proposition cannot be sourced through a vendor, then building an in-house claims system makes sense to provide a strategic, individually-tailored solution. The company has sole control and responsibility for how the solution integrates into the wider company infrastructure.	Taking an in-house approach to solving the unique business problem provides more control over the solution, including how it should be integrated with existing in-house systems.
Maintenance of Internal In-House System	As soon as an in-house system is completed, it tends to become a legacy system overnight. Often the functionality is left half-completed because internal demand rises in other areas of the company. Manual processes creep back into the operation to make up for the lack of automation. To ensure that an in-house system is fully functional, it needs funding and resources to ensure that the company can get new lines of business and regulatory changes into production swiftly and efficiently.	If adequate funding and resources are available, an in-house system can be upgraded internally within a short timeframe.
Leverage Existing Assets	Leveraging an existing solution can be very attractive, provided the additional configuration or enhancements address and meet the unique business need.	You already have familiarity with the capabilities of your existing solution assets.

Bottom Line?

Many companies that choose to build or renovate in-house systems report initial success, but grow quickly disillusioned by the time and capital required to maintain the system long term. If your in-house system lacks a robust maintenance plan for continual upkeep, it will quickly become an outdated legacy system that proves inefficient during crucial production times.

Option Two: **Buy** a Cloud-Based Vendor Solution

Have you found a cloud-based, vendor-built solution to buy that can be tailored through configuration to meet more than 80% of your business needs? If so, you've found the most recommendable option.

Benefits: Choosing a cloud-based vendor option that meets the vast majority your business needs:

- ▶ Saves your business tremendous time and opportunity cost.
- ▶ Sources the development and delivery of a successful solution to a company specializing in software development and implementation.
- ▶ Provides quicker time-to-market and ongoing support.
- ▶ Ensures regular software updates and regulatory changes without requiring manual upkeep.
- ▶ Offers you the benefit of the vendor company's research and development.

Drawbacks: Choosing a cloud-based vendor option that meets the vast majority your business needs:

- ▶ If the vendor solution does not address your specific business needs, or your problems are highly complex, the implementation may take a long time.
- ▶ The following table outlines the top 6 key factors to consider, and the business value that a vendor solution can deliver to you.

Key Factor	In-House Capability	Business Value
Provides Solution "Out of the Box"	When the "Out-of-the-Box" features satisfy most of your business needs, this is good news. Some software solutions will allow you to configure features for your specific needs, which is a critical plus to look for in a Buy solution.	A vendor Solution that provides built-in processes to maximize efficiency in claim management processing means more timely and effective claim outcomes.
Vendor Company Expertise	Vendors make several regulatory changes to their solutions annually in response to changing regulations. Automatic updates offer tremendous business value, giving you less to worry about.	Vendors make several regulatory changes to their solutions annually in response to changing regulations. Automatic updates offer tremendous business value, giving you less to worry about.
Regulatory Changes	Vendors make several regulatory changes to their solutions annually in response to changing regulations. Automatic updates offer tremendous business value, giving you less to worry about.	Vendors make several regulatory changes to their solutions annually in response to changing regulations. Automatic updates offer tremendous business value, giving you less to worry about.
Roadmap - Research and Development	Vendors often use crowd-sourcing and analytics to gain insights and make informed refinements of the software's functionality based on user feedback. The more that regular updates are carried out, the better, as your vendor software will evolve as technology progresses.	Businesses are given the ability to influence and choose which capabilities should be prioritized and how they should be delivered to meet business needs.
Total Cost of Ownership	Vendor solution costs include first-year costs, annual/monthly subscription costs, any "per user" costs, data storage costs and any additional charges for customization.	Businesses benefit from knowing the true annual cost up-front, with no add-on surprises midway through the year.
Time to Market	Time to market is a critical success factor. Cloud-based solutions tend to have shorter implementation time than proprietary solutions. Exact implementation time may vary based on the number of integrations required to get the system up and running, but typically a 60-90 day timeframe is possible with an incremental delivery approach.	Incremental Delivery enables businesses to start succeeding with the new solution straight away. Creating a number of smaller projects and building on initial success enables fast, tangible results.

Bottom Line?

If the vendor solution meets most of your requirements upfront and supports the configurations that you need to be tailored to your business rules, this option will give you a solution with quicker time to market, greater clarity and predictability of ownership cost, and expertise in development and maintenance.

Summary

The decision to Build or Buy a solution that meets your business needs is important. Ultimately, your desired outcome and key factors that come into play in both options should drive your decision-making process. Analyzing each option based on the criteria listed above will help you come to a sound decision on whether building a solution internally or purchasing a vendor solution will be more beneficial to your business.

About ClaimVantage

ClaimVantage is the leading international provider of automated, cloud-based Life, Health, and Absence claim management software solutions for insurance carriers, Third-Party-Administrators (TPAs), and employers.

Our Software-as-a-Service (SaaS) solutions are designed to revolutionize claims processing by providing a robust system capable of integrating with your current business and workflow processes to drive efficient and accurate claims decisions with streamlined operations.