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BUPA is the UK's leading Healthcare company employing 40,000 people in the UK and 1,500 internationally. BUPA runs 35 hospitals in the UK, owns 34 health screening centres, operates 245 care homes, 54 retirement home developments and has nearly four million members in 190 countries worldwide.

Project Gateway was launched in 2001 to determine the feasibility of outsourcing specific UK Membership processes to an offshore supplier. After extensive research, India was selected as the preferred location and Trinity in India as the supplier of choice.

VENDOR SELECTION CRITERIA

The key here was to select a supplier that could take care of our customers in the same way we would and the following criteria and attributes were important for the supplier to have:

The Offshore Advantage -

- ◆ Fit with UK Membership operational and cultural values.
- ◆ Deep understanding of integrating cultures as diverse as the UK and India.
- ◆ The requisite systems, technology, processes and robust business continuity and disaster recovery procedures in place.
- ◆ A track record of successfully migrating back office processes with knowledge of the insurance domain.

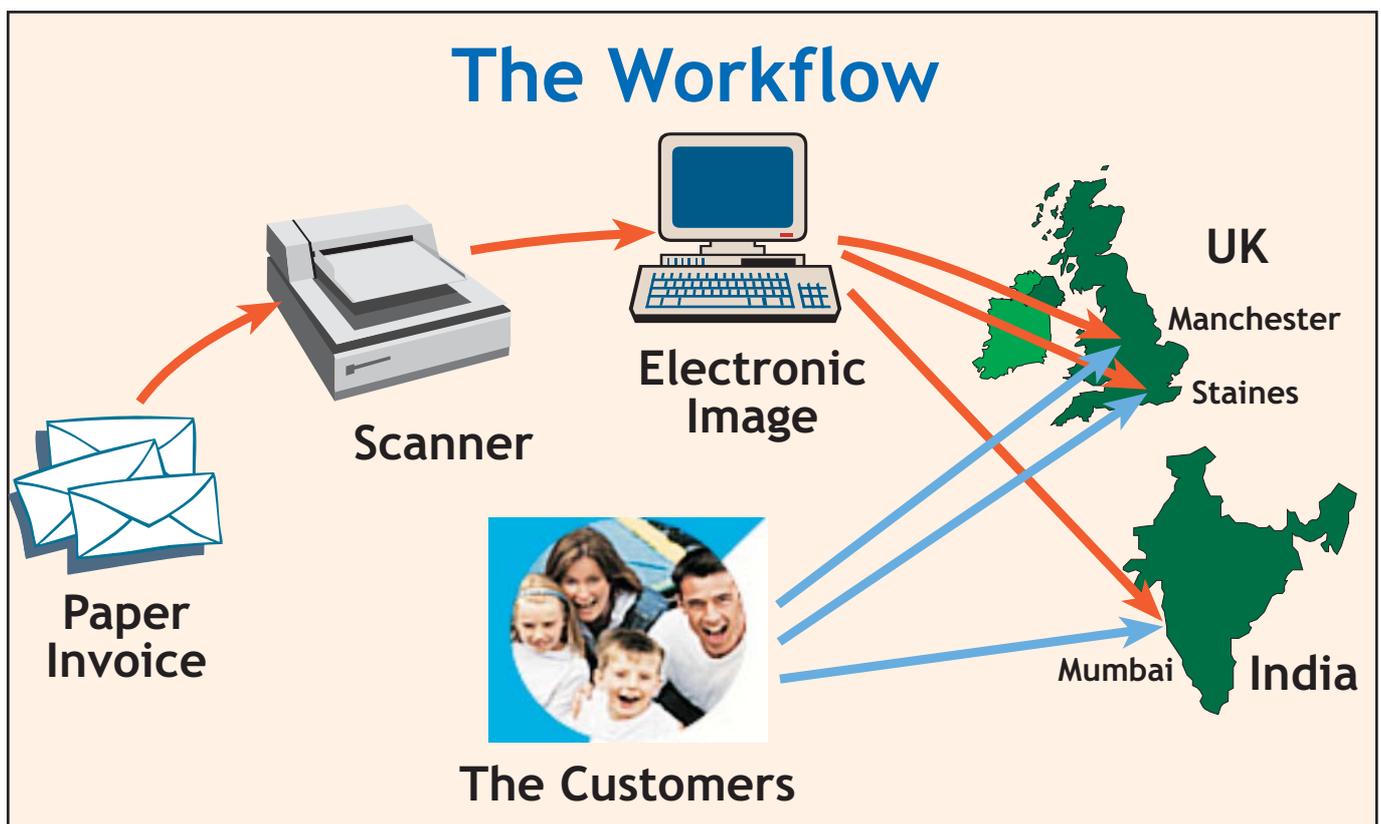
PROCESS EVALUATION

An evaluation process was applied to all tasks currently performed across UK Membership Service and Finance. The evaluation criteria was developed in order to select the processes most likely to result in the pilot succeeding and also to demonstrate the breadth of what may be achieved in the future. The evaluation criteria for this particular project was as follows.

THE PILOT

Initially, five processes from across UK Membership were selected:

- ◆ Indexing - assigning data to images of key business documents (e.g. Claims).
- ◆ Claims Data Entry/Suspense – key stages of the UK Membership claims process.
- ◆ MERIT Data Entry – maintenance of a large membership database.
- ◆ Retrospective Compliance Auditing – auditing claims payments to ensure they were made according to BUPA’s contractual agreements with suppliers.
- ◆ Third Party Screening – auditing claims to detect those where costs were incurred as a result of an accident caused by a third party.



Quality, Efficiency & Cost



Performance Levels	2001	2004 (Sept')
UK FTE employed within the Claims function	261	173
Claims outstanding	50,859	39,505
Overall Claims turnaround times		
within 1 week	78.1%	81.8%
within 2 weeks	93.8%	93.5%
within 3 weeks	96.5%	96.2%
Customer satisfaction scores relating to Claims		
% of customers rated the claims service as excellent, very good or quite good	89%	96%
% of customers rated the Claims service as poor	4%	2%

Figure 1

EVALUATION CRITERIA

- ◆ If the amount of direct customer contact involved in each task exceeded 50% of the role then this process was excluded. We preferred processes where there was no direct contact with our customers. The vast majority of our claims were assessed without the need to contact customers.
- ◆ Training & Learning Curve Duration; As we wanted to initially pilot outsourcing for 1 year, we selected processes with relatively short induction programmes and learning curves. The Claims induction programme lasted 5 weeks with a learning curve of 23 weeks.
- ◆ The number of staff currently performing this role: If the numbers of staff already performing the task were less than 5 then the process was automatically excluded.
- ◆ Scalability: The FTE employed within any process had to be able to support the work offshore.

PROGRESS

- ◆ By the end of Q2 2002, the pilot had been recognised as a success and as a result the volume of work outsourced was increased with FTE growing from 45 to 111 by year end. During 2003, seven new processes were outsourced to Trinity these included:
 - ◆ BPS Accounts & New Business – membership enrolment processes. Corporate & Company Underwriting – risk assessment of membership application forms.
 - ◆ Aged Debt – auditing payments to ensure they were made correctly in instances where providers believe that money is still outstanding.
 - ◆ Accounts Payable – the payment of invoices to external suppliers.
 - ◆ International Claims – the assessment of claims from customers on our international products.
 - ◆ The launch of these processes represented a further headcount growth of 69% taking the total headcount employed to 188.

OPERATIONS

BUPA systems are delivered to Trinity using Citrix technology and a Wide Area Network (WAN). This technology enables BUPA's IS team to remotely manage the applications and systems from the UK with first line support provided locally by Trinity's own IS team.

Systems: All documents received by BUPA were electronically scanned and images were delivered to the Claims assessors in the UK. This method for delivering work was the most efficient method for delivering work overseas to Trinity.

In terms of upholding the security of customer's data, full compliance with UK Data Protection laws has been achieved and is monitored on an ongoing basis through an auditing programme performed by an external agency.

RESULTS

Since 'go live' BUPA has been closely monitoring performance against a series of stringent Service Level Agreements. To date the level of performance (See Fig 1 above) achieved has been excellent



has positively contributed to improvements in the service BUPA has been able to deliver to its' customers.

FUTURE PLANS

Ramping up of existing processes or through the launch of new processes BUPA's initial growth plans for 2004 suggest that by the end of the year Trinity will employ over 200 FTE. Other opportunities to outsource new processes may also arise during 2004.

HIGHLIGHTS

- ◆ Ability to do very labour intensive resource hungry tasks without increasing cost to the consumer.
- ◆ Although outsourcing has resulted in headcount reductions in the UK, this reduction has been managed successfully through natural attrition.
- ◆ Successfully managed U K s t a f f redeployment during offshoring

process hence ensuring business knowledge and skill sets were retained.

- ◆ One of the key highlights in 2003 was that 99.9% of all claims processed were paid within 3 weeks. Claims turnaround within 2 weeks had also gone up from 89% to 94%.
- ◆ Service Level Agreements have been consistently achieved and exceeded. Focus on quality has improved quality levels across all outsourced processes: e.g. UK Claims quality in December 2001 averaged 84%, offshore claims quality is currently 90%.
- ◆ We have been able to outsource numerous processes offshore without

any negative impact on our customers or on our brand.

- ◆ The offshoring generated 30-40% cost savings and also led to productivity & efficiency improvements.
- ◆ An additional benefit was BUPA's ability (as a result of offshoring) to move more UK based claims processing staff to the sharp-end where they could make a bigger difference by direct interaction with customers and the redeployment of UK staff for other higher value added tasks.
- ◆ Offshoring enabled parts of BUPA's business to make a new start; the opportunity to see how to do things differently (re-engineering of existing business processes). In this, staff were very pro-active, suggesting continuous improvements and many received valuable cross training keeping staff morale high and valuable domain knowledge in the business.

Lessons Learnt

Communicate the offshoring decision to UK based front line staff early and regularly, there should be no surprises.

Invest heavily upfront in ensuring the cultural alignment of people and organisation. (Promote the extended team principle to build rapport, shared objectives with joint problem resolution. This helps prevent and "them and us" culture developing).

One of the best ways to get continued management buy-in into the offshoring process is by continuously sharing results both good and bad and ensuring management visit the offshore location atleast once to develop "affinity" and comfort with offshoring.

Initially outbound calls from the UK (doctors trying to get information about claims) did not work well. It was essential to identify the problem quickly, re-assess the situation and start again with the right people. Accepting that things don't always go right immediately but fixing the problem quickly and in an open manner builds trust between customer and supplier and also external parties.

Offshoring helped BUPA recognise what they did well and helped them focus on doing it better. It also helped recognise that some roles and tasks could be better performed by others.

Robust monitoring and reporting processes to measure actual versus expected KPI's were key to have in place.

Weekly status reports and conference calls, quarterly account management meetings and open, honest straightforward communication between onshore and offshore teams helped build a strong team culture.