
Data Risk—Why RMIS Data Quality is So Important



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Key RMIS Data Quality Problems and How to Avoid Them

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Without high quality RMIS data, it can be impossible to “See the Forest for the Trees.” This article briefly summarizes why RMIS data quality is important, sources of quality problems, and some ways to enhance RMIS data quality.

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WHAT ARE THE RISKS?

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In a business world as complex as today's, an inefficient RMIS data infrastructure can often prove to be a dangerous reality for a lot of corporations. While the direct impact does vary somewhat from industry to industry, the need for effective RMIS data management is rooted in a company's need for effective loss control and claims management. Poor quality RMIS data may lead to ineffective loss control efforts, inefficiencies in working with claim professionals and potentially costly outcomes from decisions made on erroneous data.

Ineffective RMIS data management will often result in excess expense, insufficient budgeting and unacceptable projections. For example, if a company is looking to implement specific loss control measures, RMIS data is crucial in evaluating which losses to target. Without high quality data, selecting the most tractable losses to address, proposing specific loss control actions, estimating required resources and developing reliable projections of expected losses and realistic expectations of potential savings are impossible to achieve.

Most importantly, poor quality RMIS data may result in inaccurate actuarial projections of accounting reserves, potentially leading to a subsequent restatement of financial results and serious legal consequences.

HOW RMIS DATA QUALITY ISSUES OCCUR

|TWO

Most RMIS data quality issues arise at the input stage, in two different ways:

1. The client reports incorrect data to their loss intake mechanism; or
2. The intake mechanism incorrectly codes the information provided by the client.

Intake is the single most important area for improving RMIS data quality. Too often, clients accept an intake mechanism as “given”. Effective RMIS data management demands efficient, effective and high quality intake, and develops tools and techniques to achieve it.

Other issues that impair data quality:

3. Coding that is too granular—that is, too many unique codes for cause, nature, part, etc. Experience has shown that whoever does the coding often picks the first code that is a reasonable match; they do not search the entire list for a “perfect” match. As a consequence, identical injuries may receive different codes based upon the position of codes in lists and the initiative of individual coders.
4. Failure of intake system audit tools—for example, an intake system should refuse to routinely accept “unknown” or “other” as a description. Those unusual instances where important data is temporarily unknown should trigger a bring-up mechanism to require that missing information be filled in.
5. Locations involved in reporting losses must also be made responsible for checking the quality of data they generate. Too often, the locations making the loss report are never asked to verify the data in the RMIS system; they should be considered the first line of defense against poor quality.

Reporting losses involves people at both ends; either may inadvertently make an error. Effective RMIS data management seeks to minimize these errors at the source, and efficiently find and correct the few that may still get through.

IMPROVING RMIS DATA QUALITY

|THREE

An effective RMIS data management program must be tailored to the specifics of a company's loss intake mechanism, RMIS system and analytical requirements. Good RMIS data management must be continuously practiced to be efficient and effective. Sole reliance on periodic reviews is not an effective way to prevent quality problems from arising, and requires far more effort to identify and correct missing and erroneous data than improving the reliability of intake systems and processes. The following are some examples, not exhaustive, of steps that may be useful.

1. Training—for both client and intake personnel—is often a missing element in the data management equation. Everyone should know how to report correctly, and why it is important.
2. Efficient forms and formats for reporting—again, for both client and intake personnel. Nothing assures poor data quality like a badly designed form; state WC forms are usually the worst.
3. Review and consolidate codes into the shortest useful lists. Systems designed to capture excessively granular data—for example the specific finger injured—are unrealistic and incapable of effective management. “Hand” is probably as much detail as necessary in a RMIS entry; additional information should be retained in a “notes” section.
4. Intake systems should contain robust quality checks, period. Select one that does.
5. Simple reports provided to the reporting locations should allow them to efficiently review RMIS system data versus their records. Discrepancies should be reported centrally for correction.
6. Periodically auditing a selection of records and making the results part of a formal review process is a critical quality management technique. However, it should not be relied upon to identify all problems on a timely basis.

A selection of RMIS data management tools and techniques is far more efficient and effective than one or two; tools should be tailored to specific circumstances and requirements. Care should be taken to avoid making the solution worse than the problem – the desired outcome is not perfect data, but data that is usable and reliable.

CONCLUSION

Effective RMIS Data Management is necessary to adequately address loss control and claim management programs. RMIS data quality is particularly important for determining accounting reserves.

A company should analyze its RMIS requirements and actual data quality to determine specific tools and techniques needed to efficiently assure the highest possible reliability, and periodically reassess them as their needs and RMIS evolve.

For more information, or an initial assessment of your RMIS data quality, please contact Shelter Island Risk Services.