4 Questions You Need To Ask Before Building a Pay-as-you-go Solution

To build or buy? In the early 2000s, the answer was easy. Build! The reason why was simple. There just weren't a whole lot of purpose-built solutions for carriers.

But that was almost a quarter-century ago, and over the last decade, the vendor marketplace has matured significantly. Today carriers can measure vendors against each other to see which solution is the best fit for their organization.

As insurers look to attract and retain policyholders in the competitive workers' compensation marketplace, larger carriers with in-house tech teams are now weighing the merits of building or buying pay-as-you-go billing solutions.

When it comes to building a solution, there are a lot of variables to consider right off the bat, such as the size of the IT department, budget, time frame, etc. In addition, once you start building, many issues will emerge that weren't even considered.

No matter what stage you are in the decision-making process, we've highlighted four questions (based on 10+ years of conversations with insurers and our *40+ carrier clients)* you need to ask to help you avoid any potential pitfalls when considering building a pay-as-you-go solution.

Question 1: How Will You Get Payroll Data?

If you're planning on building a pay-as-you-go solution, one of the most important questions to ask is how will you get payroll data? Over the years, we've spoken to a number of carriers who got to the payroll part of the build, and they were surprised by the amount of work required.

First, carriers must deal with the technical challenges of retrieving payroll data, such as accommodating different file formats from payroll providers (.txt, .csv, .xlsx, .xml), setting up processes to drop files via SFTP, building state rules for pay types, etc.

Furthermore, carriers must also work with their customers to find out what payroll providers they are using and figure out how they can get to a critical mass of payroll connections.

Currently, there are thousands of payroll providers across the U.S., from large national players to small mom-and-pop shops. The process of finding and connecting payroll providers can take on a life of its own. Trust us! Our network of 2,000 + payroll connections (the largest in the pay-as-you-go space and still growing) has required a lot of blood, sweat, and tears to build over the last 10+ years.

Along with figuring out how to get payroll data, carriers must also think about policyholders who prefer to self-report. This will require carriers to think long and hard about the user experience and answer vital questions, such as:

- What self-reporting capabilities do we want to offer? An easy-to-use UI?
- Will we accept custom spreadsheets? If so, who will map them?
- Will we provide a template form to upload?

Question 2: How Much Will it Cost to Control the Customer Experience?
Some carriers may decide to build a pay-as-you-go solution because they want more control over the customer experience. Initially, a carrier may feel like they are ahead of the curve when they build a solution, but over time the vendor almost always catches up. Why? There are a few reasons:

1) Vendors are dealing with multiple carriers. This allows them to gain a holistic view of changing market needs.
2) Vendors must keep improving and innovating, or else they will die.
3) Carriers are not software developers.

Regarding the last point, some carriers who have attempted to build a pay-as-you-go solution needed to hire and create specialized engineering teams from scratch. These additional resources added to the cost and complexity of a project.

Question 3: What's Your Maintenance Budget?
It's one thing to build a solution, but it's a whole different animal to maintain it. Before building a solution, carriers need to think long and hard about how much it will cost to maintain it?

Unfortunately, many carriers don't have the budget to support projects after they have been built. This can lead to the solution sitting around as a legacy system accumulating "tech debt."

Vendors, on the other hand, must always keep innovating because if they don't, carriers can replace them with a competitive offering that better fits their needs.

Question 4: What Are Your Core Competencies?
Another question to think about in the build vs. buy debate are core competencies. If a carrier decides to build a pay-as-you-go solution, they need to weigh what projects are they pushing aside to pursue something outside of their core competency.

The digitization of insurance has given consumers more options than ever before. When carriers take their eye off the ball because they are focusing on projects outside of their core competencies, it takes away vital resources which can be used towards customer acquisition and retention efforts.

In addition, when carriers buy a solution to address a particular issue outside their core competencies, they also tap into entrepreneurial motivation on the vendor side.

While a failed project may not be the end of the world for a Tier 1 carrier, it is for most vendors. This is why solution providers are constantly innovating and dedicating significant resources (developers, product managers, project managers, etc) to ensure their customers are successful.

To Build or Buy?

We understand there are a lot of variables to consider when building a pay-as-you-go solution. Whether you're building a solution or thinking about partnering with a vendor, we'd love to hear from you to see if we can help you out.

Our experience working with 40+ insurers and processing over *$5 billion in premium payments each year* gives us a unique perspective on the pay-as-you-go marketplace.

To schedule a 30-minute complimentary consultation (no obligation), contact (insert name) at email to set up an appointment.