BUYERS GUIDE

ARM INDUSTRY DATA & SCORING

The Intelitech Group™

Consultants to the Collection Industry

Data and Scoring is the process of gathering consumer attributes and using them to determine the likelihood that you will be able to collect and provide insight on the best way to reach that consumer. The ARM industry has become increasingly savvy in the use of this data and scoring to work smarter and improve business results.

WHY SHOULD I REGULARLY RE-EVALUATE MY DATA AND SCORING STRATEGY?

Our industry is changing rapidly with consumer preferences and regulatory considerations. We also now house significant volumes of diverse data in our collection systems with abundant opportunity to improve effectiveness. For these reasons, ARM companies should regularly look at data within their workflows and determine if performance can be improved. Additionally, scoring models and payment prediction has come a long way in recent years and adoption of these new approaches can directly impact your bottom line.

There are several key features to look for when partnering to enrich your data and scoring strategy:

▶ Data types returned
▶ Scoring model attributes
▶ Workflow integration

DATA TYPES RETURNED

We all know the basics – best phones and addresses that help us make contact with the right consumer. But there are many additional data points you should consider:

PHONE NUMBER DATA

You should be getting up to three best phone numbers – but not just the numbers. A ranking that tells you which order to use them, a confidence score that tells you how likely it is the data is a correct match, a notification whether it is landline or cell for compliance and strategy. Additionally, make sure you are understanding and tracking what specific account data created that match.

In addition to the actual phone numbers, check with your data provider to make sure they are giving you important phone scrub insights into common scenarios that could impact your workflow decisioning.   The following list of samples are common insights available through data:

- Prison
- Temporary Housing (hopital campground, hotel, etc...)
- Military
- Mobile Identification
- Business

- Answering service
- Check cashing outlet
- VOIP
- Ported
- Invalid
- Mis-keyed identifier

ADDRESS AND LOCATION DATA

You should also expect up to three best addresses from your data provider along with a ranking, confidence score and the matched data. Again, make sure to track all this data with the account and understand how it is integrated into workflow.

Aside from just the address, it helps to look for address scrub insights from your data provider. These insights are looking for additional factors that may impact your strategy. Make sure this data gets returned to the account record in your system and associated with the appropriate address. Sample address insights include:

- Prison
- Temporary housing (hopital campground, hotel, etc...)
- Military
- Mobile Identification
- Business

- General delivery
- Check cashing outlet
- Fraudulent
- Vacant
- Invalid

OTHER DATA ENRICHMENT TYPES

MIS-KEYED DATA IDENTIFICATION AND CORRECTION

Is your data process cleaning up your data? An important step in your data strategy is making sure you have controls in place for "mis-key" errors for SSNs and phones.

INDICATORS TO REMOVE CONSUMERS FROM ACTIVE COLLECTION EFFORTS

Your initial placement scrub should always look for bankruptcy, deceased, and litigious data to enhance compliance and appropriately adjust your workflow.

Bankruptcy

Attributes to look for include name, address, case, chapter, file date, discharge data, and court in addition to overall match quality. A great data partner will help identify data points that allow you can filter out old bankruptcies that don't apply to the specific debt you are trying to collect.

Deceased

Records should include date of death, date of birth, name, rank and match quality.

Litigious

Consumers should be identified, and your data provider should be providing you a match quality (possible/probable) to help guide your workflow decisioning.

CONSUMER IDENTITY INSIGHTS

Insights about your consumer identity can be helpful in creating your collection workflows. Look to your data provider for information such as:

- ▶ Individual Owns Real Property
- ▶ Jr/Sr Situation
- ▶ Multiple SSN's for same name
- ▶ SSN issued before Date of Birth
- ▶ Invalid SSN
- ▶ Mis-Keyed SSN

MONITORING SERVICES

Monitoring your accounts daily is no longer considered an optional service – it's a compliance strategy and a differentiator for your agency. Your data partner should be helping you monitor key indicators throughout the collection lifecycle including: Bankrupt Consumers, Deceased Consumers, and Litigious Consumers.

SCORING MODEL ATTRIBUTES

Scoring models are complex by nature, and some claim to incorporate thousands of attributes. Does that really make a difference? The answer is maybe. What is important about your score is that is performs.

A score that is performing well will predict with a high degree of accuracy a consumer's likelihood of payment in a way that you can count on to build strategies.   It doesn't matter if its 50 attributes or 5,000 – what matters is a proven model.

Here are the types of information and insight you should expect when engaging with a scoring provider.

Propensity to Pay Score

A Propensity Score is typically derived from a wide array of market databases and resources and helps you understand the likelihood of payment for any account. When working with a scoring provider, here's a brief list of questions you should ask:

▶ Do you incorporate data that is stored in our collection platform (such as payment history, amount of debt, etc) to create your score?

▶ What is the range of the score?

▶ How do you test and improve your score?

▶ Does your score consider likelihood of contact being made in addition to payment likelihood?

There are also a few things to listen for when the provider describes the score's main attribute – make sure they are utilizing best available information on:

▶ Consumer Wealth Characteristics -- Income, wealth, home ownership & home value

▶ Consumer Verification -- Verification of the address and phone and social provided to the individual

▶ Ability to Contact -- Number and quality of addresses and phones found by automated skip-tracing

▶ Custom Variables -- Consumer's account history

Portfolio Optimization Scoring

In addition to your basic propensity score, your provider should be giving you insight into how to group your accounts using logic from the score and the account opportunity to create portfolio scoring logic.

For example, creating a model that brings together higher balanced accounts with higher likelihood of payment, so you know to focus significant effort.

On the other end of the spectrum the score should group low balance and low likelihood of payment accounts into a less aggressive collection strategy to maximize your ROI.

Presumptive Charity Score (healthcare)

If you are working healthcare accounts a presumptive charity score can help you improve your workflow, differentiate your services and enhance patient relations.

A Presumptive Charity score should utilize a combination of household size, household income, federal poverty percentage, and propensity to pay scoring algorithms to classify those accounts that are the most able and willing to pay off their financial obligations.

Your provider should be helping you customize your algorithm based on the specific healthcare provider requirements. Attributes that you should be looking for in the score include:

- ▶ **Median Household Income** -- Generated from census derived data, this score provides the average household income down to the block level.

- ▶ **Average Household Size** -- Also generated from census data, this score provides the average household size down to the block level.

- ▶ **Federal Poverty level** – FPL - his score cross references the Average HH Size & Median HH Income scores along with the federal poverty guideline to determine a financial means score. This score reflects the financial ability based off a household's size and income.

- ▶ **Federal Poverty Level + Propensity Score** - By combining the financial means with propensity to pay, healthcare organizations can utilize this score in both operational decision-making as well as write-off decisions for annual charity targets and requirements.

Very commonly, hospitals will identify accounts for charitable write-off solely based off only federal poverty criteria. The ability to look beyond the surface at both a patient's willingness and ability to pay, can help make a hospital a lot more effective in their decision-making process. Writing off these accounts can also benefit an agency because they no longer need to ineffectively allocate resources towards those accounts that cannot and will not ever pay.

WORKFLOW INTEGRATION

The final and perhaps most challenging component of your data and scoring vendor partnership is the integration into your workflows. An excellent provider should:

▶ Implement your data within your collection system

▶ Automate workflows based on returned data and scoring

▶ Provide reporting on your data ROI, scoring effectiveness and overall performance

▶ Ongoing support and adjustments to enhance this workflow

YOUR DATA & SCORING BUYING CHECKLIST

Here's a quick reference guide to review next time you are ready to enhance your data and scoring strategies through a data provider partnership.

DATA

- ☐ Best phone(s)
- ☐ Phone scrub insight
- ☐ Best address(es)
- ☐ Address scrub insight
- ☐ Mis-key identification and correction
- ☐ Bankruptcy Data
- ☐ Deceased Data
- ☐ Litigious Data
- ☐ Additional Consumer Insights (property ownership, Jr/Sr situation, invalid SSN, etc)
- ☐ Monitoring Services for bankruptcy, deceased and litigious

SCORING

- ☐ Propensity to pay using both market data and account data
- ☐ Portfolio optimization scoring
- ☐ Presumptive charity score (healthcare)

SCORING

- ☐ Integration with your collection system
- ☐ Recommended practices for returned data
- ☐ Support in automating workflows and business rules
- ☐ Regular data ROI reporting
- ☐ Ongoing support to adjust, review and optimize

If you're scoring and data vendors
are checking all these boxes, you can
rest assured you are likely in a good
spot with optimizing your strategy.
If not, give us a call. We work with
hundreds of agencies to incorporate
an advanced workflow for data and
scoring information and we have
proven track record of performance.

The Intelitech Group™
4800 NW Camas Meadows Dr #220
Camas, WA 98671
360-260-9780
www.intelitechgroup.com

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