

How to Reduce Health Plan Costs Without Changing Coverage:

The Five Levers of Management Control

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***Pioneering Specialists in Group Health Care
Post-Payment Administration For Over 25 Years***

Customer Relations Philosophy

Respect for Existing Procedures

Emphasis on Customization

FOCUS on Solutions

For Every Employer:

Health care is one of your largest non-payroll expenses.
Health care is one of your fastest growing expenses.

Your natural impulse is to wonder:

Maybe we need to change coverage and increase cost sharing?

Changing coverage can provide temporary relief, but...

- Changing coverage may not be practical.
- Changing coverage can be disruptive.
- Coverage changes must be allowed to work.
- So, coverage changes can only be done infrequently, if at all.

But what else can you do besides change coverage?

Quite a bit, actually.

Why Bother?

Because you are losing money to:

Waste:

Any money paid by your plan that was not its liability.

Abuse:

Any party not honoring your plan interests.

Fraud:

Waste and abuse done with criminal intent.

How Much?

1% - 5% of plan costs can be recovered.

5% - 15% of plan costs can be reduced.

For every 1,000 employees, 1% = \$100,000

Today's session covers:

- **Full range of management options you have available.**
- **Sample action steps for each management option.**

Today's session will:

- **Help you place current efforts in a context.**
- **Help you identify additional efforts to consider.**

Goals

- Learn how to define your own health plan management strategy for the coming year without needing to be an expert in health care benefits.
- Benchmark how your current efforts support this strategy and identify gaps for improvement.
- Determine cost control options you may want to consider.
- Assemble the team needed to implement that strategy.

Your Team Roster

Internal:

Senior Management:

Support is essential.

Corporate Counsel:

ERISA experience

Benefits/HR:

Some lead. Some resist.

Risk Management:

Involve if available.

Internal Audit:

Involve if available.

External

ABC (Advisor, Broker, Consultant)

Market knowledge.

Technology/Data Vendor:

Health Decisions, Inc. (HD)

Five Levers of Management Control



1. Benefit Contract



2. Risk Contract



3. Administration Contract



Contractual Controls

Maximized by separate
plan entity.



4. Enrollment Data

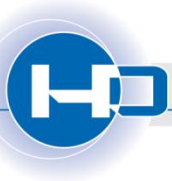


5. Claims Data



Audit Controls

Maximized by separate
data repository.



If you are accepting each plan document “as is,”
you are relinquishing control that can cost you.

Create a separate plan entity. Create a separate plan entity.

Make it your benefit plan. For example...

- Define Benefit Exclusions. Do not relay on defaults or payer discretion.
 - Get a list of billing codes to be excluded. Review, amend and approve.
 - Set exclusion limits (billing code only or all related services).
- Address Eligibility-Enrollment-Entitlement Continuum. No one else is.
 - Define how employee / retiree / spouse / dependents obtain benefits.
 - Document eligibility rules, enrollment processes, and entitlement properties.
- Assert secondary status whenever possible. No one else will for you.
 - COB
 - Medicare A & B and Disability
 - Auto Accident, Subrogation



1. Benefit Contract



When	What	How
Base Review: Medical	<ul style="list-style-type: none">•Legal entity•SPD~Plan Doc•Regulatory compliance	Content review with ABC and corporate counsel
Base Review: Prescription	<ul style="list-style-type: none">•Current provisions•Enforcement•Transparency	Content review with ABC and corporate counsel
Annual Review	<ul style="list-style-type: none">•Cost sharing levels•Plan changes•Covered benefits•NOT covered benefits•Regulatory compliance	Tied to Claim and Enrollment Data



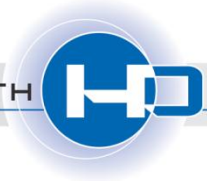
If you are not addressing risk,
You are relinquishing control that can cost you.

Define your risk.

- Deductible levels and tax treatment.
<http://www.irs.gov/pub/irs-pdf/p969.pdf>
- Link cost sharing to behavior that lowers your risk.
 - Stopping smoking, healthy eating, regular exercise can be rewarded.
- Stop Loss levels (specific and aggregate) must “fit.”
 - Incurred and Paid periods definition is critical.
- Include prescription experience in the risk “equation.”
 - This important – and costly – component is often left out.



When	What	How
Base Review	<ul style="list-style-type: none">•Current contract exists•Current contract terms and conditions	Content review with ABC and administrator
Annual Review	<ul style="list-style-type: none">•Specific and aggregate levels•Incurred and paid periods•Benefit limits	Content review tied to Claim and Enrollment data
Semi-annual Review	<ul style="list-style-type: none">•Status or impact of changes, if any	Tied to Claim and Enrollment data



**If you rely on administrator self-monitoring,
You are relinquishing control that can cost you.**

Current Contracts contain administrator's terms.

**An administrative performance contract
contains yours.**

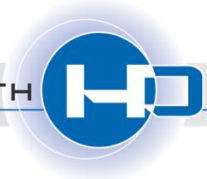
- Decide the level of administrative support you want.
- Define measurable standards.
- Measure and assess performance independently.
- Associate consequences and rewards with performance.



3. Administration Contract



When	What	How
Base Review	<ul style="list-style-type: none">•Current contractual terms•Rights of review, appeal, and audit•Administrative Performance Contract (APC)	Negotiated with Payer
Annual Review	<ul style="list-style-type: none">•Service scope and fee level changes•Regulatory compliance•APC enforcement	Content review tied to Claim and Enrollment data
Semi-annual Review	<ul style="list-style-type: none">•Status or impact of changes•APC monitoring	Tied to Claim and Enrollment data



If you rely on employee self-reporting,
You are relinquishing control that can cost you.

- **5%-15% of enrolled dependents are no longer eligible.**
 - Dependent/employee/employer/plan/broker/vendor/payer communication chain.
- **5%-25% of addresses are wrong.**
 - Required communications not received.
 - Two-way communication cannot occur.
- **Do not assume all enrollment rosters agree.**
 - Medical/HMO/RX/dental/vision/life/disability/Worker Comp/etc...
 - Duplicates enrollments occurs. Contradictory facts are common.
- **Do not assume employee termination means benefit termination.**
 - Verify that termination ends benefit coverage (after COBRA).
 - Make sure retirees are retired (and Medicare knows).



4. Enrollment Data



When	What	How
Three-year	<ul style="list-style-type: none">•Minimum for monitoring changes and errors	Employee reconciliation Enrollment verification Dependent validation
Annual Review	<ul style="list-style-type: none">•Support claim data•Confirm open enrollment•Support regulatory notices	Employee reconciliation Enrollment verification Dependent validation
Semi-annual, Quarterly, Monthly Review	<ul style="list-style-type: none">•Confirm adds, deletes, and dependent changes as volume warrants	Employee reconciliation Dependent validation



If you rely on facts known when the claim is billed,
You are relinquishing control that can cost you.

- **1%-3% of annual claims are billed in error and can be recovered.**
 - New facts account for most recoveries.
- **5%-10% of total plan costs can be saved.**
 - Sentinel Effect is your most powerful weapon.
- **Claim data findings help prioritize areas for your attention.**
 - Also helps monitor progress, if done over time.
- **Without claim recovery and savings you lose ground financially.**
 - One-way cost shift adds to your costs.



When	What	How
Annual Review	<ul style="list-style-type: none">• Monitor contract changes	100% review
Annual/ Semi-annual Review	<ul style="list-style-type: none">• Enforce APC• Monitor improvements• Routine claim recovery	100% review
Quarterly	<ul style="list-style-type: none">• Address claim recovery filing limits	100% review
Monthly	<ul style="list-style-type: none">• Claim payment challenges	100% review

Focus on a specific management lever.



Implement a multi-prong, on-going response.



Benefits

- **CASH**
 - Claims data yield recoveries that cover costs.
 - Enrollment data yield savings that produce large ROI.
- **CONTROL**
 - Move from reactive to proactive management.
 - Routine Monitoring maximizes savings and sentinel effect
- **COMPLIANCE**
 - Fiduciary responsibilities met
 - New regulations addressed

Annual Costs

- 40-80 hours expected (Some dedicate staff)
- 1% or less of claim payments

Past Webinars Available

Recordings of past webinars are available upon request, including:

- April 2012 – How the AMA Can Help You with Plan Oversight
- March 2012 – Health Data Control
- February 2012 – Health Reform: A Contrarian's Perspective
- January 2012 – The Road to 100% Transparency
- December 2011 – 2012: What Does it Hold for Self-funded Health Plans?
- November 2011 – Overpayment Collection
- October 2011 – Finding Provider Fraud
- August 2011 – New HIPAA Accounting Requirements
- July 2011 – Dos and Don'ts of Competitive Bidding
- June 2012 – You've Done a Dependent Audit; Now What?
- May 2011 – Two Dozen Reasons for Claim Payment Error
- April 2011 – How Does Your Plan Compare?
- March 2011 – How Medicare Can Help Employer Health Plans
- February 2011 – Administrative Fee Inflation

For More Information
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