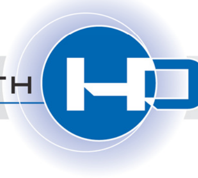
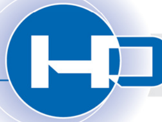
HEALTH  DECISIONS, INC.

Dos and Don’ts of Competitive Bidding

Presented by:

Si Nahra, Ph.D., President

July 28, 2011



Pioneering Specialists in Group Health Care Post-Payment Administration for Over 20 Years

- First with 100% claim audits
- Introduced the use of claim audits for recovery
- Originated linking of enrollment reconciliation with claim audits
- Started dependent audits 15 years ago
- Revolutionized data intake with payer-defined data – always successful
- Unblemished track record – no HIPAA violations or employee issues

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Dos and Don’ts

- Do – Bid every 3 to 5 years
- Don’t – Bid every year

- Do – Assemble a team
- Don’t – Rely on yourself or a single source

- Do – Standardize the plan comparison
- Don’t – Allow bidders to vary plan

- Do – Compare on multiple dimensions
- Don’t – Let the bidders define the comparison

- Do – Use bid as basis for monitoring, control and reward
- Don’t – Surrender fiduciary oversight and control after bid award

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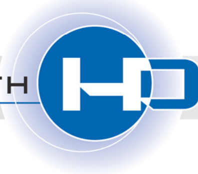

Do – Bid every 3 to 5 years
Don't – Bid every year

- Bidding is an important part of plan management that should not be overused.
- Plan experience needs time to develop especially after a change.
- Too frequent change can be disruptive.
- BUT not bidding or letting the current plan administrator think that you are not willing to change is the first step towards loss of control.

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Do – Assemble a team
Don't – Rely on yourself or a single source

- Determine internal review team
  - Benefits
  - Finance
  - Audit
- Retain external review team
  - Independent Advisor (preferably ERISA attorney)
  - Broker or Consultant (understand compensation)
  - Technical Support (Health Decisions – of course)
    - claim analyses and
    - bidder surveys

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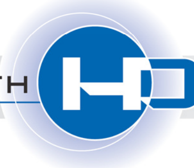

Do – Standardize the plan comparison Don't – Allow bidders to vary plan

- Use current plan as common point of comparison for competitive bid.
  - Puts you in a position of being fully informed
  - Maximizes value of historic data comparison
- Have plan design changes be a separate discussion that follows competitive bid comparison.

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Do – Compare on multiple dimensions
Don't – Let the bidders define the comparison

- Claim **payment** amounts (NOT Discounts)
- Claim payment policies
- Administrative fees
- Administrative contracts
- Administrative transparency

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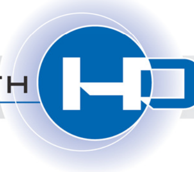

Claim Payment Comparison

- "Proposed fee schedule for most common procedures so we can compare provider reimbursements."
- "We used 100 CPT codes for five different geographical regions (to compare regional variants in pricing). In addition we compared a sample of 1000 overall claims for bundling protocols, etc."

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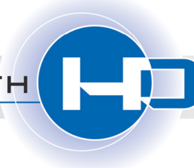

Claim Payment Comparison

The Health Decisions Approach:

- Code/Provider pairs
- Transformed into “simulated claims”
- Use of National Provider Identifier
- Claim Market Basket for Price Comparison
  - “40 claims” if claims data not available
  - “1,000 claims” captures 90% of payment volume

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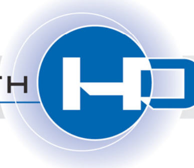

Claim Payment Policies

- Physician Office Visit – Local
- Physician Office Visit – Out-of-state
- Hospital Ambulatory Visit
- Hospital Inpatient Stay
- Hospital ER Visit – Emergency
- Hospital ER Visit – Non-Emergency
- Anesthesia for Inpatient Surgery
- Anesthesia for Outpatient Surgery
- Anesthesia in Physicians Office
- Durable Medical Equipment
- Laboratory and Diagnostic Testing
- Others?

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Administrative Fees

- "We tell bidders if it isn't in the cost proposal that we will not be paying that fee even if they charge it to all their other customers. All fees must be in the cost proposal or they are not payable."
- "With Health Care reform, we are watching this much more closely. Currently we carve out wellness programs, Condition and Disease management, etc. We are looking at the impact of the PPACA to determine whether the carve-out approach will remain viable."

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Administrative Fees

- Fixed
- Variable
- Contingent
- Third-party
- Discount withholds
- Adjustments to claim liability
- Costs of administrative policies
  - E.g., provider payment review and
  - Excluded procedures enforcement

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Administrative Contracts

- Legal counsel warranted
- Separate legal entity recommended
- Rights to confirm
  - Audit
  - Dispute
  - Claim denial appeal under Health Reform
- Enforcement of Medical Loss Ratio limits

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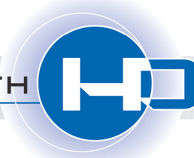

Administrative Transparency

- “Painful, on the defense trying to locate the "games" and hidden costs and ensure viable performance guarantees.”
- “We make a sample copy of the contract and performance standards a part of the RFP. You must sign off on each performance standard or we negotiate the differences along with the actual contract to be signed during the RFP process. As a rule if you are too far off the mark on these, it is a reason to drop you from the process in favor of other vendors who can agree to our terms. Once a decision is made on vendor they are expected to sign the contract and adhere to all the performance standards or pay the liquidated damages.”

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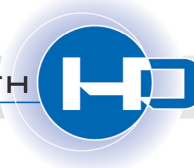

Administrative Transparency

Health Decisions' Standards

- Enrollment (6 measures)
- Timelines (5 measures)
- Accuracy (6 measures)
- Cost Sharing (8 measures)
- Denials (3 measures)
- Coordination-of-benefits (4 measures)
- Medicare Primary Payer (9 measures)
- Provider Payment Review (6 measures)
- Special Investigations (4 measures)
- Stop-Loss/Large Case Review (4 measures)
- Electronic Data Interchange (5 measures)
- Data Quality (7 measures)

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Our Initial Results

- Payment comparisons show small to non-existent differences.
- Administrative Costs vary widely (and wildly).
- Routine Plan Monitoring (RPM) accepted if client wants.

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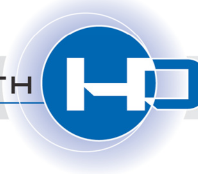

Finally

Do – Use bid as basis for monitoring, control and reward

Don’t – Surrender fiduciary oversight and control after bid award

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Past Webinars Available for Download

Recordings of past webinars are available through **Si's Library** (www.healthdecisions.com/library) including:

- June, 2011 – You've Done a Dependent Audit. Now what?
- May, 2011 - Two Dozen Reasons Why Claim Payment Error Occurs
- April, 2011 - How Does Your Plan Compare?
- March, 2011 - How Medicare Can Help Employer Health Plans
- February, 2011 - Administrative Fee Inflation: Causes and Consequences
- January, 2011 - Planning for 2011

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For More Information

Contact

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We offer no-cost consultations

to answer questions and discuss options.

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