

Addressing Minimum MLR Requirements

HealthScape’s Approach

The implications of MLR extend beyond the potential for rebate pay out. Our experience in the past six months has highlighted several key lessons learned that we feel health plans must consider when evaluating their current response to MLR and other related health reform requirements.

Representative Engagements

HealthScape has assisted numerous clients with their response to the minimum MLR regulation. Representative engagements include:

| Client | Description |
|--|---|
| Multi-state health plan with 10+ million members | <ul style="list-style-type: none"> Reviewed initial cost center QI assignment and allocation methodologies to identify opportunities for additional QI capture and/or compliance risk Identified over \$150M in QI expenses |
| Regional health plan with 200K members | <ul style="list-style-type: none"> Developed and implemented the plans’ methodology to address MLR requirements Prepared all supporting and compliance documentation |
| Multi-state not-for-profit health plan with 3+ million members | <ul style="list-style-type: none"> Identified opportunities to improve the cost allocation structure to properly capture full MLR amounts Additional QI expenses identified and cost allocation recommendations will increase MLR by 100 basis points |
| Managed behavioral health vendor | <ul style="list-style-type: none"> Developed MLR methodology to address reporting requirements specific to 3rd party vendors Outlined approach for compliance and competitive differentiation to health plan customers |

Lessons Learned

1: Identify “off the radar” QI expenses

A review of cost center surveys or reports will often miss areas not typically thought of as quality including medical and data analytics and information technology

Lesson 2: Vendors must treat their health plan expenses as though vendors are subject to MLR

HHS regulations provide specific guidance on the treatment of vendor expenses. Plans must work with their vendor to separate incurred care from administrative costs, determine which administrative costs qualify as QI and then document and allocate appropriately.

Lesson 3: Identification of QI is useless without accurate and appropriate cost system allocation

Accurate and appropriate cost allocation can have a significant bearing on a plans’ MLR. Cost centers that are allocated incorrectly to market segments are lost QI opportunities. We have also observed cost centers that were allocated entirely to non-risk lines of business, even though they applied to the entire organization.

Lesson 4: Document for today and tomorrow

Given the potential for HHS civil penalties, plans must be prepared to have clear documentation for their determination of QI and for apportionment of cost centers that are a mix of QI and administrative. This documentation process must also be flexible and able to adapt to future organizational changes.

Lesson 5: MLR can be a catalyst for other strategic reform efforts, including provider integration and risk adjustment

In the short term, plans have the opportunity to increase QI activities by shifting from traditional review activities to those which qualify as QI as defined by HHS. The risk exists that these definitions or the MLR threshold may change. Over the long term, health plans will maximize both their MLR and their profit margins by taking a detailed look at all care management activities and determining which activities should truly be performed by the plan and which by the provider. This critical review will not only improve MLR, but can also integrate with other important strategic initiatives under way at most plans such as provider integration and risk adjustment capture.

HealthScape’s MLR Service Offerings

Our toolkit includes a variety of customizable services and approaches to help health plans mitigate compliance risks and address the strategic implications of the regulation:

| Service | Description |
|---|---|
| Front End Diagnostic | <ul style="list-style-type: none"> • Use of HealthScape’s MLR diagnostic tool to quickly allow: <ul style="list-style-type: none"> – Comparison/benchmarking of approaches and structures against other health plans – Identification of gaps in MLR reporting processes and output – Diagnosis of risks in current MLR methodology and supporting documentation |
| Design and Implementation | <ul style="list-style-type: none"> • Development of allocation methodology to segregate QI costs, apportion support costs and allocate QI expenses across market segments • Creation of a fully auditable QI database and all support documentation that can be reviewed by external parties • Recommendations to maximize MLR compliance and address strategic and operational issues identified during qualitative and quantitative cost center review |
| Annual Assessments | <ul style="list-style-type: none"> • Identification of variances from previous year’s results and risk areas • Comparison/benchmarking of performance against other health plans • Testing and documentation of actual processes to provide to external auditors |
| Provider Integration & Care Management Realignment | <ul style="list-style-type: none"> • Evaluation and redesign of care management processes to: <ul style="list-style-type: none"> – Optimize use of Quality Improvement activities – Align with long term provider strategies – Reduce administrative spend – Maximize return on investment for care management and provider activities – Align with long term risk adjustment strategy • Provider integration evaluation and strategies |

Contact Information

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