

Milliman

BPCI: Insurance Risk Perspective



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Insurance Risk Considerations

- Actuarial Control Cycle
- Statistical Variation Risk
- Reconciliation Methodology
- Opportunity Analysis – Comparison to Benchmarks

Actuarial Control Cycle

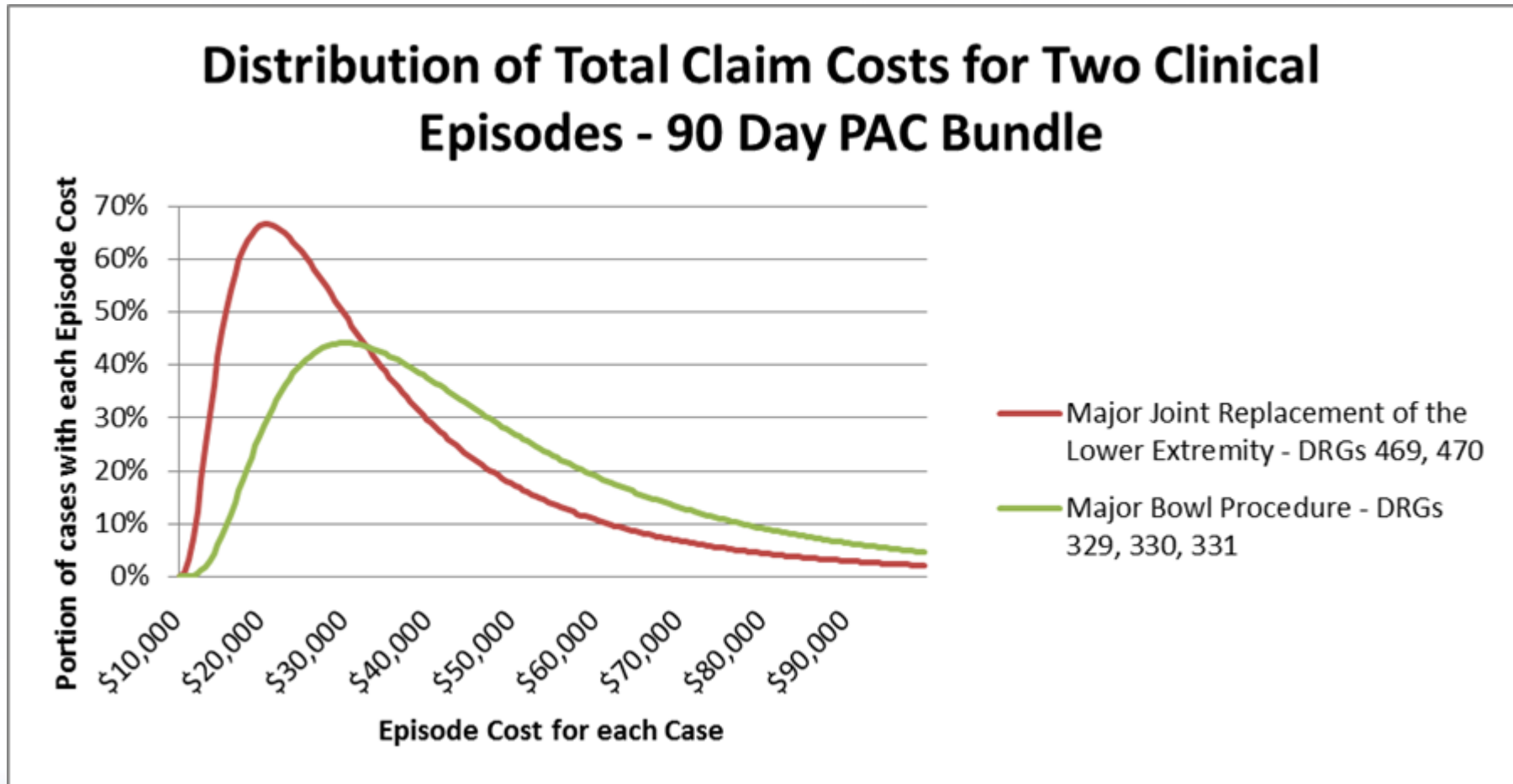
- Actuarial control cycle:
 - Financial forecasting
 - Setting targets
 - Monitoring experience
 - Evaluating results
 - Recommending actions
 - Updating forecasts
- For BPCI program, this process is critical particularly forecasting impact on an organization from adverse experience
- Regulatory scrutiny of provider risk bearing entities
 - Massachusetts Division of Insurance passed legislation – Starting January 2015, risk bearing provider organizations required to have actuarial certification to certify that the terms of the risk contract will not threaten financial solvency of the provider organization
- Risk based capital requirements

Statistical Variation Risk

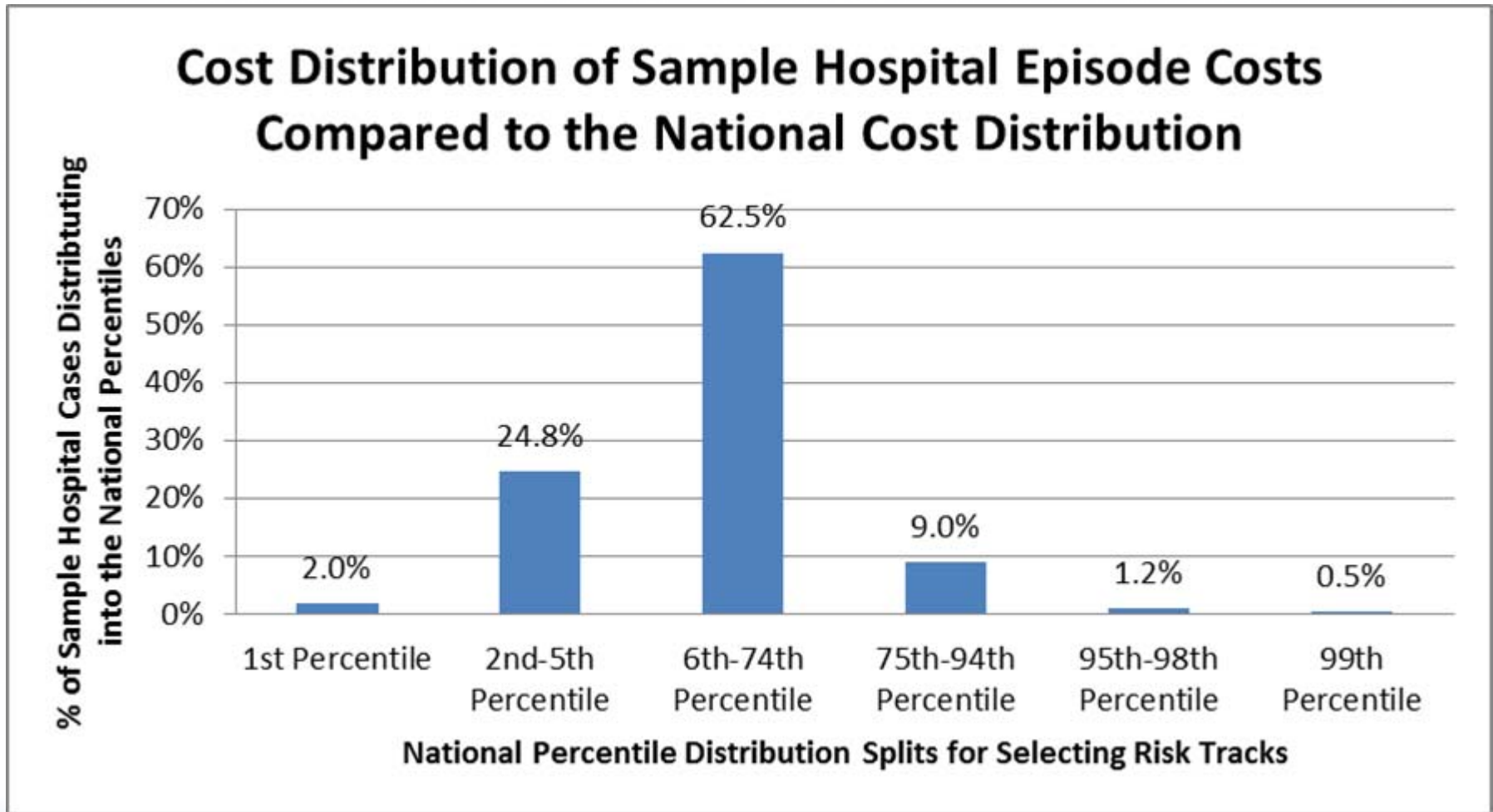
Average cost of a bundle can vary based on:

- Sample size – statistical variation in average episode cost decreases as volume of cases increase for a particular DRG and as volume of episode families increase
 - Volume thresholds by DRG – national based on CMMI analysis
- Risk track selection – produce a Medicare claim cost distribution of all cases within a DRG and compare to the CMMI outlier thresholds for Track A, B, or C
 - Need to evaluate opportunity to reduce outliers

Different Types of Episodes will have different Cost Distribution



Distribution of a Sample Hospital Episode Costs Compared to National Distribution



Reconciliation Methodology Should Insure Apples to Apples Comparison of Baseline to Actual Performance

- Baseline calculation methodology
- Benchmark calculation methodology
- Financial performance parameters
- Reconciliation methodology and timing

Opportunity Analysis Comparison to PAC Utilization Benchmarks

191 - Chronic Obstructive Pulmonary Disease W CC

CMMI Episode: COPD, bronchitis/asthma

Anchor Admission and 30-Day Post-Acute Care Hospital Experience and Benchmarks

	Hospital Experience					Nationwide Average		Well Managed	
	Average Cost Contribution per Episode (1) (2)	Cost as a % of Total Episode Cost	Average Cost of Service	% of Anchor DRG Admissions with Some Utilization in Category	Average Days per Service for those with a Claim for Service	% of Anchor DRG Admissions with Some Utilization in Category	Average Days per Service for those with a Claim for Service	% of Anchor DRG Admissions with Some Utilization in Category	Average Days per Service for those with a Claim for Service
Cost Categories									
Anchor Inpatient Admission	\$4,791	38%							
Post-Acute Care (PAC)									
Inpatient Readmissions	\$4,026	32%	\$11,596	34.7%	9.1	22.4%	6.8	18.4%	6.4
Long Term Acute Care (LTAC)	\$0	0%	\$0	0.0%	-	1.1%	21.2	0.7%	20.0
Acute Inpatient Rehab	\$232	2%	\$16,723	1.4%	5.0	1.3%	11.7	0.9%	11.2
Skilled Nursing Facility (SNF)	\$2,666	21%	\$11,997	22.2%	25.2	17.1%	28.2	9.4%	22.4
Home Health	\$431	3%	\$1,942	22.2%	n/a	23.7%	n/a	20.1%	n/a
Other Part B (3)	\$446	4%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total PAC Cost in Days 1-30	\$7,802	62%							

30-day Post-Acute Care Savings Projections (4)

	Projected % Reductions			Savings per Episode		
	% Reduction in Episode Cost if PAC Utilization is Moved 50% Towards WM	% Reduction in Episode Cost if PAC Utilization is Reduced 10%	% Reduction in Episode Cost if PAC Utilization is Reduced 25%	\$ Reduction in Episode Cost if PAC Utilization is Moved 50% Towards WM	\$ Reduction in Episode Cost if PAC Utilization is Reduced 10%	\$ Reduction in Episode Cost if PAC Utilization is Reduced 25%
Total PAC - Part A and B	8%	3%	8%	\$1,842	\$736	\$1,839

(1) DSH and IME have been excluded from all Inpatient amounts

(2) "Average Cost Contribution per Episode" reflects some patients not receiving some services; total costs for each service are averaged across all patients having anchor admission

(3) Other Part B Costs include Outpatient Rehab, Part B drugs, Outpatient Facility costs, Outpatient Professional costs, and DME

(4) Projected Savings reflect Part A and B savings associated with reducing Readmissions, Long-Term Acute Care, IP Rehabilitation, Skilled Nursing Facility, and Home Health

Questions

