Evaluating Network Performance

Discounts, Price Transparency, Percent of Medicare, & Risk Adjusted PMPM

JULY 17, 2024

Milliman

Agenda

- About Milliman
- Discounts
- GRVUs and Percent of Medicare
- Transparency Data
- Risk Adjusted PMPMs
- How Milliman Can Help You
- Q&A with Milliman Experts

About Milliman

4,800+ employees	$1.5 Billion (US) revenue in 2023	68 offices across the globe
75 years of experience	Our healthcare clients include over 80% of the health plans in the nation	We certify more than 40% Part C bids and more than 60% Part D bids

We are empowered by the diversity of our backgrounds, driven by a shared commitment to innovate, and inspired by a common mission:

To serve our clients to protect the health and financial well-being of people everywhere.

About Milliman

Industry Leader

Milliman is the largest and most respected actuarial firm, consulting to most of the health insurers in the nation, state Medicaid programs, providers, health tech solutions, and federal, state, and local government.

Deep Healthcare Expertise

We are broadly acknowledged to be the leading consulting firm to healthcare risk takers and providers.

We have consulted on health issues to clients in more than 30 countries on six continents and have more actuaries who focus specifically on health issues than any other firm in the world.

Rigorous

Deeply embedded in our culture is a rigorous internal peer-review process on all client projects to ensure we deliver the best in advisory services. A second qualified Milliman consultant will review all work products.

Evaluating Network Value	Data Sources		Analysis Tools		
	Discount Analysis	Transparency Data	GlobalRVU	Medicare Repricer	MARA
Evaluate Provider Reimbursement	■	■	■	■	■
Analyze Historic Data	■		■	■	■
Analyze Current Provider Rates		■			
Analyze Reimbursement Differences	■	■	■	■	
Perform Normalized Comparisons			■	■	■
Relate Reimbursement to Medicare		■		■	
Consider Utilization Differences					■
Evaluate Member Health Status					■
Incorporate Rx Data			■		■

Discounts and UDS Data

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Discounts and UDS Data - Overview

Standard layout for "data providers" (payers) to provide actuarially certified summarized FFS discount data to “data receivers” (brokers).

Used by self-funded employer groups and brokers to compare commercial networks. Census-based discount analyses or claims repricings rely on payer discount data along with characteristics of the employer group.

Provides an apples-to-apples network discount comparison for all national payers, and many regional, based on real payer discount information.

Discounts and UDS Data - Case Study

Employer group
Network Analysis Results

		Total Network Discount (1)			
	Covered Lives (2)	Network 1	Network 2	Network 3	Network 4
Nationwide	100,000	**62.5%**	**63.0%**	**62.7%**	**64.3%**
Top Reporting Areas by Membership					
Houston-The Woodlands-Sugar Land, TX	24,000	65.9%	66.6%	65.1%	67.1%
Phoenix-Mesa-Scottsdale, AZ	13,000	63.8%	64.1%	63.8%	66.7%
Chicago-Naperville, IL	12,000	60.0%	60.9%	63.2%	62.9%
Atlanta-Sandy Springs-Roswell, GA	6,000	59.6%	57.0%	57.7%	60.6%
Fort Lauderdale-Pompano Beach, FL	6,000	66.7%	65.0%	68.4%	69.3%
West Palm Beach-Boca Raton-Port St. Lucie, FL	5,000	69.0%	65.7%	68.8%	69.0%
Los Angeles-Long Beach-Glendale, CA	5,000	62.6%	65.9%	64.2%	66.0%
Denver-Aurora-Lakewood, CO	4,000	65.7%	65.3%	65.2%	66.1%
Philadelphia-Montgomery-Bucks-Chester, PA	4,000	64.5%	67.2%	64.7%	65.0%
Minneapolis-St. Paul, MN-WI	1,000	40.3%	42.1%	39.4%	45.2%
Indianapolis-Carmel-Anderson, IN	1,000	48.0%	55.0%	49.0%	49.9%
Palm Bay-Orlando-Kissimmee-Sanford, FL	1,000	63.6%	62.8%	60.2%	63.9%
Nashville-Davidson-Murfreesboro, TN	1,000	62.1%	61.9%	62.3%	63.4%
Tampa-St. Petersburg-Clearwater, FL	1,000	64.7%	61.2%	62.9%	65.8%
Carson City-Reno, NV	1,000	57.0%	62.2%	60.7%	61.7%
Naples-Cape Coral-Fort Myers, FL	1,000	62.4%	61.7%	61.7%	63.6%
Detroit-Dearborn-Livonia, MI	1,000	52.3%	60.0%	58.3%	53.0%
Lakeland-Winter Haven-Sarasota, FL	1,000	65.1%	61.2%	64.6%	66.1%
Laredo-San Antonio-New Braunfels, TX	1,000	69.1%	67.8%	67.1%	68.9%
Dallas-Plano-Irving, TX	1,000	61.7%	61.2%	59.3%	63.8%
All Other	10,000	53.5%	55.9%	53.6%	55.2%

Notes:
1) Excludes provider payments that are not fee-for-service.
2) Covered lives based on census provided July 17, 2024.

Discounts and UDS Data

Considerations for use

Advantages

- Data is well understood and relatively straightforward to work with.
- Results can be provided quickly, with minimal data requirements.
- Provides actionable output useful in RFP decisions.

Disadvantages

- Access to the UDS data.
- Results are not provider specific and susceptible to differences in billed charges.
- Limited to payers who participate in UDS.

GRVUs and Percent of Medicare

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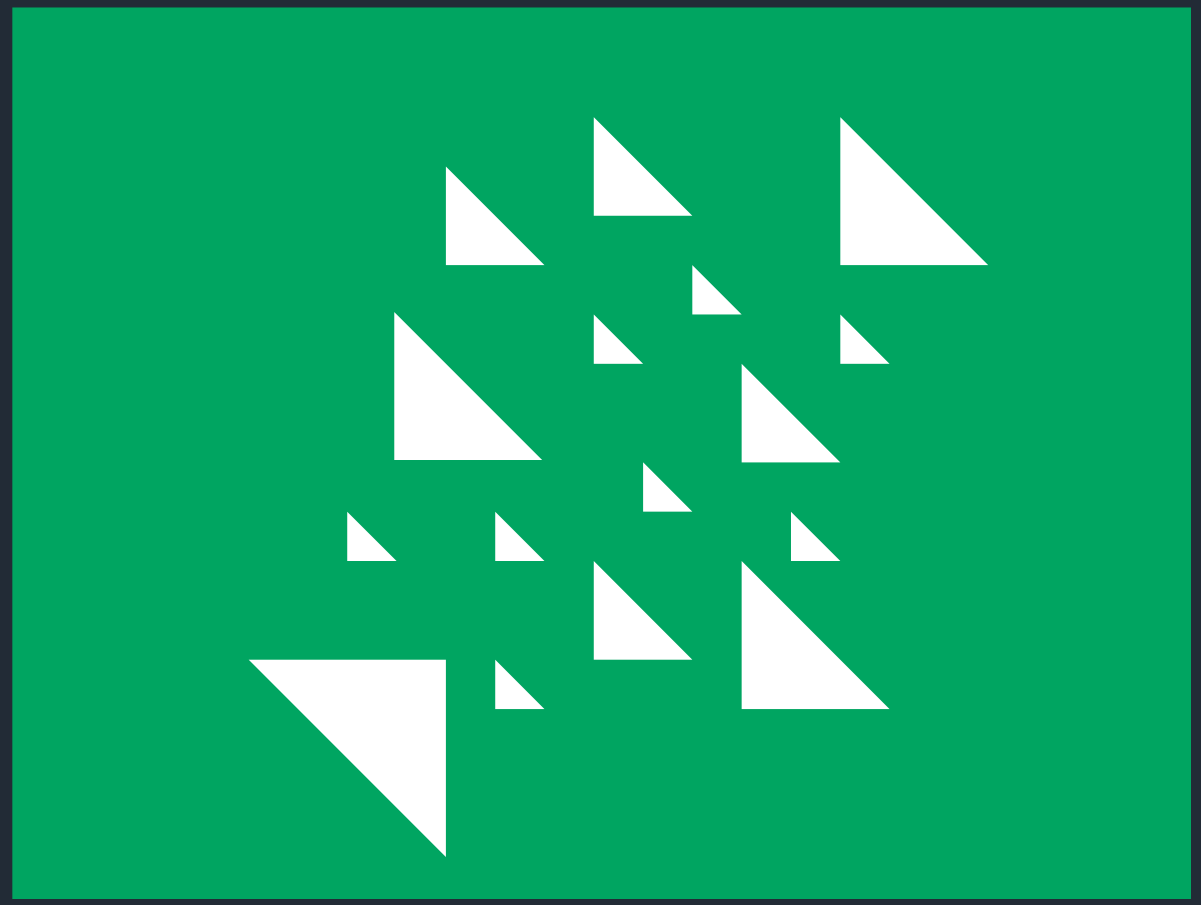
GRVUs and Percent of Medicare

General intuition: Each service has a value; compare aggregate cost of services to this value.



Percent of Medicare and GRVUs

Key Metrics

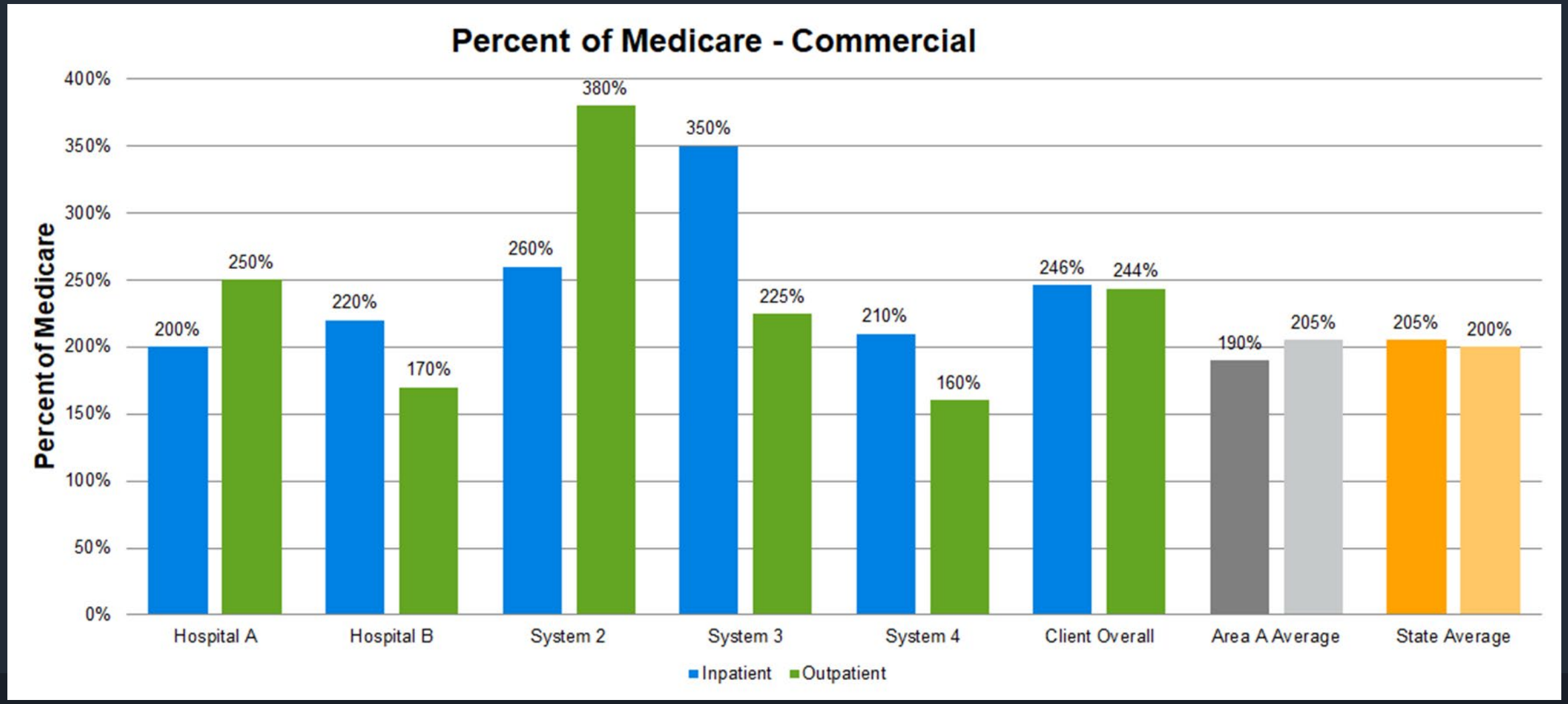
RVU Conversion Factor = Allowed / RVUs

% of Medicare = Allowed / Medicare Allowed

(high = bad)

Results

Percent of Medicare and GRVUs



RVUs or Percent of Medicare?

RVUs

Advantages

- Designed to measure value - no subsidies/incentives
- Adjustments in some areas (e.g., maternity) to provide better relativities outside Medicare
- Providers measured using the services they actually provide

Disadvantages

- Proprietary software required
- Does not inform if rates are "good" overall

RVUs or Percent of Medicare?

Percent of Medicare

Advantages

- Widely used, providers understand payment levels
- % of Medicare benchmarks available
- Providers measured using the services they actually provide

Source: https://www.milliman.com/en/insight/commercial-reimbursement-benchmarking-medicare-ffs-rates

Disadvantages

- Designed for pricing, which may include subsidies and incentives
- Complex pricing logic typically requires software to price
- Not available for some services (Rx, others)

Transparency Data

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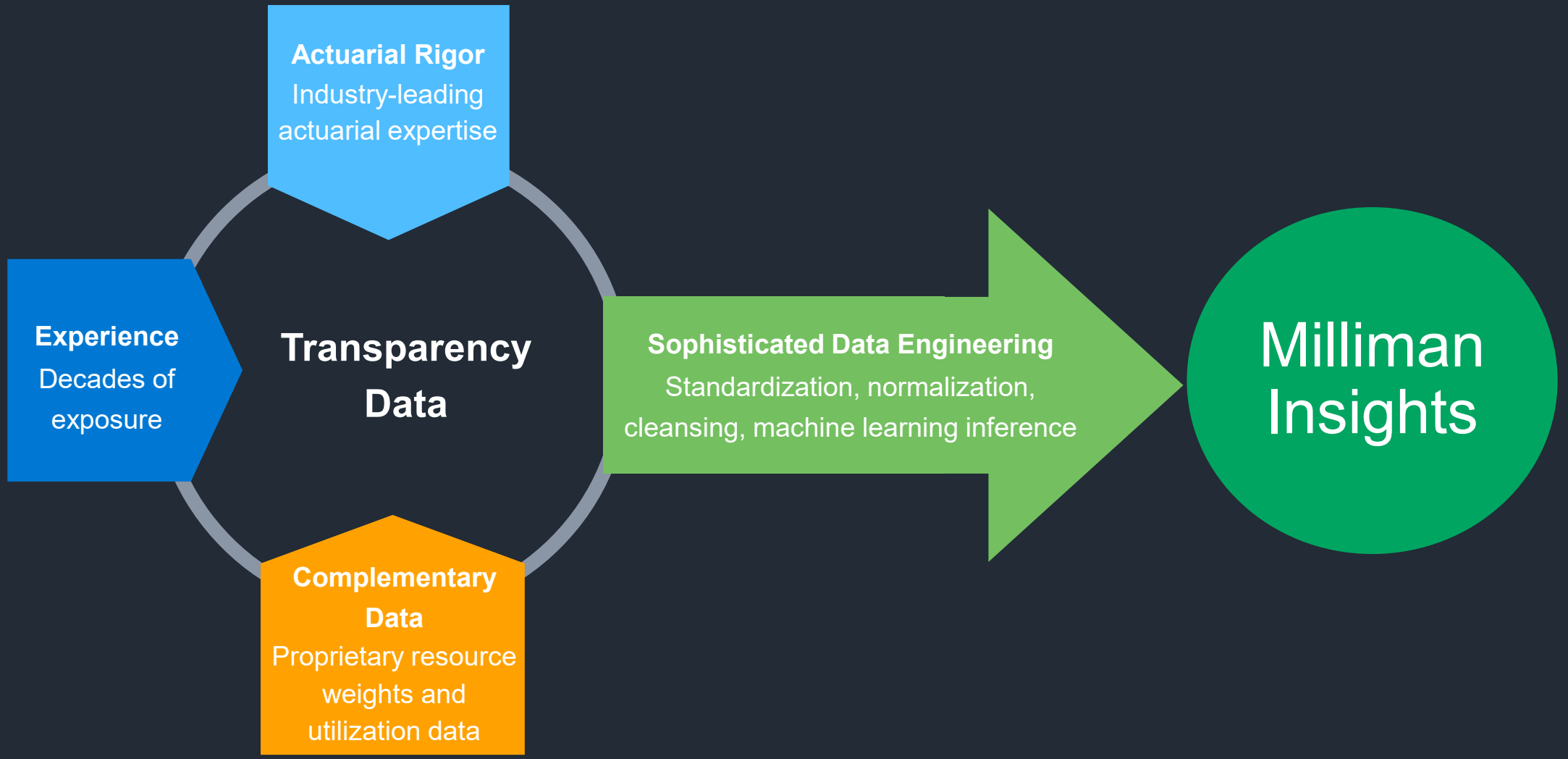
Regulations & Data Differences

Hospital vs. Payer Posted Files

Area	Hospital	Payer
Data Volumes / Frequency	3 TB / Annual	500 TB / Monthly
Line of Business	IND, GRP, MCR, MCD	IND, GRP
Gross Amount / Allowed Amount	☑ / ☑	☐ / ☑
In/Out-of-Network	☑ / ☐	☑ / ☑
Professional	☐	☑
Negotiated Rate Types	☐	☑
Capitation / Bundled Payments	☐	☑

Machine Readable to Business Interpretable



Enhancement Engines

Data Quality

Assesses whether rates meet acceptable thresholds for inclusion in calculations

Payer

Cleans up ambiguous contract names and assigns to a clean payer name

Product

Assigns a contracted rate to one of four primary types: PPO, HMO, POS, EPO

Line of Business

Determines whether the amount is for Individual, Group, Medicare, or Medicaid

Network Group

Each EIN or HIOS ID is associated with a set of In-Network files but there is no easy way to identify the primary product

Provider Group

Only TIN and NPIs exist, which requires a mapping to meaningful provider group names and associated health systems

Rate Methodology

Identifies the basis used in the contract (e.g. Rate per Day, Percent of Billed)

Utilization Profiles

Pair price data with utilization profiles developed from Milliman's 80M+ member research database

Results

Hospital vs Payer Metrics by Facility

Percent of Medicare

- This metric is an approximation of the nationwide percent of Medicare.
- It serves as a common comparison basis for all payers, providers, and plans in the transparency data.

Percent of Expected

- This metric helps quantify the comprehensiveness and reliability of the posted transparency data (i.e., how much is available from what we would expect).

Percent Usable

- This metric helps quantify the usability and quality of the transparency data (i.e., how much is usable from what was provided).

Payer - GRP / IND LOBs

		% of Medicare			% of Expected			% Usable		
CCN	Facility Name	IP	OP	Total	IP	OP	Total	IP	OP	Total
140281	Northwestern Memorial Hospital	234%	323%	240%	97%	10%	61%	48%	10%	34%
140010	Northshore University HealthSystem Evanston Hospital	253%	241%	252%	91%	14%	69%	43%	10%	36%
140088	The University Of Chicago Medical Center	284%	384%	285%	100%	2%	69%	72%	41%	71%
140119	Rush University Medical Center	192%	429%	197%	85%	5%	66%	49%	36%	48%
140223	Advocate Lutheran General Hospital	253%	409%	261%	99%	15%	76%	40%	18%	37%
140276	Loyola University Medical Center	247%	257%	248%	88%	24%	65%	39%	6%	23%
140150	University Of Illinois Hospital And Clinics	132%	302%	147%	57%	15%	46%	77%	26%	57%
140007	Presence Saint Joseph Medical Center	184%	221%	188%	90%	20%	69%	72%	18%	55%
140048	Advocate Trinity Hospital	257%	399%	267%	98%	20%	77%	40%	23%	37%
140062	Palos Community Hospital	180%	248%	187%	96%	26%	77%	58%	19%	46%
140029	Rush Copley Medical Center	143%	160%	145%	88%	36%	73%	60%	40%	56%
140018	Mt Sinai Hospital Medical Center	158%	229%	167%	55%	40%	53%	94%	18%	54%
140122	Adventhealth Hinsdale	185%	211%	190%	35%	17%	29%	92%	16%	43%
140054	MacNeal Hospital	190%	159%	185%	88%	49%	78%	41%	44%	41%
Total		**201%**	**238%**	**205%**	**82%**	**21%**	**64%**	**52%**	**17%**	**42%**

Hospital - COM LOB

		% of Medicare			% of Expected			% Usable		
CCN	Facility Name	IP	OP	Total	IP	OP	Total	IP	OP	Total
140281	Northwestern Memorial Hospital	252%	252%	252%	77%	37%	56%	96%	56%	77%
140010	Northshore University HealthSystem Evanston Hospital	241%	280%	254%	78%	34%	55%	90%	29%	51%
140088	The University Of Chicago Medical Center	370%	237%	255%	74%	57%	59%	76%	47%	51%
140119	Rush University Medical Center	173%	268%	204%	77%	31%	52%	90%	3%	7%
140223	Advocate Lutheran General Hospital	306%	358%	328%	76%	60%	68%	53%	53%	53%
140276	Loyola University Medical Center	194%	200%	199%	4%	4%	4%	97%	68%	71%
140150	University Of Illinois Hospital And Clinics	161%	233%	221%	9%	38%	24%	100%	26%	28%
140007	Presence Saint Joseph Medical Center	171%	168%	170%	81%	35%	67%	92%	69%	87%
140048	Advocate Trinity Hospital	285%	398%	346%	49%	48%	48%	91%	61%	70%
140062	Palos Community Hospital	210%	243%	222%	91%	43%	65%	97%	65%	81%
140029	Rush Copley Medical Center	180%	290%	218%	89%	36%	60%	90%	7%	15%
140018	Mt Sinai Hospital Medical Center	169%	125%	130%	15%	33%	29%	100%	63%	67%
140122	Adventhealth Hinsdale	183%	328%	189%	71%	10%	58%	91%	75%	90%
140054	MacNeal Hospital	173%	244%	227%	5%	8%	7%	99%	76%	79%
Total		**189%**	**245%**	**208%**	**63%**	**18%**	**34%**	**90%**	**15%**	**30%**

These results include commercial data for Aetna, BCBS IL, Cigna and United Healthcare across various Chicago Metro Area facilities.

Use Cases

Negotiations

Empower payers and providers with insights on contracted rates, network status, and discounts

Contract Structures

Understand competing insurers negotiated rates and contract structure

Track Rates

Maintain visibility into competitors rate changes based on regular data refreshes

Direct Contracting

Enable self insured employers to identify direct contracting opportunities

Care Navigation

Steer members towards high quality and low-cost providers and enable shopping behavior

Network Analysis

Understand where a network is less competitive than competitors

Weak Contracts

Proactively identify contracts that are over/underpriced to prioritized for re-negotiations

Assess Markets

Assess current and new markets by geography/region, product mix, and networks

Transparency Data

Advantages

- Full transparency of previously confidential payer/provider contract terms
- Data is current (based on update cycle) and not based on historical information
- Data is publicly available

Disadvantages

- Large databases, and can be challenging to manipulate
- Mapping and interpretation still required to use some information (e.g., network mapping, schedule assignment)
- Only contains payment rates, so additional data, such as utilization, is needed to perform analysis

Risk-Adjusted PMPMs

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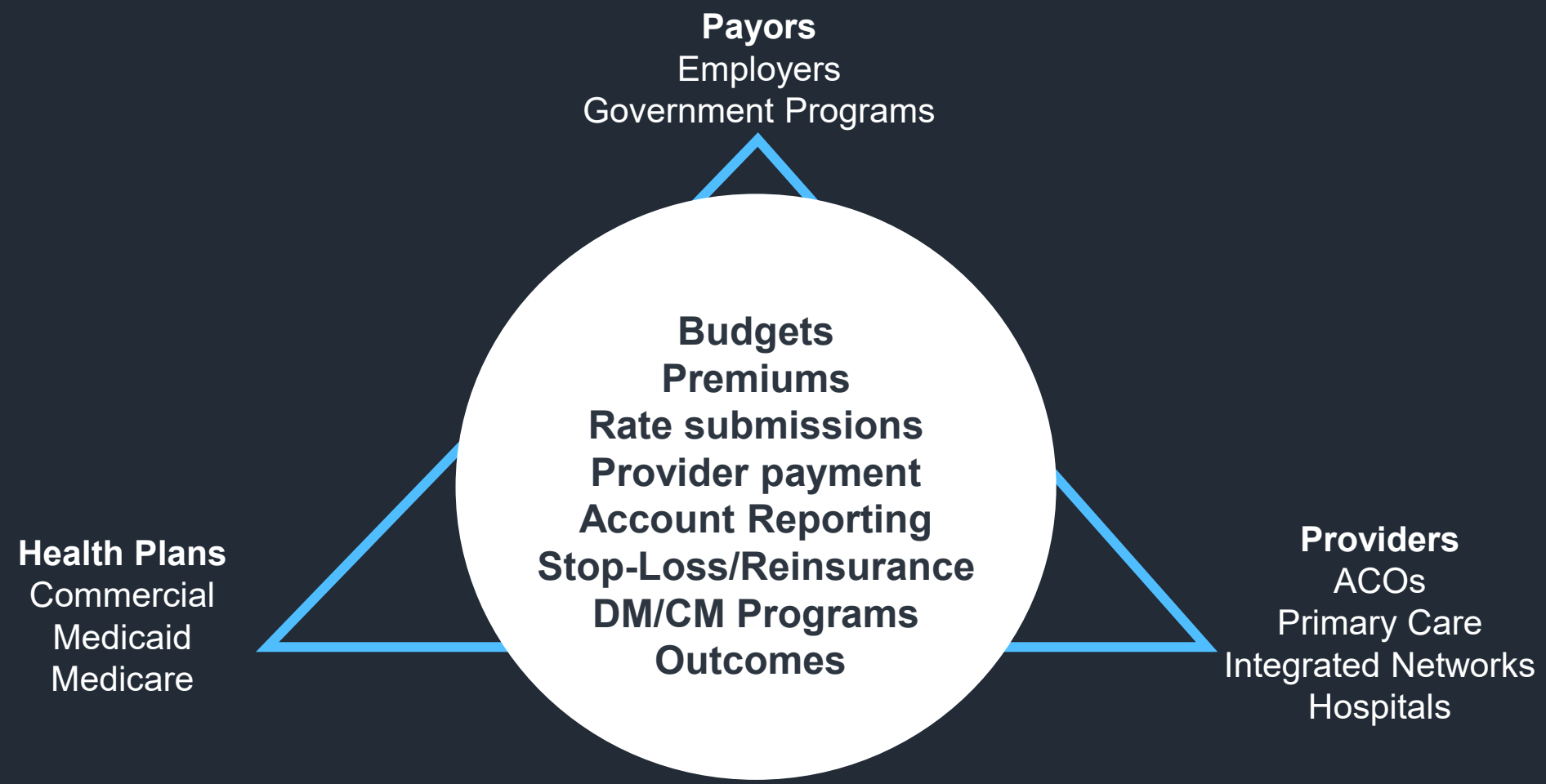
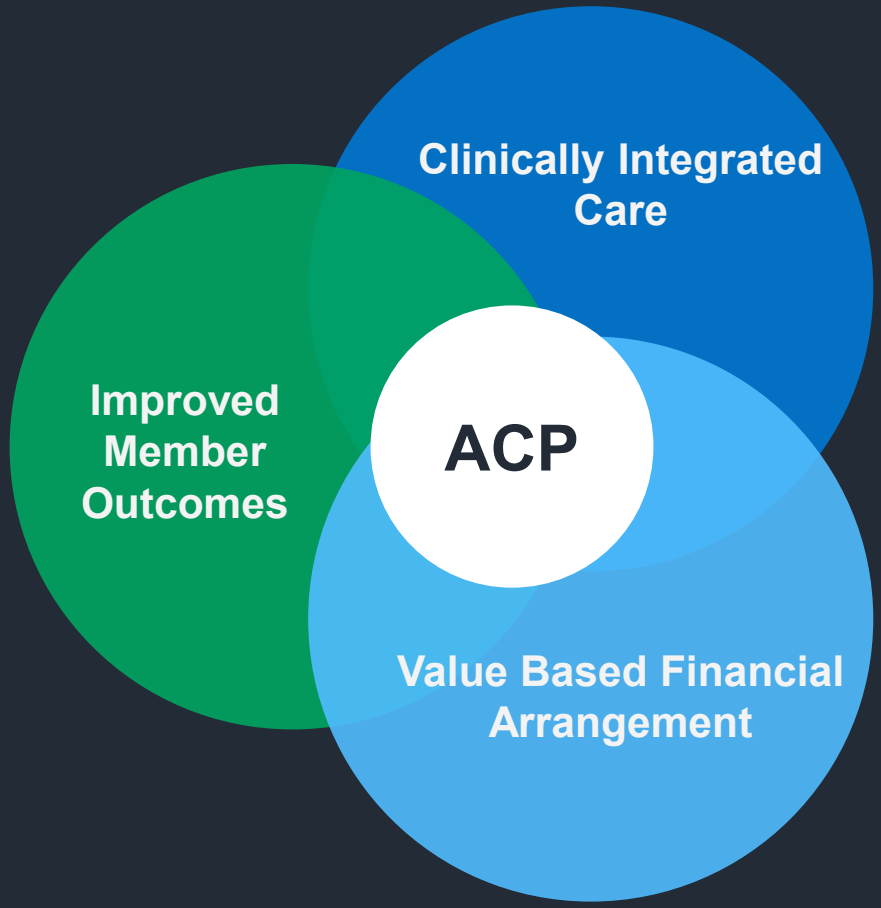
Evaluating performance? Measuring outcomes? What does risk adjustment have to do with it?



Comparison chart

	Total Allowed Expenditure	Risk Panel A	Risk Panel B	Risk Panel C
Actual PMPM Expenditures	$520	$566	$403	$823
Concurrent Risk Score	1.000	1.280	0.804	1.303
Expected PMPM Allowed Costs	$520	$665 ($520 x 1.280)	$418 ($520 x 0.804)	$677 ($520 x 1.303)

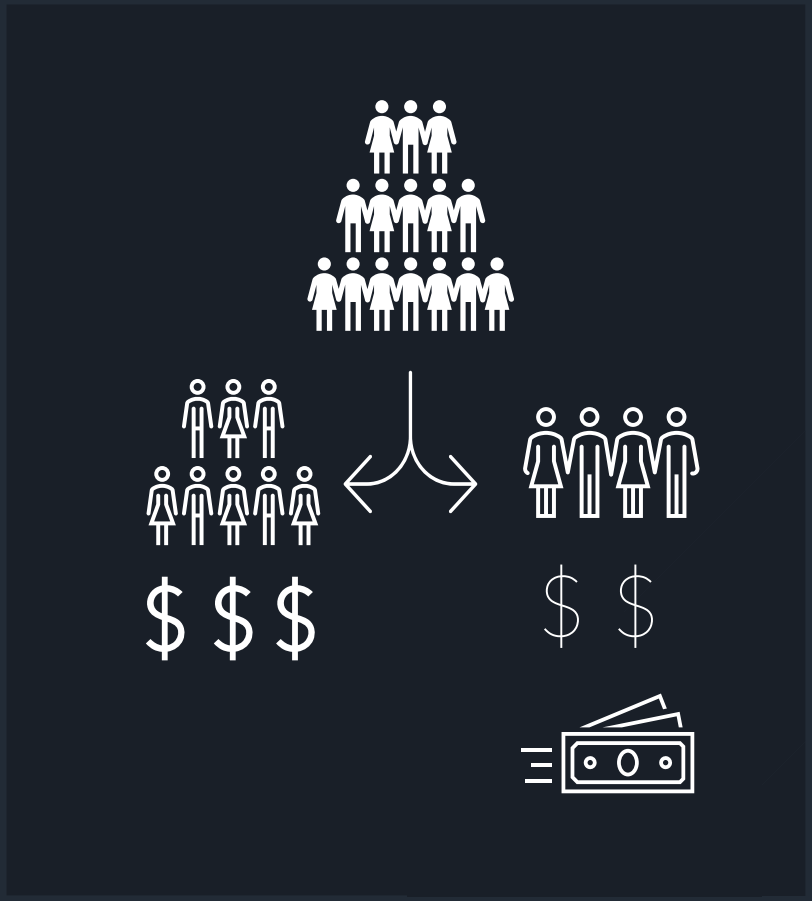
Accountable Care Program – Core Pillars



Accountable Care Program – Design

- Two clinically integrated networks
- Members with plurality of care in network are attributed
- Non-attributed member are benchmark population
- Total cost of care is compared
- Savings and deficits are shared
- MARA used to risk normalize and risk adjust comparison

Accountable Care Program – Network Performance



Benchmark

Total Cost = $600,000,000

Member Months = 1,200,000

Cost PMPM = $500

MARA Risk Score = 1.050

Risk Standardized Benchmark
$500 / 1.050 = $476

Attributed

Total Cost = $90,000,000

Member Months = 150,000

Cost PMPM = $600

MARA Risk Score = 1.320

Target Cost
(Risk Adjusted Benchmark)
$476 x 1.320 = $628

Savings/(Deficits)
$628 - $600 = $28

Risk-Adjusted PMPMs

Advantages

- Helps control for population risk differences when making comparisons
- Combines demographics, diagnosis, and prescription drug data into a single score
- Concurrent model accuracy helps validate comparisons
- Prospective model helps identify rising risks
- Allows for more equitable compensation of risk bearing agreement

Disadvantages

- Independent of Attribution process so there is no attribution model included
- Risk scores are calibrated to national average unit cost and do not account for different contractual reimbursement rates
- Outputs depend on quality of inputs and can be susceptible to coding practice differences and potentially up-coding practices

How Milliman Can Help You

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Reach out to your Milliman consultant and the SMEs presenting today

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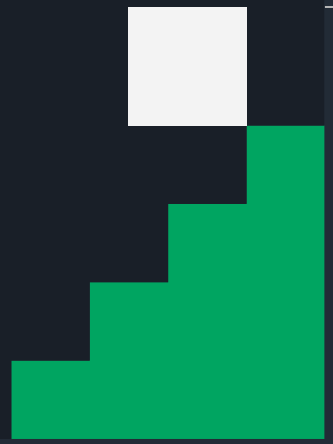
Milliman Payer Network Check
Discounts and UDS data

Milliman receives the UDS data submissions under a unique arrangement with the major payers, whereby Milliman can provide this service to brokers and their clients



- Census-based network analysis
- Claims repricing

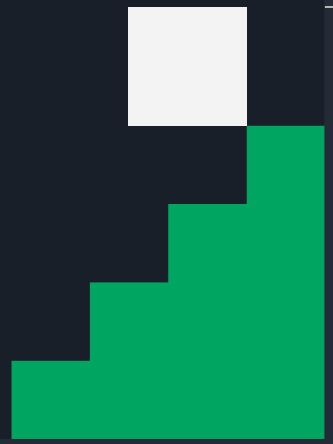
- PPOs
- Alternative Networks
- HMOs, EPOs, HPNs, POS blends

- Aetna
- Blue Cross Blue Shield
- Cigna
- United
- Several regionals

- Privately owned and public companies
- Statewide and local government entities
- Large international corporations and smaller regional companies with just a couple locations

Milliman Transparent

Milliman has developed multiple methodologies to assess the quality of transparency data, and create aggregated comparisons between payers and providers by service type.



- Reflect current contract terms - the first time this information has ever been required by CMS to be published
- Payers report group and individual commercial rates, while hospitals report all payers with negotiated contracts

- Data has significant file sizes
- Multiple data elements are non-standard and require interpretation

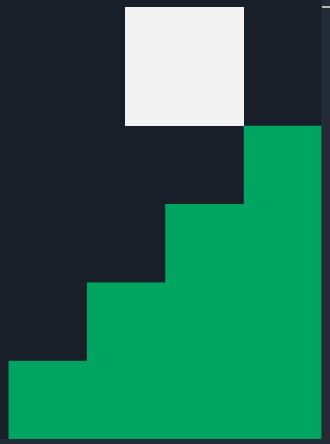
- Milliman applies multiple modules to consider transparency challenges
- Additional components are added for utilization distributions, relative value units for normalizing type of service, and comparisons to Medicare reimbursement

- Milliman's additions and modules enable aggregate results by type of service comparing payers and providers
- Without these additions, only code/service-level information is available from the detailed data

GRVUs, Medicare Repricer, and Medicare Reference Pricer (MRPricer)

Milliman has a complete software solution for pricing claims to Medicare and calculating Milliman GRVUs.

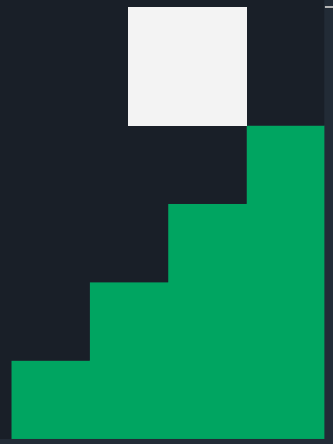
- Batch Processing
- Individual Claim Pricing



1. **Standalone .NET**
2. **MedInsight**
3. **Cloud**
4. **Web Portal**

MARA: Design and manage risk-based payment programs with confidence

Milliman has a complete suite of risk adjustment models, customization services, and deep analytic and technical expertise in creating programs that promote fair and efficient systems for population health risk management.



- Assessing risk in diverse populations
- Commercial
- Medicaid - standard or customized
  - MCO, ACO and State-wide programs
- Medicare Advantage and MSSP
  - Over and Under 65

- Assessing risk by health service categories
- Inpatient, Outpatient
- Emergency
- Physicians, including PCP
- Retail pharmacy
- Medicare Part B Drugs

- Applying the right model for the available data
- Pharmacy data
- Medical data
- Pharmacy and Medical combined
- Social factors
- Non-standard data

- Promote fair and efficient payment
  - Health Plans
  - Medicaid MCOs and ACOs
  - Primary Care Systems
  - Carve-out payment systems – Mental Health Services, Chronic Care Management, High-Cost Case
  - Outcome measurement

Q&A

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Q&A

We are happy to answer your questions now with the Q&A chat within Zoom, but if you would rather follow up with send us an email, please feel free to contact any of us below.

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Thank you

Any additional questions can be sent to:
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