Bend the administrative cost curve with payment integrity best practices

Expert presenters

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Health plans currently transforming their business models to accommodate new markets and new lines of business may also be experiencing a strain on their pa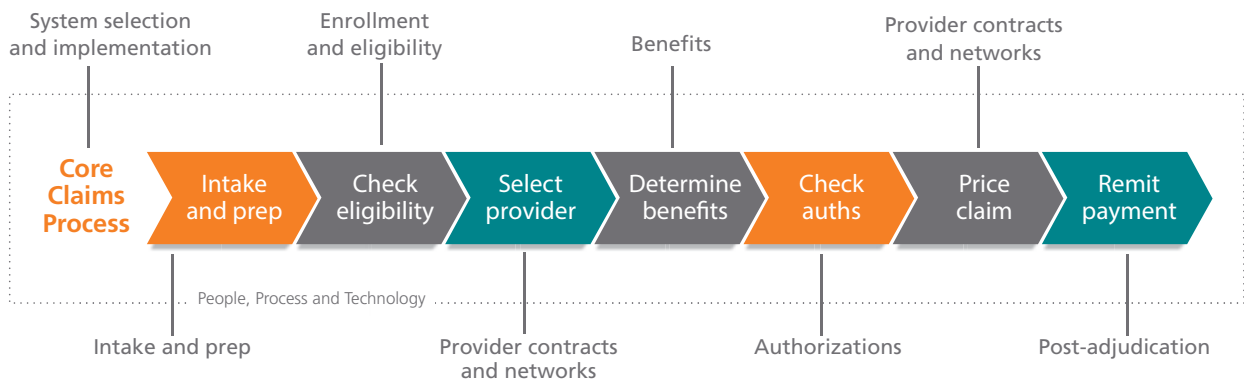yment integrity programs that results from fluctuations in membership, business complexities and regulatory mandates across all areas of claims processing. Without a vigorous payment integrity program, these pressures can create competing or misaligned objectives across the claims process continuum and lead to more manual interventions that increase both provider abrasion and costs.

Implementing a well-coordinated, enterprise-wide payment integrity program that will both identify pre- and post-payment claims processing problems and yield actionable intelligence for systemic improvements will improve accuracy, lower costs and improve provider satisfaction, according to Donna Holmes, vice president, Optum. "Several industry studies indicate that payment integrity itself is worth $362 billion in medical cost savings related to improvements and decreases in overpayment," Holmes stated during the webinar, "Bend the Administrative Cost Curve with Payment Integrity Programs."

"Administrative savings alone are $47 billion if plans are using predictive modeling to pre-score claims for coordination of benefits, addressing upcoding, performing subrogation, and focusing on fraud and medical mismanagement prior to the payment," Holmes continued. "Between 3 percent and 7 percent of health care claims are inaccurately paid today, [with the causes] ranging from simple mistakes to intentional fraud."

Because payment integrity issues can be difficult to parse, identifying and resolving them can lead to overlap and operational inefficiencies. "We have found ways to improve payment integrity, improve financial positioning and improve delivery across claims processing and other environments," Holmes explained. Plans need to move from manual intervention, paper checks and post-pay intervention to autoadjudication, electronic payment and pre-pay claims editing to avoid the major drivers of claims errors (see Figure 1).

Figure 1

Major drivers of claims errors

	System selection and implementation	Enrollment and eligibility		Benefits		Provider contracts and networks	
Core Claims Process	Intake and prep	Check eligibility	Select provider	Determine benefits	Check auths	Price claim	Remit payment
	Intake and prep		Provider contracts and networks		Authorizations		Post-adjudication

People, Process and Technology

Best practices for comprehensive payment integrity

To achieve an enterprise-wide payment integrity program that closes claims processing gaps and corrects systemic problems, plans should strive to embrace the best practices identified during the webinar by Erin Schmuker, director, Optum. Each of these best practices is described below.

Implement routine self-assessments. Schmuker said this practice, which identifies gaps across the claims processing environment, "is essential to any quality payment integrity program," and should establish clear and quantifiable criteria to measure performance of pre-pay claims status (looking at tangible savings from process inefficiencies and deficiencies, as well as examining downward medical cost trends), post-pay recovery programs and compliance, with a specific focus on fraud and abuse.

These assessments allow plans to compare results from year to year, note trends and areas for improvement, and establish a baseline set of key performance indicators.

Adopt proactive payment procedures. Schmuker indicated that plans need to apply pre-payment methodologies, such as prospective payment and pricing and claims editing to minimize "pay and chase" post-payment hassles. She recommended that plans "use technology to achieve the most accurate and timely payments to address financial leakage." Plans should be asking themselves the following questions:

- Are we achieving what we believe to be the maximum identification and recovery?
- If so, are we pushing the data we collect to feed our pre-pay solutions to stop issuing overpayments?
- Are we doing the best we can to pay the right amount to the right provider for the right services?

- Do our vendors stay on top of regulatory changes and do we know how quickly they implement these changes into their software?

Schmuker noted that moving from a post-pay model to a pre-pay model is the best way to achieve positive payment integrity results and added that partnering with a vendor in areas where the organization does not have expertise or resources is essential. "Recovery in the fraud space is really hard, with no guarantee that any recovery amounts will materialize," she told attendees. "Because of this, prospective fraud action should be an immediate priority."

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> *Director, Client Operations, Optum*

Use service providers. Underscoring her comments that plans should look outward for payment integrity expertise, Schmuker added that using service providers allows plans to reduce the complexity and costs of operations and technology. "To transform your business and reduce administrative costs, plans need modern technology, nimble operating models and advanced analytics," she said. Plans can reduce capital investments in technology by utilizing the proven resources of a strategic partner and advised that they should seek out partners that offer not only software applications and hardware, but also comprehensive analytics and consulting services.

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Employ intelligent, integrated analytics and reporting. Plans can develop an enterprise-wide view of their claims processing only by collecting and linking the data from both pre-pay and post-pay operations to create actionable intelligence, according to Schmuker. They also need to develop and maintain unified reporting and measurement for all analytics. "Executives need concise reporting in order to execute on areas of opportunity that are found in initial assessments and to break down silos and foster an enterprise-wide approach," she said.

Take advantage of electronic payments. Electronic payments "dramatically reduce payers' workload in a way we haven't seen in years," Schmuker said. "They also lower costs while improving provider satisfaction." Using electronic payments and statements (EFT/ERA and/or virtual card payments) also advances administrative simplification goals and enhances reporting and audit trails. She shared that a payer could save $486,000 per year on printing, paper and postage costs if it paid 80 percent of its claims electronically and stated that payers using an integrated data and payment solution typically see a 20- to 50-percent decrease in related claims payment administration costs.

Perform root cause analysis. Although root cause analysis is not a new concept, Schmuker pointed out that the right level of executive support and resources for this best practice is integral to transitioning claims problem detection from the post-payment arena to the pre-payment arena. "If plans don't have the bandwidth that will allow them to do a proper root cause analysis, they should engage with a consulting firm, because it is worth confirming what you think you already know and making meaningful changes based on what you currently don't know," she said. When working with a vendor on root cause analysis, "require that vendor to show you reporting that is tied to outcomes," she added.

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Conduct vendor review and consolidation. Importantly, Schmuker said, plans should be aware that finding a true partner "is much more difficult than finding a vendor, and that managing multiple vendors can ratchet up command and control issues, as well as costs." She recommended selecting a partner that is "incentivized in some way to move from post-pay recovery to pre-pay avoidance," and suggested that plans look at more than cost when they make vendor decisions and consider vendor consolidation for added benefits. "It's not just about cost," she said. "Selecting the right partner for multiple solutions allows for better negotiating and stable pricing for a defined period of time, but it also gives you a partner who has a better understanding of the whole enterprise, which makes meshing pre- and post-payment efforts more effective."

Schmuker also noted that for payment integrity programs to thrive, they need a "champion" at the management level. Holmes agreed and counseled attendees to appoint an executive sponsor to socialize payment integrity initiatives across the organization.

Applying best practices pays off for plans. At Optum, our work partnering with plans on payment integrity programs has yielded positive results, according to Holmes. Optum experts conducting a root cause analysis for a regional health plan using a large, random sample of claims found that although 75 percent of the sample size included claims without errors, 68 percent of the remaining claims included errors that resulted from manual claims processing, she explained. This finding allowed the plan to tightly focus its payment integrity program efforts on staff education and training for adherence to claims processing procedures and appropriate monitoring of manual interventions.

Another regional health plan working with Optum sought a single claims editing solution for both professional and facility claims that would easily integrate with their adjudication system and both automate and customize editing without involving IT staff. The Optum solution allowed the plan to streamline parts of claims operations, reduce processing time, reduce manual errors and realize $30 million in savings over three years by uncovering those services or procedures that should not have been reimbursed.

Figure 2

Take advantage of an Enterprise Payment Integrity Approach
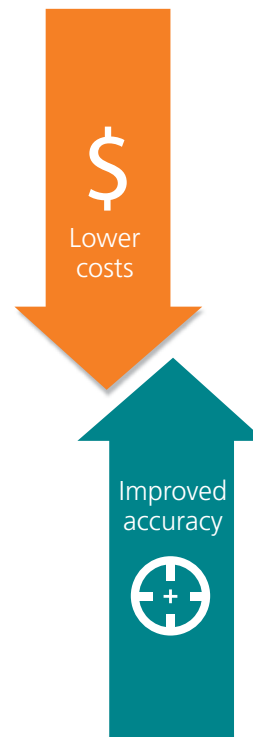
"Self-assessment, soliciting expert help, and applying pre-payment solutions really do pay off for health plans — resulting in lower costs and improved accuracy," Holmes concluded. (See figure 2).

How Optum can help

Optum offers end-to-end payment integrity solutions to maximize claims accuracy and medical savings. We can help your organization:

- Drive pre-payment accuracy, auto-adjudication and operational improvement
- Identify, recover and prevent overpaid claims
- Improve provider relationships with first-time claim payment accuracy and edit transparency

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