

Administrative Performance Contracts: “Trust but Verify”

Presented by: Si Nahra, Ph.D., President

June 24, 2010

Pioneering Specialists in

Group Health Care

Post-Payment Administration

For Over 20 Years

Customer Philosophy

Respect for Existing Procedures

Emphasis on Customization

FOCUS on Solutions

Administrative Performance
Contracts: "Trust but Verify"

Overview of Presentation

- **Intent:**
 - Re-examine the relationship between the self-funded group and its TPA. (from reactive to predictable)
 - Re-enforce the shared trust needed for that relationship to work well. (written, agreed to standards)
 - Re-define the role of the plan fiduciary. (more control, less time)
- **Approach**
 - Five step process
 - Focused on the Administrative Performance Contract
 - Reviewed Annually, Monitored Monthly

Administrative Performance Contract: Five Steps

1. Written expectations agreed to by the self-funded plan and TPA.
2. Related to areas of activity the TPA can control.
3. Using specific measures, known to all, to assess whether expectations have been met.
4. With independent monitoring and reporting.
5. Having associated rewards and consequences.

Administrative Performance Contract: Compared to Status Quo

Administrative Performance Contract	Status Quo
1. Written Expectations	Missing completely or TPA's boilerplate language
2. Areas TPA Controls	Limited to "payment accuracy" and "financial accuracy"
3. Measures Known to All	Measures difficult to document
4. Independent Monitoring	TPA self-monitoring
5. Rewards and Consequences	TPA never "fails" itself

Administrative Performance Contract: Status Quo

Why So Rare?

- Partly past practices perpetuate themselves.
- Mostly because fiduciaries have not asked.

Will TPAs Agree?

- Not if plan fiduciaries don't ask.
- Only if plan fiduciaries insist.

Administrative Performance Contract: Why Bother?

TPA's reaction tells you
how they view their
service.

+3	Supportive
+2	Interested
+1	Willing to discuss
0	Non-committal
-1	Reluctant
-2	Defensive
-3	Belligerent

Easiest way to exert the
most control with the
least effort.

- Set up the Agreement
once and monitor.

Versus

- Reacting to issues after
the fact; or, not knowing

Administrative Performance Contract: Step 1: Written Expectations

- Separate agreement from current contract is preferable.
- At a minimum, an addendum to the current contract.
- Want ability to monitor and modify without impacting entire TPA agreement.

Administrative Performance Contract: Step 2: Areas TPA Controls

- Data Quality
- Enrollment Maintenance
- Payment Timeliness
- Payment Accuracy
- Claim Edits
- Denials
- COB Monitoring
- Medicare Monitoring
- Stop-loss/Large-case Review
- Plan Enforcement
- Provider Billing Review
- Special Investigations
- EDI Capabilities
- Recovery Collection
- Regulatory Compliance Support

Administrative Performance Contract: Step 3: Measures Known to All

Area 1: Data Quality			
Measures	Score		
	+1	0	-1
1. All paid claims should match to a member and/or contract. (Unmatched claims)/(All claims)	0% no match	0% - 1% no match	>1% no match
2. All claims adjustments will balance. (Claim Credits) – (Claim Debits)	\$0 Balance	\$1 – 1,000 Balance (+/-)	>\$1,000 Balance (+/-)
3. All data fields and associated code values will be documented. (# of undocumented fields)	All fields documented	1-5 fields not documented	>5 fields not documented

Administrative Performance Contract: Step 3: Measures Known to All

Area 2: Enrollment Maintenance			
Measures	Score		
	+1	0	-1
1. All paid claims service dates should be within periods of member eligibility. (Claims Outside Eligibility)/(All claims)	0% Not Eligible	0% - 1% Not Eligible	>1% Not Eligible
2. No claims will be paid after contract termination date. (Claims After Termination)/(All claims)	0% After termination	0% - 1% After termination	>1% After termination
3. No claims will be paid for employees not employed by group. (Claims for Ineligible)/(All claims)	0% Not Employees	0% - 1% Not Employees	>1% Not Employees

Administrative Performance Contract: Step 4: Independent Monitoring

Review Period 1 (Year, Quarter, Month)				
Area	Measure	Result	Score	Impact Area
1. Data Quality	#1 Claim Match	0.5%	0	\$50,000
				100 claims
				16 claimants
				8 contracts
	#2 Claim Adjustments	\$0	+	\$0
				0 claims
				0 claimants
				0 contracts
	#3 Field Documentation	6	-	Not Applicable

Administrative Performance Contract: Step 4: Independent Monitoring

Review Period 2 (Year, Quarter, Month)				
Area	Measure	Result	Score	Impact Area
1. Data Quality	#1 Claim Match	2.0%	-	\$200,000
				500 claims
				25 claimants
				10 contracts
	#2 Claim Adjustments	\$0	+	\$0
				0 claims
				0 claimants
				0 contracts
	#3 Field Documentation	0	+	Not Applicable

Administrative Performance Contract: Step 5: Rewards and Consequences

- Rewards
 - Contract Renewal
 - Incentive Payments
 - Rate Increases
- Consequences
 - Incentive Payments Forfeited
 - Rate Reductions
 - Settlements

Administrative Performance Contract: Next Steps

- Draft Administrative Performance Contract that makes sense for your plan.
- Present as part of renewal discussions or RFP process.
- Use TPA reactions as basis to exert control.
- If current payer refuses, find one who will contract.

Administrative Performance Contract: Is This For You?

- Maybe, but it's not for everyone.
- First in get competitive advantage.
- Others will follow.
- Health reform contract changes help.
- Even failure to get a formal Contract has rewards.
 - Documents your performance expectations
 - Sets stage for independent monitoring

Administrative Performance Contract: How Health Decisions Can Help

- We have Sample Contract language.
 - Gets you started
 - Provides point of reaction
- We can provide support for each step
 1. Non-legal advice on contract negotiations
 2. Define performance areas
 3. Define performance measures
 4. Provide independent monitoring
 5. Produce reports on results

For More Information Contact

si@healthdecisions.com

We offer no-cost consultations
to answer questions and discuss options.