

**Cost & Utilization Classification
 with the Milliman Health Cost Guidelines**

<u>Benefit</u>	<u>Annual Admissions per 1,000</u>	<u>Length of Stay</u>	<u>Annual Utilization per 1,000</u>
<u>Facility</u>			
Inpatient Facility - Non-Maternity			
Medical	25.0 admits	4.40	110.1 days
Surgical	20.8 admits	4.27	88.8 days
Psychiatric	3.3 admits	8.06	26.6 days
Alcohol & Drug Abuse	2.1 admits	7.48	15.7 days
Subtotal	<u>51.2 admits</u>	<u>4.71</u>	<u>241.2 days</u>
Inpatient Facility - Maternity			
Other	13.2 admits	2.60	34.3 days
Newborn	9.9 admits	2.00	19.8 days
Liveries	1.3 admits	2.85	3.7 days
Subtotal	<u>24.4 admits</u>	<u>2.62</u>	<u>57.8 days</u>
Outpatient Facility	0.6 admits		

Deploy the functionality of the Milliman Health Cost Guidelines™ (HCGs) with the Milliman MedInsight® HCG Grouper, which categorizes medical and pharmacy claims data into meaningful healthcare categories. This grouped data can be used to analyze and benchmark medical utilization and cost.

BACKGROUND: A STRUCTURED APPROACH TO MANAGING HEALTHCARE COSTS AND PRICING

The Milliman Health Cost Guidelines (HCGs) originated in 1954 as an effort to track claim costs by hospital, surgical, medical, and other categories. The HCGs have evolved into a sophisticated series of guidelines derived from an abundance of information sources.

The HCGs can be used to adjust national average healthcare costs for specific geographic areas, benefits, reimbursement structures, and plan characteristics. For these reasons, traditional health carriers, managed care organizations, and third-party administrators find them valuable for product evaluation and pricing. Milliman's own in-house consultants also use the HCGs to provide expert consultation and insight into the key drivers of healthcare costs and utilization.

The HCGs keep pace with the changing world and evolve throughout each year to account for new prescription drugs, new surgical procedures, and new healthcare delivery systems. Milliman's HCG research employs multiple sources of data, more than 30 million patients, and more than 2 billion claim records, across data sets from both the public and private sector.

MEDINSIGHT HCG GROUPEUR HIGHLIGHTS

The MedInsight HCG Grouper utilizes the HCGs in order to assign detailed level information to claims that are input into the application. Each line of claim detail is assigned an HCG service cost category, number of admits or cases, number of days or procedures, and procedure

grouped families, as well as identification of continuous stay claims.

The Grouper is a standalone application built predominantly for the Microsoft Windows operating environment. For an experienced user, the application can be installed and running in a matter of minutes; it can even run on a standard Windows laptop.

Claims are input through the Grouper in a flat file and results are returned in the same format. The output format and design lend themselves to a flexible integration model with the vast majority of commercially available databases or analytical applications. The data may also be imported into an existing data warehouse so that the HCG assignments can be readily utilized in reporting functionality.

BENEFITS OF THE GROUPEUR

- Utilizes the most current Milliman guidelines methodology to assign HCG categories
- Uses a windows application design that permits integration into an existing data warehouse or data mart solution
- Manages enterprise cost and utilization categories
- Aligns your regular data loads with Milliman benchmarks
- Helps quantify your organization's performance
- Leverages more than 100 HCG categories that permit granular insight for all reporting needs

ADVANTAGES OF THE GROUPER METHODOLOGY

The HCG model can be used to analyze cost and utilization for many different types of population data, such as product lines, line of business, employer groups, primary care panels, disease populations, and many others. The ability to categorize healthcare claims data into these groupings is useful for many purposes, including:

- Benchmarking
- Utilization tracking
 - Inpatient days/1,000
 - Office visits/1,000
 - Prescription drug scripts/1,000
- Average charge tracking
- Analyzing the claim cost dollar

GROUPER OUTPUT

The Grouper accepts a flat file of claims information and uses this data to accurately assign output values to each line. Aggregate summaries and several audit reports of the resultant grouped data facilitates a simple and effective means to bolster quality control.

The Grouper results are used throughout client organizations, from actuarial services to medical management programs, client portals, and executive level management reporting. Healthcare organizations use the HCGs in benchmarking, utilization tracking, average charge tracking, and reviewing the claim cost dollar.

The Grouper's technical simplicity helps empower the use of HCGs throughout a client enterprise. The Grouper provides five values that seamlessly integrate into a client's data warehouse or data mart:

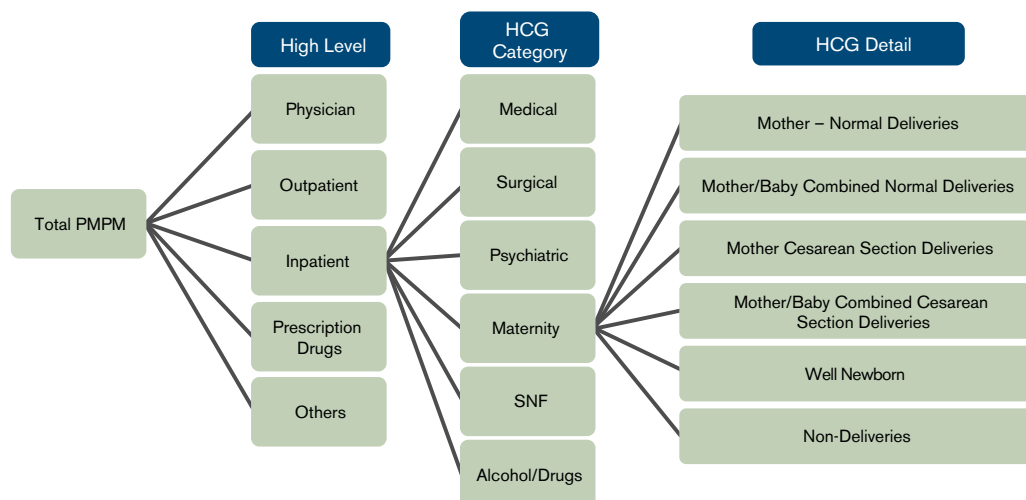
1. HCG category identifier
2. Days/procedures – Utilization metrics for all HCGs
3. Admits/case – Utilization metrics for all HCGs
4. Continuous stay claim ID – A key value to be used for analysis of inpatient claims
5. Milliman procedure code family value – A Milliman methodology to categorize and aggregate all procedure codes into 46 families

GROUPER TRAINING AND SERVICES

The Milliman MedInsight HCG Grouper software comes with a User Guide and an Installation Guide, and the standard Grouper license agreement covers application implementation and training as well as annual support.

Milliman also offers several consulting services and products that complement use of the MedInsight HCG Grouper:

- The HCG Cost Guidelines – The industry standard for insurance underwriting
- Translation or mapping of client proprietary service category methodologies to the HCG methods
- Benchmarking - Milliman HCG benchmarks can be customized to a population or reported on a national basis



HCG Detail:

Drill deep into the components that comprise the Milliman standards

- More than 100 HCG categories
- Annual updates based on the latest business drivers
- Permits granular insight for all reporting needs; i.e. executive-level and client portal



Milliman's Health Cost Guidelines and the services offered by the MedInsight practice can help identify key healthcare utilization metrics that differ from accepted benchmarks. These insights help clients reduce their healthcare costs and reach their goals of improving care quality and efficiency.

If you are seeking to add value to your healthcare services while containing costs, contact us to learn more about the MedInsight HCG Grouper and the wealth of expertise, data management, and analytic technology that Milliman offers. We can help you be successful and would be happy to meet with your team to discuss your needs and our capabilities.

Milliman is among the world's largest independent actuarial and consulting firms. Founded in Seattle in 1947 as Milliman & Robertson, the company currently has 52 offices in key locations worldwide. Milliman employs more than 2,400 people. The firm has consulting practices in healthcare, employee benefits, property & casualty insurance, life insurance and financial services. Milliman serves the full spectrum of business, financial, government, union, education and nonprofit organizations. For further information, visit milliman.com.

For more information on Milliman MedInsight services for community health exchanges, please contact:

Todd Fessler
Sales and Marketing Director
+1 248 656 2940
todd.fessler@milliman.com

medinsight.milliman.com