

Driving meaningful value from your decision-support system investment



EXECUTIVE SUMMARY

Payors, employers, and third-party administrators (TPAs) operating in the current business environment are facing some of the most difficult market conditions in decades. From the recession and high unemployment to the uncertainty associated with the future of this country's healthcare policy, companies are under unprecedented pressure to manage operating costs and improve margins. There are cases, however, of sophisticated executives using the power of their own data to succeed in these difficult times.

For more than 10 years, the health insurance industry—from commercial payors, Blue Cross Blue Shield organizations, and government-focused insurers to self-funded employers and TPAs—has invested consistently in decision-support systems. These systems are made up of business intelligence technology that organizes a variety of healthcare data into an integrated warehouse and, through the application of various analytic tools, processes that data into useful information. Reports are then generated to make that information usable and easy to understand.

Examples include simple cost and utilization reports that illustrate in detail what specific components are driving the medical loss ratio for a company, provider profiles that describe how your network providers are performing relative to their peers, and predictive modeling that projects which members of a health plan are in need of proactive outreach and care.

A variety of software vendors have launched numerous analytic products during the past decade and investment in this type of technology has been heavy. As the decision-support market within health insurance has matured somewhat, there are fewer stories of success than one might have expected. The economic value derived from these investments is not only difficult to measure, but also in many cases it does not exist.

Nearly half of all healthcare data warehousing projects fail to meet their original objectives. There are many reasons for the lack of return on investment (ROI). The biggest reason has less to do with the strength or weakness of a specific product and more to do with the type of specific action a company takes, or does not take, based on an undesirable metric or statistic that the product produces.

Organizations are busy with many priorities—just running the day-to-day business is often a challenge in itself. Solving the underlying,

difficult problems is often swept under the rug for fear of how expensive or time-intensive such work may become.

Forward-thinking executives who have moved swiftly to deal with these problems through not only sophisticated technology, but also with consulting guidance, are the ones whose companies are winning the competitive battles in the marketplace. Making the investment in decision-support systems on its own is insufficient. Supplementing that with consulting advice from a partner who can make a difference is the most effective way to drive meaningful value from your decision-support investment.

TECHNOLOGY SOLUTIONS: ARE THEY ALL THE SAME?

There is no lack of options when it comes to analytic solutions. A handful of vendors has been offering decision-support technology for many years; other solutions are popping up from brand new vendors every year. Much of the basic business intelligence functionality demanded by the health insurance market is contained in several solutions. While there are certain features that differentiate one system from the next, the functionality playing field of enterprise-wide decision-support systems has been fairly leveled during the past five years. However, Milliman has continued to work diligently to enhance its solution offerings and now stands out from the crowd in key ways that critically drive important value for our customers.

Based on feedback from a recent customer survey, innovation from Milliman's MedInsight® team has allowed its product, currently in version 6.5, to outperform the competition in meaningful categories such as benchmarking, incurred-but-not-reported (IBNR) reporting, and administrative efficiency reporting. MedInsight can be the foundation for significant operational efficiency improvement, cutting into costs and improving margins.

This type of innovation from Milliman is no surprise. Milliman is not simply another technology vendor; rather, since the formation of the company in 1947, its foundation has been its consulting expertise. Consultants from the health practice at Milliman have been at the heart of some of the most effective analytic methodologies focused on the health insurance industry. In addition, Milliman provides a unique combination—stability and financial strength, complemented by a focused MedInsight team providing extraordinary customer service. Finally, our customers benefit from Milliman's greatest strength: independence. As one of the industry's leading consulting

practices, we are beholden to no shareholders or competitors, and are committed to decision support as a long-term business, not just a short-term venture.

Take the Milliman Health Cost Guidelines™ (HCGs) as an example. Milliman's HCGs incorporate 50 years of research and consulting practice into a gold standard used by insurers, managed care organizations, and TPAs to estimate expected claims costs and model healthcare utilization. More than 125 organizations rely on this proprietary methodology and its comprehensive data to adjust national average healthcare costs for specific geographic areas, benefits, reimbursement structures, and plan characteristics.

HCGs cover the latest trends and deliver deep research. These annually updated guidelines, based on \$6 million of yearly investment, bring thorough, current research to the desks of health payors. As a primary source for developing these guidelines, Milliman utilizes a database of full prescription drug and medical claims experience (hospital, physician, and supplies) for more than 24 million lives. Other sources include a database of inpatient admissions that represent 75% of the national total.

The MedInsight decision-support system from Milliman incorporates the HCGs as one of its key methodologies. It is one of the reasons why more than 35 companies have selected MedInsight as their primary solution for business intelligence—our system leverages a proven methodology already at use in your plan. Further, MedInsight benchmarking capabilities can help a company diagnose certain metrics to show where it may be behind its competitors.

MedInsight has delivered significant value for many organizations. As an example, a 400,000-member payor had experienced an unfortunate uptick in its medical loss ratio during a 12-month period. Its inability to consolidate and reconcile cost and premium data from multiple sources made diagnosing the root cause difficult. The MedInsight team from Milliman was hired to construct a single consolidated and organized data warehouse – all accomplished in a mere 75 days.

Through the combination of analytic insight that MedInsight delivered and the consulting guidance from our experienced team, Milliman was able to help this organization eliminate \$24 million in costs during the first year of usage and surpass its medical loss ratio targets for the following year.

Another example where MedInsight made a dramatic impact was at a 600,000-member Medicaid and Medicare payor that was concerned about the effectiveness of its medical management programs. The company turned to Milliman to determine whether or not these initiatives were saving money and improving care. Through the use of MedInsight, it was able to benchmark its medical management performance, conduct trend analysis, identify

high-cost and high-risk populations, and thoroughly analyze disease categories. The analyses revealed startling findings: 1) surgical admissions exceeded the benchmark by nearly 20%, 2) emergency room costs on a per-member-per-month basis were more than double the benchmark due to utilization, 3) physician office services were nearly double the benchmark due to unit price, 4) radiology was triple the benchmark, and 5) congestive heart failure patients accounted for more than double the cost benchmark due to both unit price and utilization.

While these statistics pointed to clear problems, the management team for this payor was unsure of the best approach to deal with them. Milliman's consulting team worked to help this payor implement several changes, including benefit redesign, renegotiating provider contracts, and working more closely with providers on evidence-based measures for chronic conditions. The result was a savings of \$38 per member per month the following year.

The simple fact is that the landscape of decision-support solutions has gone mostly unchanged recently—with the exception of the valuable functionality that Milliman has incorporated into its solution portfolio. That fact, combined with the clear differentiator of Milliman's consulting team and expertise, is what allows you, the healthcare executive, to drive meaningful value from your decision-support system investment.

CHOOSING MILLIMAN IS THE SAFEST BET

Reports can point out interesting, and often unexpected, trends and statistics. Unfortunately, many organizations stop there as it relates to business intelligence reporting. Our consultants, though, are experienced with health industry challenges like few others. We know how to address real-world situations because we've been dealing with them for more than 60 years. Our customers point to this expertise—the fact that our consultants give them strategies to deal with their toughest business challenges—as the reason they come back to us time after time.

It is not unusual for a payor to spend \$500,000 or more annually on decision-support and analytic tools. Someone must be accountable for that level of investment. Is there an ROI to which you can point? The most pragmatic approach to investing in this type of technology is to work with a company that can deliver value on both fronts—great technology and superior consulting guidance.

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