HEALTHCARE TRENDS

GETTING BACK TO BASICS: USING OPERATIONAL ANALYSIS TO IDENTIFY SAVINGS AND ADDITIONAL REVENUE

BY DEBRA BORNSTEIN

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The ongoing disruption in the healthcare space is on an unprecedented scale. With uncertainty over the Affordable Care Act, transitioning to value-based reimbursement, cybersecurity threats and the pressure from market consolidation – as well as a plethora of other regulatory stresses – it can be easy to lose sight of the foundation of your business, and that can affect your bottom line.

This is what happened to one of our clients, a managed care plan that covers more than 300,000 government-based members. Facing significant challenges in their market, they lost focus in the day-to-day operations and were in danger of a budget deficit. They asked for our assistance to identify and implement a $24 million dollar (~20%) unit cost savings within a year.

The outcome: ~$29 million in unit cost savings, $5 million above their target.

Here's how we did it.

Updated the radiology fee schedule

The plan's radiology fees had been based on the Centers for Medicare and Medicaid (CMS) 2004 fee schedule. Since 2004, CMS had drastically reduced radiology fees. As a result, the plan was reimbursing radiology well above the market average. We did the analysis, revised the fee schedule and updated the provider contracts.

Improved the management of capitated contracts

The plan had capitated the majority of their primary care network and had not been monitoring their PCPs' utilization and spend. Upon analysis we identified that a large portion of their network was not submitting encounters, inadvertently impacting the organization's governmental revenue allocation. In addition, we determined that by transitioning the PCPs to fee-for-service, the plan would achieve significant financial savings. With that, we restructured the PCP fee schedules and executed new agreements, shifting primary care providers to fee-for-service where appropriate.

Renegotiated vendor contracts

The plan had maintained the same dental provider for years. We issued a Request For Proposal (RFP) and contracted with a less expensive vendor that managed a more comprehensive list of delegated services.

Evaluated hospital contracts

We assessed the plan's system setup to find areas for improvement. We discovered that the system configuration was not correctly aligned with the contract terms. As a result, the plan had been overpaying on a majority of their hospital claims for several products. We implemented an action plan, working with the hospitals individually to ensure recoupment of previous payments and managed correction of system setup to ensure accurate payment moving forward.

Restructured therapy payments

The plan was paying for occupational, physical and speech therapy on a fee-for-service basis. However, the market had already shifted to global rates. We restructured the contracts and payments to pay a global fee.

It is understandable why this managed care plan lost sight of cost containment from an operational perspective. They were dealing with massive consolidation within their network as well as long-term initiatives associated with the State's Delivery System Reform Incentive Payment (DSRIP) Program and the State's mandatory value based purchasing (VBP) transition.

By going back to the basics and performing the type of detailed analysis that had gone by the wayside, the company not only met, but exceeded its budget goal for the year.

Are you taking care of the basics?

FOR MORE INFORMATION CONTACT:

DEBRA BORNSTEIN
PRACTICE LEADER
HEALTHCARE GROUP
+1 212.375.6594
debra.bornstein@mazarsusa.com

VISIT US AT www.mazarsusa.com

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