

TRANSFORMATIONS

From Health Claims Data to Business Intelligence

Fall 2004

Six Keys to Effective Analysis of Health Claims-Based Data

Any organization that deals with health claims-based data faces a surfeit of information riches. Once data is prepared and edited, there are a tremendous number of questions to explore. Since few organizations have time and resources to match their goals and responsibilities, data analysis must be efficient, effective and tailored to guide decision-making on critical management concerns.

Here are some principles that DGA has found to be helpful to clients in targeting and completing data analysis for health claims-based data:

1. Look at the forest first.

It's important to see the big picture before drilling down into the trees. Typically, the focus is on areas where costs are increasing most quickly, yet contracting, medical management efforts or other factors can create other areas of focus.

Here are two examples:

- *An at-risk PHO was losing money. They looked at all primary care physicians (PCPs), assigning all costs for covered members to the member's PCP, and ranking the PCP practices on a "profit/loss" basis. This rapid overview allowed them to focus in on practices with a high loss rate and large numbers of members. Review of these practices revealed significant out-of-network referral patterns that the PHO was able to minimize.*
 - *An HMO was experiencing increasing inpatient costs. Reports showed that costs were increasing at a few specific hospitals, all of which showed increasing length of stays for seemingly routine admissions. The HMO was able to negotiate case rates for the top diagnoses, thereby shifting more of the financial risk for inpatient days to the hospitals.*
2. Examine enrollment-adjusted measures like "per member per month," not total costs. Looking at total dollars being spent can be misleading when the number of covered lives is changing.
- *A large employer was experiencing increasing health care costs.*

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DGA Profile:

Jonathan W. Pearce,
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Director, Analytics and Reporting



Jonathan Pearce has Microsoft certification and he's a CPA. He's a data person who thinks like a business person. That makes him well suited for his work with DGA, where he helps clients develop and use claims-based reporting solutions and tools.

"DGA's clients need to be able to answer critical clinical and financial management questions without having to go to a programmer," says Jon. "I give them the tools to do that."

He has designed numerous utilization and financial reporting systems, including online reporting tools, desktop applications and data warehouses supporting advanced analytic tools. Jon also analyzes and develops fee schedules and other payment methodologies.

When not working with clients, Jon is outside on his skis or mountain bike. He also manages the annual 400-person inline skating convention in Philadelphia and directs the local skate club.

He holds an MBA in Finance from Temple University and a BS in Engineering from Lehigh University. Jon is a member of HFMA, AICPA, and HIMSS. ■

Insurer reports led the employer to believe that the increasing costs were caused by increased employee utilization. The employer was considering increasing employee cost sharing. Analysis of claims data revealed that while total utilization was increasing, so was enrollment. When adjusted for membership increases, utilization rates had remained nearly flat. The driving factor for the cost increases was the payment rates to providers, a factor that was controlled not by the employer or its employees, but by the insurer.

3. Look at data trends over time (e.g., by months, quarters, years), in addition to taking a snapshot.
4. Separate data by major lines of business (e.g., commercial, Medicare, Medicaid) since the health care experience across these groups is known to vary significantly.

This example illustrates the use of trend analysis and line of business separation:

- *An at-risk PHO reviewed a monthly report that provided a comparison of hospital utilization across the system. By adding reports that showed quarterly trends in admissions and patient-days per 1000, for commercial and for Medicare members, the PHO was able to identify hospitals with increasing use rates for Medicare members and target those hospitals for intervention.*

5. Focus on the small number of patients that account for a disproportionate amount of costs.

By structuring reports to identify these patients and their associated costs, you can guide efforts for high cost case management efforts and manage reinsurance recoveries.

- *An employer found that less than one percent of its members accounted for over 15 percent of its total health care costs. By drilling into the data the employer found that several claims were paid at an exceedingly high rate. Using this information, the employer worked with the payer to create a process that reviews high-cost claims before payment, ensuring accurate claims pricing.*
6. Analyze claims by type (e.g. Inpatient Facility, Outpatient Facility, Professional, Pharmacy), drilling down to understand underlying cost drivers.
- *An at-risk multi-hospital system saw an increase in outpatient facility costs at a single hospital. Claims data revealed an increase in low acuity emergency room visits and in revisits. It was discovered that the emergency room staff had changed their discharge instructions, encouraging patients to return to the ER for follow-up care rather than returning to a primary or secondary physician. The hospital worked with the ER staff to change the discharge advice given to members, which resulted in a decrease in the low acuity, follow-up visits and a decrease in costs.*

Applying these six principles will help your organization to ask the right questions, look at the correct data, and turn “too much information” into answers that improve both quality of care and your bottom line.

DGA News:

Dan Grauman, DGA's President and CEO, will be presenting at the National Education Association 2004 Workshops on Retirement and Health Benefits Issues, in Washington DC, this November 16th. His presentation: “Show Me the Data! What Health Plan Data to Ask For, How to Analyze It, and What Solutions You May Find.”

About DGA Partners:

For 10 years, DGA Partners has been providing crucial business intelligence derived from health claims and related databases. We serve at-risk providers, self-insured employers, insurers and payers, pharmaceutical companies and consulting firms. Our sophisticated data management and reporting services also provide the basis for our actuarial and clinical analytics services. DGA's health care management consulting group provides strategy, business planning and related services to health care providers.

Let's talk about how we can make your data work for your organization.

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