

Provider Network Development and an Actuaries Role in the Process



11/21/2019

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Agenda

- 1.) Why actuaries should care about network development
- 2.) How actuaries can help the network development team
- 3.) Example of how actuaries can assist the network development team



Why Actuaries Should Care About Network Development

Why Actuaries Should Care – Pricing Impact

■ Pricing Impact

■ Narrow Networks vs Large Networks

- New Members may not be aware of network size. Possibly lots of large OON penetration first few months.
- Morbidity differences
- Unit cost differences

■ Unit Cost and Utilization Trends

- Large changes in existing network contribute to utilization trends
- Changes in contracting with existing providers contribute to unit cost trends



Why Actuaries Should Care – Pricing Impact

- Pricing Impact
 - Risk Sharing Arrangements
 - Changes in number of providers under risk sharing arrangements
 - Change in the mix of members under global capitation or other risk sharing arrangements can impact pricing



Why Actuaries Should Care – Pricing Impact

Pricing Impact - Example



	Original Pricing	Actual
Base Data	\$100.00	\$100.00
IBNR	1.20	1.20
Completed Base Data	120.00	
Utilization Trend	5.0%	5.0%
Unit Cost Trend	5.0%	5.0%
Contracting Adjustment	1.00	1.05
Claims Cost	\$132.30	\$138.92
Admin (13%)	\$20.23	\$20.23
Margin (2%)	\$3.11	(\$3.50)
Revenue/ Cap rate	\$155.65	\$155.65

MLR	85.0%	89.3%
Admin Ratio	13.0%	13.0%
Gain/Loss	2.0%	-2.3%

Why Actuaries Should Care – IBNR



- IBNR

- Claims processing patterns
- Speed of payments – major changes in average speed to pay claims
- ASOP 5 Incurred Health and Disability Claims
 - Subsection 3.2.4 – “Actuary should make reasonable efforts to evaluate whether there have been material changes in operational practices that impact the incurred claim estimate and make appropriate adjustments.”

Why Actuaries Should Care – IBNR

IBNR - Example

	Original Pricing	Actual
Base Data	\$100.00	\$100.00
IBNR	1.20	1.25
Completed Base Data	120.00	125.00
Utilization Trend	5.0%	5.0%
Unit Cost Trend	5.0%	5.0%
Contracting Adjustment	1.00	1.00
Claims Cost	\$132.30	\$137.81
Admin (13%)	\$20.23	\$20.23
Margin (2%)	\$3.11	(\$2.40)
Revenue/Cap rate	\$155.65	\$155.65

MLR	85.0%	88.5%
Admin Ratio	13.0%	13.0%
Gain/Loss	2.0%	-1.5%



Why Actuaries Should Care – Healthcare Costs

■ Reducing Healthcare Costs

- Client/Company Perspective
 - Maximize provider quality and patient satisfaction while minimizing cost
 - Increased competitiveness
 - Allows for innovation
 - Star ratings/quality ratings impact payments and market share in MA
- Patient Perspective
 - Topic of national concern
 - Lowers member premiums



Ways Actuaries Can Get Involved In Network Development

Getting Involved – Network Requirements

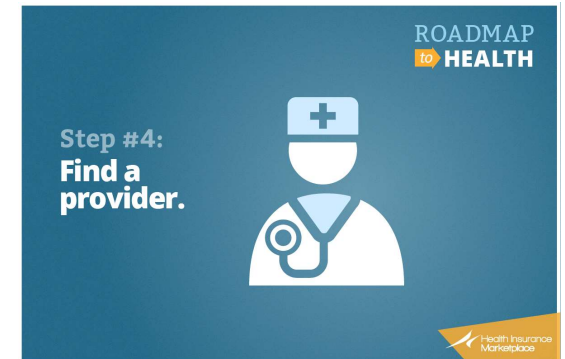
■ Network Adequacy Requirements

- Medicare has strict rules for network adequacy for MA plans
- Requirements to contract with certain number of each provider specialty.
- Contracts need to meet time and distance standards
- CMS monitors network compliance with specific events triggering CMS review



Getting Involved – Provider Analysis

- Analyze Provider Quality
 - MIPS – Merit-based Incentive Payment System
 - 4 performance categories: quality, promoting interoperability (PI), improvement activities, cost
 - Ties payments to quality and cost-efficient care
 - Cost Efficiency (relative to similar providers)
 - Risk Score Coding Analysis
 - Would likely focus on number of diagnoses that providers are reporting and comparing providers with similar populations



Getting Involved – Network Evaluation

- Evaluate and analyze the existing and proposed networks
 - Ensure network adequacy requirements are met
 - Analyze individual providers and address gaps in provider quality
 - Analyze provider risk sharing arrangements and contracts



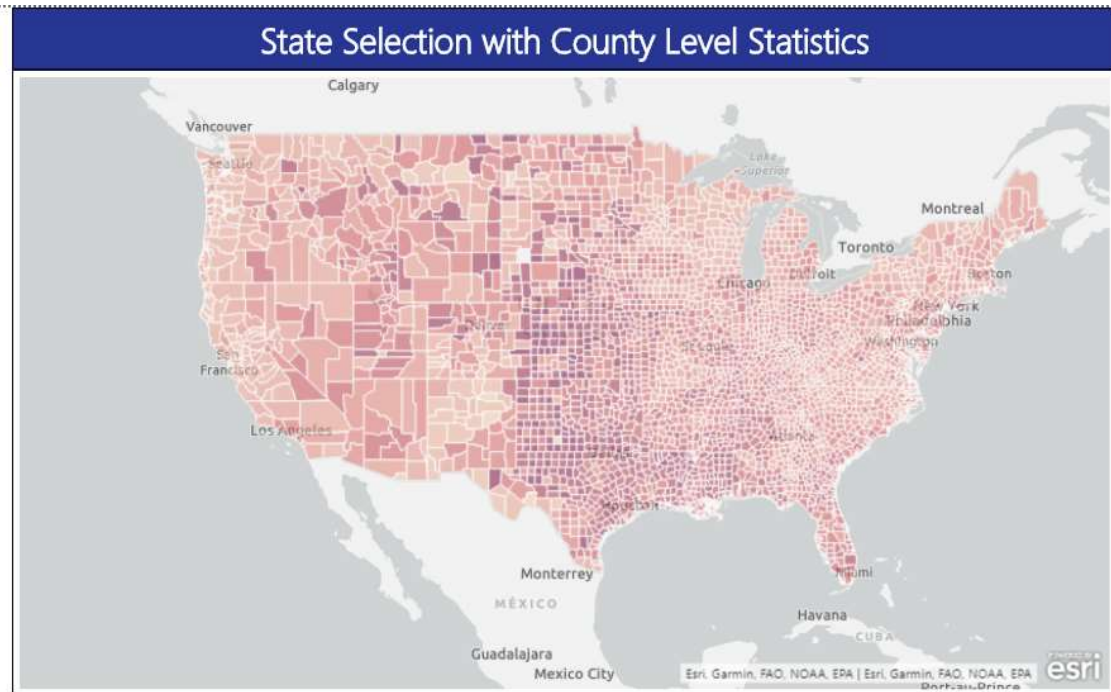
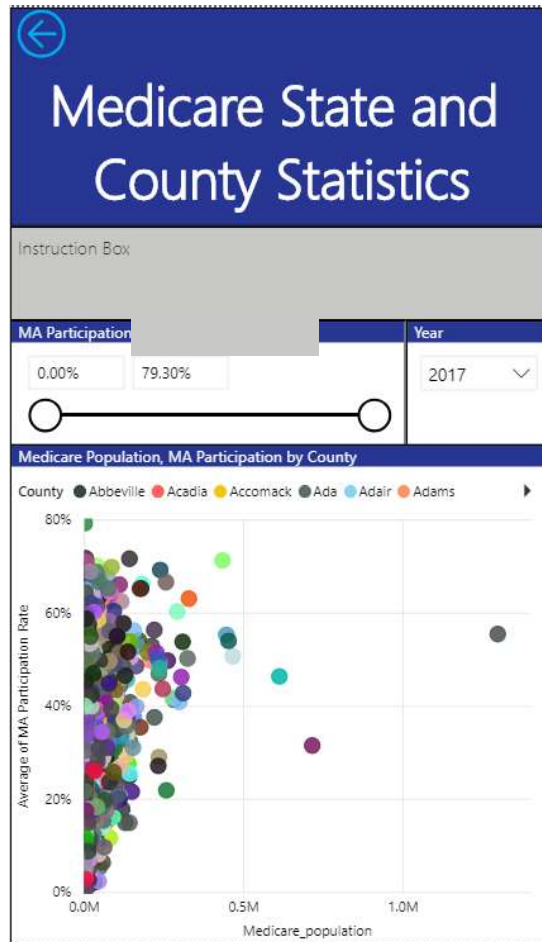
Getting Involved – Legislation

- Proposed Legislation (network transparency and provider contracts)
 - Focus on advancing interoperability and patient access to health information
 - Patients: Ability to access own health information online
 - Clinicians and Hospitals: Ability for providers to receive patient information regardless of where previous care was received
 - Payers: Ensure that patient information is accessible and data flows seamlessly as patients move between providers and plans

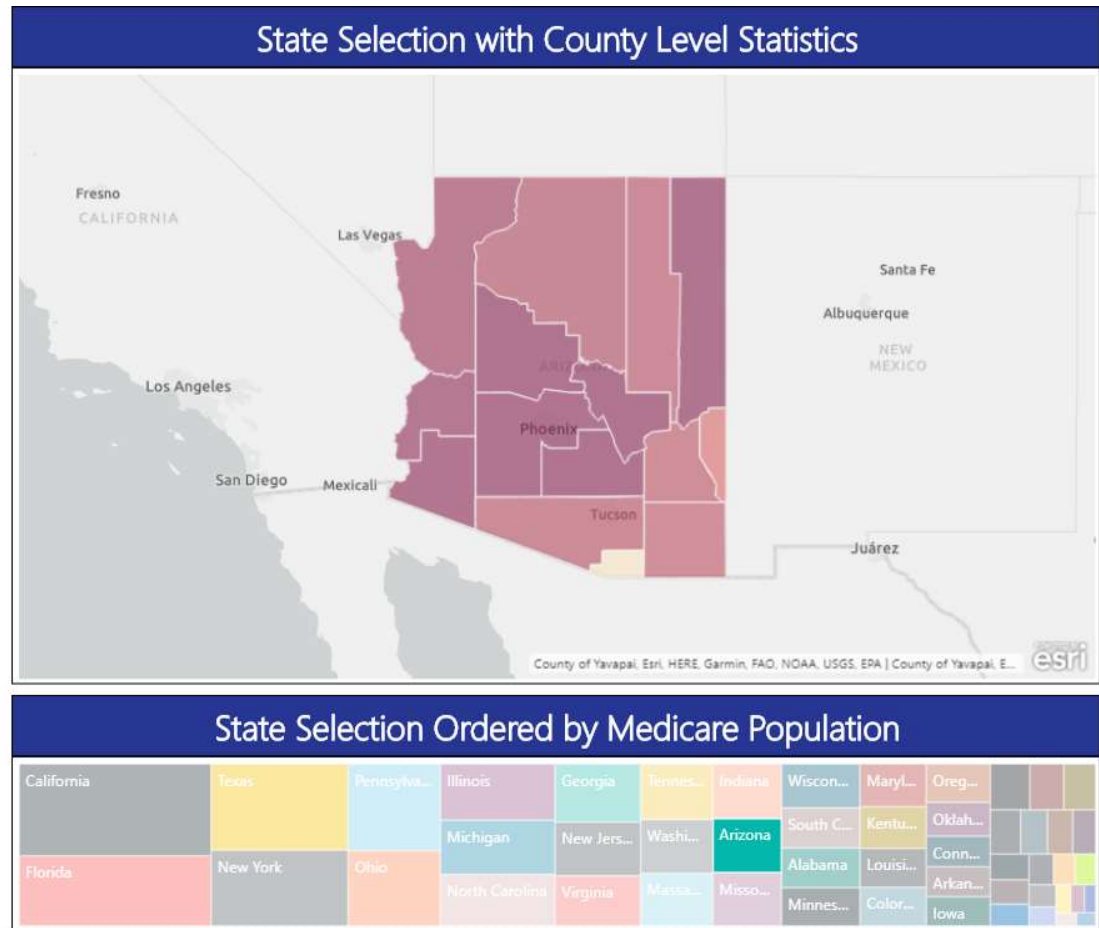
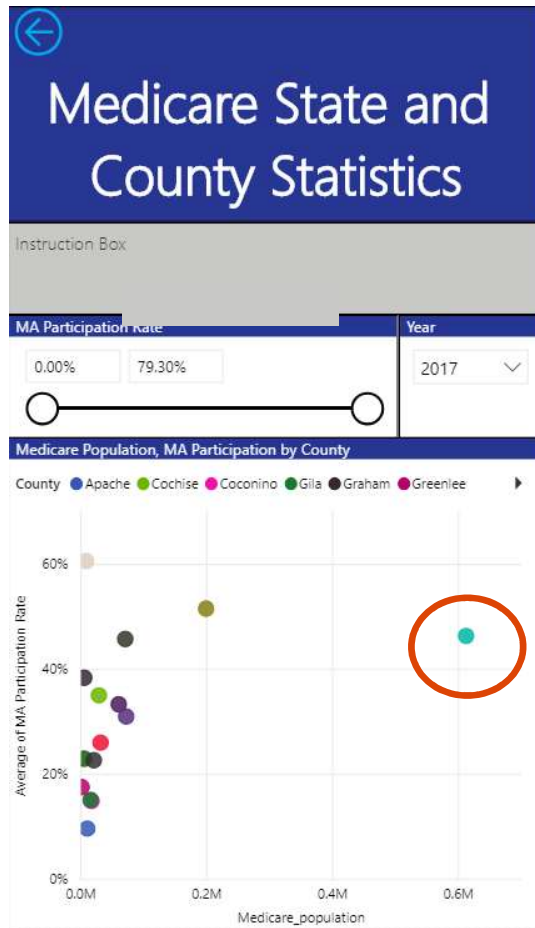


Example of Analyses Actuaries Can Do

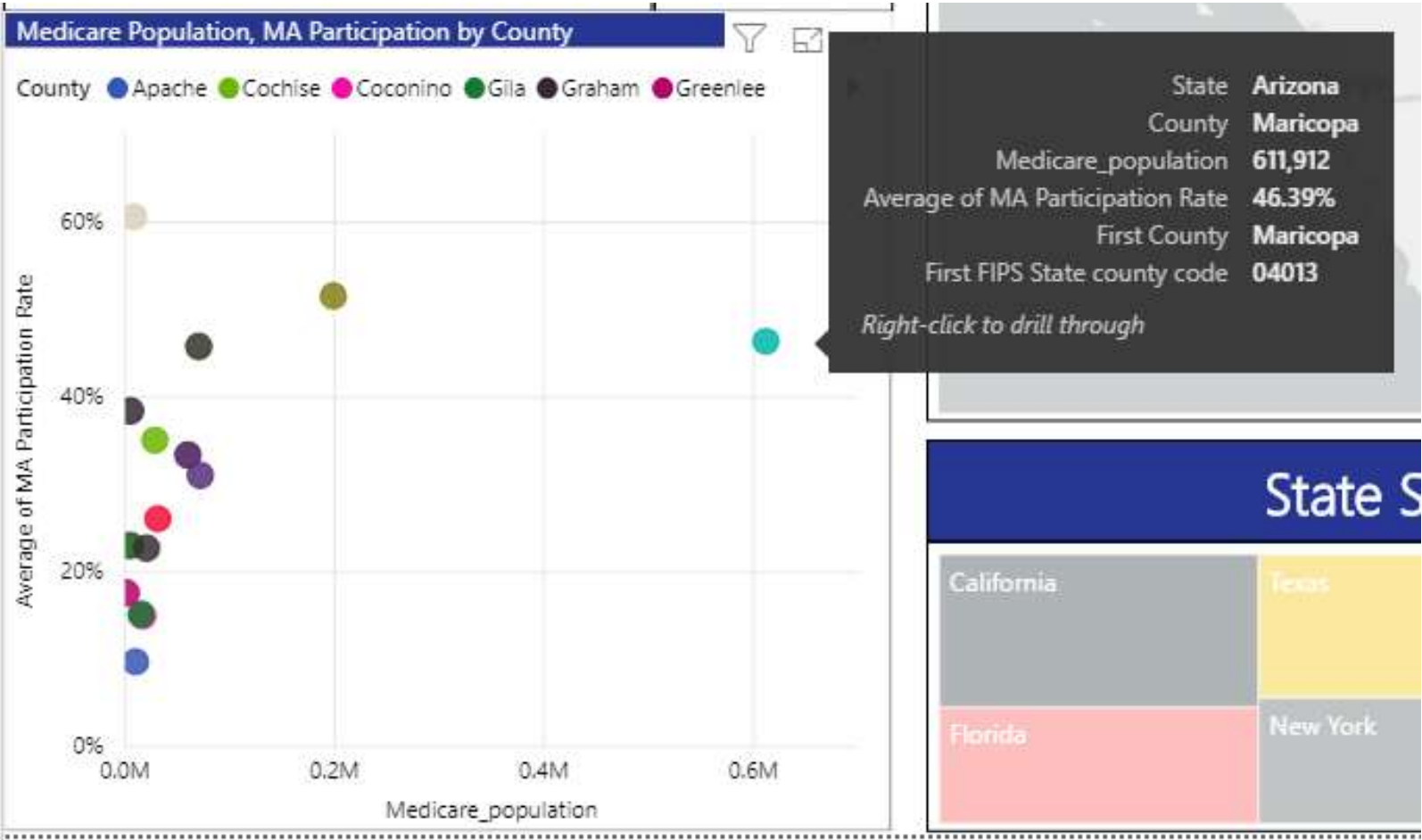
Example – Market Expansion Review



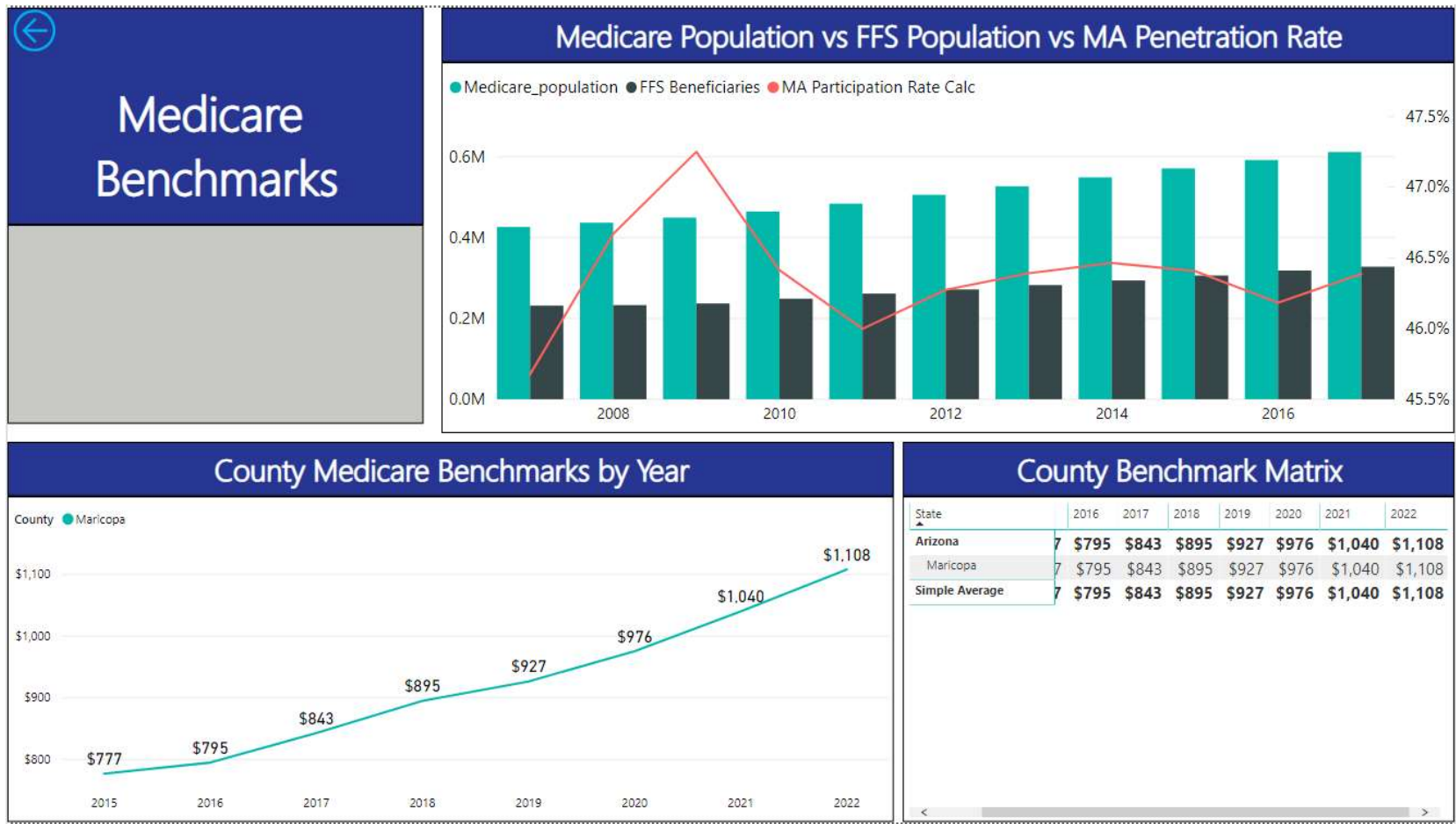
Example – Market Expansion Review



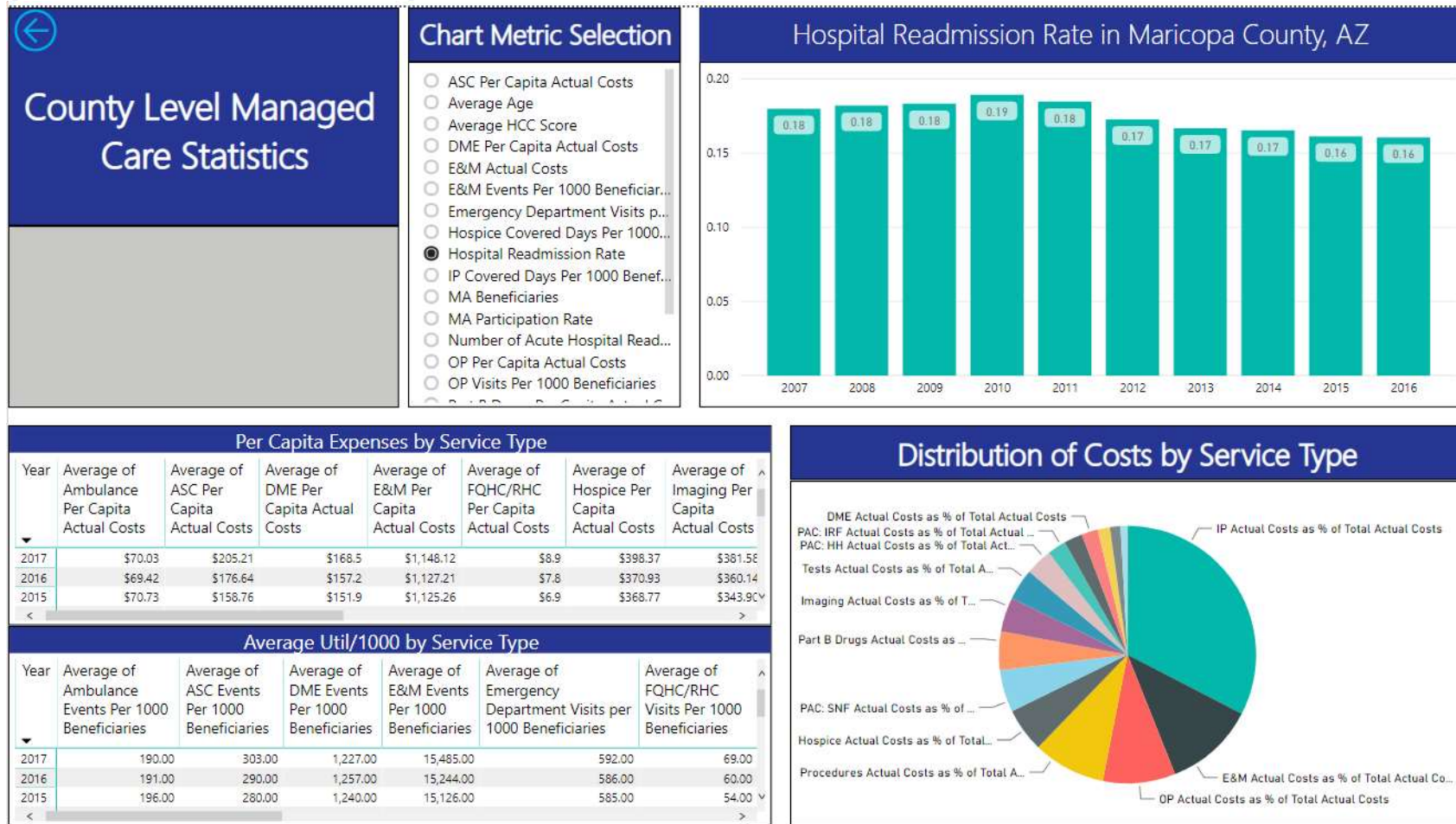
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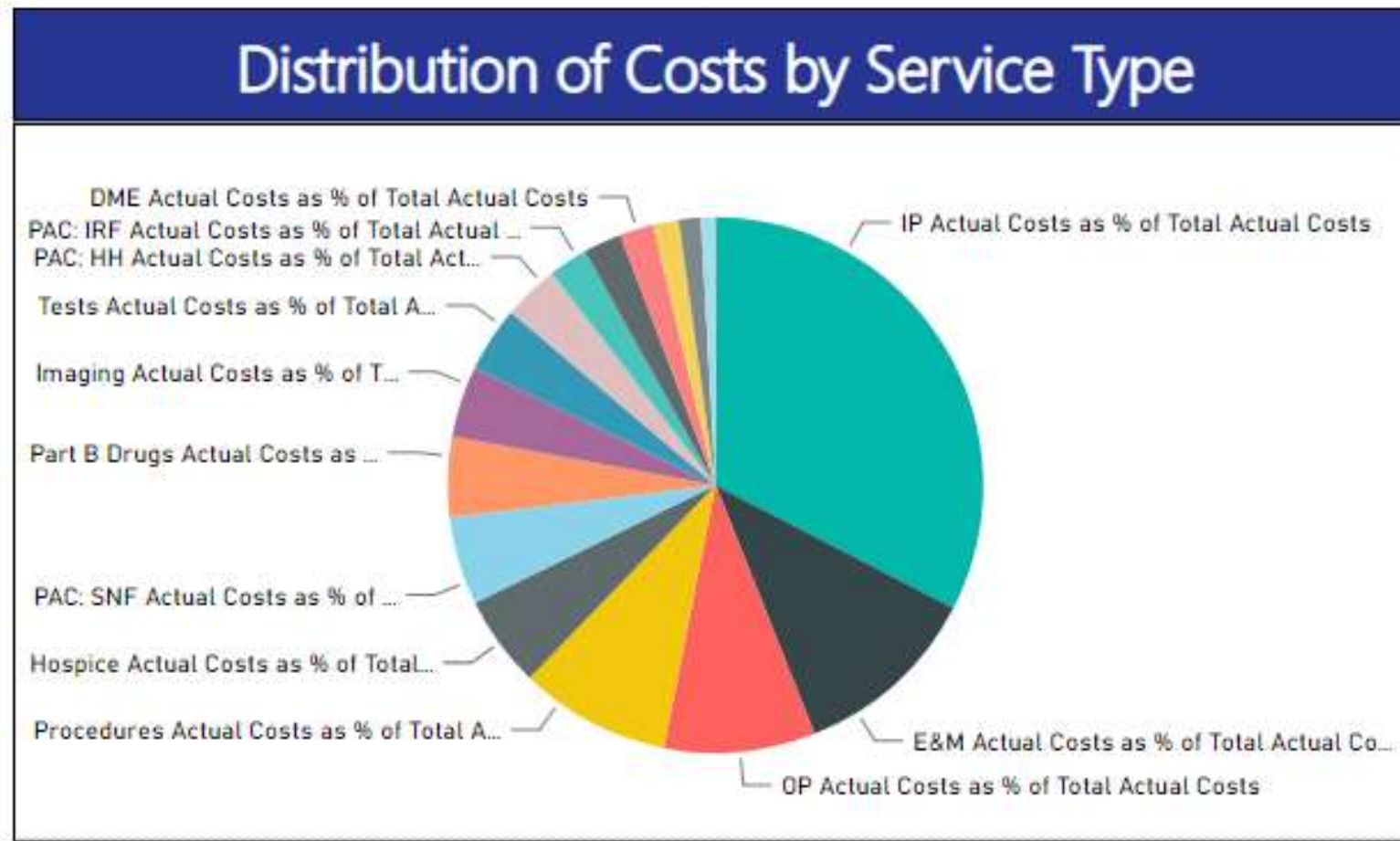
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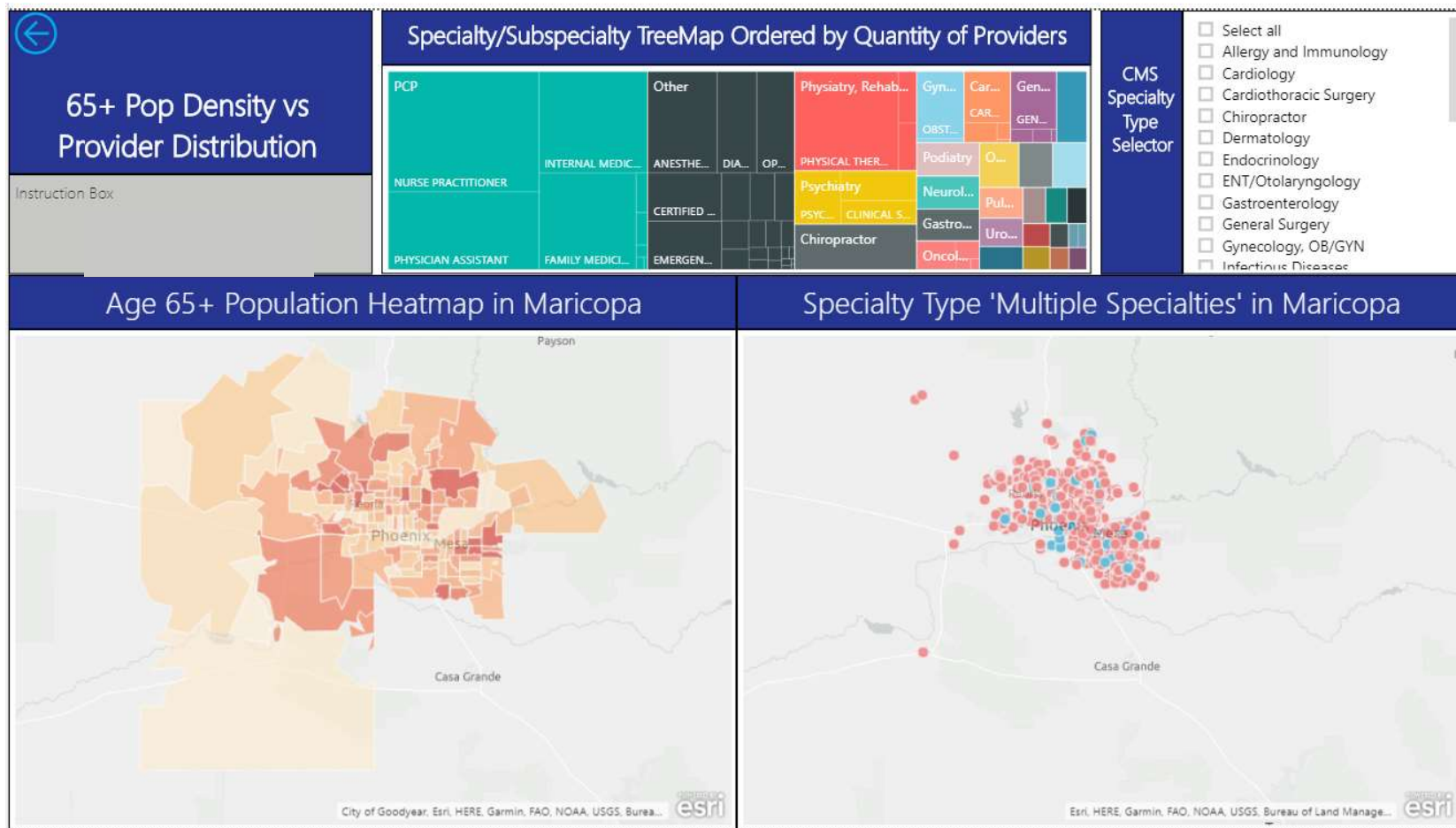
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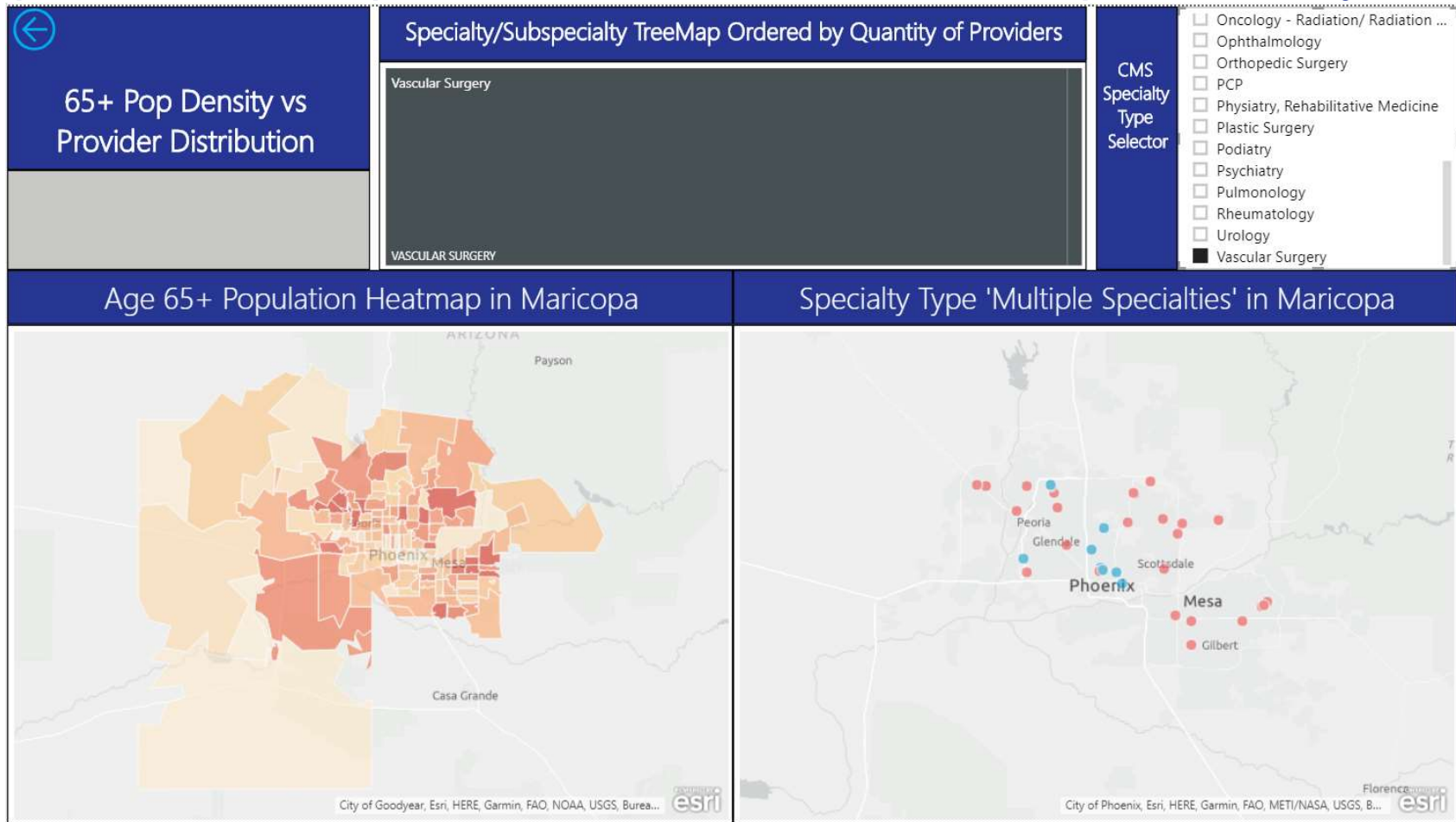
Example – Market Expansion Review

Per Capita Expenses by Service Type							
Year	Average of Ambulance Per Capita Actual Costs	Average of ASC Per Capita Actual Costs	Average of DME Per Capita Actual Costs	Average of E&M Per Capita Actual Costs	Average of FQHC/RHC Per Capita Actual Costs	Average of Hospice Per Capita Actual Costs	Average of Imaging Per Capita Actual Costs
2017	\$70.03	\$205.21	\$168.5	\$1,148.12	\$8.9	\$398.37	\$381.58
2016	\$69.42	\$176.64	\$157.2	\$1,127.21	\$7.8	\$370.93	\$360.14
2015	\$70.73	\$158.76	\$151.9	\$1,125.26	\$6.9	\$368.77	\$343.90
Average Util/1000 by Service Type							
Year	Average of Ambulance Events Per 1000 Beneficiaries	Average of ASC Events Per 1000 Beneficiaries	Average of DME Events Per 1000 Beneficiaries	Average of E&M Events Per 1000 Beneficiaries	Average of Emergency Department Visits per 1000 Beneficiaries	Average of FQHC/RHC Visits Per 1000 Beneficiaries	
2017	190.00	303.00	1,227.00	15,485.00	592.00	69.00	
2016	191.00	290.00	1,257.00	15,244.00	586.00	60.00	
2015	196.00	280.00	1,240.00	15,126.00	585.00	54.00	

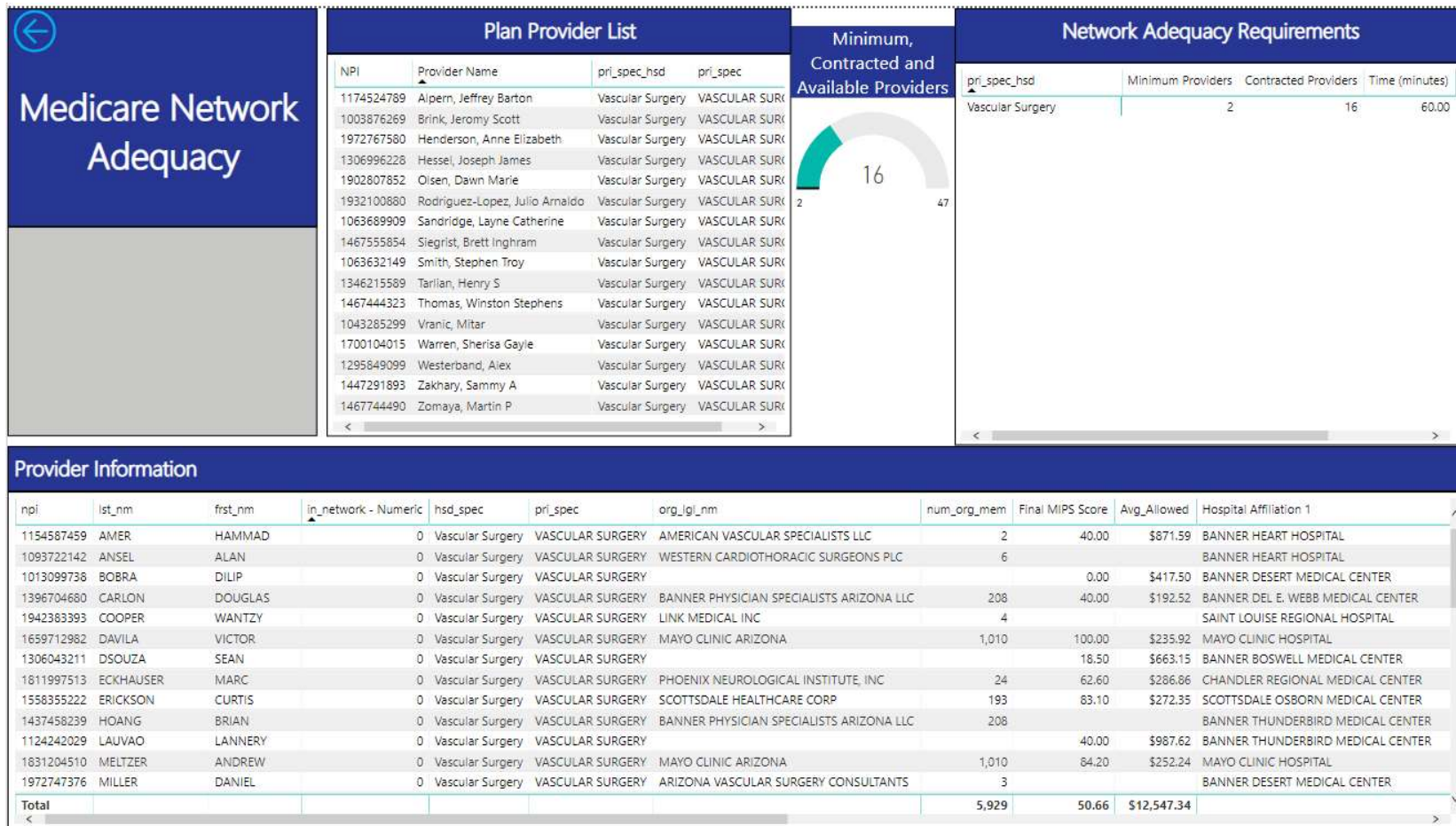
Example – Market Expansion Meets Network Dev



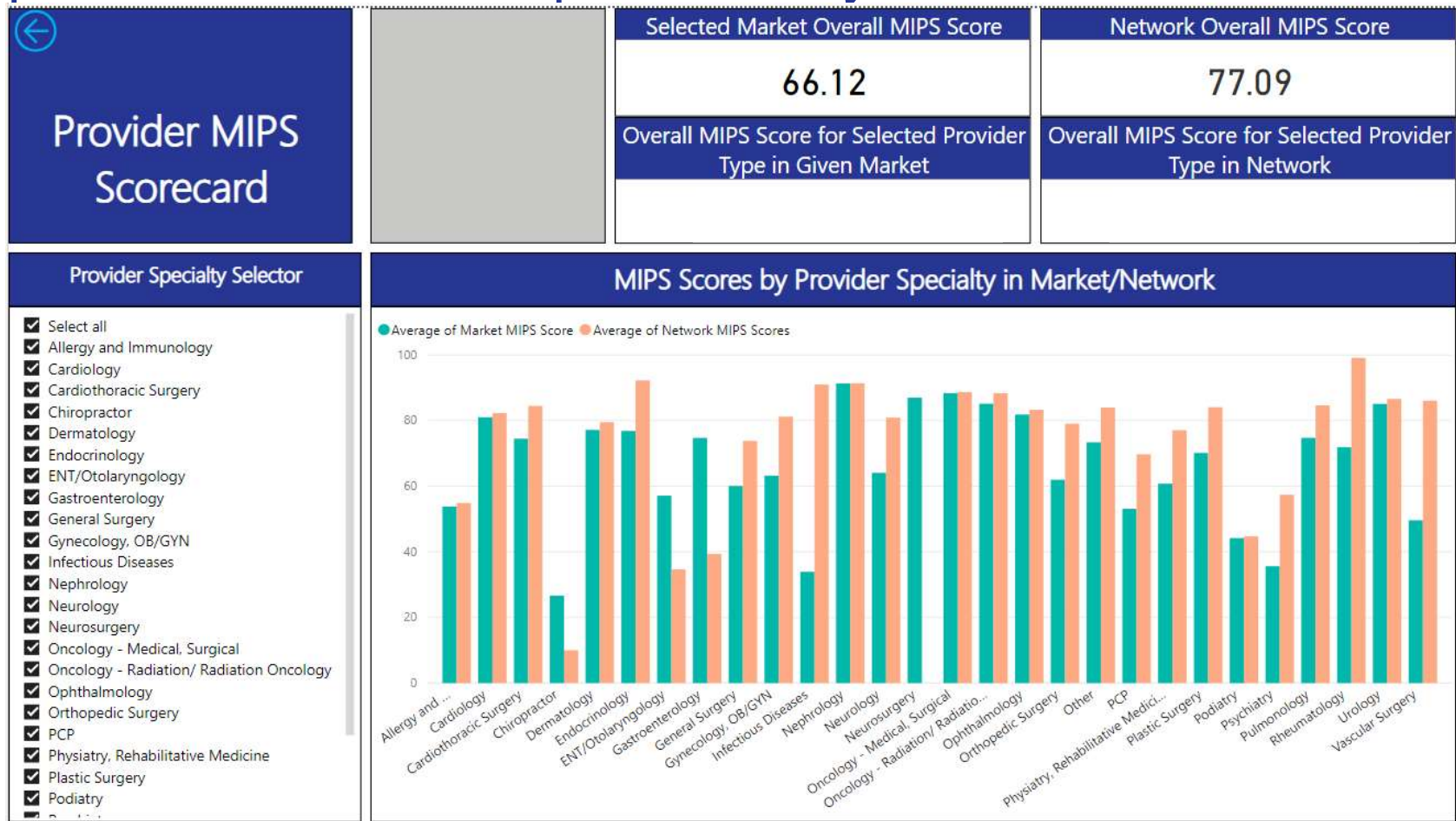
Example – Market Expansion Meets Network Development/Analysis



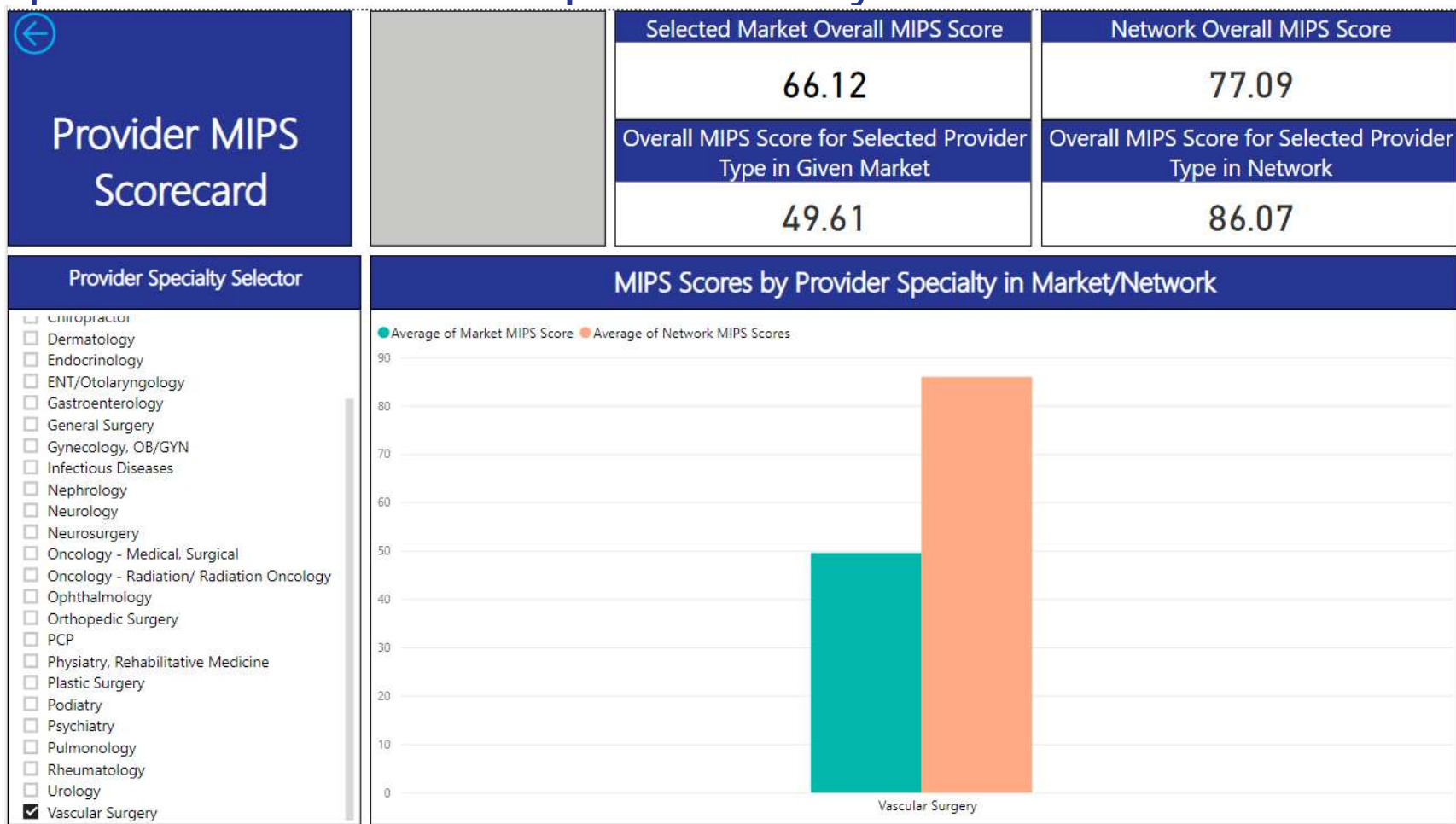
Example – Network Development/Analysis



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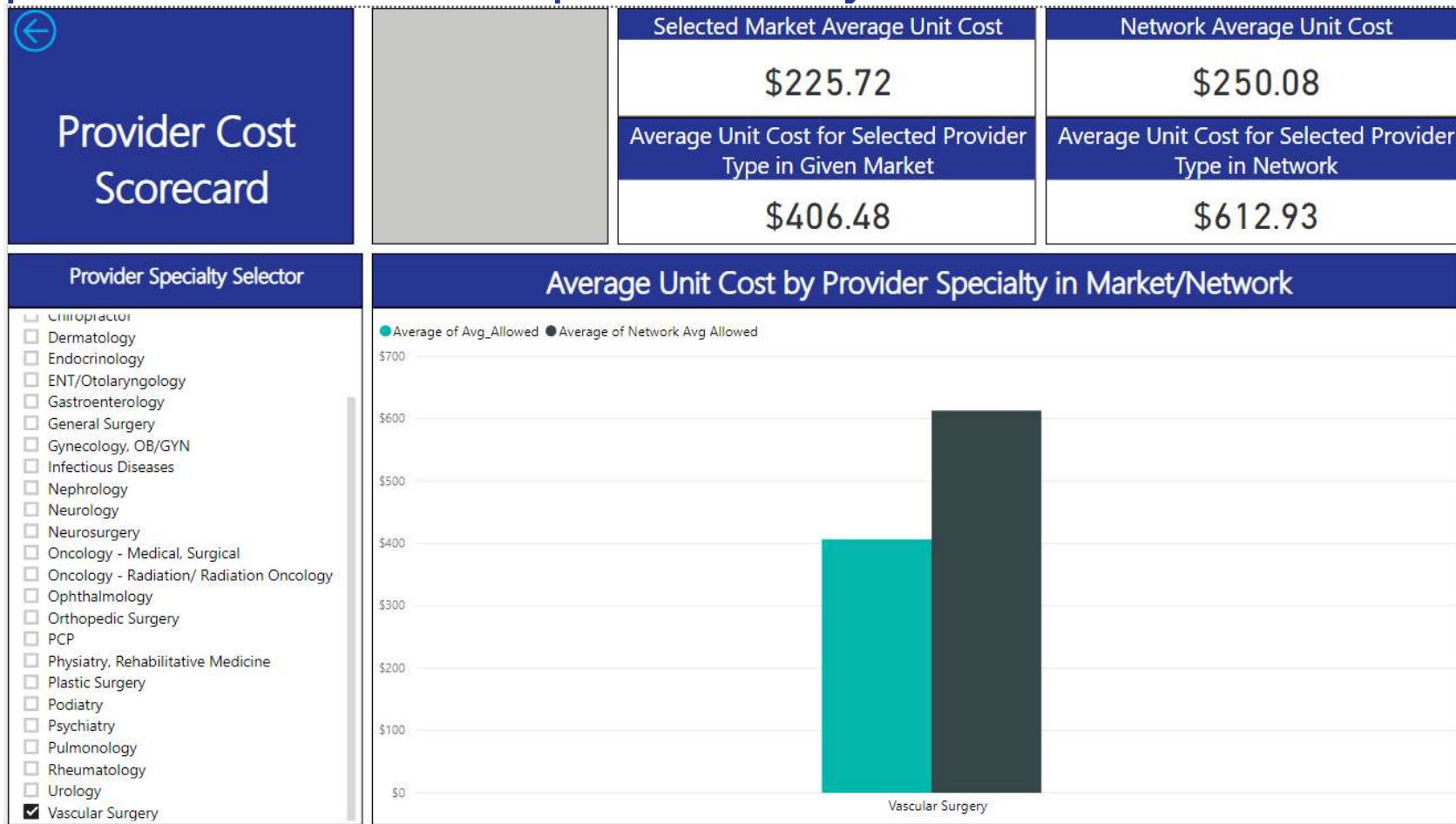
Example – Network Development/Analysis



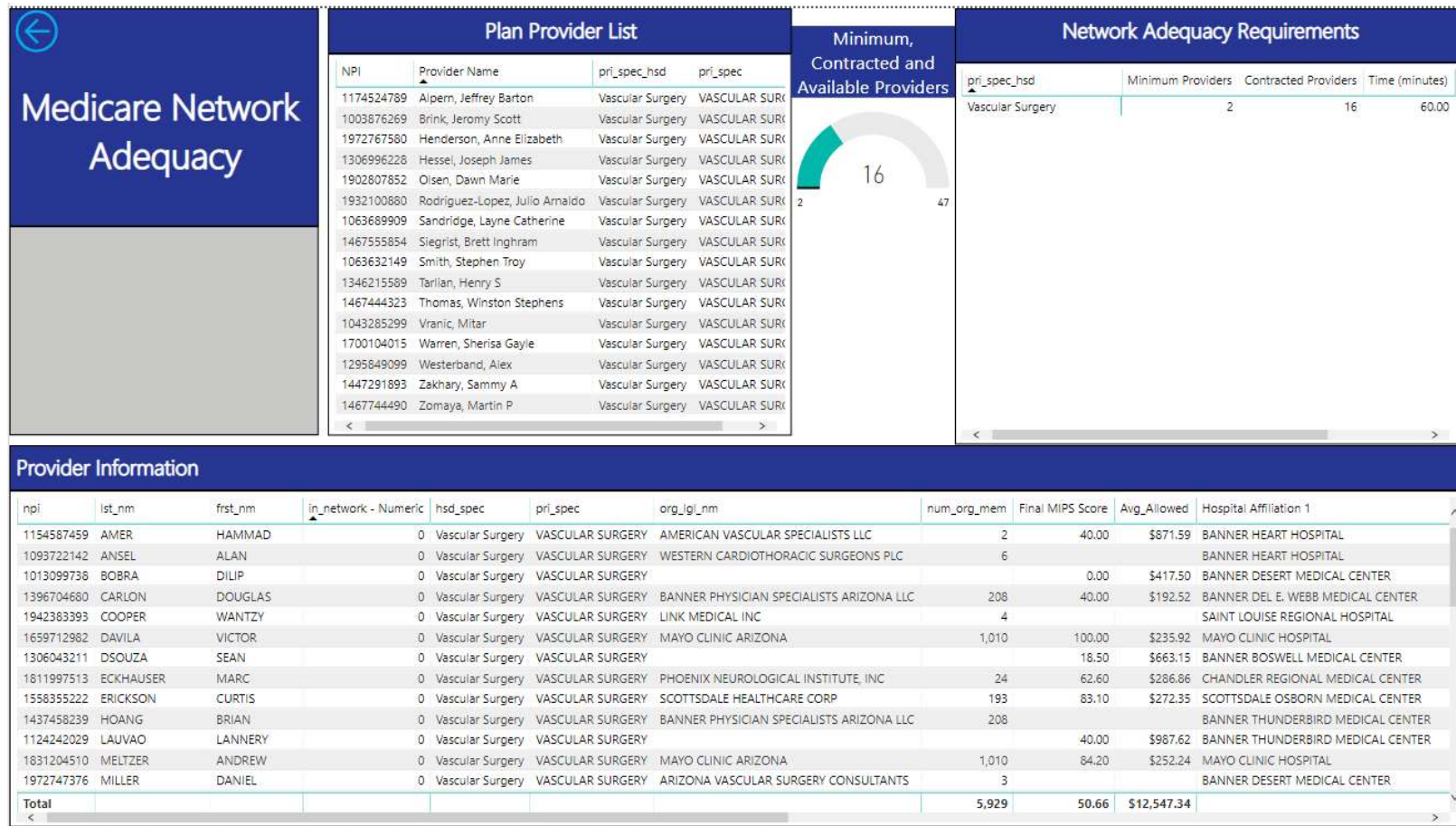
Example – Network Development/Analysis



Example – Network Development/Analysis



Example – Network Development/Analysis



Questions?