
Software Testimonial

“The software installation and setup were surprisingly easy. We were able to independently reproduce the Milliman results within weeks of receiving the software. We were able to accomplish the installation with negligible IT resources (less than one hour of IT time). The documentation and customer services were outstanding. We were all impressed with the ease of use and actuarial integrity of the product.”

*Brian Small, FSA, MAAA
VP of Provider Reimbursement and Audit
Blue Cross and Blue Shield of Louisiana*

ROI Testimonial

“Using the Milliman *RBRVS for Hospitals™* RVUs has been extremely valuable to Blue Shield of California in understanding our hospital contract performance relative to peers and benchmarks. The RVUs have helped us to identify target opportunities for contract negotiation and defensibly communicate contract issues with our providers. While it is difficult to quantify what “would have been,” it is clear that the methodology can contribute as much as 1% yield on contract allowable payments.”

*Eileen Duncan
Director, Network Management Strategy and Analytics
Blue Shield of California*



Milliman, whose corporate offices are in Seattle, serves the full spectrum of business, financial, government, and union organizations. Founded in 1947 as Milliman & Robertson, the company has 49 offices in principal cities in the United States and worldwide. Milliman employs more than 2,100 people, including a professional staff of more than 1,100 qualified consultants and actuaries. The firm has consulting practices in employee benefits, healthcare, life insurance/financial services, and property and casualty insurance. Milliman’s employee benefits practice is a member of Abelica Global, an international organization of independent consulting firms serving clients around the globe. For further information visit www.milliman.com.

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Milliman HECS

Hospital Evaluation and Comparison System



What is Hospital Evaluation & Comparison System?

The Milliman Hospital Evaluation & Comparison System™ (HECS™) provides a simple solution for benchmarking hospital contracts on a patient mix adjusted basis. The software assigns Milliman RBRVS for Hospitals™ relative value units and produces a wealth of reports and easy access to detailed data, enabling drilldown reporting.

Milliman RBRVS for Hospitals

- Milliman RBRVS for Hospitals Relative Value Units (RVUs) estimate the resources required to perform each hospital service, conceptually similar to Medicare's RBRVS Physician Fee Schedule.
- RVUs have been developed for all inpatient and outpatient hospital services.
- Allows insurers and hospitals to benchmark and compare contractual reimbursement levels on a case mix and severity adjusted basis.

A single conversion factor can now be used to benchmark a hospital contract. Lengthy summaries of hospital contracts with medical/surgical per diems, maternity case rates, ICU per diems, outlier arrangements, and miscellaneous outpatient reimbursement structures are no longer necessary.

Calculating Conversion Factors

Benchmarking contracts is as straightforward as adding up the allowed charges and RVUs for all procedures performed under each contract. Table A shows a simplified example of the conversion factor calculation.

RVUs are assigned to outpatient services using CPT/HCPCS procedure codes. Inpatient RVUs are assigned using APR-DRGs. For DRGs, the RVUs vary with the length of stay to reflect the severity within a DRG.

A conversion factor may be calculated using thousands of unique procedures or only a few, depending on the volume of services performed in the contract.

Contract Comparisons Using Conversion Factors

A conversion factor represents a case mix and severity adjusted cost per unit of service. Conversion factors are directly comparable regardless of the underlying population, hospital type or location, since the RVUs adjust for the service mix differences. See Table B for an example of conversion factors for six contracts and their relative cost differences.

HECS enables the user to identify the driving factors contributing to differences among the hospitals average conversion factors. Table C expands the six-contract conversion factor summary from Table B into service category conversion factors for inpatient and outpatient services.

TABLE B CONTRACT SUMMARY TABLE

	TOTAL CONVERSION FACTOR	CONVERSION FACTOR RELATIVE TO TOTAL
CONTRACT #1	\$55.48	1.000
CONTRACT #2	\$46.29	0.834
CONTRACT #3	\$80.43	1.450
CONTRACT #4	\$60.64	1.093
CONTRACT #5	\$63.70	1.148
CONTRACT #6	\$48.46	0.874
TOTAL	\$55.47	1.000

TABLE C CONVERSION FACTORS BY MAJOR TYPE OF SERVICE

CONTRACT	INPATIENT					OUTPATIENT					TOTAL AVERAGE	
	MED SURG	MH/SA	MAT	AVERAGE	ER SURG	RAD	LAB	OTHER	AVERAGE			
CONTRACT #1	\$65	\$52	\$61	\$58	\$58	\$53	\$32	\$68	\$89	\$57	\$50	\$55
CONTRACT #2	\$48	\$30	\$37	\$53	\$40	\$45	\$41	\$77	\$60	\$60	\$53	\$46
CONTRACT #3	\$85	\$92	N/A	\$79	\$86	\$49	\$77	\$95	\$94	\$80	\$77	\$80
CONTRACT #4	\$54	\$41	\$70	\$53	\$53	\$36	\$50	\$81	\$83	\$74	\$67	\$61
CONTRACT #5	\$58	\$44	\$75	\$57	\$57	\$42	\$49	\$87	\$88	\$79	\$69	\$64
CONTRACT #6	\$51	\$33	\$56	\$53	\$45	\$38	\$47	\$54	\$58	\$68	\$50	\$48
AVERAGES	\$62	\$48	\$59	\$57	\$55	\$47	\$41	\$72	\$77	\$67	\$56	\$55

TABLE A CALCULATING A CONVERSION FACTOR

	ALLOWED CHARGES	LOS	RVUS
APR-DRG 44-1	\$4,000	3	78.292
82441	\$12		0.226
99284	\$275		5.834
A4643	\$95		1.344
74150	\$425		5.880
TOTALS	\$4,807		91.576
CONVERSION FACTOR [ALLOWED CHARGES/RVUS]			\$52.49