

Milliman Proxy Pricing

Filling in the Gaps in Medicare Fee Schedules

Charlie Mills - Principal & Consulting Actuary

Bill Alto - Healthcare Analyst & Product Manager

Brian Allen - Associate Actuary & Technical Lead

Austin Levenson - Associate Actuary

JANUARY 17, 2024



Agenda

- About Milliman
- Gaps in Medicare Fee Schedule – Charlie Mills
- Acute Proxy Pricing – Brian Allen
- Case Study: Large Regional Health Plan – Bill Alto
- Case Study: All-Payer Claims Database – Austin Levenson
- How Milliman Can Help You
- Q&A with Milliman Experts

About Milliman

4,500+ employees

**\$1.5 Billion (US)
revenue in 2023**

**68 offices across the
globe**

**75 years of
experience**

**Our healthcare
clients include over
80% of the health
plans in the nation**

**We certify more than
40% Part C bids and
more than 60% Part D
bids**

We are empowered by the diversity of our backgrounds,
driven by a shared commitment to innovate, and inspired by
a common mission:

To serve our clients to protect the health and financial well-being of people everywhere.

About Milliman



Industry Leader

Milliman is the largest and most respected actuarial firm, consulting to most of the health insurers in the nation, state Medicaid programs, providers, health tech solutions, and federal, state, and local government.

Deep Healthcare Expertise

We are broadly acknowledged to be the leading consulting firm to healthcare risk takers and providers.

We have consulted on health issues to clients in more than 30 countries on six continents and have more actuaries who focus specifically on health issues than any other firm in the world.

Rigorous

Deeply embedded in our culture is a rigorous internal peer-review process on all client projects to ensure we deliver the best in advisory services. A second qualified Milliman consultant will review all work products.

Gaps in Medicare Fee Schedule



What are the Gaps in Medicare Schedules?

Medicare publishes rates for most medical services.

The main gaps are long term care, home care, and specific outpatient, professional and ancillary services.

Medicare does not have a standard fee schedule for prescription drugs.



1

Commercial population

- Child immunizations
- Reproductive medicine
- DME and supplies (CPAP, glucose monitor, breast pump)

2

Site of service coverage restrictions

- Revision of knee joint
- Hip replacement

3

Home care

- Therapy (PT/OT)
- Nursing services

4

Long term and custodial care

What are the Gaps in Medicare Schedules?

Professional and ancillary

For a typical commercial population, approximately 10% to 12% of professional and ancillary services are not covered by Medicare.

These services often make up a larger portion of plan payments.

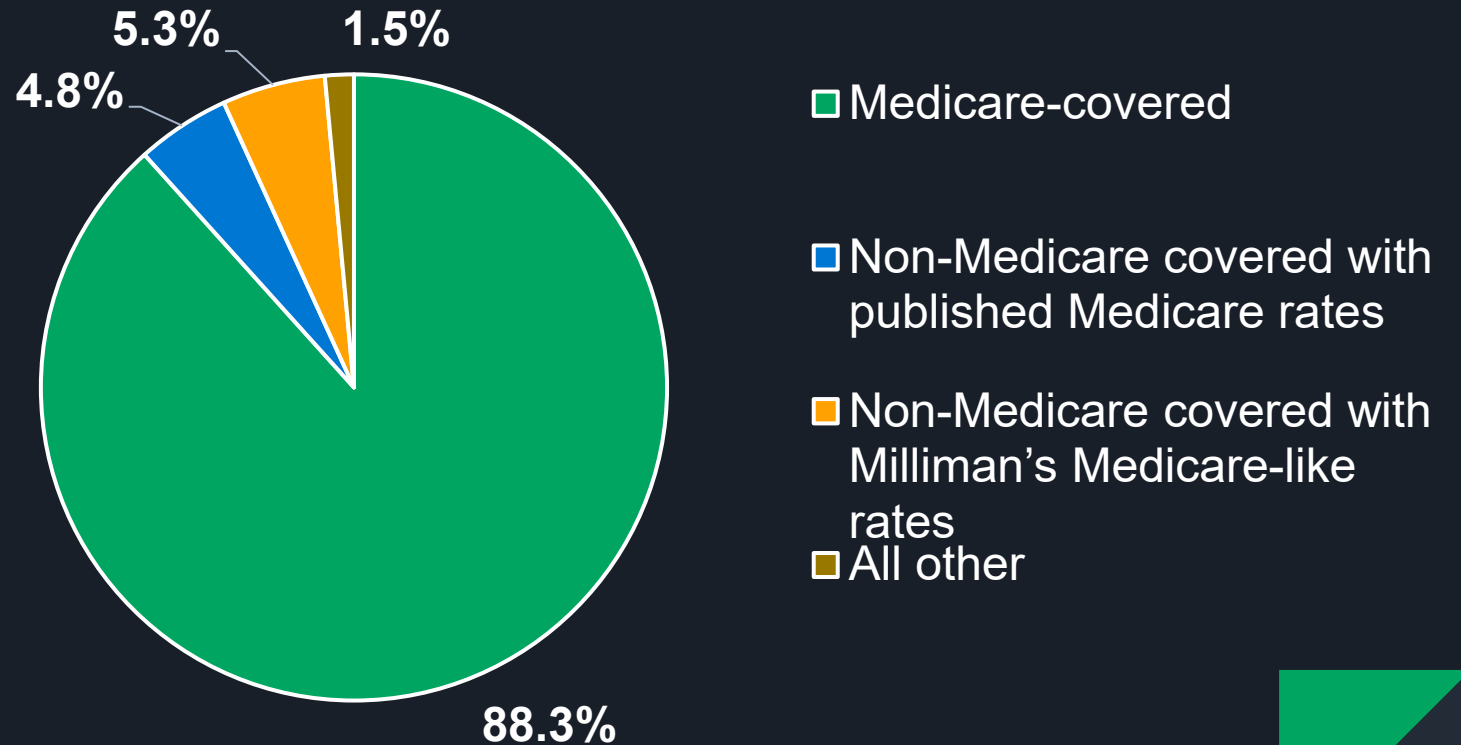
Source: Analysis of professional and ancillary commercial service lines.



What are the Gaps in Medicare Schedules?

Professional and ancillary example

- Medicare publishes rates for covered services, except some carrier-priced.
- Medicare also publishes rates for some non-covered services (4.8% of total)
- Milliman develops rates for gaps in the Medicare fee schedules (5.3% of total)
- No fee for approx. 1.5%



Source: Analysis of professional and ancillary commercial service lines.

Proxy Pricing: Maternity and Post-Acute



Alternative Maternity Pricing

Medicare Maternity Rates:

- Reflects disabled population intensity levels.
- Not well-aligned with a non-disabled population, creating unbalanced percent of Medicare levels relative to other services.

Proxy Rates:

- Developed from Tricare weights for a non-disabled population
- Better fit for commercial relative service intensity.



Comparison of Medicare and Tricare-based DRG weights

Selected Maternity DRGs

| MS-DRG | Description | Tricare Weight | Medicare Weight | Tricare as % of Medicare |
|--------|---|----------------|-----------------|--------------------------|
| 785 | Cesarean Section With Sterilization Without Cc/Mcc | 0.8328 | 0.9121 | 91% |
| ... | | | | |
| 796 | Vaginal Delivery With Sterilization And/Or D&C With Mcc | 1.1455 | 1.3130 | 87% |
| 797 | Vaginal Delivery With Sterilization And/Or D&C With Cc | 0.7485 | 0.9279 | 81% |
| 798 | Vaginal Delivery With Sterilization And/Or D&C Without Cc/Mcc | 0.7446 | 0.9279 | 80% |
| ... | | | | |

Source: FY2023 CMS MS-DRG weights. Tricare weight is the Milliman calculated alternative inpatient maternity DRG weights based on Tricare schedules.



Post-Acute Proxy Pricing

Challenge:

1. Skilled Nursing Facility and Home Health require PPS HIPPS codes for Medicare Pricing.
2. Not consistently populated for other lines of business.
3. HIPPS codes are added by grouping software which considers information beyond what is provided on the claim form.

Proxy Method:

1. Approximate Medicare rates can be calculated using information from the claim.
2. Proxy values were developed based on large database of historical Medicare claims experience.
 - Length of stay / Number of visits
 - Distribution of services
 - Other characteristics found on claim
3. Fitted proxy results are validated against claims data not used for proxy development.

Result:

Medicare allowable amounts which are close to Medicare in aggregate and well-correlated with Medicare actuals, without having to retrieve difficult patient or clinical information.

Case Study: Large Regional Health Plan



Success Story: Reprice more data

Situation

A large regional health plan serving more than two million members across five states asked Milliman to reprice three years of their data to Medicare payment rates. In the initial meeting the client indicated that they wanted “Medicare FFS”, so Milliman processed their data through the Medicare Repricer with all inpatient add-ons included, provider specific pricing, Medicare maternity weights, and FFS organ transplant payment rules.

Challenge

Standard processing with default Medicare FFS settings through the Milliman Medicare pricing software only adjudicated ~90% of the client’s data. The main culprits falling out were issues with the client’s data: missing HIPPS codes on HH and SNF and professional procedure codes that don’t appear on Medicare fee schedules. ...But the client was not satisfied.

Outcome

Milliman’s team was able to price ~97% of the client data by assigning proxy rates to SNF, HH and gap fill to professional claims based on analyses of payment patterns in large datasets.

| Step | % of Billed |
|---------------|-------------|
| FFS Pricing | 90.2% |
| Prof Gap Fill | 6.3% |
| SNF Proxy | 0.7% |
| HH Proxy | 0.6% |
| Total | 96.7% |

Case Study: All-Payer Claims Database



Success Story: Assign allowed amounts for claims with missing financials

Situation

A company with a large longitudinal healthcare claims dataset asked Milliman to assign Medicare Allowed and RVUs to their claims, which are mostly missing financial values. This claims dataset is used for research and analytic purposes. Adding financials to the data improves the value of the data for research and analytics. *GlobalRVUs* and the *Medicare Repricer* were used to assign Medicare Allowed amounts and RVUs to the client's claims dataset going back over a decade.

Challenge

Standard processing through the Milliman Medicare pricing software only adjudicated ~70% of the client's data. Since the client's data includes multiple lines of business across the health insurance spectrum, many non-Medicare covered services were not priced using the Milliman *Medicare Repricer*.

Outcome

Milliman's team was able to assign Medicare Allowed and RVUs to an additional ~14% of professional and outpatient claims using the gap fill methodology.

We also implemented home health proxy pricing logic that was able to price an additional ~1% of claims.

How Milliman Can Help You



Medicare fee schedules

Milliman has a complete software solution for pricing claims to Medicare allowable fees and can price the claims that fail to adjudicate under the Medicare fee schedules.



- Inpatient Prospective Payment System (IPPS)
- Skilled Nursing Facility (SNF) PPS
- Inpatient Psychiatric Facility PPS
- Inpatient Rehabilitation Facility (Rehab PPS)
- Long-Term Care Hospitals (LTCH)
- Outpatient Prospective Payment System (OPPS)
- Critical Access Hospital (CAH) interim payments
- Ambulatory Surgery Center (ASC)
- Dialysis Facility (ESRD) PPS
- Physician RBRVS
- Ambulance
- Clinical Lab
- Parenteral and Enteral (PEN)
- Durable Medical Equipment & Prosthetics (DME-POS)
- Anesthesia
- Average Sales Price (ASP) drug fee schedule
- Home Health
- Maryland Waiver Hospitals

Solutions for Medicare Pricing

- Batch Processing
- Individual Claim Pricing

1. Standalone .NET

2. MedInsight

3. Cloud

4. Web Portal

Q&A



Q&A

We are happy to answer your questions now with the Q&A chat within Zoom, but if you would rather follow up with send us an email, please feel free to contact any of us below.

Charlie Mills

Product Lead

charlie.mills@milliman.com

Bill Alto

Product Manager

bill.alto@milliman.com

Brian Allen

Technical Lead

brian.allen@milliman.com

Austin Levenson

SME

austin.Levenson@milliman.com



Thank you

Any additional questions can be sent to:
medicarepricersupport@milliman.com