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Cost Containment/ Claims Recovery Checklist

With an average 7.1%

error rate on paid claims, health plans spend a lot of time and money trying to recover as many dollars as possible and minimize future errors. But many health plans may wonder how effective these efforts truly are – how much do they spend on recovery efforts? What is the return on that investment? How does their performance compare to that of industry peers? Are they focusing their time and resources in the right areas?

Rather than analyzing cost containment activities such as claims review, audits, coordination of benefits, subrogation, and others as individual programs, health plans should look holistically across these programs to determine their overall effectiveness. This information can help highlight opportunities to increase productivity, minimize administrative and claims costs, and maximize claims recoveries. To get started, check out this list of five things all health plans should know about their cost containment/claims recovery programs.

1) How do we define our cost containment program?

To make sure all stakeholders understand the cost containment landscape, look across the plan and define the cost containment tasks as your plan engages in them. This will help you align the organization's thinking about cost containment and set the stage to measure your results and compare them to industry standards. Later, we'll talk about benchmarking, which will be easier to do if you know that your recovery area tasks align to the appropriate benchmarks.

2) What are the financial results of our cost containment activities?

Measure the cost and outcomes for each area of your cost containment program, including vendors and internal staff. Calculate results for each specific cost containment activity and for each vendor across all services they perform. These calculations will begin to show you the value of each vendor to your recovery efforts and the level of performance for each activity.

Through this process, one payer discovered that three parties (including two vendors and internal recovery teams) were responsible for 75% of recoveries. They also discovered that 80% of recoveries are generated from five areas.

3) How mature are our cost containment operations and what is our target maturity?

When evaluating the maturity of your operations in various cost containment areas you'll look at things like the use of technology, efficiency of processes, strength of vendor relationships and internal teams, and cost avoidance capabilities. By evaluating maturity, you can identify gaps and begin to see possible opportunities to improve recoveries and productivity. In addition to assessing current maturity, you should also determine future maturity goals per recovery area based on which areas represent the greatest potential for recovery growth and opportunities.

For example, on one hand your plan may use a robust case management platform, which could indicate strong technical ability with data mining capabilities. On the other hand, the plan deals largely with manual processes and mainly manages case referrals instead of actively mining for new cases. Together, this indicates an opportunity to become more proactive and find more recovery possibilities by leveraging the available technology.

4) How do we *really* know if the results are good or bad?

Your plan's performance results alone may be misleading. To determine whether they are positive or not, you need to evaluate results in the context of operational maturity and compare them against industry benchmarks. For example, imagine that your COB team recovers $30 million in incorrectly paid claims. This is 0.54% of total medical expenses, which the industry benchmark shows is a high recovery rate. On the surface, it may indicate that your COB operation is performing above expectations. In reality, it may suggest that cost avoidance capabilities should be improved.

5) What are our next steps to improve results and advance maturity?

By now, you've amassed a wealth of information that will help you set and achieve goals for cost containment improvements organization wide. With this information, you can begin to build a roadmap to improve recovery results and strengthen cost avoidance capabilities. You can make informed decisions about work distribution among vendors and internal teams; high-opportunity focus areas; process improvements; and technology enhancements such as data mining, case management, analytics, and reporting.

About Ajilitee

Ajilitee is a healthcare information and analytics consulting business specializing in payment integrity, business intelligence, information management, and agile analytics. We bring a rare blend of business acumen, industry expertise, technical proficiency, and consulting excellence to our client engagements. We advise, build, and run programs that quickly and cost-efficiently drive immediate measureable outcomes for healthcare companies with strategic information needs. Our award-winning information experts create agile IT environments using cloud-based technologies and architectures for faster time-to-benefit with less cost and risk.

Ready to evaluate your Payment Integrity program? Contact Ajilitee at 678.296.8918 or info@ajilitee.com.