

HEALTH PLANS: COMMERCIAL



- Lean Applications: Commercial health plans**
- Sales/Growth: individual, small/large group, ASO, IDN
 - Health Plan Operations/Admin Expense: claims, member services, member enrollment, provider relations, etc.
 - Medical Management/Med Expense: utilization management, case management, etc.
 - Member/provider/practice engagement & activation: population health, collaborative care, PCMH, outreach
 - Support services/Admin expense: IT, configuration, (PCMH) reporting, underwriting, billing, finance, etc.
 - Effectiveness of Risk Agreements

LEAN SOLUTIONS: COMMERCIAL HEALTH PLANS

Overview: The objectives and subsequent areas of focus in the commercial lines of business (large group, small group, individuals, ASO/self funded, fully funded and new IDN's) represent specific opportunities to improve commercial health plan operational, clinical and financial performance:

- Upstream processes impacting Membership, Growth and Revenue (internal sales/brokers renewals and new accounts)
- Health plan operations impacting member satisfaction, experience and key drivers to Admin Expense (member services, claims, MARCOM, member enrollment, disputes, FWA, UM/CM, billing, etc.)
- Medical Management, population health and subsequent impact unto medical expense (medical management, case management, utilization management)
- Provider/practice relations to increase engagement and activation of providers, care teams and practice leadership
- Member relations, engagement and activation
- Member (self service) services (secure web portal)
- Increase understanding, awareness and opportunities provided by maximizing risk agreements elements (pmpm payments, ↑core measures, ↓Med expense)

Lean in Health Plans: Applying Lean in health plans can be a powerful contributor to improve key business (growth, revenue,

cost, MLR, margin), operational (claims processing, member services, MARCOM, member satisfaction) and clinical (med expense, population health, disease management) objectives. However to achieve business level results one must have a methodology that understands how to apply and utilize *lean management systems*; aligned to *your* business level objectives, your culture and your organizational capabilities. It is this alignment that is key to *both* speed to value (ROI) and the development of a *lean management system* for an organization.

Operations improvement (Admin expense)

Applying lean *within* the existing departmental structures of a health plan *can* be a very appropriate means of engaging Lean. Targeting and implementing improvements in wait time, turnaround time, productivity and capacity while simultaneously introducing a *Lean management system* from which to manage daily operations is how lean can rapidly impact both operational measures and business performance

- Member enrollment: Improved productivity 42%, Reduced *time to Member ID card* by 65%, increased capacity 30+%
- Claims: Reduced backlog 76%, increased auto-adjudication 10+%, reduced avg turnaround time 56%
- Member services: increased 1st call resolution 38%, reduced ASA 63%, increased productivity 27%
- Billing: reduced disputed bill 29%, reduced AR days 8%



Commercial health plan examples:

- Sales: Improved self funded group retention from 93% to 98%
- Claims: Improved claims process productivity 38%
- Member Services: Increased 1st call resolution 38%, productivity 27%
- IT: Increased out of area auto adjudication % from 72% to 85%
- Reduced med expense 1.8% and 2.2% in consecutive years (\$25+mm)



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Operations improvement (admin expense): Continued

- MARCOM: Developed communications strategy (all lines of business) resulting in reduced postage \$320k annually, a cadence to member communications and corresponding increased member satisfaction)

Commercial Health plan *Business* improvement (membership growth, revenue, admin expense, med expense, MLR):

In addition to *operations* level and *cost center* level improvements, lean can be applied to impact *Strategic* and *business level* performance. Although the *tools* and *techniques* applied will be similar, by targeting and focusing improvement efforts, improvements in areas such as membership, renewal rates (small group/large group), med expense, population health/disease management, new product (service line) development can be used to impact growth, revenue, MLR, admin expense and EBIT.

- Small/large group renewals and growth: Designing a systemic approach to small/large group renewals results in more refined proposals, improved AEP transitions, and reduced stress unto key operations departments (re-enrollment, MARCOM, member services, underwriting, transitions of care, etc.) The development of strategies for new groups, ASOs, municipalities, unions, etc. is often a multi year process with key milestones, tollgates and engagement of internal support resources. A process if not planned and managed will result in lost opportunity
- Med Expense: Traditional and non traditional approaches
 - Traditional: Enhancing and improving upon traditional *health plan centered* activities to improve med expense is just one dimension of opportunity (re-admissions, chronic disease management, inpatient vs outpatient services, specialty Rx, pre auth management and data collection, etc.).
 - Non Traditional: Understanding the keys to engaging and activating providers, practices and members in an increased awareness and importance of *access (PCP and key specialties), disease management, out of area (OOA) costs, referral patterns, etc.* has proven to become a key component to *activating* key personnel in the thinking and behavior that drive Med expense
 - Admin expense: Administrative expense can be impacted significantly (7.1% to 5.6%) through both strategic and systemic approaches targeting admin expense. Increasing auto adjudication, reducing turnaround time, focusing on *first call resolution*, and preventing *preventable* work is what drives improvements *upstream* to key departments.

Clinical Improvement (med expense): Often categorized as *med expense*, the ability to influence clinical processes, outcomes and improvements from both *within* the health plan and by engaging and activating key personnel from *within* the targeted delivery system (health system, hospital, SNF, specialty practice, primary care, etc.) can be a powerful contributor to a health plan's performance.

With health plan MLRs between 85%-90% and health plan margins between 3%-5%, the ability to utilize engage practices (primary care and specialty) and health systems to increase *access (primary care and key specialties), engage key populations (Chronic disease/'out of control' chronic disease patients), and understand the impact of out of are/network costs*, becomes a major driver to patient safety, patient satisfaction and *med expense*.

Today, few medical groups who have taken on *risk sharing* agreements actually understand the agreement itself. Taking the time (practice by practice) to explain pmpm, (impact of) HEDIS scores and key (practice level) drivers to med expense represents a massive opportunity to affect the *processes* that drive OOA costs, ED pmpm, hospital inpatient costs, etc.

Summary: Expanding health plan strategies for *lean* to focus on the building of a *Lean management system*, the ability to target *admin expense* and/or improve *med expense* provides a foundation for health plans to drive both *curve one* and *curve two* performance in health plans of all sizes in all geographies across the US.

Key Components: Lean in Health Plans

- **Leadership Development:** *Lean as a Management System* includes the development of senior leaders, directors, managers and supervisors in both performance management (Dashboards, MDI, A3, Gemba walks) and process improvement.
- **Process Improvement:** *Performance Improvement* through the fundamental improvement of key processes is a core competency to be developed in any health system, hospital, medical group and/or health plan.
- **Lean Infrastructure:** Having the processes and systems in place to not only lead and guide the appropriate selection and execution of process improvement activities, but more importantly to effectively document, spread and scale solutions across departments, units, and locations is key to *speed to value*.
- **People Development:** At its most basic level, we view *Lean* and *Lean* as a *management system* as a people development process. Focusing not only on process improvement and results, but more importantly on the continual support and development of thinkers and learners throughout an organization.