

Third Party Liability (TPL) Initiative: TPL Referral Backlog Event

Date: 6/24/10

Event ID: R1A 1.1

Version: 1.0

Executive Summary of the Initiative and Benefits

The Third Party Liability (TPL) and Recovery Initiative focuses on identifying efficiencies and improvements around third party insurance identification, verification, and processing within Department of Human Services (DHS) and the Medicaid Management Information System (MMIS). The initiative also seeks to increase the recovery of funds that DHS has expended when the third party should have been the primary payer.

DMAP held a Lean event with Health Insurance Group (HIG) in August 2009 focusing on eliminating the TPL referral backlog of 10,656 forms. Participants also explored methods of preventing future referrals from adding to the backlog. HIG made changes to business processes and staffing, reduced the backlog substantially, and returned a cost savings through June 2010 of over \$27,000,000.

Redeployment Plan

The minimum cost savings related to this initiative are expected to be at least \$15 million per year or \$30 million per biennium. The DMAP 2009-2011 budget has been reduced by \$30 million Total Funds (TF) or \$11.1 million General Funds (GF) for an 18-month period. The savings realized from the HIG event process improvements will meet or exceed the total expected savings for the initiative.

Improvement Summary

Prior to the August event, HIG staff spent much of their time processing and verifying back end referrals including TPL rush notifications from caseworkers, medical providers, and managed care organizations (MCOs). New referrals accumulated in a backlog reaching 10,656 forms. During this time, DMAP continued making capitation payments for clients enrolled in MCOs.

Timely processing of front end TPL referral forms enables MMIS to properly adjudicate claims. The benefits of proper adjudication are preventing inappropriate enrollment and payments to MCOs and reduction of back end referrals.

The initiative made the following changes to the process:

1. Allowing most HIG staff to process referrals from beginning to end, thus reducing handoffs. To enable this, leadership authorized “work out of class” pay for staff in lower pay classifications.
2. Temporarily increasing staff by five to reduce the backlog.
3. Verifying only medical and pharmacy third party payers, leaving less rewarding dental and mental health TPL verification for later.
4. Sorting referrals by insurance carrier and client identifier (prime identification number) rather than processing the oldest dates first. This allowed easier removal of duplications, permitted handling larger batches in each contact with carriers, and avoided working referrals that had passed timely filing deadlines.
5. Entering managed care exemptions on MMIS as soon as a referral is received rather than waiting until a responsible third party was verified. This avoids a non-recoverable payment to the MCO. (The client would still receive services on a fee-for-service (FFS) basis, which could be recovered later from the responsible third party).

Since employing the changes in processes and staffing from the Lean event, HIG has maintained current referral processing within 30 days of receipt.

Benefit/Outcome Description

Cost Savings

By eliminating the backlog of TPL referrals and entering the verified information on the MMIS, claims are adjudicated correctly and the Department is no longer paying claims and capitation payments incorrectly.

Prior to the event, HIG verified approximately 30 percent of new TPL referrals. Following the event, they are verifying 100 percent of new referrals; therefore 70 percent of new referrals and all backlog referrals are attributable to the initiative.

The changes from the HIG Lean event will result in savings to the Department averaging \$1,008 per referral with verified TPL. This calculation assumes an average of three clients per

referral at \$336 per-member-per-month (PMPM). It also factors in cost of claims paid before and after TPL is added to the system and capitation payments made to MCOs prior to disenrollment.

People

Lean Leaders conducted a survey asking for staff members to rate the following:

- Overall knowledge regarding their understanding of the end to end process for receiving and verifying referrals *PRIOR* to and *AFTER* the Lean event.
 - Approximately 83 percent of staff felt comfortable with knowledge / very knowledgeable about the process *PRIOR* to the Lean event, while 100 percent felt comfortable with knowledge / very knowledgeable about the process *AFTER* the Lean event.
- Overall satisfaction regarding their understanding of the end to end process for receiving and verifying referrals *PRIOR* to and *AFTER* the Lean event.
 - Approximately 17 percent of staff felt satisfied / very satisfied about the process *PRIOR* to the Lean event, while 83 percent felt satisfied / very satisfied about the process *AFTER* the Lean event.

Baseline

Referrals in backlog = 10,656 with an estimated cost of \$10,741,248.

Logic Description:

Cost Savings Backlog (see attachment 1)

The cost of referrals in the backlog is calculated using the following formula:

Number of referrals in backlog **X** average number of clients associated with a referral **X** (average PMPM cost before TPL added – average PMPM FFS cost after TPL added) – 10 percent for invalid TPL referrals – staffing cost = cost of backlog referrals

10,656 referrals **X** 3 (average number of clients associated with a referral) = 31,968 **X** (\$496 average cost before TPL added – \$160 average FFS cost after TPL added) = \$10,741,248 – \$1,074,125 invalid TPL referrals = \$9,667,123 = cost savings of backlog referrals

As of June 21, 2010, there are less than 100 referrals remaining in the backlog. Upon completion of backlog processing, total savings above will be realized.

Cost Savings New Referrals (see attachment 2)

Savings associated with timely processing of new referrals is calculated using the following formula:

70 percent of new referrals **X** average number of clients associated with a referral **X**
(average PMPM before TPL added – average PMPM FFS cost after TPL) – 10 percent invalid
TPL referrals = total cost savings for new referrals processed

19,760 **X** 3 (average number of clients associated with a referral) = 59,280 **X** (\$496 average
cost before TPL added – \$160 average FFS cost after TPL added) = \$19,918,080 – \$1,991,808
invalid TPL referrals = \$17,926,272 cost savings of new referrals

Cost savings of backlog referrals \$9,667,123 + cost savings of new referrals \$17,926,272 =
\$27,593,395 total savings

Sustainability Plan / Ongoing Metrics (September 1, 2009 through August 31, 2010): The Initiative Leader will have regular contact with the Initiative Sponsors and event team members to ensure completion of action items from events and/or other improvements implemented. The Initiative Leader will also be responsible for reporting the following metrics to DMAP's Project Manager through August 31, 2010:

- Backlog referrals processed
- New referrals processed
- Cost savings

A newly developed DHS/Oregon Health Authority TPL Advisory Group will continue to work to analyze and refine the savings and the methodology for determining the savings associated with TPL referrals and to identify efficiencies in TPL processes. Outcomes will be routinely reported to and monitored by the DMAP Transformation Steering Committee.

Attachments:

- Data Spreadsheet
- Reinvestment Plan
- Business Case

References:

Surveys – customer/client: Post event survey of HIG staff

Reports – internal/external: HIG emails weekly progress report

Web links: