The power of 2: integrating Star Ratings and HCC RAF

An EXL whitepaper

EXL Digital Intelligence center

lookdeeper@exlservice.com

It's not easy running a Medicare Advantage plan these days. Keeping up with changing Star Ratings and HCC RAF alone can be daunting tasks. Add in industry changes to ICD10 and value-based pricing, and you have the perfect storm. The convergence of all of these factors has left many plans gasping for monetary air—under projections, underperforming and falling short of their five-star goals.

The problem? Most health plans manage Star Ratings and HCC RAF as completely separate entities, although myriad overlaps exist. By integrating Star Rating and HCC RAF management, and leveraging these overlaps, Medicare Advantage plan providers can reduce administrative costs, increase revenue, and improve patient outcomes in the process.

A Look at the present state—and how we got there

Health plans and providers have been working with various rating and reimbursement systems since the 1990s. First up was HEDIS, or the Healthcare Effectiveness Data and Information Set. This tool was created by the National Committee for Quality Assurance (NCQA) to measure performance in non-Medicare health plans. The first versions of HEDIS appeared as early as 1991.

HCC RAF, which stands for Hierarchical Condition Categories/Risk Adjustment Factor, was introduced in the late 1990s to pay plans for the risks associated with elderly patients enrolled by Medicare Advantage plans. Basically, the HCC RAF acknowledges that health status and chronic diseases associated with plan participants have a significant impact on enrollees' cost of care. A 67-year-old with no chronic illnesses requires fewer screenings, prescriptions, care management intervention and ongoing care than a 67-year-old with diabetes, COPD and high blood pressure.

Organizations demonstrate the risk of each patient the only fair way: a combination of RAPS score (90%) and EDS (10%); only achieving the full risk-adjustment payments if these scores are in complete alignment.

Star Ratings were introduced in 2008[1] to measure how well Medicare Advantage and prescription drug (Part D) plans perform in multiple categories, including customer service and quality of care.[2] Essentially, Star Ratings are the "Yelp" of healthcare, enabling plans to earn ratings of up to 5 stars for top performance.

Star Ratings also impact the amount of rebates these health plans receive from the Centers for Medicare and Medicaid Services (CMS).

In the early days of the Rating, a Medicare Advantage Plan that earned fewer than 4 stars could do just fine, financially.[3] With the healthcare reform initiative of 2015, all of that changed. If plans fall below 4 stars, they lose the opportunity to earn up to 5%

As of March 2015, 31% of the 55 million Medicare beneficiaries were enrolled in a Medicare Advantage plan

in quarterly bonus payments, which can be doubled in a few cases of specifically challenges counties. Depending on plan size, that extra percent could translate into millions in lost revenue. But, getting that fourth or fifth star isn't easy; particularly the way most health plans are operating today.

If you look at a typical Medicare Advantage plan provider, HCC RAF and Star Ratings are managed by different departments and vendors, on multiple standalone systems—with little or no integration or cohesion to the process. Each of these fragmented environments operates in a vacuum, with little opportunity to share data or integrate workflows.

Not only is it expensive and inefficient to keep these separate entities running, it makes it near impossible to extract cohesive patient data. As a result, health care plans are spending more on administration, while leaving money on the table by not earning that extra 5%. They simply don't have access to the comprehensive data they need to move the needle.

EXL look deeper.®

When you consider the fact that, as of March 2015, almost one in three (31%) of the 55 million Medicare beneficiaries were enrolled in a Medicare Advantage plan[4] —and three in four of these individuals have some type of chronic condition—it's clear that health plan leaders have to take action now. Health plans that are currently losing money could potentially see those losses grow if they continue operating at status quo. Conversely, plans could greatly benefit from an expected increased enrollment by making a big change: namely, leveraging the overlaps between HEDIS, HCC RAF and Star Ratings; replacing existing operational siloes with a more cohesive, integrated model.

Exploring the HCC RAF-Star Rating overlap

Traditionally, because HCC RAF directly correlates to monetary returns, most organizations manage these claim codes and subsequent reimbursements through the finance department. Star Ratings, which deal with clinical outcomes and appeals, are typically managed by a plan's medical officer or government affairs area. Each area works with its own workflows, processes and database. That's the root cause of what could be a very costly disconnect.

Although HEDIS, HCC RAF and Star Ratings emerged at different times and, in theory, serve different purposes, there's more cohesion than plan providers may realize.

A full 30% of Star Ratings overlap with HEDIS measures; and 17% of Star Ratings overlap with HCC RAF measures. From diabetes care to osteoporosis management, identifying patients with these chronic conditions and actively ensuring they follow the prescribed protocol, can improve ratings, outcomes and ensure plans receive appropriate funds for managing those patients' care.

The bottom line is this: Star Ratings data can assist in HCC RAF, and HCC RAF can be leveraged to improve Star Ratings. So, why make these separate operational functions?

EXL look deeper.®

Let's take plan participants with documented cases of diabetes, as an example. If working from a single member database, providers could segment these diabetics through the HCC RAF, then drill down through the aggregated data to identify the people who are doing things right—following procedures, getting their screenings, managing their diet and getting their required vision and kidney tests on time. More importantly, they could identify every potential person who is not following through—then, using physician alerts and targeted patient outreach, motivate those individuals to take the required actions—which would ultimately increase Star Ratings.

Conversely, approximately 73% of Star Ratings are clinically based, mapping to diabetes, osteoporosis, and other chronic illnesses that directly impact HCC RAF. In a combined platform, health plans could more easily identify patients who, for instance, are identified as asthmatics, but whose vital signs also indicate diabetes,

although not coded as such on the HCC RAF. In this instance, by correcting the code to indicate two chronic conditions instead of one, the plan could potentially increase reimbursements by as much as 25% per affected individual on an annual basis. More importantly, the undiagnosed diabetics would get the treatment they need to manage the condition.

The scenario in this example is not as uncommon as one might think. According to the 2014 National Diabetes Statistics Report, of the 29.1 million people with diabetes, 20.1 million of those cases were diagnosed; 8.1 million were undiagnosed. The prevalence of diabetes among seniors continues to escalate at even a faster rate than the general population. An estimated 25.9% or 11.8 million seniors, age 64 or over, have diabetes (diagnosed and undiagnosed).[5] In some cases, previous HCC RAF diagnoses are mistakenly left off during annual re-evaluations. In other cases, new chronic conditions simply develop with aging.

EXL look deeper.®

The key to optimizing HCC RAF reimbursements is to identify those extra conditions when they occur, so members get the right treatment, and plans are properly compensated for the care provided to those members.

Although the annual Medicare wellness exam was designed to identify and validate existing and new conditions, there are always people who skip these exams; and there's always the potential for coding errors. So, neither of these methods is foolproof.

For those reasons, plans have to use all of the data resources at their disposal to properly categorize the risk of each member within the HCC RAF. And, if challenged in the Star Ratings side, plans should make sure that everyone who has a condition identified in the HCC RAF side becomes part of that denominator.

To maximize revenue, plans have to find a way to compliantly connect the patient

information from all of the claims and clinical systems to get an actionable view of patient data, nurses' notes and medical history. The goal is not only to code conditions correctly, but, to identify and encourage those members who are out of compliance to take the appropriate action.

Luckily, with the advent of cloud computing and secure, virtual environments, plans now have new ways to effectively connect all of the medical dots—without extreme capital expenditures.

In the past, the only way to extract data from all of a Medicare Advantage plan's disparate systems involved a sizable investment in hardware, software and integration—and the inevitable pain of the resulting business disruption.

Today, using a Semantic Technology Overlay, information can be pulled from the various systems, aggregated, and stored in a secure, virtual database that enables Medicare Advantage plan leaders

EXL look deeper.®

to see what's going on with their members and take action. While this isn't an "easy" solution, it's the most cost-effective way for plans to overcome internal system barriers to get the "world view" they need to affect positive change.

Medicare advantage plan wellness: The roadmap to the optimal state

So, how can Medicare Advantage plans get from where they are today to the optimal state? Although each plan is unique, these basic best practices provide a good baseline for improvement.

Consolidate

Consolidating disparate operations not only delivers the analytic benefits of treating Star Ratings and HCC RAF as a more comprehensive "whole," but it also reduces administrative costs. Essentially, plans gain more control of their data and eliminate services that are "doubled up," in terms of vendors, internal resources and output. Consolidating departments also enables data to be more effectively leveraged to produce greater financial returns. Everyone starts working toward a common goal.

Plans also may have 10 to 15 vendors handling Star Ratings alone, with another vendor pool focused on HCC RAF. When that happens, there's little chance for communication between the various groups. By consolidating these vendors, these areas, and taking a more holistic, top-down look at managing the various aspects of HCC RAF and Star Ratings; health plans can see great returns while reducing their own expenses.

Create a virtual database

The ability to analyze data is critical to increasing revenue, plan performance and patient care. By moving from multiple, siloed environments into a single, virtual database that provides a HIPAA-compliant, world view of each member, plans can transform data into actionable insight.

EXL look deeper.®

Know your member analytics

Use your analytics to segment your members; identify who needs motivation and outreach. Then, put a plan in place to contact providers, or members directly, to ensure they're getting the best care for their conditions. Some need reminders, some need motivation—with a little outreach, plans can promote behavioral change. Patient outcomes improve, as do plan ratings and revenue.

Improve proactive performance management

Review how you compare actual results to the initial plan bids. Plans that don't hit the bid number are losing a lot of money, so they have to look at what assumptions they made on that initial bid that aren't coming to fruition. What did you expect for a Star Rating, and what did you think your HCC RAF factor was going to be? How many people do you have engaged in care management? How many calls, on average, do you provide per member—and what's the length of those calls?

What's the average network expense and plan discount?

All important questions.

Plans have to identify and measure Key Performance Indicators (KPI) and use leading indicators to make changes immediately, where possible. Then, set up an ongoing framework for optimization. Assess, measure and identify areas that are falling short of expectation. Then, initiate a plan for positive change.

Engage and sustain employees in a meaningful way

Plans need the resources, or outside vendors, in place to engage members and manage the data to improve outcomes. Ask yourself, "If you had the comprehensive member data you need, do you have the resources to act upon this data in a timely matter?" If the honest answer is "yes," you're ready. If the answer is "no," you need outside help.

Targeted member acquisition

Although by law, Medicare Advantage plans accept qualified individuals, plan providers can use data analytics to more effectively target market to attract the

EXL look deeper.®

most profitable individuals—for example, humans with chronic conditions who are most likely to follow the prescribed guidelines. Instead of mass marketing efforts, plans can use data modeling to segment prospects and market directly to the most desirable group.

It's important to note that you're not just targeting individuals who can maximize revenue in the coming year or 18 months, but those that deliver the greatest customer lifetime value. In other words, how much value (revenue) the health plan will derive from its long-term relationship with that customer?

Although no one can predict the exact amount of time a person will stay with a plan, individuals in their 70s with three conditions that they keep under control are probably going to be more profitable than people in their late 60s with one or two conditions that they're not managing.

By taking a cue from other industries and using consolidated data to focus marketing dollars on your "best" prospective customers, Medicare Advantage plans can increase revenue and improve the return on their marketing expenditures.

It all starts with a world view of the data.

The desired outcome? A healthier profit and healthier member population.

By taking advantage of "The Power of 2": reducing administrative costs and increasing revenue by leveraging the overlaps in HCC RAF and Star Ratings, Medicare Advantage plans can gain an advantage themselves.

Fully utilizing the available data, and by consolidating functions as a cohesive whole, plans can optimize outcomes: for patients, for plan revenue and for the future of healthcare.

EXL look deeper.®

Reference

1. http://kff.org/medicare/fact-sheet/medicare-advantage/

2. http://www.medicareinteractive.org/get-answers/overview-of-medicare-health-coverage-options/changing-medicare-health-coverage/the-five-star-rating-system-and-medicare-plan-enrollment

3. Dieguez, Gabriella; Piper, Brad; Clark, Adrian. Health Watch, issue 69, May 2012. Figures 1 and 2, page 6.http://www.americanactionforum.org/research/primer-the-medicare-advantage-star-rating-system/

4. http://kff.org/medicare/issue-brief/medicare-advantage-2015-spotlight-enrollment-market-update/

5. American Diabetes Association. National Diabetes Statistics Report, 2014. http://www.diabetes.org/diabetes-basics/statistics/?referrer=https://www.google.com/

EXL look deeper.®

EXL (NASDAQ: EXLS) is a leading operations management and analytics company that helps businesses enhance growth and profitability in the face of relentless competition and continuous disruption. Using our proprietary, award-winning Business *EXLerator* Framework®, which integrates analytics, automation, benchmarking, BPO, consulting, industry best practices and technology platforms, we look deeper to help companies improve global operations, enhance data-driven insights, increase customer satisfaction, and manage risk and compliance. EXL serves the insurance, healthcare, banking and financial services, utilities, travel, transportation and logistics industries. Headquartered in New York, EXL has more than 24,000 professionals in locations throughout the United States, Europe, Asia, Latin America, Australia and South Africa.

Email us: lookdeeper@exlservice.com On the web: EXLservice.com

GLOBAL HEADQUARTERS
280 Park Avenue, 38th Floor, New York, NY 10017
T: +1.212.277.7100 • F: +1.212.277.7111

United States • United Kingdom • Czech Republic • Romania • Bulgaria • India • Philippines • Colombia • South Africa