

# MedInsight Administrative Cost Management Solution



The MedInsight® Administrative Cost Management Solution enables health plans, insurance companies, and third-party administrators (TPAs) to assess operational performance on more than 80 key administrative measures. By leveraging MedInsight's administrative benchmarks, clients can compare their own operational metrics with industry norms. This solution helps pinpoint inefficiencies quickly and sets the basis for performance improvement.

Payers and other healthcare organizations have often had difficulty tracking and managing their administrative costs (the portion of healthcare expenses dedicated to operations such as employee salaries and other costs of doing business associated with claims adjudication, agent commissions, marketing, call centers, software licenses, and more). These costs, known in the industry as selling, general, and administrative expenses (SG&A), represent a significant portion of overall healthcare expenses in the United States. While it is still imperative that payers remain focused on traditional key performance indicators such as utilization, provider quality and efficiency, avoidable events, and population health, keeping a close eye on administrative expenses is critical. MedInsight enables organizations to do both.

## The Solution

The MedInsight Administrative Cost Management Solution is used to help payer organizations such as health plans, insurance companies, and third-party administrators compare their administrative staffing, cost, efficiency, and quality levels with those of their peers and competitors. This solution allows organizations to focus their optimization efforts on functional areas where their staffing expenses may vary from industry norms. Using our expertise in the healthcare industry, Milliman has identified more than 80 administrative activities of a payer's operation that can be calculated and broken down to determine whether an organization is spending money appropriately.

New industry competition and rules driven by the Patient Protection and Affordable Care Act (ACA) have put pressure on payers to more effectively manage their administrative expenses. The MedInsight Administrative Cost Management Solution allows payers to identify opportunities to optimize their administrative spending by functional area, which allows them to increase surplus and compete effectively.

## Methodology

The solution couples an analysis model with benchmark data collected from more than 100 payer organizations representing the full spectrum of the healthcare industry, from small single-line carriers to large national carriers supporting a full suite of commercial products, as well as government programs and self-funded employer plans.

## MedInsight Integration

MedInsight Administrative Cost Management is part of the MedInsight Solutions suite, a collection of integrated solutions available within the MedInsight Analytic Platform. The MedInsight Analytic Platform is a robust decision-support system that leverages Milliman's leading actuarial, financial, and clinical methodologies. In working with our clients—health plans, at-risk providers/accountable care organizations (ACOs), employers, state governments, third-party administrators, and community health coalitions—we are keenly aware of the different business demands of each. Because one size does not fit all, Milliman enables clients to pick only the MedInsight Solutions that are required to meet their unique demands, thus customizing their MedInsight experience by licensing only what they need.

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By using the MedInsight Administrative Cost Management Solution, Deseret Mutual Benefit Administrators has been able to optimize their staffing efficiency in several key departments, as well as assess the best way to approach key initiatives, resulting in operational changes that lower cost while providing greater value.

ACTIVITY-LEVEL PMPM COST		BENCHMARKS PMPM MEDIAN				CLIENT RESULTS	
FUNCTIONS	ACTIVITIES	HIGH	Industry	Peer	LOW	\$	%ile
Claims	Mailroom and Claims Preparation	\$0.25	\$0.13	\$0.14	\$0.07	\$0.14	44%
	Data Capture	\$0.20	\$0.10	\$0.11	\$0.06	\$0.18	10%
	Adjudication	\$0.75	\$0.38	\$0.41	\$0.21	\$0.68	9%
	COB/TPL/Subrogation	\$0.25	\$0.13	\$0.14	\$0.07	\$0.14	44%
	Adjustments and Rework	\$0.25	\$0.13	\$0.14	\$0.07	\$0.14	44%
	Audit, Training and Setup	\$0.13	\$0.06	\$0.07	\$0.03	\$0.05	72%
Provider Management	Provider Services	\$0.75	\$0.38	\$0.41	\$0.21	\$0.25	87%
	Provider Contracting	\$1.00	\$0.50	\$0.55	\$0.28	\$0.87	13%
Member Services	Customer Service	\$2.50	\$1.25	\$1.38	\$0.69	\$1.25	50%
	Membership	\$1.25	\$0.63	\$0.69	\$0.34	\$0.55	63%
Medical Management	Utilization and Quality Review	\$2.00	\$1.00	\$1.10	\$0.55	\$0.78	75%
	Care Management	\$1.25	\$0.63	\$0.69	\$0.34	\$0.35	99%
	Medical Director	\$0.50	\$0.25	\$0.28	\$0.14	\$0.20	72%
	Other Healthcare Services	\$1.25	\$0.63	\$0.69	\$0.34	\$1.00	20%
Business Development	Marketing	\$2.00	\$1.00	\$1.10	\$0.55	\$1.23	39%
	Sales	\$7.00	\$3.50	\$3.85	\$1.93	\$6.00	14%
	External Brokers	\$12.00	\$6.00	\$6.60	\$3.30	\$6.00	50%
Finance	Finance and Accounting	\$1.00	\$0.50	\$0.55	\$0.28	\$0.37	79%
	Actuarial and Underwriting	\$0.75	\$0.38	\$0.41	\$0.21	\$0.55	27%
Information Systems	Operations and Support	\$2.50	\$1.25	\$1.38	\$0.69	\$1.00	72%
	Development and Integration	\$6.00	\$3.00	\$3.30	\$1.65	\$4.50	25%
Corporate Services and Administration	Executive Office	\$4.00	\$2.00	\$2.20	\$1.10	\$2.50	38%
	Taxes	\$4.00	\$2.00	\$2.20	\$1.10	\$3.00	25%
TOTAL		\$51.58	\$25.79	\$28.37	\$14.18	\$31.73	39%

As shown, the Administrative Cost Management Solution can be used to compare a client's administrative costs by functional area. The results can be used to target specific areas for optimization or additional investment. The information shown in the table above is for illustration purposes only. Milliman develops customized benchmarks for each client based on the client's unique mix of business, plan size, location of operations, and administrative intensity.