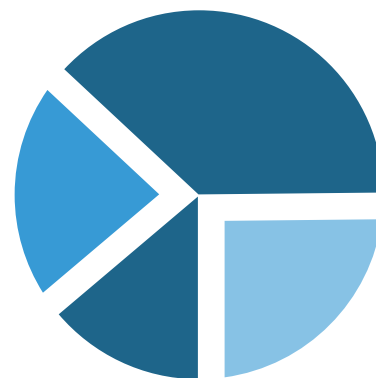


MedInsight Health Cost Guidelines (HCG) Grouper



Milliman has been at the forefront of helping health plans and employers evaluate and price their products for decades. By leveraging our Health Cost Guidelines (HCGs) since 1954, Milliman's clients have had a reliable source of health service classification and quantification that provides national and regional cost and utilization benchmarks against which to compare of their own products and data. In 2005, Milliman developed the HCG Grouper, a tool that lets clients process their own claims experience through this HCG-based methodology.

HCGs background

The Milliman Health Cost Guidelines (HCGs) originated in 1954 as an effort to track claim costs by hospital, surgical, medical, and other categories. They have evolved into a sophisticated series of pricing and benchmarks guidelines derived from an abundance of information sources.

The HCGs can be used to adjust healthcare costs for specific geographic areas, benefits, reimbursement structures, and plan characteristics. They are a valuable tool for product evaluation and pricing and can provide insight into the key drivers of healthcare costs and utilization.

The HCGs keep pace with the changing world and evolve throughout each year to account for changes in preventive service definitions under the Patient Protection and Affordable Care Act (ACA), new prescription drugs, surgical procedures, and healthcare delivery systems. The HCG Grouper even maintains the annual changes in the Medicare Advantage plan benefits package (PBP) classifications from the Centers for Medicare and Medicaid Services (CMS). Milliman's HCGs research employs multiple sources of data, more than 65 million members, and more than 2 billion claim records, across data sets from both the public and private sector.

Methodology

The MedInsight HCG Grouper utilizes the HCGs in order to assign detailed information to claims input into the tool. Each line of claim detail is assigned an HCGs service cost category, number of admits or cases, number of days or procedures, number of units, and procedure code families, as well as identification of continuous stay claims.

The flat file output format and design of the HCG Grouper lend themselves to flexible integration with the majority of commercially available databases or analytical applications. The output may also be imported into your data warehouse so that assignments of the HCGs can be readily utilized in reporting functions.

Advantages of the Grouper methodology

The MedInsight HCG Grouper can be used to analyze cost and utilization for many different types of population data, such as product lines, line of business, employer groups, primary care panels, and disease populations. The ability to categorize healthcare claims data into these groupings is useful for many purposes, including:

- Benchmarking
- Utilization tracking: inpatient days/1,000, office visits/1,000, prescription drug scripts/1,000
- Average charge tracking
- Analyzing the claim cost dollar

Benefits of the Grouper

- Groups your data into Milliman's HCG categories, enabling the analysis of cost and utilization experience through one of the industry's most respected and used service classification methodologies
- Helps establish a common analytic vernacular throughout the organization, making the use of key performance indicators more consistent
- Facilitates population comparisons and experience analysis
- Facilitates trend analysis of utilization and average charges
- Utilizes the most current Milliman guidelines methodology to assign HCGs
- Helps quantify an organization's performance with monitoring that aligns with product creation and rate structure
- Maintains the CMS methodology for defining preventative services
- Creates longitudinal CMS PBP categories for Medicare Advantage filing and year-round business reporting/analysis
- Uses a Windows application design that permits integration into an existing warehouse or data mart solution

Grouper output

The MedInsight HCG Grouper uses a flat file of claims information to accurately assign output values to each line. Aggregate summaries and several audit reports of the resultant grouped data provide a simple and effective means to bolster quality control.

The MedInsight HCG Grouper results are used throughout client organizations, from actuarial services to medical management programs, client portals, and executive-level management reporting. Healthcare organizations use the HCGs in benchmarking, utilization tracking, average charge tracking, and reviewing the claim cost dollar.

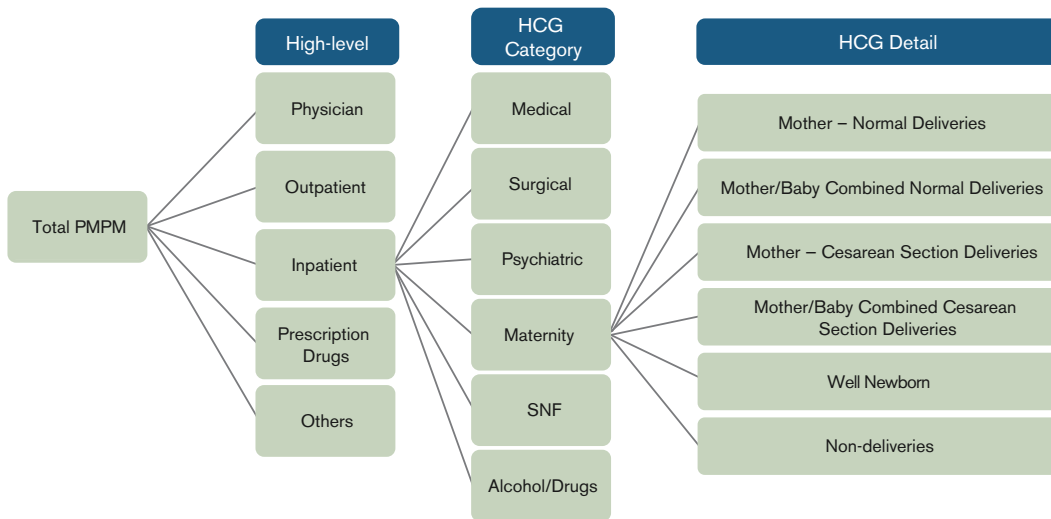
The HCG Grouper provides up to 12 values that seamlessly integrate into a client’s data warehouse or data mart. The top five are as follows:

1. HCGs identifier – One for commercial and one for Medicare PBPs
2. Days/procedures – Utilization metrics for all HCGs
3. Admits/case – Utilization metrics for all HCGs
4. Continuous stay claim ID – A key value to be used for analysis of inpatient claims
5. Milliman procedure code family value – A Milliman methodology to categorize and aggregate all procedure codes into 46 families

About MedInsight Data Warehouse Tools

The MedInsight HCG Grouper is part of the MedInsight Tools portfolio, a suite of standalone analytic products developed and offered by the MedInsight team at Milliman. In working with our clients—health plans, at-risk providers/accountable care organizations, 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 has made the MedInsight Tools available for purchase outside the MedInsight Analytic Platform. These tools enable each client to customize their MedInsight experience by licensing only what they need.

FIGURE 1: HEALTH COST GUIDELINES CATEGORY DETAIL



HCG Grouper benefits:

- More than 135 HCGs
- Annual updates based on the latest business drivers
- Permits granular insight for all reporting needs