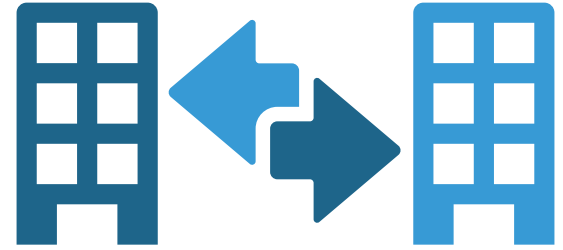


MedInsight Hospital Evaluation and Comparison System (HECS)



The MedInsight® Hospital Evaluation and Comparison System™ (HECS™) is a software tool for benchmarking hospital contracts on a patient mix and severity-adjusted basis. More than 50 health plans have utilized the power of HECS in areas such as hospital contract analysis and negotiation, creating narrow provider networks, fee schedule development, and identification of specific contract reimbursement variances. Approximately 40% of medical spending is driven through hospital providers, and HECS can play a valuable role in helping control these costs.

How HECS Works

HECS leverages the Milliman RBRVS for Hospitals™ methodology with a processing engine and a Microsoft Excel-based reporting structure. The methodology provides a simple yet defensible means for comparing case mix and severity-adjusted hospital contractual allowed amounts, efficiency, and billed charge master levels, and for quantifying patient severity among hospitals. HECS's built-in fee schedule is based on relative value units (RVUs) that represent the relative resources to deliver each service. HECS's processing engine assigns RVUs to the client's claim data, and then produces a variety of Excel-based reports that enable clients to compare reimbursement across facilities over time. These valuable analytic reports can have a powerful impact on hospital contracting negotiations.

HECS processes input tables of provider, inpatient facility claims, and outpatient facility claims from either a SQL Server database or text files, then groups the data into Diagnostic Related Groups (DRGs) using a DRG Grouper. The HECS software assigns RVUs to the data and exports data to output tables that are used to create the powerful Excel reports that deliver key value to clients.

The Unique Value of HECS

No other software tool on the market provides so much useful information so quickly or delivers the depth of data that HECS provides. It gives users a robust and defensible set of reports that is unparalleled in the industry.

TABLE A. CALCULATING A CONVERSION FACTOR WITH HECS

	Allowed Charges	LOS	RVUs
APR-DGR 44-1	\$4,000	3	78.292
82441	\$12		0.226
99284	\$275		5.834
A4643	\$95		1.344
74150	\$425		5.88
Totals	\$4,807		91.576
Conversion Factor			\$52.49

According to a Blue Cross Blue Shield client, "... while it is difficult to quantify what would have been, it is clear that the HECS methodology can contribute as much as 1% yield on contract allowable payments."

HECS enables clients to drill down and identify the driving factors that contribute to differences among hospitals. Table B illustrates the service categorization break-out analysis available in HECS.

TABLE B. HECS CONVERSION FACTORS BY MAJOR TYPE OF SERVICE

Contract	Inpatient					Outpatient						Total Avg
	Med	Surg	Mh/Sa	Mat	Avg	ER	Surg	Rad	Lab	Other	Avg	
Contract #1	\$65	\$52	\$61	\$58	\$58	\$53	\$32	\$68	\$89	\$57	\$50	\$55
Contract #2	\$48	\$30	\$37	\$53	\$40	\$45	\$41	\$77	\$60	\$60	\$53	\$46
Contract #3	\$85	\$92	N/A	\$79	\$86	\$49	\$77	\$95	\$94	\$80	\$77	\$80
Contract #4	\$54	\$41	\$70	\$53	\$53	\$36	\$50	\$81	\$83	\$74	\$67	\$61
Contract #5	\$58	\$44	\$75	\$57	\$57	\$42	\$49	\$87	\$88	\$79	\$69	\$64
Contract #6	\$51	\$33	\$56	\$53	\$45	\$38	\$47	\$54	\$58	\$68	\$50	\$48
Total	\$62	\$48	\$59	\$57	\$55	\$47	\$41	\$72	\$77	\$67	\$56	\$55

The MedInsight HECS tool offers the following advantages:

- Options for deployment: Either install HECS in your own environment and produce reports whenever you want, or let the MedInsight team at Milliman process your data through HECS and provide you with reports
- Quick installation and implementation of the HECS product: Most clients are producing HECS reports within a month of contracting with Milliman and submitting data
- Supplemental assistance from Milliman experts—actuaries, analysts, and technologists—throughout the term of your HECS license agreement
- Unmatched actuarial integrity: The RVU methodology developed by Milliman has been reviewed, tested, and validated by a third-party, ensuring confidence in the core makeup of the software

With HECS, you will be able to:

- Better understand hospital contract performance relative to peers and benchmarks
- Identify target opportunities for improved contract negotiations
- Defensibly communicate contract issues with your provider partners with sound, reliable data
- Produce reports that will assist with identifying the most efficient providers, facilitating higher performance and tiered network strategies
- Generate a meaningful ROI: 1% to 2% of contract allowable payments is conservative
- Reduce the amount of time and the number of resources it takes to prepare for hospital contract analysis and negotiations