

Large, Regional Managed Care Plan

Health Plan Operations

Midwestern U.S.

Project Sponsor:
Senior Vice President

Project description:

- Organization-wide, non-technology, self-funding improvement initiative for the Commercial Health Plan Division of a national processor of Medicare payments [900 employees]
- Scope of project:
 - Sales
 - Member Services
 - Underwriting & actuarial
 - Claims
 - Renewals
 - Document processing [In/Out]
 - Inquiry resolution
- Improvement benefits:
 - Operating cost ↓15%
 - Annual savings \$8M
 - Head count ↓13%
 - Break even point 7 mos.
 - ROI [12 month]. 4.0x
 - Unit cost per claim ↓30%
 - Underwriting cycle time ↓60%

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Situation Analysis: ClientCo, a 5,000 employee diversified provider of health plan products serves 4.5 million beneficiaries and processes over \$5 billion in benefit payments annually. Despite its highly regarded, broad base of network providers and products, competitors were making inroads in the group markets (both large and small segments) where ClientCo traditionally dominated. To regain market momentum, significant cost reduction and service improvement were required quickly and simultaneously.

The ClientCo Senior Executive Leadership Team engaged The Lab to conduct an 8 week analysis to identify improvements and design a work plan that targeted revenue, productivity gains and dramatically reduced unit costs.

Improvements Identified: The Lab's health plan operations improvement templates quickly documented over 250 non-technology improvement opportunities across the following organizations: Plan Development, Medical Affairs, Actuarial, Underwriting, Marketing, Sales, Member Services (contact center), Claims Processing, Contract Development and Imaging Support. Examples:

1. **Claims Processing Errors**— Roughly 25% of claims were held in a suspense file due to predictable, avoidable front end errors: unmet eligibility requirements, missing patient data, inaccurate pricing information and others, processing backlogs exceeded 40 days.
2. **Ineffective Sales Materials** — Multiple versions of informal selling “kits” presented an inconsistent, unclear sales message. Competitors’ presentations targeted customers’ highest priorities more clearly and consistently.
3. **Underwriting Data Rework**—Over 30% of new business applications contained incomplete data that was not resolved in client transition meetings. Consequently, 30% of underwriters’ time was costly rework - collecting and reconciling missing data.
4. **Medical Management Pre-authorizations**—Unnecessary and voluntary authorizations accounted for 60% of the organizational work load. Clearer guidelines, improved education of providers and members and more consistent ClientCo procedures reduce more than half of this waste.

Overall Results: ClientCo engaged The Lab to assist its internal improvement team in a four month, self-funding implementation effort. Using process redesign templates, best practices and standardized operating measures, ClientCo achieved a three point increase in market share and a 30% reduction in unit costs.