

Policy Issues Relating To Financial Risk Management

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What are Key Policies related to Financial Risk Management?

1. What should be the target Medical Expense Ratio?
2. Who has the responsibility and authority to set FFS budgets, service limits and priority of services?
3. What is the policy on setting FFS rates?
4. What is the policy on working with providers that request exceptions to claims processing issues?

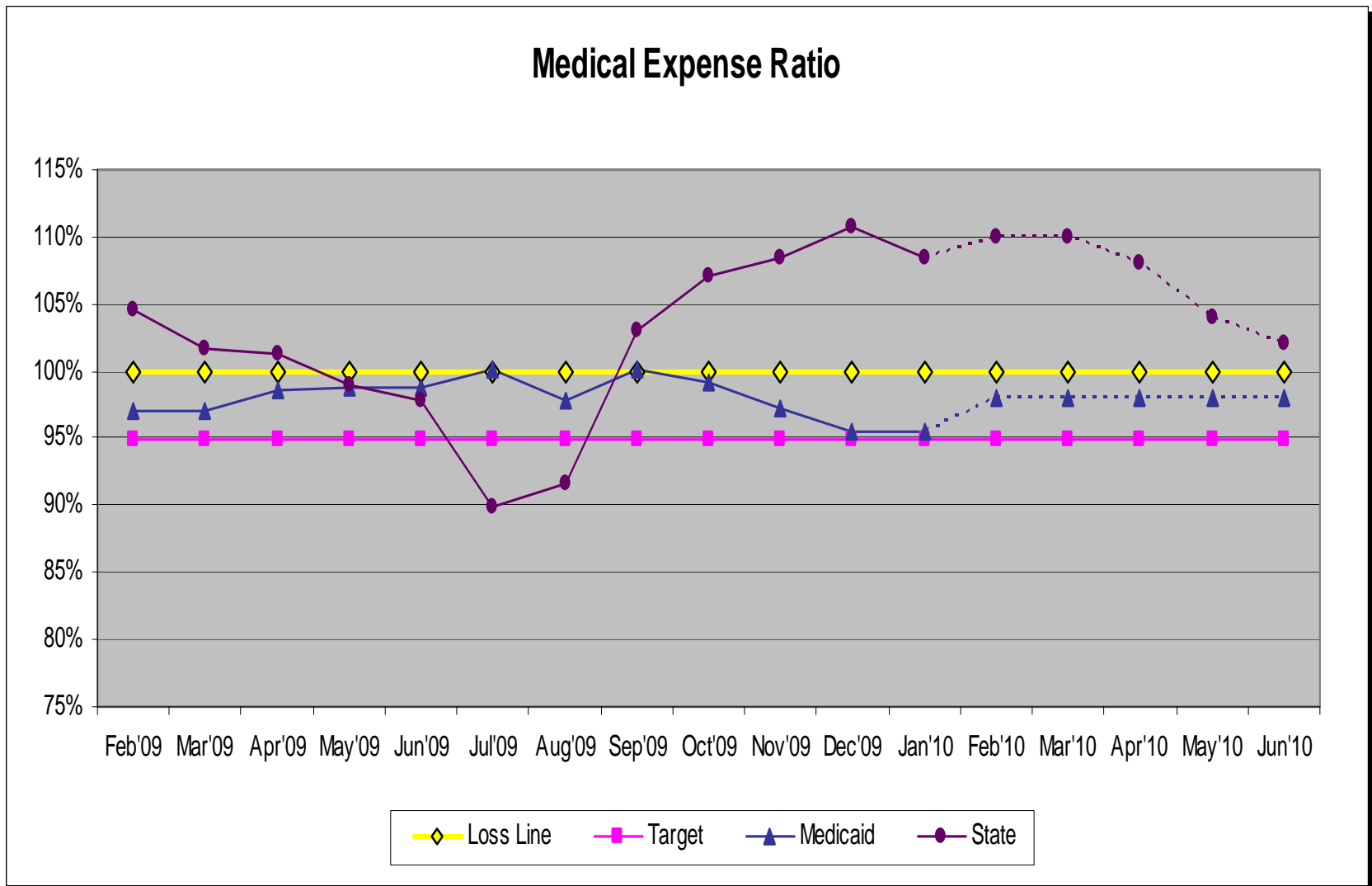
What are Key Policies related to Financial Risk Management?

5. What is the policy on allowing total service authorizations to exceed expected gross capitation payments?
6. What are the accounting policies relating to administrative cost allocation?
7. What are the accounting policies relating to IBNR?
8. What is the policy relating to fund balance and risk reserves?

Medical Expense Ratio (MER)

What should be the target Medical Expense Ratio?

Medical Expense Ratio (MER)



Policy issues to consider:

- What is the risk band you are comfortable operating in?
- What are the issues of setting the lower risk level too low?
- What are the issues of setting the upper limit too high?
- When do you take corrective action?
- How long will it take for your system to adjust to an adverse trend?

Tools to adjust the MER

- Rate changes.
 - Affects providers more than consumers
 - Quicker response in bending the cost curve
 - Downward adjustments may destabilize the system
 - Easier to change
- Changes in service limits.
- Changes in length of authorizations.
- Shorter Authorization periods.

Service Budgets

Who has the responsibility and authority to set FFS budgets, service limits and priority of services?

Budget to Actual



Creating solutions, One person at a time

Medicaid - B and C

	Budget	Actual	Variance (Over) Under	Percent Actual to Budget
Inpatient	\$ 3,050,000	\$ 2,711,621	\$ 338,379	88.9%
Outpatient	5,781,887	5,142,293	639,594	88.9%
Residential	8,733,333	7,375,522	1,357,811	84.5%
CAP/ innovations	18,972,698	19,154,392	(181,694)	101.0%
ICF/MR	19,504,333	18,952,226	552,107	97.2%
Community Service – B	9,327,333	11,357,847	(2,030,514)	121.8%
Community Service - B3	1,757,339	2,091,371	(334,032)	119.0%
Total Medicaid	\$ 67,126,925	\$66,785,272	\$ 341,653	99.5%

Policy issues to consider:

- Does Finance give UM a specific or global budget?
- Does UM project a service utilization budget?

Fee-For-Service Rates

What is the policy on setting FFS rates?

Policy issues to consider:

The MBHO can set its own rates, however, the MBHO must operate a “budget neutral” program compared to the state plan.

- Do we always follow the state plan reimbursement rates?
- If not, what monitoring do we need to have in place?
- Do you have a policy that states what services are a priority?

Claims processing

What is the policy on working with providers that request exceptions to claims processing issues?

Tracking claims processing

**Number of Days to Process and Pay
All Claims:
(Report as of March 16, 2010)**

	Sep'09	Oct'09	Nov'09	Dec'09	Jan'10	Feb'10
Service Date to Received Date	18.5	17.9	18.1	18.0	22.9	20.3
Received Date to Paid Date	9.4	9.8	10.1	10.9	9.8	10.8
Service Date to Paid Date	27.9	27.7	28.2	28.9	32.8	31.1

Management reviews denials

Top 5 Reasons for Denied Claims:

	Aug'09	Sep'09	Oct'09	Nov'09	Dec'09	Jan'10
Duplicate Claim	\$ 320,505	\$230,339	\$191,248	\$199,029	\$231,209	\$274,455
Missing/invalid treatment authorization code	\$ 204,626	\$173,092	\$187,126	\$136,194	\$145,535	\$164,743
Missing/invalid diagnosis or condition	\$ 89,916	\$ 57,036	\$ 77,178	\$ 44,753	\$ 40,271	\$ 63,066
Claim received after billing period	\$ 263,634	\$119,384	\$143,912	\$396,147	\$256,883	\$177,868
Missing/invalid place of service	\$ 38,233	\$ 73,713	\$ 38,960	\$ 61,382	\$ 27,056	\$ 66,319

Total \$ 916,913 \$653,563 \$638,426 \$837,505 \$700,953 \$746,449

Policy issues to consider:

- What decision authority do you want frontline staff to have?
- What organizational values are used to guide staff in decision making.
- What processes do you have in place to allow for appeals to provider reimbursement grievances?

Service Authorizations

What is the policy on allowing total service authorizations to exceed expected gross capitation payments?

Policy issues to consider:

- Do we limit authorizations by total dollars?
- Do we set how long can UM authorize services?
- How do we monitor performance to policy?



Administrative Cost Allocation

What are the accounting policies relating to administrative cost allocation?

Policy issues to consider:

- Is administrative cost allocated by:
 - Persons served?
 - Number of claims?
 - Authorized services?
- Revenues
- Activity based costing
- Other?

IBNR

What are the accounting policies relating to IBNR?

Policy issues to consider:

- How often do you calculate the IBNR?
- What level of detail?
 - All claims
 - By service category
 - By Medicaid Aid Category
- Often to you validate?



Fund Balance and Risk Reserves

What is the policy relating to fund balance and risk reserves?

Policy issues to consider:

- What do you do with savings?
- How much goes into the risk reserve?
- How much loss can you absorb?
- Are we are maintaining separate funds balances for Medicaid and other funds?

Organizational Risk Management Plan

- A set of indicators that monitor organizational performance in areas of greatest risk
- Benchmarks are reflective of the risk policies that are set by management
- An essential management tool as a financial budget or a UM plan
- Frequent review by management and the board is essential to assure policies are being followed
- A dashboard approach is recommended

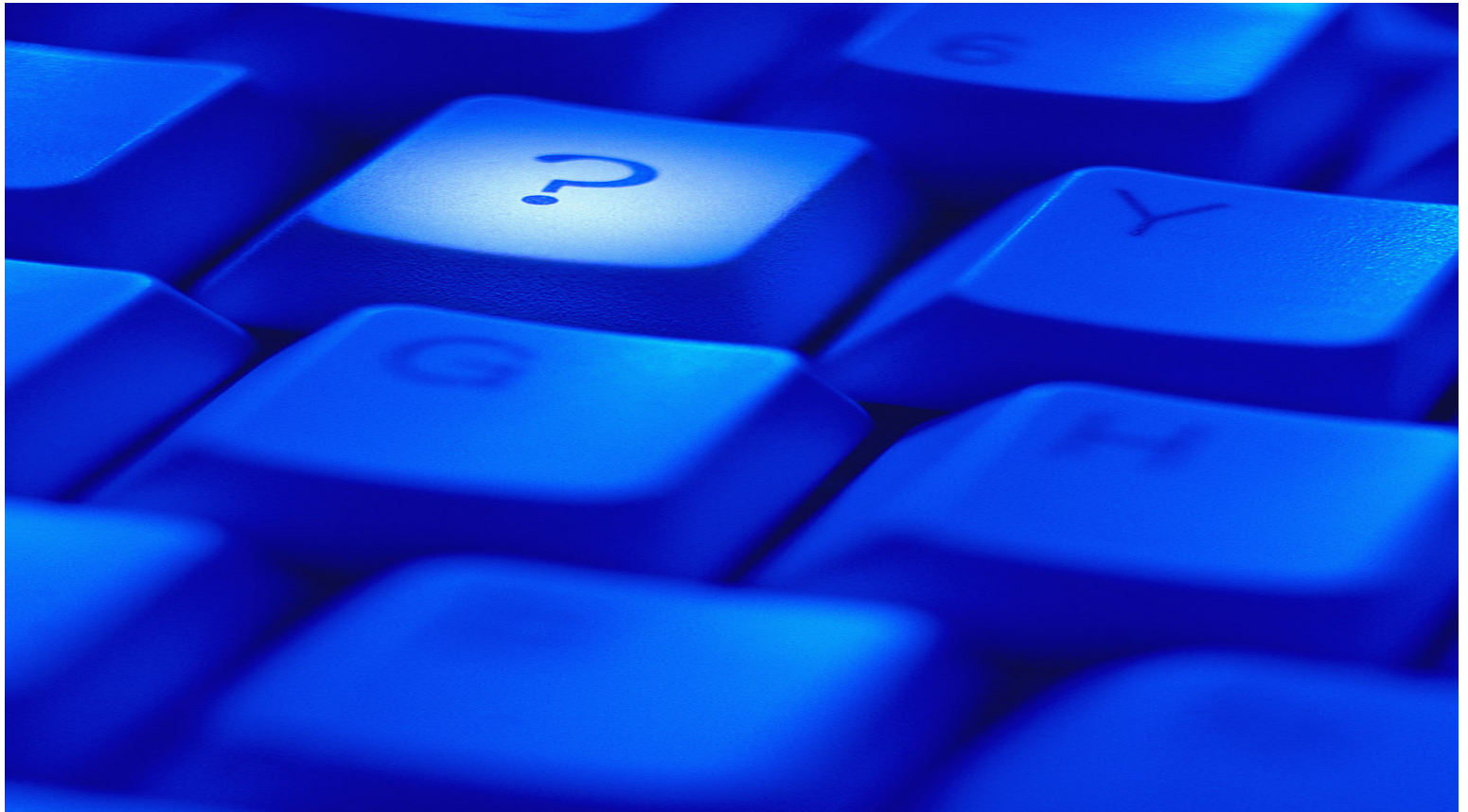
Organizational Risk Management Plan

- Financial stability
 - Timeliness to pay provider claims
 - Managing within the defined operational risk corridors
- Risk to consumers
 - Under serving the population
 - Managing the waitlist
 - Responding to consumer grievances
 - Denying services to consumers

Organizational Risk Management Plan

- Risk to providers
 - Financial risk for denied or delays in paying claims
 - Excessive administrative cost in authorization process
 - Risk of failure of the MBHO

Questions?



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