Guiding Principles:

Payment Integrity as a Strategic Enterprise Solution

As discussed in our previous introductory article on Payment Integrity, *Current State of Healthcare Payment Integrity: Article 1*, solutions generally focus on two parts of the claim's lifecycle: pre-payment and post-payment. Pre-payment solutions help payers eliminate errors before they happen, minimizing administrative burden and avoiding the time-consuming process of identifying and collecting overpayments. Post-payment strategies, simply stated, recover funds that were paid incorrectly.

While payers have bolstered their ability to prevent inappropriate claim payments before they are paid through advanced analytics, post-payment solutions such as data mining and contract compliance review remain vital, coupled with optimizing coordination of benefits and subrogation.

Today's technology innovations and workforce challenges (need to drive toward greater efficiency) are prompting payers to take a closer look at payment integrity with an eye toward a more strategic framework. More and more payers are recognizing that the status quo will not suffice in a volatile, disruptive market where change is happening with increasing speed.

Over the past decade, the healthcare industry has seen payment integrity evolve from an under-resourced operational niche to a strategic asset that is central to the overall management of medical expense, in addition to efforts to improve quality of care and foster mutually satisfying provider relations. Let's look at some guiding principles establishing Payment Integrity as a strategic asset.

Organizational Structure: Focus on an End-To-End Solution

Payers looking to advance payment integrity (PI) to a more strategic enterprise solution should first take a look at their organizational structure. PI functions are typically spread across several departments – claims, finance, information technology, operations, clinical, legal, and network management as examples. Establishing a centralized "office" to oversee PI can be the foundation for breaking down organizational silos, thus aligning complementary PI activities and as a side benefit, generating administrative savings through greater efficiency and effectiveness.

There is no right or wrong answer when thinking about ways to organize and a lot will have to do with an organization's philosophy, and which levers they want to pull relative to the most important outcomes desired.

To start, many organizations may not understand or appreciate the full scope of a comprehensive payment integrity solution. This is where taking an inventory of the various functions involved in one way or another with all the different aspects of payment integrity is helpful.

Once organization has a good handle on what aspects of payment integrity are being worked and where those functions reside, there can be a better, informed review of what structure might be best. For example, there may be good reasons why certain aspects of an integrated solution sit in designated parts of the organization. As a case in point, legal expertise required to optimize recovery via subrogation may better reside in the legal department versus appointing a legal representative within a centralized PI unit.

The same results sought via a centralized "PI office" can also be achieved by establishing cross-functional governance. At a minimum, there is a sizable benefit in increasing awareness and cross functional accountability for advancing PI efforts. Take for example provider contracting. The inherent goals and activities within network management can inadvertently be at odds with payment integrity efforts, even in terms of how contracts are written. It is not uncommon for provider contracts to contain clauses such as a prohibition around health plans changing policies that impact reimbursement mid-contract. Some contracts may also be written to forbid payers from offsetting future payments to collect on overpayment from prior period(s). These types of contract restrictions can have as much as a 20-30% recovery impact, as well as failing to otherwise provide incentive for providers to pay back once overpayment has been identified.

On the positive side, armed with the right organizational incentives and awareness, Network Managers can work with provider organizations, helping them learn about individual providers that are causing administration burden via mistakes and pattern billing practices that result in rework, resubmission of claims, and/or delays in payment. This reinforces more of a "win-win" approach where both payer and provider reap benefits.

Payment Recovery Models

Another good example of where organizational philosophy and culture comes into play is once again related to Provider Relations. Adopting a more aggressive approach to recovering overpayments will naturally risk causing some level of provider abrasion. An organization's philosophy relative to the importance of good provider relations (and the best way to hold providers accountable) will dictate which levers to pull from a payment integrity perspective. Rather than focusing on pursuit of overpayment recovery as a singular end point, it may be worthwhile taking into consideration the bigger picture relative to maintaining relationships with providers and thus causing less conflict, which can also have a negative impact on patients who often end up in the middle.

- *Will you leverage offsetting future claims to recover overpayment, or will you request repayment?*
- *How far back will you seek to recover (recent period versus months in arrears)?*

These are some of the key questions to consider prior to formulating an approach to billing errors.

An alternative approach that aims to hold providers accountable for pattern overbilling but with an eye toward more favorable provider relations might be to provide provider education as an initial step. This approach will allow for some overpayment recovery along the way, but moreover a path forward where all parties become more directly accountable for their role in establishing fair and reasonable payments.

Metrics that Matter

As part of making determinations about both the structure and approaches for achieving alignment across both internal and external stakeholders, organizations might take a step back and consider what their primary objectives are and develop metrics that can measure success accordingly. In addition to increased savings, there may be benefit in establishing metrics around provider relations (satisfaction), lower administrative cost alongside greater administrative efficiency. When value-based contracting is in place, metrics around improving quality of care as an element of the overall reimbursement scheme are also a consideration.

Of note, there is a tendency for organizations to evaluate efforts aimed at proactively identifying potential overpayments in terms number of "false positives". We have found that the financial value of finding even one in ten claims as overpaid can be well worth the effort. In this case, the success "metric" might better be measured in terms of net payment recovery (e.g., savings per claim) versus number of false positives.

Having the right success metrics in place can help galvanize and align the whole organization, to be in tune with the explicit benefits derived from a well-orchestrated enterprise payment integrity solution. The reason this is important is that certain parts of the organization, outside of claims and recovery, will need to step up and potentially adopt revised procedures and protocols, in order to help maximize efforts. The same holds for network providers – being able to provide regular and clear feedback to providers on billing practices will help build trust and with that improved compliance over time.

Leveraging Vendors (internal versus working with vendors)

Some payment integrity vendors offer more of a full range of solutions while a select few focus on a specific area of specialization. Evaluating the pros and cons of the best in class in each area versus reducing administrative overhead by working with a single vendor is often an important strategic decision. The size of your organization as well as maturity in vendor management can be important factors.

- *Do you have the capacity to engage the "best" vendor in each category?*
- *Is your plan size large enough to support building competition among vendors?*

Each of these factors are important considerations to build towards the best outcome for your organization.

Working with a vendor as a strategic partner to identify new opportunities or pilot new ideas entails making sure that vendor is more "invested" in a mutually beneficial way.
Working with a single vendor also establishes the ability to get better rates for services overall. Further, working with one vendor should make managing the relationship easier – the bigger the piece of the pie the vendor is engaged in the more leverage you have.

When engaging vendors as part of your solution, it is useful to recognize that while payment integrity is the core competency of vendor's organization, vendors will naturally work toward what is profitable for them, which may not always correspond exactly with what is in your organization's best interest overall. At the end of the day, contract rates, quality requirements and strategic intent inherent in the vendor versus partner approach will also play a pivotal role in terms of savings optimization.

Leveraging vendors typically manifest in variations of 3 different models. Determining the strategy and planning an approach upfront improves results and reduces necessity to recontract and/or end up with unplanned (unexpected) resource requirements.

There are primarily three models that are sometimes deployed. Each model has its own pros and cons, the weighing of which will vary depending upon your organization's characteristics and culture.

- *Outsourcing the entire process to an outside entity who specializes in identifying incorrect payments.*
- *In-House Management only - typically adopted by organizations with a strongly held philosophy about provider relations (moderate interventions with network providers) and where the aim is to maximize recouped savings by not netting them with vendor fees.*
- *Blended model - With a blended model, there is also an opportunity to consider working with vendors as strategic partners.*

Contractual terms and Service Level Agreements are essential elements beyond rates for services and scope. If you are looking for additional opportunities, approaches and understanding your program's full potential (or where to begin) we recommend beginning with the end in mind. Keep in mind the market is evolving with tools and techniques (stay tuned for Article 3 – the Evolution of Payment Integrity). Building a strategy that aligns with your organization's values and being intentional on what and how you roll out or enhance your program will serve your organization well in the long run

Interested in identifying your missed opportunity? Our Opportunity Assessment combined or phased engagement with our Payment Integrity Playbook has always provided a high Return on Investment for our clients. Please reach out to us if you would like to learn more.