

Operational Transparency Reduces Medical Expense



About Blue Shield of California

Blue Shield of California, an independent member of the Blue Cross Blue Shield Association, is a not-for-profit health plan with 3.3 million members, 4,800 employees, and one of the largest provider networks in California. Founded in 1939 and headquartered in San Francisco, Blue Shield of California offers a wide range of commercial and government products throughout the state. The company has contributed more than \$125 million over the past four years to the Blue Shield of California Foundation - which was named one of *BusinessWeek's* top 20 most generous corporate foundations.

Blue Shield of California has seen a significant improvement in provider relations, a decrease in administrative costs and a reduction in contractual trend through the implementation of Operational Transparency, a solution provided by MedeAnalytics, a leading provider of healthcare performance management solutions.

The Problem

In 2007, Blue Shield of California (BSC) ranked dead last in provider satisfaction polls. Billing delays, claim disputes, slow turnaround times and payment discrepancies contributed to poor provider satisfaction. “Negotiators from hospitals would bring boxes of unpaid claims into the room and put the skids on further talks until those claims were resolved,” says Juan Davila, senior vice president for network management at BSC. “That triggered a lot of finger pointing about who was to blame for those claims. It was intense.”

Sometimes a hospital’s perception of BSC’s performance was skewed. For example, the provider might think the health plan was taking 40 days to pay when the data showed that it took the hospital 30 days to bill and the plan 10 days to pay.

Without easy access to claims and operational data, which was often dispersed among multiple systems, it was difficult for BSC users to access and systematically share information. Claims and network management representatives were spending many hours manually compiling data upon request, which only served to drain administrative resources. This inefficiency and lack of operational insight compromised Blue Shield’s ability to effectively address claim settlement demands and hurt the company’s ability to negotiate competitive rates during contract talks.

BSC interviewed several hospitals in its network to explore program requirements and to determine what matters most to providers about conducting business with the health plan. The response from providers was blunt: Blue Shield is judged by how well it pays claims in compliance with contracted rates and how collaboratively it works to resolve issues.

The Solution

BSC decided to leverage the MedeAnalytics performance management platform to establish a web-based analytics portal that consolidates its claims data and provides unprecedented transparency for its contracted providers. This analytics platform is the foundation for an innovative program BSC has branded “Partnership in Operational Excellence and Transparency” (POET).

Blue Shield chose MedeAnalytics based on these key criteria:

Functionality: MedeAnalytics presented an intuitive interface that is as easy-to-use for Blue Shield’s claims and network management teams as it is for its providers. Its off-the-shelf reports could be put to use immediately, and even business users could conduct ad hoc analysis.

Delivery method: The solution’s web-based platform enabled Blue Shield to roll the program out to its providers without installing software at the individual hospitals (which would have been a non-starter). There was zero additional IT support burden.

Client service: MedeAnalytics’ service approach includes dedicated client relations staff for post-sale and post-implementation consultation and support.

Experience: Having more than 900 healthcare customers—including hospitals and health plans—meant that MedeAnalytics was familiar with the needs of BSC and its stakeholders.

Time-to-value: A standard implementation takes 90 days. Once the solution was in place, new providers could go live in less than a week. Users became experts with one day’s training.

“Mission Hospital has been collaborating with the POET team to work through underlying operational issues in 2009, and we are seeing about a 30 percent decrease in total denials and about a 50 percent decrease in denied dollars for FY 2010. The POET program has helped create an open forum to share performance issues or processes, with each entity committed to using the data to identify root cause issues and share their findings. As a result, in addition to improving performance, we’ve also created a more collaborative and understanding partnership.”

Dan Martinez
Director Patient Financial Services
Mission Hospital

“The MedeAnalytics platform has allowed us to create transparency and an environment of collaboration with our providers. The development of the POET program has facilitated stronger communications, shared performance targets and improved efficiency. The MedeAnalytics solution will help differentiate Blue Shield of California in the marketplace.”

Kenny Deng
Director, Network Performance and CPO
Blue Shield of California

Management team: MedeAnalytics’ senior leaders have significant health plan leadership experience. Being privately held, there were no potential conflicts of interest with a competitor-owned vendor.

Cost: MedeAnalytics Software-as-a-Service model meant there was no upfront capital investment required, and ongoing expenses were predictable and affordable.

The Results

The results of Blue Shield of California choosing Operational Transparency to implement POET have exceeded everyone’s expectations. BSC has experienced increased hospital satisfaction in addition to a measurable reduction in internal BSC administrative costs. With just 46 percent of hospitals and 38 medical groups participating, overall claims processing times are down 19 percent. That is equivalent to a 23.5 percent increase in productivity, and this figure includes non-participating hospitals.

The operational transparency program has resulted in a decrease in the number of claims denials, appeals and disputes. Overall, denials are down 20 percent and appeal volume is down 40 percent. Individual facilities have experienced even greater gains. For example, Mission Hospital, part of St. Joseph Health System in Southern California, has experienced a 40 percent decrease in claims denials by volume and a 50 percent decrease in denials by dollar value. Catholic Healthcare West, the eighth-largest hospital system in the country, has experienced similar results. One facility has seen a 31 percent reduction in denials.

The financial impact of more accurate and timely claims payments is substantial. Prior to implementing Operational Transparency, BSC regularly experienced contract renewal rate increases of greater than 10 percent. Due to improved

cash flow and provider relations, however, renewals have come in 400 basis points lower, resulting in the first single-digit overall contractual increases in years.

BSC’s Operational Transparency initiative has succeeded to the point that the vice president of member relations for the Hospital Association of Southern California (HASC) has aligned his organization with POET and includes it in HASC’s denials management workshop.

Results at a Glance

Blue Shield of California

- 2-day reduction in claim cycle time
- 20% reduction in claims denials
- 40% reduction in appeal volume per hospital
- Annual overall reduction in contracted trend from 110% to 107%
- 160 hospitals and 38 physician groups participating
- Significant improvement in provider relations

Mission Hospital

- 40% reduction in denial volume
- 50% improvement in payments
- 0.2 FTE reallocation in collections personnel

Catholic Healthcare West

- 31-point reduction in denial rate

About MedeAnalytics

Founded in 1994, MedeAnalytics delivers performance management solutions across the healthcare system—including hospitals, physician practices and payers—to ensure accountability and improve financial, operational and clinical outcomes. For more information, visit www.medeanalytics.com/ot.

