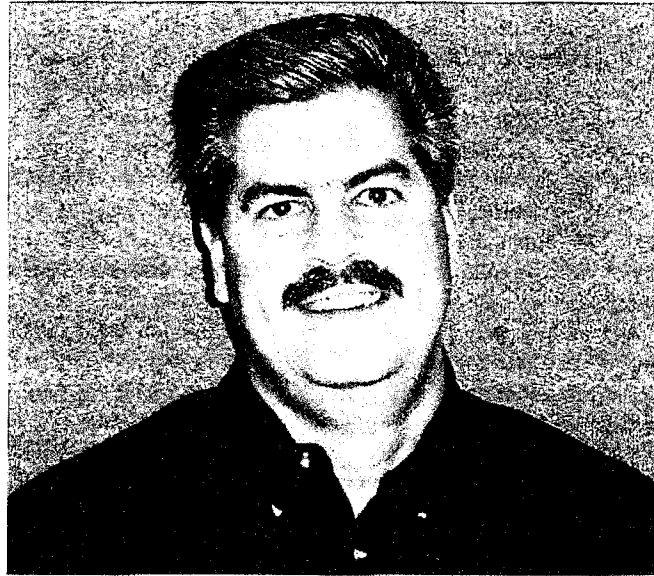


# Reviewing medical bills with **IT**

*Fair, Isaac's Jeffrey Miller – the cost management of claims is significantly impacted by effectively handling bills for complex medical management.*



JEFFREY MILLER of Fair, Isaac and Company describes how IT can help with the reviewing of medical bills so as to control medical costs in workers' compensation.

**Rising healthcare costs in the US are a well recognised problem for both employers and insurers providing healthcare coverage for American workers. The impact of increasing medical costs is recognised as a key problem in the workers' compensation system. Whereas once medical costs constituted 30% of the total workers' compensation claims expense, today they are 50%-60% of claims costs. Some insurers are reporting as much as 40% increases in their medical claim costs. The hardening market for workers' compensation combined with rising costs has caused premiums to increase an average of 12% this year, according to Tillinghast-Towers Perrin.**

**What are employers and insurers doing about this situation?** Among other strategies, careful review and management of claims and their associated medical bills are essential to ensure that these cases are properly handled and that costs and care are coordinated to produce the best outcome. *This article will examine how the process of medical bill review can be managed most efficiently and effectively to accomplish this goal.*

**REVIEW OF MEDICAL BILLS.** Workers' compensation medical bills have been reviewed for years to accomplish two goals: ascertain that all jurisdictional requirements (i.e. regulations in the various 50 states) were met, and to match prices for bills to the rates which were negotiated with medical providers organised into PPOs (preferred provider organisations). This review was usually accomplished in a manual, labour intensive process.

Bill reviewers have often utilised a software application to compare prices and typically referred to a number of "sticky notes" stuck to their computer screen, noting exceptions to various policies. Needless to say, the process was time consuming, not always accurate, and expensive.

Recently, technological innovations have been introduced which can automate this process and improve the quality of

the decisions made about the claims themselves. Use of these new systems maintains the integrity of the process and makes the best payment recommendations for maximum fiscal savings. The systems identify routine bills which can be paid without human intervention, and also identify those which should be routed to special handling experts. The new decisioning and automation systems introduce improvements in three areas of the claims and bill review process: **front end operations, actual medical savings on bills, and savings on exceptional claims.**

***“Mailroom operations that have traditionally opened, sorted and indexed bills can...be eliminated.”***

**FRONT END OPERATIONAL SAVINGS.** Capturing the information contained in a bill has traditionally been done through manual data entry. As a result, it was time consuming, expensive, and often inaccurate. Today, the use of scanning, OCR (optical character recognition) and EDI (electronic data interchange) allow the data entry process to be significantly streamlined. These enhancements not only eliminate data entry errors, but also increase the efficiency in transferring information to other entities, such as state workers' compensation bureaux.

Mailroom operations that have traditionally opened, sorted and indexed bills can also be eliminated. The turnaround time to enter a claim is reduced, usually from several days to less than a day. As a result, both customer service and data accuracy are improved, while costs are reduced. This improved system usually saves the expense of full time employees who can be reassigned to positions that require higher level analytical intervention.

Scanning and OCR also offer the advantage of remote viewing, allowing the employer or insurer to review their bills and

attachments through a website or secure server. These companies no longer have to rely on paper medical bills or claims forms for information and can have real time access to their workers' comp claims.

**DECISION MANAGEMENT.** The utilisation of decisioning software in front end operations further automates the process. This type of software is trained to "think" and to make decisions about the data it evaluates. For example, the decision engine can use an algorithm to determine if a bill belongs to a valid claim, and route the bill accordingly. If no match is found, the bill is returned to the provider or claims payer for more information, or its validity is confirmed through automated exceptions based software.

Automation and decisioning systems also increase the savings that result from the bill review process itself. The traditional bill review process involves a reviewer matching bills against claims to make sure there are no duplicates, then sorting bills by date, applying jurisdictional rules and company (employer or insurer) guidelines. Then the reviewer reprices the bill based on the fee schedules of the appropriate state or the discounts offered by the PPO.

***“Automation and decisioning systems...increase the savings that can result from the bill review process itself.”***

The process is not only tedious but often inconsistent, as the application of the rules is based on the knowledge and judgment of individual reviewers. By incorporating rules into the software decision engine, this information is automatically and consistently applied in every appropriate instance. The many details and guidelines in the large library of fee schedules, national and regional PPO contracts are available for the review of every bill, and are automatically applied to each one.

#### **AUTOMATED**

This automated application of rules enables up to two thirds of bills to be auto-posted – that is, they do not require further review and are paid immediately. The remaining one third require special handling of some type. The software decision engine automatically routes these bills electronically to the appropriate specialist for evaluation, allowing the specialist to focus their attention only on bills that require their expertise. Types of claims which might need special handling include those which may be fraudulent, require case management or have special reserving requirements.

**COST CONTAINMENT THROUGH COMPLEX BILL REVIEW.** The cost management of claims is significantly impacted by effectively handling bills for complex medical management. With 20% of claims responsible for 80% of medical costs, careful management of these complex bills can have a dramatic impact on the overall claims cost.

Without it, a complex claim can easily balloon into a six figure sum with no guarantees that the claimant is even getting appropriate medical care. Often the problems with the claim are not discovered until the damage is done. Typically, no one individual has the information to identify the problem, particu-

larly at the outset. An automated decisioning system can provide an "early warning" to enable intervention and management of the claim, so the company can prevent excessive medical costs and have the opportunity to improve care by ensuring that an appropriate medical plan is designed and followed.

**What kind of savings can be produced by adopting the automated, intelligent systems for bill review that are now available?** Companies have reported the following results:

- Overall expense reductions by 25%-40%.
- Automatic processing and payment of 70%-90% of bills that are determined to be routine.
- Up to 400% increase in overall productivity.
- Productivity of adjusters doubled with no need for overtime or additional staffing.
- PPO discounts always applied, resulting in a 6%-10% increase in PPO savings.
- Bill review turnaround time cut in half.
- Business rules consistently applied.

These results show that bill review is clearly not a "commodity" – there are dramatic differences between the outputs and outcomes when using sophisticated software systems and when using more traditional, manual approaches.

***“Types of claims which might need special handling include those which may be fraudulent, require case management or have special reserving requirements.”***

**THE FUTURE OF MEDICAL BILL REVIEW: THE BENEFITS OF EARLY ADOPTION.** Companies who move quickly to adopt these automated systems early will have a competitive advantage over those who do not. Many firms are finding that outsourcing the bill review function to a specialist with the latest bill review technology is an easy option to leverage their systems and operational expertise.

Insurers who may want to install this kind of intelligent software in their own departments can do so without eliminating or replacing their own legacy systems, by using it as middleware to add intelligence to existing systems. They may also choose to access an ASP (application service provider) who offers software in a hosted environment maintained by the manufacturer, and accessed through the Internet or a secure server. Companies pay a "per transaction" fee and avoid the costs of licensing, installing, upgrading and maintaining the system. Such an arrangement can considerably lower the costs of gaining access to the latest technology.

In conclusion, careful management of claims and medical bills is one of the key components to successfully manage the cost drivers of workers' compensation medical expenses. This goal is achievable by deploying new, intelligent software systems to automate bill review and claims processing, consistently apply business rules to comply with regulations and obtain maximum cost savings, and manage complex medical claims which are an expensive component of claims costs.