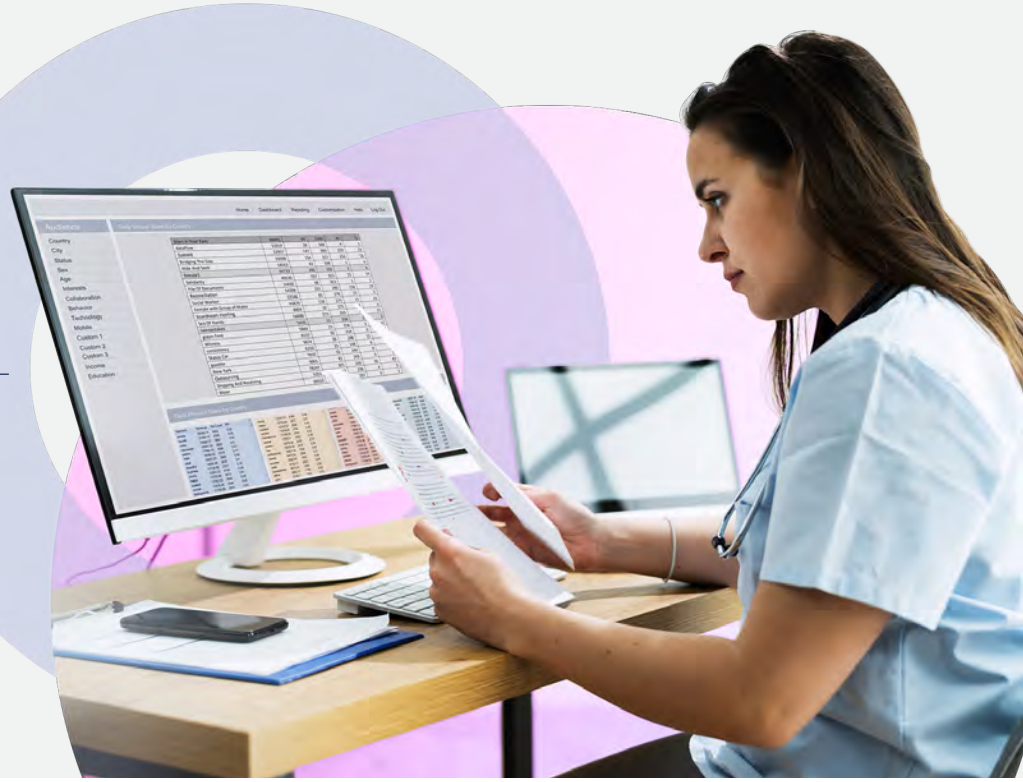
Progeny HEALTH®

Payment Validation & Assurance

Delivering Additional NICU Savings

Delivering NICU Savings

The Importance of Payment Validation & Assurance



Payment Validation & Integrity by the Numbers

Unnecessary spending takes place in every industry and setting. With the trillions spent on healthcare, even a small percentage of inaccuracy and waste is responsible for hundreds of billions in unnecessary expenditures. These costs are driven by coding errors, mistakes in the level of care, over-prescribed treatments, inefficiency, bureaucracy, and to a lesser extent, fraud.

While no one has an exact figure, the General Accounting Office (GAO) estimated that unnecessary health spending might account for as much as 10 percent of all health care expenditures.[1]

Getting an Accurate Measure

In 2019, the University of Pittsburgh School of Medicine with Humana calculated a more accurate cost of unnecessary healthcare expenditures. They found wasted healthcare dollars between $760 billion and $935 billion. Far exceeding the GAO, this suggested that a quarter of all U.S. healthcare spending might be avoidable.[2]

The study found $265.6 billion lost to administrative complexity, mainly from billing and coding and physician time spent reporting on quality measures. They also found $75.7 billion to $101.2 billion spent on overtreatment and low-value care. And, they found over $400 billion resulted from:

- **Failures in pricing** and care delivery
- **Failure to properly coordinate** care resulting in unnecessary admissions or avoidable complications and readmissions, and lastly
- **Fraud** and abuse

The Impact

It's no surprise that big numbers impact the bottom line. Even more importantly, these lost healthcare dollars could be used to improve the quality of care, increase clinical and management efficiency, provide better coverage for the underinsured, and reduce the tax burden for families.

For payers, the complexity of claims management adds other costs. These mismanaged claims:

- **Expose payers** to the constant risk of noncompliance and financial losses
- **Erode consumer confidence** in the healthcare industry, including governmental programs, and
- **Diminish the effectiveness of initiatives** that could optimize healthcare delivery, reduce costs, and improve outcomes.

Payment Integrity is Big Business

Uncovering these lost dollars is called *Payment Integrity (PI)*, a subset of the healthcare analytics and technology services industry that drives much of today's healthcare.

Payment integrity (PI) programs are designed to review healthcare claims before or after being paid. The programs often use artificial intelligence (AI) to identify overpayments and billing inaccuracies. Machine learning and natural language processing can also capture and process providers' notes to create algorithms that identify outliers and mistakes in future claims. The goal is to reduce the manual effort needed to determine which claims are billed or paid incorrectly.

The Limitations with NICU

Like all things in technology, machines excel at moving mountains of data but come up short when judgment is required. Machine-only approaches also become less and less effective for claims that don't present volumes or follow routine patterns. The limitations of PI become most pronounced with NICU cases.

Unlike typical PI programs, ProgenyHealth's Payment Validation and Assurance service leverages its NICU expertise to find savings that payment integrity services miss or overlook.

Why Payment Integrity Programs Can't Optimize NICU Savings

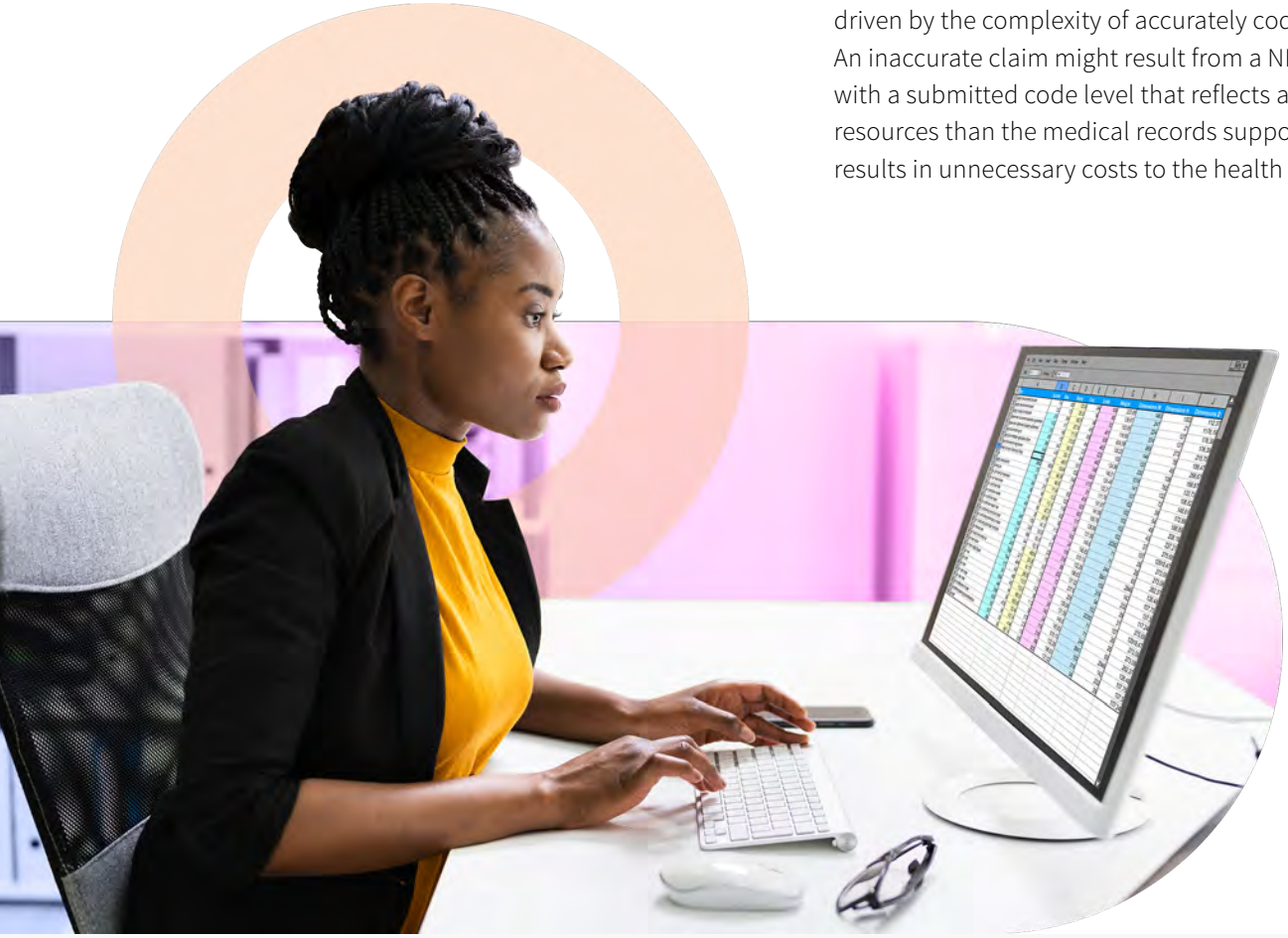
NICU cases are more common than people realize – more importantly, they are complex and costly. Daily NICU costs can exceed $3,500 per infant, and it is not unusual for some cases to costs $1 million for a prolonged stay.[3] Medically fragile newborns require expert care for blood disorders, nervous system issues, or conditions related to gastrointestinal, heart, metabolic, renal, respiratory, and more. Surgery is often necessary to correct congenital anomalies.

However long their NICU stay is, newborns with multiple special needs require round-the-clock specialized care.

60%

of medical cost for newborns are from the NICU population

For this reason, medical costs for newborns are among the fastest-growing in healthcare – driven mainly by NICU services. Such cases represent 15 percent of the newborn population but contribute to 60 percent of the spend.[4] NICU costs are driven by the complexity of accurately coding for these cases. An inaccurate claim might result from a NICU admission with a submitted code level that reflects a higher intensity of resources than the medical records support. NICU miscoding results in unnecessary costs to the health plan.



Introducing Payment Validation & Assurance

With traditional payment integrity programs, a machine sweep through the data can't decipher the complexity of a NICU claim. NICU claims must be curated by specialists who bring the same rigor to the back end that Utilization Management (UM) experts bring to the front end of a NICU admission.

ProgenyHealth's Payment Validation & Assurance (PVA) applies a hybrid approach that combines automated technology with a hands-on review performed by NICU clinicians. A PVA review compares the rationale for the coding against the clinical notes that form the basis of a claim.

Payment Validation & Assurance does more than flagging errors and getting the numbers right. The PVA process helps all stakeholders understand the issues in a claim. Providers can call ProgenyHealth's PVA neonatologist to help them understand the problems with a claim. By contrast, a Payment Integrity program might have to outsource that consulting role while also adding fees and time for the review.

The PVA service uses NICU trained and certified reviewers. When nurse specialists review a claim, they bring clinical expertise from their first-hand experience with NICU protocols and procedures. If something isn't right, they spot it. AI and machine learning programs can't exercise that level of judgment.

15%

of all newborns are NICU cases

Clinical Documentation Makes the Difference

ProgenyHealth's Payment Validation & Assurance service is tightly integrated with its Utilization Management. With UM and PVA under one roof, we can target clinical information from the coding process without burdening providers with documentation requests. This clinical documentation is available to ProgenyHealth via its Baby Trax® platform. When paired with a NICU Utilization Management program, the PVA program can impact multiple savings levers – front-end and back-end – across different payment methods, including 3M® APR DRGs.

Capturing the Mid-Range

Payment Integrity programs typically target high-dollar claims by the same logic that the infamous bank robber, Willie Sutton, replied when asked, "Why do you rob banks?" – "Because that's where the money is."

But NICU claims defy Willie Sutton's logic. Even though it's easier to catch one big fish than a whole lot of little fish, the big money savings are in mid-range claims. Here's why:

Not all NICU is high dollar. An infant who spends seven days in the NICU might generate $50,000 in costs and not trigger the PI high-dollar threshold. ProgenyHealth's Payment Validation & Assurance service can look at all cases and apply its clinical expertise and claims integration to capture mid-tier savings.

Payment Validation Example:

ProgenyHealth might find $2,000 in savings in a $50,000 case or as much as $10,000 savings in a $25,000 case. Capturing $10,000 from 100 cases delivers a million dollars in savings.

PVA Programs Work at Any Tier

Payment Integrity discussions focus on the relative value of prepayment versus post-payment before applying the review. Because PVA takes a deeper dive into the claims data than most PI programs, prepayment or post-payment make no difference. PVA can actually complement an existing program already in place and be run second or third in line after the PI algorithm has run its course since PVA looks at all claims, not just the high-dollar one.

Best Practices

The goal of all payment validation systems is to pay claims right the first time. Full integration of UM, CM, and payment validation makes this possible:

Full integration

ProgenyHealth has access to key clinical data via Baby Trax®. Because Payment Validation & Assurance staff have NICU clinical backgrounds, they know the codes and quickly recognize errors. Validation is processed in one or two days, unlike Payment Integrity firms which can take 30 days or more.

- ProgenyHealth's integrated approach offers post-adjudication, prepayment verification of charges, and bed levels based on our clinical authorizations and expected claim outcome
- Our built-in access to relevant data reduces the need to burden providers with requests for documentation

Cost drivers

ProgenyHealth validates key NICU cost drivers, including:

- **Length of stay** – by verifying the number of days billed vs. days authorized
- **Level of care** – by assuring the billed charges match the clinical levels of care authorized
- **Severity of illness** – 3M®APR DRG, with 100+ targeted codes that we can review and document to help eliminate upcoding

Data integration

Our Baby Trax® system holds the infant's case history to enable real-time payment validation:

- Claim data is matched with authorization data. Inappropriate claims are flagged and adjusted through proactive, upstream intervention
- Real-time validation delivers quick turnarounds, drives change in hospital billing behaviors, reduces outliers, and provides full integration with our utilization management program

Rationale Review

Health plans receive a Variance Report that shows:

- The DRG as submitted, the rationale behind any adjustments, and the adjusted DRG
- Changes to the assigned coding
- The rationale for any changes to assigned coding

Opportunities

NICU cases are clinically complex. For this reason, severe over-billing results from inappropriate diagnosis and procedure codes, inflated DRG, and under-coded claims can create outlier payments.

- ProgenyHealth identifies savings opportunities on 20%-30% of claims reviewed with average savings per member ranging from $2,000 to $4,000 in incremental savings on a typical claim and much more on certain high-cost claims.
- We find savings across long and short lengths of stay and inlier and outlier payments.
- Our Payment Validation & Assurance Program is cost contingent – meaning we don't get paid unless we save you money. Health plan savings fund it with a 300% built-in ROI to verify billed charges, reduce NICU claims costs, and eliminate provider abrasion for all payment methodologies and types of contracts.

Designated Payer

Because we manage the UM and Payment Validation & Assurance processes, we operate on the health plan's behalf.

- We know what procedures were discussed with the NICU provider team and have in-house documentation about the subsequent billing.

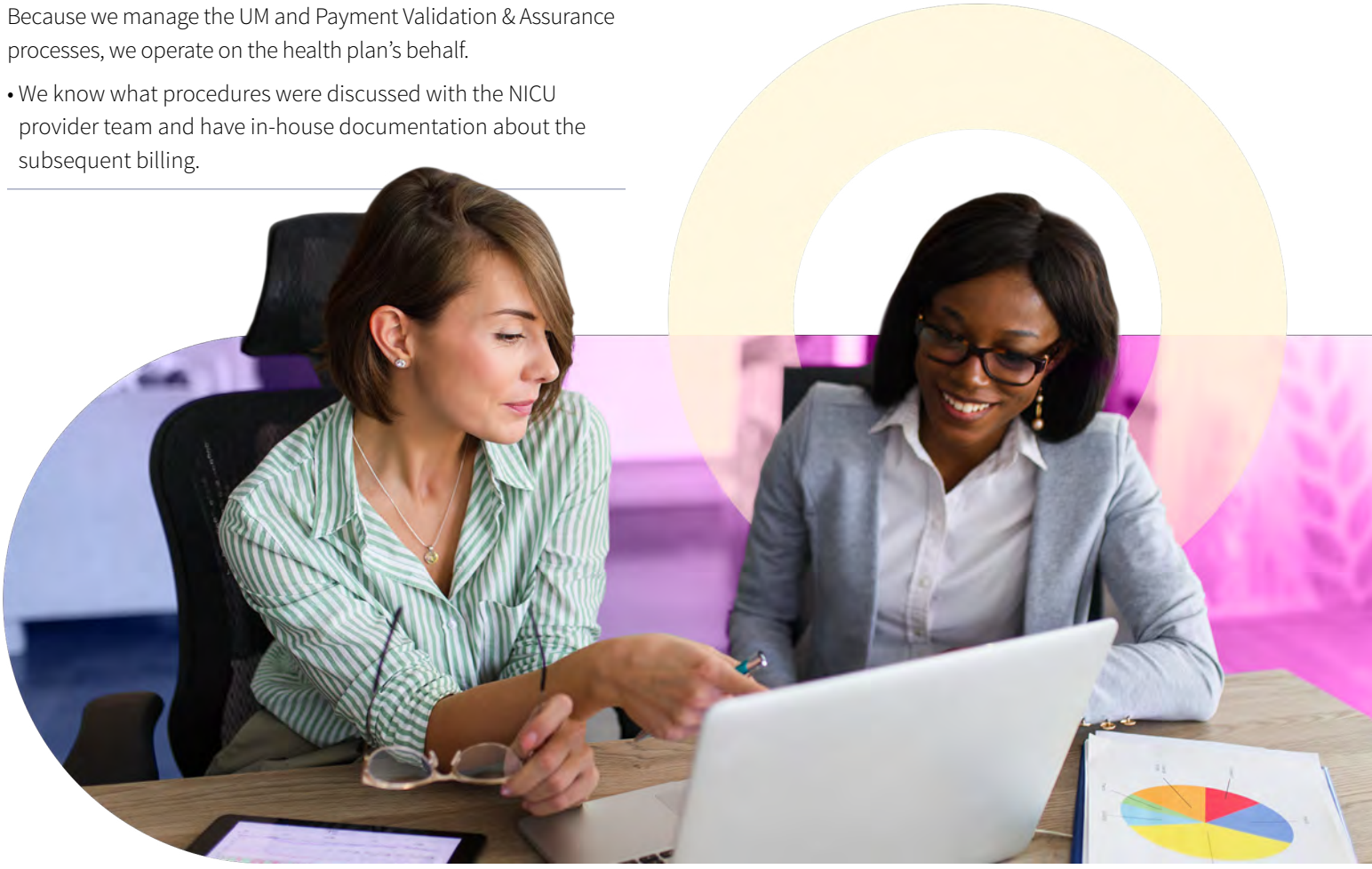
Specialization & Integration Represent the Future of Payment Validation

ProgenyHealth's NICU-specialized integrated approach represents the future of payment validation and integrity.

"Our turnkey approach delivers access to all the clinical documentation via Baby Trax," said Laura Orfanelli, Clinical Payment Assurance Manager. "This gives our staff with their NICU clinical backgrounds a remarkable advantage."

Only ProgenyHealth's integrated approach leverages UM, CM, in-house claims data, and specialized clinical expertise to deliver the speed, volume, and accuracy needed for the digital transformation of payment integrity.

Most importantly, where most Payment Integrity programs focus on high-dollar claims, ProgenyHealth maximizes savings by validating a health plan's entire volume of NICU claims.



About ProgenyHealth:

ProgenyHealth is the only national, tech-enabled women's healthcare company dedicated to Maternity and NICU Care Management. We serve women, infants, caregivers, and families through the milestones of maternal health — from conception and pregnancy to postpartum and parenting, with special expertise in managing premature and complex births and resulting NICU admissions.

Our industry-leading intelligent platform, Baby Trax™, integrates utilization management and case management, while also driving payment validation & assurance activities based on clinical data. With nearly 20 years of experience, our board-certified physicians, nurses, social workers and others, collaborate with providers to improve health outcomes, enhance the member and provider experience, and reduce costs for commercial health plans, Medicaid payers, and large employers. For more information, visit www.progenyhealth.com.

Resources

1. https://www.justice.gov/archives/jm/criminal-resource-manual-976-health-care-fraud-generally
2. Shrank WH, Rogstad TL, Parekh N. Waste in the US Health Care System: Estimated Costs and Potential for Savings. JAMA. 2019;322(15):1501–1509. doi:10.1001/jama.2019.13978
3. https://journalofethics.ama-assn.org/article/cost-saving-tiniest-lives-NICUs-versus-prevention/2008-10
4. https://blog.progenyhealth.com/NICU-cost-containment-in-drg-environments