



Putting it all Together



TMG Health

*The **Leader** in Business Process Outsourcing
for Medicare & Medicaid Health Plans*

**Business Process Outsourcing in the
Medicare & Medicaid Market Webinar**



Experience

Most Experienced Business Process Outsourcing Vendor Serving Medicare Advantage and Part D plans – **since 1998**

New Product Launches and Existing Plan Conversions including Medicare Advantage HMO, PPO, PFFS, SNP and PDP for 2.8 mil members

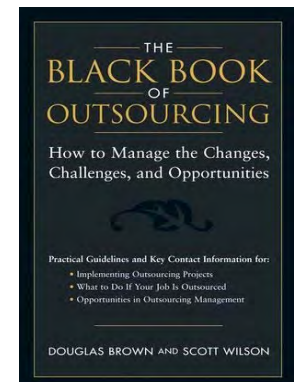
Client Experience – Over 30 clients serving members in all 50 states

- Local, Regional, Blues and Large National Plans
- More than 200 Employer Groups Implemented. 325,000+ members

Proven/Tested Technology and Systems

Dedicated Client-Centric Teams Using Medicare Focused Tools and Workflows

2008 #1 Ranked TPA & Medicare/Medicaid Management Services Organizations BPO



TMG Health Background

- Management: Health Plan Background
- Founded to Serve Managed Medicare Plans
- 1,200 + Employees
- Service Centers in Scranton and Dunmore, PA.
 - All Service Teams are US-based
 - Third Center Being Implemented in Amarillo
- Corporate Headquarters, King of Prussia, PA (Philadelphia)



2008 Gartner survey of 60 health insurer executives revealed approximately 40% expressed intent to invest in BPO services during 2009



TMG Scope of Services

**Medicare Configured Managed Care Information System and
TMG Proprietary Applications**

Enrollment & Disenrollment Processing

Eligibility Maintenance (System of Record)

CMS Eligibility Reconciliation and Tracking

Premium Billing and Cash Receipts Posting

Claims Processing/Payment & RAPS Submission

Member & Provider Call Services

Surveys (HRA, MSP)

Printing and Fulfillment Services

MM, A&G Systems



Putting It All Together



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Business Process Outsourcing in the Medicare and Medicaid Market

March 3, 2010

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D. Kirkwood Associates, Inc.



Presentation Overview

Provide a useful framework to handle the outsourcing decision, focusing on topics related to scope, triggers and motivations, perceived and real risks, selecting a partner, implementing successfully, and managing the ongoing relationship

Help you understand the difference in perceptions based on which side of the outsourcing relationship you are

Position you and your company to maximize the return on an outsourcing decision already made or a decision yet to be made



Outsourcing Discussion- Overall Framework



Outsourcing Framework

Starting the Discussion

- Define outsourcing relationships
- Understand triggers and motivations
- Consider risks of outsourcing
- Document goals and objectives
- Assess current in-house process capabilities
- Determine potential improvements based on outsource model

Determining Scope

- Component solution or full Business Process Outsource?
- What time frame and commitment is being considered
- What is being considered core vs. non-core
- Develop requirements based on intended scope
- Create list of non-negotiable items

Selecting the Outsource Partner

- Perform scan of market for potential outsource partners
- Construct and distribute RFP
- Score RFP; determine finalists
- Site Visits
- Hear oral presentations
- Decide on vendor

Implementing the Solution

- Contract negotiation and finalization
- Setting a clear time frame and expectations
- Establishing top-down governance
- Investing in top-flight resources
- Following solid change management and communication principles

Managing the Relationship

- Solid transition from implementation to steady state production
- Managing by exception, not by hovering
- Clear metrics and trigger points
- Capable resolution and escalation process
- Periodic review and check-up opportunities

Note that many companies considering outsourcing will jump right into the middle, starting with a list of potential vendors...



Triggers and Motivations- Why Consider Outsourcing

Cost Savings

Focus on Core Business Activities

Desire to Improve Quality

Performance Metrics and Accountability

Capacity Management

Catalyst for Change

Enhance “Innovation”

Standardizing Business Process



Triggers and Motivations- Federal And State Markets

There are triggers and motivations, those that resonate more than others when considering the Federal and State Health Insurance markets- they are:

- Risk and Compliance Management
- Operational Expertise
- Reduced Time and Cost to Enter a Market
- Access to Talent



Risks Related to Outsourcing- Perceived or Real?

Perceived inhibitors to outsourcing:

- Uncertainty (Devil you know vs. the devil you don't)
- Loss of Control
- Loss of Core Competencies
- Employee Wariness/ Unhappiness
- Difficulty in Reversing
- Risks of failure



Outsourcing Discussion- Scope of the Relationship



Scope of the Relationship

Example: When you have the neighbor's kid mow your lawn, that's outsourcing.

**But what are the things that you now need to worry about?
Things like:**

- Will the kid be reliable? Show up on time?
- What steps do I take to make sure that my expectations are clear?
- Will the grass be mowed and trimmed to your satisfaction?
- Can I rely on the kid to understand my motivations- like "gee, it's going to rain, so I better get this done before it does," or "I am having a lawn party tomorrow, so I better bag the grass this time..."
- What recourse do I have when the job isn't done right?
- What, ultimately, is my exit strategy and what would prompt me to pull that trigger?



Scope of the Relationship

But what would you do if your neighbor's kid came to you and offered a fixed price arrangement to take care of your house year round and provided a very clear and all-encompassing proposed scope of services?

- He would now be entering into the realm of a Strategic outsource relationship.

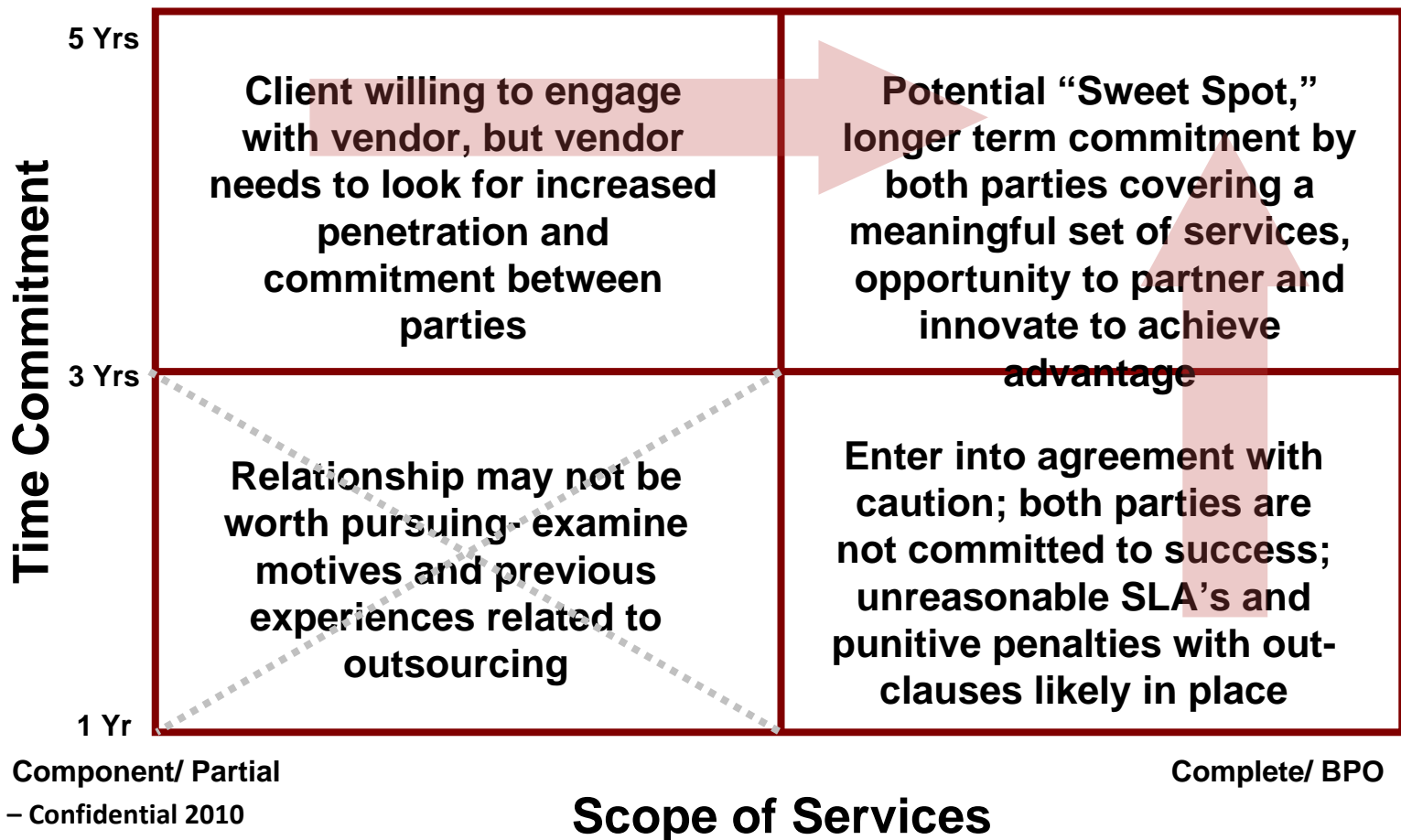
What if his proposal included ways to not only get the work done, but at a lesser cost, part of the savings he would then share with you?

- At this point, he has gone beyond strategic and may be touching on Transformational.



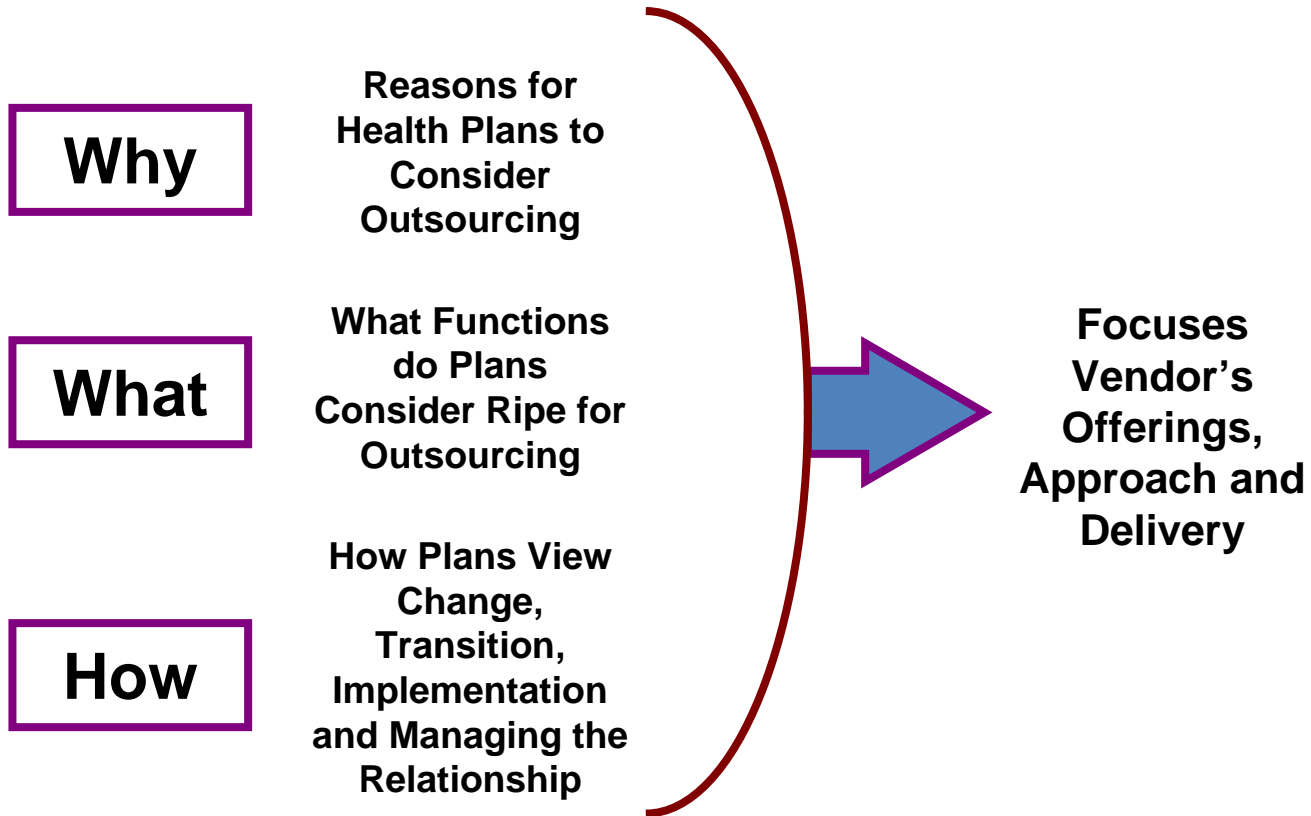
Tactical / Strategic/ Transformational

Time Commitment and Scope of Services can be used to describe differences along the outsourcing relationship continuum





Framework



Business Model Elements

Product Development

Actuarial

Marketing

Sales

Underwriting

Fulfillment

Customer Service

Billing and Collections

Revenue Management

Care Management

Claims processing

Internal Reporting

External Reporting

**Establish the
Health Plan
Business
Model/ Value
Chain**

**Separate Core
from non-Core
Activities**

**Align/ Position
Vendor
Offerings**

Business Model Elements- Health Plan Point of View

Product Development

Actuarial

Marketing

Sales

Underwriting

Fulfillment

Customer Service

Billing and Collections

Revenue Management

Care Management

Claims Processing

Internal Reporting

External Reporting

Establish the
Health Plan
Business
Model/ Value
Chain

Separate Core
from non-Core
Activities

Define Scope of
Outsourcing
Arrangement



Outsourcing Discussion- Selection Process

Selection Process



Gartner recommends that Health Plans considering BPO as an option “Prioritize BPO providers that embrace *strategic relationships, end-to-end business processing capabilities and strong underlying technology platforms.*”

The goal of this step is to sift through and assess the potential vendors to position the organization for a decision- one very important one that will either position both companies for success, or lead to potential dissatisfaction



Selection Process

Scan for potential outsource partners

- Develop a comprehensive list of potential vendors
- Constructing a brief questionnaire and Qualifying the potential vendors- quickly determine whether the vendor should receive your RFP.



Selection Process

Construct & Distribute Request for Proposal (RFP)

- Discussions with potential vendors during the initial scan can help to sharpen your own requirements, based on information shared about capabilities and differentiators
- Letting the vendors know that there is an RFP coming with a rough timeline helps them to plan for and slot resources to complete the RFP
- Letting vendors know that there is an RFP also helps them understand that this is going to be a competitive bidding situation, which will help them to focus their answers
- Organize the sections based on elements of the business process being outsourced, and include your requirements under the various process categories



Selection Process

Score the RFP and Determine Finalists

- The RFP needs to have a scoring mechanism built in
- This involves assigning points or relative weights to various sections and questions within each section
- These weightings and point schemes should not be shared with the outsourcing vendors
- Creating a cutoff can involve establishing a minimum point total combined with special attention given to the Non-negotiable items on the RFP
- No one vendor is going to satisfy all requirements, so it is important to understand any functional gaps that exist
- Those vendors that score highest while leaving the fewest “non-negotiable” points satisfied and presents the least onerous functional gaps should be considered for oral presentations



Selection Process

Oral Presentations

- Oral presentations are made in order to allow the vendors to highlight areas that they see as potentially differentiating and to emphasize areas of strength
- Opportunity for the client to ask questions of the vendor and get a feel for how the working relationship would unfold
- Get past the sales and marketing “pitch” and down to a level of detail in order to “hear, see and touch” the vendor’s capabilities



Selection Process

Site Visits

- Critical piece of the vetting process involves visiting the vendor sites
- The visit might start out in a conference room, but needs to quickly move out onto the floor where the work gets done- follow the entire process- including any subcontractors used by the vendor
- Take note of the work environment, whether it is consistent with the client's work environment
- Special care and attention needs to be paid to security and privacy- HIPAA regulations and other privacy concerns
- Site visits should include “kicking tires” at the data center locations by a qualified person on the client outsourcing team
- Meet with the vendor implementation and account management personnel
- Client teams should spend at least a day with the vendor team in order to test the chemistry



Selection Process

Vendor Decision

- The decision appears to be clear- But there are many ways to fall off what is otherwise a solid path laid to support the outsourcing decision
- Don't fall prey to any of the following common errors:
 - Sacrificing needs analysis for a glamorous vendor
 - Evaluating a vendor with cost savings as the decisive factor
 - Poor risk assessment of the vendor
 - Rushing through the process of vendor selection
 - Lack of care in managing interactions between existing vendors
 - Failing to maintain a balance between using current and new vendors



Selection Process

So you are done, right? Well, no. If this journey were to be measured in miles, then you would have “miles to go before you sleep.”

You are about to enter the phase that will determine whether the decision made from a selection standpoint will hold up under pressure.

You are about to enter *The Implementation Zone...*



Outsourcing Discussion- Implementing The Solution



Implementing the Solution

Setting clear time frames and expectations

- Deadlines are often imposed by statute and derived from considerations divorced from the reality of what it will actually take to implement and execute a given program
- This is what makes agreement on time frames and communicating expectations so critical
- The Health Plan is held ultimately accountable for delivering on the contract held with CMS or a state agency
- The outsource vendor is committed to delivering a compliant business model on time
- Agreement on what will be delivered and by when, captured in a detailed project plan and made part of the initial agreement is critical to success



Implementing the Solution

Establishing Top-Down Governance

- Full support of the entire senior management team is imperative
- The Business Case for and the decision to Outsource needs to be well documented and maintained
- It's not uncommon for memories to wear thin and backsliding to occur, especially in the face of business circumstances that evolve after the priorities are set
- People leading the project to implement a new outsource solution need the support of Senior Leadership in order that resources are not taken away from the effort to shore up other flagging initiatives
- The addition of resources may be necessary based on evolving circumstances connected to the outsourcing project



Implementing the Solution

Investing in Top-flight Resources

- Implementation Projects demand experienced resources on both sides to improve the probability of a successful outcome
- Don't be tempted to take someone from the management ranks and field promote them into the role of Project Manager
- Project Management is much different than line management; it relies much more on influence and much less on direct authority
- The Line Manager is probably invaluable in the role of a subject matter expert, making sure that nothing is lost in the transition from old to new
- Project Managers, on the other hand, manage the overall process of moving from old to new, keeping all stakeholder groups informed, managing and negotiating for resources, and managing to a project timeline and budget



Implementing the Solution

Employing Solid Change Management and Communications Principles

- According to a recent Gartner study, “Transition Management Teams need to assess readiness for change among organizational layers, especially when anticipating radical change.”
 - This argues for the importance of top down management support, the need for which increases with the scale and scope of the outsourcing project
- Three questions need to be asked and answered connected to any initiative of this magnitude
- The pressures on “the decision” are unrelenting and the organization will constantly have to be reminded of the direction being taken
 - What is changing? Why are we changing? What’s in it for <me>?



Outsourcing Discussion- Managing & Maintaining the Relationship



Managing & Maintaining the Relationship

Solid Transition from Implementation to Production

- One of the greatest challenges in outsourcing can be moving the new process into production
- Despite best efforts at communication, project management and execution, and positioning the new operating platform, there will be those that will resist having the transition actually happen
- For this transition, think in terms of a calendar event. It has the feel of an achievement, as well it should
- Implementing a new outsource platform is hard work, and when it's completed a celebration is in order
- To the extent that ambiguity, inadequate resourcing and poor execution are allowed to creep in, the goal of a crisp cutover can be elusive



Managing & Maintaining the Relationship

Establish Clear Metrics and Trigger Points

- Clear standards in the form of Service Level Agreements are in the contract, and now that the process is live, the measuring and monitoring begins
- If done well, the SLA's are relevant, not punitive, and have both penalties and rewards attached to them for meeting, not meeting or exceeding prescribed performance levels.
 - But what happens when these SLA's are not met? What are the triggers at the client's disposal?
 - What are the mechanisms used to pull the trigger?
 - What are the remedies for when the agreed-to performance levels are not met?
- These questions are answered by having a capable escalation and resolution process



Managing & Maintaining the Relationship

Employ a Capable Escalation and Resolution Process

- Without a solid, agreed-to process with known trigger points, the potential for seemingly irresolvable situations increases greatly
- There are massive switching costs involved in de-coupling from the situation you just worked so hard to get into, so it's important to have in place the correct structure to identify, analyze, solve and if necessary escalate an issue
- Get to know who your account manager is going to be, and understand senior management's role in supporting the ongoing quality and excellence related to each of its clients
- Budget for a small, capable staff to manage the ongoing performance of the Outsource Vendor



Managing & Maintaining the Relationship

Managing by Exception, Not by Hovering

- With solid metrics delivered in a dashboard format, a client can effectively monitor the ongoing capability and performance of the outsource vendor
- Whether it is call center statistics, enrollment status, reimbursement or reconciliation, the vendor needs to be able to deliver a credible, transparent process that allows for effective monitoring of key performance indicators without forcing you to roll up your sleeves and do the work for them
- Expected cost savings will not materialize if the client organization feels the need to maintain a large staff to oversee and manage the outsource vendor



Managing & Maintaining the Relationship

Periodic Review and Check-up Opportunities

- Allow for scheduled, periodic reviews of performance and the opportunity to identify and consider improvements to the process and to the contractual agreement
- Happens annually once the arrangement is up and running
- Can be monthly in the case of a brand new relationship, product launch or other situation as required
- We recommend that a process is set up that includes a senior executive of the vendor company participating in an annual on-site review of performance



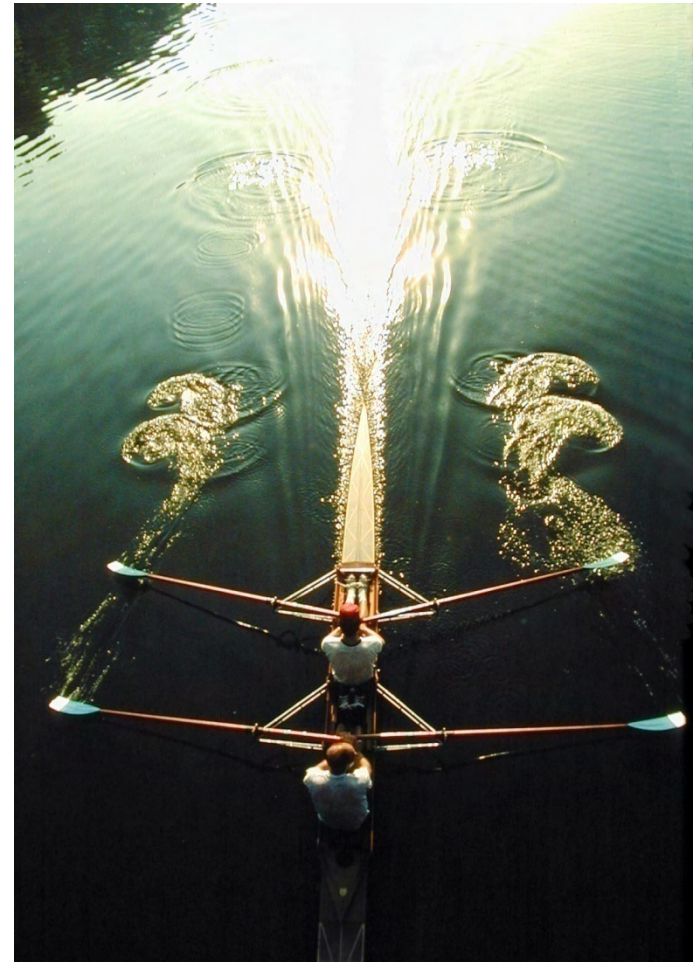
Managing & Maintaining the Relationship

A Word About Trust

- In any relationship, trust is paramount, and where trust exists and is warranted, it forms the foundation for a lasting relationship
- Where parties to an agreement are not seen by each other as being genuine, trustworthy and transparent bad things can happen
- Focusing on the performance of the processes outsourced and being upfront about any issues and plans to remedy them goes a long way toward keeping a health level of trust intact.
- A lack of trust breeds an adversarial approach to the arrangement... Zero Sum... Win-Lose... Not the stuff of legends...

Final Thoughts

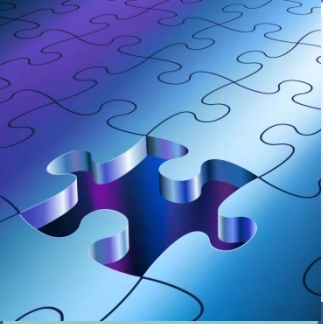
- You, the client, made a decision using an agreed-to process, gathered facts, and made a determination to outsource...
- Now both client and vendor reputations are on the line
- Hopefully, there is a greater incentive to make this arrangement work as opposed to seeing it fail
- Rowing in the same direction, anyone?



Outsourcing Discussion- Q & A

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Medicare / Medicaid Market Overview



Medicare Advantage Market Overview

2008 marked the first year Baby Boomers were eligible for Medicare benefits (1943+65=2008); Rate of age-in estimated to be around 800,000 per year

- As of December, 2007, a little over 20% of seniors were enrolled in Medicare Advantage products- 8.9 million beneficiaries

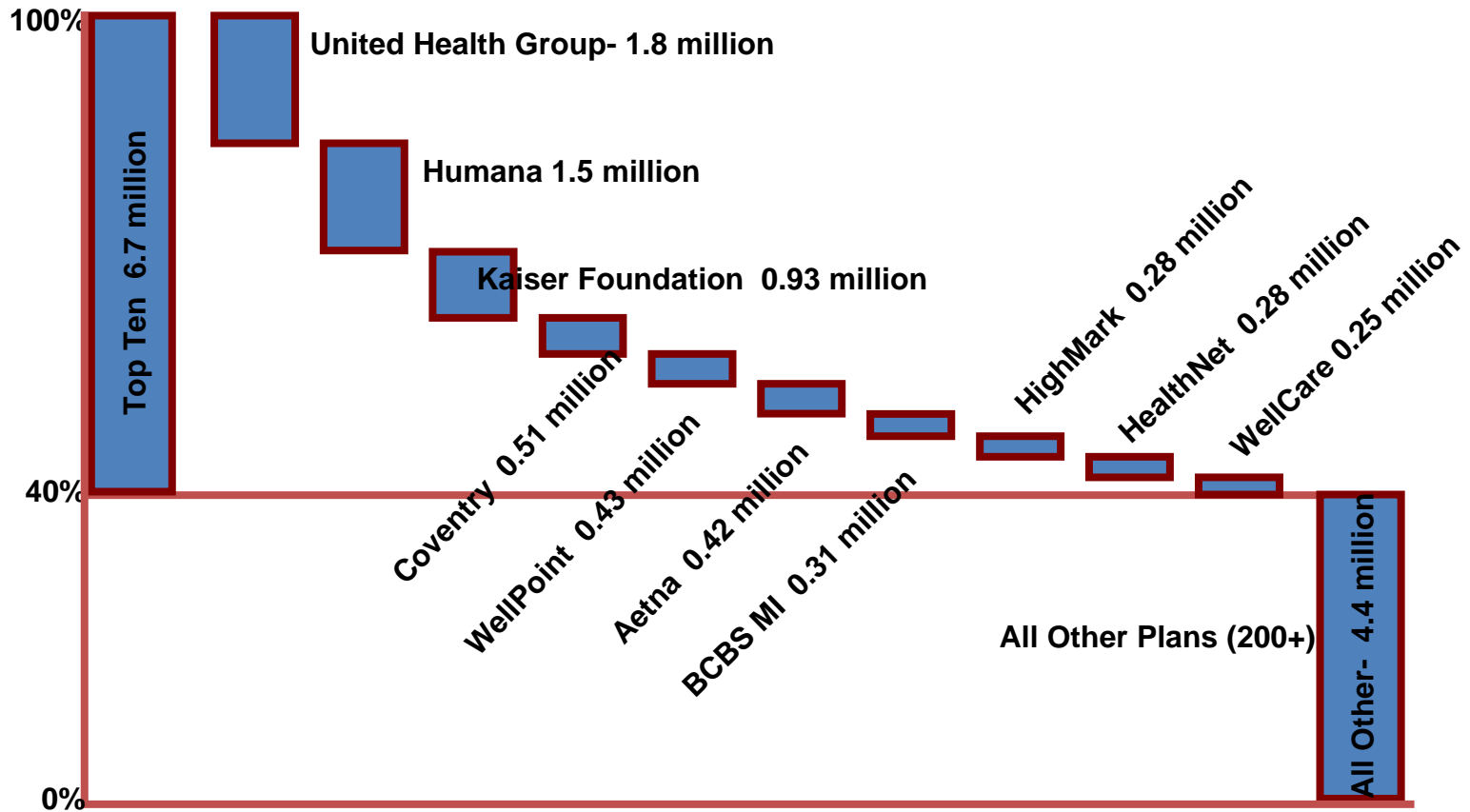
236 companies offering Medicare Advantage products

- The top ten organizations insure nearly 60% of covered lives
- Enrollment had increased by 3.4 million since December 2004
- Divided between new Medicare beneficiaries and a migration to Managed Care from the Traditional Medicare program

Medicare Advantage enrollment reached 11.1 million in July, 2009, up from 8.9 million in December, 2007

- Market share for top ten companies remains at 60%; United Health and Humana accounting for half of the “top ten” market
- Over 200 companies to serve the remaining 40% of the market
- Growth is away from Private Fee for Service (PFFS) toward HMO and PPO products

MA Enrollment as of July, 2009



Source: CMS Enrollment Data



Medicare Advantage Market Overview- Implications

The concentration of Enrollments with a small number of large players would indicate that smaller players need the support of a strong, capable and proven outsource partner

PMPM costs for administration, compliance and service would likely be less for a small plan through outsourcing as compared to maintaining an in-house operation

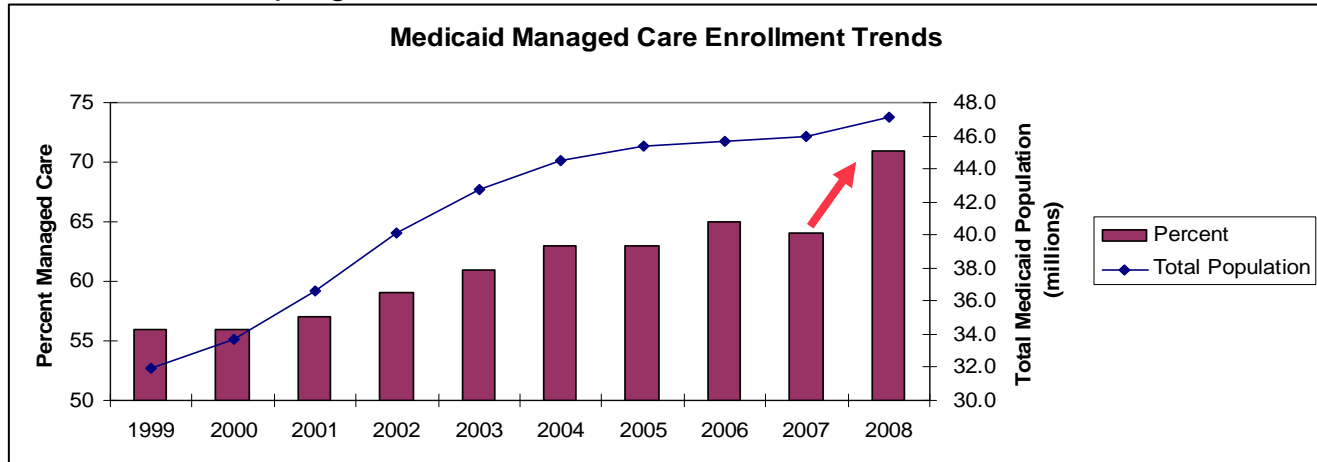
40% of the enrollee market supported by the 200+ plans under 250,000 enrollees can be a market opportunity for an outsource provider

Pressure to “streamline” MA offerings, i.e., reduce significantly the number of plans offering MA Products; will only allow the larger player to become larger and limit options for beneficiaries

Managed Medicaid Market Overview

Medicaid Managed Care enrollments increased dramatically from 2007 to 2008

- From 64% to 71% of total Medicaid Population with total population increasing 2.4% year over year to a new high of 47.1 million
- Factors influencing this include
 - A shift toward mandatory enrollment (away from Traditional Fee for Service)
 - Covering additional geographic areas (mostly rural)
 - Emphasis on quality programs and disease management initiatives
 - Expanding availability to previously excluded groups, such as people with disabilities, pregnant women, and children in foster care





Managed Medicaid Market Overview- Implications

Recent “mandatory stance” related to enrollment in Managed Care will increase this market with more health plans having to make decisions as to how to administer and support the program

Economic cycle will continue to suggest increases in un- and under-insured (Pending Legislation, of course...)

Whether employers will be obligated to offer health insurance remains to be seen (also based on pending legislation)

Increases in the Medicare eligible population will continue to also include those eligible for Medicaid (Duals)