Reducing claim overpayments

Helping curb the cost of healthcare

Each year, health insurance companies overpay medical claims by billions of dollars.

This longstanding problem is exacerbated by increasing claim volumes and the growing complexity of contracts and claims. Auto-adjudication of claims for timely payment requirements results in pricing inaccuracy resulting in leakages.

Losses can be staggering and are estimated to be ~2% of medical expenses.

This summary discusses the problem of overpayment and how solutions that combine advanced analytics and more efficient auditing can maximize recovery.

The complexity of claims

Claim overpayment is all too common and the problems can be caused by both system errors and simple mistakes. For example, a hospital billing professional does not bundle the claim correctly; claims paid for a patient who is no longer a member of health plan (eligibility information is usually available after the fact); an insurer pays more on a claim than contractually obligated; or a provider accidentally bills the insurance company at a higher level than the negotiated group rate.

Identifying errors is difficult. Correcting overpayments starts with finding errors hidden in large troves of data, verifying that what looks like an error is in fact an overpaid claim; and recovering overpaid funds, either through a direct payment or an adjustment to current or future claims.

Claims typically arrive in large batch files that agents must process under tight government regulated timelines that require action on submitted claims within a short period of time (usually within 30-60 days).

Analyze and audit: tools for recovery

Insurers are increasingly tapping service providers to supplement their abilities to identify overpaid claims because insurers increasingly struggle to keep up with the problem for the reasons described above.

EXL look deeper.

The key for insurers is to find partners like EXL that can combine analytics, auditing and insurance industry expertise to mine claim volumes and identify overpayment with increasing efficiency and effectiveness.

EXL, for example, has developed a proprietary method to combine of business rules, logic and analytical approaches to mine vast quantities of data in search of markers that flag likely overpayment much quicker and more accurately than traditional methods.

In some cases, patterns or clusters of data point to claims that bear further review. A well-conceived program will efficiently lead reviewers to overpayments while minimizing "false positives" that waste resources without recovering erroneous payments.

The most adept solutions like those deployed by EXL identify common errors, such as claims for medical care received by people no longer covered by the insurance company. Other examples include a claim for two cerebral vascular studies for the same patient on the same day likelyconstitutes an error and an overpayment.

Similarly, EXL analytical methodology recognizes if a claim for cardiac catheterization, a three-step process, is filed at the same time as a separate claim for an injection procedure, which is one of those three steps.

Due diligence: finding the right partner

The service provider space includes a lot of "me too" marketing. Selecting the right partner comes down to industry experience, the flexibility of their solutions and the strength of their insurance and analytics teams. In vetting provider partners, insurance companies must pose several questions:

- Does the business services provider have a track record of proven results with claim overpayments?
- Does the recovery product have the ability to "learn" from its actions and develop new algorithms dynamically that make recovery more effective?

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- Does the business services provider have the capacity and the flexibility to combine domestic personnel with high-quality, cost-effective offshore medical, analytical and insurance professionals?
- Does the business services provider offer multiple billing options, including fee-based billing and contingency plans that calculate fees as a percentage of recovered assets?
- Has the provider demonstrated expertise with insurance-specific processes, as opposed to more general business services such as IT or accounting?

Summary

Highly competitive insurance companies understand they must maximize recovery of overpaid claims — and not only for their own benefit. Overpayment is a major inefficiency in the health care system that contributes to higher overall cost and, eventually, higher premiums. Insurance companies seeking to minimize losses need cost-effective solutions that combine multiple strategies for finding overpayments. Leading solutions not only identify overpayments. They continually adapt, becoming ever more efficient at recovering overpaid claims.

EXL look deeper.

EXL business process solutions

EXL (NASDAQ: EXLS) is a leading business process solutions company that looks deeper to drive business impact through integrated services and industry knowledge. EXL provides operations management, decision analytics and technology platforms to organizations in insurance, healthcare, banking and financial services, utilities, travel, and transportation and logistics, among others. We work as a strategic partner to help our clients streamline business operations, improve corporate finance, manage compliance, create new channels for growth and better adapt to change. Headquartered in New York and in business since 1999, EXL has approximately 23,000 professionals in locations throughout the U.S., Europe and Asia.

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