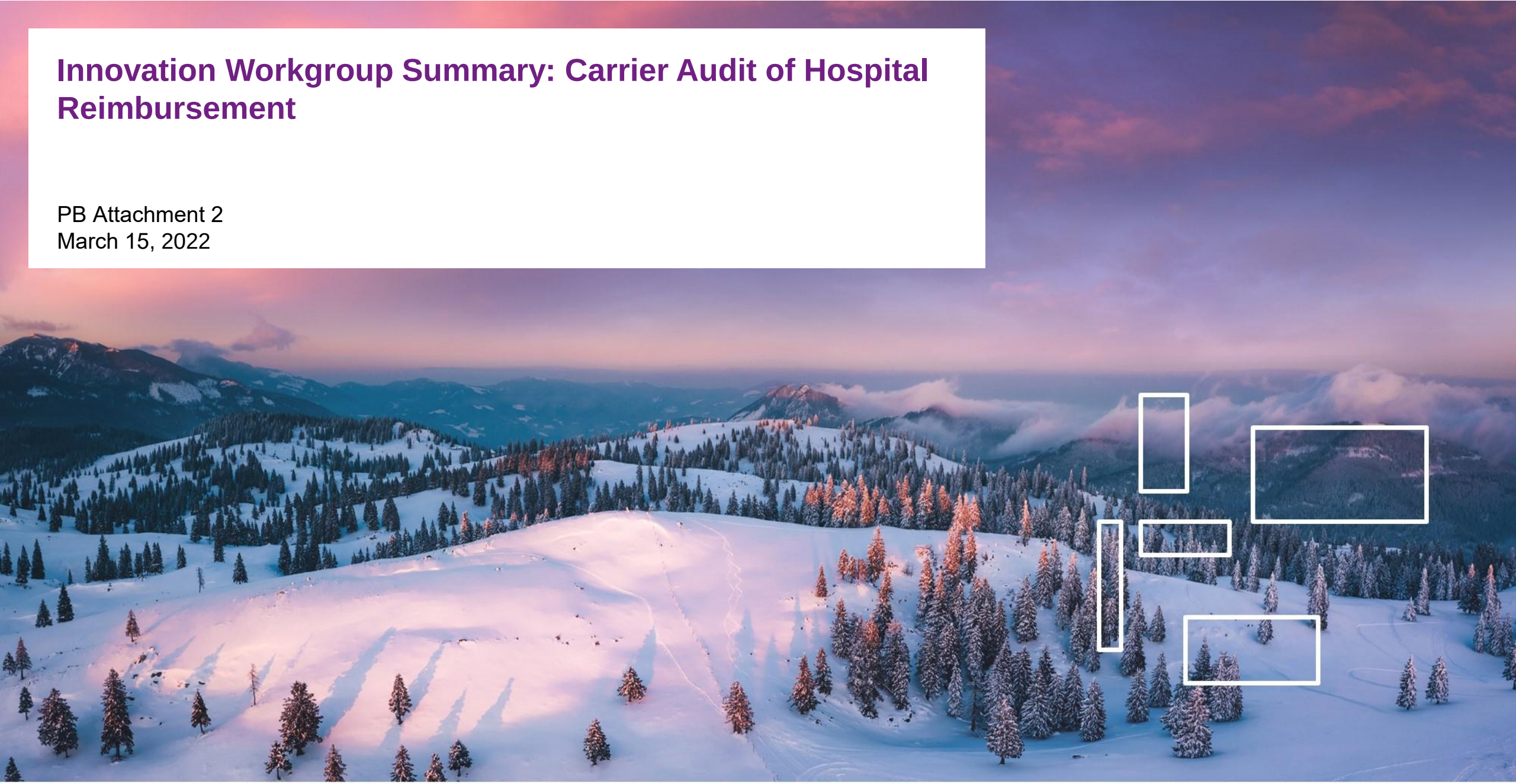
Innovation Workgroup Summary: Carrier Audit of Hospital Reimbursement

PB Attachment 2
March 15, 2022



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In preparing this document, we have relied upon information provided to us by OEBB and PEBB medical carriers regarding medical claims and related elements. The scope of our engagement did not call for us to perform an audit or independent verification of this information, but we have reviewed this information for overall reasonableness and consistency. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations. We have relied on all the information provided as complete and accurate. The results presented in this document are dependent upon the accuracy and completeness of the underlying data and information. Any material inaccuracy in the data and information provided to us may have produced results that are not suitable for the purposes of this document, and such inaccuracies, as corrected by [client] or its third-party claim administrators, may produce materially different results that could require that a revised report be issued.

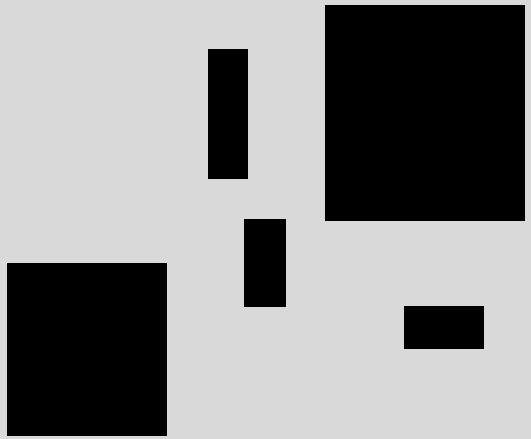
Agenda

- Executive Summary
- Audit Results
- Savings analysis
- Next steps

Executive Summary

- Willis Towers Watson was asked to perform an independent audit of OEBB/PEBB carriers' hospital reimbursements to ensure compliance with Senate Bill (SB) 1067
  - OEBB effective date 10/1/2019, PEBB 1/1/2020
  - SB 1067 limits facility reimbursements to 200% of Medicare for in-network hospitals and 185% for out-of-network hospitals
  - SB 1067 applies at a claim level, but compliance is determined at a hospital level
- Moda, Providence and Kaiser all separately meet the criteria per SB 1067
- In general, reimbursements at the hospital level are in compliance, although a few hospitals show modest overpayment
  - At the individual claim level, there does appear to be opportunity for further review with carriers
- As part of the Audit process, Willis Towers Watson was requested to review the savings achieved from SB 1067
  - Preliminary savings estimate from 2018 was $81M, or 23% of facility claims subject to SB 1067
- Actual savings are estimated to be $59M, or 14% of facility claims subject to SB 1067
- Lower than expected savings driven by
  - Delayed implementation of clarified rules - Preliminary 2021 data analysis following implementation of the clarified rules indicates lower average reimbursements compared to 2020 average reimbursements
  - Change in utilization due to COVID-19 pandemic
  - Lower than expected percentage of Medicare pre-SB 1067 (i.e., estimated savings may have been too high)

Audit Results



Audit Results

Total Claims — Combined and by Organization

	OEBB/PEBB Combined			OEBB		PEBB	
	# of Hospitals	Dollars	%	Dollars	%	Dollars	%
Total Allowed Claims	200+	$621.6	100%	$287.7	100%	$333.9	100%
Claims outside of Oregon	100+	$83.3	13%	$38.1	13%	$45.3	14%
Claims within Oregon — not subject to SB1067	67	$135.4	22%	$65.0	23%	$70.4	21%
Claims within Oregon — subject to SB 1067	24	$403.0	65%	$184.7	64%	$218.3	65%

Observations

- Combined facility allowed cost of $622M for the OEBB 2019/2020 and PEBB 2020 plan years
- SB 1067 Medicare Cap impacted approximately 65% of facility claims over 24 hospitals
- For claims in OR, $403M (75%) were subject to the cap
- Distribution of costs outside of OR, claims subject to cap and not subject to cap were similar for OEBB and PEBB
- Moda and Providence have similar percentage (61%/62%) of claims subject to SB 1067
- Kaiser has a larger percentage (85%) of claims subject to SB 1067

Audit Results

Repriced Inpatient and Outpatient Claims — Overpayments OEBB vs. PEBB

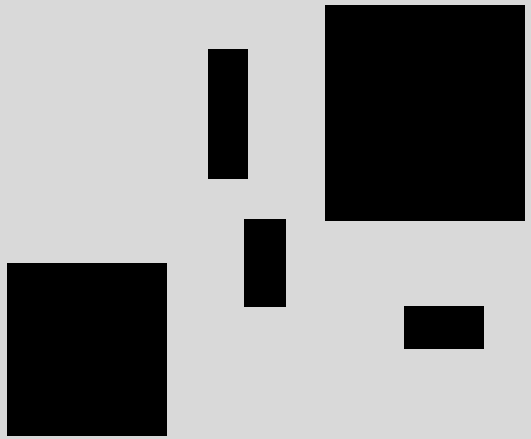
Inpatient and Outpatient	OEBB/PEBB Combined	OEBB 2019/2020	PEBB 2020
Claims within Oregon — subject to SB 1067*	$392.2	$180.6	$211.6
% Medicare	179%	179%	179%
IP — overpayment at hospital level	$0.5	$0.2	$0.3
IP — overpayment at admissions level	$4.3	$1.8	$2.4
OP — overpayment at hospital level	$0.2	$0.0	$0.1
OP — overpayment at admissions level	$5.1	$2.3	$2.8

*A portion of Allowed claims were removed due to missing codes, some totals may not add due to rounding

Observations

- At a total program level, claim reimbursements of 179% for both OEBB and PEBB, is below the 200% Medicare reimbursement cap requirement
  - Moda and Providence at 183%, Kaiser at 162%
- When aggregating at the hospital level, both OEBB and PEBB had a modest level of overpayment, indicating some hospitals had average reimbursement levels over the 200% cap
  - Inpatient facility (IP) at $0.5M, Outpatient facility (OP) at $0.2
- When reviewing on a per admission level, both OEBB and PEBB had some level of overpayment, indicating some services were reimbursed under the 200% cap while others were reimbursed over the cap
  - IP at $4.3M, OP at $5.1M
- OEBB and PEBB had similar experience for both IP/OP and at hospital/admission level

Estimated Savings Analysis



Savings Analysis Summary

- Multi year look to see what savings could have looked like in a non-COVID year (2018/2019 OEBB, 2019 PEBB)
- Percentage of Medicare before SB 1067 is based on 2019 contracted rates
- Percentage of Medicare after SB 1067 is based on 2020 contracted rates

Total OEBB/PEBB										
	Based on 2019 Utilization					Based on 2020 Utilization				
Service Category	2019 Allowed*	% Medicare Before SB1067	% Medicare After SB1067	Earned Savings**	Estimated Savings if Capped***	2020 Allowed*	% Medicare Before SB1067	% Medicare After SB1067	Earned Savings**	Estimated Savings if Capped***
IP	$199.7	182%	182%	$0.2	$26.8	$190.0	176%	180%	-$4.5	$13.3
OP	$247.2	249%	179%	$69.6	$67.8	$169.5	243%	177%	$63.7	$50.5
Total	$446.9	219%	180%	$69.8	$94.6	$359.5	208%	179%	$59.2	$63.8

*Portion of Allowed removed due to missing codes and data differences between 2019 and 2020
**Earned Savings is calculated based on the difference in % of Medicare before and after implementation of SB1067 and represents actual savings that could have been (2019) or was (2020) achieved
***Estimated Savings if Capped is based on capping each admission at the required % of Medicare and represents the potential opportunity of savings under the clarified rules, assuming 2019 contracted Medicare percentage

Observations

- IP savings — pre-1067 Medicare percentage of 182% is less than 200% of Medicare, lower than initial estimates and limiting savings opportunity
  - 2019 estimated savings under the clarified rules is consistent with preliminary savings estimates
  - 2020 utilization mix drove negative savings compared to 2019, but would have still produced $13M under clarified rules
- OP savings — pre-1067 percentage of Medicare is 240% – 250% Medicare, which is close to, but lower than preliminary estimates
  - 2020 earned savings are consistent with but lower than 2019 due to change in case mix
- Moda percentage of Medicare increased from 170% to 188% for a cost increase of $7.3M
- Providence percentage of Medicare decreased from 199% to 187%, for a cost savings of $4.7M
- Kaiser percentage of Medicare increased for both OEBB and PEBB, moving from 146% to 154% for a cost increase of $2M
- 2020 Total earned savings of $59M (14.2%), IP savings -$4.5M (-2.4%), OP savings $63.8M (27.3%)

Estimated Savings by DRG — Inpatient

Total OEBB/PEBB								
DRG Description	DRG Code	2019 Util	2020 Util	2020 Allowed ($)	% Medicare Before SB1067	% Medicare After SB1067	Earned Savings ($)	Earned Savings (%)
ECMO or trach w MV 96+ hrs	003	4	13	$5.6	127%	190%	-$1.8	-33%
Neonate, birthwt >2499g, w minor prob	791	44	38	$2.3	134%	178%	-$0.6	-25%
Neonate, birthwt >2499g, w other prob	792	62	94	$3.0	131%	167%	-$0.7	-22%
Neonatal aftercare	793	91	117	$6.1	62%	157%	-$3.7	-61%
Neonatal diagnosis	794	557	549	$9.6	49%	143%	-$6.3	-66%
Neonate, birthwt >2499g, w mult major prob	789	21	21	$1.2	99%	178%	-$0.5	-44%
Craniotomy and endovascular intracranial procedures	025	32	29	$2.2	225%	190%	$0.4	18%
Coronary bypass w cardiac cath w MCC	233	8	13	$1.4	226%	172%	$0.4	32%
Perc cardiovasc proc w drug-eluting stent	247	64	89	$2.9	231%	184%	$0.7	26%
Major bowel procedures	331	66	62	$1.7	231%	186%	$0.4	24%
Neonate, birthwt >2499g, w/o mult major prob	787	124	145	$2.6	214%	182%	$0.4	17%
Neonate, birthwt >2499g, w minor abdom procedure	788	271	273	$4.2	221%	184%	$0.8	20%

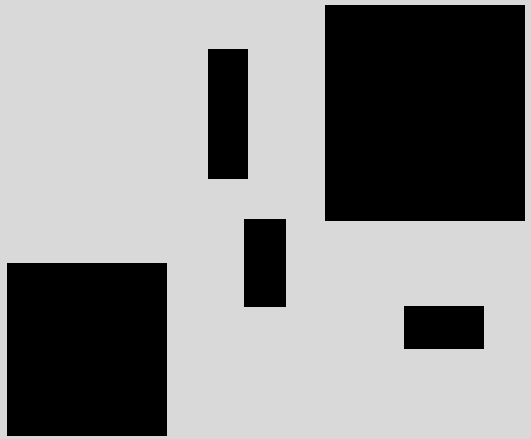
Comparison Against Commercial Benchmark*

Service Category	2020 Allowed ($)	% Medicare Before SB1067	% Medicare After SB1067	2019 BM as % of Medicare
OEBB				
IP	$88.6	167%	180%	203%
OP	$77.0	248%	177%	200%
Total	$165.6	205%	179%	202%
PEBB				
IP	$101.4	183%	180%	197%
OP	$92.4	238%	176%	192%
Total	$193.8	209%	178%	195%
Total OEBB/PEBB				
IP	$190.0	176%	180%	200%
OP	$169.5	243%	177%	196%
Total	$359.5	208%	179%	198%

Observations

- 2019 Benchmark as a percentage of Medicare is based on IBM Watson's 2019 MarketScan data
- Combined OEBB/PEBB was slightly higher than benchmark as a percentage of Medicare before SB 1067
  - OEBB costs were consistent with benchmark
  - PEBB costs were somewhat higher than benchmark
- Pre SB 1067, both OEBB/PEBB IP costs were below benchmark, averaging 176% vs. 200% for BM
- Pre SB 1067, both OEBB/PEBB OP costs were above benchmark, averaging 243% vs. 196% for BM
- After SB 1067, both OEBB/PEBB costs for IP, OP and in total are approximately 180%, which is lower than the benchmark which is near 200%

Summation and Next Steps



Next Steps

Audit Summary

- Both OEBB and PEBB meet the criteria established per SB 1067
- OEBB and PEBB carriers, Moda, Providence and Kaiser meet the criteria per SB 1067
- Most hospitals are meeting the criteria per SB 1067, however, there are a handful that appear to have modest overpayments
- When looking at the implementation of SB 1067 at the admission level there appears to be some overpayments and we will work with OEBB/PEBB carriers to reconcile and resolve

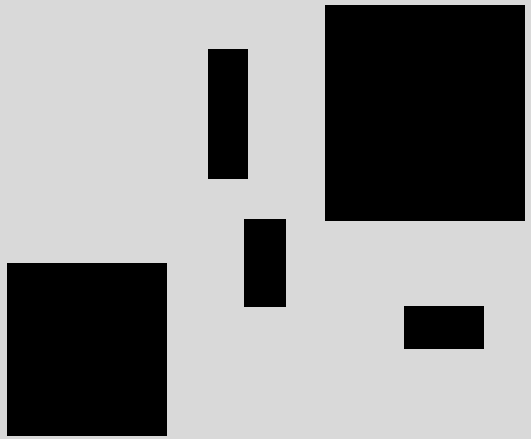
Savings Analysis

- While all carriers passed from an audit perspective, savings were less than expected for Inpatient
- Implementation of the clarified rules should result in higher, net savings for inpatient claims, though at a level lower than preliminary analysis portrayed

Next Steps

- Work with carriers to resolve potential per admission level overpayments
- Determine frequency of future audits
  - Willis Towers Watson recommends every three years
- Conduct an additional savings analysis once 2021 data is available

Appendix



Data Discrepancies

- Initially, Willis Towers Watson prepared for the audit by requesting claims data from OEBB and PEBB's data warehouse (IBM Watson Health)
- Review of the data revealed discrepancies between carrier and data warehouse data
  - Diagnostic Related Groupings (DRGs) used for billing of inpatient services were derived by IBM grouper technologies and in some cases differed from actual provider billed DRGs
  - Duplicate charges were identified in some of the data as a result of missing data flags to identify final DRG related billings
- As a result of the data discrepancies, Willis Towers Watson submitted data requests directly with the carriers to be used for the audit
- Follow up with IBM Watson Health and the carriers increased data warehouse data integrity
  - Data flags were added to carrier data to identify final payment references
  - Carriers are preparing to send additional data fields that identify carrier specific DRGs that can used be as needed in future analysis
    - IBM derived DRGs will continue to be used for cross carrier analysis to facilitate carrier comparison through data warehouse reporting

SB 1067 Defined Hospitals

Hospital	Include / Exclude	Hospital (Continued)	Include / Exclude (Continued)
Albany General Hospital	Included	Peacehealth Southwest Medical Center	WA — Excluded
Asante Ashland Community Hospital	Excluded	Portland Adventist Medical Center	Included
Asante Rogue Regional Medical Center	Included	Providence Medford Medical Center	Included
Asante Three Rivers Medical Center LLC	Included	Providence Milwaukie Hospital	Included
Bay Area Hospital	Excluded	Providence Newberg Medical Center	Excluded
Good Samaritan Regional Medical Center	Included	Providence Portland Medical Center	Included
Legacy Emanuel Hospital and Health Center	Included	Providence St Vincent Medical Center	Included
Legacy Good Samaritan Hospital and Medical Center	Included	Providence Willamette Falls Medical Center	Included
Legacy Meridian Park Hospital	Included	Sacred Heart Riverbend	Included
Legacy Mount Hood Medical Center	Included	Salem Health	Included
Legacy Salmon Creek Hospital	WA — Excluded	Santiam Memorial Hospital	Excluded
Legacy Silverton Medical Center	Excluded	Sky Lakes Medical Center	Excluded
McKenzie Willamette Medical Center Associates LLC	Included	St Charles Medical Center Bend	Included
Mercy Medical Center Inc	Included	St Charles Health System-Redmond	Excluded
Mid-Columbia Med Center	Excluded	Tuality Healthcare	Included
Oregon Health and Science University Hospital	Included	Willamette Valley Medical Center	Excluded
PeaceHealth Sacred Heart University District	Included		

Data Review

Hospital Detail — Inpatient and Outpatient

*Portion of Allowed removed due to missing codes

Hospital	Allowed*	Medicare Allowed	% Medicare	Over payment dollars	Overpayment % of Allowed
Adventist Medical Center	$4.3	$2.5	174%	$0.0	0%
Asante Rogue Valley Medical Center	$15.2	$8.4	182%	$0.0	0%
Asante Three Rivers Medical Center	$4.3	$2.3	185%	$0.0	0%
Kaiser Sunnyside Medical Center	$31.5	$19.6	161%	$0.0	0%
Kaiser Westside Medical Center	$11.8	$7.6	156%	$0.0	0%
Legacy Emanuel Medical Center	$12.7	$7.0	181%	$0.0	0%
Legacy Good Samaritan Hospital	$5.7	$2.8	202%	$0.3	5%
Legacy Meridian Park Medical Center	$5.3	$2.8	187%	$0.0	0%
Legacy Mount Hood Medical Center	$3.3	$1.8	185%	$0.0	0%
McKenzie-Willamette Medical Center	$8.0	$4.3	188%	$0.0	1%
Mercy Medical Center	$6.6	$4.5	146%	$0.0	0%
OHSU Hospital	$66.5	$35.8	186%	$0.1	0%
PeaceHealth Sacred Heart Medical Center — Riverbend	$30.6	$16.4	187%	$0.0	0%
PeaceHealth Sacred Heart Medical Center — UD	$1.2	$0.6	210%	$0.1	5%
Providence Medford Medical Center	$3.5	$1.9	189%	$0.0	1%
Providence Milwaukie Hospital	$1.6	$0.9	192%	$0.0	0%
Providence Portland Medical Center	$21.7	$12.0	180%	$0.0	0%
Providence St Vincent Medical Center	$23.7	$12.6	188%	$0.1	0%
Providence Willamette Falls	$4.3	$2.3	186%	$0.0	0%
Salem Health Salem Hospital	$73.5	$41.6	177%	$0.0	0%
Samaritan Albany General Hospital	$7.9	$4.4	180%	$0.0	0%
Samaritan Good Samaritan Regional Medical Center	$24.9	$13.2	189%	$0.0	0%
St Charles — Bend	$20.9	$11.3	184%	$0.0	0%
Tuality Community Hospital	$2.8	$1.5	178%	$0.0	0%

Observations

- All three OEBB/PEBB carriers had total facility reimbursements under the 200% cap
- At a hospital level, all three carriers had modest overpayments, indicating general compliance on a by hospital basis for both IP and OP
- At an admission level, all three carriers had some admissions that appear to be paid above the 200% cap
  - Largely offset by payments under the cap when looking at a hospital or total carrier level
  - IP overpayments were approximately 1.1%, OP overpayments were approximately 1.2% (1.6% Kaiser)

Audit Results

Repriced Inpatient and Outpatient Detail — Overpayments by Entity/Carrier

	Total	OEBB			PEBB			
	Total	Moda	Kaiser	Total	Providence	Kaiser	Moda	Total
IP Allowed ($M)*	$221.9	$78.0	$25.2	$103.2	$83.6	$22.5	$12.6	$118.7
IP Allowed as % Medicare	180%	188%	162%	181%	187%	154%	183%	180%
IP Overpayment (by **Admission)**	$4.3	$1.4	$0.5	$1.8	$1.7	$0.3	$0.4	$2.4
IP Overpayment (by **Hospital)**	$0.5	$0.2	$0.0	$0.2	$0.2	$0.0	$0.1	$0.3
OP Allowed ($M)*	$170.3	$62.3	$15.1	$77.4	$71.8	$12.5	$8.6	$92.9
OP Allowed as % Medicare	177%	179%	170%	177%	178%	166%	182%	177%
OP Overpayment (by **Admission)**	$5.1	$1.7	$0.6	$2.3	$1.9	$0.6	$0.3	$2.8
OP Overpayment (by **Hospital)**	$0.2	$0.00	$0.04	$0.04	$0.01	$0.02	$0.1	$0.15

*Portion of Allowed removed due to missing codes, some totals may not add due to rounding

Preliminary Savings Estimates – Pre-SB 1067

- Before SB 1067 was implemented, carriers provided high level savings estimates for IP and OP
- Preliminary savings estimates
  - Initial claim savings projected at $81M (23% of facility claims subject to SB 1067)
  - IP projected savings of $24M (15%), OP projected savings of $57M (30%)
- Comparison to original anticipated savings estimates (November 2018)
  - Original repricing of 2017 incurred claims by Moda and Providence
  - Kaiser data was not included due to lack of Outpatient data
  - Inpatient facility (IP) claims were estimated to be at 235% of Medicare
  - Outpatient facility (OP) claims were estimated to be at 284% of Medicare
- For 2020 renewals Kaiser projected combined $14M OEBB/PEBB savings (15% of facility claims subject to SB 1067)

Methodology — Glossary

Name	Definition
Uncompensated Care Adj. (UC)	An adjustment made for hospital care provided for which no payment was received from the patient or insurer.
Hospital Specific Payment (HSP)	Additional revenue for sole community hospitals (SCHs) and Medicare-dependent hospitals (MDHs), which are types of rural hospitals.
Low Volume Adj.	Additional revenue given to hospitals with discharges under a certain threshold and were located a certain amount of distance from another acute care hospital paid under IPPS.
Value Based Purchasing Adj. (VBP)	An adjustment made based on the quality of care that the hospital delivers.
Readmission Reduction Adj.	Reduces payments to IPPS hospitals for excess readmissions, starting October 1, 2012. CMS calculates the payment reduction and component results for each hospital based on its performance during a rolling three-year performance period.
Indirect Medical Education Adj. (IME)	Medicare increases the operating and capital payment rates of hospitals paid under the IPPS to reflect the teaching hospitals' higher indirect patient care costs compared to non-teaching hospitals, referred to as indirect medical education (IME).
Disproportionate Share Hospital Adj. (DSH)	An adjustment for hospitals that serve a proportionately large volume of low-income patients or other patients under the Medicaid program.
GAF	Capital Geographic Adjustment Factor
CCR	Cost to Charge Ratio: Cost required to operate a hospital divided by total revenue