

CASE STUDY: TARGETED DME CONTRACTING

ISSUES / CHALLENGES

A client was experiencing a significant increase in cost trend for durable medical equipment (DME). They had previously contracted with several major vendors in an effort to obtain better pricing. Nonetheless, there was concern that the DME vendors with the most volume were not offering the most competitive rates in the network.

METHODOLOGY

Using RPNavigator's Advanced Data Mining Cube (RPN³), analysts were able to review all of the client's administrative data to determine the top DME categories by HCPCS code and the top vendors for these codes by dollar volume. Next, by adding price and units of service to each of the top DME HCPCS codes, the price per unit for the top DME types and top vendors could be determined.

FINDINGS

- The following 4 HCPCS codes made up over 1/3 of all DME expenses:
 - E1390 Oxygen concentrator
 - E0601 Continuous airway pressure device
 - A4230 Infusion insulin pump non needle cannula type
 - E0784 Ext amb infusion pump insulin
- Of the four top DME vendors by dollar volume, three had at least one of these top HCPCS which cost three to five times more than the average unit price for these top HCPCS.

RECOMMENDATIONS

- Initiate re-contracting effort using DME cost per unit data to obtain more competitive rates for all high volume DME items with all high volume vendors.

RESULTS

- The client was able to effectively use the data to re-negotiate DME rates for high volume items with its top vendors.
- DME cost/unit trends have significantly moderated: from 17% to 5% for the top DME items.
- DME \$PMPM cost trends have also moderated: from 15% to 2% for the top DME items.
- All DME HCPCS as a category dropped from \$1.68 PMPM to \$1.18.
- The client's contract negotiators can now use RPN³ to monitor cost trends in other areas and develop targeted contractual interventions.

ABOUT CAREADVANTAGE, INC

CareAdvantage, Inc. (CAI) provides healthcare management, information technology and consulting services to health plans, employers, national consulting firms, hospital systems, providers and other purchaser groups. The management and consulting services include care management program enhancement services, operational assessments, executive and clinical management services, and training programs.

CAI's integrated solutions incorporate data warehousing, data mining and analytics, risk stratification and predictive modeling. CAI has been utilizing the Clinical Risk Group (CRG) classification methodology for seven years, contributing to its evolution and development. This experience has been leveraged to develop and advance CAI's predictive modeling and decision support tools, which include:

- RPNavigator - Population health and network management, including case mix and severity adjusted provider and vendor performance
- RPN³ - Advanced data mining using OLAP technology
- RPN APR-DRGs - Facility case mix and severity adjusted performance evaluation and quality benchmarking

These tools, in concert with the underlying CRG and the APR-DRGs algorithms from 3M Health Information Systems, may be used on an enterprise wide basis to accomplish any or all of the following functions:

- Predictive Modeling to Facilitate Data Transparency and Actionable Intervention Strategies
- Implementation of Cost Containment and Quality Enhancing Initiatives
- Medical, Network, and Benefit Management Decision Support
- Evaluation of Care Management (CM) Programs and Identification of CM Opportunities
- Case Mix and Severity Adjusted Analysis of Provider and Vendor Performance
- Risk Stratification to Quantify Disease Burden and Trends in Cost and Care
- APRs Risk Stratification used to evaluate performance and profile quality of care within the hospital setting

The CAI team consists of former health plan executives, senior medical directors and care management operations directors, as well as experts in clinical data analysis and information technology. Beginning with implementation and throughout the process, CAI assigns expert staff from each practice area to support your organization from a technical, clinical, and data analytical perspective.

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