

INGENIX[®]

Prospective Payment Solutions

Executive Summary

In 2005, health care costs in the U.S. rose 6.9 percent, approximately twice the rate of inflation, according to the government's latest numbers. Total health care spending accounted for \$2 trillion—or 16 percent of the gross domestic product. Given such figures, it's understandable why health plans face increasing pressures to contain rising costs.

Ingenix Pricing Solutions

One particularly effective strategy being implemented by payers is to leverage the established framework of Medicare's Prospective Payment System (PPS) to decrease the cost of care. With a prospective payment approach, prices are fixed in advance based on a predetermined methodology and are not tied to specific services delivered or charges billed. This strategy enables payers to "pay as Medicare pays," which can reduce both in-network and out-of-network reimbursements. Key benefits of using Ingenix Prospective Payment Solutions for commercial business include:

- **Provider Familiarity** — Providers are accepting of prospective payment because these methodologies are consistent with what they are paid by Medicare.
- **Defensibility** — Prospective payment methodologies are highly defensible given their broad adoption and acceptance in the health care community.
- **Cost Containment** — Prospective payment helps payers reduce in-network, out-of-network, Medicare, Medicaid and commercial reimbursements alike through effective risk sharing with providers.

Prospective Payment Solutions from Ingenix are a set of tools specifically designed for developing and negotiating facility reimbursements based on Medicare coding and payment standards.

Streamlining Contracts and Negotiations

PPS data informs payers as to the exact amounts Medicare is paying for procedures. Ingenix customers use this information to negotiate more favorable contracts and reimbursements — as well as reduce costs.

For example, Medicare inpatient (DRG-based) payment rates typically comprise 30 percent to 35 percent of charges. Armed with this knowledge, health network administrators can negotiate greater discounts to reduce in-network and out-of-network reimbursements while meeting their contractual obligations.

Robust configuration parameters enable payers to adjust percentages and modify some Medicare-only rules that do not apply to commercial or out-of-network claims.

The Advantage of Familiarity

One of the biggest benefits of PPS is that it's an established methodology. Providers are already familiar with using PPS for billing under DRGs for inpatient care and under APCs for outpatient care. Because of its wide acceptance in the health care community, PPS is a highly defensible reimbursement strategy.

Solution Platforms

EASYGroup™ and Web.Strat™ from Ingenix offer payers flexible solutions to accurately calculate reimbursement, and can be used by various organization types:

- Medicare hospital inpatient (DRG)
- Medicare hospital outpatient (APC)
- Medicare inpatient psychiatric facilities
- Medicare inpatient rehabilitation facilities
- Medicare long-term care hospitals
- Medicare skilled nursing facilities
- Medicare critical access facilities
- Medicare ambulatory surgery centers (ASC)
- Medicare home health agencies (in development)
- End-stage renal disease (in development)
- CHAMPUS/TRICARE hospital inpatient
- More than 15 Medicaid hospital inpatient and outpatient programs
- Commercial APCs
- Ingenix' Medicare Modified All Payer Severity-Adjusted (APS-DRG)

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The Bottom Line

Ingenix Prospective Payment Solutions help payers meet their responsibilities with regard to out-of network Medicare Advantage and managed Medicaid claims, as well as save significant amounts on commercial claims. Additionally, PPS is a sound baseline for negotiations and other out-of-network strategies.

Why Ingenix

Ingenix Prospective Payment Solutions is the lead model and standard for Medicare reimbursements and payments. In addition, it's the most widely adopted facility contracting strategy in the market today. More than 60 percent of all facility claims are under the PPS model. Our payer customer base comprises more than 120 customers, including 19 of the 25 largest MCOs, 75 Medicare Advantage payers, and 7 of the 10 largest managed Medicare payers.

Ingenix Consulting Services

Because implementing prospective payment methodologies typically represents a significant change for many payers, Ingenix has developed a set of Consulting and Education Services that can help you successfully implement this approach. Claim Level Financial Impact Analyses and Data Quality Assessments, PPS Education Workshops, and Implementation Support are examples of services that are available either as part of an overall prospective payment implementation strategy that includes Ingenix products or on a standalone basis.

Start Saving Today

Ingenix can help you to begin evaluating Ingenix Prospective Payment Solutions today. Contact your Ingenix representative to discuss our solutions and services in more detail and see how we can start saving you money on both in-network and out-of network claims.

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