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## **In Support of Decision Support for IPAs**

**California MSO brings Web technology and automated efficiency to West Coast medical groups.**

Not all solutions come straight from out of the box—or even straight from vendor to user. Some make their healthcare debuts in roundabout ways, with a development history rich in challenge and detail.

PPMSI Online is one of those. PPMSI Online started life as the proprietary product of a spin-off organization spawned by a West Coast individual practice association (IPA). The spun-off organization now services additional IPA clients, and the software product is available to managed services organization (MSO) clients on an ASP or licensed basis. In essence, the IPA that started the ball rolling is now the client of its own successful offspring, and the offspring is turning physician groups onto Internet-based support for managed care decisions.

### **An MSO Is Born**

For decades, California has been a managed care Mecca. Early acceptance and popularity of HMOs have meant that California health plan premiums have been customarily lower than the rest of the country—along with reimbursements to risk-bearing medical groups and IPAs. The need to maximize funds available to reimburse providers, and to reduce administrative IPA overhead through automation, is constant.

Going independent is always a daring move. In 1996, the Santa Clara County Individual Practice Association (SCCIPA) decided to leave its administrator and to develop its own administrative capability. Established 10 years earlier, SCCIPA was and remains one of

California's largest IPAs with 10 health plans, more than 700 physicians practicing in eight hospitals and with significant firsthand knowledge of an IPA's administrative requirements and demands.

SCCIPA hired key management personnel and software developers, and established Pacific Partners Management Services Inc. (PPMSI), a managed services organization, to address its own administration concerns and bolster its financial solvency. Initially, PPMSI used an established claims system and a DOS-based intranet to link network physicians with the MSO system.

## **Harnessing Technology**

While this implementation went smoothly, the next move to a Windows upgrade went less smoothly, due to the subsequent sale of the intranet vendor. Before long, PPMSI took total control of its own software development, deciding to capitalize on the Internet for easier physician access to online decision support for managed care.

Focusing on factors that spike administrative costs for MSOs and impede the work of physician offices, PPMSI staff identified goals for its decision-support software development:

Minimize personnel requirements for MSO customer service and utilization management by exploiting technology to reduce provider and member phone calls about eligibility, contracted providers, authorizations and payments;

Build online tracking capability for eligibility, referrals, payments, and—of primary importance to physician offices—contract variations by health plan;

Minimize high-cost, out-of-network referrals, which carry negative implications for medical group costs and risk pool payouts;

Maximize ease of system utilization by physicians' staffs so that efficiency at the MSO end would parallel efficiency at the practice end.

While PPMSI developers were committed to leveraging the Internet's potential with a browser-based application, they also realized that many physician practices, even in Silicon Valley, lacked the computer systems necessary to accommodate complex software installations—and sometimes lacked office staff sufficiently knowledgeable to manage them. The developers knew their solutions had to be viable for the most basic office computers, easy to learn and easier yet to use every day.

Developers created PPMSI Online to provide physician offices with direct access to information they need for operational efficiency and financial health in a risk-based medical group model:

- Current member eligibility information provided by each health plan;

- MSO referral and payment histories for their SCCIPA patients;
- Ability to request referrals and authorizations with rapid, automated turnaround;
- Secure e-mail to speed requests and questions to the MSO;
- Results of lab tests performed at network labs.

Automating requests for and review of referrals can have a positive effect on daily administrative expense in physician offices. Two SCCIPA physician office managers using PPMSI Online reported improved authorization, eligibility and claims tracking efficiencies versus traditional fax and telephone systems. The first, a family practice office with 2,700 members and 55 authorizations per week, estimates saving 10 hours per week amounting to \$10,000 per year in labor costs. The second, a podiatry practice handling 55 authorizations per week, estimates savings between \$12,000 and \$15,000 per year in personnel costs. Finally, an internal medicine practice with 2,300 members and 75 authorizations per week, estimates that it may save in the \$20,000 vicinity by reducing personnel costs.

The PPMSI Online protocols and authorization guidelines work together to automate more than 50 percent of authorization requests, which are immediately reviewed and returned via e-mail. For eligible health plan members, customized pull-down menus display lists restricted to the network physicians and hospitals that contract with their health plan; when members must be referred out-of-network, up-front questions and requests for documentation from referring physicians speed the medical review process.

## **Making It Real**

The year 2000 was eventful for PPMSI. In May, after six months of software development and then passing muster with beta sites, PPMSI replaced its intranet system in SCCIPA physician offices with its new Web-based product. The organization made technical staff available by phone and through on-site visits to help physician offices with downloading Microsoft Internet Explorer 5.x when necessary. It provided system demonstrations and personal meetings with SCCIPA physicians and their office personnel, plus an online manual and a self-paced online demo.

After three months of utilization, almost 70 percent of referral/authorization requests from SCCIPA physicians, representing 120,000 HMO members, were handled via the Web-based system, surpassing the less than 40 percent automation rate achieved with the intranet-based process.

Randall D. Frakes, executive vice president and chief operating officer of PPMSI, says that more than half of all referral and authorization requests are now handled completely through automated protocols and automated responses back to physician offices. The result is that PPMSI's own medical review staff can dedicate its time to those requests that genuinely require medical officer review. UM protocols are also integrated with reviewer queuing, allowing medical directors, nurses and authorization representatives to administer authorization work queues efficiently by priority. Concurrent review can be managed from hospitals, care centers or corporate facilities

As a managed services organization, PPMSI was able to reduce its own customer service and utilization management staff by more than 20 percent, dropping from the industry standard of 0.9 to 1.0 FTEs per thousand commercial HMO members to .73 FTEs per thousand, representing an administrative efficiency for IPAs that contract with the company for management services. Profiting from its own automation development, PPMSI today requires 34 percent fewer authorization staff, 43 percent fewer nurses and 25 percent fewer medical directors (per thousand commercial HMO members) than it did in 1997.

Nowhere is efficiency a two-way street more than with IPAs and their administrators. Efficiency created at the MSO level inevitably translates to efficiency at the physician office level, and that saves time and money for everyone.

For more information about **PPMSI Online**, [www.rsleads.com/208ht-197](http://www.rsleads.com/208ht-197)

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