# Managing Risk Management in MLTSS Programs

## Harnessing Data Analytics and Predictive Modeling

QCSS

The ultimate goal of MLTSS programs is to provide high-quality care to vulnerable populations, who require assistance with activities of daily living (ADLs), while keeping costs low for both states and payers. However, it can be difficult to manage risks in these programs because long-term care needs are unpredictable and member populations are diverse. One way to address this challenge is by using accurate assessments to make informed decisions that result in optimized outcomes for individuals, providers, and payers.

**By leveraging data analytics and predictive modeling, MLTSS programs can better anticipate the risk for different beneficiary populations, and use a first principles approach to risk management that provides a comprehensive understanding of financial and operational risks.**

In simpler terms, this report discusses how data analytics and predictive modeling can help healthcare payer organizations improve member outcomes and manage risk in MLTSS programs. By adopting a first principles approach to financial risk management, and implementing effective data governance and technology solutions, healthcare payers can make better decisions to optimize time, resources, and financial outcomes for states, providers, and payers alike.

## The Challenges in Accurately Forecasting Financial Risk in MLTSS

Managed Long-Term Services and Supports (MLTSS) payer organizations face a multitude of challenges in managing financial risk, which can be exacerbated by the impact of changing member populations, macroeconomic trends, and regulatory requirements. These factors can make it difficult for MLTSS payer organizations to accurately predict utilization rates and costs, leading to worse organizational performance .

For instance, Social Determinants of Health (SDOH) can have a significant impact on healthcare outcomes and costs, but measuring and incorporating these factors into risk models can be challenging. Similarly, changes in member populations and macroeconomic trends can be difficult to predict and quantify, making it hard for MLTSS payer organizations to develop accurate forecasts. Moreover, regulatory requirements can be complex and may vary by state, leading to additional challenges for multi-state payers.

To effectively manage financial risk, MLTSS payer organizations need access to better data, analytics, and predictive modeling tools which can help incorporate these factors into forecasting models. By leveraging these tools, MLTSS payer organizations can gain a more comprehensive understanding of the factors driving financial uncertainty and develop more accurate forecasts, ultimately leading to better decision-making and improved financial stability.

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## The Consequences of Inaction

Without harnessing data analytics and predictive modeling, MLTSS programs risk deteriorating financial conditions that ultimately lead to inferior member outcomes.

- **Suboptimal member care:** Without appropriate data and modeling in place, individuals may not receive appropriate levels of care, resulting in worse outcomes and increased expenses for plans.
- **Financial instability:** Inaccurate risk predictions can result in financial shortfalls, putting the sustainability of the MLTSS programs at risk. Organizations may need to reallocate resources or seek additional funding to cover unexpected costs.
- **Operational challenges:** Misjudging risk can lead to operational issues, such as staff shortages or inadequate infrastructure, which can negatively impact the delivery of care to MLTSS recipients and an inability to keep up with regulatory requirements, leading to potential compliance issues and penalties.
- **Reputation damage:** Failing to accurately manage and predict risk can damage an organizations' reputation, as it may be perceived as financially and operational unstable, potentially leading to the loss of contracts, partnerships or members.
- **Failing to allocate resources efficiently:** Leading to increased costs for both states and payers, and overburdening healthcare providers and caregivers, potentially leading to burnout and a decrease in the quality of care provided.

## Data Techniques & Strategies

With multiple factors impacting the true financial risk of diverse and changing member populations, the ability to better use data can deliver better performance for all stakeholders by utilizing:

### Predictive Modeling

By employing advanced statistical techniques, payer organizations can forecast future healthcare utilization costs, which can be invaluable for better budgeting, more appropriately delivering care, and accurately calculating reimbursement rates.

### Financial Risk Stratification

Segmenting MLTSS populations based on their risk profile enables payer organizations to target interventions and allocate resources more effectively.

### Care Coordination

Utilize analysis to optimize care management processes, improve allocation of care hours, and identify risk of avoidable hospitalizations.

Unfortunately, many MLTSS programs are not well-prepared with the tools and strategies to leverage this data, nor to accurately predict future healthcare needs of beneficiaries and estimate their associated costs. This requires mathematical models which are able to better predict future events based on a holistic view of changing member, population, and macro trends, derived from multiple data sources, instead of using historical data to forecast what the future may look like.

## Current State: Claims Cost Approach

The claims cost approach is widely adopted by payer organizations to estimate the cost of MLTSS programs. It relies on historical claims data to project future costs, enabling plans to identify trends, patterns, and potential risks. **The main advantages of this approach include:**

- **Simplicity:** This approach is relatively easy to understand and implement, as it uses readily available data from past claims to make future projections.
- **Historical basis:** By using past data, this approach allows payers to learn from previous experiences and incorporate them into their risk management strategies.
- **Reliable for stable populations:** When dealing with stable population groups, where the future risk profile is similar to the past, this can be an effective method for estimating costs.

However, there are some drawbacks to this approach that can significantly impact the financial performance, and consequently the care delivered, of MLTSS programs. **These drawbacks include:**

- **Limited predictive accuracy:** This approach is inherently retrospective, meaning it may not effectively predict future changes in care need or utilization patterns, especially in cases of rapidly changing populations or care delivery patterns.
- **Changes in future needs of existing members:** MLTSS programs may experience changes in the needs of their existing members over time, which may not be accurately predicted by historical claims data alone. This could lead to inadequate resource allocation and suboptimal care for those members.
- **Change in mix of member acuity profiles:** Changes in the mix of member acuity profiles can also have a significant impact on the financial performance and care delivery of MLTSS programs. If the claims cost approach is used exclusively, it may not effectively predict these changes, leading to potential under or over estimation of costs and improper allocation of resources.
- **Inflexibility:** This approach may not account for changing external factors such as social determinants of health, rising medical costs, and minimum wage increases leading to potential under or overestimation of costs.

## Improved State: Utilizing First Principles Approach to Understanding Population Risk

The first principles approach offers several advantages over the claims cost method. It involves developing a model based on the underlying drivers of healthcare costs rather than historical claims data. This can include factors such as demographics, medical conditions, and social determinants of health. The main benefits include:

**Proactive risk management:** This approach allows payers to identify potential risks and cost drivers before they manifest as claims, enabling more proactive and targeted risk management strategies.

**Holistic perspective:** This approach provides a more comprehensive understanding of the underlying drivers of long-term care costs and can help payers make more informed decisions, and allows payers to incorporate SDOH data such as income, education, employment, housing and access to care levels.

**Addressing health disparities:** By incorporating person-centered factors, MLTSS payer organizations can better understand and address health disparities among different populations. This can lead to the development of targeted interventions and strategies to improve health equity and overall member health.

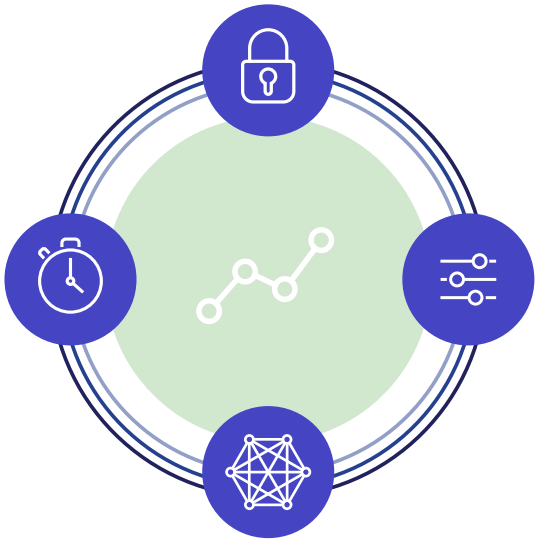
**Enhanced predictive accuracy:** By considering underlying drivers, this approach can provide more precise cost predictions, especially in cases where trends impact specific subpopulations which the claims cost approach might miss.

**Flexibility:** This approach is adaptable to emerging risk factors and changing utilization patterns, ensuring the predictive risk remains relevant and accurate.

**Granularity:** By breaking down costs into smaller components, organizations can more effectively identify and address the specific drivers of risk within their MLTSS programs.

**Despite these significant advantages, the first principles approach is not yet widely used among MLTSS programs for several reasons:**

- **Data limitations:** Data is siloed across multiple systems: internal, state, vendor, and more.
- **Cross-disciplinary collaboration:** Knowing what factors to use that make both clinical sense and have statistical relevance for financial results is critical to leveraging data.
- **Complexity:** Developing a first principles model can be a complex process, requiring specialized expertise and significant data inputs.
- **Timeliness:** Given the above-stated challenges, it is difficult to get timely insights to make real-time changes that have an impact on member outcomes and plan financials.



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## Better Risk Management Results in More Equitable and Better Care

Implementing first principles strategies can have significant benefits for both payers and members by addressing one of the biggest challenges facing MLTSS programs today, building predictive risk models. These models can help to predict intertemporal risk, but cannot completely mitigate its impact, as it cannot be diversified within a cohort, nor can it be diversified between cohorts due to serial correlation. Acknowledging this limitation can assist MLTSS payers in navigating the challenges of managing long-term risk and developing effective strategies to focus on the risk they can control. To help achieve these benefits, we have compiled a list of essential steps to follow.

### STEP ONE: Identify and Classify Member Groups

- Identify meaningful factors that predict costs, such as level of informal support, ADLs and other relevant factors
- Group members by need and categorize them by availability of information support
- Assess the progression of costs related to personal care and reimbursement.
- Identify hot spots where the organization performs well and areas that required improvement
- Scale the analysis based on enrollment in each group

### STEP TWO: Conduct a Sensitivity Analysis

A sensitivity analysis can help MLTSS executives understand the potential impact of changing factors such as:

- Morbidity
- Referral sources
- Plan changes
- Utilization patterns
- Regulations
- Reimbursement rates and policies
- Member demographics

### STEP THREE: Build Cross-Disciplinary Expertise within the Team

To leverage data effectively, organizations must bring together teams from various disciplines such as clinical, financial, and data. Cross-disciplinary expertise can help ensure that the right factors are being used that make both clinical sense and have statistical relevance for financial results.

### STEP FOUR: Build, Train, and Test

Developing a first principles model can be a complex process, requiring specialized expertise and significant data inputs. However, with the right tools and expertise, the results can be leveraged quickly. Organizations must take into account the underlying drivers of healthcare costs. They must integrate the results into planning, analysis, and operations to ensure that the model is utilized effectively.

### STEP FIVE: Hold Cross-Disciplinary Teams Accountable for Results

It is important to hold cross-disciplinary teams accountable for the results. This can be done by setting clear objectives and metrics, and by ensuring that teams have the necessary tools and resources to achieve their goals. Organizations must also be willing to make changes to their processes and procedures as needed to ensure that the model is being used effectively.

### STEP SIX: Cultural and Organizational Transformation

This involves cultivating a data-driven culture, fostering cross-functional collaboration and buy-in from clinical, financial, and executive teams, and implementing processes and policies that support data-driven decision-making. This includes offering training and education on data analytics and predictive modeling, and incentivizing data-driven decision-making through performance metrics and rewards. This necessitates dismantling silos between departments and creating opportunities for collaboration and knowledge sharing.

### STEP SEVEN: Find the Right Technology Solutions

Technological solutions for MLTSS programs play a critical role in improving beneficiary care and financial outcomes. Automated data extraction, interoperability, predictive modeling, and care coordination software can help integrate clinical and financial data, segment populations based on risk, and allocate resources effectively. By utilizing predictive modeling, organizations can forecast future healthcare costs and optimize care management processes. It's important to tailor these technological solutions to an organization's unique needs to maximize their benefits and make more informed decisions.

## Conclusion

As MLTSS programs continue to face challenges in risk management and care utilization optimization, the use of data analytics and predictive modeling techniques can be highly beneficial. By leveraging data effectively, organizations can identify potential risks and cost drivers before they manifest as claims, enabling more proactive and targeted risk management strategies. This can lead to more equitable and better care for members, while also improving financial performance. By implementing a first principles approach, organizations can gain a more comprehensive understanding of the underlying drivers of long-term care costs and make more informed decisions about how to allocate resources. While there are challenges to implementing this approach, the benefits are clear, and organizations that invest in data analytics and predictive modeling techniques will be better equipped to meet the challenges of the future.

In order to successfully implement a first principles approach to risk management in MLTSS programs, payer organizations can benefit from leveraging the services of QCSS Health. By utilizing QCSS Health's comprehensive solutions, payer organizations can gain a better understanding of member health and healthcare needs, identify high-risk populations, and develop comprehensive risk assessment models. QCSS Health's solutions incorporate a wide range of data sources, including demographic data, clinical data, social determinants of health (SDOH), and authorization data, enabling organizations to make data-driven decisions about resource allocation, program design, and beneficiary management. Ultimately, QCSS Health's solutions can improve individual outcomes, reduce costs, and benefit members, providers, and payers alike.

## Transform your MLTSS program today

Take the first step towards streamlining your MLTSS program with QCSS Health's MLTSS Performance Hub. Reach out to us at **www.QCSSHealth.com** today.

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**About QCSS Health**

At QCSS Health, we are laser-focused on simplifying the complexities of MLTSS service delivery through innovative, data-driven solutions that result in greater cost-efficiencies, more equitable access to care, and improved health outcomes for members.