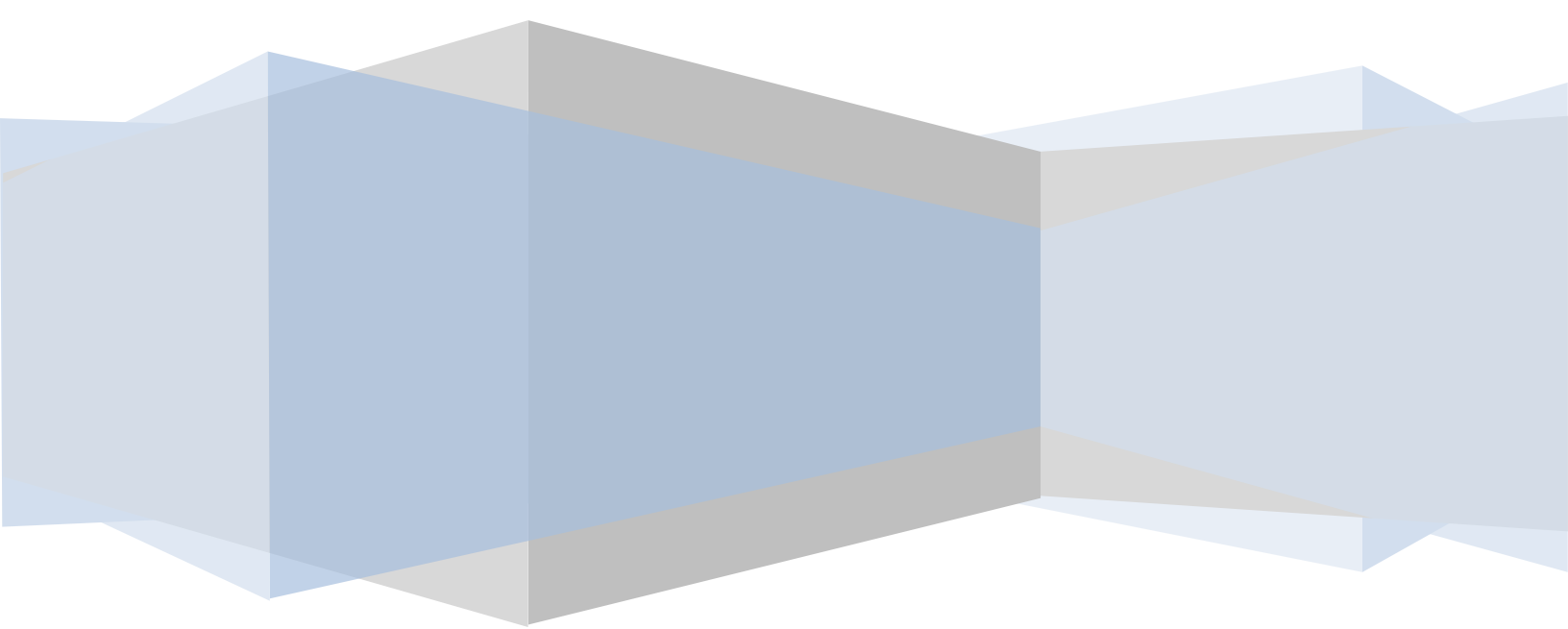




Underwriting Risk with AccuCAST

A TRICAST Technology Solution



Executive Summary

AccuCAST is an underwriting tool that you can use to produce a quote that you can present to a client. It's also capable of generating an audit trail of your underwriting process to ensure that you are adhering to the issuing carrier's considerations.

On the following pages we'll describe how you can use the powerful reporting capabilities of AccuCAST to create "manual quotes" from your data, and to perform a comparative analysis of your data to a client's data in order to execute an experience consideration.

The TRICAST Solution to Underwriting Risk

Generating a “manual” quote—that is, a quote without claims experience—with AccuCAST is a three-step process, as shown here. We’ll describe each step in the following sections.



Get to Know Your Data

Before you begin, it’s crucial to check the quality of the data you have in AccuCAST to ensure that you don’t make any wrong assumptions. A **Datastore Summary** report gives you an overall “picture” of the data in a given datastore. It provides a claim summary of the claims data, an eligibility summary of the patient experience, and a patient experience match to the claim source table.

A datastore summary report gives you a good idea of the kinds of claims that are in your data.

Test	Result	Status
Claim Start Date	Jan 1 2008 12:00AM	Passed
Claim End Date	Oct 25 2010 12:00AM	Passed
Claim Count	667185	Passed
Eligibility Count	120701	Passed
Claims w/ No Eligibility Matched	206	Warning - 0%
Claim status is not Paid	0	Passed
Claim Not Balanced	0	Passed
Days Supply <= 0	0	Passed
NDC Len not equal to 11	0	Passed

The claim summary section shows us a Brand/Generic breakdown, and who was filling the prescriptions. It’s also broken down by Days Supply so that you know in your datastore that you might be giving 90-day supplies.

Keep Scrubbing

You should also consider running a **Claim Diagnostic** report. This report shows a general overview of the claims and patient experience loaded into the datastore, in addition to counts of distinct values for a number of fields such as Brand/Generic indicators, Formulary, and others.

A typical Claim Diagnostic report. You might not want to underwrite and use this data if it had Days Supply quantities greater than 34 across the board.

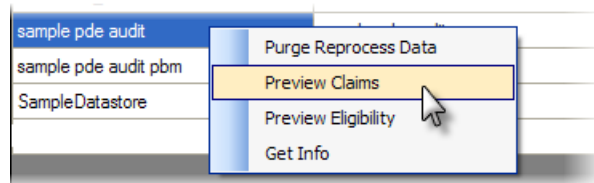
Summarization Type				Daw Warning	Claim Count	Copay	Avg Copay	Disp Fee	Avg Disp Fee	Avg Cost
Brand/Generic (<= 34 Days)					182,795	\$3,083,373.76		\$313,462.94		
	Retail	Brand	Paid		67,109	\$2,085,984.95	\$31.08	\$116,435.29	\$1.74	\$1.74
	Retail	Generic	Paid		115,686	\$997,388.81	\$8.62	\$197,027.65	\$1.70	\$1.70
Brand/Generic (>= 35 Days)					24,026	\$797,758.71		\$16,855.98		
	Mail	Brand	Paid		9,012	\$545,360.70	\$60.51	\$5,251.56	\$0.58	\$0.58
	Mail	Generic	Paid		12,283	\$175,309.44	\$14.27	\$8,585.11	\$0.70	\$0.70
	Retail	Brand	Paid		1,393	\$58,038.44	\$41.66	\$1,615.67	\$1.16	\$2.00
	Retail	Generic	Paid		1,338	\$19,050.13	\$14.24	\$1,403.64	\$1.05	\$1.05
Claim Status					206,821	\$3,881,132.47		\$330,318.92		
	Mail	Paid			21,295	\$720,670.14	\$33.84	\$13,836.67	\$0.65	\$1.00
	Retail	Paid			185,526	\$3,160,462.33	\$17.04	\$316,482.25	\$1.71	\$1.71
Compound					206,821	\$3,881,132.47		\$330,318.92		
	Mail	Compoun			1	\$40.00	\$40.00	\$0.00	\$0.00	\$10.00
	Mail	Not a			21,294	\$720,630.14	\$33.84	\$13,836.67	\$0.65	\$1.00
	Retail	Compoun			504	\$9,475.08	\$18.80	\$835.80	\$1.66	\$2.00
	Retail	Not a			185,000	\$3,150,813.25	\$17.03	\$315,600.70	\$1.71	\$1.71
	Retail	Not			22	\$174.00	\$7.91	\$45.75	\$2.08	\$2.08
Days Supply					206,821	\$3,881,132.47		\$330,318.92		
	Mail	>= 90			21,295	\$720,670.14	\$33.84	\$13,836.67	\$0.65	\$1.00
	Retail	< 90			185,526	\$3,160,462.33	\$17.04	\$316,482.25	\$1.71	\$1.71
Days Supply (01-21 Days)					10,348	\$133,687.93		\$27,267.93		
	Retail	1548305			6,651	\$94,521.56	\$14.21	\$21,226.23	\$3.19	\$3.19
	Retail	1376558			872	\$7,455.43	\$8.55	\$1,526.00	\$1.75	\$1.75
	Retail	1700901			825	\$8,095.84	\$12.82	\$1,095.50	\$1.75	\$1.75

This report is designed to provide you with forensics information about the currently loaded dataset for QA purposes.

A Final Check

Lastly, as a final spot check, in AccuCAST go to **Tools > View Datastores**. Select your datastore, then right-click it and choose **Preview Claims**.

A thorough review of your data ensures an accurate quote.



Scroll through the first ten or so rows of both the claims and eligibility data and make sure they match what you were seeing in your earlier reports.

Now that you know what's in your data, it's time to start some process runs with alternate formularies.

Crunch the Numbers

You know your data looks good, so what's next? AccuCAST is designed to forecast claims costs by reprocessing existing claims against new copays, trends, formularies and more.

Run, Process, Run

After you create and define (and redefine) all of these components, you bring them together in a **Process Run**, the record that AccuCAST uses to determine which components it will use, and what range of claims to execute against.

For this example, we've built a process run for a benefit that includes an open formulary and a plan design with some trend tiers, then ran a **Client Summary** report to arrive at a starting point for doing a manual quote.

The Process Info worksheet from the Client Summary report, showing the particulars of your current process run.

	A	B	C	D	
1	Process Name				
2	268 - JC Low Benefit Open Formulary (2)				
3	Process Info				
4	Data Store				
5	ManualData,PP1MIACCUCAST2,PP1MIACCUCAST2				
6	Formulary Name				
7	7102 - PLUS_P3TOSM_FULL_ASCII_EFF_11012010_ps				
8	Start Date	1/1/2010	Last Run Date	1/5/2011	
9	Fill Year	2009	Total Claims	241981.9916	
10	Last Modified	12/3/2010			
11	Rule Set Info				
12	Rule Set Info				
13	Name	2692 - JC Low Benefit Open Formulary			
14		\$310.00			
15	Ruleset ICL	\$0.00			
16	Copay First	Disabled			
17	Drop Unmatched Claims	Disabled			
18					
19					
20	Formulary Name	7102 - Item not Found			
21	Trend Level	Base/Deductible			
22					
23	Brand Formulary	0.09%	Brand Non-Formulary	0%	
24	Generic Formulary	0.06%	Generic Non-Formulary	0%	
25	Specialty	0.09%	Specialty Dollar Amount	\$0	
26					
27					
28					
29	Retail Cost Discount Trend	Retail Cost Inflation Trend	Retail Util Base Trend	Retail Util Induced Trend	Retail
30					

Your Quote!

The result is a spreadsheet with a PMPM figure that looks something like this:

Here's the data shown on the Summary worksheet from the Client Summary report. Save this document to an appropriate location. Ladies and gentlemen...we present your AccuCAST-generated "manual" quote.

Prescription Drug Benefit - Client Summary Low Benefit Open Formulary						
CMS Contract #	0	CMS Plan #	0000			
Drug Type		Utilization/KyYr	Cost/Px	PMPM	Avg Copay	Net PMPM
Generic	Retail	\$1,538.59	\$34.98	\$4.49	\$16.46	\$2.37
	Mail	\$65.49	\$70.83	\$0.39	\$30.13	\$2.22
Non-Preferred Brand	Retail	\$275.34	\$172.42	\$3.96	\$75.01	\$2.24
	Mail	\$21.89	\$344.87	\$0.63	\$143.05	\$3.37
OTC	Retail	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	Mail	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Preferred Brand	Retail	\$1,961.78	\$155.74	\$25.46	\$61.76	\$15.37
	Mail	\$144.11	\$321.07	\$3.86	\$118.64	\$2.43
Specialty	Retail	\$10.57	\$787.09	\$0.69	\$236.33	\$4.49
	Mail	\$4.42	\$924.45	\$0.03	\$289.26	\$0.02
Unknown	Retail	\$14,663.90	\$35.37	\$43.23	\$15.27	\$24.56
	Mail	\$636.81	\$125.37	\$6.65	\$51.80	\$3.90
Subtotal Below ICL (\$)		\$19,318.90	\$55.52	\$89.38	\$23.23	\$51.97
Generic In Gap		\$277.56	\$28.59	\$0.66	\$27.78	\$0.02
Non-Generic In Gap		\$173.48	\$252.96	\$3.66	\$214.05	\$5.56
SubTotal Below TrOOP		\$19,769.94	\$56.87	\$93.70	\$24.97	\$52.55
Above TrOOP (\$7,636.94)		\$65.33	\$381.60	\$2.08	\$43.54	\$1.84
Expected Claim Cost		\$19,835.27	\$57.94	\$95.77	\$25.02	\$54.39
Non-Claim Expenses						\$0.00
Total Pharmacy Gain/Loss (Margin)						\$0.00
Total Cost						\$54.39
Less Federal Reinsurance						\$1.55
Less Expected Rebates						\$0.00
Total Premium						\$52.84

The PMPM

What's it telling us? You've run a plan design against data you have stored in AccuCAST and it has calculated a PMPM (in this example, \$54.39). To that figure, you can add on expense, a margin, commissions, and any other fees, subtract your rebates, and you'll arrive at the premium amount you can present to a potential client.

Need Actuarial Support?

If you want actuarial support for your underwriting, you can run an AccuCAST **Continuance Sheet** report against the same process run and set of data, and then derive some base assumptions from it.

All About Continuance Reports

A continuance sheet is typically used to understand the distribution of annual prescription drug costs by user-defined thresholds. The report enables you to quantify the impact of various levels and thresholds for accruing cost-sharing benefits or limits.

	A	B	C	D
4	Data Store			
5	ManualData_PP1MIACCUCAST2_PP1MIACCUCAST2			
6	Formulary Name			
7	7101 - PLUS_P3TCS_O_FULL_ASCII_EFF_11012010			
8	Start Date	1/1/2010	Last Run Date	1/5/2011
9	Fill Year	2009	Total Claims	50761.99966
10	Last Modified	12/3/2010		
11	Rule Set Info			
12	Rule Set Info			
13	Name	2683 - JC High Benefit		
14		\$0.00		
15	Ruleset ICL	\$0.00		
16	Copay First	Disabled		
17	Drop Unmatched Claims	Enabled		
18				
19				
20	Formulary Name	7101 - Item not Found		
21	Trend Level	Base/Deductible		
22				
23	Brand Formulary	0.09%	Brand Non-Formulary	0.00%
24	Generic Formulary	0.06%	Generic Non-Formulary	0.00%
25	Specialty	0.09%	Specialty Dollar Amount	\$0
26				

Continuance tables have long been used by actuaries pricing medical benefits where the year-to-date expenses for the individual determine the benefit level. Deductibles and out-of-pocket limits are examples.

With the advent of similar benefit structures associated with prescription drug coverage, the prescription drug continuance table has become a valuable tool.

The continuance table helps you assess your patient population. For example, you can see how many people in total made claims, how many recipients hit the deductible, how many went over that, and so on.

B	C	D	E	F	G	H
Reprocessed Data						
		# of Members	Member Months	# of Scripts	Projected Allowed	
	\$0	5,472	54,087			
	\$1-\$265	0	-	0	\$0.00	
	\$265-\$2,399	8,031	88,433	43,602	\$4,548,417.05	
	\$2,400-\$5,451.25	326	3,791	7,028	\$1,452,752.18	
	\$5,451.25+	7	84	132	\$201,251.84	\$42.37
	Totals	13,836	146,395	50,762	\$6,202,421	

Limit	Recipients > =Limit	Recipient Units	Recipient Claims	Claims Net Limit	Scripts Net Limit	PMPM
\$0.00	8364	50762	\$6,202,421.06	\$6,202,421.06	50762	\$42.37
\$100.00	6046	45828	\$6,115,786.96	\$5,511,186.96	40651	\$37.65
\$200.00	5016	42466	\$5,966,900.66	\$4,963,700.66	35117	\$33.91
\$300.00	4303	39886	\$5,790,460.87	\$4,499,560.87	30306	\$30.74
\$310.00	4244	39621	\$5,772,516.35	\$4,456,876.35	29985	\$30.44
\$500.00	3390	35254	\$5,433,268.70	\$3,738,268.70	23611	\$25.54
\$1,000.00	2074	26277	\$4,470,939.57	\$2,396,939.57	13455	\$16.37
\$1,500.00	1170	17803	\$3,375,074.95	\$1,620,074.95	8072	\$11.07
\$2,000.00	744	12861	\$2,634,092.81	\$1,146,092.81	5161	\$7.83
\$2,500.00	478	9279	\$2,037,675.66	\$842,675.66	3398	\$5.76
\$2,830.00	333	7160	\$1,654,004.02	\$711,614.02	2602	\$4.86
\$3,000.00	288	6397	\$1,523,381.03	\$659,381.03	2267	\$4.50
\$4,000.00	135	3545	\$996,776.82	\$456,776.82	1231	\$3.12
\$5,000.00	77	2258	\$738,116.59	\$353,116.59	769	\$2.41
\$6,000.00	50	1440	\$588,913.55	\$288,913.55	503	\$1.97
\$6,440.00	41			776.75	435	\$1.84
\$7,000.00	31			852.05	379	\$1.70
\$8,000.00	23			990.47	299	\$1.52
\$9,000.00	19			481.43	240	\$1.37
\$10,000.00	18			456.23	199	\$1.25
\$20,000.00	9	223	\$249,048.91	\$69,048.91	45	\$0.47
\$30,000.00	3	45	\$104,669.98	\$14,369.98	5	\$0.10
\$40,000.00	1	12	\$40,695.72	\$695.72	1	\$0.00
\$50,000.00	0	0	\$0.00	\$0.00	0	\$0.00
\$60,000.00	0	0	\$0.00	\$0.00	0	\$0.00

This \$40,000+ claim doesn't affect the PMPM because it probably reached the catastrophic threshold.

Summing Up

Think of this as a “triangulation” process that helps you accurately determine a competitive premium: First, look at the data. Do the demographics look right? Next, run a few process runs followed by a claim summary report that generates a basic premium, ready for you to manipulate. Finally, run a Continuance Sheet to verify your assumptions.

Comparative Analysis: Your Data, Your Client’s Data

We’ve talked about manual underwriting. Now, in phase two, we take the next step: looking at client data and comparing it to your own.

The process is essentially the same one used to create a manual quote with your own data, only now you’ll import and analyze a potential client’s claim and patient information, kick off some process runs and a

Claim Summary report, and follow it all up with a Continuance table. The one exception: You'll want to run an **Ingredient Cost Comparison** report.

This report generates a side-by-side comparison of drug ingredient costs between two data sets or claim sets. Use it to compare your base data to an outside data set to determine where and why there are cost differences.

Active Ingredient Cost Comparison Report										
B Drug Generic Name	GPI	B Avg Ingredient Cost	B Brand Generic Desc	B Ingredient Cost	B Mail Retail Specialty	B Quantity	C Avg Ingredient Cost	C Ingredient Cost	C Quantity	C Reprice Cost
Warfarin Sodium Tab 10 MG	83200030200325	\$.37	Generic	\$2,197.94	R	5981	\$.18	\$8,978.25	51117	\$1,052.66
Warfarin Sodium Tab 2 MG	83200030200305	\$.31	Generic	\$5,463.13	R	17757	\$.18	\$158,855.53	882447	\$3,196.26
Warfarin Sodium Tab 2.5 MG	83200030200310	\$.31	Generic	\$3,911.61	R	12594	\$.19	\$145,627.35	749980	\$2,443.24
Warfarin Sodium Tab 3 MG	83200030200311	\$.32	Generic	\$2,038.15	R	6449	\$.19	\$72,023.30	381516	\$1,218.86
Warfarin Sodium Tab 4 MG	83200030200313	\$.35	Generic	\$3,110.14	R	8933	\$.19	\$63,266.06	333616	\$1,697.27
Warfarin Sodium Tab 5 MG	83200030200315	\$.34	Generic	\$25,498.44	R	76127	\$.18	\$428,776.12	2415756	\$13,474.48
Warfarin Sodium Tab 6 MG	83200030200317	\$.51	Generic	\$678.12	R	1333	\$.21	\$17,353.54	83644	\$275.93
Warfarin Sodium Tab 7.5 MG	83200030200320	\$.34	Generic	\$1,352.82	R	3999	\$.19	\$16,494.16	87743	\$751.81
Water For Inject, Bacteriostatic	98401020002000	\$.02	Generic	\$3.52	R	180	\$.16	\$211.93	1300	\$29.34
Water For Irrigation, Sterile Irrigation Soln	99750005002000	\$.01	Generic	\$31.61	R	4000	\$.01	\$4,940.04	643735	\$32.00
Wound Dressings - Emulsion	90944000001600	\$.54	Generic	\$24.40	R	45	\$.40	\$1,113.30	2790	\$17.96
Zaleplon Cap 10 MG	60204070000130	\$1.23	Generic	\$4,724.24	R	3840	\$.58	\$28,519.79	49486	\$2,211.84
Zaleplon Cap 5 MG	60204070000120	\$.79	Generic	\$79.16	R	100	\$.70	\$8,899.99	12715	\$70.00
Zidovudine Tab 300 MG	12108085000330	\$1.54	Generic	\$92.45	R	60	\$.79	\$3,027.28	3840	\$47.28
Zolpidem Tartrate Tab 10 MG	60204080100315	\$.40	Generic	\$55,470.15	R	138611	\$.09	\$200,258.53	2262831	\$12,197.77
Zolpidem Tartrate Tab 5 MG	60204080100310	\$.43	Generic	\$8,612.08	R	20255	\$.09	\$61,585.75	701088	\$1,782.44
Zonisamide Cap 100 MG	72600090000120	\$.48	Generic	\$4,996.88	R	10510	\$.46	\$63,948.12	139213	\$4,824.09
Zonisamide Cap 25 MG	72600090000105	\$.40	Generic	\$1,048.25	R	2630	\$.32	\$7,881.89	24380	\$849.49
Zonisamide Cap 50 MG	72600090000110	\$.56	Generic	\$302.35	R	540	\$.36	\$4,204.63	11806	\$192.24
									\$10,521,956.47	\$8,268,815.69

The Cost Comparison report enables you to price the client claims in your environment, which will validate any network pricing assumptions.

After you've completed a process run using an appropriate formulary and trend schedule that's aligned with a similar process run from your data, you can compare the two Client Summary reports and prepare a final blended quote.

The Claim Summary report, what can be considered to be the actual quote deliverable, is what an underwriter would look at with an eye toward blending. For example, the impact of a lower PMPM, or where there are higher PMPMs. Would you expect a higher trend off your data because it is lower priced or a lower trend? It's important to consider trend in the analytics and apply "apples-to-apples" comparisons in your Claim Summary reports.

The comparative analysis of your manual quote to the client's data, that's how you use AccuCAST to underwrite risk: comparing the diagnostic reports, the claim summaries, and the continuance sheets.

Conclusion

AccuCAST helps you manage your assumptions, and provides actual claim-level analysis to support your underwriting decision process.