The industry gold standard

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Milliman's Health Cost Guidelines™ incorporate more than 70 years of research and consulting practice into an industry gold standard used by insurers, managed care organizations, and third-party administrators to estimate expected claim costs and model healthcare utilization.

Today, more than 100 risk-bearing entities rely on our proprietary methodologies and comprehensive data, compiled from published and unpublished, private and public data sources, to:

- Model healthcare utilization

- Adjust national average healthcare costs for specific geographic areas, benefits, reimbursement structures, and plan characteristics

- Estimate claim costs

The Health Cost Guidelines are updated annually to address the latest trends and regulatory compliance issues. Milliman consultants, traditional health carriers, managed care organizations, third-party administrators, and state insurance departments rely on the Guidelines for customized, accurate product evaluation and pricing.

The suite consists of the following products:

- Health Cost Guidelines–Ages 65 and Over

- Health Cost Guidelines–Commercial

- Health Cost Guidelines–Dental

- Health Cost Guidelines–Reinsurance

- Health Cost Guidelines–Prescription Drug Rating Manual

- Health Cost Guidelines–HCG Grouper

The Health Cost Guidelines–Ages 65 and Over are used to adjust national average costs to specific geographic areas and are used to rate Medicare Advantage, Medicare Supplement, and retiree medical plans. The rating sections reflect the most recent Medicare payment systems and include the Retiree Medical Rating Model (RMRM), which was developed for use with the employer-based retiree medical rating section. A separate Prescription Drug Rating Model (RxRM) section provides for more detailed analysis of prescription drug costs and benefits. The models simplify the entry and calculation of many rating variables, such as cost-sharing provisions on selected benefits. The user can modify costs based on age/gender mix, geographic area, trends, and other factors. Claim Probability Distributions (CPDs), on the basis of billed charges or Medicare allowed charges, are used to estimate the value of plan deductibles and out-of-pocket maximums.

The Health Cost Guidelines–Commercial include three volumes and two rating models: Commercial Rating Structures, Commercial Area Factors, Commercial Claim Probability Distributions, the Managed Care Rating Model (MCRM), and the Prescription Drug Rating Model (RxRM). The Commercial Rating Structures are used to determine utilization, charge levels, and claims costs for health benefits provided by traditional fee-for-service plans, alternative delivery systems (such as HMOs, PPOs, or systems using modified fee-for-service reimbursement methods), and freestanding or integrated prescription drug programs. The Commercial Area Factors are used to adjust national average costs to specific geographic areas and are used with the Commercial Rating Structures to develop area-specific claim costs. The Commercial Claim Probability Distributions help assess the value of deductibles, out-of-pocket maximums, and the effect of plan maximums and area factors by deductible level. The Managed Care Rating Model (MCRM) is a rating tool incorporating many rating variables and worksheets described in various sections of the Rating Structures, including the provider reimbursement worksheets and claim probability distributions. The Prescription Drug Rating Model (RxRM) incorporates the prescription drug rating section rating variables for a more detailed analysis of prescription drug costs and benefits. Various cost per prescription continuance tables can be used to model unit price variation and effectiveness (expected versus nominal).

The Health Cost Guidelines–Dental provide a flexible tool for determining estimated claim costs for a variety of dental programs. In addition to indemnity, managed care, and orthodontic rating structures, the product includes basic tables, negotiated reimbursement worksheets, trend factors, area factors, and Claim Probability Distributions. The Dental Rating Model (DRM) is a rating tool that simplifies plan rating and further claim cost development.

The Health Cost Guidelines–Reinsurance contains rating structures for reinsurance used with fee-for-service or managed care plans provided to commercial or Medicare enrollees. This product can be used to anticipate future claim levels, evaluate past experience, and establish relationships between health coverage levels. Features include worksheets for pricing both commercial and Medicare-based products, adjustment factors for dealing with the effects of trend leveraging associated with high deductibles, guidance on the impact of hospital efficiency on reinsurance costs, and the effect of catastrophic claims.

The Health Cost Guidelines–Prescription Drug Rating Manual (RxRM) can be used to determine claim costs for a wide variety of prescription drug benefit plans for either Commercial or Ages 65 and Over populations. This rating tool allows the user to quickly rate a multitude of benefit plan options with up to six formulary tiers by selecting rating variable inputs and calibrating to user experience if desired. A separate rating section provides a tool for modeling the cost of including some form of prescription drug coverage for Medicare-eligible beneficiaries. Claim probability, cost per prescription, and drug therapy class distributions also allow the user to develop estimates for a wide variety of benefit design and pharmacy cost management programs.

The Health Cost Guidelines–Grouper software categorizes medical and pharmacy claims data into the Milliman Health Cost Guidelines benefit service categories that can be used to analyze and benchmark medical utilization and cost. Enrollment and claims data is categorized using the Health Cost Guidelines definitions by hospital, surgical, medical, and other categories. The HCG Grouper software can be used to analyze cost and utilization for many different types of population data, such as product lines, lines of business, employer groups, primary care panels, disease populations, and others. Each line of claim detail is assigned an HCG service cost category for use in commercial, Medicare, or Medicaid analysis. Additionally, the Grouper applies a standard for counting utilization: e.g., number of admits, cases, days, procedures, scripts, and visits. An interactive cost model and data validation model is included with the HCG Grouper Software.

The expertise you need to evaluate pricing.

Exactly what you need

In addition to being comprehensive, the Guidelines are flexible enough to accommodate your specific situation. Whether the focus is on a single benefit area, such as prescription drugs, or redesigning an entire benefit plan, the Guidelines will keep you up to date on the issues that affect your bottom line.

Milliman uses multiple sources of public and private data sources to produce the most comprehensive Health Cost Guidelines available.

We walk in your shoes

The products we sell are the tools we use. As the premier healthcare management consulting firm, Milliman uses the Health Cost Guidelines and underlying data daily to give our in-house actuarial consultants insight into the key drivers of healthcare costs and utilization.

Your Milliman consultant can help you determine the best combination of specific products to meet your specific needs.

Milliman

Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in life insurance and financial services, property & casualty insurance, healthcare, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe.

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