

Early-Warning Thresholds & Executive Escalation Protocols

Purpose

Early-warning thresholds ensure that Medical Loss Ratio (MLR) and related financial/utilization metrics are monitored closely. Escalation protocols guarantee timely executive awareness and action before risks escalate.

Early-Warning Thresholds

Thresholds should be quantitative triggers that alert leadership when MLR or cost/utilization trends deviate from expectations.

- **Typical Trigger Level:** $\pm 1\%$ variance from target MLR or budgeted PMPM.
- **Tiers of Alerts:**
 - **Green:** Within $\pm 0.5\%$ → Normal variation; no action.
 - **Yellow:** 0.5–1.0% variance → Monitor and investigate contributing factors.
 - **Red:** $>1.0\%$ variance → Immediate leadership review.

Note: Thresholds should be tailored by population size (larger groups allow tighter thresholds; smaller groups may require wider ranges).

Escalation Protocols

Step 1: Detection

- Variance crosses threshold in monthly dashboard or quarterly reconciliation.

Step 2: Internal Review

- Finance/actuarial team validates data accuracy.
- Conduct variance analysis (cost vs. utilization vs. mix).

Step 3: Escalation

- **Yellow Zone:** Report trend and analysis at next operational leadership meeting.
- **Red Zone:** Immediate notification to CFO, CEO, and executive committee.
 - Provide variance drivers, potential financial impact, and mitigation options.

Step 4: Executive Action

- Determine interventions (e.g., provider contracting review, utilization management adjustment, member engagement initiatives).
- Assign accountability and timeline for follow-up.