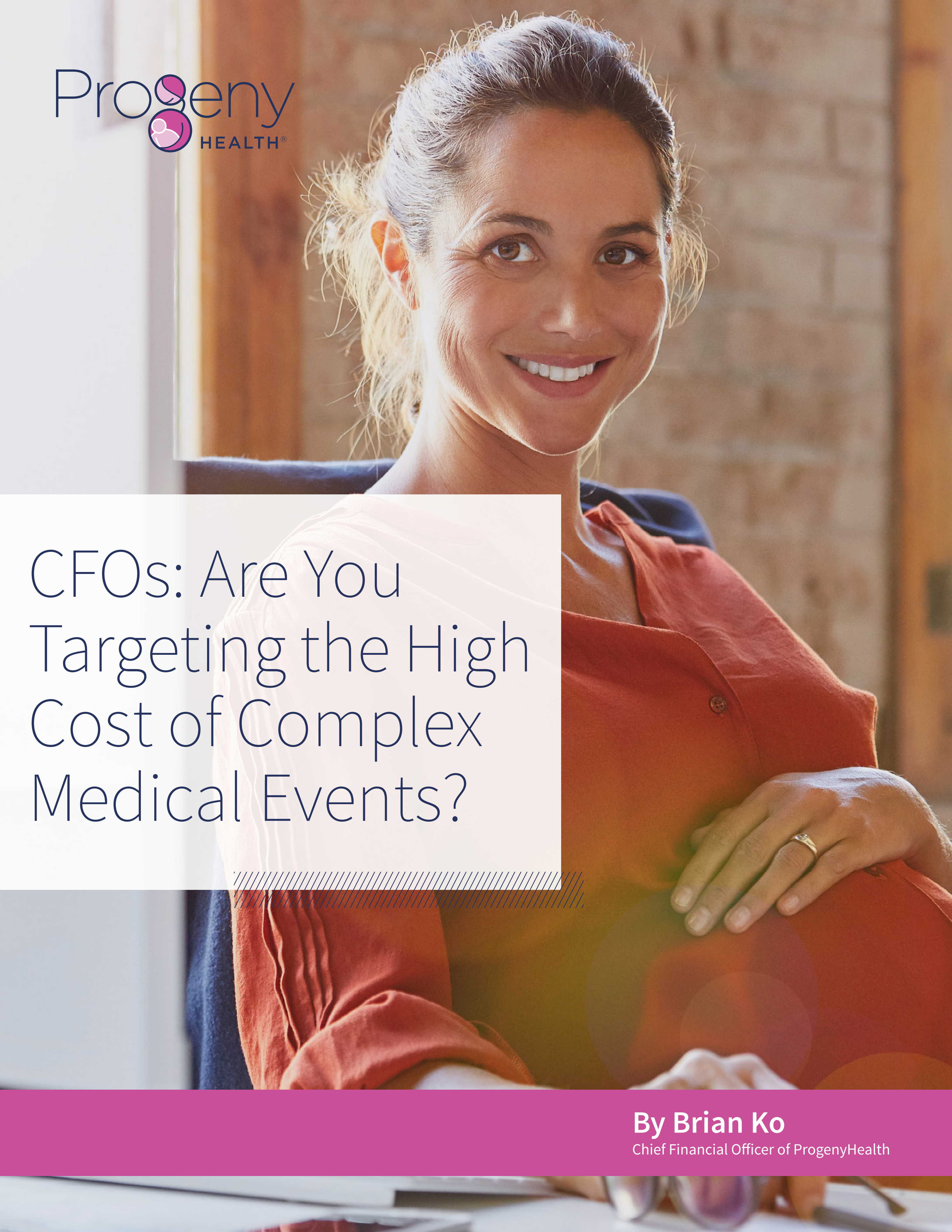

# CFOs: Are You Targeting the High Cost of Complex Medical Events?


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# The CFO Challenge in the Healthcare Space

As a financial executive, you see the big picture – balancing revenue, direct costs, overhead, and operating priorities. You also know your expenses to the penny – for example, how much it costs to lease space – in a building or the cloud. But, for one of your highest costs, you could be (or likely are) flying blind. That line item is ***healthcare costs***.

As a leader focused on the numbers, you might assume that the cost of an MRI, hip replacement, or childbirth will be consistent. Unlike leasing space, the cost of an identical diagnostic code can vary dramatically depending on the region, care location, negotiated rates, and provider pricing strategies.

For example, an average MRI scan costs $2,600. But the actual cost of the claim can skyrocket depending on circumstances. A freestanding MRI facility might charge $600 for an MRI, but an MRI scan in a hospital can exceed $13,000 because of additional professional fees and facility and administration costs.[1]

The cost-difference between facilities is only half the battle. Over-utilization is the other half. Research suggests that "over-imaging" – often defensive medicine to protect against litigation – ranges from 5% to 25% of total imaging costs.[2]

**The Most Unpredictable Medical Cost of All is Childbirth.** Even with normal, predictable circumstances, childbirth costs can vary by 100%. For example, a normal vaginal birth costs $9,516 in Alabama and $20,243 in Alaska.[3]

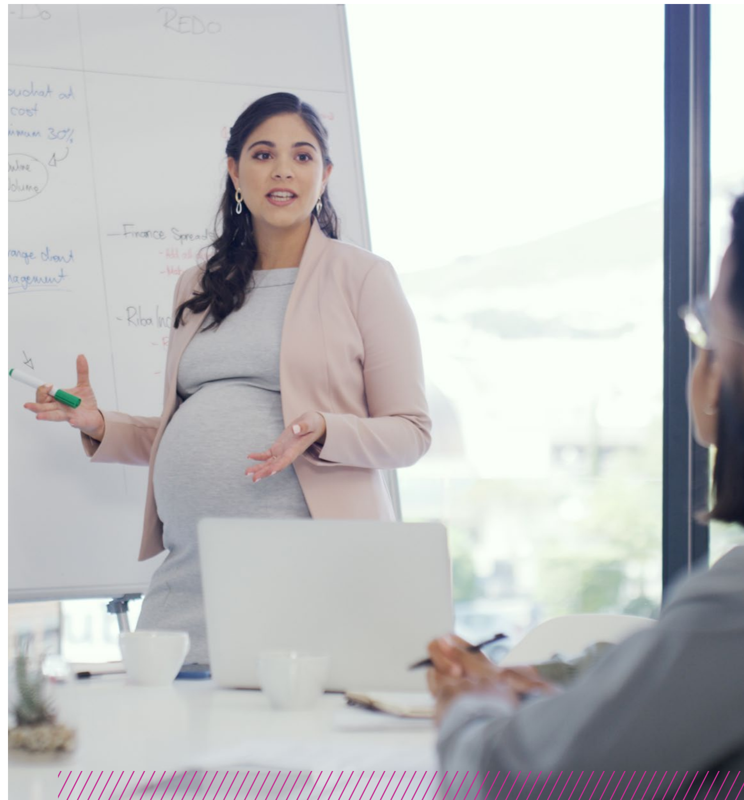
$9,516 vs $20,243

Average vaginal birth cost in Alabama

Average vaginal birth cost in Alaska

Other studies found different numbers. A [Truven Health Analytics study] found that among women and newborns with employer-provided commercial health insurance, the average total commercial insurer payments for all maternal and newborn care were $18,329 (vaginal) and $27,866 (cesarean).[4]

Those are the averages. In a single competitive market, the same procedure can vary as much as five-fold in cost, with no correlation to care quality.



### Healthcare Costs: Unpredictable and Growing

After last year's dramatic dislocations, operating costs are decreasing. For example, travel is less frequent, and office space needs are declining as more employees work remotely. Yet healthcare costs continue their inexorable rise and remain variable. According to the Society for Human Resource Management (SHRM), employers' benefits costs rose a staggering 24% between 2001 and 2017.[5] In 2019, the cost of employee health benefits was projected to increase by 5% in 2020, topping $15,000 per employee[6] – the eighth consecutive year the cost of health benefits outpaced inflation.

24% ⇧

Increase in employers' benefits costs from 2001 to 2017[5]

$15k

Price per employee for health benefits costs in 2020[6]


# Cost Containment Strategies

The Business Group on Health, a healthcare advocacy organization for large employers, surveyed 170 large employers with a combined coverage of 19 million lives in 2019 to discover their healthcare cost-containment strategies. The top two cost-cutting initiatives were:

1. **Implement more virtual care solutions | 51%**
2. **More focused strategy on high-cost claims | 39%**

Let us examine each:

## 1. Implement More Virtual Care Solutions

Also known as virtual health or telemedicine, virtual care gives employees a host of technology-powered tools to deliver healthcare services remotely. Employees can access primary care via video, phone calls, mobile applications, secure email, or messaging. Employees enjoy the convenience, quality of care, and affordability. For employers, virtual care improves productivity by restoring lost work hours from day-killing doctors' appointments.

As employers look for cost-saving strategies without shifting costs to their employees (through higher cost-share, co-pays, deductibles, and reduced coverage), many employers turn to innovative technologies. A host of tech-enabled programs help employees manage chronic conditions and other health care needs on their own.

Today, wearable and biometric devices allow individuals to measure vital signs, EKGs, and blood glucose levels from their homes. Home-based health technology also drives more frequent interactions with the patient's care team, increases medication adherence and blood pressure control while increasing user satisfaction.

New home-based technologies include micro-sampling devices to facilitate remote blood sampling, continuous glucose sensing technologies, and digital blood pressure cuffs that enable patients to send physicians their blood pressure and pulse remotely. With COVID-19, support for telehealth and remote monitoring among providers and patients has risen – from about 10% before the pandemic to almost 60% now.[7]

## 2. More Focused Strategy on High-Cost Claims

In a survey conducted by Mercer Health (2019), controlling high-cost claims was also at the top of the employer wish list. More than 80 percent of U.S. employers with 500 or more employees (2,500 respondents) said managing high-cost claimants was their top health savings strategy. Mercer found that the proportion of claims costing over $50,000 was rapidly growing.

"High-cost claims are clearly one of the issues that keep employer health plan sponsors up at night," said Mercer's Jean Moore, senior director of health specialty practices.

> *"Fortunately, there are ways employers can improve the experience of employees and family members dealing with serious conditions while also managing cost. This can be done by helping to ensure that patients are receiving the right care, delivered in the right place at the right time.[8]"*

The Mercer report underscored how a relatively small number of plan members drove most of the cost. Mercer's database of about 1.6 million plan members revealed that 6 percent of the employee population drove 47 percent of the cost.[9]

**47%**

Of an employer's high-cost claims came from only 6% of the employee population[9]

### The Big Variable: Complex Care

Chronic conditions account for a significant portion of healthcare costs, but for the most part, chronic costs are manageable and predictable. The biggest variable in health plan cost is complex care.

Complex medical events generate large, complicated, costly bills. Complex care also relies on sophisticated new treatments, drug therapies, and diagnostic technology, which drive up the cost of coverage – so much so that employers in every survey identified managing exorbitant claims as a critical lever for controlling costs.

While complex cases tend to leverage innovation, they also rely on health advocacy. Health advocates and case management provide direct, personalized services to patients and their families as they navigate the healthcare system. Health advocates also promote access to health care and wellness activities.

According to Tracy Watts, Mercer's national leader for U.S. health policy, "Health advocates help patients and their families navigate a complex health care system to get to the right provider at the right time. When care is better coordinated, we often see less wasteful healthcare spending."

ProgenyHealth provides care coordination to impact birth-related high-cost claims. Many TPAs and insurance companies use specialized services like ProgenyHealth to provide Case Management and advocacy services during a employee's care. In a complex case, medical information may be inaccessible or hard to understand. The employee often needs assistance in negotiating the healthcare system and other community resources.

### The Role of the TPA

Most large employers with self-funded health programs use a third-party administrator (TPA) to process insurance claims. The TPA typically sends a weekly funding request for costs incurred. The employer pays the request, and the TPA pays the claims – the bills from employees' doctors, hospitals, and pharmacy benefit managers.

In this scenario, the TPA functions as an administrator – not a watchdog. Cost containment requires utilization management and case management expertise for a particular specialization – for example, radiology, medical oncology, or neonatal infant care.

According to Mike Burnett, CFO for ELAP Services, "I assumed it was the TPA's job to assess the appropriateness of the charges we were paying. In reality, while TPAs play a valuable role in the benefits administration process for self-insured companies, it's not their responsibility to review charges. Rather, your finance department should be scrutinizing and understanding cost trends in health care claims just as they do any other business expense."[10]

# Targeted Solutions to Contain High-Cost Claims

Neonatal infant care accounts for nearly 25% percent of all stop-loss claims of $1 million or more.[11] Unlike joint replacements that can be standardized to reduce cost variability, complex cases like a NICU event or cancer do not follow the same rules. While medical advancements save lives (both young and old) that would have been lost five years ago, new life-saving techniques and technology increase utilization and lengthen care. For this reason, employers seek targeted solutions to manage high-cost events like NICU.

25%

Of all stop-loss claims of $1 million or more comes from Neonatal infant care[11]

While the frequency of NICU cases is low relative to total births, they are often complex and costly. In a Sun Life study, the average stop-loss claims for childbirth-related conditions were ***liveborn with complications: $316,800, and congenital anomalies: $216,100*** – both in the top ten for all stop-loss claims.[12]

In another study, 7.7% of insured infants born preterm accounted for 37% of $2.0 billion spent by participating plans on total newborn cost – $78,000 more per preterm infant during the first year of life.[13]

37%

Of the total newborn cost for participating plans came from 7.7% of the insured infants born preterm[13]

ProgenyHealth is a targeted solution for managing high-cost and complex NICU claims. As the only national company dedicated to NICU Care Management, ProgenyHealth provides:

- **Utilization Management** – ProgenyHealth uses data intelligence captured by its proprietary platform, Baby Trax® – based on nearly 100,000 NICU cases – to support providers' clinical decisions. By standardizing care management and reducing variations in care, ProgenyHealth drives optimum quality outcomes and ensures appropriate lengths of stay and levels of care to reduce inpatient costs, physician fees, emergency department visits, and readmissions.
- **Case Management** – ProgenyHealth case managers work with families from NICU admission through the baby's first birthday. They assist with discharge planning, screen for postpartum depression, provide information and clinical support, and help solve the Social Determinants of Health for newborns and their families.
- **Payment Validation & Assurance** – ProgenyHealth's Payment Validation & Assurance program helps prevent inaccurate payments and maximizes value from UM/CM services. ProgenyHealth reviews claims against clinical authorizations, identifies variances between approved days and levels of care, and confirms codes that may impact reimbursement. The service identifies billing inaccuracies, improves coding, and reduces waste in the payment process.

ProgenyHealth's integrated approach delivers consistent cost savings of 2:1 or better for its partners.

# Taking Ownership of Your High-Cost Claims

CFOs shoulder a fiduciary responsibility to their organizations, requiring an understanding of the levers that drive healthcare costs, particularly as dollars shift from traditional fully-insured to self-insured programs.

This shift requires a greater degree of active management to maximize the benefits through improved care and lower, more predictable costs. Targeted solutions to address known drivers of catastrophic claims, such as neonatal infant care or cancer, are critical strategic components in managing claims expense and stop-loss renewal increases.

## Add Targeted Strategies to Your Cost-Containment Toolkit

CFOs should discuss these risks with their benefits consultant, broker, or health plan to ensure that NICU care management is built into the plan design.

Benjamin Franklin observed that nothing is certain except death and taxes. CFOs add another certainty to this idiom: healthcare costs. Fortunately, CFOs do not have to sit idly and accept skyrocketing expenses. They have powerful new tools, programs, and partners at their disposal.

By employing targeted strategies to contain the most-costly claims, CFOs can capture healthcare dollars to reinvest in a more profitable future.

## About ProgenyHealth

ProgenyHealth's 130+ full-time, NICU-specialized physicians, nurses and social workers have managed nearly 100,000 cases to-date, working collaboratively supporting their colleagues on the front lines of hospitals across the country. The benefit to our plan partners is consistent and accurate authorizations which ensure that each and every infant receives the right level of care in the right setting, based on their unique clinical circumstances and health care needs.

***For more information or to sign up for future blogs, visit www.progenyhealth.com.***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