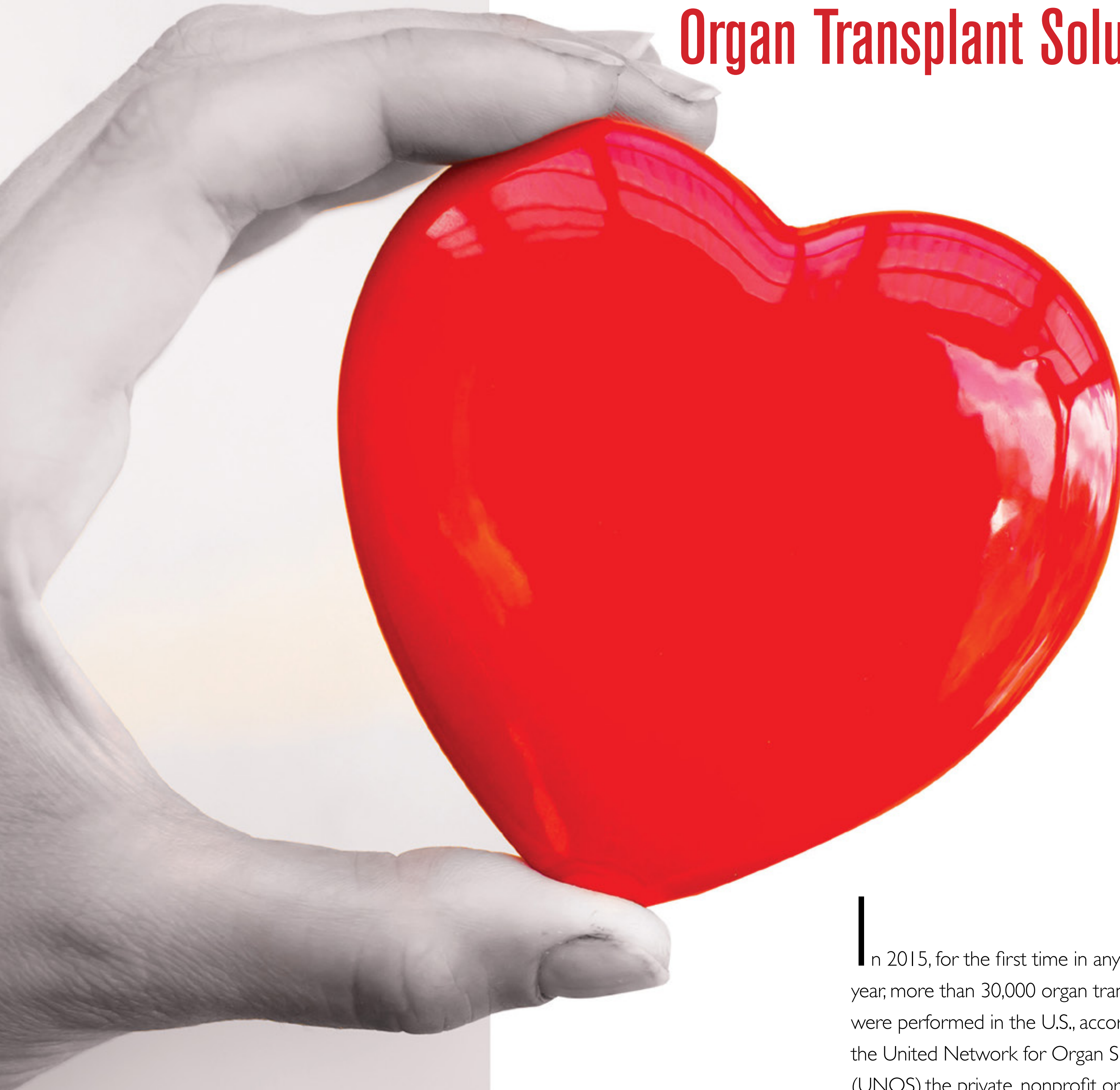
Controlling Health Benefit Costs with FULLY-INSURED Organ Transplant Solutions



By Russ Jehs

In 2015, for the first time in any calendar year, more than 30,000 organ transplants were performed in the U.S., according to the United Network for Organ Sharing (UNOS),the private, nonprofit organization that manages the nation' s organ transplant system. As a recent UNOS press release shared, "For the year, 30,973 transplants were reported, representing an increase of nearly 4.9% over 2014 and continuing a three-year trend of annual record numbers."[1]

As the number of organ transplants has risen, the costs have risen, as well. For employers striving to control runaway health benefit expenses, the details are sobering. For example, Milliman data reported triennially shows that in the U.S., estimated billed charges for a single-lung transplant rose from $561,200 in 2011 to $785,000 in 2014, while estimated billed charges for a heart transplant rose from $997,700 to $1,242,200 during the same time.[2]

The Impact

The impact of costlier organ transplants on health benefit plans can be severe, even catastrophic, especially among groups, businesses or corporations that self-fund the health care plans they offer their participants. Since most organ transplants require candidates to be on waiting lists for a year or more, transplants introduce known risks to self-funded plans that must be disclosed at renewal.

Disclosure often triggers "lasers" (higher deductibles for, or exclusions of, specific employees) and therefore, a greater assumption of risk by health benefit plans for these potentially high-claim individuals. Unfortunately, transplant networks typically expose the employer to most of the severity and all of the frequency costs of transplants.

A Potential Solution

Fully-insured organ transplant insurance is designed to mitigate devastating, unpredictable medical expenses for self-funded employers and employees. The need is crucial, as according to UNOS, a new person is added to the national transplant waiting list for a transplant every ten minutes.[3]

Consider how an organ transplant has the potential to help control benefit costs in the event of renal disease. One in three American adults is at risk for developing kidney disease, according to The National Kidney Foundation.[4] Furthermore, of the 119,932 people waiting for organ transplants in the U.S. as of August 5, 2016, nearly 100,000 were awaiting kidney transplants, according to the Department of Health & Human Services.[5] Milliman data shows that estimated average billed charges for a kidney transplant are $334,300[6]– nearly 76.9% lower than the average cost of kidney dialysis per patient in the U.S. ($1.45 million, according to a recent American Journal of Transplantation article[7]). But $334,300 is still a hefty price tag.

A fully-insured organ transplant product can remove large claims for organ transplants from a stop-loss program. Some fully-insured organ transplant solutions can be leveraged in conjunction with the issuing carrier' s stop-loss insurance or with any other carrier' s stop-loss insurance. Stop-loss carriers typically offer a discount on stop-loss coverage if the transplant risk is transferred to a third party.

Fully-insured organ transplant products may offer full coverage for single- and multiple-organ procedures (heart, heart and lung, lung, liver, kidney, kidney and pancreas, pancreas, and small intestine), as well as for bone marrow and stem cell transplants. As solutions vary, it' s important to read policies carefully to understand the various features, benefits, exclusions, terms and conditions.

The Risks May Rise

Ongoing research, innovation and collaboration may bring about more organ transplants and thus, the risk of more costs for employers. As The Washington Post shared in June, the White House and a coalition of universities, companies and nonprofits have announced new steps to reduce the wait time for organ transplants – an initiative that may help increase the number of transplants in the U.S. by nearly 2,000 each year[8] and impact self-insured employers.

Furthermore, as Kaiser Health News reported in late July, the popular online dating app Tinder has partnered with a nonprofit group called Organize, which aims to help end the organ donation shortage. As a result of the alliance, Tinder users soon may be able to "swipe right" on their mobile phones to register to be organ donors, a move that also could drive up the number of transplants in America.[9]

The Kaiser article explained that "A similar campaign between Tinder and the National Health Service was carried out in Britain last year. Organize is also partnering with the comedy video website Funny or Die, Facebook, various universities and hospitals to launch apps and social media campaigns to boost registrations for organ donations."[10]

Additionally, as Fox News relayed recently, a voucher program that allows relatives to preemptively donate their kidneys to a potential loved one in need is scheduled to launch in at least ten U.S. hospitals. According to Dr. Jeffrey Vealer, a transplant surgeon who helped start the program at the Ronald Reagan UCLA Medical Center and was quoted in the Fox article, "This is groundbreaking and could completely change the field of transplantation.
The demand for a kidney transplant is tremendous, but with this program, I would argue that, for the first time in history, we can actually start reducing the number of people who are on the waiting list."[11]

Furthermore, The New York Times shared recently that another breakthrough "could slash the wait times for thousands of people" who need new kidneys. The article, about a study published in the New England

Journal of Medicine, relayed that with a method known as desensitization, physicians have "successfully altered patients' immune systems to allow them to accept kidneys from incompatible donors."[12]

Four Key Questions

When an organization is considering whether to purchase a fully-insured organ transplant product, the following key questions may be helpful to consider:

1 Have risk exposures such as organ transplants made the organization less inclined to self-fund its plan?

2 Has the organization been assessed with a laser due to a potential transplant exposure?

3 Is the organization currently insured with a stop-loss plan without a transplant carve-out solution?

4 Is the organization aware of the cost and increasing number of organ transplants in the U.S.?

Myths and Truths

The answers to the foregoing questions may reveal some misconceptions about organ transplant costs and coverage. When equipped with the facts, decision-makers at self-funded organizations may be more easily able to determine their needs and the appropriate solution.

Comment: Our organization has self-funded our health care for years with no organ transplant claims. We do not need fully-insured organ transplant insurance.

Response: Industry data suggests that organ transplants are increasing in both cost and frequency.

Comment: Stop-loss insurance has provisions for organ transplants. Our organization does not need to purchase separate coverage.
Response: Using stop-loss plans to absorb the cost of an organ transplant may negate the cost savings that employers initially realize from these plans, as the transplants usher in lasers that have the potential to result in dramatically higher stop-loss rates at renewal time.

Comment: Our self-funded organization has a large, specific deductible or no stop-loss coverage and therefore, would not be a good fit for fully-insured transplant coverage.
Response: Organ transplant coverage provides budget predictability for organ transplant costs, capping the exposure for the covered organization. For an affordable per-employee, per-month rate, the organization may be able to mitigate the budget impact of transplants in terms of frequency/severity. For example, whether five employees or ten undergo transplants, fully-insured benefits typically are provided for 100% of transplant-related costs.

Comment: Our organization has access to an organ transplant network via our stop-loss coverage. We do not need an organ transplant plan.
Response: A transplant network provides discounted rates on organ transplants. These network discounts minimize the stop-loss carrier's financial exposure to organ transplants, but leave the employer with the balance of the costs. With fully-insured organ transplant coverage designed specifically for the employer, it is possible for the employer to receive 100% of the benefit amount for transplant-related costs.

Features to Review

Fully-insured organ transplant solutions typically impose no deductibles, co-payments or out-of-pocket costs for the employer or employee when the transplant occurs in network. (However, employees who have a high-deductible health plan option should consult their legal and tax advisors for any impact the transplant coverage may have on their Healthcare Savings Account.)

As "first-dollar" insurance, these fully-insured plans offer 100% payment for all covered, transplant-related physician and hospital charges, as well as related drugs, when in network. Many provide claim payments directly to the providers to eliminate reimbursement issues and help preserve a company's cash flow. What, then, are some potential product differentiators to review? Consider the following when evaluating fully-insured organ transplant solutions:

- whether they include access to a national network of highly regarded, successful transplant hospitals,

- whether they offer one-on-one care management and advocacy from experienced transplant nurse supervisors throughout the entire episode of care, starting from evaluation through a full year after the date of the transplant,

- whether they offer an indemnity payment of several thousand dollars made directly to covered patients who receive a transplant, and

• whether they feature a limitation on pre-existing conditions to help make coverage feasible for the group (through more liberal underwriting), even if one or more employees will be subject to a waiting period before coverage under the policy becomes effective.

Note that while some organ transplant solutions may appear to be fully-insured, they may offer an option to choose a deductible of $5,000 to $25,000 to lessen the cost of the policy. The contract, therefore, is not a fully-insured transplant policy; instead, it more closely resembles a stop-loss transplant policy. For self-insured companies and groups, having a transplant policy with a deductible, in additional to the organization' s deductible for stop-loss coverage, may not be financially prudent.

The Bottom Line

In a time of increased organ transplant frequency and costs, a strategy of insuring transplants separately from an organization' s medical policy is designed to transfer risk, stabilize the group' s stop-loss rates, and help facilitate high-quality, comprehensive care management that benefits the organization as well as its employees. Companies can learn more about managing needs and costs associated with catastrophic transplant claims by looking to a leader in fully-insured organ and tissue transplant insurance. ■

Russ Jehs is Senior Product Director, Organ Transplant, of Group Benefits, AIG Consumer Insurance. He can be reached at Russ.Jehs@aig.com.

References

[1]"More than 30,000 transplants performed annually for first time in the United States;" United Network for Organ Sharing (UNOS) press release; Jan. 13, 2016; http://www.businesswire.com/news/home/20160113005358/en/30000-transplants-performed-annually-time-United-States

[2]2011 U.S. Organ and Tissue Transplant Cost Estimates and Discussion; Milliman, Inc.; April 2011;2014 U.S. Organ and Tissue Transplant Cost Estimates and Discussion; Milliman, Inc.; Dec. 2014.

[3]"Data;" United Network for Organ Sharing (UNOS); 2016; https://www.unos.org./data

[4]"Fast Facts;" National Kidney Foundation; April 2016; https://www.kidney.org/news/newsroom/factsheets/FastFacts

[5] Organ Procurement and Transplantation Network National Data;" U.S. Department of Health & Human Services; Aug. 5, 2016; https://optn.transplant.hrsa.gov/data/view-data-reports/national-data

[6]2014 U.S. Organ and Tissue Transplant Cost Estimates and Discussion; Milliman, Inc.; Dec. 2014

7 P.J. Held, F. McCormick, A. Ojo and J.P. Roberts; "A Cost-Benefit Analysis of Government Compensation ofKidney Donors;" American Journal of Transplantation; Oct. 16, 2015; http://onlinelibrary.wiley.com/doi/10.1111/ajt.13490/epdf

8 Lenny Bernstein; "White House, private sector act to reduce organ transplant waiting list;" The Washington Post; June 13, 2016; https://www.washingtonpost.com/news/to-your-health/wp/2016/06/13/white-house-private-sector-act-to-reduce-organ-transplant-waiting-list

9 Zhai Yun Tan; "Surgeon Says Apps May Turn Organ Donation Support Into ' Concrete Action;'" Kaiser Health News; July 25, 2016; http://khn.org/news/surgeon-says-apps-may-turn-organ-donation-support-into-concrete-action

[10] Ibid.

[11]"Voucher program may reduce organ transplant waitlist, save lives;" Fox News; July 14, 2016; http://www.foxnews.com/health/2016/07/14/voucher-program-may-reduce-organ-transplant-waitlist-save-lives.html

[12] Gina Kolata, "New Procedure Allows Kidney Transplants From Any Donor," New York Times, March 10, 2016, http://www.nytimes.com/2016/03/10/health/kidney-transplant-desensitization-immune-system.html?_r=0