Onsite Case Management an Effective Way to Control Shock Claim Costs

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The Affordable Care Act (ACA) has been a federal law for more than six years and employers, payers and risk bearers have been working diligently since then to help manage rising healthcare costs (which have out-paced inflation every year since 2010). Since the removal of lifetime maximums, as mandated by the ACA, we have experienced a dramatic increase in the severity and frequency of high-dollar claims over the last few years; a recent Sun Life report determined that claims exceeding $2 million have more than doubled since the elimination of lifetime maximums. And that increase is fueling a trend within the self-funded industry to shift away from remote case management to a more direct, hands-on administrative approach, helping to better manage the shock claims that can disrupt actuarial assumptions.

Providing high-quality, affordable healthcare benefits has long been a goal for employers who sponsor plans for their employees; an attractive benefits package can be a valuable tool that helps recruit and retain quality talent. Self-funded plans have been an attractive fundamental of this goal, as proper assessment and management of self-funded plans has historically proven to be beneficial for employees and a lucrative option for employers. However, the historic regulatory policy sea change that came with the ACA has transformed this practice, making it imperative that brokers, their clients and medical stop-loss carriers

work together to manage the ever-increasing frequency, scope and scale of shock claims.

The ultimate cost of a catastrophic claim can quickly tip the scales and easily make-or-break an underwriting year, from a stop-loss market perspective. And the manner in which these claims are managed will help determine that cost. That's why any additional efforts or measures taken to ensure healthcare costs are reasonable and just are received with great enthusiasm by the medical stop-loss carrier. Because their profitability regularly hangs in this balance, medical stop-loss markets expend tremendous effort and energy to determine: whether customary care was administered and a claim meets the terms of the policy and is indeed payable; or if the charges were unusual and care is determined to be investigatory, experimental and ultimately unwarranted. Finding these answers can be challenging and even looking into them can cause a stir. Investigative inquiries from the stop-loss carrier can appear as though they are second-guessing the claims administrator, potentially delay payments, frustrate the employer and leave the broker stuck in the middle facing more questions than he or she probably has answers for.

Personal attention is a critical part of this process. Payers have typically relied on telephonic case management to provide care coordination and to obtain additional information on patients who are hospitalized for any variety of conditions. It's quick, easy and will suffice for the majority of patients' routine conditions that require a brief hospital stay without post-discharge care. However, for more complex conditions and longer-term, high-dollar claims, telephonic case management can fall short of providing a thorough evaluation of the patient's care and long-term prognosis.

That's why a more hands-on and person investigative approach that was popular more than 30 years ago is regaining traction today as an effective means that can make the entire claim reimbursement process easier and more efficient. Onsite RN case management is not a new concept. It was first introduced in 1970 by a company that later became Intracorp and provided case evaluation and recommendations for individuals injured in workers' compensation situations or automobile accidents.

These first RN case managers conducted three-point, in-person contacts: with the patient and their family in the home or hospital; with the treating physicians; and with the employer. By personally assessing the availability of at-home and community resources and establishing an individual relationship with the employer, the patient's rehabilitation efforts were more effectively coordinated, helping achieve maximum medical improvement and getting people back to work faster, in either full or modified work-duty capacity. This person approach reaped benefits for all parties:

- Patients and their families appreciated a face-to-face approach and the case managers' ability to find and authorize additional resources, expediting recovery and returning them to work faster;
- Insurance companies realized savings – from both medical expenses and lost wages – that typically resulted from the case managers' efforts;
- Employers were happy to have injured employees healthy and productive;
- And physicians appreciated the additional intelligence that the "boots on the ground" case management assessments delivered.

This model was so successful that, by 1980, an entire industry was thriving, with dozens of case management companies deploying RN case managers to various locations as needed, when needed. Encouraged by these results and the positive reception from property and casualty insurers, Intracorp and other case management companies began to branch out and expanded operations into the commercial group healthcare space. The same onsite model that was working so well for workers' comp cases was replicated for this new market, with the added component of expanding the RN specialty pool to include case managers who had expertise in specific fields such as oncology, premature births, organ transplants and other medical conditions that were historically driving the majority of group benefit healthcare plan spending. Large group health carriers followed and began to internalize the case management model into their healthcare plan offerings.

The pendulum swung soon enough, though and by the mid-1990s the onsite model in the group health space began to shift to a telephonic case management model. Driven by the prevalence of one-time surgeries and other relatively low-cost conditions and protected by lifetime caps that limited exposure to exorbitant payments in catastrophic cases, the emergence of telephonic case management programs proved to make health care plans even more cost effective (interestingly enough, workers' compensation case management continued the onsite model due to the unlimited nature of their exposure and the dual financial burden of medical and lost wage costs). More recently, as Medicare Advantage plans and Managed Medicaid HMOs became popular, most providers deployed the onsite model for their high-risk and high-cost members and continue to use the onsite approach today to manage cost.

Million dollar claims protected by lifetime caps are unfortunately no longer an exception, however, as stop-loss carriers are increasingly responsible for larger and more frequent shock claims. As a result, the industry is adjusting to ensure that high-risk cases are handled by highly trained RN case managers who understand the complexities of the healthcare system and can focus on patients and their family members and assist when costs begin to escalate.

Onsite assessment is critical to cost containment and helps all associated parties reach a common goal – the ability to implement an approach that will:

- Ensure that an independent onsite review is conducted, providing a comprehensive medical assessment that includes patient/family, physicians and facilities;
- Assess family dynamics in order to understand the current situation and help determine what needs to happen next – the post-discharge strategy plays a significant role in controlling costs;
- Provide information about condition/treatment options and community resources available to patient/families;
- Verify billing to ensure all discounts are applied.

More frequent shock claims and the removal of lifetime caps have created a new playing field and this shift impacts everyone at every level. Employers, carriers and payers recognize the many ways an onsite case manager can help control costs without impacting the quality of care. The move away from telephonic interactions to the implementation of personal interaction and administration from onsite case managers is an effective strategy that's helping to bend the cost curve, keeping catastrophic claims from escalating beyond what's reasonable, manageable and sustainable. ■

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