Coordination deflates the costs of catastrophic cases

Integrating a provider-excess insurance policy might improve medical and financial outcomes

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Every hospital that signs a capitated contract requiring them to assume risk enters into such an agreement with a somber understanding: For an opportunity to increase patient volume and receive a more regular cash flow, there's also the risk of taking responsibility for catastrophic cases.

To complicate the situation further, a percentage of catastrophic cases will require services not on-site (such as burns and trauma). Those have to be referred out of their facility to hospitals or treatment centers that do not have the same incentive to aggressively manage expenses or outcomes.

As one level of protection against such low-frequency, high-cost events, some hospitals and other healthcare centers have purchased provider-excess insurance coverage to help cap their losses. However, even provider-excess coverage only helps to a certain point. For instance, there are still hefty deductibles to meet and sizable co-insurance portions that must be absorbed by the organization taking risk.

The lesson of recent years is that, as with other volatile-cost cases, managing catastrophic cases from start to finish (disease management or case management) can result in better outcomes for everyone involved. That means better medical treatment for the patient, lower costs to the hospital from out-of-area charges, and improved risk management for the reinsurer.

More than ever, patients who suffer catastrophic medical events—a premature labor and delivery, a severe burn, a multiple trauma or perhaps a spinal cord injury—need the medical support and financial backing of their capitated medical group. In today's era of managed care and capitation, that typically means that the provider of healthcare has signed an agreement with a hospital to absorb the hospital-side risk for treating the patients under their care.

Unfortunately, most hospitals experience too few cases to truly be considered experts in managing catastrophic care. In fact, according to a study by Paradigm Health Corp., catastrophic cases represent less than 1% of all claims filed, but up to 20% of a payer's total financial responsibility.

Guides needed! What's even more disturbing is that costs can vary as much as 500% for the same medical event. Meanwhile, the final medical outcome of patients with the same diagnosis and severity can vary from "barely stable" to "total reintegration into the community."

Why are there such widespread discrepancies that make predictability so difficult for providers carrying hospital risk? To be sure, part of the problem stems from a lack of guidelines on the best way to treat catastrophic patients. But the primary explanation stems from a healthcare system that focuses on procedures rather than outcomes (separating financial results from clinical results) and that seldom holds medical providers accountable for either.

Furthermore, even if a hospital manages in-network patients in an efficient manner, once a case has gone out-of-network the facility loses all control of care and costs. Unfortunately, catastrophic cases tend to go out-of-network because many facilities lack the capability to handle these patients in-house.

Frequency of catastrophic cases

Catastrophic conditions	Expected frequency[1]
Neonates	25
Acquired Brain Injury	7
Spinal Cord Injury	3.5
Multiple Trauma	9
Severe Burns	4.5
Total	49

1 Expected annual frequency based on 100,000 member lives.

Managed Healthcare Source: Keenan CaMP

Because of the low frequency and significant clinical complexities associated with catastrophic care, it is difficult for any individual hospital to acquire the specialized resources and sophisticated data management systems to effectively manage catastrophic cases. As a result, most of them rely on a generalist case-management approach. The theory is that a generalist case manager can help to reduce costs for treating catastrophic cases. And while it undoubtedly helps, the impact of case management is often far less effective for catastrophic cases than it is for less complex medical events.

Catastrophic cases are medically complex and long-term in duration.

The primary reason that case managers can't handle the cases is that they are relatively rare and require a massive amount of specialized expertise. For example, many patients who suffer from catastrophic events need multifaceted, long-term treatment in multiple facilities. These cases also involve unique windows of intervention opportunity that close permanently with lasting consequences. In short, they are highly volatile, life-and-death crises.

In addition, catastrophic cases are medically complex and long-term in duration, because they often co-exist with a variety of family and environmental complications. Additionally, patients typically face medical redundancies, practice variations and a lack of coordination across providers.

Specialize the program. Providers and payers need a specialized catastrophic care program that can properly align medical and financial incentives, as well as one that can effectively complement and integrate within their existing managed care structure. There is an approach currently emerging in the marketplace that unites provider-excess insurance coverage with catastrophic care management. This is designed to represent the needs of the patient and the needs of the facility taking risk.

This approach continues to provide hospitals with a reliable stop-loss insurance policy, but then transforms the old pay-as-you-go, procedures-oriented approach to catastrophic healthcare into a care management program focused on outcomes.

For each catastrophic patient, the risk-taking organization should form a case-specific event management team. The team is comprised of a local nurse network manager, a case medical director, clinical specialist and other catastrophic experts.

All of the team members should be selected for their focus on quality expertise in a specific type of catastrophic event, and for their commitment to achieve a defined outcome level for each patient.

Upon referral, as is stipulated by the provider-excess policy, an on-site nurse network manager meets with the patient and family, while a case-specific medical director (typically a practicing physician who specializes in a particular area of catastrophic care) contacts the attending physician. Concurrently, the rest of the care management team begins case administration and provider cost negotiation. The team works together to ensure a consistent, systematic and quality-focused approach to patient care.

All of this work is done up-front in order to:

- Complete a rapid, comprehensive medical assessment;
- Assess and oversee the patient's initial treating facility and medical staff; and
- Complete a case-specific outcome plan no more than 12 business days following the patient referral.

As part of the outcome plan, the patient's case-specific information is compared with all similar catastrophic cases in order to help establish a predictable ending outcome level.

This allows those involved—patient, family members, providers and reinsurer—to have a realistic goal in mind for the treatment process. Once the outcome plan is established, this new approach to catastrophic care management implements a proactive outcome plan management process. For example, the most appropriate pathway to achieve the patient-specific outcome is identified. Furthermore, there is constant interfacing and communication with the specialty physicians, family members and appropriate third-party payers.

Typically, the outcome level model for catastrophic care management includes six levels, from physiological instability to productive activity.

Naturally, with many catastrophic events such as spinal cord injuries, it is not possible to attain full recovery from injuries. But the program should remain in effect until it delivers on the promised outcome, which could be transition to a home setting or to community activities. Finally, one year after the catastrophic care management program has confirmed a patient outcome, a follow-up is conducted to bring the entire process full-circle.

It is this final piece of the puzzle that often is missing in other healthcare programs and that has never before been successfully integrated with a provider-excess insurance policy. But this patient follow-up provides valuable data that allows more accurate care management predictions and quality-of-care assessments.

While provider-excess insurance helps control losses resulting from seriously ill or chronic patients, reviewing how the insurer handles its management of catastrophic cases can be enlightening.