

RED ALERT: CATASTROPHIC CLAIM

Skyrocketing medical costs mean that travel and health insurers are increasingly exposed to catastrophic claims from their members. Mandy Langfield investigates how such claims costs are being managed

PartnerRe Health recently reviewed its data on catastrophic claims, analysing claims trends between 2007 and 2012, and found there was an increase of more than 350 per cent (35 per cent per year) in the frequency of claims above US\$1 million in the Commercial sector, with the average claim remaining relatively constant at approximately \$1.4 million. Even more telling, however, was an analysis of about 60 Medicare and Medicaid claims above \$1 million, in the same time period. Over those five years, there was a 250-per-cent increase in the frequency of these large claims, or about 20 per cent per year. Most of this increase occurred around 2009-10, according to PartnerRe data, while at the same time, the average claim started to increase about six per cent per year to \$14 million in 2012. “This means the total cost of Medicare and Medicaid large claims above \$1 million has increased about 28

per cent per year,” concluded PartnerRe. The top drivers of increasing costs haven’t changed much over the years – regular readers of *ITIJ* and our *Reviews* will be familiar with the below list compiled by PartnerRe Health:

- Higher treatment costs, reflecting the cost of investment of technology and pharmaceuticals
- Fee-for-service payment model
- Inefficient use of healthcare systems
- Higher incidence of chronic conditions
- Provider consolidation
- Billing errors

When taking into account the nature of the travel insurance business, there are additional factors that have influenced the increase in medical claims costs for insurers, as Medical Director of Turkish company Marm Assistance Dr Handan Umu pointed out: “The profile of today’s travellers differs sharply from that of their predecessors: demographically, tourists are older – 23 per cent are aged 55 or above, according to OECD data; and geographically the holidays sought are often far off the beaten track and focus on a theme like adventure, or risky ‘dark tourism’, from hiking to

hunting or even photographing conflict zones at the borders.” Naturally, with older travellers, medical cases may be more complex, especially if there are underlying or known pre-existing medical conditions to deal with, pushing up the length of stay in hospital and, thus, costs yet further.

What constitutes a ‘catastrophic’ claim will vary for any given company, however. James Walker, Head of International Network for

THOROUGH CASE MANAGEMENT TO ENSURE THE CONTROL OF CATASTROPHIC CLAIMS COSTS IS VITAL

CEGA, said that while for his company any claim over £100,000 is considered catastrophic, this is subjective – a £25,000 claim could be catastrophic for a small insurer. Whatever an insurer’s parameters in this regard, thorough case management to ensure the control of catastrophic claims costs is vital.

Where to start?

Although the ideal for any insurer is that their client should be directed to an in-network hospital, where agreements about treatment costs and plans are already in place, this isn't always possible. Acting quickly – and being proactive – once notification has been received that an insured has been admitted to hospital, however, is key. Dr Umu told *ITIJ*: “On a typical day at our alarm centre, our dispatcher team may receive a notification about a patient with ‘multiple-trauma’ in the south side of Turkey ... this [could be] a more complicated case beyond the limits of ‘normal’, which has its very own code to inform our 24/7/365 available medical advisors – even there is no request for medical follow-up.”

New Frontier Group (NFG) provides cost containment services in the US on behalf of insurers around the world, and Randy Condie, Chief Operating Officer, told *ITIJ* that in most cases, their clients notify them within 24 hours of a catastrophic event occurring – ‘this is critical’, he said, to enable NFG to determine the potential actions that follow. This includes confirming coverage, admission, diagnosis and the responsible payer. A case manager is assigned to the case, and medical records obtained for the patient. If necessary, a Large Charge Warning is given to the insurer. “Daily contact with the facility case manager/primary care physician to obtain updates and medical records for the insurer’s medical director’s review is then undertaken,” said Condie.

Prompt communication with the treating facility is also the approach taken by UK-based assistance, travel risk and claims

management provider CEGA, according to James Walker. He told *ITIJ*: “Our medical team will establish contact with a treating hospital immediately, to work out the most appropriate course of action for the patient collaboratively. The team will ensure that the right, appropriate treatment is given and will manage the case closely.”

For companies offering bespoke cost containment services to clients, it depends on the kind of agreement that exists between the two parties as to when the cost containment service provider is brought onto the case, but according to John Spears of Global Excel Management (GEM): “The bottom line is that the earlier we’re involved, the more effective we can be at managing these catastrophic cases, all the while providing a better customer journey. This also gives us the ability to avoid costs during the incident rather than just containing costs on the back end.”

What follows next, Walker said, is equally vital: “As soon as we know that a claim is likely to become catastrophic, we’ll establish if it’s in the best interests of the patient for us to discuss discounts with the billing hospital straightaway (even if some discounts are already in place), or to let treatment continue first with a payment guarantee and negotiate afterwards. It may even be best for the patient to be repatriated for further care or recovery.” CEGA also uses its in-house travel department to use their established relationships with airlines and hotel groups to book flights and accommodation (including provision for family members) at discounted rates. “And,” said Walker, “we’ll use pre-quoted air ambulance and emergency transport services. At the same

time, we’ll benchmark costs and draw on the local knowledge of partners overseas to ensure that costs are commensurate with treatment.” He went on to say: “A presence ‘on the ground’ abroad is often an important part of catastrophic claims cost containment. We use partners with real-time local knowledge to visit hospitals, meet providers and validate costs overseas. In the US, we work with a number of

specialists whose in-depth experience of the medical sector, coupled with our own in-house experts, gives us optimum control of the billing process and cost management.” The use of in-house experts is an approach also in use at

A NUMBER OF DIFFERENT RESOURCES HAVE TO BE TRIGGERED IF A CATASTROPHIC CASE IS TO BE MANAGED EFFECTIVELY

New Frontier Group, explained Condie: “Depending on the diagnosis, criticality of the patient’s status and care plan and advise as recommended by insurer medical staff, we involve our Medical Advisory Board members to evaluate the medical records based upon their area of expertise – for example, trauma/orthopaedic, emergent care, oncology – to assess care plan alternatives, if possible. At that time, they review the treatment plan and follow it carefully in order to share their findings and make recommendations based on the necessary details.”

John Spears of GEM emphasised the importance of accurate and timely information, adding that a number

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of different resources have to be triggered if a catastrophic case is to be managed effectively: “What is very important are the regular medical updates, evaluations and actually being involved in the medical management of the case. After the fact, and only on the back end, it’s about having a number of review, repricing or negotiating options in place.”

Great communication is key to a successful cost containment plan, as is using evidence to support your case. Once a treatment plan has been agreed, with evidence-based medicine at its core, then evacuation has to be the next consideration, noted Dr Umu, who agreed that local knowledge can be invaluable when it comes to getting a second medical opinion to agree the optimum plan for getting the patient to their home country. “We focus on the complete treatment process of the patient with daily medical follow-ups and interim cost breakdowns ensuring the fine balance of the claim until the patient is safely discharged,” said Dr Umu.

Maximum collaboration, said Walker, is absolutely essential when it comes to containing the costs of catastrophic claims, ‘involving not just our in-house cost containment, claims handling and medical teams, but also our overseas agents, travel specialists and (if inflated or fabricated costs are suspected) our fraud investigation unit’. He explained: “Our bill auditing processes identify cost or treatment discrepancies, while medical bills from countries that regularly produce high-cost claims will always be flagged. Among the latter are bills from the US (where medical care is expensive) and from areas with a history of inflating costs or exaggerating treatment. If the cost of a medical claim is high, we will first validate the bill and then negotiate hard to secure a special discount, even if we already have discounts set up with the hospital. This is where our established global relationships are so valuable.”

Collaboration between different members of the team was also a feature of medical case management noted by GEM’s Senior Medical Director Dr Ferial Ladak, who



told *ITIJ*: “Global Excel has twice-weekly rounds meetings in order to ensure that a multidisciplinary 360-degree assessment is made of every inpatient case. These discussions are invaluable to make sure all aspects of the claim are joined up. After the fact, we would use our Complex Claims Unit for detailed scrutiny of catastrophic cases. This in-house unit specialises in high-dollar, complex cases and evaluates the appropriateness of care, procedures, and length of stay.”

A wise investment

There are a number of steps and processes to follow in the management of a complex medical case, and in carrying out this work, inevitably, a medical assistance or cost containment company is going to incur some costs of their own. It’s up to the insurer, therefore, to decide whether or not the investment in this service is worth it. When partnering with a cost containment service provider, Randy Condie of New Frontier Group had the following advice for insurers with high-cost claims in the US: “Identify an organisation that is proactive, responsive and operates 24/7/365, is familiar with the US healthcare system and employs staff that are trained in identifying and managing catastrophic cases.”

Dr Umu believes that insurers need to understand the value that dedicated cost containers bring to the industry and invest wisely: “Although the individual steps like scouting and evacuation seem to be

Case study – CEGA

When we received an \$800,000 claim from a hospital in Central America with a history of cost-inflation, we soon had a cost containment strategy in place. Knowing that the patient was not well enough to be moved to alternative care (we had no involvement in his original admission) and not wanting to disrupt his treatment, we would offer the hospital a payment guarantee and negotiate costs once treatment was complete. Meanwhile, we ensured that our senior in-house doctors managed his case scrupulously: ensuring that he was given exactly the right treatment.

Once the patient had recovered, we asked the hospital to do an internal audit and received a small bill reduction.

Our medical team recognised that all treatment had been necessary, but that costs were still very inflated: a fact confirmed by our local partner ‘in country’ and our own understanding of local medical costs. Negotiations then began in earnest, via phone, WhatsApp, email and more: ultimately achieving an overall discount of 36 per cent.

‘costly’ per item, our client realised a saving up to 27 per cent compared with similar claims cost estimations by restructuring the claim progress by means of total case management process. This was achieved by using a combination of different skill sets in harmony – close medical follow-ups, second opinion, evacuation abilities, contracted discounts, tight cost containment procedures; built by local know-how about the market and a carefully assessed facility network, empowered with good communication skills.”

Walker of CEGA concluded that it is a mixture of skills and steps that make cost containment achievable for CEGA, no matter what the amount of the claim: “Our cost containment strategies are flexible, but we take broadly the same approach to every medical claim: high or low. We always establish (among other factors) if charges are appropriate and commensurate with treatment received, that every stage of treatment was needed, and that there are no billing errors. Post-treatment audits, claimant questionnaires and assessments from our medical team are often part of this. We also monitor medical facilities, especially those producing an unusually high volume of claims.” ■

Fiona Fequet, Global Excel Management, Financial Review Officer – Catastrophic Claims Unit

Whether you provide the assistance yourself, or outsource it to a third party, an insurer needs to make sure that:

- The member journey and the financial considerations are not mutually exclusive. Early intervention can help to provide the right care and the right time in the right place and at the right cost.
- Your staff know the trigger diagnoses for catastrophic illnesses and use a trigger diagnosis list which may include items like dialysis and specialty drugs.
- You are aware of claims/providers that are susceptible to fraud, waste and abuse.
- Reviewing high-dollar complex claims is essential and it must be done from the financial, legal and medical points of view.
- Actionable intelligence from your claims experience flows back into your policy design and wording.