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Controlling the High Cost of Health Care: *The Role of Reinsurance Medical Risk Management*

Health care reform is an important issue for the majority of Americans, and it's gaining momentum on the political front. One of the most important topics of the debate: health care costs. Currently, a relatively small percentage of patients account for the vast majority of health care spending. That fact has led a number of policymakers to stress the need for the proper case management of the high-cost cases.

However, most policymakers tend to lump all of these cases under the heading of disease management or chronic care management. While those are important functions, they generally don't deal with some of the highest-cost patients — the ones who need catastrophic care management.

The purpose of this educational paper is to highlight the role that private health reinsurance plays in the medical risk management of catastrophic cases. What is catastrophic care management? How does it differ from disease management? And how effective is it in improving the quality of care while containing, or even reducing, the high cost of health care?

What Is Catastrophic Care Management? There is a difference between disease management, case management and the catastrophic medical risk management provided by the private reinsurance industry.

Disease Management — A system of coordinated health care interventions and communications for populations with conditions in which patient self-care efforts are significant (Disease Management Association of America).

Case Management — A collaborative process that assesses, plans, implements, coordinates, monitors, and evaluates the options and services required to meet an individual's health needs, using communication and available resources to promote quality, cost-effective outcomes (Case Management Society of America).

Reinsurance Medical Risk Management — A proactive and collaborative consulting process that focuses on individualized medical management for patients with catastrophic care needs. It uses well-established medical and claims management resources to facilitate optimal clinical and financial outcomes for individuals with complex and catastrophic medical conditions. As a result, catastrophic medical risk management improves health care quality while lowering total health care spending.

Why the Need for Care Management. Once rare, the occurrence of million-dollar claims has tripled in the last three years, and is a ten-fold increase over those experienced in the year 2000. What is also alarming is the pace at which charges accumulate.

- \$1 million to \$3 million of billed charges can be incurred in 30-60 days of hospital care.
- Lifetime limits once thought to last a "lifetime," or at least

a year with a complex condition, are now exhausted in a matter of a few months.

Managing these million-dollar claims is a challenge that requires the expertise of those experienced with the multi-faceted issues involved. This is where the private sector Reinsurance Medical Risk Management has proven effective.

The Benefits of Medical Risk Management. Medical risk management improves clinical outcomes by supporting and facilitating health care that is provided for the right reason at the right time at the right location by the right care providers for the right condition.

Besides improving the quality of care, risk management also reduces health care spending by:

- Assisting insurers in determining the appropriate level of care (outpatient, inpatient, centers of excellence, skilled, home) and assuring that the cost of care is relative to the level of care.
- Identifying and correcting hospital billing practice variations.
- Identifying catastrophic claims, where routine preferred provider organization (PPO) discounts are not appropriate, and negotiating additional discounts.
- Negotiating out-of-area/out-of-network claims.

Finally, by being good stewards of the insurance money available to the insured, appropriate case management will prevent or delay the exhaustion of commercial benefits.

Medical Conditions Served

Disease Management and Case Management*	Case Management and Reinsurance Medical Risk Management**
Allergy	AIDS/HIV
Alzheimer Disease	Cancer-Malignancies (Solid Organs, Lymphatic and Hemopoietic Tissue)
Anti-coagulation	Chronic Kidney Disease
Asthma	Complex Cardiovascular & Pulmonary Disease
Arthritis	CVA (stroke)
Chronic Kidney Disease	Diabetes with Associated Co-morbidities
Congestive Heart Disease	Disease of Blood (Hemophilia, Aplastic Anemia etc.)
COPD	High Risk Maternity
Coronary Artery Disease	Immunodeficiency Diseases
Crohn's Disease	Premature and Complex Neonates
Depression	Morbid Obesity
Diabetes	Multi-system Failure
Hepatitis B / C	Neuromuscular Disorders (ALS, MS, MD, CP)
Hyperlipidemia	Organ Failure/Transplant
Hypertension	Severe Infections, Septicemia, Osteomyelitis
Lower Back Pain	Trauma/Burns/Spinal Cord Injury/Head Injury
Maternal Health	Rare Diseases/Disorders
Migraine	Wound Management
Osteoporosis	
Smoking Cessation	
Weight Management	

* The conditions served for Disease Management and Case Management are similar. The distinctions are in the timing and level of intervention.

** The conditions served for Case Management and Reinsurance Medical Risk Management are similar. The distinctions are in the level of intervention and severity of the condition.

Comparative Analysis

	Disease Management (DM)	Case Management(CM)	Reinsurance Medical Risk Management (RMRM)
Severity of Condition Served: The level of medical complexity of the individual served. (percentage of patients)	Low (50%) Medium (50%)	Low (10%) Medium (75%) High (15%)	High (25%) Extreme (75%)
Focus: The type of services performed.	Direct patient interaction providing wellness, preventive medicine and health coaching in the home and outpatient-care setting.	Direct patient and health care provider interaction providing wellness, preventive medicine, health coaching and coordination of services in the home, outpatient, inpatient and skilled-care setting. Episodic: Specific condition event resolution	No direct patient interaction. Medical management consultative and advisory services for the primary insurer and its delegated medical management providers. Continuum of Care: Maintaining and restoring overall health status while controlling health care spending.
Goals: The purpose or outcome toward which a service is directed.	Using claims experience as a predictor of future events, strives to identify those at risk for major commonly occurring, costly diseases and develop guidelines for trimming costs using optimal prevention and treatment practices in order to decrease utilization of services.	Identify individual specific care needs, coordinate and compare various treatment options, manage costs and track results.	Proactively identify individuals at high risk for complicated/ catastrophic care needs and health care resources. Then provide consultative advisory services (experiential knowledge and specialty resources) to insurers/care providers to maximize clinical outcomes, optimize available benefit dollars and decrease medical costs.
Expertise: The level of education, certification and experience of the individuals providing the services.	Non-clinical/Clinical Staff Licensed Vocational Nurses Registered Nurses	Licensed Vocational Nurses Registered Nurses Certified Case Managers Social Workers	Registered Nurses and or Certified Case Managers with 5-10 years experience in the health care, insurance and reinsurance industries.
Compensation: The mechanism for compensating the service provider.	Per member per month (pmpm) capitated rate (same payment regardless of caseload or severity). Hourly professional rate per individual case managed	Per member per month (pmpm) capitated rate (same payment regardless of caseload or severity). Hourly professional rate per individual case managed	There is no compensation for services rendered. RMRM services are value-added offerings. A reinsurer's compensation comes from the ability to help the primary insurer affect/control the clinical and financial outcomes for high risk, low-frequency cases since the insurers hold significant financial risk for these cases.
Caseload: The average number of cases that are managed at any point in time.	Average of less than 300 active cases per individual providing service.	Average of 39 active cases per Case Manager.	Average of 15 active cases per Reinsurance Nurse Consultant.
Specialty Resources: Specialized health care services tailored for specific disease conditions.	Coordinates care with physicians and support service providers and integrates with case management and other appropriate entities when necessary. Specialty resources consist of evidence-based practice guidelines and basic self-treatment tools.	Acts as a liaison and refers the individual, physician or health care professional to appropriate community, commercial and or social service resources. Examples of specialty resources are homecare services and medical equipment providers, rehabilitation/long-term care, and state-funded agencies.	Researches and provides access to expert medical resources that can be inserted on an individual case to assist with the care management. Some of the specialty resources consist of expert-care management, specialty physicians, hospital-bill auditing services, specialty discount networks and provider bill negotiation services.
Claims Management: The process of recognizing, identifying and controlling the financial risk associated with health claims.	Relies on health-risk assessments, predictive modeling, and claims data to identify populations at risk for established common chronic medical conditions.	Identifies appropriate health care resources, facilitates the appropriate level of health care delivery and promotes the use of in-network health care services.	Identifies appropriate catastrophic and potentially catastrophic loss and provides expert clinical and financial resources to assist in decreasing the frequency and severity of the health care costs incurred.
Education Methodology or skills to promote learning.	Develops patient questionnaires, training tools and self-help programs to monitor and promote healthy behaviors and awareness for commonly occurring chronic illnesses.	Manages specific identified at-risk patients and promotes the physician's plan of care, obtaining needed patient resources and treatment providers.	RMRM nurses serve as educational consultants to the payor's case managers and claims team for clinical and financial resources. Also identify specialty interventions they will utilize to manage catastrophic cases.

Risk Management Case Study. A 57 year old male with heart disease, diabetes and renal failure (requiring dialysis) was admitted to the hospital in heart failure, and a heart transplant was proposed. His condition was severe enough to require a ventricular assist device (mechanical heart) until an organ became available.

The Reinsurance Medical Risk Manager assisted with the management of this case with the following interventions:

- Facilitated expert physician review to verify the medical appropriateness of proposed transplant.
- Researched the transplant experience of the facility to verify it met industry standards for patient survival outcomes.
- Assisted with facility negotiations to obtain a contracted rate for transplant services.
- Facilitated an audit and negotiation of rates for on-going dialysis services, resulting in a savings of \$3,000 per month.

The insurance benefits paid for this member's care exceeded \$1

million. The above interventions resulted in a total savings of \$397,000, thus preserving benefits for the member, who has a \$2 million lifetime insurance benefit.

Conclusion. Health care costs are rising at an exponential rate, as are the number of million-dollar claims. Private health reinsurance currently provides a unique service in medical risk management of the complex, catastrophic high-dollar claims, which is not provided by either disease management or by primary case management. These services support high-quality outcomes and result in millions of dollars in annual health care savings. Should the federal government take over the role of health reinsurance, as some policymakers propose, this medical risk management service would be lost, and total health insurance expenditures would increase.

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