



# High Cost Claims Trends and Management

## Innovations in Healthcare

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# Objectives

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## Outline

health trends that are getting healthcare employers' attention



## Explain

how to integrate clinical expertise, benefits knowledge and data to anticipate and address trends



## Discuss

strategies to mitigate the impact of specific health trends



## Describe

how to approach analyzing the impact of specific health trends



# Headlines From Compliance to Clinical

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# From The Headlines



Photo: iStockphoto.com  
The author's right hand is a member of the American Medical Association.

"Fertility Treatments are Becoming a Financial and Physical Risk for Many Americans"



"The Latest Way to Woo Workers: Fertility Benefits"



"When Your Medication Costs More than Your Mortgage"



"The Opioid Crisis is Draining America's Workforce"



Photo: iStockphoto.com  
The author's right hand is a member of the American Medical Association.

"The Prices for Life-Saving Diabetes Medications Have Increased Again"



"Bariatric Surgery Enabled Stopping Diabetes Meds"



"More Employers Pursuing Autism Benefits"



"Federal Employee Health Program to Boost Autism Benefits"



"Ovarian Cancer Screening Not Recommended for All Women"



"Fathers May Pass Ovarian Cancer Risk to Daughters"



# Growth in High Cost Claimants is Multi-Factorial

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## MILLION DOLLAR PLUS CLAIMANTS ARE ON THE RISE

### Claimants with \$1 million+ claims

	2013	2014	2015	2016
\$1–\$1.5M	71	80	107	130
\$1.5–\$2M	17	13	25	39
\$2–\$3M	20	10	16	16
\$3M+	6	1	5	7
<b>Total</b>	<b>114</b>	<b>104</b>	<b>153</b>	<b>192</b>
% of total claimants	1.9%	1.7%	1.9%	2.2%
<b>Paid stop-loss claims</b>	<b>\$129.8M</b>	<b>\$83.5M</b>	<b>\$146.3M</b>	<b>\$192.5M</b>
% of total paid stop-loss claims	23.6%	15.3%	20.3%	23.2%

- Million-dollar + claimants increased 68% from 2013 to 2016
- Up 26% from 2012-2015 measurement period
- This group is growing as a percentage of claimants and represents a disproportionate share of paid stop loss claims

Source: 2017 Sun Life Stop-Loss Research Report

## WHY DOES IT MATTER?

- For Self-Funded Employers with Stop Loss
  - High cost claimants may be carved out for future year coverage (lasers)
  - Creates extreme volatility in renewal rates
  - Stop loss vendors are under significant financial pressure
  - Traditional case management and other capabilities (e.g., population health) not optimized for this narrow population
- For Self-Funded Employers without Stop Loss
  - First dollar impact to bottom line
- For Fully Insured Employers
  - Mitigation of trend
- For All
  - Resources funding “waste” in the system
  - **Quality** not optimized

$$\text{Value} = \text{Quality/Cost}$$



# Keys to Effective High Cost Claim Management

- Focus on the small minority (<1%) of cases that drive the greatest costs
- Dedicated team with nursing, coding, and underwriting expertise
- Technology-enabled opportunity screening and prioritization
- In-depth review of opportunities and willingness to pursue cases over extended time horizon (resource intensive)
- Medical director with deep expertise in provider quality management and cost containment
- Independent relationships with numerous providers and ability to negotiate with both in- and out-of-network providers
- Real time specialty case review and management
- Detailed benchmarking data
- Access to specialty contracts (e.g., transplant, ESRD, oncology, pharmacy)





## Bottom Line

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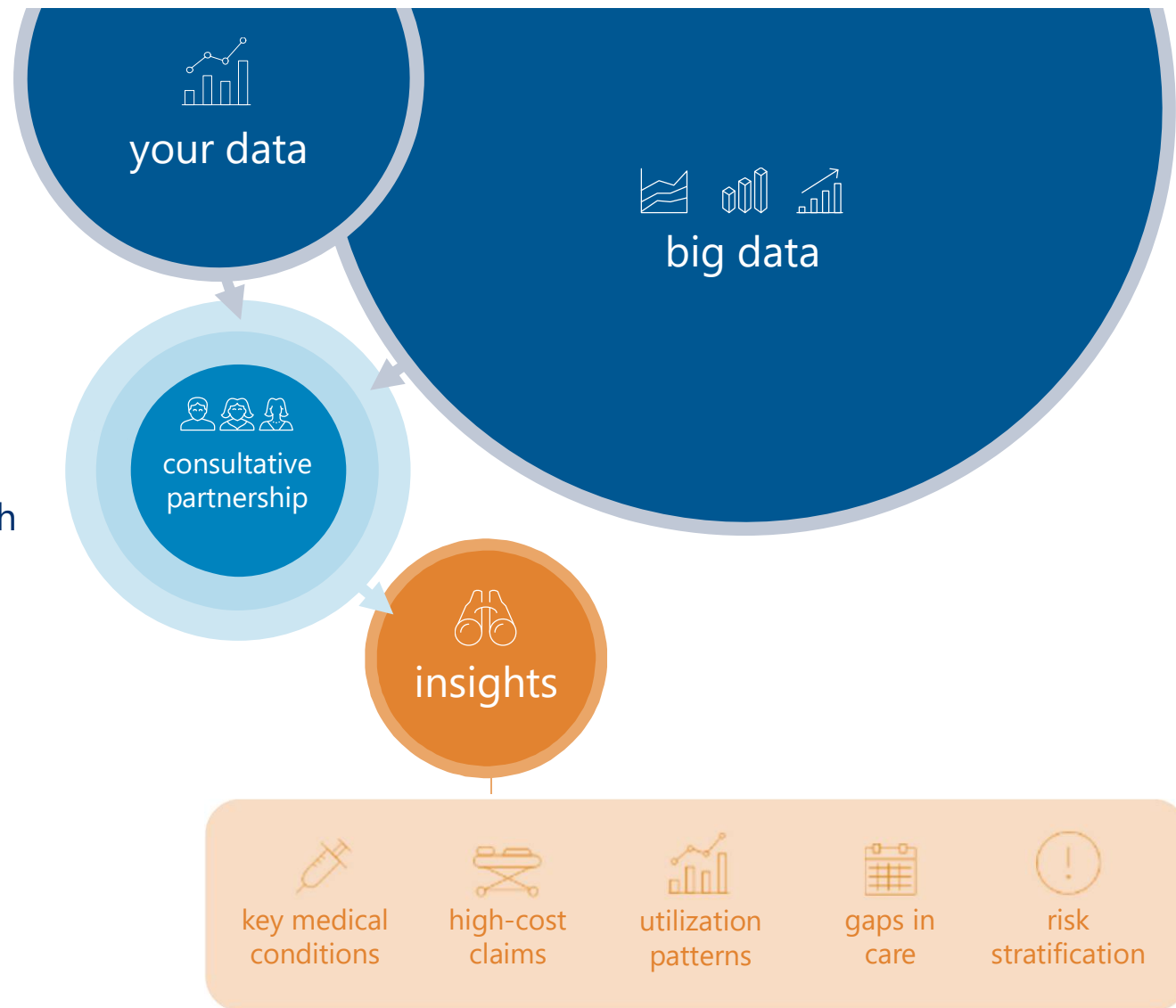




# Data Analytics – What does it Say?

## The big picture

- ▶ Collect data from multiple, disparate sources
- ▶ Transform and enrich data to make it meaningful
- ▶ Skilled experts to develop targeted solutions





# Clinical Consulting



## Macro

Clinical Trend Modeling  
Condition Management  
Medical Policy  
Healthcare Navigation  
High Performance Networks  
Telehealth  
Onsite Health Resources  
Utilization Management  
Formulary Design  
Medication-Therapy-Management



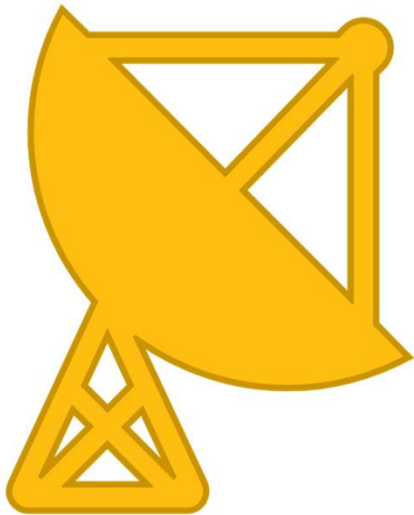
## Micro

Catastrophic Claimant Prediction  
Fraud Waste and Abuse Detection  
Quality and Cost Analysis  
Carrier Relations  
Case-based Negotiations  
Site of Care Evaluation  
Alternative Treatment Considerations  
Specialty Rx Sourcing  
Expert Medical Opinion Relations



## On Employers' Radar

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**Specialty Drugs**

**Opioid Epidemic**

**Maternity-Fertility**

**Diabetes**

A photograph of a medical professional's hands. One hand is holding a stethoscope, and the other is pointing at a laptop screen. The background is a bright, clinical setting. The text "Specialty Drugs" is overlaid on the image.

# Specialty Drugs





# Specialty Drugs

**CFO**  
An argyle. Company

Health Benefits

## Specialty Drug Costs to Soar Again in 2018

The rate of spending increase on high-tech pharmaceuticals will top 17% for a second consecutive year, a study says.

» David McCann

September 22, 2017 | CFO.com | US

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The rate of increase in prescription and specialty drug costs is expected to tick down in 2018, but that prospect likely isn't all that comforting to health-plan sponsors weary of huge annual cost spikes for pharmaceuticals.

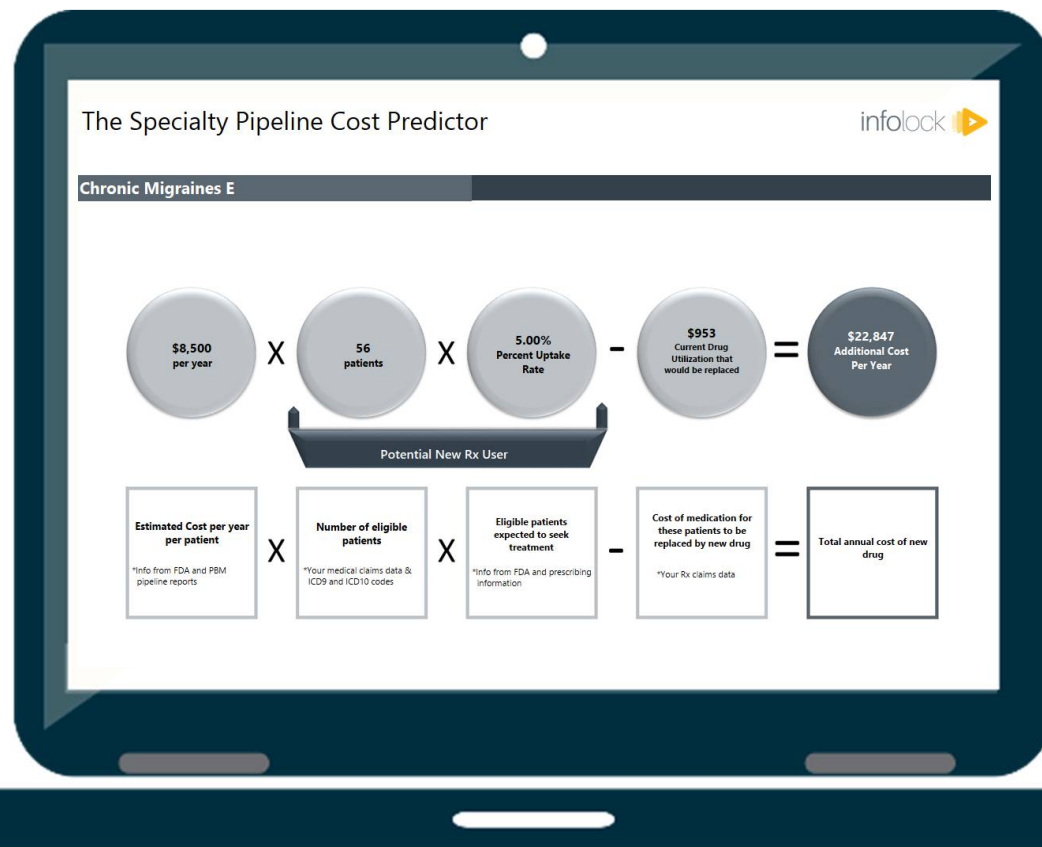
Growth in the cost of drugs continues to soar far beyond that for medical services, according to a **new report** from Segal Consulting. In fact, the firm says, prescription drug trends are now the top priority for some plan sponsors. Adding drugs paid for through **pharmacy benefits managers** (PBMs) to specialty drugs paid for through medical plans, the combined costs can be greater than those for inpatient, outpatient, and professional services.

**#1 Cost Driver  
of Employer  
Medical Trend**



# Macro: Clinical Analytics and Benefits Strategy

## Specialty Rx Utilization Analysis + Specialty Rx Predictive Analysis



- ✓ PBM Negotiations
- ✓ Formulary Design
- ✓ Utilization Management
- ✓ Medication-Therapy-Management
- ✓ Specialty Rx Sourcing
- ✓ Site of Care Evaluation



# Micro: Clinical Case Review – Injectable Rx

## CHALLENGE

- Weekly high cost Nplate infusions at hospital
- Treatment costs increased
- Projected annual cost: \$885,000

## SOLUTION

- Mark up 10 times AWP
- Worked on at home injection strategy
- Engaged treating physician

## CLIENT WIN

- Self administered home treatment
- Specialty pharmacy

**Total Annual Savings: \$815,000**







# Opioids





# Opioid Epidemic: Good News-Bad News

*The New York Times*

## ***Opioid Addiction Costs Employers \$2.6B a Year for Care***

By THE ASSOCIATED PRESS APRIL 5, 2018, 7:49 A.M. E.D.T.

A new report shows large employers spent \$2.6 billion to treat opioid addiction and overdoses in 2016, an eightfold increase since 2004. More than half went to treat employees' children.

The analysis released Thursday by the nonpartisan Kaiser Family Foundation finds such spending cost companies and workers about \$26 per enrollee in 2016.

Employers have been limiting insurance coverage of opioids because of concerns about addiction. The report finds spending on opioid prescriptions falling 27 percent from a peak in 2009.

Researchers analyzed insurance claims from employers with more than 1,000 workers. Most are self-insured, meaning they assume the financial risk.

Workers share the costs. Steve Wojcik of the National Business Group on Health says for every \$5 increase, employers typically cover \$4 and pass \$1 to workers.

Decreased  
Prescribing



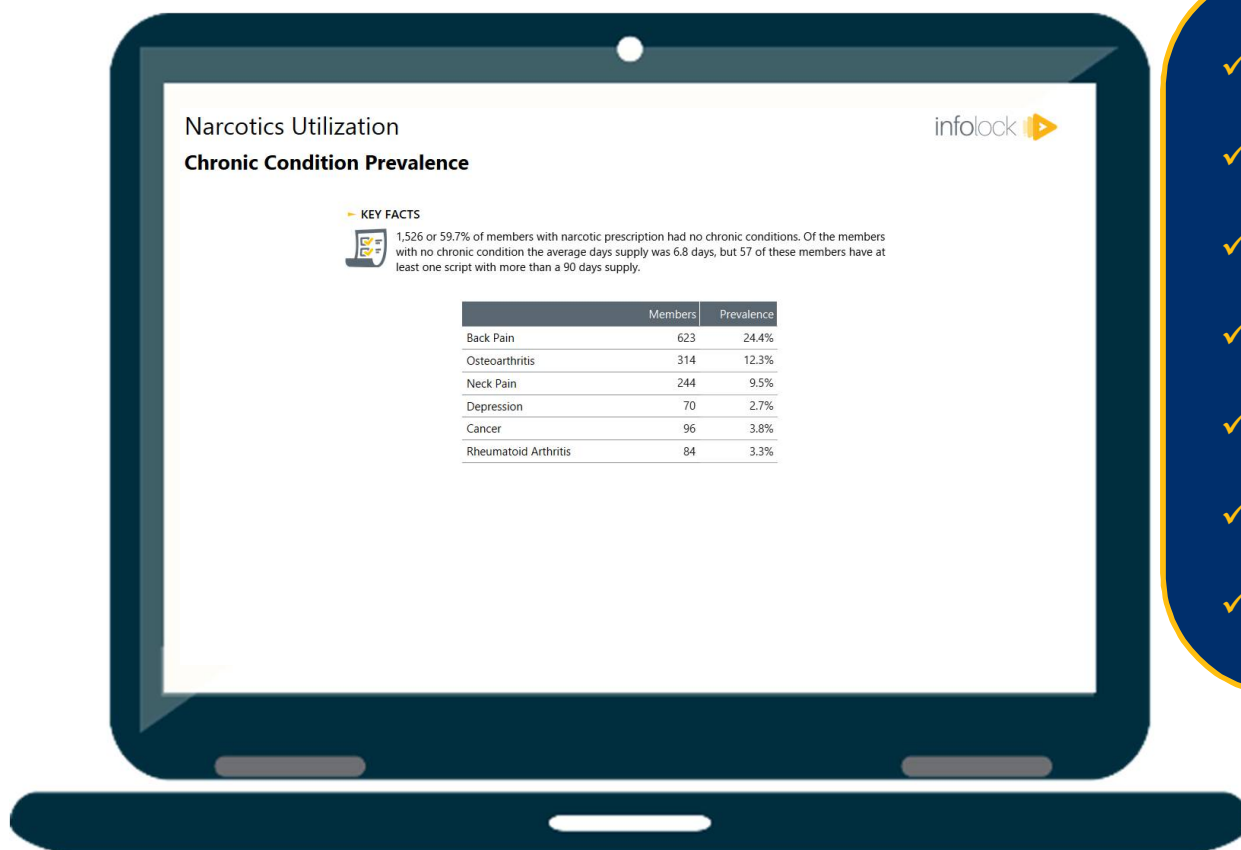
Increased  
Treatment





# Macro: Clinical Analytics and Benefits Strategy

## Aggregate Narcotic Utilization Analysis



- ✓ Narcotic Utilization Trending
- ✓ PBM Relations – Opioid Strategy
- ✓ EAP Evaluation and Selection
- ✓ Worksite Strategy
- ✓ Education and Communication
- ✓ Government Affairs (42 CFR Part 2)
- ✓ Shatterproof Partnership



# Micro: Clinical Case Review – High-Cost Opioid

## CHALLENGE

- Identified a member receiving high cost pain medication: Lazanda
- Research showed medication was reserved for cancer patients only
- No cancer diagnosis found within claims data for the member

**Projected annual cost of medication: \$663,523**

## SOLUTION

- Worked with internal pharmacy team and Medical director
- Discussed case with PBM
- Member found not to have cancer but provider completed necessary paper work
- Discussed options with client team for group



## CLIENT WIN

- Excluded high cost treatment
- Member switched to a lower cost medication

**Total Annual Savings: \$580,728**



# Micro: Clinical Case Review – Toxicology Labs

## CHALLENGE

- Excessive toxicology labs billed

## SOLUTION

- Questioned the medical necessity and frequency of the lab tests
- The concern was forwarded to the administrator's Special Investigations Department (SID) for further review
- Medical records were requested from the provider

## CLIENT WIN

- The SID identified 50 claims that needed adjustment
- A request for provider refund was initiated

**Estimated Refund Recovery: \$66,032.75**

INSURANCE CLAIM FORM

ACCOUNT SUMMARY

Service Date: \_\_\_\_\_  
Acct # 20487753  
Agency Service: \_\_\_\_\_

Description	Total
Lab Work	247.00
X Rays	420.00
Office Visit	120.00
	300.00

A photograph of a medical professional's hands using a stethoscope on a patient's arm. The scene is set on a white surface, likely a desk or table. In the foreground, a silver stethoscope is visible. To the right, a white laptop is partially visible. The background is softly blurred, showing the hands of the medical professional and the patient. The overall tone is professional and clinical.

# Maternity - Fertility







# Infertility: You may pay either way

## HEALTH CARE

HEALTH CARE | HOSPITALS | PHARMA | HEALTH INSURANCE | MODERN MEDICINE

### Fertility treatments are becoming a financial and physical risk for many Americans

- One cycle of in vitro fertilization costs \$12,000 to \$15,000.
- Most Americans don't have insurance coverage for IVF.
- Uninsured patients often choose to stack the odds, implanting multiple embryos per cycle in the hopes of achieving pregnancy. This results in high rates of twins and triplets.
- These multiples end up costing the health care system.

Sophie Bearman | @stbearman

Published 7:01 AM ET Mon, 20 Nov 2017 | Updated 10:31 AM ET Tue, 21 Nov 2017



- **70%** of women seeking infertility treatment will take on **debt**
- **Lack of benefits increase risk** for multiple embryo transfer
- **Twin** pregnancy is **4x cost**, **Triplet** pregnancy is **> 16x cost** of singleton pregnancy
- **Well-managed benefits** increase treatment effectiveness and **reduce multiples rate**



## Coverage Drivers: Increasing Employee Demand

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**2018 tightest labor market** in **2 decades** driving employers to add or expand fertility benefits<sup>1</sup>

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**Highly educated women**  
**>50%** start **motherhood** in their **30s**<sup>2</sup>

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**More women** waiting **until 35 or older** to start a family<sup>3</sup>

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**40% of childless**, married women **35 and older cannot get pregnant** or carry a pregnancy to term **without treatment**<sup>3</sup>

Sources:

1 Wall Street Journal, February 2018

2 PEW Research Center

3 CDC





# Macro: Clinical Analytics and Benefits Strategy



- ✓ Leave Strategy
- ✓ Maternity Care Management
- ✓ Fertility Benefits Analysis
- ✓ Fertility Benefit Design
- ✓ Fertility Care Management



# Micro: Clinical Case Review – NICU Charges

## CHALLENGE

- Neonate discharged home with only Level IV NICU room charges billed
- No step-down in care noted on the hospital bill

## SOLUTION


- Contacted the claim administrator with audit findings
- Medical records were requested
- Medical Director and Claims Administrator performed an internal bill audit

## CLIENT WIN

- Billing errors were validated

**Provider refund requested \$23,047**





# Diabetes

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# Diabetes: Rising Prevalence and Cost

Roxanne Nelson, BSN, RN

May 21, 2018

EndocrinologyAdvisor

## ADA Issues White Paper Addressing Escalating Cost of Insulin

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The increasing cost and access to insulin has become a great concern to individuals with diabetes, as well as all other stakeholders, including families, healthcare providers, insurers, and employers, and the American Diabetes Association (ADA) has now issued a white paper addressing the subject. The paper was published in *Diabetes Care*.

Between 2002 and 2013, the price of insulin nearly tripled, and there is no alternative medication. "The reasons for this increase are not entirely clear but are due in part to the complexity of **drug pricing** in general and of insulin pricing in particular," wrote the authors.

The white paper addresses a number of critical factors associated with the escalating costs, including the regulatory framework for developing biosimilar insulins, clinician prescribing patterns, formulary lists that determine medication coverage, and patient out-of-pocket costs.



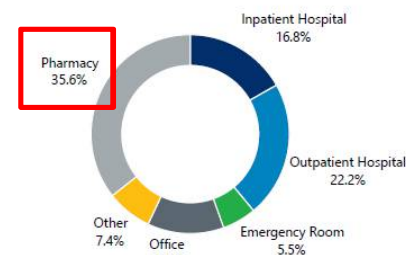
Between 2002 and 2013, the average price of insulin nearly tripled.

### Employer Diabetic Population

#### PLACE OF SERVICE ALLOWED PMPM

	Jan 2015 - Dec 2015	Jan 2016 - Dec 2016	Norm
Inpatient Hospital	\$163.24	\$190.63	\$288.26
Outpatient Hospital	\$215.32	\$237.69	\$297.14
Emergency Room	\$44.35	\$60.38	\$74.06
Office	\$106.99	\$140.32	\$160.98
Other	\$79.78	\$81.08	\$58.86
Pharmacy	\$326.91	\$390.50	\$401.87
<b>Total</b>	<b>\$936.59</b>	<b>\$1,100.61</b>	<b>\$1,281.16</b>

#### % ALLOWED BY POS





# Diabetes: Rising Prevalence and Cost

- **8.9%** of Americans in **2015**
- **10.8%** by **2020**
- **63%** of Type 2 Diabetes ("T2D") are obese (**BMI 30+**)
- **>60%** of T2D have cardiovascular co-morbidity
- T2D **costs are increasing**
- Antidiabetics are **#1 drug** class by Paid PMPM\*
- Antidiabetics are **#4 drug** class by script count\*
- **Newer, higher cost** diabetes drugs are being prescribed



\*Source: Infolock



## New Treatments: Metabolic Surgery

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**Success** is measured by **blood sugar control without medication** after **1 year**

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**T2D** remission rate after gastric bypass is **70–80%**

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**92%** reduction in mortality from **T2D**

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**Improved quality of life** measures (physical and mental)

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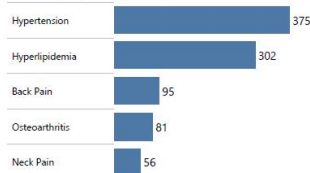
For morbidly obese diabetic, **ROI in 2-3 years** with sustained remission – lower Medical and Rx costs



# Macro: Clinical Analytics and Benefits Strategy

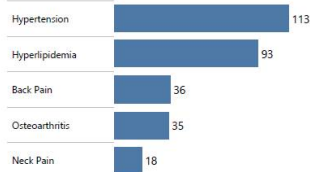
## Diabetes Comorbidities

### DIABETES TOP 5 COMORBIDITIES



Diabetes Condition Count	% of Members	% of Members Norm	Paid PMPY	Paid PMPY Norm
Diabetes Only	16.7%	15.8%	\$6,896	\$6,500
Diabetes +1	23.3%	24.1%	\$7,826	\$8,542
Diabetes +2	29.1%	29.8%	\$11,050	\$10,802
Diabetes +3	15.6%	15.7%	\$21,333	\$17,872
Diabetes +4	8.2%	8.2%	\$35,632	\$28,026
Diabetes +5 or more	7.1%	6.4%	\$25,293	\$47,686

### PREDIABETES TOP 5 COMORBIDITIES



Prediabetes Condition Count	% of Members	% of Members Norm	Paid PMPY	Paid PMPY Norm
Prediabetes Only	25.6%	23.2%	\$2,658	\$2,791
Prediabetes +1	29.6%	29.4%	\$7,768	\$5,365
Prediabetes +2	26.4%	25.4%	\$6,620	\$7,795
Prediabetes +3	11.2%	12.5%	\$7,452	\$12,195
Prediabetes +4	5.2%	5.9%	\$11,785	\$19,091
Prediabetes +5 or more	2.0%	3.6%	\$15,662	\$32,554

- ✓ Diabetic Cohort Analysis
- ✓ Diabetes Predictive Analysis
- ✓ Co-morbidity Analysis
- ✓ Diabetes Rx Trending
- ✓ Diabetes Management Strategy
- ✓ Value-based Plan Design
- ✓ Outcomes-based Design
- ✓ Metabolic Surgery Analysis





# Micro: Clinical Case Review – Dialysis Re-Pricing

## CHALLENGE

- Member was running \$80,711 each month for dialysis
- Was using an OON facility
- **Projected annual cost: \$968,532**

## SOLUTION

- Consulted with client team on options to reduce costs
- Identified best strategy utilizing re-pricing service
- Worked with administration and service provider to implement benefits

## CLIENT WIN

- New ID card and education given to member
- New service implemented to re-price at lower cost

**Total Annual Savings: \$812,824**





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