CASE MANAGEMENT
A REINSURANCE PERSPECTIVE

ROBERT E. ANDERSON
Second Vice President
Northwestern National Life Insurance Company
Medical Reinsurance Division
Minneapolis, Minnesota

Insurance companies are extremely bottom line oriented. Almost everything today in most companies is a strategic business unit and a profit center and is judged on the profitability of their book of business. Insurance company profits at the end of the year, with respect to health insurance, can range from a few hundred thousand to a few million dollars, depending on the size of the company and the claims experience they have had over the year. It may take only one significant catastrophic claim to partially or totally wipe out the profit.

To avoid this, and to even out profits from year to year, an accident and health insurance company will purchase specific excess medical reinsurance protection. The typical reinsurance agreement will provide for a $250,000 annual per individual deductible. If a claim in any given year exceeds the reinsurance deductible, the reinsurer will reimburse the insurance company for the excess beyond the deductible.

Reinsurers became involved in rehabilitation because of the profit picture. In the early '80s, medical reinsurance experience was poor. Reinsurance premiums were literally doubling from year to year. The potential to improve profitability led some reinsurers to analyze specific claim experience. One example was a young man who suffered a traumatic brain injury in California. His initial care was provided at a trauma center. After 20 days he was transferred to an extended-care facility. Within a 2-week period he developed 14 open pressure sores and pneumonia and was then transferred back to an acute hospital. Over the next five months his open pressure sores were repaired at a cost in excess of $260,000.

Analysis of claims for catastrophic injuries made it very apparent that policy language and interaction with the medical community required a different focus. One approach was to educate client insurance companies about catastrophic injuries and that care is best provided in specialized rehabilitation facilities.

The types of catastrophic injuries and illnesses identified were traumatic brain injuries, spinal cord injuries, strokes, high-risk infants and mothers, major burns, AIDS, organ transplants, and other long-term or chronic illnesses. It was hoped that insured clients would appreciate the importance to the insured and to themselves by increased understanding of the relationship between quality rehabilitation and cost-effective care.

From a reinsurance perspective, the key to dealing with catastrophic illness or injury is to be proactive and involved with the medical community. A medical case management model is most productive in establishing effective lines of communication. One model of medical case management utilizes the following tenets:

1. The first contact is initiated by the insurance company to the attending physician, indicating that the insurance company is interested in being part of the care process and that its liaison, a medical case manager, will facilitate communication. This contact should be as early in the process as possible to make this a proactive, positive situation. It is also important to begin a dialogue with the patient, if that is possible, and with the family and other care providers.

2. The medical case manager will be used to help the insurance company understand the current status of the patient and future treatment options. This is an age of accountability, not just for the care providers for quality health care but also for insurance companies and their interaction with the medical community.

3. The third aspect of medical case management is acting as a resource to the existing care providers, clarifying rehabilitation benefits and assisting them in identifying appropriate providers for the next level of care. It should be emphasized that the quality of care is the primary issue. Suggested modification in the treatment plan that would denigrate that quality would not be appropriate.

4. The final phase of medical case management is the follow-up and the monitoring of the patient for as long as the insurance company has liability. It should be understood that there are specific policy provisions with respect to how long an insurance company will have exposure.

Typically, if it is the employee who is injured, the company will have at least 12 months of liability from the date of disability. If it is a dependent, the liability could virtually be for their lifetime, if the employee continues employment with the company and the company continues to be covered by the same insurer.

A catastrophic claim can become quite expensive if there is insufficient monitoring. As was illustrated by the earlier example, it doesn't take long for health to deteriorate. It is suggested that insurance companies utilize the medical case management process for the duration of their liability to help keep the patient as healthy as possible.

A key element in the services provided by the reinsurer to client insurance companies is helping to identify catastrophic claims.
1. Most insurance companies have computerized claim operations that identify claims using the ICD-9 codes. By specifying those codes that are indicators of catastrophic illness or injury, their computer system can flag the target claims.

2. Training insurance representatives who receive verification of coverage inquiries to ask the appropriate questions enhances identification of potentially catastrophic claims. This identification allows expeditious referral of the claim to case management.

3. One of the most effective methods of identifying potential claims for case management services is pre-admission certification. Most policies require insurance company notification within 24 to 48 hours of admission.

4. Education of the employee by the insurance company and the employer provides multiple benefits. Written materials can be used to increase the employee's awareness of the program to assist in the event of a catastrophic illness or injury. This awareness not only leads to early referral but also demonstrates the interest of the employer and the insurance company in being involved.

5. Some companies train their agents to be proactive and on the alert for catastrophic claims. Often agents are on very friendly terms with their policyholders, who will notify them in the event of a catastrophic illness or injury.

The issue of policy language and when it may be appropriate to deviate from that standard language has presented a problem to many insurers. It should come as no surprise that situations arise where policy limitations are quite unrealistic for providing appropriate health care for the catastrophically injured.

Many insurers have come to grips with this particular issue. In some situations companies have seen fit to actually change their existing policy language. But many, because of the cost and the size of the task, have simply elected to pay for "non-covered" expenses through an administrative exception agreement which simply states that they are waiving the standard policy language to provide a specific benefit.

The cost savings issue is another area in which reinsurers have attempted to clarify the situation. Generally, cost savings have been put in three categories:

1. Accelerated Care is getting the patient out of the acute hospital setting as soon as medically feasible and providing them with the most appropriate intensity of care. In many instances this may be at an acute rehabilitation center. However, consideration of the patient’s ability to participate in the rigor of three hours of intense therapy daily may dictate alternative placement choices, e.g., sub-acute, specialized skilled nursing facilities, or home with home health care, etc. The basic premise is that is appropriate placement should speed the recovery process, thereby reducing overall expense.

2. Alternative Levels of care is the use of appropriate provider resources. In the last decade there has been a proliferation of non-hospital based programs for the catastrophically injured. There is a vast array of choices, including transitional, supervised, and independent living, or even home with specialized therapy, sometimes referred to as, “Community and Home.” These levels of care are differentiated by the amount of supervision received and the intensity of clinical intervention, as well as the setting and licensure of the program. These non-hospital-based programs can offer considerable savings while providing rehabilitation services.

3. Avoidance of Complications reduces costs by minimizing recidivism. This is achieved through the provision of quality rehabilitation services that allow the patient to reach their highest level of functional return, thus eliminating their susceptibility to certain types of complications. An appropriate educational program directed toward the patient and their family will help keep the patient healthy after discharge.

Reinsurers have found the following types of rehabilitation programs to be both cost- and outcome-effective:

1. The most frequently reimbursed are acute in-patient comprehensive rehabilitation programs, both acute hospital-based and free-standing. Most insurance companies rely on JCAHO and CARF accreditation as minimal standards for reimbursement purposes. They listen to recommendations from other insurance companies with respect to successful outcomes.

2. Insurance companies also reimburse for day hospital programs and services provided by comprehensive outpatient rehabilitation facilities.

3. Many insurers are willing to consider reimbursement for transitional living centers. Insurance companies realize that it is difficult to take a patient directly from an acute in-patient program to a home environment without some type of intermediate step.

4. Some insurers will continue to provide reimbursement for on-going follow up. In the medical case management model monitoring of the patient’s health care for as long as liability exists assures avoidance of unnecessary, costly complications.

Insurance companies should expect a quality comprehensive rehabilitation program to return the patient to their highest level of function. Accident and health insurance companies are not vocationally oriented and are generally going to stop short of reimbursing vocational retraining. However, there could be some circumstances in which a correlation between vocational training and the avoidance of complications exists. In these instances it may be cost effective to reimburse for these services.

Conclusion

The reinsurer’s perspective on catastrophic illness or injury is bottom line-oriented, pragmatic, utilitarian, and yet compassionate. It has been found that the use of appropriate programs provides the unique opportunity to benefit both patient and payor. The introduction of medical case management as early in the process as possible and continuing through the extent of liability is the key to positive outcomes. As treatment options continue to broaden and improve, insurers must keep an open mind as to the potential benefits for themselves and their clients.