Jakki Lynch

Jakki Lynch RN, CCM, CMAS CCFA, director cost containment. Sequoia Reinsurance Services points out that admission to the hospital usually means someone is trying to recover from illness and no one ever expects to get sicker as a result of their stay.

"Preventable hospital-acquired conditions continue to have a high financial burden on the health care system and contribute significantly to inpatient morbidity and mortality," she explains. "Sepsis -- a life-threatening organ dysfunction caused by a dysregulated host response to infection -- is a leading cause of in-hospital mortality and one of the most expensive preventable conditions treated in hospitals. According to the Joint Commission Center for Transforming Healthcare, sepsis treatment costs approximately $17 billion dollars each year."

Lynch makes it clear that treatment for sepsis often involves a prolonged stay in the intensive care unit and costly complex therapies, adding, "Although health plans may have payment policies that address these issues, many do not have processes to identify them and adjust claim payments. Charges incurred for sepsis should not be paid and hospitals will remove them if presented with adequate clinical record support by payment integrity specialists."

She describes a recent high dollar sepsis case reviewed by their payment integrity team which identified $255K (26%) of overall contract payable charges of $984K incurred from preventable sepsis after cardiac surgery. Based upon the claim payment integrity review, the facility agreed these charges are not payable.

"Plans can successfully implement a comprehensive payment integrity program to mitigate significant charges associated with unexpected hospital acquired conditions," she continues.

While there are many approaches to addressing these types of unexpected costs, here is some overall guidance from Thomas Power, managing member, Phoenix Excess Risk Underwriters, LLC who says, "As a Managing General Underwriter (MGU), it is important to work together with the Third Party Administrator (TPA.) Early notification and involvement by the TPA with the specialty vendors who address large claims and sometimes difficult claims are essential to create the best outcome."

He maintains that transparency and management of large claims by a good administrator in partnership with the employer while keeping the carrier/MGU informed is critical. "While the carrier cannot make plan decisions, there are opportunities available to impact the best possible solution."

COVID AND PANDEMIC ISSUES PERSIST

Stop loss companies are actively monitoring the changing situation related to COVID-19 claims.

Mark Lawrence

According to Mark Lawrence, president, HM Insurance Group, "We've seen numerous claims greater than $1 million where COVID-19 is the primary diagnosis. There's been a higher incidence of aggregate claims, as well. In addition to our "normal" business, where the frequency and severity of high-cost claims continues to rise, we've also seen significant changes in claims development patterns – primarily driven by a lull of claims for most of 2020 and part of 2021, followed by an increase in claims thus far in 2022. This creates challenges in reserve setting."

The post COVID inflationary environment is going to create a period of higher-than-normal medical trend for catastrophic claims defined as those greater than $500K.