

STRATEGIC

M A N A G E M E N T

MANAGING CATASTROPHIC CARE

Managing catastrophic care by aligning clinical, financial results

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It can happen in just an instant, and suddenly a premature labor and delivery, a severe burn, a multiple trauma or perhaps a spinal cord injury changes a patient and his or her family's lives forever.

More than ever, patients who suffer catastrophic medical events need the medical support and financial backing of their capitated medical group. In today's era of managed care and capitation, this typically means that the provider of health care has signed some sort of agreement with a hospital or other managed care organization to absorb the hospital-side risk for treating the patients under their care.

Too few cases to become experts

Unfortunately, most general acute care hospitals experience too few cases to truly be considered experts in managing catastrophic care. In fact, catastrophic cases typically represent less than 1% of all claims filed, but up to 20% of a payer's total financial responsibility.

Moreover, costs can vary as much as 500% for the same medical event. That can mean the difference between several hundred thousand and even millions of dollars for a patient's treatment. Meanwhile, the final medical outcome of patients with the same diagnosis and severity can vary from barely stable to total reintegration into the community.

There are a few reasons for the widespread discrepancies that make predictability so difficult for providers carrying hospital risk. To be sure, part of the problem stems from a lack of guidelines on the best way to treat catastrophic patients. But the primary explanation stems from a health care system that focuses on procedures, rather than outcomes (separating financial results from clinical results) and seldom holds medical providers accountable for either.

The traditional stop-loss approach

When managed care organizations sign capitated contracts requiring them to assume hospital-side risk, they do so with a clear understanding: For an opportunity to increase patient volume and receive a more regular cash flow, there's also the risk of taking responsibility for the kinds of catastrophic cases described above.

One of the many complications to this equation is that catastrophic cases can often be referred out of their facilities to hospitals or treatment centers that do not have the same incentive to aggressively manage expenses or outcomes.

As one level of protection against such low-frequency, high-cost cases, hospitals and other managed care organizations have purchased provider-excess insurance coverage to help cap their losses. However, even provider-excess coverage only helps to a certain point. For example, there are still hefty deductibles to meet and sizable co-insurance portions that must be absorbed by the organization taking risk.

The lesson of recent years is that, as with other volatile cost cases, such as workers' compensation, managing catastrophic cases from start to finish can result in better outcomes for everyone involved. That means better medical treatment for the patient, lower costs to the hospital from out-of-area charges, and improved risk management for the reinsurer.

Catastrophic care management

It's difficult for any individual hospital to acquire the specialized resources and medical staff proficiencies to effectively manage catastrophic cases. As a result, most of them rely on a "generalist" case management approach.

The theory here is that a generalist case manager can help to reduce costs for treating catastrophic cases. And while it undoubtedly helps, the impact of case management is often far less effective for catastrophic cases than it is for less complex medical events.

The primary reason that catastrophic cases require a unique care management approach is that the cases are relatively rare and require a massive amount of specialized expertise. For instance, many patients who suffer from catastrophic events need multi-faceted, long-term treatment in multiple facilities. These cases also involve unique windows of intervention that close permanently with lasting consequences.

In addition, catastrophic cases are medically complex and long-term in duration since they often co-exist with a variety of family and environmental complications. Additionally, patients typically face medical redundancies, practice variations and a lack of coordination across all providers.

Need to align both medical, financial incentives

What providers and payers really need is a specialized catastrophic care program that can properly align both medical and financial incentives. They need a program that can effectively complement and integrate within their existing managed care structure. And as is so often the case in America, the solution demanded by the marketplace is eventually provided.

Toward a new integrated approach

Some of the leading experts in the fields of provider excess insurance and catastrophic medical management have developed a new approach that unites provider excess insurance coverage with catastrophic care management. The idea is to represent both the needs of the patient and the needs of the facility taking risk.

This new approach continues to provide hospitals and other managed care organizations with a reliable stop-loss insurance policy, but then transforms the old pay-as-you-go, procedures-oriented approach to catastrophic health care into a care management program focused on outcomes. In the final analysis, this is the only way to truly measure the value of health care services.

For example, once a risk-taking organization identifies a catastrophic case it wishes to have managed more closely, this new integrated approach calls for the immediate formation of a case management team. The team is typically comprised of a local nurse network manager, a case medical director, clinical specialist and other catastrophic experts. All of the team members are carefully selected for their focus on quality expertise in a specific type of catastrophic event, and for their commitment to achieve a defined outcome level for each patient.

While all this is taking place, the rest of the care management team begins case administration and provider cost negotiation. Together, the team works to ensure a consistent, systematic and quality-focused approach to patient care.

Establishing a realistic goal for treatment process

In this new approach, the care management team compares the patient's case-specific information to all similar catastrophic cases (from a database of tens of thousands of cases) in order to help establish a predictable ending outcome level. This allows everyone involved—patient, family members, providers, reinsurer—to have a realistic goal in mind for the treatment process.

This new approach to catastrophic care management implements a pro-active outcome plan management

process. For example, it identifies the most appropriate path to achieve the patient-specific outcome. Moreover, it calls for constant interfacing and communication with the specialty physicians, family members and appropriate third-party payers.

Typically, the outcome level model for catastrophic care management includes six levels, from physiological instability to productive activity. Naturally, with many catastrophic events—such as spinal cord injuries—it is not always possible to attain full recovery from injuries. But the program remains in effect until the promised outcome is delivered, which may be transition to a home setting or perhaps the successful transition to community activities.

Finally, one year after the catastrophic care management program has confirmed a patient's outcome, a follow-up evaluation is typically conducted that brings the entire system full circle. It is this final piece of the puzzle that is often missing in other health care programs and that has never before been successfully integrated with a provider-excess insurance policy. But this patient follow-up activity provides valuable data that allows care managers to continually enhance the accuracy of their outcome predictions and the quality of patient care.

Addressing major concerns

The arrival of this new solution in the marketplace—a provider-excess insurance policy that is integrated with a sophisticated catastrophic care management program—addresses the major issues of concern to at-risk hospitals and providers.

For patients, providers and insurers, there is no such thing as "good news" when it comes to catastrophic cases. The injuries are tragic, the care required is substantial and the costs are often astronomical. But there is finally some reason to be optimistic about how these unfortunate cases may now be handled in a way that simultaneously improves medical outcomes for the patient and financial outcomes for the provider.

This new approach of integrating provider-excess coverage with catastrophic care management provides a potentially unique and exciting solution to a chronic challenge. ■