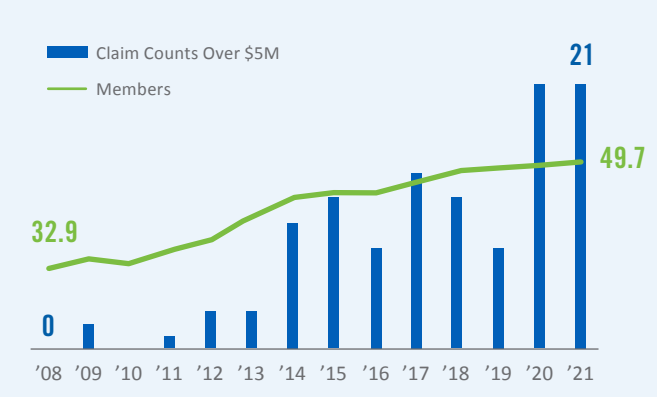
BCS RiskNavigator | Medical Risk Managers

Catastrophic Claims are Fueling the Growth of Reinsurance

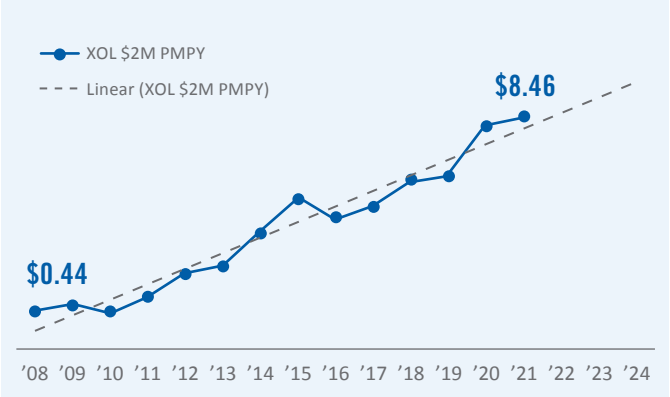
Each year, BCS Financial and Medical Risk Managers (MRM) review high cost claims from our proprietary database of over 40M member lives. For the last few years, the story has been the same – **BIG claims are getting BIGGER**. The incidence of claims exceeding $5M has doubled since 2014. In the five years since 2016, the average cost of claims exceeding $2M per person has doubled ($8.46 PMPY in 2021). As an industry, we should expect claims exceeding $2M per person to continue to increase rapidly due to the impact of inflation and the emergence of life-saving genetic therapies that cost on average between $2M and $4M.

Claim Counts Over $5M vs Membership (in millions)



Source: 2022 BCS Financial High Cost Claimant Trends & Insights; BCBS Association Quarterly Enrollment Reports

Cost of Claims in Excess of $2M (PMPY)



Source: 2022 BCS Financial High Cost Claimant Trends & Insights

As big claims get bigger, self-funded employers will look to stop loss insurance as a solution, and health plans and stop loss insurers will look to the reinsurance market for support. While you may think of high cost medical as an accident and health claim, once you exceed $1M per claim the incidence of claims looks more like a property and casualty claim where outlier claims occur once every 5, 10, 25 or 50 years. Some health plans/plan sponsors may be able to budget for or have enough surplus for these unexpected expenses, but most will seek insurance/reinsurance solutions from commercial markets.

As a large claims underwriter, insurer and reinsurer, BCS and MRM have seen our fair share of high cost claims that impact us or the clients we serve. In 2022, the BCS Large Claims Solutions business paid **six claims in excess of $2M** (ground-up allowed charges) across a $380M portfolio of stop loss and reinsurance. Those six claimants are summarized here with background on the claimant, the claim, and any impact seen from cost containment solutions. As these catastrophic claimants continue to grow, it becomes imperative for reinsurers to focus not only on financing the costs but also on cost containment opportunities.

43 Years Old with COVID-19 and COVID-19 Complications – $9.8M

Billed Charge: **$12.9M**	Allowed Charge: **$9.8M**	Cost Containment Savings: **N/A**

THE SITUATION

A patient with COVID and COVID complications was inpatient for a total of 261 days. During care, the patient was transferred to a Center of Excellence for a lung transplant. Prior to the transplant the patient was on an ECMO, a form of life support for people with life-threatening illness or injury that affects the function of their heart or lungs. The patient was eventually discharged post-transplant to home care. The inpatient confinement spanned from September 2021 to June 2022.

THE INTERVENTION / COST CONTAINMENT OPPORTUNITY

Notification of the paid claim was not made available until after the hospital confinement completed, by which time no opportunity existed to intervene with any alternative treatment path or cost containment solutions. The hospital bills were submitted with a Diagnosis Related Group (DRG) payment, they were reviewed and accepted. Based on the reimbursement method, there were no additional cost containment opportunities available.

Newborn with Hypoplastic Left Heart Syndrome – $7.5M

Billed Charge: **$12.2M**	Allowed Charge: **$7.5M**	Cost Containment Savings: **$1.7M**

THE SITUATION

A patient with Hypoplastic Left Heart Syndrome was inpatient for a total of 173 days. At birth, the patient was transferred to a higher level facility for care. During this confinement, the patient underwent the first surgery of three planned procedures. On the patient's sixth day of life, they had complications after the first procedure. The inpatient confinement was from April 2021 to October 2021 and total billed charges were $12.2M with a 25% PPO discount resulting in $9.2M in allowed charges.

THE INTERVENTION / COST CONTAINMENT OPPORTUNITY

We were first notified of this claimant in August 2021 on a precertification report received from the administrator. Due to the age of the patient, only the mother was referred to case management. Once the patient was referred to case management, a request was made to the administrator to complete a large claim bill audit. A separate request was made to a preferred outside bill audit vendor that discovered $1.7M in discrepant charges. A payment for $7.5M was paid to the provider. While the network/facility have appealed the decision, we believe the savings of $1.7M will stand. The ability of the TPA to hold payment until our review was instrumental in driving a lower cost for the services.

Preterm with Multiple Complications – $2.7M

Billed Charge: **$2.7M**	Allowed Charge: **$2.7M**	Cost Containment Savings: **N/A**

THE SITUATION

Patient was born at 24 weeks gestation and confined from May 2021 to September 2022 (for a total of 481 days). The patient developed multiple complications, including chronic respiratory failure, pulmonary hypertension, stenosis of the pulmonary artery, and other typical cardiac related conditions for a premature newborn. Total billed charges accumulated to $2.7M.

THE INTERVENTION / COST CONTAINMENT OPPORTUNITY

We were first notified of this claimant in October 2021 with a reimbursement request received from the administrator. Upon review of the submission we reached out to the administrator to determine the pricing methodology for the continuous confinement that resulted in the large claim. The hospital bills were submitted with a Diagnosis Related Group (DRG) payment. Based on the reimbursement method, there were no additional cost containment opportunities and the allowed charges matched the billed charge of $2.7M.

29 Years Old with COVID-19 and COVID-19 Complications – $2.2M

Billed Charge: **$4.6M**	Allowed Charge: **$2.2M**	Cost Containment Savings: **$329K**

THE SITUATION

The patient was diagnosed with COVID in December 2021 when presented to the emergency room. The patient was put in ICU and placed on a ventilator in January 2022. The patient received treatment with Remdesivir and was airlifted to another facility for a higher level of care where the patient was placed on an ECMO. The patient had a tracheostomy in February 2022 and was once again airlifted to another facility (March 2022) to be evaluated for a double lung transplant. During this time the patient was still receiving the ECMO treatment. While in process and evaluation for the double lung transplant, the patient passed away. The inpatient confinement lasted nearly three months and total billed charges were $4.6M with a 52% discount off billed charges. The administrator processed the claim $2.2M in allowed charges.

THE INTERVENTION / COST CONTAINMENT OPPORTUNITY

We were first notified of this claimant in March 2022 with a potential for a lung transplant. Upon receipt of the submission we reached out to the administrator to determine the pricing methodology of the large inpatient bill for the dates of service. We were advised the total billed charges were priced on a per diem plus a percent off billed charges as the claim exceeded the outlier provision. A request was made to the administrator to complete a large claim bill audit. A separate request was made to a preferred outside bill audit vendor that discovered $329K in discrepant charges. This resulted in a reimbursement of $2M – net savings of $329K to the health plan.

Preterm with Congenital Hypoplasia and Dysplasia of Lung – $3.3M

Billed Charge: **$3.7M**	Allowed Charge: **$3.3M**	Cost Containment Savings: **N/A**

THE SITUATION

Patient was born at 28 weeks gestation with respiratory distress syndrome of a newborn, congenital hypoplasia and dysplasia of lung and bacterial sepsis of a newborn in March 2021. Patient was discharged home in late July 2021 with home health care. The hospital bill was paid at a per diem rate with the inpatient confinement occurring between March and August 2021. Total billed charges were $3.7M.

THE INTERVENTION / COST CONTAINMENT OPPORTUNITY

We were first notified of this claimant in July 2021 with a large claim notification received from the administrator. The patient was still inpatient at the time of the notification. The bill was paid at $3.3M (submitted with a Diagnosis Related Group (DRG) payment) and the pricing methodology did not allow for additional cost containment savings.

31 Years Old with Hemophilia – $4.5M

Billed Charge: **$6.8M**	Allowed Charge: **$4.5M**	Cost Containment Savings: **$2M+**

THE SITUATION

High cost hemophilia patient was using Alphanate, Hemlibra, and NovoSeven. The provider moved the patient from Alphanate to Advate at 12,000 units daily for an average cost of $567,840 per month ($6.8M annually). Patient is active and costs would be ongoing.

THE INTERVENTION / COST CONTAINMENT OPPORTUNITY

Case was referred to one of BCS' hemophilia solutions vendors who made a direct outreach to the provider to review appropriate treatment guidelines. The provider agreed to expert interpretation of treatment guidelines and agreed to lower the Advate dosage to 4,250 units and 3x/week instead of 12,000 units daily which lowered the monthly cost to $81,050 per month (savings of $2M on Advate alone). Additional savings opportunity exists should the patient move back to Alphanate.

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About BCS Financial Corporation

For 74 years, BCS Financial has been providing a wide variety of insurance and financial solutions. Owned by all Blue Cross Blue Shield primary licensees, and the Blue Cross Blue Shield Association, BCS offers 12 total line of business solutions, is rated A (Excellent) by A.M. Best, and is licensed in all 50 states.

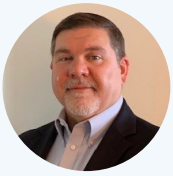
About Medical Risk Managers, Inc.

For over 35 years, Medical Risk Managers, Inc. has underwritten Stop Loss insurance on behalf of its insurance carrier partners. As a managing general underwriter, MRM has underwritten over $4 billion in Stop Loss premium since its inception. Among its capabilities, MRM is able to price Stop Loss coverage at any deductible level, over any network, and in any zip code nationwide. MRM is headquartered in South Windsor, Connecticut.

For more information, contact:

Pete Laio
Vice President
Business Development
630.472.7724
plaio@bcsf.com

Chris Rice
President
Medical Risk Managers
860.291.3048
crice@mrmstoploss.com



Matt Gibson
Director
Business Development
630.472.7769
mgibson@bcsf.com

Nadia Nelson
Director
Business Development
630.472.7613
nnelson@bcsf.com

Blake Schraft
Director
Business Development
331.241.3851
bschraft@bcsf.com

James Kordomenos
Director
Business Development
847.840.9200
jkordomenos@bcsf.com