

# Summit Perspectives

## Contents

Case Study— Managing NICU Costs	1
Case Study— Reduce Admissions Through Medical Management	2
Case Study— Product Line Extension with Ancillary Benefits	3

**“... for you to gain, those you deal with should gain as well.”**

**Alan Greenspan**



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## Managing NICU Costs

**This article is part of a series of case studies—real stories of how managed care companies increased profits by using Summit Re’s resources to increase sales, decrease expenses, and manage claims.**

Neonatal intensive care unit (NICU) costs, especially for managed Medicaid populations, are one of the top drivers of overall healthcare costs for health plans. The major reasons for the high NICU costs are a significant variability in NICU care patterns, continuous advances in NICU care which is often reflected by higher cost of care, and longer lengths of stay as premature infants are born younger and surviving, albeit with more complex care needs. So what is a health plan to do?

Summit ReSources, the Summit Re managed care department, works closely with The Assist Group, an NICU management company that provides care management, forensic hospital bill audits and a new service called EvalAssist.

**Situation: Increase in NICU costs**

One of our clients, ABC Health Plan, experienced a significant increase in NICU costs over the last 2 years without a corresponding increase in membership. Summit ReSources recommended that ABC Health Plan consider contracting with The Assist Group for EvalAssist. After an initial conversation with The Assist Group, ABC Health Plan decided to move forward with EvalAssist.

**On-site assessment**

The Assist Group provided an on-site assessment of ABC Health Plan’s NICU medical management processes and staffing, NICU facility and professional contracts, and claims submission and

**Premature Births**

Birth before 37 weeks of gestation is considered preterm.

Babies born prematurely have risen to 12.5 percent of live births, the highest level in two decades and a 33% increase since 1981.

In 2004, more than 508,000 babies were born prematurely in the U.S.

Prematurity, the leading cause of neonatal death, accounts for 23 percent of deaths in the first month of life.

Premature babies often require care in a neonatal intensive care unit (NICU), which has specialized medical staff and equipment. In 2003, hospital charges for all infants totaled \$36.7 billion. Nearly half of that—\$18.1 billion—was for babies with a diagnosis of prematurity or low birth weight.

*Source: 2004 data from the National Center for Health Statistics*

## Goal: Reduce Inpatient Admissions

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You may be aware of Summit ReSource’s consultative case management and managed care programs, but what you might not know is that our Managed Care Specialist is available to perform an in-depth assessment of your own medical management practices and procedures. This helps you ensure that your medical management is effective and efficient, not only for the benefit of your bottom line, but it also may ensure optimal outcomes for your members.

### Goal: Reduce Admissions

ABC Health Plan recently contracted with Summit ReSources’ Managed Care Specialist to perform an evaluation of its medical management department. The overall goal of the health plan was to shift away from intense inpatient utilization management and focus on outpatient case management. In other words, the health plan recognized the importance of implementing steps to prevent the inpatient admissions in the first place.

### On-site Evaluation

An on-site evaluation included staff interviews and assessments of policies, procedures, processes and computer systems. Some of the issues addressed included:

- Are the health plan’s policies and procedures consistent with the NCQA standards?
- Are staffing patterns consistent

- with national benchmarks?
- What is the most cost effective way to perform utilization management?
- What are appropriate outcome measures for medical management?
- What key features should be included in a disease management program?
- Which members should be referred for disease and case management?
- What are appropriate measures for return on investment for disease management and case management?
- What key features should be included in a predictive model?

### Recommendations

Recommendations were made related to maintaining only the utilization management process that would provide the greatest clinical and financial value to the organization.

Since ABC Health Plan did not have a well-developed case management program, specific recommendations for the development of such a program were provided, including but not limited to, examples of case management referral triggers, screening tools, acuity measures, and return-on-investment documentation.

Post evaluation, there were several

additional phone conferences regarding implementation of the recommendations.

The feedback from ABC Health Plan was that the assessment and recommendations were “crucial” and “most helpful” in moving the process forward to meet the overall goals of the organization.

Summit ReSources is available to provide an evaluation of your medical management program. Whether you are a small or large managed care organization, eliciting an outside evaluation of your medical management efforts can be beneficial. Summit Re works with efficient, cost-effective health plans, but most understand the need for continual improvements in medical management given the rapid changes in health care.

### Summit Re Contacts

If you’d like to learn more about how we help you implement the most cost-effective and care-effective practices, please contact:

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## Extend Your Product Line With Ancillary Benefits

**This article is part of a series of case studies—real stories of how managed care companies increased profits by using Summit Re’s resources to increase sales, decrease expenses, and manage claims.**

Although our primary focus is protecting your company’s balance sheet through excess of loss reinsurance coverage, we also help you accomplish your strategic objectives with a broad array of other products and services.

This case study addresses adding ancillary benefits to your group medical plans, such as group term

**Employers prefer one source for benefits. Agents appreciate reduced paperwork .**

life, disability, dental and vision coverage. Summit Re provides these ancillary programs through Companion Life Insurance Company, rated A+ (superior) by A.M. Best. Companion Life offers competitive benefit programs which can be customized to fit your market needs.

### Why Ancillary Benefits?

Most employers prefer the simplicity of one source for all their employee benefits, if possible. Agents appreciate the reduction in paperwork associated with working with one entity and are pleased when told that their ancillary sales through the health plan qualifies for the same bonuses as any other sale.

### Customized Programs

Here are a few examples of ways the program can be customized:

- Separate or combined billing
- Proprietary benefit and rate options
- Proprietary brochure with your branding, e.g. logo, colors, typeface.
- Flexible sales compensation, bonus and incentive trip options
- Rating ability in your sales office

Companion Life has the experienced personnel to help you successfully market these products, including dedicated sales specialists in these product lines.

### One Company’s Story

ABC Health Plan previously worked with a major HMO excess reinsurer with ancillary product capabilities in these product lines. However, the company was sold and service deteriorated. The new owner put less emphasis on ancillary products.

This health plan in the past was very successful at marketing these programs and had even assumed risk through a captive arrangement. Over time, they decided they prefer the non-risk approach where they’re strictly a distributor of the products and have no ongoing administrative role or underwriting risk.

As service issues persisted, they put their ancillary products out to bid. Summit Re assisted the client in development of the RFP, which was then used as a template to evaluate carrier bids. Companion Life’s bid included not only a formal response to the RFP, but also on-site presentations to personally address all product and service options, issues and concerns.

ABC Health Plan moved all of its ancillary product business (life, dental, and disability) to Companion Life Insurance Company. The relationship has “worked well” and ABC Health Plan is “very happy” with Companion Life.

### Summit Re Contacts

For more information about Companion Life Insurance Company’s ancillary product capabilities through Summit Re, please contact:

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## Managing NICU Costs

Continued from Page 1

payment processes. The Assist Group also provided care management services to several cases referred to The Assist Group by ABC Health Plan.

**“...recommendations to improve financial outcomes while maintaining quality of care”**

Over the course of several months, the staff of The Assist Group worked closely with ABC Health Plan to analyze claims data for the past two years and compare the billing patterns to the facility and provider contracts. The Assist Group neonatologists worked directly with the attending neonatologists to discuss the optimal treatment plans for cases referred to The Assist Group for care management oversight. The Assist Group also provided benchmark data regarding lengths of stay based on

gestational age and birth weight.

### Recommendations

After approximately 3 months, The Assist Group revisited ABC Health Plan to discuss the comprehensive assessment and provide recommendations to maintain or improve the NICU management while decreasing overall cost of care. The overall increase in cost that ABC Health Plan experienced over the last two years was determined to be related to several factors. The Assist Group identified each factor and made recommendations to improve financial outcomes while maintaining quality of care.

### Changes

After the key factors for rising overall costs were identified, ABC Health Plan implemented the recommended changes. The Assist Group met with the attending neonatologists to discuss standards of NICU care, worked with ABC Health Plan’s provider contracting department to revise contracts as needed, and assisted the claims

department in development of a forensic claims review process prior to payment of the claims.

NICU management has become costly and complex. If you are experiencing rising NICU costs and want to understand the reasons, it is sometimes cost effective to have an outside consultant, who is experienced in all aspects of NICU care, review your processes and possibly identify some factors that would make a difference in your bottom line.

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For more information on how we may help you tackle your neonatal costs, please contact:

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If an item in this edition generates questions or comments, please give us a call at 260-469-3000 or write to us at [www.summit-re.com](http://www.summit-re.com).



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