ACTION BRIEF

Employer Strategies that Drive Health, Equity and Value

National Alliance of Healthcare Purchaser Coalitions

NCBCH
NC BUSINESS COALITION ON HEALTH

NEW DIRECTIONS TO BETTER MANAGE HIGH-COST CLAIMS

ACTION STEPS FOR EMPLOYERS

1. **Identify high-cost claims drivers by taking a deeper dive into data on associated costs (e.g., sites of care).**

2. **Mitigate or prevent the magnitude of high-cost claims by appropriately diagnosing and intervening early.**

3. **Ensure high-cost therapies are warranted.**

4. **Build the infrastructure to support a long-term strategy.**

High-cost claims have become the single fastest-growing healthcare cost for employers in the last decade. Since 2016, the number of health plan members with claims of $3 million or more has doubled, making these claims a significant threat to employer-sponsored healthcare. The elimination of annual and lifetime maximums through the Affordable Care Act has redefined what is possible.

Some plan sponsors have taken defensive but unsustainable action by either declining to cover certain treatments or by shifting costs. However, the management of high-cost claims is diverse and complex with various stakeholders increasingly conflicted on taking the right actions when working with self-insured plan sponsors. Market solutions exist in some areas but are unevenly deployed. Therefore, equipping employers with knowledge and practical actions enable them to address challenges head-on and may be the only way to mitigate growing concern.

EMPLOYER KEY ISSUES AND CHALLENGES FOR HIGH-COST CLAIMS

The National Alliance conducted in-person and virtual meetings involving more than 50 employers convened through the Alabama Employer Health Consortium, Dallas Fort-Worth Business Group on Health, HealthCareTN, and Nevada Business Group on Health, and then invited all employers to a final wrap-up meeting to discuss key learnings and insights. Click here to learn more.

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ACTION STEP 1

Identify high-cost claims drivers by taking a deeper dive into data on associated costs (e.g., sites of care).

Understanding the past is not necessarily a predictor of the future. Therefore, review data that highlights sites of care, high-cost medical drugs, medical devices, etc. in order to better understand the total picture and overall cost of care for high-cost claims.

Gather more data to help proactively manage risk by better addressing issues upstream:

▸ Use a data warehouse to integrate data and identify issues sooner on both the medical and pharmacy side of benefits.

▸ Review short- and long-term disability claims data to highlight potential issues before they become high-cost claims.

▸ Asking the right questions can help better understand what's really driving such high costs. For example:

- *Does this claim have the right diagnosis?* Some of the top high-cost claims exist because the wrong condition is being treated.

- *Are they using the right option?* Confirm appropriate site of care (e.g., centers of excellence, drug infusion centers).

- *Is the treatment appropriate?* In-home treatments can improve value and patient satisfaction—and save thousands.

- *Was billing/coding done correctly?* Investigate and confirm billing accuracy. Studies show at least 90% of bills have more than one error!

Four main healthcare areas that contribute to high-cost claims are:

1. Cancer

With mortality rates improving considerably, cancer has been a top driver of high-cost claims for the past decade. In 2022, there were more than 1.9 million new cancer cases in the US

Cost ranges and medical vs. Rx spend

Condition/Disease/Disorder	Average cost	Highest cost	% Medical versus Rx
Hemophilia/Bleeding	$334.0K	$6.22M	16%
Newborn/Infant Care	$318.0K	$3.51M	99%
Leukemia, Lymphoma, Multiple Myeloma	$258.3K	$4.83M	69%
COVID-19	$231.3K	$1.75M	98%
Congenital Anomaly (structural)	$197.1K	$5.43M	97%
Transplant	$184.8K	$2.53M	93%
Sepsis	$179.6K	$2.21M	96%
Malnutrition	$178.1K	$3.20M	30%
Malignant Neoplasm	$170.4K	$2.09M	68%
Cerebrovascular	$153.3K	$2.71M	97%
Immune System	$120.9K	$1.94M	30%
Urinary/Renal	$114.1K	$2.24M	91%
Cardiovascular	$102.2K	$2.45M	95%
Blood and Blood-forming Organs	$99.2K	$2.66M	63%
Respiratory	$80.8K	$4.04M	83%
Gastrointestinal/Abdominal	$76.3K	$1.38M	72%
Orthopedics	$75.8K	$1.97M	81%
Neurological	$75.2K	$3.42M	74%
Mental and Behavioral Health	$68.3K	$1.04M	85%
Physician Treatment	$23.4K	$1.20M	76%

Source: Sun Life 2022 High-cost claims and injectable drug trends analysis

(more than 5,000 per day)—with the top diagnoses being cancers of the breast, prostate and lung. Cancer drugs are a leading area of personalized medicine, making up 11 of the top 20 high-cost injectable drugs in 2021.

2. Prenatal/Neonatal Care

An estimated 380,000-plus babies are born prematurely each year in the US—more than 1 in 10 births—at a cost of more than $25.2 billion annually. Most high-cost neonatal intensive care (NICU) events involve premature infants with complications or micropreemies (babies born before 26 weeks or who weigh less than 1 lb., 12 oz.). Costs per infant can easily exceed $600,000; premature twins or triplets can multiply costs by up to 300%.

3. Rare Disease and Gene Therapy

Current therapies include areas such as oncology, hemophilia, and heart disease contributing to employer concern about the cost of these drugs, estimated to reach approximately $30 billion a year in the US.

4. Specialty Drugs

Specialty drugs account for roughly 40% of outpatient prescription revenues—and an even greater share of payers' net prescription costs. They remain the key driver of prescription revenues for the PBM industry. Both biologic and traditional specialty drugs may face increasing competition from biosimilar and generic versions.

ACTION STEP 2

Mitigate or prevent the magnitude of high-cost claims by appropriately diagnosing and intervening early.

Early identification can helps prevent potential health issues before they become more serious. Early intervention allows for timely treatment of health conditions, often leading to improved outcomes. Addressing issues at early stages may help slow disease progression before treatment becomes more complex and costly. Ensuring appropriate and timely interventions can avoid unnecessary emergency department visits, redundant care, lengthy hospital stays, and hospital readmissions.

Health promotion efforts and setting expectations with vendor partners helps raise awareness about health risks and empowers individuals to make informed decisions about their health alongside their healthcare team. Employees also benefits from reminders to remain current with preventive screenings and exams and taking advantage of biomarker/genetic testing when indicated for certain conditions.

Other important strategies employers are encouraged to discuss with vendor partners include:

▸ Use a data warehouse to stratify potential high-cost claim issues, using clinical and utilization patterns to intervene and take action early.

▸ Conduct periodic vendor audits as well as hospital billing audits to identify issues and confirm appropriateness of care.

▸ Confirm vendor partners are effectively managing issues over time.

Early intervention in healthcare provides several benefits in terms of avoiding high-cost health claims.

Early intervention allows for timely diagnosis and treatment of health conditions, leading to improved health outcomes. By addressing issues at early stages, early intervention can help halt or slow the progression of diseases, where treatment becomes more complex and costly.

Intervening early can also help reduce healthcare costs by preventing the need for expensive treatments or surgeries associated with advanced stages of a disease.

Timely interventions can help avoid inappropriate emergency room visits, hospitalizations or reduce the length of hospital stays.

ACTION STEP 3

Ensure high-cost therapies are warranted.

When evaluating the appropriateness of high-cost therapies, factors such as clinical evidence, cost-effectiveness, individual patient characteristics, and ethical considerations need to be considered. Assessments are typically conducted by healthcare organizations, regulatory bodies, and health technology assessment agencies to inform treatment guidelines and reimbursement decisions.

As healthcare costs rise and reimbursements decrease, healthcare

organization leadership and clinical providers must collaborate to provide high-value healthcare. Medications are a key driver of the increasing cost of healthcare, largely because of the proliferation of expensive specialty drugs, including biologic agents. Such medications contribute significantly to the inpatient diagnosis-related group payment

Medical Price Information Resources

RAND Hospital Price Transparency. Prices paid to hospitals by private health plans.

The Leapfrog Group. National performance measures on safety and quality measures.
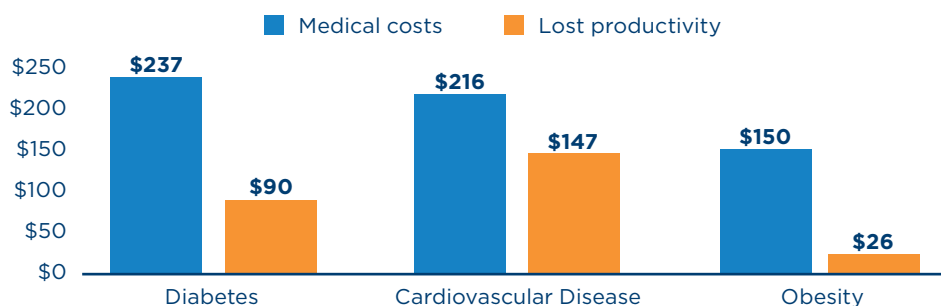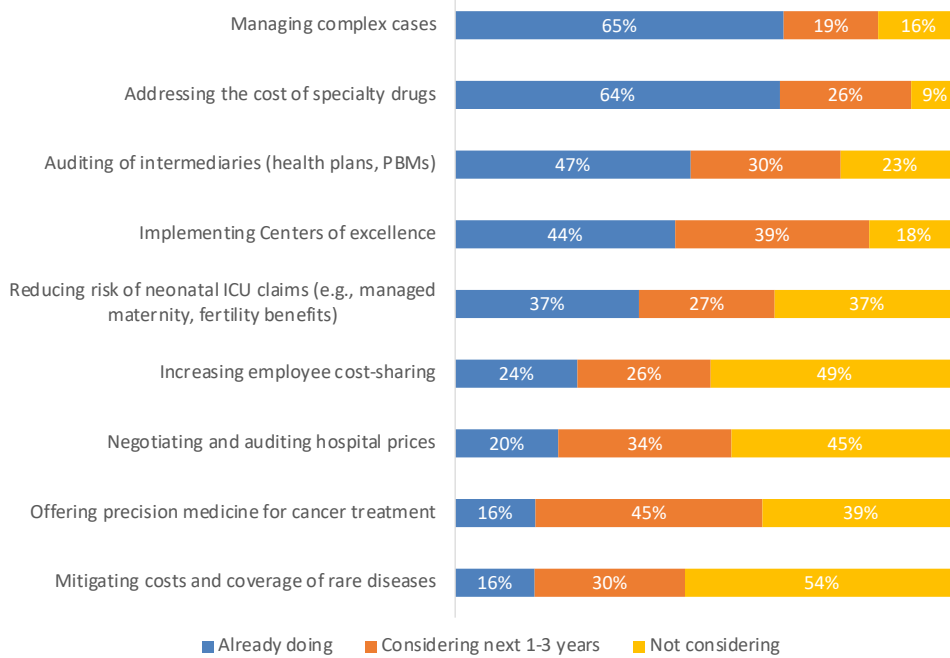
Healthcare Bluebook. Healthcare quality and cost data.

CMS Hospital Price Transparency. Data from complying hospitals.

NASHP Hospital Cost Tool. Cost and profitability data on 4,600 hospitals in the US.

Sage Transparency. Public and proprietary data on price and quality for thousands of US hospitals.

Cost of Top 3 US Preventable Diseases (2022) in $Billions

Legend: Medical costs, Lost productivity

Disease	Medical costs	Lost productivity
Diabetes	$237	$90
Cardiovascular Disease	$216	$147
Obesity	$150	$26

Source: CDC, Stat News, ACOEM, Medical Economics

Strategies for mitigating high-cost claims that employers are considering:

Strategy	Already doing	Considering next 1-3 years	Not considering
Managing complex cases	65%	19%	16%
Addressing the cost of specialty drugs	64%	26%	9%
Auditing of intermediaries (health plans, PBMs)	47%	30%	23%
Implementing Centers of excellence	44%	39%	18%
Reducing risk of neonatal ICU claims (e.g., managed maternity, fertility benefits)	37%	27%	37%
Increasing employee cost-sharing	24%	26%	49%
Negotiating and auditing hospital prices	20%	34%	45%
Offering precision medicine for cancer treatment	16%	45%	39%
Mitigating costs and coverage of rare diseases	16%	30%	54%

■ Already doing ■ Considering next 1-3 years ■ Not considering

system, often with minimal or unproved benefit over less-expensive therapies.

There are steps employers can take. To ensure high-cost therapies are warranted, ask for data to show efficacy, and compare effectiveness to alternative treatments. Sometimes a therapy warranty is available. Consider alternative sites of care when appropriate to manage costs. Note many carriers are reducing coverage for rare diseases, and some are even adding conditional waivers (e.g., for hemophilia) to limit access and affordability.

In complex cases or situations where there are concerns about the recommended high-cost therapy, employers can support employees in seeking second opinions from other medical professionals. Second opinions can help validate the initial recommendation or offer alternative perspectives, ensuring a well-informed decision.

It is essential to respect employee privacy and maintain confidentiality when dealing with healthcare-related matters. Employers need to ensure personal health information is handled in compliance with applicable privacy laws and regulations.

ACTION STEP 4
Build the infrastructure to support a long-term strategy.

Building an infrastructure to create a long-term strategy for high-cost claims begins with being able to identify both potential and existing high-cost medical conditions among the covered population. Identification requires maintaining a database of typical high-cost conditions, monitoring populations for these conditions and having in place processes and vendors to efficiently address affected employees and family members. Offer chronic disease prevention programs to patients and families.

Early in the diagnosis, make second opinions standard practice to avoid misdiagnoses and to address care-coordination requirements for complex cases. Treatment options need to step-up from preventive care to monitoring and then case management, with preferred sites of care depending on the health issue. Cost-management options include centers of excellence and pilot treatment programs. Work with vendor partners with experience in high-cost claims mitigation strategies.

On the medication side, especially for high-cost medical drugs, consider contracting strategies that deconflict PBM and medical carrier relationships, reduce or fix drug markups, support outcomes-based drug pricing and, longer term, structure population-based hybrid contracts.

Also employ plan design strategies such as dose-rounding protocols for injectables, more rigorous utilization management for high-cost drugs, leveraging secondary coverage when available and longer term, steerage to improve quality, appropriateness and reduced impact of intermediaries. Details in this National Alliance handout.

For optimum health equity and health access, arrange for health plans and other vendor partners to address access barriers, evaluating the unique support needs of members, especially those in underserved populations.

A National Alliance special report, with recommendations across cancer, prenatal/neonatal care, rare disease and gene therapy and specialty drugs.

Employers need more than data to have a handle on high-cost claims

HealthCareTN was one of the first coalitions to develop a data warehouse for self-funded members in 2005, understanding the importance of employers using data to drive their decision making, including decisions related to high-cost claims.

"We've always been data driven," said Jeffrey Townsend, vice president of member services. "Our members review their high-cost claims. In these conversations oncology will come up, and maternity, and specialty pharmacy. They are concerned with high-cost hospital billing, as well as the looming wave of costs associated with cell and gene therapies."

Townsend said most of their employers still depend on health plans or PBMs to help them manage high claims. They're also trying to avoid the poor financial and clinical outcomes that can follow unmanaged chronic illnesses, or late stage diagnosed cancers by improving upon prevention and early detection programs. There seems to be more interest and discussion about precision medicine, centers of excellence, and navigators, especially with oncology, to help produce better outcomes.

"Our members are aggressively tracking the data, yet they continue to see claims costs run up. They expect some of this is innovation, but much of this seems like unjustified additional costs. In this environment it is hard to feel like you have a handle on high-cost claims," Townsend said. "I recall a few years ago a member that saw their hemophilia factor costs increase by about $500,000 in one year without the patient experiencing a bleeding incident."

Townsend said many employers understand their fiduciary responsibility to protect the financial health of their benefit plan for the sake of all employees. High-cost claims are a big threat. Employers want leadership, and they want to know they are paying for value.

"Our members remain very interested in 'High-Cost Claims' topics. Anything we present on this topic will get our members' attention. They are looking for novel approaches, innovation...and they really like learning from each other. After all, no one has the vested interest in finding solutions that provide needed services to employees and their families at a reasonable cost like the employer who bears this responsibility."

RESOURCES AND BEST PRACTICES

- Rethinking How Employers Address High-Cost Claims
  A National Alliance special report backgrounding high-cost claims and insights, with recommendations across the four areas of cancer, prenatal/neonatal care, rare disease and gene therapy and specialty drugs. Survey and highlights of regional National Alliance breakout meetings with four employer purchaser coalitions.

- Mitigating High-Cost Claims
  A summary document from the National Alliance on employer concerns and recommendations in dealing with high-cost claims.

- Addressing Pharmacy Benefit Management Misalignment
  This National Alliance playbook for employers gives employers and other plan sponsors a blueprint to understand and navigate PBM relationships and strengthen their negotiating and contracting capabilities.

- A Closer Look at Hemophilia
  A National Alliance Action Brief on Mitigating the High-Cost Claims related to hemophilia.

- Pulse of the Purchaser Survey
  This survey of 150 employers conducted by the National Alliance gauged concerns and strategies of employers to address the workforce environment, hospital price and quality transparency, health and wellbeing benefits including reproductive, health equity, and greatest threats to affordability of employer-sponsored coverage for employees and families.

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