

Managing the risk and unpredictable costs of transplants



Executive summary

While payers understand that transplants will be a part of their medical expense, they may be unprepared for the financial volatility of these care episodes.

As overall health care costs have continued to rise over the past decade, transplant costs have surged into an expense category all their own with the average cost of a transplant rising to almost \$600,000 (Milliman). To complicate matters, financial projections are often hard to make because transplant cases occur unexpectedly and costs can vary widely based on organ type, clinical complexity, transplant facility and geography.

The complex challenge of managing these costs is complicated by an array of variables that define transplant providers and have an impact on the outcome of a case. These variables include facility capabilities, case volume, treatment protocols, and the expertise and experience of the surgeons, physicians, and supporting clinical staff.

Assessing these vital differences while trying to predict and manage the associated costs can be daunting for many payers. One solution to this dilemma is to partner with a health care organization that specializes in managing transplants for payers. This white paper provides a framework for evaluating a transplant partner organization and explores a number of strategies for managing the risk and unpredictable costs of transplant.

How costs impact payers

Variability exists in the types of transplant, from solid organ to stem cell or bone marrow procedures. These transplants are infrequent but costly, posing substantial risk to payers. Case in point: an estimated 49,000 transplants were performed nationally in 2014 at a weighted average cost of \$598,000 per transplant. In fact, the total cost for transplants is more than \$33 billion (Milliman).

The cost trend shows little sign of easing.

- A 100,000-life commercial group can expect **\$8.7M** in billed transplant charges based on 2014 Milliman estimates of national incidence.
- Transplant average billed charges have **doubled** in less than a decade.

Milliman weighted average estimated billed charges per transplant

Year	Weighted average billed	% increase	Incidence
2005	\$297,715	—	15.8
2008	\$426,624	43.4%	16.4
2011	\$480,439	12.6%	15.6
2014	\$598,143	24.5%	14.6
Total percentage increase 2005-2014 (weighted average billed)			100.9%
Compound annual growth rate (CAGR) (weighted average billed)			8.1%

Cost containment is a challenge. To manage this risk, payers employ various strategies. Some develop or buy access to a network of specialized transplant centers to improve outcomes and lower costs. Others enlist nurse case managers to educate, support and guide members through the transplant decision process. A good number rely on reinsurance to protect them from transplant risk. Each of these strategies provides some protection against transplant costs. But they don't fully address cost variability and related financial uncertainty — critical concerns for payers.

Know what you are getting

Having access to contractual discounts at specialized transplant centers can help payers contain transplant costs, but just as not all contracting for transplant services is created equal, neither are all transplant cases. The clinical complexity of transplant cases, extended recovery time and possibility of complications mean that transplant costs don't begin and end with the transplant surgery. Treatment of complications, hospital re-admissions, follow-up visits and anti-rejection medications are just some of the significant costs that can be racked up well after the initial discharge from the transplant center.

The network provider's contracting methodology can have a significant impact on the overall cost of care and the medical expense for the payer. For example, contracts employing a case rate methodology may include a short case rate period that ends at initial discharge, with subsequent charges falling to much higher outlier rates. Transplant cases experiencing few complications may perform very well financially under this scenario. However a case that develops complications may have a poor financial outcome, despite a very attractive case rate discount.

Similarly, a network strategy that focuses on minimizing contract access fees may lead to decisions that result in higher costs for the payer. A transplant network may offer a low access fees, the savings impact of which is ultimately negated by less comprehensive case rates, lower contractual discounts or a combination of both.

Clinical oversight of transplant cases

Clinical management of complex and costly conditions has long been a strategy to manage medical expenses, but it too offers challenges. Effective clinical management of transplant cases requires a staff of clinicians trained and experienced in dealing with the nuances of these complex episodes. Developing and maintaining these specialized skills can be a significant organizational and financial burden for health plans.

Reinsurance

Reinsurance is another strategy often employed by payers to manage transplant risk. While this strategy can be effective at managing catastrophic risk, it has two notable limitations when it comes to cost containment — exposure to hidden gaps in coverage and suboptimal trend management. Payers can be hit with dual reinsurance deductibles because transplant cases typically involved extended episodes of care that span plan years. Laserling of transplanted members can also result in unexpected costs that the payer must bear.

Furthermore, reinsurance carriers typically focus on cost containment only within their financial risk layer, meaning that a significant portion of the transplant medical expense is left to the plan to manage. This lack of holistic approach to cost containment is suboptimal and can lead to higher medical expense trend. This ultimately means higher reinsurance premiums for the plan over time.

Payers can develop their own infrastructure and resources to manage transplants. But this do-it-yourself strategy requires finding the rare professionals skilled in transplant care and management. Nurturing and retaining this in-house transplant team of medical directors, transplant nurse case managers, pricing analysts and contract specialists is a formidable challenge. This team requires:

- **Contracting experience with networks** — having the knowledge and experience, as well as the volume of membership, helps create strong negotiation leverage to achieve competitive rates.
- **Clinical knowledge** — training, skill and experience to manage the inherent challenges and nuances of these complex procedures.
- **Expertise in best practices and emerging therapies** — staff skilled in practices proven to achieve superior results as well as knowledge of promising new therapies, such as ventricular assist devices (VAD) with bridge to transplant or destination therapy. Having a partner with the expertise to manage emerging trends while providing access to superior care for fragile patients in need of these new therapies is valuable to payers.
- **Deep understanding of regulatory and compliance issues** — knowledge of federal and state regulations can inform effective transplant management strategies. The Affordable Care Act, for example, requires payers to maintain a minimum medical loss ratio (MLR). The mandate generally excludes reinsurance premiums from the medical loss ratio calculation because these are not considered an eligible medical expense or quality improvement activity. Payers, thus, are forced to seek other strategies to manage transplant risk that qualify under MLR requirements.

All of this skill, knowledge and experience comes at a price. Instead, a payer may want to partner with an organization that already has the clinical expertise, network professionals, relevant skills, experience and scale to address the broad transplant spectrum. This approach can meet the needs of both the payer and its members.

Link with a partner who can deliver.

Two possible solutions for managing the transplant dilemma are:

1. Partner with strong provider networks.

Link with a partner that can deliver a network of high-performing transplant programs that match your members' demographics and geographic concentrations. Partners with top-tier transplant networks help payers achieve savings because network providers discount their fees in exchange for patient volume. In addition to strong contractual discounts, utilizing network facilities with only the highest quality standards further optimizes cost containment by delivering superior clinical outcomes, reduced complications and avoidance of unnecessary transplants.

2. Carve out transplant risk to a third party.

Another approach is to transfer the risk of the transplant to a carve-out entity. In addition to access to top-tier transplant networks, this strategy enables the payer to achieve:

- Predictable expenses via a fixed per member per month (pmpm) premium
- Specialized transplant-specific clinical case management
- Reinsurance premium credits where applicable

A full carve-out solution also enables the payer to reduce their capital reserves or direct capital into other priorities. And program fees may qualify as medical expenses, helping a payer to meet MLR requirements.

As payers evaluate which of these two approaches best meets their needs they will want to consider:

1. Size and scope

Payers understand that size and scope of health management programs drive results. This is especially true for transplant management. Payers need to seek partner organizations with:

- Experience and expertise across the spectrum of transplants
- Networks with the largest transplant volumes
- Networks that can provide proven clinical and financial results for clients
 - Incidence reduction
 - Length of stay reduction
 - Network discount
 - Strong member satisfaction rating

When evaluating your transplant partner's network, be sure it offers members convenient access to leading programs that span the transplant care continuum.

2. How quality is measured

It's important to understand how a partner organization evaluates and measures transplant programs. The organization needs to operate a stringent qualification program — a proven way to achieve best outcomes. A superior qualification program scrutinizes and evaluates volumes, survival rates, accreditation, provider affiliates and experience. Rigorous and ongoing vigilance is the most effective way to ensure high quality of care and exceptional outcomes.

Payers also need to know how partner organizations establish their clinical expertise. Questions for a partner are:

- What are the qualifications for the clinical review committee? Are they leaders in their respective medical specialties?
- What innovative clinical programs are being explored and developed?
- What new and emerging best practices are integrated into the assessment criteria?

3. Case managers skilled in transplant care

Engaging a dedicated nurse case manager with hands-on knowledge of transplant care substantially improves outcomes. For the patient and family, this specialized case manager serves as their constant educator, advocate and supporter on an end-to-end basis on all aspects of transplant care, including the process, claims, resources and care needs. This skilled nurse case manager also assists with:

- **Caregiver support** — the transplant experience encompasses the family and caregivers, too. If the transplant is performed far from home, the caregiver may need lodging, transportation — as well as education on caring for the patient before and after the procedure.
- **Provider selection** — case managers explain the benefits of specific high-performing transplant programs and provide patients with questions they can ask physicians as they assess care options. This process helps the member determine the most appropriate transplant program.
- **Education and guidance** — once the member selects a program, the case manager coordinates with the transplant center, from setting up tests to delivering medical records and ensuring that the member remains on the transplant waiting list.

Are you asking the right questions?

In evaluating your capabilities to manage the clinical and financial risk, consider the following factors:

- Your historical spend and current staffing to manage catastrophic transplant cases
- Your current risk mitigation and cost containment strategies for transplant management
- Clinical and financial outcomes of your recent transplant cases
- Your case management team's efficacy, comfort and experience with transplants

Conclusion

The challenge of delivering top-quality care while managing the risk and unpredictable costs of transplants is a never-ending task. Finding a partner who manages the care and financial burdens lessens the impact of unpredictable spending, manages costs, improves clinical outcomes and enhances overall satisfaction is key to meeting that challenge.

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