

ISU STOP LOSS PARTNER NEWSLETTER

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Protecting the Tiniest Patients: The rising cost of complex infant claims and strategies for insurers

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Media have recently trumpeted the arrival and survival of record-breaking preemies – a baby boy born at 23 weeks who spent 170 days at a Florida neonatal intensive care unit (NICU); an Alabama infant born at 21 weeks and one day; and a Wisconsin baby born weighing just 11.9 ounces who spent the first six months of his life in a NICU.

These remarkable survival stories are extreme examples of a new reality for health insurers: More U.S. women are giving birth to preterm babies with high-cost conditions that require high-cost interventions. What are the core factors contributing to this reality, and how can insurers turn the tide on complex infant claims?

THE SCOPE OF THE PROBLEM

According to the Institute of Medicine, the overall societal cost of preterm birth in the U.S. exceeds \$26 billion annually – that includes medical costs, maternal care, and missed work. NICU hospitalization expenses account for half of that total and result in significant claims costs for insurers, including multimillion dollar claims.



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These costs show no signs of slowing. The latest data from the March of Dimes reveals that between 2020 and 2021, preterm births (any baby delivered at less than 37 weeks of gestation) jumped from 10.1% to 10.4% of all live births – the greatest increase seen in more than a decade.

Medicaid is the single largest payor for maternal and infant care in the U.S. and covered 41% of delivery costs in 2021. Various commercial insurers handled another 51% of deliveries, and uninsured populations accounted for about 3% of births. Mothers with Medicaid coverage are more likely to live in a rural area, belong to a minority population (including Black, Hispanic or Latino, and Native American), be under the age of 19, and have lower educational status – which are all factors for preterm birth.

Broken down by geography, preterm births increased in most states over the same period, according to the March of Dimes. Only four states out of 50 showed a decrease, and their rates of change were not statistically significant. As a nation, the U.S. is moving in the wrong direction on preterm births.

FACTORS FOR COMPLEX INFANT CLAIMS

Here is a breakdown of the major factors contributing to preterm births and their resulting claim costs:

- **COVID-19:** During the height of the pandemic, the risk of preterm birth was 60% higher in women infected with COVID during pregnancy. In the same COVID-infected population, the risk of giving birth at less than 32 weeks was 60% higher. When adding in maternal complications like hypertension, diabetes, or obesity, the risk of preterm birth escalated to 160%.



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The pandemic also spurred related challenges, including increased use and abuse of drugs and alcohol and decreased access and utilization of quality prenatal care.

- **Improved survival rates for premature and complex births:** As medical technology and practices improve, survival rates for early preterm babies (those born at less than 34 weeks' gestation) has improved. The largest analysis of data from 2007-2018 found that the survival rate of infants with 24 weeks of gestation or less has jumped from 18% to 31% – a gain that should only increase. Improved survival rates lead to long stays in the NICU, and many early preterm babies will have medical issues for life. For every success story, many more infants do not experience the same good outcomes.
- **Length of stays:** Improving technology saves infant lives but requires longer NICU and hospital stays, which increases costs for insurers. Hospital stays have also lengthened due to COVID-19-related staffing shortages. Those shortages extend to the home health care required for some complex births. For example, some infants with complex conditions may remain in more costly hospital settings because skilled home nurses are not available for complex needs like managing a ventilator or administering IV medication.
- **Changes in maternal age and health:** As average maternal age increases, more women are managing chronic health conditions during pregnancy, which puts them at higher risk for pregnancy-related complications and preterm birth. The U.S. is also struggling with a national crisis in maternal mortality. Maternal deaths are increasing across all ages and all education and income levels.



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Within this general trend exist especially alarming mortality rates for Black women, who in 2021 were at the highest risk for death while giving birth.

Maternal mortality does not necessarily result in high-cost infant claims. But increasing risk for mothers carries increasing risk for infants. Those risks are compounded by maternity care “deserts,” locations where families face challenges in accessing prenatal care. The deserts frequently appear in rural areas with large Medicaid populations.

- **Changes in billing practices:** Within neonatal care specifically, some providers have attempted to expand their approach to levels of care billing. Typically, NICU claims are billed at four levels, each with significant cost differences. Level 1 accounts for a normal birth and a one- to two-day hospital stay for mother and baby. Level 4 care is for the most complex and critically ill infants, including preterm births and babies with congenital conditions. Only select facilities can provide Level 4 care. As a baby’s condition improves, he or she “steps down” to lower levels of care.

Some providers have begun to divide the four levels into as many as eight levels (e.g., Level 4-A, Level 4-B, Level 3-A, etc.). This allows providers to charge higher rates as they step down the level of care more slowly.

FACTORS FOR COMPLEX INFANT CLAIMS

Given these significant challenges around preterm birth, what can insurers do to assist mothers and newborns and reduce complex infant claims?



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- **Support healthy pregnancies:** Most preterm births are spontaneous, but they carry risk factors. If insurers can better identify those risk factors for their policyholders and then connect them with nurses or other experienced case management staff, together they can have a material effect on the health of mothers and babies – and at the same time head off complex claims costs.
- **Support NICU families:** NICUs can be frightening, overwhelming places. Insurers can empower their policyholders to stay at the hospital and get actively involved in their infants' care. They can also educate families on post-discharge care and ensure they have timely access to any required home health equipment. Without the right equipment, providers will delay discharge, and every day in the NICU adds up for insurers and patients.
- **Know your data:** Understand the key factors influencing NICU expenses and clearly identify problem areas and outliers.
- **Focus on Utilization Management (UM):** An empowered UM team can use evidence-based clinical guidelines to monitor NICU levels of care and ensure their cases are not misassigned or incorrectly assigned.
- **Negotiate:** This is an opportunity for insurers to recognize significant cost savings. An insurer can often successfully negotiate a large out-of-network claim or a large outlier in-network claim. Negotiation can be a good tactic if an insurer does not have the ability to perform a medical review or audit on a large claim.

- **Consider medical review or audit:** If available, this is an effective strategy for any NICU claim. Like large claims arising from any complex medical event, NICU claims are likely to contain errors that can be flagged and addressed during a review or audit. Claim audits are also the best way to address errors in NICU level of care assignment which can lead to significant savings.

As the U.S. addresses the alarming jump in preterm births and an overall crisis around maternal mortality, insurers can take steps to improve outcomes for their policyholders before and after complex births. In a true win-win, insurers' efforts now can result in healthier pregnancies, healthier babies, and reduced medical costs.



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References:

1. *Protecting the Tiniest Patients: The rising cost of complex infant claims and strategies for insurers.* Retrieved March 7, 2024, from Melinda Baxter - Director, RGA ROSE Consulting Group.