FEATURE

Hospital and Health System **Risk Prevention Strategies Support Employer Risk Management**

Written By Laura Carabello

As US employers face the largest increase in health insurance costs in a decade, with reports that expenditures are expected to jump 5.4% to 8.5% in 2024, there is a lot of finger-pointing. Some blame medical inflation and labor shortages while others fault the soaring demand for costly weight-loss drugs and wider availability of high-priced gene therapies.

The drug industry (www.phrma.org) contends that there is a myopic focus on drug spending, pointing to data that shows roughly 30% of every dollar spent on healthcare in the United States can be attributed to hospitals and their increased role in driving costs for patients and the broader healthcare system.

Employers are often blindsided by the cost of hospital stays, a line item which often impacts many direct contracting arrangements. One factor that may never be considered is the absence or presence of a hospital or health system's risk strategy program, a plan that not only affects the cost of care, but also the health and well-being of the employee. The National Institutes of Health (NIH) report that preventable medical errors and adverse events in US hospitals are well-documented with estimated costs that total $17 billion annually.

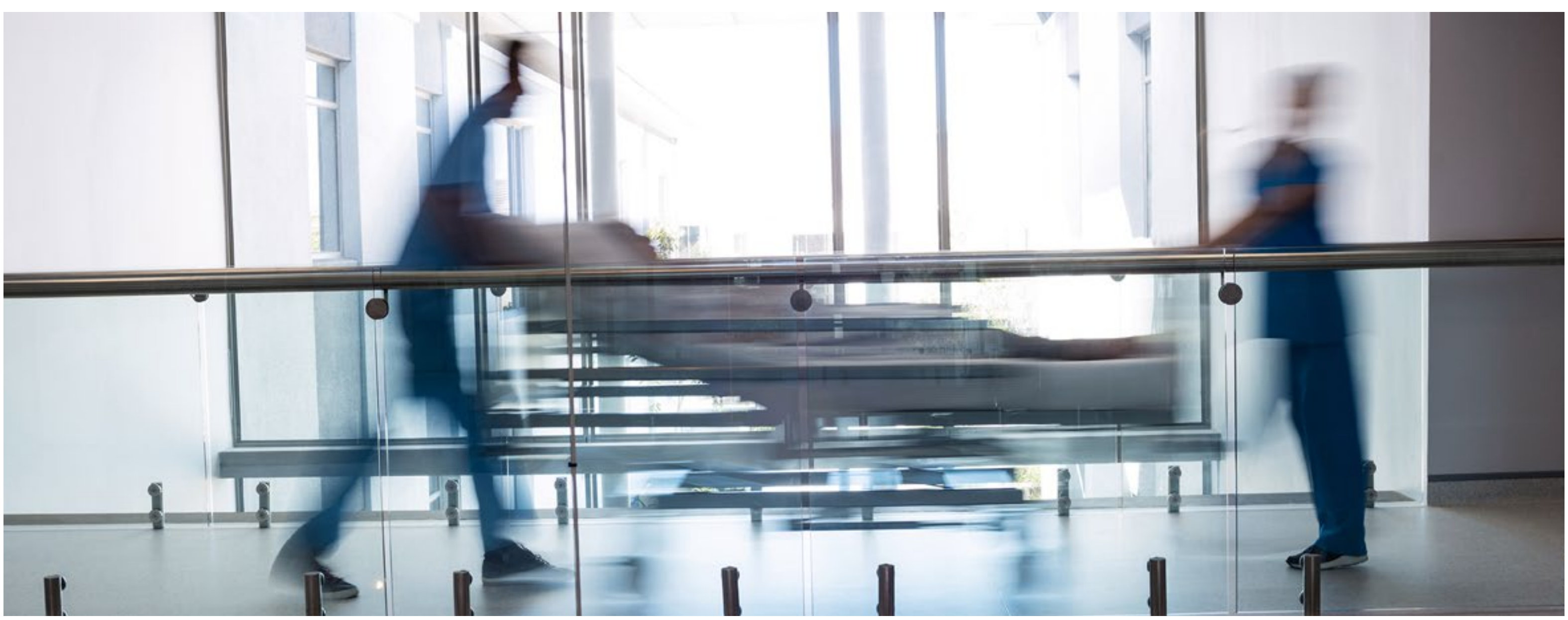
According to a study published in the New England Journal of Medicine, nearly 1 in 4 patients who are admitted to hospitals in the U.S. will experience harm. These bleak findings underscore that despite decades of effort, U.S. hospitals still have a long way to go to improve patient safety. The study pointed to the most common adverse events related to medications given in the hospital. Surgery and other procedures followed while the study authors cited "patient-care events" -- falls and bedsores, both of which are considered preventable.

PREVENTABLE ADVERSE EVENTS

It may come as a surprise that falls comprise the largest category of preventable adverse events in hospitals and the associated per-patient costs are estimated to range from $351 to $13, 616. This is undoubtedly an eye-opener for employers and Plan Sponsors since until now, there has been insufficient research on the costs of patient falls in healthcare systems, a leading source of non-reimbursable adverse events.

Falls have been identified by the Centers for Medicare and Medicaid Services (CMS) as a preventable event that should never occur, and hospitals will not receive reimbursement for treating injuries that result from falls. Falls are a pervasive and expensive patient safety issue across the continuum of healthcare settings, with patient falls being the single largest category of reported incidents in hospitals.

Thanks to study published in the Journal of the American Medical Association, the cost of these events is now documented, representing a clinical and financial burden to healthcare systems and the employers that contract with these providers. The good news is that this cost-benefit analysis also includes the potential savings of implementing an evidence-based fall prevention program.



ACCORDING TO A REPORT PREPARED BY THE RAND CORPORATION FOR THE AGENCY FOR HEALTHCARE RESEARCH AND QUALITY (WWW.AHRQ.ORG):

It is estimated that approximately 700,000 to 1 million patients fall in U.S. hospitals each year, 30% to 35% of patients sustain an injury because of a fall, and a staggering 11,000 patient falls in hospitals each year are fatal. Total costs to the U.S. hospital system associated with fall incidents are estimated at more than $10 billion annually, and primarily include a combination of non-reimbursable clinical costs, litigation costs, increases in hospital liability insurance rates, and increases in workers' compensation insurance rates resulting from nursing and other hospital staff being injured assisting patients with falls.

NIH sources advise that although hospital falls have been decreasing over the past several years, they remain a significant problem.

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EMPLOYERS TAKE ACTION

Given this bleak report, AON, PLC, a leading global professional services firm, announced a new initiative earlier this year to reduce falls and injuries in hospitals and healthcare facilities. They undertook collaboration with HD Nursing, an evidence-based safety solutions company providing programs and services to support fall prevention and pressure injury prevention.

The program is designed to drive improved clinical and financial outcomes by introducing fall prevention programs to hospitals and other healthcare providers within Aon's healthcare client portfolio. "This collaboration will benefit many more hospitals and healthcare providers by successfully implementing the HD Falls Prevention Program and leveraging our research, data, artificial intelligence, and clinical science," says Dr. Amy Hester, FAAN, PhD, RN, BC, chairwoman and CEO, HD Nursing. "More importantly, hospitalized patients will be safer as a result. These tech-supported programs are able to identify each patient's fall risk factors, develop individualized prevention plans and consistently implement the plans through staff and patient engagement. In addition to reducing patient falls, our solution has proven to reduce injuries arising from falls."


Dr. Amy Hester

The American Society for Healthcare Risk Management (www.ASHRM.org), the leading professional membership group for healthcare risk professionals, reports that falls account for 1 in 12 closed claims. In fact, in their analysis of Cause of Medical Malpractice Claims, slip/falls are a common cause of loss, accounting for about 6% of all claims within their database, but average approximately $80,000 in idemnity and defense costs.

ASHRM advises stakeholders to know the fundamentals of how to evaluate their current falls prevention program and take a proactive role in risk mitigation that will help to avoid the common pitfalls that lead to increased risk exposure.

"It is our experience that these events are not only costly but may also translate into employee absenteeism and diminished job performance since falls often injure staff in addition to patients," says Dr. Hester. "The key for employers is to ask if the hospital or health system has an evidence-based fall prevention program in place."

She points out that the HD Falls Program utilizes the Hester-Davis Scale© (HDS©), a highly effective, validated assessment tool designed to accurately identify patients most likely to fall and document their specific modifiable fall risk factors.

Dr. Hester continues, "The HDS© risk factors are mapped and linked to specific interventions in our population specific care plans that clinical evidence indicates are best suited to mitigate those risk factors. Our tools are integrated into the hospital's EHR system to drive improved outcomes by individualizing patient care, backed


Tim Davidson

by our sustainability team and services that drive effective implementation and sustainability of the program year over year."

Tim Davidson, ARM, CHSP, CHCM, managing consultant, Aon Global Risk Consulting (AGRC)

and AGRC Healthcare Consulting Leader. further explains, "The collaboration with HD Nursing is another great example of the work Aon's global risk consulting team does every day to ensure clients are better informed, better advised and able to make better decisions. It exemplifies our continued focus on bringing solutions to help our healthcare clients reduce risk and protect their patients and their people. Introducing our healthcare clients to HD Nursing's high-quality solutions that improve the quality of patient care, reduce workplace injury and mitigate liability and litigation costs helps achieve this goal."

Nick Stephanizzi, CEO

From the hospital perspective, Nick Stefanizzi, CEO Northwell Direct says a robust healthcare provider strategy for risk prevention and employer risk management is essential in today's complex healthcare landscape.

"A successful risk strategy program should prioritize preventive care, efficient management of chronic conditions, and cost containment. Northwell Direct's approach stands out due to its ability to deploy clinical programs that focus on proactive care and cost-effective interventions."

Stefanizzi says that by leveraging its extensive network and innovative stop-loss relationships, Northwell Direct can deliver better outcomes while saving money for employers.

"The key to an effective risk strategy program is a dynamic blend of data-driven insights, preventive healthcare measures, and strong provider partnerships like Northwell Direct, ensuring healthier employees and bottom-line savings."

THE ROLE OF CAPTIVES

Aon's Elizabeth C. Steinman, CPA, ARM, CPCU, FCI, managing director, Risk Finance & Captive Consulting, Commercial Risk Solutions, shares this information, "Part of the benefit of creating a Captive Grant program is to facilitate the use of funds that are reflective of how the Captive is doing. If the Captive is performing well, part of the "savings" can be allocated to further protect the captive by investing in loss control and prevention programs, enabling even better financial performance for the captive. Example grant programs could include: Safe Patient Handling Programs, Patient Fall Prevention, or Workplace Violence prevention Programs."

She explains that healthcare captives have become an increasingly popular tool for hospital systems and healthcare facilities to manage their risk and reduce their insurance costs. Healthcare facilities want to have more control over their insurance costs and their risk management strategies. Expenses for a captive are much lower than traditional insurance carrier costs and insurance carrier profit margins can be avoided. Also, owning a captive insurance company allows access to a wider range of insurance markets than the health system can access directly itself.

"Healthcare facilities want more flexibility regarding the types of insurance coverage they can purchase," says Steinman. "For example, a healthcare captive can offer coverage for non-traditional risks, such as cyber-attacks or environmental liabilities, where traditional insurance policies may not cover such risks. This allows healthcare facilities to tailor their insurance coverage to efficiently fit their specific needs."

A captive can also act as a smoothing mechanism for the impact of changing insurance market conditions and provide more budgetary certainty for the cost of financing retentions internally.

"As a natural byproduct of taking on more risk, the primary function of the risk management department to lower the number of high severity losses, becomes even more important," she continues. "Once a captive is formed, healthcare systems can take a more proactive approach to risk management. The captive becomes a centralized repository for risk management, loss control and risk mitigation data across all aspects of healthcare facility's operations."

She says that medical stop loss remains a popular line of business for those organizations that are self-insured for their employee health plan and want to take on a portion or all the medical stop loss coverage they currently buy in the market.

"Many healthcare systems have found significant cost savings by retaining this line of business, says Steinman. "Also, this short-tailed line of business offers diversification for the staple long-tailed lines of business. Captives work best when the risks are diversified thereby creating a facility that can respond when an unexpectedly large claim arises by accessing the funds available in the captive from the varied mix of risks."

David Goldfarb, CEO

In addition to healthcare captives, Steinman points out that there are several other innovative risk management tools that healthcare facilities are exploring: "For example, some healthcare facilities are partnering with insurance companies to create bundled insurance products that combine traditional insurance coverage with risk management services such as data analytics and loss prevention. Others are exploring the use of alternative risk transfer mechanisms, such as insurance-linked securities (ILS), which allow investors to invest in insurance risks in exchange for a share of the premiums."

IMPACT ON DIRECT CONTRACTING, STOP LOSS

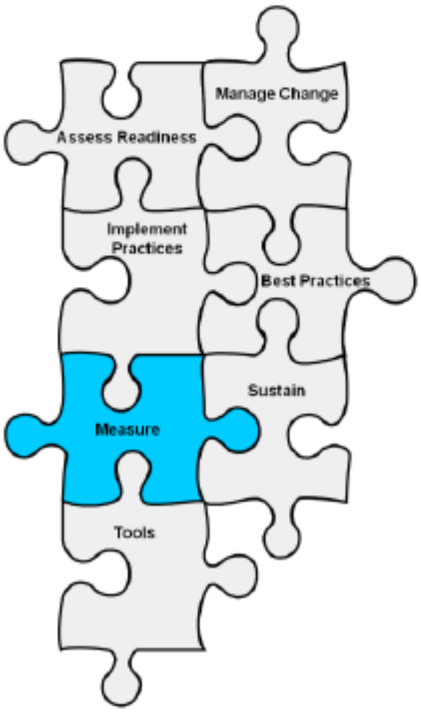
David Goldfarb, founder and CEO, DSG Benefits Group, LLC, asserts that employers must absolutely insist upon a risk strategy when entering any type of direct contract with health systems/hospitals and providers.

"The risk strategy program should include clear metrics that not only outline responsibilities and expectations of both parties, but also allow for ongoing measurement of results in the direct contract agreement," says Goldfarb. "It absolutely should impact stop loss coverage. Stop loss should look at the risk reduction program as a vehicle that reduces overall exposure/liability and ultimately reduces stop loss premiums."

When structured correctly, he says risk management programs deliver ROI, adding, "The easy answer is that the provider can see fewer patients, and therefore spend more time with each patient. The employer can steer employees to the providers that exhibit the best outcomes. It also can remove provider contracts and associated 'negotiated contracted rates' from the equation, potentially allowing providers to get paid more while at the same time offering their services at a lower net cost to employers/patients."

Goldfarb sees the initiative stemming from the broker/consultant side after having conversations with health systems/hospitals or larger provider groups that have the right concentration of providers in specific geographic areas.

AHRQ recommends that during the course of a hospital's fall prevention improvement effort and on an ongoing basis, they should regularly assess fall rates and fall prevention practices. They recommend regular monitoring of: (1) an outcome (such as falls per 1,000 occupied bed days), (2) at least one or two care processes (e.g., assessment of fall risk factors and actions taken to reduce fall risk), and (3) key aspects of the infrastructure to support best practices (e.g., checking for interdisciplinary participation in Implementation Team).



Source: 2023 AHRQ. https://www.ahrq.gov/patient-safety/settings/hospital/fall-prevention/toolkit/measure-fall-rates.html

Dr. Hester notes, "This is exactly what we advise to our hospital and health system clients: how to predict who is at risk, care planning to prevent falls and injury and service to sustain their gains over time."

She adds that by providing these organizations with an individualized falls management program, comprised of all the evidence-based tools and services needed to reduce patient falls and fall with injury across the continuum of care, they are empowered to effectively address the growing costs associated with falls, facility needs to meet regulatory requirements, in addition to requirements for Magnet™ and other designations.

Joe Dore, president, USBenefits Insurance Services, LLC, advises, "Employers must treat this type of product strategically and align with partners who share their immediate and long-term objectives. It's important for the employer to fully vet their partners and service providers to find those that best align with their benefits and financial objectives, as well as synergize as a team. Not all partners or service providers are equal nor serve in the employer's best interest."


Joe Dore

Dore says employer considerations should include, but not be limited to:

- Implementing a risk management program,
- Not getting caught in the low-price trap,
- Exercising risk transfer strategies, and
- Understanding the differences between mitigating vs managing claims.

"Any employer contemplating excess coverage should not be considering how much their immediate savings will be as compared to a fully insured / first dollar coverage," says Dore. "Excess coverage is a long-term play, and if done correctly, the employer will experience multiple benefits. While cost savings are the ultimate goal, it must be treated like an asset or investment of the company rather than transactional."

Simply looking for the cheapest upfront cost does not necessarily translate to savings.

"For self-insurance to be effective, the employer must be engaged and accountable, because like any investment, there's risk," he concludes. "Treat your insurance like an investment with ROI expectations. This investment is inclusive of all parties involved, especially relating to cost containment efforts through vendors and provider contractual agreements, to ensure proper alignment with the employer's Plan objectives."

The ideal self-funded employer wants:

1. Control of their insurance
2. Cash flow benefits
3. Positive outcomes

Additional guidance comes from Rob Gelb, Chief Executive Officer, Vālenz® Health, "An effective risk strategy starts and accelerates by identifying, evaluating and prioritizing risks early and incorporating risk prevention into everything we do for the employer. Since our inception, our solutions have been built around this ideology."

Rob Gelb

Before engaging with a customer, their team uses data to pinpoint opportunities for risk mitigation.

"We ensure plan design supports aggressive cost containment, which must align with stop-loss underwriting," continues Gelb. "Employers should demand a partner who is transparent, shares risk through guaranteed payment options and negotiates market sensitive repricing with providers that is fair and defensible. We believe systematic risk management reduces costs, improves quality, and ensures optimal member experiences." ■

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