

# Summit Perspectives

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**“... 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*

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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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