# Business Case for Patient Protect

Introduction

Adverse Events are medical errors and complications that cause injury to patient/employees and increase the cost of healthcare for self-insured employer groups. The following material illustrates how much companies spend as a result of adverse events and outlines how Patient Protect helps reduce these unnecessary costs. Patient Protect helps employees avoid medical complications by providing tools to select safer hospitals and education on how to protect themselves during treatment. When adverse events do occur, Patient Protect provides coverage to compensate employees and incentivize them to report those events. This allows health plan administrators to review the medical claims and enforce "no-pay" policies to contest related charges. The savings generated by Patient Protect will not only pay for the program but provide a significant return on the company's investment.

How Much Does Your Company Spend on Adverse Events?
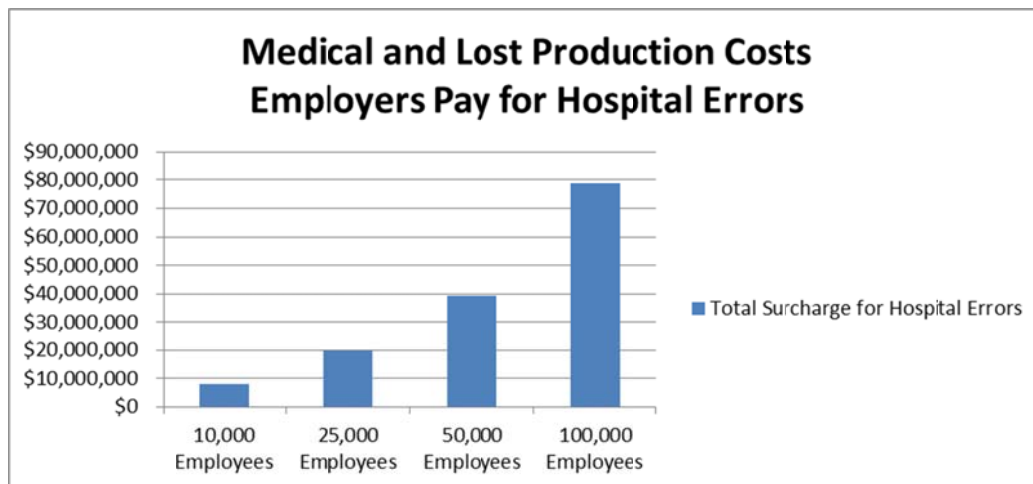
Calculating the Cost of Adverse Events

Companies need to understand how much of their healthcare dollars are wasted on adverse events. The Leapfrog Group is a non-profit organization made up of large employers and other healthcare purchasers. Its mission is to educate employers about the impact medical complications have on healthcare spending. Leapfrog's "Hidden Surcharge Calculator" helps employers calculate the costs of adverse events. It's Hospital Safety Score helps identify which hospitals are safer for employees.

Sample Case Study: *XYZ Corporation* – 100,000 Employees

According Leapfrog's "Hidden Surcharge Calculator," XYZ Corporation will spend over $78 Million each year as a result of adverse events in hospitals.[1] The spreadsheet below is a summary of the assumptions and results.

Medical and Lost Production Costs XYZ Corporation Pays for Hospital Errors	
Step	
Total number of Covered Members	100,000
Total number of admissions within a calendar year for all covered lives (Example: Texas Avg. 10%)	10,000
Enter the total percent of admissions to hospitals with the following Leapfrog Hospital Safety Scores:	
"A" Hospitals	31.0%
"B" Hospitals	25.0%
"C", "D", & "F" Hospitals	44.0%
Enter the estimated percent of hospital admissions requiring the following:	
Surgery	45.0%
Intensive Care Unit (ICU) stay	7.2%
Estimate how much you lose on employee productivity for every dollar spent on inpatient care	$1.00
Your Average Surcharge Per Admission This calculation represents, on average, what you pay for each hospital admission based on your network of hospitals with each A, B, C/D/F Hospital Safety Score	$7,880
Your Total Surcharge for Hospital Errors This calculation represents the total "tax" you pay for all employees admitted to the hospital based on your network of hospitals with each A, B, C, D, or F Hospital Safety Score.	$78,804,033

Note: the rates of adverse events vary depending on the Hospital Safety Scores of the network hospitals used. This spreadsheet assumes an average distribution between hospitals rated "A", "B" and "C,D,F."

In addition to the cost to the company, injured patient/employees also incur lost income, out-of-pocket costs and pain and suffering. Patient Protect provides employees compensation for these losses while also helping employers control healthcare costs.

---

[1] Leapfrog's calculator only measures the cost of adverse events for inpatient hospital admissions. It does not include complications or associated cost for outpatient procedures, which are also substantial.

How Does Patient Protect Help Reduce Costs?

Select Safer Hospitals

Patient Protect helps members select the safest hospital to receive medical treatment. Hospitals with higher safety scores have fewer adverse events, which translates to lower healthcare costs. American Medical Risk Company has partnered with Leapfrog to provide health plan members easy access to Leapfrog's Hospital Safety Score tool. The search engine has been incorporated into the Patient Protect educational material.

The Leapfrog "Hidden Surcharge Calculator" illustrates the difference in cost of complications at hospitals with a Safety Score of "A" versus those with scores of "B" or "C,D,F". For example, if employees of XYZ Corporation selected only hospitals with "A" and "B" safety scores instead of those with "C,D,F", the company would save 7.5% of the above costs or approximately $6 Million.

The Patient Protect Program
Patient Protect helps healthcare payers address the cost of adverse events using education to patients, coverage for patients and data from patients.

Education to Patients: Educates employees about the risks of adverse events and provides tools to help avoid injury during treatment.

First Select the Best: Information on Hospital Safety Scores (powered by Leapfrog) to help patients select the safest hospital and minimize risk of complications.

Then Protect Yourself: Education about type of adverse events, who is at risk and what patients can do to prevent complications.

Coverage for Patients: The primary component of Patient Protect is insurance coverage to compensate patients who suffer injury as a result of adverse events. It is the key to engaging patients and empowering them to be part of the solution. The insurance coverage provides a mechanism to distribute educational materials, incentivize patients to report adverse events and generate unique and valuable data from claims.

Coverage provides cash benefits for: Extended Hospitalization, Temporary Impairment, Permanent Impairment and Death. Benefit packages and premiums are flexible to accommodate any budget.

Data from Patients: Patient Protect will generate unique and valuable data, which will be collected directly from patients and medical records during the claims process. This data can be used by consumers and payers to make decisions about medical providers and further control costs.

NOTE: All current data on adverse events is limited to that self-reported by medical

---

Educate Employees to Protect Against Adverse Events

Patient Protect also saves money by helping patients avoid adverse events. Despite selecting the best hospital in the area, there are still risk of adverse events. Even "A" rated hospitals are not perfect. However, there are simple things patients can do to reduce their own risk of suffering common complications, such as, hospital acquired infections, deep vein thrombosis and bed sores. A post-operative infection can turn a routine surgery into a long and expensive hospitalization.

Patient Protect includes educational materials to teach patients how to avoid issues during treatment. For example, patients learn to speak up and request healthcare providers to wash their hands EVERY time they enter the room or provide hands-on treatment. Studies show hand washing is the best method to reduce hospital infections. However, providers often forget and patients are reluctant to remind them. Bed sores can also be prevented by repositioning the patient on a regular basis. Patients, family members and advocates need to pay attention, ask questions or remind healthcare providers when they forget to take certain actions. Sometimes just knowing that patients are educated and paying attention can make a difference in patient care.

With proper education from Patient Protect, XYZ Corporation's employee should be able to avoid a significant percentage of these events. Avoiding 25% of these common complications would represent a savings of almost $20 Million ($78.8M x 25% = $19.7M) for XYZ Corporation. The table below illustrates the amount of savings based on the percentage of events avoided.
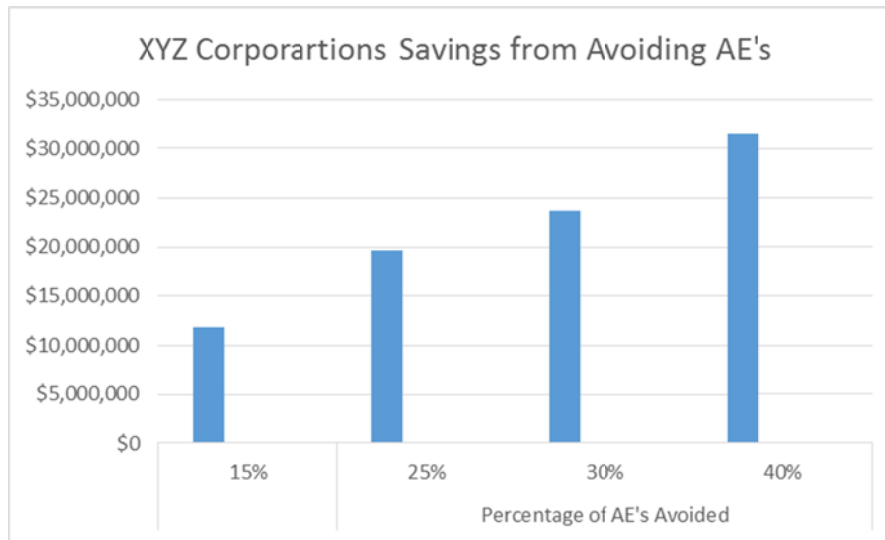
Identify Adverse Events and Enforce "No-Pay" Policies

Research shows that most adverse events go unreported[2] and companies end up paying for treatment related to medical errors. Does this sound fair? Employers need an independent source to identify adverse events and contest reimbursements where appropriate.

Most health-plan administrators that service self-funded groups have policies that are supposed to deny payment for certain adverse events. However, these administrators are dependent upon medical providers to voluntarily report or properly code the events in order to enforce the policies. Patient Protect provides a valuable tool to ensure these policies are enforced to the fullest extent.

The insurance benefits of Patient Protect compensate patients for their injuries and provide incentive to report adverse events through the claims process. When a patient files a claim, the employer's healthcare administrator is notified of the event and has the opportunity to review the healthcare claims in order to enforce "no-pay" policies. With Patient Protect, XYZ Corporation will be able to substantially increase the number of events that are contested pursuant to these "no-pay" policies. ***The savings from enforcing these policies will not only pay for the program but also provide a significant return on investment.***

---

[2] Voluntary reporting by medical providers missed 90% of adverse events (Health Affairs, April 2011, pg. 581-587); Office of Inspector General, Memorandum Report: Few Adverse Events in Hospitals Were Reported to State Adverse Event Reporting Systems, July 2012. This study reported that only one percent (1%) of adverse events were reported to state reporting systems.

Measuring the Success of Patient Protect

To quantify the success of the program payers must have baseline data, a process to effect change and a plan to measure results. Patient Protect does this for self-insured employer groups.

Baseline Data

1. Use the Leapfrog Hidden Surcharge Calculator to calculate the cost from adverse events using company's actual variables (employees, average number of hospitalizations, ratings of area hospitals, etc.).

2. Request a report of claims costs by ICD-9 codes for adverse events (AMRC will provide the list) paid by company over past 24 months. This will illustrate how much company has paid for "known" or "reported" adverse events.

3. Request a report from the health plan administrator (TPA or ASO) showing adverse event claims identified over past 24 months that were subject to "no-pay" policies. It should include identification of events, review of claims, application of policies and the ultimate determination (i.e. were claims paid or denied).

Process for Change

1. Implement Patient Protect program.

2. Advise TPA or ASO that company expects "no-pay" policies to be enforced on all adverse event claims identified by Patient Protect claims as well as those reported by medical providers or identified through billing records.

3. Request TPA or ASO send ongoing quarterly reports on the application of "no-pay" policies.

Measuring Results

1. Compare number of identified adverse events subject to "no-pay" policies before and after Patient Protect.

2. Compare "claims not paid" pursuant to "no-pay" policies before and after Patient Protect.

3. Compare adverse events based on ICD-9 codes before and after Patient Protect.

Conclusion

As the cost of healthcare continues to rise, companies need to implement programs that engage employee/patients to help contain wasteful spending. Patient Protect uses education to patients, coverage for patients and data from patients to reduce healthcare cost associated with adverse events.