

Progeny HEALTH®

The Cost of Waiting

How Postponing the Decision to Outsource NICU Care Management Leaves Money on the Table



When Every Dollar Counts, Delay Costs More Than You Think

In today's economic climate, health plans are under increasing pressure to generate savings without compromising care.

This challenge is especially urgent in the NICU, where even low-volume utilization can drive outsized financial impact. **NICU claims often represent the top 1% of a health plan's total spend**—making them a critical area for cost containment. Yet, decisions around NICU care management are frequently delayed, despite the measurable opportunity for savings and improved outcomes.

The following whitepaper explores how postponing the decision to outsource NICU care management can leave millions on the table—and why acting now is essential.

Outsourcing NICU Care Management Saves Health Plan Dollars



Ask any organizational consultant, and they'll tell you bureaucracy stifles innovation. Leaders often resist sharing decision-making power, fearing chaos and resulting in a risk-averse process that overlooks clear opportunities for savings, efficiency, and growth.

At ProgenyHealth, we help healthcare organizations make the strategic choice to outsource their NICU care management. But one critical factor is often missing from that decision: the cost of delay.

Understanding the Cost of Delay

Cost of Delay (CoD) is a key metric that helps organizations prioritize decisions based on measurable impact. A McKinsey Global Survey found only 20% of organizations excel at decision-making, with much of that time spent ineffectively. CoD assigns value to delays that were once left to instinct. Just like choosing between takeout or groceries on a busy night, what gets delayed still needs attention later.

In business, CoD clarifies which actions to take now. And the formula is simple:

CoD = Value of benefit × Length of delay.

For example, if outsourcing NICU Care Management can reduce costs by 12% on a $10 million spend, and a decision is delayed by two years, the CoD is:

12% × $10M × 2 = $2.4 million.

Despite its real impact, CoD often goes unnoticed, but ignoring it can lead to missed savings, slower growth, and lost opportunities.

The Cost of Delay in NICU Care Management Is Too High to Ignore

Because NICU claims represent such a small percentage of a plan's total claim volume, NICU offers a tempting decision to delay, especially compared to other clinical areas with higher utilization. The flip side is that even though NICU is low volume, these cases can represent the top 1% of costs.

When Sun Life studied the top ten conditions for million-dollar stop-loss claims for 2024, **NICU-related costs appeared at positions five and ten**, but they were not identified as such. They were described as Newborn/Infant Care (#5) and Congenital Anomaly (#10) with a combined total spend of over $400M and an average cost between $335K-$476K.

$400M Total annual spend for NICU-related stop-loss claims

Why Health Plans Delay Outsourcing NICU Care Management

Outsourcing NICU Care Management often gets delayed within health plans due to:

- **"We're Covered."** Many believe existing Utilization Management or Case Management services are sufficient or feel building in-house is simpler.
- **Competing Priorities.** Health plans frequently shift focus to more visible, high-volume programs.
- **Hidden High Costs.** NICU cases may be less common but can land in the top 1% of claim costs, yet these aren't always flagged for action.
- **Provider Dynamics.** Plans worry that outsourcing could disrupt existing provider relationships.





Streamlining the Decision-Making Process to Outsource NICU

For health plans, the decision to outsource NICU care management requires evaluating time, cost, internal expertise, and most importantly, the **Cost of Delay**.

Here are six key considerations:

1. Complex Needs, High Costs

NICU cases are rare but expensive, requiring precise care coordination to avoid unnecessary costs.

2. Specialized Expertise

Building an effective program demands clinical, data, and neonatal expertise—most of which are not readily available in-house.

3. Infrastructure Readiness

ProgenyHealth's platform is purpose-built from managing hundreds of thousands of NICU cases, offering real-time analytics and decision support.

4. Dedicated Case Management

NICU case managers support families 24/7 and address broader needs like food insecurity, housing, and behavioral health.

5. Time & Talent Gaps

Setting up a NICU program takes time, staffing, accreditation, and ongoing investment in talent, delaying value delivery.

6. The Bottom Line

With NICU driving 85% of a plan's birth costs, a focused solution can unlock measurable savings.

We Help You Reach Decisions Faster

With more than 20 years of experience and hundreds of thousands of NICU cases reviewed, our Health Economics team has developed a proven methodology to uncover savings opportunities across both commercial, Marketplace, and Medicaid populations. We provide a detailed comparison of your health plan's NICU data to our proprietary National Maternal and Infant quality and cost benchmarks.







We examine the primary savings levers that impact your bottom line, including:

1. NICU Avoidance

- **What it is:** Preventing clinically unwarranted NICU admissions.
- **Why it matters:** Up to 10% of NICU admissions may not require NICU-level care. Avoiding these can save ~$1,200 per discharge.

2. Length of Stay (LOS) Management

- **What it is:** Setting target LOS based on proprietary benchmarks and managing cases to meet or beat those targets.
- **Why it matters:** Proactive utilization and case management can reduce LOS by 10-15%, significantly lowering inpatient costs.

3. Level of Care Validation

- **What it is:** Ensuring infants receive the appropriate level of care using evidence-based guidelines.
- **Why it matters:** Reduces variation and prevents overbilling on per-diem or DRG contracts.

4. Outlier Avoidance & Mitigation

- **What it is:** Managing LOS and authorized days to prevent cases from triggering outlier payments.
- **Why it matters:** Can reduce outlier cases by 20–28%, saving hundreds of thousands per cohort.

5. Inlier Optimization

- **What it is:** Day-one intervention to ensure proper DRG assignment and clinical path.
- **Why it matters:** Inliers represent >75% of cases and 50% of savings potential.

6. Physician Fee Management

- **What it is:** Aligning physician billing with clinical targets and LOS goals.
- **Why it matters:** Helps reduce unnecessary fees and supports overall cost containment.

7. Post-Discharge Case Management

- **What it is:** Supporting caregivers up to the baby's first birthday.
- **Why it matters:** Reduces readmissions and improves outcomes through whole-person care.

The Impact on Less than 300 Annual NICU Cases: $6 Million in Measurable Savings

In a recent engagement with a large northeastern health plan, our experts analyzed claims data across birth weight groups, average length of stay, cost per discharge, and average daily inpatient costs. The result: savings totaling nearly $6 million.

ProgenyHealth Managed NICU Program Estimated Savings

Birth Weight (BW) Groups	Members	Plan's ALOS	PH LOS (Higher Severity Case Mix)	Days Per Member	Total Days	Avg Daily Allowed Amount ($)	Total Savings ($)
Normal Birth Weight	159	10.4	7.3	3.1	493	$5,671	$2,795,281
Low Birth Weight	102	24.2	19.3	4.9	500		$2,834,411
Very Low Birth Weight	23	56.3	57.2				
Extremely Low Birth Weight	6	84.5	87.1				
Total	290	20.4	**Total I.P. Days Reduced 993**				$5,629,692
						Physician Savings (Days Reduced × Physician Rate $240)	$238,248
						Per Member ($)	$20,234
						Total Member ($)	$5,867,940

-993 Days ProgenyHealth's care management resulted in a decreased average length of stay.

$20,234 ProgenyHealth's level of care validation resulted in $20,234 in savings per member

~$5.87M Total savings for the health plan

Your Savings Opportunity Could Be Similar

Let us help you evaluate the cost of delay—and make a confident, data-driven decision faster. www.progenyhealth.com