Podcast Script: Impact of COVID-19 on Healthcare Costs

Amy Underwood	Hello and welcome to the BXS Insurance webcast this June 17, 2020. I'm Amy Underwood, the Director of Sales and Innovation in Employee Benefits for BXS insurance and I'm joined today by Chet Pilley, Director of Analytics, BXS Insurance, and Tyler Fasanella, Self-Funded Practice Leader, BXS Insurance. BXS Insurance is Right Where You Are during these challenging times. We're here with you, helping to advocate and provide guidance, so you can be there for what matters most. Remember, our world changes fast so things might have changed by the time you hear this.
Amy Underwood	WakelyBCS serves as BXS Insurance's partner for actuarial services. On April 8th, 2020 Wakely released a white paper titled COVID-19: Healthcare Cost Considerations for Employers. Today, we will discuss the key takeaways from that document in 3 main areas; Claims Cost, Utilization for Non-COVID Services and Employer Budgets. Welcome Tyler and Chet. Before we get started, I have a few questions for Chet and Tyler on the climate of the self funded employers: I'll start with Chet- Chet, how has analytics played a key role in predicting near future cost related to COVID?
Chet Pilley	Analytics is all about bringing together relevant data sets in order to gain actionable insights. In 2020 we have access to more data sources than ever, but so much of that data is so removed from an appropriate context that everyone in the world, from individuals to institutions, are simply overburdened by the need to discern good information from useless or counterproductive information. This was all true before COVID-19, and has only become more difficult. So in the current situation you need to pass some thresholds before you can start making decisions: What data is relevant? What data is available? How reliable are our assumptions and how frequently do we need to go back and take a look at both our assumptions and data? Given all of that, what does our data and our model of the world suggest is coming? Right now we know that this episode is going to push down costs on medical claims in the near-term, but then pent up demand may push up costs once the broader health care system starts functioning somewhat normally. To quantify it, we are expecting costs to decrease around 20% or more in the near-term.
Amy Underwood	Tyler, fully insured clients had carriers to fall back on to implement the necessary programs as a result of COVID laws. How did your self-funded clients react?
Tyler Fasanella	- Mirror fully-insured options

	- Reluctant to agree to full coverage of treatments without understanding the liability - Telemedicine free of charge - Difference between telemedicine via Teladoc etc. and physicians seeing patients telephonically - Diagnostic testing versus COVID-19 testing in general - discuss serological testing
Amy Underwood	Chet, Let's dig into the three areas discussed in the white paper: claim costs, utilization for non-COVID-19 services, and employer budgets. On the first point, the team at Wakely estimated COVID-related costs to range between $34 billion and $251 billion in 2020. Can you tell us a bit about what goes into those numbers?
Chet Pilley	The costs were developed from the basic components of care involved with COVID-19 treatment: inpatient care, outpatient care, and pharmaceuticals. In terms of inpatient care, the estimates for hospitalization range from $25K on the low end to over $150K on the high end. The cost is typically a function of disease severity, and disease severity is, in turn, a function of baseline health; initial trends showed that 44% of individuals with underlying disease required hospitalization whereas only 9% of those without underlying conditions required hospitalization. Testing costs are estimated to be around $120 each, while outpatient care treatment was estimated at $600. A vaccine is not expected to be available until Q1 of 2021 on the early side, and we are only now seeing treatments come online for the virus. Costs in 2020 related to pharmaceutical treatments for COVID-19 should be low as the medications showing effectiveness are low cost. There have been reports this month from China that a candidate vaccine was effective in over 90% of test subjects through stage-1 and stage-2 trials. A stage-3 trial would conclude close towards the end of 2020. Taken together and applying a number of different scenarios regarding disease prevalence, you arrive at a cost of between $34B and $251B.
Amy Underwood	Another key takeaway was the impact that statutory limits on "elective" procedures will decrease utilization for non-COVID treatments. This seems strange at first - we're in the middle of a medical emergency, but utilization and costs are both expected to go down. How does that work?
Tyler Fasanella	It's no secret that people across the country, and particularly in our footprint, are avoiding unnecessary trips anywhere, including to the primary care physician and specialists. A reduction in utilization rates for non-essential services is

	expected and we're not certain if/when there will be an uptick back to what we're accustomed to. Non-essential visits are being postponed or steered towards virtual medicine if possible. When we talk about the non-health plan services (like dental and vision benefits) the decline in claims is expected to be even steeper. One major topic of conversation is how are employers and employees going to get "bang for the buck" on those insurance plans and will we see a return of premium like some are seeing in the auto insurance marketplace? Dentist offices nationwide have been largely closed for non-emergency services, while opthamologists and oral surgeons have been operating at minimal capacity (as you'll see in the Wakely report). When we talk about mental health-related services, we're seeing a much higher demand for these becoming available and carriers adapting (like UHC's partnership with Sanvello) to create easier access for members. The outstanding question that I think it would be unfair to try and answer is: Are we going to see a great resurgence and spike in claims when we return to work? Wakely's research around impacts of natural disasters like Hurricane Katrina tell us that deferral of care is typically not recaptured.
Amy Underwood	The third key was around budgeting. I see on the summary you put together that premium increases in the commercial market could range from 4-40% without federal intervention. A 4% increase would beat the trend for a lot of plans, but why such a large range and what kind of federal intervention is being considered here?
Chet Pilley	The large range really underscores the uncertainty that actuaries and other stakeholders have as they set expectations for 2021. One key driver here will be whether there is a second wave of infection later this year going into 2021. If so, then costs associated with this pandemic can be "baked in" to projections. If the pandemic has subsided, underwriters cannot factor in COVID-19 claims when setting rates for the next year. The impacts will vary depending on funding strategy as well. Self-funded plans may see higher-than-usual renewals for their stop-loss policy, which represents, generally around 15-35% of health plan costs. For fully-insured plans the higher-than-usual renewals will impact 100% of the premiums, and so percentage increases there equate to much higher expenditures. In terms of federal intervention, a truism with COVID-19 has been that the highest risk category is the Medicare population. The largest payer, by far, for COVID-19 response will be the federal government. Many carriers are expecting

	increased costs with decreased revenue (due to individuals losing their jobs and health insurance), which are likely to result in increased rates without some form of intervention by regulators and legislators. One approach that seems to be helping so far has been the federal Paycheck Protection Program that has helped keep people at work, maintaining their benefits.
Amy Underwood	That's a lot of information at a very high level. We have lots of groups that are right in line with national trends and others that beat those trends. We all want to do better than the national trend, right?! What are the cost-drivers dictating how impactful COVID-19 will be on an individual health plan?
Tyler Fasanella	Historically, our clients who have run below trend are clients that have driven engagement by participants in their health plan. Some of the "shock claims" or "lightning strikes" are inevitable, but there are areas that can be impacted. The most effective techniques have been utilizing the data (population health mgmt/ carrier resources to create targeted outreach to employees identified with chronic conditions like diabetes and hypertension. One of our clients recently said "mail-time is a major daily event in our household." How can we take advantage of that to communicate with employees using "snail mail?" I would encourage employers to take this as an opportunity to empower employees. Don't underestimate the ability of employees to adapt and engage in their own health. People are shopping for groceries online who didn't know how to use a smartphone 2 months ago!
Amy Underwood	Thank you for listening to today's webcast. We're always here to help if you have any questions. Remember, our world changes fast so things might have changed by the time you hear this.

Sources: https://www.propublica.org/article/how-and-when-can-the-coronavirus-vaccine-become-a-reality

https://www.scmp.com/news/china/society/article/3089334/coronavirus-chinese-firm-says-its-vaccine-candidate-passes-phase