The Projected Plan Costs of COVID-19

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Segal

Today's Speakers

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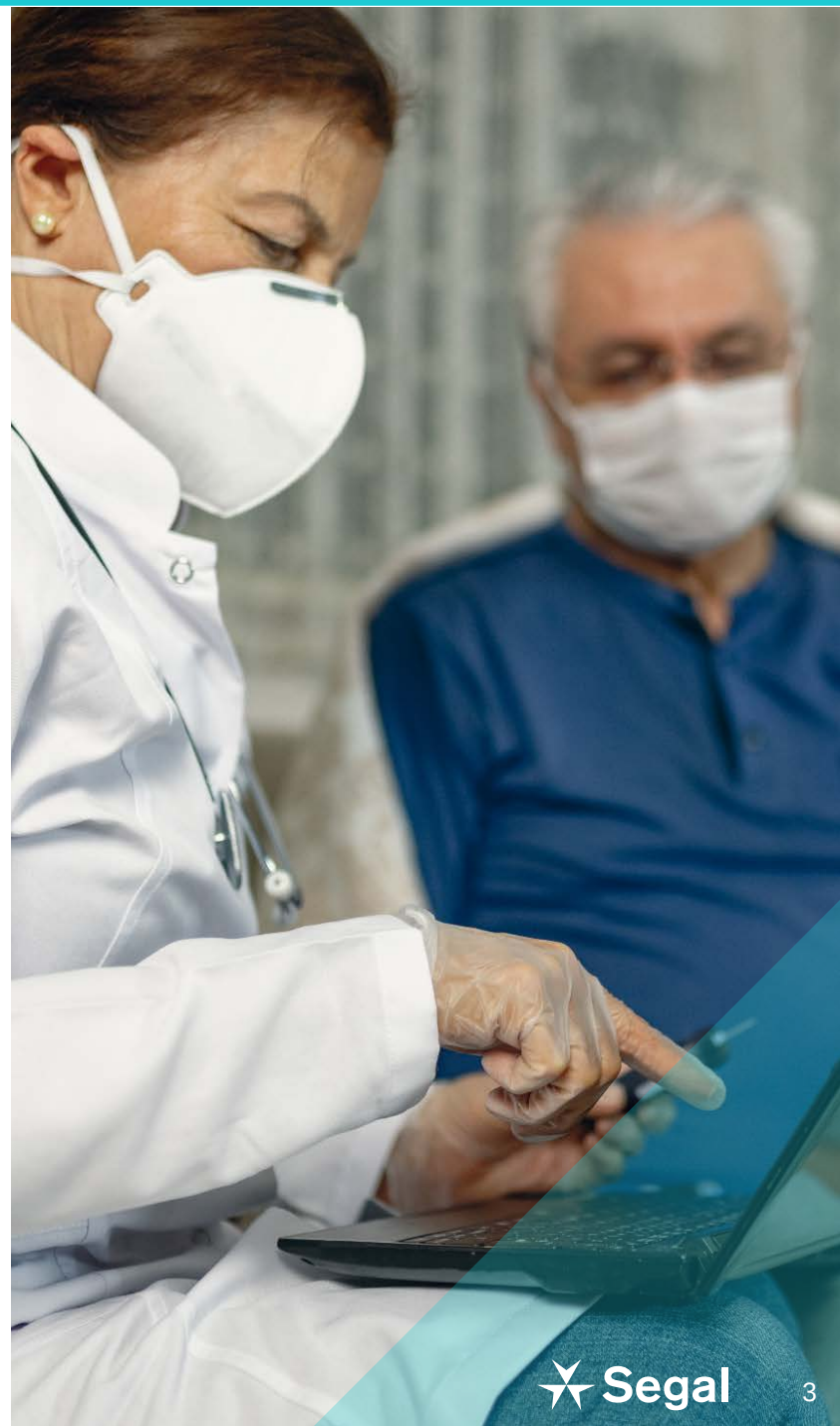
Impact of COVID-19

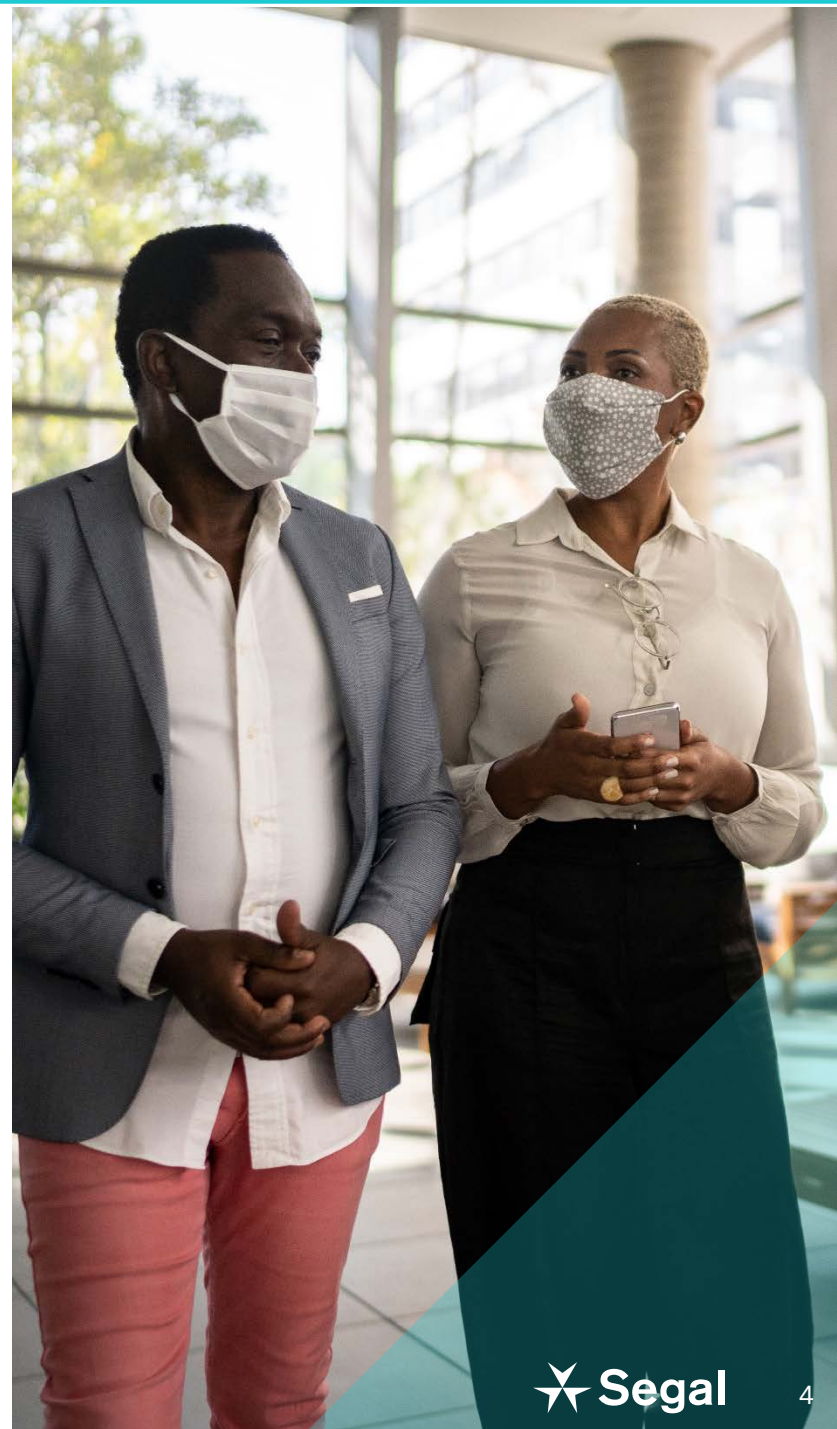
Health plans are expected to be affected by:

- Direct costs for testing and treating the disease
- Short-term savings from reduced utilization of non-essential services
- Long-term uncertainty from cancelled and delayed care



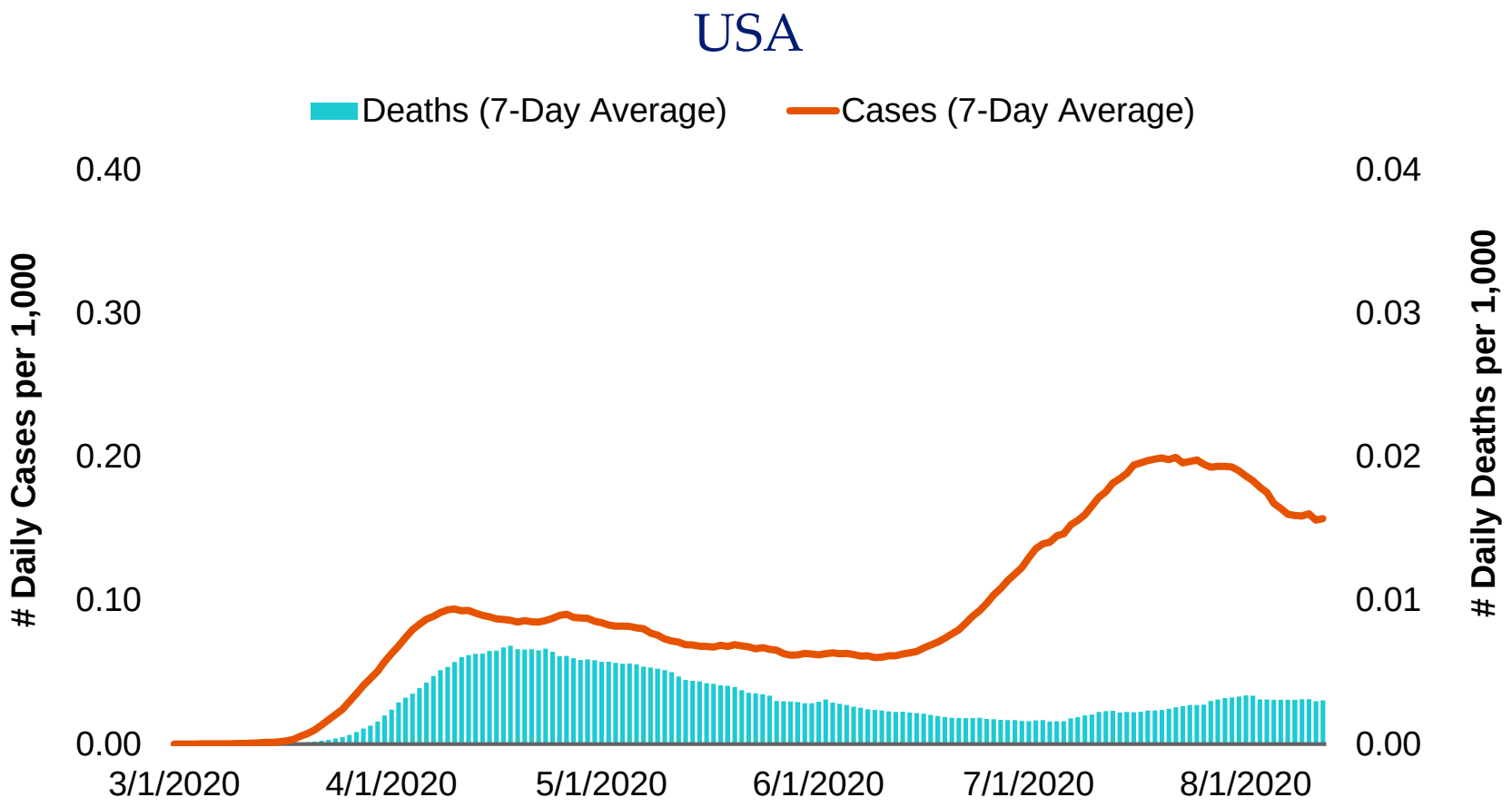
What Can Plan Sponsors Do?

- Know the risk factors and understand who is most at risk
- Understand the costs your participants experience when they are tested and/or treated for the disease
- Accelerate adoption of virtual/remote healthcare services
- Identify lower cost alternatives for care
- Consider communication initiatives or cost-sharing adjustments to incentivize utilization of such care
- Understand the impact of delayed and cancelled care
- Know how medical expenses might look throughout the remainder of the year



Case and Mortality Trends in the United States

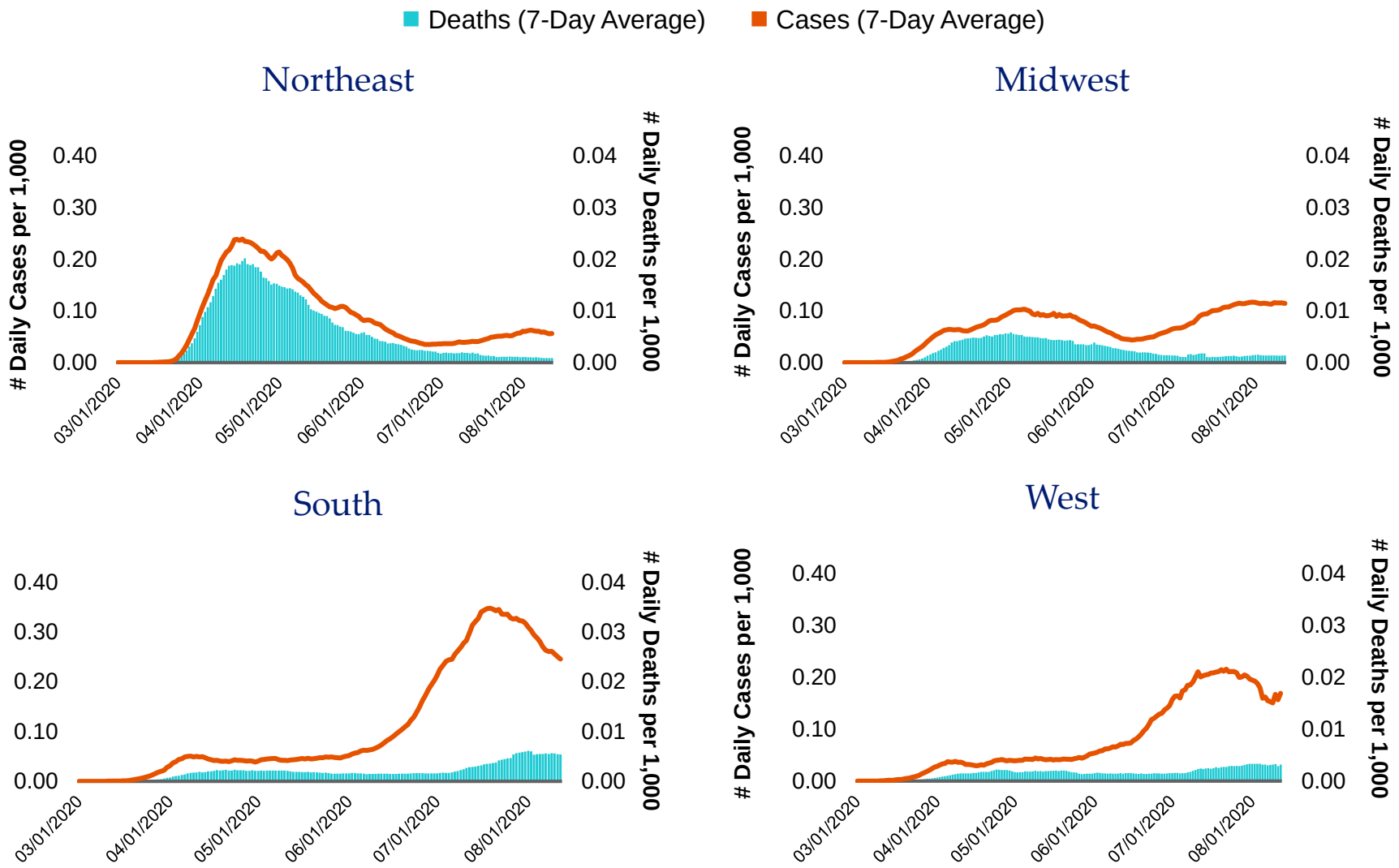
Daily case totals increased significantly beginning in June 2020, but have been trending favorably during the last few weeks.



Source: Johns Hopkins University Data Repository: Accessed at: https://github.com/CSSEGISandData/COVID-19.

Case and Mortality Trends in the United States

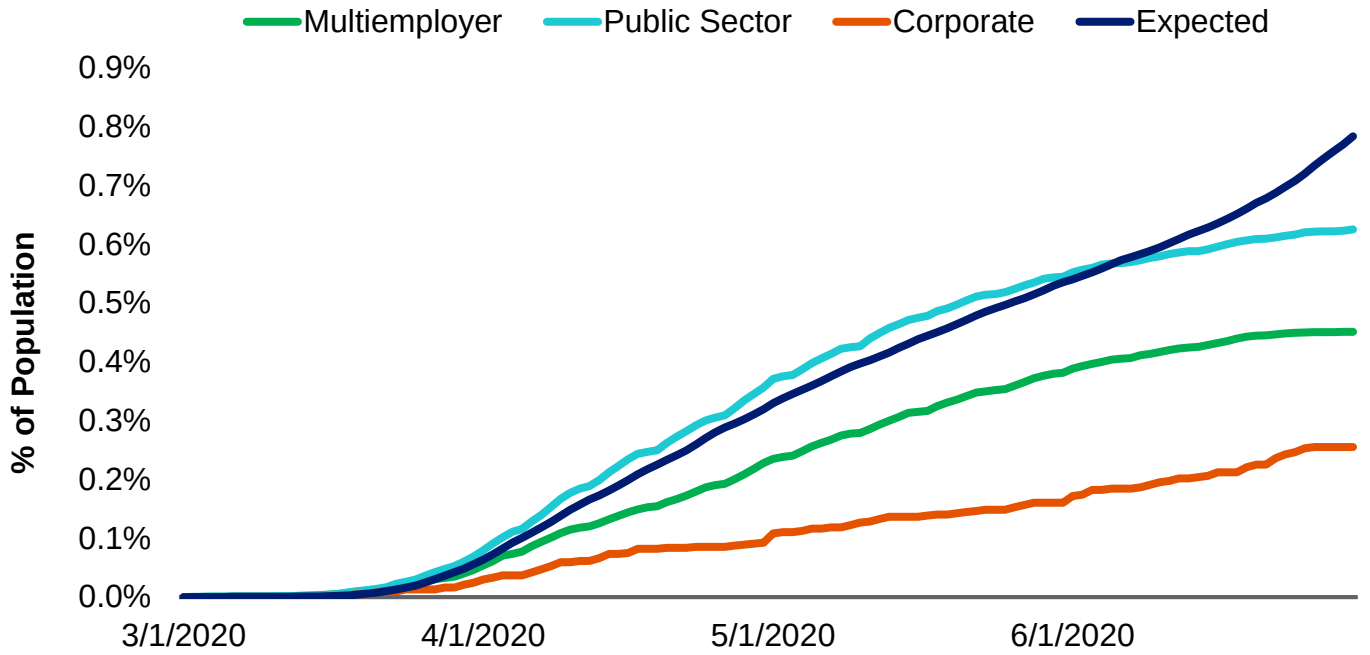
- Containment success varies significantly across regions
- Mortality increases have been comparatively modest, signaling improved outcomes
  - Knowing the risk factors, improved treatments, increased testing, among other factors



Source: Johns Hopkins University Data Repository: Accessed at: https://github.com/CSSEGISandData/COVID-19.

The Prevalence of the COVID-19 Varies

- Public Sector ~ 110% the rate of the general population
- Corporate plans ~ 30% the rate of the general population
- Cases continue to rise across all markets reflecting national trends
  - Infection rate remains under 1% for the average covered health plan population
- Costs and outcomes continue to improve
- Participants with known risk factors make up an increasingly smaller portion of cases

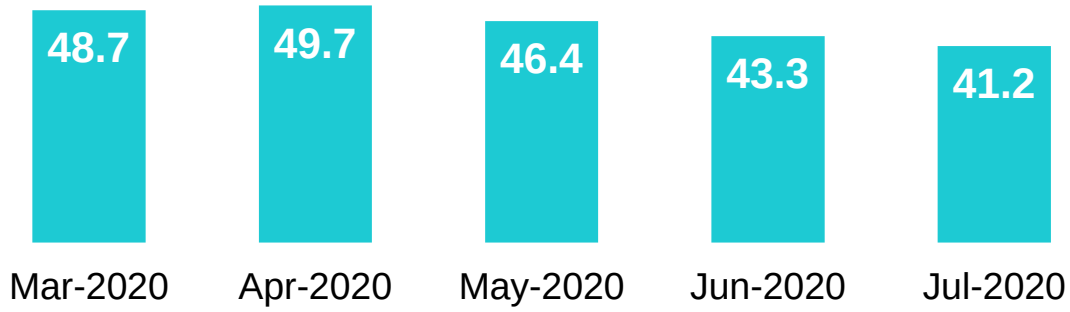


	Corporate	Multiemployer	Public Sector
Average Plan Paid per Case	$1,875	$3,261	$2,807
Average Member Paid per Case	$162	$78	$30

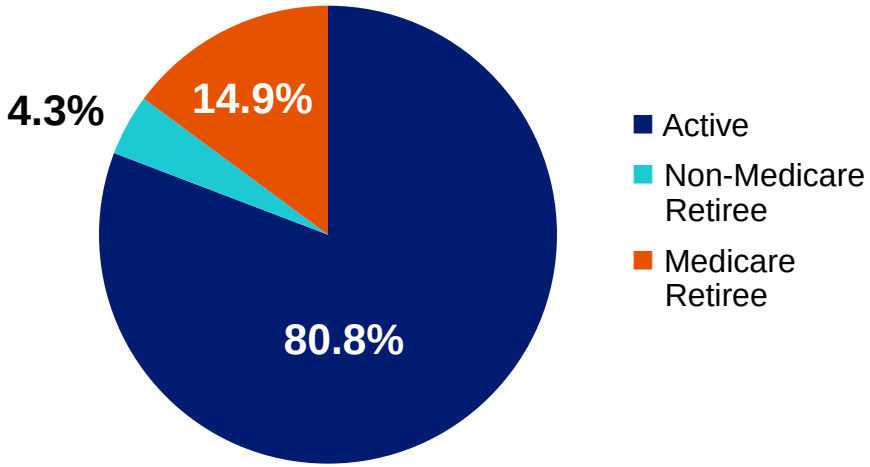
Demographic Trends

- Average age of patients decreased from 50 in April to 41 by July
- Percentage of Medicare-eligible patients **decreased** from 14.9% of cases in April, to only 8.7% in June
- Active patients **increased** from 80.8% of cases in April to 86.9% in June

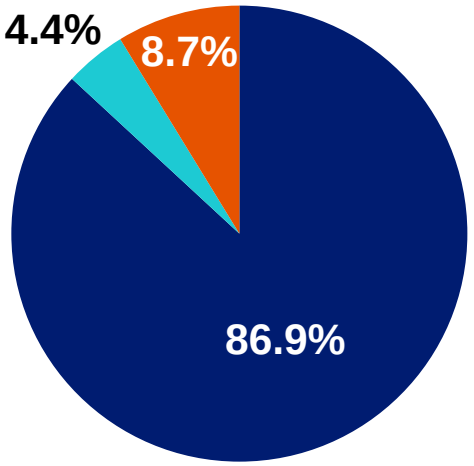
Average Age of Confirmed Cases



April 2020 Case Mix



June 2020 Case Mix



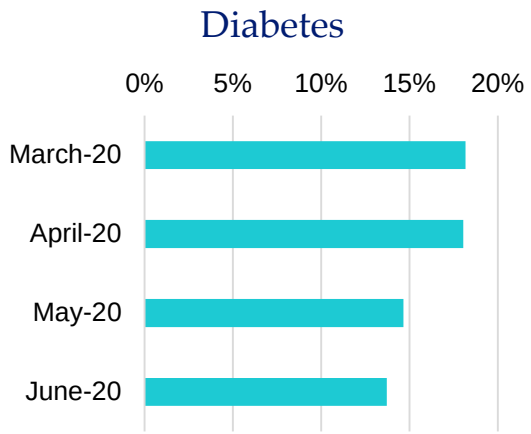
Demographic Trends

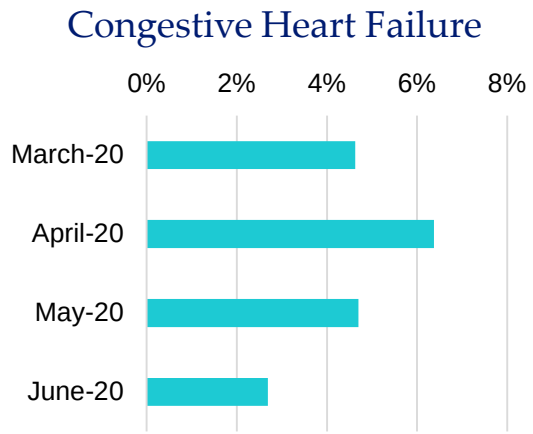
	Average Allowed	Average Plan Paid	Average Member Paid	Member Cost-Share (%)
Actives	$3,251	$3,188	$63	1.9%
Non-Medicare Retirees	$5,300	$5,222	$78	1.5%
Medicare Retirees	$6,472	$1,536	$50	0.8%
Total	**$3,758**	**$3,078**	**$59**	**1.6%**

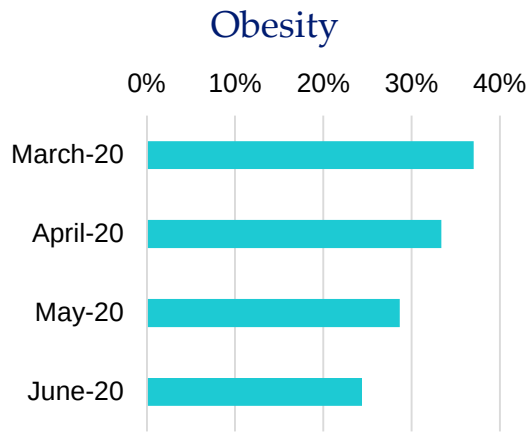
- Average allowed amount per case for actives is $3,251 – approximately $2,000 less than non-Medicare retirees and $3,000 less than Medicare retirees
- Some plans are removing COVID-19 treatment cost-sharing requirements for participants
- If you use this strategy, you must establish objective criteria to define COVID-related treatment

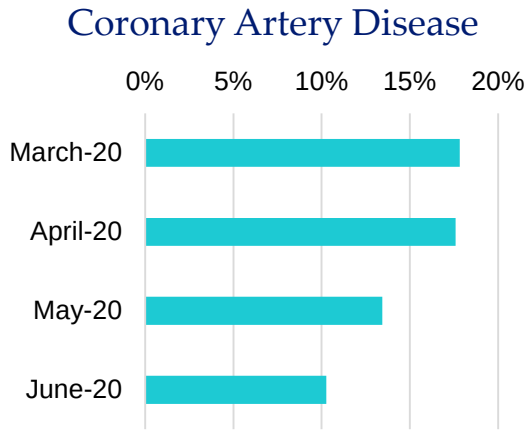
Health Status Trends

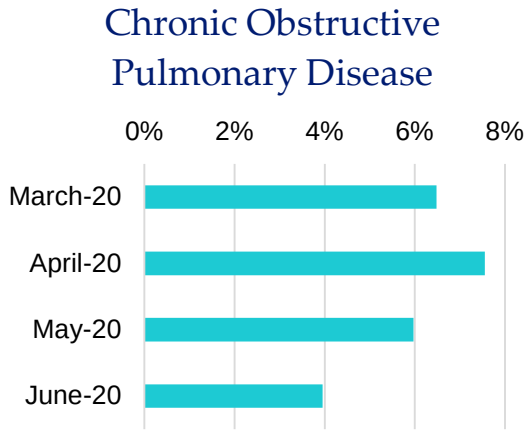
- According to the CDC, people with certain underlying medical conditions are at increased risk of severe illness from COVID-19
  - Cancer, chronic kidney disease, COPD, CHF, CAD, immunocompromised, obesity, cardiomyopathies, sickle cell disease, and Type 2 diabetes
- Understanding and communicating risk factors can help protect plans and plan participants from severe outcomes











[1] People with Certain Medical Conditions". Center for Disease Control and Prevention, August 14, 2020. Accessed at https://www.cdc.gov/coronavirus/2019-ncov/need-extra-precautions/people-with-medical-conditions.html.

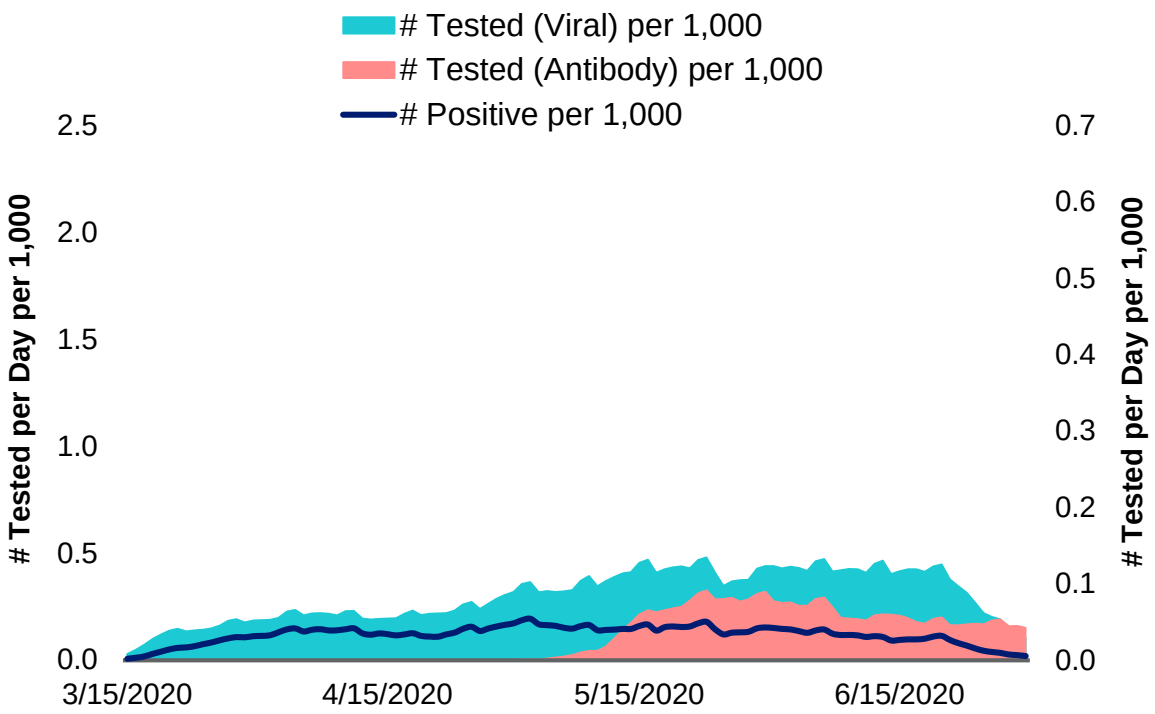
Underlying Health Conditions Drive Costs

- Over 90% of participants admitted to the ICU for COVID-19 have one of the underlying health conditions
- On average, plans pay:
  - Over $50,000 per case when a participant is admitted to the ICU
  - Slightly over $2,000 per case when they are not admitted to the ICU

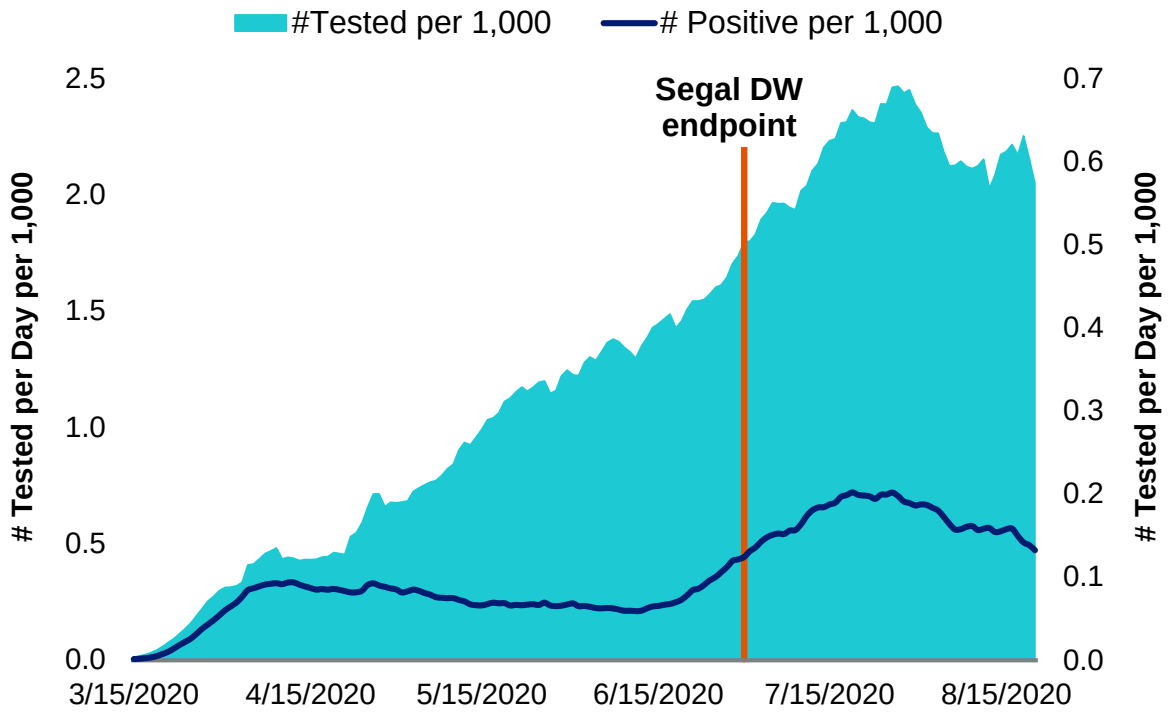
	Average Plan Paid
Diabetes	$6,060
Congestive Heart Failure	$5,295
Obesity	$4,488
Coronary Artery Disease	$4,457
COPD	$2,926
None of the Above	$1,900

Testing Trends

Segal's Data Warehouse



USA



- Testing has increased in recent months leading to more mild to moderate cases being identified
- Participants in Segal's health data warehouse have been 30 – 40% less likely to be tested than the general population and 40 – 50% less likely to test positive

Testing Trends

- Average cost of diagnostic test is ~ $80 with the plan liable for the full amount
- Cost per test has been steadily increasing
- Participants may also receive antibody tests
- Cost for antibody test is ~ half the cost of the diagnostic test
- But, antibody test costs have been steadily increasing
- Total cost participants' experience during testing may far exceed these amounts

	Avg. Cost per Test	
	Virus	**Antibody**
March	$60.10	n/a
April	$72.21	$29.92
May	$84.13	$34.06
June	$87.38	$39.69
July	$87.46	$42.51
Total	**$80.72**	**$35.69**

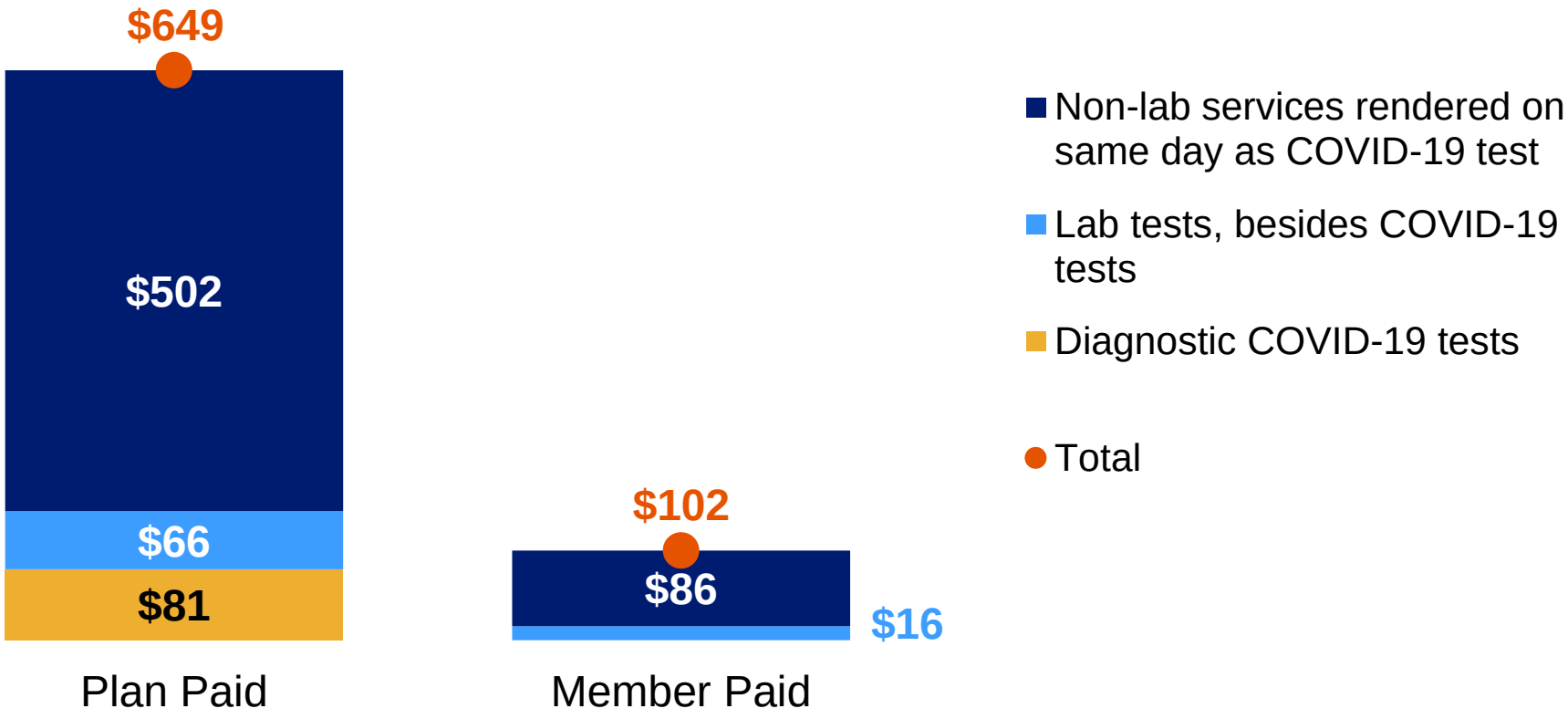
Testing Impact to Plan Sponsors and Participants

- 32% of participants who receive a COVID-19 diagnostic test receive at least one other lab test on the same day
- Cost of COVID-19 diagnostic test only makes up 12% of the average costs participants face when tested
- Participants may be subject to additional tests that target multiple respiratory viruses
  - Non-COVID-19 specific tests can cost more than $600 per test
  - Average out-of-pocket expenses exceed $200 for some tests

Federal regulations require 100% coverage (waiver of copays) for testing directly related to diagnoses of the COVID-19 virus through the end of the COVID-19 Public Health Emergency. Plans should work with their vendors to assure that they are properly complying with these federal mandates.

Testing Impact to Plan Sponsors and Participants

Composition of Total Plan Paid and Member Paid on day of COVID-19 Testing (excludes hospital)



Impact to Plan Sponsors and Participants

Treatment

Expense Category	% of Claimants	% of Allowed Charges	Average Plan Paid per Claimant	Average Participant Paid per Claimant
COVID-19 Test	51.3%	1.6%	$93	$0
Telehealth	31.0%	1.3%	$148	$4
Professional	31.1%	1.4%	$150	$8
Emergency Room	22.4%	6.3%	$952	$38
Hospital	11.4%	80.6%	$20,973	$297
Pharmacy*	9.9%	5.2%	$1,266	$27
Other	27.0%	3.5%	$427	$23
Total		**100.0%**	**$3,078**	**$59**

* Only include prescription drugs administered under the medical benefit.

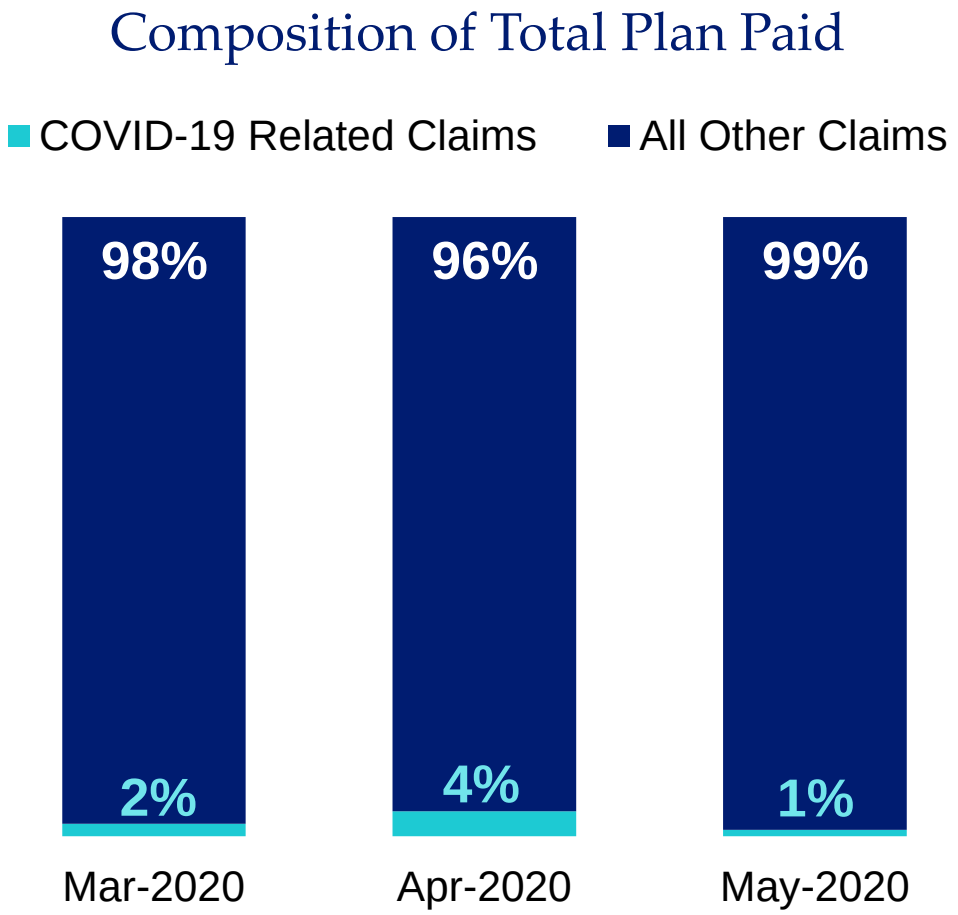
Impact to Plan Sponsors and Participants
Treatment

- Approximately 1/3 of participants diagnosed with COVID-19 receive treatment via telehealth (includes all virtual PCP visits)
- 1/3 of participants receive treatment through actual physician offices
- Averages include some plans that have removed cost-sharing for participants who are treated for COVID-19
- Some plans have removed cost-sharing requirements for telehealth claims
  - Reduce exposure
  - Limit disruptions in the patient-provider relationship
  - Less expensive alternative to emergency room and other treatment settings
- Telehealth related to COVID-19 testing must be paid without cost sharing during the Public Health Emergency

Summary

Plan Impact from Direct Costs Related to COVID-19

- Plans should expect direct costs for testing and treating COVID-19 to impact budgeting into 2021
  - Direct costs have averaged 1 – 4% of monthly medical expenses since March
  - Significant variation exhibited among clients
- Costs are mainly driven by high-risk individuals



Summary

Plan Impact from Direct Costs Related to COVID-19

Plan sponsors can address the negative impact of the pandemic by:

- Ensuring participants understand the risk factors
- Addressing gaps in care for participants with chronic conditions
- Minimizing patient provider disruption by promoting utilization of telehealth services and virtual doctor visits
- Ensuring participants understand care available if they suspect they have contracted COVID-19
- Identifying free community testing sites and/or high-quality and low-cost network providers

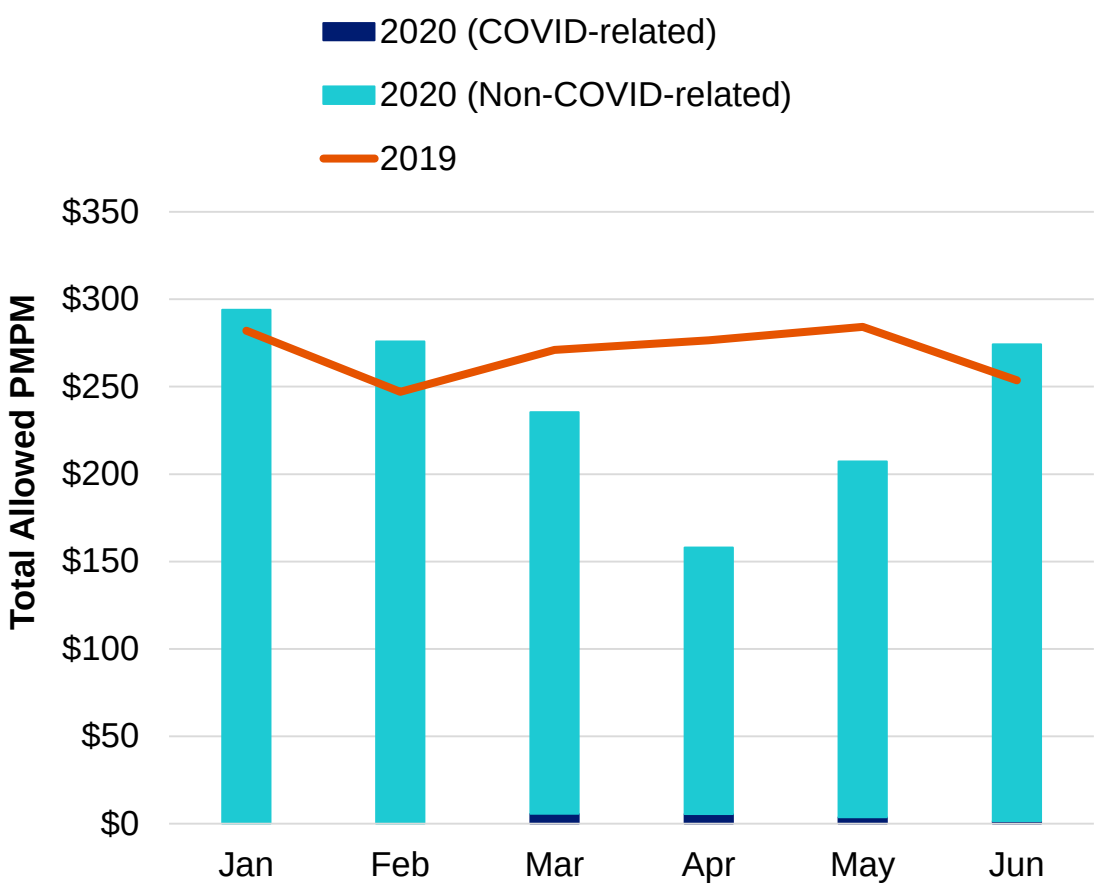
Impact of Reduced Utilization of Non-essential Services

Based on Segal Health Data Warehouse

- Claims incurred through June
- Limited to clients with claims paid through July
- Completion factors applied

	Completion Through:			
Category of Service	**March**	**April**	**May**	**June**
Inpatient Hospital	87%	83%	75%	58%
Outpatient Hospital	95%	93%	89%	78%
Professional	97%	96%	94%	89%
Surgery	88%	85%	80%	65%
Emergency Room	97%	95%	92%	85%
Radiology	98%	96%	93%	86%
Other	94%	91%	86%	71%
Behavioral Health	94%	91%	87%	74%
Total	**93%**	**91%**	**87%**	**75%**

Trends in Allowed Cost

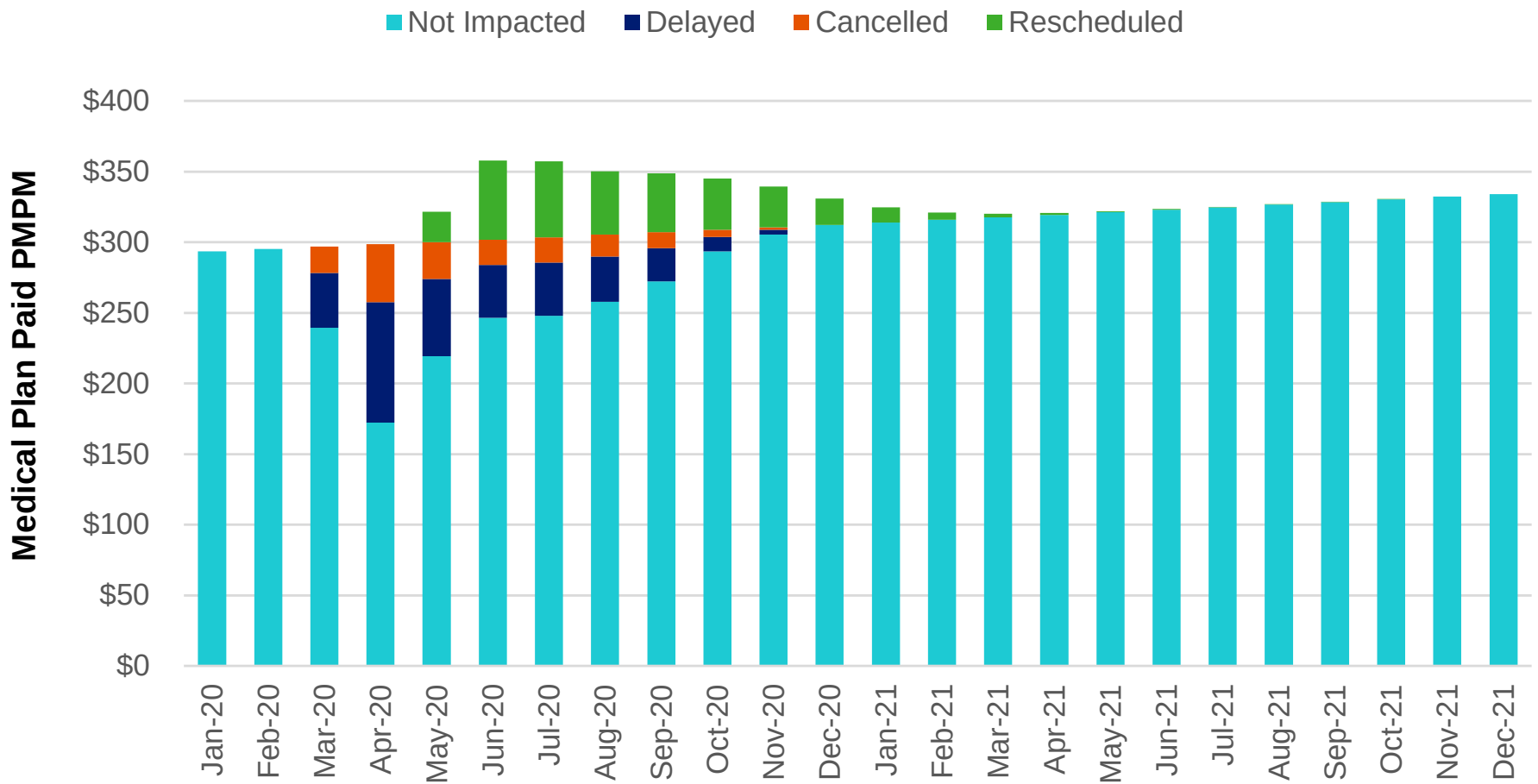


Category of Service	Observed Reduction in Cost PMPM			
	March	April	May	Jan – June
Inpatient Hospital	-7%	-31%	-29%	-6%
Outpatient Hospital	-5%	-49%	-24%	-4%
Professional	-18%	-48%	-31%	-14%
Surgery	-13%	-51%	-26%	-12%
Emergency Room	-17%	-46%	-29%	-16%
Radiology	-11%	-45%	-36%	-13%
Other	-39%	-32%	-23%	-25%
Behavioral Health	12%	-1%	16%	16%
Total	**-13%**	**-43%**	**-27%**	**-11%**

Pent-up Demand and Long-Term Implications

- Approximately half of care delayed or cancelled during March – May is expected to be rescheduled
- Some preventive and maintenance care visits expected to be postponed until next regularly scheduled appointment
- Magnitude is uncertain
- Pent-up demand may reemerge — but over a long period of time
- May be difficult to distinguish from underlying trends

Pent-up Demand and Long-Term Implications



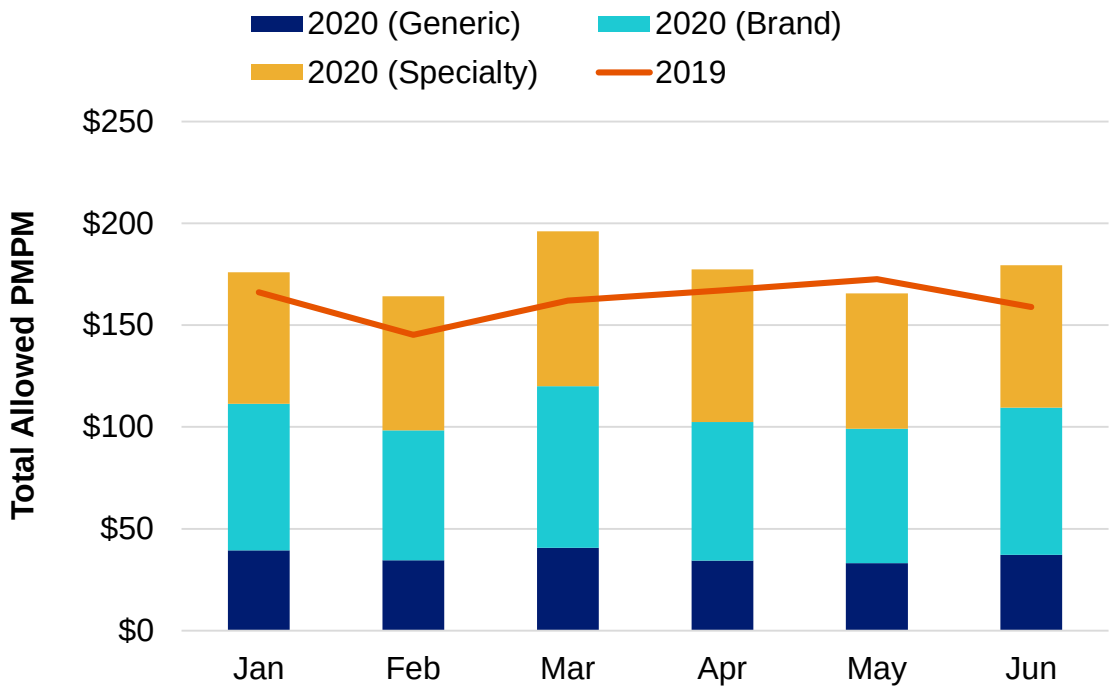
Pent-up Demand and Long-Term Implications

Certain untreated conditions may result in more costly treatments

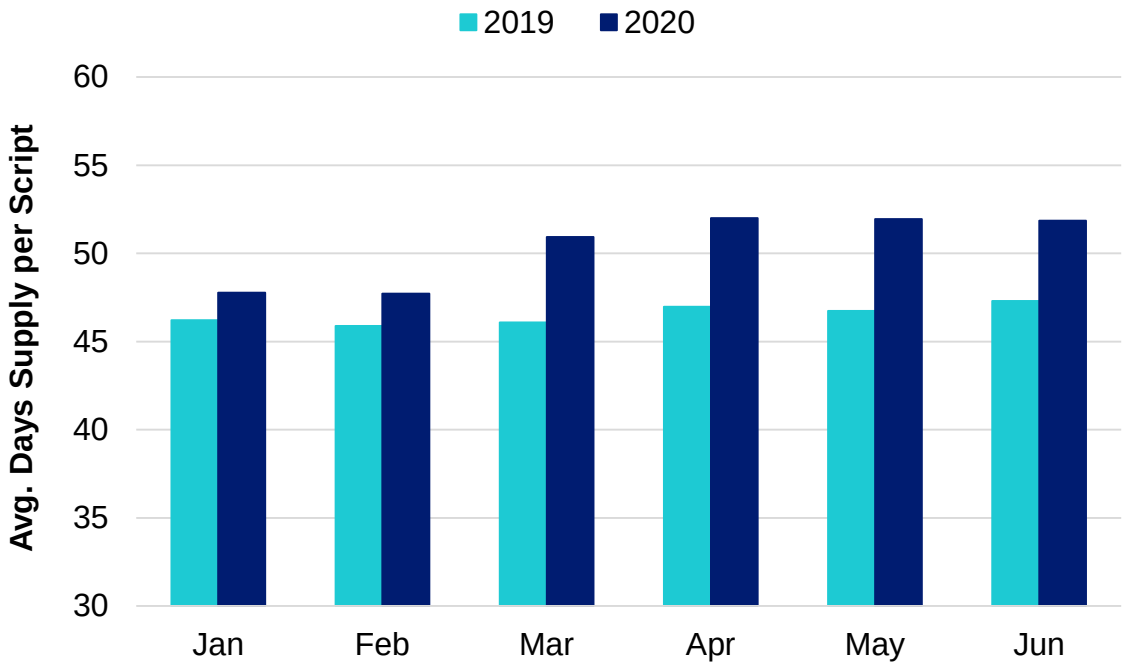
- Preventive cancer screenings (breast, cervical, colorectal, and prostate) were down almost 80% in April
- Identifying cancers in later stages may result in more expensive treatments and less favorable prognoses
- Some surgeries may become more expensive if condition worsens during the delay
- The place of service for treatment may be impacted due to the delay
- Some untreated conditions that could be treated in outpatient setting may be more likely to end up in emergency room or inpatient hospital

Prescription Drug Trends in Allowed Cost

Total Allowed PMPM



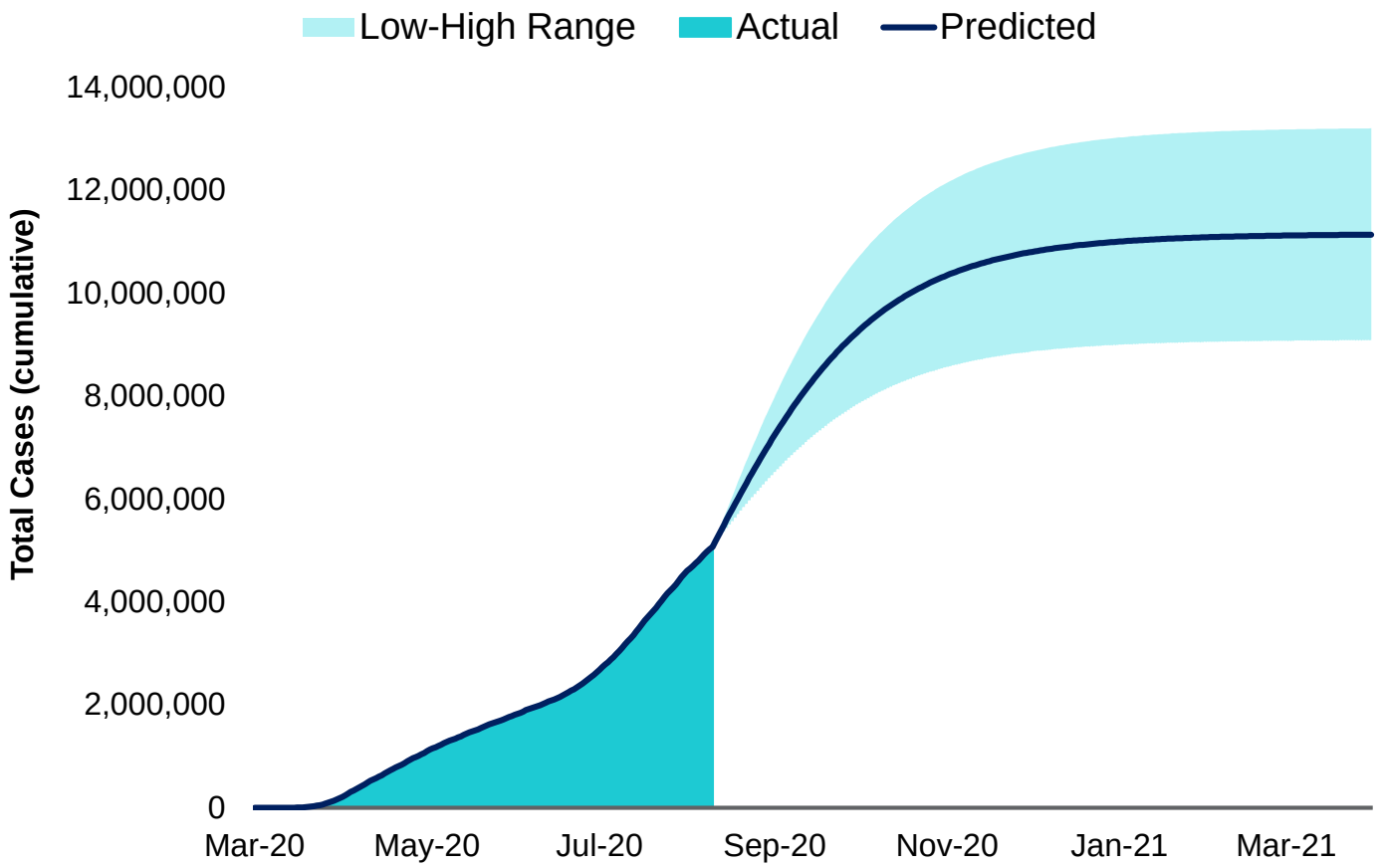
Average Days Supply per Script



Projecting Forward
Direct Costs

Based on recent trends and assuming a vaccine is available by early 2021, US could see over 13 million cases (~4% of the population) by March 2021

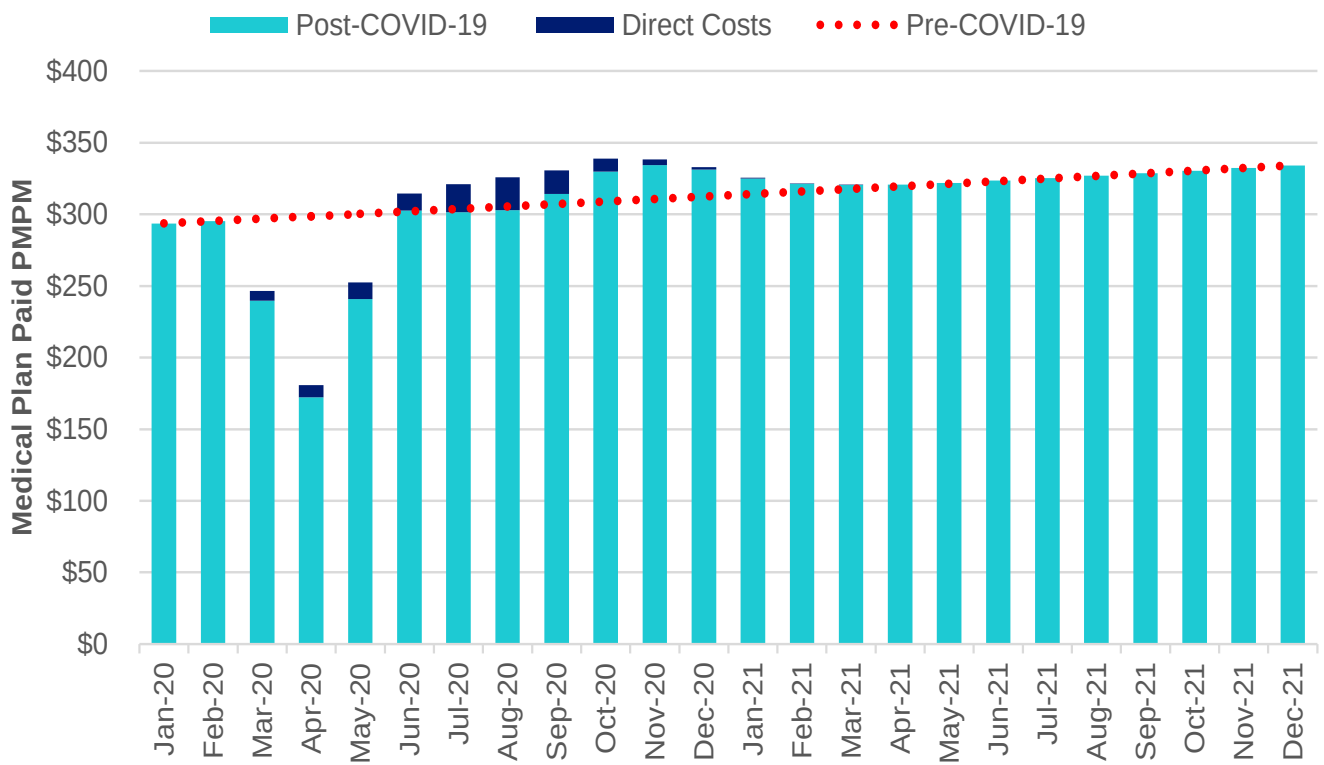
- Most plans are expected to see direct costs to test and treat COVID-19 in 1 – 4% range of annual medical expenses ($4 PMPM – $15 PMPM)
- Estimates highly dependent on human behavior, vaccine availability, treatments, regional costs, regional outbreaks



Projecting Forward
Total Costs

For most plans, indirect savings from reduced utilization of non-essential services expected to outweigh direct costs

- Depending on pent-up demand, indirect savings are expected to amount to 3 – 7% of medical expenses during 2020
- Overall, healthcare expenses expected to be 1 – 5% lower than pre-pandemic expectations in 2020
- Healthcare delays expected to spill into 2021, resulting in slightly higher trend (<1%) in 2021 than pre-pandemic expectations



Next Steps for Plan Sponsors

- Monitor costs monthly and consider updating budget forecasts more frequently
  - Some plans see healthcare expenses have resumed to normative levels by June
  - Lingering uncertainty regarding pent-up demand and future outbreaks
- Review fully-insured policies and request premium refunds or premium credits from vendors
- Expand and promote use of telehealth services, monitor vendor performance and patient satisfaction
  - Screen patients who may have symptoms of COVID-19
  - Primary care and specialist visits, including behavioral health
  - Physical therapy and occupational therapy
  - Follow-up with patients recently released from hospital

Next Steps for Plan Sponsors

- Promote strategies to address behavioral health issues, including Employee Assistance Programs (EAPs)
- Increase frequency of participant communications
- Work with medical network to encourage network lab use or direct contract with at home lab testing services
- Monitor federal and state activity

Questions?

Thank You

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Caveats and Limitations

The projections of future costs shown in this report are based on information available to Segal at the time they were made. Projections are not a guarantee of future results. Actual plan sponsor results may differ from the projections based on several factors including; location of covered members, adherence to national guidelines (e.g., social distancing) to contain the rate of transmission, new treatment developments, or additional outbreaks. Projections do not include any potential long-term costs for health issues related to COVID-19, nor do they include costs for vaccines (if available). Projections are not adjusted for underlying health conditions. Projections do not include any new funding or coverage policy changes contemplated by federal or state regulators.

The projections of savings shown in this report are based on information available to Segal at the time they were made. Projections are not a guarantee of future results. Actual plan sponsor results may differ from the projections based on several factors including; healthcare utilization patterns, length of suspension of non-essential services, members hesitancy to utilize healthcare after the suspension, and additional suspensions if further outbreaks occur.

Projections for both the direct costs to test and treat COVID-19 and the savings associated with reduced utilization of non-essential services are based on the assumption that the current outbreak will be contained. Additional outbreaks have not been contemplated in the projections.

These projections are based on medical expenses only and do not include the impact to changes in utilization patterns for prescription drugs, short-term disability, dental, vision, or other ancillary benefits. Segal is continuously monitoring the impact of COVID-19 on health plans and will provide additional guidance as more information becomes available.

The projections of savings are derived from the medical claims distribution by service category available in Segal's SHAPE data warehouse. The actual medical claims distribution by service category for a given plan may differ from assumptions.

This report includes paid data through July 2020. Due to the lag from which a medical claim is incurred to the time in which it is paid, the data are considered incomplete and subject to change.