

# COVID-19 financial implications for payers

## Financial implications for payers amidst COVID-19

It's no surprise that the COVID-19 pandemic will bring a new set of challenges for payers in all lines of business. The payer ecosystem is seeing some of these early difficulties in the form of a reduced operational workforce, requests for premium payment plans, and the increased costly utilization of care for members.

But plans need to be prepared to mitigate the longer term financial consequences of this pandemic.

We've compiled the situations that plans are facing or will likely encounter as a result of COVID-19, and the questions that payers should be evaluating as they consider how their business will evolve.

### General considerations for all payers



#### Challenge



#### Magnitude depends on



#### Questions to consider

*Increased calls to nurse lines and customer service lines*

**Length of outbreak**

- How many more staff have plans hired to respond to member inquiries?
- Does this cost change since most staff now are working remotely?

**Plan marketing to encourage members to call in**

*Additional behavioral health utilization*

**Length of social isolation measures**

- How much greater do plans expect BH utilization to be due to health strife and economic downturn?
- What is the plan cost to cover BH services?
- Do plans pay for BH on a per member basis or for each visit?

**Extent of people who experience a death or illness**

*Uptake in telehealth feature demands*

**Success of telehealth during COVID-19**

- How will plans sustain telehealth post COVID?
- Will telehealth remain a preferred point of care?

# General continued...

Challenge	Magnitude depends on	Questions to consider
<i>Stock market volatility</i>	<b>Amount of plan reserves in stock markets</b> <b>Market volatility in 6, 12, and 24 months</b>	<ul style="list-style-type: none"><li>• What share of plans' investments or reserves are invested in the market?</li></ul>
<i>Regulatory changes</i>	<b>Legislation to ease reporting and credentialing requirements</b>	<ul style="list-style-type: none"><li>• What proposals put forth would lower the reporting requirements for plans?</li><li>• How much do plans spend meeting these requirements?</li></ul>
<i>Value based payment contracts</i>	<b>Percent of providers in value-based care</b> <b>Size of bonus or gainshare</b> <b>Length of outbreak</b>	<ul style="list-style-type: none"><li>• Will plans be able to adjust value based contracts mid term to account for utilization spikes or reduction in preventive care?</li><li>• How large are plan bonuses to providers?</li></ul>
<i>Provider financial outlook</i>	<b>Amount of uncompensated care hospitals provide</b> <b>Deferral of elective cases</b>	<ul style="list-style-type: none"><li>• How will payers adjust network rates to keep systems solvent?</li></ul>
<i>COVID related care (ICU admissions, chronic pulmonary problems)</i>	<b>Severity of outbreak</b> <b>Length of outbreak</b>	<ul style="list-style-type: none"><li>• What is reimbursement for COVID cases (mild/moderate/severe)?</li><li>• What is cost to treat?</li></ul>
<i>Delayed or deferred care</i>	<b>Severity of outbreak</b> <b>Length of outbreak</b> <b>Social distancing protocols</b>	<ul style="list-style-type: none"><li>• How many procedures will be shifted to next year?</li><li>• How much will chronic conditions will worsen with reduced treatment?</li></ul>

# Individual market

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Challenge	Magnitude depends on	Questions to consider
<i>Increased enrollment in exchanges</i>	<b>Severity of recession</b> <b>Length of recession</b>	<ul style="list-style-type: none"><li>As people lose jobs, how many will select QHPs on the exchanges (with and without APTC)?</li><li>How will premiums on the exchanges fluctuate?</li></ul>
<i>Changes to the risk pool</i>	<b>Types of people joining the health plan</b> <b>Severity of outbreak</b>	<ul style="list-style-type: none"><li>Are younger, healthier people likely to join the exchange plans and subsidize older, sicker patients?</li><li>Will COVID leave the population sicker and higher risk?</li></ul>
<i>Unsubsidized premiums increase</i>	<b>Introduction of short term plans</b> <b>Utilization of health care services</b>	<ul style="list-style-type: none"><li>How will new products such as short term plans impact premiums?</li><li>What new subsidies will need to be introduced?</li></ul>
<i>Exchange market competition</i>	<b>Impact of COVID regionally</b> <b>Length of recession</b>	<ul style="list-style-type: none"><li>How will market competition change as new competitors may enter the individual market in new states?</li></ul>
<i>Surprise billing waivers</i>	<b>Percent of out of network providers</b>	<ul style="list-style-type: none"><li>Do plans anticipate states/CMS mandating coverage for any providers?</li><li>Will rates be set at in-network or arbitrated rates?</li></ul>
<i>Government shifts in tone towards individual market</i>	<b>Enrollment numbers in Individual market</b>	<ul style="list-style-type: none"><li>Will calls to repeal the ACA and exchanges end due to surge in enrollment?</li><li>How will this impact health plan lobbying agendas?</li></ul>

# Employer

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Challenge	Magnitude depends on	Questions to consider
<i>Lower premium revenue due to increased unemployment, less generous benefits</i>	<b>Length of recession</b> <b>Market competition</b>	<ul style="list-style-type: none"><li>• Will concierge models and vendor partnerships be the first to go as plans shift to less robust coverage?</li><li>• Will price alone dominate as the primary purchaser consideration?</li><li>• How many people will lose ESI?</li></ul>
<i>Individual HRA offering</i>	<b>Political climate</b>	<ul style="list-style-type: none"><li>• Will the effects of COVID encourage employers to institute ICHRAs and other plan offerings?</li><li>• How will this impact premiums?</li></ul>
<i>Premium payment plans</i>	<b>Severity of recession</b> <b>Length of recession</b> <b>Competitors offering</b>	<ul style="list-style-type: none"><li>• How will payers accommodate for purchasers that are asking for payment plans or reduced payment due to recession?</li><li>• What will be the impact on payer cash flow?</li></ul>
<i>More regulation around self-funded plans</i>	<b>Self-funded plans' COVID response</b>	<ul style="list-style-type: none"><li>• Will the government place stricter regulations on self-funded employer plans, given how they responded to COVID coverage and response?</li></ul>
<i>Decrease in employer purchasers</i>	<b>Severity of recession</b> <b>Length of recession</b>	<ul style="list-style-type: none"><li>• How will the shuttering of businesses impact the number of purchasers that a plan is contracted with?</li></ul>

# Medicare Advantage

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Challenge	Magnitude depends on	Questions to consider
<i>Decreased quality-bonus (Stars) revenues</i>	<b>Utilization of preventive care services</b> <b>Provider bandwidth</b> <b>CMS special policy exemptions</b>	<ul style="list-style-type: none"><li>• How many patients will defer preventive care services?</li><li>• How pervasive will traditional quality efforts be during this time, and how many quality gaps will remain?</li></ul>
<i>Decreased MA enrollment</i>	<b>Senior death rate from outbreak</b>	<ul style="list-style-type: none"><li>• How disproportionately affected will the senior population be, and how much is that relative to the average plan's MA enrollment?</li><li>• How likely is future political action on coverage expansion to rely on broadening MA?</li></ul>
<i>Increased MA penetration</i>	<b>Senior death rate from outbreak, by income</b> <b>Political climate</b>	<ul style="list-style-type: none"><li>• How disproportionately affected will the senior population be by MA vs traditional enrollment status (income may be a proxy)?</li><li>• How likely is future political action on coverage expansion to rely on broadening MA?</li></ul>
<i>Decreased risk-adjusted revenues</i>	<b>Utilization of preventive care services</b> <b>Provider bandwidth</b> <b>CMS special policy exemptions</b>	<ul style="list-style-type: none"><li>• How pervasive will traditional risk coding efforts be during this time, and how many coding gaps will remain?</li><li>• How well will risk adjustment algorithms reflect the true cost of COVID care?</li></ul>

# Medicaid Managed Care

Challenge	Magnitude depends on	Questions to consider
<i>Increased Medicaid enrollment</i>	<b>Severity of recession</b> <b>Length of recession</b> <b>CMS approval of state-specific waivers</b>	<ul style="list-style-type: none"><li>• How many currently uninsured individuals will enroll in Medicaid in search of care?</li><li>• How many currently employed individuals will lose their jobs or become eligible for Medicaid in a recession?</li><li>• Will work requirements be completely eliminated as work becomes more difficult to obtain?</li></ul>
<i>Change in Medicaid provider access</i>	<b>Negotiating power of MCO</b> <b>State managed care penetration</b> <b>CMS approval of state-specific waivers</b>	<ul style="list-style-type: none"><li>• Will providers reduce Medicaid participation disproportionately when the delivery system is overloaded and financially underwater?</li><li>• Will additional traditional providers elect to participate in Medicaid?</li><li>• Will non-traditional and otherwise ineligible providers participate in response to temporary eligibility waivers?</li></ul>
<i>Expanded medical benefit and service scope</i>	<b>CMS approval of state-specific waivers</b> <b>Distribution of COVID impact</b>	<ul style="list-style-type: none"><li>• How much enhanced FMAP will states have? Where and how will they deploy it? Will any funding uses create resources that can benefit over a longer term?</li><li>• Will overall care utilization increase with more generous, flexible benefits and reduced restrictions?</li></ul>
<i>Reduced social service scope</i>	<b>Severity of recession</b> <b>Length of recession</b> <b>CMS approval of state-specific waivers</b>	<ul style="list-style-type: none"><li>• Will administrative funding allocations for social services by Medicaid be diverted to medical care?</li><li>• Will administrative funding allocations for social services by Medicaid be unable to support a massive increase in enrollment?</li></ul>
<i>Increased Medicaid churn and first time enrollee management</i>	<b>Severity of recession</b> <b>Length of recession</b>	<ul style="list-style-type: none"><li>• Will plans need to field more member support as massive numbers of first-time Medicaid members enroll?</li><li>• Will plans need to account for costly transitions back and forth between types of coverage amid a recession?</li><li>• How much will this cost plans in terms of administrative labor/resources?</li></ul>