

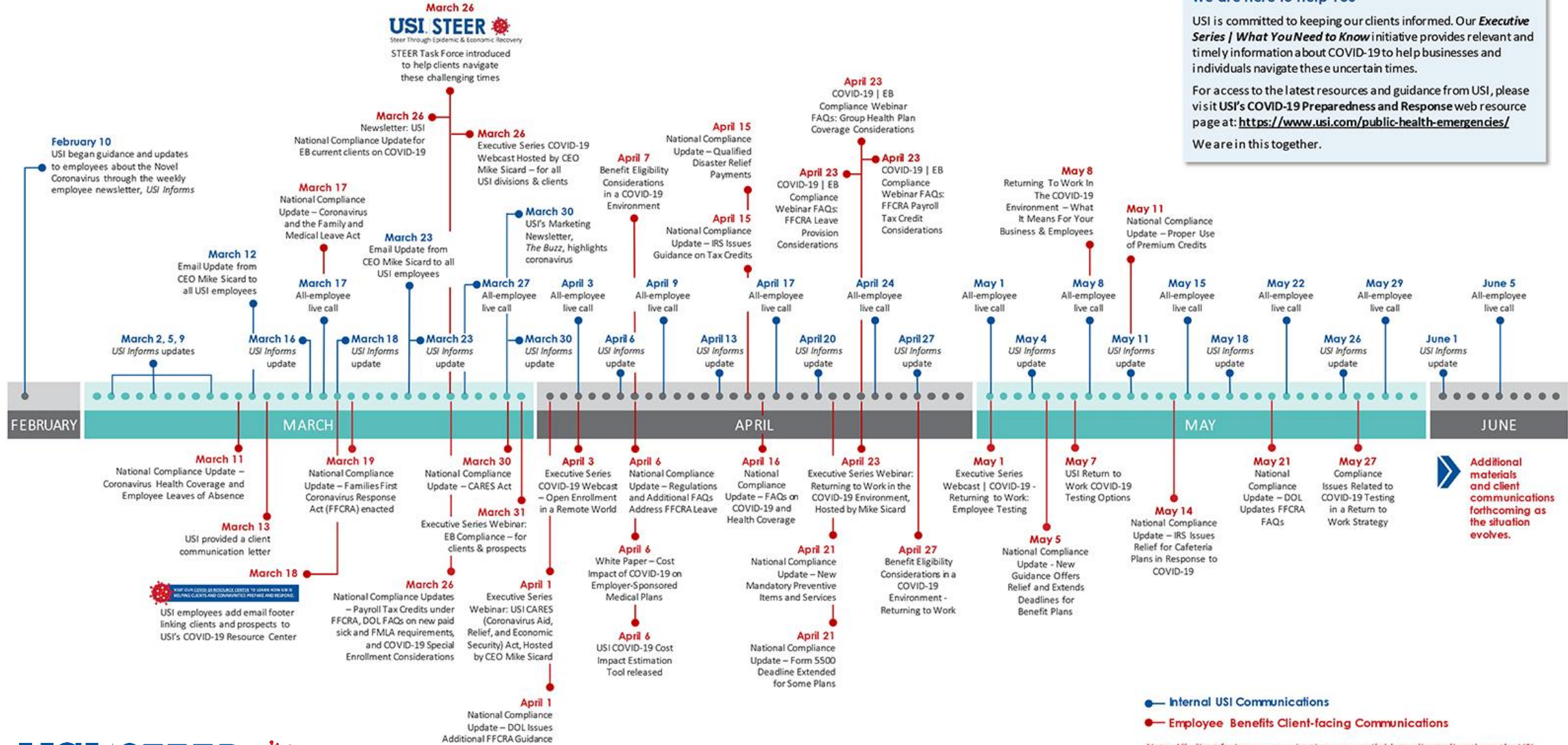
The Cost Impact of COVID-19

RIBGH Webinar | June 11, 2020



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Setting the Context | USI's STEER Timeline



We are Here to Help You

USI is committed to keeping our clients informed. Our *Executive Series | What You Need to Know* initiative provides relevant and timely information about COVID-19 to help businesses and individuals navigate these uncertain times.

For access to the latest resources and guidance from USI, please visit **USI's COVID-19 Preparedness and Response** web resource page at: <https://www.usi.com/public-health-emergencies/>

We are in this together.

Note: All client facing communications are available to clients directly on the USI COVID-19 Web Resource Page <https://www.usi.com/public-health-emergencies/>

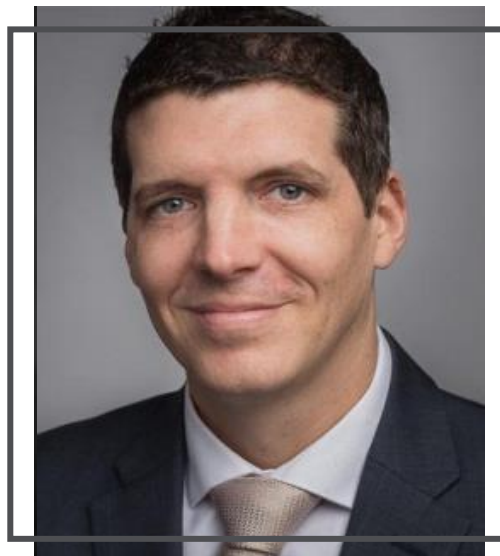
For access to the Executive Series webcasts or webinars, please contact your USI Representative who can provide you with a link to view the on-demand recordings.

The Cost Impact of COVID-19

Today's Presenters



PATRICK CANAVAN
*New England Employee Benefits
Practice Leader
USI Insurance Services*



NICK ALLEN, FSA, FCA, MAAA
*National Practice Leader,
Customer Analytics
USI Insurance Services*



Framing the COVID-19 Cost Issue

Patrick Canavan

Short Term | Utilization with COVID-19

■ Unforeseen utilization

- COVID testing and treatment
- Hospitalization costs (particularly with complications/comorbidities)
- Minimal or no employee cost-share

■ Utilization reductions

- Elective surgery, PCP, specialty care, ER visits down dramatically
- Reduction in some “low value” services

■ Telehealth utilization increase

- The pandemic has been a major catalyst to members utilizing telehealth
- Expansion of Telehealth services, including Behavioral Health
- Replaces “low value” services with “higher value” care

Long Term | Cost & Utilization Outlook with COVID-19

- **Reschedule rate of “elective” procedures – deferred vs. cancelled?**
 - Will less acute procedures (e.g., cortisone shot) turn into more acute (e.g., knee replacement)?
 - Does the shutdown give the opportunity to address their health behaviors (diet, exercise) to avoid needing the acute care?

- **Decreased focus on wellness and preventive/early intervention care**
 - Many employers are suspending or limiting their wellness programs
 - How will this impact costs down the road?
 - Cost pressures may come from lack of:
 - Immunizations
 - Early detection of chronic diseases (diabetes, hypertension, hyperlipidemia, etc.)
 - Cancer screenings

Long Term | Example of Delay in Screening

Example of the cost in delay of breast cancer diagnosis:

Breast cancer costs and survival rates by diagnosis stage			
CANCER STAGE	COSTS 12 MONTHS AFTER DIAGNOSIS	COSTS 24 MONTHS AFTER DIAGNOSIS	5-YEAR SURVIVAL RATE
Stage 0	\$60,637	\$71,909	99%+
Stage 1	\$82,121	\$97,066	99%+
Stage 2	\$82,121	\$97,066	93%
Stage 3	\$129,387	\$159,442	72%
Stage 4	\$134,682	\$182,655	22%

Steps to prevent potential cost spike:

- Continue to promote age and gender-specific screenings
- Opportunity to focus on medical and lifestyle management
- Coordinate care between providers and members now that most provider practices are open

References:
 1. <https://www.cancer.org/cancer/breast-cancer/understanding-a-breast-cancer-diagnosis/breast-cancer-survival-rates.html> accessed July 5 2017.
 2. Blumen H, Fitch K, Polkus V. Comparison of Treatment Costs for Breast Cancer, by Tumor Stage and Type of Service. American Health & Drug Benefits. 2016;9(1):23-32.

COVID-19 Cost Estimator

Nick Allen, FSA, FCA, MAAA

Estimation of Cost Impact for 2020

- **An estimation such as this one has a high variance of outcomes**

- **Key Assumptions:**
 - Infection Rate
 - Percentage of Infected Membership that Require Treatment
 - Severity of Illness for Those Who Do Seek Treatment
 - Worried Members
 - Percentage of Membership Who Avoids Health Care Services During COVID
 - Value and Type of the Services that are Avoided

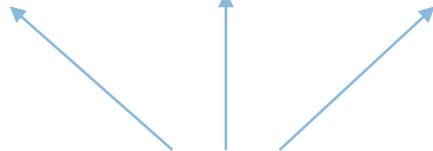
Let's look at a Rhode Island example...

Estimation of Cost Impact for 2020

Sample Group in Rhode Island, with 500 employees and 1,000 members

A) Infected Membership	Optimistic	Best Estimate	Pessimistic
Membership Size	1,000	1,000	1,000
Infection Rate	5.0%	6.7%	11.2%
Infected Members	50	67	112
Percentage of Infected Membership that Require Treatment	21.3%	28.9%	38.9%
Members Requiring COVID-19 Treatment	11	19	44
Severity (Average Cost) of Illness for Those Who Do Seek Treatment*	\$6,000	\$6,500	\$7,000
Total Cost of Those Requiring Treatment	\$66,000	\$123,500	\$308,000

\$66,000 \$123,500 \$308,000



Remember these last totals!

*Includes average costs of testing, physician visits, hospitalizations, etc.

Estimation of Cost Impact for 2020

Sample Group in Rhode Island, with 500 employees and 1,000 members

B) Worried Membership	Optimistic	Best Estimate	Pessimistic
Membership Size	1,000	1,000	1,000
Worried Members Who Will Seek Treatment	2.0%	4.0%	6.0%
Number of Worried Members	20	40	60
Severity (Average Cost) of for Worried Members Who Seek Treatment*	\$450	\$525	\$575
Total Cost of Worried Members	\$9,000	\$21,000	\$34,500



Remember these last totals!

*Includes average costs of testing, physician visits, etc.

Estimation of Cost Impact for 2020

Sample Group in Rhode Island, with 500 employees and 1,000 members

C) Elective Procedure Avoidance	Optimistic	Best Estimate	Pessimistic
Membership Size	1,000	1,000	1,000
% of Membership Avoiding Elective Procedures	40.0%	50.0%	60.0%
% of Health Care Costs that are Elective	30.0%	30.0%	30.0%
% of Avoided Procedures that are Ultimately Cancelled	50.0%	40.0%	30.0%
Average Health Care Cost per Member	\$300	\$300	\$300
Savings from Elective Procedure Avoidance	\$72,000	\$72,000	\$64,800

Remember these last totals!

Estimation of Cost Impact for 2020

Total Impact	Optimistic	Best Estimate	Pessimistic
A) Infected Membership	\$66,000	\$123,500	\$308,000
B) Worried Membership	\$9,000	\$21,000	\$34,500
C) Elective Procedure Avoidance	\$162,000	\$162,000	\$145,800
A + B - C =	(\$87,000)	(\$17,500)	\$196,700
Total Annual Cost for 1,000 Member Group	\$3,600,000	\$3,600,000	\$3,600,000
COVID-19 Cost Impact as a % of the Total	-2.4%	-0.5%	5.5%

By and large we expect no major net impact to 2020 costs due to COVID in Rhode Island or Nationally, but there will be pockets of employers who get hit harder because of:

- Industry circumstances (nursing homes, hospital workers, etc.)
- Proximity to heavy hit geographic areas
- Bad luck



2020 Cost Impact | USI Cost Impact Estimation Tool FAQs

- Should we be making mid-year adjustments to our cost projections?
- My covered population's average age is higher than most groups. How can I use this cost model effectively for my group?
- How long will it be until we have the additional data required to know if we will need to make revised estimates?
- How will the effectiveness of wellness plans be affected by COVID-19, and how will that impact claims cost?

Market Response & Forecast

Patrick Canavan

2020 Carrier Response & 2021 Filings | Fully insured plans

- **Carrier COVID refunds**
 - More common with Dental and Vision (Delta Dental, BCBSRI and many others)
 - United is providing a refund for RI groups (5% for large group, 10% for small group)
 - Other medical carriers are evaluating this
 - May be a preventive stop to stave off MLR refunds

- **OHIC rate filing submission deadline delayed until June 18th**
 - OHIC will have to factor in claim costs during COVID into their review process
 - Final rates may not be approved until mid-September

2021 Renewals Planning | Fully insured plans

- **Groups will need to be proactive**
 - Condensed timing and aversion to disruption may make employers hesitant to switch carriers
 - Employers with significant cost pressures may be forced to market proactively

- **Uncertainty typically means a more conservative approach with underwriting**
 - Multiple underwriting approaches being employed
 - More “art” than “science” this year

- **HIT tax being pulled out in 2021**
 - Favorable for employers, removes 1-3% from rates depending on plan type and carrier

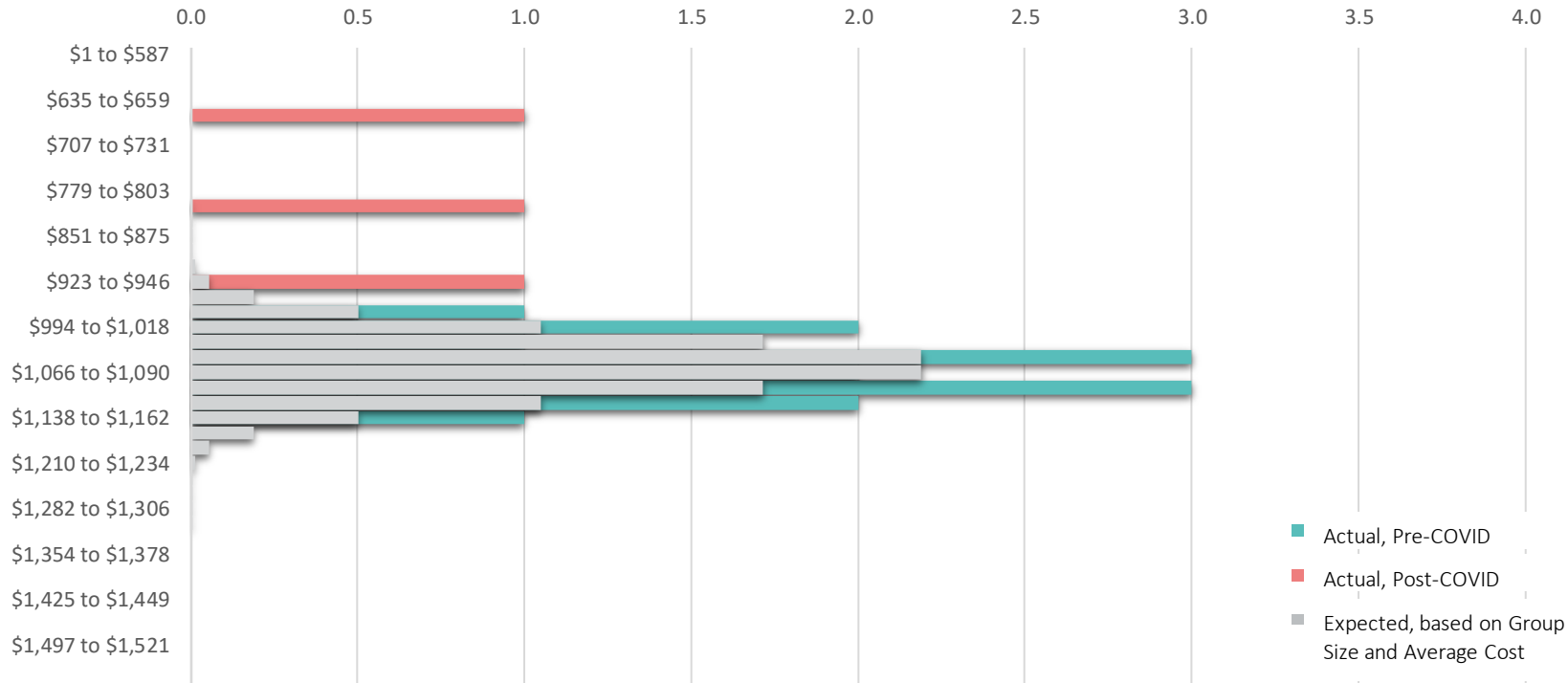
2021 Renewals and Beyond | Self-funded plans

- **Similar challenges to Fully Insured Plans**
- **Two factors to account for**
 - Potential increase in utilization based on the deferral of care
 - Avoid understated working rates based on the suppressed utilization patterns of March-May
- **Stop Loss Impact**
 - Very little impact to Specific Stop Loss
 - Aggregate Stop Loss attachment points will have same issues predicting claims
- **How can emerging claims data be used?**
 - We can make some assumptions on how to normalize a group's data

2021 Renewals and Beyond | National market view

- **Carriers won't be making case-by-case COVID adjustments**
 - They will look at BOB trend + BOB COVID factor by market

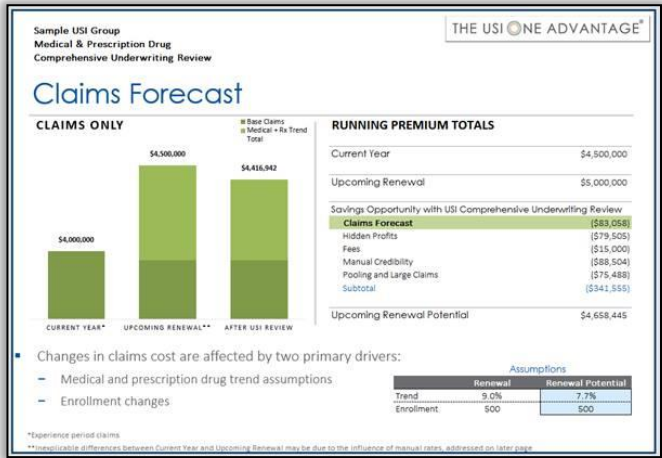
Histogram of Monthly Claims Costs Per Employee



Recommended Employer Strategies | Independent Underwriting

- **Comprehensive independent underwriting review**
 - Evaluated independently from carriers
 - Need to identify hidden carrier revenue sources within a renewal
 - Create alternative assumptions regarding renewal factors and claim projection to demonstrate the opportunity for savings
 - Positions employer to have fact-based negotiations with carriers

- **Large Claim Review**
 - Eliminate/reduce the impact of acute high dollar claimants like COVID-19 hospitalization claims





Questions