

RIBGH Webinar | June 11, 2020

## USI STEER

Steer Through Epidemic & Economic Recovery

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Representative who can provide you with a link to view the on-demand recordings.

#### Setting the Context | USI's STEER Timeline We are Here to Help You USI is committed to keeping our clients informed. Our Executive USI STEER Series | What You Need to Know initiative provides relevant and timely information about COVID-19 to help businesses and STEER Task Force introduced to help clients navigate individuals navigate these uncertain times. these challenging times April 23 For access to the latest resources and guidance from USI, please COVID-19 | EB visit USI's COVID-19 Preparedness and Response web resource Compliance Webinar March 26 FAQs: Group Health Plan page at: https://www.usi.com/public-health-emergencies/ April 15 Newsletter: USI Coverage Considerations March 26 National Compliance Update for National Compliance February 10 Executive Series COVID-19 We are in this together. EB current clients on COVID-19 Update - Qualified USI began guidance and updates Webcast Hosted by CEO April 7 April 23 Disaster Relief to employees about the Novel Mike Sicard - for all Benefit Eligibility COVID-19 | EB May 8 April 23 Payments Coronavirus through the weekly USI divisions & clients Considerations Compliance Returning To Work In COVID-19 | EB March 17 employee newsletter, USI Informs Webinar FAQs: in a COVID-19 The COVID-19 National Compliance Compliance Environment FFCRA Payroll Environment - What Webinar FAQs: May 11 March 30 Update - Coronavirus April 15 Tax Credit It Means For Your FFCRA Leave National Compliance and the Family and USI's Marketing National Compliance Considerations **Business & Employees** Provision Update - Proper Use Medical Leave Act March 23 Newsletter Update - IRS Issues Considerations of Premium Credits The Buzz, highlights Email Update from March 12 Guidance on Tax Credits CEO Mike Sicard to all coronavirus Email Update from USI employees CEO Mike Sicard to March 17 March 27 April 3 April 9 April 17 April 24 May 8 May 15 May 22 May 29 June 5 May 1 all USI employees All-employee live call March 2, 5, 9 March 16 March 18 March 30 April 13 April 20 April 27 May 18 March 23 April 6 May 4 May 11 May 26 June 1 USI Informs USI Informs updates USI Informs update update update undate update update update update update update update FEBRUARY APRIL JUNE March 11 March 19 March 30 April 6 April 16 April 23 May 1 May 7 May 21 May 27 April 3 Additional National Compliance Update -National Compliance National Compliance Executive Series National Compliance National Executive Series Webinar: **Executive Series** USI Return to National Compliance materials Coronavirus Health Coverage and Update - Families First Update - CARES Act COVID-19 Webcast Update - Regulations Compliance Webcast | COVID-19 -Work COVID-19 Issues Related to and client Returning to Work in the Compliance Employee Leaves of Absence and Additional FAQs Update - FAQs on Coronavirus Response - Open Enrollment COVID-19 Environment Returning to Work: **Testing Options** Update - DOL COVID-19 Testing communications Act (FFCRA) enacted in a Remote World Address FFCRA Leave COVID-19 and Hosted by Mike Sicard **Employee Testing** Updates FFCRA in a Return to forthcoming as March 31 May 14 Health Coverage National Compliance Work Strategy the situation March 13 Executive Series Webinar: Update - IRS Issues evolves. EB Compliance - for USI provided a client May 5 clients & prospects April 6 Relief for Cafeteria April 21 April 27 communication letter National Compliance Plans in Response to White Paper - Cost National Compliance Benefit Eligibility Update - New COVID-19 March 18 Impact of COVID-19 on Update - New Considerations in a Guidance Offers March 26 April 1 Employer-Sponsored Mandatory Preventive COVID-19 Relief and Extends National Compliance Updates **Executive Series** Medical Plans Items and Services Environment -Deadlines for - Payroll Tax Credits under Webinar: USI CARES Returning to Work Benefit Plans USI employees add email footer FFCRA, DOL FAQs on new paid (Coronavirus Aid linking clients and prospects to sick and FMLA requirements, Relief, and Economic April 6 April 21 USI's COVID-19 Resource Center and COVID-19 Special Security) Act, Hosted USI COVID-19 Cost National Compliance by CEO Mike Sicard **Enrollment Considerations** Update - Form 5500 Impact Estimation Tool released Deadline Extended for Some Plans Internal USI Communications April 1 National Compliance Employee Benefits Client-facing Communications Update - DOL Issues Additional FFCRA Guidance Note: All client facing communications are available to clients directly on the USI USI STEER \* 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 Steer Through Epidemic & Economic Recovery

# The Cost Impact of COVID-19 Today's Presenters



PATRICK CANAVAN

New England Employee Benefits

Practice Leader

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NICK ALLEN, FSA, FCA, MAAA
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### 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



<sup>1</sup> https://www.cancer.org/cancer/breast-cancer/understanding-a-breast-cancer-diagnosis/breast-cancer-survival-rates html accessed July 5 2017

#### COVID-19 Cost Estimator

Nick Allen, FSA, FCA, MAAA



- 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...



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
*Includes average costs of testing, physician visits, hospitalizations, etc.	Re	member these las	t totals!



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
	Re	member these las	t totals!

<sup>\*</sup>Includes average costs of testing, physician visits, etc.



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!



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 18<sup>th</sup>

- 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

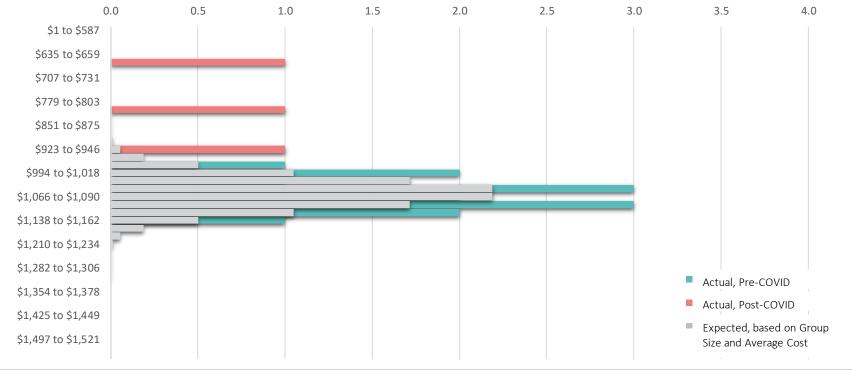
- Very little impact to Specific Stop Loss
- Aggregate Stop Loss attachment points will have same issues predicting claims
- How can emerging claims data be used?
  - We can make some assumptions on how to normalize a group's data



#### 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









