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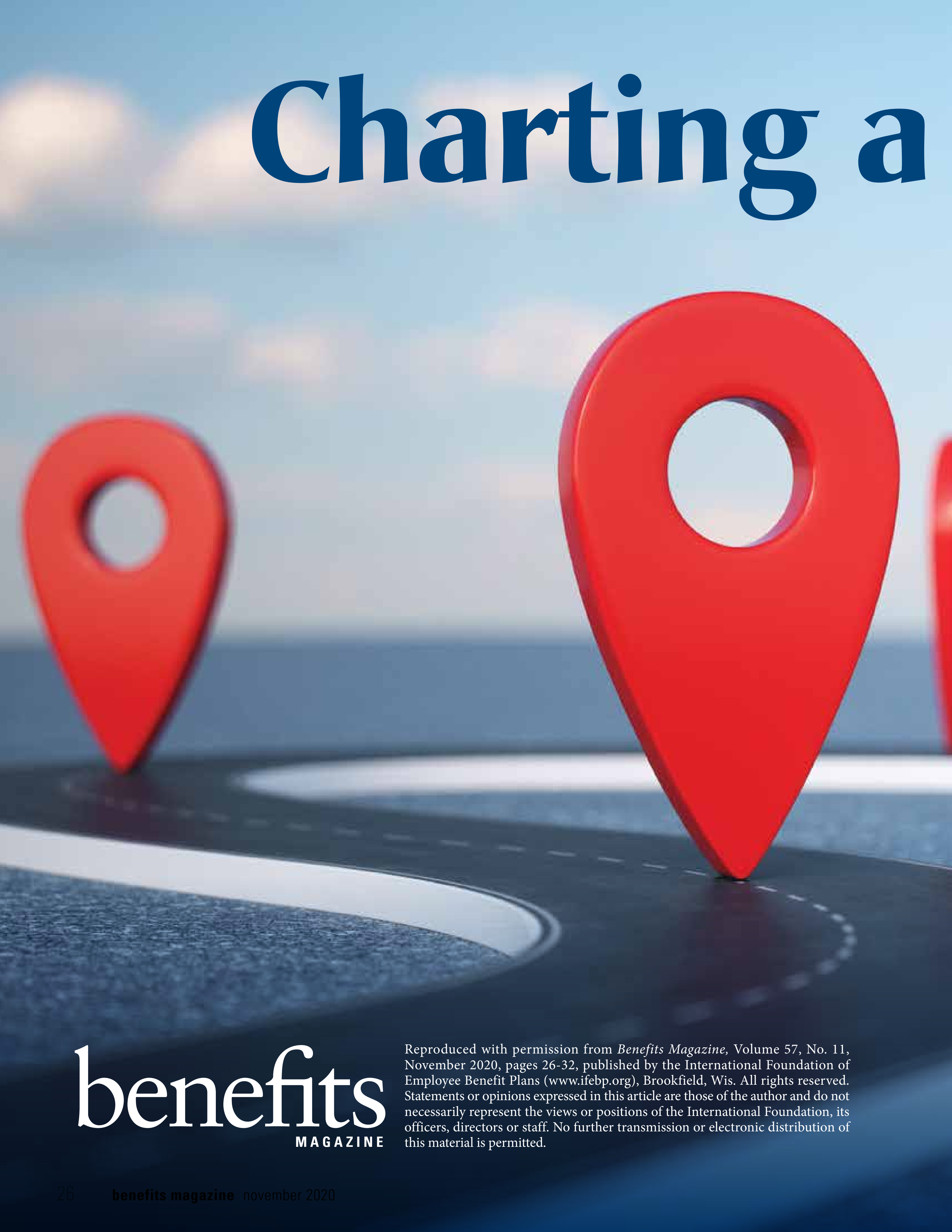

New Course:

Implications of the Pandemic for Health Plan Sponsors

by | **Jeff Levin-Scherz, M.D.,** and **Julie Stone**

The COVID-19 pandemic will reshape health care delivery and purchasing, although its full impact on future costs is uncertain. The authors suggest nine actions that health plan sponsors should take to maximize the value of care available to their members while maintaining affordability in the future, postpandemic world.

Pandemics change the world. The Bubonic plaque marked the transition from the Middle Ages to the Renaissance, smallpox and measles helped Europeans colonize the Western Hemisphere, and the 1918 influenza epidemic helped set the stage for World War II.[1]

While the many impacts of COVID-19 are not yet fully known, transformation is already evident in health care delivery and finance. These changes are creating a new set of risks and opportunities for health care purchasers and plan sponsors that will need to plan for a range of scenarios to respond to the pandemic and its aftermath.

How We Got Here

The pandemic has dramatically increased unpredictability. For instance, health plan sponsors initially braced for increased catastrophic costs as the pandemic began, and hospitals in affected areas exceeded their intensive care capacity. The Coronavirus Aid, Relief, and Economic Security (CARES) Act required waiving of cost sharing for COVID-19 diagnostic testing, and public pressure rose to do the same for COVID-19 treatment.

takeaways

- Total medical costs in the United States will be down in 2020 since many people put off preventive care and elective surgeries due to the COVID-19 pandemic. Decreases in revenue may accelerate hospital and provider consolidation.
- Virtual health care delivery has jumped dramatically, which also will impact provider finances while creating a competitive option for health care purchasers.
- Health plan sponsor strategies for 2021 and beyond should include promoting high-value health care networks, building a broad virtual care strategy and designing mental health programs to meet expected increased needs.
- The pandemic also has shined a light on challenges faced by some health care beneficiaries, including high out-of-pocket costs and higher COVID-19 death rates among minority groups.
- Plan sponsors should review plan designs to make sure they address social determinants of health and meet the needs of low-wage workers. Existing offerings should be evaluated for effectiveness and employee satisfaction.
- Plan sponsors should proactively measure the impact of their plan and program changes so that they can identify opportunities to expand, improve or retire interventions.

But the 2020 calendar year will instead represent the first year in over half a century where total medical costs will be lower than the previous year.[2] Costs incurred in the treatment of COVID-19 victims, even for those with lengthy hospital stays, have been more than offset by health care that was not delivered due to the pandemic. Preventive care plummeted in the spring, with mammograms down 94%, colonoscopies down 86% and dental care down 90%. Many people in the U.S. chose to delay important but nonemergency care too. Elective surgery plunged across the globe[3] and, in some instances, chemotherapy or cancer surgery was postponed for months.[4] Many chronic disease visits were skipped or converted to telemedicine visits, and providers could not perform ancillary tests on patients who remained outside of the medical setting.

There has even been a dramatic decrease in emergency room visits and admissions for medical emergencies such as heart attacks and strokes.[5] Indeed, some of the increase in total mortality[6] during the second quarter of 2020 is likely due to people not getting care for acute cardiovascular disease. In some instances, this might lead to higher future costs because patients missed the opportunity for interventions that could have preserved their heart muscle or minimized the brain impact of a stroke. The interventions that were skipped will deprive some patients of quality or quantity of life but will not raise overall medical costs.

Most worrisome, childhood vaccinations have also slumped during the pandemic.[7] These vaccinations are one of the few medical interventions that save substantially more in medical expenses than their cost,[8] and decreased immunity to measles and other childhood diseases is likely to lead to a future of higher illness rates, death tolls and medical costs.

Some of those who deferred medical care in the first months of the pandemic will resume their use of medical services this fall or next year. Most people with disabling lower extremity pain will eventually reschedule their joint replacement surgery, and many with cancer will receive treatment. While some care for acute and chronic conditions is lost forever, many patients will resume in-person elective care only when they are comfortable with the associated risk.

The Current State

The health care delivery system has faced severe disruption during the early months of the pandemic, with hospitals shutting down profitable elective surgery to make room for

COVID-19 patients. Even geographies with little initial viral transmission saw dramatically reduced demand. The financial losses from the pandemic are expected to accelerate hospital and provider consolidation,[9] leaving even less coverage in rural and poor communities and potentially leading to higher unit prices. The resource cost of care delivery is also rising for both inpatient and ambulatory care; capacities are decreasing while cost of personal protective equipment and cleaning is rising.

Virtual care delivery has jumped dramatically—representing as much as one in seven office visits[10] by late spring. While those numbers represent a significant change in care delivery, patient acceptance of telemedicine remains a hurdle. It also creates an important pivot point. On one hand, the use of virtual medicine could deepen the financial malaise of the health care delivery system; on the other, it offers new competitive options for health care purchasers.

The pandemic is reshaping health care purchasing, too. As many as 15 million people have lost their jobs,[11] and a substantial number of workers who were initially furloughed could lose their employer-sponsored health insurance later this year. Some will become uninsured, but more will be eligible to maintain their coverage through federally subsidized exchange plans or through Medicaid programs.[12] Plan sponsors could find themselves with less volume than prior to the pandemic yet, at the same time, per-employee administrative costs could increase.

A notable area where need for service has increased is mental health. The Centers for Disease Control and Prevention (CDC) reported that 41% of the population had symptoms of severe anxiety or depression[13] in late summer 2020, at least triple the rate of these symptoms in June 2019. Mental health access was poor in the U.S. even before the pandemic,[14] so the use of virtual care has been vital to meeting the expanded demand. Still, some with severe symptoms have likely gone without receiving necessary care.

The pandemic has shined a bright light on some of the severe challenges faced by health plan beneficiaries. Many are underinsured, and lower wage workers face financial insecurity from high out-of-pocket costs.[15] School closings have also demonstrated the high cost and poor access to child care. Death rates from COVID-19 among Black and Latinx people[16] have been substantially higher than those among white people, possibly because they are more likely to be front-line, essential workers; to live in higher density housing and in multigenerational family living situations; and to have decreased access to high-quality health care. This is not new. Black people have higher maternal mortality rates[17] and higher rates of death from cardiovascular disease,[18] and healthy Black children are more likely to die of elective surgery.[19] The need to address social determinants of health has never been clearer.

There is much uncertainty about the impact the pandemic will have on future costs. Some with COVID-19 have long recovery periods and might require extended skilled nursing facility care before returning home. Some who survive COVID-19 develop debilitating “long-haul” neurologic and cardiac symptoms[20] including weakness, confusion and pain. Lung transplants[21] have helped some survive, but there is already a shortage of lungs for transplant. Many specialty drugs, which could cost more than $100,000 per patient, are being tested for COVID-19 treatment.[22] There are almost 200 vaccines being researched,[23] although it’s too early to predict their cost and how frequently they’ll need to be administered.

Nine Actions for Health Plan Sponsors

Against this backdrop of uncertainty of COVID-19 treatment and cost, health plan sponsors should chart a careful course to maximize the value of care available to their members while maintaining affordability.

1. Consider a Range of Scenarios in Planning for 2021 and Beyond

Health care costs could go up between 0.5% and 5% in 2021 depending on the course of the pandemic. Health plan sponsors must build this uncertainty into their financial planning, monitoring both internal health care utilization and market trends.

2. Remember All Health Care Is Local

Plan sponsors should promote high-value networks since cost differences among providers are rarely related to quality. The pandemic could pose a greater financial threat to providers that historically have low prices, though, and these might go out of business or be acquired by high-priced systems. By carefully reviewing discounts and access, health care sponsors can be sure to maintain the aggregate value of any narrow network offering.

3. Build on a Broad Virtual Care Strategy

Patients are increasingly comfortable with the convenience of telehealth services, and the scope of these services continues to increase. Plans can offer initial triaging through telemedicine and then direct patients to the most cost-effective care. This helps the patients navigate the health care systems while also reducing aggregate costs. Plan design can also encourage virtual care through lower cost sharing and as a substitute for in-person care.

4. Design Mental Health Programs to Meet Expected Increased Needs

Plan sponsors can build upon the experience of the pandemic to incorporate app-based and virtual care to meet the growing need for behavioral health care interventions. Also, it's important to recognize that while the workforce will increasingly be made up of digital natives who are quite comfortable obtaining mental health care remotely, those with severe mental illness and substance abuse may still require in-person care.

5. Recognize That Health Care Affordability Will Be a Growing Challenge as the Economy Recovers

Health plan purchasers and sponsors can carefully review their plan design to be sure that low-wage workers are able to afford premiums and do not face out-of-pocket costs that would lead to financial insecurity. Twenty-six percent of large employers (more than 1,000 employees) and 12% of small employers (100-1,000 employees)[24] currently offer salary banding to decrease the cost of insurance for lower wage workers, although this has not increased over recent years. The economic challenges created by the pandemic will make it especially difficult to increase health care subsidies.

6. Review Existing Health Plan Offerings Critically

The pandemic is a good opportunity to review existing program offerings, some of which might no longer provide perceived benefit to members. For example, some plans have offered on-site biometrics, often associated with incentive programs. Research has called into question whether these programs improve health outcomes or lower health costs,[25] and some surveys show substantial employee unhappiness with traditional physical wellness programs.[26] With fewer employees on site and physical distancing in place, sponsors can carefully evaluate the value of such programs and can redeploy funding to provide comprehensive well-being programs or lower the total cost of health care.

7. Address Social Determinants of Health

Addressing the social determinants of health in plan design and communication is an important first step to correct the cause of longstanding health issues. By using culturally inclusive messaging, plan sponsors can attend to the needs of their diverse populations. They can also offer new or expanded programs and highly flexible work policies to assist the parents of young and school-age children with their caregiving needs. And, they can collect and store race information in human resources information systems to share with health plans and data warehouses as well as identify disparities in care and outcomes, while respecting both regulatory requirements and privacy.

8. Keep an Eye on New Health Plan Designs and Vendors

New and legacy health insurance carriers are offering plan designs that decrease out-of-pocket costs for high-value services, often combined with a narrow network, navigation services, and restrictions or higher costs for low-value services. When considering these plans, it's important to check that they have affordable premiums and affordable costs at the point of care and full transparency on coverage inclusions and exclusions. Any savings from a new design should come from decreased utilization or lower prices rather than from leaving legacy plans with adverse selection.

9. Measure Results

Plan sponsors can make better informed decisions about their plans if they proactively measure the impact of their programs. A good rule of thumb is to seek objective evaluation of offered programs and be willing to iterate or even eliminate programs that fail to reach objectives. What's more, the best program evaluation criteria are designed before programs are implemented. Plan sponsors would also be wise to carefully analyze the impact of virtual care with an eye to ensuring that this care is a substitute for, but not incremental to, in-person care.

Conclusion

This pandemic will lead to vast changes in employer-sponsored health care. Health care cost increases are expected to return in 2021, but the amount of medical inflation is likely to remain modest. There is greater potential for increased costs in subsequent years, as we face long-term costs of those who have survived COVID-19, the cost of vaccines as well as new, potentially expensive treatments for the virus. We will also face continued cost pressure from new treatments for conditions not related to COVID-19.

While we can't foresee all that lies ahead, we know that getting in front of the coming changes is an important key to success. By following the above nine steps, purchasers can smartly position their health care programs to not only create value today but also adapt to a new world of health care use and delivery.

bios

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