



COVID-19 Impact on Health Care




A 2020 Health Care Trend Report Data Supplement

The COVID-19 pandemic has caused disruption, creating a need for data to help guide decision-making when it comes to employee benefits. While we don't yet know the full ramifications of the pandemic, we are providing this brief overview to help in these efforts. This supplement to our annual M3 Trend Report provides an early snapshot of cost ramifications and benefit approach changes, as well as a forward-looking analysis of how the pandemic could affect the plans you offer.

COST INFORMATION

Information about the costs of treating COVID-19 is only starting to emerge, but here is an overview of what we have been able to gather:

Demographics: For employer-sponsored health plans, the strong majority of those seeking care for COVID-19 have been aged 18-59, which runs in parallel to those enrolled in employer plans. The majority of severe cases of COVID-19 have been reported in the 60+ age group, however severe cases have not been exclusive to that demographic.

 <p>Demographics Avg. Age 18-59</p>	 <p>Testing Avg. Cost \$102</p>	 <p>Treatment Avg. Cost \$14,573</p>
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Testing: Data on testing demonstrates two important points. (1) Early testing shows a positive rate of 4.7 percent, which includes viral and antibody test results, and (2) the average cost of a test is currently tracking at \$102.

Costs: Costs vary greatly depending upon the level of care required to treat the virus. The driving factors in costs include hospital inpatient visits, intensive care unit (ICU) stays, ventilator usage, and medication costs. Early numbers show an average cost of \$14,573 per case.

It is anticipated that these costs and trends will change and our team will continue to monitor this data.

EMPLOYER REACTION

In July, M3 employee benefit clients had an opportunity to participate in a brief survey to provide a snapshot of their approach to their employee plans amidst the pandemic. The takeaways from that survey follow.

CURRENT VIEW

↑ 62%

Exceeding Market

↔ 34%




Competitive with Market

↓ 4%

Below Market

Most employers currently view their benefits as being at or above those available in the market. 62 percent view their plans as either far exceeding the market (6 percent) or exceeding the market (56 percent). 34 percent view their plans as competitive with the market, whereas only 4 percent view their plans as below market levels.

The COVID-19 pandemic has caused many organizations to be more mindful of their expenses. However, a majority of clients responding to our survey told us that they want stability from their benefit offerings. 68 percent of respondents tell us they do not anticipate making plan changes, 4 percent do anticipate making changes, while 28 percent are unsure at this point.

 <p>68%</p> <p>No</p>
 <p>4%</p> <p>Yes</p>
 <p>28%</p> <p>Unsure</p>

Priority: When asked about what is more of a priority for their organization, respondents answered at an exact 50-50 split between "retaining the quality of benefits" and "managing the cost of benefits."

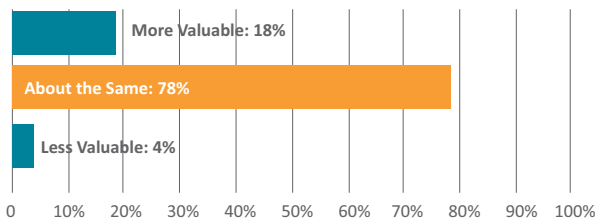
EMPLOYER REACTION (CONT.)

Savings: If put into a situation requiring cost savings, employers' preferred approaches include::

38 percent would review the options on the market, 23 percent would consider employee cost sharing, 5 percent would look at narrowing their provider networks, 4 percent would look at alternative funding models, and 30 percent indicated uncertainty or a preference for other methods.

Future Outlook: Finally, when asked to anticipate the quality of their benefits one year from now, employers' responses indicated a desire for stability. 79 percent of employers indicated that they anticipate their benefits being about the same and 18 percent foresee their employee plans being more valuable, while 4 percent predict their plans will be less valuable.

Employers' One Year Forecast of Their Benefits' Value



At this juncture, it appears that employers are looking for stability in the benefits they offer their employees, however this is a decision that organizations will make largely based upon their circumstances.

CONCLUSION

Ultimately, we are in moment of uncertainty, but understanding the market and the ramifications of the pandemic can help you make the right decisions for the unique needs of your organization.

To discuss further, we encourage you to partner with your M3 Account Team.

MOVING FORWARD

The early ramifications on employer-sponsored health insurance plans have been varied. While some employers have experienced higher than normal costs because of the pandemic, many employers have seen member usage drop in the first half of 2020.

Brian Meyer, Director of Risk Management-Employee Benefits at M3, helps us to think about this unstable time in three categories:

Short-term: In the short-term, claims dipped largely due to stay-at-home orders and behavior changes that have resulted in deferrals in preventive, elective and even some long-term chronic condition maintenance.

Medium-term: As providers are able to re-open, there could naturally be an upturn in claims. The rescheduling of preventive, elective and chronic care, coupled with potential mental health needs makes an upswing in claims very possible. Add potential testing and treatment of COVID-19 to potential costs.

Long-term: The long-term outlook is unknown. Once the effects of the pandemic are understood, we will be in a better position to forecast health insurance costs. Uncertainties range from the ramifications of deferred care to new underlying health conditions to new models of health delivery such as telemedicine.

METHODOLOGY

The information in this report is gathered from multiple sources. The cost data has been gathered from compilations provided by third party administrators, the employer responses are based upon a client survey conducted in late July 2020, and the forward analysis was provided by Brian Meyer, the Director of Risk Management- Employee Benefits for M3 Insurance.



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