

Health insurers
and COVID-19:
considerations
for now, next and
beyond



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Insurers' 2020 outlooks stick, but COVID-19 impact looms

Profits look stable for now, but this crisis will reset the health ecosystem. In their Q1 2020 results, US health insurers generally maintained their 2020 outlooks, but signaled toward a likely impact from the COVID-19 crisis. A strategic focus on systemic gaps surfaced during the pandemic, as well as opportunities for accelerated improvement. As the crisis escalates, health insurers aim to support their members, navigate an evolving coverage mix, improve access to care, and support economic stability through grants and donations, and by waiving up-front costs for COVID-19-related care.



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Coronavirus will reset the health care ecosystem with ripple effects that will be seen long after the pandemic is over.

The decline in health care spending due to delays in elective surgeries, and reduced patient volumes overall during the crisis, have offset the costs of COVID-19 care, boosting US health insurer profits. Profits could be short term, however, depending on when the crisis eases, and when hospitals and clinics return to a near pre-pandemic state. In addition, most payers currently

do not plan to increase 2021 premiums, in spite of an expected increase in claims post-COVID-19. And most health insurance payers are taking significant steps to dispel member concerns amid this unparalleled crisis. Coronavirus will reset the health care ecosystem with ripple effects that will be seen long after the pandemic is over.

CONSIDERATIONS FOR HEALTH INSURERS:



Payer mix shift: strategic considerations

IMPACT ON PAYER ENROLLMENT MIX: SHIFT FROM EMPLOYER-SPONSORED INSURANCE TO OTHER SEGMENTS ^{1, 2, 3, 4, 5, 6}

Millions of Americans have lost their jobs and employer-sponsored insurance due to the COVID-19 pandemic. As the uninsured population increases exponentially, we expect to see a significant shift from commercial insurance to the individual market, Medicaid and a growing rank of uninsured. According to Federal Reserve estimates, if the US unemployment rate reaches 32% by the end of 2020, 8 million adults will opt for Medicaid, 1 million adults will enter the individual market, and 7 million adults will be uninsured – leading to a material shift in a US health insurers' book of business. While there is talk of supporting employer-sponsored insurance coverage (subsidizing COBRA), this may not significantly affect the anticipated mix shift. Further, employers that continue to offer coverage will face difficult decisions, potentially reducing benefits or shifting costs to employees when current coverage is renewed.

Payers need to understand these expected changes and develop a proactive strategic response. A near-term focus on promoting cost-effective individual plans while highlighting any applicable subsidies (currently seen in 11 states that have reopened their exchanges) will support positioning

within the individual market. For fully insured employers, adjusting existing plans and benefits to emphasize clinical and cost management will be a core focus, as will supporting adoption of self-insured coverage for employers where that structure can provide additional management opportunities. And payers need to focus not only on the insurance market, but also on their provider partners, offering novel solutions to support their network providers during and after the pandemic. Many health insurers have started deploying payments to support their contracted providers, to help them weather the short-term financial impact of the pandemic. However, they also need to focus on offering post-crisis support.

This shifting landscape will eventually impact insurers' revenue and profit margins. The net effect of declining commercial insurance, increased Medicaid enrollment and increased individual enrollment will be a function of the level of membership concentration across these lines of business and the ability to adapt one's offering to profitably serve non-employer segments.



Ideally, all COVID-19-related costs should be completely covered by the federal government. However, a significant share of the workforce who lose employer-sponsored insurance may be facing costly medical bills because of other health conditions – those that were previously covered by their employer. Expanding Medicare and Medicaid to the unemployed workforce during the COVID-19 crisis with federal government funding would be a bold, but gracious, move.

In any case, commercial payers can broadly reassess their strategic plans, making adjustments that will enable them to flex in anticipation of major changes to their membership base.

¹"How Covid-19 will impact payer enrollment mix," *Advisory Board website*, [advisory.com/research/health-plan-advisory-council/members/expert-insights/2020/how-covid-19-will-impact-payer-enrollment-mix](https://www.advisory.com/research/health-plan-advisory-council/members/expert-insights/2020/how-covid-19-will-impact-payer-enrollment-mix), accessed on 6 May 2020.

²"COVID-19 to Impact Employer-Sponsored Health Plans for 3.5M," *HealthPayerIntelligence website*, [healthpayerintelligence.com/news/covid-19-to-impact-employer-sponsored-health-plans-for-3.5m](https://www.healthpayerintelligence.com/news/covid-19-to-impact-employer-sponsored-health-plans-for-3.5m), accessed on 6 May 2020.

³"COVID-19 Healthcare Spending Forces Difficult Choices for Payers," *HealthPayerIntelligence website*, [healthpayerintelligence.com/news/covid-19-healthcare-spending-forces-difficult-choices-for-payers](https://www.healthpayerintelligence.com/news/covid-19-healthcare-spending-forces-difficult-choices-for-payers), accessed on 6 May 2020.

⁴"Coronavirus job losses could total 47 million, unemployment rate may hit 32%, Fed estimates," *CNBC website*, [cnbc.com/2020/03/30/coronavirus-job-losses-could-total-47-million-unemployment-rate-of-32percent-fed-says.html](https://www.cnn.com/2020/03/30/coronavirus-job-losses-could-total-47-million-unemployment-rate-of-32percent-fed-says.html), accessed on 13 May 2020.

⁵"Exclusive: Democrats have a new plan to keep millions of laid-off workers insured," *Vox website*, [vox.com/2020/4/14/21219461/democrats-new-plan-keep-laid-off-workers-insured](https://www.vox.com/2020/4/14/21219461/democrats-new-plan-keep-laid-off-workers-insured), accessed on 13 May 2020.

⁶"Heroes Act delivers a win to the health insurance industry," *The Intercept website*, theintercept.com/2020/05/12/heroes-act-coronavirus-health-insurance-industry/, accessed on 13 May 2020.

Prime time for digital health

ADOPTION OF DIGITAL HEALTH SERVICES AND MORE FAVORABLE REGULATORY AND REIMBURSEMENT ENVIRONMENTS^{7, 8, 9, 10}

Telehealth has historically had low rates of adoption, despite being a cost-effective and convenient care delivery option. A 2017 report by the Center for Connected Health Policy found that 32 states and the District of Columbia had laws pertaining to payer parity. However, a lack of clarity, plus clauses that impeded the expansion of telehealth-delivered services, weakened the effect of many of these laws.

Following the COVID-19 outbreak, the federal government issued several amendments to existing policies regarding telehealth and its Medicare reimbursement. Private payers followed suit, with varying degrees of adherence to the Medicare reimbursement guidelines. The activity in the private payer market has been intense, with payers looking to reduce costs and aid traditional providers (especially smaller clinics) in remaining solvent. Payers have implemented the following (temporary) initiatives:

- ▶ Reimbursing providers for telehealth visits at the same rate as in-person visits
- ▶ Waiving the requirement for live video consults and allowing telephonic visits for reimbursement
- ▶ Working with telehealth platforms to provide members free access to their platforms

- ▶ Creating online tools to triage patients for telehealth consults to prevent overwhelming available on-site capacity, and to filter and reroute queries and services that cannot be handled online
- ▶ Creating websites to direct patients to in-network telehealth service providers
- ▶ Donating to improve the telehealth infrastructure of traditional providers

Payers are also establishing new partnerships and encouraging telehealth adoption to prevent unnecessary hospital visits during the pandemic. One major insurer has made telehealth visits free of charge with any of its partner platforms and waived costs for coronavirus-related virtual visits from any in-network provider. It is also deploying virtual care tools for its highest-risk members, plus a home-based care management tool and expanded access to its digital care management tools. Another is offering telemedicine visits with no co-pay to members in both commercial and Medicare Advantage plans. Though the pandemic has accelerated telehealth adoption, continued adherence to virtual consultations post-COVID-19 remains unknown. However, many believe consumer behavior regarding telehealth is forever changed and that current adoption levels will continue. Telehealth transactions have more than doubled in the past quarter, and deal funding more than quadrupled over the past year.



Many payers have responded liberally amid the crisis – reimbursing most forms of telehealth. However, we expect that many of these policies will be put on hold or rolled back after COVID-19. The approach that payers use to revamp and update their plans post-crisis will be a deciding factor in how telehealth is sustained by providers moving forward.

For future care delivery, payers need to assess interest and comfort level with telehealth within their contracted provider network through regular touchpoints. This will allow them to manage expectations, determine ROI and make informed decisions about reimbursement.

⁷"State Of Healthcare Q1'20 Report: Investment & Sector Trends To Watch," *CB Insights website*, [cbinsights.com/research/report/healthcare-trends-q1-2020/](https://www.cbinsights.com/research/report/healthcare-trends-q1-2020/), accessed on 13 May 2020.

⁸"Payers' response to COVID-19 evolves as pandemic continues to spread," *FierceHealthcare website*, [fiercehealthcare.com/payer/payers-evolve-their-response-to-covid-19-as-pandemic-continues-to-spread](https://www.fiercehealthcare.com/payer/payers-evolve-their-response-to-covid-19-as-pandemic-continues-to-spread), accessed on 6 May 2020.

⁹"Telehealth Key to Payer COVID-19 Prevention, Diagnosis, Testing," *HealthPayerIntelligence website*, [healthpayerintelligence.com/news/telehealth-key-to-payer-covid-19-prevention-diagnosis-testing](https://www.healthpayerintelligence.com/news/telehealth-key-to-payer-covid-19-prevention-diagnosis-testing), accessed on 6 May 2020.

¹⁰"Medicare Telemedicine Health Care Provider Fact Sheet," *CMS website*, [cms.gov/newsroom/fact-sheets/medicare-telemedicine-health-care-provider-fact-sheet](https://www.cms.gov/newsroom/fact-sheets/medicare-telemedicine-health-care-provider-fact-sheet), accessed on 13 May 2020.

Value-based care still a future focus

THE COVID-19 CRISIS HAS TEMPORARILY SIDELINED THE SHIFT TO VALUE-BASED CARE – BUT IS CREATING A STRONG CASE FOR THE FUTURE^{11, 12, 13}

The COVID-19 pandemic not only upended the American health care system, but also has significantly disrupted value-based payment arrangements between health plans and providers. Cost-savings targets are likely to be missed as patients delay care and providers focus on the pandemic. H1 2020 data was not included for calculating provider performance to avoid unnecessarily penalizing providers, and the 2019 reporting time limit for providers participating in the Merit-based Incentive Payment System and Medicare Shared Savings Program accountable care organizations (ACOs) was pushed back.

In the near term, clinicians in value-based arrangements may be at higher financial risk than their fee-for-service counterparts, as dollars spent on preparations for and treatment of COVID-19 patients may be a sunk cost. A recent survey of over 220 ACOs revealed that approximately 60% are likely to drop out of their risk-based model to avoid financial losses. As value-based contracts require an up-front financial commitment, providers are not likely to put more money at risk in the existing economic environment.

In the near term, however, the financial challenges uncovered by the pandemic highlight long-standing challenges of the traditional fee-for-service model and could further push providers toward value-based arrangements (which were built mainly for chronically ill populations – the population that has been hit hardest by the coronavirus). The crisis could lead to innovative mechanisms to detach revenue from patient volume. It will also motivate the industry to refocus on managing the health of at-risk populations in the future.

Like CMS, private health insurers also need to come up with risk mitigation measures for provider revenue loss. Some of these could include:

- ▶ Capping shared losses at a certain threshold
- ▶ Reducing reporting obligations for providers
- ▶ De-emphasizing performance data for H1 2020
- ▶ Using 2019 data to make payments in 2020
- ▶ Foregoing penalties for missed performance benchmarks



In the near future, participation in value-based care will certainly slow, as providers reflect on their processes and finances in the wake of the COVID-19 outbreak. It is unlikely that they will enter into any new downside risk contracts without an emergency clause permitting flexibility during future crises. However, in the long run, providers will be incentivized to adopt value-based care: the crisis has surfaced the risk of the relationship between revenues and patient volume.

¹¹"Could coronavirus derail the decades-long shift to value-based care?," *Healthcare Dive website*, [healthcaredive.com/news/could-coronavirus-derail-the-decades-long-shift-to-value-based-care/575938/](https://www.healthcaredive.com/news/could-coronavirus-derail-the-decades-long-shift-to-value-based-care/575938/), accessed on 7 May 2020.

¹²"Survey Shows ACOs' Concerns About the Effect of COVID-19," *National Association of ACOs website*, [naacos.com/survey-shows-acos-concerns-about-the-effect-of-covid-19](https://www.naacos.com/survey-shows-acos-concerns-about-the-effect-of-covid-19), accessed on 7 May 2020.

¹³"Addressing Provider Viability: The Case for Prospective Payments during COVID-19," *Center for Health Care Strategies website*, [chcs.org/addressing-provider-viability-the-case-for-prospective-payments-during-covid-19/](https://www.chcs.org/addressing-provider-viability-the-case-for-prospective-payments-during-covid-19/), accessed on 7 May 2020.

Social determinants in the spotlight

PAYERS INVESTING IN COVID-19 SOCIAL DETERMINANTS OF HEALTH (SDOH)^{14, 15, 16, 17}

In addition to cost-sharing for COVID-19 testing and offering telehealth benefits at no cost, payers are also continuing to focus on and invest in social health determinants. They have donated food, support, housing and medical facilities to hardest-hit communities. Dietary impacts on health complications and chronic disease management for older Americans are also being addressed. Awareness of SDoH data for seniors supplies needed intelligence to drive immediate impacts, while also supporting continued innovation and capability development. Among the newly unemployed and their families, hunger can be an issue – food banks are reporting increased demand.

Payer philanthropy will not resolve all of the challenges related to the social determinants of health that have been exposed during the crisis, but it can make a difference in times of uncertainty. The pandemic has unearthed glaring health disparities, further confirming the relationship between social determinants of health and health outcomes.

Population health management has been important for identification, segmentation and effective member engagement during the crisis. The crisis highlights the need for population-based models that consider the impacts of patients' social needs. Health plans are in a unique position to offer support beyond clinical care and develop purposeful interventions for future. While health insurers work to resolve immediate challenges, they also need to consider how members' needs may change in the future. Post-COVID-19, people may suffer from behavioral health conditions like depression due to isolation or physical issues like back pain from sitting in front of screens for hours. To develop a holistic, futureproof approach, payers need to study and understand the real-life challenges of their population.

Next steps

The pandemic is expected to have long-lasting effects on all health care stakeholders. Changes will be evident in the resulting payer mix shift, uptake of telehealth, and future demand for coverage and value. Access to health care as well as health insurance coverage and plans will also see major changes. As the health care industry looks towards recovery and plans for its future, health insurers who can develop and modify their offerings to make them more 'crisis proof' and 'future ready' will see continued growth.

¹⁴"How Payers Invest in Coronavirus Social Determinants of Health," *HealthPayerIntelligence website*, healthpayerintelligence.com/news/how-payers-invest-in-coronavirus-social-determinants-of-health, accessed on 7 May 2020.

¹⁵"\$5.1M Grant Addresses Social Determinants of Health in Seniors," *HealthPayerIntelligence website*, healthpayerintelligence.com/news/5.1m-grant-addresses-social-determinants-of-health-in-seniors, accessed on 7 May 2020.

¹⁶"Social determinants of health take center stage during the COVID-19 crisis," *MedCity News website*, medcitynews.com/2020/05/social-determinants-of-health-take-center-stage-during-the-covid-19-crisis/?rf=1, accessed on 7 May 2020.

¹⁷"Humana, NQF argue COVID-19 spotlights need for population health evolution," *FierceHealthcare website*, fiercehealthcare.com/payer/humana-nqf-argue-covid-19-spotlights-need-for-population-health-evolution, accessed on 7 May 2020.

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Contacts



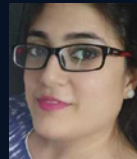
Melinda Durr

Principal, EY-Parthenon
Ernst & Young LLP
melinda.durr@parthenon.ey.com
+1 312 879 2658



Mallory Caldwell

Principal, EY Americas Healthcare Leader
Ernst & Young LLP
mallory.caldwell@ey.com
+1 713 751 5414



Aakanksha Kaul

Analyst, EY Global Health Sciences and Wellness
Ernst & Young LLP
aakanksha.kaul@gds.ey.com
+91 9899293927