



HOW COVID-19 IMPACTED HEALTHCARE CLAIMS

The emergence of COVID-19 had profound impacts on employee benefit plans, from compliance considerations as work situations changed, to increased emphasis on benefits like mental health, to cost impacts for self-insured plans and fully-insured renewals.

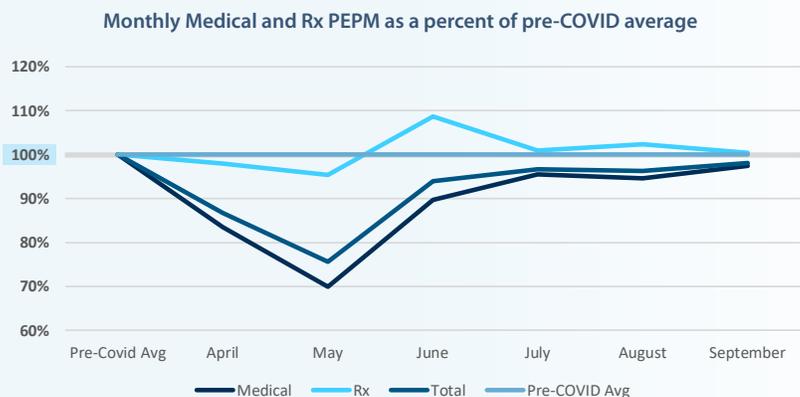
Through it all, we kept track of how employees utilized medical and Rx benefits through shutdowns and reopenings. Using our IMA People Analytics database, which includes over 100,000 members, the following three charts illustrate how medical and Rx claims developed over the spring and summer, with hints to how things might proceed in the future.

CLAIMS DECREASED THROUGH SHUTDOWNS AND HAVE RE-STABILIZED LOWER THAN PRE-PANDEMIC

Overall, claims were down about 9% per month from April through August 2020, compared to the previous 12 month pre-COVID average (April 2019 through March 2020).

During the steepest of shutdowns in April and May, claims were down 15% and 25% overall. Since June, claims have been relatively stable, about 2-6% lower than pre-COVID averages.

The stability in the most recent months is important, because it may signal that COVID-19 induced some long-lasting changes in how employees seek medical care. Increased utilization of lower cost telehealth services and decreased utilization of non-essential services may last into 2021.

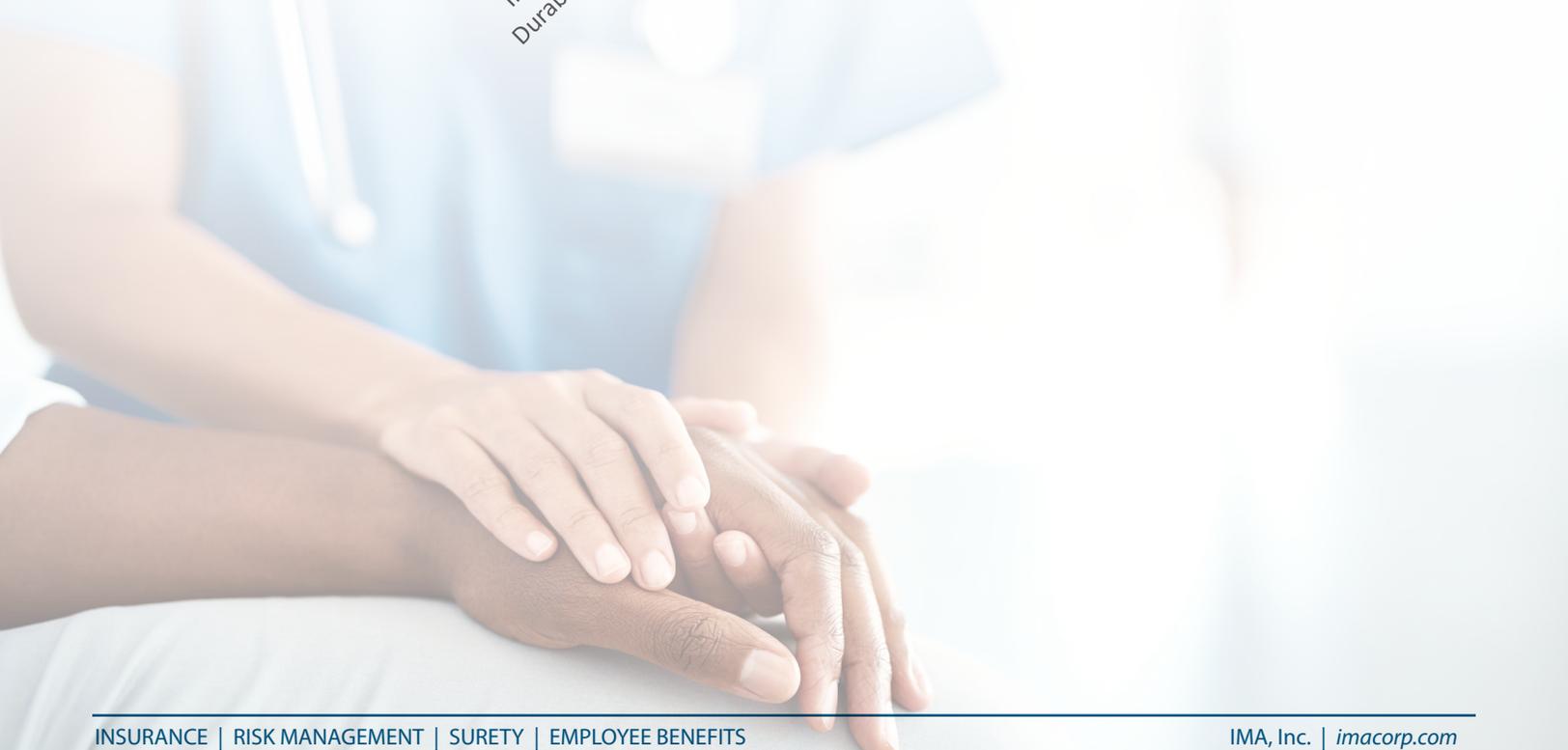
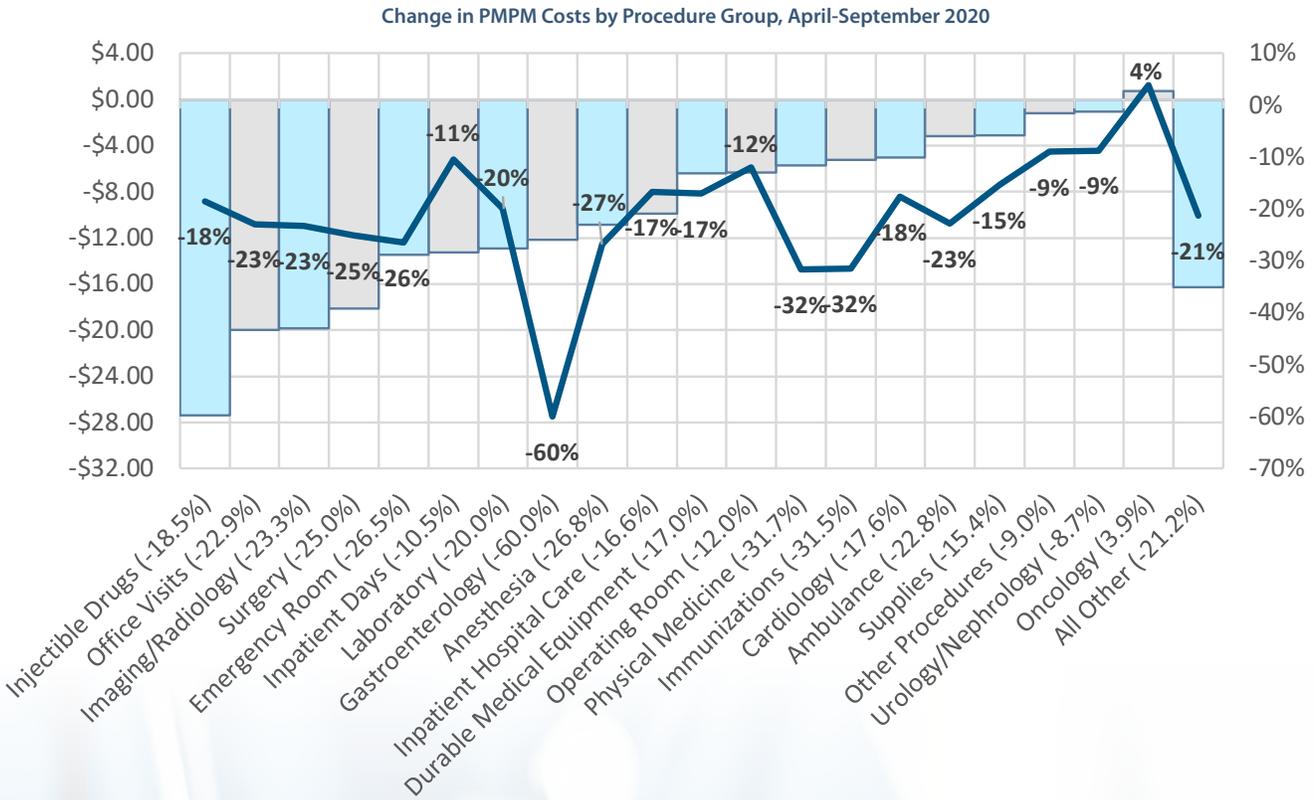


GENERAL HEALTHCARE SERVICES WERE DOWN, WHICH MAY HAVE DOWNSTREAM IMPACTS

While claims were down across the board, the most impactful reductions to claims utilization were to general services such as general office visits, imaging, and surgery.

This may give some insight into which services are non-essential, and value-based insurance design (VBID) concepts can be used to steer health plan usage to create lasting savings.

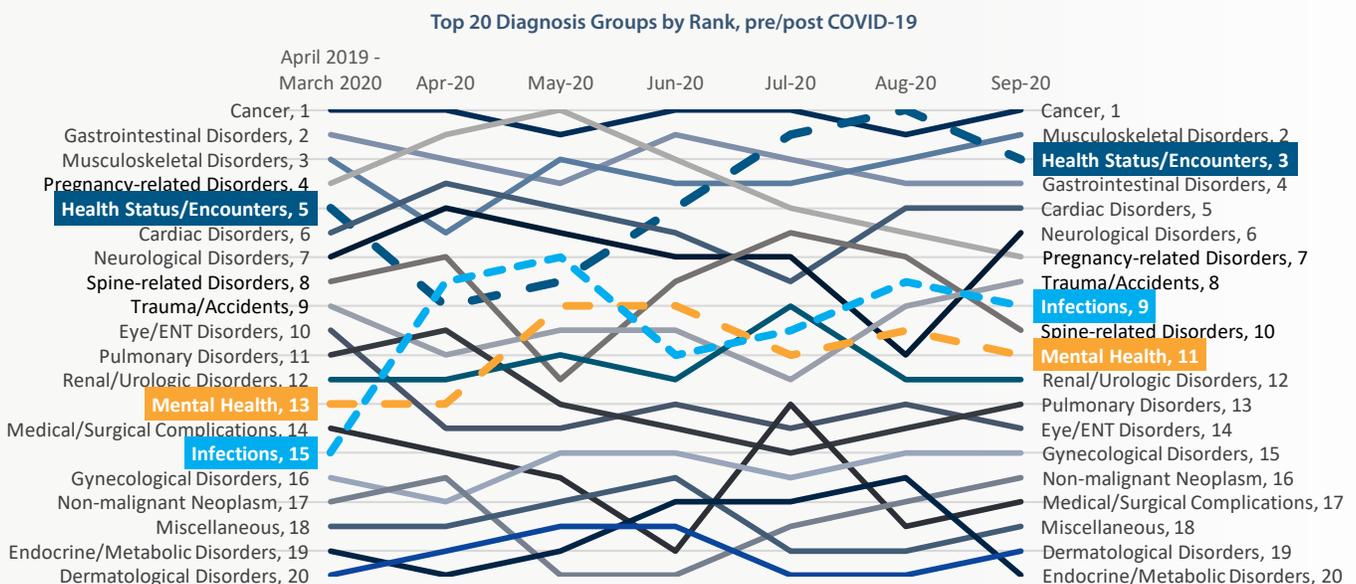
However, one potential drawback is that some of these services may cause increased severity of illnesses down the line, if care is delayed. This fear has driven up rate increases in many 2021 renewals.



MENTAL HEALTH SERVICES ARE UP, GENERAL OFFICE VISITS AND CERTAIN SPECIALIST SERVICES WERE DOWN

The chart below shows the impact of the pandemic on the top 20 diagnosis groups prior to COVID-19. While there is some month-to-month variation and most medical conditions had less associated costs through the shutdown, some services took on increased importance.

Throughout the shutdowns, only two conditions categories consistently saw increases in cost. The first (unsurprisingly) was infections, which includes infectious diseases and COVID-19, with a 60% overall increase versus pre-COVID averages. Mental health also showed higher utilization overall since COVID-19 began, up 18% from pre-COVID averages. We expect this to continue as social and economic hardships continue, and many of our clients have used this information to invest in implementing and communicating mental health benefits. Meanwhile, general office visits (health status/encounters) saw significant drops in April and May, and increases over the summer as employees “made up for” delayed visits.



CONCLUSION

Understanding health plan performance is more than just knowing plan spend versus budget. COVID-19 provided an opportunity for plan sponsors to re-examine strategy and assess the efficiency of their benefit plans. While the future is unpredictable, following market trends in underlying utilization can help give some insight into how cost can be controlled in the next phases of the pandemic. Clients have used these insights to help negotiate fully-insured renewals, budget properly for self-insured plans in 2021, and weigh the appropriate funding strategy for their goals in the post-pandemic world. Moving forward, these metrics will provide valuable insights to understand and manage future rate increases, to develop strategies and solutions to manage workplace benefits, and to quantifiably justify expenditures in new programs such as mental health offerings and focus on primary care, which often produce overall cost savings.

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