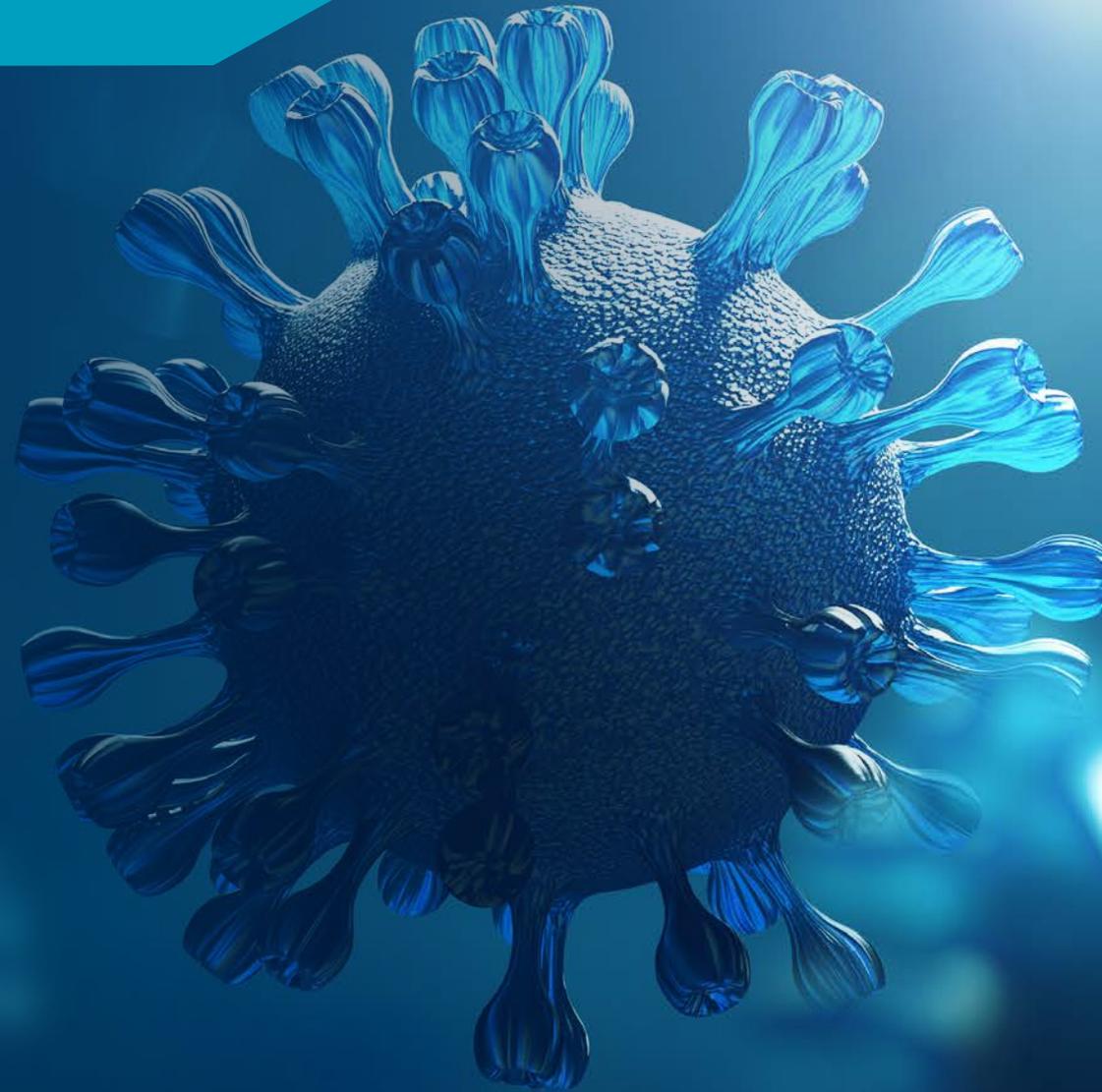


April 2020

COVID-19

*The Projected Cost to
Insurers and Employers*



About the Authors



Joshua W. Axene, FSA, FCA, MAAA, is a Partner and Consulting Actuary with Axene Health Partners, LLC and is based in AHP's Temecula, CA office.

David V. Axene, FSA, FCA, CERA, MAAA, is the President and Founding Partner of Axene Health Partners, LLC and is based in AHP's Temecula, CA office.

Axene Health Partners consist of a team of actuaries, clinicians, and IT developers that provides top-tier services to Acrisure Agency Partners and their clients. Their experience includes working with some of the nation's largest insurers, providers, and health systems.

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Background

- COVID-19 data and its trends are rapidly evolving and the likely impacts on healthcare costs change every day.
- We are deeply involved both regionally and nationally helping our clients understand COVID-19 including infection rates, death and recovery rates, and the required healthcare resources caused by the virus.
- Starting with this significant understanding of COVID-19 we are translating our knowledge into how COVID-19 will affect healthcare costs in 2020 and beyond.

Early Indications

- We believe COVID-19 has already started to impact health care costs in 2020.
- The pandemic will similarly impact both insurers and self-insured groups.
- No projection model will perfectly predict the impact, but we are confident the AHP COVID-19 Cost Projection Model (CCPM) provides a valuable resource for predicting the cost impact.

Methodology

- As with any model, especially those with limited data, the assumptions used will drive the output.
- For this reason, we have built a projection model that lets the user set the assumptions and adjust these as more data becomes available.
- The core of our model is an actuarial cost model for a typical commercial under age 65 population.
- We have used benefit plan paid data to project costs¹.

¹ *Assumed benefits approximate an 85% actuarial value.*

Assumptions

- **Paid Claims Data** – CCPM uses paid claims data to measure the benefit cost to the insurer/plan sponsor and is net of the out of pocket costs of the members.
- **Allocation of Elective vs. Required Services** – CCPM allocates the utilization by type of service between elective (or delayable) and required (not delayable).
- **Acuity Adjusted Provider Costs** – CCPM adjusts individual provider cost/unit for both elective and required services to properly project costs. In most cases, elective services have a lower acuity than required services (i.e., lower unit costs).
- **COVID-19 Cost Model** – CCPM projects COVID-19 related costs. Most of the COVID-19 costs are related to inpatient hospital care and ER costs. We have attempted to incorporate the cost of testing into the model but it could be a higher variable as the cost and availability of the tests are highly variable.
- **Utilization Adjustment by Month** – CCPM adjusts the monthly utilization for the elective, required and COVID-19 costs.
- **COVID-19 Peak** – CCPM assumes that the peak impact of the COVID-19 will likely occur in June 2020. Many experts believe a second wave may occur in the fourth quarter as a result of relaxing social distancing limitations and enforcement. CCPM information in this document does not include any adjustment for this second wave.
- **COVID-19 Copays** – We are assuming that COVID-19 Copays are waived for all members with COVID-19 claims.

Exhibit 1: Projected Results for 2020 Costs

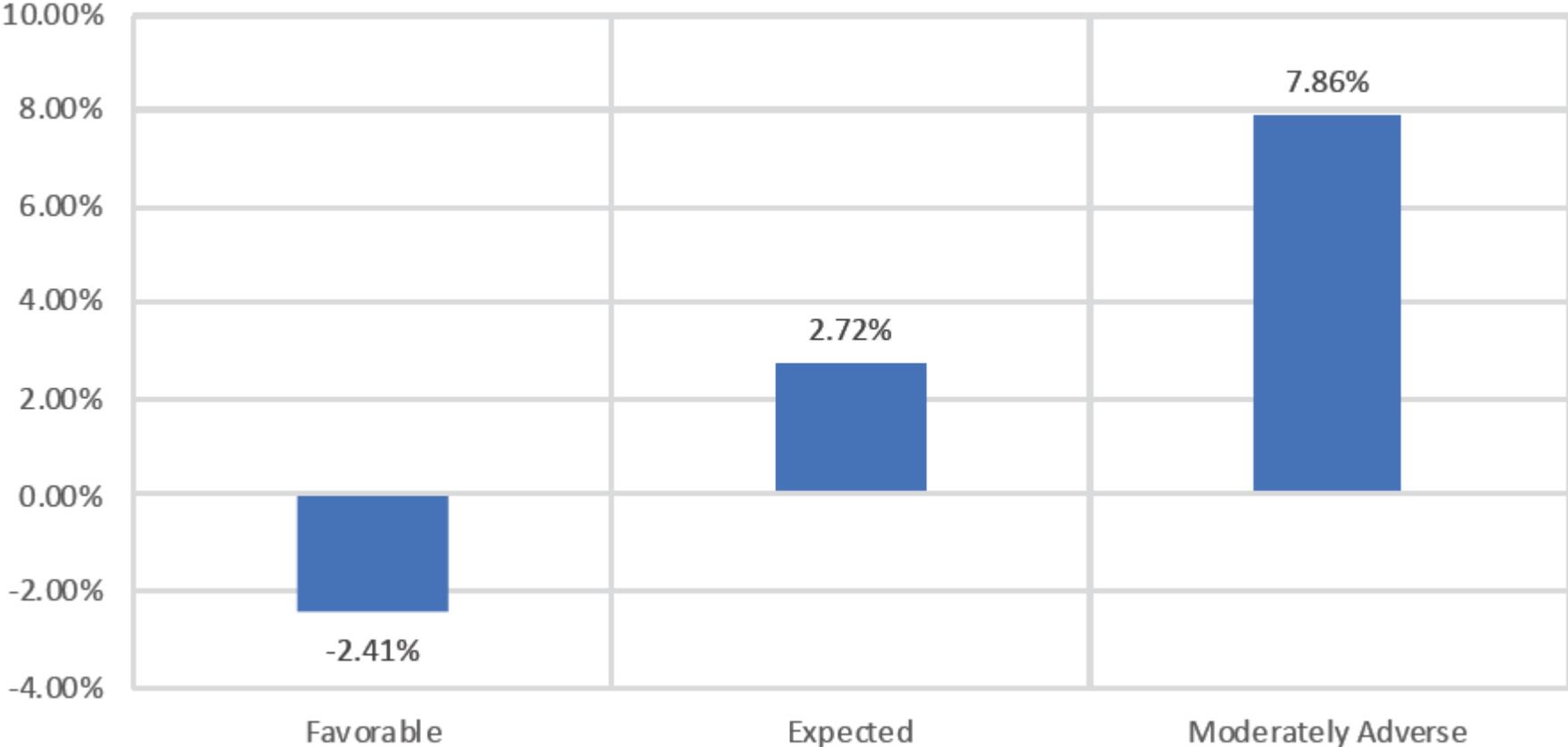


Exhibit 2: Spend by Category

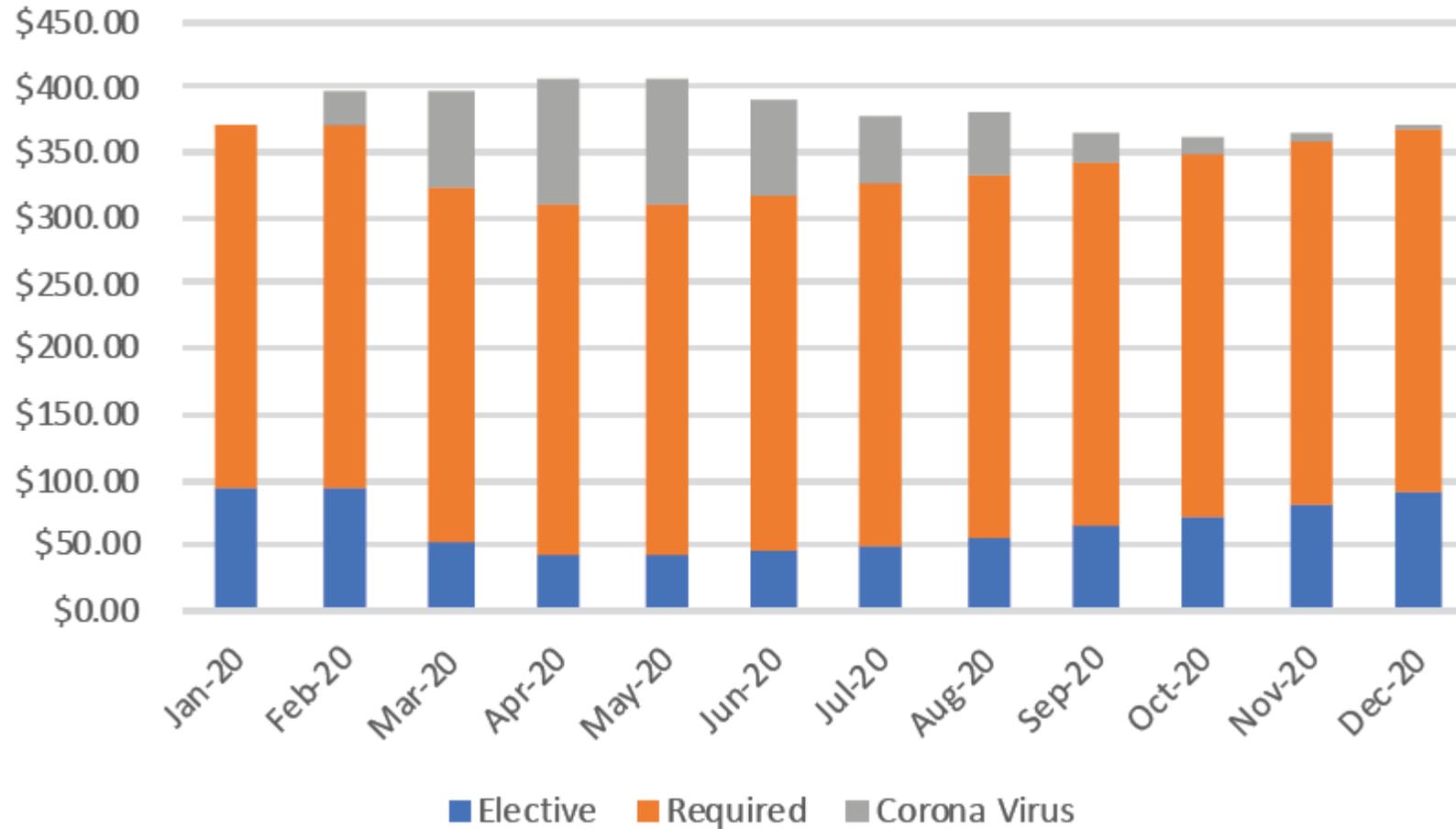
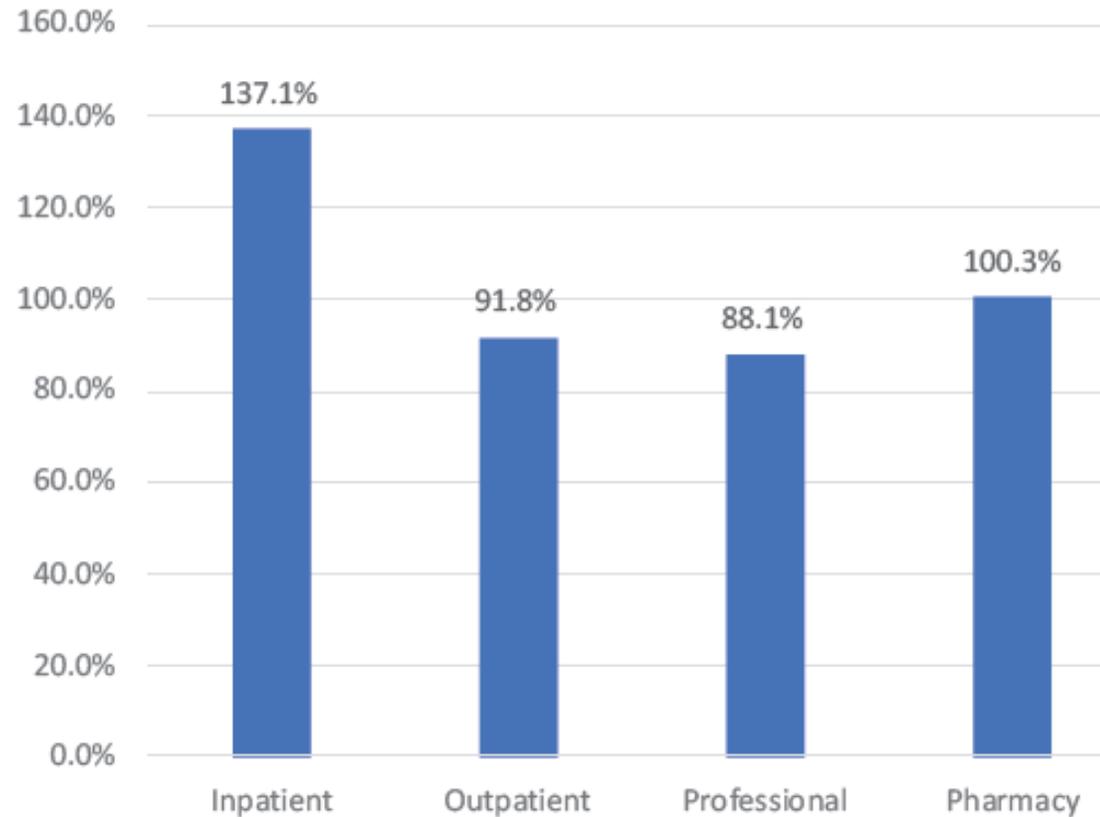


Exhibit 3: Spend by Services

2020 Projection (Expected)	
Service Category	
Total Medical	102.7%
Inpatient	137.1%
Medical Treatment	185.9%
Surgical Procedure	93.9%
Outpatient	91.8%
Emergency Room	101.5%
Surgical Procedure	86.7%
Oncology Treatment	95.5%
Diagnostics (Lab/Path/Rad)	94.0%
Rehabilitation (PT/OT/ST)	84.3%
Other Outpatient Care	86.7%
Professional	88.1%
Primary Care	88.7%
Specialty Care	88.0%
Other Professional	87.5%
Pharmacy	100.3%
All RX	100.3%



Final Thoughts

- These projections were done on average and reflect our best estimates of costs related to COVID-19.
- Nationally available data changes by the hour and therefore projections need to be updated regularly.
- The information presented here was published in early April 2020.
- Customized projections can be done by insurer/plan sponsor and incorporate the individual characteristics of the plans and its geographic region.
- Costs related to COVID-19 are unpredictable. We should all be considerate of others and do all that we can to flatten the curve, save lives, and, in the end, save costs.
- For regular updates, please visit our COVID-19 Resource Centers at <https://acrisure.com/covid19/> and <https://axenehp.com/covid-19/>.

Contact Us

Please reach out any time with questions. We are here for you.

**Contact an Acrisure
Agency Partner**

Joshua W. Axene, FSA, FCA, MAAA
Axene Health Partners
Direct: (951) 541-6422
Email: josh.axene@axenehp.com

David V. Axene, FSA, FCA, CERA, MAAA
Axene Health Partners
Direct: (951) 294-0841
Email: david.axene@axenehp.com