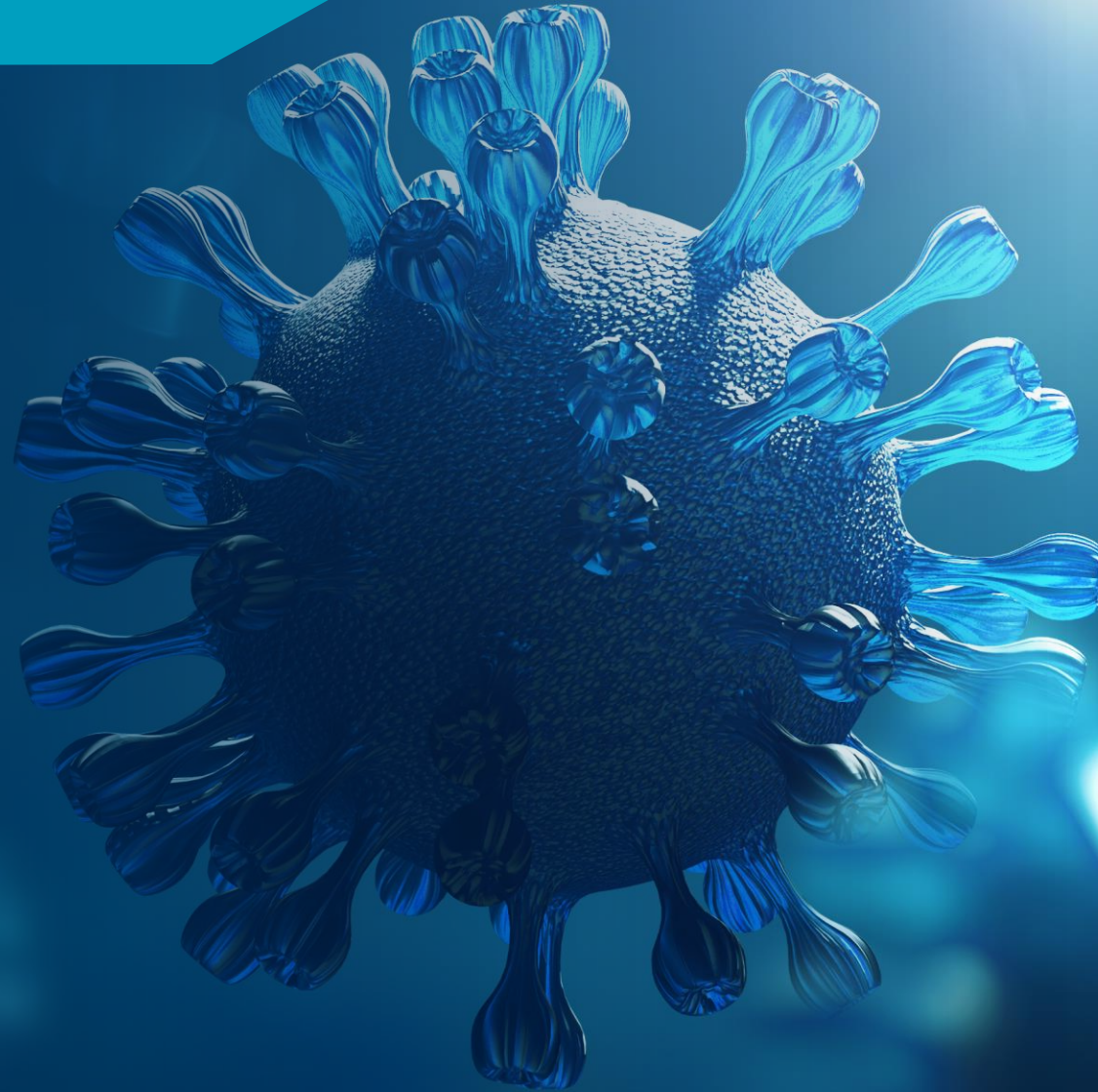


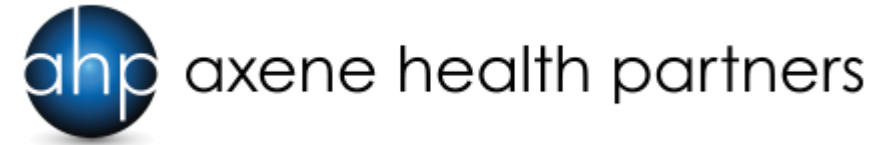
April 2020

COVID-19

*The Projected Cost to
Insurers and Employers*



About the Authors



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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

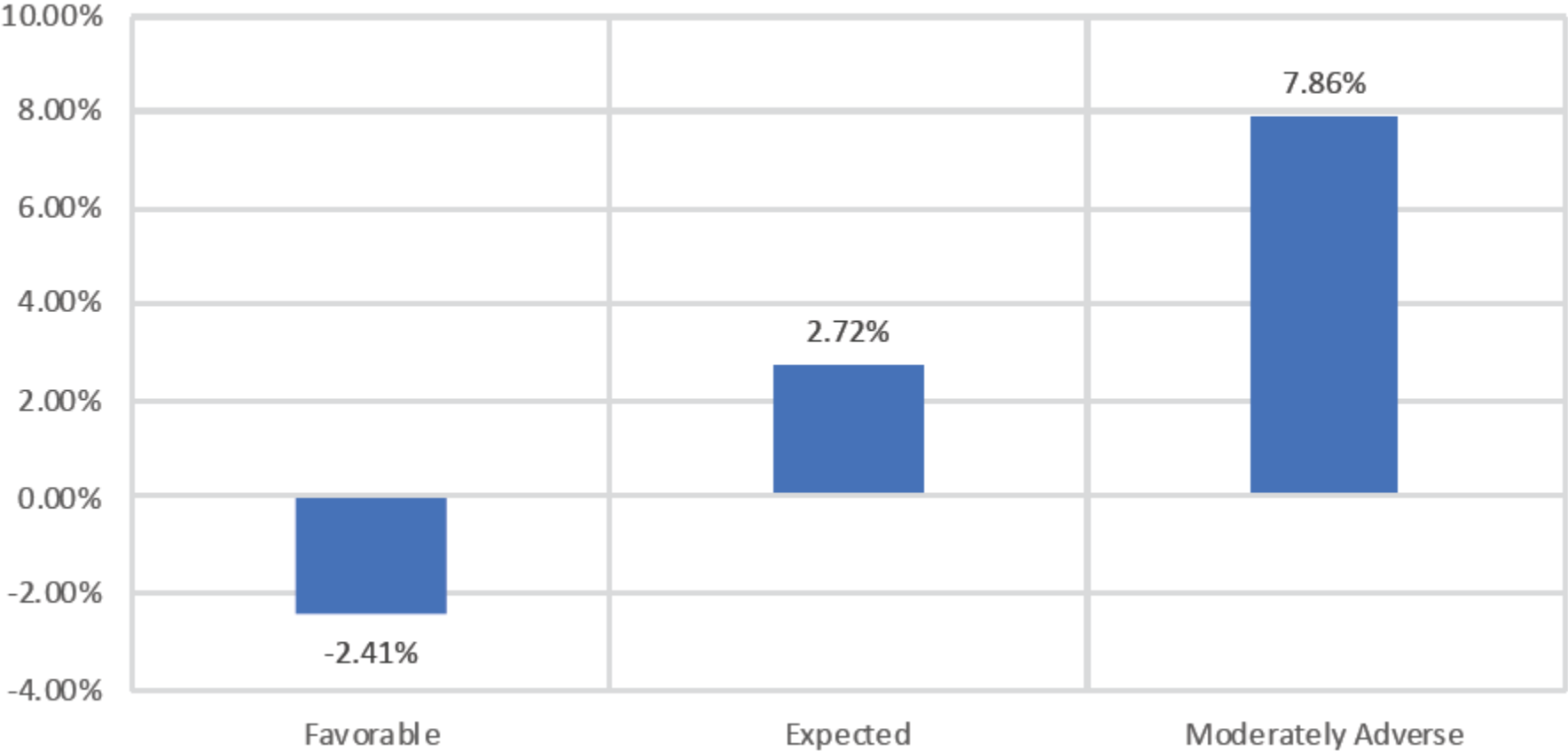


Exhibit 2: Spend by Category

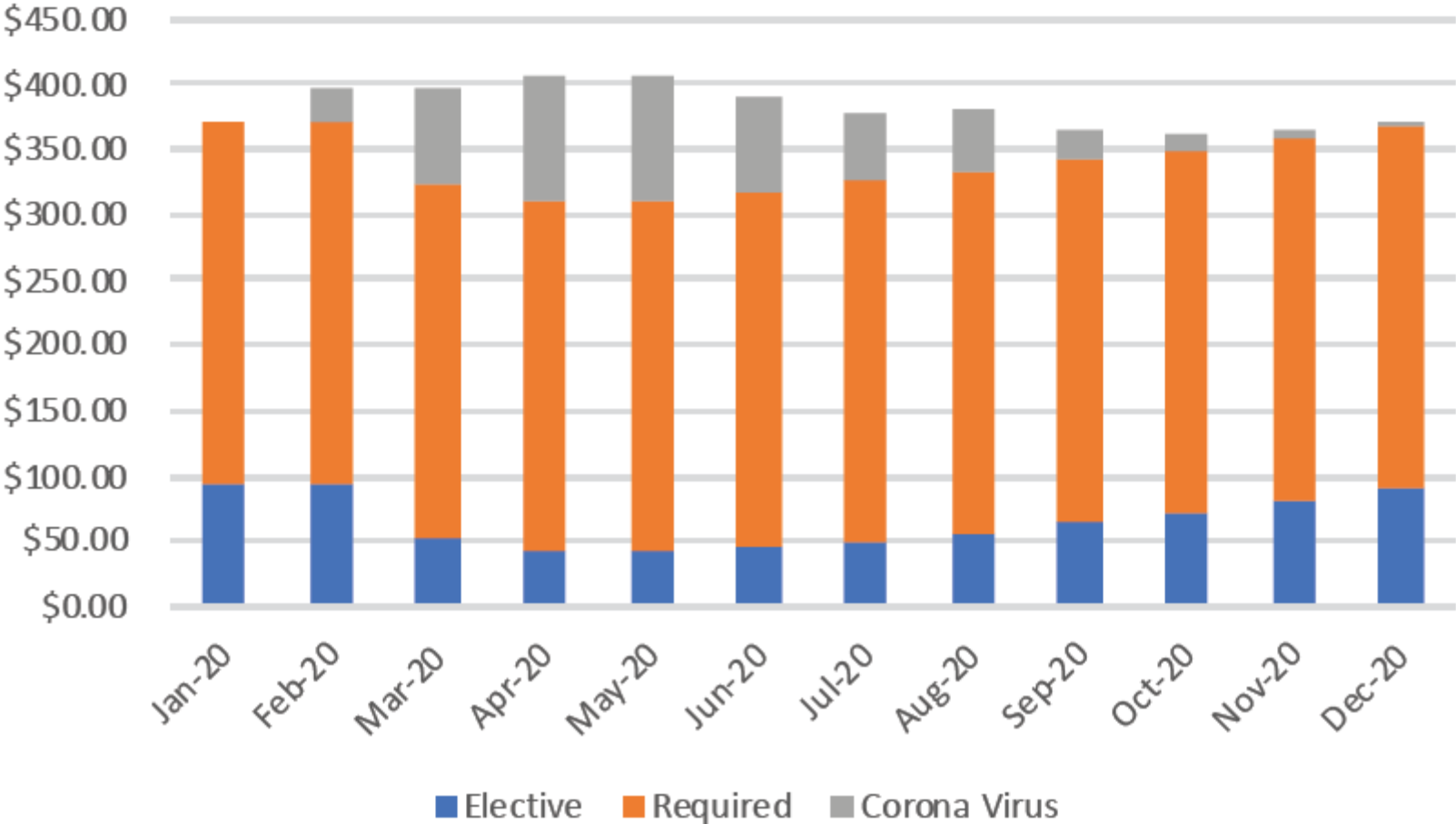
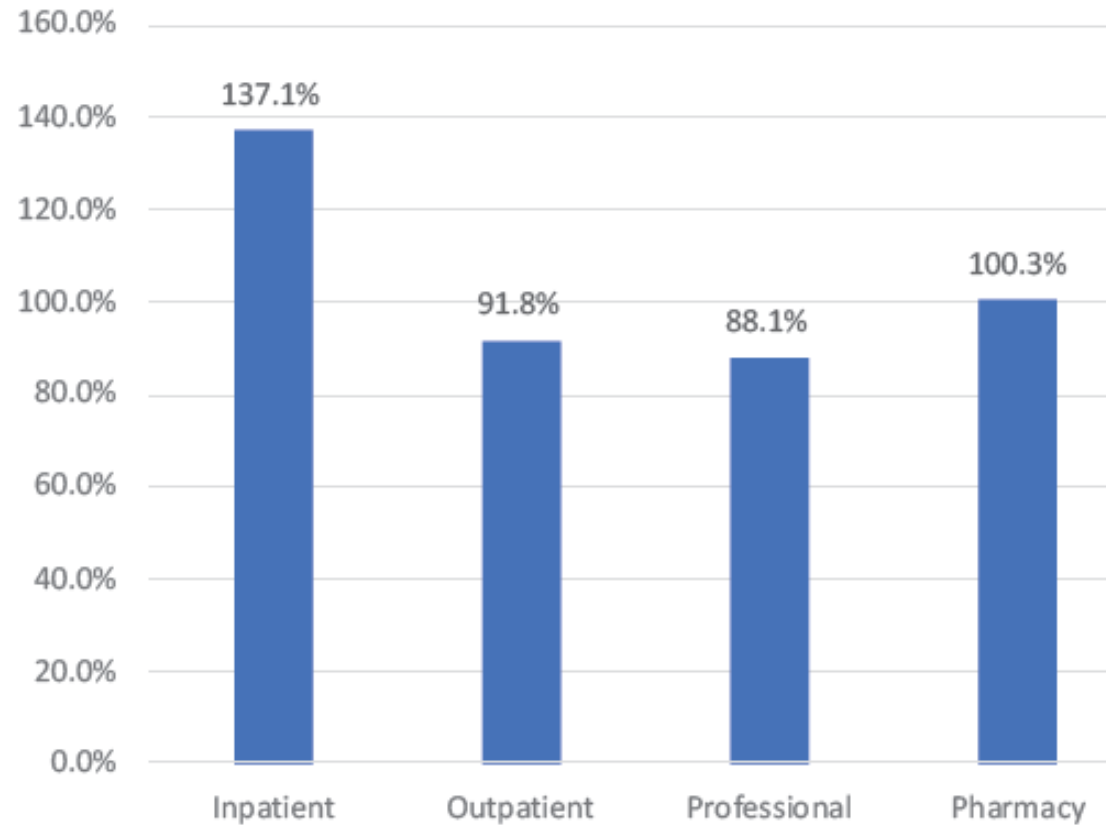


Exhibit 3: Spend by Services

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, but we all need to be considerate of others and do all 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.



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