

## **U.S. employers face significant health care benefit cost increases from COVID-19**

As U.S. employers look to keep their workers safe and healthy as they confront a global pandemic, they could see their health care benefit costs jump by as much as 7 percent this year as a result of testing and treatment costs related to COVID-19. This is according to an actuarial analysis of self-funded employers by Willis Towers Watson. Any increase attributed to COVID-19 will be on top of the 5 percent cost increases employers previously projected for this year, according to the *Willis Towers Watson Best Practices in Health Care Employer Survey*.

“Despite employers and employees taking the right precautions at this perilous time, the Coronavirus continues to spread and place enormous pressure on our nation’s health care system,” said Trevis Parson, chief actuary, Willis Towers Watson. “This spike in the demand for care is likely to lead to a significant jump in employer health care costs beyond previous expectations. However, the ultimate financial impact will depend on many factors, including the portion of the population infected and the severity of their illness.”

At a 30 percent infection level, the analysis found total costs could increase between 4 percent and 7 percent, depending on how sick COVID-19 patients become. Total costs include claims for medical and prescription drugs only. Other health care costs, including those for dental and vision care, may actually decline this year as employees will likely eliminate some discretionary care, the analysis noted.

The analysis also found that at a 10 percent infection level, costs could rise between 1 percent and 3 percent. In a more severe scenario—a 50 percent infection level—costs could rise from 5 percent to 7 percent.

The analysis considered employer health care spending would be reduced in the more severe scenarios as health care supply (e.g., available beds) may reach capacity. If that happens, the type of care patients receive will be redirected to alternative settings and likely become less costly to employers, in the short term. The analysis also considered reduced cost for non-COVID-19 patients who defer care or receive care in lower-cost settings. The estimates would increase significantly in the absence of these factors.

For this analysis, costs per infected person are estimated at about \$250 for mild cases, \$2,500 for moderate cases, \$30,000 for severe cases requiring an inpatient stay, and close to \$100,000 for catastrophic cases requiring intensive care.

“The effectiveness of our containment strategy will determine what portion of the U.S. population will become infected. And that will have an impact on additional costs, which employers will need to consider as they design and finalize their benefit strategy and plan for 2021,” concluded Parson.

**SOURCE:** [www.willistowerswatson.com](http://www.willistowerswatson.com)