

Health care costs for 2020 likely to be below pre-pandemic expectations due to delayed care, experts say

Even accounting for unplanned expenses due to COVID-19 testing and treatment, overall health care costs are likely to be lower in 2020 than was projected prior to the pandemic, according to experts at a recent Segal webinar. Jason Jossie, associate actuarial consultant at Segal, and Kirsten Schatten, senior vice president and consulting actuary at Segal, noted that most plans are experiencing lower overall costs because of delayed and cancelled care.

Direct costs of COVID-19. According to Jossie, the direct costs of COVID-19 testing have averaged 1 percent to 4 percent of monthly medical expenses since March. He noted that there are “significant variations” from plan to plan, with some plans experiencing no COVID-19 expenses and some plans seeing monthly plan costs for coronavirus in the 30 percent to 40 percent range.

“Any particular plan’s experience is really contingent on a myriad of factors,” he said. “The biggest factor is location. Another factor is the population’s risk factors, and how many plan members have chronic conditions.”

Delayed care. Schatten explained the implication of delayed and cancelled care on overall health care costs in 2020. For claims paid January through June, total claims have been down approximately 11 percent, she noted.

“The big question is: what is the pent-up demand, or the long-term implications of the under-utilization of services?” she asked. “We are making assumptions that approximately half of the care that was delayed or canceled from March to May is expected to be rescheduled. We also think that some preventive care or maintenance visits will just be postponed until the next regularly scheduled appointment. But the magnitude of this is definitely uncertain.”

The result. The indirect savings from delayed or cancelled care is expected to be approximately 3 percent to 7 percent, Jossie noted. “When we add in the direct costs for COVID-19 testing and treatment, health care expenses are expected to be about 1 percent to 5 percent lower than pre-pandemic expectations,” he noted. “So, if your plan was expecting a 7 percent increase for 2020, now it might be more like 2 percent to 6 percent, depending on your region and the overall health of your population.”

Next steps. Fully insured health plans should take action, Schatten said. “Be sure to request premium refunds or premium credits from your vendors,” she noted. “We have seen how much utilization has gone down, so if you were paying a fully insured premium, you should definitely be talking to vendors about getting discounts from them to account for the drop in utilization.”

Also, plans should monitor costs monthly, and “consider updating budget forecasts more frequently than you have in the past,” Schatten commented. “This is a very fluid situation, with a lot of unknowns.”

SOURCE: Segal webinar, *Projected Plan Cost Impact of COVID-19*, August 25, 2020.