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How COVID-19 Will Impact Health Insurance Payers

Global pandemics are neither a new nor an unexpected phenomenon. Ten years ago, FTI Consulting Senior Managing Director Jim Toole led a study on the potential impact of a pandemic on the U.S. health insurance industry, estimating potential payer costs and exploring the myriad of interconnected provider issues that would arise.

Mr. Toole and FTI Consulting Managing Director Christian Jensrud recently met with federal healthcare actuaries to discuss the extraordinary impact COVID-19 will have on individuals, employers, payers, and providers, and on their sometimes-strained relationships with each other. They anticipate many complex short- and long-term downstream effects on payers as all sectors of our society deal with uncertainty about health, family, job security and the economy.

In this article, Mr. Toole and Mr. Jensrud highlight important considerations for health plan leaders to help public sector, commercial and self-insured plans manage through the current crisis in a fiscally responsible way.

Early Response is Critical

Setting up a tactical response team as soon as possible will be crucial to handling the overall and specific impacts to the healthcare system. A response team will ensure that communication with internal and external stakeholders is timely, accurate and consistent. In previous pandemic outbreaks, the changes in cost and utilization of healthcare services was significant, so payers need to use past outbreak history and careful tracking of current experience to mitigate impact to their plan. State and regional differences may also profoundly affect forecasts for revenue and cost late in the COVID-19 cycle, so plans will need to adjust for their specific forecasts.

Commercial plans will face market-specific obstacles as employer groups, providers and local governments shape the regional COVID-19 experience. The competitive landscape and local economy will also influence the reality of the pandemic impact to the plan.

Public sector programs present a unique set of opportunities and challenges that are different than your commercial business. If you have a Medicaid managed care plan, the financial risk and operational variations will be very different from commercial or Medicare Advantage plans. Medicaid plans can solicit or receive quick remedy from the state or federal authorities, while

commercial plans are subject to rate filing cycles or special and often one-time relief from federal authorities. Impacts also can be overlapping or different by lines of business, and your strategies for response and management should reflect that.

Self-insured plans have some of the same considerations facing managed care plans, but unique challenges as well. Plan sponsors will be focused on their core businesses and may realize too late the need to quickly address potential problems with their plan. Coverage, cash flow, reinsurance or general solvency issues are possible challenges facing self-insured plans. Many large managed care plans provide administration services to self-insured plans; third party administrators need to fulfill contractual obligations while being cognizant of potential counter-party risk.

Here are some of the overall issues of concern for healthcare payers:

- **Reporting.** Are you prepared to convey the impact on rates and financial viability for your company to insurance regulators, states, and federal authorities? You may have short- and long-term influence over your rate adequacy.
- **Remote Access.** How will the sharp increase in telemedicine affect operational and clinical aspects on health plans' ability to deliver high-quality care for everyone? Cybersecurity, risk adjustment, compliance and regulatory issues are important issues to keep in mind.
- **Pharmacy.** How do you view the pharmacy landscape changing during or after this massive health event? Disruption may have material impact on formularies, rebates, market dynamics and regulatory changes that may materially impact a plan's current and future pharmaceutical expenses.

Gathering New Data

Your assumptions, data modeling structure and communication strategy should be an important part of your COVID-19 management approach. As the environment continues to be unpredictable and fluid, re-examining your underlying data can help you visualize the quantitative and qualitative aspects of what to expect. For example:

- Do you have the data on medical expense trends from the last pandemic in the U.S.? How will COVID-19 be different?
- Do you know if future cost models and projections will have a material impact on your ability to serve your organization's members?
- Can you estimate changes in birth rates and other demographic factors that affect insured populations?
- Have you updated your operational procedures and coordinated with your provider networks serving Medicare Advantage and other risk-adjusted populations to help ensure proper data capture and billing procedures under adjusted guidance?

Whether you sponsor a self-insured plan, a provider-owned plan, a public plan, or have a larger footprint as a multi-line insurer, you are facing an ever-increasing number of critical concerns right now. How you respond will have important ramifications on your organization related to clinical, operational and financial ability to provide service and confidence to the members, employees, and the families you serve.

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