HEALTH PLANS PRICING FOR COVID-19

An unprecedented challenge

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The Challenge for Pricing Actuaries

Pricing for 2021 will be more difficult than pricing the early years of the ACA

Key questions

• How many will be infected
• What services will be required for those infected, at what cost
• How much and what type of care will be delayed and how much forgone – over what period of time and with what consequences
• Impact on risk-adjusted markets
• Timing and cost of a vaccine
• Impact of economic consequences

Answers depend upon

• Public policy – reopening the economy
• Individual behaviors
• Governmental actions
• Provider policies and capacity
• Local conditions

“I just don’t think we really need to make a projection when it’s such a moving target, that you could so easily be wrong…”

Dr. Anthony Fauci

MODELING THE DIRECT COSTS OF TREATING OF COVID-19

Uncertainty around modeling the cost of COVID-19

Ultimate infection rates and percent treated are uncertain – estimate ranging from less than 1% to more than 50%

What services will those who are infected require

Cost of care depends on patient’s market (Medicare, Medicaid, commercial) and health plan’s contracts (DRG vs per diem)

Long-term costs of COVID-19 are not well understood

Timing and cost of testing and effective treatments, uncertain at this time
Forgone and delayed care is occurring

A portion of this delayed care will return, and depending on timing, health plans may need to build it into their pricing for 2021

Complicating factors:
• Second wave – geographic variation in size and timing of the wave
• Public willingness to seek care
• Health status after delays
• Provider capacity and pricing in recovery
• Effective treatment – when

The cost of COVID-19 over time

Change in Costs from Baseline

$0 Baseline

Treating the virus

Returning care

Care delayed or forgone

Time
ECONOMIC CONSEQUENCES OF THE PANDEMIC

In the last four weeks, 22 million people filed for unemployment.

Potential consequences of job loss

Impact of non-payment of premiums in the individual and group markets, and extended grace periods -- 39 states have extended their grace periods or halted terminations.

Potential negative impact on the risk pool from adverse selective lapses.

Loss of insured lives and for those that remain, a shift of business away from employer group to COBRA, Medicaid or the individual market.

Regional variations.
## CONSIDERATIONS

1. **Filing deadlines**
   
   Allowing health plans to **file premiums with the most up-to-date information** available would be helpful to them in navigating through this time of unprecedented uncertainty and in maintaining stable markets.

2. **MLR**
   
   The MLR requirements provide a limiter on health plans’ profits, but make it **difficult for health plans to rebuild surplus once it is depleted**.

3. **Capital**
   
   Health plans’ **capital is essential to protect the plans, their customers, and providers** from the risk of unpaid claims and potentially, insolvency.

4. **2021 premiums**
   
   Health plans are in the process of developing premiums for 2021. They and their regulators will have to **work in partnership** to serve their customers and the public.
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