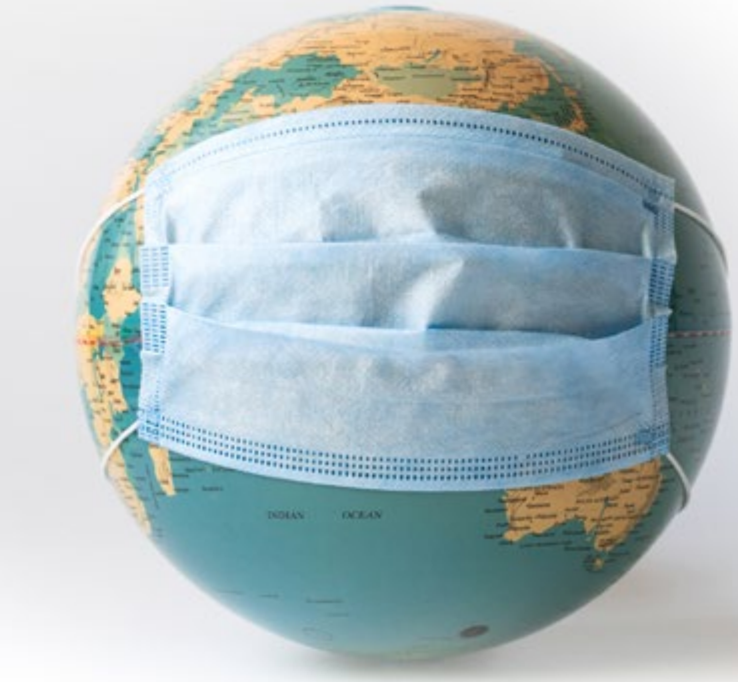


BRAVERY IN THE NEW WORLD ORDER

MAKING SENSE OF COVID-19 IN ACTUARIAL, TPA, STOP-LOSS AND BROKERAGE ARENAS ALONG THE ROAD TO FLATTENING THE CURVE OF THIS DEADLY PANDEMIC

Written By Bruce Shutan

The coronavirus pandemic has sparked record-breaking unemployment claims in the U.S. as the world economy nearly ground to a halt. But actuaries, third-party administrators, stop-loss carriers and benefit brokers have been working overtime in fuzzy slippers, no makeup and 5 o'clock shadows to help restore order across the self-insurance community.

Together, they're projecting claims, sharing cautionary tales, forecasting market corrections, suggesting public-policy tweaks and identifying bright spots along the treacherous road to handling Covid-19, an acronym that stands for coronavirus disease of 2019.

"We've had anything from the Spanish flu 100 years ago to the swine flu, Zika, Ebola and SARS, so this is probably not the last epidemic that we will have," observes Keith McNeil, co-founder of Arrow Benefits Group (ABG), which is part of the TRUE Network of Advisors owned by Patriot Growth Insurance Services. His email signature reflects a sign of these troubled times, prompting clients to click on a link for important updates and notifications regarding Covid-19.


Hobson D. Carroll

Hobson D. Carroll, an actuary and president of MedRisk Actuarial Services, Inc., describes the pandemic as "an aggregate event as far as the stop-loss is concerned" and doubts medical claims will have a major impact. For example, if everyone in a 100-life group with a $1 million in medical spend got tested for Covid-19, the tab would be only about $6,500. Also, he notes that there might be just one or two cases in this hypothetical group that rack up $30,000 or $40,000 from an intensive-care hospital stay.

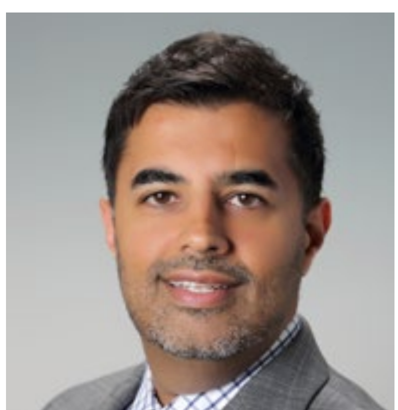
The pandemic has fundamentally reshaped how one TPA's members navigate the health system. "There is an oversaturation and lack of resources at medical facilities," reports Kari Niblack, CEO of ACS Benefit Services. "As the disease spikes, we anticipate higher utilization and costs for Covid-19. However, we are also anticipating a steep reduction, temporarily, in near-term utilization in costs for the backlog of procedures that are currently suspended."

From a data-analytics standpoint, she cautions against adopting a false sense of security with other higher-cost services being temporarily suspended. "A good consultant will see that coming," she says. "You're just seeing a shift in how costs are being incurred right now. I don't yet see a long-term new type of design with plans."

Indeed, data analytics and experienced client-centric consulting are key for self-funded clients, according to Niblack. But as previously stated, she says not bank on pandemic savings since "a spike may occur at the end of the year in suspended, higher-cost plan expense categories."

PROCEEDING WITH CAUTION

Covid-19 will likely usher in a wave of conservatism and consolidation among stop-loss carriers, predicts Mehb Khoja, an actuary and president of Medical Risk Managers (MRM), a stop-loss carrier, who has written extensively on the pandemic. Key elements of the emerging approach will include stricter disclosure process, along with less use of early locks, rate caps and profit share or dividend products.


Mehb Khoja

"Most of the stop-loss industry is going to take a risk-averse approach and say, 'we need to increase our rates and use higher trends,'" he says.

"We may need to load up certain thresholds of deductibles in order to protect the plan from adverse claims activity."

While working on 7/1 and 8/1 policies, Khoja believes carriers may change their conservatism by 9/1 or 10/1. Until then, it's a guessing game. "Nobody knows when the curve is going to flatten and all of this is going to end," he adds.

Whatever the outcome, there likely will be consolidation among the roughly 100 external stop-loss carriers and regional health plans that provide stop loss. While some players will exit the market, Khoja believes others will "try to right the ship."

A significant reduction in profitability for carriers over the past five or six years under the Affordable Care Act (ACA) has blown up the stop-loss market and doubled its size in terms of premium volume, he observes. However, Khoja doesn't believe Covid-19 costs pose an issue to stop-loss carriers. While those costs will dent self-insured plan sponsor budgets, he doubts it will affect aggregate stop-loss thresholds of 120% or above or spec of $50,000 or higher.

In one of several recent blogs on the pandemic, Carroll suggested that no cost-sharing be applied to any Covid-19 diagnostic testing or treatment in exchange for all providers accepting a modest rate pegged to Medicare, which would make it as simple as possible to administrator.

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"If I only have to cover 100% or even 150% of Medicare, I'm probably coming out ahead, not having to collect the cost sharing," he explains, noting that 140% of Medicare is cost-neutral for hospitals. "But then the hospital doesn't have to chase the cost sharing. There is no balance billing."

Carroll also recently proposed a four-point solution for the payment of Covid-19 treatment in the U.S. Under this approach, he urged every patient, provider and payer to work together in search of an efficient solution. Other elements include fairness (i.e., no out-of-pocket expense or balance billing), reasonableness (i.e., all claims will be paid on a uniform basis) and administrative efficiency (i.e., if the payment basis is known upfront, then the payment cycle will be streamlined).

CLIENT CONCERNS

Many employer plans may see an impact from Covid-19 as early as April and possibly even through July. For Carroll, the actuarial challenge is reflecting any impact on the stop-loss insurance that's protecting those plans back on 12/31/19.

It all went sideways for him when he recently was about to sign off with the usual mundane approach for one of his clients. The large entity, which absorbs significant risk on the business they underwrite and place with issuing stop-loss carriers, realized there should be some impact on the reserves that they would have normally held.

"That increased by a percentage that was not immaterial, but they agreed that it was appropriate," he reports. "I had to create a model out of nothing. We'll see what the regulatory authority says after they read my report."

Several Khoja clients have had knee-jerk reactions to the pandemic in which they have considered "inflating the trend at levels above where we would suggest," according to Khoja. Two are based in the New York area, the U.S. epicenter of Covid-19.

The pandemic is producing a steep learning curve for some consultations. A long-term ACS client in higher education, for instance, was wondering whether it should count students who are working for the university in a grant situation. While acknowledging that the answer was difficult to find, Niblack used her background as an attorney "to really dig in and help that client on that individual question."

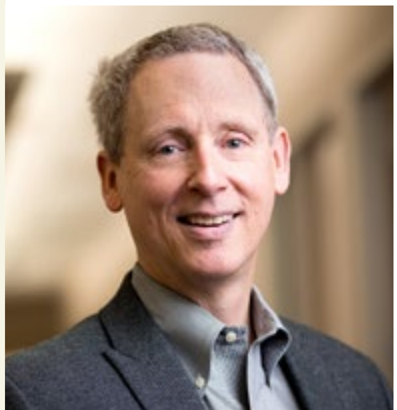
CONTINUATION OF BENEFITS AND TELEHEALTH

Concern is mounting over Covid-19's longer-term impact on health insurance coverage. McNeil recalls when employers temporarily subsidized COBRA premiums under the American Recovery and Reinvestment Act of 2009. While he doesn't expect that to happen again given how the ACA significantly affected COBRA, it wouldn't surprise him if history repeats. "With all the talk in Washington about even more relief acts, that could easily be one of them," he says.

Many employers recently have sought to continue health benefits for hard-hit employees – something Khoja says is "more of an adjustment to benefits eligibility" than a COBRA case. "I think you'll see a lot of that happen with employers that are kind of cash strapped right now and needing to shrink given the times. I see that being something that gets amended for 90 days and will not last forever."

While stop-loss carriers often require monthly premium payments by the first of each month with a grace period of a week, Khoja expects more flexible arrangements in the months ahead. For example, additional grace periods could be extended from 30 to 90 days to allow plan sponsors additional time to pay.

Although telehealth has been around for quite some time, many employers have seen fairly low utilization. But the use of digital platforms already has skyrocketed in these uncertain times and the future bodes well for further growth that will drive down costs.


Keith McNeil

"The reality is, the cost of that service is cheaper than a member going to the doctor," Khoja explains. "If this becomes the new norm where people are using telehealth more, I don't think that's a bad thing. I think that's a positive outcome."

With much higher and necessary utilization of turbo-charged telehealth, Niblack believes there will be a greater and sustained utilization pattern post-pandemic. She says patients will become increasingly accustomed with virtual care, noting that Millennials already are comfortable with technology being applied to health care.

The enormous amount of data that will be gathered from telehealth during this pandemic will offer self-insured health plans and their partners a chance to mine that information for future best practices, according to Carroll.

Many elective procedures will be deferred and some may not even ever happen. "You don't hear that spoken about much," Khoja says. But perhaps the biggest silver lining in the pandemic's ominous dark cloud is "we'll get less sick over time because we will, to a certain extent, always maintain social distancing," he foresees. "We will constantly be washing our hands and using hand sanitizer. And the result of that is we'll probably have less flus and other sicknesses that can spread from one person to another."

With unemployment at a half-century low in a humming economy at the turn of a decade, McNeil says paying too much for health insurance wasn't necessarily breaking the bank. "But now the economy flips around, and more than ever, maybe employers should care and be willing to get out of their comfort zone; look beyond just the norm they've known for the last 25 years," he suggests.

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NEW WAYS TO WORK

The pandemic has dramatically altered the workplace in ways no one would have imagined prior to March. There have been a few logistical challenges at ABG, which employs about 40 people. For example, a staffer had to sort snail mail at the office, scan and email certain documents.

All but two of MRM's 61 employees are all working from home with access to a computer, WebEx and Zoom except for two people. The only ones in the office are from IT and general administration and office management. Khoja says his foot soldiers are so enthused by the video conferencing platforms that they're hoping to use them to stay in touch with family members, describing it as "a nice little byproduct of all of this."

ACS prepared well for the current crisis because of a year-round, business-continuity plan to deploy all necessary technology setups. That enabled its approximately 125 employees to work from home and still give clients the individual attention and consulting they now desperately need. Niblack's team helped not only amend health plans, but also develop a strategic understanding of any new approaches that were pursued.

"Where before we may have gone to a client's place of business for quarterly plan meetings or a broker's office to discuss a particular client, we've got to use technology to get creative about still delivering that personalized touch and being able to quickly synthesize data and give recommendations," Niblack suggests.

On a lighter side, ACS staffers have enjoyed learning more about each other's families and pets while away from the office but virtually connected. "We love our animals very much," she exclaims. "We know that they enrich our lives, and my orange tabby cat, whose name is Sir Jeffrey, is our official company mascot. We've gotten quite a kick about what's Jeffrey doing with mom at home now all the time. I put in my notes that Jeffrey can tell you all about topline growth and mom's hub at the dining room table." ■

Bruce Shutan is a Portland, Oregon-based freelance writer who has closely covered the employee benefits industry for more than 30 years.