



## The MMA COVID-19 Paradox

2020 threw a curve ball at employer-sponsored health care costs—just not in the direction everyone expected.

### EXPLAINING THE COVID-19 PARADOX AND HOW YOU CAN MANAGE IT

If you had asked a hundred employee health and benefits experts in 2019 if employer-sponsored health care cost trends would go higher or lower than expected during the first eight months of a worldwide pandemic, the obvious reply would have been “higher.”

It makes sense. At the time of this publication, the United States has tracked nearly 18 million reported cases of the coronavirus and more than 300,000 reported deaths due to COVID-19. Wouldn't health care costs trend higher?

But they didn't. In fact, they went lower.

In the middle of the worst medical crisis in more than 100 years, health care costs bent to levels below historical inflation. For years prior to the pandemic, the annual health care cost trend hovered around +6 percent, which outpaced the annual inflation rate of +2 percent. But significant health care utilization changes since the beginning of the pandemic have altered this long-standing dynamic.

Those changes caused the medical and pharmacy (Rx) allowed fee-for-service (FFS) claims trend from 11/2019 through 10/2020 per member per month (PMPM) to stand at +0 percent.

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## MMA ANALYSIS OF NATIONAL HEALTH PLAN BUSINESS UTILIZATION DATA THROUGH 10/31/2020

Category	November 2019 – February 2020	March 2020 – June 2020	July 2020 – October 2020	November 2019 – October 2020
Medical allowed FFS claims trend PMPM	+8%	-15%	+2%	-2%
Rx allowed FFS claims trend PMPM	+7%	+8%	+5%	+7%
Medical and Rx allowed FFS claims trend PMPM	+8%	-10%	+3%	+0%

\*Trend is defined as the change in rate as compared to the same time period from the prior year; for example, March 2020 – October 2020 trend is defined as the March 2020 – October 2020 rate divided by the March 2019 – October 2019 rate minus 1.

### WHY DID HEALTH CARE USE DECREASE?

This phenomenon was largely driven by drastic decreases in non-emergent medical utilization that far outweighed increased COVID-19 testing and treatment.

Outpatient visits to general practitioners, specialists, emergency rooms, urgent care units, and elective surgeries all saw sharp reductions, while inpatient and pharmacy utilization remained consistent with pre-pandemic levels. In the last half of 2020, health care use has rebounded, but still remains below pre-pandemic rates.

To varying degrees during the pandemic, hospitals, ERs, urgent care facilities, and other health care operations have been overwhelmed by the need to care for COVID-19 patients. Those patients who did not have COVID-19, or at least had no symptoms, may often have decided to stay away for fear of contracting the virus.

Additionally, elective procedures were postponed nationwide in an effort to ration the dwindling supply of personal protective equipment (PPE) and to keep the nation's ICUs open for anticipated high numbers of COVID patients. This decision led to a drop in overall utilization.

Claims experience data through October 2020 shows how drastically health care utilization has changed since the beginning of the pandemic—and it will likely continue to change as the U.S. response moves forward.

**Where should employers focus their attention in 2021 and beyond to manage the results of the COVID-19 paradox?**

### 5 IMPORTANT WAYS TO MAXIMIZE HEALTH PLAN VALUE AND MINIMIZE RISK

Employers managing fully-insured, level-funded, and self-funded health plans face unprecedented change and uncertainty as a result of the COVID-19 pandemic. In order to maximize health plan value, improve employee health and well-being, and mitigate risk, they can focus on five key themes in 2021.

#### 1. Review claims experience and analyze renewal underwriting.

Emerging data shows that historical health plan claims patterns are shifting. Reviewing claims experience will inform employers how the health plan is performing compared to expectations, highlight important trends to monitor, and provide insights regarding renewal forecasting.

Where should employers focus their attention in 2021 and beyond to manage the results of the COVID-19 paradox?

Developing renewal rates for health plans is a complex modeling process given the wide range of future possible outcomes in 2021. Because of variables in forecasting, analyzing detailed renewal underwriting is critical to ensuring fair and competitive rating factors for fully-insured and level-funded plans.

For employers managing self-funded health plans, analyzing renewal underwriting is essential to ensure that health plan budgets are consistent with underlying claims experience and employers' risk tolerance.

## 2. Keep on top of the vaccine rollout.

Health care workers, first responders, and high-risk populations are scheduled to receive initial vaccination priority. After that, the two-dose vaccine will be offered to the general public by clinics, pharmacies, and some employers by mid-March in order of priority risk. For employer-related questions concerning the COVID vaccine, please refer to the newly updated [Coronavirus Guide for Employers, version 10.0](#).

## 3. Evaluate your telemedicine and telemental health strategy.

The use of telemedicine prior to the pandemic was low—one visit per year for every 50 plan members. This was due to a lack of consumer awareness and higher comfort with traditional care methods.

But since June 2020, utilization rates for telemedicine offerings have skyrocketed to one telemedicine visit per year for every two members. This rapidly evolving health care delivery system requires that employers evaluate their telemedicine strategy to ensure optimal health care access, effectiveness, and cost. Because the service is delivered conveniently at an affordable price, virtual care is an effective strategy to make certain that patients get the right care at the right time and in the right setting.

The use of telemental health therapy and psychiatric services using videoconferencing also became critical during the pandemic. This was due to restrictions on non-urgent in-person appointments coupled with a surge of behavioral health symptoms. In fact, a recent CDC study found that more than 40 percent of respondents experienced a mental or behavioral health condition associated with the COVID-19 pandemic.

The American Hospital Association recently reported that **74 percent of large employers** now offer plans with telemental health services, compared to 27 percent in 2015. Another survey found that **54 percent of large employers** are planning to offer zero- or low-cost virtual telemental health counseling for their employees.

## 4. Be prepared for pent-up demand.

While critical COVID-19 critical care needs peaked intermittently during 2020 and early 2021, health care trends in general are currently lower than pre-pandemic levels. Pent-up health care demand may evolve as individuals who deferred preventative care visits, elective medical procedures and specialist visits during 2020 seek care as community COVID herd immunity levels rise. Employers should anticipate this potential demand from members who ultimately re-engage with the health care system, in addition to those who still seek care.

Conversely, there may be employees who are still not comfortable using the health care system as before. They may continue to delay important health care visits. But deferring care, especially for chronic diseases such as cancer, is not only dangerous for the employee but potentially results in additional and often unnecessary costs later on. Even deferring well-adult and well-child checkups, prenatal care, lab work, and screenings can cause increased gaps in care and higher insurance rates.

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## 5. Focus on employee health and well-being.

Few would argue that 2020 was not only a year of the pandemic, but also a stressful year of climate volatility, increased focus on systemic racism, social isolation, remote work arrangements, child-care difficulties, and much more.

The Kaiser Family Foundation (KFF) reported that nearly half of remote workers experienced stress, anxiety, or depression, which worsened due to working from home, and that 25 percent of working women are considering reducing their hours or dropping out of the workforce as a result of pandemic stress.

For many employers, it was an extremely challenging year as they worked to maintain business operations and support employees. Looking ahead, it is vital that employers create a tailored solution to support employees' physical, mental, community, career, and financial well-being.

Whether it's through the health plan, a point solution, or an outside resource, tackling employee well-being as a holistic practice is critical for sustaining a healthy and resilient workforce that fuels business retention and growth.

Additionally, the solution must be relevant to the employee. Essential workers, for example, report symptoms of anxiety or depression at 30 percent higher rates than non-essential workers and experience more substance abuse and suicidal thoughts. That means those employing essential workers must have strategies in place to help address employee stress and anxiety. Programs need to be available to address the growing incidence of behavioral health conditions as well as tools such as Mental Health First Aid training to help leaders identify team members who are in crisis.

### HOW MMA CAN HELP

The effects of COVID-19 and our ability to fight it are evolving daily. The MMA Employee Health & Benefits Division is working hard to keep up with current trends and is committed to helping you find the most effective strategies for managing your business through this unusual, unpredictable time.

To find all of the latest information, visit our COVID-19 Resource Page: [mma.marshmma.com/coronavirus-outbreak-resource-page](https://mma.marshmma.com/coronavirus-outbreak-resource-page)

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