

Moving  
Forward  
Together  
→

## Return to Workplace Webinar Series

# COVID-19: Navigating the Impact to the Cost of Employee Benefits

JUNE 18, 2020



# Speakers



**Moderator**

**Darren Brown**

Chief Revenue Officer,  
EVP, Employee  
Benefits  
**ABD**



**Jon Caniglia**

Business Development  
Manager  
**Milliman**



**Paul Martinez, GBDS**

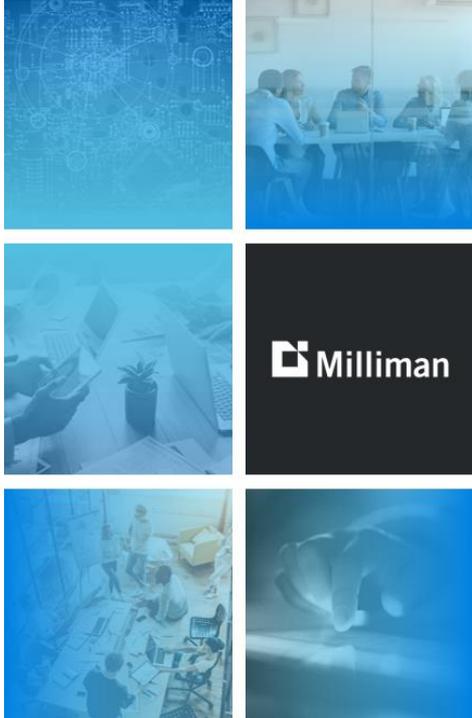
Senior Vice President,  
Employee Benefits  
**ABD**



**Shea Willems**

Financial Analyst and  
Benefits Consultant  
**Milliman**

- **How will this impact my budget for the remainder of 2020?**
- **How will this impact my 2021 renewal?**
- **How can I gain clarity & what can I do about it?**



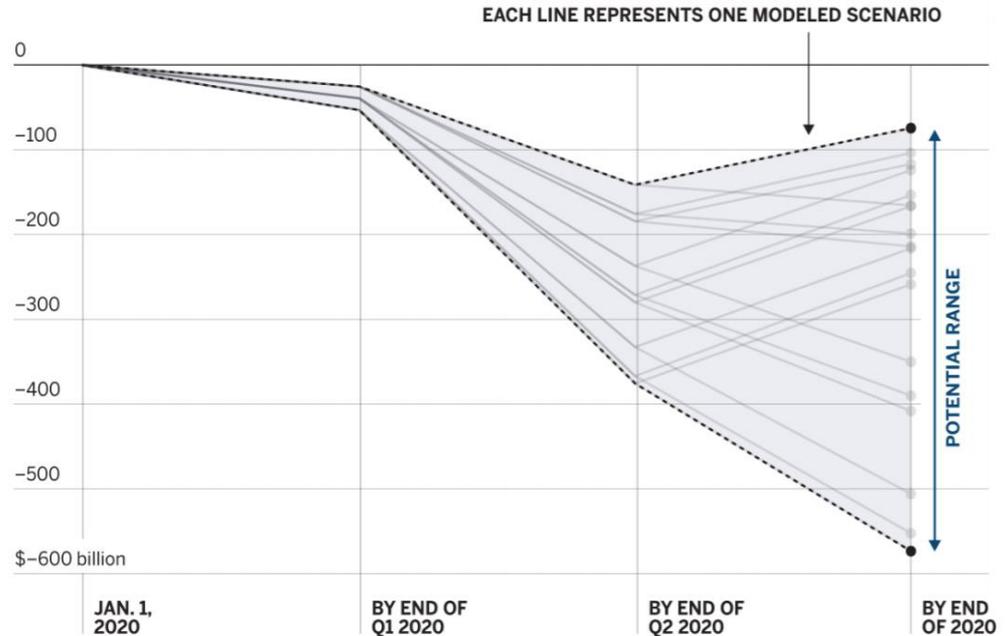
- National & international consulting
- Market-leading benchmarking analysis
- Cost models recognized as gold standard
- Independent third-party consulting
- Health analytics & predictive modeling

Our Milliman models allow us to better understand the interactions of the numerous parameters driving the impact that the COVID-19 pandemic may have on future health care costs. Specifically, our modeling is intended to give you a framework for thinking about how this pandemic could impact your allowed medical costs in 2020, and identify key parameters for you to consider.

## National Impact of COVID-19

“Conventional wisdom holds that COVID-19 is increasing costs for healthcare payers due to an influx of patients requiring testing and treatment. While these costs are significant, our analysis reveals that the deferral and elimination of care is a far more impactful driver of costs. We project a net reduction in medical costs for healthcare payers by at least \$75 billion and as much as \$575 billion if the deferral and elimination of care continues through the end of 2020.”

<https://us.milliman.com/en/insight/Estimating-the-impact-of-COVID19-on-healthcare-costs-in-2020>



## Cost: What will Coronavirus cost my health plan?

One national number isn't relevant to an employer's specific population and location.

The COVID-19 Cost Impact Analysis will answer this question for an employer group.



## Market: How do my costs compare to others, especially in my area?

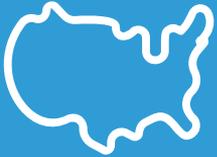
Everyone's cost is impacted, but how does my cost compare to others?

We will benchmark your costs against others in your area.



# Factors impacting projection

## Factors Contributing: Milliman COVID-19 Model



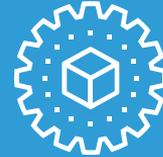
Area



Age/gender



Deferral Rates  
& Claims Cost



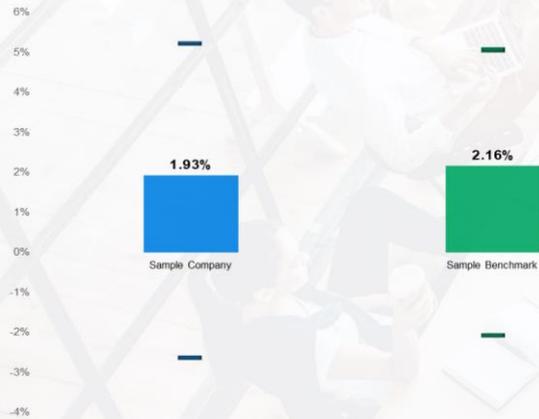
Network  
Discounts &  
Utilization

## DETAILED ANALYSIS

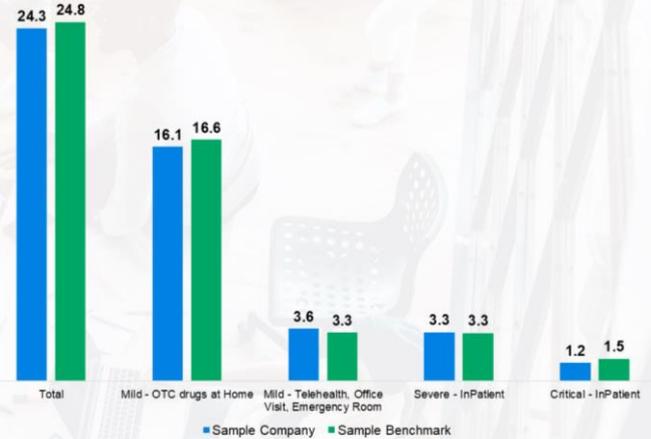
The charts below detail the expected impact that the COVID-19 virus is expected to have on Sample Company's 2020 medical plan. Based on the current population and medical claims costs, along with projected frequency (infection rate) and severity (cost per infected person), we expect there to be a 1.93% increase in Sample Company's medical claims for the remainder of the year due to treating the virus. This cost estimate accounts for deferrals for non-urgent procedures, but does not consider the cost impact to the plan in 2021 and beyond. Expected number of COVID-19 cases is estimated at 24.3 for the current population, with the Mild (OTC drugs at home) being the most prevalent category. This is in addition to any cases that have already been reported. Both of these statistics are better than the sample benchmark estimates.

Please note that we did not consider the following factors in our analysis: long-term health care issues for survivors, mortality, cost and timing of a vaccine or disease-modifying therapies. These have the potential to impact medical claims cost but are beyond the scope of this report.

### COST IMPACT OF COVID-19 MEDICAL CLAIMS



### EXPECTED NUMBER OF COVID-19 CASES



## 2021 Uncertainties That Will Increase Your Cost

Deferred services

Infection rates  
over time

Vaccine



**How can I gain clarity & what can I do about it?**

## Obstacles & Opportunities

Premiums relative to underlying claims

Carrier's proposed renewal action

## Our Tools to address

COVID-19 Cost Impact Analysis

Fully Insured Rate Analysis

Self-Insured Financial Analysis (SIFA)

Informed plan modifications



### Self-Insured Feasibility Analysis **SIFA**

#### **WILL GOING SELF-FUNDED ACTUALLY SAVE MONEY?**

We typically find savings of 5-10% by moving to a self-insured arrangement. We estimate all applicable expenses, such as administration fees and stop-loss premiums, based on our experience in the industry, group-specific data, and our models. We arrive at the projected premium by adding the expected claims cost and applicable expenses, and then compare this to the quoted fully insured premium.

#### **ISN'T SELF-INSURANCE RISKIER?**

It can be. To mitigate this risk we conduct a demographic analysis using actuarial cost factors for age, gender, area, plan design, and coverage tier to discover the areas of greatest risk and a stop-loss analysis to determine appropriate levels of stop-loss coverage.

#### **WILL I KNOW IF SELF-INSURANCE ISN'T A GOOD IDEA?**

Yes. Through our objective analysis, we may find it is not feasible for your group to adopt a self-insured funding arrangement due to factors such as group size, group demographics, state and market constraints. We will let you know if self-insurance fits your specific needs.

*After completing a SIFA, Milliman discovered a 400 life group would save approximately 900 thousand dollars annually by switching to self-insurance.*

# Obstacles & Opportunities

Budget considerations - PY 20-21

## Next Actions

COVID-19 Cost Impact Analysis

Assess reinsurance and plan designs

Consideration of New care models:

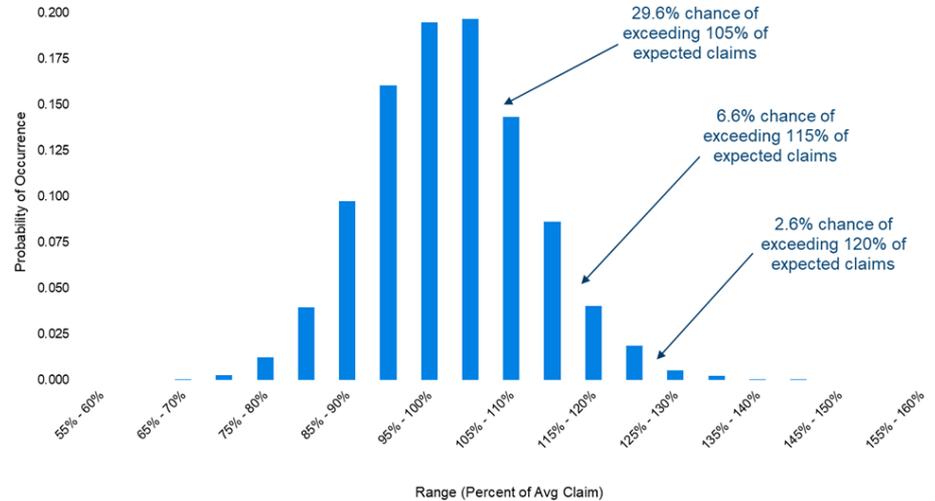
Direct primary care/Telehealth

Centers of Excellence (COE)

Care Coordination



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### Contact

Your ABD service team or consultant

### Logistics

Minimal data (census, plan design, etc.)

3 to 5-day turnaround

Consultative report review

**Q&A**



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**Thank You!**

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