



2021 HEALTH MEETING

June 14–16, 2021



Reinventing our Actuarial Toolkit to Incorporate the COVID-19 Pandemic Session 4 A

June 15, 2021

20 **HEALTH**
21 MEETING

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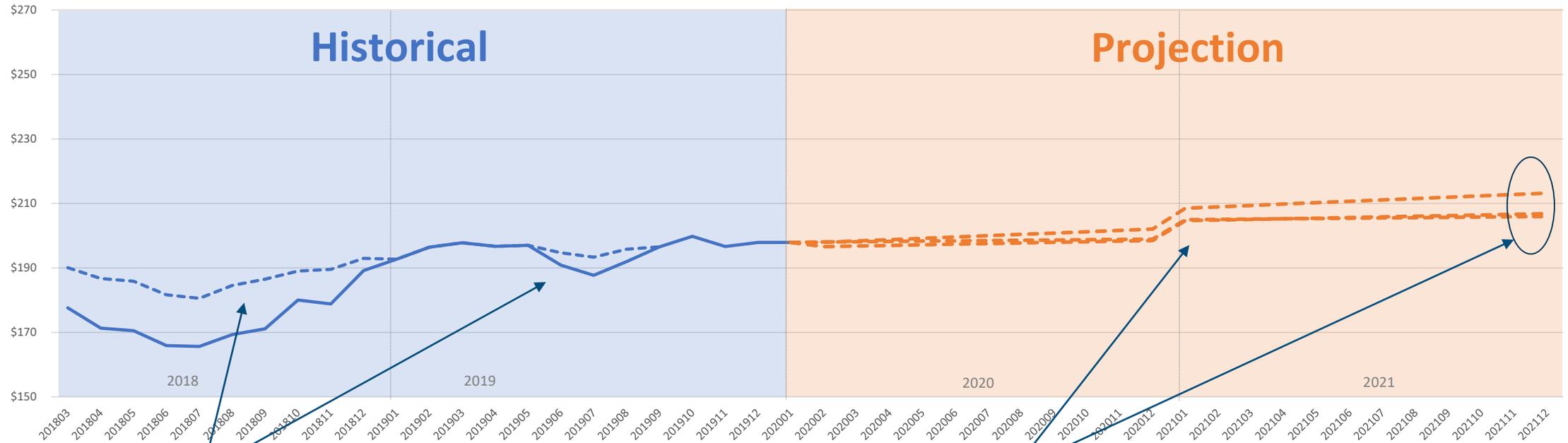
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Pricing Scenario Discussion

Bonnie, Colby, and Sudha are actuaries for Medicaid managed care organization XYZ. As part of their annual planning cycle for 2022, they are discussing the use of 2020 experience data and selection of claims trends for 2022. Today's discussion will focus on **medical claim trends**.



Pre-COVID Forecasting Tool Kit



Base Data.

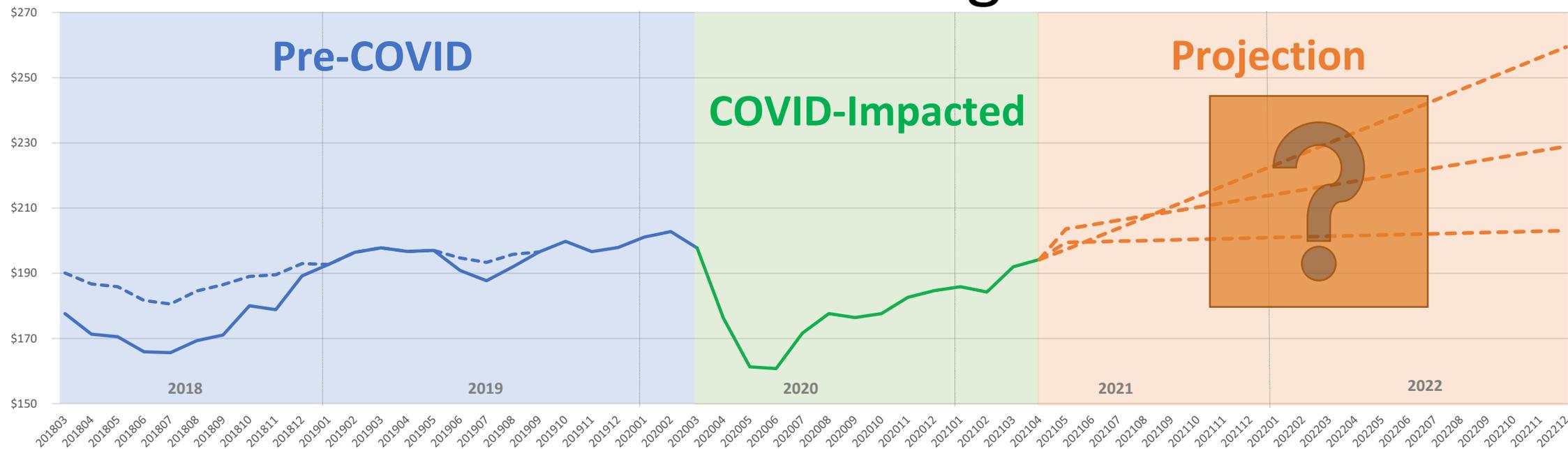
- Smoothed and normalized for changes more easily attributable to things like fee schedule updates, population and benefit carve-in/outs, seasonality and work calendar day, etc.
- Appropriate to use for pricing and forecasting when normalized.

Forecast Trends.

- Informed by normalized base data and known future changes like prospective fee schedule updates, population and benefit carve-ins/outs, etc.
- Scenario testing showed relatively smaller range of outcomes due to specific and measurable adjustments.

Our actuarial toolkit was well-equipped to handle prior forecast cycles

Post-COVID Forecasting Tool Kit



Base Data.

- Is COVID-impacted data useful? Can it ever be “normalized” and used for pricing and forecasting?
- How do we accurately attribute the impacts of changes in underlying member acuity, member duration curves, abatement, COVID direct costs?
- How can we distinguish between pent-up demand and completely forgone care?

Forecast Trends.

- What is the “new normal” and how does an actuary select trends for 2022? 2023?
- What will be the mix of COVID versus non COVID services in 2022?
- Will there be changes in demand for various healthcare services and long-term changes to delivery (e.g., telehealth)?
- Will we have network or access issues that impact trend?

With so many disruptions to historical and future medical expense, we need to re-think our processes

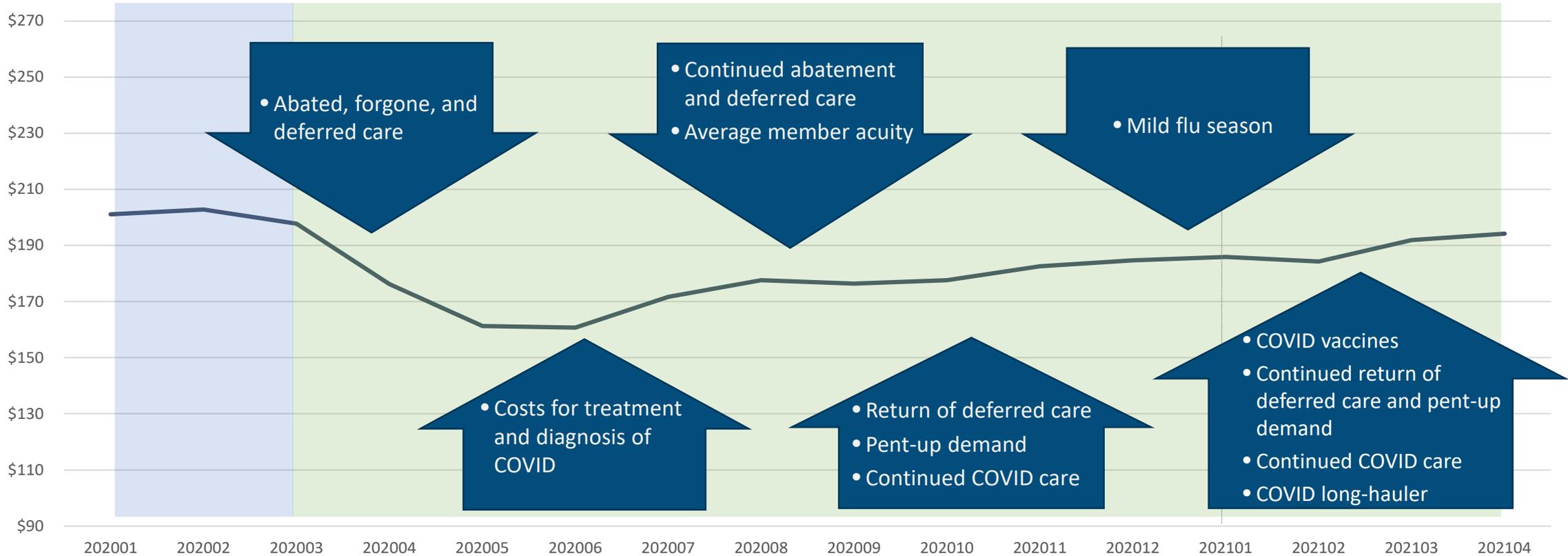
Base Data

Should the actuaries at XYZ use COVID-Impacted 2020 data for the base period in their forecast?



Base Data - Summary

While we may be able to identify the drivers of COVID-impacted data, being able to quantify them precisely can be very difficult. Additionally, the impacts will change directionally and in magnitude as we move through the pandemic.



Is it possible to normalize COVID-impacted data?

Base Data - Difficulties Normalizing

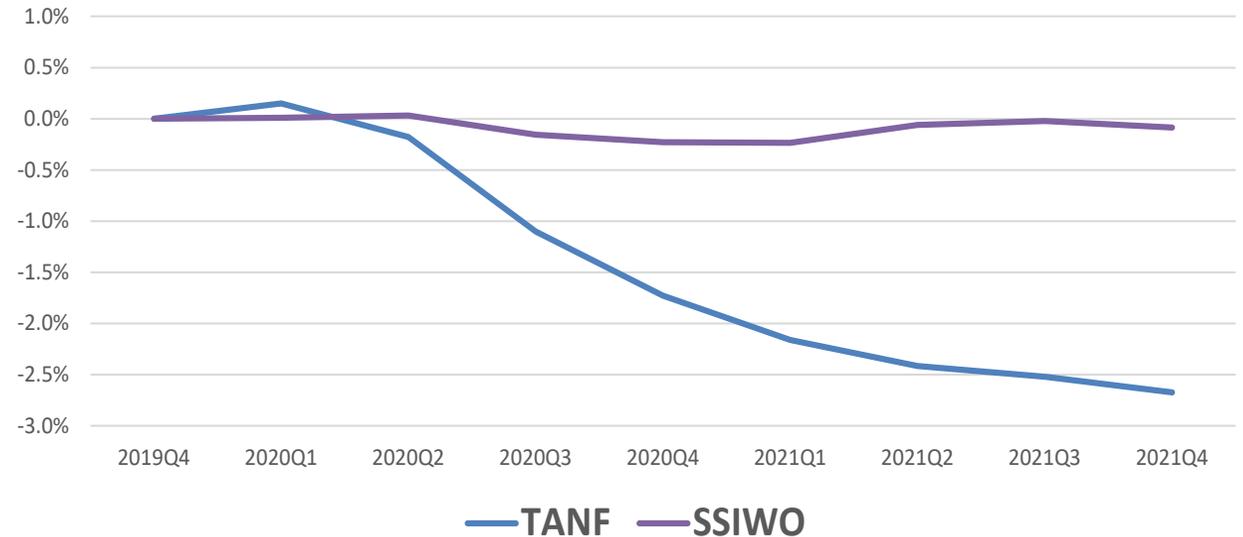
Attribution.

Actuaries need to ensure they have attributed changes to the appropriate driver. For example, not everything that looks like abatement is abatement. Some of it is acuity. It is critical consider acuity-normalizing any abatement modeling at the service category level.

Level of Detail.

Impacts can vary significantly between populations and services. For example, some states implemented UM restrictions on some, but not all, services during the pandemic.

Additionally, services like OP may need to be analyzed at a finer detail (like ER separate from OP Surgery). Actuaries need to be sure adjustments are developed at the appropriate level of detail, which may be different than how models were previously developed.



In this example

- Population acuity fluctuates due to enrollment changes resulting from Maintenance of Effort (MOE) requirements of the Public Health Emergency (PHE).
- Populations like TANF saw greater population acuity changes than SSI, likely due to higher volumes of excess member retention.

Base Data - Difficulties Normalizing (cont'd)

Magnitude.

The magnitude and direction of the impact of disruptions can vary significantly between population and service categories.

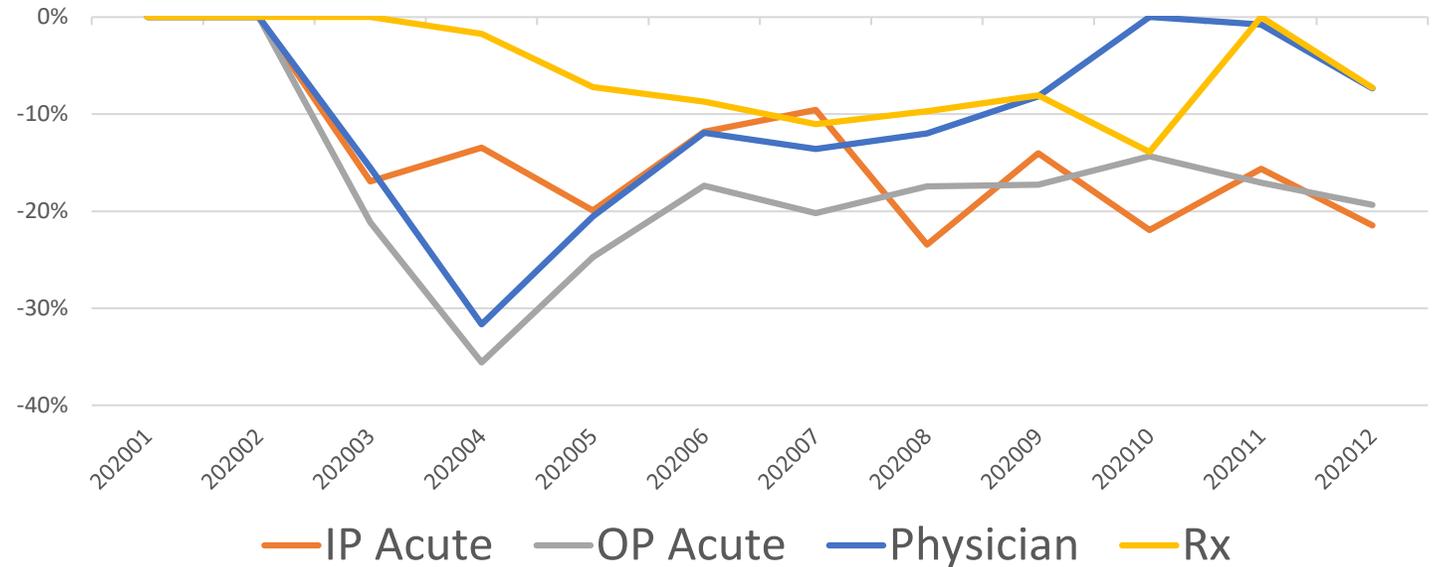
Timeline.

The timing of disruptions vary between states, populations, and service categories.

Other Considerations.

Actuaries need to consider the possible impacts of:

- Pandemic changes to company claim payment practices
- Changes to provider billing patterns



In this example

- In this example, services like Rx saw lower levels of abatement during the shutdown than services like Outpatient and Physician.
- The timing of disruptions vary by service category. In this example, Rx abatement was more delayed than other services, likely due to the rush to refill during the shut down.

Decision Point: Use 2020 Base Data?

Given the disruptions to health care delivery in 2020 and the difficulties in accurately normalizing for those disruptions, the actuaries at XYZ decide **NOT** to utilize 2020 as a base data period and decide instead to use older 2019 data with additional months of trend and adjustments applied to their forecast into 2022.

The actuaries at XYZ plan to study the COVID-Impacted data to help inform forecast trends like allowance for COVID services in Q1 & Q2 of 2022 and pent-up demand for other services. What other considerations need to be made when projecting forecast trends?



Trend Discussion

What are some near-term and long-term considerations the actuaries at XYZ need to explore and analyze as they finalize their forecast trends? Let us begin with **utilization trends**.



Trend - Utilization Trend Considerations

Near-term utilization impacts – What does the next year look for things like:

- Population acuity – As people return to work, and states reinstate enrollment verification, who will remain on Medicaid? Who will enroll in Exchanges or Commercial? How will that impact costs and member acuity?
- Did some states limit UM practices during the pandemic? When will those restrictions be lifted and how?
- What is the impact of deferred care on member acuity (e.g. delays in cancer screenings, diabetes and other chronic disease screenings)? Could this result in members with more acute conditions and worse health outcomes?
- Flu – Will it be more severe, less severe, or on-par with pre-COVID levels? How long until we get back to a “normal” flu season?
- School-based services and immunizations – Will these services return to pre-COVID levels next school year?
- Will providers and networks be able to absorb the increased pent-up demand and additional costs due to deferred services?
- What will be the ultimate vaccine costs, delivery & effectiveness? COVID booster shots?



Trend - Utilization Trend Considerations (cont'd)

Long-term utilization impacts – What do the next several years look for things like:

- What long-term changes to health care delivery are here to stay:
 - Telehealth - Has it improved access to care? Has it impacted provider billing patterns?
- What will be the long-term impacts on Mental and Behavioral Health services? External literature suggests potential increases in substance use and mental health disorders due to social, economic, and stress/anxiety from the pandemic. How will this differ by population?
- COVID costs – will we reach a predictable level of treatment, testing, and vaccine costs that can be built into future forecasts? How soon will that happen? Is COVID seasonal like the flu? What is the protocol for treatment and care for COVID long-haulers and how will they impact future health care costs ?
- Are there longer-term impacts on health outcomes due to deferred care of chronic conditions during the pandemic?
 - Will there be changes in demand for various healthcare services? For example, will ER return to pre-COVID levels or have behaviors changed?
 - Will there be longer-term network or access issues that impact trend?



Trend Discussion

What are some near-term and long-term provider and cost considerations the actuaries at XYZ need to explore and analyze as they finalize their **cost trends**?



Cost Trends & Provider Considerations

Factors expected to impact cost trends in 2022

Providers concerned about cashflow & reimbursement pressure

- XYZ provider team is expecting significant cost pressures for 2022
- Higher reimbursement and fee schedule increases across hospitals, physicians especially specialists (low 2020 utilization & provider fatigue due to pandemic stress)
- Expect higher cost trends for all COS (categories of service) versus prior years (increased inflation pressure)
- Rural hospital and community-based health organizations cashflows have been heavily impacted by COVID
- Payers maybe willing to increase reimbursement to help members catch up with deferred preventive care

Providers ready to take on additional risk

- Providers likely to accept more risk for higher reward – accept additional risk such as capitation and increased interest in value- based contracts

Provider consolidation

- Our network team is reviewing network adequacy requirements due to provider consolidation (hospital M&A)
- Physicians open to joining PHOs or multi specialty practices



Trend - Cost Trend & Provider Considerations (cont'd)

Other Considerations

Changing Delivery models

- New health care delivery models that include hybrid & virtual care approaches plus increased provider risk

Changing demand for various health care services

- How will cost trends vary by COS? (expect to pay more for mental health services)
- Will patient selfcare during the pandemic reduce demand and alter how health systems are used in the future?

Performance Guarantees

- Provider contracts will need to renegotiated as performance-based guarantees will need to be reassessed
- COVID services reimbursement re-contracted for all providers including ancillary services like lab testing

Access Issues

- Providers will find themselves playing catch up due to pent –up demand
- Deferred preventive and chronic care, lingering pandemic COVID services



Trend – Strategic Considerations

What are some **strategic trend factors** that the actuaries at XYZ may need to consider moving forward?



Trend – Factors Moving Forward

End of Public Health Emergency

- Currently set to expire July 20, 2021
- Renews 90 days at a time
- Federal waiver flexibility and guidance for providers

COVID vaccination cycles

- How and when children (age < 12) be treated?
- Will booster shots really be needed?
- What are the next generation vaccines, or is mRNA here to stay?
- Will the vaccine become part of annual cycles akin to influenza?

Long Haulers

- How does the risk profile of those affected change over time?



Trend – Factors Moving Forward (cont.)

Post-COVID Workforce Structure

- Migrating from office environments
- Wage increases

Behavioral Health

- Could expect about 50% increase in prevalence of behavioral health conditions that could lead to \$100 billion to \$140 billion of additional costs per year

Telehealth

- An expanded service line that is here to stay

Health Reform

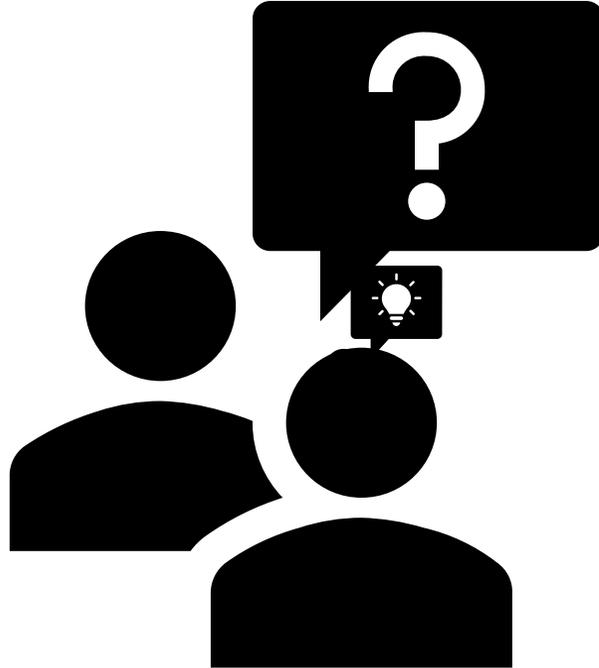
- American Rescue Plan Act(ARPA)-based funding providing Medicaid 10% enhanced FMAP (Federal Medical Assistance Percentages) for HCBS (Home & Community Based) services
- Biden administration with potential infrastructure bill
- Medicare eligibility age changes
- Public options (state and federal level)
- Medicaid expansion (~12 states remain)



Conclusion

- No one can accurately predict the outcome or the duration of COVID and its impact on our health care system.
- While we know our trends and forecasting processes over the next few years will be heavily impacted by COVID, it's safe to say that we as actuaries will be studying and monitoring it for many years.
- Frequent modeling and assessment of outcomes and their impact on our trending and forecasting processes is now an inevitable and critical part of our actuarial toolkit.
- We will likely revisit traditional health care models, assess health equity issues highlighted by COVID, and adopt more technological innovations as part of our healthcare system.

Q & A



Appendix

About the Presenters



Bonnie Punch, ASA, MAAA

Bonnie has spent most of her 20-year actuarial career supporting Medicaid and government-sponsored programs, both in consulting and health plan roles. She currently works for UnitedHealthcare Community & State from their offices in Phoenix, AZ.



Colby Schaeffer, ASA, MAAA

Much of his 15-year actuarial career has been in Medicaid, largely in a position directly supporting State Medicaid agencies. He currently is the Chief Actuary with the Arizona Health Care Cost Containment System (AHCCCS) which is Arizona's Medicaid program overseeing \$13 billion in services for over 2 million Arizonans.



Sudha Shenoy, FSA, MAAA, CERA

Sudha has 25+ years of actuarial expertise across various actuarial positions and her experience covers Medicaid rate setting, ACOs, Medicare bid review & audit, value-based purchasing, provider risk programs. Sudha is currently President at Steer Health Consulting. She is on the SOA Health Section Council and has served on the SOA Board of Directors.

2021 HEALTH MEETING

A hand holding a white star with a checkmark inside, set against a background of a city skyline at night and a network of glowing nodes.

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