4th Webinar on Health Insurance

18th December, 2020

1700 to 1900 IST

The Impacts of COVID-19 On The Healthcare Industry

Mr. Jim Dolstad, Vice President, Actuarial Consulting, Optum

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Agenda

Topic
High level overview
Financial projections
Provider contracting
Coding and documentation
Adopting to COVID-19 – The new normal
Questions and Answers

High Level Overview of COVID-19

An uncertain future and more disruption inevitable

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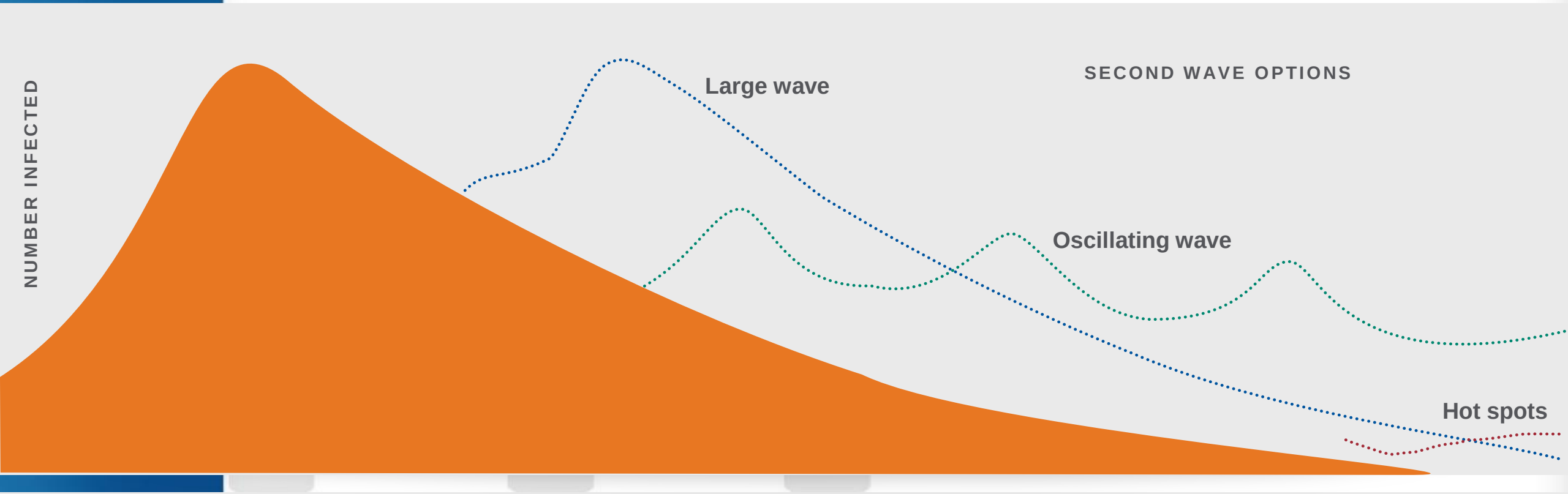


Balance

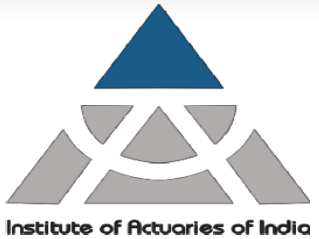
Urgent COVID-19-specific needs

Plan and execute for future relevance

COVID-19 Impact – What we know

- A small percentage of counties continue to drive the majority of cases
- The abatement of services impacted the entire country
- The recovery curves vary by county based on numerous factors
- Current spikes are generally unpredictable
- Future waves may occur and extend the current backlog challenges
- County level granularity will decrease the likelihood of over or underrating a specific group or block of business
- The economic downturn is changing the mix by line of business and provider group reimbursement

Top COVID-19 Actuarial Requests from Payers



- MA and ACA risk adjustment
- Impact on 2022 Renewals
- Value based care models
- Financial forecasting for 2020 through 2022
- Implications on traditional actuarial formulas given variances in relationship to baseline at various points in time
- Impact of LOB shifts at market level
- Impact on scores from risk engines

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Financial Projections

Financial projection framework and components

Member distribution takes on a critical role

COVID-19 Impacted Total Cost =

Base line Cost

\+ Direct COVID-19 Cost

\- Eliminated Cost

\- Deferred Cost

\+ Rx Rush

\+ Return of deferred cost over time

Data Element	Variance
Unemployment rates	County
Membership Shift	County/State
Direct COVID-19 Costs	County/State/National
Abated Costs	County/State
Permanently Avoided Costs	County/State
Recovery Curves	County
Infection rates	County
Service level backlogs	County
Risk Adjustment 2020 Financial Year 2021 Financial Year	 County County

Unemployment rates impact on membership by line of business

COVID-19 resulted in an economic shut down leading to record high unemployment levels impacting the health care coverage of tens of millions of Americans.

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I.M.F. Predicts Worst Downturn Since the Great Depression

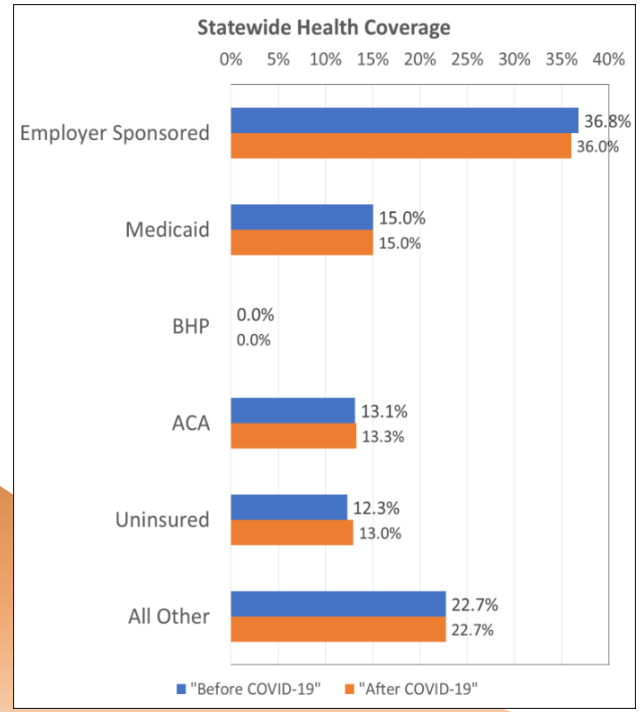
The global economy is expected to contract by 3 percent this year as quarantines and lockdowns cripple output.

Kristalina Georgieva, the managing director of the I.M.F. The fund is projecting that the global economy will contract by 3 percent this year. Nicholas Kamm/Agence France-Presse — Getty Images

By Alan Rappeport and Jeanna Smialek

Published April 14, 2020 Updated April 29, 2020

WASHINGTON — The International Monetary Fund issued a stark warning on Tuesday about the coronavirus's economic toll, saying that the world is facing its worst downturn since the Great Depression as shuttered factories, quarantines and national lockdowns cause economic output to collapse.

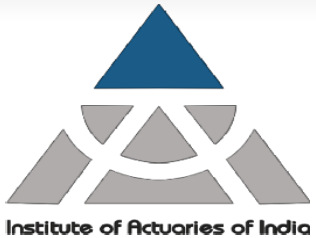


March - Initial Surge

Commercial coverage is decreasing as unemployment rates increase:

- Medicaid expansion states will see an increase in Medicaid enrollment
- Non-Medicaid expansion states will see an increase in the number of uninsured
- Impacts differ by industry group
- CARES Act initially distorted income distribution – will there be additional programs?
- Initial recovery was faster than usual – full recovery will take longer (possibly years)
- Additional waves may cause another spike depending on policy responses

Data Sources and Approach



Data Sources

- Consumer data (250 million members)

Payer data

—Commercial including SIC

—Medicaid

- LOB data by County – *American Community Survey (ACS)*
- Unemployment data – *Bureau of Labor Statistics*
- Employer-based health coverage rates by industry – *Current Population Survey (CPS)*

Approach

- Unemployment data by industry group used to identify newly unemployed populations by geography
- Coverage data by industry group used to identify proportion of unemployed previously covered by employer-based plans
- Matched consumer income data by industry and unemployment compensation by state (including CARES Act supplement) to determine eligibility for Medicaid and ACA subsidies
- Historical enrollment rates by income band used to identify likely enrollment in Medicaid and ACA

Unemployment by Industry & County (June '20) -- Bureau of Labor Statistics

Industry & County	Mining and logging	Construction	Leisure and hospitality	Other services	Government	Manufacturing	Trade, transportation, and utilities	Information	Financial activities	Professional and business services	Education and health services	Agriculture	Total
BLS (County)	19.7%	11.2%	32.0%	6.4%	8.1%	10.1%	13.3%	13.3%	5.6%	9.5%	9.5%	6.0%	
Override													
Final	19.7%	11.2%	32.0%	6.4%	8.1%	10.1%	13.3%	13.3%	5.6%	9.5%	9.5%	6.0%	12.5%
BLS (State)	22.7%	12.9%	36.8%	7.4%	9.3%	11.6%	15.4%	15.3%	6.5%	11.0%	11.0%	6.9%	
Override													
Final	22.7%	12.9%	36.8%	7.4%	9.3%	11.6%	15.4%	15.3%	6.5%	11.0%	11.0%	6.9%	14.4%
ACTUALS (State)													
2008 Financial Crisis (Oct. 09)	11.2%	6.4%	18.2%	3.7%	4.6%	5.7%	7.6%	7.6%	3.2%	5.4%	5.4%	3.4%	6.8%
March 2020	3.5%	2.0%	5.7%	1.1%	1.4%	1.8%	2.4%	2.4%	1.0%	1.7%	1.7%	1.1%	2.4%
April 2020	37.2%	21.1%	60.4%	12.1%	15.3%	19.0%	25.2%	25.1%	10.7%	18.0%	18.0%	11.3%	23.8%
May 2020	36.9%	20.9%	59.9%	12.0%	15.1%	18.8%	25.0%	24.9%	10.6%	17.8%	17.8%	11.2%	23.5%

Membership shifts by LOB vary by County

States have significant variances in LOB shifts based on whether they are a Medicaid Expansion State or not

Within a given state based on variances by industry and other factors

Shifts from commercial reimbursement to Medicare, Medicaid, or uninsured has a direct impact on provider income

Health Coverage [Pre-Covid] -- American Community Survey

	County		State	
Employer Sponsored	4,142.0	41.0%	17,195.1	44.1%
Medicaid	2,410.2	23.9%	8,217.2	21.1%
ACA	1,045.8	10.3%	4,109.4	10.5%
Uninsured	1,187.8	11.8%	3,527.5	9.0%
All Other	1,319.8	13.1%	5,933.5	15.2%
Total	10,105.7	100.0%	38,982.8	100.0%

Projected Unemployment [Post-Covid]

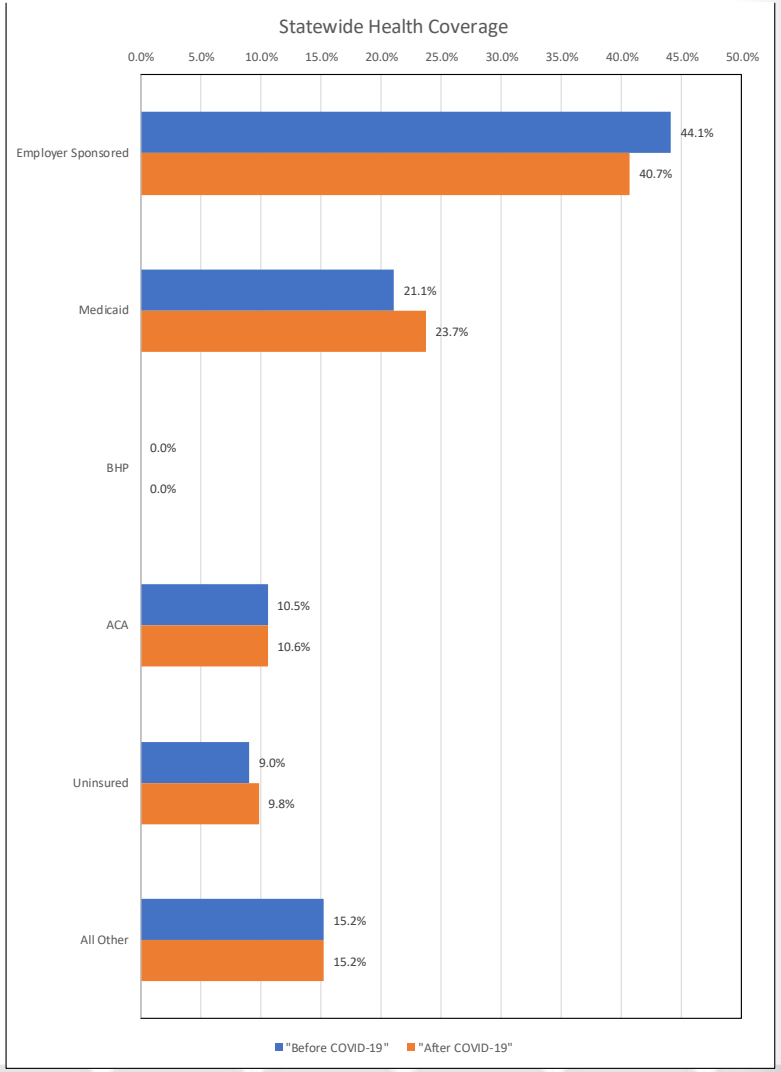
	County		State	
Total Unemployed	807.7	19.5%	2,589.8	15.1%
With Employer Sponsored	419.1	51.9%	1,343.8	51.9%

Coverage Changes [Post-Covid]

	County		State	
Eligible for Medicaid	319.9	76.3%	1,025.8	76.3%
Enroll in Medicaid	319.9	100.0%	1,025.8	100.0%
Eligible for BHP (MN & NY)	0.0	0.0%	0.0	0.0%
Enroll in BHP	0.0	0.0%	0.0	0.0%
Eligible for ACA with Subsidy	9.2	2.2%	29.5	2.2%
Enroll in ACA with Subsidy	1.6	17.0%	5.0	17.0%
Eligible for ACA without Subsidy	90.0	21.5%	288.6	21.5%
Enroll in ACA without Subsidy	1.8	2.0%	5.8	2.0%
Newly Uninsured	95.8	22.9%	307.2	22.9%

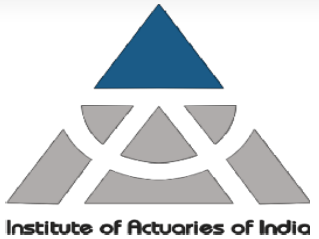
Projected Health Coverage [Post-Covid]

	County		State	
Employer Sponsored	3,722.9	36.8%	15,851.3	40.7%
Medicaid	2,730.2	27.0%	9,243.0	23.7%
BHP	0.0	0.0%	0.0	0.0%
ACA	1,049.2	10.4%	4,120.2	10.6%
Uninsured	1,283.6	12.7%	3,834.8	9.8%
All Other	1,319.8	13.1%	5,933.5	15.2%
Total	10,105.7	100.0%	38,982.8	100.0%



Impact of infection rates, abatement, and recovery curves

Understanding service level backlogs



PCP Office Visits	2020-01	2020-02	2020-03	2020-04	2020-05	2020-06	2020-07	2020-08	2020-09	2020-10	2020-11	2020-12
Baseline Cost (PMPM)	**$25.00**	**$25.00**	**$25.00**	**$25.00**	**$25.00**	**$25.00**	**$25.00**	**$25.00**	**$25.00**	**$25.00**	**$25.00**	**$25.00**
Eliminated	$0.00	$0.00	-$5.97	-$10.80	-$6.24	-$4.24	-$2.45	-$1.62	-$1.07	-$1.60	-$2.40	-$3.06
Deferred	$0.00	$0.00	-$2.41	-$5.20	-$3.01	-$1.71	-$0.82	-$0.54	-$0.36	-$0.53	-$0.80	-$1.23
Target Cost	**$25.00**	**$25.00**	**$16.63**	**$9.00**	**$15.75**	**$19.05**	**$21.73**	**$22.84**	**$23.58**	**$22.87**	**$21.80**	**$20.71**
Supply Cap (PMPM)	$25.00	$25.00	$16.63	$9.00	$20.25	$22.56	$23.75	$23.75	$23.75	$23.75	$23.75	$22.56
Demand (PMPM)		$25.00	$16.63	$9.11	$16.43	$20.93	$23.68	$24.57	$25.23	$24.13	$22.77	$21.46
PMPM Cap	**$25.00**	**$25.00**	**$16.63**	**$9.00**	**$16.43**	**$20.93**	**$23.68**	**$23.75**	**$23.75**	**$23.75**	**$22.77**	**$21.46**
Backlog			$2.41	$7.61	$10.61	$11.64	$10.57	$9.16	$8.61	$8.97	$8.89	$9.15
Return	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.68**	**$1.89**	**$1.95**	**$0.91**	**$0.17**	**$0.88**	**$0.97**	**$0.75**

PCP backlogs will go deep into 2021 in many counties

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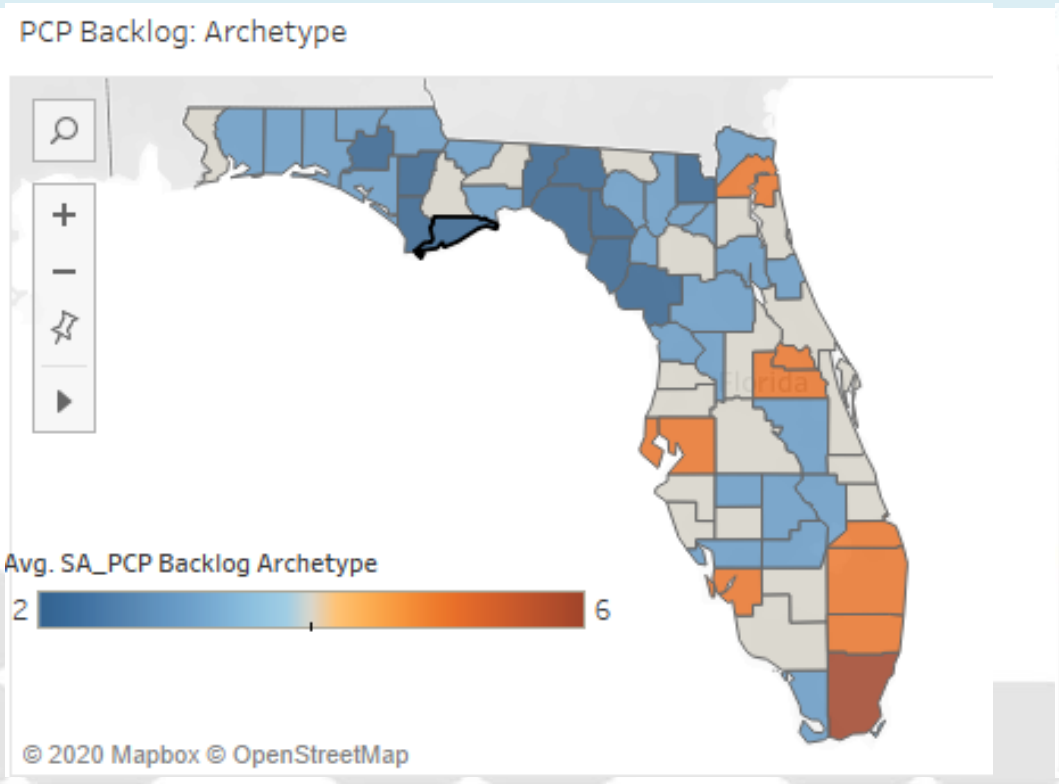
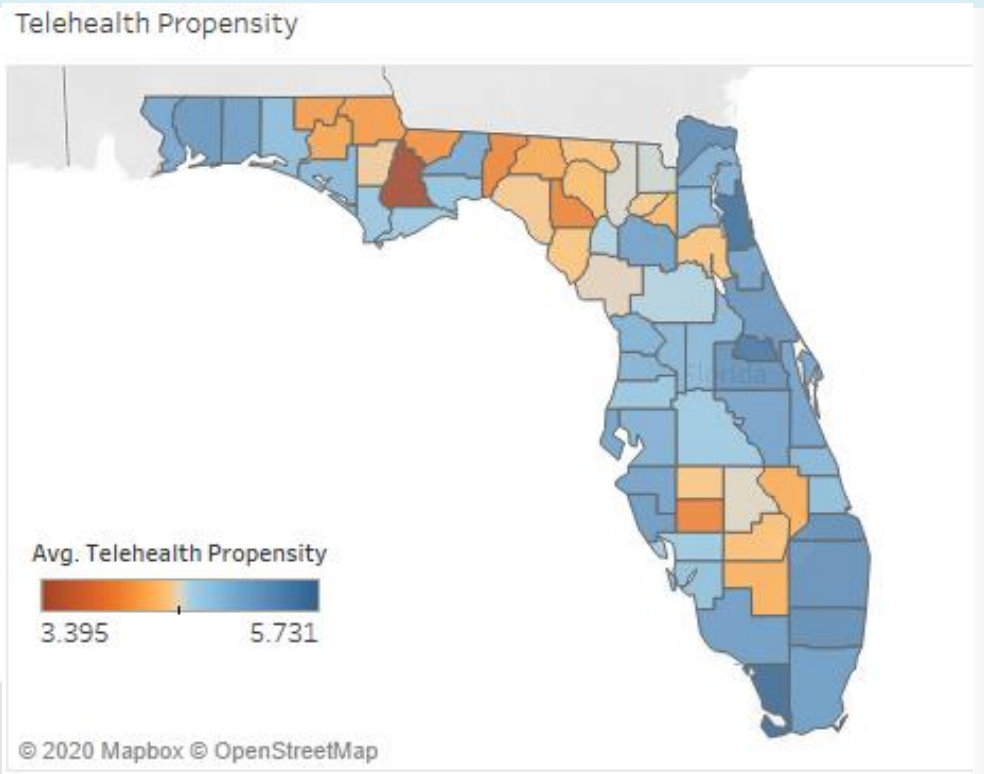
Adaptivity to telehealth will vary by county

PCP backlogs differ significantly by county. Telehealth offers significant opportunity to close gaps and relieve some of the backlog. CMS requires visits be both audio and visual to be used for coding, so understanding a member's ability to enable the video portion of the visit is imperative to success.





Volatility in incompleteness of data by county over time

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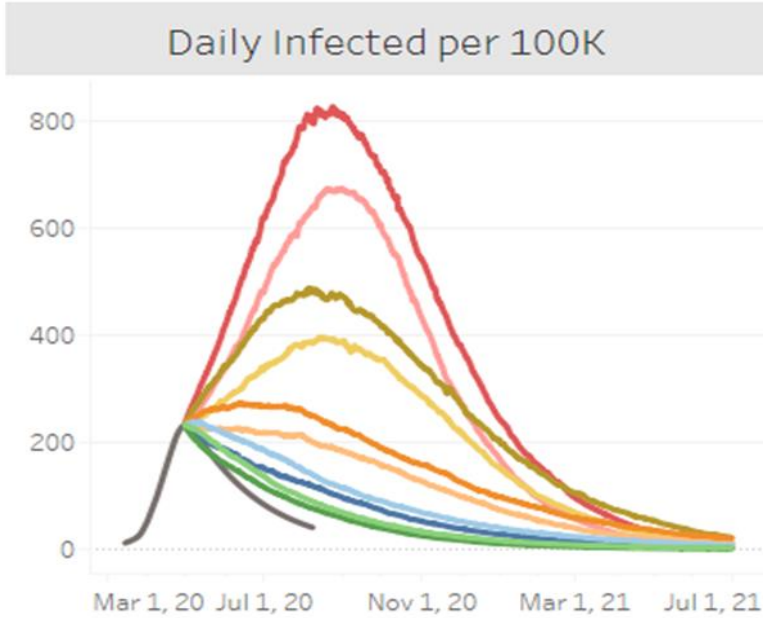
Sensitivity testing is critical given the unknowns

- At a county level, the variance can vary significantly by month
- Additional waves in the fall may further increase and lengthen the geographic disparities on completeness of claims



Monthly Comparison to Baseline

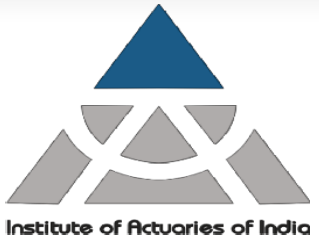
County Name	2020-04	2020-07	2020-10	2021-01	2021-04	2021-07	2021-10	2022-01	2022-04	2022-07	2022-10
Hennepin	75.50%	102.04%	98.88%	94.46%	99.66%	102.07%	101.76%	101.07%	100.52%	100.00%	100.00%

Rolling 12 Compared to Baseline

	2019-07	2019-10	2020-01	2020-04	2020-07	2020-10	2021-01	2021-04	2021-07	2021-10	2022-01
County Name	2020-06	2020-09	2020-12	2021-03	2021-06	2021-09	2021-12	2022-03	2022-06	2022-09	2022-12
Hennepin	96.4%	97.2%	96.5%	96.0%	99.1%	98.8%	99.9%	101.3%	101.2%	100.7%	100.3%

Provider contracting

The provider's perspective



The initial wave	Recovering to new normal	2021 Issues
• Workforce safety • Supply/equipment shortages • Shortfall in 2020 risk revenue • Abatement of services • Cash flow • Adaption/expense of telehealth	• Changes is reimbursement mix due to membership shift • New social distancing/sanitation requirements • Reconfiguring waiting rooms • Recovery curves • Leveraging telehealth • Closing gaps for provider performance/risk sharing arrangements • Concern over validity of risk sharing arrangements with payers	• Cash flow advantages of VBC versus risk of risk sharing • Need to renegotiate current contracts with payers • Reimbursement mix if economy worsens • Reimbursement levels/future of virtual visits • Continue RAF shortfall if COVID-19 continues into 2021

Shared savings challenges in 2020 and 2021

What we know

Significant expectations are placed on projected outcomes
Some members are reticent to seek routine services in-office
Many counties have backlogs of PCP visits
Many chart reviewers and similar professionals have not yet returned to field in all counties
Retrospective risk engines run on most recent 12 months of data have normally have and R-squared between 0.55 and 0.65
Eliminating 2 months of claims from some risk engines may decrease risk score by as much as 10%

Challenges

Proceeding with calculations as normal is flawed given incompleteness of data and limited ability of provider to achieve EBM measures
Waiver of the year's results may adversely impact provider
Payer paying out prior year's shared savings likely places payer in adverse financial situation given CMS revenue would not align with risk

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Coding and Documentation

Working together to improve coding and documentation

Adapting to COVID-19 Challenges

- Abatement of services prematurely ended chart review for 2020 financial year causing a 1% to 2% potential shortfall in projected CMS revenue for many payers and providers
- Abatement of services created a 3% to 7% projected decrease in 2021 financial year risk adjustment factor for many payers and at risk providers
- COVID-19 disproportionately impacting senior population and groups often challenged with health disparity
- Coding and documentation can be improved through in-home visits, in office visits, telehealth visits, and member outreach that results in a visit of some type

Collaboration using SDOH to drive performance

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Members needs

Needs very significantly by member

- Propensity to engage
- Health ownership
- Social isolation
- Financial security
- Food security
- Housing security
- Transportation
- Technological savviness

Options to close gaps

Gaps can be closed multiple ways

- In-office visit
- In-home visit
- Telehealth visit
- Encouragement through care management team or member outreach for one of the above means

Collaboration

- Payers can share projected SDOH characteristics of members with providers and stratify
- Payers can assist provider understand which member are most likely to be able to successfully have a telehealth visit
- Payers can understand SDOH from a provider patient base perspective and refine strategies with provider

Results

- Improved coding and documentation
- Improved clinical outcomes
- Early detection of any undiagnosed conditions
- Member satisfaction
- Improved quality metrics and potentially improved Star ratings, MIPS performance or value based contracting performance

Understanding the member holistically to improve performance

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Actionable indices predicted at the individual member level

- Accounts for individual level data, as well as socio-economic and community data

Primary Consumer Analytics Propensity Models

Provider Group Patient Base Variance

Recognizing the impact of social determinants on outcomes

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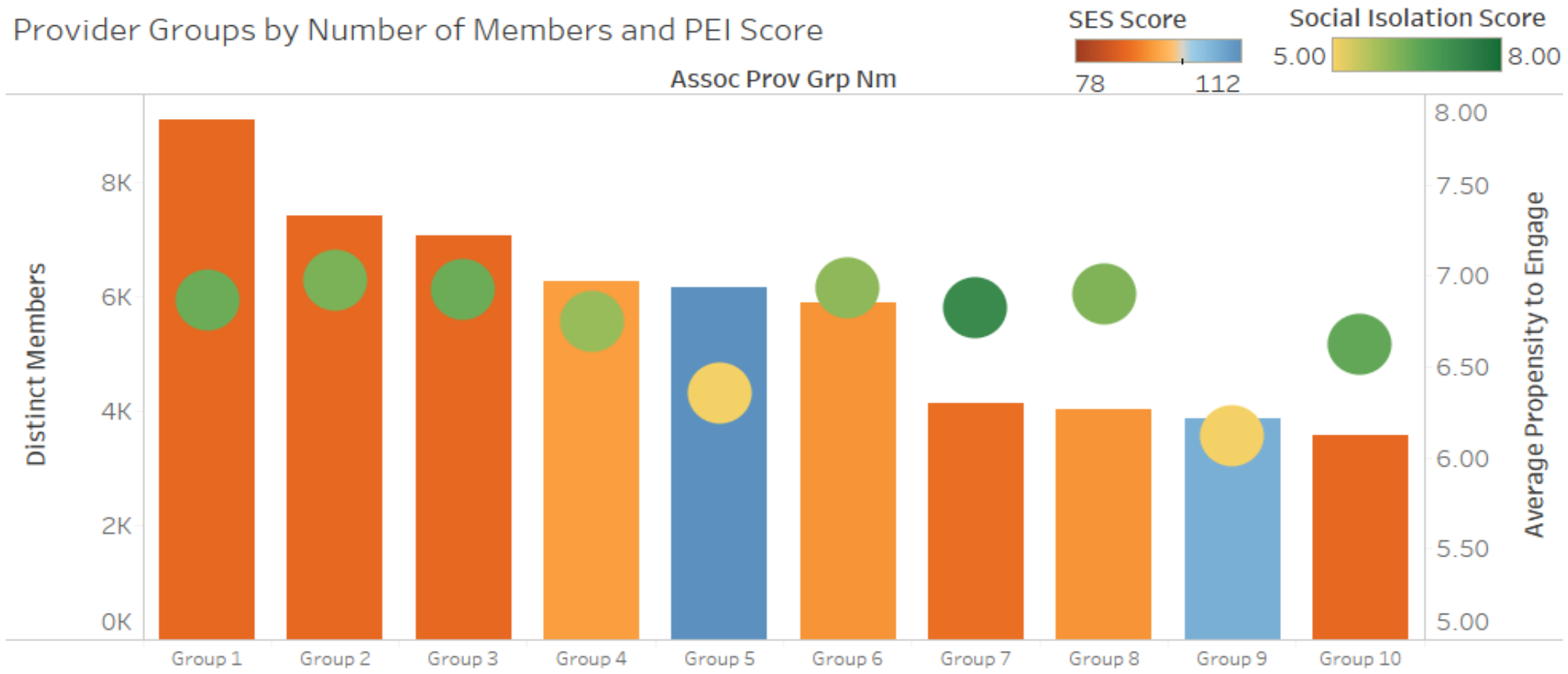
Understanding the differences between provider group patient bases gives a perspective beyond risk adjustment when assessing provider performance. Provider groups with challenging patient bases may be performing relatively well, after considering the social-economic and individual needs of their patients, relative to other patient bases.



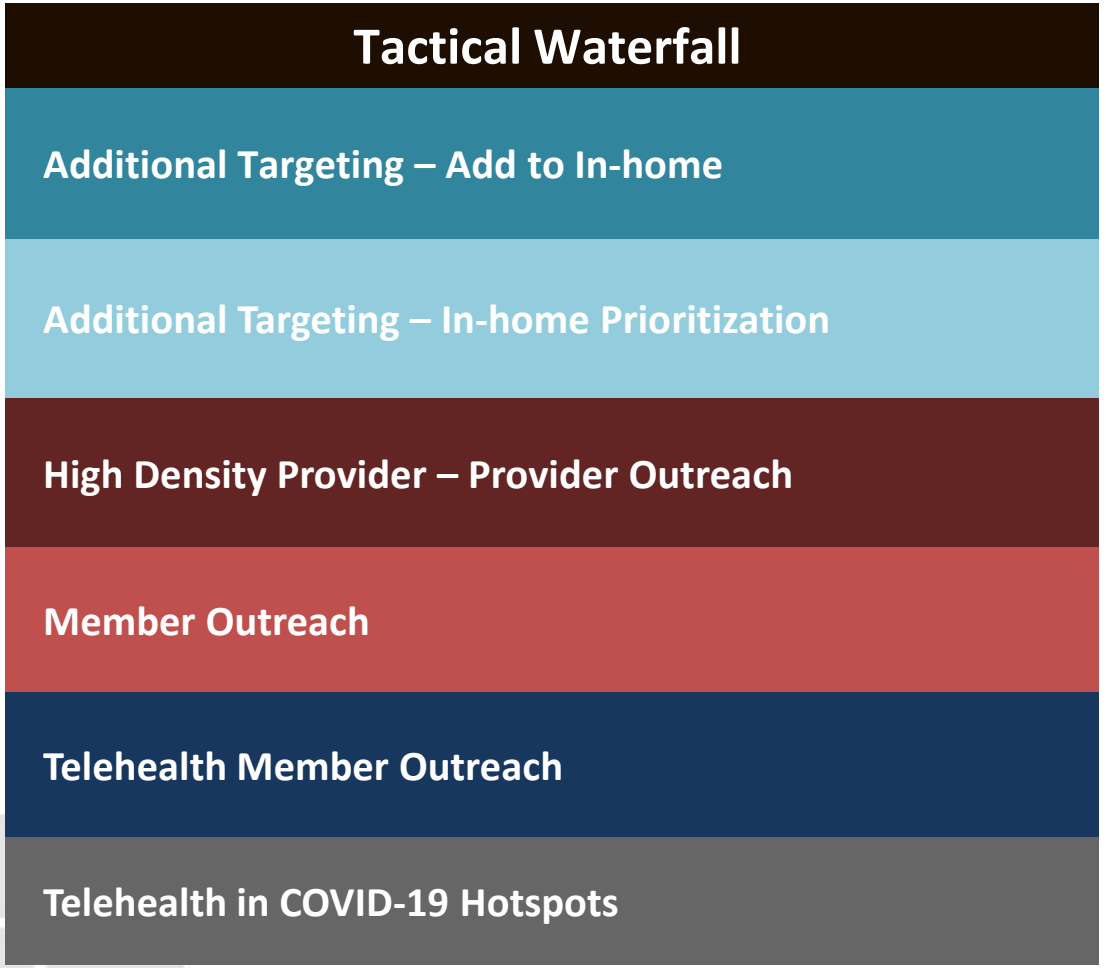
Scoring range for Propensity to Engage and Social Isolation is 1 (Lowest) to 10 (Highest). Population averages are shown above.

Hierarchy & Waterfall

Opportunity Quadrant analysis provides a strategic approach for tactical intervention

Additional **filtering** is applied to align with specific payer strategies (e.g. in home visits, in office visits, and telehealth) and COVID-19 concerns

The **tactical waterfall** provides the hierarchy of the strategic tactical initiatives drawn from review of the resulting data



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Adapting to COVID-19
The new normal

Three anchoring assumptions define this future

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Economic reality	Duration of COVID-19-specific impact	Permanent change
A global / US economic pull-back, with a slow recovery, will continue for the next ~3 years	The immediate impacts of COVID-19 will be felt for at least one-to-three years, including efforts of persistent distancing and recurring outbreaks Disease epidemiology will impact decision-making and will require organizations to pivot and adapt based on oscillating disease prevalence	The impacts of the effects and changes since the outbreak will result in some permanent change to the health care industry — the tried and true solutions pre-pandemic may no longer be applicable in our new environment

Eight macro features depict our new environment

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- Significant unemployment, business reconfiguration and slow return to economic stability and growth
- Increased consumer decision-making for all things health and wellness; choices and trade-offs abound
- Reconfigured health care delivery model to emphasize disruption: expansion of digital front door, telehealth, prominence of non-traditional entrants, to name a few
- Mounting pressure to decrease total cost of care (TCOC) and improve overall health care affordability
- Measuring and managing risk holistically, including incorporating Social Determinants of Health (SDoH), critical delivery and financing model components
- Meaningful reorganization within the health care value chain specifically and across the economy more broadly
- Increased reliance on and use of advanced analytics, predictive modeling, and AI / NLP, which will require interoperability
- Expected health care regulatory relaxation and reprioritization at federal and state levels especially as a result of significant budget pressures

The bottom line: Two truths prevail

No matter who you are, who you serve, or how you won in the past

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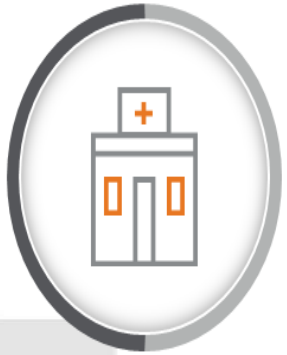
The dollars won't be there

- *Rising unemployment*
- *Higher Medicaid /IEX mix*
- *Procedures down (for now) / lost (forever)*
- *Federal / state budget shortfalls*
- *Pricing pressures and uncertainty*
- *Reduced risk adjustments*
- *Reduced throughput*
- *Consumer price elasticity*
- *Lower investment returns*

The delivery models must change

- *Space / safety / flow considerations*
- *Interoperability*
- *Sustainable future of primary care*
- *Site of service optimization*
- *Actuarial modeling changes*
- *Telehealth as a new normal*
- *Personalized medicine*
- *Non-traditional sites of care*
- *Need for care management*
- *Role and delivery of screenings and diagnostics*
- *Fundamental changes to payment models*

Disruptive funding change



Delivery system reform

Intense need to evolve operations to be

relevant, **coordinated**, and **simplified**

What will success look like?

Health plans must lower medical spend and admin costs, foster innovation, achieve member-centricity, and scale analytics

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Asset alignment

- Target LOB balancing
- Optimize core operational functions

Cost

- Accelerate TCOC / risk offerings / medical cost management programs
- Rigorously examine and reduce internal administrative cost structure

Operating excellence

- Intensely focus on actuarial modeling and pricing across product portfolio; lean in more to partners
- Develop new, lower cost service and operational models

Technology

- Develop data governance framework
- Enhance analytics and predictive capabilities; scale with business; accelerate access to near-real time data

Keeping members healthy

- Develop alternative ways for members to access care
- Address gaps in care
- Deliver targeted education and support
- Demonstrate and/or reposition plan to serve as a trusted partner through expanded, differentiated engagement programs

Growth

- Facilitate accurate and timely risk-scoring to capture risk-based payments
- Design innovative payment models, networks, and provider partnerships
- Enable capabilities to meet demand at scale for digital service offerings

Orange text – Today's priorities. Black text – Tomorrow's priorities.

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Questions and Answers

Thank you!!