



COVID-19 Practice Update: Healthcare Analytics

Potential Cost of Care – What We Know

As US corporations anticipate the potentially significant impact of COVID-19 on their workforce, employers need also to plan and prepare for unbudgeted and unanticipated healthcare claim and overall cost exposure. Although self-funded plan sponsors may realize the impact more immediately than fully-insured plans, all plans should be tracking both Legislation related to COVID-19 testing and claim coverage as well as their own population's actual claims utilizations in the months to come.

The federal government's recent mandate of waived deductibles and copays for virus testing has received a great deal of press, but pre-illness testing is only a small piece of the total COVID-19 related cost equation. In addition to direct claim exposure related to COVID-19 illness, employers can also anticipate abnormal claim utilization starting this month. Non-COVID 19 related monthly claim costs may, in fact, reduce significantly as a result of a virtual shutdown of non-urgent care procedures and population self-quarantining across the country. For comparison, Gallagher's Healthcare Analytics team evaluated our client clinical database of past claim trends tied to significant regional events, i.e. natural disasters, where there has been a disruption in clinical and surgical access for a period of time.

It is difficult at this time to estimate the total cost of impact, as there are still many unknowns in the US related to possible infection rates and the severity of the illness of the population infected. The Gallagher Healthcare Analytics team did calculate anticipated per-case cost of care for COVID-19 using clinical data for inpatient pneumonia, based on China's data of their treated population and the close correlation to treatment for pneumonia.

Gallagher's Healthcare Analytics Consulting team has prepared the following update to provide employers with initial guidance on the potential healthcare claims costs

Non COVID-19 related healthcare costs

In the short term, we expect many self-funded plans will see a reduction in healthcare claims. There are successful efforts by state and local governments to encourage providers to delay discretionary visits and procedures to preserve capacity and supplies for the anticipated volume of COVID-19 patients. In addition, Gallagher data consistently shows that clients who are affected by national disasters such as floods and hurricanes see a drop in claims immediately following the disaster and that it can take 2 to 3 months for claims to return to normal levels once the disaster passes. In most cases, we do not see any kind of catch up in claims, contrary to the expectation that claims are just delayed rather than avoided. Given the high percentage of healthcare spend that is medically unnecessary in the first place (most studies conclude it is 20% to 30%), this is not surprising.

In the current environment, with many Americans viewing the healthcare system in general as a potential COVID-19 infection risk, we expect the combined impact of providers taking action to postpone discretionary medical encounters and the public's attitude is likely to be significant. It would not surprise us if claims fell by as much as 5% to 10% until we start to see the impact of the COVID-19 treatment or the abatement of the current crisis.

Test Kits

After initial issues with availability and accuracy of COVID-19 testing kits in the US in February and early March, the Federal government is now working with private sector and state labs to significantly increase testing capacity. Current CDC guidelines recommend only those who develop symptoms and are either a close contact of someone with COVID-19 or are a resident in a community where there is ongoing spread of COVID-19 should call their provider to inquire about testing.

Thus far, several states have issued mandates that no patient cost sharing be charged for COVID-19 diagnostic testing, which would apply to fully-insured plans. Similarly, many national health insurance carriers have chosen to do the same for both fully-insured and self-insured plans (with an opt-out provision for self-insured groups). Given the relatively low anticipated cost per test kit (around \$50-\$100 for large commercial labs), and the public health priority of slowing the infection rate in the US, the waiver of cost sharing for self-funded plan sponsors should be strongly considered and is not expected to add significant claims costs. Also, application of clinical guidelines above should prevent any excessive cost due to unnecessary testing, and the benefit of early COVID-19 diagnosis may help reduce costs incurred for ineffective treatment while protecting front-line healthcare workers from further exposure.

Two of the largest commercial labs in the US have shared their standard pricing for COVID-19 testing in the \$50 - \$100 range. Please note that insurance carriers are working with these labs on reducing their contracted fee schedules.

Medical Visits Associated with Testing and Treatment of Symptoms

While prices for tests may be predictable, costs associated with office visits are variable if members go to these providers to request a test. In February, *Business Insider* [published](#) the average provider costs associated with COVID-19 testing using data from the healthcare cost database FAIR Health. Some of these costs are listed below.

Visit Type	Estimated Visit Cost
Office Outpatient Visit	
15 min	\$74
25 min	\$110
40 min	\$161
Telemedicine	\$40

Treatment

Although it is too early in this scenario to realistically and reliably estimate the total cost of care to an employer for COVID-19, information published in the *New England Journal of Medicine* in an [article](#) titled “Clinical Characteristics of Coronavirus Disease 2019 in China” provided several key insights from this article. Based on this data, the closest parallel we can draw to the cost implications is the cost of treatment for pneumonia and pneumonia-related treatments:

- 91% of patients had physician-diagnosed pneumonia
- 6.1% of patients had mechanical ventilation treatment (5.1% non-invasive, 2.3% invasive)
- 0.5% of patients had extracorporeal membrane oxygenation treatment
- Median length of stay: 12 days
- Treatment costs for COVID-19 will vary based on the complications brought on by the virus and are harder to estimate due to the relatively low volume of documented cases in the US as of March 17th. Internationally,

pneumonia has been a complication in advanced stages of the virus. The Kaiser Family Foundation and Gallagher’s Healthcare Analytics team have analyzed the cost of pneumonia-related inpatient admissions in 2018 to get an idea of potential hospital inpatient costs. There may be other costs related in addition to the admission costs below:

Inpatient Admission	Estimated Cost (Kaiser Foundation)	Estimated Cost (Gallagher BOB)
Pneumonia Type (91% of positive cases)		
Without Complications	\$9,800	\$9,300
With Complications or Comorbidity	\$14,000	\$12,000
With Major Complications or Comorbidity	\$20,000	\$23,000
Ventilation (6.1% of positive cases)		
Below 96 hours	Not available	\$40,000
Above 96 hours	Not Available	\$86,000
Extracorporeal Membrane Oxygenation Treatment (0.5% of positive cases)	Not Available	\$360,000

Other Considerations

The above estimates can be substantially impacted by the demographics of any given group. Additionally, the prevalence of the COVID-19 virus will be an important variable when estimating the potential impact on any given client.

From a COBRA perspective, the possibility of widespread layoffs will lead to an increase in COBRA participation as employees with the greatest perceived need will elect to stay on their employer plans. At a time when finding a new job is likely to be extremely difficult, at least until the economy recovers from the pandemic, COBRA participants are likely to remain on their employer plan for a longer duration than they have historically. Any forecasting for employers undergoing layoffs should take this into consideration.

As the situation evolves, and more information becomes available, we will be able to better project the overall impact to employer’s healthcare costs. The information in this article is current through March 18, 2020. We acknowledge that facts will change and invite you to visit www.ajg.com/pandemic where we maintain up-to-date information.

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