



A Practical Guide to Navigating 2021 Health Plan Renewals

MMA's Employee Health & Benefits Division

EXECUTIVE SUMMARY

The COVID-19 pandemic has created unprecedented challenges for employers, employees, and healthcare systems across the globe. Amidst remarkable uncertainty and disruptions to almost all industries, organizations managing employer-sponsored medical and pharmacy plans face a complex 2021 renewal cycle.

In order to provide employers insights and strategies to support the 2021 renewal process, this report will highlight the following items:

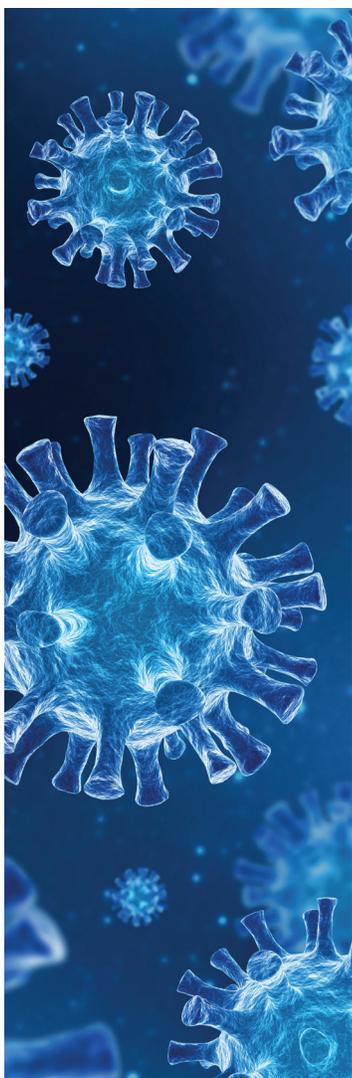
- Medical and pharmacy utilization and cost changes since March 2020, the beginning of the COVID-19 pandemic.
- Practical strategies for navigating 2021 fully-insured-experience-rated (fully insured), level-funded, and self-funded health plan renewals.

Information is rapidly changing each day, and Marsh & McLennan Agency (MMA) will attempt to keep clients and colleagues abreast of new developments as the situation evolves.

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ORGANIZATIONS
MANAGING
EMPLOYER-
SPONSORED
MEDICAL AND
PHARMACY
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WHAT HAVE WE LEARNED?

COVID-19 has temporarily—and likely permanently—transformed the way the United States utilizes healthcare. Shifting care-seeking behavior and healthcare demand has significantly altered health plan utilization since March 2020, the beginning of the COVID-19 pandemic.

MMA analyzed health plan use in its book of business before and after the start of the pandemic, and below are observations from the study:

- March 2020 – June 2020: Total fee-for-service medical and pharmacy claims paid per member per month (PMPM) are 12% lower than March 2019 – February 2020 total fee-for-service medical and pharmacy claims paid PMPM
- Telemedicine utilization through June 2020 has significantly increased
- Primary care visits, specialist visits, surgery, preventative visits, urgent care, and emergency room utilization through June 2020 have decreased
- Inpatient, mental health, and home health utilization as well as capitation payments through June 2020 have remained in-line with pre-pandemic utilization and payment levels

It is important to note that these findings reflect observations during a point in time. Ongoing utilization patterns are likely to see significant change and volatility as the US response to COVID-19 evolves over time. While claims experience data through June 2020 provides insights into rapidly changing healthcare behavior patterns, many considerations and questions remain about treatments, vaccination, access, demand, population health, economic impacts, provider networks, operational impacts, and additional future considerations. Employers face the overwhelming task of effectively managing their health plans throughout the duration of the pandemic.

A PRACTICAL GUIDE TO NAVIGATING 2021 HEALTH PLAN RENEWALS

Processing 2021 renewals amidst tremendous uncertainty and volatility may be extremely challenging for employers managing fully insured, level-funded, and self-funded health plans. Nonetheless, employers can lean on five foundational principals during their renewal process in order to maximize plan value and mitigate risk.

MMA's COVID-19 Financial Impact Model

Created by MMA's national actuarial and underwriting practice, the model analyzes benchmark data, statistics from organizations (such as the CDC), and member-level census data to create a custom financial projection of current and future COVID-19-related medical and prescription drug expenses. Insight into these costs will be instrumental in helping companies make informed decisions regarding layoffs and furloughs, budget reforecasting, and overall impact to the bottom-line. The tool will measure the financial impacts resulting from increased admissions related to COVID-19 diagnoses and treatment, increased telehealth use, and short-term delays in non-emergency procedures, among other factors.

Review Emerging Claims Experience

The latest data shows that fee-for-service, health plan claims patterns are drastically changing. Comparing actual experience to that of market benchmark claims will inform employers how the health plan is performing compared to expectations and other similar health plans.

Reviewing claims experience will support 2021 renewal negotiations in order to maximize the financial value for fully insured and level-funded health plans. It will also support prospective budgeting and stop-loss renewal analysis for self-funded health plans.

Wait For More Data

On average, total fee-for-service, health plan paid claims decreased since COVID-19's transmission in the US. Reductions in claims cost due to deferred non-emergent utilization are outpacing increases in claims cost due to COVID-19 related testing and treatment.

If this trend continues, waiting for more claims experience data may support lower 2021 renewal costs for fully insured and level-funded health plans. For self-funded health plans, waiting for more claims experience will allow finance and HR teams to better budget for current and future claims risk.

Analyze Detailed Renewal Underwriting

Developing renewal rates for health plans is a complex modeling process given the wide range of possible outcomes in 2021. Underlying plan costs may still decrease in 2021 if care deferrals continue, infection rates remain low, the government subsidizes vaccine costs, and secondary cost drivers are minimal. If pent-up demand manifests, COVID-19 related testing and treatment persists, the government does not subsidize vaccine costs, and secondary cost drivers have a significant impact, underlying plan costs could increase.

Given forecasting variability, analyzing 2021 detailed renewal underwriting is critical to ensure fair and competitive rating factors for fully insured and level-funded plans. Specific to fully insured plans in 2021, the health insurer fee (HIF) is no longer in-force, which will save fully insured health plans one to three percent. For employers managing self-funded health plans, analyzing the 2021 renewal underwriting is important to ensure health plan budgets are consistent with underlying claims experience and the employer's risk tolerance.

Future Considerations

With so many questions outstanding regarding COVID-19's impact on health plans, employers face tough hurdles to ensure their health plan is competitive from care quality, access, financial, and operational perspectives. Creating a tailored renewal analysis plan and strategizing about the key renewal objectives is vital to yield an optimal renewal outcome.

IN CLOSING

With COVID-19 evolving daily, MMA's Employee Health and Benefits Division will endeavor to remain attentive to current trends, and is committed to proposing cost containment strategies based on employer-specific health plan utilization patterns.

For employers managing health plan 2021 renewals, here are action items MMA recommends as next steps:

- Estimate the impact of COVID-19 on your health plan using MMA's proprietary COVID-19 Financial Impact Model
- Review emerging claims experience
- Wait for more data
- Analyze detailed renewal underwriting
- Assess future considerations

Visit our COVID-19 Resource Page for all the latest information:
mma.marshmma.com/coronavirus-outbreak-resource-page

“Waiting for more claims experience data may support lower 2021 renewal costs and allow for better budgeting.”

APPENDIX: REFERENCES

- COVID-19 Virtual Symposium. "Rating for COVID-19 Healthcare Costs in 2021 and Beyond".
- COVID-19: Considerations for commercial health insurance rates in 2021 and beyond. https://milliman-cdn.azureedge.net/-/media/milliman/pdfs/articles/3131hdp_covid-19-considerations-for-commercial-health-insurance-rates-in-2021_20200504.ashx.
- Society of Actuaries Research Brief Impact of COVID-19. <https://www.soa.org/globalassets/assets/files/resources/research-report/2020/impact-of-covid.pdf>.
- Centers for Disease Control and Prevention. Cases, Data, and Surveillance. <https://www.cdc.gov/coronavirus/2019-ncov/cases-updates/index.html>.
- The preliminary reported impact of COVID-19 on ACA premiums. <https://milliman-cdn.azureedge.net/-/media/milliman/pdfs/articles/covid-rate-impact-updated.ashx>.
- Artemis Health. MMA: COVID-19 Financial Impact Dashboard

MARSH & MCLENNAN AGENCY OVERVIEW

Marsh & McLennan Agency LLC (MMA) is a full-service insurance brokerage and consulting firm that helps organizations with the spectrum of business insurance, employee health and benefits, and human capital management. Marsh & McLennan Agency brings world-class resources and a consultative approach tailored to each client's situation.

MMA was established as a separate operating subsidiary of Marsh, to redefine the way we serve clients in the middle market. We offer national and international broker resources and a hands-on proactive broker relationship. The majority of our services are provided in-house with a consistent and educated team dedicated to serving your needs.

MMA continues to grow rapidly and expand its footprint across the US and Canada, employing over 6,000 colleagues. Marsh has approximately 32,700 colleagues working together to serve clients in more than 130 countries. Marsh is a wholly owned subsidiary of Marsh & McLennan Companies (NYSE: MMC), a global professional services firm offering clients advice and solutions in the areas of risk, strategy, and human capital.

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