Setting Your 2022 Health & Welfare Budget Will Not Be "Business as Usual" This Year

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COVID-19 continues to impact the US healthcare system and our population in the new year, and while we have a new administration with new priorities, we will continue to deliver health care through the current for-profit system. What does this mean for an employer's health care budgets in 2022 and beyond?

In light of considerable ongoing uncertainty and with 2020 being a year unlike any other, 2022 budgeting and pricing will not be "business as usual" this year. Employers need to take a critical look at a number of factors and continue to keep an eye on new developments as well.

We have compiled the following considerations as you begin your budgeting/pricing discussions.

Trend Drivers

COVID TESTING, TREATMENT AND VACCINATION COSTS

COVID testing and treatment will continue to be necessary through the foreseeable future. After the current supply shortage, these resources will become available to anyone who wants them. We'll shift from a problem of supply to one of demand.

According to a poll by Kaiser Family Foundation, 51% of the public remain either hesitant or opposed to getting their COVID shots[1] even though COVID testing and vaccination costs are 100% covered by health plans, increasing the cost burden to plan sponsors. The new administration may also mandate treatment costs to be provided at 100%, which would further increase plan costs.

MENTAL HEALTH & BEHAVIORAL HEALTH CLAIMS[2]

A representative panel survey conducted by the Centers for Disease Control and Prevention (CDC) in late June 2020 indicates:

40%+ of U.S. adults reported struggling with mental health or substance use

26% showing symptoms of trauma or stressor-related disorders

11% having seriously considered suicide in the past 30 days

13% starting or increasing substance use to cope with the pandemic

31% showing symptoms of anxiety or depression

For some, these issues will subside as the pandemic winds down. Others may experience acute crises associated with the pandemic (such as substance overdoses or suicide attempts) or chronic mental health/substance use disorder challenges that will result in a persistent increase in mental health utilization long after the spread of the virus is under control.

DETERIORATION OF GENERAL POPULATION HEALTH STATUS DUE TO DEFERRED/UNDELIVERED CARE

Over 40% of Americans reported delaying or avoiding medical treatment due to the pandemic as of June 2020.[3] The public health community is alarmed at the implications of undelivered care leading to an increased risk for outbreaks of vaccine-preventable diseases:

Screenings for certain treatable cancers dropped anywhere from **86% to 94%** below typical levels in May 2020[4]

Routine immunizations for preventable diseases **declined steeply** for children and adults alike[5]

It is promising that after initial high rates of deferral, office medical services have experienced a strong return compared to other service categories. That is, consistent with a focus on screening, preventive services, and chronic condition care.[6] However, there remains concern that the temporary disruption in diagnostic and condition management utilization may result in more complicated health issues down the road.

LONG TERM COMPLICATIONS OF COVID INFECTIONS

As of now, long term health complications due to COVID-19 infections include, but are not limited to, organ damage, joint pains, fatigue, blood clots/blood vessel problems and cognitive impairment. Since it is difficult to predict long-term outcomes[7], researchers are looking at the long-term effects seen in related viruses, such as the virus that causes severe acute respiratory syndrome (SARS), which resulted in reduced pulmonary function in some recovered patients for several years.[8] Still, it could be years (or decades) before we understand all the implications of a COVID-19 infection on future health status and cost.

EXPANSION/CONSOLIDATION OF PROVIDERS & HOSPITALS

The volume of hospital and provider consolidation is likely to accelerate due to the financial damage inflicted on the industry by the coronavirus pandemic. Generally, provider consolidation leads to higher prices. A national study found that physicians in the most concentrated markets charged fees that were 14% to 30% higher than the fees charged in the least concentrated markets.[9]

Another study that used private insurer data found that an increase in physician-hospital integration was associated with an average price increase of 14% for the same service.[10] This upward price pressure will lead to higher health care if left unchecked.

Trend Mitigators

REDUCTION IN ANCILLARY SERVICES

According to a 2020 Amwell Survey, consumers reported 80% of physicians have had virtual visits with their patients compared to 22% in 2019.[11] PCPs and specialists that traditionally offered only in-person visits in the past have adapted to the new virtual environment quickly. Typically, physicians would produce additional claim cost by ordering tests, utilizing ancillary services while on site. In the modern virtual environment, physicians are re-evaluating if tests are really necessary. This trend will continue to curb health care spending as the virtual setting is expected to persist after the pandemic resolves, with 92% of providers expecting to continue offering tele-visits.

REDUCTION OF EMERGENCY ROOM USAGE

Emergency department visits experienced the most sustained utilization reduction in 2020 (approximately 25%) of any service.[6] The reasons for this reduction are still being investigated. Should emergency room (ER) usages continue to decline, we can expect it to be a factor in mitigating trend over the long term.

SURGE OF TELEMEDICINE SERVICES

On-demand urgent care centers and third-party telemedicine providers are lower in cost compared to in-person visits. Surveys show that 76% of utilizers are likely to continue using telemedicine services instead of returning to using urgent care/ERs in-person. 58% of members will use telemedicine for convenience and for time savings measure.[11] Increasing comfort and utilization of telemedicine alternatives plus the lower cost are expected to mitigate trend beyond the pandemic.

SYSTEM CAPACITY LIMIT

The US Healthcare system is largely a "for profit" business. Many providers have suffered a tremendous amount of revenue loss during the pandemic. Headed into 2022, providers will face a strong imperative to deliver services and return to previous capacity levels. After the system hits its limit and providers are booked, the capacity limitations of the system will act as a limiting factor on trend.

How Fidelity Can Help

The COVID-19 pandemic continues to impact health care utilization and pricing in ways that will be difficult to predict over 2021 and into 2022. For these reasons, the pricing /budget exercise for 2022 will be a unique challenge. And we are here to help.

Fidelity Workplace Consulting provides customized consulting advice to each individual client organization depending on your particular industry, employee population and geography. Your unique situation and needs will dictate our recommendations.

To learn more about our Workplace Consulting health & welfare consulting services, please contact your Fidelity Managing Director or email the Fidelity Workplace Consulting group at fidelityworkplaceconsulting@fmr.com.

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