



# **Southeastern Actuaries Conference**

**SPRING MEETING, 06/24—06/26**

**10/07/2020 HEALTH WATCH**  
Managing Health Insurance  
Company Risks in a recession



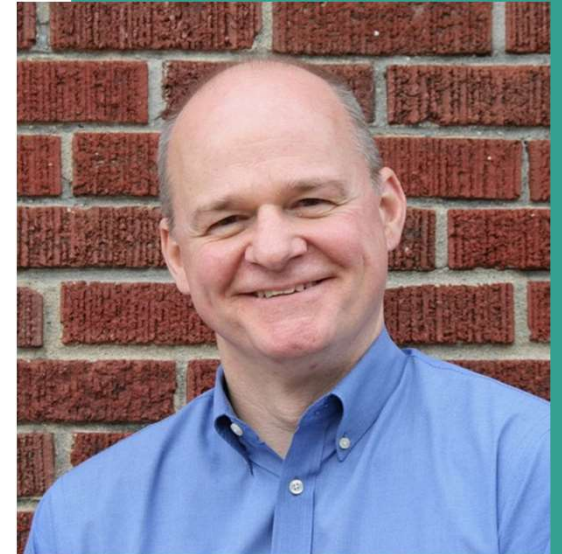
## WHO ARE THESE GUYS?

Keith Passwater

FSA, MAAA

Managing director at the health strategy  
and actuarial firm Pasco Advisers.

[Keith@PascoAdvisers.com](mailto:Keith@PascoAdvisers.com)



## WHO ARE THESE GUYS?

Dave Nelson

FSA, MAAA

Consultant at the health strategy and  
actuarial firm Pasco Advisers.

[dave.nelson.111@gmail.com](mailto:dave.nelson.111@gmail.com)



## A SPECIAL THANK YOU

Jim Srite

Ken Avner

Janice Knight

Bill Cashion

Puneet Budhiraja

And many others for their contributions to *Managing Health Insurance Company Risks in a Recession* which appeared in HealthWatch on October 7, 2019

## AN OVERVIEW

### Questions

We will be asking questions to one another to introduce issues relevant to a Recession

### Observations

We will be sharing thoughts from our paper modified by Covid-19 impacts

### Reactions

We will all learn from each other thru Zoom polling

### Final thoughts



QUESTION   INSIGHT   POLL

K

Why did you decide to write an article on **how actuaries responded to a recession last year?** Wasn't the economy doing quite well?

QUESTION

INSIGHT

POLL

D

OK, so you were lucky on the timing of an article concerning a recession. **Do any of your observations apply?**

United States Labor Force Statistics  
Seasonally Adjusted

Month	Year	Total Labor Force	Employed	Unemployed	Unemployment Rate (%)
May	2020	158,227	137,242	20,985	13.3
April	2020	156,481	133,403	23,078	14.7
March	2020	162,913	155,772	7,140	4.4
February	2020	164,546	158,759	5,787	3.5
January	2020	164,606	158,714	5,892	3.6



QUESTION INSIGHT POLL

## **Recession constants**

**Declining Enrollment** (fewer groups and in group losses)

**Adverse Selection** (in group, individual, by plan, etc.)

**Pressure on Management**

**Geographic Differences**

**Pressure on Actuaries** (increased forecasts, reports, and quoting; requests for staffing reductions)

QUESTION    INSIGHT    POLL

K

In light of the COVID-19 pandemic, **how would you amend your article?**

QUESTION

INSIGHT

POLL

## COVID-19 Claims Wrinkles

**Commercial claim cost** have been falling due to:

- Dramatic (50+%) reductions in elective services
- No warning time for displaced workers to get preventive service

**Potential** last  $\frac{2}{3}$  of “hush rush crush” in future periods while still paying rebates

# quinsite COVID-19 Radiology Trending

Last Refresh:  
6/15/2020 12:15:55 PM



## Work RVU Impact

**-31.3%**

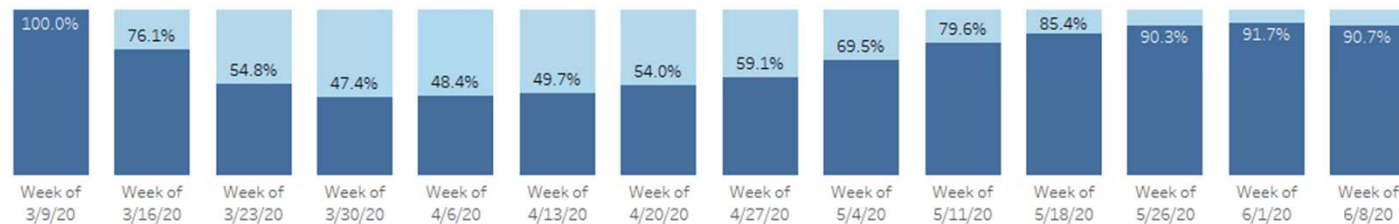
This analysis looks at the impact of the COVID-19 virus to radiology practices across the United States with date of impact set to Monday, March 16, 2020. The data is sourced near real-time and represents annualized procedure volumes of over 10 million. This analysis will be updated weekly.

## Est Avg Lost Revenue\*

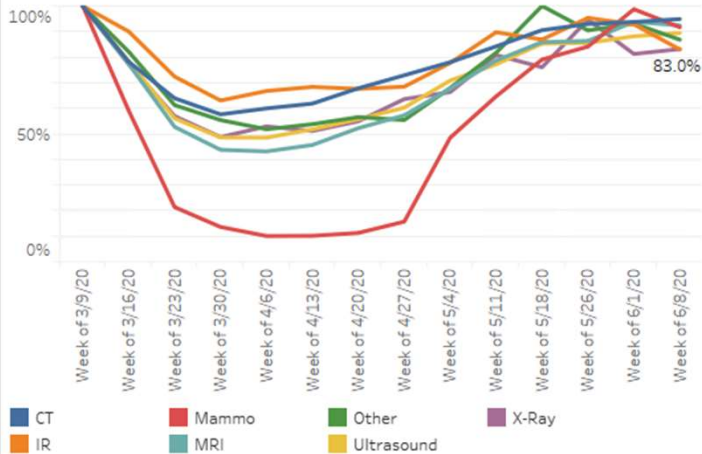
**-\$46,200/FTE**

## Weekly Trending as Percent of Expected

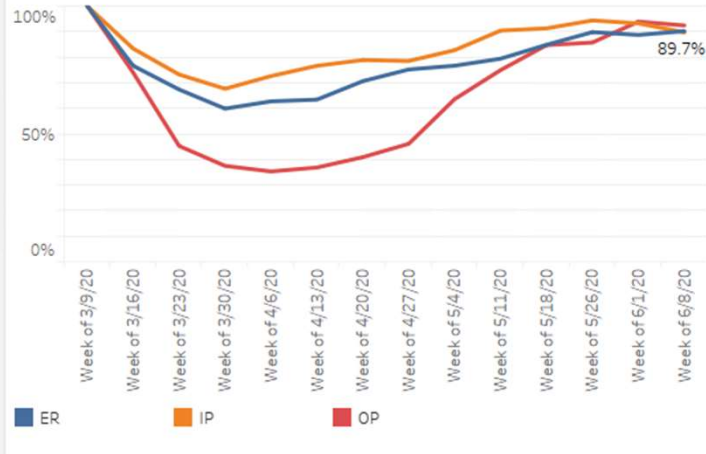
Note: [Week of 3/9/20] represents average Pre-COVID volume from 1/1/20 to 3/15/20 and is used as benchmark for expected



## Modality Trending as Percent of Expected



## POS Trending as Percent of Expected



SOURCE: QUINSITE'S ENTERPRISE WAREHOUSE WHICH INCLUDES BOTH PROFESSIONAL AND IMAGING CENTER VOLUME

\* Estimated revenue based on average reimbursement by modality

# COVID-19 Claims Wrinkles

QUESTION INSIGHT POLL

## COVID-19 Wrinkles for plans and providers

**Providers are in worse shape than plans:**

- Providers face dramatic (50+%) reductions in elective services *and* crushing Covid-19 service challenges
- Plans face customer terminations, and customers making full use of grace periods. In the short run, reduced claims cost offset revenue shortfalls.

QUESTION    INSIGHT    POLL

## What is your biggest concern?

1. Too much work
2. Potential/Actual company layoffs
3. 2020 Covid-19 costs
4. [Hush] rush crush in 2021
5. Declining membership
6. Other

QUESTION    INSIGHT    POLL

## When were you last in the company office?

1. I am there now
2. Yesterday
3. A week ago
4. A month ago
5. Two months ago
6. What's a "company office?"

QUESTION

INSIGHT

POLL

D

What can be done to **lower the anxiety** among company management?



QUESTION INSIGHT POLL

## Important Actuarial Contributions

**Basic reports** (membership, reduction in elective care, Covid-19 cases and costs, etc.)

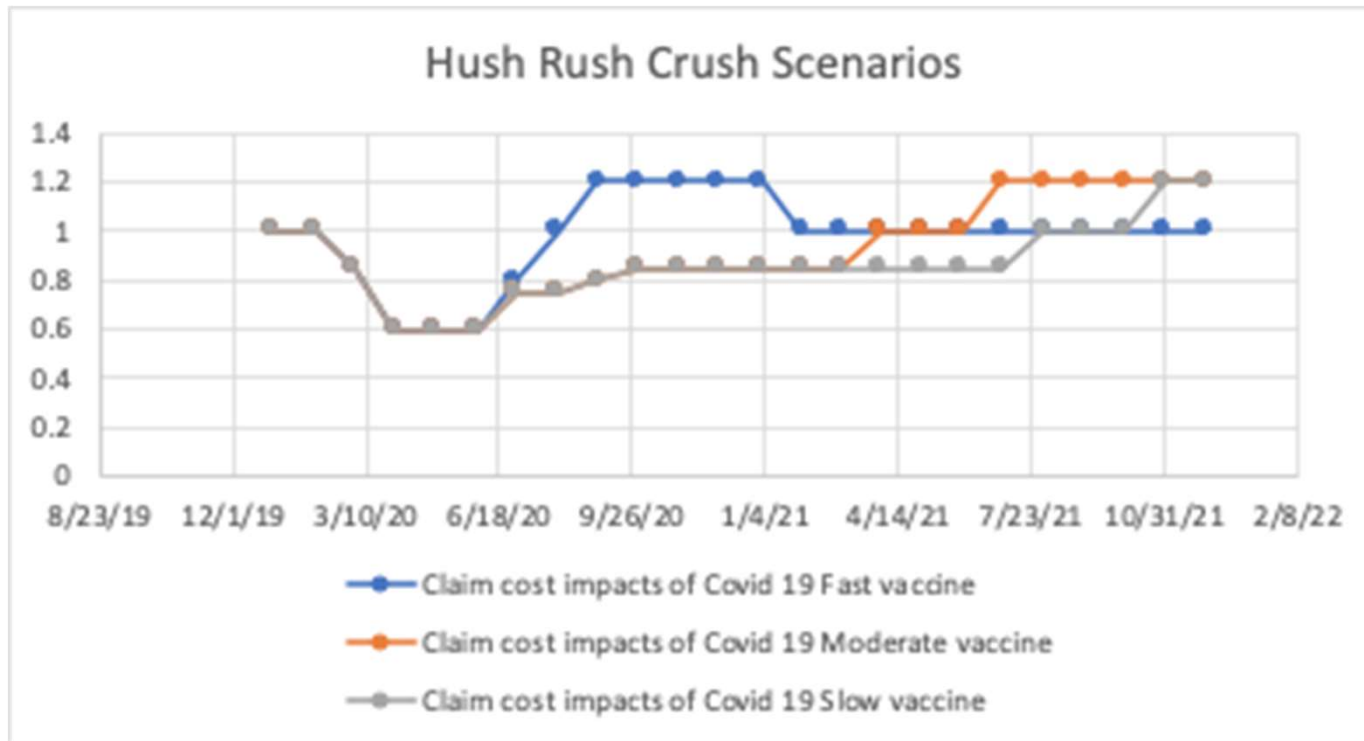
**Accurate Reserving and Pricing**

**Ad Hoc reports at the request of management**

**Realistic expectations thru scenarios for the next two or three years**

QUESTION INSIGHT POLL

## Important Actuarial Contributions



QUESTION   INSIGHT   POLL

## Which of the following reports will be the most important?

1. Number and growth of Covid-19 members and employees compared to Johns Hopkins data ([coronavirus.jhu.edu/us-map](https://coronavirus.jhu.edu/us-map))
2. Reduction in elective services
3. Number and amount of premiums unpaid compared to past periods
4. % Positive Covid-19 tests by MSA
5. Average recorded member temperature in the service area
6. Coverage paid for in the grace period
7. Anti-selective lapses
8. Covid-19 costs

QUESTION INSIGHT POLL

**What's one critical public data source you're using right now?**

QUESTION

INSIGHT

POLL

K

What pressure is likely for actuaries to be very **conservative or aggressive?**

QUESTION    INSIGHT    POLL

- D** What **special pressures** should **actuaries expect** in the next year?

QUESTION

INSIGHT

POLL

## People you will meet in the next year



**Mrs the Everything will be fine**



**Mr please provide critical new  
work with fewer people**

QUESTION INSIGHT POLL

## People you will meet in the next year



Mrs only I can Help you (\$\$\$\$\$)



Mr the Sky is Falling



QUESTION INSIGHT POLL

## People you will meet in the next year



**Mrs we are too busy to do anything new**

QUESTION    INSIGHT    POLL

## **What special pressure will be the most intense in the nest year?**

1. Help from management consultants
2. Government is likely to want eligibility extensions and premium holidays
3. Request for staffing reduction along with requests for additional analysis
4. Ideas from Sr Management that are based on belief as opposed to data

QUESTION    INSIGHT    POLL

K

What **levers** should the **company pull** to improve results?

## QUESTION

## INSIGHT

## POLL

Premium	Underwriting	Claims Initiatives	Medical Cost Initiatives	Lower Sales Costs	Lower Administrative Costs
Raise rates	Tighten UW requirements	Revise claims edits	Renegotiate provider contracts	Cut out sales layers	Lay off staff
Make sure benefit relativities are accurate	Make sure renewal rates meet pricing targets after rate negotiations are complete	Increase the efficacy of subrogation efforts	Introduce a narrow network product which allows customers to “buy down” large rate increases	Increase sales payments for profitable business	Stop consulting and travel
Maximize risk adjustment revenue			Adjust formulary  Promote Telehealth		

QUESTION INSIGHT POLL

## **COVID-19 Wrinkles**

- **Potential for longer term providers deals**
- **Premium give-backs**
- **Rebates**
- **Extreme amount of work from home**
- **More Telemedicine**

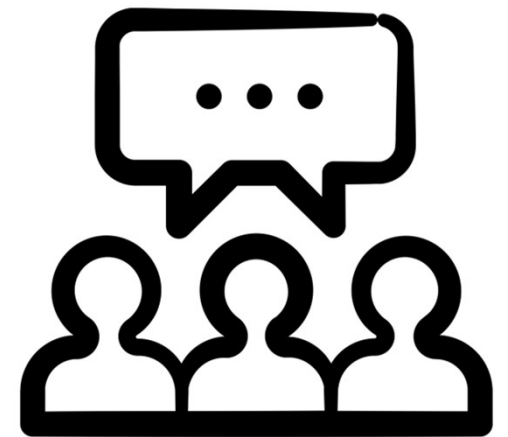
QUESTION    INSIGHT    POLL

## What projects will pay back the best in the next two years?

1. Premium increases
2. Premium holidays
3. Claim edits to address creative billing ideas
4. Review pricing relativities
5. Provider loans in exchange for long term fee guarantees
6. Lean plan design options
7. Enforcement of eligibility and underwriting requirements
8. Ideas from colleague actuaries at other plans

---

# Final thoughts



## ACTUARIAL ROLE IN A RECESSION

1. Measure benefit-adjusted medical cost trends
2. Identify drivers of higher-than-expected costs and lower-than-expected premiums.

- Covid-19,
- selection,
- inaccurate rate relativities,
- provider cost increases,
- new drugs

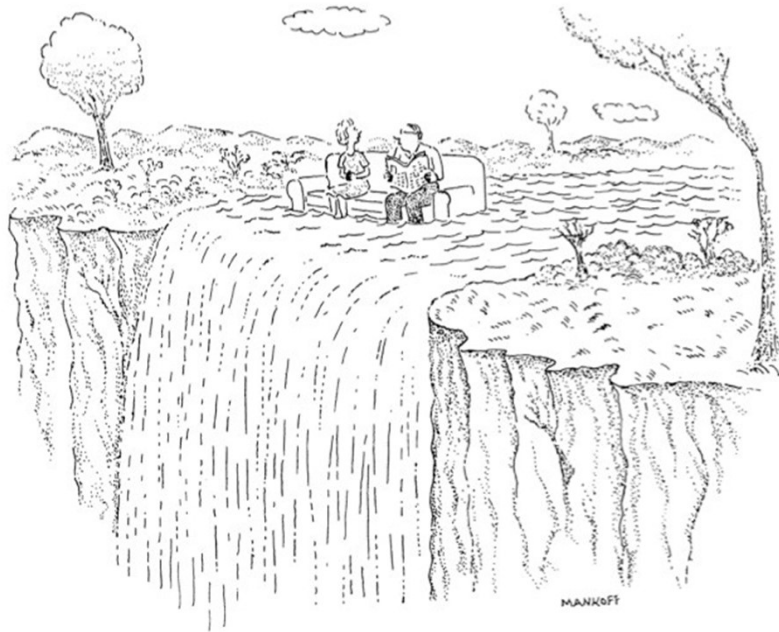




## ACTUARIAL ROLE IN A RECESSION

**Covid-19 is a completely new situation.**

- Commercial costs reductions
- Financial difficulties may make selection even worse
- Internal company pressures on Actuaries higher



*"Brad, we've got to talk."*

## WORKING IN A RECESSION

- Routine actuarial work products for become very important to senior management.
- Greater pressure on actuaries



## LEADING IN A RECESSION

- **Present best estimate numbers with a reasonable range of outcomes**
- **Do high quality work**
- **Help staff to claim this opportunity for critical contribution and protect them from unreasonable work demands**



## TOP PRIORITIES

Prepare scenarios	Identify improvement opportunities	Stress test plans	Collaborate	Communicate
Prepare scenarios for projected results over the next 24 months	Identify short list of improvement opportunities	Stress test plans to make sure actions are appropriately targeted to each market and product	Help establish buy-in for reasonable goals, who will lead improvement efforts and the methods by which experience and improvement efforts will be tracked.	Prepare material that explains the current situation, the range of reasonable future results, needed improvement efforts and the methods by which experience and improvement efforts will be tracked.



**Recessions give  
actuaries great  
opportunities to shine.**



# Thank you for joining!

**Keith Passwater**

FSA, MAAA

**Managing director** at the health  
strategy and actuarial firm  
PascoAdvisers.

[Keith@PascoAdvisers.com](mailto:Keith@PascoAdvisers.com)

**Dave Nelson**

FSA, MAAA

**Consultant** at the health  
strategy and actuarial firm,  
PascoAdvisers.

[dave.nelson.111@gmail.com](mailto:dave.nelson.111@gmail.com)