

US HEALTH CARE IN THE AFTERMATH OF THE COVID-19 PANDEMIC

American baseball player, Yogi Berra, once quipped ‘*It’s tough to make predictions, especially about the future*’. The effect of the pandemic over the past 18 months have been most challenging for health care actuaries and it’s not expected to get easier to predict costs over the next 12-24 months.

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Most Americans obtain comprehensive health care coverage through their employer, including the program for federal employees. Other government-run safety-net programs exist for veterans (Veterans Affairs), the aged (Medicare), those at or below the Federal Poverty Line (Medicaid), and the otherwise uninsured (The Affordable Care Act Marketplace). For the most part, the system is unregulated and health care costs have increased 3 to 4 times that of general inflation for at least the past four decades¹. The fact that health care costs on a per capita basis declined in 2020 versus 2019 is truly a sign of how COVID-19 has complicated anyone’s ability to make predictions.

This article is written as a guide for actuaries and other professionals in their consideration as they attempt to predict the direction and level of health care costs. While based on experiences in the United

States, much of what is shared here will have application in other countries around the world.

RECOUPMENT OF DEFERRED CARE

Numerous sources have reported a clear pattern of declining access to the US health care system in 2020 and early 2021 as a result of the desire for social isolation during the spread of the virus. Inpatient hospital admissions dropped nearly 30% in April, 2020 versus the year prior while outpatient and emergency room visits dropped nearly 47%².

Some of the ‘lost’ care will be forgone entirely, like annual physicals and screenings, while other care will be deferred until 2021 or later, such as elective surgeries. Recoupment of some this deferred care in addition to a return to normal utilization levels will, therefore, begin to put pressure on the health care system, limited by what capacity providers

¹ [Petersen KFF Health System: Tracker](#)

² Strata Decision Technology. National Patient and Procedure Volume Tracker TM Version 12.21.2020

have to handle any surge in requested care.

TELEMEDICINE

The use of telemedicine increased dramatically during 2020 due to greater acceptance of its use by providers given their desire to maintain some form of interaction with their patients. Visits via the telephone or the internet peaked at 13% of all medical claim lines in April, 2020 but has dropped to under 5% by April, 2021³. Telemedicine can avoid costly visits in other settings (like the emergency room for truly non-critical care) but overuse along with any increase in reimbursement levels at, or close to, in-office visits could create a more costly component in an already expensive health care system.

MENTAL HEALTH

The stresses from the presence of the virus in the communities, social isolation, and the impact on the economy likely contributed to greater levels of anxiety and depression in the United States. The US Center for Disease Control and Prevention's (CDC) Pulse Survey showed the share of adults reporting symptoms of anxiety or depression disorder is significantly higher in 2020 and 2021⁴. An American Psychiatric Association (APA) poll reported similar results⁵.

The scale and complexity of the pandemic is potentially creating a public mental health burden that could deplete Americans' physical and mental



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health for years, leading to more depression, substance abuse, suicidal thinking, sleep disturbances, heart disease, cancer, high blood pressure and impaired immune function.

BEHAVIORAL ISSUES AFFECTING HEALTH CARE

Changes in human behavior as a result of the pandemic may have implications on long-term health and the associated costs. A recent survey of about 3,000 US adults by the APA found that 42% of respondents reported undesired weight gain⁶. That same survey reported higher levels of alcohol use to cope with stress during the pandemic.

³ Fair Health Monthly Telehealth Regional Tracker

⁴ www.cdc.gov/nchs/covid19/pulse/mental-health.htm

⁵ www.psychiatry.org/newsroom/news-releases/anxiety-poll-2020

⁶ www.apa.org/news/press/releases/stress/2021/one-year-pandemic-stress

These, and other pandemic-induced behavioral concerns, are likely to create health care issues that will need to be addressed in 2021 and beyond.

CHRONIC CONDITION MANAGEMENT

Encounters for diabetes, preventive wellness, and hypertension were well below the utilization levels in 2020 as compared to 2019². The lost visits for chronic conditions may signal a significant health care crisis in the US as 6 in 10 adults have a chronic disease, according to the CDC⁷. The increased level of care required to treat these unmanaged conditions will likely play a part in increased utilization and cost of services in 2021 and beyond.

LONG-COVID

A study of adults in Switzerland who had contracted COVID-19 found that a quarter of them still had symptoms for six to eight months following their illness⁸. There is a wide array of symptoms that can appear. How long will these patients require treatment? What side effects will be permanent? Will the permanent side effects require continuing care? Answers to these questions will afford us better insights into the needed treatment and cost for care of these conditions.

HEALTH CARE PROVIDER IMPLICATIONS

Financial pressures on providers during the pandemic may lead to further consolidation. In fact, physicians continued to leave independent practices to join

hospital systems at a faster pace during the pandemic in 2020 than occurred in 2019⁹. Health care providers may leverage the increased buying power in negotiations with payors.

PROJECTIONS

In addition to the cost of testing and vaccinating for COVID-19, as well as the direct cost of treating COVID-19 patients, the issues outlined in this article are likely to apply upward pressure on health care costs in 2021 and 2022. The cost for treating COVID-19 patients should diminish as more people get vaccinated. However, pandemic induced demand from mental health claims, behavioral health issues, lack of chronic condition management, continued treatment for Long-COVID conditions, and provider pressures on payors will add to the normal underlying increases in health care costs.

Modeling of health care costs and the associated trends, using a combination of the 2021 Health Care Cost Model produced by the Society of Actuaries¹⁰ and models developed by MorningStar Actuarial Consulting, suggest that health care costs will experience trends in excess of the expected underlying trend in the absence of the pandemic in 2021 and 2022. It is not out of the range of reasonableness for 2021 average per capita costs to be as much as 15% greater than the costs experienced in 2020. Claim cost trends for 2022 are expected to be milder by comparison to 2021 but still above typical health care trends.¹¹

⁷ US Center for Disease Control and Prevention
www.cdc.gov/chronicdisease/index.htm

⁸ PLOS ONE 'Burden of post-COVID-19 syndrome and implications for healthcare service planning: A population-based cohort study'

⁹ Physician Advocacy Institute 'COVID-19's Impact on Acquisitions of physician Practices and Physician Employment 2019-2020', June 2021 Prepared by Avalere Health

¹⁰ www.soa.org/resources/research-reports/2020/covid-19-cost-model/

¹¹ This article and these projections were made prior to the recent surge in COVID-19 in the US resulting from the Delta variant. This may affect expected usage of non-COVID related care that forms the basis of these estimates.

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