

# The Impact of COVID-19 on the Health Insurance Industry

**Dan Mendelson, Founder**

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# Healthcare Affordability Was Primary Consumer Concern as of January 2020

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#1

issue for Democrats (45%)  
& Republicans (30%)

67%

of consumers filing  
bankruptcy cited healthcare  
as primary reason

84%

of consumers believe  
drug prices are  
unreasonable

90%

of consumers  
support Medicare  
price negotiation

40%

of Americans have  
saved enough to cover a  
\$1,000 emergency

102M

Americans have a  
pre-existing condition

57%

of employees are  
offered a high  
deductible plan

\$13K

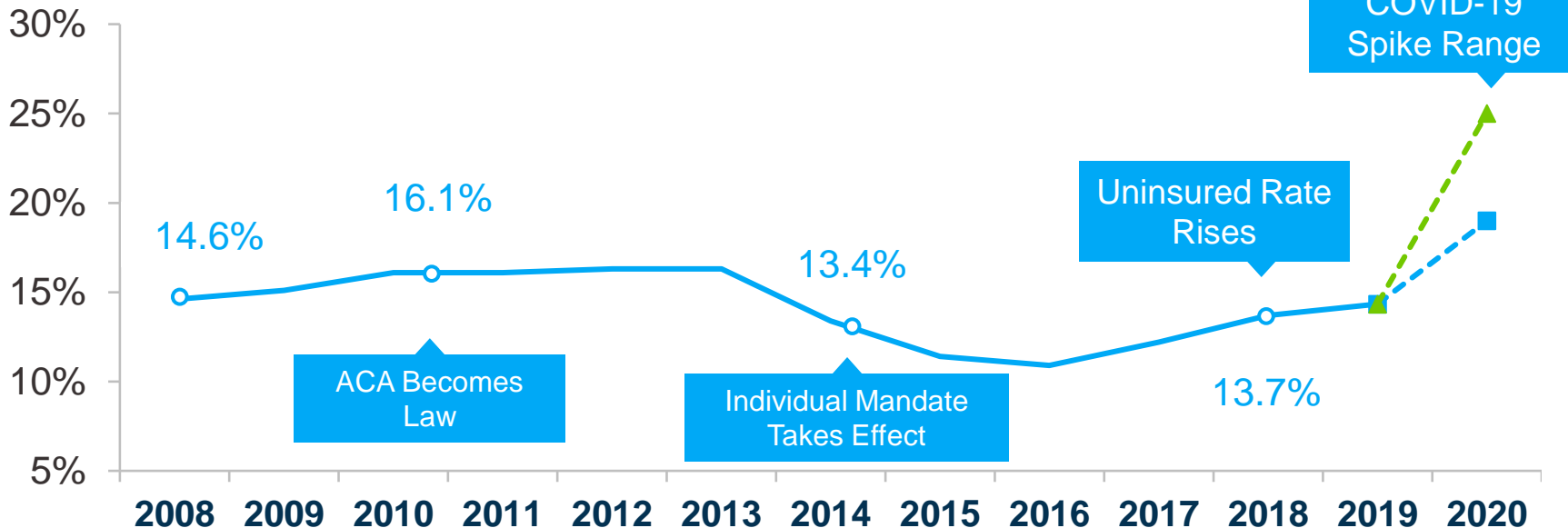
Average employee health  
benefit cost

# COVID-19 Dramatically Alters Consumer Priorities

Anticipating Recession	85% of Democrats & 75% of Republicans anticipate a recession
Job Losses	39% of Americans report job loss or lost income from COVID-19
Disruption of COVID-19	72% of Americans say their lives have been disrupted by COVID-19; 82% of Americans who say they have been sheltering in place
Mental Health	45% of Americans report negative mental health impacts due to COVID-19
Response & Treatment	78% of consumers worry local hospital will lack resources to treat patients; 53% of Americans worry they will not be able to afford COVID-19 testing and treatment
National Priority	45% of Americans cite COVID-19 as most important problem facing country

# Focus on Healthcare Security Accelerated by COVID-19

## The Uninsured Rate, Non-Elderly Adults, 2008–2020



**At 25% unemployment, projections range up to 40M uninsured**

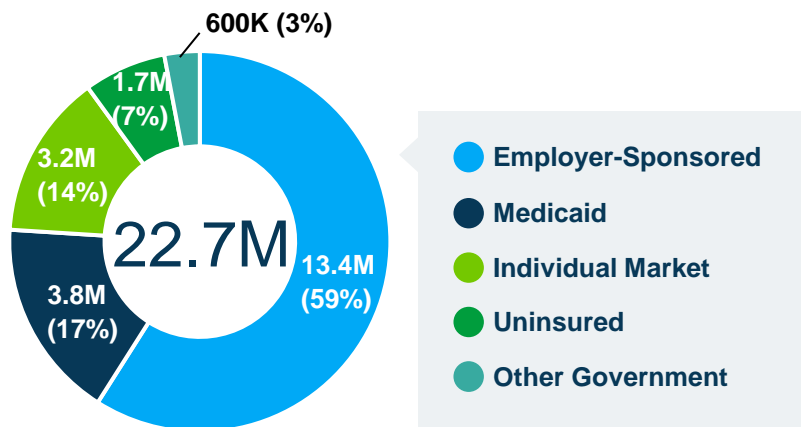
# Coverage Debate Will Focus on Center-Left Options

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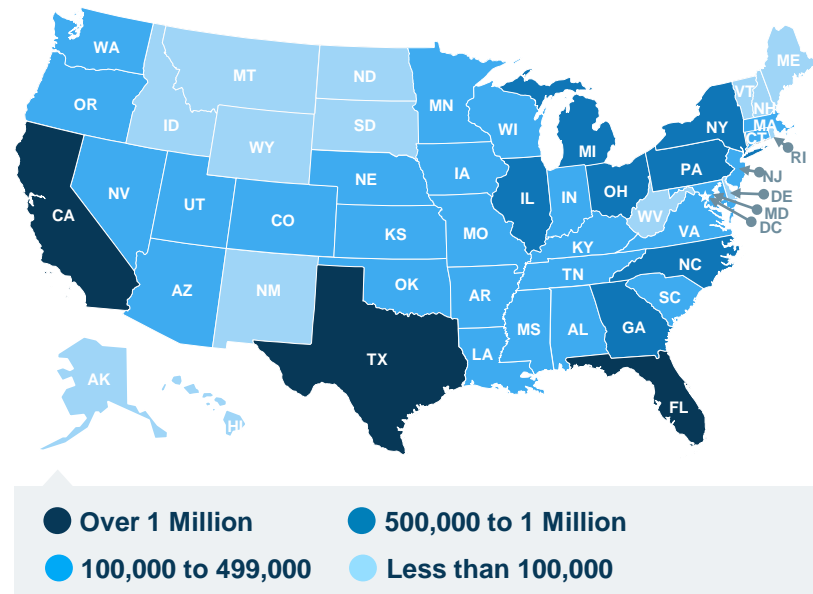
Repeal ACA	Continued interest from Republican caucus and support of Texas vs. Azar will keep issue in spotlight, accompanied by market reform (liability in light of COVID-19)
Public Option	Establishes a government-sponsored option that would be sold alongside commercial insurance, possibly with subsidy for low-income
Coverage Expansions	Allows selective expansion of Medicare, Medicaid, ACA programs to reach full coverage for all Americans with private insurance in place
Coverage Flexibilities	Variety of proposals around expanding short term plans, AHPs, HRA flexibility, and potential direct funding of reimbursement accounts for individuals to purchase coverage
Medicare Expansion	Expand coverage to individuals aged 60+, even those with other offers of health insurance
COBRA Subsidy	Subsidize COBRA coverage for a set period of time to help individuals who have lost employment due to COVID-19 maintain insurance

# Under Biden's Medicare Expansion Proposal, Nearly 23M Individuals Would Be Newly Eligible for Medicare

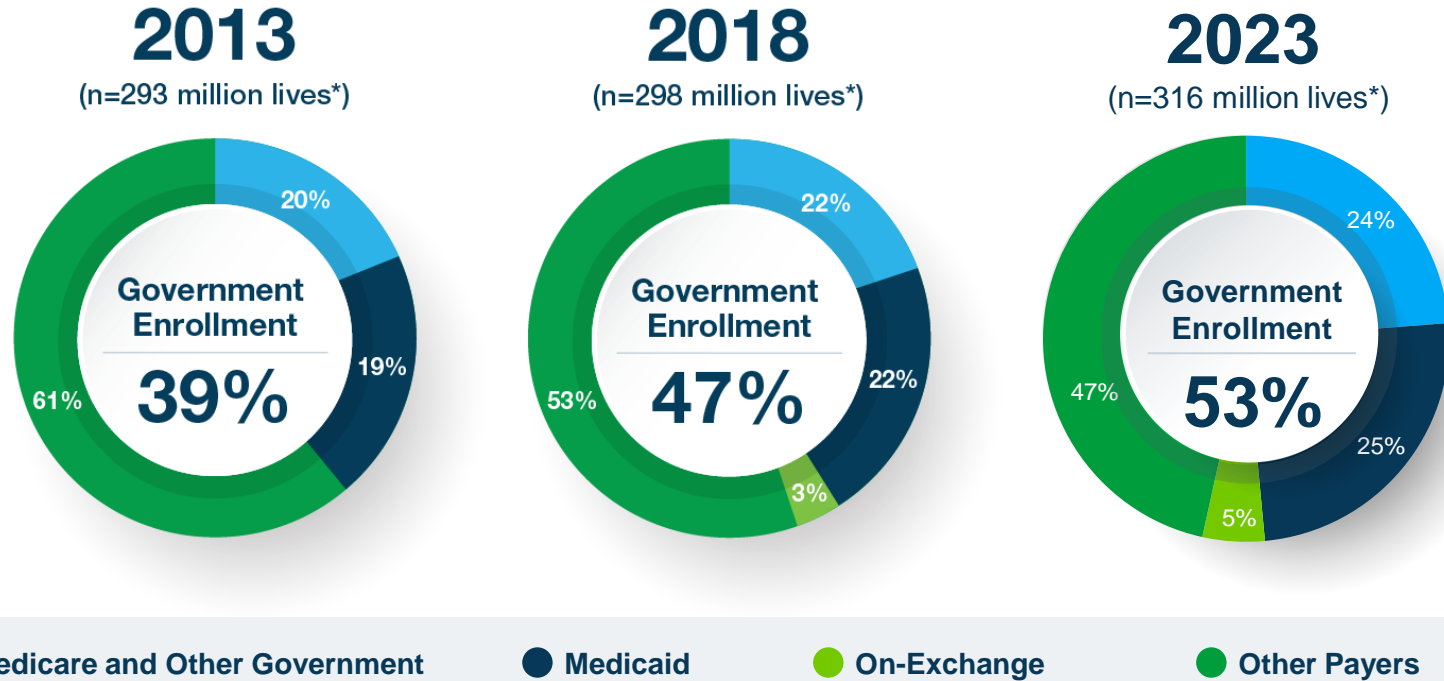
## Composition of Individuals Newly Eligible for Medicare Under Proposal, Ages 60-64 (2018)



## Newly Eligible Beneficiaries by State, Ages 60-64 (2018)

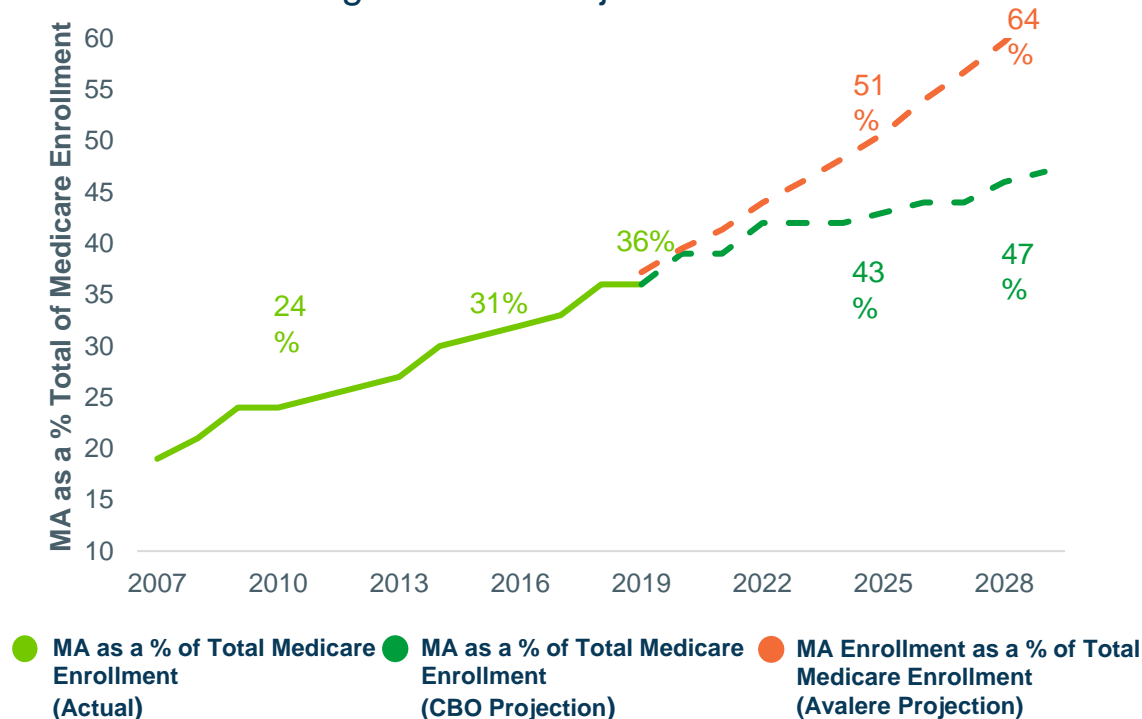


# COVID-19 Dramatically Accelerates Government Presence in Managed Care



# Capitation Is Becoming the Dominant Form of Medicare

## Medicare Advantage Growth Projections /



## Recent Earnings Confirm Growth Projections; Show Robust 2019 to 2020 Enrollment Growth:

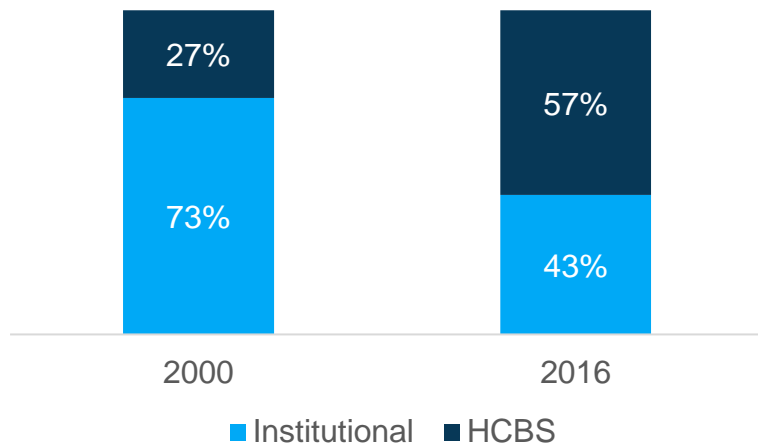
- Anthem 17%
- Cigna: 15%
- Humana: 12%
- CVS Health: 11%
- United: 8%

An increase in early retirement due to economic downturn may bolster MA enrollment further, especially in areas of the country with high MA penetration



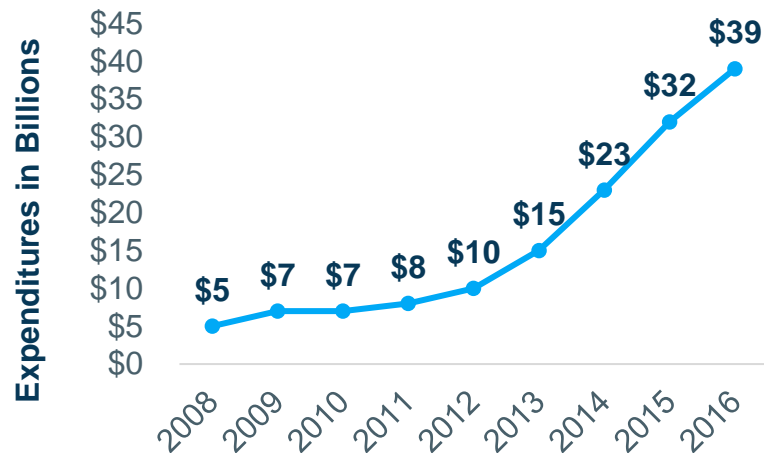
# Managed Care Also Playing a Larger Role in Medicaid

## Proportion Medicaid LTSS Institutional vs HCBS



In 2016, Medicaid spent \$167m on LTSS, 30% of total Medicaid spending

## Medicaid Managed LTSS Expenditures In Billion Of Dollars, FY 2008 – 2016



... Although States are carving out the drug benefit to access rebates and standardize benefits

# COVID-19 is Generating Rapid Medicaid Growth and Unprecedented Pressure on State Budgets

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## 1

### Medicaid Growth

- Medicaid growth averaged 10% and 7% annually in the past two recessions
- More generous safety net (ACA's Medicaid expansion) today will funnel more patients into Medicaid than prior recessions

## 2

### Stable Reimbursement

- Rate pressure mitigated by temporary FMAP increase in COVID-19 legislation
- States will recoup revenues from lost utilization and control of Rx spend
- Long term, states will face budget challenges

## 3

### Durable Enrollment

- Higher Medicaid enrollment will likely persist, given the “long tail” of recovery
- Economic rebound will not erase all Medicaid enrollment growth

# Commercial Book Profoundly Affected by COVID-19

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**Positive balance of reduced medical utilization and COVID cost (clinical care, testing, vaccine, PPE); very low MLRs**

**Response on copay reduction, telemedicine, SDOH, prescribing, givebacks**

**Complicates quality agenda, homecare substitution, value-based care**

**Disruption of commercial book, growth in federal programs; deferred services adds uncertainty about 2021 costs, complicates bid submission**

**Small Group segment may further deteriorate after PPP and other stimulus**

# Providers Profoundly Affected by COVID-19

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Reduction in surgeries, visits (30-79% drop), revenues; concentrated among ophthalmology (79%), dermatology (73%), and pulmonology (63%)

Variable load of ID, inadequate supplies to treat, extreme stress for staff

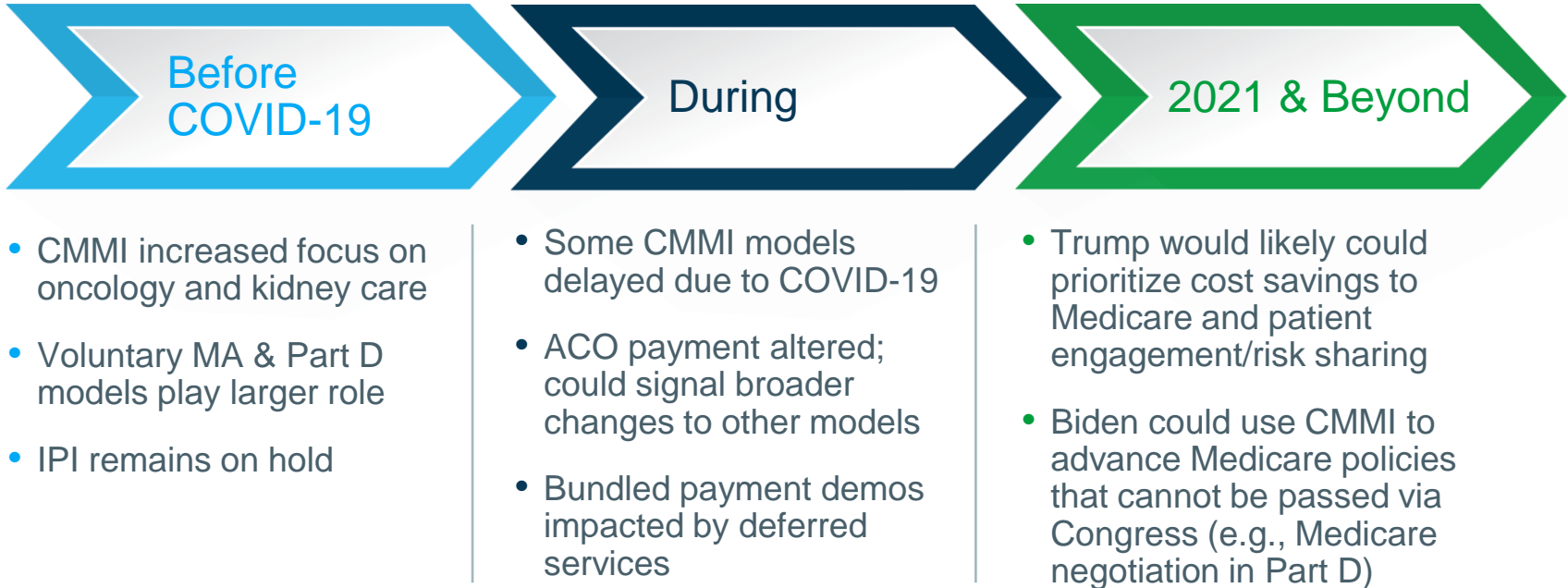
Need to control expenses despite federal support; possible solvency issues

Long-term effects on IT infrastructure, labor mix, capacity perceptions, post-acute care (including mix of institutional vs. home) other

Largest reduction in utilization among school-age children (71% drop) and older adults (65% drop)

# COVID-19 Has Impacted CMMI's Ongoing Delivery System Efforts; 2020 Election May Alter Its Course

## CMMI Direction and Focus



# COVID-19 Creates Golden Moment for Health IT

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## Cohort Evaluation

Identify patients with gaps in care

## Predictive Analytics

Stratify patients into risk levels

## Targeted Intervention

Leverage risk profile to develop interventions

## Impact Assessment and Process Improvement

Evaluate return on investment

# Pharma Profoundly Affected by COVID-19

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Focus on vaccine, anti-virals, and potential to change the dialogue

Reduced demand for specialty drugs, particularly in hospital and physician office settings – patients may seek home administration or pharmacy alternative

Interruptions in clinical trials as a result of disruption in clinical care

Adaptations, including RN prescribing, FDA focus, supply chain scrutiny, need to connect virtually to customers

Effects of recession on coverage, consumer demand and affordability

# Cell and Gene Therapy Market at Financial Risk

800+

Currently active  
INDs on file for cell  
and gene therapies

50

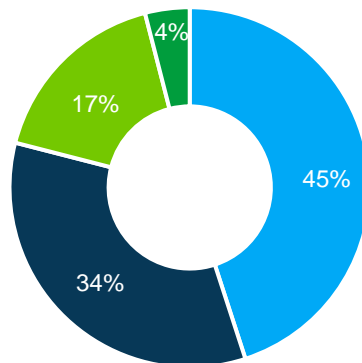
Newly-hired FDA  
clinical reviewers to  
the Cell and Gene  
Therapy group

20

Companies with over  
8 gene therapies in  
the active clinical  
pipeline

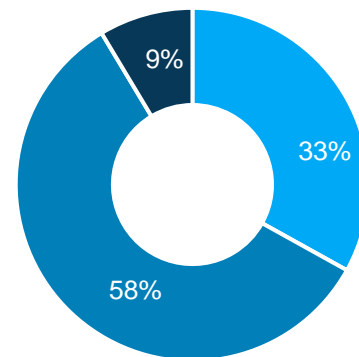
11

Expected FDA  
approvals for gene  
therapies by 2021\*



● Oncology ● Orphan Disruptors  
● High Prevalence ● Ultra Orphan

US Cell and Gene Therapy  
Approvals Expected  
Through End of 2022



● Phase I ● Phase II  
● Phase III

US Cell and Gene  
Therapy Pipeline by  
Clinical Trial Stage<sup>1</sup>



# COVID-19 Also Creating Trans-National Challenges for the Pharmaceutical Industry

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Several concerns have emerged relating to various aspects of the global supply chain



**Supply  
Chain**

Concerns  
around supply and  
demand for materials



**Pricing**

Risks of comparisons to  
international COVID-19  
product pricing



**Trade**

Disturbances to trade  
regulations related to  
sourcing and access

# Stock Performance Will Drive Narrative

Subsector (Price-Wtd Avg) [1]	Δ YTD [2]	Δ Peak (2/19) to Trough (3/23)	Δ Trough (3/23) to Current (4/30)	Δ Peak (2/19) to Current (4/30)
Payors	1%	(39%)	59%	(3%)
Pharma / Generics	2%	(15%)	13%	(4%)
Pharma CRO / CMO	4%	(27%)	31%	(4%)
HCIT	9%	(22%)	21%	(5%)
MedTech / Dx Services	(3%)	(31%)	34%	(7%)
Labs	(1%)	(41%)	53%	(9%)
Providers - Outpatient	(2%)	(32%)	28%	(13%)
S&P 500	(10%)	(34%)	30%	(14%)
Distribution	(2%)	(31%)	23%	(15%)
Providers - Post-Acute	(8%)	(32%)	18%	(19%)
Providers - Behavioral Health	(27%)	(52%)	55%	(25%)
Payor Services	(26%)	(40%)	20%	(28%)
Providers - Acute	(29%)	(49%)	39%	(29%)
Providers - Physician Svcs / Staffing	(34%)	(32%)	(4%)	(34%)

## No Sector Can Be Perceived as Profiting from COVID-19

- Providers hard hit and will have strong support of policy makers at federal and state levels
- Plans returning funds to members and states to position positively
- Questions regarding pricing and distribution of vaccines and other relevant products

# COVID-19 Will Shape Environment for Next Decade

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Recession and COVID-19 are re-shaping the healthcare environment heading into the 2020 election – for consumers and commercial stakeholders

Government payers increasingly favor health plans and integrated systems as shift to value accelerates through COVID-19

Telehealth, HCIT, payer services, SDOH, provider consolidation, labor flexibilities, capacity maintenance, supply chain control are durable changes

Political agendas of both parties will help stakeholders adapt but will also expect participation and monitor profitability of COVID-19 offerings

# Contact: [dmendelson@avalere.com](mailto:dmendelson@avalere.com)

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1201 New York Ave., NW, Suite 1000  
Washington, DC 20005