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VOLUNTARY BENEFITS ASSOCIATION®

Neil Model is an employee benefits expert with over 40 years of experience in successfully identifying areas for cost savings within the healthcare plans of large and mid-size employers.

LOOKING AHEAD: 2021 HEALTH PLAN RENEWAL RATES

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As many companies have had to make really tough decisions related to COVID-19 and the closure of non-essential businesses, deliberations by the current administration and state governments on re-opening the country may provide some light at the end of the tunnel. But, adjusting to this “new normal” may still cause businesses a lot of uncertainty. From a benefits perspective, many employers may soon begin wondering what impact this global pandemic will have on their 2021 health plan renewal rates. Currently, there’s still many unknowns surrounding the factors that could affect rates, but these are a few issues that could influence health insurers’ decisions.

1) Will the pandemic carry into 2021?

One factor insurers will be considering is the effectiveness of current COVID-19 mitigation/containment strategies. Because there’s a lot we don’t know about the coronavirus, reasonable questions to ask might include:

- Will there be a second wave of the pandemic in the fall?
- Will there be a second spike in cases if the country is re-opened before the curve is flattened? In some regions, the number of positive cases and hospitalizations continues to rise daily.

If the virus lingers and leads to increased hospitalizations toward the end of 2020, it would be reasonable for insurers to assume claims costs could be higher heading into 2021, which may prompt them to raise premiums for next year.

2) Dipping into Financial Reserves

It’s important to keep in mind that insurers cannot base next year’s premiums on the current year’s losses. That being said, the exception lies in whether or not insurers have to tap into financial reserves. So in theory, 2021 rates would be determined from 2019 data, but given the unpredictable nature of this pandemic, should insurers take a deep financial hit, premiums could increase next year.

3) Restrictions on Hospitals

The temporary prohibition of elective surgeries has cost many hospitals a fortune. More recently, many states are easing up restrictions to allow the scheduling/rescheduling of these delayed surgeries. But, even though surgeries will be placed back on the schedule, some patients may opt to delay their surgeries even longer out of an abundance of caution. So, could there be a surge of non-emergent elective surgeries in 2021, such as knee/hip

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replacements, which could drive up claims costs? It's certainly possible.

On the other hand, claims costs for ICU visits in hard-hit areas are increasing. But, in areas with few cases requiring hospitalization, some smaller hospitals have had to close or lay-off staff due to the sharp decrease in cases and subsequent revenue. What is unclear at this time is if the hospitals with significant furloughs will seek to negotiate higher rates from the insurance carriers in 2021. Obviously, this would have a trickle-down effect and impact renewal rates.

It's uncertain how this dichotomy between reduced elective surgeries and increased COVID-19 related hospitalizations will affect hospital revenues this year and possibly headed into 2021.

4) Federal Funding

This is a big factor that hangs in the balance. There are real concerns that if insurers don't receive federal funding to offset a substantial increase in claims costs related to testing and hospitalizations, they will be forced to pass those costs on to employers and plan participants in the way of increased premiums in 2021. Further, there are also concerns that insurers could be prompted to pull out of individual marketplaces like they did in 2017, leaving millions of Americans uninsured. As an unintended consequence, will insurers have to raise rates if the number of policies goes down drastically?

5) Costs of Vaccines/Medications

Very recently, remdesivir, an experimental drug manufactured by Gilead, has been identified as a promising treatment for blocking the coronavirus in the body, according to Dr. Anthony Fauci, head of the National Institutes of Allergy and Infectious Diseases. Additionally, millions of doses of a COVID-19 vaccine, which is still in the early stage of trials, could be ready by as early as January 2021. It's still too early to put a price tag on the vaccine or proposed medication therapies, but these costs could contribute to increasing 2021 insurance premium rates as well.

It's far too early to tell how each of the factors above will impact 2021 health insurance renewal rates as time goes on. At present, I am seeing carriers aggressively trying to retain business. Initial renewals with negotiation are being reduced by as much as 10% . It's certainly something I'll be following closely and will report back on if there are substantial updates. ■

Neil Model is an employee benefits expert with over 40 years of experience in successfully identifying areas for cost savings within the healthcare plans of large and mid-size employers. As the cost of healthcare has continued to rise, he has written many articles on ways to lower total spend, specializing in pharmacy cost containment strategies. He can be reached at nmodel@cbiz.com or 610-862-2460. Be sure to follow him on LinkedIn for all of his latest articles.

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