

# Post-Pandemic Healthcare: The New Normal

Healthcare was looking like more of the same—then the coronavirus came along. Self-funded plans and the entire industry faces accelerated systemic change thanks to the biggest health crisis in recent history.

**Atlanta, Jul 10, 2020 ([Issuewire.com](https://www.issuewire.com))** - Early in 2020, healthcare reform discussion mainly centered around a Medicare-for-All plan versus maintaining the status quo. That hot-button issue, however, largely quieted with Vermont Senator Bernie Sanders exiting the Democratic Party's primary race for U.S. President and former Vice President Joe Biden emerging as the presumptive candidate.

Biden, who helped usher the passage of the Patient Protection and Affordable Care Act (ACA) as vice president in 2010, indicated he was unlikely to make massive changes to the law if elected. Meanwhile, President Trump seemed content to just [chip away](#) at elements of the ACA, such as eliminating the tax penalty for the individual mandate to carry coverage and has yet to present any major reform plan.

Nearly all reform issues quickly seemed irrelevant by the time Sanders announced his departure on April 8 and it had nothing to do with the election. COVID-19 rapidly became the only healthcare topic in the U.S. and across the world that mattered. The virus has thrown enormous uncertainty around all clinical and economic elements of the healthcare industry, including self-funded plans.

What is certain is the changes that were occurring before the pandemic will only accelerate, even if a vaccine is discovered in 12 to 18 months. These changes are accelerating because COVID-19 has clearly demonstrated that the way healthcare is priced and paid for in the U.S. is not sustainable but can be fixed through greater financial transparency and flexibility for employers, health plan members and consumers.

## Economic Recovery Years Away

As the coronavirus spread through the U.S., state governments issued mandates for hospitals and health systems to cancel elective surgeries and other care in case a surge of patients with COVID-19 struck their region, as occurred in New York City and areas of Louisiana early on in the crisis.

The significant drop in services resulted in a loss of nearly [\\$51 billion](#) a month for the nation's hospitals from March through June, according to estimates from the American Hospital Association. Even as elective surgeries and other care resume, hospitals will continue to financially suffer until commercial revenue returns to pre COVID levels. Protocols will undoubtedly be established to respond to the surges of patients with COVID-19, but it is also likely some patients without the infection will continue to postpone care.

As elective care and all other types of discretionary spending were halted because of Shelter-in-Place ordinances and other State regulations, the economy entered a recession. The depth of the recession and whether it will actually become a depression will not be known for some time. Federal Reserve Chairman Jerome Powell even recently told the TV show "60 Minutes" that the economy may not recover until the [end of next year](#).

Regardless of when recovery occurs, for self-funded industry, the economic recession poses numerous challenges, most significantly due to the high unemployment rate, which reached over [15%](#) in May with more than 36 million Americans losing their job. The self-funded industry's business model is based on a per-employee-per month fee structure, so fewer health plan members mean less revenue for the

brokers, vendors, third-party administrators (TPAs) and other stakeholders.

The fate of the self-funded industry is significant to healthcare and economy, too, because it represents [61% of covered workers](#) in the U.S., according to the most recent Kaiser Family Foundation Health Costs survey, including 80% of employees of larger firms. The self-funded industry has seen significant growth since the passage of ACA as employers fight to find ways to manage their rising healthcare expenditure. What does the future hold for this healthcare bellwether?

## Reference-Based Pricing Offers Hope

Fortunately for the self-funded community, a cost-containment strategy that emerged several years ago has begun to grow rapidly and will help this segment of the industry recover faster, and hopefully, accelerate the pace of change that began years before.

The tool is reference-based pricing (RBP), which, in general terms, means the employer's self-funded health plan negotiates a fair fee schedule for employees' healthcare services with providers in their community. Prices are not set arbitrarily, but rather are based on an analysis of years of claims data. Together, parties arrive at reasonable reimbursements for services that are typically greater than Medicare payments, but still offer significant savings over an employer's typical PPO plan. Although RBP adoption among employers is only around [2%](#) today, more than 10% of employers expressed interest in the practice and adoption will continue to accelerate in light of COVID-19.

This adoption will likely rise because as employers begin shopping around for new health benefits this year, they may be surprised by some of the sky-high premium rate quotes from brokers of fully funded plans as the major carriers try to protect themselves during the economic recession. Hospitals and physician practices, meanwhile, are trying to financially recover and may be more willing than ever to negotiate with employers in their communities just to have more potential patients coming in the door and rebuild their commercial revenue stream. This is critical since many hospitals only survive by using this commercial revenue to supplement payments from Medicare and Medicaid. Since several estimates are showing the Medicaid rolls will increase another 11 million plus in 2021 as unemployment remains high from the recession, commercial revenue from self-funded plans will be even more important.

The RBP process may sound complicated for employers, but that too has simplified in recent years. Third-party administrators, employer groups, brokers and other members of the self-funded community can access IT tools and services that make analyzing claims data and setting benchmarks to negotiate with providers straightforward, and most importantly, transparent. If nothing positive comes out of the COVID-19 crisis, we can hope that the industry's shift toward transparency in pricing and costs will continue.

## Transparency Across the Board

The shift to transparency in healthcare is long overdue. When employers and consumers can shop and compare prices for medical services, they can make better choices for their health, which will naturally lower the cost of care.

Just months before the COVID-19 pandemic struck the U.S., the U.S. Department of Health and Human Services unveiled two regulations based on an Executive Order from President Trump in June to increase price transparency for consumers. One rule would require health plans to give consumers estimates of their out-of-pocket costs and disclose negotiated rates for in-network providers and payments for out-of-network providers.

Similarly, the second rule required hospitals by 2021 to publish their standard charges, including gross and payer-negotiated rates and what they are willing to accept as a cash payment for all their services. The rule also required hospitals to share those prices for 300 common shoppable services, such as X-rays, outpatient visits, imaging, and laboratory tests in a consumer-friendly manner.

Naturally, the America Hospital Association, along with the Association of American Medical Colleges, the Children's Hospital Association and the Federation of American Hospitals and several individual hospital plaintiffs sued the government to block the final rule that would require them to disclose the negotiated rates.

Public disclosure of payments, however, would likely reduce the wide variation in prices common in healthcare even within the same market. For example, the Health Care Cost Institute (HCCI) found that the median price of an uncomplicated vaginal birth in the Boston-Cambridge-Newton, MA-NH market was \$8,074 but ranged from \$4,701 at the 10th percentile to \$15,973 at the 90th percentile, a difference of \$11,272.

Through transparency, we can arrive at more stable prices for self-funded employers and plans that are fair to both parties. In a separate study of 420 million medical claims across 963 markets, HCCI found that if a median price were assigned to all claims for all services within all markets healthcare costs would decline by 9%.

This transparency should apply to all stakeholders, too. Health insurers, pharmaceutical companies, device manufacturers, but also TPAs, vendors, brokers and other professionals making a living in the industry should be required to publicly disclose their fees and how they affect premiums or other costs to employers and consumers. Such comprehensive disclosure across the healthcare industry would restore needed trust among employers and consumers at a time when it continues to plummet.

## **The New Normal**

COVID-19 has changed healthcare and we will continue to feel its effects even after a successful treatment protocol or vaccine is discovered and available to patients. As hospitals and health systems recover from the significant financial impact, millions of Americans who discovered telehealth while on lockdown will become repeat patients instead of visiting their doctor's office, while employers will seek healthcare cost-containment strategies to protect their businesses in case of a new pandemic or from a further economic downturn.

Both of these changes will drive the demand for greater flexibility and transparency in the health insurance market. Employers, employees, and consumers want to have a clear understanding and greater control over their healthcare costs before spending a dollar of their own money. While it will be a challenge to transition to a new paradigm of purchasing healthcare, the result will be lower overall costs and consumers who are more engaged in their healthcare because they are more vested in their benefits and more informed about their options and costs.

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