WHITE PAPER

How Health Plans Can Sustain Growth

Planning for the future during the Covid-19 pandemic

Advisory Board

Covid-19 is reshaping the health care environment.

Health plans no longer have the luxury to wait and see how this new landscape will look. With no clear end in sight, they must start planning for the future, amid the pandemic.

Even in normal times, when building or prioritizing a strategic plan, health plans must take stock of several layers of external and internal trend—such as member health, consumer behavior, staffing decisions, and economic conditions—while also evaluating how these conditions will impact members, providers and purchasers down the road.

Our current pandemic creates an added layer of urgency around the need to closely monitor emerging trends with both short and long-term impact on financial stability and growth.

Drawing from in-depth member research and market insights, Advisory Board points to four key priorities to help health plans navigate uncertainties and emerge successfully:

- Understand the market implications of mass unemployment
- Adapt quickly to new telehealth demands
- Engage members when they are actively thinking about their health
- Collaborate with providers who need plan support

Read on for our four most popular Covid-19 articles on each of these priorities and for actionable strategies emerging for health plans in the next 12 to 15 months.

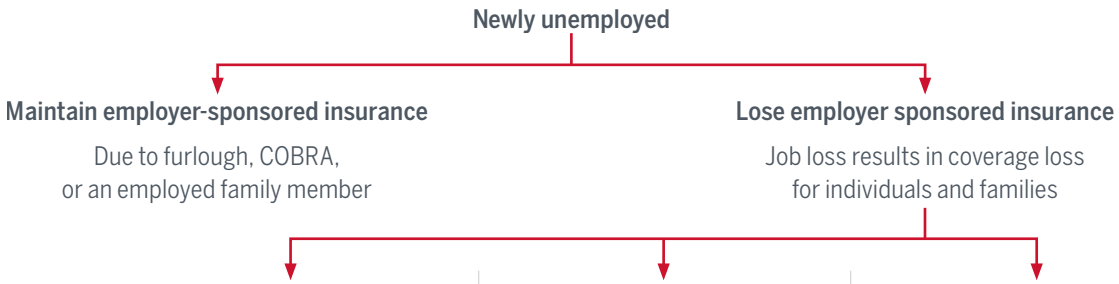
How Covid-19 will continue to impact payer mix

The Covid-19 pandemic has sparked unprecedented rates of job loss. Unemployment has swung from 3.5% in December 2019 (the lowest rate on record since 1969) to a high of 14.7%[1] in April 2020 (the highest rate on record since the Great Depression).

While it would reasonable to assume that record unemployment levels might lead to significant declines in employer-sponsored coverage—and substantial increases in Medicaid unenrollment and uninsurance—plans and providers in many markets have told us that they have experienced only modest shifts to-date. Some providers have even reported increases in commercial payer mix as younger patients with employer-sponsored coverage have returned for elective procedures at higher rates than those with public coverage.

The slower-than-expected shift is likely due to a variety of factors. The industries that have been hit hardest by the pandemic—such as the service industry—were less likely to provide health benefits. Many of the newly unemployed have also been able to maintain employer-sponsored coverage, whether through COBRA, by attaining coverage through a spouse, or because they were furloughed rather than laid off.

HOW COVID-19 WILL CONTINUE TO IMPACT PAYER MIX



	Uninsured	Medicaid	Individual market
Factors affectizng shift	Unemployment benefits (increases ability to pay out-of-pocket) Lack of awareness of bandwidth to enroll in coverage	State expansion status Levels of state outreach Limitations on disenrollment	Unemployment benefits, which reduce premium subsidies Mid-year enrollment reduces value of coverage (i.e., meeting deductible)
Timing of peak shift	After end of declared PHE[2]	Late 2020	Early 2021

1. U.S. Bureau of Labor Statistics, bls.org.
2. Public health emergency.

Nonetheless, as the pandemic persists, it is reasonable to assume that an increasing number of individuals will lose access to employer-sponsored insurance, particularly as temporary furloughs are converted into permanent lay-offs. Those individuals will follow one of three different paths:

1 Uninsured

Some may forego coverage altogether and become uninsured. This may be due to lack of awareness or time to enroll in coverage. Importantly, unemployment benefits have also increased individuals' ability to pay for care out-of-pocket. Once those benefits subside, individuals may be more motivated to seek coverage. For that reason, we expect the uninsurance rate to peak after the end of the Public Health Emergency.

2 Medicaid

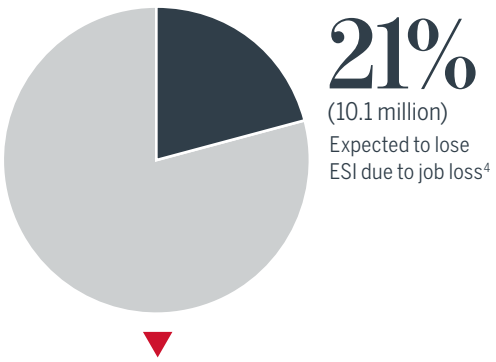
Among those who do seek coverage, we anticipate that the majority will enroll in Medicaid. Of course, this will vary heavily state-by-state, with state's that have expanded Medicaid experiencing far bigger increases in enrollment than non-expansion states. Many plans have already begun to report increases in Medicaid enrollment—over 2.3 million[1] new enrollees from March through June. However, it is important to note the increases observed to-date are largely a function of suspension on disenrollment enacted by CMS during the public health emergency, rather than huge influxes of new Medicaid beneficiaries. We expect that Medicaid enrollment will peak late this year, as more of the newly-uninsured are motivated to seek health coverage.

3 Individual market

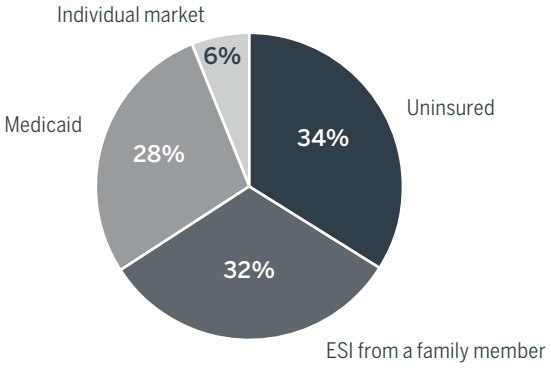
Enrollment in the individual market has been both lower and slower than anticipated. Unemployment benefits disqualified many individuals from receiving premium subsidies, making premiums unaffordable for many. And the prevalence of high deductible health plans on the individual market decreases the appeal of mid-year enrollment since members have less time to meet their deductibles. For these reasons, we don't anticipate the full effect of Covid-19-related layoffs to be reflected in individual market enrollment until early 2021—and even then, increases are likely to be relatively modest relative to increases in the uninsured rate and Medicaid enrollment. That being said, big players see the opportunity in the individual market: Centene and Cigna have already announced their expansion into new states and benefits.

So how might this all play out in real terms? The Urban Institute[2] has conducted one of the most thorough projections we've seen so far. They are projecting that 48 million Americans will be impacted by job loss by December of this year. Because most of the individuals are unlikely to have relied on the lost job for insurance to begin with, they expect only 21% (or 10.1 million Americans) to lose access to employer-sponsored coverage. They anticipate those 10.1 million to be split between: becoming uninsured (34%), receiving ESI[3] from a family member (32%), enrolling in Medicaid (28%), and moving to the individual market (6%).

PROPORTION OF 48 MILLION AMERICANS IMPACTED BY JOB LOSS EXPECTED TO LOSE ESI



PROJECTED FUTURE SOURCES OF COVERAGE AMONG 10.1 MILLION AMERICANS EXPECTED TO LOSE ESI



1. Chris Frenier, Sayeh S. Nikpay and Ezra Golberstein, "COVID-19 Has Increased Medicaid Enrollment, But Short-Term Enrollment Changes Are Unrelated To Job Losses," *Health Affairs*, August 6, 2020, healthaffairs.org.
2. Jessica Banthin, Michael Simpson, et al., "*Changes in Health Insurance Coverage Due to the COVID-19 Recession, Preliminary Estimates Using Microsimulation*," Urban Institute, July 13, 2020, urban.org
3. Employer sponsored insurance
4. Remainder of individuals are either uninsured or rely on other sources of coverage (family coverage, Medicaid coverage, individual market, etc.)

Will consumers continue to use virtual visits?

Virtual visits can increase access to care at a lower cost, but historically consumer utilization has been low. However, since the Covid-19 epidemic began, more people are using virtual visits—many for the first time. This is largely because consumers have no other option, with most health care facilities closed to reduce potential Covid exposure and this dynamic will continue for the course of the epidemic.

But when the outbreak subsides, will consumers continue to seek care virtually? Below, we've examined consumer preferences data prior to and during Covid-19 to understand what factors will keep driving this behavior—and what health plans can do to create the right environment for these continued consumer choices.

How has utilization changed since Covid-19?

Prior to Covid-19, a mere 19% of consumers reported using at least one virtual visit according to our consumer survey research on virtual visits.[1]

Since the outbreak, there has been an immense increase in virtual visit utilization. Health plans we've spoken to are seeing a surge across their memberships, with some reporting up to a 30-fold increase in daily virtual visits use rates. And although virtual visits are not completely eliminating in-person visits, many health systems are seeing a substantial decrease of visits in the office. For example, to intentionally reduce virus transmission, Kaiser Permanente[2] was able to decrease in-person visits to its specialty doctors by 40% and primary care doctors by 60% in March using virtual visits.

Consumer experiences with virtual visits during Covid-19 may permanently shift attitudes

Although virtual care adoption has historically been low, those who have used it as a successful alternative to in-person care are more motivated to use it again.

According to a national survey in March[3] by Sykes Enterprises (a customer experience company), of those who had a virtual appointment, only 37% said they'd use the service again. However, in April, a Sage Growth/Blackbook[4] market survey revealed that 69% of respondents wanted their provider to offer more virtual visits after the Covid crisis.

This divergence in opinions may be an indication of how consumer attitudes are quickly changing during the rapid progression of the virus, and a signal that emerging consumer trends are potentially here to stay. But this is not a foregone conclusion: the structure and capabilities of these visits will determine continued adoption.

Plans need to pay careful attention to their role in creating the drivers and deterrents that might influence members' virtual visit use in the future.

1. Emily Zuehlke Heuser, "What do Consumers Want from Virtual Visits?" Advisory Board, April 27, 2017, advisory.com.
2. Stephen Parodi, MD, "With Ingenuity, We'll Beat COVID-19—Telemedicine and mobile treatment units will be invaluable," *MedPage Today*, March 30, 2020, medpagetoday.com.
3. "Survey Report: Americans' Perceptions of Telehealth in the Era of COVID-19," SYKES, 2020, sykes.com.
4. "Evolving U.S. healthcare needs and attitudes during Covid-19", Sage Growth/Blackbook Market Research, April 2020.

Free, quick, and safe: The top three drivers that encourage virtual visit utilization

1 No cost to consumers

Advisory Board's past consumer survey revealed that a free visit[1] was the strongest incentive for consumers to try virtual visits. Prior to Covid-19, Teladoc also found that for plans who eliminated copays, member use of virtual care doubled within a year[2]. However, before the epidemic, not all plans offered this benefit. Now that numerous plans have waived member cost sharing for virtual visits in response to Covid-19, many more members have sought virtual care.

WHAT CAN PLANS DO NOW?

Although not always feasible to provide all virtual visits with no cost sharing in the future, consider setting member copays noticeably lower than in-person rates. According to Advisory Board's virtual visits consumer survey, saving money over an in-person visit was also a strong incentive, with 68% of individuals responding that they would try a virtual visit if it cost less than an in-person visit.

2 Quicker access to care

Patients value convenience. The Advisory Board's virtual visits survey[3] revealed that prior to Covid-19, the second strongest incentive to try virtual visits was "no wait time". Once members experience the convenience of virtual visits, they will be more likely to use these visits in the future.

WHAT CAN PLANS DO NOW?

Invest in single sign on capabilities and integrate with the plan portal to make the process more efficient for members. This is especially important for plans who partner with telehealth vendors. A seamless virtual care experience is needed to increase convenience for consumers. Automating virtual care technology can also provide patients with a more personalized experience as they will feel that plans are already familiar with them.

3 Ability to avoid exposure to the virus

Due to Covid-19, the ability to avoid unnecessary exposure to the virus has recently emerged as a driver to use virtual visits, and this will likely influence consumer decisions moving forward. Specifically, consumers cited that being able to avoid crowded waiting rooms[4] was a prominent advantage of virtual visits according to Sykes. This was particularly true for adults over 55. Although all use cases may not be appropriate for virtual care, some use cases such as palliative care[5] and mental health care[6] could be beneficial for seniors in a virtual setting.

WHAT CAN PLANS DO NOW?

Determine how to support the senior population in using virtual care technology to reduce any frustration in trying to navigate the platform

Mailing educational resources such as cheat sheets on how to navigate the virtual visits platform, or targeted emails with instructions on how to use virtual visits could be effective. Encouraging caregivers to assist older patients in learning the technology can decrease the likelihood that they will get frustrated and lose motivation to use virtual care as well.

The feedback is not all positive. Some members are hesitant to use virtual visits because of concerns about care quality or accuracy of diagnosis.

Advisory Board's consumer data[7] indicates that 40% of consumers were concerned with the quality of care they would receive virtually, or the accuracy of a diagnosis given by a virtual provider. Given the Covid-19 crisis, we know that more consumers are aware of virtual visits. However, to encourage continued use of virtual care some members will need to be convinced of its efficacy.

Consider using this time to track clinical outcomes from virtual and in-person visits

More people are using virtual care than ever before, so data should be prevalent. Plans can use this data to encourage member utilization by reporting comparable clinical outcomes between virtual and in-person care. Sending a follow-up email after an initial virtual visit with information on how virtual visits can be effective for other conditions can also be helpful. Including testimonials or satisfaction data to increase members' comfort level with virtual visit usage can also encourage virtual visit utilization.

1. Emily Zuehlke Heuser, "What do Consumers Want from Virtual Visits?" Advisory Board, April 27, 2017, advisory.com.
2. "Virtual care during and after Covid-19", Teladoc Health webinar, May 2020.
3. Emily Zuehlke Heuser, "What do Consumers Want from Virtual Visits?," Advisory Board, April 27, 2017, advisory.com.
4. "Survey Report: Americans' Perceptions of Telehealth in the Era of COVID-19," SYKES, 2020, sykes.com.
5. Deidre D. Morgan, Kate Swetenham, et al., "Telemonitoring via Self-Report and Video Review in Community Palliative Care: A Case Report," *PubMed Central*, August, 31, 2017, ncbi.nlm.nih.gov.
6. Ateev Mehrotra, Haiden A. Huskamp, et al.,"Rapid Growth In Mental Health Telemedicine Use Among Rural Medicare Beneficiaries, Wide Variation Across States," *Health Affairs*, May 2017, healthaffairs.org.
7. Emily Zuehlke Heuser, "What do Consumers Want from Virtual Visits?," Advisory Board, April 27, 2017, advisory.com.

What members want from plans during Covid-19

In April 2020, Advisory Board conducted a web-based survey to ask over 3,500 Americans about their experience with their health plan during the Covid-19 pandemic. To be eligible for the survey, respondents had to have health insurance and reside in the U.S.

MY PLAN IS DOING ENOUGH IN RESPONSE TO COVID-19

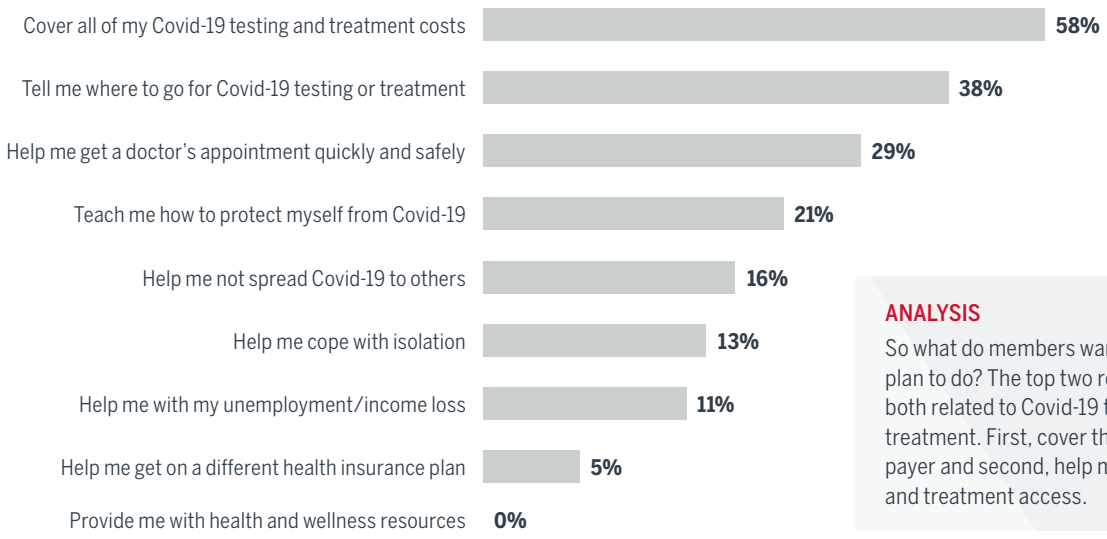
From the 2020 Health Plan Tools Survey, n=3,627 insured Americans

ANALYSIS

The good news from this survey is that members think their plans are doing enough. Only 7% of respondents thought their plan was not doing enough in response to Covid-19. But further questioning showed that members don't expect plans to do anything. They don't know what their plan is capable of helping them with.

WHAT WOULD YOU MOST WANT YOUR HEALTH INSURANCE COMPANY TO DO IN RESPONSE TO COVID-19/CORONAVIRUS? (CHOOSE TOP TWO)

From the 2020 Health Plan Tools Survey, n=3,685 insured Americans

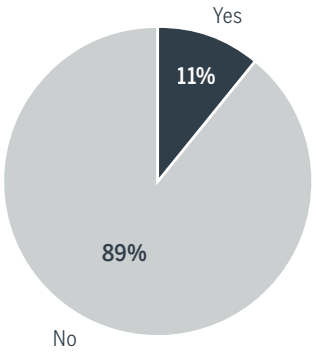


ANALYSIS

So what do members want their health plan to do? The top two responses were both related to Covid-19 testing and treatment. First, cover the costs as my payer and second, help me with testing and treatment access.

HAVE YOU OR SOMEONE YOU LIVE WITH BEEN TESTED FOR COVID-19?

From the 2020 Health Plan Tools Survey, n=4,598 survey respondents

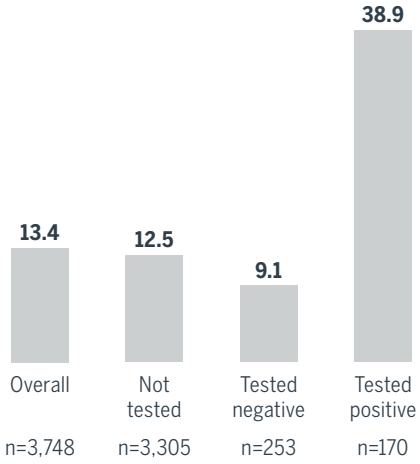


ANALYSIS

Plans are already covering testing, and many are even covering treatment, so plans should highlight this with their members. Testing is not ubiquitous yet with only 11% of survey respondents saying they or someone they live with has been tested for Covid-19. As soon as widespread testing is available though, members expect plans to be communicating this to them.

NPS[1] BY EXPERIENCE OF COVID-19 TESTING[2]

From the 2020 Health Plan Tools Survey



ANALYSIS

NPS for health plans hasn't been largely impacted by Covid-19, at 13.4 when this survey was administered. This isn't surprisingly given that most people think their plans are doing enough in response to Covid-19. What is surprising though is that people who have tested positive for Covid-19 (or live with someone who has) gave their plans a significantly higher score of 38.9. This is probably because people who receive more care (ex. people in care management) tend to find more value in their plan and therefore give higher scores.

The third most common response of what members want from their plans during Covid-19 was to "help me get a doctor's appointment quickly and safely." To achieve this, many plans are focusing their efforts on virtual visits.

1. Net Promoter, Net Promoter System, Net Promoter Score, and NPS are registered trademarks of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc.
2. Survey question was "have you or someone you live with been tested for Covid-19/coronavirus?"

How physician practices are thinking about acquisition in today's financial landscape

Covid-19 is threatening the margins needed to keep many independent physician practices financially viable. Groups of all types are grappling with serious concerns for their workforce's health and safety as clinicians suffer from stress, burnout, trauma, and safety fears amid the epidemic.

These challenges have made groups look at their strategic options differently—from operational cost reductions to new partnership strategies. Likewise, private equity firms, physician aggregators, health plans, and health systems are reevaluating their opportunities for partnership with these practices.

On June 24, we hosted a facilitated discussion with our experts to better understand how these decisions are unfolding for different types of physician groups, including how physician groups are evaluating potential partners, and what that might mean for the ecosystem of provider networks. Check out our three key takeaways.

1 Most physician practices were able to sustain the financial loss from the initial Covid-19 shutdown, and many are on their way to recovery.

In response to plummeting volumes, many physician practices furloughed staff or reduced salary and benefits. As patients return, practices are seeing roughly 90% of their pre-Covid volumes. While this restored volume isn't enough to sustain all independent physician practices, many were able to mitigate the financial losses, and are now focused on cutting costs to make up for reduced revenue and to prepare for a second shutdown.

Small and rural practices face additional headwinds. These groups have less capital in reserve and fewer diversified revenue streams, unlike larger practices with fifty or more physicians. As a result, they're more likely to sell or close their practice entirely.

2 It's unlikely that Covid-19 will drive an entirely new wave of physician practice consolidation.

Even before the pandemic began, few remaining large independent physician practices were open to the idea of acquisition by a hospital or health system. Larger practices that chose to remain independent generally developed a robust infrastructure, cost-cutting levers, and business capabilities to successfully adopt value-based payment models. As a result, many of these larger independent practices were better positioned to weather Covid-19 financially: a higher percentage of capitated contracts and infrastructure for telemedicine made it easier to pivot this spring.

Small, independent practices that are struggling to recover from Covid-19 are more likely to explore options for full acquisition or equity sale. However, these practices are likely to prioritize on non-hospital acquisition or equity partnerships, as they view these alternatives as a way to maintain some autonomy in exchange for support. Independent practices generally view joining an existing large independent practice as a more appealing option than an outright acquisition by the local hospital, and this trend isn't expected to change as a result of the pandemic.

3 Practices that are considering equity sale or partnership are taking a closer look at the capabilities, support, and strategic alignment that potential partners offer.

Before Covid-19, independent groups looking for partners focused on finding creative ways to gain access to capital, scale up their existing infrastructure, and expanding their influence—without selling to a hospital or health system. As a result, private equity firms, physician aggregators, and "platform practices" (e.g. Privia Medical Group, ChenMed) were promising capital partners for independent groups. They could help independent practices achieve their larger, strategic goals—such as investing in population health or building out a robust IT infrastructure—while allowing groups to retain some control over their practice. They also allowed independent groups to maintain their existing culture, preserve their day-to-day workflow, and keep their ownership and equity stakes.

These prioritization criteria have not drastically changed as a result of Covid-19. However, independent groups looking for capital partners are now focusing on finding additional support to address the uncertainty caused by the pandemic. For example, independent groups might place greater weight on partners that can provide telehealth infrastructure or access to PPE. They also may prioritize access to immediate cash to offset the many loan-based options they have, or to implement sustainable changes to improve operations during the pandemic. They are interested in partners that can help efforts to remodel clinics to allow for social distancing requirements and make remote work more feasible in the long term.

Physician aggregators and other equity partners will continue to seek out practices similar business models and goals—whether it's delivering high-touch care to a chronic elderly population, scaling primary care, or delivering high-quality specialty care. Now, to convince practices to join or sell equity, these partners must also demonstrate their ability to support practices through the financial and operational uncertainty of Covid-19.

WHAT PHYSICIANS PRIORITIZE WHEN ASSESSING A POTENTIAL PARTNER

Potential partner	Attractive factors	Deterring factors	Common target specialties
Other physician practices	Like-minded, similar to status quo	Likely only large groups with enough capital to acquire	Single and multispecialty groups
Enablement partner	Remain independent, long term sustainability, burnout mitigation	Partial business model change, limited short term cash support	Small independent primary care practices
Health plan	Long term sustainability, burnout mitigation	Lose independence, partial business model change	Independent primary care practices
Private equity investor	Rapid cash infusion, remain independent	Aggressive growth targets, limited control over future owners, range of business model change	Orthopedics, gastroenterology, women's health urology
Health system	Stability with employment, existing delivery structure	Lose independence, uncertain revenue stability due to Covid-19	Primary care practices, new physician graduates

While plans are challenged with dealing with the impact of the pandemic, health plans must start planning for sustainable growth. The reality is, the coronavirus pandemic has wide-reaching and long-lasting implications that impact all aspects of a health plans financial and member health. Health plans cannot not lose sight of the longer term. The work starts now.

OVERVIEW OF THE HEALTH PLAN ADVISORY COUNCIL

Advisory Board's Health Plan Advisory Council provides executives with insights and decision-support resources needed to elevate strategic planning and member relationships. Through reports, presentations, interactive forums, implementable tools and tactics, and direct access to 150+ topical experts, the Health Plan Advisory Council delivers market insight and actionable guidance to answer vital strategic questions.

Visit **advisory.com/healthplans**

LEGAL CAVEAT

Advisory Board helps leaders and future leaders in the health care industry work smarter and faster by providing provocative insights, actionable strategies, and practical tools to support execution.

With more than 40 years of experience, a team of over 250 experts, and a network of nearly 5,000 member organizations, we spend more time researching the now and predicting the next than anyone else in the health care industry.

We know that together we can change the business of health care for the better. Join us by visiting advisory.com.

655 New York Avenue NW, Washington DC 20001
202-266-5600 | **advisory.com**