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PRIVATE HEALTHCARE

# The health of private insurance in the US during covid-19

In an insurance based health system, it's insurers who foot the bill for pandemic care. **Bob Roehr** finds that the pandemic is further complicating an already complicated system

Bob Roehr

Early in the pandemic, US health insurers planned to treat covid-19 just like any other medical condition: in general, people pay a percentage of costs that their plan deems legitimate.

That changed on 10 March, with good news for patients. The US vice president, Mike Pence, told reporters that the nation's private and government insurance programs would change the way they did business. "All of our major health insurance companies have now joined with Medicare and Medicaid and agreed to waive all copayments [and] cover all treatments for those who contract the coronavirus," he said. "They've committed to no surprise billing, and they've committed to encouraging telemedicine."

But any relief felt by people with health insurance cover will be tempered by the unemployment resulting from the new coronavirus. A survey from the Commonwealth Fund conducted in May and released on 23 June found that 41% of US respondents who said that they or a partner had lost their job since February had relied on that job for health insurance. They now have to find a way to pay for insurance or healthcare on their own.

Sara Collins, a vice president of the Commonwealth Fund, says, "This survey shows how our piecemeal approach to health insurance coverage in the US leaves too many people without coverage, or just a layoff away from losing it." About two thirds of Americans are covered by private health insurance, and the rest are covered by various government programs.

The reliance on employment for health insurance premiums is just one of many factors that could threaten the US health insurance industry as the covid-19 pandemic presses on. But, while some of its clients may be struggling, the industry is doing just fine.

While there have been occasional anecdotes of exceptions to the vice president's promise of full cover by insurers, the errors have most often been due to a faulty billing system or a self-insured company trying to dodge its obligations. Public exposure of wrongful billings has so far proved effective enough to remedy the error without regulatory authorities stepping in.

In 2018, private health insurance paid out $1243bn (£1trn; €1.1trn) for healthcare costs, a third of total health expenditures in the US. That could go down this year, as Americans avoid seeking medical care because of fear of infection and physical lockdowns. Hospital visits in the US were down nearly 55% in March and April, in an analysis by Strata Decision Technology.[1] By May that trend had apparently bottomed out and even slightly reversed, as patients began to trickle back for delayed procedures.

Medicare, the federal health insurance program for seniors and the largest payer in the US, has been a source of stability, advancing payments to various parts of the healthcare system to help cover for revenue shortfalls. Some private insurance companies have done the same on a more limited basis.

## Insurers benefit

When insurers agreed in March to cover all covid associated costs and to forgo out-of-pocket copayments, most considered the deal to be temporary and attached expiration dates. Some companies have extended their initial dates, and the liberal advocacy group Public Citizen is pushing several others to extend waivers that are about to expire. The large insurer-provider Kaiser Permanente, with 12.2 million members, has extended its waiver to the end of the year.

It's not clear how many delayed or cancelled procedures will take place at a later date—but some certainly will not, either because the patient has died or because staff and physical space are limited in their capacity to absorb the pent-up demand.

But, despite the lower payouts, the insurance industry doesn't expect to see any huge windfall profits: it's heavily regulated at the national and state levels. One provision of Obamacare (the Affordable Care Act) requires that insurance companies must pay fixed minimum percentages of the premiums they collect for medical services (at least 80% for individual and small group policies; 85% for large groups). If their profit margin increases because of deferred procedures in the pandemic it will be within only a narrow margin, and "surplus" revenue must be returned to policy holders. Some insurers have already started sending rebates to their customers.

Meanwhile, some insurance policies are likely to cost purchasers more in the future. Companies in hard hit New York City are seeking double digit increases in premiums next year, while a few serving the northern part of New York state, which was less affected by the pandemic, are asking for modest reductions in rates.

## Idled workers scramble

Most US health insurance is acquired through the workplace, and people who have lost their jobs lose their health insurance on the last day of their final month at work.

Laid-off workers can, by law, choose to pay the entire cost of remaining under the company's health insurance plus a 2% administrative fee for as long as 18 months, through a program with an unwieldy name but known by its acronym, COBRA. Unless the person qualifies for a government subsidy, however, opting for COBRA can be expensive—as much as $600 a month for individual coverage, and family coverage can cost three times that amount. The original workplace policy may require additional copayments for visits and drugs.

But workers must exercise this option within 60 days of termination or lose it. That window is now closing for the first wave of people made unemployed during the pandemic. Many newly unemployed people will be eligible for subsidies to help them buy health insurance under provisions of Obamacare. But many who believe that they will soon be working again simply don't bother, and not everyone will be looking for new jobs: the pandemic has disrupted public transit and made getting around difficult.

In addition, the bureaucracy has become even more challenging than usual because many government agencies that are assigned to manage re-employment and welfare programs are now working remotely.

## Medicaid crisis looms

Sara Rosenbaum, professor of health policy, said at a briefing organized by the Alliance for Health Policy, "You really cannot talk about health equity without talking about the Medicaid program in the middle of a pandemic: this is the biggest public health first responder we have."

Medicaid, a program that provides health insurance for the poorest people in the US, is jointly paid for by the federal government and the states. And throughout the country Medicaid is threatened, Rosenbaum warned.

Huge cuts in Medicaid funding are likely in Democratic and Republican states, as social isolation has dramatically reduced the revenue that the states generally collect in sales, restaurant, and income taxes. States cannot, by law, operate at a deficit: if revenues decline, spending must be cut.

California faces a $54bn shortfall in revenue, almost 37% of its current general budget. Despite the large federal role, Medicaid is in many instances "the largest budget item for states" and thus a tempting target for making cuts, says Tom Betlach, a partner in the Speire Healthcare Strategies consultancy.

As an example he uses Arizona, where he used to administer the Medicaid program. Under the pre-pandemic formula, with a federal match, says Betlach, "To get $33m in state savings, we had to cut $100m out of the delivery system." But, with the feds picking up a higher percentage of spending, cutting $33m from the state contribution will also reduce the federal share and result in a decrease to Medicaid spending in Arizona of around $135m in total funds.

Democrats in the House of Representatives are seeking to further increase the federal contribution to Medicaid, but the Republican controlled Senate is taking more of a wait-and-see attitude on additional spending. This impasse is not likely to be resolved until September at the earliest, when Congress returns from its summer recess.

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Provenance and peer review: Commissioned; not externally peer reviewed.

1 55 percent fewer Americans sought hospital care in March-April due to covid-19, driving a clinical and financial crisis in US healthcare. https://www.prnewswire.com/news-releases/55-percent-fewer-americans-sought-hospital-care-in-march-april-due-to-covid-19-driving-a-clinical-and-financial-crisis-in-us-healthcare-301056570.html. *PR Newswire* 2020 May 11.