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COVID-19 Could Cost Commercial Plans \$499 Billion: Fair Health

The pandemic could increase commercial insurers' spending about 9% to 38%.

By Allison Bell | March 25, 2020



Here's what COVID-19 claim payments could be like, for three types of payers, based on the mid-range FAIR Health estimates, versus how much those payers spent, on everything, in 2019...



Medicaid

1. Medicaid

Per Patient: \$7,533

Total: \$15 billion

Total 2019 Spending: \$621 billion

MEDICARE HEALTH INSURANCE

Name/Nombre
JOHN L SMITH

Medicare Number/Número de Medicare
1EG4-TE5-MK72

Entitled to/Con derecho a	Coverage starts/Cobertura empieza
HOSPITAL (PART A)	03-01-2016
MEDICAL (PART B)	03-01-2016

2. Medicare

Per Patient: \$10,561

Total: \$15 billion

Total 2019 Spending: \$801 billion



1. Commercial

Per Patient: \$38,221

Total: \$249 billion

Total 2019 Spending: \$1.3 trillion

The federal government today released its annual National Health Expenditures Projections report, and FAIR Health released COVID-19 care cost estimates showing why the government projections could be all wrong.

Actuaries at the Centers for Medicare and Medicaid Services (CMS) predicted — based on analyses performed before severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2), the virus that causes COVID-19 pneumonia and heart inflammation, changed everything — that the country could spend \$4 trillion on all forms of health care this year.

That \$4 trillion total would be 5.2% higher than the total for 2019, and it could eat up about 18% of the United States' \$22 trillion in "gross domestic product" (GDP), or national income.

But analysts at FAIR Health, a giant repository for health insurance claims data, predicted, in a separate report, that public and private health insurers could pay anywhere from about \$139 billion for COVID-19 care to about \$558 billion, depending on how many people get sick, and on how many need to be hospitalized for pneumonia or other COVID-19 complications.

Resources

- ***A copy of the FAIR Health COVID-19 treatment cost analysis is available here (<https://s3.amazonaws.com/media2.fairhealth.org/brief/asset/COVID-19%20The%20Projected%20Economic%20Impact%20of%20the%20COVID-19%20Pandemic%20on%20the%20US%20Healthcare%20System.pdf>).***

- ***A copy of the CMS National Health Expenditure projections packet, including Table 04 in the NHE Projections 2019-2028 ZIP file, is available here (<https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected>).***
- ***An article about the NHE Projections packet for 2019 is available here (<https://www.thinkadvisor.com/2019/02/21/drugs-might-be-the-2019-health-cost-good-guy-cms-actuaries/>).***

If the FAIR Health analysts are correct, and the government does not start any new programs to help public or private payers, then public and private payers could see COVID-19 care increase their overall spending by anywhere from 4.9% to about 20%.

For commercial insurers, COVID-19 could increase spending by \$125 billion to \$499 billion, or by an amount equal to about 9% to 38% of 2019 spending, with the mid-level scenario increasing spending by about 19%.

CMS actuaries originally suggested that overall national spending on many kinds of health care items and activities might rise from about 4% to 7%, with spending on prescription drugs rising just 3.7%, and the “net cost of private health insurance,” or what health insurers use on administration and profits, rising about 10%.

COVID-19 Care Cost Math

FAIR Health analysts now estimate, based on typical charges for flu and pneumonia care, that hospitals will probably charge an average of about \$73,300 per patient for patients with COVID-19 who need inpatient care for pneumonia or other COVID-19 complications.

Medicaid and Medicare may pay the hospitals only a small fraction of what the hospitals bill, but commercial insurers could end up paying more than half of the billed charges, according to the FAIR Health analysts.

One offset may be that, for their own protection, physicians hope to treat most patients with mild SARS-CoV-2 infections through telehealth visits. FAIR Health analysts did not give a per-patient estimate of telehealth costs, but they found that commercial insurers typically pay \$100 or less per telehealth visit for procedural codes related to colds, flu and other respiratory infections.

Mild, Middle, Bad

The FAIR Health analysts calculated separate hospitalization cost estimates based on whether the percentage of all Americans who get COVID-19 in 2020 is 20%, 40% or 60%, and whether the percentage who need inpatient hospital care is 15% of the patients who seek care or 20% of the patients who seek care.

The Mildest Scenario (20% infected; 15% of those seeking care need hospital care)

- *Number hospitalized: 4.9 million*
- *Patients, ages 19 or younger: 24,706*
- *Patients, ages 20-64: 2.7 million*
- *Patients: 65 or older: 2.2 million*

A Middle Scenario (40% infected; 15% of those seeking care need hospital care)

- *Number hospitalized: 9.9 million*
- *Patients, ages 19 or younger: 49,413*
- *Patients, ages 20-64: 5.4 million*

- *Patients: 65 or older: 4.4 million*

The Worst Scenario (60% infected; 20% of those seeking care need hospital care)

- *Number hospitalized: 20 million*
- *Patients, ages 19 or younger: 98,825*
- *Patients, ages 20-64: 11 million*
- *Patients: 65 or older: 8.8 million*

The CMS Actuaries

CMS officials themselves have emphasized that COVID-19 could make a mockery of their 2020 health expenditures projections.

“The latest projections begin after the latest historical year (2018) and go through 2028,” officials state on the website presenting the data. “These projections do not take into account the impacts of COVID-19 because of the timing of the report and the highly uncertain nature of the pandemic.”

— ***Read America Will Dramatically Change the Way It Provides Health Care by 2030***
(<https://www.thinkadvisor.com/2020/03/25/america-will-dramatically-change-the-way-it-provides-health-care-by-2030/>), on ThinkAdvisor.

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