

# NAVIGATING DEMAND IN A DOWNTURN



## AUDIO TRANSCRIPT

**Host:** Hello, and welcome to today's webinar- **Intelligent payer: Navigating Demand in a Downturn**. Before we get started, I'd like to review a few brief housekeeping details. Today's webinar is being recorded and an online archive of today's event will be available a few days after the session. I'd like to remind you of AHIP's anti-trust statement and ask that you reference it in the handout section at the bottom of your screen. The anti-trust statement prohibits us from discussing competitively sensitive information. You may ask a question at any time during the presentation by typing your question into the Q&A box located on the right side of your screen and pressing enter. If you have trouble seeing the slides at any time during the presentation, please press F5 to refresh your screen.

We are fortunate to have with us today, Scott Brown and Cassandra Lea. Scott Brown is Managing Director of Strategy and Consulting for Accenture. He is a recognized health expert in health and

ancillary benefit distribution and is responsible for developing and driving growth strategies in healthcare having managed a broad range of consulting engagements, including product introduction, operating model designs, and sales and distribution strategies.

Cassandra Lea is Senior Manager of Strategy and Consulting for Accenture. She specializes in collaborating with clients to develop enterprise growth strategies, assess new business capabilities, and drive new program delivery. She has more than 10 years of experience working with national payers, regional plans and blues, as well as with providers, PBMs and public health organizations. At this time, I'd like to turn the floor over to our speakers.

**Scott Brown:** Thank you and happy Friday to everyone out there. Thank you for joining us in this new normal that we live in. And maybe before we jump in, I'll just share a little bit of a



story. I've been stressing a little bit as my wife and I are all working at home. We've got two little kids and I was asking my wife where I am going to take this call. It's right during our two year old's nap time and my office is directly under her bedroom. So this morning, Cassandra and I were prepping and my wife said, "Well, go take it out in our garage. We've got a nice office out there." As I was taking the call, of course, the internet went down so I am back in my office and so I say all that in full transparency and being truly human, I apologize in advance if you hear some little kids in the background, but that's the world we live in. With that being said, Cassandra and I are super happy to be here to talk to you about what we think is a pretty interesting and relevant topic today. We're going to explore the impacts of Covid-19 specifically on the group commercial markets for health payers and what we call membership shifts. Cassandra is going to go into quite a bit of analysis of how we've been looking at the market and where we think things could land and some potential scenarios and then we'll kind of shift into what are some of the key actions that our payer clients and colleagues can do to more proactively identify, prioritize their client base and look at actions to both retain and perhaps transition coverage, as well as exploring some longer term growth strategies. We're also going to take questions throughout so if you want to type your questions in, we're going to try and take them throughout the presentation, but we'll also leave some time at the end. With that being said, I'll hand it over to Cassandra.

**Cassandra Lea:** Thank you, Scott. Alright, I'm going to start with where we are today. Over the past 10 weeks, there's been about 40 million Americans who've filed for their unemployment benefits and April's unemployment rate was already nearly 15%. With the additional unemployment claims that have been filed recently, that number could continue to rise and that of course is going to have huge impacts across our communities and across the economy and where we really want to focus today is what that means for the group commercial market. For our payers, that's obviously generally a very steady and profitable book of business and really the foundation of healthcare in the United States for many years. So, we're going to talk about timing a little bit later, but really want to focus again on what the shift is that we're going to see and what it means again from a commercial stand point and then also looking for what that means in terms of where some of that membership might go. So, looking at ACA coverage as well as into Medicaid and the uninsured, if you think about this we think about the group commercial market but there's going to be downstream impacts as well so if we think about our providers, PBMs and we've even had some conversations on the life sciences side in terms of what this means from a utilization reimbursement. Let's take a look at the focus on the payer's side of what we've forecasted and then as Scott said, we'll get into more detail about what that means in terms of managing those changes. Our key questions basically just set up what



we've modeled at a national level. The first is of course how unemployment will drive group coverage loss across the different group sizes. We expect there are going to be changes in unemployment disproportionate in the different group sizes so we're going to take a look at that and we also want to understand from a payer perspective how those shifts in membership are going to impact revenue. Then of course those members who are losing their group coverage have an opportunity to move into other coverage areas, such as COBRA, Medicaid, ACA, and then there will be some that move into uninsured. Those are the key questions that we're going to answer today from a model perspective and then turn to how to help manage some of those.

Alright, so if we imagine we are closer to the end of 2020 right now and the new jobless claims at that point are down but unemployment is potentially still high, this slide illustrates what that bottom could look like with an unemployment rate ranging from 15% on the conservative side to potentially more aggressive at 25%. With that unemployment rate, we would expect to see the group market membership decline anywhere from 14% to 27%. Now because we are thinking about this as a point in time and later in the year, these pictures don't necessarily account for the furlough rates that are in place today. So in general, those that are furloughed still have their coverage so that isn't accounted for here. We also recognize that some of the folks who have lost their jobs were never covered under the group market anyways so those are also not in this

picture, but what we do have here again are those that are expected to lose coverage, and it is a lot. And as we think about that in terms of how it breaks down across the different group sizes, small business is going to be disproportionately impacted with about 35% of the newly unemployed coming from small business- those with under 50 employees. It will be about 5 to 9 million members losing coverage there, which is about 25% to close to 50% of that small group membership. So definitely a disproportionate hit there. And if we translate that into revenue overall, you can see there is a disproportionate hit on that small business side and from the revenue perspective because of the difference in fully insured versus ASO as well. One thing I do want to point out on here is from a COBRA perspective, we have a kind of a small percentage of members moving into COBRA but right now, we do expect that to stay very small just because of the cost of COBRA. There is some legislation in place in terms of the HERO's Act that would potentially fund COBRA coverage and in that case, this would look different. There would be a greater number of people potentially electing COBRA and staying in the group market but that is obviously uncertain. What we have pictured here again is what that low looks like in terms of unemployment and what that means from a group coverage standpoint.

Alright so that is what it looks like from a coverage lost perspective. What I want to jump into now is where that group membership loss goes, in terms of other insurance markets. This is the first time we've had a recession since



the ACA was enacted, which means it's the first time we've had a recession where there is Medicaid expansion so there are additional opportunities for coverage there. It's also the first time we've had the public exchanges in place so another avenue for folks to get covered who are not on group insurance. So, we worked with Manatt, our policy partner, to understand where folks might go because looking to the past doesn't necessarily give us the whole picture because of the ACA.

What we expect to see here is the greatest uptick in Medicaid. We think that about 50% of those who lose their group coverage are going to move into the Medicaid market. Now depending on if they live in a state that has Medicaid expansion or not, we expect that to be a little higher so maybe closer to 60% in Medicaid expansion verses 40% in non-expansion. Overall for the national level, it would be around 50% that would move into the Medicaid market. Then we would expect to see about a quarter of those who lose their coverage move into ACA or individual plans. Now, we're a little bullish on this here in terms of the percentage of folks going into ACA but we are in the middle of a health pandemic as well, so from a recession perspective, it's being driven on the health side. There are fewer folks that are willing to go without insurance as you may've seen in the past. For example, in Oregon they just announced that there was, I believe, a 44% increase in enrollment in their ACA exchange in April. So, there is going to be an uptick there, and then finally about a quarter of those losing their group coverage, we do expect to

remain uninsured. Again, this is a point in time so this is where some of those peaks may be and as we think about what the recovery might look like, this can change over time as folks move in and out of group coverage and then in and out of potentially some of these public options.

**Scott Brown:** Cassandra, we have a couple of questions related I think to the first slide and this slide. I'll bring them both up and maybe you can hit each one. One question was "How are we thinking about ASO verses fully insured or does this include both?" and then the second question is "I don't see anything on here about Medicare. Do we anticipate any additional implications or shifts into Medicare?"

**Cassandra Lea:** Yes, thank you. From an ASO versus fully insured perspective, we did account for both of those and also the differences in side. Generally, on the large group side, much more of those are ASO and on the small group side, a much higher percentage are fully insured so both of those are included in here. Because of how that breaks down there's a little heavier hit on the fully insured.

And then your second question, in terms of Medicare, is a good one. So it is not necessarily included in our model here on the page, but we do expect to see a slight uptick in terms of Medicare enrollees, so potentially those who had not yet enrolled, but have potentially now lost their job and are going to move into the Medicare market. We do expect to see a little bit there, but not included in this model on the page.

I mentioned on the last couple of slides that we're looking at a point in time in terms of what the bottom could look like in terms of those shifts and what we want to point out though is that timing definitely has a big impact on when those scenarios happen and how long we sit there. I'm not an epidemiologist or an economist, but what we have outlined here is really the importance of the timing and what could happen. We've got three scenarios here. We could flatten the curve and the economy comes back faster. We could have some cyclical outbreaks and it takes longer. We could have a prolonged pandemic. But really the point is, depending on what happens with the disease state that we're in, that will obviously impact the economy, the recovery and how quickly group coverage is regained.

**Scott Brown:** Cassandra, one more question and I think you're going to hit this on this next page, but maybe as you're doing so, the question is around the lag in enrollment for public plans, specifically Medicaid, and how long do you think it'll take to get these people enrolled.

**Cassandra Lea:** Yes, we definitely expect to see a lag in a couple of places. One, folks lose their jobs so as they hit the unemployment number, there are some grace periods of up to 60 days for keeping coverage and then there would be similarly a lag in enrolling in Medicaid or into an ACA—anywhere from a month and a half that we have modelled here, that could be a little less or a little more depending on the exact timing of when they were potentially let go from their job. There

is a little bit of a lag in that and we are starting to see now, as I mentioned, the April numbers for the state of Oregon and their ACA just came out. We would expect to see as the April and May numbers come out, that those enrollments are starting to uptick more now based on those who lost their job a month or two ago.

What we have on this page shows some of those differences. The blue line on the top is with a sharper recovery and the purple is with an extended recovery, but really what we wanted to highlight here is a couple of things. As I mentioned, at the low point the furlough wasn't included but here we have added that in. Last month, around 75% of those who were unemployed were furloughed. If there is a quick recovery, those who were furloughed, as the economy comes back, they've kept their coverage and would just continue to keep that coverage so they would never lose their group coverage essentially. However, if the recovery itself takes a little bit longer than they might have to come off their furlough and become truly unemployed and then also lose their group coverage. We would expect to see more of that low—low potentially later this year and then again as jobs are recovered and group coverage ticks back up, that would go along with the economy coming back as well.

Again, of course, a lot of different factors to consider here in terms of the disease itself, the economy and the unemployment rate that all are going to impact overall group coverage and how much is lost and of course the timing to get it back.



**Scott Brown:** Cassandra, one last question before we move off of this. “Can you speak to the state specifically in how we factored in Medicaid and even impacts to Medicaid budgets or how were thinking about differences across states?”

**Cassandra Lea:** Definitely. From a state perspective on Medicaid, we did take into account a couple of different things. One was whether or not the state had Medicaid expansion or not. In those that were expansion states, we would’ve expected more of those who lost their group coverage to move into Medicaid than those that did not. Then the second was also whether or not the state had opened up their state-based exchange if they have a state-based exchange. A job loss in any state even if it’s on the federal exchange is a life event that would allow you to enroll and some of the states also elected to do a special enrollment for anyone. We did take that into account in our national model, weeding out those states that have different situations in terms of Medicaid. From a state budget perspective, we have heard from the states that there are definitely concerns there. They are seeing upticks that they haven’t seen before and they’re coming very fast. There is definitely going to be an impact in terms of that additional enrollment and a need for support for those folks—getting them enrolled and on to the plan and then potentially also transitioning on and off, depending on what the economic recovery looks like.

Alright. We’ve talked through what’s happening at a national level in terms of the group market and where that

decline is going to be and how we might see recovery. I’m going to turn it over to Scott now to discuss what this means for our payers and how they should be rethinking some of their current strategies to react to our current reality and prepare for the future.

**Scott Brown:** Thanks, Cassandra. Over the next few minutes, we’re going to explore 4 key actions, some of which our clients are taking, but actions we think that, as Cassandra mentioned, you can build upon depending on which scenario I’ve modelled. Whether I think it’s bad, worse, or worst, but how do I get in front of that? How do I start to estimate and even, no pun intended, but even flatten the curve of the impact to my own business? So, 4 key things that we’ll kind of evaluate over the next few minutes are first and foremost, as Cassandra mentioned, what she’s laid out is a very macro level and a national level. The reality is that the impacts here are very local and specific to our clients in their books of business. The second key theme, which we’ll go into more detail, is how do I leverage analytics to both inform my models, but also to tailor the actions that we take in the market to engage our clients, retain our customers, etc. The third element is for the market-facing or office team sales people that are in the field, how are they engaging with both their customers as well as their distribution partners, brokers, benefit consultants, to better advise and prepare for both near term, as well as even our upcoming, if you will, renewal periods. And then the last element, number 4, will go into more detail about while



times are tough, there are opportunities in terms of expanding market share, looking at M&A opportunities or expansion. We'll hit on that in a little bit more detail.

The first one that we're going to talk about; this really just builds upon what Cassandra spent the last few minutes talking about which is- "How do I start to build the right model and estimate to understand the impact to my book of business and the timing?" What we've learned is that this is not just a one-time exercise. It is a very fluid exercise and every state is in a different stage in terms of reopening so how is each payer, whether they are single state plan, multi-state, or whether they are sitting in a state that has Medicaid expansion or none, as Cassandra mentioned, whether they have a special enrollment period for the individual exchange and including all of the policies that exist. In addition to that, looking at their specific customer mix. Not all payers are created equal. Some participate in and manage Medicaid. Some do not. Some participate in the exchanges. Some do not. Some participate in group insurance and some do not. As well as the actual mix of their book of business, which industries their concentrated more in, if those industries are more heavily impacted. Then lastly, how you take into account the various shifts that we talked about earlier and whether you think it's a V-curve, a U-curve, in a U-curve, a fat U-curve, an L- curve, which we all hope it's not, how do you start to build a specific model for your book of business and then fluidly maintain that.

To give you a little bit of an example, or maybe a little more color, we've seen a lot of our clients doing, and what you'll see here on the chart that's on the page. I know it's kind of busy; there are a lot of things going on here. Let me explain it. What you'll see in the bubbles is kind of a micro- level industries. I think two-digit mesa codes for those of you who are industry insight junkies. So, the bubble size represents GDP. On the left axis, you'll see jobs. On the X axis, what we see is a study that was done by the University of Chicago in which they looked at occupations by industry and which occupations they thought could be performed more at home or virtually versus ones that require a more physical presence and then lastly, the color indicates the relative impact from unemployment as indicated through the last jobs report in April. And the point of this is that what we see some of our clients doing and looking at their books of business and specifically the different types of industries in both the impact to those companies within those industries. Take hospitality and media entertainment as an example that has been hit the hardest, versus things like finance and insurance, which is actually where our payer clients sit, professional services firms like ourselves, and start to put risk basis against that to determine, as well as the group size, to put a more fine-tuned estimate as to the likely losses or the potential risk of loss. This is just an example. We're going to actually go into a little bit more detail and build upon that in the next topic where we talk about analytics, which is taking something like this and further



expounding upon it to truly put a, let's call it a resiliency score, to a customer or employer.

The second item, which personally is my favorite, and is exciting to share with you guys is an example model of what this looks like. Regardless of what my curves are or how bad the impact to my book of business, how do I start to leverage external data sources as well as internal data sources to get a better sense of the actual risk to my client base? What you'll see here is 4 key categories of data that we've started to look at and leverage.

The first one, which is specifically around the Covid impacts and risk in various hot spots. Take something like Johns Hopkins where they've created a global Covid virus assessment and have identified, on a relative basis across the entire US, hotspots and the general impact to those locations. And so how that impacts a group that is based there or has a large population that is based there versus groups that are in locations that have been less impacted by Covid. The bottom left indicators are specifically around the impacts of unemployment and so the Bureau of Labor Statistics publishes many different, interesting data sources that get into both macro level national unemployment numbers like you saw at the end of April. They get into state specific, so those are all into industry specific and then you can also take that down to the county level. In addition to that, we've also started to create web scrapers to go out to various business sites. Think of things like Yelp or actual business sights you can actually scrape and see whether a

business is still open or not. Think of your favorite take out. You know if we are talking restaurants, as an example, whether or not that business is still open for carry out, for delivery versus if it's shut down, different risk levels. In addition to that, each state is kind of going through the processes of reopening. Monitoring the industries and the impact of those industries as they're reopening, and then even maybe further as we expand into once we have reopened, looking at other social data. Things like social distancing, mobility data to see if people are out in the economy and spending or moving around as we get beyond this first stage.

As we shift to the right and I'll actually start with the bottom right, the health ecosystem data, we've got other indicators in terms of the viability of other businesses, including things like cash buffers, cash on hand, credit scores, business proximity as we just mentioned- things that kind of take this to another level. You think of those three factors as helping us to better assess the resiliency of a given business. The area to the upper right is more at the consumer level which is as we think about business resiliency, but also all of the employees and their dependents started to leverage things like mobility and social data to get a sense of how are people feeling, what's on their mind. This becomes really important as we think about how we market to and engage consumers that are maybe negatively impacted by Covid, in terms of employment as well as their health insurance. All of these areas help us to help our clients both, back to the previous topic, to better





assess the risk of their book of business and what could be even more important, how do they start to engage with and get more proactive with their B2B customers as well their members.

This next slide and picture just gives a little bit more of an example of something that we've created. Building upon that last slide, we've created a business resiliency index that takes many of the factors that I just mentioned and starts to weight the relative resiliency of a business. You'll see kind of highlighted, this example is New York. We thought New York was a pretty interesting one given the Covid situation in New York. The areas or the dots, you can see kind of geographically, and so as you get closer to Manhattan or maybe even more rural, green is good, red is relatively bad. That doesn't necessarily mean those businesses are going to go out of business, but what it does mean is that they are much higher risk. You can kind of see some of the macro level industry SIC sectors, things like agriculture, that you might anticipate being more resilient, things on the bottom in terms of trade, mining, and manufacturing more negatively impacted. In these little bubbles, even at the bottom, you can start to even get below and see which specific sub-industries within a given industry and then more importantly, you can actually click on this to the customer or to the broker to see which of your customers are most at risk and which of your brokers or their books of business maybe most at risk. This is really important because as we mentioned our clients and you guys, payers, have thousands and thousands

of B2B customers and the ability to look at the given risk for particularly small businesses can be very challenging. What we've done is continue to refine this and we continue to weight factors differently as we look at actual layoffs and jobless claims and things that are posted on state sites and so this is just an example of how you might be able to leverage analytics to better identify and kind of segment your B2B customers based on what we're calling business resiliency.

Now what do we do with that? We've got some customers that are more resilient than others. How do we take this to the front office and equip our sales teams both for retention and transition of various groups or maybe even growth opportunities? How do we start to think about that in both the current state as well as we get very close to another annual enrollment period? Many of our customers are asking for bids now or if not now, rates are due very soon. It's probably in a matter of days, as well as those renewals will be coming out in several months. What we've outlined here is just kind of a high-level example of how you might start to segment customers. Here you see on the left axis is kind of what we talked about the resiliencies- a low resilience to a high resilience member. As you look across the top, you might also think about segmenting based on value- a lower value customer or maybe its lower loyalty. Perhaps they are less loyal, more willing to leave. Perhaps they're not as profitable or higher value. This is an example, but this would be very specific to our clients and their book of business, but you might think about groups that



might fall into a bucket of lower resilience to the left and you might want to create much more personalized and engaging marketing plans or digital offerings, if you will, to engage those members that may be losing coverage. Perhaps it's a much more concierge-like experience, the groups that are up towards the upper left hand and perhaps you're okay with losing some of those customers. Maybe they haven't been as profitable or perhaps it's just less touch. And then even as you think about groups that start to shift towards the right, thinking about both your payment options. Some groups may be just on the cusp of getting through this and we think they're going to survive, but they need a little bit of additional leniency in terms of a payment plan. Perhaps that's also as you think about even some employers and some payers have started to offer even mid-year buy down options to groups, so perhaps you're allowing a group to change their plan mid-year or more so, you're looking at the renewal season that's coming up and you want to be more aggressive in your strategy. And then finally you kind of get towards the right, you know there are some organizations hopefully more in your geography than mine. I think of one of my friends who works for Zoom and seems to be doing okay right now, but there are definitely some organizations that are highly resilient and even as you think about growth options and treatment strategies to upsell, cross sell additional products and provide more services.

In the interest of time, I'm going to very briefly cover this slide, also because I'm more of a sales guy than I am a marketer, in full transparency. This is an example of how we might take both some of the resiliency, all the way into the segmentation and start to create, as I mentioned earlier, the sense of an analysis- things that are specific to members and taking member data and combining that with businesses to get to a very specific marketing plan and marketing strategy. Maybe it's leveraging things like social or maybe it's leveraging a distinct tool of the Adobe Salesforce, etc. to more engage individuals. Perhaps we're also on the exchange. We want to offer our members an easy way to transition. We take their existing products and we map them to our exchange products and make the entire experience digital and seamless to provide an easy way for those individuals to keep their coverage. On a different note, this has also been a very challenging time for many of our client's distribution partners. Their brokers, who often rely on a lot of face-to-face engagement, if you will. Maybe some markets it's more virtual than others, but we've also seen a few clients that are doing some interesting things or enabling brokers to have better virtual access into their customer book so other digital solutions and digital channels to engage both the customers and the ultimate members.

Lastly, we are in a downturn but there are several opportunities for our clients and for payers, and PBMs etc., or for any channel partner really, to identify



and deliver upon growth. I kind of identified this in 4 key buckets. I'm sure there's more. The first one, just being around growing the core business and just a couple examples of things that we've seen in the market. I'll use one. Centene is primarily a Medicaid and an individual plan. So obviously in this time, rather than worrying about losing their group business, since they don't really have much of a group business, very much an opportunity for them to grow. Another example you may have seen in the news- United Healthcare. While many health plans had pulled out of exchanges, you can sort of see United Healthcare is expanding their presence on the exchanges. I'm sure there are several others who are not market leaders that are also looking at this as an opportunity to get much more aggressive and thinking about price sensitivity for those businesses that will stick around and how they might perhaps finally make a break in.

In terms of expanding new business, couple of different examples. Little bit harder to just jump into the exchange market. That takes time, but one thing that is very top of mind and we kind of talk about is behavioral health and mental health. There's been much greater focus on those types of products and many of our clients have solutions around that. Telehealth is another example in terms of how you think about expanding or thinking about that as a product line and a service you might be providing to your employers and your groups. I think that's going to be very important in the future.

On the bottom left hand side, new business models, M&A options, joint ventures, new partnership opportunities. Just one example I'll give here. Independent providers, physician practices have been hit pretty hard during this time. They are a very critical part of our client's network and that is definitely a topic and opportunity that our clients have been looking at both from a how do I minimize the network disruption, as well as are there other business opportunities for me or joint ventures where I can provide support and maybe expand some of the services that I do on the clinical side.

The last thing which I'll hit on very briefly on another slide is just while most of what I've been talking about today has been around the front office and sales, distribution, marketing, and products, you know this is also an opportunity or a time where our clients have the chance to optimize their business and also thinking about unlocking value through things like SG&A and MLR.

I'll pause. That was a lot and I think I saw a few questions.

Alright. Lastly, just a tee up for this, but a couple of my colleagues will also be speaking here in a couple weeks and so as I just mentioned, while we are talking about navigating demand during the downturn, there is also a significant element about what is happening on the other side of the house, which is how do I think about financial sustainability and strength? How do I think about things like



unlocking the value around SG&A? How do I get a head of MLR? A couple of my colleagues will be joining on July 9th for a webinar on AHIP, and they are going to explore this in a lot more detail. They'll also talk about how we're thinking about and how we're leveraging ZBX- zero based X, if you will, zero based - spend, organization, supply chain, technology, front office. How we're helping our clients to leverage ZBX to sustain financial strength during these times.

We're pretty much through the presentation part of it. Now I want to open it up to see if we've got any questions. I'm happy to jump back through wherever else in the materials we want to go

**Host:** Thank you. At this time, we would love to address some of your questions that came in during the presentation. Again, if you have a question please enter it in the Q&A box on the right-hand side of your screen and click send and we will wait for any questions to arrive and I'll turn it back to you. Thank you.

**Scott Brown:** I see one here and I'll leave this one up for Cassandra. Cassandra, you mentioned a couple of things. You mentioned furlough rates; you also mentioned the COBRA expansion and the Hero's Act. Can you expand a little bit more on the implications of both of those factors and the timing and what that would mean to some of the curves you mentioned or scenarios?

**Cassandra Lea:** Yes, definitely. So, I'll start with COBRA first. What we have from a COBRA perspective is today COBRA is very expensive. You have to pay the full premium, that certainly your employer covers most of, so a lot of people don't opt in for that. It's somewhere around 5%, so it's very low. However, there is a part of the Hero's Act that would cover the premium for a COBRA plan so the details of that are still to be determined in terms of if that even passes and then also how that would look. If there is a subsidy for that, we would expect there to be a lot more people enrolling in COBRA and if that's the case then the group coverage would remain. From that perspective, the market would stay closer to what it is today versus seeing a bigger decline, if there are subsidies for COBRA put into additional legislation. That's one thing that could definitely change what this outlook is that would be a major policy play and an impact on COBRA and the group market.

The second piece around the furlough rates is another one where timing is very important. When we were looking at the graphs of the lows- the 15, 20, and 25 percent -those accounted for straight unemployment, not those who are furloughed. Depending on what the furlough rate is and how long they last, that's another timing implication that would impact how quickly and also how low the enrollment would go from a group coverage perspective. In April around 75% of those who filed for unemployment were on temporary unemployment, not exactly furlough rate, but close to that and a lot of those kept their coverage, so we didn't



necessarily see the decline in employer sponsor coverage with furloughs. However, as those furloughs end, some of those folks go back to work, but others lose their jobs and also their coverage. We would expect to see some of that lag in that coverage decline and so, some more of that may be coming.

**Scott Brown:** Great, here's one question and I'll tee it up and I'll actually answer this one as well. One of the questions is given the anticipated price sensitivity for both ASO and fully insured customers, do we think this is going to have an opportunity for growth around narrow networks or direct to employer contracting, user, reference-based pricing, HVHPs, etc.

I think the short answer is yes. Yes, with a caveat. What we've generally seen over time is that employers, particularly those in small groups, tend to be the most price sensitive. We recently did a broker survey and study in which we explored price sensitivity by employer size, and what we found in that market was, all things being considered, somewhere around 5% was about where those groups would start to consider, between 5 and 10 percent, was where they would tend to start to consider other competitors if they were unhappy. All other segments had much higher price sensitivity- more likely to leave their incumbent if something else was an issue like service in particular, or things of that nature. So, a little bit less price sensitive. We do think that is changing in this environment. Now, what I've heard anecdotally in the market through many of our clients has been, well we don't think many of our

customers or many of our brokers necessarily want to leave. They are worried about continuation of coverage through these times and making an important change. However, to the question, we are also seeing increased quoting for all of these groups and increased activity. That to me suggests that people are shopping around and whether they switch a carrier is probably TBD, but in terms of interest in more narrow networks or lower cost options, that is absolutely something that is on the table and is of interest.

We've got another question here and I'll tee this one up for you, Cassandra- the thoughts on the shift of membership to Medicaid and the impacts to provider reimbursements.

**Cassandra Lea:** Yes, that is definitely something from a downstream impact that we expect to see. There's been a lot in the news about utilization changes on the provider side and one of the things that we are going to start to see as well is as folks move out of the group coverage and into public plans -ACA or Medicaid, it will have an impact on the provider side as their payer mix changes. The reimbursement rate on the commercial maybe be higher than that for a Medicaid member. And some of that will be balanced. There are obviously fewer people going to the doctor at all so that's going to hurt them as well, but definitely, there will be some shift to their reimbursement mix as well.



**Scott Brown:** Alright looks like we have one more question, around the analytics and specifically the different categories of data points we mentioned. Were there any more interesting, more impactful points about business resiliency? One of the factors, and I don't think I mentioned this one, but what we found was really critical, as we've started to plot and do a little bit more regression on the companies that are actually most heavily impacted through job loss etc., is social vulnerability. There have been some studies done; there was one done by the CDC a couple years ago that looked at the infrastructure of a given community and so that one tends to be really, really important, maybe not surprisingly, but incredibly important as we think about the impacts to various businesses in a given geography. That along with the other factors that I mentioned, but we are continuing to refine the model and the weights, but that one definitely has jumped to the top, in addition to the Covid impacts as something incredibly important for businesses and their ultimate business resiliency.

I don't see any more questions and I know we are getting close to the top of the hour. Perhaps in the spirit of being truly human and giving folks a couple minutes before their next call, I want to thank you all for your time today. I appreciate the questions and hopefully you found the information interesting. If you have any further questions, feel free to reach out to Cassandra or myself, and we'll talk to you guys soon. Happy Friday.

**Host:** Thank you. Thank you so much. Thank you to our speakers, thank you for that great presentation and for sharing your thoughts, and we thank you, the audience, for participating in today's webinar. This concludes this presentation. Thank you again and enjoy the rest of your day.