

How the Pandemic Will Change U.S. Healthcare

Jeffrey Levin-Scherz, MD, FACP
Willis Towers Watson

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How the Pandemic will Change US Health Care

Jeff Levin-Scherz, MD MBA FACP
Population Health Leader
Willis Towers Watson, Health and Benefits North America

May 18, 2021

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Source: [Lost on the Frontline](#), Kaiser Health News and The Guardian

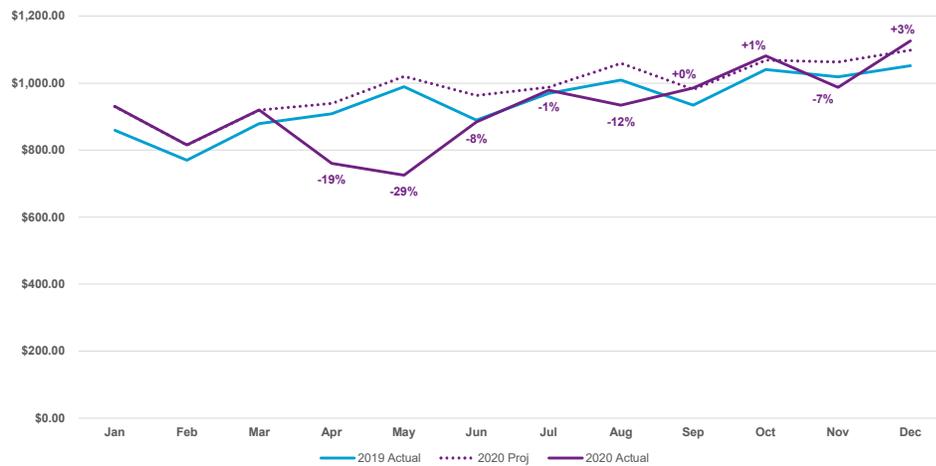
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COVID-19 Impact on Healthcare Spend (PEPM Detail)

Medical and Pharmacy spending ended CY2020 6% below projections

Monthly Claims PEPM (Med+Rx)



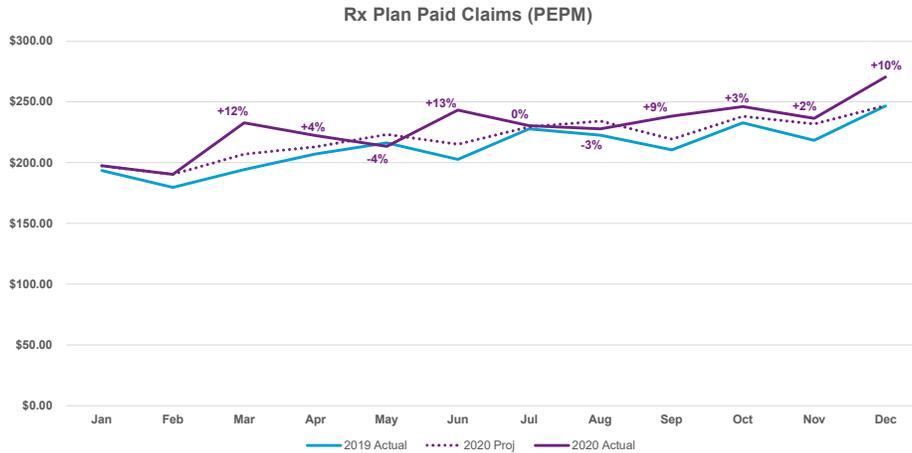
Source: Willis Towers Watson 2020 Health Care Financial Benchmarks Survey (N = 724, 2.1M EEs, \$2.4B monthly claims)

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COVID-19 Impact on Pharmacy Spend (PEPM Detail)

Pharmacy spending ended CY2020 4% above projections



Source: Willis Towers Watson 2020 Health Care Financial Benchmarks Survey (N = 724, 2.1M EEs, \$0.6B monthly claims)

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7 ways that COVID-19 will change health care

- The U.S. currently has the most expensive health care system in the world
- Nonetheless, health outcomes are worse than most other developed countries
- Seven phenomena brought on by the COVID-19 pandemic may accelerate change in health care



Levin-Scherz, J, Blumenfeld, S, Stone, J "7 Ways COVID-19 Will Transform Health Care" CFO.com October 14, 2020
<https://www.cfo.com/health-benefits/2020/10/7-ways-covid-19-will-transform-health-care/>

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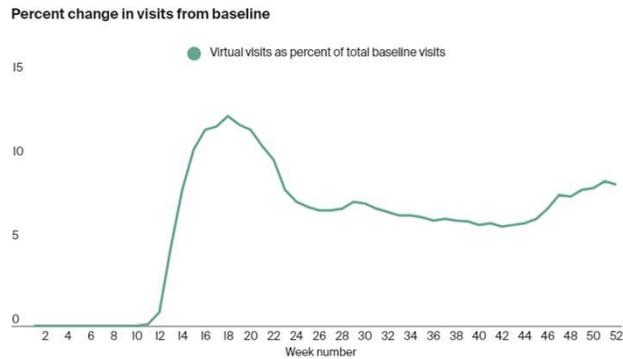
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The rise of virtual care

- COVID-19 resulted in avoidance of non-emergency care, including preventive services such as colonoscopies, mammography and dental care
- Correspondingly, telehealth visits rose dramatically providing a framework for the expansion of virtual care well beyond the end of the pandemic



Source: [Commonwealth Fund](#)

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The rise of virtual care

Why virtual care matters

- Decreased cost**
- No ancillaries**
- Better access**
- Geographic advantage**

What it will take

- Interoperability**
- Agreement on scope**
- Reimbursement and cost sharing**
- Patient ease of use**
- Permanent regulatory framework**
- Measurement**

Potential impacts on professional liability insurance

- New community standards
- Potential increased risk of failure to diagnose
- Different level of personal relationship

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New digital approaches to meet mental health needs

- Longstanding poor access to mental health care was exposed by the pandemic, as 4X as many adults reported symptoms of depression/anxiety
- Much like traditional telehealth, the pandemic has driven dramatic increases in the use of digital and virtual mental health care



Digital and Virtual Mental Health Services

- Digital emotional wellbeing tools
- Chatbots offering cognitive behavioral therapy
- Text-based coaching by humans
- Robust virtual networks with access to psychiatry services

Potential impacts on professional liability insurance

- New modalities with unclear standards
- Shift of dollars from traditional providers

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More entrepreneurial health care startups

- The first half of 2020 saw the greatest venture capital investment ever in digital health – more than \$5.4 billion
- New companies rapidly emerge to fill capabilities gaps of health plans, improving employee experience and empowering patients



Potential impacts on professional liability insurance

- New modalities with unclear standards
- Shift of dollars from traditional providers

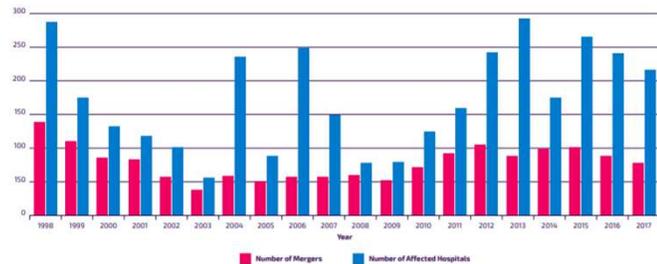
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Provider consolidation

- Substantial consolidation of hospitals and providers has already occurred as numerous rural systems failed to survive the deferral of health care services
- Consolidation has historically raised prices of health care, although it may drive a shift to higher-value reimbursement focused on quality and outcomes
- Larger systems have the expertise and size to accept “risk,” although they often have the leverage to insist on arrangements that guarantee them higher revenue and margin

Number of Hospital Mergers, 1998–2017



Potential impacts on professional liability insurance

- Larger systems more likely to be self-insured
- Alternative payment models could lead to new liability
- More consolidated systems have better-developed

Source: [American Hospital Association](#)

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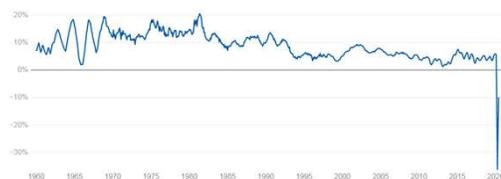
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Increasing price sensitivity

Job Loss, Feb 2020 to April 2021



Personal Health Consumption 1/1960-6/2020



- Unemployment spiked to nearly 15% during the pandemic with an accompanying near-10% drop in GDP
- Consumers, businesses, and ultimately patients likely to be more sensitive to price

Potential impacts on professional liability insurance

- New modalities with unclear standards
- Shift of dollars from traditional providers

Source: New York Times [April 2, 2021](#) and [May 5, 2021](#) Data from Bureau of Labor Statistics, seasonally adjusted and [Kaiser Family Foundation](#), 2020

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Easing of regulations

- Congress and the Centers for Medicare and Medicaid Services (CMS) eliminated or modified 212 regulations
 - Allowing funding for telemedicine visits
 - Eliminating barriers to cross-state practice
 - Easing “site of service” rules
- Most of these changes are temporary
 - If these changes are made permanent that will help drive “disruptive innovation”



Source: [Commonwealth Foundation](#) (as of 8/20)

Potential impacts on professional liability insurance

- Dramatically increased cross-state practice
- Fraud likely to increase

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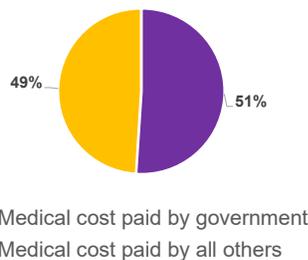
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Increasing governmental role in health care funding

- The government is responsible for nearly half of all U.S. health care spending, through social programs such as Medicare and Medicaid, as well as the military and federal employee plans
- Pandemic relief will increase government portion of funding, including more exchange subsidies, COBRA subsidies, and increasing Medicaid coverage
- The pandemic may increase the need for government intervention such as price regulations, particularly for prescription drugs
- The government has been responsible for past payment innovations which have spread to commercial and some employer-sponsored plans



Potential impacts on professional liability insurance

- Changing regulatory framework could advantage plaintiffs or dependents
- Likely to increase pressure to control costs

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Medical malpractice liability after the pandemic

- **The pandemic will end, but things will not be the same**
- **The health care delivery system will look quite different**
 - More virtual care
 - Increased later cancer diagnoses due to decreased screening
 - More elements of care delivered by new entrants
 - More consolidation
- **Increased consumer engagement**
- **Increased government interest**
 - Regulatory changes might not persist
 - Increased government health care spending will lead to pressure to lower costs or rate of inflation

The Pandemic Will Accelerate History Rather Than Reshape It

- Richard Haass, Foreign Affairs, 4/20

Questions and Answers



Jeff Levin-Scherz, MD MBA FACP

Managing Director
Population Health Leader
Health and Benefits North America

