Medical cost trend:
Behind the numbers 2021
Medical cost trend in the midst of the COVID-19 pandemic
June 2020
Figure 1: Medical cost trend could range from 4% to 10% in 2021

Source: PwC Health Research Institute medical cost trends, 2007-21

*Note: The 6% trend shown for 2020 was projected in PwC Health Research Institute’s “Medical Cost Trend: Behind the Numbers 2020” report in June 2019. This number does not reflect the impacts of COVID-19 on 2020 employer healthcare spending. Actual spending in 2020 likely will be lower than in 2019, because of the care deferred during the COVID-19 pandemic. Please refer to the Appendix and the “Macrotrends” section of this report for a deeper discussion of the impacts of COVID-19 on 2020 employer healthcare spending.
## Figure 2: COVID-19 costs and savings for employers

### Impact on spending compared with prior year

<table>
<thead>
<tr>
<th>Category</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-emergent visits and procedures</td>
<td>[Green arrow] Delayed and forgone visits and procedures</td>
<td>[Red arrow] Return of some visits and procedures delayed from 2020</td>
</tr>
<tr>
<td>Telehealth</td>
<td>Rise in telehealth visits, replacing many in-person visits; currently being reimbursed at the same rate as in-person visits in most cases because of a lack of prior telehealth contracts with providers</td>
<td>[Green arrow] Telehealth in place of in-person visits, assuming lower reimbursement rate than in-person visits</td>
</tr>
<tr>
<td>COVID-19 testing</td>
<td>Costs from COVID-19 testing that were not budgeted</td>
<td>? Depends on how much testing is done in 2021 compared with 2020</td>
</tr>
<tr>
<td>COVID-19 treatment</td>
<td>Costs from treatment that were not budgeted</td>
<td>[Green arrow] Treatment-related costs come down as we see fewer cases and get better at treating them</td>
</tr>
<tr>
<td>COVID-19 vaccine</td>
<td>? Unlikely that a vaccine will be ready for broad use by the end of the year</td>
<td>[Red arrow] Cost of vaccinating most employees and their family members</td>
</tr>
</tbody>
</table>

Source: PwC Health Research Institute interviews with executives at employer coalitions, healthcare coalitions and health plans between March and May 2020
In a recent survey by HRI, 22% of individuals with employer-based insurance reported that they had delayed some care since March 1 and that they still had not received it as of early May.19 On average, those individuals said they had delayed 71% of the care they would have received since March 1 (see Figure 3).

Individuals with complex chronic conditions on employer-sponsored insurance were more likely to have delayed care than those in other groups, HRI found. Getting these people in for necessary care is important for their health and for employer spending. On average, people with complex chronic illnesses cost employers eight times more than healthy individuals, with an average annual cost per person of over $11,000—a number that could balloon even higher if their illness is left unmanaged for too long.20

“We could see the population risk increase for 2021 if members with chronic conditions are not able to manage their health as effectively in 2020 due to COVID-19,” said Amy Yao, senior vice president and chief actuary at Blue Shield of California, in an interview with HRI.

Getting patients to return for care remains top of mind for providers that have suffered significant revenue loss and liquidity issues over the past few months. As providers across the US resume non-emergent medical services, it remains unknown how much demand will return and when. “Some people are assuming that all you have to do is open back up and everything will be fine,” said Hughes-Cromwick. “It is one thing to throw a party; you still need people to attend the party.”

Of the 22% of individuals with employer-based insurance surveyed by HRI who have delayed care since March 1, 50% have rescheduled some or all of that care. Forty-six percent have not rescheduled but plan to do so.22 Doctors will play an important role in getting patients to return. When asked what would encourage them to reschedule delayed care, respondents said they were looking for communication about safety from their physicians first and then the Centers for Disease Control and Prevention (CDC) (see Figure 4).

Still, just 14% of individuals with employer-based insurance surveyed by HRI said they have received health information from their health system during the pandemic.24 As a trusted source, providers have an opportunity to better communicate with their patients during the pandemic.

### Table: Employer-sponsored insurance by consumer group

<table>
<thead>
<tr>
<th>Consumer group as a % of ESI</th>
<th>All consumers</th>
<th>Employer-sponsored insurance (ESI)</th>
<th>Complex chronic</th>
<th>Chronic</th>
<th>Mental health</th>
<th>Healthy family</th>
<th>Healthy skeptics</th>
<th>Healthy enthusiasts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Care delayed and not received since early March</td>
<td>N/A</td>
<td>100%</td>
<td>5%</td>
<td>55%</td>
<td>3%</td>
<td>23%</td>
<td>9%</td>
<td>5%</td>
</tr>
<tr>
<td>Average portion of care delayed</td>
<td>25%</td>
<td>22%</td>
<td>32%</td>
<td>24%</td>
<td>23%</td>
<td>22%</td>
<td>17%</td>
<td>16%</td>
</tr>
<tr>
<td>Rescheduled</td>
<td>67%</td>
<td>71%</td>
<td>67%</td>
<td>74%</td>
<td>62%</td>
<td>72%</td>
<td>66%</td>
<td>73%</td>
</tr>
<tr>
<td>Planning to reschedule</td>
<td>50%</td>
<td>50%</td>
<td>54%</td>
<td>50%</td>
<td>47%</td>
<td>62%</td>
<td>40%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Source: PwC Health Research Institute consumer survey, Apr 28 - May 8, 2020 and PwC Health Research Institute analysis of Medical Expenditure Panel Survey data for individuals with employer-based insurance, 2015-17

Note: Six of the seven HRI consumer groups are shown in this breakdown of employer-sponsored insurance by consumer group. The frail elderly consumer group is excluded as this consumer group generally does not apply to individuals with employer-sponsored coverage.
Figure 4: Individuals with employer-based insurance are looking for reassurance from their doctor and the CDC before rescheduling care they have delayed

Ranked as top source of reassurance for rescheduling delayed care

My doctor 30%
The CDC 19%
My governor 8%
My local hospital/health system 8%
None of the above 8%
My state/local public health department 6%
Other 6%
My health insurer 5%
The president 4%
My friends and family 3%
My employer 3%

Source: PwC Health Research Institute consumer survey, April 28-May 8, 2020
Figure 5: During the Great Recession, unemployment increased by 8 million and employer-sponsored health insurance dropped by over 11 million.

Change in the number of unemployed individuals compared with change in the number of individuals with employer-sponsored health insurance

Source: PwC Health Research Institute analysis of CMS national health expenditure data and Bureau of Labor Statistics current population survey data.
Figure 6: Willingness to seek help for mental health virtually during the pandemic has increased while willingness to seek it in person has decreased

Where individuals plan to seek help during the pandemic

- In-person visit with my primary care provider: 12%
- In-person visit with a mental health professional: 7%
- Video telehealth visit with my primary care provider: 7%
- Video telehealth visit with a mental health professional: 6%
- Employee assistance program: 5%
- An emotional support app: 4%
- Support via an online community: 3%
- Virtual support groups: 2%
- In-person support group: 1%

Where individuals have sought help in the past

- In-person visit with my primary care provider: 27%
- In-person visit with a mental health professional: 13%
- Video telehealth visit with my primary care provider: 6%
- Video telehealth visit with a mental health professional: 5%
- Employee assistance program: 5%
- An emotional support app: 3%
- Support via an online community: 2%
- Virtual support groups: 2%
- In-person support group: 1%

Source: PwC Health Research Institute consumer survey, April 28-May 8, 2020
Note: Consumers were asked to select all services they had used for help with mental health issues in the past five years and that they plan to use to help manage anxiety, stress or other mental health issues resulting from the COVID-19 pandemic. If no services applied, consumers selected “I have not used/do not plan to use any of these.” As such, the options presented here will not total 100%.
Figure 7: Employers spend 12 times more per year on individuals with a complex chronic illness and mental illness than they do on healthy individuals

Average annual per capita spending for individuals with employer-based insurance, 2015-17

Source: PwC Health Research Institute analysis of Medical Expenditure Panel Survey data for individuals with employer-based insurance, 2015-17
Figure 8: Two gene therapies could collectively cost the US health system up to nearly $80 per American in 2021

Projected annual cost per American: Zolgensma vs. Roctavian

Source: PwC Health Research Institute analysis of the potential cost of Zolgensma and Roctavian to the US health system on a per capita basis. See report endnotes 84-91.

*Each scenario noted under brackets is $3 per American per year

Note: Zolgensma launched in the US in 2019, and Roctavian is expected to receive FDA approval in the second half of 2020. This figure analyzes the projected annual cost per American of Zolgensma and Roctavian and does not take into account cost savings seen by patients, employers and payers after the treatment is given.
Figure 9: New indications for five cancer drugs have boosted sales since 2014

Anti-PD(1)/PDL(1) cumulative indications compared with annual sales

Source: PwC Health Research Institute analysis of GlobalData’s Drug Sales and Consensus Forecast data for US-based sales of anti-PD(1)/PDL(1)s, Drugs@FDA data for anti-PD(1)/PDL(1)s and OptumRx’s first quarter 2020 brand pipeline forecast.

Note: This analysis included sales and FDA-approved indications for Keytruda, Opdivo, Tecentriq, Imfinzi and Libtayo. The cumulative number of indications includes each unique indication by drug. If two drugs in this class are approved for the same indication, that indication is counted twice. The FDA-approved anti-PDL(1) Bavencio was excluded from this analysis because no specific US sales data were available. The number of approved indications for 2020 includes four additional indications expected to be approved by the FDA for Imfinzi, Keytruda and Opdivo in 2020, according to the OptumRx first-quarter 2020 brand pipeline forecast.
Figure 10: Care went mostly virtual in March, and providers had to scale up quickly

<table>
<thead>
<tr>
<th>Organization</th>
<th>Telehealth results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Memorial Care</td>
<td>Implemented videoconferencing platform for patients in March; seeing more than 1,000 patients per week.</td>
</tr>
<tr>
<td>Teladoc</td>
<td>Recorded roughly 2 million visits in the first quarter, up 92% from the first quarter of 2019.</td>
</tr>
<tr>
<td>Cleveland Clinic</td>
<td>Outpatient visits conducted remotely grew from 2% of total visits in early March to 75% in mid-April.</td>
</tr>
<tr>
<td>MDLive</td>
<td>Daily visits were up by about 50% week over week in March, reaching 20,000 visits per day.</td>
</tr>
</tbody>
</table>

Source: See report endnotes 103-106.
Figure 11: Most commercial insurers are temporarily waiving cost sharing on telehealth visits during the COVID-19 pandemic

Telehealth services: Coverage and cost sharing by health plan

Figure 12: Thirty-five percent of individuals with employer-sponsored health insurance would choose a narrow network plan next year to avoid higher premiums

Which of the following would you be most likely to select next year if it meant you could prevent an increase in your monthly premiums?

- 35%: A health plan with a more limited network of doctors and hospitals than my current plan but the same deductible and/or same out-of-pocket expenses as my current plan
- 35%: My current health plan with higher premiums

Source: PwC Health Research Institute consumer survey, April 28-May 8, 2020
Figure 13: Employer per capita spending will recover, but when and how much are still unknown (1 of 3)

High scenario

One wave of COVID-19 in spring 2020, recovery to the baseline by 2021 and spending above the baseline in 2021 as care deferred in 2020 is delivered

![Graph showing employer per capita spending recovery and high scenario](image-url)
Figure 13: Employer per capita spending will recover, but when and how much are still unknown (2 of 3)

Medium scenario

One wave of COVID-19 in spring 2020, recovery to the baseline in 2020

- 2020: 86% of expected spending
- 2021: 100% of expected spending

Baseline spending before COVID-19

COVID-19 impact and recovery

Feb. 2020

May 2020

Oct. 2020

0

50

100

150

Jan. 2019

Jan. 2020

Jan. 2021

Jan. 2022

Jan. 2023
One wave of COVID-19 in spring 2020 and a second wave in late 2020/early 2021, with a full recovery to the baseline in 2021