HEALTHCARE INDUSTRY GROUP

Opportunities for Payers in the "New Normal"

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In the midst of the 2020 coronavirus pandemic, healthcare leaders have been – and will continue to be – inundated with grand proclamations: things will never be the same; you must prepare for "the new normal"; adapt or perish. While framed as platitudes, there can be no doubt that most players in the healthcare sector have had to quickly adapt to new and often painful economic and public health realities. But how will coronavirus ultimately impact health insurers and managed care organizations who are not currently experiencing the same level of financial distress as other sector participants?

Providers are experiencing cash flow challenges due to the loss of revenue-generating procedures and office visits. Payers, on the other hand, are experiencing short-term cash windfalls as a result of record-low claims expenses. But, they are preparing for the coming economic recession that will no doubt negatively impact health plan revenue by way of a shifting mix of membership. Health plans must use this crisis to think strategically, not only about their current products and sources of revenue, but about new insurance products and market niches.

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The coronavirus has also revealed the fragility of the American medical landscape. Doctors, testing and diagnostic companies, imaging providers, medical device companies and personal protective equipment manufacturers are all working through unprecedented volume constraints — exposing risks to ***access***, which many healthcare consumers have never had to contemplate and which health insurance companies are poorly prepared to address.

Insuring Against Risk

What the coronavirus pandemic has brought to light is the additional risk that, at any time, a broader societal event could create significant limits on access to care. This is not a risk that current managed care products are built to insure against.

In healthcare, insurance is often viewed as a way to limit the financial risk of diseases and accidents that befall an individual. What the coronavirus pandemic has brought to light is the additional risk that, at any time, a broader societal event could create significant limits on access to care. This is not a risk that current managed care products are built to insure against. Yet, the current realities of geographies with insufficient hospital beds, ventilators, testing diagnostics and equipment have sensitized consumers to a weakness in the health insurance system; similarly, this might be correlated to having auto insurance, with limited options for facilities with the proper staff and equipment to repair the car. As consumers continue to shelter in place and slowly return to their daily lives, many may acutely feel a strong desire to insure themselves against this risk and may look to insurance companies to help provide that assurance.

In the coming months, innovative companies might look to design products to meet this newly realized need, finding ways to ensure access to things once considered dependable – hospital ICU beds, medical equipment, rapid availability of tests, as well as in-home services and supplies, such as personal protection equipment. Guaranteed access to healthcare products, and not just services, in future times of crisis may become a differentiator and one that consumers may be willing to pay a premium for.

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Alternative Access to Care

Supplemental insurance plans in socialized government-sponsored health insurance markets may provide a blueprint for how American insurers can create products that go beyond "table stakes" access. HealthClic[1] is a UK-based provider company catering to leaders and others in the public eye. It guarantees that customers will be one of only 50 families seen by any specific providers; the implicit promise being that those customers are their priority and will have access in any situation. If the preference for jump-list policies are any indication[2], immediate access in emergency situations may be important to emphasize.

Similar models exist in America today, but are primarily provider-driven. In many major metropolitan areas, medical specialists such as hand surgeons have set up private, cash-only practices that provide concierge medicine to individuals willing to pay out-of-pocket. Similar models with a somewhat broader client-base include those promoted by Direct Primary Care (DPC) practices, where patients purchase access to provider practices with limited panel sizes for a monthly premium. This premium-based small-practice model has been framed publicly as a counterpoint to traditional managed care, but could be incorporated as a supplemental benefit and expanded to include greater specialty, surgical or even acute services. Guarantees could be secured through contracts or acquisitions of such practices.

An immediate niche market for such products may exist with high net worth individuals (HNWI), but access-based supplemental products could also have broader appeal in the future. As of 2015, roughly half of all American HNWI had commercial health insurance through an employer and another third had Medicare with supplemental coverage[3]. These consumers have demonstrated a willingness to invest in their health, with more than half of respondents to a recent study stating they would be willing to invest in annual full-body scans or genetic testing to improve their health[4]. Could there be a "Private Client," concierge approach, that guarantees access to scarce resources in times of domestic and global uncertainty and even offers a "pandemic readiness assessment" with a full immune system mock-up complete with risk factors? Or products that offer jump-list access to testing, consultation, or in-person visits when necessary?

Supplemental products in countries with socialized medicine boil down to improved access and choice. Whether that's through reduced waiting times, private rooms and access, or preferential access to experimental or unapproved treatments, access-based products can be a valuable niche market for American insurers looking to invest in the future of insurance, post-global pandemic.

[1] HTTPS://HEALTHCLIC.CO.UK/WHAT-WE-DO/

[2] HTTPS://WWW.PINNACLECARE.COM/WP-CONTENT/UPLOADS/2018/10/HEALTHCARE-LUXURY-MEMO-101818.PDF

[3] HTTPS://SPECTREM.COM/CONTENT/MILLIONAIRES-HEALTH-CARE-COST.ASPX

[4] HTTPS://WWW.CNBC.COM/2015/05/27/WEALTHY-NEED-TO-WORRY-ABOUT-HEALTH-COSTS-TOO.HTML