California Association of Health Plans

FIRST DO NO HARM: Shortsighted efforts to force health plans to hand over premium dollars to providers could further damage our health care system during a critical time

Premium dollars paid by employers, small businesses and health plan enrollees must be available so they can receive the care they need when they need it.

During the coronavirus pandemic, healthcare providers have faced a decrease in fee-for-service payments that have lowered their overall revenue. In response, health plans have stepped up to help our provider partners in myriad ways, including extending billions of dollars in financial assistance. Despite these efforts by health plans, some provider groups are now pushing proposals to mandate that health plans pay providers for services they are not performing. These proposals come at a time of great financial uncertainty for health plans, given the lack of understanding of the near and long term health care costs that health plans must be prepared to cover on behalf of their members as the effects of the pandemic continue to unfold.

Future Health Costs and Revenues Are Uncertain

Health plans are committed to continue working with their provider partners during this crisis. However, the full costs of treating COVID-19 patients remains uncertain even as the first large outbreaks are stabilizing and claims are being paid by numerous payers. New information regarding long term health impacts on those recovering from the virus are just coming to light and we do not know if lifting stay at home orders will lead to a resurgence in cases. In addition, the following factors will impact projected utilization and costs in unpredictable ways:

- Resurgence in medical care due to pent-up demand
- Unknown costs for widespread COVID-19 testing
- Future COVID-19 vaccine costs

In addition to uncertain future health care costs there is significant uncertainty around the number of Californians who will continue to receive coverage through their employer, purchase coverage on their own, or transition to Medi-Cal. This means that premium revenue to plans could also be impacted in unpredictable ways:

- Rising unemployment could increase the number of uninsured
- Employers may be forced to change their health coverage
- COBRA extensions and premium grace periods could leave plans in the position of providing health coverage and ultimately not receiving premium payments
- According to Covered California, one-year projected COVID-19 related costs in the national commercial market range from $34 billion to $251 billion
- Estimated costs to the national health care system from COVID-19 range from $56 billion to $556 billion over the next two years. (Source: AHIP)

A Closer Look at Provider Funding During the Pandemic

Given the financial challenges our health care heroes are facing, health plans are pleased that the federal government has provided the following funding to help healthcare providers during this time.

$8.8 billion
in advanced and accelerated Medicare payments to California providers
(Source: CMS)

Over $3 billion
in direct support to California providers so far via the CARES Act
(Source: CDC)

An additional $75 billion
recently approved for hospitals nationwide, but is unallocated

Health plans are continuing to advocate for more federal dollars for providers and have also asked that Congress continue to push for timely disbursement of federal funds to hospitals and providers on the front lines including independent practices and rural facilities.

California's Health Care Providers Are Already Receiving About $4.5 billion Per Month From Health Plans Regardless Of Patient Volume

Hospitals and doctors are paid in part based on a Capitated Model, which are voluntary contracts under which plans make periodic payments to providers and in return those providers bear risk for the costs of treating patients. These payments are not tied to patient volume which means that they have continued to flow from health plans to providers during the pandemic. An analysis of CAHP's 46 member health plans' payments to providers over the past two years found:

Year	Yearly Capitated Health Plan Payments to Providers	Monthly Capitated Health Plan Payments to Providers
2019	$55 billion	$4.6 billion
2018	$53 billion	$4.4 billion

These capitated payments are an important funding mechanism for our health care system but they are also governed by consumer protection rules that ensure that both health plans and capitated providers remain financially solvent. The Department of Managed Health Care is entrusted with monitoring financial solvency.

Evidence of Rebound in Medical Office Visits

According to recent findings by researchers at Harvard University, three months of data show a recent rebound in outpatient office visits due to an increase in in-person appointments. The rebound seems evenly distributed among regions, specialties, and patients of different ages. (Source: Commonwealth Fund)

A recent Kaiser Family Foundation survey found only 1% of respondents said they do not plan to reschedule care they postponed due to COVID-19.

Shortsighted Proposals Threaten Access to Care for 26 Million Californians

Given the evidence that provider patient loads are beginning to rebound and the billions of dollars in support providers already are receiving from the federal government and health plans, efforts that would mandate health plans fork over premium dollars to providers could cause significant harm to our health care financing and delivery system. **Health plans must be able to plan financially for the increase in care that the COVID-19 pandemic may bring and we urge legislators to oppose any shortsighted proposals that threaten the access to care and services that 26 million Californians rely on us for now and in the future.**

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