

# COVID-19 Medical Cost Projector

MANAGING FINANCIAL UNCERTAINTY  
IN AN UNCERTAIN WORLD





## **In the current climate of global economic uncertainty, employers need financial modelling tools to help them forecast their benefit cost obligations more than ever.**

Wellbeing-related spend, including private medical cover, will continue to be impacted by how much the private hospital sector is drawn upon to service the needs of COVID-19.

Demand will inevitably ebb and flow with the ongoing development of the pandemic. Private operations could be suspended and patients might have to face long delays, all of which could create an unprecedented reduction in claims value in employers' private medical schemes. Depending on how the pandemic evolves, we could be looking at significant ongoing disruption to the normal claims experience well into 2021.

### **For UK employers, for whom health and wellbeing has never been more important yet the planning environment more volatile, this creates several significant funding uncertainties:**

- When will claiming patterns return to normal?
- What should our 2020/21 renewal costs be?
- Are we likely to receive a rebate?
- Will there be a surplus in our medical benefits trust?
- Is the design of our medical benefits still fit for purpose?

### **How the COVID-19 Medical Cost Projector can help**

Willis Towers Watson's COVID-19 Medical Cost Projector can help you address some of these uncertainties.

Using data such as policy renewal date, employee membership and claims history, our sophisticated actuarial modelling software provides a set of realistic scenarios to help you - and your insurance provider - to understand the range of potential outcomes and costs.

This uniquely data-driven approach will give you:

- A better understanding of factors influencing market volatility and uncertainty - modelling a series of potential scenarios
- An independent, objective view which can validate or counter your insurer's renewal and rebate terms
- Clarity and visibility of future cost obligations and implications in an uncertain time.
- Evidence to support decision making relative to cost management but also future programme design.

## CASE STUDY

**Client:** Chemical manufacturer

**Scheme members:** Around 500 employees on an insured medical plan with an annual premium of £500k.

**Renewal:** 1 September 2020

**Scenario:** Claims reduction in one contract year and anticipated spike in another.

The insurer was proposing a 16% increase in rates at renewal to account for higher trend in the following year.

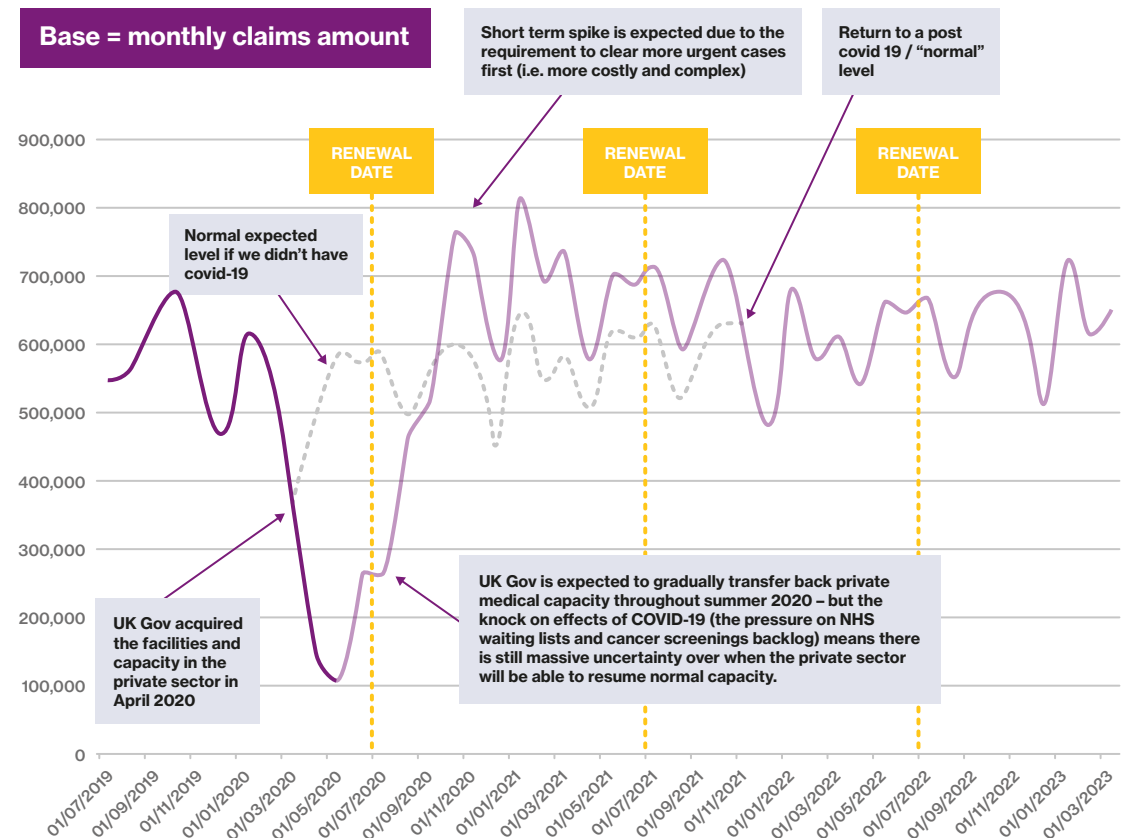
**Solution:** The Medical Cost Projector was used to demonstrate both the impact to date and realistic future scenarios.

**Outcome:** The accurate future scenario modelling was used to challenge the insurer's view, resulting in revised terms and held rates.

Data and analytics also identified significant opportunity to drive cost efficiency and improve user experience through the introduction of digitised services.

## COVID-19 Medical Cost Projector graph

- showing predicted claims behaviour to March 2023, with a 1 July 2020 renewal date





### Who can benefit from this analysis?

- Employers operating claims-rated medical schemes (typically those in excess of 100 eligible employees) are likely to be the most affected.
- Employers operating medical benefit trusts or using captive insurance arrangements.

### What will the analysis provide?

Personalised commentary covering:

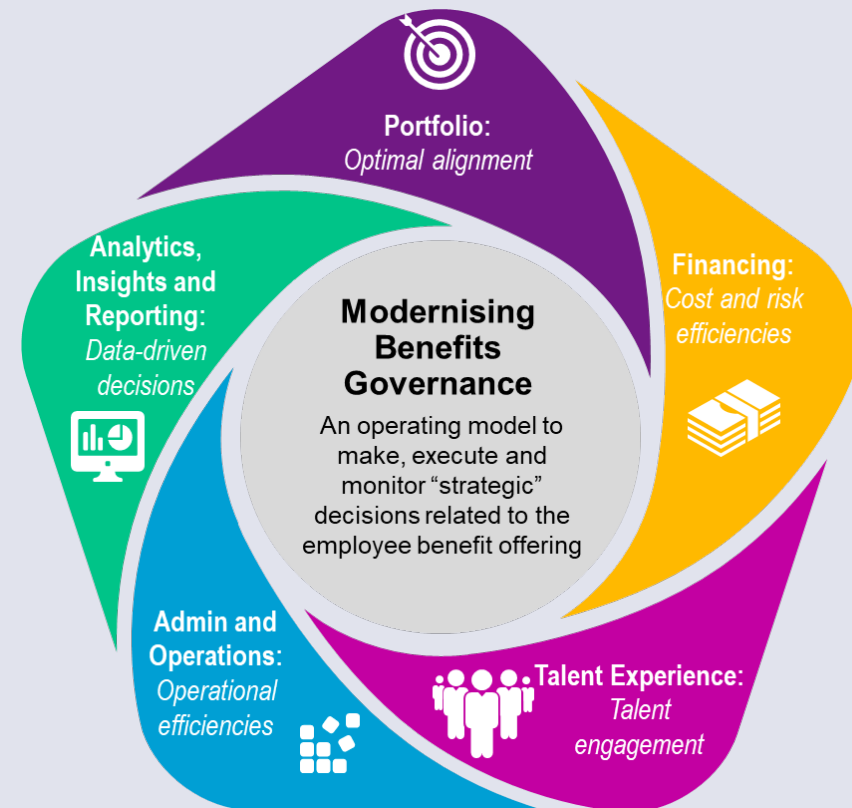
- **Financing** options and data to support your decision making.
- **Portfolio** assessment to determine your future strategy and benefit design.
- **Analytics & insights** with detailed management information to provide input for planning purposes.

### When is the right time to start the analysis?

- To ensure adequate time for analysis, we would suggest ideally at least four months ahead of renewal.

### What do we need to get started?

- Up-to-date claims management information.
- Any anticipated changes to headcount or eligibility criteria.



“ **Benefit and reward managers, finance and risk leaders, need a greater degree of insight and predictability of their cost obligations at this uncertain time.** ”



**Steve Baillie**

Head of Actuarial and Financial Modelling  
Health & Benefits GB Willis Towers Watson

# Interested?

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