

# C VID-19

## Adjusting to the New Normal

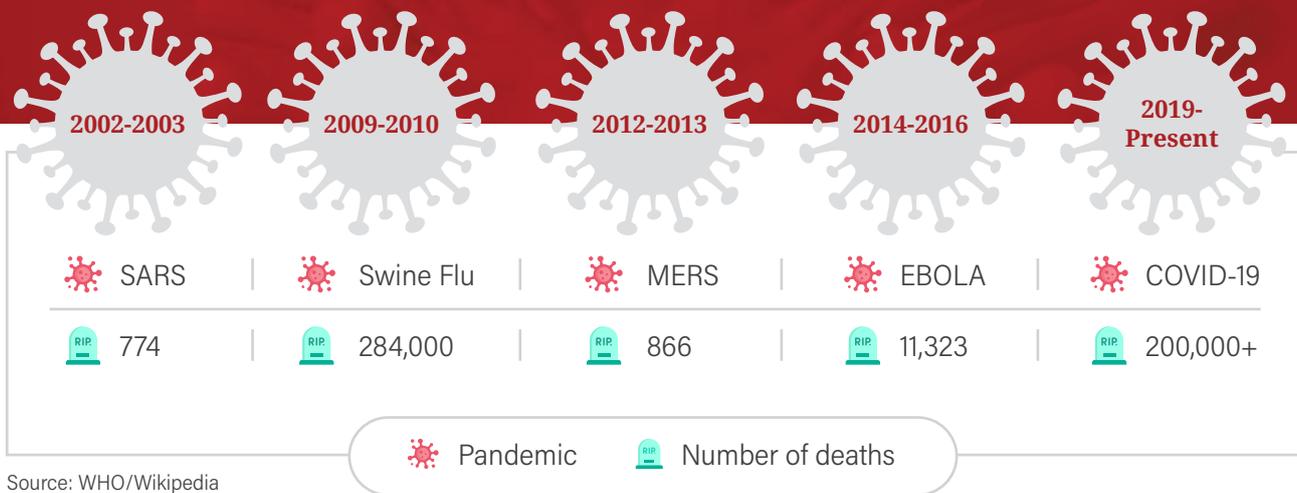
Impact on Corporate Health  
Benefits Solutions.

## The COVID-19 pandemic has triggered a massive spike in uncertainty. Today, uncertainties surround almost every aspect of healthcare. These include:

- The capacity of healthcare systems to meet an extraordinary challenge
- The extent of pandemic-induced shifts in consumer spending patterns
- Insurer outlook towards health risks
- Dynamics involved in changing outlook towards projected risk
- Availability of sufficient and effective alternatives for primary care needs

The purpose of the report is to assess the impact on all major stakeholders including hospital, insurer, corporates and continuously-changing claim patterns in PRE and POST COVID time.

The need of the hour is to explore forward-looking measures to mitigate the uncertainty and be ready for future impacts.

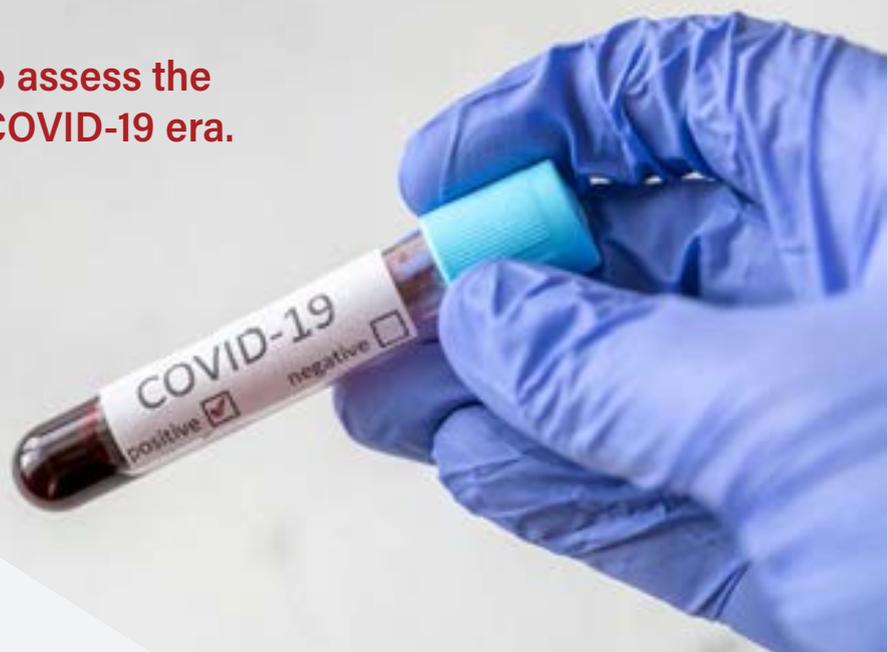


In the 20th century, humans had seen 4 pandemics, but in the next 18 years that followed in the 21st century we have faced 6 pandemics. This is mainly due to population explosion.

Frequent pandemics have triggered a massive spike in uncertainty. It is time that we all re-look at the short term and long-term Employee Health & Benefits strategies.

## The purpose of the report is to assess the impact in the PRE and POST COVID-19 era.

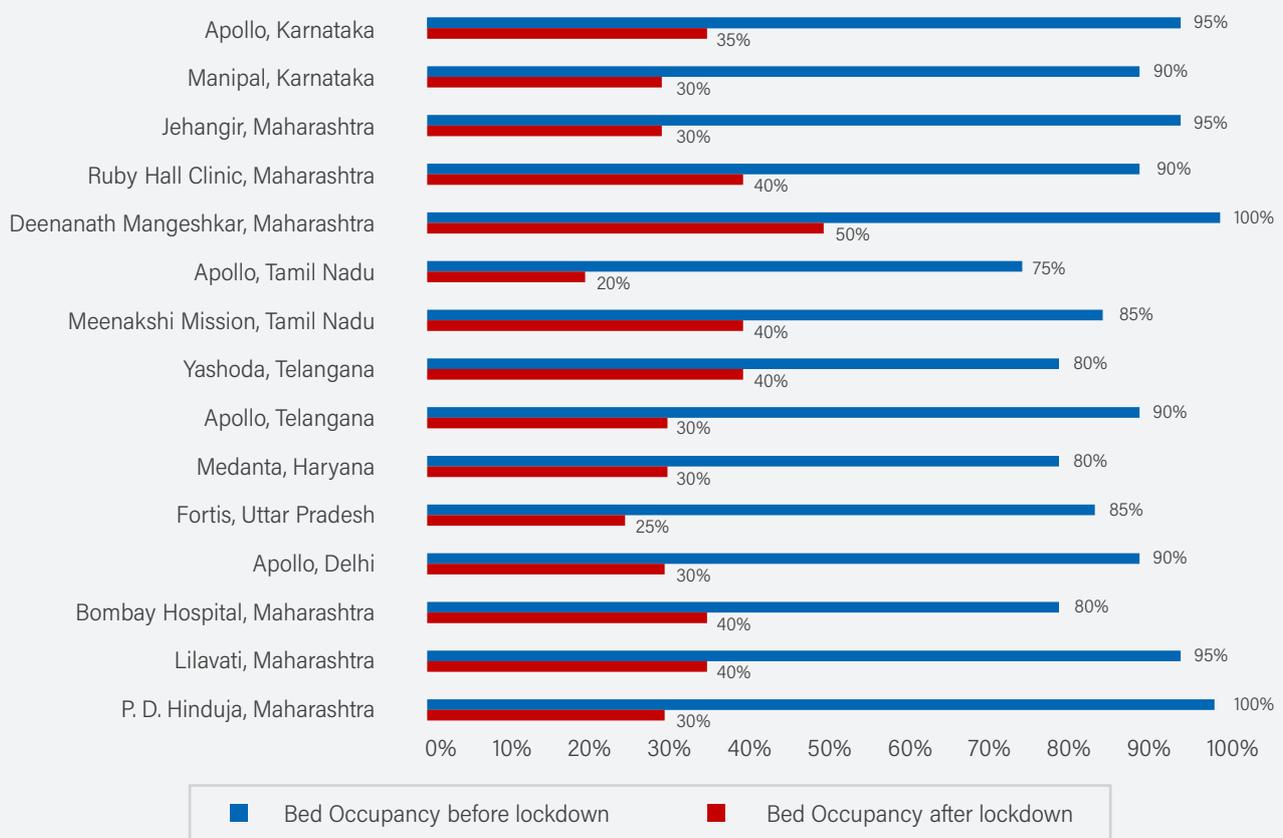
1. Different Stake Holders:  
Including Hospital, Insurer and Corporates
2. Changing Claim Patterns
3. Alternative Care Models
4. Practical Next Steps



# Impact on Hospitals: At the Heart of the Crisis

While we greatly appreciate the Government's efforts to contain the COVID-19 outbreak, a sudden decline in footfall is a matter of great concern for the Healthcare Industry. The Industry is also suffering from reduced availability and elevated pricing observed for certain essential consumable items. The graph below shows the reduced occupancy in hospitals frequently visited by corporate insurance customers.

## Comparison of occupancy rate of frequently used hospitals



Hospitals across India are already experiencing a shortage of nurses and physicians and may have a harder time finding replacements. Clinics and hospitals are likely to face under staffing due to increased burden.

Although it is difficult to estimate a specific range, the health sector certainly is likely to see lower cash flow compared to 2019 due to the rapid and unpredictable nature of the outbreak. Revenue will likely decline as there is a considerable reduction in the number of elective surgeries and other services including Diagnostic, Consultation and Pharmacy.

# Major impacts that can be classified are:

## Delays in elective

**procedures:** Treatments falling under elective/ planned/non-emergency categories are the most lucrative segments to hospitals. These will see a large decline in demand temporarily.



## Massive Reduction in Medical Tourism in India:

Medical Tourism is almost a \$ 9 billion Industry in India. With COVID-19, the entire market will see a slow-down, thus putting the pressure back on Corporate Insurance customers using tertiary care hospitals extensively.

## Lower footfalls:

The decline in patient category including Diagnostic, Consultation and Pharmacy will have a severe impact on the overall hospitals' margins.

## Payment delays:

Even if certain procedures move forward, reimbursement may be delayed because of sheer administrative overload shifting onto hospitals, TPAs and insurers, and all focus on COVID-19 cases.

*As indicated, increased pressure on hospitals will, in turn, have larger impact on overall hospital rates thus making corporate insurance average cost higher than usual.*

Primary and secondary hospitals which were utilized for high frequency but low severity claims, have seen a major change in utilization post COVID-19. Due to hygiene and other conditions, people will start moving to tertiary care, thus putting the pressure back on the overall spend of an individual.

Hospital Type	Change In Number of Cases Post Lockdown
Primary	-78%
Secondary	-70%
Tertiary	-65%



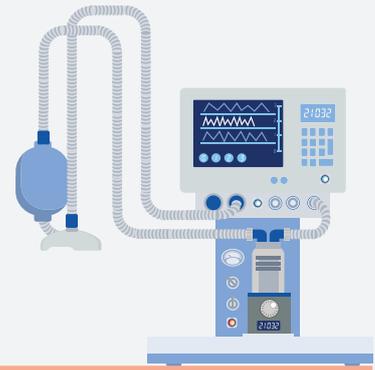
## Decline in Elective Surgery by

# 98%\*

\*Elective surgery is 35% of total reported claims

# Impact on Insurer: Business Model Transformation

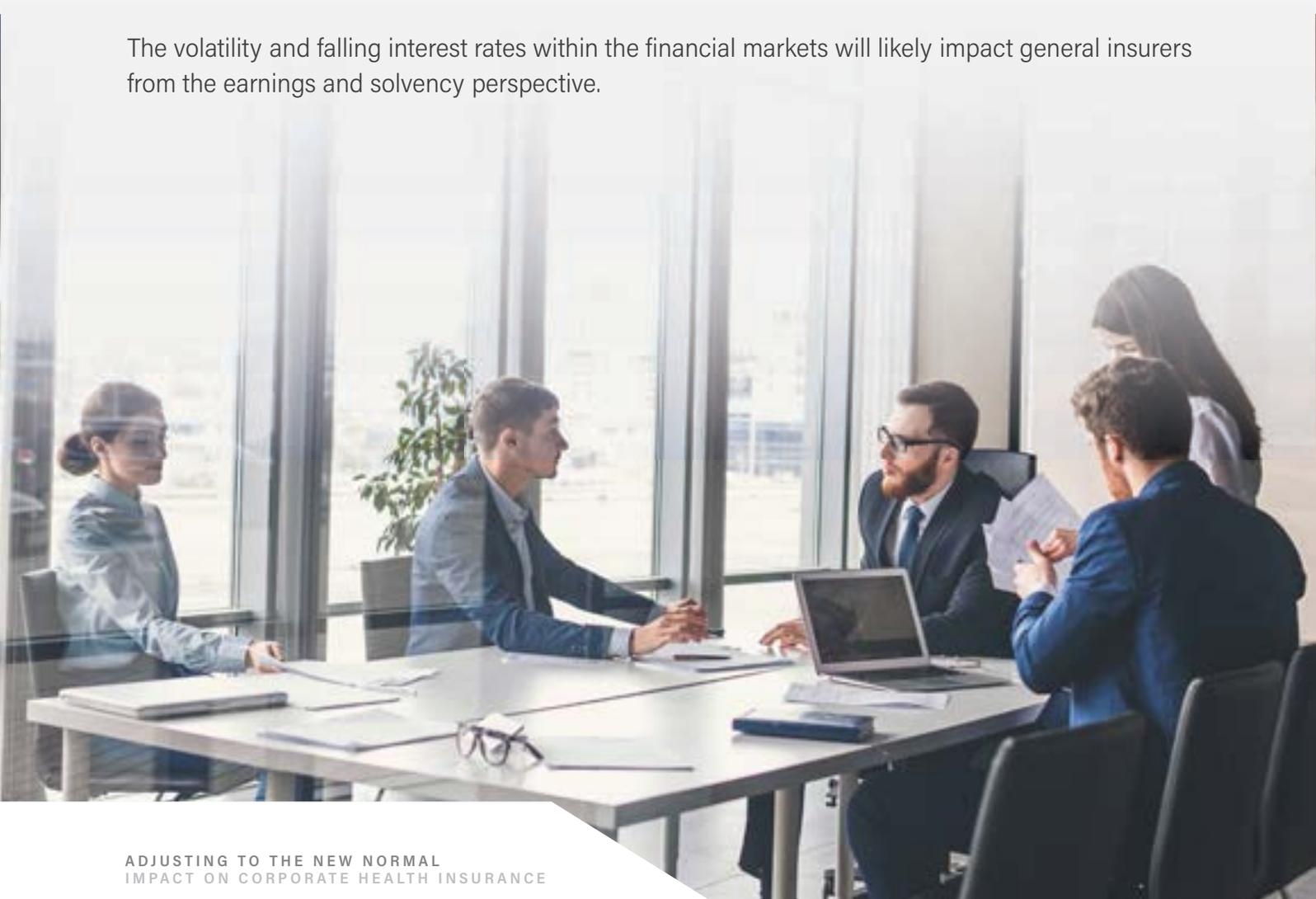
Insurers are responding to the widening COVID-19 outbreak on multiple fronts - as Risk Carrier, Employers, and Capital Managers. Each has its own distinct challenges, not just for the insurance Industry, but for the economy and society at large.



The cost of treating COVID-19 is high due to the antivirals, ventilators, personal protective equipment kits (PPE), and requirement of isolation.

A crisis such as COVID-19 affects all business sectors - but it especially puts a spotlight on insurers who can expect to be inundated with general inquiries and claims across multiple different lines, whether that be for Health, Life or Non-Life cover.

The volatility and falling interest rates within the financial markets will likely impact general insurers from the earnings and solvency perspective.



*Change in risk outlook, increased uncertainty and reduction in investment income will change the interpretation of underwriter towards corporate health risk.*

## Major Impact on Insurer:



### Delays in Initial Stage Findings:

Lack of early detection and delay in intervention in COVID cases might result in higher hospitalization expenses, thus putting the pressure back on insurer on account of high-frequency high-severity claims.



**Difficulty in Projecting Claims:** Irregular reporting of claims and delay in Elective/ Non-Emergency/Planned surgeries along with no concrete projections for COVID-19 is poised to challenge forecasting claims for upcoming renewals.



### Higher Premium Rates:

Hospitals mostly will re-look at rate revision because of the reasons stated above. Re-negotiation for GIPSA\*/ package rates with the insurer is expected. Any kind of upward revision will influence underwriting pricing.



**Decline in Investment Comfort:** Health Insurance has always been reported as a negative or low margin business for insurers. With decline in investment returns, it is very likely that underwriters will be looking at each line of business with a lens of sustainability.



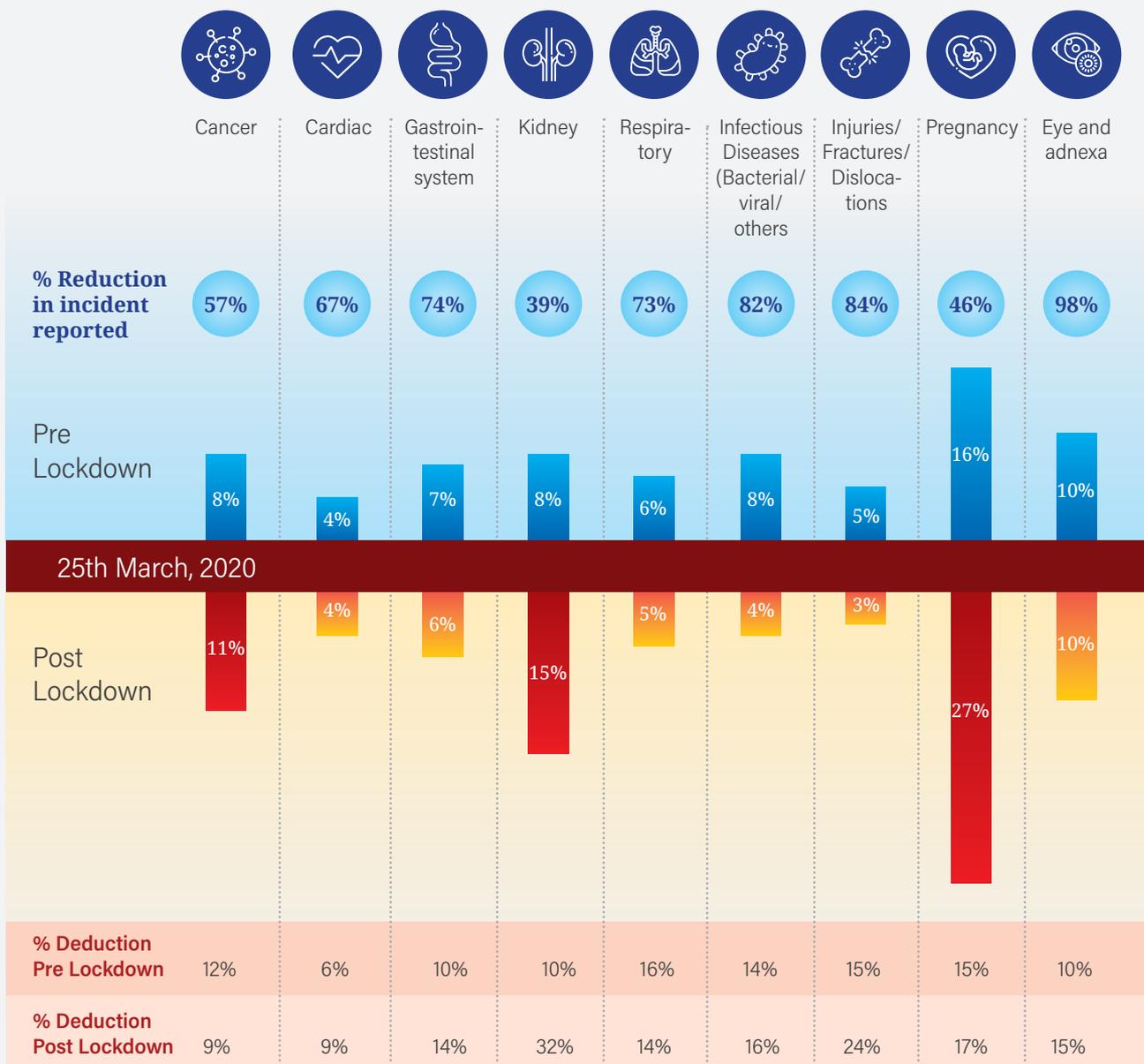
### Higher Uptake of Retail Insurance/ Voluntary Health Plans:

Awareness about the optimal Sum insured post COVID-19 is on the rise. Individuals will look at resetting the insurance coverages thus giving rise to retail or corporate voluntary insurance purchase.

\*GIPSA - General Insurance Public Sector Association, a group of four public-sector general insurance companies, New India Assurance Company, United India Insurance Company, Oriental Insurance Company and National Insurance Company

# Impact on Insurance Claim: A Seismic Shift

For the most common ailments under any corporate program, there seems to be a sudden decline in hospitalization and average claim size. On analyzing approximately 2500 existing clients' claims, it is observed that there is a significant decline in overall number of claims and out of pocket expenses will increase due to increase in claim deductions.



■ % contribution of treatments in overall claims Pre Lockdown

■ % contribution of treatment in overall claims Post Lockdown



**COVID-19 Claims Impact:** The claim amount for COVID-19 positive cases are in the range of INR 25,000-2,500,000 with an average claimed amount of INR 190,000-220,000 with an approx. 6-day stay. In the older population, the amounts are on the higher because of co-morbid conditions. In the absence of clarity from the insurer, the current disallowance is not much. However, with time and the inevitable detailed guidelines for COVID-19 cases expected from insurer/IRDA, a higher deduction is expected.



**Shift in Ailment Patterns:** Apart from treatments for Cancer, Dialysis and Maternity, all other treatments have seen a massive decline in numbers post-lockdown. The maximum drop is seen in Joints, Eye and Bacterial Infections.



**Future of Average Claimed Amount:** Our findings indicate, owing to lack of resources, patients and hospitals may not have been able to report exact number of non-COVID-19 cases. Thus, the data will not give a true picture of the average claim cost. With hospitals making COVID-19 tests mandatory before any surgery/hospitalization, an additional impact of INR 10,000-15,000 per claim can be foreseen. With the current industry average claim of INR 45,000, an additional impact of 20-25% is expected in overall claims, as hospitals are going to continue COVID-19 testing as a standard practice henceforth.



**Out of Pocket Expense:** Mandatory COVID-19 testing and usage of sanitizers, gloves and masks will lead to higher claim deductions. Apart from a few cases, an increase in the deduction pattern by 12-15% can be observed in major treatments. Hence, an additional burden is expected on Sum Insured/ailment capping that was offered in the pre-COVID-19 times.

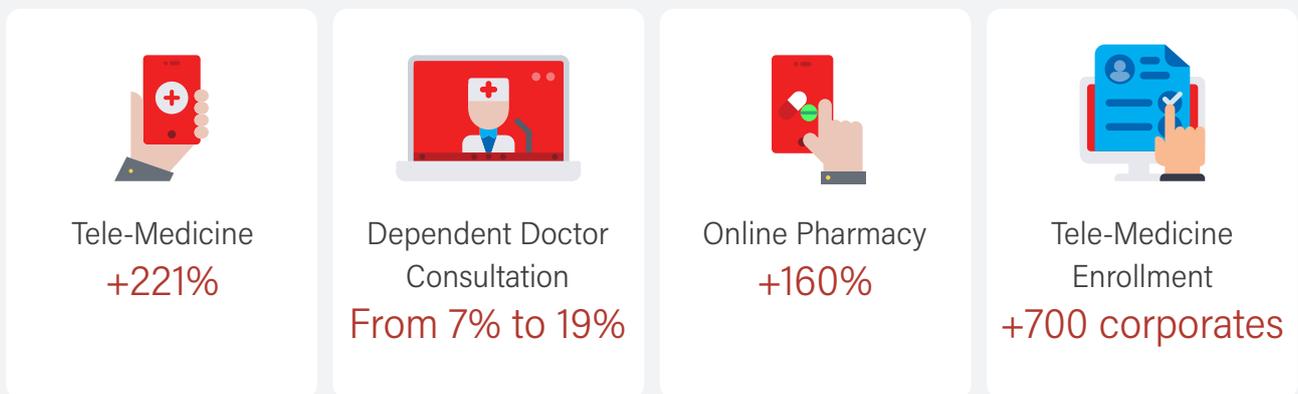
*Increase in the average claim cost is an obvious impact. Medical inflation compounded with COVID-19 will drive us to think how to place and replace our current benefits and cost.*



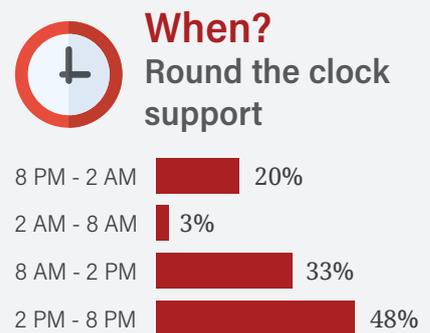
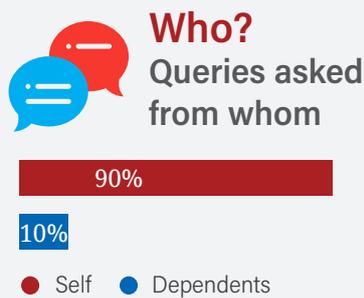
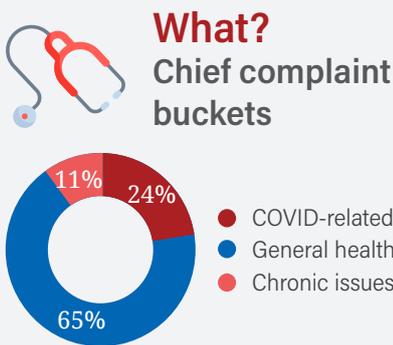
# Digital Transformation & Alternate Delivery Model: Re-looking at Primary Care

Lockdown across the nation has restricted direct access to doctors even for basic healthcare. Virtual care has taken centre-stage and has caused massive shift in behavioral patterns for consumers, forcing employers to look at invest and alternatives health services such as Telehealth services, consultancy to patients via phone and online video services.

As per statistics from ekinicare, a leading Healthcare aggregator, there has been drastic change in the usage pattern of their services:



## Tele-Medicine

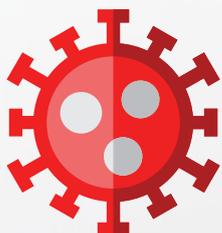


**45%** of the HR surveyed felt that their existing health benefit was not effective in dealing with COVID-19 crisis.

**41%** of the employers said they will increase their employee wellness/virtual care budget post COVID-19.

Source: ekinicare post COVID Market Pulse Survey.

**It is advisable to promote this change in behavior among employees and for employers to keep investing on alternative modes of care:**



**Prevention from COVID-19:**

Virtual care for routine/ small health issues is the best solution as people will continue to observe social distancing and in-person access to healthcare service will be severely impacted



**Mental Well-being:**

Employees might be undergoing a lot of uncertainty with respect to their jobs, social status, economic well-being, etc. Virtual care offers a host of online solutions to tackle these issues



**Cost Optimization:**

Almost all well-established virtual care vendors are working on discounted pricing. Discounted services will drive down the overall employer's cost

*Keeping in mind the long-term impact that COVID-19 will have on Healthcare sector, employers must continue to invest in an alternative model of care. Two-fold advantages through virtual care are support to employees and their families & reduction in overall insurance claim costs.*



# Practical Next Steps



**Review and Update Your Existing Plans:** It is imperative for employers to re-look at adequacy of the Sum Insured/ sub-limits/deductibles/ corporate buffer offered under health insurance plans to mitigate the catastrophic severity of the pandemic.



**Redefined Claim Process:** With changing times, it is important to re-work on the overall claim processes starting from acceptance of scanned document, increasing submission timelines, condoning delay in submission, claims settlement and recovery on scan documents.



**Redundancy Planning:** COVID-19 has put a lot of pressure on business earnings, forcing cuts in staff or salary. During these difficult times, employers need to build a robust plan to provide continuity or portability of benefits. If salaries are reduced, employers will need to discuss with Accident and Life insurers whether the Sum Assured, which is linked to remuneration, needs to be revised.



**Revised Benefits Budgets:** The cost for claims are projected to move upward. With new COVID-19 safety protocol, an additional burden of 10-15% on overall claim ratios can be foreseen.



**Voluntary Covers To Employees:** It is important that employers start looking at creating innovative choices for employees that advance care plans for adequate coverage.



**Well Being:** Well-being of employees is not a value-add anymore. It's a necessity and employers will have to look at relevant virtual programs with the right balance on physical and emotional well-being.



**Digital Health Offerings:** COVID-19 has clearly caused interference to the in-person case model. It is hence important for the employers to prospect virtual care options and alternate delivery in case of lockdown situations for routine care, chronic conditions and stress management.



**New Norms for Workplace:** Thoughtful strategy and vendor support before, during and after opening of the workplace is a must. Designing an action plan for sanitisation of the office premises, thermal screening, sanitisation tent, on-site medical rooms, and supply of masks, soap, and sanitiser is a must.

# About Prudent

Passionate client advocates, custodians of our clients' assets, brokers with integrity and capability- this is Prudent Insurance Brokers. We help you protect your business and control insurance costs. Knowledge of the Indian insurance market, a pan India presence coupled with global placement capability, placement capability across all lines of insurance, and experience advising clients in diverse industry sectors has positioned Prudent Insurance Brokers as a trusted and reliable partner for all your insurance needs.

---

## Author

### Geetika Kapur

📁 Flex & Consulting: Large Account Practice  
✉ Geetika.kapur@prudentbrokers.com

### Surinder Bhagat

📁 National Head: Large Account Practice  
✉ Surinder.bhagat@prudentbrokers.com

### Sumeet Pallav

📁 Sales & Strategy: Large Account Practice  
✉ Sumeet.pallav@prudentbrokers.com

### Dr Alok Khullar

📁 Health Risk Management  
✉ alok.khullar@prudentbrokers.com

### Dr Siddharth Jawale

📁 Provider Network and Claim Management  
✉ siddharth.jawale@prudentbrokers.com

### Source:

- Prudent existing client claims data
- ekinicare internal data findings
- Pre lockdown period considered: March 3rd to March 24th
- Post lockdown period considered: March 25th to April 14th





[www.prudentbrokers.com](http://www.prudentbrokers.com)

**PRUDENT INSURANCE BROKERS PVT. LTD.**

Registered Office 101, Tower B, Peninsula Business Park, G.K. Marg, Lower Parel, Mumbai - 400 013, Maharashtra, Tel: +91 22 3306 6000

CIN No.: U70100MH1982PTC027681 | License No. 291 (18th February 2020 to 17th February 2023)

---

Insurance is the subject matter of solicitation.

---

Prudent Insurance Brokers Ltd. makes no assurances regarding the availability, cost, or terms of insurance coverage. Prudent's service obligations to you are solely contractual in nature. You acknowledge that, in performing services, Prudent and its affiliates are not acting as a fiduciary for you, except to the extent required by applicable law, and do not have a fiduciary or other enhanced duty to you.

Advt2020May011