Holistic risk
CFO strategies for surviving ongoing uncertainty
The repercussions of COVID-19 continue to barrage the industry.

Organizations must not only respond to disease fluctuations but also counter a broader range of financial and operational risks — including unpredictable demands on the health system, a shrinking health care dollar and significant shifts in consumer behavior.

**But the biggest challenge is uncertainty.**

We don’t know what the ongoing impact of COVID-19 will be or how long it will last. We can’t yet determine a timeline for a sustained economic recovery. It’s nearly impossible to monitor consumer health concerns. And it’s unclear what role the government will take in securing supplies, enforcing health mandates, providing financial support or adjusting rates and regulatory requirements.

Business agility and rapid response is essential for leaders to succeed. Leaders need clear, current pictures of their communities to act fast and make informed decisions. They need to evaluate the full set of factors that contribute to competitive threats and costs — daily. Organizations that have fresh market intelligence and that can collaborate and move quickly to address risk will gain market relevance. Those unable to develop a focused, nimble response could fail.

48% of Americans said they or a family member have skipped or delayed medical care because of the pandemic.¹

The good news is that data on consumer behavior, disease prevalence and social determinants of health (SDOH) is available. The capabilities exist to build a more holistic picture of the consumer and develop the care management and actuarial models that can guide outreach, improve engagement and support other decision-making. For example, a person’s health and longevity can be influenced by where he or she lives. Research has found that a person’s ZIP code is a stronger predictor of his or her overall health than other factors, including race and genetics.²
Risk for the consumer

COVID-19 has caused a drastic drop in utilization. Economic conditions have forced many consumers to deprioritize their health. Safety concerns and overall economic uncertainty have overwhelmed consumers with barriers that threaten their ongoing health and well-being.

Unfortunately, their health issues remain. They may have a chronic condition, behavioral issues, an active concern or a sudden acute condition. If they aren’t coming in for regular screenings, conditions may go undiagnosed. These risks cascade into more high-need, high-cost patients. As consumers withdraw, their health issues may worsen, and they may become more costly to treat. CFOs who cannot measure this impact leave their organizations exposed to growing unseen risk.

CFOs can help their organizations identify the portion of their population with the greatest potential for rising health conditions. They can discern the environments and other social issues that are further eroding health.

A next step is to run comparative scenarios. First, determine what services and strategic partnerships can overcome these risk factors and what those services will cost. Using baseline rates or their own proprietary data, CFOs can calculate savings achieved by addressing social determinants of health and how these savings grow over time. Compare this with the alternative scenario of leaving social determinants unattended and facing the future costs associated with declining health. Leveraging social determinant of heath information can also be used to identify members most needing and willing to close gaps in care. The ensuing improvement in coding documentation can lead to revenue as members’ risks align better with the revenue received through CMS.

Evidence exists on the impact these holistic interventions can have on outcomes. And CFOs can calculate the impact of their efforts to address social determinants of health. Data at the county and individual levels can lend greater accuracy to their projections.

CFOs can look at disease outbreak by county to see who is most likely to need immediate attention for chronic or acute conditions, what their propensity to engage is and what other community support they need. The specificity of these numbers allows CFOs to rationalize investment in the partnerships and services that impact these consumers most broadly and that effectively lower the total cost of care.
**Risk for the provider**

The retreat of consumers, the safety concerns of COVID-19 and macroeconomics have challenged the very solvency of many provider organizations. It is uncertain when people will feel comfortable returning to a clinical environment. And it is still unknown how much pressure will be put on safety-net providers and how long they can support a growing number of sick and uninsured.

Providers with a percentage of value-based arrangements proved better at enduring sudden drops in elective care since parameters were in place to continue engaging and managing chronic conditions for patients in risk-based arrangements. But uncertainty challenges the assumptions on which many of those contracts were based. CFOs with value-based contracts will want to eliminate uncertainty so they can respond to this new variability and protect their population health initiatives. Fee-for-service providers remain at a much greater risk as proven by the dramatic reduction in revenues early in the pandemic.

**Patients are avoiding health care. This uncertainty adds risk.**

Many patients aren’t getting their screenings and emerging conditions can go unnoticed. Additionally, patients may be getting sicker because they aren’t managing their chronic conditions as well as they could. At worst, patients may not attend to critical, acute conditions and suffer the most severe consequences.

While not directly related to patient outcomes, patients are also not coming for elective procedures or connecting with the system broadly at the same rates, reducing an organization’s ability to detect health risks early, as well as code and document the full range of risk.

It’s unknown how long COVID-19 will impact consumer behavior. It is uncertain what the recovery curve will look like and it is likely to be different in each county. If infection rates persist, elective procedures and in-clinic visits will remain low. CFOs can assess risk by regularly running projections based on varying recovery curves.

Provider volumes drop significantly during disease outbreaks. And even when a clinic can adjust to pandemic safety requirements, they could only return to a portion of their original volume. Consider the blend of that risk with coverage shifts. If consumers have moved from commercial to Medicaid (or out of coverage altogether), provider reimbursements can drop by another 70%. Declines in utilization and shifts in coverage combine to challenge providers with significant drops in revenue.

(100% – 30% drop in utilization) x 30% Medicaid rate = 21% of revenue
CFOs need daily views on coverage shifts, disease outbreaks and the propensity of their consumers to engage with telehealth and other pandemic-proof alternatives. Only then can they determine how to cost-effectively structure their network and delivery channels to survive the ongoing variability.

**Risk for the health plan**

Utilization swings, enrollment shifts and provider vulnerability are expanding the landscape of risk for health plans. When utilization dropped at the onset of the pandemic, some health plans offered providers financial support. But they will likely soon face pent-up demand and potentially increasingly sick consumers. Health plan CFOs struggle to anticipate those volumes and ensure their provider partners can respond early — before needs become acute. With valid data, they can run predictive models that help their provider partners respond to local disease resurgence, emerging health concerns and changing social determinants.

Economic circumstances are also having significant impact on the business mix. Depending on the state in which they reside, some members are shifting from commercial coverage to Medicaid while others are now joining the ranks of the uninsured. In those states with Medicaid expansion, members typically shift into Medicaid while members in states without Medicaid expansion typically become uninsured.

**CFOs seek to understand the changing financial characteristics of their populations and the associated risks. Answers to these questions can reduce uncertainty and help CFOs navigate forward.**

1. How permanent are the current layoffs?
2. Will a new wave of layoffs occur as the number of cases surge again?
3. What populations are shifting from commercial to Medicaid?
4. How should we manage risk as consumers disengage?
5. When will consumers re-engage and at what volume?
6. How sick will they be when they return?
7. Will counties and states pull back coverage and support just as demand is heating up?
Uncertainty and variability make risk harder to manage. Health plans rely on strong provider partners that match the needs of their population, can offer the services that close care gaps, and can execute the coding quality necessary to provide competitive rates and plan design.

Every day counts. Health plan CFOs can build their resilience and gain a competitive advantage by being very granular about their data — at the county level and the individual level — and using that intelligence to build a preventive, proactive, cost-effective ecosystem.

**Managing risk beyond COVID-19**

Health organizations are managing uncertainty and variability, but they’ll be better equipped to map a response with more complete, up-to-date data and stronger analytics. CFOs need reliable consumer data and specifics on recovery curves down to the county level.

Stability will likely require thinking holistically with investments in telehealth, digital infrastructure and health plan/provider partnerships. Those that have been on the path to value will have an advantage. Health organizations need to develop more strategic relationships. They need to grow their ability to better meet needs linked to social determinants long before the patient walks in the door. Having precise views of their community helps CFOs address emerging risks, build collaborations and stay within their margin of error.

**NAVIGATING FORWARD**

1. Gather complete data about your consumers — at county level and individual level
2. Prioritize high-need members/patients
3. Identify barriers to engagement
4. Determine the channels they prefer
5. Identify the resources they need
6. Calculate the impact of connecting consumers to these resources
7. Make it your mission to find the most responsive and cost-effective strategies to protect the health of your consumers
Solving the economics

A holistic approach is more cost-effective, improves outcomes and delivers an experience that aligns with consumer wants and needs. But leaders need to understand the cost of ignoring these risks. And they need to predict the impact over time for attending them. By reducing factors that put consumer health and well-being at risk in the first place, leaders can cooperate with community partners to pay the reduced price of prevention and avoid the penalty of late-stage services.

The future is impossible to predict but with valid data as a guidance tool, CFOs can reduce their margin of error when negotiating for business and design strategies that improve performance.

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