



Covid-19 disrupted payer operations

Future Ready ™
Healthcare

Payers' operations have changed a year after Covid-19

Covid-19 changed the landscape of healthcare. Pharma companies had to ramp up their digital outreach to continue uninterrupted business. Patients faced other challenges, primarily of losing in-person access to doctors and treatments that were administered at hospitals, physician offices or medical centers. The Managed Care Organization (MCO) or payers are an important intermediary between pharma companies and patients. They manage and implement insurance and medical benefits. Pharma companies present their products to payers, who determine how it is placed in the market, the right price and access for it, and consequently, its affordability to patients.

Unlike the European Union, which has single payer systems, the US has a hybrid multi-player model, including Medicare (government benefit for the elderly), Medicaid (government benefit for low-income groups) and commercial insurance (employer-sponsored health plans). Additionally, there are Accountable Care Organizations (ACOs), Health Maintenance Organizations (HMOs), Integrated Delivery Networks (IDNs) and pharmacy benefit for outpatient drugs, managed by Pharmacy Benefit Managers (PBMs) or companies like Blue Cross Blue Shield.

Given the critical role payers play in access to drugs for patients, this study sought to understand the impact of Covid-19 on their business, how it affected their interactions with manufacturers, how they were adapting to the virtual world, what delays they encountered in new drug releases and what they saw as the way forward.

The survey was conducted in the April to June 2021 quarter by Medical Marketing Economics (MME), an Indegene company, with respondents from its panel of payers. In the US, MME's panel includes over 100 payers, covering Medicare, Medicaid and Commercial.

The study identifies disruptions to the business, impact on care delivery and impact on payer-manufacturer relations. It also offers future expectations in these areas from a payer perspective.

The survey followed a rigorous methodology

35 respondents participated in this web-based survey. Of these, two-thirds were pharmacy directors with outpatient health coverage and one-third were medical directors for inpatient and physician-administered products. Between them, they cover over 165 million patients in the US. Of the payers, 91% of the respondents managed commercial plans, 77% managed Medicare and 66% managed Medicaid.

The survey had 31 questions that respondents were asked to rate on a scale of 1 (no impact) to 10 (very large impact). From this, the median was calculated. The areas of focus included impact on overall business, impact on critical business processes, and industry relations.

The key highlights from the survey include



Payer operations were moderately disrupted by Covid-19. Survey respondents rated disruption at 6.2 on a scale of 10 (1-no disruption, 10-very large disruption)



Many Pharma Directors reported a high rate of disruption, 56% reporting 7.5 on a scale of 1 to 10



Only 3% of payers felt that business disruptions would increase in 2021. Others believed it would stay the same or lessen. Moderate impact was felt on financial, network and operations and expected to lessen



Care delivery saw moderate to large impact with oncology and mental illness most impacted



Processes such as Drug Prior Authorizations, Medical Drug Authorizations, and New Drug Reimbursement decisions were impacted at a low to moderate rate



Reliance on telehealth was rated as the top disruptor as many payers were not equipped to adapt to it



On the other hand, telehealth was also the key enabler of healthcare, ensuring people had access to it. 26% reported reliance on telehealth as top disruptor while 29% said they had implemented more telehealth visits and telemedicine options



Anticipated growth of telemedicine over the 6-12 month period was 5.1 on the scale of 1-10 with 100% of the respondents saying they would support telemedicine claims



31% said virtual meetings were the main challenge in payer-manufacturer relations with nearly 50% payers saying they shifted to web/virtual meetings



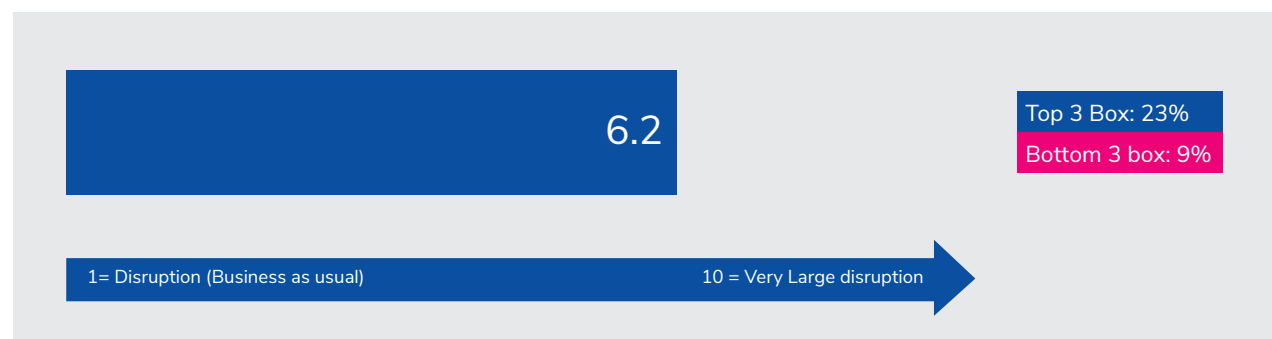
41% reported virtual meetings as the top manufacturer initiative that was helpful at this time. 17% said they wanted to see more telemedicine visits and virtual interactions. Ultimately, they expect to see an increase in in-person meetings over the coming two years

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What was the impact of Covid-19 on payers' business functions?

Figure 1: Moderate disruption on organization's overall business with Covid-19 pandemic

Considering the impact of your organization's overall business, including an impact on revenue, costs, provider networks, etc. Using a scale of 1 to 10 where 1 is no disruption (business as usual) and 10 is a very large disruption (destabilizing), please rate how big of a disruption the COVID-19 epidemic was to your organization in 2020.



Base: All respondents (n=35)

Payers reported that their business was impacted at higher than median levels. The top four reasons for disruption were

Reliance on Telehealth: Covid-19 brought virtual medicine to reality. However, many payers were not equipped with the structures and ways to adapt to this change, making it the single biggest reason for business disruption, with 26% listing this as reason for impact.

Delayed elective procedures: Before Covid-19, telehealth was still finding its footing. Patients relied on inpatient consultations and visits. This meant that payers could rely on a predictive model for hospitalization or the number of elective procedures. However, with Covid-19, elective procedures significantly reduced as people chose not to visit doctors or have procedures for fear of exposure to the virus. This led to a decrease in healthcare utilization and created a backlog of services. Of the respondents, 14% listed this as a reason for impact.

Increase in Covid-related hospitalization: Covid-19 brought a significant increase in hospitalization for related treatment. Payers had a hard time making predictions for Covid or assumptions about the occurrences related to it, with 14% listing this as reason for business disruption.

Remote workforce: 11% of survey respondents listed working from home as a cause for disruption. Payers had to enable remote working and ensure it operated with the same degree of efficiency as before.

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The survey also delved into the impact on payers' financial, operational and network operations.

Financial impact

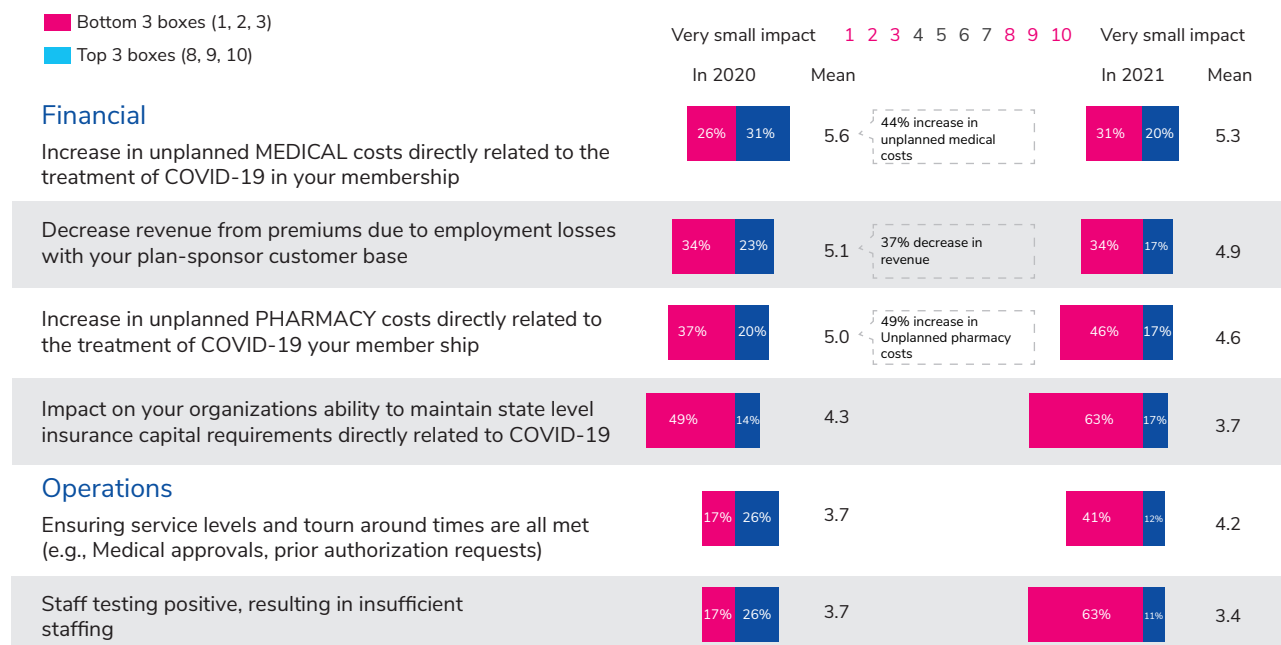
All respondents were asked about the level of impact on their company's operations. Medical and pharmacy costs saw an increase directly related to the treatment of Covid-19. Unplanned medical costs had a 44% increase with 31% of the respondents citing significant impact. 49% reported an increased in unplanned pharmacy costs however, 37% of the respondents cited very small impact. A 37% decrease in revenue was reported due to premium reductions from employment losses. Lastly, while companies were mandated to maintain the state-level insurance capital requirement, nearly 50% of the respondents reported no to low impact.

Operational impact

Service levels and turnaround times were disrupted for processes such as medical approval and prior authorization requests. 26% said these were significantly impacted. However, 49% said that Covid-positive staff was not as big an impact. This could mean that the workforce adapted to the new normal and to working remotely, which mitigated the impact.

Figure 2: Moderate impact on company's financial and operations due to Covid-19 in 2020 and expect it to decrease in 2021

Please consider the level of impact to your company's operations directly related to COVID-19. Using a scale of 1 to 10, where 1 is very small impact and 10 is very large impact, please indicate the level of impact this factor had to your company's operations in 2020?



Base: All respondents (n=35)

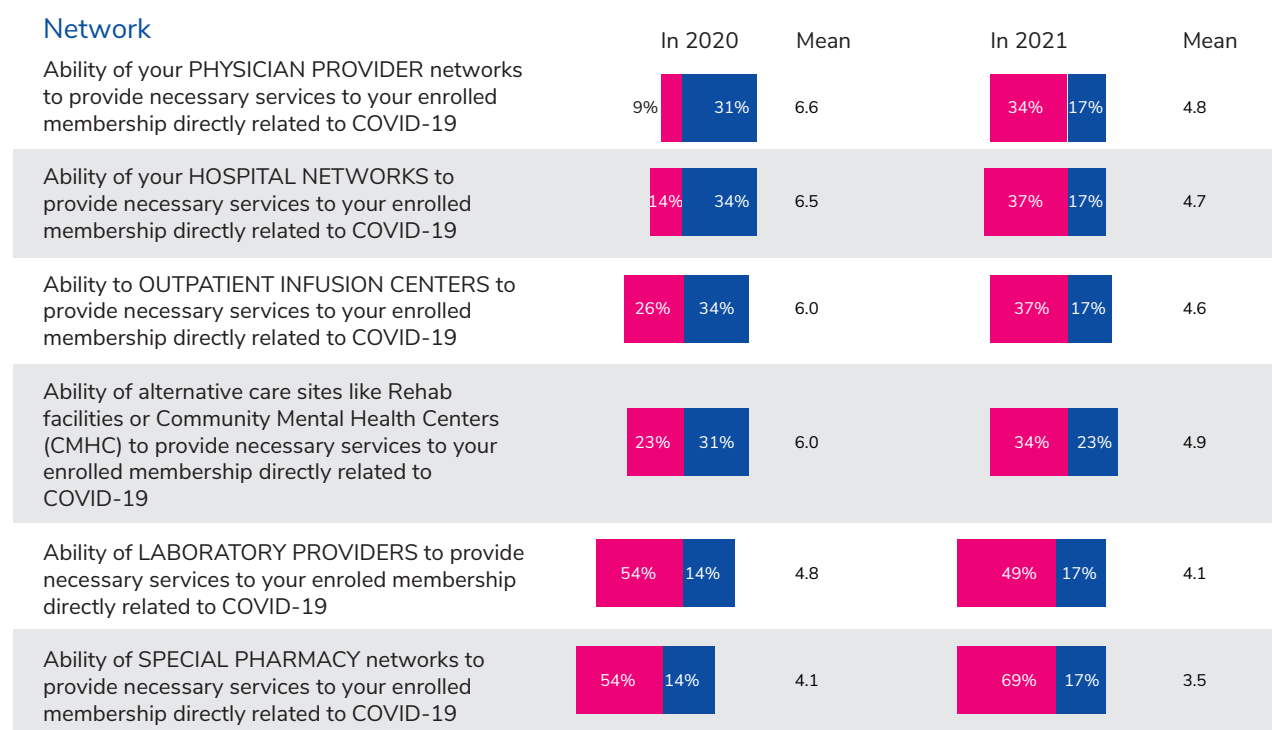
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Network impact

The payer network includes physician providers, hospitals, outpatient infusion centers, alternative care sites, lab providers and pharmacies. The survey addressed each of these network partners to understand the impact on their business. Four areas saw the most impact while two were not significantly impacted.

Figure 3: Payers reported moderate impact on company’s network operations due to Covid-19 in 2020 and expect it to decrease in 2021

Please consider the level of impact to your company’s operations directly related to COVID-19. Using a scale of 1 to 10, where 1 is very small impact and 10 is very large impact, please indicate the level of impact this factor had to your company’s operations in 2020?



Base: All respondents (n=35)

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In 2020, for lab providers and pharmacy networks, payers saw little disruption as they were able to provide care directly at patients' homes, or via mail. In outpatient infusion centers payers saw some disruption that reduced over time. The ability of the physician provider networks and hospital networks to provide necessary services was most disrupted, as indicated by 34% of the respondents. In the case of hospital networks, this was because there were fewer people visiting hospitals. One year later, alternative care sites like rehab facilities, community mental health centers are seeing the least reduction in disruption.

Payers reported moderate to large impact on care delivery operations

The survey asked payers how care delivery was directly impacted by Covid-19. Overall, they opined that vulnerable populations were especially affected, with 40% of the respondents reporting significant impact. Specifically, this was for therapies that necessitated a hospital network or physician intervention. In some cases, patients could not or did not pick up the medication they needed from pharmacies or simply opted out of or moved away from care. 37% of the respondents said this was significantly impacted.

Oncology and mental health were most impacted.

Oncology

Respondents were asked to list the medical condition or disease that saw the most patient disruption. 29% respondents listed oncology as their top choice. 31% said that physician-administered treatment for oncology was severely impacted. This correlates to the large decrease of 60% in prescription claim volume for this category. Oral or self-administered oncology care was not affected, and prescription claim volume for this category also remained largely unaffected.

The impact is expected to reduce in 2021 and beyond, with 40% of the payers reporting low impact on physician-administered treatments, 60% decrease in disruption for oral or self-administered care, 63% decrease in disruption for oral or self-administered treatment, and 50% or more increase in patient/prescription claim volume.

Mental Health

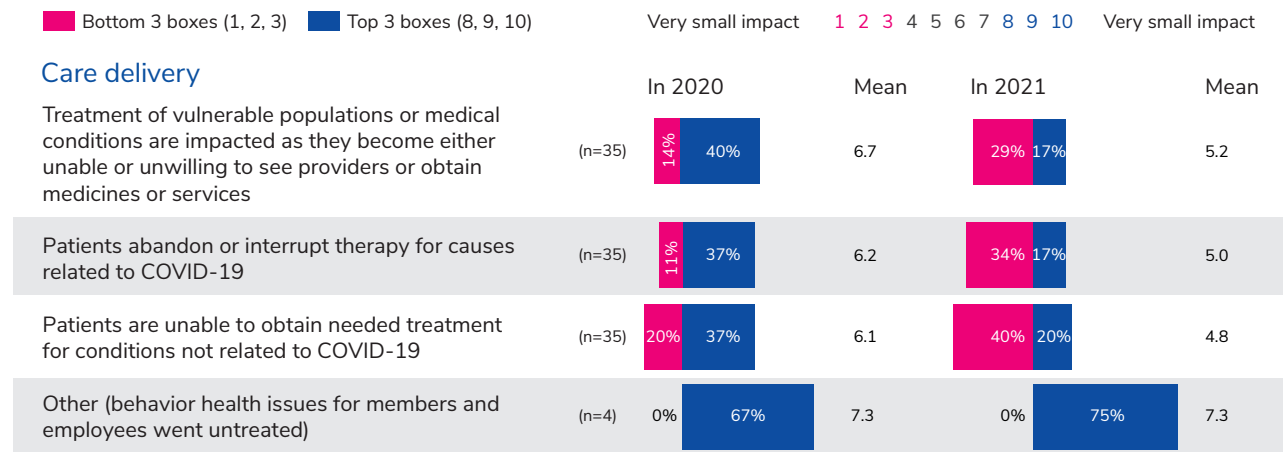
Payers reported mental health as another area of concern. They saw significant disruption here and expect more challenges in the future. With access to care delivery disrupted, it was especially challenging for people who are dependent on medication to manage conditions like schizophrenia, bipolar disorder or major depression. In these cases, even if a few doses of medication are missed, the patient is likelier to not take medication or discontinue it. Provision of care and maintenance and the continuity of care becomes significantly important for these patients.

Besides the disruption in care, the significant life disruptions from Covid-19 are expected to trigger new mental health problems from isolation and social separation. Behavioral health is expected to become a bigger problem in 2021.

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Figure 4: Payers reported moderate to large impact on care delivery operations due to Covid-19 in 2020 and expect it to slightly decrease in 2021

Please consider the level of impact to your company's operations directly related to COVID-19. Using a scale of 1 to 10, where 1 is very small impact and 10 is very large impact, please indicate the level of impact this factor had to your company's operations in 2020 and the anticipated level of impact for 2021.



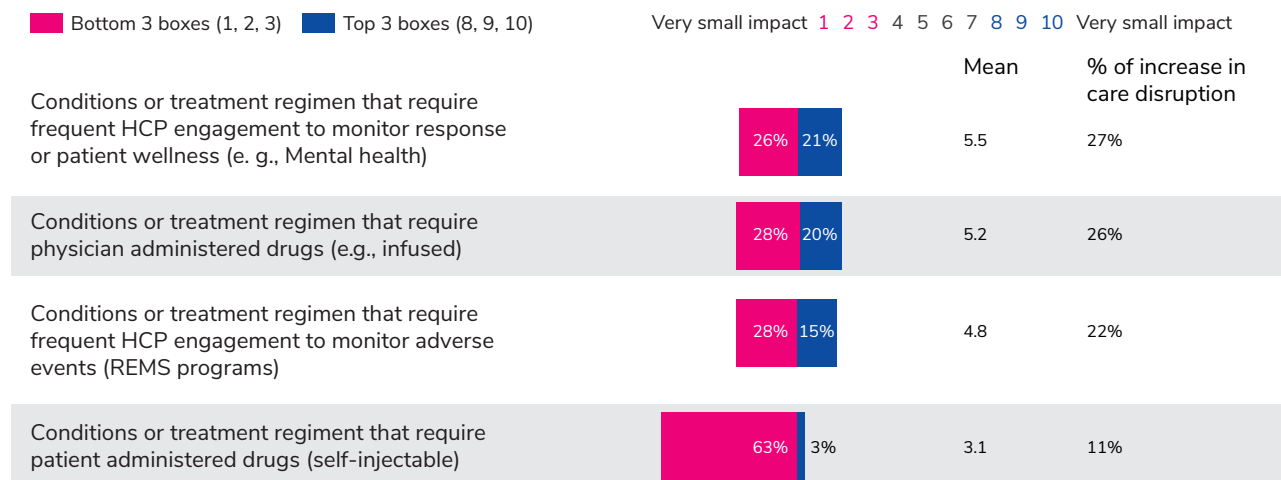
Base: All respondents (n=35)

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Figure 5: ~25% increase in treatment regimens that require frequent HCP engagement and require physician administration

To what degree have the following treatment attributes lead to an increase in care disruptions due to the COVID-19 pandemic. For the following attributes, please rate the level of care disruption and the proportion by which it changed (if applicable) in 2020 using a scale of 1 to 10, where 1 is no increase (business as usual) and 10 is a very high increase.

If you select 'no increase (business as usual)' in column A then please put 0% in column B where you are asked about the % increase.



Base: All respondents (n=35)

As can be seen from the data, treatment regimens that required physician administration, HCP (healthcare provider) engagement, and engagement to monitor adverse events (e.g., a REMS program) were impacted by nearly 25%. This connects back to why oncology (where there is a need for infused drugs) and mental health (which requires patient continuity) were impacted. It emphasizes the need for patient registries and mental health registries. Any treatment that was managed by patients themselves remained unaffected.

How did prescription claims fare?

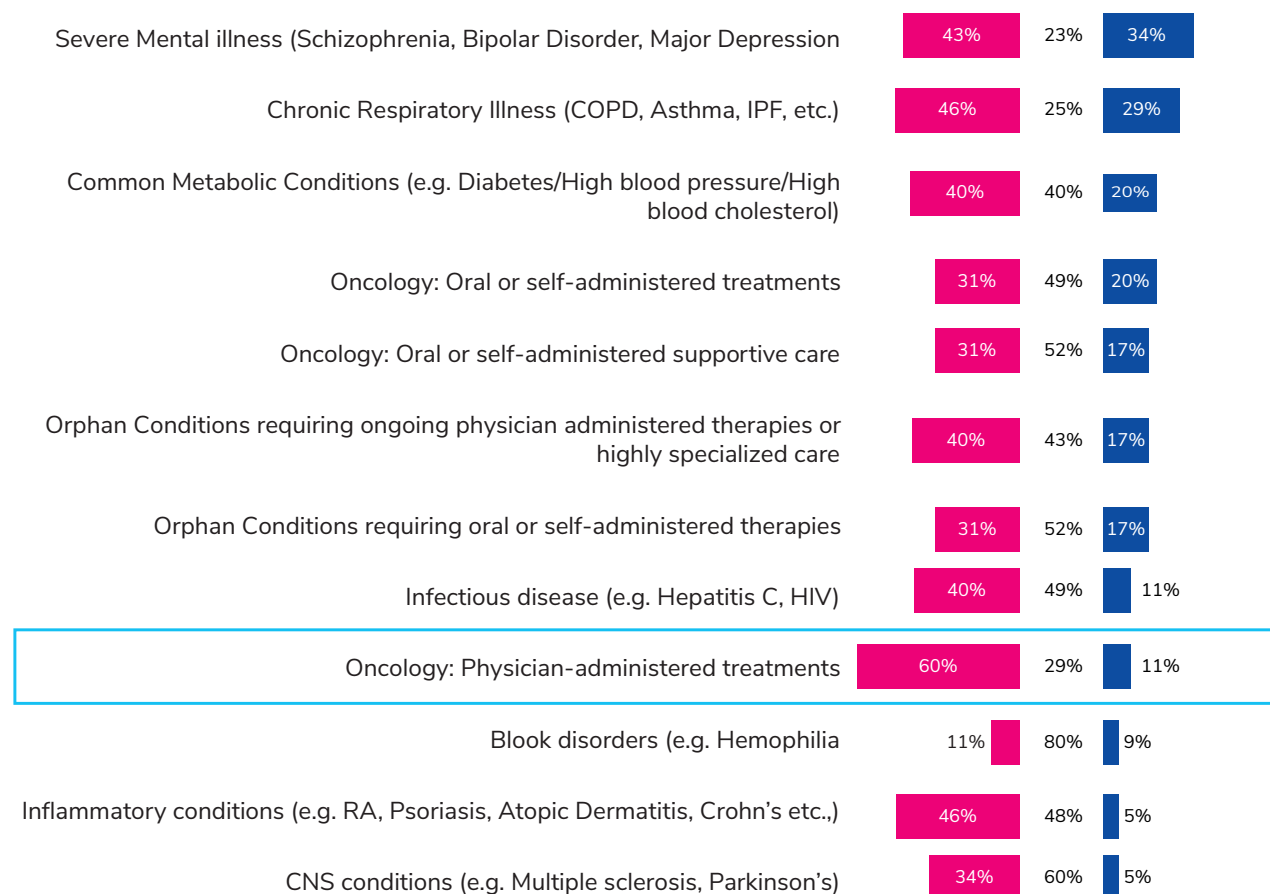
The survey asked respondents to state the rate of change for a set of conditions. The responses indicate a reduction in the utilization of services for oncology where physician administered treatments saw 60% decrease in patient/prescription claim volume. This was followed by chronic respiratory illness, such as COPD and asthma at 46%. Severe mental illness, such as schizophrenia, bipolar disorder and major depression saw a 43% decrease in claim volume. There were some conditions for which the patient/prescription claim volume remained unchanged, such as blood disorders like hemophilia (80%), CNS conditions like multiple sclerosis and Parkinson's (60%), and conditions that required oral or self-administered therapies (52%).

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Figure 6: Large decrease in 2020 for patient/prescription claim volume for oncology — physician administered treatments

Considering the following conditions, to what degree was there a change in the level of patient/prescription claim volume in 2020. Please state whether the volume of patient/prescription claim volume increased or decreased in 2020 and by what proportion?

Level of patient/prescription claim volume in 2020 and proportions of change 2020



Base: All respondents (n=35)

In 2021, payers expect to see a rebound in the utilization of services for oncology, metabolic conditions and mental health. This includes physician-administered treatment, physician office visits and oral administration of medicine. Oncology (oral or self-administered supportive care) and blood disorders were expected to see 0% decrease in prescription claims.

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How did companies mitigate impact?

Payers responded to the impact from Covid-19 with various programs. In order of priority, their focus areas were patient outreach, provider outreach and case management. Over 30% of the respondents said they were either applying new resources or reprioritizing resources towards these three areas. They have implemented programs like medication therapy management programs that focus on improving treatment compliance and monitoring for certain conditions. responded that they did not consider digital tools, home infusions, claims liberalization and telehealth as programs to offset Covid-19 impact. Going forward, their focus is on new or enhanced monitoring for certain conditions.

Impact on payer-manufacturer relationship

Existing and new product launches

Respondents were asked about impact on pharmacy benefit as P&T reviews, rebate negotiations, and contract renewals for new and existing products (Medicare and commercial). Less than half thought there was some impact. The greatest impact was in rebate negotiations for existing products under Medicare, with 46% reporting minor delays (less than 1 month). Payers were able to build business processes to offset impact and staff were available to manage these processes. With 2020 seeing low to no disruption, 2021 also has an optimistic forecast.

Prior Authorization (PA) is a form where healthcare producers document the need for a product that uses pre-specified criteria provided by the payer. In 2020, there was a low impact on processing these, with even less expected in 2021. This is attributed to availability of adequate staff as the processes moved online. Similar to PA, new drug reimbursement also saw very slight disruption (n=13, 54% saying no to low impact). This was made possible by processes going electronic and adequate availability of staff. Nearly half the respondents (n=13) reported no to low impact on the ability to process Medical Authorizations and in meeting response timelines.

Payer-Manufacturer interaction

All the respondents (n=35) said they were happy with the initiatives (6.8 as the score on a scale of 1-10) and response from manufacturers during Covid-19. This is significant as payer-manufacturer partnerships are key to the cost of a product and criteria for its use.

Contract negotiations between manufacturers and payers are key as they determine listing a product on the formulary, tier status for the product to decide copayment, PA and Step Edit criteria for a patient's suitability for the product.

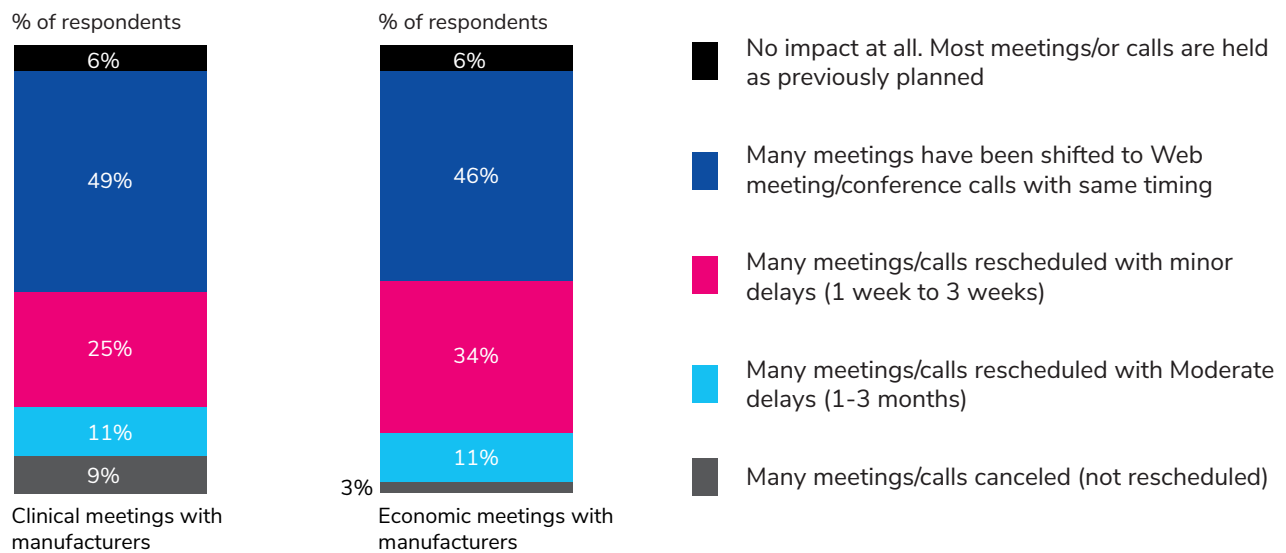
Payer-manufacturer interactions were impacted (5.9 on a scale of 1 to 10) but switching to virtual meetings was welcomed by the respondents. On the flip side, payers highlighted the delays (some minor, some longer, some cancellations) in meetings which impacted cost discussions and contract negotiations.

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Payers expect a return to more in-person meetings, from 9% in 2020, expected to go up to 15% in 2021 and 34% in 2022. This means that two-thirds of these meetings will continue to be virtual. 19% said they had not scheduled any in-person meetings for 2021.

Figure 7: ~50% payers reported shifting meetings to web meetings/conference calls

Considering how you are conducting industry relations during the next several months of the Covid-19 pandemic, please select the response that best fits for each meeting type.



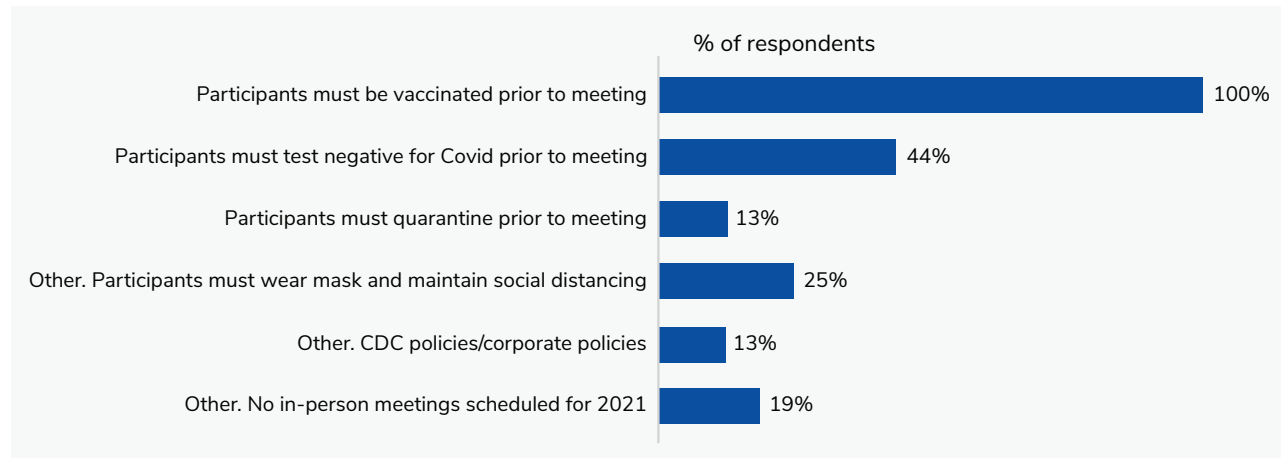
Base: All respondents (n=35)

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Figure 8:

All payers would require the participants to be vaccinated prior to meeting in-person in 2021

What criteria will you mandate to conduct a meeting in-person in 2021?



Base: Respondents anticipated to conduct in-person meetings in 2021 (n=16)

Initiatives by manufacturers

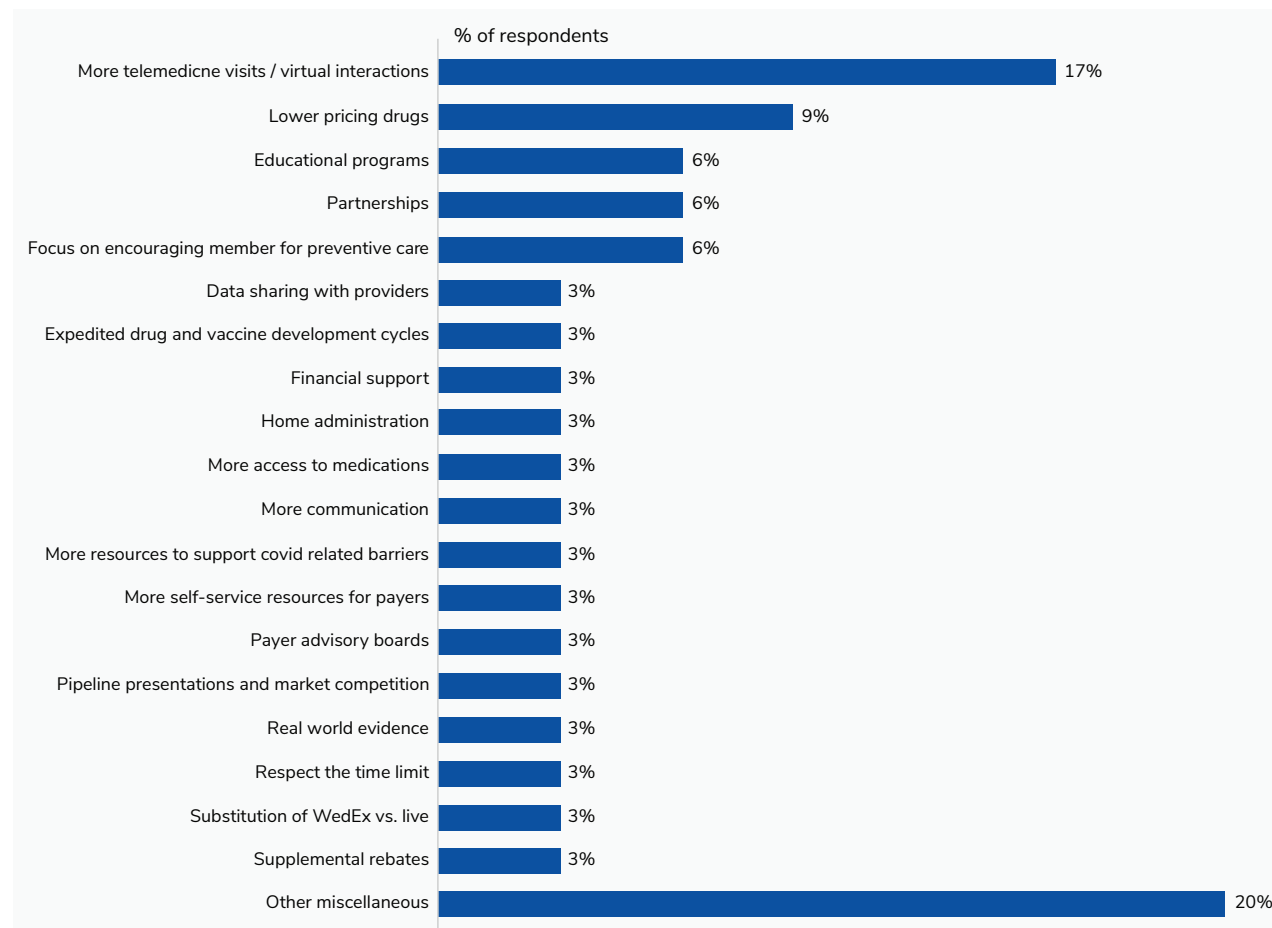
Respondents were asked about helpful initiatives that they wanted to see more of. Overall, they said biopharma companies had done a good job during Covid-19 (6.8 where 1= very poor job and 10 = very good job).

41% said that switching to web meetings was the most helpful initiative, followed by improved access/ accessibility (12%) and frequent communication (9%). 17% said they wanted to see more telemedicine visits and virtual interaction, while 9% said they would like to see lower drug pricing.

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Figure 9: More telemedicine/virtual interactions and lower drug pricing are some of the initiatives that payers want to see

What are services or initiatives that you want to see more of as a result of COVID-19?



Base: All respondents (n=35)

Initiatives by payers

Respondents were asked about their initiatives to help their members. 29% reported the inclusion of telehealth and telemedicine options. 11% reported more flexibilities on refills and longer drug fulfillment. This was especially beneficial to patients who were at risk if they discontinued medication. Payers also responded that they offered a reduction in copays, significantly for diabetes and asthma where copays were reduced or even eliminated during Covid-19 to ensure patients stayed on care. 6% said they recommended better treatment options or those that could be self-administered at home.

Conclusion

Telehealth for patients

Through the course of the survey, telehealth featured as a key factor for change. Quite simply, it is defined as the access to medical care online. The advantages it offers are plenty, particularly in the time of Covid-19 when in-person visits have been challenged. That the world is adapting to telehealth indicates that it will extend beyond the pandemic. However, healthcare will always depend on one-on-one interactions, even in a world that is digitally managed through Artificial Intelligence.

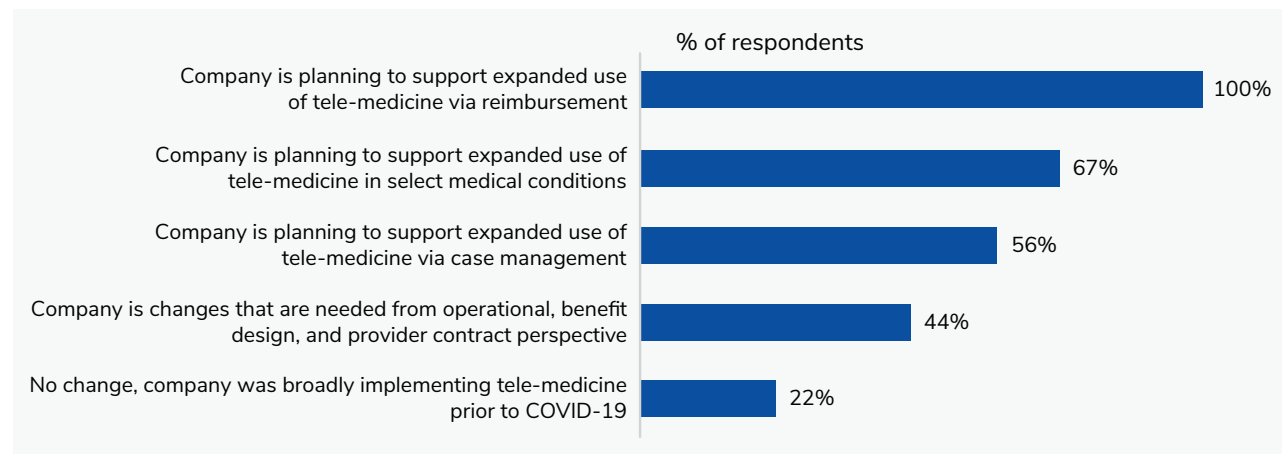
In this survey, Medical Directors (n=13) estimated a moderate growth of 5.1 on a scale of 1 (no growth) to 10 (very large growth) for telemedicine, over the 6 month to 1 year period. They reported 100% increase in telemedicine claims. Pre-Covid, telemedicine was not abundantly covered (only 22% said they were implementing it) although there were processes in place to allow for coverage. Covid-19 brought this change with an expansion of codes and provision of payment through codes to allow for telemedicine claims.

All payers plan on supporting the expanded use of telemedicine by reimbursing claims. As telemedicine grows, it is likely to change physician business models and payer decision models with regard to provider networks. It is possible to pay for a virtual visit where patients are consulting with one doctor while another is monitoring the follow-on. This points to a future where regional networks are not necessary to achieve regionalized care. Patients could access healthcare centers virtually, regardless of geography. They may be able to consult the doctor of their choice virtually with the tests that are needed to be run, done locally.

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Figure 10: All payers plan on supporting expanded use of telemedicine via reimbursement

Please select all options that characterizes your organization's approach to using "telemedicine" in the wake of the Covid-19 pandemic: Note: Responses will sum up to 100% or more due to multi select option.



Base: All respondents (n=35)

Expectations for 2021 and beyond


In 2021, payers expect a decrease in business disruption. Improvements were expected in disruption from unplanned medical costs, medical approvals or PNR requests, and in the ability of physician provider networks to provide necessary services. However, decrease in revenue from premiums, employment losses, and a reduction in customer base is expected to continue. On patient care continuity, payers remain optimistic about 2021 for three reasons — vaccination, systems by which patients can receive care in the current scenario, and the resumption of normal behavior.

Payer-Manufacturer interactions 2021 and beyond

To date, Payers have positive perception manufacturer flexibility in scheduling and conducting meetings, particularly virtually. While payers expect a return to more in-person meetings by 2022, potentially two-thirds of Payer-Manufacturer meetings will continue to be virtual. For in-person meetings, all payers would require participants to be vaccinated prior to the meeting.

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