

COVID-19: HEALTH AND WELFARE STRATEGIES FOR TAFT-HARTLEY FUNDS

As concerns about COVID-19 continue to rise, Funds are wondering what they can do to protect their members and their assets. Funds must be able to estimate the potential impact of the pandemic and develop strategies that allow for continued stability and sustainment of the Fund's benefits and financial well-being. The following provides a summary of strategic opportunities a Fund may want to consider during these uncertain times.

Extending Benefits

Health and welfare benefits are of pivotal concern for a Fund during times of crisis as most members worry whether they will have coverage when they need it most. Unfortunately, Funds are in a difficult predicament of balancing income reductions resulting from work stoppages while continuing to offer and pay for benefits for its membership. Listed below are strategies to consider for addressing this issue.

- **Extend Eligibility** for all current enrolled members to the next benefit period regardless of hours worked. This method is easy to communicate and implement from an administrative perspective while promptly addressing membership benefit continuation concerns. Understandably, this strategy is the most costly, and should be carefully weighed against reserves, contribution strategies, and current funding methods (fully-insured or self-insured) of applicable benefits to ensure its feasibility.
- **Reduce Work Requirements** to levels that adjust for the reduction of hours resulting from work stoppages. This will provide benefits for members who have earned coverage through hours worked up to the onset of the pandemic. While some administrative hurdles may come into play in terms of properly calculating eligibility, this option allows a Fund to extend coverage to those members who have earned the benefit, and removes barriers such as stay-at-home orders from the equation. This strategy provides enhanced alignment of expected income to the cost of coverage and can be used for more financially sensitive situations.
- **COBRA Premium Assistance** should be considered if administrative tasks such as calculating hours become too much of a burden and if financial flexibility is of key concern. The Fund should continue eligibility requirements in accordance with the Fund's plan document. Thereafter, based on funding, the Fund could then provide financial assistance to help cover COBRA premiums for those affected.

It is important to note that careful consideration should be given to any applicable collective bargaining agreements and applicable laws, such as the Patient Protection and Affordable Care Act (ACA), regarding consequences an employer may face based upon the decision to adjust eligibility requirements and reduce employment.

Potential Financial Impact

Based on the above strategies, a Fund must attempt to estimate the potential impact COVID-19 will have on healthcare costs in order to make informed decisions on extending benefits to its membership. However, estimating the monetary effect of COVID-19 is difficult to predict based on the limited data available regarding treatment, costs associated with such treatment, scale of the infection, supply shortages, etc. Nonetheless, early indications illustrate a bleak picture of what employers could be facing in three major areas.

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Testing – Projections related to lab costs and volume are expected to increase significantly as the disease progresses. The CDC is actively encouraging broadening respiratory panels to include more illnesses in order to rule out a COVID-19 diagnosis. Medicare Administrative Contractor (MAC) [pricing](#) can range from \$35 - \$51 per testing kit depending on whether it was developed by the CDC or a different source. MAC pricing simply provides a base cost and it should be noted that non-Medicare pricing can be significantly higher.

Office Visits – When compared, the cost of non-emergency room options, inclusive of telemedicine, in-person primary care visits and urgent care typically range from \$50 - \$250 against emergency room visits that hover around \$1,000. In terms of volume, the uptick in office visits is anticipated to be similar to increases seen in testing as many areas now require physician referrals due to testing kit shortages. However, as testing kits become more readily available, office visit requirements may ease and volume reduced.

Treatment – For those admitted to the hospital, which current [estimates](#) by the CDC indicate about 20%-30% of all those infected, costs can skyrocket. Initial estimates often compare cost to those seen in treating pneumonia where mild and moderate cases are typically in the low to mid five figures. In more serious cases, acute respiratory distress syndrome (ARDS) can develop which leads to much longer hospitalizations and often ICU care. These costs are often considered catastrophic and test the boundaries of most individual stop loss levels rarely accruing costs under six figures.

As one can ascertain, the financial impact from COVID-19 on a Fund may be profound. The heavier, direct risks will impact self-insured plans immediately as claims costs will likely surge in the coming months. Fully-insured plans have more cushion and no direct risk at first, however, insurance carriers will ultimately pass along their losses at renewal. Below are some potential strategies Funds may want to implement to educate members and assist with reducing the potential financial impact to the overall Fund.

- Communicate and encourage directives of social distancing
- Adhere to government notices for temporary closures
- Implement and enforce policies to ensure a safe and clean work environment
- Encourage members to take steps to control chronic conditions such as following maintenance medication schedules, eating right, and exercising. Early research indicates that those who are diagnosed with COVID-19 and have uncontrolled chronic conditions such as COPD, diabetes, high blood pressure, high cholesterol, and heart disease are significantly more likely to have severe symptoms and require hospitalization
- Educate members on how to be cost-effective utilizers. The illustration below details best practices when seeking care from most cost effective to most expensive.
 - Testing: Independent Labs (Quest Diagnostics/LabCorp) -> Hospital Testing
 - Office Visits: Telemedicine -> Primary Care Visit -> Urgent Care -> Emergency Room

The current COVID-19 pandemic is a health crisis that will push and strain social norms to breaking points in every industry. It is vital that Funds stay informed on the daily changes that the pandemic presents in order to make critical, informed decisions. Please visit Cowden's [website](#) for further resources on COVID-19 and how you can take proactive steps to reduce risk and manage costs.



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