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Milliman projects COVID-19 pandemic could reduce 2020 U.S. healthcare expenditures by \$75 billion to \$575 billion

Cost of deferred and foregone care dwarfs added cost of COVID-19 testing and treatment

SEATTLE – APRIL 23, 2020 – Milliman, Inc., a premier global consulting and actuarial firm, released a report today projecting the COVID-19 pandemic will reduce U.S. nationwide healthcare expenditures by at least \$75 billion and by as much as \$575 billion in 2020. The report, “Estimating the financial impact of COVID-19 on 2020 healthcare costs,” models 18 different scenarios with varying infection rates and durations of care deferral. Key findings of the report include:

- If COVID-19 results in deferred care through the end of June, the net reduction of 2020 healthcare costs through June would be between \$140 billion and \$375 billion nationally. The net reduction at year-end would depend on pent-up demand as care resumed in the second half of the year.
- If COVID-19 results in deferred care through the end of the year, either because of a “second wave” or elongated first wave of infections, the net reduction of 2020 costs will be between \$75 billion and \$575 billion nationwide.
- While commercial insurance and Medicare are likely to see net decreases in costs, state Medicaid programs could experience a net cost increase as more people who have lost their jobs enroll in Medicaid.
- Milliman expects an increase in costs after the pandemic due to deferred care and pent-up demand for healthcare services, since a portion of deferred care will be rescheduled and individuals with ongoing healthcare needs will seek care.
- Almost all of the country faces a net decline in health expenditures, though most COVID-19 hot spots see less of a decline, since they are treating more COVID-19 patients. Some of the areas with the least decline include New York City, New Orleans, and Nassau and Suffolk counties on Long Island.

“While the testing and treatment of COVID-19 patients is increasing healthcare costs across the country, these expenses are dwarfed by the cost reductions resulting from the deferral of nearly all elective care and other care that can be delayed,” said Doug Norris, principal and consulting actuary.

“Ultimately, the magnitude of cost reductions will depend on how long care is deferred,” said Matt Kramer, consulting actuary. “If there is a second wave of infections, or if the first wave is elongated and lasts into the fall, some amount will be offset, but regardless of the scenario, we expect COVID-19 will actually reduce U.S. healthcare expenditures in 2020.”

“Deferral of care will have a significant short- to medium-termed effect on health expenditures, but some of that will boomerang back when patients can access care normally and proceed with services that were delayed,” said Charlie Mills, principal and consulting actuary.



Press Release

To view the complete report go to <https://www.milliman.com/covid19costs>. Milliman will host a public webinar to discuss the analysis and findings on April 29, 2020 at 11:00 a.m. EDT. Interested parties may register for the webinar at https://milliman.zoom.us/webinar/register/WN_C8HUAG9ySI6CAEODy6_YnA.

About Milliman

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