

# Estimating spending on COVID-19

1 June 2020, by Lauren Jett



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In a new report published by the Brookings Institution, Matthew Fiedler, a fellow in economic studies at the USC-Brookings Schaeffer Initiative for Health Policy, and Zirui Song, assistant professor of health care policy in the Blavatnik Institute at Harvard Medical School, estimate national health care spending for COVID-19 care and discuss its policy implications.

The implications of the COVID-19 pandemic on health care spending are important for providers, payers and policymakers, the researchers said. As a nation, direct health care spending on the pandemic critically depends on infection and [hospitalization rates](#), in addition to the prices and quantities of health care services, they said, adding that the magnitude of this spending has implications for [federal policy](#) and state budgets.

Projecting COVID-19 spending can be challenging, as the dynamics of disease transmission and population behavior remain uncertain. Thus, Fiedler and Song consider multiple scenarios, including one in which infections are driven to a low level in the near future, and another in which further spread of the virus is poorly contained. Estimates are made at the national level and

separately for Medicare, Medicaid and privately insured populations.

Under several potential hospitalization rate scenarios, a cumulative national infection rate of 5 percent would lead to a modest level of direct spending on COVID-19, amounting to roughly 1 percent of baseline health care spending. A cumulative national infection rate of 60 percent would lead to COVID-19 care comprising almost 6 percent of baseline health care spending, with the range of hospitalization rates widening this estimate to about 4 percent to 10 percent of baseline [health care spending](#).

Recent data suggest that insurers have seen a decrease of over 30 percent in overall claims spending as nonemergent care is delayed or canceled during the pandemic. Hospitals have seen similar declines in their inpatient admissions, as well as in [emergency room visits](#) (50 percent) and outpatient surgeries (70 percent) compared to the same time last year. Fiedler and Song estimate that even moderate declines in non-COVID-19 spending would in large part offset direct spending for COVID-19.

This study also suggests that policymakers should more closely critique the case for offering stimulus aid to insurers for the 2020 plan year. Even if most of the delayed care rebounds later in 2020, most insurers will likely not face very large losses during this plan year. In future years, Fiedler and Song propose a rationale for a risk corridor policy to help protect vulnerable payers and lower premiums for enrollees.

**More information:** Estimating potential spending on COVID-19 care:

[www.brookings.edu/research/est...ng-on-covid-19-care/](http://www.brookings.edu/research/est...ng-on-covid-19-care/)

Provided by Harvard Medical School

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