

HealthLeaders

HOW CLIMATE CHANGE WILL TURN UP THE HEAT ON YOUR PAYER BUSINESS: PART ONE

ANALYSIS | BY **MARIE DEFREITAS** | APRIL 22, 2024

Will health insurers be prepared for a climate health crisis? They should be.

KEY TAKEAWAYS

- Climate change is on the verge of having an enormous impact on health and healthcare; are payers prepared?
 - Blue Shield of California shared its climate initiatives and how the issue will press healthcare insurance providers.
 - The health insurance sector will need to take action in order to protect their members—and their profits.
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The climate crisis is longer confined to our TV set on National Geographic, it's on our doorstep. From wildfires that **choked the nation** last year, to **extreme heat** that took lives, the notion that climate change is affecting our health is no longer an argument, it's a reality.

For evidence of climate effects, look no further than last year, a.k.a the **hottest year on record**. Last year alone there were **28 climate disasters** that cost the U.S. a whopping \$92.9 billion.

Of course, not every storm, fire, and drought is caused by climate change. However, climate scientists state that a warming planet will increase the chances of more storms, more extreme heat waves, more droughts, and more wildfires. If that isn't something that affects our health, what is?

What does that mean for the population? More health crises. What does that mean for health insurance? Skyrocketing utilization.

CLIMATE CHANGE AND HEALTH INSURANCE

Climate change is already affecting things like **home insurance**, making it more expensive and harder to obtain; health insurance is next in line.

A report by the **Boston Consulting Group** looked at how climate change will affect health insurance: "Beyond its impact on individuals, global warming puts a strain on health care providers, causes loss of work hours, and leads to higher economic costs. It is also leading to mounting claims and costs for health insurers."

Beyond experiencing these disastrous climate events, climate-induced anxiety and depression also comes into play. From trauma and loss from these events to existential concerns about an unsteady future, the climate crisis is affecting our mental health too. This factor has the potential to raise utilization and expenses in mental and behavioral healthcare as well.

The Commonwealth Fund puts it as "further taxing a behavioral health care system already in crisis."

WHAT DOES IT MEAN FOR PAYERS?

So how do health plans even begin to tackle such a problem?

One state that has experienced drastic climate effects, perhaps more than anywhere else in the country, is California; from fires, floods, and droughts to record heat—the state is no stranger to extreme weather.

HealthLeaders sat down with [Baylis Beard](#), director of sustainability at Blue Shield of California, to hear their thoughts on climate change's relationship with health insurance, its effect on healthcare, and what the organization is doing to prepare.

“We have seen our health systems get overwhelmed again and again – from Hurricane Katrina to Hurricane Maria and Sandy to the wildfires and flooding we see here in California,” Beard said.

Health plans are often less exposed to the frontline issues that clinicians face, but they are nonetheless responsible for providing sustainable care and providing resources to make the health system more resilient, Beard explained.

Beard also pointed out that healthcare isn't entirely a victim in this problem. The US healthcare system contributes to [8.5 percent of U.S. emissions](#). In turn, climate change costs the healthcare system billions.

“And financially, pollution and climate change cost \$820 billion in annual health care costs. Inaction will cost \$8 trillion over 10 years [according](#) to the National Resources Defense Council,” Beard said.

NOT EVERY DISASTER IS CREATED EQUAL

While we can't say we know for sure the effects climate change has on our health, we do know it affects some communities more than others. We can't talk about climate change and solutions to it without at least acknowledging the disproportionate effect it has on minority groups. The health impacts of climate change are not felt equally.

The National Institute of Health explains that there is evidence of racial disparities in climate change regarding mortality, respiratory and cardiovascular disease, mental health, and heat-related illness. It also notes that children are particularly vulnerable, and infants of color have experienced poorer perinatal outcomes, heat stress, and higher emergency department visits in association with extreme weather.

According to [The National Institute of Health](#): “The evidence strongly suggests climate change is an environmental injustice that is likely to exacerbate existing racial disparities across a broad range of health outcomes.”

“[...] We know that certain communities – particularly communities of color, the communities that contribute least to planetary harm – are the ones that already face disproportionate burdens of environmental pollution, and climate impacts on health,” Beard stated.

LOOKING AHEAD

Health insurers are already well-positioned to tackle this problem; being able to predict, control for, and prevent risk is a philosophy health insurers know well.

In other parts of the insurance industry, like property and home insurance where climate change is already having an effect, these companies are reacting by pulling out of high-risk areas or limiting coverage, including in California, Beard explained. But this is not a sustainable solution.

“As the climate crisis continues to develop and exacerbate our big problems – cost, affordability, quality, access, equity and satisfaction – we must look at this as a catalyst for system transformation – for reimagining our healthcare system as a whole,” Beard said. “We can no longer accept the status quo.”

Now that you know why payers should care about climate change, check back for part two where we'll dive into what payers can do about it.

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