

Buckle Your Seatbelts!

Navigating the Path to 2021-2022

11/19/2020 Webinar Highlights



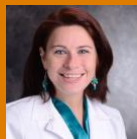
PANELISTS:



FABRIZIO PERRI

Monetary Advisor, Research Department, Federal Reserve Bank Minneapolis

- Ph.D. in economics, U Penn
- Research focused on macroeconomics and inequality



DR. KATIE PASSARETTI

Medical Director of Infection Prevention, Atrium Health

- Attending faculty position at Department of Internal Medicine
- Board certified in internal medicine and infectious diseases



DR. DAVID COSENZA

Specialty Medical Director, Atrium Health Employer Solutions

- Physician with Atrium since 2009
- Board certified by American Board of Family Medicine and licensed to practice in NC & SC

“Give me six hours to chop down a tree and I will spend the first four sharpening the axe.”

-ABE LINCOLN

Introductory thoughts from John Gulla

- Take advantage of the time you have now for 'axe sharpening'
 - Look toward 2021-2022 and think about what plans can be made to best serve your school in the future
- This pandemic is an accelerant of trends we've been seeing for years, not the cause
 - The number of post-secondary institutions in the U.S. has been on the decline since 2013
- Schools need to think about changes that might be made in 2021-2022 to counteract current challenges
 - Consider the three levers of independent school finances:
 1. What do we charge?
 2. What do we pay?
 3. What is the FTE headcount to student ratio?
 - What could you change in these areas to put yourself in a better financial situation?

RECOVERY SCENARIOS FOR 2021



FABRIZIO PERRI

“The course of the economy is the course of the virus.”

Economic Indicators

Death

- The number of COVID related deaths is the best indicator of how the economy will fair because death drives both policy and individual life choices
- It is most likely that the pandemic will drag out with the number of deaths increasing but the crisis state not too elevated

Retail/Recreational Mobility

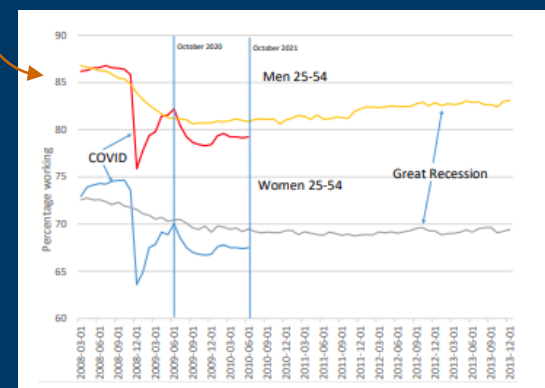
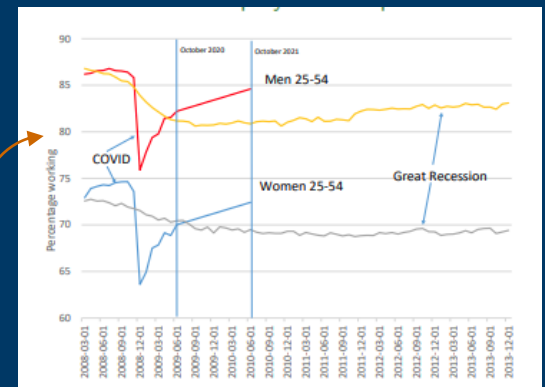
- People's ability/likelihood to spend and engage in recreational activities is also a good economic indicator
- Currently the US is about 15-20% below what we were in pre-COVID times
 - Outcomes in Europe signal things may get worse here. They recovered quickly but with the second wave, retail/recreational spending has decreased by 40%

Covid vs the Great Recession

- COVID hit harder than the Great Recession (especially for women). However, recovery has been pretty fast. We are now at a similar point as during the Great Recession.
 - Optimistic outlook: vaccine deployed
 - By this time in 2021, we will be okay economically speaking, but not quite back to where we were before the pandemic
 - Pessimistic outlook: failure to deploy the vaccine
 - The economy will be in a deep state of crisis, worse than the Great Recession
 - Recession

The Impact

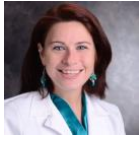
- Low wage workers have been hit the hardest during the pandemic whereas high wage workers have almost fully recovered from the initial impact
- There is an implication that the wealth of the rich has actually increased
 - Spending has been decoupled from income
 - The rich are spending less than they were in pre-COVID times as they are not spending on usual luxuries (i.e., travel, eating out, etc.)



Personal Opinions

- If the vaccine fails, 2021 may be 2020 all over again
- If the vaccine works as expected, the U.S. will have a solid recovery in 2021
 - A successful recovery is dependent on an aggressive CARES 2 plan to manage the COVID surge we will face in the winter
 - Such a plan will help economically, epidemiologically, and socially

COVID-19 UPDATE



DR. KATIE PASSARETTI

COVID-19 in the U.S.

- There is a daily uptick in the number of COVID cases across the country, with the number of hospitalizations climbing. This presents challenges to medical professionals' ability to care for and treat patients.
- The increase in cases will lead to an increase in hospitalizations and ultimately an increase in deaths.
- Soon we will be dealing with the typical issues of flu and other viruses that increase in the winter and fall, with the bulk of cases likely hitting in Jan-Feb. It is anticipated that COVID will also be peaking at this time.

Pediatrics and COVID

- The general trend of increasing COVID cases is the same for children and teenagers
 - However, there is no significant mortality in children, and cases of hospitalization and deaths are lower compared to adults
- Reports from Oct 29 show anywhere from 0.5-6.7% of pediatric cases ending in hospitalization
- Underserved populations and different ethnic groups have higher rates of infection
- The higher the age, the higher the likelihood of hospitalization and death
- CDC + American Academy of Pediatrics statistics
 - 3,240 (1.2%) school-aged children with COVID have been hospitalized
 - 0.1% required ICU admission and under 0.01% died
 - 43% were Hispanic, 24% were Black, and 22% were white
 - 2.8% had underlying health conditions

New Findings

- There is the potential that COVID has aerosol transmission
- Lack of masks, small spaces, and poor ventilation all contribute to increased spread and super spreader events
- The CDC has updated the definition of close contact
 - Close contact = 15 cumulative minutes over the course of 24 hours ... brief contact has shown the threat of infection
- Reinfection is possible
- If you share a household with someone who is COVID positive, the likelihood of you getting infected is over 50% regardless of age

Testing

- Right now, there are various types of COVID tests with differing levels of accuracy
 - PCR: the gold standard for testing, takes longer to get results, fewest false negatives
 - POC Molecular: good test, best if used within seven days of the onset of symptoms
 - Antigen Testing: false positives and negatives are common, less expensive, and more readily available

COVID Fatigue

- COVID fatigue is currently one of the largest risks we are facing. People are exhausted with taking precautions.
 - PPE discomfort/access issues, burnout, contradictory messaging, and mixed behaviors outside of work all aggravate this feeling
- Employers must take steps to address these issues
 - As an employer, consider providing emotional support, addressing gaps, and listening to employees' concerns, having open communication, and creating accountability in the workplace

Vaccinations

- The ideal vaccination would be effective after 1-2 vaccinations, have a lasting immunity of six months or longer, offer protection to high-risk groups (elderly and immunocompromised), create reduced transmission of the virus to contacts, be readily available, and have a low side effect profile
- Currently, there are 135 vaccines in the development stages; Pfizer and Moderna are the farthest along in development
- It will take at least a year to get significant vaccine supplies to vaccinate larger scale populations
- Likely vaccines will be provided to the highest risk populations first and make their way to lower risk populations as more supplies become available
 - High-risk populations include healthcare workers, essential workers (teachers included), people over 65, and those with underlying conditions
- Vaccine hesitancy is a huge issue
 - The vaccine will only be effective if a large portion of the population receives it, so it is important to address this issue now
 - Reasons for hesitancy include concerns over safety and the rapid development process, short- and long-term effects, overall efficacy, lack of adequate data, and politicization

2021 PLANNING CONSIDERATIONS AMIDST COVID-19



DR. DAVID COSENZA

Expectations

- By the end of 2021, many healthcare insurers expect to see an increase in healthcare costs due to:
 - The possibility of pent-up demand after deferred care
 - Direct costs related to COVID testing and treatment (if/when they are no longer covered under the CARES act)
 - Potential vaccination costs
- Some insurers are also expecting an increase in morbidity resulting from:
 - The impact of deferred care on chronic conditions
 - The impact of the economic downturn on individual status

Telehealth

- Expansion in telehealth services is likely to be a long-term benefit from COVID
 - It is important to note that self-funded employers often have the discretion to determine whether virtually delivered health services are covered for their employees and family
 - This may provide an opportunity to consider school-based telemedicine programs since payment and coverage parity makes it easier for healthcare systems/providers to deliver this care
- Investing in telemedicine upfront may lead to long-term savings

Possible Burdens

- Out of pocket costs may become an issue if COVID testing is no longer covered due to the public health emergency
- Loss of health insurance
 - Students may lose health insurance if parents/guardians have a change in employment status
 - Schools should be ready to connect students and families with resources to obtain insurance through federal and state programs

QUESTIONS & ANSWERS

Can you talk a little about high-net-worth earners earning more in this economy? What particular high net worth earners are doing particularly well?

FABRIZIO PERRI: The biggest factor for success in this economy was the ability to work from home. People who kept their job and were able to work remotely were barely affected. Moreover, people in these positions are probably sitting on a higher level of wealth now because they have not been spending on their usual luxuries. Hopefully, these people will be more willing to donate to independent schools in the coming year.

Lots of schools need to think forward to their budgeting, but with so much that's unknown about additional federal recovery or stimulus money, can you talk about, from a modeling approach, how you model with that amount of uncertainty?

FABRIZIO PERRI: We try to address uncertainty by considering different scenarios. Right now, the median scenario is one in which the vaccine will come but will take some time meaning the economy will remain in a semi-depressed state for awhile. If we came up with a more aggressive fiscal plan, then recovery would be faster by maybe 1-2%. If the vaccine doesn't come, we will go into a spiral of loss. You try to put numbers to that by looking at past experiences, but we haven't had many pandemics. We are flying a bit blind.

Do you think teacher labor costs will increase in 2021 as older teachers retire, more teachers are quarantined, or just temporarily choose a different route in life, with schools competing for the labor pool?

FABRIZIO PERRI: Absolutely. This ties into an earlier question that asked, 'what's going to happen to the demand for independent education in this time?' My view is that the cost of independent education will be high, but if you provide a high-quality independent education, you will have a high demand. However, if you are trying to offer the same product as before, the demand will not be there.

DEBRA WILSON: That makes me wonder about new graduates coming out of college who are struggling to find jobs and who may look for work in higher education. It might be interesting to think about retaining new potential teachers in our industry as they explore teaching as a potential route.

FABRIZIO PERRI: There will be higher demand, but there will also be a higher supply because of new graduates. Because they are young, they may be more willing. Hopefully, that will help counterbalance higher costs. Regardless, the costs of independent education will be high in the next year or so.

Do you think that pool testing is not a bad intermittent for schools? Schools that do frequent testing have found that anxieties of teachers have eased a bit knowing that testing is happening, even if it's the football team or the basketball team. What are your thoughts on the pool testing?

DR. KATIE PASSARETTI: I love the concept of pool testing, though it does get logistically challenging. I think it is most useful when we are not in a superheated battle as far as the pandemic goes. I think it would provide useful for sports and similar areas, but at this point, due to where we are in the pandemic, there's a limited utility because everyone is already testing anyway.

For many schools, COVID is more of an adult issue than a child issue. My biggest challenge is convincing adults that schools are safe places. We can talk about low transmission rates among children at schools, but unless we can convince employees and parents that they are less likely to acquire COVID from a school environment I can't operate in-person. In particular, the anxiety among our faculty and staff is incredibly high. Do you have any data that supports that schools are safe places for adults?

**DR. KATIE
PASSARETTI:**

Due to schools phasing in different ways and at different times, there is no data existing for school workers at this time. Some data does suggest that younger children are less efficient transmitters. However, that's not to say that outbreaks don't happen. To the point of the question is how do you overcome fear and anxiety around COVID and its spread? This comes down to communication with employees and making sure you are providing them PPE to keep them safe. It is also important to consider different mechanisms for workers who are at high risk.

**DR. DAVID
COSENZA:**

In a similar vein, there was a question about masks making a difference. The mask does make a difference to the risk of transmission, but it won't get you out of the 6ft and 15min definition unless you are wearing full PPE. Masks don't protect the eyes, so eyewear is important if you want as much protection as possible.

I've seen the Brown data that shows that schools are not super spreader places and a couple of people have asked about testing. How reliable are the pediatric results vs adults in respect of the amount of testing actually occurring at younger ages? Most schools are not doing the regular testing that you're seeing on college campuses. What are your thoughts around that data, around the pediatric numbers, given that consistent testing is not happening? What are your thoughts in terms of school spread and what we know or don't know given the numbers that we have?

**DR. KATIE
PASSARETTI:**

We are still under-testing pediatric populations because we underrecognize the signs and symptoms in children, leading us to miss many cases. As such there are opportunities for increased testing. The testing like you are seeing at universities is a different topic. I'm still torn on the topic of asymptomatic testing as it is not always done well or with a lot of planning. Moreover, such expanded testing can sometimes be done at the consequence of not testing those who need it most. Right now, we are still trying to balance a lot of shortages and limitations, so from my perspective, there is no concrete answer, but lots of opportunities in the future.

Can you address planning for the rollout of the vaccines, seemingly teachers are at an earlier phase? Are there specifics for navigating the gap between teacher inoculation while students under 18 may still be waiting? Moreover, schools do have parents who are opposed to vaccination or wary of the vaccination, so what level of herd immunity should schools be looking for as they are looking at that balancing act of vaccination roll out and people who don't want to be vaccinated and certain people have antibodies?

**DR. KATIE
PASSARETTI:**

The percent of the population that will need to be protected, whether from natural or vaccine-related immunity, is around 60-70%. It is still under debate what level of immunity and duration of immunity you get from natural infection so from my perspective, vaccinating everyone is ideal. You want to get the highest numbers that you can.

**DR. DAVID
COSENZA:**

COVID has proven itself to be more lethal the older you are and the more health conditions you have. Mortality in children is much lower, which is why they are a lower priority for vaccination. COVID is less fatal to children than flu is which is not the case for adults. However, that's for healthy children. If they have underlying conditions, they will be bumped up. But this is why teachers are a higher priority, just because they are older.

Q&A

COVID-19 AND SCHOOLS

Should we as schools begin testing in house to help identify cases faster than our local government testing? Pros/cons?

Panelist: There is a big difference if the question is surrounding testing for symptomatic/sick or surveillance. If you could become self-sufficient with in house testing and quickly identify sick students or employees, remove them/isolate them and contact trace, that would be helpful. Surveillance testing has less data on its effectiveness.

Thoughts on weekly staff and students testing for COVID paid by the school? Is it worth it?

Panelist: Evidence on surveillance COVID testing and its effectiveness is lacking in most situations. As we can see from the sports world such as the NFL, they have not been able to prevent outbreaks despite surveillance.

Dr. Passaretti, can you say more about the impact of likely upcoming travel plans of school families? Risk, impact, etc.

Dr. Katie Passaretti: I'm very worried about the coming holidays - I would strongly encourage people to do holidays differently this year - I think large family gatherings, lots of travel is going to feed the fire of this pandemic. And testing does not make that risk go away. I'm very worried about the coming months...

We know that young children are not social distancing in schools - but still, there is no or low transmission. Why?

Panelist: Kids tend to have lesser symptoms so it's possible that plays in. Having said that there is some data that even with milder symptoms they can have very high viral loads. Unfortunately, we just haven't figured this out yet!

VACCINATIONS

The news about effective vaccines has been positive recently. Has there been any study or polling about the confidence level and/or size of the general population that will get vaccinated as soon as it's available? I feel we may have "too many eggs" in the vaccine basket.

Dr. David Cosenza: Vaccine hesitancy is certainly present and a variable that we are working with as we plan the vaccination plans for our workforce and patients.

I hear even among doctors and nurses only 60% said they'd get the vaccine. Is that what you've seen?

Panelist: We have seen lower numbers when the question centers on vaccine administration upon initial release, especially with the release being under Emergency Use Authorization as is planned.

COVID-19 DATA

How do we tease out the statistics now about positive cases, versus those in March when we actually were not testing?

Panelist: The March data is likely skewed due to the challenges in testing availability. COVID was likely under-reported and underdiagnosed due to the testing challenges.

Can you speak to the risks of spread from kids to teachers/adults?

Panelist: It varies by age group and whether individuals mask/etc. In general, there is more transmission from teens/older adolescents, less from younger.

Is there more data about transmission amongst children when largely outdoors? Or on outdoors transmission in general?

Panelist: For sure being outdoors is better than being inside because there is a much larger area for the virus to disperse into. My only caution would be that many think if they are outdoors that means no risk - you still need to wear a mask within six feet and stay distanced

How does the COVID death rate compare to the flu death rate in children?

Panelist: Flu tends to have the highest morbidity at extremes of age, very young and very old - so flu mortality in the very young is higher than COVID, that evens out and shift/equalizes as kids get a bit older based on data so far.

How many reinfection cases have we actually observed, and where in the world? Is reinfection as severe?

Panelist: The reinfection is currently rare - <0.001% - the cases I've seen mostly have been less severe than the first time around but we're still very, very early in the reinfection journey - there was some data just this week suggesting better immunity than predicted previously by antibody data so hopefully will stay rare!

HEALTH AND PRECAUTIONS

With increased mask, handwashing, and distancing, does it make sense that flu might be abated somewhat? Less flu due to our hyper vigilance?

Panelist: Yes, we are optimistic that the measures in place for COVID prevention will translate into a lower flu season too. But hard to know since comparison to flu season in the Southern Hemisphere is not a good comparison since they were at height of lockdowns which is not where we currently are.

Dr. Passaretti - do you see the six-foot distancing requirement that we must abide by now in many states, reduced down or eliminated with a vaccine that is being distributed or even without one?

Dr. Katie Passaretti: Until we get the pandemic under control, I don't think the six feet guidance will decrease unfortunately - I do think vaccine plays a role in getting to that point but it won't be immediate.

So far, definition of "close contact" has been masked or unmasked ... any movement to differentiate between masked and unmasked?

Panelist: The CDC's new definition for close contact specifically calls out that the use of cloth face-covering vs none should not be factored into their close contact definition. Distance and time are the large determinants. The mask may lower the risk of infection but does not get one out of the close contact definition. Unless properly fitted N95 masks are used as in healthcare and other settings and protective eyewear is used within 6 feet of all, it seems unlikely that masking will impact that close contact definition.

COVID-19 AND THE ECONOMY

I read that the service sector of the economy has taken the biggest hit (v. goods). Is that true and should we consider independent schools part of the service sector?

Fabrizio Perri: That is totally true, service, which are usually very stable, took a large hit in this recession. Employment in education, which actually increased during the great recession, fell by 15% during the crisis and it is still depressed. So, for sure independent schools were affected heavily by this crisis.

Do you envision independent school education becoming more or less important for families as a result of economic hardship? Will it be the first thing to go or last based on educational supply?

Fabrizio Perri: This is a very good question. I do not have hard data on that. My sense is that it is going to depend a lot on whether independent education can provide a pandemic-proof education. I believe that independent schools that will be able to offer live school in a safe environment will be in very high demand!

What will be the longer-term effects of the Cares Act, etc. relative to government debt?

Fabrizio Perri: The cost of providing a more generous unemployment insurance and maybe additional relief checks will be quite low, especially in times of very low interest rates. Also, it might pay for itself in lower health costs.

This webinar was co-hosted by independent school associations around the country.

