



HealthFlex Mini-Summit—April 2023

Financial Review

2022 Experience—2024 Premiums



Wespath

BENEFITS | INVESTMENTS

Agenda










- **Looking Back: 2022**
 - Financial Results and Experience
- **Looking Ahead: 2024**
 - 2024 HealthFlex Premiums
 - Review of Rating Methodology
 - 2024 Changes



A blue-tinted photograph of a business meeting. In the foreground, a person's hands are visible, one holding a pen over a document and the other pointing at a laptop screen. The background shows another person's hands on a laptop keyboard. Overlaid on the image are various financial charts, including a bar chart and several line graphs with different colored lines (red, green, blue). The text "Looking Back— Financials and Reporting" is centered in white. At the bottom of the image, a portion of a chart is visible with the months "Aug", "Sep", "Oct", "Nov", and "Dec" labeled.

Looking Back— Financials and Reporting

Health Care Costs Are Rising

	Unit cost	Utilization
1 Higher overall inflation and increased labor costs		
2 Provider consolidation		
3 Escalating drug costs		
4 Worsening mental health		
5 Missed preventive and nonemergency care		
6 Aftermath of the pandemic (impact of long COVID and expiration of government subsidies)		

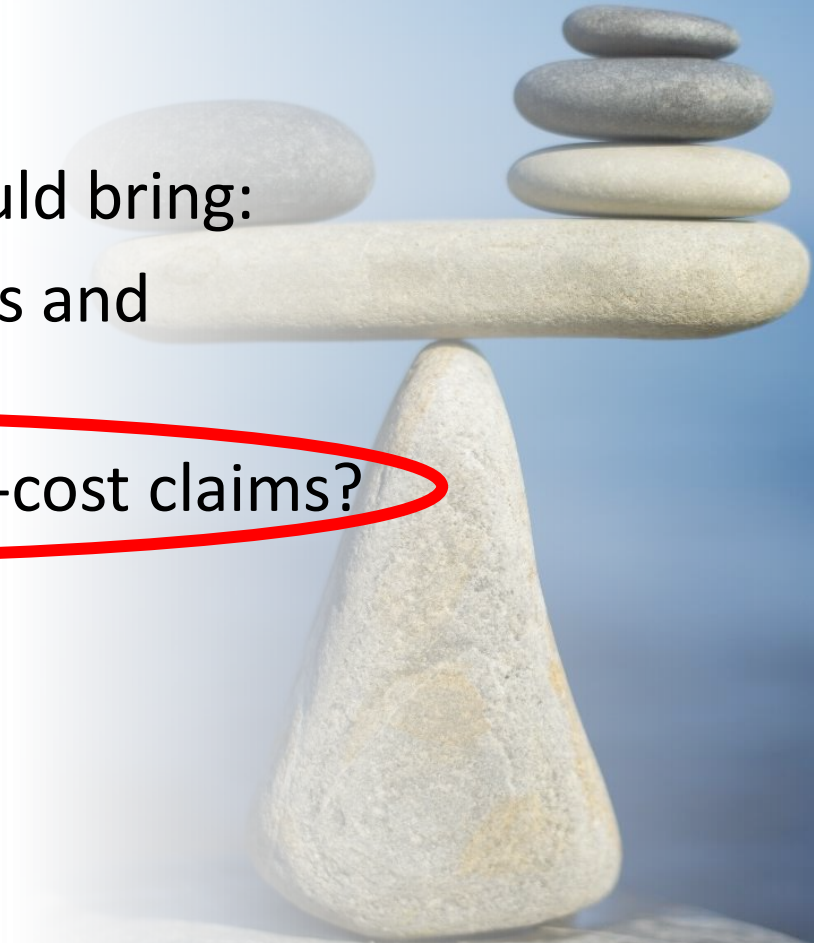


Source: Levin-Scherz, J., [“8 reasons why healthcare cost inflation is likely to escalate,”](#) The Hill, April 2, 2022.

This Time Last Year

We wondered whether 2022 would bring:

- Stabilization of high-cost claims and return to new normal?
- Continued high impact of high-cost claims?
- Something in between?



2021–2022—Increased Utilization

Higher utilization of medical services leads to increased medical spend

- Utilization of medical services and cost per service are key components in trend increases
- Since 2019, several key medical utilization (admissions, office visits, and urgent care) metrics have increased significantly
- Services related to substance abuse and mental health are amongst the highest increases in utilization from 2019 to 2021 and 2022

Utilization Type	2021 vs. 2019	2022 vs. 2019
Medical Admissions	39.2%	30.3%
Average Length of Stay	30.6%	25.9%
Total Office Visits	15.4%	21.4%
Urgent Care Visits	73.2%	67.2%
Substance Abuse Office Visits	403.6%	161.1%
Substance Abuse Inpatient Days	135.7%	226.2%
Mental Health Office Visits	76.7%	91.1%
Mental Health Inpatient Days	100.7%	72.6%

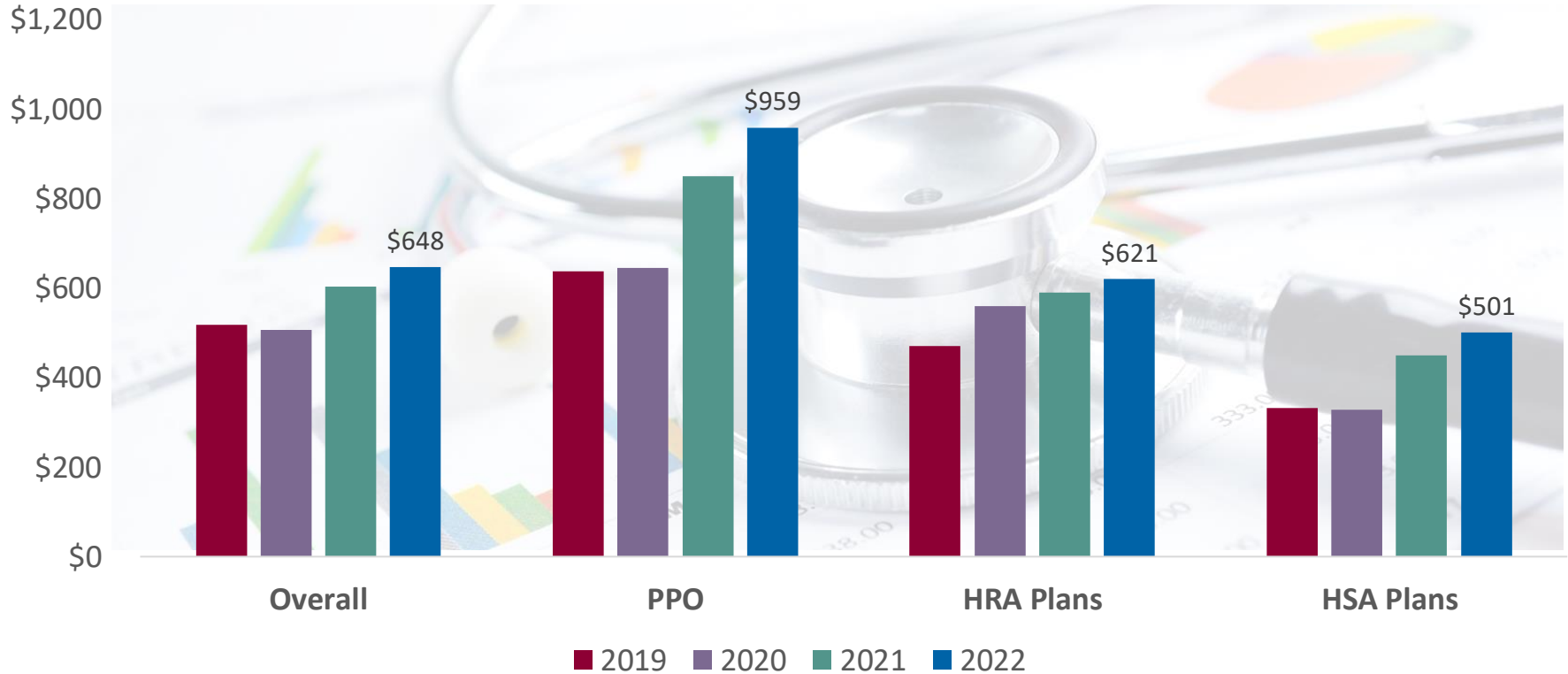
2021–2022—Increased Unit Costs

Higher average costs per procedures are also contributing to rising HealthFlex costs

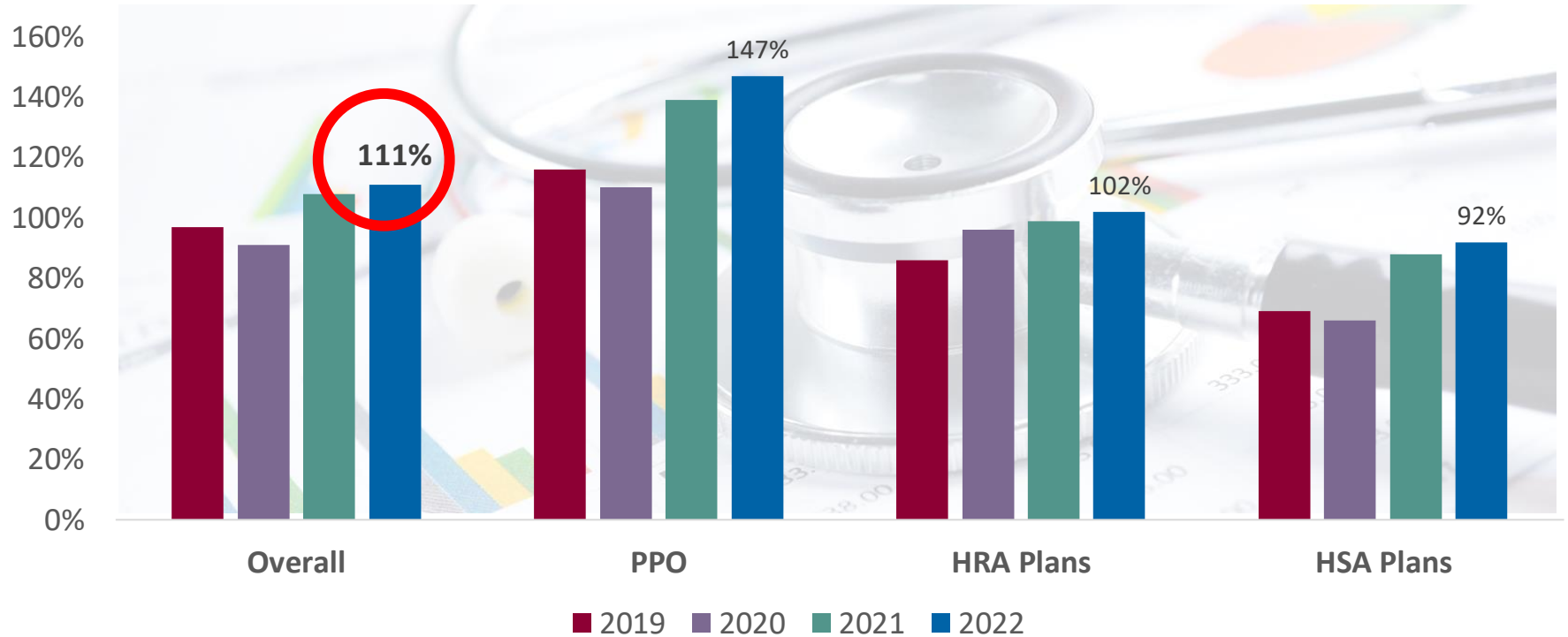
- The cost of the average inpatient admission, urgent care visit, and ER visit have increased substantially since 2019
- In addition to increases in utilization, average costs related to substance abuse and mental health are also increasing

Utilization Type – Average Cost	2021 vs. 2019	2022 vs. 2019
Surgical Admissions	67.2%	37.2%
Maternity Admissions	5.2%	40.3%
Dialysis Services	20.7%	38.8%
Urgent Care Visits	85.4%	82.7%
ER Visits	34.0%	26.9%
Admissions from ER	38.3%	32.1%
Substance Abuse Inpatient Days	64.2%	29.9%
Mental Health Inpatient Days	15.3%	15.5%

Average Paid Claims Per Member



Loss Ratio by Plan Type



High-Cost Claims are Increasing

Significant increases in high-cost claims are seen across the entire market

- Top areas of concern from the stop loss market:
 - Carrier environment
 - High-cost claimants frequency¹
 - High-cost conditions²
 - Carrier loss ratios

¹2021 Aegis Risk Medical Stop Loss Premium Survey.

²2022 Sun Life Stop-Loss & Health Research Report.

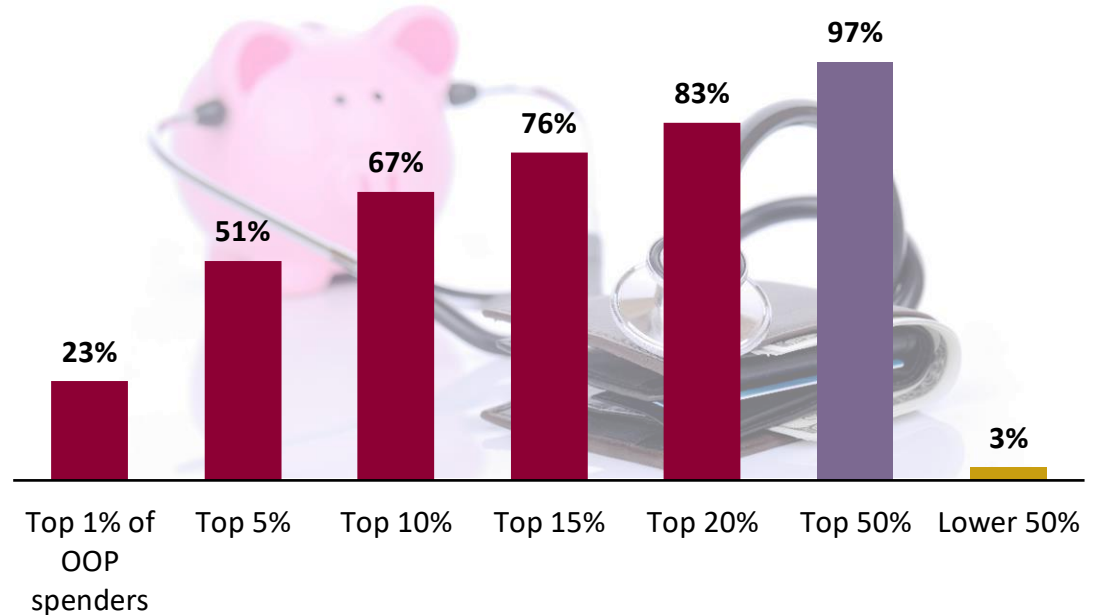


High-Cost Claimant National Benchmarking

When implemented effectively, care management programs can reduce inappropriate utilization of care:

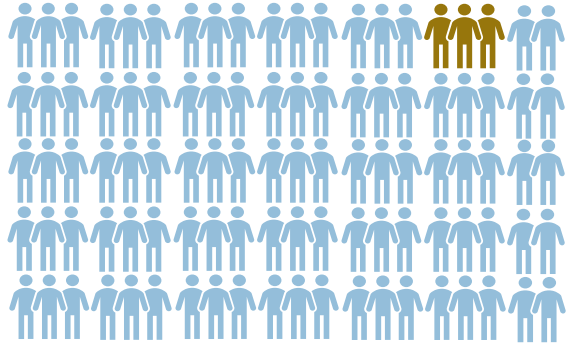
- High-cost claims
- Out-of-network claims
- Chronic disease
- High emergency room use
- High total inpatient days

Percentage of total healthcare costs incurred by population segments



Source: [Kaiser Family Foundation](#), 2021.

HealthFlex Claims' Cost Drivers



1

3.1% of the population
= 50% of claims cost (before rebates)

2



Neoplasms



Circulatory



Musculoskeletal

Top three disease categories
= Over 33% of medical claims costs



Inflammatory
Conditions



Diabetes

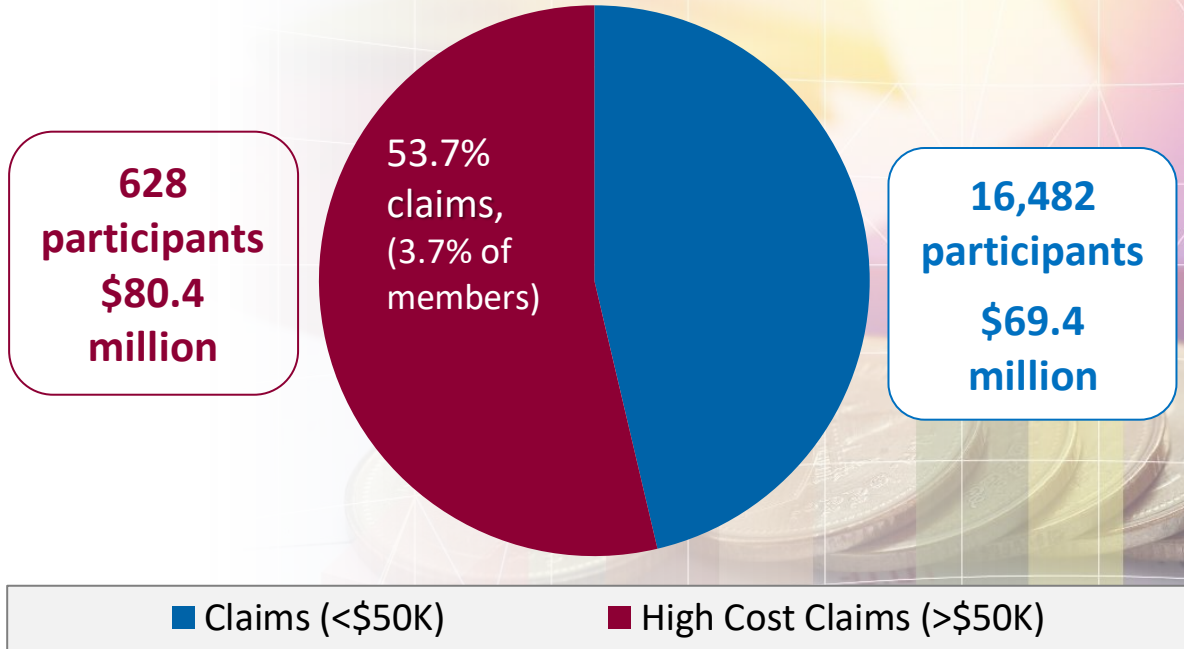


Oncology

3

Three categories make up
almost 60% of pharmacy spend (before rebates)

2022: Impact of High-Cost Claimants



Paid claims cost* per member per year:

- For participants with claims <\$50K: **\$3,190**
- For participants with claims >\$50K: **\$128,004**
- For 91 participants with claims >\$200K: **\$344,992**

*before Rx rebates



High-Cost Claimants

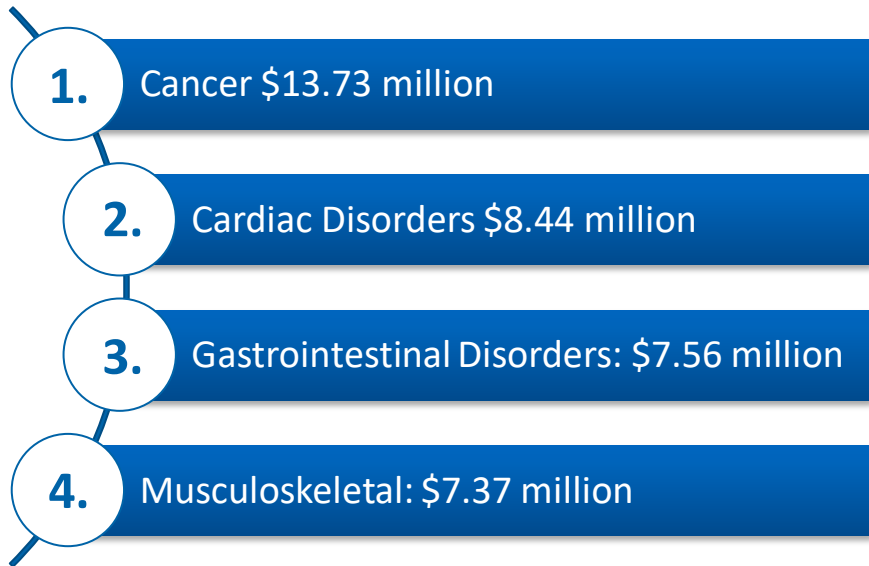
Diagnoses of Top 10 Claimants:

- Cancer: 6 of Top 10, \$640K per individual
- Surgical complications: 1 of Top 10, \$1.2M
- Hemophilia: 1 of Top 10, \$891K
- Pregnancy-related: 1 of Top 10, \$748K
- Non-cancerous neoplasm: 1 of Top 10, \$590K

Total = \$7.26 million in claims in 2022

Most Costly Medical Expenses

Top Conditions in 2022:





Most Costly Prescription Drug Classes*

Paid in 2022:

1. Diabetic Therapy: \$8.89 million
2. Anti-Inflammatory Medications: \$6.95 million
3. Anti-Cancer Medications: \$3.22 million

Also of note:

- Antidepressants/Psychostimulants: \$638K

*before rebates

Top 10 Prescription Drugs

Top 10 Specialty Drugs

Humira Pen

Hemlibra

Stelara

Tremfya

Taltz

Dupixent

Verzenio

Humira

Otezla

Skyrizi Pen

Top 10 Traditional Drugs

Ozempic

Jardiance

Trulicity

Eliquis

Lantus Solostar

Biktarvy

Humalog Kwikpen

Humalog

Farxiga

Januvia

What Can We Expect in the Future?

- Three factors impact future trends:

Trend driver	Finding
Cost	<ul style="list-style-type: none">• Most important predictor of healthcare trend• Higher costs relative to benchmark → lower trend
Demographics	<ul style="list-style-type: none">• Older populations → higher trend
Family size	<ul style="list-style-type: none">• Fewer dependents → higher trend

What Can We Expect in the Future? (continued)

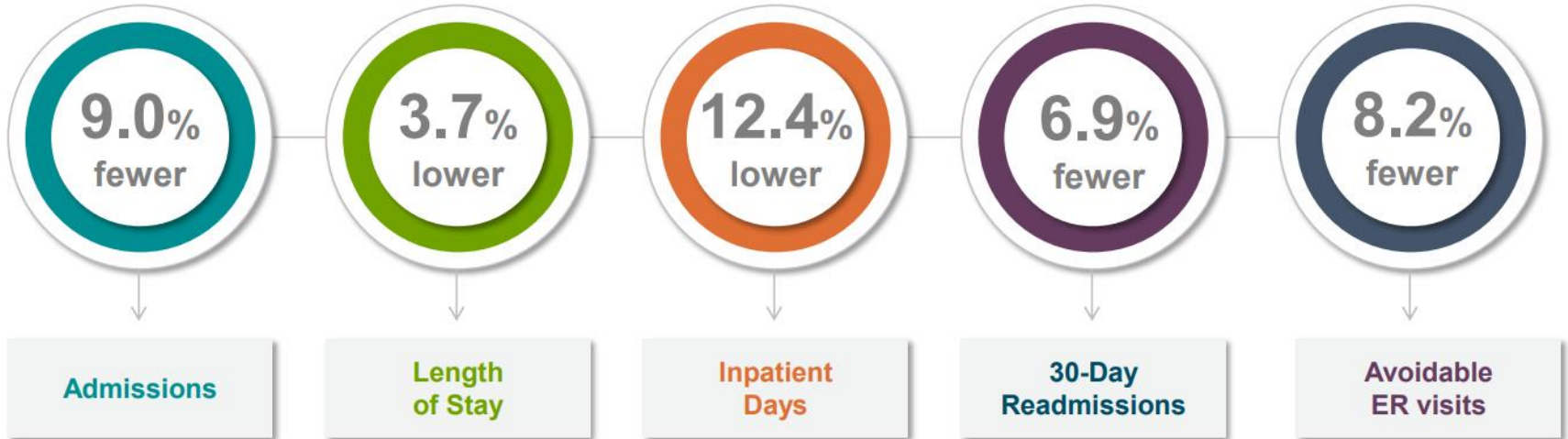
- Wasteful spending in health care is due to failures of care delivery, failures of care coordination, and over-treatment¹
- Concierge program will address this in the following ways:

Complex Care	Health Care Navigation	Integrated Support
<ul style="list-style-type: none">• Primary nurse support• Early identification and intervention• Enhanced care coordination	<ul style="list-style-type: none">• Treatment decision support & benefits guidance• Primary care utilization• Reducing barriers to care	<ul style="list-style-type: none">• Steerage to high quality physicians and specialists• Referrals to other HealthFlex health & wellbeing programs

¹ [Health Affairs](#): The Role Of Clinical Waste In Excess US Health Spending

Concierge Program—Proven Results

- Wespeth's selected concierge program has achieved positive outcomes for other organizations
- Higher care efficiency will improve quality of care and favorably impact premium trend





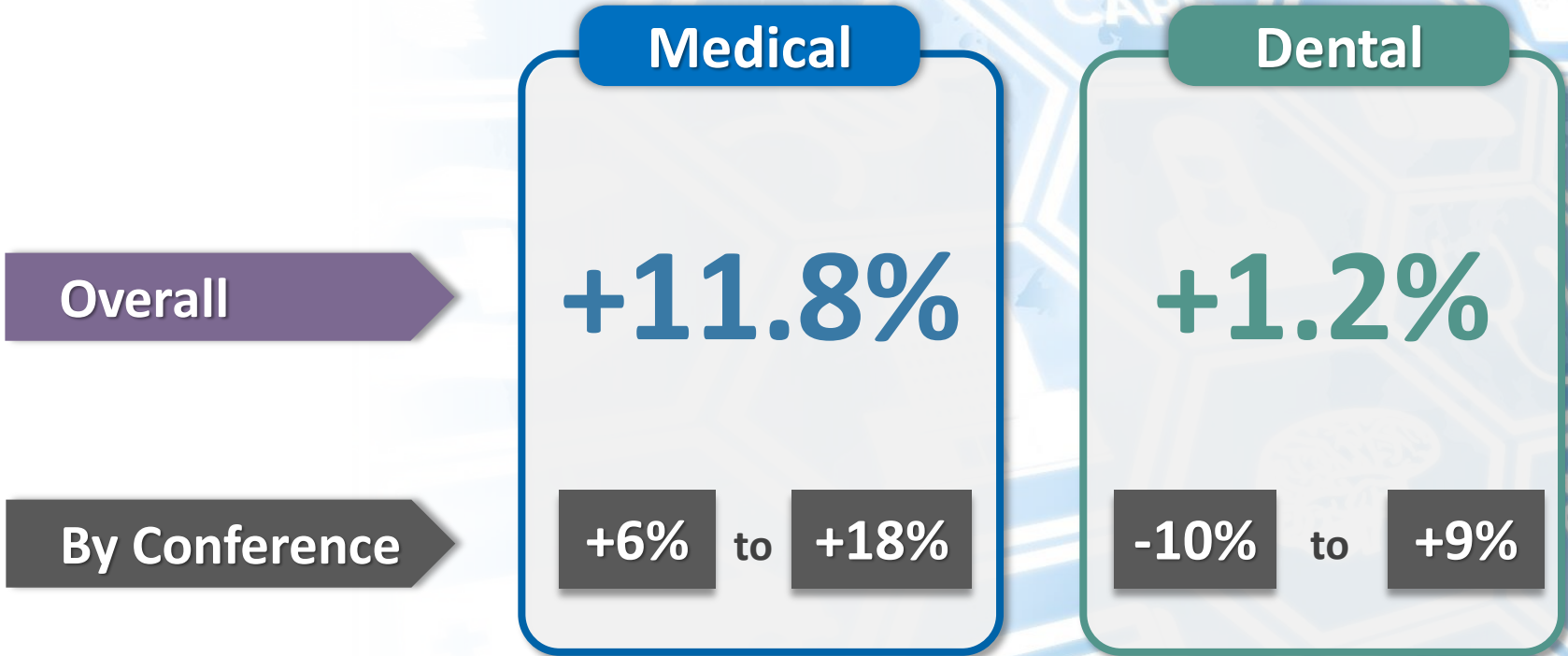
Questions?

A composite image featuring a stethoscope, a calculator, and a stack of US dollar bills. The stethoscope is positioned diagonally across the top. The calculator is in the bottom left corner. The dollar bills are stacked in the bottom right. In the background, a document with a table is visible. The text '2024 HealthFlex Premium Development' is overlaid in the center in a white, bold, sans-serif font.

2024 HealthFlex Premium Development

2,572	2,353	3,141	4,130	3,251
2,391	2,538	3,954	4,008	3,514

2024 HealthFlex Premium Increases



2024 HealthFlex Premium Increases

+6.7%

Expected trend in claims (5.2% normal trend + 1.5% expected trend increase)

+5.9%

Unexpectedly higher claims in 2021-2022

+0.6%

Expected migration into more expensive plans

-1.4%

Net impact of Concierge implementation in 2024

+11.8%

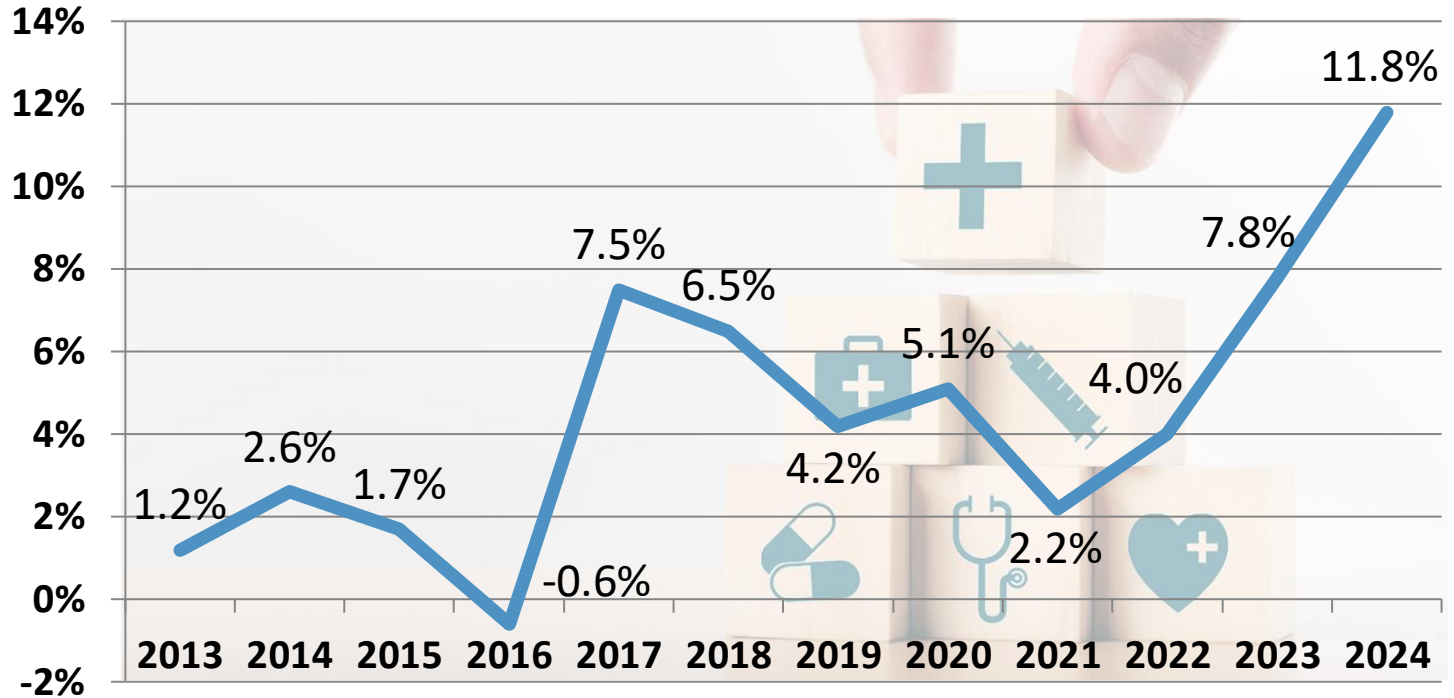
2024 premium increases not designed to recoup prior years' losses

Goal is always for premiums to be sufficient for expected 2024 claims.

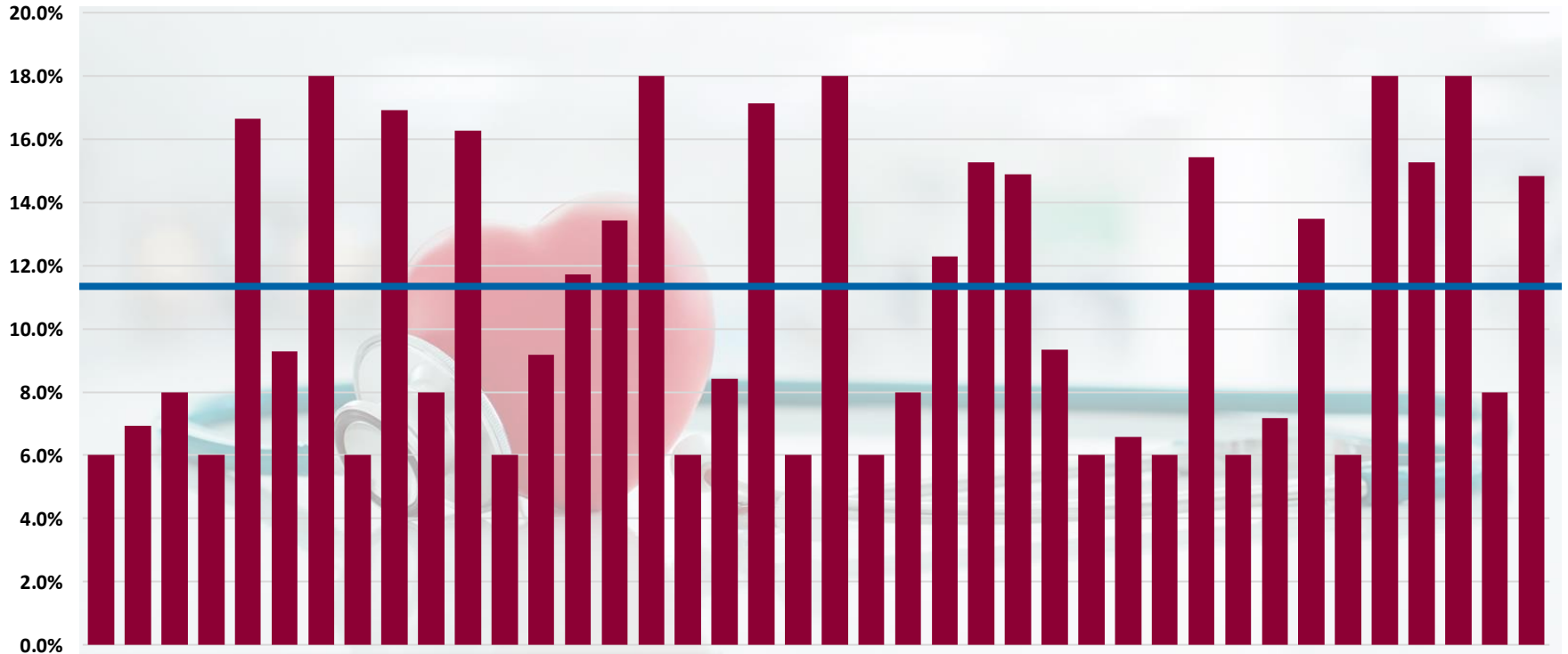
HealthFlex Premium Changes: 2013–Present

HealthFlex premium increases have been below industry average for most of the last decade

HealthFlex 5-year annualized rate change: 6% (2019-2024)



2024 Medical Premium Increases by Sponsor



7-Year History of Loss Ratios and Rate Changes

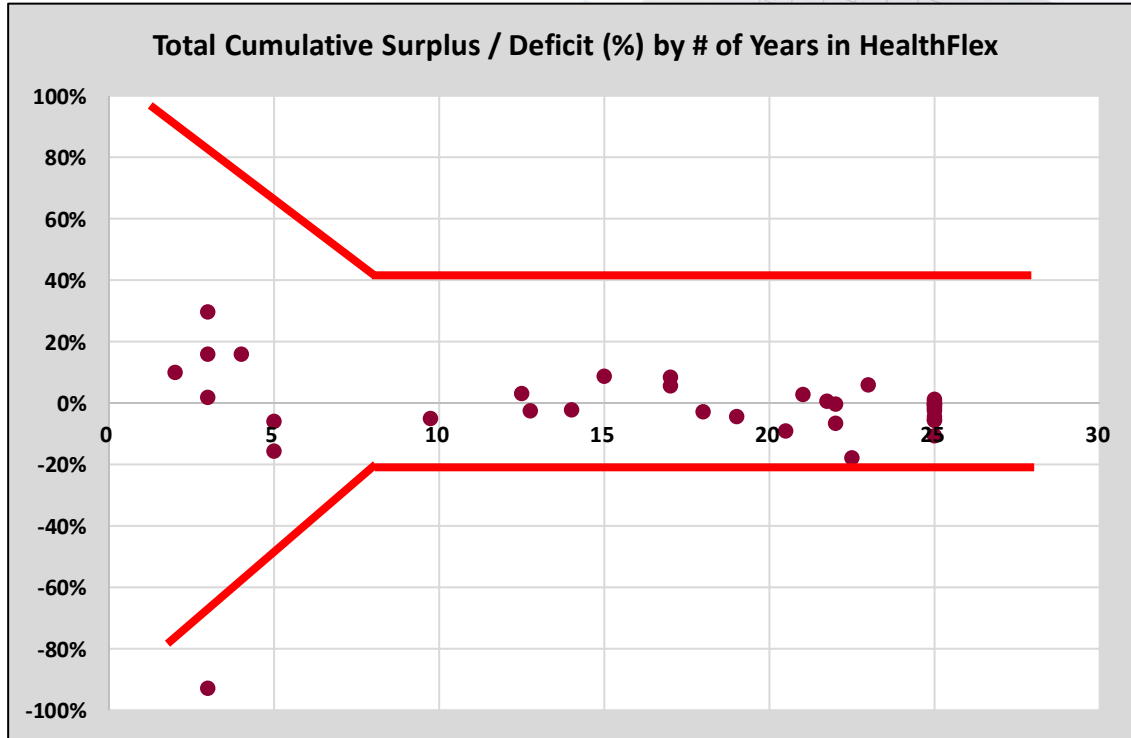
2016	2017	2018	2019	2020	2021	2022	7-Year Average Rate Change
86.3%	91.4%	197.4%	58.5%	123.0%	67.9%	47.2%	2.3%
103.9%	119.4%	87.1%	69.3%	48.0%	65.4%	77.3%	3.2%
130.0%	81.5%	88.1%	74.2%	125.5%	121.0%	96.1%	3.6%
0.0%	146.9%	112.7%	105.1%	140.6%	92.9%	84.6%	3.7%
88.3%	98.9%	76.4%	81.7%	87.3%	73.1%	68.8%	3.9%
89.9%	81.5%	79.3%	84.1%	73.8%	128.8%	124.6%	4.1%
108.5%	95.1%	83.3%	92.6%	84.1%	89.2%	86.1%	4.5%
66.3%	262.6%	202.7%	210.3%	188.4%	215.1%	194.0%	4.6%
85.0%	74.9%	60.9%	75.8%	103.4%	132.5%	111.1%	4.8%
115.7%	116.9%	97.5%	98.1%	89.5%	105.5%	101.2%	5.1%
119.3%	123.2%	103.6%	84.0%	86.3%	103.7%	82.1%	5.2%
112.6%	107.4%	86.0%	89.6%	102.2%	90.2%	87.2%	5.2%
155.4%	126.1%	112.7%	117.5%	76.3%	94.9%	128.1%	5.8%
112.3%	109.4%	129.7%	120.0%	84.6%	95.5%	104.0%	6.0%
95.2%	90.8%	76.0%	107.8%	90.9%	97.2%	138.4%	6.0%
115.3%	113.3%	90.4%	105.4%	91.5%	106.1%	121.1%	6.1%
101.9%	106.6%	109.2%	99.9%	78.5%	129.5%	97.3%	6.1%
99.8%	88.8%	79.6%	91.3%	87.8%	113.8%	118.8%	6.1%
144.2%	151.3%	100.3%	92.5%	100.5%	71.6%	98.2%	6.2%
80.5%	112.9%	137.0%	115.1%	110.7%	102.0%	103.1%	6.3%
132.7%	93.5%	86.1%	102.5%	87.2%	120.8%	113.5%	6.5%
102.8%	94.1%	136.4%	82.0%	108.5%	102.7%	140.2%	6.7%
124.1%	103.1%	96.1%	98.4%	94.9%	119.6%	107.6%	6.9%
117.9%	117.7%	117.5%	100.5%	68.3%	96.0%	174.8%	7.4%
175.9%	75.4%	79.0%	60.5%	41.0%	100.4%	93.9%	8.0%
99.2%	110.7%	88.3%	103.2%	103.5%	106.2%	132.7%	8.0%
87.6%	129.6%	94.7%	105.3%	78.8%	96.5%	103.7%	8.3%
119.2%	139.2%	85.9%	120.1%	176.1%	189.3%	102.5%	8.4%
99.2%	93.4%	94.4%	93.7%	99.4%	114.0%	141.1%	8.6%

In any given year, each plan sponsor is supposed to be “priced fairly”

This means there should be an equal chance for a surplus or a deficit*

***except for long-term catastrophic claims**

Cumulative Surplus and Loss



**Over long term,
no conference is
expected to be
paying too much
or too little**

HealthFlex Rating Methodology

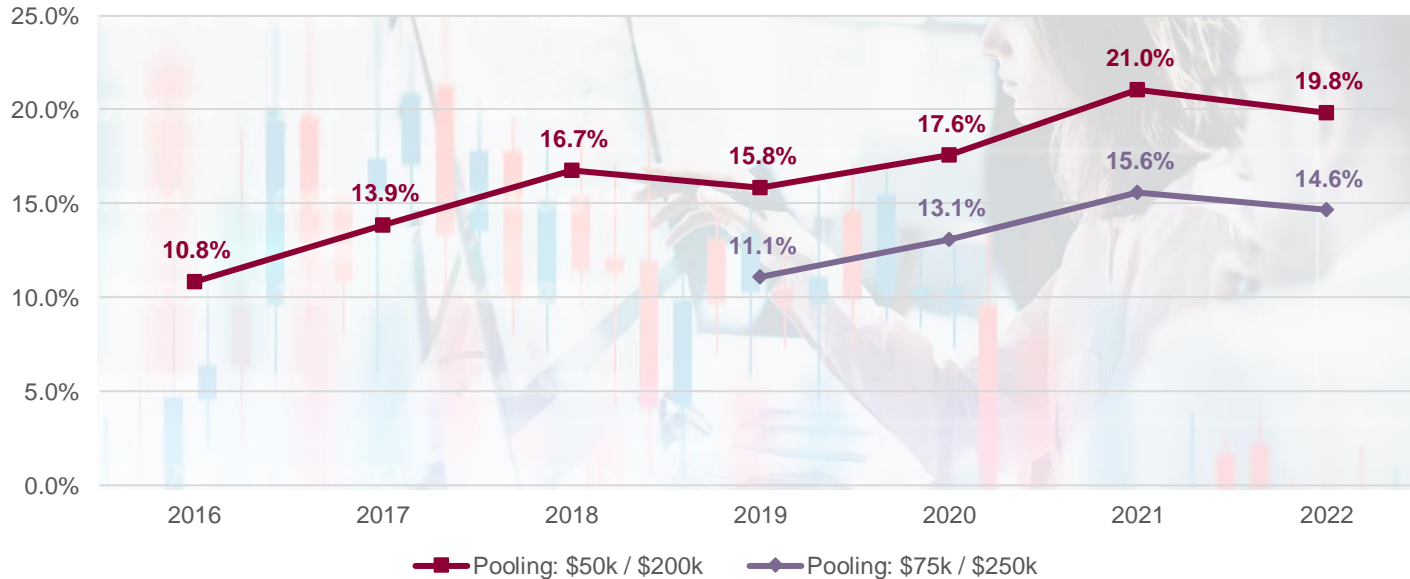
- Two years of incurred medical and Rx claims experience:
MOST RECENT YEAR: **Weighted 60%** SECOND YEAR: **Weighted 40%**
- Claims between \$75,000 and \$250,000*:
50% assigned to plan sponsor, 50% pooled
- Claims above \$250,000*: **Fully pooled**
- Manual rates developed for each plan sponsor—using overall HealthFlex experience, adjusting for plan-sponsor-specific geography, plan design and demographic factors. Manual rates are blended with experience rates as follows:

# of Subscribers	0 – 49	50 – 124	125 – 249	250 – 499	500 +
Experience Weight	20%	40%	60%	90%	100%

*indexed beginning 2022, goal to maintain pooled claims between 10-15% of total

High-Cost Claim Volume—Impact on Pooling

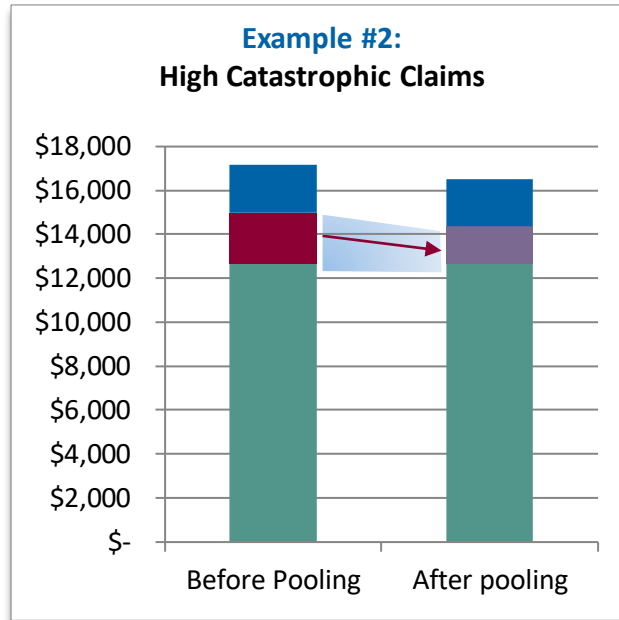
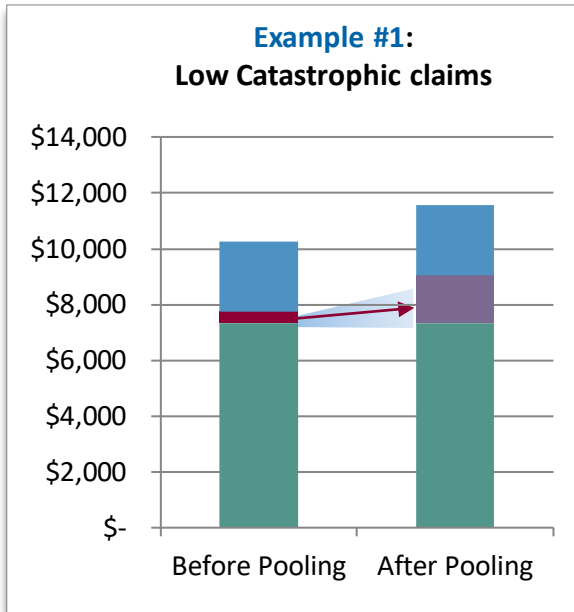
Pooling Charges as a Percentage of Total Claims



**High-cost
threshold
adjustment
possible next
year to keep
pooled claims
between
10-15%**

High-Cost Claim Pooling

In the development of each conference's claims cost each year, pooled claims are removed from the experience and replaced with a "Pooling Charge"



- Other Costs
- Pooling Charge
- High Cost Claims
- Regular Claims

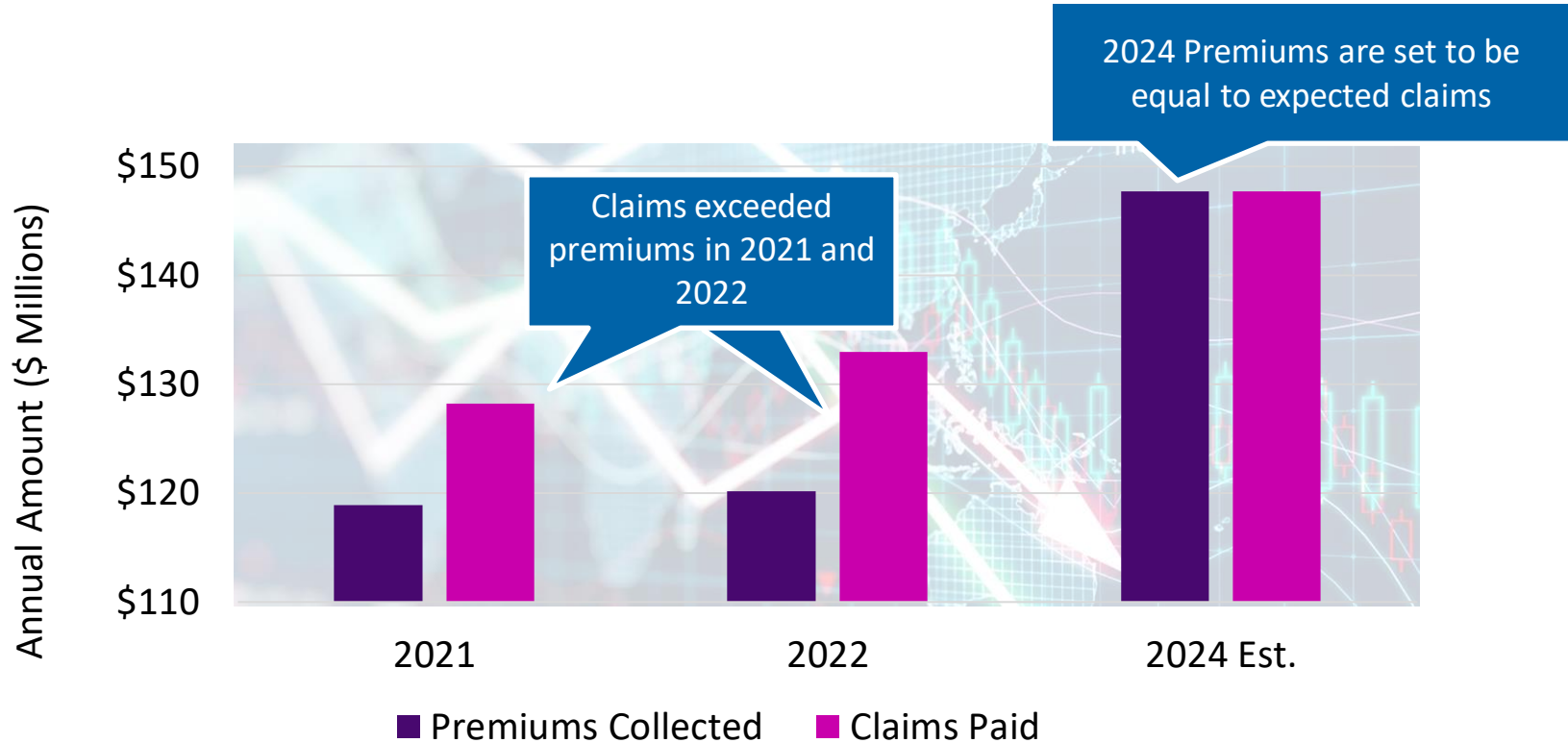
When Pooling Hurts

- Large claims are infrequent, but drive costs for plans. Each year, about **1/3** conferences benefit from pooling (pooled claims over \$75,000 are more than pooling charges)
- Plan sponsors can have little to no large claims one year, but then significant high-cost claims the next year
 - Of the 33 plan sponsors who have four years of HealthFlex experience, **73%** have benefited from pooling in at least one of the last four years of experience, and **46%** of those plan sponsors have benefited in at least 2 of the last four years

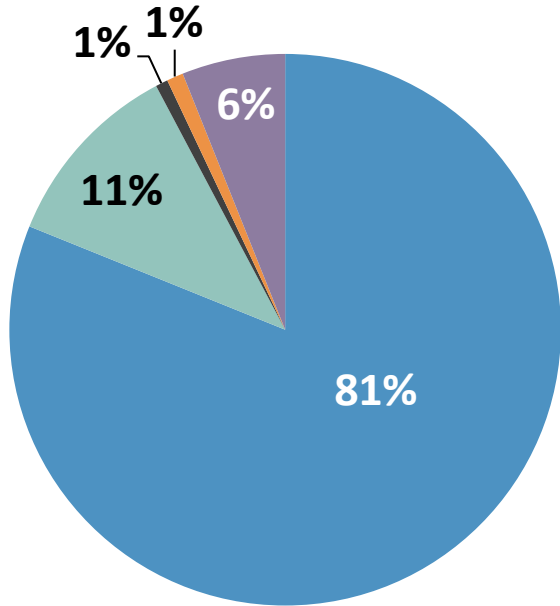
4 Year Pooling Experience by Conference –
(Green = benefit, Red = hurt)

2019	Red	Red	Green	Red	Red	Green	Red	Red	Red	Red	Red	Red	Green	Red	Green	Red	Red	Red	Green	Red	Green	Green	Red	Red	Green	Red	Red	Green	Red	Red	Red	Green	
2020	Green	Red	Red	Red	Red	Green	Green	Red	Red	Green	Red	Red	Red	Red	Green	Green	Red	Red	Red	Green	Green	Red	Red	Red	Green	Green	Red	Green	Red	Red	Red	Red	
2021	Red	Red	Red	Red	Red	Green	Red	Red	Green	Red	Red	Red	Red	Red	Green	Red	Red	Red	Green	Green	Red	Red	Red	Red	Red	Red	Green	Red	Green	Red	Red	Green	
2022	Red	Red	Green	Red	Red	Red	Red	Red	Green	Red	Red	Red	Red	Red	Green	Green	Red	Red	Red	Green	Red	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red	Green	Red

Rates are fair (even though hard to afford)



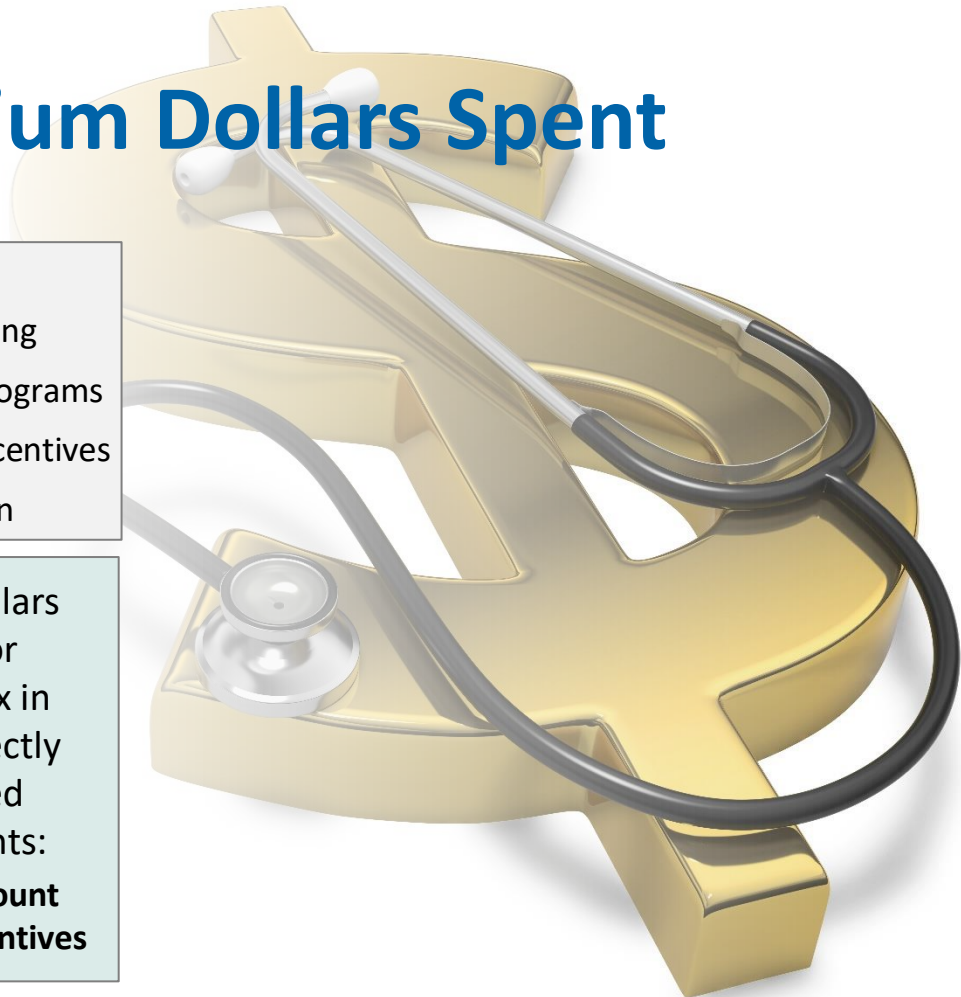
Distribution of Premium Dollars Spent



- Claims
- Account funding
- Well-being programs
- Well-being incentives
- Administration

93% of dollars spent for HealthFlex in 2022* directly benefited participants: **claims, account funding, incentives**

*Based on 2022 year-end expenditures



Conclusion

- We know and appreciate that plan sponsors entrust us to care for health plan participants.
- We remain focused on offering both sponsors and participants high-quality, cost-effective benefits as part of our commitment to care for those who serve.





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