



HealthFlex Mini-Summit—March 2021



Wespath

BENEFITS | INVESTMENTS

Financial and Operations Review

2020 Results and 2022 Premium Rates

Agenda

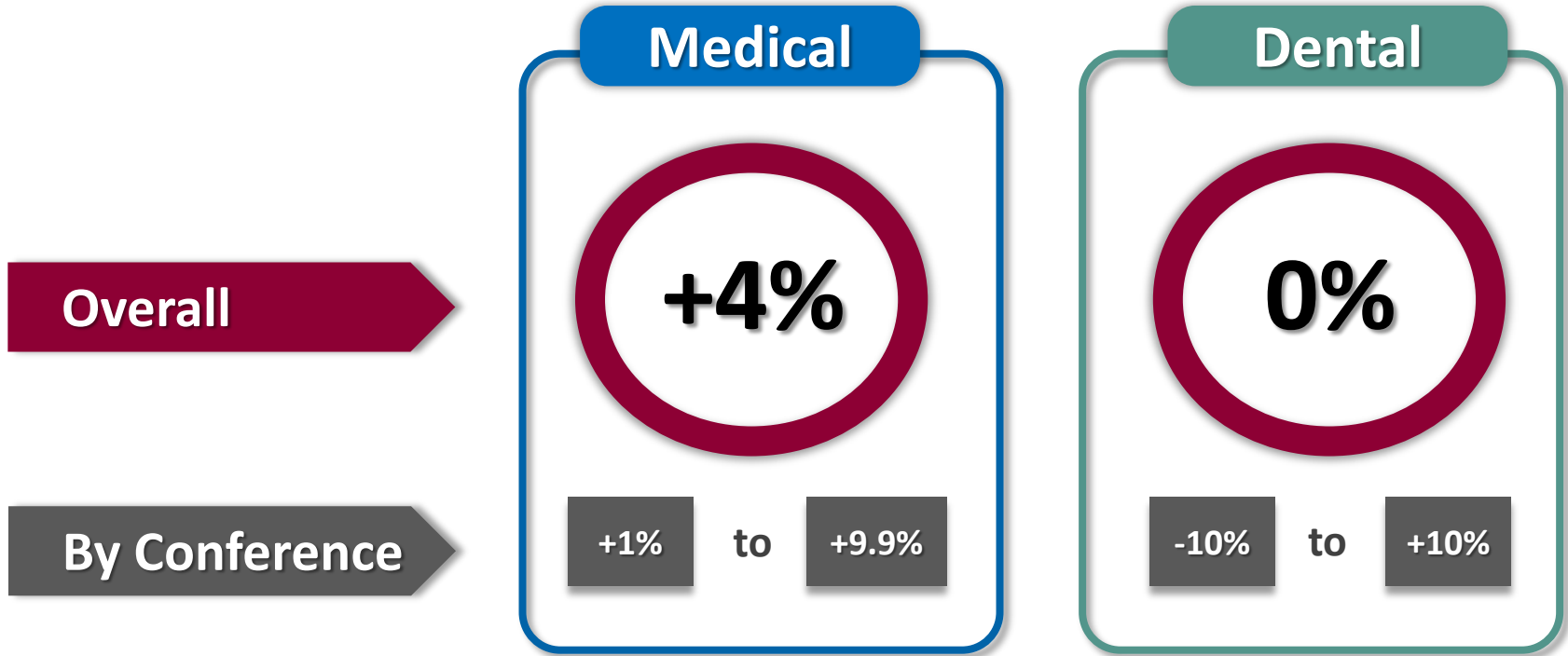
- **Looking Ahead: 2022**
 - 2022 HealthFlex Premiums
 - Updates to Rating Methodology due to COVID-19
 - No plan changes for 2022
- **Looking Back: 2020**
 - Financial Results and Experience



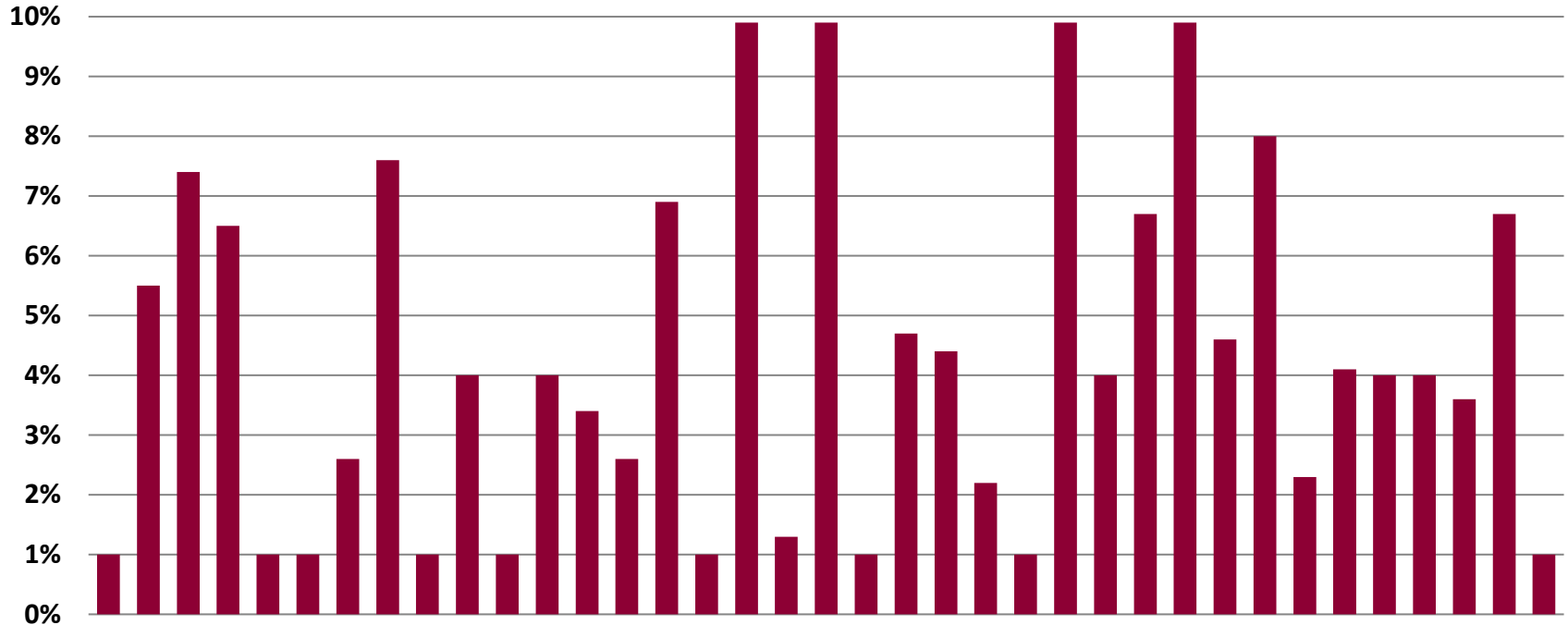


2022 HealthFlex Rates and Plan Changes

2022 Premium Increases



2022 Medical Premium Increases by Sponsor



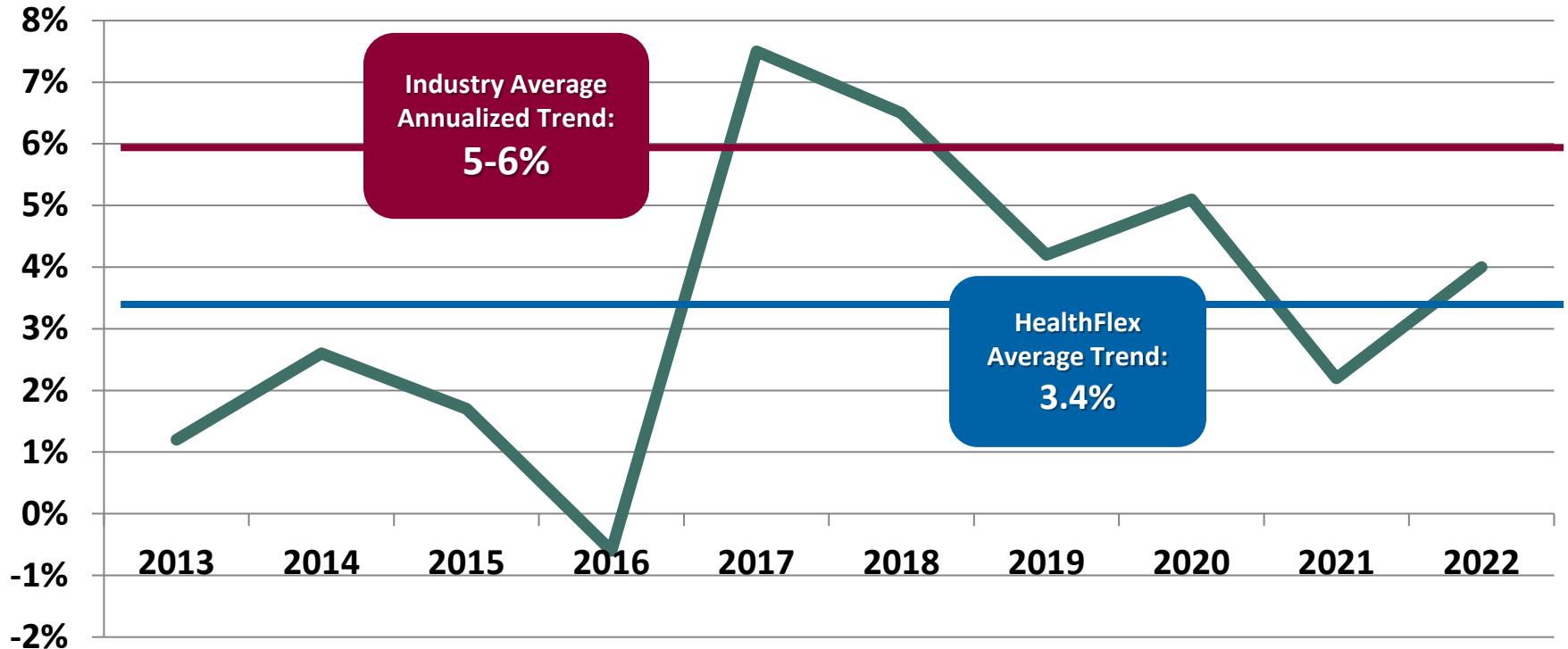
Vision Plan—No change from 2021

Benefit improvements from 2021 remain

Full Service	Complete pair of glasses, including frames, every 12 months
Premier	Glasses + contacts, or 2 pairs of glasses



HealthFlex: Low Average Annual Rate Trend



Typical HealthFlex Rating Methodology

- Two years of incurred medical and Rx claims experience:
MOST RECENT: Weighted 60% **SECOND YEAR: Weighted 40%**
- Claims between \$50,000 and \$200,000:
50% assigned to plan sponsor **50% pooled**
- Claims above \$200,000: **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%

High-Cost Claim Thresholds for Pooling

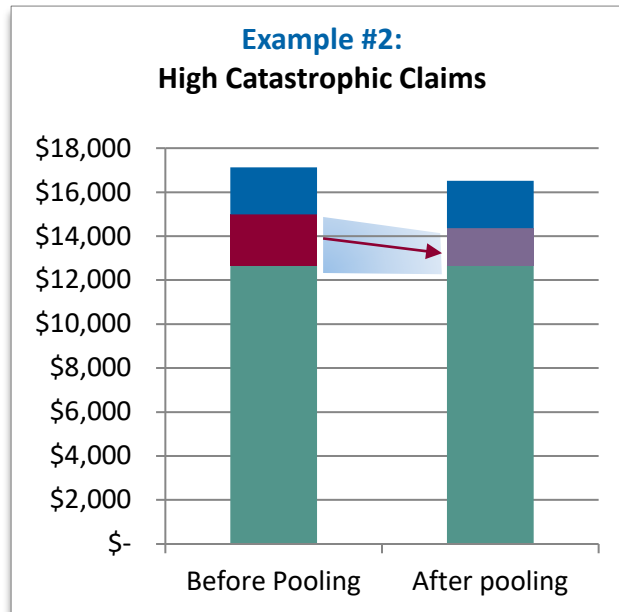
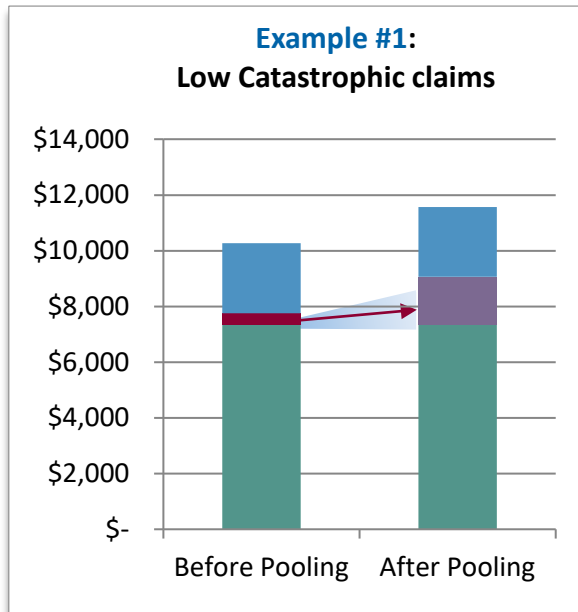
- Historically:
 - \$5,000 and \$50,000
- Beginning with 2018 rates:
 - \$50,000 and \$200,000
- Ongoing, index high-cost claim thresholds with rate increases, increasing at \$25,000-\$50,000 increments

Rate Year	Rate Change	Partial Pooling Threshold		Full Pooling Threshold	
		Raw	Rounded (to \$25,000)	Raw	Rounded (to \$50,000)
2019	5.1%	\$50,000	\$50,000	\$200,000	\$200,000
2020	2.1%	\$52,550	\$50,000	\$210,200	\$200,000
2021	4.0%	\$53,654	\$50,000	\$214,614	\$200,000
2022	--	\$55,800	\$50,000	\$223,199	\$200,000

Current thresholds may remain for several more years

HealthFlex Rating Methodology

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

Updated Methodology for 2022

Three **periods** of incurred medical and Rx claims experience:

Most Recent	Second Period	Third Period
April – November 2020 Weighted 20%	April 2019 – March 2020 Weighted 50%	April 2018 – March 2019 Weighted 30%

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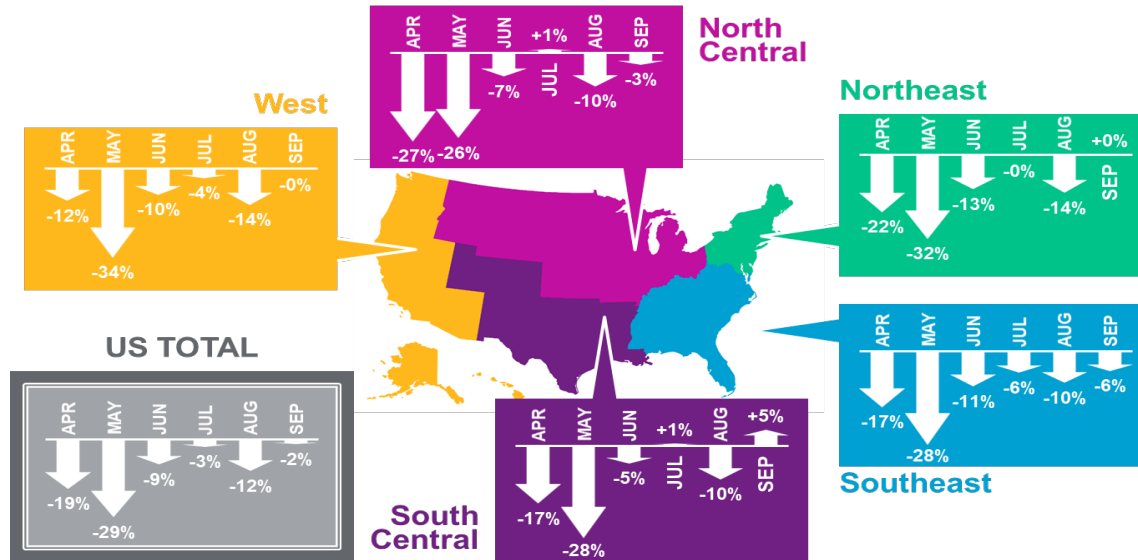
Why the Change?

2020 claims considered less predictive of 2022 claims than 2019 or 2018 claims

Generally, further you have to trend forward, less predictive



2020 Experience Well Below Expected



HealthFlex: Difference in Incurred Claims by Month (Actual vs. Expected) *

Apr	May	Jun	Jul	Aug	Sep
-18%	-43%	-25%	1%	-14%	-1%

HealthFlex 2020 Incurred claims by month were even lower compared to expectations than what the national data shows.

Source: Willis Towers Watson 2020 Health Care Financial Benchmarks Survey (N = 474, 1.2M EEs, \$1.2B monthly claims)

*Projected 2020 medical claim PEPM are based on smoothed 2019 results trended by 5%

No Plan Changes for 2022

- Not a strong enough case to introduce change
- Maintain existing plan designs through 2022
- Re-evaluate for 2023 or 2024

A hand holding a grey rectangular sign with the words "NO CHANGE" written in white, bold, sans-serif capital letters. The background is a blurred image of a person's face and torso.

2022 Plan Offerings

HSA
H1500

HSA
H2000

HSA
H3000

HRA
C2000

HRA
C3000

B1000

Plans with HSA

Plans with HRA

Preparing for 2022

2022 Rate Sheets Distributed February 26

Wespath available:

- To provide information about updated methodology and experience to Boards of Pensions
- To assist with Premium Credit Modeling for 2022





Looking Back—Financials and Reporting

7-Year History of Loss Ratios and Rate Changes

2014	2015	2016	2017	2018	2019	2020	7-yr Average Rate Change
77.8%	79.7%	88.3%	98.9%	76.4%	81.7%	87.3%	2.2%
92.3%	101.5%	124.1%	103.1%	96.1%	98.4%	94.9%	2.3%
88.0%	117.2%	130.0%	81.5%	88.1%	74.2%	125.5%	2.6%
104.0%	97.4%	89.9%	81.5%	79.3%	84.1%	73.8%	2.8%
99.9%	97.2%	85.0%	74.9%	60.9%	75.8%	103.4%	2.9%
86.9%	104.5%	99.8%	88.8%	79.6%	91.3%	87.8%	3.0%
81.7%	83.2%	102.8%	94.1%	136.4%	82.0%	108.5%	3.0%
168.0%	110.0%	86.3%	91.4%	197.4%	58.5%	123.0%	3.4%
69.1%	77.3%	119.3%	123.2%	103.6%	84.0%	86.3%	3.5%
85.7%	137.6%	144.2%	151.3%	100.3%	92.5%	100.5%	3.6%
86.5%	114.3%	108.5%	95.1%	83.3%	92.6%	84.1%	3.6%
98.8%	76.3%	99.2%	93.4%	94.4%	93.7%	99.4%	3.7%
72.8%	87.1%	112.6%	107.4%	86.0%	89.6%	102.2%	3.8%
102.5%	85.1%	66.3%	262.6%	202.7%	210.3%	188.4%	3.8%
64.0%	87.4%	99.2%	110.7%	88.3%	103.2%	103.5%	3.8%
98.0%	111.8%	103.9%	119.4%	87.1%	69.3%	48.0%	3.8%
74.8%	87.3%	87.6%	129.6%	94.7%	105.3%	78.8%	4.0%
101.8%	110.4%	132.7%	93.5%	86.1%	102.5%	87.2%	4.2%
80.7%	63.5%	80.5%	112.9%	137.0%	115.1%	110.7%	4.4%
99.4%	108.1%	101.9%	106.6%	109.2%	99.9%	78.5%	4.4%
118.8%	116.8%	95.2%	90.8%	76.0%	107.8%	90.9%	4.4%
109.6%	109.0%	115.3%	113.3%	90.4%	105.4%	91.5%	5.1%
111.8%	141.1%	115.7%	116.9%	97.5%	98.1%	89.5%	5.6%
78.8%	110.4%	119.2%	139.2%	85.9%	120.1%	176.1%	5.7%
98.0%	121.4%	175.9%	75.4%	79.0%	60.5%	41.0%	5.8%
117.8%	132.0%	117.9%	117.7%	117.5%	100.5%	68.3%	6.6%
100.9%	110.7%	112.3%	109.4%	129.7%	120.0%	84.6%	6.9%
107.3%	148.3%	155.4%	126.1%	112.7%	117.5%	76.3%	6.9%

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

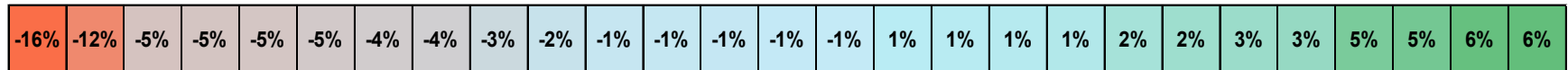
Cumulative Surplus and Loss

Since Inception of Program *(\$ millions)*

• Claims Funding	\$ 2,080
• Performance Dividends	<u>- 67</u>
• Net Funding	\$ 2,013
• Paid Claims	\$2,019

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

Range of Cumulative Outcomes by Conference (excluding those with <5 years in program)



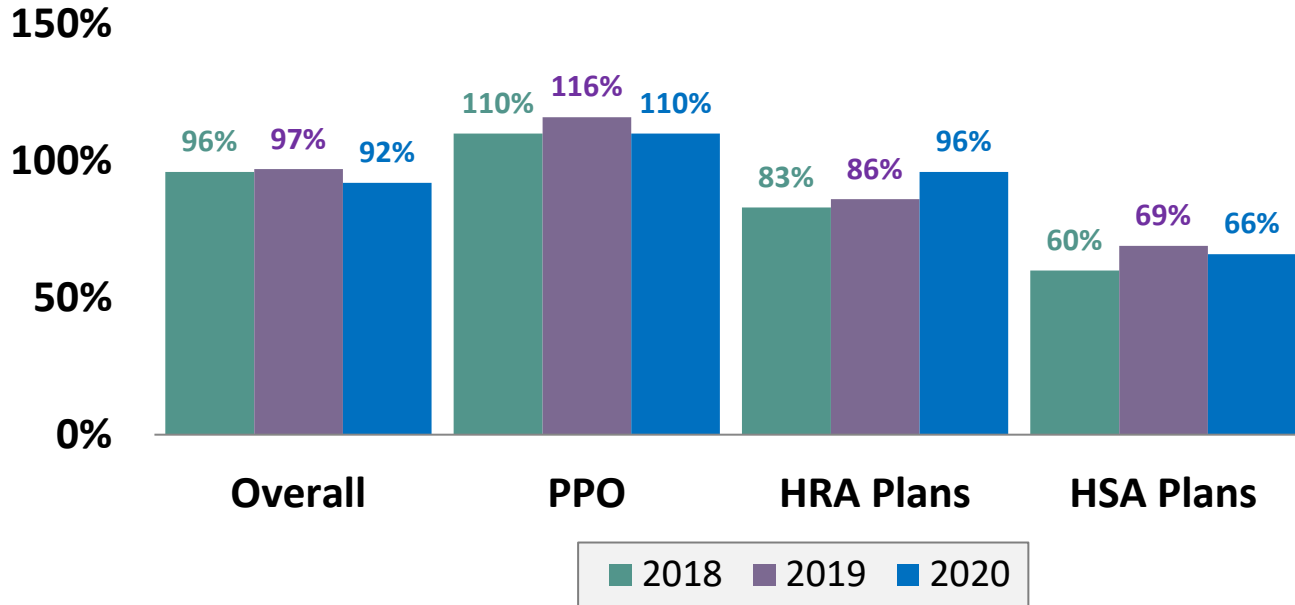
← paid in less than received

→ paid in more than received

2020: A Unique Year

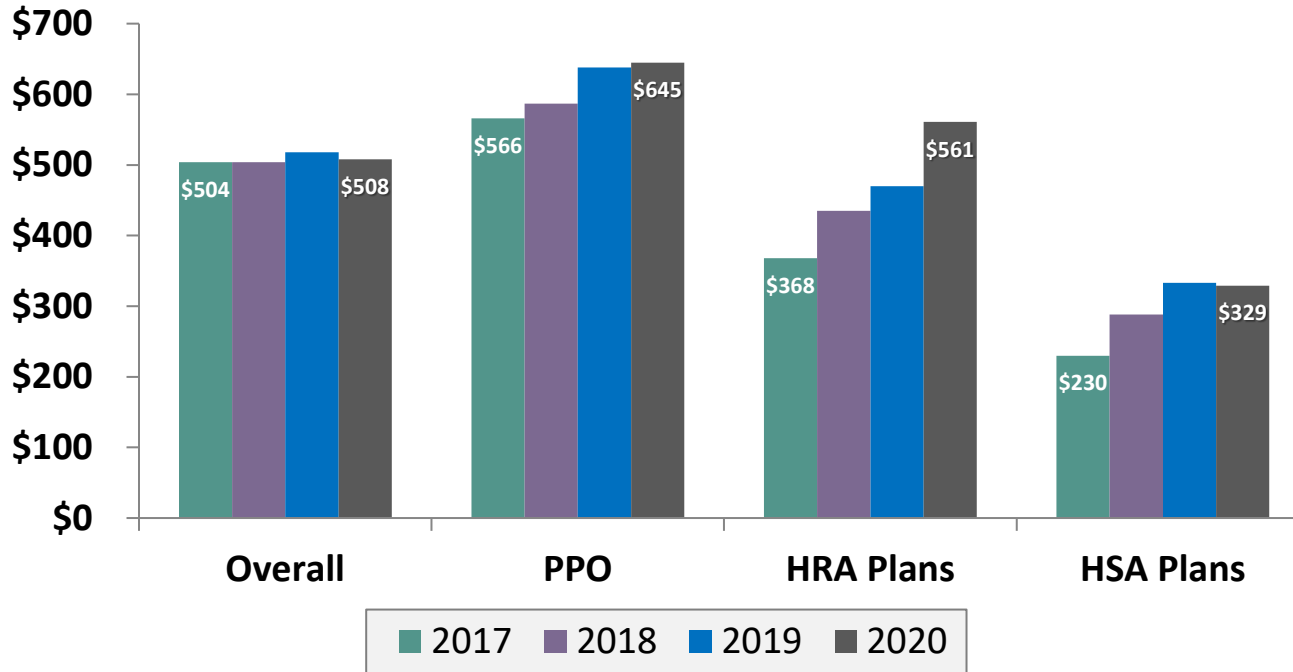
Medical	Prescription Drugs	Dental
<ul style="list-style-type: none">• Substantial claim decreases in March – June• Many elective procedures postponed or cancelled• Dramatic rise in Telehealth• Many patients decided not to risk exposure, even forgoing needed care• Increase in behavioral health	<ul style="list-style-type: none">• Stockpiling' in March as closures began and individuals feared loss of coverage• Corresponding shift from 30-day retail to 90-day Mail order• Large cohort is now synchronized onto Mar/Jun/Sep/Dec refill schedule	<ul style="list-style-type: none">• All but emergency services ceased nationally in mid-March• Without proper protection, dental staff are at very high risk for COVID exposure• In the summer, dentistry was re-classified as essential and offices reopened

Loss Ratio by Plan Type



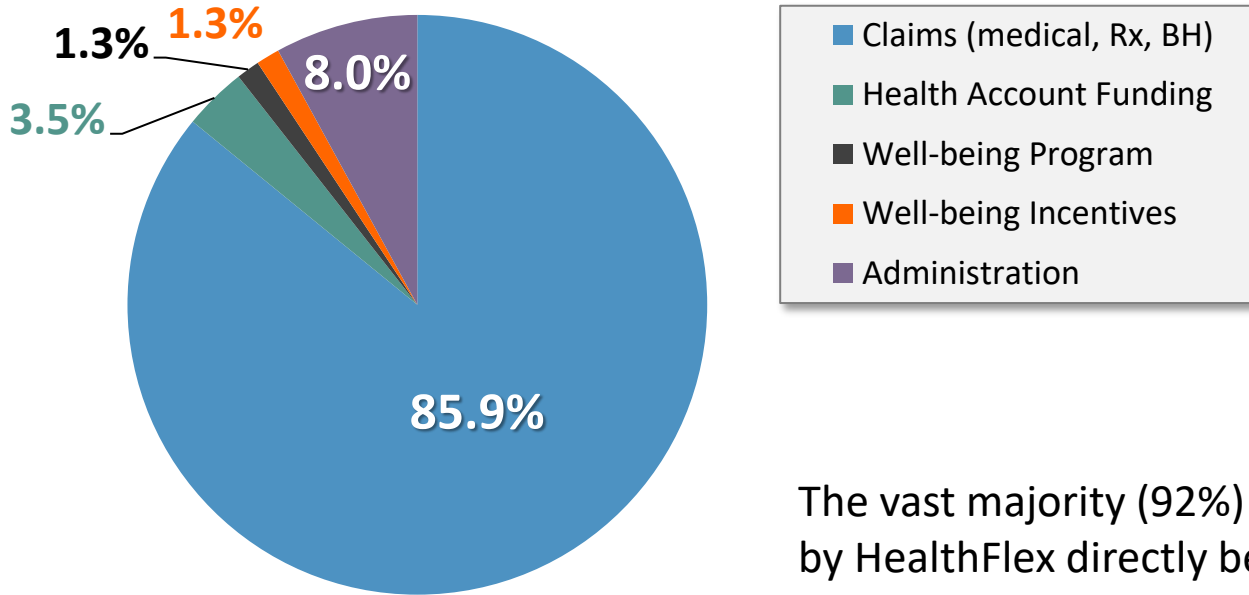
2020 Loss Ratios were impacted by lower-than-average healthcare claims during the pandemic and do not indicate that future HealthFlex utilization will remain lower

Average Paid Claims Per Member



Migration to lower cost plans responsible for lower overall average claims despite higher average claims in PPO and HRA plans

92% of Costs Are Direct Participant Costs



The vast majority (92%) of dollars spent by HealthFlex directly benefit participants: **Claims, account funding, well-being programs and incentives**

What Makes Up 8% Administrative Costs?

- Vendor partner administrative service fees:
 - BCBS, UHC, OptumRx, Cigna
 - Basic Vision (VSP)
- Wespath staff and overhead
- Systems costs (Businessolver)
- Professional services and communications



Variability by Plan Sponsor

Administrative cost percentage is higher in a low-claims year

Conversely, if claims experience is higher than planned, administrative costs make up a lower percentage of total premiums



Top Conditions and Medications

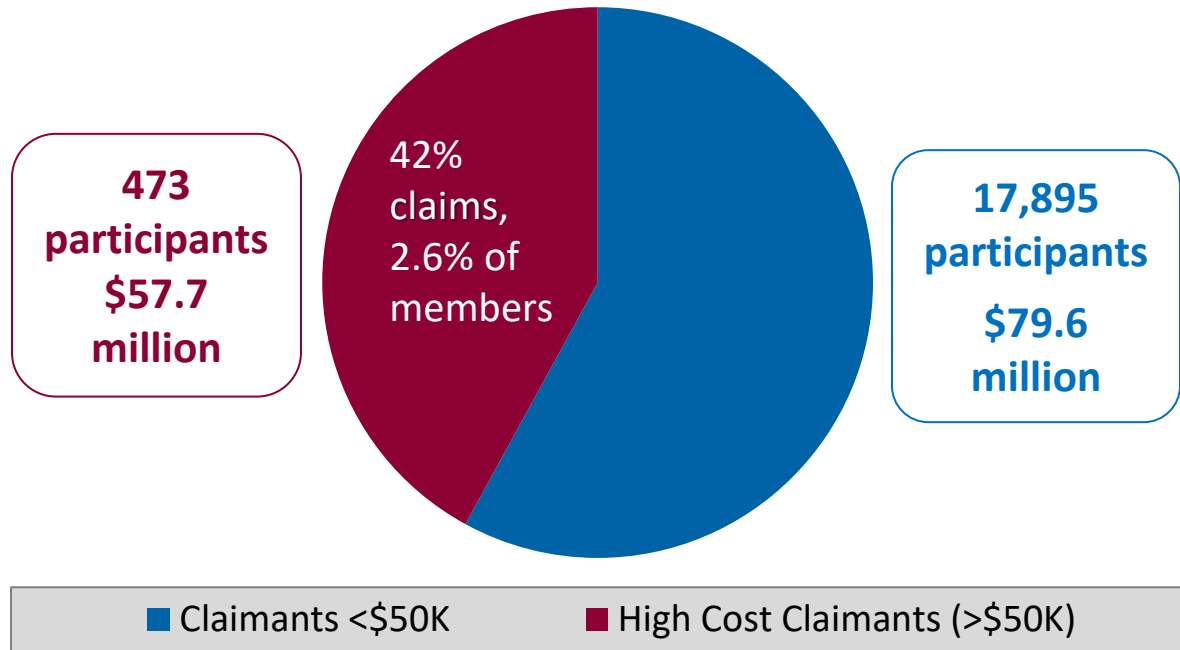
Costly conditions:

- Cancers
- Diabetes
- Hemophilia
- Immunodeficiency

Costly medications:

- Inflammatory Conditions
- Diabetes
- Clotting (Hemophilia)
- Oncology

High-Cost Claims Have Significant Impact



Allowed claims cost per member per year:

- For participants with claims <\$50K: **\$4,450**
- For participants with claims >\$50K: **\$121,980**
- For 55 participants with claims >\$200K: **\$361,400**

Questions?





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