



HealthFlex Summit—October 2022



Wespath
BENEFITS | INVESTMENTS

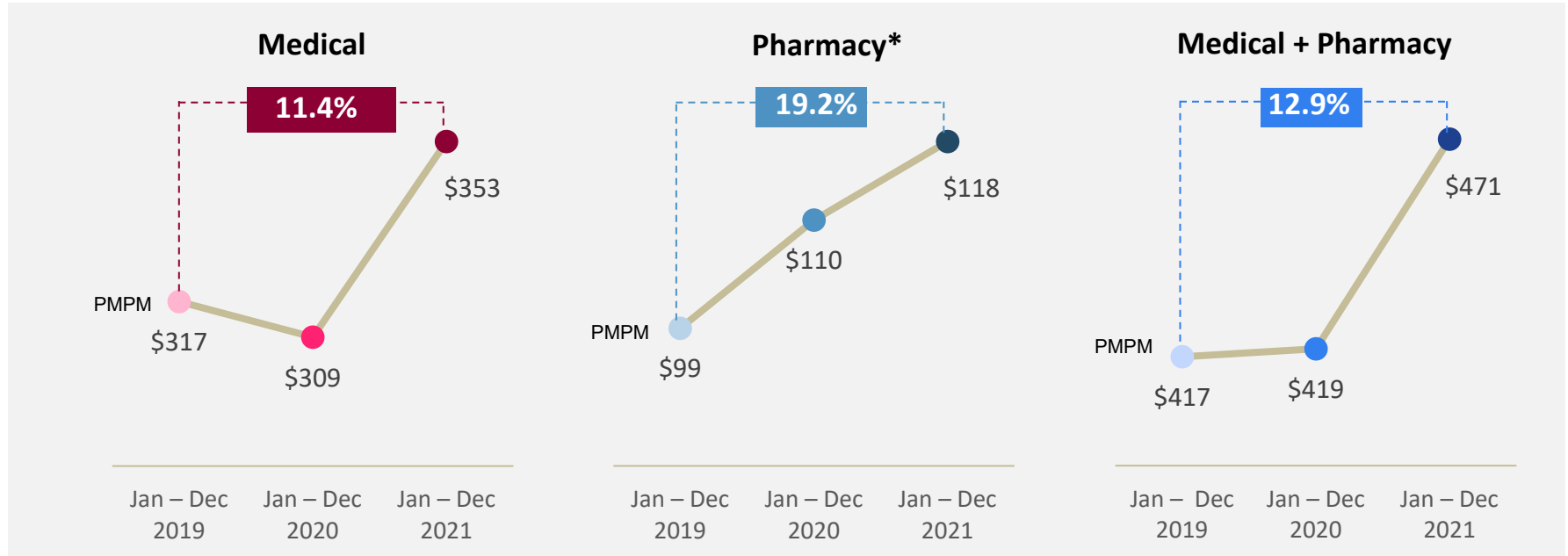
Health Care Cost and Utilization

U.S. Employer Health Care Spend in 2021 Vs. Prior

- Medical spend decreased in 2020 **but returned to pre-COVID levels** in 2021 (as expected)
- Medical trend driven by **utilization**; no excessive unit cost inflation
- Rx trend driven by **unit cost** of specialty and branded drugs but does not consider rebates



U.S. Employer Health Care Spend in 2021 Vs. Prior



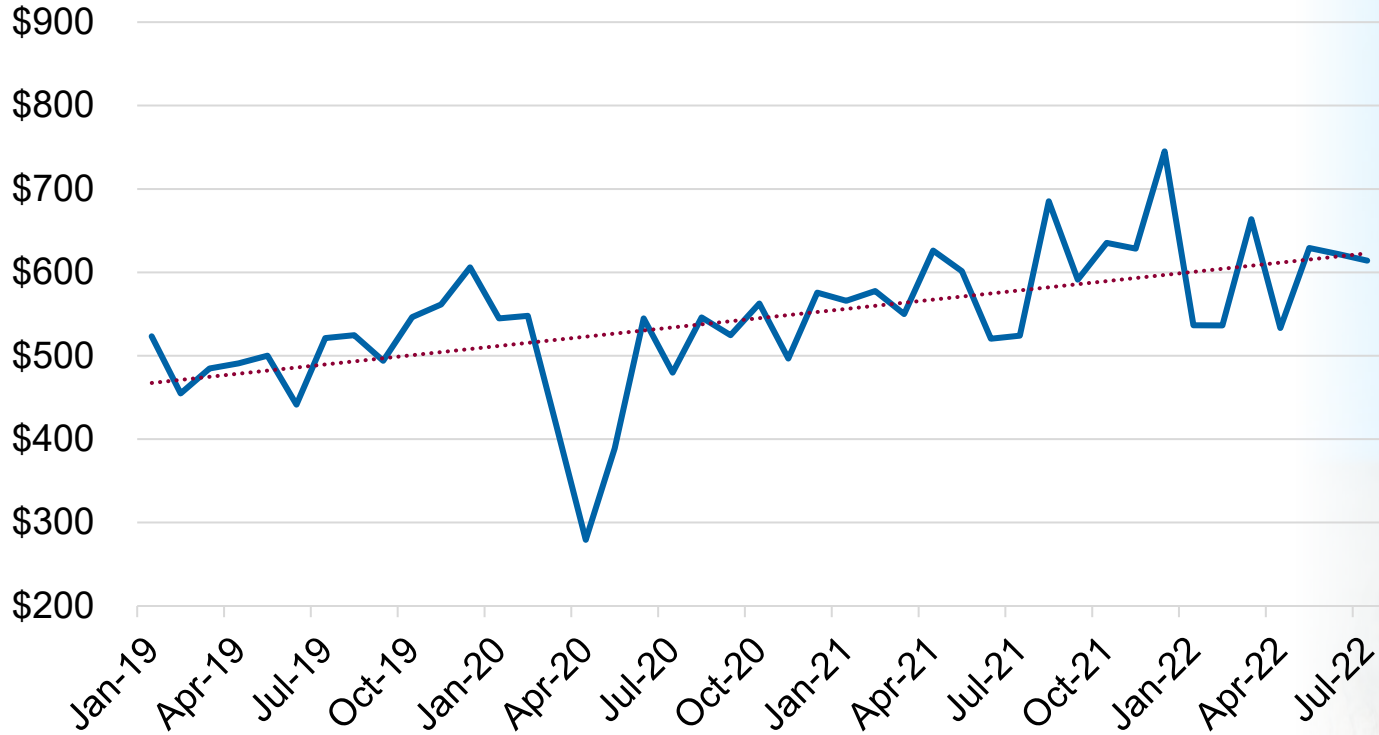
Overall annualized trend of 6.3% (or 12.9% over 2019)

5.5% annualized medical; (11.4% over 2019); 9.2% annualized Rx* (19.2% over 2019) before rebates

Source: WTW National Data Collaborative database 1.4M covered lives

*before rebates

2019-2022 HealthFlex Medical Claims

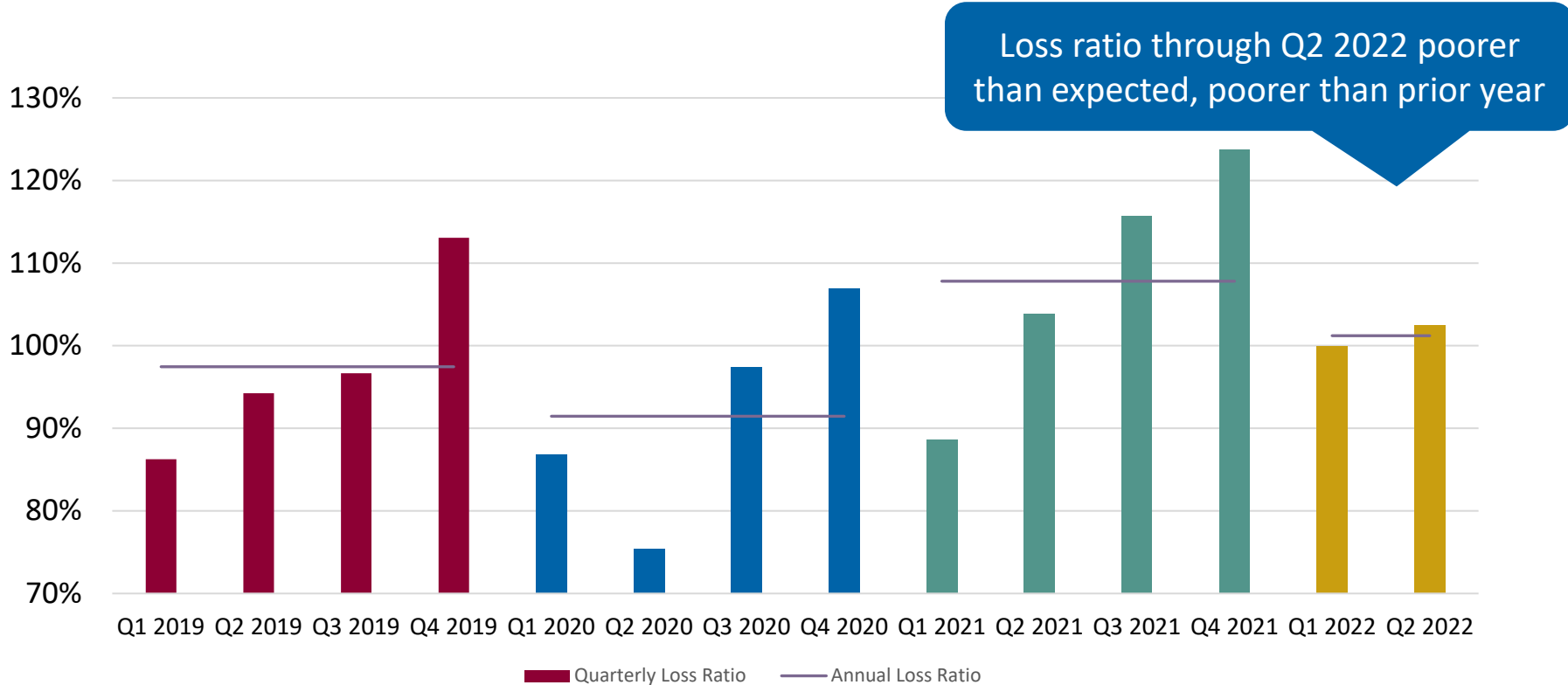


2019-2022 HealthFlex Medical Claims

Year	Medical Claims Through July (PMPM)	% Change
2019	\$488.09	
2020	\$457.10	-6.3%
2021	\$566.53	23.9%
2022	\$590.76	4.3%

6.5% annualized increase
from 2019 to 2022

2019-2022 HealthFlex Claims (cont.)



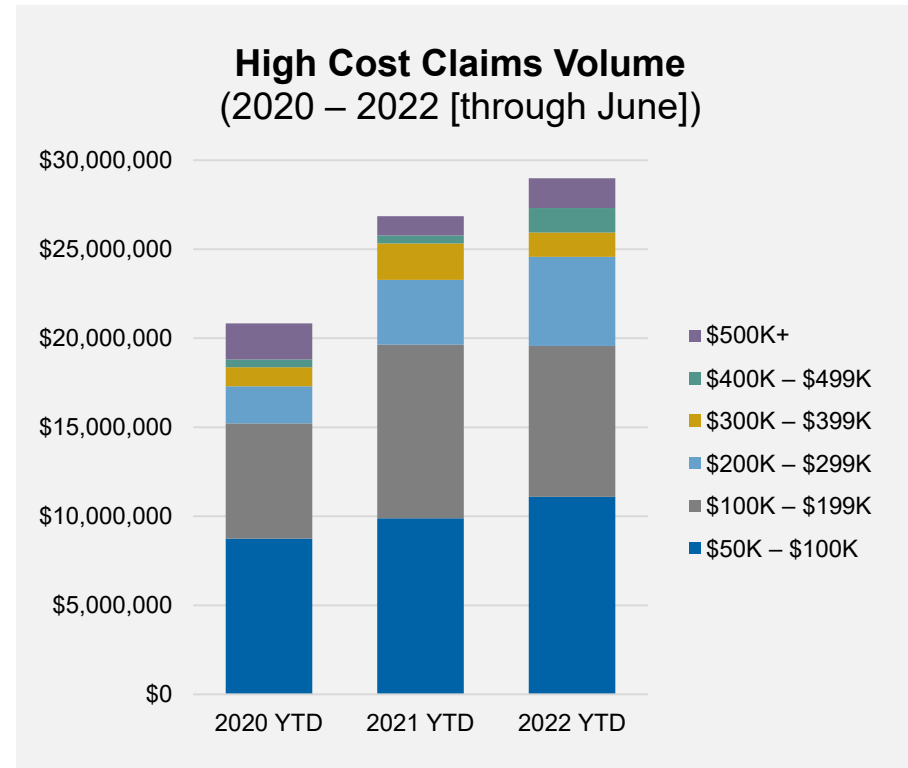
2020-2022 HealthFlex Utilization

- Utilization increased in 2021—return of deferred care—with modest additional increase in 2022
- Mental health utilization continues to increase

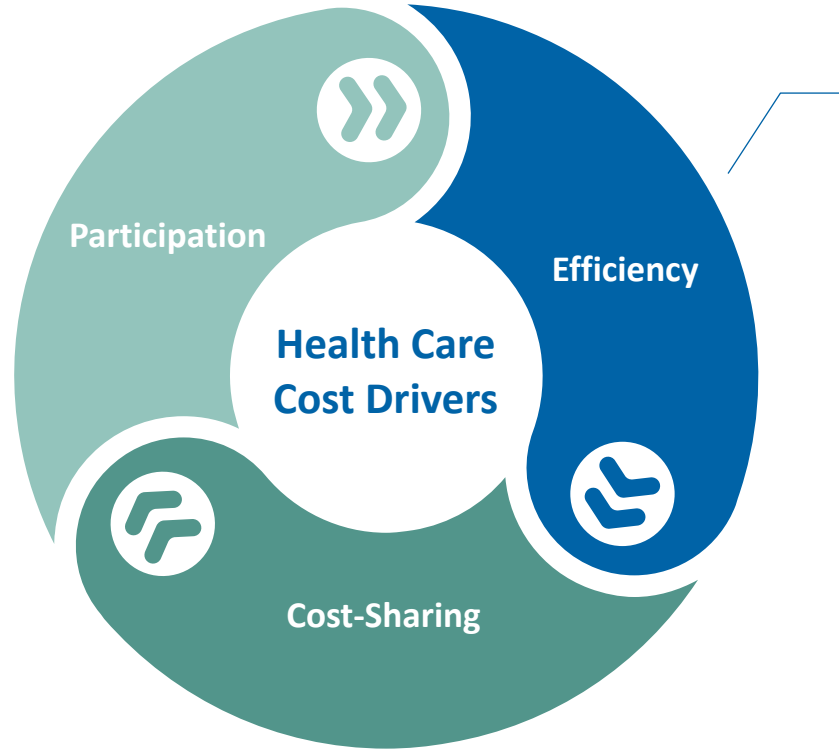
	Jan – Aug 2019	Jan – Aug 2020	Jan – Aug 2021	Jan – Aug 2022	% Change from 2021 to 2022
Admissions per 1000	54.1	53.4	63.4	57.1	-9.9%
Mental Health Admits per 1000	3.8	7.3	7.3	10.2	39.4%
Maternity Admits per 1000	7.1	8.1	7.6	4.9	-35.1%
ER per 1000	174.6	142.1	151.2	169.3	12.0%
Urgent Care per 1000	81.9	81.4	129.7	141.4	9.1%
OP Surgery per 1000	273.3	188.4	213.6	241.2	12.9%
Physician Office Visits per 1000	5,330.1	5101.0	6009.5	6474.7	7.7%
MH/SA Office Visits per 1000	990.9	1307.5	1757.1	1912.7	8.9%
Preventive Office Visits per 1000	517.8	430.0	501.0	499.0	-0.4%

2020-2022 HealthFlex High-Cost Claims Experience

- More large claims in 2021 than 2019-2020
- Now monitoring high-cost claims in 2022 to gauge impact to 2024 HealthFlex rating
 - 2022 Q1 especially high volume Q2 slightly improved.
 - So far, 2022 is worse than first half of 2021:
 - 5% more claimants above \$50,000
 - 8% higher claims volume above \$50,000



Health Care Program Cost Drivers

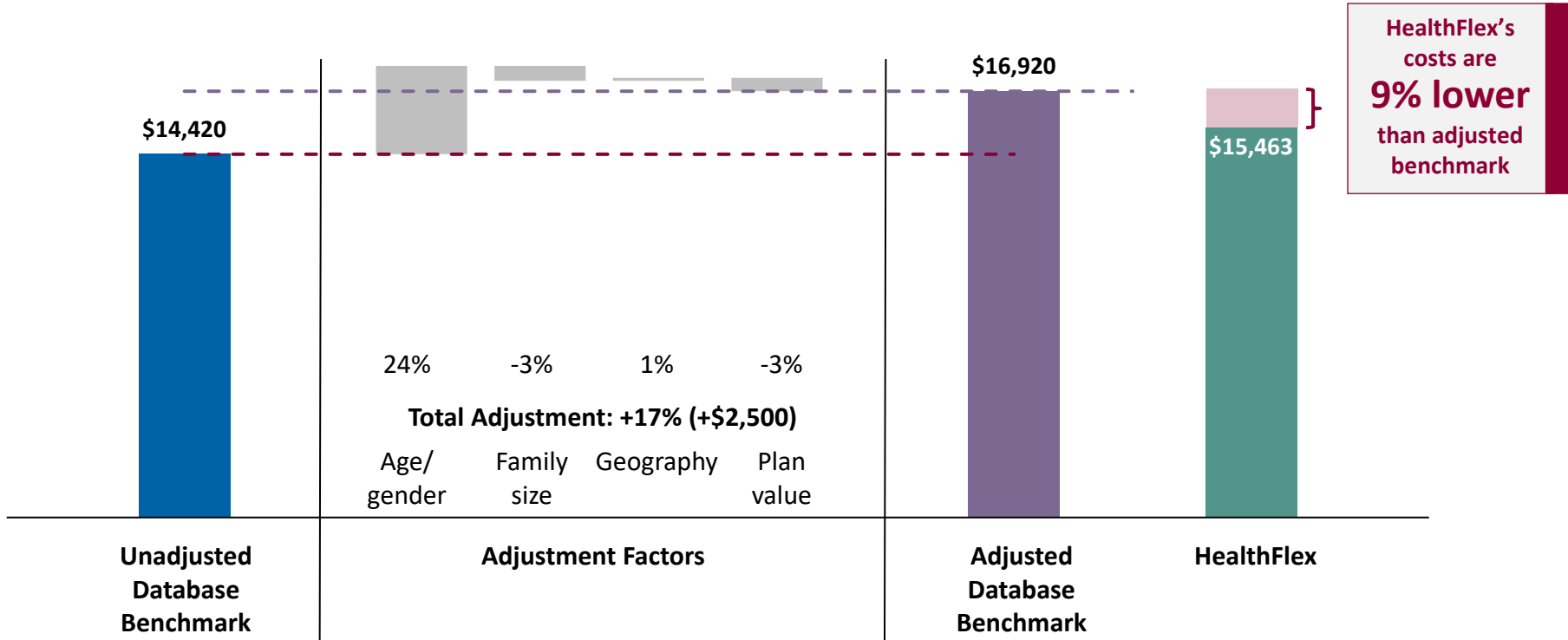


- Better Population Health
- Higher Quality of Care
- Solid Care Management
- Best Vendor Partnerships
- Pharmacy Cost Control

- Plan sponsor cost influencers: participation, cost-sharing, and efficiency
- **Best way to reduce cost is by becoming more efficient**

HealthFlex Program Efficiency

HealthFlex's costs are performing better than adjusted benchmark



Maximizing Efficiency

- Population Health
 - Can't fully control catastrophic claimants
 - **Can** influence population well-being through culture and programming
- Vendor Partnerships
 - Some sponsors may save money by transitioning to BCBS
- Care Management, Quality of Care, Rx Control
 - Wespath regularly looking at data and programming to optimize these components

Better Population Health

Higher Quality of Care

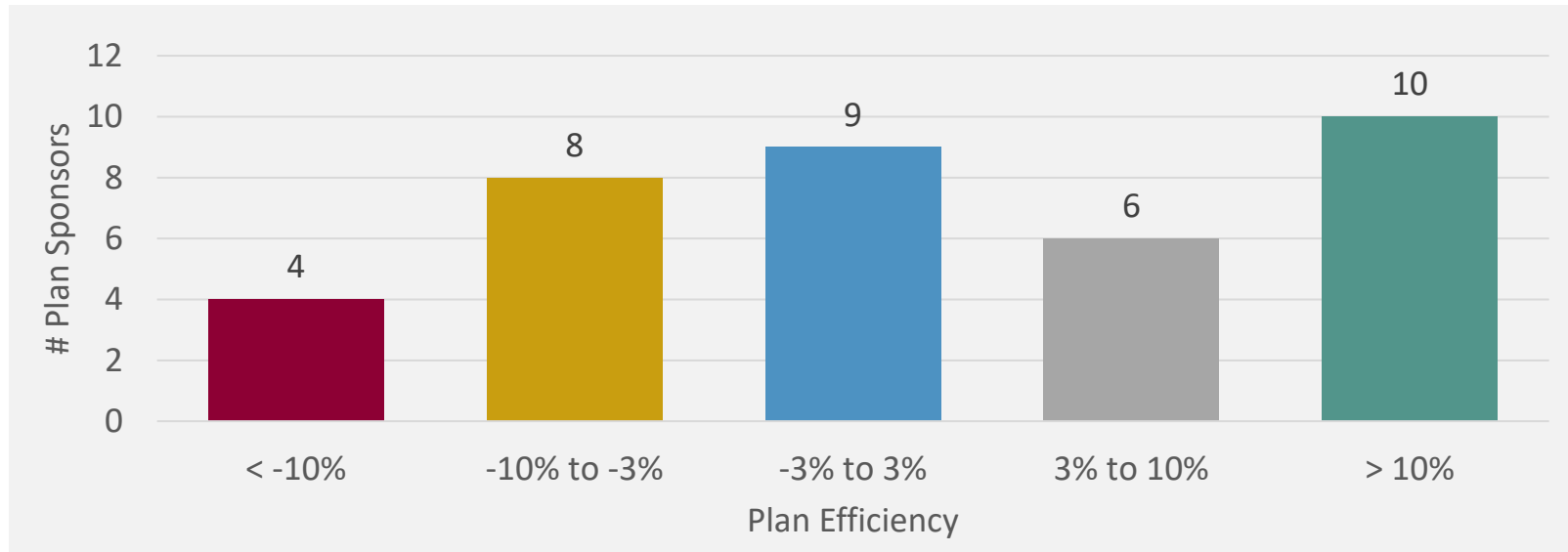
Solid Care Management

Best Vendor Partnerships

Pharmacy Cost Control

2022 HealthFlex Plan Efficiency by Conference

- Great variability in efficiency
- Additional analysis to improve efficiency for low sponsors forthcoming
- Efforts to improve overall efficiency continue





Impact to 2024 Rating Process

Overview of HealthFlex Rating Methodology

Primary Rating Methodology Goals	Fairness and equity across conferences
	Connectional in nature
	Logical, understandable and stable year-over-year
Principles	Rate increases are driven by experience
	Each conference is responsible for its own experience
	Except: High-cost claims are shared across all conferences



Historical 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%

*indexed with annual rate increases beginning 2022

Modifications to Rating Methodology



Use of alternative rating periods (necessary for 2022 and 2023 rating periods due to COVID-19)—**TEMPORARY**



Application of claims adjustments for periods with claims not predictive of the future—**TEMPORARY**



Adjustment of high-cost claim thresholds to keep total pooled claims between 10-15%—**PERMANENT**

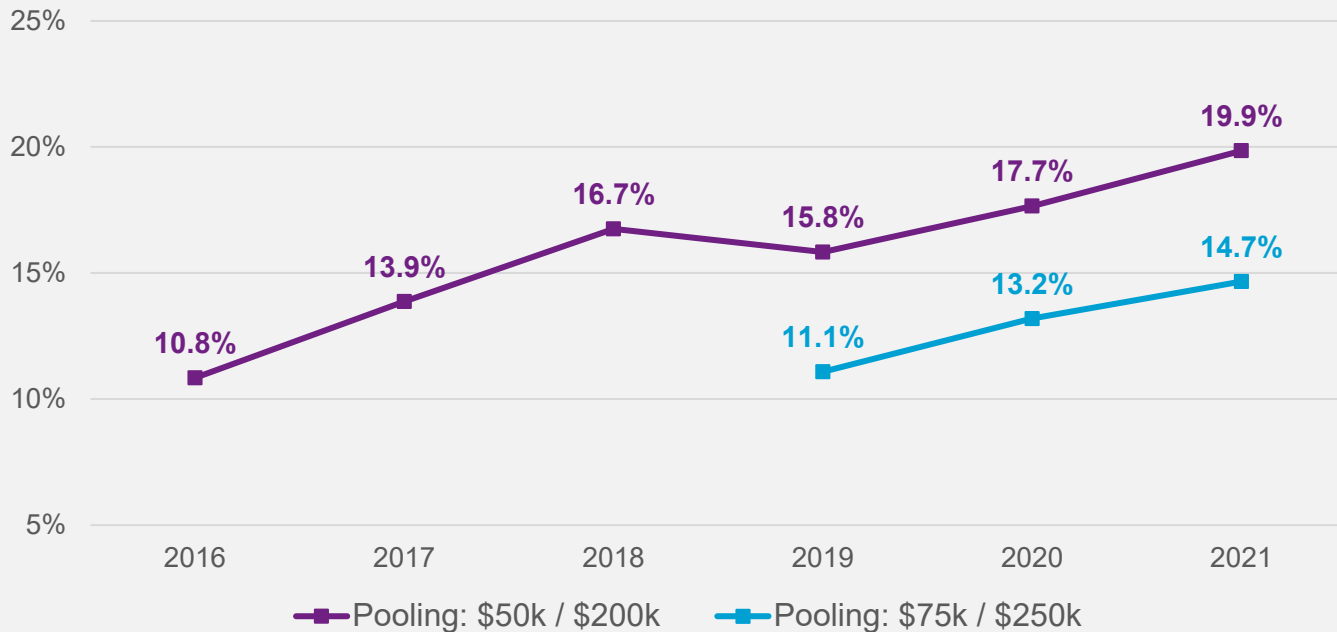


Project future costs based on number of “adult equivalents” instead of per subscriber—**PERMANENT**



High-Cost Claim Volume—Impact on Pooling

Pooling Charges as a Percentage of Total Medical and Rx Claims



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

2023 HealthFlex Rating Methodology

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

April-Nov 2020: **20%**

April '19-March '20: **50%**

April '18-March '19: **30%**

- Claims between **\$75,000** and **\$250,000***:

50% assigned to plan sponsor

50% pooled

- Claims above **\$250,000***: Fully pooled

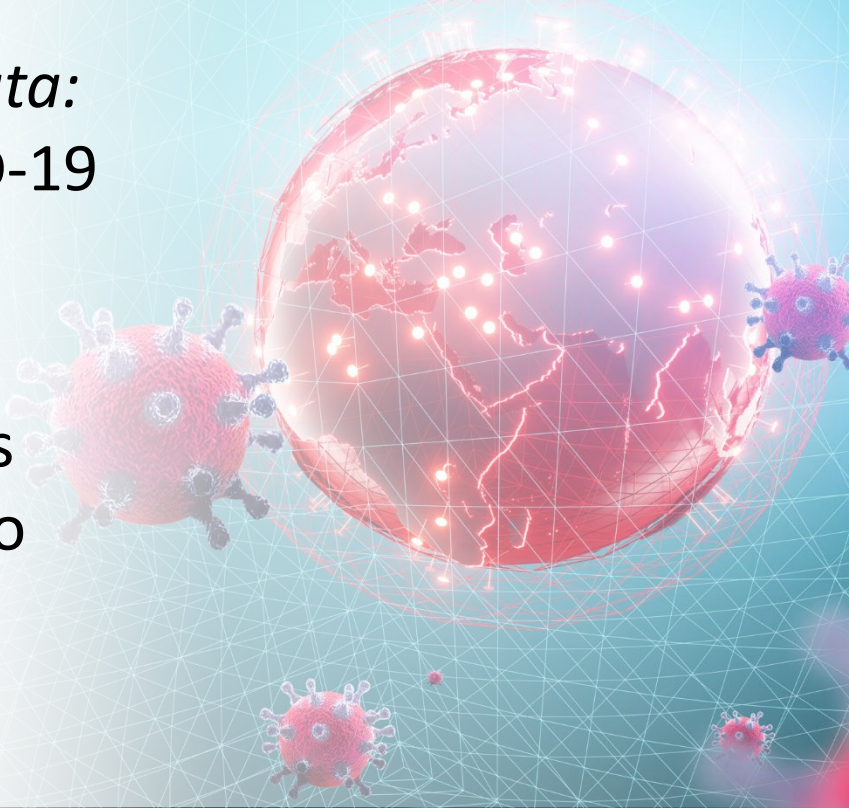
- Same use of manual rates:

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

*Increased to maintain total pooled claims between 10-15%

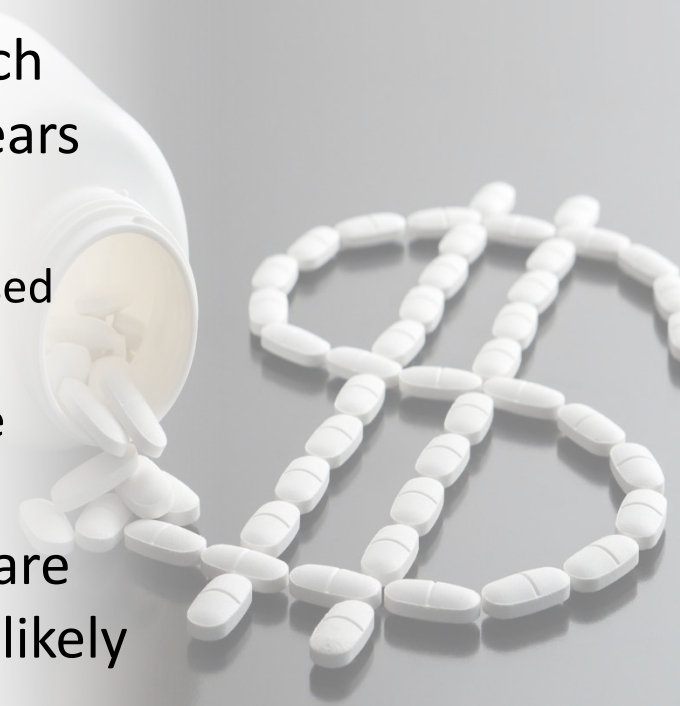
2024 Rating Considerations

- *Plan to use 2021-2022 claims data:*
expect minimal impact of COVID-19 on claims
- Long-term COVID-19 effects still considered, as future trend rates expected higher than past due to multiple factors/uncertainties



2024 Rating Considerations (cont.)

- 2021 high-cost claims abnormally high which led to high increases for HealthFlex after years of good experience
 - This high 2021 claims experience will again be used in 2024 rating
 - 2022 high-cost claimant experience will continue to be monitored closely
- To comply with future government healthcare regulations, some plan design changes will likely need to be made for 2024



Planned Methodology for 2024

- Back to two years of incurred medical and Rx claims experience:

2022: **Weighted 60%**

2021: **Weighted 40%**

- Claims between \$75,000+ and \$250,000+:

50% assigned to plan sponsor

50% pooled

- Claims above \$250,000+: **Fully pooled**

- Same use of manual rates

High-cost claim thresholds adjusted to keep total pooled claims between 10-15%



HealthFlex Rating Methodology

	Historical	2023	2024
Weighting of incurred medical, Rx claims	Most Recent Year: 60% 2nd Year: 40%	4/20-11/20: 20% 4/19-3/20: 50% 4/18-3/19: 30%	Return to Historical 2022: 60% 2021: 40%
Claims split: 50% plan sponsor– 50% pooled	Claims between \$50,000 and \$200,000*	Claims between \$75,000 and \$250,000*	Claims between \$75,000+ and \$250,000+**
Fully pooled claims	Claims above \$200,000*	Claims above \$250,000*	Claims above \$250,000+**

* Indexed with annual rate increases beginning 2022

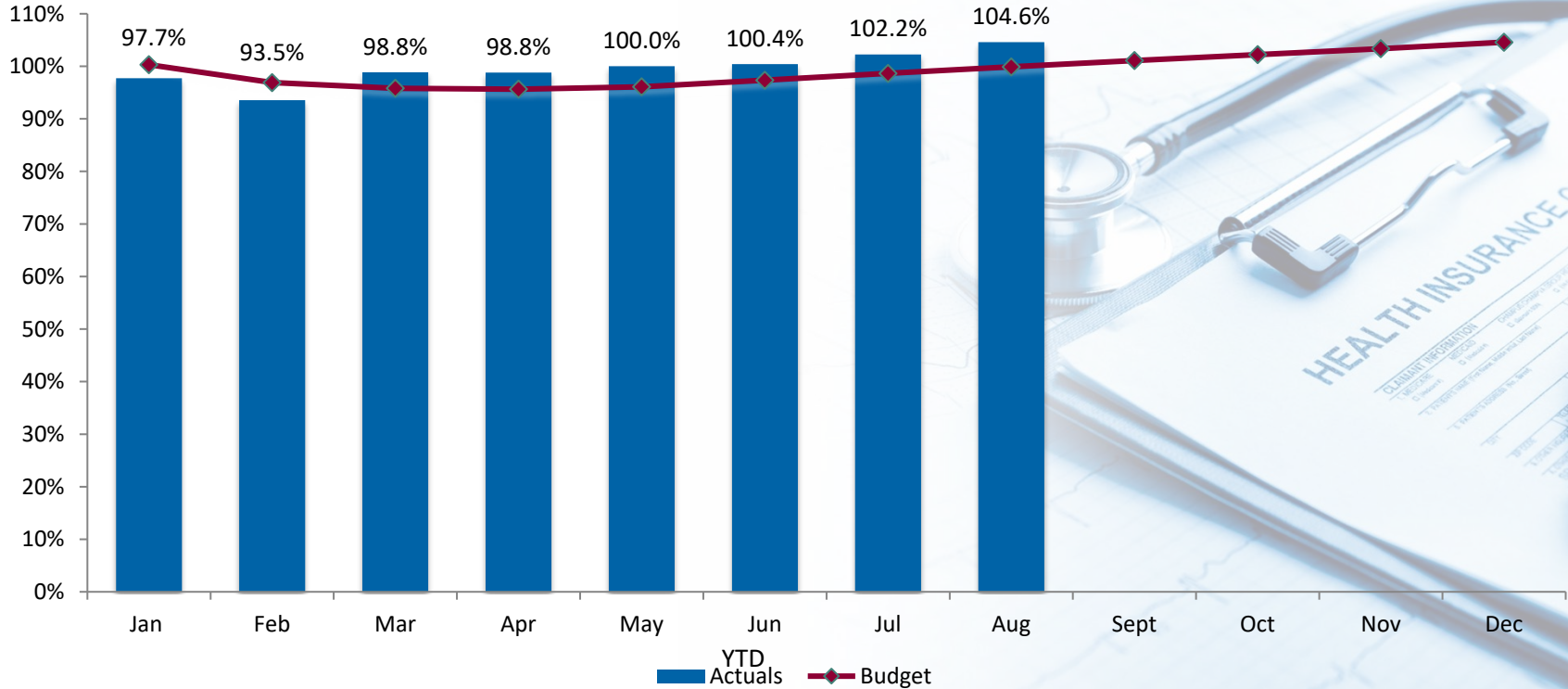
** High-cost claim thresholds will depend on volume of high-cost claims

What To Expect For 2024

- Actual claims almost 105% of budget through August
- Even with typical 6% trend assumptions, that could mean an 11% average rate increase
- Trend assumptions may need to increase



Claims vs. Budget: 2022 Through August

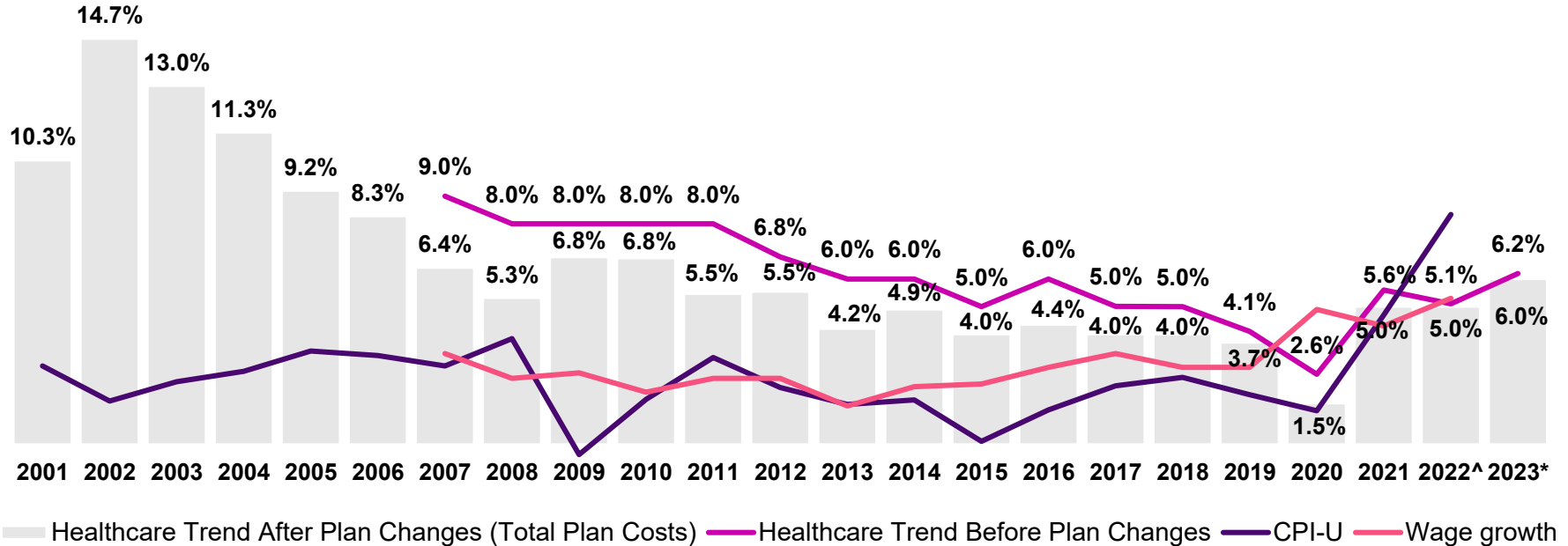


Uncertainty Regarding Future Trends

Higher Future Trends	Lower Future Trends	Other Factors
<ul style="list-style-type: none">• Inflation• Provider costs higher• Recovery of lost revenue• Impact of missed care• Long COVID• COVID costs no longer paid by government• Behavioral health needs	<ul style="list-style-type: none">• Virtual care• ER alternatives• Higher deaths in chronic population	<ul style="list-style-type: none">• Provider consolidation• Transparency requirements

Many trend surveys are forecasting annual increases 0.5% - 1.0% higher than pre-COVID forecasts

Sharp Increases in Inflation and Market Forces Driving Projected Rise in Health Care Costs



^Expected; *Projected

Note: Percentages of healthcare trend are median numbers.
 Sample: Companies with at least 1,000 employees.
 Source: WTW 2022 Best Practices in Healthcare Survey; Bureau of Labor Statistics, CPI-U, CES.

Health Care Costs Expected to Rise Next Three Years

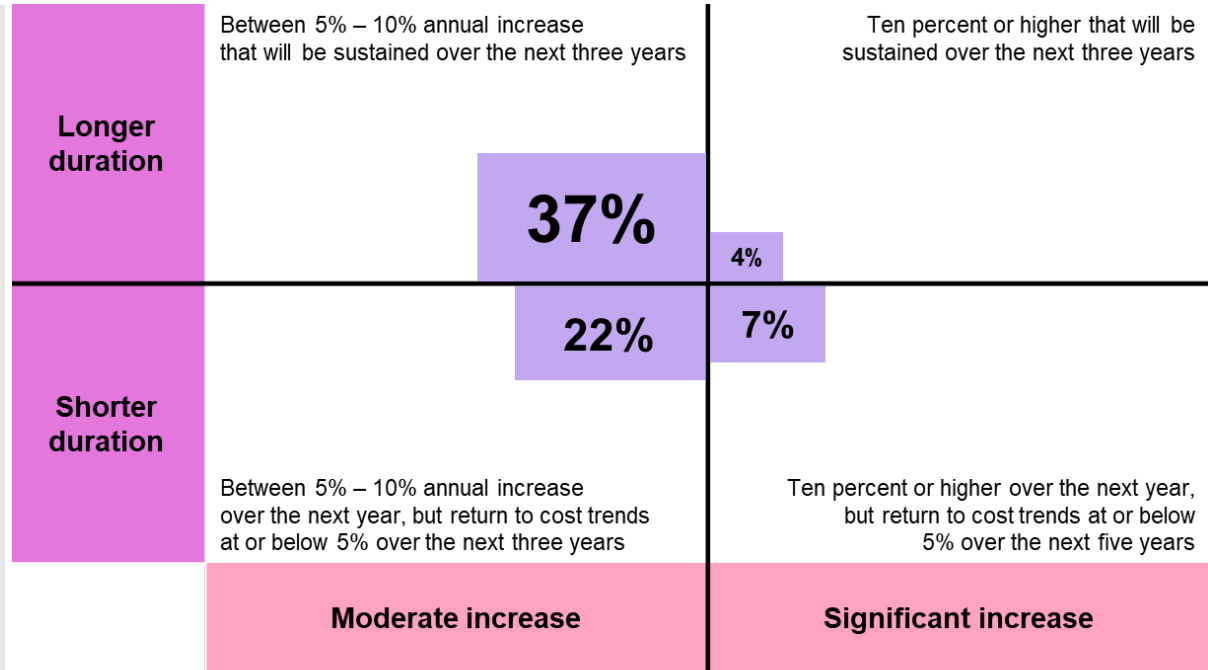


70% project moderate to significant healthcare cost increases over the next three years

9% of organizations' project no change in healthcare costs over the next three years

19% do not have cost projections for the next three years

(2% "Other")



Note: Percentages may not sum up to 100% due to rounding.

Source: WTW 2022 Best Practices in Healthcare Survey.

Possible 2024 Plan Changes

H1500 may become non-compliant in 2024



Plans with HSA

Plans with HRA

Wespath Commitment to Sustainability

- Health promotion via well-being programs
- Encouraging good consumerism when using health care
- Exploring programs to maximize efficiency of health care utilization



In Review

Despite recent high claims increases, HealthFlex still an **efficient** plan overall.





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