



Wespath

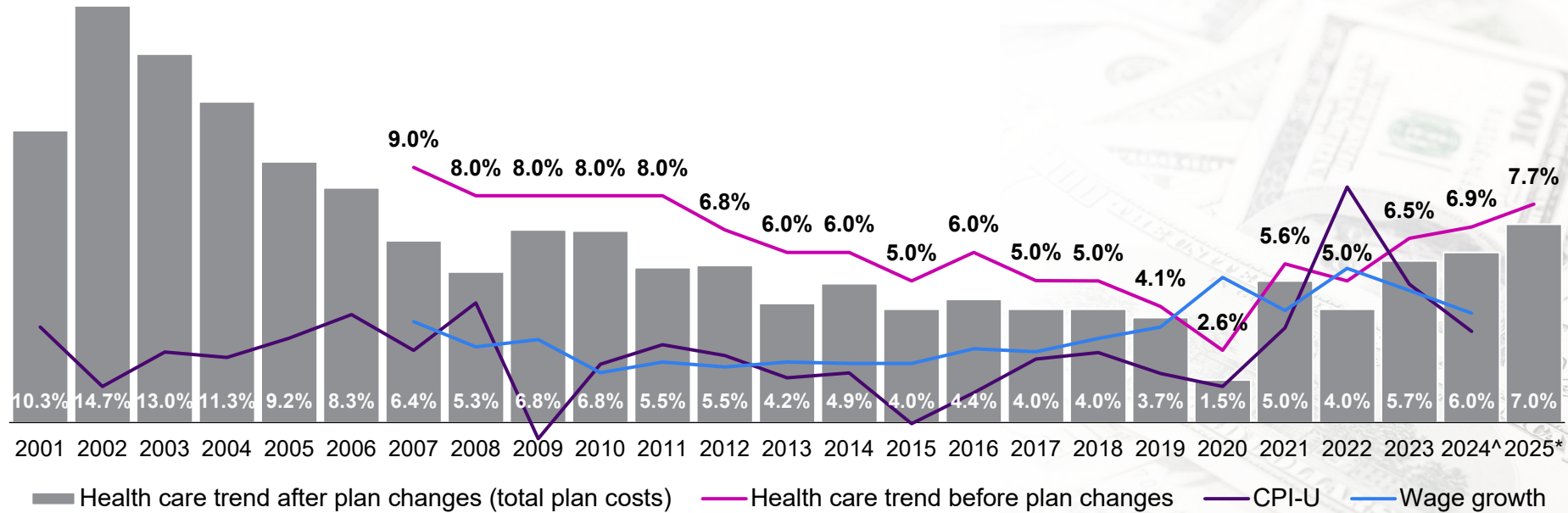
BENEFITS | INVESTMENTS

HealthFlex Financial Update

HealthFlex Summit | October 2024



U.S. Health Care Cost Increases: Trend Expected to Grow in 2025



Note: Percentages of healthcare trend are median numbers.

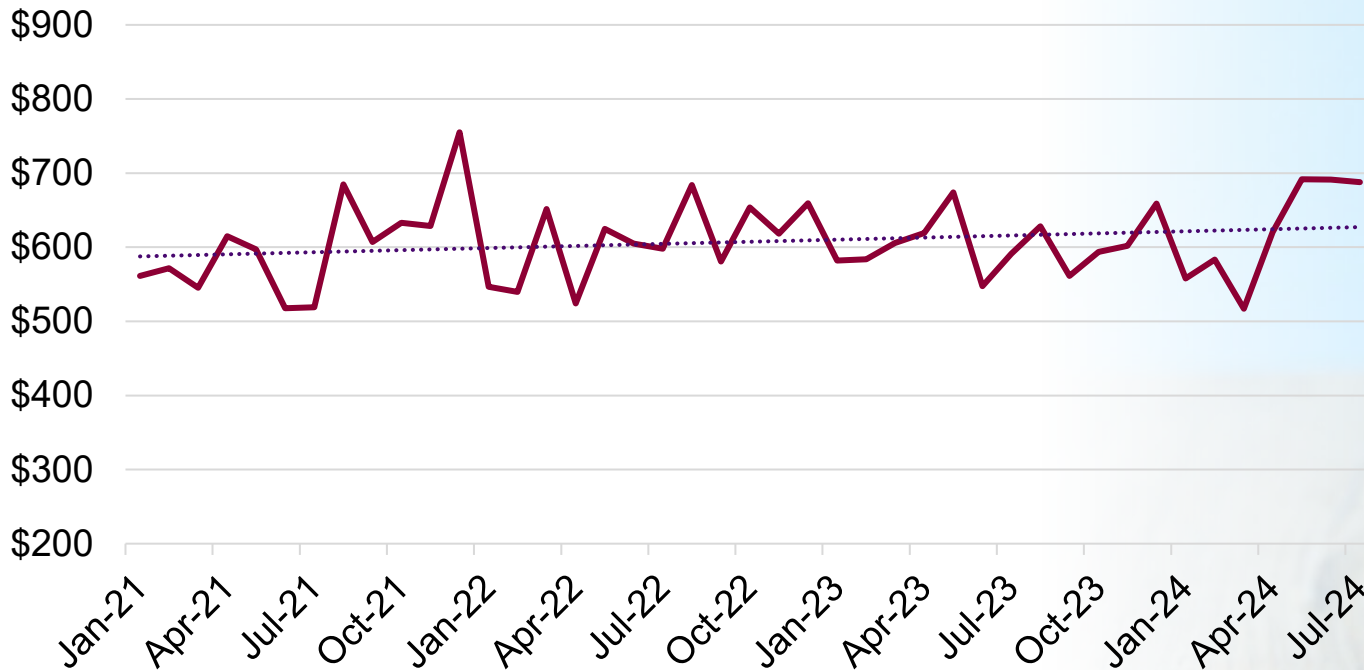
Sample: Companies with at least 1,000 employees.

Source: WTW 2023 Best Practices in Healthcare Survey; Bureau of Labor Statistics, CPI-U, CES.

^Expected; *Projected

2021–2024 HealthFlex Medical Claims

HealthFlex Allowed Medical Claims (PMPM*)



* Per member per month



2020–2024 HealthFlex Medical Claims

Year	Medical Incurred Claims Through June, Paid Through August (PMPM)	% Change
2020	\$453.33	
2021	\$567.91	25%
2022	\$581.87	2%
2023	\$601.88	3%
2024	\$620.15	3%

3.0% annualized increase
from 2021 to 2024

Incurred vs. Paid Claims (And Why It Matters)

- Health care claims are **incurred** on the date that the member visits the doctor's office or is admitted to the hospital
- They are considered **paid** (reported) after the claim is filed, reviewed, and processed
- The duration between incurred and paid date depends partly on the administrator
HealthFlex transitioned to a new BCBS Third Party Administrator (TPA) in 2024

Incurred Month	Paid Month					
	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
Oct-23	\$3,400	\$3,600	\$900	\$200	\$400	\$100
Nov-23	\$0	\$3,600	\$4,200	\$500	\$500	\$0
Dec-23	\$0	\$0	\$3,800	\$4,600	\$900	\$400
Jan-24	\$0	\$0	\$0	\$1,000	\$3,400	\$1,200
Feb-24	\$0	\$0	\$0	\$0	\$600	\$3,300
Mar-24	\$0	\$0	\$0	\$0	\$0	\$1,200



Incurred in 2023, paid in 2023



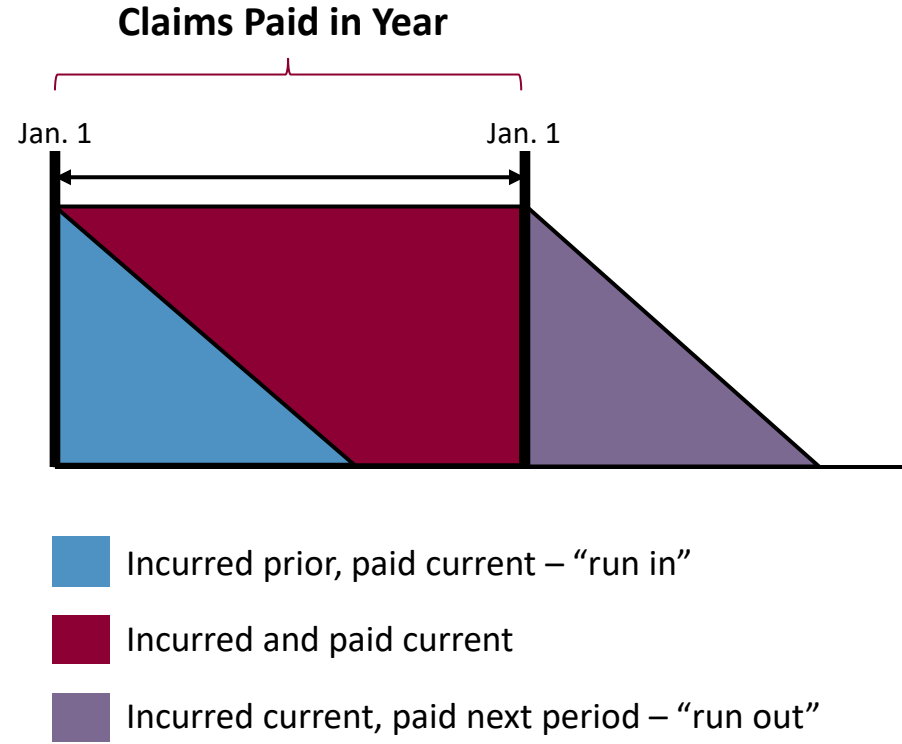
Incurred in 2023, paid in 2024 ("run-out")



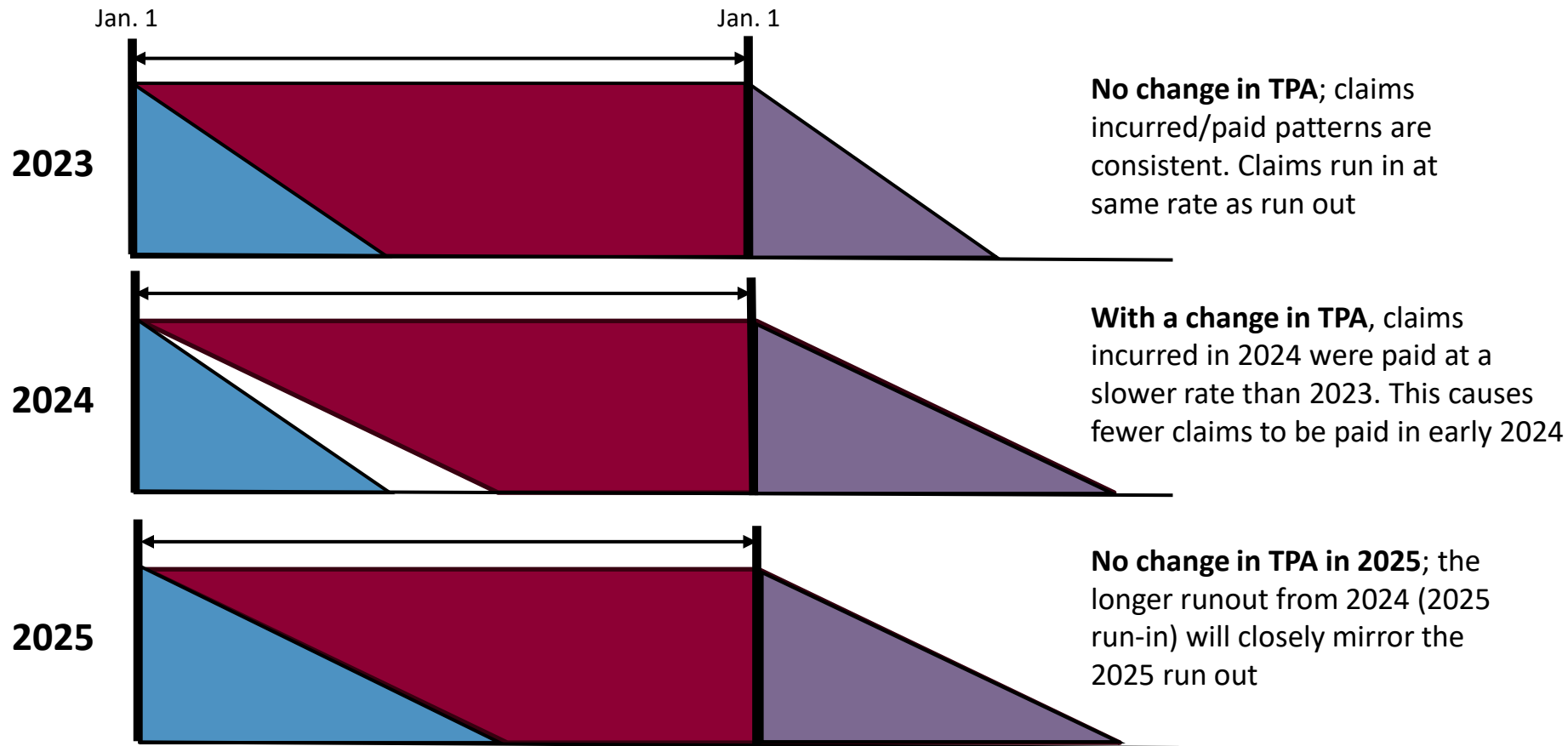
Incurred in 2024, paid in 2024

HealthFlex Medical Claims Lag

- **Payment lag** (how long it takes for a claim to be paid) had been consistent for years with BCBSIL and UHC
- **Payment speed** has been slower in 2024 since transitioning to a new BCBS TPA
- **Paid claims** in the first half of 2024 look especially favorable because run-out claims were paid quickly while new incurred claims in 2024 are taking longer to be paid
 - **Claims lag does not negatively impact covered members**

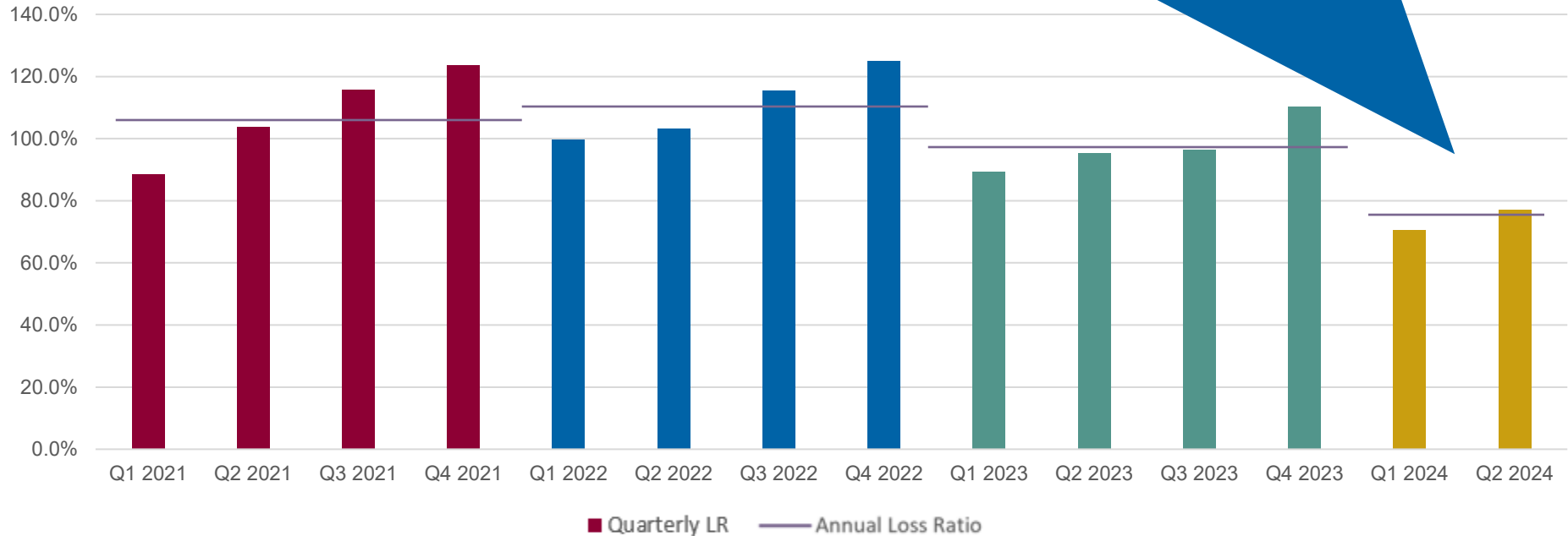


HealthFlex Incurred vs. Paid Claims 2023–2025



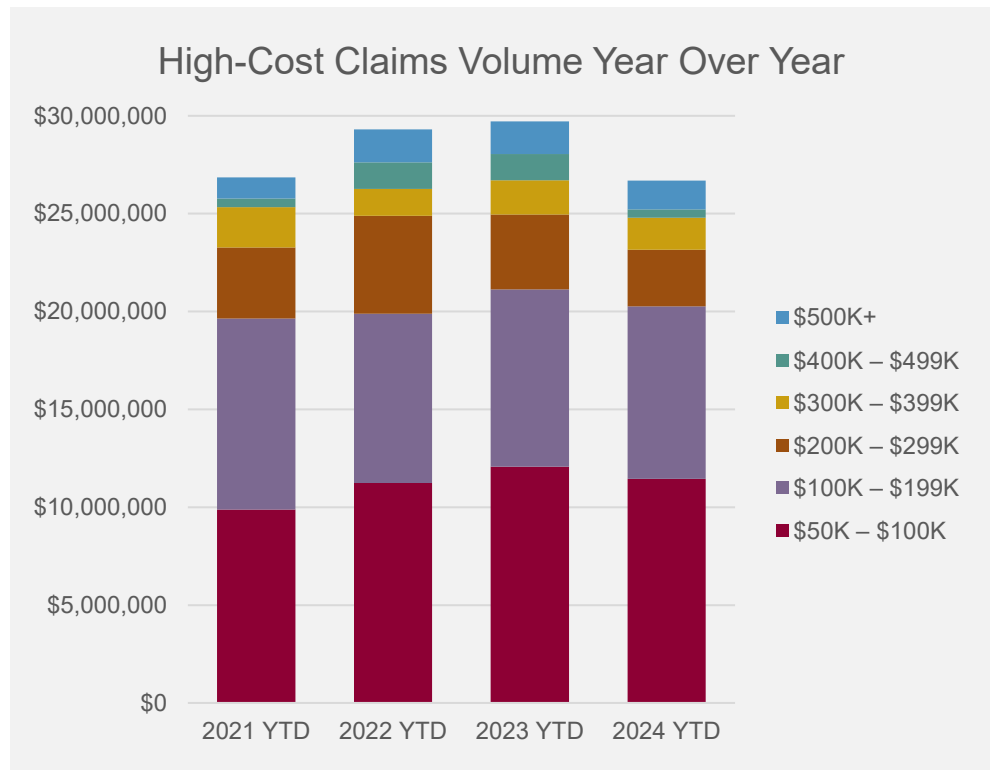
2021–2024 HealthFlex Medical Claims

Loss ratio (LR) through Q2 2024 is well below 100%. Loss ratio is based on **paid** claims which are influenced by higher claims payment lag



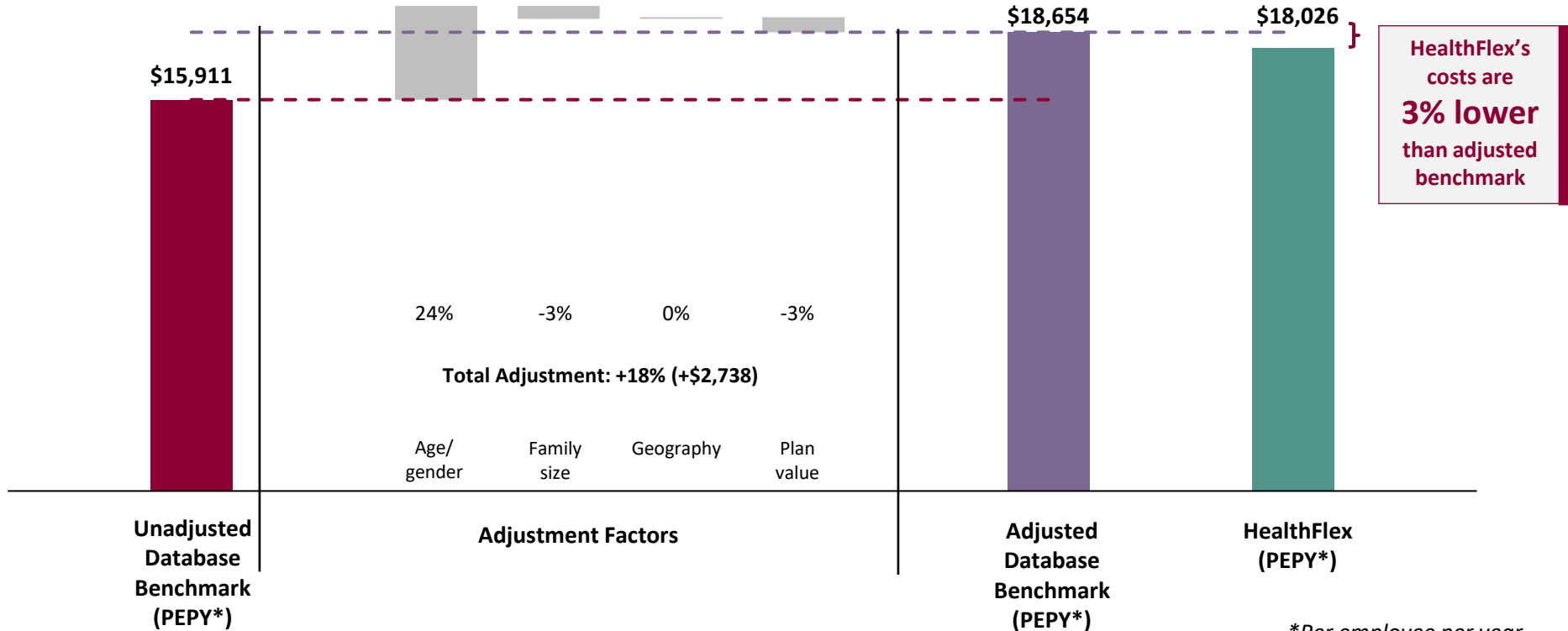
2021–2024 HealthFlex High-Cost Claims Experience

- Increase in large claims from 2021 to 2023 (paid claims)
- 2024 claims have regressed to pre-2021 levels (helped by claims lag)
- Compared to 2023:
 - 7% fewer claimants >\$50,000
 - 10% lower volume claims >\$50,000



HealthFlex Remains an Efficient Plan

HealthFlex's costs still performing better than adjusted benchmark



*Per employee per year

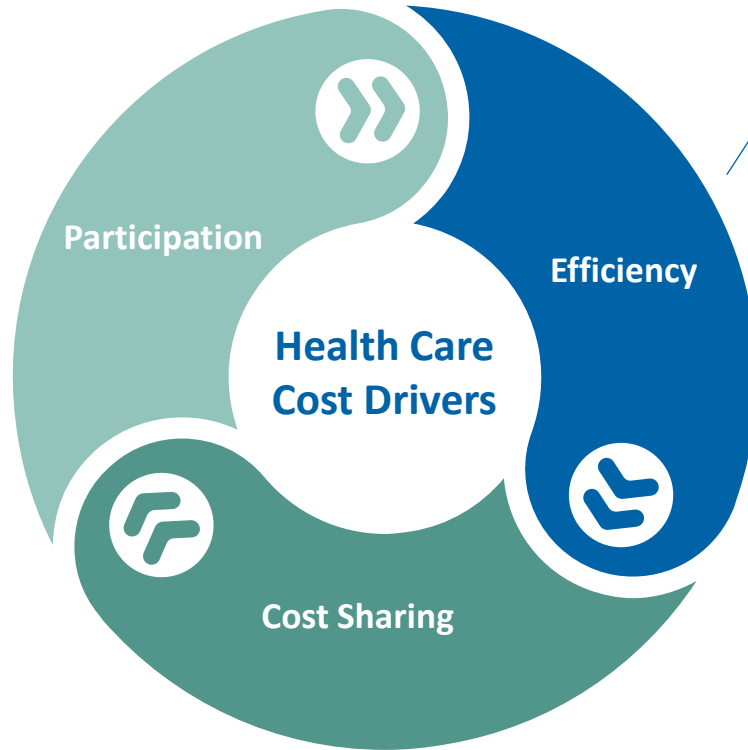
How Wespath Spends HealthFlex Dollars



79%	Claims: Medical, RX, Behavioral Health
11%	Health Account Funding
8%	Administration
1%	Well-Being Program
1%	Well-Being Incentives

92% of dollars spent in 2023 directly benefited participants: claims, account funding, wellness, incentives

What Drives Cost in a Health Plan?



Population Health

Quality of Care

Care Management

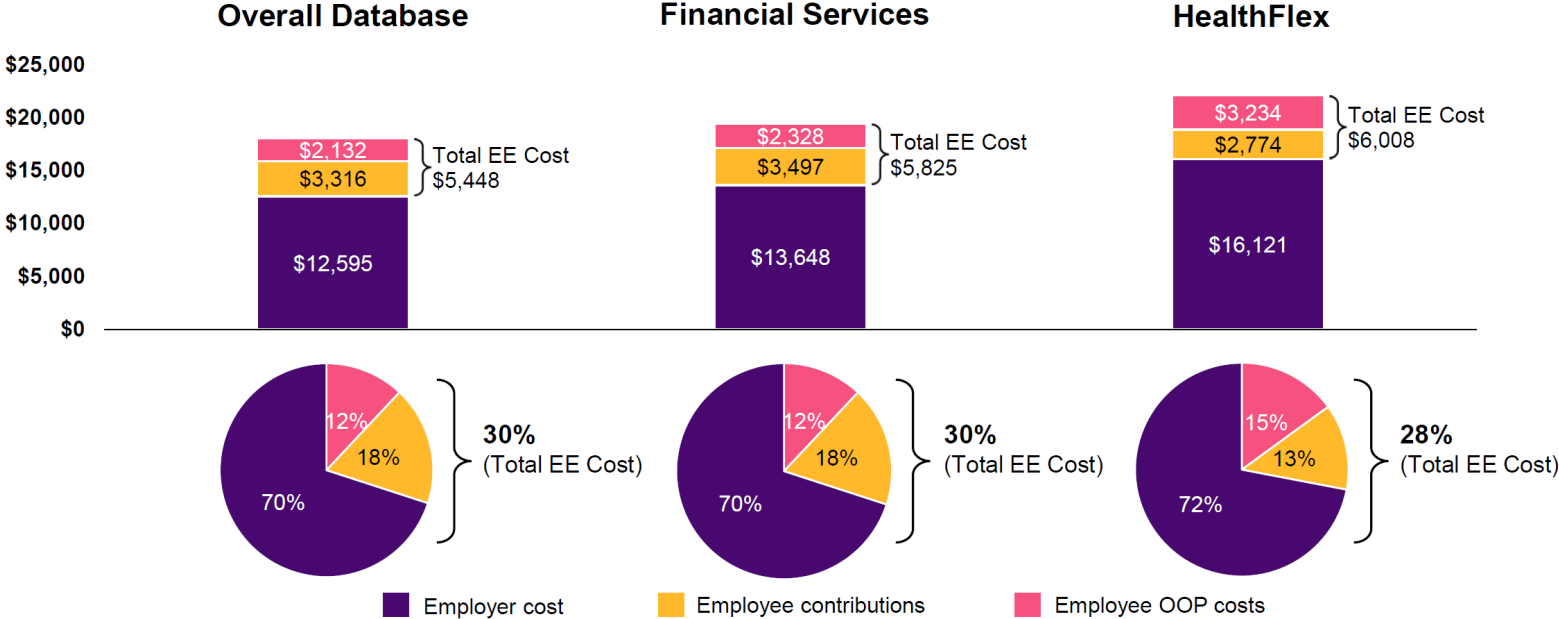
Vendor Partnerships

Pharmacy Cost Control

Wespath seeks to balance costs to member and church or employer

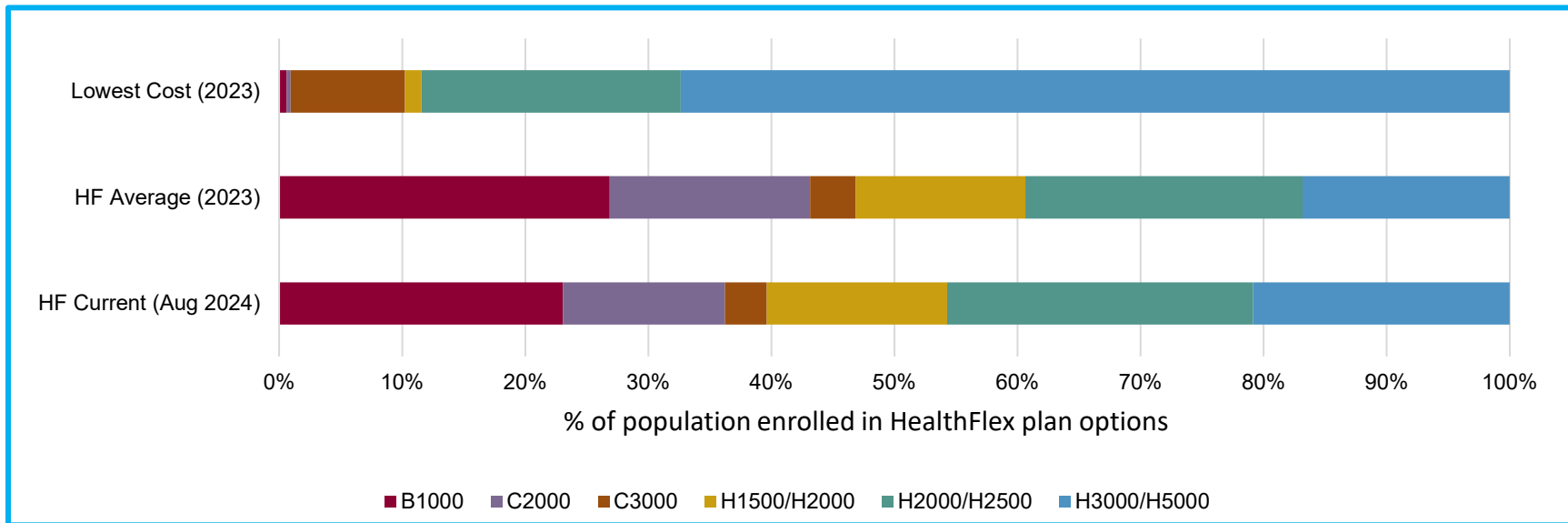
Best way to reduce cost is to be more efficient!

Balancing Member and Employer Cost Share



Despite higher percentage of folks choosing lower cost, HSA plans, total member cost share is slightly less than benchmark groups

Encouraging Selection of Best-Fit Plan



Despite high enrollment in HSA plans, many households have an opportunity to save money by choosing a lower-cost plan



Preparing for 2026 HealthFlex Rates

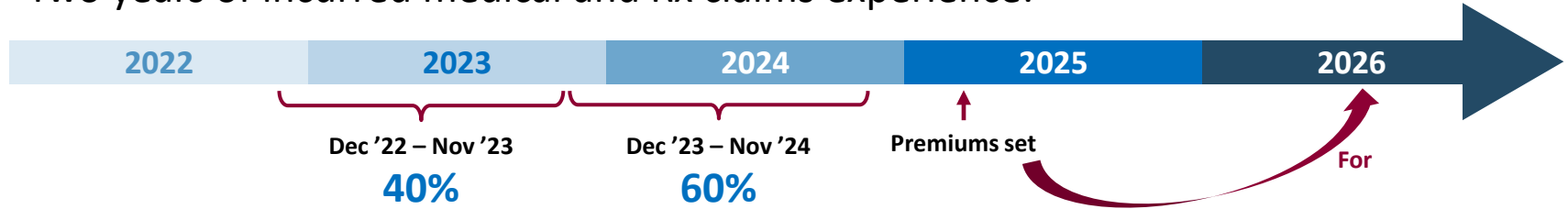
HealthFlex Rating Methodology

Goals	Fairness and equity across plan sponsors
	Connectional
	Logical, understandable and stable

Principles	Rate increases driven by experience
	Plan sponsors generally responsible for own experience
	Catastrophic claims are shared by all

2026 HealthFlex Rating Methodology

- Two years of incurred medical and Rx claims experience:



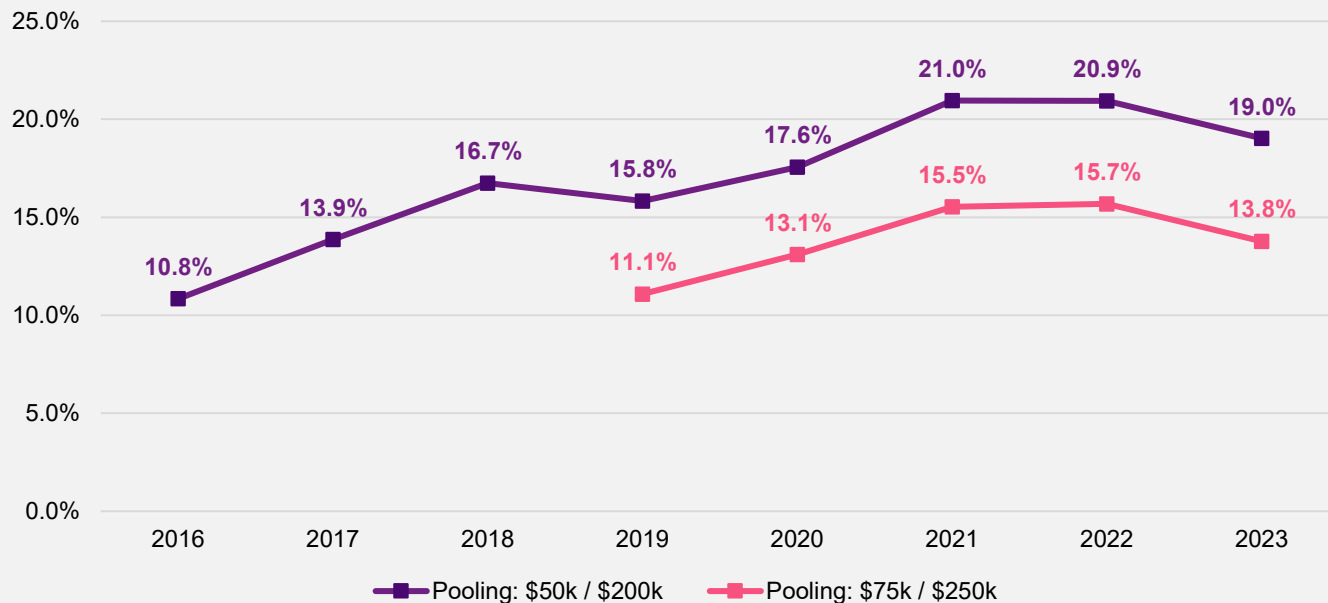
- Claims Pooling:
 - Claims below \$75,000: Not pooled (fully assigned to plan sponsor)
 - Claims between \$75,000 and \$250,000: 50% pooled
 - Claims above \$250,000: Fully pooled
- Medical and prescription drug trend assumptions:

	2020–2021	2021–2022	2022–2023	2023–2024	2024–2025
Medical	5.0%	5.0%	6.0%	6.0%	6.5%
Prescription Drug	8.0%	8.0%	8.0%	8.0%	8.0%



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%

2026 Rates: What to Expect

- Paid claims in 2024 have run <90% of budget through August
 - July and August were notably higher than January–June
- Health care trend rates are expected to grow in the near-term



In Review

- HealthFlex remains **efficient** and focused on stewardship of dollars
- We are **cautiously optimistic** for 2026 rates





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