



**Wespath**

BENEFITS | INVESTMENTS

# Health Care Cost and Utilization

HealthFlex Summit | October 2023

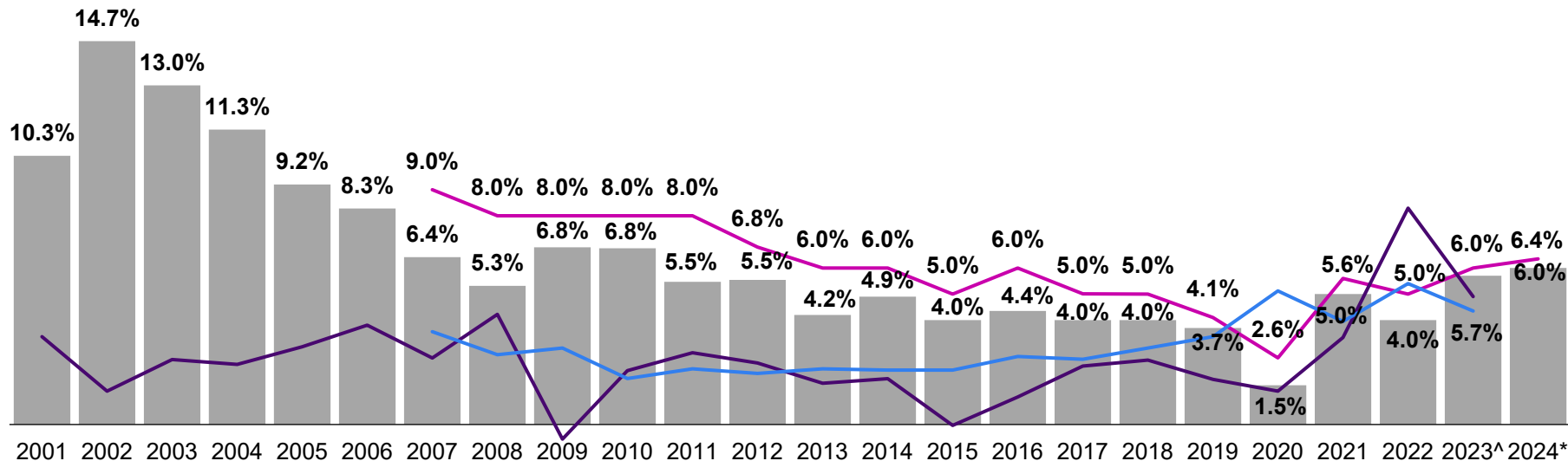


# U.S. Employer Health Care Spend in 2022 and 2023

- Health care trend has **returned to pre-COVID** levels in 2022 and 2023
- Employers still expect health care trend to **increase in the near-term** as providers demand higher reimbursement rates
- High-cost claimants continue to **increase in severity**



# Health Care Cost Increases Rising but with Uncertainty and Variability



Health Care Trend After Plan Changes (Total Plan Costs)
  Health Care Trend Before Plan Changes
  CPI-U
  Wage growth

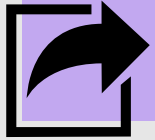
^Expected; \*Projected

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.

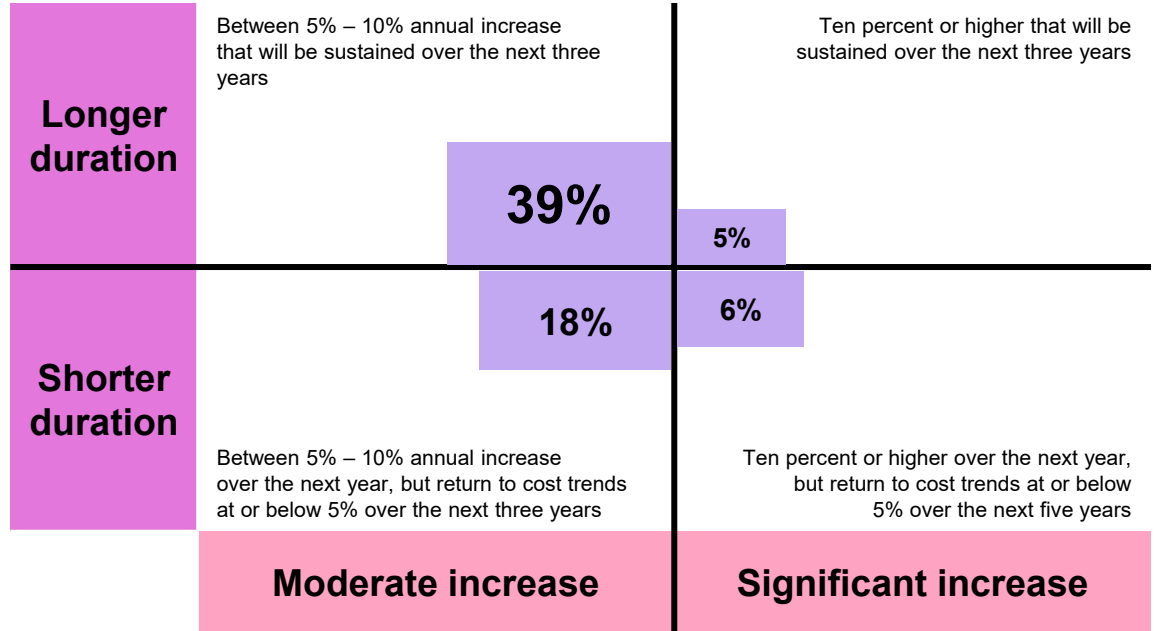
# Health Care Costs Expected to Rise Next Three Years



**68%** project moderate to significant health care cost increases over the next three years

**15%** of organizations project no change in healthcare costs over the next three years

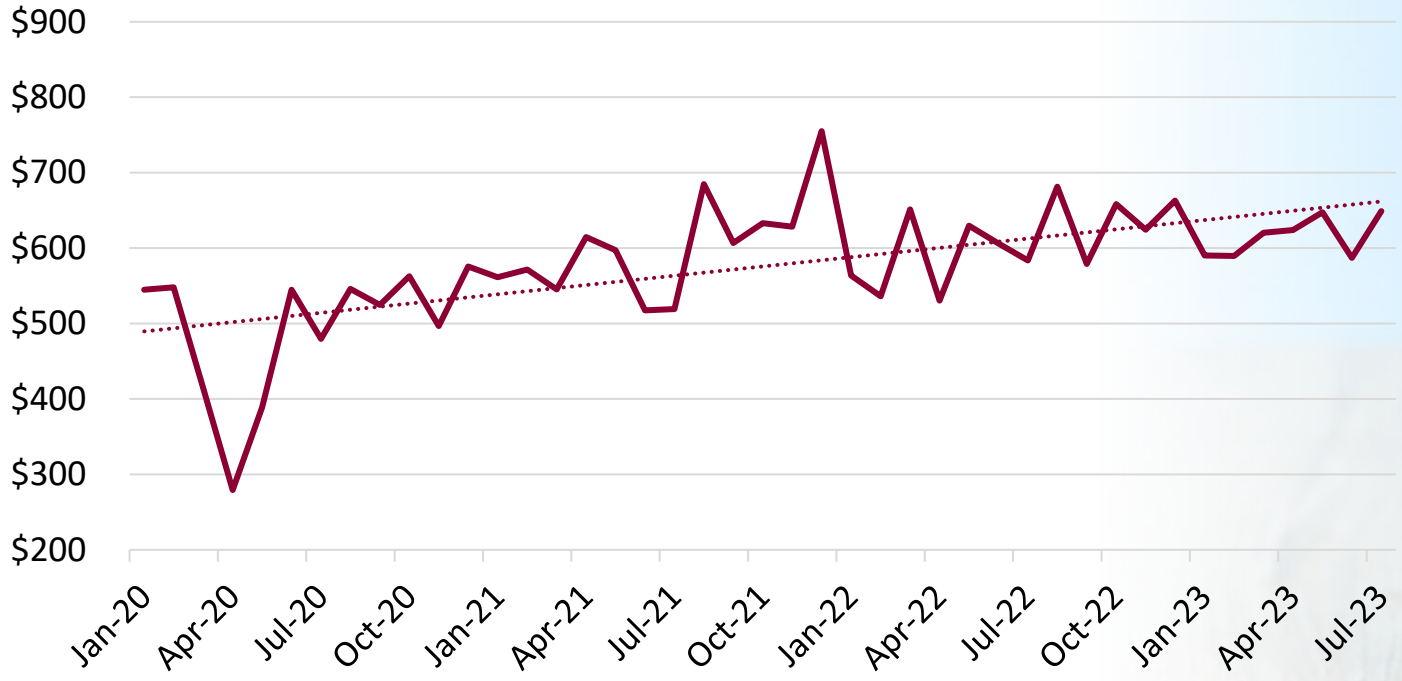
**15%** do not have cost projections for the next three years



Note: Percentages may not sum up to 100% due to rounding.  
Source: WTW 2023 Best Practices in Healthcare Survey.

# 2020–2023 HealthFlex Medical Claims

HealthFlex Allowed Medical Claims (PMPM)

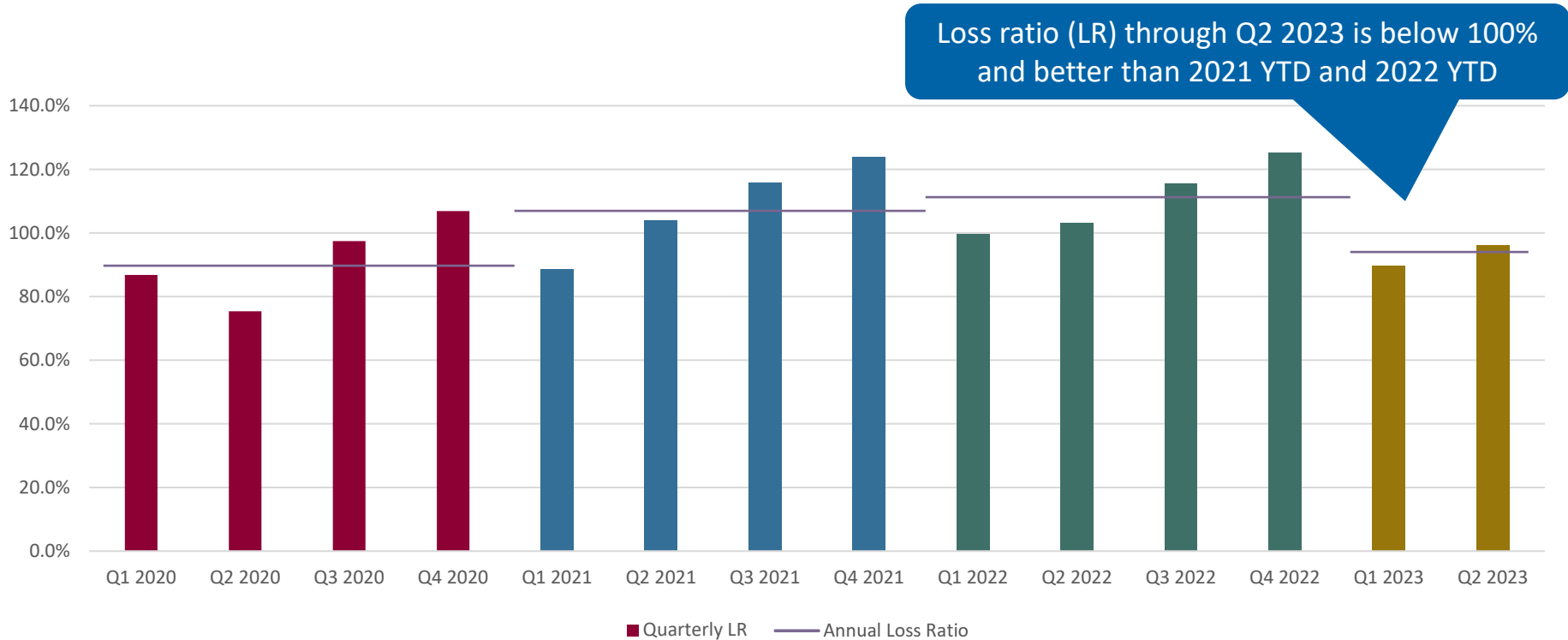


# 2019–2023 HealthFlex Medical Claims

Year	Medical Claims Through July (PMPM)	% Change
2019	\$488.09	
2020	\$457.10	-6%
2021	\$560.94	23%
2022	\$585.88	4%
2023	\$615.44	5%

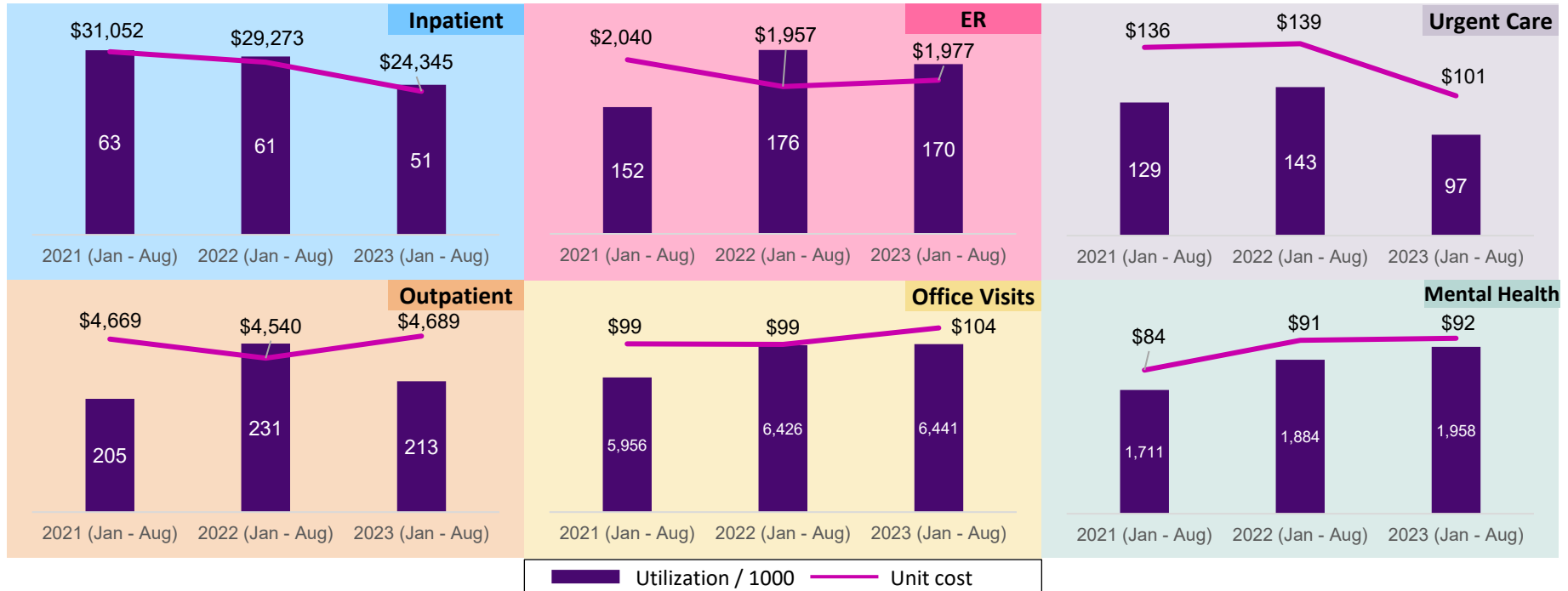
**6.0%** annualized increase  
from 2019 to 2023

# 2020–2023 HealthFlex Medical Claims



# 2020–2023 HealthFlex Utilization

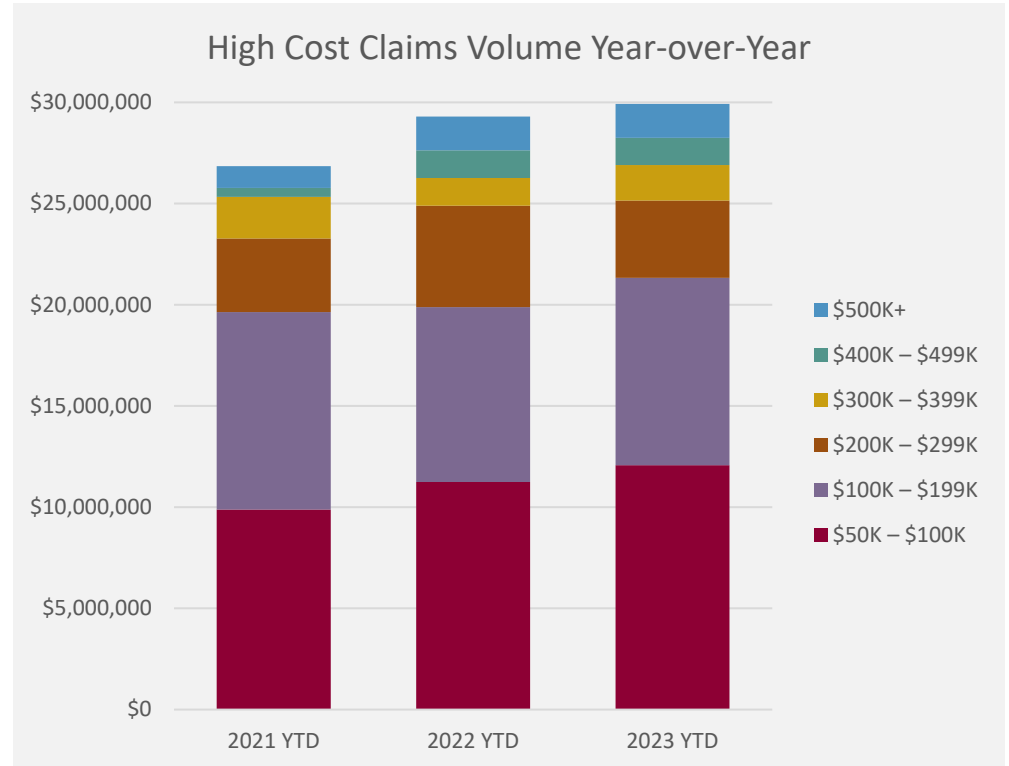
Inpatient, outpatient, and urgent care utilization has improved since a poor 2021 and 2022. Utilization improvement in 2023 could mark the end of the “pent up demand” caused by shutdowns in 2020.



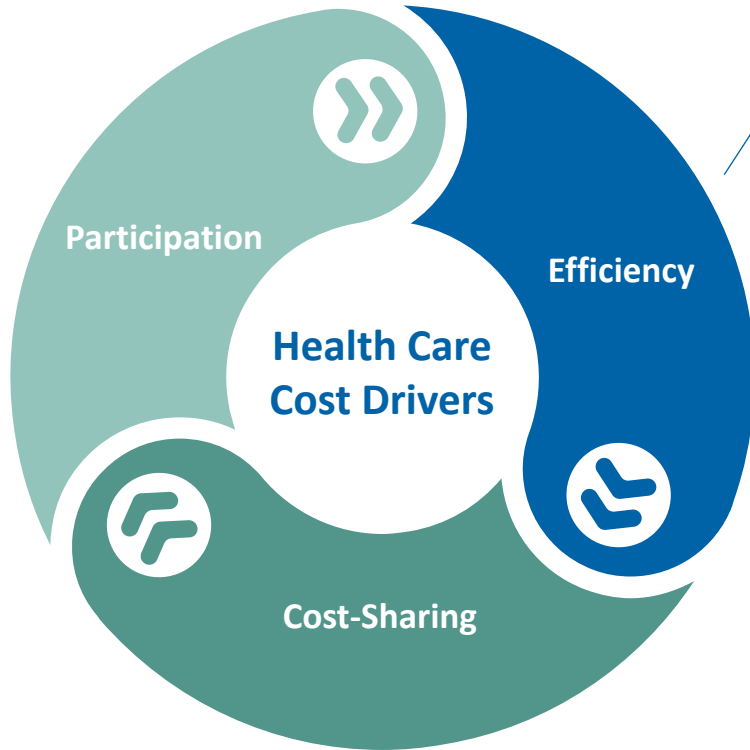


# 2021–2023 HealthFlex High-Cost Claims Experience

- Large claims continue to increase from 2021 to 2023
- So far, 2023 is worse than first half of 2021 and 2022
  - 8% more claimants above \$50,000 vs 2022
  - 2% higher claims volume above \$50,000 vs 2022



# Health Care Program Cost Drivers



Better Population Health

Higher Quality of Care

Solid Care Management

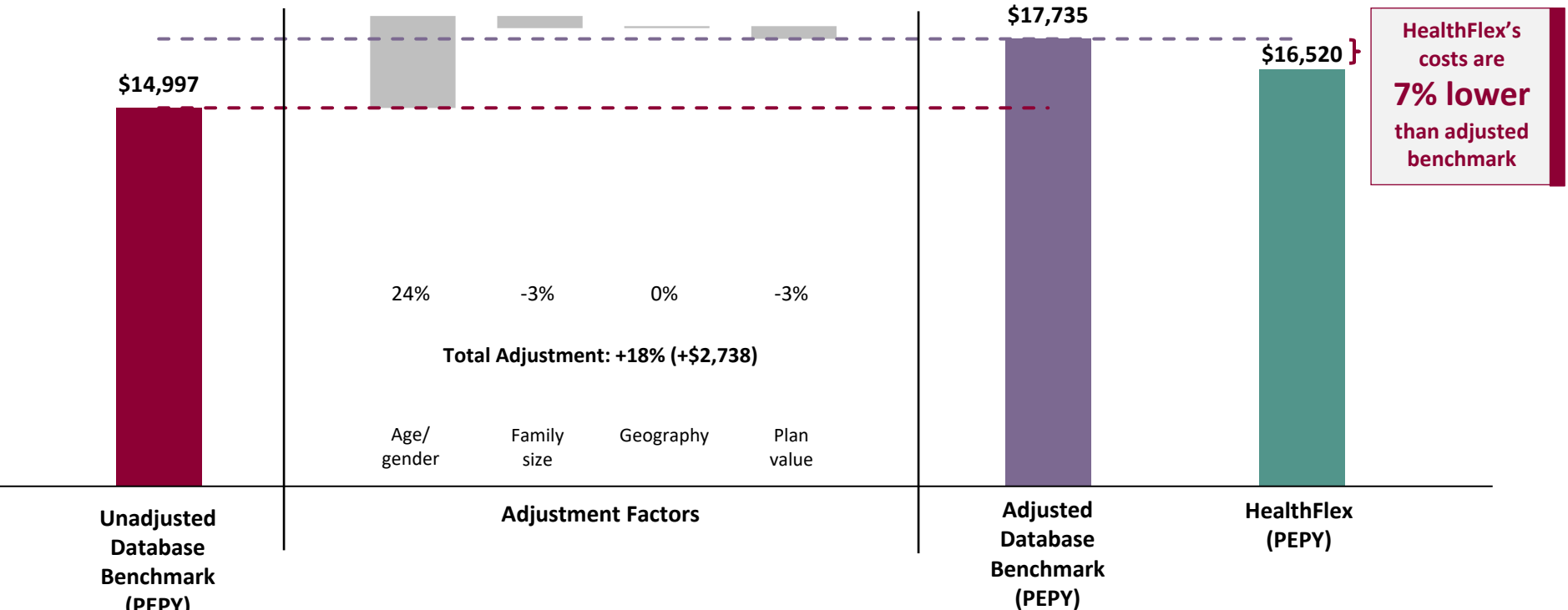
Best Vendor Partnerships

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
  - **Cannot** 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

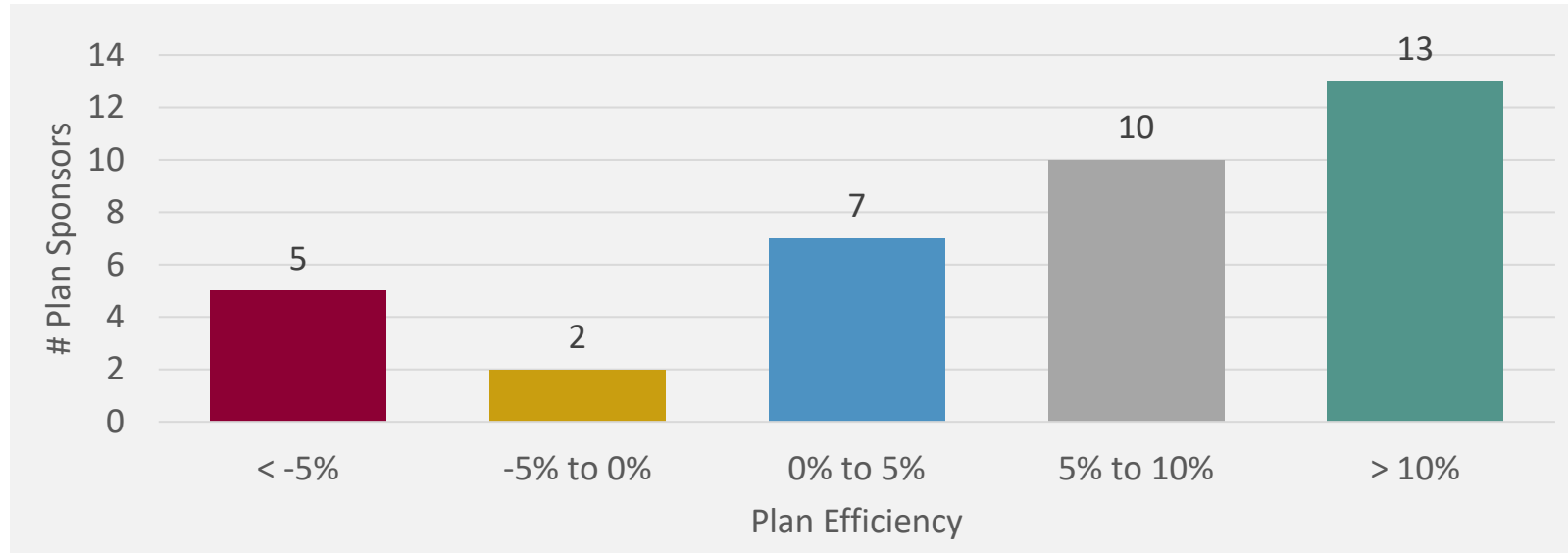
Solid Care Management

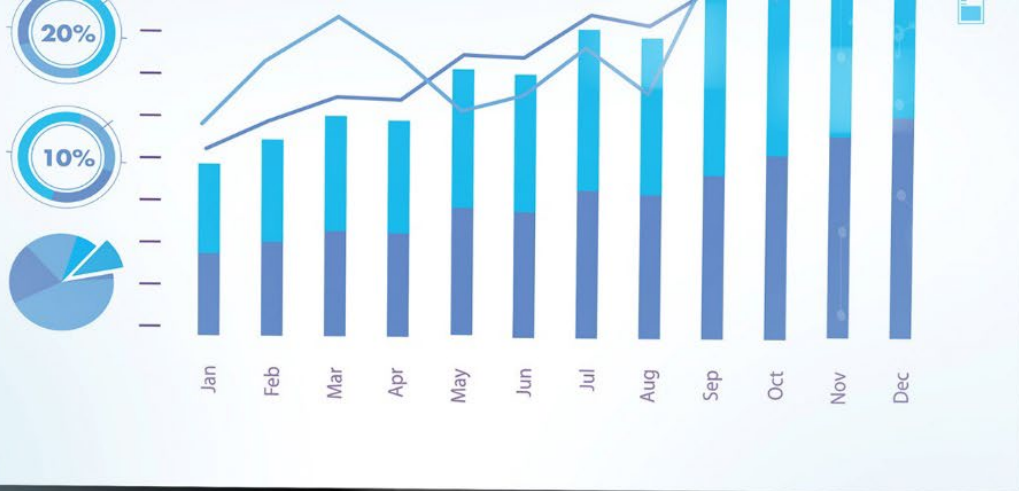
Best Vendor Partnerships

Pharmacy Cost Control

# 2023 HealthFlex Plan Efficiency by Conference

- Variability in efficiency, with most conferences being over 5% more efficient
- Efforts to improve overall efficiency continue





# Impact on 2025 Rating Process

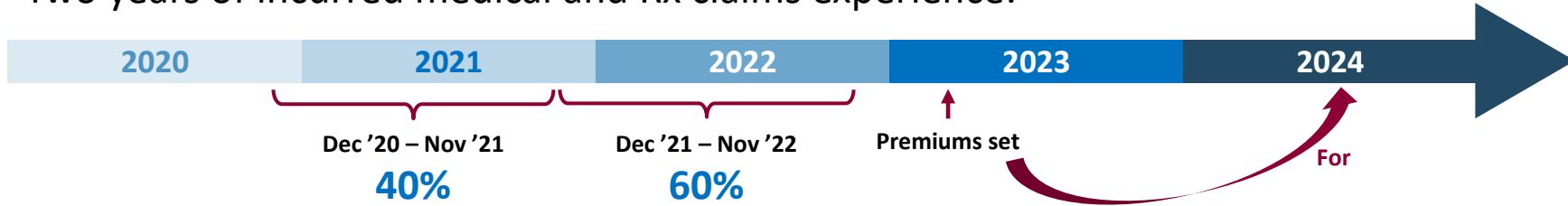
# HealthFlex Rating Methodology

<b>Primary Rating Methodology Goals</b>	Fairness and equity across conferences
	Connectional in nature
	Logical, understandable and stable year-over-year

<b>Principles</b>	Rate increases are driven by experience
	Each conference is responsible for its own experience
	<b>Except:</b> High-cost claims are shared across all conferences

# 2024 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 rates:

	2019–2020	2020–2021	2021–2022	2022–2023	2023–2024
<b>Medical</b>	5.0%	5.0%	5.0%	<b>6.0%</b>	<b>6.0%</b>
<b>Prescription Drug</b>	8.0%	8.0%	8.0%	8.0%	8.0%



# 2025 Rating Considerations

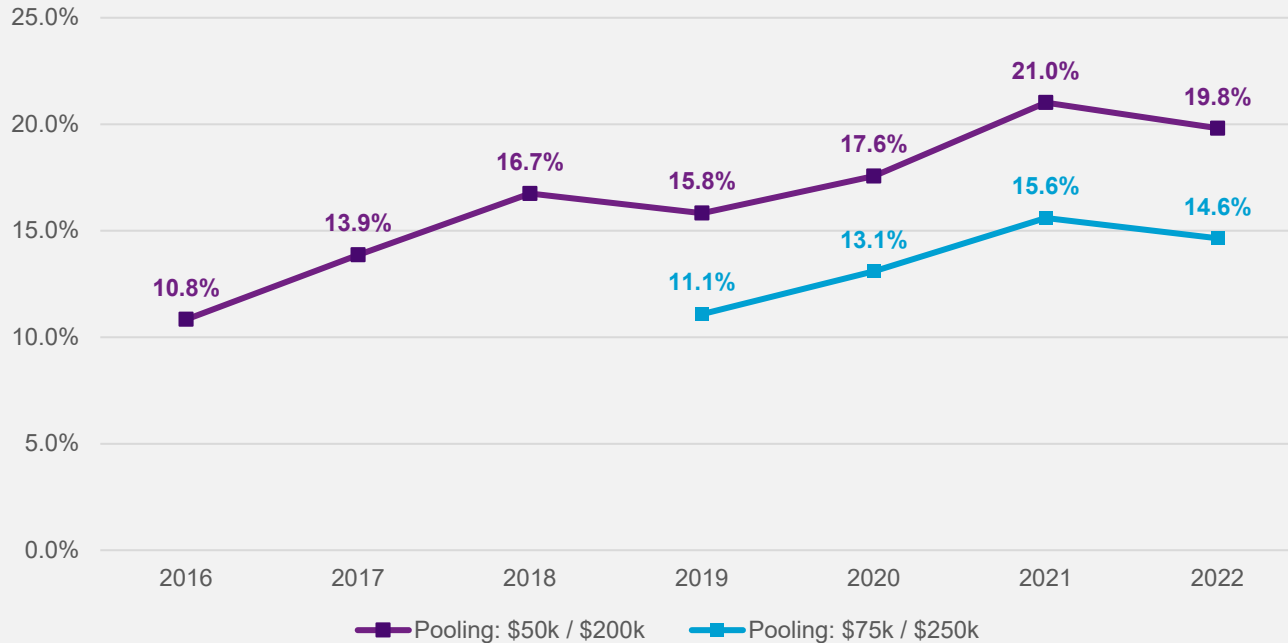
- Medical and prescription drug trend rates—we will monitor emerging market data to determine whether trend rates must be increased for 2025 rating
- High-cost claims experience continues to remain high for 2023 YTD, so pooling levels may need to be adjusted to maintain an overall target of 10-15% of pooled claims
- Total 2023 YTD claims experience appears favorable; however, 2022 claims will continue to be used in 2025 rating





# High-Cost Claim Volume—Impact on Pooling

## Pooling Charges as a Percentage of Total Claims



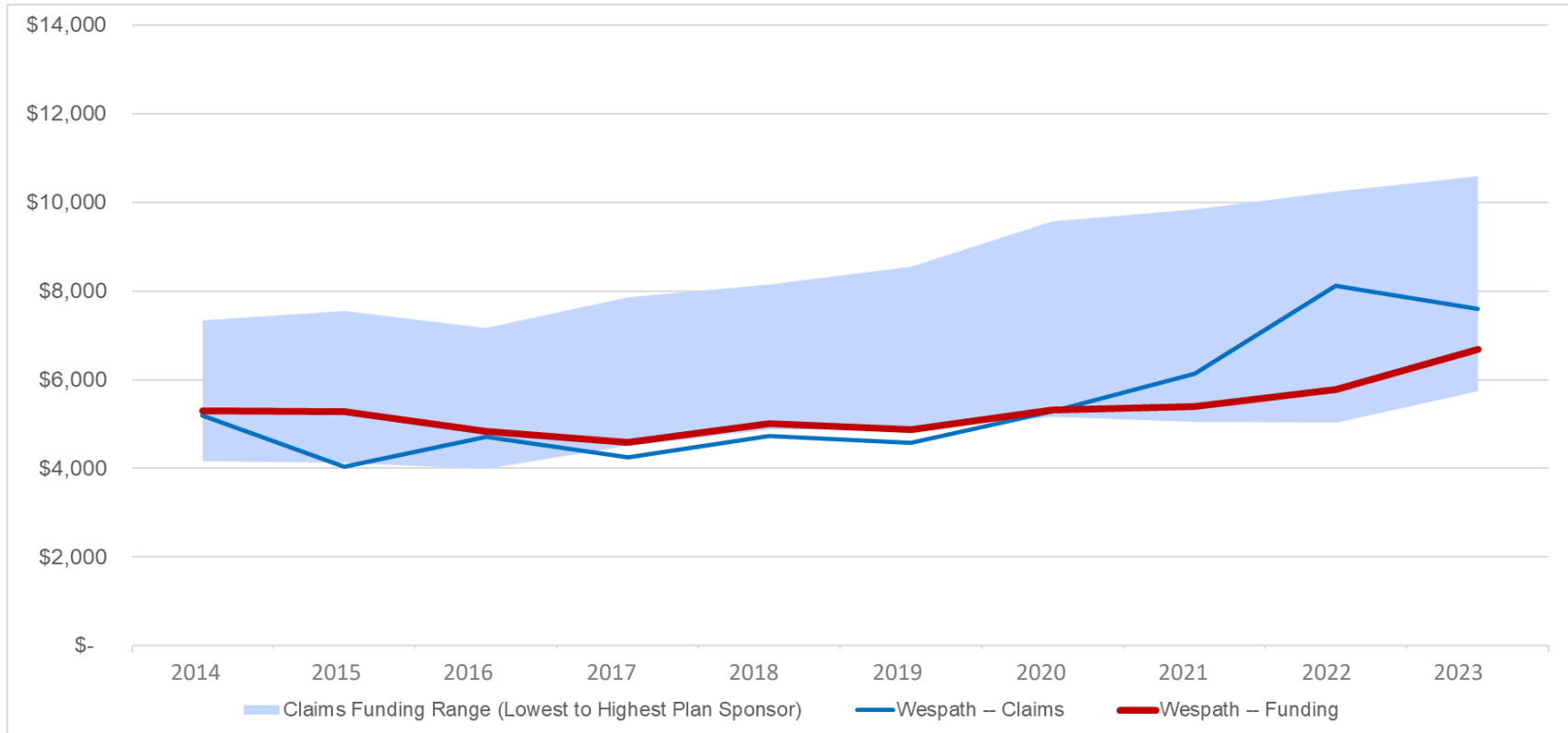
High-cost threshold adjustment possible next year to keep pooled claims between 10-15%

# What to Expect for 2025

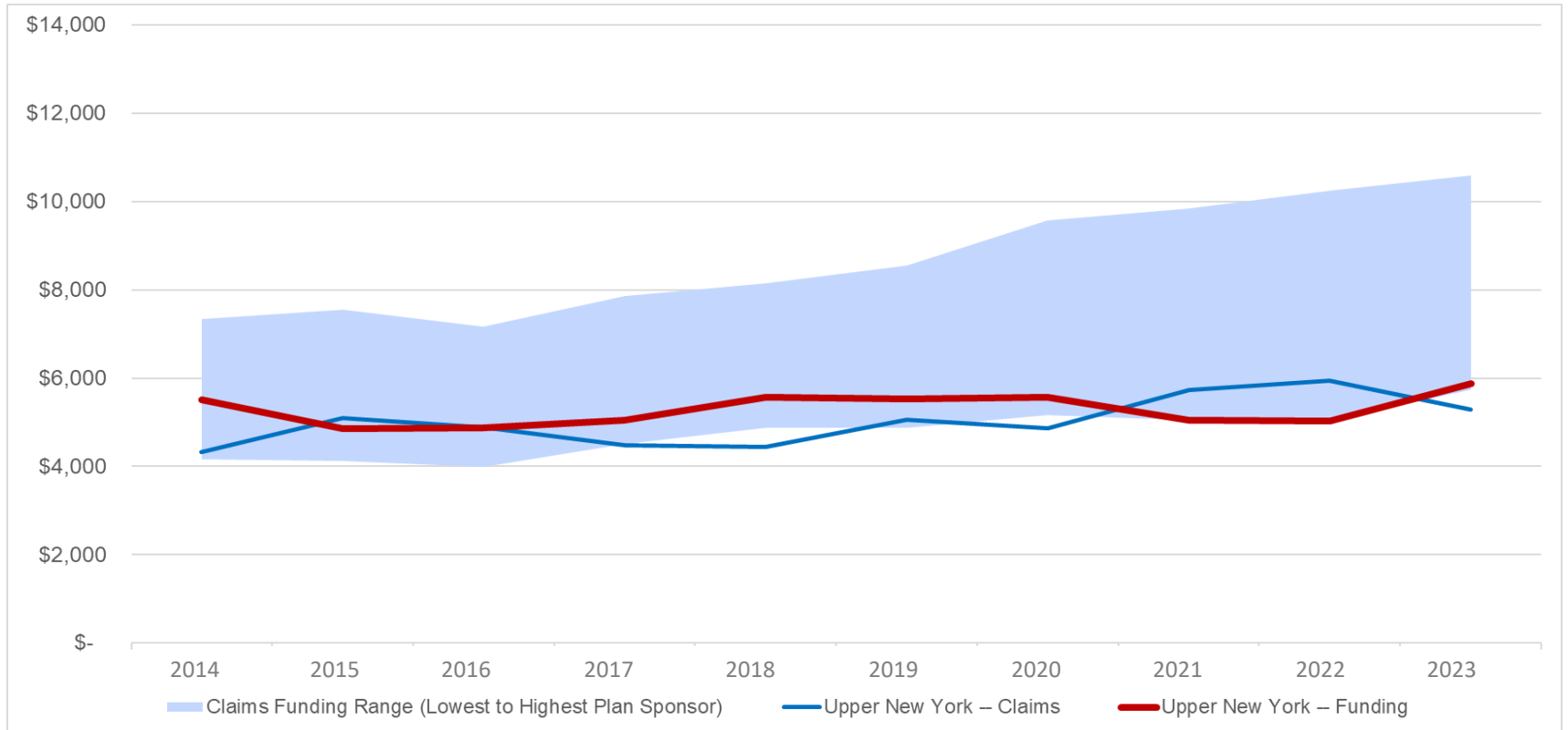
- Actual claims in 2023 have run 93% of budget through June; higher claims are expected in months July-December
- Health care trend rates are expected to grow in the near-term
- A poor 2022 and a neutral 2023 with a higher projected trend rate could lead to mid to high single-digit increases for 2025



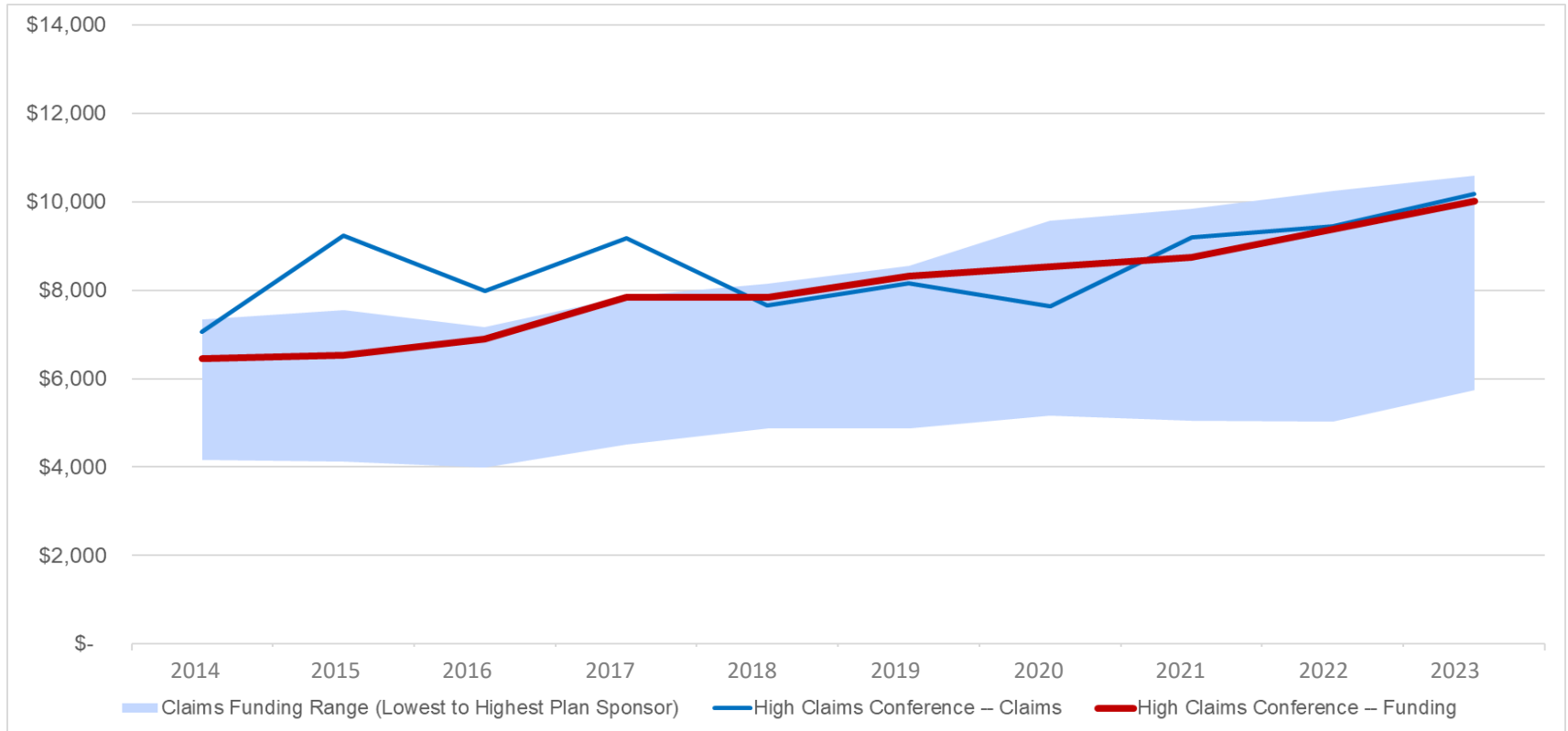
# Claims Experience Drives Premiums



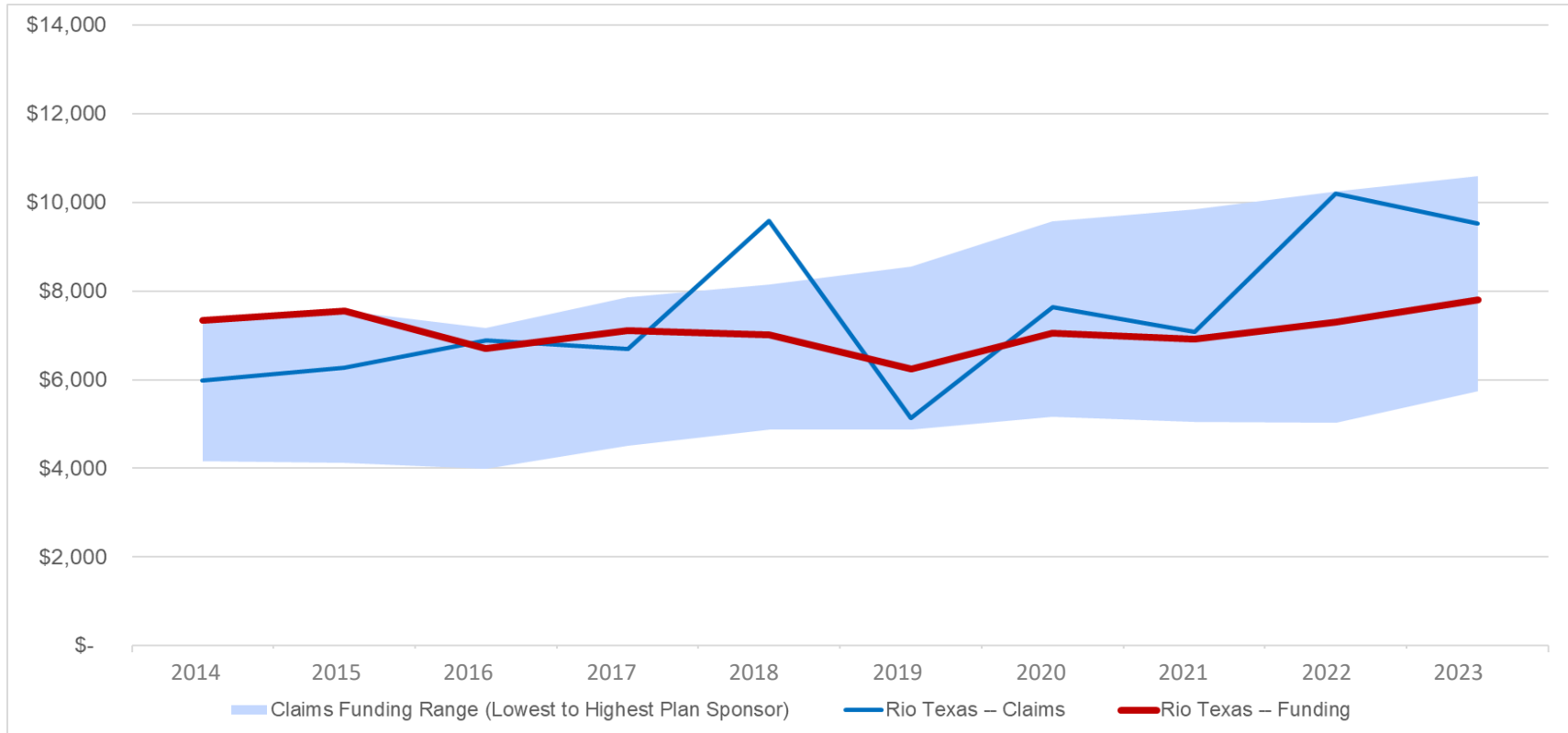
# Claims Experience Drives Premiums



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# In Review

- HealthFlex is an **efficient** program
- We remain focused on **managing costs**
- Each cohort is priced on their **experience**
- We are **cautiously optimistic** for 2025 rates
  
- **Thank You!**







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