



HealthFlex Mini-Summit—March 2024

Financial Review

2023 Experience—2025 Premiums



Wespath

BENEFITS | INVESTMENTS

Agenda

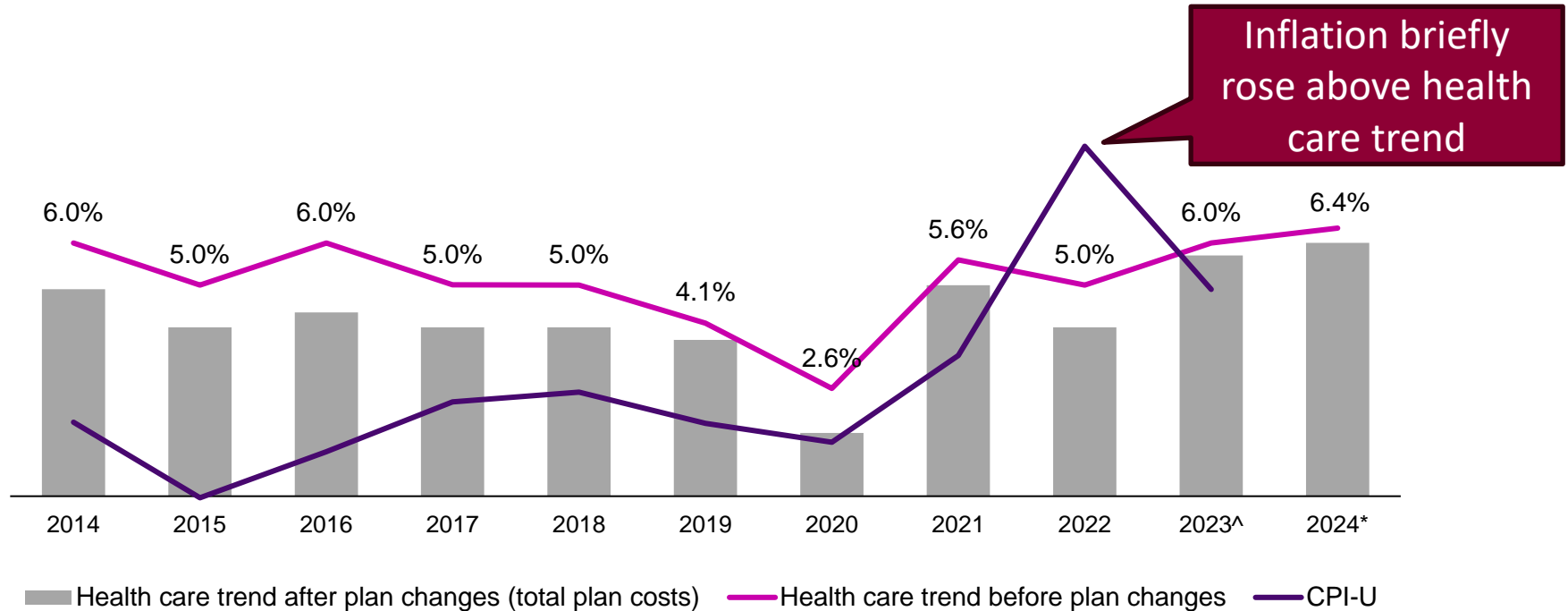
- **Market Update**
- **Looking Back: 2023**
 - Financial Results and Experience
- **Looking Ahead: 2025**
 - 2025 HealthFlex Premiums
 - Review of Rating Methodology



Market Update

The image is a teal-tinted composition. In the center, the text "Market Update" is written in a bold, white, sans-serif font. The background features a stethoscope on the right side, a spiral-bound notebook on the left, and a line graph with square markers at the bottom. The entire scene is overlaid with a faint grid pattern.

U.S. Health Care Trend Expected to Rise in 2024



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

Key Trend Drivers in U.S.

Inflation and
Increased Labor
Costs

Health Care
Provider
Consolidation

Escalating Drug
Costs

Worsening Mental
Health

Worsening Illness
Burden

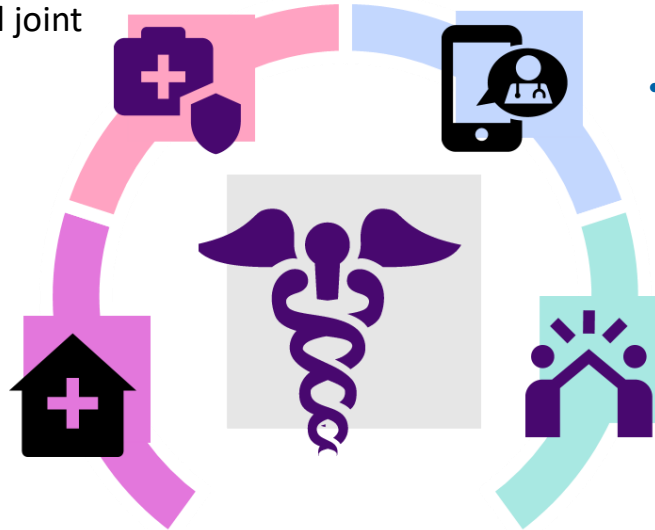
New Models and Payment Methods Are Becoming Available

Centers of Excellence

- More broadly available now for cardiac, bariatric surgeries, and joint replacements
- Drives lower unit costs and improved quality

Medical Provider Networks

- Broad PPO networks continue to dominate the market
- Narrow network plans and new plan design models are gaining interest



Virtual Care

- Broad adoption (22% of U.S. adults had a virtual care appointment in last 4 weeks)
- Acute care, condition care, and virtual primary care

Culturally Competent Care

- Provider search is evolving slowly
- New programs are emerging

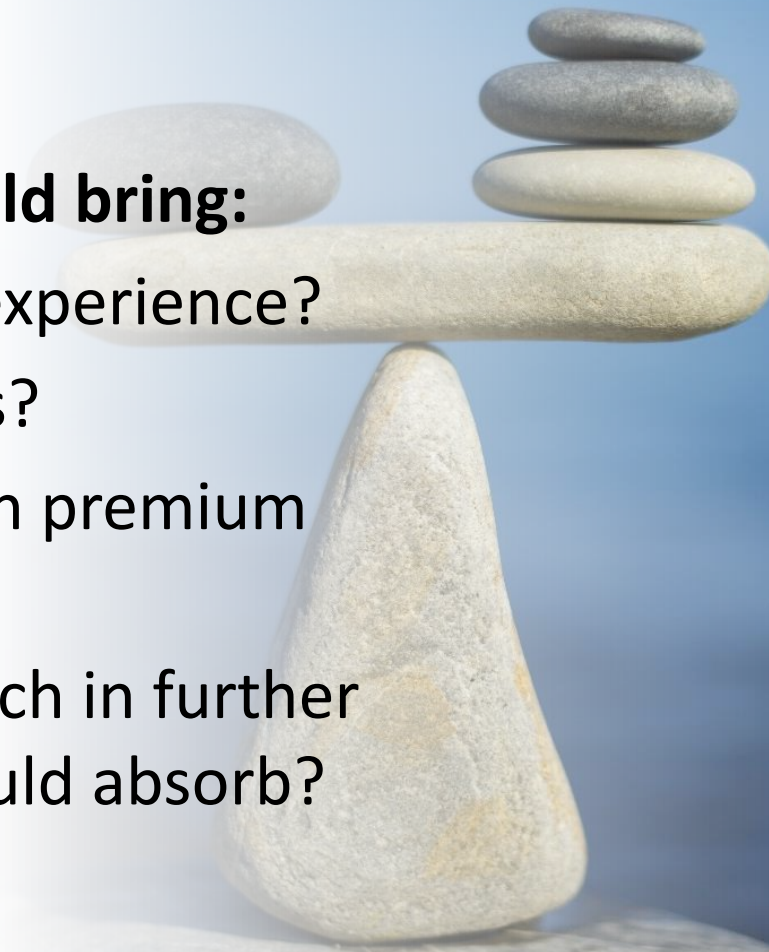
A blue-tinted photograph of a business meeting. In the foreground, a person's hands are visible, one holding a pen and the other pointing at a document. In the background, another person is working on a laptop. The scene is overlaid with semi-transparent financial charts, including a bar chart and several line graphs with different colored lines (red, green, blue). The text "Looking Back— Financials and Experience" is centered in white, bold font.

Looking Back— Financials and Experience

A Year Ago This Time...

We wondered whether 2023 would bring:

- Another year of poor financial experience?
- Driven by more high-cost claims?
- Resulting in another year of high premium rate increases?
- Raising the question of how much in further cost increases plan sponsors could absorb?



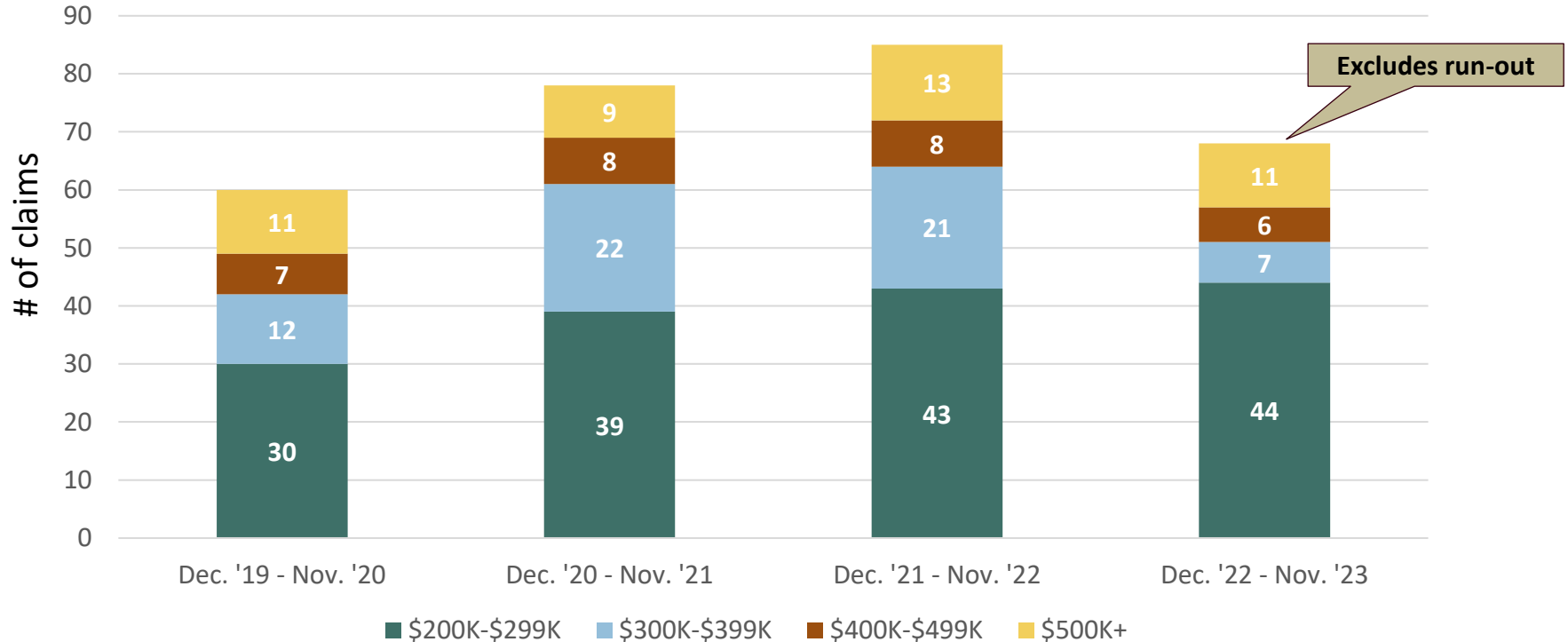
We Have Good News!

2023 was better than expected!

Budget Category	2023 Actuals (\$M)	2023 Budget (\$M)
Inflows: Premiums & Other Receipts	\$168.9	\$170.7
Outflows: Claims, Admin & Wellness	\$167.7	\$181.6
Operating Gain/(Loss)	\$1.2	(\$10.9)



High-Cost Claims Are No Longer Increasing





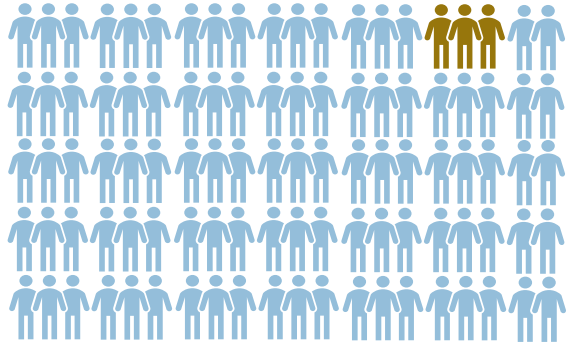
High-Cost Claimants

Diagnoses of Top 10 Claimants:

- 3 x Cancer: \$600K avg. per individual
- 2 x Endocrine/Metabolic Disorder: \$780K pp
- 2 x Hematological Disorder: \$710K pp
- 2 x Neurological Disorder: \$634K pp
- 1 x Renal/Urologic Disorder: \$660K

Total = \$6.7 million in claims in 2023

HealthFlex Claims' Cost Drivers



1

2.9% of the population
= 50% of claims cost (before rebates)

2

Top three disease categories
= almost 30% of medical claims costs



Neoplasms



Gastrointestinal



Musculoskeletal



Diabetes



Inflammatory
Conditions



Oncology

3

Three categories make up
almost 50% of pharmacy spend (before rebates)

Most Costly Medical Expenses

Top Conditions in 2023:

1. Cancer: \$13.53 million
2. Gastrointestinal: \$7.91 million
3. Musculoskeletal: \$7.87 million
4. Neurological: \$7.86 million

FINANCIAL MANAGEMENT
FINANCIAL BENEFITS
TERMINATIONS



INSURANCE
INVEST





Most Costly Prescription Drug Classes*


Paid in 2023:

1. Diabetic Therapy: \$10.83 million
2. Anti-Inflammatory Medications: \$8.44 million
3. Anti-Cancer Medications: \$3.37 million

Also of note:

- Anti-anxiety/Tranquilizers: \$636K
- Antidepressants/Psychostimulants: \$560K

*Before rebates




Diabetes and Weight Loss Drugs (GLP-1 Agonists)

2023 Impact:

- Three drugs (Ozempic, Mounjaro, Wegovy) comprised cost increase of \$2.9 million*
- PMPM cost increased 72%* from 2022
- Utilizers/1000 members up 64% from 2022
- Jan '23 Utilizers = 20/1000 members
Dec '23 Utilizers = 28/1000 members

*Before rebates



Diabetes and Weight Loss Drugs (GLP-1 Agonists)

Future impact:

- Utilization still increasing; stabilization expected
- Improvement in cardiovascular outcomes demonstrated in clinical trials
- Long-term cost-benefit ratio in HealthFlex population to be determined

Top 10 Prescription Drugs 2018 vs. 2023



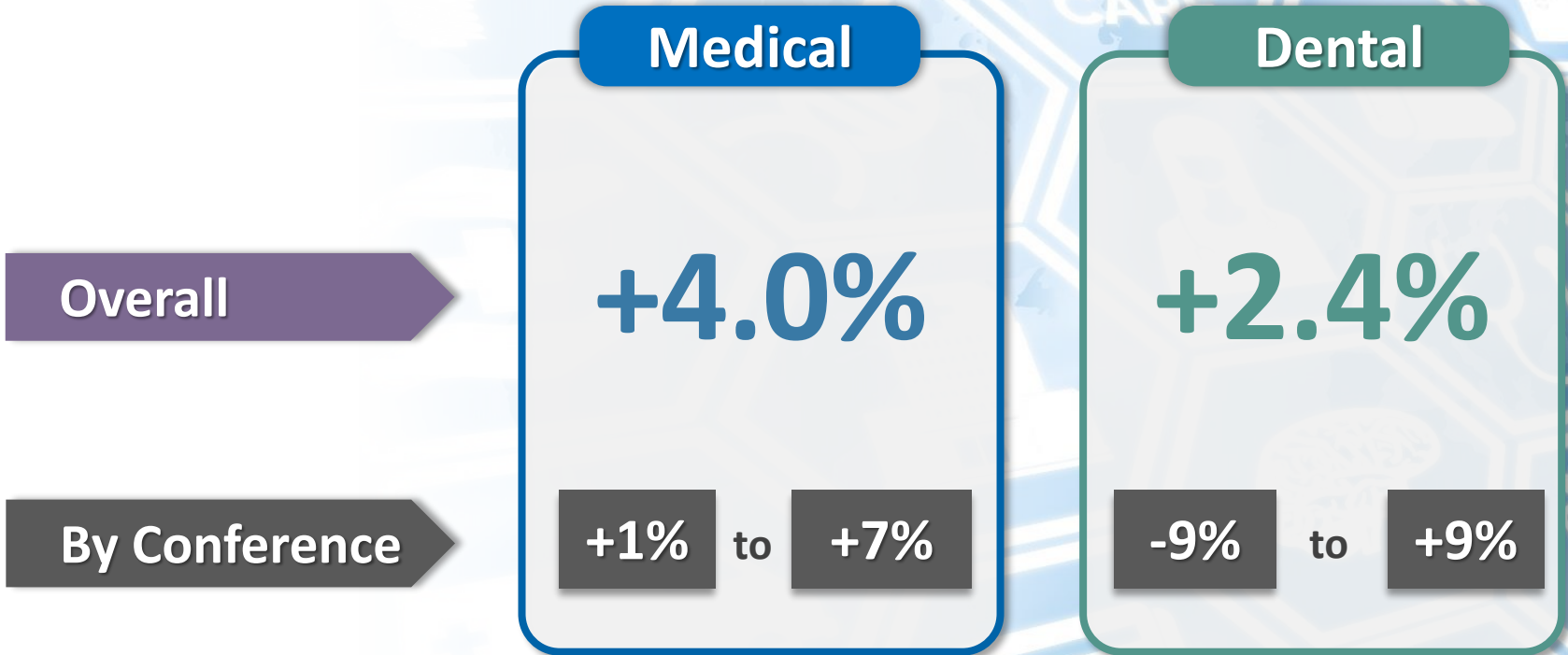


Questions?

A composite image representing healthcare and finance. It features a silver stethoscope with blue tubing, a black calculator with red function keys, a stack of yellow papers, and a US dollar bill. The background is a light-colored surface with some faint grid lines and numbers. The text is centered over the image.

2025 HealthFlex Premium Development

2025 HealthFlex Premium Increases



HealthFlex Premium Changes: 2013–Present

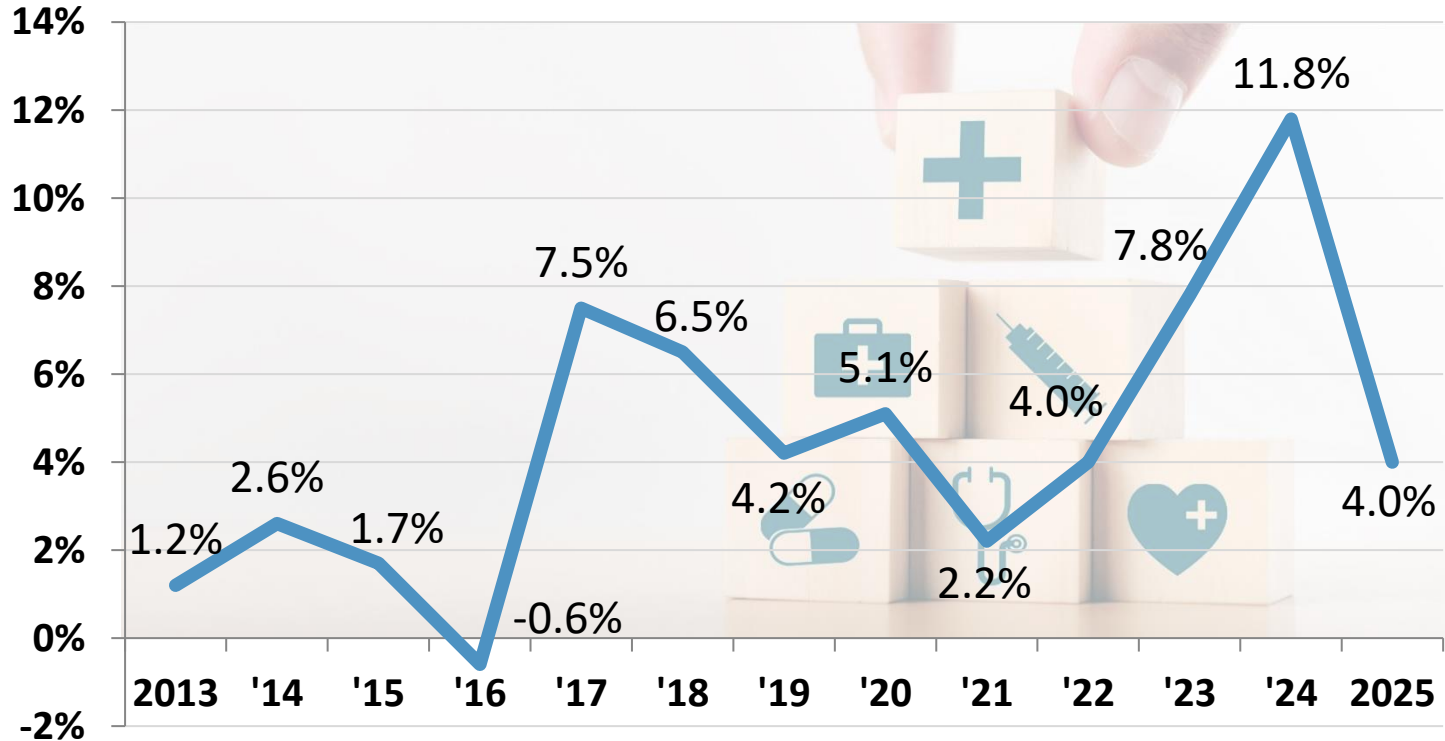
HealthFlex premium increases have been below industry average for most of the last decade

5.9%

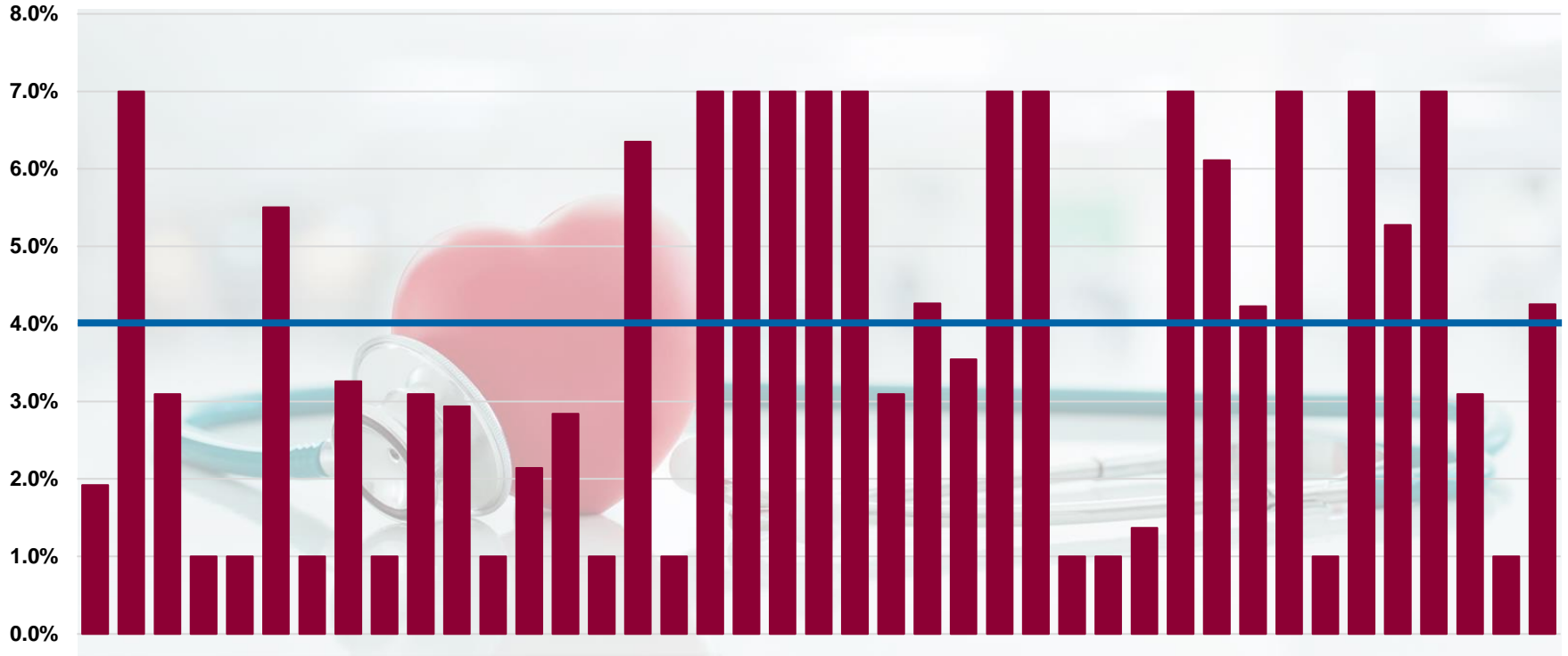
5-year
annualized rate change
(2021-2025)

4.4%

13-year
annualized rate change
(2013-2025)



2025 Medical Premium Increases by Sponsor



7-Year History of Loss Ratios and Rate Changes

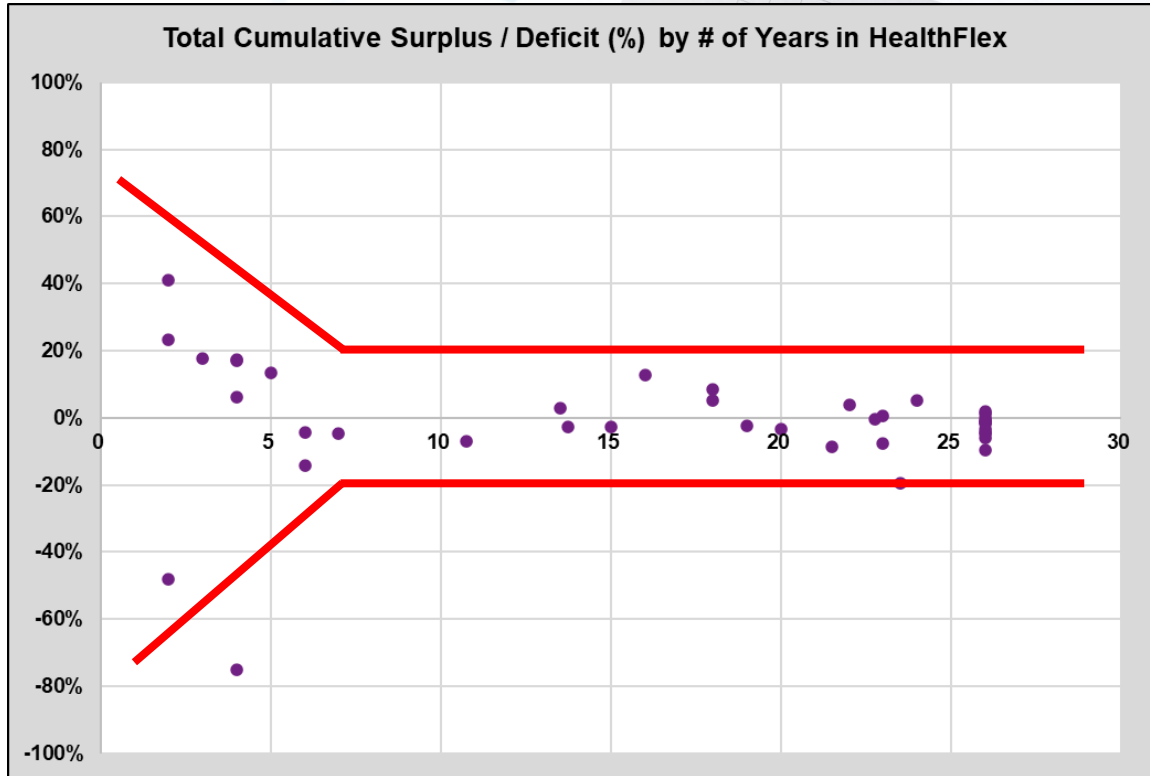
2017	2018	2019	2020	2021	2022	2023	7-Yr Average Rate Change
91.4%	197.4%	58.5%	123.0%	67.9%	47.2%	93.5%	2.1%
146.9%	112.7%	105.1%	140.6%	92.9%	84.6%	74.2%	3.0%
119.4%	87.1%	69.3%	48.0%	65.4%	77.3%	79.5%	3.5%
81.5%	88.1%	74.2%	125.5%	121.0%	96.1%	93.1%	3.7%
107.4%	86.0%	89.6%	102.2%	90.2%	87.2%	82.3%	4.0%
98.9%	76.4%	81.7%	87.3%	73.1%	68.8%	97.6%	4.1%
95.1%	83.3%	92.6%	84.1%	89.2%	86.1%	101.6%	4.1%
81.5%	79.3%	84.1%	73.8%	128.8%	124.6%	122.8%	4.3%
123.2%	103.6%	84.0%	86.3%	103.7%	82.1%	71.8%	4.4%
74.9%	60.9%	75.8%	103.4%	132.5%	111.1%	98.2%	4.9%
109.4%	129.7%	120.0%	84.6%	95.5%	104.0%	87.3%	4.9%
126.1%	112.7%	117.5%	76.3%	94.9%	128.1%	68.8%	5.0%
90.8%	76.0%	107.8%	90.9%	97.2%	138.4%	138.1%	5.0%
262.6%	202.7%	210.3%	188.4%	215.1%	194.0%	198.0%	5.2%
116.9%	97.5%	98.1%	89.5%	105.5%	101.2%	114.0%	5.3%
88.8%	79.6%	91.3%	87.8%	113.8%	118.8%	103.0%	5.5%
151.3%	100.3%	92.5%	100.5%	71.6%	98.2%	96.2%	5.5%
113.3%	90.4%	105.4%	91.5%	106.1%	121.1%	110.1%	5.7%
103.1%	96.1%	98.4%	94.9%	119.6%	107.6%	107.6%	5.9%
106.6%	109.2%	99.9%	78.5%	129.5%	97.3%	91.8%	6.0%
75.4%	79.0%	60.5%	41.0%	100.4%	93.9%	36.2%	6.4%
93.5%	86.1%	102.5%	87.2%	120.8%	113.5%	110.0%	6.4%
117.7%	117.5%	100.5%	68.3%	96.0%	174.8%	134.0%	6.7%
110.7%	88.3%	103.2%	103.5%	106.2%	132.7%	86.7%	6.7%
112.9%	137.0%	115.1%	110.7%	102.0%	103.1%	136.0%	6.8%
94.1%	136.4%	82.0%	108.5%	102.7%	140.2%	130.6%	7.3%
139.2%	85.9%	120.1%	176.1%	189.3%	102.5%	95.6%	8.0%
93.4%	94.4%	93.7%	99.4%	114.0%	141.1%	119.9%	8.1%
129.6%	94.7%	105.3%	78.8%	96.5%	103.7%	113.4%	8.4%

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

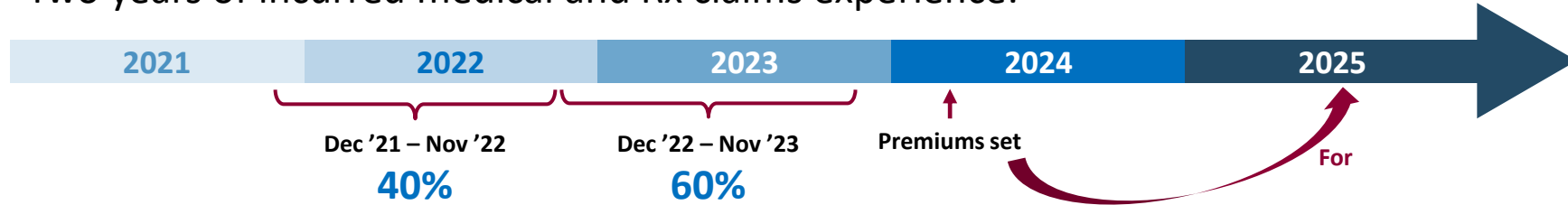
Cumulative Surplus and Loss



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

2025 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:

	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%

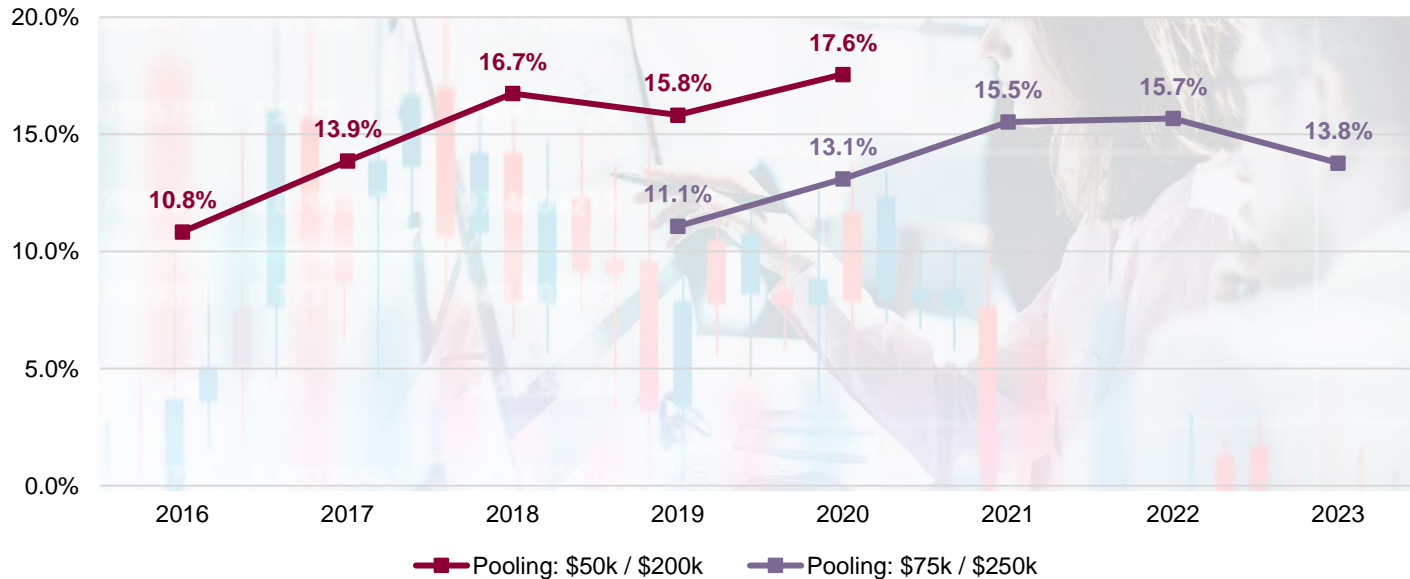
2025 HealthFlex Rating Methodology

- Manual rates developed for each plan sponsor
 - using overall HealthFlex experience
 - adjusting for plan-sponsor-specific geography, plan design choices, 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 Volume—Impact on Pooling

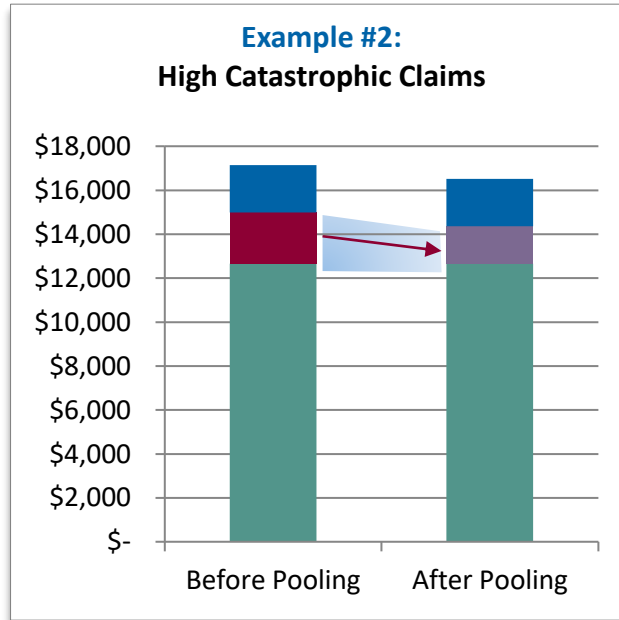
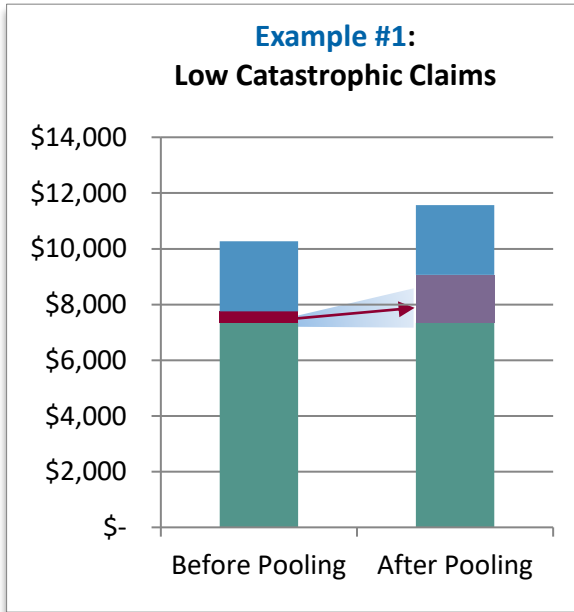
Pooling Charges as a Percentage of Total Claims



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

High-Cost Claim Pooling

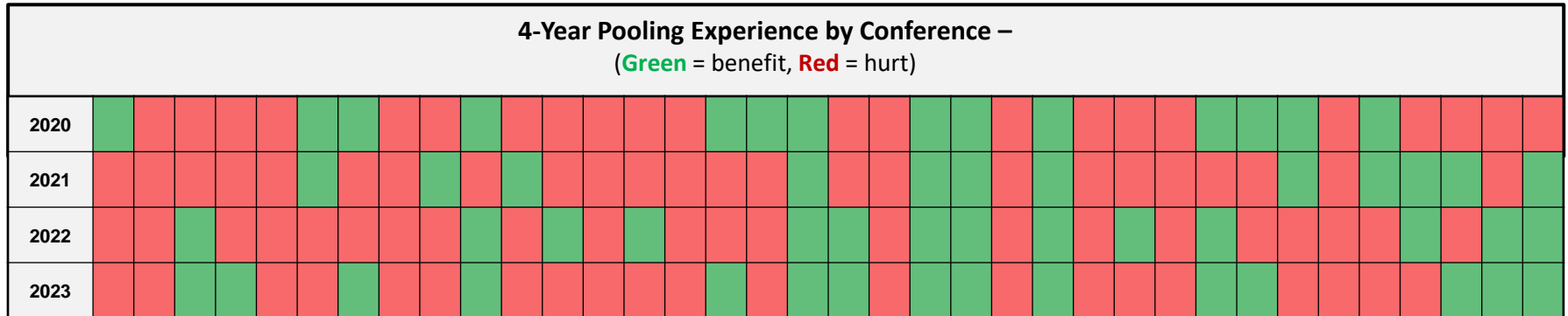
In the development of each conference's claims cost each year, pooled claims are removed from the experience and replaced with a "Pooling Charge"



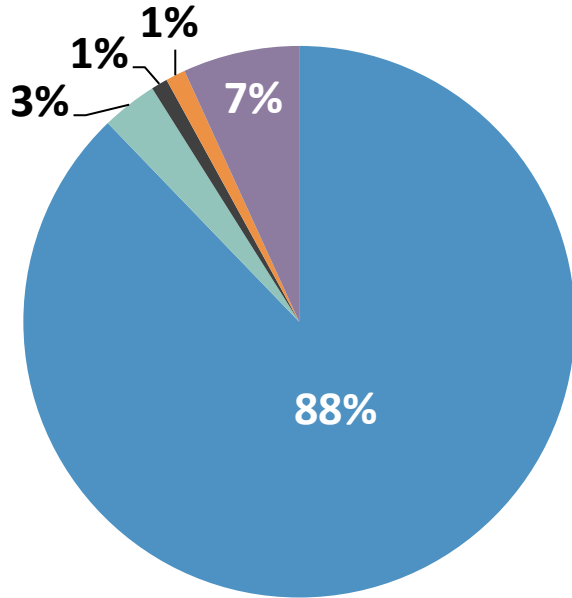
- Other Costs
- Pooling Charge
- High Cost Claims
- Regular Claims

When Pooling Hurts

- Large claims are infrequent, but drive costs for plans. Each year, about **40%** of 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 36 plan sponsors who have four years of HealthFlex experience, **72%** have benefited from pooling in at least one of the last four years of experience, and **50%** of those plan sponsors have benefited in at least two of the last four years



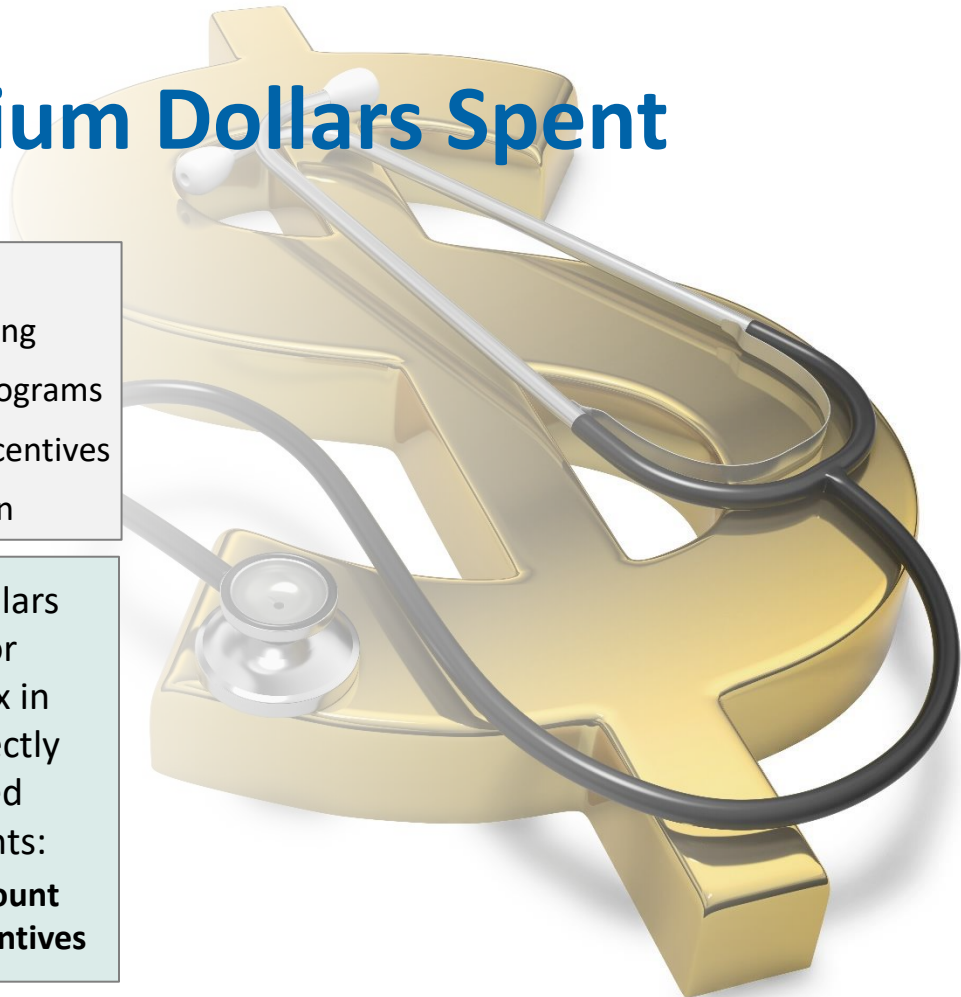
Distribution of Premium Dollars Spent



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

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

*Based on 2023 year-end expenditures



Conclusion

- 2023 plan experience was favorable
- This brings some relief from last year's higher-than-average premium rate increases
- We remain focused on offering both plan sponsors and participants high-quality, cost-effective benefits as part of our commitment to care for those who serve





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BENEFITS | INVESTMENTS