

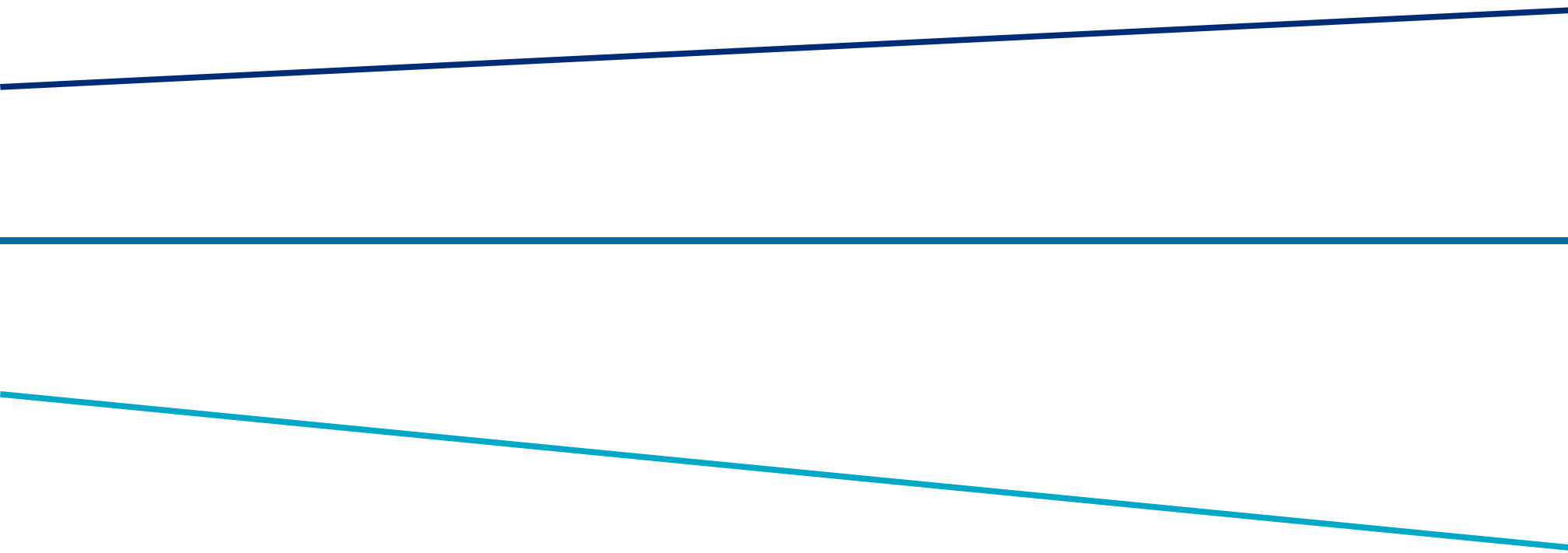
TRENDS AND PERFORMANCE

March 2015

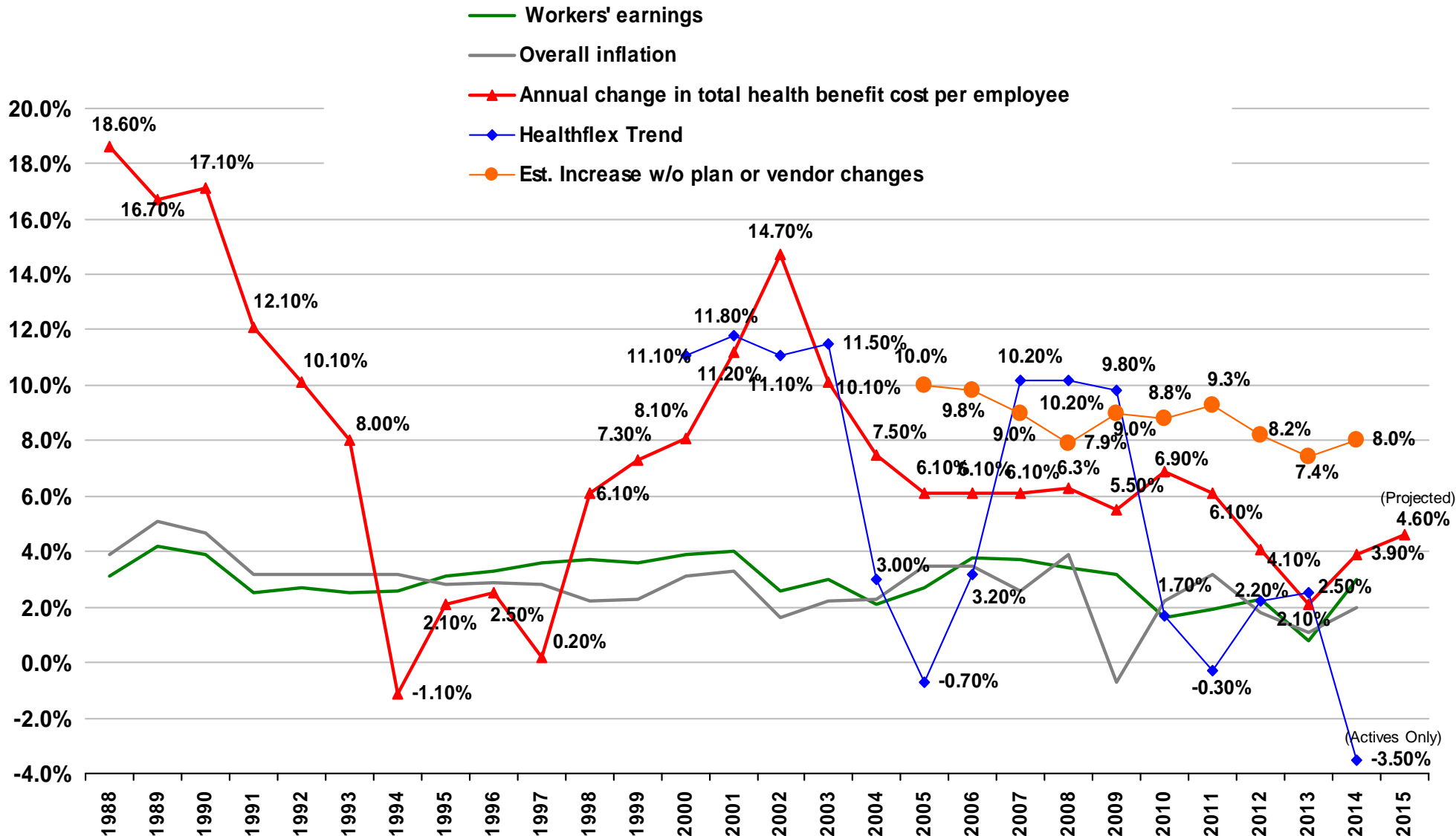


Section 1

MARKET TRENDS



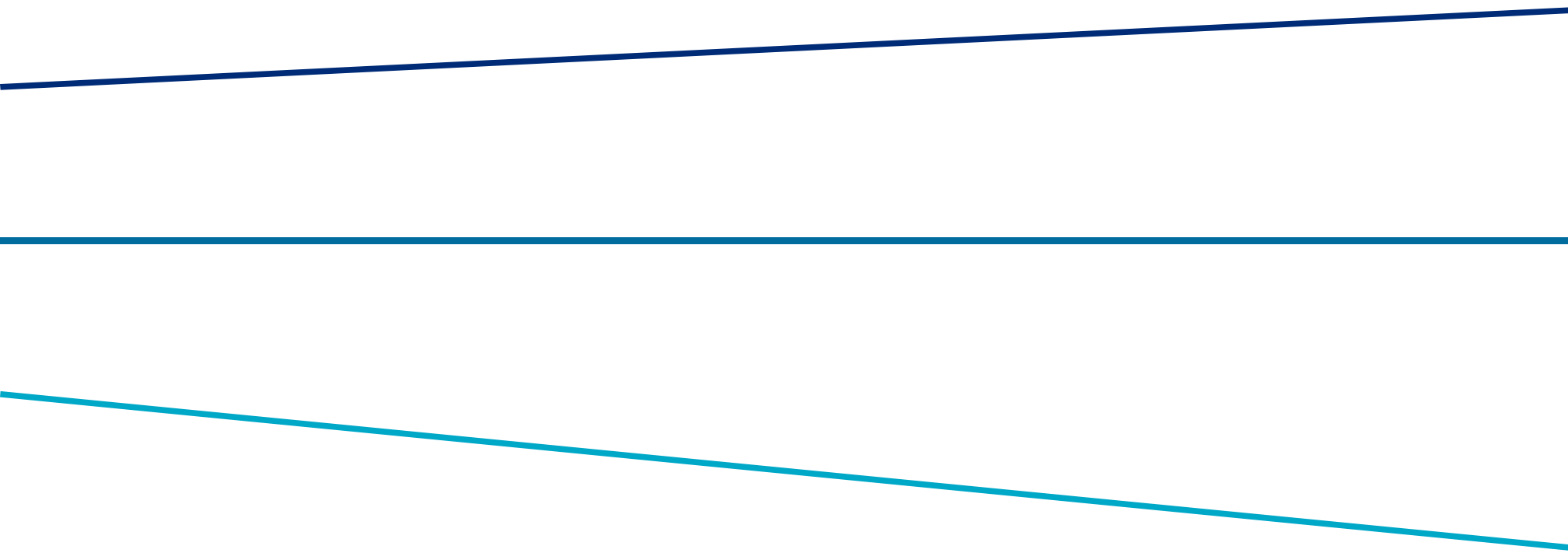
Annual Health Cost Trends vs. Earnings and CPI (1988-2014)



Source: Mercer's National Survey of Employer-Sponsored Health Plans; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April) 1988-2007; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April) 1988-2007.

Section 2

HEALTHFLEX COST DRIVERS



HealthFlex cost driver summary

Medical/Rx

- Medical services
 - Utilization decreased for all categories between 2013 and 2014, with significant decrease in inpatient admissions. However, when inpatient admissions occurred, they were costlier, offsetting the reduction in usage.
 - Outpatient services for more discretionary services also decreased; especially positive when reviewing ER usage.
 - However, the reduction in usage for these outpatient services was mostly offset by increases in cost per service, especially for x-ray, where there will be a variance in cost depending on the specific services incurred.
 - Overall net medical/Rx PEPM costs were down 3.5% in 2014 versus 2013.
- CDHP experience continues to trend at levels better than projected, with lower utilization for overused services like ER.

HealthFlex cost driver summary

Medical/Rx (continued)

- The number Rx scripts increased overall, with retail utilization increasing and mail order decreasing.
 - The change to Catamaran from ESI may have impacted the use of mail order between 2013 and 2014.
 - Although the number of scripts increased, the actual days of days supply per member decreased. The higher use of retail increases the script count, masking the true overall decrease in the number of days supply.
- Rx cost per script increased slightly overall, dampened by the increase in retail scripts (30 days versus 90 days at mail per script).
 - With the change from ESI to Catamaran, the data appears to be classified differently in 2014 than 2013.
 - Most of the specialty pharmacy claims under Catamaran (BrivoRx) are being classified as retail in 2014, compared to being classified as mail under ESI (Accredo) in 2013. This change in classification also impacted costs per retail and mail scripts between the two years. Therefore a comparison of the usage and cost between retail and mail is skewed for this transition period.

CDHP results

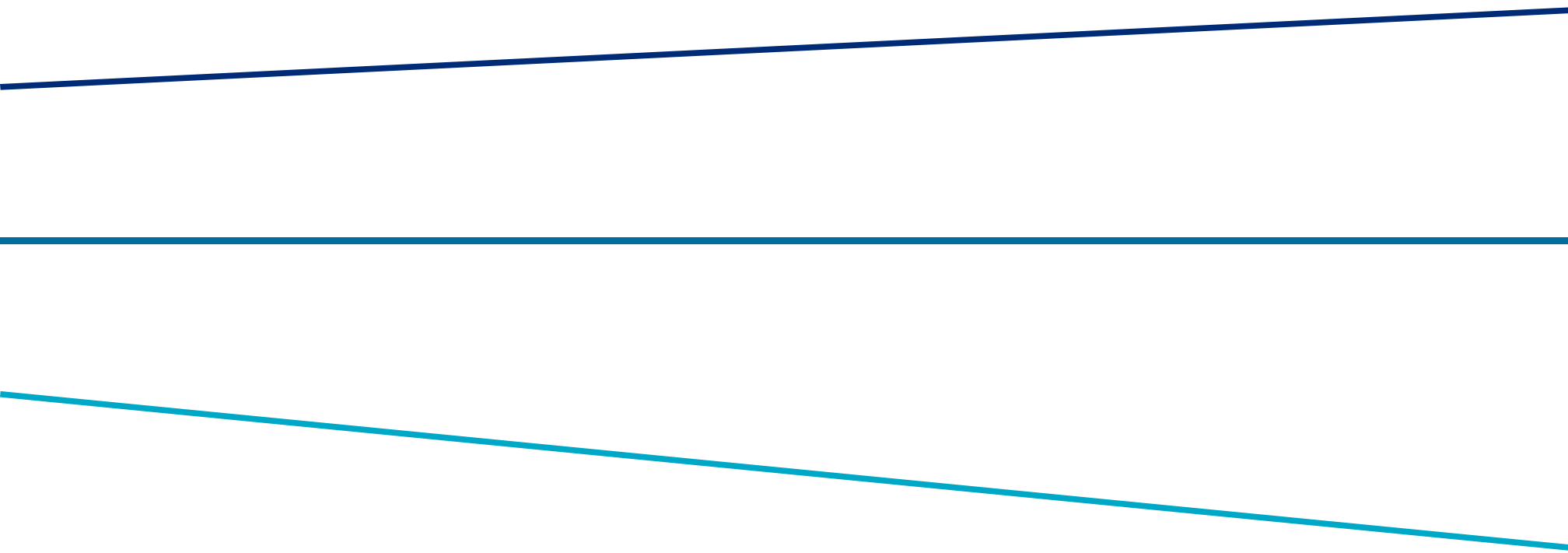
- CDHP participants, while demographically similar to PPO participants, continue to have significantly lower use rates in key service categories, but higher use of preventive care and generic drugs.
- This is due to selection (healthier lives) and consumerism (having direct interest in the cost of care). The differences in use rates (PPO vs. CDHP) continue to be markedly different despite growing enrollment. This is evidence of the strong impact of consumerism.
- These results are consistent with what we have seen in other CDHPs; we also do not hear from other groups that members are foregoing necessary care due to the larger deductible.

	PPO	CDHP	Variance
Average age	52.6	52.2	-0.76%
Average household size	2.07	1.81	-12.58%
Admits/1000	55.60	32.00	-42.45%
Days/1000	239.08	137.60	-42.45%
MD visits/1000	5,180	4,259	-17.78%
OP Surgery/1000	203	200	-1.48%
X-rays/1000	2,173	1,871	-13.90%
Labs/1000	8,696	7,148	-17.80%
ER/1000	182	135	-25.82%
Rx allowed \$/member	\$1,529	\$1,164	-23.88%
Rx-Generic %	76.50%	76.90%	+0.4 pp
% Medical Claims In-Network	93.10%	96.00%	+2.9 pp
Preventive care (% members using)	41.54%	44.10%	+2.6 pp
Emergency Room (% members using)	13.76%	10.92%	-2.8 pp

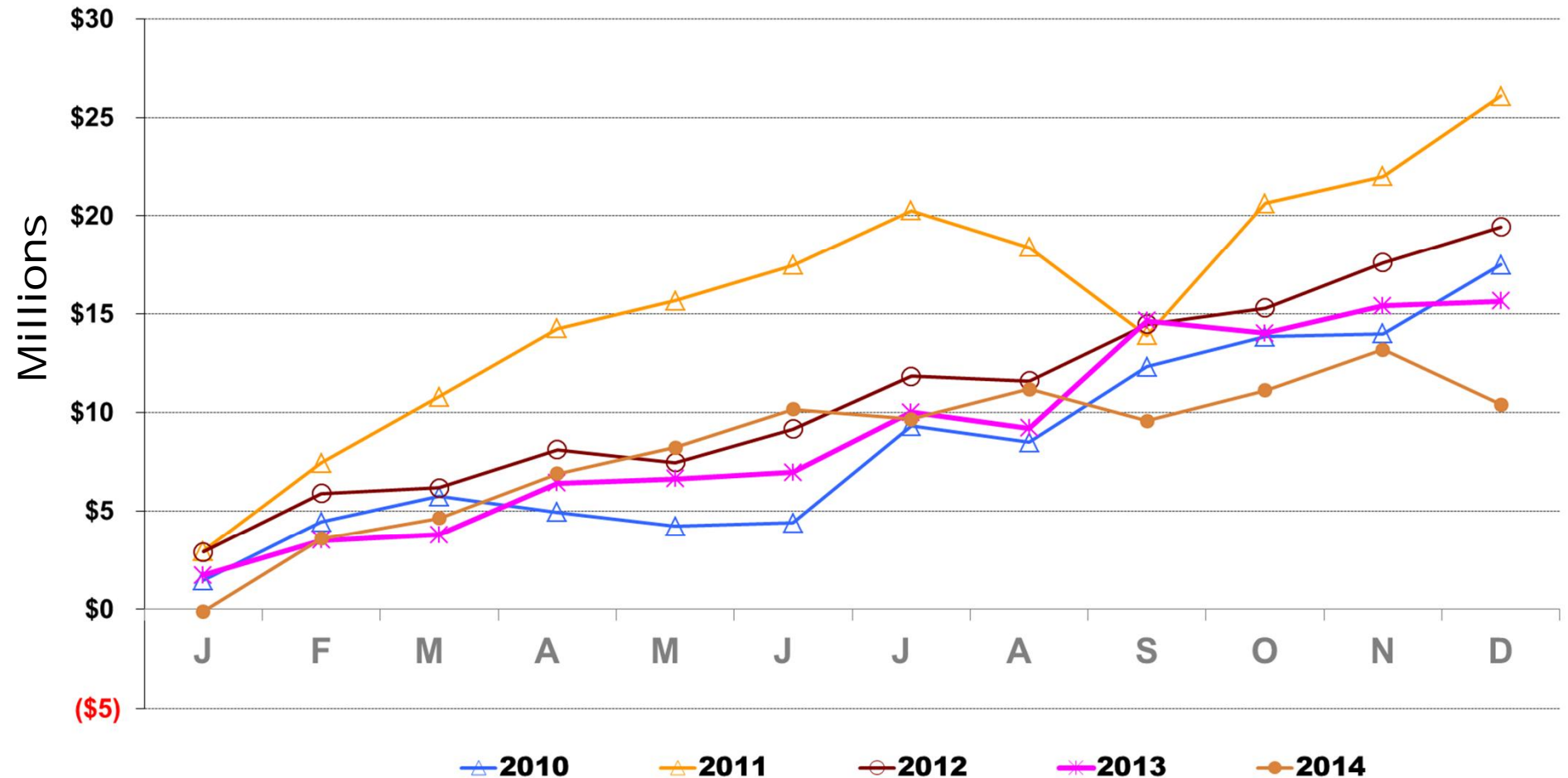
Note: Incurred October 2013 – September 2014 and paid through December 2014.

Section 3

HEALTHFLEX EXPERIENCE



Cumulative
5 Year (2010 – 2014)
Total (U/W + Investment Income)



HealthFlex financial history (\$000)

	Underwriting Gain/(Loss)	Investment & Other Income	Surplus Gain/(Loss)	% of Premium
2001	\$(5,965)	\$1,038	\$(4,927)	(6.4%)
2002	\$(10,577)	\$709	\$(9,868)	(10.3%)
2003	\$1,005	\$74	\$1,079	1.0%
2004	\$12,511	\$1,802	\$14,313	12.0%
2005	\$19,832	\$916	\$20,748	16.2%
2006	\$19,926	\$11,602	\$31,528	23.9%
2007	\$10,896	\$6,531	\$17,426	13.4%
2008	\$(2,845)	\$(17,580)	\$(20,425)	(14.6%)
2009	\$(8,397)	\$7,502	\$(895)	(0.6%)
2010	\$10,593	\$6,901	\$17,494	10.7%
2011	\$26,798	\$(709)	\$26,090	14.6%
2012	\$14,308	\$5,132	\$19,440	12.1%
2013	\$7,809	\$7,835	\$15,644	10.9%
2014	\$8,187	\$2,218	\$10,405	8.2%

2005 - 2006 performance Dividend (\$000 omitted; paid in 2007): \$9,873

2010 - 2011 performance Dividend (\$000 omitted; paid in 2012): \$15,000

2012 - 2013 performance Dividend (\$000 omitted; paid in 2014): \$20,000

HealthFlex — historical annual trend in claims (PEPM)

	PPO	EPO	CDHP	Medicare	Total Claims
2001	10.4%	26.0%		11.7%	11.8%
2002	10.6%	13.5%		15.3%	11.1%
2003	12.1%	19.8%		6.9%	11.5%
2004	7.9%	-13.9%		6.4%	3.0%
2005	-3.0%	15.1%		9.0%	-0.7%
2006	-3.2%	7.6%		9.0%	3.2%
2007	11.3%	6.4%		7.7%	10.2%
2008	12.0%	9.2%		8.3%	10.2%
2009	8.9%	16.8%		6.5%	9.8%
2010	1.2%	5.9%		-2.6%	1.7%
2011	0.8%	1.7%		-2.1%	-0.3%
2012	2.8%	0.9%	11.3%	-1.3%	2.2%
2013	4.3%	-1.8%	-6.2%	N/A	+2.5%*
2014	-6.1%	N/A	-3.9%	N/A	-3.5%*

* PEPM increases for Total Claims excludes Medicare as to the significant drop in covered members in Medicare plans as of 2013 skews the total PEPM figures

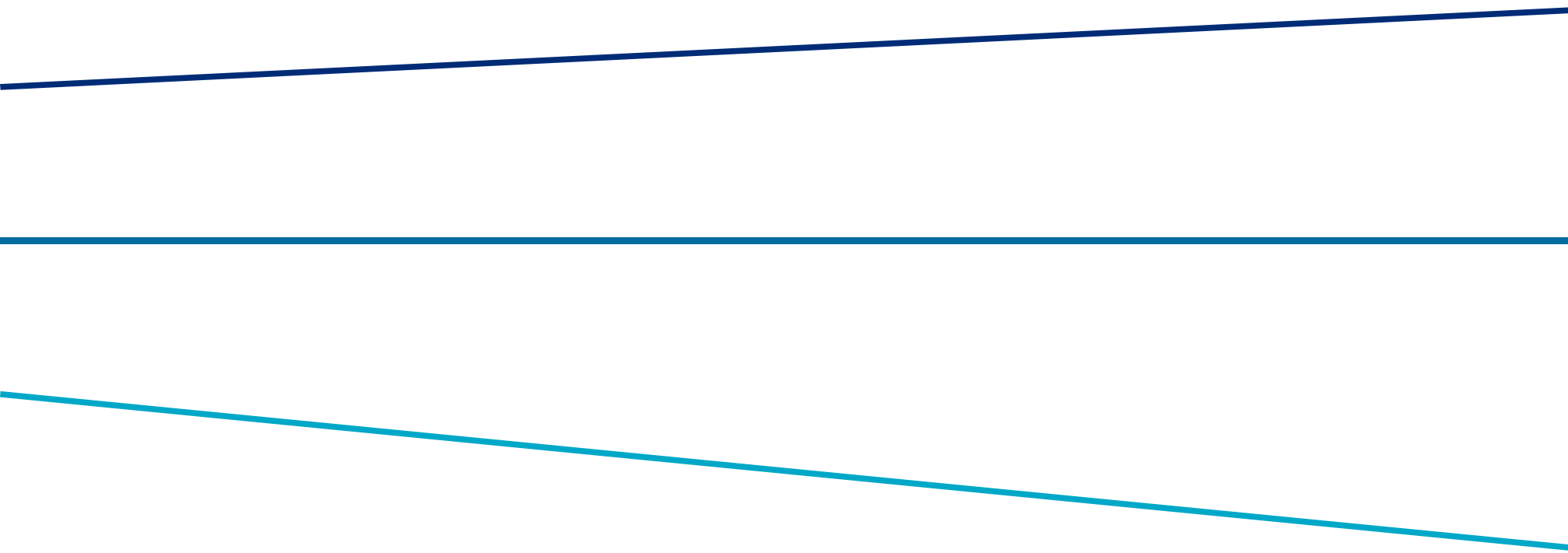
Historical claims funding ratios

Year	PPO	EPO	CDHP	Medicare	Total
2001	116.6	113.6		99.5	112.5
2002	117.5	124.7		100.8	115.2
2003	106.7	100.0		87.9	101.2
2004	94.0	75.6		77.7	87.2
2005	82.9	86.8		87.7	84.6
2006	80.8	92.1		93.7	85.7
2007	91.3	96.8		99.9	94.2
2008	101.8	103.3		101.9	102.1
2009	109.3	110.0		103.5	108.1
2010	97.1	98.8		94.7	97.0
2011	93.4	89.8	71.0	85.7	89.5
2012	94.0	99.3	76.1	89.0	92.5
2013	100.2	102.6	73.7	N/A	98.5*
2014	95.8	N/A	71.8	N/A	94.7*

* Total excludes Medicare as the significant drop in covered members in Medicare plans as of 2013 skews the loss ratio figures.

Section 4

APPENDIX



HealthFlex cost drivers (PPO, EPO & CDHP)

Utilization

Year	CY 2012	CY 2013	% Change	CY 2014	% Change
Inpatient					
Admits/1,000	71.3	69.0	-3.2%	55.3	-19.9%
ALOS	4.7	4.9	4.3%	4.5	-8.2%
Days/1,000	335.1	338.1	0.9%	248.9	-26.4%
Outpatient					
MD visits/1,000	5,324	5,227	-1.8%	5,182	-0.9%
OP surgeries/1,000	222	211	-5.0%	197	-6.6%
X-Rays/1,000	2,582	2,312	-10.5%	2,177	-5.8%
Labs/1,000	9,233	8,853	-4.1%	8,748	-1.2%
ER visits/1,000	196	191	-2.6%	182	-4.7%
Pharmacy					
Retail scripts/member	5.6	6.0	7.1%	6.8	13.3%
Mail order scripts/member	5.2	5.0	-3.8%	4.6	-8.0%
Total scripts/member	10.8	11.1	1.8%	11.3	1.8%

HealthFlex cost drivers (PPO, EPO & CDHP)

Cost per service

Year	CY 2012	CY 2013	% Change	CY 2014	% Change
Inpatient					
Cost per day	\$3,916	\$4,317	10.2%	\$4,820	11.7%
Cost per admit	\$18,405	\$21,151	14.9%	\$21,690	2.5%
Outpatient					
Cost per MD visit	\$73	\$73	0.0%	\$79	8.2%
Cost per OP surgery	\$629	\$624	-0.8%	\$611	-2.1%
Cost per X-Ray	\$143	\$158	10.5%	\$165	4.4%
Cost per Lab	\$26	\$26	0.0%	\$27	3.8%
Cost per ER visit	\$678	\$642	-5.3%	\$951	48.1%
Pharmacy					
Retail cost/script	\$47	\$52	10.6%	\$76	46.2%
Mail order cost/script	\$201	\$199	-1.0%	\$185	-7.0%
Total cost/script	\$121	\$119	-1.7%	\$120	0.8%

HealthFlex cost drivers

CDHP review

Incurred Oct 2013 – Sept 2014 (Paid Through Dec 2014)	PPO	CDHP
Inpatient		
Admits/1,000	55.6	32.0
ALOS	4.3	4.3
Days/1,000	239.1	137.6
Outpatient		
MD visits/1,000	5,180	4,259
OP surgeries/1,000	203	200
X-Rays/1,000	2,173	1,871
Labs/1,000	8,696	7,148
ER visits/1,000	182	135

- Inpatient admissions are less controllable through short-term consumerism behaviors and continues to reflect the fact that those in the CDHP might be healthier.
- However outpatient visits and procedures are more controllable, and show that the CDHP generally has the lowest usage of these services, with Emergency Room usage continuing to be significantly lower for the CDHP.

HealthFlex cost drivers

CDHP review

Incurring Oct 2013 – Sept 2014 (Paid Through Dec 2014)	PPO	CDHP
In-network discount	52.1%	47.7%
% dollars in-network	93.1%	96.0%
Net effective discount	48.5%	45.8%

- Discounts are not on a comparable basis between plans as discounts differ based on location and CDHP represents discounts received in those locations for the plan sponsors who currently offer the CDHP.
- However, % dollars in-network is comparable as access to the network is generally similar for most plan sponsors.
- CDHP % dollars in-network shows that CDHP members are using more in-network services than PPO members.

HealthFlex cost drivers

CDHP review

Incurred Oct 2013 – Sept 2014 (Paid Through Dec 2014)	PPO	CDHP
Generic Use %	76.5%	76.9%
# Claims/Member	10.62	9.86
Paid/Member	\$1,299	\$939
Allowed/Member	\$1,529	\$1,164
Allowed Cost/Generic Script	\$41	\$44
Allowed Cost/Brand Script	\$508	\$388
Mail % of Total Scripts	41%	44%

- Generic use continues to increase continues to increase from prior years (e.g., prior year period was 73%-74%) and the CDHP continues to have slightly higher usage.
- The number of claims per member is not very different between the plans, suggesting that risks are not significantly different, with PPO being slightly higher.
- Plan paid per member should be lower for CDHP due to the P 2 design, but allowed charges (prior to member cost sharing) shows CDHP is still lower than the PPO, driven by lower average cost of brand-name prescriptions.
- Mail order usage is also higher under the CDHP.

