

# HealthFlex Summit

## HealthFlex Financial Outlook, Trends and Industry Considerations

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# Today's Speakers



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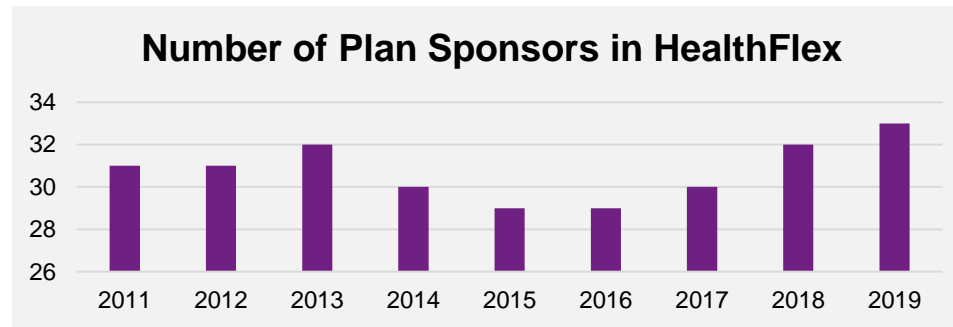
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# HealthFlex Program Overview & Background

# HealthFlex Program Overview and Background

*Original Goal: to provide clergy and lay of the United Methodist Church (UMC) with access to competitive, sustainable, and affordable healthcare benefits*

- 25 year history with growing participation (33 plan sponsors participating in 2019)
  - Approximately two-thirds offer all HealthFlex medical plans (Exchange model)
  - Other third offer only a subset of the plans (Traditional model)



*New Goal: For HealthFlex to become the provider of choice for health benefits in the UMC*

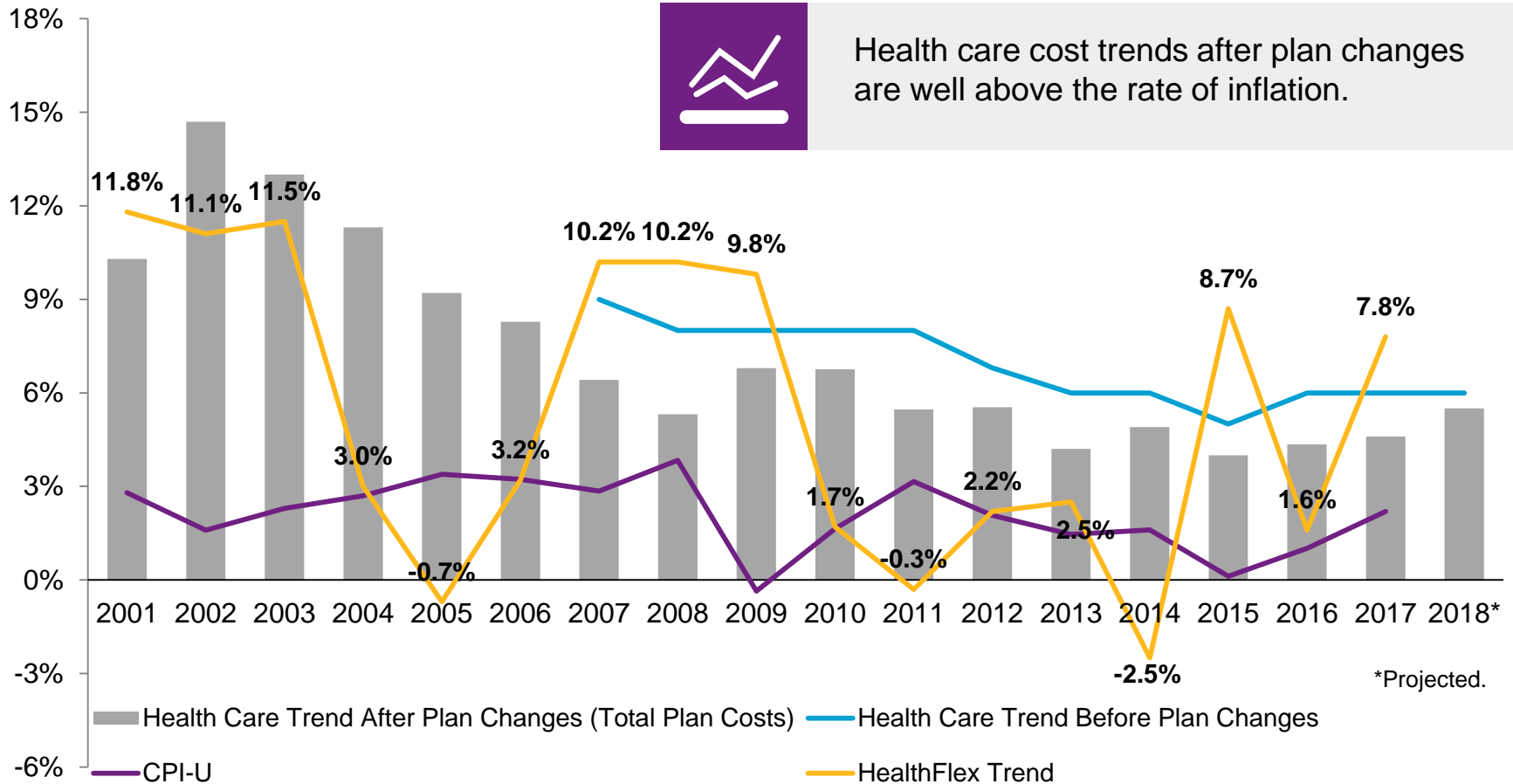
- To achieve this objective, Wespath wishes to improve the value of the HealthFlex program
  - Increased **efficiency** (i.e. reduce premium cost)
  - Expanded **value**
  - Improved **ease of use**
  - Additional **flexibility**

## HealthFlex Current State

# Health care costs before and after plan changes, compared to HealthFlex



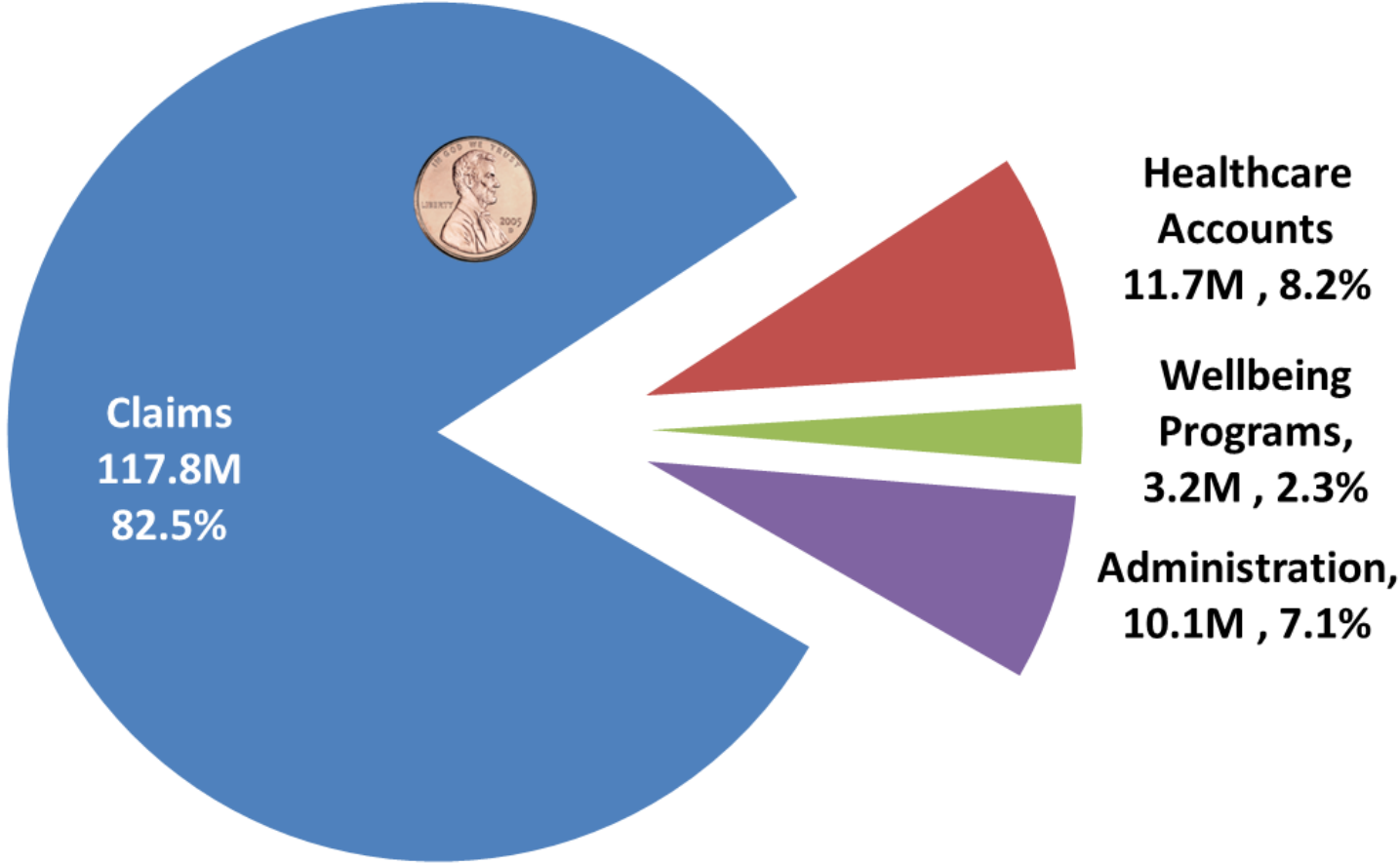
Health care cost trends after plan changes are well above the rate of inflation.



**Note:** Pharmacy rebates are not taken into account in historical trend calculations

Sample: Companies with at least 1,000 employees.  
 Source: 2017 WTW Best Practices in Health Care Employer Survey.

# Components of HealthFlex Expenses\*

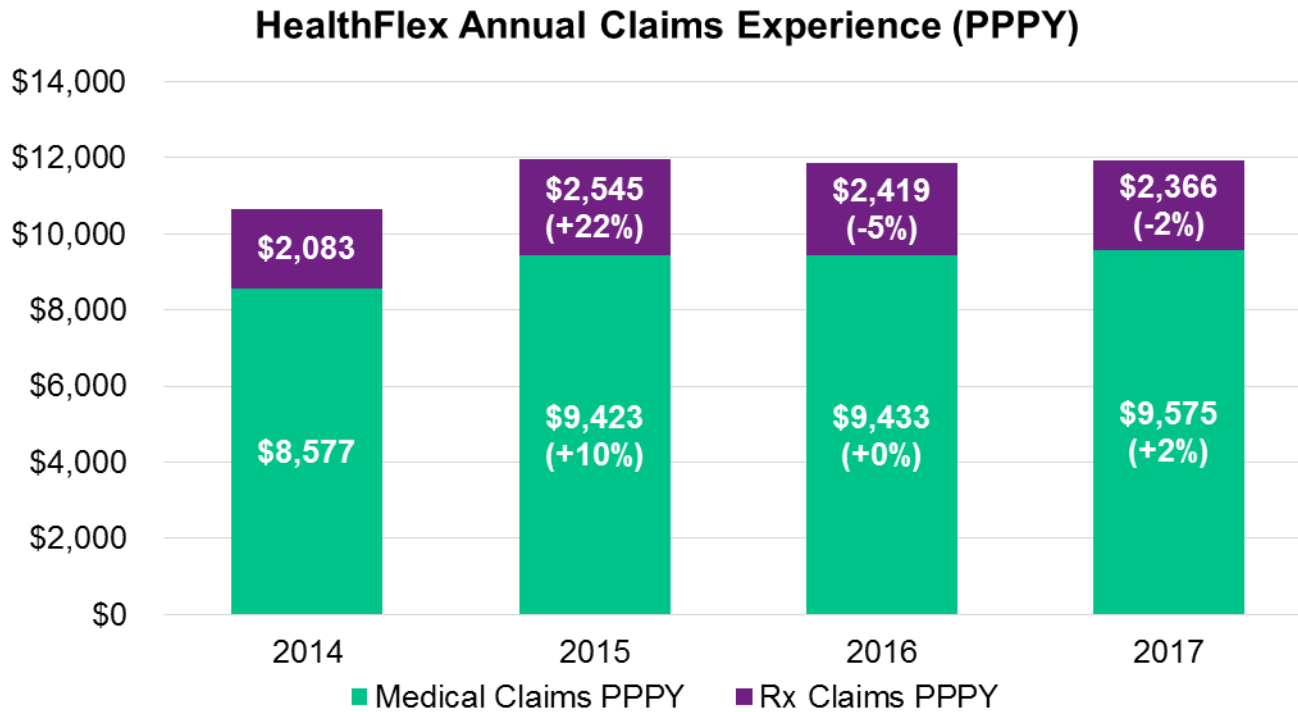


\*2018 Budget

# Components of Costs

## Medical vs. Pharmacy Claims

- Incurred medical and prescription drug claims (net of rebates) have risen over the last four years from \$10,660 in 2014 to \$11,941 in 2017 (12%, 4% annually)
- Claims increased considerably from 2014 to 2015 but have remained relatively level from 2015 to 2017

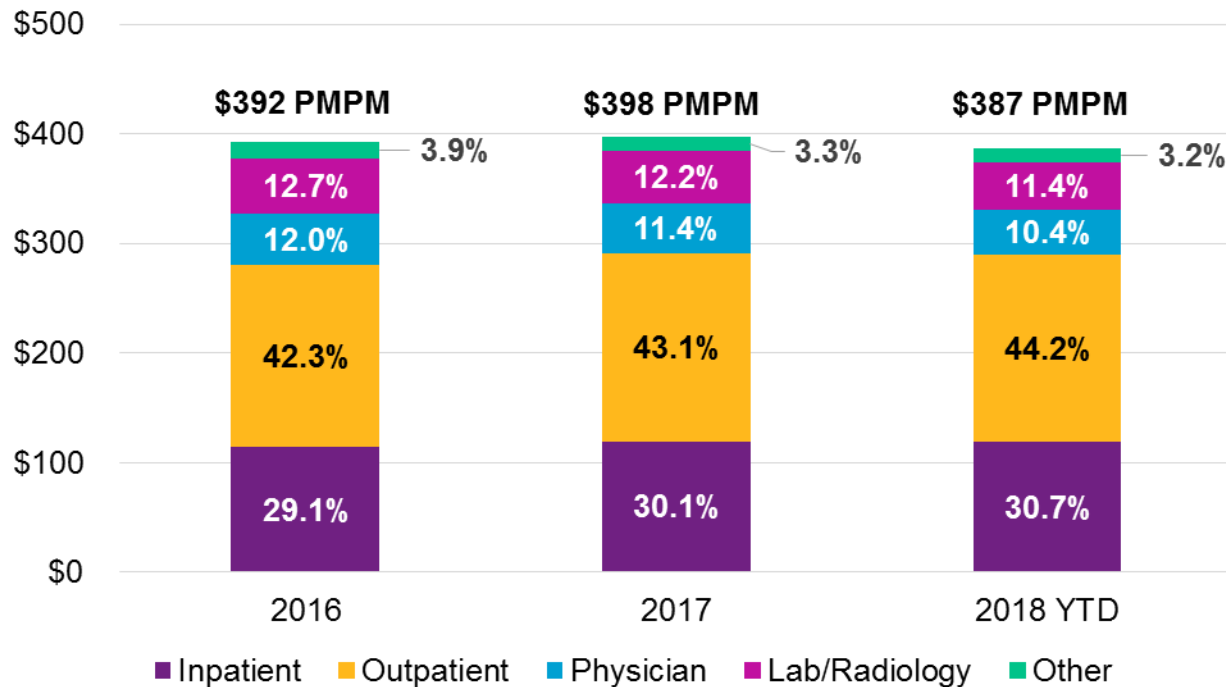




# Components of Costs

## Historical medical claims

- The chart below breaks down the medical claims costs under HealthFlex from 2016 – 2018 YTD on a per member per month basis
- Outpatient claims account for the largest portion of claims (43.1% in 2017; 44.2% in 2018 YTD), but there haven't been significant shifts in utilization between categories over the last three years

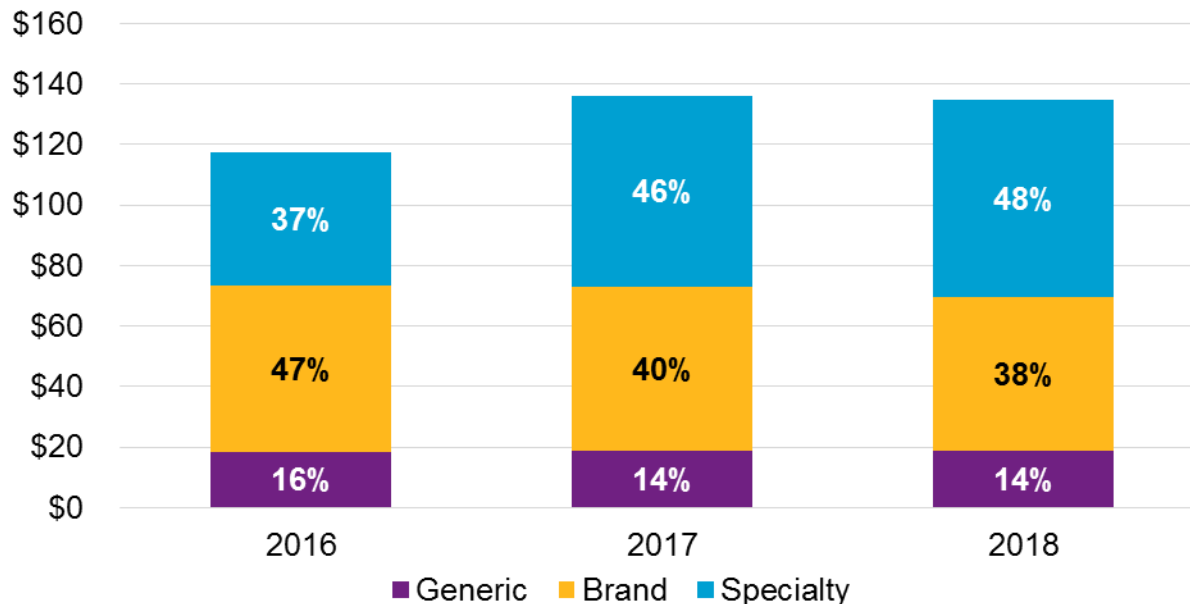


# Components of Costs

## Historical pharmacy claims

- The total cost of generic and brand drugs on a per member per month basis have remained stable from 2016 through 2018 YTD
- The cost of specialty drugs rose by nearly \$20 per member per month from 2016 to 2017, driving a significant increase in overall drug spend prior to rebates
- However, rebates increased significantly from 2016 to 2017 (and remained at this higher level for 2018), so total drug plan cost has remained relatively flat from 2016-2018

**Rx Plan Cost (Before Rebates)**

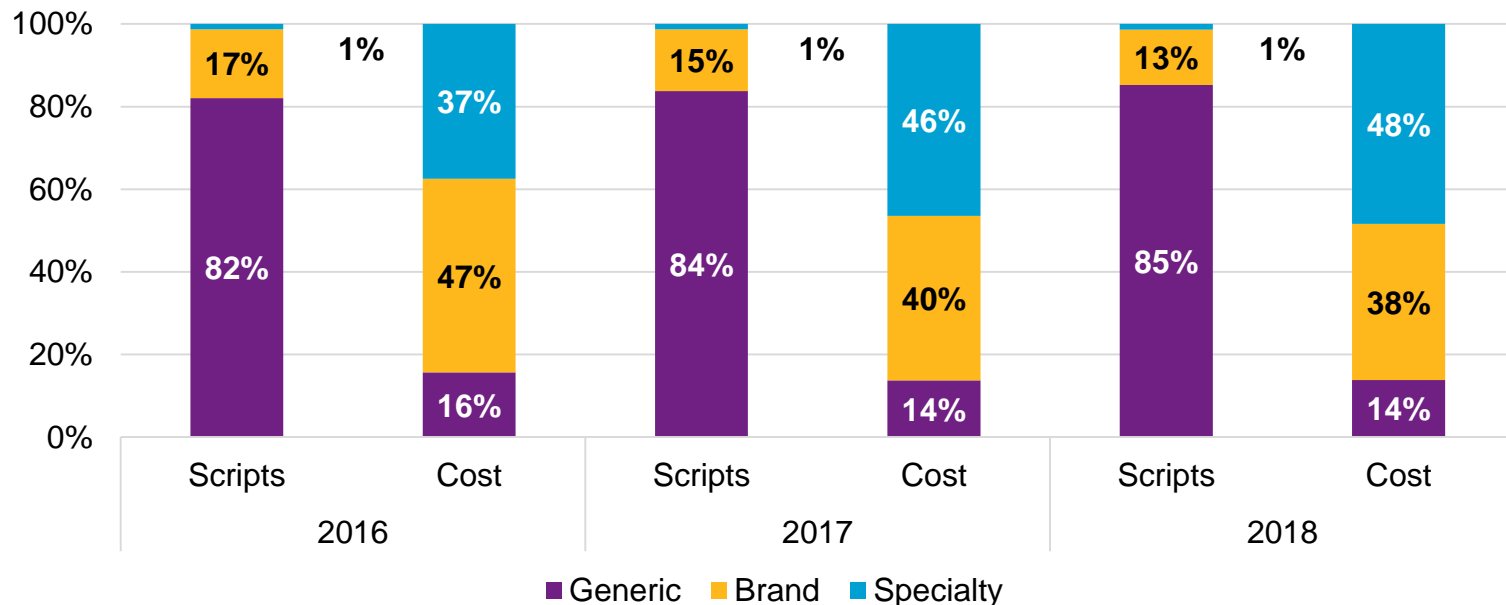


# Components of Costs

## Historical pharmacy claims (continued)

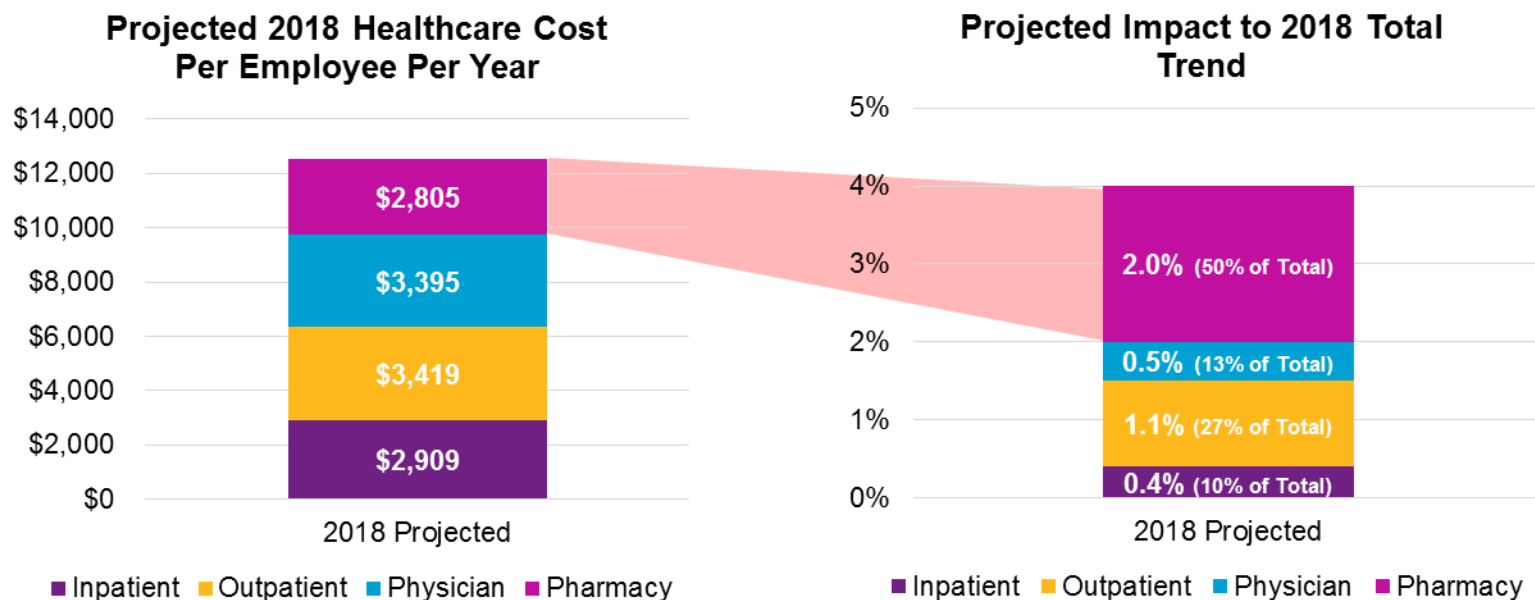
- Although specialty drugs drive an increasingly large portion of overall drug costs, the percentage of prescriptions that represent specialty drugs is still small
- In 2016, 2017, and 2018 YTD, only 1% of prescriptions were specialty drugs, yet they drove between one third and one half of overall drug costs
- Generic drugs account for over 80% of total prescriptions yet only represent approximately 15% of cost

**Drug Count and Spend as a Percentage of Total  
(Generic / Brand / Specialty)**



# Drivers of Medical Trend

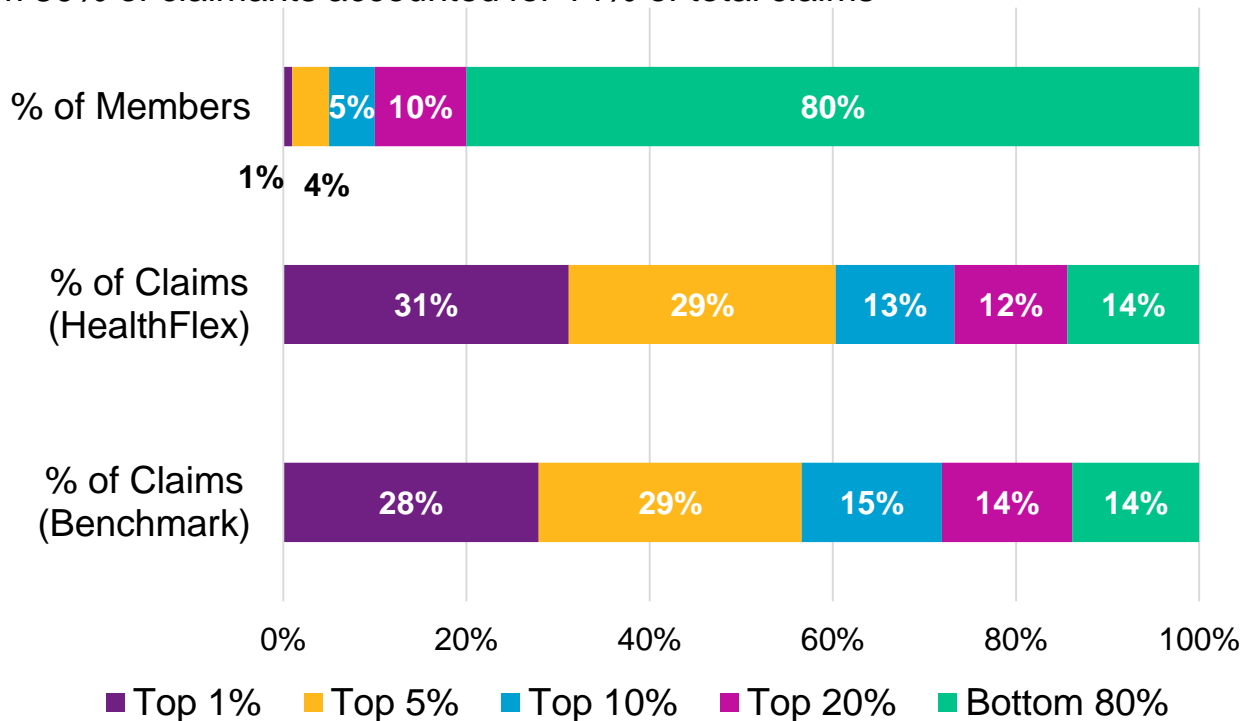
- Health care cost trend continues to rise, with annual increases of 4% – 7%
- Pharmacy costs are expected to make up 23% of total healthcare costs in 2018, but drive half of total healthcare trend
  - Specialty medications are accelerating at approximately 20% annually
- In 2017 for HealthFlex, pharmacy costs accounted for 25% of total medical costs and specialty drugs accounted for 46% of total pharmacy cost



Sources: Total 2015 claims, splits by health care component, and historical trend rates from Truven Health Analytics MarketScan® semi-annual employer norms reports; calibrated to median costs in [Towers Watson High-Performance Insights in Health Care: 2015 Health Care Financial Benchmarks Survey](#).

# Claims Distribution by Claimant

- HealthFlex claims are driven in large part by high cost claimants
- The chart below shows how the 2017 claims were distributed among the top 1%, 5%, 10% and 20% of claimants
- The top 1% of claimants accounted for 31% of total claims, while the top 5% accounted for 60% (compared to the benchmarks, which are 28% and 57%, respectively)
- The bottom 80% of claimants accounted for 14% of total claims

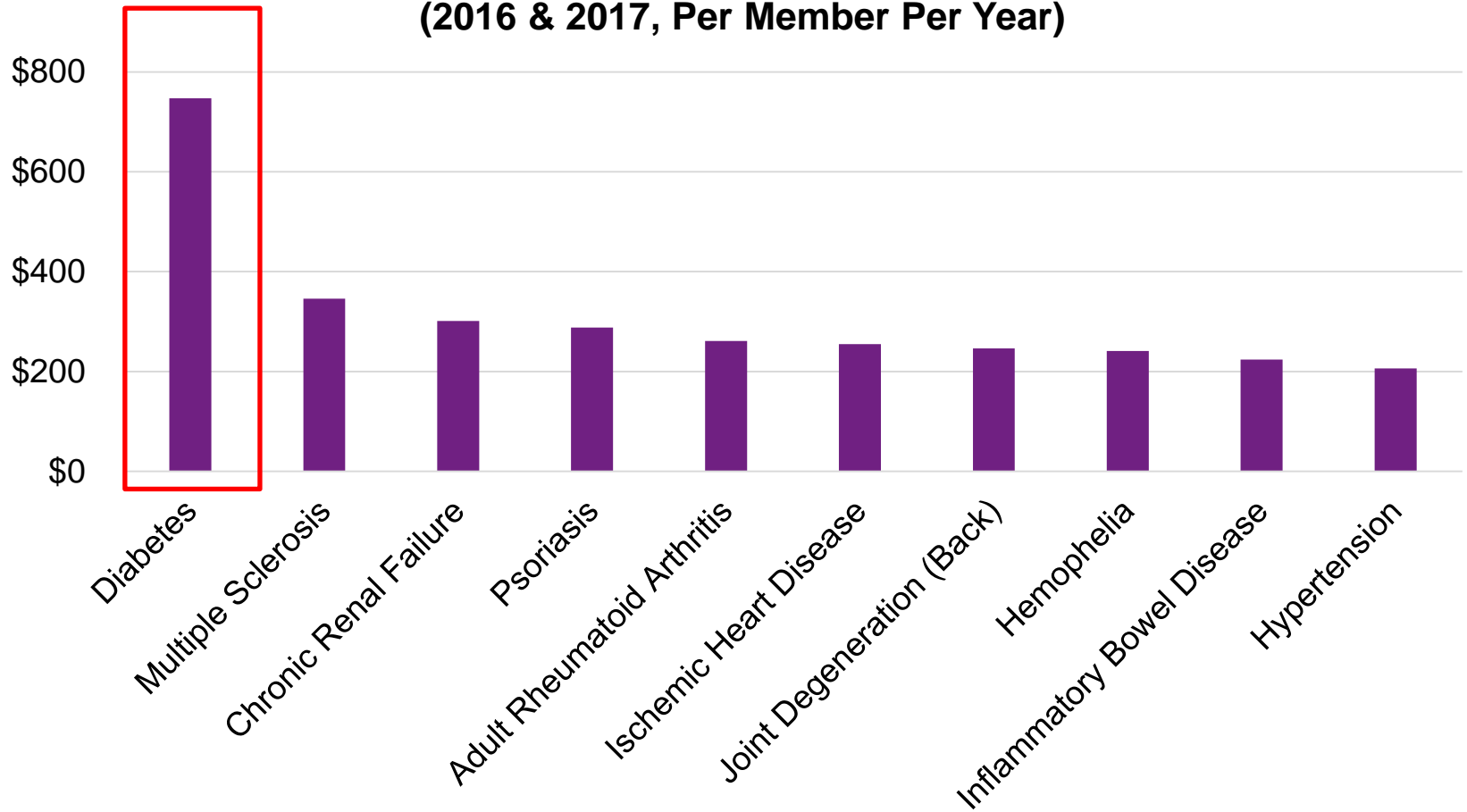


# Catastrophic Claims and Credibility

- Claims experience is disproportionately driven by a small number of high cost claimants
- In order to ameliorate this impact, Wespath applies a high cost claimant pooling process in the development of rates by conference
- Under this process, claims for catastrophic claimants are put into a “pool” of high cost claims
  - This pool is shared across all conferences
- This process ensures that no conference’s rates will be influenced too heavily by one or two catastrophic claimants
- Also adds stability to rates from year to year

# HealthFlex – Top clinical conditions in 2016 and 2017

**Cost by Episodic Treatment Group  
(2016 & 2017, Per Member Per Year)**

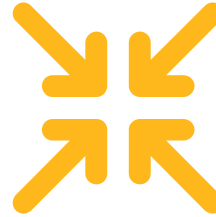


# Getting the most out of your healthcare plan

There are a number of ways participants can utilize the healthcare plans to improve quality of care and to reduce cost. For example...



Participate in the well-being program



Utilize in-network providers



Use generic and preventive drugs



Utilize Employee Assistance Program (EAP)



Complete your annual screenings



Get a second opinion



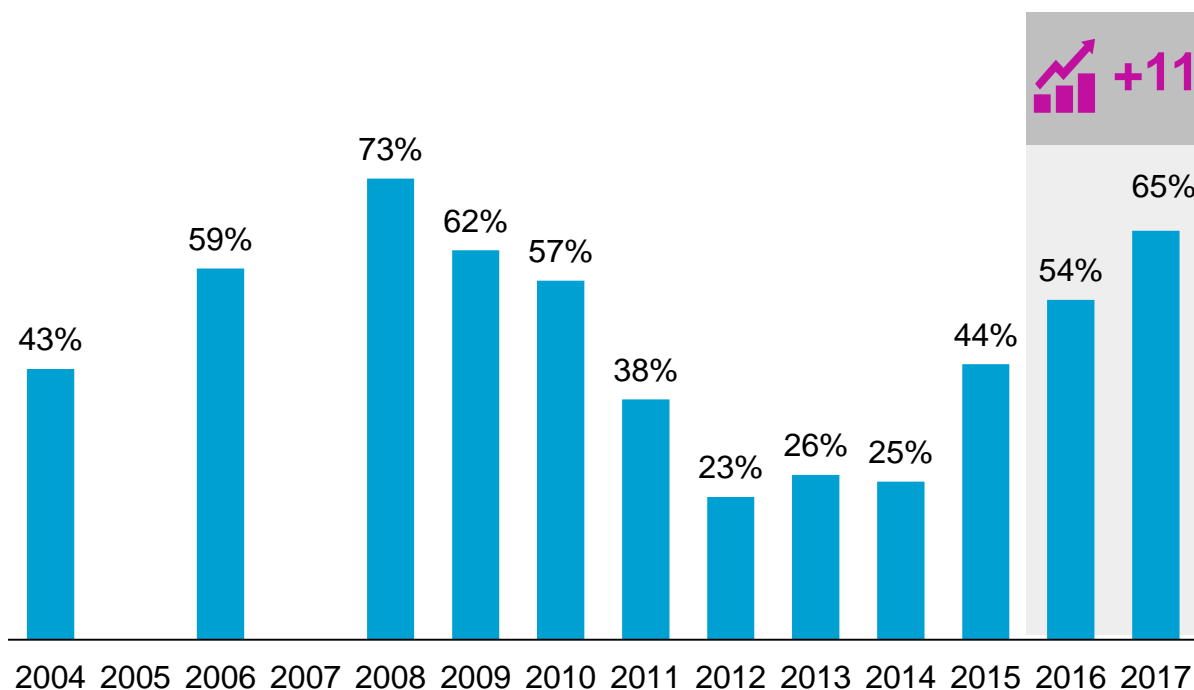
Shop around



# Industry Overview

# Employer confidence in offering health care benefits over the next 10 years continues to grow

How confident are you that your organization will continue to sponsor health care benefits to active employees in 10 years?



**5-Year Confidence**

**92% very confident,**  
**8% somewhat confident,**  
**0% not confident** that the organization will continue to sponsor health care benefits in five years.

Sample: Employers with at least 1,000 employees.




Note: High Confidence represents responses of "Very confident." Years 2004-2016 are based on prior years of the TW Survey.




Source: 2017 Willis Towers Watson Emerging Trends in Health Care Survey.




# Recent progress over the last three years




## And new directions over the next three years




To what extent has your organization made progress in the following areas over the last three years and how important will they be over the next three years?



**Design and costs:** Evaluate overall health program design and total costs 69%   97%  +28

**Vendor/Carrier strategy:** Evaluate vendors best positioned to help deliver on your company's strategy 56%   85%  +29

**Measurement:** Use data/metrics to evaluate the performance of your health care and well-being programs 33%   81%  +48

**Engagement:** Increase employee engagement in health and well-being 32%   87%  +55

**Network strategy:** Assess health care delivery strategies to maximize the purchasing value of health care services including high performance networks, COEs and near site clinics 32%   65%  +33

 Progress over the last three years (% of 'To a very great extent' or 'To a great extent')  Importance over the next three years (% of 'Very important' or 'Important')

Sample: Companies with at least 1,000 employees.  
Source: 2017 WTW Best Practices in Health Care Employer Survey.

# What are best performing organizations doing?

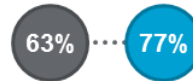
## Plan Design, Subsidization and Participation



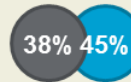
### Plan design, subsidies and participation

**HealthFlex**

Offer an account based health plan with an HSA



Increase employee contributions in tiers, with increases for children being more than employees with single coverage



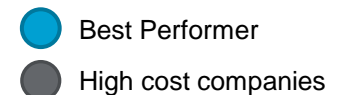
Determined by Conference

Use spousal surcharges (when other coverage is available)




Determined by Conference

Use a variety of financial and nonfinancial metrics to measure the impact of health and well-being programs



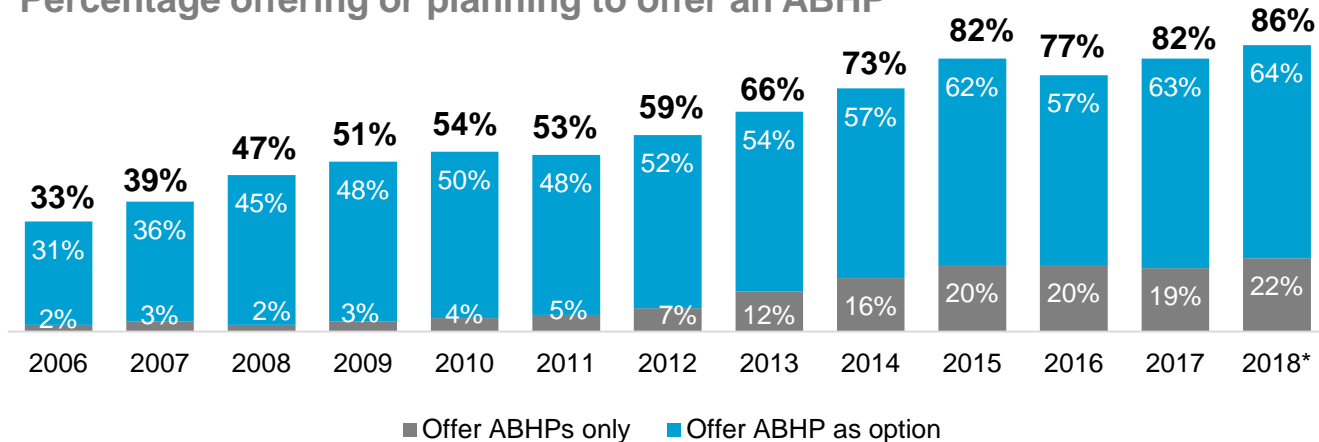
Source: 2017 WTW Best Practices in Health Care Employer Survey.

# More than 5 in 6 companies offer an Account Based Health Plan (ABHP)



Nearly one-quarter of all companies are expected to only offer employees ABHPs by 2018, compared to 2% a decade ago, but the pace slows

Percentage offering or planning to offer an ABHP



Note: 2006 is based on the 12th Annual Willis Towers Watson/National Business Group on Health survey; 2007 is based on the 13th annual survey, etc. \*Planned for 2018. Sample: Companies with at least 1,000 employees.  
 Source: 2017 Willis Towers Watson Best Practices in Health Care Employer Survey.

# Health Care Delivery, Vendor Partner Strategy and Pharmacy

**HealthFlex**



## Health Care Delivery

Offer telemedicine for professional consultations



Offer medical tourism services within the U.S. and cover employee travel expenses for services other than transplants

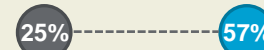


## Vendor Partner Strategy

Formally monitor vendor performance through performance guarantees



Have a partnership with a third-party data warehouse



Use centers of excellence within the health plans



Focus on mental health to improve member health and reduce costs



## Pharmacy

Evaluate pharmacy benefit contract terms



Adopt new coverage or utilization restrictions as part of your specialty pharmacy strategy

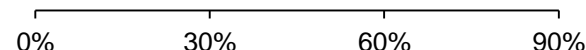


Evaluate plan design incentives/requirements to promote use of biosimilars, as opposed to branded specialty medications, when available



● Best Performer

● High cost companies

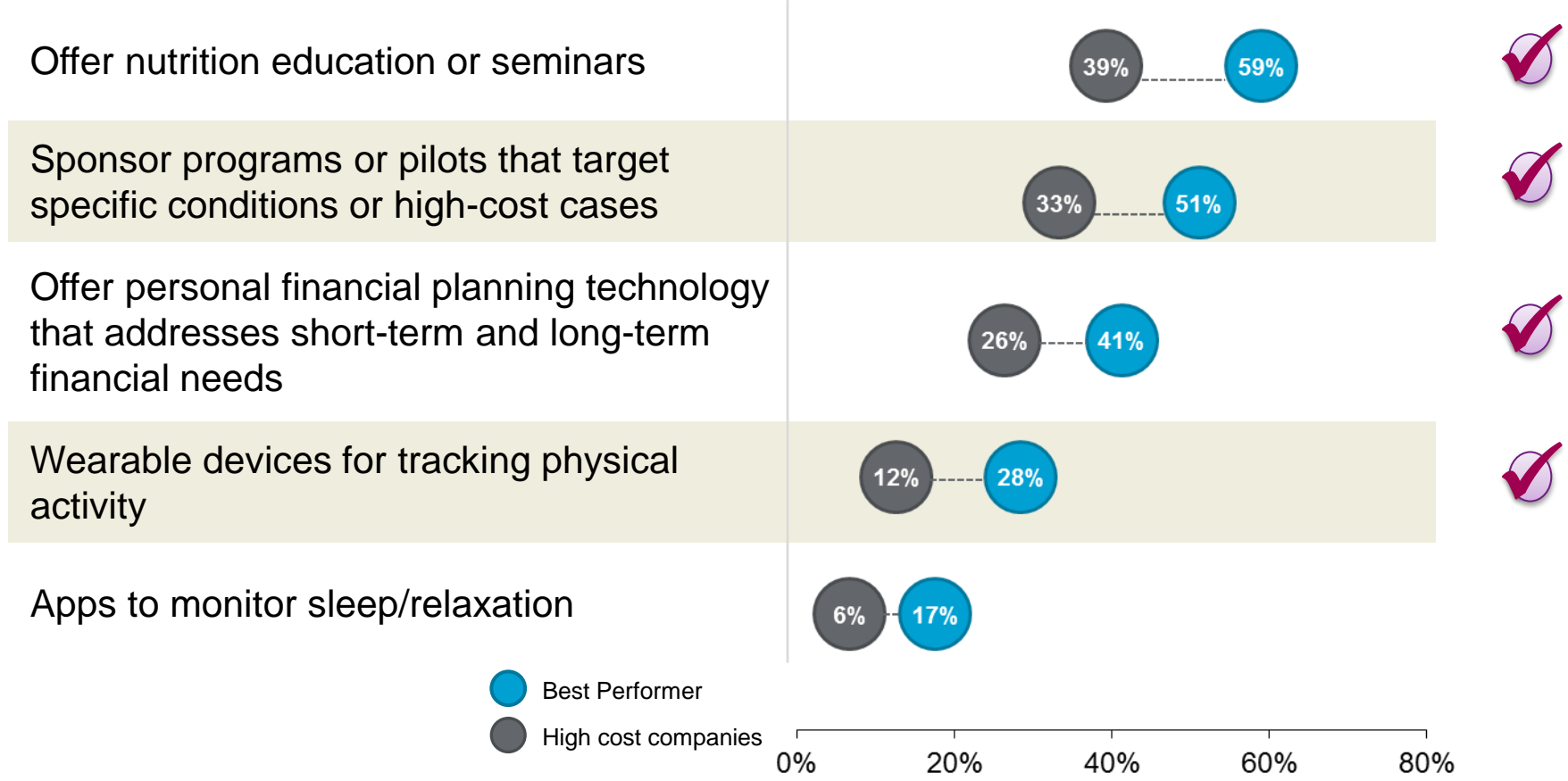


Source: 2017 WTW Best Practices in Health Care Employer Survey.

# Workforce Health

## Workforce Health

**HealthFlex**

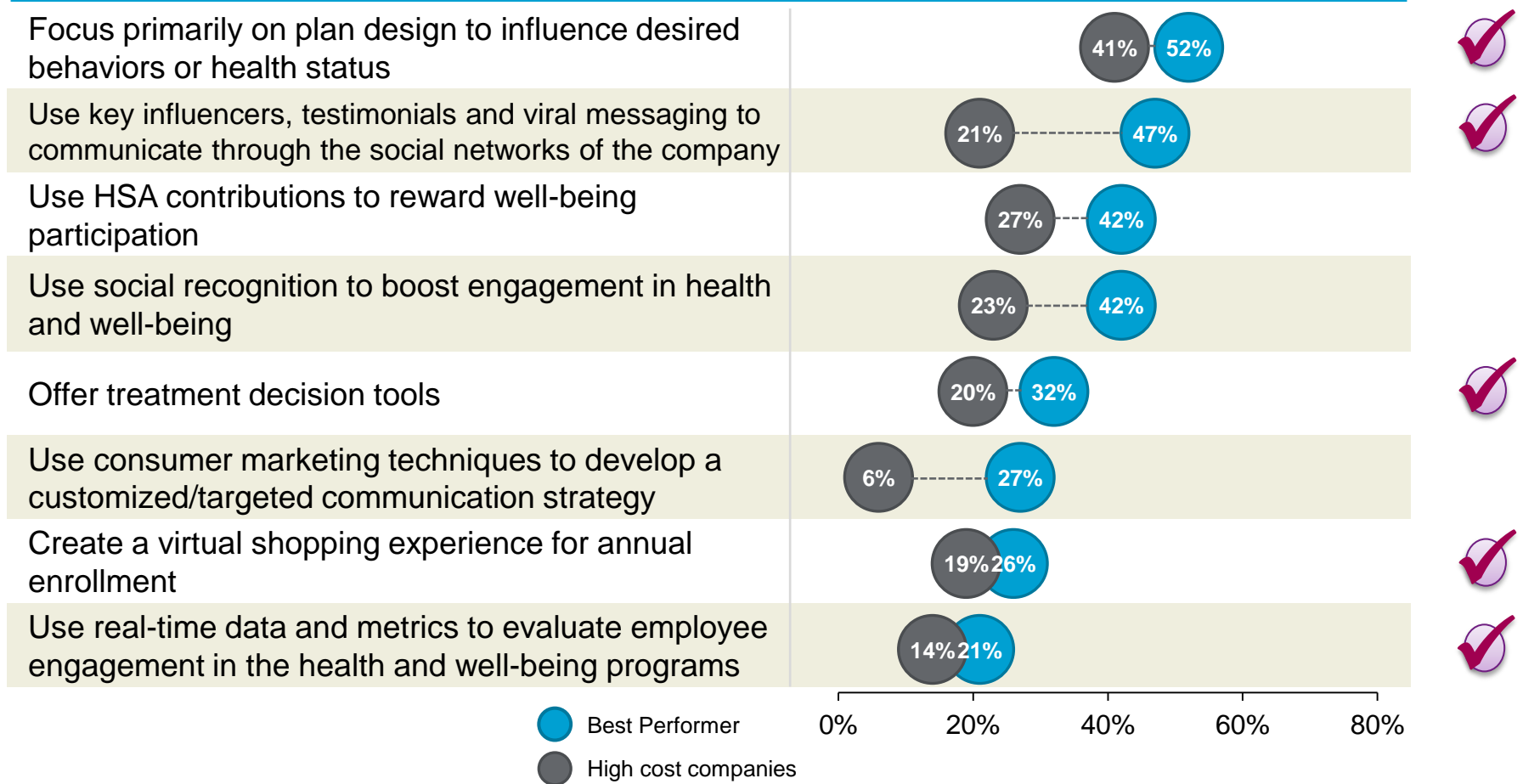


Source: 2017 WTW Best Practices in Health Care Employer Survey.

# Engagement and Consumerism

## Engagement and Consumerism

HealthFlex

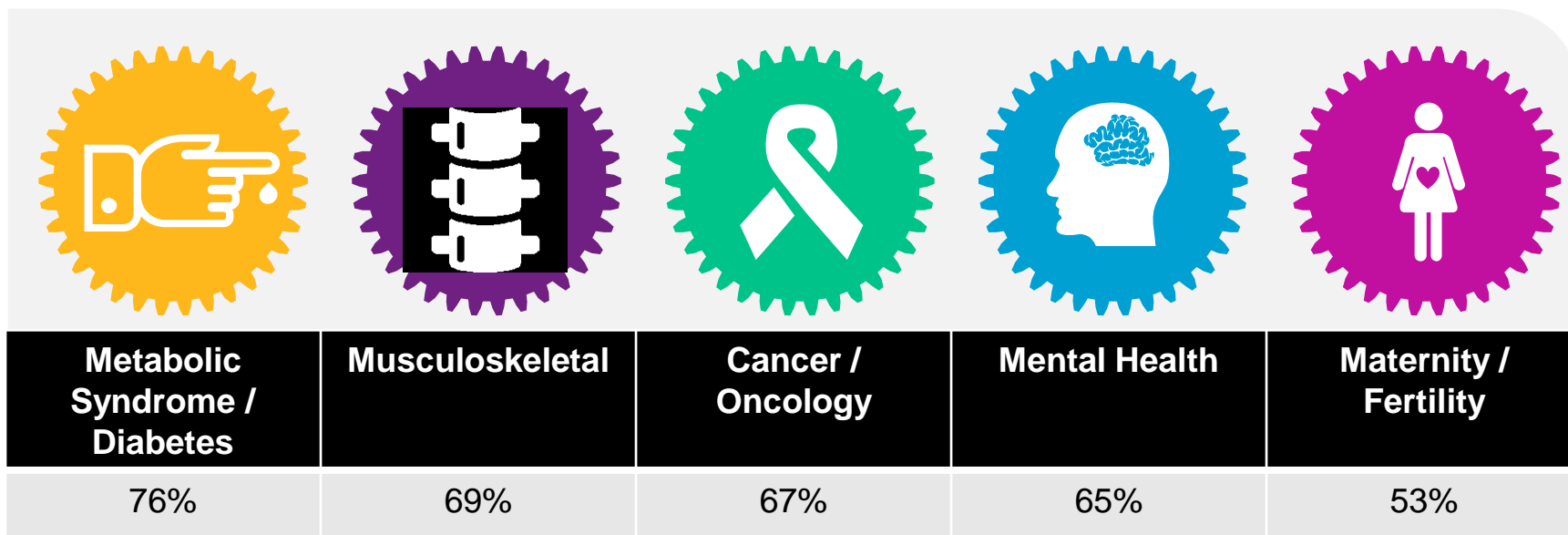


Source: 2017 WTW Best Practices in Health Care Employer Survey.



# Employers are Focusing on Top Clinical Conditions

To what extent will your organization focus on the following clinical areas as a means of improving member health and reducing costs over the next three years?



Sample: Companies with at least 1,000 employees.  
Source: 2017 WTW Best Practices in Health Care Employer Survey.

# HealthFlex Rating Methodology Updates

# Changes to HealthFlex Rating Methodology

## Primary Rating Methodology Goals

- Fairness and equity across conferences
- Logical, understandable, and stable year-over-year

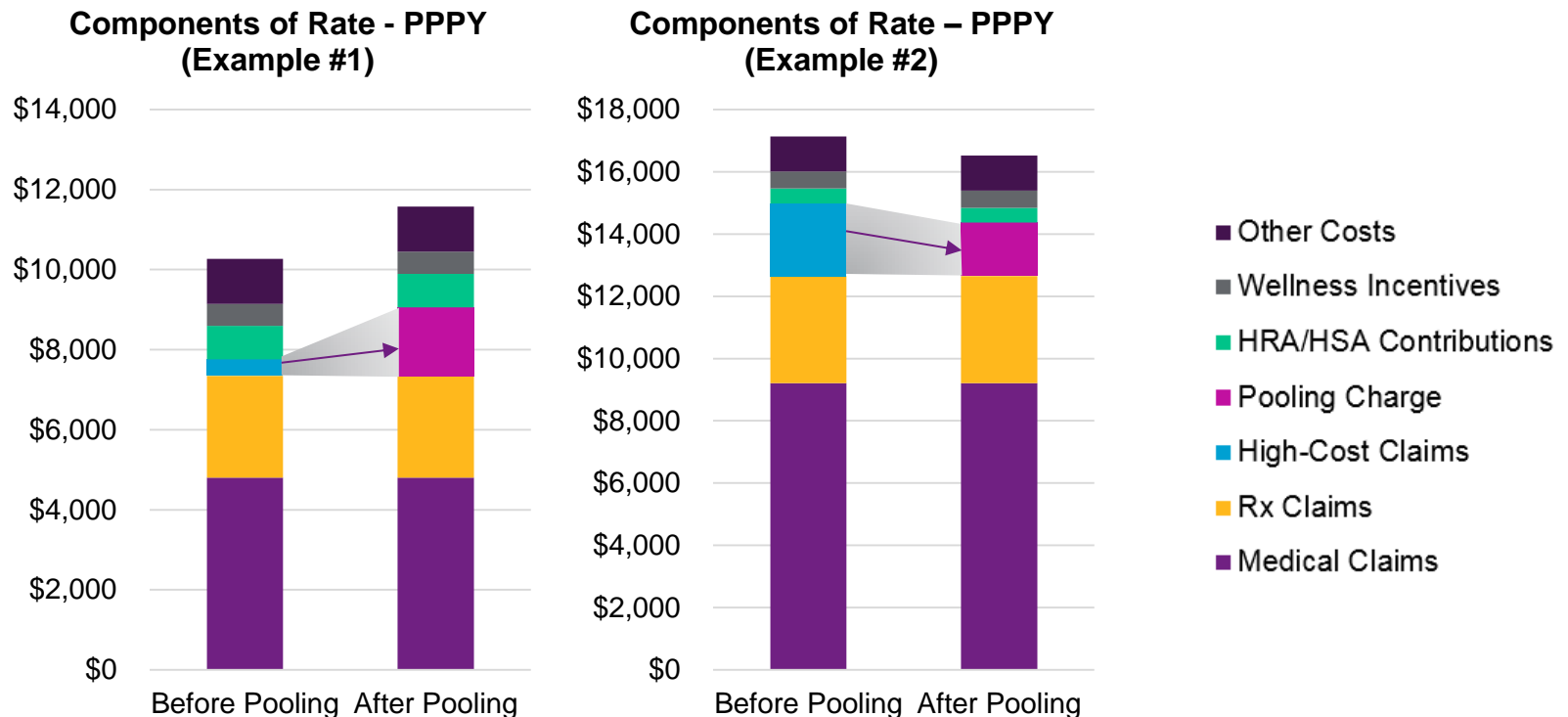
## Changes

- Incorporated two years of claims experience
- Continue to evaluate the pooling point for high cost claimants
- Develop manual rates for each conference
  - Based on conference-specific demographic, geographic, and plan value characteristics
- Incorporate transparency into calculation of results

# Rating Methodology

## High Cost Claimant 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"
- The total pooling charge across all conference equals the total amount of claims that are pooled
- In some cases, the pooling charge exceeds the pooled claims, and in other cases, the opposite is true



# Rating Methodology

## Overview of Underwriting Process

Experience period	January 1, 2017 to December 31, 2017	
Projection period	January 1, 2019 to December 31, 2019	
1. Incurred claims		\$2,500,000
2. Pooled claims		(\$500,000)
3. Pooling charge		<u>\$400,000</u>
4. Total charged claims		<u>\$2,400,000</u>
5. Average monthly enrollment (participants) during 2017		300
6. Per participant per year (PPPY) incurred claims costs		\$8,000
7. Claim trend adjustment:		x (1 + 12.4%)
Annual trend rate:	6%	
Needed months of trend:	24 months	
8. Projected per employee incurred claims		<b>\$9,000</b>
9. HRA/HSA contributions (PPPY)		\$600
10. Projected wellness incentives (PPPY)		\$500
11. Administrative fees (PPPY)		<u>\$700</u>
12. Projected cost per employee per year		\$10,800

Numbers rounded for illustrative purposes

**The process is repeated for 2016 claims**

# Rating Methodology

## Overview of Underwriting Process (continued)

2019 Projected Cost per Employee (based on 2016 experience)	\$9,500	40%
2019 Projected Cost per Employee (based on 2017 experience)	\$10,800	60%
2019 Experience Rate	\$10,300	

2019 Experience Rate	\$10,300	70%
2019 Manual Rate (based on age, gender, geography, plan design)	\$11,500	30%
<b>Projected cost per employee per year</b>	<b>\$10,700</b>	



Tier	Tier Factor	Current Enrollment	2019 Premium Rates	
			Annual	Monthly
Participant Only	1	140	\$6,700	\$558
Participant and One Dependent	1.9	70	\$12,700	\$1,058
Family	2.4	80	\$16,000	\$1,333

**Questions?**