



HealthFlex Mini-Summit—March 2022



**Wespath**

BENEFITS | INVESTMENTS

# Financial Review

## 2021 Experience—2023 Premiums

# Agenda

---

- **Looking Back: 2021**
  - Financial Results and Experience
- **Looking Ahead: 2023**
  - 2023 HealthFlex Premiums
  - Updates to Rating Methodology due to COVID-19
  - No plan changes for 2023





# Looking Back—Financials and Reporting

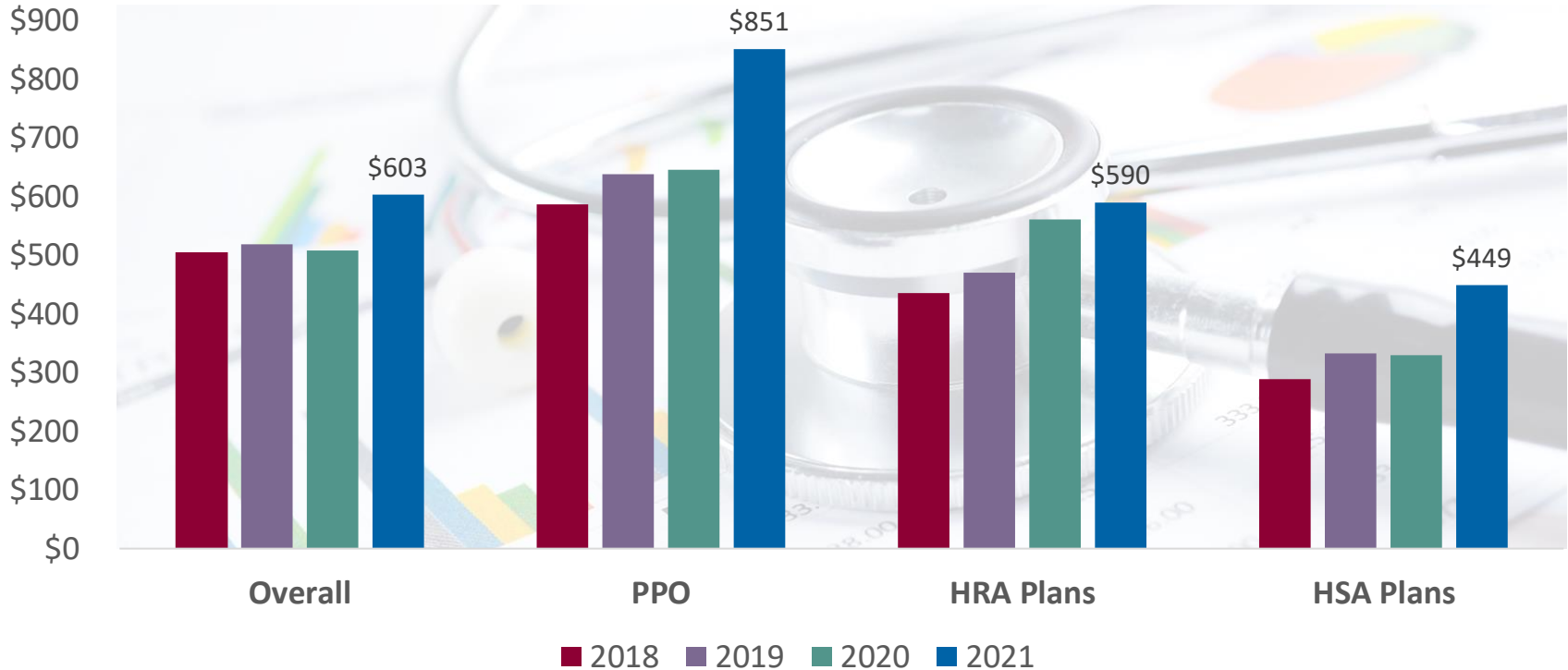
# 2021: A High-Use Year for Health Care

Many utilization metrics were up compared to 2020:

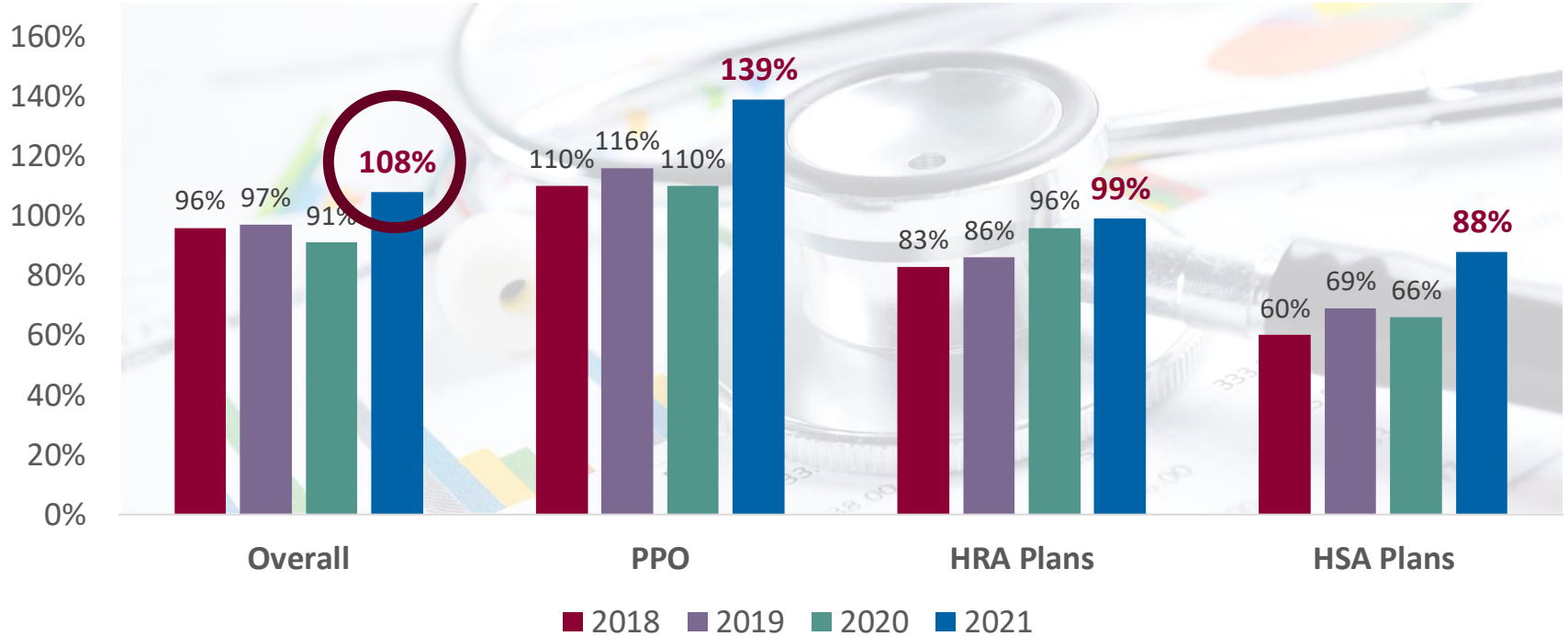
- 15% increase in inpatient admissions
- 11% increase in outpatient surgeries
- 16% increase in office visits
- 10% increase in ER visits

**Deferred care in 2020, rebound in utilization in 2021**

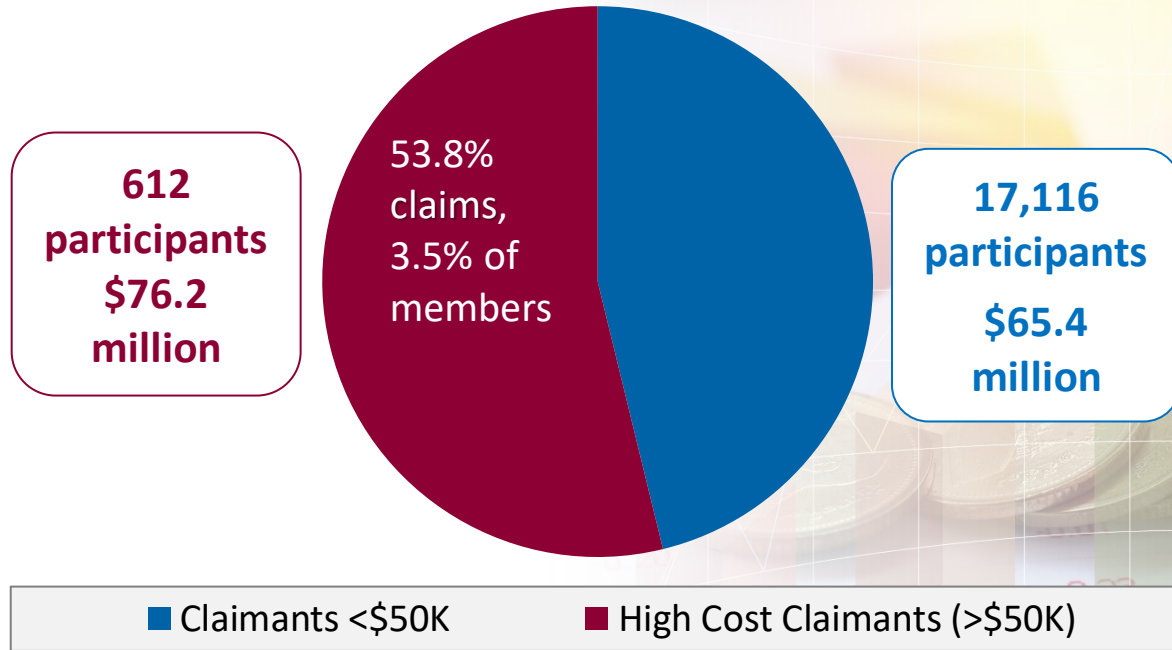
# Average Paid Claims Per Member



# Loss Ratio by Plan Type



# 2021: Impact of High-Cost Claimants



## Paid claims cost\* per member per year:

- For participants with claims <\$50K: **\$3,821**
- For participants with claims >\$50K: **\$124,509**
- For 81 participants with claims >\$200K: **\$353,319**

\*before Rx rebates



# High-Cost Claimants

## Top Diagnoses:

- Cancer: 5 of Top 12, \$442,000-\$1.63 million per individual
- Hemophilia: 2 of Top 12, \$780,000-\$876,000 per individual
- Cardiac: 2 of top 12, \$760,000-\$780,000 per individual

**Top 12 individuals = \$8.61 million in claims in 2021**





# Costly Medical Expenses

## Paid in 2021:

- Cancer \$14.37 million
- Cardiac Disorders \$9.76 million
- Musculoskeletal Disorders: \$9.0 million
- COVID-19 or possible: \$3-\$3.6 million+

# Most Costly Medication Classes



## Paid in 2021:

- Diabetic Therapy: \$7.39 million (1,823 people)
- Anti-Inflammatory Medications: \$5.89 million (2,642 people)
- Anti-Cancer Medications: \$3.25 million (362 people)

## Also of note:

- Antidepressants/Psychostimulants: \$706,000 (4,057 people)

# Levers for Cost Sustainability



## Consumerism

- Trend of buying down to lower cost/value plans
- Wise consumerism within plans  
(e.g., generics, cost comparisons)

## Well-Being focus

- Addressing costly conditions
- Goal to sustain or improve health risks

# What Will 2022 Bring?

- Stabilization of high-cost claims and return to new normal?
- Continued high impact of high-cost claims
- Something in between

**Future unknown but Wespath/HealthFlex a stable, sustainable option**





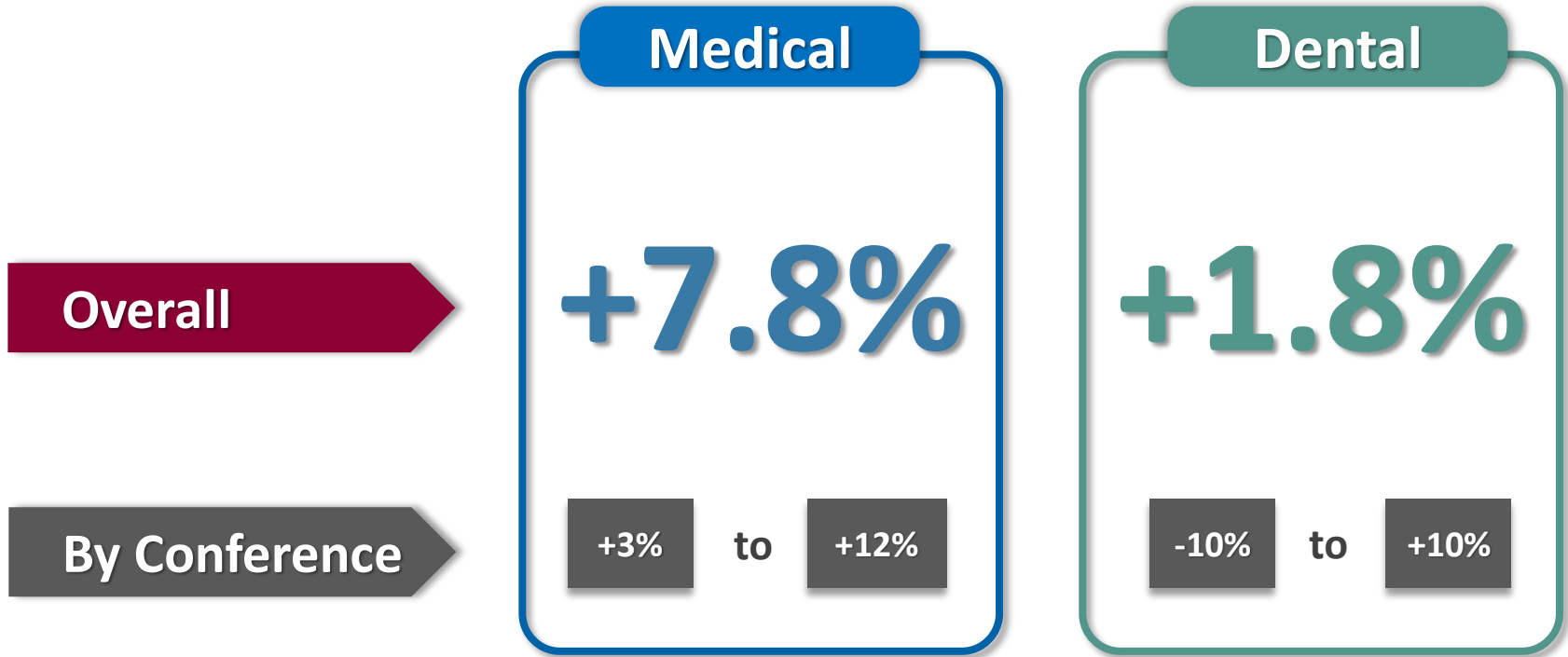
Questions?



# 2023 HealthFlex Rates and Plan Changes

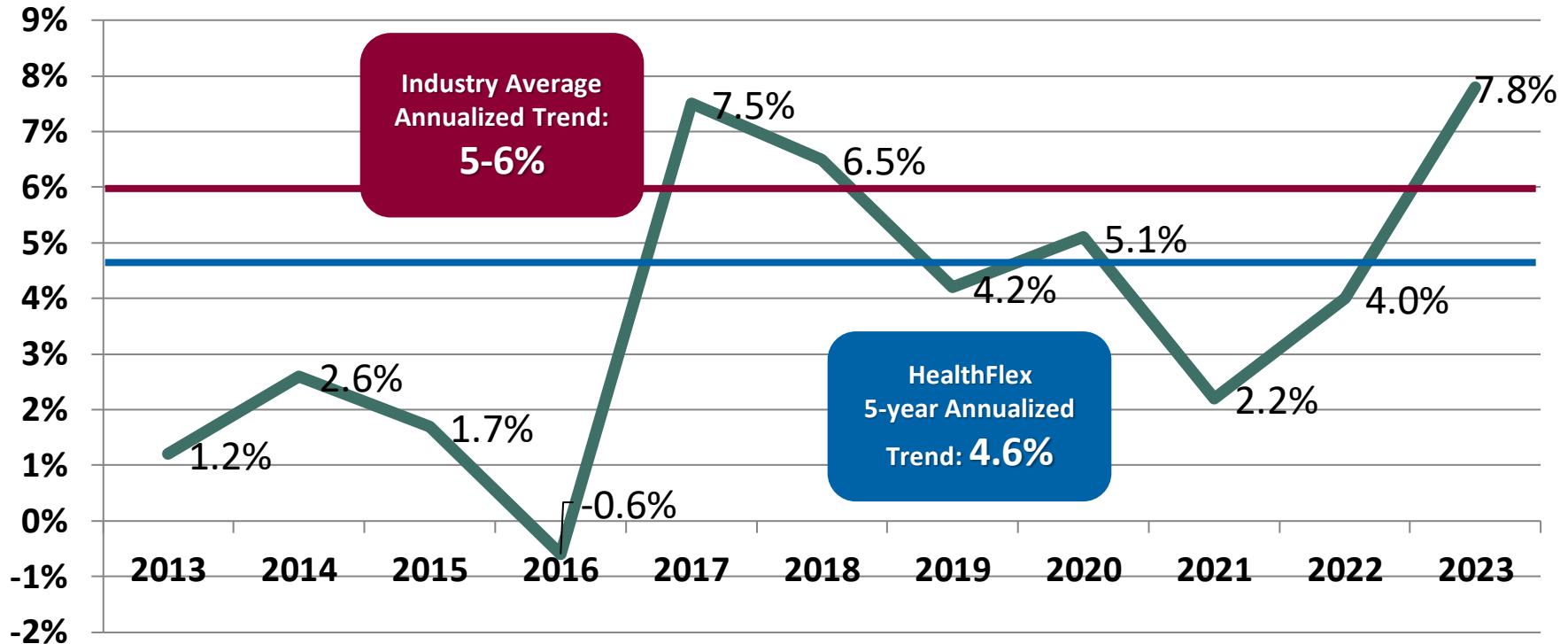


# 2023 Premium Increases

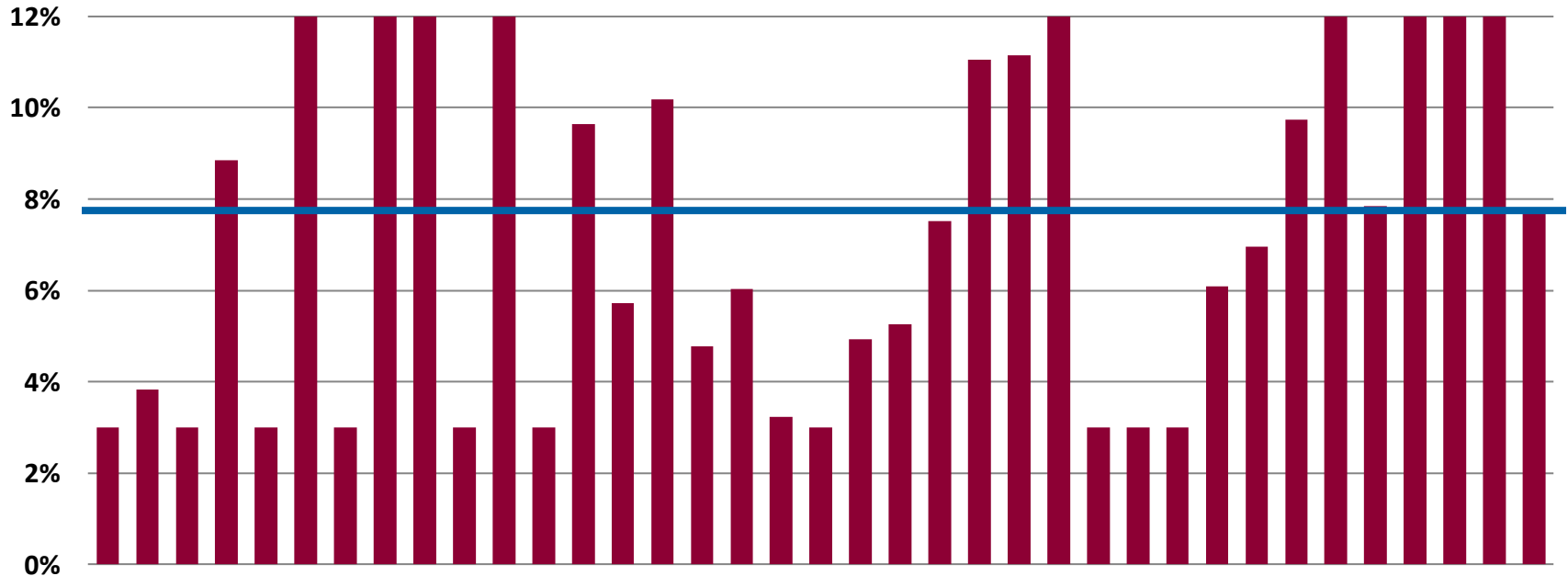




# Higher Than Typical Trend for 2023



# 2023 Medical Premium Increases by Sponsor



# 7-Year History of Loss Ratios and Rate Changes

2015	2016	2017	2018	2019	2020	2021	7-yr Average Rate Change
110.0%	86.3%	91.4%	197.4%	58.5%	123.0%	67.9%	3.1%
97.4%	89.9%	81.5%	79.3%	84.1%	73.8%	128.8%	3.1%
79.7%	88.3%	98.9%	76.4%	81.7%	87.3%	73.1%	3.5%
111.8%	103.9%	119.4%	87.1%	69.3%	48.0%	65.4%	3.5%
97.2%	85.0%	74.9%	60.9%	75.8%	103.4%	132.5%	3.8%
117.2%	130.0%	81.5%	88.1%	74.2%	125.5%	121.0%	4.0%
85.1%	66.3%	262.6%	202.7%	210.3%	188.4%	215.1%	4.2%
77.3%	119.3%	123.2%	103.6%	84.0%	86.3%	103.7%	4.7%
114.3%	108.5%	95.1%	83.3%	92.6%	84.1%	89.2%	4.7%
87.1%	112.6%	107.4%	86.0%	89.6%	102.2%	90.2%	4.7%
116.8%	95.2%	90.8%	76.0%	107.8%	90.9%	97.2%	5.0%
83.2%	102.8%	94.1%	136.4%	82.0%	108.5%	102.7%	5.0%
101.5%	124.1%	103.1%	96.1%	98.4%	94.9%	119.6%	5.0%
137.6%	144.2%	151.3%	100.3%	92.5%	100.5%	71.6%	5.2%
104.5%	99.8%	88.8%	79.6%	91.3%	87.8%	113.8%	5.2%
109.0%	115.3%	113.3%	90.4%	105.4%	91.5%	106.1%	5.4%
63.5%	80.5%	112.9%	137.0%	115.1%	110.7%	102.0%	5.5%
141.1%	115.7%	116.9%	97.5%	98.1%	89.5%	105.5%	5.9%
87.4%	99.2%	110.7%	88.3%	103.2%	103.5%	106.2%	6.1%
108.1%	101.9%	106.6%	109.2%	99.9%	78.5%	129.5%	6.1%
110.4%	132.7%	93.5%	86.1%	102.5%	87.2%	120.8%	6.3%
76.3%	99.2%	93.4%	94.4%	93.7%	99.4%	114.0%	6.5%
132.0%	117.9%	117.7%	117.5%	100.5%	68.3%	96.0%	6.6%
148.3%	155.4%	126.1%	112.7%	117.5%	76.3%	94.9%	6.6%
87.3%	87.6%	129.6%	94.7%	105.3%	78.8%	96.5%	6.7%
110.7%	112.3%	109.4%	129.7%	120.0%	84.6%	95.5%	6.8%
121.4%	175.9%	75.4%	79.0%	60.5%	41.0%	100.4%	7.8%
110.4%	119.2%	139.2%	85.9%	120.1%	176.1%	189.3%	8.2%

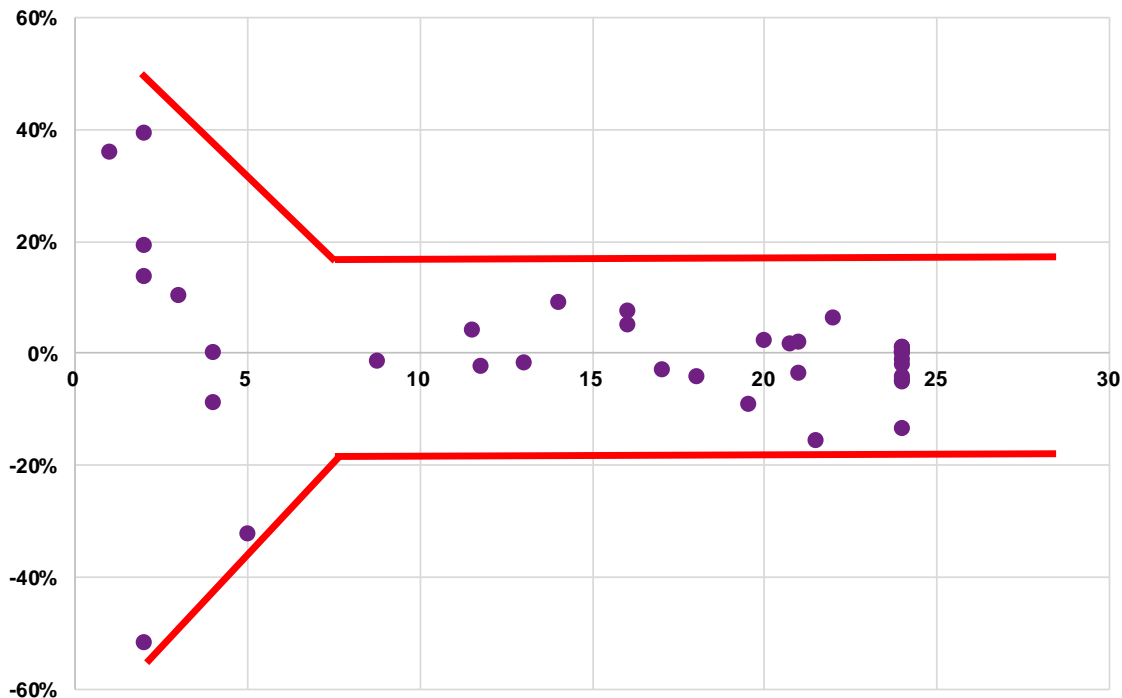
In any given year, each plan sponsor is supposed to be “priced fairly”

This means there should be an equal chance for a surplus or a deficit\*

\*except for long-term catastrophic claims

# Cumulative Surplus and Loss

Total Cumulative Surplus / Deficit (%) by # of Years in HealthFlex



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

# Historical HealthFlex Rating Methodology

- Two years of incurred medical and Rx claims experience:  
MOST RECENT: **Weighted 60%**      SECOND YEAR: **Weighted 40%**
- Claims between \$50,000 and \$200,000\*:  
50% assigned to plan sponsor      50% pooled
- Claims above \$200,000\*: **Fully pooled**
- Manual rates developed for each plan sponsor—using overall HealthFlex experience, adjusting for plan-sponsor-specific geography, plan design 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%

\*indexed with annual rate increases beginning 2022

# Modifications to Rating Methodology



Use of alternative rating periods (necessary for 2022 and 2023 rating periods due to COVID-19)—**TEMPORARY**



Application of claims adjustments for periods with claims not predictive of the future—**TEMPORARY**



Adjustment of high-cost claim thresholds to keep total pooled claims between 10-15%—**PERMANENT**



Project future costs based on number of “adult equivalents” instead of per subscriber—**PERMANENT**



# Rating Periods and Claims Adjustments

	Prior to 2022 (standard approach)	2022 Rates	2023 Rates
Claims Periods and weights	<ul style="list-style-type: none"><li>60% weight to most recent 12 months</li><li>40% weight to 12 months prior</li></ul>	<ul style="list-style-type: none"><li>20% weight to April '20-Nov '20</li><li>50% weight to April '19-March '20</li><li>30% weight to April '18-March '19</li></ul>	<ul style="list-style-type: none"><li>50% weight to Dec '20-Nov '21</li><li>25% weight to Dec '19-Nov '20</li><li>25% weight to Dec '18-Nov '19</li></ul>
Adjustments	<ul style="list-style-type: none"><li>None</li></ul>	<ul style="list-style-type: none"><li>April '20 – Nov '20 claims adjusted up by 5.4%</li></ul>	<ul style="list-style-type: none"><li>Dec '19 – Nov '20 medical claims adjusted up by 8.7%*</li><li>\$3.5 million in excess high-cost claims removed from 2021</li></ul>
Rationale	<ul style="list-style-type: none"><li>Claims thought to be limited predictive value</li></ul>	<ul style="list-style-type: none"><li>COVID-19 period with significantly suppressed claims, limited predictive value</li></ul>	<ul style="list-style-type: none"><li>2020-2021 claims less reliable due to impact of COVID-19</li><li>Prior 2020 claims adjustment now thought to be low</li></ul>

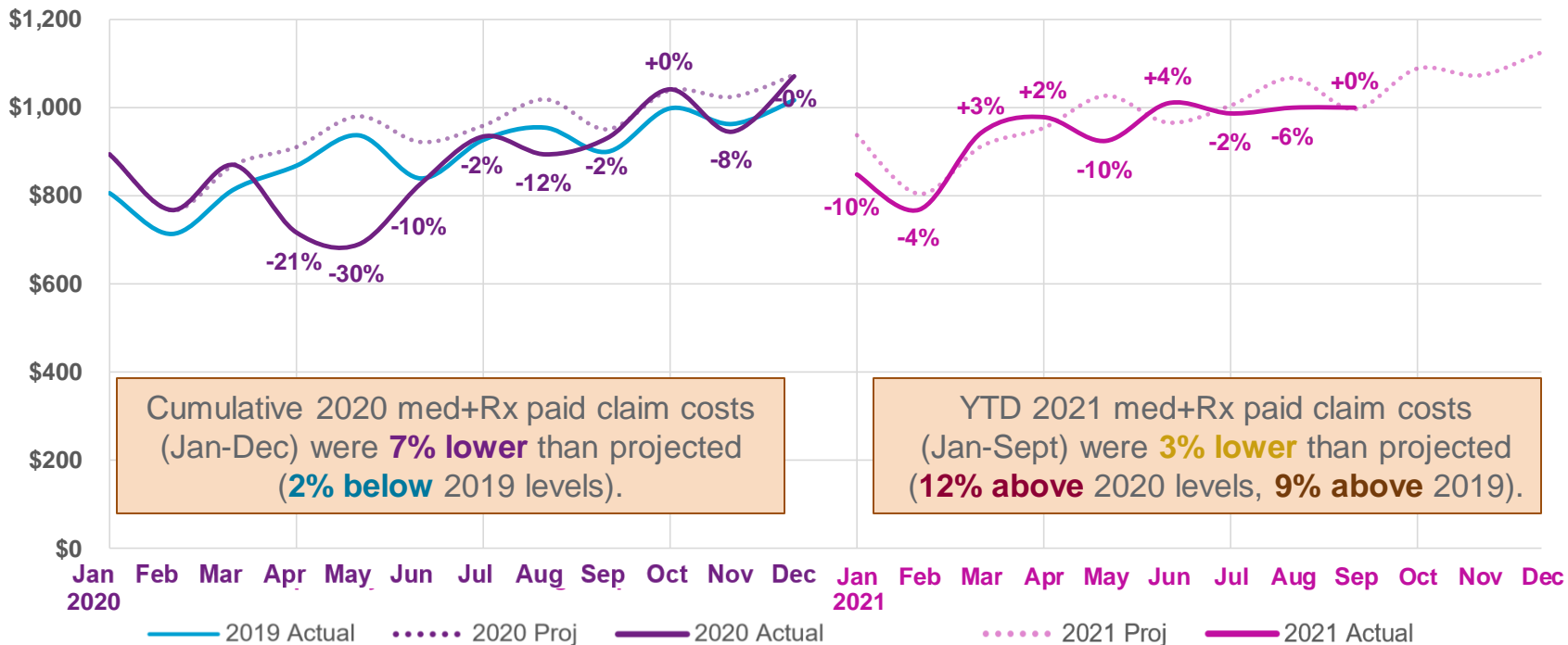
\*Note, 2020 dental claims adjusted up by 18%





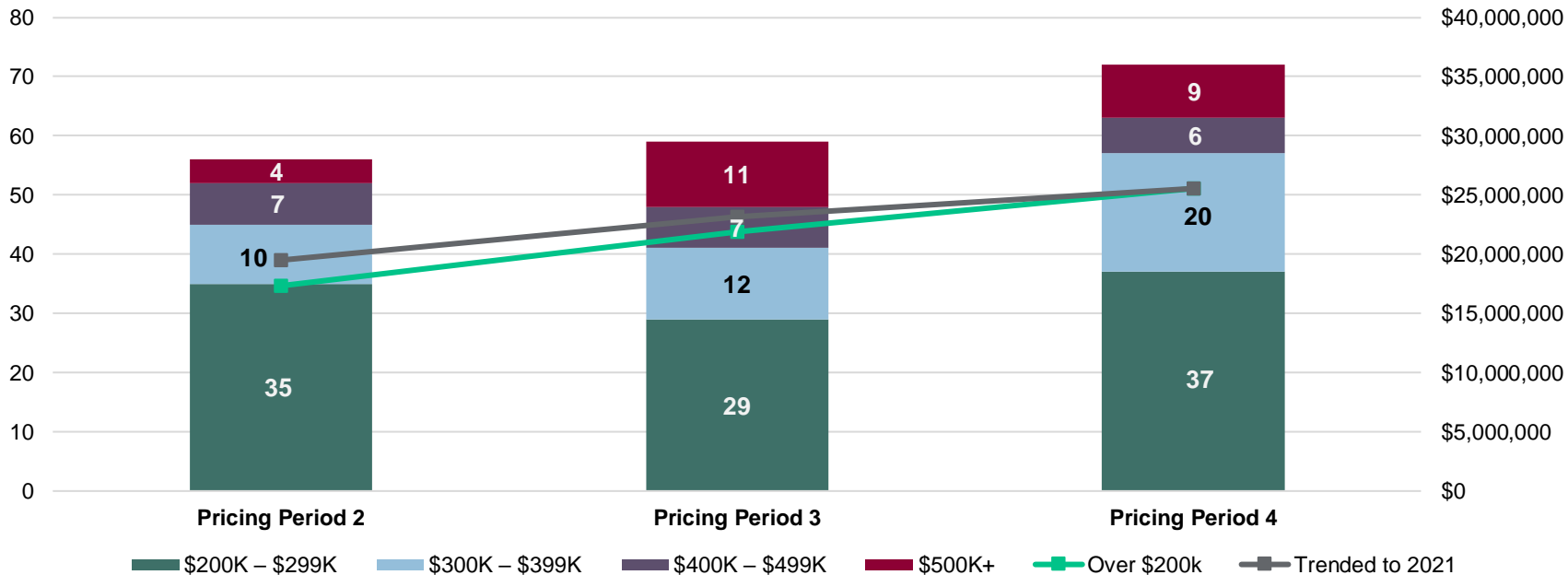
# 2020 Claims Adjustment Rationale

## Monthly Paid Claims PEPM (MED+RX)





# 2021 Claims Adjustment Rationale

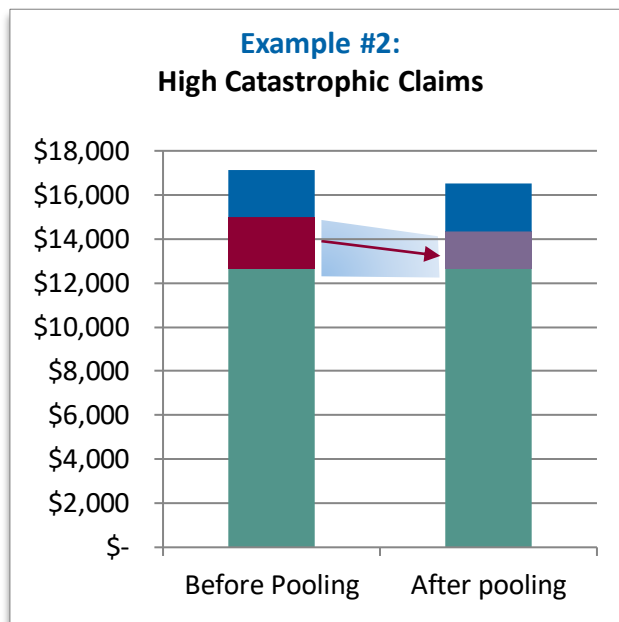
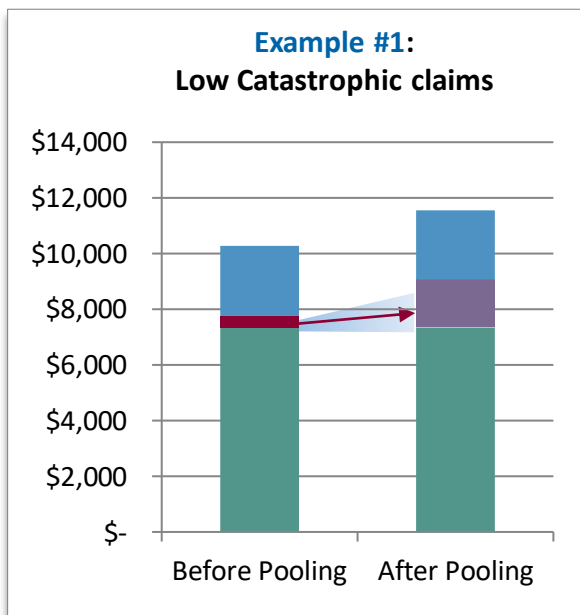


Significantly higher claims over \$200,000 in most recent period than prior two periods



# 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



# Prior Planned Indexing of High-Cost Thresholds

- Thresholds before 2018:
  - \$5,000 and \$50,000
- Beginning with 2018 rates:
  - \$50,000 and \$200,000, indexed in \$25K-\$50K increments with rate increases

Year	Rate Change	Partial Pooling Threshold		Full Pooling Threshold	
		Raw	Rounded (to \$25,000)	Raw	Rounded down (to \$50,000)
2019	5.10%	\$50,000	\$50,000	\$200,000	\$200,000
2020	2.10%	\$52,550	\$50,000	\$210,200	\$200,000
2021	4.00%	\$53,654	\$50,000	\$214,614	\$200,000
2022	7.80%	\$55,800	\$50,000	\$223,199	\$200,000
2023	-	\$60,152	\$50,000	\$240,608	\$200,000

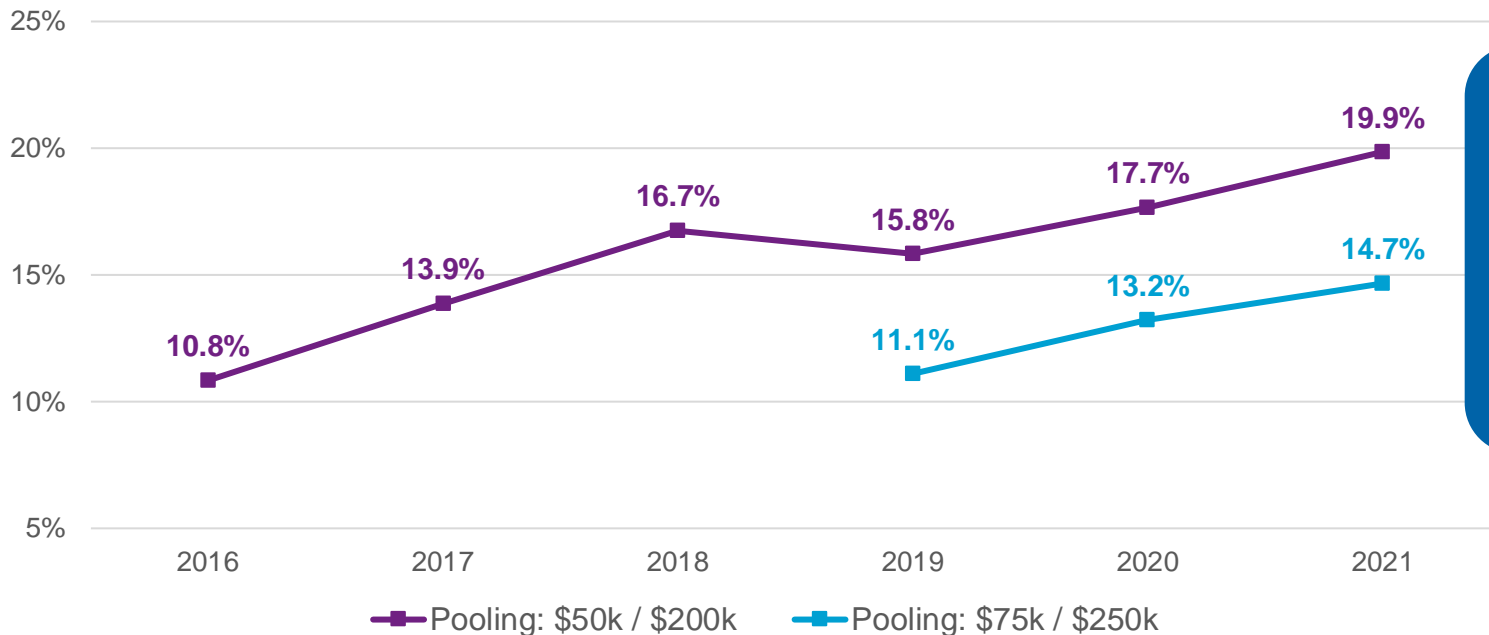
## Updated, beginning with 2023 Rates:

Early indexing permitted to keep overall percentage of pooled claims between 10-15%



# High-Cost Claim Volume—Impact on Pooling

## Pooling Charges as a Percentage of Total Medical and Rx Claims



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



# Projection of Future Costs

Previously used

Used for 2023

Basis	Abbreviation	Uses and Limitations
Per subscriber (employee)	PEPM, PEPY	<ul style="list-style-type: none"><li>▪ Simplest calculation; easily explainable and requires little data manipulation</li><li>▪ Does not account for changes in enrollment mix by relationship</li></ul>
Per member	PMPM, PMPY	<ul style="list-style-type: none"><li>▪ Most common measure by health plans and for utilization analysis</li><li>▪ Accounts for change in average household size, not for changes in enrollment mix</li><li>▪ Not all types of members are expected to incur the same levels of cost</li></ul>
Per adult equivalent	PAEPM, PAEPY	<ul style="list-style-type: none"><li>▪ Accounts for changes in enrollment mix by relationship (participant, spouse, child)</li><li>▪ Considered the optimal approach</li><li>▪ Leverages existing, calculated tier ratios (1.0, 1.9, 2.6)</li></ul>

# Plan Tier Relative Rates

- Tier relativities uniform across plan sponsors
- Based on plan-level claims

	Medical	Dental
Participant-only	1.0	1.0
Participant+1	1.9	2.0
Family (3+)	2.6	3.0



# No Plan Changes for 2023

Maintain existing plan designs through 2023



Plans with HSA

Plans with HRA

# Preparing for 2023

---

2023 Rate Sheets Distributed February 28

## **Wespath available:**

- To provide information about updated methodology and experience to Boards of Pensions
- To discuss possible updates to default plans
- To assist with Premium Credit Modeling for 2023





Questions?



**Wespath**

BENEFITS | INVESTMENTS