



MDGFOA

Spring Conference

April 14, 2023

Are your Employee Benefit Plans sustainable?

Contents

1. Introduction, Expectations and Disclaimers
2. Healthcare Realities
 - Healthcare Trajectory (course we are on)
 - Cost “Trend”
 - The Reality for Employers
3. Preparing for the Future
 - What can an Employer control to impact healthcare costs?
4. Summary



Introduction, Expectations and Disclaimers

Introduction

- Hunter Hawes
- Employee Benefits Consultant and Maryland Practice Leader for McGriff, www.McGriff.com
 - AKA: a Broker
- 15 years with the company
 - Love the Culture, People, Investment in our Resources & Purpose-driven approach
- McGriff is the nation's 6th largest insurance brokerage; 7th in the World
- McGriff has a specialty practice group/ industry vertical for Public Entities (like you all)
- McGriff is part of Truist Insurance Holdings
- Owned by Truist Financial Corp

Our Purpose:

Our purpose is to inspire and build better lives and communities.

And we do this through real, unwavering care. Care that creates more opportunities, lends a helping hand, and encourages people and businesses to thrive.



Expectations and Disclaimers

- ✓ I talk fast
- ✓ I am very passionate about my career, my company and helping employer groups, like you
- ✓ I would like to have an interactive session. I may even call on you.?
- ✓ We are going to mostly talk health care and health insurance, as that is a large cost & volatile employee benefit

A photograph of two business professionals in an office setting, overlaid with a semi-transparent blue filter. One person is gesturing with their hand while the other holds a tablet and a pen. The scene is dimly lit, focusing on the hands and the objects they are interacting with.

Healthcare Realities

18.3%

- U.S. health care spending grew 2.7% in 2021, reaching \$4.3 trillion or \$12,914 per person.
- As a share of the nation's Gross Domestic Product, health spending accounted for **18.3%**

Source: CMS

Healthcare Trajectory(the course we are on)

General Inflators

- Medical providers paid for Quantity, not Quality
- US Population growing more unhealthy (increased risk factors)
- New Technologies, Prescriptions, Treatments
- Growing Senior population (with increased risk factors)
- Regulation
- Liability
- Supply chain
- Labor shortages
- Inflation

Healthcare Trajectory (the course we are on)

Recent Inflators:

1. **COVID-19 hangover leads to increased utilization**
 - a. Deferred care
 - b. Costs for tests, treatment, vaccines
 - c. Mental health and substance use issues
 - d. Population health worsens
2. **Health systems prepare for the pandemic**
 - a. New investments
 - b. Improvements to supply chain
 - c. Increased wages for some staff
 - d. Stockpiles of equipment
 - e. Infrastructure
3. **Digital investments to patient relationship to increase utilization**
 - a. Tools and analytics capabilities to bolster patient relationships

Recent Deflators:

1. **Consumers lean into lower-cost sites of care**
 - a. Increase of Virtual care/retail clinics/other sites of care (lower cost)
2. **Health systems find ways to provide more healthcare for less**
 - a. New ways of working (remote workforce, process automation and cloud technology)
 - b. New price transparency regulations and growing interest in narrow networks

Cost “Trend”

What is Trend?

- Definition = projected percentage increase in the cost to treat patients from one year to the next, assuming benefits remain the same.
 - For example, a 6% trend means that a plan that costs \$10,000 per employee this year would cost \$10,600 next year.

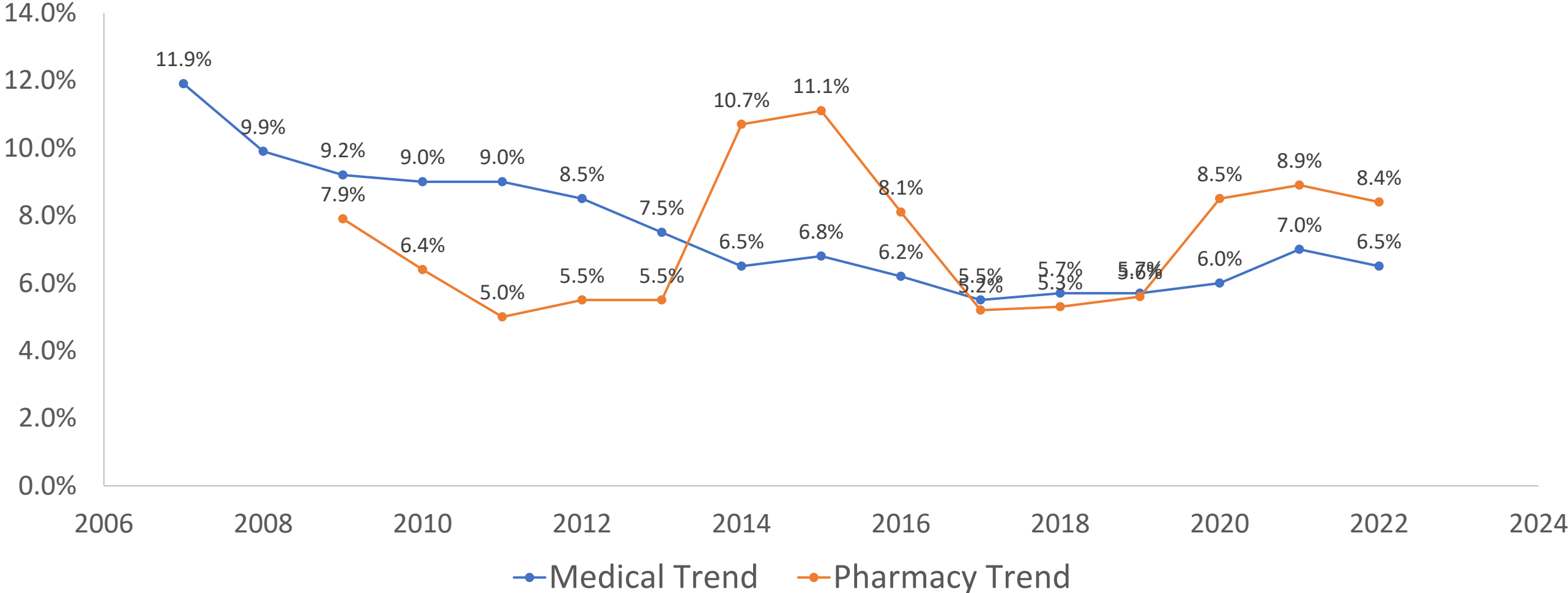
What influences Trend?

- Changes in the price of medical products and services and prescription medicines, known as unit cost inflation.
- Changes in the number or intensity of services used, or changes in per capita utilization.



Cost Trend

Medical & Pharmacy Cost Trend



Sources:
 -Medical: PWC's HRI projected medical cost trend 2007 – 2022
 -Pharmacy: 2023 Segal Health Plan Cost Trend Survey





Centers for Medicare and Medicaid Services expects prescription drugs spend to be the fastest growing health care expense over the next decade.

Rx Cost Drivers

- Drug product price inflation
- Increased dosing (like Skyrizi and Stelara)
- More effective and expensive new drug therapies vs previous treatments (like HIV)
- Specialty Drugs and Biologics (like Gene Therapies)
 - ✓ Developed to treat rare conditions
 - ✓ Growth in autoimmune, nervous system, oncology, dermatology, hemophilia, etc
 - ✓ 13.5% increase in cost expected in 2023
 - ✓ 1.5% of total claims drive 55% of costs

Top 10 specialty medications by gross plan spend,

according to RxBenefits' 2021 book-of-business analysis:

Pharmacy Trends: -popular (and expensive) medications

- | | |
|-----------------|--------------------------------------------------------------|
| 1) Humira | -rheumatoid arthritis, psoriatic arthritis, psoriasis |
| 2) Stelara | -psoriatic arthritis, psoriasis, Crohn's, Ulcerative Colitis |
| 3) Enbrel | -plaque psoriasis |
| 4) Dupixent | -eczema |
| 5) Trikafta | -cystic fibrosis (CF) |
| 6) Biktarvy | -HIV |
| 7) Tremfya | -plaque psoriasis |
| 8) Revlimid | -multiple myeloma (MM) |
| 9) Otezla | -psoriasis and psoriatic arthritis |
| 10) Norditropin | -growth hormone |

Pharmacy Trends: -gene therapy example

Meet Maisie

- Diagnosed with spinal muscular atrophy at 6 months of age
- Therapy with Spinraza failed to improve her muscle strength
- She couldn't eat or hold her head up
- Received Zolgensma at 19 months of age
- 5 months after treatment Maisie could sit up, walk with assistance, laugh and say "Mamma"

Cost of Zolgensma (made by Novartis)

\$2,100,000



*Maisie is doing incredible. She's not requiring her vent. She's moving around so much. She's lifting her legs. She's rolling over. She's getting into things. She's doing things that we never thought possible. She's smiling. She's laughing. She's talking. She sits up and she plays with you...And she's hitting milestones that were once just a dream."*¹

- Ciji, Maisie's mother

The Reality for Employers

True or False?

- Healthcare costs (medical & Rx) are rising at a rate much higher than inflation
- Healthcare is becoming more complicated
- Health insurance is a huge expense for many employers/ agency's
- Good employees are “hard to find”
- Good employees want “good benefits”
- Doing “the same old thing” is not sustainable over the next 3-5-10 years
- Employers can help control healthcare costs

...I would argue the above are all TRUE statements



A blue-tinted background image showing a business meeting. Two men in suits are seated at a table. The man on the left is gesturing with his hands while speaking. The man on the right is holding a pen and looking at a tablet or document. There are papers and a small potted plant on the table.

Preparing for the Future:
The need for “doing things differently”



Why do I need to consider doing things differently?

- Because the stakes are too high not too!

What can I do differently?

- Consider aligning key stakeholders to develop a multi-year strategy to gain better control of the trajectory of your employer group Health plan
 - Now, more than ever, employer groups with more than 100+ employees enrolled on your health plan need long-term planning and consultation
 - Control what you can control

What can an Employer control to impact healthcare costs?

There is a limit to the cost-drivers employers can control

Beyond Employer Control

- Inflation
- Drug price increases
- New drugs to market
- Member diagnoses
- Member utilization increases

Within Employer Control

- Plan design
- Plan funding alternatives
- Pharmacy Benefit Management oversight
- Behavioral engagement incentives
- Vendor/ Carrier partners
- Consulting partner

Up to 25% savings opportunity

What can an Employer control to impact healthcare costs?

Plan Design	Plan funding alternatives	Pharmacy Benefit Management oversight	Behavioral engagement incentives	Vendor/ Carrier partners	Consulting partner
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- ✓ Plan design cost sharing that helps drive more cost-effective care
 - Example: Nurseline > Virtual > On-site Clinic > PCP > Urgent Care > ER
- ✓ Informed and strategic use of pre-authorizations and pre-certifications
- ✓ Promoting consumer-driven healthcare plans
- ✓ Offering, educating and incenting tax-favorable plans (HSA and FSA)
- ✓ Offer variety of plans to meet different buyer profiles
 - Especially with many generations in the workforce
- ✓ OPEB (Other Post Enrollment Benefits)
 - Age 65+, COBRA and Retiree solutions

Savings Opportunity:
0% - 5%

What can an Employer control to impact healthcare costs?

Plan Design	Plan funding alternatives	Pharmacy Benefit Management oversight	Behavioral engagement incentives	Vendor/ Carrier partners	Consulting partner
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Savings Opportunity:
0% - 20%

What can an Employer control to impact healthcare costs?



- ✓ PBM carve-out solutions
- ✓ Pricing negotiations
- ✓ Economy of scale sourcing and purchasing (coalitions; aggregators)
- ✓ Rebates
- ✓ Step-therapy
- ✓ Exclusions
- ✓ Manufacturer Assistance Programs
- ✓ Utilization management
- ✓ Contract audits & accountability

Savings Opportunity:
0% - 12%

What can an Employer control to impact healthcare costs?

Plan Design	Plan funding alternatives	Pharmacy Benefit Management oversight	Behavioral engagement incentives	Vendor/ Carrier partners	Consulting partner
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- ✓ Population Health Management solutions to mitigate risk
 - Example: Peak Health saved Truist \$31mm in cost last year
 - Health assessment
 - Full Lab panel (for risk identification)
 - Regularly schedule onsite meeting with Nurse
- ✓ Wellness incentives and rewards
- ✓ Chronic illness engagement and advocacy
- ✓ Modifiable risk factor incentives (tobacco, pre-natal, etc)
- ✓ Cost sharing for different services
- ✓ Employee contribution modeling to drive plan selection (which then drives behavior)

Savings Opportunity:
0% - 10%

What can an Employer control to impact healthcare costs?



- ✓ Pricing negotiations
- ✓ Network discounts
- ✓ Narrow network for low cost/ high quality provider steering
- ✓ Creative offerings
- ✓ Contract options and protections
 - Especially for Stop Loss

Savings Opportunity:
0% - 10%

What can an Employer control to impact healthcare costs?

Plan Design	Plan funding alternatives	Pharmacy Benefit Management oversight	Behavioral engagement incentives	Vendor/ Carrier partners	Consulting partner
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- ✓ Aligning key stakeholders to answer these 3 questions
 - How are we doing?
 - Where do we aim?
 - What is the value in getting there?
- ✓ Developing and defining a proactive strategy to align cultural and financial objectives
- ✓ Creative solutions
- ✓ Access to more, different, better markets
- ✓ Preferred carrier/ vendor relationships
- ✓ Premium position / leverage
- ✓ Data analytics and modeling to drive decisions and cost containment solutions

Savings Opportunity:
0% - 25%

Summary

1. Healthcare is a HUGE industry in America...18% of the U.S. GDP
2. The American healthcare system has its challenges
3. One of the major challenges is COST
4. This has put a tremendous amount of pressure on the employer-sponsored health insurance distribution model
 - Your agency is in the Health insurance business – like it or not!
5. I profess that a proactive strategy with aligned stakeholders and an experienced consultant CAN bend the cost curve to better sustain your Health plan/ affordability



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