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Proprietary & Confidential

# Health Plan Cost Trends

Survey Highlights and a Discussion of Today's Healthcare Cost Trends

# Today's Presenters



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VP and National  
Pharmacy Practice Leader

# Agenda

What Drives Trend?

Results of 2023 *Segal Health Plan Cost Trend Survey*

Top Five Cost-Management Strategies

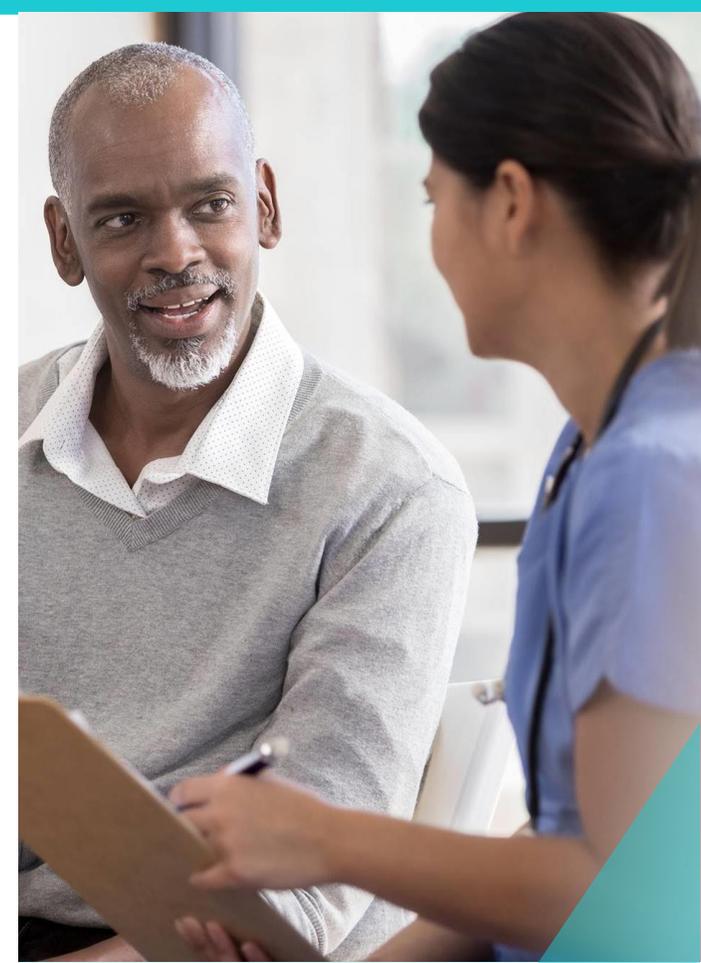
Top **Medical** Cost Management Strategies

Top **Rx** Cost Management Strategies

Questions?

# What Drives Health Plan Trend?

- **Intensity of Services** (New treatments, therapies and technology)
- **Medical inflation**, Health Provider price increases
- Increased use from **aging populations** or rise in **obesity**
- **Fee for Service** Payment System
- **Defensive medicine** (e.g., excessive testing)
- Health **Provider Consolidation** increases costs
- Provider **cost shifting** from reduced payments by Medicare and Medicaid
- **Erosion effect** of fixed deductibles and copayments<sup>1</sup>



<sup>1</sup> This is a driver of net paid claim cost trends, not gross per capita claims cost increases.

# Plan Sponsors' Experience May Differ from Projections



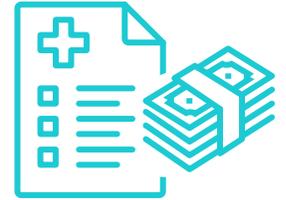
Prevalence of **high cost, catastrophic** claim events



Investment and use of **effective cost management programs**



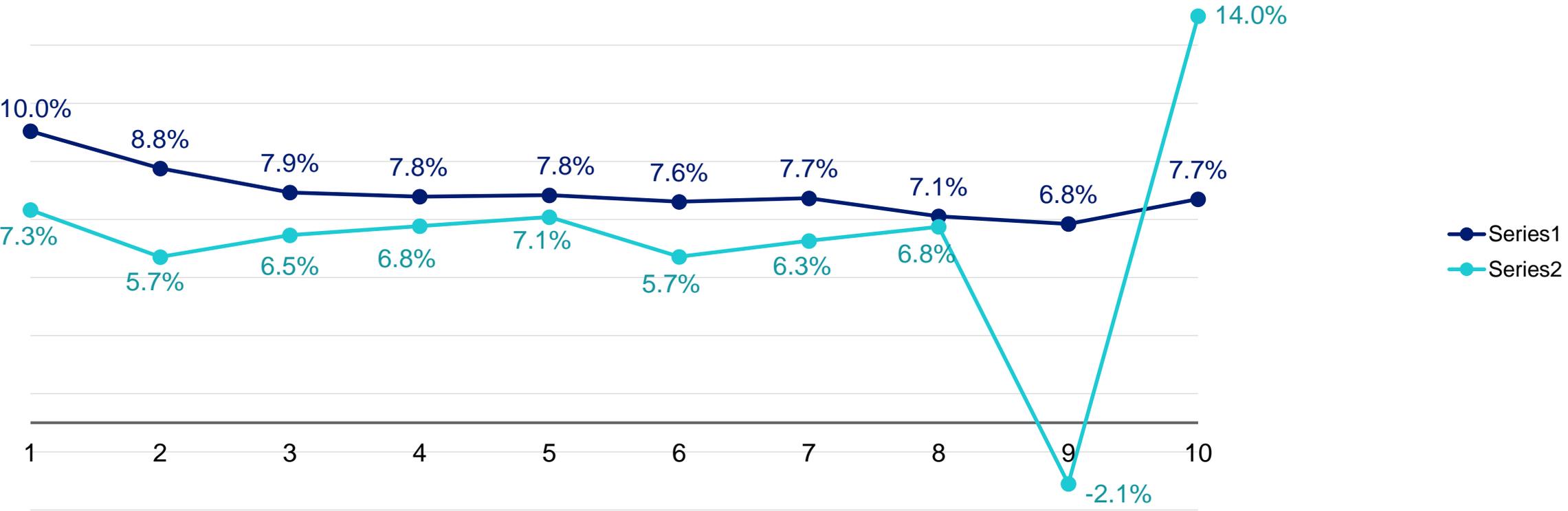
Choice or Provider Networks - Non-competitive pricing terms



**Appropriate plan design features** that support effective use of lower cost treatments and providers

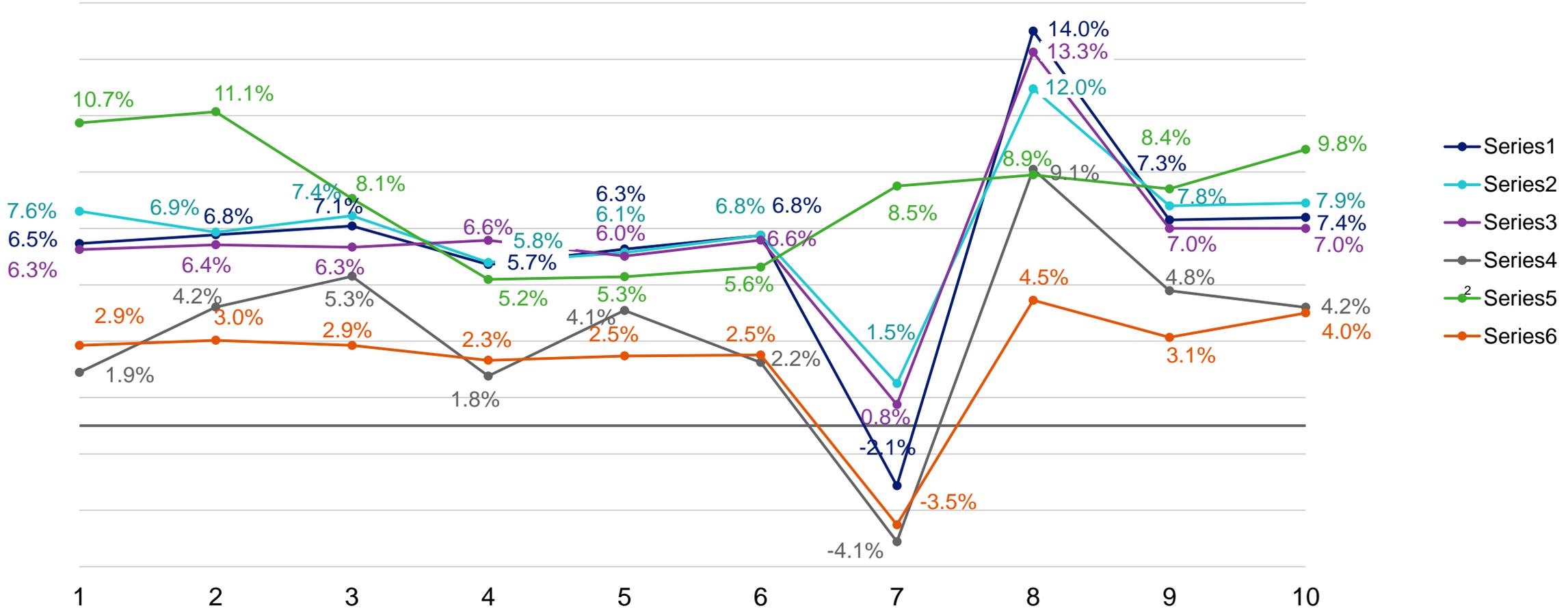
# Comparison of Projected to Actual PPO Trends

Comparison of Projected to Actual Trends for PPOs  
*For Actives and Retirees Under Age 65: 2012–2021*



Results based on annual survey of Health Insurers, HMOs and TPAs.

# Ten-Year Summary of Selected Medical, Prescription Drug Carve-Out and Dental Trends: 2014–2021 Actual and 2022 and 2023 Projected<sup>1</sup>

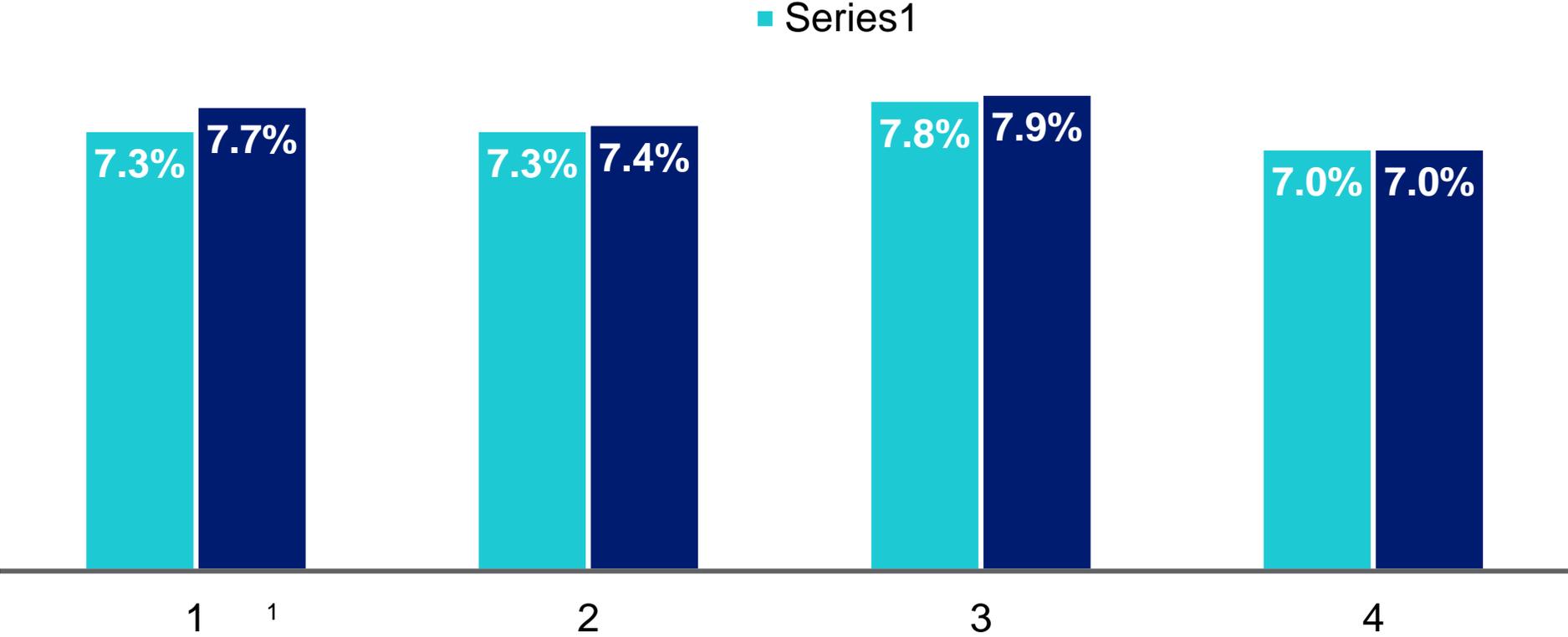


Source: 2023 Segal Health Plan Cost Trend Survey

<sup>1</sup> All trends are illustrated for actives and retirees under age 65, except for MA HMOs.

<sup>2</sup> Prescription drug trend is combined for retail and mail order delivery channels.

# Projected Medical Trends for Actives and Retirees Under Age 65: 2022 and 2023



Source: 2023 Segal Health Plan Cost Trend Survey

<sup>1</sup> HDHPs with an employee-directed, tax-advantaged health account—a health savings account (HSA) or a health reimbursement account (HRA)—are referred to as account-based health plans and are designed to encourage consumer engagement, resulting in more efficient use of health care services.

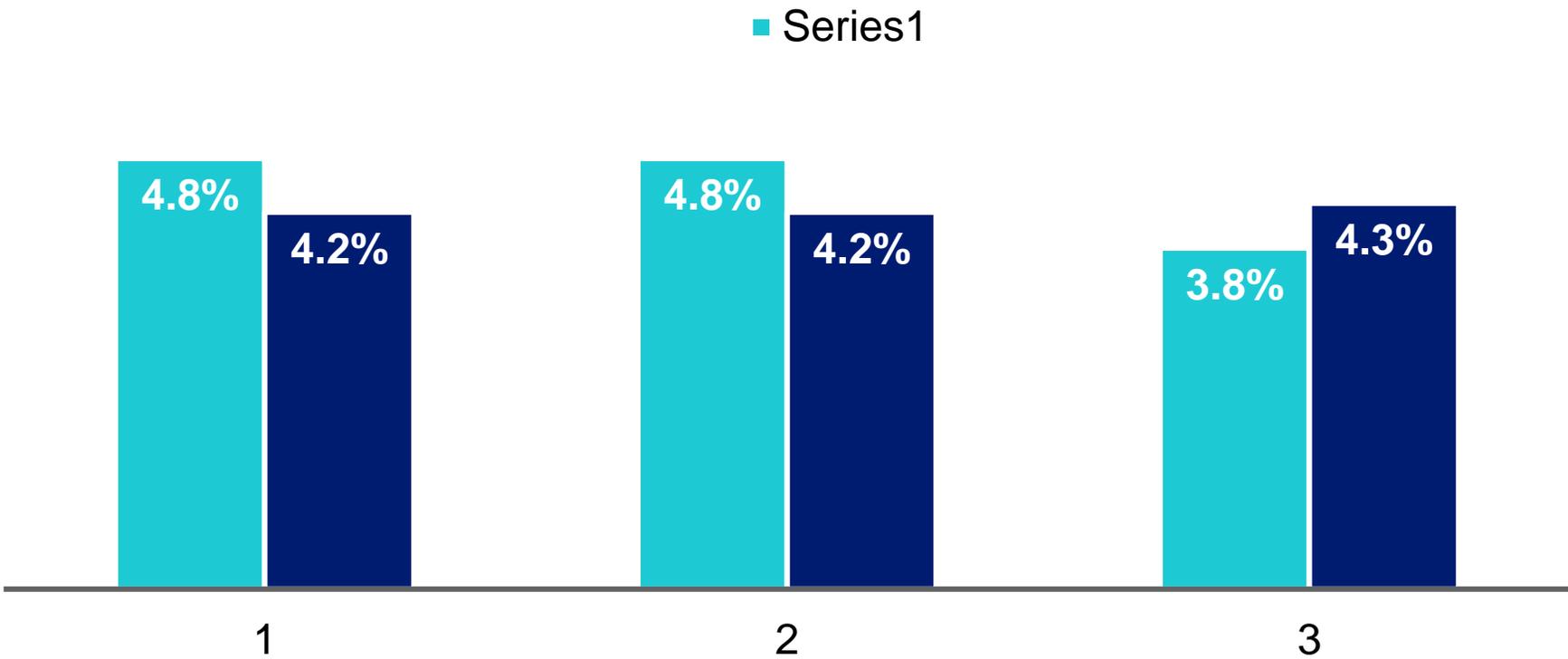
# What Does an 8% Annual Increase Mean?

An 8% increase in plan costs takes away from wage increases, retirement benefits, etc.

<b>Annual medical Plan cost per employee</b>	<b>8% Increase</b>	<b>Plan cost per 1,000 covered lives</b>
<b>\$15,000</b>	<b>\$1,200</b>	<b>\$1.2 million increase to budgets</b>

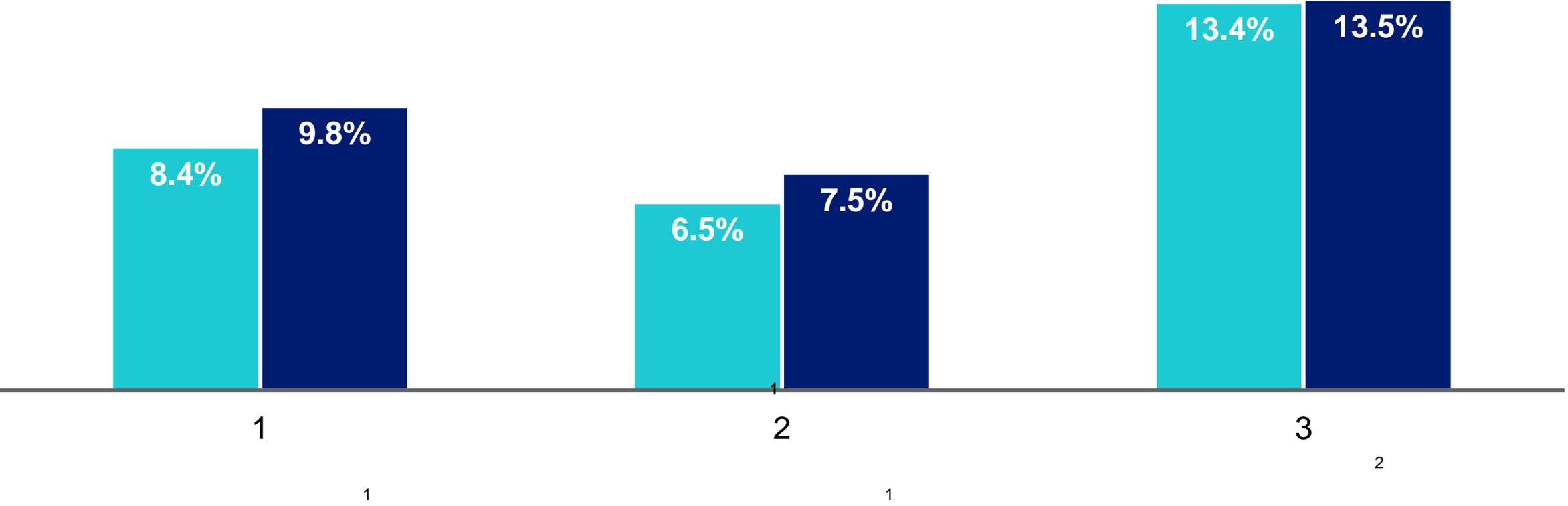


# Projected Medical Trends for Retirees Age 65 and Older: 2022 and 2023



# Projected Prescription Drug Trends: 2022 and 2023

■ Series1



Source: 2023 Segal Health Plan Cost Trend Survey

<sup>1</sup> Outpatient Rx trend is for all prescription drugs (non-specialty and specialty drugs combined) for employer sponsored plans.

<sup>2</sup> Specialty drug/biologics trend is for outpatient specialty coverage. This data is for all coverage of specialty drugs for participants of all ages.

# Clinical Landscape: *Drugs to Watch*

*37.3 million people have diabetes and 96 million people aged 18 years or older have prediabetes* <sup>1</sup>

## Non-Specialty:

- GLP-1s / Weight Loss: *Ozempic, Wegovy*
- Chronic Kidney Disease: *Kerendia*
- Migraines: *Nurtec*

## Specialty:

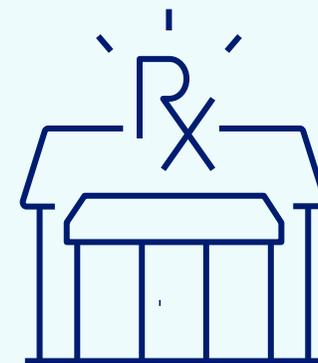
- Atopic Dermatitis: *Dupixent, Rinvoq*
- Plaque Psoriasis: *Otezla, Sotyktu*

## Biosimilars:

- Inflammatory Conditions: *Humira biosimilars*

## Ozempic

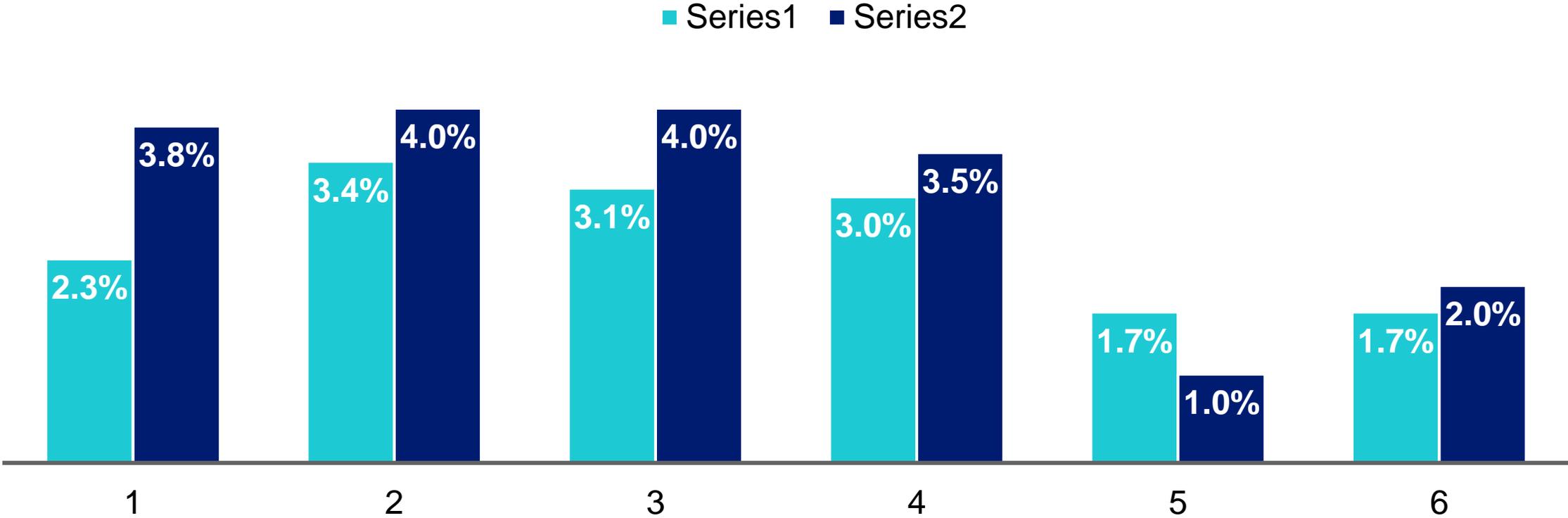
- A semaglutide injection (0.5, 1, 2 mg) indicated as an adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes mellitus
- Cost: **\$884/ month** with discount card <sup>2</sup>



1. [CDC.gov](https://www.cdc.gov)

2. <https://www.buzzrx.com/ozempic-coupon/common-questions>

# Projected Dental and Vision Trends: 2022 and 2023



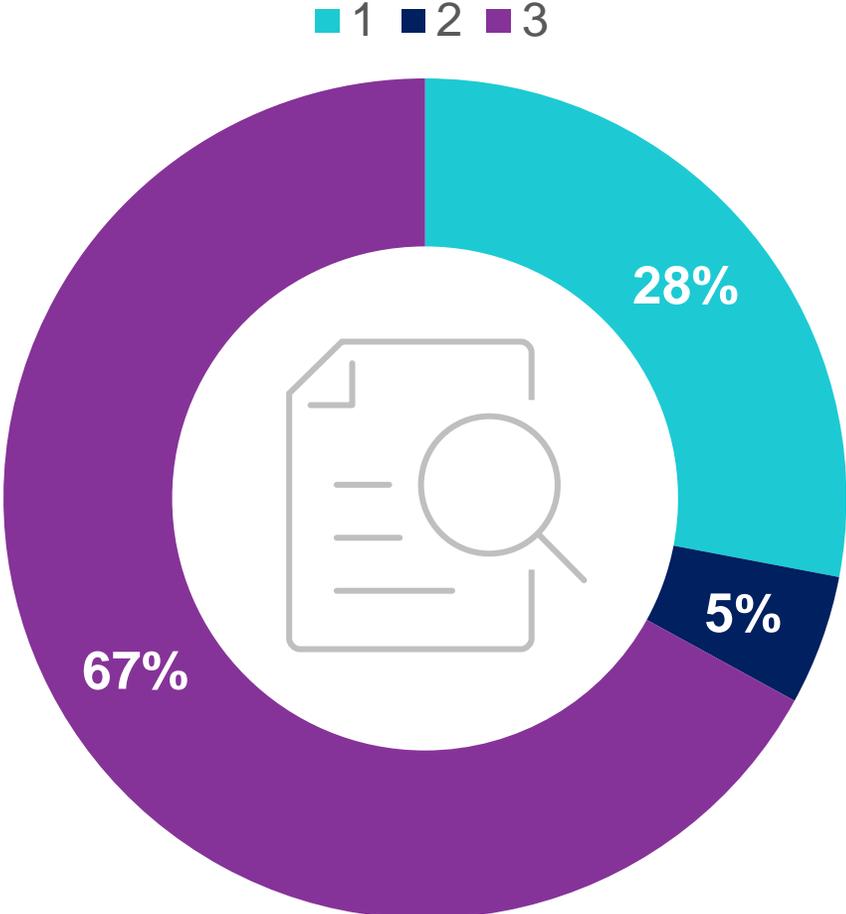
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Source: 2023 Segal Health Plan Cost Trend Survey

<sup>1</sup> A schedule of allowance plan is a plan with a list of covered services with a fixed-dollar amount that represents the total obligation of the plan.

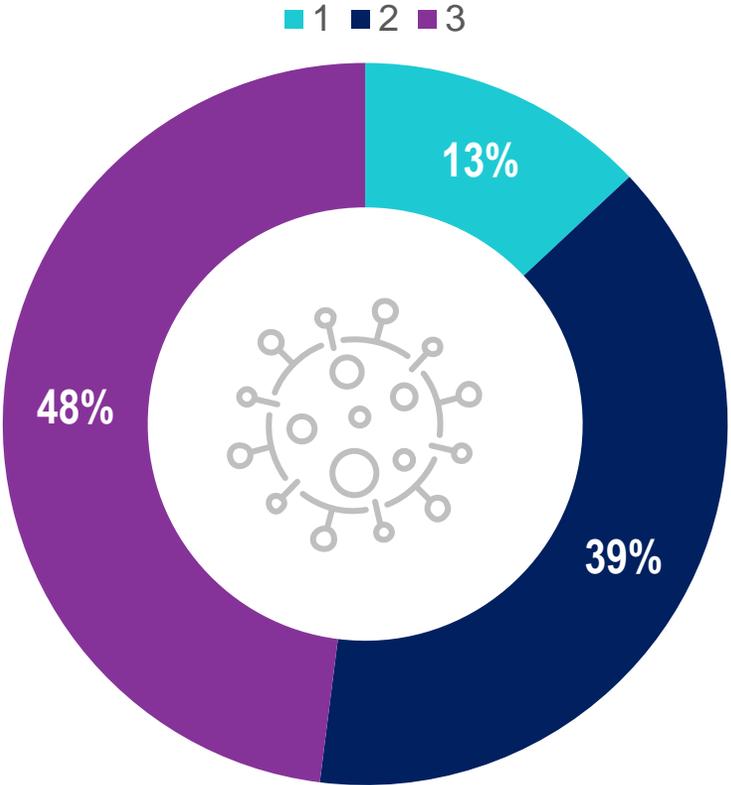
# Projected Impact of No Surprises Act

Most Respondents Forecast  
No Surprises Act to  
Have Immaterial Impact on  
Medical Cost Trend in 2023



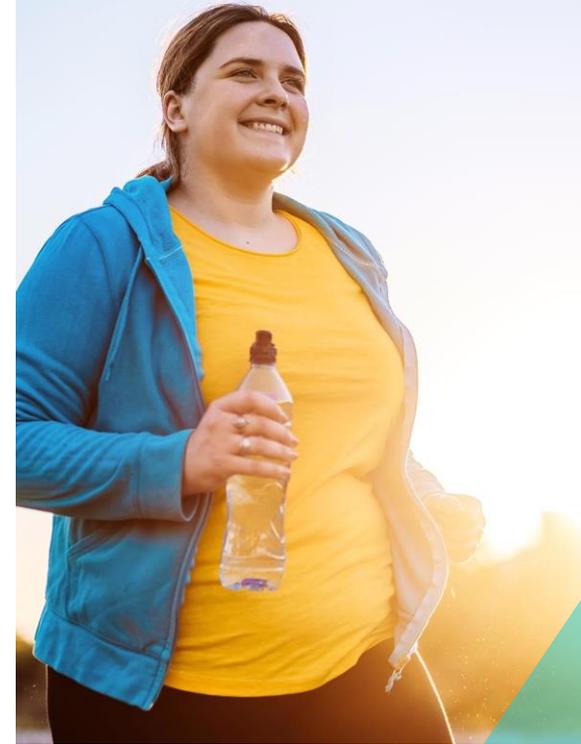
# Projected Impact of COVID-19

Most Respondents Forecast COVID-19 to Be Either Immaterial or Have a Downward Effect in 2023



# Top 5 Cost-Management Strategies

- 1 Use of healthcare transparency tools
- 2 Implement virtual counseling for behavioral health issues
- 3 Implementing chronic condition management and digital health coaching for diabetes, hypertension and weight management
- 4 Implement virtual physical consultation for primary care
- 5 Implement cost-management negotiation service for out-of-network services



Greater transparency about health care costs and quality is the top cost-management strategy for plan sponsors.

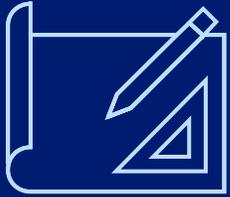
# Top Medical Cost-Management Strategies



## Competitive Bidding

The medical provider networks change over time as major networks acquire smaller regional networks, recruit new providers and lose providers over contract disputes.

# Top Medical Cost-Management Strategies



## Revisit Plan Design

Revisit your plan design cost sharing dynamics. Good plan design offer member copay savings when lower costs services or setting are used.

# Top Medical Cost Management Strategies



## Enhancing High-Cost Claimant Case Management

With healthcare costs being highly driven by a relatively small number of high need individuals, it makes sense to focus on high-cost claimants to reign in healthcare expenses.

# Top Medical Cost Management Strategies



## Managing Risk

Cancer has overtaken musculoskeletal conditions as the top health care cost driver, with plan sponsors observing more late-stage cancers.

# Top Medical Cost Management Strategies



## Digital Therapeutics

Plan sponsors considering digital therapeutics for their benefit programs should develop a plan to evaluate these offerings.

# Top Medical Cost Management Strategies



## Reduce Readmissions

Inpatient hospital admissions typically account for the largest expense component of most health plans. Avoiding readmissions can reduce a substantial portion of hospital expenses for plan sponsors and improve patient outcomes.

# Top Rx Cost Management Strategies

Minimizing the Cost and Maximizing Care

**Rx Solutions**

**PBM Contract  
Review**

**Plan Design  
Strategies**

**Network  
Management**

**Specialty Copay  
Assistance**

**Utilization  
Management**

**Formulary  
Management**

*Due to the Mental Health Parity & Addiction Equity Act, special considerations come into play when strategies are used to manage drugs used to treat mental health conditions or substance use disorders*

# Strategies for Rx Cost Management

## *Specialty Copay Assistance Programs*

- Various types of copay programs available from your PBM or a third party vendor
- May have grandfathering or other compliance implications
- Will Require Plan Document Changes
- Savings can be substantial to plan sponsors with high specialty drug costs

**Payer Matrix**

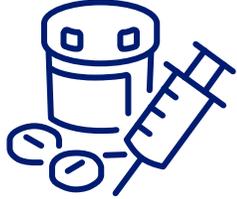
**PrudentRx**

**Sav-Rx PAP and  
HIA<sup>1</sup>**

**SaveOn  
SP**

1. Sav-Rx Patient Assistance Program and High Impact Advocacy Program

# Strategies for Rx Cost Management



## Utilization Management

- Comprehensive Prior Authorization rules
- Treatment protocols based on best clinical practice
- Split Fill



## Formulary Management

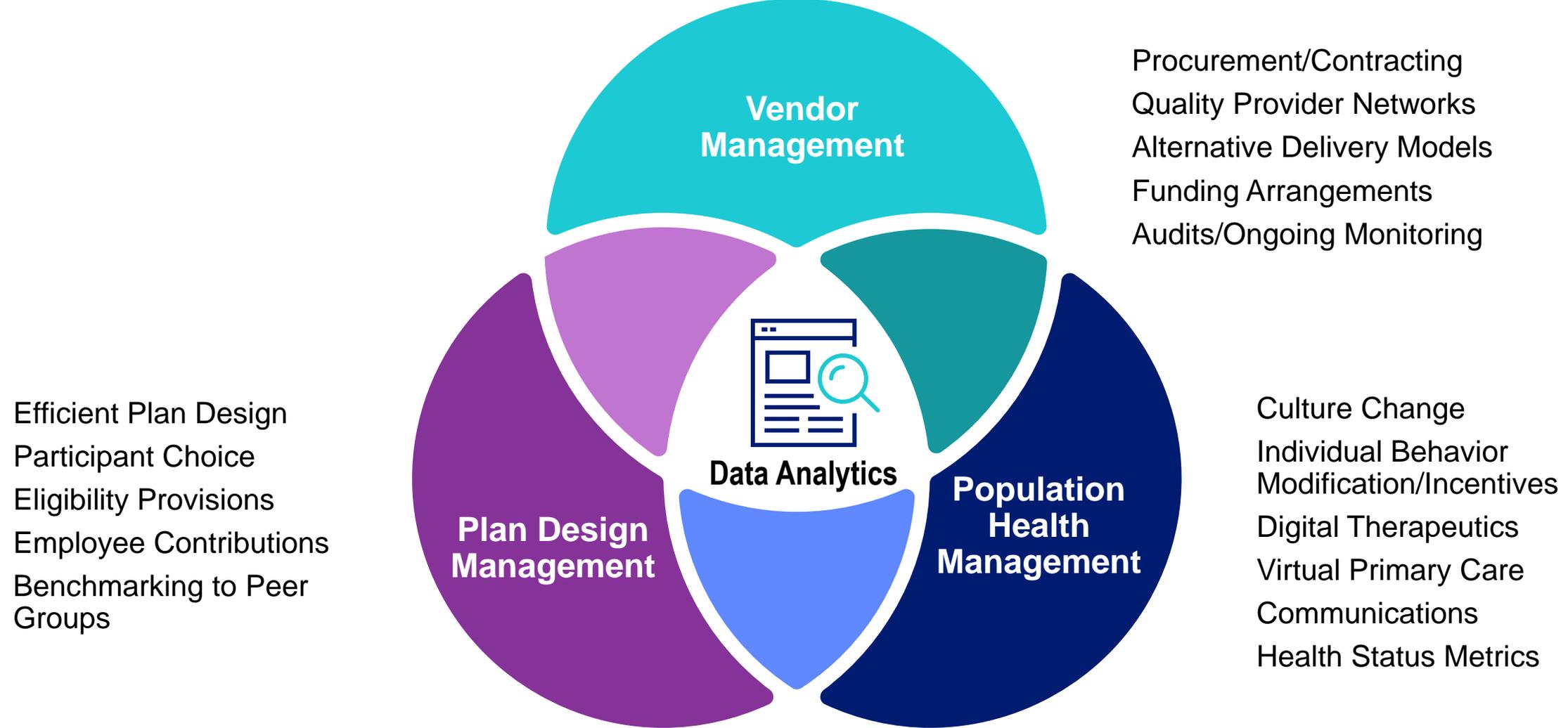
- Use of less costly formulary alternatives
- Preferred specialty management



## Actionable Performance Reporting

- Financial
- Clinical

# Segal's Health Consulting Approach



Data ➔ Insight ➔ Action

# Questions?



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