Healthcare Mega Trends and Their Effect on Your Budget
About Alera Group

Built on the belief that we are stronger together, we tap into our national community of problem solvers to deliver local, optimized solutions to help grow and protect your business.

With more than 100 locations across the country, Alera Group serves clients through employee benefits, property & casualty, retirement services and wealth management solutions.

Contact Eric Lintala
585-704-3009
eric.lintala@aleragroup.com
Agenda

► **Introduction** – Nonie Flynn, Treasurer and County Administrator, Yates County

► **Mega Trends in Healthcare** – Sally Prather, Executive Vice President, Employee Benefits Practice Leader, Alera Group

► **High-Cost Claimant Strategies** – Julie Kueppers, PhD, FNP, RN, Clinical Review Director

► **Reserving Strategies** – Anil Kochhar, ASA, MAAA, Chief Actuary

► **NYSAC Partnership Programs** – Eric Lintala, CHC, Executive Benefit Consultant
Introduction

Nonie Flynn

*Treasurer and County Administrator, Yates County*
Sally Prather is an Executive Vice President and the Employee Benefits Practice Leader for Alera Group. In this role, Sally focuses on the continued development of Alera Group’s employee benefits practice, including platform expansion and resource coordination. She works with firms across the country to strengthen the Alera Group value proposition through unparalleled benefits resources and strategy.
1. “Gone Digital”

COVID-19 EFFECTS

ACCELERATION OF TECH ADVANCES: New means of care accelerating

Plans and providers offer virtual care options for minor, acute care and mental health, and many are extending them to weight management, care management for chronic conditions such as diabetes and cardiovascular disease, prenatal care, musculoskeletal care management/physical therapy. We expect that 2021 will begin more focus on evaluating the quality, outcomes, effectiveness, patient experience and the cost of virtual care options and further exploration of telemedicine innovations such as point-of-care diagnostics and remote monitoring.

– Ellen Kelsay, president and CEO, Business Group on Health
1. “Gone Digital”

COVID-19 EFFECTS

GROWING ACCEPTANCE OF TECH:
No choice but to substantially upgrade the digital experience

The question is will we see deceleration of telemedicine if the pandemic starts to wind down? I do not think so. People approach the healthcare system differently now. Consumers are impatient if they are getting on-demand services so the system has to retool to accommodate that. People will demand high levels of service from healthcare providers, whereas before we simply tolerated bad services.

– Michael Greely, cofounder and General Partner, Flare Capital Partners
1. “Gone Digital”

COVID-19 EFFECTS

DISRUPTION IN THE LABOR MARKET:
Contingent workforce expansion and risk of job loss through automation placement adds pressure to the employment-insurance model

California’s Prop 22: “DoorDash is looking ahead and across the country, ready to champion new benefits structures that are portable, proportional, and flexible”

– Tony Xu, CEO/Co-Founder, DoorDash
2. “Consumerization”

CONSUMERS ARE MORE PRUDENT + HEALTH-CONSCIOUS: Patient-centered care on the rise

The way patients experience healthcare is evolving, and these changes, catalyzed by demographics, consumer behavior, COVID-19, and technology, among other accelerants, are causing health care economic dynamics to restructure.

– Mary Edwards, president of healthcare provider business at NTT Data Services
Advancements in transparency are helping to take the lid off the payer-provider relationship. The dawn of a new era is taking hold as the market takes bold steps that will usher in a new dynamic of consumerism.

- *Aite Group’s Top 10 Trends in Financial Services, 2021*
Megatrends Accelerated by COVID-19

DELUGE OF RECENT SUCCESSES WITH CONSUMERS AT THE CENTER: B2B2C remains supreme for distribution

2. “Consumerization”
3. "Ecosystemization"

"DIGITAL MARKETPLACE" VS. "SUITE" OF BENEFITS

CLINICAL INTEROPERABILITY GROOVED
Policy efforts extending from the Obama to the Trump administration have focused on promoting improved clinical interoperability, an exercise that supports paving the way for integrated health management via easing how personal health information flows throughout the health care system.
High-cost Claimant Strategies

Julie Keuppers

Julie Keuppers, PhD, FNP, RN, Clinical Review Director

Julie is an experienced Family Nurse Practitioner. In her previous role as the Director of Chronic Disease Prevention, she directed a preventive medicine clinical practice and served as the Principal Investigator focusing on implementing and evaluating chronic disease prevention strategies. Julie helps clients control costs by critically examining clinical data, holding medical management accountable, and recommending pertinent cost-savings opportunities.
High-Cost Claimant Strategies

Just 1.2% of all members are high-cost claimants but they make up a third of employer health care spending.

- 29x average member cost
- $122,382 average annual cost

53% chronic conditions
47% acute conditions

Source: American Health Policy Institute/Wellmark
## Ten years of high-cost claim conditions

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<tbody>
<tr>
<td>Malignant neoplasm (cancer)</td>
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<tr>
<td>Leukemia, lymphoma, and/or multiple myeloma (cancers)</td>
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<td>Chronic/end-stage renal disease (kidneys)</td>
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<tr>
<td>Congenital anomalies (conditions present at birth)</td>
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<tr>
<td>Septicemia (infection)</td>
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<td>12</td>
<td>10</td>
<td>11</td>
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<td>Liveborn (with secondary complications)*</td>
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<tr>
<td>Transplant</td>
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<td>15</td>
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<td>10</td>
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<td>5</td>
<td>7</td>
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<tr>
<td>Complications of surgical and medical care</td>
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<td>13</td>
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<td>12</td>
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<td>Unspecified procedures and aftercare</td>
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<td>23</td>
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<td>Hemophilia/bleeding disorder</td>
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Source: 2020 Sun Life Stop-Loss Research Report
Why is there a rise in HCCs?

- Aging population
- Increase in chronic and complex conditions
- Specialty drugs
  New treatment options
What can we do?
Turning Data into Strategy

• Evaluate high-cost claims
• Ensure carrier accountability for health management interventions
• Assess site of service opportunities
• Analyze specialty drugs
• Identify emerging risks
• Implement point solutions
Examples of 12 Point Solution Arenas

- Pharmacy
- Stop loss
- Care management
- Health advocacy/literacy
- Claims auditing
- Wellbeing
- Centers of excellence
- Bundled payments, direct contracting, reference-based pricing
- Transparency tools
- Expert second opinion
- Near-site, on-site, virtual primary care
- Data analytics
Anil Kochhar

ASA, MAAA, Chief Actuary, Alera Group

Mr. Kochhar is qualified actuary whose major emphasis is Health Care funding and reserving, specializing in public sector reserve and surplus allocation policies. He has a long history supporting public sector clients. In prior roles Mr. Kochhar has been the lead Actuary public sector clients such as: SCSEBA (Southern California Schools Employee Benefit Association), San Joaquin County, City of San Jose, and the City of Portland.
Why Are Reserve Policies Important?

• Self-Insured public employers have the unique responsibility of being stewards of their employees’ money.

• The obligation to retain funds to cover the cost of expenses that would be due after the termination of the plan.

• Fiduciary responsibility- If there is an excess, what is the best way to spend the money that best benefits the plan members?

• Uncertainty of plan performance. There may be years of lower that anticipated expenditures and years that exceed anticipated expenses.

• Plan fund security for government implemented requirements and unforeseen crisis such as pandemics.
Reserve Policies Overview

**Incurred But Not Reported Reserve Policy (IBNR Reserve)**
This policy exists to establish the terminal liability for the plan in the event the plan terminates.

**Contingency Reserve Policy**
This policy exists to establish a reserve that is available in the event the plan does not run as expected. It helps provide stability to plan funding if you have a bad claims year.

**Rate Stabilization Policy**
This policy sets a procedure to establish rate stabilization over time. In the event your plan is over or under funded, it establishes procedure for how to calculate how much to fund or spend your fund down over time.
Scope of Reserve Policy Work

Actuarial Services

Develop reserve polices for the Municipality as it pertains to Incurred But Not Reported reserve (IBNR), Contingency Reserves and a policy to amortize claims surplus above the estimated IBNR and Contingency reserves.

- Develop a draft set of policies specific to the Municipality.
- Review policies and adjust policies as needed with all necessary parties.
- Present policies to Council at operations meeting outlining intent and methodology moving for adoption.
- If council needs further clarification or explanation Alera will present clarification and adjusted policies at subsequent Council for ratification.
- Update policies and request ratification every three years.
March 2, 2020

Jane Doe
Director, Employee Benefits
Municipality
123 West 6th Avenue
City State Zip

RE: Municipality Actuarially Determined Minimal Contingency Reserve Recommendations as of December 31, 2020

Dear Jane:

Alera considers it prudent, for an Administrator of a self-funded benefit program to establish a contingency reserve to absorb financial strain brought about by adverse claims experience. A contingency reserve is the quantified amount to cover the risk of claims greater than expected claims targets. Alera has determined what we consider to be a reasonable level of contingency reserves for the self-funded programs of Medical, Pharmacy, Dental, and Vision offered by Municipality as of December 31, 2020. The table below gives the recommended amounts for the program on a gross claim basis and on a net claim basis (adjusted for stop loss coverages for Medical and Pharmacy).

Combined Coverages Contingency Reserve Estimate December 31, 2020

<table>
<thead>
<tr>
<th>Coverage</th>
<th>Contingency Reserve</th>
<th>Gross Contingency Reserve</th>
<th>Step Loss Offset</th>
<th>Net Contingency Reserve</th>
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<tr>
<td>Total</td>
<td>$6,195,633</td>
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<td>$599,622</td>
<td>$5,596,011</td>
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</table>

Please see exhibits 1 through 4 for the gross contingency reserves for each coverage.

Methodology

In order to establish the Contingency Reserve, we used linear regression, specifically:

- Municipality’s plan provider Carter provided claim data which were summarized by incurred and paid per period from January 1, 2017 through December 31, 2020. This data is separated for each line of coverage (medical, pharmacy).
- Those amounts are converted to a per employee per month (PEPM) basis and linear regression is performed on the monthly PEPM values.
- The regression data is used to determine the predicted monthly values and the corresponding monthly variances, as well as the predicted annual claims per employee per year (PEPY) and corresponding variance PEPY (for July 2020 through June 2021).

Dickerson Insurance Services / 1918 Riverside Drive, Los Angelos, CA 90039 / 800.457.8116
NYSAC Partnership Programs

Eric Lintala, CHC,

*Executive Benefit Consultant, Alera Group*

30+ years employee benefit experience. Eric has been the health and benefits consultant for fully insured, self-funding, minimum premium, as well as retrospective and prospectively rated clients. Mr. Lintala works with public sector employers and understands the importance of plan design, communication, and vendor selection in meeting the long-term budget requirements of benefits programs for active and retiree populations.
MHFC Financial Outcomes:

Reduce Cost per Employee Enrolled

Strengthen Fiscal Sustainability

Triple Aim
- build up reserves
- lower future trends
- reallocate funds towards other financial initiatives

Further Opportunity to Intercede & Advocate Clinically to Achieve Better Outcomes
New York Medicare Collective: Overview

National Public Sector Retiree Program
- Meet or beat existing retiree obligations
- Access to any Medicare provider nationally
- Enhanced employer and employee support

2021 Proposals:
- 7 Public Sector groups
- 3,002 Medicare retirees
- $8.9 Million dollars savings
- Savings from 9% to 50%
Questions?
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