



Risk & Insurance | Employee Benefits | Retirement & Private Wealth

Put a Lid on It: Strategies for Managing Rising Healthcare and Pharmacy Costs

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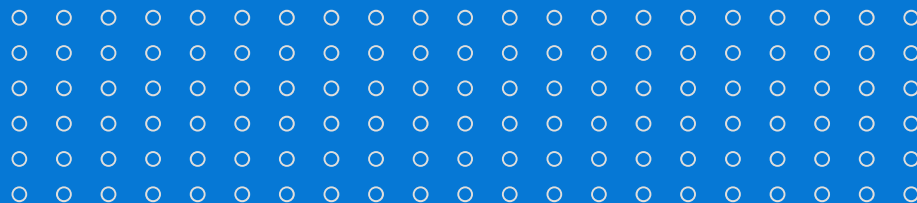
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Agenda

- 1 | The State of the U.S. Healthcare System
- 2 | Actuarial Strategies
- 3 | Pharmacy Strategies
- 4 | Clinical Consulting Strategies

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The State of the U.S. Healthcare System



The State of the U.S. Healthcare System



\$10T

Global healthcare expenditure is expected to reach over \$10 trillion by 2022, with an average annual growth rate of 5.4% through 2027.¹



\$22K

Increase in Annual Premium

Employer-sponsored family health coverage reached \$22,221 in 2023, up 4% from the previous year.²



11%

Drug Spend Continues to Rise

Prescription drug spending in the United States significantly impacting insurance premiums and out-of-pocket costs for consumers between 6 and 15%.³



87%

Rise in \$1 Million Dollar Claims

According to a report by Sun Life Financial, the number of claims exceeding \$1M has increased by 87% from 2014 to 2023.⁴

¹World Health Organization, 2022.

²Kaiser Family Foundation, 2023

³CMS Office of the Actuary (2023). National Health Expenditure Projections 2022-2023. Centers for Medicare & Medicaid Services.

⁴Sunlife Financial Annual Report, 2022. <https://www.sunlife.com/en/investors/financial-results-and-reports/annual-reports/>

The State of the U.S. Healthcare System



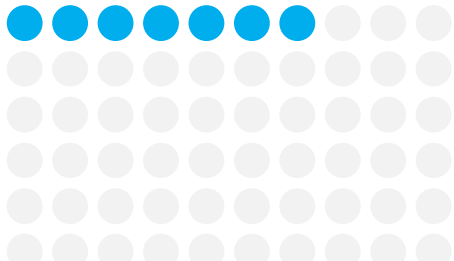
Health equity starts with affordability

Survey of the US Employee: Percent of the workforce who are **not** confident they can afford health plan expenses

When Household Income is

At or Above U.S. Median
(\$59K)

7%



34%

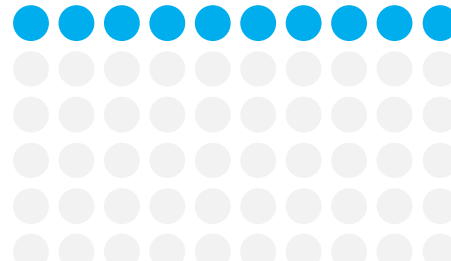


Below U.S. Median
(\$59K)

When Gender is

Male

10%



29%

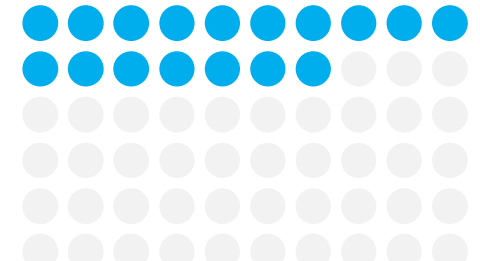


Female

When Employment Status is

Full-Time | Salaried

17%

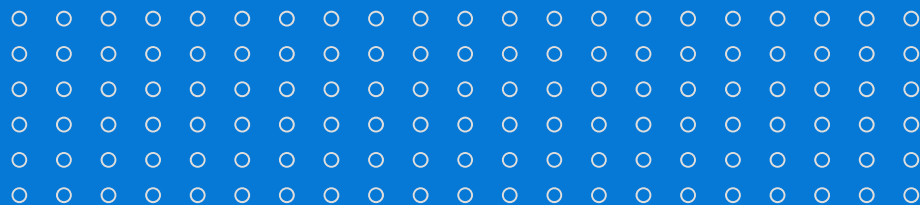


28%



Part-Time | Hourly

2



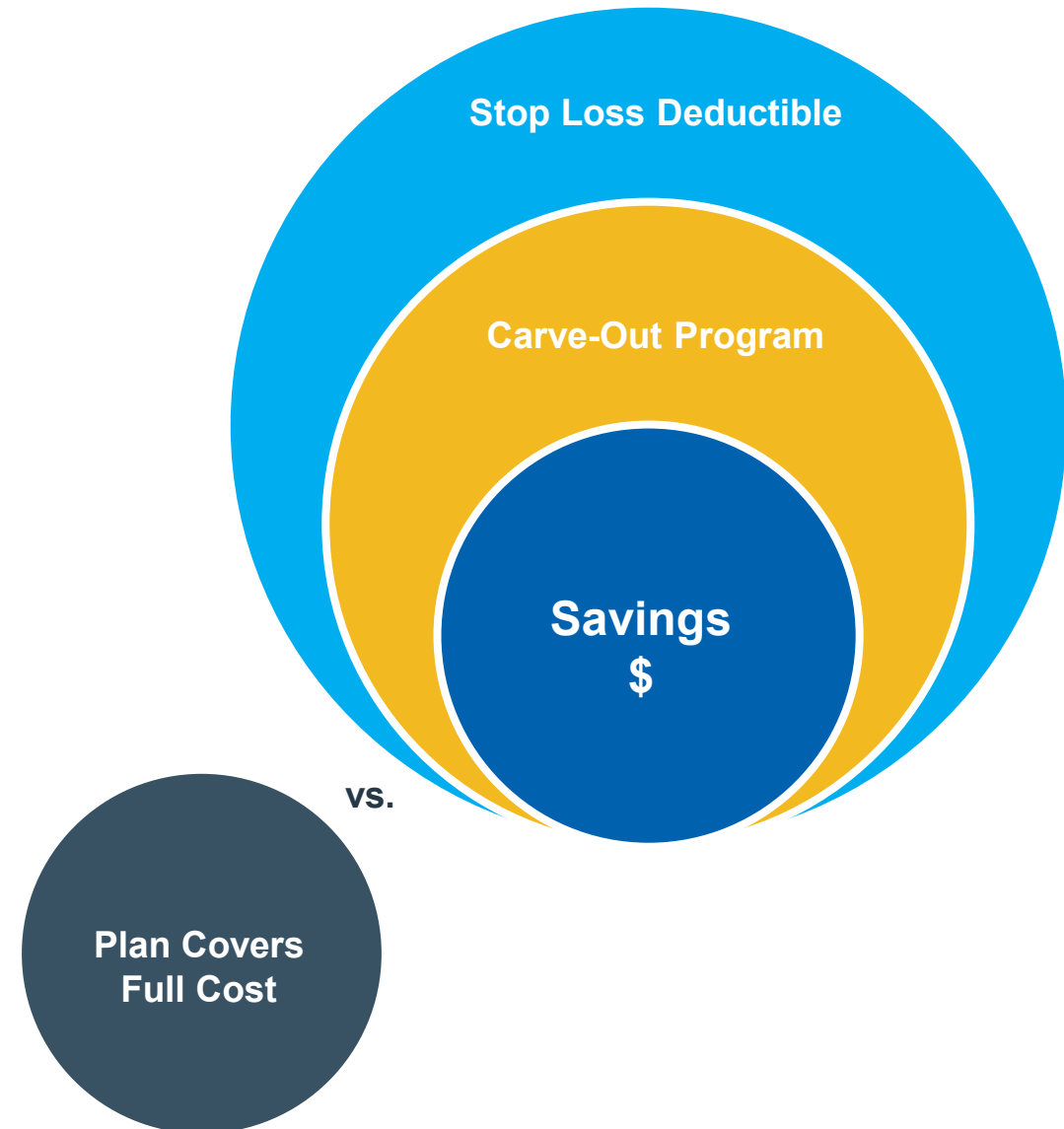
Actuarial Strategies



Actuarial Services, Evaluating Gene Therapy Coverage



- Gene therapy drugs are often not covered on a standard stop loss policy
- Additional coverage available from a few vendors that cover some of the therapies
- Carve-Out Programs create buffer and protection against cash-flow risk and claims uncertainty
 - \$3 to \$5 PEPM or \$1 to \$3 PMPM
 - Equates to < 1% of total expected healthcare cost PEPM)
- Gene therapy drugs range in price
- \$1,000,000 to \$4,000,000
 - Excludes medical treatment pre and post administration



Actuarial Services, Claim Review Leads to Savings



Challenges



High-Cost Claimant

High-cost claimant hit the health plan, creating a significant cost increase to the plan without accepting a major laser to the plan



Claim | Clinical Review

Actuary connected with clinical team for investigation. Based on the assessment, member had expired and was no longer on the plan.



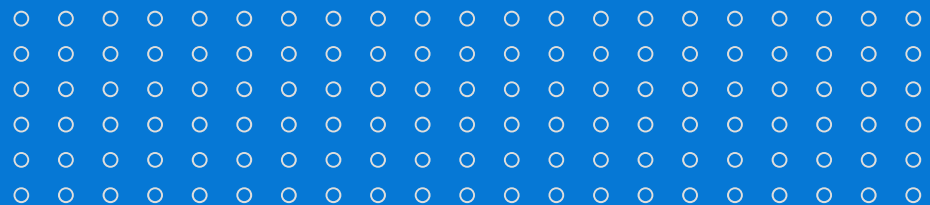
Accepting Renewal

Based on the findings, health plan realized nearly \$384K in savings in the stop loss contract by accepting the laser.

	Current	Renewal Option 1	Renewal Option 2
ISL	\$200,000	\$200,000	\$500,000
Laser	n/a	\$7M	n/a
ISL Premium PEPM	\$273	\$194	\$410
ISL Premium Annually	\$1,329,000	\$945,000	\$1,994,000
\$ / % Change Premium		-\$384,000 / -29%	+\$665,000 / +50%
\$ Laser Liability		+\$6.8M	n/a
Total Potential Increase (If Lasered Member Stays)		+\$6.4M / 383%	+\$665,000 / +50%
Total Potential Increase (If Lasered Member Leaves)		-\$384,000 / -29%	+\$665,000 / +50%

KEY INSIGHTS

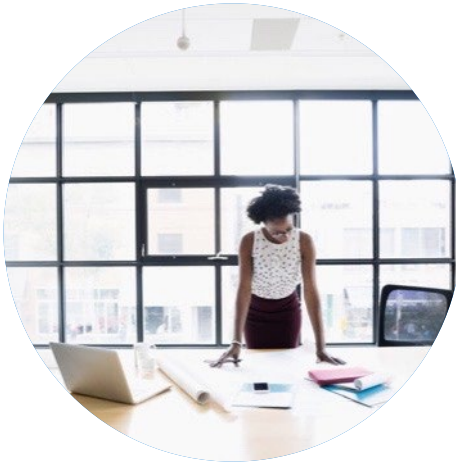
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Pharmacy Strategies



Pharmacy Contracting, Best Practices



PROBLEM

PBM contracting is complex and constantly changing

Pricing terms, conditions and “fine print” are difficult to keep up with

Headline rates can be misleading and guarantees may be subject to caveats



SOLUTION

Best practices in PBM contracting have evolved to focus on the pricing guarantees

Claim level inspection using automation and machine learning will reveal contractual loopholes which can be amended via negotiation

Subject matter experts must review contract details on an annual basis; well constructed annual market checks specifically worded guarantees can result in material savings



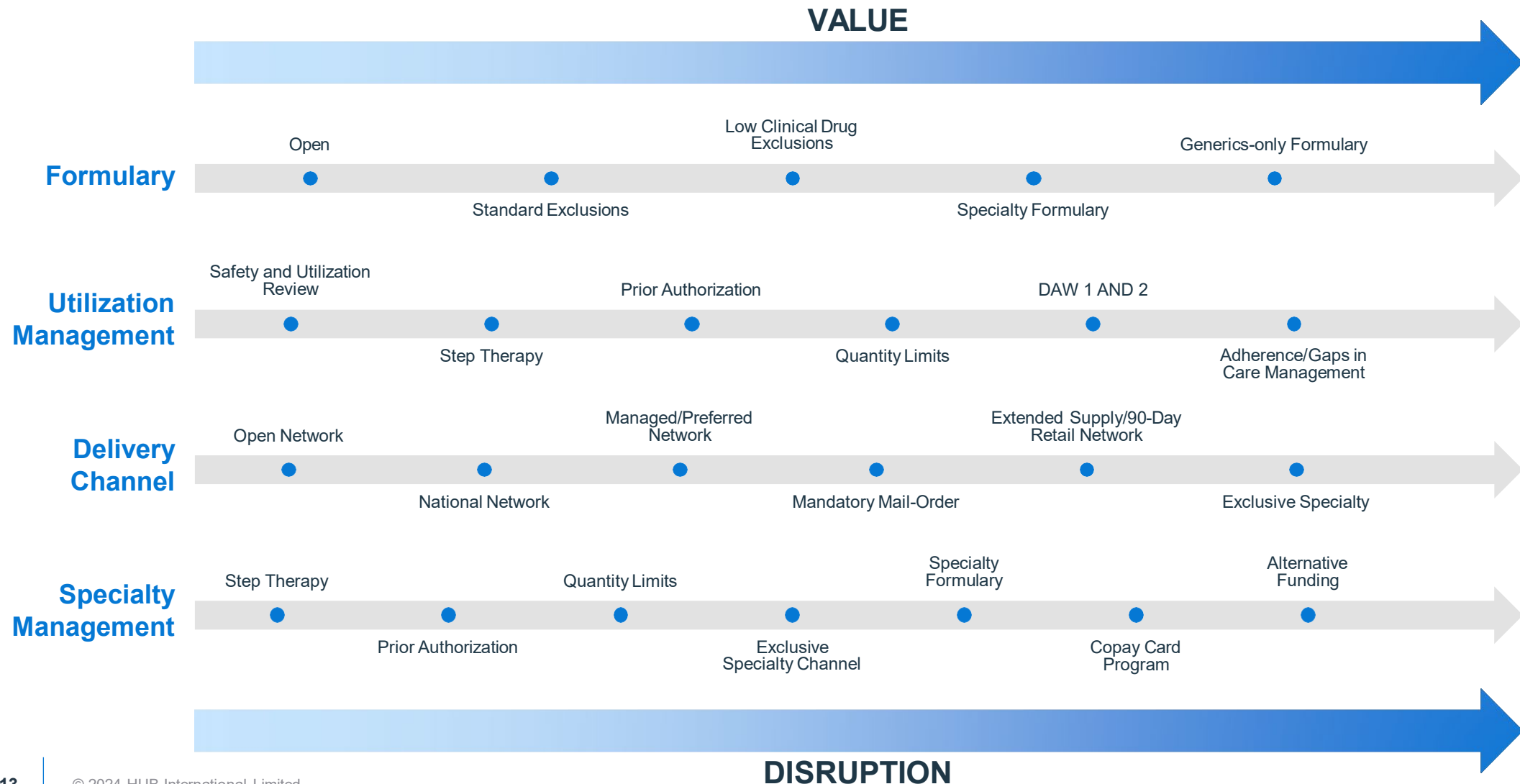
OUTCOME

Ingredient cost savings alone can be improved 5-15% via expert contract negotiation

Removing one or two words (example: offset) in pricing guarantees can produce significant year end true-up payment to client

Ingredient cost savings result without member impact; additional savings/trend control are available via plan management

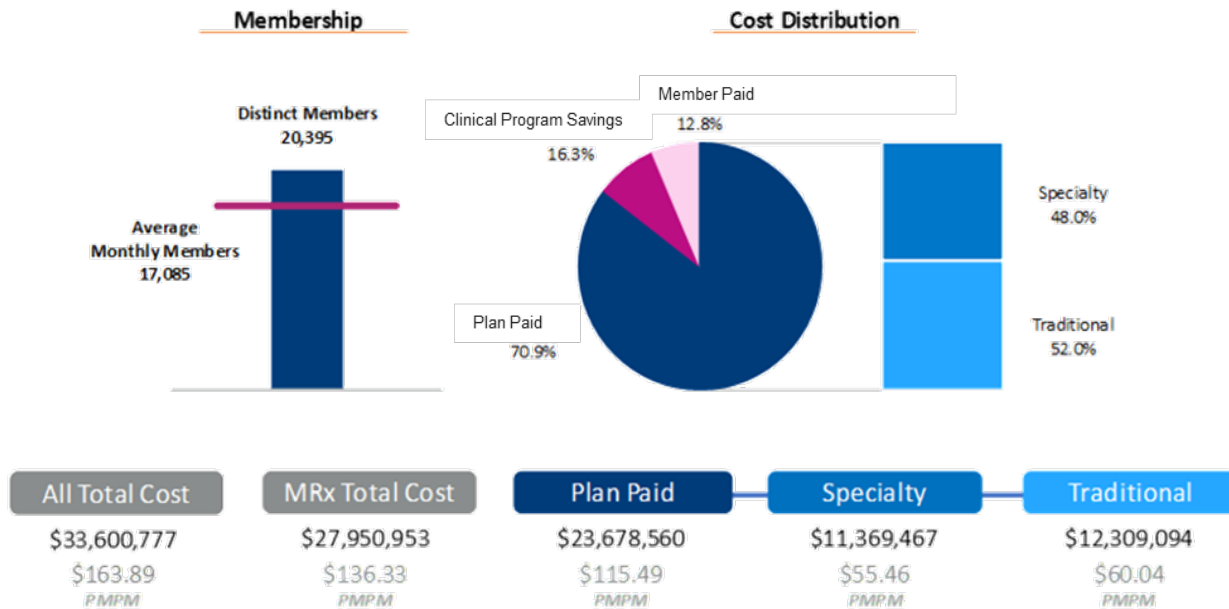
Pharmacy Spectrum of Plan Management



Pharmacy Consulting, GLP-1s Balancing Act



OVERALL PHARMACY SPEND



6.3% Total Rx

GLP-1s INFLUENCE ON SPEND

Autoimmune plan paid increased 170%, \$3.3M

Obesity utilizers growth the most, 303% and plan paid increased 399%, \$1.2M

Cystic Fibrosis plan paid per utilizer grow 55%, +\$108,939 while utilizer remain the same

Drug Class	Utilizers		Plan Paid		Plan Paid PMPM		Trend
	CY 2022	CY 2023	CY 2022	CY 2023	CY 2022	CY 2023	
Autoimmune - Anti-inflammatory	92	124	\$1,971,971	\$5,316,051	\$10.19	\$25.93	\$15.74
Diabetes	812	1,015	\$2,741,323	\$3,813,686	\$14.17	\$18.60	\$4.44
Obesity	70	282	\$298,880	\$1,490,276	\$1.54	\$7.27	\$5.72
Oncology	222	262	\$838,266	\$1,243,440	\$4.33	\$6.06	\$1.73
Asthma/COPD	1,444	1,710	\$907,001	\$1,162,109	\$4.69	\$5.67	\$0.98
HIV/AIDS	35	46	\$581,515	\$853,668	\$3.00	\$4.16	\$1.16
Multiple Sclerosis	14	15	\$579,296	\$826,048	\$2.99	\$4.03	\$1.04
Cystic Fibrosis	2	2	\$394,012	\$611,890	\$2.04	\$2.98	\$0.95
Fertility Therapy	23	32	\$335,842	\$581,054	\$1.74	\$2.83	\$1.10
Anti-Clotting Therapy	197	222	\$478,033	\$578,939	\$2.47	\$2.82	\$0.35
Top 10 Drug Classes Total			\$9,126,138	\$16,477,162	\$47.16	\$80.37	
% of Overall Total			61.5%	69.6%	61.5%	69.6%	

Insight

GLP-1 use for obesity is a life-long treatment

Balancing Act

Bariatric Surgery Cost: \$33,000 to \$275,000¹
or

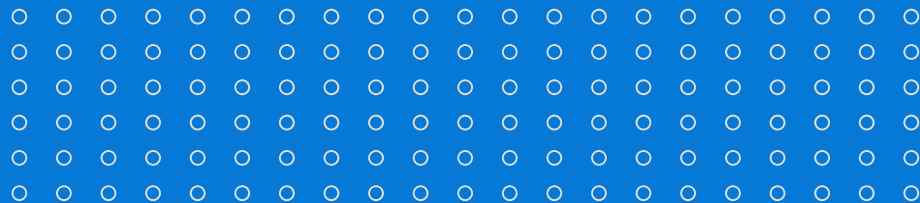
GLP-1 Annual Cost: \$16,000 to \$17,000²

¹American Society for Metabolic and Bariatric Surgery (ASMBS). Excludes complications

²Waldrop, S.W., Johnson, V.R. & Stanford, F.C. Inequalities in the provision of GLP-1 receptor agonists for the treatment of obesity. Nat Med 30, 22–25 (2024). <https://doi.org/10.1038/s41591-023-02669-x>

KEY INSIGHTS

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Clinical Consulting Strategies



Adoption of Advanced Analytics: Access to Health Plan Data



The Past

Some to None

- **Pooled:** Aggregate / Pooled reporting only.
- **100-250 Non-Pooled:** Aggregated, high-level summary, non-descriptive large claims activity (retrospective only)
- **251 – 1,000 Non-Pooled:** Aggregated, monthly summary reporting, some descriptive analytics and large claims details
- **1,001 + Non-Pooled:** Member-Level, deidentified monthly reporting extracts, descriptive analytics with large claims details

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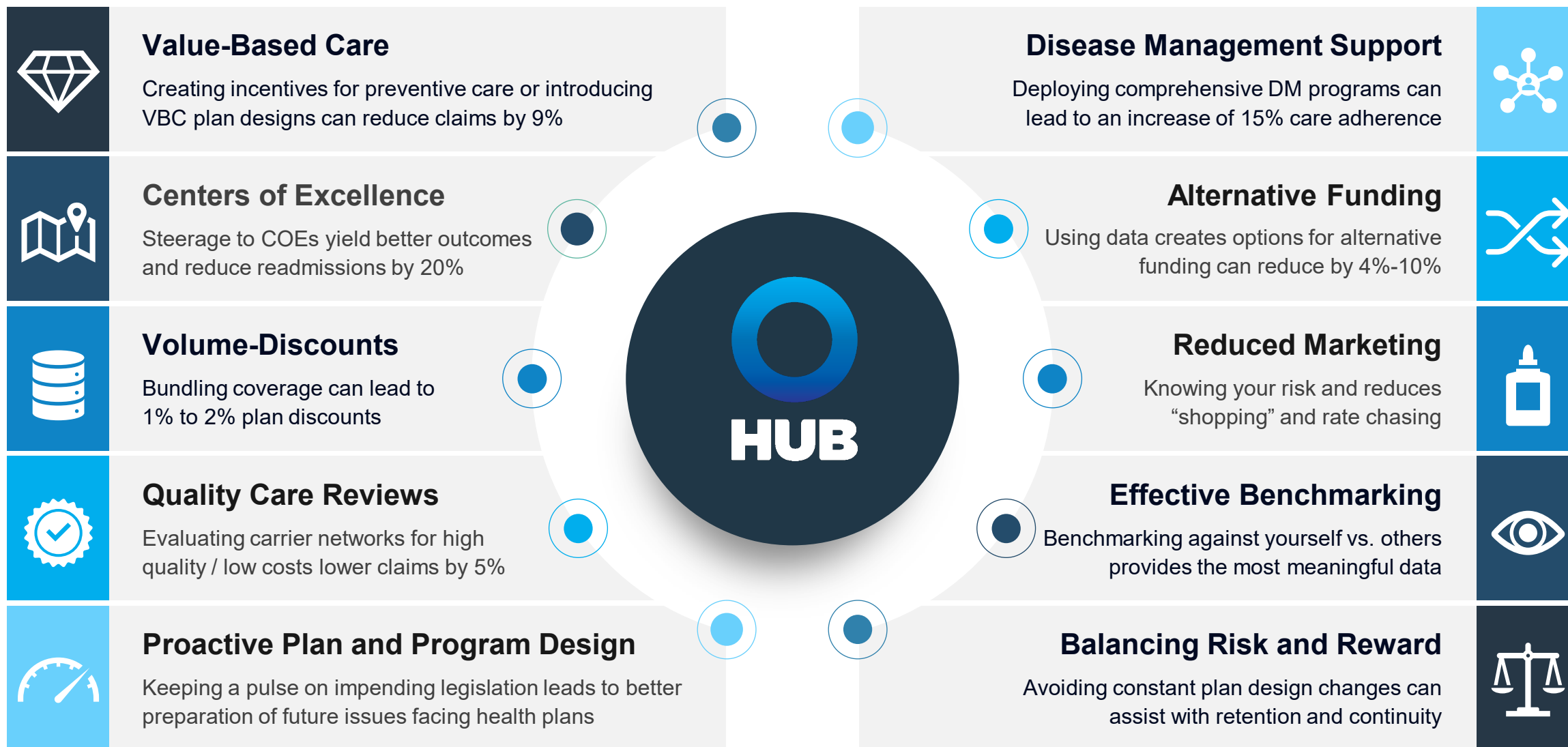
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Today

Transparency with Oversight

- **Pooled:** Aggregate / Pooled reporting only.
- **100-250 Non-Pooled:** Aggregated, monthly summary reporting, some descriptive analytics and large claims details
- **251 – 1,000 Non-Pooled:** Member-Level, deidentified monthly reporting extracts, descriptive analytics with large claims details (varies by carrier)
- **1,001 + Non-Pooled:** Member-Level, identified data (with clinical team oversight), monthly reporting data integrations, diagnostics analytics with identified large claims details

Using Data for Plan Design Strategy: Maximizing Plan Designs



Clinical Consulting, Reducing Gastric Bypass Risk



Assess/Diagnose/Prescribe

ASSESSMENT

- 5 of 7 gastric bypasses in 2022 had complications
- 2 of 4 bypasses used Roux-en-Y; and 2 Gastric Sleeve
- 2 Open Roux-n-Y procedure had severe complications
- Avg PCPY: Gastric Sleeve: \$17,409, RNY: \$286,320
- Avg PCPY: Lap Band (2): \$11,805; GDY (1): \$28,554

DIAGNOSIS

- 1 RNY claimant was non-compliant w/ f/u care (sepsis)
- Open RNY is a bypass procedure, highly invasive
- Open RNY used for extreme cases as evidenced by AMA
- Gastric Sleeve or GDY preferable treatment for Obesity
- 1 patient elected for RNY; 1 patient: candidate for GDY

PRESCRIPTION

- Evaluate CPT codes for all gastric bypass surgeries
- Tighten restrictions for Lap Band/Other and eliminate Open RNY unless medically necessary
- Mandate 2nd opinion and 2nd psych eval for RNY & GDY
- All other AMA treatment guidelines remain in effect

Evaluation / Outcome

Gastric Bypass Surgery (As primary diagnosis)	2022 Claims Experience				2023 Claims Experience – Post Implementation			
	Members Seeking Gastric Bypass Surgery: 12				Members Seeking Gastric Bypass Surgery: 15			
	# Approved	# Denied	\$ Plan Spend (Med)	PCPY	# Approved	# Denied	\$ Plan Spend (Med)	PCPY
Roux-en-Y Bypass (RNY)	2	1	\$572,640	\$286,320	1	2	\$84,209	\$84,209
Duodenal Switch w/BP Diversion	1	0	\$28,554	\$28,554	1	0	\$31,447	\$31,447
Gastric Lavage (Cleanser)	0	0	\$0	\$0	1	0	\$12,566	\$12,566
Vertical Banding (Stapling)	0	1	\$0	\$0	0	0	\$0	\$0
Sleeve Gastrectomy	2	0	\$34,818	\$17,409	2	1	\$42,080	\$21,040
Laparoscopic Adjustable Banding	2	0	\$23,610	\$11,805	3	0	\$33,221	\$11,074
Denied (Did Not Meet Criteria)	0	3	\$0	\$0	0	4	\$0	\$0
Total Gastric Bypass Surgeries	7	5	\$659,622	\$94,322	8	7	\$203,523	\$25,440

Summary Findings

EVALUATION / OUTCOME

- 2022 saw ▲ of 25% in gastric bypass requests
- Significant increase in denials d/t plan criteria
- 2023 average cost per claimant ▼ 53% (adjusted)

SUMMARY FINDINGS

- Enhanced plan rules eliminated claimants who did not meet criteria from receiving invasive procedures.
- Tightened restrictions for Lap Band, relaxed requirements on gastric sleeves – this increased utilization and had slightly higher costs vs. prior year, but fewer complications
- Additional mandates reduced the number of members qualified – reducing number of claims for non-compliant claimants.

Clinical Consulting, Identification of Early MHSA Risk



Challenge:

Client had episodic data indicating an MHSA problem in their population, yet they couldn't quantify the impact to justify investments in additional resources.

Solution:

The Infused Analytics™ dashboard provided great insights and projected future costs. Clinical and Health & Performance team deployed specific solutions, while engaging with the employee benefits consulting practice to address access to care issues.

OOP Optimized

Coins: 70% to 90%
OOP UCR: 90th %



12 F2F Visits
Unlimited Texting
Unlimited Video
cCBT Online

Lyra

Onsite Counseling
Plan Coordination
Referral Mgmt
Teladoc Connect
(sub-acute)

Results in 18 Months:

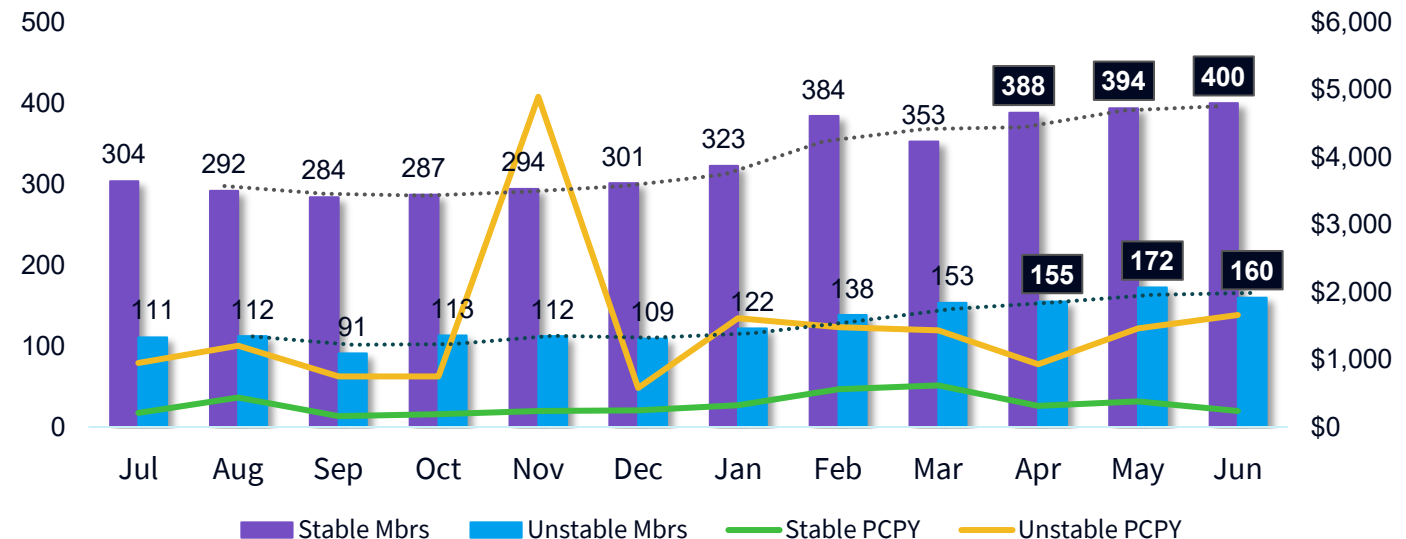
MHSA Service Engagement

- 19% increase in utilizing health plan for mental health care
- 36% increase in the use of telepsych with expanded TelaDoc®
- 62% increase in mental health counseling through new EAP

Avoided Costs

- Upgrades to plan and vendors = \$225,000
- Unstable Cohort spend \$304K June 2021 down to \$162K Dec 2023
- Stable Cohort spend \$222K June 2021 down to \$107K Dec 2023
- Savings: \$257K – 1:14:1 ROI

Member Count and Cost (PCPY) for Stable/Unstable MHSA Conditions



KEY INSIGHTS

Q&A

UPCOMING WEBINAR

By the Numbers:

How Clinical Informatics Can Help Optimize Your Benefits Plan

Wednesday, May 1

12:00PM CT

Moderated by: Wade Browning, Financial Analyst, Data Analytics

Thank You

For more information visit **hubinternational.com**

