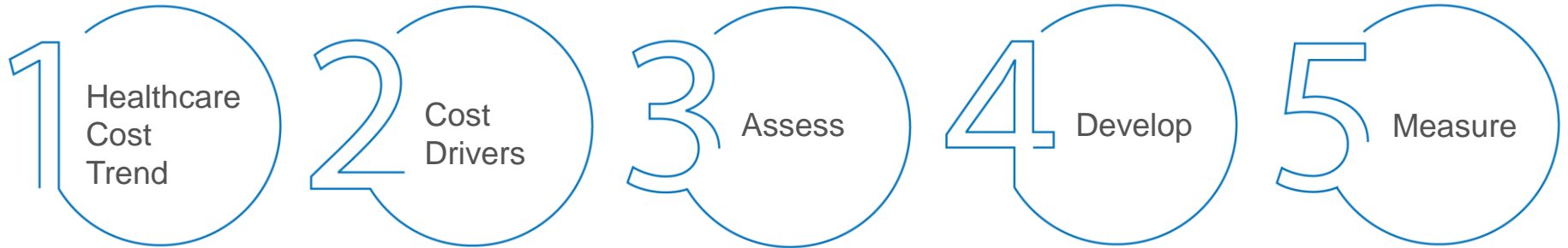


Today's Top Cost Drivers in Healthcare

ICCCFO Spring 2024

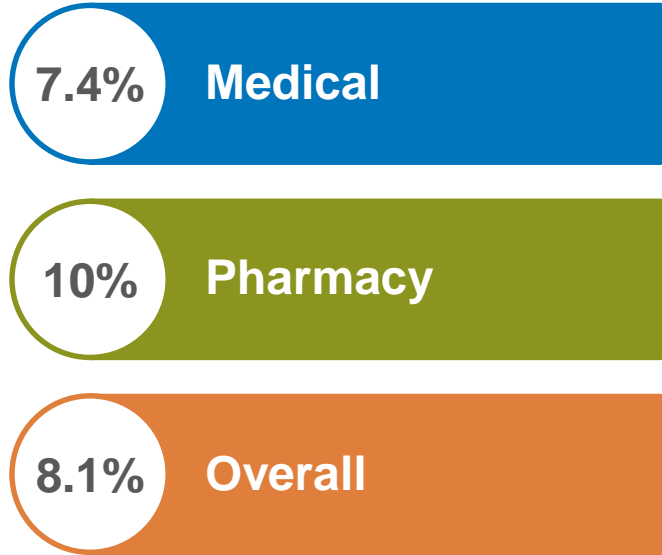
Nichole Johnson & Casey Kemerling

Agenda



Today's Top Cost Drivers

Healthcare costs in 2024 are anticipated to rise faster than prior year



14.2%
**Specialty
Drug Trend**



Source: Gallagher Actuarial Trends Forecast, Q2 2023
Using medium level of member cost sharing

Top Diagnostic Categories

The order of severity varies by client

- Circulatory – heart disease, chest pain, myocardial infraction, etc.
- Diabetes
- Digestive/GI – Crohn’s disease, abdominal pain, pelvic pain, acute appendicitis
- Health Status – good claims! Screenings, exams, immunizations, etc.
- Injury/Poisoning
- Mental Health – therapist, psychiatrist, psychologist claims, Rx
- Musculoskeletal – joint disorders, back pain, etc.
- Neoplasms – cancer treatment, lymphoid leukemia, lymphoma, etc.
- Nervous system – multiple sclerosis, non-traumatic subarachnoid hemorrhage, etc.

GLP-1s, why all the fuss?

The good...

- Highly effective
- Tolerable side effects
- High media attention
- Positive impact to other related chronic conditions

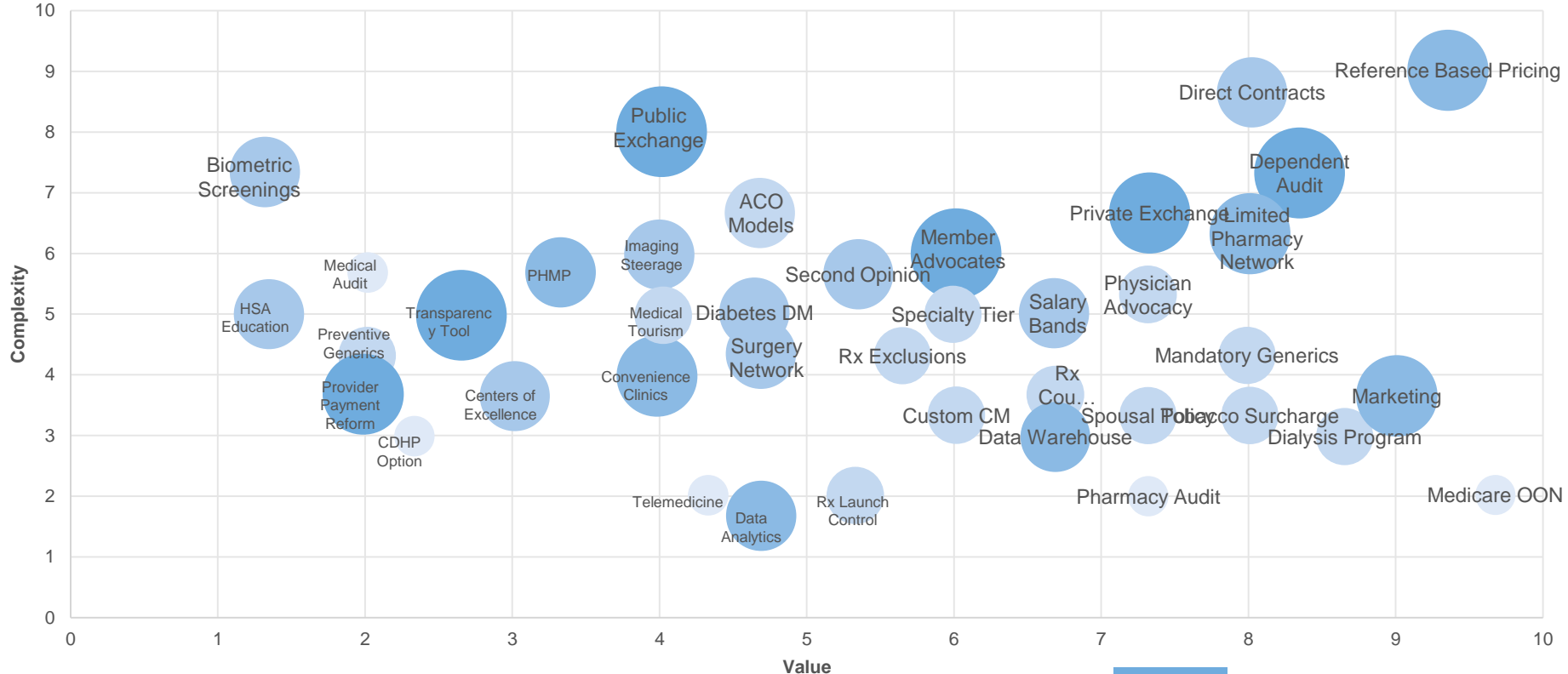
The bad...

- Costly drug
- High consumer demand
- Some not approved for obesity
- High off-label use impacting supply issues
- When drug is stopped, weight is regained unless lifestyle changes occur

	Saxenda	Wegovy	Ozempic	Mounjaro
Active Ingredient	liraglutide	semaglutide	semaglutide	tirzepatide
Annual Cost	\$19,696	\$21,045	\$10,704	\$12,276
Route	Self-Administered injection	Self-Administered injection	Self-Administered injection	Self-Administered injection
Dose Timing	Daily	Weekly	Weekly	Weekly
FDA Approval	Obesity	Obesity	Type II Diabetes	Type II Diabetes; Obesity, pending
Mean % weight loss	5.4% - 7.4%	9.6% - 16%	5-10%	Up to 20%

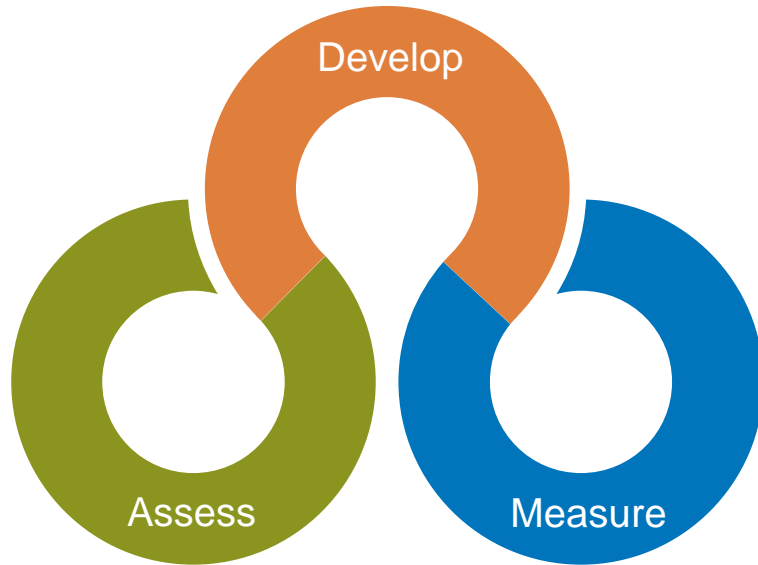
Cost Containment Strategies

Healthcare – Medical & Rx



Employee Benefits Consulting

Our Data-Driven Approach



Assess

Initial strategic review to identify key drivers of cost and utilization

Develop

Data-driven recommendations based on our findings and your needs

Measure

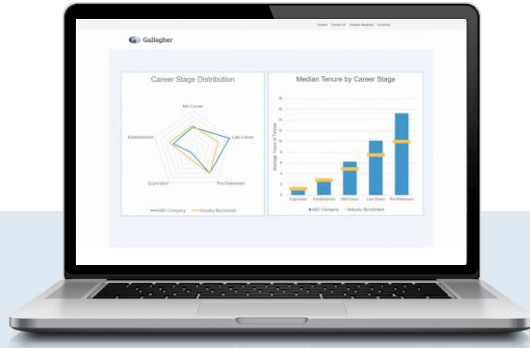
Monitor the impact of programs, plan changes and interventions

Assess

Initial strategic review to identify key drivers of cost and utilization

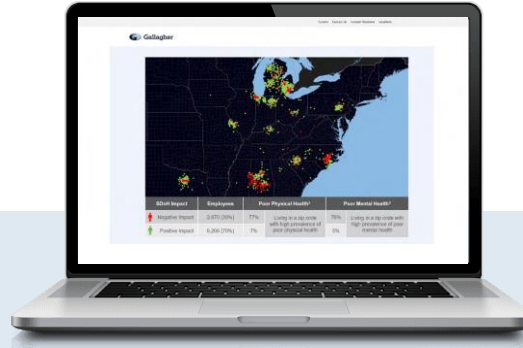
People Insights Report

Gallagher's People Insights Report offers a different view on your workforce to help facilitate strategic conversations, and gain actionable insights, consultative observations, and recommendations in three areas critical to a successful total rewards strategy: career stages, social determinants of health and compensation.



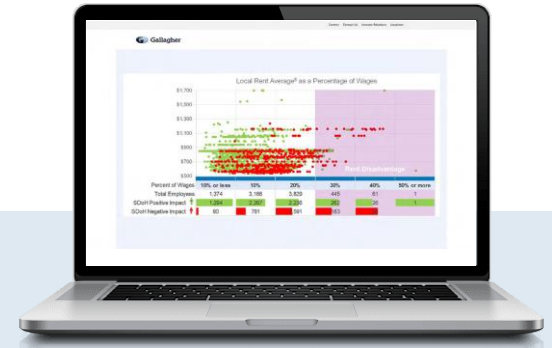
Career Stages

Find insights into the distribution of your workforce and employment tenure across five career stages to formulate competitive organizational strategies, including recruiting and onboarding, succession planning, and employee communications.



Social Determinants of Health

The health, wellbeing and productivity of your workforce are affected by socioeconomic factors. This analysis brings into focus the impact of these factors on your unique employee population, as well as next steps you can take in mitigating these impacts.



Compensation

This analysis examines pay distributions for your organization in unique ways. You can relate this data to your existing compensation strategy as you continually shape it to help recruit and retain the right talent.

Disease Prevalence (sample from a higher ed institution in central IL)



Health Outcomes in your Most Populated Zip Codes	SDoH Impact	# of Employees	Arthritis	Asthma	Cancer	Coronary Heart Disease	COPD	Diabetes	High Blood Pressure	High Cholesterol	Obesity
61938 - Mattoon, IL		-	29.8%	9.8%	8.0%	7.6%	8.9%	11.4%	35.0%	33.8%	35.5%
61920 - Charleston, IL		-	19.5%	10.9%	4.9%	4.6%	6.2%	7.3%	24.8%	25.1%	31.9%
62401 - Effingham, IL		-	28.6%	9.5%	7.8%	6.9%	8.1%	10.6%	33.9%	33.3%	34.4%
62447 - Neoga, IL		-	30.6%	9.3%	8.5%	7.5%	8.6%	11.5%	36.0%	36.0%	35.3%
61951 - Sullivan, IL		-	30.5%	9.4%	8.8%	7.6%	8.6%	11.1%	35.6%	35.9%	34.2%
62565 - Shelbyville, IL		-	32.3%	9.5%	8.9%	8.5%	9.6%	12.5%	37.9%	36.2%	36.6%
62428 - Greenup, IL		-	31.4%	9.5%	8.7%	8.2%	9.2%	12.0%	37.0%	36.0%	35.5%
61912 - Ashmore, IL		-	26.4%	9.0%	7.3%	5.8%	6.8%	9.3%	31.1%	31.4%	33.4%
62467 - Teutopolis, IL		--	24.8%	8.7%	7.2%	5.3%	6.0%	8.4%	29.6%	31.9%	31.7%
62424 - Dieterich, IL		-	25.1%	9.0%	7.0%	5.4%	6.4%	8.6%	29.9%	32.0%	32.7%
62468 - Toledo, IL		-	28.2%	9.7%	7.4%	6.8%	8.5%	10.6%	33.6%	33.0%	35.9%
62656 - Lincoln, IL		-	25.3%	9.6%	6.9%	5.9%	7.0%	9.6%	31.4%	30.9%	35.2%
61520 - Canton, IL		-	29.2%	9.6%	7.7%	7.6%	9.0%	11.9%	36.6%	34.1%	39.1%
62440 - Lerna, IL		-	27.4%	9.4%	7.1%	6.2%	7.7%	10.1%	32.3%	33.3%	35.1%
62471 - Vandalia, IL		-	28.8%	10.0%	7.1%	7.6%	9.6%	12.0%	36.1%	33.2%	38.9%
62568 - Taylorville, IL		-	29.5%	9.4%	7.8%	7.4%	8.7%	11.4%	35.3%	33.9%	36.5%
61401 - Galesburg, IL		-	30.2%	10.1%	7.9%	8.0%	9.3%	12.7%	36.5%	34.9%	38.8%
61822 - Champaign, IL		-	22.4%	8.7%	6.1%	4.3%	4.8%	7.9%	26.6%	29.7%	32.0%
61910 - Arcola, IL		-	28.2%	9.8%	7.3%	7.4%	9.1%	12.3%	34.9%	34.2%	37.5%
61928 - Gays, IL		-	28.7%	10.0%	7.4%	6.7%	8.6%	10.5%	33.5%	34.1%	35.5%
High Prevalence Threshold (1 Std. Deviation above National Average)			30.3%	10.8%	8.3%	7.8%	9.4%	13.7%	38.3%	36.2%	37.4%

Health Outcomes	Territory*	National
Arthritis	27.8%	24.2%
Asthma	9.7%	9.6%
Cancer	7.5%	6.6%
Coronary Heart Disease	6.8%	5.8%
COPD	8.1%	6.8%
Diabetes	10.5%	10.5%
High Blood Pressure	33.2%	31.6%
High Cholesterol	32.7%	31.4%
Obesity	35.0%	31.8%

Health Status	Territory*	National
Poor Physical Health	13.6%	13.0%
Poor Mental Health	15.8%	14.9%

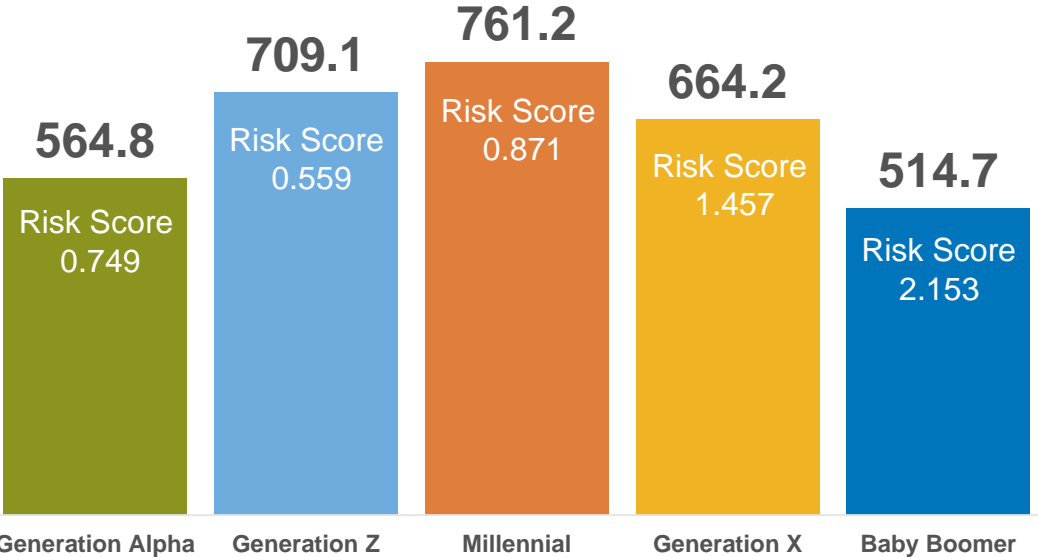
Prevention	Territory*	National
Routine Checkup	75.4%	75.4%
Dental Checkup	62.6%	64.3%
BP Rx Adherence	74.0%	72.1%

Health Risk Behaviors	Territory*	National
Binge Drinking	20.4%	17.8%
Lack of Sleep	33.8%	36.4%
Low Physical Activity	27.7%	26.9%
Smoking	19.5%	17.3%

* Territory: Average prevalence of all zip codes where your employees reside

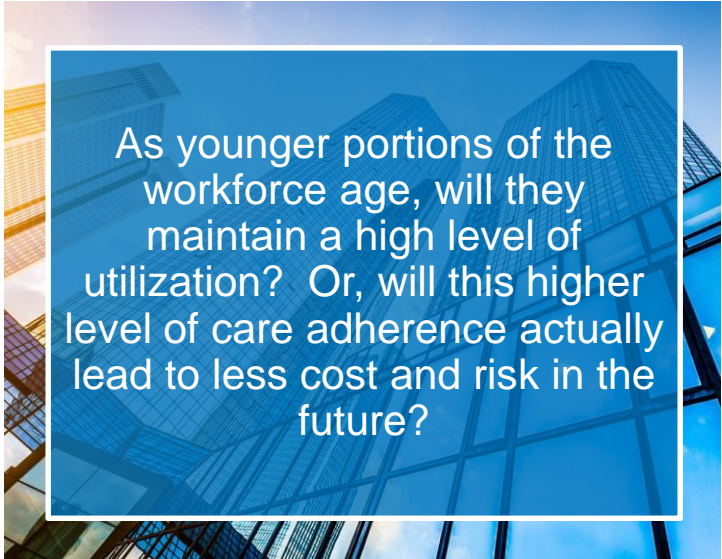
Insights for the Future

Millennials and Gen Z showing an outsized utilization of the healthcare system compared to their relative risk



Utilization rates shown are per 1,000

Source: United Healthcare Whitepaper: Millennials and their children: Significant health findings (2023)



Develop

Data-driven recommendations based on our findings and your needs

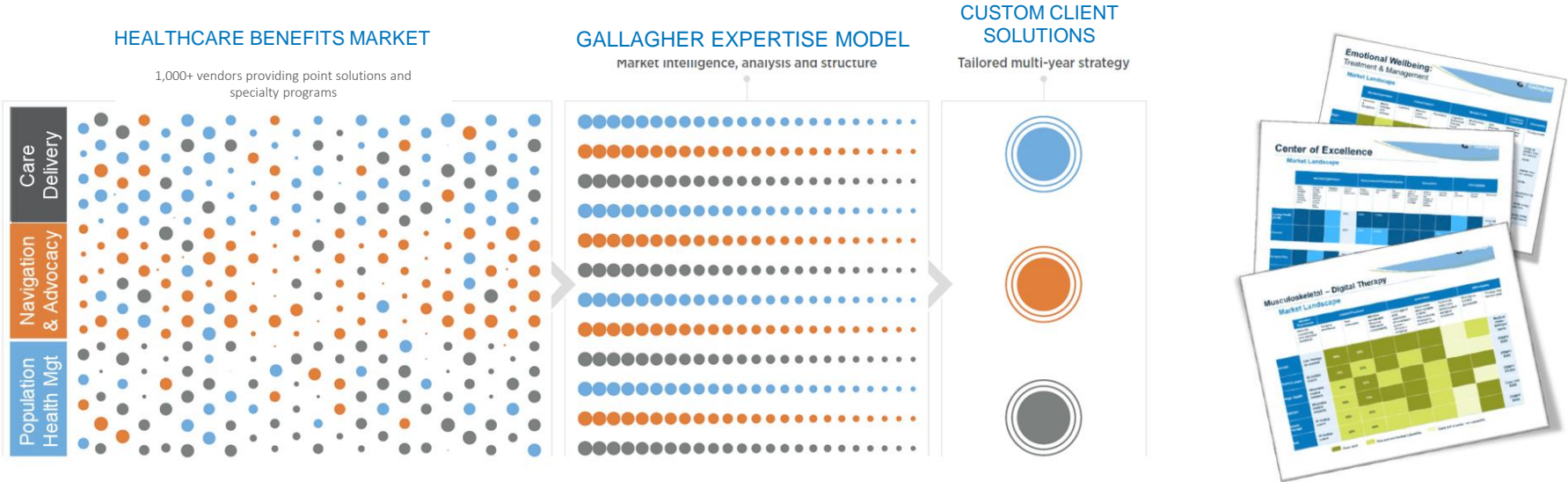
1st Step: Preventive Care

Focus on preventive solutions to avoid high-cost claims

Biometric Screening	Go to Doctor Campaigns	Healthcare Navigation	Center of Excellence
<ul style="list-style-type: none"> • Annual wellness check-up • Stay current with recommended health screenings and tests • Address medical questions and concerns with your provider 	<ul style="list-style-type: none"> • Increase annual physical completion to +75% through a contribution incentive • Reduce ER utilization by at least 10% • Reduce high cost claimant risk 	<ul style="list-style-type: none"> • Ensure employees know where to go for different levels of care • Reduce unnecessary ER visits • Lower dollars spent within the plan 	<ul style="list-style-type: none"> • Lead with quality • Incent members to get their care at a COE • Initial assumptions: <ul style="list-style-type: none"> ○ 15% - 25% utilization year 1 ○ Savings of 35%+ per surgery • Savings assume: <ul style="list-style-type: none"> ○ Member out-of-pocket is waived ○ HSA incentives are provided

Point Solutions

Organize knowledge of the vast and growing vendor marketplace to help identify solutions that are the optimal fit for your strategy



Point Solutions

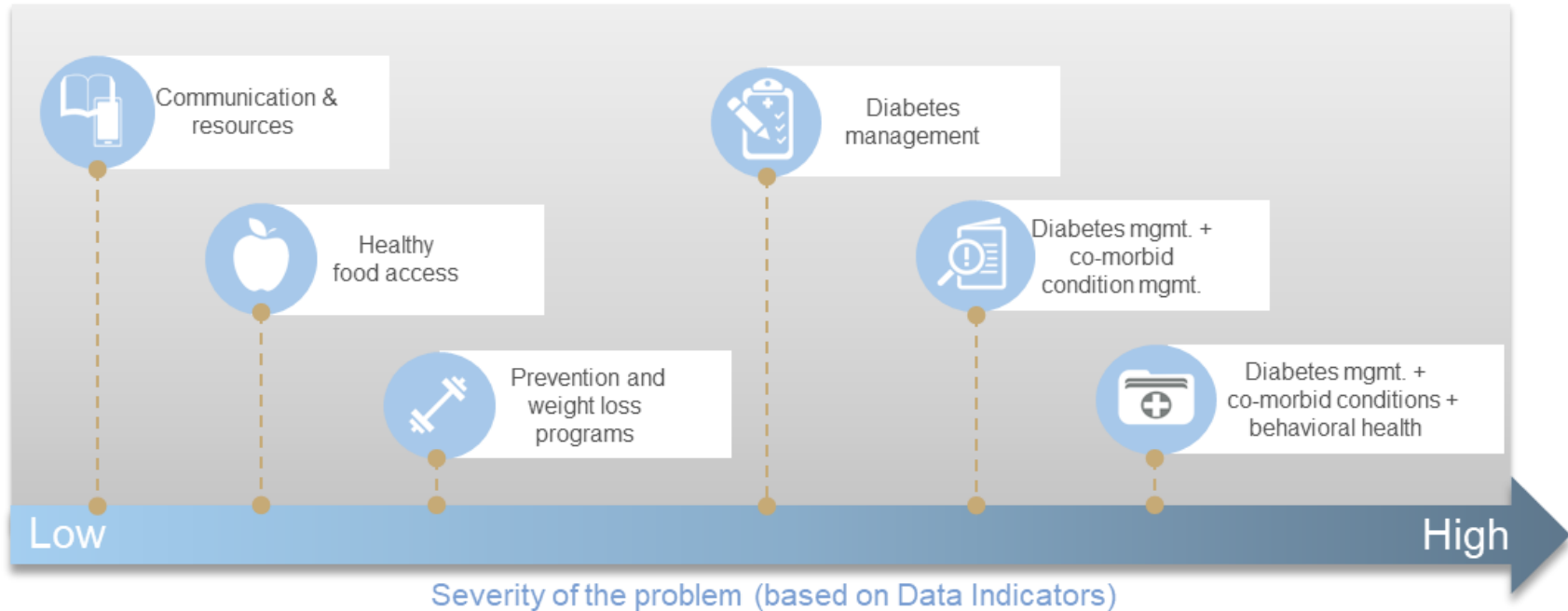
Stand-Alone vs Carrier Programs

Criteria	Integrated Carrier Program	Stand-Alone Point Solution
Member engagement and experience	+	+
Customized communications	-	+
Leveraging digital technology at the member level	-	+
Member satisfaction	-	+
Medication adherence	+	-
Financial outcomes	-	+
Health outcomes	+	+
Data integration	+	-

Point Solutions

Landscape of programs & solutions

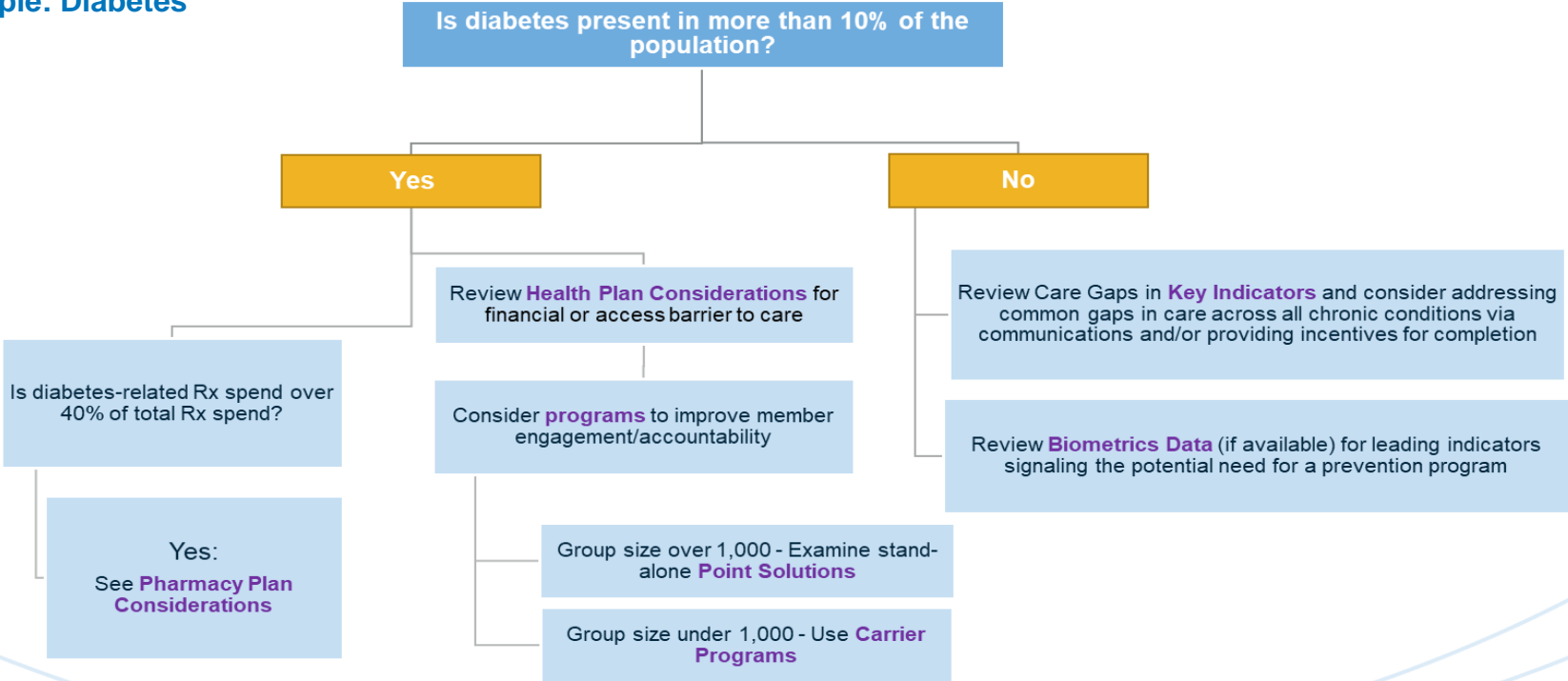
Example: Diabetes



When does a point solution make sense?

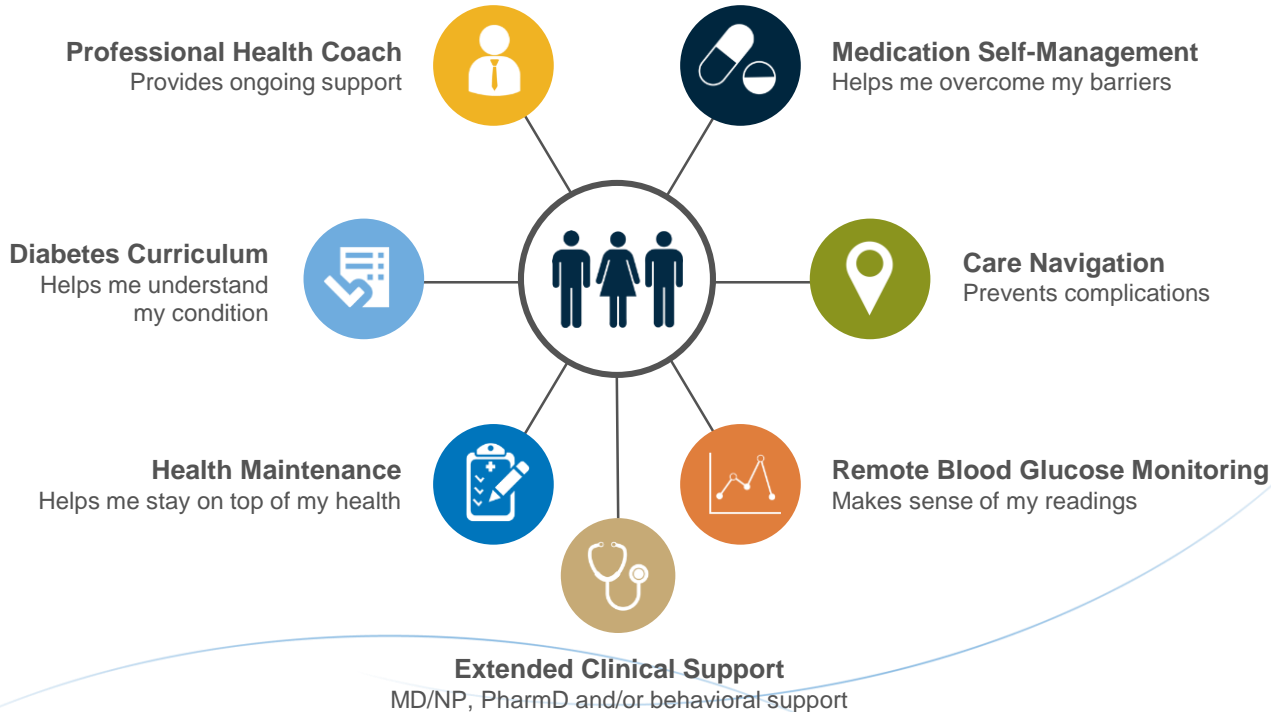
Decision Flow Chart

Example: Diabetes



Point Solutions

Diabetes Management & Prevention



Measure

Monitor the impact of programs, plan changes and interventions

Calculating ROI

Common Approaches

Example: Diabetes

Best practice, but can be challenging to perform and require large populations. Not many vendors will offer this analysis.

Cohort Trend Analysis



Offered by a number of vendors. Not always precise due to various other factors impacting claims outside the diabetes management program.

Direct Impact on Diabetes Claims



Example: improved screening rates for diabetes-related metrics. Can be aligned with a client's broader people strategy, but not directly linked to financial outcomes.

Qualitative Metrics



Financial & Actuarial Monitoring

Healthcare Analytics

A variety of strategic reporting services and analytics, about healthcare, may include the following based on funding model and data availability:

Forecasting total plan cost and offering alternate cost savings measures

Predictive analytics to drive future strategy and opportunities

Developing reserves, COBRA premiums, employee contributions, maximum exposure, and potential savings

Monte Carlo predictive Stop Loss modeling

Comparing and evaluating managed care network discounts

Evaluating the cost-effectiveness of prescription drug carve-out via a PBM

PBM RFPs, audits, benefit plan review and redesign, contract reviews, and plan financial reports

Providing benchmark information to compare costs and coverage across all lines

Insightful reporting including cost and utilization trends, predictive risk scores, gaps-in-care, clinical risk opportunities, etc.

Clinical risk assessment and data-driven health solutions

Thank You! Disclaimer – GBS

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