Today’s Top Cost Drivers in Healthcare

ICCCFO Spring 2024
Nichole Johnson & Casey Kemerling
Agenda

1. Healthcare Cost Trend
2. Cost Drivers
3. Assess
4. Develop
5. Measure
Today’s Top Cost Drivers
Healthcare costs in 2024 are anticipated to rise faster than prior year.

- **Medical**: 7.4%
- **Pharmacy**: 10%
- **Overall**: 8.1%

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

<table>
<thead>
<tr>
<th></th>
<th>Saxenda</th>
<th>Wegovy</th>
<th>Ozempic</th>
<th>Mounjaro</th>
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<tbody>
<tr>
<td><strong>Active Ingredient</strong></td>
<td>liraglutide</td>
<td>semaglutide</td>
<td>semaglutide</td>
<td>tirzepatide</td>
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<tr>
<td><strong>Annual Cost</strong></td>
<td>$19,696</td>
<td>$21,045</td>
<td>$10,704</td>
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<tr>
<td><strong>Route</strong></td>
<td>Self-Administered injection</td>
<td>Self-Administered injection</td>
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<td><strong>Dose Timing</strong></td>
<td>Daily</td>
<td>Weekly</td>
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<td><strong>FDA Approval</strong></td>
<td>Obesity</td>
<td>Obesity</td>
<td>Type II Diabetes</td>
<td>Type II Diabetes; Obesity, pending</td>
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<tr>
<td><strong>Mean % weight loss</strong></td>
<td>5.4% - 7.4%</td>
<td>9.6% - 16%</td>
<td>5-10%</td>
<td>Up to 20%</td>
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</table>
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
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)

<table>
<thead>
<tr>
<th>Health Outcomes in your Most Populated Zip Codes</th>
<th>SDOH Impact</th>
<th># of Employees</th>
<th>Arthritis</th>
<th>Asthma</th>
<th>Cancer</th>
<th>Coronary Heart Disease</th>
<th>COPD</th>
<th>Diabetes</th>
<th>High Blood Pressure</th>
<th>High Cholesterol</th>
<th>Obesity</th>
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<td>61822 - Champaign, IL</td>
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<td>61910 - Arcola, IL</td>
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</tbody>
</table>

**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%
Insights for the Future

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

As younger portions of the workforce age, will they maintain a high level of utilization? Or, will this higher level of care adherence actually lead to less cost and risk in the future?

Utilization rates shown are per 1,000

Develop

Data-driven recommendations based on our findings and your needs
# 1st Step: Preventive Care

Focus on preventive solutions to avoid high-cost claims

<table>
<thead>
<tr>
<th>Biometric Screening</th>
<th>Go to Doctor Campaigns</th>
<th>Healthcare Navigation</th>
<th>Center of Excellence</th>
</tr>
</thead>
</table>
| • **Annual wellness check-up**  
  • Stay current with recommended health screenings and tests  
  • Address medical questions and concerns with your provider  
  • **Reduce high cost claimant risk** | • Increase annual physical completion to +75% through a contribution incentive  
  • Reduce ER utilization by at least 10% | • Ensure employees know where to go for different levels of care  
  • Reduce unnecessary ER visits  
  • Lower dollars spent within the plan | • Lead with quality  
  • Incent members to get their care at a COE  
  • Initial assumptions:  
    • 15% - 25% utilization year 1  
    • Savings of 35%+ per surgery  
  • Savings assume:  
    • Member out-of-pocket is waived  
    • HSA incentives are provided |

1st Step: Preventive Care

**Focus on preventive solutions to avoid high-cost claims**

- **Biometric Screening**
  - Annual wellness check-up
  - Stay current with recommended health screenings and tests
  - Address medical questions and concerns with your provider
  - Reduce high cost claimant risk

- **Go to Doctor Campaigns**
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  - Reduce ER utilization by at least 10%

- **Healthcare Navigation**
  - Ensure employees know where to go for different levels of care
  - Reduce unnecessary ER visits
  - Lower dollars spent within the plan

- **Center of Excellence**
  - Lead with quality
  - Incent members to get their care at a COE
  - Initial assumptions:
    - 15% - 25% utilization year 1
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  - Savings assume:
    - Member out-of-pocket is waived
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Point Solutions

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

1,000+ vendors providing point solutions and specialty programs

GALLAGHER EXPERTISE MODEL
Market intelligence, analysis and structure

CUSTOM CLIENT SOLUTIONS
Tailored multi-year strategy
## Point Solutions

### Stand-Alone vs Carrier Programs

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Integrated Carrier Program</th>
<th>Stand-Alone Point Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member engagement and experience</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Customized communications</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>Leveraging digital technology at the member level</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>Member satisfaction</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>Medication adherence</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>Financial outcomes</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>Health outcomes</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Data integration</td>
<td>+</td>
<td>-</td>
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</tbody>
</table>
Point Solutions

Landscape of programs & solutions

Example: Diabetes

Severity of the problem (based on Data Indicators)
When does a point solution make sense?

Decision Flow Chart

Example: Diabetes

Is diabetes present in more than 10% of the population?

Yes

- Review Health Plan Considerations for financial or access barrier to care
  - Is diabetes-related Rx spend over 40% of total Rx spend?
    - Yes: See Pharmacy Plan Considerations
    - No: Consider programs to improve member engagement/accountability
      - Group size over 1,000 - Examine stand-alone Point Solutions
      - Group size under 1,000 - Use Carrier Programs

No

- Review Care Gaps in Key Indicators and consider addressing common gaps in care across all chronic conditions via communications and/or providing incentives for completion
  - Review Biometrics Data (if available) for leading indicators signaling the potential need for a prevention program
Point Solutions

Diabetes Management & Prevention

Professional Health Coach
Provides ongoing support

Diabetes Curriculum
Helps me understand my condition

Health Maintenance
Helps me stay on top of my health

Medication Self-Management
Helps me overcome my barriers

Care Navigation
Prevents complications

Remote Blood Glucose Monitoring
Makes sense of my readings

Extended Clinical Support
MD/NP, PharmD and/or behavioral support

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Measure

Monitor the impact of programs, plan changes and interventions
Calculating ROI

Common Approaches

Example: Diabetes

Cohort Trend Analysis

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

Direct Impact on Diabetes Claims

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

Qualitative Metrics

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.
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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