Partnering for Success: How Health Insurance and Property & Casualty Solutions Can Support Your Financial Goals in Higher Education

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Gallagher

Insurance | Risk Management | Consulting

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Gallagher Introduction

Anthony Di Stefano, CLCS
Area Assistant Vice President,
Midwest Regional Director
Public Nonprofit Division
M: (630) 251 1651
Anthony_Distefano@ajg.com

Casey Kemerling
Benefits Consultant,
Higher Education Practice
M: (630) 347-3032
Casey_Kemerling@ajg.com

Today's Agenda
April 24, 2025

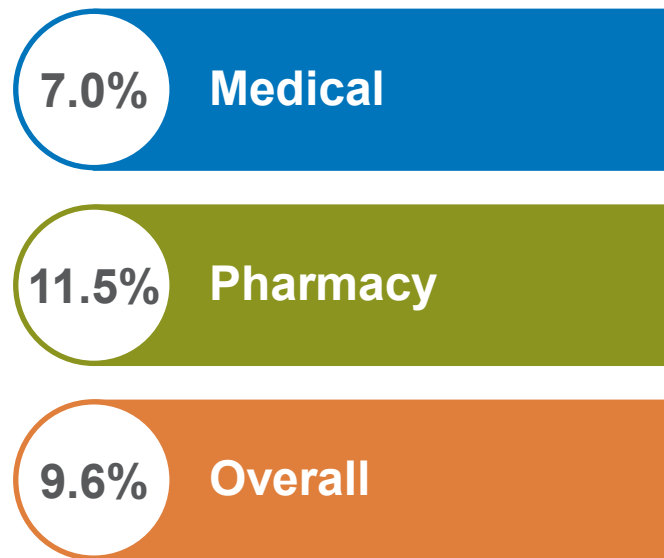**1** Medical & Pharmacy trend projections

2 Evaluating your current PBM

3 Stop-Loss coverage

4 Managing your total cost of risk

5 **Questions?**

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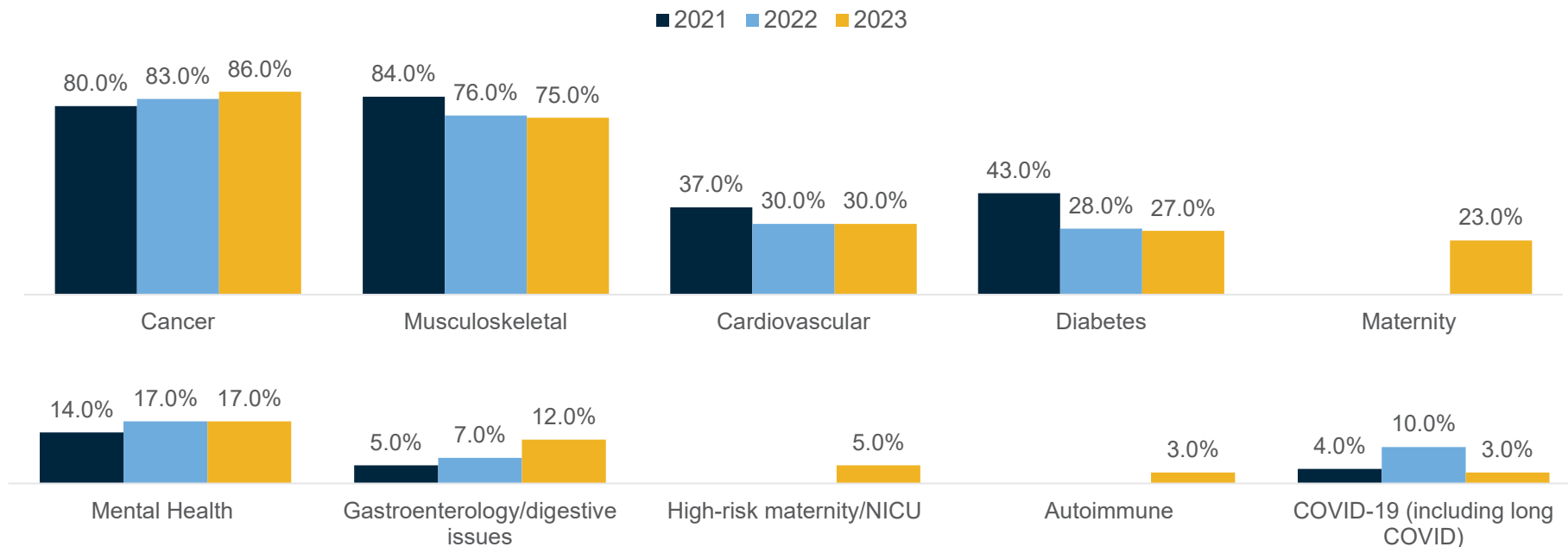What is trend and what is driving it?

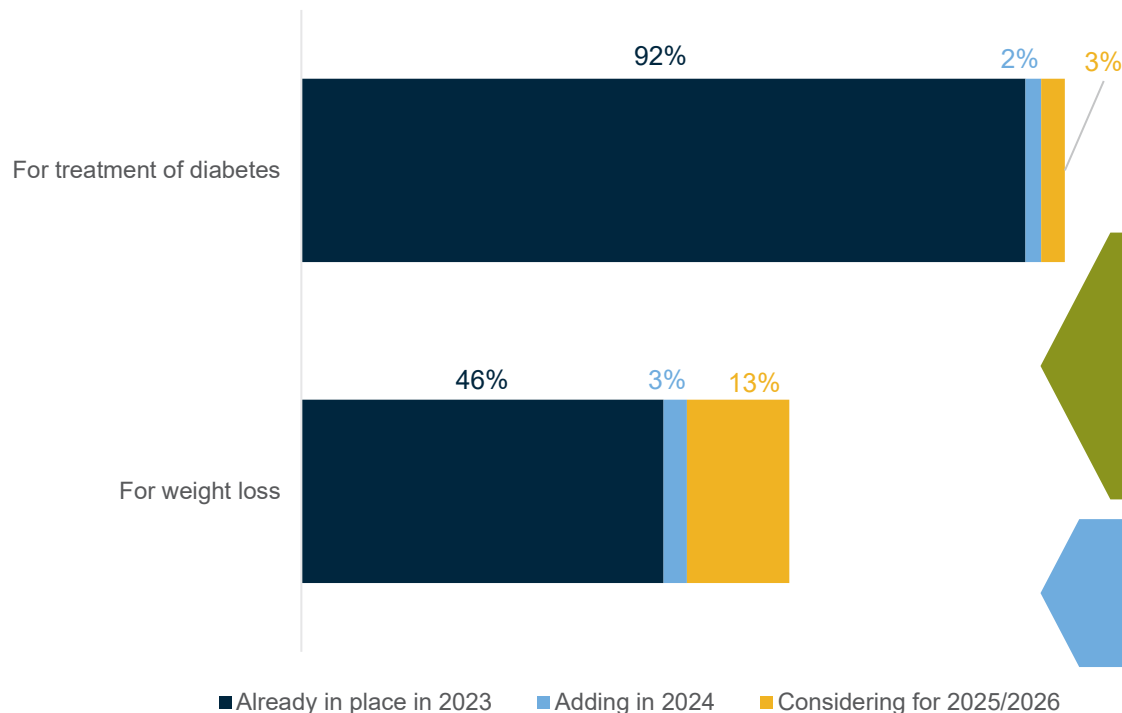# Pharmacy costs in 2025 are anticipated to rise faster than prior year

7.0% **Medical**

11.5% **Pharmacy**

9.6% **Overall**

*Takes into consideration Medical/Rx spend split

Top Conditions Driving Cost

Coverage of GLP-1s

For treatment of diabetes: 92%, 2%, 3%

For weight loss: 46%, 3%, 13%

Legend:
- ■ Already in place in 2023
- ■ Adding in 2024
- ■ Considering for 2025/2026

Most common criteria for covering GLP-1s for weight loss include:

1. Drug must be indicated/approved for this purpose;
2. Paired with a lifestyle modification program; AND
3. BMI > 30 or a BMI >27 with comorbidity

Many employers do not currently have criteria in place, while others are re-evaluating.

Source: Business Group on Health 2024 Large Employers' Health care strategy and plan design survey

What is your stance on GLP-1s?

1. Still cover GLP-1s with no prior authorization
2. Cover GLP-1s for diabetes with prior authorization
3. Cover GLP-1s for weight loss
4. Cover GLP-1s for weight loss with mandated lifestyle modification program

What's going on in the world of Pharmacy?

# Can You Find Savings in Your Pharmacy Benefit Management Contract?

Gallagher's Pharmacy & Health Plan Services understands how to optimize savings for our clients. Our expertise comes from years of experience and conducting more than 200 requests for proposals (RFPs) and pharmacy benefit management (PBM) renegotiations in 2024.

Our robust team of 100+ consultants is dedicated to helping clients manage their prescription benefit drug spending and advocating for the overall wellbeing of their people.
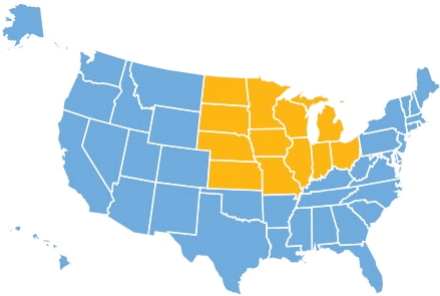
SEE HOW ORGANIZATIONS ARE OPTIMIZING AND SAVING WITH THEIR PBM CONTRACTS
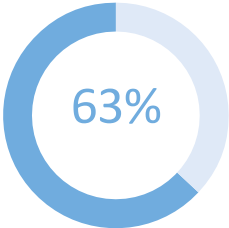
63% Stayed with incumbent PBM contracts
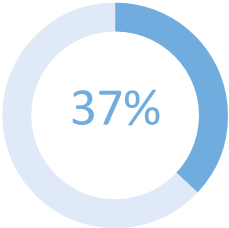
37% Whether clients moved PBM contracts or stayed, they gained better pricing, better service and better products through the RFP process.

RFP WITHOUT ALTERNATIVE FUNDING

19.67%
The average three-year savings for clients

14.87%
The average savings within the first year of that three-year contract

CONTRACT RENEGOTIATIONS

12.35%
The average three-year savings for clients

8.52%
The average savings within the first year of that three-year contract

$24.1 million

recovered through 226 PBM audits*

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Stop-Loss Coverage

Million-Dollar Claims

Conditions with the highest number of million-dollar claims by year

Rank	2023	2024
1	Leukemia, Lymphoma, Multiple Myeloma	Malignant Neoplasm
2	Malignant Neoplasm	Leukemia, Lymphoma, Multiple Sclerosis
3	Newborn/Infant Care	Tied: Newborn/Infant Care and Cardiovascular
4	Tied: COVID-19 and Congenital Anomaly	
5		Sepsis

Majority condition for each claimant was used.

Source: 2024 SunLife High Cost Claims and Injectable Drug Trends Analysis

Expected Claimants per 1,000 Members

Besides trend forecasting, the actuaries at Healthcare Analytics/GBS also evaluate large claimant activity in our client population. The tables below represents the average expected number of claimants at each claims threshold for medical and prescription drug claims. The number of expected claimants is   projected for calendar year 2023, 2024 and 2025:

Medical and Prescription Drugs

Claims Threshold	2023	2024	2025
$25,000	62.94	68.45	74.45
$50,000	28.95	31.93	35.07
$75,000	17.32	19.31	21.41
$100,000	11.28	12.84	14.64
$125,000	8.09	9.14	10.36
$150,000	6.16	6.96	7.86
$175,000	4.84	5.51	6.23
$200,000	3.87	4.44	5.07
$250,000	2.59	3.00	3.47
$300,000	1.86	2.15	2.49
$350,000	1.38	1.61	1.87
$400,000	1.05	1.24	1.45
$450,000	0.82	0.97	1.15
$500,000	0.65	0.77	0.92
$600,000	0.43	0.51	0.60
$700,000	0.29	0.35	0.42
$800,000	0.21	0.25	0.30
$900,000	0.15	0.18	0.22
$1,000,000+	0.12	0.14	0.17

Medical Only

Claims Threshold	2023	2024	2025
$25,000	44.27	47.87	51.74
$50,000	19.22	21.08	23.08
$75,000	11.42	12.51	13.71
$100,000	7.81	8.58	9.45
$125,000	5.77	6.37	7.02
$150,000	4.42	4.92	5.46
$175,000	3.53	3.93	4.35
$200,000	2.86	3.20	3.58
$250,000	1.97	2.23	2.52
$300,000	1.44	1.63	1.85
$350,000	1.09	1.24	1.42
$400,000	0.84	0.97	1.11
$450,000	0.67	0.78	0.89
$500,000	0.54	0.63	0.73
$600,000	0.37	0.43	0.49
$700,000	0.25	0.29	0.36
$800,000	0.18	0.21	0.26
$900,000	0.13	0.16	0.19
$1,000,000+	0.11	0.12	0.15

Stop Loss Strategies

While employers may be considering lowering Stop Loss deductibles to mitigate risk, many employers can save money without significantly increasing risk by raising their Stop Loss deductible.

Leveraged Trend Example

	2022	2023
Stop loss reimbursement	$100,000	$115,000
Plan Paid	$150,000	$150,000

$250,000 Claim
6% trend
$265,000 Claim
$100,000 Reimbursement
15% trend
$115,000 Reimbursement

$150,000 Stop Loss Deductible

6% Medical/Rx Trend

Results in 15% Stop Loss Reimbursement Trend

Emerging Stop Loss Strategies

- Raising Stop Loss deductible
- Adding an aggregating specific deductible
- Step down deductibles

Stop-Loss Coverage

1,000+ Employees

$300K is the most common deductible

	Up to $75K	$76K-150K	$151K-250K	$251K-500K	$500K+
	0.0%	4.0%	23.0%	53.0%	20.0%
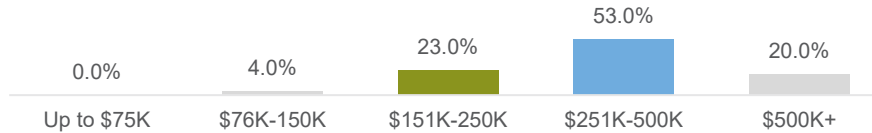
500-999 Employees

$200K is the most common deductible

	Up to $75K	$76K-150K	$151K-250K	$251K-500K	$500K+
	1.0%	32.0%	50.0%	16.0%	1.0%
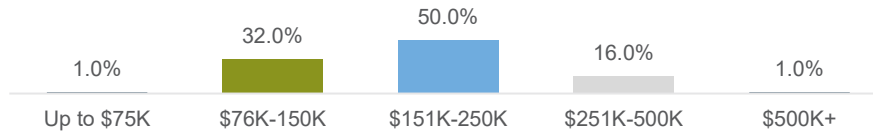
200-499 Employees

$100K is the most common deductible

	Up to $75K	$76K-150K	$151K-250K	$251K-500K	$500K+
	11.0%	64.0%	21.0%	3.0%	0.0%
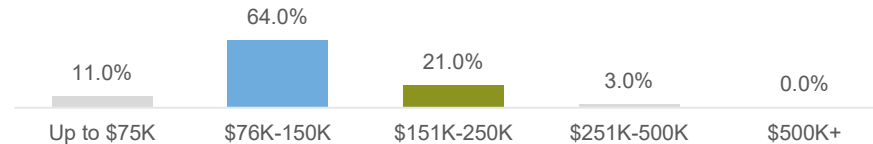
Under 200 Employees

$50K is the most common deductible

	Up to $75K	$76K-150K	$151K-250K	$251K-500K	$500K+
	62.0%	36.0%	2.0%	0.0%	0.0%
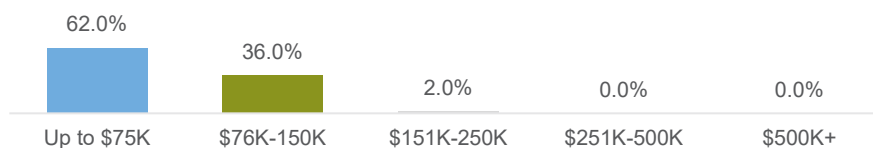
The majority of employers with Stop-Loss coverage are impacted by a stop-loss claim

Claim type	Percentage
$1M+ claim	10%
Birth-related claim	11%
Cancer claim	62%
Injectable drug claim	70%
Any stop-loss claim	87%

Legend:
- Any stop-loss claim
- Injectable drug claim
- Cancer claim
- Birth-related claim
- $1M+ claim
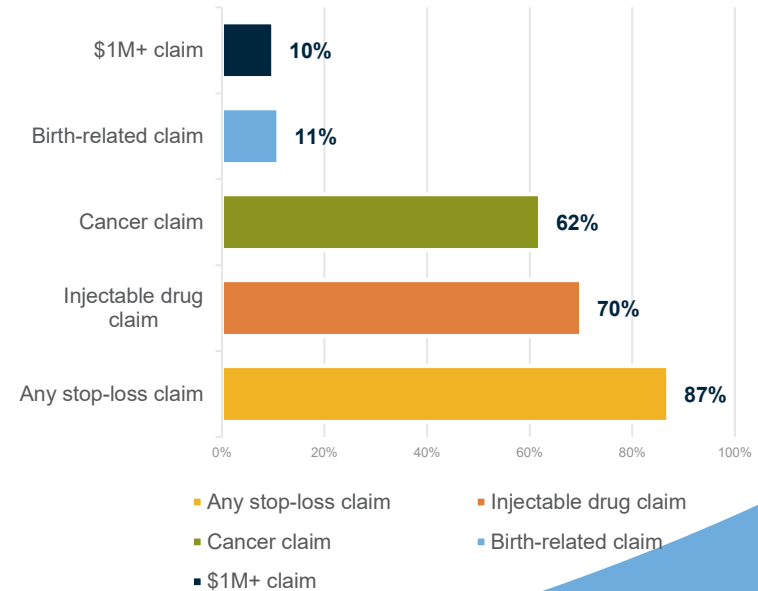
Managing Your Total Cost of Risk

CORE360

1 Cost for all your existing insurance policies. It also includes our compensation as your broker.

2 How the individual pieces of your program work together, as well as how you balance your risk appetite against your loss experience.

3 Potential costs from any gaps in existing policies, such as sublimits, removable exclusions and extensions of coverage.

4 Potential or actual costs of any risks you knowingly or unknowingly leave uninsured or are uninsurable.

5 Your participation in a loss, and how you minimize costs through appropriate loss prevention programs and claims management.

6 Costs resulting from the unsuccessful transfer of risk to, or assumption of uninsured liability from, a third party.

Program Structure

Insurance Premiums

Coverage Gaps

Uninsured & Uninsurable Losses

Loss Prevention & Claims

Contractual Liability

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Which House Will Command the Best Pricing?

The Financial Impact of Submission Quality

US Commercial Rates – Q4 2024

Line	Best 25th Percentile	Worst 25th Percentile	Delta	Best 10th Percentile	Worst 10th Percentile	Delta
Auto	-0.4%	21.6%	22.0%	-20.0%	44.5%	64.5%
General Liability	-1.3%	11.5%	12.8%	-24.9%	31.3%	56.2%
Umbrella	0.0%	21.1%	21.1%	-29.8%	50.8%	80.6%
Workers' Comp	-10.9%	10.6%	21.5%	-23.0%	36.3%	59.3%
Cyber	-7.7%	4.4%	12.1%	-20.0%	23.4%	43.4%
Property	-5.1%	12.8%	17.9%	-28.4%	31.1%	59.5%
D&O (Private)	-3.3%	3.1%	6.4%	-20.0%	15.0%	35.0%
D&O (Public)	-8.0%	5.9%	13.9%	-17.6%	22.5%	40.1%
Crime	-0.1%	0.3%	0.4%	-10.2%	9.7%	19.9%
Average Delta			14.2%	**Average Delta**		50.9%

Roadmap to Winning Market Submissions

Historical Analysis

- Understand your current exposures, coverages, and claims

Discovery

- Have internal discussions to determine if there are any new or under-recognized risks

Assessment

- Match each of your historical and newly discovered risk factors with a solution

Action Plan

- Develop a go to market strategy that highlights the efforts you have made to understand, unearth, and address all your risk factors.
- **Narrative!**

Winning Submission

- **Prioritized by underwriters**
- **Best pricing and coverage terms**
- **Attract bigger pool of markets**
- **Strengthened carrier relationships**

Current Findings	Initial Action Steps to Improve your Risk Profile
25% of property schedule is missing key COPE data	Implement Archipelago
TIV is undervalued by 15%	Complete Replacement Cost Appraisals
Deficient property limit and deductible structure	Review Property Benchmark Analysis
Work comp claim costs are high	Use Gallagher Drive, risk control, and claims advocacy
Umbrella limit is lower than industry average	Evaluate higher limit options at renewal
Cyber security vulnerabilities	Deploy eRiskHub and Gallagher Cyber Experts

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Thank You

Property/Casualty Insurance

Anthony Di Stefano, CLCS
Area Assistant Vice President, Public Nonprofit Division
Midwest Regional Director

Gallagher 2850 Golf Road, Rolling Meadows, IL 60008
M: (630) 251 1651
Anthony_Distefano@ajg.com | AJG.com

Employee Benefits Insurance

Casey Kemerling
Benefits Consultant | Higher Education Practice

Gallagher 2850 Golf Road, Rolling Meadows, IL 60008
M: (630) 347-3032
Casey_Kemerling@ajg.com