



**State of Wisconsin Group Insurance Board  
Department of Employee Trust Funds**

# 2023 Program Renewals

August 17, 2022





## 1. Overview

2. Medical Plans
3. Prescription Drug Plan
4. Dental Plan
5. Aggregate Renewal
6. Fund Balance/Reserve
7. 2023 Premium Alternatives

# 2023 Renewal Process

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## ➤ Medical (Fully-Insured)

- Process
  - Health Plans (HMOs) followed a managed competition model, using a tier structure for both existing and new plans
  - Access Plan, Medicare Plus and State Maintenance Plan (SMP) followed a traditional rate development approach for the new vendors
  - IYC Medicare Advantage Plan rates were guaranteed from last year's extension
  - Met with majority of plans to discuss tier placement and long-term strategy

## ➤ Pharmacy (Self-Insured)

- Received and reviewed claims experience
- Met with Navitus to discuss trends and program management strategies

## ➤ Dental (Self-Insured)

- Received and reviewed claims experience
- Met with Delta Dental to discuss trends and program benefit and network changes

## ➤ Reserve Fund

- In Year 1 of the 3-year buy-down strategy implemented by the Board—to reach the recommended target reserve by 2024 using gradual buy-downs
- Projected year end 2022 reserve balance lower than anticipated – investment gains not sufficient to offset losses from Pharmacy
- Funds not sufficient to continue current strategy through 2024



1. Overview

**2. Medical Plans**

3. Prescription Drug Plan

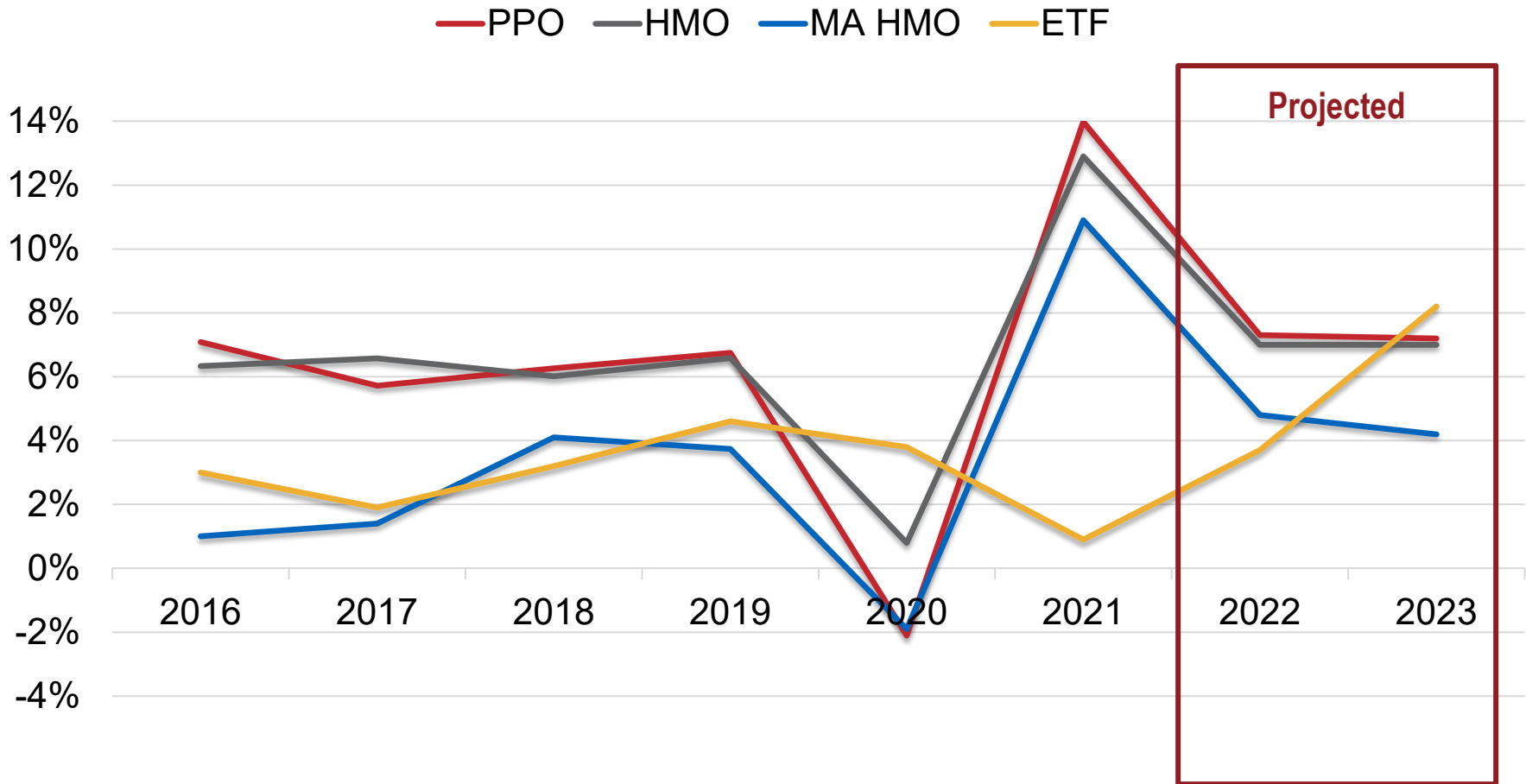
4. Dental Plan

5. Aggregate Renewal

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# Historical Medical Trends – Comparison to ETF



**The COVID-19 experience was realized by most programs in 2020, while ETF's was negotiated into the 2021 renewal. We are now seeing greater premium increases.**

Source: 2023 Segal Health Plan Cost Trend Survey  
2016 ETF trend adjusted to reflect a 4% benefit change

# Medical Plans – Fully Insured Renewals

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## ➤ Health Plans (HMOs)

- Primarily designed for in-state members
- Due to WEA Trust leaving the program, there were numerous expansion opportunities
- Renewal consistent with process from last 7 years, incorporating risk of WEA members
- Administered by: Aspirus, Dean, GHC-Eau Claire, GHC-SCW, HealthPartners, Medical Associates, MercyCare, Network, Quartz, Security (new in 2023)
- Tier model “managed competition” approach

## ➤ Access Plan, Medicare Plus and State Maintenance Plan (SMP)

### ➤ Mostly utilized for out of state members and in-state members in counties without qualified, Tier 1 plan option.

- Moved to fully-insured in 2018
- Was administered by WEA Trust - program will now be administered by Dean for Access/SMP and UHC for Medicare Plus if approved by the Board
- Traditional underwriting approach applied to rate development for new vendors

## ➤ IYC Medicare Advantage (MA)

- Designed for in and out of state Medicare eligible members
- Administered by: UnitedHealthcare (UHC) with rate guarantees that end with 2023 although the contract lasts through 2025

# WEA Trust – Leaving Program

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- ETF needed to:
  - Find plan options for the 37,000 members from WEA Trust East and West (Chipp & Mayo)
  - Find vendor for Access, SMP and Medicare Plus for the 9,800 members enrolled
- There was tremendous interest in the program – resulting in 5 new expansions
  - Dean - Prevea360 became East & West (1)
  - GHC-EC became Greater WI & River Region, and partnered with Common Ground (2)
  - HealthPartners became West & Southeast (1)
  - Security returned to the program (1)
- Additionally, some of the existing networks were altered
- All expansion offers were given Tier 1 rate requirements, based on the expected migration of risk from prior WEA plans (age/sex, risk and region)
- All offers, except Quartz East, moved to Tier 1 for State. Only Dean – Prevea360 and GHC-Eau Claire River Region moved to Tier 1 for Locals.
- Dean also provided ETF the best alternative for Access & SMP plans, with UHC providing the best alternative for Medicare Plus

**Overall, a very positive result for the program.**

# Alternate Plans (HMO's) Overall Renewal Process

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- Renewal process was slightly modified this year due to the WEA departure.
- The negotiation process involved the following:
  - March: Segal prepared addendum collection requirements
  - April: ETF reviewed requirements and requested data from Plans
  - April 29: Addendum data submitted to Segal
  - May: Segal compiled data and calculated tier breakpoints
  - May 13: Preliminary Rate Quotes submitted to Segal
  - June: Segal compiled rates and placed Plans into premium tiers
  - June 1: Notified of WEA's departure
  - June 25: Plans notified of their tier placement and offered renewal meeting to discuss
  - June 28: Preliminary bids from new and expansion areas
  - July 6 – 14: Renewal meetings held with Plans
  - July 22: Best and Final Offers received from Plans – this was delayed to allow new and expansion plans additional time

**There were numerous meetings, network submissions and analysis around the WEA member migration. All plans and premiums (outside Dane) were impacted.**



# Collect Addendum Reports & Data

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- Plans are required to provide addendum reports for each group separately: State (Non-Medicare, Medicare, Grads), Local (Non-Medicare, Medicare), High Deductible Health Plan (HDHP), Total Organization (Non-Medicare, Medicare)
- The reports include:
  - Enrollment and membership demographics
  - Fee For Service claims and capitation encounter experience
  - Medical trend assumptions
  - Administrative expenses
  - Rate development
  - Medical loss ratio report
  - Large claimant information
  - Actuarial certification
- Similar to last year, addendum claims and capitation reports were validated using Merative data warehouse (DAISI)
- Network adequacy reports were submitted and utilized to determine which plans are qualified in each county

# Tier Breakpoint Development – Based on Addendum

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- Incurred claims and capitation experience are compiled for each plan
- Health Plans PMPMs were adjusted to reflect overstated/understated Cost Per Service from pre-pandemic numbers based on DAISI analysis; this was lower than prior years
- Adjusted base period claims per member per month (PMPM) are trended forward with projected “limited” trends
- Administrative costs are added up to a threshold— no increase from 2022 amount
- Total PMPMs are then risk adjusted, combining three factors:
  1. Retrospective DAISI risk score (30%)
  2. Age/sex score (20%)
  3. Region factor (50%)
    - Region factors were updated using the latest marketplace premium variances
- WEA membership was migrated to other plans based on qualification status and ETF experience
- Breakpoints are then set for Tiers 1, 2 and 3 taking into account normalized costs by plan and program budget

**The overall Tier 1 breakpoint increase was estimated to be 8.3% for State and 6.7% for Locals.**

# Compile Tier Placement From Preliminary Bid

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- Plans submit their Preliminary Bids knowing there is an opportunity for negotiations and movement to Tier 1
- Tier placement is performed using the State Non-Medicare group only; negotiations of other groups follow by design
- Bids are risk adjusted using an overall risk score comprised of prospective DAISI risk score (30%), age/sex (20%) and region (50%) — similar to experience adjustment except risk is prospective vs. retrospective
- Credits are then applied to reflect quality and catastrophic claims experience
- The final adjusted rates are compared to the tier breakpoints developed from the Addendum experience rate projections
- Plans are notified of their tier placement and given the opportunity to meet and discuss results
- New and expansion plans had risk adjusted rating only

**There is no direct link from the Addendum projected rates to the Preliminary Bid.**

# State HMO Renewal

- All plans moved into Tier 1

|                                    | 2022 Rates       | BAFO<br>2023 Rates | Change From<br>Current | %           |
|------------------------------------|------------------|--------------------|------------------------|-------------|
| <b>Medical Costs (in Millions)</b> |                  |                    |                        |             |
| Dane                               | \$547.6          | \$603.9            | \$56.3                 | 10.3%       |
| Non-Dane                           | \$518.4          | \$554.9            | \$36.5                 | 7.1%        |
| <b>Total State</b>                 | <b>\$1,066.0</b> | <b>\$1,158.8</b>   | <b>\$92.9</b>          | <b>8.7%</b> |

^ Totals may not reconcile due to rounding

# WPE (Locals) Tier Placement From Preliminary Bids

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- Three years ago, a tier process, similar to that utilized by the State, was implemented for the Locals
  - The primary difference is that Locals, due to their size, combine Dane and Non-Dane to produce one overall statewide model
- The variability in size necessitates additional smoothing techniques and limitations
- Catastrophic claims were given additional weight in the development
- Consistent with last year, limitations (adjusted for quality credits) were placed on rate increases and % of State Rate for plans to be in Tier 1/2/3

# Local HMO Renewal

➤ A number of plans did not move to Tier 1 during negotiations:

- Aspirus
- HealthPartners West, Southeast & Robin
- Quartz – Central
- Security
- Common Ground (GHC-EC)

|                                    | 2022 Rates     | BAFO<br>2023 Rates | Change From<br>Current | %           |
|------------------------------------|----------------|--------------------|------------------------|-------------|
| <b>Medical Costs (in Millions)</b> |                |                    |                        |             |
| <b>Locals</b>                      | <b>\$185.9</b> | <b>\$201.9</b>     | <b>\$16.0</b>          | <b>8.6%</b> |

# Access Plan, SMP Renewals, and Medicare Plus

- If Board approved, Dean would manage the fully-insured Access Plan and SMP plans
- If Board approved, UHC would manage the fully-insured Medicare Plus plan for Medicare eligible retirees
- The data was provided to both vendors and a traditional rate development was utilized
- BAFO rates from Dean resulted in a 5.2% and 6.2% reduction to the Access Plan and SMP rates respectively
- UHC Medicare Plus BAFO rates resulted in an increase of 9.6%

|                                    | 2022 Rates     | BAFO<br>2023 Rates | Change<br>from Current | %            |
|------------------------------------|----------------|--------------------|------------------------|--------------|
| <b>Medical Costs (in Millions)</b> |                |                    |                        |              |
| State                              | \$55.92        | \$54.87            | (\$1.05)               | -1.9%        |
| Local                              | \$1.25         | \$1.27             | \$0.02                 | 1.7%         |
| <b>Total</b>                       | <b>\$57.17</b> | <b>\$56.15</b>     | <b>(\$1.03)</b>        | <b>-1.8%</b> |

^ Totals may not reconcile due to rounding

**Securing vendors and negotiating competitive rates was a challenge. ETF vendor partners were extremely engaged during the process.**

# Medicare Advantage Renewal

- ETF contracted with UnitedHealthcare (UHC) for a Medicare Advantage plan starting in 2019
- Last year, UHC negotiated in good faith and provided rate guarantees for two years
  - The 2023 rate included a \$5.02 increase to \$60.58 from \$55.56, a 9% increase
- Positive experience could not move UHC from their rates
  - If it continues, we expect the Gain Share Arrangement to kick in, which will allow ETF a settlement if the plans MLR is under 90%

|                                    | 2022 Rates    | BAFO<br>2023 Rates | Change<br>from Current | %           |
|------------------------------------|---------------|--------------------|------------------------|-------------|
| <b>Medical Costs (in Millions)</b> |               |                    |                        |             |
| State                              | \$8.22        | \$8.97             | \$0.74                 | 9.0%        |
| Local                              | \$0.38        | \$0.41             | \$0.03                 | 9.0%        |
| <b>Total</b>                       | <b>\$8.60</b> | <b>\$9.38</b>      | <b>\$0.78</b>          | <b>9.0%</b> |

^ Totals may not reconcile due to rounding



# 2023 Overall Medical Increase by Product

➤ Overall, State increased 8.2% and Local increased 8.6%, for a total of 8.2%

|                            | 2022 Inforce Rates ** | 2023 Prelim Bids | Negotiation Savings | %            | 2023 BAFO Rates*** | Change From Inforce | %           |
|----------------------------|-----------------------|------------------|---------------------|--------------|--------------------|---------------------|-------------|
| <b>State (in Millions)</b> |                       |                  |                     |              |                    |                     |             |
| Medicare Advantage         | \$8.2                 | \$9.0            | \$0.0               | 0.0%         | \$9.0              | \$0.7               | 9.0%        |
| Statewide                  | \$55.9                | \$59.0           | (\$4.2)             | -7.0%        | \$54.9             | (\$1.0)             | -1.9%       |
| HMO                        | \$1,066.0             | \$1,217.1        | (\$58.3)            | -4.8%        | \$1,158.8          | \$92.9              | 8.7%        |
| <b>Total State</b>         | <b>\$1,130.1</b>      | <b>\$1,285.1</b> | <b>(\$62.4)</b>     | <b>-4.9%</b> | <b>\$1,222.7</b>   | <b>\$92.6</b>       | <b>8.2%</b> |

|                            | 2022 Inforce Rates ** | 2023 Prelim Bids | Negotiation Savings | %            | 2023 BAFO Rates*** | Change From Inforce | %           |
|----------------------------|-----------------------|------------------|---------------------|--------------|--------------------|---------------------|-------------|
| <b>Local (in Millions)</b> |                       |                  |                     |              |                    |                     |             |
| Medicare Advantage         | \$0.38                | \$0.41           | \$0.00              | 0.0%         | \$0.41             | \$0.03              | 9.0%        |
| Statewide                  | \$1.25                | \$1.32           | (\$0.05)            | -3.7%        | \$1.27             | \$0.02              | 1.7%        |
| HMO                        | \$185.92              | \$213.21         | (\$11.27)           | -5.3%        | \$201.95           | \$16.03             | 8.6%        |
| <b>Total Local</b>         | <b>\$187.55</b>       | <b>\$214.95</b>  | <b>(\$11.32)</b>    | <b>-5.3%</b> | <b>\$203.63</b>    | <b>\$16.09</b>      | <b>8.6%</b> |

|                            | 2022 Inforce Rates ** | 2023 Prelim Bids | Negotiation Savings | %            | 2023 BAFO Rates*** | Change From Inforce | %           |
|----------------------------|-----------------------|------------------|---------------------|--------------|--------------------|---------------------|-------------|
| <b>Total (in Millions)</b> |                       |                  |                     |              |                    |                     |             |
| Medicare Advantage         | \$8.6                 | \$9.4            | \$0.0               | 0.0%         | \$9.4              | \$0.8               | 9.0%        |
| Statewide                  | \$57.2                | \$60.3           | (\$4.2)             | -7.0%        | \$56.1             | (\$1.0)             | -1.8%       |
| HMO                        | \$1,251.9             | \$1,430.3        | (\$69.5)            | -4.9%        | \$1,360.8          | \$108.9             | 8.7%        |
| <b>Grand Total</b>         | <b>\$1,317.7</b>      | <b>\$1,500.0</b> | <b>(\$73.7)</b>     | <b>-4.9%</b> | <b>\$1,426.3</b>   | <b>\$108.6</b>      | <b>8.2%</b> |

^ Totals may not reconcile due to rounding

\* Medicare includes HDHP Medicare and Family 1 contracts

\*\* 2022 Inforce Rates are pre-buydown

\*\*\* 2023 BAFO rates are pre-buydown

# 2023 Overall Medical Increase by Group

- Renewal process resulted in a \$73.7 million savings, a 4.9% reduction from 2023 Preliminary Bids (4.9% for State and 5.3% for Locals)

|                            | 2022 Inforce Rates ** | 2023 Prelim Bids | Negotiation Savings | %            | 2023 BAFO Rates*** | Change From Inforce | %           |
|----------------------------|-----------------------|------------------|---------------------|--------------|--------------------|---------------------|-------------|
| <b>State (in Millions)</b> |                       |                  |                     |              |                    |                     |             |
| Non-Medicare               | \$846.4               | \$960.6          | (\$46.4)            | -4.8%        | \$914.2            | \$67.8              | 8.0%        |
| Medicare*                  | \$82.9                | \$96.3           | (\$4.2)             | -4.3%        | \$92.2             | \$9.3               | 11.2%       |
| Grads                      | \$48.9                | \$56.4           | (\$3.6)             | -6.3%        | \$52.9             | \$4.0               | 8.2%        |
| HDHP                       | \$152.0               | \$171.8          | (\$8.3)             | -4.8%        | \$163.5            | \$11.5              | 7.6%        |
| <b>Total State</b>         | <b>\$1,130.1</b>      | <b>\$1,285.1</b> | <b>(\$62.4)</b>     | <b>-4.9%</b> | <b>\$1,222.7</b>   | <b>\$92.6</b>       | <b>8.2%</b> |
| <b>Local (in Millions)</b> |                       |                  |                     |              |                    |                     |             |
| Non-Medicare               | \$174.0               | \$199.3          | (\$10.4)            | -5.2%        | \$188.9            | \$14.9              | 8.6%        |
| Medicare*                  | \$4.7                 | \$5.7            | (\$0.5)             | -8.8%        | \$5.2              | \$0.5               | 10.5%       |
| HDHP                       | \$8.8                 | \$9.9            | (\$0.4)             | -4.2%        | \$9.5              | \$0.7               | 7.7%        |
| <b>Total Local</b>         | <b>\$187.5</b>        | <b>\$214.9</b>   | <b>(\$11.3)</b>     | <b>-5.3%</b> | <b>\$203.6</b>     | <b>\$16.1</b>       | <b>8.6%</b> |
| <b>Grand Total</b>         | <b>\$1,317.7</b>      | <b>\$1,500.0</b> | <b>(\$73.7)</b>     | <b>-4.9%</b> | <b>\$1,426.3</b>   | <b>\$108.6</b>      | <b>8.2%</b> |

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\* Medicare includes HDHP Medicare and Family 1 contracts

\*\* 2022 Inforce Rates are pre-buydown

\*\*\* 2023 BAFO rates are pre-buydown

# Network Access Qualification

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- A plan must meet at least 90% geo-access in the county for the inpatient hospitals, primary care physicians (includes Internal Medicine, Family Medicine and General Medicine) and chiropractors
- If a geo-access requirement above is not met, the plan can alternatively meet the qualification requirement for any county by:
  - Inpatient Hospitals: the plan must have at least one (1) general hospital under contract and/or routinely utilized by in-network providers available per county
  - Primary Care Physicians: the ratio of full-time equivalent primary physicians accepting new patients to total participants in a county or major city is at least one per two thousand (1.0/2,000) with a minimum of five (5) primary care physicians per county
  - Chiropractors: one (1) chiropractor must be available in each county
- For a plan to be fully qualified in county, the plan must be a qualified in that county and be Tier 1
- If no plans meet the requirements above for a given country, the SMP will be available

# State Maintenance Plan (SMP)

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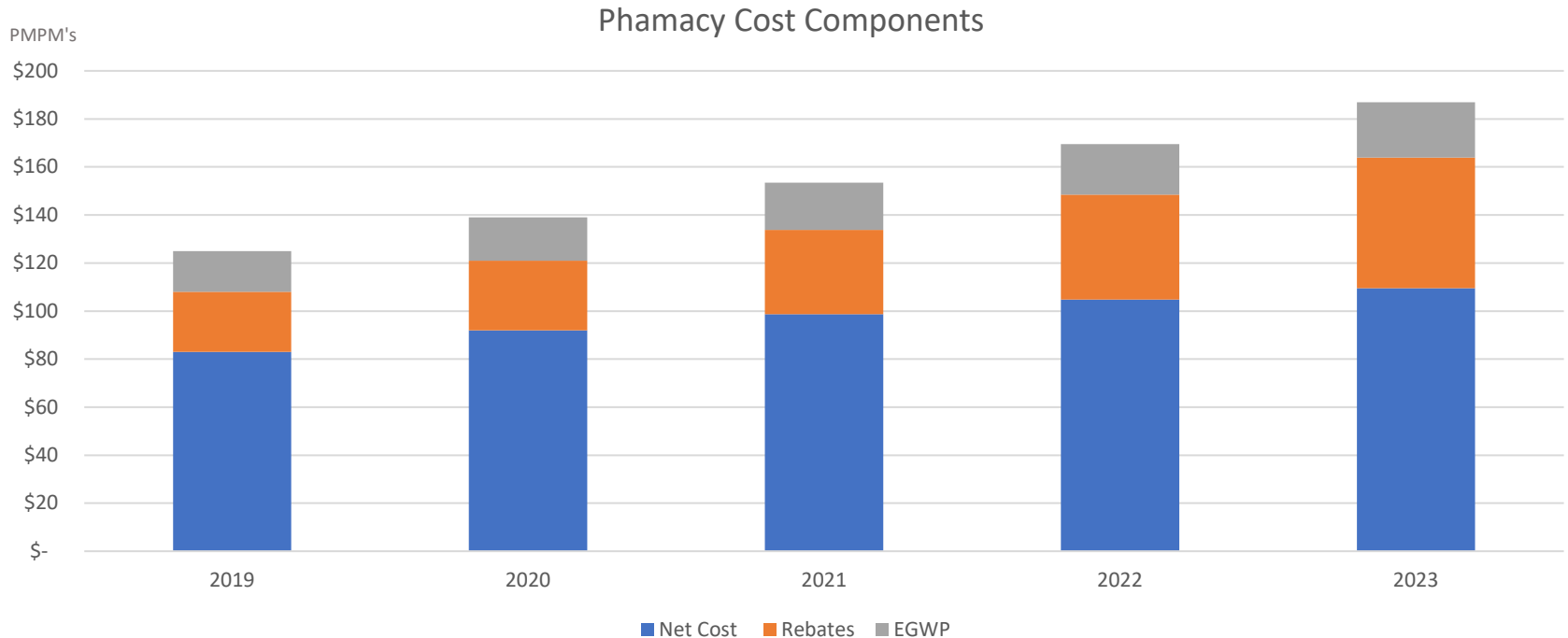
- SMP is the designated Tier 1 plan in every county where there is no other qualified Tier 1 plan
- SMP will be offered in 1 county in 2023 for State (same as 2022):
  - Florence County
- SMP will be offered in 4 counties in 2023 for Local (down from 7 counties in 2022):
  - Florence County
  - Marquette County
  - Waupaca County
  - Waushara County

**The vast majority of Local membership will not need a SMP in 2023 as a result of expanded networks.**

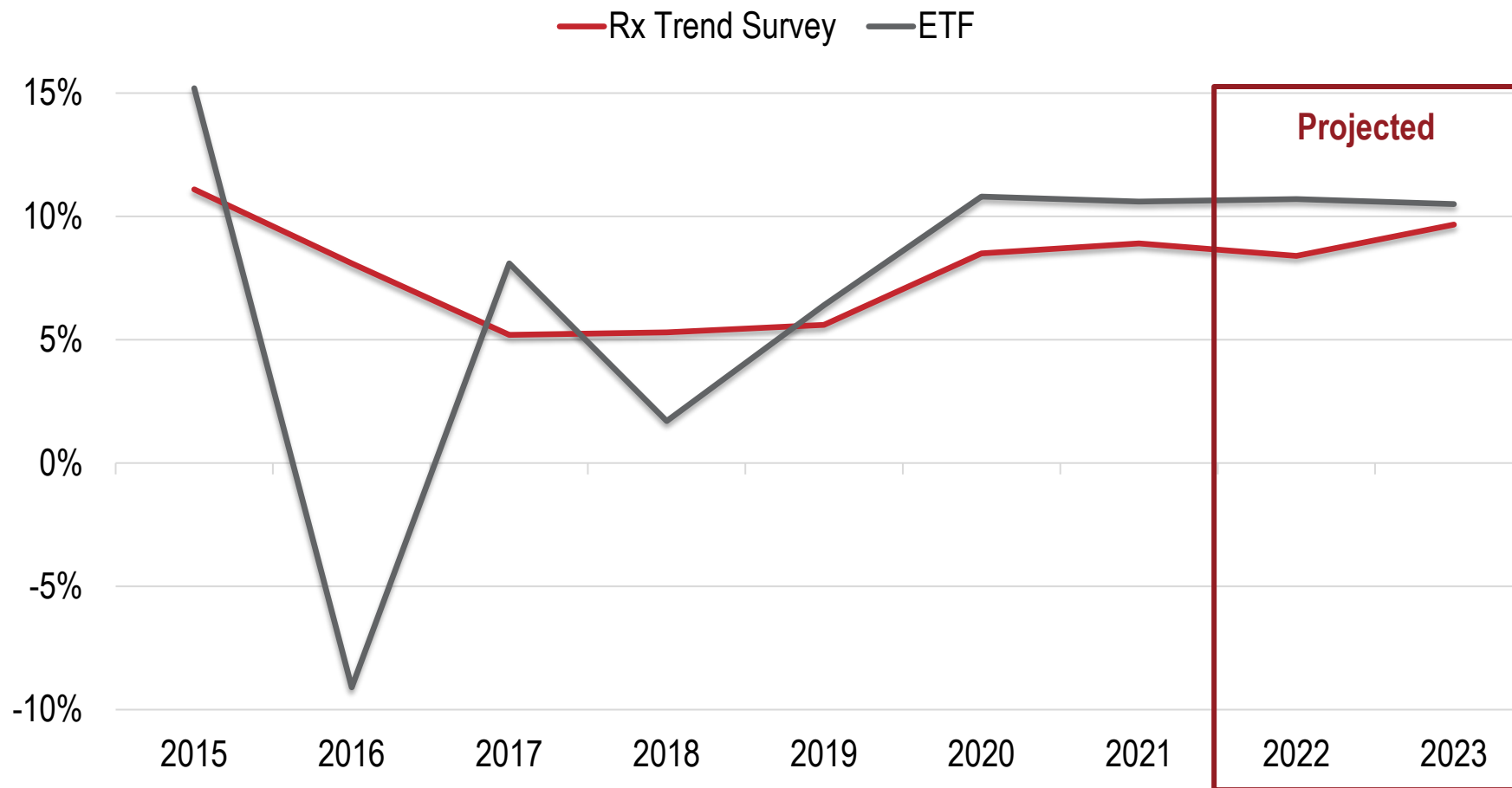
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# Historical Pharmacy Spend – PMPM

- “Top Line” claims (before credits) projected trend is averaging 10.6% from 2016 – 2023, while Rebates and EGWP subsidies have increased on average at 16.5%
- The net impact is a 4-year total average increase of 7.2% annually



# Historical Pharmacy “Top Line” Trends – Comparison to ETF



**ETF increases have generally been higher than norms over past 4 years.**

# Prescription Drug Plan

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- Rating groups below are necessary to minimize volatility:
  - **State:** Regular, Grads, and Medicare
  - **Local:** Regular and Medicare
- Claims data was received from Navitus and used in our analysis
  - Baseline data utilized the most recent 12 months of claims, June 2021 through May 2022
- Annual top-line claims trend of 9.6% was derived from the weighted average of the Navitus projected claims trends for 2021 and 2022 and the Segal trend survey
- We received and utilized administrative expenses, expected rebates and Medicare Part D subsidies provided by Navitus for the rate development
- As opposed to prior years, the actual net prescription costs were higher than Navitus assumptions, yielding a loss
- The Navitus recast of 2021 and 2022 cost assumptions further drove the composite rate increase of 9.6%



# Prescription Drug Plans Rates

➤ Aggregate rate increase of 10.2% for State

|                                    | 2022 Single Rate | 2023 Single Rate | %            |
|------------------------------------|------------------|------------------|--------------|
| <b>State</b>                       |                  |                  |              |
| HMO Regular                        | \$119.94         | \$128.50         | 7.1%         |
| IYC Access                         | \$119.94         | \$128.50         | 7.1%         |
| State Maintenance Plan (SMP)       | \$119.94         | \$128.50         | 7.1%         |
| HDHP Regular                       | \$103.14         | \$110.52         | 7.2%         |
| IYC Access HDHP                    | \$103.14         | \$110.52         | 7.2%         |
| State Maintenance Plan (SMP) HDHP  | \$103.14         | \$110.52         | 7.2%         |
| HMO Grads                          | \$56.20          | \$64.14          | 14.1%        |
| IYC Access Grads                   | \$56.20          | \$64.14          | 14.1%        |
| State Maintenance Plan (SMP) Grads | \$56.20          | \$64.14          | 14.1%        |
| HMO Medicare                       | \$140.40         | \$167.52         | 19.3%        |
| Medicare Plus (IYC Access & SMP)   | \$140.40         | \$167.52         | 19.3%        |
| <b>Overall</b>                     |                  |                  | <b>10.2%</b> |

## Prescription Drug Plans Rates *continued*

➤ Aggregate rate decrease of 4.4% for Local

|                                  | 2022<br>Single Rate | 2023<br>Single Rate | %<br>Change  |
|----------------------------------|---------------------|---------------------|--------------|
| <b>Local</b>                     |                     |                     |              |
| HDHP Regular                     | \$106.02            | \$102.00            | -3.8%        |
| IYC Access HDHP                  | \$106.02            | \$102.00            | -3.8%        |
| State Maintenance Plan HDHP      | \$106.02            | \$102.00            | -3.8%        |
| HMO Regular                      | \$130.90            | \$125.92            | -3.8%        |
| IYC Access                       | \$130.90            | \$125.92            | -3.8%        |
| State Maintenance Plan           | \$130.90            | \$125.92            | -3.8%        |
| HMO / HDHP Medicare              | \$186.38            | \$166.88            | -10.5%       |
| Medicare Plus (IYC Access & SMP) | \$186.38            | \$166.88            | -10.5%       |
| <b>Overall</b>                   |                     |                     | <b>-4.4%</b> |


# Prescription Drug Plans Rates

➤ Overall, the recommended rate increase for the prescription drug plan is 8.1%

|                            | 2022 Inforce<br>(Pre BD) | 2023 Premium<br>(Pre BD) | \$ Change      | % Change     |
|----------------------------|--------------------------|--------------------------|----------------|--------------|
| <b>State (in Millions)</b> |                          |                          |                |              |
| Non-Medicare, Non-Grad     | \$148.8                  | \$159.4                  | \$10.6         | 7.1%         |
| Medicare*                  | \$58.2                   | \$69.2                   | \$11.0         | 18.9%        |
| Grad Assistants            | \$5.6                    | \$6.4                    | \$0.8          | 14.1%        |
| HDHP                       | \$26.2                   | \$28.1                   | \$1.9          | 7.2%         |
| <b>Total State</b>         | <b>\$238.8</b>           | <b>\$263.1</b>           | <b>\$24.3</b>  | <b>10.2%</b> |
| <b>Local (in Millions)</b> |                          |                          |                |              |
| Non-Medicare, Non-Grad     | \$34.6                   | \$33.3                   | (\$1.3)        | -3.8%        |
| Medicare*                  | \$3.7                    | \$3.3                    | (\$0.4)        | -10.2%       |
| HDHP                       | \$1.6                    | \$1.5                    | (\$0.1)        | -3.8%        |
| <b>Total Local</b>         | <b>\$39.9</b>            | <b>\$38.2</b>            | <b>(\$1.8)</b> | <b>-4.4%</b> |
| <b>Grand Total</b>         | <b>\$278.7</b>           | <b>\$301.3</b>           | <b>\$22.6</b>  | <b>8.1%</b>  |

^ Totals may not reconcile due to rounding

\* Medicare includes Family 1 contracts

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# Dental Plan Rates (State and Local)

- The self-insured dental plan was procured in 2015 and Delta Dental was awarded the contract for a 2016 start date
  - Delta won a recent RFP to continue services starting 1/1/2022
- Claims data (January 2017 – April 2022) was received from Delta Dental and used in our analysis
  - Experience period used was 2021 incurred claims (runout thru April 2022)
- Assumptions:
  - Annual Trend 3.1% (Segal Trend Survey)
  - Delta Dental's Projected 2022 Plan Design Change Impact 3.7% (Add coverage for composite fillings on posterior teeth)
- Emerging experience aligns with prior projections, thus the rate increase is close to the underlying trend assumption

|                           | 2022 Rates | 2023 Rates | % Change |
|---------------------------|------------|------------|----------|
| <b>Self-Insured Rates</b> |            |            |          |
| Single                    | \$30.20    | \$31.16    | 3.2%     |
| Family                    | \$75.50    | \$77.90    | 3.2%     |

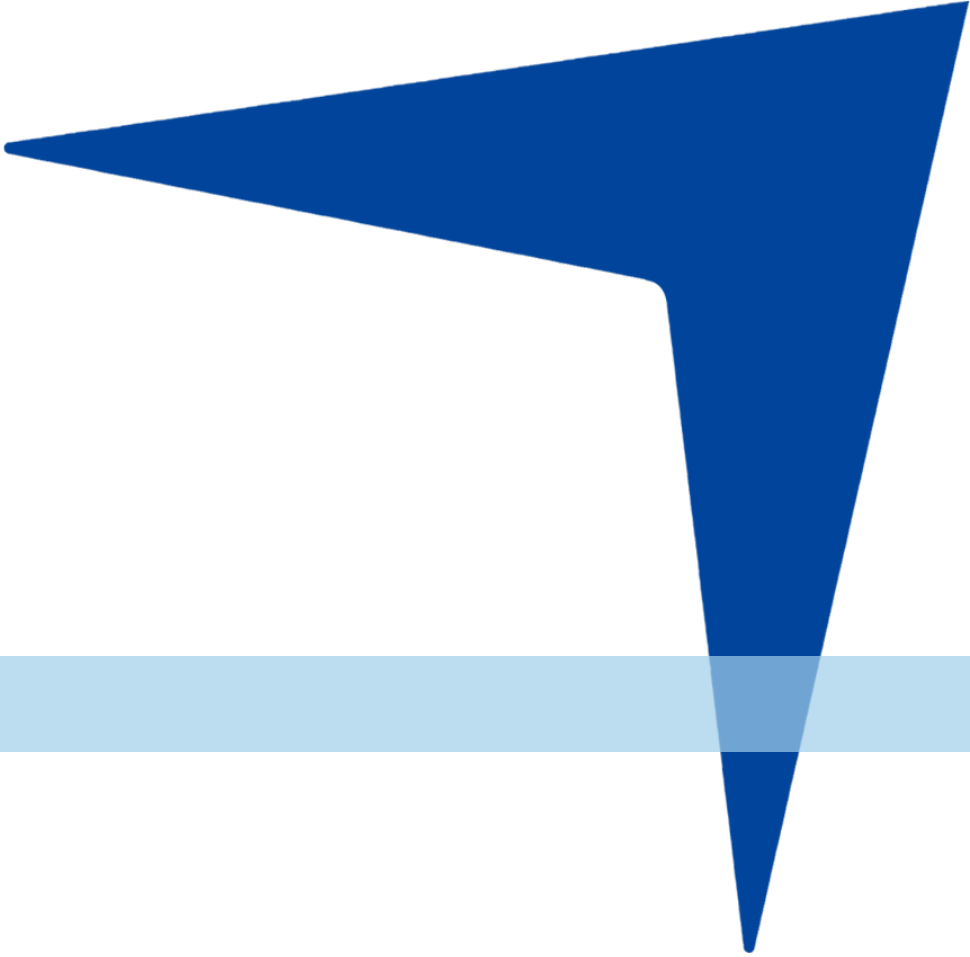
# Dental Total Cost

➤ Overall, the recommended rate action for the dental plan is 3.2%

|                            | 2022 Inforce<br>(Pre BD) | 2023 Premium<br>(Pre BD) | \$ Change      | %<br>Change |
|----------------------------|--------------------------|--------------------------|----------------|-------------|
| <b>State (in Millions)</b> |                          |                          |                |             |
| Non-Medicare, Non-Grad     | \$36.6                   | \$37.8                   | \$1.2          | 3.2%        |
| Medicare*                  | \$10.9                   | \$11.3                   | \$0.3          | 3.2%        |
| Grad Assistants            | \$2.8                    | \$2.9                    | \$0.1          | 3.2%        |
| HDHP                       | \$7.4                    | \$7.6                    | \$0.2          | 3.2%        |
| <b>Total State</b>         | <b>\$57.8</b>            | <b>\$59.6</b>            | <b>\$1.8</b>   | <b>3.2%</b> |
| <b>Local (in Millions)</b> |                          |                          |                |             |
| Non-Medicare, Non-Grad     | \$1.795                  | \$1.852                  | \$0.057        | 3.2%        |
| Medicare*                  | \$0.085                  | \$0.087                  | \$0.003        | 3.2%        |
| HDHP                       | \$0.120                  | \$0.123                  | \$0.004        | 3.2%        |
| <b>Total Local</b>         | <b>\$1.999</b>           | <b>\$2.063</b>           | <b>\$0.064</b> | <b>3.2%</b> |
| <b>Grand Total</b>         | <b>\$59.8</b>            | <b>\$61.7</b>            | <b>\$1.9</b>   | <b>3.2%</b> |

^ Totals may not reconcile due to rounding

\* Medicare includes Family 1 contracts

- 
1. Overview
  2. Medical Plans
  3. Prescription Drug Plan
  4. Dental
  - 5. Aggregate Renewal**
  6. Fund Balance/Reserve
  7. 2023 Premium Alternatives

# 2023 Aggregate Renewal - Medical, Rx, Dental, and Admin

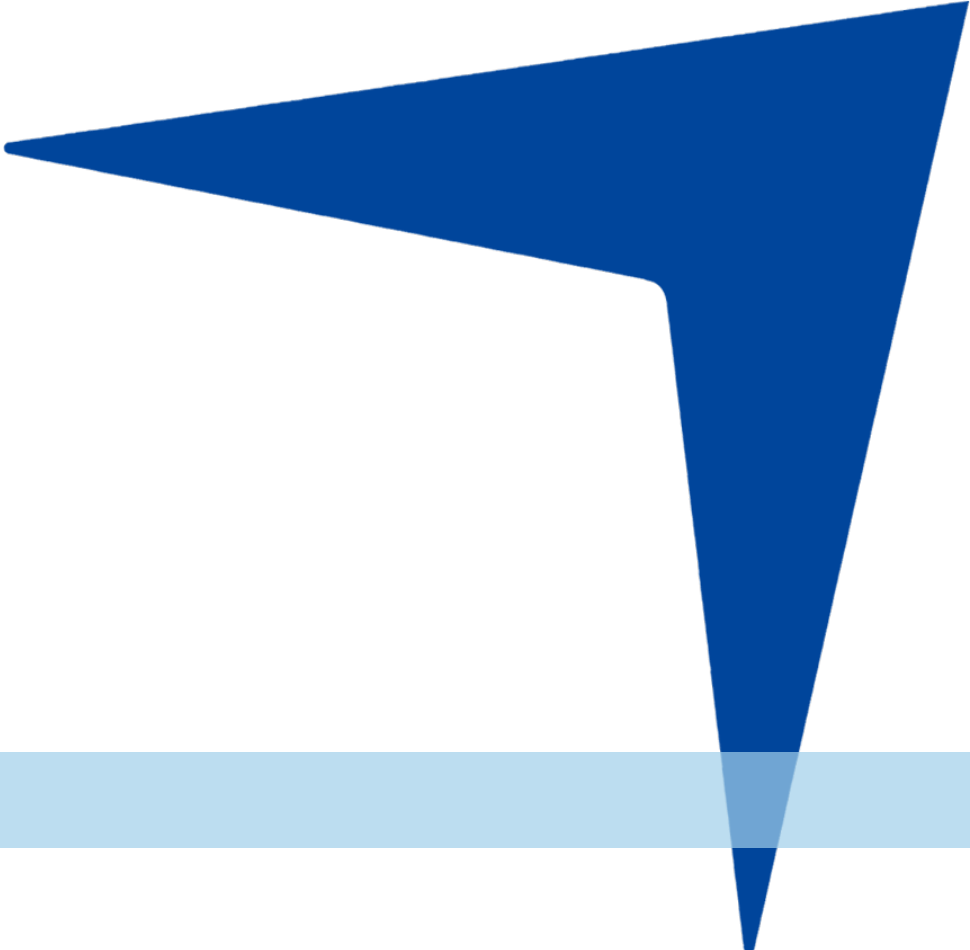
- Renewal process resulted in a \$131.1 million Total Premium increase, a 7.8% increase from 2022 Inforce Rates (8.0% for State and 6.1% for Locals)

|                            | 2022 Inforce<br>(Pre BD) | 2023 Premium<br>(Pre BD) | \$ Change      | % Change    |
|----------------------------|--------------------------|--------------------------|----------------|-------------|
| <b>State (in Millions)</b> |                          |                          |                |             |
| Medical                    | \$1,130.1                | \$1,222.7                | \$92.6         | 8.2%        |
| Pharmacy                   | \$238.8                  | \$263.1                  | \$24.3         | 10.2%       |
| Dental                     | \$57.8                   | \$59.6                   | \$1.8          | 3.2%        |
| Admin                      | \$26.8                   | \$25.0                   | (\$1.8)        | -6.7%       |
| <b>Total</b>               | <b>\$1,453.5</b>         | <b>\$1,570.4</b>         | <b>\$116.9</b> | <b>8.0%</b> |
| <b>Local (in Millions)</b> |                          |                          |                |             |
| Medical                    | \$187.5                  | \$203.6                  | \$16.1         | 8.6%        |
| Pharmacy                   | \$39.9                   | \$38.2                   | (\$1.8)        | -4.4%       |
| Dental                     | \$2.0                    | \$2.1                    | \$0.1          | 3.2%        |
| Admin                      | \$3.6                    | \$3.3                    | (\$0.2)        | -6.7%       |
| <b>Total</b>               | <b>\$233.0</b>           | <b>\$247.2</b>           | <b>\$14.2</b>  | <b>6.1%</b> |
| <b>Grand Total</b>         | <b>\$1,686.6</b>         | <b>\$1,817.6</b>         | <b>\$131.1</b> | <b>7.8%</b> |

^ Totals may not reconcile due to rounding

\* Medicare includes HDHP Medicare and Family 1 contracts



- 
1. Overview
  2. Medical Plans
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  4. Dental Plan
  5. Aggregate Renewal
  - 6. Fund Balance/Reserve**
  7. 2023 Premium Alternatives

# Fund Balance

## State

- The fund balance increased \$4.2M in 2021 and is projected to decrease by \$40.5M in 2022

| State Health Reserve (in millions) |              |               |               |              |              |              |              |              |              |               |
|------------------------------------|--------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
|                                    | 2013         | 2014          | 2015          | 2016         | 2017         | 2018         | 2019         | 2020         | 2021         | 2022          |
| <b>Beg of Year</b>                 |              |               |               |              |              |              |              |              |              |               |
| Medical                            | 61.4         | 66.7          | 69.4          | 74.8         | 76.9         | 84.7         | 62.0         | 73.5         | 86.3         | 96.5          |
| Pharmacy                           | 77.9         | 63.1          | 30.8          | 6.7          | 60.1         | 121.8        | 134.7        | 132.4        | 100.1        | 90.1          |
| Dental                             | 0.0          | 0.0           | 0.0           | 0.0          | (1.2)        | 0.2          | 3.5          | 5.5          | 19.6         | 23.7          |
| <b>Total</b>                       | <b>139.3</b> | <b>129.8</b>  | <b>100.1</b>  | <b>81.5</b>  | <b>135.8</b> | <b>206.6</b> | <b>200.2</b> | <b>211.4</b> | <b>206.1</b> | <b>210.3</b>  |
| <b>Gain/(Loss)</b>                 |              |               |               |              |              |              |              |              |              |               |
| Medical                            | 5.3          | 2.7           | 5.4           | 2.1          | 7.8          | (22.7)       | 11.5         | 12.9         | 10.2         | 0.6           |
| Pharmacy                           | (14.9)       | (32.3)        | (24.1)        | 53.4         | 61.6         | 13.0         | (2.4)        | (32.2)       | (10.1)       | (41.2)        |
| Dental                             | 0.0          | 0.0           | 0.0           | (1.2)        | 1.4          | 3.3          | 2.0          | 14.1         | 4.1          | 0.1           |
| <b>Total</b>                       | <b>(9.6)</b> | <b>(29.6)</b> | <b>(18.7)</b> | <b>54.3</b>  | <b>70.8</b>  | <b>(6.4)</b> | <b>11.1</b>  | <b>(5.3)</b> | <b>4.2</b>   | <b>(40.5)</b> |
| <b>End of Year</b>                 |              |               |               |              |              |              |              |              |              |               |
| Medical                            | 66.7         | 69.4          | 74.8          | 76.9         | 84.7         | 62.0         | 73.5         | 86.3         | 96.5         | 97.1          |
| Pharmacy                           | 63.1         | 30.8          | 6.7           | 60.1         | 121.8        | 134.7        | 132.4        | 100.1        | 90.1         | 48.9          |
| Dental                             | 0.0          | 0.0           | 0.0           | (1.2)        | 0.2          | 3.5          | 5.5          | 19.6         | 23.7         | 23.8          |
| <b>Total</b>                       | <b>129.8</b> | <b>100.1</b>  | <b>81.5</b>   | <b>135.8</b> | <b>206.6</b> | <b>200.2</b> | <b>211.4</b> | <b>206.1</b> | <b>210.3</b> | <b>169.7</b>  |

^ Totals may not reconcile due to rounding

\* Reserves inclusive of investment income

# Fund Balance

## Local

- The fund balance increased \$2.6M in 2021 and is projected to increase \$0.8M in 2022

| Local Health Reserve (in millions) |             |              |              |             |             |             |              |              |             |             |
|------------------------------------|-------------|--------------|--------------|-------------|-------------|-------------|--------------|--------------|-------------|-------------|
|                                    | 2013        | 2014         | 2015         | 2016        | 2017        | 2018        | 2019         | 2020         | 2021        | 2022        |
| <b>Beg of Year</b>                 |             |              |              |             |             |             |              |              |             |             |
| Medical                            | 1.7         | 0.6          | 0.7          | 0.6         | (0.1)       | (0.8)       | (1.5)        | (2.0)        | (2.3)       | (3.3)       |
| Pharmacy                           | 17.0        | 20.5         | 15.6         | 8.4         | 14.3        | 19.9        | 23.7         | 21.0         | 16.8        | 20.4        |
| Dental                             | 0.0         | 0.0          | 0.0          | 0.0         | (0.1)       | (0.2)       | (0.2)        | (0.2)        | 0.1         | 0.1         |
| <b>Total</b>                       | <b>18.7</b> | <b>21.1</b>  | <b>16.3</b>  | <b>9.0</b>  | <b>14.2</b> | <b>18.9</b> | <b>22.1</b>  | <b>18.9</b>  | <b>14.6</b> | <b>17.2</b> |
| <b>Gain/(Loss)</b>                 |             |              |              |             |             |             |              |              |             |             |
| Medical                            | (1.1)       | 0.0          | (0.0)        | (0.7)       | (0.8)       | (0.7)       | (0.5)        | (0.3)        | (1.0)       | 0.0         |
| Pharmacy                           | 3.5         | (4.9)        | (7.2)        | 5.9         | 5.6         | 3.8         | (2.7)        | (4.2)        | 3.6         | 0.8         |
| Dental                             | 0.0         | 0.0          | 0.0          | (0.1)       | (0.1)       | 0.0         | 0.0          | 0.3          | (0.0)       | (0.1)       |
| <b>Total</b>                       | <b>2.4</b>  | <b>(4.9)</b> | <b>(7.2)</b> | <b>5.1</b>  | <b>4.7</b>  | <b>3.1</b>  | <b>(3.2)</b> | <b>(4.2)</b> | <b>2.6</b>  | <b>0.8</b>  |
| <b>End of Year</b>                 |             |              |              |             |             |             |              |              |             |             |
| Medical                            | 0.6         | 0.7          | 0.6          | (0.1)       | (0.8)       | (1.5)       | (2.0)        | (2.3)        | (3.3)       | (3.2)       |
| Pharmacy                           | 20.5        | 15.6         | 8.4          | 14.3        | 19.9        | 23.7        | 21.0         | 16.8         | 20.4        | 21.2        |
| Dental                             | 0.0         | 0.0          | 0.0          | (0.1)       | (0.2)       | (0.2)       | (0.2)        | 0.1          | 0.1         | 0.1         |
| <b>Total</b>                       | <b>21.1</b> | <b>16.3</b>  | <b>9.0</b>   | <b>14.2</b> | <b>18.9</b> | <b>22.1</b> | <b>18.9</b>  | <b>14.6</b>  | <b>17.2</b> | <b>18.1</b> |

^ Totals may not reconcile due to rounding

\* Reserves inclusive of investment income

# Fund Balance

## State (Projected 12/31/2022)

- Segal's ending fund balance projection uses ETF transactional data through 6/30/2022

| <b>State Health Reserve (in millions)</b> |                |                 |               |                |
|---|----------------|-----------------|---------------|----------------|
|   | <b>Medical</b> | <b>Pharmacy</b> | <b>Dental</b> | <b>Total</b>   |
| Balance 1/1/2022                          | 96.5           | 90.1            | 23.7          | 210.3          |
| <b>Revenue</b>                            |                |                 |               |                |
| Premiums                                  | 1,184.1        | 216.1           | 60.7          | 1,461.0        |
| EGWP Subsidy                              |                | 55.1            |               | 55.1           |
| Investment Income                         | 0.6            | 0.4             | 0.1           | 1.1            |
| <b>Total Revenue</b>                      | <b>1,184.7</b> | <b>271.7</b>    | <b>60.9</b>   | <b>1,517.2</b> |
| <b>Expenses</b>                           |                |                 |               |                |
| Paid Claims                               | 1,164.6        | 409.4           | 59.6          | 1,633.5        |
| Admin Costs                               | 19.6           | 9.4             | 1.2           | 30.2           |
| Rebates                                   |                | (105.9)         |               | (105.9)        |
| <b>Total Expenses</b>                     | <b>1184.1</b>  | <b>312.9</b>    | <b>60.8</b>   | <b>1,557.8</b> |
| 2022 Change in Budget                     | 0.6            | (41.2)          | 0.1           | (40.5)         |
| <b>Balance 12/31/2022</b>                 | <b>97.1</b>    | <b>48.9</b>     | <b>23.8</b>   | <b>169.7</b>   |
| <b>2021 Projection</b>                    |                |                 |               | <b>187.1</b>   |

^ Totals may not reconcile due to rounding

**A net loss of \$17.4 million**

# Fund Balance

## Local (Projected 12/31/2022)

- Segal's ending fund balance projection uses ETF transactional data through 6/30/2022

| <b>Local Health Reserve (in millions)</b> |                |                 |               |              |
|---|----------------|-----------------|---------------|--------------|
|   | <b>Medical</b> | <b>Pharmacy</b> | <b>Dental</b> | <b>Total</b> |
| Balance 1/1/2022                          | (3.3)          | 20.4            | 0.1           | 17.2         |
| <b>Revenue</b>                            |                |                 |               |              |
| Premiums                                  | 185.6          | 38.1            | 2.1           | 225.8        |
| EGWP Subsidy                              |                | 3.5             |               | 3.5          |
| Investment Income                         | (0.0)          | 0.1             | 0.0           | 0.1          |
| <b>Total Revenue</b>                      | <b>185.6</b>   | <b>41.8</b>     | <b>2.1</b>    | <b>229.5</b> |
| <b>Expenses</b>                           |                |                 |               |              |
| Paid Claims                               | 183.1          | 55.6            | 2.1           | 240.8        |
| Admin Costs                               | 2.5            | 0.9             | 0.0           | 3.4          |
| Rebates                                   |                | (15.5)          |               | (15.5)       |
| <b>Total Expenses</b>                     | <b>185.6</b>   | <b>40.9</b>     | <b>2.1</b>    | <b>228.6</b> |
| 2022 Change in Budget                     | 0.0            | 0.8             | (0.1)         | 0.8          |
| <b>Balance 12/31/2022</b>                 | <b>(3.2)</b>   | <b>21.2</b>     | <b>0.1</b>    | <b>18.1</b>  |
| <b>2021 Projection</b>                    |                |                 |               | <b>15.3</b>  |

^ Totals may not reconcile due to rounding

A net gain of \$2.8 million

## Gain/(Loss) Summary

- Overall investment experience over last 12-months has been positive
- Poor pharmacy experience is the largest component of the loss for State
- Allocation of rebates and subsidies to locals causes some variation

| Projected 12/31/2022 Reserve<br>Gain/(Loss) Analysis<br>(in millions) |               |            |
|---|---------------|------------|
|   | State         | Local      |
| 2021 Projected  | 187.1         | 15.3       |
| 2022 Projected  | 169.7         | 18.1       |
| <b>Total Reserve Gain</b>   | <b>(17.4)</b> | <b>2.8</b> |
| Gain from:  |               |            |
| Investment Income   | 6.6           | 1.8        |
| Pharmacy Experience   | (20.4)        | 1.8        |
| Dental Experience   | (0.3)         | (0.1)      |
| Medical Experience  | (3.3)         | (0.7)      |

# Reserve Policy

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- In August 2017, Segal was asked to review the reserve policy in place and recommended some modifications at the August 30, 2018, Board meeting
- The proposed policy looked at a number of factors and recommended reducing the reserve levels for the self-insured pharmacy and dental programs
- The new policy, approved by the Board, sets reserves at:
  - Medical: 3% to 5% of premiums
  - Pharmacy: 8% to 10% of projected claims
  - Dental: 5% to 7% of projected claims
- It was proposed to move to the midpoint of the new policy over a 4-year period to minimize premium fluctuations—with 2021 being the last year of the phase-in
- Last year the board, based on the reserve at that time, approved moving to the new policy over the 3-year period ending in 2024

# Reserve Surplus Calculation

- Based on the mid-point reserve target, the State has a surplus of \$76.7M
- Locals also have a surplus of \$4.3M

|                                   | Projected Reserve (in millions) |            |             |             |               |             |              |            |
|-----------------------------------|---------------------------------|------------|-------------|-------------|---------------|-------------|--------------|------------|
|                                   | State                           |            |             |             | Local         |             |              |            |
|                                   | Medical                         | Rx         | Dental      | Total       | Medical       | Rx          | Dental       | Total      |
| Projected Fund Balance 12/31/2022 | 97.1                            | 48.9       | 23.8        | 169.7       | (3.2)         | 21.2        | 0.1          | 18.1       |
| Projected 2023 Claims (SI)        |                                 | 449.5      | 61.4        | 511.0       |               | 61.0        | 2.2          | 63.2       |
| Projected 2023 Premiums (FI)      | 1,222.7                         |            |             | 1,222.7     | 203.6         |             |              | 203.6      |
| <b>New Policy Reserve Target</b>  |                                 |            |             |             |               |             |              |            |
| 3% Medical, 8% Rx, 5% Dental      | 36.7                            | 36.0       | 3.1         | 75.7        | 6.1           | 4.9         | 0.1          | 11.1       |
| 5% Medical, 10% Rx, 7% Dental     | 61.1                            | 45.0       | 4.3         | 110.4       | 10.2          | 6.1         | 0.2          | 16.4       |
| Mid-Point Reserve                 | 48.9                            | 40.5       | 3.7         | 93.1        | 8.1           | 5.5         | 0.1          | 13.8       |
| <b>Surplus New Policy</b>         | <b>48.2</b>                     | <b>8.4</b> | <b>20.1</b> | <b>76.7</b> | <b>(11.4)</b> | <b>15.7</b> | <b>(0.1)</b> | <b>4.3</b> |

- Segal recommends the State and Local plans utilize a portion of the surplus to buy down premiums
- Also note there is \$17.4M for State and \$2.7M for Locals to move to the lower end of the range



# Historical Fund Balance Buy-Downs

- Since 2007 there have been frequent buy-downs to move toward the Board Reserve Policy

| Premium Year | Fund Buy-Down (in millions) |      |        |       |         |     |        |       |
|--------------|-----------------------------|------|--------|-------|---------|-----|--------|-------|
|              | State                       |      |        |       | Local   |     |        |       |
|              | Medical                     | Rx   | Dental | Total | Medical | Rx  | Dental | Total |
| 2025(TBD)    |                             |      |        |       |         |     |        |       |
| 2024(TBD)    |                             |      |        |       |         |     |        |       |
| 2023(TBD)    |                             |      |        |       |         |     |        |       |
| 2022         | 0.0                         | 27.0 | 0.0    | 27.0  | 0.0     | 2.5 | 0.0    | 2.5   |
| 2021         | 0.0                         | 10.5 | 0.0    | 10.5  | 0.0     | 1.7 | 0.0    | 1.7   |
| 2020         | 0.0                         | 33.0 | 0.0    | 33.0  | 0.0     | 6.5 | 0.0    | 6.5   |
| 2019         | 0.0                         | 49.1 | 0.0    | 49.1  | 0.0     | 7.8 | 0.0    | 7.8   |
| 2018         | 13.0                        | 16.0 | 0.0    | 29.0  | 0.0     | 0.0 | 0.0    | 0.0   |
| 2017         | 0.0                         | 0.0  | 0.0    | 0.0   | 0.0     | 0.0 | 0.0    | 0.0   |
| 2016         | 0.0                         | 0.0  | 0.0    | 0.0   | 0.0     | 0.0 | 0.0    | 0.0   |
| 2015         | 0.0                         | 20.0 | 0.0    | 20.0  | 0.0     | 5.0 | 0.0    | 5.0   |
| 2014         | 0.0                         | 20.5 | 0.0    | 20.5  | 0.0     | 3.1 | 0.0    | 3.1   |
| 2013         | 0.0                         | 32.8 | 0.0    | 32.8  | 0.2     | 1.0 | 0.0    | 1.2   |
| 2012         | 0.0                         | 30.0 | 0.0    | 30.0  | 0.0     | 1.0 | 0.0    | 1.0   |

- Buy-downs require additional premium in the future years to make up the amount

The buy-down is applied by taking a % of the Rx premium rates across all groups.

# Multi-Year Reserve Draw Strategy – State Option 1

- Continue Option 4 from 2022 Board Approval – \$43.0M draw; a 7.1% increase
- In 2024, the remaining surplus is applied – a 5.4% increase
- No additional draw in 2025 – a 7.6% increase

## State Reserve Multi-Year Strategy (in Millions)

|             | Balance <sup>1</sup> | Target <sup>2</sup> | % of Claims/<br>FI Premium | Surplus <sup>3</sup> | Draw   |
|-------------|----------------------|---------------------|----------------------------|----------------------|--------|
| <b>2023</b> | \$169.7              | \$93.1              | 5.4%                       | \$76.7               | \$43.0 |
| <b>2024</b> | \$135.6              | \$97.7              | 5.4%                       | \$37.9               | \$39.7 |
| <b>2025</b> | \$102.6              | \$102.6             | 5.4%                       | \$0.0                | \$0.0  |

<sup>^</sup> Totals may not reconcile due to rounding

<sup>1</sup> Assumes 7% investment return and no additional gains or losses that would impact the fund balance.

<sup>2</sup> Reserve Target assumed to increase at 5% per year.

<sup>3</sup> The Surplus refers to the money in the fund that exceeds the Midpoint Target Reserve at beginning of year.

## Multi-Year Reserve Draw Strategy – State Option 2

- The table below targets a 4% increase in 2023 and uses the entire surplus
- In 2024, with no surplus available, results in a larger increase of 11.1%
- In 2025, with no surplus available, the rate increase is 5.0%

### State Reserve Multi-Year Strategy (in Millions)

|             | Balance <sup>1</sup> | Target <sup>2</sup> | % of Claims/<br>FI Premium | Surplus <sup>3</sup> | Draw   |
|-------------|----------------------|---------------------|----------------------------|----------------------|--------|
| <b>2023</b> | \$169.7              | \$93.1              | 5.4%                       | \$76.7               | \$86.5 |
| <b>2024</b> | \$89.1               | \$97.7              | 5.4%                       | -\$8.7               | \$0.0  |
| <b>2025</b> | \$95.3               | \$102.6             | 5.4%                       | -\$7.3               | \$0.0  |

- Note that this falls below the midpoint target – but is still within the reserve range

<sup>^</sup> Totals may not reconcile due to rounding

<sup>1</sup> Assumes 7% investment return and no additional gains or losses that would impact the fund balance.

<sup>2</sup> Reserve Target assumed to increase at 5% per year.

<sup>3</sup> The Surplus refers to the money in the fund that exceeds the Midpoint Target Reserve at beginning of year.

# Multi-Year Reserve Draw Strategy – State Option 3

- The table below targets a 5% increase in 2023 and uses most of the surplus
- In 2024, the remaining surplus is applied, leaving an increase of 9.5%
- In 2025, with no surplus available, the rate increase is 5.5%

## State Reserve Multi-Year Strategy (in Millions)

|             | Balance <sup>1</sup> | Target <sup>2</sup> | % of Claims/<br>FI Premium | Surplus <sup>3</sup> | Draw   |
|-------------|----------------------|---------------------|----------------------------|----------------------|--------|
| <b>2023</b> | \$169.7              | \$93.1              | 5.4%                       | \$76.7               | \$72.3 |
| <b>2024</b> | \$104.2              | \$97.7              | 5.4%                       | \$6.5                | \$8.4  |
| <b>2025</b> | \$102.6              | \$102.6             | 5.4%                       | \$0.0                | \$0.0  |

<sup>^</sup> Totals may not reconcile due to rounding

<sup>1</sup> Assumes 7% investment return and no additional gains or losses that would impact the fund balance.

<sup>2</sup> Reserve Target assumed to increase at 5% per year.

<sup>3</sup> The Surplus refers to the money in the fund that exceeds the Midpoint Target Reserve at beginning of year.

## Multi-Year Reserve Draw Strategy – State Option 4

- The table below targets a 6% increase in 2023 and uses most of the surplus
- In 2024, the remaining surplus is applied, leaving an increase of 7.5%
- In 2025, with no surplus available, the rate increase is 6.5%

**State Reserve Multi-Year Strategy (in Millions)**

|             | Balance <sup>1</sup> | Target <sup>2</sup> | % of Claims/<br>FI Premium | Surplus <sup>3</sup> | Draw   |
|-------------|----------------------|---------------------|----------------------------|----------------------|--------|
| <b>2023</b> | \$169.7              | \$93.1              | 5.4%                       | \$76.7               | \$58.0 |
| <b>2024</b> | \$119.5              | \$97.7              | 5.4%                       | \$21.8               | \$23.7 |
| <b>2025</b> | \$102.6              | \$102.6             | 5.4%                       | \$0.0                | \$0.0  |

<sup>^</sup> Totals may not reconcile due to rounding

<sup>1</sup> Assumes 7% investment return and no additional gains or losses that would impact the fund balance.

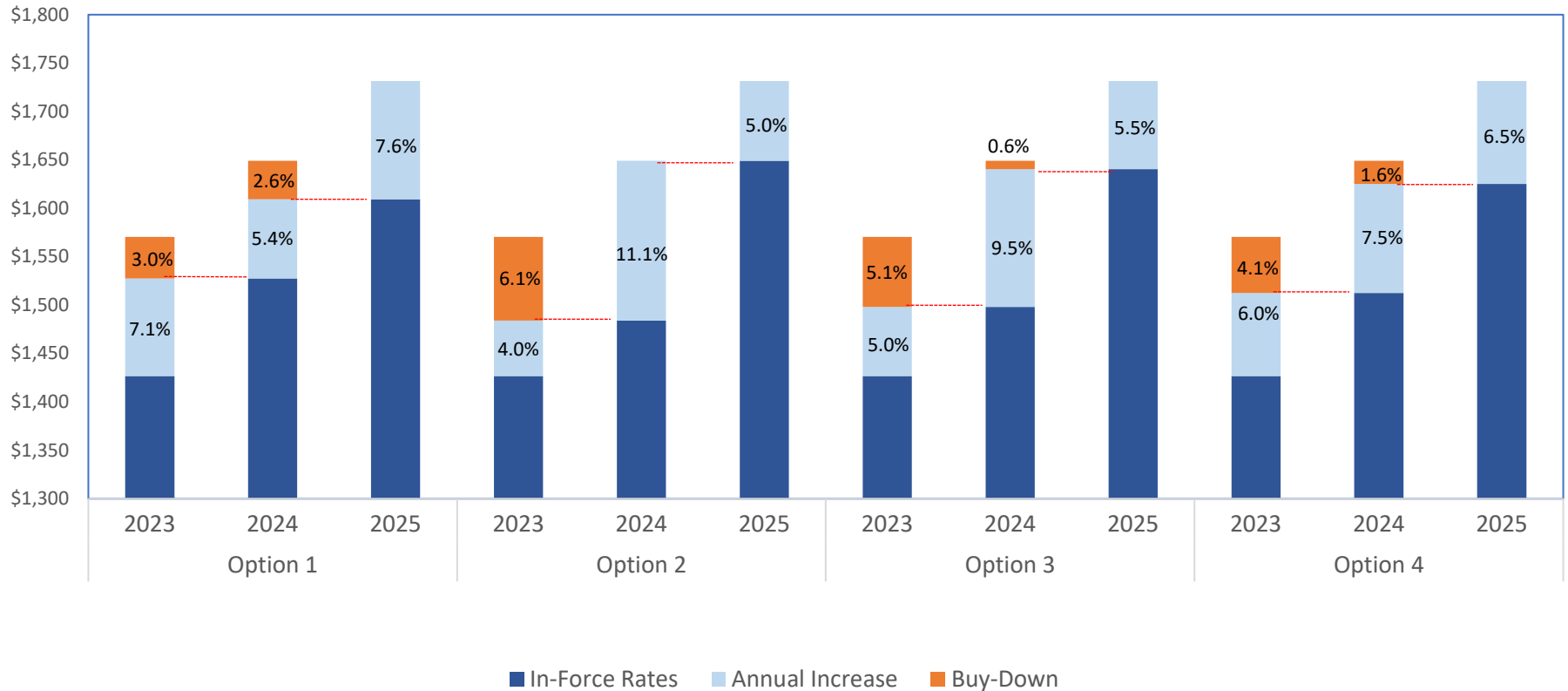
<sup>2</sup> Reserve Target assumed to increase at 5% per year.

<sup>3</sup> The Surplus refers to the money in the fund that exceeds the Midpoint Target Reserve at beginning of year.

# Projected State Premium Increases – Options 1 through 4

- Depending on the option, there will be an additional increases over trend in the future to compensate for the underfunding in prior years

Buy-Down Scenarios (in \$ millions)



- Each option produces the same 3-year overall increase of 5.0%

# Projected Local Premium Increases

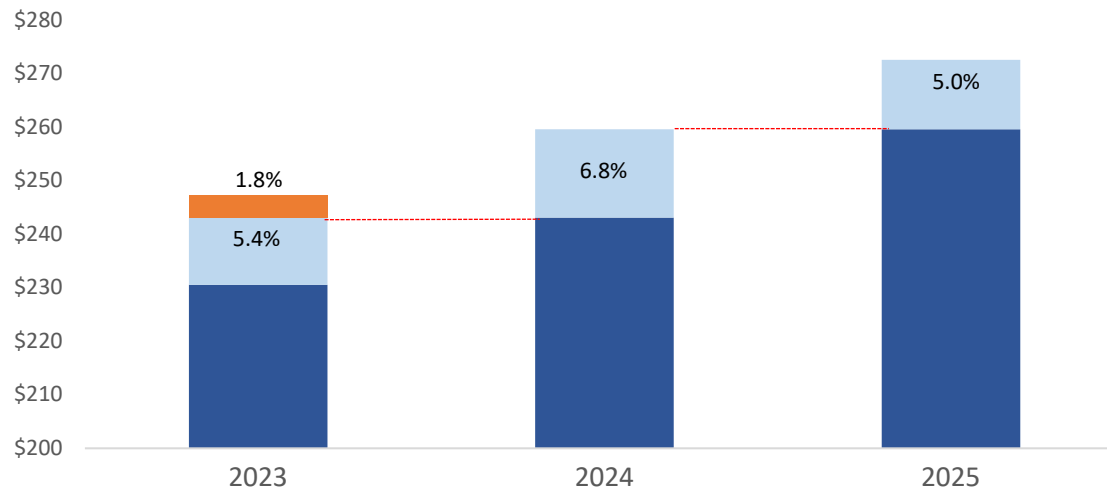
➤ Utilized the entire surplus in 2023

## Local Reserve Multi-Year Strategy (in Millions)

|             | Balance <sup>1</sup> | Target <sup>2</sup> | % of Claims/<br>FI Premium | Surplus <sup>3</sup> | Draw  |
|-------------|----------------------|---------------------|----------------------------|----------------------|-------|
| <b>2023</b> | \$17.2               | \$13.8              | 5.2%                       | \$3.5                | \$4.1 |
| <b>2024</b> | \$14.2               | \$14.5              | 5.2%                       | -\$0.2               | \$0.0 |
| <b>2025</b> | \$15.2               | \$15.2              | 5.2%                       | \$0.0                | \$0.0 |

<sup>^</sup> Totals may not reconcile due to rounding

## Buy-Down Scenarios (in \$ millions)



■ In-Force Rates   ■ Annual Increase   ■ Buy-Down

- 
1. Overview
  2. Medical Plans
  3. Prescription Drug Plan
  4. Dental Plan
  5. Aggregate Renewal
  6. Fund Balance/Reserve

## **7. 2023 Premium Alternatives**



# 2023 Premium Rates – With No Reserve Draw

## Total Premium by Group

- The 2022 premiums reflect a \$26.8 million buy-down for State and \$2.5 million for Locals
- The 2022 inforce after buy-down premiums are expected to increase 10.1% in 2023 before further reserve draw down – Locals increase is 7.2%
- Premiums include medical, pharmacy, dental, and admin

|                            | 2022 Inforce<br>(Pre BD) | 2022 Inforce<br>(Post BD) | 2022<br>BD    | 2023<br>Premium<br>(Pre BD) | 2023<br>Need   | %            |
|----------------------------|--------------------------|---------------------------|---------------|-----------------------------|----------------|--------------|
| <b>State (in Millions)</b> |                          |                           |               |                             |                |              |
| Non-Medicare, Non-Grad     | \$1,046.7                | \$1,030.0                 | \$16.7        | \$1,125.3                   | \$95.3         | 9.2%         |
| Medicare*                  | \$158.9                  | \$152.3                   | \$6.5         | \$179.0                     | \$26.7         | 17.5%        |
| Grad Assistants            | \$59.2                   | \$58.6                    | \$0.6         | \$63.9                      | \$5.4          | 9.2%         |
| HDHP                       | \$188.8                  | \$185.8                   | \$2.9         | \$202.2                     | \$16.3         | 8.8%         |
| <b>Total</b>               | <b>\$1,453.5</b>         | <b>\$1,426.7</b>          | <b>\$26.8</b> | <b>\$1,570.4</b>            | <b>\$143.7</b> | <b>10.1%</b> |
| <b>Local (in Millions)</b> |                          |                           |               |                             |                |              |
| Non-Medicare, Non-Grad     | \$213.5                  | \$211.3                   | \$2.2         | \$226.9                     | \$15.6         | 7.4%         |
| Medicare*                  | \$8.9                    | \$8.6                     | \$0.2         | \$9.0                       | \$0.3          | 3.9%         |
| HDHP                       | \$10.7                   | \$10.6                    | \$0.1         | \$11.3                      | \$0.7          | 6.7%         |
| <b>Total</b>               | <b>\$233.0</b>           | <b>\$230.5</b>            | <b>\$2.5</b>  | <b>\$247.2</b>              | <b>\$16.7</b>  | <b>7.2%</b>  |
| <b>Grand Total</b>         | <b>\$1,686.6</b>         | <b>\$1,657.3</b>          | <b>\$29.3</b> | <b>\$1,817.6</b>            | <b>\$160.3</b> | <b>9.7%</b>  |

^ Totals may not reconcile due to rounding

\* Medicare includes Family 1 contracts

## 2023 Premium Rates – With Option 1 Reserve Draw

- State draws down the reserve \$43.0 million to reduce the overall increase from 10.1% to 7.1%
- Locals draws down the reserve \$2.5 million to reduce the overall increase from 7.2% to 5.4%
- Aggregate increase after buy-down is 6.8%

|                            | 2022<br>Inforce<br>(Post BD) | 2023<br>Premium<br>(Pre BD) | 2023<br>Buydown | 2023<br>Premium<br>(Post BD) | \$<br>Change   | %<br>Change |
|----------------------------|------------------------------|-----------------------------|-----------------|------------------------------|----------------|-------------|
| <b>State (in Millions)</b> |                              |                             |                 |                              |                |             |
| Non-Medicare, Non-Grad     | \$1,030.0                    | \$1,125.3                   | (\$26.0)        | \$1,099.2                    | \$69.2         | 6.7%        |
| Medicare*                  | \$152.3                      | \$179.0                     | (\$11.3)        | \$167.7                      | \$15.4         | 10.1%       |
| Grad Assistants            | \$58.6                       | \$63.9                      | (\$1.0)         | \$62.9                       | \$4.3          | 7.4%        |
| HDHP                       | \$185.8                      | \$202.2                     | (\$4.6)         | \$197.6                      | \$11.7         | 6.3%        |
| <b>Total</b>               | <b>\$1,426.7</b>             | <b>\$1,570.4</b>            | <b>(\$43.0)</b> | <b>\$1,527.5</b>             | <b>\$100.7</b> | <b>7.1%</b> |
| <b>Local (in Millions)</b> |                              |                             |                 |                              |                |             |
| Non-Medicare, Non-Grad     | \$211.3                      | \$226.9                     | (\$3.6)         | \$223.4                      | \$12.0         | 5.7%        |
| Medicare*                  | \$8.6                        | \$9.0                       | (\$0.4)         | \$8.6                        | (\$0.0)        | -0.3%       |
| HDHP                       | \$10.6                       | \$11.3                      | (\$0.2)         | \$11.2                       | \$0.5          | 5.1%        |
| <b>Total</b>               | <b>\$230.5</b>               | <b>\$247.2</b>              | <b>(\$4.1)</b>  | <b>\$243.1</b>               | <b>\$12.6</b>  | <b>5.4%</b> |
| <b>Grand Total</b>         | <b>\$1,657.3</b>             | <b>\$1,817.6</b>            | <b>(\$47.1)</b> | <b>\$1,770.6</b>             | <b>\$113.3</b> | <b>6.8%</b> |

^ Totals may not reconcile due to rounding

\* Medicare includes Family 1 contracts

# 2023 Premium Rates – With Option 2 Reserve Draw

- State draws down the reserve \$86.5 million to reduce the overall increase from 10.1% to 4.0%
- Locals draws down the reserve \$4.1 million to reduce the overall increase from 7.2% to 5.4%
- Aggregate increase after buy-down is 4.2%

|                            | 2022 Inforce (Post BD) | 2023 Premium (Pre BD) | 2023 Buydown    | 2023 Premium (Post BD) | \$ Change     | % Change    |
|----------------------------|------------------------|-----------------------|-----------------|------------------------|---------------|-------------|
| <b>State (in Millions)</b> |                        |                       |                 |                        |               |             |
| Non-Medicare, Non-Grad     | \$1,030.0              | \$1,125.3             | (\$52.4)        | \$1,072.8              | \$42.8        | 4.2%        |
| Medicare*                  | \$152.3                | \$179.0               | (\$22.8)        | \$156.3                | \$3.9         | 2.6%        |
| Grad Assistants            | \$58.6                 | \$63.9                | (\$2.1)         | \$61.8                 | \$3.3         | 5.6%        |
| HDHP                       | \$185.8                | \$202.2               | (\$9.2)         | \$192.9                | \$7.1         | 3.8%        |
| <b>Total</b>               | <b>\$1,426.7</b>       | <b>\$1,570.4</b>      | <b>(\$86.5)</b> | <b>\$1,483.9</b>       | <b>\$57.1</b> | <b>4.0%</b> |
| <b>Local (in Millions)</b> |                        |                       |                 |                        |               |             |
| Non-Medicare, Non-Grad     | \$211.3                | \$226.9               | (\$3.6)         | \$223.4                | \$12.0        | 5.7%        |
| Medicare*                  | \$8.6                  | \$9.0                 | (\$0.4)         | \$8.6                  | (\$0.0)       | -0.3%       |
| HDHP                       | \$10.6                 | \$11.3                | (\$0.2)         | \$11.2                 | \$0.5         | 5.1%        |
| <b>Total</b>               | <b>\$230.5</b>         | <b>\$247.2</b>        | <b>(\$4.1)</b>  | <b>\$243.1</b>         | <b>\$12.6</b> | <b>5.4%</b> |
| <b>Grand Total</b>         | <b>\$1,657.3</b>       | <b>\$1,817.6</b>      | <b>(\$90.6)</b> | <b>\$1,727.0</b>       | <b>\$69.7</b> | <b>4.2%</b> |

^ Totals may not reconcile due to rounding

\* Medicare includes Family 1 contracts

## 2023 Premium Rates – With Option 3 Reserve Draw

- State draws down the reserve \$72.3 million to reduce the overall increase from 10.1% to 5.0%
- Locals draws down the reserve \$4.1 million to reduce the overall increase from 7.2% to 5.4%
- Aggregate increase after buy-down is 5.1%

|                            | 2022<br>Inforce<br>(Post BD) | 2023<br>Premium<br>(Pre BD) | 2023<br>Buydown | 2023<br>Premium<br>(Post BD) | \$<br>Change  | %<br>Change |
|----------------------------|------------------------------|-----------------------------|-----------------|------------------------------|---------------|-------------|
| <b>State (in Millions)</b> |                              |                             |                 |                              |               |             |
| Non-Medicare, Non-Grad     | \$1,030.0                    | \$1,125.3                   | (\$43.8)        | \$1,081.5                    | \$51.4        | 5.0%        |
| Medicare*                  | \$152.3                      | \$179.0                     | (\$19.0)        | \$160.0                      | \$7.7         | 5.0%        |
| Grad Assistants            | \$58.6                       | \$63.9                      | (\$1.8)         | \$62.2                       | \$3.6         | 6.2%        |
| HDHP                       | \$185.8                      | \$202.2                     | (\$7.7)         | \$194.5                      | \$8.6         | 4.6%        |
| <b>Total</b>               | <b>\$1,426.7</b>             | <b>\$1,570.4</b>            | <b>(\$72.3)</b> | <b>\$1,498.1</b>             | <b>\$71.3</b> | <b>5.0%</b> |
| <b>Local (in Millions)</b> |                              |                             |                 |                              |               |             |
| Non-Medicare, Non-Grad     | \$211.3                      | \$226.9                     | (\$3.6)         | \$223.4                      | \$12.0        | 5.7%        |
| Medicare*                  | \$8.6                        | \$9.0                       | (\$0.4)         | \$8.6                        | (\$0.0)       | -0.3%       |
| HDHP                       | \$10.6                       | \$11.3                      | (\$0.2)         | \$11.2                       | \$0.5         | 5.1%        |
| <b>Total</b>               | <b>\$230.5</b>               | <b>\$247.2</b>              | <b>(\$4.1)</b>  | <b>\$243.1</b>               | <b>\$12.6</b> | <b>5.4%</b> |
| <b>Grand Total</b>         | <b>\$1,657.3</b>             | <b>\$1,817.6</b>            | <b>(\$76.4)</b> | <b>\$1,741.2</b>             | <b>\$83.9</b> | <b>5.1%</b> |

^ Totals may not reconcile due to rounding

\* Medicare includes Family 1 contracts

## 2023 Premium Rates – With Option 4 Reserve Draw

- State draws down the reserve \$58.0 million to reduce the overall increase from 10.1% to 6.0%
- Locals draws down the reserve \$2.5 million to reduce the overall increase from 7.2% to 5.4%
- Aggregate increase after buy-down is 5.9%

|                            | 2022<br>Inforce<br>(Post BD) | 2023<br>Premium<br>(Pre BD) | 2023<br>Buydown | 2023<br>Premium<br>(Post BD) | \$<br>Change  | %<br>Change |
|----------------------------|------------------------------|-----------------------------|-----------------|------------------------------|---------------|-------------|
| <b>State (in Millions)</b> |                              |                             |                 |                              |               |             |
| Non-Medicare, Non-Grad     | \$1,030.0                    | \$1,125.3                   | (\$35.2)        | \$1,090.1                    | \$60.1        | 5.8%        |
| Medicare*                  | \$152.3                      | \$179.0                     | (\$15.3)        | \$163.8                      | \$11.4        | 7.5%        |
| Grad Assistants            | \$58.6                       | \$63.9                      | (\$1.4)         | \$62.5                       | \$4.0         | 6.8%        |
| HDHP                       | \$185.8                      | \$202.2                     | (\$6.2)         | \$196.0                      | \$10.1        | 5.5%        |
| <b>Total</b>               | <b>\$1,426.7</b>             | <b>\$1,570.4</b>            | <b>(\$58.0)</b> | <b>\$1,512.4</b>             | <b>\$85.6</b> | <b>6.0%</b> |
| <b>Local (in Millions)</b> |                              |                             |                 |                              |               |             |
| Non-Medicare, Non-Grad     | \$211.3                      | \$226.9                     | (\$3.6)         | \$223.4                      | \$12.0        | 5.7%        |
| Medicare*                  | \$8.6                        | \$9.0                       | (\$0.4)         | \$8.6                        | (\$0.0)       | -0.3%       |
| HDHP                       | \$10.6                       | \$11.3                      | (\$0.2)         | \$11.2                       | \$0.5         | 5.1%        |
| <b>Total</b>               | <b>\$230.5</b>               | <b>\$247.2</b>              | <b>(\$4.1)</b>  | <b>\$243.1</b>               | <b>\$12.6</b> | <b>5.4%</b> |
| <b>Grand Total</b>         | <b>\$1,657.3</b>             | <b>\$1,817.6</b>            | <b>(\$62.1)</b> | <b>\$1,755.5</b>             | <b>\$98.2</b> | <b>5.9%</b> |

^ Totals may not reconcile due to rounding

\* Medicare includes Family 1 contracts

# Questions & Discussion

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*Thank you!*