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NYSAC FINANCE SCHOOL
April 19, 2021, 10am-11:15am

Healthcare Mega Trends and Their Effect on Your Budget

Mark LaVigne, PhD
Deputy Director
NYSAC

About Alera Group

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ALERA GROUP

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Built on the belief that we are ***stronger together,***

we tap into our national community of problem solvers to deliver local, optimized solutions to help grow and protect your business.

With more than 100 locations across the country, Alera Group serves clients through employee benefits, property & casualty, retirement services and wealth management solutions.

Agenda

- **Introduction** – Nonie Flynn, Treasurer and County Administrator, Yates County
- **Mega Trends in Healthcare** – Sally Prather, Executive Vice President, Employee Benefits Practice Leader, Alera Group
- **High-Cost Claimant Strategies** – Julie Kueppers, PhD, FNP, RN, Clinical Review Director
- **Reserving Strategies** – Anil Kochhar, ASA, MAAA, Chief Actuary
- **NYSAC Partnership Programs** – Eric Lintala, CHC, Executive Benefit Consultant

Introduction

Nonie Flynn

Treasurer and County Administrator, Yates County

Megatrends in Healthcare

Sally Prather

Executive Vice President, Employee Benefits Practice Leader, Alera Group

Sally Prather is an Executive Vice President and the Employee Benefits Practice Leader for Alera Group. In this role, Sally focuses on the continued development of Alera Group's employee benefits practice, including platform expansion and resource coordination. She works with firms across the country to strengthen the Alera Group value proposition through unparalleled benefits resources and strategy.

Megatrends Accelerated by COVID-19

1.“Gone Digital”

COVID-19 EFFECTS

ACCELERATION OF TECH ADVANCES:
New means of care accelerating

Plans and providers offer virtual care options for minor, acute care and mental health, and many are extending them to weight management, care management for chronic conditions such as diabetes and cardiovascular disease, prenatal care, musculoskeletal care management/physical therapy. We expect that 2021 will begin more focus on evaluating the quality, outcomes, effectiveness, patient experience and the cost of virtual care options and further exploration of telemedicine innovations such as point-of-care diagnostics and remote monitoring.

– Ellen Kelsay, president and CEO, Business Group on Health

Megatrends Accelerated by COVID-19

1.“Gone Digital”

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COVID-19 EFFECTS

GROWING ACCEPTANCE OF TECH:
No choice but to substantially upgrade the digital experience

The question is will we see deceleration of telemedicine if the pandemic starts to wind down? I do not think so. People approach the healthcare system differently now. Consumers are impatient if they are getting on-demand services so the system has to retool to accommodate that. People will demand high levels of service from healthcare providers, whereas before we simply tolerated bad services.

– Michael Greely, cofounder and General Partner, Flare Capital Partners

Megatrends Accelerated by COVID-19

1.“Gone Digital”

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COVID-19 EFFECTS

DISRUPTION IN THE LABOR MARKET:
Contingent workforce expansion and risk of job loss through automation placement adds pressure to the employment-insurance model

California’s Prop 22: *“DoorDash is looking ahead and across the country, ready to champion new benefits structures that are portable, proportional, and flexible”*

– ***Tony Xu, CEO/Co-Founder, DoorDash***

Megatrends Accelerated by COVID-19

2.“Consumerization”

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CONSUMERS ARE MORE PRUDENT + HEALTH-CONSCIOUS:
Patient-centered care on the rise

The way patients experience healthcare is evolving, and these changes, catalyzed by demographics, consumer behavior, COVID-19, and technology, among other accelerants, are causing health care economic dynamics to restructure.

– Mary Edwards, president of healthcare provider business at NTT Data Services

Megatrends Accelerated by COVID-19

2.“Consumerization”

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POLICY AND TECHNOLOGY CHANGES HITTING THE WINDSHIELD AT AN INCREASING PACE: Transparency

Advancements in transparency are helping to take the lid off the payer-provider relationship. The dawn of a new era is taking hold as the market takes bold steps that will usher in a new dynamic of consumerism.

- Aite Group’s Top 10 Trends in Financial Services, 2021

Megatrends Accelerated by COVID-19

2.“Consumerization”

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DELUGE OF RECENT SUCCESSES WITH CONSUMERS AT THE CENTER:
B2B2C remains supreme for distribution

Megatrends Accelerated by COVID-19

3.“Ecosystemization”

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“DIGITAL MARKETPLACE” VS. “SUITE” OF BENEFITS

CLINICAL INTEROPERABILITY GROOVED
Policy efforts extending from the Obama to the Trump administration have focused on promoting improved clinical interoperability, an exercise that supports paving the way for integrated health management via easing how personal health information flows throughout the health care system.

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HEALTH wizz

healthmine™

HORIZONTAL AND VERTICAL INTEGRATION CONTINUES
Payers? Providers? Payers + Providers?

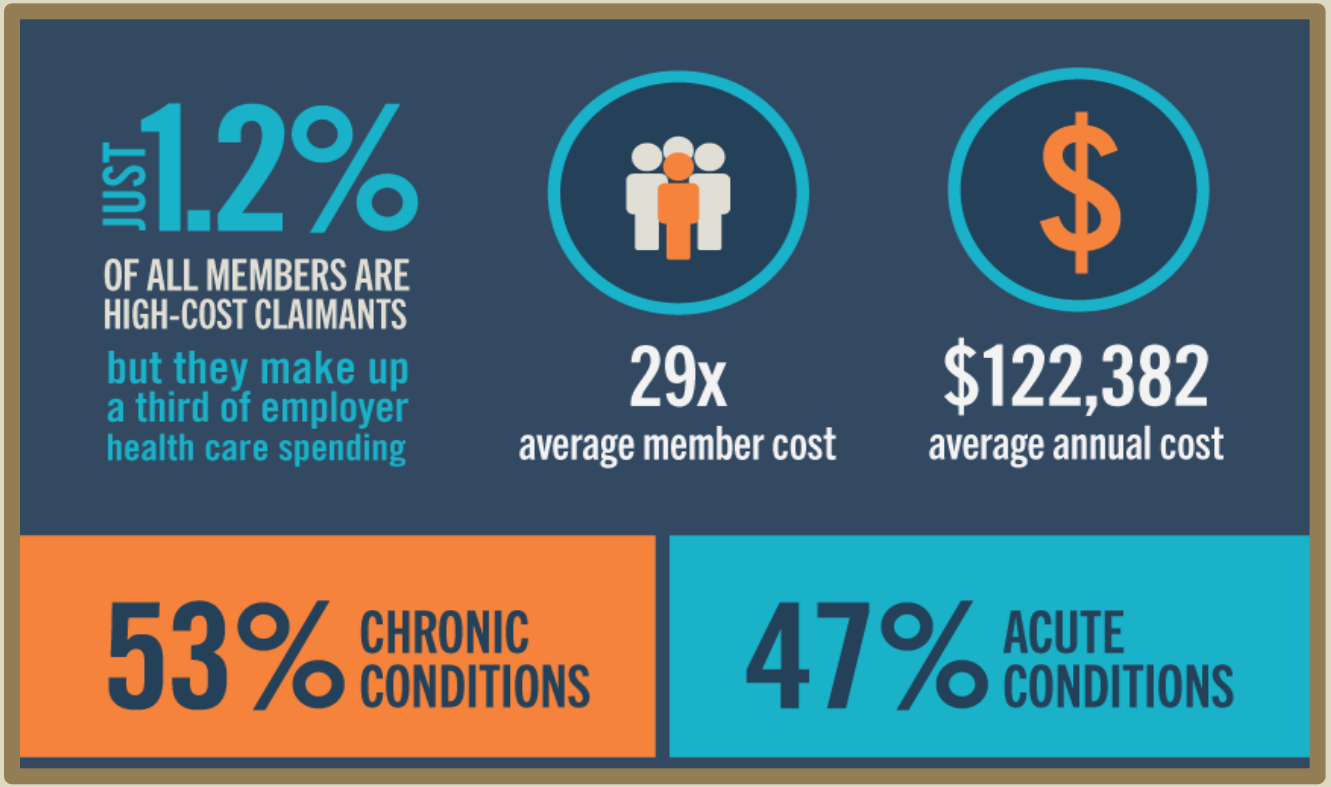
High-cost Claimant Strategies

Julie Keuppers

Julie Keuppers, PhD, FNP, RN, Clinical Review Director

Julie is an experienced Family Nurse Practitioner. In her previous role as the Director of Chronic Disease Prevention, she directed a preventive medicine clinical practice and served as the Principal Investigator focusing on implementing and evaluating chronic disease prevention strategies. Julie helps clients control costs by critically examining clinical data, holding medical management accountable, and recommending pertinent cost-savings opportunities.

High-Cost Claimant Strategies



Source: American Health Policy Institute/Wellmark

Ten years of high-cost claim conditions

Medical condition	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2016–2019
Malignant neoplasm (cancer)	1	1	1	1	1	1	1	1	1	1	1
Leukemia, lymphoma, and/or multiple myeloma (cancers)	3	3	3	2	2	2	2	2	2	2	2
Chronic/end-stage renal disease (kidneys)	2	2	2	3	3	3	3	3	4	4	3
Congenital anomalies (conditions present at birth)	5	4	4	4	4	5	4	4	3	3	4
Septicemia (infection)	9	12	10	11	7	7	6	6	6	8	5
Liveborn (with secondary complications)*	18	9	9	20	14	13	7	8	5	6	6
Transplant	11	15	17	10	5	4	5	5	7	9	7
Complications of surgical and medical care	6	6	13	13	9	12	8	7	9	7	8
Unspecified procedures and aftercare	39	41	52	84	71	43	23	22	8	5	9
Hemophilia/bleeding disorder	21	13	12	17	15	9	9	9	15	11	10

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Source: 2020 Sun Life Stop-Loss Research Report

Why is there a rise in HCCs?

Aging population

Increase in chronic and complex conditions

Specialty drugs
New treatment options

What can we do?

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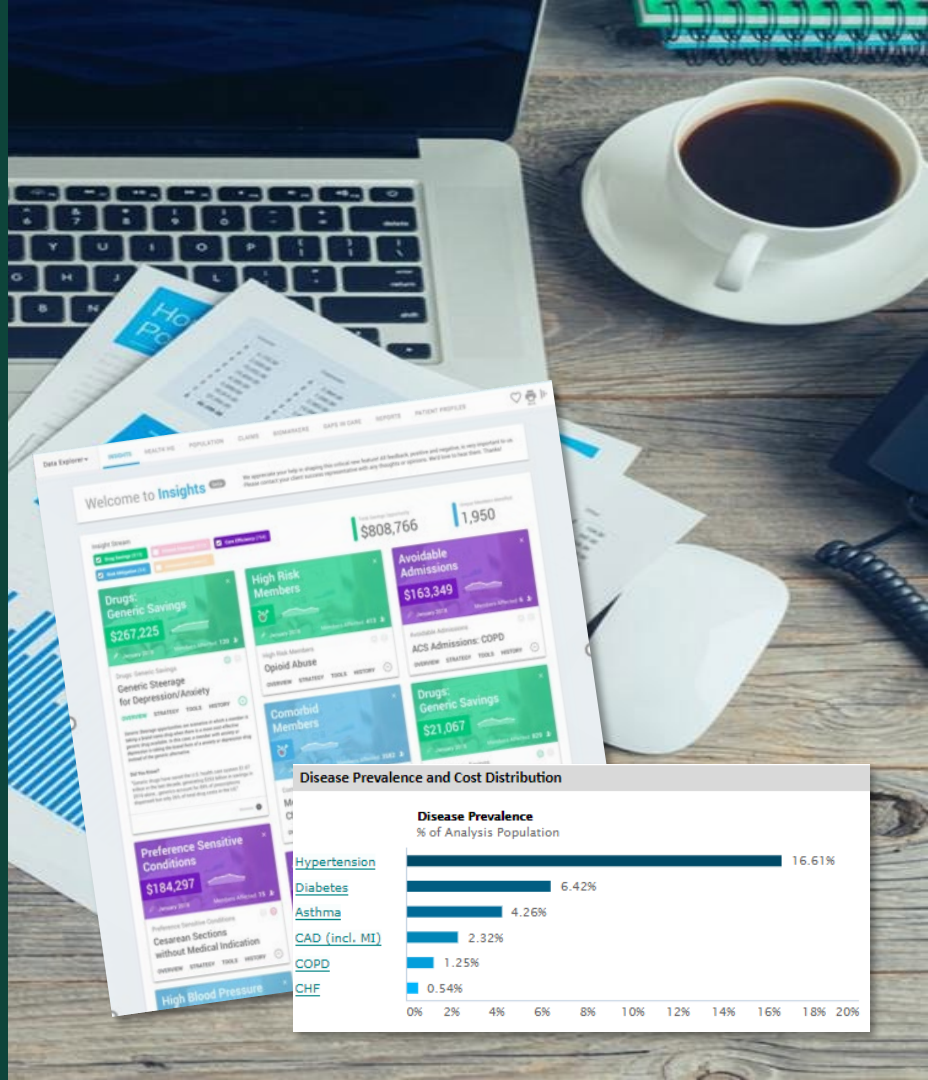
Turning Data into Strategy

- Evaluate high-cost claims
- Ensure carrier accountability for health management interventions
- Assess site of service opportunities
- Analyze specialty drugs
- Identify emerging risks
- Implement point solutions



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Examples of 12 Point Solution Arenas

Pharmacy	Stop loss	Care management	Health advocacy/literacy
Claims auditing	Wellbeing	Centers of excellence	Bundled payments, direct contracting, reference-based pricing
Transparency tools	Expert second opinion	Near-site, on-site, virtual primary care	Data analytics

Reserving Strategies

Anil Kochhar

ASA, MAAA, Chief Actuary, Alera Group

Mr. Kochhar is qualified actuary whose major emphasis is Health Care funding and reserving, specializing in public sector reserve and surplus allocation policies. He has a long history supporting public sector clients. In prior roles Mr. Kochhar has been the lead Actuary public sector clients such as: SCSEBA (Southern California Schools Employee Benefit Association), San Joaquin County, City of San Jose, and the City of Portland.

Why Are Reserve Policies Important?

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- Self-Insured public employers have the unique responsibility of being stewards of their employees' money.
- The obligation to retain funds to cover the cost of expenses that would be due after the termination of the plan.
- Fiduciary responsibility- If there is an excess, what is the best way to spend the money that best benefits the plan members?
- Uncertainty of plan performance. There may be years of lower that anticipated expenditures and years that exceed anticipated expenses.
- Plan fund security for government implemented requirements and unforeseen crisis such as pandemics.

Reserve Policies Overview

Incurred But Not Reported Reserve Policy (IBNR Reserve)
This policy exists to establish the terminal liability for the plan in the event the plan terminates.

Contingency Reserve Policy
This policy exists to establish a reserve that is available in the event the plan does not run as expected. It helps provide stability to plan funding if you have a bad claims year.

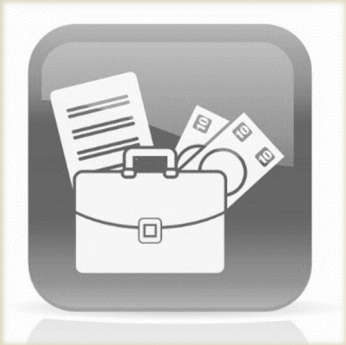
Rate Stabilization Policy
This policy sets a procedure to establish rate stabilization over time. In the event your plan is over or under funded, it establishes procedure for how to calculate how much to fund or spend your fund down over time.

Scope of Reserve Policy Work

Actuarial Services

Develop reserve polices for the Municipality as it pertains to Incurred But Not Reported reserve (IBNR), Contingency Reserves and a policy to amortize claims surplus above the estimated IBNR and Contingency reserves.

- Develop a draft set of policies specific to the Municipality.
- Review policies and adjust policies as needed with all necessary parties.
- Present policies to Council at operations meeting outlining intent and methodology moving for adoption.
- If council needs further clarification or explanation Alera will present clarification and adjusted policies at subsequent Council for ratification.
- Update policies and request ratification every three years.



Sample Output

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Dickerson Insurance Services
AN ALERA GROUP COMPANY

April 10, 2021

Jane Doe
Director, Employee Benefits
Municipality
123 West 86th Avenue
City State Zip

Re: Municipality Incurred but Not Reported (IBNR) Claim Liability for Medical, Pharmacy, Dental, and Vision Coverage as of December 31, 2020.

Dear *Jane*:

Dickerson has estimated the Incurred But Not Reported (IBNR) liability for *Municipality's* Self-insured Medical, Pharmacy, Dental, and Vision Plans to be *$4,485,844* as of *December 31, 2020*. This is a *$306,217* increase from the *December 31, 2019* estimate of *$3,879,627*. Below we show the components for the *December 31, 2020* estimate and compare it to the prior *December 31, 2019* estimate.

Coverages	Total as of 12/31/2020	Total as of 12/31/2019	Difference
Medical	$3,250,200	$2,999,650	$250,550
Pharmacy	$362,456	$356,420	$6,036
Dental	$95,234	$86,072	$9,162
Vision	$46,230	$37,344	$8,886
Provision for Adverse Deviation (PAD)	$187,706	$173,974	$13,732
Loss Adjustment Expense (LAE)	$244,018	$226,167	$17,851
Total	$4,185,844	$3,879,627	$306,217

The actuarially determined IBNR liability is based on three components, a "best estimate" of the anticipated incurred but not reported claims expense, an adverse deviation of 5% to maintain a sufficient reserve level under adverse conditions, and a loss adjustment expense of 6.5% to administer the payment of the outstanding claims. This reserve is based on claims payments through *December 31, 2020*.

The IBNR reserve includes the following: true incurred but not reported claims, claims payable, and suspended claim; potentially in negotiation. Therefore, the reserve is an assessment of the total liability for unpaid claims as of *December 31, 2020*.

Dickerson Insurance Services
AN ALERA GROUP COMPANY

March 2, 2020

Jane Doe
Director, Employee Benefits
Municipality
123 West 86th Avenue
City State Zip

RE: Municipality Actuarially Determined Minimal Contingency Reserve Recommendations as of December 31, 2020

Dear Jane:

Alera considers it prudent, for an Administrator of a self-funded benefit program to establish a contingency reserve to absorb financial strain brought about by adverse claims experience. A contingency reserve is the quantified amount to cover the risk of claims greater than expected claims targets. Alera has determined what we consider to be a reasonable level of contingency reserves for the self-funded programs of Medical, Pharmacy, Dental, and Vision offered by Municipality as of December 31, 2020. The table below gives the recommended amounts for the program on a gross claim basis and on a net claim basis (adjusted for stop loss coverage for Medical and Pharmacy):

Combined Coverages Contingency Reserve Estimate December 31, 2020

	Confidence Level	Gross Contingency Reserve	Stop Loss Offset	Net Contingency Reserve
Combined Plans - Gross Contingency Reserve	95%	$3,000,000	$0	$0
	97%	$5,000,000	$0	$0
	99%	$5,955,623	$0	$0
Combined Plans - Net Contingency Reserve	95%	$3,000,000	$955,623	$2,044,377
	97%	$5,000,000	$955,623	$4,044,377
	99%	$5,955,623	$955,623	$5,000,000

Please see exhibits 1 through 4 for the gross contingency reserves for each coverage.

METHODOLOGY

In order to establish the Contingency Reserve, we used linear regression, specifically:

- Municipality's plan provider Carrier provided claim data which we summarized by incurred and paid period from January 1, 2017 through December 31, 2020. This data is separate for each line of coverage (medical, pharmacy).
- These amounts are converted to a per employee per month (PEPM) basis and linear regression is performed on the monthly PEPM values.
- The regression data is used to determine the predicted monthly values and the corresponding monthly variances, as well as the predicted annual claims per employee per year (PEPY) and corresponding variance PEPY (for July 2020 through June 2021).

Dickerson Insurance Services
AN ALERA GROUP COMPANY

Determination of Unrestricted Funds (Surplus) release Municipality claims

Claims and reserve estimates through December 31, 2020

Scenario 1 1 month average claims minimum for stabilization reserve with 5 year amortization of unallocated surplus	
Unrestricted Estimate December 31, 2020	$18,500,000
Required reserves per Municipality of Anchorage Policy	
Change in Incurred but Not Reported	$306,217
Contingency Reserve (excess loss)	$5,000,000
Minimal Claims stabilization reserve	$3,200,000
Total Liabilities	**$8,506,217**
Remaining surplus (unrestricted funds)	$9,993,783
Surplus reduction - amortization 5 years	**$1,998,757**

Scenario 1a 2 month average claims minimum for stabilization reserve with 5 year amortization of unallocated surplus	
Unrestricted Estimate December 31, 2020	$18,500,000
Required reserves per Municipality of Anchorage Policy	
Change in Incurred but Not Reported	$306,217
Contingency Reserve (excess loss)	$5,000,000
Minimal Claims stabilization reserve	$6,400,000
Total Liabilities	**$11,706,217**
Remaining surplus (unrestricted funds)	$6,793,783
Surplus reduction - amortization 5 years	**$1,358,757**

Scenario 2 1 month average claims minimum for stabilization reserve with 7 year amortization of unallocated surplus	
Unrestricted Estimate December 31, 2020	$18,500,000
Required reserves per Municipality of Anchorage Policy	
Change in Incurred but Not Reported	$306,217
Contingency Reserve (excess loss)	$5,000,000
Minimal Claims stabilization reserve	$3,200,000
Total Liabilities	**$8,506,217**
Remaining surplus (unrestricted funds)	$9,993,783
Surplus reduction - amortization 7 years	**$1,427,683**

Scenario 2a 2 month average claims minimum for stabilization reserve with 7 year amortization of unallocated surplus	
Unrestricted Estimate December 31, 2020	$18,500,000
Required reserves per Municipality of Anchorage Policy	
Change in Incurred but Not Reported	$306,217
Contingency Reserve (excess loss)	$5,000,000
Minimal Claims stabilization reserve	$6,400,000
Total Liabilities	**$11,706,217**
Remaining surplus (unrestricted funds)	$6,793,783
Surplus reduction - amortization 7 years	**$970,540**

NYSAC Partnership Programs

Eric Lintala, CHC,

Executive Benefit Consultant, Alera Group

30+ years employee benefit experience. Eric has been the health and benefits consultant for fully insured, self-funding, minimum premium, as well as retrospective and prospectively rated clients. Mr. Lintala works with public sector employers and understands the importance of plan design, communication, and vendor selection in meeting the long-term budget requirements of benefits programs for active and retiree populations

MHFC Financial Outcomes:

Reduce Cost per Employee Enrolled

Strengthen Fiscal Sustainability

Triple Aim
- build up reserves
- lower future trends
- reallocate funds towards **other financial initiatives**

Further Opportunity to Intercede & Advocate Clinically to Achieve Better Outcomes

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MHFC MUNICIPAL HEALTHCARE FINANCING COLLECTIVE

Proven Performer

MHFC MUNICIPAL HEALTHCARE FINANCING COLLECTIVE

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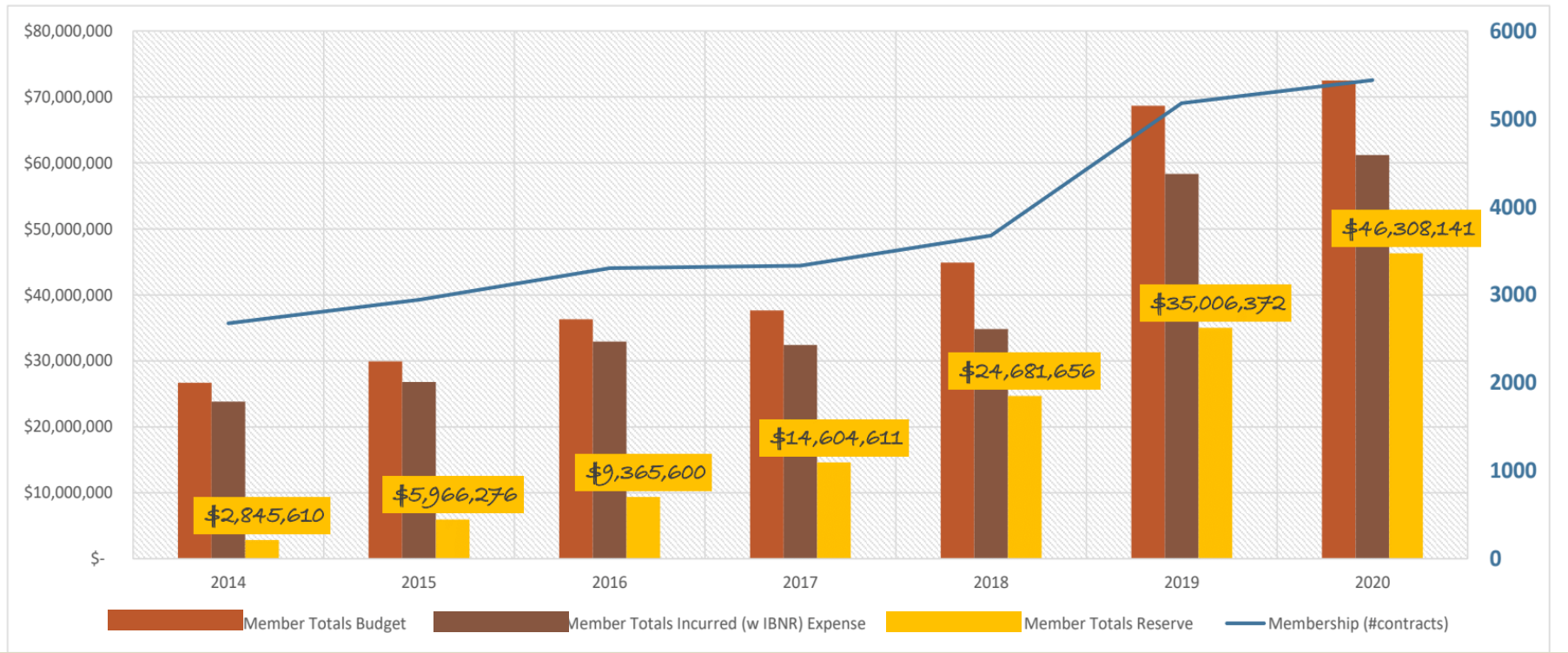

New York Medicare Collective: *Overview*

National Public Sector Retiree Program

- Meet or beat existing retiree obligations
- Access to any Medicare provider nationally
- Enhanced employer and employee support

2021 Proposals:

- 7 Public Sector groups
- 3,002 Medicare retirees
- $8.9 Million dollars savings
- Savings from 9% to 50%

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Questions?

About Alera Group

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