



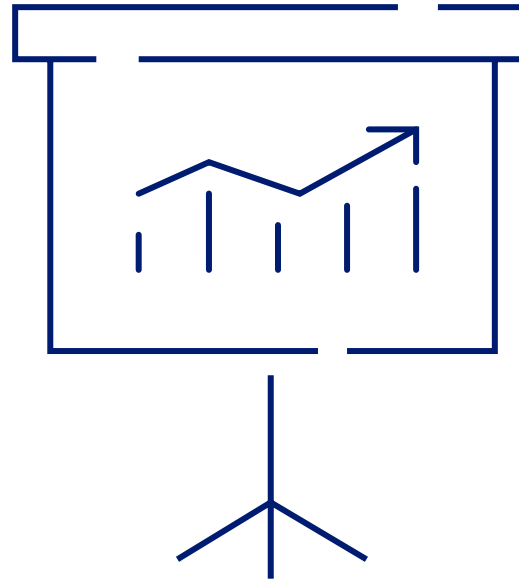
# State of Nevada – Public Employees’ Benefit Program

**Trend Presentation**

March 23, 2023

# Agenda

- Historical plan cost trends
- Results of 2023 *Segal Health Plan Cost Trend Survey*
- FY2024 Pricing methodology and assumptions
- Questions



# Executive Summary

↓ Medical claims trend has declined recently, projected to be 3.3% for PY23

↑ Pharmacy claims trend is running at higher levels than in the past

↑ 8%+ for plan years 2021 and 2022

↑ Projected to be 10.5% for PY23

↓ Rebate and contracting improvements in new PBM contract reduce projected NET Rx trend to -4.4%

⇒ Rebate guarantees are consistent over the life of contract. So, this is a one-time reset.

↓ Dental claims trend continues to run low post-COVID, 0.3% in PY22 and projected to be -5.2% for PY23



<sup>1</sup> NV PEBP historical trends are shown on a plan year basis.

# Executive Summary

⇔ These trends assume no plan design changes. PEBP is implementing several initiatives to reduce costs, which reduces budgeting trend expectations.

⇔ Segal is projecting moderate medical claims trend, higher Rx claims trends and low dental claims trend. These are lower than industry expectations

⇔ For 2019-2021:

- ⇓ PEBP medical trend has run below industry
- ⇓ Pharmacy (gross claims) has run below industry
- ⇓ Dental has run slightly higher than industry

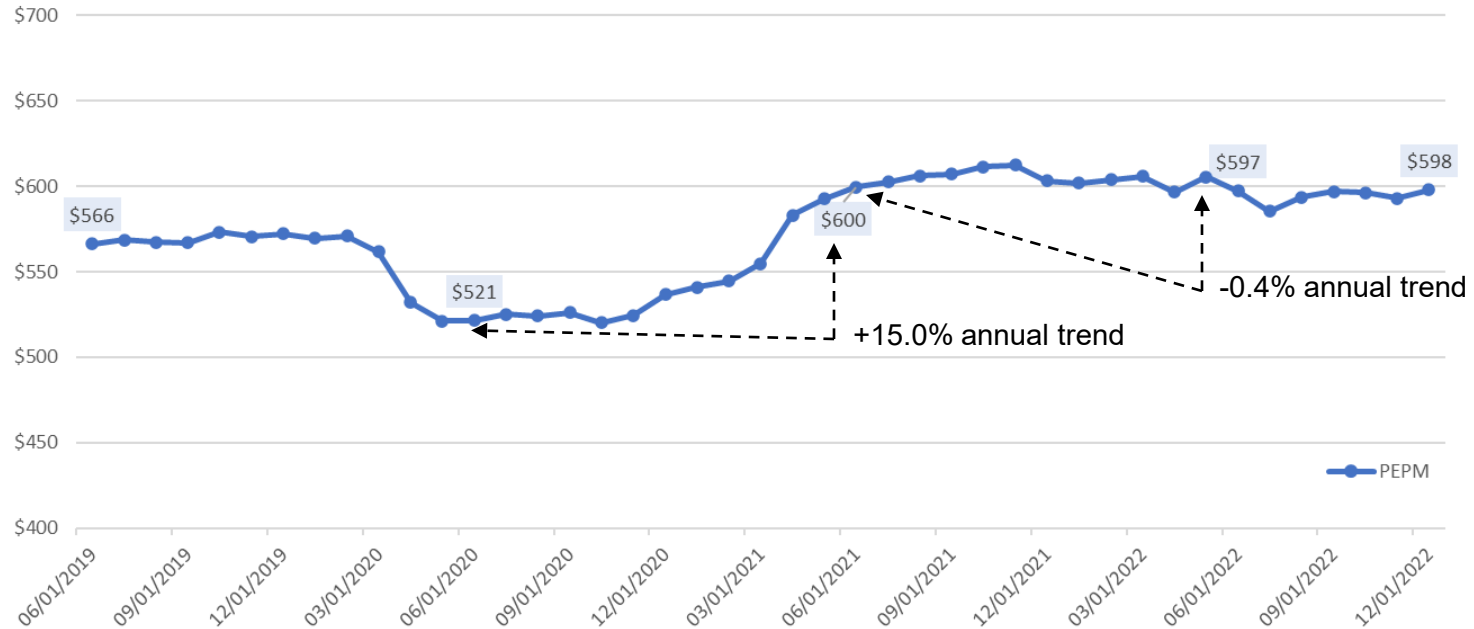
2023-2024 Projected		
	PEBP	Industry
Medical	4.0%	7.4%
Pharmacy	8.0%	9.8%
Dental	1.0%	4.0%

2019-2021 Actual		
	PEBP <sup>1</sup>	Industry
Medical	2.7%	7.2%
Pharmacy	5.1%	7.6%
Dental	0.7%	0.5%

<sup>1</sup> NV PEBP historical trends are shown on a calendar year basis to align with Industry trend figures.

# Historical Trend - Medical

Medical PEPM Cost History  
Rolling 12-month Incurred basis



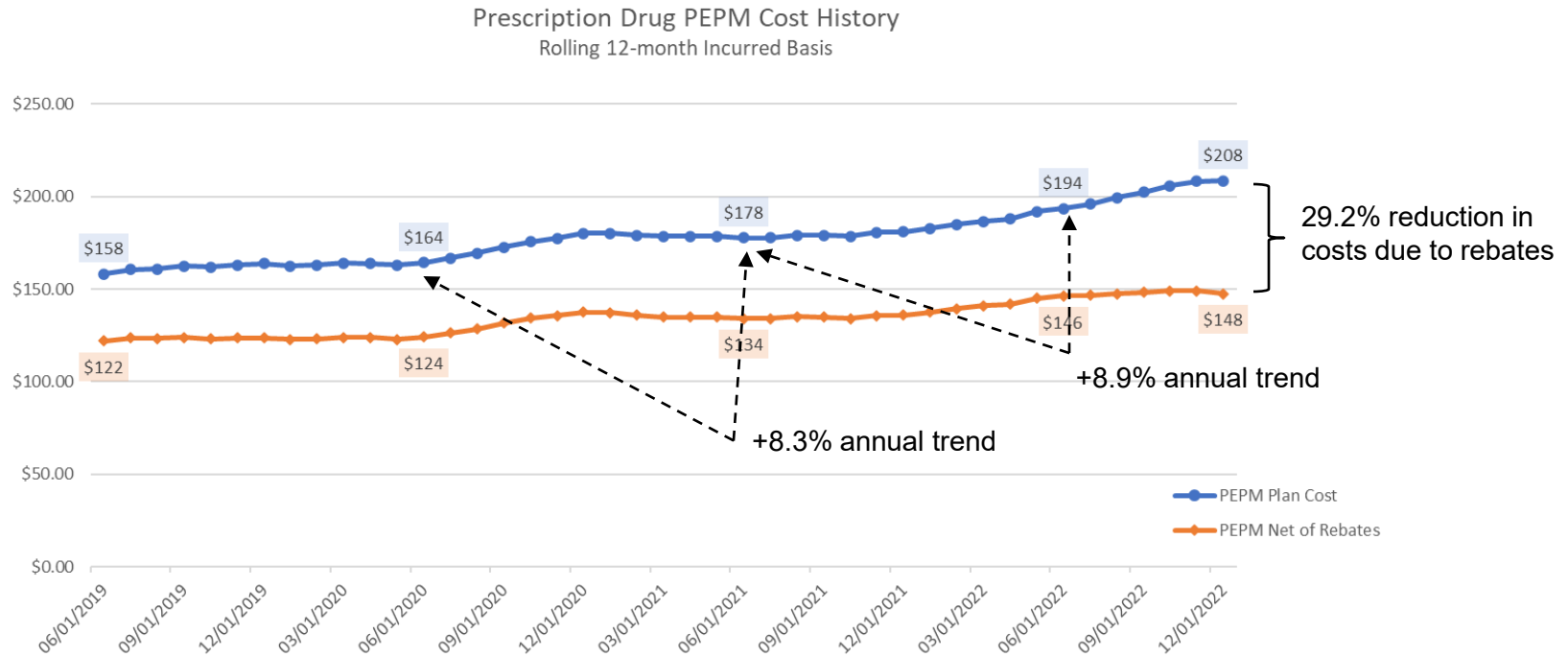
Plan Year	Governor's Budget Trend	Pricing Trend <sup>1</sup>	Actual <sup>2</sup>
2020	1.63%	4.0 – 7.0%	-7.9%
2021	5.33%	5.0 – 7.0%	15.0%
2022	3.52%	3.00%	-0.4%
2023 <sup>3</sup>	3.52%	5.43%	3.3%
2024	3.91%	4.00%	TBD

<sup>1</sup> Expected trends are based on the pricing trend assumed when setting each Plan Year's rates

<sup>2</sup> Actual trends are based on incurred claims data as reported by HealthScope and/or UMR with runout paid through December 31, 2022

<sup>3</sup> The actual trend shown for PY2023 is estimated based on actual claims incurred year-to-date with a projection of expected claim cost. Therefore, actual PY2023 trends may change as experience develops.

# Historical Trend – Rx



Plan Year	Governor's Budget Trend	Pricing Trend <sup>1</sup>	Actual <sup>2</sup> (Gross)	Actual <sup>2</sup> (Net)
2020	16.9%	4.0 – 7.0%	3.9%	1.9%
2021	20.61%	5.0 – 7.0%	8.3%	8.0%
2022	4.00%	7.00%	8.9%	9.0%
2023 <sup>3</sup>	4.00%	6.69%	10.5%	-4.4%
2024	3.67%	8.00%	TBD	TBD

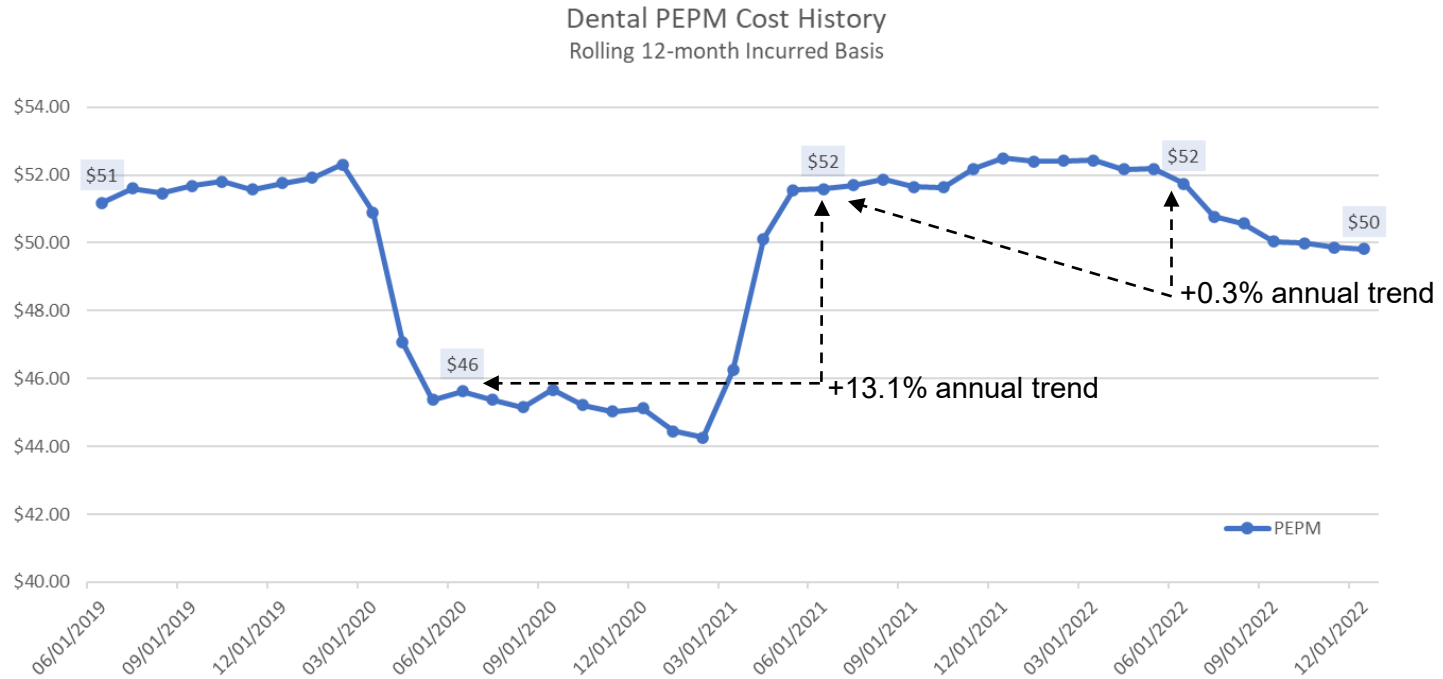
<sup>1</sup> Expected trends are based on the pricing trend assumed when setting each Plan Year's rates

<sup>2</sup> Actual trends are based on incurred claims data as reported by ESI with runout paid through December 31, 2022

<sup>3</sup> The actual trend shown for PY2023 is estimated based on actual claims incurred year-to-date with a projection of expected claim cost. Therefore, actual PY2023 trends may change as experience develops.

<sup>4</sup> Pharmacy trends are shown on both a gross and net plan cost basis (i.e., before and after the application of manufacturer rebates).

# Historical Trend - Dental



Plan Year	Governor's Budget Trend	Pricing Trend <sup>1</sup>	Actual <sup>2</sup>
2020	0.13%	1.0-3.0%	-10.8%
2021	3.13%	2.0 – 4.0%	13.1%
2022	1.75%	1.75%	0.3%
2023 <sup>3</sup>	1.75%	3.00%	-5.2%
2024	2.00%	1.00%	TBD

<sup>1</sup> Expected trends are based on the pricing trend assumed when setting each Plan Year's rates

<sup>2</sup> Actual trends are based on incurred claims data as reported by HealthScope and/or UMR with runout paid through December 31, 2022

<sup>3</sup> The actual trend shown for PY2023 is estimated based on actual claims incurred year-to-date with a projection of expected claim cost. Therefore, actual PY2023 trends may change as experience develops.

# About the Segal Health Plan Cost Trend Survey

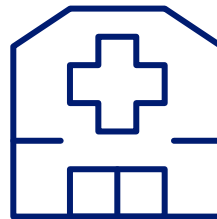
- The 2023 Segal Health Plan Cost Trend Survey is our 26th annual survey of managed care organizations, health insurers, PBMs and TPAs. We conducted the survey during the summer of 2022
- Respondents reported 2023 trend forecasts for medical, prescription drug, dental and vision coverage. In addition, the survey respondents reported actual allowed health cost trends for 2021 based on their group health plan experience.
- Respondents include national and regional insurance carriers, administrators and pharmacy benefit managers.
  - This year we received input from 323 respondents
- Collectively, the survey respondents represent more than 80 percent of the commercially insured and self-insured market.
- Four categories of active and early retiree coverage are tracked in the survey



**Open Access  
PPO/POS Plans**



**PPO/POS Plans with  
PCP gatekeepers**



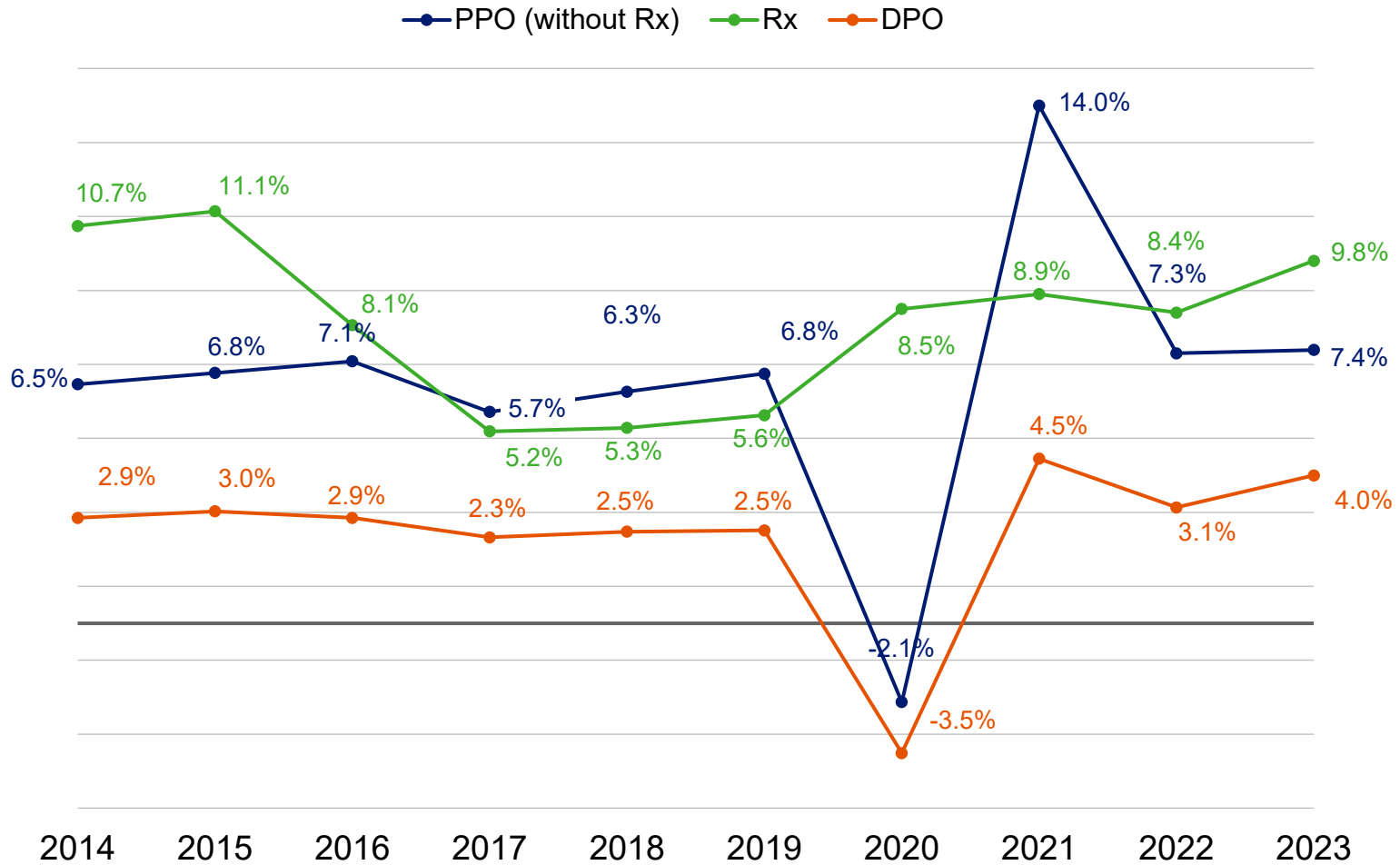
**HMO/EPO Plans**



**HSA-Qualified HDHPs**



# Ten-Year Summary of Selected Medical, Prescription Drug Carve-Out and Dental Trends: 2014–2021 Actual and 2022 and 2023 Projected<sup>1</sup>



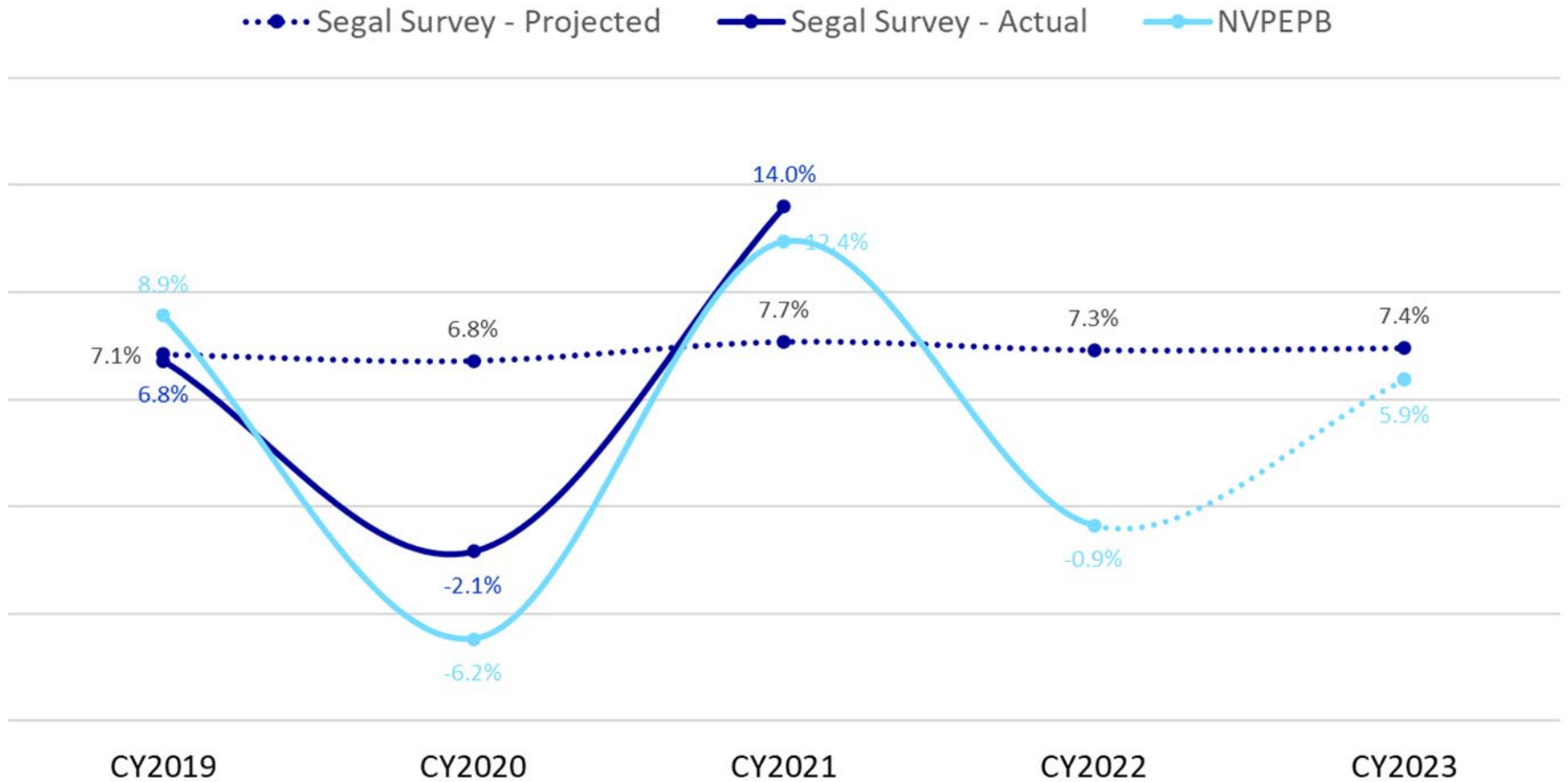
Source: 2023 Segal Health Plan Cost Trend Survey

<sup>1</sup> All trends are illustrated for actives and retirees under age 65, except for MA HMOs.

<sup>2</sup> Prescription drug trend is combined for retail and mail order delivery channels.

# Five-Year Summary of Selected Medical Trends

## Calendar Year 2019–2021 Actual and 2022 and 2023 Projected

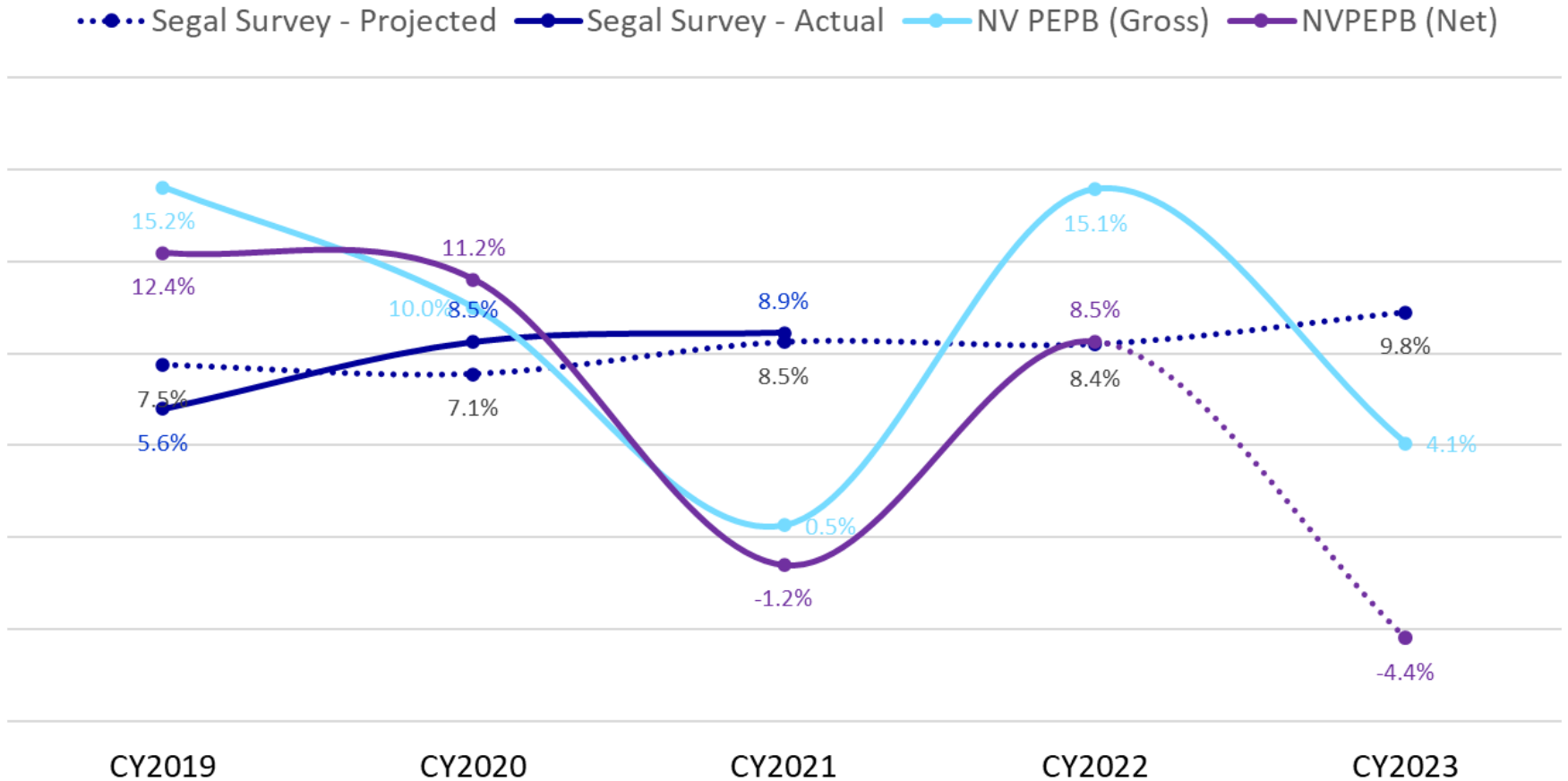


<sup>1</sup> Source: 2023 Segal Health Plan Cost Trend Survey All trends are illustrated for actives and retirees under age 65, except for MA HMOs, in the Segal Survey.

<sup>2</sup> NV PEBP trends are shown on a PEPM basis by calendar year

# Five-Year Summary of Selected Prescription Drug Carve-Out Trends

## Calendar Year 2019–2021 Actual and 2022 and 2023 Projected



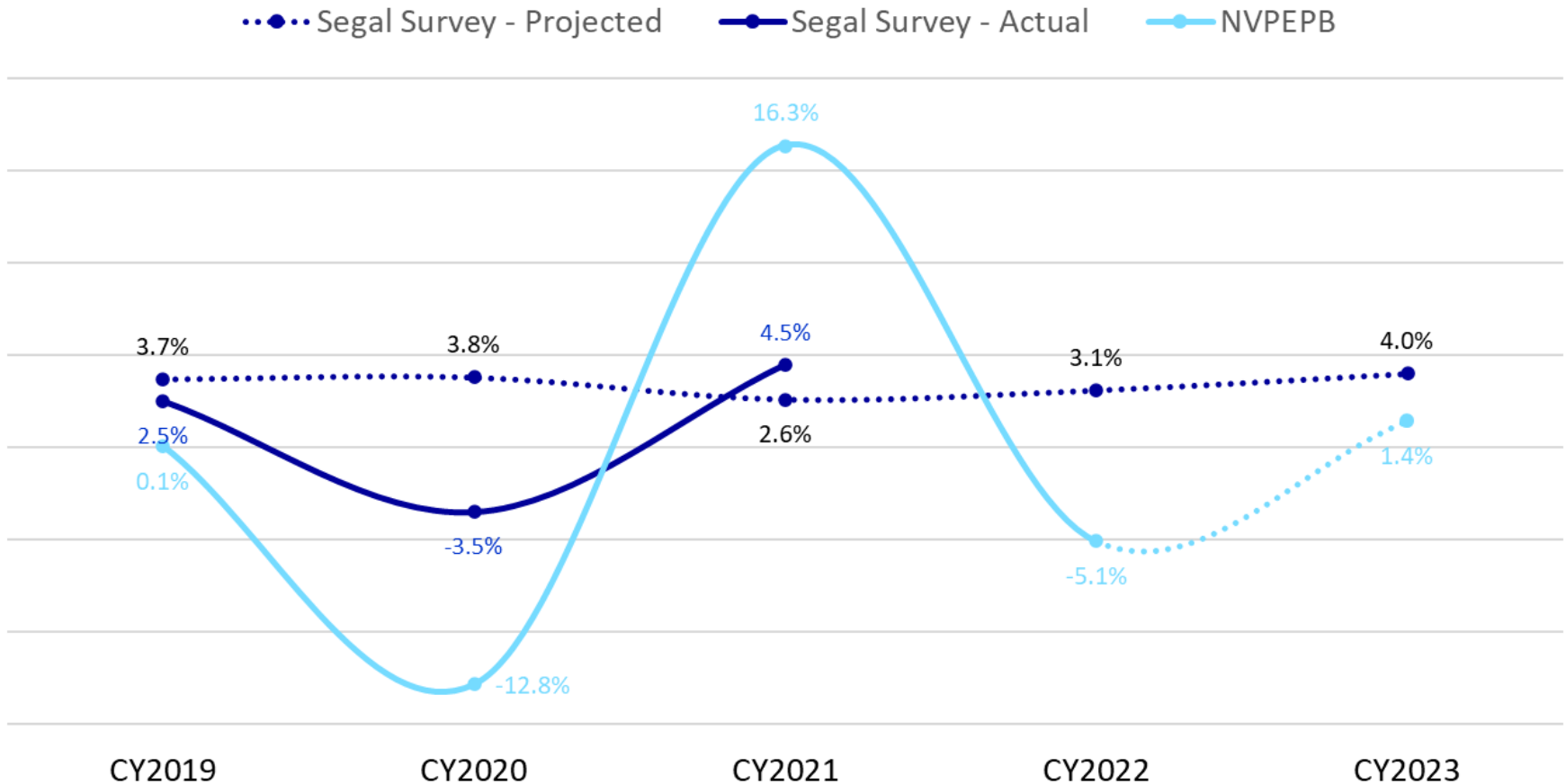
<sup>1</sup> Source: 2023 Segal Health Plan Cost Trend Survey All trends are illustrated for actives and retirees under age 65, except for MA HMOs, in the Segal Survey.

<sup>2</sup> Prescription drug trend is combined for retail and mail order delivery channels

<sup>3</sup> NV PEBP trends are shown on a PEPB basis by calendar year

# Five-Year Summary of Selected Dental Trends

## Calendar Year 2019–2021 Actual and 2022 and 2023 Projected



<sup>1</sup> Source: 2023 Segal Health Plan Cost Trend Survey All trends are illustrated for actives and retirees under age 65, except for MA HMOs, in the Segal Survey.

<sup>2</sup> NV PEBP trends are shown on a PEPM basis by calendar year

# What's Behind the Numbers

(what the Survey's respondents said)

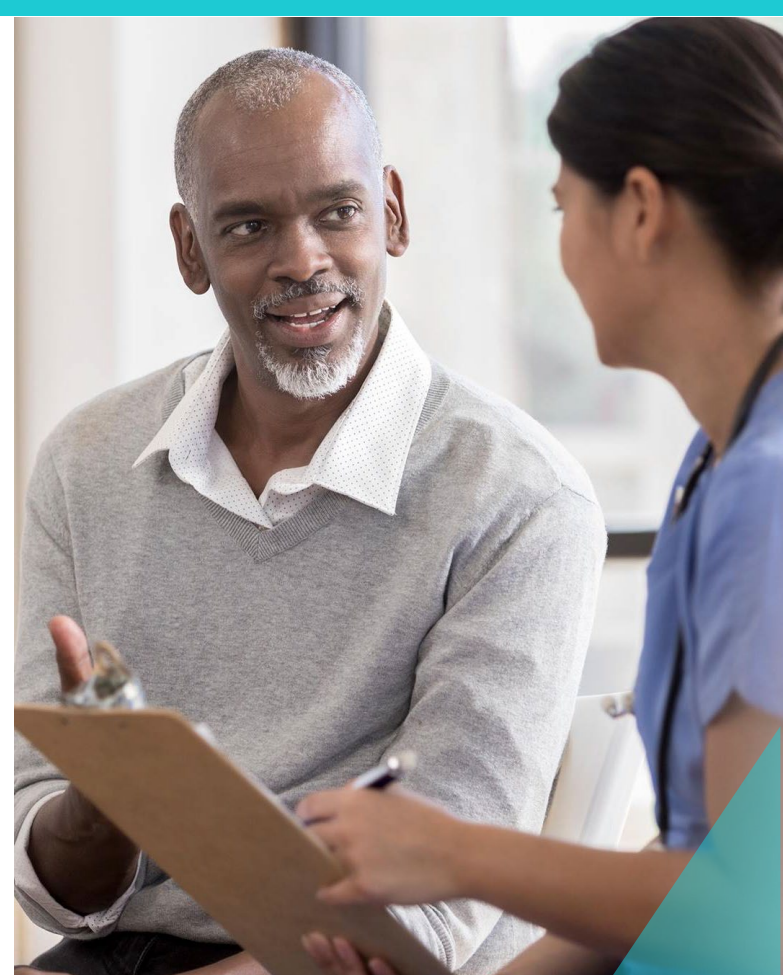
1. Our latest claims analysis show per employee per month medical claim costs increases at a rate of 7% to 8%
2. Price inflation is the primary component of health plan cost increases.
  - Pressure by providers to generate higher rates of reimbursement from private payers for health services and supplies is escalating as wages increase and more of their revenue comes from Medicare and Medicaid patients, which have lower reimbursement rates.
  - This is likely to be a growing problem through 2023.
3. Specialty drug trend remains in the double-digits, driven by:
  - High list price increases
  - Successful marketing by the pharmaceutical industry of new to market, more expensive medications, replacing current drug therapies that have lower prices. In some cases, without strong evidence of superior outcomes.



# What Drives Trend?

- New treatments, therapies and technology
- Greater emphasis on detection and diagnostics
- Medical inflation, impacting the cost of care delivery
- Provider price increases
- Increased demand from increased health risks due to aging populations or rise in obesity
- Increased treatment burden due to the aging population and rise in obesity
- Social and economic factors, which can influence utilization or care decisions
- Provider cost shifting from reduced payment by Medicare and Medicaid
- Erosion effect of fixed deductibles and copayments<sup>1</sup>

<sup>1</sup> This is a driver of net paid claim cost trends, not gross per capita claims cost increases.



# Pricing Methodology Overview

**1** | **Historical Claims and Enrollment**  
Medical, pharmacy and dental claims + shared savings fees + capitation fees, less pharmacy rebates

**2** | **Project to Experience Period**  
Pricing trend assumptions, plan design changes, demographic and seasonality adjustments

**3** | **Administrative Fees**  
Medical, pharmacy, dental ASO fees and other applicable fees or credits

**4** | **Rates & Contributions**  
Develop budget rates by coverage tier as the basis for setting employee and retiree contributions

# Pricing Methodology and Assumptions

1

## Historical Claims and Enrollment<sup>1</sup>

- Historical claims and enrollment from October 2020 through September 2022 were used as the basis of the projection. Data was provided by the NV PEBP vendors: HealthScope, UMR, ESI and LifeWorks.

2

## Project to Experience Period

- Claims costs are projected on an incurred basis with 70% weighting to the most recent 12-month experience period
- Trend assumptions
  - Assumptions are based on a combination of factors: actual PEPM NV PEBP cost changes, Segal's Book of Business trend norms and expected unit cost changes in the Nevada marketplace
  - Annual claims trend assumption rates are market expectations for per capita increases assuming no plan changes and do not necessarily equal net NV PEBP trend rates
  - These are trend rates prior to any actions employed to mitigate trend, such as plan migration, plan design changes and mix of services
- Costs/savings projections for the following programs were included in the projection:
  - Real Appeal
  - Hinge Health
  - Abortion Travel Benefit
  - Medical Travel/COE Benefit
  - Oncology Program
  - Second Level Claims Review
- Pharmacy rebates are modeled based on the minimum guarantees for PY2024 in the current ESI contract.

Medical	4%
Rx	8%
Dental	1%

<sup>1</sup> In conducting our analysis, we have relied on data provided by NV PEBP's vendors. We have accepted the data without audit and relied upon the sources for the accuracy of the data.



# Pricing Methodology and Assumptions

## 3

### Administrative Fees

- Administrative Fees
  - Medical ASO
  - Rx ASO
  - Dental ASO
  - General Administration fees
  - Life/LTD premiums
- Fully Insured HMO premiums for PY2024, which included a 9% increase over current rates, were provided by UHC
  - Renewal is at the maximum 9% cap allowed in the contract

## 4

### Rates & Contributions

- AEGIS and REGI amounts set forth in the Governor's Budget, January 2023

Thank  
You