



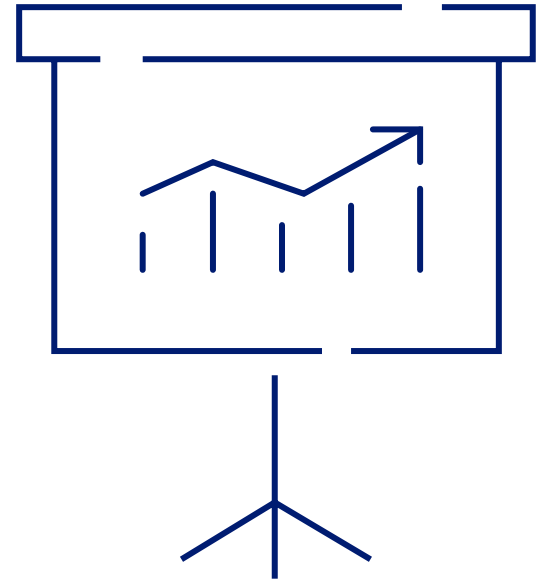
State of Nevada – Public Employees’ Benefit Program

Trend Presentation

March 28, 2024

Agenda

- Historical plan cost trends
- Results of 2024 *Segal Health Plan Cost Trend Survey*
- PY2025 Pricing methodology and assumptions
- Questions



Executive Summary

- For plan years 2021-2023, PEBP’s pharmacy and dental trends are running above industry, whereas medical trend is roughly consistent with industry
- Segal is projecting moderate medical claims trend, higher Rx claims trend and low dental claims trend. These are on par or lower than industry expectations.
 - Medical claims trend is running higher than last year’s 3.3%, projected to be 4.0% for PY24
 - Pharmacy claims trend is running at higher levels than in the past, projected to be 19.2% for PY24
 - Gross pharmacy trend has exceeded 10% since PY2022
 - Net Rx trend is reduced to 10.8% after rebates are applied
 - Dental claims trend ran low post-COVID, -2.0% in PY23, but is projected to increase to 9.4% for PY24
 - This is an increase of about \$5 PEPM over PY2023 costs
- These trends assume no plan design changes. PEBP is implementing several initiatives to reduce costs, which reduces budgeting trend expectations.

2021-2023 Actual ¹		
	PEBP	Industry ²
Medical	6.1%	6.4%
Pharmacy	10.3%	9.4%
Dental	3.5%	2.9%

Plan Year 2024 Projected		
	PEBP	Industry
Medical	4.0%	7.1%
Pharmacy	19.2%	9.9%
Dental	9.4%	4.0%

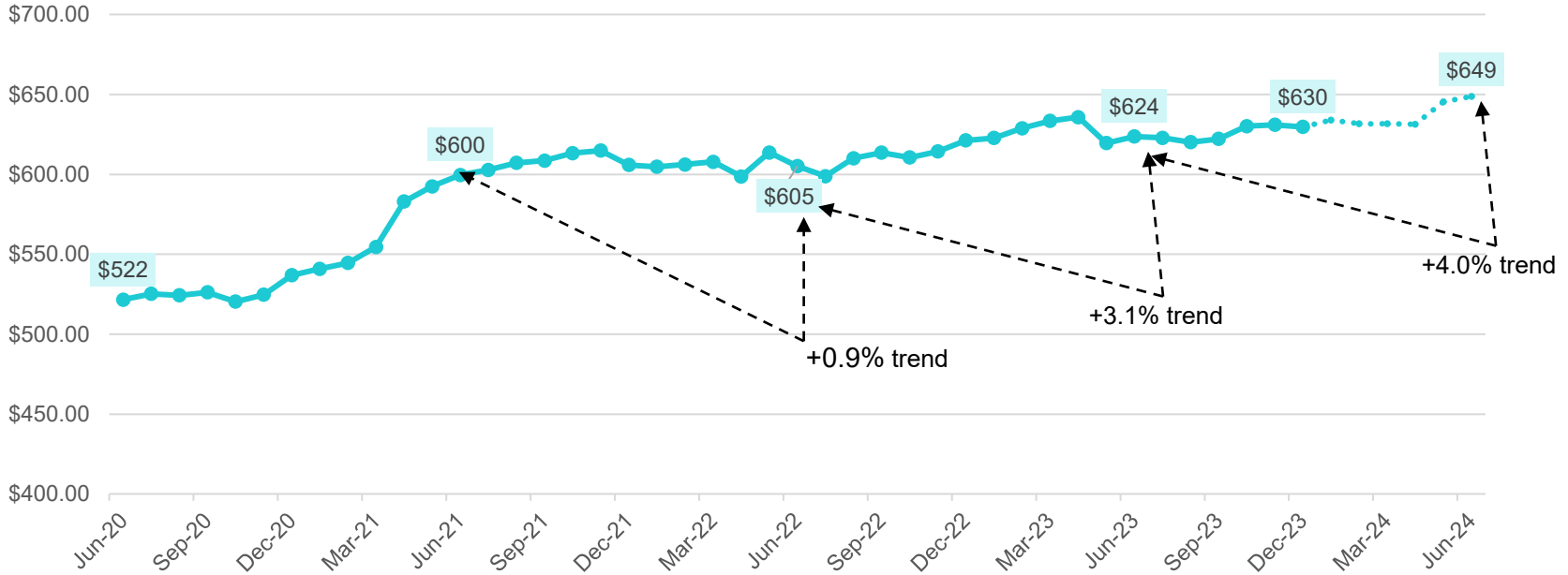
Plan Year 2025 Projected		
	PEBP	Industry
Medical	3.0%	6.8%
Pharmacy	10.0%	9.9%
Dental	2.0%	4.0%

¹ Average annualized trend.

² 2023 industry trends use a projected component.

Historical Trend - Medical

Medical PEPM Cost History
Rolling 12-month incurred basis



Plan Year	Governor's Budget Trend	Pricing Trend ¹	Actual ²
2021	5.33%	5.0 – 7.0%	14.9%
2022	3.52%	3.0%	0.9%
2023	3.52%	5.4%	3.1%
2024 ³	3.91%	4.0%	4.0%
2025	3.91%	3.0%	TBD

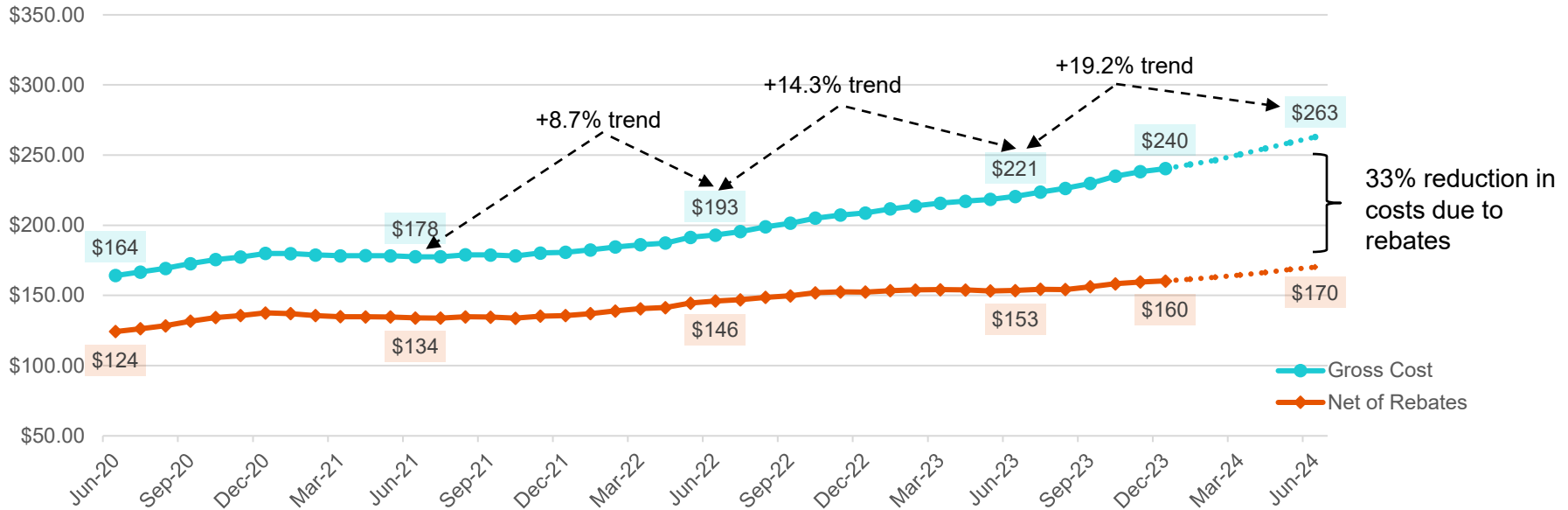
¹ Expected trends are based on the pricing trend assumed when setting each Plan Year's rates

² Actual trends are based on incurred claims data as reported by HealthScope and/or UMR with runout paid through December 31, 2023

³ The actual trend shown for PY2024 is estimated based on actual claims incurred year-to-date with a projection of expected claim cost. Therefore, actual PY2024 trends may change as experience develops.

Historical Trend – Rx

Prescription Drug PEPM Cost History
Rolling 12-month Incurred Basis



Plan Year	Governor's Budget Trend	Pricing Trend ¹	Actual ² (Gross)	Actual ² (Net)
2021	20.61%	5.0 – 7.0%	8.1%	7.8%
2022	4.00%	7.0%	8.7%	9.0%
2023	4.00%	6.7%	14.3%	5.1%
2024 ³	3.67%	8.0%	19.2%	10.8%
2025	3.67%	10.0%	TBD	TBD

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

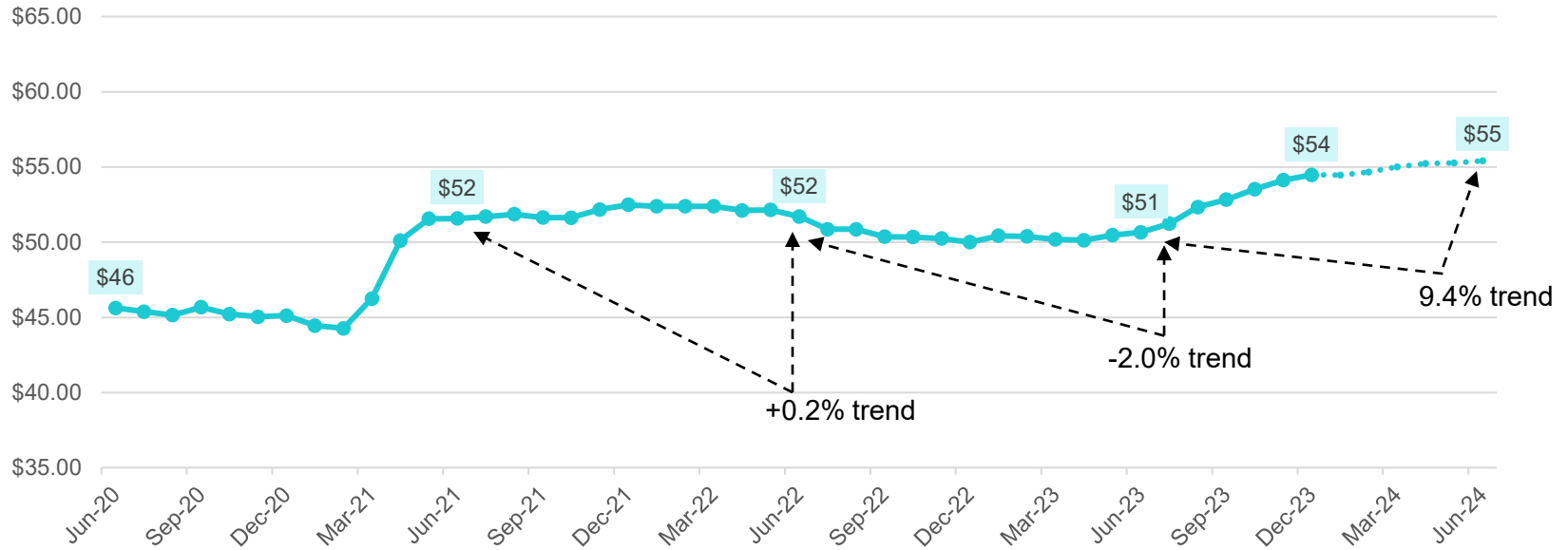
² Actual trends are based on incurred claims data as reported by ESI with runout paid through December 31, 2023

³ The actual trend shown for PY2024 is estimated based on actual claims incurred year-to-date with a projection of expected claim cost. Therefore, actual PY2024 trends may change as experience develops.

⁴ 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

Dental PEPM Cost History
Rolling 12-month incurred basis



Plan Year	Governor's Budget Trend	Pricing Trend ¹	Actual ²
2021	3.13%	2.0 – 4.0%	13.0%
2022	1.75%	1.8%	0.2%
2023	1.75%	3.0%	-2.0%
2024 ³	2.00%	1.0%	9.4%
2025	2.00%	2.0%	TBD

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

² Actual trends are based on incurred claims data as reported by HealthScope and/or UMR with runout paid through December 31, 2023

³ The actual trend shown for PY2024 is estimated based on actual claims incurred year-to-date with a projection of expected claim cost. Therefore, actual PY2024 trends may change as experience develops.

About the Segal Health Plan Cost Trend Survey

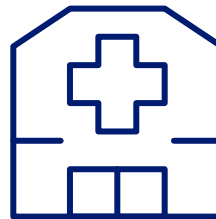
- The 2024 Segal Health Plan Cost Trend Survey is our 27th annual survey of managed care organizations, health insurers, PBMs and TPAs. We conducted the survey during the summer of 2023.
- Respondents reported 2024 trend forecasts for medical, prescription drug, dental and vision coverage. In addition, the survey respondents reported actual allowed health cost trends for 2022 based on their group health plan experience.
- Respondents include approximately 70 national and regional insurance carriers, administrators and pharmacy benefit managers.
 - 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**

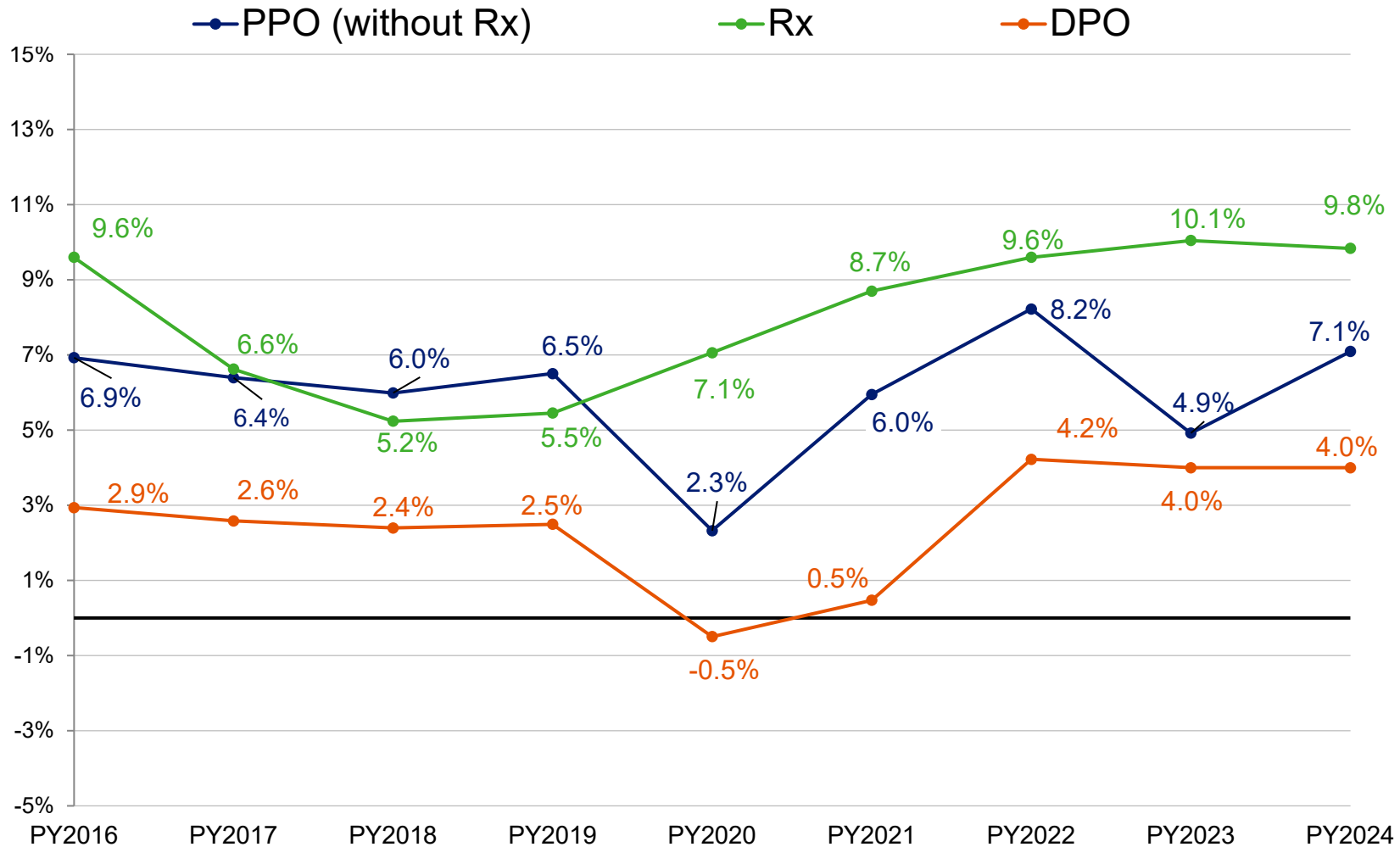


HMO/EPO Plans



HSA-Qualified HDHPs

Ten-Year Summary of Selected Medical, Prescription Drug Carve-Out and Dental Trends: 2015–2022 Actual and 2023 and 2024 Projected¹



Source: 2024 Segal Health Plan Cost Trend Survey

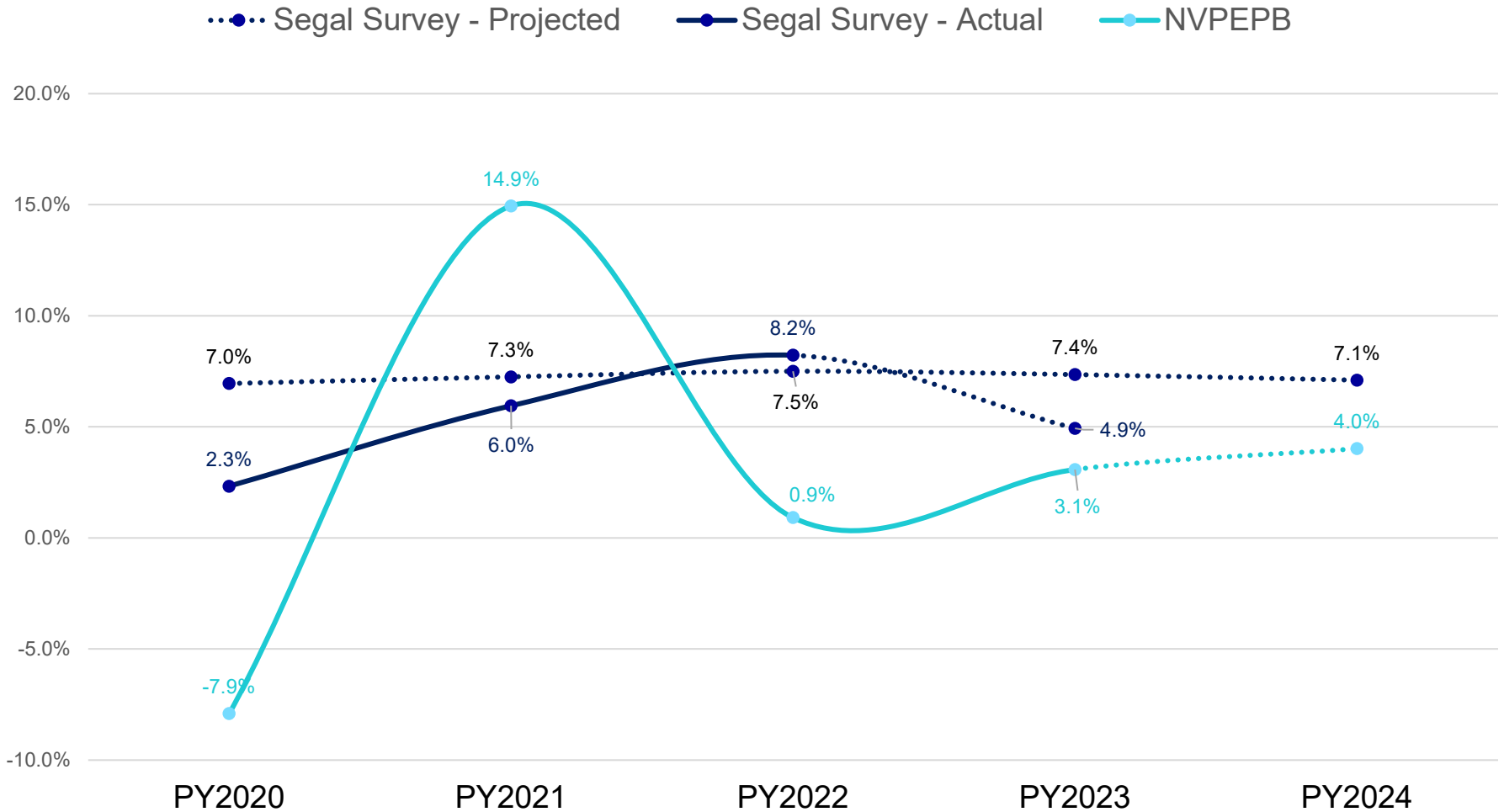
¹ All trends are illustrated for actives and retirees under age 65, except for MA HMOs.

² Prescription drug trend is combined for retail and mail order delivery channels.

³ The Segal Trend Survey data is reported on a calendar year basis and has been converted to a plan year basis to align with PEBP's fiscal year.

Five-Year Summary of Selected Medical Trends

Plan Year 2020–2022 Actual and 2023 and 2024 Projected



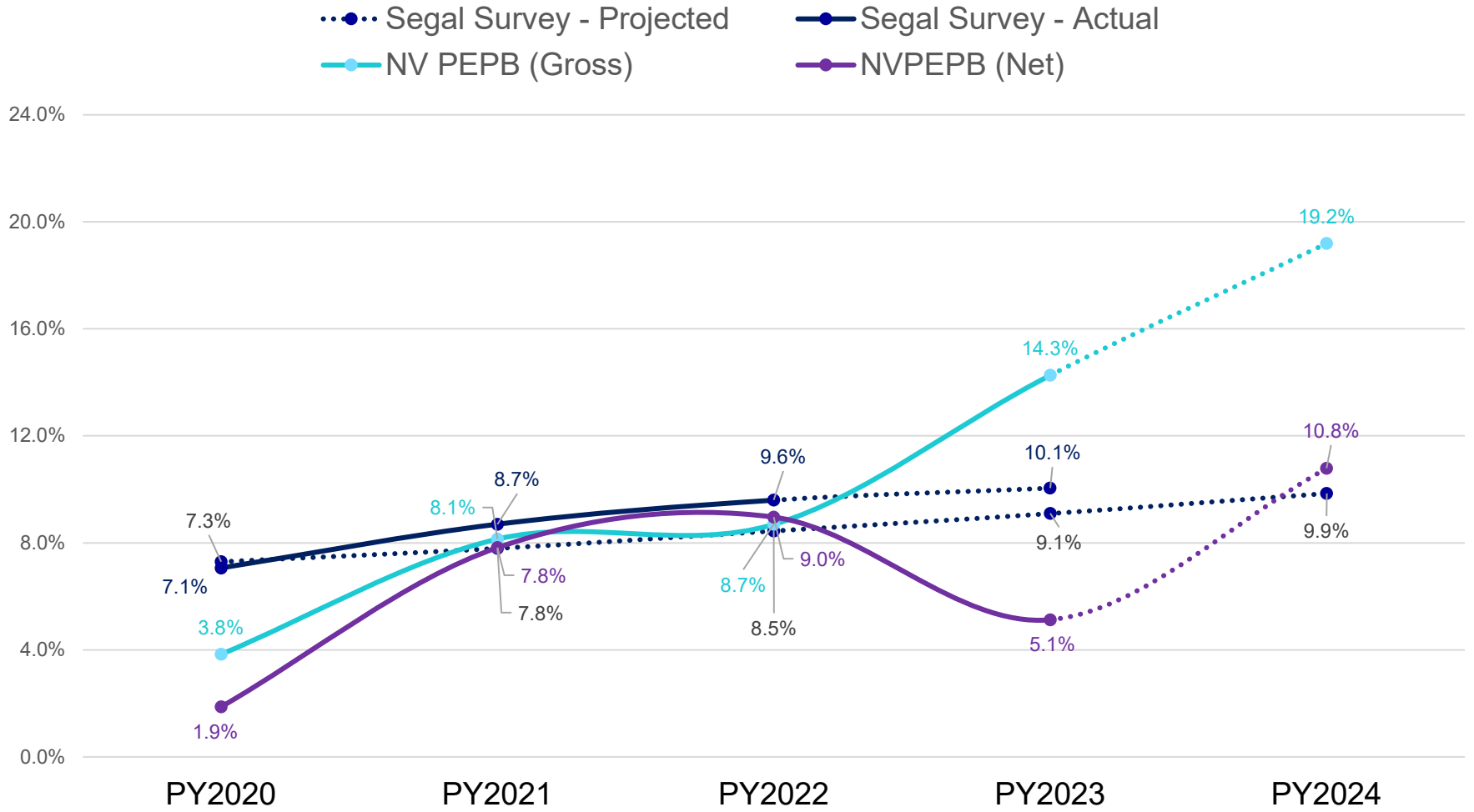
¹ Source: 2024 Segal Health Plan Cost Trend Survey. All trends are illustrated for actives and retirees under age 65, except for MA HMOs, in the Segal Survey.

² The Segal Trend Survey data is reported on a calendar year basis and has been converted to a plan year basis to align with PEBP's fiscal year.

³ The PY2023 Segal Survey Actual figure includes a projected component.

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

Plan Year 2020–2022 Actual and 2023 and 2024 Projected



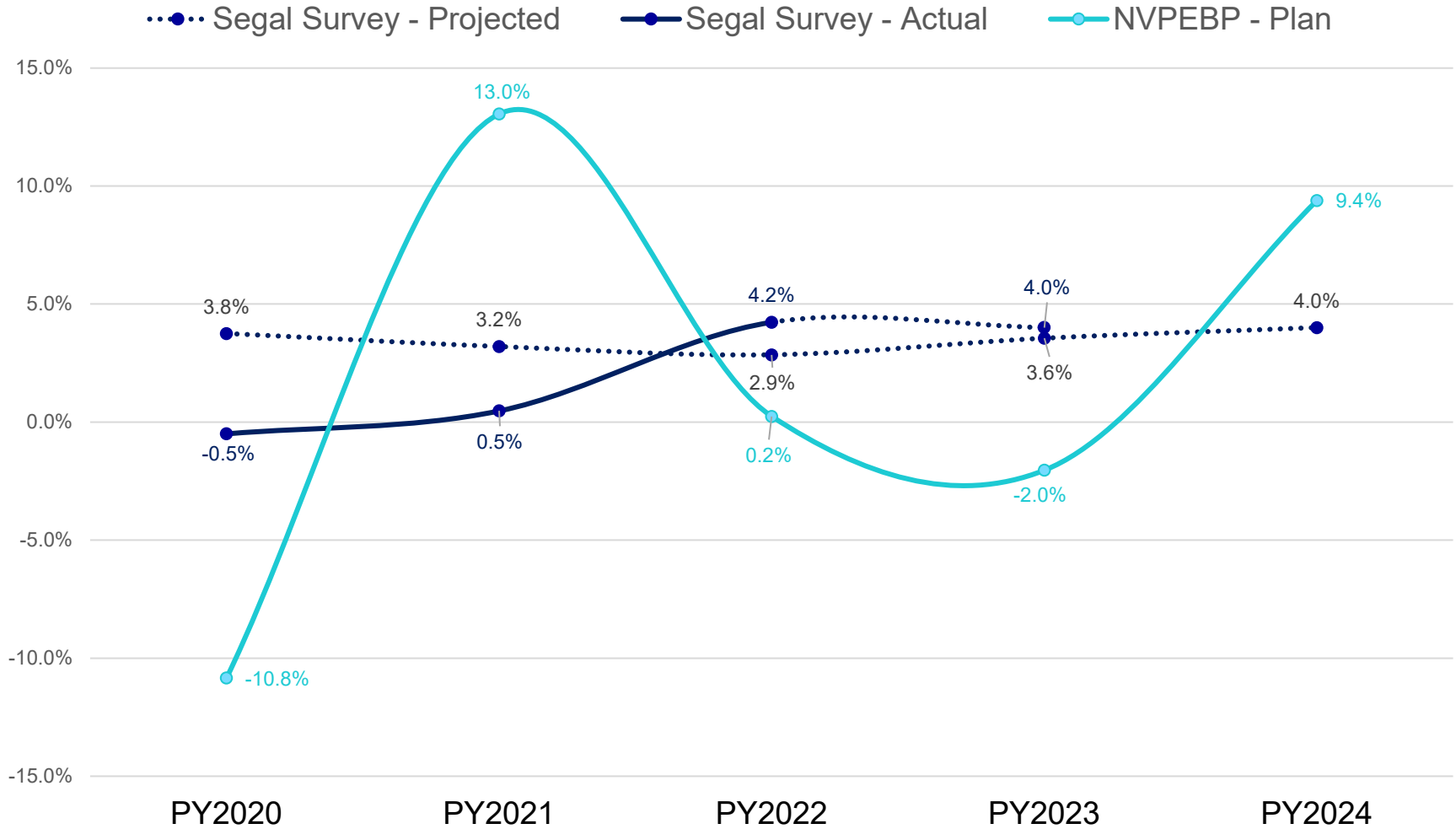
¹ Source: 2024 Segal Health Plan Cost Trend Survey. All trends are illustrated for actives and retirees under age 65, except for MA HMOs, in the Segal Survey.

² The Segal Trend Survey data is reported on a calendar year basis and has been converted to a plan year basis to align with PEPB's fiscal year.

³ The PY2023 Segal Survey Actual figure includes a projected component.

Five-Year Summary of Selected Dental Trends

Plan Year 2020–2022 Actual and 2023 and 2024 Projected



¹ Source: 2024 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.

² The Segal Trend Survey data is reported on a calendar year basis and has been converted to a plan year basis to align with PEBP's fiscal year.

³ The PY2023 Segal Survey Actual figure includes a projected component.

What's Behind the Numbers

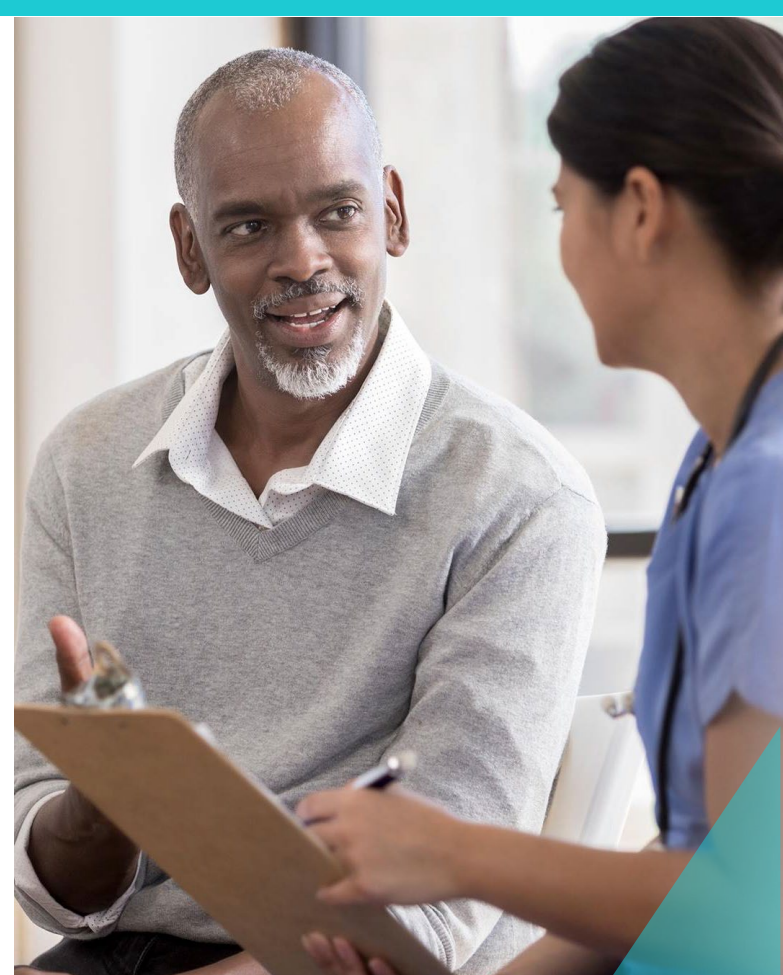
1. Our latest claims analysis show per employee per month medical claim costs increases at a rate of 7% to 8%
2. Price inflation is the primary component of health plan cost increases, driven by:
 - Inpatient cost increases as hospital systems look to recoup losses
 - Supply challenges and labor shortages
 - Provider group consolidation
3. Specialty drug trend remains in the double-digits, driven by:
 - Utilization of high-cost new specialty drugs, replacing current drug therapies that have lower prices. In some cases, without strong evidence of superior outcomes.
 - Utilization changes accounts for almost 60 percent of the gross cost trend increase before rebates
 - High list price increases



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 copayments¹

¹ 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 Enrollment¹

- Historical claims and enrollment from November 2021 through October 2023 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 and plan design changes were included in the projection:
 - Increase in Deductible for HDHP plan
 - Copay changes for EPO/Copay plan²
 - Oncology and MSK Network
 - MSK Surgical COE RFP Vendor
 - Specialty Min/Max Copay Structure
- Pharmacy rebates are modeled based on the anticipated minimum guarantees for PY2025 in the current ESI contract.

Medical	3%
Rx	10%
Dental	2%

¹ 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.

² Copay changes are a result of the MHPAEA Compliance study

Pricing Methodology and Assumptions

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Administrative Fees

- Administrative Fees
 - Medical ASO
 - Rx ASO
 - Dental ASO
 - General Administration fees
 - Life premiums
- Fully Insured HMO premiums for PY2025, which included a 12% increase over current rates, were provided by UHC

4

Rates & Contributions

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

Thank
You