



Marsh McLennan
Agency

Virginia Bankers Association

Healthcare Landscape Update

VBA Peer Group Meeting

August 2, 2023

Your future is limitless.™

Agenda

- Healthcare Landscape
 - High Cost Claimants Risk
 - Gene Therapy/High Cost Drug Discussion/Stop loss Pressure
- 2024 RFP Update
 - Pharmacy
 - Voluntary Benefits
 - Dental

2023 Healthcare Trends

Your future is limitless.™

Marsh & McLennan Agency LLC



The employee health & benefits trends of 2023

1 Shifting workforce expectations

- Employees are placing a higher premium on finding meaning and purpose at work.
- Organizations struggle with moving their diversity, equity, and inclusion (DEI) programs beyond building awareness to creating real action.
- Empathy is key to solving the challenges employers face with apathy and attrition among their employees.

2 Mental and behavioral health needs

- The workforce continues to expect more from their employee experience, as it relates to well-being benefits.
- Building flexibility into the workplace creates new opportunities for employers and employees.
- Mental and behavioral health support will dominate in employers' offerings in the coming years.

3 Changes in health care economics

- U.S. employers can expect health benefit costs to increase between 5.6% - 7% based on plan design.
- High-cost prescription drugs are a source of frustration, especially with cell and gene therapies that cost millions.
- High-cost claimants, utilization increases, and employment trends will keep health care costs higher overall.

Tomorrow's workforce is looking for more than a benefits plan.

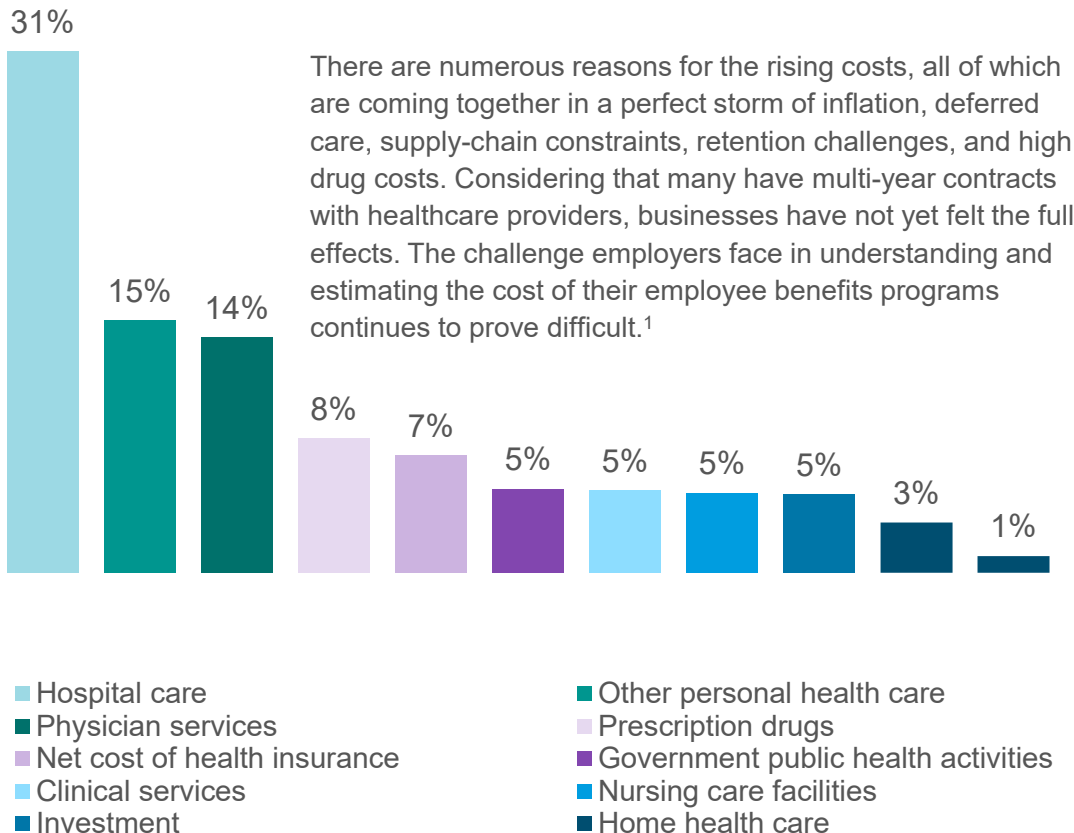
Marsh McLennan Agency (MMA) offers a variety of solutions to support the needs of your people, your team, and your business. We specialize in helping middle-market organizations — whether self-funded or fully insured — find ways to provide their employees with benefits they can take advantage of.

While predicting and responding to employee benefit trends and employee expectations can be difficult, MMA is here to help make it easier. We offer a number of solutions that help you stay in touch with your employees and streamline how you offer the benefits they need.



Typically, medical inflation outpaces inflation in the rest of the economy. But in 2022, medical prices are growing at a similar rate as in past years, while prices in some other parts of the economy are growing much more rapidly than in the past.

—Peterson-KFF,
Health Systems Tracker⁵



Healthcare Landscape

High Cost claimants impacting medical trend

The Million Dollar Claim

Why are they more common now?

paid claims for million dollar+ claimants

Under 2
27%



Congenital
Anomalies

2-19
18%



Malignant
Neoplasm

20-39
16%



Hemophilia/
Bleeding
Disorder

40-59
28%



Malignant
Neoplasm

60+
11%



Malignant
Neoplasm

45%

of million dollar claims are for
claimants under 20 years old

22% of Employers had at
least one member with
claims over

\$1M

Highest Cost Individual
Million Dollar Claimant
Conditions 2020

- 1 Malignant neoplasms
(cancer)
- 2 Leukemia/Lymphoma/
Multiple Myeloma
(cancers)
- 3 Septicemia (infection)



In 2020,
\$368.3 million
spent on
injectable medications

Since 2017, number of members
with claims \$1M+ rose 31%

Claimants With Million Dollar Claims	
\$1-\$1.5M	174
\$1.5-\$2M	40
\$2-\$3M	27
\$3M+	14
Total	255

2020's highest cost claim was for Leukemia, lymphoma and/or multiple myeloma at \$6.3M

Source: 2021 Sun Life Stop-loss Research Report: High-cost Claims And Injectable Drug Trends Analysis

Marsh & McLennan Agency LLC

2023 Pharmacy Trends

Biosimilars	GLP-1 Drugs	Cell & Gene Therapy
<ul style="list-style-type: none">– Biosimilars in the market drive competition and present potential savings for employers.– The biosimilar for Humira, the #1 drug in the world, hit the market on February 1, 2023<ul style="list-style-type: none">– Amjevita is currently included on formulary for many prominent PBMs and at least 7 more products are expected to follow.– The Stelara patent expires in 2023 with biosimilar target launch in 2H 2023, pending lawsuits– Plan sponsors should monitor utilization of anti-inflammatory biologics and explore strategies to maximize the benefits that biosimilars present while ensuring rebates are protected.	<ul style="list-style-type: none">– GLP-1 drugs are popular medications approved for the treatment of Type 2 diabetes and/or weight loss that have a monthly cost of approximately \$1,000.– Mounjaro, the most recent GLP-1 drug approved for Type 2 diabetes, is expected to generate \$4.9 billion of yearly revenue by 2026.– Off-label use of GLP-1 diabetes drugs for weight loss purposes is increasing as they are not subject to the weight loss prior authorization process under the assumption the drug is being used to treat diabetes.– Implementing tight utilization management to ensure the right patient is taking the right GLP-1 drug at the right time will help employers avoid overspend as more products hit the market.	<ul style="list-style-type: none">– There are more than 20 cell & gene therapy drugs approved by the FDA today, with as many as 50 - 100 anticipated by 2025.– In January 2023, Hemgenix, a treatment for hemophilia B, was approved with a price tag of \$3.5 million, making it the most expensive drug on the market.– Today, most self-insured employers are protected from this risk through their stop-loss plan language– Due to large cost and unpredictability, stop loss-market is starting to eliminate coverage for these drugs– It may be prudent for employers to explore alternative coverage strategies and adjustments in plan coverage to protect against future claims.

Rx: GLP-1 Agonists

GLP-1 Agonists

- Trulicity, Ozempic, etc., treats Type 2 Diabetes.
- Lowers blood sugar levels over period of time.
- Found to have side effect of weight-loss.
- Only Wegovy and Saxenda approved for weight loss.

Mounjaro recently passed through Phase II out of III for FDA approval.

VBA Population Utilization

- Members with Rx claims: 47% increase per 1k.
- 223/339 members on GLP-1's were coded as having Diabetes during the reporting periods.
- Total Employer Paid \$2.14M (59% increase).

MMA BoB for Employer Spend increased 54% between 2021-2022.

CONSIDERATIONS*

- Less than 22% of employers are covering prescription drugs specifically designed for weight-loss for smaller employers (<5,000 EE's) and more frequently for employers larger than 5,000 EE's.
- Average cost of drug ~\$1,000/mo. per employee; studies support drugs are designed for long-term use → higher costs.

Best Practice

- MMA does not recommend off-label use of medications outside of FDA approved labeling language.
- Examine Carrier and PBM guidelines for utilization and Prior Authorization requirements and quantity limits.
- Ensure consistency in policy documents depending on client decisions to cover or exclude weight-loss medications.

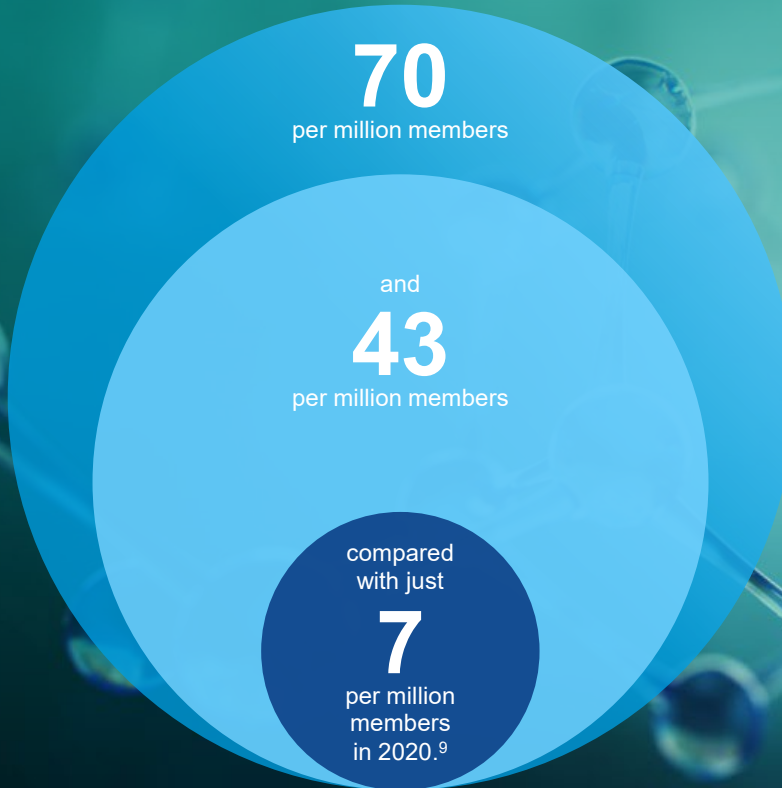
Approved Therapies

Current approved therapies include

Drug	Disease Indication	Cost
Luxturna	Inherited retinal dystrophy	\$850,000
Zolgensma	Spinal muscular atrophy (SAM)	\$2,125,000
Zynteglo	Transfusion dependent β -thalassemia	\$2,800,000
Skysona	Cerebral adrenoleukodystrophy (CALD)	\$3,000,000
Hemgenix	Hemophilia B	\$3,500,000
Roctavian (recently approved)	Hemophilia A	\$2,900,000
Elevidys (recently approved)	Duchenne muscular dystrophy (DMD)	\$3,200,000

VBA currently excludes Gene Therapy treatment from the medical plan.

It is estimated that in 2023, cellular and gene therapies will total between



50-100

gene and cell therapies are anticipated to receive FDA approval by 2025.¹

87%

of employers are concerned about the new million-dollar treatments getting approved by the FDA.⁹

VBA: gene therapy solution overview

Program Highlights

<u>Gene Therapy Drug</u>	<u>Treatment for</u>	<u>Est. Cost</u>	<u>Prevalence</u>	<u># of members with diagnosis*</u>	<u>Potential # members who may be eligible</u>
Luxturna	Vision Loss - Retinal Dystrophy	\$850,000	1:3,500	4	4
Zolgensma	Spinal Muscular Atrophy (SMA) children <2	\$2,100,000	1:10,000	2	0
Zynteglo	Blood disorder - Beta Thalassemia	\$2,800,000	1:100,000	0	0
Skysona	Active cerebral adrenoleukodystrophy	\$3,000,000	1:15,000	0	0
Hemgenix	Hemophilia B	\$3,500,000	1:40,000	1	0
Elevidys	Duchenne Muscular Dystrophy (4-5 yr old)	\$ 3,200,000	1:3,500	0	0
Roctavian	Hemophilia A	Estimated \$2.5M	1:5,600	0	0

- Retinal Dystrophy - Adults with genetically confirmed mutations in both copies of the RPE 65 gene may be candidates for Luxturna but may not choose to have treatment. Individuals must undergo a complete clinical evaluation and testing to determine if enough cells remain in the retina to receive the treatment.
- Spinal Muscular Atrophy (SMA) *Werdnig-Hoffman | Gene therapy Zolgensma is indicated for children less than 2 years of age as candidates for this gene therapy that meet the clinical requirements such as infants under a certain weight limit. Zolgensma is a one-time-only dose to stop the progression of spinal muscular atrophy (SMA). It is not a cure for spinal muscular atrophy. Significant testing is required prior to infusion.
- Beta Thalassemia is an inherited disorder that impairs the production of hemoglobin, the blood protein responsible for transporting oxygen. Zynteglo works by adding functional copies of a modified form of the beta-globin gene into a patient's own hematopoietic stem cells. This allows them to make normal to near-normal levels of total hemoglobin without regular blood transfusions. Members with beta thalassemia require blood transfusions every 2-5 weeks with lifetime health care costs that can reach \$6.4 million in the United States.
- Cerebral Adrenoleukodystrophy (CALD) is a rare hereditary genetic condition that causes the buildup of very long chain fatty acids (VLCFAs) in the brain. When VLCFAs accumulate, they destroy the protective myelin sheath around the nerve cells, responsible for brain function. CALD is a progressive, irreversible and fatal disease primarily affecting young children. Skysona is a one-time gene therapy to treat boys with early, active cerebral adrenoleukodystrophy. Skysona is made specifically for each patient, using the patient's own blood stem cells and adds functional copies of the ABCD1 gene to the patient's cells. This may help the body to break down the VLCFAs to slow the progression of damage to the brain and slow the decline in neurologic function.
- Hemophilia B - Hemgenix is a one-time gene therapy infusion given as a single dose by IV infusion. Hemgenix consists of a viral vector carrying a gene for clotting Factor IX. The gene is expressed into the liver to produce Factor IX protein, to increase blood levels of Factor IX and thereby limit bleeding episodes.

Historically, most plan sponsors have excluded cellular and gene therapies from coverage because they are considered experimental and investigational in nature.

As these therapies have improved, more insurers, third-party administrators (TPAs), and self-funded plans are making the determination to cover. More solutions are anticipated in the coming years to help plan sponsors, payers, and the market in general understand their risks within their populations, how to finance the risk, as well as provide warranty solutions that help provide an avenue to ensure that value is delivered to the patient and the plan.

The following solutions vary significantly including advantages and disadvantages, target markets, costs, etc., with no solution solving for the entire risk equation for payers or plan sponsors.⁸

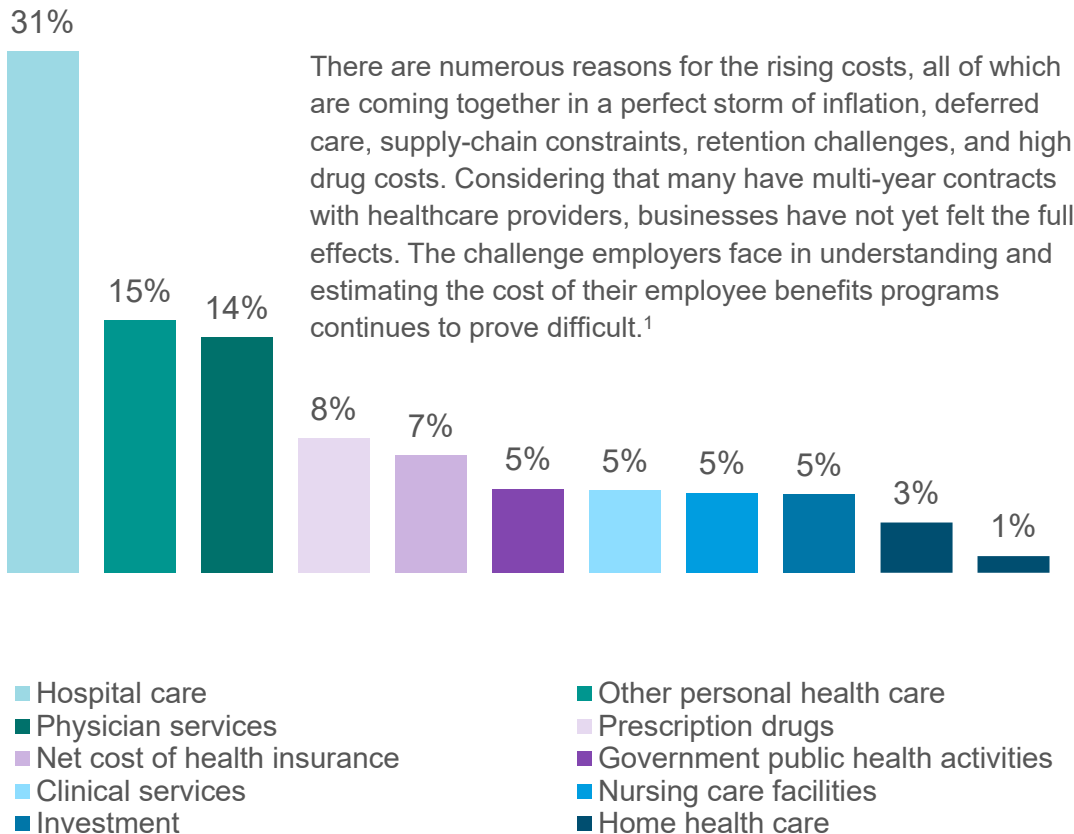
- Capitation solutions will cover specific cell and gene therapies, with many subject to pre-existing condition exclusions, and availability may be limited.
- Center of excellence (CoE) solutions ensure that drug procurement is competitive and is administered with CoE-negotiated rates.
- Stop-loss/reinsurance solutions offer step-down deductibles in coordination with TPA and PBMs, where they can cover their own risk.
- And finally, financing solutions where outcomes-based and warranty solutions benefit the payers and the stop-loss carriers, but not the plan sponsors themselves.⁹





Typically, medical inflation outpaces inflation in the rest of the economy. But in 2022, medical prices are growing at a similar rate as in past years, while prices in some other parts of the economy are growing much more rapidly than in the past.

—Peterson-KFF,
Health Systems Tracker⁵



We anticipate frequency and severity of medical stop-loss claims to tick up as the 2022 year progresses and extends into 2023.¹

This is an outcome of deferral challenges and a direct result of macroeconomic factors. One of the top influences contributing to the rise in costs are worsening availability of clinical labor staff.⁶

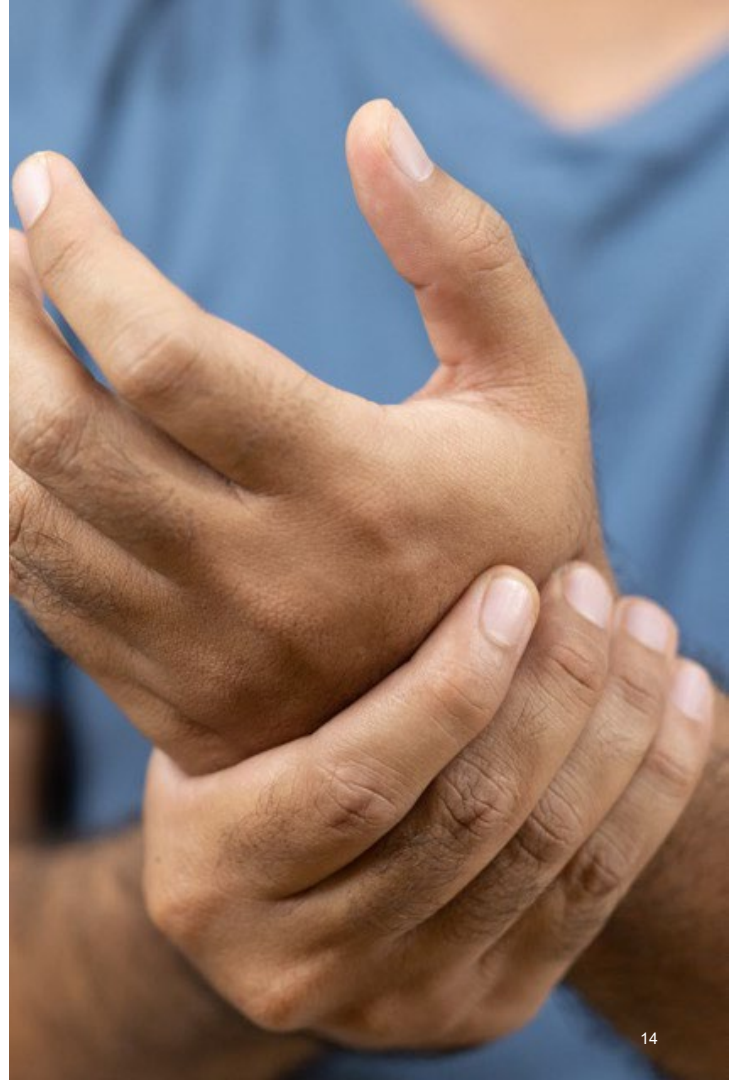
Employers are refocusing on cost management strategies to slow increases over the long term, while minimizing cost shifting to employees. The use of targeted programs aimed at specific health conditions (e.g., diabetes, musculoskeletal, COPD) has gained traction in recent years as a way to achieve better outcomes and lower costs.^{4,7}

49%

of all large employers and 58% of those with 20,000 or more employees offer these types of programs or are seriously considering it.

12%

of all employers have adopted enhanced clinical management models beyond the standard health plan model.⁷



2024 RFP Update

The background of the slide features a series of concentric, wavy blue lines that create a sense of depth and movement, resembling a stylized landscape or a series of ripples in water. The lines are more prominent in the lower half of the slide and fade out towards the top.

Pharmacy

Current program with ESI/RX Benefits on a carveout arrangement since 2020.

RFP in process for 1/1/24 effective date:

- Request quotes on a carveout basis from ESI, Optum & Caremark
- Also requested a quote from Anthem on an integrated basis
- Reviewed financial contract offerings, customer service metrics, and ability to slow pharmacy trends, especially around specialty drugs.
- Asking for alternatives to RX Assurance Captive as only available for RX Benefits customers.

Recommendation to Board to move to Anthem (Carelton RX):

- Integrated Platform with 24/7 customer service
- Sydney integration and Prior Authorization efficiencies
- Most Competitive contract of all bidders

Voluntary Benefits

- Marketed Voluntary Accident, Critical Illness, and Hospital Indemnity benefits
 - Intend to replace current Group Aflac offerings; participants with individual voluntary Aflac policies will not be impacted
- Anthem and Securian are finalists – presented to VBA Benefits team week of April 24
- Both offer reduced rates for employees
- Enrollment will mapped from Aflac on Bswift

Anthem

- Use same billing and file feed structure already in place
- Discount on medical plan fees
- \$5,000 implementation credit
- Tech subsidies

Securian

- Performance guarantees
- Integration with bSwift
 - Includes implementation credits
 - Tech subsidies

Dental

- Request for Information (RFI) was conducted in Spring of 2023 to evaluate dental plan networks
- RFI was sent to Anthem, Ameritas, Cigna, Delta Dental, Dominion National, MetLife, SunLife and United Concordia
- Conclusion: Delta Dental has the broadest network in Commonwealth
 - Consideration of increasing the out of network allowance on the plan

Weighted by total number of overall claims: 23,962

	Delta Dental Premier	Delta Dental PPO	Anthem Complete	Ameritas	Cigna Total DPPO	Dominion National	MetLife	SunLife	United Concordia
Number of claims	20,762	9,084	18,577	14,459	15,126	11,596	13,608	14,449	13,945
Percentage of Claims	86.65%	37.91%	77.53%	60.34%	63.12%	48.39%	56.79%	60.30%	58.20%

Your future is limitless.SM

MarshMMA.com

The underwriting projections presented within this analysis should not be used or relied upon by any other party or for any other purpose than for which they were issued.

Projections are based on the information and data available up to this specific point in time and are not to be taken as a guarantee of results which might be achieved. The projections are subject to unforeseen and random events and so must be interpreted as having a potentially wide range of variability from the estimates. In the event that final renewal information is available after this analysis has been performed and it differs from that within this analysis, results should be considered within that new context.



**Marsh McLennan
Agency**

A business of Marsh McLennan

This document is not intended to be taken as advice regarding any individual situation and should not be relied upon as such. Marsh & McLennan Agency LLC shall have no obligation to update this publication and shall have no liability to you or any other party arising out of this publication or any matter contained herein. Any statements concerning actuarial, tax, accounting or legal matters are based solely on our experience as consultants and are not to be relied upon as actuarial, accounting, tax or legal advice, for which you should consult your own professional advisors. Any modeling analytics or projections are subject to inherent uncertainty and the analysis could be materially affected if any underlying assumptions, conditions, information or factors are inaccurate or incomplete or should change. d/b/a in California as Marsh & McLennan Insurance Agency LLC; CA Insurance Lic: 0H18131. Copyright © 2021 Marsh & McLennan Agency LLC. All rights reserved. MarshMMA.com