



FY26 GHIP Trend Assumptions

State Employee Benefits Committee Meeting

July 29, 2025



General trend setting considerations

- Trend assumptions for the remainder of 2025 and 2026 can reasonably range from 6% to 11%
- Assumed trend is the sum of assumed unit cost increase (i.e., healthcare inflation) and utilization changes
- **Medical and Rx trend should be considered separately and applied to corresponding claims experience**
- Unit price pressures are expected to be a greater driver of medical trend than overutilization of services
- Pharmacy trend should be set based on whether client covers GLP-1 drugs for weight loss (details can be found on the next slide)
- The split between non-specialty and specialty pharmacy should be considered when setting trends for budgets. While recent specialty claims have averaged over 50% of pharmacy plan cost, variation among clients may be significant

Healthcare Component	Lower End of Range	Upper End of Range
Medical	5.5%	9.5%
Pharmacy		
GLP-1s covered for weight loss	9.5%	14.5%
GLP-1s not covered for weight loss	7.5%	11.0%
Medical (70%) / Pharmacy (30%) Blend		
GLP-1s covered for weight loss	6.5%	11.0%
GLP-1s not covered for weight loss	6.0%	10.0%

Historical GHIP gross claims increases¹

Plan Year	Active+Pre-65 Medical Gross Claims		Active+Pre-65 Rx Gross Claims		Medicfill Medical Gross Claims		Medicfill Rx Gross Claims	
	Per Member Per Year	Annual Increase/ (Decrease)	Per Member Per Year	Annual Increase/ (Decrease)	Per Member Per Year	Annual Increase/ (Decrease)	Per Member Per Year	Annual Increase/ (Decrease)
FY17	\$5,101	-	\$1,334	-	\$1,901	-	\$4,295	-
FY18	\$5,081	0%	\$1,350	1%	\$1,896	0%	\$4,229	-2%
FY19	\$5,268	4%	\$1,468	9%	\$1,984	5%	\$4,624	9%
FY20	\$5,028	-5%	\$1,608	10%	\$1,900	-4%	\$5,108	10%
FY21	\$5,737	14%	\$1,672	4%	\$1,975	4%	\$5,111	0%
FY22	\$5,898	3%	\$1,708	2%	\$2,098	6%	\$5,309	4%
FY23	\$6,484	10%	\$1,967	15%	\$2,208	5%	\$6,044	14%
FY24	\$6,812	5%	\$2,134	8%	\$2,418	6%	\$6,737	11%
FY25 Fund vs FY24 Fund		8%		27%		10%		11%
Average – Prior 5 Years		8%		N/A		6%		7%
CURRENT ASSUMPTION		8%		See Slide 6		5%		See Slide 7
WTW RECOMMENDATION (FY25 through FY29)		8%		Separate trends by component		6%		Separate trends by component

- Historical trends based on year-end financial reports for each fiscal year through FY24.
- FY25 YTD based on monthly Fund report claims data with non-Medicare pharmacy trend adjusted for PrudentRx implementation on 7/1/23.

* See appendix

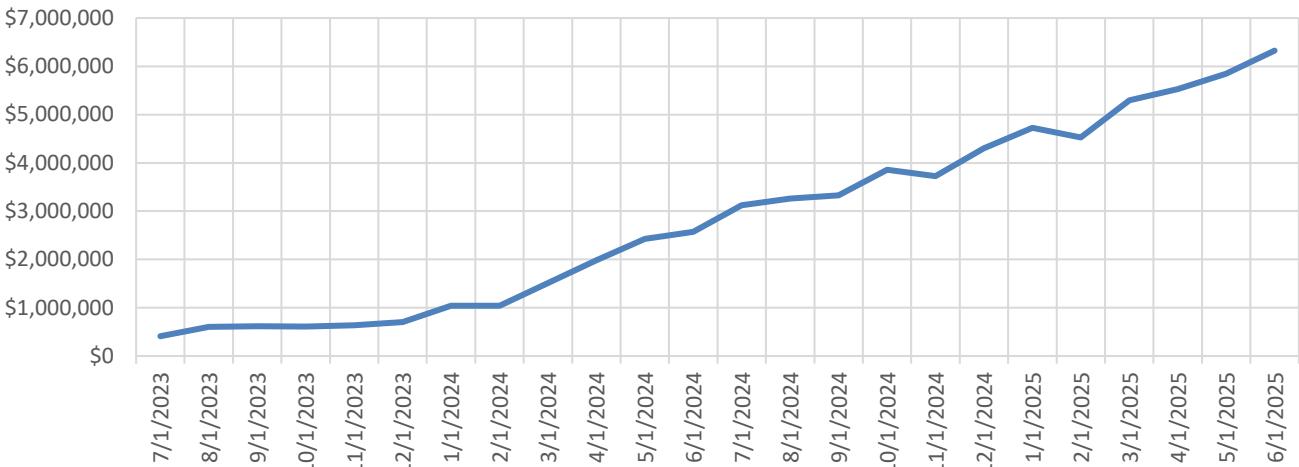
1. Source: WTW's Q4 quarterly financial reports for each fiscal year; FY24 YTD based on FY24 Q3 quarterly financial report, annualized

Pharmacy Trend - GLP -1, Weight Loss only, Current (8% to 4%)

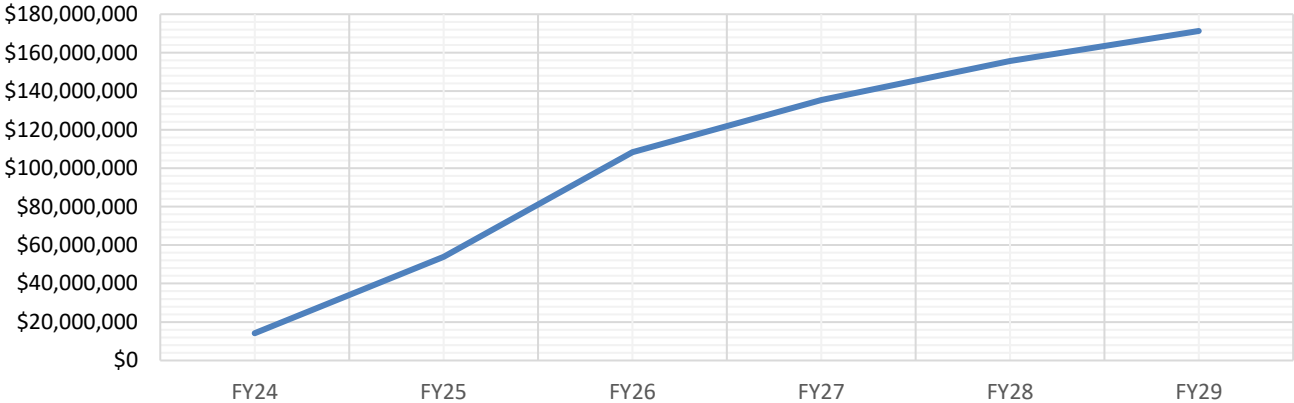
Commercial Plan - Weight Loss			
	Claims	FY25 Gross Spend	Month-over-Month
July	2,447	\$3,123,754	21%
August	2,592	\$3,258,384	4%
September	2,678	\$3,329,282	2%
October	3,163	\$3,855,597	16%
November	3,102	\$3,723,519	-3%
December	3,632	\$4,299,128	15%
January	4,016	\$4,728,989	10%
February	3,870	\$4,527,169	-4%
March	4,563	\$5,296,400	17%
April	4,797	\$5,526,244	4%
May	5,080	\$5,848,137	6%
June	5,443	\$6,325,130	8%
Total	45,383	\$53,841,732	6%
Increase over FY24		280%	

Commercial Plan - Weight Loss			
	Claims	Projected FY26	Month-over-Month
July	5,878	\$7,771,298	23%
August	6,349	\$8,390,000	8%
September	6,857	\$9,060,000	8%
October	7,337	\$9,690,000	7%
November	7,850	\$10,370,000	7%
December	8,400	\$11,100,000	7%
January	8,904	\$11,770,000	6%
February	9,438	\$12,480,000	6%
March	9,910	\$13,100,000	5%
April	10,405	\$13,760,000	5%
May	10,821	\$14,310,000	4%
June	11,254	\$14,880,000	4%
Total	103,402	\$136,680,000	7%
Increase over FY25		154%	

GLP-1 Weight-loss Gross Spend



Projected Annual Weight-loss Gross Spend (8% to 4%)



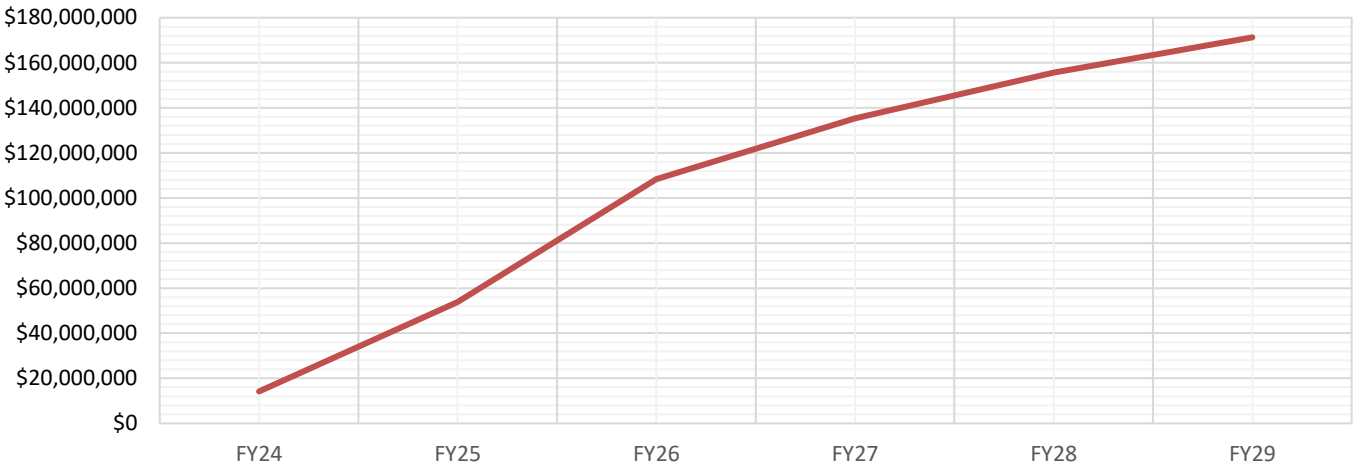
*GLP-1 trend projections are not inclusive of rebates
*Total month-over-month percent is an average of all FY months
*FY26 Projection based on GLP-1 Weight Loss utilization for June 2025 with an 8% increase

Pharmacy Trend - GLP-1, Weight Loss Only, Alternative (5% to 1%)

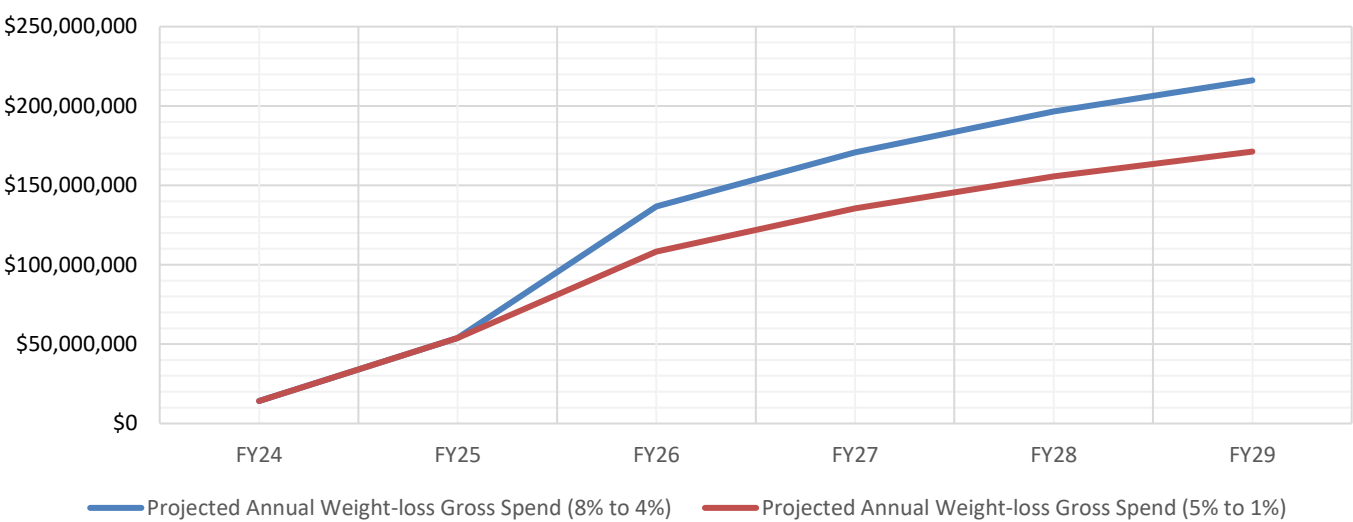
Commercial Plan - Weight Loss			
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December	3,632	\$4,299,128	15%
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February	3,870	\$4,527,169	-4%
March	4,563	\$5,296,400	17%
April	4,797	\$5,526,244	4%
May	5,080	\$5,848,137	6%
June	5,443	\$6,325,130	8%
Total	45,383	\$53,841,732	6%
Increase over FY24		280%	

Commercial Plan - Weight Loss			
	Claims	Projected FY26	Month-over-Month
July	5,715	\$7,555,428	19%
August	6,001	\$7,930,000	5%
September	6,241	\$8,250,000	4%
October	6,491	\$8,580,000	4%
November	6,685	\$8,840,000	3%
December	6,886	\$9,110,000	3%
January	7,024	\$9,290,000	2%
February	7,164	\$9,480,000	2%
March	7,307	\$9,670,000	2%
April	7,380	\$9,770,000	1%
May	7,454	\$9,870,000	1%
June	7,529	\$9,970,000	1%
Total	81,877	\$108,320,000	4%
Increase over FY25		101%	

Projected Annual Weight-loss Gross Spend (5% to 1%)



Projected Annual Weight-loss Gross Spend (8% to 4%) and (5% to 1%)

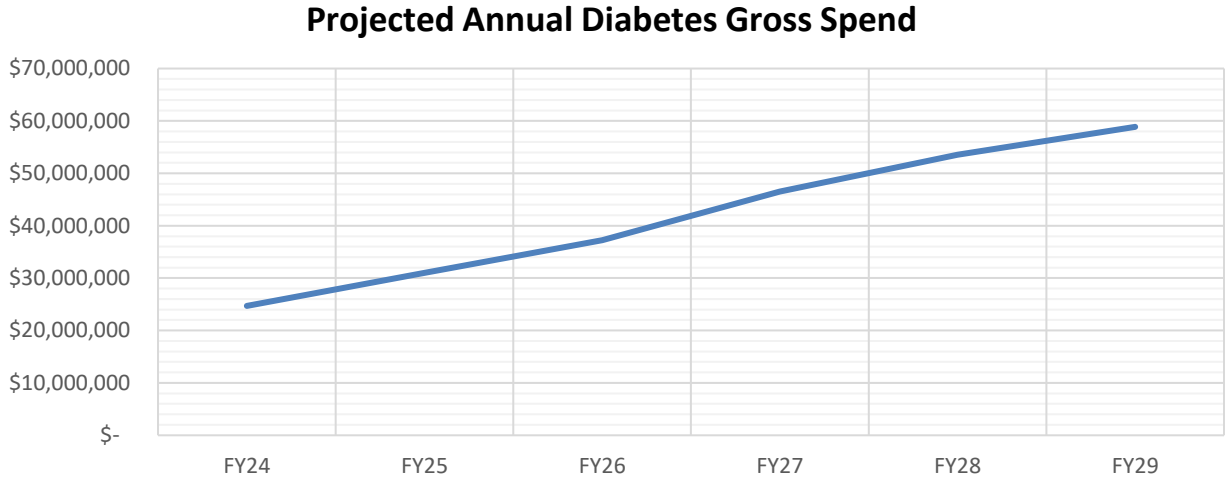
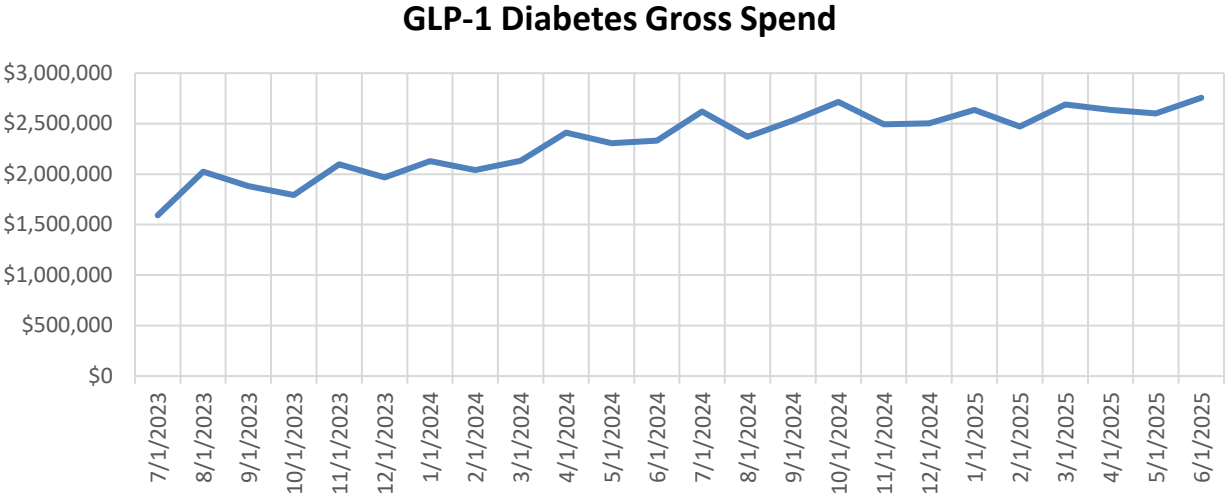


*GLP-1 trend projections are not inclusive of rebates
*Total month-over-month percent is an average of all FY months
*FY26 Projection based on GLP-1 Weight Loss utilization for June 2025 with an 5% increase

Pharmacy Trend - GLP-1, Diabetes Only (2%)

Anti-Diabetes (Commercial Only)			
	Claims	FY25 Gross Spend	Month-over-Month
July	1,991	\$2,621,108	12%
August	1,867	\$2,367,843	-10%
September	1,938	\$2,530,685	7%
October	2,103	\$2,715,881	7%
November	1,972	\$2,493,030	-8%
December	2,087	\$2,503,426	0%
January	2,189	\$2,637,049	5%
February	2,089	\$2,471,276	-6%
March	2,290	\$2,689,352	9%
April	2,272	\$2,636,080	-2%
May	2,263	\$2,600,667	-1%
June	2,372	\$2,755,866	6%
Total	25,433	\$31,022,263	2%
Increase over FY24		26%	

Anti-Diabetes (Commercial Only)			
	Claims	Projected FY26	Month-over-Month
July	2,419	\$2,810,000	2%
August	2,468	\$2,870,000	2%
September	2,517	\$2,930,000	2%
October	2,568	\$2,990,000	2%
November	2,619	\$3,050,000	2%
December	2,671	\$3,110,000	2%
January	2,725	\$3,170,000	2%
February	2,779	\$3,230,000	2%
March	2,835	\$3,290,000	2%
April	2,891	\$3,360,000	2%
May	2,949	\$3,430,000	2%
June	3,008	\$3,500,000	2%
Total	32,450	\$ 37,740,000	2%
Increase over FY25		22%	



*GLP-1 trend projections are not inclusive of rebates
*Total month-over-month percent is an average of all FY months

Pharmacy Trend - By Component - Commercial

COMMERCIAL – 8% to 4% FY26 Trend	FY23	FY24	Incr	FY25 ³	Incr	FY26	Incr	FY27	Incr	FY28	Incr	FY29	Incr
Gross Spend before GLP-1's & PrudentRx ²	\$183.6	\$198.3	8%	\$205.9	4%	\$224.4	9%	\$244.6	9%	\$266.6	9%	\$290.6	9%
GLP-1 - Weight Loss		\$14.2		\$53.8	280%	\$136.7	154%	\$170.9	25%	\$196.5	15%	\$216.1	10%
GLP-1 – Diabetes	\$17.0	\$24.7	45%	\$31.0	26%	\$37.7	22%	\$43.4	15%	\$47.7	10%	\$52.5	10%
PrudentRx Savings		(\$16.0)		(\$9.9)	-38%	(\$10.8)	9%	(\$11.8)	9%	(\$12.9)	9%	(\$14.1)	9%
Total Gross Spend before Rebates	\$200.6	\$221.2	10%	\$280.8	27%	\$388.0	38%	\$447.1	15%	\$498.0	11%	\$545.2	9%
Rebates ¹	(\$71.6)	(\$90.1)	26%	(\$109.7)	22%	(\$161.3)	47%	(\$196.3)	22%	(\$224.4)	14%	(\$246.8)	10%
Net Spend after Rebates	\$129.0	\$131.0	2%	\$171.1	31%	\$226.7	33%	\$250.7	11%	\$273.6	9%	\$298.4	9%

COMMERCIAL – 5% to 1% FY26 Trend	FY23	FY24	Incr	FY25 ³	Incr	FY26	Incr	FY27	Incr	FY28	Incr	FY29	Incr
Gross Spend before GLP-1's & PrudentRx ²	\$183.6	\$198.3	8%	\$205.9	4%	\$224.4	9%	\$244.6	9%	\$266.6	9%	\$290.6	9%
GLP-1 - Weight Loss		\$14.2		\$53.8	280%	\$108.3	101%	\$135.4	25%	\$155.7	15%	\$171.3	10%
GLP-1 – Diabetes	\$17.0	\$24.7	45%	\$31.0	26%	\$37.7	22%	\$43.4	15%	\$47.7	10%	\$52.5	10%
PrudentRx Savings		(\$16.0)		(\$9.9)	-38%	(\$10.8)	9%	(\$11.8)	9%	(\$12.9)	9%	(\$14.1)	9%
Total Gross Spend before Rebates	\$200.6	\$221.2	10%	\$280.8	27%	\$359.7	28%	\$411.6	14%	\$457.2	11%	\$500.3	9%
Rebates ¹	(\$71.6)	(\$90.1)	26%	(\$109.7)	22%	(\$149.1)	36%	(\$178.1)	19%	(\$202.3)	14%	(\$222.5)	10%
Net Spend after Rebates	\$129.0	\$131.0	2%	\$171.1	31%	\$210.5	23%	\$233.5	11%	\$254.9	9%	\$277.8	9%

¹Reflect the exclusion of Zepbound from the commercial formulary

²PrudentRx is included trend projections through FY29 and subject to change based on results of the PBM RFP

³Based on actual experience through June 2025

Pharmacy Trend - By Component - EGWP

EGWP	FY23	FY24	Incr	FY25 ³	Incr	FY26	Incr	FY27	Incr	FY28	Incr	FY29	Incr
Gross Spend before GLP-1's ² & PrudentRx ²	\$165.5	\$181.5	10%	\$198.6	9%	\$219.1	9%	\$241.5	9%	\$266.3	9%	\$293.6	9%
GLP-1 - Weight Loss													
GLP-1 - Diabetes	\$14.9	\$19.3	30%	\$24.1	25%	\$28.9	20%	\$33.2	15%	\$36.5	10%	\$40.2	10%
PrudentRx Savings													
Total Gross Spend before Rebates	\$180.4	\$200.8	11%	\$222.7	11%	\$248.0	11%	\$274.7	11%	\$302.8	10%	\$333.8	10%
Rebates	(\$51.5)	(\$62.8)	22%	(\$81.5)	30%	(\$93.7)	15%	(\$103.1)	10%	(\$113.4)	10%	(\$124.7)	10%
Net Spend after Rebates	\$128.9	\$138.0	7%	\$141.2	2%	\$154.3	9%	\$171.6	11%	\$189.4	10%	\$209.1	10%

²PrudentRx is included trend projections through FY29 and subject to change based on results of the PBM RFP

³Based on actual experience through June 2025










Next Steps – FY26 Trend

SEBC to vote on FY26 trend recommendations for:

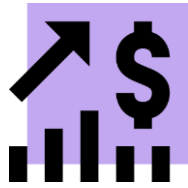
- 1.) Medical trend of 8% for active and pre-65 retirees for FY26
- 2.) Medical trend of 6% for Medicfill for FY26
- 3.) Commercial pharmacy trend of 23% or 33% for FY26
- 4.) EGWP pharmacy trend of 9% for FY26

Appendix

Long-term trend considerations for active medical/Rx trend

Impact on Trend	Factors
	Physician/hospital supply shortage: Hospitals and physicians are expected to seek higher rate increases (potentially also at a higher frequency) in contract negotiations. Workforce shortages and physician consolidation can further amplify the effect. Further, provider “burnout” and increased patient demand are expected to keep the pressure up on clinical workforces across the industry.
	Increasing cost of pharmaceuticals: Employers are experiencing inflationary pressure from the rising median price of new drugs, as well as the increasing price of existing drugs. Combined with the accelerated approvals of new cell and gene therapies, pharmacy trends are not expected to slow down in the next 3 to 5 years.
	Utilization of GLP-1s for weight loss is expected to grow in the next 3 to 5 years given the positive efficacy data.
	Medicare reimbursement challenges could potentially put pressure on commercial pricing.
	Reduced inflation: The general inflation is expected to decrease to historical level (~2%-3% annual) in the next 3-5 years.
	Biosimilars: The prices of biosimilars are, on average, more than 50% lower than the reference products at the time of biosimilar launch, driving significant savings.
	Total cost of care management initiatives such as value-based care can help maintain year over year trend. Nationally, these programs generally demonstrated better cost management and subsequently achieved lower cost trends. As these programs continue to grow, they will have a deflator effect overall on medical cost trends.
	Healthier population: Health equity efforts to improve population health and GLP-1 efficacy for weight loss in the long term can have a positive impact on medical cost trends.
	Behavioral health: While utilization of behavioral health grew during the pandemic and continues to grow, its cost remains relatively lower than other medical costs. We expect that behavioral health utilization will stabilize in the next three to five years.

Summary of tariff implications



Increases in drug ingredient cost



Increase in other operating costs



Drug shortages and potential quality reduction



Manufacturer could discontinue operations



Manufacturers could create capacity in the U.S.



Potential worse health outcomes

Tariffs and other factors affecting healthcare costs

The New York Times

Trump Unveils Expansive Global Tariffs

AJMC

News | Article | April 8, 2025

Trump's New Tariffs Could Drive Up Health Care Costs, Experts Warn

CHIEF HEALTHCARE
EXECUTIVE®

For hospitals, tariffs could mean higher prices 'almost immediately'

April 10, 2025

As of April 21st 2025, many tariffs are on hold for 90 days.

Current State

- Tariffs could have large impacts on overall healthcare costs
 - **Medical devices:** Most are imported, largely from the European Union, Mexico and Costa Rica
 - **Medical supplies:** Most are imported; typically represents ~13% of total hospital costs
 - **Pharmaceutical products:** Often produced overseas, and even drugs formulated in the U.S. are often made of active pharmaceutical ingredients that are manufactured in India and China
 - **Indirect impacts,** which may lag for several years, to supply chain changes (e.g. stockpiling, changes in international agreements), companies increasing prices using tariffs as a rationale, impact to overall economy which could drive a greater population to be uninsured or on Medicaid

Key Considerations

- An increase in tariffs would add to the existing trend headwinds that the market is currently facing
- High level of uncertainty around tariffs – if they will be implemented, tariff levels, timing, etc.

Factors affecting medical trends

- Contentious multiyear contract renegotiations over the next few years as health systems look to recoup significant losses
- Industry consolidation, including hospitals, PBM and carriers. UHG is now the largest employer of physicians; OneMedical/Amazon, or CVS/Walgreens clinics are now providers of care
- Continued clinical workforce shortages
- Continued medical progress and technological advances
- Shift in site of care
- Increased healthcare utilization due to provider practices (over-prescribing services)

Tariff guidance

Scenarios

Scenario	Low Impact	Medium Impact	High Impact
Average Tariff Amount	Approximately 10% weighted across products and countries.	Approximately 20% weighted across products and countries.	Approximately 30% weighted across products and countries.
Drug Costs	Minimal tariff pass-through or exemption of drugs from tariffs. Stable brand/generic mix and utilization.	Moderate increase in drug costs driven by tariffs, with mild shifts in utilization from generic to brand due to drug shortages.	Significant drug cost increases. Brand usage rises due to generic shortages and higher pass-through rates.
Medical Supplies & Equipment	Most vendors absorb tariffs. Limited changes in utilization or pricing.	Noticeable price increases due to tariffs. Moderate shift in utilization patterns as members and providers forego use of equipment due to cost or availability.	Widespread cost increases. Heavy pass-through of tariffs and utilization constraints.
Overall Healthcare Utilization Trends	Slight dip in overall healthcare usage due to uncertainty and price sensitivity.	Utilization remains steady.	Utilization unchanged, but higher costs amplify spend.
Contract & Price Pressures	Successful carrier negotiation of medical contracts, mitigating price hikes.	Some negotiated contracts reflect tariff adjustments.	Most negotiated contracts reflect tariff adjustments and/or contracts opened for renegotiation.
Final Margin Assumption	-1% to 0%	+1% to +3%	+3% to +6%