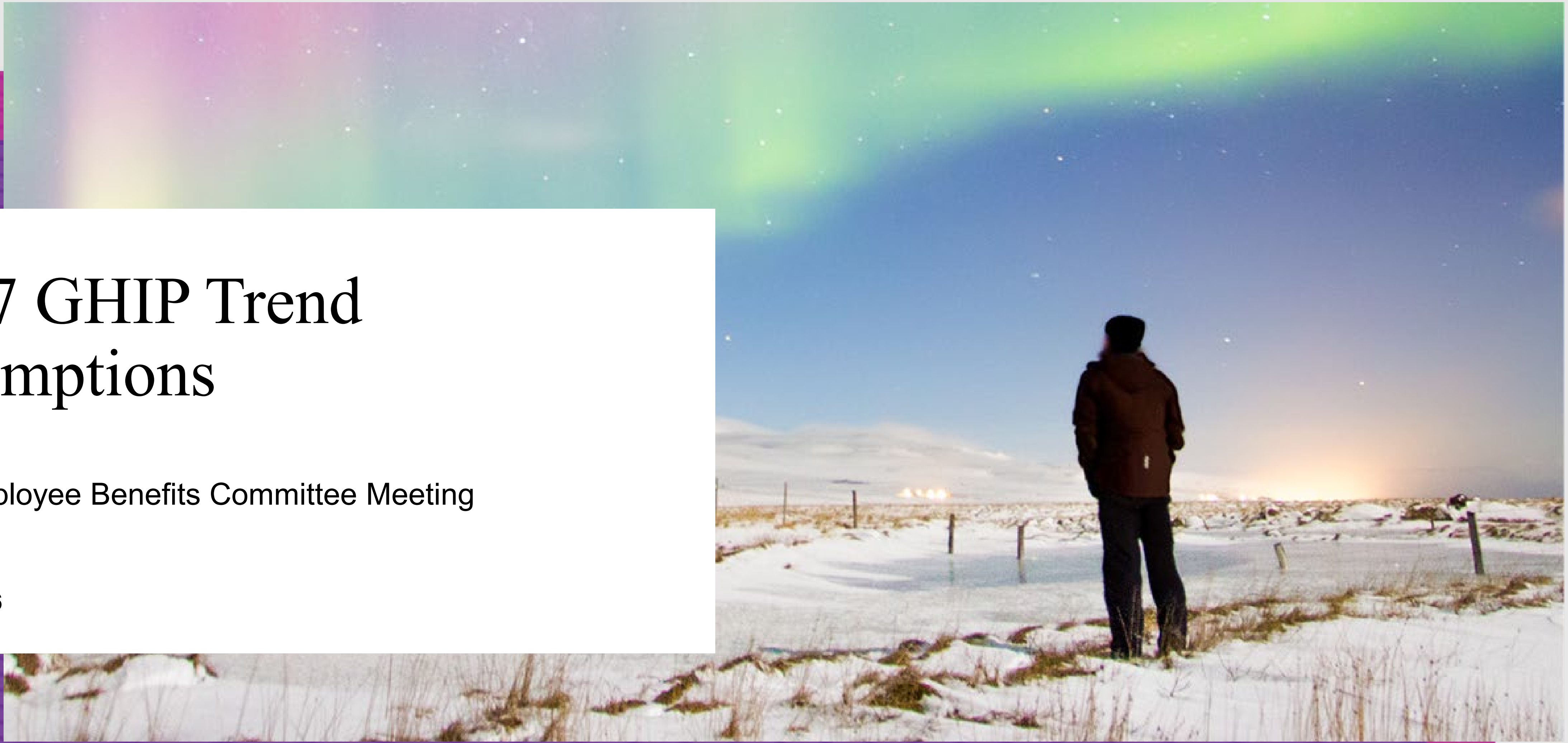
FY27 GHIP Trend Assumptions

State Employee Benefits Committee Meeting

July 27, 2026



General trend setting considerations

- Trend assumptions for the remainder of 2026 and 2027 can reasonably range from 6% to 16%
- 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

Updated active medical & drug trends for 2026-2027 plan years

	Updated: 2026-2027			Prior: 2025-2026		
Category	**Mid**	**Low**	**High**	**Mid**	**Low**	**High**
Medical	7.0%	5.5%	12.0%	7.0%	5.5%	9.5%
Pharmacy						
GLP-1s covered for weight-loss	17.0%	10.0%	25.0%	12.0%	9.5%	14.5%
GLP-1s not covered for weight-loss	10.0%	7.0%	13.0%	9.5%	7.5%	11.0%

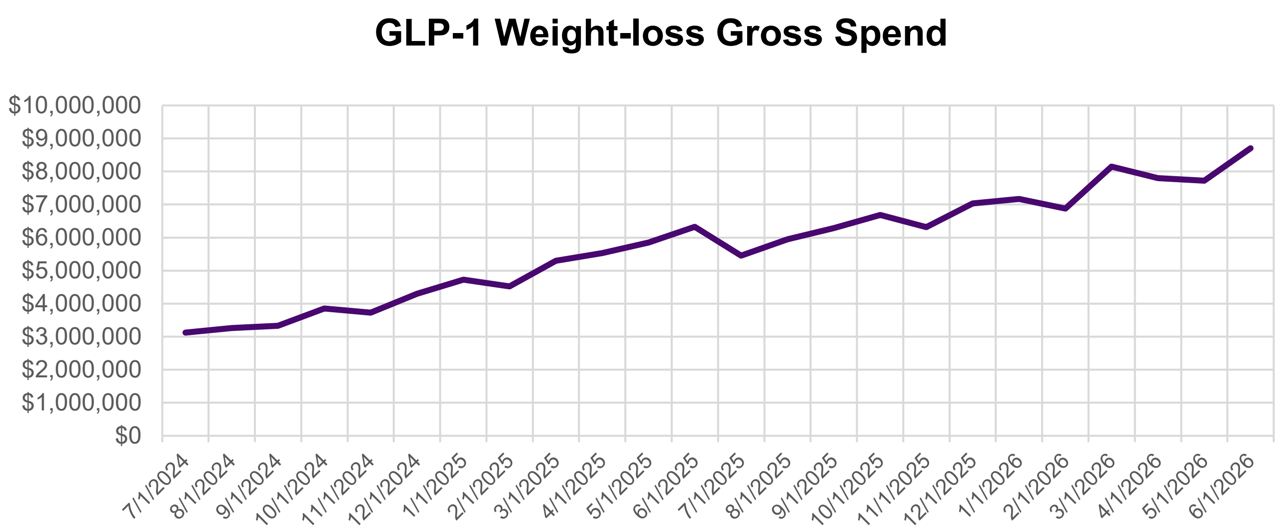
- Assumed trend is the sum of assumed unit cost increase (i.e., healthcare inflation) and utilization changes
- Medical and Rx trend should be applied separately to corresponding claims experience
- Utilization trend for GLP-1 weight-loss drugs continue to grow in 2026-2027 higher than previously anticipated, driven partially by the approval of oral Wegovy at the end of 2025. Although unit cost is expected to decrease as more products drive competition, we have yet to see prices drop in the commercial market
- Unit price pressures are expected to be a greater driver of medical trend than overutilization of services

Historical GHIP gross claims increases

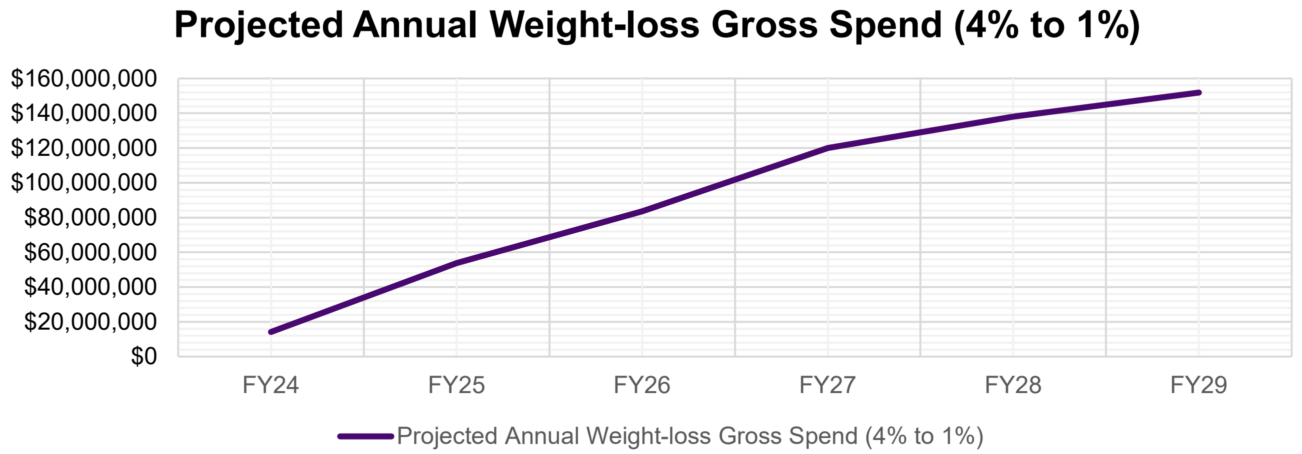
Plan Year	Active+Pre-65 Medical		Active+Pre-65 Rx		Medicfill Medical		Medicfill Rx	
	Per Member Per Year	Increase / (Decrease)	Per Member Per Year	Increase / (Decrease)	Per Member Per Year	Increase / (Decrease)	Per Member Per Year	Increase / (Decrease)
FY23	$6,847		$1,970		$2,229		$6,343	
FY24	$7,119	4%	$2,135	8%	$2,371	6%	$6,932	9%
FY25	$7,638	7%	$2,660	25%	$2,557	8%	$7,563	9%
FY26	$8,512	11%	$3,251	22%	$2,774	9%	$7,915	5%
Average		8%		18%		8%		8%
CURRENT ASSUMPTION		8%		See Slide 6		5%		See Slide 7
WTW RECOMMENDATION (FY27 through FY30)		8%		Separate trends by component		8%		Separate trends by component

Pharmacy Trend - GLP -1 for Weight Loss only

Commercial Plan - Weight Loss			
	Claims	FY26 Gross Spend	Month-over-Month
July	4,277	$5,452,356	-14%
August	4,643	$5,947,219	9%
September	4,934	$6,290,576	6%
October	5,268	$6,680,003	6%
November	4,901	$6,318,149	-5%
December	5,500	$7,036,922	11%
January	5,600	$7,168,217	2%
February	5,415	$6,875,720	-4%
March	6,406	$8,145,949	18%
April	6,151	$7,802,141	-4%
May	5,995	$7,725,895	-1%
June	6,731	$8,704,628	13%
Total	**65,821**	**$84,147,774**	**3%**
Increase over FY25		**56%**	



Commercial Plan - Weight Loss			
	Claims	Projected FY27	Month-over-Month
July	7,000	$9,050,000	4%
August	7,280	$9,412,000	4%
September	7,571	$9,788,480	4%
October	7,799	$10,082,134	3%
November	8,033	$10,384,598	3%
December	8,274	$10,696,136	3%
January	8,439	$10,910,059	2%
February	8,608	$11,128,260	2%
March	8,780	$11,350,826	2%
April	8,868	$11,464,334	1%
May	8,956	$11,578,977	1%
June	9,046	$11,694,767	1%
Total	**98,654**	**$127,540,572**	**3%**
Increase over FY26		**52%**	

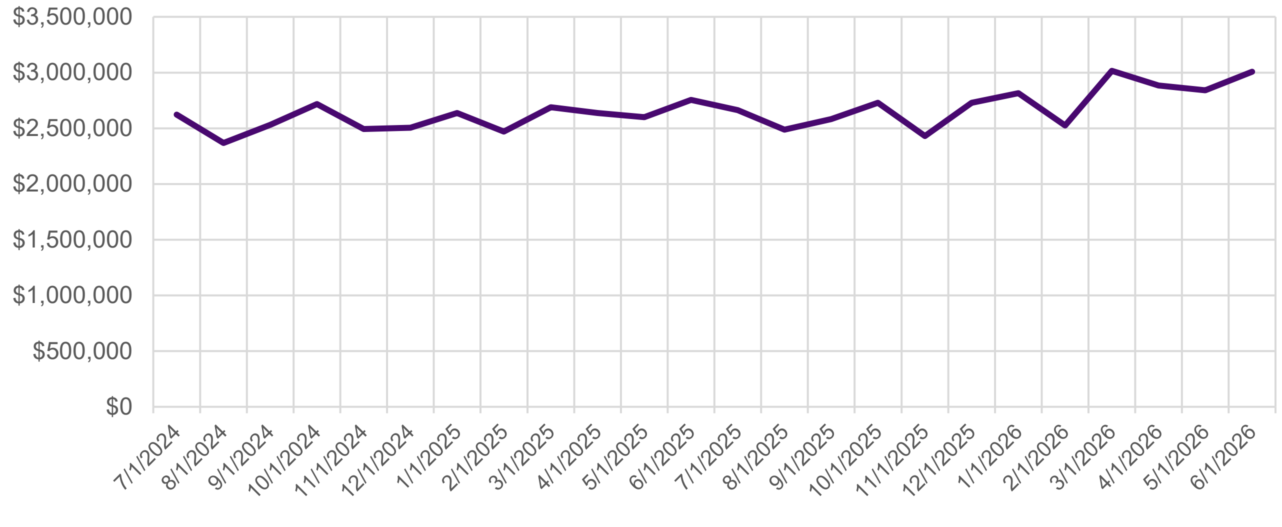


*GLP-1 trend projections are not inclusive of rebates
*Total month-over-month percent is an average of all FY months
*FY26 Projection based on GLP-1 Weight Loss utilization for June 2025 with an 8% increase

Pharmacy Trend - GLP-1 for Diabetes

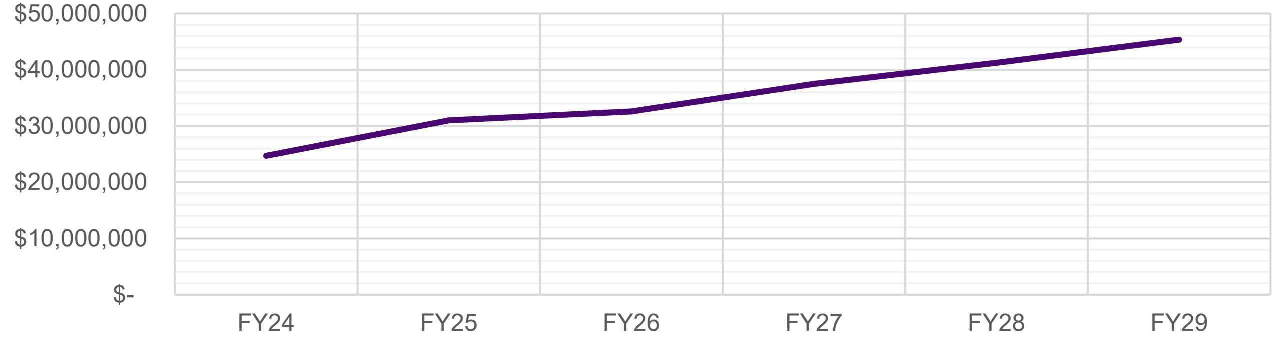
Anti-Diabetes (Commercial Only)			
	Claims	FY26 Gross Spend	Month-over-Month
July	2,295	$2,663,197	-3%
August	2,152	$2,487,773	-7%
September	2,230	$2,581,003	4%
October	2,359	$2,729,366	6%
November	2,108	$2,428,949	-11%
December	2,381	$2,729,497	12%
January	2,362	$2,815,014	3%
February	2,128	$2,523,399	-10%
March	2,534	$3,015,437	19%
April	2,388	$2,882,361	-4%
May	2,337	$2,839,351	-1%
June	2,498	$3,006,892	6%
Total	**27,772**	**$32,702,239**	**1%**
Increase over FY25		**5%**	

GLP-1 Diabetes Gross Spend



Anti-Diabetes (Commercial Only)			
	Claims	Projected FY27	Month-over-Month
July	2,523	$3,040,000	1%
August	2,548	$3,070,000	1%
September	2,574	$3,100,000	1%
October	2,599	$3,130,000	1%
November	2,625	$3,160,000	1%
December	2,652	$3,190,000	1%
January	2,678	$3,220,000	1%
February	2,705	$3,250,000	1%
March	2,732	$3,280,000	1%
April	2,759	$3,310,000	1%
May	2,787	$3,340,000	1%
June	2,815	$3,370,000	1%
Total	**31,998**	**$38,460,000**	**1%**
Increase over FY26		**18%**	

Projected Annual Diabetes Gross Spend (1%)



*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 – Per Member	FY24	Incr	FY25	Incr	FY26	Incr	FY27	Incr	FY28	Incr	FY29	Incr	FY30	Incr
Gross Spend before GLP-1's & PrudentRx	$159	6%	$162	2%	$175	8%	$191	9%	$208	9%	$227	9%	$248	9%
GLP-1 - Weight Loss	$11		$42	273%	$73	71%	$110	52%	$138	25%	$159	15%	$183	15%
GLP-1 – Weight Loss – Higher Copays							($16)		($20)	24%	($23)	14%	($26)	14%
GLP-1 – Diabetes	$20	43%	$24	23%	$28	16%	$33	18%	$37	12%	$41	10%	$45	10%
PrudentRx Savings	($13)		($8)	-39%	($6)	-27%	($5)	-15%	($4)	-10%	($4)	-10%	($4)	-10%
Total Gross Spend before Rebates	$178	8%	$222	25%	$271	22%	$314	16%	$359	14%	$400	11%	$446	11%
Rebates	($72)	24%	($87)	19%	($111)	28%	($127)	14%	($148)	17%	($165)	12%	($184)	12%
Net Spend after Rebates	$105	0%	$135	28%	$160	18%	$187	17%	$211	13%	$235	11%	$261	11%

Pharmacy Trend - EGWP

EGWP - Per Member per Month	CY26[1]	CY27[1]	Incr	CY28	Incr	CY29	Incr	CY30	Incr	CY31
Gross Drug Cost[2]	$661	$629	-5%	$630	0%	$658	4%	$704	7%	$762
Member Share[3]	($25)	($25)	0%	($26)	4%	($27)	4%	($28)	4%	($29)
Net Paid Claims	$636	$604	-5%	$604	0%	$631	4%	$676	7%	$733
Rebates[2]	($183)	($142)	-22%	($109)	-23%	($93)	-15%	($86)	-7%	($85)
Manufacturer Discount Program (MDP)[4]	($78)	($65)	-17%	($59)	-9%	($58)	-2%	($60)	3%	($63)
Select Drug Subsidy (SDS)[4]	($6)	($10)	67%	($13)	30%	($15)	15%	($17)	13%	($20)
CMS Catastrophic Reinsurance[5]	($67)	($68)	1%	($68)	0%	($68)	0%	($68)	0%	($68)
Direct Subsidy	($151)	($167)	11%	($184)	10%	($202)	10%	($222)	10%	($245)
Projected Net Cost	**$151**	**$152**	1%	**$171**	13%	**$195**	14%	**$223**	14%	**$253**

1. Provided by CVS.
2. The inflation Reduction Act phases in Medicare negotiated maximum fair prices (MFPs) for select drugs beginning in 2026. As additional drugs become eligible over time, EGWP costs may be affected based on plan-specific utilization.
3. The annual Medicare Part D out-of-pocket (TrOOP) threshold is $2,000 in 2025, $2,100 in 2026, and $2,400 in 2027. Thresholds for subsequent years are assumed to increase annually in accordance with CMS guidance and the statutory indexing methodology under the Inflation Reduction Act.
4. Beginning in 2025, drug manufacturers provide discounts on many Medicare Part D drugs through the Manufacturer Discount Program. For drugs subject to a Maximum Fair Price (MFP) under the Medicare Drug Price Negotiation Program, plans receive a federal Selected Drug Subsidy (SDS) instead of a manufacturer discount. These projections reflect both programs.
5. Under Medicare Part D, the federal government reimburses plans for a portion of prescription drug costs once members exceed the annual out-of-pocket threshold. Projected costs reflect expected federal reinsurance payments under current law.

Next Steps – Vote on Trend

SEBC to vote on FY27 and long-term trend recommendations for:

1.) Medical trend of 8% for active and pre-65 retirees for FY27-FY30 (Slide 2)

2.) Medical trend of 8% for Medicfill for FY27-FY30 (Slide 2)

3.) Commercial pharmacy trend of 22% for FY27, declining to 12% by FY30 (Slide 7)

4.) EGWP pharmacy trend of -5% for FY27 increasing to 7% for FY30 (Slide 8)