



GHIP Trend Development Discussion

July 15, 2024



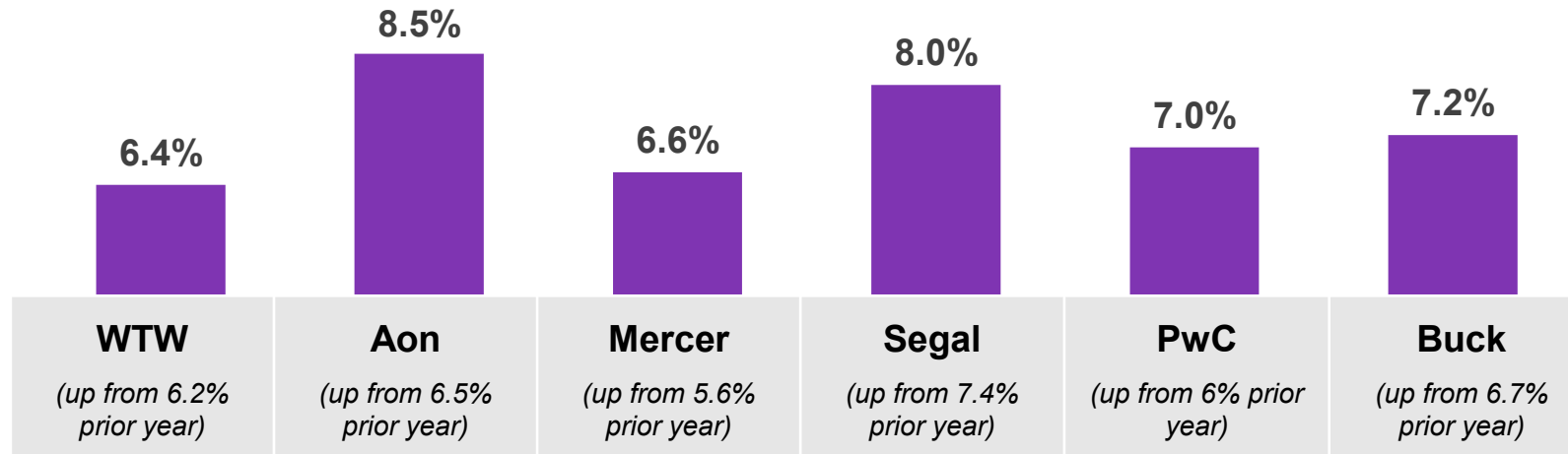
Executive summary

- Trend assumptions for the remainder of 2024 and 2025 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	6%	10%
Pharmacy		
<i>GLP-1s covered for weight loss</i>	9.5%	12.5%
<i>GLP-1s not covered for weight loss</i>	6.5%	9.5%
Medical (75%) / Pharmacy (25%) Blend		
<i>GLP-1s covered for weight loss</i>	6.5%	11%
<i>GLP-1s not covered for weight loss</i>	6%	10%

Trend outlook — Other sources for consideration

- WTW's 2023 Best Practices in Health Care Survey indicates a 6.5% expected trend for 2024 healthcare costs
- Similar to WTW, other consulting firms' trend forecasts project higher trend than last year
- Note that trend projections in these surveys are backward looking based on trend assumptions chosen for 2024 pricing projections and do not consider the prospective factors outlined in this document



WTW: <https://www.wtwco.com/en-us/insights/2023/11/employers-remain-focused-on-controlling-healthcare-costs>

Aon: <https://aon.mediaroom.com/2023-08-22-Aon-U-S-Employer-Health-Care-Costs-Projected-to-Increase-8-5-Percent-Next-Year>

Mercer: <https://www.mercer.com/en-us/insights/us-health-news/health-benefit-cost-expected-to-rise-54-in-2024-mercero-survey/>

Segal: <https://www.segalco.com/consulting-insights/2024-health-plan-cost-trend-survey>

PwC: <https://www.pwc.com/us/en/industries/health-industries/library/assets/pwc-behind-the-numbers-2024.pdf>

Buck: <https://buck.com/press/buck-survey-shows-medical-costs-for-employer-sponsored-plans-in-2023-2024-have-yet-to-fully-adjust-for-inflation/>

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.
↔	COVID-19: Impacts of changes in federal and state policies and the need for vaccines, testing and treatment vary, with the net effect likely being neutral.
↔	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.

Client characteristics and expected impact on trend

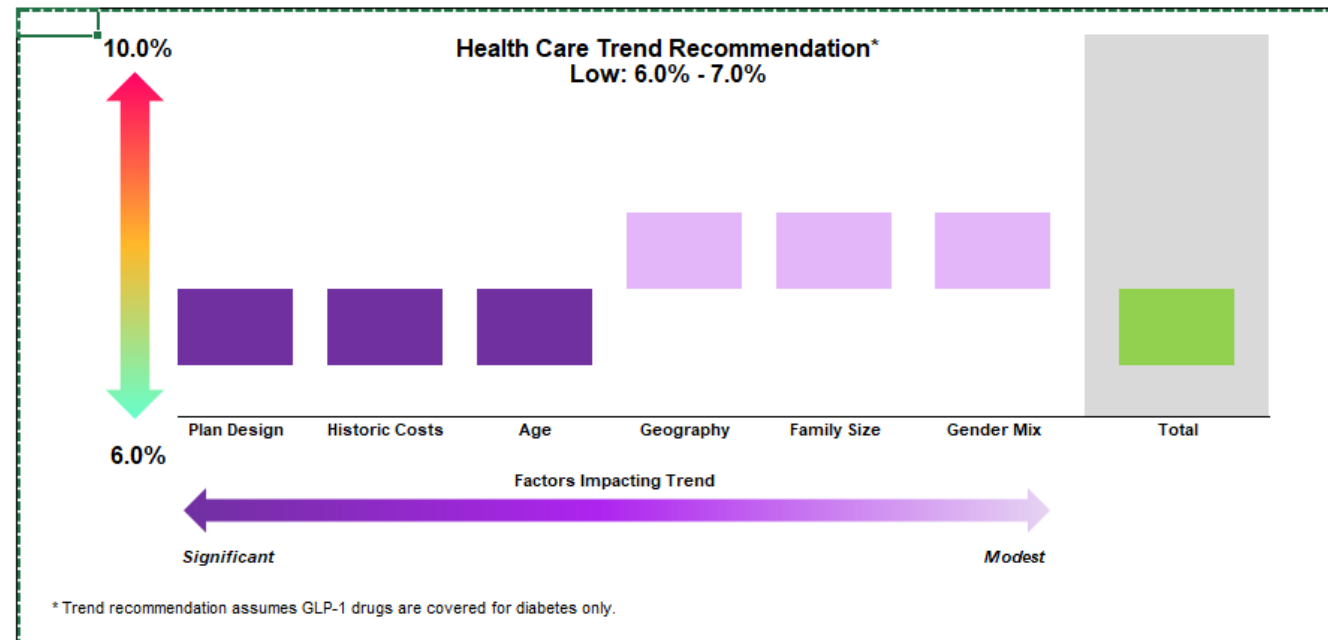
Use Healthcare Trend Customization Modeler to reflect some of these attributes

Characteristic	Commentary
Historical Costs	Currently high-cost clients tend to trend at a lower annual rate
Plan Design	Richer plan values are generally associated with higher trend
Industry	Some industries have consistently lower trends; use FBS as a resource
Median Salary	If general inflation is higher, plans with higher-income participants will have higher trend
Waiver Rate	Higher waiver rates tend to increase trend as those waiving coverage are often lower utilizers
Dependent Mix	Spouses tend to have higher trend; children tend to have lower trend
Geography	Trend varies significantly by market; use Milliman Healthcare Trend Guidelines as a resource for historical data
Specialty Rx Usage/ Coverage	Greater Specialty drug usage tends to result in higher trend
Age	Older than average populations usually have higher trend
Enrollment Change	Rapidly increasing populations tend to trend at a lower rate

Healthcare Trend Customization Model

WTW can narrow trend range based on State of Delaware characteristics

- WTW's Healthcare Trend Customization model completed for GHIP active population using GHIP's 2023 Financial Benchmark Survey data
- Modeling suggests trend falling on the lower end of range, primarily due to Delaware's rich plan designs
 - Richer plans and higher cost populations are correlated with lower expected trend
- Based on the GHIP's characteristics, we would expect trend to be towards the low end of the expected range for future trend



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 – Q3 Financials		5%		13%		13%		12%
FY24 Fund vs FY23 Fund		4%		16%		6%		11%
Average – Prior 4 Years		8%		9%		5%		7%
CURRENT ASSUMPTION		6%		9%		3%		9%
WTW RECOMMENDATION (FY25 through FY28)		6%		15%* down to 11%		5%		15%* down to 11%
Sub-Committee Recommendation to SEBC								

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

- Historical trends based on year-end financial reports for each fiscal year through FY23.
- FY24 YTD based on monthly Fund report claims data with non-Medicare pharmacy trend adjusted for PrudentRx implementation on 7/1/23.

* See appendix

Appendix

Pharmacy Trend – GLP-1 Utilization

Commercial Plan - Weight Loss			
	Claims	FY24 Gross Spend	Month-over-Month
July	346	\$ 411,119	
August	478	\$ 603,563	47%
September	499	\$ 620,448	3%
October	454	\$ 610,802	-2%
November	481	\$ 640,392	5%
December	509	\$ 704,941	10%
January	708	\$ 1,042,167	48%
February	773	\$ 1,040,946	0%
March	1,098	\$ 1,514,006	45%
April	1,413	\$ 1,979,985	31%
May	1,835	\$ 2,428,241	23%
June	1,992	\$ 2,573,171	6%
Total	10,586	\$ 14,169,781	18% avg monthly

Anti-Diabetes			
	Claims	FY24 Gross Spend	Month-over-Month
July	1,217	\$ 1,591,307	
August	1,481	\$ 2,023,210	27%
September	1,385	\$ 1,880,894	-7%
October	1,356	\$ 1,791,445	-5%
November	1,480	\$ 2,097,307	17%
December	1,494	\$ 1,965,558	-6%
January	1,575	\$ 2,129,814	8%
February	1,509	\$ 2,039,484	-4%
March	1,539	\$ 2,130,261	4%
April	1,745	\$ 2,409,972	13%
May	1,775	\$ 2,305,208	-4%
June	1,761	\$ 2,331,547	1%
Total	18,317	\$ 24,696,007	4% avg monthly

Commercial Plan - Weight Loss			
	Claims	Projected FY25	Month-over-Month
July	2,032	\$ 2,620,000	2%
August	2,072	\$ 2,680,000	2%
September	2,114	\$ 2,730,000	2%
October	2,156	\$ 2,790,000	2%
November	2,199	\$ 2,840,000	2%
December	2,243	\$ 2,900,000	2%
January	2,288	\$ 2,960,000	2%
February	2,334	\$ 3,010,000	2%
March	2,381	\$ 3,080,000	2%
April	2,428	\$ 3,140,000	2%
May	2,477	\$ 3,200,000	2%
June	2,526	\$ 3,260,000	2%
Total	27,251	\$ 35,210,000	148% year-over-year

Anti-Diabetes			
	Claims	Projected FY25	Month-over-Month
July	1,796	\$ 2,380,000	2%
August	1,832	\$ 2,430,000	2%
September	1,869	\$ 2,470,000	2%
October	1,906	\$ 2,520,000	2%
November	1,944	\$ 2,570,000	2%
December	1,983	\$ 2,630,000	2%
January	2,023	\$ 2,680,000	2%
February	2,063	\$ 2,730,000	2%
March	2,105	\$ 2,790,000	2%
April	2,147	\$ 2,840,000	2%
May	2,190	\$ 2,900,000	2%
June	2,233	\$ 2,960,000	2%
Total	24,091	\$ 31,900,000	29% year-over-year

Pharmacy Trend – By Component

	FY23	FY24	Increase	FY25	Increase
Gross Spend before GLP-1's & PrudentRx	\$364,037,531	\$399,140,686	10%	\$435,063,348	9%
GLP-1 - Weight Loss	\$ -	\$ 14,169,781		\$ 35,210,000	148%
GLP-1 - Diabetes	\$ 16,977,029	\$ 24,696,007	45%	\$ 31,900,000	29%
PrudentRx Savings	\$ -	\$ (15,988,660)		\$ (17,747,412)	11%
Net Spend	\$381,014,560	\$422,017,815	11%	\$484,425,936	15%