

HEALTH WEALTH CAREER

GENERAL BOARD OF PENSION AND HEALTH BENEFITS OF THE UNITED METHODIST CHURCH

2015 EXPERIENCE AND
REVIEW OF RATE METHODOLOGY

MARCH 2016

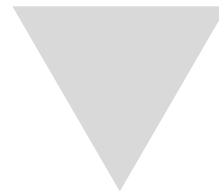
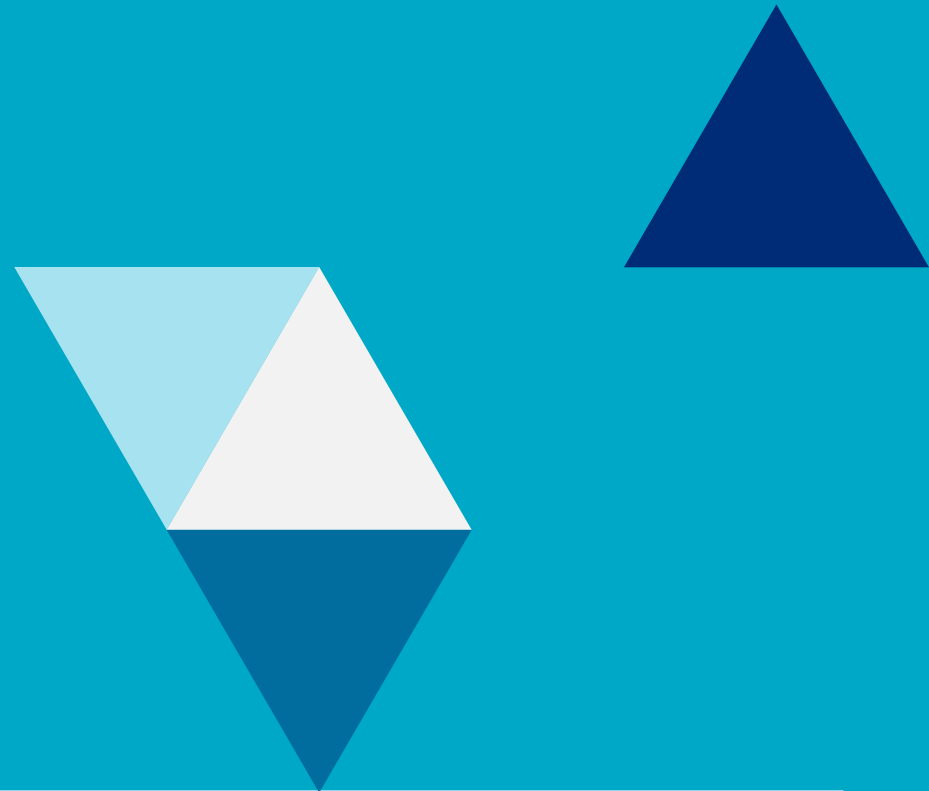


TABLE OF CONTENTS

- 2015 Experience
- HealthFlex Rate Methodology Review
- CDH Plans

2015 EXPERIENCE



2015 EXPERIENCE

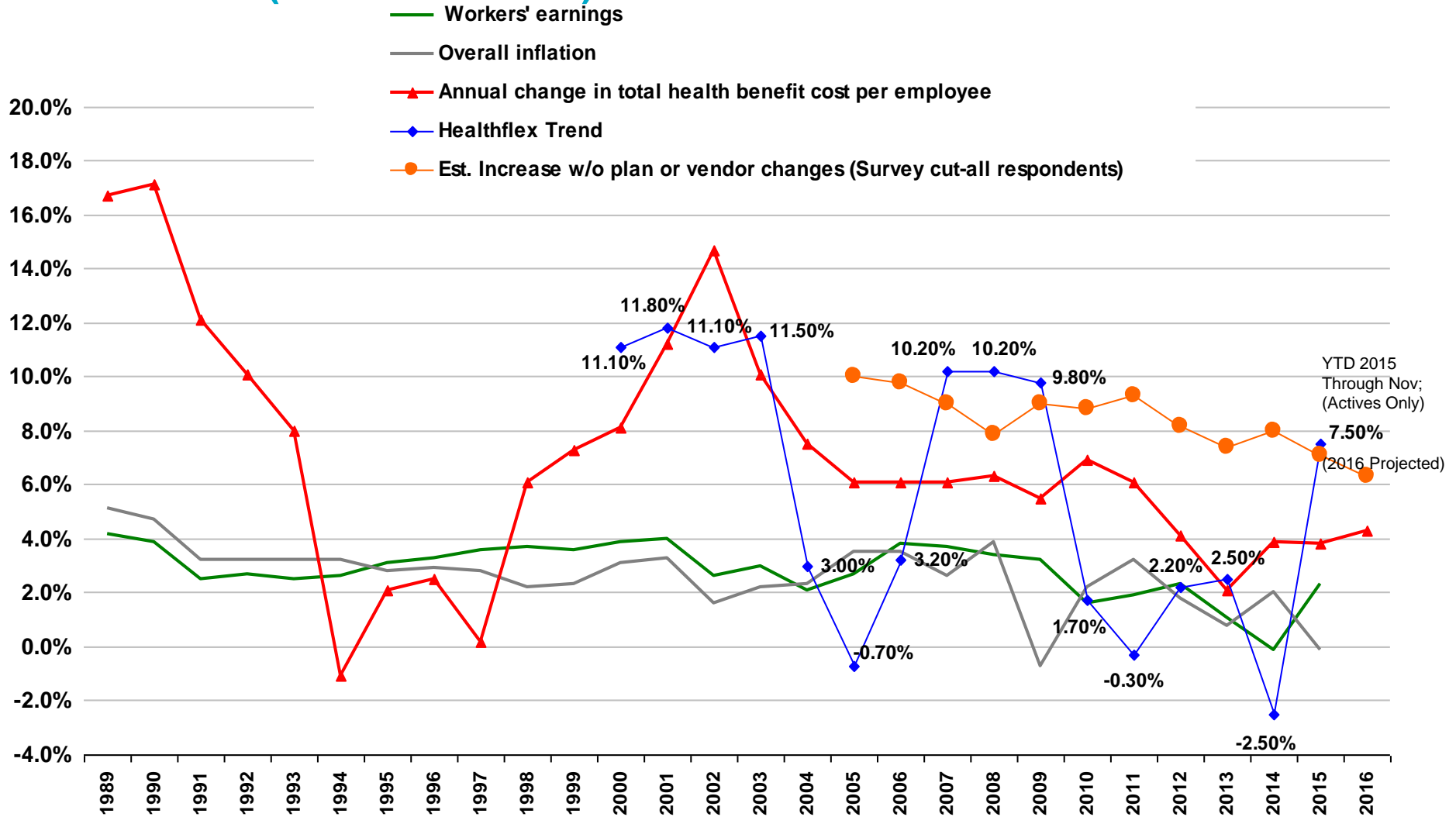
- 2015 HealthFlex claims trended higher after five very low years (2010-2014)
- 2015 also saw lower investment returns on the plan assets

Year	Claims Trend	Investment Income (\$000)	Claims Funding Ratio PPO	CDHP
2010	1.7%	\$6,901	97.1	N/A
2011	(0.3%)	(\$709)	93.4	71.0
2012	2.2%	\$5,132	94.0	76.1
2013	3.0%	\$7,835	100.2	73.7
2014	(2.5%)	\$2,218	96.9	71.8
2015 (Nov. YTD)	7.5%	(\$428)	105.0	87.2

2015 EXPERIENCE (CONTINUED)

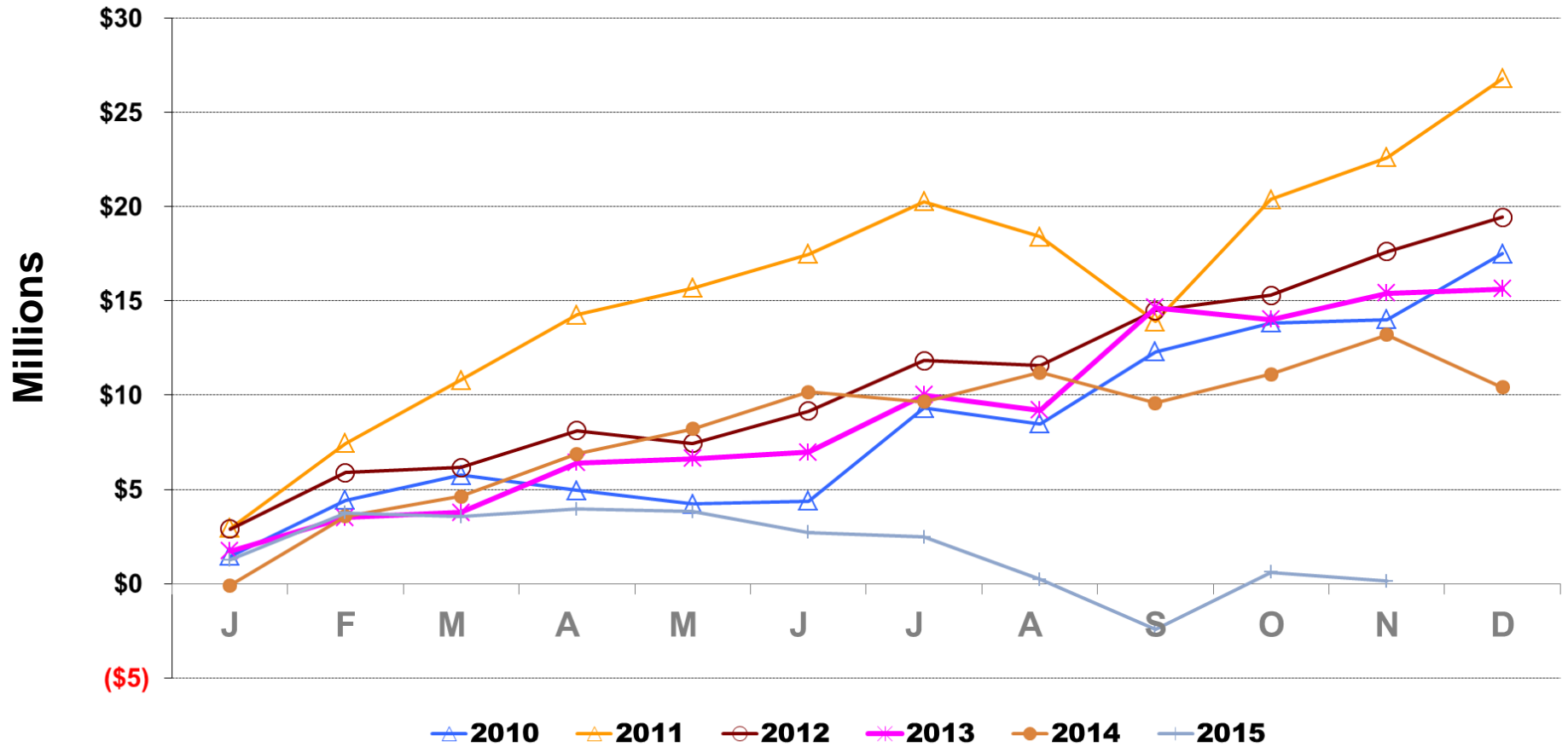
- As noted on the previous page, HealthFlex experience for the five-year period (2010-2014) was extremely favorable
 - Claims trend averaged +0.8% per year (2010-2014)
 - This drove claims-to-claims funding ratios to an average of 94.6% over the period (2010-2014)
- 2015 was a markedly different year, as claims trended much higher at +7.5% (closer to general market cost trends)
- 2016 rates were based in part on the favorable 2014 claims experience
- As a result, 2016 claims-to-claims funding ratios are projected, at this time, to exceed 100%
- Therefore, 2017 rate increases reflect expected claims trends in 2016 and 2017 closer to market averages—as we are always forecasting 24 months into the future

ANNUAL HEALTH COST TRENDS VS. EARNINGS AND CPI (1989-2015)

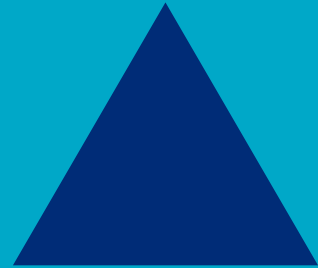


Source: Mercer's National Survey of Employer-Sponsored Health Plans; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April) 1988-2007; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April) 1988-2007.

CUMULATIVE 2010, 2011, 2012, 2013, 2014, AND 2015 (YTD) TOTAL (U/W + INVESTMENT INCOME)



RATE METHODOLOGY



HEALTHFLEX—HISTORICAL GOALS FOR RATE-SETTING PROCESS

- Provide rates approximately 10 months in advance to facilitate conference budgeting and conference review
- Requires 25-month trend projected (e.g., 2017 rates use data midpoint 6/1/2015 to midpoint 7/1/2017)
- Minimize adjustments to initial rates
- Facilitate rate stability over time
- Assure rate equity
- Produce competitive rates
- Protect financial integrity of HealthFlex Pool

RATE METHODOLOGY—OVERVIEW

- Claim stratification boundaries are as follows:
 - Lowest = under \$5,000
 - Middle = \$5,000 to \$100,000
 - Highest = \$100,000
- Assigned claims based on stratification and plan sponsor credibility
 - Lowest strata = 100% credible – experience fully assigned to plan sponsor
 - Middle strata partially credible – plan sponsor & pool experience blend
 - Highest strata = 0% credible – experience completely pooled
- Resulting pooled experience utilized to calculate “draft” rate increases
- Actual rate increases moderated by application of corridor averaging (minimum and maximum boundaries)

RATE METHODOLOGY—KEY PARAMETERS

- Experience base equals prior 12 months
- 2016 pooling limits (% of 2015 total claim dollars):
 - Claims < \$5,000: 100% to plan sponsor 35%
 - Claims \$5,000 to \$100,000: credibility blended 52%
 - Claims \$100,000: and above fully “pooled” 13%

RATE METHODOLOGY—POOLING AND CREDIBILITY

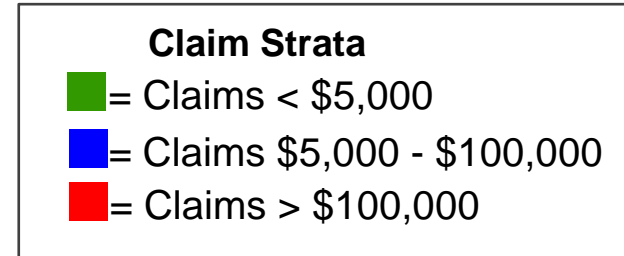
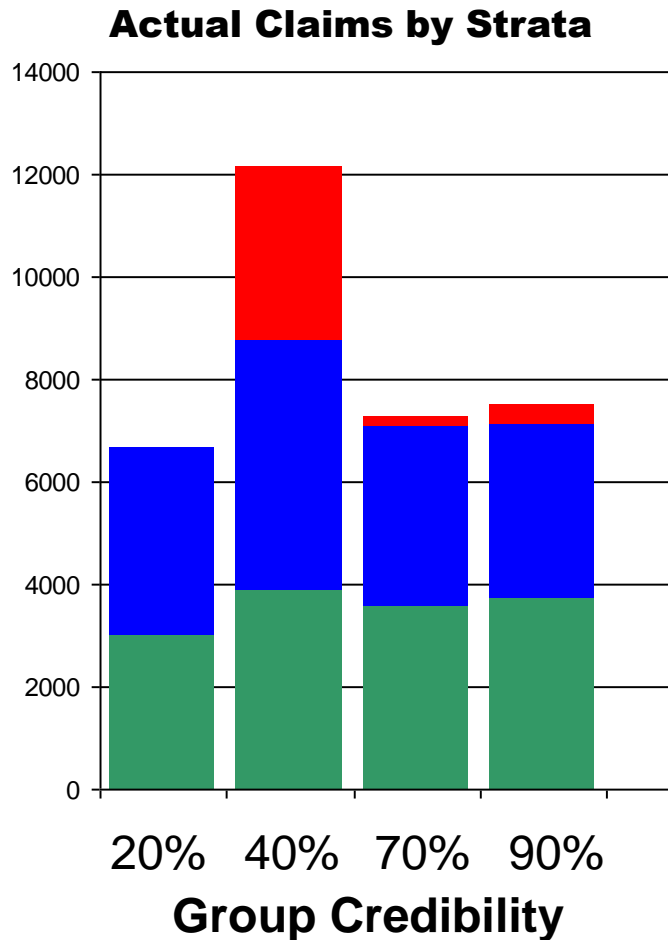
- Credibility measured by covered households (average annual)
- Groups under 42 households (12 months average) = 0% credibility
- Groups with 1,250 or more households = 100% credibility
- Typical rating—the largest conference has approximately 80% of their own experience driving their rates, while the smallest conference is at 0%

RATE METHODOLOGY

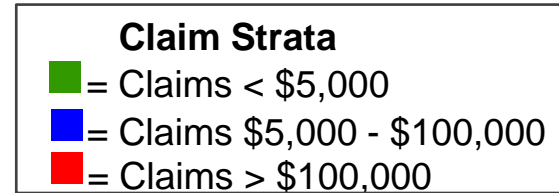
CREDIBILITY AND POOLED CLAIMS

Households	Credibility	How claims are allocated	
		% Assigned Claims	% Pooled Claims
Less than 42	0%	35%	65%
42 -58	10%	40%	60%
58 – 83	20%	45%	55%
83 – 125	30%	51%	49%
125 – 208	40%	56%	44%
208 – 292	50%	61%	39%
292 – 417	60%	66%	34%
417 – 583	70%	72%	28%
583 – 875	80%	77%	23%
875 – 1,250	90%	82%	18%
1,250 or more	100%	87%	13%

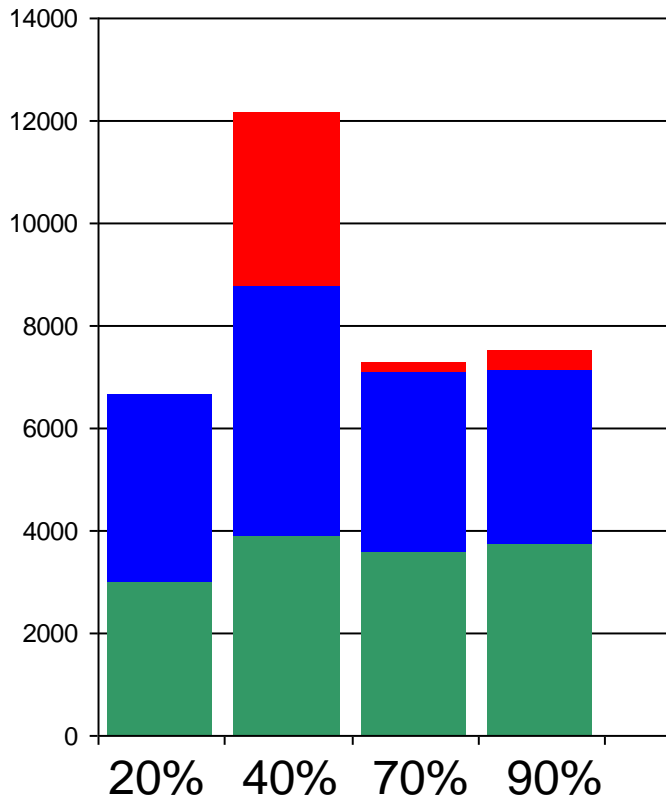
POOLING EXAMPLES—AVG. CLAIMS PER HOUSEHOLD



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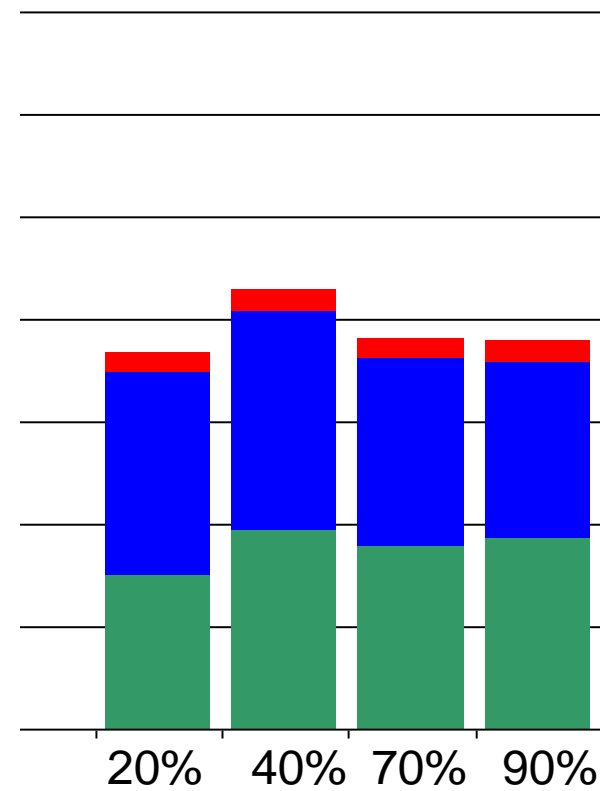


Actual Claims by Strata



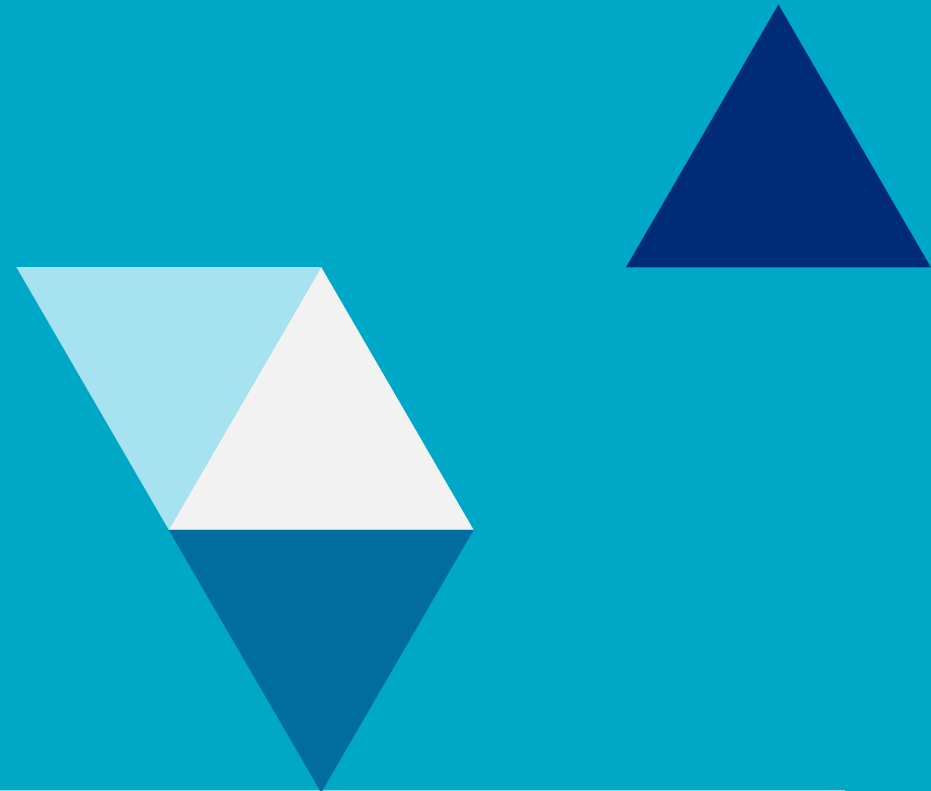
Group Credibility

Pooling Adjusted Claims by Strata

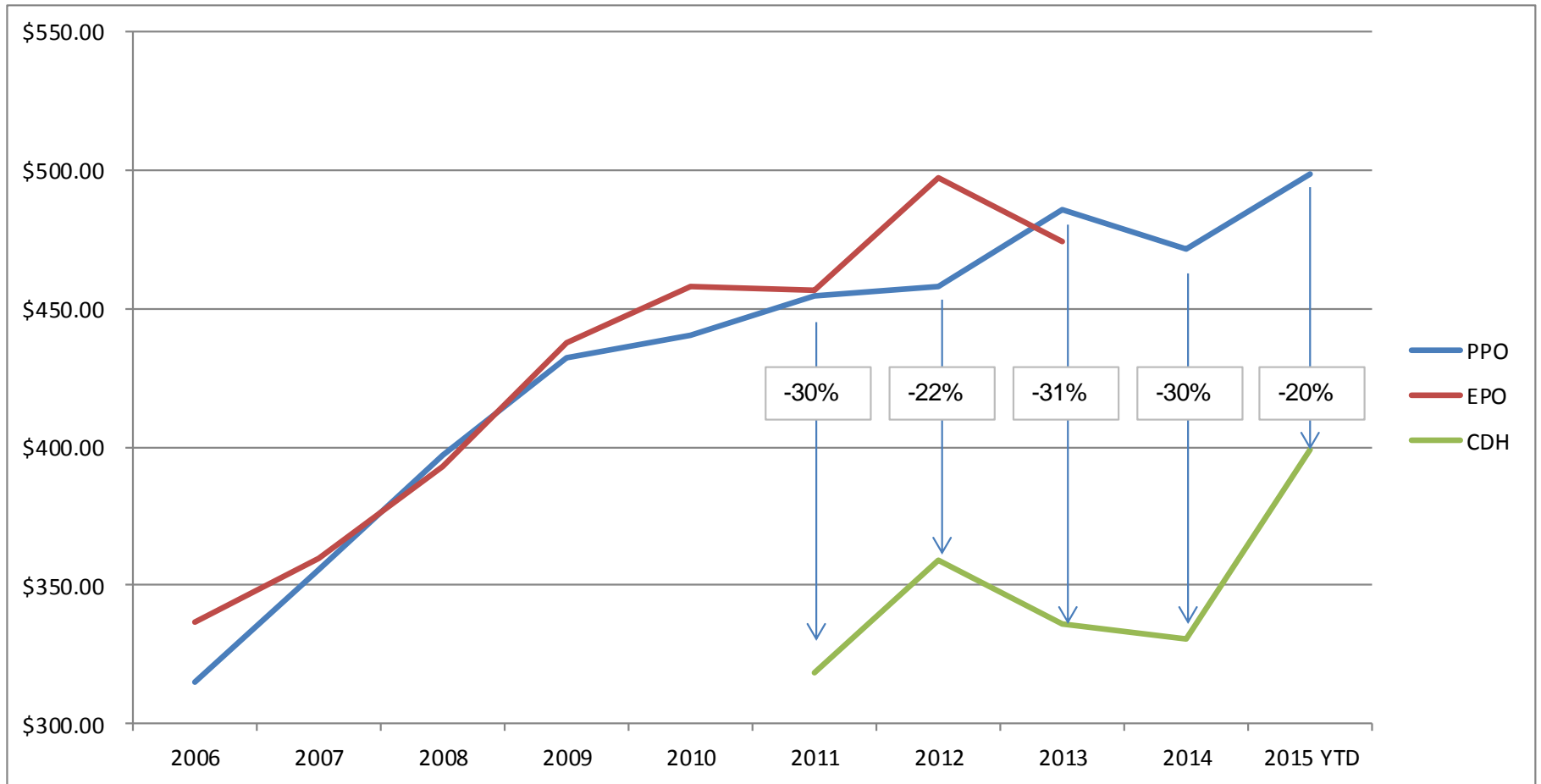


Group Credibility

CDH PLANS



CDH PLANS CONTINUE TO PERFORM WELL



VALUE PROPOSITION OF CDH PLANS

- Numerous studies continue to show that participant behavior changes when enrolled in CDH plans
 - Fewer emergency room visits
 - Higher use of generic prescriptions and less expensive brand prescriptions
 - Fewer SCP (Specialty Care Physician) visits but more PCP (Primary Care Physician) visits
 - Few x-ray and lab services
 - Fewer elective surgeries
 - Higher use of preventative services (covered at 100%)
- Mercer Survey each year shows continued enrollment increase in CDH plans
 - In 2015, 59% of plan sponsors with 500+ employees offered CDH Plans
 - In 2015, across all plans, sponsors with 500+ employees, 25% of enrollment was in CDH plans
 - The growth rate of enrollment in CDH plans has been the fastest of any “new” plan type in the history of the Mercer Survey (e.g., HMOs, EPOs, POS plans)

MAKE



**TOMORROW,
TODAY**