



Tackling Healthcare Costs:

Strategies to manage rising costs while maximizing affordability for employees



**STRENGTH
& SERVICE
— SERIES —**

March 14, 2023 • 1:00 PM Central

PORTICO®

Benefit Services | A Ministry of the ELCA

wtw

SPEAKERS



FACILITATOR

Ross Eichelberger

Portico Vice President, Business Development



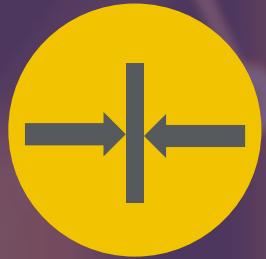
PRESENTER

Jon Nilson

Willis Towers Watson Senior Director



What steps have you taken to mitigate the rising costs of healthcare?



**Narrower
Network**



**Prescription
Formulary
Changes**



**Passing more
cost to employees**



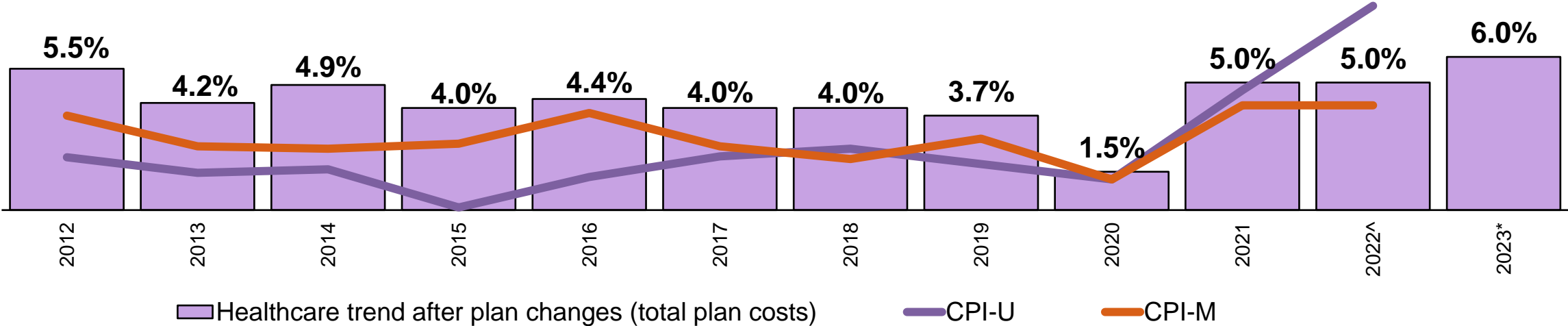
**Reducing/cutting
health benefits**

A group of diverse professionals are seated around a wooden conference table in a bright, modern office. They are engaged in a discussion, with some looking at laptops and others looking towards each other. The scene is captured from a slightly elevated angle, showing the backs of some heads and the profiles of others. The lighting is natural, coming from a window in the background. A semi-transparent purple banner is overlaid across the middle of the image, containing the title text.

Health Care Cost Management and Affordability

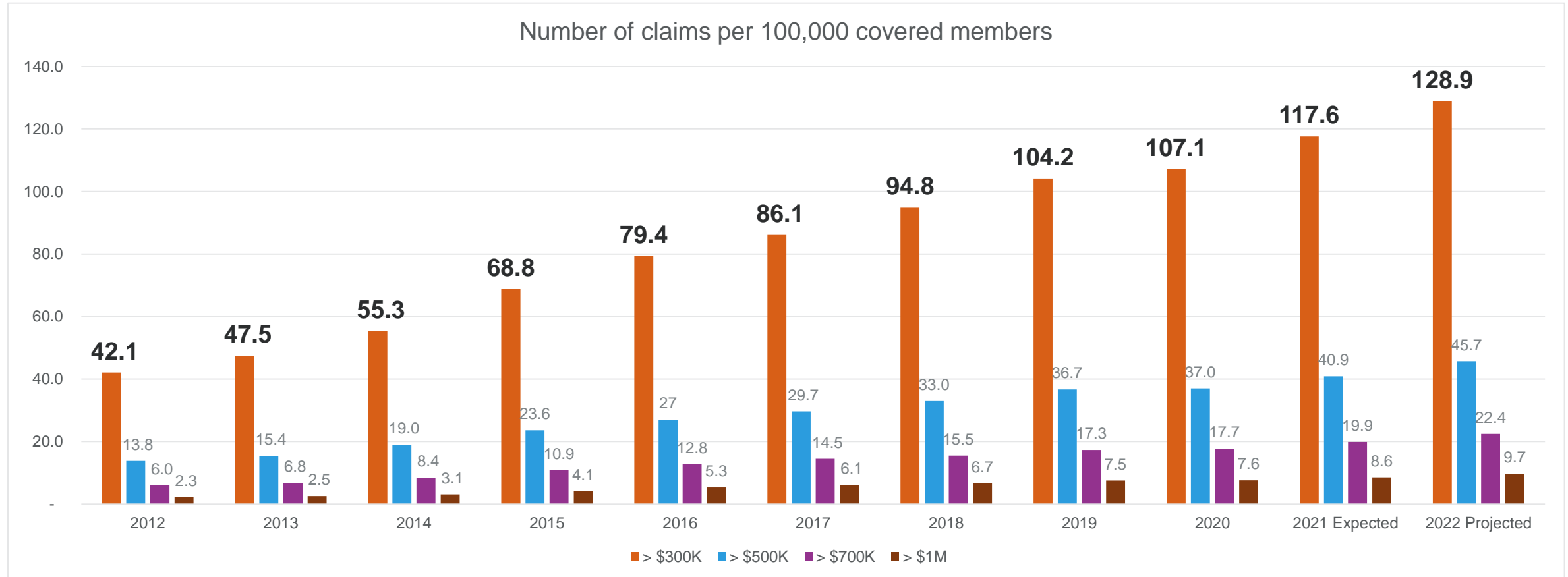
Medical CPI was generally above core CPI until the last two years; inflationary increases have not worked their way through the health care system yet

WTW's Best Practices in Health Care Survey



[^]Expected; ^{*}Projected.

High-cost claimants have also increased substantially since 2012 – increasing stop loss rates and cash flow risk



- Copyright notice identify source of the Licensed Data: IBM® MarketScan® Commercial Claims and Encounters Database. Certain data used in this study were supplied by International Business Machines Corporation. Any analysis, interpretation, or conclusion based on these data is solely that of the authors and not International Business Machines Corporation.

- Liability Language: This report contains data derived from an IBM program licensed by WTW known as MarketScan ("MarketScan Data"). You agree not to reference, disclose or distribute any MarketScan Data to any third party. MarketScan Data shall remain the property of WTW and/or IBM. You are not granted a license, express or implied, under any trade secret right, trademark, patent, copyright or other proprietary right in the MarketScan Data.

Other external market forces will contribute to rising medical trends

		Unit cost	Utilization
1	Higher overall inflation and increased labor costs		
2	Provider consolidation		
3	Escalating drug costs		
4	Worsening mental health		
5	Missed preventive and nonemergency care		
6	Aftermath of the pandemic		

Source: Levin-Scherz, J., "8 reasons why healthcare cost inflation is likely to escalate," The Hill, April 2, 2022.

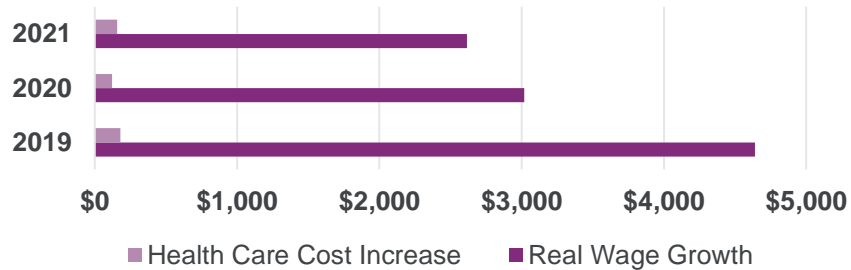


Affordability challenge has changed since 2019:

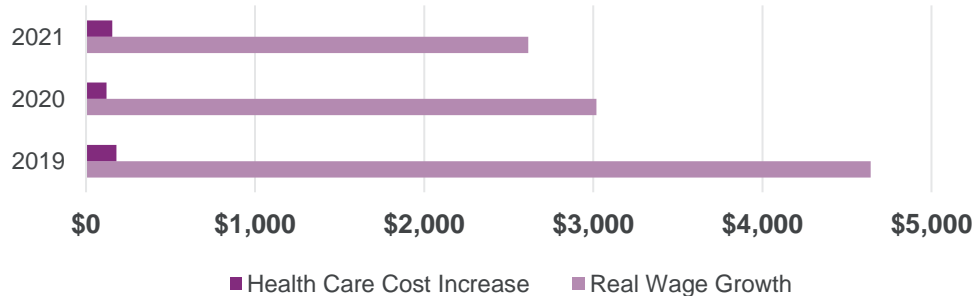
Health care cost increases are no longer the challenge – inflation and debt have increased income pressure

Health care cost increases are not the issue: inflation has decreased real wages since 2018

Single coverage since 2018

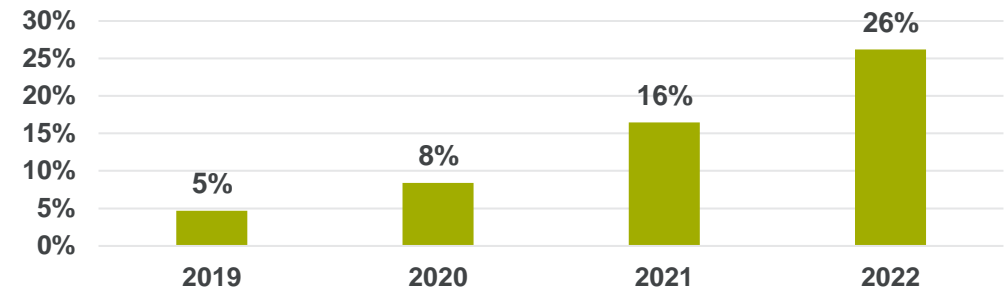


Family coverage since 2018



Income pressure has increased as total debt burden has increased along with inflation

Growth in mortgage, student loan, credit card and automobile debt since 2018



Members not seeking care due to cost creates further risk for employers and affordability issues will get worse in the future

45%+

Drug abandonment rate for drugs with \$125+ OOP costs

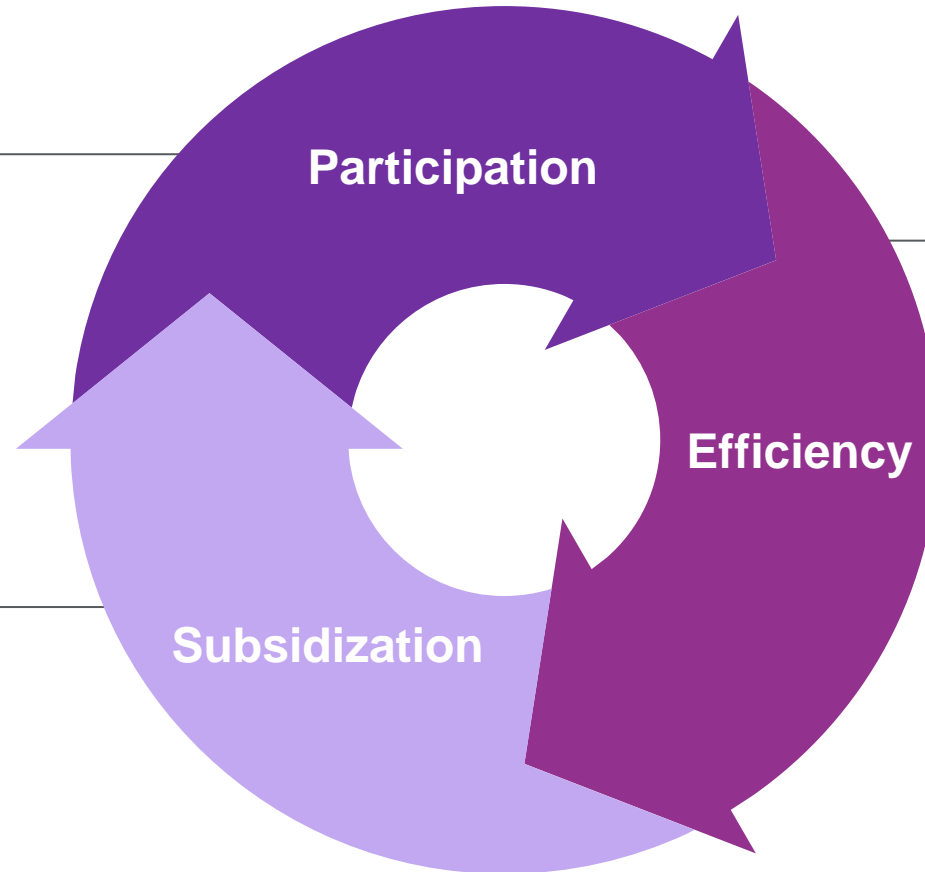
28%

Of millennial employees stated they found it difficult to pay for health care

Historic strategies to lower health costs

- Cover fewer employees and dependents on the plan

- Require employees pay a larger share of total cost (contributions and/or out-of-pocket)



- Risk pooling strategies
- Have healthier employees
- Drive better provider discounts
- Steer to higher value providers
- Better medical/pharmacy management programs
- Achieve better contracts with carrier(s) and vendor(s)

Source: Adapted from WTW Best Practices in Healthcare Employer Survey.

Cost Savings Playbook

1. Consider your current state

- Employer size
- Demographics
- Claims experience
- Savings target
- Savings timeframe
- Labor challenge
- Willingness to be “ahead of the pack”

2. Determine your persona and/or characteristics

Persona

<p>“Desperately seeking” Claims savings <i>now</i></p>
<p>“Deadline 2024” Claims savings in two years</p>
<p>Prudent purchaser No specific savings goals</p>

Characteristics

<p>Insured Small clients not bearing risk</p>	<p>High-cost claimants Driving costs</p>	<p>Specialty drugs Driving costs</p>
<p>Tight labor market Sensitive to employee pushback</p>	<p>Concentrated Large number of clients in a geography</p>	

3. Determine programs likely to yield most client value *

40%



Of employers are considering implementing a spousal surcharge by 2024

52%



Of employers will issue an RFP for a Pharmacy Benefits Manager by 2024

51%



Of employers are considering a concierge program with integrated care management by 2024

2%



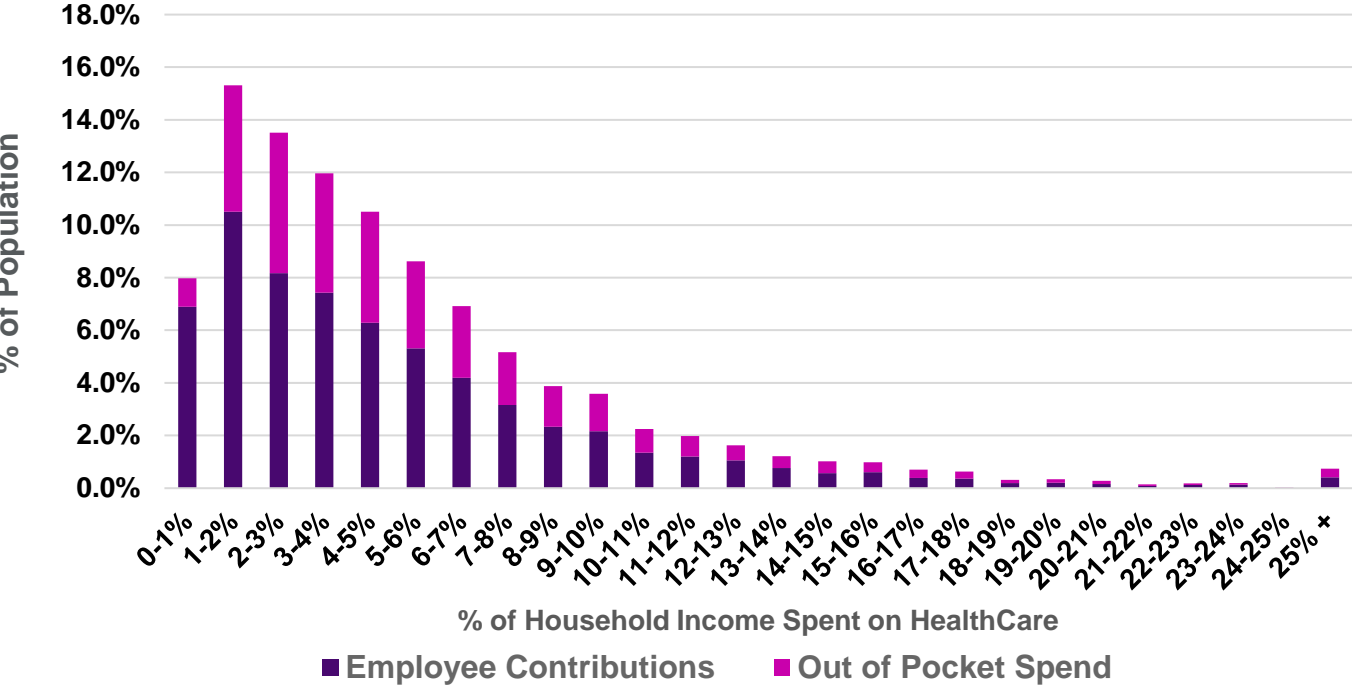
Of employers are considering implementing an Individual Coverage HRA by 2024

Source: WTW 2022 Best Practices in Health Care Survey

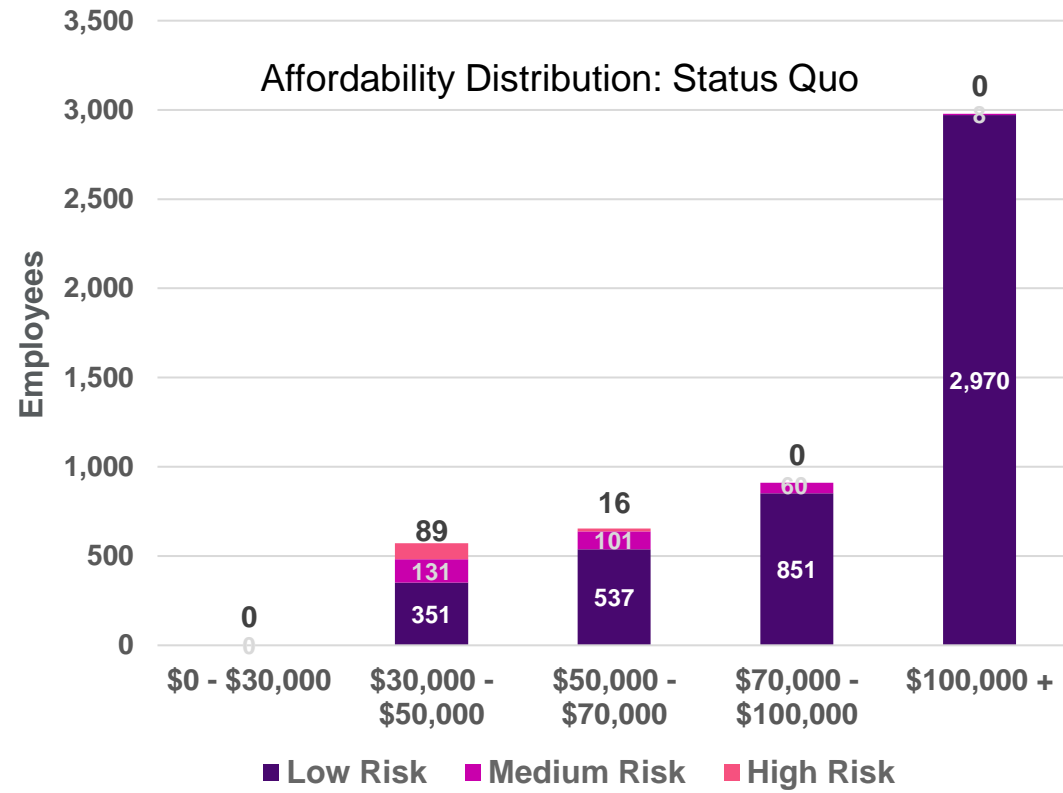
Member Affordability Playbook

1. Define the affordability problem:
Is it OOP costs, per-paycheck contributions or income?

Affordability Distribution: Status Quo



Affordability Distribution: Status Quo



Member Affordability Playbook

2. Prioritize affordability gaps for your employees

Category	OOP Costs – evaluate plan design			
	Expensive		Inexpensive	
	Examples of Care	Ideal plan design	Examples of Care	Ideal plan design
Difficult to predict	<ul style="list-style-type: none"> Major illnesses Emergency care 	<ul style="list-style-type: none"> Deductible/ coinsurance 	<ul style="list-style-type: none"> Urgent care Ad hoc prescriptions 	<ul style="list-style-type: none"> Have financial means: HSA No financial means: copay
Easy to predict	<ul style="list-style-type: none"> Chronic conditions Maintenance brand meds 	<ul style="list-style-type: none"> Copays 	<ul style="list-style-type: none"> Annual doctor's visit Generic drugs 	<ul style="list-style-type: none"> Have financial means: HSA No financial means: copay

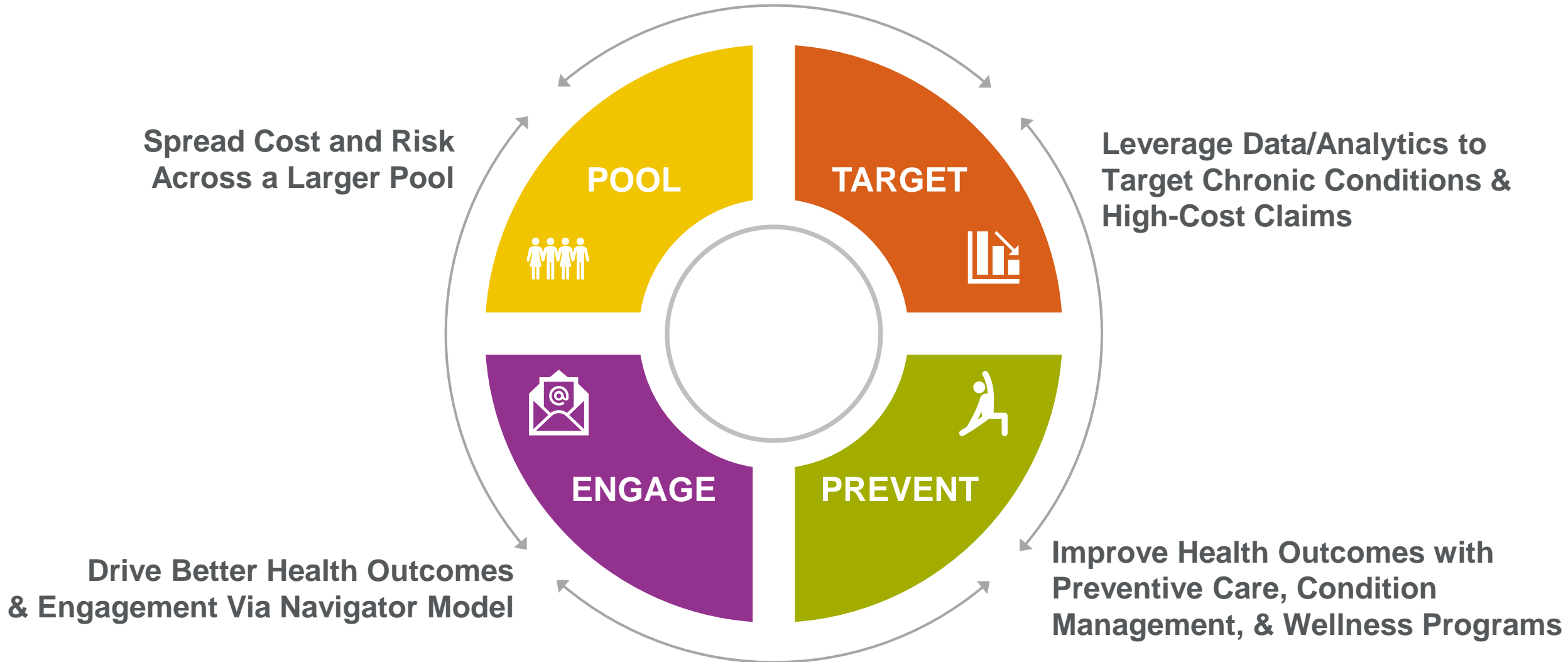
Per-Paycheck contributions

- Consider “catastrophic” plans that provide real out-of-pocket maximum protection
- Pair narrow networks and other strategies with copay-based plans to decrease employee contribution

Income

- Consider job-based or salary-based contributions and/or plan offerings
- Prioritize compensation in Total Rewards decisions in the near-term

Addressing rising health care costs requires an ongoing, multi-dimensional approach



Questions

For more information



Ross Eichelberger

Vice President Business Development

Portico Benefit Services

reichelberger@porticobenefits.org

612.752.4062

Disclaimers

This document was prepared for your sole and exclusive use and on the basis agreed by you. It was not prepared for the use by any other party and may not address their needs, concerns or objectives. This document should not be disclosed or distributed to any third party other than as agreed with you in writing. We do not assume any responsibility or accept any duty of care or liability to any third party who may obtain a copy of this presentation and any reliance placed by such party on it is entirely at their own risk.

DISCLOSURES

This presentation is for informational purposes only, does not constitute an offer to sell any plan or investment, and may be subject to change and/or correction.

Portico Benefit Services administers the ELCA Retirement Plan, ELCA Retirement Savings Plan, ELCA Disability Benefits Plan, ELCA Survivor Benefits Plan, ELCA Medical and Dental Benefits Plan (which includes the ELCA post-retirement medical benefits), and ELCA Flexible Benefits Plan. Portico also maintains two group retirement plans for ELCA-affiliated social ministry organizations: ELCA Master Institutional Retirement Plan and ELCA 457(b) Deferred Compensation Plan.

The plans are church plans, as defined in section 414(e) of the Internal Revenue Code and are not subject to the Employee Retirement Income Security Act of 1974 (ERISA). Benefit plans are governed and administered individually through separate plan documents. The assets of each plan are held in separate trusts and therefore do not allow one plan to fund another plan's shortfall. Portico reserves the right to change any plan term at any time through the amendment or termination process described in each plan document. Plan documents are available by contacting Portico Benefit Services.

The eligibility for any benefit will be governed by the terms of the applicable plan, program or policy. Portico Benefit Services (and its designee or the insurer or claims administrator, as applicable) shall have the power, including, without limitation, discretionary power to make all determinations that the plan(s) require for its administration, and to construe and interpret the plan(s) for purposes of determining eligibility and benefits. An offer for the sale of interests in the funds will be made only through the *Investment Funds Description* for the funds.

The health and disability benefit plans are self-insured and are not provided through an insurance company, except for the Medicare Advantage benefit and ELCA Part D drug benefit under the health plan and the insurance benefit under the disability benefits plan. Portico's ability to pay claims is dependent on continued contributions, claims experience, and market performance. Portico has contracted with an insurance company to administer the Medicare Advantage benefit and the ELCA Part D drug benefit.

Neither Portico Benefit Services nor the funds it manages are subject to registration, regulation, or reporting under the Investment Company Act of 1940, The Securities Act of 1933, The Securities Exchange Act of 1934, The Investment Advisers Act of 1940, The Employer Retirement Income Security Act of 1974, or state securities laws. Accordingly, participants are not afforded the protections of the provisions of those laws and related regulations. You should carefully consider the investment objectives, risks, charges, and expenses of any fund before investing in it. All funds are subject to risk and uncertainty. Past performance cannot be used to predict future performance. Portico funds are not insured or guaranteed by the Federal Deposit