



State of Nevada Public Employees' Benefits Program

CDHP and Dental Trend Review

January 23, 2020

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Vice President



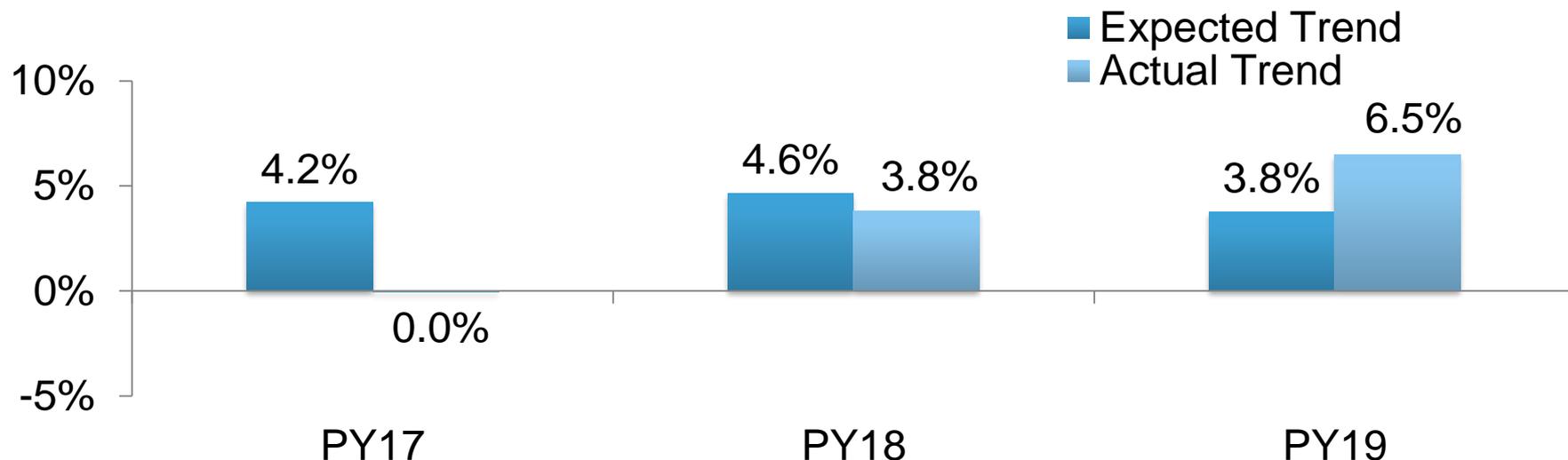
Agenda

- PEBP's Historical Trend
- National Comparator Trends
- PY21 Trend Projections

Experience Trend + Pricing Trend = Rate Action

Historical Pricing Trends vs. Actual Experience – CDHP Medical/Rx/Dental

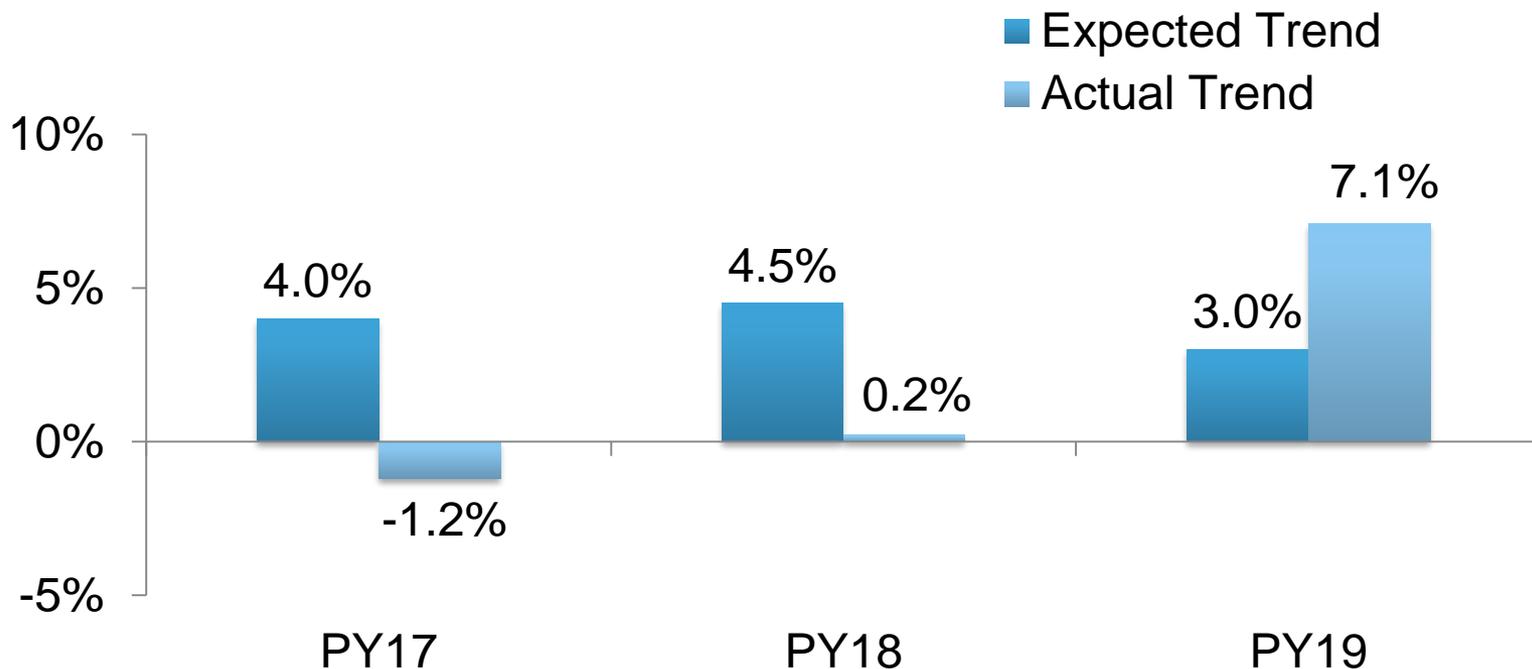
CDHP Medical, Pharmacy and Dental Combined



- Actual trend is calculated from HealthScope provided CDHP incurred claims with runout through November 2019
- PY19 incurred claims are still immature. Aon actuaries have completed PY19 incurred claims through best estimates. PY19 estimated incurred claims may change with future data

Historical Pricing Trends vs. Actual Experience – CDHP Medical

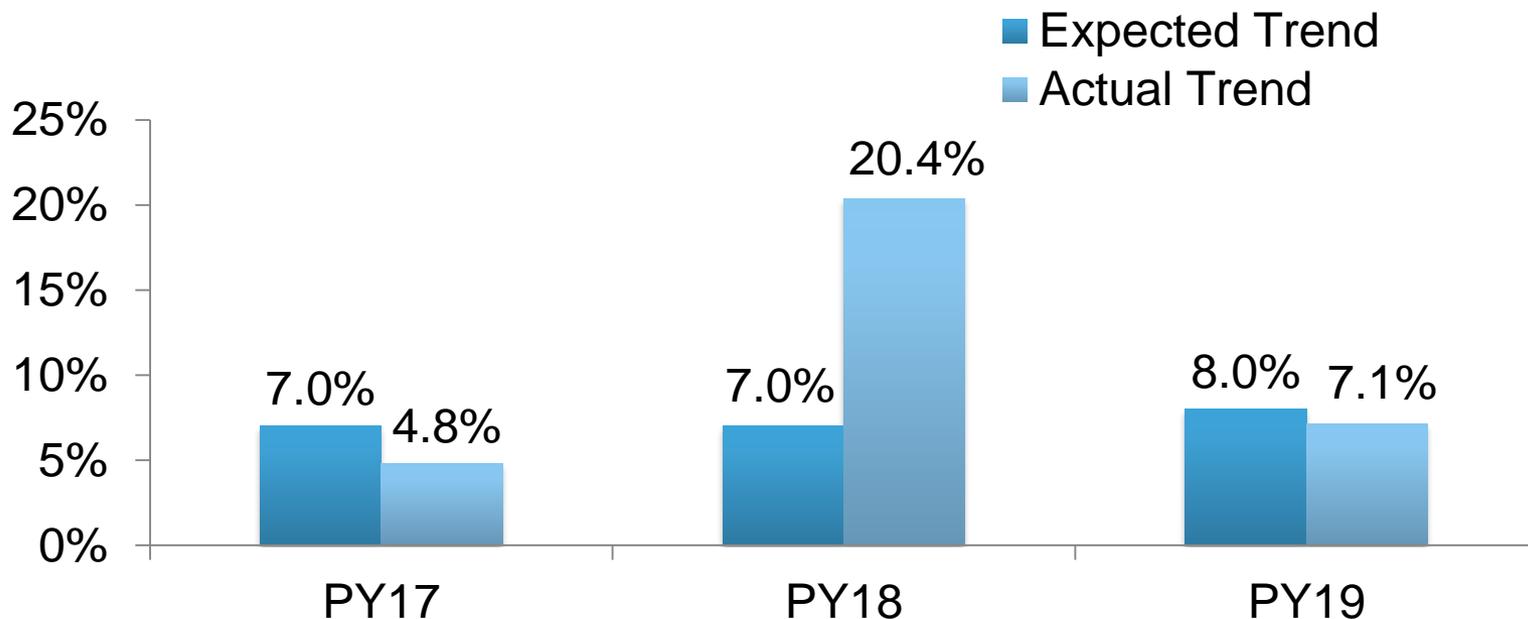
CDHP Medical



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Historical Pricing Trends vs. Actual Experience – CDHP Pharmacy

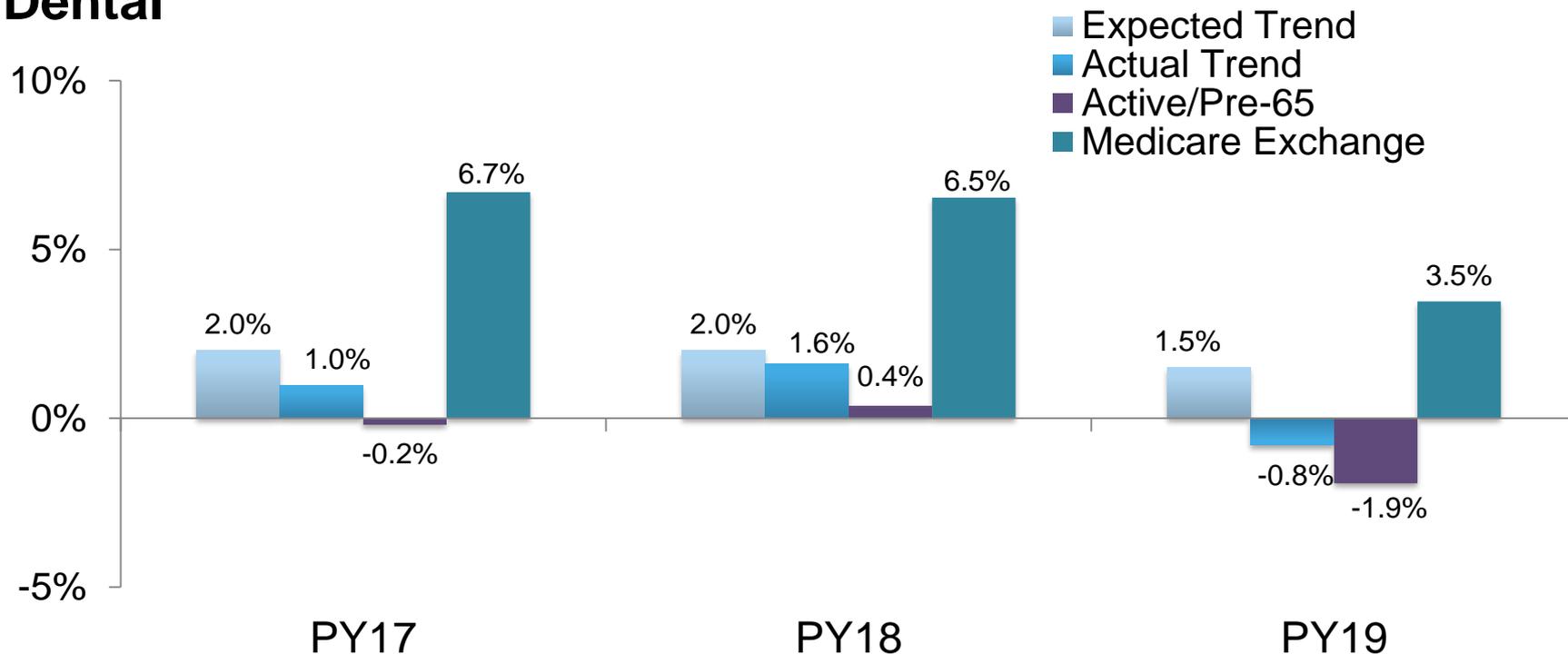
CDHP Pharmacy



- Actual trend is calculated from HealthScope provided CDHP gross incurred claims with runout through November 2019 – therefore these do NOT include any rebates that PEBP receives
- PY19 incurred claims are still immature. Aon actuaries have completed PY19 incurred claims through best estimates. PY19 estimated incurred claims may change with future data

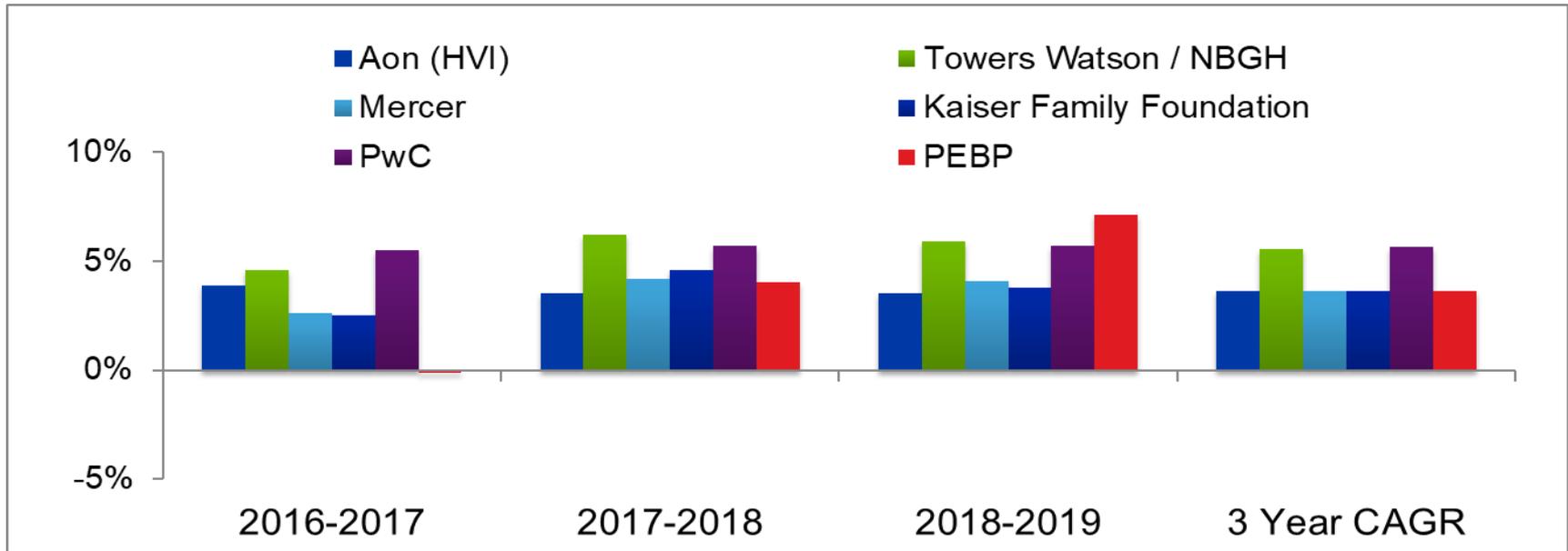
Historical Pricing Trends vs. Actual Experience – Dental

Dental



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PEBP vs. Published Net Medical/Rx Trends



	2016-2017	2017-2018	2018-2019	3 Year CAGR
Aon (HVI)	3.9%	3.5%	3.5%	3.6%
Towers Watson/NBGH	4.6%	6.2%	5.9%	5.6%
Mercer	2.6%	4.2%	4.1%	3.6%
Kaiser Family Foundation	2.5%	4.6%	3.8%	3.6%
PwC	5.5%	5.7%	5.7%	5.6%
PEBP	-0.1%	4.0%	7.1%	3.6%

- Trend surveys reflect actual data from 2016 – 2018 and estimated costs for 2019
- PEBP reflects data through PY19, paid through November
- PEBP trend is based on CDHP plan Medical/Rx per capita **incurred** claims cost year over year change
- Trends over 2016-2019 period range from 3.6%-5.6%, with PEBP at 3.6%, a 2.5% increase from last year due to high trend in 2018-2019 plan year

S&P Medical and Rx Index Trend – National and Nevada Specific

S&P Healthcare Claims Indices based 60M lives
 Nevada Indices based on 300k lives



PY19 Trends

S&P National	3.8%
S&P Nevada	1.7%
PEBP	7.1%

PY18 Trends

S&P National	3.5%
S&P Nevada	5.3%
PEBP	4.0%

PY17 Trends

S&P National	3.4%
S&P Nevada	3.0%
PEBP	-0.1%

PEBP trend is based on CDHP plan Medical/Rx per capita **incurred** claims cost year over year change

National Cost Trends: More \$1M+ Claimants

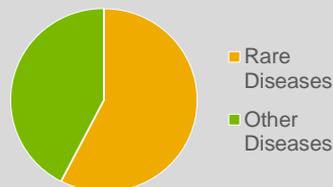
Since 2015, the frequency of **\$1M+ claims** has risen sharply:

Claims \$1M+	↑	33%
Claims \$1.5M+	↑	54%
Claims \$3M+	↑	140%

Factors driving costs higher

- New **high-cost injectable drugs**
- Higher frequency of **cancer** diagnoses, and increasing cost of cancer treatments
- More **prolonged hospital stays** due to multiple conditions, complex procedures, and complications
- **Hospital contracting** and provider consolidation

The Pipeline for Rare Disease Medications



Of the **59** drugs approved in 2018, **34** were for rare diseases

There are approximately 7,000 rare diseases

30 million Americans have a rare disease; approximately equal to the number of diabetics

The FDA expects to approve between 10 and 20 gene and cell therapies per year by 2025



Zolgensma, a gene therapy approved in 2019, costs over **\$2.1 million** per patient

Historical Experience Trend + Pricing Trend = Future Rate Action

Pricing Trend for 18 months

CLAIM EXPERIENCE

- Most Recent Paid Claims Experience (paid through Jan 2019)
- Adjust Paid Claims via Completion Factors to Incurred Claims (Dec 2019)
- Adjustments for Plan Design changes (if applicable)

Base Rates for
PY21

July 19
Start of PY20

Dec 19

July 20
Start of PY21

Dec 20

June 21
End of PY21

Base Rates for PY21 will change as a result of:

1. Claim Experience compared to Base Rates for PY20
 - If the rates for PY20 were set below projected actual experience, rate action will be higher than pricing trend
 - If the rates for PY20 were set higher than projected actual experience, the rate action will be lower than pricing trend
2. Pricing Trend
3. Plan Design changes

PY21 Pricing Trend Projections

- Aon's client base indicates trend of 4.5% - 6.5%
- Insurance carrier surveys indicate trend of 6% - 9%
- Additional market surveys project trend of 4.5% - 7%

PY21 Pricing Trend Projection*

Med/Rx = 5 - 7%

Dental = 2 - 4%

- This is not indicative of PY21 Rate Action, remember:

Experience Trend + Pricing Trend = Future Rate Action

*Any further plan design changes for PY21, may provide additional pressure on trend rates