

**AGENDA ITEM DETAILS**

**Subject:** Health Insurance Financial Update for Fiscal Year 2021 and Outlook for Fiscal Year 2022

**Background/Analysis:**

**Plan Year 2021 HealthSelect<sup>SM</sup> Experience (September 1, 2020 – August 31, 2021)**

During Plan Year 2021, the HealthSelect plan experienced a 12.8% medical trend. This high trend is due to the combination of an increase in pandemic-related costs and increased utilization as participant use of services returned closer to pre-pandemic levels. The 8.7% pharmacy trend is close to historic norms since pharmaceuticals did not experience as significant an impact from the pandemic as medical trend. The estimated combined medical and pharmacy trend is 11.6%. Because PY20 was such an unusual year, a comparison of PY21 to PY19 provides a better estimate of expected cost, with an annualized trend of 6.1%, closer to historical trends.

Original PY21 projections indicated a 16% trend. While trend was high, plan experience was still better than expected. Original projections assumed small PY21 utilization reductions, as well as large amounts of deferred utilization from PY20. While the pandemic caused some participants to continue to delay services, visits and procedures (deferred utilization) during the winter and summer months due surges related to the Delta COVID-19 variant, the amount of deferred utilization appears to be less than expected.

	<b>PY19</b>	<b>PY20</b>	<b>PY21 Estimated</b>	<b>PY21 over PY19 annualized trend</b>
Medical Trend	3.0%	-0.8%	12.8%	5.7%
Pharmacy Trend	7.2%	5.6%	8.7%	7.1%
<b>Combined Medical And Pharmacy Trend</b>	<b>4.1%</b>	<b>1.0%</b>	<b>11.6%</b>	<b>6.1%</b>

The PY21 estimated gain of \$344 million is less from the prior year gain of \$620 million. Projections now indicate the plan will likely need to drawdown from the contingency fund in order to cover plan costs by FY24.

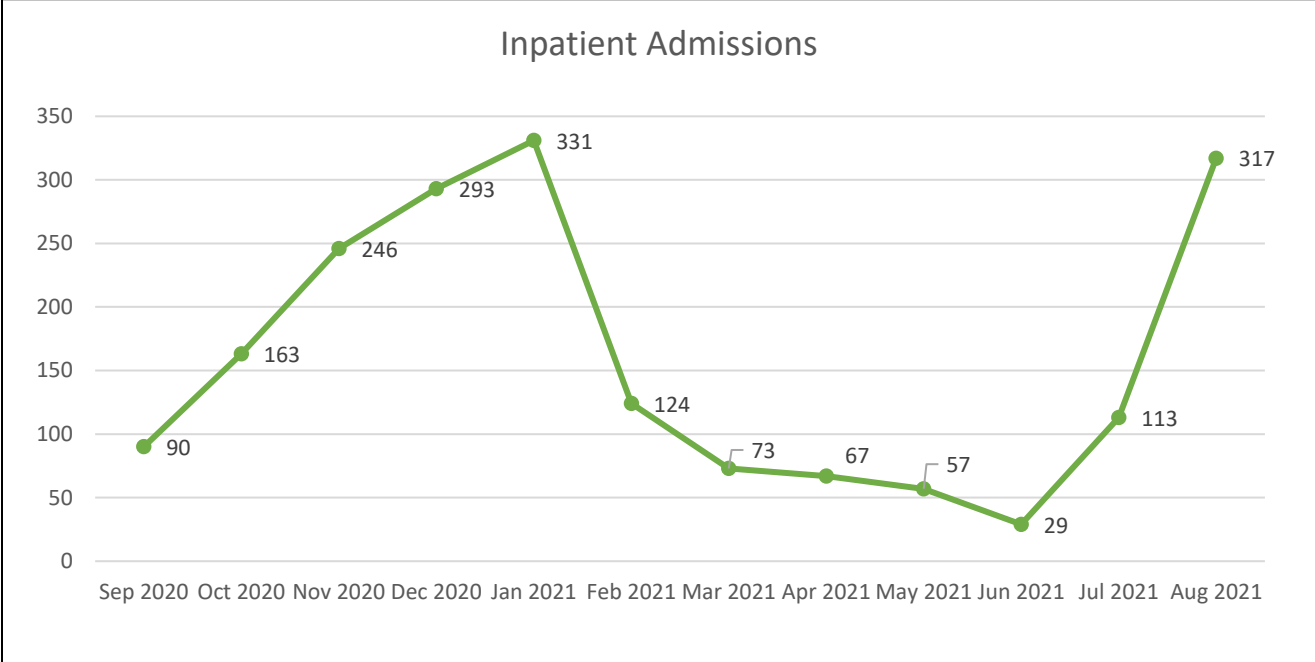
**COVID-19 Pandemic Impact in PY 21 – Will be updated with info through October**

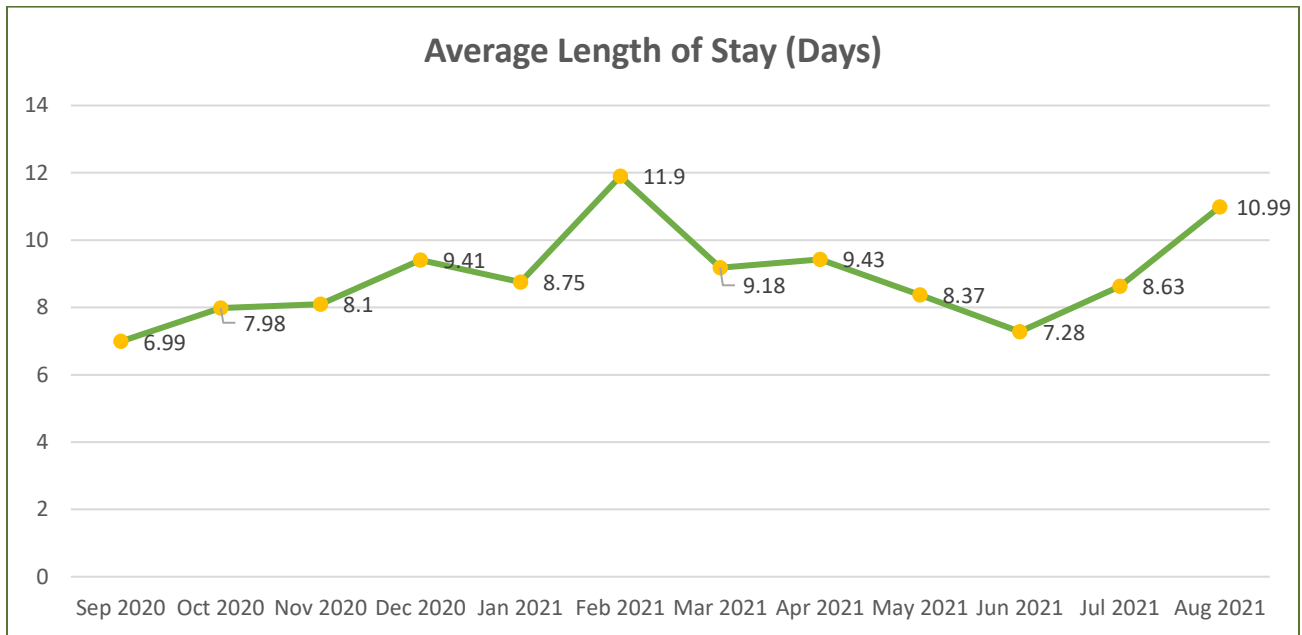
Based on claims information, the HealthSelect plan had more than 41,000 cases of COVID-19 in PY21 at an estimated cost of \$126.9 million dollars. A spike in cases occurred over the winter, peaking in January.

The number of cases fell as vaccinations started to roll out. The lowest number of COVID-19 cases occurred in June, which recorded the fewest since March 2020. As the Delta variant became the dominant strain in the US; however, cases started to quickly rise. Since the start of the pandemic, August 2021 was the costliest month with an estimated \$26.4 million in healthcare spend.

In addition to COVID-19 claims cost, the plan spent an estimated \$20.7 million on testing and vaccination administration. The vaccine is provided by the federal government with administration cost absorbed by the plan. These costs were partially offset by continued reductions in utilization during the winter and summer peaks, which resulted in a reduction of \$61.7 million in claims cost unrelated to COVID-19 than would have otherwise been expected in the absence of the pandemic. As a result, the plan year pandemic estimated net cost impact reflects a net increase of \$86 million.

Based on claims data, the charts below show the inpatient admission and average inpatient length of stay by month and illustrates the pandemic's peak in January and August. The summer month show a quicker severity increase due to the Delta Variant's high transmission rate.





### Plan Year 2022 Financial Outlook and Beyond

The GBP health plan financial outlook remains strong, in spite of the pandemic's effect. Third party vendor contracts for administration of medical and prescription drug services continue to produce savings and control costs, while delivering high quality services. Even with the significant growth in retiree enrollment, those costs remain stable due to competitive contracts for the fully insured Medicare Advantage plan and the self-funded Part D plus EGWP prescription drug plan.

In PY22 and beyond, the pandemic's impact to plan costs should be less as COVID-19 cases decrease and participants feel more confident in utilizing services at normal rates. The plan expects higher costs early in the year due, in part, to return to normal utilization of deferred services. We expect increases again in the winter of PY22, but the peak should be smaller than before. The increase in vaccination rates, especially in children, is expected to reduce transmission and the number of severe cases. If there are no significant PY23 case rate surges, projections indicate medical trend will be low with a return to normal medical trend in subsequent plan years. Refer to Exhibit A for a projection of plan costs through PY28.

#### ATTACHMENTS:

1. Exhibit A – GBP Health Plan Financial Status
2. Slides – Health Insurance Financial Status Update for FY21 and Outlook for FY22