

HORTON

A Marsh & McLennan Agency LLC Company

The Future of Healthcare:

Have We Reached The Tipping Point?

Presented by:

Mike Wojcik, Senior Vice President, MBA, CLU, CFP®, GBA

Growing what's good.

THE HORTON GROUP

Agenda

- State of the Healthcare Market
- Stakeholder Landscape
- Game Changers
- Employers Want More Control
- Compliance – Law Changes: Federal & State

The Elephant In The Room

The Patient Experience Is Not Good.*

73% of U.S. Adults say that the healthcare system is not meeting their needs. The biggest pain points didn't have much to do with quality of care but *the experience* they feel. Perception is reality.

- 61% say healthcare is not affordable
- 40% feel healthcare is ***too focused on profit***
- 28% difficulty understanding what is covered
- 19% the healthcare system is only focused on treating illness and injury, not preventative care or wellness

America's rating of the healthcare system has fallen to its lowest in 24 years and views nationally remain negative, however, they rate their own healthcare quality and coverage positively.** More Education is Needed!

* American Academy of Physician Associates

** Gallup Poll

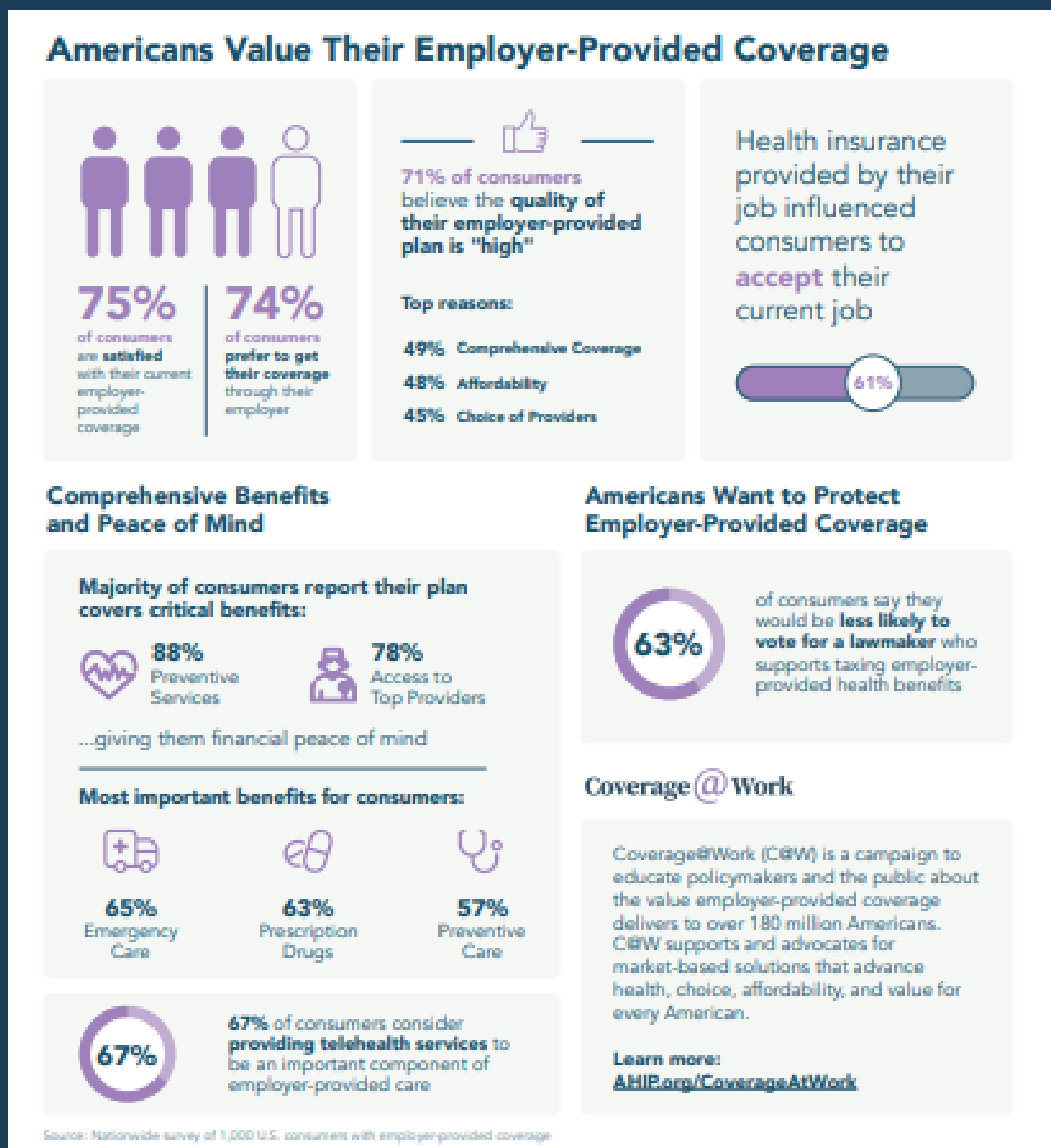
However, There Is High Satisfaction with Employer-Provided Health Coverage *

More than half of Americans (180M) people receive health care coverage through their employer.

75% of employees are satisfied with their current employer-provided plans.

74% prefer to get their coverage through an employer rather than through the federal or state government.

63% chose their employer due to their benefit plan.



*AHIP survey - Association of Health Insurance Plans

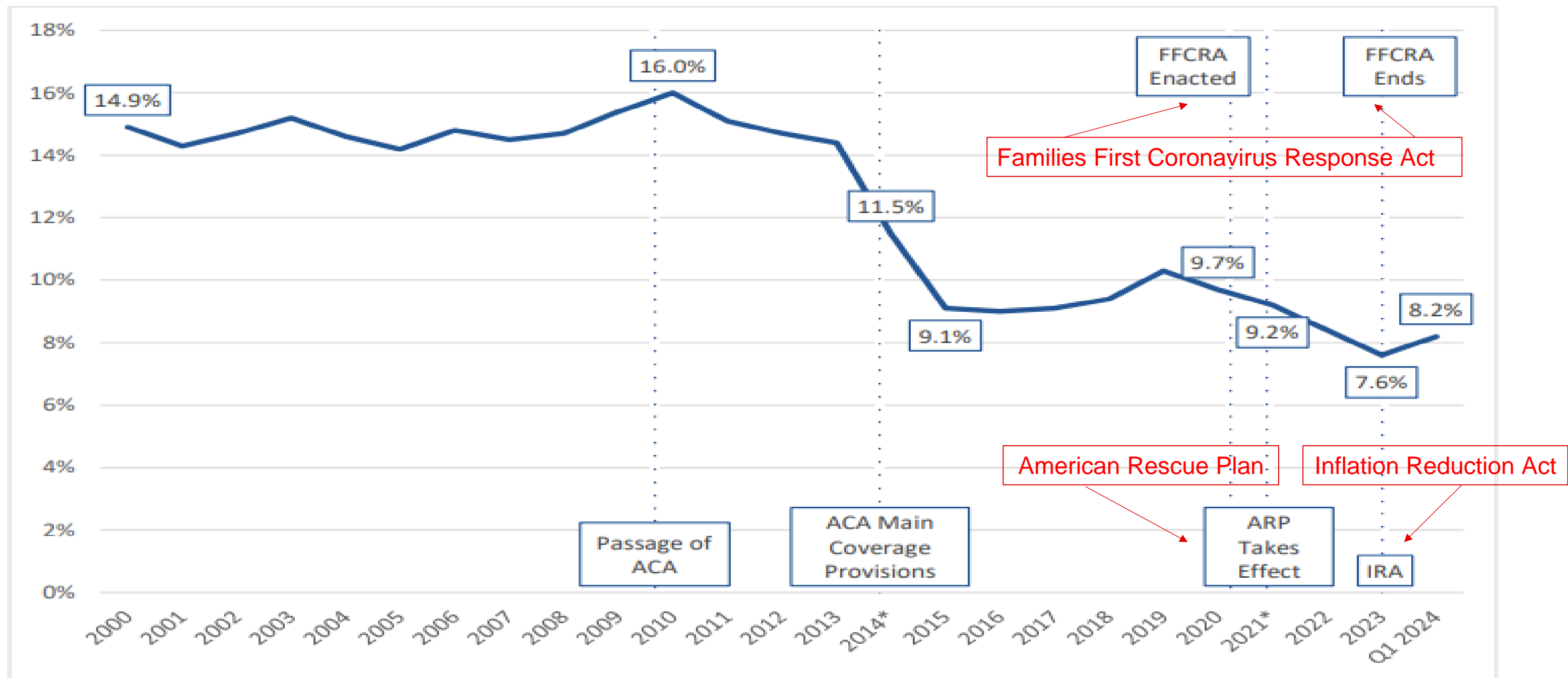
HEALTHCARE

The State Of The Healthcare Market



Uninsured Rate for Adults 18-64 = 8.2%*

Figure 1. National Uninsured Rate, All Ages (2000 – Q1 2024)



Source: National Health Interview Survey's Health Insurance Coverage Reports.

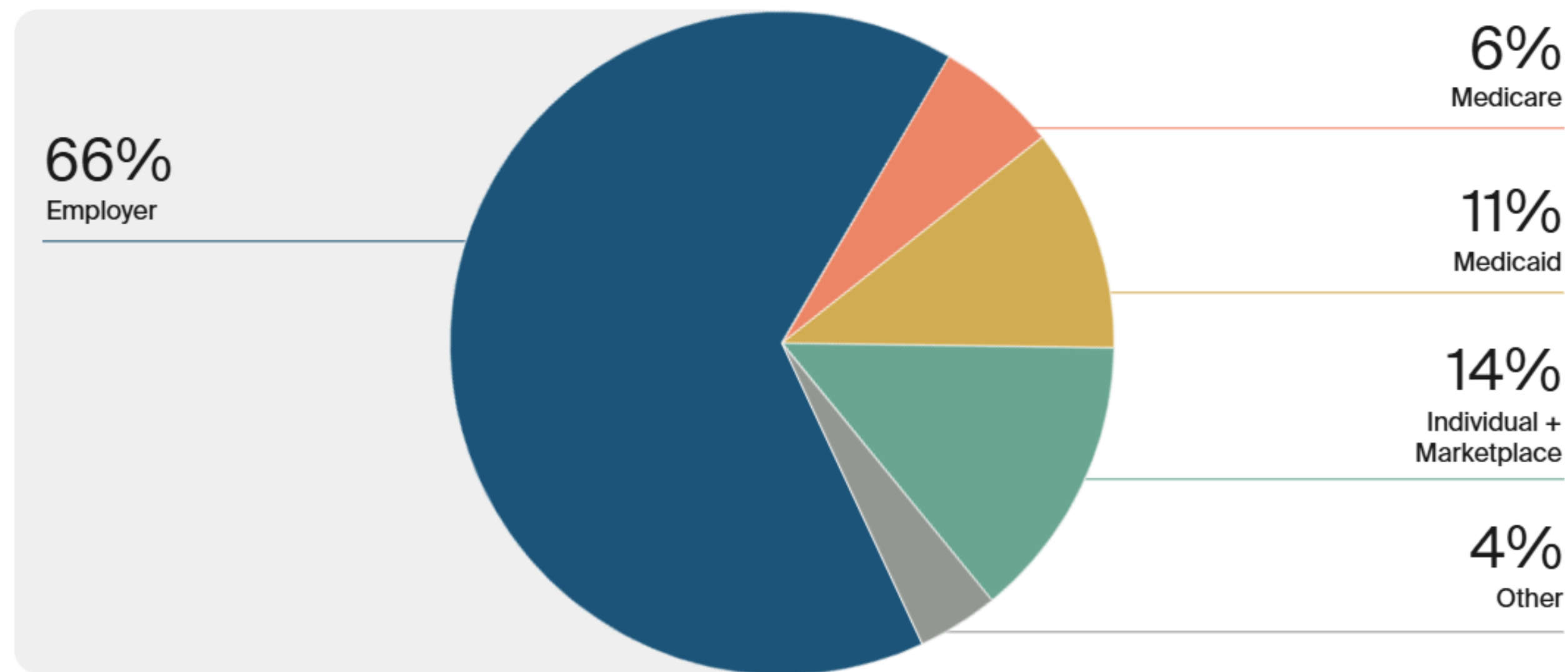
<https://www.cdc.gov/nchs/nhis/healthinsurancecoverage.htm>; Health Insurance Coverage: Early Release of Quarterly Estimates From the National Health Interview Survey, January 2023 – March 2024.

- The Marketplace continues to attract Membership (24M) due to stimulus plans, most recently Inflation Reduction Act, bringing cost to \$10 per plan many.
- Without these credits, approximately 2.2M can lose coverage in 2026 and up to 3.7M by 2027.**What impact will that have on the healthcare ecosystem?

*HHS, ** CBO

Employers Are Plan of Choice, if Available!

Percentage of adults ages 19–64 who were “insured all year, underinsured,” by coverage type



Notes: “Insured all year, underinsured” refers to adults who were insured all year but experienced one of the following: out-of-pocket costs, excluding premiums, equaled 10% or more of household income; out-of-pocket costs, excluding premiums, equaled 5% or more of household income if low income (<200% of poverty); or deductibles equaled 5% or more of household income. Coverage type shows coverage at the time of the survey. Segments may not sum to 100% because of rounding.

Data: Commonwealth Fund 2024 Biennial Health Insurance Survey.

Source: Sara R. Collins and Avni Gupta, *The State of Health Insurance Coverage in the U.S.: Findings from the Commonwealth Fund 2024 Biennial Health Insurance Survey* (Commonwealth Fund, Nov. 2024). <https://doi.org/10.26099/byce-qc28>

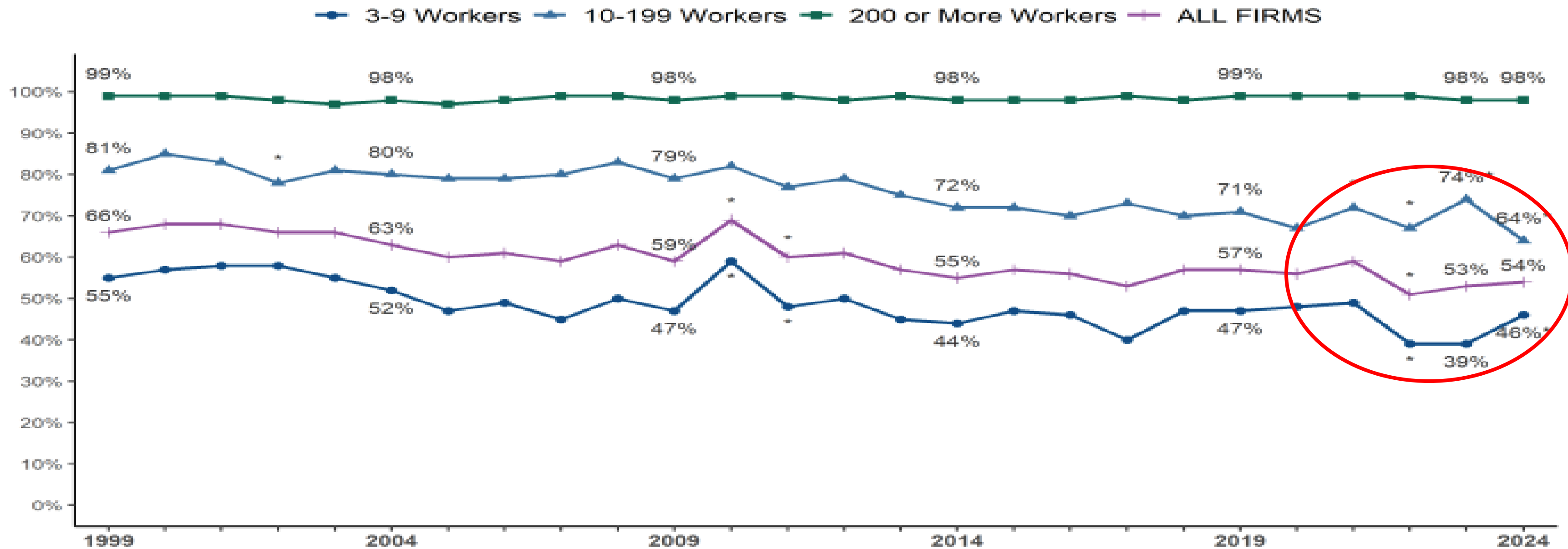
- Employers are frustrated at paying 254% of Medicare rates for Hospital services.*
- They are ready to explore new cost containment options.

*Rand Study

Small Employers <50 Test Dropping Coverage

Figure 2.2

Percentage of Firms Offering Health Benefits, by Firm Size, 1999-2024



* Estimate is statistically different from estimate for the previous year shown ($p < .05$).

NOTE: Estimates are based on both the sample of firms that completed the entire survey and those that answered just one question about whether they offer health benefits (See Methods). Firm size categories are determined by the number of workers at a firm, which may include full-time and part-time workers.

SOURCE: KFF Employer Health Benefits Survey, 2018-2024; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017

- Due to ACA Options smaller employers tested dropping healthcare coverage, however they're finding attraction, retention and productivity is better when offering it.

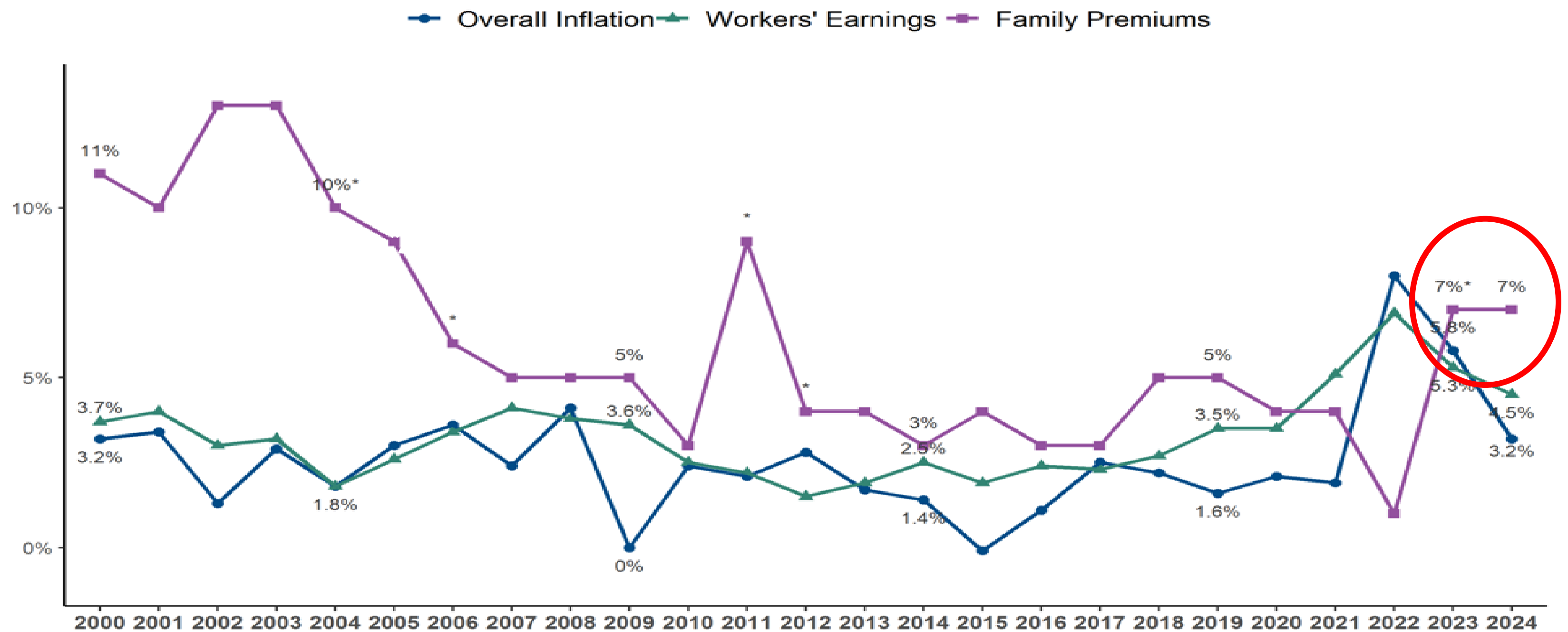
**Gusto Administrative Services*

Premiums Increase at Record Pace

Higher premium increases than in the past 13 years!

Figure 2

Average Annual Increases in Premiums for Family Coverage Compared to Other Indicators, 2000-2024



* Family Premiums Estimate is statistically different from estimate for the previous year shown (p < .05).

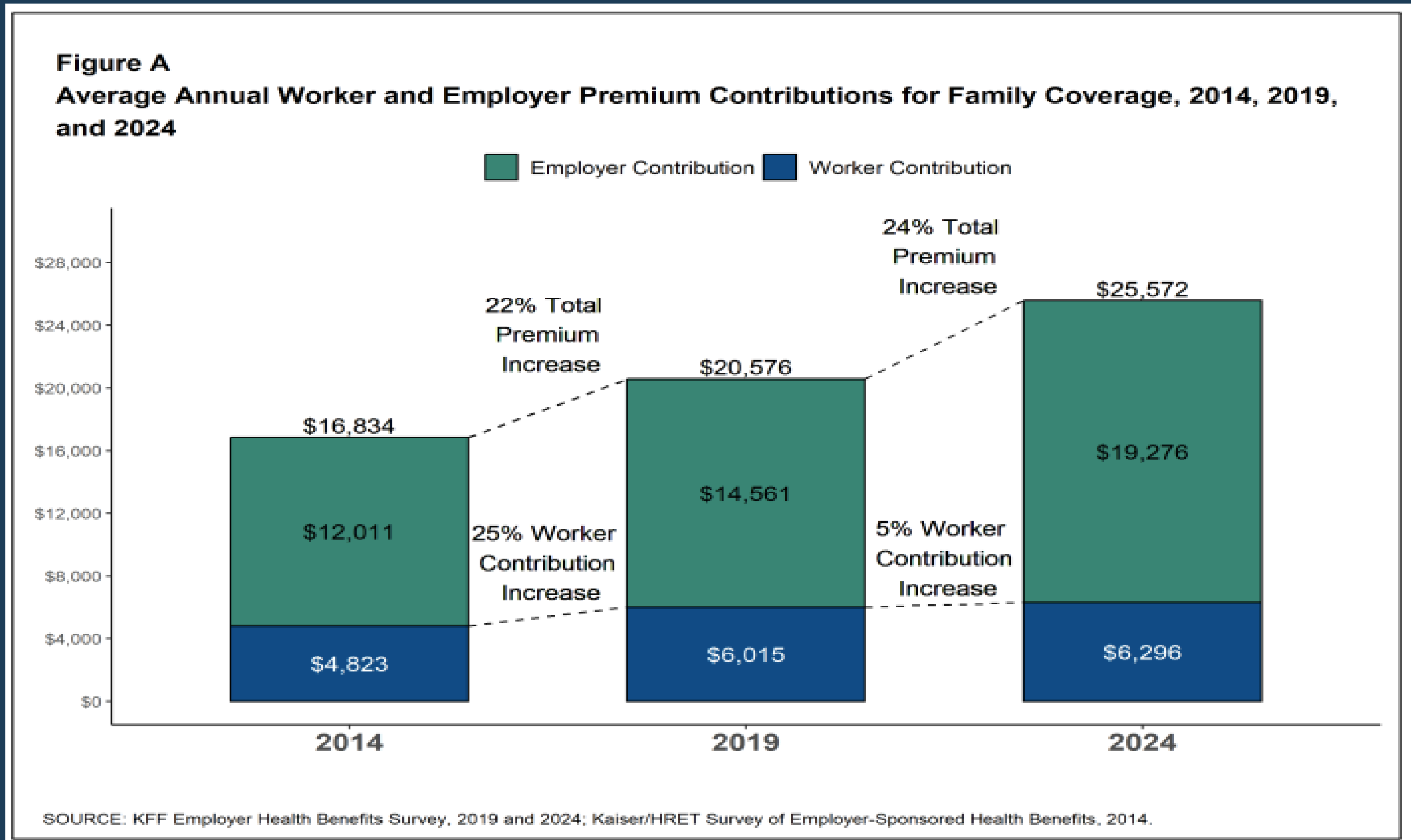
SOURCE: KFF Employer Health Benefits Survey, 2018-2024; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation, 1999-2024; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1999-2024.



*2024 KFF Survey

Cost Share Has Not Kept Pace with Premiums

Premiums have increased considerably since 2014; however, Worker Contribution has not kept pace in comparison, especially since 2019.



*2024 KFF

Trend Effects Cost

Consultant Trend Projections for 2025

Consultant	Overall Trend No cost cutting measures applied All size groups. Medical & Pharmacy combined.
AON	9.2%*
Business Group on Health	8%
International Foundation of Employee Benefit Plans	8%
McKinsey & Company	9% to 10%
Mercer	7%
PWC	8%
Kaiser	7%
Segal	8%
Pharmacy Markets	10%-14%

- In some cases, 1% of trend is attributable to GLP-1 weight loss drugs alone.

Influencers - Follow The Money

Health Lobbying through September 30, 2024: \$562,332,190*

Top Influencers in Healthcare*	Total Spend on Lobbying	Total Number of Lobbyists
Pharmaceuticals/Health Products	\$293,701,614	1,736
Hospitals / Nursing Homes	\$95,671,798	896
Health Services / HMOs	\$89,401,024	980
Health Professionals	\$75,056,387	734
Miscellaneous Health	\$8,501,367	288

* Open Secrets

100 Most Influential Individuals in Healthcare

What Industries or Entities are Represented Most.*

Health Services / Hospital	47
Health Insurance	5
Health Administrative Resources	15
Government	5
Pharmacy	8
Physician	3
Venture Capital	3
Nurses	3
Health Foundation	2
AARP	1
Union	1

Most Notable -
Nominations closed October 7,
Published December 9th.

#1	United Health Group	Andrew Witty, CEO
#2	EPIC	Judy Faulkner, CEO
#3	Federal Trade Commission	Linda Kahn, Chair
#10	Cost Plus RX	Mark Cuban, Co-Founder

Mark Cuban's focus is disrupting healthcare through pharmacy.

- Fastest Growing C-Suite Roles in Healthcare: Chief Data Officer, Legal , HR, Product, CEO, Technology, Commercial, Information Security, People, Marketing.**

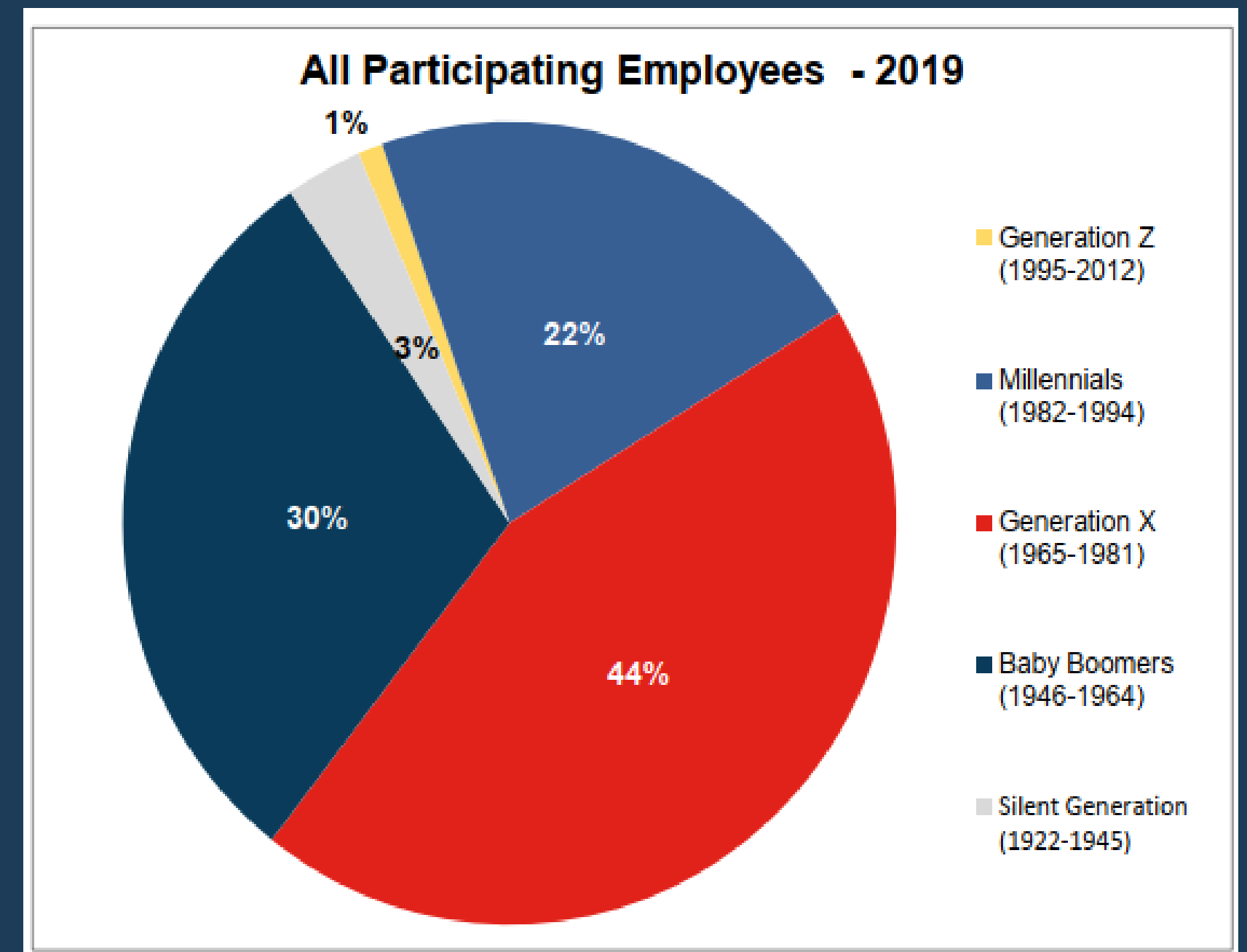
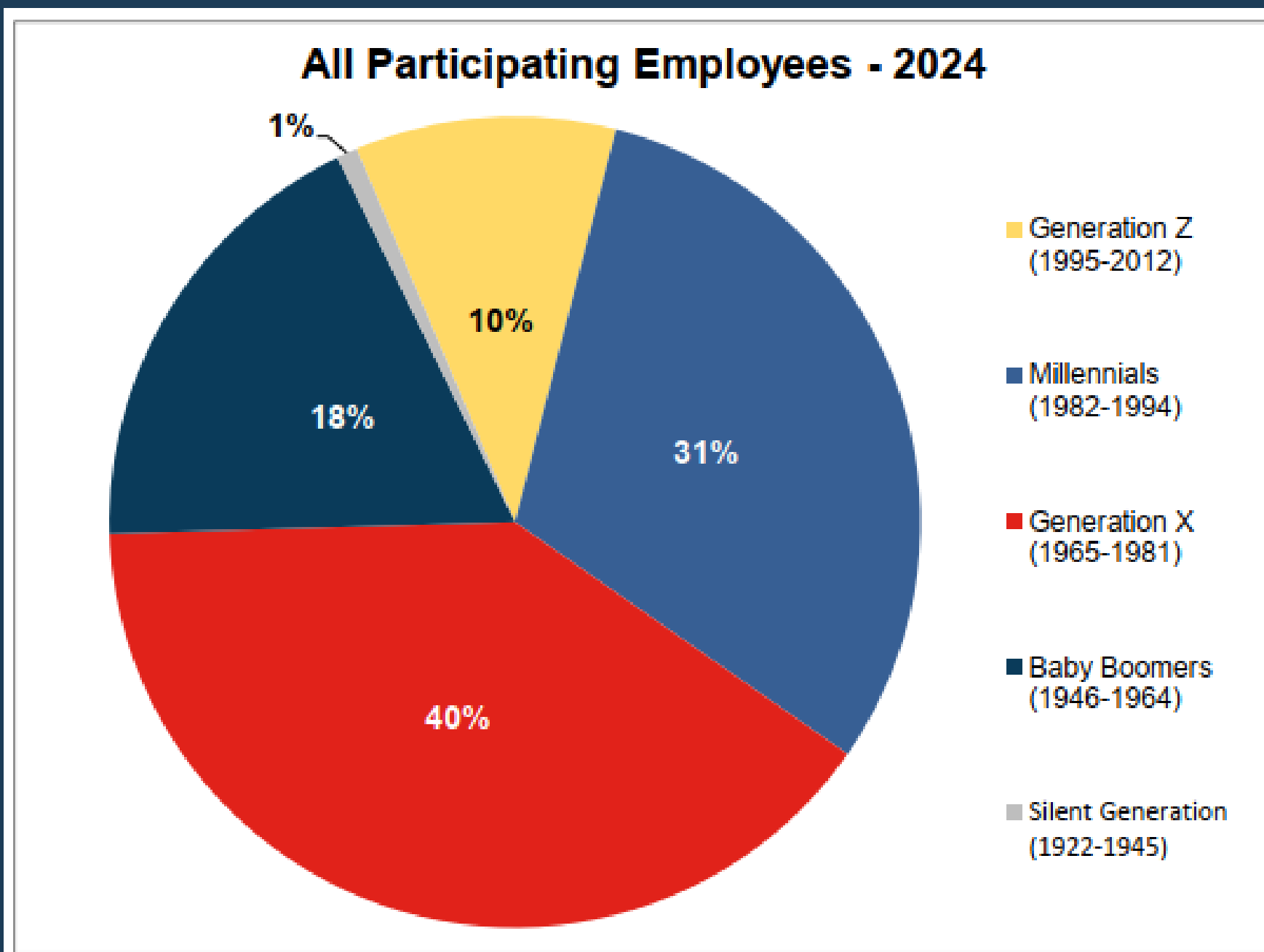
* Modern

** Beckers Hospital Review

Demographics Effect Cost Horton Demographic Shift Over 5 Years*

Active EE's - 2024

Active EE's - 2019

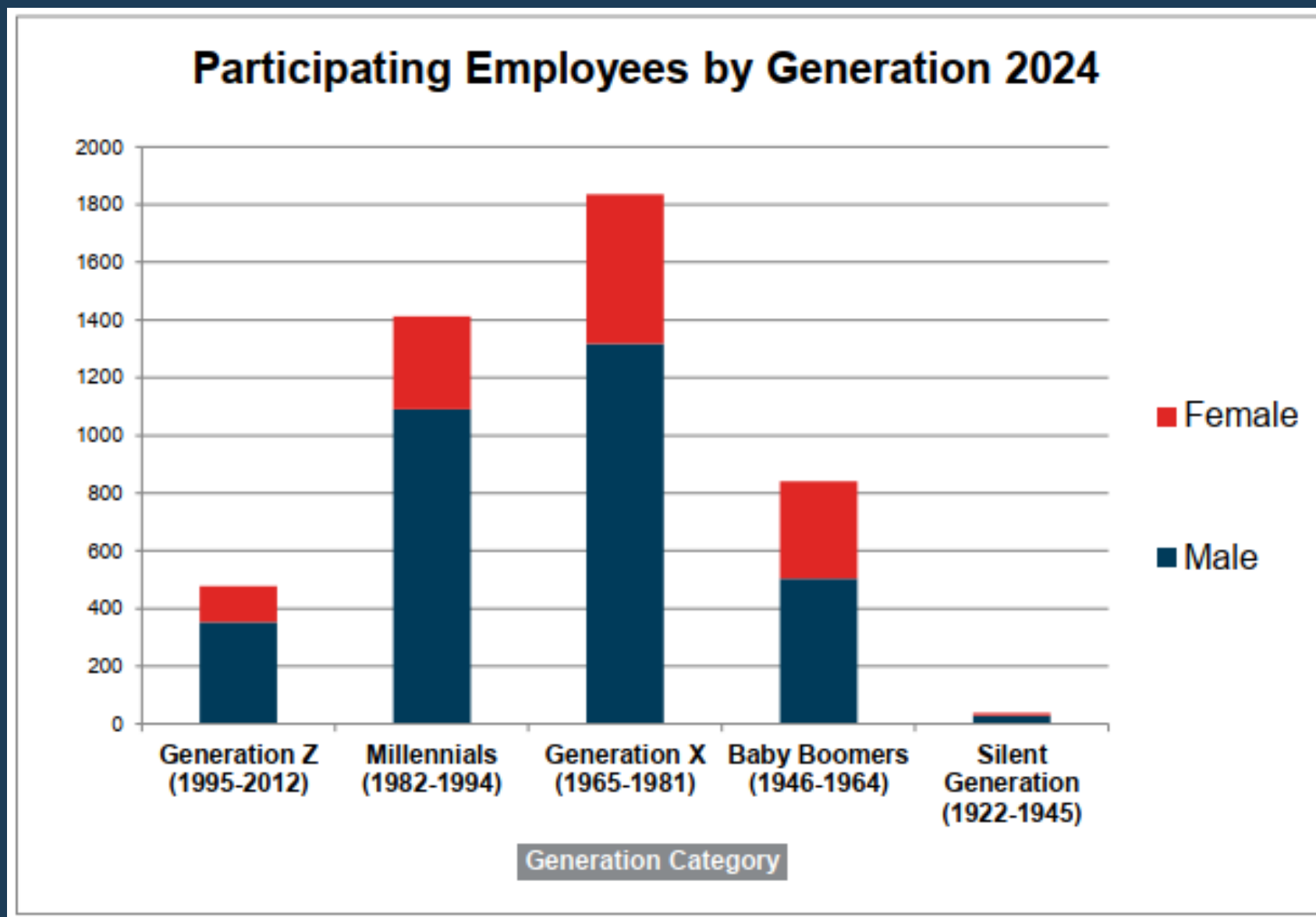


- Millennial population increased from 22% to 31%; Gen Z from 1% to 10%.
- Baby Boomers continue large decrease from 30% to 18%.
- Gen X Decrease to 40% from 44%. Silent Generation cut to 1% from 3%.

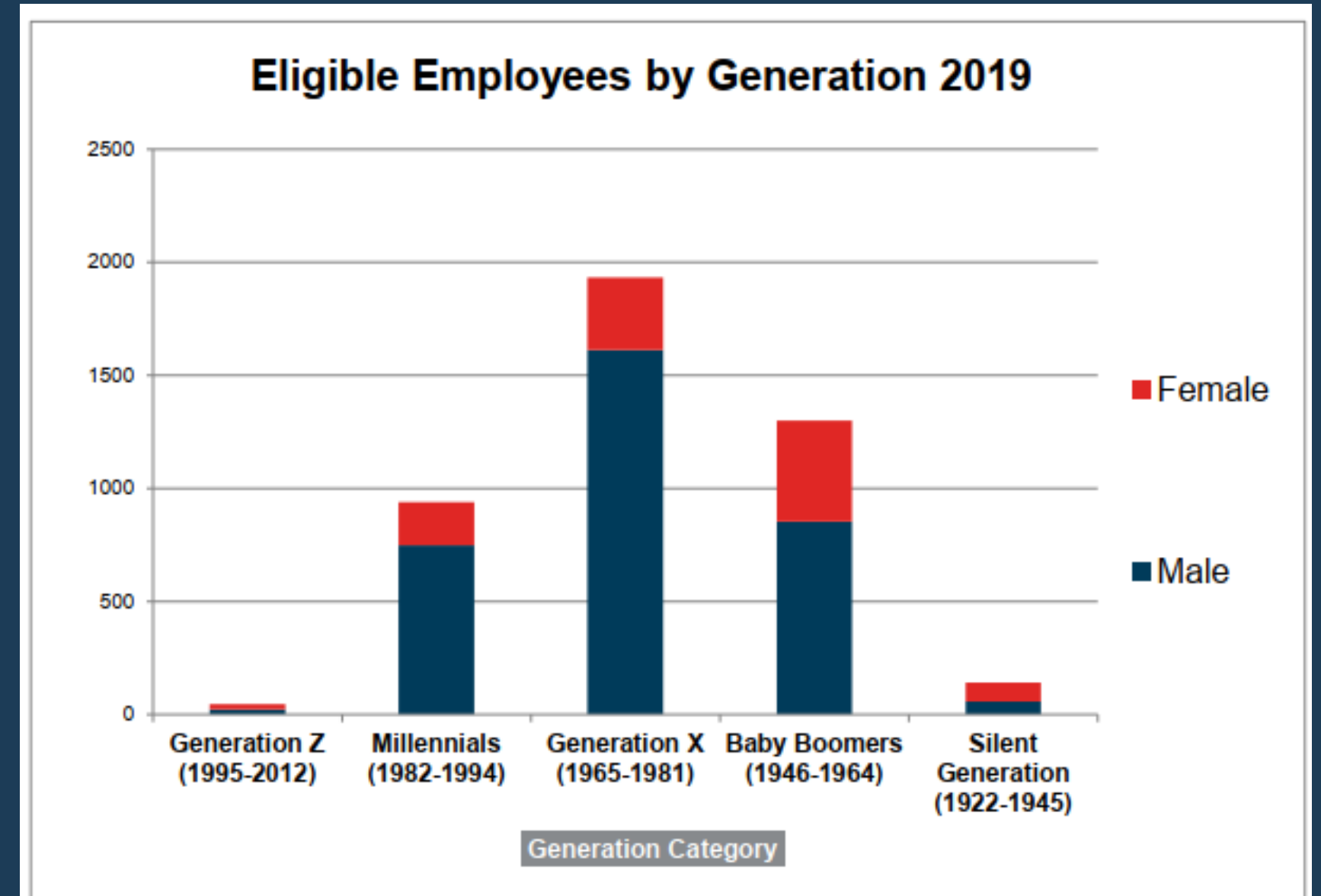
**Horton Public Sector Block*

Horton Gender Shift Over 5 Years*

Eligible EE's By Generation - 2024



Eligible EE's By Generation - 2019



- Female participation has grown considerably over the last 5 years, particularly in Gen X, Millennial and Gen Z groupings.

*Horton Public Sector Block

Risk Effects Cost

2024 BCBSIL Generational Medical Profiles

Generation Alpha	Generation Z	Millennials	Generation X	Baby Boomers +
<i>Date of Birth Between January 1, 2011 and December 31, 2025 "Glass Generation"</i>	<i>Date of Birth Between January 1, 1995 and December 31, 2010 "Digital Natives"</i>	<i>Date of Birth Between January 1, 1981 and December 31, 1994 "Work my Way"</i>	<i>Date of Birth Between January 1, 1965 and December 31, 1980 "Work to Work"</i>	<i>Date of Birth Before January 1, 1965 "Love to Work"</i>
14.3% of Members	24.7% of Members	24.1% of Members	25.3% of Members	11.6% of Members
Prior Period: 13.0%	Prior Period: 25.1%	Prior Period: 23.3%	Prior Period: 25.4%	Prior Period: 13.2%
\$360.91 Allowed PMPM	\$280.73 Allowed PMPM	\$435.27 Allowed PMPM	\$657.71 Allowed PMPM	\$1,045.95 Allowed PMPM
\$349.77 Prior Allowed PMPM	\$257.97 Prior Allowed PMPM	\$397.60 Prior Allowed PMPM	\$602.32 Prior Allowed PMPM	\$959.17 Prior Allowed PMPM
Top Diagnostic Conditions	Top Diagnostic Conditions	Top Diagnostic Conditions	Top Diagnostic Conditions	Top Diagnostic Conditions
Perinatal	Mental Health	Pregnancy	Neoplasms	Neoplasms
Mental Health	Injury and Poisoning	Musculoskeletal	Musculoskeletal	Musculoskeletal
Health Status	Musculoskeletal	Mental Health	Circulatory	Circulatory
Top Chronic Conditions	Top Chronic Conditions	Top Chronic Conditions	Top Chronic Conditions	Top Chronic Conditions
Asthma 5.0%	Anxiety 15.5%	Low Back Pain 19.5%	Low Back Pain 33.5%	Hypertension 44.5%
ADHD 4.5%	Low Back Pain 10.6%	Anxiety 16.3%	Hypertension 26.8%	Low Back Pain 39.5%
Anxiety 3.1%	ADHD 86%	Hypertension 7.6%	Anxiety 17.0%	Diabetes 176%

- Top conditions: Mental Health, Musculoskeletal, Cancer, Circulatory
- Average per capita cost increased 9% per generation profile.

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The Stakeholder Landscape



Employer Concerns

- At 10% money / premium costs double in 7 years. That is not sustainable for the #2 or #3 business expense!
- Employers are concerned with growing risk:
 - The growth of Cancer cases, especially those under age 50
 - Rise in Obesity
 - Pharmacy Costs, GLP-1s, Specialty and Gene Therapy
 - Mental Health causing higher health costs, impacting productivity
 - Diminishing Access to Care
- Employers are looking to take more control and hold their vendors more accountable to control costs and provide a better experience for their employees.

Physician Practice

- A study commissioned by The Physician Advocacy Institute (PAI) found that employment of Physicians by hospitals and corporate entities is now nearing 80%*. This is up from 62% in 2019.
- The study found:
 - Quality of patient care was reduced, there was a greater focus on financial incentives.
 - Almost half the physicians reported a deterioration in relationship with patients, seen mainly in decreased visit time and communication.
- Kelly Kenney, CEO of PAI quoted in an APRIL 11th news release shared with Becker's Hospital Review, "*Physicians have an ethical responsibility to their patients' health. By contrast, corporate entities have a fiduciary responsibility to their shareholders and are motivated to put profits first. In some arrangements, these interests can conflict with providing the best medical care to patients.*"
- The U.S. faces a projected shortage of 124,000 physicians by 2034.**

* Avalere

** Association of American Medical Colleges

The Nursing Shortage Continues

- The Bureau of Labor Statistics projects by 2031, the U.S. is expected to face a shortage of 195,400 nurses.
- The nursing shortage is due to a number of factors, including*:
 - An aging care population that requires more healthcare services
 - More nurses retiring
 - Nursing school enrollment is low
 - A shortage of nursing school faculty
 - Burnout and stress from high patient-to-nurse ratios, low pay, and workplace safety concerns
- Look for doing more with less or adjusting job requirements to utilize lower trained personnel.

* American Association of Colleges of Nursing

Hospitals

- The Silver Tsunami, according to the U.S. Census Bureau, all Baby Boomers will be Medicare-eligible by the year 2030. This means Medicare reimbursement rather than higher pay through commercial plans, changing the payer mix.
- Operating margins are still below pre-pandemic.*
 - Overall labor costs are higher than past.**
 - Other challenges include expense growth, drug cost, payer mix and strong competition.
 - A major shift from inpatient to outpatient care is growing.
- Greater capital spending focusing on IT for cybersecurity, artificial intelligence, IT infrastructure and ambulatory networks for access.
- Mergers and acquisitions continue vertically, horizontally and cross-market.

* Kaufman Hall

** Fitch

Hospital At Home

- The concept started during the COVID-19 pandemic with CMS allowing Acute Hospital Care through an At-Home waiver program through December 31, 2024. Hospitals were reimbursed the same rate for home-based care as it does for in-facility care to help free up beds. 366 waivers were given as of October, but not all are participating.
- The waiver was to be extended but awaits further action.
- A recent CMS report gave the program a mostly positive review however, the program is stalled. Why invest in a program that may not be renewed?
- Colleen Hole, Advocate Health innovation strategic advisor is in favor of Hospital at Home stating “ to continue to build beds, which costs between \$2M and \$5M dollars per bed, is not cost-effective. This model has proven that it will deliver excellent care without the time and expense of building brick and mortar facilities.”

Will Telehealth Be The Answer to Access?

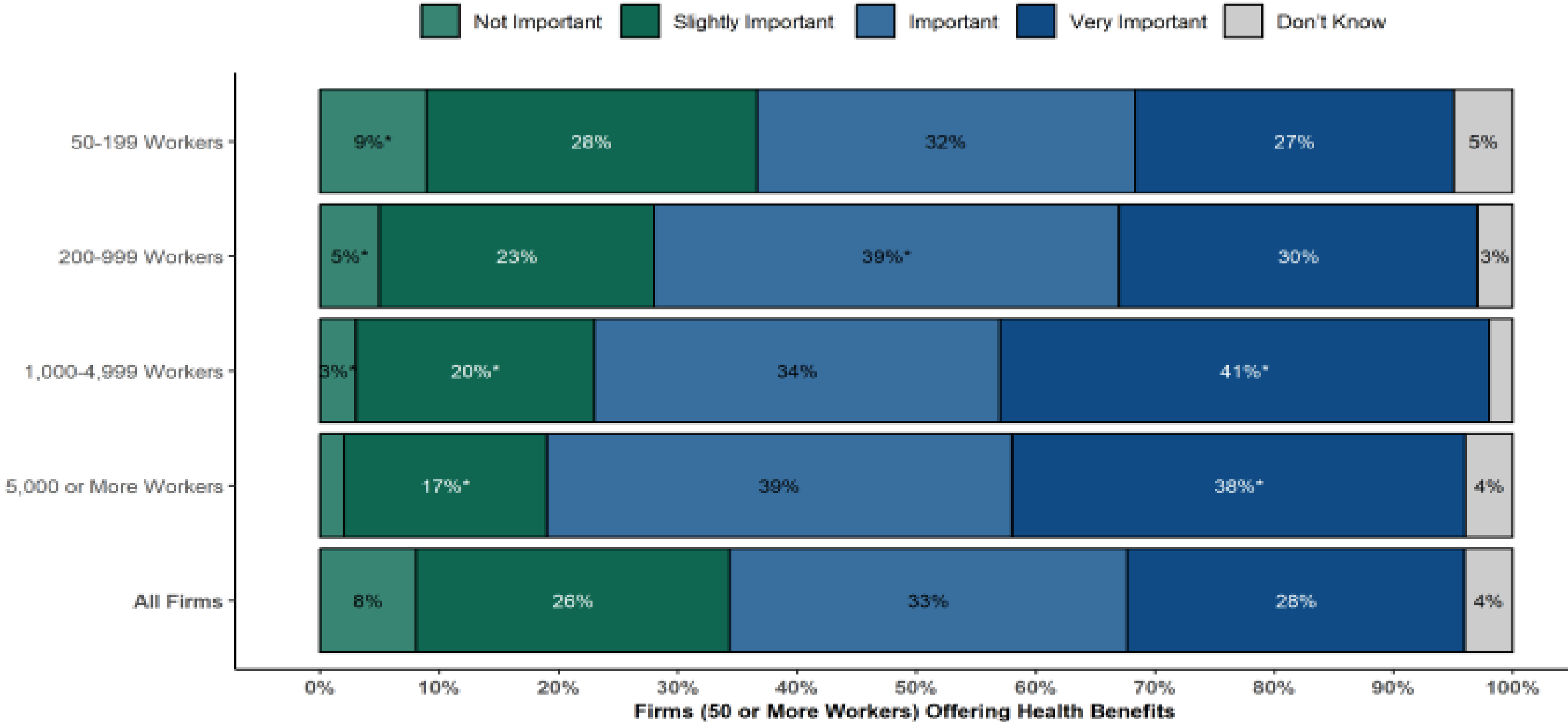
- **Telehealth:** 24/7 services to treat urgent care needs. The service has proven to be helpful to members in times when doctors aren't available and filling the gap of provider shortages such as for behavioral health*.
- Many employers offer this service at a low to \$0 copay. Congress provided a waiver until December 31, 2024, allowing HDHP-HSA plans to offer this model. We anxiously await an extension.
- The stakeholders are pushing change. The one-time cough, cold and flu services are not enough to sustain the telehealth and quick clinic business models. As a result, major providers such as Walmart, Walgreen's and UHC –Optum have or are pulling out. The survivors: Teladoc, CVS-Minute Clinic, Amazon – One Medical, are finding ways to connect to a expanded continual care model, such as Primary Care and other services to improve financial needs**.

* Fitch

** Modern Healthcare

Employers Value Telehealth

Figure 13.5
Among Firms Offering Health Benefits, How Important The Firm Believes Telehealth Will Be In Delivering Care Going Forward, by Firm Size, 2024



* Estimates are statistically different from estimate for all other firms not in the indicated category within each firm size (p < .05).
 NOTE: Firms were asked to consider the importance of telehealth for enrollees going forward in the context of many services returning to in-person care
 SOURCE: KFF Employer Health Benefits Survey, 2024

Behavioral Health

- Lyra, a leader in behavioral health, showed in their 2024 survey 94% of employers found it very important to offer mental health benefits compared to 36% the prior year. There is more awareness and declining stigma, especially at the executive level.
- The Lyra survey also showed - 29% of respondents say employees are taking more sick days due to mental health challenges, and 32% see more mistakes.
- There are not enough behavioral health providers to meet the demand. By 2036, a shortage of roughly 500,000 behavioral health providers is expected.*
- Reflecting rising suicide rates, 9 in 10 adults believe the United States is amid a mental health crisis.** Two years after its launch, the Suicide & Crisis Lifeline's 988 hotline received close to 10.8M calls, chats, and texts up from a total of 4M in 2023. National answer rate improved and wait times decreased. Only 2 in 10 adults are aware of this service.

** Health Resources and Services*

*** KFF Mental-Health issue*

The Role of Private Equity

- Private Equity is playing a larger role in Healthcare, What's the impact?
- A study of 300 hospitals between 2009 and 2019, conducted by researchers from Harvard Medical School and the University of Chicago and published in JAMA found Hospitals purchased by private equity firms have higher rates of adverse patient safety events than other facilities.
 - Falls increased by 27% within three years of being acquired.
 - Central-line associated bloodstream infections grew by nearly 38%, despite fewer lines being placed.
- The increased number of patient complications were attributed to the reduction and changes in staffing that private equity firms have brought to medicine.
- A recent Senate Budget Committee investigation revealed *“these financial entities are putting their own profits over patients, leading to health and safety violations, chronic understaffing and hospital closures.”**

**Modern Healthcare*

Pharmacy

- A 2024 Rand study, across all drugs, and after adjustments for rebates, found U.S. prices were more than triple those in other advanced countries.
- A key factor, cost and time to market remains excessive at \$2.3B* and 10 – 15 years from discovery to regulatory approval. AI will change that with projected launch times brought to 4 – 6 years.
- Gene therapy can take up to 30 years to develop.
- Retail and Specialty Pharmacy median employer spend increased from 21% to 27% between 2021 and 2023,** partially due to explosive growth of weight loss category (GLP-1s) drugs, typically costing \$1,000 pmpm.
- The most common GLP-1 drugs: Ozempic, Wegovy, Mounjaro and Zepbound are typically for type 2 diabetes. Large, self-funded groups are considering expanding use based on strong member requests.
- Gaining even more interest is Eli Lilly oral option being released soon.

* Deloitte

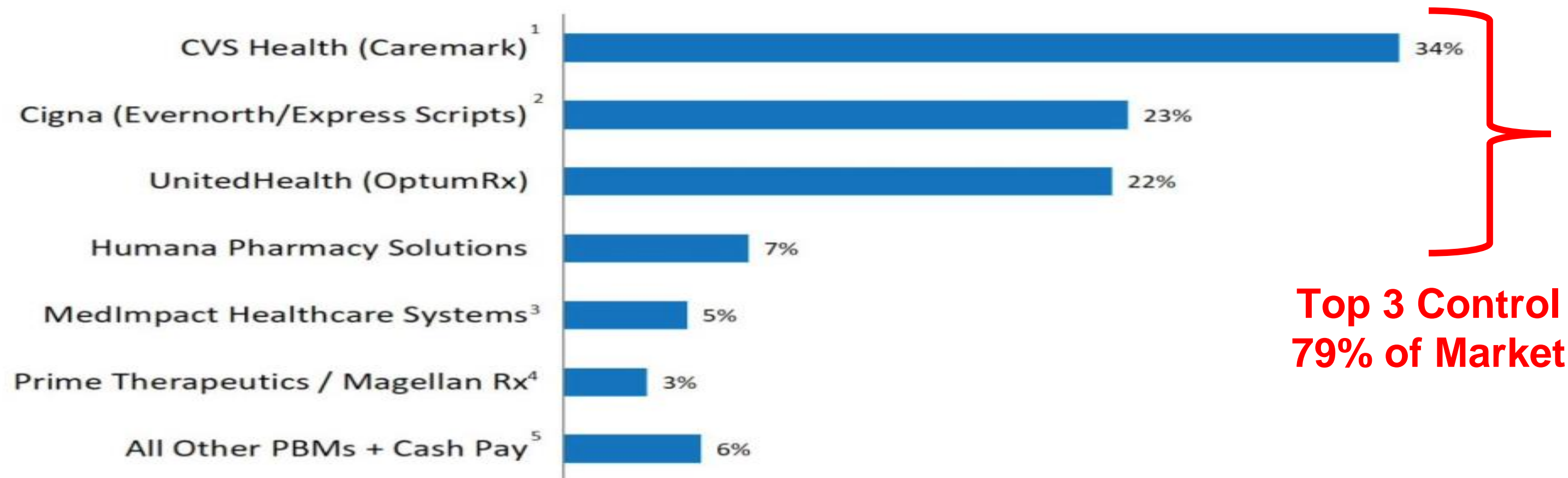
** Business Group on Health Survey

PBM Market Share

- Pharmacy Benefit Managers (PBMs), often called the middleman, act as intermediaries between pharmacies, health plan sponsors, pharmaceutical manufacturers, and wholesalers. They influence access and price.

PBM Market Share

PBM Market Share, By Total Equivalent Prescription Claims Managed, 2023



1. Includes claims from Centene and Elevance Health that are managed by Caremark. In 2024, Centene's business transitioned to Express Scripts.
2. Includes the portion of Prime Therapeutics network claims volume for which Express Scripts handles pharmacy network contracting.
3. Excludes claims from Rite Aid's Elixir business, which MedImpact acquired in February 2024.
4. Includes 2023 claims from Magellan Rx, which Prime acquired in December 2022. Figures include full service PBM services only. Excludes Drug Channels Institute estimates of 2023 claims for which Express Scripts handles pharmacy network contracting as well as claims from medical specialty and state government solutions.
5. Figure patient-paid prescriptions without a third-party payers, smaller PBMs that perform internal claims and pharmacy network management, and a small number of patient-paid prescriptions that use a discount card processed by one of the PBMs shown on the chart.
Source: 2024 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers, Drug Channels Institute, Exhibit 104. Total equivalent prescription claims include claims at a PBM's network pharmacies plus prescriptions filled by a PBM's mail and specialty pharmacies. PBM figures include most discount card claims. Includes claims for COVID-19 vaccines administered by retail pharmacies. Note that figures do not correspond to the number of covered lives handled via rebate negotiations. Figures may not be comparable with those of previous reports due to changes in publicly reported figures of equivalent prescription claims. Total may not sum due to rounding.



Vertical Consolidation Conflict?

Vertical Business Relationships Among Insurers, PBMs, Specialty Pharmacies, and Providers, 2024



- Senators are demanding the Federal Trade Commission to conduct antitrust investigation into pharmacy middlemen.

Insurance Carriers- Rising Cost of Risk

- 82% of insurers report an increase in the incidence of cancer treatment claims over the last five years for individuals under the age of 50.*
- Rx: Specialty for chronic conditions, GLP-1 weight loss tied to diabetes and other comorbidities, and gene therapy drugs with hundreds in the pipeline.
- Mental Health claims fall in the top three diagnosed categories.
- Provider contract costs are increasing.

** Marsh Insights*

HEALTHCARE

Game Changers!



AI in Healthcare

- Congressman Mike Waltz, soon to be National Security Advisory, called maintaining the U.S. lead in Artificial Intelligence is *“the race of the 21st century that will affect everything we do”*.
- Healthcare AI is receiving venture capital investment in the following areas:
 1. Technology needs
 2. Clinical care startups receive most
 3. Financial focused
 4. Care management – tasks such as utilization management and prior authorization dominate
 5. Claims processing which lags behind.*
- 46% of Insurers believe that artificial intelligence for first-line diagnosis, imaging and /or navigation will decrease health plan costs within the next five years.

**Modern Healthcare*

AI Needs Guardrails

- The American Hospital Association said in a September report the automation by insurers contributed to an increase in Commercial and Medicare Advantage claim denials between 2022 and 2023. There are lawsuits pending.
- AI regulation has largely been left in the hands of state legislators, although it is suggested by industry stakeholders that federal legislation is necessary. California, Colorado and Utah brought several AI bills into law recently.
- Health systems, tech companies and other third-party groups are also coming together to publish industry guidelines.

Game Changer

The AI Engaged Hospital

- There is a shortage of Healthcare workers globally, in particular, the problem is acute in Taiwan. They have an aging population and low birth rate. After the pandemic, fewer and fewer wanted to enter the medical profession.
- In 2022 Chi Mei Medical Center started using Microsoft AI for administration and analyzing hospital data, including benchmarking quality. It then integrated the hospital's various data bases with the generative AI platform and the hospital rolled out a series of copilots starting in November 2023.*
- There were AI copilots added to Doctors, Nurses, Pharmacists and Nutritionists.
- The doctor's copilots help cut report writing from an hour to 15 minutes. The hospital found the copilot not only reduced workload but also helped ensure patient safety. Burnout scores have been falling since introducing the copilot.

**Microsoft Asia*

Game Changer

Replacing a 115-Year-Old Hospital

The NEW MODEL OF CARE Based Off Our CO-CREATION

Together we can build a transformative, national example that drives health equity, and is focused on disease prevention and connection.



Game Changer - A New Care Model!



Over \$500 million is devoted to expanding outpatient care, embedded in the community

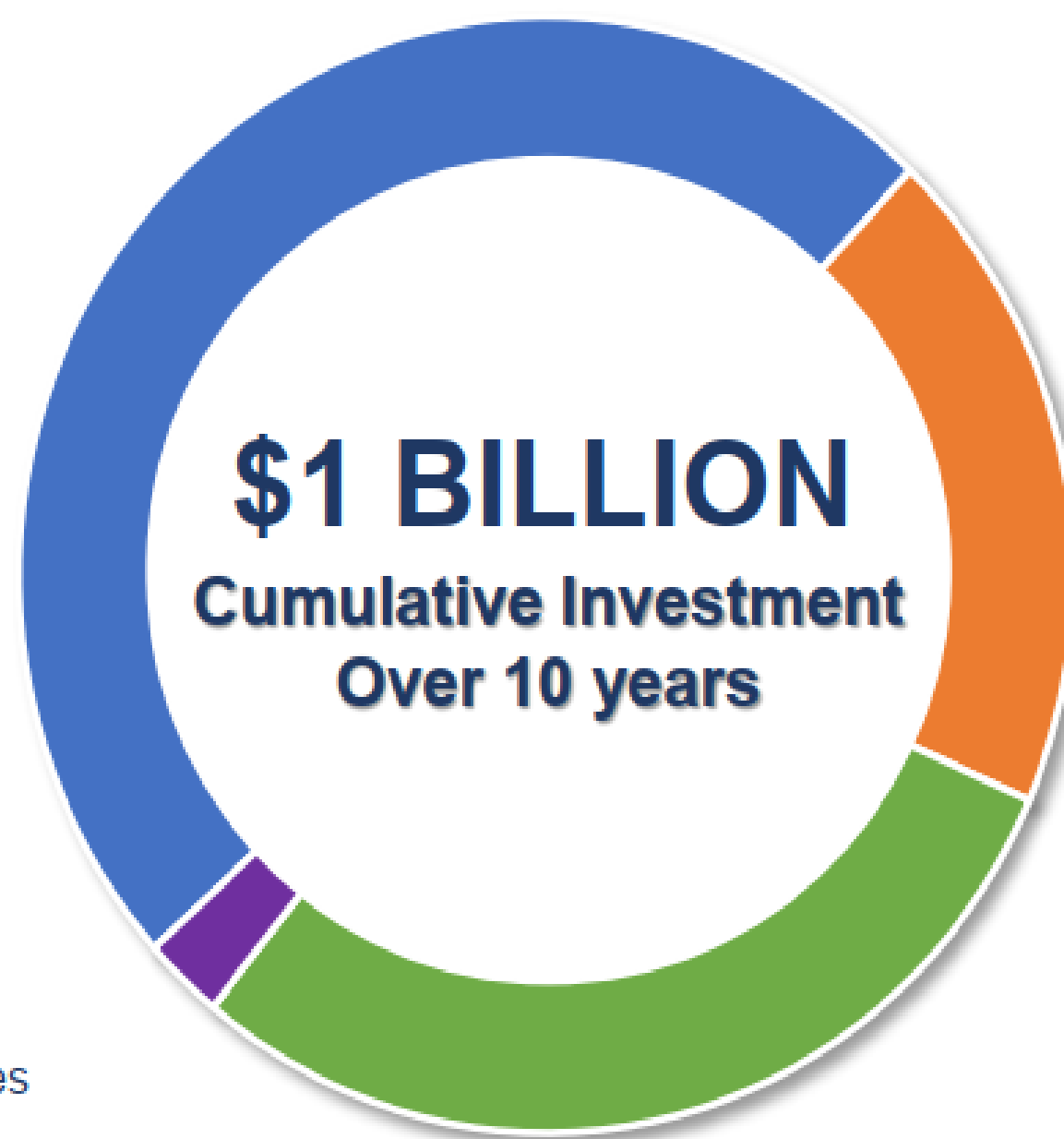
- Adding 85,000 new appointments annually, making it easier to access both primary care and specialists.
- Establishing Advocate Health Care Neighborhood Care locations –10+ new locations to serve the whole family. These care sites will virtually connect patients to Advocate providers and be in churches, community centers and more.
- Expanding our Imani Village outpatient clinic to add Immediate Care with more doctors, more services, more appointments and shorter waiting times.
- Adding a mobile medicine vehicle that will provide primary care access at sites across the community



\$25 Million Investment in Workforce Development

- Advocate plans to keep every one of its teammates currently working in the South Side
- Hiring more than 1,000 new teammates within the next three years
- Hosting job forums and deploying a new state-of-the-art recruitment on wheels van, and offering new career pathway development programs

ADVOCATE'S COMMITMENT TO CHICAGO'S SOUTH SIDE



More than \$200 million will be invested in hospital and ambulatory programs and services

- Expanding management of chronic disease and address social factors that affect health like access to healthy food, housing, transportation and prescriptions.
- Creating new access points such as home delivery, meds to beds, kiosks for free to low-cost prescriptions
- Expanding access to pre- and post- natal care by adding 5,000 annual OB-GYN visits plus a robust set of new programs and wrap-around services that address the entire pregnancy journey
- Growing our Food Farmacy program that distributes fresh produce and healthy staples to patients with metabolic conditions such as heart disease and diabetes, by doctors' orders.



Nearly \$300 million to build a new state-of-the-art hospital

- Enhancing services for emergency care, inpatient care and leading-edge diagnostic testing and imaging.
- Offering new services like robotic surgical procedures
- Leveraging latest medical technology to assess, triage and connect with specialty physicians quicker and more efficiently.

Pharmacy Game Changers

- Specialty drugs account for 50% to 60% of pharmacy spend and are increasing at double digit rates per year. Biosimilar alternatives (an agent with no meaningful clinical difference from an existing FDA approved biologic drug),* are one-third the cost. They will be added to plan formularies this year.
- Plan designs have moved to 6-tier Rx cost-share models, creating incentives in each category of drug, generic, brand, specialty with preferred and non preferred choice.
- Due to several ongoing lawsuits regarding best pharmacy benefit practices, (Johnson and Johnson and Wells Fargo), employers have become more aware of their fiduciary responsibilities for self-funded plans. Consultants are also shopping PBMs more frequently to provide best practice defense for employers.

* Optum Rx

Pharmacy Disruption

- Last year the FDA approved the State of Florida to purchase drugs from Canada at much lower costs. This has been stalled.
- Due to the Inflation Reduction Act, Medicare started their Rx negotiation program with 10 often used drugs having their price lowered by 50% to 75% for 2026, an overall plan savings of \$6B with \$1.5B going to 8.8M members. The largest saving was Januvia, for diabetes, from \$527 to \$113. The negotiations continue with 15 more in 2027 and 2028 and then 20 each year thereafter. Ozempic may hit the 2027 list.
- Reuters review found even after negotiations the U.S. will still pay double what four other high-income countries pay. The question is 'how will these discounts impact commercial plans'?

*Reuters

Rewriting Our Genetic Code

- Gene Therapy and Genetically modified Cellular Therapies involve new technology designed to focus on cures for conditions that were once untreatable.
- To date there are 19 cellular treatments and 13 gene therapy treatments. There are 4,000 in the FDA pipeline with 200 in late phase development.*
- Treatments range in price from \$915,000 - \$4.25M**.
- Self-Funded markets are offering a second layer of reinsurance to protect against this category of drugs. Stop loss plans are also offering No New Laser Contracts to protect renewals from this catastrophic claim.
- Fully insured plans are also increasing their pooling protection to accomplish the same .

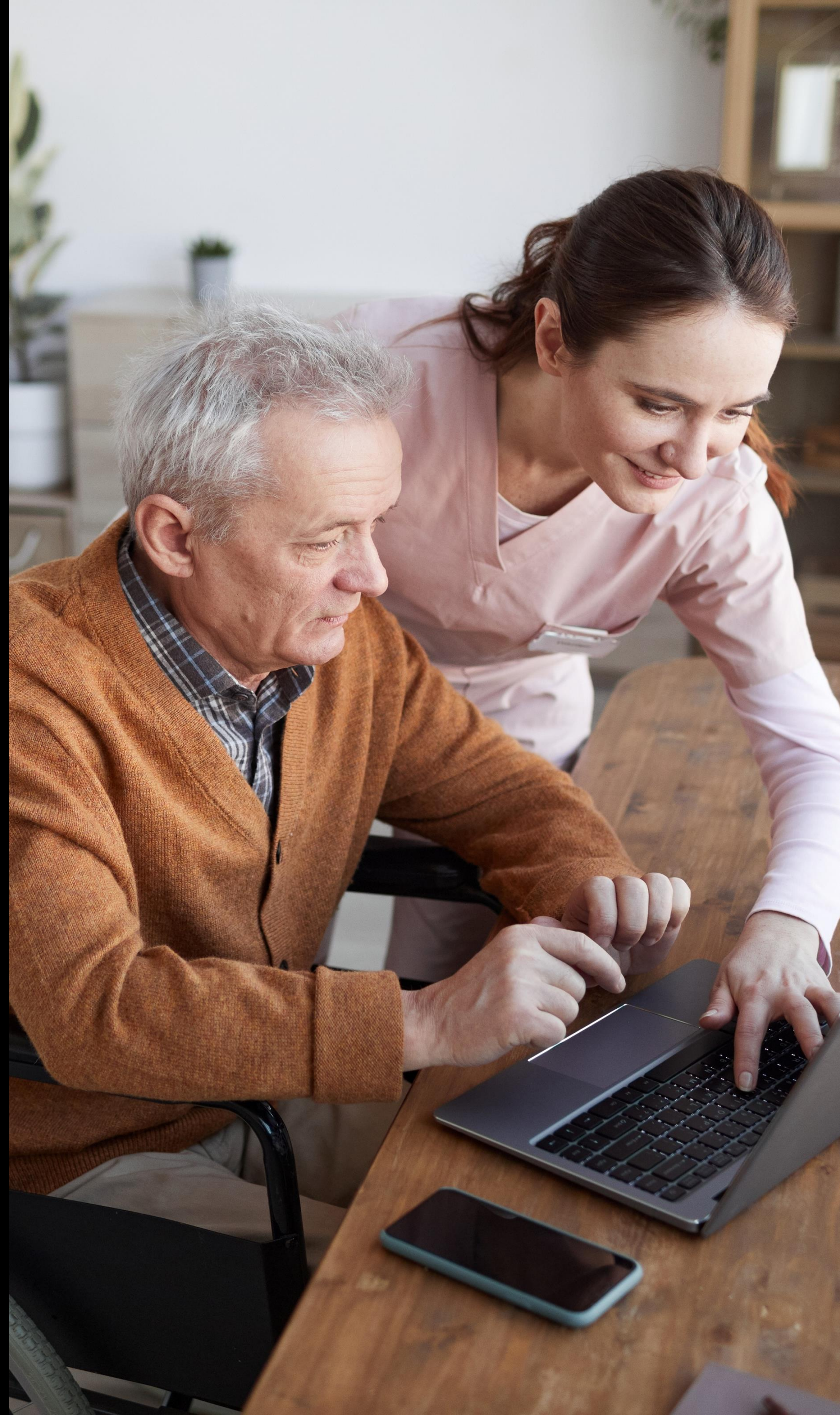
** American Society of Gene + Cell Therapy*

*** Amwins Solutions*

HEALTHCARE

**Employers Want
More Control**

**Adopting New and
Old Cost Control
Models**



Innovative Healthcare Approaches

- It is projected that 24% of healthcare spend is highly shoppable. Of that group there is 6% to 8% savings potential.* Steerage to lower cost care is developing through concierge programs and plan designs.
- Value based contracts continue, often another name for Accountable Care Organizations – based on pay for performance!
- AHPs –Alternative Health Plans: Coupe (BCBS) & Surest (UHC) enter the market as a game changer. These models are total replacement for PPO and HDHP options:

The \$0 deductible, copay only plan, is meant to drive care to more efficient and better outcome providers.

Early adoption shows employers reducing claims cost by 12% on average. Providers have also reduced administrative burden for billing, collection and bad debt.**

** McKinsey & Company
** Leaders Edge Council*

Data Driven Cost Control Models

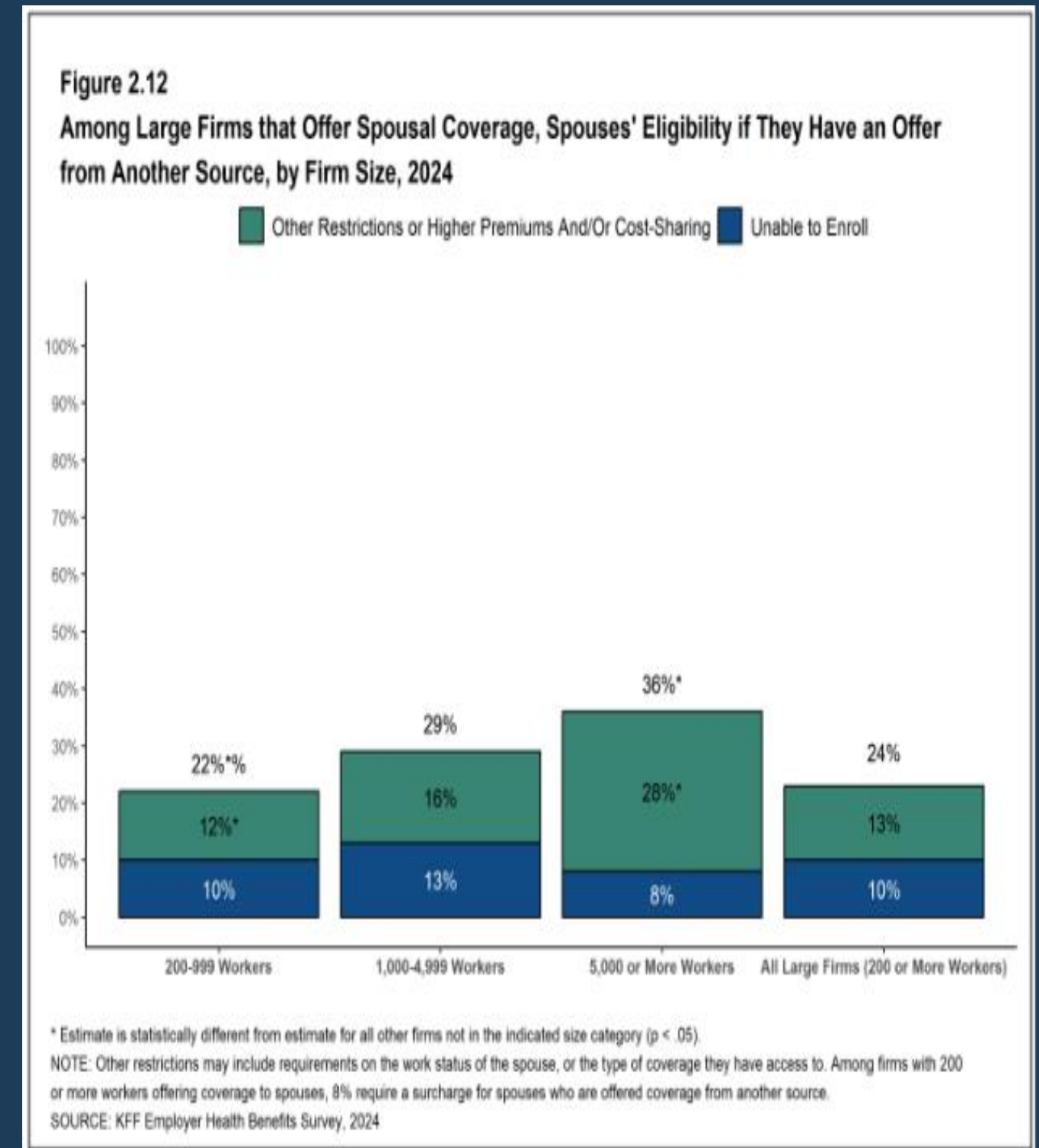
- **Employers will use Analytics to develop actionable strategies:**
 - Participation Management
 - Network Decisions
 - Self-Funded and Level-Funded Finance Models
 - High Deductible Health Plans (HDHP) paired with Health Reimbursement Accounts (HRA) , or Health Savings Accounts (HSA) combination
 - Employer Wellness Returns - Make America Healthy Again (MAHA)
 - Better Communications

Participation Management

Public Sector on average has 2.5 :1 members, participating vs. all Industries average 2:1. As a result, higher cost per-cap.

Most common strategies to control member participation:

- 4-Tier rate structures
- Post – 65 Retiree Carve-Out Plans
- Spousal Health Reimbursement opt-out incentive
- Pre-65 Retiree Health Reimbursement opt-out Incentive

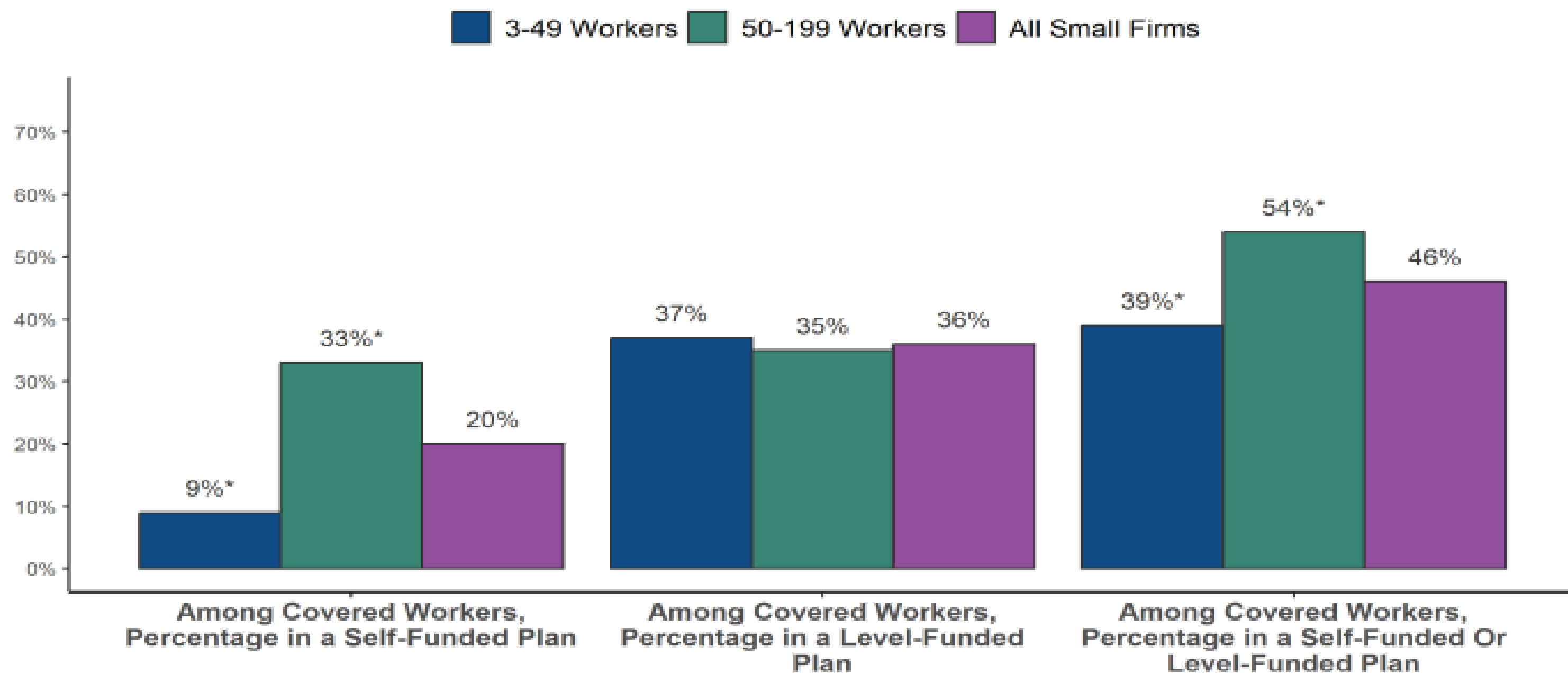


Level-Funded Finance Models Expand

Small and Mid-Market Niche- Avoids State insurance premiums and mandates and Provides more data than Fully Insured market.

Figure 10.6

Among Covered Workers at Small Firms, Percentage Enrolled in a Level-Funded or Self-Funded Plan, by Firm Size, 2024



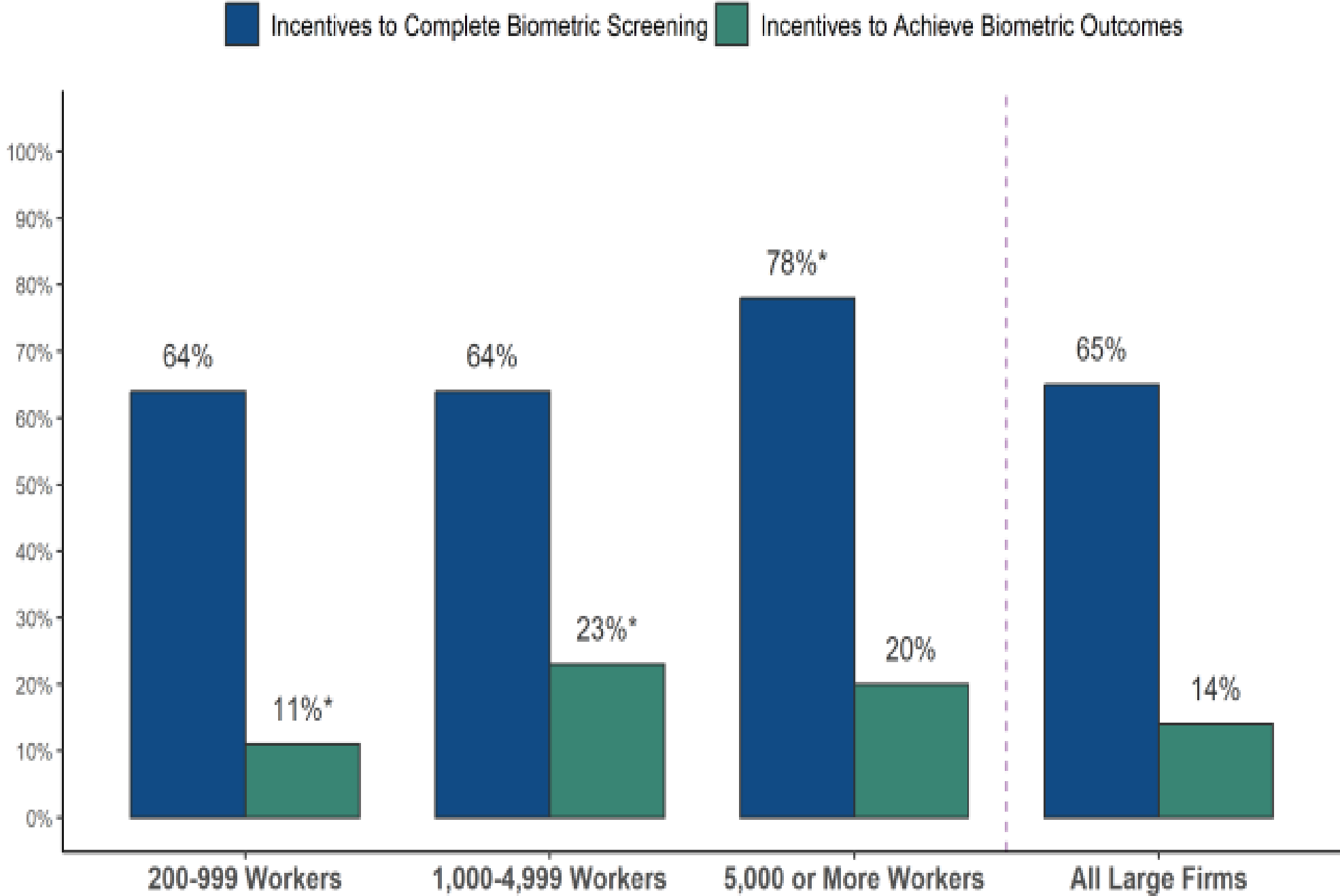
* Estimates are statistically different from estimate for all other firms not in the indicated category within each firm size ($p < .05$).

NOTE: See end of Section 10 for definitions of self-funded, fully-insured, and level-funded premium plans. Small Firms have 3-199 workers. This figure shows the percentage of covered workers; In 2024, 42% of small firms reported that they had a level-funded plan. This includes respondents who indicated both that their plan was level-funded and fully insured.

SOURCE: KFF Employer Health Benefits Survey, 2024

Employers Engage Wellness

Figure 12.6
Among Large Firms Offering Health Benefits and Providing an Opportunity to Complete a Biometric Screening, Percentage of Firms with Incentives to Complete the Screening or Achieve Biometric Outcomes, by Firm Size, 2024



* Estimate is statistically different from estimate for all other firms not in the indicated size category ($p < .05$).

NOTE: Large Firms have 200 or more workers.

SOURCE: KFF Employer Health Benefits Survey, 2024

- Will Make America Healthy Again Catch On?
- In a report done by Guardian Mind, Body and Wallet, only one-third of workers said they are doing well. Key inputs included 36% very good or excellent mental health, 37% very good or excellent physical health and 32% very good or excellent financial health*
- Wellness plans being offered today pick up with incentive programs to promote participation.

Engaging Employees

Employers need more data to customize their benefit plans, and communications for better outcomes:

- 73% of employees want more education on Company Benefits*
- More than half of U.S. employees regret their last open enrollment decisions.**
- Gen Z feels overwhelmed / anxious about insurance per NAIC survey.
- Younger workers are shifting to High Deductible Health Plans which opens the need for Voluntary plans.*** Voluntary plan participation is typically Life 48%; Accident, Cancer, Critical Illness and Hospital Indemnity at 36%;Dental and Vision at 15%.

* CPA Practice Advisor

** Equitable

*** Eastbridge Voluntary Marketing Industry Snapshot

HEALTHCARE

2025 Compliance Updates

2025 New Illinois Laws



Compliance Requirements

- Look for continued transparency & reporting requirements.
 - Hospital Pricing Transparency
 - Rx Reporting (RxDC)
 - Gag Clause Attestation
 - Mental Health Parity and Addiction Equity Act
 - Less complicated ACA reporting requirements
- Affordability Test moves to 9.02% for 2025
- HSAs contribution limits: \$4,300 single and \$8,550 family plus \$1,000 catch up
- FSA limits: \$3,300
- PICORI fee: \$3.47 from \$3.22
- Dozens of New Illinois Health Laws in 2025 and 2026:
 - **HB 4460** requires insurance programs to provide coverage for mental health therapy services for police officers, members of self-insured fire protection districts and any spouse or partner of members of those fields.
 - **HB 5395** – reform bill that prohibits step therapy where patients have to use cheaper drugs before being approved for more expensive ones.

Have We Reached The Tipping Point?

- The public doesn't trust Healthcare. They feel it's more concerned about profits than patient care. How will we improve the patient experience?
- Employer plans still control half the market; they will play a larger role in the process and hold vendor partners to higher standards to help make a difference. They will identify employee needs, more critical thinking in what to offer and how to better communicate and educate.
- Federal and State Government will insure a growing share of the U.S. population. The Silver Tsunami is coming. Will commercial plans tolerate the cost shift to subsidize the other half of the Medical market?
- Will Pharmacy play a more responsible role? More Transparency?
- Will AI find its place in Healthcare without causing suspicion of purpose?
- Will the New Administration force transparency for Food, Drug and Medical to correct years of suspected steerage for financial gain!

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Questions?

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