

# Willis Towers Watson High Performance Insights in Health Care

## 2021 Health Care Financial Benchmarks

Washington State Health Care Authority — SEBB

October 27, 2021

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# Survey Overview

1,908

Participating  
Companies\*

158

Government/Public  
Sector/Education  
Companies

\$122.4B

Medical — Total Annual  
Budget Dollars

\$7.0B

Dental — Total  
Annual Budget  
Dollars

8.9M

Medical — Covered  
Employees

8.2M

Dental — Covered  
Employees

\* Database Participation as of September 23, 2021

## Major Focus Areas

### Cost Efficiency

Medical and Dental plans are evaluated on how efficiently they perform by adjusting cost data for plan design, demographics, family size and geographic cost differences. This helps employers understand how their plan costs compare on an apples-to-apples basis.

### Employee Cost Sharing

Explore how employee costs compare, from a dollar and percentage of premium standpoint — including not only premium costs, but out-of-pocket expenses as well.

### Account Funding and Incentives

Compare HSA and HRA funding amounts, and wellness incentives and delivery methods amongst employers.

### Plan Design

Examine a side-by-side comparison of medical, pharmacy and dental plan benefits against both industry and database norms.

# Survey Overview — Specific Questions Addressed

## Medical Benchmarks

- How do your plan costs compare to others in your industry, as well as to best performers?
- How does enrollment by plan type compare to the database?
- What is the cost impact of key factors in your population, including: age/gender, family size, geography, plan value?
- After adjustments, how efficient is your total plan overall? What is the financial impact of moving to benchmark or best practice performance?
- After adjustments, how efficient are each of your individual plans relative to benchmarks?
- How does the employer's contributions as a percentage of plan cost compare to benchmarks?
- How does your account funding for HRAs and/or HSAs compare to other employers?
- How do your incentives/wellness credits compare with the database?
- Where do your administrative fees fall within the range of other employers' fees?

## Dental Benchmarks

- How do your plan costs compare to others in your industry, as well as to best performers?
- How does enrollment by plan type compare to the database?
- How do employee contributions compare to the database?
- Where do your administrative fees fall within the range of other employers' fees?

# Employee Census Summary

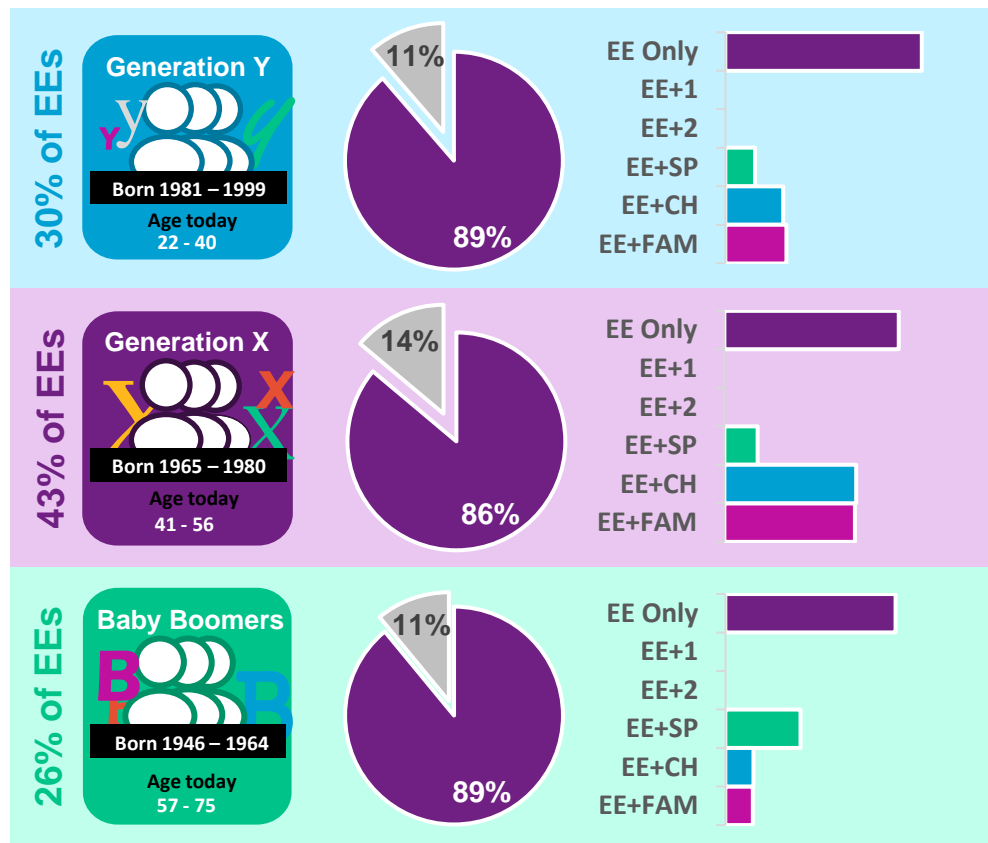
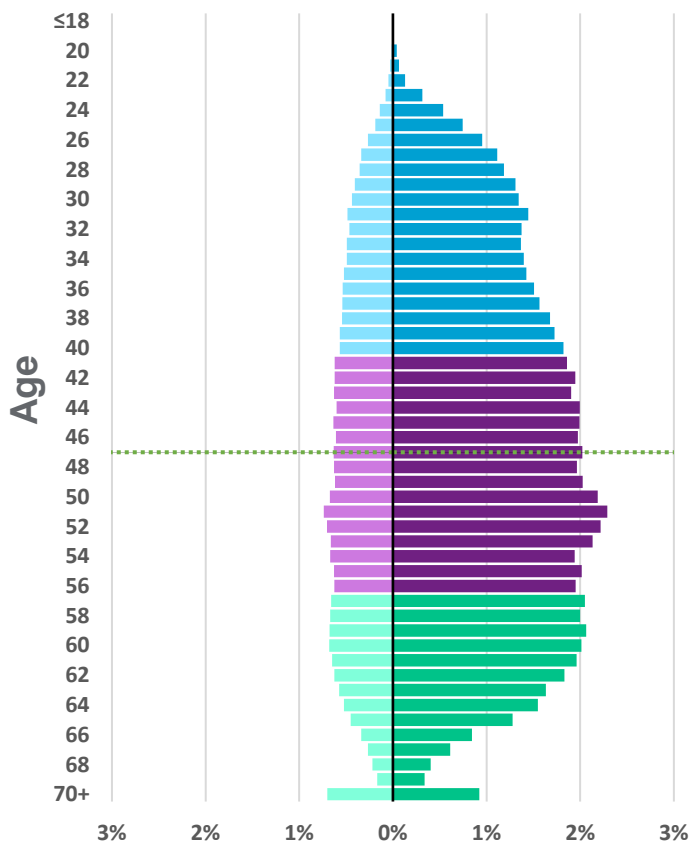
**25%**  
Male

**75%**  
Female

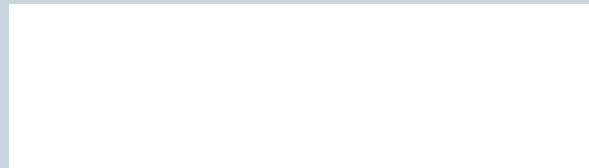
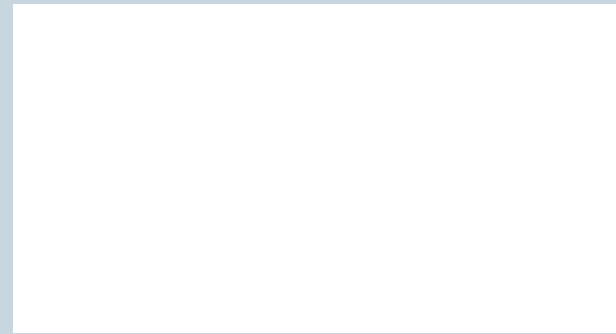
**47.4**  
Average  
Age

**13%**  
Waiver  
Rate

**51%**  
Cover  
Dependents

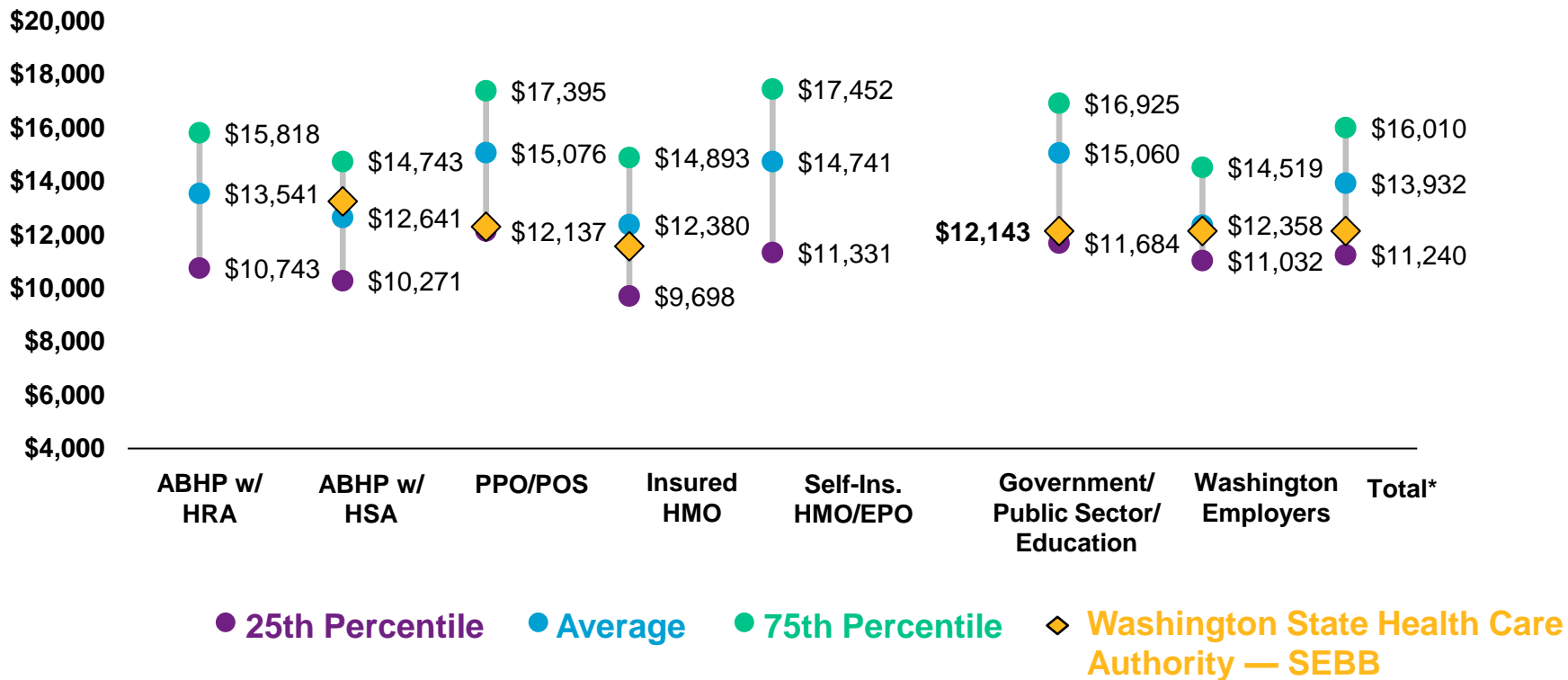


## Medical Cost Benchmarks





How do your plan costs compare? How does enrollment across plan type impact the average cost?

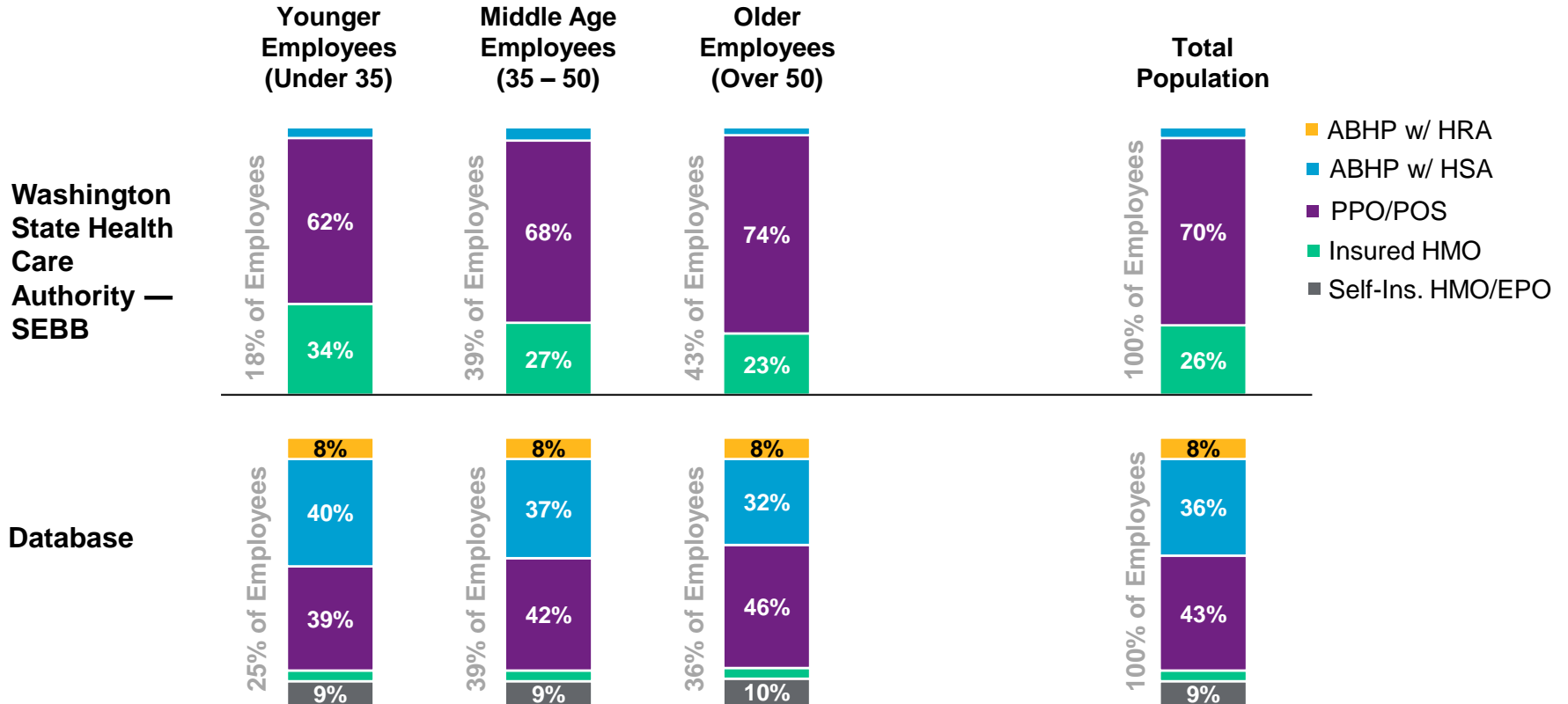


Your actual costs are 13% below the benchmark average, 19% below average for your industry.

\*Total costs represent an enrollment weighted average of all plan types.



- How does enrollment by plan type compare to the database?
- Does the enrollment by age have implications for plan pricing?
- Is the plan enrollment by age influenced by employer funding of employees/dependents?



- Is employee enrollment aligned with the appropriate plans?
- What are the implications of enrollment on pricing and funding?

**The first step in understanding the cost benchmarks is to understand your population. The average cost for employers in the database is the benchmark.**

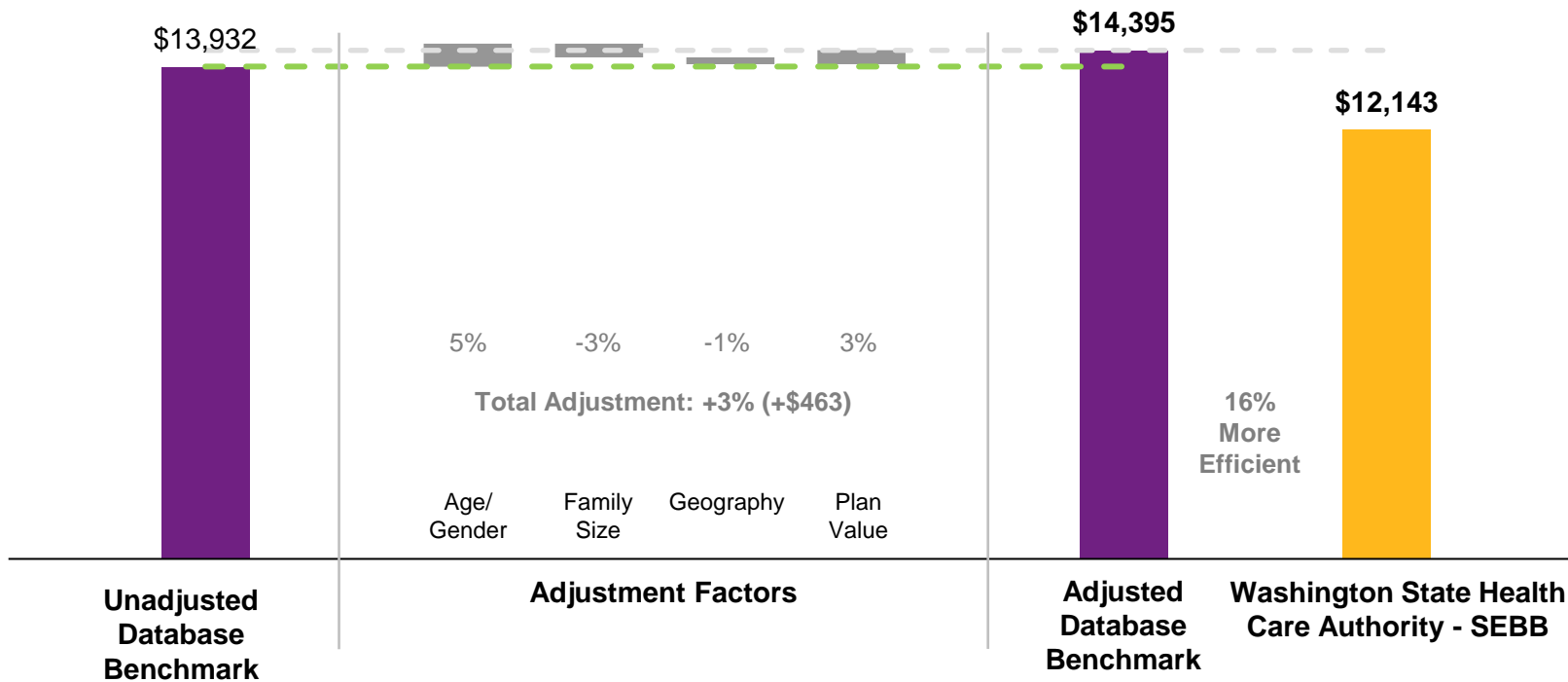
- The benchmark is adjusted to reflect differences between your organization and the database for each of four key criteria, noted below
- The result of these adjustments is a benchmark that is customized to your population (custom benchmark)
- The custom benchmark is the database cost if the database looked like your population with your plan designs

<b>Age/Gender</b>	The age/gender profile of the population — cost is directly correlated with age. The impact of gender on expected cost varies with age.
<b>Family Size</b>	The estimated number of members covered per employee — larger-than-average family size is expected to increase costs per employee.
<b>Geography</b>	The underlying cost for basic health care services in an area — provider competition and more prevalent managed care plans may reduce costs in some areas. Greater enrollment in higher-costs areas is expected to increase costs.
<b>Plan Value</b>	The level of benefits covered under your medical plan — plans reimbursing a higher percentage of medical expenses than the database average are expected to increase costs.





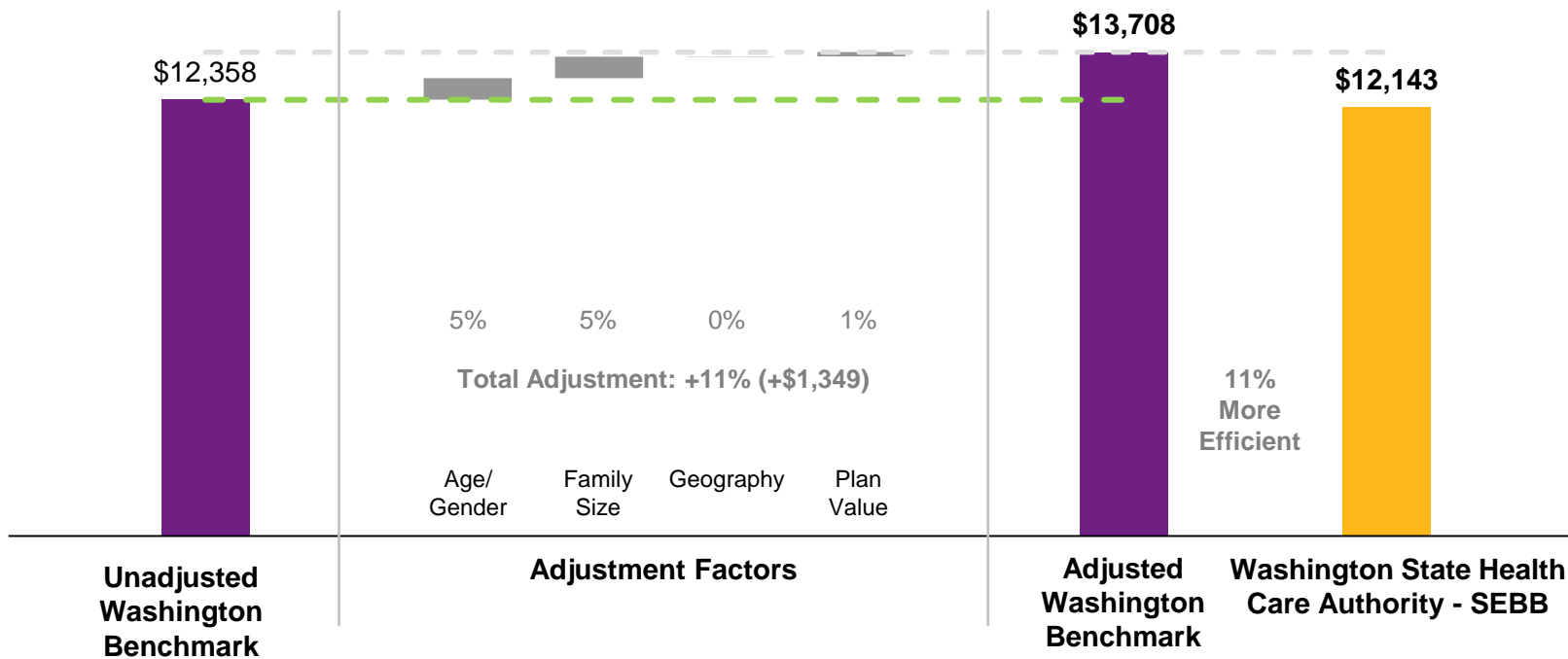
- After adjustments, how efficient is your total plan overall?
- What is the financial impact of moving to benchmark performance?



Your total program is 16% more efficient than the average database performance. This translates into a current savings of approximately \$280 million.



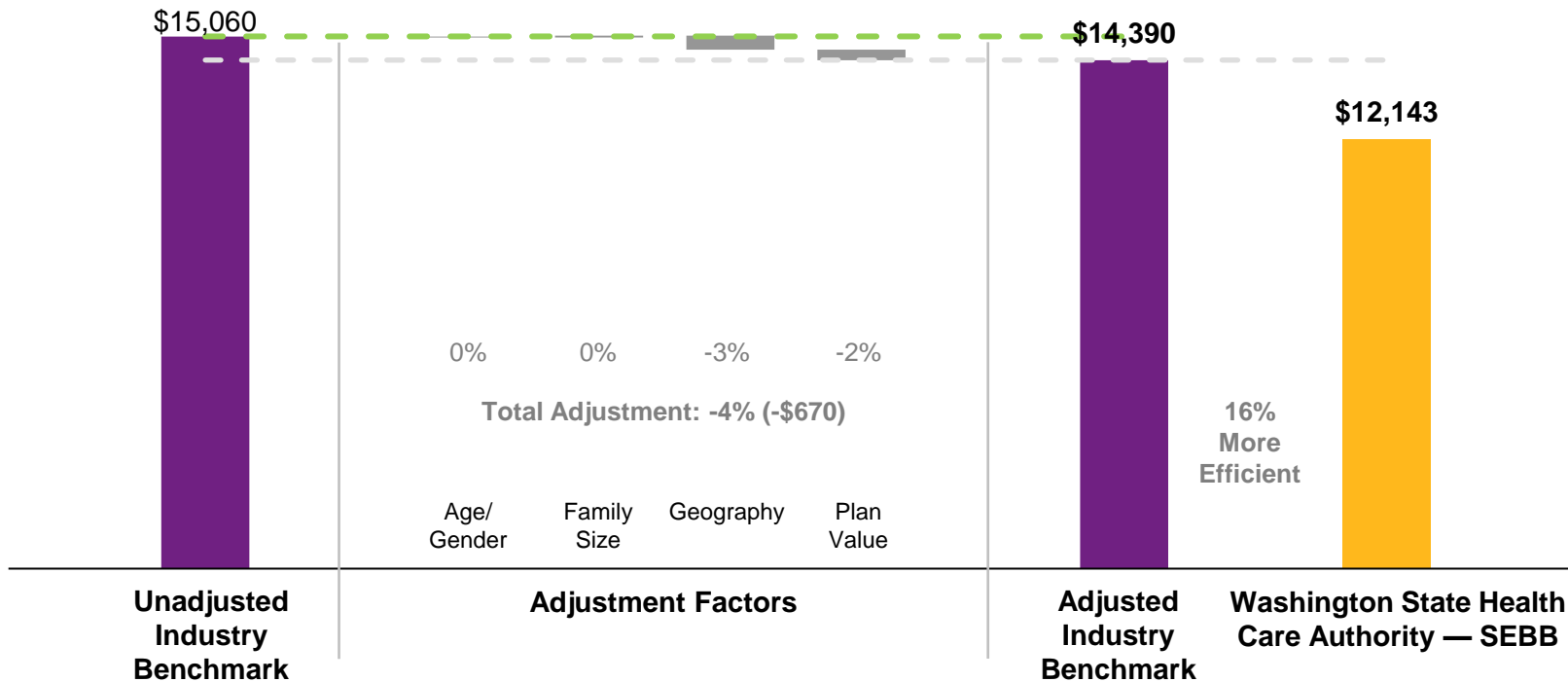
- After adjustments, how efficient is your total plan overall?
- What is the financial impact of moving to benchmark performance?



Your total program is 11% more efficient than the average Washington State database performance. This translates into a current savings of approximately \$197 million.



After adjustments, how efficient is your total plan compared to the government/public sector/education industry?



Your total program is 16% more efficient than your industry. This translates into a current savings of approximately \$280 million.

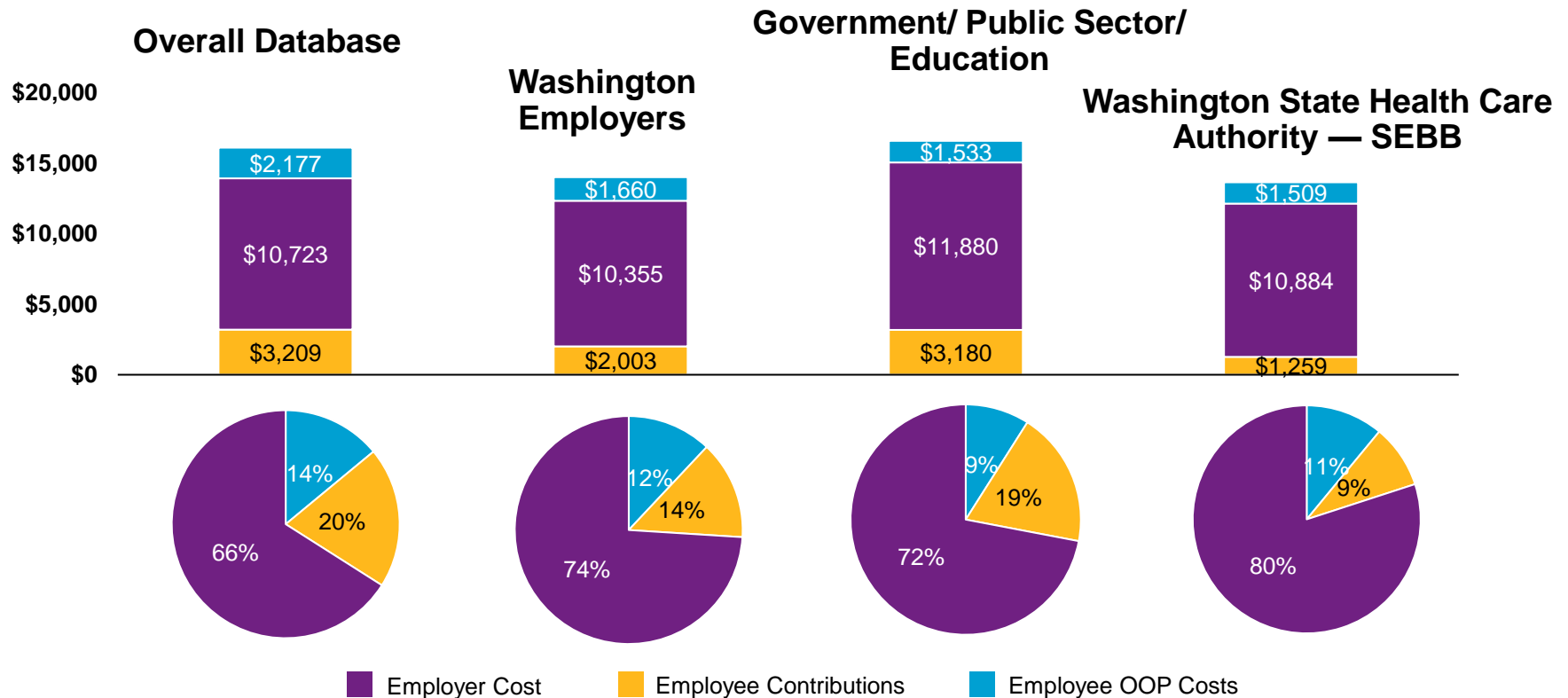
**An important driver of overall cost results is how employers price different medical plan options to employees. This section shows how your company's employee costs compare with the database averages, and how contributions vary by plan type.**

**Included are:**

- Comparisons of employee versus dependent subsidy levels
- Net cost analysis by plan type



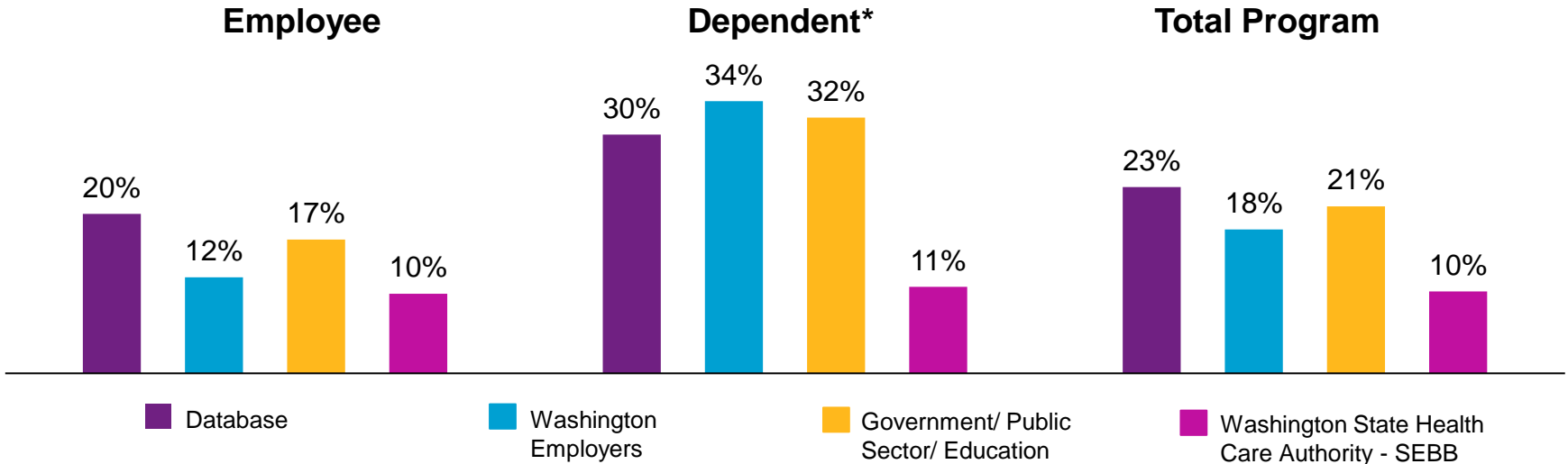
How does your employees' share of total cost, including contributions and out-of-pocket expenses, compare to benchmarks?



- Compared to the overall database, your employees' share of total costs is lower
- Compared to others in your industry, your employees' share of total costs is lower



How does your cost-sharing, for employees and dependents, compare to benchmarks?



Employee Contributions as a % of Total Cost	ABHP w/ HRA	ABHP w/ HSA	PPO/POS	Insured HMO	Self Ins. HMO/EPO
Washington State Health Care Authority — SEBB	N/A	4%	12%	8%	N/A
Database	23%	20%	27%	26%	24%



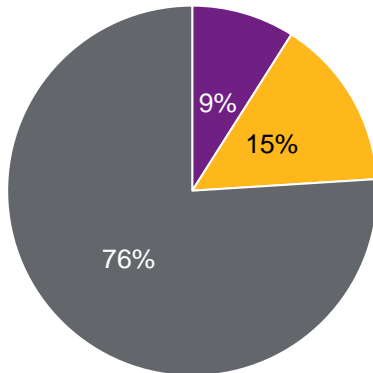
- Employees contribute less than the database and industry averages
- Dependents are below the database and industry averages

\*Dependent includes spouse, children, family, etc.

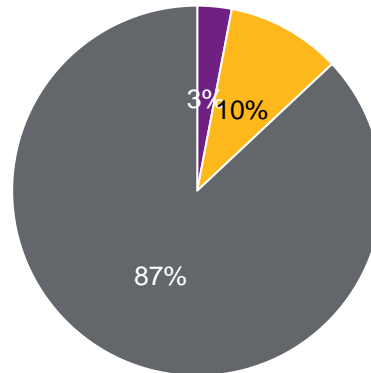


How does the company's approach compare to the database?

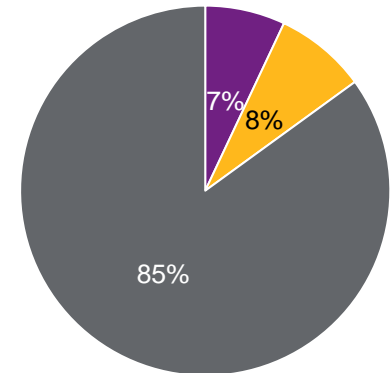
% of database with wellness credits



% of database with wellness credits deposited in HRA or HSA accounts



% of database with wellness credits applied to payroll contributions



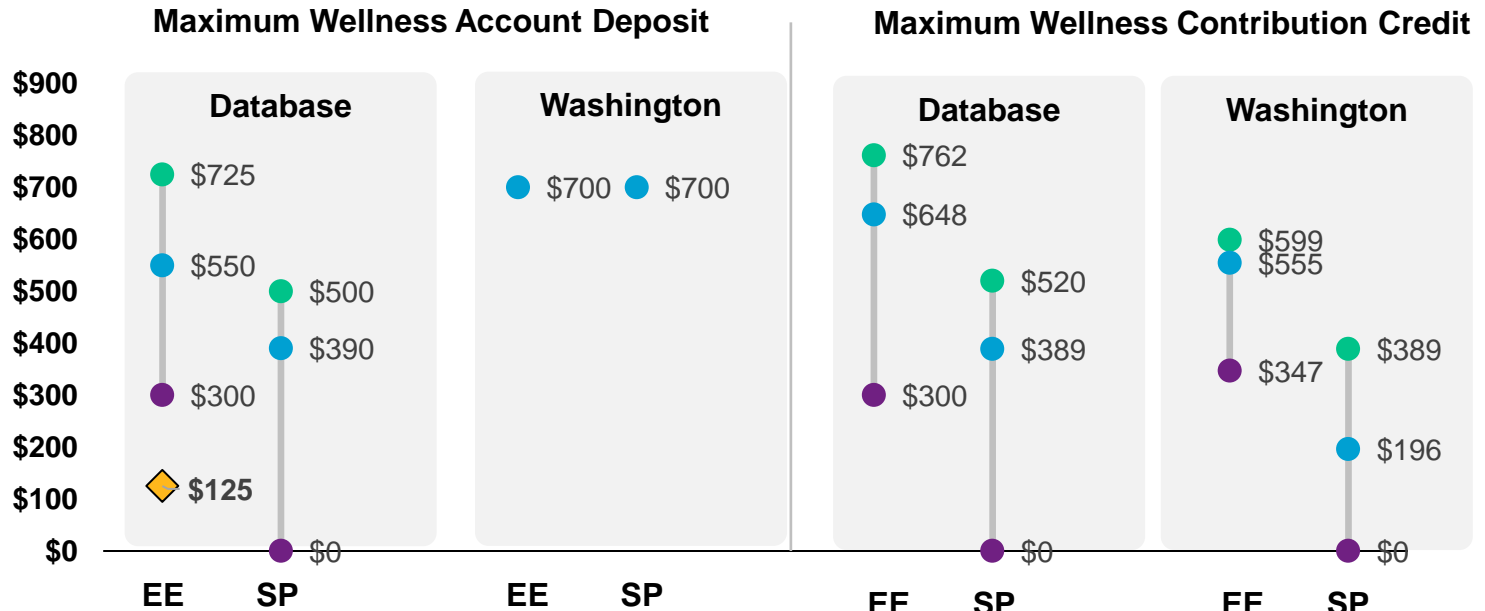
■ Employee Only    
 ■ Employee and Spouse    
 ■ None



Your company provides wellness credits. You apply the credits to an HRA/HSA account.



- How does the company's maximum potential wellness credit compare with the database?
- How does the allocation between employee and spouse compare to the database?
- How does the approach for employees and spouses compare between contributions and wellness credits?



● 25th Percentile   
 ● Average   
 ● 75th Percentile   
 ◆ Washington State Health Care Authority — SEBB



Maximum wellness account deposits and contribution credits average \$550 and \$648 for employees and \$390 and \$389 for spouses.





How do your administration fees compare to the database? What is contributing to the company's variance from average? What other variable fees are being paid to the vendor in addition to the monthly per employee administration fees?



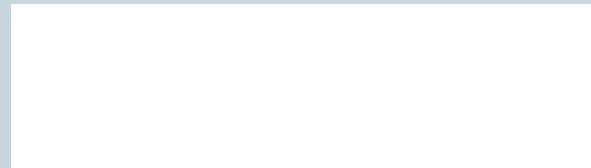
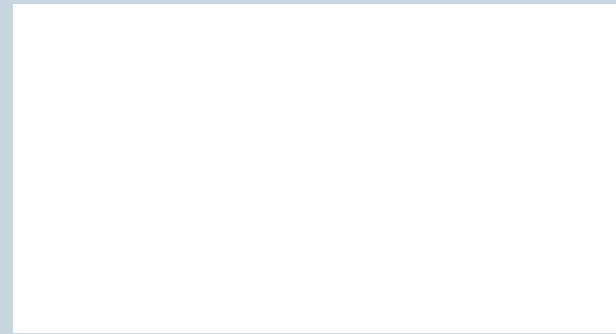
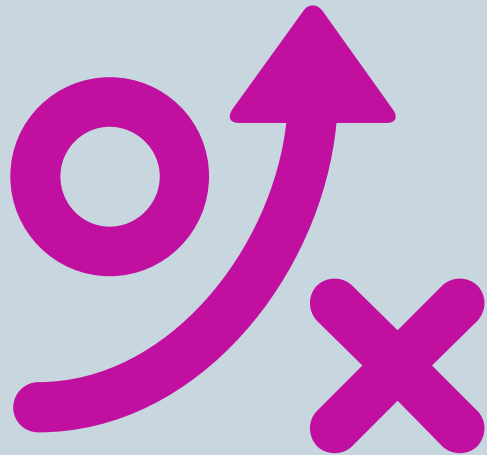
● 25th Percentile   
 ● Average   
 ● 75th Percentile   
 ◆ Washington State Health Care Authority — SEBB



- Your PEPM administration fees are 11% above the database average
- Additional fees, such as other variable fees for out-of-network provider fee reductions, are typically paid separately and are not included in this comparison

\*Results by employer size for companies with self-insured arrangements.

## Plan Design Benchmarks





How do your plan designs compare to the database?

Medical* (Single/Family)	SEBB	Database		
	UMP HDHP	All Companies	Washington Employers	Government / Public Sector / Education
Account Funding	\$375 / \$750	\$500 / \$1,000	\$753 / \$1,459	\$600 / \$1,000
Deductible	\$1,400 / \$2,800	\$2,000 / \$4,200	\$1,500 / \$3,250	\$2,000 / \$4,000
Plan Coinsurance	85%	80%	80%	85%
Office Visit (OV) Copays**	N/A	\$25 / \$40	N/A	\$30 / \$50
Inpatient (IP) Copay	N/A	\$250	N/A	\$500
Outpatient (OP) Copay	N/A	\$150	N/A	\$250
Emergency Room (ER) Copay	N/A	\$150	\$200	\$250
Out-of-Pocket Maximum	\$2,800 / \$5,600	\$2,000 / \$4,000	\$2,013 / \$4,000	\$2,000 / \$3,850

\*In-network benefits

\*\*Primary Care Physician/Specialty Care Physician copays (if applicable)



- All companies — copays are applicable in 5% (OV), 1% (IP), 1% (OP) and 6% (ER) of employers
- Washington — copays are applicable in 0% (OV), 0% (IP), 0% (OP) and 5% (ER) of employers
- Industry — copays are applicable in 6% (OV), 1% (IP), 1% (OP) and 9% (ER) of employers



How do your plan designs compare to the database?

Medical* (Single/Family)	SEBB			Database		
	UMP Achieve 2	Premera Standard PPO	UMP Achieve 1	All Companies	Washington Employers	Government / Public Sector / Education
<b>Deductible</b>	\$250 / \$750	\$1,250 / \$3,125	\$750 / \$2,250	\$750 / \$1,600	\$500 / \$1,350	\$625 / \$1,500
<b>Plan Coinsurance</b>	85%	80%	80%	80%	80%	90%
<b>Office Visit (OV) Copays**</b>	N/A	\$20 / \$40	N/A	\$25 / \$40	\$25 / \$25	\$25 / \$40
<b>Inpatient (IP) Copay</b>	\$600	N/A	\$600	\$250	\$200	\$250
<b>Outpatient (OP) Copay</b>	N/A	N/A	N/A	\$150	\$75	\$100
<b>Emergency Room (ER) Copay</b>	N/A	N/A	N/A	\$150	\$150	\$150
<b>Out-of-Pocket Maximum</b>	\$1,750 / \$3,250	\$3,750 / \$6,875	\$2,750 / \$4,750	\$2,500 / \$5,000	\$2,825 / \$6,000	\$2,500 / \$4,900

\*In-network benefits

\*\*Primary Care Physician/Specialty Care Physician copays (if applicable)



- All companies — copays are applicable in 90% (OV), 15% (IP), 14% (OP) and 70% (ER) of employers
- Washington — copays are applicable in 87% (OV), 9% (IP), 9% (OP) and 57% (ER) of employers
- Industry — copays are applicable in 90% (OV), 24% (IP), 19% (OP) and 77% (ER) of employers



How do your plan designs compare to the database?

Medical* (Single/Family)	SEBB			Database		
	KP WA SoundChoice	KP WA Core 2	KP WA Core 1	All Companies	Washington Employers	Government / Public Sector / Education
<b>Deductible</b>	\$125 / \$375	\$750 / \$2,250	\$1,250 / \$3,750	\$750 / \$1,500	N/A	\$700 / \$1,500
<b>Office Visit (OV) Copays**</b>	\$0 / \$30	\$25 / \$35	\$30 / \$40	\$20 / \$30	N/A	\$20 / \$30
<b>Inpatient (IP) Copay</b>	N/A	N/A	N/A	\$250	N/A	\$300
<b>Outpatient (OP) Copay</b>	N/A	N/A	N/A	\$100	N/A	\$100
<b>Emergency Room (ER) Copay</b>	N/A	N/A	N/A	\$150	N/A	\$100
<b>Out-of-Pocket Maximum</b>	\$1,875 / \$3,625	\$2,250 / \$3,750	\$2,750 / \$4,250	\$2,400 / \$5,000	N/A	\$2,500 / \$5,000

\*In-Network benefits

\*\*Primary Care Physician/Specialty Care Physician copays (if applicable)



- All companies — copays are applicable in 97% (OV), 54% (IP), 53% (OP) and 85% (ER) of employers
- Industry — copays are applicable in 98% (OV), 56% (IP), 53% (OP) and 91% (ER) of employers

# Pharmacy Plan Design Benchmarks ABHP w/ HSA Plan Design



How do your plan designs compare to the database?

Pharmacy (Retail)	SEBB	Database					
	UMP HDHP	All Companies		Washington Employers		Government / Public Sector / Education	
<b>Deductible (Single/Family)</b>	Combined w/ medical	Combined w/ medical		Combined w/ medical		Combined w/ medical	
<b>Out-of-Pocket Maximum (Single/Family)</b>	Combined w/ medical	Combined w/ medical		Combined w/ medical		Combined w/ medical	
<b>Generic (Min/Max)</b>	85% (\$0 / \$0)	\$10	80% (\$0 / \$0)	\$10	80% (\$0 / \$0)	\$10	88% (\$0 / \$0)
<b>Formulary (Min/Max)</b>	85% (\$0 / \$0)	\$35	80% (\$0 / \$0)	\$30	80% (\$0 / \$0)	\$35	80% (\$0 / \$0)
<b>Non-Formulary (Min/Max)</b>	85% (\$0 / \$0)	\$60	80% (\$0 / \$0)	\$45	80% (\$0 / \$0)	\$55	80% (\$0 / \$0)

\*Out-of-pocket maximums shown are for database participants with separate medical and pharmacy out-of-pocket maximums.



- All companies — copays are applicable in 43% of employers
- Washington — copays are applicable in 30% of employers
- Industry — copays are applicable in 43% of employers

# Pharmacy Plan Design Benchmarks PPO/POS Plan Design



How do your plan designs compare to the database?

Pharmacy (Retail)	SEBB			Database					
	UMP Achieve 2	Premera Standard PPO	UMP Achieve 1	All Companies		Washington Employers		Government / Public Sector / Education	
<b>Deductible (Single/Family)</b>	\$100 / \$300	\$250 / \$750	\$250 / \$750	\$100 / \$225		\$1,550 / \$3,100		\$100 / \$250	
<b>Out-of-Pocket Maximum (Single/Family)</b>	\$1,900 / \$3,700	Combined w/ medical	\$1,750 / \$3,250	Combined w/ medical		Combined w/ medical		Combined w/ medical	
<b>Generic (Min/Max)</b>	95% (\$0 / \$10)	\$7	95% (\$0 / \$10)	\$10	80% (\$0 / \$15)	\$10	80% (\$0 / \$20)	\$10	80% (\$0 / \$0)
<b>Formulary (Min/Max)</b>	90% (\$0 / \$25)	70% (\$0 / \$0)	90% (\$0 / \$25)	\$35	75% (\$20 / \$60)	\$30	80% (\$25 / \$75)	\$35	80% (\$0 / \$60)
<b>Non-Formulary (Min/Max)</b>	70% (\$0 / \$75)	50% (\$0 / \$0)	70% (\$0 / \$75)	\$60	60% (\$35 / \$100)	\$48	65% (\$0 / \$100)	\$60	60% (\$0 / \$100)

\*Out-of-Pocket Maximums shown are for database participants with separate medical and pharmacy out-of-pocket maximums.



- All companies — copays are applicable in 90% of employers
- Washington — copays are applicable in 96% of employers
- Industry — copays are applicable in 91% of employers

# Pharmacy Plan Design Benchmarks HMO/EPO Plan Design



How do your plan designs compare to the database?

Pharmacy (Retail)	SEBB			Database					
	KP WA SoundChoice	KP WA Core 2	KP WA Core 1	All Companies		Washington Employers		Government / Public Sector / Education	
<b>Deductible (Single/Family)</b>	N/A	N/A	N/A	\$100 / \$250		N/A		\$100 / \$200	
<b>Out-of-Pocket Maximum (Single/Family)</b>	Combined w/ medical	Combined w/ medical	Combined w/ medical	Combined w/ medical		N/A		Combined w/ medical	
<b>Generic (Min/Max)</b>	\$10	\$10	\$5	\$10	80% (\$0 / \$20)	N/A	N/A	\$10	90% (\$0 / \$0)
<b>Formulary (Min/Max)</b>	\$25	\$25	\$25	\$30	70% (\$15 / \$75)	N/A	N/A	\$30	73% (\$0 / \$95)
<b>Non-Formulary (Min/Max)</b>	\$50	\$50	\$50	\$40	60% (\$0 / \$100)	N/A	N/A	\$50	60% (\$0 / \$100)

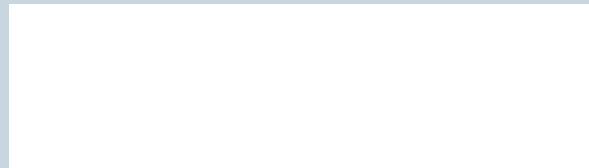
\*Out-of-pocket maximums shown are for database participants with separate medical and pharmacy out-of-pocket maximums.



- All companies — copays are applicable in 96% of employers
- Industry — copays are applicable in 95% of employers



## Dental Cost Benchmarks

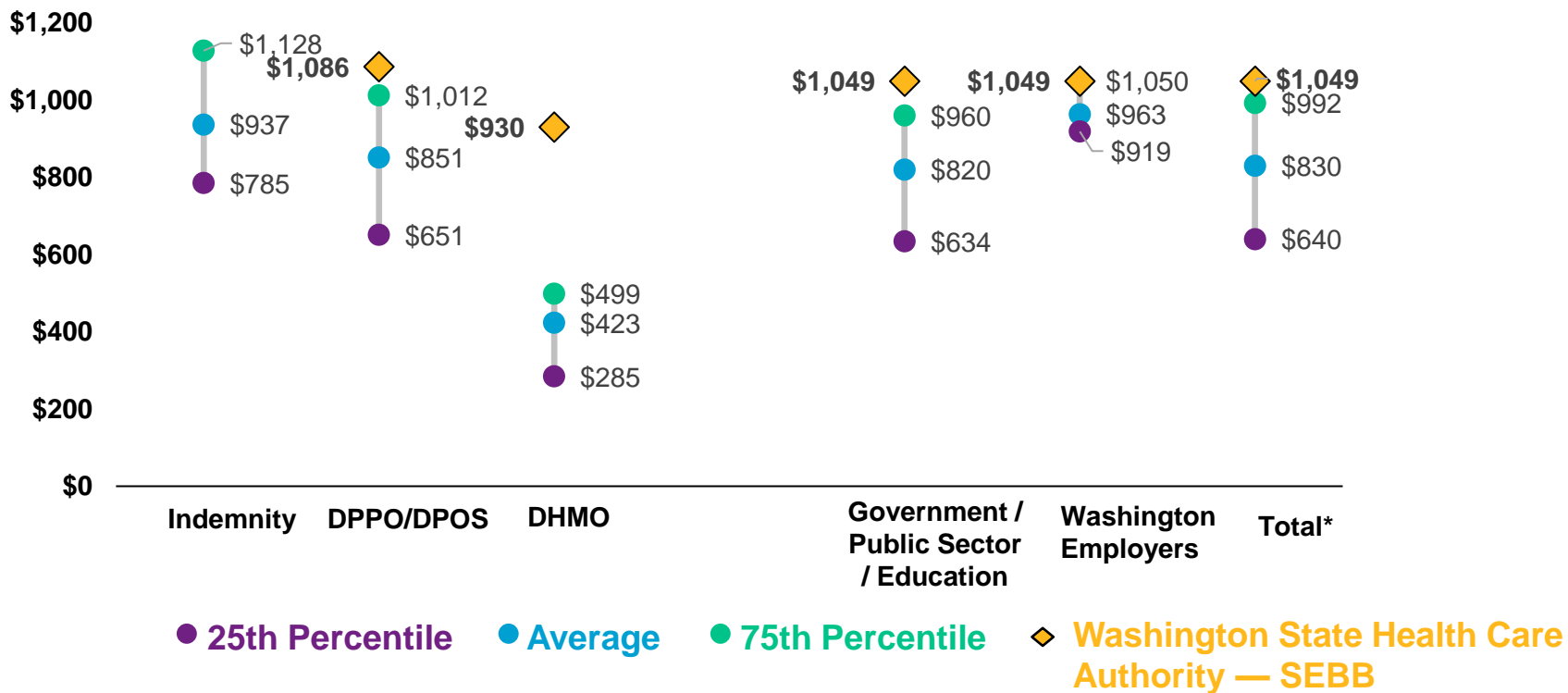


# Dental Cost Benchmarks

## Total Cost per Covered Employee per Year (Unadjusted)



- How do your plan costs compare to the database?
- How do costs vary by plan type?

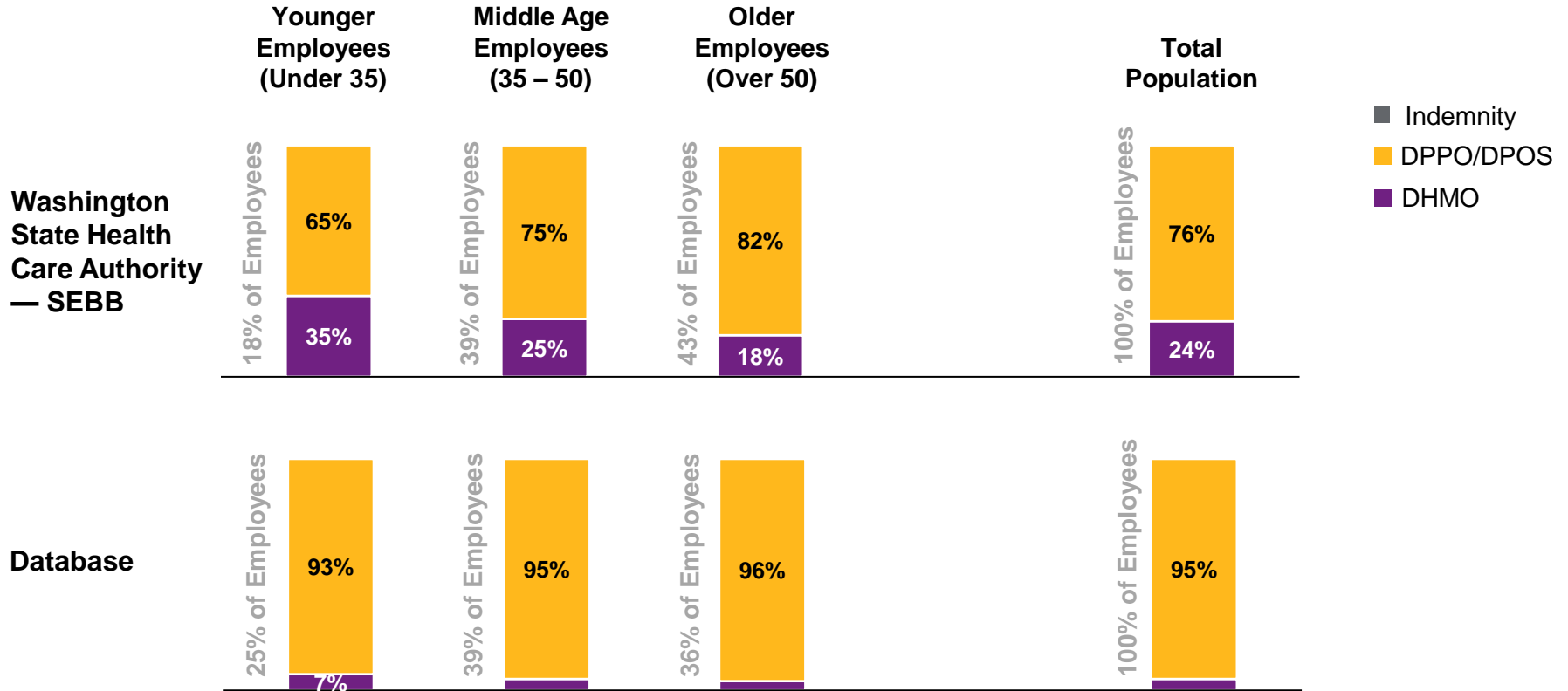


Your dental costs are 26% higher than database average. DHMOs are the lowest-cost delivery system.

\*Total costs represent an enrollment weighted average of plan types.



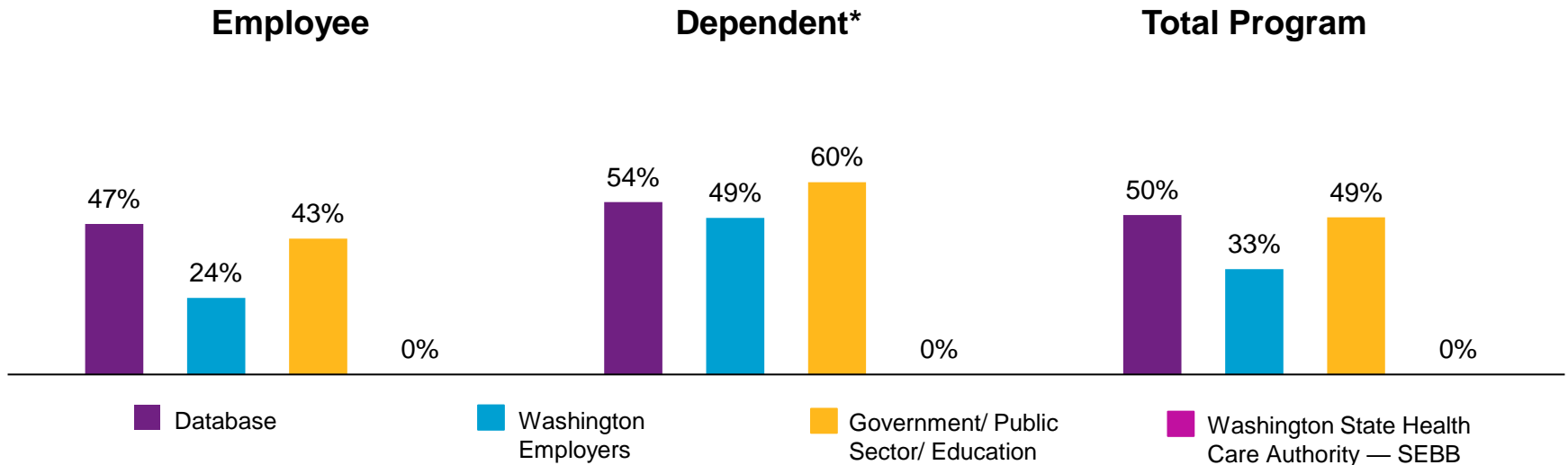
How is enrollment distributed by age and plan?



The majority of employees in the database are enrolled in DPPO/DPOS dental plans.



How do employee contributions as a percent of plan cost compare to the database benchmarks?



Employee Contributions as a % of Total Cost	Indemnity	DPPO	DHMO
Washington State Health Care Authority — SEBB	N/A	0%	0%
Database	51%	50%	52%

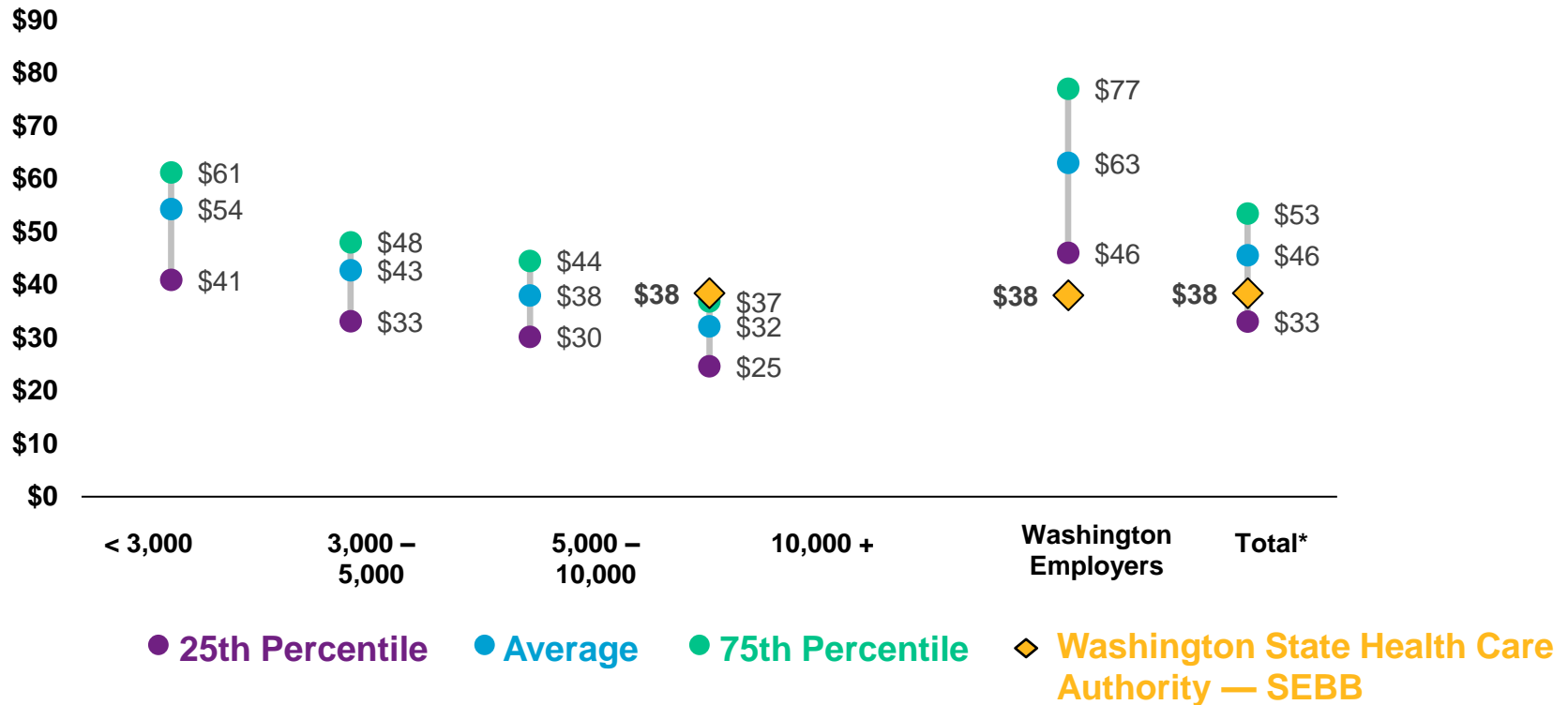


Across your total program, contributions as a percent of total cost are less than the database and industry averages.

\*Dependent includes spouse, children, family, etc.



How do administration costs compare to the database benchmarks?



Your dental administration fees are 17% below the database average.

\*Results by employer size for companies with self-insured arrangements.



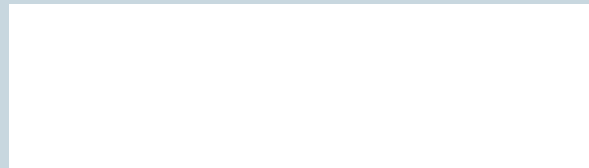
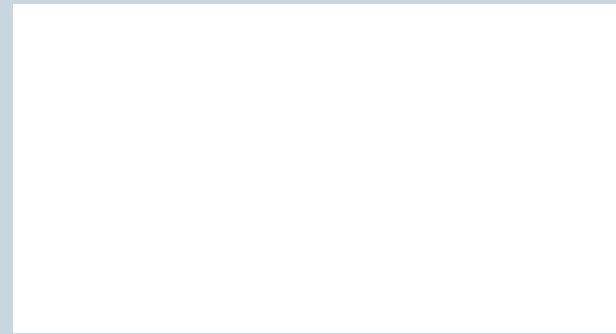
How do your plan designs compare to the database?

In-Network Dental Plan Design	SEBB	Database		
	Uniform Dental Plan	All Companies	Washington Employers	Government / Public Sector / Education
<b>Deductible (Single/Family)</b>	\$50 / \$150	\$50 / \$150	\$50 / \$150	\$50 / \$150
<b>Annual Limit (per person)</b>	\$1,750	\$1,500	\$2,000	\$1,500
<b>Preventive Coinsurance</b>	100%	100%	100%	100%
<b>Basic Coinsurance</b>	80%	80%	80%	80%
<b>Major Restorative Coinsurance</b>	50%	50%	50%	50%
<b>Orthodontic Services</b>				
▪ None	N/A	36%	46%	33%
▪ Children Only	N/A	52%	7%	53%
▪ Adult and Child	Yes	50%	79%	39%
<b>Orthodontia Coinsurance</b>	50%	50%	50%	50%
<b>Orthodontia Lifetime Limit</b>	\$1,750	\$1,500	\$1,750	\$1,500



Dental PPOs are the most prevalent plan type. Dental plan designs tend to have similar design characteristics and to have less variation in plan value than medical plans. Annual limits tend to increase over time to maintain plan value as the cost of dental services increases.

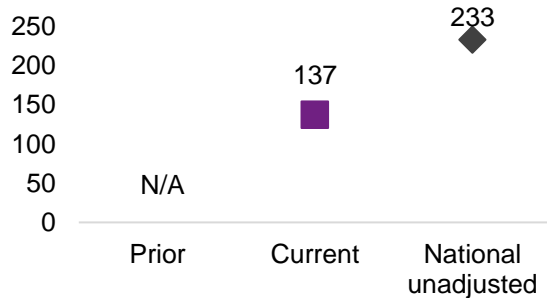
## Utilization



# How Does SEBB's Medical Cost and Utilization Indicators Compare?

## How does hospitalization experience compare?

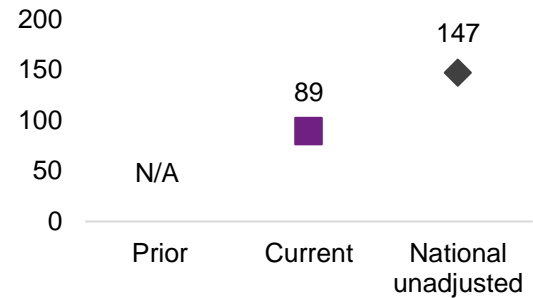
Days per 1,000



Days per 1,000 for 2020 are much lower than national, but this is likely impacted by a combination of plan start up for the SEBB program and COVID pandemic claim suppression

## How do emergency room (ER) visits compare?

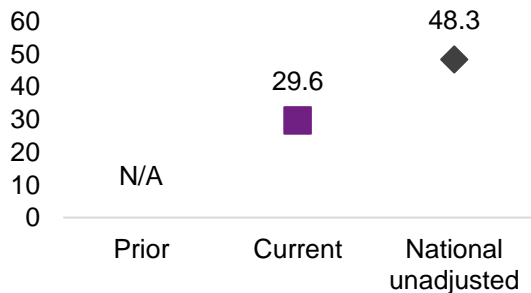
ER visits per 1,000



Days per 1,000 for 2020 are much lower than national, but this is likely impacted by a combination of plan start up for the SEBB program and COVID pandemic claim suppression

## How does hospitalization experience compare?

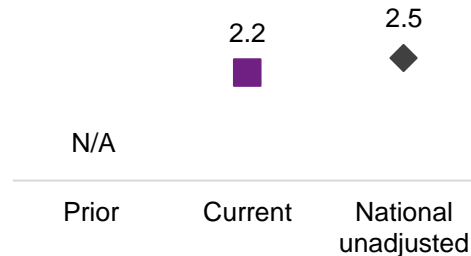
Admissions per 1,000



Admissions per 1,000 for 2020 are much lower than national, but this is likely impacted by a combination of plan start up for the SEBB program and COVID pandemic claim suppression

## How does hospitalization experience compare?

30-Day Re-admissions per 1,000



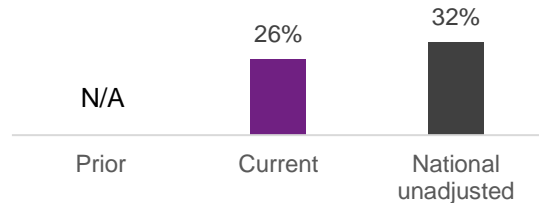
PEBB's readmission rate per 1,000 are below the national benchmark for 2020



# SEBB's medical cost and utilization indicators

## How does your C-Section rate compare?

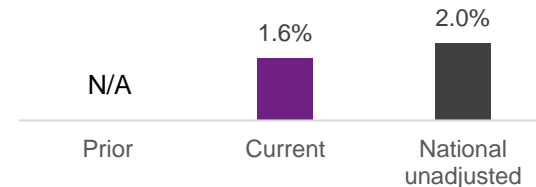
C-Section % of births



PEBB's C-Section rate per 1,000 is below the national benchmark for 2020

## How do high-cost claimants (HCCs) compare?

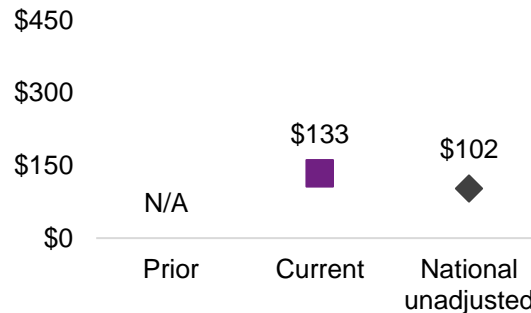
Percent of members with claims >\$50,000 (HCCs)



1.6% of your population is driving 41% of your medical spend. Strategies focused on ensuring high-cost claimants receive the right care, at the right time, in the right place can significantly reduce health care costs.

## How costly are HCCs?

HCC Per Member Per Month "PMPM"

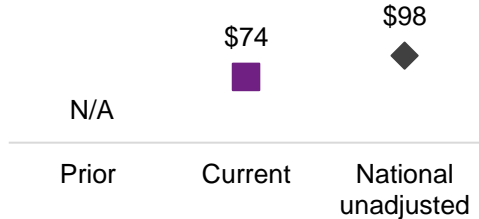


High-cost claimants are a significant contributor to your overall cost. Solutions targeted towards high-cost claimants will materially impact medical costs and trend.

# How Does SEBB's Pharmacy Plan Performance Compare?

## How does your Rx spend compare?

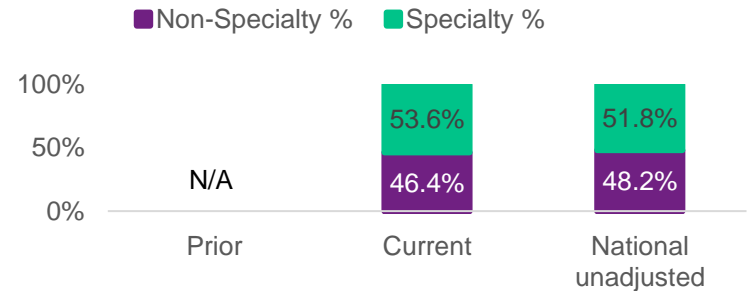
Total gross cost PMPM



Pharmacy is the fastest-growing component of health care cost trend. Drivers that influence pharmacy trend are specialty management, member cost share, utilization management and generic dispensing rates.

## How does specialty Rx drive your Rx spend?

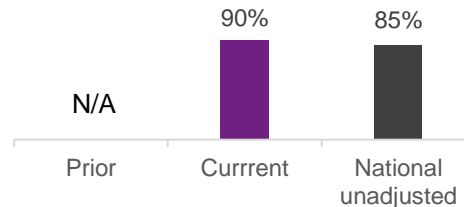
Specialty and non-specialty Rx spend as % of total Rx spend



Specialty spend has started to exceed 50% of pharmacy spend. The high cost of specialty drugs requires distinctive handling and administration.

## How do generic dispensing rates compare?

Generic dispensing rate



A tightly managed formulary strategy, non-specialty and specialty step therapy programs, in conjunction with an optimal plan design, results in high generic dispensing rates for high performers.

# Utilization data sources and methodology

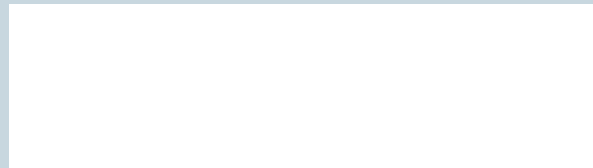
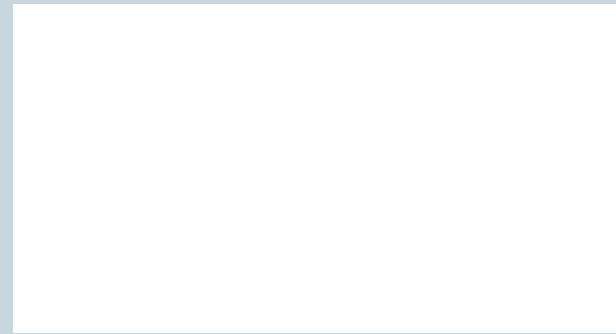
## Benchmarks

- Benchmarks are provided based on available metrics
- Benchmarks are national and unadjusted
- The Benchmark database is derived using the IBM Health MarketScan® Commercial Claims and Encounters Database containing demographic, enrollment and claims experience from nearly 30.7 million lives in a cross-section of experience

## Data Sources

- Medical and pharmacy claim data is sourced from IBM data warehouse
  - Paid amounts are not adjusted for stop loss or pharmacy rebates
  - As commonly seen, each medical carrier, pharmacy carrier, and/or data warehouse vendor may have slightly different methodologies for calculating certain metrics. Typically, the differences are not material and results do not change directionally.
- C-Section benchmark is based on 2020 CDC data: <https://www.cdc.gov/nchs/data/vsrr/vsrr012-508.pdf>
- Specialty drug % of drug spend is based on WTW Rx Collaborative ESI norms

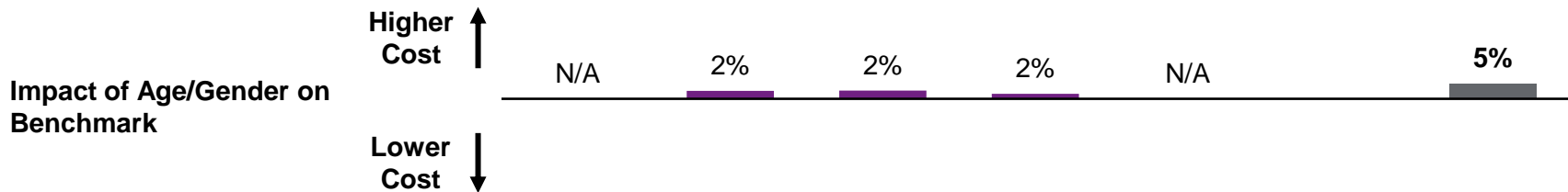
## Appendix



# Medical Cost Benchmarks Adjusting for Age/Gender



- What is the cost impact of age/gender in your population?
- How different is the impact of demographics by plan?
- If it is significant, why do company averages have a different pattern across plans than the database?



	ABHP w/ HRA	ABHP w/ HSA	PPO/POS	Insured HMO	Self-Ins. HMO/EPO	Total
<b>Average Age — Database</b>	46.0	43.2	46.4	44.4	45.3	45.0
<b>Average Age — Your Company</b>	N/A	45.9	48.2	45.6	N/A	47.4
<b>% Female — Database</b>	44%	39%	42%	43%	50%	42%
<b>% Female — Your Company</b>	N/A	71%	76%	70%	N/A	74%



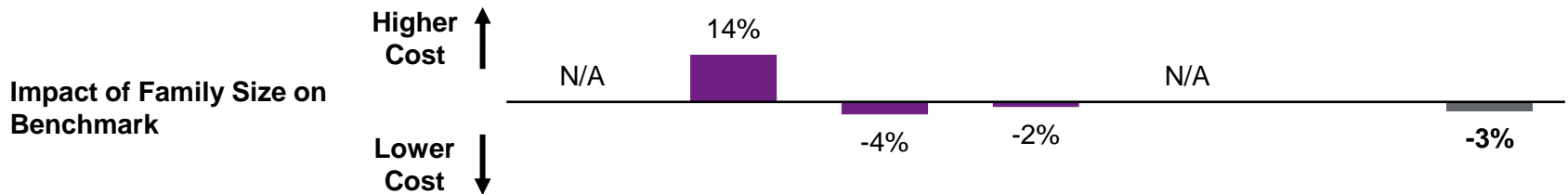
The custom benchmark will be increased by 5% due to age and gender demographics.

# Medical Cost Benchmarks

## Adjusting for Family Size



- How different is the impact of family size by plan?
- If it is significant, why do company averages have a different pattern across plans than the database?
- How has this been impacted by contribution strategies of the company?



	ABHP w/ HRA	ABHP w/ HSA	PPO/POS	Insured HMO	Self-Ins. HMO/EPO	Total
<b>Dependents (%) — Database</b>	49%	48%	51%	46%	50%	49%
<b>Dependents (%) — Your Company</b>	N/A	63%	52%	49%	N/A	51%



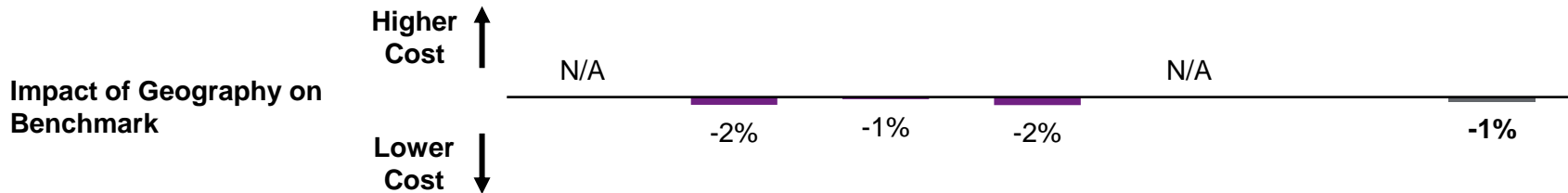
The custom benchmark will be decreased by 3% due to family size.

# Medical Cost Benchmarks

## Adjusting for Geography



- How does the geographic footprint of your covered population impact your costs?
- Does the geographic impact vary by plan?



	ABHP w/ HRA	ABHP w/ HSA	PPO/POS	Insured HMO	Self-Ins. HMO/EPO	Total
<b>Geographic Factors — Database</b>	1.00	1.00	1.00	1.00	1.01	1.00
<b>Geographic Factors — Your Company</b>	N/A	0.98	0.99	0.98	N/A	0.99



The custom benchmark will be decreased by 1% due to your population's geography.