

Willis Towers Watson High Performance Insights in Health Care

2021 Health Care Financial Benchmarks

Washington State Health Care Authority — PEBB

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

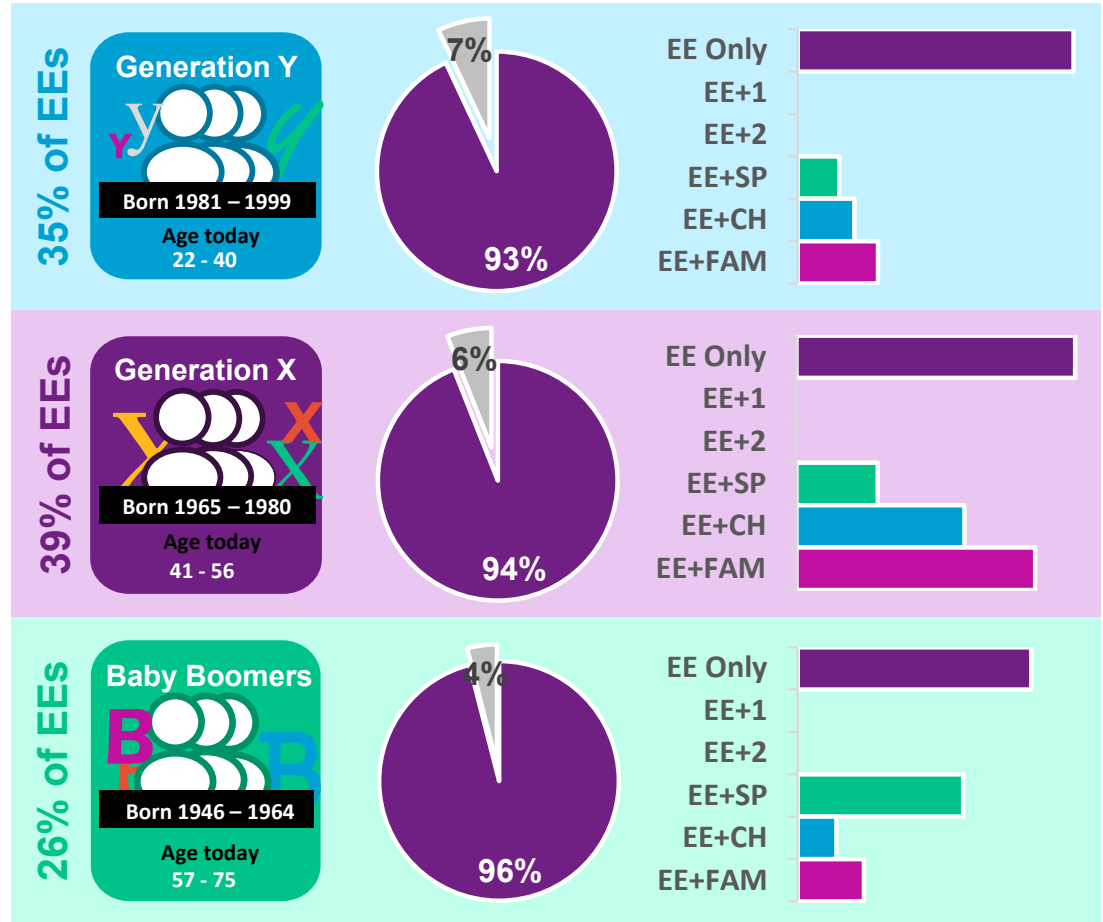
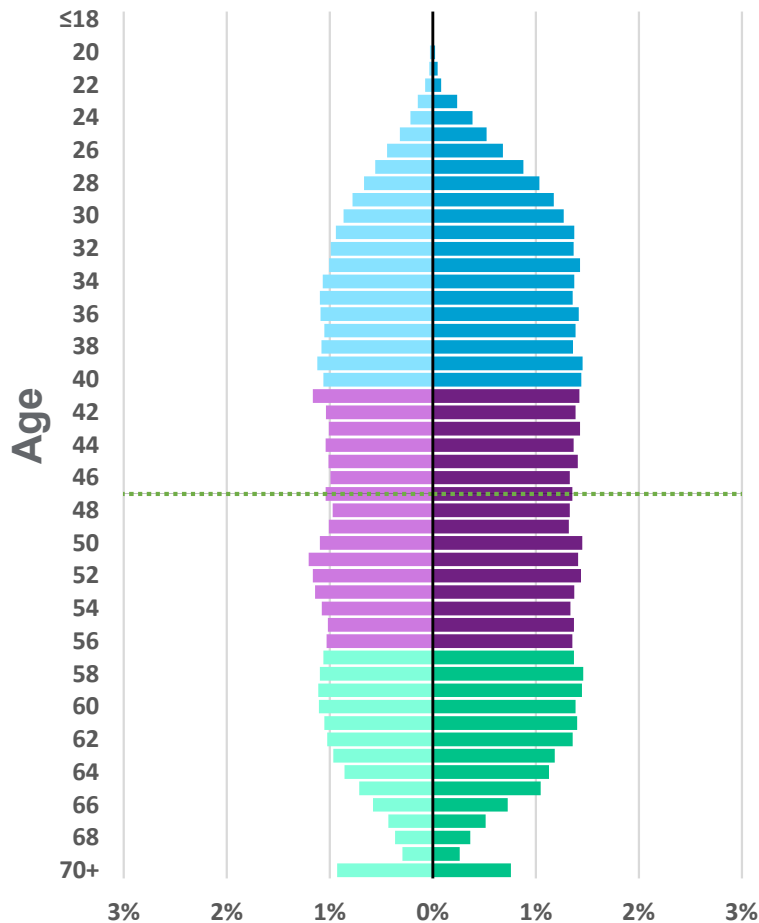
43%
Male

57%
Female

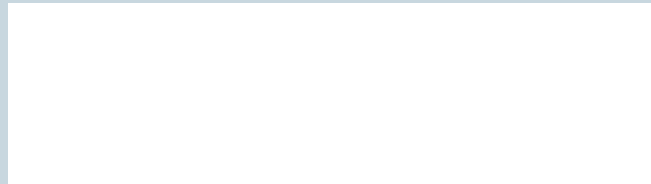
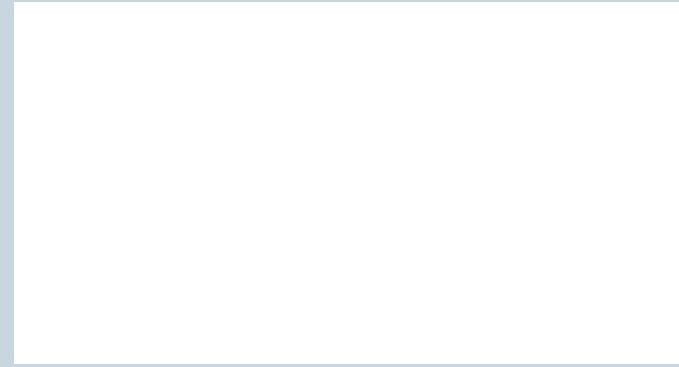
46.7
Average
Age

6%
Waiver
Rate

53%
Cover
Dependents



Medical Cost Benchmarks

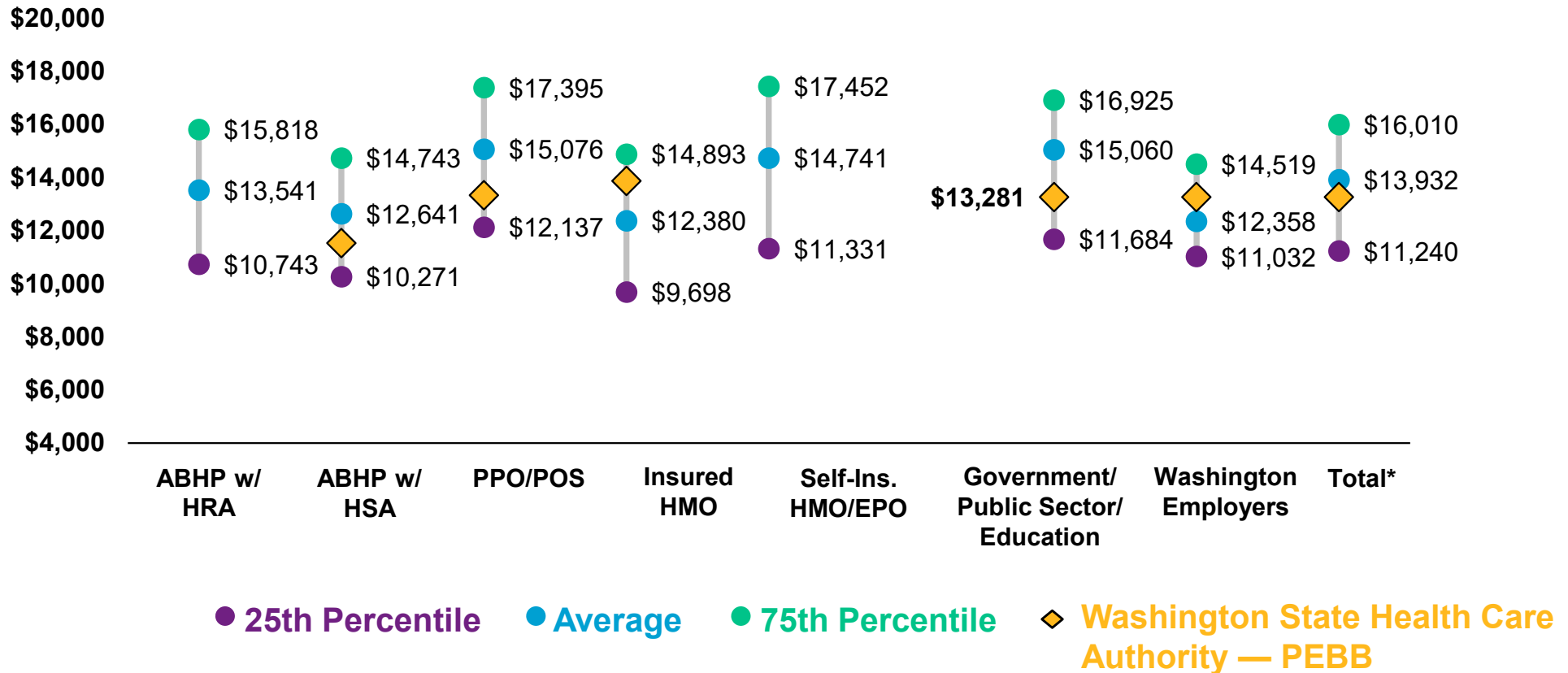


Medical Cost Benchmarks

Total Cost per Covered Employee per Year (Unadjusted)



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

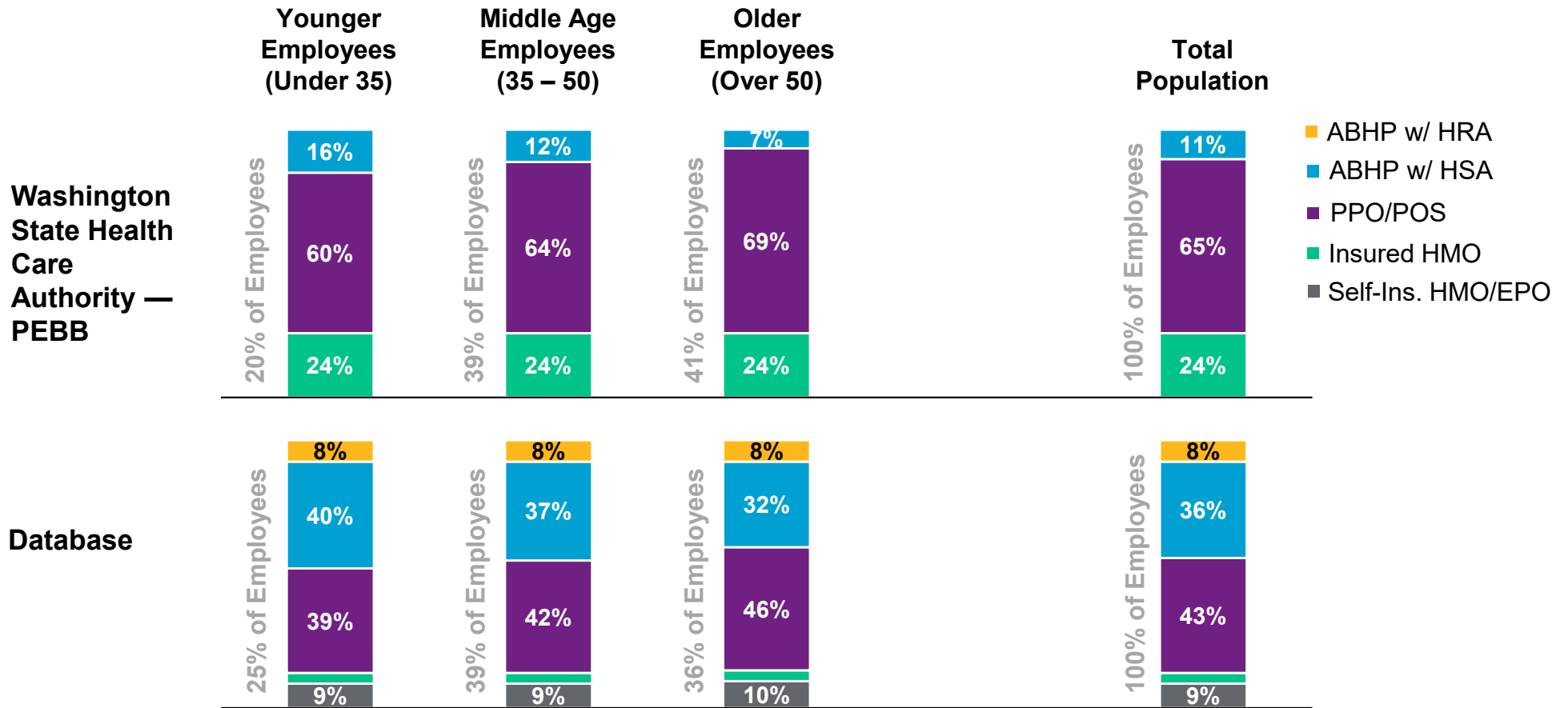


Your actual costs are 5% below the benchmark average, 12% below average for your industry.

*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?

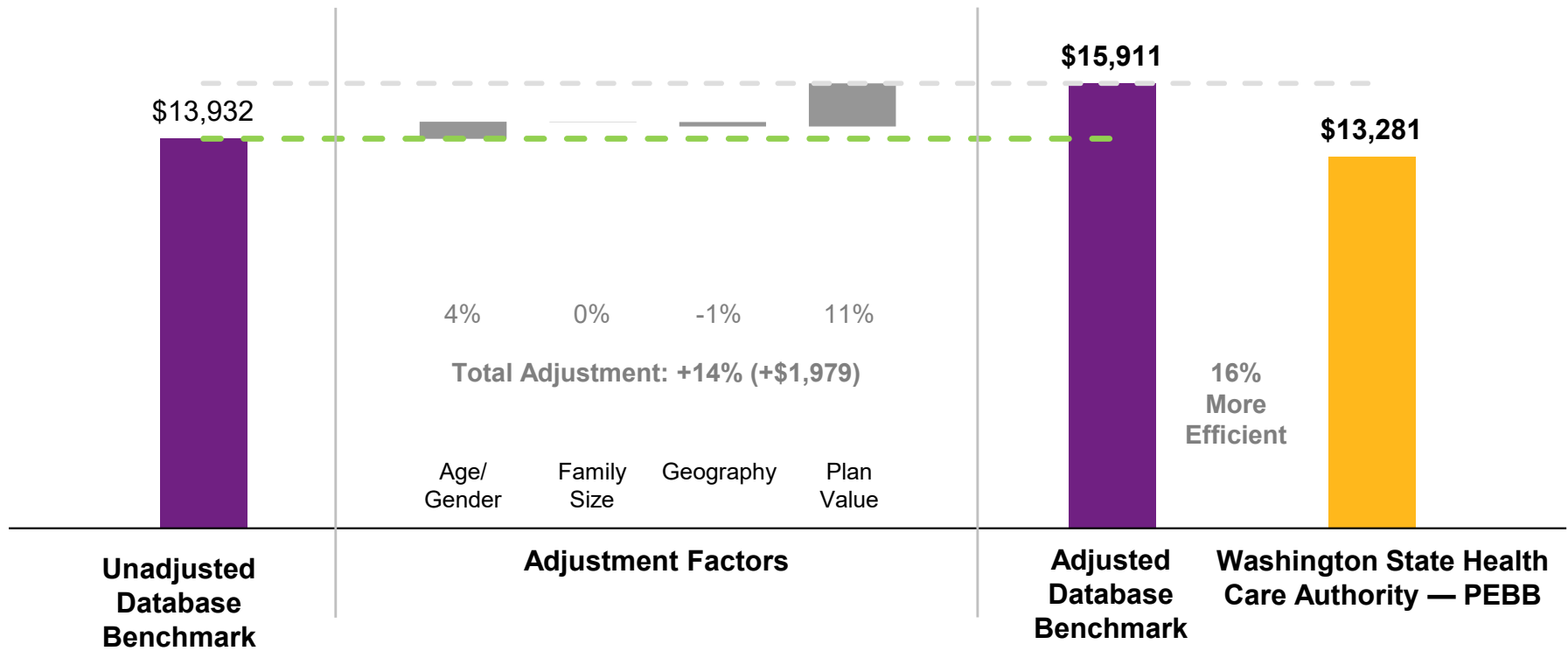
The first step in understanding the cost benchmarks is to understand your population. The average cost for employers in the database is the benchmark.

- 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

Age/Gender	The age/gender profile of the population — cost is directly correlated with age. The impact of gender on expected cost varies with age.
Family Size	The estimated number of members covered per employee — larger-than-average family size is expected to increase costs per employee.
Geography	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.
Plan Value	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.



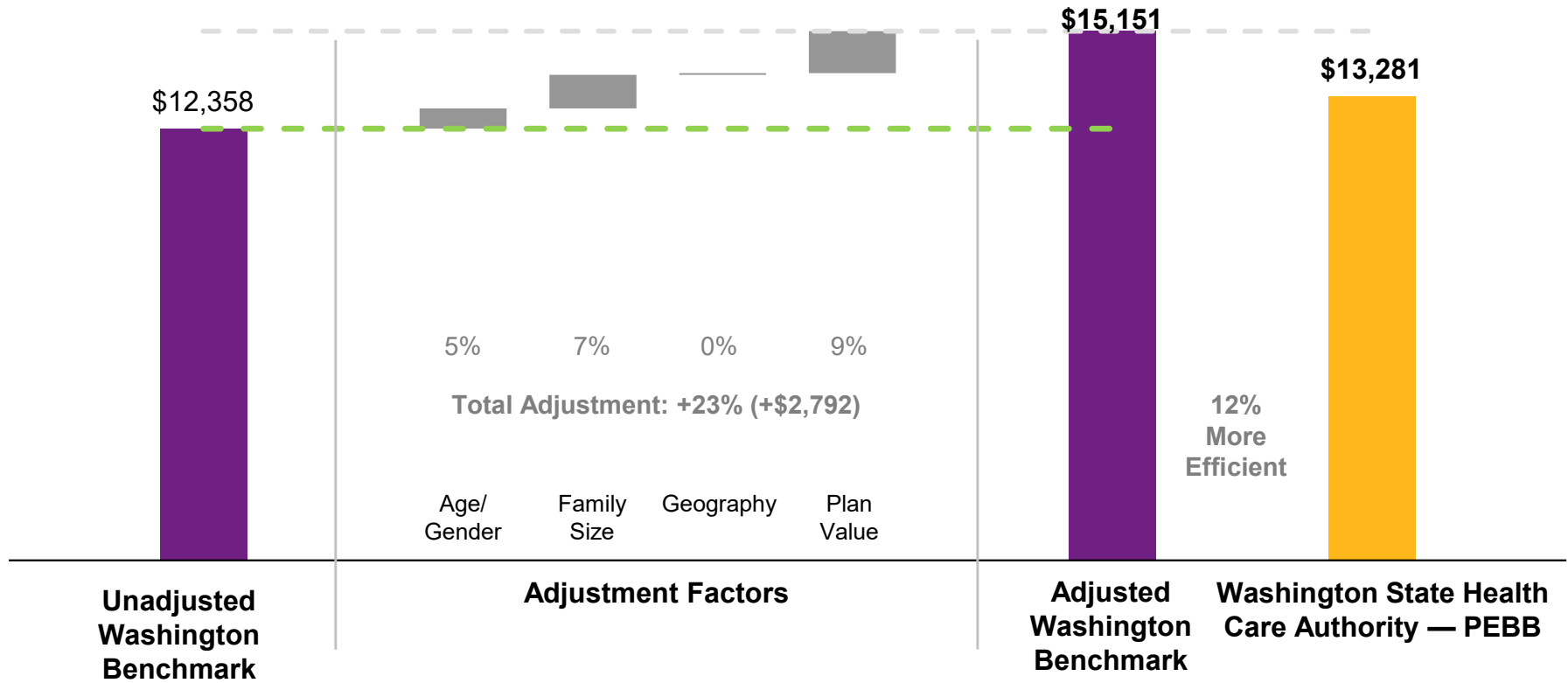
- After adjustments, how efficient is your total plan overall?
- What is the financial impact of moving to benchmark performance?



Your total program is 16% more efficient than the average database performance. This translates into a current savings of approximately \$343 million.

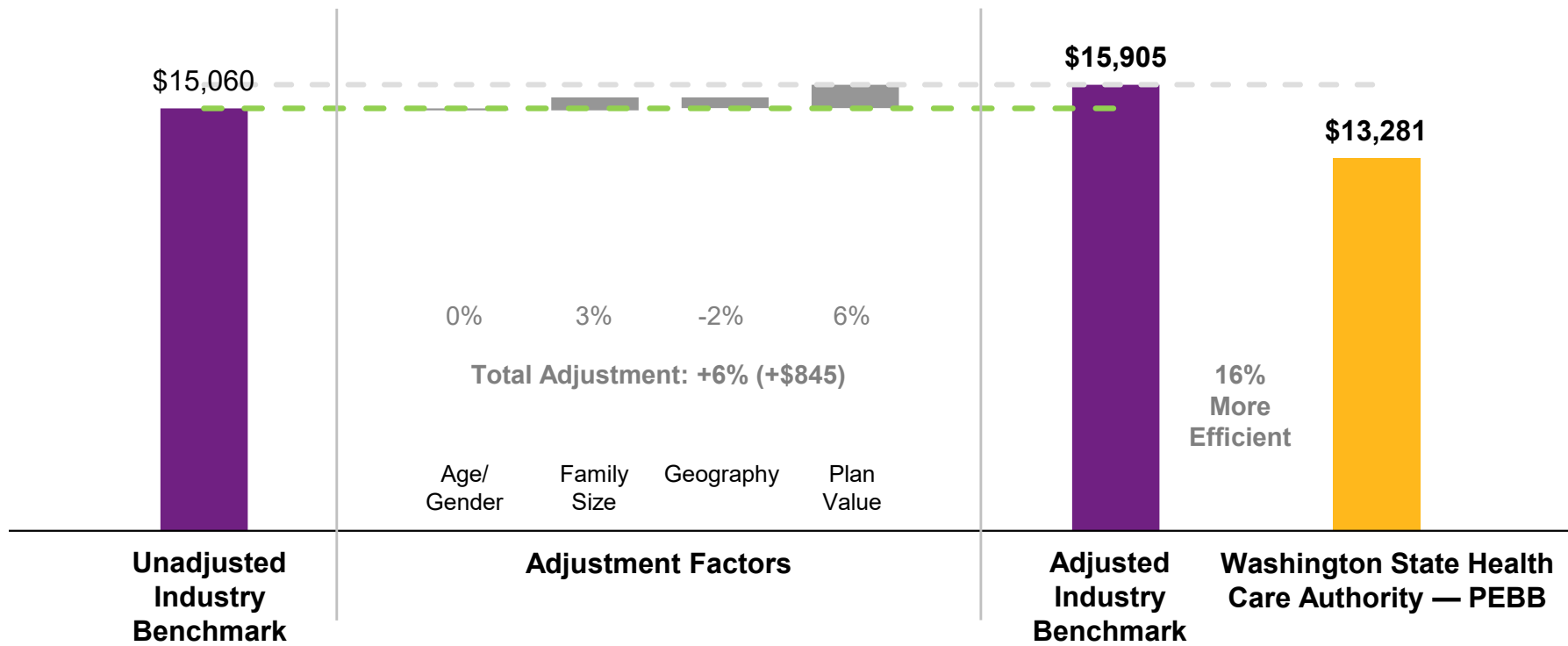


- After adjustments, how efficient is your total plan overall?
- What is the financial impact of moving to benchmark performance?



Your total program is 12% more efficient than the average custom database performance. This translates into a current savings of approximately \$240 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 \$343 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:

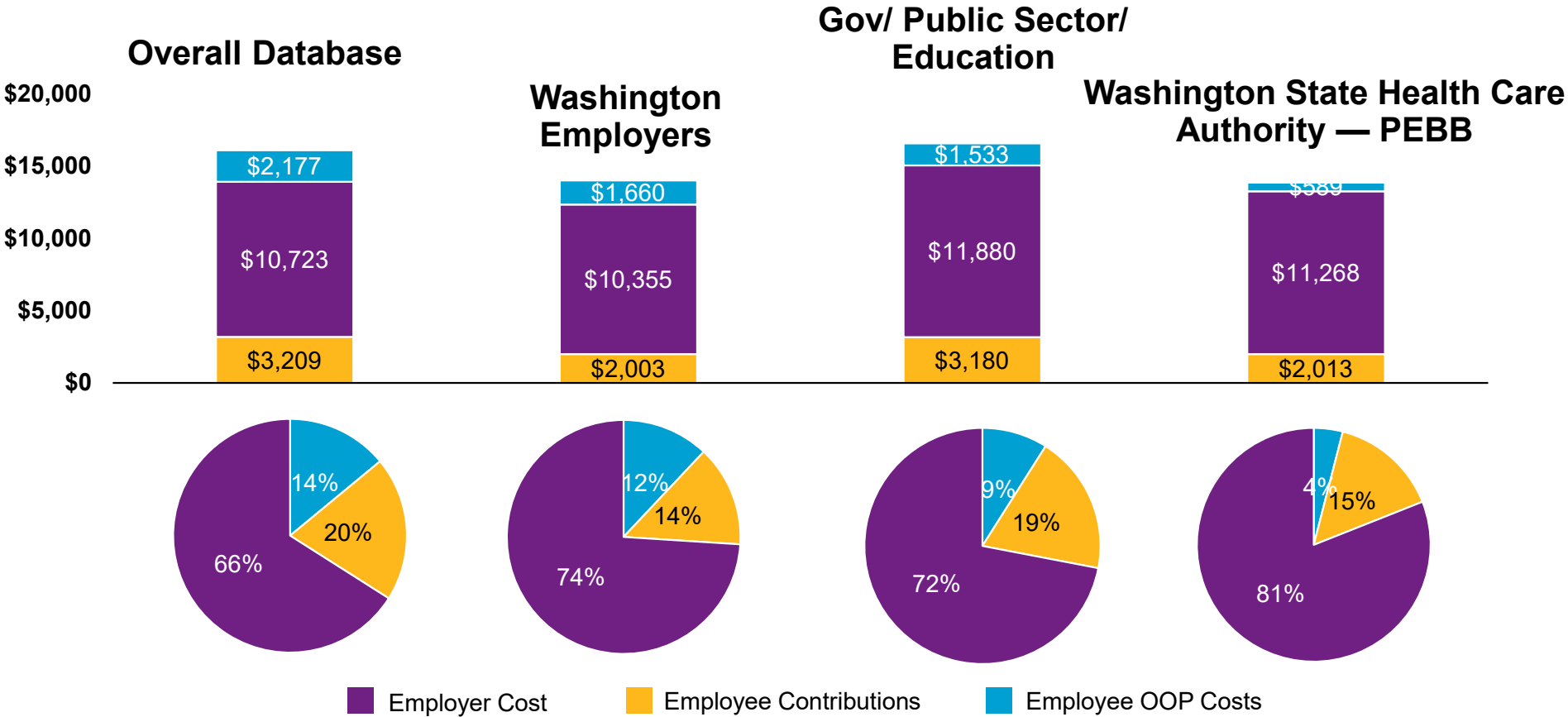
- Comparisons of employee versus dependent subsidy levels
- Net cost analysis by plan type

Medical Cost Benchmarks

Total Cost and Contributions



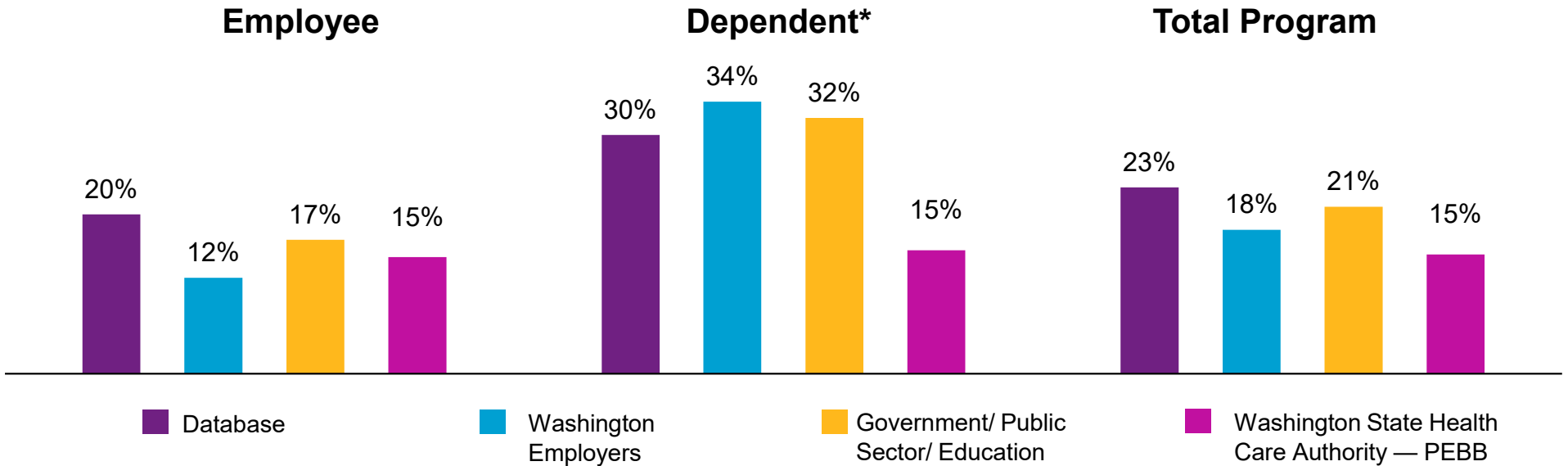
How does your employees' share of total cost, including contributions and out-of-pocket expenses, compare to benchmarks?



- 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 — PEBB	N/A	5%	15%	19%	N/A
Database	23%	20%	27%	26%	24%



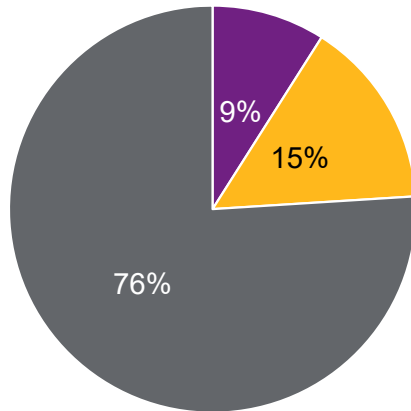
- Employees contribute less than the database and industry averages
- Dependents are below the database and industry averages

*Dependent includes spouse, children, family, etc.

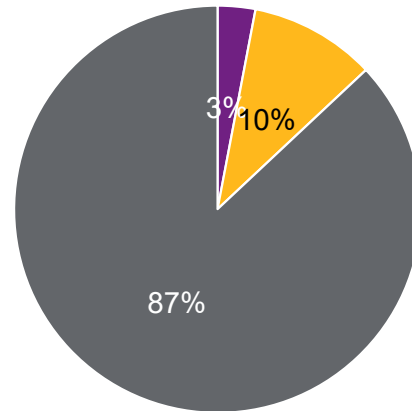


How does the company's approach compare to the database?

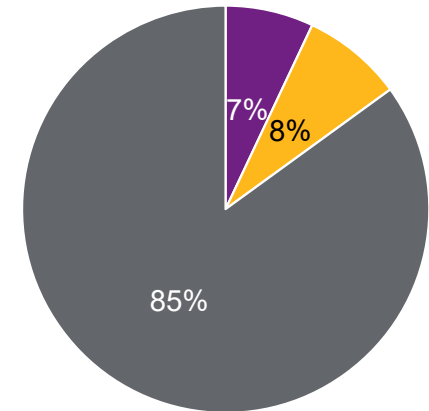
% of database with wellness credits



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



% of database with wellness credits applied to payroll contributions



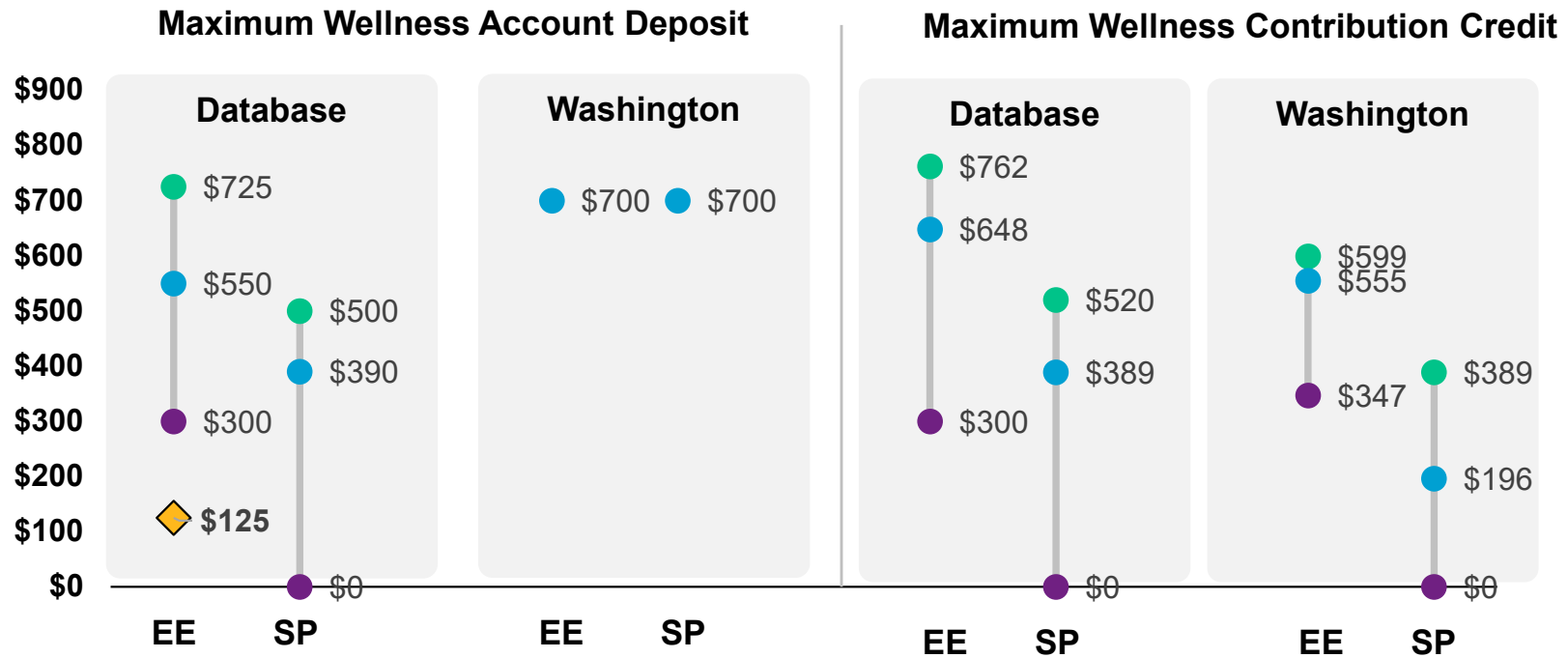
■ Employee Only
 ■ Employee and Spouse
 ■ None



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 — PEBB



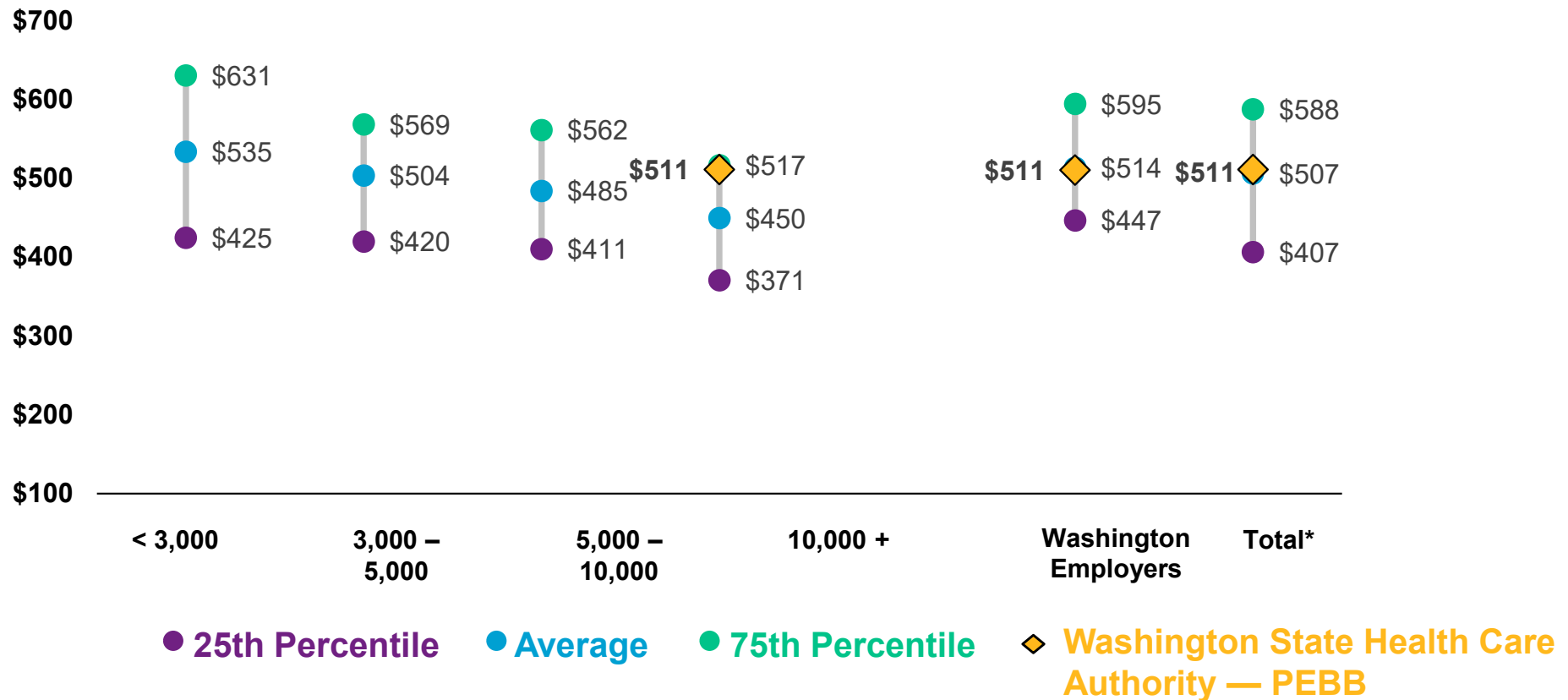
Maximum wellness account deposits and contribution credits average \$550 and \$648 for employees and \$390 and \$389 for spouses.

Medical Cost Benchmarks

Annual Self-Funded Administration Fees by Covered Employee by Employer Size*



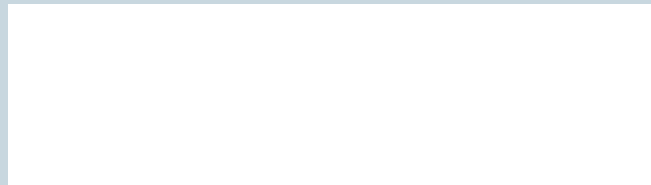
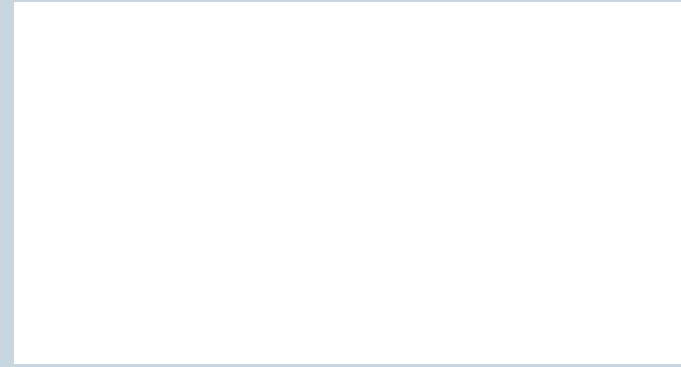
How do your administration fees compare to the database? What is contributing to the company's variance from average? What other variable fees are being paid to the vendor in addition to the monthly per employee administration fees?



- Your PEPM administration fees are 1% 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)	PEBB			Database		
	UMP CDHP	Kaiser WA CDHP	Kaiser PNW CDHP	All Companies	Washington Employers	Government / Public Sector / Education
Account Funding	\$700 / \$1,400	\$700 / \$1,400	\$700 / \$1,400	\$500 / \$1,000	\$753 / \$1,459	\$600 / \$1,000
Deductible	\$1,400 / \$2,800	\$1,400 / \$2,800	\$1,400 / \$2,800	\$2,000 / \$4,200	\$1,500 / \$3,250	\$2,000 / \$4,000
Plan Coinsurance	85%	90%	85%	80%	80%	85%
Office Visit (OV) Copays**	N/A	N/A	\$20 / \$30	\$25 / \$40	N/A	\$30 / \$50
Inpatient (IP) Copay	N/A	N/A	N/A	\$250	N/A	\$500
Outpatient (OP) Copay	N/A	N/A	N/A	\$150	N/A	\$250
Emergency Room (ER) Copay	N/A	N/A	N/A	\$150	\$200	\$250
Out-of-Pocket Maximum	\$2,800 / \$5,600	\$3,700 / \$7,400	\$3,700 / \$7,400	\$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)	PEBB			Database		
	UMP Classic	UMP Plus	UMP Select	All Companies	Washington Employers	Government / Public Sector / Education
Deductible	\$250 / \$750	\$125 / \$375	\$750 / \$2,250	\$750 / \$1,600	\$500 / \$1,350	\$625 / \$1,500
Plan Coinsurance	85%	85%	80%	80%	80%	90%
Office Visit (OV) Copays**	N/A	\$0 / \$30	N/A	\$25 / \$40	\$25 / \$25	\$25 / \$40
Inpatient (IP) Copay	\$600	\$600	\$600	\$250	\$200	\$250
Outpatient (OP) Copay	N/A	N/A	N/A	\$150	\$75	\$100
Emergency Room (ER) Copay	N/A	N/A	N/A	\$150	\$150	\$150
Out-of-Pocket Maximum	\$1,750 / \$3,250	\$1,875 / \$3,625	\$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)	PEBB			Database		
	Kaiser WA Value	Kaiser WA Classic	Kaiser WA Sound Choice	All Companies	Washington Employers	Government / Public Sector / Education
Deductible	\$250 / \$750	\$175 / \$525	\$125 / \$375	\$750 / \$1,500	N/A	\$700 / \$1,500
Office Visit (OV) Copays**	\$30 / \$50	\$15 / \$30	N/A / \$30	\$20 / \$30	N/A	\$20 / \$30
Inpatient (IP) Copay	\$750	\$450	\$500	\$250	N/A	\$300
Outpatient (OP) Copay	\$200	\$150	N/A	\$100	N/A	\$100
Emergency Room (ER) Copay	\$300	\$250	N/A	\$150	N/A	\$100
Out-of-Pocket Maximum	\$2,750 / \$5,250	\$1,825 / \$3,475	\$1,875 / \$3,625	\$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)	PEBB			Database					
	UMP CDHP	Kaiser WA CDHP	Kaiser PNW CDHP	All Companies		Washington Employers		Government / Public Sector / Education	
Deductible (Single/Family)	Combined w/ medical	Combined w/ medical	Combined w/ medical	Combined w/ medical		Combined w/ medical		Combined w/ medical	
Out-of-Pocket Maximum (Single/Family)	Combined w/ medical	Combined w/ medical	Combined w/ medical	Combined w/ medical		Combined w/ medical		Combined w/ medical	
Generic (Min/Max)	85% (\$0 / \$0)	\$20	\$15	\$10	80% (\$0 / \$0)	\$10	80% (\$0 / \$0)	\$10	88% (\$0 / \$0)
Formulary (Min/Max)	85% (\$0 / \$0)	\$40	\$40	\$35	80% (\$0 / \$0)	\$30	80% (\$0 / \$0)	\$35	80% (\$0 / \$0)
Non-Formulary (Min/Max)	85% (\$0 / \$0)	50% (\$0 / \$250)	\$75	\$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)	PEBB			Database					
	UMP Classic	UMP Plus	UMP Select	All Companies		Washington Employers		Government / Public Sector / Education	
Deductible (Single/Family)	\$100 / \$300	N/A	\$250 / \$750	\$100 / \$225		\$1,550 / \$3,100		\$100 / \$250	
Out-of-Pocket Maximum (Single/Family)	\$1,900 / \$3,700	\$2,000 / \$4,000	\$1,750 / \$3,250	Combined w/ medical		Combined w/ medical		Combined w/ medical	
Generic (Min/Max)	95% (\$0 / \$10)	95% (\$0 / \$10)	95% (\$0 / \$10)	\$10	80% (\$0 / \$15)	\$10	80% (\$0 / \$20)	\$10	80% (\$0 / \$0)
Formulary (Min/Max)	90% (\$0 / \$25)	90% (\$0 / \$25)	90% (\$0 / \$25)	\$35	75% (\$20 / \$60)	\$30	80% (\$25 / \$75)	\$35	80% (\$0 / \$60)
Non-Formulary (Min/Max)	70% (\$0 / \$75)	70% (\$0 / \$75)	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



How do your plan designs compare to the database?

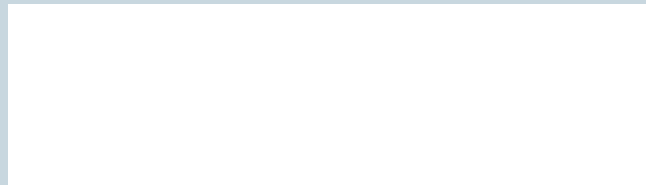
Pharmacy (Retail)	PEBB			Database					
	Kaiser WA Value	Kaiser WA Classic	Kaiser WA Sound Choice	All Companies		Washington Employers		Government / Public Sector / Education	
Deductible (Single/Family)	\$100 / \$300	\$100 / \$300	\$100 / \$300	\$100 / \$250		N/A		\$100 / \$200	
Out-of-Pocket Maximum (Single/Family)	\$1,900 / \$7,700	\$1,900 / \$7,700	\$1,900 / \$7,700	Combined w/ medical		N/A		Combined w/ medical	
Generic (Min/Max)	\$25	\$20	\$15	\$10	80% (\$0 / \$20)	N/A	N/A	\$10	90% (\$0 / \$0)
Formulary (Min/Max)	\$50	\$40	\$60	\$30	70% (\$15 / \$75)	N/A	N/A	\$30	73% (\$0 / \$95)
Non-Formulary (Min/Max)	50% (\$0 / \$0)	50% (\$0 / \$250)	50% (\$0 / \$0)	\$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

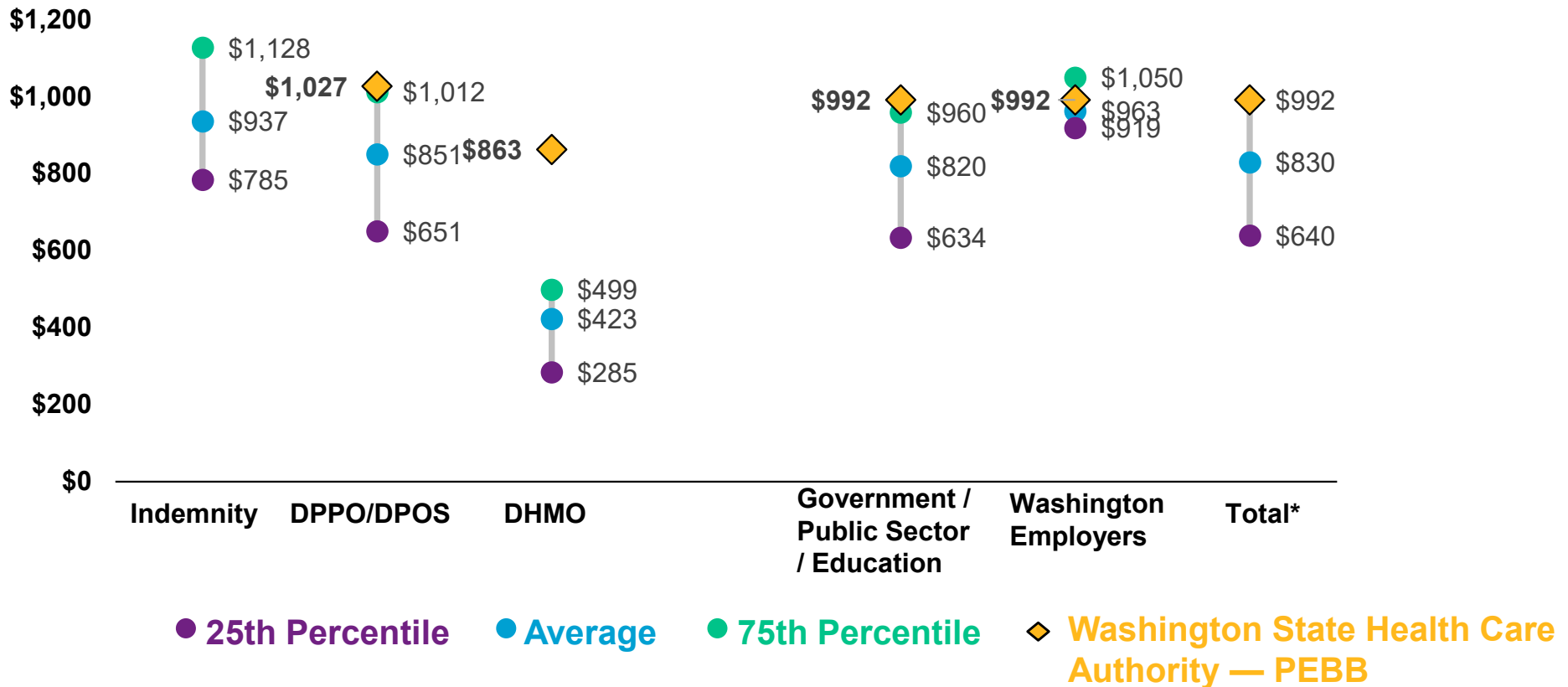


Dental Cost Benchmarks

Total Cost per Covered Employee per Year (Unadjusted)



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

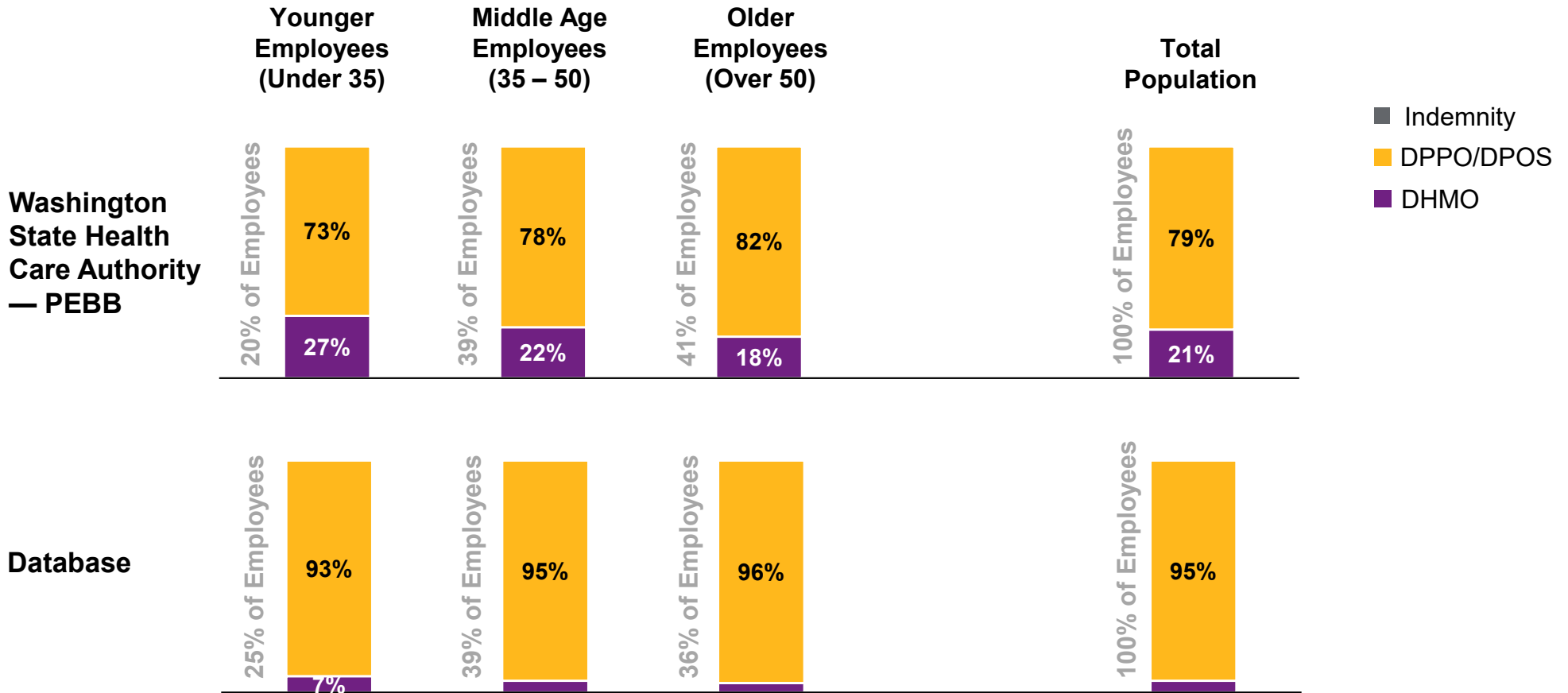


Your dental costs are 20% higher than database average. DHMOs are the lowest-cost delivery system.

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



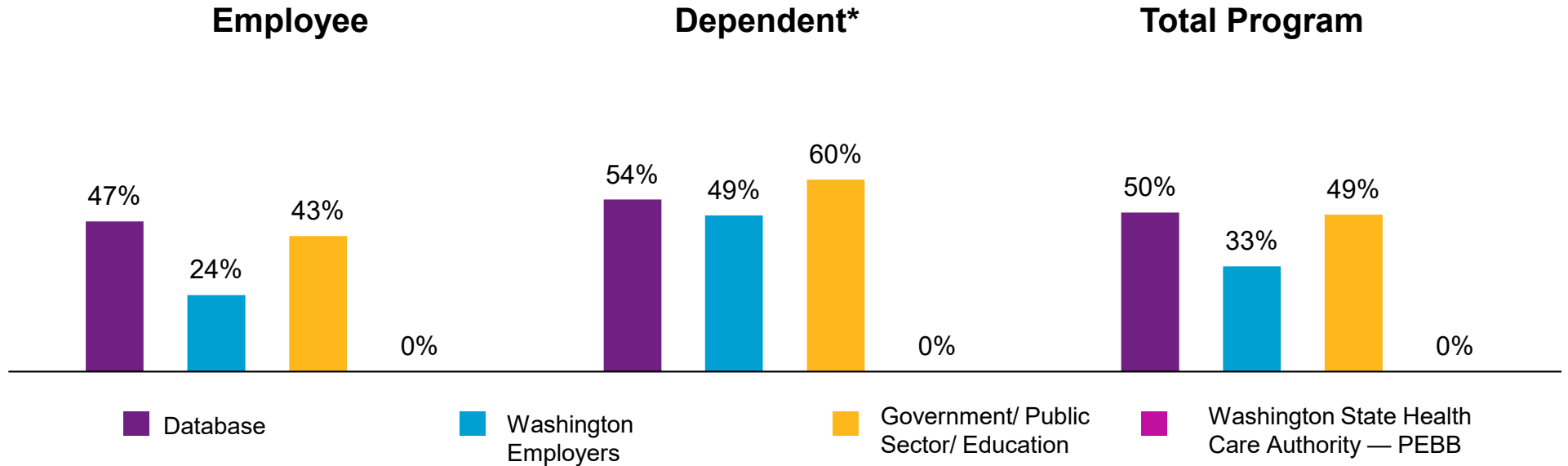
How is enrollment distributed by age and plan?



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



How do employees' 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 — PEBB	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.

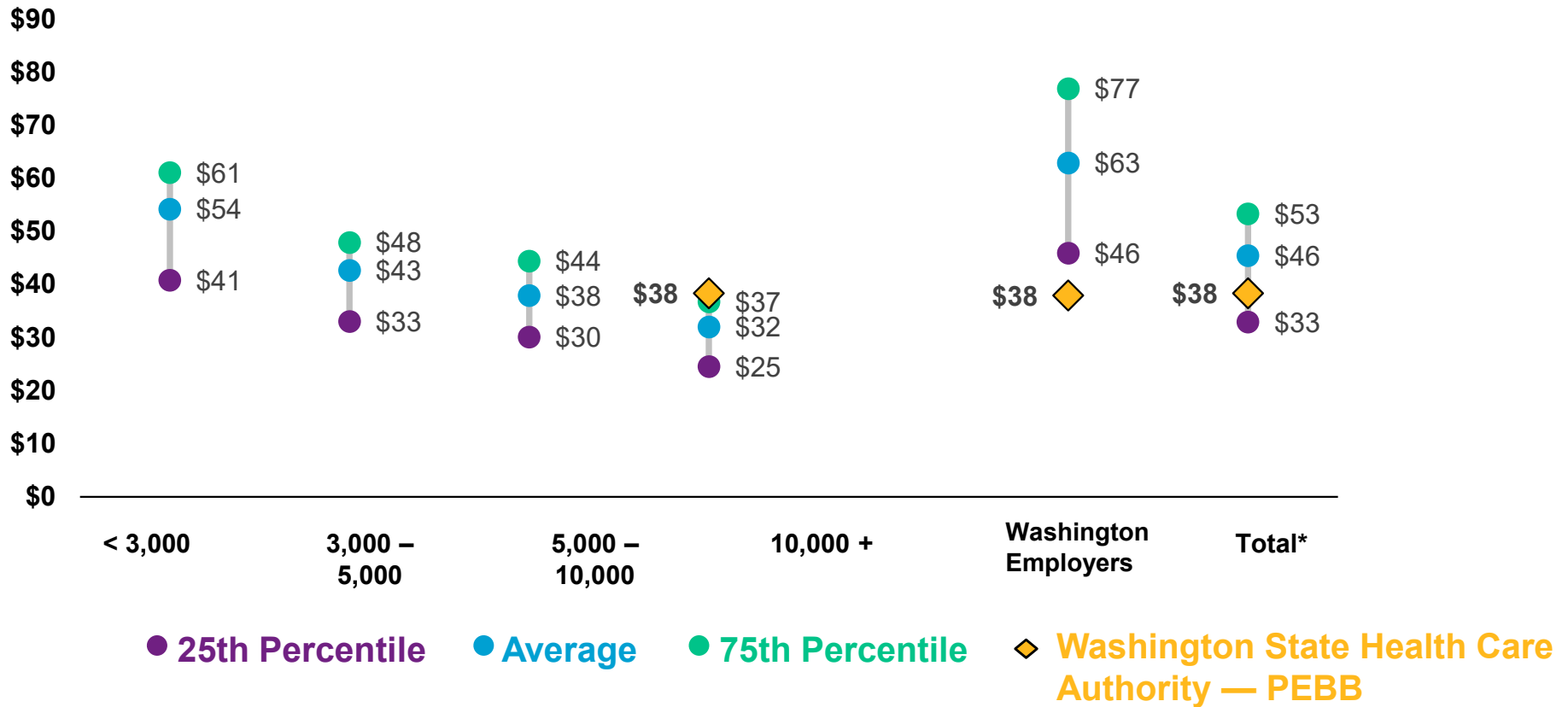
*Dependent includes spouse, children, family, etc.

Dental Cost Benchmarks

Annual Self-Funded Administration Fees by Covered Employee by Employer Size*



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.



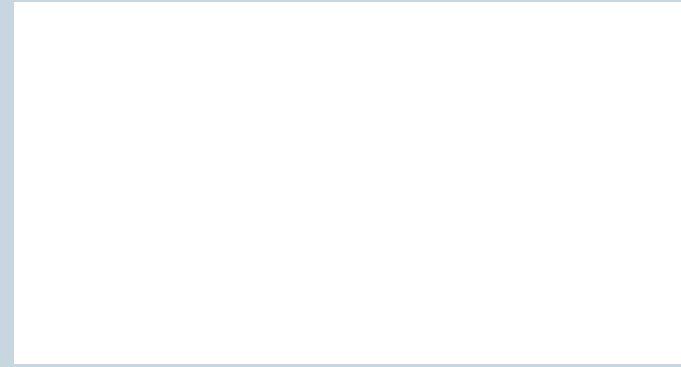
How do your plan designs compare to the database?

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

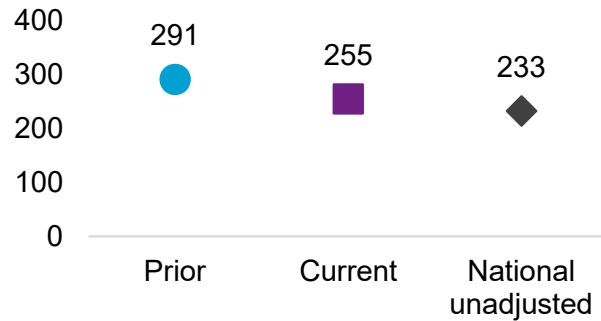
Utilization



How Does PEBB's Medical Cost and Utilization Indicators Compare?

How does hospitalization experience compare?

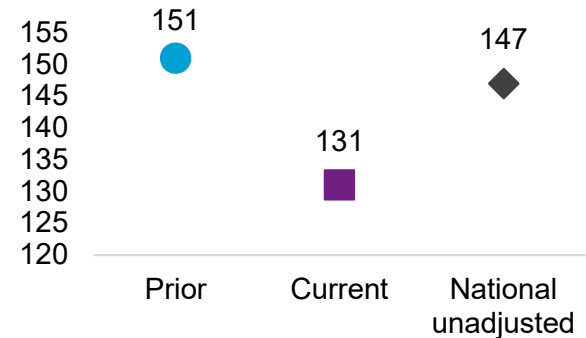
Days per 1,000



The average cost per hospital day is \$5,573. This translates to a potential cost savings of \$40M – \$80M if you reduce days per 1000 by 10%-20%.

How do emergency room (ER) visits compare?

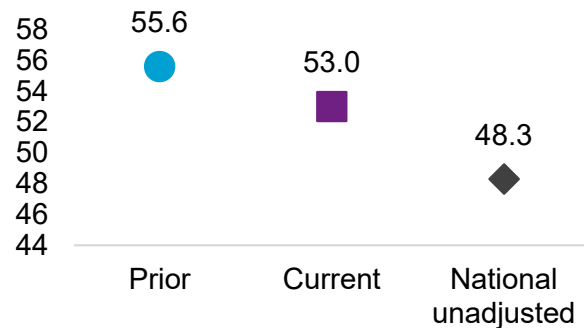
ER visits per 1,000



The average cost of an ER visit is \$1,701 and on average 33% of ER visits are avoidable. This translates to a potential cost savings of \$2M – \$4M if you reduce avoidable ER visits by 10% – 20%.

How does hospitalization experience compare?

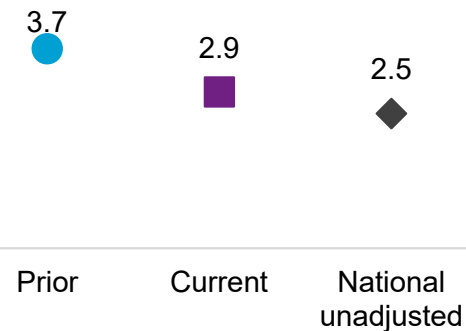
Admissions per 1,000



Admissions per 1,000 increased from 2018 to 2019 but were suppressed by the pandemic in 2020. At 53, 2020 admissions per 1,000 were still higher than national benchmark of 48 per 1,000

How does hospitalization experience compare?

30-Day Re-admissions per 1,000

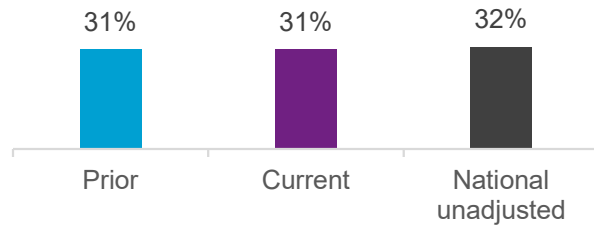


PEBB's readmission rate per 1,000 decreased from 2019 to 2020, but is still an area of opportunity when compared to the national benchmark

PEBB's Medical Cost and Utilization Indicators

How does your C-Section rate compare?

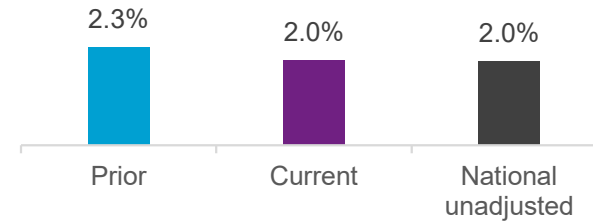
C-Section % of births



C-section rate has increased somewhat since 2018, but was stable over 2019 and 2020 and remains slightly below national benchmark data

How do high-cost claimants (HCCs) compare?

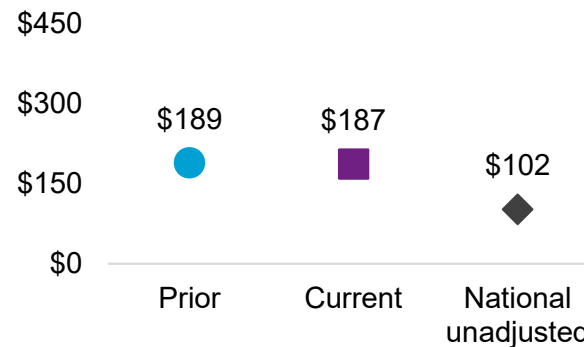
Percent of members with claims >\$50,000 (HCCs)



2% of your population is driving 40% 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"

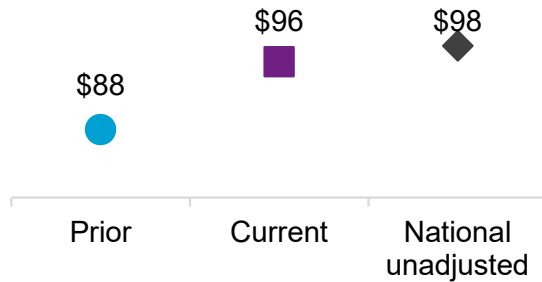


High-cost claimants are a significant contributor to your overall cost. Solutions targeted towards high-cost claimants will materially impact medical costs and trend.

How Does PEBB's Pharmacy Plan Performance Compare?

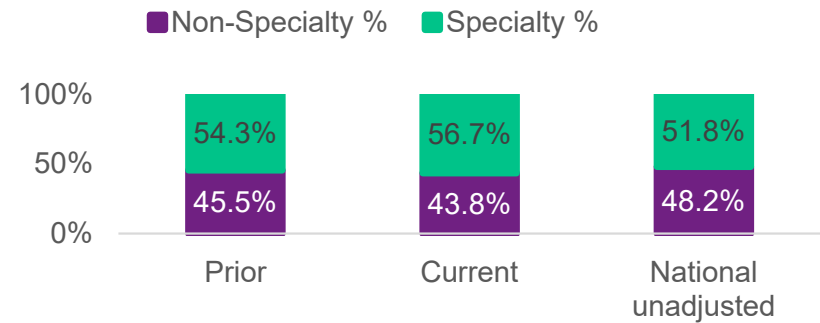
How does your Rx spend compare?

Total gross cost PMPM



How specialty Rx drive your Rx spend?

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

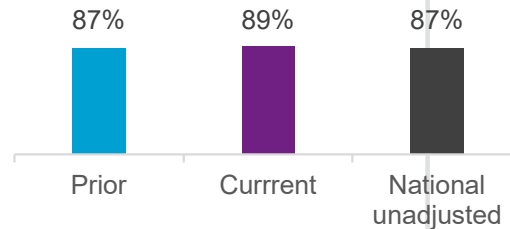


Pharmacy is the fastest-growing component of health care cost trend. Drivers that influence pharmacy trend are specialty management, member cost share, utilization management and generic dispensing rates.

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

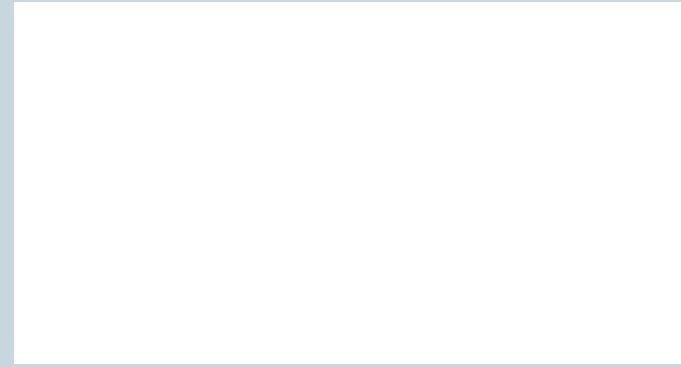
Benchmarks

- 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 Willis Towers Watson Rx Collaborative ESI norms

Appendix

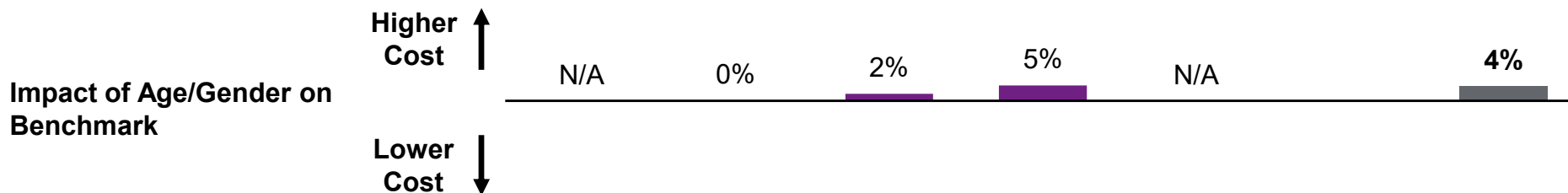


Medical Cost Benchmarks

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
Average Age — Database	46.0	43.2	46.4	44.4	45.3	45.0
Average Age — Your Company	N/A	42.8	47.5	46.6	N/A	46.8
% Female — Database	44%	39%	42%	43%	50%	42%
% Female — Your Company	N/A	55%	59%	53%	N/A	57%



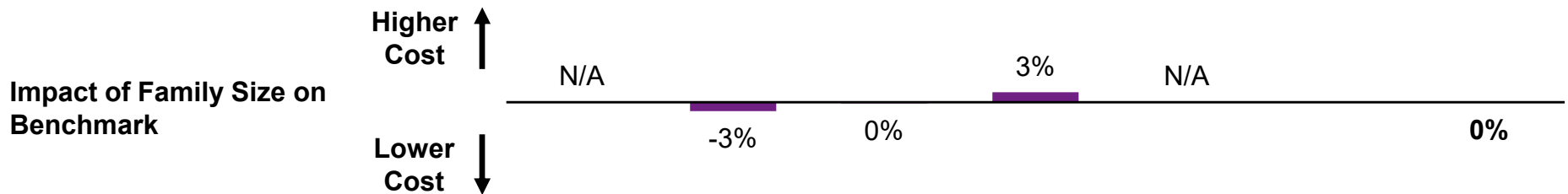
The custom benchmark will be increased by 4% due to age and gender demographics.

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
Dependents (%) — Database	49%	48%	51%	46%	50%	49%
Dependents (%) — Your Company	N/A	47%	54%	52%	N/A	53%



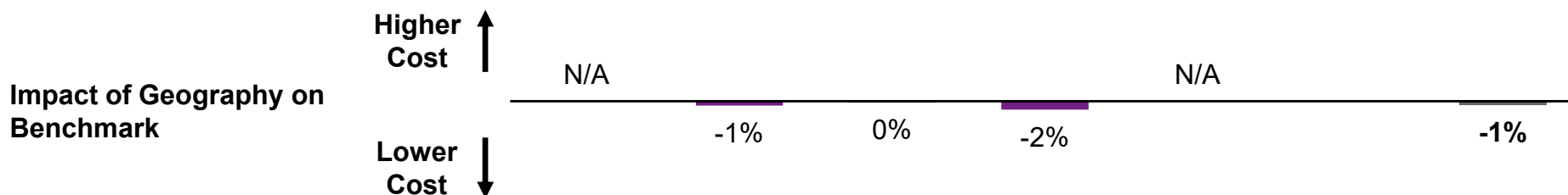
Family size will have no impact on the custom benchmark.

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
Geographic Factors — Database	1.00	1.00	1.00	1.00	1.01	1.00
Geographic Factors — Your Company	N/A	0.99	0.99	0.97	N/A	0.99



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