

Lawley Proactive Health Captive

HISTORICAL TREND ANALYSIS

June 2019

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A quick test...

1.) **TRUE** or FALSE:

The Lawley Proactive Health Captive
is awesome.

Definition of awesome: *a fun & collaborative group of people, like-minded in regards to health, wellness and disease management goals, determined to bend the healthcare spend and trend -> and doing it successfully!*

A quick test...

2.) What is the actual average annual cost trend for our entire Captive?

a) 1%

b) 3%

c) 5%

d) 10%

**See, told you we were
AWESOME!**

Historical Performance

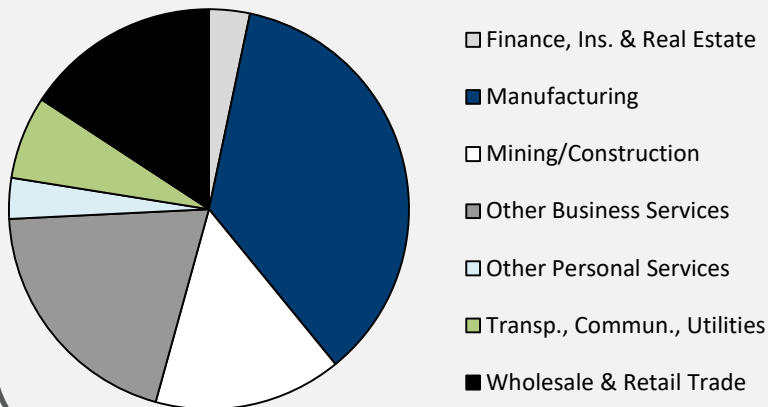
- 8-year analysis, from 2011 to 2018, was completed
- Look at changes in membership/demographics
- Overall PEPM performance
 - PEPM = per employee per month
 - Overall PEPM includes everything including fixed costs
 - Assumes \$0 Captive distribution for 2018
- Deeper dive on performance of the different layers:
 - “A-Fund” = Self-Funded Retention = high frequency, low dollar
 - “B-Fund” = Captive Layer = low frequency, high dollar
 - Retained Layer = very low frequency, extreme high dollar

NOTE: The 2018 data is not final and is subject to change as Berkley closes out the year

Membership and Demographics

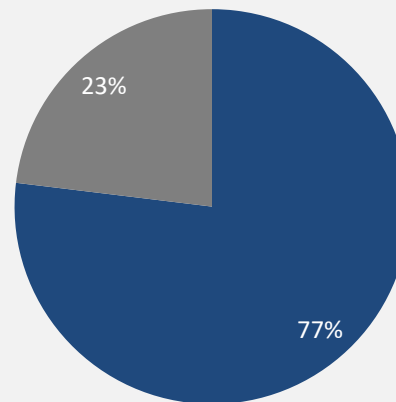
- Wide variety of the businesses that make up LPH
- Industry, location, TPA, plans, stop loss level can differ
- Like-minded in regards to health & wellness goals

Industry Breakout

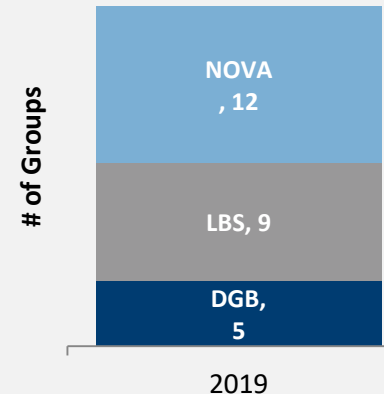


Location Breakout

- NY Based Companies
- Non-NY Companies



TPA Breakout



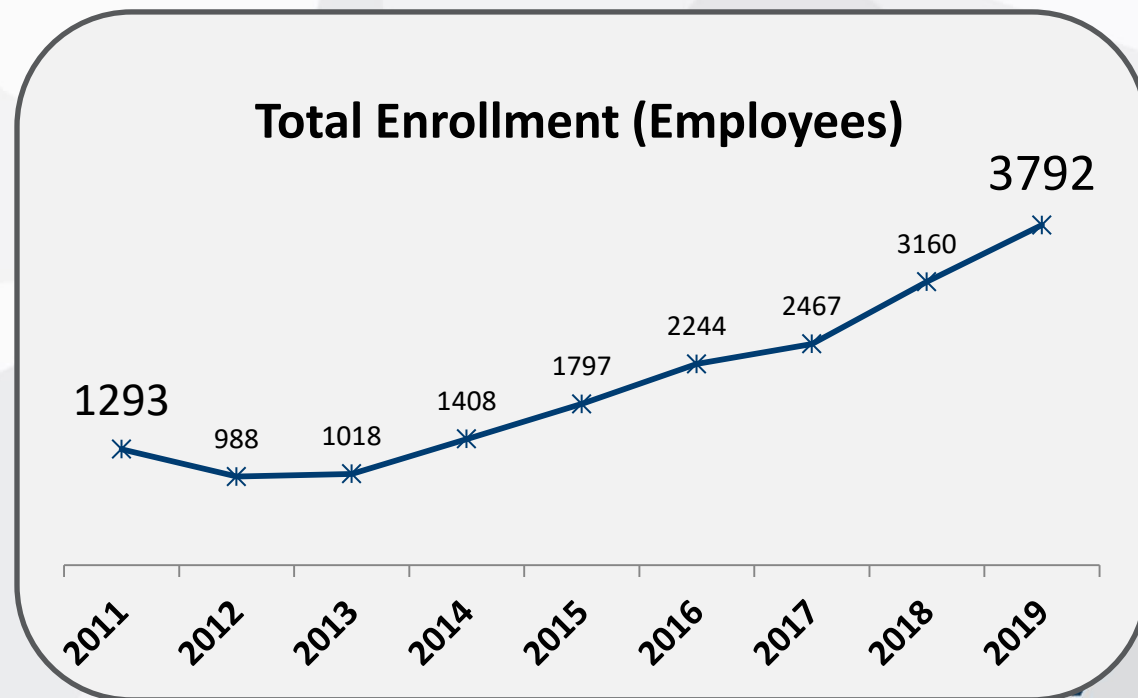
Membership and Demographics

- The Lawley Proactive Health (LPH) program has grown substantially
 - 7 groups in 2013 to 26 groups in 2019
- Total number employees enrolled increased 193% since 2011
- Average Group Size: 150 employees

Currently:

~3,800 employees

~6,100 total members



2018 Recap

2018 was a bit out of the norm for us!

WHAT HAPPENED?

- 2 companies had claims > agg
- 4 more companies had claims > expected
- 6 companies took out more from the captive layer than they put into it
- Only 1 company didn't take a single dollar from the captive layer
- 100 HCCs or 2.0% of total membership
 - Slightly more people hitting the captive layer than the 3 previous years at ~1.6%
- 5 individuals breached Berkley Retained layer
 - In the 3 previous years, we had 0, 1 or 2 retained claimants

Overall PEPM Costs

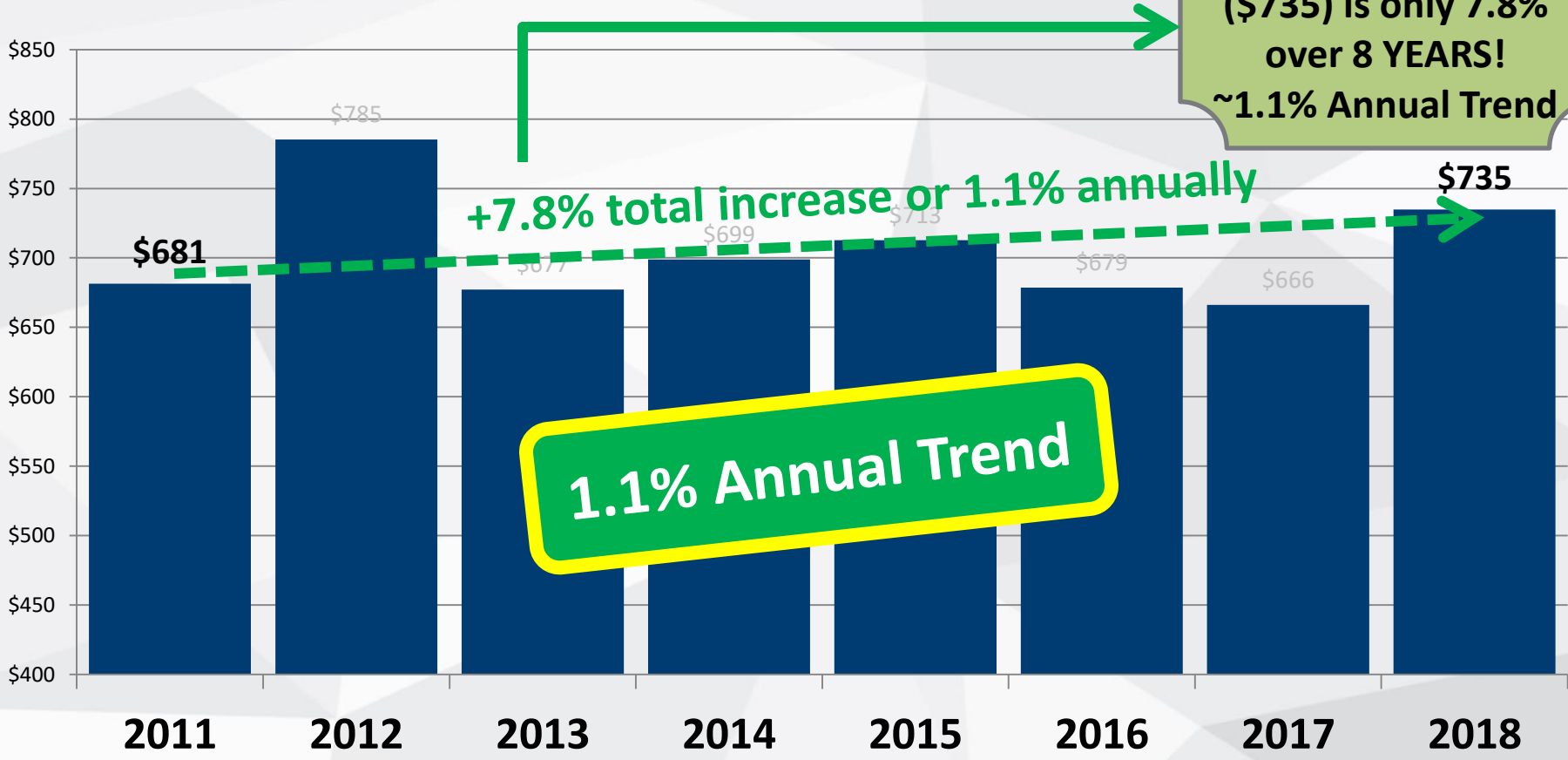
- 2018 was a higher claims year for the Captive
 - 2018 as compared to 2017 was about a 10% increase
 - However, the previous 2 years, the PEPM was going DOWN

	2014	2015	2016	2017	2018	AVG
Captive Trend	3.2%	2.0%	-4.8%	-1.8%	10.3%	1.1%

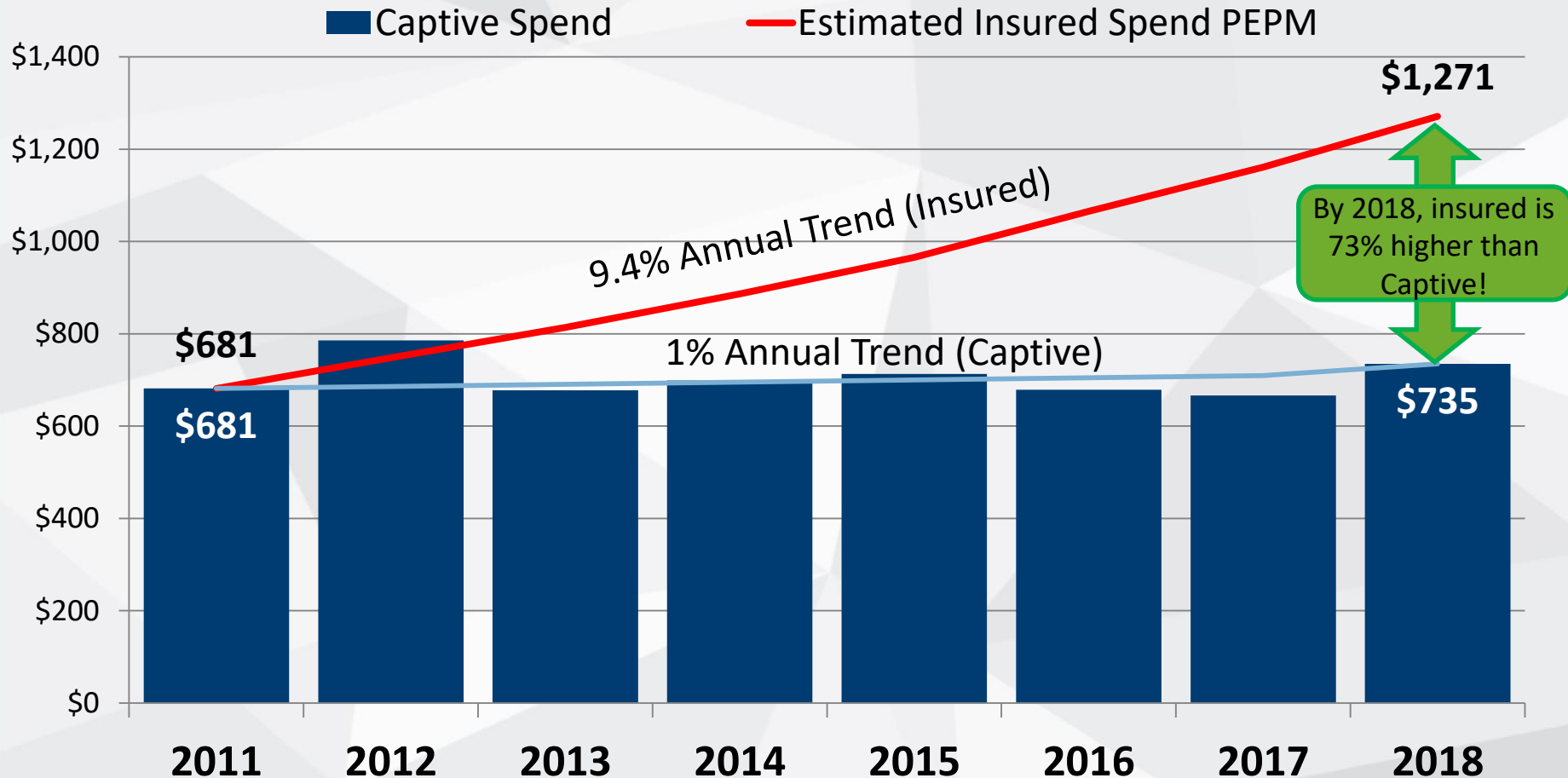
- **Lawley Captive: ~1.1% average annual trend**
- **Increase from 2011 to 2018 = 7.8%**
- An insured blended medical and Rx trend in the NY/PA region ranges from about 7-11% PER YEAR

Overall PEPM Costs

Captive PEPM - Total Spend



Beating the Insured Spend & Trend



Estimated Insured Spend PEPM takes the 2011 Captive PEPM of \$681.32 increased by the Insured Trend Benchmarks for each year.

Cost vs. Budget

How does this correlate to my healthcare budget?

- Previous slides are what your ACTUAL spend ended up being in each year
- Before the year starts, you decide how much to budget to cover your potential spend
- Recommend you include some amount of margin
- “Renewals” are not necessarily zeros or low single digits every year
 - For example, the average renewal budget increase taken by the Captive groups for 1/1/2019, (coming off a bad year), was ~5%. Some groups held rates flat (0%), some decided to budget at +10%, etc. If you “beat” your budget, it’s money that never left your door

Financial Summary of Cost vs. Budget

<i>Member Groups</i>	<i>11</i> 2014	<i>13</i> 2015	<i>16</i> 2016	<i>16</i> 2017	<i>21</i> 2018
Medical Claims	\$7,947,159	\$10,200,527	\$11,703,334	\$12,282,629	\$16,846,519
Rx Claims	\$2,003,321	\$2,332,256	\$2,817,560	\$3,614,737	\$4,846,966
Rx Rebates	(\$107,318)	(\$208,653)	(\$214,042)	(\$256,593)	(\$321,521)
Admin Fees & Stop Loss Premium	\$5,374,799	\$6,821,993	\$7,735,417	\$8,456,061	\$11,022,330
Captive Claims Over Spec & Agg	(\$1,993,638)	(\$2,169,669)	(\$2,494,583)	(\$2,688,908)	(\$3,901,901)
Retained Stop Loss Claims	(\$855,164)	(\$490,361)	\$0	(\$126,873)	(\$506,630)
Total Cost	\$12,369,159	\$16,486,093	\$19,547,686	\$21,281,052	\$27,985,764
Budgeted Expense	\$14,310,230	\$19,297,250	\$21,943,682	\$24,599,463	\$30,188,591
Total Cost Ratio	86.4%	85.4%	89.1%	86.5%	92.7%
Surplus	\$1,941,072	\$2,811,157	\$2,395,996	\$3,318,410	\$2,202,827
Captive Layer Distribution	(\$184,523)	(\$1,092,452)	(\$1,056,982)	(\$1,243,376)	\$0
					2014 through 2018
				<i>Cumulative Loss Ratio:</i>	88.5%
				Cumulative 5 Year Surplus:	\$12,669,462
					<i>Compared to budget</i>
<u>Captive Layer Distribution</u>				INCLUDING CAPTIVE LAYER DISTRIBUTION:	
\$3,577,333				Cumulative 5 Year Surplus:	\$16,246,795

This is a comparison of the entire group's spend compared to the budgeted premium equivalent rates set. If the group had been insured, the budget or premium would have likely been higher i.e. even higher surplus.

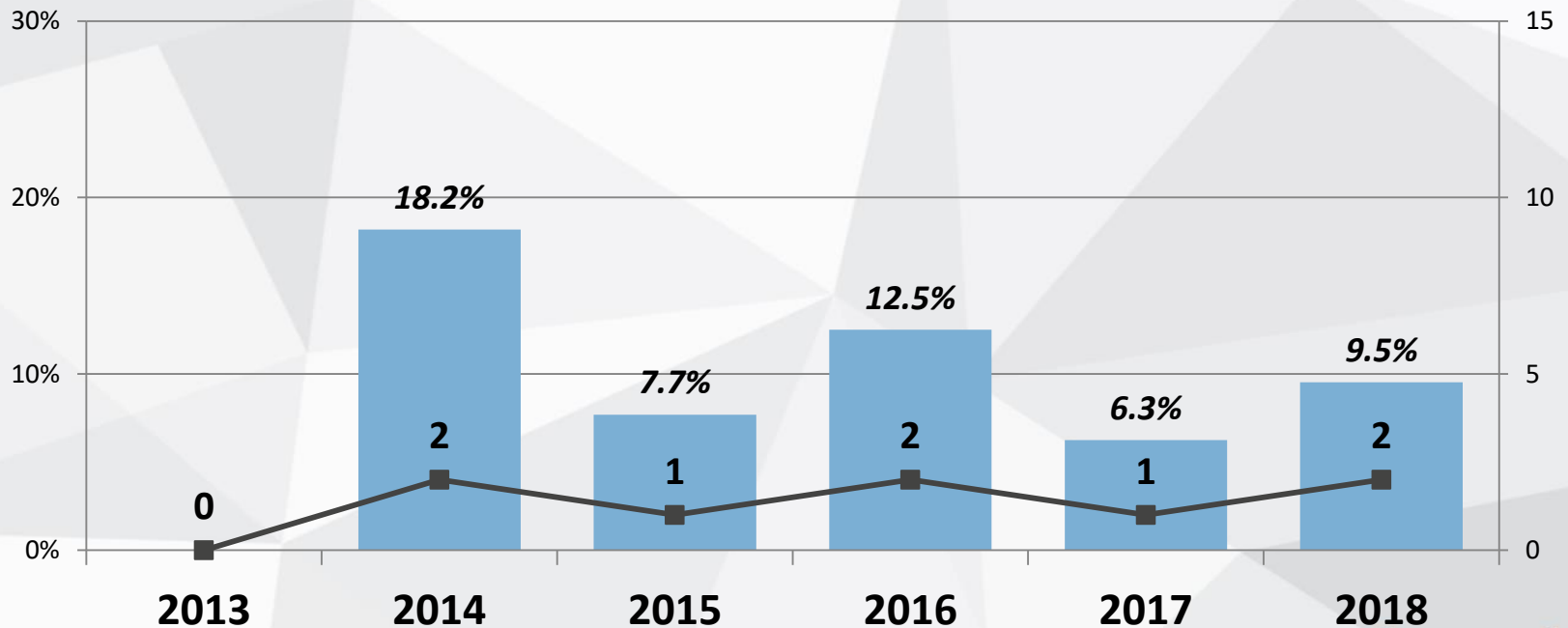
Historical Performance

“A Fund” & “B Fund”

Self-Funded Retention (“A-Fund”)

- Attachment point set at 110% of expected claims
 - (A few groups increased to 120% in 2019)
- Graph shows the number of groups in each year whom exceeded their attachment point, ranging from 0 groups to 2 groups per year

of Groups who Exceeded Attachment Point



Self-Funded Retention (“A-Fund”)

“A-Fund” Loss Ratio =
Claims under Spec Paid /
Attachment Point

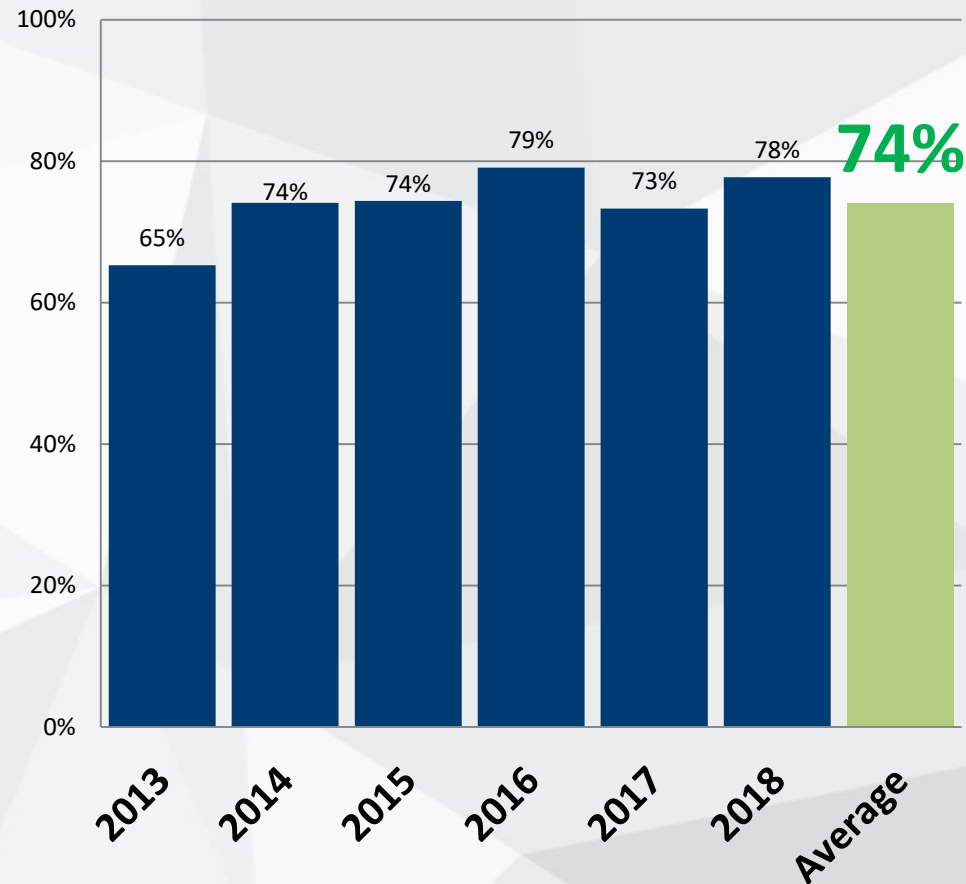
Attachment point set at 110%
of expected claims

- A few groups increased to 120% in 2019

Average loss ratio ~74%

On average, a Captive group beats their attachment point by 26% -> this is where you can realize substantial savings

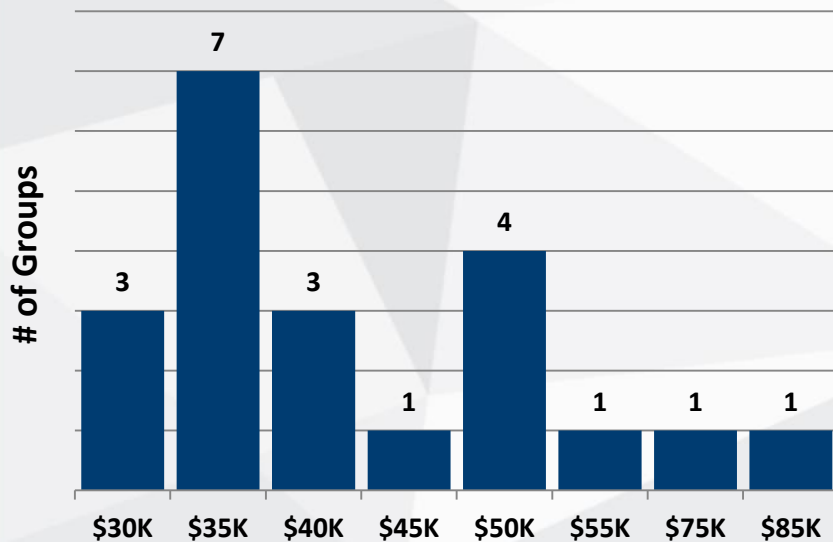
“A” Fund Loss Ratio



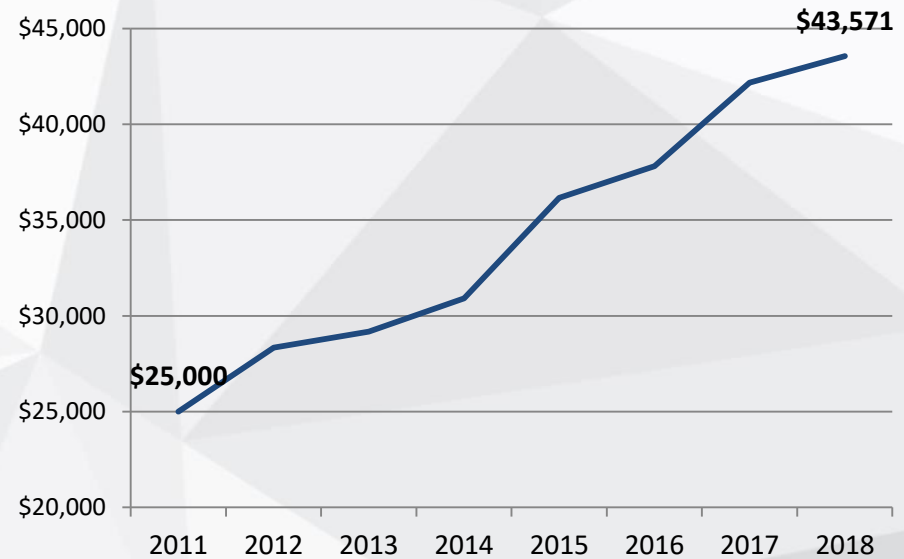
Stop Loss Thresholds

- Specific Stop Loss varies
- Captive layer is \$225,000 above specific

Specific Stop Loss Level Breakout 2018



Average Specific Stop Loss Level

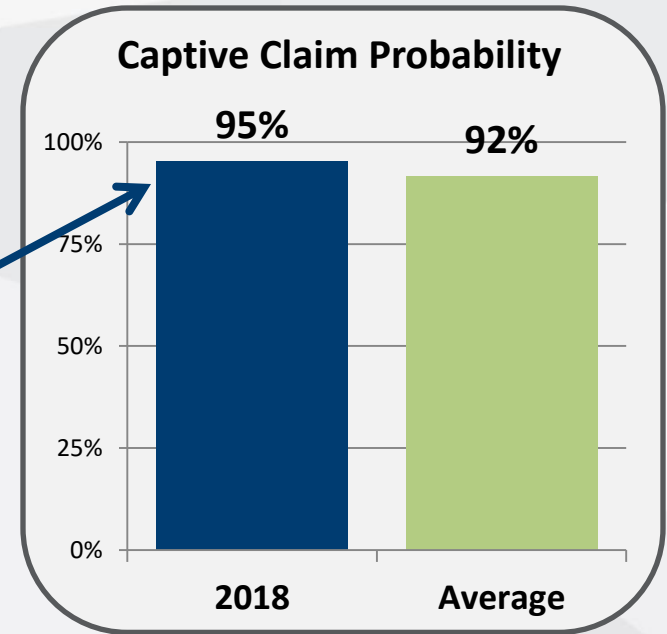


In 2011, all groups had a low spec level. As time went on, groups increased their spec level, which is necessary to account for rising trends. In 2018, the highest spec level became \$85K.

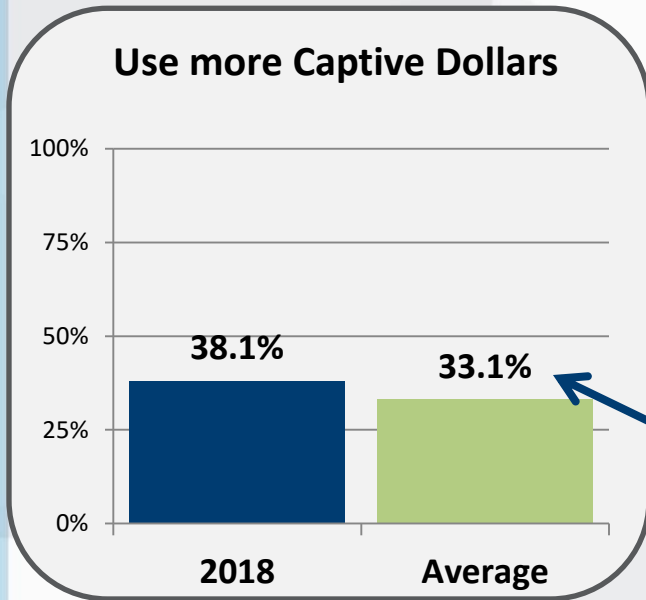
Captive Layer (“B-Fund”)

What are the chances that I use some of the Captive layer funds?

- ~92% of Captive groups, historically, have at least 1 high cost claimant exceed their specific stop loss level



1 of 21 groups in 2018 did not have a stop loss reimbursement



What are the chances that I use more from the Captive layer than I put in?

- One-third of Captive groups each year receives stop loss protection in an amount that is greater than the dollars they paid into the “B-Fund”
- Groups take turns at having a bad year

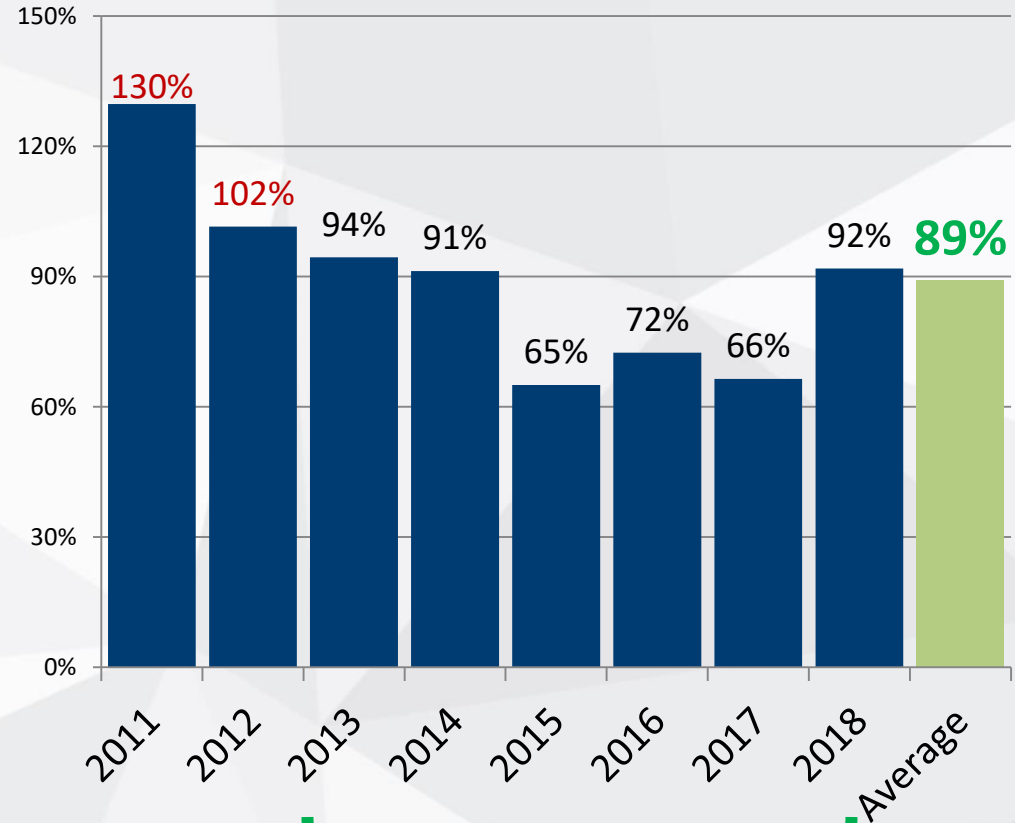
This is why the shared Captive layer exists!

Captive Layer ("B-Fund")

"B-Fund" Loss Ratio =
Stop Loss Claims /
Ceded Risk Premium Paid

- Average loss ratio
~ **89%**
- This layer is priced to break even, i.e. a 100% loss ratio

"B" Fund Loss Ratio



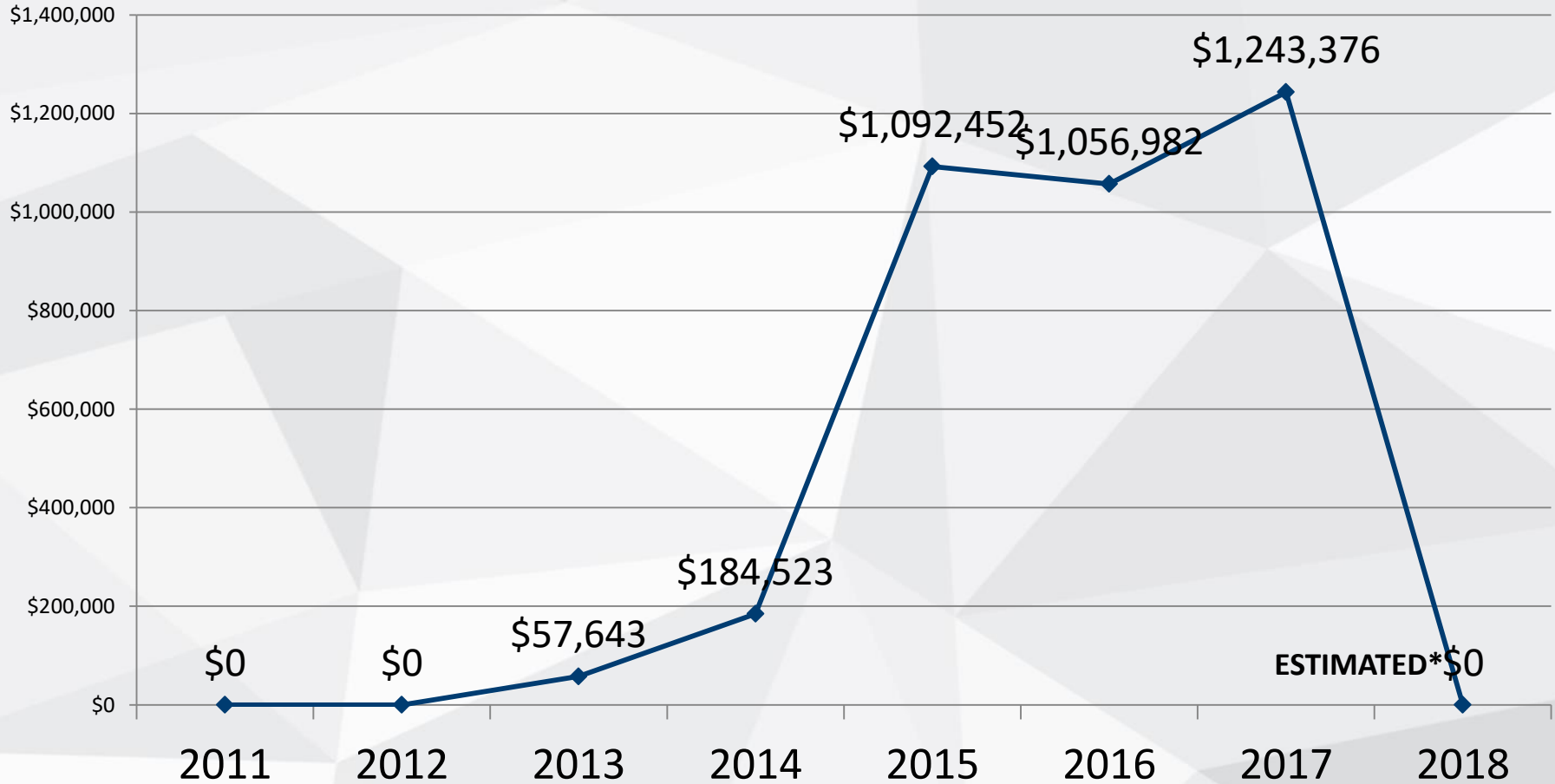
Surplus!

Lawley

INSURANCE | EMPLOYEE BENEFITS

Captive Layer (“B-Fund”)

Captive Distribution Amount



**Estimated 2018 based on the 4/30/2019 EmCap Reports including expected Captive expenses, final distribution TBD*

Keep doing what you're doing!

How is Lawley Proactive Health bending the trend?

- Strong wellness program required and supported by all members; a focus on preventative services
- 3 dedicated Committees!
- Able to manage TPAs business practices to be best in class
- Willingness to explore various cost containment strategies, and implement them
- Sole PBM; using our size for improved drug pricing, rebates, clinical consistency/management
- ...By being **AWESOME!**

QUESTIONS