Mitigating Risk,
Managing Cost, and
Bending the Curve

Lumsden & McCormick
Exempt Conference
11/1/2024

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Today's Presenters

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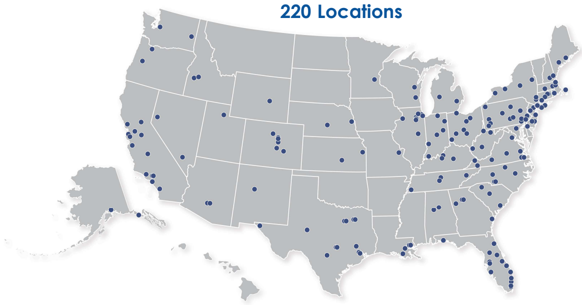
USI Brings National Capabilities & Local Expertise To Upstate NY

USI is a national insurance brokerage and consulting firm with approximately 200 local offices connected across the U.S. and a leading market position in all core businesses.

The USI Upstate New York offices have been serving the local communities since 1910.

We Are Where Your Employees Are
220 Locations



USI's New York Region

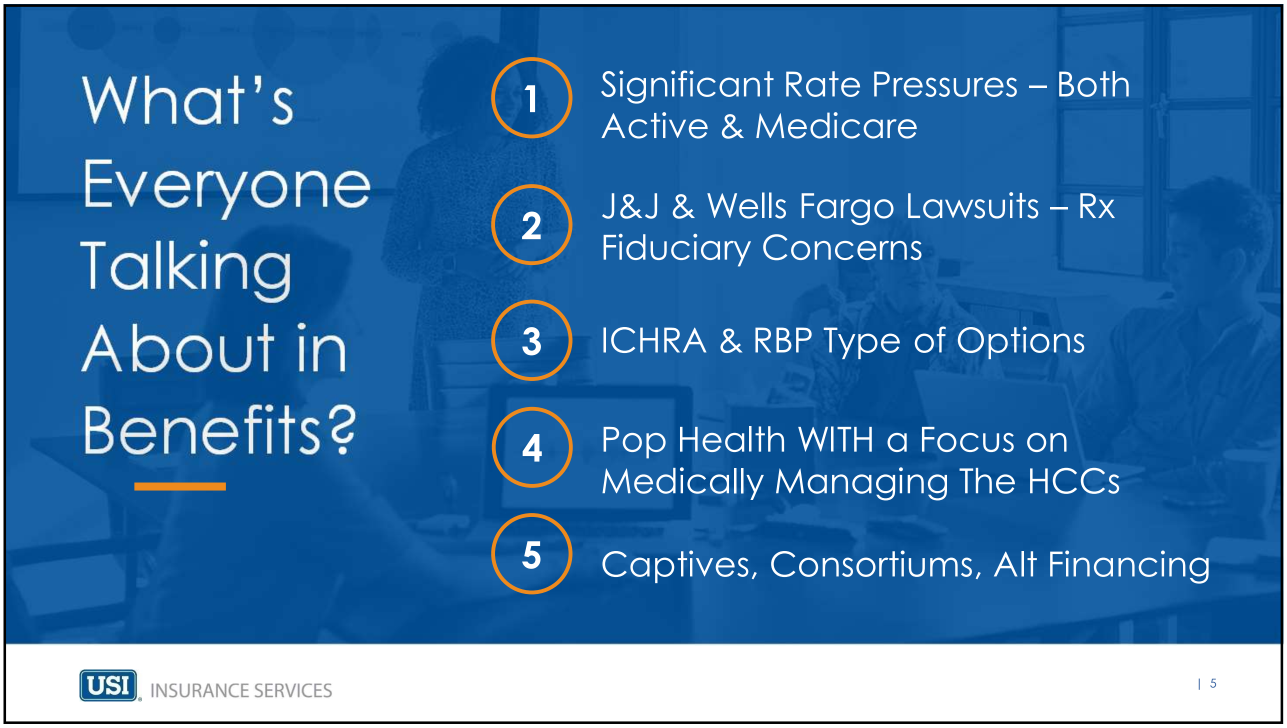
- Over 640 professionals with an average tenure of 13 years and specialists across a broad range of industries
- Dedicated analytics, underwriting, wellness and compliance experts who make up the region's Technical Resources Team
- Regional offices located in all six New England states as well as Upstate NY

USI's Upstate New York Offices

- Jamestown | Buffalo | Rochester | Syracuse | Albany
- Employs nearly 200 insurance professionals
- Serving the local community for more than 100 years
- Specific Practice Areas In: Education | Health & Human Services | Government | Manufacturing | Medical

Challenges Impacting Employers

- Record High Inflation – finally trending down
- Turnover and a Tight Labor Market – Pressure to be an employer of choice
- Pressures of Increasing Wages
- Reimbursements rates that are insufficient
- Funding and budget uncertainty
- Compliance & regulatory pressures
- Increased Employee Benefit & General Insurance Premiums


What's Everyone Talking About in Benefits?
1 Significant Rate Pressures – Both Active & Medicare
2 J&J & Wells Fargo Lawsuits – Rx Fiduciary Concerns
3 ICHRA & RBP Type of Options
4 Pop Health WITH a Focus on Medically Managing The HCCs
5 Captives, Consortiums, Alt Financing
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What's Everyone Talking About in P&C?
1 "Hard Market" – Losses Have Impacted Carrier Financials and Underwriting Decisions
2 Ransomware & Social Engineering Continue to Rise
3 Preventing and Minimizing Workers Comp Claims
4 Employment Practice Liability Challenges
5 Alternative Risk Financing Strategies
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Many Companies Are at a Y in the Road…
Let The Market Control Your Risk & Continue To Increase Expense AND Exposure
Take Control – Mitigate Risk, Insure Properly & Manage Insurance Holistically
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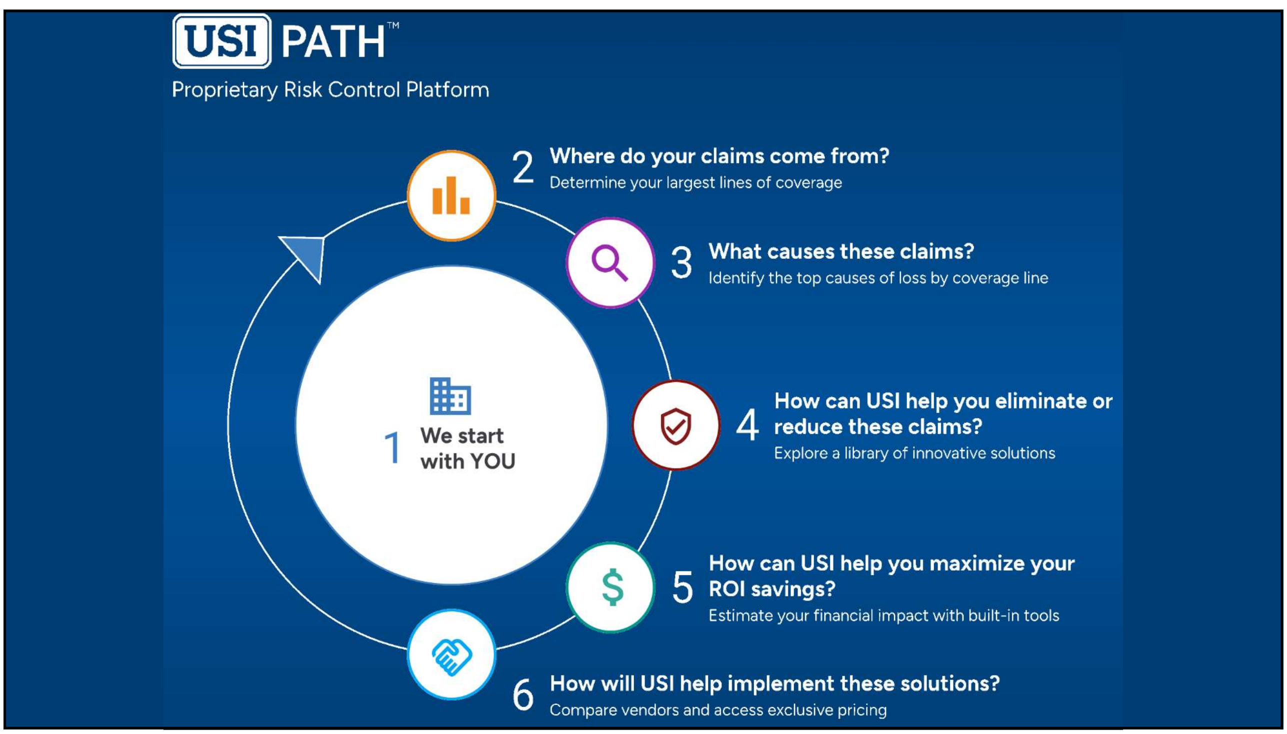
USI PATH™
Proprietary Risk Control Platform
1 We start with YOU
2 Where do your claims come from?
Determine your largest lines of coverage
3 What causes these claims?
Identify the top causes of loss by coverage line
4 How can USI help you eliminate or reduce these claims?
Explore a library of innovative solutions
5 How can USI help you maximize your ROI savings?
Estimate your financial impact with built-in tools
6 How will USI help implement these solutions?
Compare vendors and access exclusive pricing

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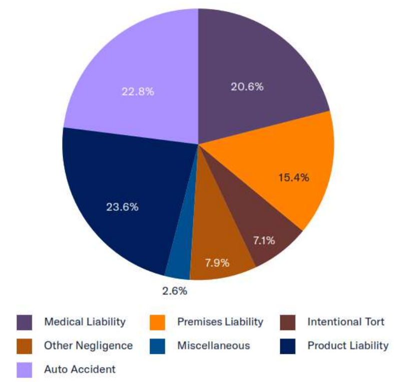
Liability Environment - Social Inflation

- Negative public sentiment towards large organizations and desensitization to "nuclear" verdicts
- Changes in legal environment benefitting plaintiffs
  - New York Labor Law
  - Child Victims Act
  - Grieving Families Act
- Plaintiff attorney tactics and litigation finance

Figure 1: Nuclear Verdicts by Case Type, 2010 – 2019



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Liability Environment - Recommendations

- Minimize the Likelihood of a Claim or Suit
  - Policies clearly written, well-communicated, and well-trained
  - Comprehensive post-incident investigation and root cause of loss analysis
- Minimize the Cost / Damages of a Claim or Suit
  - Incident investigation and documentation becomes a part of your defense
  - Contract management – difference between an MOU and a Contract
- Thoughtfully Evaluate Appropriate Insurance Limits and Retentions

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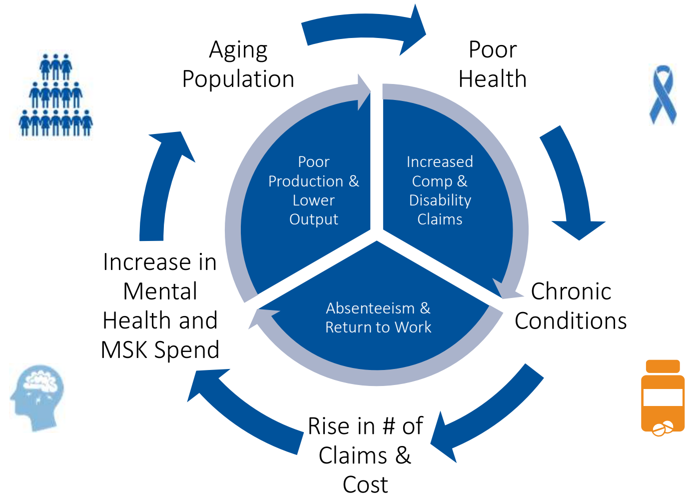
Worker’s Compensation Costs

Chronic Illnesses and injuries among the workforce cost US employers more than half a trillion dollars in lost productivity each year.



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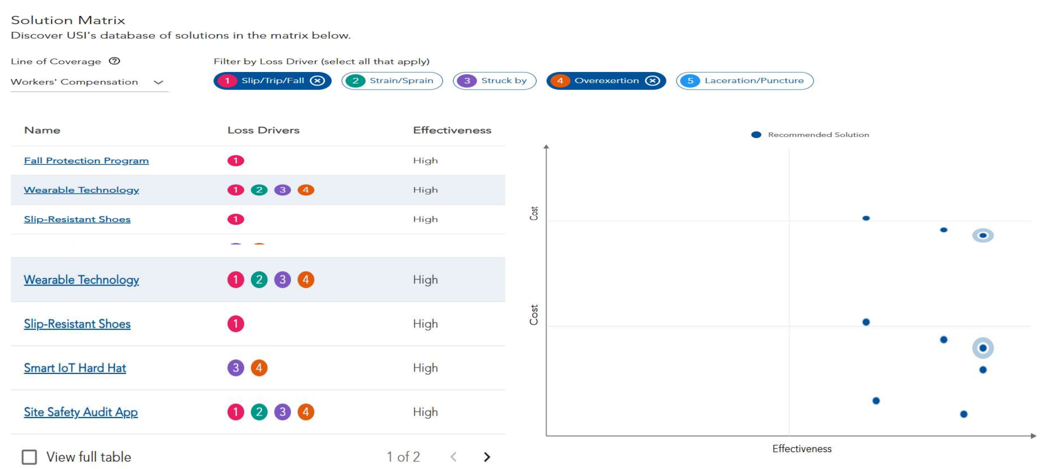
Reducing Claims Through Innovative Technology



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Reimagining Your Safety Committee

Many Employee Safety Committees became PPE and Pandemic Focused over the past 3 years. Turnover and financial pressures have made it hard to prioritize and execute, leaving safety committee members unengaged.

- Re-Imagine Your Safety Committee:
  - Who is on your Safety Committee?
    - Engaged participants with fresh ideas
    - Checking the Box
  - What resources and authority does your Committee have?
    - Budget
    - Policy recommendation/setting
  - What data and tools are they accessing?
  - How efficient are they?
    - Subcommittees
    - Actionable and measurable

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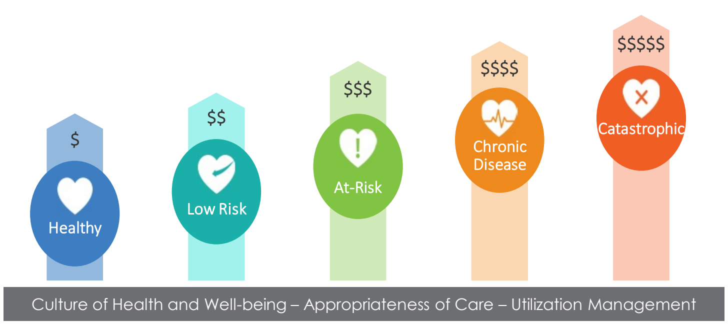
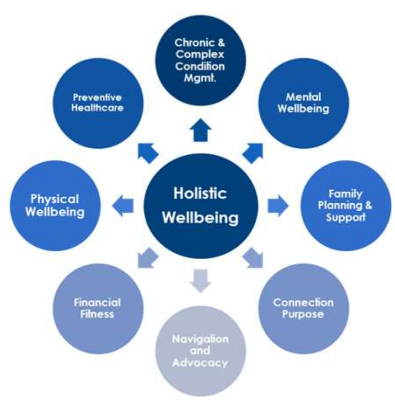
Spectrum of Health and Care Management

A Population Health Strategy should encompass both medical management and traditional wellness initiatives that, together, promote preventive care, improve employee health and productivity, and reduce cost. Understanding your population ensures proper solutions are implemented to proactively mitigate unnecessary spend and improve health status.





Early intervention costs less and has the potential for better health outcomes.

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Population Health Landscape

Family Forming
- Conception for all couples
- Expecting mother education
- Concierge care for all steps of pregnancy
- Return to work support for new mothers

Mental Wellbeing
- Mindfulness and meditation
- Coaching and Counseling
- Cognitive Behavioral Therapy (CBT)
- Suicide prevention
- Emergency intervention

Lifestyle Mgmt.
- Activity Challenges
- Nutrition education
- Fitness and Exercise
- Sleep & Stress Management

Preventive Care (CORE)
- PCP Engagement (Annual Visit)
- Age/Gender Appropriate Screenings
- Immunizations

MSK (Musculoskeletal)
- Injury prevention
- Ergonomic Assessments
- Pain reduction
- Rehabilitation post surgery
- Employee Testing for Job Function

Navigation Advocacy
- Benefit education and awareness
- Care navigation
- Identifying high quality providers
- Expert medical opinions
- Tools to improve healthcare outcomes

Condition Mgmt.
- Diabetes
- Hypertension & Hyperlipidemia
- Weight Management
- Inflammatory Conditions and Gut Health

Maternity Fertility | Mental Health | Onsite Nearsite | Musculoskeletal | Advocacy Navigation | Cardiometabolic

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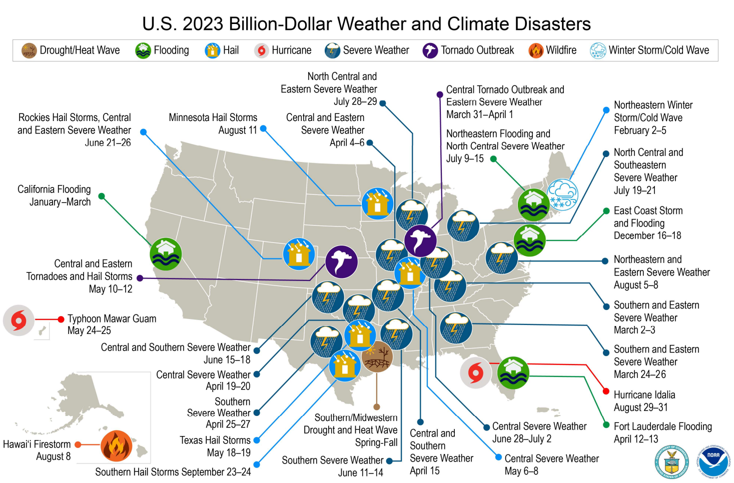
Property Risks

- Natural catastrophes (CAT) losses
  - 28 events exceeding $1B losses in 2023
- Secondary perils & convective storms
  - Record high of $64B losses in 2023
- Reinsurance rates increase
- Insurers push to increase premium, underwriting scrutiny



*This map denotes the approximate location for each of the **28 separate billion-dollar weather and climate disasters that impacted the United States in 2023.***

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Improve Underwriting Data – COPE

- …What's COPE?
- Inaccuracies in a component of COPE can result in an inflated premium.
- Organizations commonly carry over data year after year without updating.
- Work with your insurance consultant to review Statement of Values.
- Negotiate appropriate property valuations.

Construction
The materials used to build the property.

Occupancy
The purpose for which the property is used.

Protection
The safety measures in place, such as fire sprinklers.

Exposure
The external risks surrounding the property.

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Those That Can Are Self-Funding…

65% of U.S. employers self-insure. Below is a breakdown by company size:

5,000+ Enrolled EE's	1,000 to 4,999 Enrolled EE's	200 to 999 Enrolled EE's	50 to 199 Enrolled EE's
91%	82%	59%	30%

3 to 199 Enrolled EE's = 20%

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What The Largest Captive/Consortiums Available?

Captive Manager	Berkley	Pareto	Roundstone	Benecon (Not True Captive)
Reinsurer	Berkley Life and Health	TMHCC, SunLife	TMHCC	Many Consortium Partners (AM Best Rated A or Better)
Target Group Size	50-500 Covered Lives	50-500 Covered Lives	50-400 Covered Lives	50-500 Covered Lives
Average Group Size	230 Employees	135 Employees	125 Employees	150 Employees
Accepts Fully-Insured Transition Groups	Yes	Yes	Yes	Yes
Possible Renewal Dates	October 1st Only	January, July and October 1st	January and July 1st	January and July 1st
Program Launch Date	2012 (2015 for RBR)	2012	2005	2012
Rate Caps	75% ISL premium only	30% in perpetuity ISL premium only	Stated Average 2-6% but allows lasers ISL premium only	30% largest increase since 2012 (35% largest increase on agg points)
No New Lasers Provision	Can be negotiated	Included	Allows for Lasers at 3x ISL Level	Included
Guaranteed Renewal	No	No	No	Yes
Minimum ISL Level	$25,000	$30,000	$30,000	$30,000
Capital Investment Needed	20% of ceded premium LOCs allowed paid upfront or in 3 months	10% ISL premium in years 1 and 2 no LOCs allowed paid upfront.	9% of collateral reserves entrance fee in year 1	No capital investment as there is no captive level.
Captive Management Fee	2% of gross premium	5% of stop-loss premium	Not Stipulated in Marketing Materials	None
Share in Return of Premium in Surplus Years (not at termination)	18-month review cycle prior to return of premium	Capital account is often used to purchase additional programs for members.	Not Stipulated in Marketing Materials	N/A

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Benefit Considerations – Captive or Self-Funded

- The size and scope of the risk pool or captive cell is important
- Consider the Underwriting guidelines of the stoploss contract – lasers, rate guarantees, coverage limitations
- Be sure to maximize the PBM contract and pharmacy integration
- How is UM/CM/DM being managed by the TPA?
- Are there medical management program fees or performance guarantees included within your TPA agreement?
- Is there a consideration of Reference Based Pricing Arrangements specifically with OOA care?

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Cyber Risk

- Potential to impact virtually any organization – regardless of size or industry
- Volume and sensitivity of data collected by schools and healthcare organizations increases risk
- Not just data breach anymore
  - Business interruption
    - Top targeted industries: healthcare, manufacturing, public entity
  - Ransomware and cyber extortion
    - Most common cyber attack type as of 2022
  - Social engineering
    - Remote / decentralized workforces more susceptible
- Add Artificial Intelligence to the mix

Buffalo Public Schools didn't pay ransom in cyberattack, but response cost nearly $10M

Change Healthcare cyberattack continues affecting local hospitals

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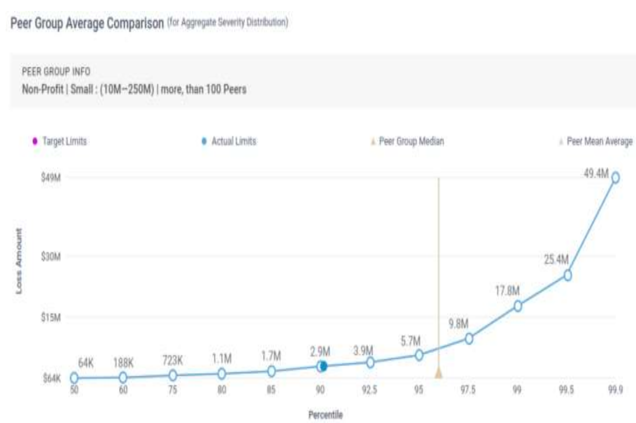
Cyber Risk Management

- Understand and benchmark your risk
- Cybersecurity best practices
  - Employee training
  - Recommended cybersecurity protections
  - Plan for crisis response
- Not all cyber insurance is created equal
  - Traditional vs Excess & Surplus (E&S)
  - Question sub-limits
    - Business Interruption
    - Dependent Business Interruption
    - Ransomware and Extortion
    - Social Engineering
    - Invoice Manipulation



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Pharmacy Is By Far The Most Important Consideration In Today's Benefit Spend - Carve In or Carve Out?

SmithRx
Express Scripts
MagellanRx Management
CVS caremark
Pharmacy Benefit Dimensions
An Independent Health company
Optum
PayerMatrix
Archimedes
GoodRx
Mark Cuban CostPlus Drug Company

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PBM Contract Assessment Tool

Pharmacy Contract Assessment

Client ABC

Company Profile		
Group Size (subscribers):	500	
Today's Annual R_x Cost	$1,250,000	$1,250,000
Pharmacy Contract Carrier:	Cigna	
Rebates		**Savings Opportunity**
Are rebates provided to you *only* in the form of administrative fee credits?	No	$63,000
What is the estimated rebate credit the plan sponsor will receive this year in total?	$125,000	
AWP Discount Guarantees		
If discounts off AWP are available, are they guaranteed?	No	$51,000
Does the contract provide the plan sponsor with full auditing privileges that are not limited in scope?	No	
Does the contract allow for offsetting financial guarantees in one category with additional costs in another category?	Yes	
AWP Discount Competitiveness		
Rate the competitiveness of the contractual AWP discounts:	Average +/-1%	$50,000
Does the PBM *exclusively* use Medi-Span® or First Databank® to define brand and generic medications?	No	
Formulary Definitions		
Are "specialty drug" definitions clear and objectively defined?	No	$44,000
Are you on a broad formulary or a narrow formulary? **Requires rebate section to be completed first*	Broad	
Other		
Is the contract considered traditional or pass-through?	Traditional	$38,000
Target Achievable R_x Cost →		$1,004,000, a 19.7% savings opportunity

- USI's proprietary tool assesses the financial impact of a change from the current terms and conditions to that of a top-quartile performing contract
- In order to achieve maximum savings, a change in pharmacy provider may be required

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Pharmacy Savings Opportunities

Sample Rx Savings Opportunity Analysis

		USI BoB
Plan Year	2022	2022
Estimated Average Members	575	
Estimated PMPM Total Spend	**$276**	**$137**
"Above the line" Savings (headline pricing and contract)		
Rx Spend - Renewal	**$1,906,650**	
*Improvement in Acquisition Cost (15% conservative)	$285,998	
New Rx Spend	$1,620,653	
Rx Plan Rebate Yield (22% conservative, excludes medical plan Rx)	$372,750	
Current Rebate Credit	$217,366	
Net Rx Spend Prior to Member Share (ignoring lag in rebates)	**$1,465,268**	$212
Potential Savings	**$441,382**	
	23%	
Member friendly programs that will reduce Rx spend if not already implemented:		
Manufacturer Coupons - 2% to 5% of Total Plan Spend: (conservative 3%)	$48,620	
Needs based foundational assistance (PAP) - 10% to 25% (10% conservative)	$162,065	
Member Voluntary Adherence and Rx Switching - 3% to 7% (5% conservative)	$81,033	
Low Value Drug Exclusions- 0.5% to 3% (1.5% conservative)	$24,310	
Potential Below The Line Savings	**$316,027**	**$167**
	17%	

* Assumes Current Design, UM, CM, PBM and Spread Pricing Model. Pass-thru NADAC may yield an additiona 5% to 10%

	Total Rx Spend	Annual Increase	Annual %	Cummulative %	Average %
1/1/2019 to 12/31/2019	$1,441,562				
1/1/2020 to 12/31 /2020	$1,686,170	$244,609	17.0%		
1/1/2021 to 12/31/2021	$1,773,884	$87,714	5.2%		
1/1/2022 to 12/31 /2022	$2,067,846	$293,962	16.6%	43.4%	14.5%

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5 Things Companies Should Do Related to Insurance

1. Truly understand your risk – Data drives good quantitative decisions.
2. Know the market.
3. Leverage available resources to optimize results.
4. Develop a holistic risk management approach on all exposures.
5. Empower yourself and your team in the decision-making process.

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