

CARRIER TREND REPORT

JULY 2018 ANALYSIS

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1. REPORT OVERVIEW

Oliver Wyman Actuarial Consulting, Inc. developed the Carrier Trend Survey in order to conduct market research in the health insurance and HMO industry. Specific individual carrier or HMO responses are held in strict confidence.

This report summarizes the July 2018 trends from the survey that Oliver Wyman sent to healthcare carriers in May 2018. A summary of the median trends is shown in the table to the right. The coverage specific results are discussed in the Executive Summary. We intend this report to be of use to carriers, brokers, state insurance agencies and other interested parties who are affected by the trends in the cost of healthcare.

This report presents pricing trends used by the participating companies in the development of their rates for July 2018.¹ These trends are used to develop premiums for approximately 98.5 million group members as reported by the participating companies. (We have made no attempt to eliminate the effects that dual coverage may have on these trends.) In addition, this edition of the report reflects pricing trends for about 4.3 million members with individual health policies, about 6.2 million Medicare members and 4.2 million Medicaid members.

Note that the survey results shown in Section 3 of this report are aggregated and stratified by percentile. The intent is to show the range of trends currently being employed by the insurance community as of July 2018. The 100th percentile represents the highest trend reported. The 0th percentile represents the lowest trend reported.

To a limited extent, we asked respondents to provide trends for specific benefit designs. We have not made adjustments to the reported trends if respondents provided trends for benefit designs other than those specified.

Section 4 of this report contains the historical median trends.

CATEGORY	MEDIAN TREND ²
Group Medical Indemnity	9.50%
Group Medical PPO	6.92%
Group Medical POS	8.10%
Group Medical HMO	7.50%
Prescription Drug	10.50%
Group Dental Indemnity	4.00%
Group Dental PPO	4.50%
Group Dental DHMO	3.75%
Group Vision Indemnity	2.75%
Group Vision PPO	4.00%
Medicare Supplement with Drug	4.20%
Medicare Supplement without Drug	3.00%
Medicare Advantage with Drug	3.30%
Medicare Advantage without Drug	3.00%
Medicare Part D Standard Plan	5.00%
Individual Medical Indemnity	8.44%
Individual Medical PPO	7.23%
Individual Medical POS	6.01%
Individual Medical HMO	7.67%
Group Medical HSA with Drug	8.53%
Group Medical HSA without Drug	7.12%
Individual Medical HSA with Drug	8.54%
Individual Medical HSA without Drug	7.12%
Specific Stop Loss \$50,000	12.85%
Specific Stop Loss \$150,000	13.00%
ASO Fees	3.00%
Medicaid	3.40%

¹ There are some categories that experienced a significant change in membership from the January 2018 report. Some of the changes in trends may be attributable to a different mix in respondents.

² Group Vision Prepaid trends have been excluded from this report due to the low number of responses.

2. EXECUTIVE SUMMARY

The median group medical trends remained relatively stable from the January 2018 survey. Group medical PPO and HMO products showed slight decreases while group indemnity and POS products remained unchanged. The median trend for PPO products has the lowest median trend among the group medical products at 6.92%, and the group indemnity products continue to show the highest median trend among the group medical products at 9.50%.

The prescription drug median trend experienced half a percentage point increase from the prior survey, returning the trend to July 2017 levels. The sample and weighted averages decreased by 0.56 and 0.67 percentage points, respectively. The median trend is currently set at 10.50%.

The median trends for group dental indemnity and PPO products remain unchanged from January 2018 levels, while the median trend for group dental HMO decreased by a quarter of a percentage point. The median group dental trend ranges from 3.75% (HMO) to 4.50% (PPO).

The median trend decreased from January 2018 levels for group vision indemnity products, while the median trend increased for group vision PPO products. Group vision indemnity products experienced a 1.25% decrease, while group vision PPO products experienced a 1.80% increase.

Medicare Supplement products with prescription drug coverage experienced a decrease of 0.90 percentage points in median trend, while Medicare Supplement products without prescription drug coverage remained unchanged from the prior survey.

The median trend decreased slightly by 0.10 percentage points for Medicare Advantage (MA) products without prescription drug coverage, while the median trend increased by 0.20 percentage points from January 2018 levels for MA products with prescription drug coverage. The median trend for Medicare Part D products dropped by 4.10%, resulting in a median trend of 5.00%. This is the lowest median trend observed for this category since

the July 2014 survey. However, with a limited number of respondents this decrease is most likely due to random fluctuations in the reported trends rather than a representation of trends utilized for these products.

The median trends increased from the January 2018 survey for all HSA products. The median trends for HSA products have converged to range between 8.53% and 7.12%.

The median trends for individual medical indemnity and PPO products increased from January 2018 levels by 0.64 and 1.13 percentage points, respectively. The median trend for HMO products decreased marginally, while the median trend for POS products decreased by 1.99% from the prior survey. Indemnity products have the highest median trend among all individual products at 8.44%, while POS products have the lowest median trend at 6.01%. Results for individual POS products could be due to random fluctuations in reported trends due to a low number of respondents.

The median trends for \$50,000 Specific Stop Loss increased by half a percentage point, while \$150,000 Specific Stop Loss products decreased from the last survey by 1.70 percentage points. In addition, the weighted and sample averages decreased significantly for both products.

The Medicaid median trend is currently 3.40%, half a percentage higher than the 2.90% experienced in January 2018. This trend has experienced significant variation historically which may be caused by a change in mix of respondents.

The ASO fees median trend remains unchanged from the prior survey. The current 3.00% median trend has remained the same since January 2014, with July 2017 as the only outlier with a trend of 2.00%.

3. RESULTS FOR JULY 2018

The following charts show trends for:

- Group Medical
- Prescription Drug and Dental
- Group Vision
- Medicare Supplement Products
- Medicare Advantage Products
- High Deductible Health Plans
- Individual Medical
- Stop Loss, ASO Fees and Medicaid

Exhibit 1: Group Medical Pricing Trends

ANNUAL TREND

25%

20%

15%

10%

5%

0%

Group Medical Indemnity

Group Medical PPO

Group Medical POS

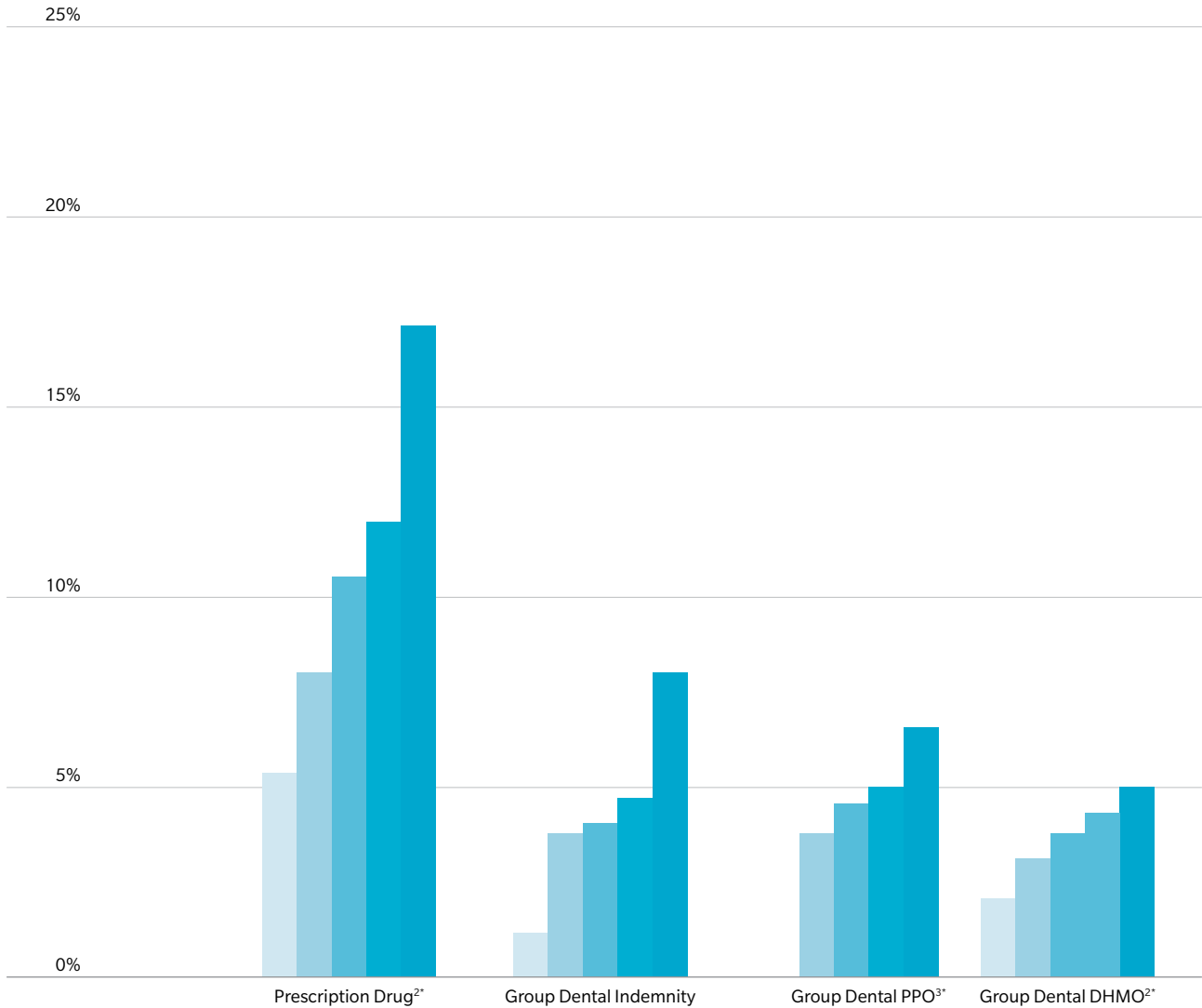
Group Medical HMO

# of Responses	36	59	34	41
Exposures ^{1*}	1,258,896	54,888,162	18,062,752	9,045,213
100th Percentile	16.94%	12.50%	11.00%	11.00%
75th Percentile	12.25%	9.50%	8.70%	8.70%
Median	9.50%	6.92%	8.10%	7.50%
25th Percentile	8.50%	5.34%	7.90%	4.80%
0th Percentile	2.60%	2.60%	1.80%	1.80%
Sample Average	9.45%	7.69%	7.00%	6.87%
Weighted Average	10.53%	7.29%	8.23%	6.87%

^{1*} Based on member counts.

Exhibit 2: Prescription Drug and Dental Pricing Trends

ANNUAL TREND



	63	31	43	10
# of Responses	63	31	43	10
Exposures ^{1*}	48,337,445	3,399,563	37,142,604	3,565,011
100th Percentile	17.09%	8.00%	6.50%	5.00%
75th Percentile	11.90%	4.70%	5.00%	4.19%
Median	10.50%	4.00%	4.50%	3.75%
25th Percentile	8.00%	3.70%	3.75%	3.00%
0th Percentile	5.30%	1.00%	0.00%	2.00%
Sample Average	10.30%	4.00%	3.65%	3.63%
Weighted Average	9.96%	4.24%	4.36%	3.97%

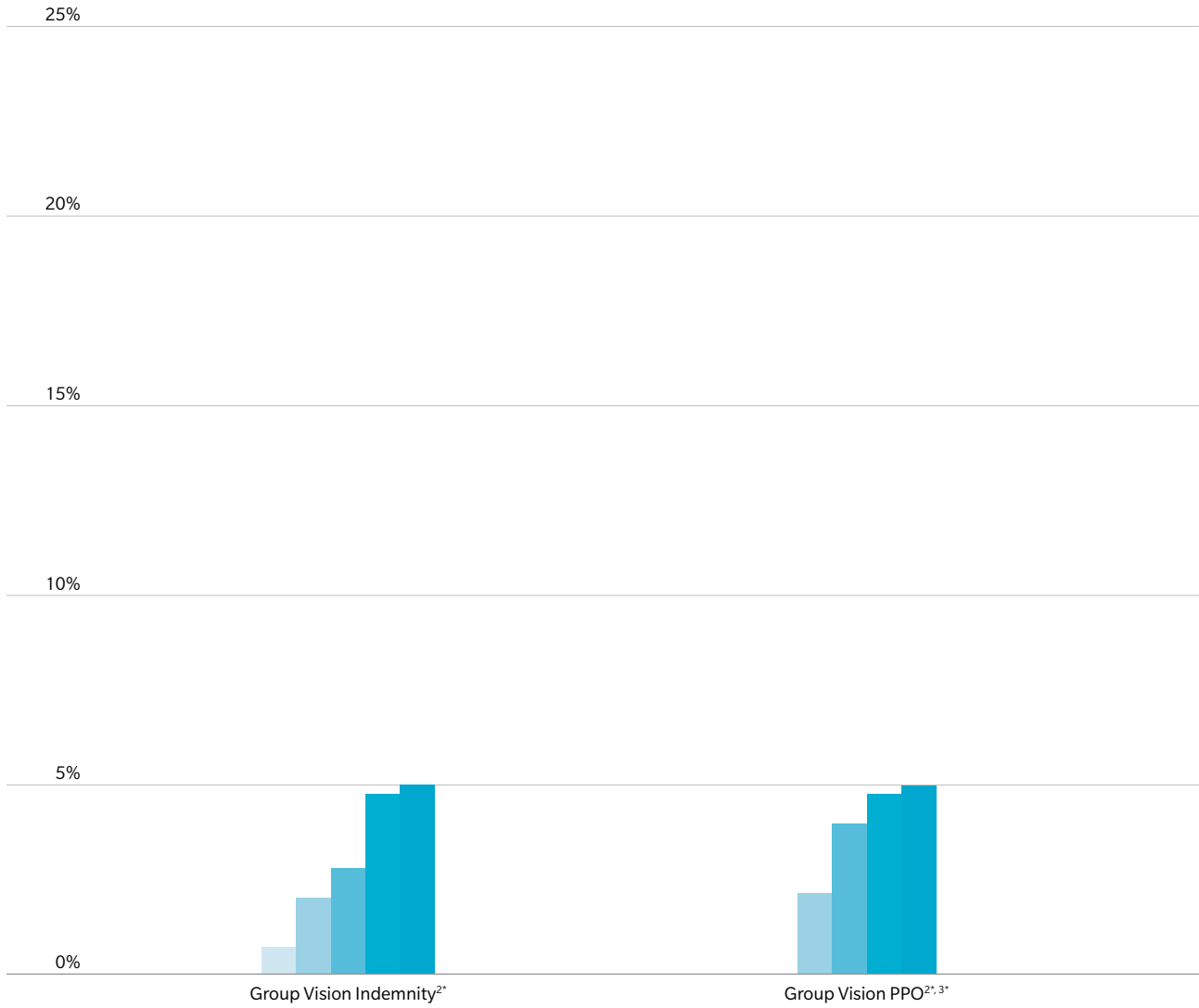
1* Based on member counts.

2* Percentiles for Prescription Drug and Group Dental HMO products are based on number of respondents, as opposed to member counts.

3* The zero trend is not an error, at least one carrier reported a zero trend.

Exhibit 3: Group Vision Pricing Trends

ANNUAL TREND



# of Responses	10	26
Exposures ^{1*}	8,862,184	31,342,585
100th Percentile	5.00%	5.00%
75th Percentile	4.75%	4.75%
Median	2.75%	4.00%
25th Percentile	2.00%	2.13%
0th Percentile	0.70%	0.00%
Sample Average	3.02%	3.25%
Weighted Average	2.22%	2.58%

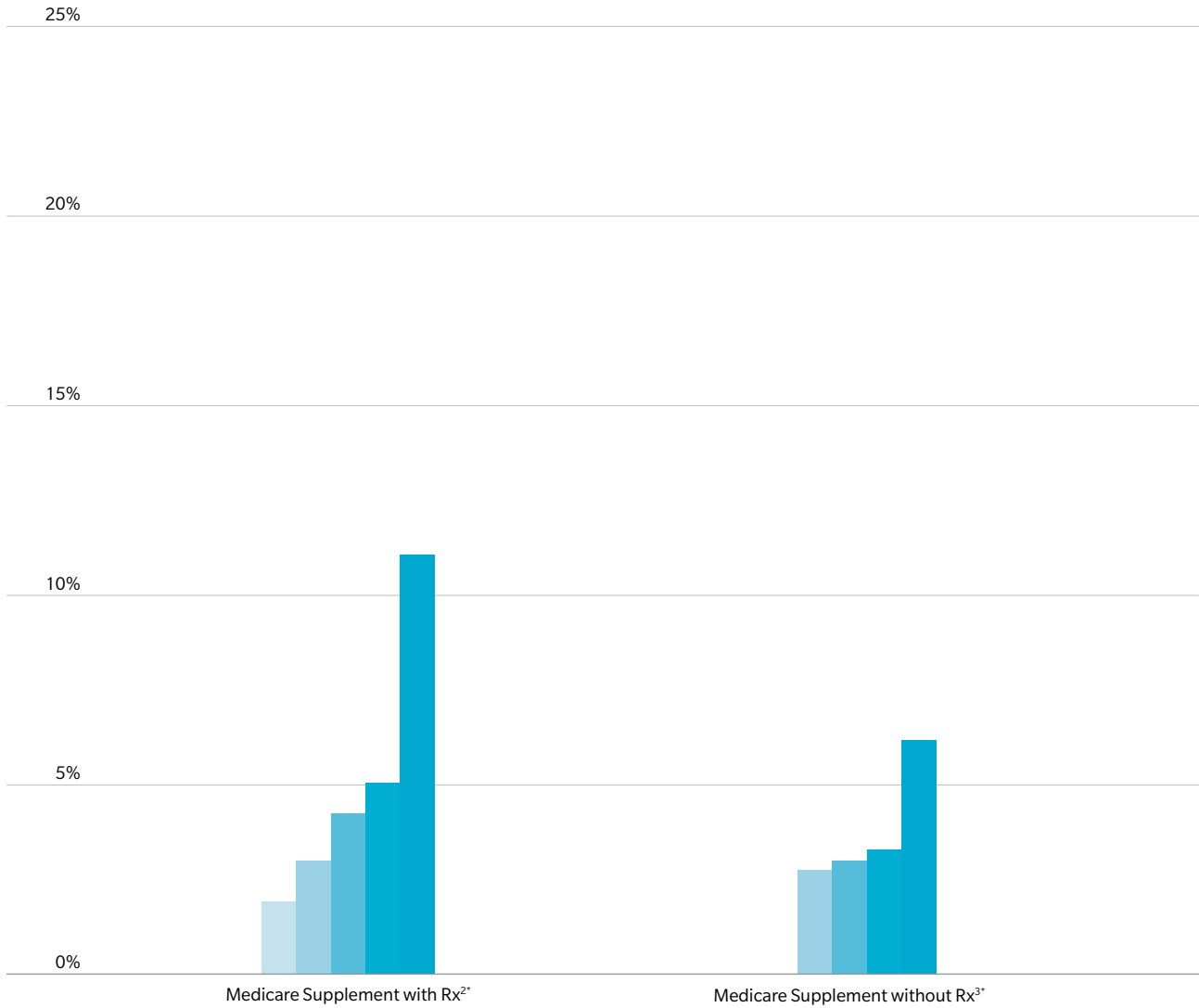
1* Based on member counts.

2* Percentiles for Group Vision Indemnity and PPO products are based on the number of respondents, as opposed to member counts.

3* The zero trend is not an error; at least one carrier reported a zero trend.

Exhibit 4: Medicare Supplement Products Pricing Trends

ANNUAL TREND



	23	33
# of Responses	23	33
Exposures ^{1*}	265,255	2,572,820
100th Percentile	10.97%	6.10%
75th Percentile	5.05%	3.20%
Median	4.20%	3.00%
25th Percentile	2.95%	2.71%
0th Percentile	1.80%	-0.93%
Sample Average	4.32%	3.53%
Weighted Average	6.78%	3.06%

1* Based on member counts.

2* Percentiles for Medicare Supplement with Rx products are based on number of respondents, as opposed to member counts.

3* The negative trend is not an error; at least one carrier reported a negative trend.

Exhibit 5: Medicare Advantage Products Pricing Trends

ANNUAL TREND

25%

20%

15%

10%

5%

0%

Medicare Advantage with Rx^{2*}

Medicare Advantage without Rx^{2*}

Medicare Part D Standard Plan^{2*}

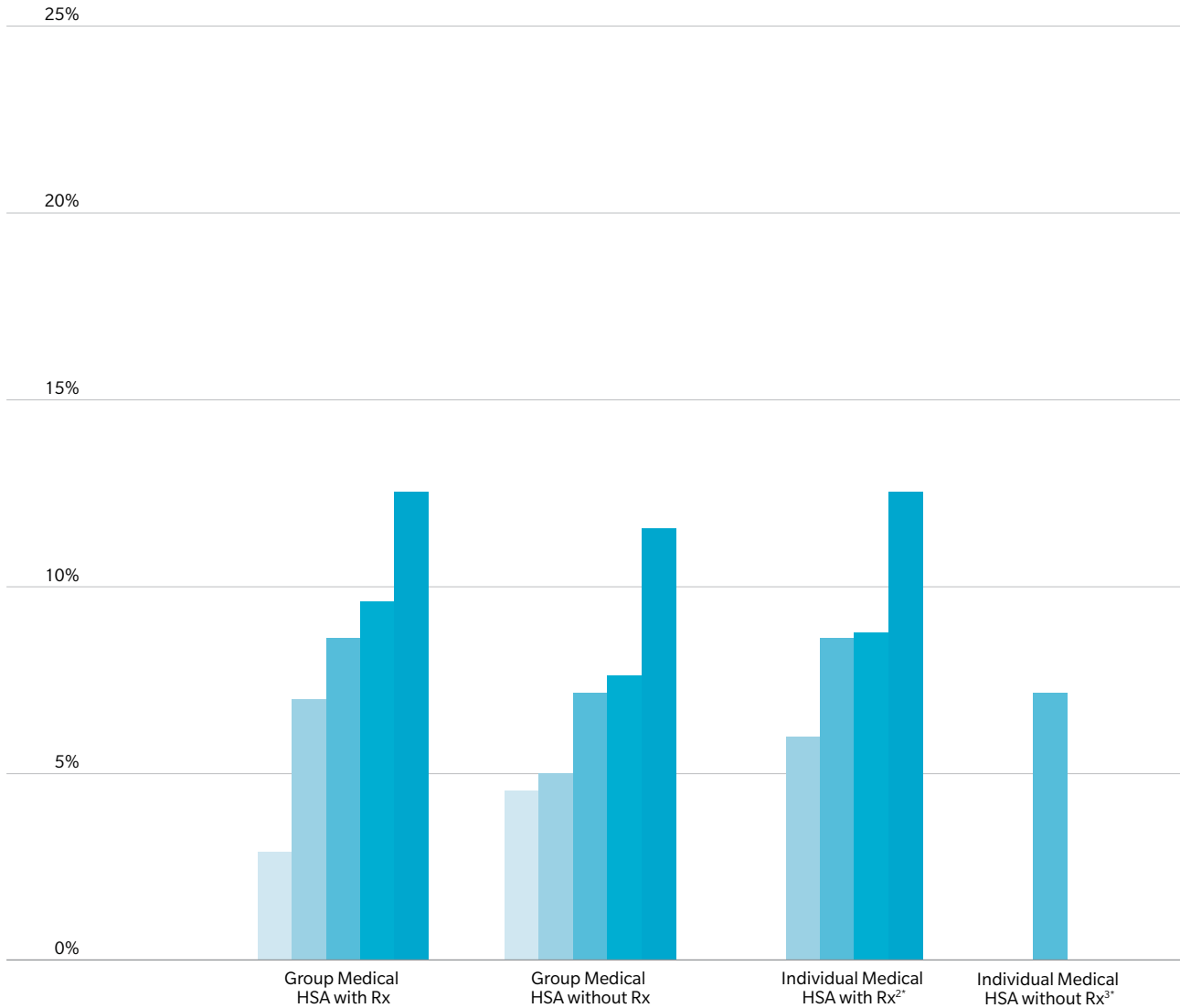
# of Responses	33	22	14
Exposures ^{1*}	2,227,245	882,350	205,467
100th Percentile	6.87%	6.40%	15.70%
75th Percentile	5.10%	3.06%	9.71%
Median	3.30%	3.00%	5.00%
25th Percentile	3.00%	2.96%	2.70%
0th Percentile	0.00%	0.00%	0.00%
Sample Average	3.72%	3.26%	5.59%
Weighted Average	4.05%	3.20%	6.64%

1* Based on member counts.

2* The zero trend is not an error; at least one carrier reported a zero trend.

Exhibit 6: High Deductible Health Plans Pricing Trends

ANNUAL TREND



	Group Medical HSA with Rx	Group Medical HSA without Rx	Individual Medical HSA with Rx ^{2*}	Individual Medical HSA without Rx ^{3*}
# of Responses	48	31	28	7
Exposures ^{1*}	7,549,568	7,734,978	453,049	14,281
100th Percentile	12.45%	11.59%	12.60%	-
75th Percentile	9.50%	7.60%	8.75%	-
Median	8.53%	7.12%	8.54%	7.12%
25th Percentile	7.00%	5.00%	6.01%	-
0th Percentile	2.79%	4.50%	-1.97%	-
Sample Average	7.91%	7.18%	7.03%	7.87%
Weighted Average	8.11%	6.61%	7.37%	6.37%

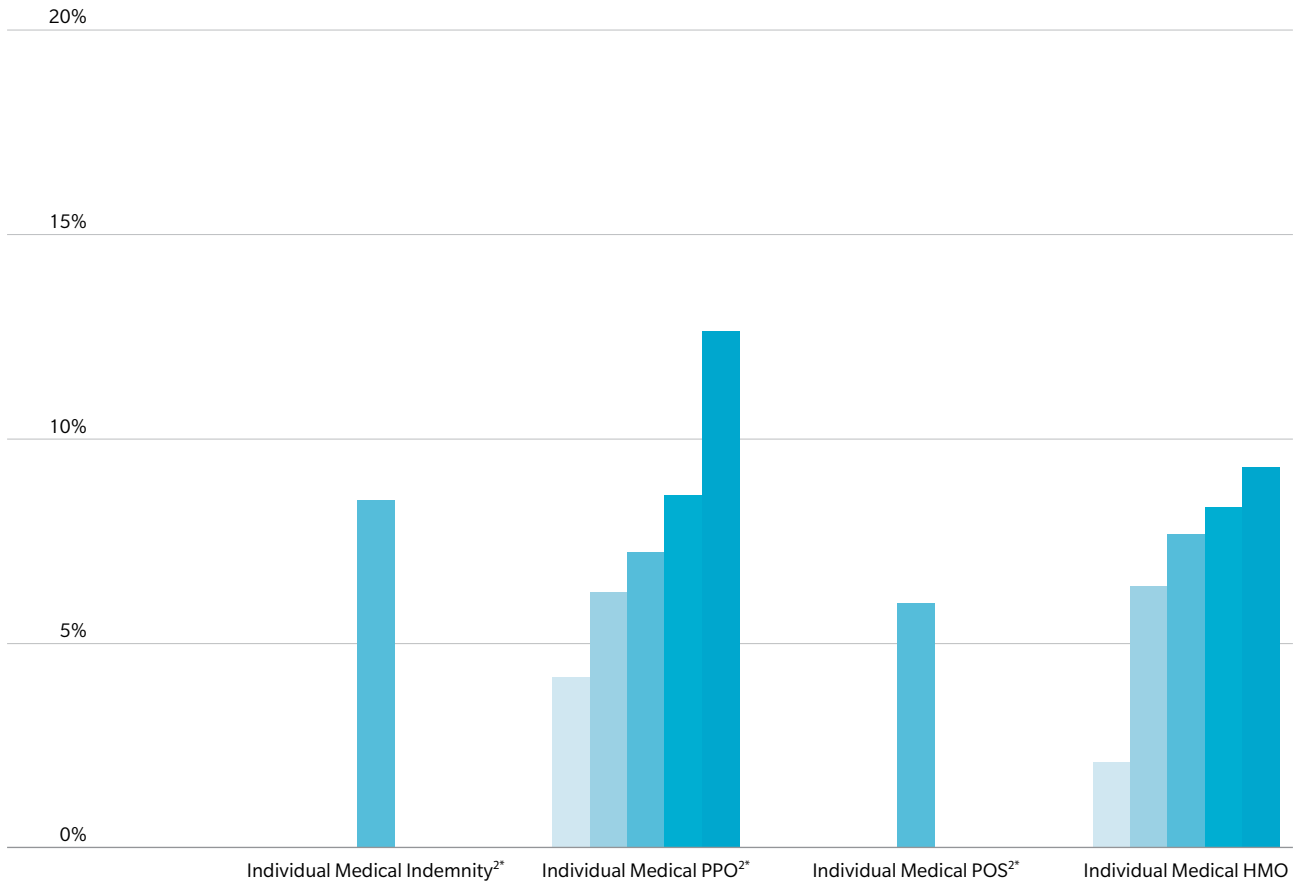
1* Based on member counts.

2* The negative trend is not an error; at least one carrier reported a negative trend.

3* Percentiles for Individual Medical HSA without Rx is based on number of respondents, as opposed to member counts.

Exhibit 7: Individual Medical Pricing Trends

ANNUAL TREND
25%



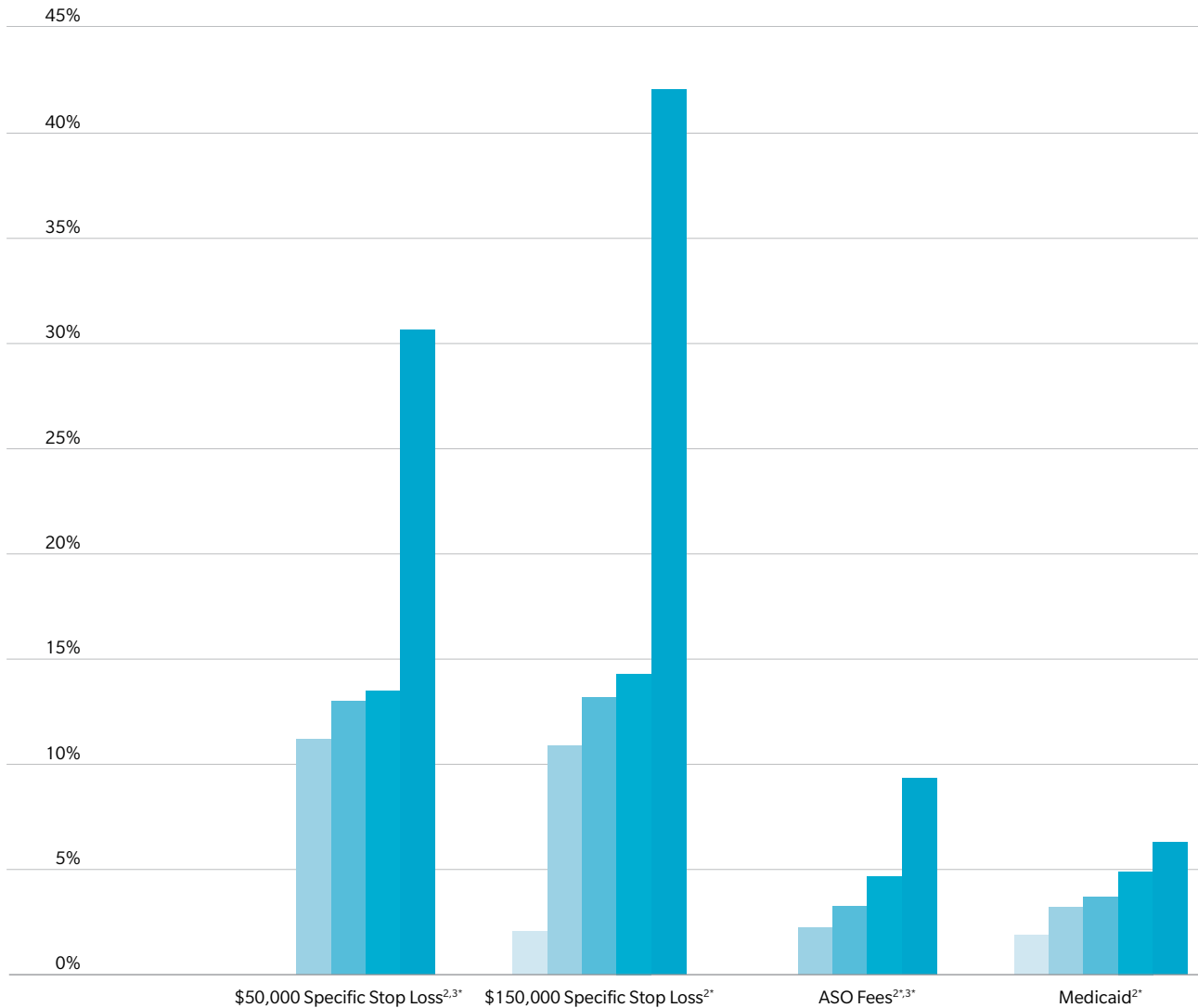
	6	28	5	18
# of Responses	6	28	5	18
Exposures ^{1*}	14,815	1,673,071	16,882	2,134,966
100th Percentile	-	12.60%	-	9.25%
75th Percentile	-	8.55%	-	8.30%
Median	8.44%	7.23%	6.01%	7.67%
25th Percentile	-	6.23%	-	6.40%
0th Percentile	-	4.10%	-	2.02%
Sample Average	8.12%	7.58%	5.43%	6.12%
Weighted Average	8.01%	7.32%	-0.96%	7.04%

1* Based on member counts.

2* Percentiles for Individual Medical Indemnity, PPO, and POS products are based on number of respondents, as opposed to member counts.

Exhibit 8: Stop Loss, ASO Fees and Medicaid Pricing Trends

ANNUAL TREND



	10	11	33	13
# of Responses	10	11	33	13
Exposures ^{1*}	459,481	1,529,740	25,262,432	4,183,358
100th Percentile	30.58%	42.14%	9.00%	6.10%
75th Percentile	13.30%	14.07%	4.80%	4.91%
Median	12.85%	13.00%	3.00%	3.40%
25th Percentile	11.06%	10.75%	2.00%	2.90%
0th Percentile	-12.54%	1.81%	-2.80%	1.57%
Sample Average	11.76%	13.60%	3.00%	3.75%
Weighted Average	6.79%	13.19%	4.02%	3.41%

1* Based on member counts.

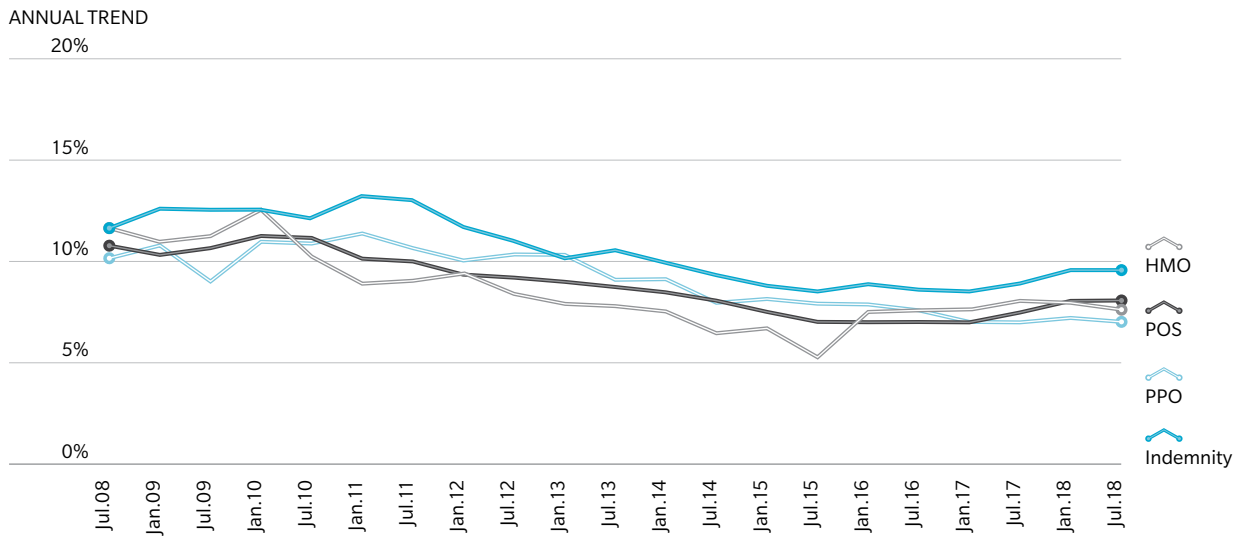
2* Percentiles for Stop Loss products, Medicaid products and ASO fees are based on the number of respondents, as opposed to member counts.

3* The negative trend is not an error; at least one carrier reported negative trends.

4. HISTORICAL EXPERIENCE

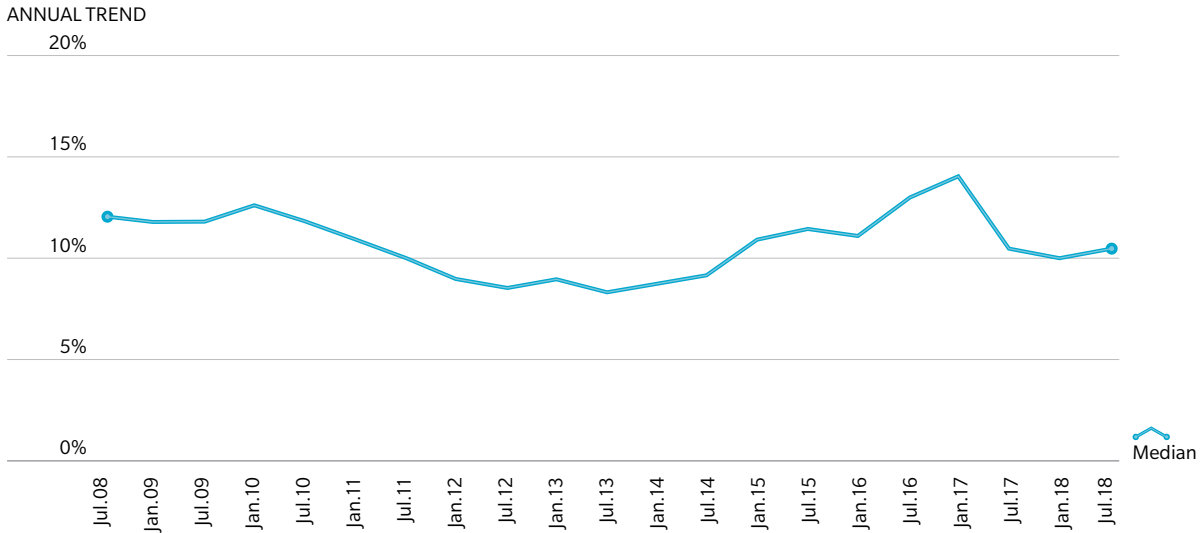
This section shows the median of the trends reported by carriers from July 2008 forward.

Exhibit 9: Median Group Medical Trends



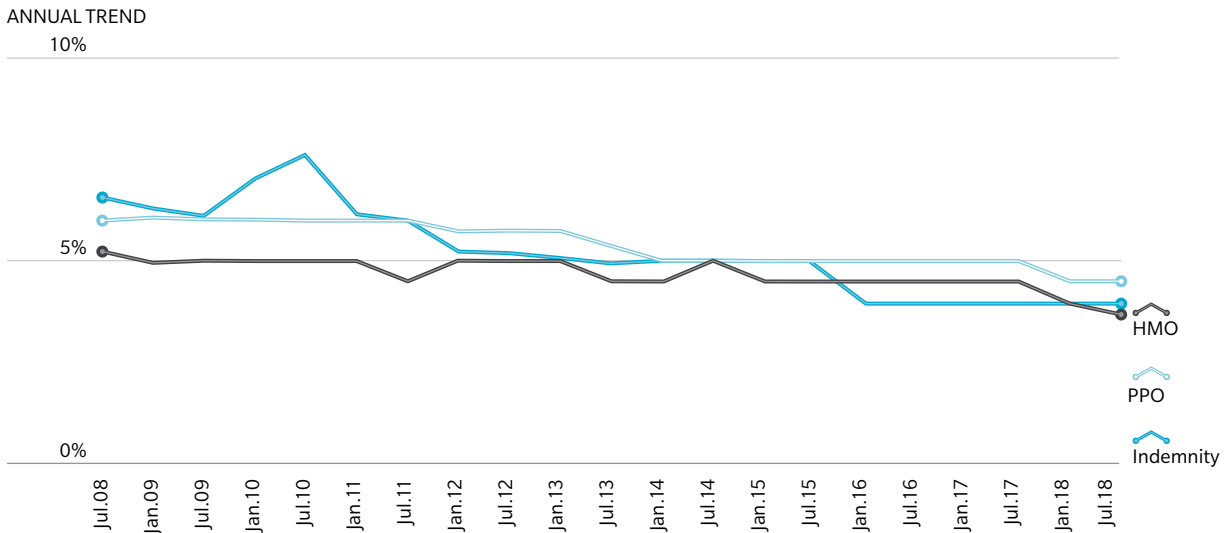
The median trends have remained relatively stable since the January 2016 survey. The median trends for group medical PPO and HMO products have decreased slightly, while the median trend for group medical indemnity and POS products remained unchanged. The group medical median trends range from 6.92% (PPO) to 9.50% (indemnity).

Exhibit 10: Median Prescription Drug Trend



The prescription drug median trend increased by half a percentage point from the January 2018 survey. The median trend is currently at 10.50%, which is a return to July 2017 median trend levels.

Exhibit 11: Median Group Dental Trends

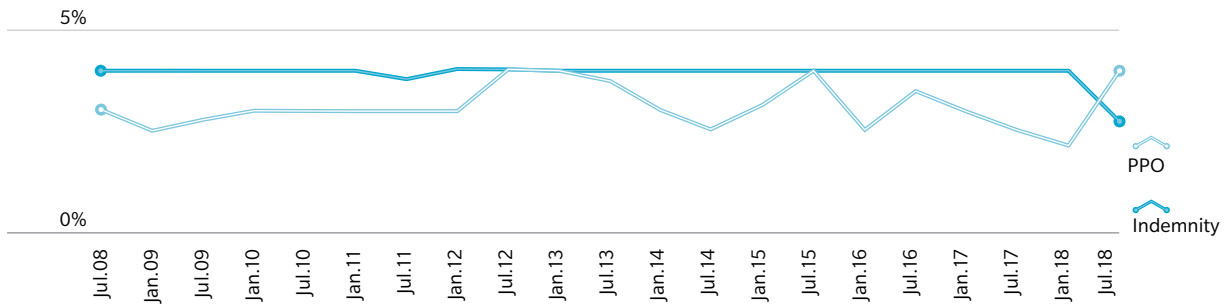


The median trend for group dental indemnity and PPO products remain unchanged from January 2018 levels, while the median trend for group dental HMO products decreased slightly. The median group dental trend ranges from 3.75% (HMO) to 4.50% (PPO).

Exhibit 12: Median Group Vision Trends

ANNUAL TREND

10%

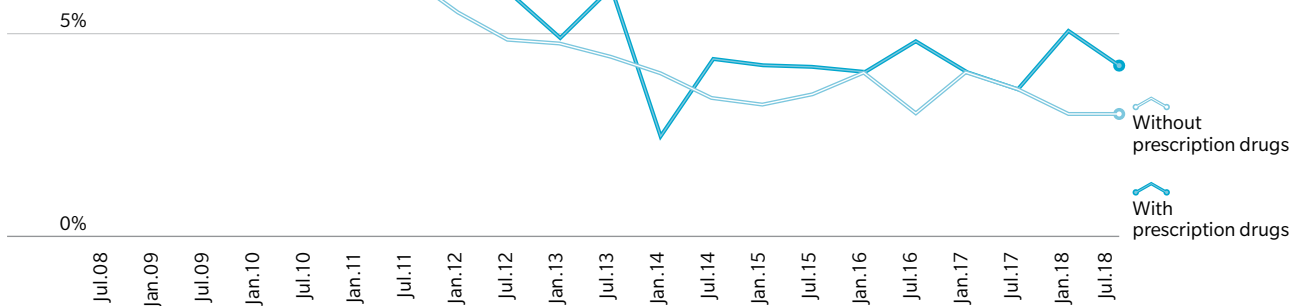


The median trend decreased from January 2018 levels for group vision indemnity products, while increasing for group vision PPO products. The group vision indemnity median trend has deviated for the first time since January 2012 by a decrease of 1.25 percentage points.

Exhibit 13: Median Medicare Supplement Trends

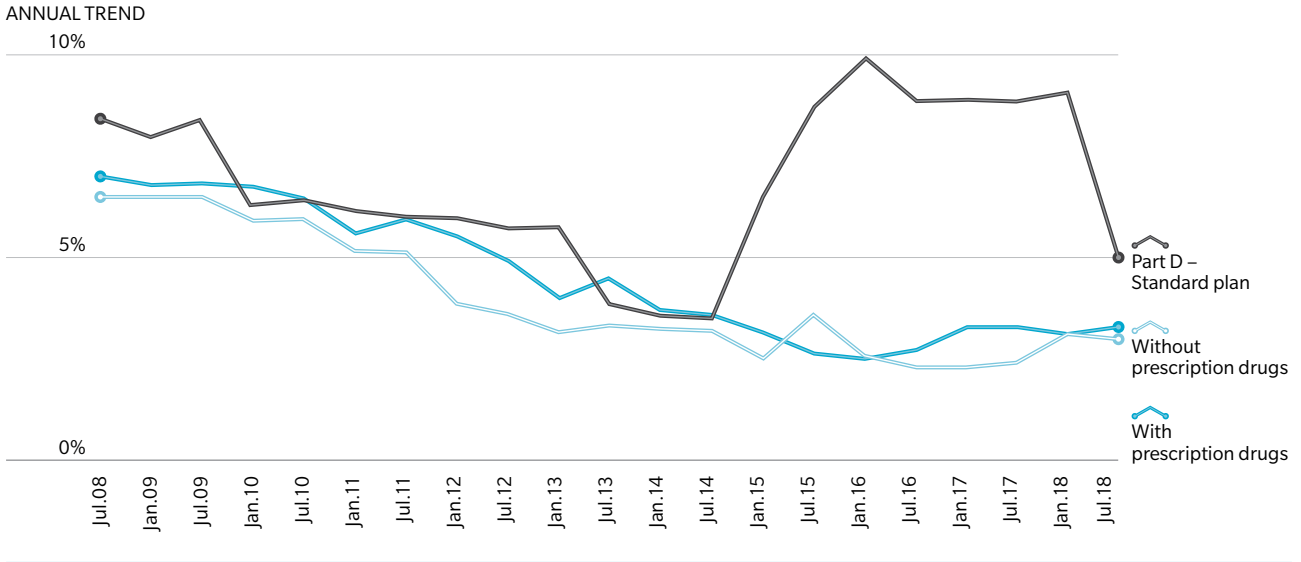
ANNUAL TREND

10%



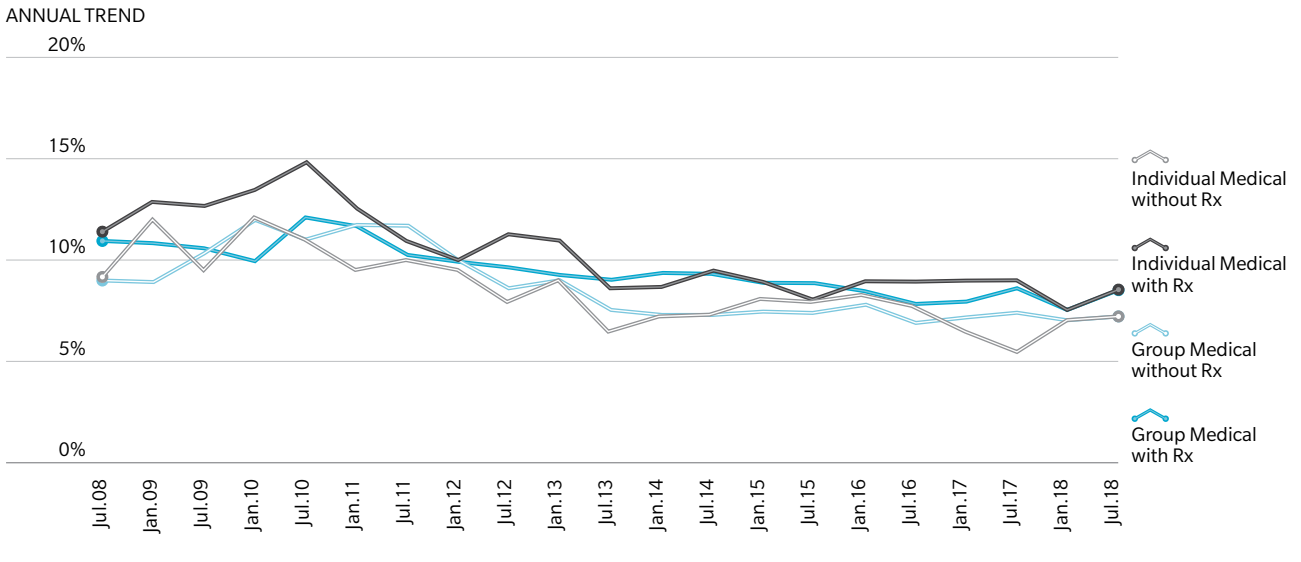
The median trend for Medicare Supplement products with prescription drug coverage decreased by 0.90 percentage points from January 2018 levels. The median trend for Medicare Supplement products without prescription drug coverage remains at January 2018 survey levels.

Exhibit 14: Median Medicare Advantage Trends



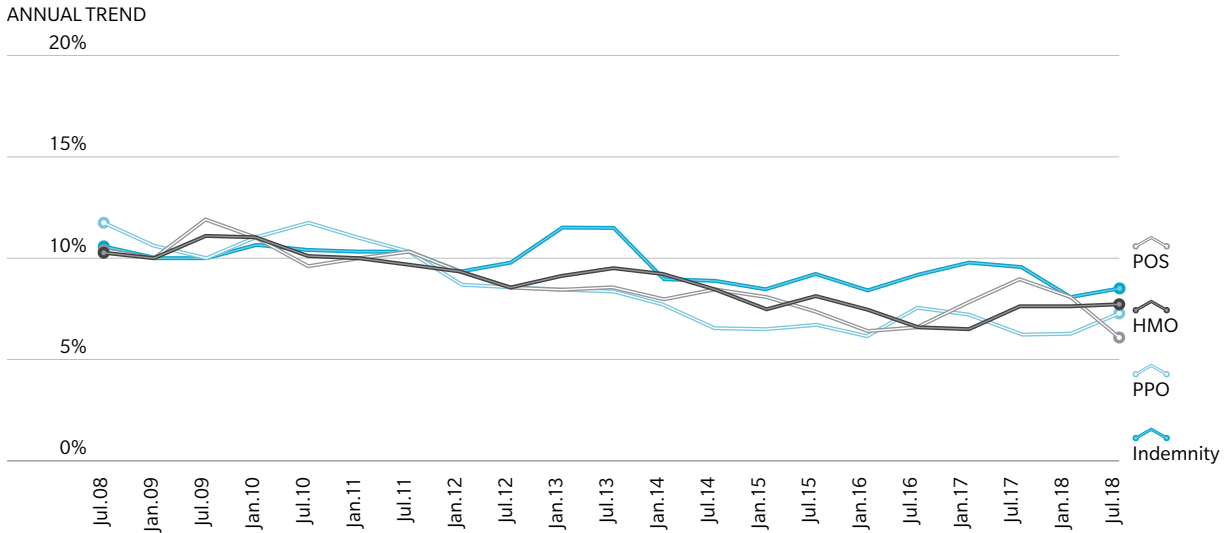
The median trend for Medicare Advantage products both with and without prescription drugs changed marginally from the January 2018 survey, with a slight increase for Medicare Advantage products with prescription drugs and a slight decrease for Medicare Advantage products without prescription drugs. The Medicare Part D trend is at its lowest level since July 2014 but with limited exposures the drop is most likely due to random fluctuation in the reported trend.

Exhibit 15: Median High Deductible Health Plans Trends



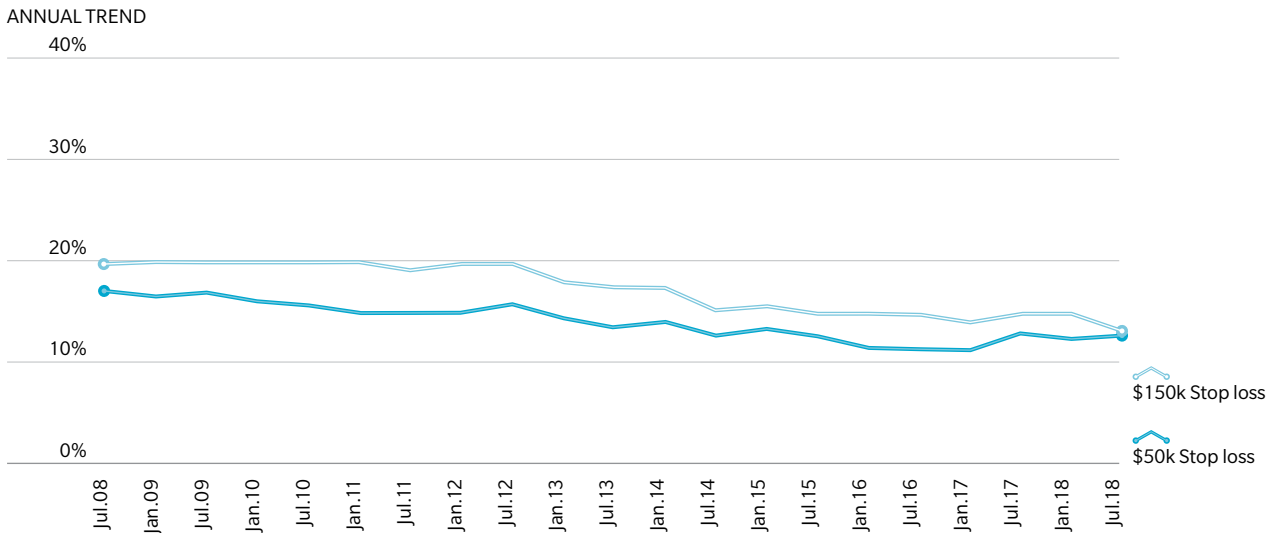
The median trend for individual medical HSA products and group medical HSA products increased from the prior survey. The HSA products have median trends ranging between 7.12% and 8.54%.

Exhibit 16: Median Individual Medical Trends



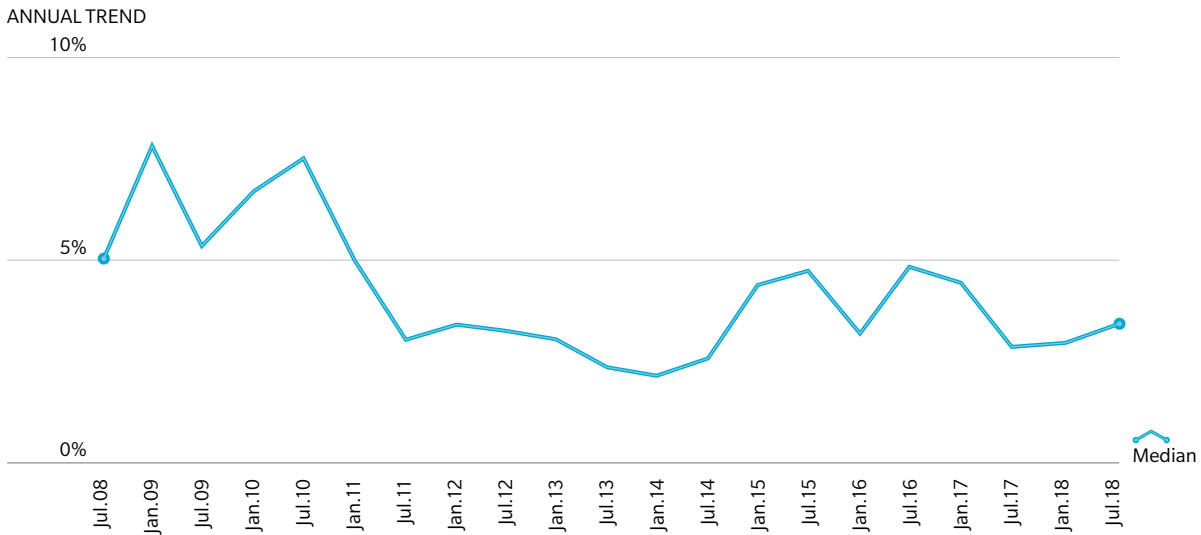
The median trends for individual medical indemnity and PPO products increased from the January 2018 survey, while the median trends for individual medical HMO and POS products decreased. Individual medical POS products show the lowest median trend among the individual products at 6.01%.

Exhibit 17: Median Specific Stop Loss Trends



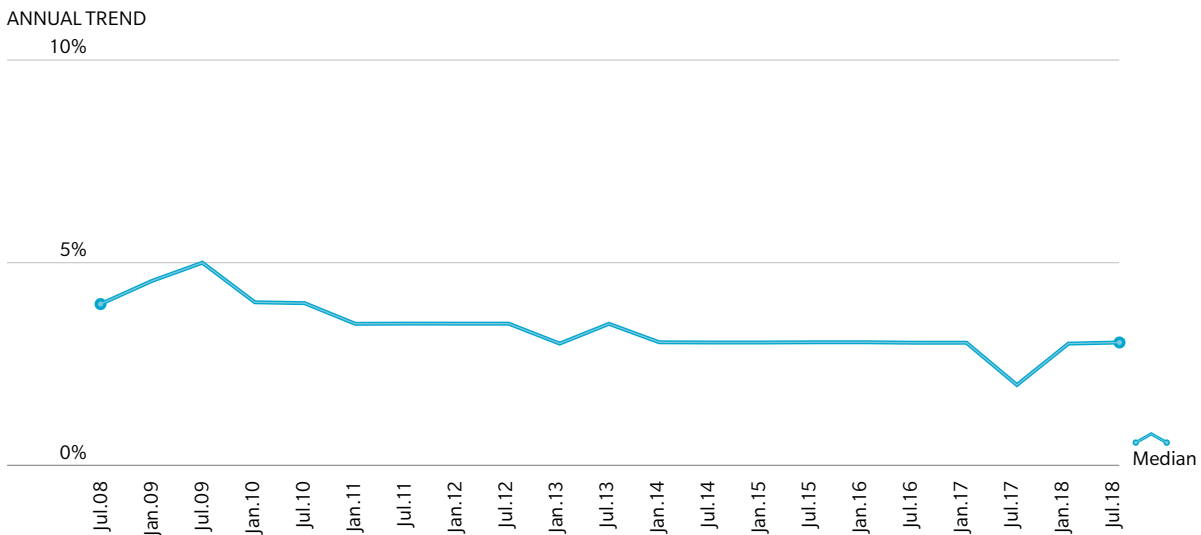
The \$50,000 stop loss median trend increased slightly from the January 2018 survey levels, while the \$150,000 stop loss median trend decreased from January 2018 levels. The \$50,000 stop loss median trend is currently 12.85% while the \$150,000 stop loss median trend is at 13.00%, the lowest trend experienced in the last ten years.

Exhibit 18: Median Medicaid Trend



The median Medicaid trend increased by 0.50 percentage points from the prior survey. The fluctuation in the historical median trend for Medicaid products could be due to the small number of respondents, rather than actual pricing trends.

Exhibit 19: Median ASO Fees Trend



The median trend for ASO is 3.00%, which is consistent with the January 2018 survey. With the exception of the July 2017 survey, the median trend for ASO products has remained at 3.00% since January 2014.

5. PARTICIPATING PROVIDERS

Aetna	Excellus BlueCross BlueShield (Central New York)
Anthem Blue Cross Blue Shield (Colorado)	Excellus BlueCross BlueShield (Rochester)
Anthem Blue Cross Blue Shield (Connecticut)	Excellus BlueCross BlueShield (Utica-Watertown)
Anthem Blue Cross Blue Shield (Maine)	Florida Blue
Anthem Blue Cross Blue Shield (Nevada)	Group Hospitalization Medical Services, Inc.
Anthem Blue Cross Blue Shield (New Hampshire)	Guarantee Trust Life Insurance Company
Anthem Blue Cross Blue Shield of Georgia	Health Net of California, Inc.
Anthem Blue Cross Blue Shield of Indiana	Highmark Blue Cross Blue Shield
Anthem Blue Cross Blue Shield of Kentucky	Highmark Blue Cross Blue Shield of Delaware
Anthem Blue Cross Blue Shield of Missouri	Highmark Blue Cross Blue Shield of West Virginia
Anthem Blue Cross Blue Shield of Ohio	Highmark Blue Shield
Anthem Blue Cross Blue Shield of Virginia	HM Insurance Group
Anthem Blue Cross Blue Shield United of Wisconsin	Horizon Blue Cross Blue Shield New Jersey
Anthem Blue Cross of California	Independence Blue Cross
Anthem Empire Blue Cross Blue Shield (New York)	Moda Health
Blue Care Network of Michigan	Network Health
Blue Cross and Blue Shield of Illinois	Northeast Delta Dental
Blue Cross and Blue Shield of Kansas City	Optima Health
Blue Cross and Blue Shield of Massachusetts	PacificSource Health Plans
Blue Cross and Blue Shield of Minnesota	Paramount Health Care
Blue Cross and Blue Shield of Nebraska	Physicians Health Plan of Northern Indiana, Inc.
Blue Cross and Blue Shield of New Mexico	Premera Blue Cross Blue Shield of Alaska
Blue Cross and Blue Shield of Oklahoma	Premera Blue Cross of Washington
Blue Cross and Blue Shield of Texas	Priority Health
Blue Cross Blue Shield of Alabama	Regence Blue Cross Blue Shield of Oregon
Blue Cross Blue Shield of Arizona	Regence Blue Cross Blue Shield of Utah
Blue Cross Blue Shield of Michigan	Regence Blue Shield of Idaho
Blue Cross Blue Shield of Montana	Regence Blue Shield of Washington
Blue Shield of California	Security Health Plan of Wisconsin, Inc.
BlueCross BlueShield of Tennessee	SelectHealth
Capital Blue Cross	Sentry Life Insurance Company
CareFirst BlueChoice, Inc.	Transamerica Life Insurance Company
CareFirst Blue Cross Blue Shield	Trustmark Life Insurance Company
CareFirst of Maryland, Inc.	Tufts Health Plan
CIGNA Health Care	United Concordia Companies, Inc.
Davis Vision	UnitedHealthcare
Dean Health Plan	VOYA Financial
EPIC Life Insurance Company	Wellmark Blue Cross and Blue Shield of Iowa
Everence	Wellmark Blue Cross and Blue Shield of South Dakota

6. EXPOSURES BY LINE OF BUSINESS

		NUMBER OF CARRIERS RESPONDING	NUMBER OF RESPONSES	TOTAL REPORTED EXPOSURE
GROUP MEDICAL	Indemnity	22	36	1,258,896
	PPO	35	59	54,888,162
	POS	24	34	18,062,752
	HMO	30	41	9,045,213
				83,255,023
INDIVIDUAL MEDICAL	Indemnity	5	6	14,815
	PPO	19	28	1,673,071
	POS	5	5	16,882
	HMO	18	18	2,134,966
				3,839,734
HIGH DEDUCTIBLE HEALTH PLANS	Group Medical HSA with Rx	31	48	7,549,568
	Group Medical HSA without Rx	18	31	7,734,978
	Individual Medical HSA with Rx	20	28	453,049
	Individual Medical HSA without Rx	5	7	14,281
				15,751,876
PRESCRIPTION DRUG		38	63	48,337,445
MEDICARE SUPPLEMENT	Products with Rx benefits	19	23	265,255
	Products without Rx benefits	29	33	2,572,820
				2,838,075
MEDICARE ADVANTAGE	Products with Rx benefits	28	33	2,227,245
	Products without Rx benefits	18	22	882,350
				3,109,595
MEDICARE PART D STANDARD PLAN		13	14	205,467
MEDICAID		13	13	4,183,358
GROUP DENTAL	Indemnity	19	31	3,399,563
	PPO	29	43	37,142,604
	DHMO	10	10	3,565,011
				44,107,178
GROUP VISION	Indemnity	9	10	8,862,184
	PPO	19	26	31,342,585
				40,204,769
SPECIFIC STOP-LOSS	\$50,000	10	10	459,481
	\$150,000	9	11	1,529,740
				1,989,221
ASO FEES		21	33	25,262,432

This table shows the number of responses and the exposure by type of coverage. Not all carriers provide the entire range of products surveyed. Some carriers returned more than one response to distinguish trends by region.

The 'Number of Responses' and 'Total Reported Exposure' columns match the first and second summary rows of the graphs named '# of Responses' and 'Exposures' found in Section 3 of the report. The exposure numbers shown are those reported. No attempt has been made to account for any 'double counting' resulting from dual coverage.

7. ABOUT US

Oliver Wyman is a global leader in management consulting. With offices in 50+ cities across nearly 30 countries, Oliver Wyman combines deep industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation. The firm has more than 4,700 professionals around the world who help clients optimize their business, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities. Oliver Wyman is a wholly owned subsidiary of Marsh & McLennan Companies [NYSE: MMC].

The actuarial consulting practice of Oliver Wyman employs over 170 credentialed actuaries across North America and Europe. The firm's actuaries provide independent, objective advice by combining a broad range of expertise with specialized knowledge of specific risks. Oliver Wyman is committed to unparalleled mastery in actuarial and risk sciences, continually renewed by the breadth of each consultant's experiences and independent research. The actuarial practice continuously researches methods for evaluating, measuring reporting on risk and provides clear, timely communications in the three primary areas of risk for organizations: property and casualty, life and annuities, and healthcare.

Oliver Wyman's team of health actuaries are the leaders in innovative solutions to the ever changing healthcare environment. As the trusted advisors to insurers, healthcare providers, government agencies, law firms and regulators, clients turn to Oliver Wyman for high-level strategic advice, and the ability to model proposed reforms and respond to changes in regulations on both the state and federal levels. In addition to traditional actuarial services, such as the estimation of premium rates and claim liabilities, Oliver Wyman's health actuarial services include product pricing, rating models, annual statement certification, product feasibility, due diligence, reserve certifications, Medicare Advantage and Medicare Part D pricing and attestations, expert witness testimony and provider contracting models.

8. DISCLAIMER

The trends and exposures in the Carrier Trend Report are the trends and exposures that carriers provided in the Carrier Trend Survey. No audit was performed on the trends and exposures reported to ensure accuracy. We did follow up with a few carriers that had responses outside the normal range of replies.

Oliver Wyman is providing this Carrier Trend Report as a sample of current carrier pricing trends without endorsing, certifying, or recommending these trends for specific application.

For more information about this report or if you would like to participate in future surveys, please contact Beth R. Fritchen, FSA, MAAA or Justin Feagles, ASA, MAAA.

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