

CARRIER TREND REPORT

JULY 2019 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 2019 trends from the survey that Oliver Wyman sent to healthcare carriers in May 2019. 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 2019.¹ These trends are used to develop premiums for approximately 104.7 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 5.0 million members with individual health policies, about 6.7 million Medicare members and 4.1 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 2019. 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
Group Medical Indemnity	8.50%
Group Medical PPO	6.90%
Group Medical POS	8.10%
Group Medical HMO	7.20%
Prescription Drug	9.30%
Group Dental Indemnity	4.00%
Group Dental PPO	4.50%
Group Dental DHMO	3.75%
Group Vision Indemnity	1.50%
Group Vision PPO	2.50%
Medicare Supplement with Drug	4.20%
Medicare Supplement without Drug	3.60%
Medicare Advantage with Drug	4.00%
Medicare Advantage without Drug	4.75%
Medicare Part D Standard Plan	4.60%
Individual Medical Indemnity	6.10%
Individual Medical PPO	6.10%
Individual Medical POS	5.65%
Individual Medical HMO	7.20%
Group Medical HSA with Drug	8.30%
Group Medical HSA without Drug	6.70%
Individual Medical HSA with Drug	7.40%
Individual Medical HSA without Drug	7.10%
Specific Stop Loss \$50,000	11.65%
Specific Stop Loss \$150,000	13.40%
ASO Fees	3.00%
Medicaid	3.30%

¹ There are some categories that experienced a significant change in membership from the January 2019 report. Some of the changes in trends may be attributable to a different mix in respondents.

2. EXECUTIVE SUMMARY

The median group medical trends remained relatively stable from the January 2019 survey. Group medical indemnity, POS, and HMO products showed slight decreases while group medical PPO product showed a slight increase. The median trend for PPO products has the lowest median trend among the group medical products at 6.90%, and the group indemnity products continue to show the highest median trend among the group medical products at 8.50%.

The prescription drug median trend experienced a 0.30 percentage point decrease from the prior survey, which brings the trend to its lowest level since July 2014. However, both the sample and weighted averages increased slightly. The median trend is currently at 9.30%.

The median trend for group dental PPO products increased half a percentage point from January 2019 levels, while the median trend for group dental HMO and indemnity products decreased marginally. The median group dental trend ranges from 3.75% (HMO) to 4.50% (PPO).

Group vision indemnity products experienced a 1.00 percentage point decrease in median trend, while group vision PPO product remains unchanged. The group vision indemnity trends are now lower than the group vision PPO trends.

Medicare Supplement products with prescription drug coverage experienced an increase of 0.30 percentage points in median trend, while Medicare Supplement products without prescription drug coverage increased by 0.10 percentage points from the prior survey. However, there was a decrease in the sample and weighted averages for Medicare Supplement products with prescription drug and a decrease in the sample average for Medicare Supplement products without prescription drug.

The median trend increased by 0.10 and 0.85 percentage points for Medicare Advantage (MA) products with and without prescription drug coverage, respectively. The median trend for Medicare Part D products decreased by 0.40 percentage points from the prior survey; however, the weighted average trend increased 1.35%.

The median trend for all HSA products decreased from the January 2019 survey. The most significant change was a 1.50 percentage point decrease to 7.10% in the individual medical HSA without prescription drugs trend. Group medical HSA without drug continues to show the lowest median trend among all HSA products.

The median trends for individual medical indemnity and PPO products decreased by 1.75 and 1.20 percentage points from the last survey, while the median trend for POS products remains unchanged, and the HMO products increased by 0.60 percentage points. HMO products have the highest median trend among all individual products at 7.20%, while POS products have the lowest median trend at 5.65%. However, the sample and weighted average trend for individual HMO products is slightly lower than the individual PPO products.

The median trend for \$50,000 Specific Stop Loss products decreased by 1.35 percentage points, while the median trend for \$150,000 Specific Stop Loss products remains unchanged from the prior survey.

The Medicaid median trend is currently 3.30%, a small increase from the January 2019 survey. This trend has experienced significant variation historically which may be caused by a change in mix of respondents. However, the trends have appeared to stabilize in more recent periods.

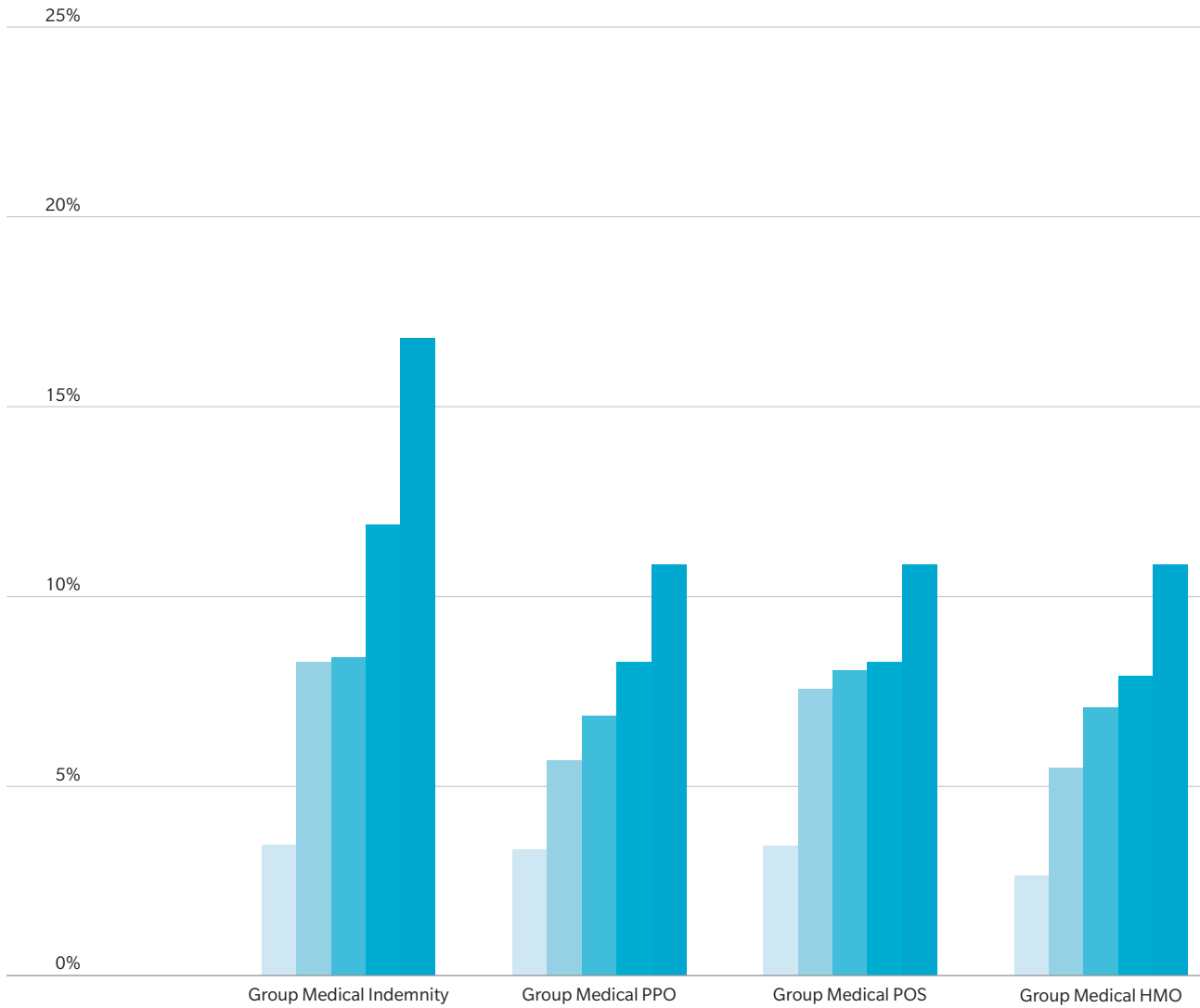
The ASO fees median trend remains unchanged from the prior survey. The current 3.00% median trend has remained the same since January 2014, with July 2017 as the only outlier with a trend of 2.00%.

3. RESULTS FOR JULY 2019

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

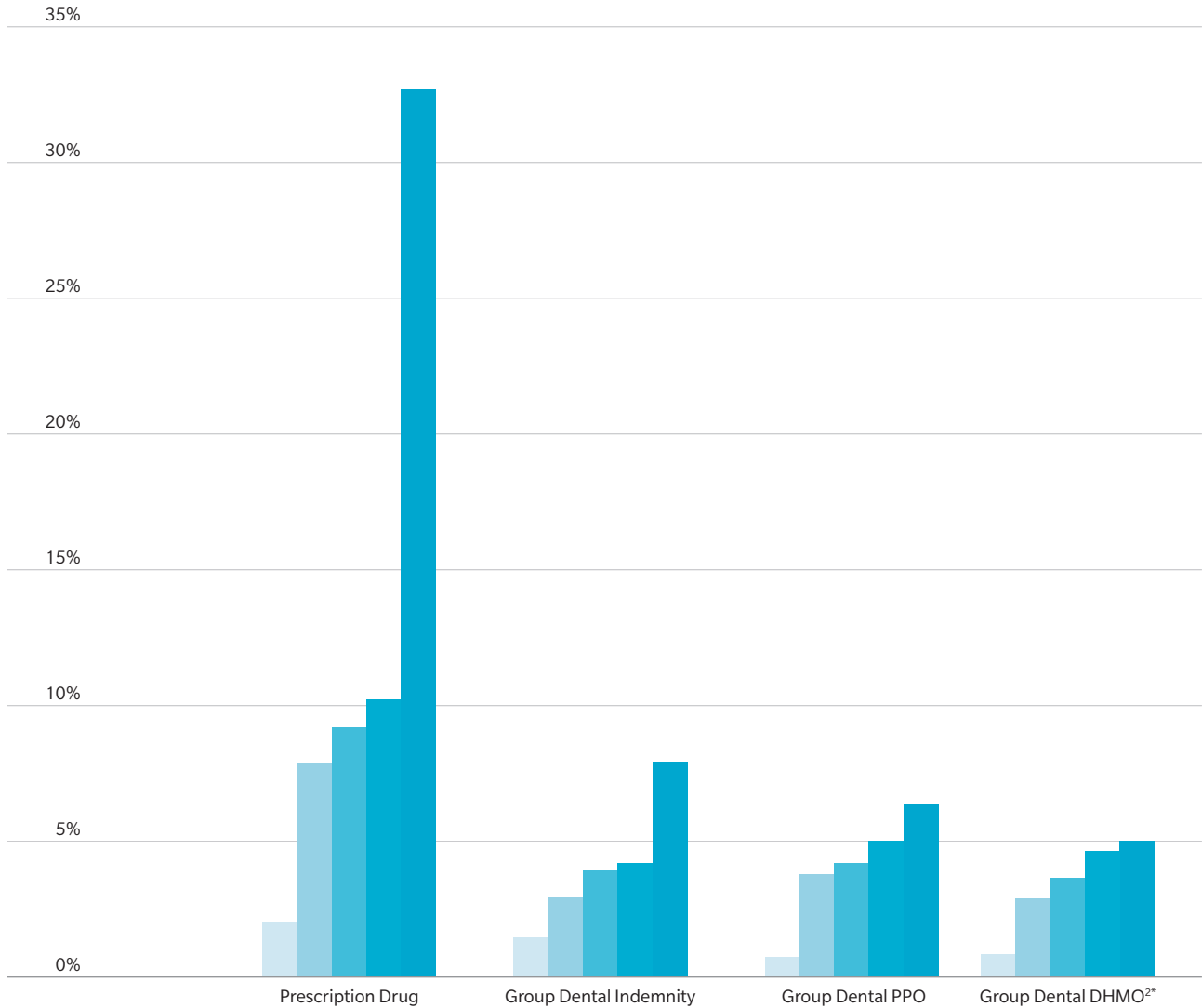


# of Responses	44	66	42	49
Exposures ^{1*}	1,167,805	60,486,839	18,796,003	7,756,548
100th Percentile	17.00%	11.00%	11.00%	11.00%
75th Percentile	12.00%	8.40%	8.40%	8.00%
Median	8.50%	6.90%	8.10%	7.20%
25th Percentile	8.40%	5.80%	7.70%	5.60%
0th Percentile	3.60%	3.40%	3.60%	2.70%
Sample Average	8.60%	7.05%	6.64%	6.69%
Weighted Average	9.81%	7.06%	8.09%	6.86%

^{1*} Based on member counts.

Exhibit 2: Prescription Drug and Dental Pricing Trends

ANNUAL TREND



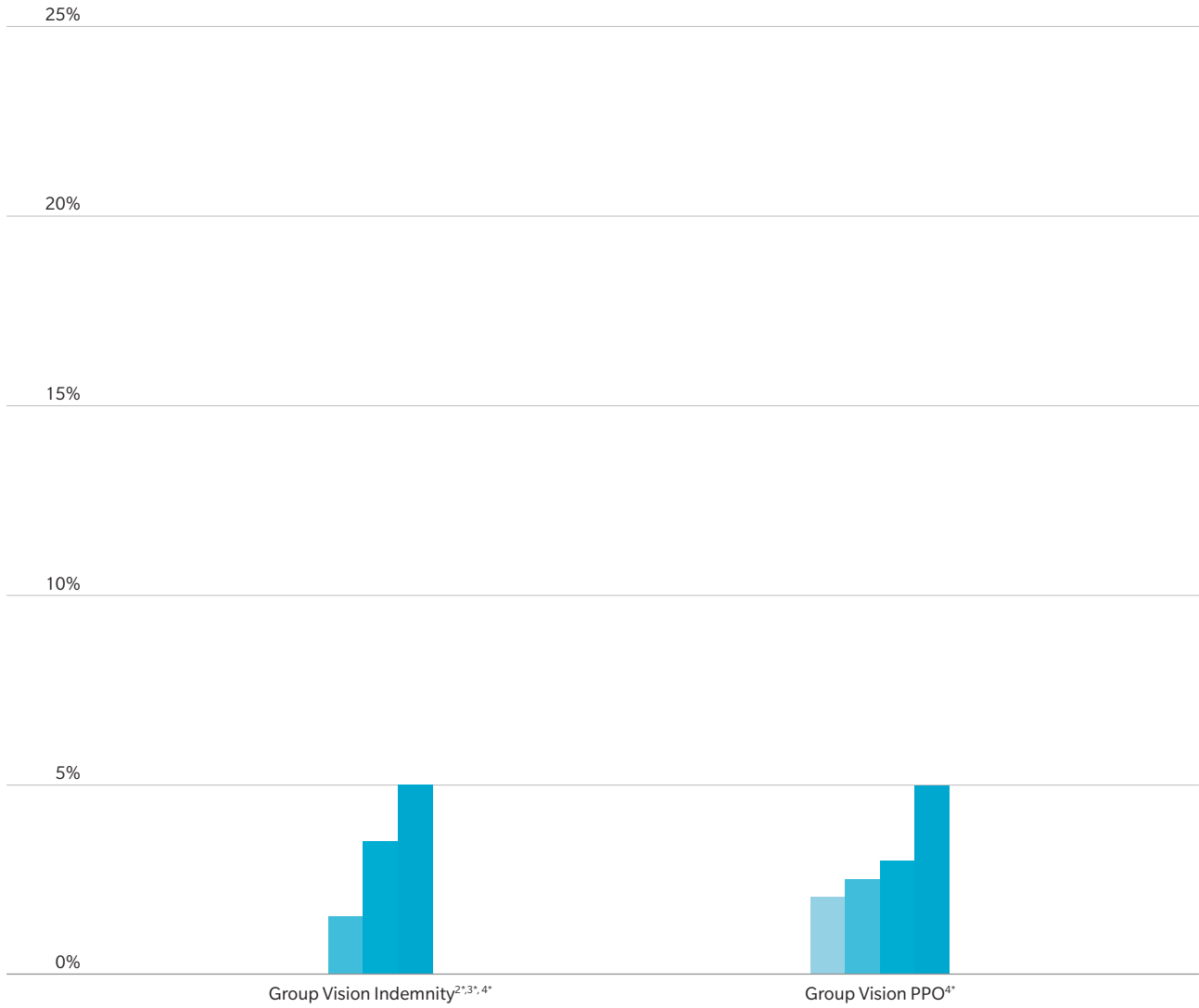
	79	30	49	10
# of Responses	79	30	49	10
Exposures ^{1*}	50,935,954	3,526,497	37,560,055	3,989,502
100th Percentile	32.70%	8.00%	6.50%	5.00%
75th Percentile	10.30%	4.30%	5.00%	4.75%
Median	9.30%	4.00%	4.50%	3.75%
25th Percentile	8.10%	3.00%	4.00%	3.00%
0th Percentile	2.10%	1.50%	0.80%	1.00%
Sample Average	10.89%	4.16%	3.75%	3.55%
Weighted Average	9.42%	3.82%	4.43%	4.09%

^{1*} Based on member counts.

^{2*} Percentiles for Group Dental HMO products are based on number of respondents, as opposed to member counts.

Exhibit 3: Group Vision Pricing Trends

ANNUAL TREND



	Group Vision Indemnity ^{2,3,4*}	Group Vision PPO ^{4*}
# of Responses	17	27
Exposures ^{1*}	9,438,941	10,691,612
100th Percentile	5.00%	5.00%
75th Percentile	3.50%	3.00%
Median	1.50%	2.50%
25th Percentile	0.00%	2.00%
0th Percentile	0.00%	0.00%
Sample Average	1.99%	2.56%
Weighted Average	3.17%	2.60%

1* Based on member counts.

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

3* The 0th percentile and the 25th percentile are the same for Group Vision Indemnity. These reflect trends from multiple carriers.

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

Exhibit 4: Medicare Supplement Products Pricing Trends

ANNUAL TREND

25%

20%

15%

10%

5%

0%

Medicare Supplement with Rx

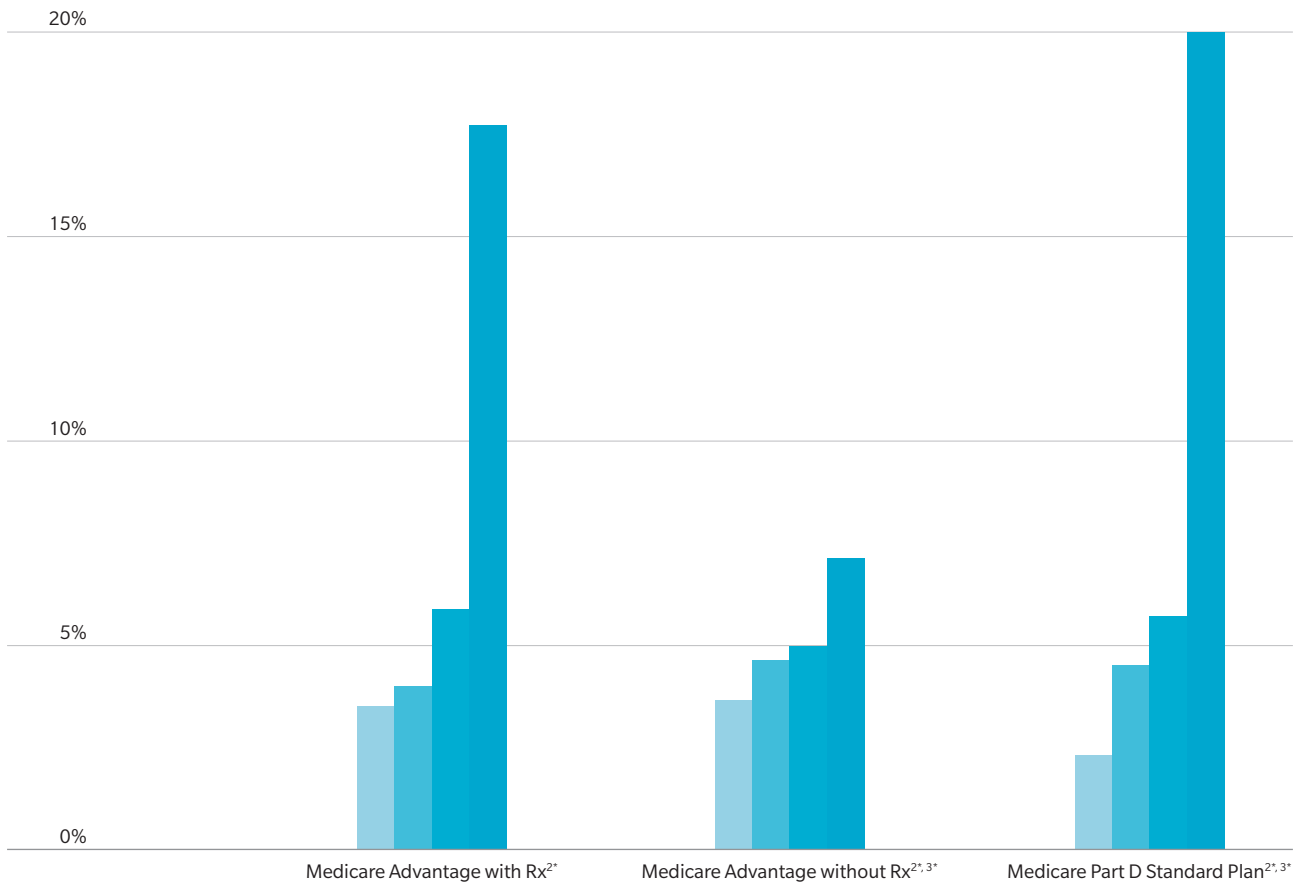
Medicare Supplement without Rx

# of Responses	28	31
Exposures ^{1*}	406,985	2,607,798
100th Percentile	6.60%	6.50%
75th Percentile	5.00%	4.10%
Median	4.20%	3.60%
25th Percentile	3.48%	3.20%
0th Percentile	2.00%	1.70%
Sample Average	4.17%	3.68%
Weighted Average	5.36%	3.91%

^{1*} Percentiles for Medicare Supplement with Rx and Medicare Supplement without Rx products are based on number of respondents, as opposed to member counts.

Exhibit 5: Medicare Advantage Products Pricing Trends

ANNUAL TREND
25%



	50	30	24
# of Responses	50	30	24
Exposures ^{1*}	2,286,076	842,838	580,256
100th Percentile	17.90%	7.20%	20.00%
75th Percentile	6.00%	5.00%	5.80%
Median	4.00%	4.75%	4.60%
25th Percentile	3.60%	3.70%	2.40%
0th Percentile	-1.20%	-1.20%	-0.20%
Sample Average	4.13%	4.14%	5.28%
Weighted Average	4.62%	3.85%	6.31%

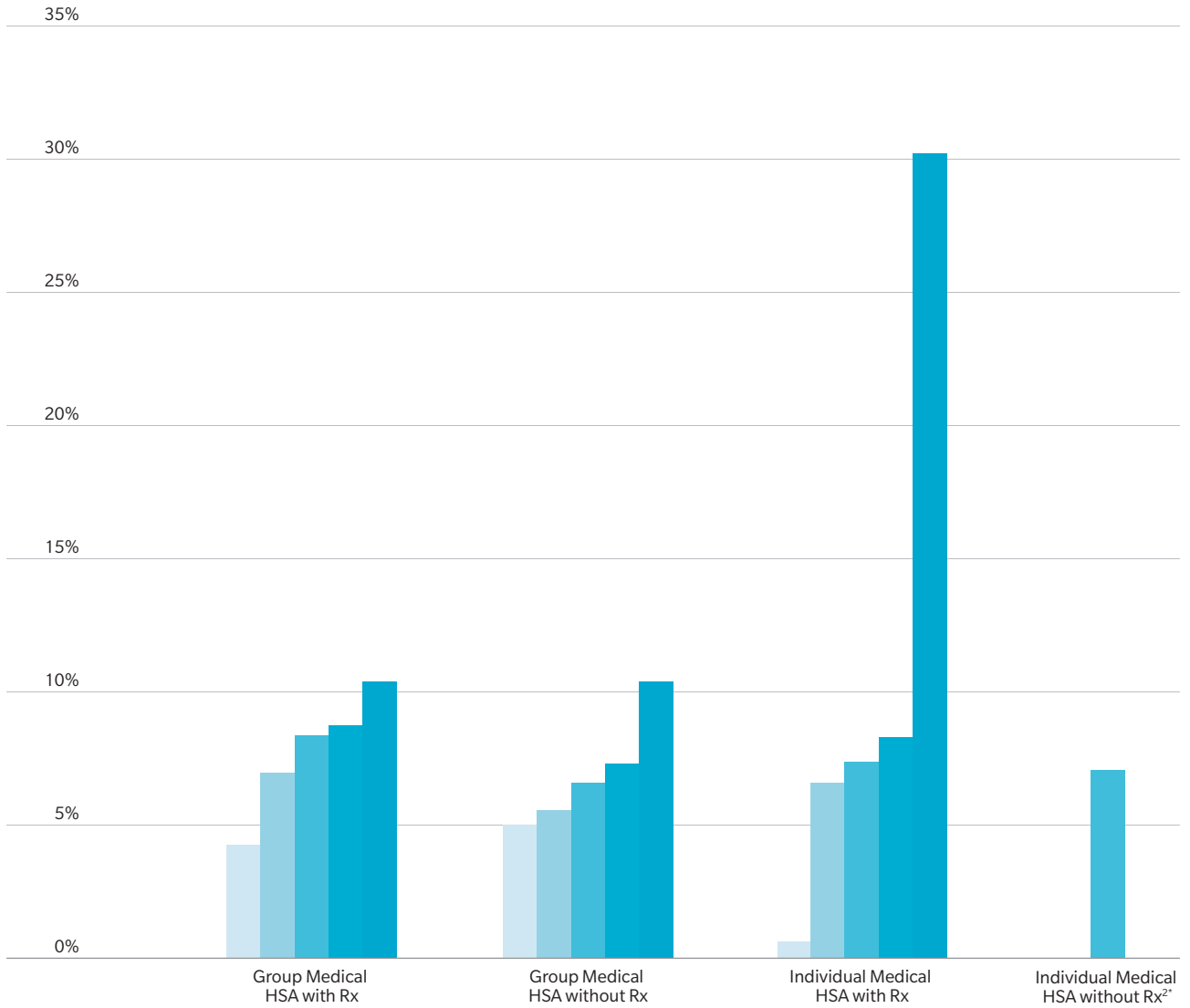
1* Based on member counts.

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

3* Percentiles for Medicare Advantage without Rx products and Medicare Part D Standard Plan are based on number of respondents, as opposed to member counts.

Exhibit 6: High Deductible Health Plans Pricing Trends

ANNUAL TREND



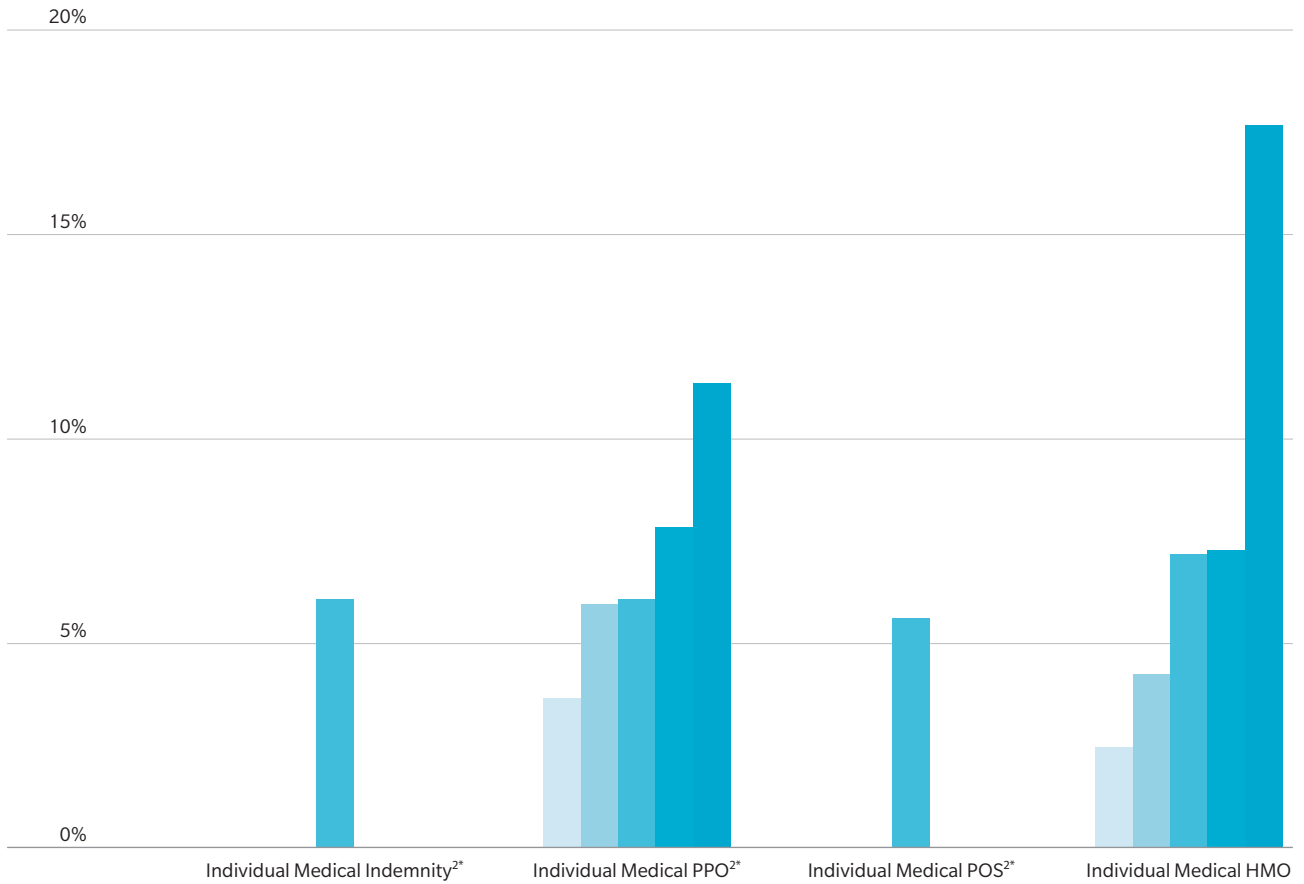
	Group Medical HSA with Rx	Group Medical HSA without Rx	Individual Medical HSA with Rx	Individual Medical HSA without Rx ^{2*}
# of Responses	47	31	28	7
Exposures ^{1*}	8,054,358	8,472,698	531,818	13,803
100th Percentile	10.40%	10.40%	30.30%	-
75th Percentile	8.80%	7.40%	8.30%	-
Median	8.30%	6.70%	7.40%	7.10%
25th Percentile	7.00%	5.50%	6.60%	-
0th Percentile	4.40%	5.00%	0.80%	-
Sample Average	7.71%	7.21%	8.29%	8.33%
Weighted Average	7.86%	6.73%	7.63%	6.68%

^{1*} Based on member counts.

^{2*} Percentiles for Individual Medical HSA without Rx are based on number of respondents, as opposed to member counts.

Exhibit 7: Individual Medical Pricing Trends

ANNUAL TREND
25%



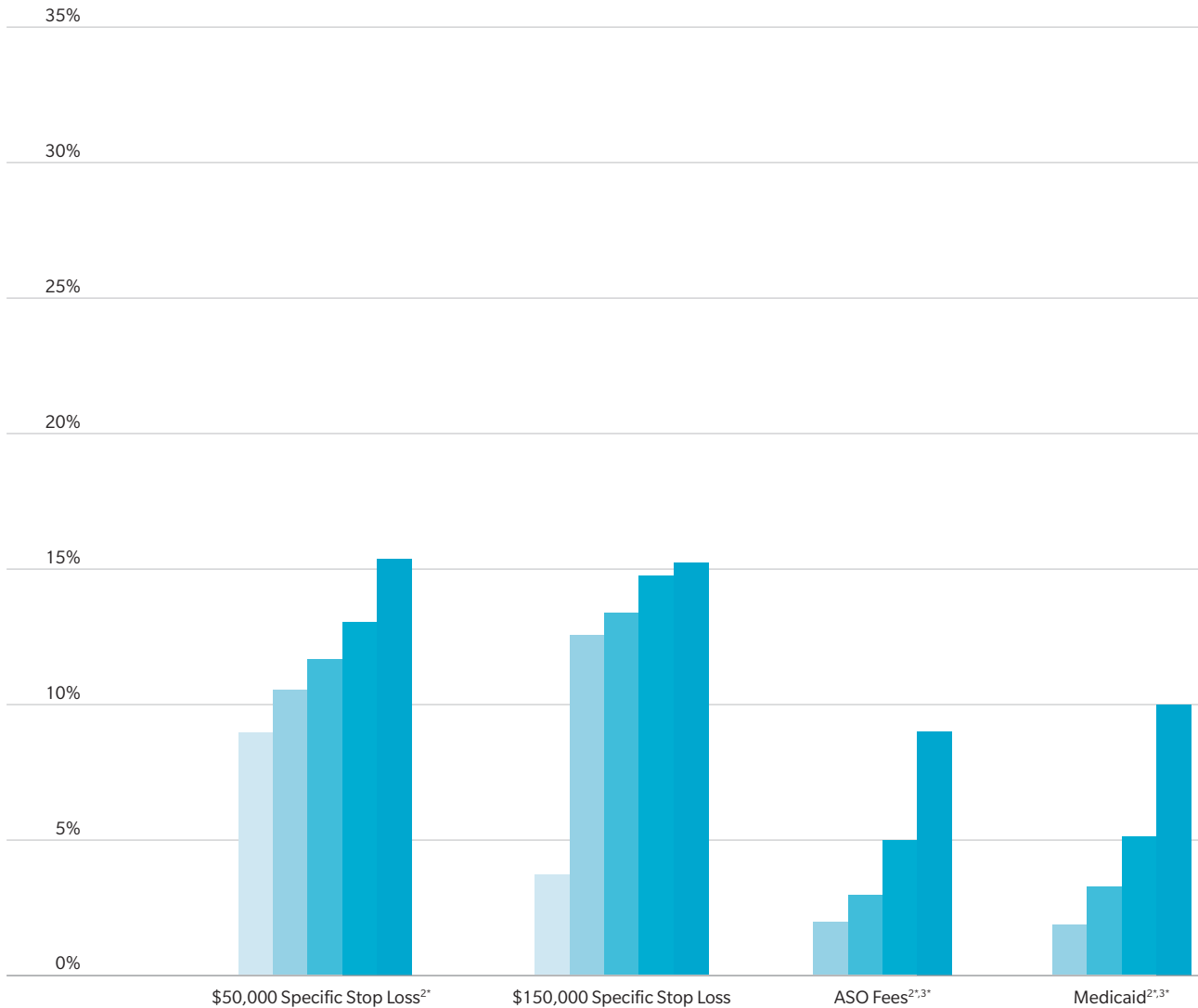
	14	34	4	35
# of Responses	14	34	4	35
Exposures ^{1*}	13,559	1,890,267	33,052	2,557,316
100th Percentile	–	11.30%	–	17.70%
75th Percentile	–	7.88%	–	7.40%
Median	6.10%	6.10%	5.65%	7.20%
25th Percentile	–	5.95%	–	4.50%
0th Percentile	–	3.70%	–	2.60%
Sample Average	6.64%	6.78%	4.90%	6.42%
Weighted Average	8.55%	6.29%	0.01%	6.05%

^{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



	12	11	33	13
# of Responses	12	11	33	13
Exposures ^{1*}	131,051	340,791	25,800,630	4,079,449
100th Percentile	15.40%	15.30%	9.00%	10.00%
75th Percentile	13.13%	14.80%	5.00%	5.18%
Median	11.65%	13.40%	3.00%	3.30%
25th Percentile	10.60%	12.60%	2.00%	1.85%
0th Percentile	9.00%	3.80%	-2.80%	-2.60%
Sample Average	11.82%	12.82%	2.85%	4.19%
Weighted Average	12.49%	12.95%	3.38%	3.72%

1* Based on member counts.

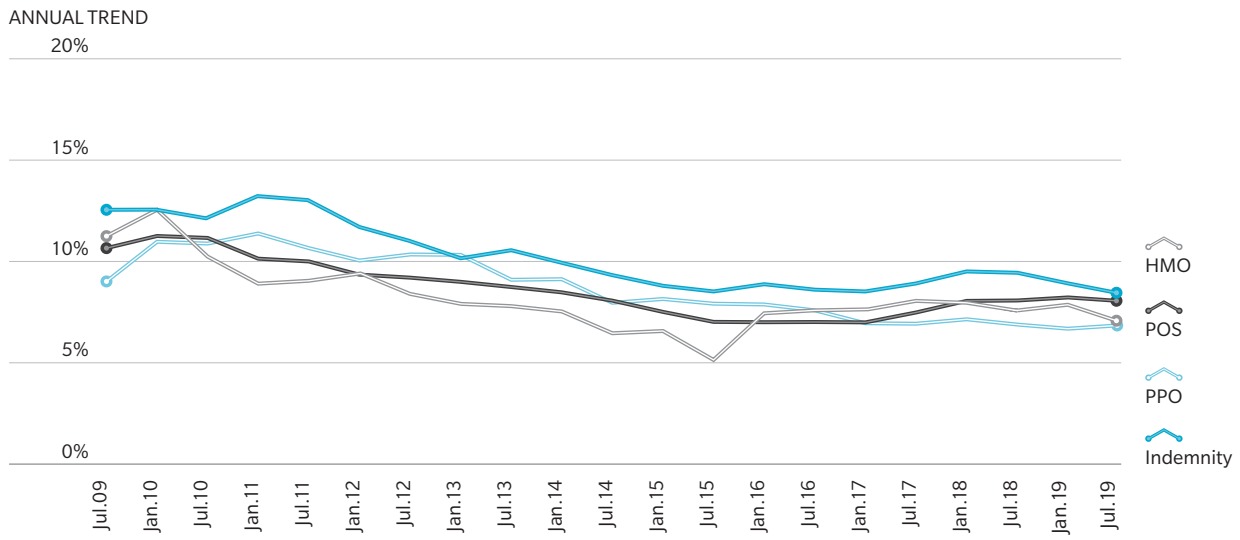
2* Percentiles for \$50,000 Stop Loss products, Medicaid products and ASO fees are based on the number of respondents, as opposed to member counts.

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

4. HISTORICAL EXPERIENCE

This section shows the median of the trends reported by carriers from July 2009 forward.

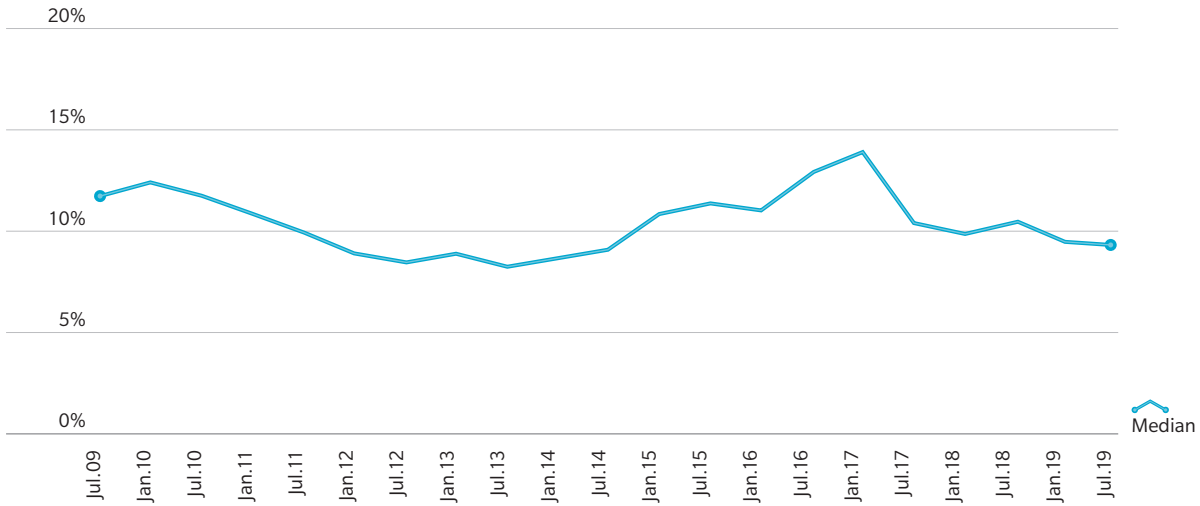
Exhibit 9: Median Group Medical Trends



The median trends have remained relatively stable since the January 2016 survey with trends for these products typically falling between 7% and 9%. The median trends for July 2019 for group medical indemnity, POS, and HMO products have decreased, while the median trends for group medical PPO products have increased slightly from January 2019 levels. The group medical median trends range from 6.90% (PPO) to 8.50% (Indemnity).

Exhibit 10: Median Prescription Drug Trend

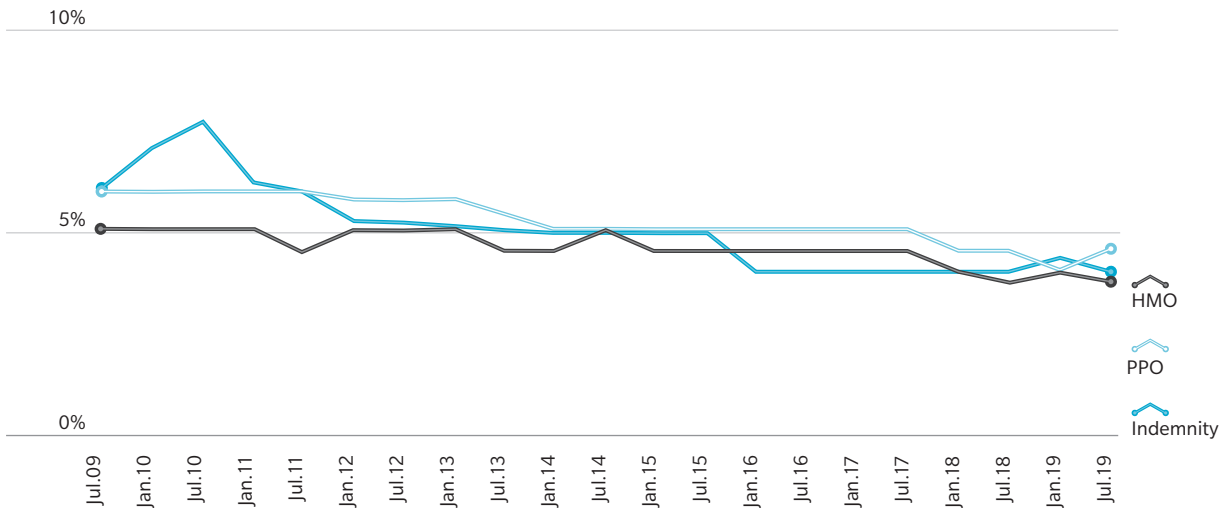
ANNUAL TREND



Since peaking at 14.0% in January 2017, the prescription drug median trend continues its downward trend. In fact, the median trend decreased by 0.30 percentage points from the January 2019 survey. The median trend is currently at 9.30%, which is the lowest level since July 2014.

Exhibit 11: Median Group Dental Trends

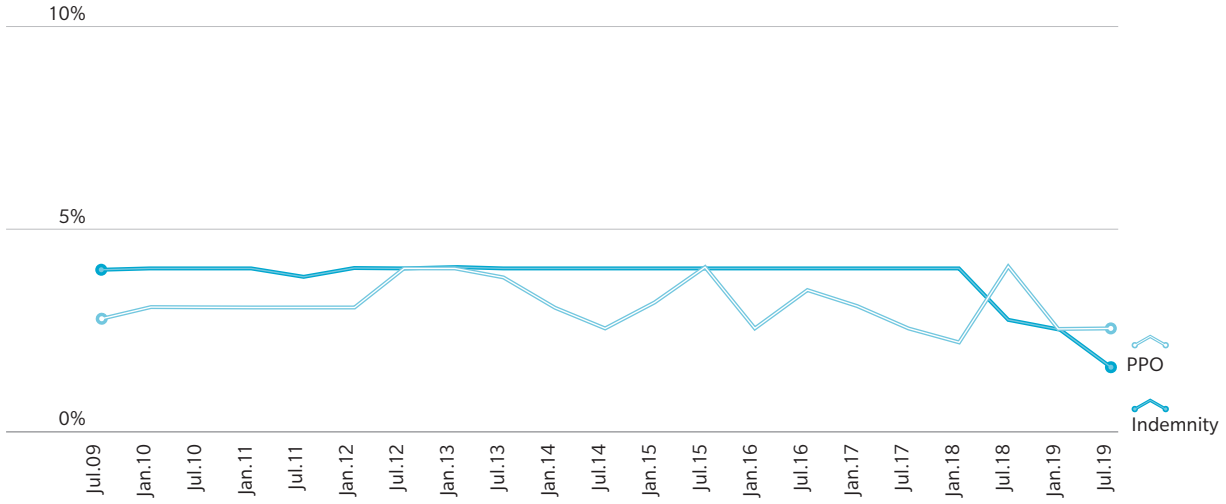
ANNUAL TREND



The historical median trend for group dental products has shown a tight range typically falling between 3.5% and 5.5%. The median trend for group dental PPO products increased by half a percentage point from January 2019 levels, while the median trend for group dental HMO and indemnity products decreased marginally. The median group dental trend ranges from 3.75% (HMO) to 4.50% (PPO).

Exhibit 12: Median Group Vision Trends

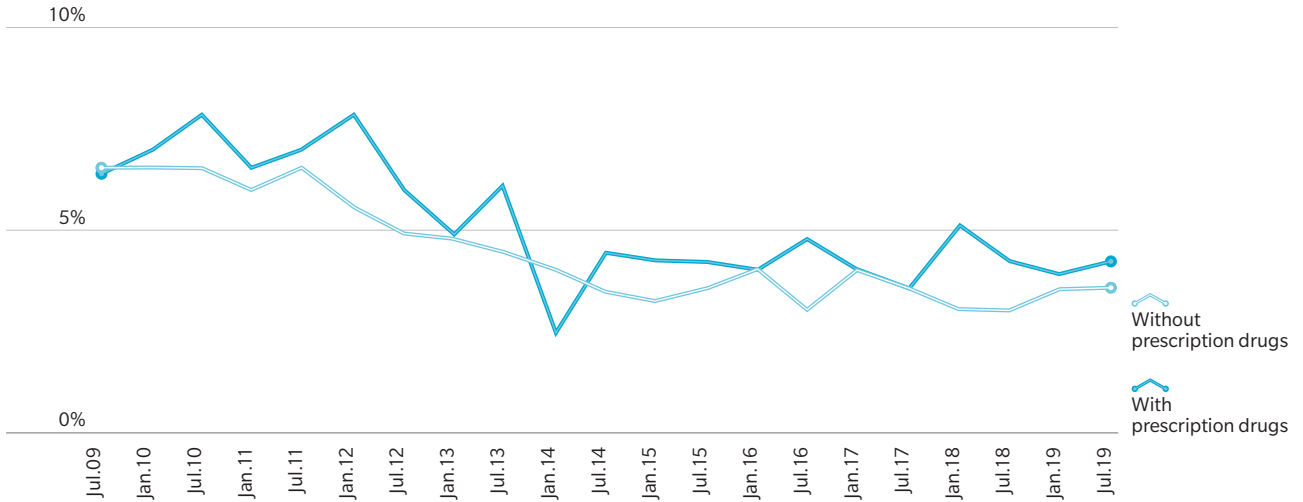
ANNUAL TREND



The median trend decreased by a percentage point from January 2019 levels for group vision indemnity products. The median trend for PPO products remains unchanged.

Exhibit 13: Median Medicare Supplement Trends

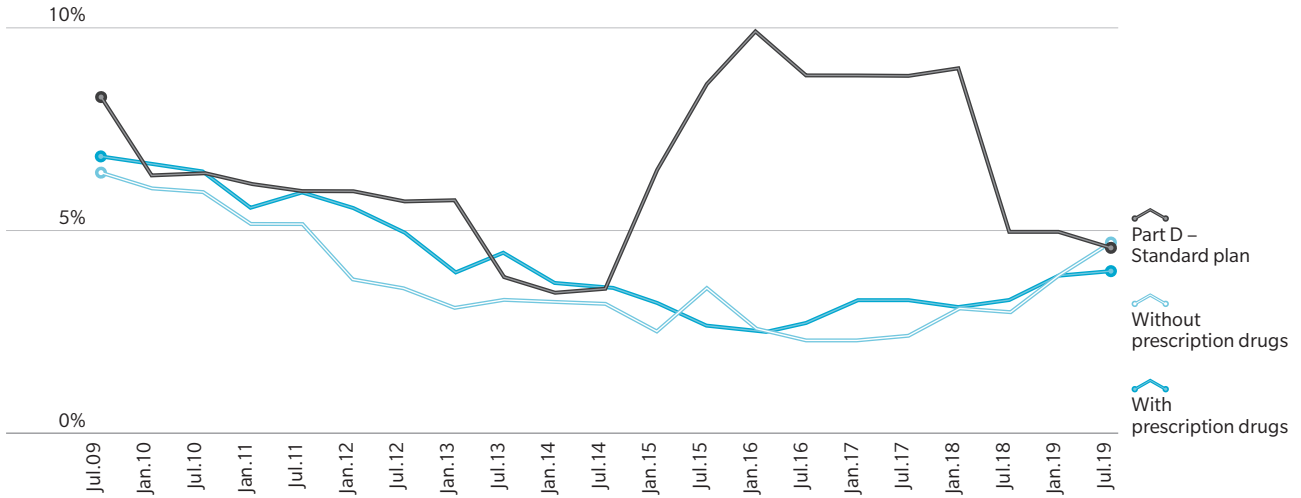
ANNUAL TREND



The median trend for both Medicare Supplement products with and without prescription drug coverage increased slightly from January 2019 levels. The trends for both products have remained close for the past two survey periods.

Exhibit 14: Median Medicare Advantage Trends

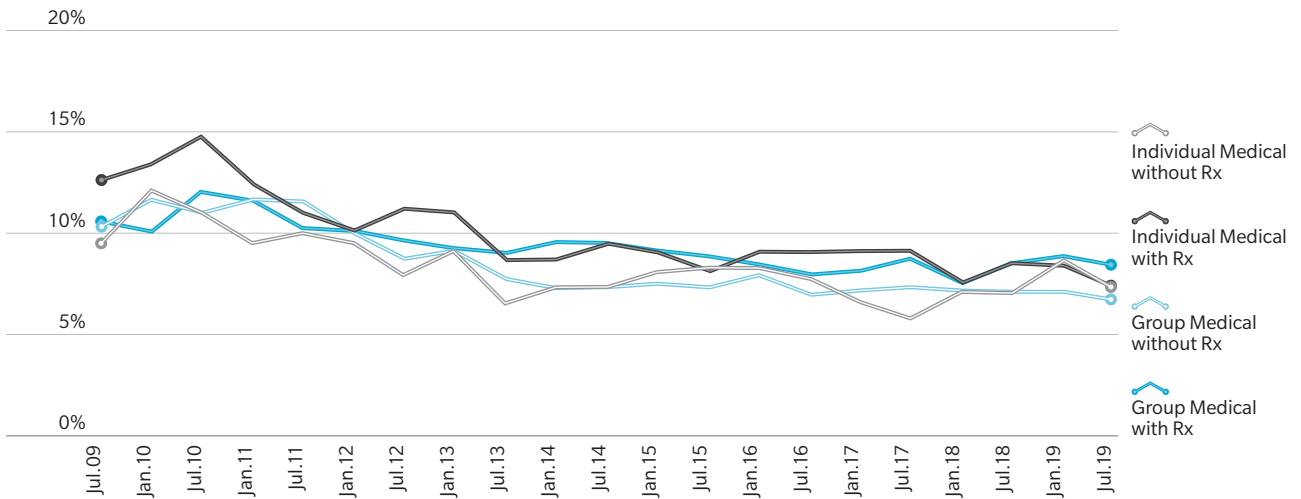
ANNUAL TREND



The median trends for Medicare Advantage products both with and without prescription drugs increased from the prior survey. The Medicare Part D trend decreased slightly from the prior survey and remains at its lowest level since July 2014.

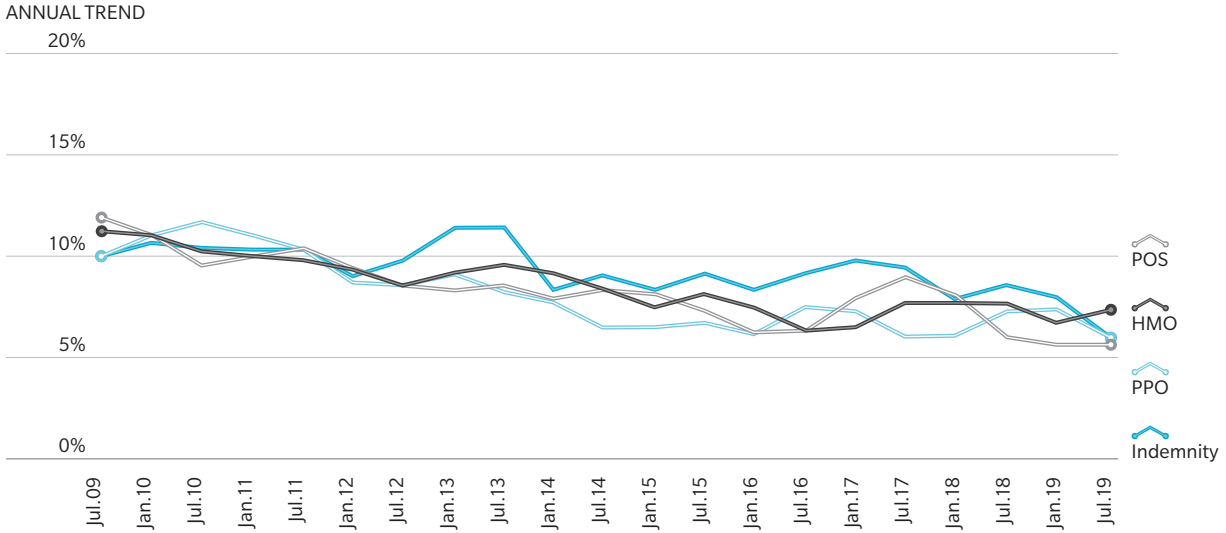
Exhibit 15: Median High Deductible Health Plans Trends

ANNUAL TREND



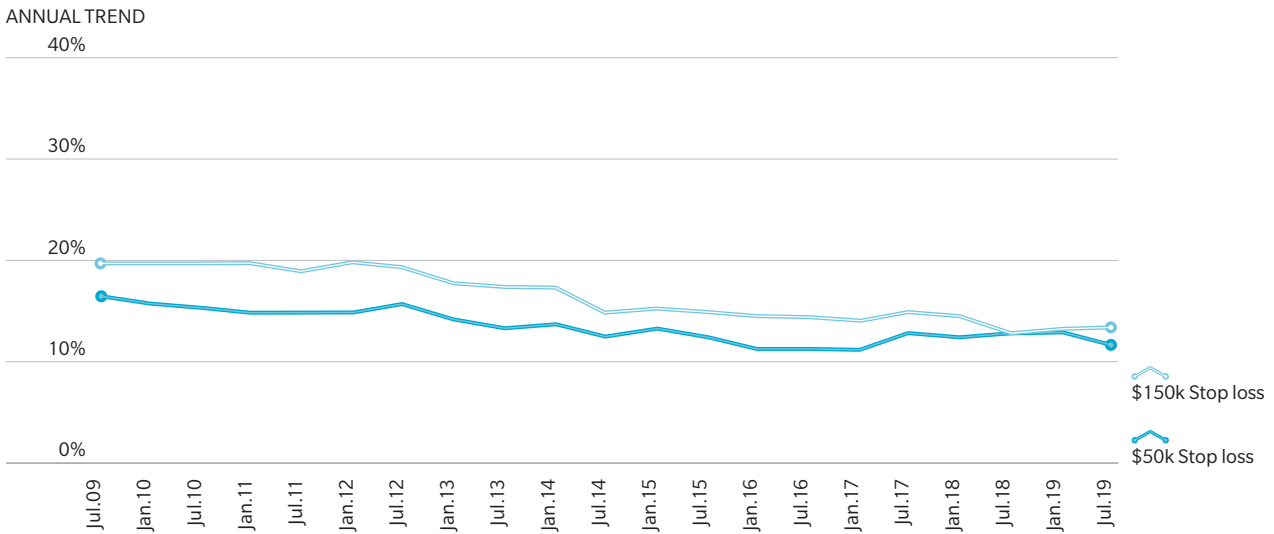
The median trend for all HSA products with and without prescription drug coverage decreased from the January 2019 survey. The most significant change was a 1.50 percentage point decrease in the individual medical HSA without prescription drug trend. The HSA products have median trends ranging between 6.70% and 8.30%.

Exhibit 16: Median Individual Medical Trends



The median trends for individual medical indemnity and PPO products decreased from the January 2019 survey, while the median trend for individual medical POS products remains unchanged, and the median trend for HMO products increased. Individual medical POS products show the lowest median trend among the individual products at 5.65%, while individual medical HMO products have the highest trend at 7.20%.

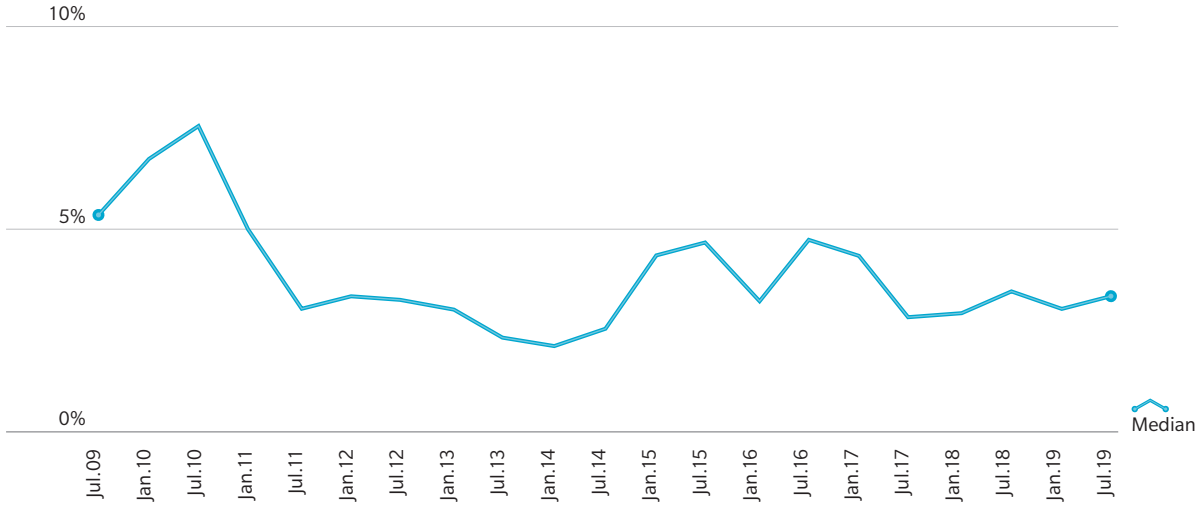
Exhibit 17: Median Specific Stop Loss Trends



The \$50,000 stop loss median trend decreased by 1.35 percentage points from the January 2019 survey, while the \$150,000 stop loss trend remained unchanged. The \$50,000 stop loss median trend is currently 11.65% while the \$150,000 stop loss median trend is 13.40%.

Exhibit 18: Median Medicaid Trend

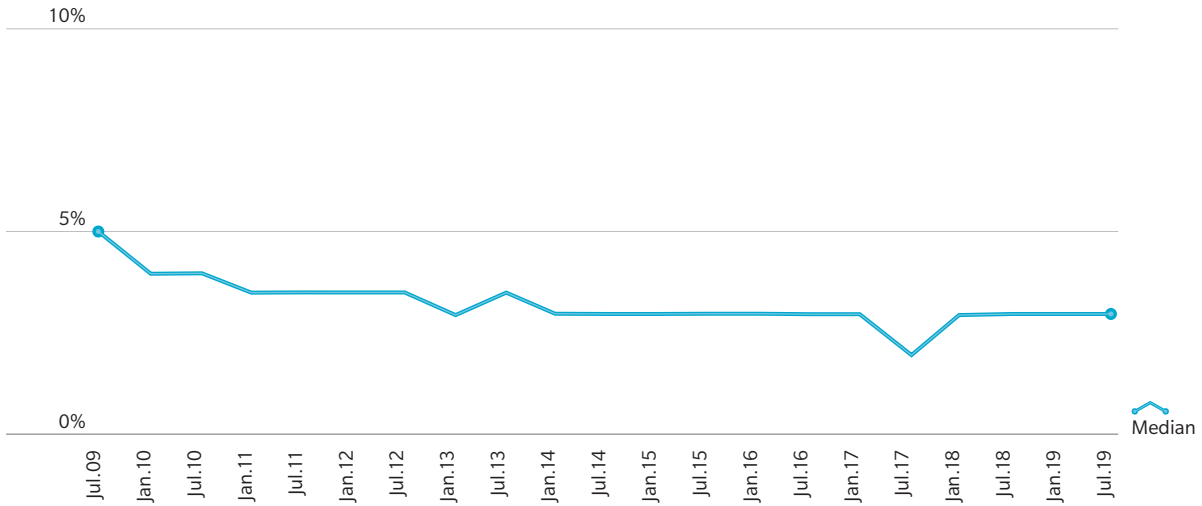
ANNUAL TREND



The median Medicaid trend increased by 0.30 percentage points from the prior survey. The median trend is now 3.30%.

Exhibit 19: Median ASO Fees Trend

ANNUAL TREND



The median trend for ASO is 3.00%, which is consistent with the January 2019 survey. Except for 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)
American Enterprise	Excellus BlueCross BlueShield (Rochester)
Anthem Blue Cross Blue Shield (Colorado)	Excellus BlueCross BlueShield (Utica-Watertown)
Anthem Blue Cross Blue Shield (Connecticut)	Florida Blue
Anthem Blue Cross Blue Shield (Maine)	Group Hospitalization Medical Services, Inc.
Anthem Blue Cross Blue Shield (Nevada)	Guarantee Trust Life Insurance Company
Anthem Blue Cross Blue Shield (New Hampshire)	Health Net of California, Inc.
Anthem Blue Cross Blue Shield of Georgia	Highmark Blue Cross Blue Shield
Anthem Blue Cross Blue Shield of Indiana	Highmark Blue Cross Blue Shield of Delaware
Anthem Blue Cross Blue Shield of Kentucky	Highmark Blue Cross Blue Shield of West Virginia
Anthem Blue Cross Blue Shield of Missouri	Highmark Blue Shield
Anthem Blue Cross Blue Shield of Ohio	HM Insurance Group
Anthem Blue Cross Blue Shield of Virginia	Horizon Blue Cross Blue Shield of New Jersey
Anthem Blue Cross Blue Shield United of Wisconsin	Independence Blue Cross
Anthem Blue Cross of California	Medical Mutual of Ohio
Anthem Empire Blue Cross Blue Shield (New York)	Molina Healthcare, Inc.
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	Nippon Life Insurance Company of America
Blue Cross and Blue Shield of Massachusetts	Optima Health
Blue Cross and Blue Shield of Minnesota	PacificSource Health Plans
Blue Cross and Blue Shield of Nebraska	Paramount Health Care
Blue Cross and Blue Shield of New Mexico	Physicians Health Plan of Northern Indiana, Inc.
Blue Cross and Blue Shield of Oklahoma	Premera Blue Cross Blue Shield of Alaska
Blue Cross and Blue Shield of Texas	Premera Blue Cross of Washington
Blue Cross Blue Shield of Alabama	Priority Health
Blue Cross Blue Shield of Arizona	Regence Blue Cross Blue Shield of Oregon
Blue Cross Blue Shield of Arkansas	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	Transamerica Life Insurance Company
CareFirst BlueChoice, Inc.	Trustmark Life Insurance Company
CareFirst Blue Cross Blue Shield	Tufts Health Plan
CareFirst of Maryland, Inc.	United Concordia Companies, Inc.
CIGNA Health Care	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	21	44	1,167,805
	PPO	35	66	60,486,839
	POS	27	42	18,796,003
	HMO	32	49	7,756,548
				88,207,195
INDIVIDUAL MEDICAL	Indemnity	6	14	13,559
	PPO	19	34	1,890,267
	POS	4	4	33,052
	HMO	22	35	2,557,316
				4,949,194
HIGH DEDUCTIBLE HEALTH PLANS	Group Medical HSA with Rx	29	47	8,054,358
	Group Medical HSA without Rx	16	31	8,472,698
	Individual Medical HSA with Rx	20	28	531,818
	Individual Medical HSA without Rx	4	7	13,803
				17,072,677
PRESCRIPTION DRUG		39	79	50,935,954
MEDICARE SUPPLEMENT	Products with Rx benefits	20	28	406,985
	Products without Rx benefits	26	31	2,607,798
				3,014,783
MEDICARE ADVANTAGE	Products with Rx benefits	26	50	2,286,076
	Products without Rx benefits	16	30	842,838
				3,128,914
MEDICARE PART D STANDARD PLAN		14	24	580,256
MEDICAID		11	13	4,079,449
GROUP DENTAL	Indemnity	16	30	3,526,497
	PPO	28	49	37,560,055
	DHMO	10	10	3,989,502
				45,076,054
GROUP VISION	Indemnity	10	17	9,438,941
	PPO	17	27	10,691,612
				20,130,553
SPECIFIC STOP-LOSS	\$50,000	11	12	131,051
	\$150,000	10	11	340,791
				471,842
ASO FEES		17	33	25,800,630

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 5,000 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 200 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.

For more information, go to www.oliverwyman.com/actuaries.

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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