



UNCOMMONLY INDEPENDENT

Lockton Complex Claims Specialty Practice

Complex Claims Market Update

March 2021

Our Complex Claims Specialty Practice (CCSP) helps you navigate the complex claims market from the purchasing, clinical and claims management perspectives. This first CCSP State of the Market Update for 2021 includes insights into the January stop-loss renewal market and highlights both self-funded employers and stop-loss carrier trends.

Employer Talking Points: What You Need To Know

- CCSP achieved \$56M in clinical savings in 2020, a 60% increase over savings achieved in 2019
- COVID-19 did not have a significant impact on 2021 renewals, but is expected to drive higher catastrophic claim costs in 2021 and 2022
- 64% of Lockton employers renewed with a 15% or lower increase, in line with 2020 and more favorable than 2018 and 2019
- CCSP budget-projection placeholders (issued 6-7 months prior to the renewal effective date) were within 1% of the average renewal released by the carriers

Understanding the Effects of COVID-19

The 2021 renewal cycle saw carriers more likely to issue a stop-loss quote for employers. The average number of carriers issuing a “Decline to Quote” decreased from 10 in 2020 to 7 in 2021.

Lockton’s self-funded employers, on average, saw decreased preventive care compliance:

- Fewer cancer screenings
- Increased behavioral/mental health visits
- Over 2x utilization increase in anti-anxiety medication

This trend was coupled with increased risk factors resulting from the pandemic. The result is that identification of cancers and other serious health conditions may be delayed. In turn, those delays may increase future medical plan volatility and costs for risk transfer strategies like stop loss for self-funded employers.

Claims Activity and COVID-19

- Overall, claims severity and prevalence did not fluctuate from 2019, due to:
 - Increases in claims due to COVID-19 were offset by decreases in other claim types (accidents, premature births, etc.)
 - COVID-19 had a greater claim-cost impact on a Medicare-age population than it did on an employer-plan population
- Lockton’s complex-claim consultants captured almost \$500K in 2020 in COVID-related claims cost reductions by performing bill reviews

KEY RENEWAL FINDINGS

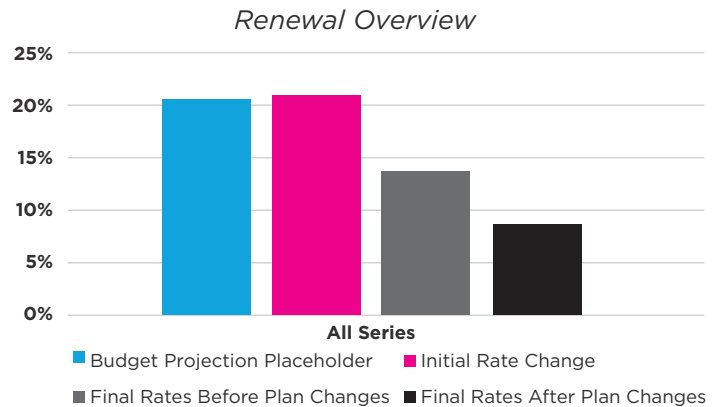
Lockton's process and partnerships helped mitigate the hardening carrier market.

Lockton leveraged our size and carrier relationships to create a smoother purchasing environment for many employers, highlighted by:

- Up to 120-day renewal lock-in opportunities compared to only 90 days
- Underwriting flexibility with legislative and workforce changes resulting from COVID, including:
 - Lengthy employer furloughs and headcount changes
 - Changes to COBRA timelines and eligibility rules

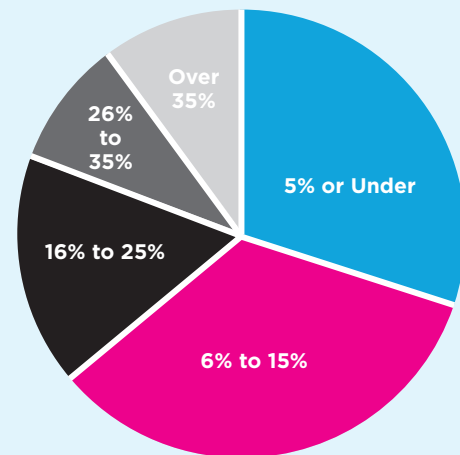
Lockton's purchasing results aligned with 2020 and were MORE favorable than prior years.

- Lockton's CCSP Budget Placeholder Projections were within 0.4% of the initial carrier renewals (21%) on average across 750+ projections
- Our marketing and negotiation process resulted in:
 - A 7% reduction to the initial renewal rates on average
 - Renewal increase before any plan design changes averaged 14%, compared with market increases of 17% to 19%

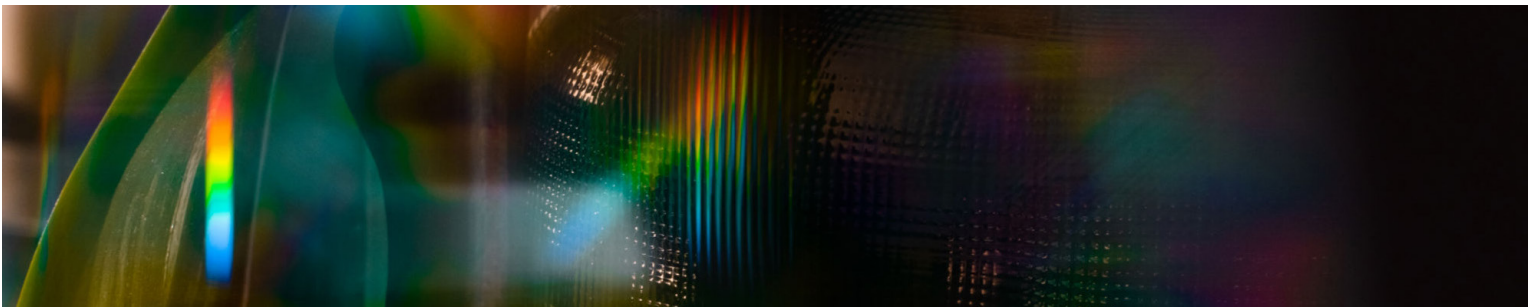


- 64% of Lockton employers renewed at a 15% increase or less (before plan design changes) in line with 2020 and better by 3% to 5% when compared to 2018 and 2019

Percent of Employers by Rate Change



Lockton's Complex Claims Specialty Practice — helping self-insured employers mitigate the risk and cost of catastrophic claims.

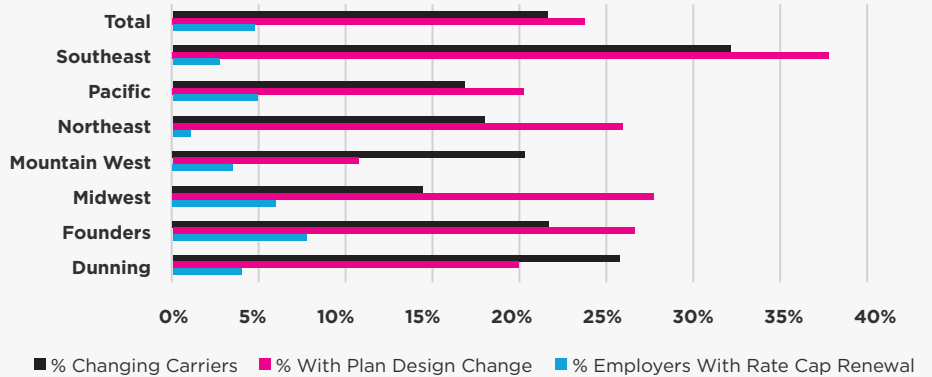


2021 PURCHASING OVERVIEW

Employers were less likely to make changes to plan design or stop-loss carrier in 2021 compared to 2020

Fewer than 5% of Lockton employers received a rate cap after negotiations

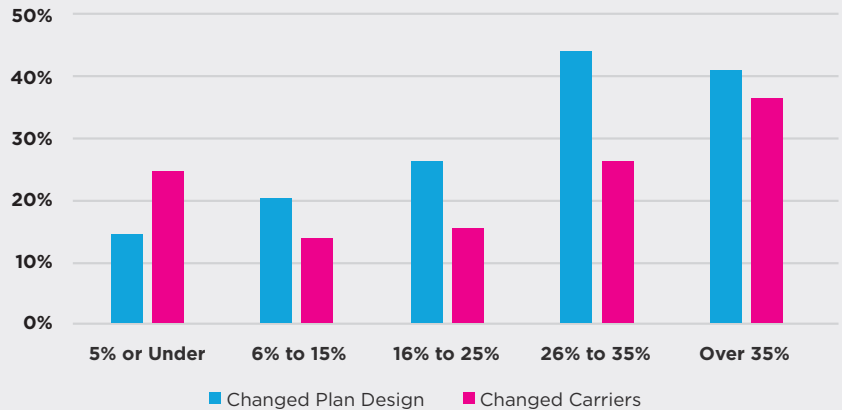
Carrier & Plan Design Changes



30% of employers received a renewal of 5% or less, up from 29% in 2020

- Employers receiving a renewal of 25% or greater increased deductibles to achieve a lower rate
- 75% of employers with a renewal of 5% or lower did not change carriers

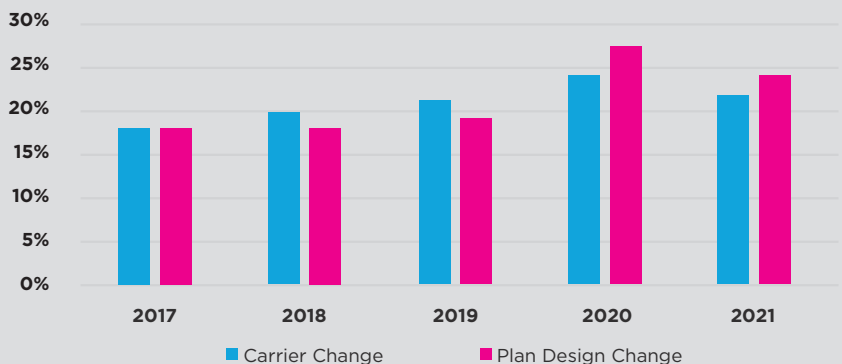
Plan & Carrier Changes by Rate Change



10% of employers were faced with a rate increase of 35% or more before plan design changes

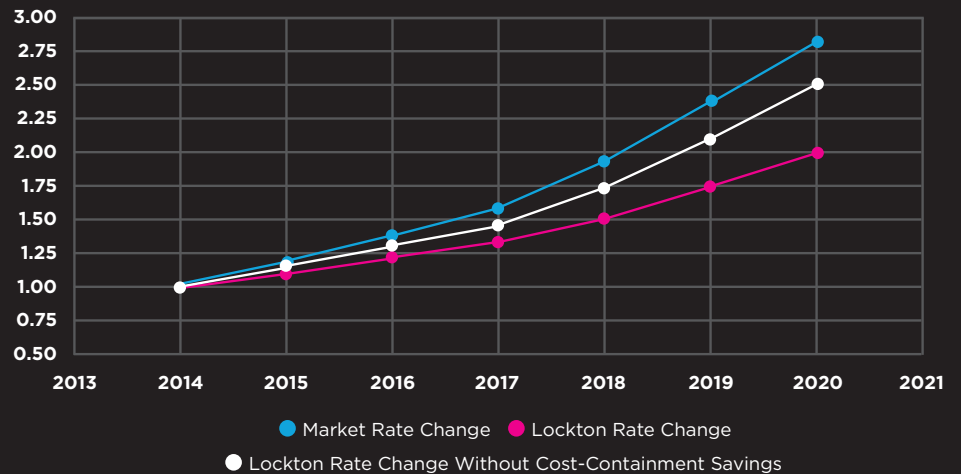
- Employers were more likely to change plan designs (42%) and change carriers (37%)

Percent of Employers Making Carrier or Stop-Loss Plan Changes



IMPACT OF COST CONTAINMENT ON PURCHASING VS. THE MARKET

Lockton's CCSP lowers the cost for an employer's high-cost claimant population. The multi-year result is that Lockton has lower rates compared to the market.



HERE FOR YOU IN 2021

The long-term impact of the pandemic on the high-cost claimants is still unknown. A competitive market prevented carriers from loading premiums to account for potential increases to high-cost claimant activity in 2021.

That's where we come in. Our practice is focused on keeping you informed about the complex claims landscape.

Our dedicated claims team is working through the 2020 year-end claim reconciliations now, and our clinical and client service teams will soon begin to analyze the 2022 budget-projection placeholders for employers with a January 1 effective date.

As always, feel free to reach out directly to our Complex Claims Specialty Practice with any questions or needs.

Until next time,

**The Complex Claims
Specialty Practice**

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