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Executive Summary

FY19 Performance
• Total benefit plan costs, after employee contributions, cost the University System $135.9M in FY19
• However, recoveries from campuses were only $130.7M, resulting in a budget shortfall of $5.2M
• Healthcare (medical, prescription drug and dental) benefits are the main drivers, accounting for almost half of all benefit costs

Health & Welfare Plans
• Recently, USNH’s claims costs have increased significantly and USNH expects these trends to continue into the future:
  • 9.0% PMPM¹ increase (April ’18-March ‘19 vs. April ‘17-March ‘18) in medical/Rx claims costs
  • 7.5% increase to medical working rates with data through April 2019 (vs. 4.2% in CY19)
  • Actual trends for the broader market range from 6 – 8%²
• Employees will be asked to contribute a greater share towards medical and dental costs in CY20 in order to preserve program design

Retirement Plans
• Retirement is the second largest benefit spend for USNH (a little more than 20%), after healthcare
• USNH contributed $29.7M into employee accounts in FY19 and has $1.7B in plan assets

UTime
• USNH’s new paid leave program was successfully implemented July 2019, administered through MetLife

Other
• In 2019, USNH implemented new vendors across leave management and benefits administration, creating operational and financial efficiencies
• In addition, USNH successfully negotiated favorable renewals with several other vendors. In some cases, fees decreased

¹ Per Member Per Month
² SBA Trend Alert 2019
HR & Benefits Strategic Direction

Key Program Components

• Offer equitable, harmonized benefits to employees
• Maintain a financially sustainable program for USNH and employees
• Mitigate USNH’s exposure to federally imposed taxes, as applicable
• Align with Higher Ed peers and be an employer of choice
• Manage population health and drive health improvement
• Deliver meaningful choices to USNH’s diverse workforce
• Provide superior service, resources and tools to employees to help drive optimal decision making
• Achieve operational and administrative efficiency
• Ensure employees are equipped for retirement
• Provide equitable, competitive total compensation

FY20 and Beyond Outlook

• Recent healthcare costs have increased compared to historical norms
  • At the same time, USNH is facing financial pressure resulting from competition for students, declining tuition revenues and increasing costs of operation
  • Fringe benefit recoveries from campuses are insufficient to pay for actual benefit expenses
• In the current environment, USNH’s benefit costs are no longer sustainable
• USNH will:
  • Conduct a fringe benefit evaluation including updated benchmarking
  • Develop communication and change management plans for any CY21 benefit plan revisions
FY19 Actual USNH & Employee Benefit Costs

- FY19 benefits cost the University System $135.9M, after employee contributions, shown below
  - Medical and Dental accounts for half of all benefit costs
  - However, the University System only recovered $130.7M from campuses¹
  - This left a budget shortfall of $5.2M

- Other benefits include workers compensation, compensated absences, tuition benefits, life and AD&D, long term disability, and unemployment.

¹ Source: USNH Finance as of 9/4/19
Historical FY Actual Medical and Dental Costs

- USNH’s net costs for Medical and Dental have increased at more than twice the rate compared to employee contributions over this time period
  - Employee contributions include Medical and Dental
Medical Update

• The USNH medical plans have historically outperformed national norms over time. Since 2012, on average, medical/Rx costs increased 4%
• However, over the last 5 years through 2019, USNH’s average medical/Rx cost increase is 6%
• Recent claims experience in the current period shows USNH’s costs have experienced a 9.0% per member per month (PMPM) trend increase

Prior Period: Incurred 2Q2017 – 1Q2018, Paid thru 2Q2018
Current Period: Incurred 2Q2018 – 1Q2019, Paid thru 2Q2019

Key observations of the Current Period:
• USNH’s costs increases are driven by medical, with total paid medical claims increasing 11.7%
  • Membership remained stable
• The greatest contributing factor to the percent change in USNH’s costs were High Cost Claimants
  • The proportion of members who incurred more than $30,000 in paid charges increased 10.3%
• USNH’s top 2 ICD diagnostic categories by paid expenses were musculoskeletal issues and neoplasms (cancer)
• Total paid pharmacy expenses decreased slightly
Over the period, published medical trend has averaged 7.3% (green bar).

Over the same period, USNH’s overall trend and Per Employee Per Year (PEPY) costs remain below what they would have been if USNH trended with the broader market. On average, USNH’s costs increased 4%.

However, more recently, USNH’s costs increased 6% (over the last 5 years).
USNH Annual Dashboard
Data - Incurred thru 1Q2019, Paid thru 2Q2019
(Source: Health Data & Management Solutions)

Benchmark is a national average provided by HDMS. It is not adjusted for demographics, geography or plan design, which are factors that impact USNH vs. Benchmark.

See page 15 for larger version of report.
USNH Annual Dashboard
Data - Incurred thru 1Q2019, Paid thru 2Q2019
(Source: Health Data & Management Solutions)

See page 16 for larger version of report
Deeper Dive: High Cost Claimants

- Total claims experience increased 9.0% year over year
- Claims costs for claimants with paid amounts of $30,000 or more increased 13.2%
  - The top 3.9% of claimants have consumed 52.9% of total plan spend for the current period compared to 50.9% in the prior period
- Claims costs for claimants with paid amounts less than $30,000 increased 4.7%
  - There was a 4.2% decrease in the current reporting period of members using no services at all
Deeper Dive: “Modifiable” Utilization

- Modifiable Utilization is defined by HDMS as services with opportunity for more efficient use of resources. For example:
  - Surgery is less expensive at outpatient ambulatory surgery centers than short stay admits. USNH’s cost differential was $27K per service and represents the greatest opportunity for savings *(not shown in chart)*
  - Treatment of non-emergent conditions is more cost effective in other settings outside of ER. USNH’s average ER cost was $654 for non-emergent care vs. the average office visit of $167 *(not shown in chart)*
  - Discretionary Admits, or potentially avoidable admits, may have been avoided with better chronic disease management (e.g. diabetes)
- **USNH is actively considering strategies to increase utilization of more appropriate places of service**
Wellness Utilization

### Completed Biometric Screenings

- 2017: 2,719
- 2018: 2,556

### Flu Shots

- 2017: 27.5%
- 2018: 28.4%

### Medication Compliance Rate

- Hypertension: 86% (78%) - 84% (87%)
- Hyperlipidemia: 83% (78%) - 82% (87%)
- Diabetes Mellitus: 69% (78%) - 82% (83%)
- Depression: 69% (82%) - 82% (86%)

### Screening Rates

- Breast Cancer: 74% (85%) - 65% (47%)
- Cervical Cancer: 30% (47%) - 47% (61%)
- Colon Cancer: 47% (61%)

### Summary

- Metrics from USNH’s 2018 wellness initiatives remained relatively stable across biometric screenings, flu shots and HRA completions and risks
- USNH’s medication compliance rates increased in the current period
- USNH’s breast cancer screening rates are above the Cigna norm, but cervical and colon cancer screenings are below norms
Retirement Plan Update
Source: USNH
Investments as of 9/30/2019. Participation as of 01/01/2019.

~90% of eligible employees participate

Overall Participation

$399,984,819.95
$1,305,076,192.66
$1,705,061,012.61

$ Invested % Invested
403 (b) $1,675,747,128.83 98.3%
457 (b) $27,720,366.13 1.6%
401 (a) $1,593,517.65 0.1%

$1,705,061,012.61

403(b) Participation by Level and Campus

GSC KSC PSU UNH SYS
75% 84% 92% 95% 93%
80% 84% 92% 95% 93%
85% 7% 3% 1% 2%
90% 10% 5% 4% 3%
95% 10% 5% 4% 3%
## Paid Claims by Service Category

**Paid PMPM by Service Category**

<table>
<thead>
<tr>
<th>Category</th>
<th>APR’18</th>
<th>MAR’19</th>
<th>% Change</th>
<th>Benchmark</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inpatient Facility</td>
<td>$82</td>
<td>$79</td>
<td>-3.4%</td>
<td>$80</td>
<td>0%</td>
</tr>
<tr>
<td>Outpatient Facility</td>
<td>$230</td>
<td>$202</td>
<td>-12.0%</td>
<td>$210</td>
<td>5%</td>
</tr>
<tr>
<td>Professional</td>
<td>$193</td>
<td>$171</td>
<td>-10.5%</td>
<td>$180</td>
<td>6%</td>
</tr>
<tr>
<td>Medical</td>
<td>$112</td>
<td>$114</td>
<td>1.8%</td>
<td>$110</td>
<td>2%</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>$505</td>
<td>$452</td>
<td>-10.4%</td>
<td>$450</td>
<td>3%</td>
</tr>
</tbody>
</table>

**Components of Change**

<table>
<thead>
<tr>
<th>Category</th>
<th>Claims</th>
<th>Costs</th>
<th>Services</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical</td>
<td>30</td>
<td>5.3%</td>
<td>3.5%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>25</td>
<td>3.1%</td>
<td>5.7%</td>
<td>8.8%</td>
</tr>
</tbody>
</table>

**Demographic Index**

<table>
<thead>
<tr>
<th>Category</th>
<th>Paid Claims</th>
<th>High Cost Claims</th>
<th>Price of Services</th>
<th>Utilization of Services</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical</td>
<td>45</td>
<td>5.3%</td>
<td>3.5%</td>
<td>6.8%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>25</td>
<td>3.1%</td>
<td>5.7%</td>
<td>8.8%</td>
<td>8.6%</td>
</tr>
</tbody>
</table>

**Utilization and Price Trends**

<table>
<thead>
<tr>
<th>Service Type</th>
<th>APR’18</th>
<th>APR’19</th>
<th>% Change</th>
<th>Benchmark</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inpatient</td>
<td>11,845.4</td>
<td>11,367.5</td>
<td>-4.2%</td>
<td>$105</td>
<td>5%</td>
</tr>
<tr>
<td>Outpatient</td>
<td>2,646.8</td>
<td>2,266.8</td>
<td>-15.0%</td>
<td>$101</td>
<td>8%</td>
</tr>
<tr>
<td>Professional</td>
<td>1,137.5</td>
<td>1,137.5</td>
<td>0.0%</td>
<td>$104</td>
<td>2%</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>18,480.1</td>
<td>17,314.5</td>
<td>-6.3%</td>
<td>$105</td>
<td>5%</td>
</tr>
</tbody>
</table>

Comments:

- Demographics show no significant change from prior to current period.
- There was a 11.7% increase in Medical PMPM spend from prior to current period, mostly driven by increases in outpatient and professional spend; meanwhile, there was a 1.8% decrease in Pharmacy PMPM spend from prior to current period.
- Musculoskeletal conditions were the primary diagnostic category for 17.4% of high cost claimants over the current period.
- Professional services have seen a 6.1% increase in utilization, and 8.4% increase in cost per service from prior to current period.
- High cost claimants and the price of health services have been the primary drivers of medical trend from the prior to current period.
### Preventive Visits

<table>
<thead>
<tr>
<th>% of Members with a Preventive Visit - Member Type</th>
<th>APR’18-MAR’19</th>
<th>APR’17-MAR’18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee</td>
<td>46%</td>
<td>47%</td>
</tr>
<tr>
<td>Spouse</td>
<td>43%</td>
<td>42%</td>
</tr>
<tr>
<td>Dependent</td>
<td>62%</td>
<td>58%</td>
</tr>
</tbody>
</table>

### Chronic Conditions Profile

<table>
<thead>
<tr>
<th>Episode Per 1,000 by ETG</th>
<th>Company</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypertension</td>
<td>1,363</td>
<td>1,403</td>
</tr>
<tr>
<td>Hyperlipidemia, Other</td>
<td>840</td>
<td>85.3</td>
</tr>
<tr>
<td>Mood Disorder, Depressed</td>
<td>899</td>
<td>1,119</td>
</tr>
<tr>
<td>Asthma</td>
<td>616</td>
<td>666</td>
</tr>
<tr>
<td>Obesity</td>
<td>507</td>
<td>536</td>
</tr>
<tr>
<td>Diabetes</td>
<td>418</td>
<td>438</td>
</tr>
<tr>
<td>ISCH HRT DIS</td>
<td>182</td>
<td>164</td>
</tr>
<tr>
<td>COPD</td>
<td>67</td>
<td>71</td>
</tr>
<tr>
<td>Chronic Renal Failure</td>
<td>59</td>
<td>64</td>
</tr>
<tr>
<td>CHF</td>
<td>34</td>
<td>37</td>
</tr>
</tbody>
</table>

### Outpatient Facility Detail

<table>
<thead>
<tr>
<th>Visit Type</th>
<th>APR’18-MAR’19</th>
<th>APR’17-MAR’18</th>
</tr>
</thead>
<tbody>
<tr>
<td>PCP Visits/1000</td>
<td>2,636.9</td>
<td>2,566.8</td>
</tr>
<tr>
<td>Specialist Visits/1000</td>
<td>4,380.7</td>
<td>4,127.3</td>
</tr>
<tr>
<td>Urgent Care Visits/1000</td>
<td>103.7</td>
<td>109.7</td>
</tr>
<tr>
<td>ER Visits/1000</td>
<td>265.6</td>
<td>268.4</td>
</tr>
</tbody>
</table>

### Inpatient Facility Detail

<table>
<thead>
<tr>
<th>IP PAID % and % of Claimants by Number of Admits</th>
<th>APR’18-MAR’19</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>60%</td>
</tr>
<tr>
<td>2</td>
<td>35%</td>
</tr>
<tr>
<td>3</td>
<td>15%</td>
</tr>
<tr>
<td>4</td>
<td>5%</td>
</tr>
<tr>
<td>5+</td>
<td>0%</td>
</tr>
</tbody>
</table>

### Pharmacy Detail

<table>
<thead>
<tr>
<th>Generic Dispensing Rate</th>
<th>Mail Order Dispensing Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>APR’18-MAR’19</td>
<td></td>
</tr>
<tr>
<td>BENCHMARK</td>
<td>75.2%</td>
</tr>
<tr>
<td>SPECIALTY DRUG % PAID</td>
<td>45.2%</td>
</tr>
<tr>
<td>BENCHMARK</td>
<td>38.9%</td>
</tr>
</tbody>
</table>

### Comments:

- Preventive visits have seen an increase overall from prior to current period
- Urgent care visits have dropped 5.5% from prior to current period, while PCP and Specialist visits have increased 2.7% and 6.1%, respectively
- Cost PMPM has increased significantly across surgical, medical specialty, and emergency room visit types
- Inpatient admits have increased 5.4% from prior to current period
- Hypertension and hyperlipidemia remain the top chronic conditions for USNH, followed closely by behavioral health conditions
- Anti-inflammatories are the top therapeutic drug class for USNH