

Health Benefit Trust – recap July 23, 2013

Enrollment numbers

Flat – as of July 1 - approx 77 employers, 965 employees, 1750 covered lives (including dependents)
Not decreasing, but not growing either; much of sales activity occurs in between Dec-March, not much on off months

Quoting activity

To date 2013 = 274 quotes, 16 sold = 6% close ratio

2012 total = 225 quotes, 12 sales = 5% close

2011 total = 313 quotes, 26 sales = 8% close ratio

Non-competitive rates (not even in the ballpark) from Regence and unwillingness to negotiate on rates seem to be leading impact of low close ratio/no sales. Willis is tracking closely the non-competitiveness of rates, where we can get details. Issue has been brought to Regence's attention every month. Having some difficulty getting Regence "decision makers" in the room for ongoing discussions. Anticipate having right people in the room for August AGC/Willis/Regence meeting and again at Sept trustee meeting. Anecdotally, we have some specific examples where we were shot out of the water. Regence may be looking to balance risk with rates... But would think we might prevail on a few cases.

Agents/agencies

Overall clean-up of agent list. July 15 we removed 13 agencies from approved list for non-performance of sales and/or at least quotes. All were given ample opportunity to respond/reply, but did not. 3 of these 13 were AGC PA members, who also sell WC. We still have 21 active approved agencies, some with multiple locations/branches, and are working on meeting performance objectives. Have room for a few more strong performing agencies if we find them. Continue to monitor for appropriate agencies.

Group Experience

July meeting with Regence reviewed group experience after 6 months. Still very green data, not fully developed, but looking quite positive. Adjusted group loss ratio (premium vs paid claims) current at 57% for medical, all coverage combined (Med, Rx, dental), 55%. On nearly every factor, AGC group running better as compared to all Regence business averages. If these numbers remain constant, will help establish better rates at upcoming renewal. Regence reporting data and information is far superior and meaningful than prior carrier. Data shows great details, and where cost savings are applied – administrative, contract & medical review, eligible charges, dual benefits, etc. We can really get a good grip on our real group experience and performance

Upcoming

August 27 - next monthly AGC/W/R strategy meeting – to preview experience, group renewal timing, preliminary 2014 renewal rates, product offerings, etc. Want to see rates to see how they compare to market and to what we know about exchange. Regence hinted from July meeting that we would be looking at straight trend pricing (approx 10 %?) (still too high in my opinion!)

September 11 - next trustee meeting- expect to have Regence decision markers (sales, UW) at meeting, present high level review and analysis, selection/approve of 2014 rates and offerings. Jim Walton, Regence Director of Sales, flagged Colette down at AGC Golf tournament to mention that he thought they would have some great rates for us for renewal. No details provided, but he seemed pretty excited. Will see what "great rates" are. I really want to see what rates are, and then be able to analyze how we compare on price, coverage and care.

Suggestion of strategic move to change AGC group renewal date to December 1, 2013 rather than January 1, 2014. Allows for delay until December 2014 of implementation of rates tier structure change for groups (and hence pricing), and strategy time to figure best course of action. Subject to trustee approval, but expect to move forward.

Other things that may set HBT group apart from the rest/considerations:

- CoPatient Pilot program - Looking at implementation of HBT as pilot program for CoPatient offering. Agent sales force offers more structure/knowledge of program participation compared to just open market. AGC revenue share % is larger with a structured pilot. Decision subject to trustee approval
- Wellness programs for participating employers/employees. Future ACA savings and employer premiums may be tied to wellness programs. Trust to look at opportunities to tie in, maybe even partially fund active participation in wellness programs. Trust has approx \$1M in reserved that can only be used for the direct benefit of plan participants (per ERISA). Some of this reserve was used this year to pay for transition period for life insurance benefit premium (new component of Regence contract)

Future outlook

AGC HBT still very dependent on Regence as partner, and their willingness to have us as an association group. We are surviving but not thriving. Group experience thus far looks good, so we may turn out to be a good partnership in Regence's eyes. Rate competitiveness (or un-competitiveness) remains the issue, and well into 2014 – how will we compete against other carriers AND the Exchange. Jury still out on Exchange. 2014 published Exchange rates appear surprising low to just about everyone – may be attempt to get to get into market. Those rates may be way underpriced, and depends on who participate in the Exchange. We may see big increase in exchange rates after 2014 once the real risk cost is clearer. May have other carriers opt out of providing coverage, at least in group Exchange market. Too soon to tell.

Appears Regence is able and very willing to move forward with AGC for renewal for 2014. Will have to see what happens from there on out, and review viability/sustainability again next year.