

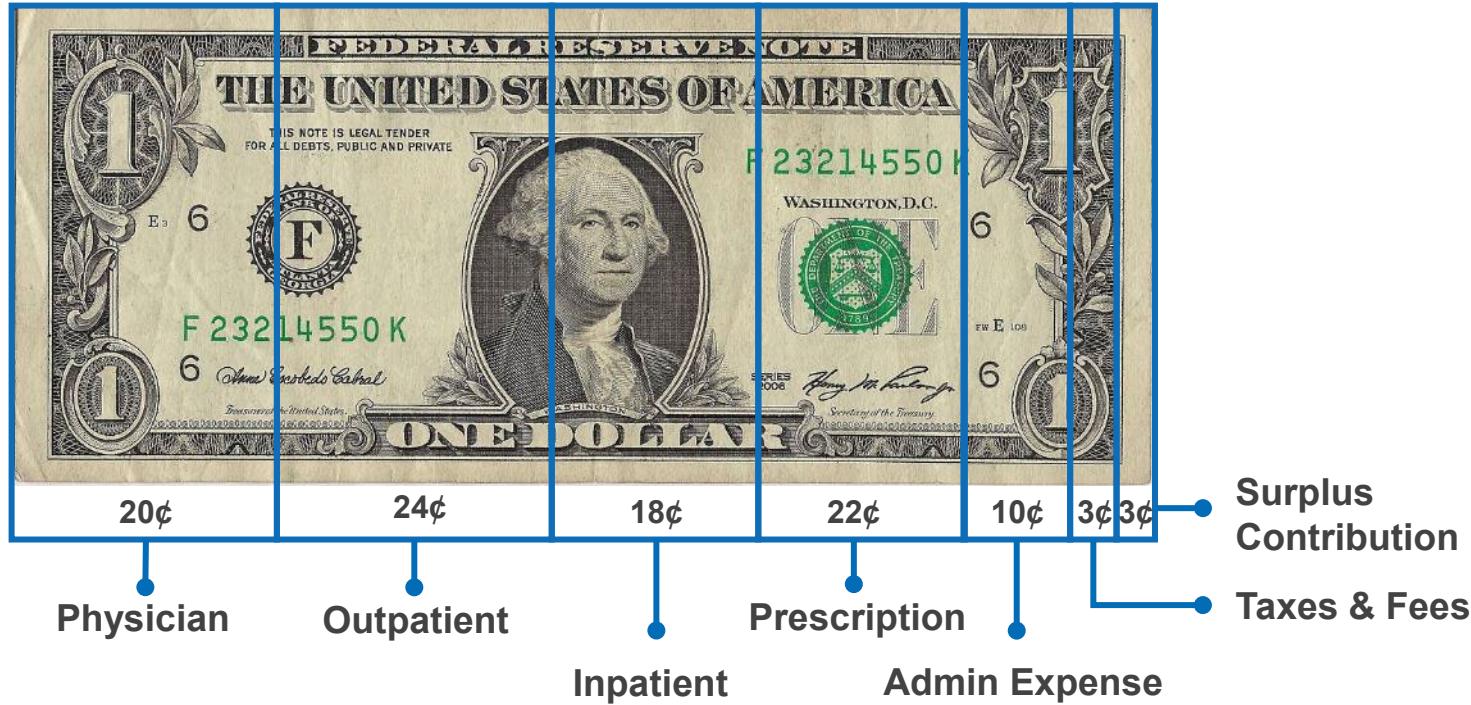
How medical prices impact premiums

Neil Kelsey, VP, Chief Actuary, ConnectiCare

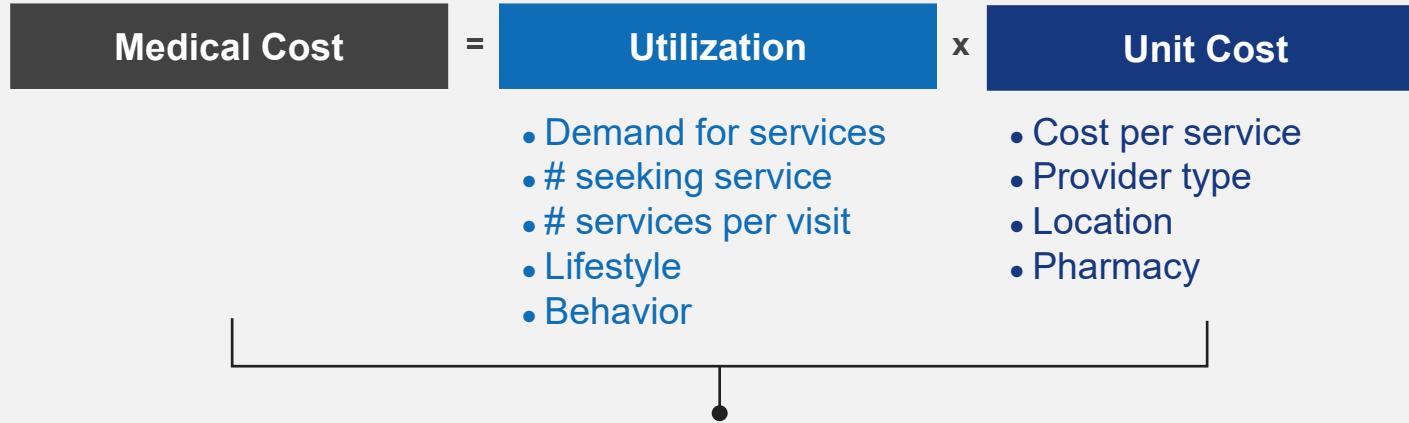
Roberta Wachtelhausen, Interim President,
ConnectiCare | President, WellSpark Health



How a Premium Dollar Is Spent



Medical Costs – Fundamentals of Health Insurance



In a fee-per-service approach, more services done at increasing costs drives higher overall cost

The Impact of Provider Contracting



Each negotiation
is unique



Typically negotiate
multi-year contracts,
including inflators



Parties look to external
data points

- Cost studies (Rand)
- Providers look to arrangements with other carriers, Medicare and Medicaid
- Carriers look to arrangements with other systems
- Cost benchmarks (state)

The Impact of Provider Contracting



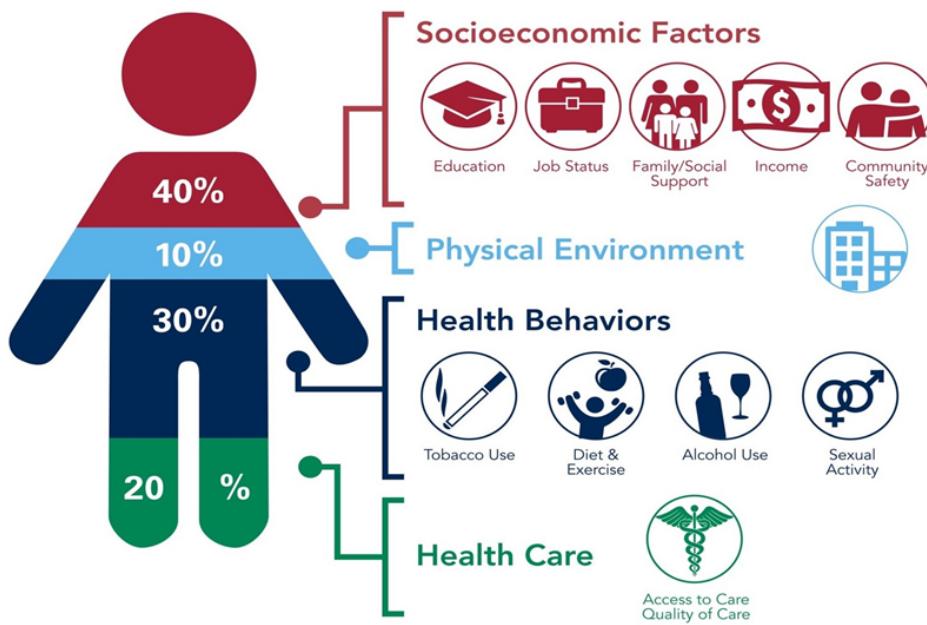
Drive toward a
value-based discussion



Goal is to find
the right balance between

- Provider requirements for revenue
- Carrier desire to maintain the network within constraints of revenue (premium)

The Impact of Lifestyle Behaviors and Social Determinants of Health (SDoH) on Medical Costs



Source: Institute for Clinical Systems Improvement: Going Beyond Clinical Walls; Solving Complex Problems, 2014 Graphic designed by ProMedica

SDoH and lifestyle behaviors have a tremendous affect on an individual's health regardless of age, race or ethnicity.