PEBA
SC Retirement Systems and State Health Plan

South Carolina Public Employee Benefit Authority
Serving those who serve South Carolina

Meeting agenda

Board of Directors Retreat
Wednesday, August 20, 2025 | 10 a.m.-4 p.m.
Wampee Conference Center | 2213 Pinopolis Road, Pinopolis, SC 29469

I.	Call to order	10 a.m.
II.	Approval of meeting minutes (June 5, 2025)	10:05 a.m.
III.	Health Care Policy Committee Key Measures *Mr. Rob Tester, Insurance Policy Director* *Ms. Laura Smoak, Analytics and Health Initiatives Director*	10:05-10:45 a.m.
IV.	Trend and State Health Plan cost driver review *Mr. Mike Madalena, PEBA Consultant* *Mr. Rob Tester, Insurance Policy Director*	10:45 a.m.-12 p.m.
V.	Lunch and Legislative/Congressional political update *Mr. James D'Alessio, VP of Government Affairs, BlueCross BlueShield of South Carolina*	12-1:45 p.m.
VI.	Healthcare Trends in Employer Sponsored Insurance *Mr. Matt Shaffer, Senior VIP of Major Group, BlueCross BlueShield of South Carolina*	2-3 p.m.
VII.	2025 Pharmacy benefit manager procurement and transition *Mr. Mike Madalena, PEBA Consultant* *Ms. Laura Smoak, Analytics and Health Initiatives Director* *Mr. Jim Fowler, Chief Sales Officer, CVS Caremark* *Mr. Mike Ando, Vice President of Implementations, CVS Caremark*	3-4 p.m.

Recede until 9:30 a.m. on Thursday, August 21, 2025

Notice of public meeting
This notice is given to meet the requirements of the S.C. Freedom of Information Act and the Americans with Disabilities Act. Furthermore, this facility is accessible to individuals with disabilities, and special accommodations will be provided if requested in advance.

PUBLIC EMPLOYEE BENEFIT AUTHORITY AGENDA ITEM
BOARD RETREAT

Meeting Date: August 20, 2025

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1. Subject: Strategic Key Measures Review

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2. Summary: We have developed metrics that are presented annually to illustrate performance of the State Health Plan and other employee insurance products. Rob Tester and Laura Smoak of PEBA will present and discuss the 2025 version of the Health Care Policy Committee's Key Measures.

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3. What is Committee asked to do? Receive as information

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4. Supporting Documents:

(a) Attached: 1. Health Care Policy Committee Key Measures August 2025

PEBA
SC Retirement Systems and State Health Plan

Health Care Policy Committee Key Measures

August 2025

Serving those who serve South Carolina

State Health Plan enrollment as of August 2025

Represents enrollment in the State Health Plan, the MUSC Health Plan and TRICARE.

Participants

Subscribers		305,060
Actives	206,567	
Retirees	95,272	
Others	3,221	
Spouses		90,320
Children		144,339
Total covered lives		**539,719**

Active subscribers

State agencies	35,296
Higher education	27,465
School districts	84,497
Charter schools	3,846
Local subdivisions	39,664
MUSC hospitals	13,065
Other	2,734
Total active subscribers	**206,567**

Retirees

Medicare	78,949
Non-Medicare	16,323
Total retirees	**95,272**
Funded retirees	88,534
Non-funded retirees	6,738

State Health Plan participating employers as of August 2025

Employers

State agencies	Higher education	School districts	Charter schools	Local subdivisions	MUSC hospitals	Other
90	26	79	78	568	9	20
Total employers: 870						

State Health Plan financial analysis as of June 2025[1]

	2023	2024[2]	23/24 Trend	Projected 2025[3]	24/25 Trend
Total State Health Plan net expenditures (in millions)	$2,770.1	$2,938.6		$3,224.3	
Average membership	493,406	501,366		508,444	
Medical – net expenditure PMPM	$315.63	$334.52	6.0%	$355.75	6.3%
Pharmacy – net expenditure PMPM	$152.22	$153.90	1.1%	$172.70	12.2%
Total State Health Plan	$467.85	$488.43	4.4%	$528.45	8.2%
Total loss ratio	96.8%	98.0%		97.0%	

[1]Excludes the MUSC Health Plan
[2]Incurred in 12 months; paid in 18 months
[3]Annual projection based on claims incurred and paid in six months.

Cash/liability ratio as of December 2024

A ratio greater than or equal to 1.4 is optimal (benchmark). Cash reserves/outstanding liability should be greater than or equal to 1.0

State Health Plan	1.85
MUSC Health Plan	-2.81
Total health plans	1.63
Dental	7.74
Total self-funded plans	1.69

2025 Actuarial value

Actuarial value as defined by the ACA is plan payments ÷ (plan payments + patient cost share)
The goal is for the State Health Plan actuarial value ratio (AVR) to be equal to or higher than the benchmark of the average of bordering peer plans (Florida, Georgia, North Carolina and Tennessee) and the southeast regional states.

State Health Plan Standard Plan	85.4
Average of bordering peer plans	84.8
All southern states MEP	80.9

Benefit design for each plan applied to the Centers for Medicare and Medicaid Service's 2024 Actuarial Calculator.

Bronze	Silver	Gold	Platinum
actuarial value **60%**	actuarial value **70%**	actuarial value **80%**	actuarial value **90%**

State Health Plan network access | June 1, 2024 – June 30, 2025 (paid)

% of hospital claims paid in network	99.53%
% of professional claims paid in network	99.21%

State Health Plan net expenditure growth per member is at least two percentage points below the five-year average national benchmark.

	2020	2021	2022	2023	2024	5-year average (2020-2024)
State Health Plan	3.7%	7.3%	1.1%	8.0%	4.4%[1]	4.9%
Benchmark	5.8%	8.5%	6.8%	8.5%	8.8%	7.7%

[1]*Incurred in 12 months; paid in 18 months.*

The benchmark is a blended number derived from annual health care cost trend surveys produced by national consulting firms including Aon, Buck, PriceWaterhouseCoopers, Segal and Willis Towers Watson, when available.

State Health Plan premium increases are no more than the Consumer Price Index for medical care plus 3%.

	State Health Plan total rate increase		Medical care CPI increase
2022	0.6%	**2020**	1.8%
2023	14.2%	**2021**	2.2%
2024	3.0%	**2022**	4.0%
2025	9.7%	**2023**	0.5%
2026	3.9%	**2024**	2.8%
5-year average (2022-2026)	**6.3%**	**5-year average (2020-2024)**	**2.3%**

There is a two-year lag in CPI data used for measure because of timing of the State Health Plan rate setting process.

State Health Plan net expenditure to revenue loss ratio is less than or equal to 1.0.

	2023 incurred claims (paid through 06.30.25)	2024 incurred claims (paid through 06.30.25)
State Health Plan	0.968	0.980

Cumulative cash balance of self-funded health plan reserves is at least 140% of current estimated outstanding liability.

	As of 12.31.24	Cash balance compared to estimated outstanding liability
State Health Plan cash balance	$416,062,530	163%
Outstanding liability	$255,888,675	

2024 Average monthly total premiums[1]

Totals include employee and employer contributions

	Single	Family
State Health Plan	$575	$1,578
Large public and private sector employers[2]	$769	$2,206
Public and private sector in South[3]	$754	$2,178
Public employers	$749	$1,978
Private – manufacturing	$757	$2,208
Private – financial services	$797	$2,327

[1]Average monthly total premiums in PPO (Preferred Provider Organization) plans
[2]Large public and private sector employers: ≥ 200 employees in public and private sector
[3]Public and private sector employers in South includes Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia

Data from the Kaiser Family Foundation Employer Health Benefits 2024 Annual Survey

2024 Average annual deductible[1]

	Amount
State Health Plan	$515
Large public and private sector employers[2]	$1,048
All employers	$1,252

[1]Average annual deductible in PPO (Preferred Provider Organization) plans
[2]Large public and private sector employers: ≥ 200 employees in public and private sectors

Data from the Kaiser Family Foundation Employer Health Benefits 2024 Annual Survey

State Health Plan average monthly composite premium is at or below the southeast regional state employee plan average for the employer, enrollee and total premium (2025 rates).[1]

	Employer	Employee	Total
State Health Plan	$792.37	$159.31	$951.68
South[2]	$926.91	$209.95	$1,136.86
State Health Plan percentage of regional average	85.5%	75.9%	83.7%
United States	$1,145.80	$199.25	$1,345.05
State Health Plan percentage of national average	69.2%	80.0%	70.8%

Survey uses most prevalent plan among state employee options for analysis.
[1]Composite monthly premiums: Weighted average of all PEBA health subscribers enrolled in each coverage level
[2]South includes Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia

Data from the PEBA 50-State Survey of State Employee Health Plans

2024 Average annual gross plan cost per active employee[1]

	Amount[2]
State Health Plan	$14,660
Public employers	$17,946
Private – manufacturing	$16,758
Private – financial services	$18,593
All employers	$16,930
Employers – 500+	$16,868
Employers – 20k+	$15,645
South[3]	$15,453

[1]Average cost in PPO (Preferred Provider Organization) and POS (Point of Service) plans
[2]Average annual gross plan cost per employee (medical and pharmacy only for active employees and their dependents) = (Claims cost for employee and dependents + administrative costs + employee contributions)/number of active employees
[3]South includes Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia

Data from 2024 Mercer National Survey of Employer-sponsored Health Plans

Historical State Health Plan increases and funding

Plan year	Employee increase	Employer increase	Overall increase	Notable plan design changes
2017	0	0.8%	0.6%	
2018	0	3.3%	2.5%	
2019	0	7.4%	5.7%	Added adult well visit coverage; increased copayments, deductible and coinsurance maximum
2020	0	0	0	
2021	0	0	0	
2022	0	0.8%	0.6%	
2023	0	18.1%	14.2%	Expanded adult well visit coverage; increased copayments, deductible and coinsurance maximum
2024	0	3.7%	3.0%	Added annual well woman exam coverage; added birth control coverage for covered dependent children
2025	0	11.8%	9.7%	Repealed PCMH patient cost share incentive
2026	0	4.6%	3.9%	

2024 Prevalence of certain chronic conditions in State Health Plan

	Ages 18-64			Ages 65+			Ages 0-17
Chronic condition	SHP primary adults	South Carolina	United States	SHP Medicare primary adults	South Carolina	United States	SHP dependent children
Diabetes	12.6%	14.9%	11.5%	30.3%	26.0%	24.0%	1.4%
High blood pressure	30.1%	38.9%	34.0%	74.3%	70.0%	65.0%	1.9%
High cholesterol	23.5%	39.3%	36.9%	68.5%	72.0%	66.0%	0.3%
Diabetes or high blood pressure or high cholesterol	39.1%			84.3%			3.5%
Diabetes and high blood pressure and high cholesterol	7.2%			25.3%			0.0%
Depression	10.5%	21.9%	22.0%	15.8%	17.0%	17.0%	2.7%
Any mental health diagnosis	28.7%			33.8%			20.3%

State Health Plan prevalence from State Health Plan claims data incurred in 2024.
State and national prevalence for ages 18-64 from CDC's Behavioral Risk Factor Surveillance System (BRFSS) for 2023.
State and national prevalence for ages 65+ from CMS's Mapping Medicare Disparities Tool using 2023 Medicare Fee-for-Service administrative claims data.

Meet or exceed reported benchmarks for appropriate measures as established by Healthcare Effectiveness Data and Information Set (HEDIS).

Benchmark data is for preferred provider organizations (PPOs) except the dental claim benchmark. The dental claim benchmark is for Medicaid Health Management Organization (HMO).

Measures for behavior or services that improve member health outcomes and reduce costs

	Benchmark	State Health Plan
Adults who had an ambulatory or preventive care visit during the measurement year or the two years prior to the measurement year. ↑	**94.7%** (2023)	**95.8%** (2024) **96.1%** (2023)
RETIRED MEASURE Adults and children ages 2 through 20 who had at least one dental claim during the measurement year. ↑	**47.3%** (2022)	**75.5%** (2024) **74.9%** (2023)
At least six well child visits in the first 15 months of life with a primary care physician. ↑	**80.8%** (2023)	**85.8%** (2024) **85.3%** (2023)

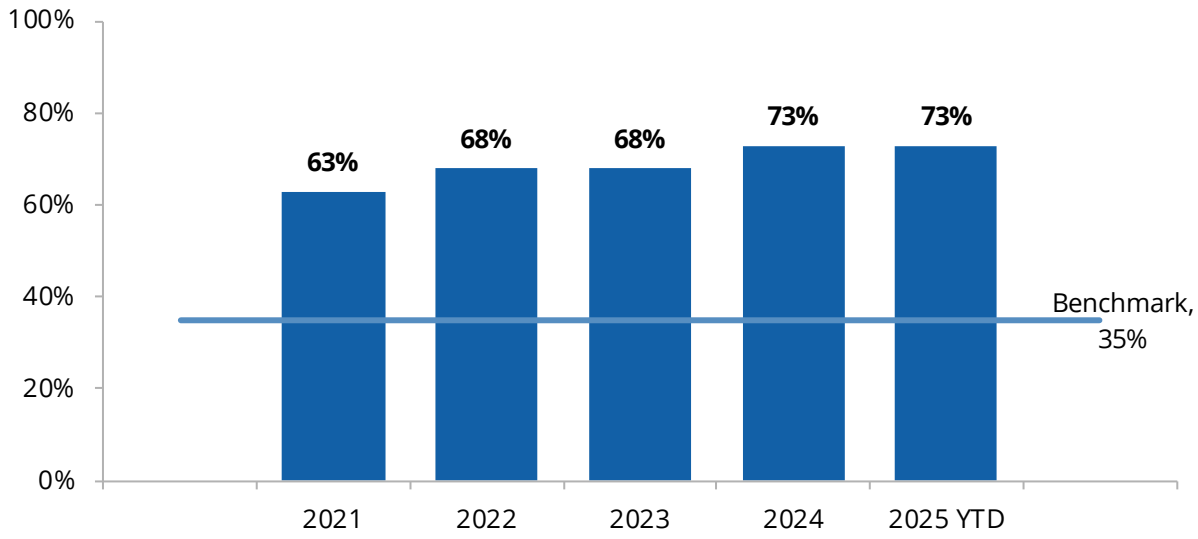
Measures for behavior or services that improve member health outcomes and reduce costs

	Benchmark	State Health Plan
Well child visits in the first 30 months of life (15 months to 30 months). ↑	**88.3%** (2023)	**91.0%** (2024) **91.2%** (2023)
Child and adolescent well care between ages 3 and 19 who had at least one comprehensive well-care visit with a primary care physician or OB/GYN practitioner during the measurement year. ↑	**57.6%** (2023)	**56.2%** (2024) **55.5%** (2023)
Women ages 50 through 74 who had at least one mammogram to screen for breast cancer in the past two years. ↑	**73.3%** (2023)	**76.0%** (2024) **75.0%** (2023)
Women ages 21 through 64 who were screened for cervical cancer using either of the following criteria: • Women ages 21 through 64 who had cervical cytology performed every three years. • Women ages 30 through 64 who had cervical cytology/human papillomavirus (HPV) co-testing performed every five years. ↑	**72.5%** (2023)	**67.8%** (2024) **66.8%** (2023)
Adults ages 45 through 75 who had appropriate screening for colorectal cancer with any of the following tests: annual fecal occult blood test; flexible sigmoidoscopy every five years; colonoscopy every 10 years; computed tomography colonography every five years; or stool DNA test every three years. ↑	**55.8%** (2023)	**63.5%** (2024) **60.5%** (2023)
Adolescent females ages 16 through 20 who were screened unnecessarily for cervical cancer. ↓	**0.4%** (2023)	**0.6%** (2024) **0.8%** (2023)
Adults ages 18 through 50 who had a primary diagnosis of low back pain and did not have an imaging study (plain X-ray, MRI or CT scan) within 28 days of the diagnosis (a higher score indicates better performance). ↑	**73.2%** (2023)	**71.2%** (2024) **72.5%** (2023)

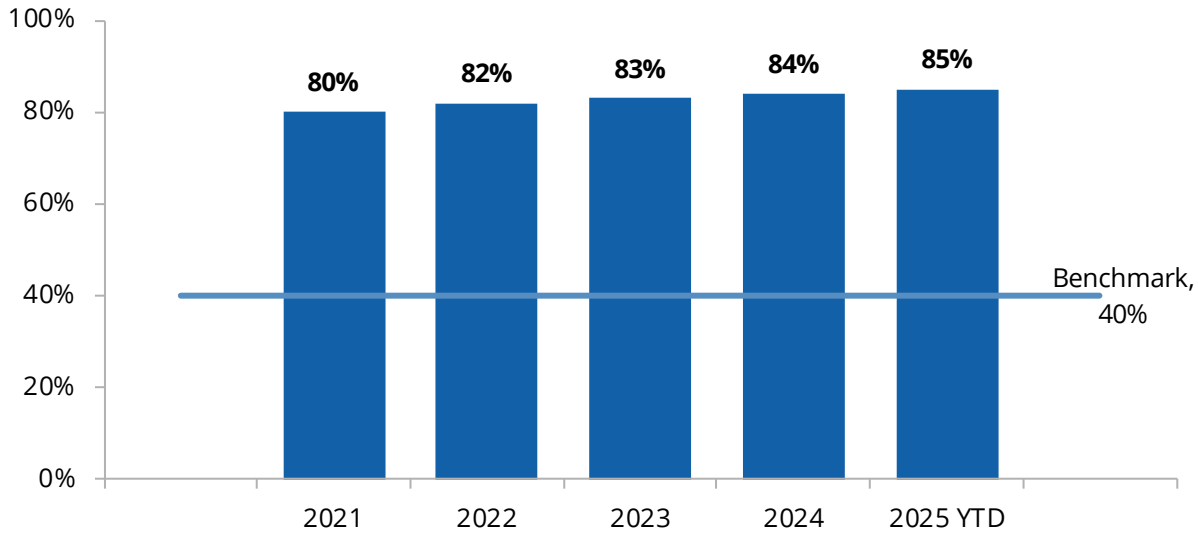
Measures for behavior or services that improve member health outcomes and reduce costs

	Benchmark	State Health Plan
Among opioid users, the percentage of members ages 18 and older who receive prescription opioids at a high dosage for greater than or equal to 15 days during the measurement year (average morphine equivalent dose [MED] greater than 90 mg). ↓	**3.7%** (2023)	**3.8%** (2024) **4.0%** (2023)
The percentage of discharges for members 6 years of age and older who were hospitalized for treatment of selected mental illness or intentional self-harm diagnoses, who had a follow-up visit with a mental health provider within 7 days and within 30 days. ↑ ↑	Within 7 days: **46.1%** (2023) Within 30 days: **68.7%** (2023)	Within 7 days: **40.8%** (2024) **54.9%** (2023) Within 30 days: **67.5%** (2024) **79.4%** (2023)
Adults 18 years of age and older with a diagnosis of major depression who were newly treated with antidepressant medication and remained on their antidepressant medications, acute and continuation. ↑ ↑	Acute: **79.4%** (2023) Continuation: **64.1%** (2023)	Acute: **77.1%** (2024) **78.3%** (2023) Continuation: **59.2%** (2024) **60.8%** (2023)
Children 2 years of age who had their Combo 3 vaccines: four DTaP, three polio (IPV), one MMR, three haemophilus influenza type B (HiB), three hepatitis B (HepB), one chicken pox (VZV), and four pneumococcal conjugate (PCV) by their second birthday. ↑	**69.6%** (2023)	**85.6%** (2024) **90.1%** (2023)
Adolescents 13 years of age who had their Combo 2 vaccines: one dose of meningococcal vaccine, one tetanus, diphtheria toxoids and acellular pertussis (Tdap) vaccine, and have completed the human papillomavirus (HPV) vaccine series by their 13th birthday. ↑	**28.9%** (2023)	**29.8%** (2024) **30.9%** (2023)

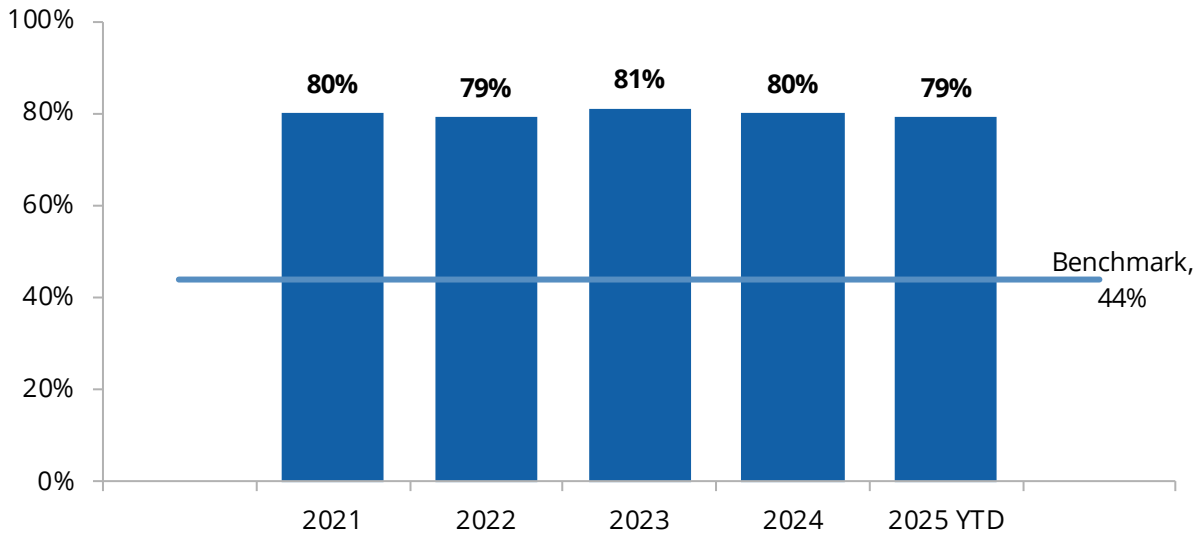
Enrollment in Dental Plus compared to industry benchmark



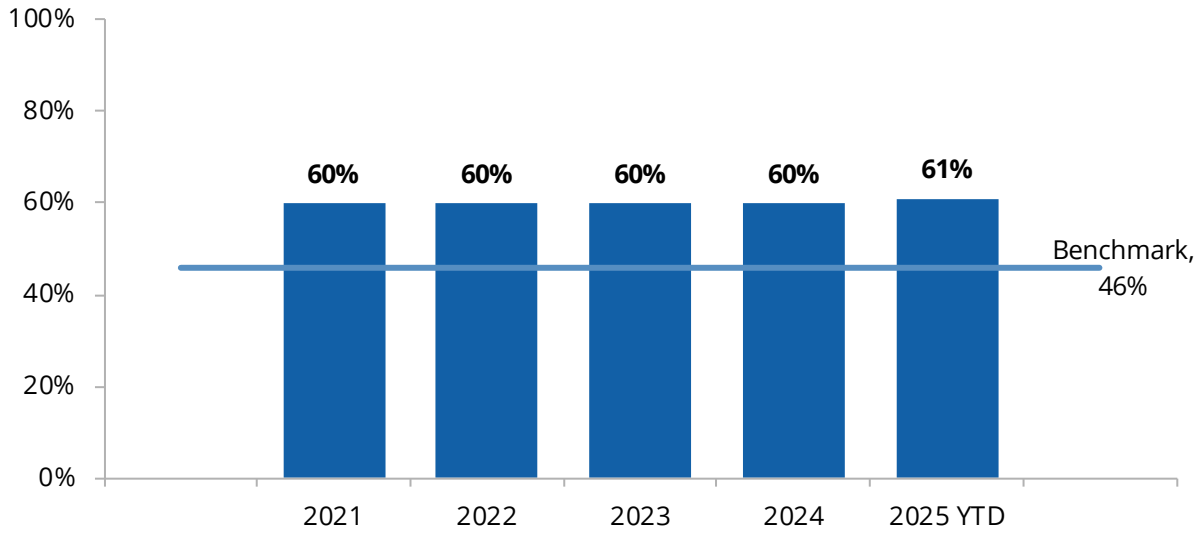
Enrollment in State Vision Plan compared to industry benchmark



Enrollment in Optional Life compared to industry benchmark



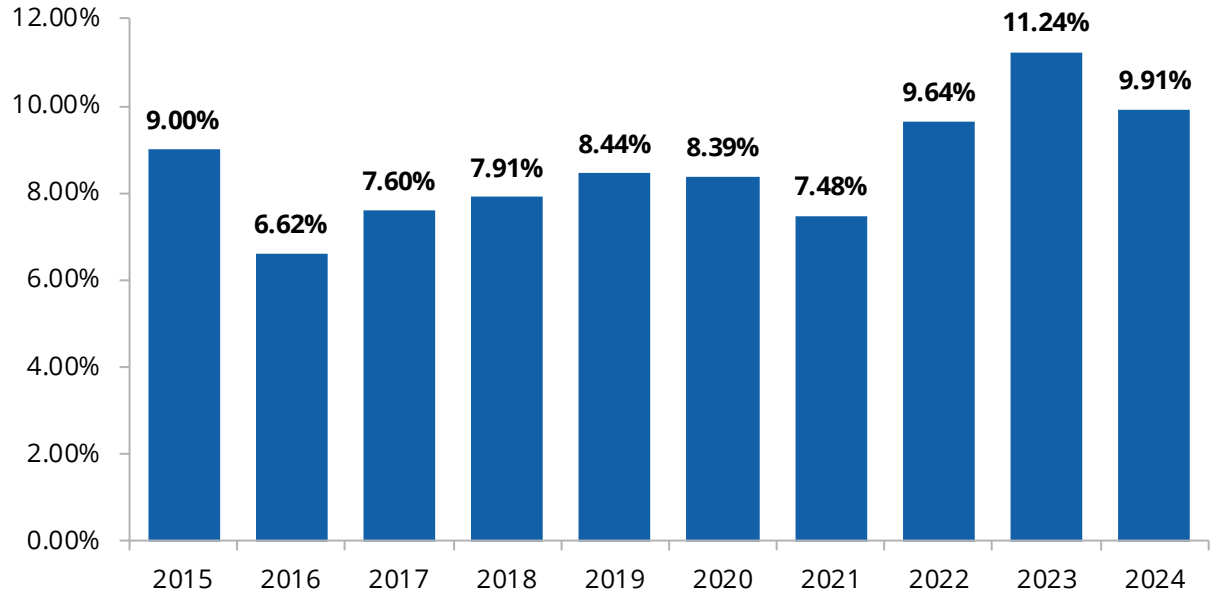
Enrollment in Supplemental Long Term Disability compared to industry benchmark



Benchmark provided by Understanding Voluntary Participation Rates, Eastbridge Consulting Group, Inc., 2024 for groups with 10,000 or more lives.

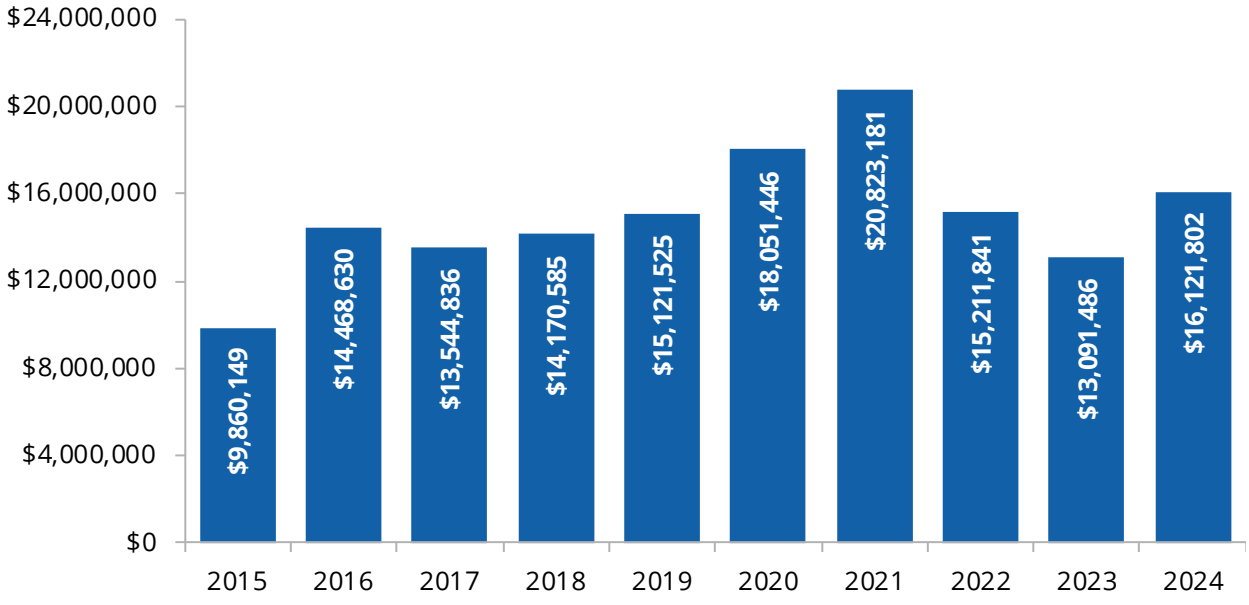
OPEB funded ratio as of June 30[1]

Actuarial assets as a percentage of actuarial accrued liabilities



OPEB unfunded accrued liabilities as of June 30[1]

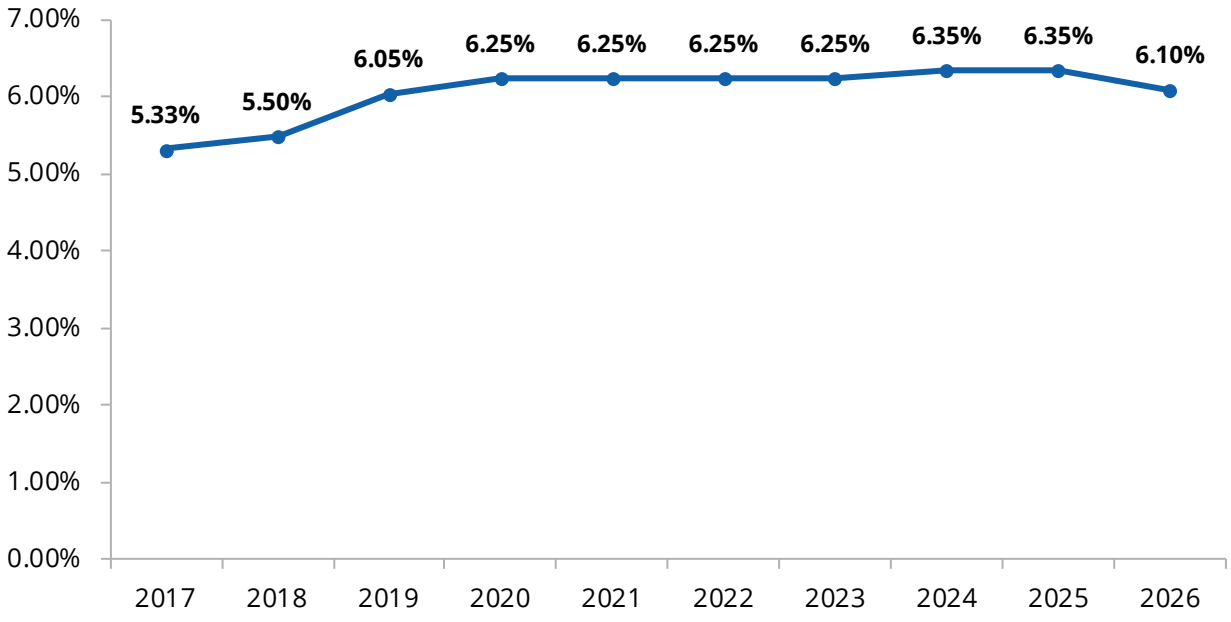
Amounts expressed in thousands



[1]*There was a change in methodology in 2016 due to GASB standards changes.*

Historical employer surcharge to fund retiree insurance by fiscal year

The employer retiree insurance surcharge collects employer contributions on behalf of retirees. The surcharge is the total amount of employer contributions divided by agency and school district payroll.



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PUBLIC EMPLOYEE BENEFIT AUTHORITY AGENDA ITEM
BOARD RETREAT

Meeting Date: August 20, 2025

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1. Subject: Trend and State Health Plan Cost Driver Review

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2. Summary: As is the case with health payers nationwide, the State Health Plan continues to face challenges related to continuous growth in claims expenditure. Mike Madalena, consultant to PEBA, assisted by Rob Tester, will review the special characteristics of the Plan's current cost drivers and comment on methods available to contain these factors.

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3. What is Committee asked to do? Receive as information

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4. Supporting Documents:

(a) Attached: 1. Trend and State Health Plan Cost Driver Review

PEBA℠
SC Retirement Systems and State Health Plan

Trend and State Health Plan Cost Driver Review

Board of Directors

August 20, 2025

Serving those who serve South Carolina

Key terms and assumptions

Claims incurred and paid in the first six months of 2024 compared to claims incurred and paid in the first six months of 2025.

Enrollment (denominator) is defined using the same method in both the base and study periods. There was approximately a 1.5% enrollment increase in 2025 relative to the same period in 2024.

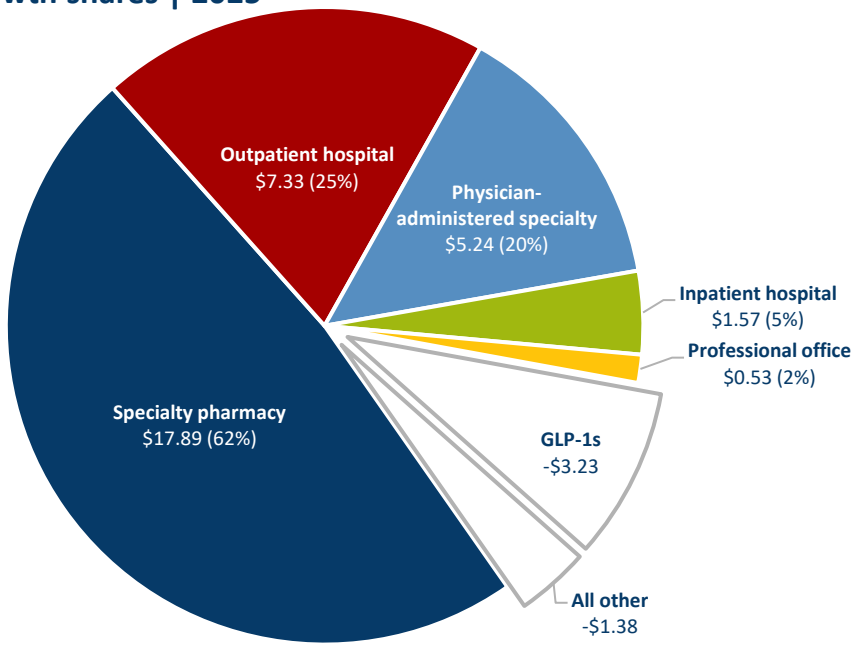
Medical and prescription drug claims are included in the analysis. Medical claims include services provided as part of the State Health Plan's direct contract network and BlueCross BlueShield of South Carolina managed networks.

Claim performance is managed by considering the service type the expenditure represents. At a high level, utilization (quantity) and unit cost (price) are managed with different mechanisms.

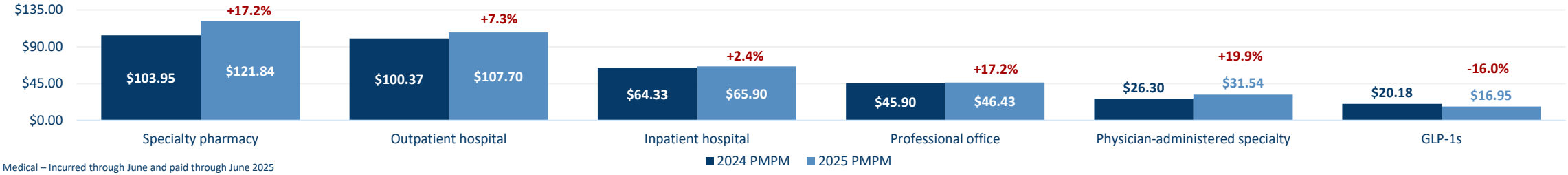
Overall Plan PMPM increase

		Growth rate
Overall plan PMPM+	**$28.78**	**6.6%**
Total medical	*$16.56*	*6.5%*
Total pharmacy	*$12.22*	*6.6%*
Outpatient hospital	$7.33	7.3%
Professional office	$0.53	1.2%
GLP-1s	-$3.23	-16.0%
Inpatient hospital	$1.57	2.4%
Specialty pharmacy	$17.89	17.2%
Physician-administered specialty	$5.24	19.9%
Ambulance	-$0.15	-8.9%
Independent lab	$0.29	10.9%
Telehealth	$0.15	13.9%
Population health programs	$0.77	38.5%
Non-specialty, non GLP-s Rx	-$2.44	-4.1%

PMPM growth shares | 2025



Growth rate for major trend drivers | 2025



Medical – Incurred through June and paid through June 2025
Pharmacy- incurred and paid through June, net of rebates

Overall disease state trends

Category	Total Plan cost (Q1 & Q2 2024)	Total PMPM (Q1 & Q2 2024)	Total Plan cost (Q1 & Q2 2025)	Total PMPM (Q1 & Q2 2025)	Share of Plan total (Q1 & Q2 2025)	Change
CANCER	$182.039 M	$56.64	$200.403 M	$61.80	13.0%	9.1%
MUSCULOSKELETAL CONDITIONS	$146.450 M	$45.52	$159.546 M	$49.31	10.4%	8.3%
CIRCULATORY	$130.899 M	$40.71	$143.432 M	$44.27	9.3%	8.7%
ENDOCRINE	$141.095 M	$43.94	$135.312 M	$41.64	8.8%	-5.2%
FACTORS INFLUENCING HEALTH	$114.872 M	$35.69	$122.237 M	$37.83	8.0%	6.0%
SKIN CONDITIONS	$101.669 M	$31.67	$120.321 M	$37.00	7.8%	16.8%
DIGESTIVE	$95.426 M	$29.68	$101.211 M	$31.25	6.6%	5.3%
NERVOUS SYSTEM	$89.727 M	$27.92	$97.365 M	$30.02	6.3%	7.5%
SYMPTOMS & SIGNS	$70.002 M	$21.75	$74.958 M	$23.20	4.9%	6.7%
GENITOURINARY	$56.953 M	$17.70	$61.747 M	$19.10	4.0%	7.9%
BEHAVIORAL CONDITIONS	$58.643 M	$18.25	$61.423 M	$18.95	4.0%	3.9%
RESPIRATORY	$48.831 M	$15.19	$54.516 M	$16.82	3.5%	10.8%
INJURY & POISONING	$49.242 M	$15.30	$48.708 M	$15.08	3.2%	-1.4%
INFECTIOUS	$45.648 M	$14.21	$46.998 M	$14.48	3.0%	1.9%
BLOOD CONDITIONS	$33.770 M	$10.51	$40.251 M	$12.40	2.6%	18.0%
PREGNANCY/CHILDBIRTH/PERINATAL	$27.951 M	$8.68	$30.284 M	$9.38	2.0%	8.1%
EYE CONDITIONS	$20.839 M	$6.48	$23.946 M	$7.40	1.6%	14.2%
CONGENITAL/CHROMOSOME	$6.043 M	$1.88	$6.161 M	$1.91	0.4%	1.7%
EAR CONDITIONS	$6.534 M	$2.03	$5.762 M	$1.78	0.4%	-12.1%
ALL OTHER DIAGNOSES & INDICATIONS	$3.627 M	$1.13	$3.818 M	$1.17	0.2%	4.1%
TRANSPLANTS	$2.406 M	$0.75	$2.864 M	$0.88	0.2%	17.3%
TOTAL	**$1,432.676 M**	**$445.62**	**$1,541.275 M**	**$475.69**		**6.7%**

Medical claims incurred in Quarters 1 and 2 (January-June) and paid through June.
Pharmacy claims incurred in Quarters 1 and 2 (January-June) and paid through July for top 100 indications.

Claim trend summary

- Net of prescription drug revenue, claim costs have increased 6.6% on a per member per month basis.
- Utilization and several pockets of unit cost are responsible for the majority of trend.
- There is evidence that selection bias is continuing to negatively influence trends.
- The presentation will focus on these key areas and related issues.

Key observations

Unit cost is stable with several notable exceptions:

- Physician administered medications have increased 17.9% (5.7% of claim cost).
- Overall, unit costs have increased 7.6%.

Utilization is the key driver of trend:

- Outpatient hospital has increased 5.3% (16.3% of cost).
- Specialty prescribed medications have increased 21.5% (25.6% of cost).
- Physician office visits have increased 3.1% (14.7% of cost).
- Overall, utilization has increased 0.4%.
- Brand specialty prescription drugs increased 16% on a per member per month basis (accounting for 47% of the total PMPM cost increase).

Large claimants are having increasing effect on trend:

- In 2024 (YTD), large claimants (members with total claim expense greater than or equal to $250,000) accounted for $49.3 million in claim cost (2.8% of total claim cost).
- In 2025 (YTD), large claimants accounted for $58.8 million in claim cost (3.1% of total claim cost).
- As a point of comparison, in 2019, large claimants accounted for $29.6 million in claim cost (2.5% of total claim cost).

Utilization effects

Rates of encounters
How often are PEBA members receiving care?

- Total medical encounters and prescription drug days of therapy increased from 8.5 units PMPM to 9.2 units PMPM (0.4%).

Encounter intensity
What services are being performed in the encounter?

- **Average outpatient hospital encounter in 2024 (YTD)**
  Cost: $815
  Number of encounters: 402,058
  Number of services: 7.3 Average number of diagnostics: 2.13
- **Average outpatient hospital encounter in 2025 (YTD)**
  Cost: $825
  Number of encounters: 442,539
  Number of services: 7.0 Average number of diagnostics: 2.16
- **Average office visit in 2024 (YTD):**
  Cost: $139
  Number of encounters: 2,520,596 Average number of diagnostics: 1.3
- **Average office visit in 2025 (YTD)**
  Cost: $147
  Number of encounters: 2,609,713 Average number of diagnostics: 1.2

Outpatient hospital drill down

Surgical utilization increased 6.2%.

Surgical PMPM cost increased 3%.

Surgical unit cost decreased 3%.

Emergency room utilization increased 10.7%.

ER PMPM cost increased 14%.

ER unit cost increased 3%.

Place of service comparison | 2025 year to date

$97
Average office visit encounter cost

$214
Average urgent care encounter cost

$856
Average ER encounter cost

Physician-administered medication drill down

- Unit cost increased 18%.
- Utilization increased 2%.
- PMPM cost increased 20%.

- New medications (those utilized in 2025, but not in 2024) contributed slightly more than 4 percentage points of the growth ($3.4 million year to date).
- New users of medications contributed significantly to growth:
  - Multiple sclerosis: 17% more users.
  - Cancer (Melanoma): 38% more users.
  - Age-related (wet) macular degeneration: 58% more users.

Large claimants

Members who have greater than $250,000 in medical and prescription drug claims in a year

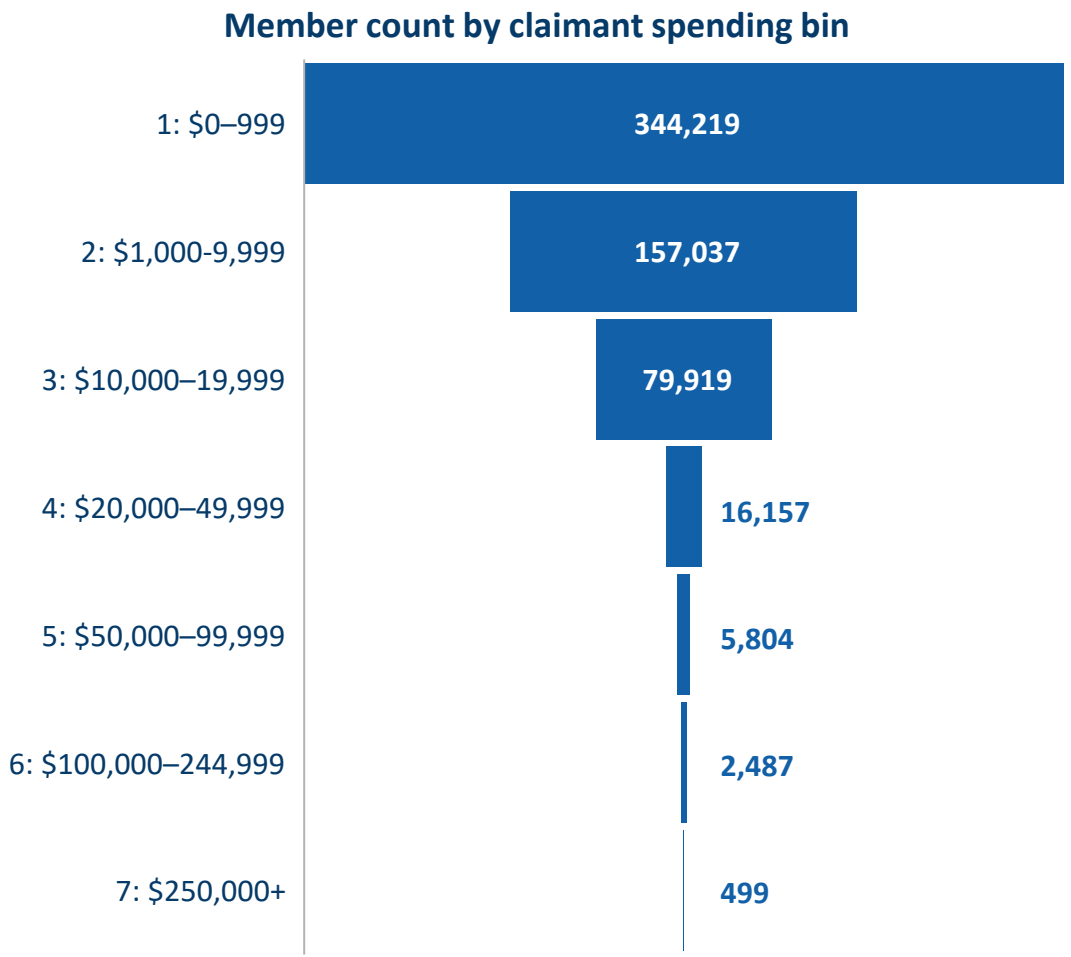
2019 Characteristic summary

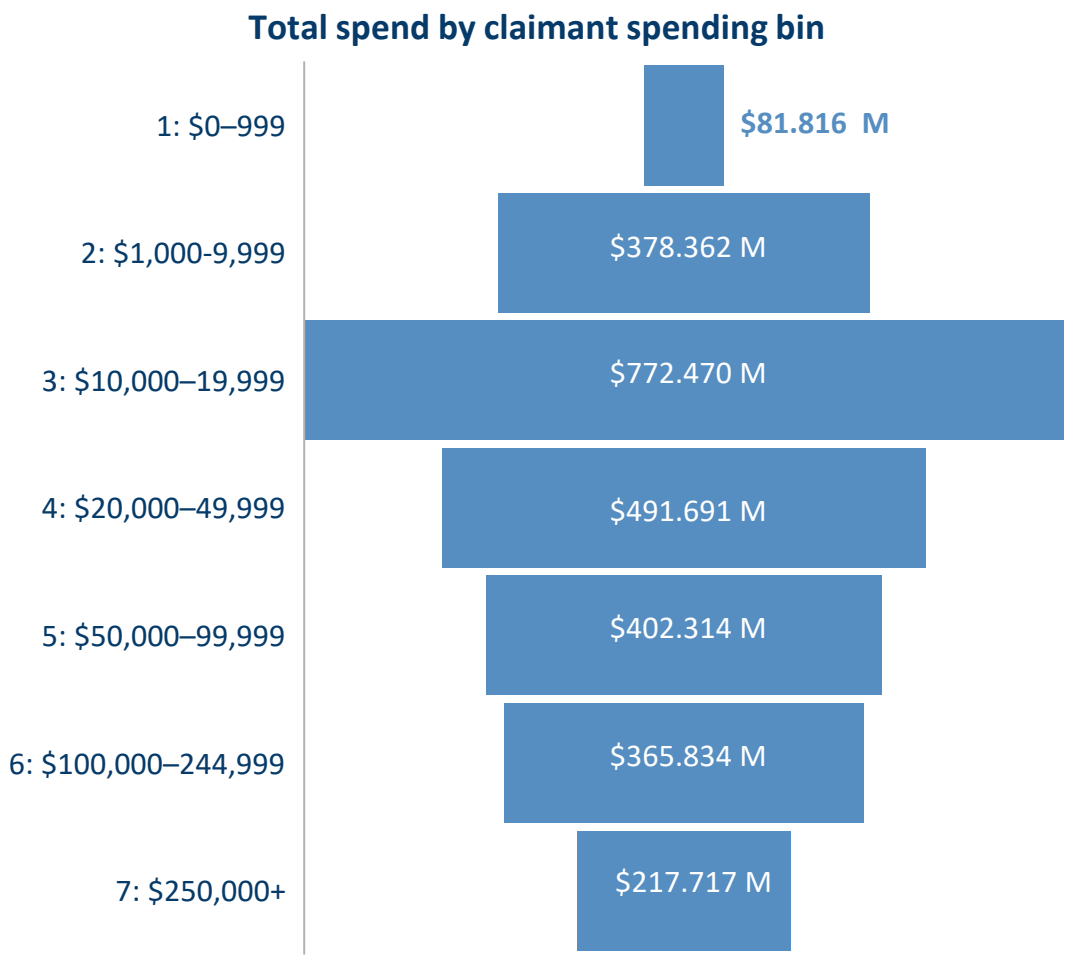
- Top 5 DX:
  - Single liveborn infant (C-section delivery).
  - Chemotherapy.
  - Bronchopulmonary dysplasia originating in the perinatal period.
  - Acute myeloblastic leukemia (not having achieved remission).
  - Hereditary factor VIII deficiency.
- Average age: 55.8
- Relationship distribution:
  - Employee/Retiree: 50.9%
  - Spouse: 27.1%
  - Child: 22.0%

2024 Characteristic summary

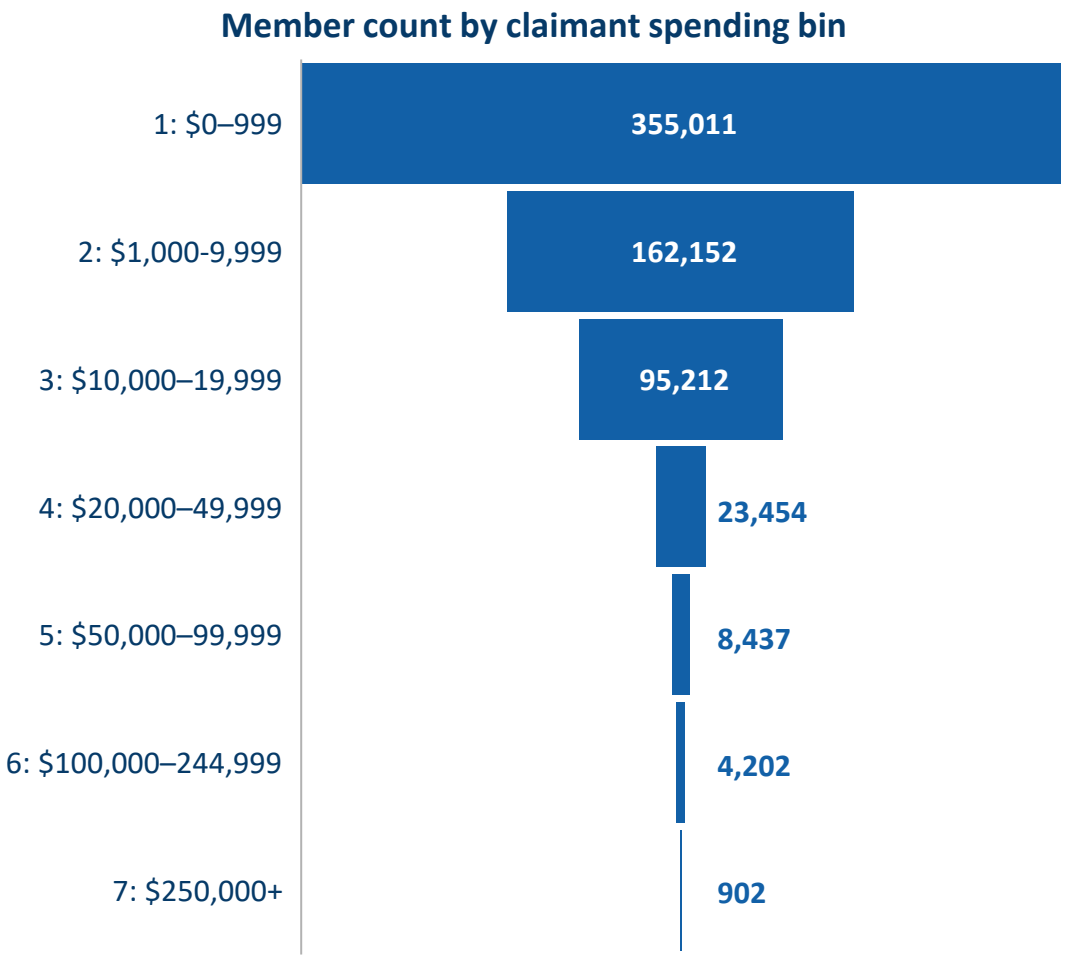
- Top 5 DX:
  - Single liveborn infant (C-section delivery).
  - Chemotherapy.
  - Myasthenia gravis without (acute) exacerbation.
  - End stage renal disease.
  - Sepsis (unspecified organism).
- Average age: 55.8
- Relationship distribution:
  - Employee/Retiree: 56.5%
  - Spouse: 27.0%
  - Child: 16.5%

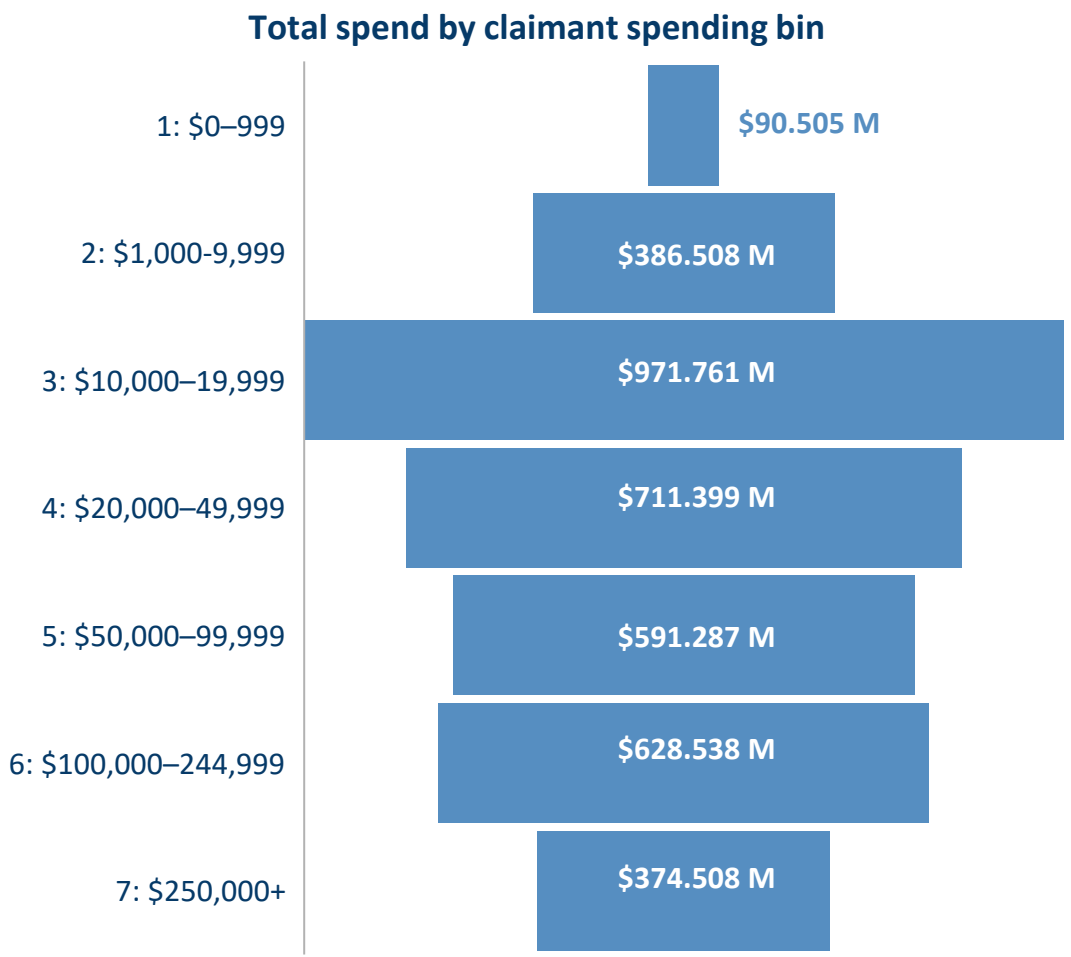
2019 Claimant spend distribution





2024 Claimant spend distribution





PEBA selection

- PEBA runs the risk of people purposefully seeking employment with one of the 870 participating employers to obtain generous and affordable benefits to treat expensive conditions.
- An analysis was conducted to estimate:
  - Spend creep: How much is spend attributed to new hires increasing year over year?
  - Selection: How many people are accumulating significant amounts of spend within specific timeframes?
- The analysis used each member's eligibility start year and tabulated medical and pharmacy spend within three, six and 12 months of their start year.
  - Infants (members younger than 2 years old) were excluded from this cohort.

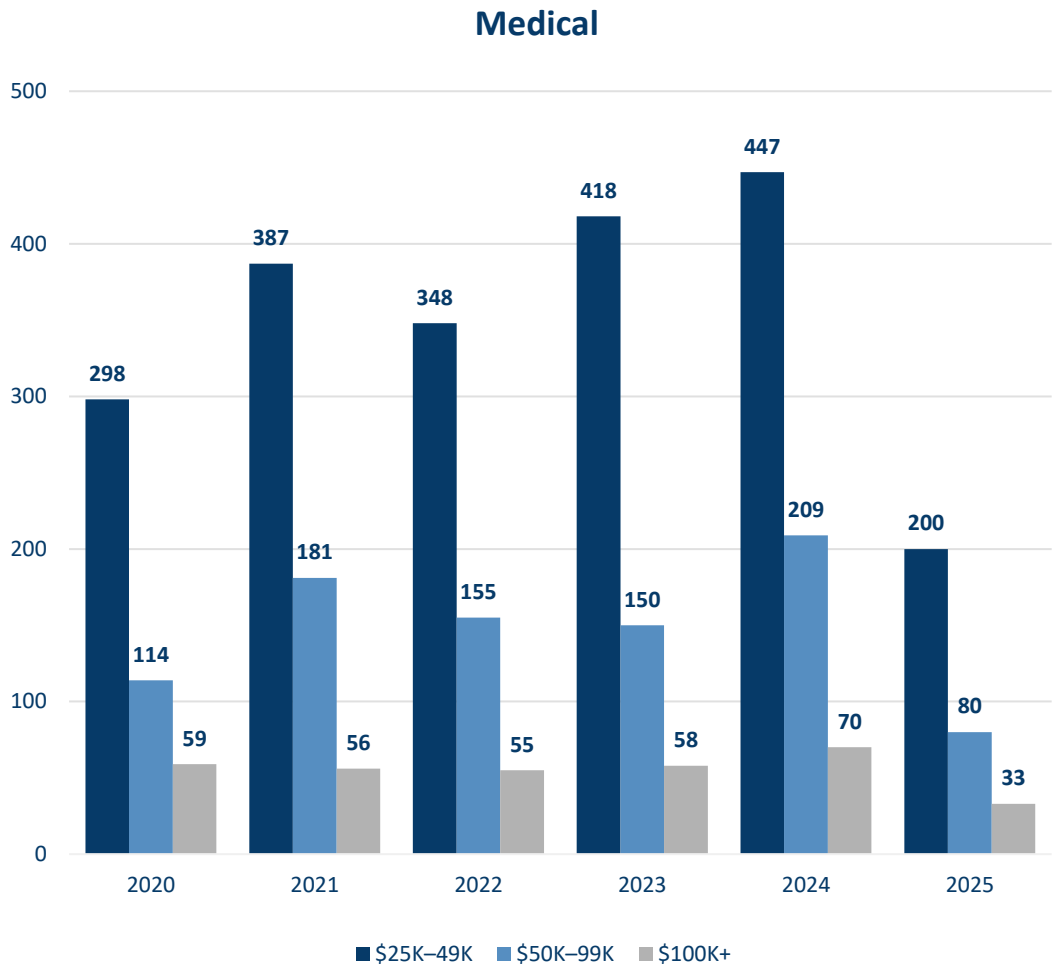
PEBA selection | Medical spend within first year of health eligibility

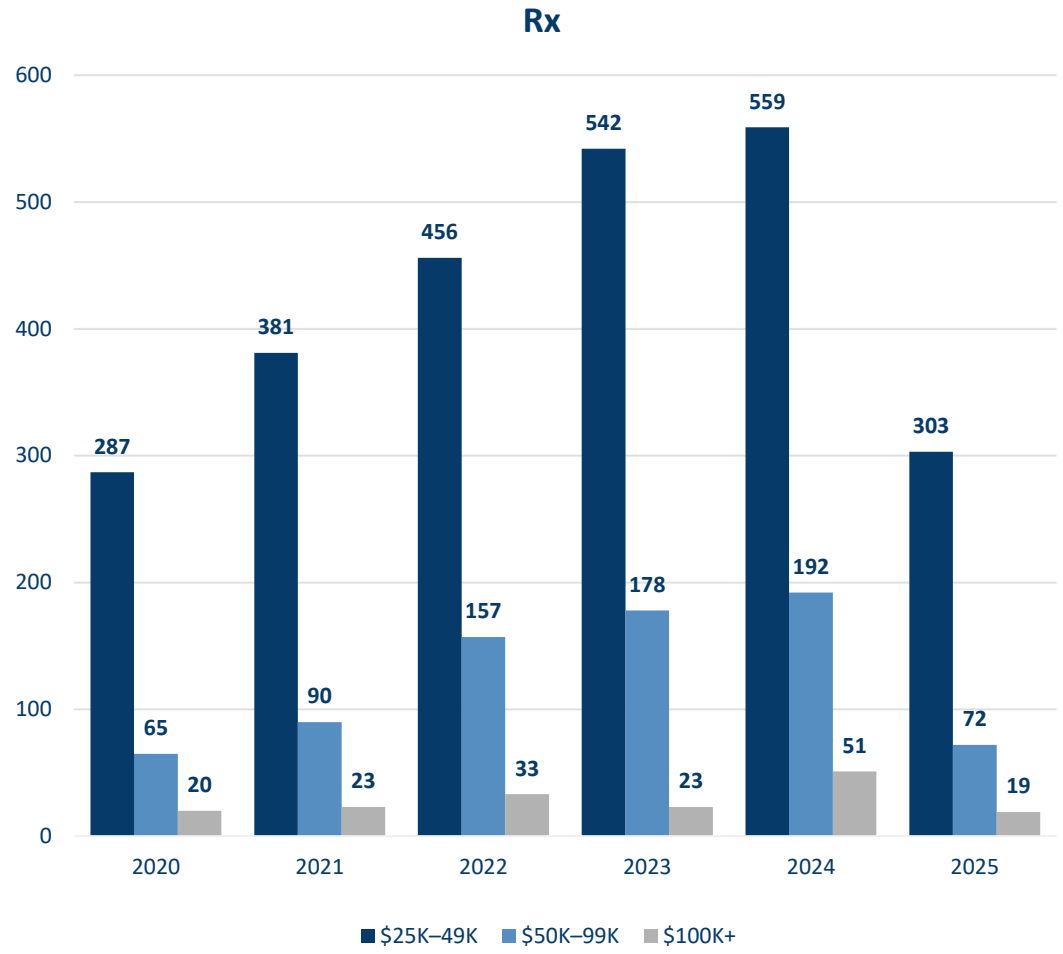
Start year	Average within 3 months	Median within 3 months	Average within 6 months	Median within 6 months	Average within 12 months	Median within 12 months
2016	$772	$0	$1,495	$99	$2,997	$370
2017	$786	$0	$1,515	$106	$3,014	$387
2018	$797	$5	$1,566	$122	$3,123	$426
2019	$839	$6	$1,628	$119	$3,147	$406
2020	$890	$8	$1,704	$145	$3,452	$460
2021	$977	$47	$1,822	$178	$3,589	$514
2022	$890	$30	$1,775	$174	$3,578	$548
2023	$976	$29	$1,941	$193	$3,905	$598
2024	$1,028	$47	$2,047	$227	$3,833	$608
2025	$1,145	$92	$1,873	$204		

PEBA selection | Rx spend within first year of health eligibility

Start year	Average within 3 months	Median within 3 months	Average within 6 months	Median within 6 months	Average within 12 months	Median within 12 months
2016	$602	$40	$1,281	$139	$2,729	$386
2017	$677	$41	$1,376	$133	$2,819	$349
2018	$726	$55	$1,511	$161	$3,180	$410
2019	$800	$60	$1,664	$161	$3,556	$391
2020	$844	$59	$1,757	$151	$3,656	$383
2021	$945	$60	$1,966	$151	$4,053	$351
2022	$1,028	$50	$2,171	$136	$4,645	$333
2023	$1,124	$36	$2,304	$115	$4,843	$317
2024	$1,216	$33	$2,569	$105	$5,153	$285
2025	$1,310	$38	$2,287	$81		

Member count of spend bins within first three months of PEBA membership





Pharmacy overview

- Pharmacy cost performance is mixed; overall, spend is up 6.6%, but specialty (more than 50% of pharmacy) has increased 17.2%.
- Utilization increases in specialty medications have overwhelmed unit cost improvement.
- Expansion of pharmaceutical indications; several indications are driving the specialty utilization results.
- Success of GLP-1 management initiatives have muted trend somewhat.
  - Improved pricing has had significant effect on PMPM trend.
  - Utilization results are mixed.
- Biosimilars and market case study:
  - Pharmaceutical industry is actively marketing.
  - Take-up rates of the Humira biosimilar is mixed.
  - Stelara biosimilar availability.

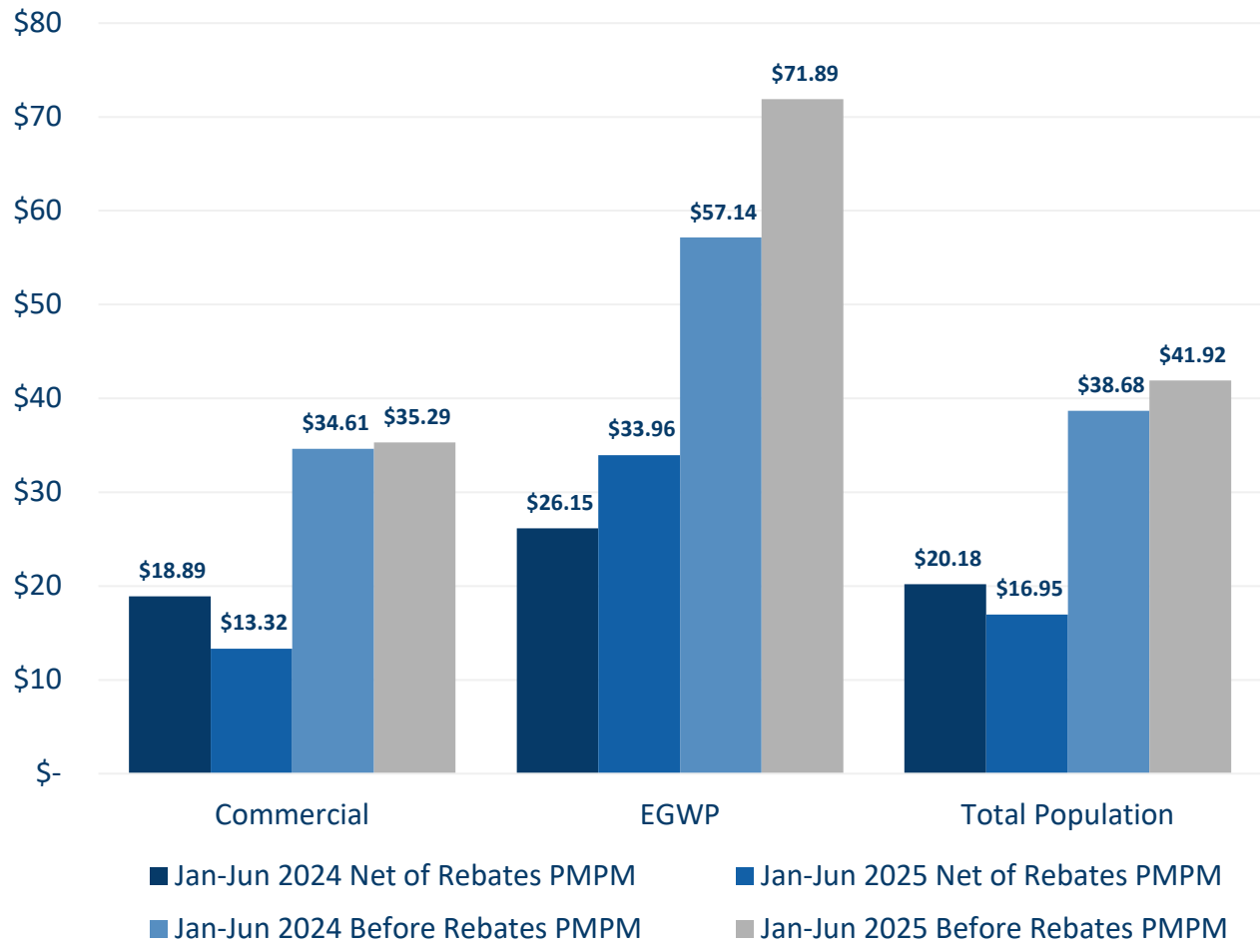
Specialty pharmacy trend-driving indications

Indication	Drug name(s)	Year-over-year % increase	Year-over-year PMPM increase*
Inflammatory conditions	Rinvoq, Skyrizi, Tremfya, Otezla, Taltz	10.2%	$3.57
Atopic dermatitis	Dupixent	43.0%	$2.99
Cancer	Kisquali, Varzenio, Xtandi, Tagrisso	9.1%	$2.74
Amyloidosis	Vyndamax	62.2%	$1.09
Pulmonary hypertension	Tyvaso	27.1%	$0.97
Asthma	Dupixent	42.0%	$0.76
Enzyme deficiencies	Strensiq	55.9%	$0.73
Multiple sclerosis	Kesimpta	15.1%	$0.57
Blood Cell deficiency	Promacta	38.2%	$0.55
HIV	Biktarvy	8.9%	$0.52
		Total specialty pharmacy growth	**$17.89**

*Each dollar PMPM equals $6.54 M/year

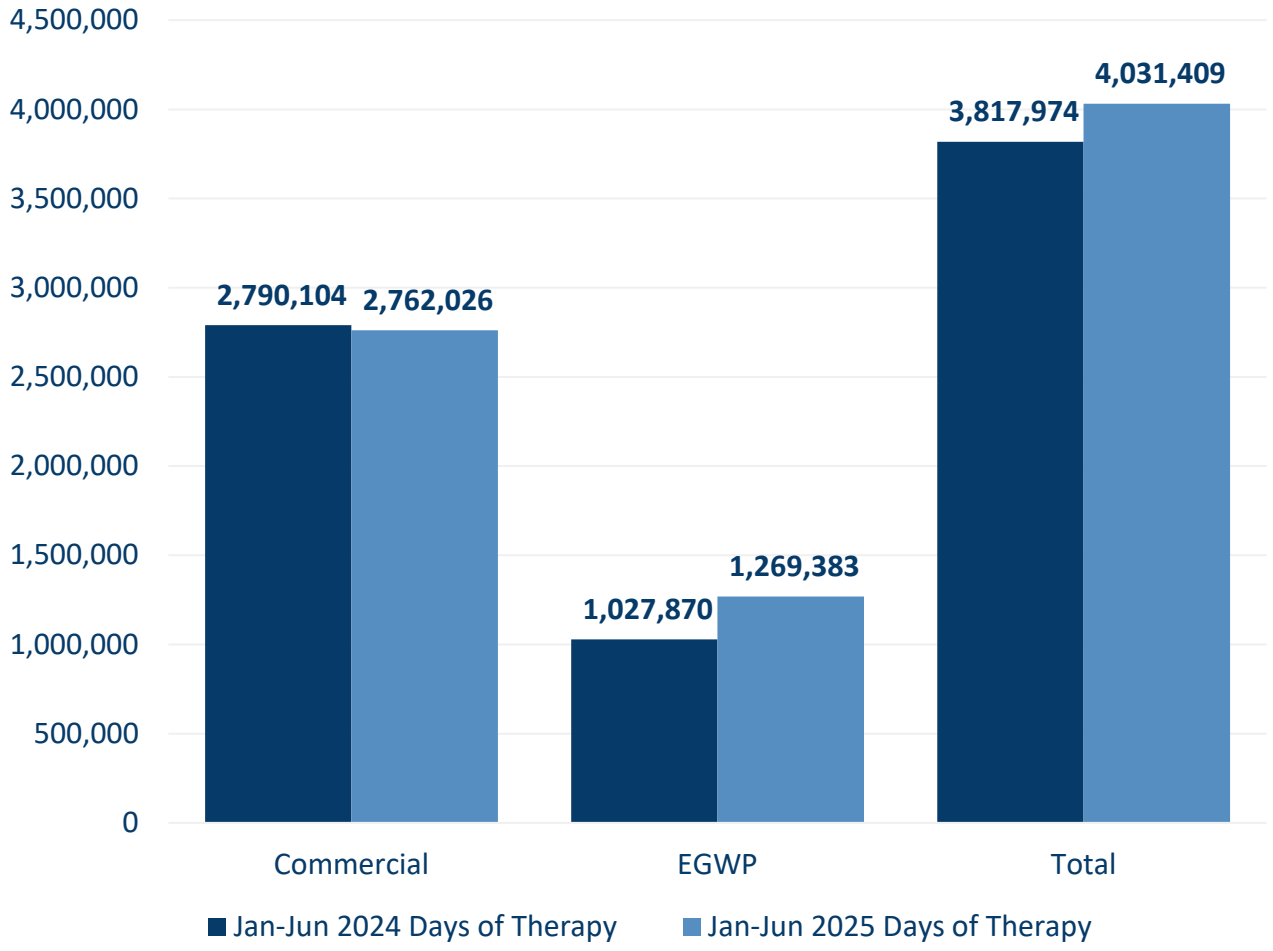
GLP-1 experience: PMPM

- 30-day fill limit and hard prior authorization for GLP-1s went into effect in late 2024.
- Contractor was unable implement management tools applicable to Commercial Plan on the Medicare Plan.
- Net of rebate % changes:
  - Commercial: -29.5%
  - Medicare: +29.9%
  - Total: -16.0%
- Before rebate % changes:
  - Commercial: +1.99%
  - Medicare: +25.8%
  - Total: +8.4%

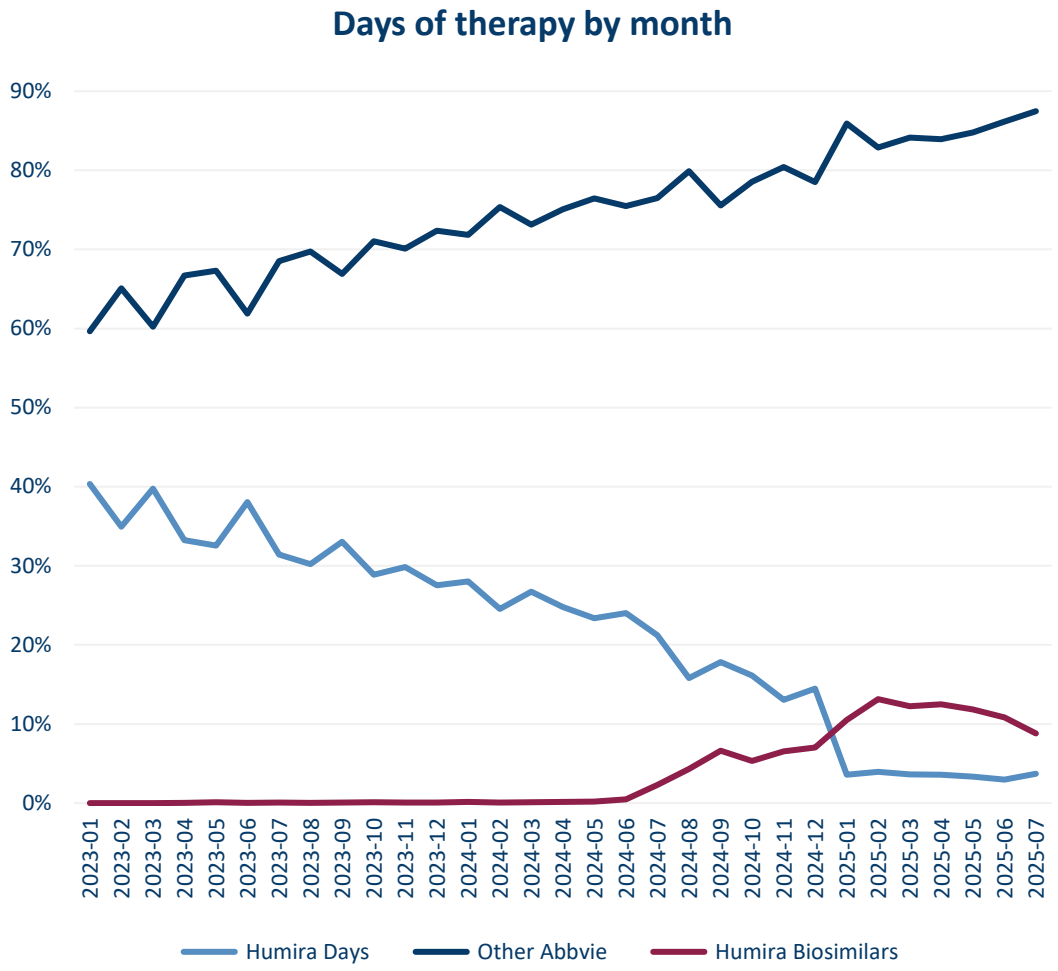


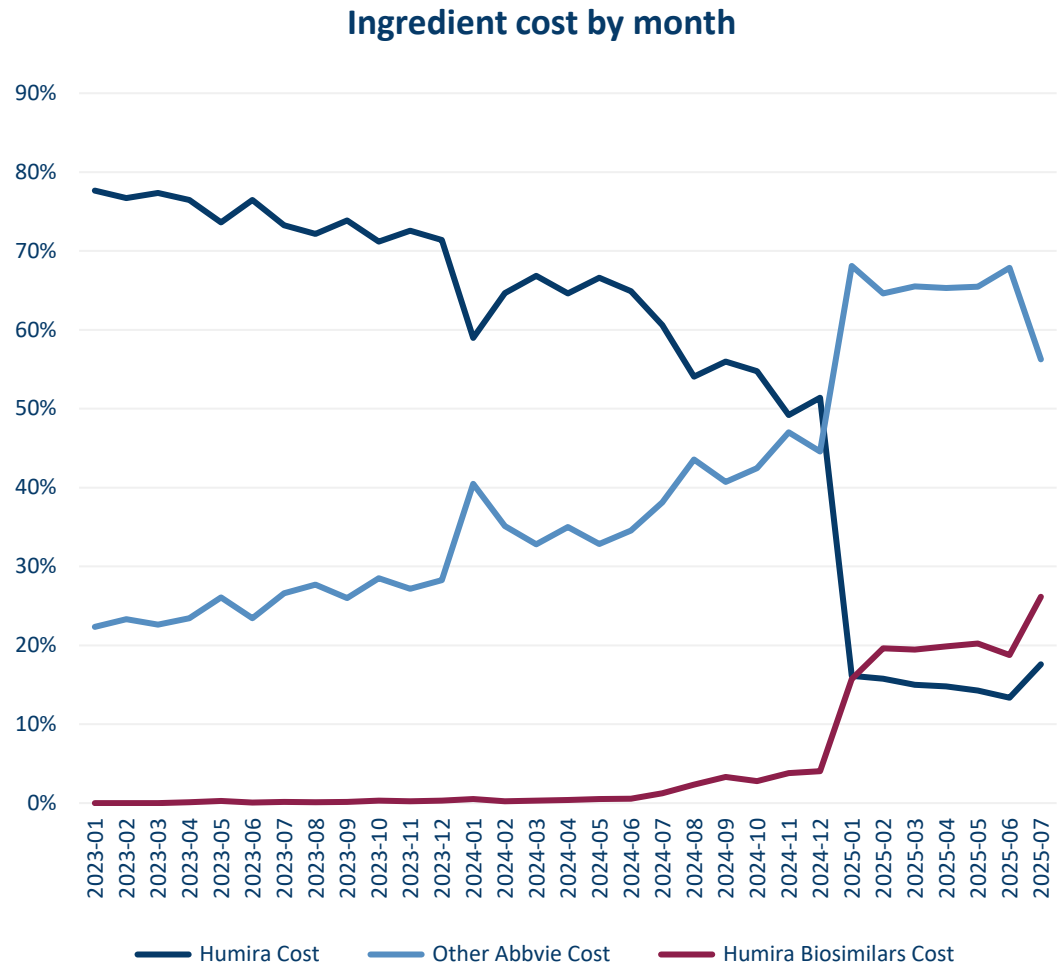
GLP-1 experience: utilization

- 30-day fill limit and hard prior authorization for GLP-1s went into effect in late 2024.
- % changes:
  - Commercial: -1.0%
  - Medicare: +23.5%
  - Total: +5.6%

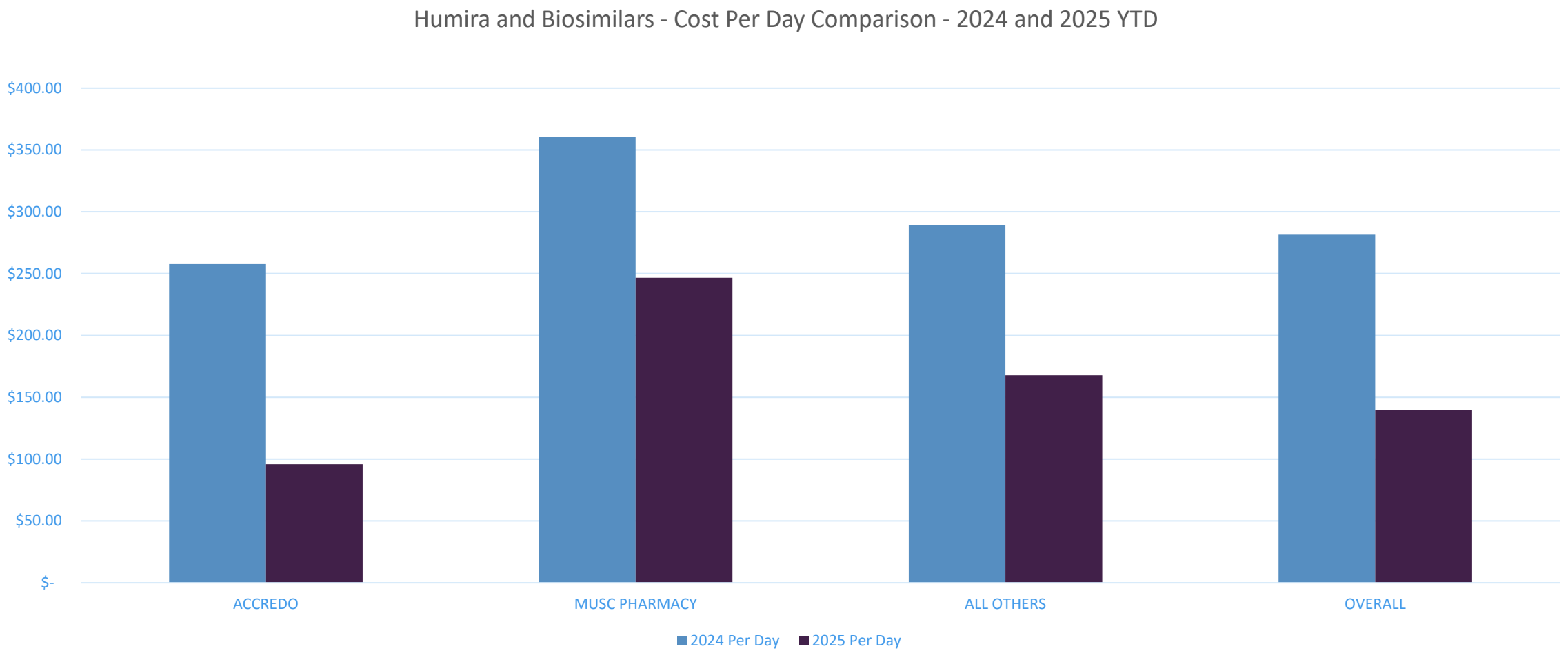


Humira, other Abbvie products and biosimilars





Humira biosimilar update by specialty pharmacy



Other factors affecting or potentially affecting cost

- Healthcare and insurance market trends.
- Private equity investment in hospital based physician practices (e.g., emergency room, anesthesia, radiology and pathology).
  - Primary concern is more provider groups will be opting out of the network.
- Low value care utilization.
  - Using a combination of literature-based methods and *Choosing Wisely* definitions, approximately 2-3% of State Health Plan expenses are for low value care (e.g., per operative testing for healthy patients, inappropriate use of radiology and overuse of selected lab services, such as PSA tests).

PEBA initiatives and strategies

- Leverage the January 1, 2026, PBM contract:
  - Utilization management and formulary processes development.
  - 30-day fill limit for GLP-1s on Medicare Plan.
  - Continued discussions with contractor to identify and implement opportunities to increase pharmacy cost and utilization efficiency.
- Reimbursement system refinement:
  - Updates of the long-standing PEBA direct contract networks reimbursement mechanisms (inpatient hospital, outpatient hospital and professional).
- Provider contractual refinements:
  - Updates and refinements of contractual instruments.
- Continued development and evolution of PCMH:
  - PEBA is working with BlueCross to further develop the program such that it aligns with PEBA's strategic goals.
- Payment integrity programs:
  - BlueCross is investing heavily in expanding its programs.
- Provider feedback:
  - Providing information to providers and prescribers on topics such as utilization of low value care and nontypical/inefficient/outlier utilization and cost.

Disclaimer

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PUBLIC EMPLOYEE BENEFIT AUTHORITY AGENDA ITEM
BOARD RETREAT

Meeting Date: August 20, 2025

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1. Subject: Legislative/Congressional Political Update

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2. Summary: Over lunch, our longtime friend James D'Allesio, Vice President of Government Affairs for Blue Cross Blue Shield of South Carolina, will share his always informative insights into the current legislative and political environment, both in Washington and in Columbia.

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3. What is Board asked to do? Receive as information

---

4. Supporting Documents:

PUBLIC EMPLOYEE BENEFIT AUTHORITY AGENDA ITEM
BOARD RETREAT

Meeting Date: August 20, 2025

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1. Subject: Healthcare Trends in Employer Sponsored Insurance

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2. Summary: Post-COVID, the health insurance business has faced ever-more-difficult circumstances. Matt Shaffer, Senior Vice President at BCBSSC and the Plan's executive contact at Blue Cross, will describe the challenges now facing the industry and the outlook ahead.

---

3. What is Committee asked to do? Receive as information

---

4. Supporting Documents:

(a) Attached: 1. Healthcare Trends in Employer Sponsored Insurance

South Carolina

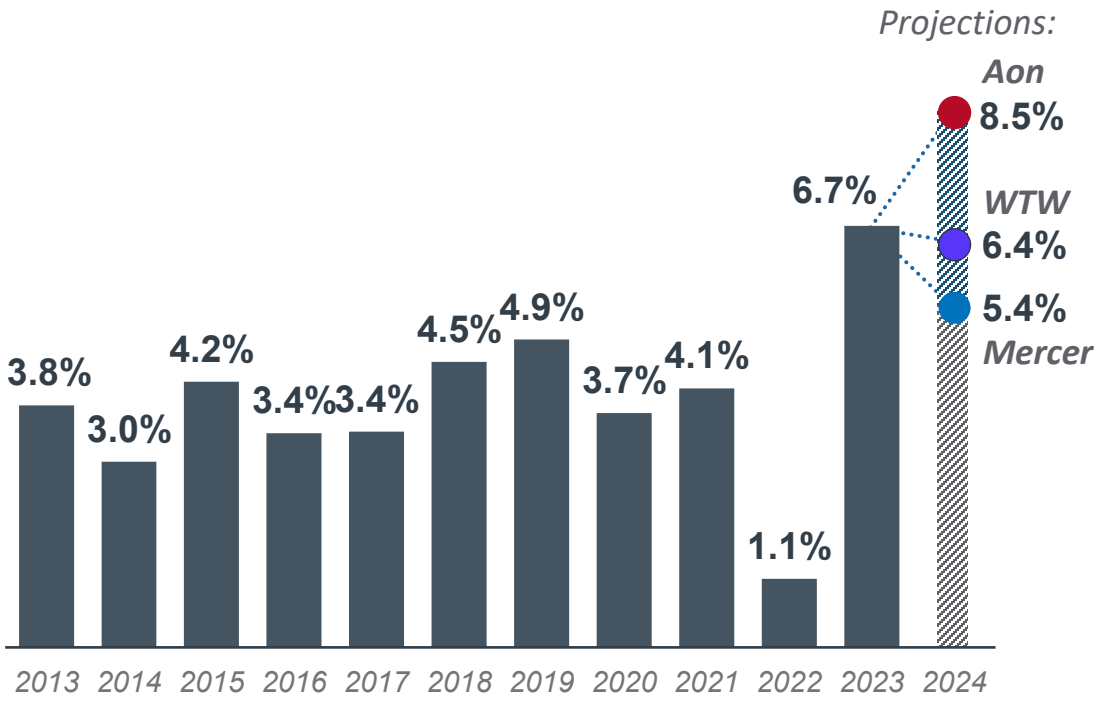
Healthcare Trends in Employer Sponsored Insurance

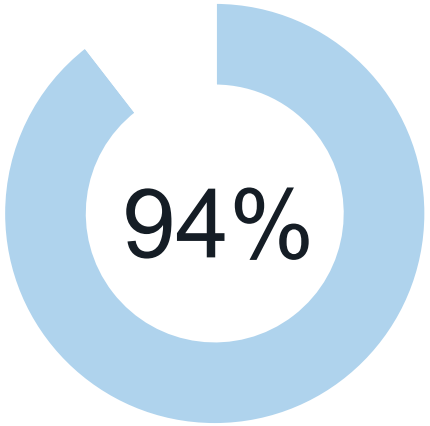
Matt Shaffer Senior Vice President

PEBA℠
SC Retirement Systems and State Health Plan

Employer healthcare costs trended over time

Annual change in total health benefit cost per employee for family coverage



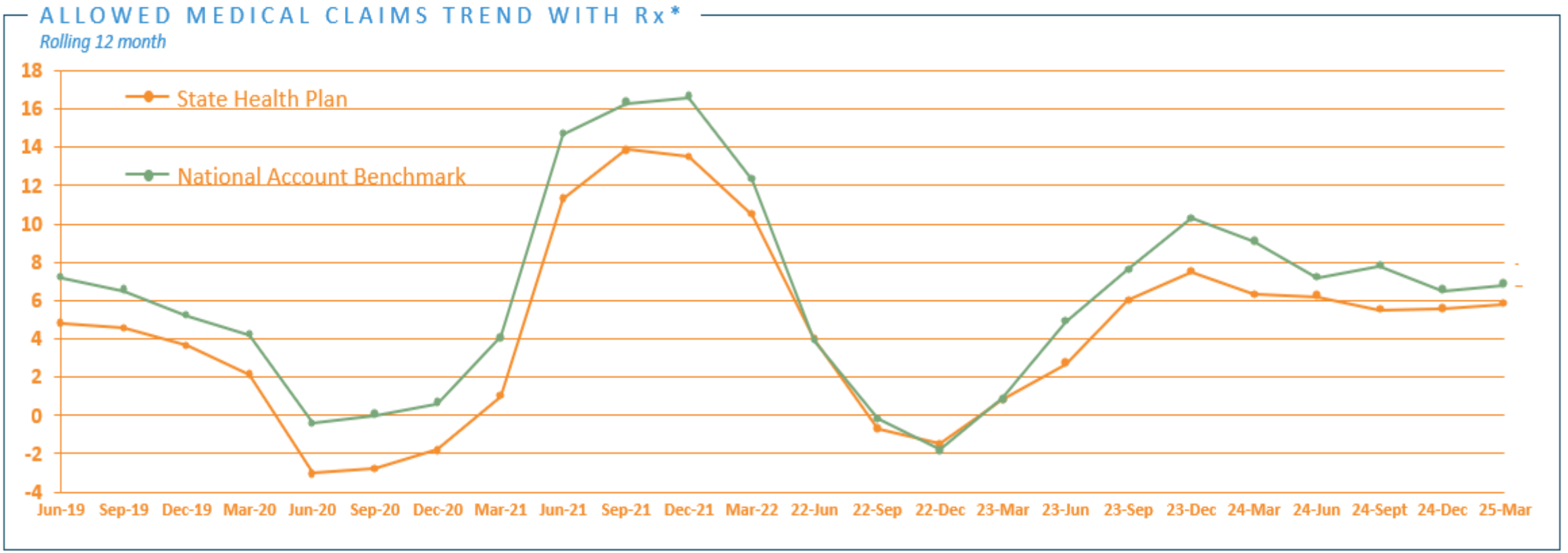


Of US employers say managing healthcare benefits costs will be their top priority over the next two years[1]

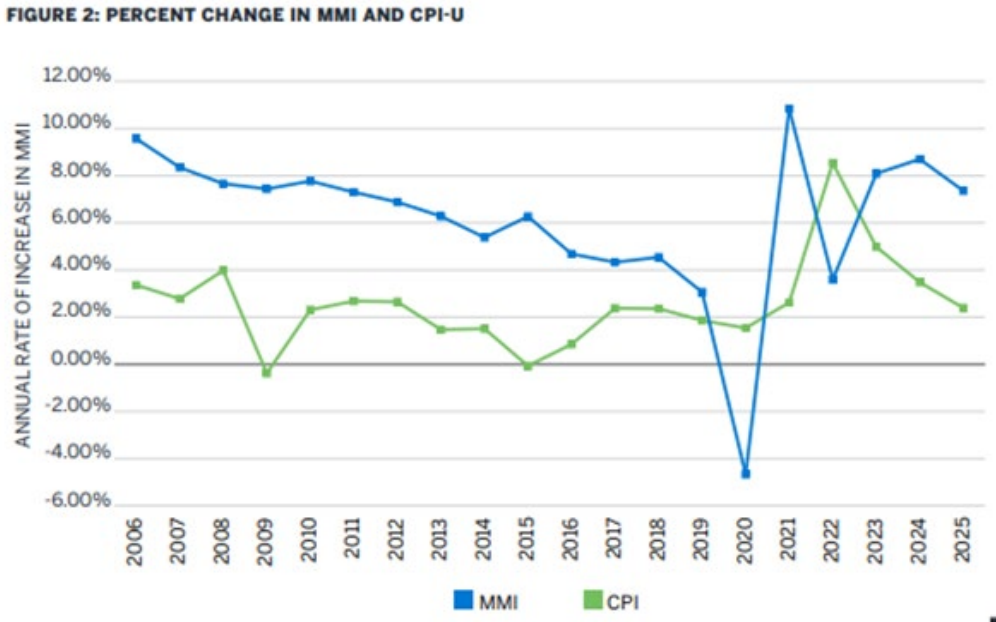
Source: Premiums and Worker Contributions Among Workers Covered by Employer-Sponsored Coverage, 1999-2024. *KFF.* October 9, 2024; US employers target healthcare costs and mental healthcare as they look toward 2024. *WTW.* October 19, 2023; Health benefit cost expected to rise 5.4% in 2024, Mercer survey finds. *Mercer.* September 7, 2023; Aon: U.S. Employer Health Care Costs Projected to Increase 8.5 Percent Next Year. *Aon.* August 22, 2023. Employers to tackle employee healthcare affordability amid rising costs, Willis Towers Watson, May 26, 2022.

1. n = 636 U.S. employers.

Observed Medical Trend



2025 Milliman Medical Index

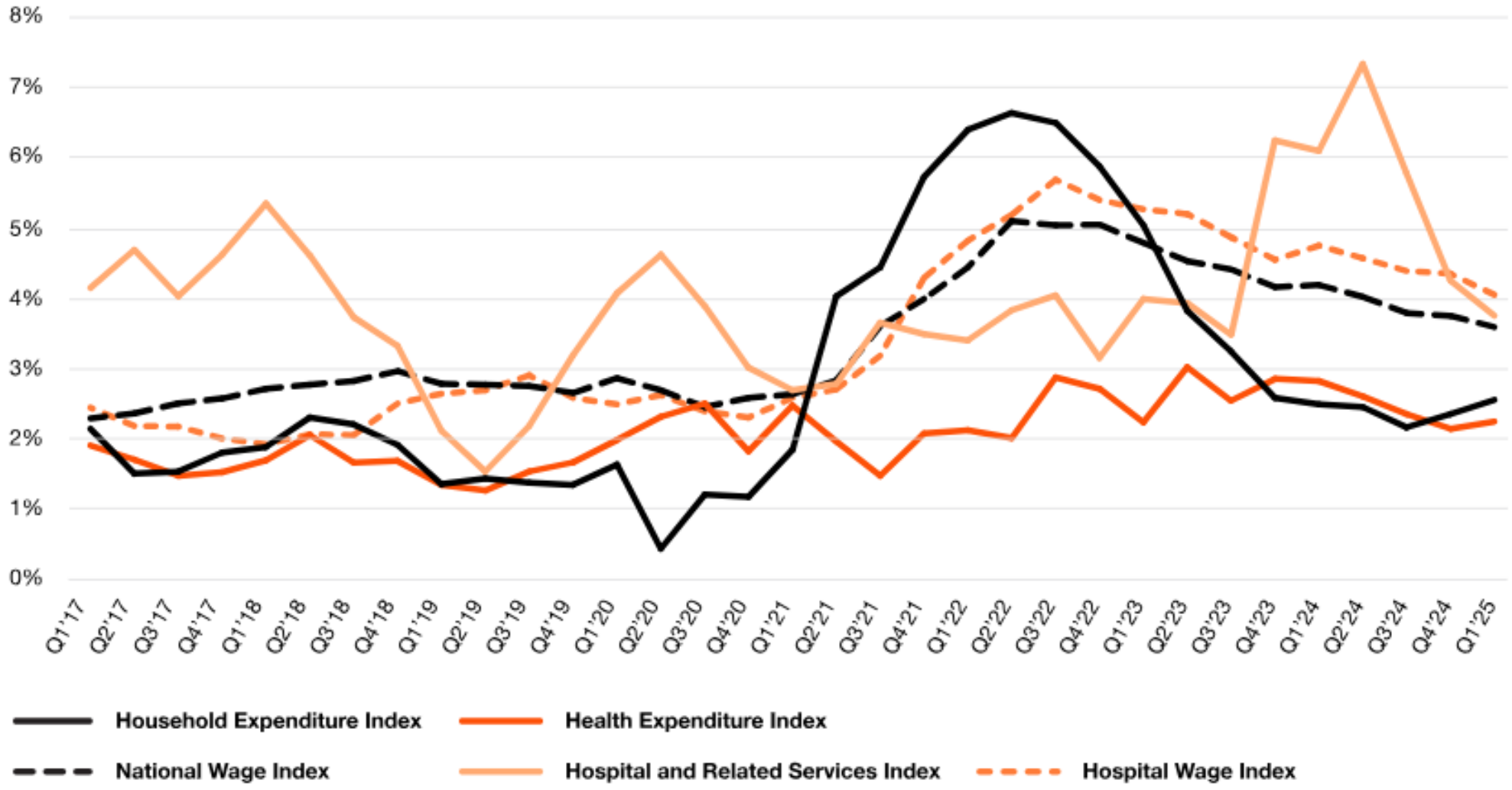


2025 cost for healthcare for a hypothetical American family of four in a typical employer-sponsored health plan is $35,119 up from 2024

- $35,119 for a family of four
- $7,871 for an average person

CATEGORY	2005	2025	% INCREASE
Inpatient Facility Care	$3,704	$9,876	167%
Outpatient Facility Care	$1,858	$7,173	286%
Professional Services	$4,527	$11,541	155%
Pharmacy	$1,785	$5,954	234%
Other Services	$339	$575	70%
Total	**$12,214[5]**	**$35,119**	**188%**

Expenditure and wage indices YOY growth 20147-Q1’2025

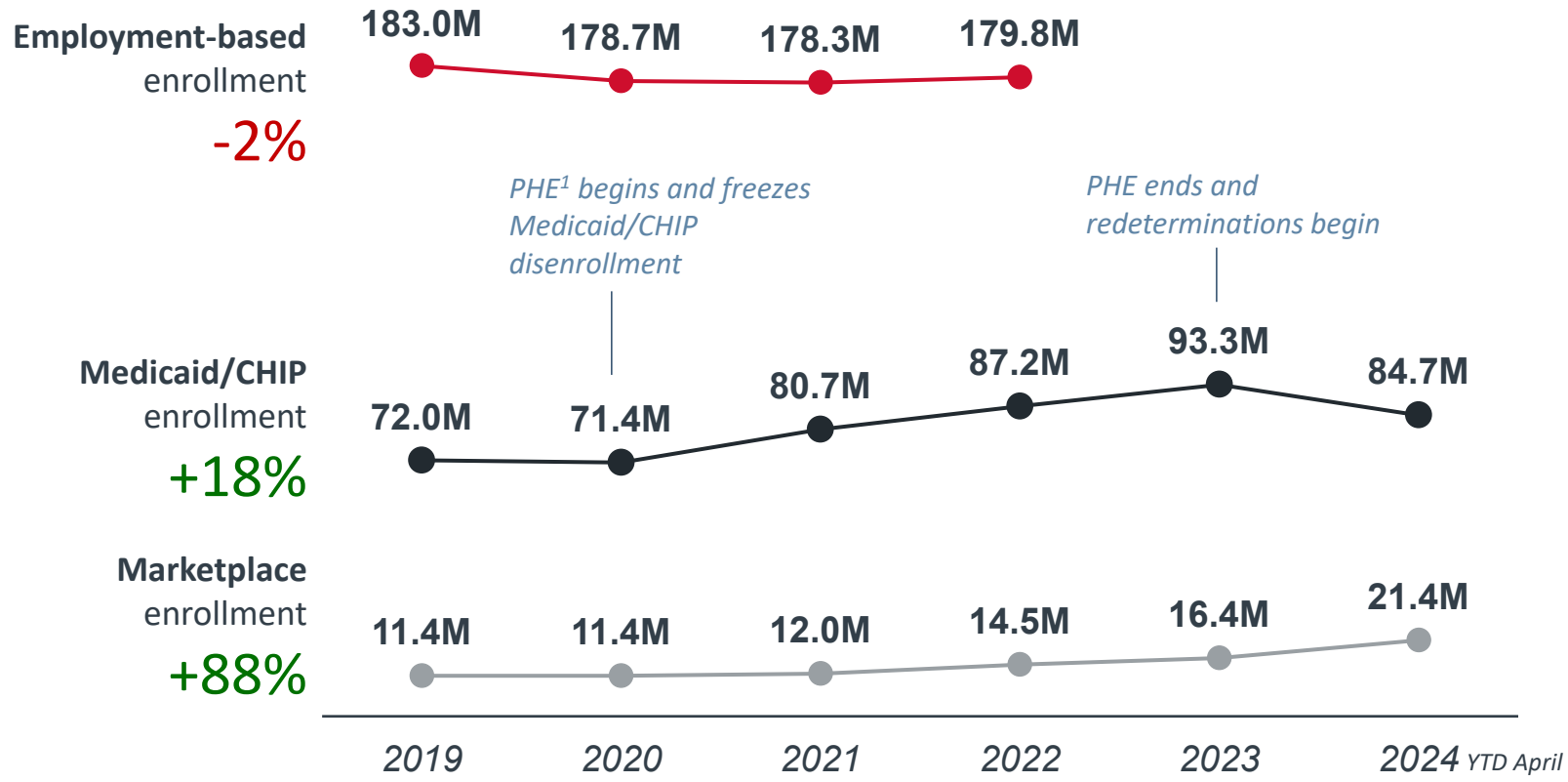


Source: Bureau of Economic Analysis Personal Consumption Expenditure, Bureau of Labor Statistics Consumer Price Index, PWC analysis

Post-Public Health Emergency, coverage mix transformed

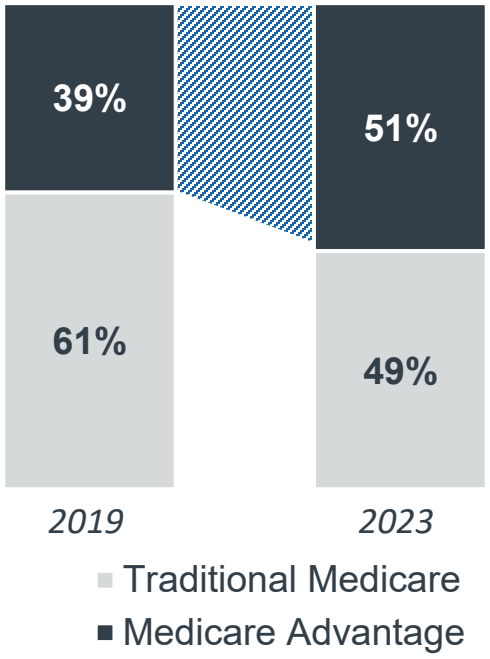
Marketplace enrollment on the rise as Medicaid fluctuates and employer plateaus

Total employer-based, monthly Medicaid/CHIP, and Marketplace insurance enrollment



Medicare Advantage crosses the 50% threshold

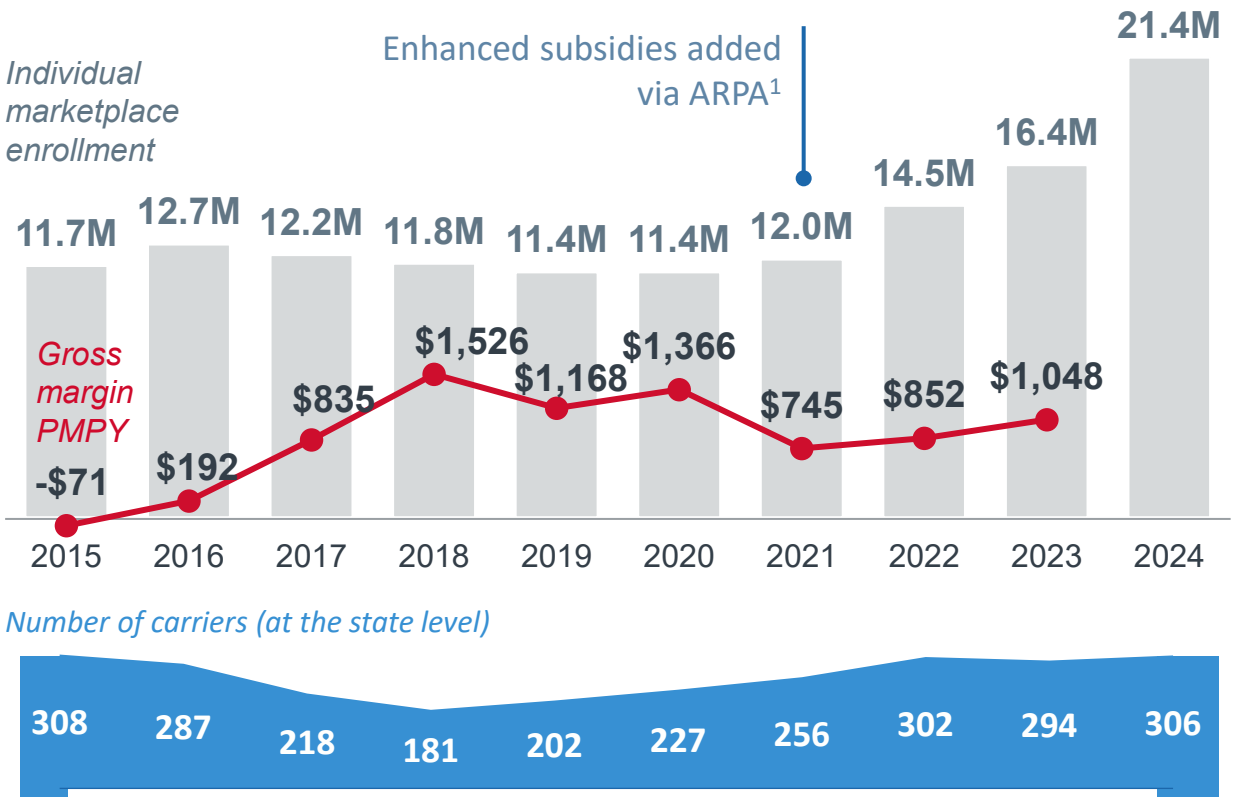
Percentage of Medicare beneficiaries enrolled in traditional Medicare and Medicare Advantage



Source: Marketplace Enrollment, 2014-2024. KFF. October 23, 2024; Total Monthly Medicaid & CHIP Enrollment and Pre-ACA Enrollment. KFF. November 1, 2024; Freed M, et al. Medicare Advantage in 2024: Enrollment Update and Key Trends. KFF. August 8, 2024; Health Insurance in the United States, tables for 2021, 2022, and 2023. Census.gov.

Tracking Individual Market enrollment, carrier stability

Individual Marketplace enrollment, participation, and margins



WHAT TO WATCH

Key levers that could shape future Marketplace growth

Enhanced subsidies set to expire in 2025

15-30%
Projected contraction in market

~3.8M
Americans would lose coverage

American Rescue Plan Act.
Individual coverage health reimbursement arrangements.

Source: Ortaliza J, et al. Health Insurer Financial Performance in 2023. KFF. July 2, 2024; Marketplace Enrollment, 2014-2024. KFF. Accessed August 2, 2024.; Chan E, et al. The Individual Health Insurance Market in 2023. McKinsey & Company, April 11, 2023. Health Insurance Costs Will Rise Steeply if Premium Tax Credit Improvements Expire. Center on Budget and Policy Priorities. June 4, 2024; Number of Issuers Participating in the Individual Health Insurance Marketplaces. KFF, Accessed August 2, 2024.; Advisory Board Interviews.

After the unwinding: Medicaid enrollment, finances

Medicaid and CHIP Managed Care Access, Finance, and Quality Final Rule.

Medicaid managed care will still grow after unwinding

ENROLLMENT

Unwinding brings a big drop

24M Beneficiaries disenrolled due to redeterminations, as of July 2024

Enrollment still elevated

18% Increase in Medicaid and CHIP enrollment, 2019 to 2024

MEDICAL SPENDING

Acuity mix temporarily out-of-sync

"Medicaid medical expense was higher in Q2, largely due to the **acuity of membership that remains** as redeterminations wrap up."

Drew Asher, Chief Financial Officer, Centene

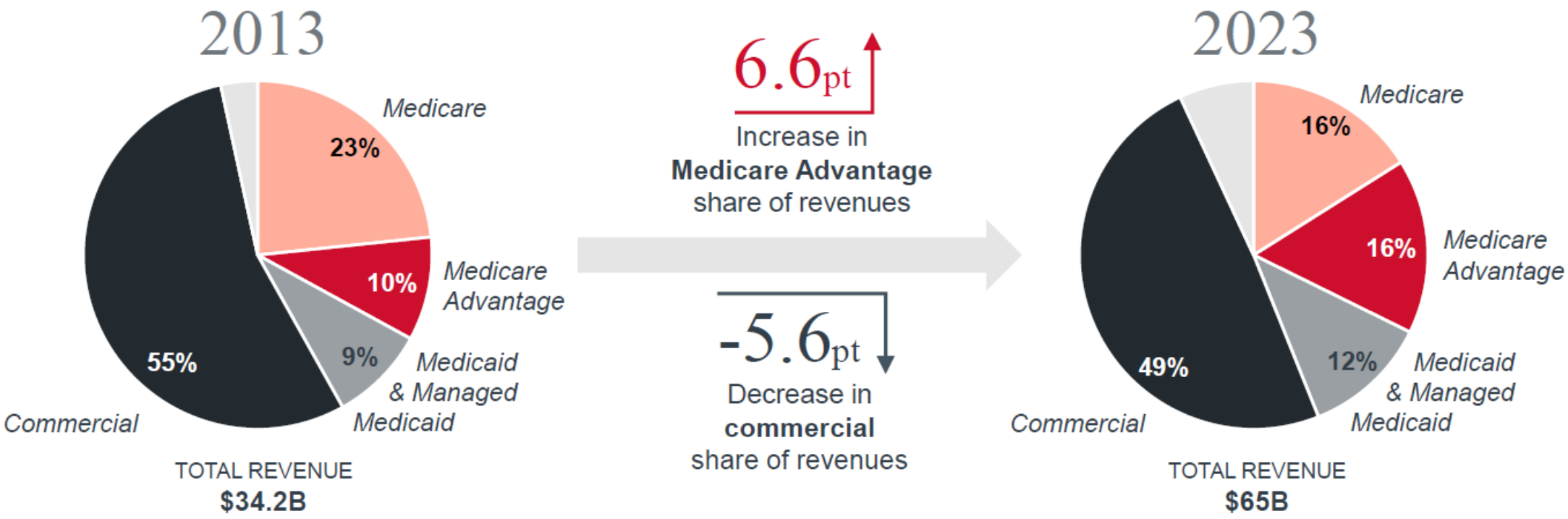
State Medicaid spending will grow

17% Projected increase in state Medicaid spending for 2024

Source: Total Monthly Medicaid & CHIP Enrollment and Pre-ACA Enrollment. KFF. 2024; Medicaid Enrollment and Unwinding Tracker. KFF. August 1, 2024; Williams E, et al. Medicaid Enrollment and Spending Growth Amid the Unwinding of the Continuous Enrollment Provision: FY 2023 & 2024. KFF. November 14, 2023; Buettgens M, Green A. The Impact of the COVID-19 Public Health Emergency Expiration on All Types of Health Coverage. Urban Institute. December 2022; Medicaid Expansion and Unwinding. South Dakota Department of Social Services. 2023; CalSIM. UC Berkeley Labor Center. Accessed August 2, 2024.; North Carolina has expanded health care coverage to more people. NCDHHS. Accessed August 2, 2024.; Centene (CNC) Q2 2024 Earnings Call Transcript. The Motley Fool. July 26, 2024.

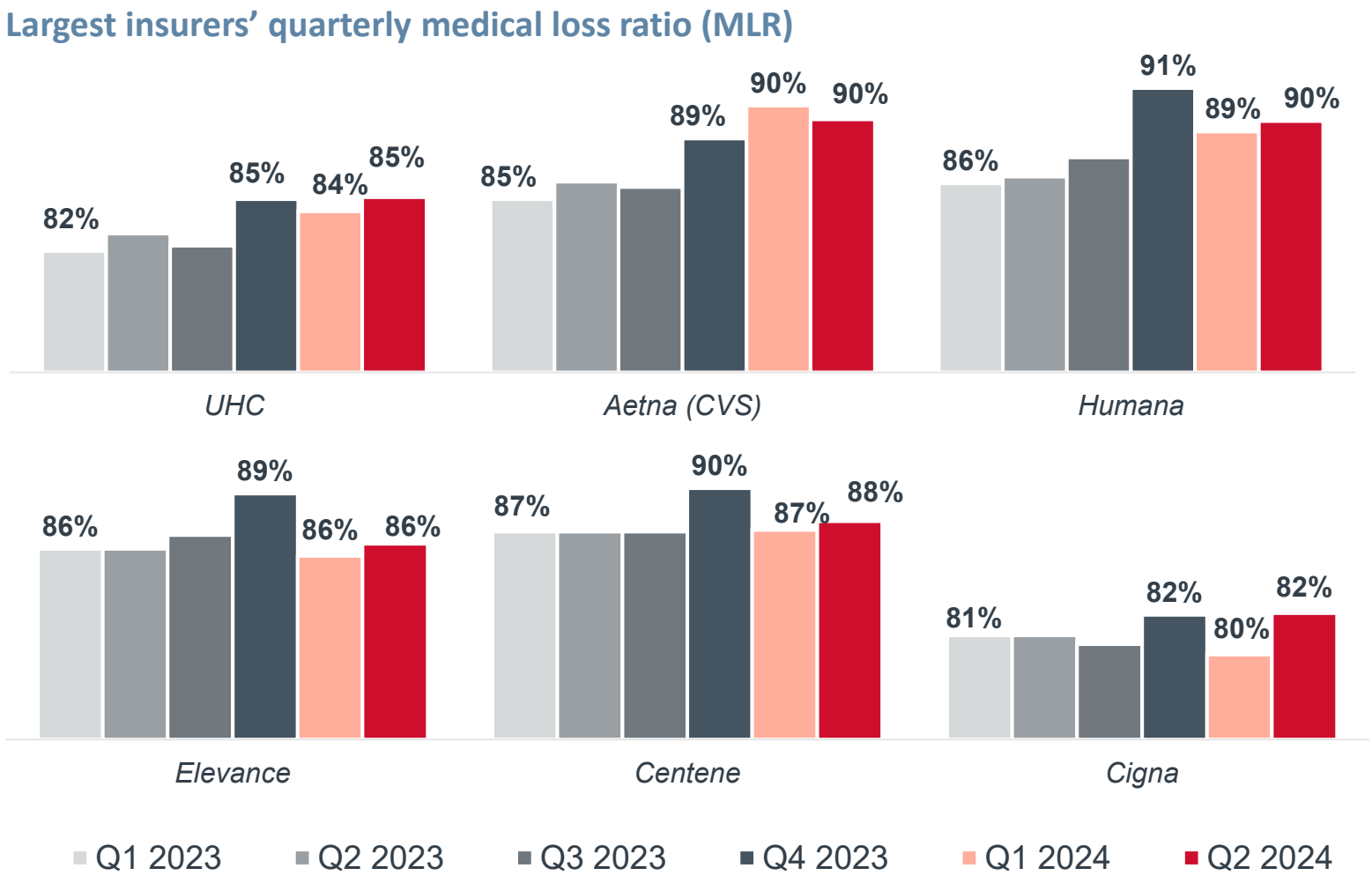
Providers seeing a different payer mix as MA grows

Sample hospital patient service revenues by payer mix (HCA Healthcare's annual filings, 2013-2023)



Source: Above All Else we are committed to the care and improvement of human life: 2013 Annual Report to Stockholders. *HCA Holdings*. 2013; 2023 Annual Report to Shareholders. *HCA Healthcare*. 2023.

Utilization jump pressuring health plan medical expenses

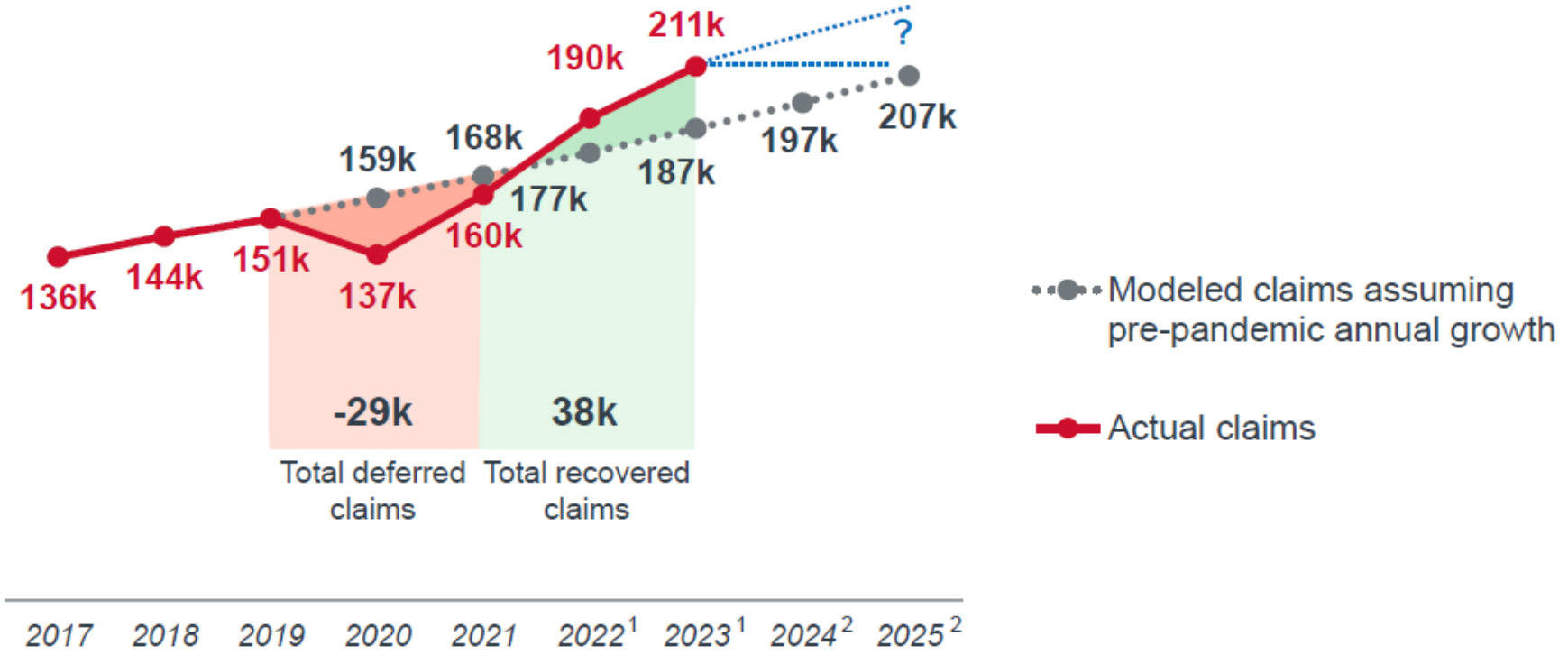


Source: See additional sources slide.

The recent utilization spike put the industry on high alert

Return of elective volumes due to delayed care

Actual and modeled joint replacement volumes from Optum Clinformatics® Data Mart database

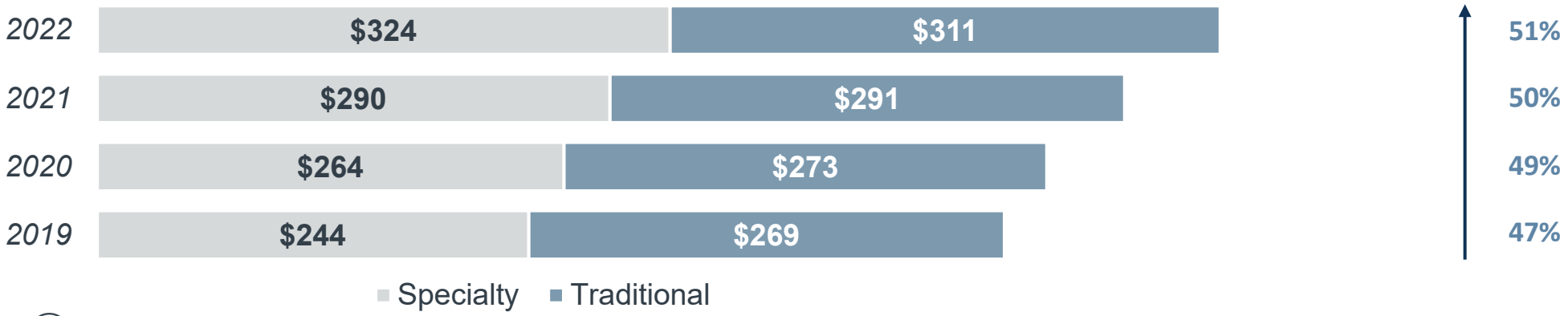


Estimated through annualization of 2022 and 2023 data. Source: Optum's de-identified Clinformatics® Data Mart Database (2007-2022).

Specialty drug growth in wider drug sector context

Total US drug revenue (in billions)

IQVIA, 2023



Specialty drug revenue as a percentage of total drug revenue

51%
50%
49%
47%

A CLOSER LOOK

Neurodegenerative disease drug market

- Neurological drugs are a top driver of the specialty drug market — and specialty drugs make up the majority of NDD drugs.
- In 2023, the global NDD drug market was valued at $51.5 billion, with North America accounting for a major share of the market.
- The projected NDD drug market size in 2028 is $72.6 billion with a compound annual growth rate (CAGR) of 7.14%.

Source: Biggs S, Long D. Insights Into the 2023 U.S. Pharmaceutical Market. IQVIA, July 25, 2023; Neurodegenerative Disease Market - Size, Share & Industry Trends. Mordor Intelligence. Accessed November 7, 2024.

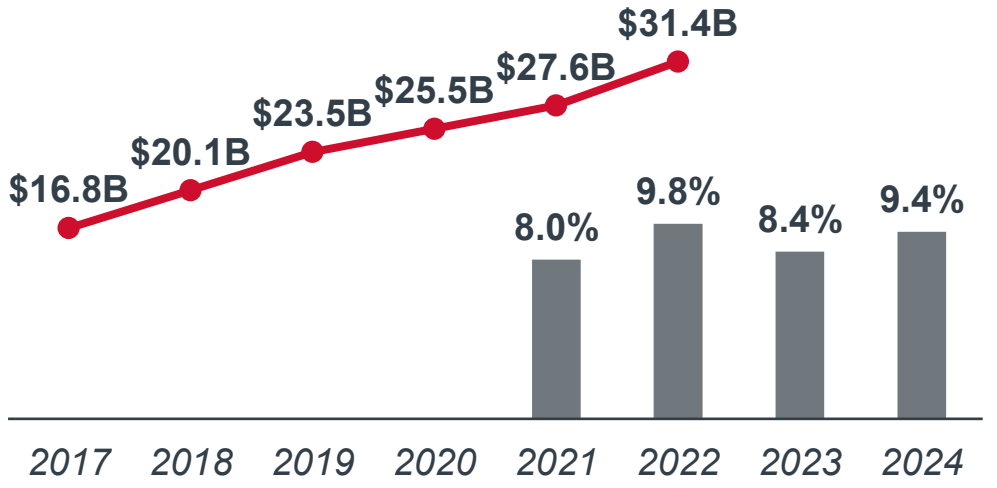
Selected cases on price growth, supplementary coverage

Pharma continues to develop and launch groundbreaking (but high-cost) drugs

Zuranolon	First oral treatment for major postpartum depression	$15.9K per treatment
Elevidys	First gene therapy for Duchenne muscular dystrophy	$3.2M per patient
Kisunla	Second treatment option for early or mild Alzheimer's	$32K per year

$300K Median annual list price for a new drug in 2023, 35% higher than in 2022

Purchasers hamstrung as stop-loss insurance skyrockets due to high-cost medications



Source: See additional sources slide.

Operating conditions as Trump 2.0 approach[1] takes shape

Industry funding

Funding restrictions

(research funding cuts, coverage erosion)

Federal budget

(Medicaid, Medicare, and ACA funding cuts)

Business environment

Cost drivers

(tariffs, immigration)

Market regulation

(antitrust, pricing, transparency, MA risk adjustment)

Economic outlook

(inflation, employment, interest rates, credit stability)

Health regulation

DOGE[2] & MAHA[3]

(layoffs, data redaction, program changes)

HHS operations

(restructuring, core program functions, care guidelines)

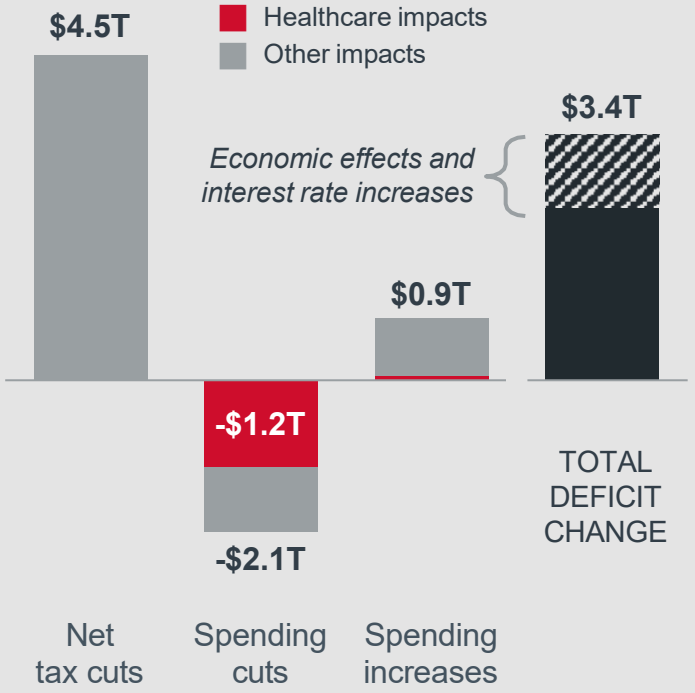
Indicates executive branch activity

1. Legal counteraction pending.
2. U.S. Department of Government Efficiency Service.
3. "Make America Healthy Again".

Final OBBBA at a glance for healthcare leaders

OBBBA[1] deficit impacts[2]

July 21 CBO estimates



Major healthcare policies

- Marketplace tax credit restrictions and Medicaid cost sharing
  ➔ *reduce affordability*
- Medicaid work requirements
  ➔ *increase admin burden*
- Medicaid and Marketplace enrollment restrictions and eligibility verification barriers
  ➔ *increase admin burden*
- State Medicaid financing restrictions
  ➔ *reduce federal funding to states*
- Medicare sequestration trigger
  ➔ *reduces federal spending*

Potential healthcare impacts[2]

14.2M *July 21 estimates*

Projected increase in uninsured people (includes sunset subsidies)

Potential consequences:

- ▲ Uncompensated care
- ▲ Exacerbated health conditions
- ▼ Elective volumes
- ▼ Health plan enrollment

$910B *July 21 estimates*

Estimated direct reimbursement reduction (includes sequestration cuts)[3]

1. One Big Beautiful Bill Act.
2. Projected 10-year (2025-2034) impacts.
3. Summation of estimated Medicare sequestration impacts and major Medicaid state financing restrictions provisions (state-directed payments, MCO taxes, and provider taxes).

Source: H.R.1. 119th Congress. July 3, 2025; CBO. "Estimated Budgetary Effects of Public Law 119-21, to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, Relative to CBO's January 2025 Baseline." July 21, 2025; CBO. Estimated Effects on the Number of Uninsured People in 2034 Resulting From Policies Incorporated Within CBO's Baseline Projections and H.R. 1, the One Big Beautiful Bill Act. June 4, 2025; CBO. E&C Reconciliation Recommendations." May 11, 2025; CBO. "Dynamic Estimate: H.R. 1, One Big Beautiful Bill Act. June 18, 2025.

US healthcare dependent on foreign suppliers

Import totals for selected healthcare goods, 2024

	Pharmaceutical products	Healthcare instruments and appliances[1]	Ad valorum tariff rates[2]
China	$7.8B	$2.4B	34%[3]
Canada[4]	$5.3B	$1.0B	25%[5]
Mexico[4]	$1.1B	$12.0B	25%[5]
Ireland	$50.3B	$3.2B	10% (EU)
Switzerland	$19.0B	$1.1B	31%[6]
Germany	$17.2B	$4.5B	10% (EU)
India	$12.7B	$0.3B	26%[6]

In 2020, the US imported: **$94B** *in pharmaceuticals* **$68B** *in medical devices*

Major supply costs potentially impacted by tariffs

- Imaging/medical capital equipment
- Medical/surgical supplies including physician preference items
- Pharmaceuticals – 200% tariff under consideration for 2026/2027
- Lab supplies
- Purchased services (food and operations support)

Tariff impact is broader than supply chain costs:

- Investment stability: inflation, interest rates, credit ratings, treasury yields
- Labor force: employment rate, wage index, immigration, emigration

Lawsuits add to uncertainty

- V.O.S. Selections v. Trump is the farthest along in the 11+ lawsuits challenging the tariffs, and may advance to the Supreme Court
- The court's ruling will determine the legality of the reciprocal tariffs worldwide and fentanyl-related duties on Canada, Mexico, and China

1. Imports for "Instruments and Appliances Used in Medical, Surgical, Dental/Veterinary".
2. Legal counteraction pending. Country-specific "reciprocal tariffs" suspended until July 9, 2025 and replaced with 10%.
3. Delayed until August 12th - 30% tariff on China (from reciprocal tariffs of 10%, combined with precursor 20% tariff due to fentanyl). Additional 25% tariff for medical gloves.
4. Canada and Mexico are currently exempted from the "reciprocal tariffs" announced April 2, 2025. There are special tariff levels for energy and potash.
5. Excludes goods that are imported duty free under USMCA.
6. Delayed until August 1st 2025

Sources: Globalization of U.S. Medical Product Supply Chains - Building Resilience into the Nation's Medical Product Supply Chains - NCBI Bookshelf. Lowell M et al. "Trump 2.0 tariff tracker." Trade Compliance Resource Hub. Accessed April 11, 2025; "United States Imports." Trading Economics. Accessed April 4, 2025.

Drug sector sees real transformation… and a lot of noise

Three key policy objectives across current state and federal actions

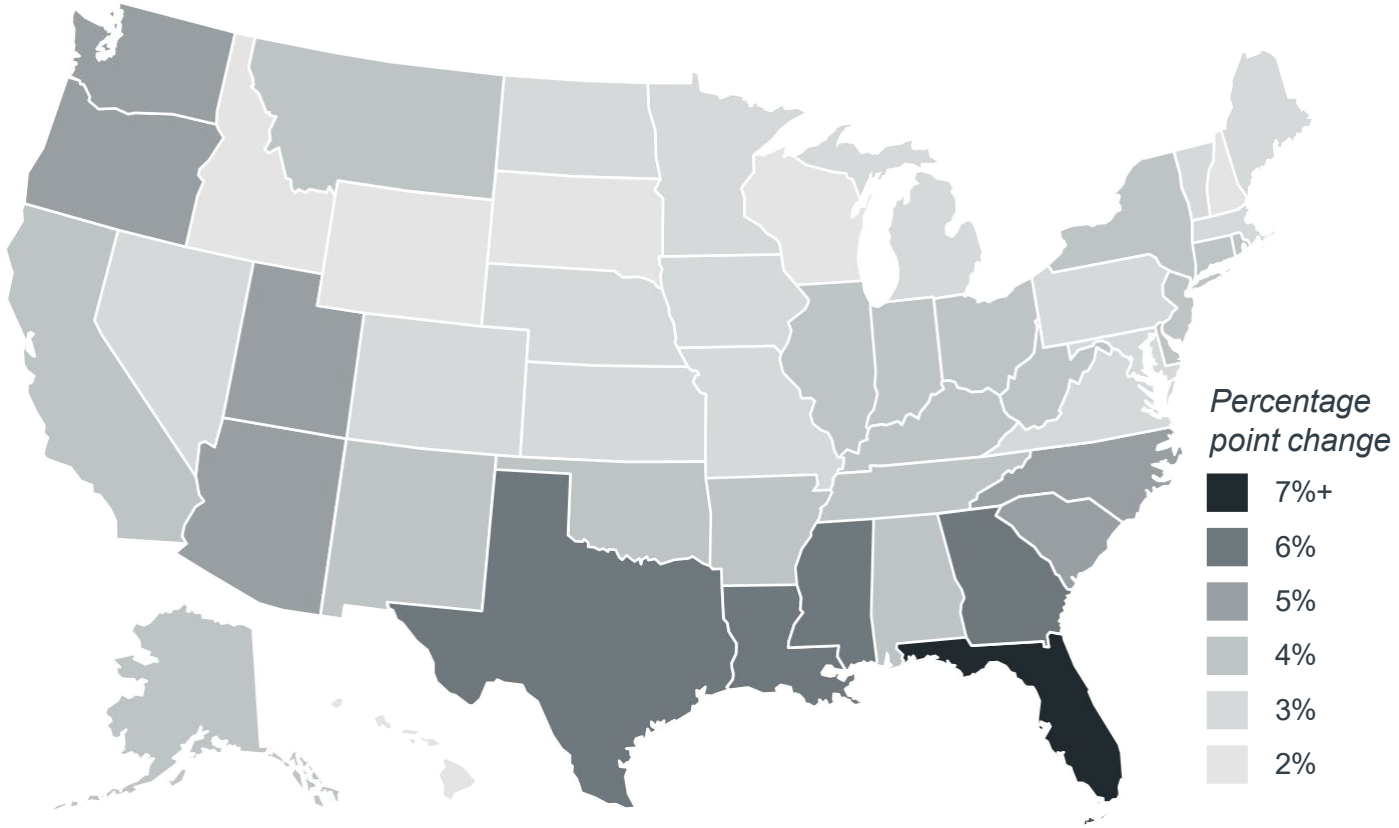
	Prescription affordability	PBM transparency	340B reform
Active	Trump administration moves forward with **Medicare drug price negotiation,** with slight tweaks on eligibility timelines and transparency *First negotiated prices take effect in 2026*	**50 states** have passed some form of PBM regulation since 2017 In June 2025, Illinois mandated PBMs **pass through 100% of rebates**, among other reforms. *44 states considering PBM bills in 2025*	**5 states** have passed mandatory reporting for 340B-covered entities In March 2025, Senate announced the **bipartisan 340B working group** *No legislative draft has been introduced*
Proposed	President Trump asks drugmakers to provide the U.S. with **most-favored-nation**[1] (MFN) drug prices and promises aggressive action (such as **tariffs and importation**) if they do not comply President Trump seeks to **invigorate U.S.-based drug manufacturing** via revised regulations and private sector partnerships	Proposed PBM regulation in Congress: • Ban PBM **spread pricing** in Medicaid • "**Delink**" PBM compensation based on the price of a drug in Medicare • Mandate **PBM reporting** to HHS and Part D plan sponsors • Require CMS to define and **enforce contract terms** in Part D pharmacy contracts	President Trump signals potential **Medicare reimbursement cuts** for 340B providers Senate committee report calls for **340B reporting and transparency** HRSA announces a **pilot 340B discount rebate program** for the 10 drugs included in the first round of Medicare Drug Negotiations

See additional sources slide.

1. Previous proposals for a most-favored-nation model were based on a blending formula that includes the lowest adjusted international price for the drug.

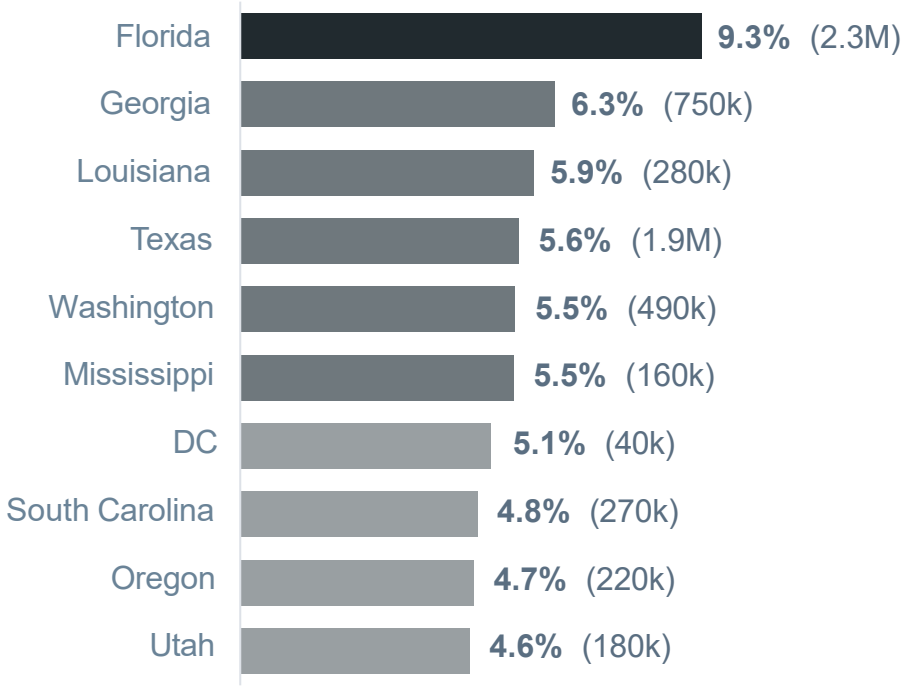
How OBBBA could impact coverage

Projected increase[1] in uninsured population, 2034



States with largest uninsured increases[1]

Percentage point increase in uninsured population and total number of newly uninsured, 2034 projections

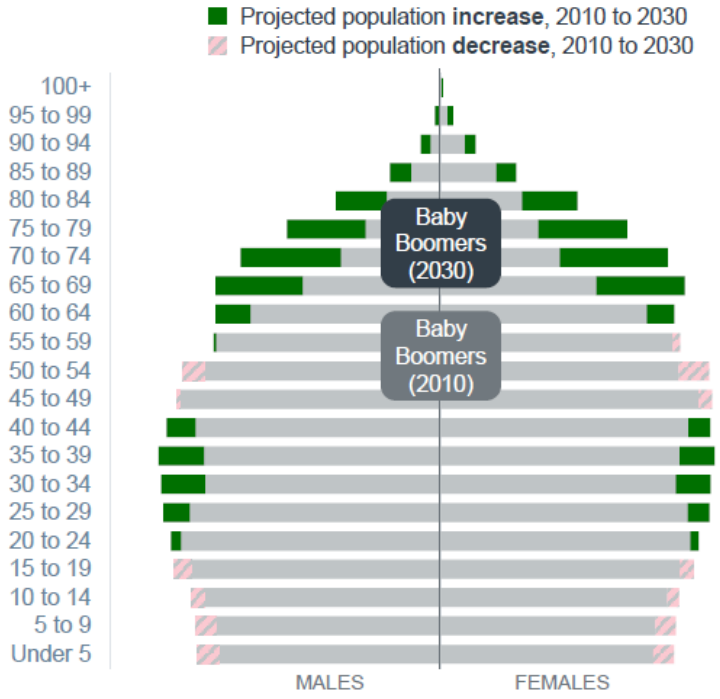


Source: Burns A et al. "How Will the 2025 Reconciliation Bill Affect the Uninsured Rate in Each State? Allocating CBO's Estimates of Coverage Loss." KFF. June 6, 2025.

1. Includes One Big Beautiful Bill Act as of May 22, 2025 and expected expiration of enhanced ACA subsidies.

Population outlook: more older adults and sicker youth

Projected population distribution by age and sex, 2010 and 2030



Incidence and outcomes indicators of a sicker younger population

8.2pt
Increase in prevalence of **obesity** among young adults aged 20-44 (2009 to 2020)

2.2pt
Increase in prevalence of **hypertension** among young adults aged 20-44 (2009 to 2020)

27%
Increase in **early-onset cancer incidence** among patients <50 years old[1] (1990 to 2019)

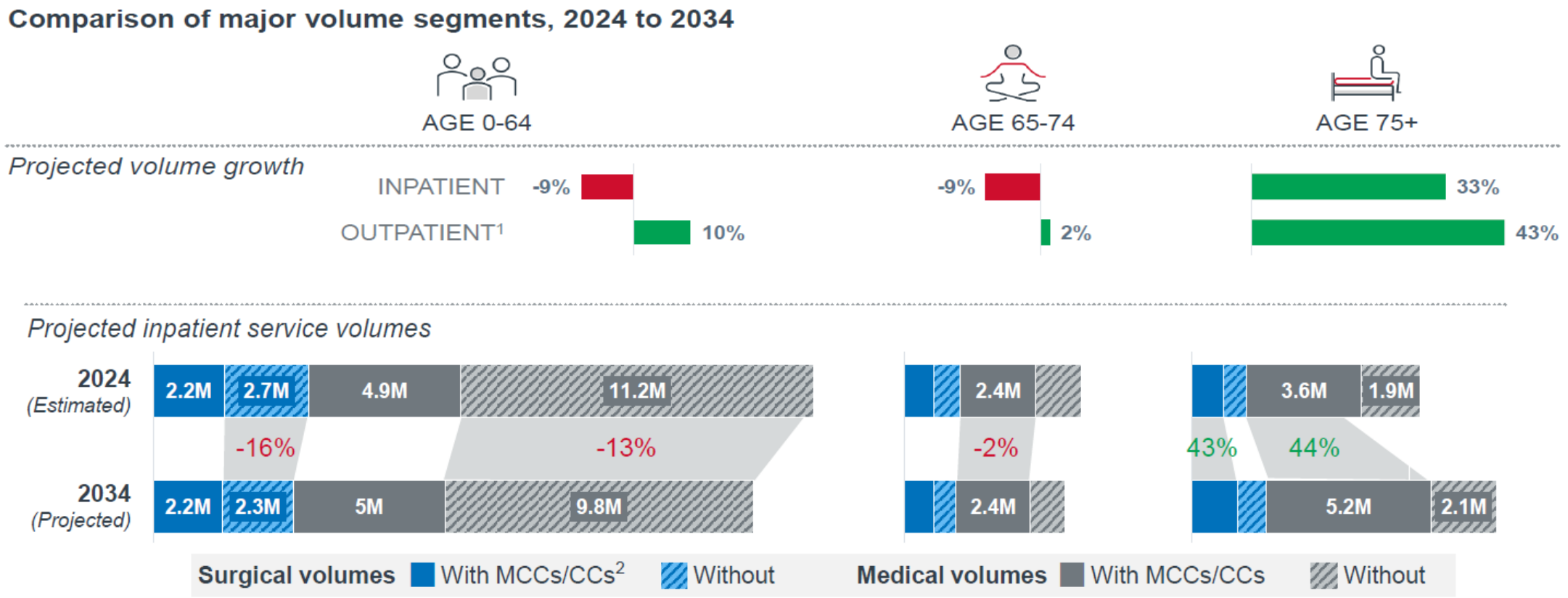
15%
Increase in **stroke rate** in patients in patients ages 18-44 (2011 to 2022)

42%
Increase in **deaths related to heart failure** in patients 45-54 years old (2011 to 2023)

-34%
Decrease in **early-onset cancer deaths** among patients <50 years old[1] (1990 to 2019)

Source: Bozkurt B et al. HF STATS 2024: Heart Failure Epidemiology and Outcomes Statistics An Updated 2024 Report from the Heart Failure Society of America. *Journal of Cardiac Failure.* January 2025; Sayed A et al. Reversals in the Decline of Heart Failure Mortality in the US, 1999 to 2021. *JAMA Cardiology.* April 24, 2024; Aggarwal R et al. Cardiovascular Risk Factor Prevalence, Treatment, and Control in US Adults Aged 20 to 44 Years, 2009 to March 2020. *JAMA.* March 5, 2023; Zhao J et al. Global trends in incidence, death, burden, and risk factors of early-onset cancer from 1990 to 2019. *BMJ Oncology.* September 5, 2023; Prevalence of Stroke, Behavioral Risk Factor Surveillance System, United States, 2011-2022. CDC. May 23, 2024; Census.gov. Age and Sex Composition: 2010; Census.gov. 2023 National Population Projections Datasets.

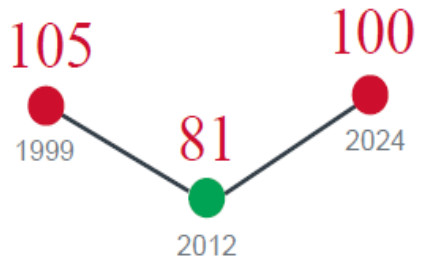
The utilization shifts ahead



Excludes lab, evaluation & management, radiology, physical therapy & rehabilitation, and miscellaneous services.

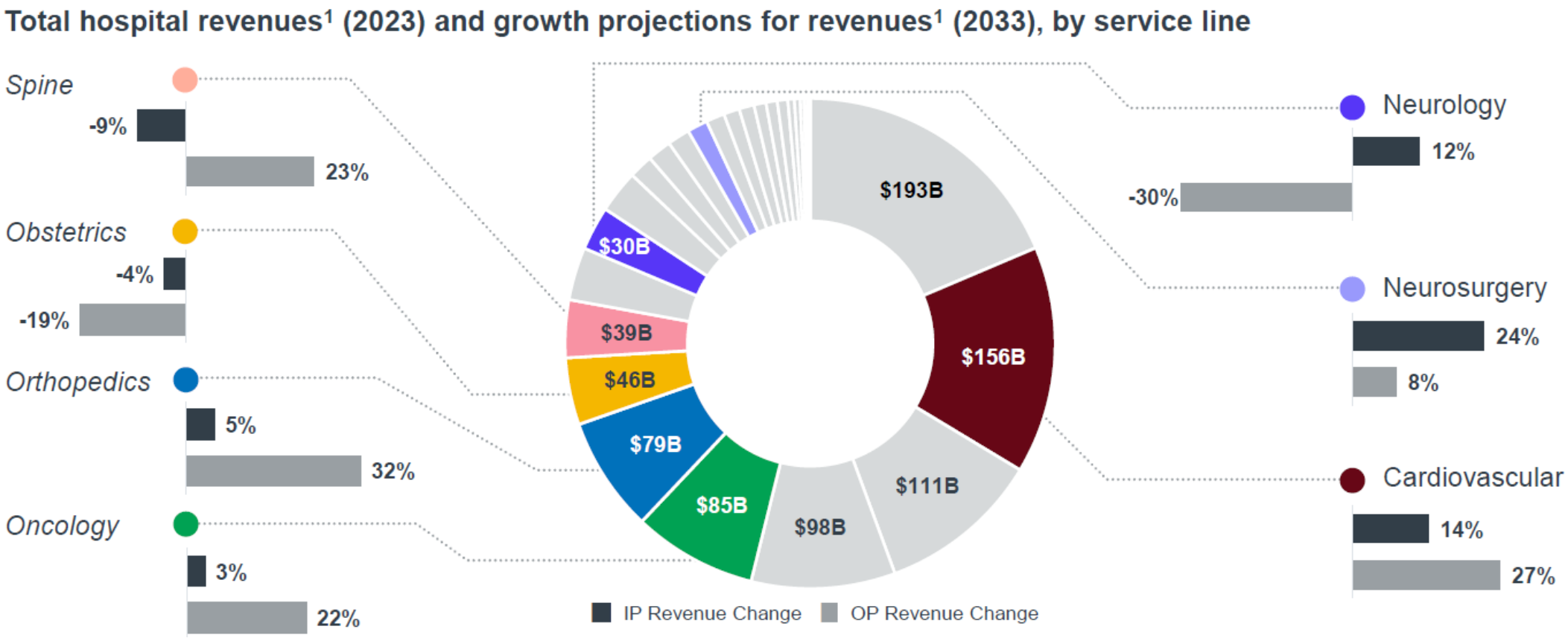
Source: Market Scenario Planner. Advisory Board

Utilization will pressure an already poor patient outlook

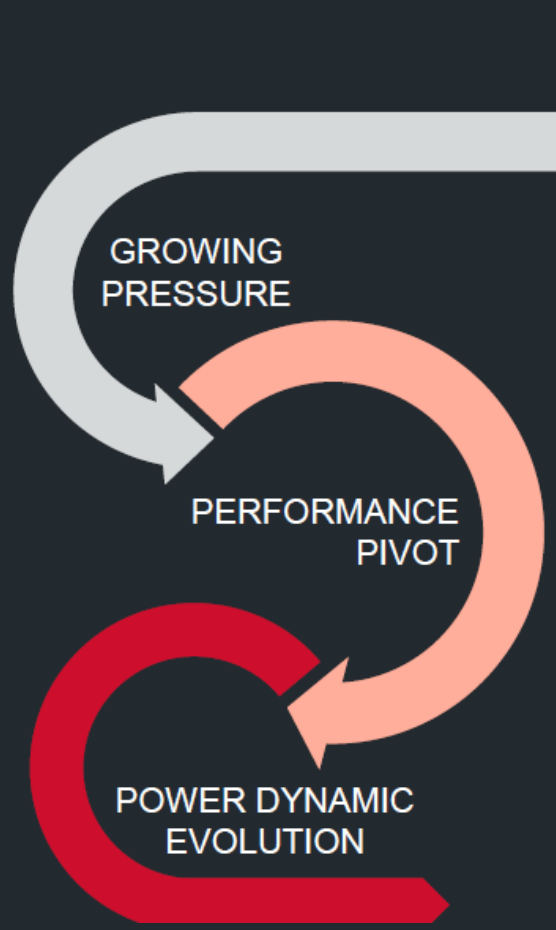
	Provider **access**	Out-of-pocket and premium **costs**	Clinical care **quality**
STRUCTURAL CHALLENGES	• Shortage of providers • Increasing patient demand	• Increasing treatment costs • Continued consolidation • Change in demographics	• Clinician workload and experience • Increasing case complexity
Sample indicators	**38 day** **wait time** for a new patient physician appointment, average across 23 cities in the U.S. (as of 2023)	**25%** of adults have skipped or **postponed care** in the past 12 months due to cost (as of August 2023)	Age-adjusted heart failure-related **mortality rates** (per 100,000) 

Source: Moody J, et al. The Waiting Game: New-Patient Appointment Access for US Physicians. ECG Management Consultants. 2024; Why Are Americans Paying More For Healthcare. Peter G. Peterson Foundation. January 3, 2024; 2023 Costs of Caring. American Hospital Association. April 2023; Sayed A, et al; National Vital Statistics System, Provisional Mortality on CDC WONDER Online Database. CDC. National Center for Health Statistics Data are from the final Multiple Cause of Death Files, 2018-2023,

Competitive care shifts will reshape future revenues



A closer look at evolving power dynamics



Hospital services

Eroding legacy business model

Tailored management and differentiated growth

Local sustainability or Regional enterprise?

STAKEHOLDER IMPLICATIONS TO WATCH

PROVIDERS

- Cracks in the legacy hospital model will force hospitals to reevaluate their growth ambitions
- Systems must focus on operational excellence and differentiated growth that is realistic for them in their market

SUPPLIERS

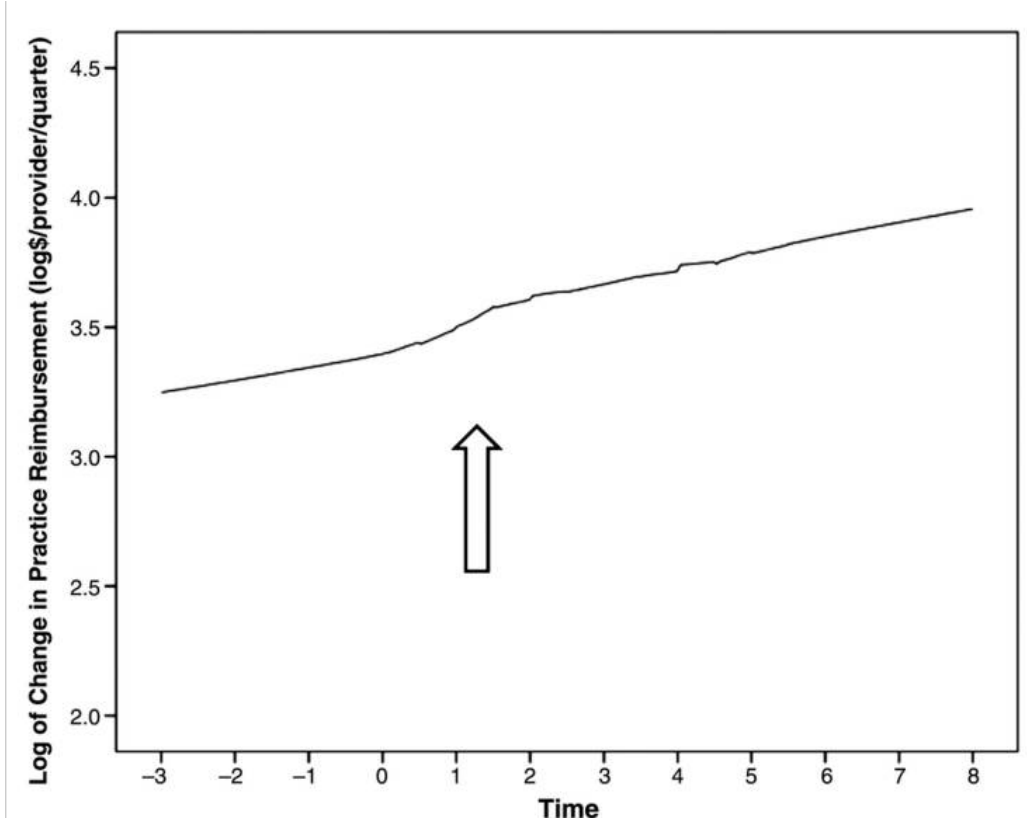
- As health system strategies become more tailored to markets, partners will need to adapt to different demands
- Life sciences firms must prepare for variation in care pattern shifts across markets

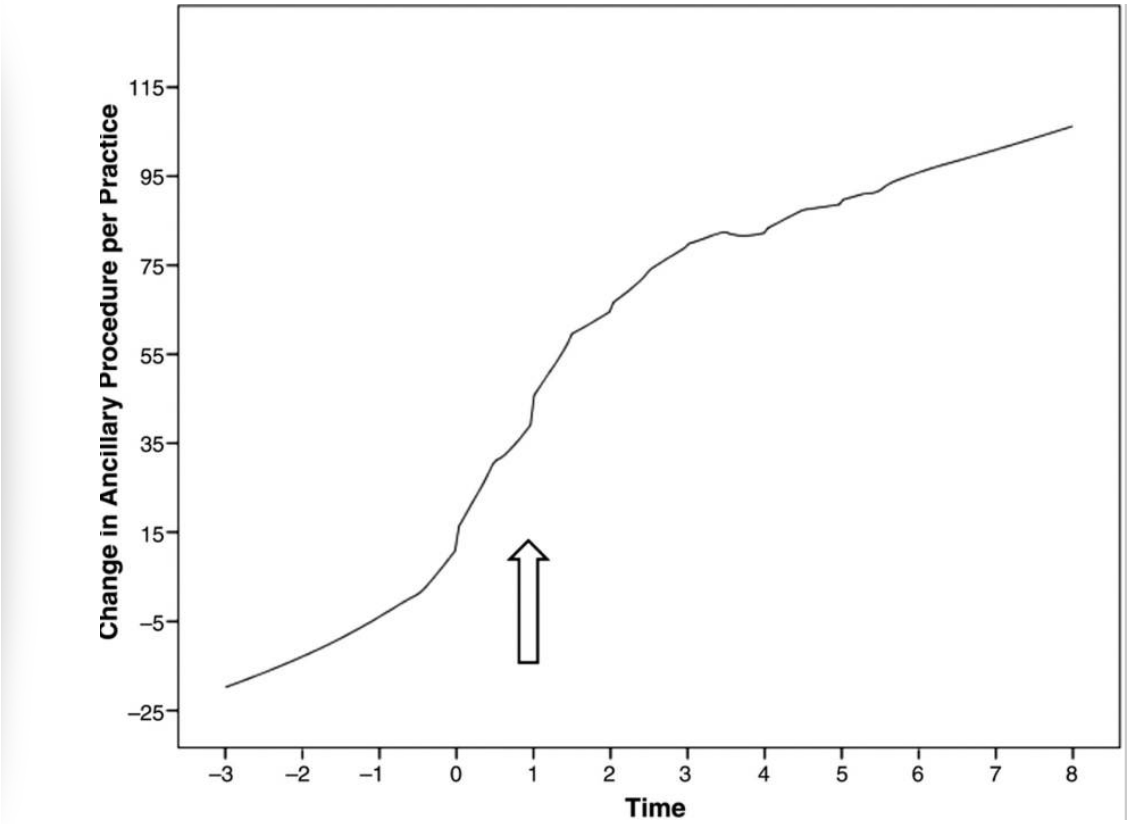
PAYERS

- Stressed hospitals may pursue remedies that raise costs, without local payer support toward sustainability
- Providers may be more open to new payment models, but they must see a path for financial success

Introduction of Electronic Health Record

Impact of reimbursement after implementing Electronic Health Record





Howley MJ, Chou EY, Hansen N, Dalrymple PW. The long-term financial impact of electronic health record implementation. J Am Med Inform Assoc. 2015 Mar;22(2):443-52. doi: 10.1136/amiajnl-2014-002686. Epub 2014 Aug 27. PMID: 25164255; PMCID: PMC11749187.

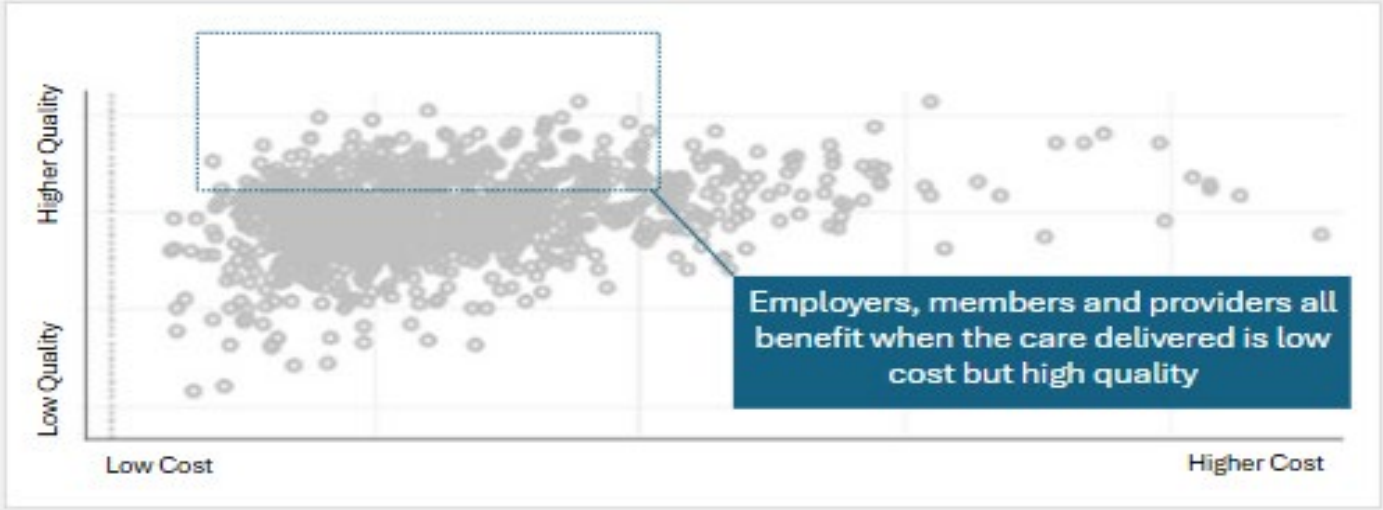
Variation exists between provider quality and healthcare cost

Measuring provider performance to drive improved outcomes and impact costs

Blue Cross® and Blue Shield® (BCBS) companies recognized an opportunity to better meet the needs of all stakeholders:

- **Providers** want to be evaluated fairly and consistently on performance regardless of their patients' insurer or employer
- **Members** want to easily identify providers who deliver high quality care at an affordable price
- **Employers** want their employees to have access to a consistent solution across geographies, and also have a positive experience with their health plan

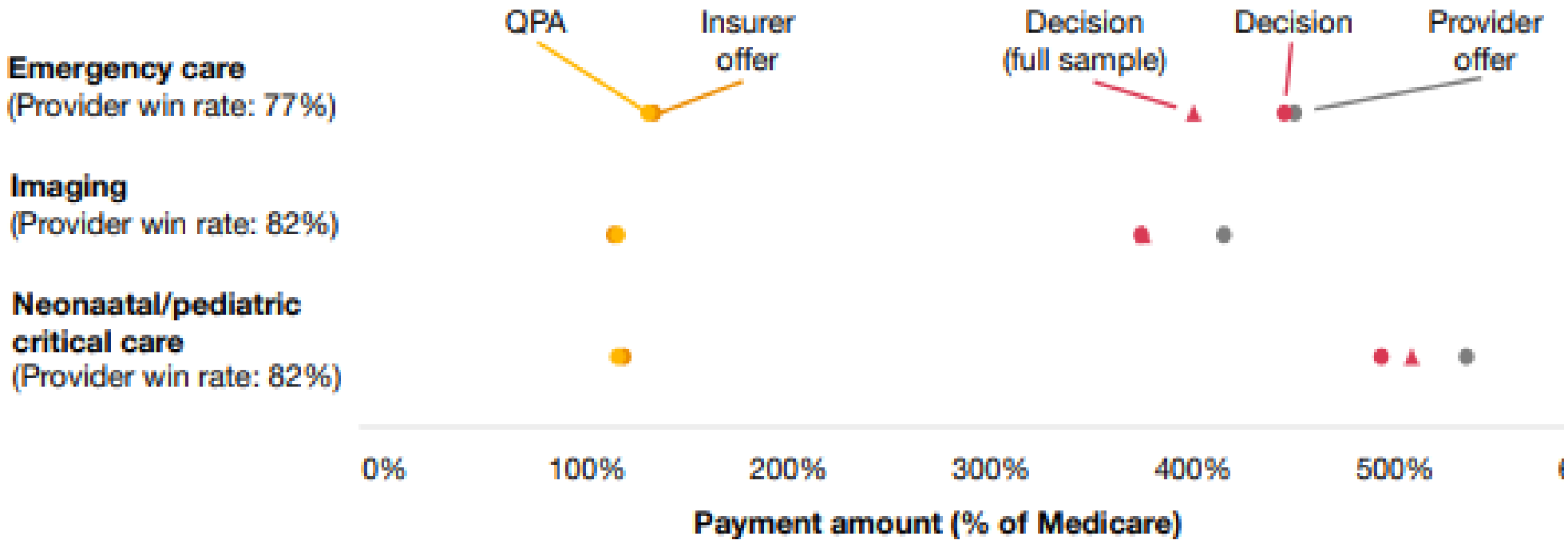
Higher cost does not always align with higher quality...



Graph produced using Cardiology Quality Performance Scores and Cost Index from 2023 BNPPD National File

No Suprises Act

2023 Q1-2 IDR median decisions, offers, and QPAs by type of service



2 Source: CMS Independent Dispute Resolution Reports, The Brookings Institution

Market forces will redefine healthcare- by 2035, our healthcare ecosystem will have materially changed

Aging will permanently reshape our business and our workforce – ratio of working age to senior population will grow from 3:1 to 2:1, with 50% of health plan members coming from government markets
Consumer trust will be earned by taking responsibility for the entire healthcare experience – positive provider interactions heavily impact member perception of their plan, increasing payer NPS by 80+ points
Pharmaceuticals will continue to redefine cost and care – annual spend on cell & gene therapy alone will reach $25B and treat 1 million Americans
Value will be redefined as cost pressures intensify – if healthcare increase trends persists, up to 35% of an average family's budget could go towards healthcare
Health equity gap could widen, creating a 2-tiered healthcare system – 58% of black respondents are extremely concerned with access to care when they need it (vs. 44% for white)
Artificial intelligence will move from novelty to necessity and change consumption – utility that redefines consumer experience and improves workforce efficiency


Thank You

PUBLIC EMPLOYEE BENEFIT AUTHORITY AGENDA ITEM
BOARD RETREAT

Meeting Date: August 20, 2025

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1. Subject: 2025 Pharmacy Benefit Manager Procurement and Transition

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2. Summary: The current Pharmacy Benefit Manager (PBM) contract with Express Scripts expires at the end of 2025, and state procurement rules obligated PEBA to competitively re-solicit this agreement, representing one of the State Health Plan's two major contracts. This solicitation resulted in a change in the Plan's PBM, with CVS Caremark winning the business with a January 1, 2026 effective date. Mike Madalena will discuss changes in PEBA's approach for this procurement, and Laura Smoak will talk about the implementation work that has taken place in the past month, and that ahead through the remainder of this year. Then, CVS Caremark personnel Jim Fowler, Chief Sales Officer, and Mike Ando, Vice President, Implementations, will introduce us to the company and how the transition will go smoothly and result in a positive member and pharmacy experience.

---

3. What is Committee asked to do? Receive as information

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4. Supporting Documents:

(a) Attached: 1. 2025 Pharmacy Benefit Manager Procurement
2. Ensuring a High-quality Transition for You and Your Members

PEBA℠
SC Retirement Systems and State Health Plan

2025 Pharmacy benefit manager procurement

Board of Directors

August 20, 2025

Serving those who serve South Carolina

Challenges, issues and lessons learned

2021-2025 PBM contract

- 2020 PBM procurement was completed with what was then, state of the art methods.
- Reliance of metrics not directly related to Plan cost:
  - Discounts from Average Wholesale Price;
  - Artificially low pharmacy dispensing fees; and
  - Pharmaceutical revenue guarantees based on:
    - Prescription volume; and
    - Formulary positioning.
- PBM has a strong profit incentive to fill prescriptions at pharmacies it owns.
- PBM does not proactively initiate utilization management programs.
  - Custom GLP-1 prior authorization; and
  - Day limits for GLP-1 and specialty medications.
- No real inclusion of utilization metrics.
- Formularies heavily influenced by the pharmaceutical industry.

PBM contract methods effective January 1, 2026

- Financial guarantees tied to net per member per month prescription drug expenditures (claim cost + administrative fees) less pharmaceutical industry revenue.
  - PBM is putting a significant proportion of its fees at risk.
- Acquisition cost-based reimbursement for prescriptions filled at PBM specialty and home delivery pharmacies.
  - Audit rights in place to allow independent verification of cost determination.
- PEBA has the right to be an active participant in making formulary placement decisions and will explore how to most efficiently deploy its formulary processes.

PBM implementation with CVS Caremark

- In-person kick-off meeting with key staff to identify teams and establish priorities and expectations for both implementation and post January 1 go-live.
- Reviewed and approved account structure (plan/eligibility), clinical rules and benefits.
- Establish timeline to test and send eligibility files for both Commercial and EGWP plans.
- Collaborative approach with PEBA, Express Scripts and CVS Caremark to provide claims history and open prior authorization files to CVS Caremark before January 1.
  - Allows testing for clinical and eligibility set-up.

PBM implementation with CVS Caremark

- Collaborative approach with BlueCross and CVS Caremark on:
  - File exchanges for various benefit limit accumulators and member eligibility files for No-Pay Copay program; and
  - Single-sign on capability for members between vendors' member portals.
- Establish communications timeline:
  - Customer service phone numbers;
  - Prior authorization and formulary change letters;
  - Changes in contractor-owned mail order and specialty pharmacies letters; and
  - CMS required mailings for EGWP members.
- Develop microsite for members that includes access to:
  - Digital ID card;
  - Medication pricing tool; and
  - Finding a network provider tool.
- Post-implementation will be "all hands-on deck" proactive approach to unavoidable issues that occur when transitioning to a new PBM:
  - Coordinating open enrollment;
  - Onboarding new employer groups; and
  - Typical enrollment/eligibility changes.

Summary of PBM contract

Two-year initial term with possible extension up to five years.

A more financially advantageous contract.

Better alignment of State Health Plan strategic goals with PBM incentives.

Disclaimer

This presentation does not constitute a comprehensive or binding representation of the employee benefit programs PEBA administers. The terms and conditions of the employee benefit programs PEBA administers are set out in the applicable statutes and plan documents and are subject to change. Benefits administrators and others chosen by your employer to assist you with your participation in these employee benefit programs are not agents or employees of PEBA and are not authorized to bind PEBA or make representations on behalf of PEBA. Please contact PEBA for the most current information. The language used in this presentation does not create any contractual rights or entitlements for any person.

PEBA
SC Retirement Systems and State Health Plan

CVS caremark

Ensuring a high-quality transition for you and your members

South Carolina Public Employee Benefit Authority Board Retreat

August 20, 2025


South Carolina State House

Joining you today

Jim Fowler
Chief Sales Officer

Travis Tate, RPh
VP, Product Development & Strategy

Courtney Herring
Regional Director, Government Affairs

Mike Ando
VP, Implementations

Amber Compton, RPh
Executive Director, Network Management

Joni Lozano
Executive Director, Government Business Unit

Santo Anzaldi
VP, Business Development

Dan Foster
Strategic Account Director

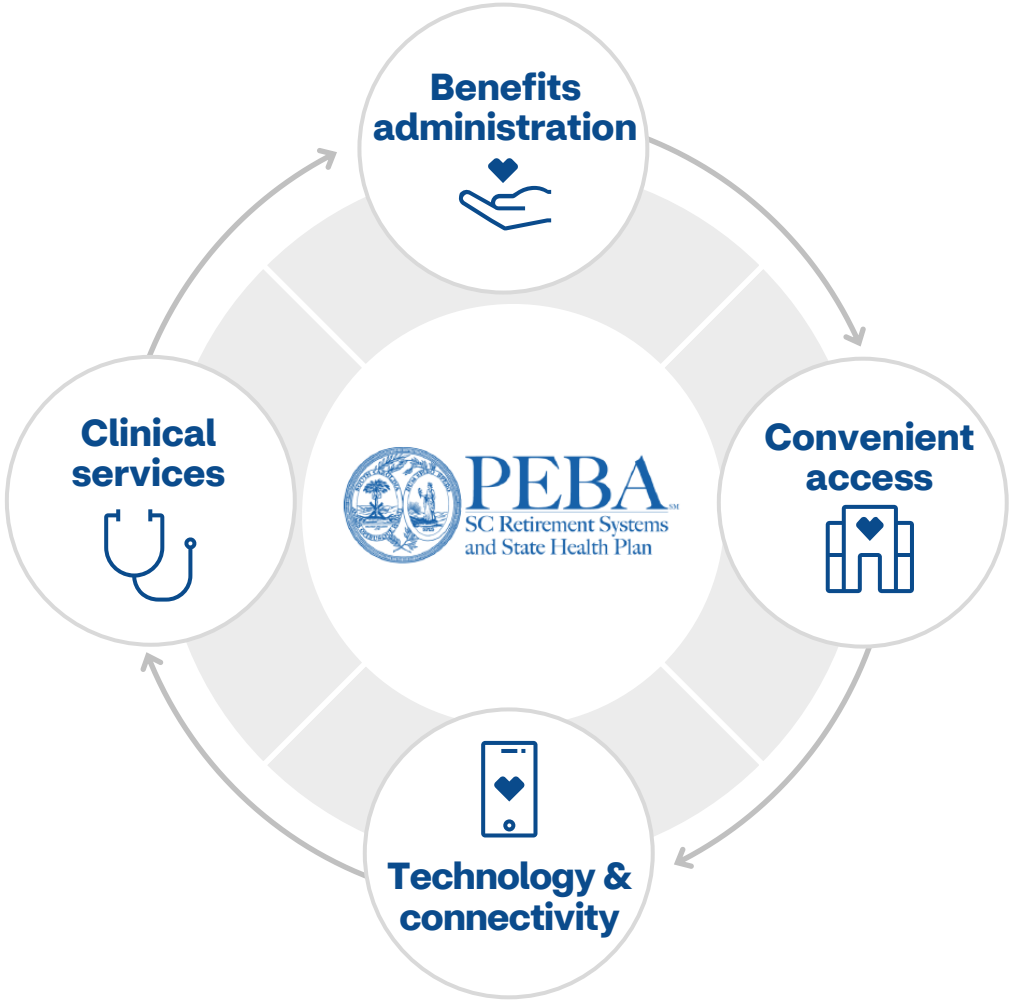
It’s all about what matters most to you

PEBA
SC Retirement Systems and State Health Plan

- Fully compliant with RFP requirements and committed to helping you achieve your goals.
- Service and operational excellence prioritizing the health and experience of your members.
- Transparency and flexibility to design a pharmacy benefit program aligned with your goals.
- Collaborating with a team that understands your goals and provides proactive guidance to help you make decisions.

CVS caremark

We provide the expertise and resources needed for a positive experience



Leading PBM with
88M
plan members

Serving
21
State clients

98%
Overall Client Satisfaction

$770M+
Investment for security, hybrid-cloud, EHR and flexible options (FY'24)

Over 64,000
Retail network pharmacies nationwide

1,072 Pharmacies, 456 Independents in South Carolina
(43% are non-chain, independent)

Aligned to your goals, with 98% overall client satisfaction

PEBA SC Retirement Systems and State Health Plan

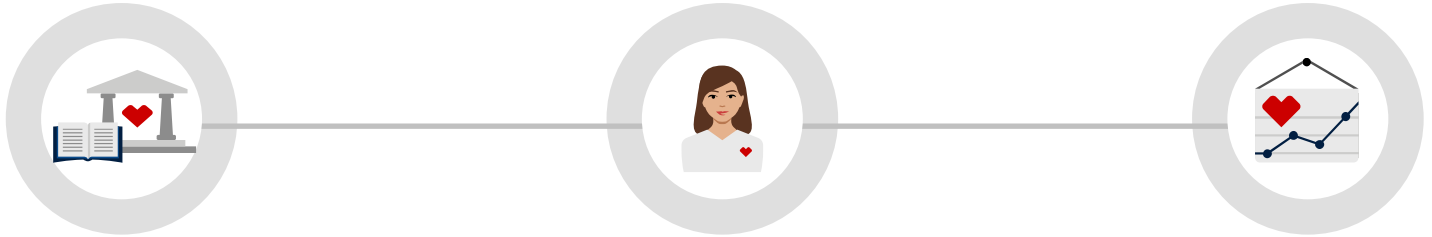
On track · At risk · Off track

Partnership commitment		Status
Overall relationship	CVS Caremark is aligned and performing appropriately with SC PEBA	●
Cost management		
Member affordability	Implement most cost-effective plan for members, decreasing out-of-pocket costs	●
Initiatives/innovation	Align with you to deliver improved value and returns in health care affordability and enhanced health outcomes	●
Overall management	Formulary and utilization management strategy defined, aligned and measured	●
Experiences in moments that matter		
Member experience	Work with PEBA's benefits team to measure member escalations and track their reduction	●
Consultative client support		
Operational performance	Maintain exceptional levels of performance across all key areas	●
Business planning	Align clinical, financial and operational goals that support SC PEBA's strategic objectives	●

> **Client feedback:**
>
> *This framework used for meetings helped clarify our needs and priorities. The focus allowed us to be more strategic and plan for the next few years, rather than being very short-term focused.*

CVS caremark

Our disciplined approach delivers predictable outcomes



Guiding principles that drive our culture and operating model

Accept **accountability** for delivering success

Provide **consultative** advice based on best practices

Set appropriate **expectations**

Execute against a single, **integrated project plan**

Help to ensure timely and **high-quality deliverables**

Committed, comprehensive and collaborative team

Account team fully engaged at the outset of the project

Implementation team supports the move with deep transition expertise

Business resources and experts supplement core and extended teams

Government services support for government program business

Technology resources available, as needed

Proven track record that we stand behind

308 Clients transitioned from Express Scripts since 2021

324 New clients transitioned for January 1, 2025; 3.1M new members

98% Client satisfaction with Welcome Season

CVS caremark

Member-centric expertise to make it an

easy transition for PEBA members

PBM vendor collaboration

Open refills
Claims history
Prior authorizations

Complete transition support

Proactive claims analysis and daily utilization reviews during the first month
Member assistance at point of sale

Proactive communications

Omni-channel approach to help guide members at every step
Highly personalized telephonic outreach tailored to support specialty patients
Digital content to inform members about plan benefits and Rx management tools

Open enrollment support

Communication materials, email templates and educational materials
Phone lines and digital web links

Customer Care call center

24/7 access, 365 days per year
Early phone-line availability

Physician support team

Face-to-face engagement with top specialists

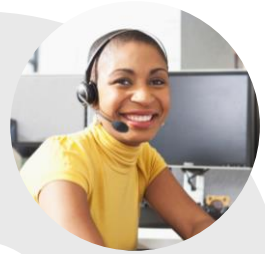
CVS caremark

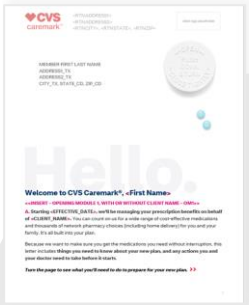
Delivering a member onboarding experience that exceeds expectations

We use all our touchpoints to help make onboarding easy for your members

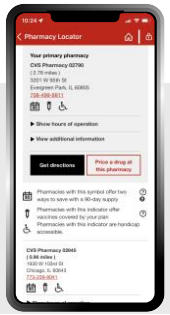
Operational excellence – it all starts with an accurate benefit set up

Customer Care available, during and after implementation





Proactive **communication** and high-touch **outreach**



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1. cvshealth.com. 2. www.census.gov/popclock/


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