



The State of the State: Health Insurance Markets and Trends to Watch 2025

To Cover Today

- Trends in Membership of all the 3rd Party Payers Operating in Louisiana
- Reimbursement Trends By Source of Funding
- Changes in Carrier Spending
- Federal Spending and the Individual Health Insurance Market in Louisiana
- The Affordability of Dependent and Spouse Coverage for Employers
- Largest threats to Affordability: GLP-1 Coverage for the Non-Diabetic Obese
- Your questions and topics!

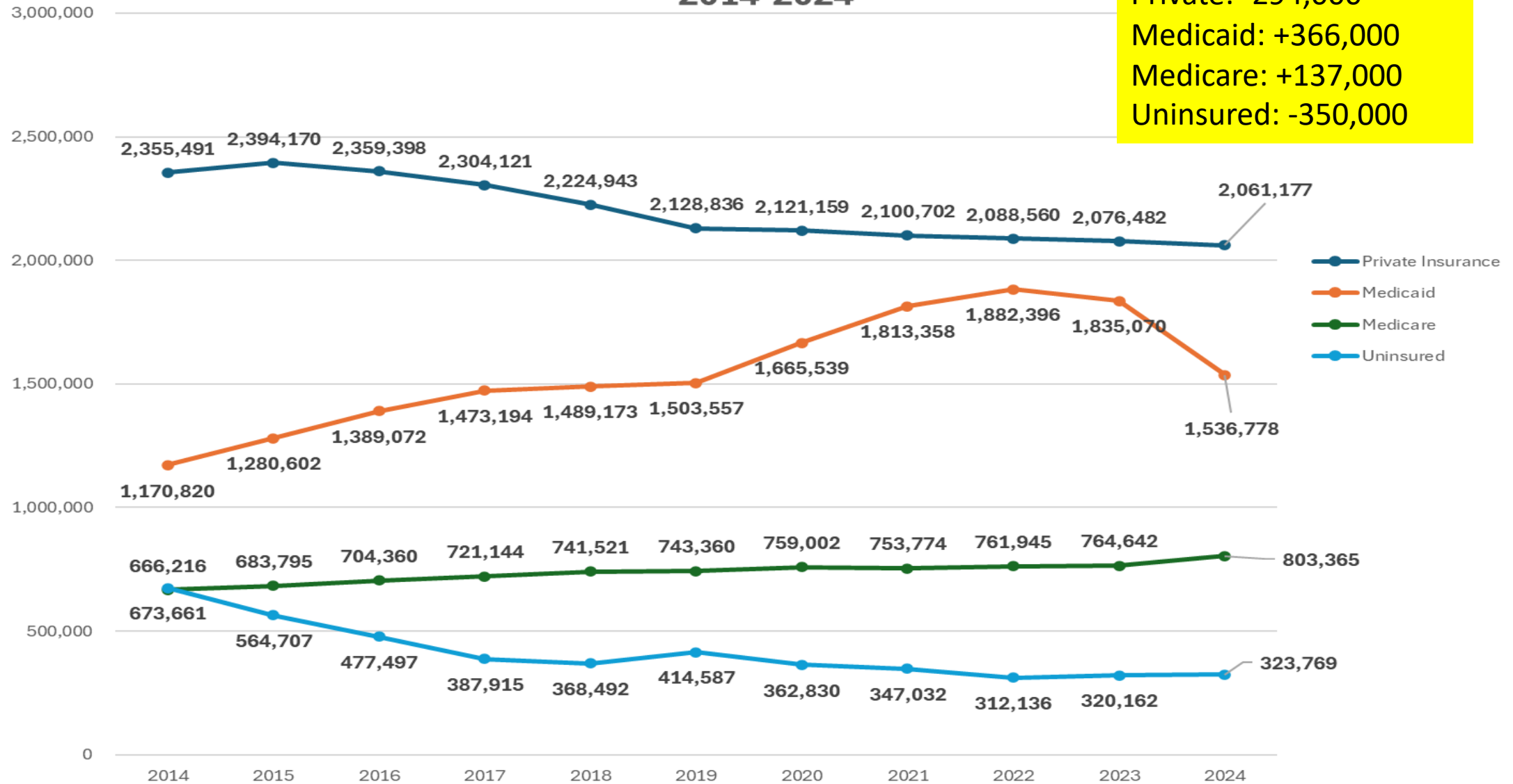
“One thing we have done magnificently in the United States is that we have managed to build a world-class technologically advanced healthcare system with global reach that no American can afford to actually use out of his own pocket!”

(Economist Walter Williams, 2017)

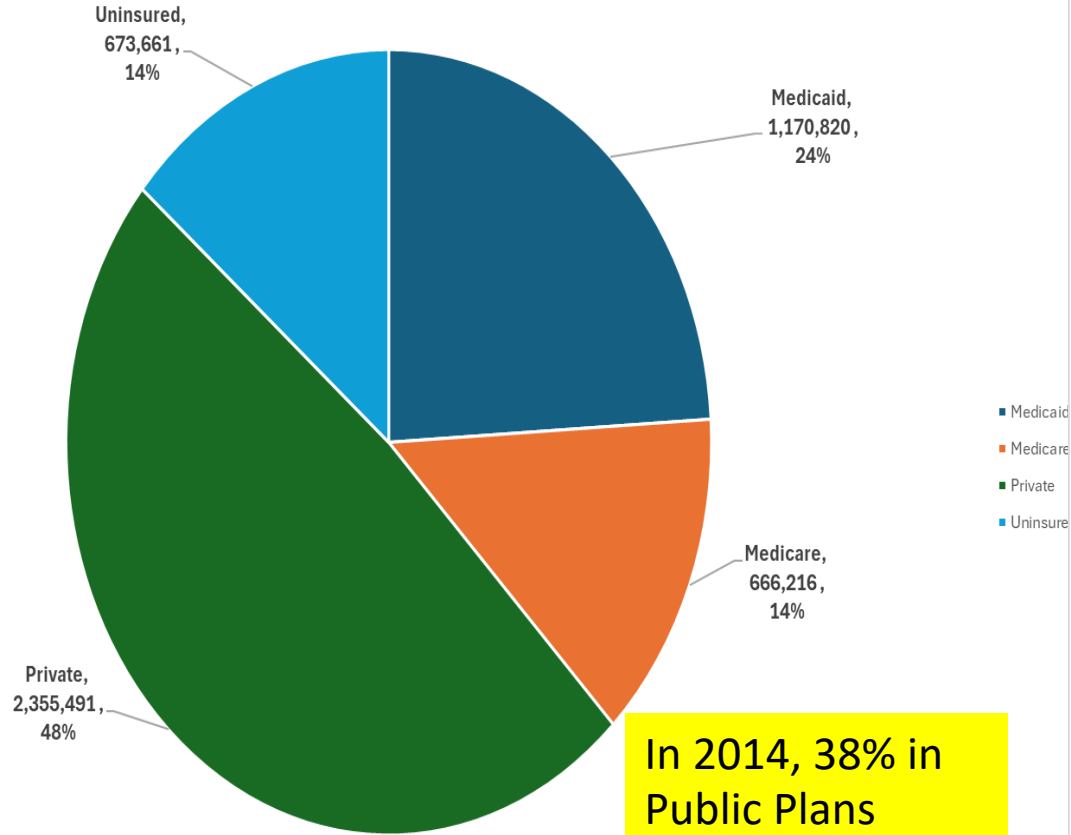


Louisiana Residents Insurance Status By Type of Coverage 2014-2024

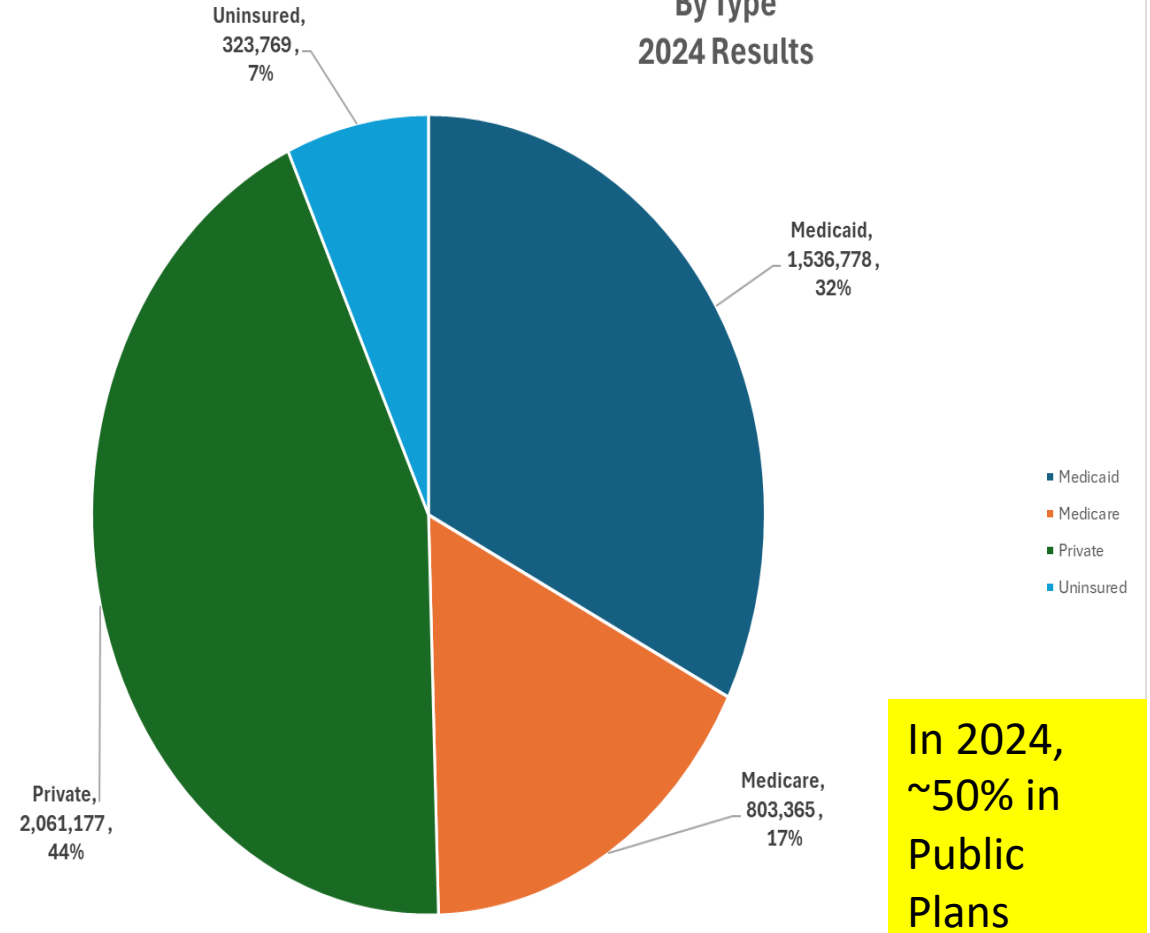
10 Year Trends:
 Private: -294,000
 Medicaid: +366,000
 Medicare: +137,000
 Uninsured: -350,000



Louisiana Residents Insurance Status
By Type
2014 Results

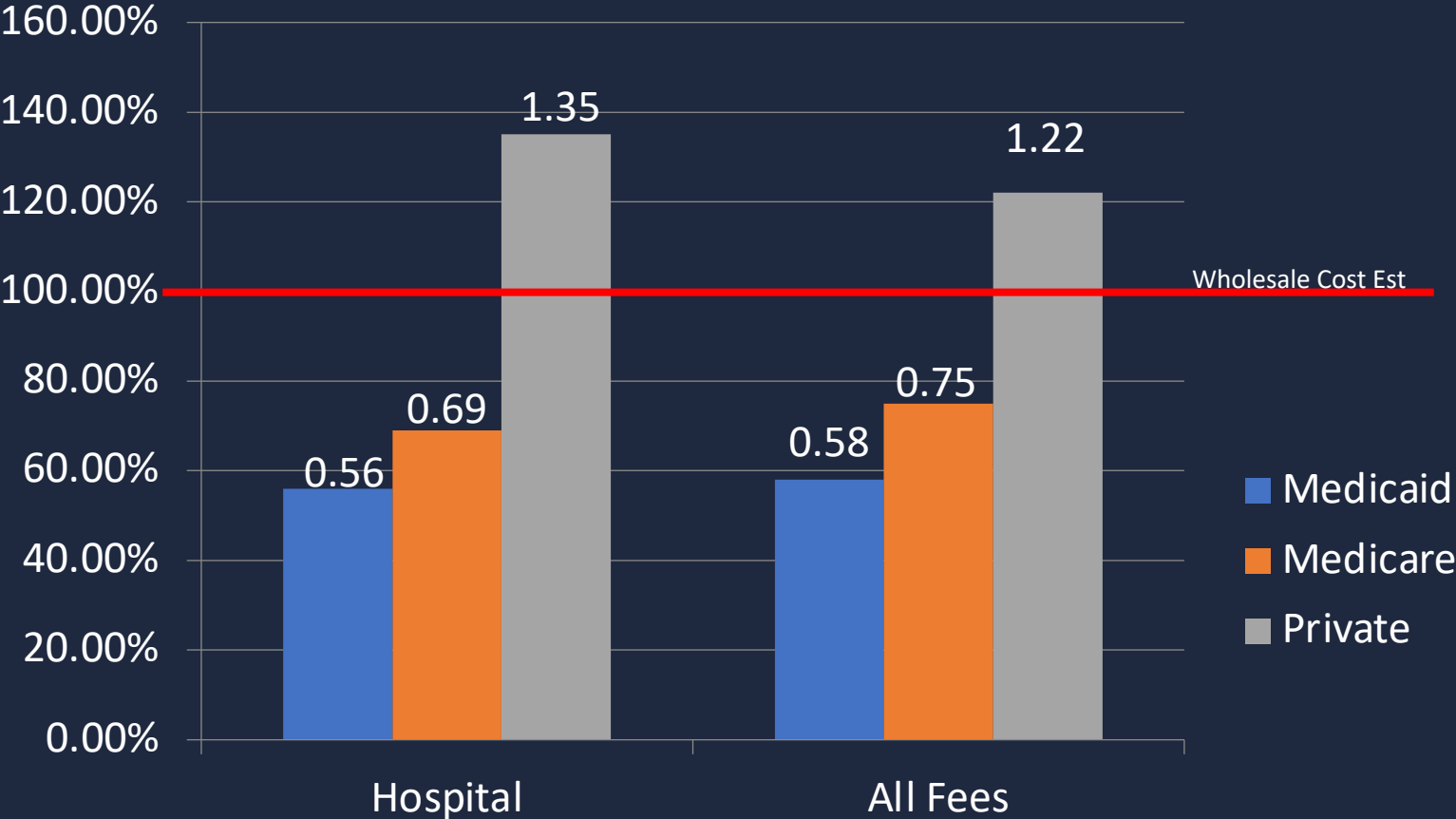


Louisiana Residents Insurance Status
By Type
2024 Results

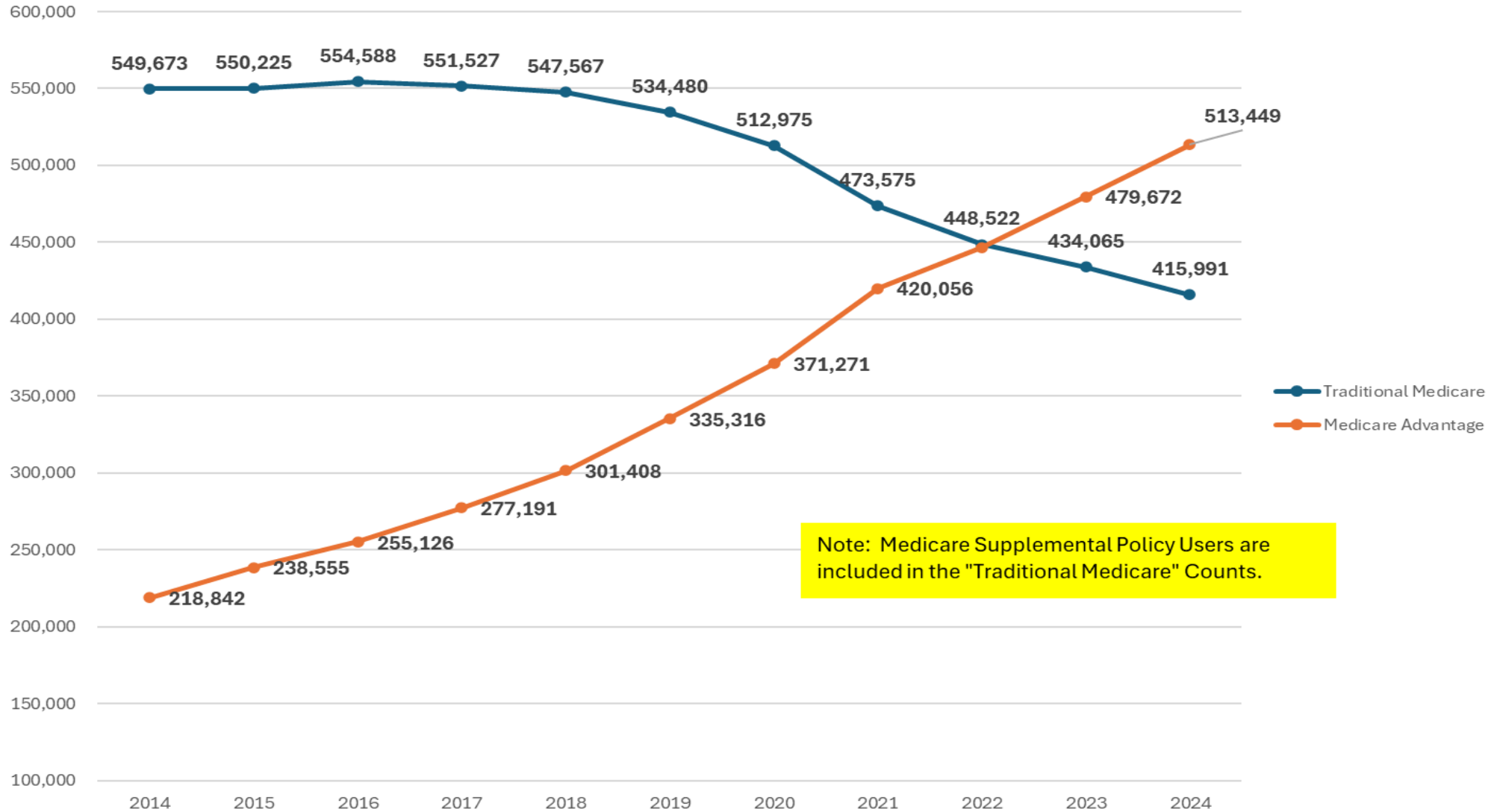


Have Public Payment Rates Improved?

Hospitals in this study needed 143% of Medicare to BREAK EVEN on existing care.

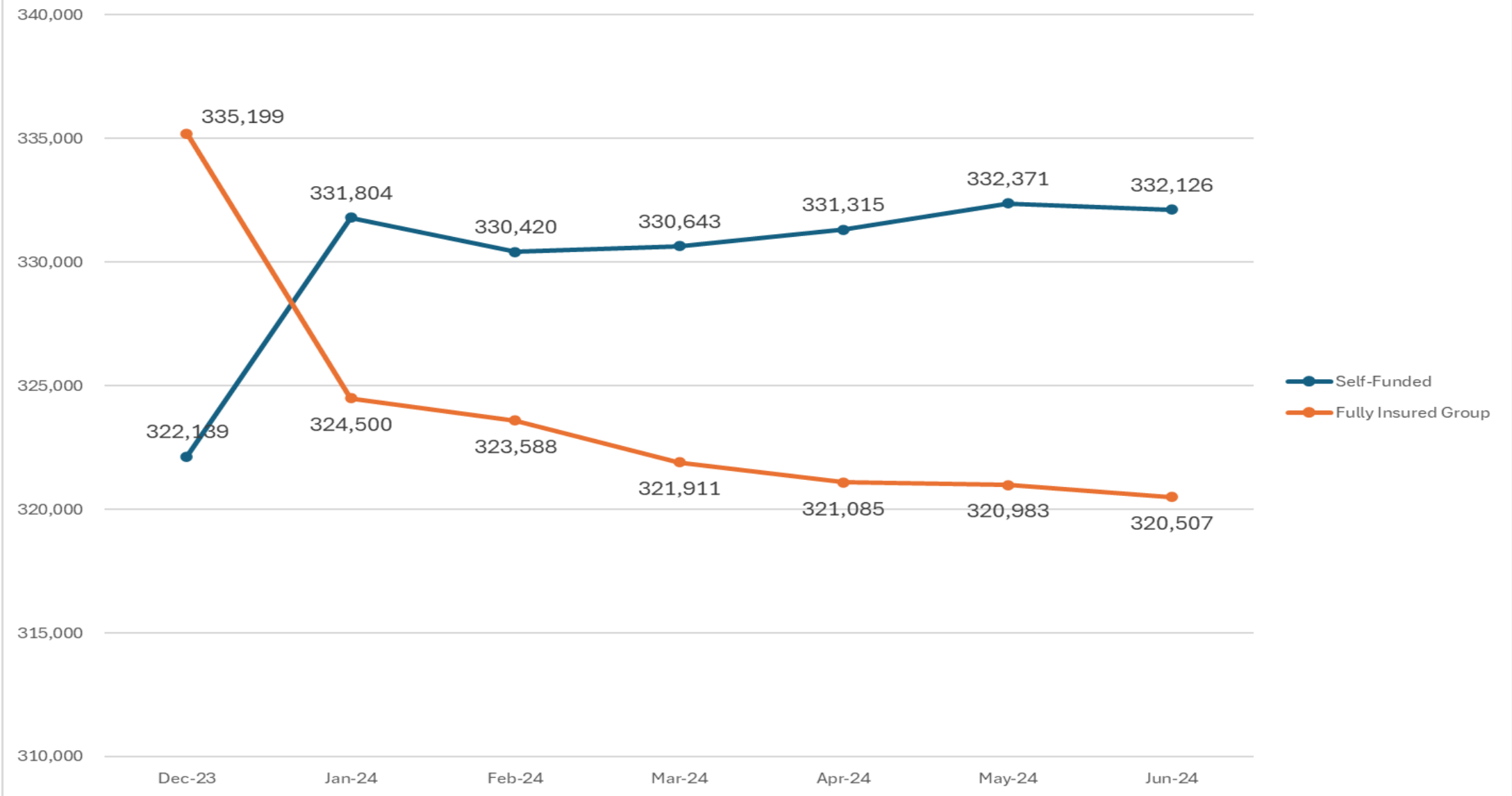


Louisiana Medicare Population Coverage Medicare Advantage vs Traditional Medicare 2014-2024





Group Membership Self-Funded vs Fully Insured Dec 2023 through June 2024



20 Years ago... Blue Cross 2004 Financials

Share of Revenue

38%

34%

11%

17%



- 70%+ went directly to Hospitals, Physicians & Physicians Services.
- Drugs were 11% of the total spend.

All figures are estimates based on Blue Cross and Blue Shield of Louisiana actuarial, claims and membership data. Represents fully insured group and individual members of both Blue Cross and Blue Shield of Louisiana and HMO Louisiana, Inc. Includes the cost of prescription drugs administered in physician offices and for outpatient hospital care. Drug costs are net of all discounts and rebates. All other expenses include operating costs, commissions, taxes/fees and reserves.

2023 Premium Dollar

Prescription Drugs Under Pharmacy & Medical Benefit

And this drug spend does NOT include covering GLP-1's for the non-diabetic obese!



34¢
HOSPITAL

21¢
PHYSICIAN &
CLINICAL

29¢
PRESCRIPTION
DRUGS*

16¢
ALL OTHER

8.3¢ Operating Costs
3.3¢ Commissions
1.6¢ Taxes/Fees
2.5¢ Reserves`

All figures are estimates based on Blue Cross and Blue Shield of Louisiana actuarial, claims, and membership data. This represents fully insured group and individual members. Drug costs are net of all discounts and rebates. *Includes the cost of prescription drugs administered in physician offices and for outpatient hospital care. Drug costs are net of all discounts and rebates. An approximation of a fully insured premium dollar for illustrative purposes only.

Individual Market Drivers for 2025

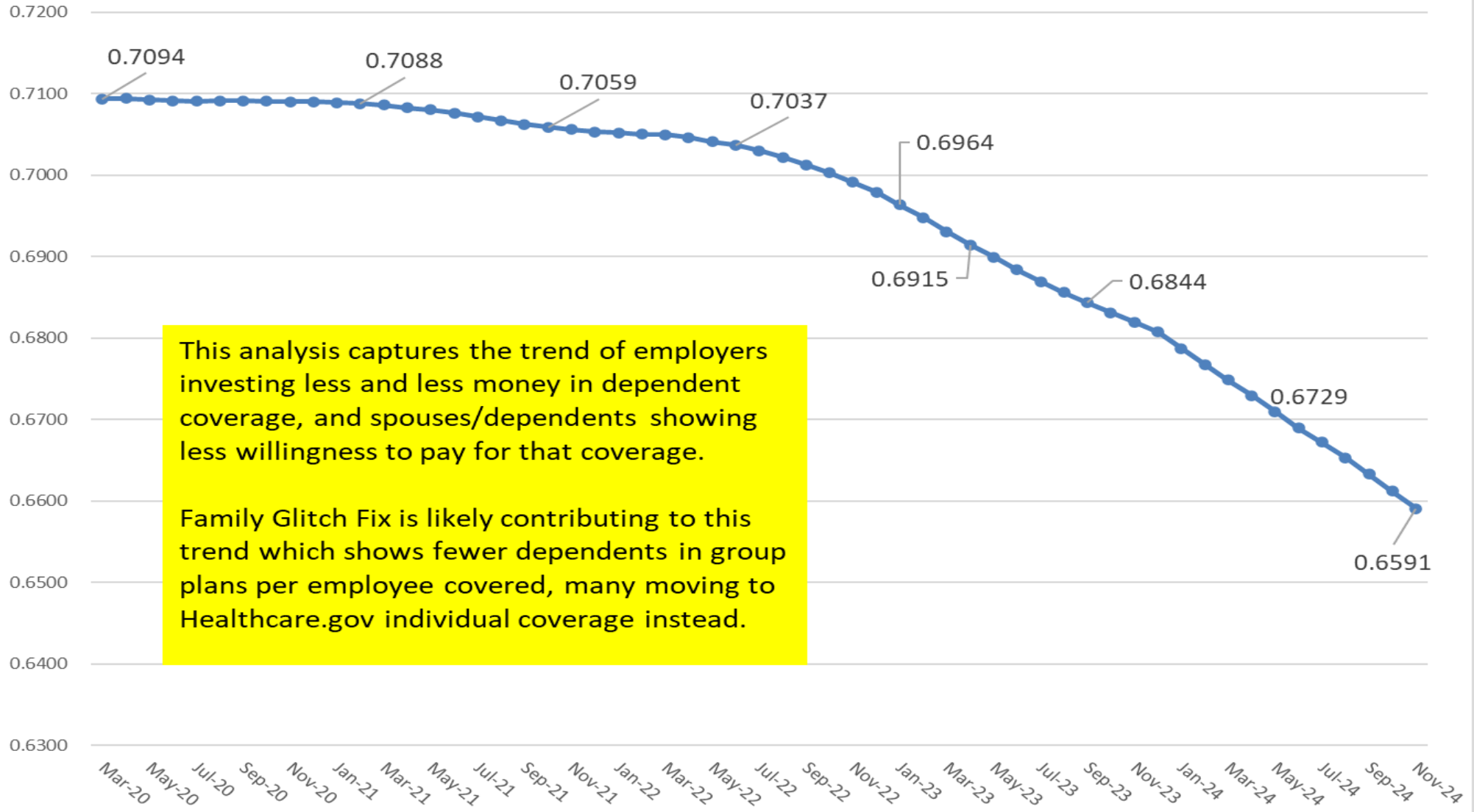
- The Unwinding of the Public Health Emergency and the potential move of even more Americans from Medicaid and Group plans to Individual coverage
- The greatly increased Advanced Tax Credits provided on federal and state individual coverage marketplaces by American Rescue Plan Act and the Inflation Reduction Act
- Whether those ATC enhancements will survive past December 2025 (60,000 Louisianans coverage at risk)
- The repair of the Family Glitch and “discovery” special enrollment triggers provided as dependents and spouses discover employer offers fit the new definition of “unaffordable”.
- The increasing unwillingness of employers to fund dependent and spouse coverage at affordable levels.

10 Worst States For Employer Contributions to Family Coverage (KFF)

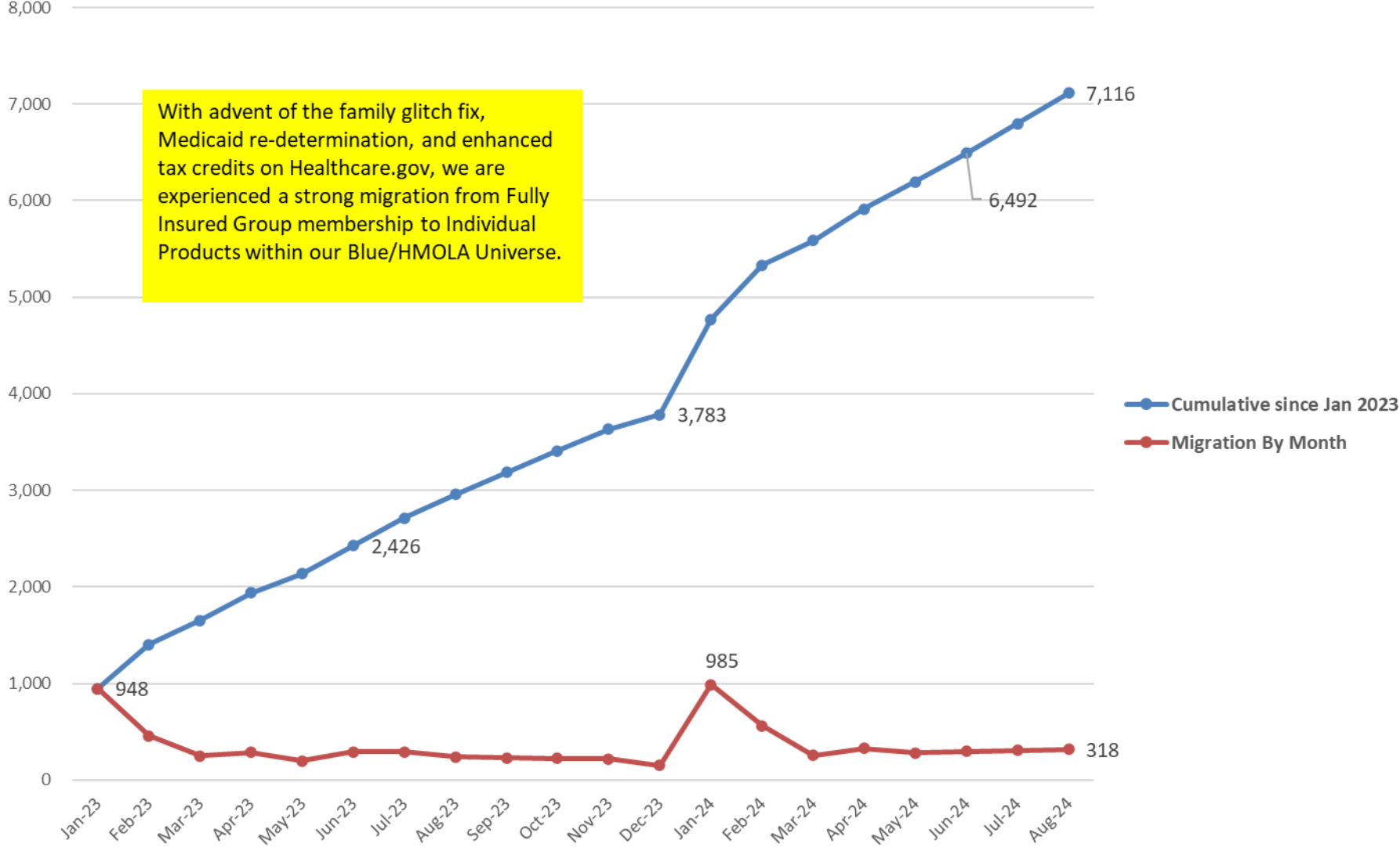
STATE	AVERAGE ANNUAL EMPLOYER CONTRIBUTIONS TO FAMILY COVERAGE	TOTAL AVERAGE ANNUAL FAMILY PREMIUMS
ARKANSAS	\$11,837	\$18,339
LOUISIANA	\$12,574	\$19,305
HAWAII	\$12,589	\$18,539
OKLAHOMA	\$12,886	\$20,108
ARIZONA	\$13,026	\$20,117
UTAH	\$13,071	
ALABAMA	\$13,293	
IDAHO	\$13,473	
KANSAS	\$13,568	
MISSISSIPPI	\$13,830	\$20,373

Note that if we remove the contributions of government and union groups, the Louisiana contribution drops to just over \$4,000/year on average.

Fully Insured Group Dependent Analysis
12 Month Moving Average
Dependents Per Employee Covered

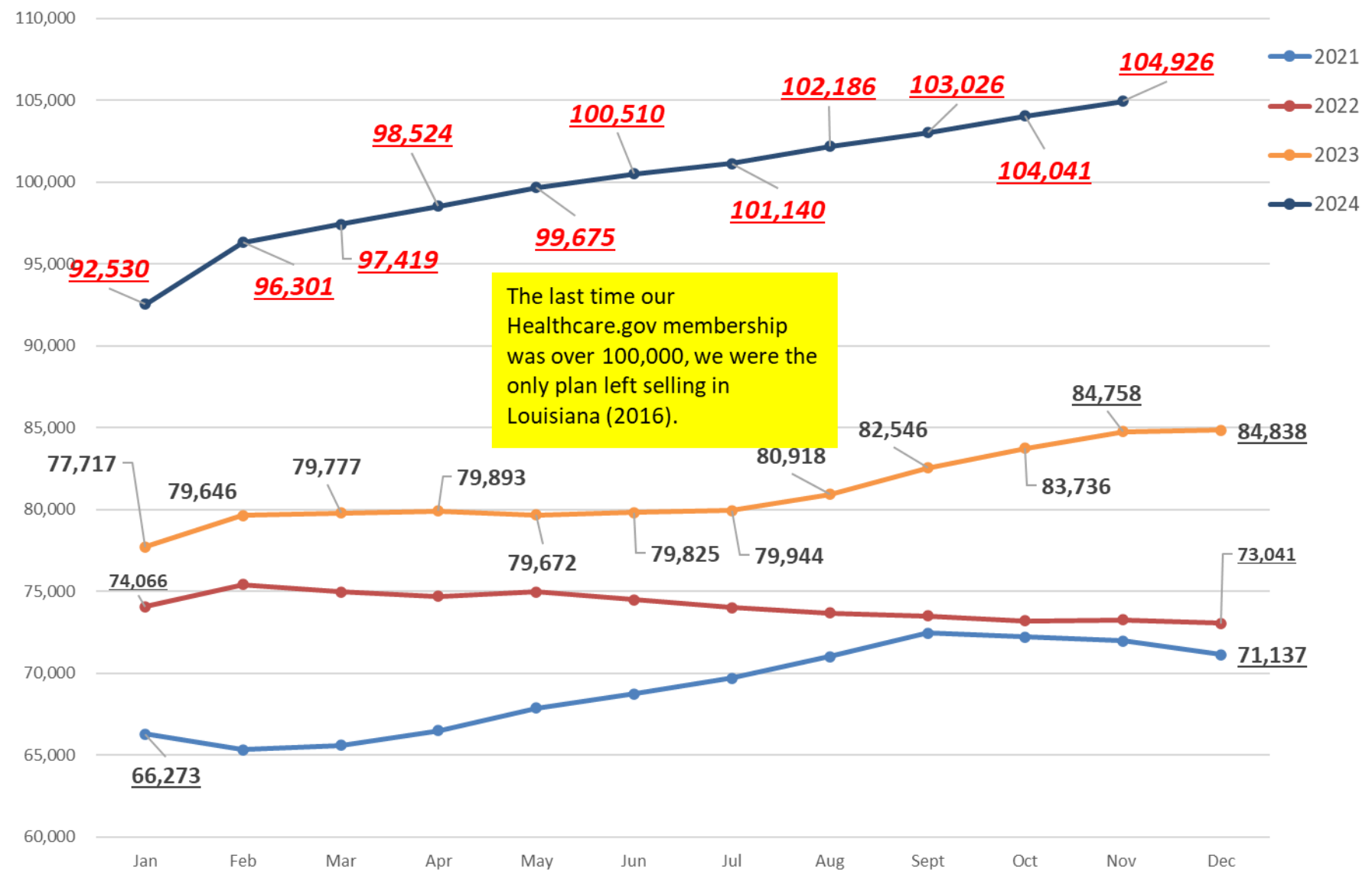


Total Membership Migration Group Plan Membership to Individual Membership Cumulative Since Jan 2023 and By Month





Individual On-Exchange Membership By Month and Year 2021 to Present



What's the "Family Glitch?" And Why Did It Need Fixing?

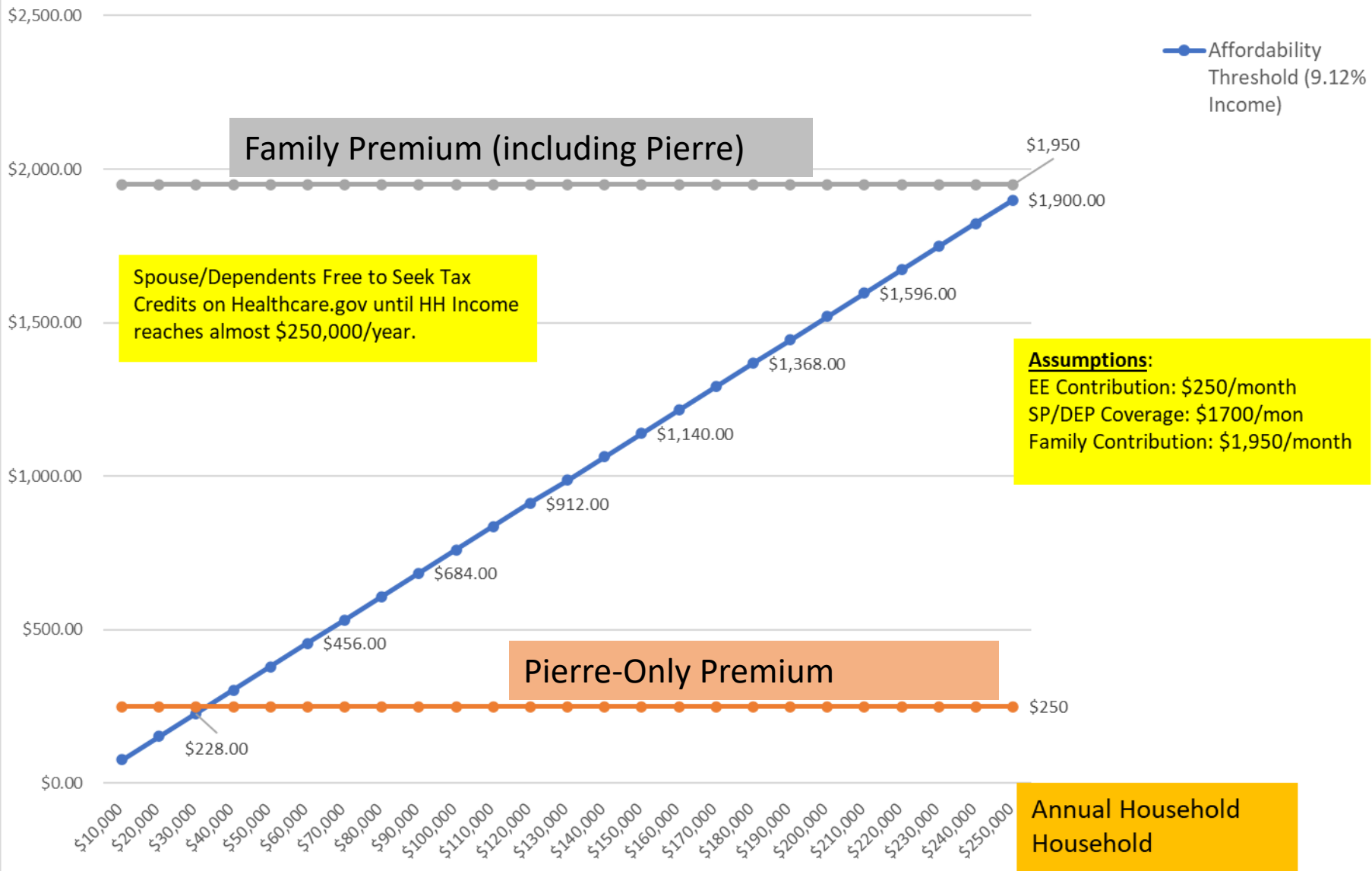
- In 2010 the passage of the Affordable Care Act put new obligations on larger employers, typically ones with 50 employees or more:
 - *One of those obligations was a requirement to offer their employees who worked more than 30 hours/week coverage.*
 - That coverage had to meet both QUALITY and AFFORDABILITY standards.
 - *Once the employer met those standards, he could avoid federal fines that could get quite large.*
- Unfortunately, no affordability standard was established for DEPENDENT or SPOUSE coverage.
- *This meant employers could meet their obligations under the ACA by offering dependent/spouse coverage but putting \$0 money into it.*

How Has It Been Fixed?

- Unfortunately, even the OFFER of unsubsidized, potentially very expensive coverage would freeze the spouse/dependent out of tax credits for individual coverage on healthcare.gov!
- *In the Fall of 2021, the IRS issued a final rule that solves the problem without putting a direct cost on the employer:*
 - *Re-compute affordability using the entire family (tax household) as the basis.*
 - *Allow non-employee family members with premiums above a certain income threshold (9.02% of HH income for 2025) to pass on the employer offer and access advanced premium tax credits to purchase individual coverage on Healthcare.gov.*
 - *Keep the same standards as before for the employer/employee relationship.*
 - **The Determination of Unaffordable Coverage triggers a special enrollment period (newly unaffordable)**
 - **Affordability MUST be computed on the cheapest plan available, even for spouse/dependents.**

Affordability By Monthly HH Income New Family Glitch Fix Actual 5 Life Case #1

Premiums
Per Month



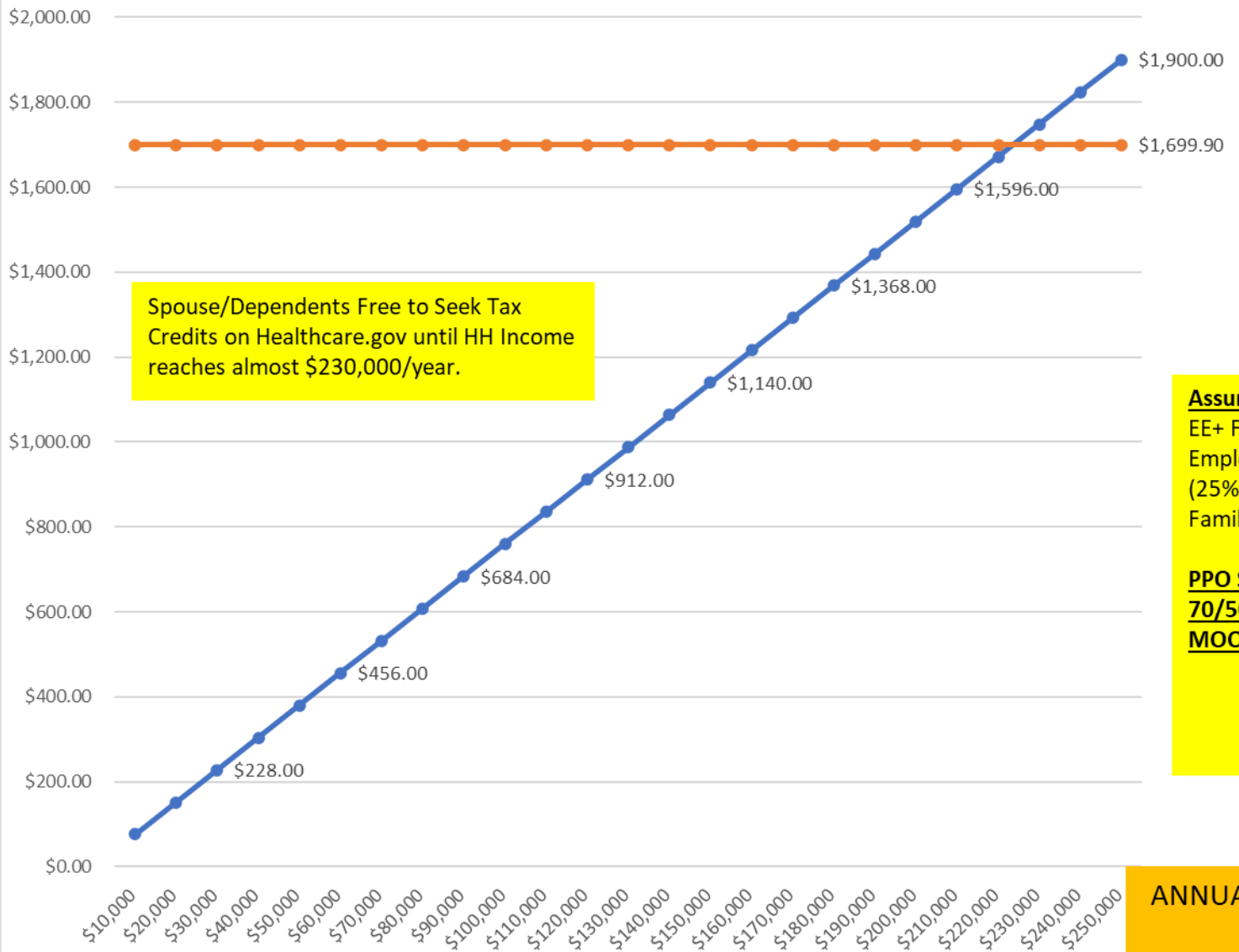
Spouse/Dependents Free to Seek Tax Credits on Healthcare.gov until HH Income reaches almost \$250,000/year.

Assumptions:
 EE Contribution: \$250/month
 SP/DEP Coverage: \$1,700/month
 Family Contribution: \$1,950/month

Annual Household
Household

Affordability By Monthly HH Income New Family Glitch Fix Actual 8 Life Case #1

Monthly Premiums



Spouse/Dependents Free to Seek Tax Credits on Healthcare.gov until HH Income reaches almost \$230,000/year.

Assumptions:
 EE+ Family Coverage: \$2265.15
 Employer Pays \$565.25 (25% Family, 75% Employee)
 Family Pays: \$1,699.90
PPO \$1,000/\$3,000 ded
70/50 Coinsurance
MOOP: \$5,250/\$10,500

ANNUALIZED HOUSEHOLD INCOME

What Does the Family Find When They Shop on Healthcare.gov?

- They find a calculator to test the employer's offer for employee and family.
- **If the offer is higher than 9.02% of HH income, they will get a "Determination of Unaffordability" that triggers a special enrollment period on Healthcare.gov.**
- At least through December 2025, the most generous advanced tax credits for premium support ever, **CREATED BY ARPA IN 2021.**
- **Currently almost 90% of all premiums paid by the 200,000 people in Louisiana on Healthcare.gov are federal money.**
- ***IF Congress fails to renew the current tax credit scheme prior to December 2025, as many as 8 million people nationwide will lose their insurance coverage or find their plans severely downgraded.***

Louisiana Actual Premiums Paid

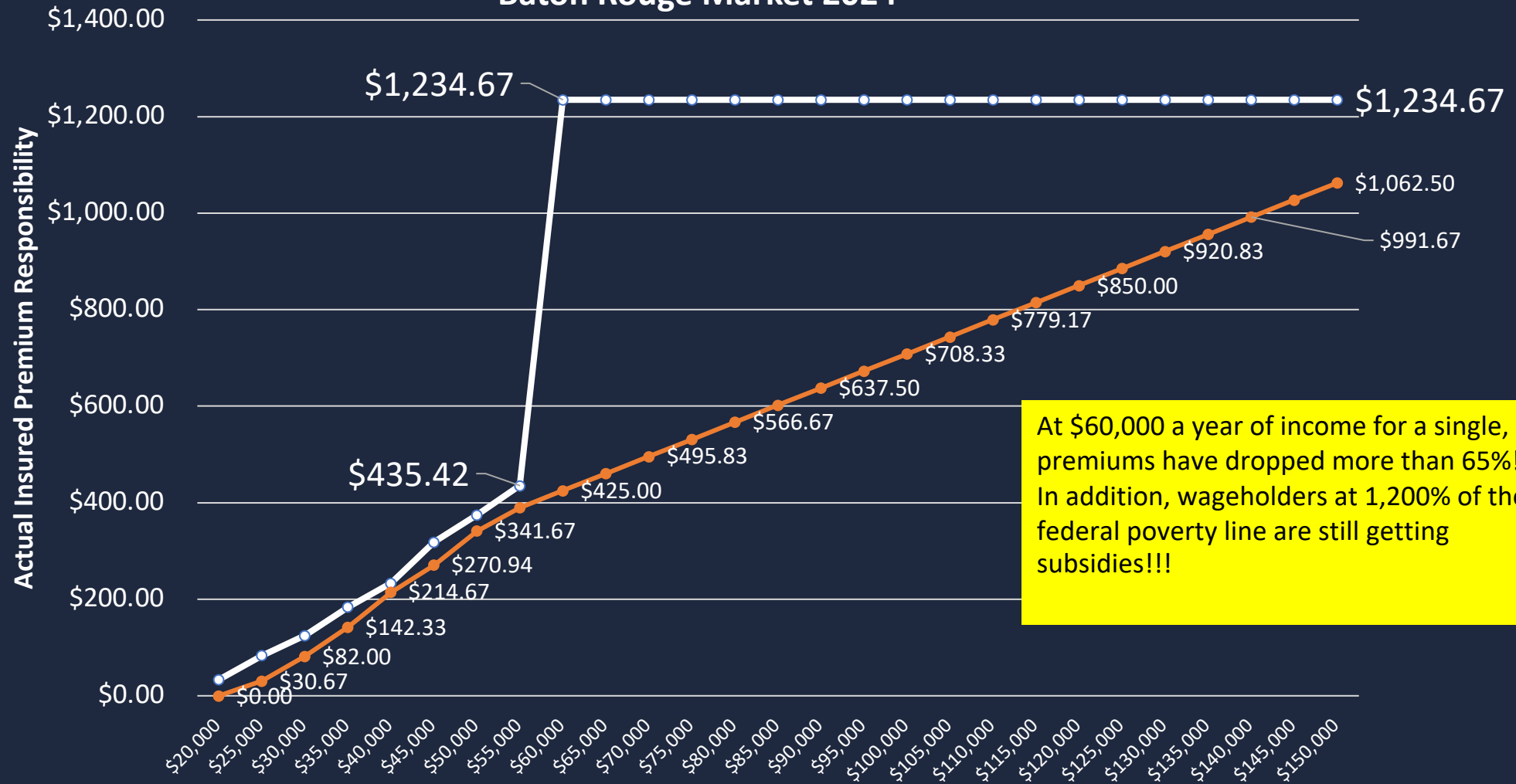
64 Year Old Insured

Benchmark Silver Plan

Baton Rouge Market 2024

Current ATC's Expire in December 2025

ACA Benchmark Premium
ARPA21 Premiums



At \$60,000 a year of income for a single, premiums have dropped more than 65%!! In addition, wageholders at 1,200% of the federal poverty line are still getting subsidies!!!

Tax Credit Change Illustrator Site

- Anyone enrolled in Individual Health Insurance nation-wide can test their current premiums versus the premiums in January 2026 if the ARPA-credits grid is not renewed and funded by Congress.
- Here is the site:

• **<https://subsidyestimator.com/>**

Other 2025 Challenges

- **Accelerating Drug pricing and utilization**
 - Projecting to be 35% of Healthcare Spending by 2035.
- **Legislative Pushes to Require GLP-1 Coverage for the Non-diabetic Obese**
 - **There is no net “savings” despite what the public believes.**
- **The Degradation of the Small Group Market in Louisiana**
 - Skimming off the best risk into other non-ACA products.
 - 52% of Louisiana employees work for a company with less than 100 employees!
 - Employers trying Level-Funded Premium Plans while they are healthy.
 - **Small group coverage is shrinking.**

GLP-1 Drug Studies: How Do Insurance Companies Decide What To Cover and How?



PARTIAL LIST OF THE STUDIES USED FOR THIS ANALYSIS AND MODELING

Obesity research links, diabetic and non-diabetic

<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5319814/>

<https://diabetes.org/about-us/statistics/cost-diabetes>

<https://www.cdc.gov/diabetes/library/spotlights/diabetes-facts-stats.html#:~:text=Key%20findings%20include%3A,t%20know%20they%20have%20it.>

<https://www.hsph.harvard.edu/obesity-prevention-source/obesity-consequences/economic/>

<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2891924/>

<https://www.jmcp.org/doi/10.18553/jmcp.2021.20410>

<https://pubmed.ncbi.nlm.nih.gov/33470881/#:~:text=RESULTS%3A%20Adults%20with%20obesity%20in,to%20233.6%25%20for%20class%203.>

<https://milkeninstitute.org/sites/default/files/reports-pdf/Mi-Americas-Obesity-Crisis-WEB.pdf>

<https://atm.amegroups.com/article/view/89415/html>

<https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2796491>

<https://www.stlouisbariatrics.com/obesity/obesity-and-the-cost-of-diabetes/>

Population Health Type 2 Diabetic Statistics

- 37 million Americans (out of 335 million people, roughly 11% of us) have Type 2 diabetes.
- **Type 2 represents 95% of all diagnosed diabetes cases.**
- In Louisiana the number is higher, 14.5% (505,000 people).
- **85% of Type 2 diabetics were obese when diagnosed (BMI 30+).**
- About 38% of Louisiana's population is BMI 30+
- **About 30% of BCBSLA's covered lives are BMI 30 or higher**

Lesser-Known Stats About Type 2 Diabetes and Non-Diabetic Obesity

- The actual progression of an obese population to Type-2 Diabetes (A1C 7% or higher) is not well understood and very difficult to predict on a case-by-case basis.
- 0.9% of the adult BMI 30+ population present with Type-2 Diabetes in an average year (2022, ~9 per 1,000 obese)
- Up to age 33, the conversion rate is 0.3% (3 per 1,000)
- Estimates of the incremental direct healthcare costs of Type 2 diabetics (over non-obese, non-diabetic folks at the same age) range from \$495 pmpm to \$1,105 pmpm in extra costs.***
- Estimates of the all-in incremental costs of non-diabetic obesity range from \$125 pmpm to \$254 pmpm.

***Multiple studies used from 2016-2022 sourced from Harvard Medical, US CDC, US NIH, the American Diabetes Association and the American Hospital Association

Financial Simulation #1: GLP-1 Coverage for Type 2 Diabetes (36 Month Simulation)

Model Parameters	Employer Model	Carrier Model
Covered Lives (Members)	3,000	500,000
Type 2 Diabetics	426	72,500
Total 3 Year Medical Spend w/o GLP-1	\$38 Million	\$6.3 Billion
Expected 3 Year Drug Spend w/o GLP-1	\$9.5 Million	\$1.575 Billion
GLP-1 Diabetic Enrollment	75% Year 1, 90% Year 2, 95% Year 3	50% Year 1, 75% Year 2, 85% Year 3
Total GLP Prescription/Months (3 Years)	12,418	1,551,178
GLP-1 Spend @ \$900 pmpm (3 Years)	\$11.18 Million	\$1.40 Billion
Avoided Cost Savings Offset (3 Years)	\$9.50 Million	\$1.17 Billion
Net Cost (3 Years)	\$1.68 Million	\$224 Million
Net Expense Per Enrolled Member Month	\$134.94	\$144.44

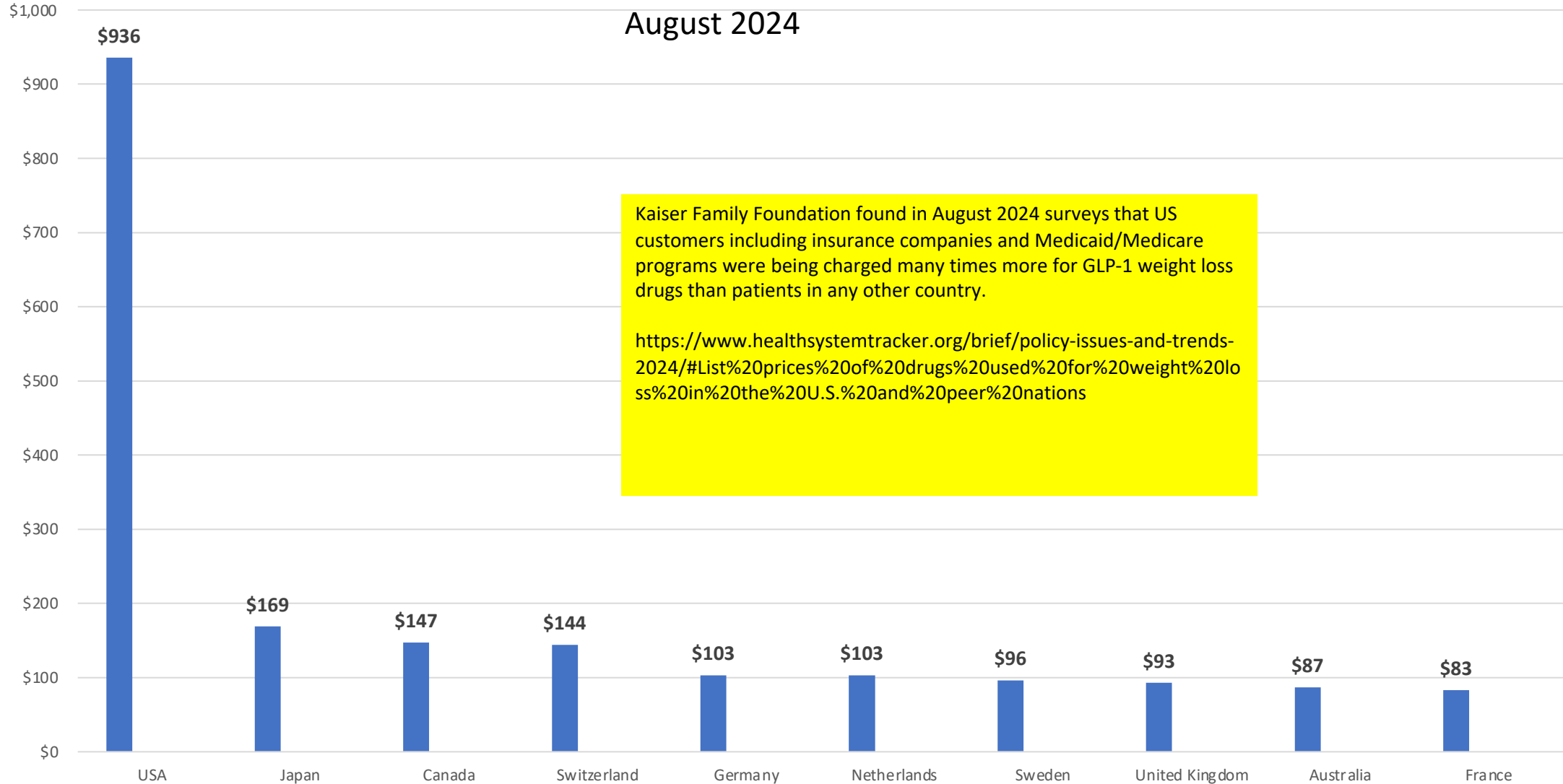
Financial Simulation #2: GLP-1 Coverage for Non-Diabetic Obesity (>30 BMI)

Model Parameters	Employer Model	Carrier Model
Covered Lives (Members)	3,000	500,000
Total Obese Population (BMI 30+)	1,200	200,000
Total 3 Year Medical Spend w/o GLP-1	\$38 Million	\$6.3 Billion
Expected 3 Year Drug Spend w/o GLP-1	\$9.5 Million	\$1.575 Billion
GLP-1 % of Obese Enrollment	20% Year 1, 30% Year 2, 35% Year 3	15% Year 1, 20% Year 2, 25% Year 3
Total GLP Prescription/Months (3 Years)	10,351	1,158,169
GLP-1 Spend @ \$970 pmpm (3 Years)	\$11.39 Million	\$1.28 Billion
Avoided Cost Savings Offset (3 Years)	\$1.90 Million	\$212.1 Million
Net Cost (3 Years)	\$9.49 Million	\$1.06 Billion
Net Expense Per Enrolled Member Month	\$655.75	\$654.21

Kaiser Family Foundation List Pricing Survey

1 Month Basic GLP-1 Dose

August 2024



Kaiser Family Foundation found in August 2024 surveys that US customers including insurance companies and Medicaid/Medicare programs were being charged many times more for GLP-1 weight loss drugs than patients in any other country.

<https://www.healthsystemtracker.org/brief/policy-issues-and-trends-2024/#List%20prices%20of%20drugs%20used%20for%20weight%20loss%20in%20the%20U.S.%20and%20peer%20nations>

The Novo Nordisk/Wegovy Cardiac Study

- Topline: “20% fewer cardiac events by people on Wegovy vs Control Group!!!”
- Details: 17,600 member study over 5 years in 41 countries via 800 test sites (data collection??). Members were non-diabetics with BMI’s over 27 and a history of cardiac disease (or family history)
- 8,800 given Wegovy, 8,800 placebo in group.
- ~1,200 cardiac events observed during trial
- Placebo Group had ~660 cardiac (infarction, death, stroke) events
- Wegovy Group had ~525 cardiac events (~20% fewer than control)
- Total value of applied Wegovy at US prices?
- **\$713 MILLION!!! (\$5.3M per avoided heart attack/stroke)**

Zepbound Direct! From Eli Lilly

- Eli Lilly will now sell, through their website, Zepbound for weight loss at “direct” pricing.
- Will not go through pharmacy benefit or accrue to deductible. True Direct.
- **Pricing is \$399-\$525/month depending on dosage.**
- All you need is a prescription and you’re on your way!
- **Will your clients support this opportunity with a little cash? Your call....**
- Shipped in 1 dose vials, need syringe:
<https://lillydirect.lilly.com/pharmacy>

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That’s a Lot of Spouses and Dependents!

