

The Changing Healthcare Underwriting Cycle



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Healthcare Underwriting Today: The What, The Why, and The Path Forward



What's Happening?



Why Is It Happening?

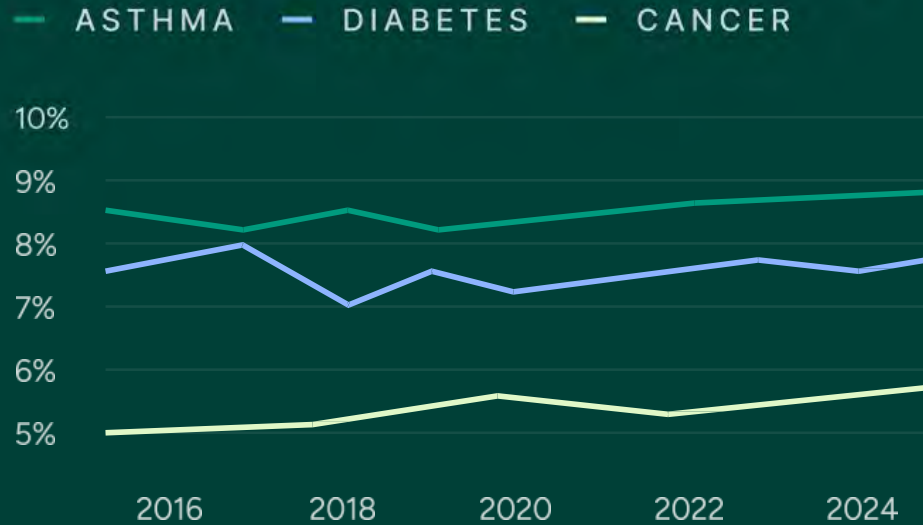


What Can Be Done?

The Cost Challenge



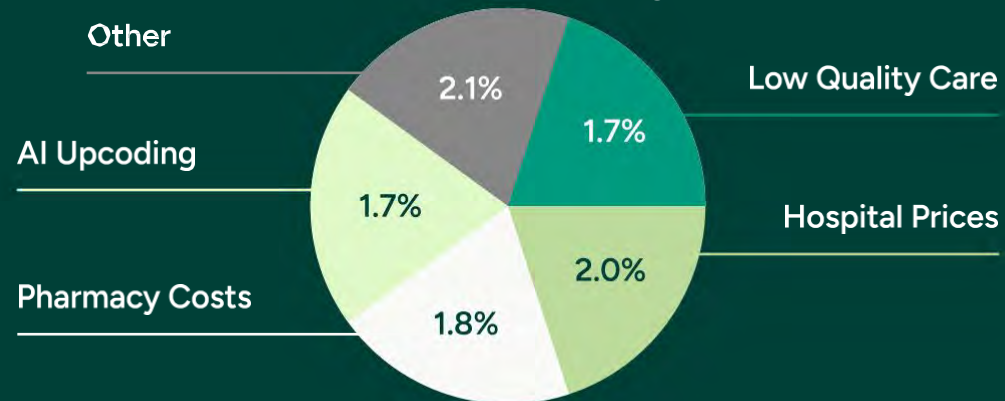
Disease Prevalence in <65 Age Group



Average US Employer Medical Trend



Drivers Behind Growing Cost Crisis

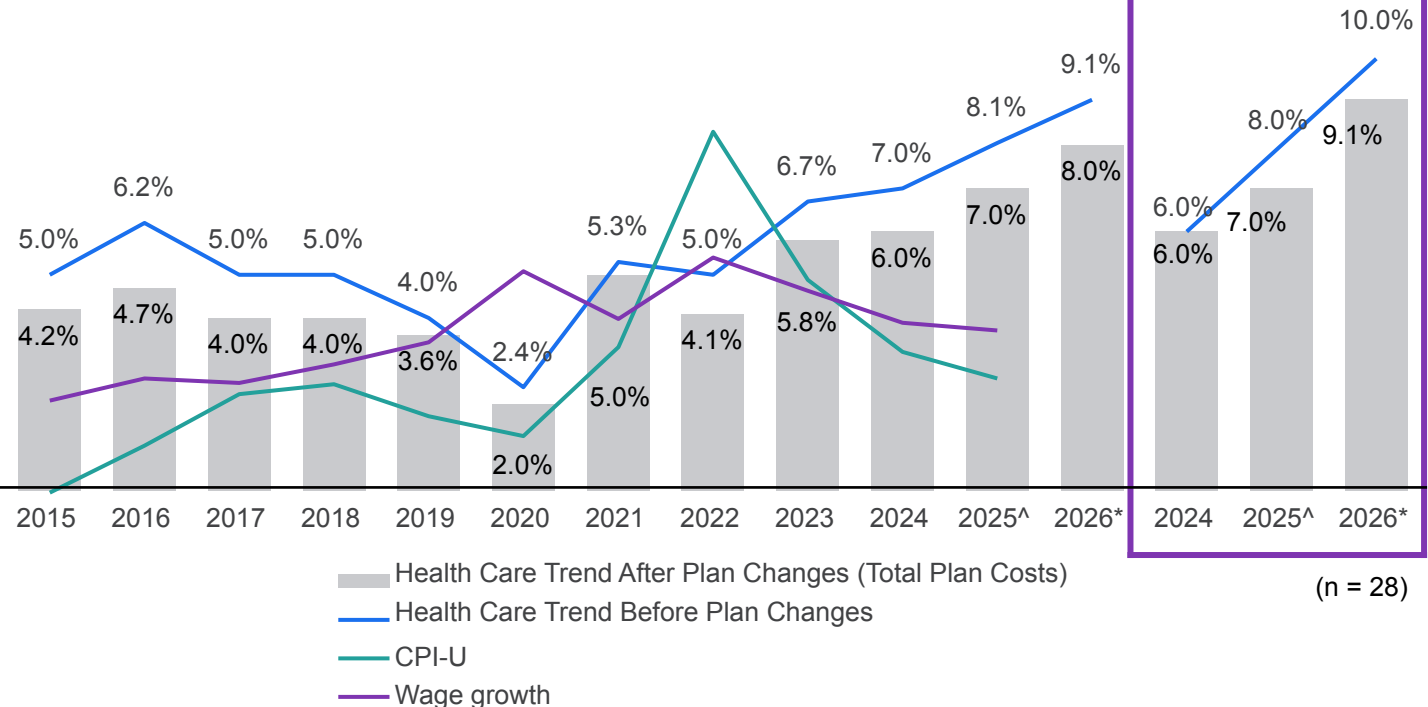


Source: Garner Health

Healthcare cost increases are at the highest point in over a decade

Cost pressure

Healthcare cost trends approach levels not seen since the early 2000s



73%/78% of companies are feeling more cost pressure today than at any point in the past 10 years

All employers/Companies with 10,000 to 24,999 employees

Note: Percentages of healthcare trend are median numbers.
 Source: WTW 2025 Best Practices in Healthcare Survey; Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers (CPI-U), Current Employment Statistics (CES).

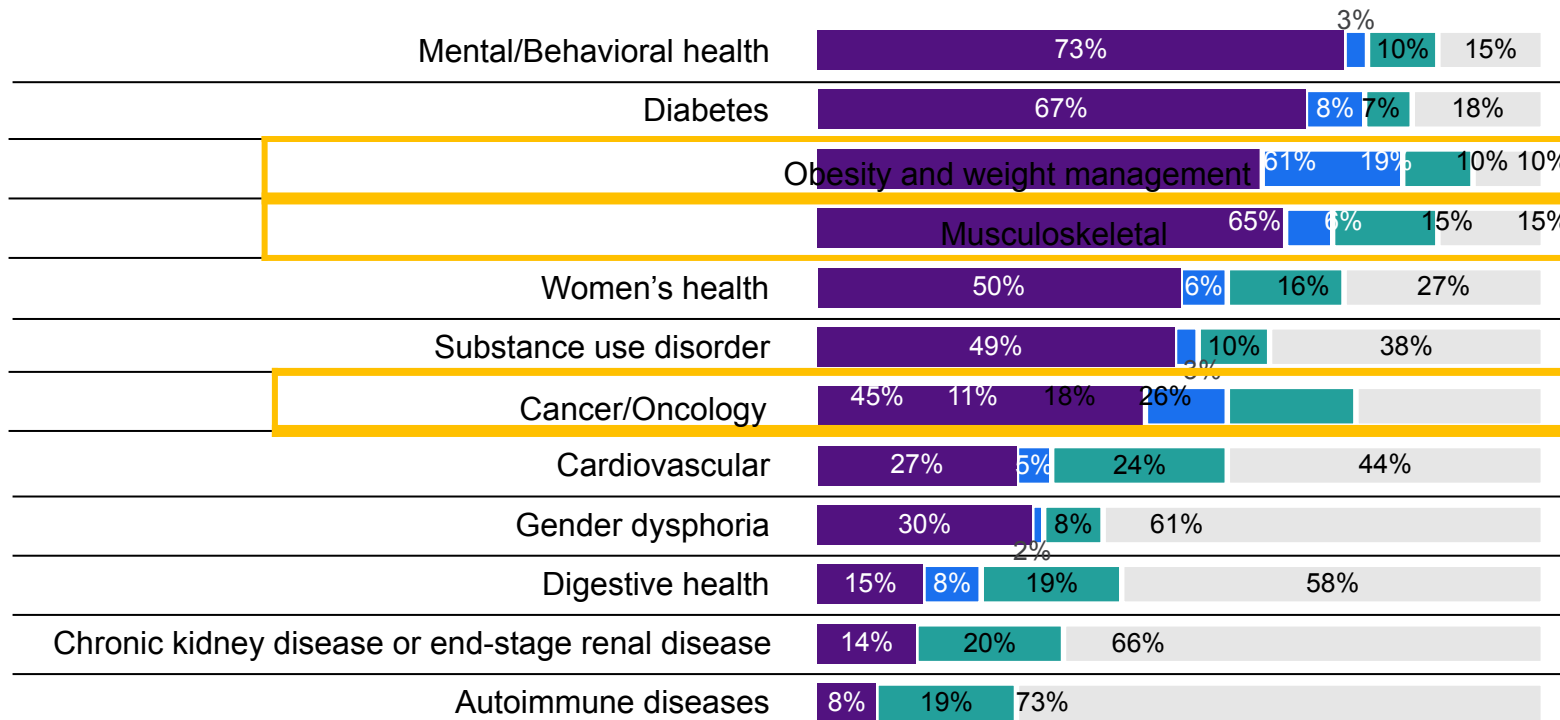
Population health key challenges



Which of the following clinical areas has your organization acted on or planned to act on as a means of improving member health?

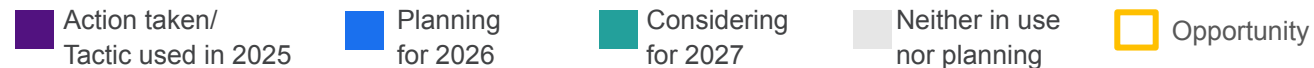
Actions can include revising medical or pharmacy benefits, evaluating your network strategy, offering enhanced navigation or adopting other medical management

Companies with 10,000 to 24,999 employees



Musculoskeletal	Usually in top two in total costs
Cancer	The highest cost driver for many employers
Infections	Highest prevalence among all conditions
Mental Health	Rising mental health prevalence and costs since 2022
Pregnancy and Childbirth	Maternity costs continue to increase

Note: Percentages may not sum up to 100% due to rounding.
Source: WTW 2025 Best Practices in Healthcare Survey.

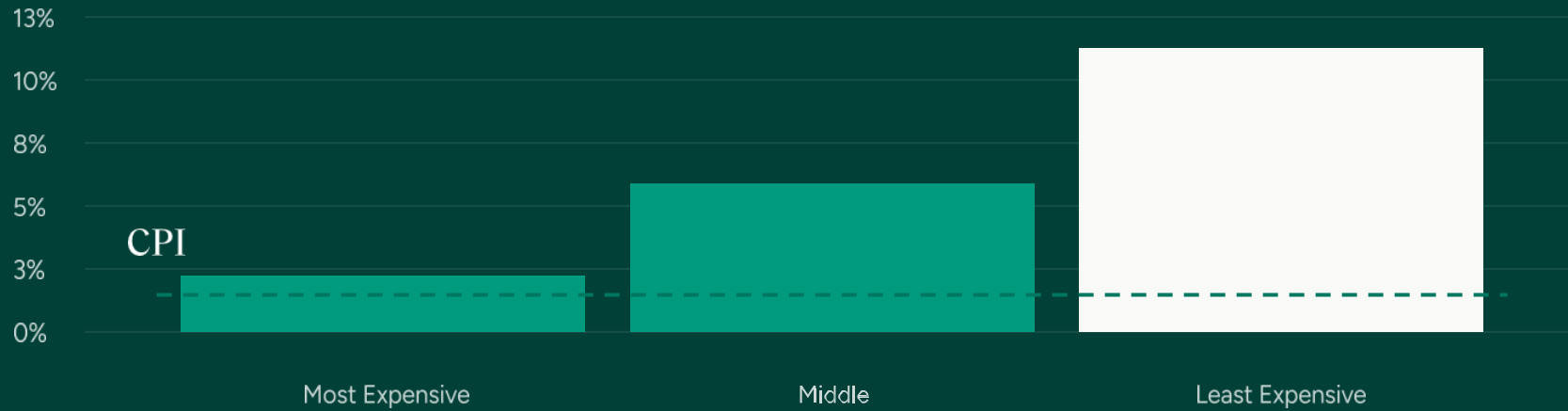


What's Changed



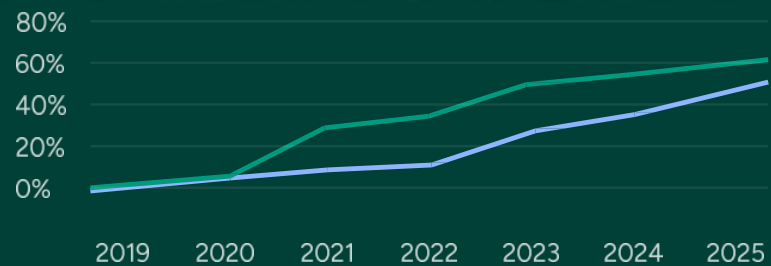
Hospital Price Increases Last 3 Years (Ann)

(By Relative Price in 2022)



Hospital Labor Expenses and Revenue (Indexed to 2019)

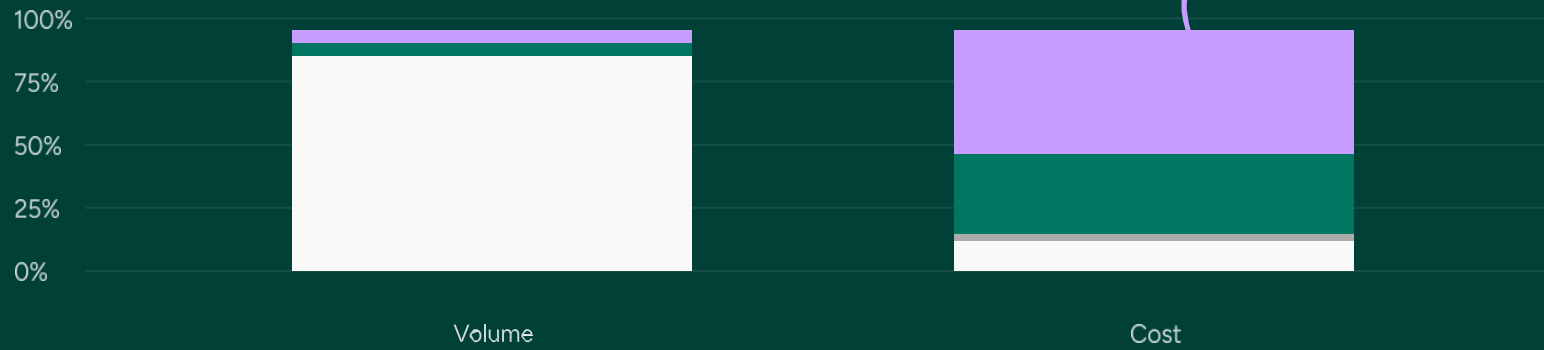
— CUMULATIVE LABOR EXPENSE GROWTH
— CUMULATIVE REVENUE GROWTH



Source: Garner Health

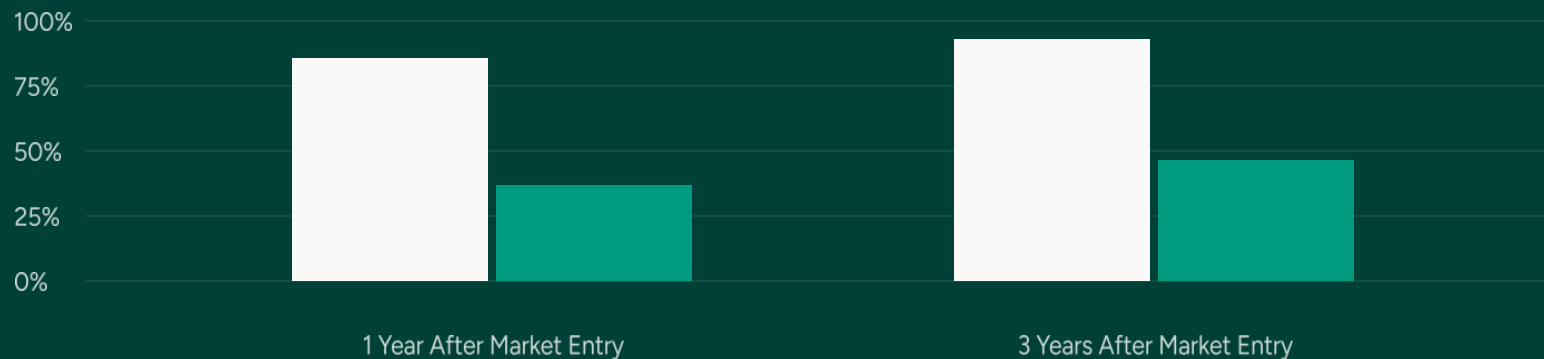
Share of Drug Volume and Cost Share by Type

— BIOLOGICS — BRANDED — BIOSIMILARS — GENERICS



Market Share (in Volume) for Generics versus Biosimilars

— GENERIC MARKET SHARE — BIOSIMILAR MARKET SHARE



Top Drugs, Prior 12 Months

Rank	Drug	Class	Cost	Mbrs
1	Ozempic	GLP-1s	\$358,715	34
2	Verzenio	Oncology Therapies	\$335,869	3
3	Skyrizi	Autoimmune & Inflammatory Specialty Therapies	\$334,415	2
4	MOUNJARO	GLP-1s	\$320,279	23
5	Lorbrena	Oncology Therapies	\$318,876	2
			\$1,668,154	64

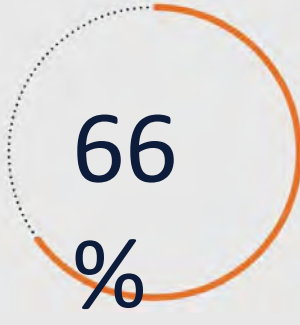
Are GLP-1s a sustainable solution? Let's weigh the evidence.

Annual cost
of a GLP-1 medication¹

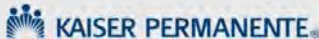
\$16,000



of patients stop taking
GLP-1s within 2 years²



of lost weight comes
back within a year³

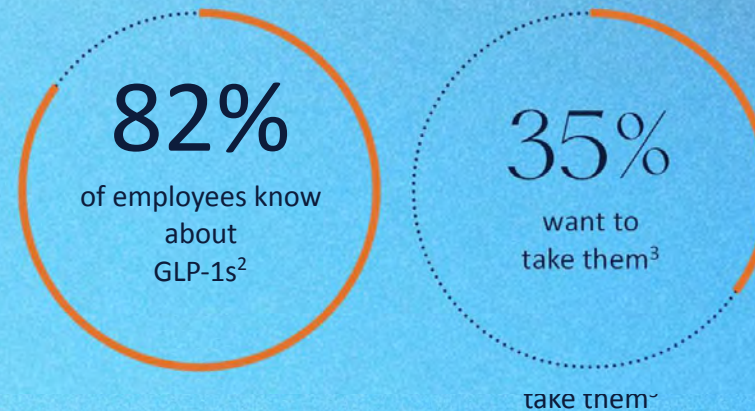


1. Mozaffarian, *JAMA*, February 29, 2024. 2. Cohen, *Forbes*, July 11, 2024. 3. Wilding et al., *Diabetes, Obesity & Metabolism*, May 9, 2022.

High demand that's rooted in hype, not health

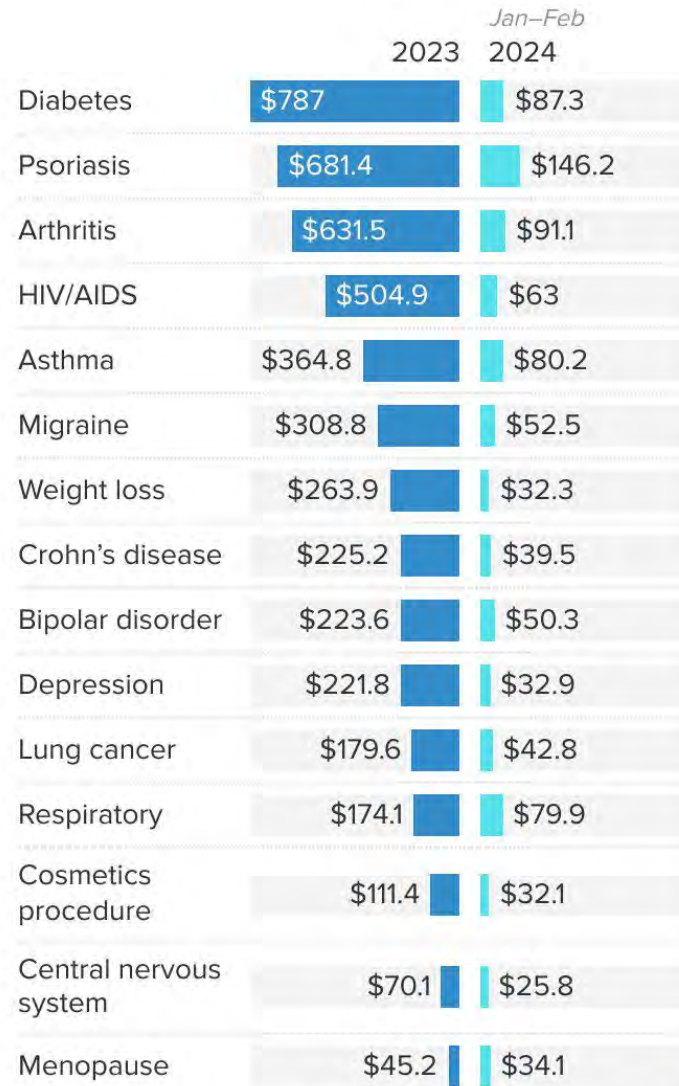
\$1 billion in
GLP-1
advertising

It's tough to cut through
the noise and get to the science.¹



Spending on prescription drug ads in the U.S. 2023–2024

Millions of dollars



Source: MediaRadar



Top 10 Drug Ad Spenders of 2024

Rank	Drug	Company	Treats	2024 Spend
1	Skyrizi	AbbVie	Inflammatory conditions	\$647.1M
2	Rinvoq	AbbVie	Inflammatory conditions	\$552.6M
3	Dupixent	Sanofi/Regeneron	Allergic or inflammatory responses	\$484.1M
4	Wegovy	Novo Nordisk	Obesity	\$352.5M
5	Rexulti	Lundbeck/Otsuka	Mental disorders	\$286.3M
6	Tremfya	Johnson & Johnson	Inflammatory conditions	\$247.6M
7	Jardiance	Boehringer/Lilly	Type 2 diabetes	\$216.7M
8	Ozempic	Novo Nordisk	Type 2 diabetes	\$177.6M
9	Vraylar	AbbVie	Mental disorders	\$172.8M
10	Otezla	Amgen	Psoriasis and psoriatic arthritis	\$171.6M

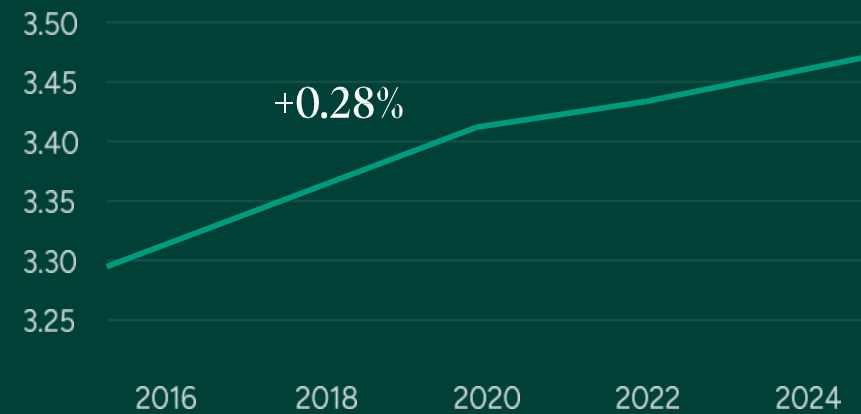
Source: MediaRadar, as reported by Fierce Healthcare

AI Upcoding

Average Coded Level of Office Visits



Average Coded Level of ER Visits



And Everyone Has The Answer...



Skyrizi, Stelara, Zepbound...Do you know how many people on your plan use these drugs?

Pop Quiz: What is Stelara?

Hint: It's 'stellar' at calming the immune system, but not so stellar on the pharmacy budget



Project “Big G” Leveraging Gallagher Resources



Centers of Excellence (COE)

Common Tactical Components

Less effective



More effective

Plan Incentives	Plan Design	Communications
<ul style="list-style-type: none"> No incentive Reduced coinsurance obligation 	<ul style="list-style-type: none"> Purely an option Awareness highly encouraged (e.g., pre-auth. outbound) 	<ul style="list-style-type: none"> Open enrollment guide Benefit fairs Regular passive
<ul style="list-style-type: none"> Waived coinsurance Waived deductible & coinsurance 	<ul style="list-style-type: none"> Awareness required (e.g., pre-auth. requirement) Select categories carved out (total joint replacement, spine surgery, cancer, transplant, bariatrics (if covered)) 	<ul style="list-style-type: none"> Communications (email & print) Cohort-based campaigns Co-worker testimonials
<ul style="list-style-type: none"> Waived obligations and/or cash HSA incentives Travel and accommodation coverage reimbursement 	<ul style="list-style-type: none"> Full carve-out Coverage limited to COE providers Leverage expert medical opinion to support COE referrals 	<ul style="list-style-type: none"> Predictive campaigns Targeted campaigns Leverage expert medical opinion to support COE referrals Smart app integration

Diabetes Management

Why is it Important?



**34 Million
Americans**

Have Diabetes

Approximately 1 in 10



**Cost 2.3 Times
Higher**

**Members with diagnosed
diabetes cost 2.3 times higher
than those without**

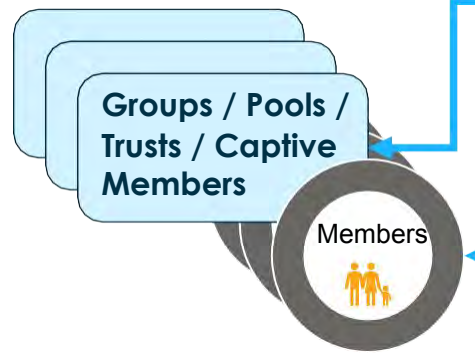
An average increase of \$9,601/year



\$90 Billion

**The cost to employers in
reduced productivity for
employed individuals with
diabetes**

Gallagher Clinical Navigation



Clinical and program navigation services
Focused on complex, high-cost member diagnoses and conditions

Member outreach and navigation to high value care	Partner solution integration	Signal intake and opportunity identification	Analytics & performance reporting
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Foundation

Nurse-based clinical and care system expertise	Clinician-level high-value care steerage	Multichannel engagement and vehicles	GBS analytics teams platform
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- Cost savings, improved outcomes and better member experience
- Trust-based relationships between benefits teams, members and assigned nurses
- Fueled by data and integration with high-value solution partners

Navigation to High Value Network Providers

Guidance within existing provider networks powered by

Evaluating finalists

Navigation to Best-in-Class Partner Solutions

Specialty Drug Infusions	
Federal and State Programs	
Cancer Expert Medical Guidance	Evaluating finalists
Cardiometabolic / Obesity / GLP-1 Virtual COE	Evaluating finalists
MSK	Evaluating finalists

Referral to Carrier and TPA Programs

Medical or Stop Loss Carrier, TPA COEs, other cost containment programs where appropriate and available

Medicare Consulting Program

Empower your people to navigate the process with confidence

Gallagher's Medicare consulting program brings experience and expertise to offer custom solutions for HR staff, employees, retirees and family members.

CORE SERVICES

- Group seminars
- One-on-one Medicare consulting and enrollment
- Online Medicare resource center
- Move to Medicare educational initiatives
- Retiree programs
- Custom programs

DISTINGUISHING PROGRAM FEATURES

- Typical arrangements incur no fee
- Available to employees, retirees, and their family members
- Relationship-based program with dedicated consultant
- Resource and education driven
- Carrier-agnostic plan offerings

Strategic Actions



Ethical & Religious Directive Compliance



New ERDs & Promulgation



Plan Documents



Audit Review & Appeal

Eligibility



Medicare



Coverage through spouse



Audits & services to review choices
(FEDlogic)

Pharmacy



Benefit Managers



Weight Loss



Direct Purchases



Regulations

Litigation



Plan Costs



Member Costs

Member Engagement



Motivation



Obligation

DISCUSSION



Thank you.

Contact Information

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