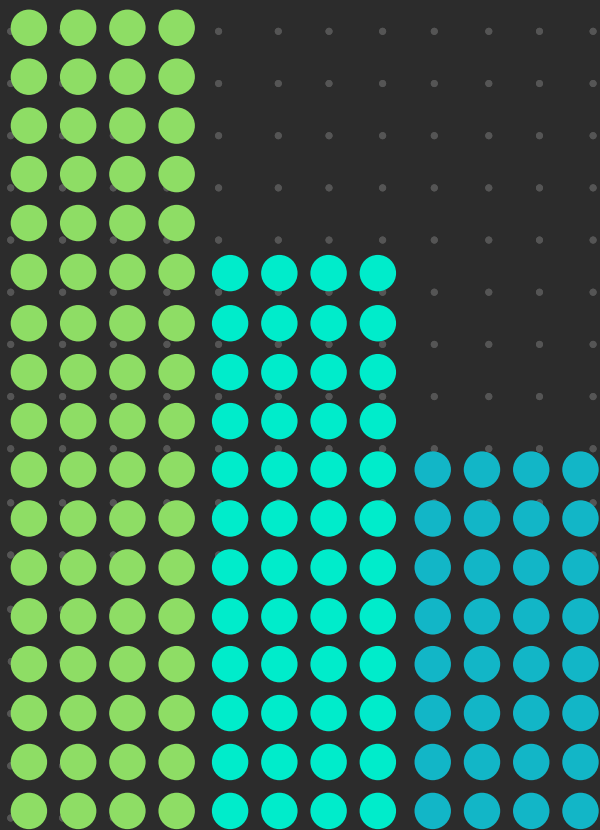


MCCI Survey Summary Report

An overview and analysis of cost-containment initiatives



20
23

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Welcome

I am pleased to present you with the 2023 Member Cost Containment Index (MCCI) Report. It has been a full six years since the last time we published this data in 2017, and we are gratified by the efforts that you and your fellow Members have been making to improve the long-term viability of your captives. This report summarizes the results of the MCCI Survey completed in the fall of 2022.

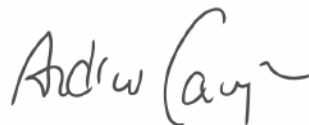
Comparing the summary data from the 2016 survey, we are proud to report a nearly 17% improvement in overall scores captive wide.

For those unfamiliar with the MCCI Survey, it is a 33-question survey that ParetoHealth captive Members complete each fall. The survey queries Members' cost-containment efforts and assigns each Member an overall score, as well as five sectional scores. These allow Members to track their year-over-year progress, compare their efforts against those of their peers, and identify areas for improvement—both on an individual basis and for the captives overall. The report offers a global view of the aggregated data along with commentary and conclusions. ParetoHealth monitors the data closely to see whether it reveals a correlation between specific factors—such as length of time in the captive or demographics—and corresponding healthcare spending.

The 2022 data shows that ParetoHealth captive Members continue to focus a great deal on methods of reducing their prescription drug costs, demonstrated by the top performance in this section overall. We have also observed that our oldest programs are the best performing when compared to the newest, although we see little correlation between industry and overall score. Consistent with the 2017 report, we continue to observe correlations between both company size and months in the captive with the MCCI score, but perhaps not in the way most may think for the first of the two factors. In fact, the data shows that the smaller captive members earn the lowest scores overall, debunking the myth that the larger the employer, the greater their ability to engage in cost containment.

As we consider current market trends, the needs of our Members, and insights from the summary MCCI data, we will turn our focus to high-value opportunities such as mental and behavioral health, gene therapies, and Centers of Excellence (COE) strategies for some of the most costly and complex conditions. We've also identified a need to help Members optimize results from existing programs through focused efforts around employee education and engagement.

In closing, allow me to extend my most sincere thanks to our captive Members and their consultants for their insightful feedback and diligence in completing the MCCI Survey. Your collective efforts teach us, inspire us, and encourage us to be—*Proudly Contrarian*.



Andrew Cavenagh

ParetoHealth By the Numbers

AS OF JANUARY 2023

2,200+

Active Members in
ParetoHealth Captives

97%*

Captive Member
Retention Rate

\$1.1B+

Stop-loss premium
under management

167

Average number of enrolled
employees per Member

6,200+

Individual employer
renewals to date

<0.1%

Policies that have caused
a Member to hit their
program maximum

0

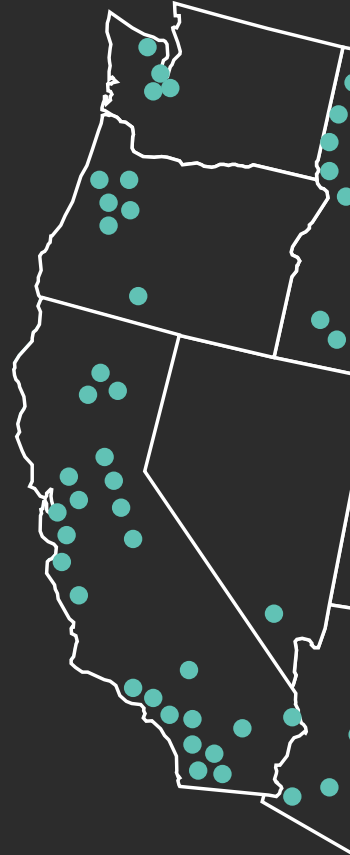
New lasers issued

30%

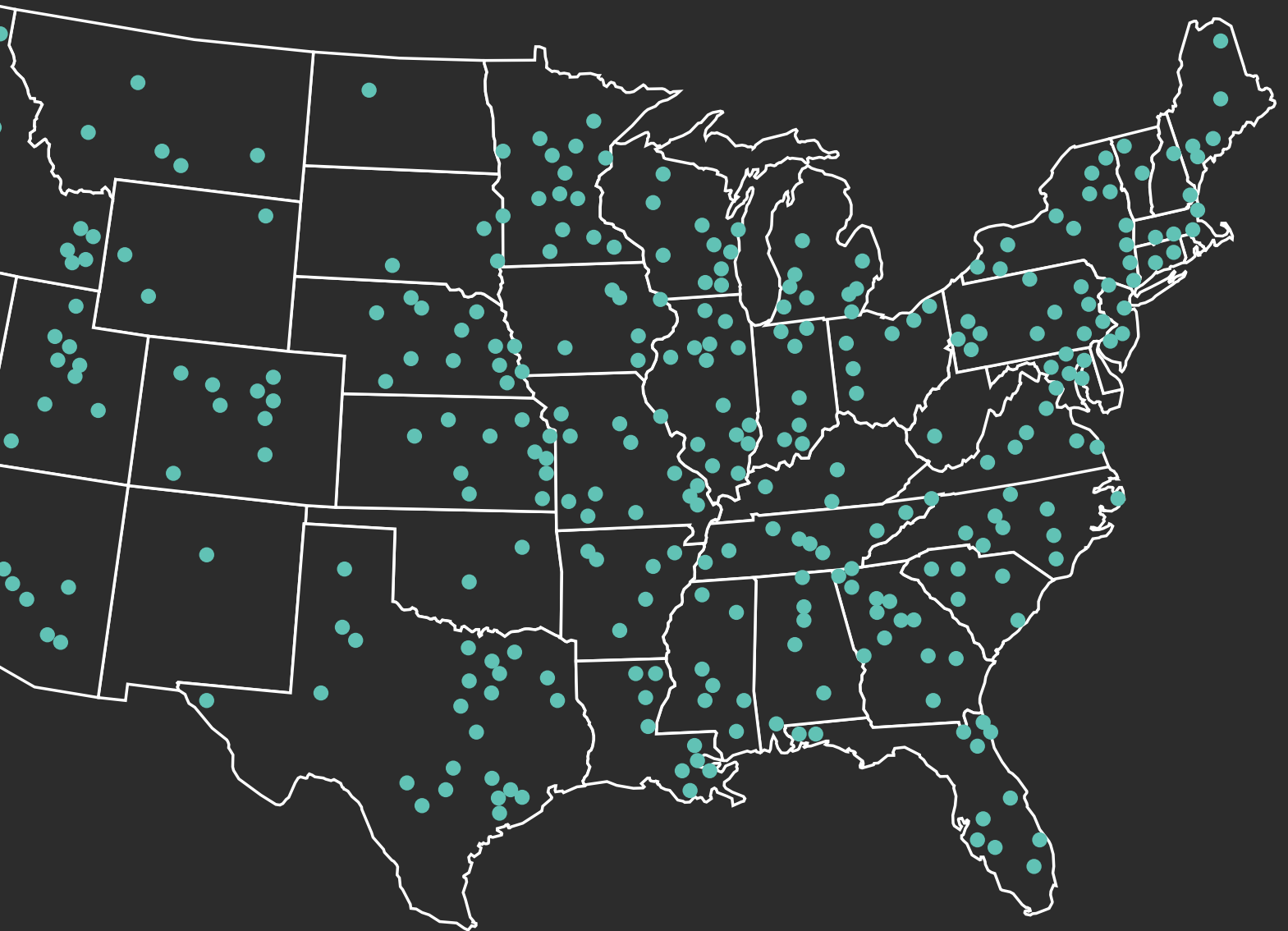
The largest stop-loss
increase ever issued

810,000+

Approximate number
of lives covered



*97% of Members who were offered renewals, renewed.



A portrait of a young woman with curly brown hair, smiling warmly at the camera. She is wearing a white lab coat over a white button-down shirt. A black stethoscope is draped around her neck. She has her arms crossed. She is also wearing gold hoop earrings and a thin gold chain necklace. The background is a blurred hospital or clinic setting.

Healthcare in the U.S.

An Overview of Spending
& Healthcare Trends

America's healthcare system is **broken**.

Marred by overspending and underperformance, American healthcare lags behind that of other wealthy countries in the Organization for Economic Cooperation and Development (OECD), despite expending nearly double the resources per capita. Our utilization rates are lower, yet the prices for procedures and services are higher: shorter hospital stays and fewer angioplasties, for example, do not result in decreased spend. In addition, higher spending on healthcare has not led to significantly improved lifespans.¹ Below is a comparison of countries' spending versus their outcomes.

The US health market—in particular, the Affordable Care Act (ACA), healthcare innovation, and the structure of financing—have made this peculiar scenario possible. Layer in the impact of COVID-19 and we have an increasingly complex ecosystem with both new and old challenges.

Let us examine how these parts of the market contribute to a growing, global problem that especially affects one key group: employers.

	Spent on healthcare per capita	Life expectancy at birth
USA	<u>\$12,318</u>	<u>77.0</u>
CANADA	<u>\$5,905</u>	<u>81.7</u>
SWEDEN	<u>\$6,262</u>	<u>83.2^{2,3}</u>

¹Peter G. Peterson Foundation. (2022). How does the U.S. healthcare system compare to other countries? Retrieved from <https://www.pgpf.org/blog/2022/07/how-does-the-us-healthcare-system-compare-to-other-countries>

²Organisation for Economic Co-operation and Development. (2021). Health spending. Retrieved from <https://data.oecd.org/healthres/health-spending.htm>

³Organisation for Economic Co-operation and Development. (2021). Life expectancy at birth. Retrieved from <https://data.oecd.org/healthstat/life-expectancy-at-birth.htm>



Effects of the Affordable Care Act and Innovation

The Affordable Care Act

The Affordable Care Act (ACA) of 2010 greatly decreased the number of uninsured patients in the United States. But with this progress, as is the case in many legislative interventions, came a series of unforeseen consequences.

With new restrictions on insurers and how to handle pre-existing conditions, this law opened the overall risk pool of health insurance to include patients with predictably high expenses.

This changed the economic calculus of insurers in a significant way.

They introduced higher premiums or deductibles to patients who did not qualify for federal assistance. In turn, many consumers were priced out of mid-market options for health insurance, leaving them with the choice of high-cost, high-coverage plans, bare-bones plans, or Medicare—if they were eligible.


All these plans incentivize high spending on healthcare, excluding those with minimal coverage. Since the consumer is insulated from these costs, pricing pressure does not exert its typical effect. The market proceeded to react to these altered incentives, raising healthcare prices across the board.⁴

⁴Antos, J.R. and Capretta, J.C. (2020). The ACA: Trillions? Yes. A revolution? No. HealthAffairs. Retrieved from <https://www.healthaffairs.org/doi/10.1377/forefront.20200406.93812/>

⁵Cahan, E.M., Kocher B., & Bohn, R. (2020). Why isn't innovation helping reduce health care costs? Health Affairs. Retrieved from <https://www.healthaffairs.org/doi/10.1377/forefront.20200602.168241/>

⁶U.S. Food & Drug Administration. (2022). Approved cellular and gene therapy products. Retrieved from <https://www.fda.gov/vaccines-blood-biologics/cellular-gene-therapy-products/approved-cellular-and-gene-therapy-products>

When developing new treatments, companies' aim is clear: **to increase revenue.**



The Effects of Innovation

Innovation within the American healthcare market is double-edged: With the world's leading research institutions on board, this pioneering space produces most of the global advances in scientific knowledge and treatment techniques. The US ranks 29th in fiscal sustainability, but we take the top spot in scientific advances. When viewed alongside the fiscal instability of our healthcare system, the pressures of innovation are clear.

Existing incentives at once kindle this issue, increasing costs, and influence the course of innovation, improving care.

When developing new treatments, companies' aim is clear: to increase revenue. These advances dramatically increase the number of health

conditions we can treat, but their high costs can hinder patients' access to these key therapies.⁵

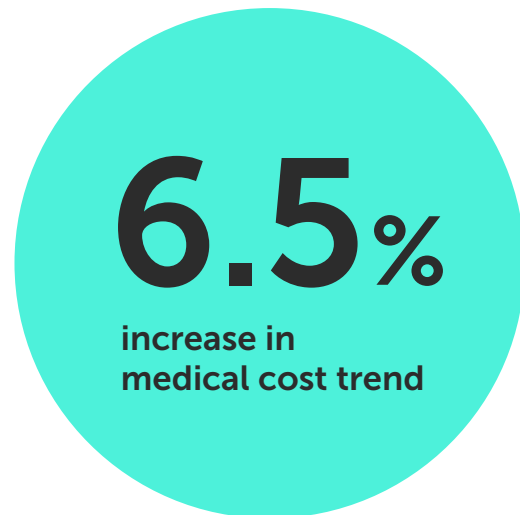
New gene therapies are coming onto the market—and with them, significant costs. As of November, the Food and Drug Administration has approved 22 gene therapies for a variety of conditions. One approved therapy is especially striking: It is the most expensive single-use drug ever approved for use in the United States.⁶

Although new therapies will continue to emerge, the top conditions that drive price increases are predictable over the years. As such, they form the cornerstone of our own cost containment efforts.

⁴Antos, J.R. and Capretta, J.C. (2020). The ACA: Trillions? Yes. A revolution? No. HealthAffairs. Retrieved from <https://www.healthaffairs.org/doi/10.1377/forefront.20200406.93812/>

⁵Cahan, E.M., Kocher B., & Bohn, R. (2020). Why isn't innovation helping reduce health care costs? Health Affairs. Retrieved from <https://www.healthaffairs.org/doi/10.1377/forefront.20200602.168241/>

⁶U.S. Food & Drug Administration. (2022). Approved cellular and gene therapy products. Retrieved from <https://www.fda.gov/vaccines-blood-biologics/cellular-gene-therapy-products/approved-cellular-and-gene-therapy-products>



Employee Health: A Look Ahead

Navigating a Post-Covid Landscape

COVID-19 continues to transform how, when, and where we access healthcare. This shift also impacts just how costly care can be.

In 2022, experts estimated a 6.5% increase in medical cost trend, or what it costs to treat patients from year to year. A decrease from 7% in 2021, this year's spend is slightly higher than what was seen between 2016 and 2020.⁷

What does this suggest about our post-COVID future?

Some costs will continue to rise, but positive changes in patient behaviors and operating models might shrink this spend. A recent study reveals a probable return to pre-pandemic baselines.⁸ Still, pandemic-based adjustments are likely and will heavily impact how employers navigate their employee benefits programs.

COVID's current impact on healthcare spend is clear.

⁷PricewaterhouseCoopers. (2022). Medical cost trend: Behind the numbers 2022. Retrieved from <https://www.pwc.com/us/en/industries/health-industries/library/behind-the-numbers.html>

⁸Singhal, S. and Patel, N. (2022). The future of US healthcare: What's next for the industry post COVID-19. McKinsey & Company. Retrieved from <https://www.mckinsey.com/industries/healthcare-systems-and-services/our-insights/the-future-of-us-healthcare-whats-next-for-the-industry-post-covid-19>

Expected Trends in Healthcare



INCREASED HEALTHCARE SPEND

Employer health spend dipped due to employees deferring care during the pandemic. As they resume critical routine care, employees will likely drive an increase in this spend.



CONTINUED COVID COSTS

COVID-19 leaves a long trail of consequences in its wake, and its costs are predicted to persist—from testing and treatment to vaccinations.



HIGH DEMAND FOR MENTAL HEALTH RESOURCES

The pandemic has increased the demand for mental health resources. With a concurrent rise in substance abuse, the cost of administering this care is only expected to climb.



POOR HEALTH, HIGH COSTS

Habits adopted during the pandemic, from a lack of exercise and poor nutrition to substance abuse and smoking, suggest worsening health for the overall population. Over time, employers might expect to see increases in healthcare spend.



NOTABLE USE OF DIGITAL TOOLS

Patients and clinicians are increasingly adopting digital tools as part of their healthcare journey. Experts project further investments in virtual care, creating stronger relationships with patients and driving overall growth.



CHANGES IN UTILIZATION OF CARE

The pandemic continues to alter how we access care. Patients are pursuing care outside of traditional doctors' offices and hospitals, to with a revival of house calls and marked decline in ER visits. Consequently, emergency departments may never return to pre-pandemic levels.



ADDITIONAL TRENDS

Innovative cell and gene therapies will continue to influence—and increase—healthcare costs. In addition, the use of biosimilars has increased, affecting employer drug spend.¹

⁷PricewaterhouseCoopers. (2022). Medical cost trend: Behind the numbers 2022. Retrieved from <https://www.pwc.com/us/en/industries/health-industries/library/behind-the-numbers.html>

⁸Singhal, S. and Patel, N. (2022). The future of US healthcare: What's next for the industry post COVID-19. McKinsey & Company. Retrieved from <https://www.mckinsey.com/industries/healthcare-systems-and-services/our-insights/the-future-of-us-healthcare-whats-next-for-the-industry-post-covid-19>



A New Future for Healthcare

The impact of COVID-19 transcends these immediate healthcare trends. Rather, its effects will be felt in several key ways for years to come.²

● SHIFTS IN SITES OF CARE

COVID has fueled a demand for home-based and virtual care, accelerating the shift from high-cost and post-acute sites to lower-cost freestanding and non-acute centers. Recent data suggests that hospitals' provider revenue will decline from 47% to 44% by 2025, while home and outpatient services increase their share by 1% to 2% over the same period.

● WORSENING CHRONIC CONDITIONS

Chronic diseases are projected to worsen over the next several years. With delays in doctors' visits, medical tests, and mental health challenges, the chronic disease burden continues to mount and will rise as the elderly population grows. Costs may decelerate as we account for natural disease progression. Still, the possibility of a higher cost of care—roughly, a \$7 billion increase by 2025—remains very real.

● INNOVATIONS IN HEALTHCARE SERVICES AND TECHNOLOGY

Healthcare is rapidly adopting advances in data, analytics, and software, spurring further innovation in areas such as patient engagement and population health management. For example, virtual care has grown significantly and become an integral part of the patient care model—a trend that is expected to continue.

● PHARMACY

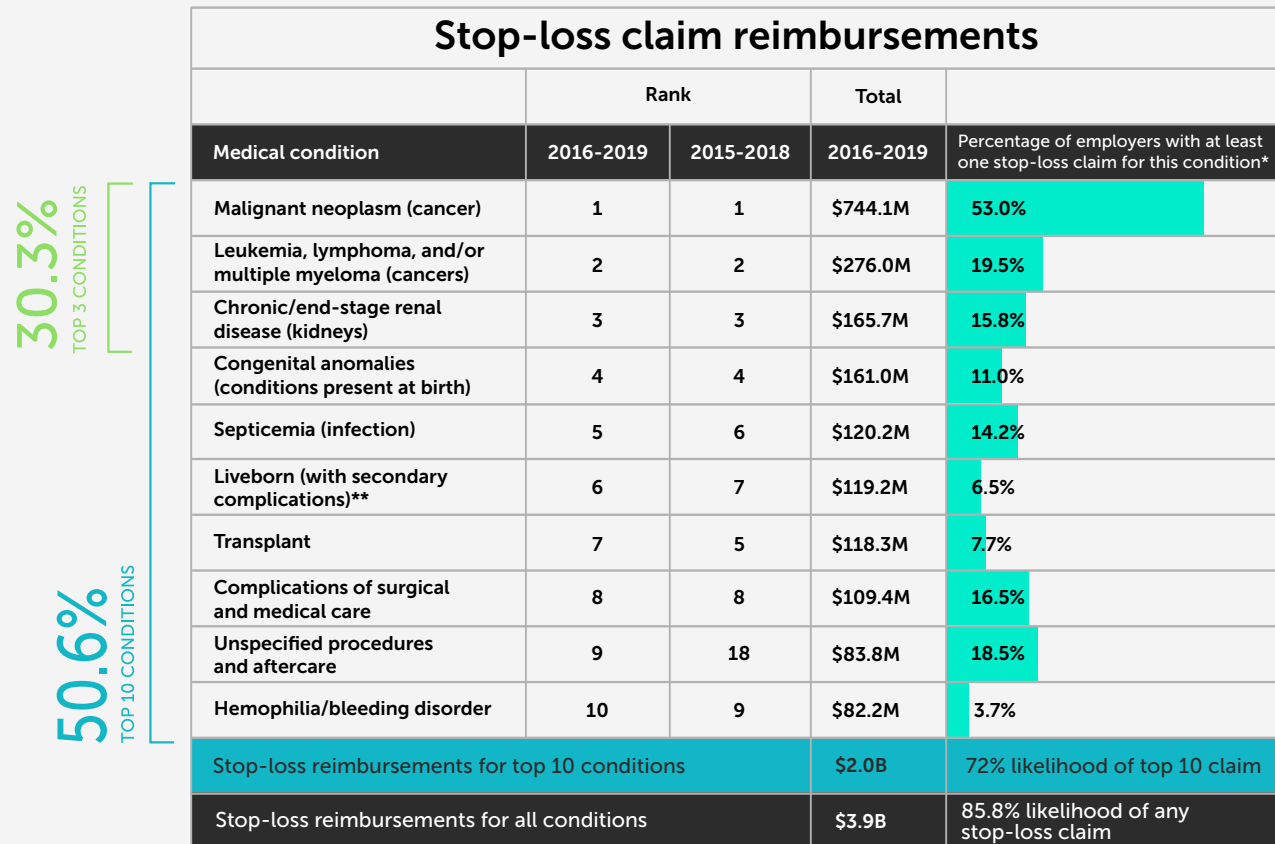
Pharmacy services remain an area of major change. Driven by specialty drugs that now account for 40% of dispensing revenue, drug spending will increase, and costs will rise.

In turn, we see payers shifting to lower-cost sites of care, including home or ambulatory infusion centers, with direct-to-consumer models growing amid digital prescription management. These payers are pressuring pharmacy benefits managers (PBMs) to provide more transparency around rebates and network spread pricing.

Driven by this wealth of short and long-term medical trends, employers' search for effective and sustainable cost-containment solutions will persist.

The Path Forward: Self-insurance Trends

Half of all stop-loss claims come from only ten conditions. Sun Life has compiled the following chart, which lays out how these claims currently shape self-funded insurance plans.⁹



⁹Sun Life. (2020). 2020 Sun Life stop-loss research report: High-cost claims and injectable drug trends analysis. Retrieved from <https://sunlife.showpad.com/share/oC-Ju5BJg1Gk5XUvqi2IZb>

¹⁰Holdsworth, Z. (2022). 3 strategies to help reduce healthcare costs and better manage benefits. Forbes. Retrieved from <https://www.forbes.com/sites/forbesbusinesscouncil/2022/11/11/3-strategies-to-help-companies-reduce-healthcare-costs-and-better-manage-benefits/?sh=2d397cd23c27>

Cost Containment Trends

Insurers and employers alike are taking steps to combat these rising prices. Most commonly, their focus centers on primary care, alignment of incentives, administrative efficiency, equity, and tying compensation for services rendered to the outcomes of those treatments.

Publicly traded companies are taking notice.

There is an increased demand for primary care, which is strongly correlated with positive health-care outcomes—both in terms of quality and in terms of price.¹⁰ CVS Health recently launched a virtual primary care solution, and Amazon’s acquisition of One Medical last year indicates a strong interest in making inroads to this field.

Direct primary care offerings, membership-based primary care, and concierge medicine are also of great interest in working to align patients and providers within the incentive structure.

Even with these inroads, there is still room for improvement.

Much more is needed to counteract the system of incentives that currently drives American healthcare. The U.S. ranks last on access to care, administrative efficiency, equity, and healthcare outcomes. In the current system, there is one critical recourse for employers: joining a health risk pool that maintains the well-being of its Members.¹¹

ParetoHealth continues to pave the way for mid-sized employers by:



Offering best-in-class solutions and strategies to target costly, complex conditions



Investing in primary care systems to ensure high-value, equitable services



Reducing administrative burdens that divert time, efforts, and spending away from health improvement efforts

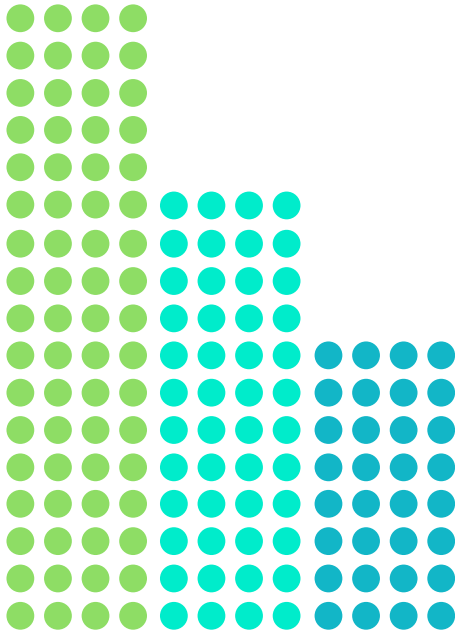


Identifying partnerships with meaningful impact opportunities



Staying ahead of the curve with our innovative approach to stop-loss

¹¹ Schneider, E.C., Shah, A., & Doty, M.M. (2021). Mirror, mirror 2021: Reflecting poorly. The Commonwealth Fund. Retrieved from <https://www.commonwealthfund.org/publications/fund-reports/2021/aug/mirror-mirror-2021-reflecting-poorly>



The Pillars of Cost Containment

Over the last ten years, cost containment at ParetoHealth has evolved significantly, with a curated portfolio of products and solutions that target the most complex and costly areas of risk, including oncology, high-risk maternity, and specialty Rx, to name a few. Additionally, ParetoHealth Rx Consortium (PRxC) has demonstrated a consistent track record of industry-leading performance and continues to improve as membership grows each year.

In January 2020, ParetoHealth launched a bundled cost management platform, Integrated Cost Management (ICM), to incoming and renewing captive Members using a selected set of Third-Party Administrators (TPAs). Since its launch, we have continued to refine our messaging and offerings around the three key components

of this exclusive ParetoHealth product: Integrations, Interventions, and Playbooks.

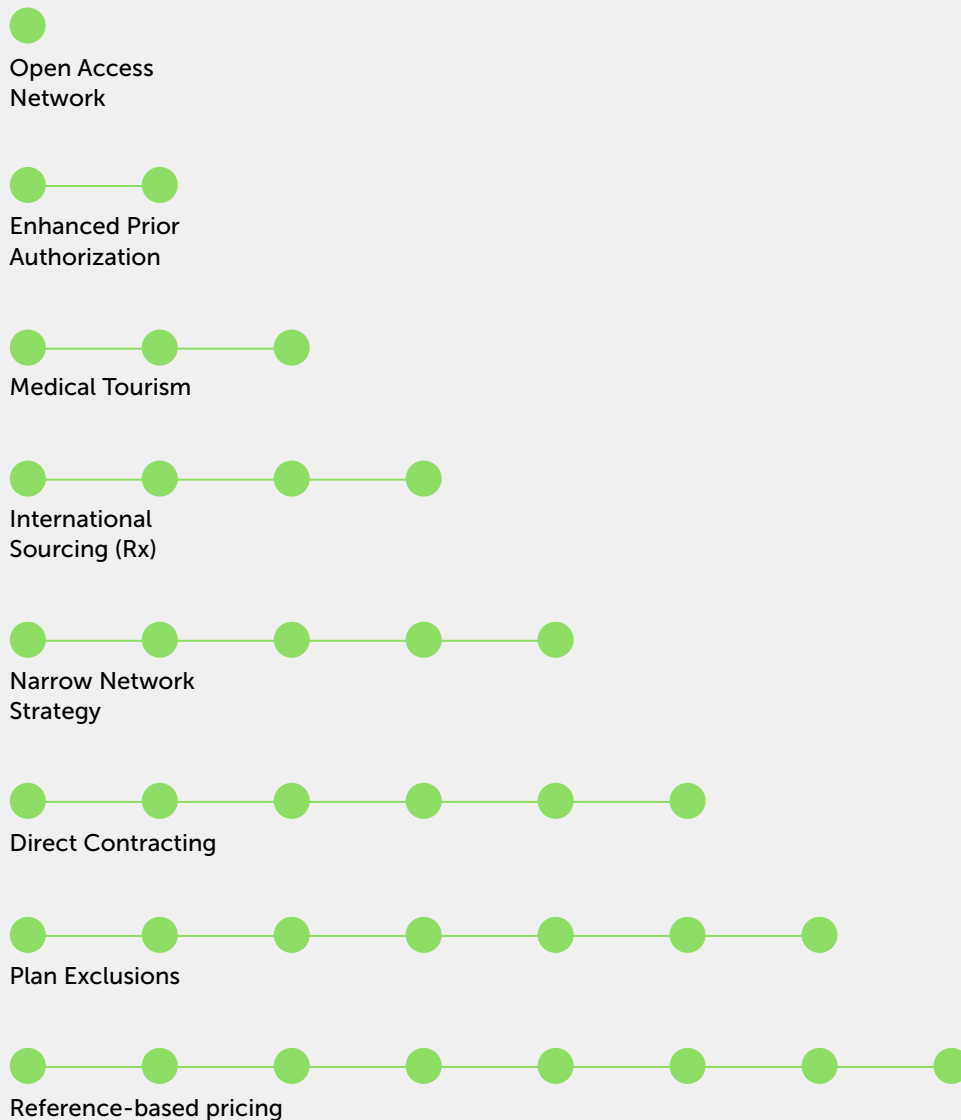
The MCCI Survey, organized into five sections, queries efforts that fall under three main areas and represent what we consider to be the pillars of cost containment: Progressive Risk Financing, Participant Optimization & Engagement, and Complex Care Management. Each of these pillars represents a key area of healthcare spend and therefore, offer the greatest opportunity for immediate impact when addressed. The following provides brief descriptions of programs that fall into each of the categories. For additional information about the programs, please refer to ParetoHealth's companion publication, Cost Containment: Summary of Programs.

Progressive Risk Financing

Much of the variance outlined earlier in U.S. healthcare spending versus other nations is attributed to higher prices for care. Americans don't go to the doctor more, but when we do, it costs significantly more. What's worse, studies report that as much as a third of all spending goes towards things that aren't making us any healthier. Plan sponsors looking to successfully address overspending and price variation are gravitating towards alternative payment models with provider reimbursements linked to outcomes and value over volume. Accountable Care Organizations, narrow networks, and cost-plus reimbursement methodologies are examples of effective alternative risk financing strategies.

EFFECTIVENESS FOR COST REDUCTION

(Ranked in order of impact from least to most)

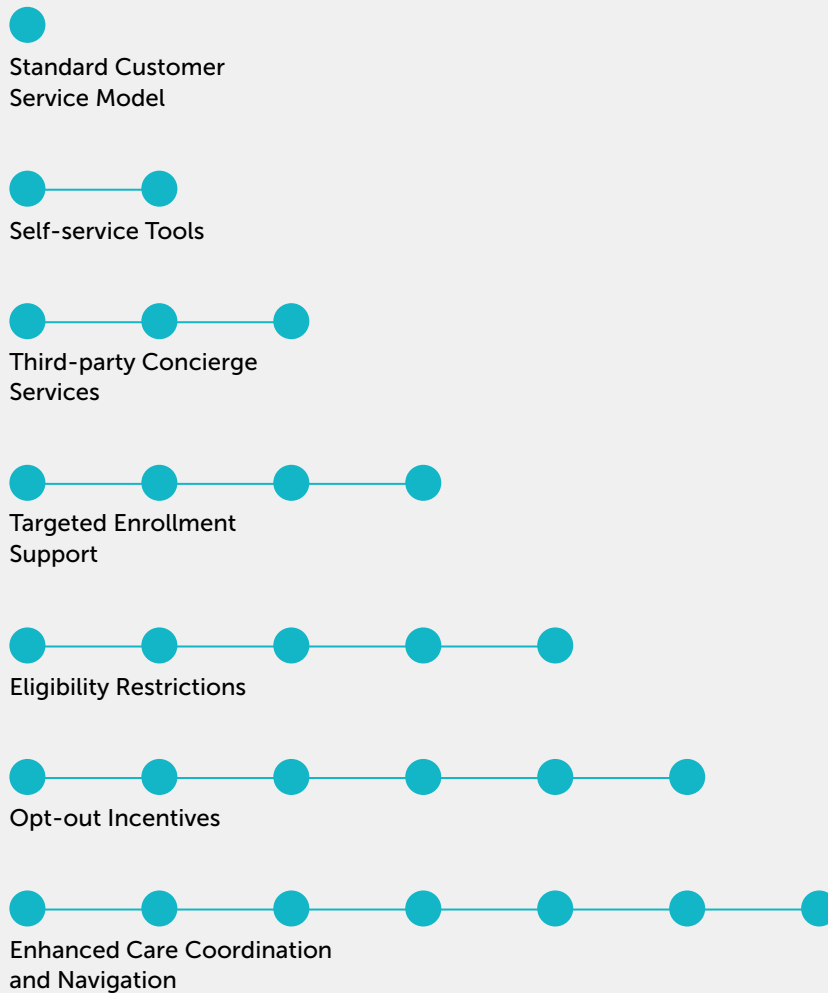


Participant Optimization & Engagement

Employees must be educated and motivated by their employers to engage prudently in their health and any associated care needs. Whether employers are looking to educate on alternatives to COBRA or spousal coverage or how to utilize enhanced care coordination platforms, transparent communication strategies and financial incentives offer a clear pathway to advance these mutually beneficial goals.

EFFECTIVENESS FOR COST REDUCTION

(Ranked in order of impact from least to most)

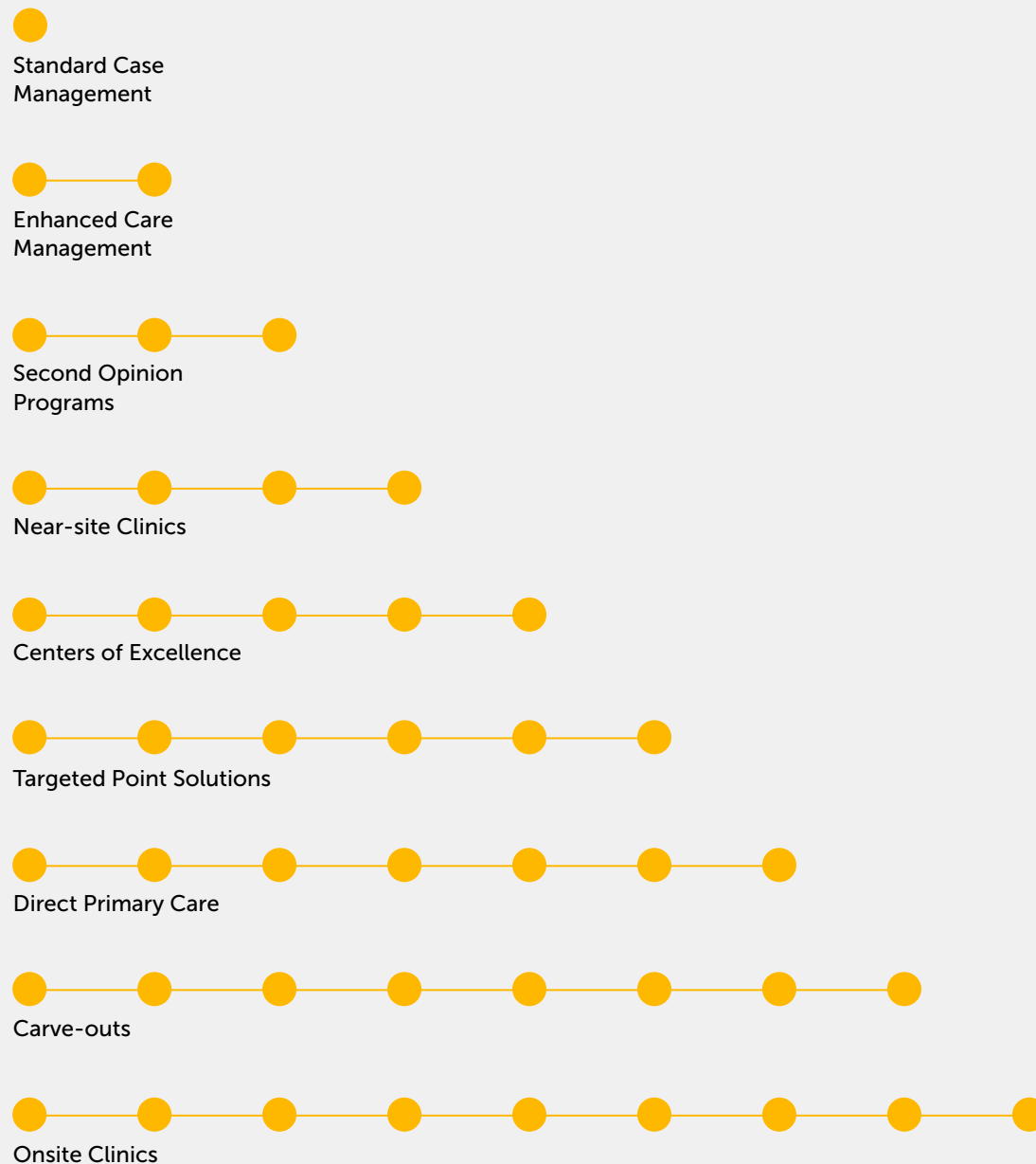


Complex Care Management

Rapid advancements in healthcare innovation and technology, while positive for disease reversal and life expectancy, have raised costs for payers significantly. Compounded by the unpredictable landscape created by price variation and outcomes, individuals facing complex healthcare needs must be a critical point for employers. Investments in direct primary care, the use of targeted point solutions to address specific and costly disease states, and steering towards Centers of Excellence that consistently deliver positive outcomes, outstanding safety ratings, and a patient-first approach, are just a few examples of effective complex care management.


EFFECTIVENESS FOR COST REDUCTION

(Ranked in order of impact from least to most)



The MCCI Survey

We developed the Member Cost Containment Index (MCCI) as a standardized means of evaluating and reporting on Members' engagement in and efforts around cost containment. It acts as both a comparative benchmark and a means of rewarding those who are "all in" on reducing their claims spend. All scores—from low to high—present Members an opportunity to improve and tackle healthcare costs.



All Members are encouraged to use their scores to learn, improve, and harness innovative ways to combat costs and engage employees.

Origin of MCCI

In the early days of ParetoHealth, Members often asked how their cost containment and engagement efforts compared to those of their peers—and it seemed the uncertainty caused unease. Members were anxious for some type of benchmark to gauge whether their efforts were on target, too aggressive, or in some way deficient.

Members also sought assurance that their cost-containment efforts would yield them consideration, regardless of whether these efforts had an immediate and drastic impact on claims. Recognizing that claim dollars alone do not always reflect an employer's efforts (or lack thereof), they believed the captive should reward more proactive Members for their efforts.

In 2014, the Member Cost Containment Index (MCCI) was created in response to these suggestions. It scores each Member's cost-containment efforts and generates an objective score that serves several important purposes, including:

- ✓ Allows for comparison among Members
- ✓ Allows Members to track their own year-over-year progress
- ✓ Gauges the effectiveness of specific cost-containment initiatives
- ✓ Highlights correlations that are a result of Members' locations, enrollments, industries, and length of time in the captive

The original MCCI survey consisted of 70 questions, spanning across four cost-containment spectrums, plus a general engagement section. As the industry, and our community, has evolved over the last twelve years, so has our view of effective cost management. As such, in 2022 we launched a redesigned version of the survey,

reducing the number of questions and shifting the focus to the areas of risk with the greatest impact to the captive, including specialty pharmacy, complex conditions, and payment integrity.

The MCCI brings to light cost-containment initiatives that Members are implementing in the short-term (i.e., the next six months), thereby becoming a road map for individual Members and their consultants. It also reveals gaps in knowledge and areas of concern, thereby becoming a road map for ParetoHealth. We will focus on these areas in future communications, in exploration of new partnerships, and at Members' Meetings.

Process

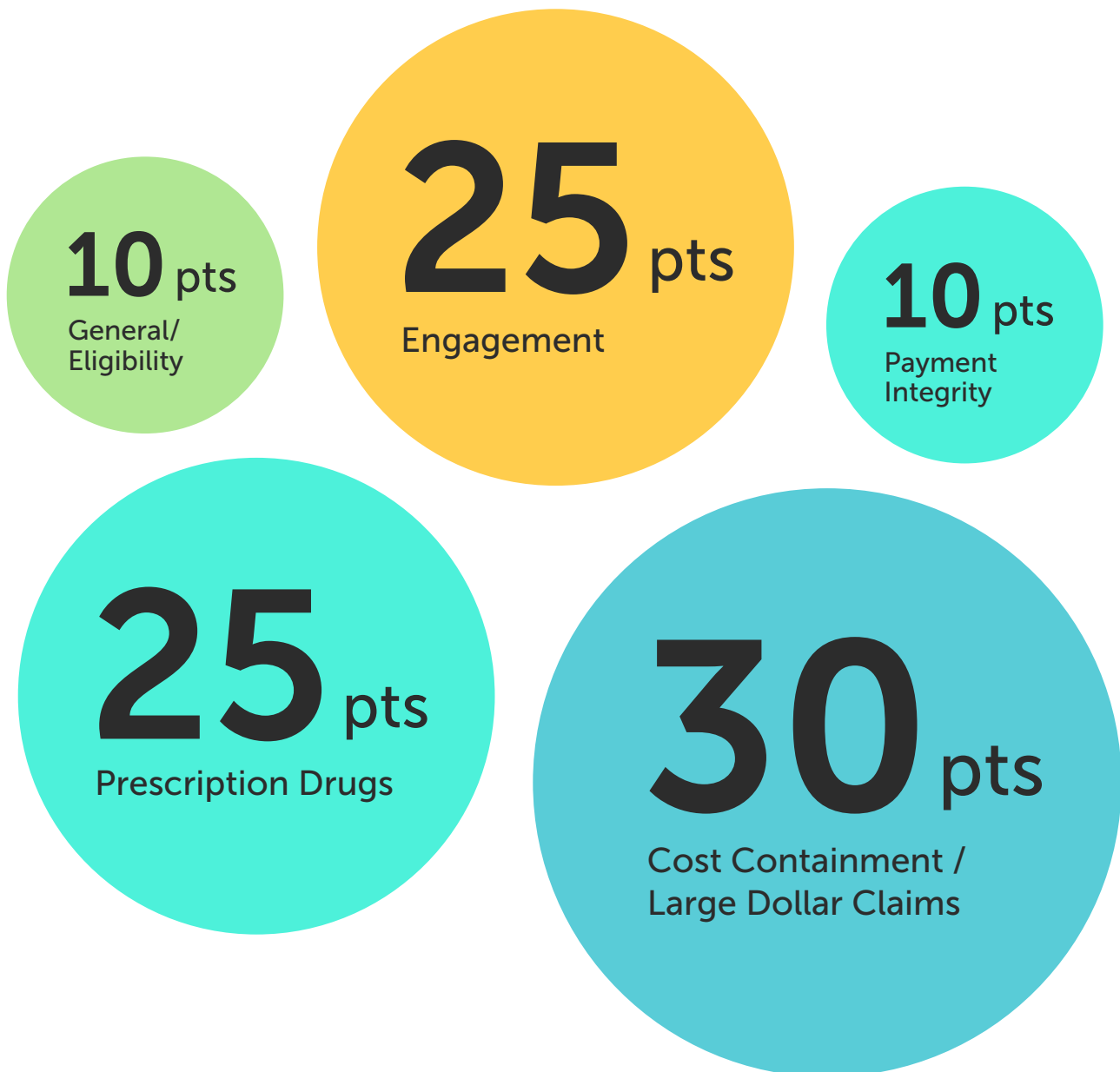
The MCCI Survey is distributed annually, at the beginning of each renewal cycle. It consists of 33 core questions, many of which are in a multiple-choice format. With the survey re-launch in 2022, Members may experience a more dramatic shift in scoring as compared to years prior, but the survey is generally intended to be consistent to allow for a straightforward year-over-year comparison.

Completing the survey for the first time takes approximately 20 minutes. It will be an easier and faster process as you become more familiar with it.

We recommend that you print a copy of the survey and fill it out by hand. When you are ready, complete and submit the final survey online. We request that Members, not consultants, complete the survey each year—although we do encourage Members to discuss with their consultant beforehand.

MCCI Scoring Methodology

The MCCI Survey relies on the principles of our three cost containment pillars and has been divided into five sections, each with its own weighted score:



Next, we combine these points to generate an overall score ranging from 1 to 100. The lower the score, the better. For example, an MCCI score of 18 would be considered a top score, while a score of 98 would be among the poorest.

To better understand how scores are calculated, consider the following examples:

- The General/Eligibility section accounts for 10% of the overall score. Answers to questions such as, "Do you have a strategy in place to educate and assist COBRA and Medicare-eligible plan participants with other available options outside of the group health plan (GHP)?" account for 50% of the total score for this section, or 5 points of the overall score.
- Questions relating to Cost Containment and Large Dollar claims account for 30% of the composite MCCI score. By way of example, Members utilizing KISx Card could earn 1.5 points, and Centers of Excellence (COE) programs offer up to an additional 1.8 points. ICM adoption is credited a total of 9 points.
- Prescription drug-related questions account for 20% of the overall score. For example, use of PRxC earns 5 points toward the overall score. SmithRx Connect, Magellan Rx Select Savings, or comparable programs earn an additional 6.25 point allocation.
- Reviewing the component scores helps to identify the strengths and weaknesses of a Member's cost-containment strategy. Ideally, strategic plans include specific initiatives to target each cost-driver, and the component MCCI scores reveal gaps in these efforts.
- At the time of renewal, any increase in stop-loss premium is allocated among the Members based on a function of claims experience, demographics, and individual MCCI scores. If all Members receive similar MCCI scores, the score has little effect on the renewal. If scores are more widely dispersed, those Members with the best scores receive more favorable renewal.

As a Member of a ParetoHealth captive, you will always be at the forefront of new and innovative ways to tackle your healthcare costs.



I Like My Score, Now What?

If your MCCI score is among the best in your captive, congratulations! This likely means that you have cost-containment measures to target each of the cost drivers of healthcare and are adopting many of ParetoHealth's curated solutions and strategies. You take an active role with your employees and encourage them to be engaged and proactive consumers of healthcare. You are probably called upon to advise your fellow captive Members.

While you have done an exemplary job, the exciting news is that there is still more to be done. As a Member of a ParetoHealth captive, you will always be at the forefront of new and innovative ways to tackle your healthcare costs. ParetoHealth remains committed to bringing you new ideas and strategies to combat your costs and engage your employees. Over the course of the next year, we will pilot several new point solutions in a Member-tested "petri dish" fashion. Should one or more of those solutions show promise, we will launch captive-wide at a future Members' Meeting.

A poor MCCI score may reflect that you are a new captive Member and only beginning to implement cost-containment programs.



I Don't Like My Score, Now What?

We do not want Members to be discouraged by their MCCI score. All our captive Members were vetted and had to demonstrate both the capacity and interest to actively contain their healthcare costs. A poor MCCI score may reflect that you are a new captive Member and only beginning to implement cost-containment programs. It may indicate a reluctant employee base, or that you need help in constructing a better road map to implement changes.

It is our sincere hope that Members who are disappointed with their scores will be motivated to act. Your consultant is a tremendous resource and can assist in choosing and implementing the cost-containment programs that make the most sense.

Your fellow captive Members are another resource—and one of the primary advantages of captive membership. If you are considering a particular initiative, chances are another captive Member has faced the same decision and can share their experience.

Attend the Members' Meetings and learn about the latest and best cost-containment programs, and never hesitate to reach out for additional information.

Finally, take advantage of all the resources that we offer. In January 2020, ParetoHealth launched a bundled cost

management platform, Integrated Cost Management (ICM), to incoming and renewing captive Members using a selected set of Third-Party Administrators (TPAs). Since its launch, we have continued to refine our messaging and offerings around the three key components of this exclusive ParetoHealth product: Integrations, Interventions, and Playbooks.

We partner with carefully vetted TPA and Point Solution Partners to integrate cost management programs that specialize in reducing expenses related to the most complex, expensive claims self-insured employers are largely responsible for. There is no shortage of ways that ParetoHealth can help you reduce costs and improve employee satisfaction.

We discourage Members from implementing programs with the sole purpose of bettering their MCCI score. After all, our goal is to help you save money on healthcare costs, not waste it on programs that may not make sense for your population. We recognize that cost-containment is not a one-size-fits-all proposition.

For this reason, we resist divulging granularized scoring information. We want you to make thoughtful and deliberate decisions about the right cost-containment initiatives for your employees, rather than merely chase an MCCI score.

2022 MCCI Survey Results

We encourage you to analyze the following 2022 MCCI Survey results. Find where you fall in the results and see how you compare with other Members from across ParetoHealth.

Leverage the results to determine the areas in which you can improve and implement new initiatives. Remember that making thoughtful and deliberate decisions about your cost-containment initiatives is more important than chasing certain MCCI scores.

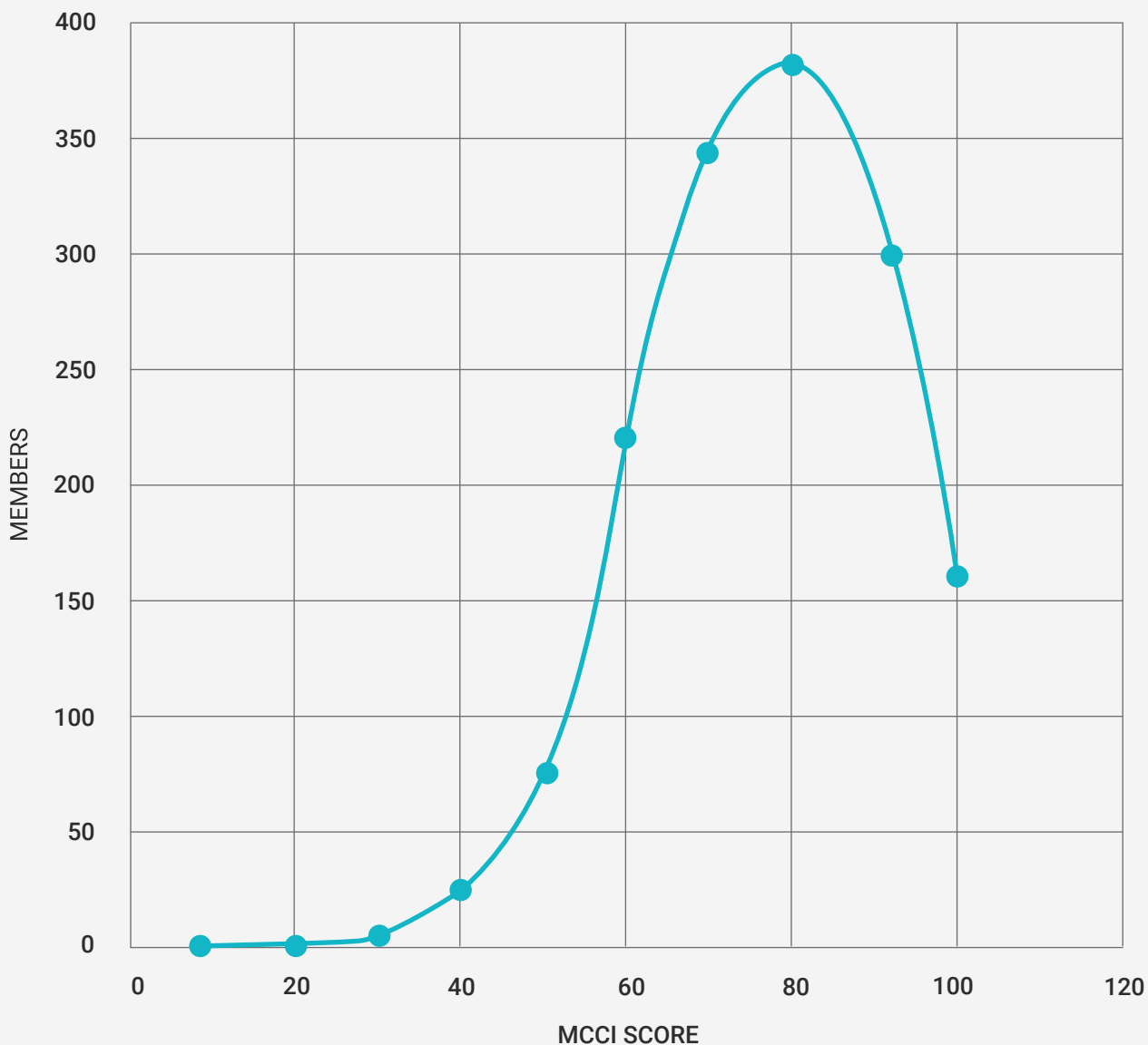
2022 Overall Scores

Distribution by Captive: All Captives

Scores range from 0 to 100. The lower the score, the more favorable it is. This median compares to 86.48 in 2016, the last time we reported summary metrics. This demonstrates a 16.6% improvement in overall score.



The median overall MCCI score for 2022 was 72.15.

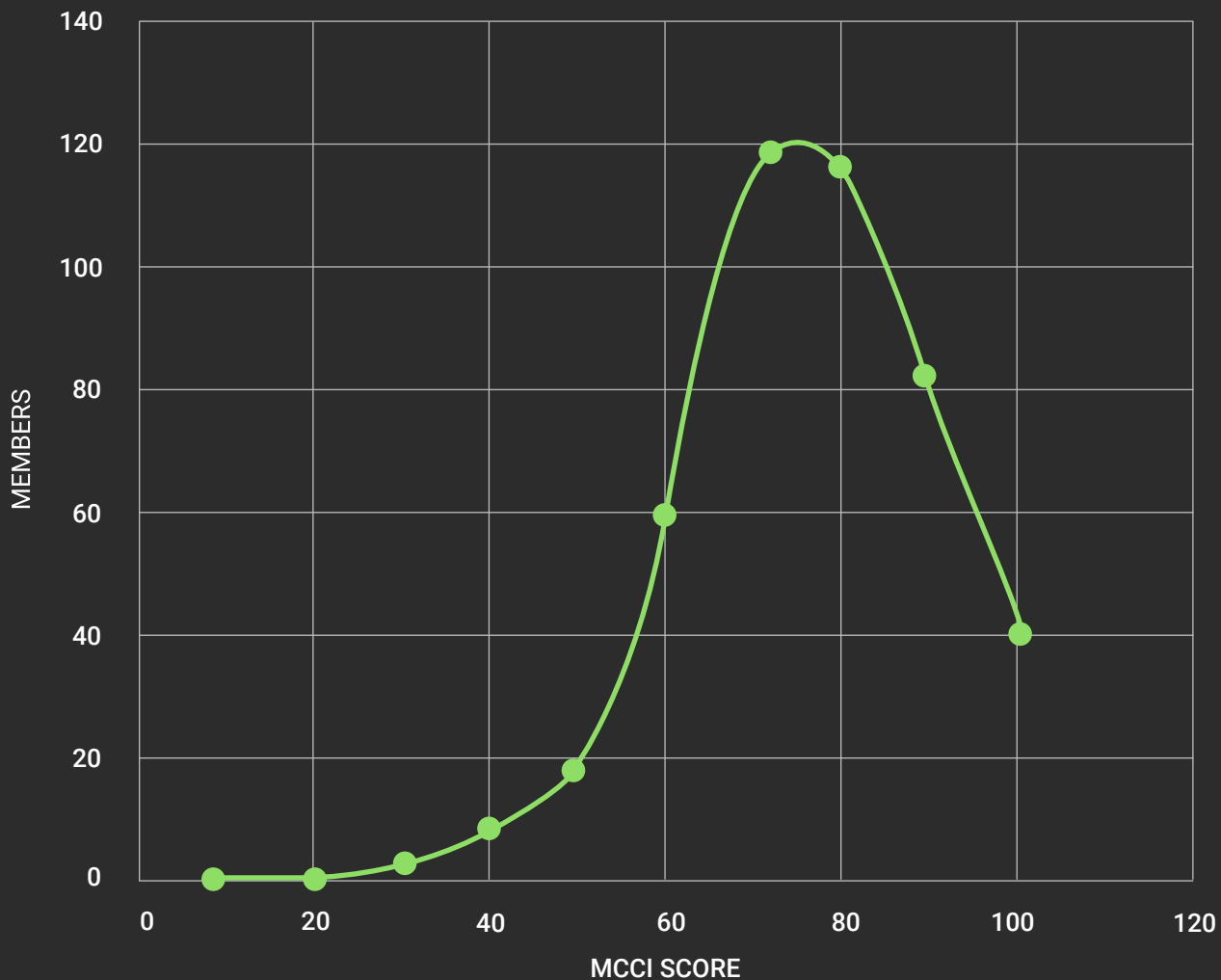


MEDIAN SCORE: 72.15

16.6% improvement in overall score vs. 2016

Distribution by Captive: **Contrarian Re**

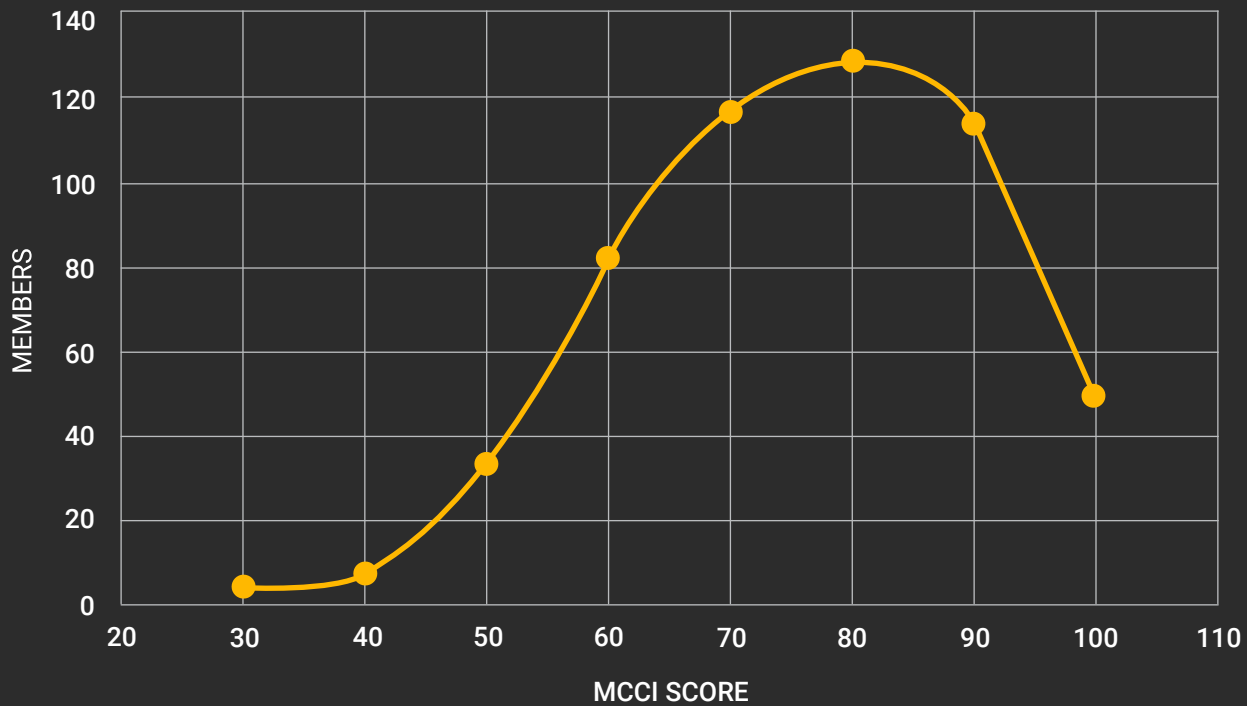
The median overall MCCI score for Contrarian Re in 2022 was 71.53. Contrarian Re is the most mature program within ParetoHealth, marked by their 10-year anniversary in 2022.



MEDIAN SCORE: 71.53

Distribution by Captive: **Paradigm Re**

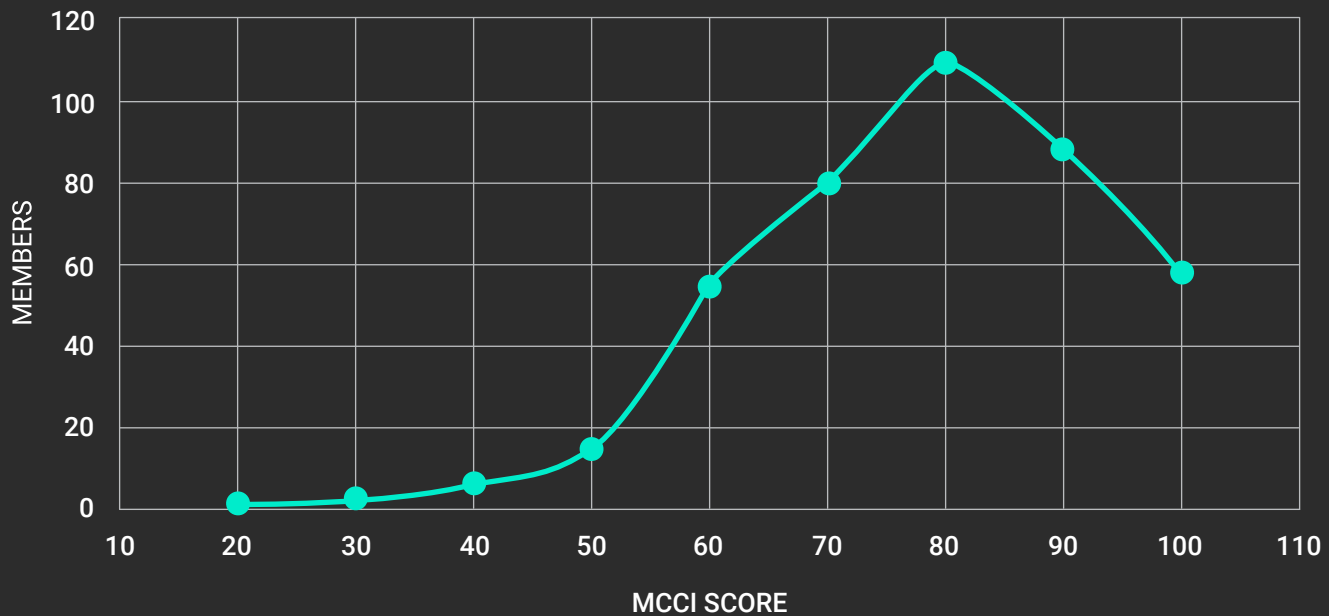
The median overall MCCI score for Paradigm Re in 2022 was 72.15. Paradigm Re is the largest program within ParetoHealth.



MEDIAN SCORE: 72.15

Distribution by Captive: Legend Re

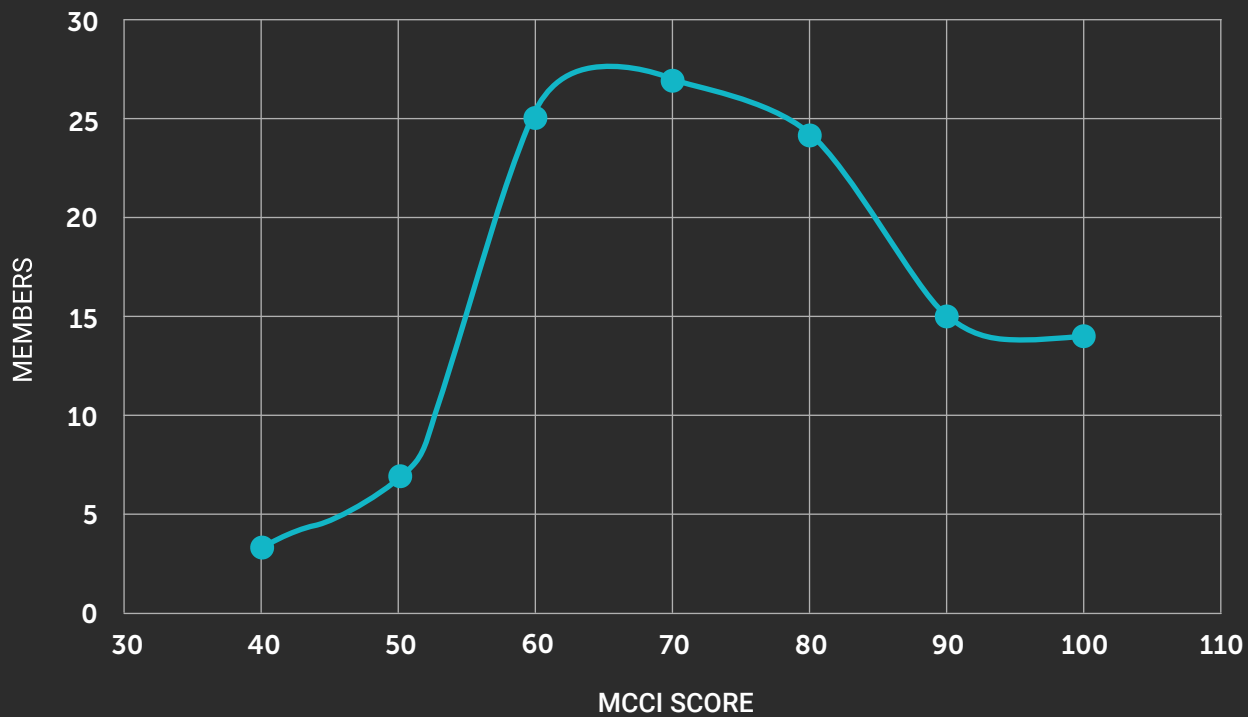
The median overall MCCI score for Legend Re in 2022 was 74.48. Launched in 2016, Legend Re is the newest captive within ParetoHealth.



MEDIAN SCORE: 74.48

Distribution by Captive: StructuRe

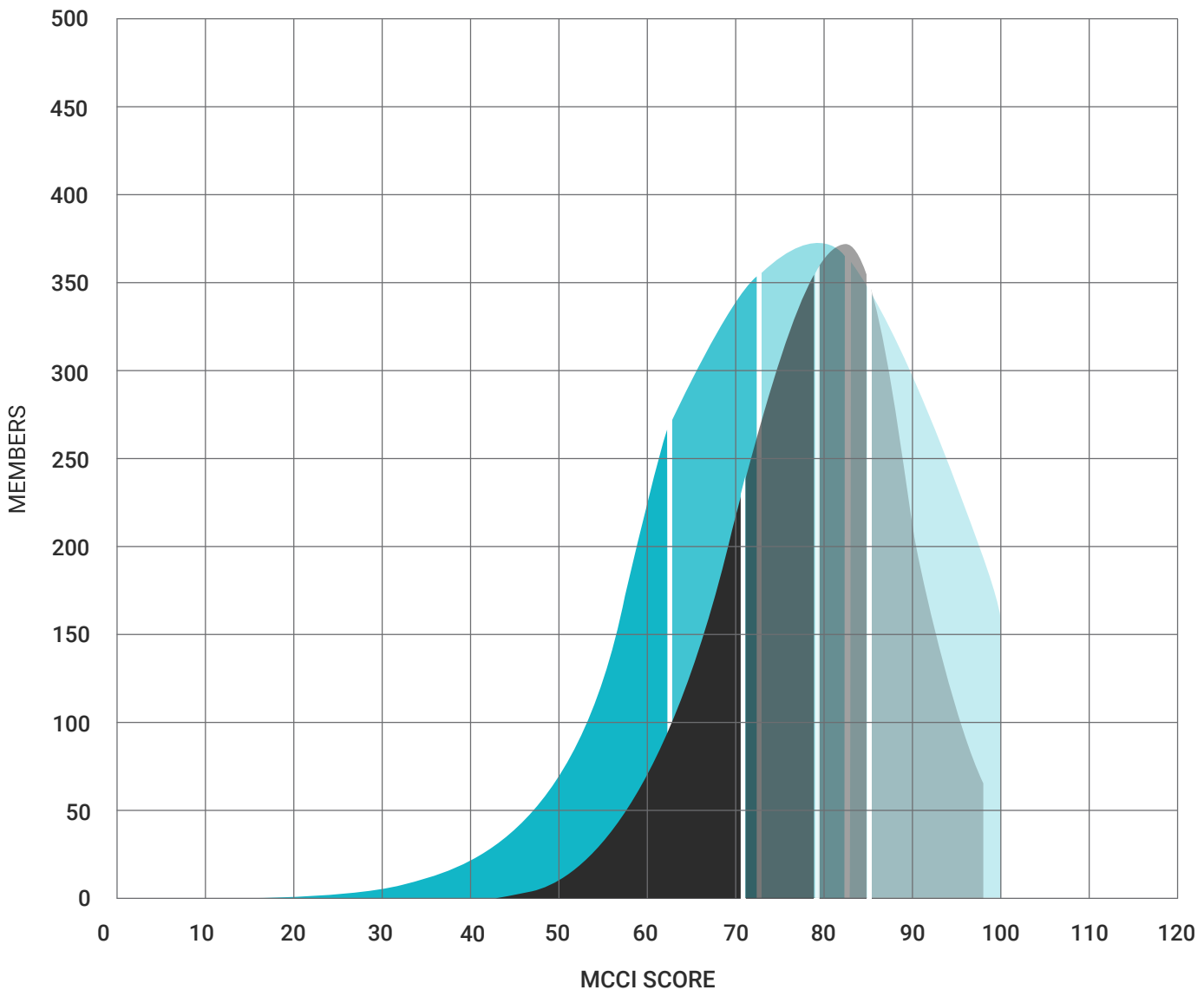
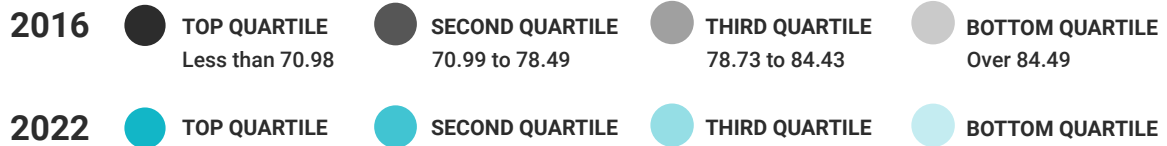
The median overall MCCI score for StructuRe in 2022 was 68.05. StructuRe is the smallest captive within ParetoHealth, a homogeneous program for companies with a building and construction industry code.



MEDIAN SCORE: 68.05

Quartile Scores

Members' overall scores can be categorized by quartile: Those in the top quartile earned a score of less than 62.04. Second quartile scores range from 62.05 to 72.15. The third quartile scores range from 72.16 to 82.35. Scores over 82.35 constitute the bottom quartile. Members in the top quartile earned the greatest level of discount to their 2022 survey-based renewal.

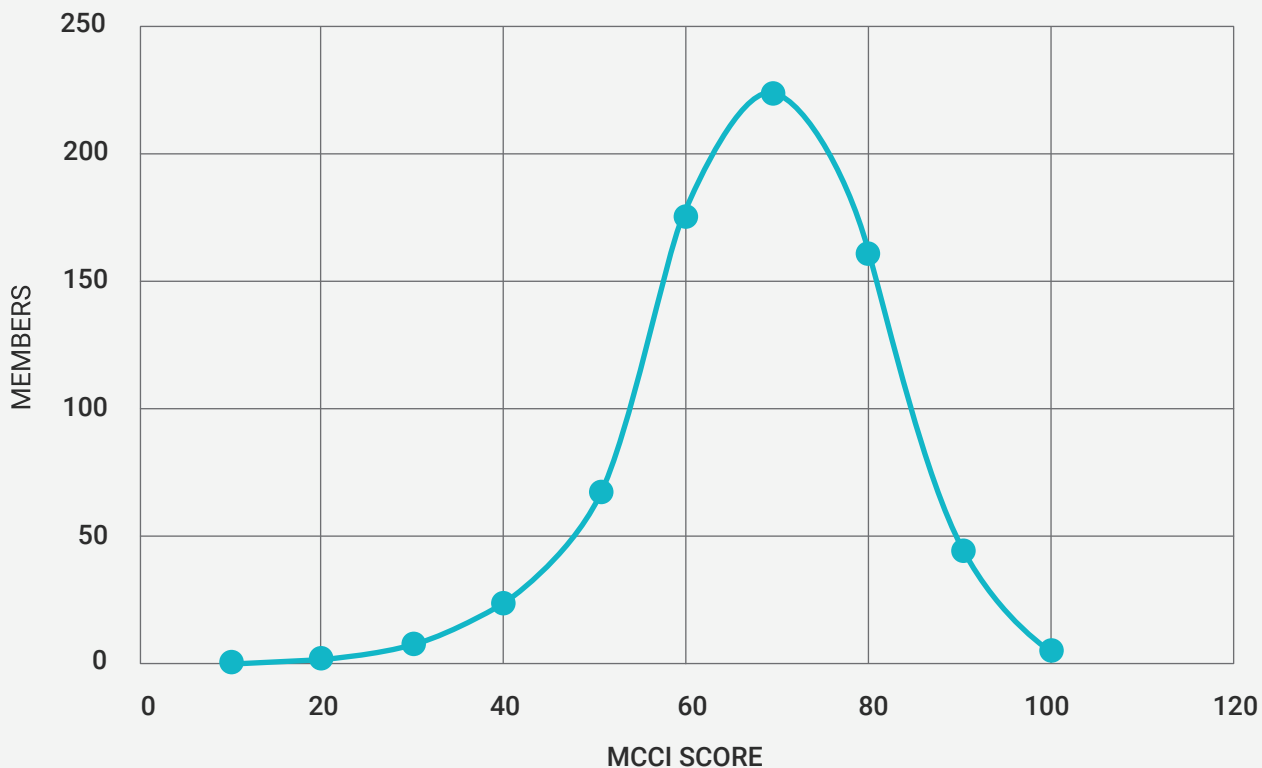


Distribution by Cohort: ICM Enrolled

Eligible Members opting in to ParetoHealth's Integrated Cost Management (ICM) platform earned a median overall MCCI score of 64.43. As a reminder, our ICM platform reaches approximately 65% of captive Members today with 10 preferred Third-Party Administrator (TPA) partners. Of that 65%, approximately 75% have "opted-in" to ICM, equating to a captive-wide adoption rate just shy of 50%. This score compares to a non-ICM median overall score of 80.15.



65% of captive Members are partnered with a ParetoHealth preferred Third-Party Administrator (TPA). Of this subset, approximately 75% have opted in to Integrated Cost Management (ICM). Our goal is to add additional TPA partners to our preferred panel to capture at least 90% of all captive Members by 2025.



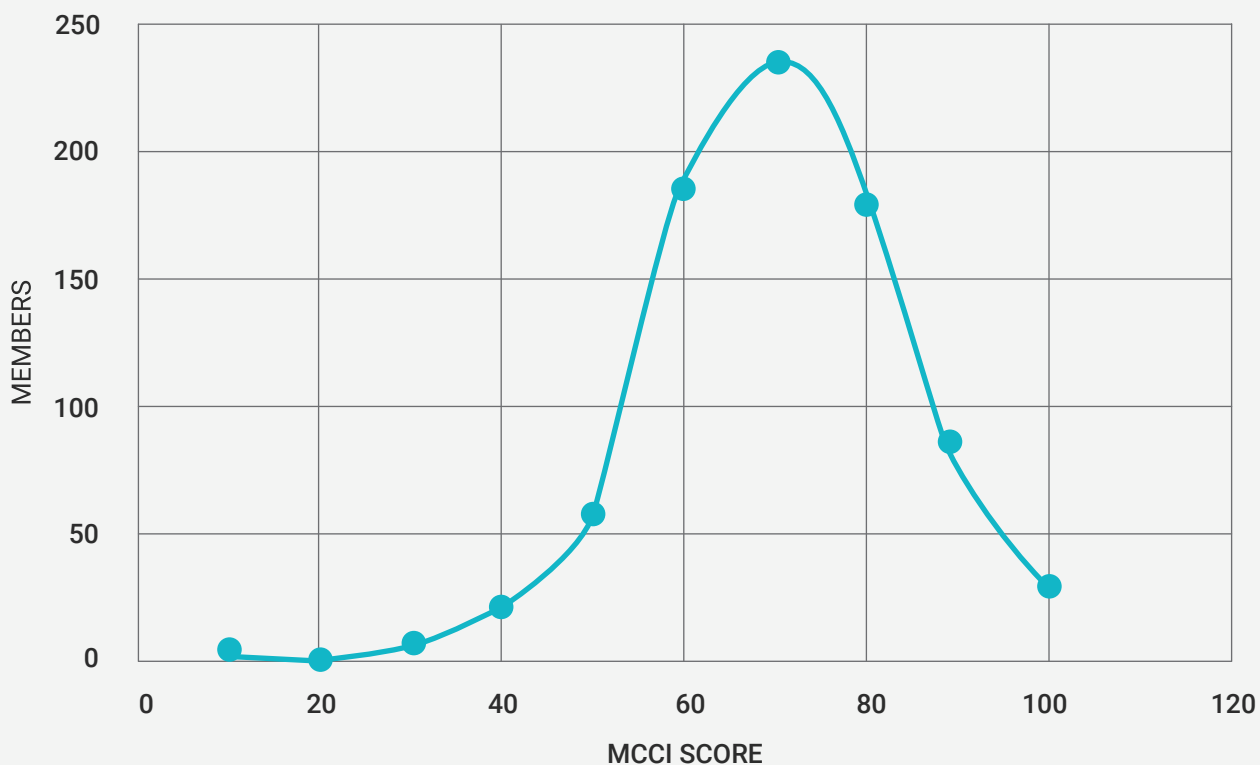
MEDIAN SCORE: 64.43

Distribution by Cohort: PRxC Enrolled

Members utilizing PRxC earned a median overall MCCI score of 65.70. This score compares to a non-PRxC median overall score of 79.50.



55% of Members are in ParetoHealth's Rx Consortium (PRxC), which now also includes CVS/Caremark through Meritain (referred to as Meritain Pharmacy Solutions or MPS).



MEDIAN SCORE: 65.70

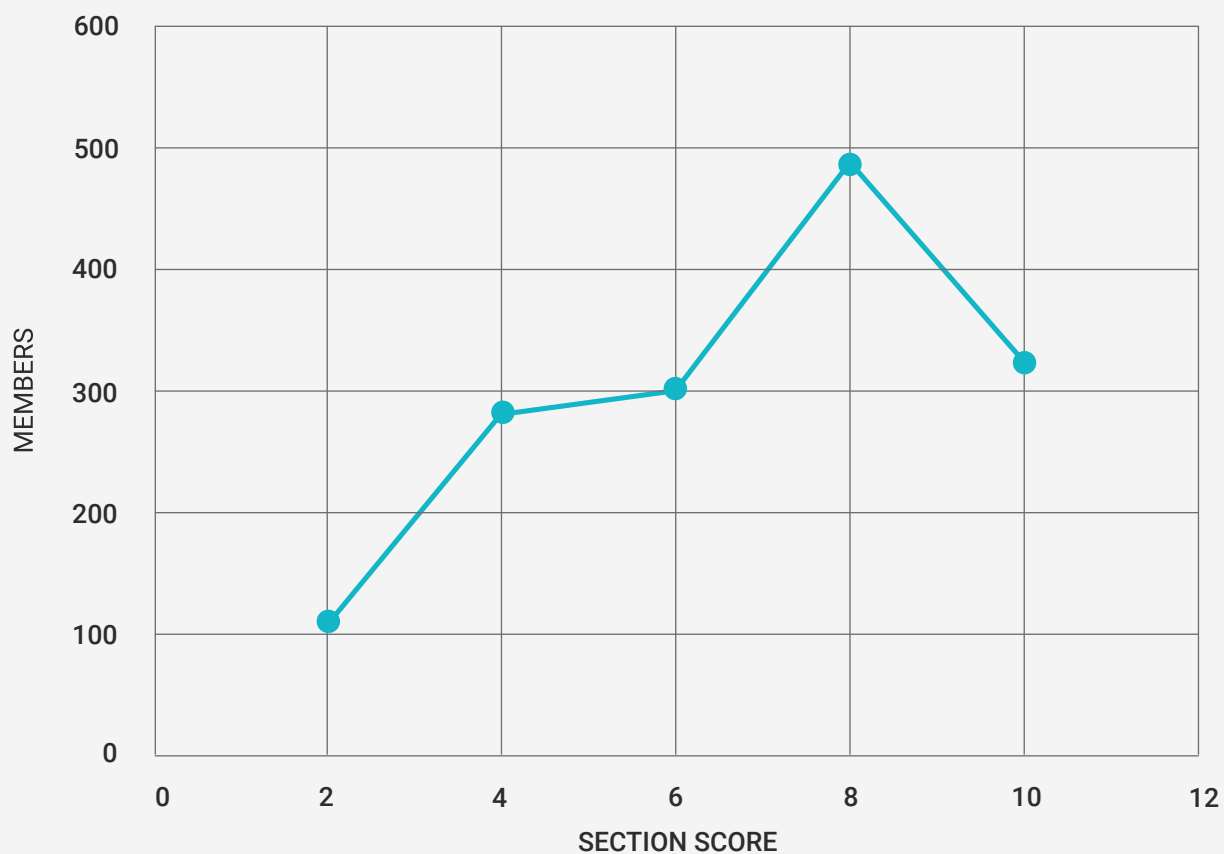
2022 Sectional Scores

General Eligibility

Questions regarding employee engagement and participation accounted for 10% of the survey. The median score in this section was 6.07, indicating that there is room for opportunity in optimizing plan eligibility and enrollment.



One third of all captive Members have implemented a strategy to restrict spousal participation.



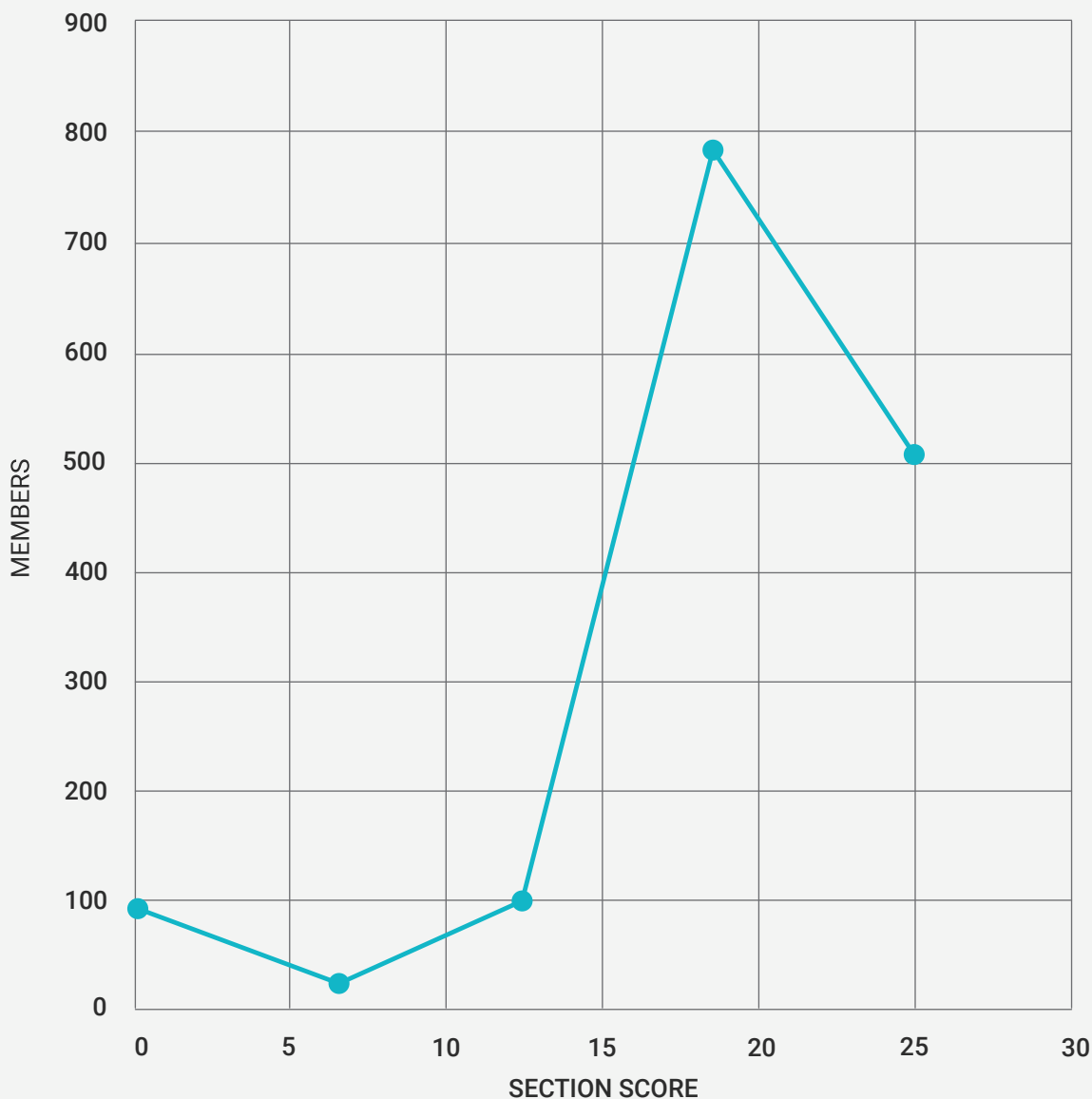
MEDIAN SCORE: 6.07

Engagement

Questions regarding employee engagement and participation accounted for 25% of the survey. The median score in this section was 18.75, indicating significant room for improvement for many Members to increase their sectional score through efforts like attending annual Members' Meetings or referring incoming captive Members.



36 Members received additional credit for referring one or more captive Members that joined ParetoHealth in 2022.



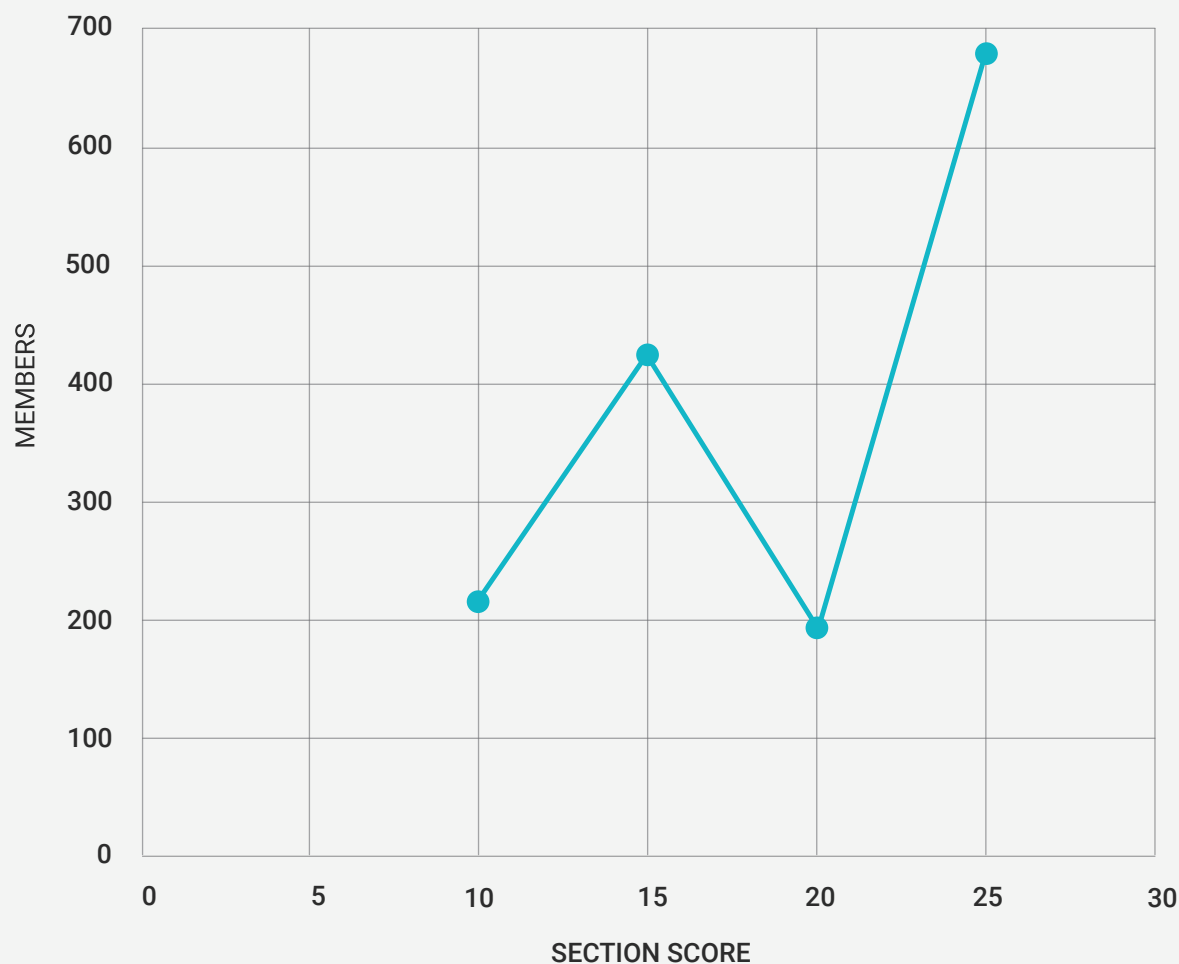
MEDIAN SCORE: 18.75

Large Dollar Claims

Questions regarding employee engagement and participation accounted for 30% of the survey. The median score in this section was 23.70. This section carries the greatest weight within the MCCI survey, as efforts in this arena generally have the greatest near-term impact on risk and cost. Utilization of Pareto-Health's suite of cost management tools, including our Integrated Cost Management (ICM) platform, or like-kind strategies, is a great way to boost scores in this section (and see results).



Two thirds of Members are addressing mental/behavioral health concerns with point solutions, on-staff resources, and Employee Assistance Programs (EAPs). Fewer than half of all Members have implemented a Centers of Excellence (COE) or Direct to Employer (DTE) strategy.



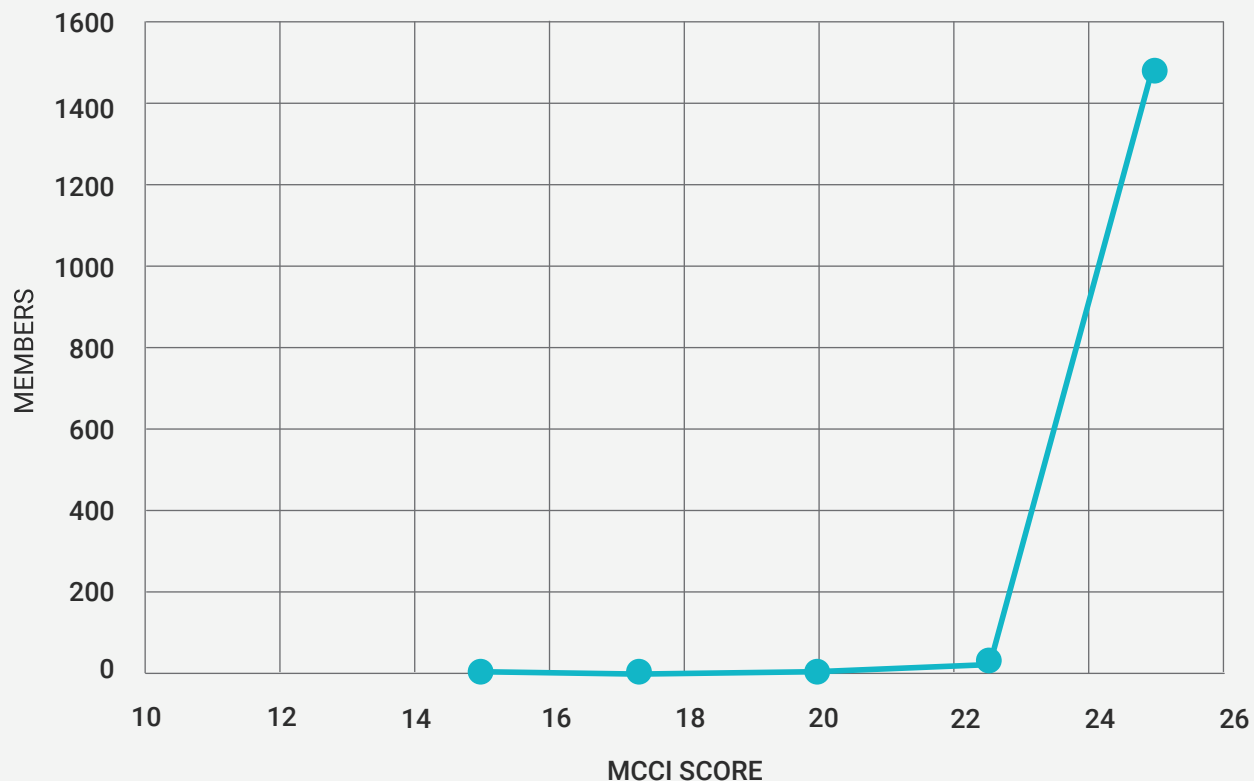
MEDIAN SCORE: 23.70

Prescription Drugs

Questions regarding employee engagement and participation accounted for 25% of the survey. The median score in this section was 18.75. This section was the best performing section of the survey, demonstrating a strong focus across captive Members to tackle escalating pharmacy costs using innovative tools and strategies, like alternative funding and international sourcing. While Members in PRxC who are partnered with Magellan Rx, SmithRx, or Meritain Pharmacy Solutions (MPS) for their pharmacy benefits earned substantial credit in this section, many Members with like-kind partners and programmatic bolt-ons also performed well.



Only one fourth of captive Members are actively addressing gene therapy through carve-out programs or plan design. This represents a major area of opportunity and will be a primary area of focus for ParetoHealth as the pipeline for these expensive therapies continues to expand.



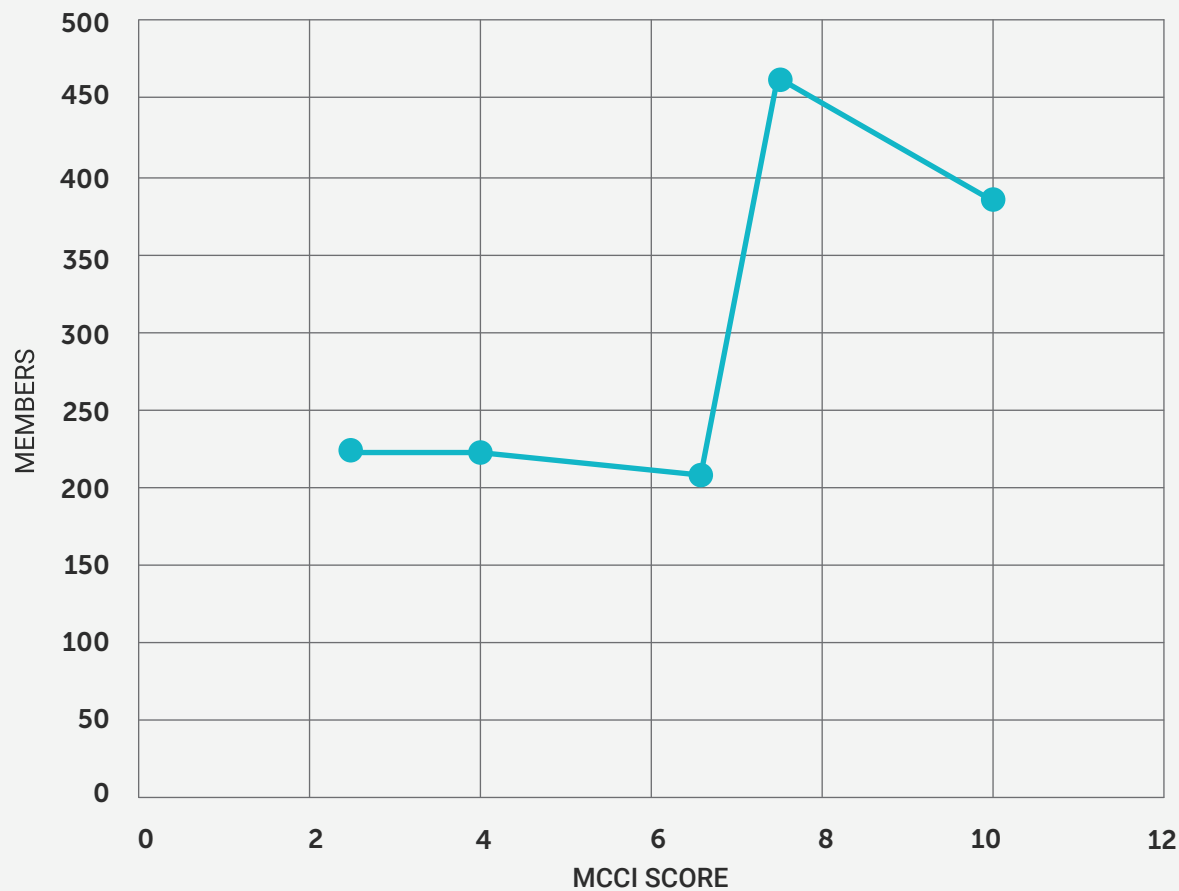
MEDIAN SCORE: 18.75

Payment Integrity

Questions regarding payment integrity accounted for 10% of the survey. The median score in this section was 7.50, indicating that Members may benefit from access to and education about claims auditing and repricing strategies.



Just over half of all captive Members have engaged in some level of eligibility and/or claims auditing and have a strategy to re-price out-of-network claims.



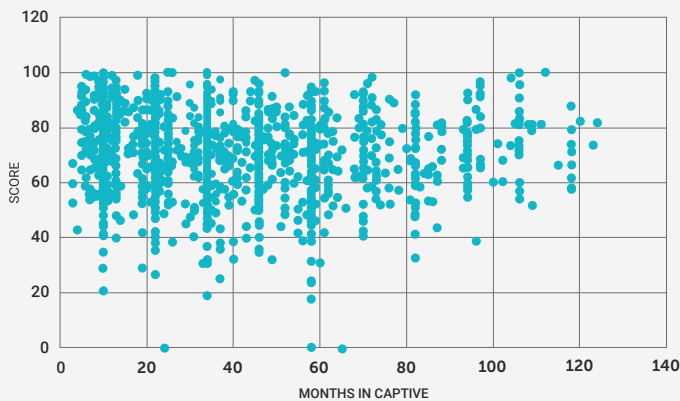
MEDIAN SCORE: 7.50

2022 Other Metrics

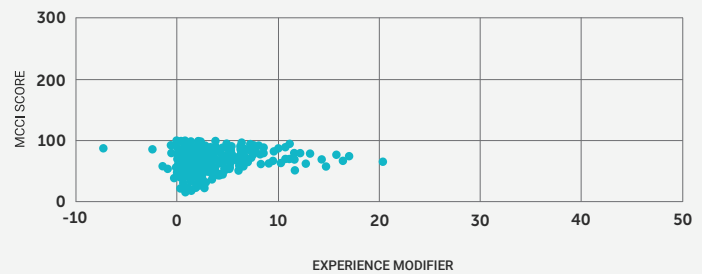
Other Metrics

Correlation coefficients are used to measure how strong a relationship is between two variables. Ranging from -1 to 1, a value of 1 indicates a strong positive relationship while a value of -1 would indicate a strong negative relationship. A value of 0 would indicate no relationship at all. Evaluating the association between MCCI score and various other metrics like months in the captive or inception-to-date loss ratio, we can conclude that there is a negligible relationship between each of the four factors below and MCCI score. That being said, enrollment and months in the captive showed the strongest correlations, even if not statistically significant.

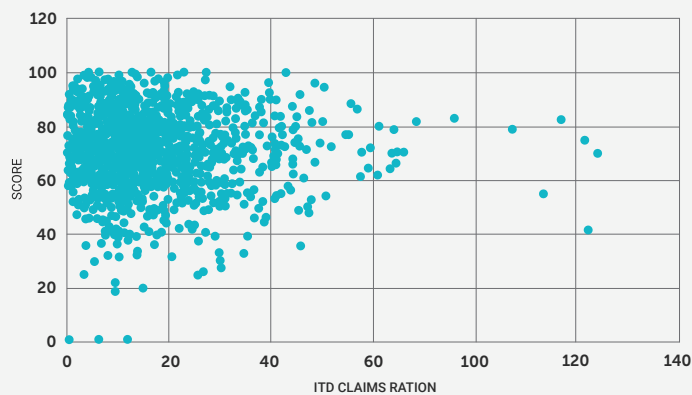
Score vs. Months in Captive



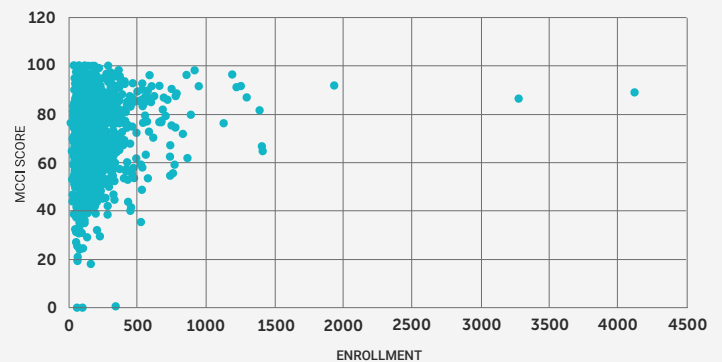
Score vs. Experience Modifier



Score vs. ITD Claims



Score vs. Enrollment



Scores by Industry

We grouped the MCCI scores by industry and calculated the average scores. While Agriculture has scored as a bit of an outlier as compared to the other industry groupings, there seems to be little correlation overall between MCCI scores and industry. The fact that industry has little correlation to the MCCI scores highlights our belief that it is the engagement of the employer that matters—not the industry. It also confirms the general preference for risk diversification across our three heterogeneous programs as compared to organizing risk based on industry verticals.

INDUSTRY	AVERAGE MCCI SCORE
AGRICULTURE	79.35
CONSTRUCTION	70.22
FINANCE	70.74
MANUFACTURING	70.50
MINING	73.26
PUBLIC ADMINISTRATION	69.41
RETAIL TRADE	71.12
SERVICES	72.36
TRANSPORTATION	71.93
WHOLESALE TRADE	70.92



2023

VILFREDO AWARD WINNERS



Each year, ParetoHealth's Vilfredo Award recognizes Members with the best MCCI scores. In light of the survey redesign, we will take a one-year pause on most improved score accolades, with the intent to resume those honors in 2024.

NORCOM INC.

CONSULTANT: INTREPID BENEFITS

Headquartered in Griffin, Georgia, Norcom is one of the world's largest manufacturers of school and office products. Norcom proudly makes its core products in the USA with certified sustainable and primarily domestic raw materials. In addition to Norcom branded products, it is one of the largest manufacturers of store brand and private label school and office products in the world.

// A ParetoHealth captive member since 2017, Norcom empowers their employees to be in the driver's seat of making healthcare decisions by giving tools to navigate the complicated landscape. With healthcare navigation by Quantum, ICM programs through Pareto, a dedicated Benefit Advocate at Intrepid as well as the means to shop around when seeking healthcare services, employees have what they need to make every day healthcare decisions. Norcom's strategy is supported by underlying plan design features like automatic direction to freestanding facilities for imaging services, cash card automation for generic drugs, specialty Rx carveout to decrease employee cost while enhancing the employee experience, as well as the elimination of networks to help overall healthcare spend.

CATHEDRAL SERVICES, INC. DBA ESSENTIAL INGREDIENTS

CONSULTANT: STERLING SEACREST PRITCHARD

Essential Ingredients partners with consumer brand companies and contracts with manufacturers to provide quality ingredients for personal and home care products. Founded in 1996, they are 100% employee-owned and serve customers across the United States.

MVP LAW

CONSULTANT: THE CRICHTON GROUP (HUB INTERNATIONAL)

MVP Law was founded in 1901 and combines expertise in public and private sector workers' compensation, general liability, insurance, employment, and education law. Their attorneys work across seven states in the Midwest to find creative legal solutions and reshape the status quo.

// MVP Law (skeptically) joined ParetoHealth in 2018 coming off of multiple years of "good" fully-insured renewals. But, like most employers in the fully insured space, MVP Law grew frustrated with the lack of transparency and insight into what was driving those annual increases, even if they were "good" by industry standards. In the first few years, MVP Law adopted the crawl, walk, run approach to cost containment – something we see often with new members. Now, as a tenured member of ParetoHealth and having served on the board of Contrarian, Phil Sanders, COO, has taken with him one clear message he heard from Andrew Clayton, ParetoHealth President, (and maybe a popular athletic brand) – "just do it." Doing so meant that MVP consistently seized opportunities to better control their risk, either through a program Pareto provided or something they found on their own. They become innovative and experimental in trying new approaches, incorporating things direct primary care clinics, non-traditional specialty Rx sourcing and robust mental health programming for their employees. As a result, MVP Law has enjoyed reduced overall spend, enhanced focus on employee health, and an ongoing positive reception from their employees who believe that "Employee Benefits" are in fact a true benefit.

HONORABLE MENTIONS

**MEMBER
CONSULTANT**

**THE OHIO ART COMPANY
ANDRES O'NEIL & LOWE AGENCY**

**MEMBER
CONSULTANT**

**KINGS ELECTRIC SERVICES
RSC INSURANCE BROKERAGE**

**MEMBER
CONSULTANT**

**HUSSEY SEATING
CGI BUSINESS SOLUTIONS**

**MEMBER
CONSULTANT**

**EVEREST CAMPUS SERVICES CO.
INTREPID BENEFITS**

**MEMBER
CONSULTANT**

**BORSHEIM JEWELRY CO.
GALLAGHER-HEARTLAND**

**MEMBER
CONSULTANT**

**SNELLINGS WALTERS INSURANCE AGENCY
SNELLINGS WALTERS INSURANCE AGENCY**

**MEMBER
CONSULTANT**

**LENSING WHOLESALE INC.
ASSURED PARTNERS (CHARLESTOWN, IN)**

Notes

