

National Healthcare Trend Survey

44th Edition
2022 Year-End Update Survey

Table of contents

Introduction	1
Qualifications to the report.....	2
Summary of survey results	3
Medical trends	4
Prescription drug trends.....	8
Dental trends	10
Vision trends	12
Appendix — Distribution of trend factors and historical trends	13
Current medical trend rates	13
Current stand-alone prescription drug trend rates	16
Current dental trend rates	17
Current vision trend rates.....	18
Participating organizations.....	19
About Buck	20

Introduction

Buck's National Healthcare Trend Survey analyzes the trend factors used by health insurers and third-party administrators to project employers' future healthcare costs.

Close to 100 insurers and/or administrators responded in December 2022 to our survey request. Participants provided us with a set of the annual trend factors they are currently using to project employers' healthcare costs for 2023-2024. The number of covered lives for each coverage reported by respondents to this trend survey is shown in the table below.

Type of service	Number of covered lives
Medical	95 million
Medicare supplement	8.2 million
Prescription drugs	60 million
Dental	46 million
Vision	102 million

Participants provided us with different factors by coverage – medical, Medicare supplement, prescription drug, dental, and vision. In general, the trend factors provide for increases resulting from:

- Inflation
- Utilization of services
- Technology (e.g., new services)
- Addition of new programs
- Changes in the mix and intensity of services

Throughout this report, the weighted average trend rates are weighted by the reported number of covered lives for medical, Medicare supplement, prescription drug, dental, and vision. The reported number of covered lives, for each type of coverage, represents employees plus dependents for commercial business only, including insured and administrative services only (ASO) business, effective October 1, 2022.

Contact

Please direct any questions to tracey.halas@buck.com.

Qualifications to the report

Trend factors

The trend factors shown in this report reflect insurers' projected rates of increase in healthcare costs. The final premium rate increase requested by an insurer will also reflect:

- Changes in the insurers' administrative expenses and risk changes
- Changes in benefit design
- Changes in any explicit margins for conservatism
- Recovery of any prior period losses
- Mandated benefits

Therefore, employers could see premium rate increases that differ from the healthcare trend factors summarized in this report.

Timing of the survey

The trend factors collected for this survey (the 44th edition) are being used by insurers to calculate premium and funding rates for health insurance plans effective in 2023-2024. Shown below are the data collection cycles for the surveys referenced in this report.

Survey	Data Collected
Year-End Update Survey, 2022 (44 th)	Dec-22
National Healthcare Trend Survey, 2022 (43 rd)	Mar-22
Mid-Year Update Survey, 2021 (42 nd)	Jul-21
National Healthcare Trend Survey, 2021 (41 st)	Dec-20
Mid-Year Update Survey, 2020 (40 th)	Jun-20
National Healthcare Trend Survey, 2020 (39 th) (Not Published)	Oct-19
Mid-Year Update Survey, 2019 (38 th)	Jan-19
National Healthcare Trend Survey, 2019 (37 th)	Jul-18
Mid-Year Update Survey, 2018 (36 th)	Jan-18
National Healthcare Trend Survey, 2018 (35 th)	Jul-17

Summary of survey results

Medical (excluding Rx)	Weighted average annual trend	Number of respondents
PPO	6.76%	81
POS	6.16%	62
EPO/HMO	6.18%	44
High deductible consumer driven (with \$1500 deductible & Rx)	6.16%	27
Medicare supplement (without Rx coverage)	5.07%	23

Prescription drug	Weighted average annual trend	Number of respondents
Health insurers	9.33%	42

Dental	Weighted average annual trend	Number of respondents
Reasonable & customary (100/80/50)	5.37%	18
Scheduled	5.60%	4
Dental PPO	4.44%	26
Dental HMO	4.07%	6

Vision	Weighted average annual trend	Number of respondents
Reasonable & customary	3.02%	12
Scheduled	2.14%	14

Medical trends

Health insurers and administrators reported medical trend factors that vary by product, averaging 6.2% to 6.8%. These trends are generally consistent with the trends reported in the prior survey, although there is a wide range of trends reported (e.g., the PPO trend ranges from a low of 0.2% to a high of 11.8%).

The trend factor for plans that supplement Medicare (excluding prescription drugs) decreased by 0.5% – from 5.59 to 5.07% – following 7 consecutive increases from 3.0% reported in 2018.

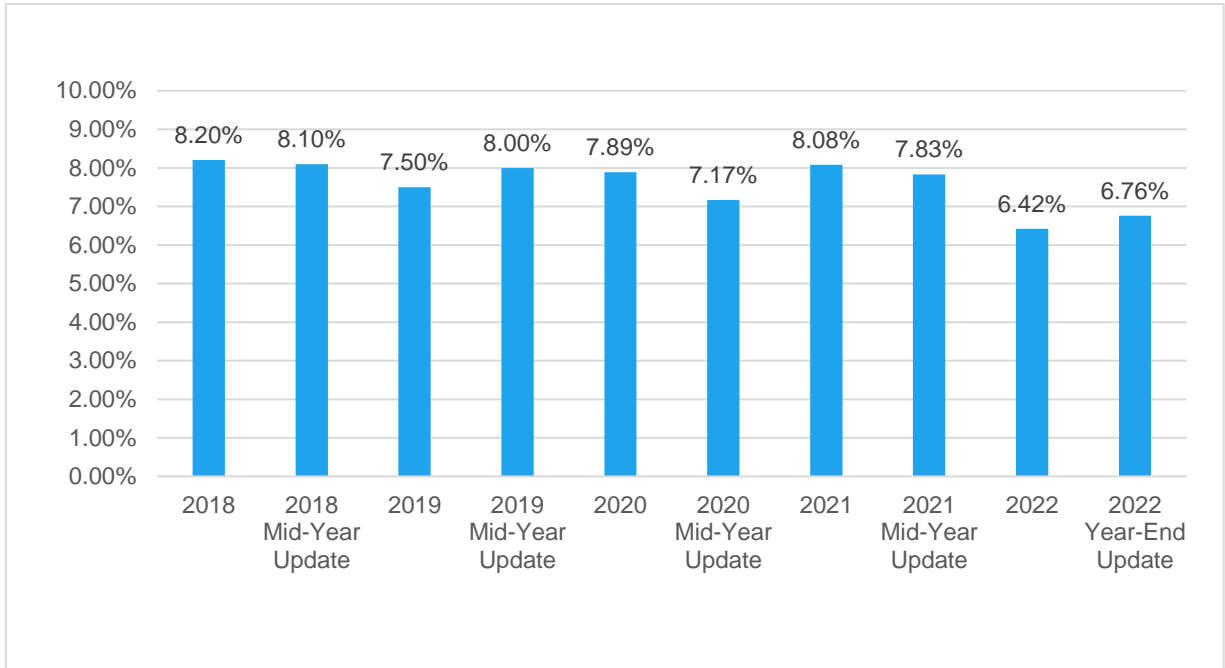
Some respondents cited changes in their negotiated provider rates, changes in utilization, and COVID-19 as contributing to changes in their trend factors (for decreases as well as increases).

While there has been an uptick in the price of gas, food and other goods (and services) as a result of inflation, it does not appear to have yet been generally reflected in the medical trend factors used by insurers to set premium rates (although at least one respondent cited it as a reason for increasing its Medicare supplement trend). As providers renegotiate their fees with insurers, we expect to see higher medical trend factors in the future.

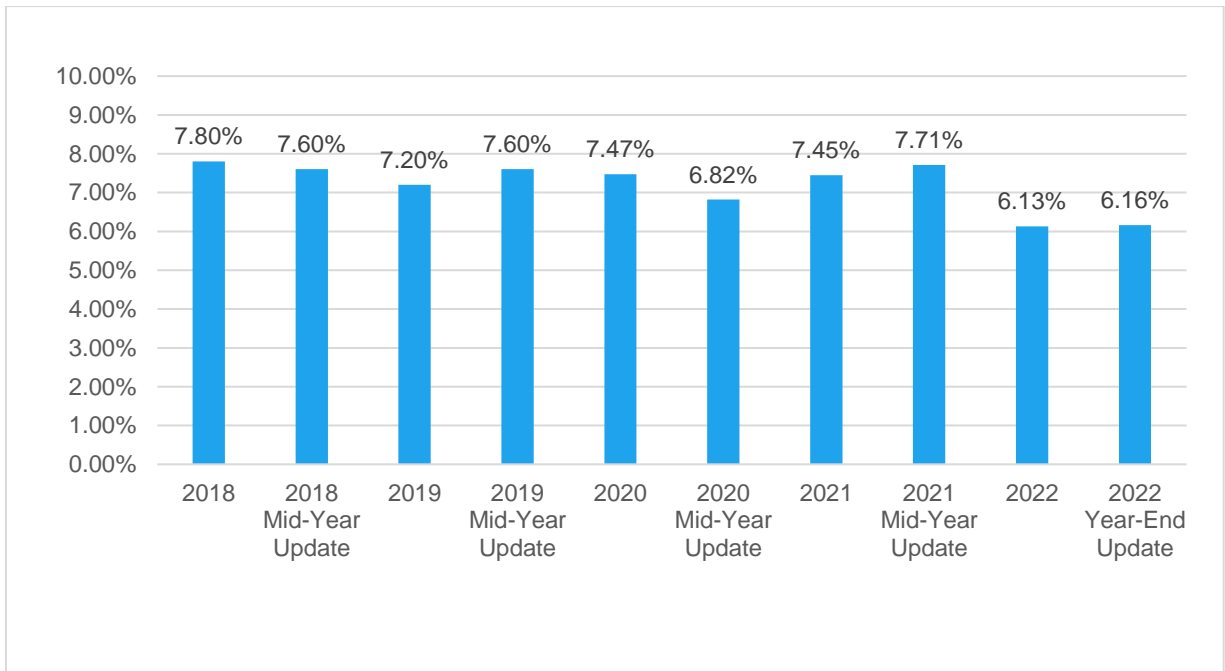
Medical trends have historically outpaced general inflationary increases. Factors contributing to the high rates of increase are as follows:

- Healthcare is subject to increases in utilization of services. A source of these increases is the greater use of diagnostic tests and treatments.
- Medicare and Medicaid continue to limit reimbursement to providers, placing providers under pressure to shift unreimbursed costs to their commercial patients, a major source of cost increases in the industry. Provisions of the Patient Protection and Affordable Care Act (PPACA) may force even further shift costs to commercial payers.
- Providers are under increased regulatory scrutiny (e.g., electronic health record data entry requirements), which increases their administrative costs resulting in increases in their fees and negotiated rates.
- Providers – particularly hospitals – have consolidated into hospital systems, giving them greater bargaining leverage with managed care organizations. As a result, many providers have been able to negotiate higher fees.
- Some hospitals have bought up physician practices. In some cases, the physicians will send lab work to the hospital instead of independent labs. Hospital lab prices tend to be higher than those of the independent labs.
- Advances in medical technology and treatments continue. While technology may ultimately be the key to containing healthcare cost increases, research and development costs often result in higher initial costs for these services.

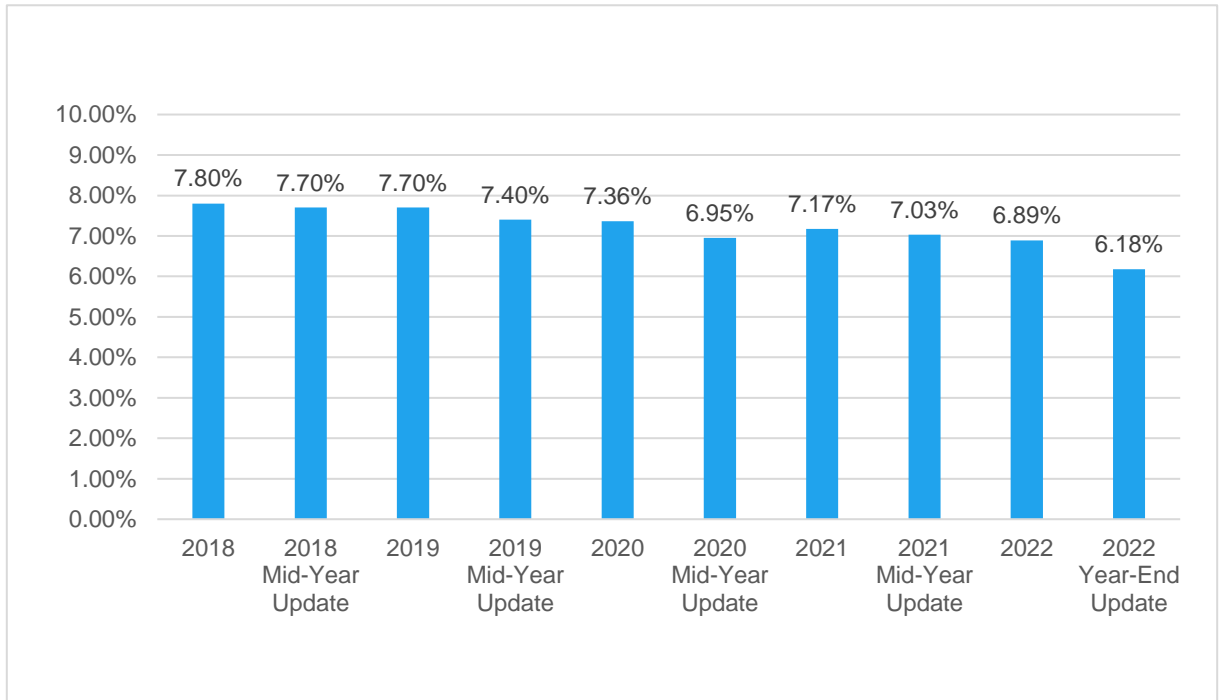
Medical PPO



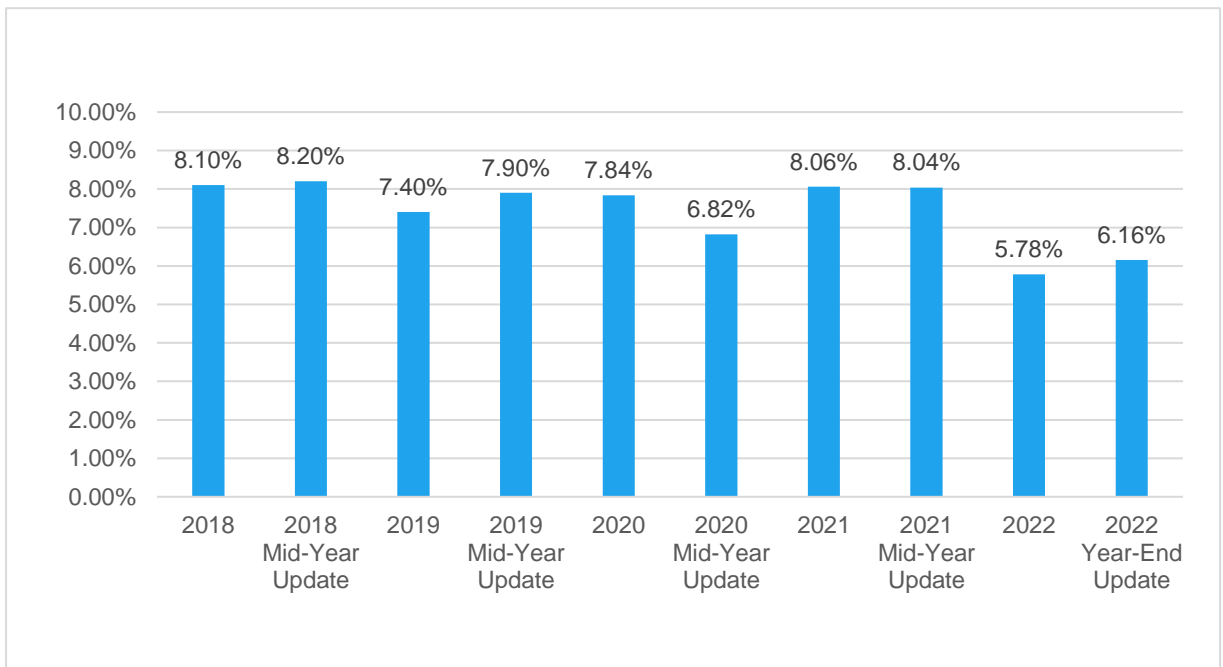
Medical POS



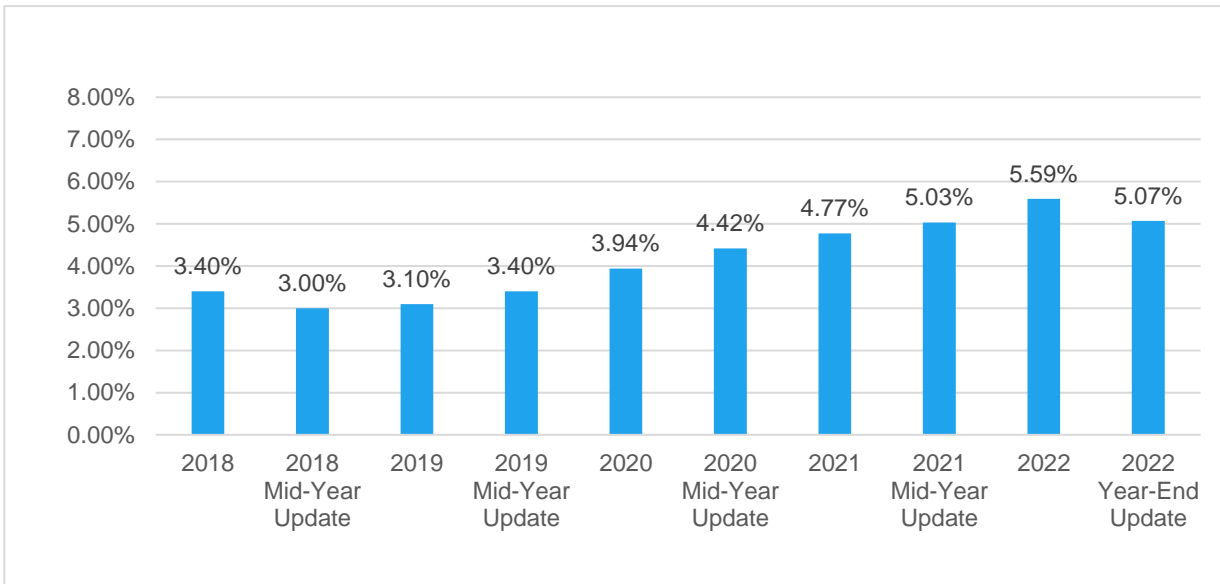
Medical HMO



High deductible consumer driven (with \$1500 deductible & Rx)



Medicare supplement (without Rx coverage)



Prescription drug trends

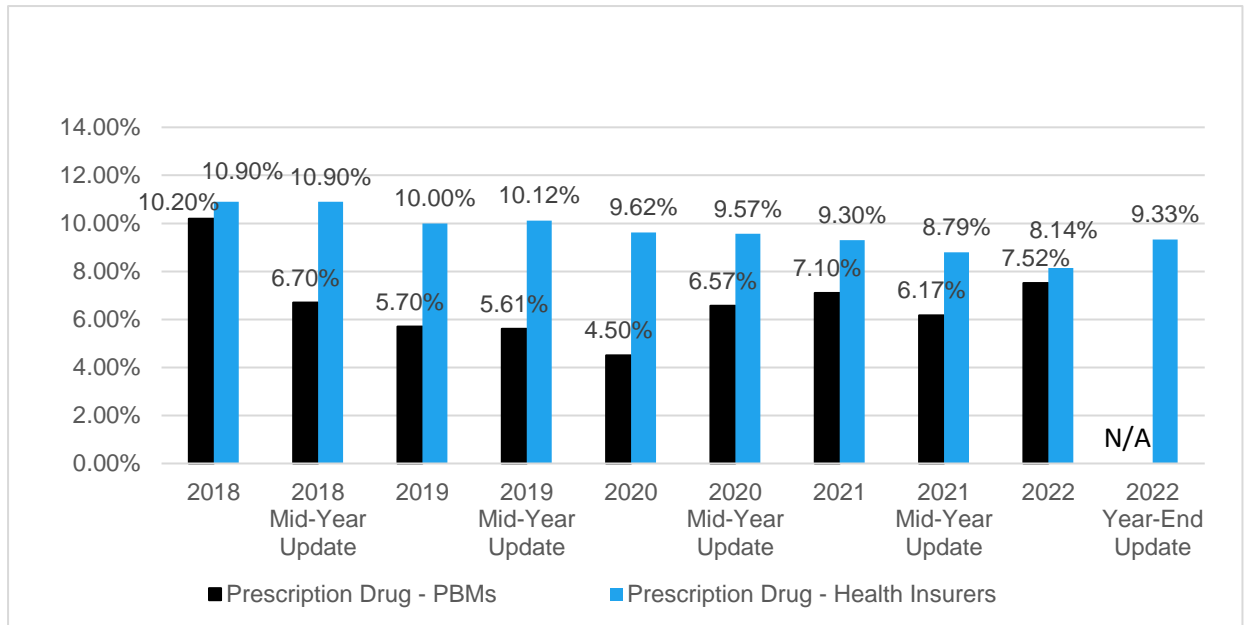
Health insurers reported a weighted average prescription drug trend of 9.3% – up from 8.1% from the prior survey. Increases in specialty drug utilization and cost were cited as contributing to the increase. Some respondents cited mandated benefits as an additional factor.

Factors contributing to drug trends exceeding general inflationary increases include the following:

- The increase in number and usage of pharmaceutical products that improve the quality of life and/or enhance lifestyles.
- Aggressive marketing campaigns directed towards consumers are designed to motivate consumers to demand prescriptions for specific drugs.
- Increase in the number and in the usage of high-cost gene therapy, biotech drugs and other specialty medications.
- Drug manufacturers establishing drug prices to help them recover their costs for research and development expenses, as well as to maintain or improve their profit margins.
- Some drug manufacturers aggressively increasing the price of their generics. While the resulting price is still cheaper than that of the comparable brand, the price increase can be significant.
- Drug manufacturer coupon programs that promote use of higher cost branded drugs in lieu of lesser expensive alternatives.

We did not report PBM Rx trends due to insufficient responses.

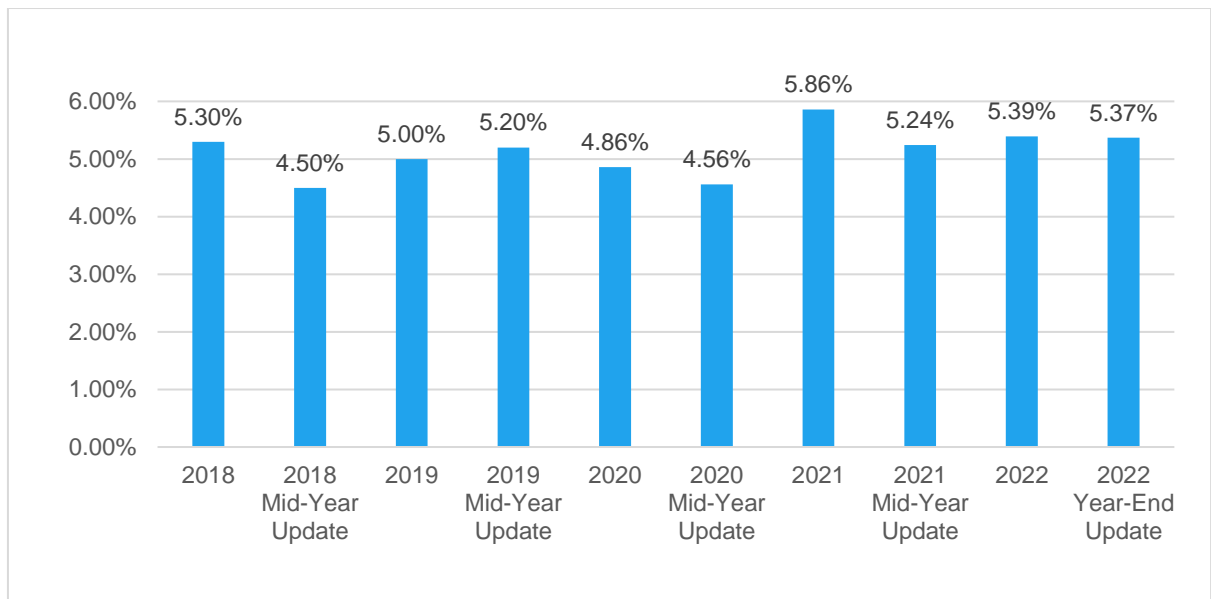
Prescription drug — PBMs vs. health insurers



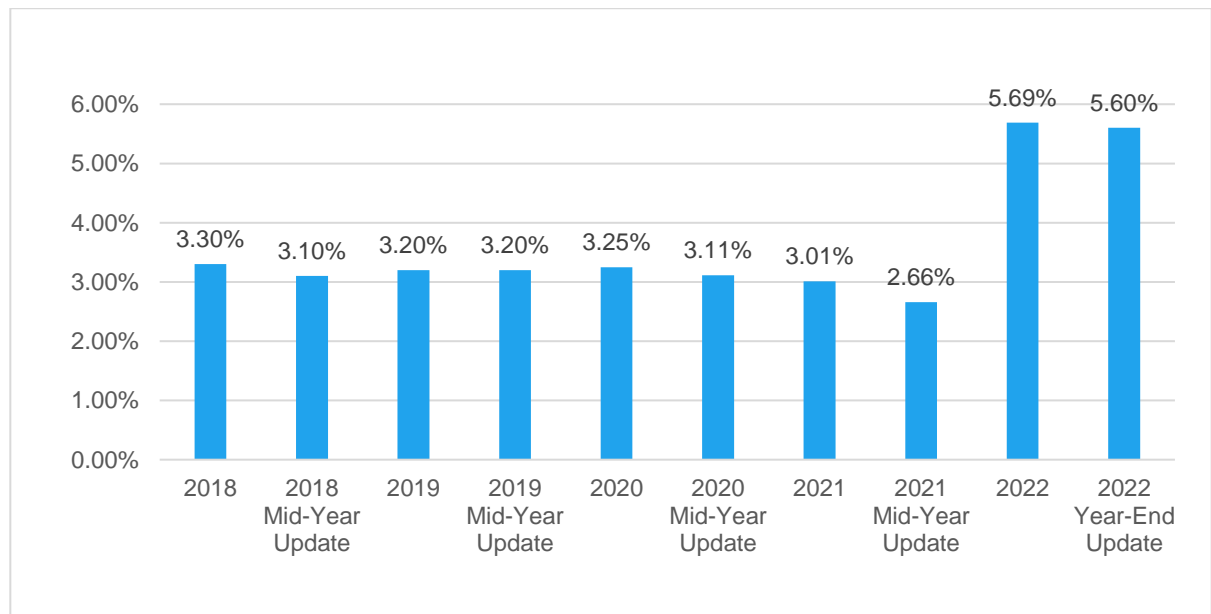
Dental trends

Dental insurers reported weighted average dental trends ranging from 4.1% for DMOs to 5.6% for Scheduled Plans. While these trends are consistent with those reported in the prior survey, a number of respondents cited negotiated rates with dentists as being the reason for their changing trend (whether up or down). While only 4 insurers provided Scheduled trend factors, this is the second survey reporting a weighted average trend in the 5.6-5.7% range, up from trends in the 3% range in prior surveys.

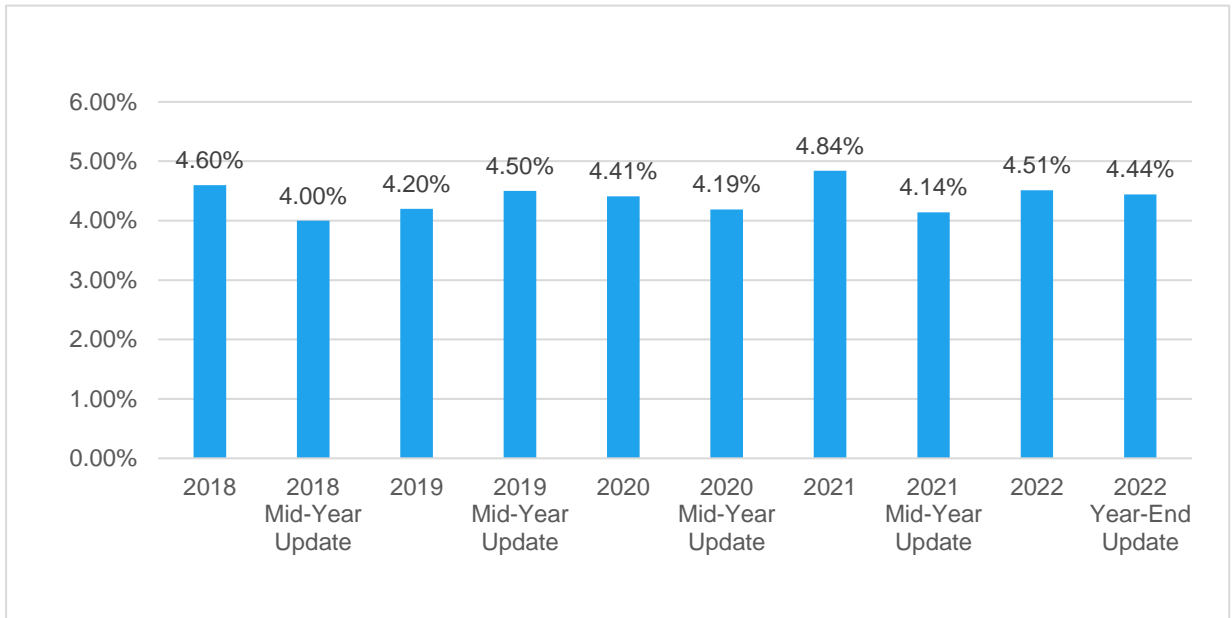
Dental (reasonable and customary)



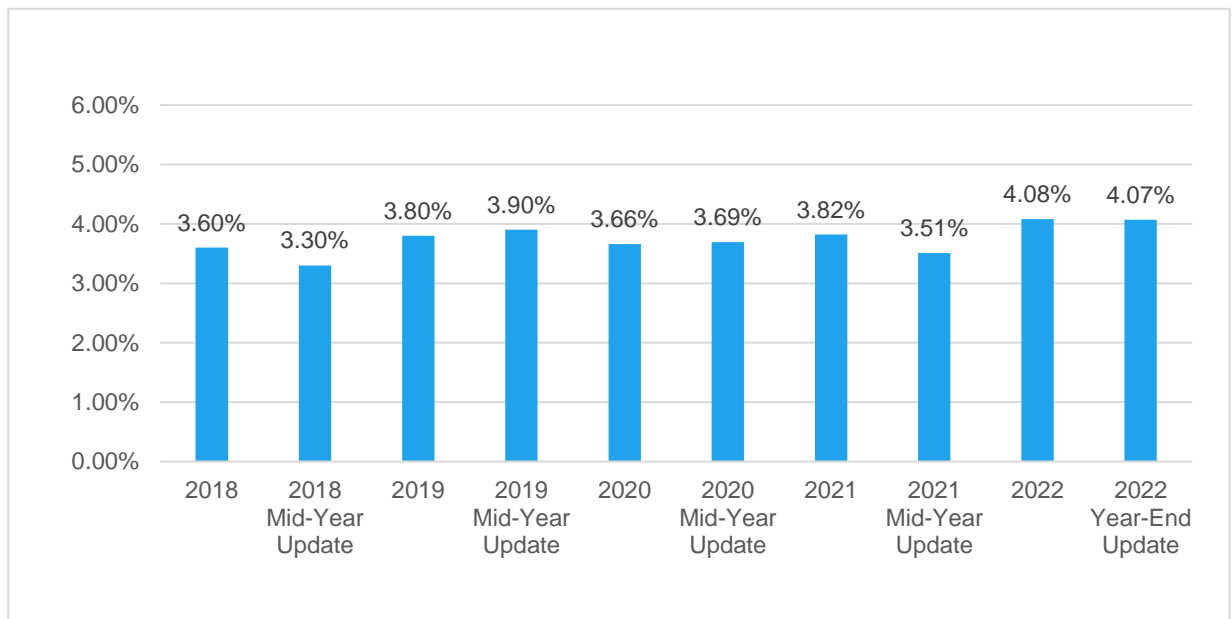
Dental (scheduled)



Dental PPO

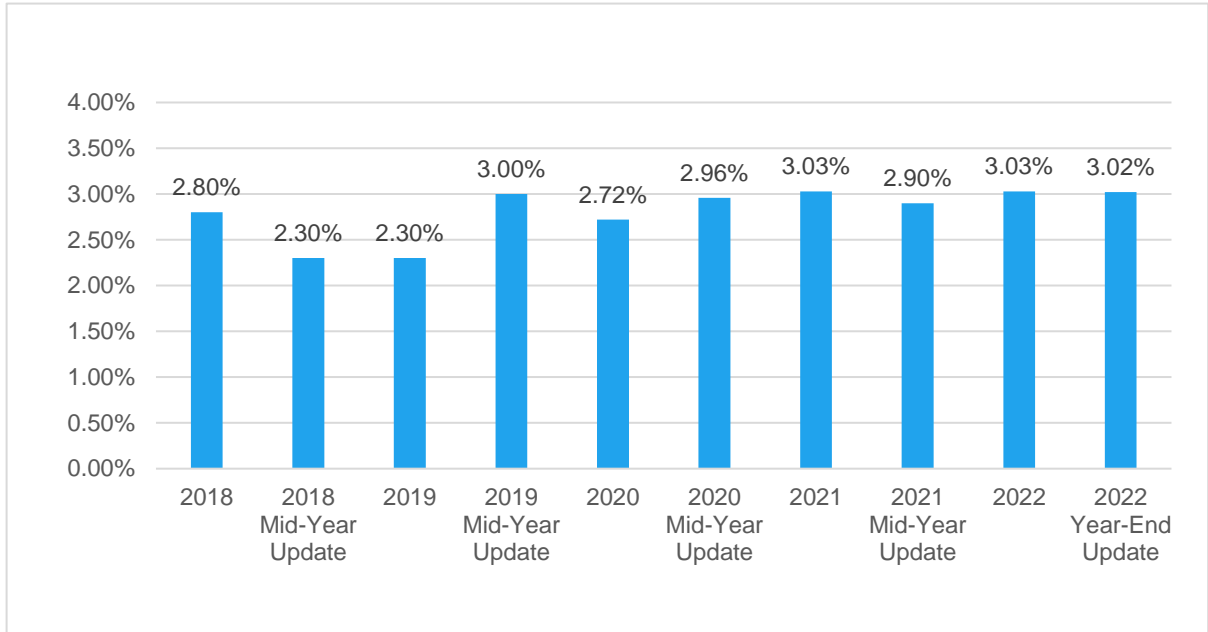


Dental HMO

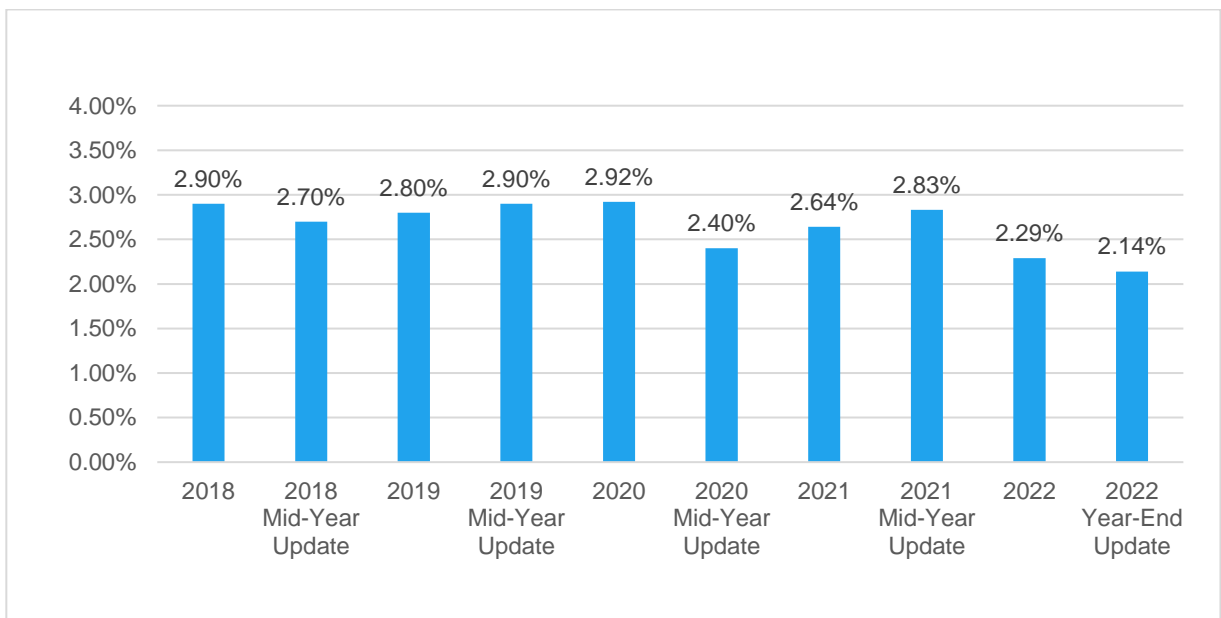


Vision trends

Vision (reasonable and customary)



Vision (scheduled)



Appendix — Distribution of trend rates

Medical trend rates

Medical

PPO		
Greater than or equal to	But less than	Percentage of respondents
0.00	1.00	1.2%
1.00	2.00	1.2%
2.00	3.00	3.7%
3.00	4.00	1.2%
4.00	5.00	4.9%
5.00	6.00	13.6%
6.00	7.00	40.7%
7.00	8.00	17.3%
8.00	9.00	3.7%
9.00	10.00	7.4%
10.00	11.00	2.5%
11.00		2.5%
Total		100.0%

POS		
Greater than or equal to	But less than	Percentage of respondents
0.00	1.00	1.6%
1.00	2.00	1.6%
2.00	3.00	4.7%
3.00	4.00	1.6%
4.00	5.00	7.8%
5.00	6.00	14.0%
6.00	7.00	36.0%
7.00	8.00	18.8%
8.00	9.00	10.9%
9.00	10.00	1.6%
10.00		1.6%
Total		100.0%

HMO		
Greater than or equal to	But less than	Percentage of respondents
	4.00	4.5%
4.00	5.00	15.9%
5.00	6.00	25.0%
6.00	7.00	22.7%
7.00	8.00	15.9%
8.00	9.00	4.5%
9.00	10.00	9.1%
10.00		2.3%
Total		100.0%

High deductible consumer driven		
Greater than or equal to	But less than	Percentage of respondents
0.00	1.00	3.7%
1.00	2.00	0.0%
2.00	3.00	14.8%
3.00	4.00	3.7%
4.00	5.00	7.4%
5.00	6.00	0.0%
6.00	7.00	18.5%
7.00	8.00	22.2%
8.00	9.00	11.1%
9.00	10.00	11.1%
10.00		7.4%
Total		100.0%

PPO

Responding: 81

Weighted average: 6.76

Simple average: 6.60

POS

Responding: 62

Weighted average: 6.16

Simple average: 6.24

HMO

Responding: 44

Weighted average: 6.18

Simple average: 6.25

High deductible consumer driven

Responding: 27

Weighted average: 6.16

Simple average: 6.48

Medicare supplement

Medicare supplement without Rx coverage		
Greater than or equal to	But less than	Percentage of respondents
2.00	3.00	11.5%
3.00	4.00	19.2%
4.00	5.00	26.9%
5.00	6.00	19.2%
6.00	7.00	19.2%
7.00	8.00	3.8%
Total		100.0%

Medicare supplement without Rx coverage

Responding: 24

Weighted average: 5.07

Simple average: 4.67

Prescription drug trend rates

Health insurers		
Greater than or equal to	But less than	Percentage of respondents
	5.00	4.8%
5.00	6.00	19.0%
6.00	7.00	4.8%
7.00	8.00	2.4%
8.00	9.00	7.1%
9.00	10.00	19.0%
10.00	11.00	16.7%
11.00	12.00	7.1%
12.00	13.00	7.1%
13.00		11.9%
Total		100.0%

Health insurers

Responding: 42

Weighted average: 9.33

Simple average: 9.47

Dental trend rates

Reasonable & customary		
Greater than or equal to	But less than	Percentage of respondents
	3.00	5.6%
3.00	4.00	27.8%
4.00	5.00	11.1%
5.00	5.50	44.4%
5.50	6.00	5.6%
6.00		5.6%
Total		100.0%

Dental PPO		
Greater than or equal to	But less than	Percentage of respondents
	2.00	3.8%
2.00	3.00	7.7%
3.00	4.00	26.9%
4.00	5.00	19.2%
5.00		42.3%
Total		100.0%

Reasonable & customary

Responding: 18

Weighted average: 5.37

Simple average: 4.31

Dental PPO

Responding: 26

Weighted average: 4.44

Simple average: 4.03

Scheduled		
Greater than or equal to	But less than	Percentage of respondents
3.00	4.00	25.0%
4.00	5.00	25.0%
5.00		50.0%
Total		100.0%

Dental HMO		
Greater than or equal to	But less than	Percentage of Respondents
	3.00	33.3%
3.00	4.00	16.7%
4.00	5.00	33.3%
5.00		16.7%
Total		100.0%

Scheduled

Responding: 4

Weighted average: 5.60

Simple average: 4.55

Dental HMO

Responding: 6

Weighted average: 4.07

Simple average: 3.42

Vision trend rates

Reasonable & customary		
Greater than or equal to	But less than	Percentage of respondents
	1.00	15.4%
1.00	2.00	46.2%
2.00	3.00	7.7%
3.00	4.00	30.8%
Total		100.0%

Scheduled		
Greater than or equal to	But less than	Percentage of respondents
	2.00	71.4%
2.00	3.00	14.3%
3.00		14.3%
Total		100.0%

Reasonable & customary

Responding: 13

Weighted average: 3.02

Simple average: 1.59

Scheduled

Responding: 14

Weighted average: 2.14

Simple average: 1.67

Participating organizations

Aetna	Cigna Kentucky	Highmark Blue Cross Blue Shield
BCBS of Alabama	Cigna Louisiana	Highmark Blue Shield
BCBS of Arkansas	Cigna Maine	Highmark BCBS Delaware
BCBS of Arizona	Cigna Maryland	Highmark BCBS West Virginia
BCBS of Illinois	Cigna Massachusetts	Highmark BCBS West New York
BCBS of Kansas City	Cigna Michigan	Highmark BCBS Northeast New York
BCBS of Louisiana	Cigna Minnesota	Kaiser Permanente CO
BCBS of Massachusetts	Cigna Mississippi	Kaiser Permanente GA
BCBS of Michigan	Cigna Missouri	Kaiser Permanente Hawaii
BCBS of Minnesota	Cigna Montana	Kaiser Permanente Mid-Atlantic
BCBS of Montana	Cigna Nebraska	Kaiser Permanente NC
Horizon BCBS of New Jersey	Cigna Nevada	Kaiser Permanente SC
BCBS of North Carolina	Cigna New Hampshire	Kaiser Permanente NW
BCBS of New Mexico	Cigna New Jersey	Kaiser Permanente Washington
BCBS of Oklahoma	Cigna New Mexico	Optima Health
BCBS of Texas	Cigna New York	PHPNI of Northern Indiana
BCBS of Vermont	Cigna North Carolina	Premera Blue Cross - Alaska
Blue Shield of California	Cigna North Dakota	Premera Blue Cross - Washington
Blue Care Network of Michigan	Cigna Ohio	UCCI Dental
Cigna National	Cigna Oklahoma	United Healthcare
Cigna Alaska	Cigna Oregon	VSP
Cigna Alabama	Cigna Pennsylvania	Wellmark Alliance Select
Cigna Arizona	Cigna Rhode Island	Wellmark Blue Select
Cigna Arkansas	Cigna South Carolina	
Cigna California	Cigna South Dakota	
Cigna Colorado	Cigna Tennessee	
Cigna Connecticut	Cigna Texas	
Cigna Delaware	Cigna Utah	
Cigna Florida	Cigna Vermont	
Cigna Georgia	Cigna Virginia	
Cigna Hawaii	Cigna Washington	
Cigna Idaho	Cigna West Virginia	
Cigna Illinois	Cigna Wisconsin	
Cigna Indiana	Cigna Wyoming	
Cigna Iowa	Everence Financial	
Cigna Kansas	Florida Blue	

About Buck

Buck is an integrated HR, pensions, and employee benefits consulting, technology, and administration services firm. Founded more than 100 years ago as an actuarial consultancy committed to establishing sound retirement plans, we've evolved to serve HR departments and trustees across the health, wealth, and career spectrum. Our areas of focus range from health and wellbeing to retirement and investment to pension and benefits administration.

With the ultimate goal of securing the futures of our clients' employees and members, we develop tech-enabled programs that engage and drive individual and organizational growth. Committed to the needs of today's dynamic workforce, our people-first approach empowers the world's most forward-thinking organizations to protect the physical and financial wellbeing of their employees and members and improve how their people work and live.

