

MasterClass Series

Renewal Planning Blind Spot: Pricing Uncertainty

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Welcome

Thank you for investing your time in the Self-Funding MasterClass.

Planning for *pricing* gives you *control* of the narrative.

Let's *rise* to understand.

Planning is Dynamic & Ongoing

*Renewal **Doesn't Start** with Renewal Delivery*

- Number in budget
- See performance
- Know market
- Plan for budget number or variance

“He who fails to plan, is planning to fail.”

- Winston Churchill

Understanding the Environment

Health Plan Financing Needs to Focus on *Key Components of Cost/Risk*

Cost is Real

- Trend is continuing & increasing
- Will continue for remainder of your consulting career

Risk is Real

- Harder to quantify
- Much more important
- Employers mistakenly absorb risk for cost
- Risk is not where to save on costs

The Healthcare System Isn't Perfect

*Employer-Sponsored Health Care is **Expensive***

- Employer costs will continue to rise
- Employees expectations for benefits
- Change creates disruption

“Face reality as it is, not as it was or as you wish it to be.”

- Jack Welch

Optimal Cost *Position*

Employer Costs will Continue to Rise

Claim Trend

- Provider Contracting (4%)
- Morbidity (2%)
- Intensity (1%)
- Innovation (2%)
- Utilization (1%)
 - Artificial Intelligence

Optimal Cost *Position*

Employer Costs will Continue to Rise

Provider Contracting

- Provider system consolidation
- Labor costs
- Clinical labor costs to rise by **300%** over next three years

The Gathering Storm:
*“The Transformative Impact of
Inflation on Healthcare Sector”*

McKinsey/Oxford, September 2022

Optimal Cost *Position*

Employer Costs will Continue to Rise

Innovation

GLP-1 Costs

- \$30 - \$40 PEPM
 - 2/3 for Medical Necessity (Ozempic)
 - 1/3 Lifestyle (Wegovy)
- Oral forms approved 1Q 2026

Optimal Cost *Position*

Employer Costs will Continue to Rise

- Carriers are using double-digit internal trend in 2026
- Upcoming Medicare shift
 - 10,000 Baby Boomers turn 65 *every day*
- Medicare eligibility will grow by 1/3 by 2030
 - National average = 212% of Medicare

Optimal Cost *Position*

Self-funding *does not solve* employer's health care costs.

Self-funding gives the **best platform** to introduce solutions to manage those costs long-term.

Self-funding introduces **risk that must be addressed first**, then transition to cost containment through effective plan design.

Benefits of the **Self-Funding** Model

Advantages of Self-Funding Over Fully Insured

- A – Admin Savings
- T – Tax Savings (lower state premium taxes)
- U – Underwriting Gains Retained Through Surplus
- T – Transparency = Seeing Where Every Dollar Goes

Cost Containment Focus

- Network Efficiency & TPA Partnership
- Plan Design / Facility Steerage
- Dependent Strategy
- Drug Plan Evaluation
- Data Analytics (Morbidity)
- Third Party Vendors
- Value as Consultant in Delivering Solutions/Not Shopping

Optimal Risk *Protection*

Risk is Real

- Harder to quantify
- Much more important
- Employers mistakenly absorb risk for cost
- Risk is not where to save on costs
- Jumping is risky
- Risk is growing & so is 'risk' to employers

Optimal Risk *Protection*

Gene/Cell Therapy

- Zolgensma – Spinal Muscular Atrophy (\$2.8M)
- Zynteglo – Gene-Beta Thalassemia (\$2.8M)
- Skysona – Gene-Cerebral Adrenoleukodystrophy (\$3M)
- Roctavian – Hemophilia (\$2.5M)
- 10 – 20 New Therapies per Year through 2030

Pricing & Risk for Employers

Pre-Renewal *Planning*

Preparing Clients

Understand Trend & Risk

- Know it's NOT YOUR FAULT
- Find the best risk protection program available

Optimal Risk *Protection*

Self-Funding Platform

- Claim Payment
- Realistic Aggregate Protection
- Transparency of Performance
- Complete Employer Protection
 - Renewable
 - No New Lasers
 - Rate Caps
- Spreadsheets & Jumping Introduces Risk
- Experience & Relationship with Stop-Loss Carrier
- “Uncomparable” Quote

Renewal Time

*Properly **Prepared** Employer Group*

- Anticipates Risk & Trend
- Protection in Preparation for the Risk
- **Not Shopping but Acting on the Plan**
 - ☆ Multi-Year Plan for Controlling Costs
 - ☆ Known Actions Around Plan Design & Evaluation
 - ☆ Third Party Vendor Solution

Renewal Time

Properly Prepared Employer Group

Renewal Single-Digit

- Plan Design Option 1
- Cost Solution Option 1
- Contribution Strategy 1

Renewal 10% to 20%

- Plan Design Option 2
- Cost Solution Option 2
- Contribution Strategy 2

Renewal over 20%

- Plan Design Option 3
- Cost Solution Option 3
- Contribution Strategy 3

Renewal Time

Properly Prepared Employer Group

- CFO & HR leadership already aware of plan from earlier planning meetings
- Will not be surprised by number
- Have an aligned strategy with consultant for beyond the renewal

Big Takeaway: Shopping vs. Consulting

Spreadsheets are Bandages

- Does not stop the bleeding

Lead, Don't Agree

- Yes &...
- Let's see how that could benefit your plan & consider disruption
- Can we accomplish that a different way?
- Not a conversation for renewal delivery
- Should be part of pre-renewal plan

*Consultants
have
more value
than
shoppers*

Thank You!



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