

2023 COST OF CARE REPORT

Medical trends that affect the cost of BCBSND coverage





Our desired outcome for this report is a conversation

Sharing the most significant trends with you helps us work together to understand cost drivers, challenge where necessary and shift course where we can.

Medical cost trend drivers and definition

Medical costs are driven by many factors including, but certainly not limited to, price inflation, utilization, increasing regulations, rising chronic conditions and obesity, and specialty drug proliferation.

By definition, medical cost trend is the percentage increase in the cost to treat patients from one year to the next, assuming benefits remain the same. Self-funded employer groups feel the impact of cost trends more immediately through direct costs, but eventually, these costs can impact premiums across all employers.

This report provides a high-level overview of the top drivers affecting BCBSND business groups and our mitigation strategies to drive more efficient care, more affordable coverage and more satisfied employees.

Top Medical Cost Trends in 2023

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Chronic condition management

What's driving this trend?

Chronic conditions have long been on the rise, but two factors affecting the current medical cost trend include chronic condition prevalence and disengagement in care.

Prevalence

In their National Health Interview Survey (NHIS) data, the Centers for Disease Control and Prevention (CDC) reports:

- More than half (51.8%) of U.S. adults have a chronic condition—arthritis, cancer, chronic obstructive pulmonary disease, coronary heart disease, current asthma, diabetes, hepatitis, hypertension, stroke, and weak or failing kidneys
- More than a quarter (27.2%) of U.S. adults have multiple chronic conditions¹

Multiple chronic conditions not only increase treatment complexity but they also increase treatment costs. Less than 5% of the U.S. population accounts for 50% of health care spending.²

The prevalence of chronic diseases is expected to continue to increase for all age groups over the next several decades.

¹ Centers for Disease Control and Prevention, https://www.cdc.gov/pcd/issues/2020/20_0130.htm

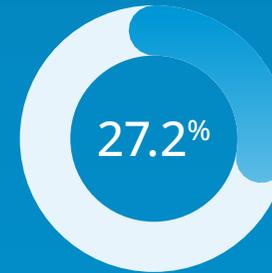
² Trends in the Concentration and Distribution of Health Care Expenditures in the US, 2001-2018 Health Policy | JAMA Network Open | JAMA Network



51.8% of U.S. adults have a chronic condition



Less than 5% of the U.S. population accounts for 50% of health care spending



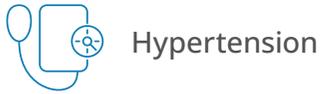
27.2% of U.S. adults have multiple chronic conditions

Chronic disease is expected to continue to worsen for all age groups over the next several decades.

Chronic condition management (cont.)

BCBSND Member Conditions

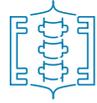
The cost of care for a person with a chronic condition is almost 10 times the cost of a person with no chronic conditions. Among BCBSND members, the most prevalent claims in the last 12 months were associated with these conditions:



Hypertension



Asthma



Low back pain



High cholesterol



Chronic obstructive pulmonary disease (COPD)



Coronary artery disease



Depression



Diabetes



Congestive heart failure

Disengagement

Engagement is key to managing chronic conditions, but for many reasons, people have become disengaged in their care. Undertreated and untreated chronic disease ultimately leads to more severe conditions with more intervention required or untimely death.

Chronic condition management (cont.)

Mitigation Strategies

BCBSND cost-management strategies

Population health management—Through our robust population health program, we analyze membership data to identify the top three conditions of a specific population (e.g., an employer group) and recommend interventions, programs and tools to support those members.

Care management program—For those members with serious illnesses, injuries or disabilities, BCBSND nurse care managers help them succeed with their treatment plans at no additional cost.

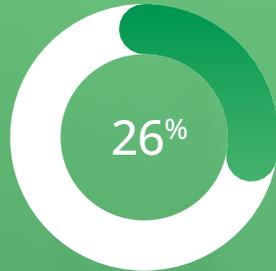
Disease-specific programming and prevention—One program available to members is a digital tool to help take control before conditions become diseases. Through our vendor partner, Omada, BCBSND offers an online tool that provides a customized, targeted approach for diabetes prevention.

What employers can do

Talk with your BCBSND account representative to connect you with a wellness consultant. They can help you understand the care management and wellness benefits most applicable to your group, most of which are already included in your coverage.

Another proactive step you can take is to encourage your employees to establish a primary care provider (PCP)—a “regular doctor” who helps members maintain health, prevent disease and get the right care at the right time. A PCP can include any mid-level/advanced practice provider like a nurse practitioner or physician assistant.

Behavioral health, substance use



Nearly 26% of North Dakotans reported having had behavioral health symptoms in the past year.¹

What's driving this trend?

The behavioral health and substance use crisis is on the minds of nearly every North Dakota employer. The crisis shows no signs of waning.

BCBSND members are similar to the national trends. North Dakota ranks right in the middle of the nation for prevalence of behavioral health conditions for both youth and adults.

- In a 2021 survey, nearly 26% of North Dakotans reported having had behavioral health symptoms in the past year¹
- Among BCBSND members, the highest number of claimants ranged in age from 0-19, accounting for 30% of all behavioral health care spending
 - Additionally, that group had nearly twice the non-behavioral health services and twice the costs compared to the next age group, 20-29

Among BCBSND members, we're seeing:

- Behavioral health claims increased 26.5% from 2020 to 2022
- The two age bands with the most increase are:
 - 30-50 year olds with a 33.3% increase
 - 19 and under at a 24.5% increase

¹ 2021 National Survey on Drug Use and Health (NSDUH): Model-Based Estimated Prevalence For States; SAMHSA, Center for Behavioral Health Statistics and Quality

Behavioral health, substance use (cont.)

Behavioral health has a direct correlation to increased medical spending. The Canadian Mental Health Association states, “Mental health and physical health are fundamentally linked. People living with a serious mental illness are at higher risk of experiencing a wide range of chronic physical conditions. Conversely, people living with chronic physical health conditions experience depression and anxiety at twice the rate of the general population.”²

In addition to health care cost implications, employers are challenged by decreased productivity and increased absenteeism associated with behavioral health and substance use.

Telehealth and online therapy for behavioral health and substance use

Of all the BCBSND behavioral health claims, 18% occurred via telehealth. BCBSND covers any behavioral health and substance use services that can be done in an office setting when done via telehealth.

Telehealth—The discreet nature of telehealth visits has greatly reduced the stigma around seeking behavioral health services. In 2022, the Kaiser Family Foundation reported³ that while other outpatient care visits have leveled off, behavioral health and substance use visits have remained elevated. We’ll continue to identify ways members can benefit from this medium.

Online behavioral therapy on demand—Through our partner, Learn to Live, we’re offering members online cognitive behavioral therapy, including comprehensive clinical assessments, personalized clinician coaching, and self-directed programs for depression, stress and anxiety, social anxiety, insomnia, and substance use. Learn to Live also offers members a podcast.

² <https://ontario.cmha.ca/documents/the-relationship-between-mental-health-mental-illness-and-chronic-physical-conditions/>

³ <https://www.kff.org/coronavirus-covid-19/issue-brief/telehealth-has-played-an-outsized-role-meeting-mental-health-needs-during-the-covid-19-pandemic/>



Behavioral health, substance use (cont.)

Mitigation Strategies

BCBSND cost-management strategies

Reducing stigma—At BCBSND, we're participating in the nationwide movement to normalize the conversation about behavioral health. As we collectively reduce the behavioral health stigma, we expect to see behavioral-health-related claims increase, and we expect those claims to deflect more serious health issues later.

We are engaging members sooner by working with providers to incorporate behavioral health screening holistically throughout the health care system. We are also engaging in preventive measures to care for those in our community by partnering with the Boys and Girls Clubs of America, launching the Strike Out the Stigma initiative and investing in other critical projects.

Removing barriers to care—BCBSND is increasing access to behavioral health services through expanded coverage and policy changes. For example, we added peer support and removed precertification requirements for partial hospitalization and applied behavior analysis therapy.

Strong mental health provider representation—The BCBSND network includes more than 1,000 behavioral health providers across North Dakota and 100% of the state's psychiatrists. In addition, BCBSND hosts an advisory group to facilitate communication with behavioral health professionals.

Using telehealth in the fight against mental health issues—While virtual visits are relevant for dozens of conditions, our data tells us members are comfortable with this discreet mode of care for behavioral health issues.

What employers can do

Have dedicated conversations and efforts about how you can support your employees with behavioral health challenges.

Regularly communicate behavioral health benefits—online behavioral health therapy through Learn to Live, telehealth visits, primary care visits and other prescribed care.

Talk with your BCBSND account representative to connect with a health and wellness expert who can advise programming based on your circumstances.

Specialty Rx

What's driving this trend?

Specialty drugs are high-cost prescription medications that need special handling and monitoring. They're used to treat complex chronic conditions.

Specialty drugs are often used to treat conditions like:

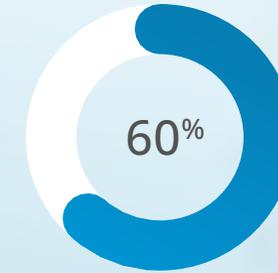
- Cancer
- Rheumatoid arthritis
- Multiple sclerosis
- Psoriasis
- Hemophilia
- HIV
- Inflammatory bowel disease
- Hepatitis C

Specialty drugs offer exciting, cutting-edge treatments that promote a better standard of living and potentially prevent further health decline. While there are just a handful of drugs in this category today, it's the **fastest-growing area in pharmaceutical treatment**. While the treatments are cutting-edge, the prices will impact everybody's spending trend.

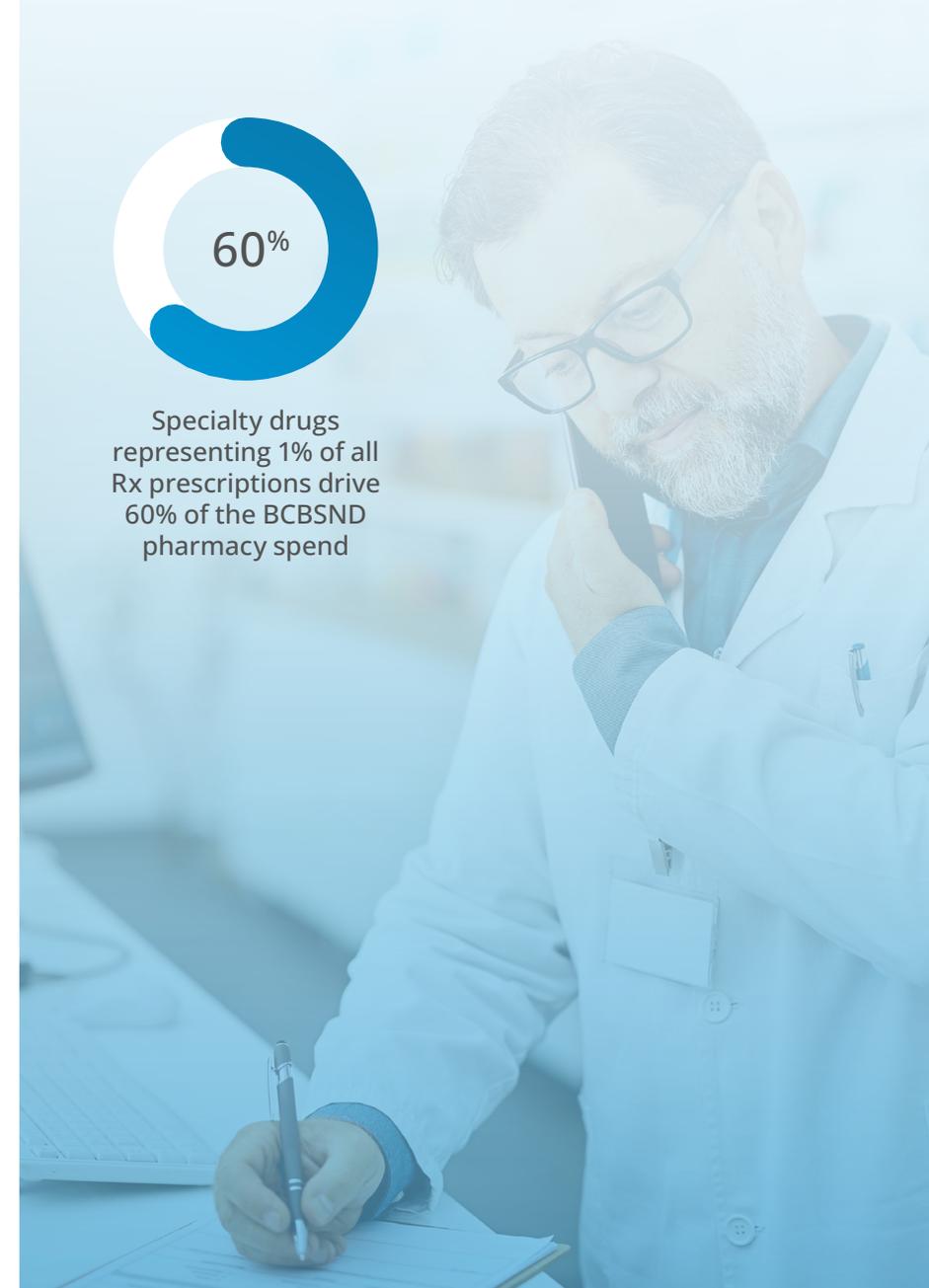
The number of specialty drug claims is extremely small—just 1% of BCBSND's book of business. But the price impact is disproportionately large. **Specialty medicines now account for 60% of total spending.**

For BCBSND members, the three top areas for specialty medication spending include:

1. Autoimmune disorders
2. Oncology
3. Multiple sclerosis



Specialty drugs representing 1% of all Rx prescriptions drive 60% of the BCBSND pharmacy spend



Specialty Rx (cont.)

What we're watching

- The drug approval pipeline is full of expensive specialty drugs. Specialty drugs are expected to comprise 80% of all FDA approvals in 2023.
 - Existing specialty drugs are being considered to treat additional conditions than those they were originally approved to treat. Looking at recent data in the autoimmune category alone, we're seeing:
 - New specialty drugs in the autoimmune category
 - 30+ new indications for existing drugs and 20 more are expected
 - Cell & gene therapies represent breakthrough science with the ability to treat and potentially cure rare diseases with a single dose; however, the prices are up to \$3.5 million with costs expected to rise in 2024.
- The FDA has approved several biosimilar drugs, with multiple becoming available for use in 2023. Biosimilar drugs are a biologic that is highly similar to and has no clinically meaningful differences to FDA-approved biologics. They generally cost less and are safe, effective alternatives to brand products.
 - Long-awaited Humira biosimilars will enter the market in 2023 as some of the first FDA-approved biosimilars processed on the pharmacy benefit.
 - We have just announced that several biosimilars are included in the BCBSND drug list.

As these trends emerge, we're poised to proactively create management strategies that align with clinical recommendations.

Key terms to know:

Biosimilar vs generic drugs¹

When it comes to biosimilars and generics, it's important to remember they're both alternative versions of brand-name drugs. They can be manufactured after the brand-name drugs' patents have expired.

A generic has the same active ingredients as its brand-name counterpart. An FDA approval of a generic means the generic manufacturer has shown, with clinical studies, that the generic performs the same way in the human body as the brand-name drug. The generic drug is equivalent to the brand-name drug in dosage, form, safety, strength, route of administration, quality and performance.²

A biosimilar won't be identical to its reference product. It will be similar. But similar still gets the job done. Prescribers and patients should have no concerns about using biosimilar products versus their reference products.

Biosimilars have a separate approval process and are required to provide the FDA with different documentation versus generic drugs.

Once approved by the FDA, biosimilars and their biologic reference products have been shown to have no clinically meaningful differences in dosage, form, safety, strength, route of administration, purity or potency.³

¹Ground yourself in the basics about biosimilar drugs, Part 1, 3/14/23, Prime Therapeutics. Accessed at <https://www.primetherapeutics.com/news/ground-yourself-in-biosimilar-basics/>

²Overview and basics. 9/13/17. US FDA. FDA.gov. Accessed at: <https://www.fda.gov/drugs/generic-drugs/overview-basics>

³Abbreviated new drug application (ANDA). FDA. Updated May 22, 2019. Accessed at: <https://www.fda.gov/drugs/types-applications/abbreviated-new-drug-application-anda>

Specialty Rx (cont.)

Mitigation Strategies

BCBSND cost-management strategies

Financial assistance—We connect members with network, pharmacy, manufacturer and clinical assistance programs.

Utilization management with a holistic approach—Specialty drugs are typically part of a complex treatment plan. We look holistically at all the utilization pieces to see how they co-exist and evaluate whether the combination is achieving health outcomes and ultimately preventing further adverse medical events for those members.

Our utilization management programs saved an estimated \$4.50 per member per month in 2022 for a total savings of \$13 million.

IntegratedRx®—Oncology members can get their oncology medicine through their clinic’s integrated pharmacy, which offers direct lines of communication between the provider and pharmacist. This end-to-end coordination across the entire treatment pathway creates a better member and provider experience.

Improved integration means patients can begin treatment up to two days faster. And it helps plan sponsors save at least \$10-14K per patient.¹

Biosimilar strategies—As part of our total drug management strategy, we’re supporting the evidence-based use of FDA approved biosimilars and will continue to monitor the biosimilar pipeline to make future recommendations designed to accommodate market access and client needs.

Continued monitoring—We’re constantly building clinical engines to leverage our data across both medical and pharmacy benefits to ensure optimal member outcomes and evaluate cost appropriateness for employers.

Medication adherence programs—Medical professionals design and implement specialty drug adherence programs to ensure their successful use.

Network options—We offer broad network access to all medications, including specialty medications.

¹ 2019 National Community Oncology Dispensing Association, Inc. (NCODA) Study

Specialty Rx (cont.)

Formulary Management—BCBSND works to provide a comprehensive selection of medically appropriate and cost-effective medications to our members. Drugs are selected based on safety, efficacy, unique properties and market considerations (such as cost).

HighTouchRx®—A dedicated team of clinical pharmacists identify actionable savings opportunities by applying analytics. Pharmacists provide outreach to help optimize drug therapy, including specialty drugs offered by BCBSND.

MedsYourWay®—Home Delivery offers a consumer-centric ordering and home delivery experience for non-specialty medications. The MedsYourWay discount pricing is built into the Amazon Pharmacy shopping experience to offer members the lowest available price for their medications.

Mitigation Strategies

What employers can do

Understand your pharmacy spend and the pharmacy programs available for your specific circumstances and take advantage of them.

Consider reevaluating your formulary, where possible.

Talk with your BCBSND account representative for more details.

Key terms to know:

Formulary

A list of prescription drugs covered by a prescription drug plan or insurance plan with prescription drug benefits. The BCBSND formulary provides members with broad access to prescription drugs and supplies at a reasonable cost.



Continuing and emerging trends

Data-driven care and collaboration

What we're watching

Health care is shifting to a more data-driven and collaborative industry, where providers are using intelligence to inform decision-making. Sharing data was once only a path to paying claims. It's now used for predictive analytics that influence care delivery for population health management and value-based programs.

But this collaboration isn't solely for providers. Employers are encouraged to seek out their own information and data through resources available to them by providers and insurers. Whether it's diabetes mitigation or pregnancy counseling, gathering the most accurate information is critical.

What we're doing

We're partnering with providers and employers alike to monitor data and trends and identify key cost drivers to ensure an affordable, sustainable health care system in the future. With care management tools like the BCBSND Care Connect mobile care management app and coordinated care teams that help ensure members' needs are met, we are shifting the focus of care to the member rather than their condition. The referrals we receive from local providers allow us to make sure our members are getting the care they need to improve their quality of life and drive down costs.

Our referrals don't just come from providers, though. Many members are taking charge of their own health and well-being through access to information on pregnancy, diabetes, stress management and more—all of which can be found on [BCBSND.com](https://www.bcbnsd.com).

In addition to care management tools, we use data to recognize how the impact of the members' environment affects their health. Whether it's access to healthy foods or transportation to rural hospitals, our teams help connect members with resources that lead to better long-term health outcomes.

Continuing and emerging trends (cont.)

Medical inflation

What we're watching

It's no secret that the cost of living is on the rise. As with any inflation, we are incredibly mindful of the potential impacts to members around medical inflation. The average premium for an employer-provided health insurance policy reached \$22,463 in 2022 (one-third of median household income), nearly triple what it was in 2001.

While it may not seem like it, inflation in the health care industry does tend to follow consumer inflation. But the effects can be delayed, as health care contracts are set with government and commercial payers in advance each year. The cause of this affordability crisis is clear: rising prices for health care services and prescription drugs. The other significant component of costs is utilization—25-30% of health care spending has been estimated to be wasteful. Eliminating unnecessary spending is a critical piece to controlling total costs.

According to the Health Care Cost Institute, health care prices increased from 2016-2020 at roughly double the rate of general inflation, with prices being the primary driver of higher health care spending. Nearly 40% of health systems are seeking to renegotiate contracts with carriers. And, with patents expiring in 2030, pharmaceutical manufacturers may need to recoup up to \$200 billion in lost annual revenue.

What we're doing

Blue Cross Blue Shield of North Dakota and Blue Cross Blue Shield are working with partners, pharmaceutical companies and providers to tackle high costs. Through value-based programs such as BlueAlliance, we've partnered with our providers to create more efficient, effective care with better health outcomes for members.

Tiered network plans help us incentivize primary care and address problems that unnecessarily escalate the cost of care. Preventive care such as screenings and immunizations help maintain quality of life while reducing "big ticket" items like emergency room visits and specialty drugs.

Consumer price index

3.4%

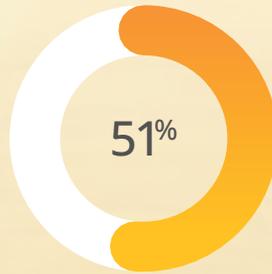
The consumer price index is an index of the variation in prices paid by typical consumers for retail goods and other items.

Medical care prices

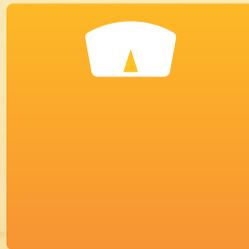
0.5%

Continuing and emerging trends (cont.)

All novel drugs approved in 2023



Over half targeted rare conditions



GLP-1s

Examples: Ozempic, Mounjaro, Saxenda, Trulicity and others

Average monthly list price: \$1,000

Pharmacy trends

What we're watching

Pharmacy spending is growing each year, due in large part to specialty drugs, cell and gene therapies, and biosimilar drugs. The number of specialty drug claims is very small—just 1% of BCBSND's business—yet they account for nearly 60% of total spending.

While there's just a handful of drugs labeled as "specialty," this category continues to be the fastest growing area in pharmaceutical treatment.

Cell and gene therapy—With costs up to \$3.5 million per therapy for certain life-saving solutions, treating rare diseases with cell and gene therapies is incredibly expensive. The use and development of these treatments is growing, with at least 25 new therapies expected on the market by the end of 2024. While the use of these treatments is rare, this has created a volatile situation with increased costs.

Glucagon like peptide-1 (GLP-1)—Demand for these drugs has soared over the past 18 months, with high-profile celebrities crediting these medications for their weight loss. But what are they?

Glucagon like peptide-1, or GLP-1, is a medication that signals the pancreas to increase the production of insulin and slow gastric emptying which, in turn, reduces hunger. These drugs fall into two use categories: diabetes treatment and weight management.

The brand names Ozempic and Mounjaro have become the recommended first-line therapies in treating type II diabetes by the American Diabetes Association. They've also more recently been found to be effective in preventing cardiovascular events.

GLP-1s like Wegovy, Saxenda and Zepbound are used to help with weight loss and weight management in individuals with a body mass index of more than 30 or more than 27 with certain weight-related medical conditions.

But these drugs come with a cost. With a list price of more than \$1,000 per month, GLP-1s can have a profound impact on the overall cost of care.

FDA Approves Many New Drugs in 2023 That Will Benefit Patients and Consumers | FDA

Continuing and emerging trends (cont.)

What we're doing

As specialty drug trends continue to dominate the cost of care, BCBSND is creating management strategies to align with clinical recommendations.

Glucagon like peptide-1 (GLP-1)—While long-term use and efficacy is still being evaluated in the weight-loss space, there are several ways BCBSND is working to manage GLP-1 utilization.

Through prior authorization, the BCBSND team is examining different criteria to support therapies as they relate to diabetes and weight loss products. In addition, teams are looking for members who may not be taking their medications appropriately and engaging their providers when they've been identified.

There are several doses of GLP-1 drugs, so it's not uncommon for patients to have multiple prescriptions on hand at the pharmacy. To ensure members are using the most appropriate dosing, programs like HighTouchRx monitor how members are filling these drugs. If a member is identified as switching among therapies, the dedicated clinical pharmacists make outreach to pharmacies or providers to optimize care.

Cell and gene therapy—As we look at the pipeline and cost of cell and gene therapies, it's important we find solutions to navigate the high cost of these treatments.

Synergie Medication Collective was formed in 2023 by participating BCBS plans, with a focus on improving affordability and access for costly medical benefit drugs—specifically drugs that are injected or infused to treat serious illness.

One such solution is a Cell & Gene Therapy portfolio that BCBSND will implement in 2024, composed of three products:

Synergie Gene+ Risk Protection—Covers costs above a certain threshold to support treatment access and affordability

Synergie Cell & Gene+ Patient Navigation—Manages the cost of treatment by delivering care through high-quality providers contracted at affordable rates

Synergie Gene+ Outcomes—Obtains partial refund amounts from pharmaceutical manufacturers if therapies don't deliver expected outcomes

In the future, these solutions will drive value and increase affordability without buy-up or special enrollment. And when faced with a rare and potentially life-threatening disease, employers can ensure their employees receive the care they need, at a cost that's manageable for both the company and the employee.

Encourage Preventive Care

Increasing use of primary care has a strong ROI

Missed prevention opportunities are a primary driver in U.S. health care costs. Even though most preventive services are covered under public and private health insurance, the National Institute of Health estimates only 8% of Americans undergo routine preventive screenings.¹

Participation in preventive care has been waning for some time, as our U.S. health care system puts its energies toward cures over prevention. In North Dakota, we saw significant drops in routine and preventive care during the pandemic, and some of that care is slow to return to pre-pandemic levels, especially preventive screenings.

Encourage employees to use preventive benefits—Be proactive in communicating and encouraging use of preventive benefits, including wellness visits, screenings and vaccinations.

Encourage use of wellness tools included in your plan. We know 80% of health happens outside the doctor's office. That's why every BCBSND health plan includes wellness resources that help members proactively manage their health.

If you're not sure what's included with your plan, reach out to your BCBSND account representative.

Share [this tool](#) with employees—It provides preventive care recommendations by age and gender.

¹<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7309216/#:~:text=The%20US%20has%20the%20highest,Americans%20undergo%20routine%20preventive%20screenings.>



BCBSND cost-management strategies

Continued monitoring—We continue to monitor activities and analyze trends to complete predictive modeling on future impacts and to design proactive interventions.

Prevention—Through our BlueAlliance value-based care program, we work with providers and members to emphasize the role of primary care to promote overall well-being. As part of BlueAlliance, we're helping providers make significant strides in establishing member relationships, encouraging preventive screenings and driving adherence to well-child checkups. When providers participate in our value-based program, they conduct well-child visits at twice the rate of those not participating.

By educating and encouraging our members to focus on prevention and how to access care at the right time in the right place, members can reduce unnecessary visits to the emergency room or admission to the hospital.



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