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We have analyzed your medical costs to identify savings opportunities. This process included gathering claims data, normalizing the data, and comparing it to two benchmark sources. Your overall health plan costs have been compared to like employers from Kaiser Family Foundation's Annual Report. Utilization and costs for specific cost areas have been compared to your peers from Truven Health Analytics MarketScan Research Database, a repository of more than 30 million claimants and \$100 billion in paid claims. Following are our recommendations based on this analysis.

Your emergency room costs are unfavorable compared to your peers. The average paid per visit is the driving factor in this discrepancy. Employees accounted for 80% of emergency room payments. The top providers were Essentia Health St Marys Hospi with 37% of emergency room payments and Mahnomon Health Center Hospita with 21% of emergency room payments. Let's consider whether these are the most cost effective, highest quality providers for emergency room services and discuss plan design or communication to steer utilization appropriately. The conditions that accounted for the highest paid claims were related to: Digestive System and Circulatory System. We will examine some of these areas in more detail to make recommendations as needed.

Your radiology costs are unfavorable compared to your peers. The average paid per visit is the driving factor in this discrepancy. Employees accounted for 87% of radiology costs. The top providers were Essentia Health with 27% of radiology payments, Sanford Clinic North Outreach with 17% of radiology payments, and Essentia Health St Marys Detro with 13% of radiology payments. Let's consider whether these are the most cost effective, highest quality providers for radiology services and discuss plan design or communication to steer utilization appropriately. The condition that accounted for the highest paid claims was related to malignant neoplasm of upper lobe bronchus or lung (16230).

Your experience, medical claims costs per member, is higher than expected. Our recommendations will address specific cost areas, but this is an indicator that plan design should be evaluated to determine whether your plans are in line with those that like employers offer.

Compared to employers like you, your costs associated with arthritis are unfavorable. The number of patients, rather than cost per patient, is the driving factor in this discrepancy. The top diagnoses categorized under arthritis were: osteoarthritis localized not specified whether primary or secondary involvi (71536)(25% of patients), lumbosacral spondylosis without myelopathy (72130)(17% of patients), and degeneration of lumbar or lumbosacral intervertebral disc (72252)(17% of patients). Employees accounted for 83% of people treated for arthritis. To keep costs associated with these patients as low as possible, we will provide you with materials to educate groups on alleviating symptoms, such as: weight control and low impact exercise. Let's also review plan design for physical therapy.

Compared to employers like you, your costs associated with asthma/COPD are unfavorable. The cost per patient, rather than the number of patients, is the driving factor in this discrepancy. Employees accounted for 67% of people treated for asthma/COPD. The top providers were Lincare Inc with 26% of asthma/COPD payments, Mahnomon Health Center Hospita with 17% of asthma/COPD payments, and Essentia Health Fosston with 17% of asthma/COPD payments. Let's consider whether these are the most cost effective, highest quality providers and discuss plan design or communication to steer utilization appropriately. The conditions that accounted for the highest paid claims were related to: chronic airway obstruction not elsewhere classified (49600), obstructive chronic bronchitis with acute exacerbation (49121), and asthma unspecified type without status asthmaticus or acute exacerbation or (49390). To keep per patient costs lower, we will provide you with materials to educate groups on alleviating symptoms, such as limiting or eliminating exposure to: tobacco smoke, indoor air pollution, environmental pollution, and occupational pollution.

Compared to employers like you, your costs associated with cancer are unfavorable. The number of patients, rather than cost per patient, is the driving factor in this discrepancy. The top diagnoses categorized under cancer were: malignant neoplasm of breast (female) unspecified site (17490)(23% of patients), malignant neoplasm of bronchus and lung unspecified (16290)(7% of patients), basal cell carcinoma of skin of lower limb including hip (17371)(7% of patients), malignant neoplasm of corpus uteri except isthmus (18200)(7% of patients), and malignant neoplasm of other specified sites of female breast (17480)(7% of patients). Employees accounted for 70% of cancer visits. To keep costs associated with these patients as low as possible, as well as to prevent future cases, we will provide you with materials to educate groups, such as: not smoking, staying at a healthy weight, eating right, keeping active, and getting recommended screening tests.

Compared to employers like you, your costs associated with diabetes are unfavorable. The cost per patient, rather than the number of patients, is the driving factor in this discrepancy. Employees accounted for 90% of diabetes costs. The top providers were Sanford Medical Center Fargo with 20% of diabetes payments, Essentia Health St Marys Hospi with 15% of diabetes payments, and Essentia Health St Marys Detro with 15% of diabetes payments. Let's consider whether these are the most cost effective, highest quality providers and discuss plan design or communication to steer utilization appropriately. The conditions that accounted for the highest paid claims were related to: diabetes mellitus without complication type ii or unspecified type not stat (25000), diabetes mellitus with other specified manifestations type ii or unspecifie (25080), and diabetes mellitus with renal manifestations type ii or unspecified type not (25040). To keep costs associated with these patients as low as possible, as well as to prevent future cases, we will provide you with materials to educate groups, such as: staying at a healthy weight, eating right, keeping active, and getting recommended screening tests.

Compared to employers like you, your costs associated with low back pain are unfavorable. The cost per patient, rather than the number of patients, is the driving factor in this discrepancy. Employees accounted for 88% of low back pain costs. The top providers were Sanford Medical Center Fargo with 40% of low back pain payments, Sanford Clinic Fargo Region with 14% of low

back pain payments, Essentia Health St Marys Hospi with 13% of low back pain payments, and Essentia Health Fosston with 13% of low back pain payments. Let's consider whether these are the most cost effective, highest quality providers and discuss plan design or communication to steer utilization appropriately. The conditions that accounted for the highest paid claims were related to: displacement of lumbar intervertebral disc without myelopathy (72210), backache unspecified (72450), and lumbago (72420). To keep per patient costs lower, we will provide you with materials to educate groups on alleviating symptoms, such as: weight control and low impact exercise. Some higher costs claims contributed to these higher costs. This may be an anomaly, but we should watch this closely.

Your company's costs attributed to lifestyle-related conditions are higher than expected when compared to employers like you. The cost per patient contributed to this discrepancy more than the number of patients with lifestyle-related conditions. Employees accounted for 88% of all costs associated with lifestyle-related conditions. Vascular, renal and ut, and hepatobiliary lead in terms of higher than expected costs per patient. Let's review medical and case management to make sure these costs are being kept as low as possible, along with a focus on early detection and treatment, or prevention of lifestyle-related conditions. Some higher costs claims contributed to these higher costs. This may be an anomaly, but we should watch this closely.

Your costs related to preventive care are lower compared to your peers, while your overall claims costs are higher than expected. We noticed that the number of visits for preventive care is lower than expected. Preventive care should be encouraged to maintain the health of your members and decrease your costs down the road. We recommend education and communication to support this goal.

Sincerely,

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