

General Understanding of Trend

Understanding Trend vs. Renewal

Trend takes into account various factors, including:

- New treatments, therapies, and technologies
- Greater emphasis on detection and diagnoses
- Medical inflation, which impacts the cost of delivering care
- Provider price increases
- Increased treatment burden due to aging population and obesity
- Social and economic factors, which can influence utilization or care decisions
- Regulatory changes (e.g., No Surprises Act regulations)
- Provider cost shifting from reduced payment by Medicare and Medicaid
- Erosion effect of fixed-dollar deductibles and copayments

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Although there is usually a high correlation between a trend rate and the actual cost increase assessed by a carrier, trend, and the net annual change in plan costs are not the same. A plan sponsor's costs can be significantly different from projected claims cost trends due to such diverse factors as:

- Group demographics
- Changes in plan design
- Administrative Fees
- Client Funding
- Dependent Coverage - Higher dependent coverage participation, the lower the renewal volatility