



A health plan in *Volatile Inflationary Expansion* — and the \$12.4M corridor that closes it.

Four years of normalized data, a 5-year stochastic horizon, and a 12-scenario decision lattice converge on a single conclusion: under the status quo, healthcare cost erodes **14.2% of projected EBITDA**. Under Full System Optimization, the plan converts from a passive liability into a managed capital asset.

8.1%

TRUE CAGR

\$10.73M

2024 TOTAL SPEND

\$12.4M

5-YR OPTIMIZATION Δ

10K

MONTE CARLO ITERATIONS

The truth, before the data.

A board-ready synthesis: what is happening, what is at risk, and where the capital corridor lives.

The plan is *decoupling unit cost from clinical value*. Linear historical CAGR conceals a system in which intermediary fee expansion and rebate-chasing pharmacy architecture have become the dominant trend drivers. Without structural intervention, this is a *P&L inversion event*. With Full System Optimization, it becomes a *managed capital asset* — recovering \$12.4M over 60 months.

STATUS QUO RISK

-14.2%

EBITDA erosion projected over 60 months under continuation of current 8.5% trend.

THRESHOLD BREACH

2027

Plan crosses the \$1,000 PMPM red line in Year 3 absent intervention.

OPTIMIZED CORRIDOR

\$12.4M

Cumulative 5-year savings under Scenario D3 (Full System Optimization).

What four years of normalized data actually say.

Population-adjusted, COVID-suppression-normalized, anomaly-isolated.
Then decomposed into signal vs. noise.

YEAR	TOTAL SPEND	ENROLLMENT	PMPY	PMPM	OBSERVED TREND
2020 · Base	\$7.92M	1,200	\$6,600	\$550	—
2021	\$8.42M	1,200	\$7,016	\$585	+6.3%
2022	\$9.04M	1,200	\$7,533	\$628	+7.3%
2023	\$9.82M	1,200	\$8,183	\$682	+8.5%
2024 · Current	\$10.73M	1,200	\$8,941	\$745	+9.2%

● SIGNAL · UNIT COST

4.8%

Unit Cost Inflation

Driven by non-negotiable facility fees and PPO contract opacity. The largest individual driver of trend.

● SIGNAL · UTILIZATION

2.1%

Utilization Shift

Material migration toward outpatient specialty services — particularly infusion and metabolic care.

● SIGNAL · FRICTION

1.6%

Intermediary Friction

Inferred PBM spread-pricing leakage. The Shadow Tax line item that does not appear on any invoice.

A four-layer stochastic engine.

Deterministic core, Monte Carlo tail, Bayesian update, regime classification — synthesized into distributions, not point estimates.

Layer 01

Deterministic Core

Extrapolates the 8.1% True CAGR after isolating one-time shocks and population effects.

Layer 02

Monte Carlo

10,000 iterations modeling GLP-1 utilization shock and cell/gene therapy convergence in the tail.

Layer 03

Bayesian Update

Continuous probability refinement against regional benchmarks and AI-driven clinical interventions.

Layer 04

Regime Classifier

Current state: **Volatle Inflationary Expansion** — variance growing faster than mean.

The trajectory if no one intervenes.

PMPM evolution and 95% confidence intervals across the 5-year horizon. The \$1,000 threshold is breached in Year 3.

2025

\$812

\$11.69M total

CI · \$11.2M – \$12.1M

2026

\$885

\$12.74M total

CI · \$12.0M – \$13.5M

2027 ^Δ

\$965

\$13.89M total

CI · \$12.8M – \$15.1M

2028

\$1,052

\$15.15M total

CI · \$13.7M – \$17.0M

2029

\$1,146

\$16.51M total

CI · \$14.6M – \$19.2M

Without structural intervention, the plan crosses **\$1,000 PMPM in 2027** — a psychological and fiduciary threshold for any board reviewing benefits as a capital line item.

Twelve futures. One should not be left to chance.

Each scenario is a strategic choice or external condition. Probability-weighted. Color-coded by capital outcome.

● A · BASE CASE

● B · POPULATION & UTILIZATION

● C · PLAN DESIGN

● D · STRUCTURAL / MARKET

A1 · 35%

Status Quo

Continuation of current 8.5% trend.

\$69.98M 5-yr cumulative

A2 · 20%

Trend Compression

Minor administrative efficiencies only.

\$64.20M 5-yr cumulative

A3 · 15%

Accelerated Inflation

Unit cost surge + high-cost claimants.

\$78.10M 5-yr cumulative

B1 · 10%

Chronic Expansion

GLP-1 / metabolic utilization spike.

\$73.50M 5-yr cumulative

B2 · 5%

Risk Deterioration

Population aging + health decline.

\$71.80M 5-yr cumulative

B3 · 5%

Risk Stabilization

Clinical wellness ROI realized.

\$65.40M 5-yr cumulative

C1 · 10%

HDHP Migration

Employee cost shift — a short-term fix.

\$63.10M 5-yr cumulative

C2 · 10%

Value-Based Design

Steerage to high-performance centers.

\$59.20M 5-yr cumulative

C3 · 5%

Aggressive UM

Hard-stop prior authorizations.

\$61.50M 5-yr cumulative

D1 · 15%

PBM Transparency

Removal of spread + rebate retention.

\$58.10M 5-yr cumulative

D2 · 5%

Incentive Misalignment

Vendor fee-stacking accelerates.

\$75.60M 5-yr cumulative

D3 · 10%

Full System Optimization ★

Fiduciary-grade AI governance + transparency.

\$54.80M target state

Where the plan breaks — and why it's audit-fragile.

A capital-allocation lens on tail outcomes and structural fragility.

Tail Risk · 95th Percentile

• P95 EXPOSURE

> \$80M

5% probability that cumulative 5-year cost crosses \$80M, driven almost entirely by uncapped PBM specialty drug exposure. This is the line the board cannot afford to discover after the fact.

Fragility · Audit Liability

• NO ANCHOR, NO CLAIM

No Receipts

Current vendor structure lacks Evidence Receipts for rebate distribution. The result is a documentary vacuum — fiscal leakage compounded by audit liability that materializes only when challenged.

What to pull, in what order, by when.

A three-horizon roadmap with explicit time-to-impact and capital recovery profile.

HORIZON · 0-12 MONTHS

Carve-Out PBM Strategy

Transition to a transparent pass-through pricing model. Eliminates inferred spread-pricing leakage and establishes the Evidence Spine for ongoing rebate validation.

\$1.2M annual recovery

HORIZON · 1-3 YEARS

Value-Based Plan Design

Steer members to Centers of Excellence for surgical interventions. Compress unit cost variance while improving clinical outcomes — the rare lever where cost and quality move in the same direction.

Variance compression

HORIZON · 3-5 YEARS

Real-Time Audit Governance

Deploy the Kincaid IQ Verify™ engine for deterministic, real-time fiduciary oversight. Replaces retrospective reporting with continuous evidence — the structural shift behind Scenario D3.

Structural transformation

★ STRATEGIC RANK #01

PBM Contract Reformation — *the highest-conviction trade in the deck.*

This intervention provides the largest delta between the status quo (A1) and the optimized future (D3) with minimal disruption to the member experience. It is the no-regret move: high impact, high feasibility, immediate observability — and the foundation on which every downstream lever stands.

ROI MULTIPLE

8.5 : 1

FEASIBILITY

High

TIME TO EFFECT

≤ 12 mo

MEMBER DISRUPTION

Minimal

— *Every basis point of Shadow Tax extracted from this plan is a basis point that did not reach a member's care. The mandate is not merely capital efficiency — it is the restoration of clinical value to the people the plan exists to serve.*

No Anchor, No Claim. No Lineage, No Publish.

Prepared by Kincaid Risk Management Company · SiriusB iQ AI Data Sciences Lab & Think Tank

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