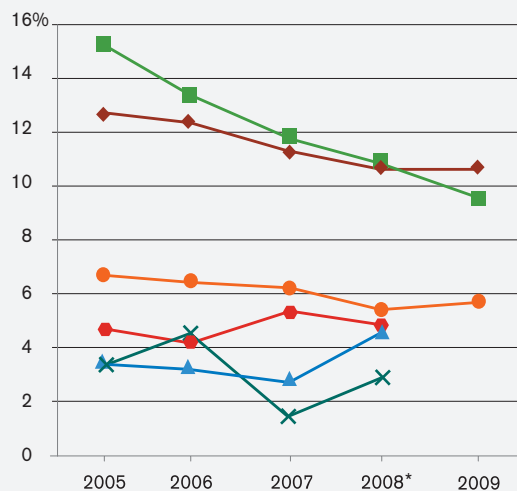
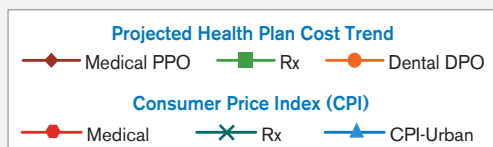


TREND AND CPI

Projected medical claim cost trend is declining slightly, but is still higher than general inflation:



* 2008 CPI data is for August.



Sources: 2009 Segal Health Plan Cost Trend Survey and Bureau of Labor Statistics for CPI (<http://www.bls.gov/cpi/>)

Trend is the forecasted change in claims cost determined by insurance carriers, managed care organizations (MCOs), pharmacy benefits managers (PBMs) and third party administrators (TPAs). Trend can be influenced by a variety of factors including price inflation, the leveraging effect of copayments, cost shifting and utilization. The **CPI** is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. The CPI is often used as an economic indicator.

THE VENDOR MARKETPLACE

Blue Cross and Blue Shield of Illinois, the State's largest health insurer, will no longer pay for claims related to hospital-based preventable errors known as "serious hospital acquired conditions" and "never events." This exclusion of coverage is becoming an industry-wide trend designed to encourage hospitals to improve the quality of care.

The proposed merger between Highmark and Independence Blue Cross, two leading health insurers in Pennsylvania, is still under state review. The merger is targeted for completion in early 2009.

Inverness Medical Innovations, a medical diagnostic products firm, has combined Alere Medical, ParadigmHealth, and Matria Healthcare, each industry leaders in patient-focused health management. The companies, which will operate under the single brand name, Alere, offers the single largest specialized perinatal and neonatal network in the country.

COMPLIANCE NEWS

Congress passed the Medicare Improvements for Patients and Providers Act of 2008, which eliminates a reduction in Medicare physician payments, that had been scheduled to begin July 1, 2008, and includes several reforms to the Medicare program, including changes to Medicare Advantage Private-Fee-for-Service plans that will affect plan sponsors of retiree health plans.¹

The Centers for Medicare & Medicaid Services published information about implementation of the data-collection rules under the Medicare, Medicaid, and SCHIP Extension Act of 2007. The implementation instructions contain several key items for those responsible for complying with the law.²

Same-gender couples must be permitted to marry in California according to a ruling by the Supreme Court of California. Plan sponsors should review their benefit offerings and plan documents to determine whether and how to accommodate participants' same-gender spouses.³

WHAT MULTIEMPLOYER HEALTH FUNDS ARE DOING TO MANAGE COSTS: SELECTED STRATEGIES

Conduct a wellness inventory. Plan sponsors can assess the extent of their wellness programs and benefits currently available to plan participants to establish a baseline and identify wellness gaps. A plan of action for future wellness efforts can then be developed to help change modifiable health risk factors, such as obesity and exercise. Plan sponsors may also want to incorporate program design, communications, vendor selection and compliance into their wellness initiative.

Implement a smoking-cessation program. Plan sponsors can develop a cost-effective program that allows participants to achieve and maximize success by including such design elements as prior authorization, counseling therapy, and nicotine replacement therapy. On average, 20 to 25 percent of plan participants, including spouses and teenagers, smoke.

Explore total health management strategies. Strategies include incentive-based wellness programs, targeted health management programs for complex cases and partnering with network providers. The first step is to understand what is driving the cost of the plan through credible data-driven analyses. Using data, plan sponsors can target the root causes of cost increases, allowing for more effective intervention to manage future health care expenses.

KEY TRENDS, DEVELOPMENTS AND STATISTICS

According to the 2009 Segal Health Plan Cost Trend Survey, for the first time in the 12 years the survey has been conducted, prescription drug trends are projected to fall below 10 percent (9.8 percent active retail, 9.1 percent retiree retail). Moreover, they are expected to drop below medical plan trends, most of which are also projected to decline. Despite this positive news, most projected trend rates continue to outpace overall inflation and wage increases,⁴ as shown in the accompanying graph.

According to the 2008 Segal Medicare Part D Survey of Multiemployer Health Funds, more than two-thirds of the funds in the survey (68 percent) applied for Medicare's Retiree Drug Subsidy. This finding is somewhat lower than the 2007 survey result of 72 percent and the 2006 survey result of 71 percent.⁵

¹ See Segal's *Capital Checkup*, "Medicare Reform Bill Passes over President Bush's Veto": <http://www.segalco.com/publications/capitalcheckup/072808.html>

² See Segal's *Capital Checkup*, "CMS Publishes Summary of Proposed Mandatory Insurer Reporting Requirements": <http://www.segalco.com/publications/capitalcheckup/082508.html>

³ See Segal's *Bulletin*, "Health Plan Implications of the California Court Ruling Allowing Same-Gender Marriages": <http://www.segalco.com/publications/bulletins/june08CA.pdf>

⁴ See the 2009 Segal Health Plan Cost Trend Survey: <http://www.segalco.com/publications/surveysandstudies/2009trendsurvey.pdf>

⁵ See the 2008 Segal Medicare Part D Survey of Multiemployer Health Funds: <http://www.segalco.com/publications/surveysandstudies/summer08PartD.pdf>



For information about the strategies above or any of the developments discussed on this page, contact your Segal benefits consultant, or send an e-mail to info@segalco.com