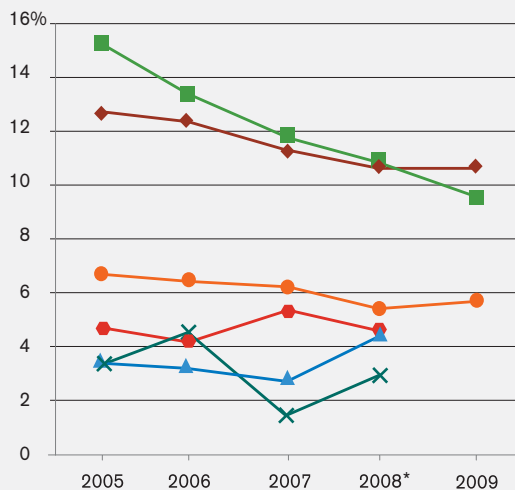
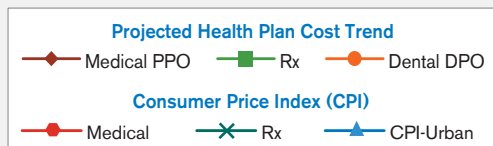


TREND AND CPI

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



* 2008 CPI data is for November.



Sources: 2009 Segal Health Plan Cost Trend Survey (<http://www.segalco.com/publications/surveysandstudies/2009trendsurvey.pdf>) 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

CVS Caremark, a leading drug store chain, acquired Longs Drug Stores, another drug store chain. In addition to its 500 drug stores in AZ, CA, HI and NV, Longs operates Rx America, a pharmacy benefits manager. The acquisition of Longs strengthens CVS Caremark's position as a large pharmaceutical health care provider, filling or managing more than 1.2 billion prescriptions annually.

The Food and Drug Administration (FDA) and WebMD, an online consumer Web site, are collaborating to expand consumer access to the agency's health information. Consumers can now access information about the safety of FDA-regulated products, including medicine, and learn how to report problems involving the product safety directly to the FDA.

COMPLIANCE NEWS

The Mental Health Parity and Addiction Equity Act of 2008 (MHPAEA) prohibits group health plans and health insurance issuers from imposing an annual or lifetime dollar limit on mental health or substance benefits that is different from that for medical/surgical benefits. MHPAEA, which includes other provisions, is effective for health plans pursuant to collectively-bargained agreements no earlier than January 1, 2010.¹

The Department of Labor, the Department of Health and Human Services, and the Department of the Treasury have published final rules on the Newborns' and Mothers' Health Protection Act of 1996 (Newborns' Law). Plan sponsors in compliance with the interim rules that were released 10 years ago will likely be in compliance with the substantive requirements of the Newborns' law.²

Massachusetts "minimum creditable coverage" (MCC) regulations are finalized and require that all Massachusetts residents have "creditable coverage" by January 1, 2009, or face a tax penalty. Plan sponsors may want to compare their plan designs against the MCC standards to determine whether their group health coverage meets these criteria.³

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

Comply with the MHPAEA. Strategies include reviewing documents to determine what provisions are illegal under the new law, pricing plan changes, assessing the impact on a plan's managed mental health network, amending plan documents, and communicating coverage changes to participants. Plan sponsors may want to reassess their mental health benefits and integrate behavioral health improvement into a total health management approach.

Assess the implications of the current economic climate on the plan. Plan sponsors should review and assess the impact of key items that could affect their plans during an economic downturn. Items and issues of concern could include employment levels, contribution income, eligibility rules, hours banks, extended eligibility, self-pay provisions, COBRA, and changes in expected utilization of benefits during periods of unemployment.

Maximize the value of the plan's hospital network. Plan sponsors can explore new ways to have hospitals do the following: guarantee certain limits on network reimbursement rates in future plan years, update contracts to eliminate payments for preventable hospital errors, put fees at risk for meeting readmission rate targets, and conduct detailed data analysis of high-volume providers to control future claim costs.

KEY TRENDS, DEVELOPMENTS AND STATISTICS

Overall inpatient admissions were down 2 to 3 percent compared to one year earlier, according to a survey of nonprofit hospitals conducted by Citi Investment Research. Compared with one year earlier. About 62 percent of hospitals surveyed reported flat or declining patient admissions. One reason for the declining rates is patients' deferral of elective treatments such as knee replacements, hernia repairs and weight-loss surgeries.

Pueblo, Colorado has experienced a 41 percent decline in heart attack hospitalization rates in the three years since workplace smoking was banned, according to a study by the Centers for Disease Control and Prevention, which also suggests second-hand smoke may be an under-recognized cause of heart attacks.

The CPI for the month of November 2008 fell by 1.9 percent before seasonal adjustment, which is the largest drop in CPI since 1932. The key factors attributed to this drop are the decline in prices for energy, commodities and airline fares. For the 12-month period ending in November 2008, the CPI increased 1.1 percent.

¹ See Segal's *Bulletin*, "New Law Requires Parity for Coverage in Mental Health": <http://www.segalco.com/publications/bulletins/nov08MHPAEA.pdf>

² See Segal's *Capital Checkup*, "Agencies Publish Final Rules on Newborns' and Mothers' Health Protection Act": <http://www.segalco.com/publications-and-resources/capital-checkup/archives/?id=1102>

³ See Segal's *Bulletin*, "Final Massachusetts Minimum Creditable Coverage Regulations": <http://www.segalco.com/publications/bulletins/nov08MCC.pdf> and Segal's *Capital Checkup*, "Guidance on Massachusetts Minimum Creditable Coverage Certification": <http://www.segalco.com/publications-and-resources/capital-checkup/archives/?id=1121>



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

