

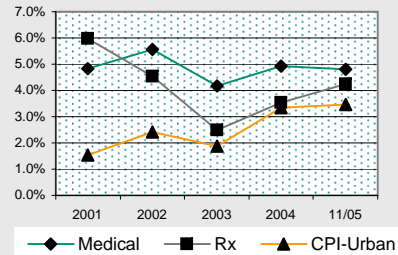
TRENDS

Noteworthy Developments of Interest to Sponsors of Multiemployer Health and Welfare Plans

Trend & CPI

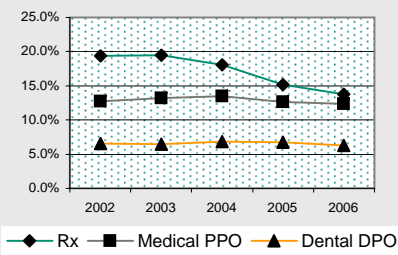
Medical claim cost trends are declining slightly, but are still higher than general inflation:

Consumer Price Index



Source: Bureau of Labor Statistics

Projected Health Plan Cost Trend



Source: 2006 Segal Health Plan Cost Trend Survey

Compliance News

- > Plan sponsors seeking Medicare Part D Retiree Drug Subsidy (RDS) for plan years ending in 2007 must apply 90 days before the beginning of the plan year at <http://rds.cms.hhs.gov/>
- > New regulations under Uniformed Services Employment and Reemployment Rights Act (USERRA) mean plan sponsors need to review how health benefits are extended during military leaves
- > In Private Letter Ruling (PLR) 2005-49008, the Internal Revenue Service (IRS) approved a Health Reimbursement Arrangement (HRA) established by a multiemployer plan that funded retiree health benefits through contributions made on behalf of active employees

The Vendor Marketplace

- > HIP & GHI agree to merge to create largest health insurer in New York State
- > Aetna & United Healthcare are rating physicians in certain states and are considering offering plans with lower copays for the highest-rated physicians
- > Some dental networks' access fees to lease their national networks are now less than \$2.00 per member per month

Key Financial Trends and Statistics

- > Fraud, abuse, payment errors and lack of transparency are estimated to be responsible for 6-10% of total plan costs
- > A study released by the Pharmaceutical Care Management Association (PCMA) found mailorder drugs are 10% cheaper than those bought at retail outlets
- > Physician costs now represent 37% of total plan costs

What Multiemployer Health Funds are Doing to Manage Costs: Selected Strategies

- > Evaluating the options for providing retiree benefits including applying for Medicare Part D subsidy, bidding for direct contracts with Prescription Drug Plans (PDPs), supplementing (wrapping around) Part D and redesigning coverage
- > Performing detailed claims data-mining to understand why costs are rising, what they will be in the future and what can be done to manage them
- > Requesting networks to bid on their plan to assure the Fund is getting the most competitive discounts and rates available
- > Considering Employee Assistance Programs (EAPs) to evaluate how mental health and substance abuse benefits are being administered
- > Evaluating the use of disease management programs to educate people with chronic diseases (e.g. diabetes and asthma) on how to best manage their condition(s)
- > Developing approaches to encourage and increase participant involvement in their own health care, including predictive modeling, targeted wellness benefits and enhanced focus on quality of care

TRENDS is a snapshot of what's happening in the multiemployer health plan environment. It provides current data and recent trends in cost, compliance, plan design and the multiemployer market place.

For information about these strategies or any of the developments discussed on this page, contact your Segal benefits consultant.