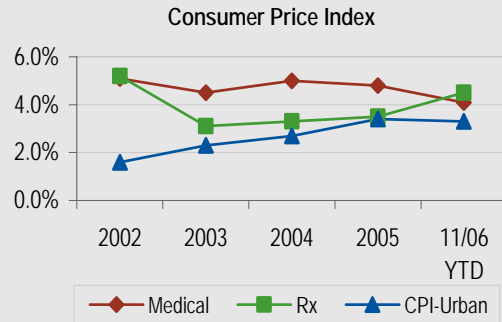


CPI and Trend

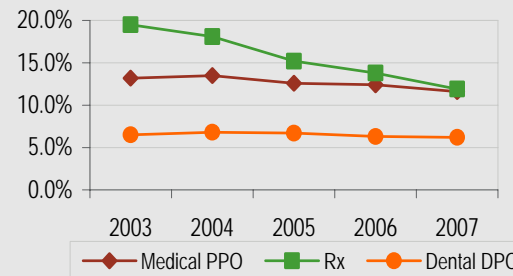
Projected medical claim cost trend is declining slightly, but is still higher than general inflation:



Source: Bureau of Labor Statistics

Note: CPI trend is an average annual percent change for respective periods shown.

Projected Health Plan Cost Trend



Source: 2007 Segal Health Plan Cost Trend Survey

The Vendor Marketplace

- Wal-Mart Stores, Inc., the world's largest retailer, has expanded the \$4 generics program it began in Florida, to include 14 additional states: AL, AZ, AR, DE, IL, IN, NV, NJ, NM, NY, NC, OR, TX and VT. This program applies up to a 30-day supply, representing approximately 25 percent of prescriptions currently dispensed in its pharmacies nationwide.
- First DataBank, the leading publisher of Average Wholesale Prices (AWP)¹ of prescription drugs, has agreed to a legal settlement in which it will decrease the published prices of 95 percent of brand name medications and discontinue publishing AWP.
- Healthways, Inc., a provider of disease management and care enhancement services, has acquired Axia Health Management LLC., a provider of preventive health and wellness services. Plan sponsors should expect continued merger and acquisition activity in this segment of the healthcare marketplace.
- CVS Corp., the second largest drugstore chain, has reached an agreement to merge with Caremark Rx, Inc., a pharmacy benefits manager (PBM), to create the largest integrated pharmacy services provider. On 12/18, Express Scripts, Inc., another PBM, made a competing offer to purchase Caremark, touting its offer as superior for Caremark's shareholders, clients and employees.

Compliance News

- The Centers for Medicare & Medicaid Services (CMS) announced the 2007 Medicare premiums, deductibles and coinsurance. The standard Part B premium is \$93.50, up from \$88.50 in 2006; the deductible is \$131.00, up from \$124.00 in 2006; and the daily Part A coinsurance for a hospital stay is \$248.00, up from \$238.00 in 2006.²
- Refer to the 2007 *Reporting & Disclosure Calendar for Multiemployer Plans* for compliance deadlines set by the Department of Health and Human Services (HHS), the Department of Labor (DOL) and the Internal Revenue Service (IRS).³

Key Financial Trends and Statistics

- More than one-third of emergency room visits in Maryland are for conditions that could be treated elsewhere, according to the Maryland Health Care Commission.
- The results of Segal's *Survey of Multiemployer Fund Office Administration, Technology and Staffing* found, on average, annual administration expenses for multiemployer health plans are equal to 15 percent of plan assets.⁴

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

- **Revisiting Generic Rx Pricing for Rx plans** Address generic Rx utilization, generic dispensing rates and generic discounts in the fund's current PBM contract.
- **Reviewing AWP Costs** Check the fund's contractual language on AWP reimbursement methodology and consider renegotiating the contract to address revised drug pricing.
- **Reviewing the Fund's Wellness and Disease Management Services** Inventory these benefits, amend the benefits as needed to encourage use and communicate the benefits to plan participants.
- **Exploring the Employer Group Waiver PDP** Segal has pre-qualified five vendors to provide fully insured rate quotes on standard designs. Benefits include providing Medicare-eligible retirees with equivalent or better coverage levels than the Standard Part D plan, transferring risk and eliminating reporting requirements.
- **Re-Bidding Life and Stop-Loss Insurance Programs** Consider rebidding the fund's life insurance coverage to take advantage of current market rates. Also, Segal has pre-qualified seven stop-loss vendors to provide rate quotes on standard stop-loss coverage.

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

¹ The AWP is a published, nationally recognized standard used to determine pricing and discounting of prescription drugs.

² See Segal's *Capital Checkup*, "2007 Medicare Premiums, Deductibles and Coinsurance": <http://www.segalco.com/publications/capitalcheckup/092106.html>

³ See Segal's 2007 *Reporting & Disclosure Calendar for Multiemployer Plans*: <http://www.segalco.com/publications/r&dcalendar/2007.pdf>

⁴ See results of Segal's *Survey of Multiemployer Fund Office Administration, Technology and Staffing* at: <http://www.segalco.com/publications/surveysandstudies/fundofficesurvey.pdf>