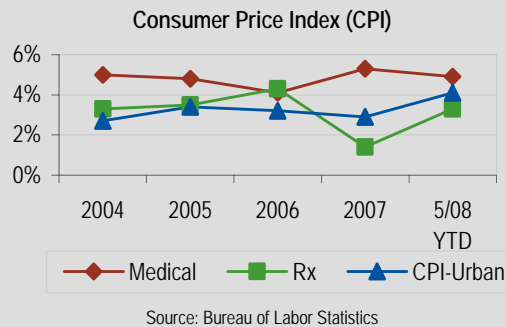
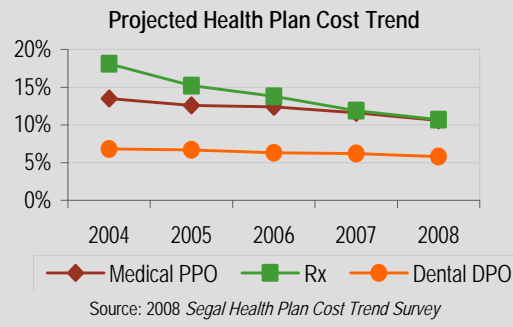


CPI and Trend

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



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.<sup>1</sup>



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 Vendor Marketplace

- WellPoint, a health insurer, announced that it will no longer reimburse hospitals for serious preventable errors as a way to improve patient safety and protect WellPoint customers from extra charges. WellPoint has defined 11 preventable adverse events for which they will not pay, including performing the wrong kind of surgery on a patient or performing surgery on the wrong body part.
- Walgreens, a pharmacy chain, has acquired two work-site health center operators, I-trax, and Whole Health Management. Walgreens plans to connect its work-site clinics, store-based clinics, and its pharmacy business into a single, electronic system.
- Guardian Life Insurance, a provider of health plan benefits, announced that it will cover cosmetic teeth whitening. This decision was in response to the demand to offer teeth whitening as a covered benefit. Typically, dental insurance companies do not cover cosmetic procedures. This carrier has also expanded its coverage of periodontal maintenance cleanings.

Compliance News

- The Genetic Information Nondiscrimination Act of 2008 prohibits employers, labor organizations and other entities from engaging in certain employment practices on the basis of genetic information.<sup>2</sup>
- The Internal Revenue Service announced the 2009 minimums and maximums for health savings accounts (HSAs) and high-deductible health plans (HDHPs). The maximum annual HSA individual contribution is \$3,000, up from \$2,900 in 2008; the minimum HDHP individual deductible is \$1,150, up from \$1,100 in 2008; the maximum out-of-pocket HDHP individual expense is \$5,800, up from \$5,600 in 2008.<sup>3</sup>
- Amendments to the federal Family & Medical Leave Act (FMLA) creates two new types of FMLA leave, which may have implications for group health plans due to the existing FMLA requirement that group health coverage can be continued during periods of FMLA leave.<sup>4</sup>

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

- Complete a Retiree Drug Subsidy (RDS) Checkup** Plan sponsors are using the findings from RDS Checkups to confirm that the RDS option is still the most effective way for them to take advantage of the Medicare Part D program; maximize RDS income; minimize related PBM and other administrative expenses; and/or prepare for an audit of its RDS program by the Office of the Inspector General or Centers for Medicare & Medicaid Services.
- Conduct Audits to Validate Plan Performance Levels** Claims Audits, conducted independently or in collaboration with Fund Auditors, assess administrative efficiency and confirm accurate determination of plan provisions through the evaluation of claims samples. Electronic analyses provide an opportunity to determine cost drivers and evaluate plan design modifications.
- Perform a PBM Bid Analysis** A PBM bid analysis can yield significant plan cost savings over current pricing terms. Plan sponsors can take advantage of current competitive rates due to recent marketplace events among some of the major PBMs. Some Segal clients have achieved more than 10 percent savings in discount guarantees, rebates, and other pricing terms.

Key Trends, Developments and Statistics

- According to the Kaiser Family Foundation, Medicare Advantage plans enrolled a record 9.8 million beneficiaries as of April 2008, more than one in five of the nation's 44 million people on Medicare. This represents an increase of more than 800,000 beneficiaries in four months.
- A study released by the Robert Wood Johnson Foundation found that a growing share of employee's earnings are being absorbed by increasing health insurance costs. Employees with family health insurance coverage have seen premiums increase 10 times faster than income in recent years.
- A recent Segal analysis found that 20 percent of a client's health plan costs were due to diabetes and hypertension, and only 15 percent of diabetics participating in the plan had received an A1C hemoglobin test during the previous year compared to the National Committee for Quality Assurance (NCQA) national average of 44 percent.

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.

<sup>1</sup> CPI is defined by the U.S. Department of Labor's Bureau of Labor Statistics. For additional information, see: <http://www.bls.gov/home.htm>  
<sup>2</sup> See Segal's *Bulletin*, "New Genetic Information Nondiscrimination Act Regulates Group Health Plans": <http://www.segalco.com/publications/bulletins/june08GINA.pdf>  
<sup>3</sup> See Segal's *Capital Checkup*, "2009 Minimums and Maximums for the Health Savings Accounts Plans and High Deductible Health Plans": <http://www.segalco.com/publications/capitalcheckup/052008.html>  
<sup>4</sup> See Segal's *Bulletin*, "How Key Changes to the Federal Family & Medical Leave Act Affect Multiemployer Plans": <http://www.segalco.com/publications/bulletins/april08multiFMLA.pdf>