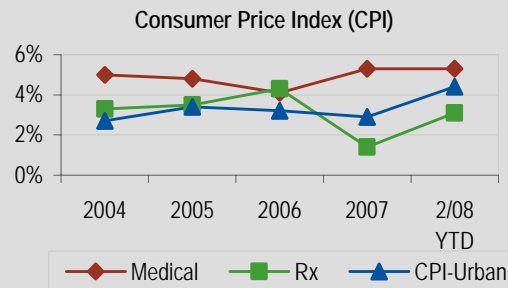


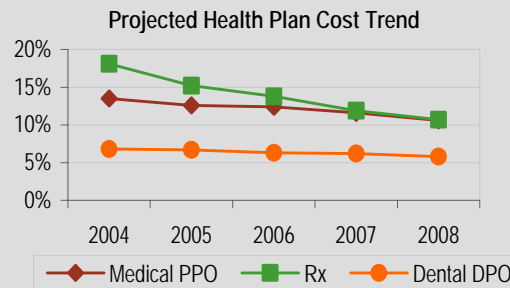
CPI and Trend

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



Source: Bureau of Labor Statistics

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.¹



Source: 2008 Segal Health Plan Cost Trend Survey

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

- United Health Group has acquired Sierra Health Services, Inc., a health care services company. The combined company will provide products and services to health care consumers in the Southwest.
- SXC Health Solutions Corp., which specializes in technology and software products used by the pharmacy benefits industry, will acquire National Medical Health Card (NMHC), a PBM. The acquisition of NMHC will provide SXC with established, wholly owned, mail order and specialty drug operations.
- The New York Attorney General (AG) is conducting an industry-wide investigation of the method the health insurance industry uses to set payment rates for hospitals and doctors outside of their networks. The AG is also reviewing the Ingenix Prevaling Healthcare Charges System, a database containing price information from more than one billion medical claims collected from dozens of health plans nationwide.
- Inverness Medical Innovations, a medical diagnostic products firm will acquire Matria Healthcare, a national provider of disease management services specializing in the care of women with high-risk pregnancies.

Compliance News

- The Medicare, Medicaid, and SCHIP Extension Act of 2007 extends the State Children's Health Insurance Program (SCHIP) through March 31, 2009. The law also introduces new mandatory Medicare Secondary Payer (MSP) data-reporting requirements that will affect employer-sponsored group health plans.³
- San Francisco's employer health mandate requires employers that engage in business in San Francisco to spend a certain amount for health care for most employees, measured on a sliding scale based on the size of the employer. If an employer does not spend the requisite amount, it must increase its expenditures or pay a fee to the City.⁴
- Refer to The Segal Company's 2008 *Reporting & Disclosure Calendar for Multiemployer Plans* for compliance deadlines set forth by the Department of Health and Human Services (HHS), the Department of Labor (DOL) and the Internal Revenue Service (IRS).⁵

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

- **Maximizing the Plan's Dental Coverage** Trustees are implementing strategies on dental coverage that include reviewing covered procedures, exclusions and limitations; selecting and implementing network plans; arranging for leasing an insurance company's dental network; converting insured plans to self-insured plans; and, updating schedules and pricing dental plan design changes.
- **Managing Medical Costs Using Total Health Management (THM) Strategies** Plan sponsors are implementing a variety of THM components (e.g., condition management, care coordination, disease management and guiding to high-quality quality providers). They are also redesigning plan provisions to eliminate barriers to care and provide incentives to comply with recommended care for particular diseases.
- **Providing a Wellness Program that Is Compliant with the Health Insurance Portability and Accountability Act (HIPAA)** Under recent DOL guidance, some wellness programs may not pass the test for a supplemental excepted benefit that does not need to comply with HIPAA. Plan sponsors may want to assess their wellness program to determine whether their program is subject to HIPAA's nondiscrimination/wellness program rules.²

Key Trends, Developments and Statistics

- First DataBank (FDB), a major prescription drug database provider, does not have to stop publishing its average wholesale price (AWP) drug list, as was originally ruled. In addition, FDB will be required to roll back pricing on 1,400 drugs rather than the 8,400 drugs in the original ruling. Litigation remains ongoing.
- Segal's *Survey of Dental Coverage* found that 82 percent of the group health plans in the survey offer dental coverage and of those plans, 54 percent provide access to dental networks. The survey also indicates that 17 percent of plans offering dental coverage offer a scheduled design and the remaining 83 percent offer a reasonable and customary (R&C) design.⁶
- A study from the Center for Retirement Research (CRR) indicates that increasing health-care costs can result in members deciding to delay retirement. The report notes that members that have retiree health benefits are more likely to retire than members that do not have these benefits.

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 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>
² See Segal's *Bulletin*, "New Guidance Affecting Health Plans Offering Wellness Programs": <http://www.segalco.com/publications/bulletins/jan08FAB.pdf>
³ See Segal's *Capital Checkup*, "Medicare, Medicaid, and SCHIP Extension Act of 2007": <http://www.segalco.com/publications/capitalcheckup/011608.html>
⁴ See Segal's *Capital Checkup*, "What Multiemployer Health Plan Trustees Need to Know About San Francisco's Employer Health Mandate": <http://www.segalco.com/publications/capitalcheckup/021908.html>
⁵ See Segal's 2008 *Reporting & Disclosure Calendar for Multiemployer Plans*: <http://www.segalco.com/publications/r&dcalendar/2008.html>
⁶ See Segal's *Survey of Dental Coverage*: <http://www.segalco.com/publications/surveysandstudies/2008dental.pdf>