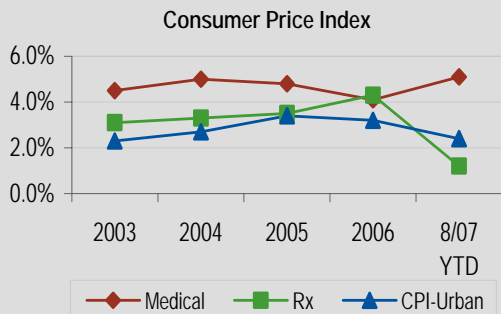


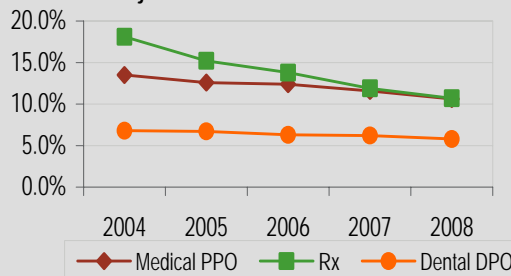
CPI and Trend

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



Source: Bureau of Labor Statistics

Projected Health Plan Cost Trend



Source: 2008 Segal Health Plan Cost Trend Survey

Key Trends Developments and Statistics

- According to the 2008 *Segal Health Plan Cost Trend Survey*, prescription drug projected trends have declined dramatically, by nearly 9 percentage points since their high of 19.5% in 2003, to 10.7% in 2008. Similar 2008 trend rates are forecasted for all managed care plan types, ranging from 10.5% to 10.9%.¹
- According to the 2007 *Segal Medicare Part D Survey of Multiemployer Health Funds*, a large majority of funds in the survey (72%) applied for Medicare's Part D Retiree Drug Subsidy (RDS). This finding is similar to the 2006 survey in which 71% of funds applied for RDS.²
- General Motors Corp. and Ford Motor Company have proposed establishing a voluntary employees' beneficiary association (VEBA) trust fund for retiree health care costs. The VEBA would be administered by trustees for the benefit of the retirees.
- According to the National Business Coalition on Health, health plans publicly report more information on hospital performance than they do on physician performance. In addition, only 26% of plans say they report patient experience information to consumers.
- Medicare will no longer pay the extra costs of treating preventable errors, injuries, and infections that occur in hospitals. Private insurers may implement similar changes, which could increase savings and benefits for patients.

The Vendor Marketplace

- As a result of their health promotion program with Blue Cross Blue Shield of Florida, the Jacksonville Electric Authority reports a drop between 2004 to 2006 in the number of employees with hypertension who missed work by just over 10 percentage points and a drop in the number of employees with diabetes who missed work by just over 33 percentage points.
- UnitedHealth Group Inc. is offering financial incentives to health plan members for not smoking, keeping their blood pressure and cholesterol levels in check, and meeting body mass index benchmarks. The incentives must be administered so that they pass the nondiscrimination standards of the Health Insurance Portability and Accountability Act.

Compliance News

- The Centers for Medicare & Medicaid Services announced that for 2008, the Part D national average monthly bid is \$80.52 and the base beneficiary premium is \$27.93. The premium is nearly 40% lower than originally expected. Beneficiaries are saving an average of \$1,200 a year compared to those without Part D coverage.
- Connecticut, Missouri, and Rhode Island recently followed Massachusetts in enacting a requirement that certain employers establish cafeteria plans under Section 125 of the Internal Revenue Code.³

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

- **Implementing Prescription Drug Plan Design Strategies.** Plan sponsors are implementing plan designs that include mandatory or incentive mail order programs and lower co-payments for key drug categories to promote wellness and management of chronic conditions.
- **Revising the Plan Design to Support Care Management.** Plan sponsors are setting plan design utilizing cost/quality tradeoffs by evaluating clinical settings. Examples include setting no or low co-payments for high-value interventions (e.g., management of diabetes and coronary artery disease) and higher co-payments for interventions of less value (e.g., the hair-loss prevention drug Propecia® and other "lifestyle" treatments).
- **Designing a Retiree Health Plan to Include the RDS.** Plan sponsors are constructing a retiree prescription drug plan with an RDS component that cuts costs substantially. The savings from the subsidy can reduce retiree benefit obligations.
- **Assessing a Plan's Actual RDS Savings.** Plan sponsors are evaluating the value of their RDS efforts (by calculating the final RDS subsidy during reconciliation and determining administration costs), to see whether the subsidy income will meet expectations for 2007.

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 See the 2008 *Segal Health Plan Cost Trend Survey*: <http://www.segalco.com/publications/surveysandstudies/2008trendsstudy.pdf>

² See the 2007 *Segal Medicare Part D Survey of Multiemployer Health Funds*: <http://www.segalco.com/publications/surveysandstudies/summer07multiPartD.pdf>

³ See Segal's *Capital Checkup*, "More States Enact Cafeteria Plan Mandates": http://www.segalco.com/publications/capitalcheckup/081007_3.html