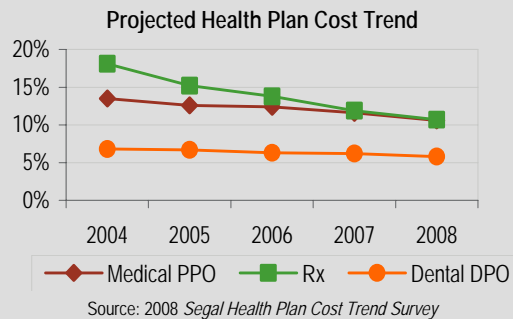
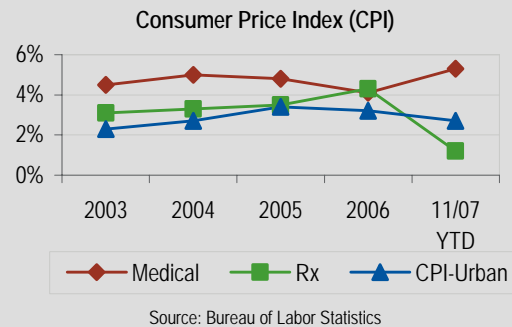


CPI and Trend

Projected medical 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.¹

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.

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

- **Developing new prescription drug pricing methodology** that will be the plan's best financial alternative to average wholesale price (AWP). Plan sponsors may also want to ask their PBM to implement more precise pricing methodologies that produce competitive costs.
- **Considering total health management (THM) strategies** to effectively balance rising medical costs with available income. Such strategies include mining data to identify a plan's cost drivers and developing multi-year strategic plans for implementing THM programs that target those cost drivers.
- **Conducting requests for proposals (RFPs) for medical, PBM, disability, life, dental and other coverages.** Plan sponsors that conduct these RFPs at least every three to five years can verify that contract terms are keeping pace with the marketplace.
- **Adding or re-bidding stop-loss coverage** to protect the fund against catastrophic claims. Segal has pre-qualified seven stop-loss vendors to provide rate quotes on standard stop-loss coverage.

The Vendor Marketplace

- The frequency of catastrophic claims increased ten-fold from the year 2000 to 2005, from less than 1/10th of one member per 100,000 health plan members in 2000 to 1.1 per 100,000 members in 2005, according to Evergreen Re, a large health plan reinsurance broker. This growth, which is expected to continue, is attributed to advances in medical technology, biotechnology and pharmaceuticals.
- WellPoint, Inc., a large health insurer, will release to its members an online physician-ranking guide based on patient input. The WellPoint guide, developed with Zagat Survey, a worldwide travel and dining guide, will rank physicians based on trust, communication, availability and office environment.
- The Leapfrog Group, a consumer group aimed at improving health care quality, launched an online, interactive guide that highlights options available for plan sponsors to design incentive and reward programs.

Compliance News

- CMS announced the 2008 Medicare premium, deductible, and coinsurance. The standard monthly Part B premium is \$96.40, up from \$93.50 in 2007; the Part B deductible is \$135.00, up from \$131.00 in 2007; and the daily Part A coinsurance for a hospital stay is \$256.00, up from \$248.00 in 2007.²
- Pending Medicare legislation could extend the Medicare Secondary Payer (MSP) period for which large plan sponsors, with at least 100 participants, must pay for the medical services of workers with end-stage renal disease (ESRD) from 30 months to 42 months. The extension of the MSP could increase costs for health plans.

Key Trends Developments and Statistics

- The overall health of the nation declined by a rate of 0.3 percent since 2006, according to a report published by the UnitedHealth Foundation. Modest gains were reported in reducing cardiovascular and cancer mortality rates but these increases were outweighed by increasing obesity, the persistence of risky behaviors, such as smoking, and increasing numbers of uninsured people.
- As a result of the preliminary settlement of a class action lawsuit brought against First DataBank, a major prescription drug database provider, the current industry standard for pricing prescription drugs using AWP will soon change. The settlement will affect those currently using AWP for their pricing methodology including plan sponsors that fund and provide participants with prescription drug coverage.³
- The Medicare Part D prescription drug benefit has led to the consumption of an additional 158 million prescriptions in 2006 at a cost of \$32 billion to Medicare, according to a study by *Health Affairs*. The study also indicated that the Part D program reduced the total amount paid by patients by 5.6 percent and increased the amount that private insurers paid by 22.3 percent.
- Bankruptcy is the most common reason for the formation of retiree health Voluntary Employees' Beneficiary Associations (VEBAs), according to Segal's *Study of Retiree Health VEBAs*. Collective bargaining is also cited as a notable reason.⁴

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 *Capital Checkup*, "2008 Medicare Premiums, Deductibles and Coinsurance": <http://www.segalco.com/publications/capitalcheckup/101507.html>
³ See Segal's *Bulletin*, "Effect on Prescription Drug Pricing of Expected Settlement of a Class Action Lawsuit on AWP": <http://www.segalco.com/publications/bulletins/oct07AWP.pdf>
⁴ See Segal's *Survey*, "Study of Retiree Health VEBAs": <http://www.segalco.com/publications/surveysandstudies/2008VEBAs.pdf>