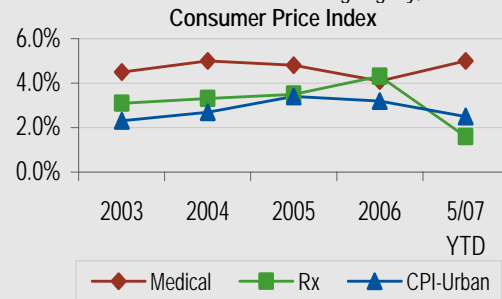
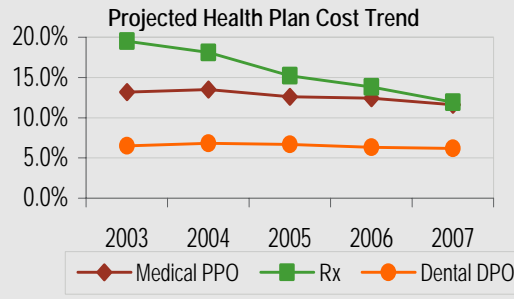


CPI and Trend

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



Source: Bureau of Labor Statistics



Source: 2007 Segal Health Plan Cost Trend Survey

Compliance News

- The Centers for Medicare & Medicaid Services (CMS) announced the 2008 amounts for Medicare Part D benefits, including a \$275 deductible, a \$2,510 initial coverage limit, a \$4,050 out-of-pocket (OOP) threshold and a \$5,726 total covered Part D drug spending at OOP threshold.¹
- Maximum annual Health Savings Account (HSA) contributions will increase to \$2,900 and \$5,800 for individuals and families, respectively, in 2008.²
- The Third Circuit U.S. Court of Appeals upheld the proposed Equal Employment Opportunity Commission regulation that would permit employer-funded retiree health plans to provide better benefits for early retirees than for those who are eligible for Medicare. This essentially lays to rest the *Erie County* case, in which that same court had held that favoring younger retirees was illegal under the Age Discrimination in Employment Act.³
- CMS proposed to adopt a severity diagnosis-related group (DRG) system called Medicare-Severity (MS-DRGs) for fiscal year 2008. The 745 new DRGs will replace the current 538 DRGs and are intended to improve Medicare's ability to recognize severity of illness in its inpatient hospital payments.

The Vendor Marketplace

- UnitedHealth Group (UHC), one of the largest managed care organizations, has acquired Sierra Health Services, Inc., a leading provider of health benefits and services in the West. Due to the volume of Sierra Health members with Medicare plans, the acquisition will allow UHC to bolster its Medicare business. In addition, the acquisition could be indicative of further consolidation in the health benefits industry.
- The Hartford, an investment and insurance company, is exiting the medical stop-loss business. It has sold its stop-loss business to National Benefit Resources (NBR), a subsidiary of UHC. NBR will support and administer The Hartford's stop-loss policies until they can be transitioned to NBR.
- Highmark Inc. and Independence Blue Cross, Pennsylvania's two largest health insurers, have agreed to merge making the resulting company the largest nonprofit Blues carrier.
- Humana, Inc. offers a new health plan effective July 1 that will cap a plan sponsor's health care costs between 6 - 9 percent annually over three years.

Key Trends and Statistics

- More than 37 percent of U.S. households regularly turn to alternative treatments for everything from headaches to diabetes, according to a survey conducted by Thomson Medstat. The most common reason cited for the use of such therapies is to improve general wellness.
- As diagnostic imaging, such as positron emission tomography (PET) scans or magnetic resonance imaging (MRIs), continues to grow in popularity, insurers are looking to limit coverage of the costly scans, the *Baltimore Sun* reports. Diagnostic imaging accounts for about \$100 billion annually, or about 5 percent of national health care spending.

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

- **Improving Population Health:** Some plan sponsors are adding a health risk assessment tool, with nurse telephone support service and Internet-based medical decision support tools. Others are designing comprehensive total health management (THM) strategies that include data analysis, predictive modeling and customized, individual, high-risk patient coaching and support with financial rewards and incentives (e.g., premium discounts).
- **Performing Data Mining and Analysis:** Improve decision-making and financial analysis by analyzing cost and utilization trends in the context of health status and benchmarks. Plan sponsors can determine the root causes of cost increases, allowing targeted and effective intervention to manage future health care expenses as part of their THM strategy.
- **Re-Bidding Stop-Loss Insurance Programs:** Segal has pre-qualified seven stop-loss vendors to provide rate quotes on standard stop-loss coverage. Plan sponsors may want to consider re-bidding their stop-loss programs to take advantage of current market rates.
- **Replacing Retiree Drug Subsidy (RDS):** Plan sponsors may want to replace their RDS and self-funded prescription drug coverage with a Medicare Part D Prescription Drug Plan (PDP) and Medicare Supplement to reduce expenses for both the plan and the retiree.

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 Segal's *Capital Checkup*, "CMS Announces Indexed Medicare Part D Amounts for 2008": <http://www.segalco.com/publications/capitalcheckup/042607.html>

² See Segal's *Capital Checkup*, "2008 Minimums and Maximums for Health Savings Accounts Plans and High Deductible Health Plans": <http://www.segalco.com/publications/capitalcheckup/052107.html>. For a chart comparing health reimbursement arrangements (HRAs) and HSAs, see <http://www.segalco.com/publications/presentations/HRAandHSAchart.pdf>.

³ See Segal's *Bulletin*, "Federal Appeals Court Upholds EEOC's Proposed 'Erie County' Exemption to the ADEA": <http://www.segalco.com/publications/bulletins/june07ErieUpdate.pdf>