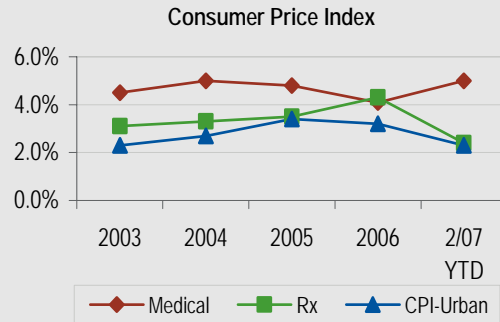


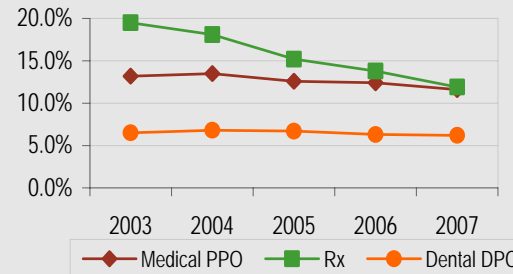
CPI and Trend

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: 2007 Segal Health Plan Cost Trend Survey

Compliance News

- The Bush Administration proposed tax policies that would significantly revise the tax treatment of health coverage. Currently, the value of health coverage provided by a multiemployer plan is exempt from income, Social Security, and other payroll taxes. The Administration proposed amending the Internal Revenue Code to eliminate that exclusion and treat employer-sponsored health coverage as taxable income to covered employees (and retirees) and to add a standard income and payroll-tax deduction (\$7,500 single/ \$15,000 family) for those with health coverage.¹ While there does not appear to be congressional support for this proposal, health care reform will no doubt gain more political and legislative attention in the run-up to the 2008 presidential election.
- The AFL-CIO has called for comprehensive health care reform through the expansion of Medicare. Under the proposal, any health reform system would provide health care coverage to everyone without exclusions or penalties and the government would play the central role in regulating, financing and providing health care.
- Final HIPAA nondiscrimination regulations were released by the Departments of Labor, Health and Human Services, and Treasury. The final regulations offered clarifications in areas such as wellness program rules, Health Reimbursement Accounts (HRAs) and the source of injury rule.²
- Massachusetts moves forward with its landmark health care reform law enacted in April 2006. The law requires nearly all state residents to have health insurance effective July 1, 2007 and places significant new obligations on employers.³ The implications for multiemployer plans are still unclear.

The Vendor Marketplace

- Blue Cross of California launched "360 Degree Health" statewide. This group-benefits program addresses preventive care, health improvement, and care coordination. It provides health information and counsel collected from physicians, nurses and other health care professionals to its members through a single point of contact.
- CVS Corp., the second largest drugstore chain, has merged with Caremark Rx, Inc., a pharmacy benefits manager (PBM). The merger will allow CVS to expand its prescription benefits business and mail-order operations as other retail pharmacies continue to lose prescriptions to mail order facilities.

Key Trends and Statistics

- The cost of caring for aging residents by 2030 could add 25 percent to the nation's overall health care costs, a recent CDC study finds.
- The Harris Poll finds adults exhibit massive increases in obesity. The study finds that in 2006, 37 percent or 80 million adults were obese, an increase of 147 percent over the 1983-1985 obesity statistics.

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

- **Performing Data Mining and Analysis** Through credible data-driven analyses plan sponsors can then target the root causes of cost increases, allowing for more effective intervention to manage future health care expenses as part of their Total Health Management (THM) strategy.
- **Reviewing Wellness Programs to Assure Compliance with the Final HIPAA Nondiscrimination Regulations** Inventory these benefits and amend them as needed or design new wellness initiatives to promote healthy lifestyles and accommodate the needs of those who have an existing health condition.
- **Evaluating the Use of HRAs** Plan sponsors that add an HRA can provide participants with first-dollar health coverage and make true health care costs visible to participants.
- **Addressing Specialty Pharmacy Costs** Plan sponsors can use a variety of strategies to manage the high cost of specialty drugs, including utilization and cost reviews, data analysis, formulary management through tiered cost sharing, clinical management, monitoring high-risk participants and step therapies.

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*, "Bush Administration's New Health Policy Initiatives Introduced in the State of the Union Address": <http://www.segalco.com/publications/capitalcheckup/012607.html>

² See Segal's *Bulletin*, "Final HIPAA Nondiscrimination Regulations Issued": <http://www.segalco.com/publications/bulletins/jan07HIPAA.pdf>

³ See Segal's *Capital Checkup*, "Massachusetts Moves Forward in Implementing Landmark Health Care Reform Act": <http://www.segalco.com/publications/capitalcheckup/022207.html>