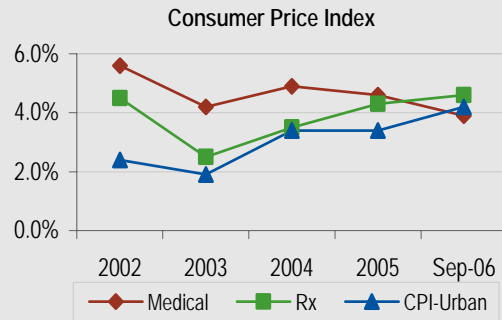


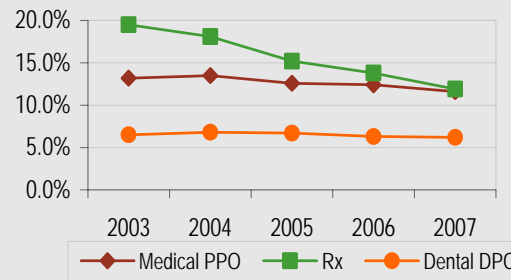
CPI and Trend

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

The Vendor Marketplace

- While it will support any clients wishing to continue coverage, The Union Labor Life insurance Company (ULLICO) is encouraging clients to discontinue using its health and medical insurance products, including its Administrative Services Only (ASO) offering. ULLICO will concentrate its efforts on expanding stop-loss and life insurance.
- MultiPlan, Inc., a provider of preferred provider organization (PPO) networks, will acquire Private Healthcare Systems, Inc. (PHCS), the largest proprietary primary PPO network. The transaction is expected to close early to mid-fourth quarter 2006.
- WebMD Health Corporation, a provider of online health information services, acquired Summex Corporation, a provider of comprehensive health and wellness programs that include online health risk assessments, lifestyle education and personalized telephonic health coaching.
- Drugs to lose patent protection in 2007 include: Toprol XL (High Blood Pressure), Ambien (Insomnia), Imitrix (Migraine), Paxil CR (Depression), Coreg (Cardiovascular, High Blood Pressure, Hypertension), Pulmicort (Asthma) and Mirapex (Parkinson's Disease).

Compliance News

- The Centers for Medicare & Medicaid Services (CMS) announced reimbursement rates for 2007 Standard Part D plans. The base monthly payment to Medicare Prescription Drug Plans (PDP) will be \$53.08, down from \$60.10 in 2006. The national average monthly bid will be \$80.43, down from \$92.30 in 2006. The Part D base beneficiary premium will be \$27.35, down from \$32.20 in 2006.
- Plan sponsors participating in the Medicare Retiree Drug Subsidy (RDS) program in 2007 must submit a new application to CMS no later than 90 days before the start of the plan year.

Key Financial Trends and Statistics

- The 2007 Segal Health Plan Cost Trend Survey forecasts declines in trends in 2007. Despite this projection, medical and prescription drug plan costs are expected to outpace general inflation and wage increases.²
- A 10-year analysis of Segal's trend rates shows that prescription drug cost trends have declined by nearly 40% since 2003.³
- The average cost of bariatric surgery and six months of follow-up care is \$29,921, according to the Agency for Healthcare Research and Quality.

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

- **Designing a Retiree Prescription Drug Strategy for 2007** Options include applying for the RDS, contracting with a PDP, supplementing a PDP and "becoming" a PDP.¹
- **Exploring the Employer Group Waiver PDP** Segal has pre-qualified five vendors to provide fully insured rate quotes on standard designs. Benefits include providing Medicare-eligible retirees with equivalent or better coverage levels than the Standard Part D plan, transferring risk and eliminating reporting requirements.
- **Installing Freestanding Data-Mining Tools and Disease Management Vendors** Several large health funds have done both to manage cost, disease and providers.
- **Performing Periodic Claims Audits** Regular claims audits can help reduce health plan costs, create more efficient processes and demand higher standards from the fund's vendors.
- **Developing Approaches to Encourage and Increase Participant Involvement in Their Own Health Care** Examples include completion of health risk appraisal, predictive modeling and focus on quality of care.

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 Newsletter "Now that Medicare Part D Coverage Has Begun, What's Next? Designing a Retiree Rx Strategy for 2007": <http://www.segalco.com/publications/newsletters/july2006.pdf>

² View the 2007 Segal Health Plan Cost Trend Survey at: <http://www.segalco.com/publications/surveysandstudies/2007trendsurvey.pdf>

³ See the 10-year analysis at <http://www.segalco.com/publications/surveysandstudies/2007trendsurveysupplement.pdf>