Agenda

1. Health Reform: “Where do we go from here?”
   Individual Market vs. Group Market

2. California Community Colleges Employee Benefits Survey
   Average Costs
   Average CAP Costs
   General Trend Rates: Insured vs. Self Insured

3. Other Survey Data
   STRS
   California Marketplace
   Robert Wood Johnson Foundation – County Health Rankings

4. Cost Containment
   Cost Containment Spectrum
   Top 5 Strategies to Enhance ROI of Working Wellness Programs
   Sample Weight Loss Program
Health Reform
“What Does it All Mean to Me?”

What Does it All Mean to Me? (Image of a health reform protest)
“What is the Result?”
Patient Protection and Affordable Care Act
What’s at Stake?

- 46.3 million uninsured
- $16,771/yr. cost of employer provided family coverage
  * 80% of those covered happy with current arrangements
- 17% of the economy is health care sector
- Deficit is $1.8 trillion
- Cost of bills range between $898 Billion - $1.3 Trillion
- 52% are worried they cannot pay for future healthcare in the event of serious illness
- 47% are worried that they will not be able to afford all of the routine health care services they need
- 20% report that they or a family member delayed needed medical care in the past year due to cost
Patient Protection and Affordable Care Act
Primarily Affecting Individual and Small – Group Plans

President Obama’s Eight Principles

1. Guarantee choice
2. Make health coverage affordable
3. Protect families’ financial health
4. Invest in prevention and wellness
5. Provide portability of coverage
6. Aim for universality
7. Improve patient safety and quality care
8. Maintain long-term fiscal sustainability
Patient Protection and
Affordable Care Act

Unintended (?) Consequences

- Excise tax on indoor tanning services (2010)
- Medical Advantage plans losing advantage (2011)
- Increased penalties for nonqualified distribution from HSA’s (2011)
- Medicare Part D “doughnut hole” closing (2011-2013)
- Reduced contributions ($2500) to FSA’s (2013)
- Medicare tax surcharge on high income taxpayers (2013)
- Higher floor on itemized deductions for medical expenses (2013)
- 40% excise tax on high-cost plans in excess of $8500 for individuals and $23,000 for families (2018)
- Tax on individuals not obtaining health coverage (2018)
- 20% excise tax on certain medical devices
- $60 Billion in fees levied against health insurance providers
- Annual fee for drug manufacturers
- Employee penalties for not maintaining health insurance
- Insurance carrier loss – ratio mandates could lead to fewer carriers
“Maxine” says...

Let me get this straight ......Congress has passed a health care plan, written by a committee whose chairman says he doesn't understand it, passed by a Congress that hasn't read it but exempts themselves from it, to be signed by a president that also is exempt from it and hasn't read it and who smokes, with funding administered by a treasury chief who didn't pay his taxes, all to be overseen by a surgeon general who is obese, and financed by a country that's broke.

What the hell could possibly go wrong?
Patient Protection and Affordable Care Act
Issues Affecting Community Colleges

Effective 1st Plan Renewal after September 23, 2010
- Cover Dependents to age 26 (Carriers will cover earlier)
- Dependent Status based on tax code, not current district definition
- Pre-existing conditions prohibited for dependents under age 19
- No Cost Sharing for Preventive Care
- Lifetime limits prohibited
- No annual limits on “Essential Health Benefits”
- OTC drugs not covered under FSA, HSA or HRA plans without doctors’ Rx (2011)
- Employer reporting to IRS of individual cost of coverage on W-2 forms (2011)

Effective June 21, 2010 to January 1, 2014: Retiree Care Subsidy
- HHS certified plans may be reimbursed 80% of claims from $15,000 to $90,000 for non-Medicare eligible retiree benefits
- $5 billion budget allocation
- Plans must apply, document claims, and implement programs and procedures to generate cost savings for participants with chronic and high cost conditions.
- Recommend early preparation, as funds won’t last
## California Community College Benefits Survey

<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Percentage of Districts with a CAP</td>
<td>47%</td>
<td>51%</td>
<td>54%</td>
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<tr>
<td>Average CAP</td>
<td>12175.05</td>
<td>$10228.00</td>
<td>$11771.00</td>
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</table>

**Districts with PPO/POS**

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>EE only</td>
<td>$577.66</td>
<td>$612.06</td>
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<tr>
<td>EE + 1</td>
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<td>EE + Family</td>
<td>$1531.65</td>
<td>$1613.21</td>
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<td>Supercomposite</td>
<td>$1026.75</td>
<td>$1056.55</td>
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**Districts with HMO**

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# Insurance Trend Report

### 2nd Quarter 2010

#### CARRIER TREND

<table>
<thead>
<tr>
<th>CARRIER</th>
<th>HMO</th>
<th>PPO</th>
<th>POS</th>
<th>RX-PPO</th>
<th>RX-HMO</th>
<th>Dental</th>
<th>Vision</th>
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<tr>
<td>Health Net</td>
<td>13.0%</td>
<td>13.1%</td>
<td>12.5%</td>
<td>13.4%</td>
<td>11.5%</td>
<td>12.5%</td>
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<tr>
<td>Blue Cross</td>
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<td>13.05%</td>
<td>10.44%</td>
<td>10.95%</td>
<td>11.91%</td>
<td>15.1%</td>
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<tr>
<td>Blue Shield</td>
<td>12.0%</td>
<td>14.0%</td>
<td>12.9%</td>
<td>12.1%</td>
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<tr>
<td>Kaiser **</td>
<td>10.4%</td>
<td>7.6%</td>
<td>7.0%</td>
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<td></td>
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<tr>
<td>Cigna</td>
<td>11.0%</td>
<td>11.0%</td>
<td>13.5%</td>
<td>12.9%</td>
<td>12.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Delta Dental</td>
<td>7.6%</td>
<td>6.6%</td>
<td>4.6%</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXPRESS Scripts</td>
<td>9.9%</td>
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#### KEENAN’S SELF INSURED TREND

<table>
<thead>
<tr>
<th>CARRIER</th>
<th>HMO</th>
<th>PPO</th>
<th>POS</th>
<th>RX-PPO</th>
<th>RX-HMO</th>
<th>Dental</th>
<th>Vision</th>
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</thead>
<tbody>
<tr>
<td>Health Net</td>
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</tr>
<tr>
<td>Blue Cross</td>
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<tr>
<td>Blue Shield</td>
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</tr>
<tr>
<td>Delta Dental</td>
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*Trends are applicable for North and South as stated except where noted.
*Portfolio plan means standard benefit as opposed to customized benefit.
**Kaiser Trends are not updated quarterly. They are not Annual.

Note: Pacificare/SHC has decided not to participate in our trend report. If their position changes we will add them to the report.
Prepared by Keenan & Associates

4/28/2010
STRS District
Health Benefits Survey Results

- Virtually all districts provide or coordinate medical or dental coverage
- Only 40% of districts offer health insurance to part-time educators (employees)
- Most districts (84%) do not reimburse members who opt not to have the district-offered health plans
- Most districts (94%) provide vision care benefits
- 35% of districts offer a cafeteria plan, up from 25% in 2006
- 19% of districts have a health plan with a health savings account, up from 8% in 2006
Against That Backdrop, The California Health Insurance Market Has Narrowed

1999:
- Aetna
- Blue Cross
- Blue Shield
- Cigna
- GreatWest
- Health Net
- Health Plan of Redwoods
- Kaiser
- PacifiCare
- United Healthcare
- Western Health Advantage

2010:
- Aetna
- Anthem Blue Cross
- Blue Shield
- Cigna
- Health Net
- Kaiser
- United Healthcare

There are fewer competitors, higher prices.
Health Care Is Localized
There Are Six Very Distinct Health Insurance Markets In California, Each Requiring Unique Solutions

<table>
<thead>
<tr>
<th>MARKETPLACE</th>
<th>LOCAL MARKET CHARACTERISTICS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sacramento</td>
<td>Powerful health systems dominate a stable market.</td>
</tr>
<tr>
<td>San Diego</td>
<td>Retreat from capitation creates concerns.</td>
</tr>
<tr>
<td>San Francisco Bay Area</td>
<td>Downturn stresses historically stable safety net.</td>
</tr>
<tr>
<td>Fresno</td>
<td>Poor economy, poor health creates stresses.</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>Haves and have nots lead to divided system.</td>
</tr>
<tr>
<td>Riverside/San Bernardino</td>
<td>Sprawling area, economic woes create access challenges.</td>
</tr>
</tbody>
</table>
Who is Healthy?

Health Outcome Components

- Mortality (length of life) 50%
- Morbidity (quality of life) 50%

Health behaviors (30%)
- Tobacco use
- Diet & exercise
- Alcohol use
- Unsafe sex

Clinical care (20%)
- Access to care
- Quality of care

Social and economic factors (40%)
- Education
- Employment
- Income
- Family & social support
- Community safety

Physical environment (10%)
- Environmental quality
- Built environment

County Health Rankings: 2010 California, provided by the Robert Wood Johnson Foundation and the University of Wisconsin Population Health Institute
## California County Health Rankings

<table>
<thead>
<tr>
<th>RANK</th>
<th>HEALTH OUTCOMES</th>
<th>RANK</th>
<th>HEALTH OUTCOMES</th>
<th>RANK</th>
<th>HEALTH OUTCOMES</th>
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<tbody>
<tr>
<td>1</td>
<td>Marin</td>
<td>20</td>
<td>Los Angeles</td>
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<td>Mariposa</td>
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<tr>
<td>2</td>
<td>Santa Clara</td>
<td>21</td>
<td>San Francisco</td>
<td>40</td>
<td>Lassen</td>
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<tr>
<td>3</td>
<td>San Mateo</td>
<td>22</td>
<td>Nevada</td>
<td>41</td>
<td>Tehama</td>
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<tr>
<td>4</td>
<td>Orange</td>
<td>23</td>
<td>Mono</td>
<td>42</td>
<td>Tuolumne</td>
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<td>5</td>
<td>San Benito</td>
<td>24</td>
<td>Sutter</td>
<td>43</td>
<td>Tulare</td>
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<tr>
<td>6</td>
<td>Santa Cruz</td>
<td>25</td>
<td>Calaveras</td>
<td>44</td>
<td>Butte</td>
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<tr>
<td>7</td>
<td>Placer</td>
<td>25</td>
<td>Solano</td>
<td>45</td>
<td>Humboldt</td>
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<td>8</td>
<td>Sonoma</td>
<td>27</td>
<td>Plumas</td>
<td>46</td>
<td>Glenn</td>
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<td>9</td>
<td>Ventura</td>
<td>28</td>
<td>Imperial</td>
<td>47</td>
<td>Shasta</td>
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<td>10</td>
<td>Colusa</td>
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<td>Amador</td>
<td>48</td>
<td>Kern</td>
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<td>11</td>
<td>Monterey</td>
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<td>Riverside</td>
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<td>Mendocino</td>
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<td>Contra Costa</td>
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<td>Madera</td>
<td>51</td>
<td>Modoc</td>
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<td>13</td>
<td>Santa Barbara</td>
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<td>Sacramento</td>
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<td>Siskiyou</td>
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<td>San Luis Obispo</td>
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<td>Kings</td>
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<td>Yuba</td>
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<td>15</td>
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<td>San Joaquin</td>
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<td>Del Norte</td>
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<td>Napa</td>
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<td>Yolo</td>
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<td>Fresno</td>
<td>56</td>
<td>Trinity</td>
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<td>18</td>
<td>Alameda</td>
<td>37</td>
<td>San Bernardino</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>El Dorado</td>
<td>38</td>
<td>Stanislaus</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Who is Not Healthy?

For every 100 employees in the United States...

- 60 are sedentary
- 25 smoke
- 20 are at least 20% overweight
- 27 have heart disease
- 10 have diabetes
- 50 have high cholesterol
- 24 have high blood pressure
- 50 feel distressed

Source: "Stress at work", National Institute for Occupational Safety & Health
# Wellness Programs

**Target programs to health risks**

<table>
<thead>
<tr>
<th>Maintain Health</th>
<th>Improve Health</th>
<th>Manage Health</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthy</td>
<td>At Risk</td>
<td>Chronic Case</td>
</tr>
<tr>
<td>Healthy</td>
<td>At Risk</td>
<td>Acute Case</td>
</tr>
</tbody>
</table>

**Healthy**
- Health Risk Assessment
- Education Content
- Lifestyle Management Tools
  - Diet
  - Fitness
  - Smoking
- Lunch & Learns
- Walking Challenges
- Access and discounts to Fitness Facilities

**At Risk**
- Health Risk Assessment
- Education Content
- Lifestyle Management Tools
  - Diet
  - Fitness
  - Smoking
- Personal Health Coach

**Chronic Case**
- Health Risk Assessment
- Education Content
- Lifestyle Management Tools
- Personal Health Coach
- Disease Management
  - Diabetes
  - Asthma
  - Heart Disease
- Large Case Management
## Cost Containment Spectrum

<table>
<thead>
<tr>
<th>Less Effective</th>
<th>More Effective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less Complex</td>
<td>More Complex</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
<th>Phase 4</th>
<th>Phase 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Passive Programs</td>
<td>• More Active Approach</td>
<td>• Phase 3, Plus</td>
<td>• Phase 4, Plus</td>
<td>• Phase 4, Plus</td>
</tr>
<tr>
<td>• Totally Voluntary</td>
<td>• Wellness Programs</td>
<td>• Identify Best</td>
<td>• Aggressive</td>
<td>• Outreach – individual</td>
</tr>
<tr>
<td>• Limited</td>
<td>• Health Risk Appraisal</td>
<td>Provider / Practices</td>
<td>Outreach</td>
<td>Contact with Members</td>
</tr>
<tr>
<td>Communication of Carrier Programs</td>
<td>• Health Screenings</td>
<td>• Strong Outreach</td>
<td>Programs – Stratify</td>
<td>Members</td>
</tr>
<tr>
<td>• Little or No “Outreach” on Health Improvement Programs</td>
<td>• Smoking Cessation</td>
<td>Members by Diagnostic Category</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Health Fairs</td>
<td>• Weight Loss</td>
<td>• Plan Design</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Encourage use of Carrier Resources</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Self-Care</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Health Improvement Programs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• “Soft” Outreach on Disease Management</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Potential CDHP Options</td>
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</table>

**Phase 1**
- Passive Programs
- Totally Voluntary
- Limited Communication of Carrier Programs
- Little or No “Outreach” on Health Improvement Programs
- Health Fairs

**Phase 2**
- Enhance Communication
- Email campaign
- Newsletter
- Encourage use of Carrier Resources
- Self-Care
- Health Improvement Programs

**Phase 3**
- More Active Approach
- Wellness Programs
- Health Risk Appraisal
- Health Screenings
- Smoking Cessation
- Weight Loss
- Rewards / Incentives
- Health Club Memberships
- “Soft” Outreach on Disease Management

**Phase 4**
- Phase 3, Plus
- Identify Best Provider / Practices
- Strong Outreach Programs – Stratify Members by Diagnostic Category
- Plan Design Changes to Incent Participation
- Potential CDHP Options

**Phase 5**
- Phase 4, Plus
- Aggressive Outreach – individual Contact with Members
- Full CDHP with HSA or HRA
- Tiered Networks based on Cost / Quality
- Direct Contracting
- District Pricing based on Participation
How Do Wellness Programs Reduce Health Costs?

• Research shows medical costs for obese workers are 77% higher than for others, running $8,720 per claimant.

• Among obese workers, 6.9% are restricted in work capabilities, and absenteeism rates are more than double those normal weight employees.

• A three-year study showed that one-on-one health coaching, physical activity and healthy eating cut the overall incidence of diabetes by 58%.
Lend Employees a Healthy Hand

• Open your hand and stretch your fingers out as wide as possible. That is how many fruit and vegetables you should have at a meal.

• Make a tight fist. That is a serving of carbs like pasta or bread.

• Look at the size of your palm. That is the correct portion size of a hamburger patty, chicken breast, eggs, fish or any other protein.

• Make an “OK” sign with your index finger and thumb for a serving of fat, like olive oil and salad dressing.
How Do Wellness Programs Reduce Health Costs?

**Return on Investment**

Dollar Saved for every Dollar Invested in Lifestyle Health Programs

<table>
<thead>
<tr>
<th>Company</th>
<th>Savings Per $1 Invested</th>
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<tbody>
<tr>
<td>Coors</td>
<td>$6.15</td>
</tr>
<tr>
<td>Kennecott</td>
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</tr>
<tr>
<td>Equitable Life</td>
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<tr>
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<td>General Mills</td>
<td>$3.90</td>
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<td>Travelers</td>
<td>$3.40</td>
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<td>Motorola</td>
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<td>PepsiCo</td>
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<td>Unum Life</td>
<td>$1.81</td>
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</tbody>
</table>

**NOTE:** ROI varies based on program design and estimated costs
Top 5 Strategies to Enhance the ROI of Worksite Wellness Programs

● Tap into your insurance plan’s willingness to pay for wellness
● Create a benefit plan design so wellness can be cost neutral
● Implement worksite policies and environmental changes that support healthy living
● Use the right wellness message to increase participation, improve morale and enhance engagement
● Make use of all your free community resources
And, Here is a Resource from Keenan

Thinner

Winners!
Questions?

Please Contact:

Bob Schoenherr, CLU, ChFC, RHU
Senior Vice President
Keenan & Associates
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San Jose, CA 95110
Phone 800 334-6554 ext. 6171
BSchoenherr@Keenan.com