Health Care Trends and Reform

What Does it All Mean to Me?

ACBO Spring 2010 Conference

May 18, 2010

Presented By:
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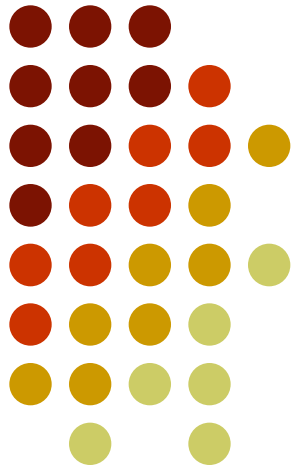
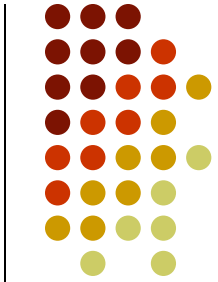


Agenda



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

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Health Reform
"What Does it All Mean to Me?"

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"What is the Result?"

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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

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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

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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

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“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?

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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

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California Community College Benefits Survey

Survey Year	2007 - 2008	2008 - 2009	2009 - 2010
Percentage of Districts with a CAP	47%	51%	54 %
Average CAP	12175.05	$10228.00	$11771.00
Districts with PPO/POS Average Rates			
EE only	$577.66	$612.06	$648.28
EE + 1	$1112.68	$1144.01	$1227.78
EE + Family	$1531.65	$1613.21	$1775.80
Supercomposite	$1026.75	$1056.55	$1059.84
Districts with HMO Average Rates			
EE only	$424.25	$456.64	$496.58
EE + 1	$855.00	$888.18	$998.05
EE + Family	$1374.20	$1237.67	$1375.21
Supercomposite	$856.33	$939.00	$1017.75

Insurance Trend Report

Keenan & Associates

Insurance Trends Report
2nd Quarter 2010

CARRIER TREND														
CARRIER	**HMO**		**PPO**			**POS**		**RX-PPO**	**RX-HMO**	**Dental**		**Vision**
Health Net	13.0%		13.1%			13.4%		12.5%				
Blue Cross	Capitation 9.46%	Non-Capitated 13.05%	Hospital 11.55%	Professional 10.44%	Overall 10.95%	11.91%		15.1%		PPO 6.0%	Dental Net 4.0%	
Blue Shield	12.8%		13.0%			12.9%		12.1%		PPO 3% (* for portfolio plans)	DHMO	4.5%
Kaiser **	North 10.4%	South 7.8%						North 7.0%	South 7.0%			
Cigna	North 11.0%	South 11.0%	North 13.1%		South 13.6%	North 12.5%	South 12.9%	12.0%		PPO 5.5%	DHMO 6.5%	5.0%
Delta Dental										Premier 7.6%	DPO 6.6%	
VSP												2.0%
MES												4.0%
Express Scripts								9.9%				

KEENAN'S SELF INSURED TREND					
CARRIER	**HMO**	**PPO**	**POS**	**RX-PPO RX-HMO**	**Dental**	**Vision**
Health Net					Schools: 4% - 5.5% HealthCare: 7% - 7.5%	Schools: 3.5% HealthCare 2.5%
Blue Cross		Schools: 10% - 12% HealthCare: 10% - 12%		Schools: 10% - 12% HealthCare: 10% -12%	Schools: 4% - 5.5% HealthCare: 7% - 7.5%	Schools: 3.5% HealthCare 2.5%
Blue Shield		Schools: 10% - 12% HealthCare: 10% - 12%		Schools: 10% - 12% HealthCare: 10% -12%	Schools: 4% - 5.5% HealthCare: 7% - 7.5%	Schools: 3.5% HealthCare 2.5%
Delta Dental					HealthCare: 7% - 7.5% Schools: $1,000 Max - 4.0% $1,500 Max - 4.5% $2,000 Max - 5.0% $2,500 Max - 5.5% $3,000 Max - 6.0%	
VSP						Schools: 3.5% HealthCare 2.5%
MES						Schools: 3.5% HealthCare 2.5%

Trends are applicable for North and South except where noted.

* Portfolio plan means standard benefits as opposed to customized benefits.

** Kaiser Trends are not updated quarterly. They are set Annually

Note: PacifiCare/UHC 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

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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

STRS Triennial District Health Benefits Survey of K-12, COE, and CCS -34% Response Rate

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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.

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Health Care Is Localized

There Are Six Very Distinct Health Insurance Markets In California, Each Requiring Unique Solutions

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

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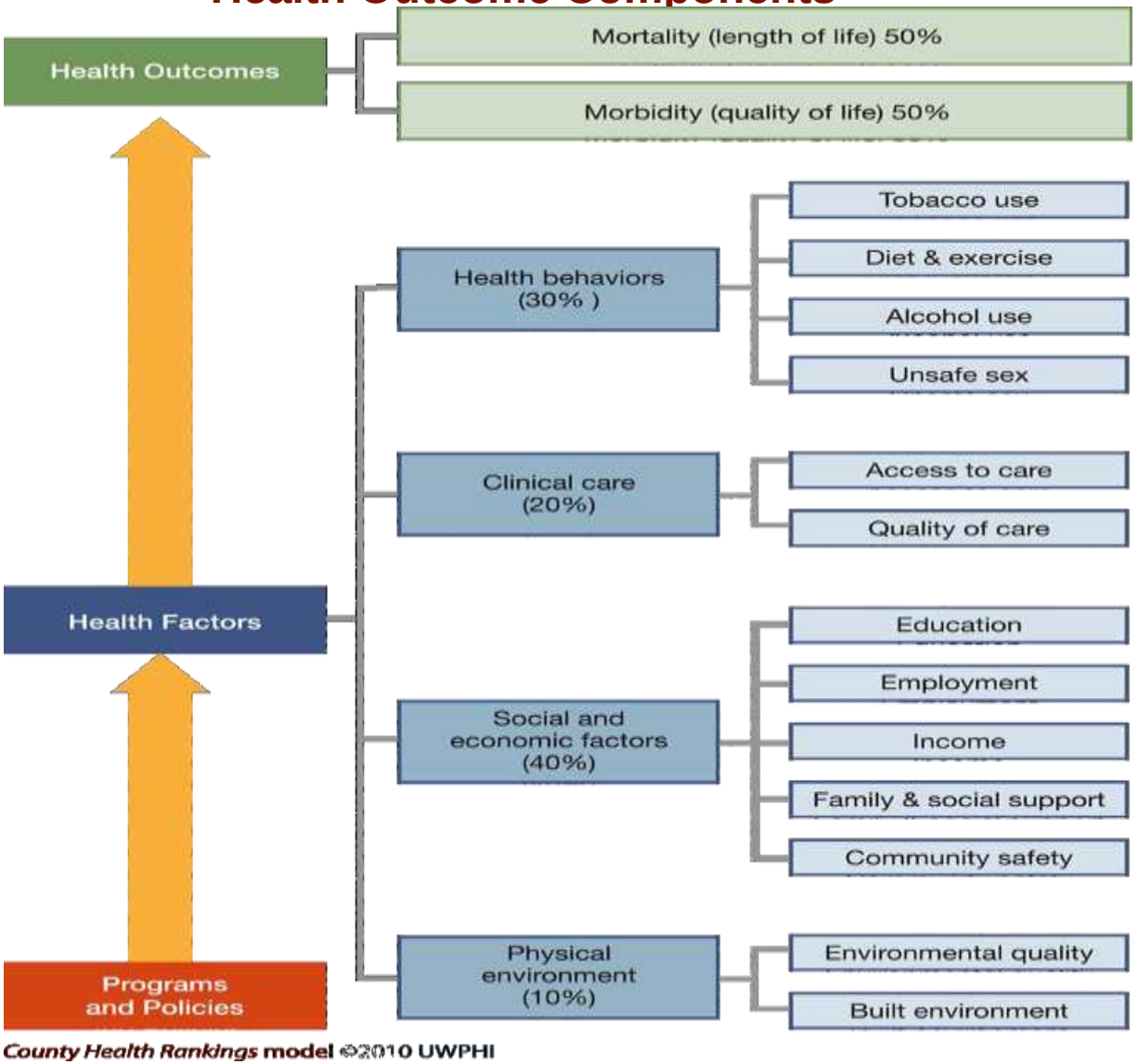
Who is Healthy?

Health Outcome Components



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

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California County Health Rankings

RANK	HEALTH OUTCOMES	RANK	HEALTH OUTCOMES	RANK	HEALTH OUTCOMES
1	Marin	20	Los Angeles	39	Mariposa
2	Santa Clara	21	San Francisco	40	Lassen
3	San Mateo	22	Nevada	41	Tehama
4	Orange	23	Mono	42	Tuolumne
5	San Benito	24	Sutter	43	Tulare
6	Santa Cruz	25	Calaveras	44	Butte
7	Placer	25	Solano	45	Humboldt
8	Sonoma	27	Plumas	46	Glenn
9	Ventura	28	Imperial	47	Shasta
10	Colusa	29	Amador	48	Kern
11	Monterey	30	Riverside	49	Mendocino
12	Contra Costa	31	Madera	51	Modoc
13	Santa Barbara	32	Sacramento	52	Siskiyou
14	San Luis Obispo	33	Kings	53	Yuba
15	San Diego	34	San Joaquin	54	Del Norte
16	Napa	35	Merced	55	Lake
17	Yolo	36	Fresno	56	Trinity
18	Alameda	37	San Bernardino		
19	El Dorado	38	Stanislaus		

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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

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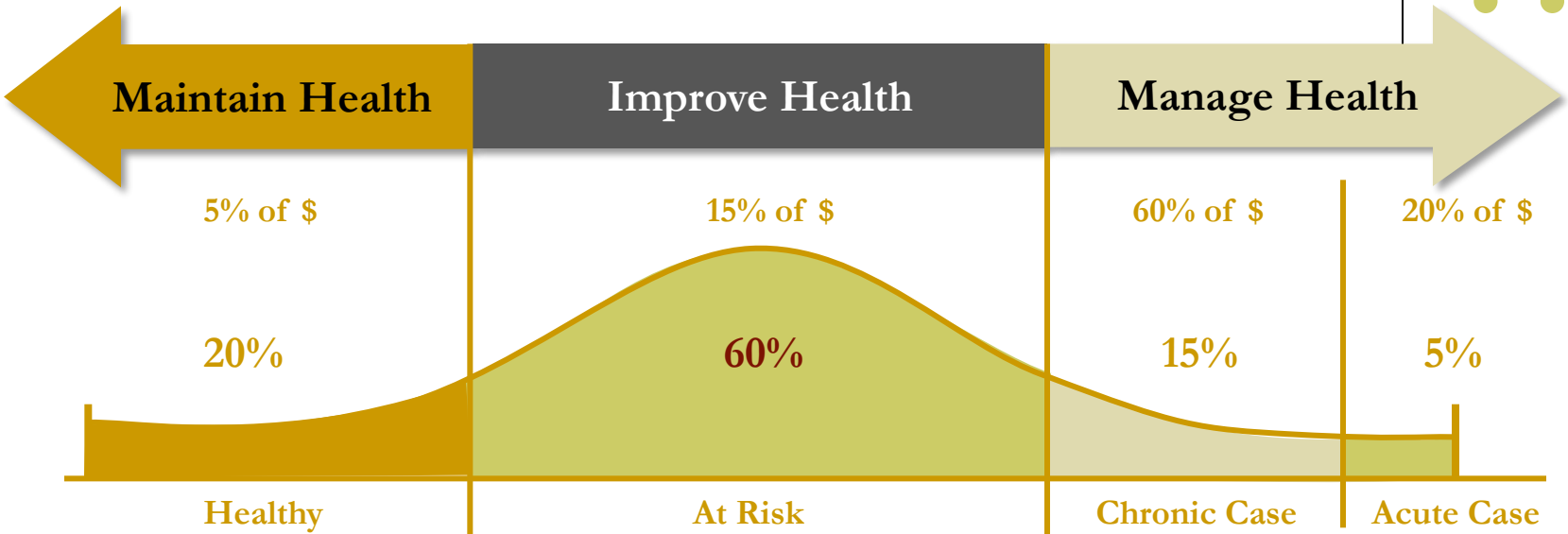
Wellness Programs
Target programs to health risks



Programs:

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

Programs:

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

Programs:

- **Health Risk Assessment**
- **Education Content**
- **Lifestyle Management Tools**
- **Personal Health Coach**
- **Disease Management**
  - Diabetes
  - Asthma
  - Heart Disease
- **Large Case Management**

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Cost Containment Spectrum

Less Effective
Less Complex

More Effective
More Complex

Phase 1	Phase 2	Phase 3	Phase 4	Phase 5
•Passive Programs •Totally Voluntary •Limited Communication of Carrier Programs •Little or No "Outreach" on Health Improvement Programs •Health Fairs	•Enhance Communication •Email campaign •Newsletter •Encourage use of Carrier Resources •Self-Care •Health Improvement Programs	•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 3, Plus •Identify Best Provider / Practices •Strong Outreach Programs – Stratify Members by Diagnostic Category •Plan Design Changes to Incent Participation •Potential CDHP Options	•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

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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%.

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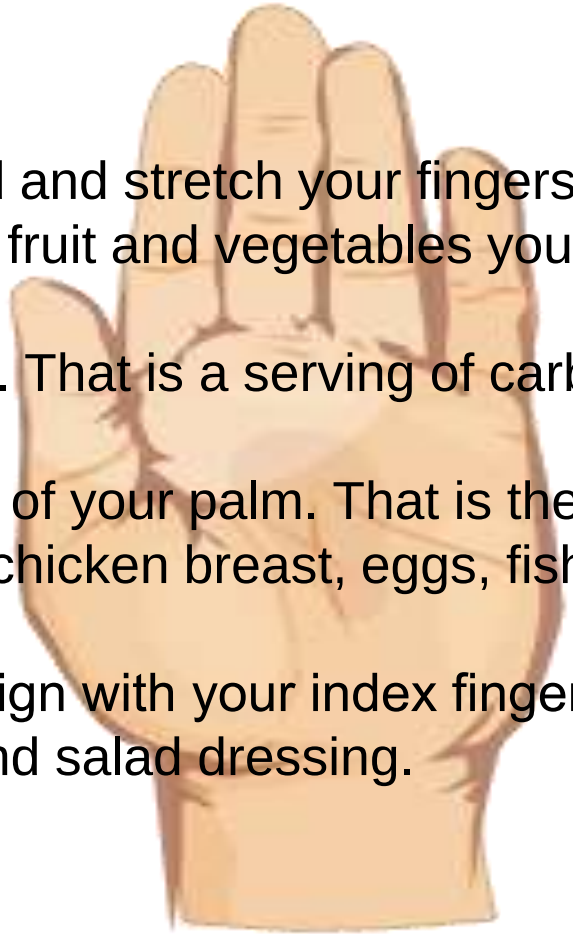
Lend Employees a Healthy Hand



- 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.

UCLA Center for Human Nutrition

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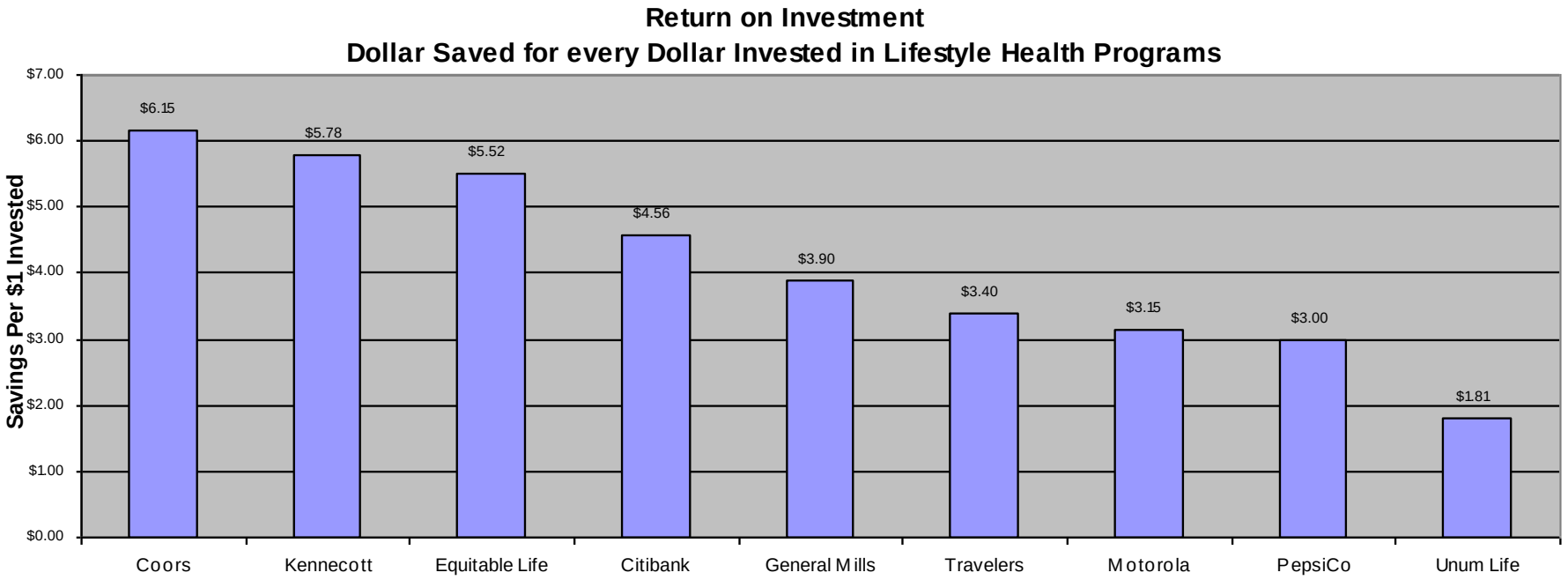
How Do Wellness Programs Reduce Health Costs?



NOTE: ROI varies based on program design and estimated costs

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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

Wellness Council of America [WELCOA]

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And, Here is a Resource from Keenan

Thinner

Winners!

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Questions?

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