



Kistler-Tiffany / Navigator 2009 Employee Benefits Survey

Presented By
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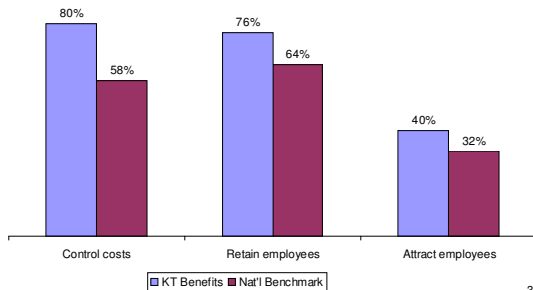


Introduction

- Where We Are Today
- What Actuaries Know Is Working
- What To Consider



Benefit Objectives





Health Care Cost Who's to Blame?



	Consumer Reports ¹	Google Search ²
Insurer	77%	2
Government	60	1
Doctor	59	4
Hospital	47	3
Consumer	41	5

¹Consumer Reports Telephone Interview – Reported March 2008

²Google Search – “Health Care” Blame “????” Where “????” Is Insurer, Government, Doctor, Hospital, or Consumer

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Cost



What Should We Measure?

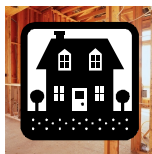
**Product / Service
or
Financing**

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Your Home

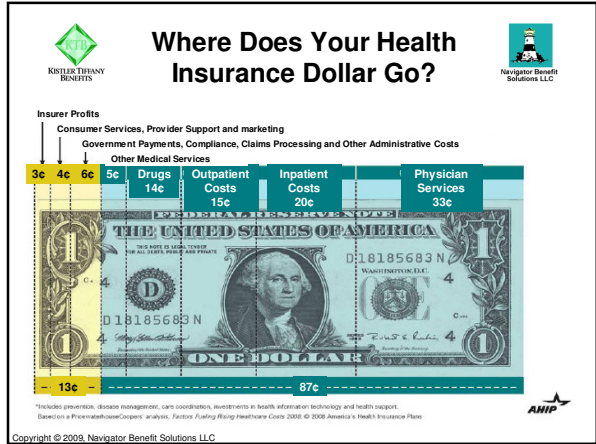


House



Financing⁶

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Health Care Costs

The public and the politicians are focused on the smallest contributor to health care costs . . .

Why?

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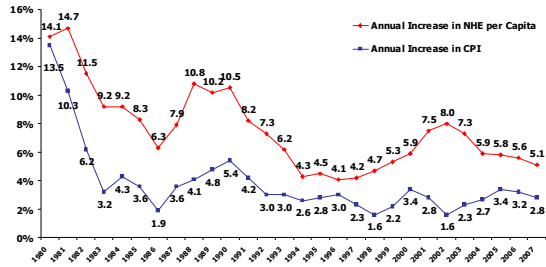
Health Care Costs

Let's Look At The Product / Service

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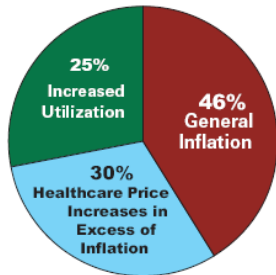
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Percent Annual Increase in National Health Expenditures (NHE) per Capita vs. Increase in Consumer Price Index (CPI), 1980-2007



Source: Kaiser Family Foundation calculations using NHE data from Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, at <http://www.cms.gov/Regaffairs/PDF/nhe/nhe07.pdf> (see Historical); NHE summary including share of GDP, CY 1980-2007; file: r1heg07.zip), and CPI data from Bureau of Labor Statistics at <http://www.bls.gov/news.release/cpi.t01.htm> (All Urban Consumers, All Items, 10 1982-1984=100, Not Seasonally Adjusted, U.S. city average).

What Is Driving Up Costs?



PriceWaterhouseCoopers, 2008; "The Factors Fueling Rising Health Care Costs 2008" Prepared for America's Health Insurance Plans
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Excess Inflation Drivers

- Reduced provider competition
- Cost-shifting from Gov't and uninsured to private payors
- Higher-priced technologies (MRI, Proton accelerators)



PriceWaterhouseCoopers, 2008; "The Factors Fueling Rising Health Care Costs 2008" Prepared for America's Health Insurance Plans
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Proton Accelerators

By The Numbers: Beam Blowout

- \$144 million to build a five-treatment-room proton-beam therapy center.
- 2 to 3 years to construct a proton-beam facility.
- 20,000 patients treated with protons to date in the U.S. (all with tumors).
- 60 seconds of contact between the proton beam and patient during each session.

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Utilization Drivers

- Aging
- Defensive Medicine
- Changes in Lifestyle (obesity, disease trends)

PriceWaterhouseCoopers, 2008; "The Factors Fueling Rising Health Care Costs 2008"
Prepared for America's Health Insurance Plans

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Consumer Awareness

- Don't Know
Lack of Pricing Transparency
- Don't Care
Not My Dollar
Maximize Return on Insurance
NOT
Return on Health Care Dollar

Could This Be Root Cause?

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Controlling Costs What Should Be Done?



Increase Consumer. . .

- Awareness
- Control
- Engagement



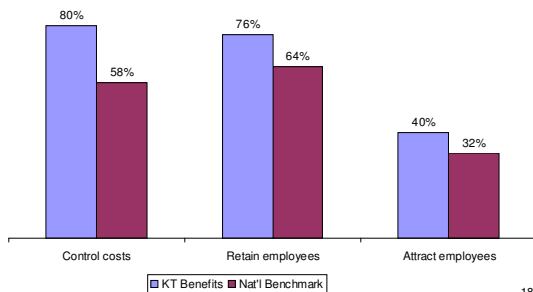
Kistler-Tiffany / Navigator 2009 Employee Benefits Survey



The Results



Benefit Objectives





Key Findings



- Local plan designs are richer than national
- Local premiums are higher than national
- Local employee contributions higher than national
- PPO plans most popular followed by HMOs
- CDHPs currently offered by 15% of local employers, with another 19% considering offering one next year

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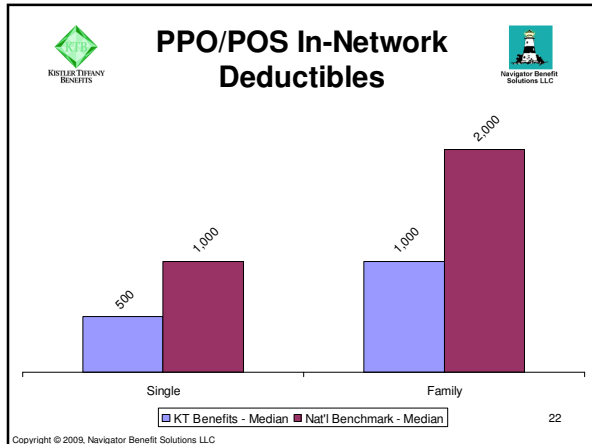
PPO/POS Deductibles



Percent having no in-network deductible:

- KT Benefits Book of Business – 47%
- National Benchmark – 21%

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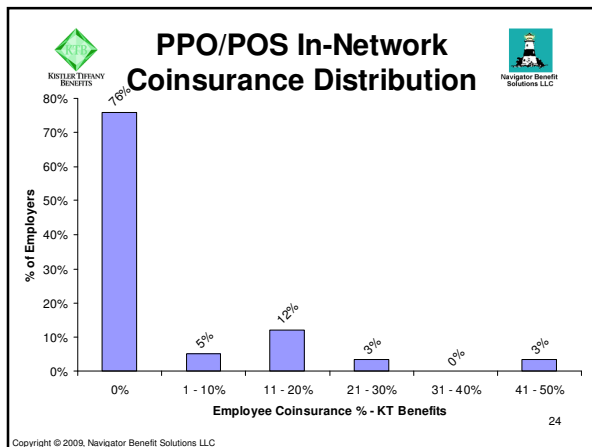


Median Coinsurance for PPO/POS Plans

In-Network:

- KT Benefits Book of Business – 0%
- National Benchmark – 20%

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Key Findings



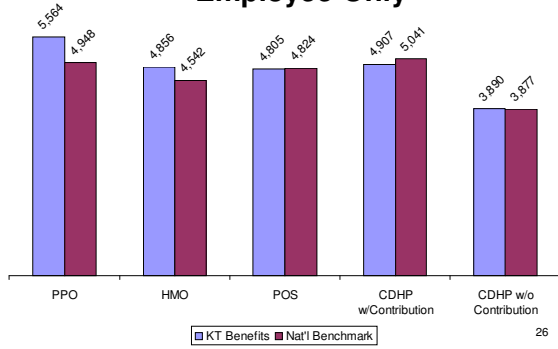
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Average Annual Premium – Employee Only

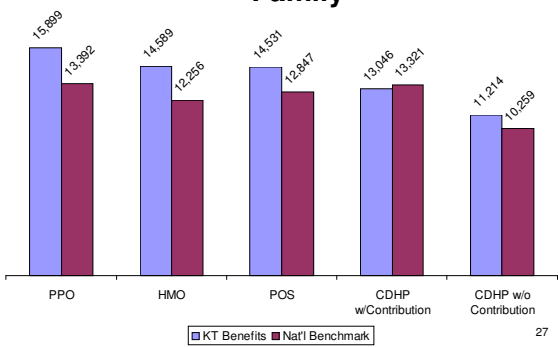


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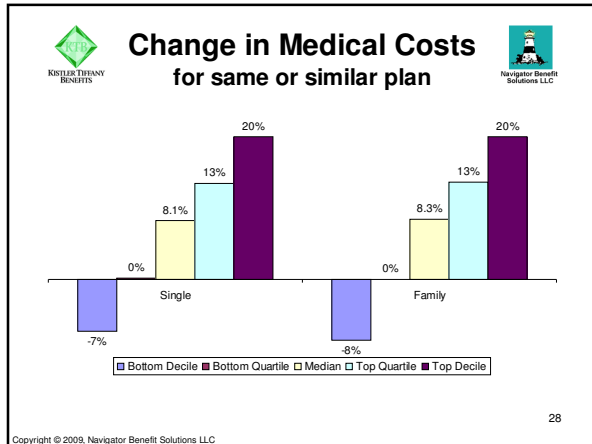


Average Annual Premium - Family

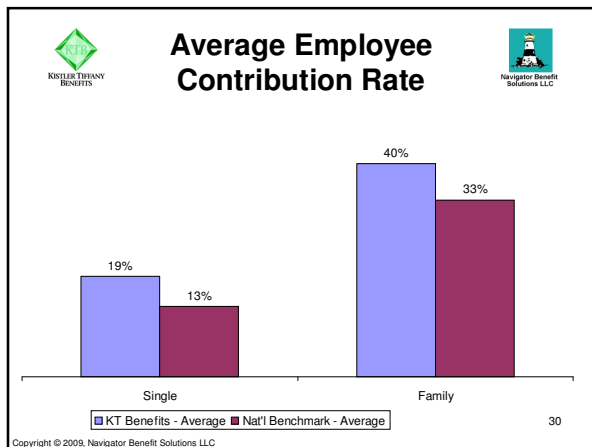


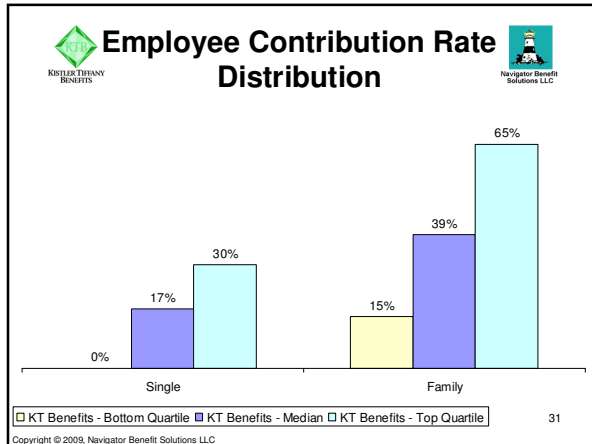
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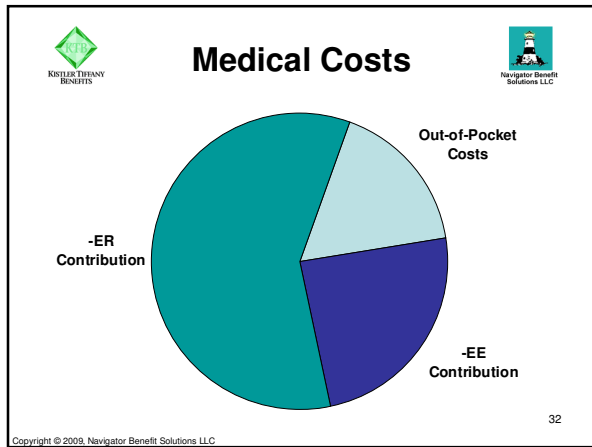
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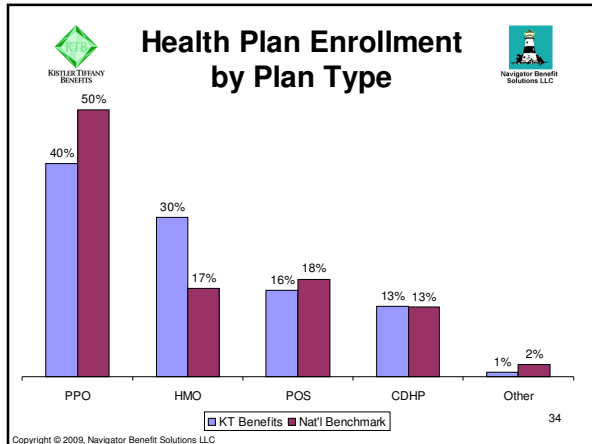
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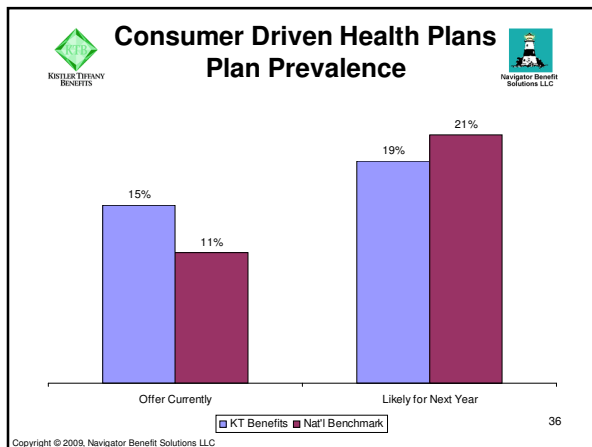




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Employee Acceptance



	# of Employers	Aggregate Enrollment %
PPO	51	61%
POS	25	73%
HMO	33	47%
CDHP	14	84%

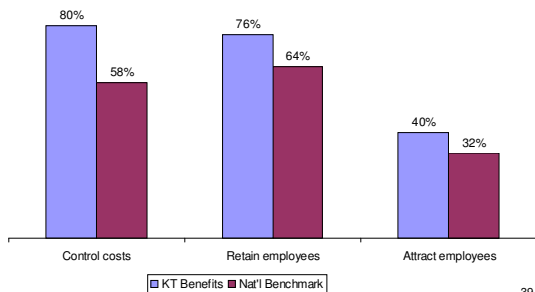


What Is Your Direction?





Benefit Objectives





Planned Actions



- 66% of KT employers are likely to increase the amount of premiums paid by employees next year
- 59% of KT employers are likely to increase deductibles, co-pays or coinsurance
- Few are considering eligibility restrictions
- None plan to eliminate coverage entirely

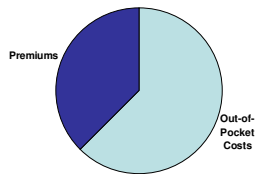
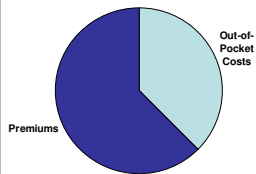


Employee Contributions



Traditional Plans

Consumer-Driven Health Plans





Consumer-Driven Health Care Savings



Actuaries Found . . .

- **12 – 20% 1st Year Savings Over Traditional Plans**
- **Savings Continued In 2nd Year – 3-5% versus PPO Plans**
- **Significant Increase in Preventative Services**
- **Cost Savings NOT Result of Avoiding Appropriate Care**



What Do We Need?



Advocates That **LEAD**,
Not Soldiers That **FOLLOW**



HRAs vs. HSAs



Health Reimbursement Arrangements

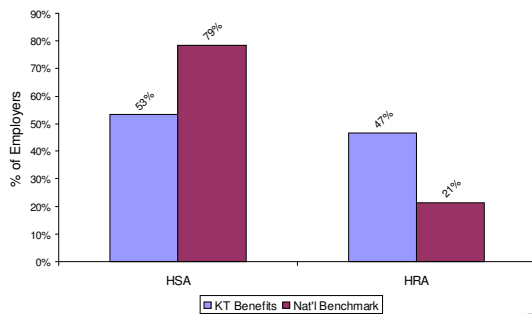
- Employer Money – Self-insured Plan
- No Vesting – Not Portable
- Higher Benefits for Less Cost

Health Savings Accounts

- Employee Money
- Immediate Vesting
- Lower Cash Benefit
- Requires More Restrictive Insurance Designs



Health Account Type (for employers where one is offered)





Health Account Annual Median Contribution



	-ER Contribution (Single)	-ER Contribution (Family)
HSA	525	893
HRA	1,000	2,000

KT Benefits Experience

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HRA Balance Carryover



of Employers That Allow:

NONE

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Retain & Attract Employees



Like Unvested Retirement Plans –
Carryover HRAs

Encourage Retention

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Challenges Remain



- Cost Transparency
- Quality Information
 - Comparative Effectiveness Research



Cost Comparisons



Cardiac Catheterization

Medicare	\$ 2,103
Typical Carrier Fee	\$ 7,358
R&C Rate (90th percentile)	\$ 16,350
Uninsured	\$ 29,430

Hernia Repair

Medicare	\$ 551
Typical Carrier Fee	\$ 975
R&C Rate (90th percentile)	\$ 3,172
Uninsured	\$ 5,710



Price Variation for Alternative Treatments (Proton Accelerators)



Protons offer advantages in certain rare spine, brain and eye tumors, as well as with kids, whose tissue is highly sensitive to stray radiation. Yet scientists have never proved in controlled clinical trials that protons work better or more safely than conventional therapies on common tumors.

Treating most prostate patients with protons "probably is not worth it," says Massachusetts General Hospital radiation oncologist Anthony Zietman. "There are perfectly good, much less expensive alternatives," such as surgery, X-rays and implanted radioactive seeds.

Medicare Pays:

Proton Accelerator Therapy	\$ 34,000
Traditional Therapy	\$ 16,000



Strategy



“Some of our employers did not move to CDHPs primarily to save money in the immediate term, either for themselves or their employees. Rather, they offered CDHPs to change how employees thought about their healthcare and how they would behave when their money was at stake.”

. . .Helen Darling, National Business Group on Health



Use Consumer-Driven Plans to Control Costs, Retain Employees, and Attract Talent





What's Next?



- Ask Your Broker to Look At Consumer Driven Options
- Encourage Employees to be Aware, Engaged Consumers in Control of their Health
- Get Involved in Health Care Reform – Encourage Politicians to Pursue What Works
- Learn More @ www.navben.us/20091112Present.htm
