



## 2009 Employee Benefits Survey

**MACE - January 21, 2010**

Presented By  
**Tim Luedtke, FSA**  
 of  
**Navigator Benefit Solutions LLC**

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## Curses or Blessings

*“May you live in interesting times”*  
**Health Care Reform**  
*“May you come to the attention of those in authority”*  
**Public Option**  
*“May you find what you are looking for”*  
**Better Health, Security, & Freedom**

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## Health Care Cost Who’s to Blame?

	Consumer Reports <sup>1</sup>	Google Search <sup>2</sup>
Insurer	1	2
Government	2	1
Doctor	3	4
Hospital	4	3
Consumer	5	5

<sup>1</sup>Consumer Reports Telephone Interview – Reported March 2008

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

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## Today’s Discussion

- Health Care Today
- Survey Results – An Actuarial Perspective
- What Works – How An Employer Should Respond?

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## Cost

### What Should We Measure?

**Product / Service  
 or  
 Financing**

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## Your Home

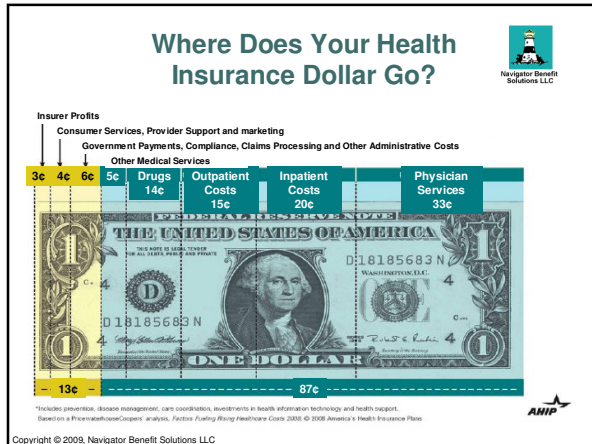


House



Financing <sup>6</sup>

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## Health Care Costs

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

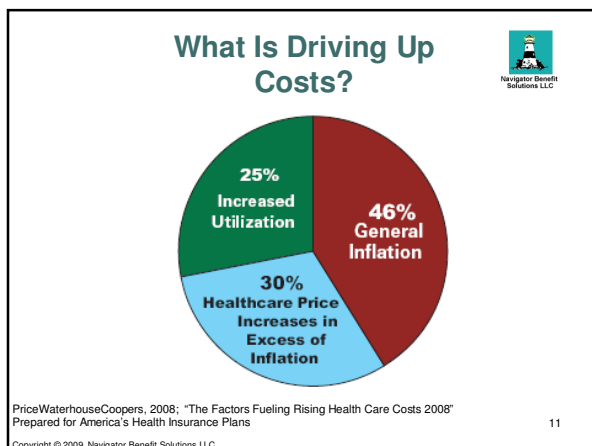
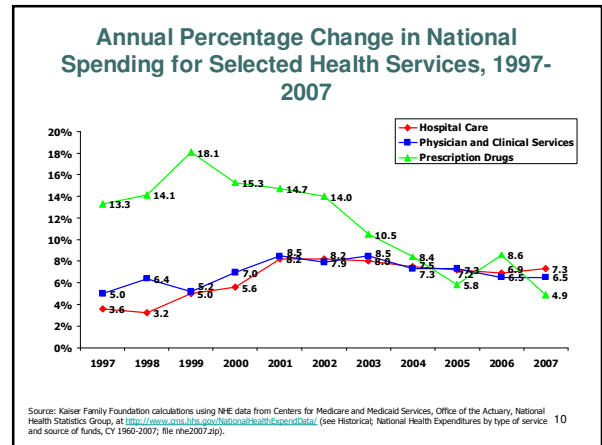
**Why?**

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## Health Care Costs

**Let's Look At The Product / Service**

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### Excess Inflation Drivers

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

30% Healthcare Price Increases in Excess of Inflation

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

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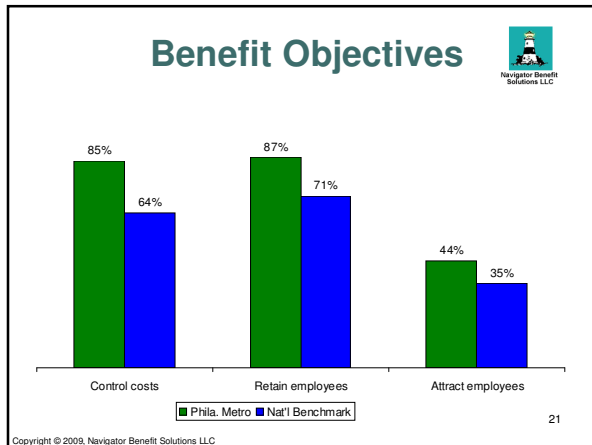
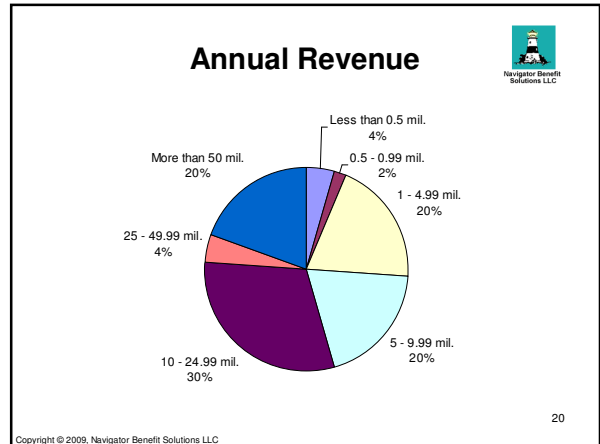
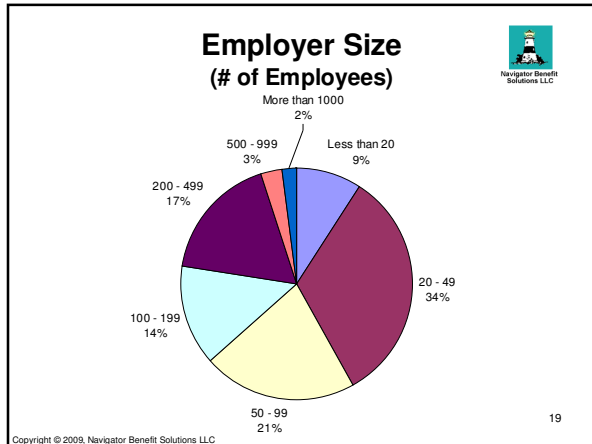
## 2009 Employee Benefits Survey Report

# The Results

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## Industry Distribution

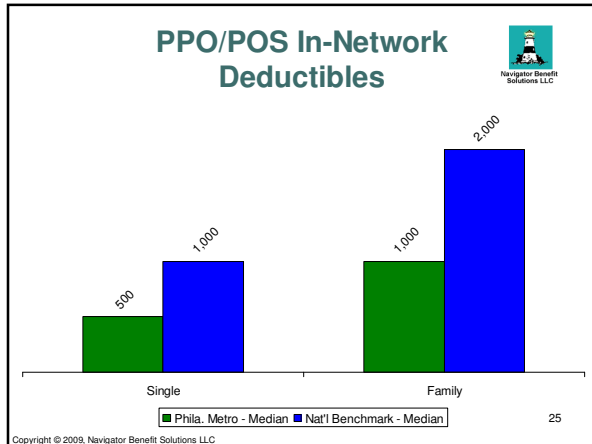
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- ### Key Findings
- Local plan designs are richer than national
  - Local premiums are higher than national
  - Local employee contributions higher than national
  - PPO plans most popular followed by HMOs
  - CDHPs currently offered by 15% of local employers, with another 16% considering offering one next year
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- ### PPO/POS Deductibles
- Percent having no in-network deductible:
- Phila. Metro Book of Business – 49%
  - National Benchmark – 21%
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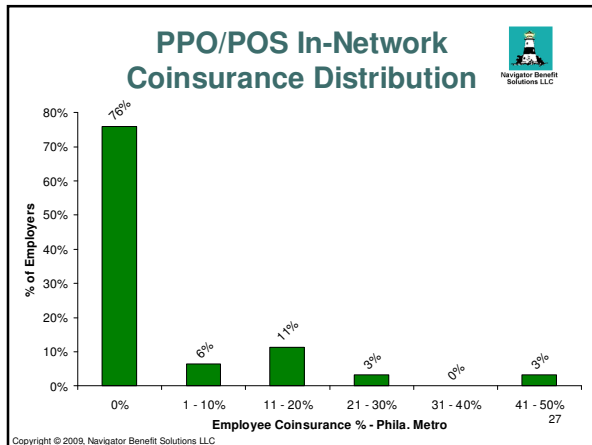


### Median Coinsurance for PPO/POS Plans

In-Network:

- Phila. Metro Book of Business – 0%
- National Benchmark – 20%

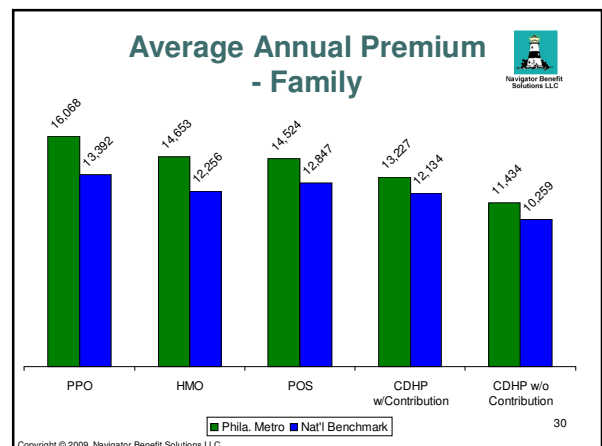
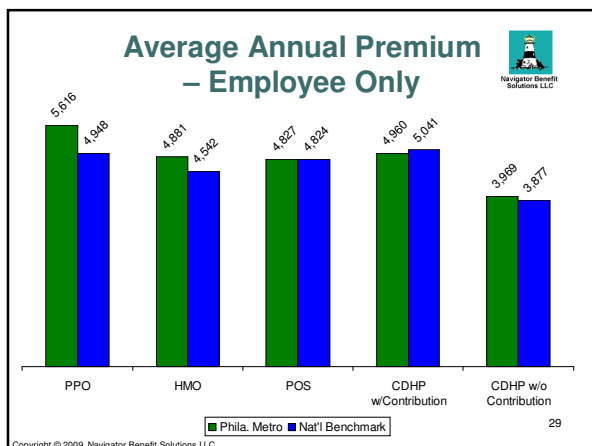
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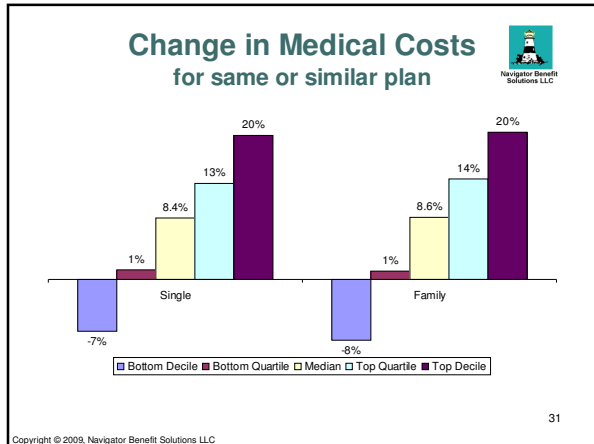


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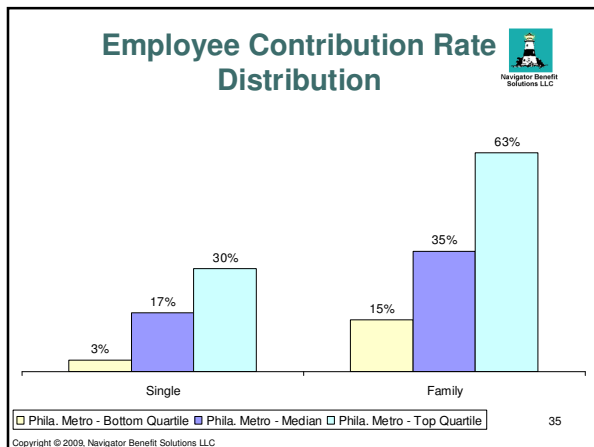
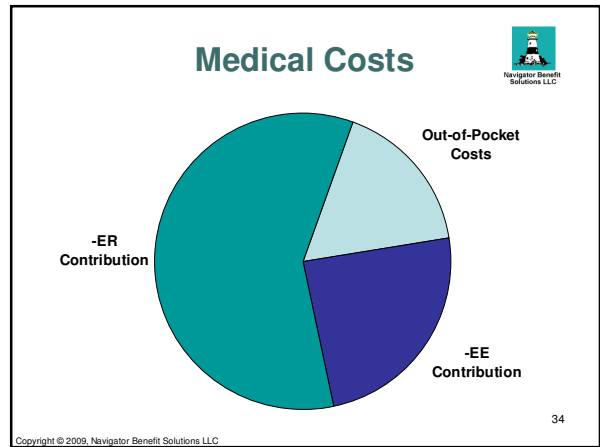
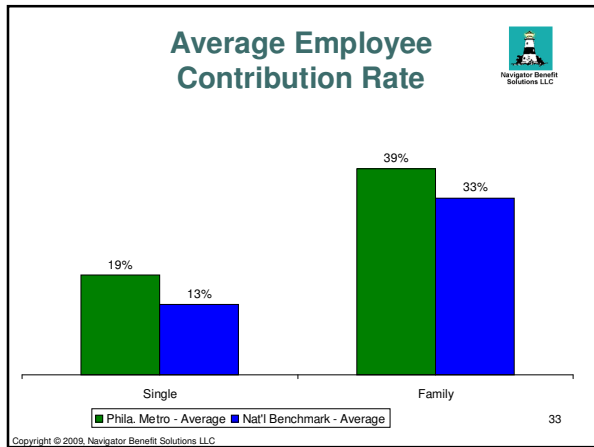




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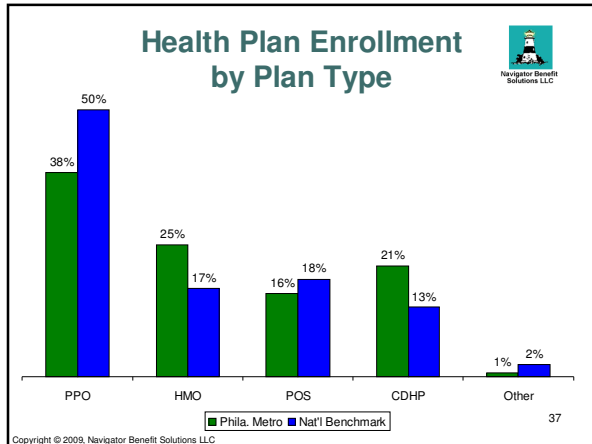
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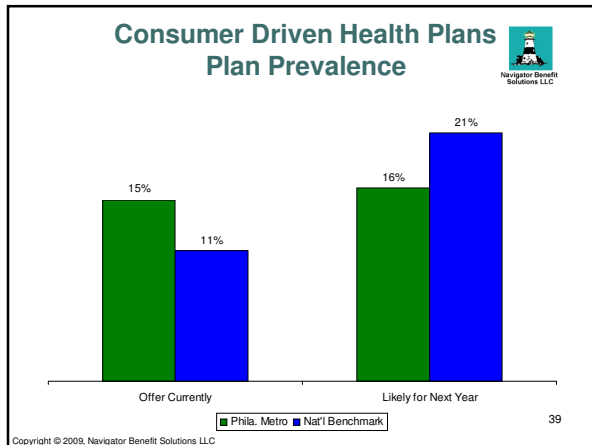
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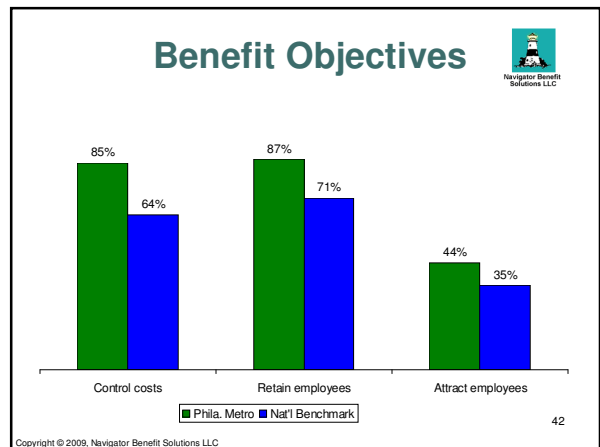
### Employee Acceptance

	# of Employers	Aggregate Enrollment %
PPO	54	63%
POS	27	68%
HMO	35	47%
CDHP	15	92%

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## Employer's Direction – Where Are They Headed In 2010?

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## Planned Actions



- 60% of Phila. Metro employers are likely to increase the amount of premiums paid by employees next year
- 56% of Phila. Metro employers are likely to increase deductibles, co-pays or coinsurance
- Few are considering eligibility restrictions
- None plan to eliminate coverage entirely

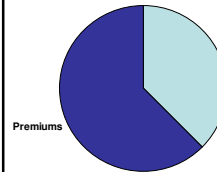
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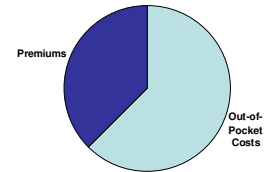
## Employee Contributions



### Traditional Plans



### Consumer-Driven Health Plans



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## Consumer-Driven Health Care Savings



### Actuaries Found . . .

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

American Academy of Actuaries / Consumer-Driven Health Plans Work Group, May 2009; "Emerging Data on Consumer-Driven Health Plans"

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## What Do We Need?

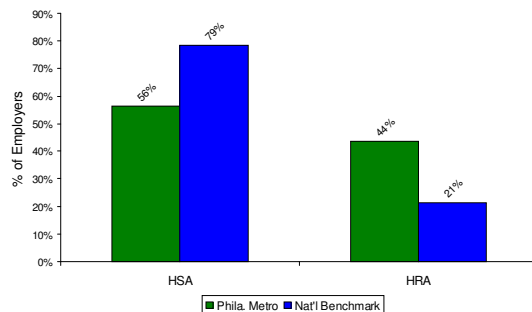


Advocates That **LEAD**,  
Not Soldiers That **FOLLOW**

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## Health Account Type (for employers where one is offered)



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## 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

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## Health Account Annual Median Contribution



	-ER Contribution (Single)	-ER Contribution (Family)
HSA	550	1,049
HRA	1,000	2,000

Phila. Metro 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

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## 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

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## 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

**Comparative Effectiveness Research**

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## 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

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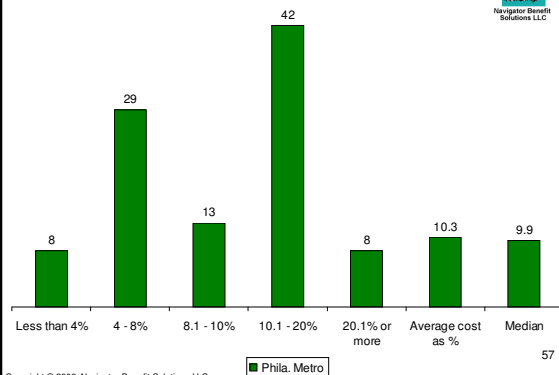


## Use Consumer-Driven Plans to Control Costs, Retain Employees, and Attract Talent

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## Medical Cost (% of Salary)



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## What's Next?



- Ask Your Broker/Agent to Look At Consumer Driven Options
- Encourage Employees to be Aware, Engaged Consumers in Control of their Health
- Learn More @ [www.navben.us/Discover.php](http://www.navben.us/Discover.php)
- Get Involved in Health Care Reform – Encourage Politicians to Pursue What Works

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## Impact of MA Senate Election



**Time To – Listen To The People!**



## Curses or Blessings



*"May you live in interesting times"*

*"It was the best of times, it was the worst of times; it was the age of wisdom, it was the age of foolishness; . . . we were all going to heaven, we were all going the other way."*

. . .Charles Dickens, 1859

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