Cost Control Strategies

Ten easy ways to stretch your healthcare dollars.
Smoking is the #1 preventable cause of death in the U.S.

A growing number of employers are charging lower health insurance premiums for employees who do not smoke.

75% of U.S. adults will be overweight & 41% obese by 2015 if current trends continue.

The leading cause of critical illness insurance claims is heart attack.

New Item: Obesity surpassing smoking as America’s leading killer.
Current State of Health Care

Invoice Item = $1,500

14.5% of payroll

$25,000
Current State of Health Care

- National Health Care Expenditures are approximately 16% of GDP and continue to increase
  - Personal Consumption Expenditures as a percent of total GDP in 2006
    - Energy – 2.6%
    - Clothing – 2.7%
    - Food – 9.7%
    - Housing – 10.4%

- By 2015 it is expected to increase to $4 trillion or 20% of GDP
Can we be more efficient?

Private Health Expenditures Per Capita

United States
United Kingdom
Sweden
Spain
Mexico
Korea
Japan
Germany
France
Canada
Australia

Cost Per Capita

$0
$500
$1,000
$1,500
$2,000
$2,500
$3,000
Summary of Results –
Top Story

- 2007 Medical cost increases are still high
  - 9% locally vs.
    - 7% nationally in 2007
    - 8% nationally in 2006
    - 9% nationally in 2005
  - 2007 D.C. Area PPO and POS plan design values are 20% and 17% higher than 2007 National values
  - 2007 D.C. Area HMO plan design value falls in line with the 2007 National value

- Locally, 10% of employers currently offer and 29% are considering offering a consumer driven health plan (CDHP) in 2008
Medical Costs

- 2007 medical costs for a typical family of four are estimated to be $14,500 (an increase of 8.4% over 2006)

Source: Milliman Medical Index 2007 – Components of Spending
Medical Costs

- **Employee Cost Sharing**: $2,420 (17%)
- **Employee Payroll Deduction**: $3,171 (22%)
- **Employer Paid**: $8,909 (61%)

Source: Milliman Medical Index 2007 – Medical Cost by Source of Payment
Benchmarking
Medical Plans Cost Increase – 2008 Expected Survey Results

*Results based on the 2007 D.C. Area survey responses
Benchmarking
Wellness Programs Offered

- Employee assistance programs: 24% (2006 MMMS National), 32% (2007 MMMS National), 37% (2007 D.C. Area)
- Medical information: 19% (2006 MMMS National), 32% (2007 MMMS National), 37% (2007 D.C. Area)
- Health club membership discounts: 12% (2006 MMMS National), 17% (2007 MMMS National), 20% (2007 D.C. Area)
- Smoking cessation programs: 3% (2006 MMMS National), 15% (2007 MMMS National), 18% (2007 D.C. Area)
- Chronic disease management programs: 3% (2006 MMMS National), 12% (2007 MMMS National), 11% (2007 D.C. Area)
- Carve out disease management to outside vendors: 3% (2006 MMMS National), 4% (2007 MMMS National), 3% (2007 D.C. Area)
- Wellness incentives: #N/A
- Obesity management programs: 8% (2006 MMMS National), 10% (2007 MMMS National)
Benchmarking
Top Ten Cost Control Strategies

- Negotiated lower costs with current carrier: 22% (2006), 27% (2007), 27% (2007 D.C. Area)
- Increased employee share of monthly premium: 13% (2006), 19% (2007), 20% (2007 D.C. Area)
- Increased deductibles: 22% (2006), 20% (2007), 22% (2007 D.C. Area)
- Explored market (RFP) and changed carrier/health plan/TPA: 13% (2006), 17% (2007), 18% (2007 D.C. Area)
- Increased employee share of coinsurance: 9% (2006), 14% (2007), 15% (2007 D.C. Area)
- Increased prescription drug copays (or coinsurance): 10% (2006), 16% (2007), 17% (2007 D.C. Area)
- Implemented a flexible spending account (FSA): 4% (2006), 9% (2007), 9% (2007 D.C. Area)
- Implemented coinsurance or deductible plan design: 4% (2006), 7% (2007), 7% (2007 D.C. Area)
- Increased office visit copays: 7% (2006), 16% (2007), 17% (2007 D.C. Area)
Ten Easy Ways To Stretch Your Health Care Dollars

1. Benchmark plan designs and costs
2. Calculate premium rates and IBNR reserves
3. Design and implement HRA/HSA plans
4. Determine the best employee contribution strategy
5. Analyze large claim utilization and stop-loss insurance
6. Determine feasibility of self-insurance
7. Write and solicit vendor RFPs
8. Evaluate and select vendors based on your criteria
9. Increase FSA participation to save tax dollars
10. Research and assess new ideas (HRA, Captives) for your unique needs
Free offer to benchmark your corporate employee benefits

ENSURE YOUR SUCCESS
2008 Milliman Mid-Market Survey

1. Over 3,000 employers participated in 2007

2. All participants receive a FREE copy of the 2008 survey Summary Results.

3. Quick and easy to complete (average = 30 minutes).

4. Customized benchmarking—see how your plan compares!

5. Information to help you make better informed decisions.
1. For a limited time, receive a $10 Starbucks Gift Card and a complimentary (free) copy of the 2008 Mid-Market Employee Benefits Survey Summary of Results. Please go to website www.TIE-Inc.com and to "Quick Links" and click on "2008 Mid-Market Employee Benefits Survey" to take survey.