

# Rising Health Care Costs & Reducing Insurance Costs



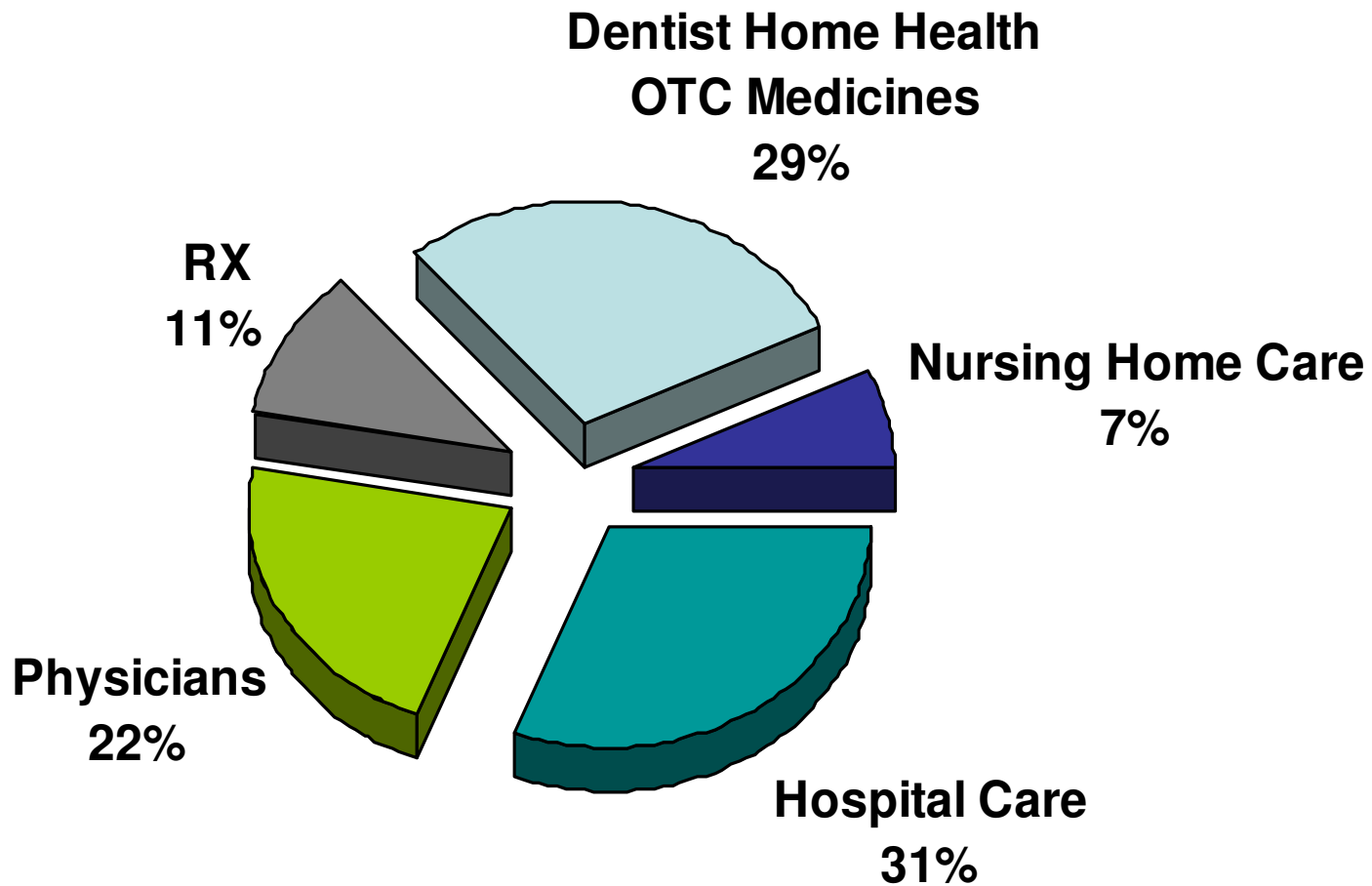
February 28, 2008

The Business Council  
of Fairfield County

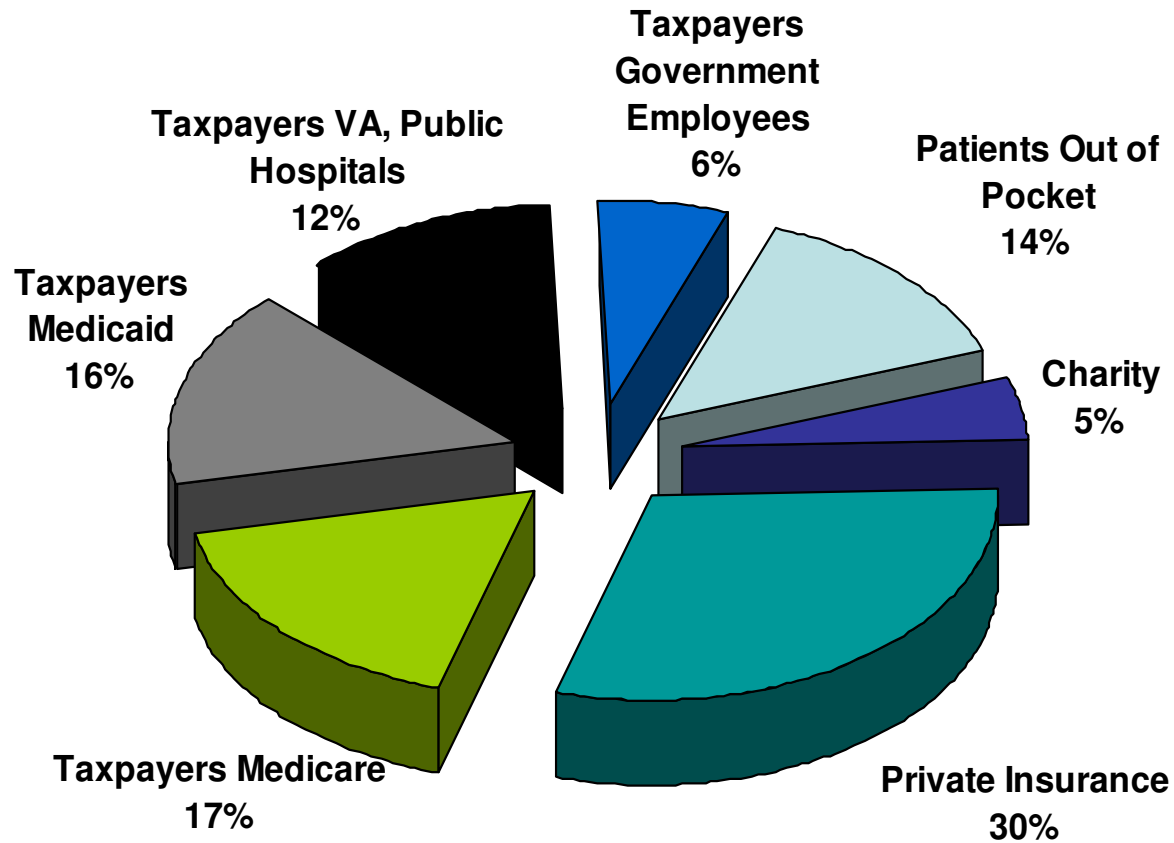
*Strengthening Businesses. Strengthening Communities.*

# What Are We Paying For?

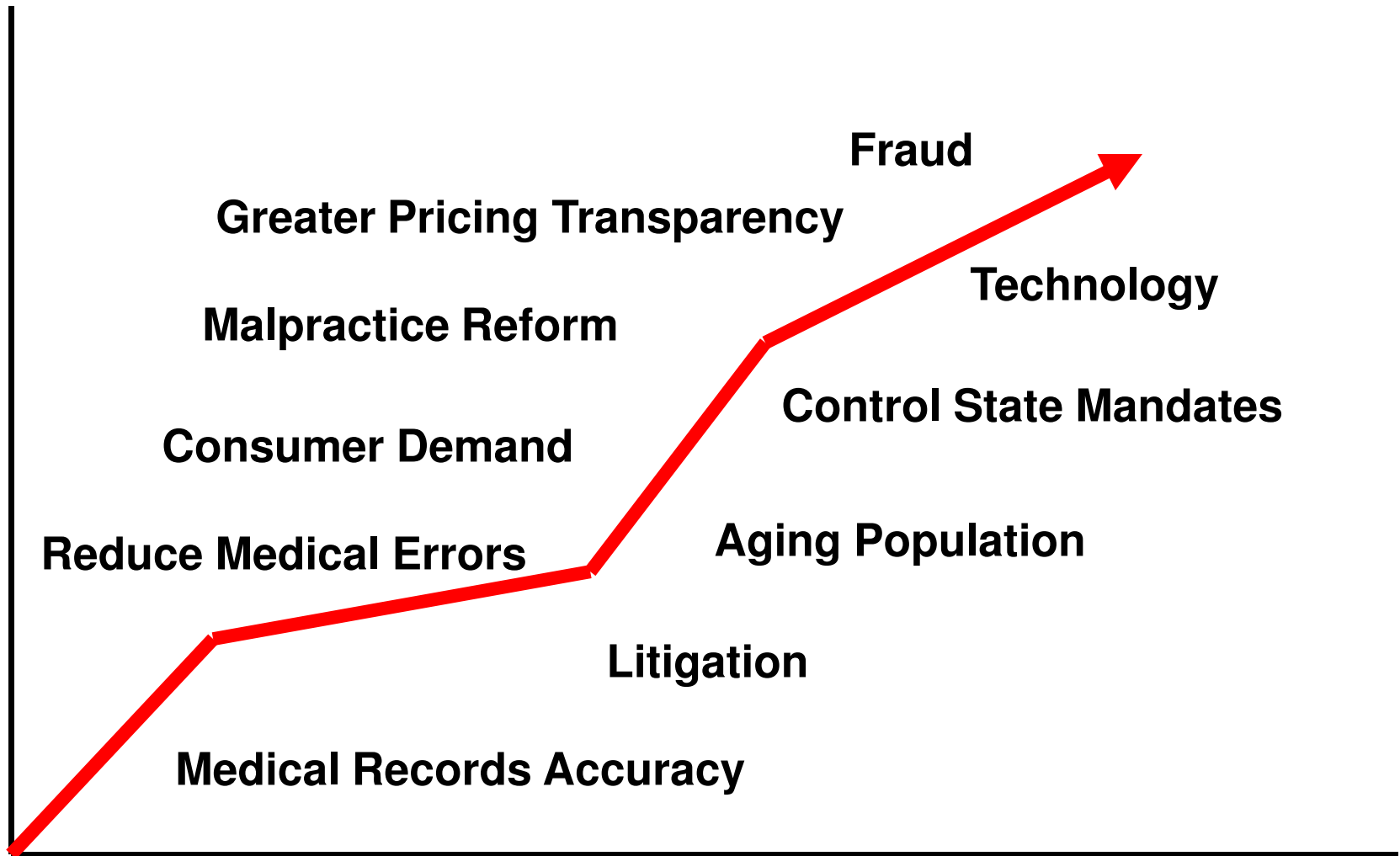
**\$1.8 Trillion**



# Who Is Paying?

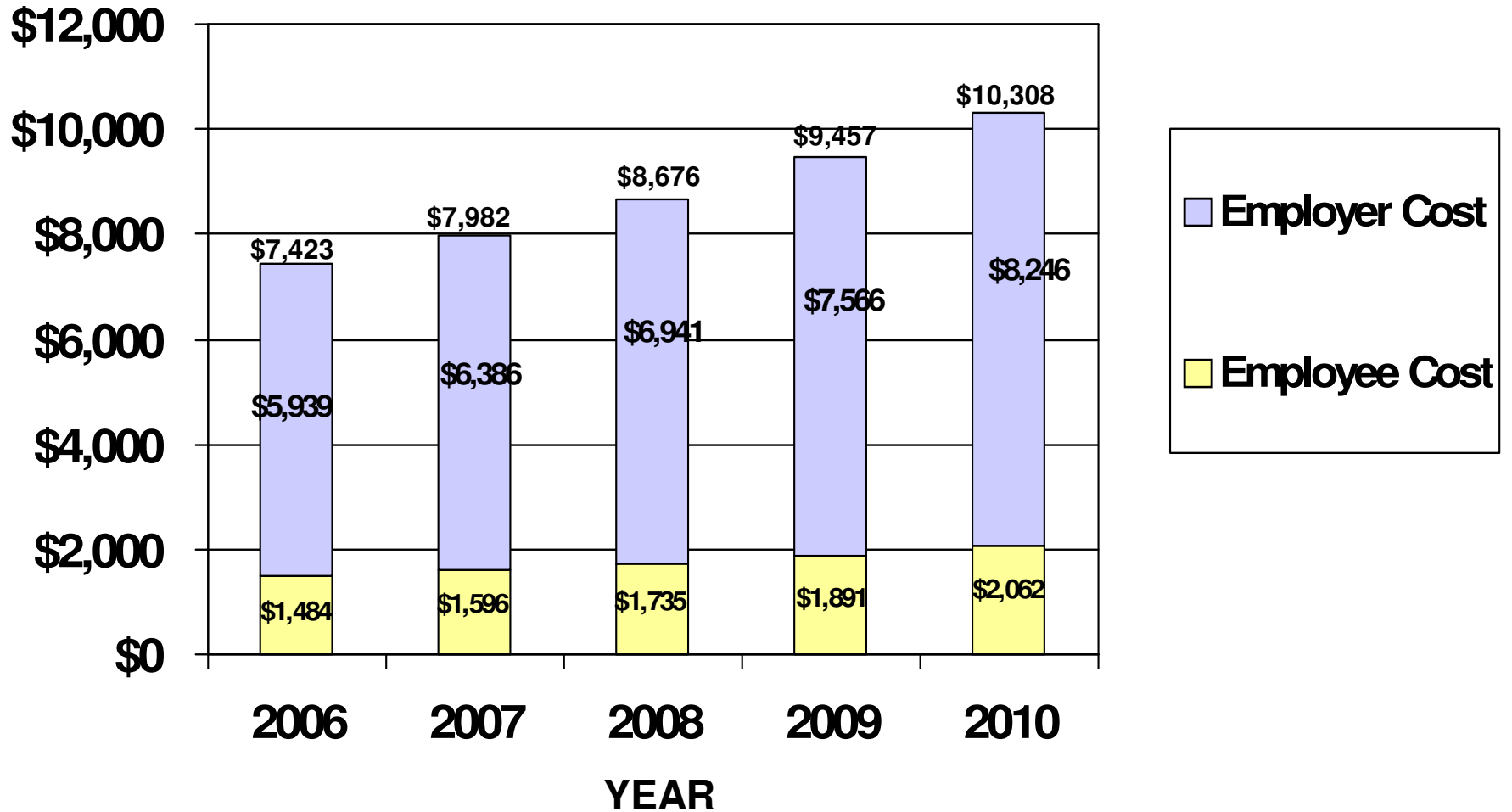


# Factors Driving Rising Costs



# Financial Impact on Employers and Employees

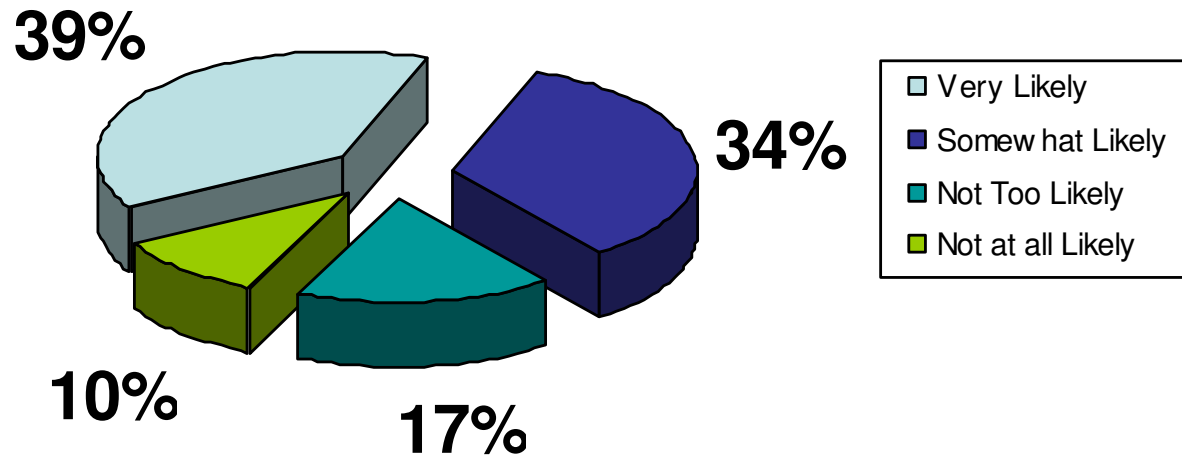
## Annual Per Capita Costs/ Employer – Employee Share



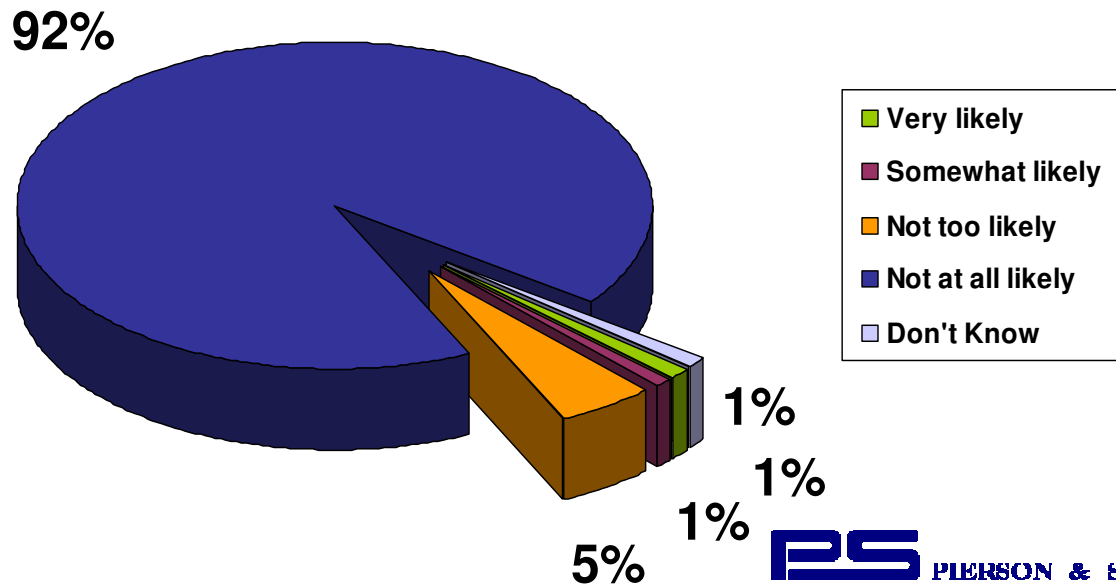
# Traditional Responses to Increasing Costs

## % of Employers Reporting They Will Make Changes in 2008

*Increase the amount employees pay for health insurance*

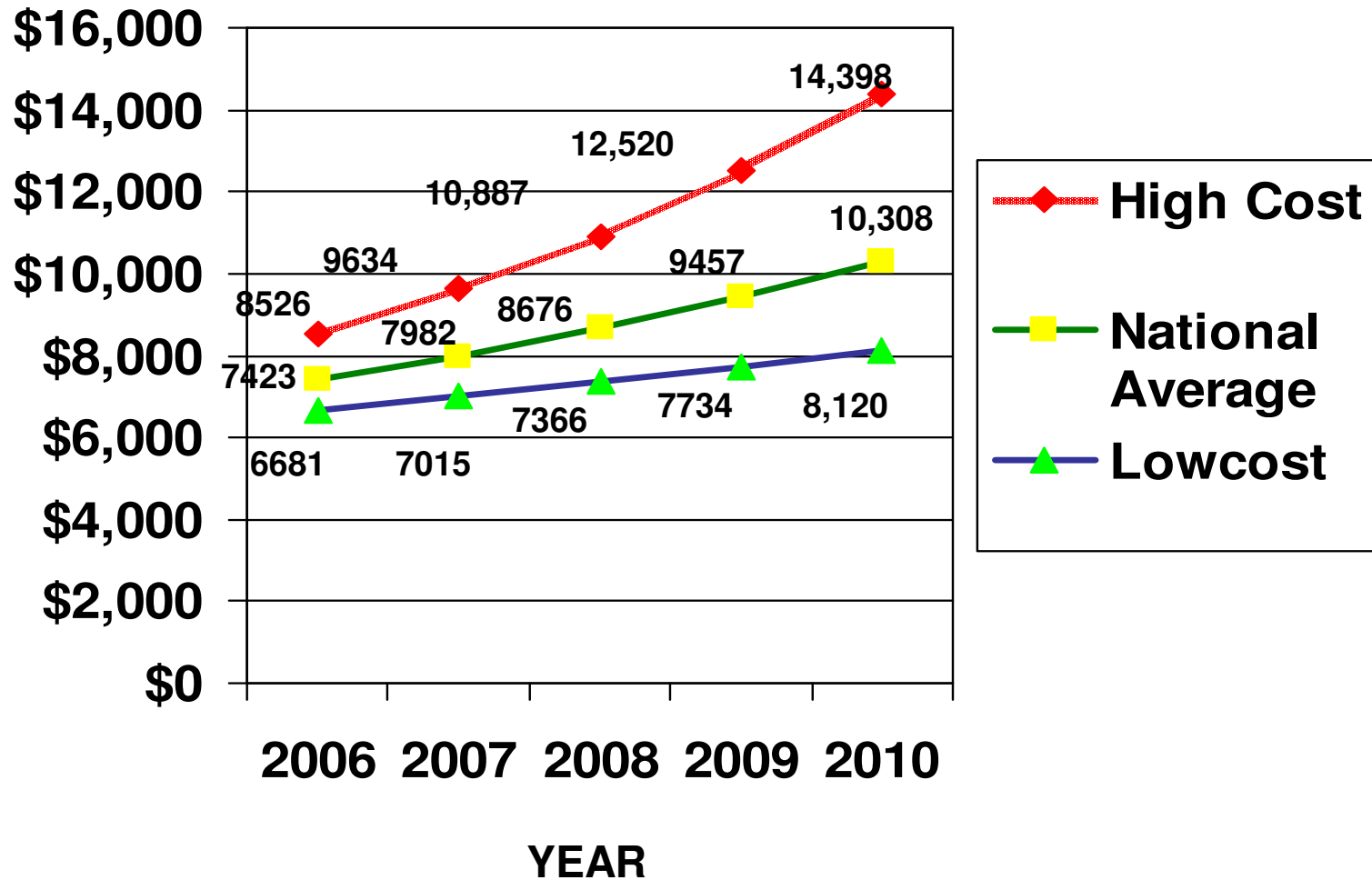


*Drop coverage entirely*



# High and Low Cost Companies

## Annual per Capita Health Care Costs



# Defining Low Cost Companies

## A Scholarly Definition

“...Holistic conceptualization and creative integration of strategies, realities and communications producing a seamless implementation of value-based employee benefits plans...”

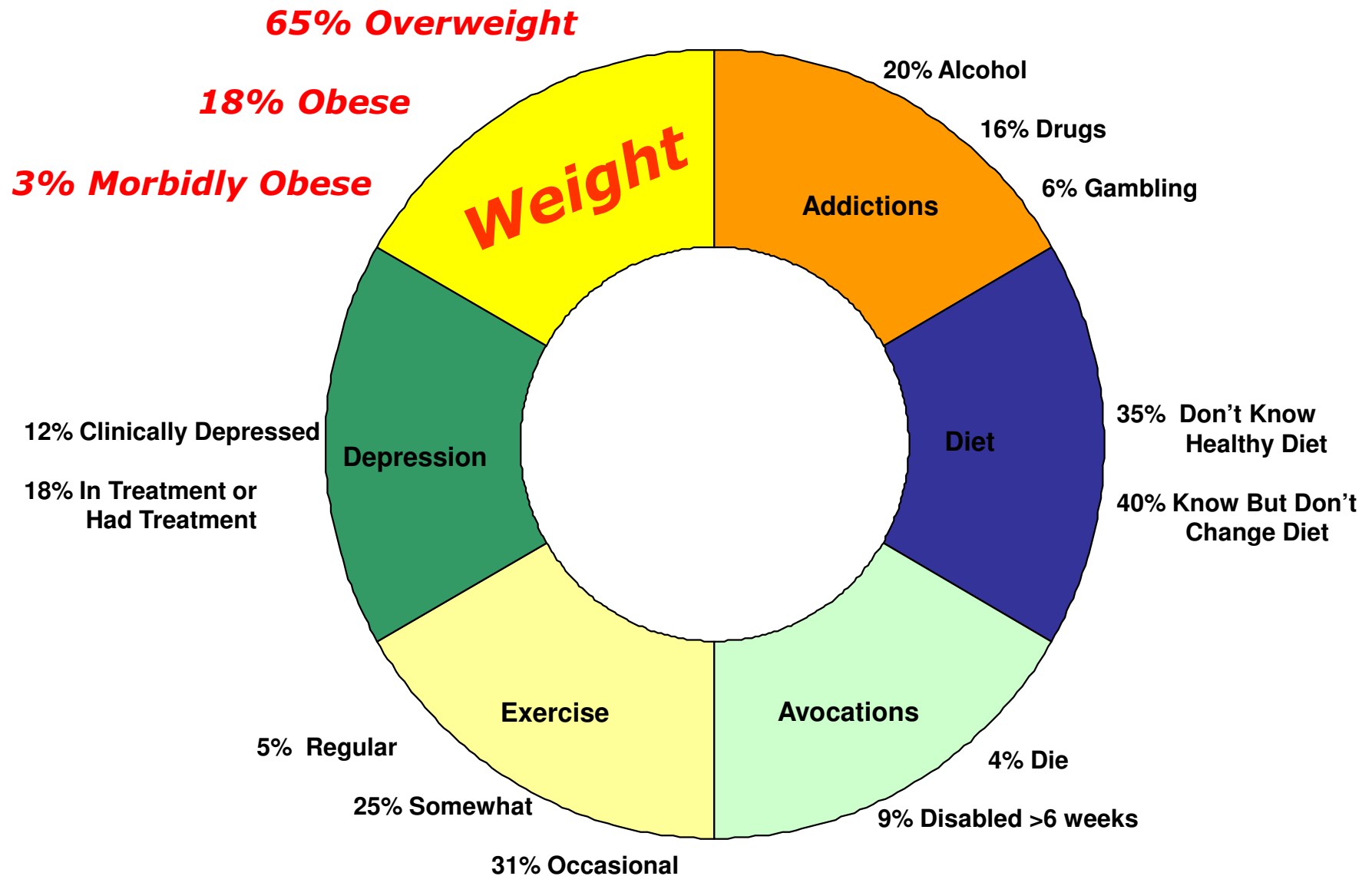
Employee Benefit Research Institute, 2006

## A Practical Definition

- |                      |   |
|----------------------|---|
| •HR and CFO          | Discuss Conflicting Agendas early in the process  |
| •A.S.S.              | Avoid Simplistic Solutions                        |
| •PS                  | Proactive Strategies for a 1 to 3 year time frame |
| •Communicate         | Communicate                                       |
| •Far Out/ Far Behind | Avoid cutting edge/ Refrain from parenting        |
| •Road Maintenance    | 2 Way Street; Demand accountability               |

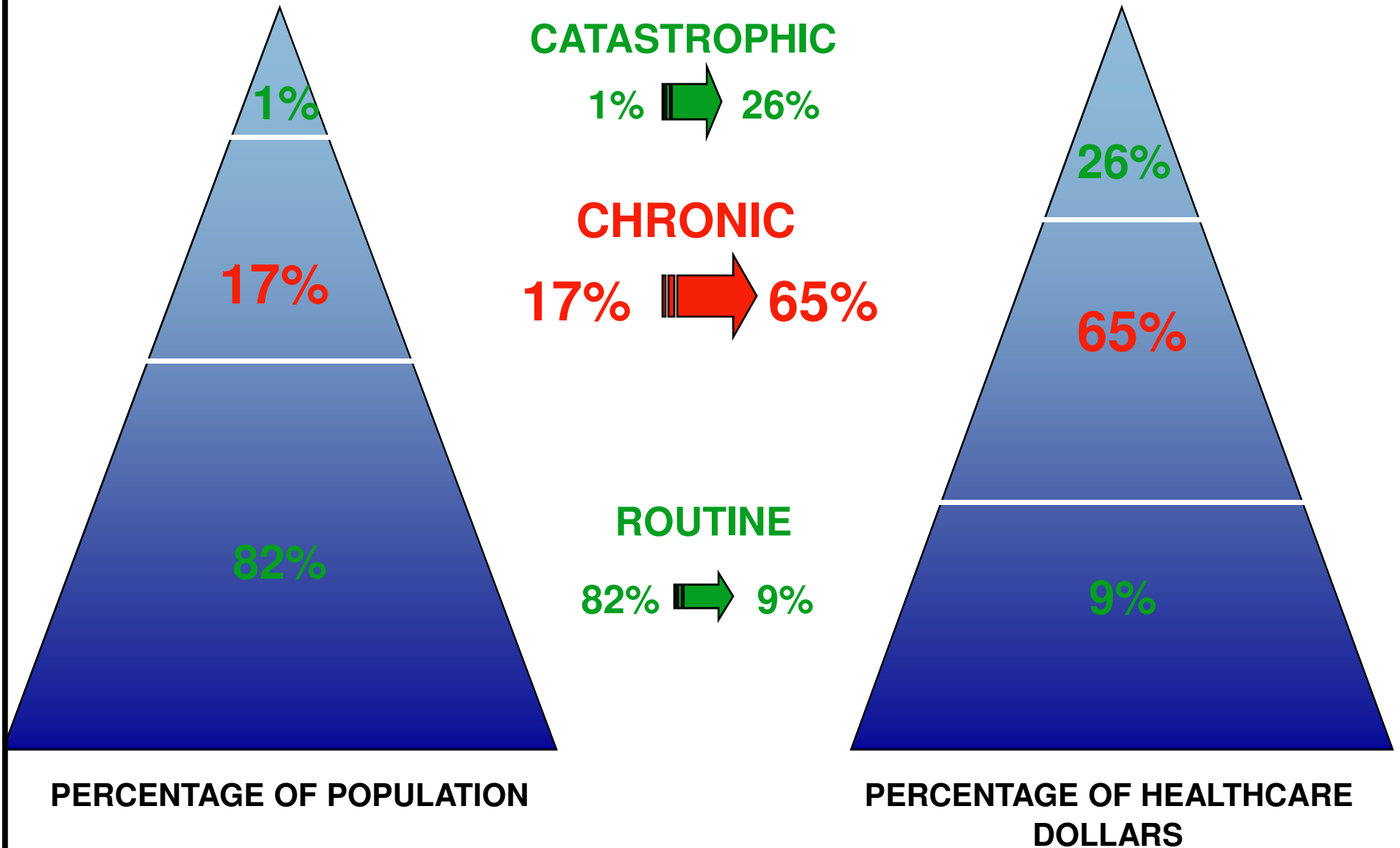
# Managing Personal Behavior

(Based on Center for Disease Control & Prevention 2004)



# Where Do We Spend Our Healthcare Dollars?

(BASED ON MERCER NATIONAL SURVEY OF EMPLOYER SPONSORED HEALTH PLANS 2005)



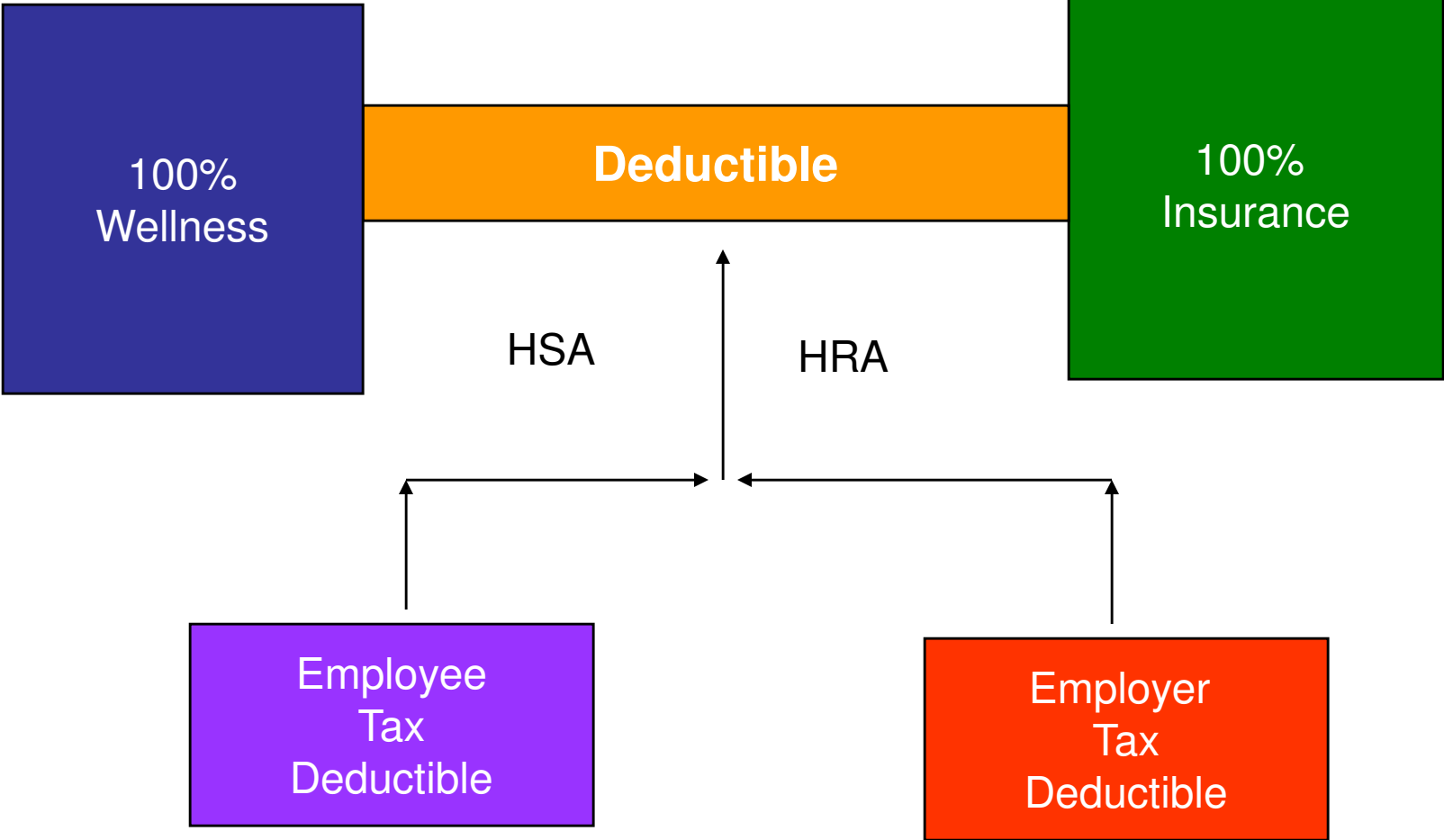
# Disease Management

## Implemented ABC Company – January 1, 2008

<u>Conditions</u>	<u># Members</u> <u>% Population</u>	<u>% of Claims</u>	<u>Estimated</u> <u>Claims</u>	<u>Estimated Savings</u>	
Cardiac	35/ 8.4%	11.5%	\$276,000	16.5%	\$45,540
Diabetes	26/ 6.0%	9.3%	223,000	8.7%	\$19,418
Lower Back	61/ 14.6%	12.9%	\$309,600	17.3%	\$53,561

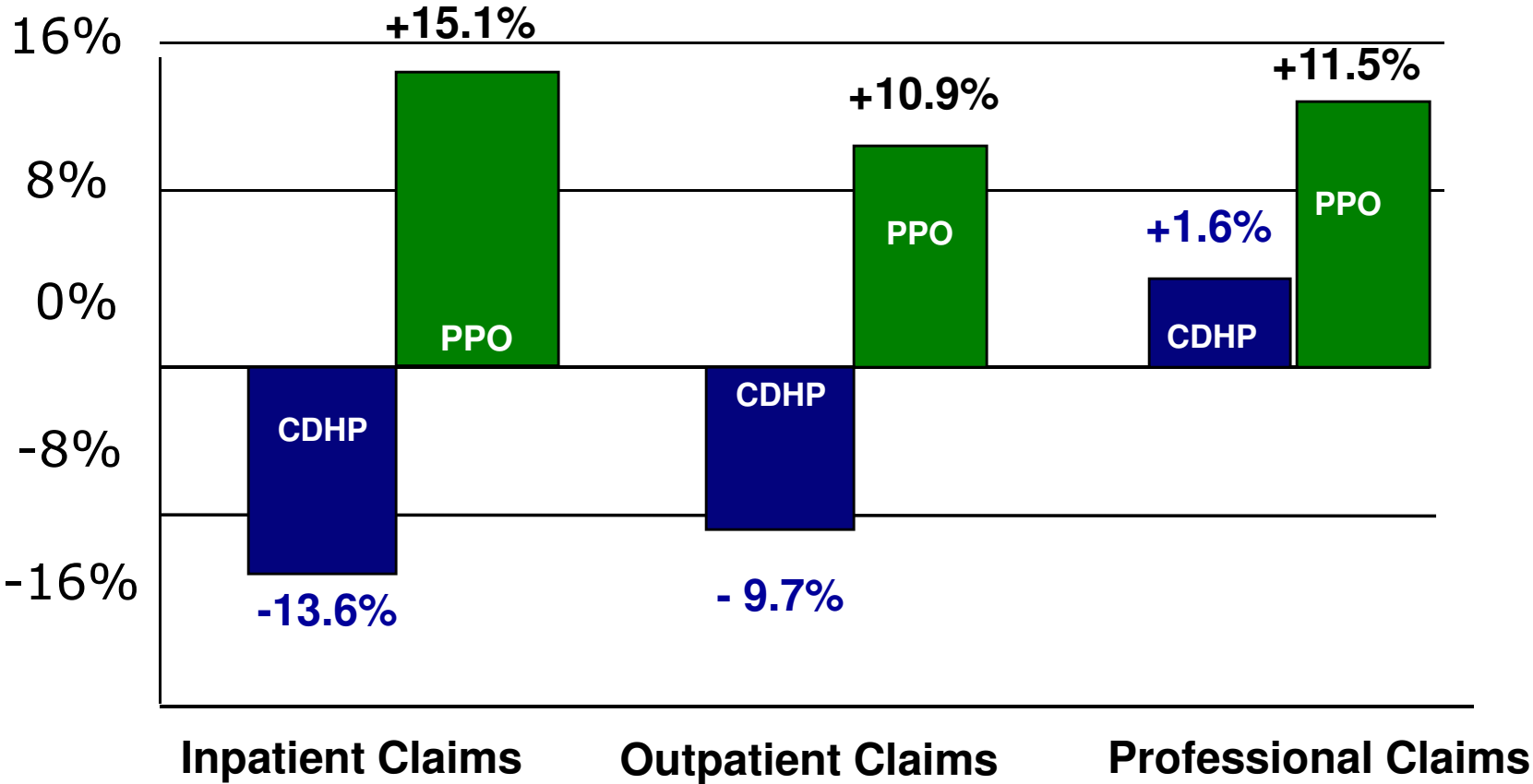
<b>Estimated DM Program Savings</b>	<b>\$118,519</b>
<b>Estimated Cost of DM Programs (\$4 PEPM)</b>	<b>\$ 9,024</b>
<b>Estimated Net Savings (1/1/08 – 12/31/08)</b>	<b>\$109,495</b>

# Consumer Directed Health Plans



# Claim Comparison – CDHP v. PPO

(BASED ON AETNA NATIONAL BOOK OF BUSINESS RESULTS)



**CDHP CLAIMS**

**LOWER BY:**

**-28.7 %**

**-20.6%**

**-9.9%**

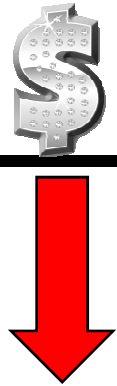
# Miscellaneous Cost Reduction Strategies



- Consumer Directed Health Plans
- High Performance Networks
- Value – Based Insurance Design
- Predictive Modeling
- Improve Dental Benefits
- Physicians Guides
- Mini – Meds
- Move to Cuba



- High Deductibles and Savings Accounts
- Tiered Networks/ Networks within Networks
- Assessing the Clinical Benefit
- Group Risk Assessment
- Periodontal Disease
- Health Guides, Zagat's
- Basic without the Major
- Michael Moore



# Defined Contribution Plan

aka

## The Private Policy

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	<u>Employer</u>	<u>Employee</u>
Currently	Provides Group Insurance Designs and Pays 80%	Receives Tax Free Benefits Pays 20% for One Size Fits All
New	Makes Fixed \$ Contribution - HRA Makes Insurance Website Available	Receives Tax Free Payment Researches Private Policies Selects Appropriate Coverage Model based on Need and Cost Applies for Insurance Guaranteed Issue State Plans if uninsurable

THANK YOU

**PS** **PIERSON & SMITH, INC.**