

Strategies to Maintain Quality Health Benefits



SCHOOLCARE HEALTH BENEFIT PLANS
of the NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION

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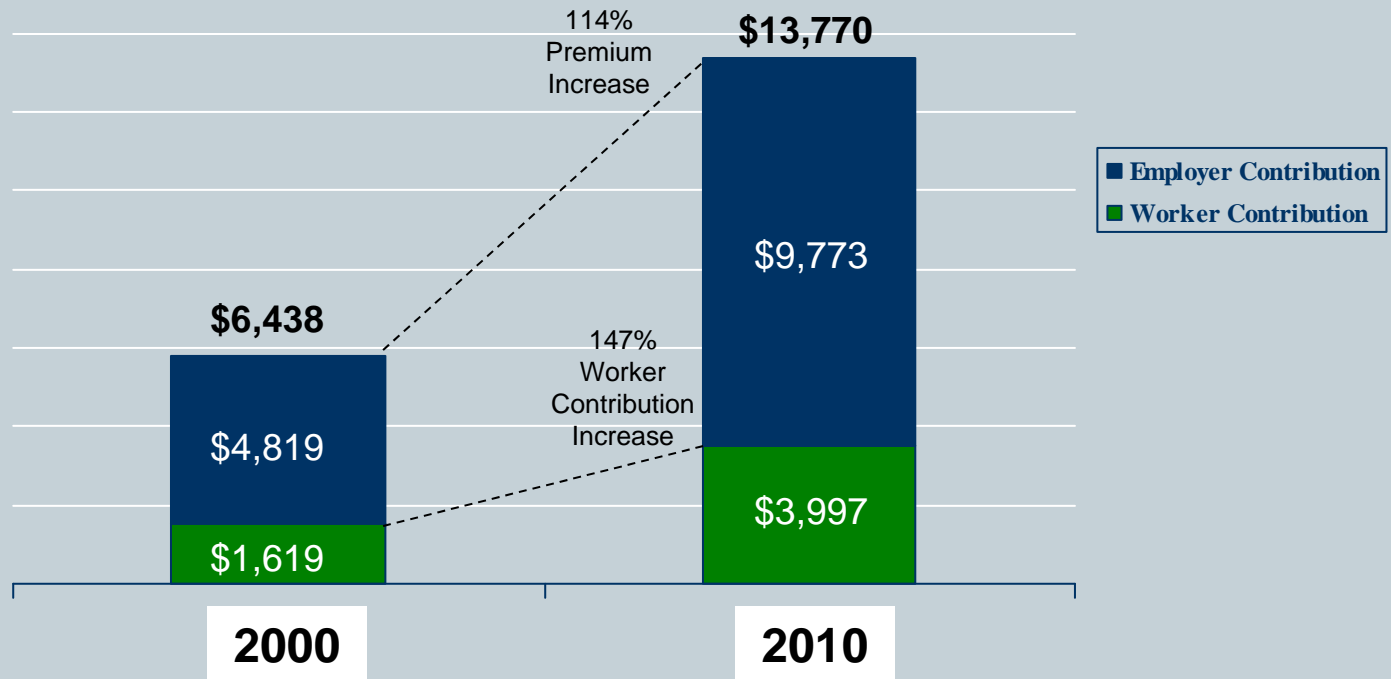
Background

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- 2011 is the 11th consecutive year of double-digit premium increases for managed care health plans
- Nationally medical trend is expected to exceed 8.5% in 2012
 - ❖ Anticipated to exceed 10% in the Northeast
- Health care premiums continue to grow faster than employees' pay
- Financial pressure on employers and employees

Average Annual Premiums and Contributions 2000 – 2010 (national survey)

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Determining Actual Increases

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- Medical Trend
- Plan design changes
- Employee contributions
- Group demographics
- Effects of competitive bidding
- Underwriting policies

What is driving costs?

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- **Increased utilization of services and growing consumer demand**
 - ❖ Desire for new expensive treatment
 - ❖ Unhealthy lifestyles and more chronic disease
 - ❖ Aging population
- **Rising provider prices**
 - ❖ Increasing physician and hospital prices, nursing salaries and malpractice costs
- **More expensive new technologies and prescription drugs**
 - ❖ Significant growth in new drugs, diagnostic tests and treatments

What is driving costs?

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- **Lack of incentives for providers**
 - ❖ Providers lack financial incentives to deliver care more effectively or efficiently
 - ❖ Consumers lack incentives to select the most efficient, high quality providers
- **Cost shifting causing employers to pay substantially more to make up the shortfall**
 - ❖ Medicare and Medicaid
 - ❖ Uncompensated care
- **Healthcare Reform**
 - ❖ Causing more cost shifting and added costs

Without change....
the quality health care benefits currently
provided by school districts are **NOT**
sustainable.



Strategies to Reduce and/or Moderate Costs

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- 1. Education**
- 2. Plan Design**
- 3. Disease Management**
- 4. Wellness Offerings**

EDUCATION

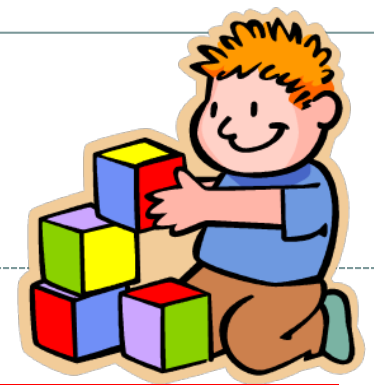
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- Identify cost drivers for your group
- Wellness and health promotion
 - ❖ Strong platform for effectively managing chronic conditions and preventing future problems
 - ❖ Up to the individual employees to take advantage of program offerings
- Cost and quality information
 - ❖ NH Dept of Ins: NH Health Cost www.nhhealthcost.org
 - ❖ NH Hospital Score Card www.nhpghscorecard.org

Medical Plan Design

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- Lowest cost plan (7.5% less than HMO)
- SAME coverage as other plans
- Uses CIGNA's **National Network**
- Self-refer to specialists
- Preventive care at NO COST
- Mental health care at NO COST

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<i>CIGNA National Network ! (Self refer)</i>	<i>In-Network Providers only</i>
Preventive Care	\$0
Behavioral Health Out Patient	\$0
Deductible	\$250 /\$500
Co Insurance	20%
Out of Pocket Maximum	\$1000 /person; \$2000 /family
Physician /Specialty Copay	Deductible, then 20% up to max
Lab & X-ray	Deductible, then 20% up to max
Advanced Radiology (MRI, PET, CAT)	Deductible, then 20% up to max
Hospitalization	Deductible, then 20% up to max
Emergency / Urgent care (Anywhere)	\$50 / \$25
Physical /Speech /Occupational Therapy (60 visit limit)	Deductible, then 20% up to max
Chiropractic (20 visit limit)	Deductible, then 20% up to max
Acupuncture (12 visit limit)	Deductible, then 20% up to max
Durable medical equipment / external prosthetics	Deductible, then 20% up to max

Prescription Coverage – 3 Tier Plan



Rx Open Access+

	Retail 30-Day Supply	Mail Order 90-Day Supply
Generic	\$5	\$0
Preferred Brand	\$15	\$15
Non-Preferred Brand	\$35	\$35

Mail order for maintenance through CIGNA Home Delivery Program.

1-800-Tel-Drug (1-800-285-4812) or MyCIGNA.com

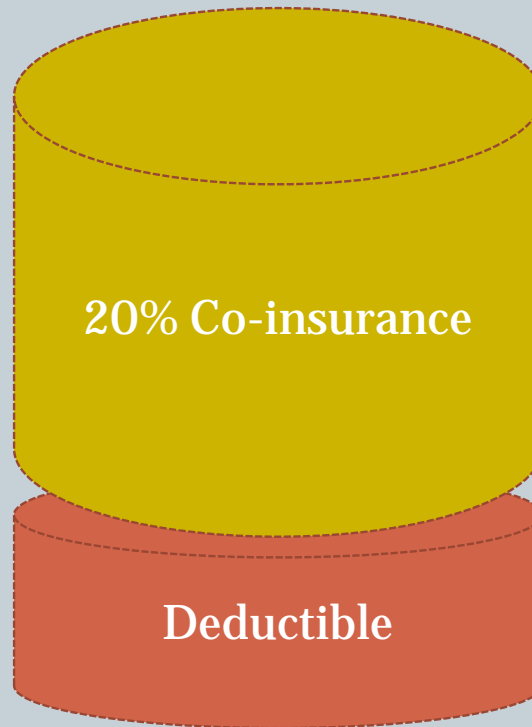
Deductible / Co-insurance



- Individual deductible & co-insurance to \$1000 out of pocket max

20% of claims until you reach a total of \$1000 (about \$4000 in claims)

\$250 Deductible



Deductible

20% Co-insurance

= \$1000

Scenario 1: Individual



Single

Out of Pocket

- Sinus infection office visit: \$150
- Annual physical \$ 0
- Annual eye exam \$ 0
- Ski accident – ER \$ 50
- X-rays, cast, etc = \$1200 \$ 50 (= \$250 deductible met)
- X-rays, etc: \$1150 at 20% \$232
- PT 3x \$65 = \$195 at 20% \$ 39

Total out of pocket

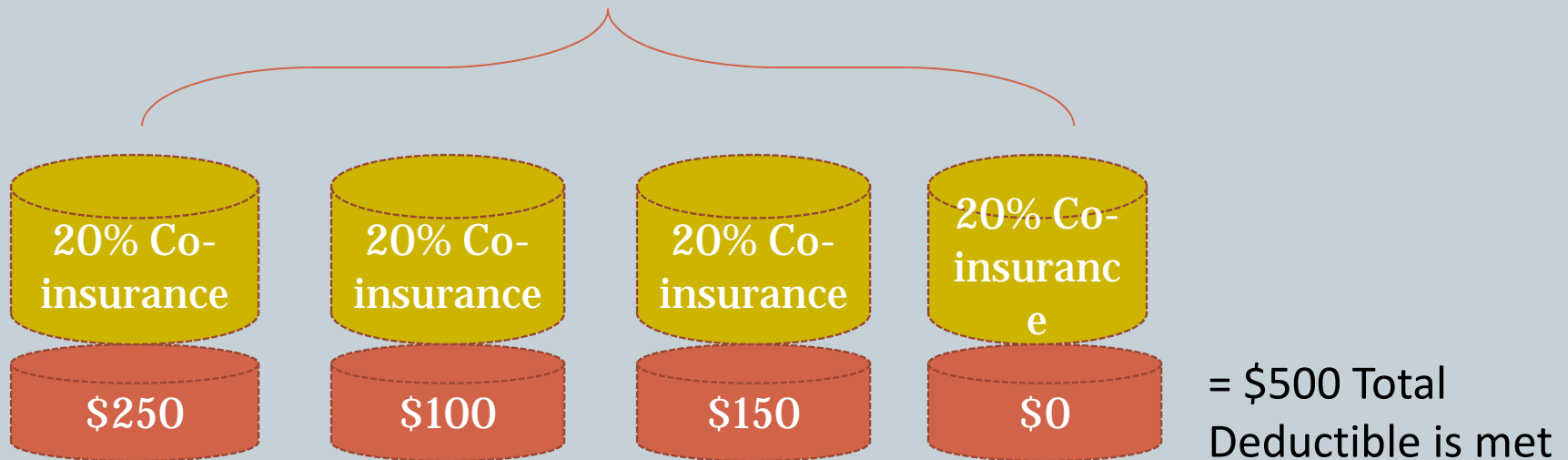
\$521

Family Deductible / Co-insurance



- **\$500 deductible & 20% co-insurance to \$2000 out of pocket**

20% of claims until you reach a total of \$2000 (about \$8000 in claims)



No individual will incur more than \$250 deductible / \$1000 total!

Scenario 2: Family

	Person 1	Person 2	Person 3	Person 4	OOP Total
Preventive care	\$0	\$0	\$0	\$0	
Office Visit	\$150	\$150	\$150		\$450
Office Visit (\$500 deductible met)	\$150 (\$50 + \$20)				\$70
Specialist visit (at 20%)	\$220 x 20% (\$44)				\$44
Surgery (at 20%)	\$5,000 x 20% (\$736) Meets individual max				\$736
Office Visit (at 20%)		\$150 x 20% (\$30)			\$30
ER Visit			\$50		\$50
X- Rays, cast etc (at 20%)			\$1200 x 20% (\$240)		\$240
Office Visit	\$150 (\$0)				\$0
Totals	\$1,000	\$180	\$440	\$0	\$1,620

FSA/HRA/HSA Comparison

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Criteria	FSA	HRA	HSA*
Eligibility	Employees	Employees & Retirees	Employees & Retirees (must not be enrolled in Medicare)
Contributions	EE Payroll Ded/ER	ER	EE Payroll Ded/ER
Tax Savings	EE Fed Tax + 7.65 FICA	ER contribution exc. From EE income	EE Fed Tax + 7.65 FICA; ER contribution exc. From EE income
Account Owner	Employee	Employer	Employee
Earnings	N/A	Generally, none	Interest paid and investments allowed
Eligible Expense & Distributions	As defined in Section 213(d) of the IRC	As defined in Section 213(d) of the IRC, including qualified premiums	As defined in Section 213(d) of the IRC, including certain qualified premiums
Claims Substantiation	ERISA Plan – ER and Admin.	ERISA Plan – ER and Admin.	Employee
Funds Rollover	No	Optional	Yes

*Requires HDHP

Disease Management

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- **Strong platform for effectively managing chronic conditions and preventing future health issues**
 - ❖ **Heart Disease**
 - ❖ **Diabetes**
 - ❖ **Low Back Pain**
 - ❖ **Chronic Obstructive Pulmonary Disease (COPD)**
 - ❖ **Weight Complications**
 - ❖ **Depression**
- **Voluntary participation by individuals (employee and dependents)**

Wellness Offerings

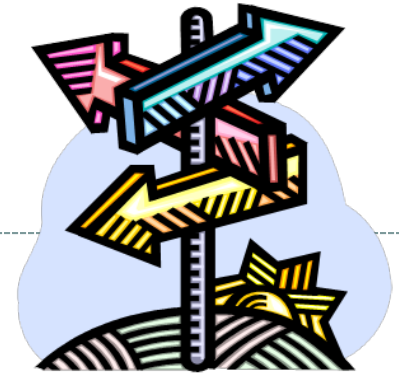
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\$800 Employee/ \$1,200 Family

- Numerous wellness opportunities provided by plans for employees and dependents to earn cash incentives/reimbursements
 - ❖ Exercise Programs
 - ❖ Health Education
 - ❖ Personal Health Assessment/Health Risk Assessment
 - ❖ And MUCH More!
- Employers should identify opportunities to support promote and reward participation
 - ❖ Benefit Education Fairs
 - ❖ Health and Safety Workshops

Consumerism

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Once employees have a better understanding of the costs associated with their health care, they are empowered to make better decisions and to become active participants in managing those costs.

Behavior change is never easy, but those willing to make changes in this capacity benefit from better health and lower health care costs.

Employers and employees taking an active role in managing plan costs can improve the overall health of employees and reduce medical trend costs.