



Benefit solutions with a personal touch.

Bend the Healthcare Trend

“How Consumer-Driven Health & Wellness Plans Lower Insurance Costs”

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B o r i s l o w I n s u r a n c e

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Today's Objectives

- ✓ Healthcare Facts and Figures
- ✓ The CDHP Value Proposition
- ✓ The CDHP philosophy, principles and mechanics
- ✓ Overview of “Bend the Healthcare Trend”



Healthcare

Facts & Figures



B o r i s l o w I n s u r a n c e

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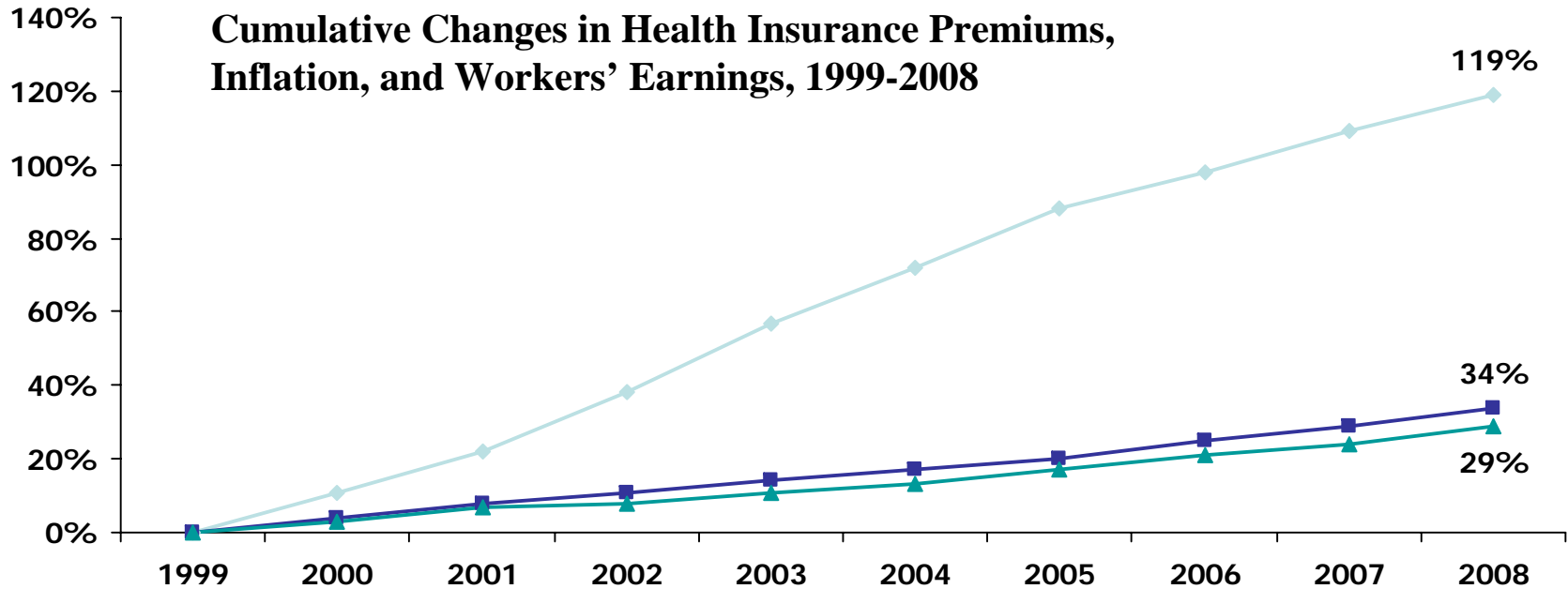
U.S. Healthcare System

- ✓ \$2.3 trillion in total spending, average US resident health care cost \$8,160 per year – expected to grow to \$4.1 trillion by 2016, and 4.3 trillion by 2018 with an average resident cost of \$13,100 per year
- ✓ 16.2% of Gross Domestic Product, expected to grow to 20% by 2016 and 20.3% in 2018
- ✓ Private health insurance pays for 64% of all health care expenditures, Medicare and Medicaid pay for 45%. By 2018 – private share of health care spending will be 49%

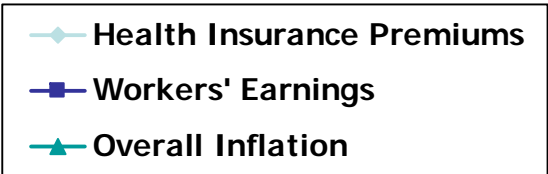
Source: Centers for Medicare and Medicaid (CMS) 2009



Nationally, costs grew at lowest level in 50 years – 4.4%



Note: Due to a change in methods, the cumulative changes in the average family premium are somewhat different from those reported in previous versions of the Kaiser/HRET Survey of Employer-Sponsored Health Benefits. See the Survey Design and Methods Section for more information, available at <http://www.kff.org/insurance/7790/index.cfm>.



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000-2008. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 2000-2008; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 2000-2008 (April to April).





The challenge we are facing:

- ✓ The current rate of health care and insurance cost increases is unsustainable
- ✓ Cost shifting shares the burden without solving the problem
- ✓ Managing costs and keeping employees health- primary workforce issue
- ✓ Promoting employee accountability – health and prevention focus
- ✓ Market forces must be introduced to break the cycle in health insurance cost increases
- ✓ Providing information and incentives may be the most effective way to engage employees to make “real” change



Innovation is necessary to slow the increase in healthcare costs



U.S. Healthcare System – Emerging Trends

- ✓ Employers and consumers demanding transparency of cost, quality and treatment options
- ✓ CDHP/HRA/HSA represent 16% of market – 35% growth
- ✓ 11% of all employers offer comprehensive worksite wellness programs vs. 7% in 2007 (33% growth)
- ✓ Notable CDHP success stories: CIGNA, Safeway, Hannaford Foods

Sources: EBRI, Kaiser Family Foundation and the Small Business Majority, 2009 UBA Health Plan Survey



CDHP and Worksite Wellness are emerging national trends – a philosophical and financial shift



The Consumer-Driven Health Plan Value Proposition

- Designed to give employees a stronger voice in their own health care by encouraging and rewarding more well-informed decision-making and healthy behavior – *Transparency*
- Allow employees to choose where dollars are spent, depending on their own risk tolerance and personal needs – *Responsibility*
- Provide financial incentives to use care appropriately, become better educated and use decision-support tools wherever possible - *Opportunity*



Engage, Educate and Empower

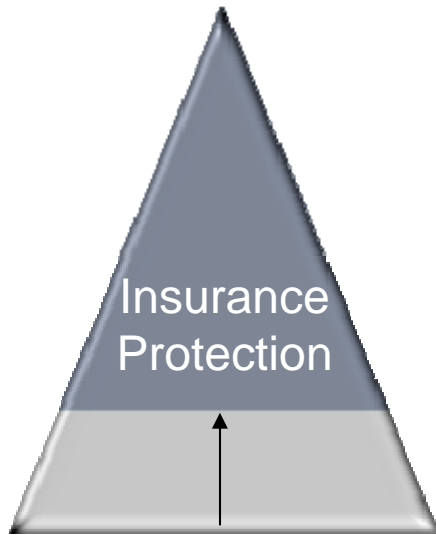


1. Insurance Protection



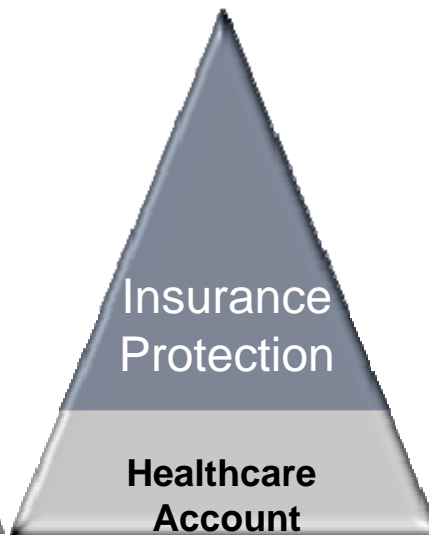
Insurance protection provides comprehensive coverage and security

2. “Deductible”



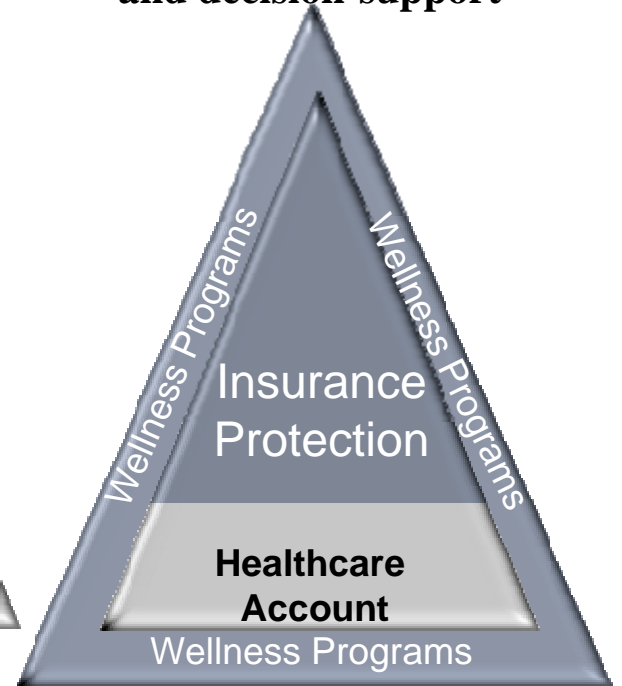
Coverage starts above “deductible” to encourage prudent spending for sustainability

3. Healthcare Account



Healthcare Account is for member to “use or keep” as they see fit

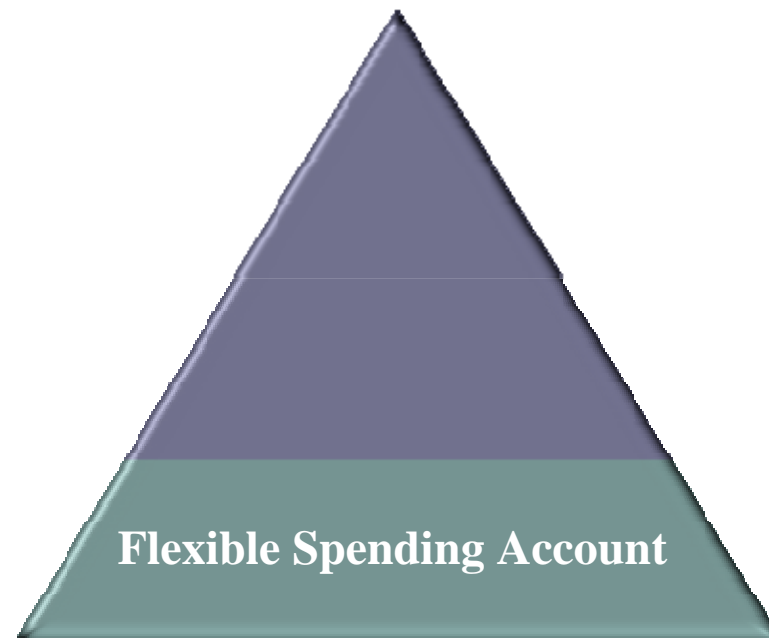
4. Health incentives and decision-support



Wellness programs provide tools and rewards to encourage healthier lifestyles, preventive care and healthy behavior



Flexible Spending Account (FSA)



- ✓ **“Use it or lose it”**
- ✓ **Employee funded**
- ✓ **First dollar coverage**
- ✓ **Funding is tax-preferred**
- ✓ **Fund available on 1st day**
- ✓ **Employee forfeits at termination – except COBRA**



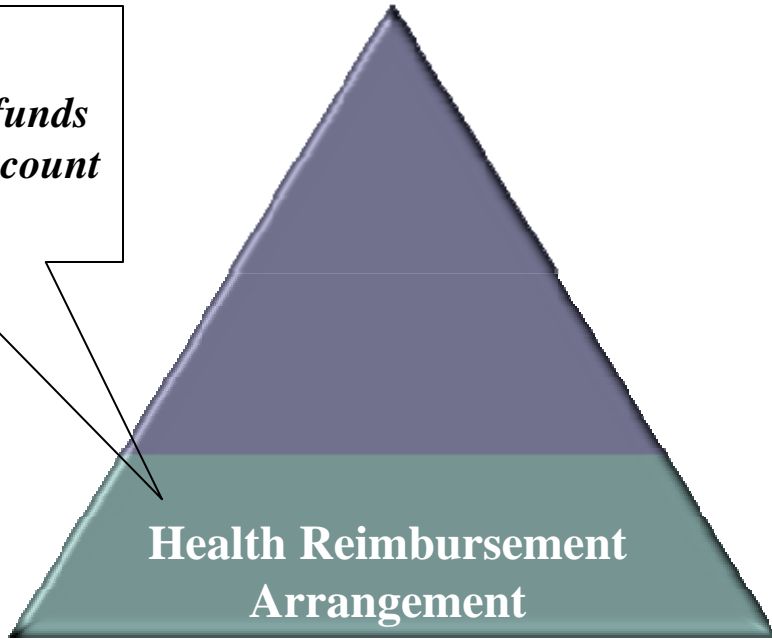
Flexible Spending Accounts – tax advantaged account that helps employee’s pay for healthcare services



Health Reimbursement Arrangement (HRA)

- ✓ “Use it or keep it”
- ✓ Employer funded
- ✓ First dollar coverage
- ✓ Funding is tax-preferred
- ✓ Fund available on 1st day
- ✓ Employee forfeits at termination – “no cash out”

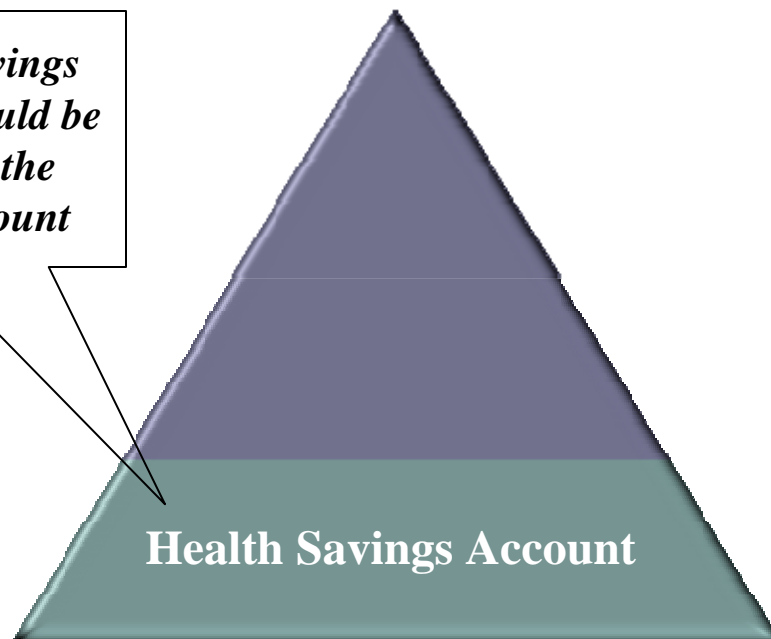
HDHP Savings funds the healthcare account





Health Savings Account

Some of the Savings from HDHP should be deposited into the healthcare account



- ✓ Use it or keep it
- ✓ Employer and/or Employee funded
- ✓ Funding is tax preferred
- ✓ Only spend what is vested
- ✓ Interest bearing
- ✓ Permanent and Portable
- ✓ Cash out feature



Tax-advantaged savings account that gives its owner an opportunity to build equity and prepare for the future



Health Savings Account



- ✓ **Triple Crown Tax Effect**
- ✓ **2010 IRS Maximums are:**
 - ✓ **\$3,050 individual**
 - ✓ **\$6,150 family**
 - ✓ **\$1,000 catch-up for 55+**
- ✓ **One-time transfer from HRA, FSA or IRA**



Only tax-advantaged vehicle of its kind designed to encourage prudent spending on healthcare and build equity over time

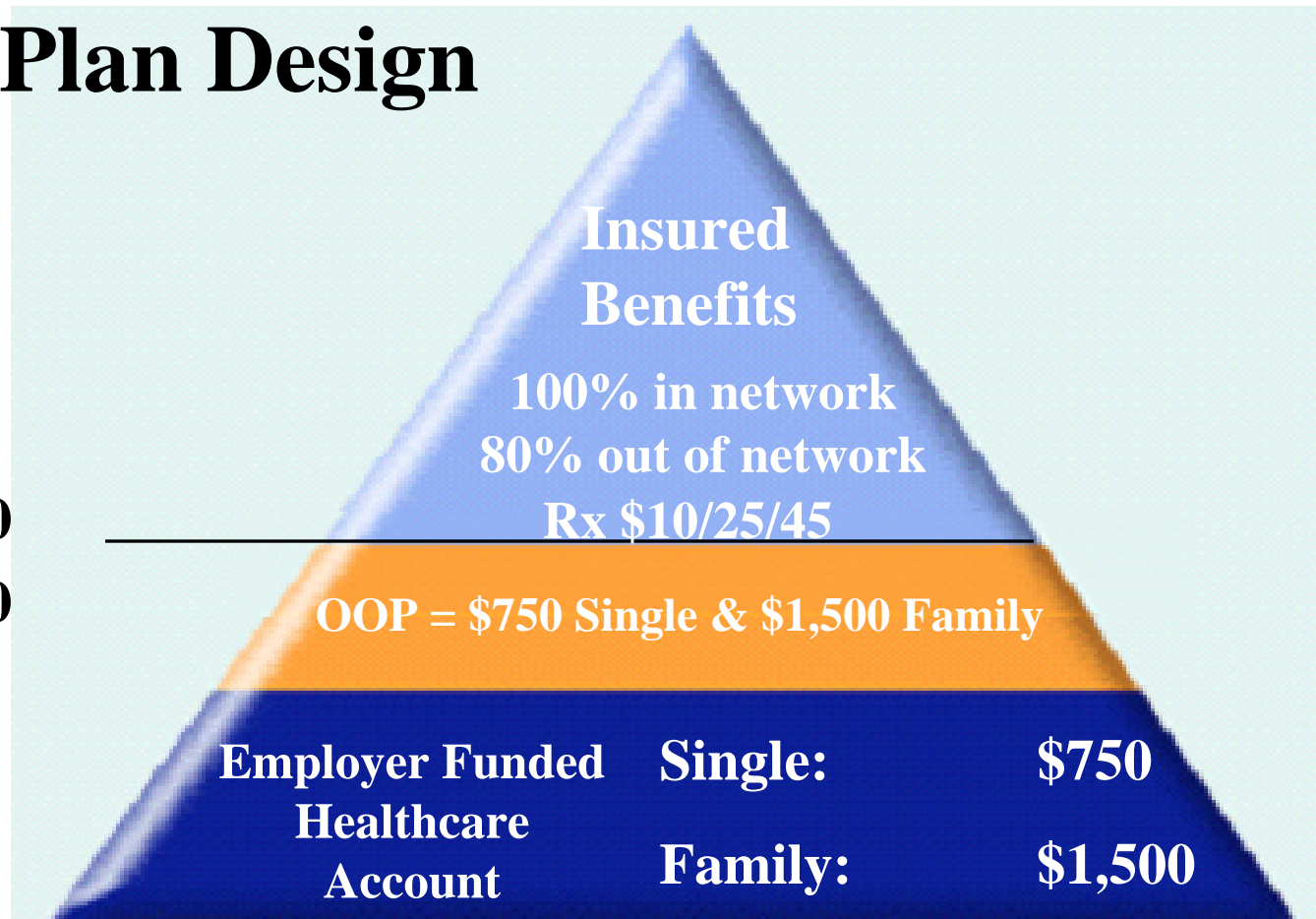


Basic CDHP Plan Design Illustration

Annual Deductible

Single: \$1,500

Family: \$3,000



CDHP engages, educates and empowers employees and their families in the cost of healthcare by making costs transparent



CDHP Plan Design Considerations

- ✓ **HRA decision points**
 - ✓ Level of employer funding? Front-end, back-end or split?
 - ✓ “Use it or keep it” OR “Use it or lose it?”
 - ✓ Rollover cap or no cap? Benefit enhancements?
 - ✓ TPA functionality and fees
- ✓ **HSA decision points**
 - ✓ Level of employer funding? Funding strategy?
 - ✓ Frequency of funding? Hardship provision?
 - ✓ Custodian functionality and fees



CDHP requires thoughtful design considerations



What are the challenges with CDHP?

- ✓ Integration of disparate systems and islands of information to enable self-service for consumers and benefit administrators
- ✓ Healthcare accounts are administered separately from low premium, high deductible health plan
- ✓ Consumers will need to track claims records, claims payments, deductibles, funding and expenditures – most products do not have a “window” through which all financial information can be viewed
- ✓ Primary concern expressed by 85% employers surveyed – enrollment communication and support

Source: 2007 NAHU Survey



CDHP combines health benefits and asset accumulation



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True or False?

CDHP is just like any other health plan, so it does not require any special tools or resources to implement.



FALSE



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How Consumer-Driven Health & Wellness Plans
Lower Insurance Costs

BEND THE HEALTHCARE TREND

MARK S. GAUNYA & JENNIFER A. BORISLOW





The CDHP Primer

- ✓ **Chapter Description:** Introduce and educate employers and employees on rising healthcare costs, what's driving them and the principles and mechanics of CDHP
- ✓ **Objective:** Educate and inform consumers to help them develop a deeper understanding of why healthcare costs are rising, the challenge in slowing them down and the need to change the way we think about health care and health insurance



Understand why costs are rising to set the stage for CDHP adoption



The CDHP Value Proposition

- ✓ **Chapter Description:** How to design a comprehensive CDHP solution to achieve market competitiveness, financial objectives and help consumers make informed healthcare decisions
- ✓ **Objective:** Employers need to anticipate skepticism, understand advantages and components (plan design levers) of a CDHP – and learn how to design a health insurance solution that balances budget with benefit needs and wants



Designed well, CDHP lowers cost and provides better benefits



The CDHP Engine – Healthcare Account Structures

- ✓ **Chapter Description:** Compare and contrast the unique features and benefits of each healthcare account structure
- ✓ **Objective:** Help you select the appropriate healthcare account structure and learn how to properly fund the structure you choose – effectively designing a custom-tailored CDHP solution



Healthcare accounts are the engines of behavior change





A Culture of Health and Wellness

- ✓ **Chapter Description:** Understand how personal behavior and lifestyle choice can impact health risk and healthcare costs.
- ✓ **Objective:** Educate, involve and engage consumers to make real change, which improves overall health and productivity and lowers healthcare costs over time



Create a culture of health and wellness to support CDHP



Building a Health and Wellness Program

- ✓ **Chapter Description:** Understand how to build a culture of health and wellness in your organization, increase your chances of success and unlock the financial resources you need
- ✓ **Objective:** Help you effectively design and implement two types of health and wellness programs



Culture and programming are closely linked



Implementation and Communication

- ✓ **Chapter Description:** Design a comprehensive communication plan to introduce employees to CDHP and help them understand the reasons for a shift away from managed care plans
- ✓ **Objective:** Communicate, educate and help consumers feel comfortable comparing and contrasting CDHP to what they already know – increase comfort level and overall interest



Thoughtful communication is essential to CDHP adoption



Education Best Practices

- ✓ **Chapter Description:** Effectively implement CDHP by properly educating employees on benefits, mechanics and administrative processes
- ✓ **Objective:** Help consumers feel comfortable with the CDHP value proposition and how it works with real life examples



Personalize your education to ease the transition



bi “Real Life” education helps turn theory into reality



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Post-implementation Communication and Education

- ✓ **Chapter Description:** Conduct enrolled member education forums to broaden and deepen knowledge of healthcare terminology, plan design mechanics and administrative processes
- ✓ **Objective:** Turn theory into application by understanding how CDHP works with “live” claiming examples. Confirm understanding, answer questions and solve problems. Help newly enrolled CDHP members understand their responsibilities and financial opportunity



Ease administrative concerns through timed member education



Saving money takes time and happens as members get engaged

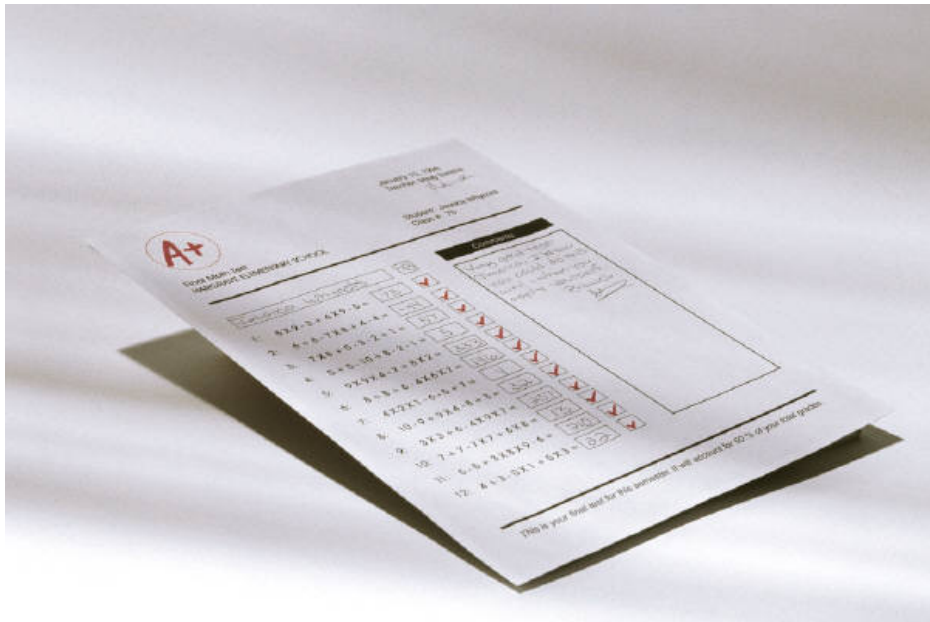


The CDHP Renewal Solution

- ✓ **Chapter Description:** Analyze a CDHP renewal, challenge certain underwriting assumptions and configure the components (plan design levers) to effectively manage overall cost and value
- ✓ **Objective:** Meet health insurance budget expectations by reducing medical trend, improving cost and utilization – achieve plan performance financial objectives – reduce healthcare costs



Understand how CDHP works and move “levers” to save money





The Report Card

- ✓ **Chapter Description:** Review CDHP Solution results at the cost and utilization level and health and wellness perspective
- ✓ **Objective:** Understand how the CDHP Solution is performing and improve knowledge and understanding of health care cost drivers – more importantly, how to address them. Provide information on plan performance and offer valuable insight and recommendations to address specific challenges



Understand what drives health costs to sharpen your focus



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A practical roadmap filled with best practices and proven results



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