



Employers Considerations with Healthcare

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The Inconvenient Truth

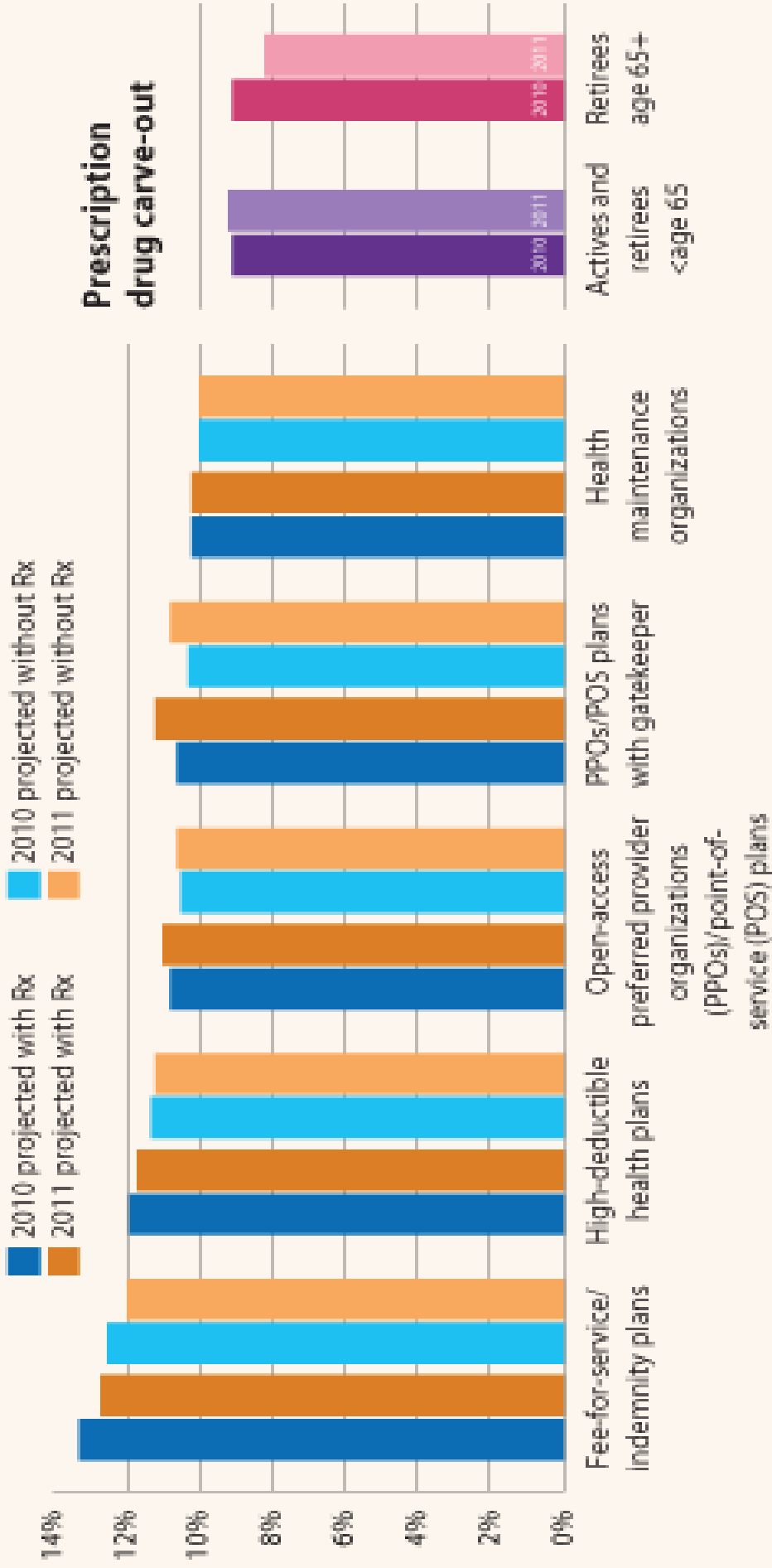
In 2011, total health care costs per active employee, on average, are expected to reach \$11,176, up from \$10,387 in 2010.

Over the past 5 years, employer contributions have risen 36% while employees contribute over 45% more.

What is Trend?

Trend is a forecast of per capita claims cost that takes into account various factors, such as price inflation, utilization, government-mandated benefits, and new treatments, therapies and technology.

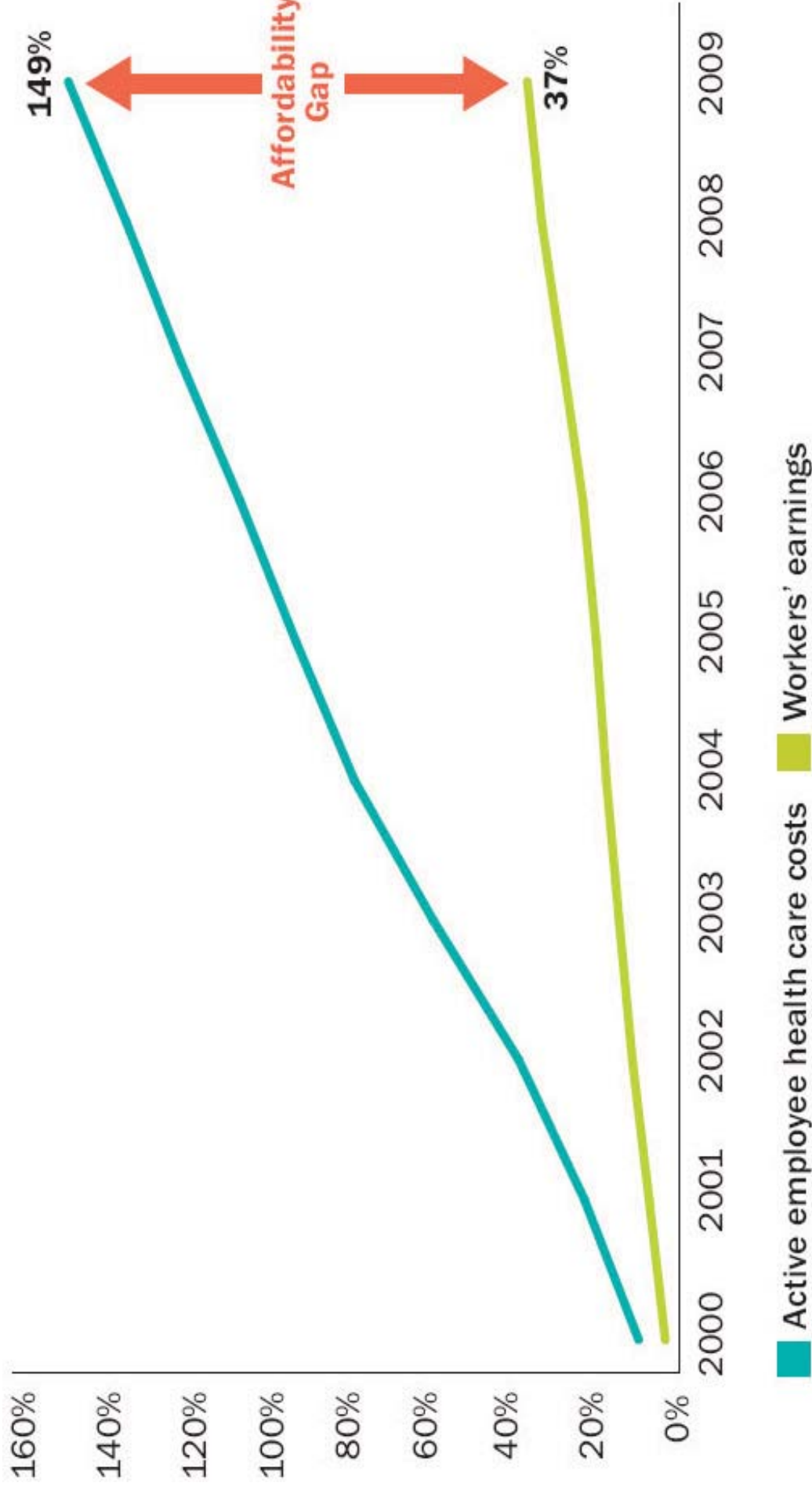
Projected medical and prescription drug cost increases, 2010 and 2011



Source: 2011 Segal Health Plan Cost Trend Survey

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Affordability Gap



Source: Towers Watson Health Care Cost Survey 2010

Employers React

- By 2012, 64% of employers are projected to offer an Account-Based Health Plan (ABHP), and 39% of employers are projected to have ABHP enrollment of more than 20%
- Employees must continue to cope with the increasing affordability gap, as merit pay increases have gone up 16% while employee contributions have risen 49% over the last 5 years.
- 62% of employers are projected to apply outcome-based incentives through a Wellness program by 2012 versus the current trend of simple incentives for participation.

Wellness – Population Health Management

- In 1960, only 13% of adult Americans were considered obese. In 2000, more than 30% of U.S. adults were obese, and 60% were overweight. By 2044 and 2058 respectively, every U.S. child and adult will be obese if the current rate continues.
- Obesity increases healthcare costs for in-patient and ambulatory care by 36% and medication costs by 77% compared to people in a normal weight range.
- The direct costs associated with physical inactivity was nearly \$76.6 billion in 2000. Americans who are 30 pounds overweight generated \$75 billion in weight-related medical bills in 2003.
- 9 million children in the U.S. are obese and experts say that as many as 75% of them will likely maintain that status into adulthood.
- Direct costs associated with smoking exceed \$75 billion annually.

Source: “Wellness Initiatives” – Meritain Health

Wellness Population Health Management

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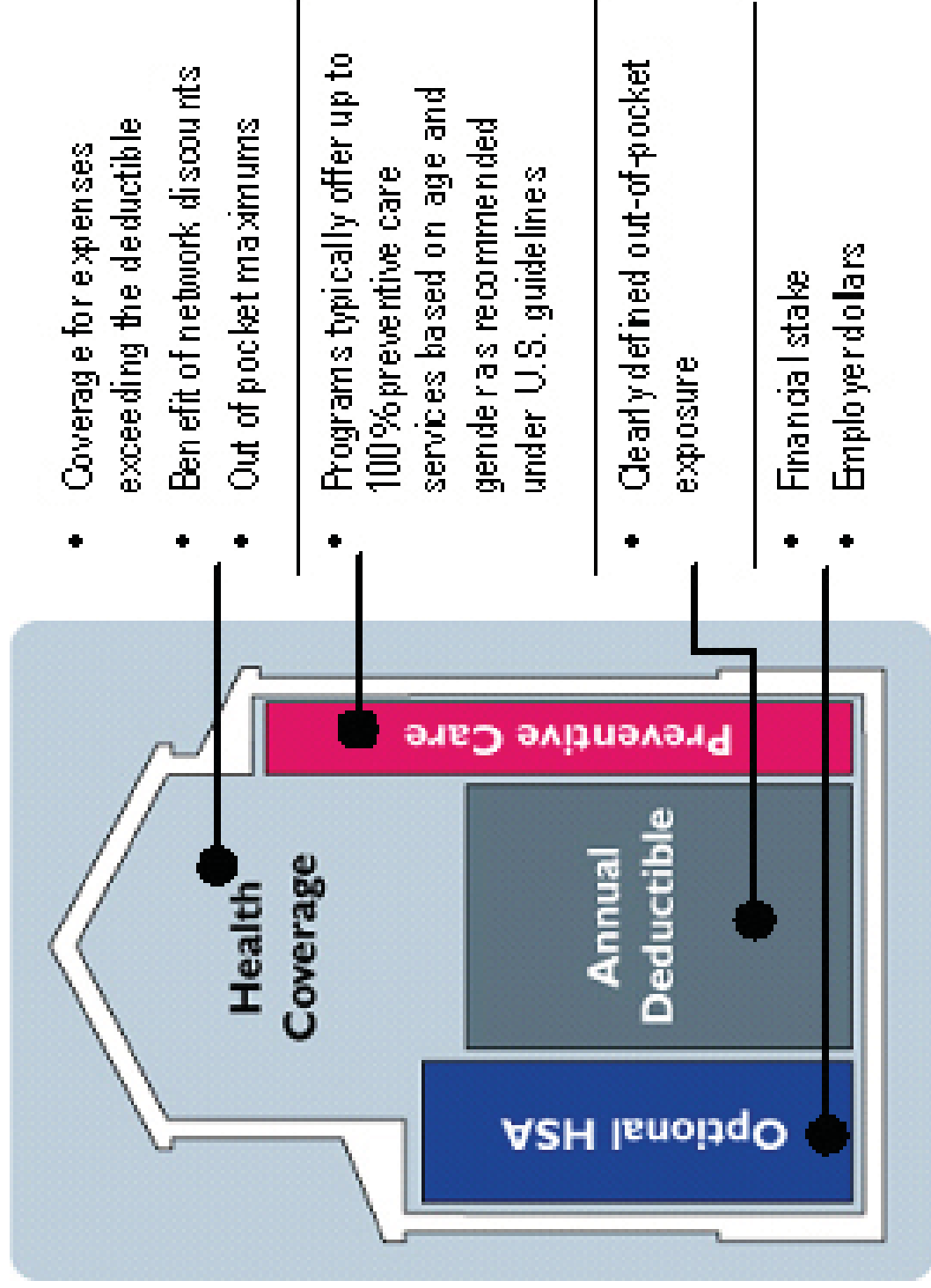
- Cigarette Smoking is the leading preventable cause of illness and premature death in the U.S.
- Cigarette Smoking increases the risk for heart disease, stroke, emphysema, and many cancers.
- 1/3 of all cancer deaths annually are caused by tobacco use.
- Over \$142 billion in lost productivity was due to cardiovascular disease in 2003.
- Chronic diseases account for 70% of all deaths in the U.S. and the medical case costs for chronically ill patients accounts for 75% of the nation's \$1.4 trillion spent on healthcare.

Source: "Wellness Initiatives" – *Meritain Health*

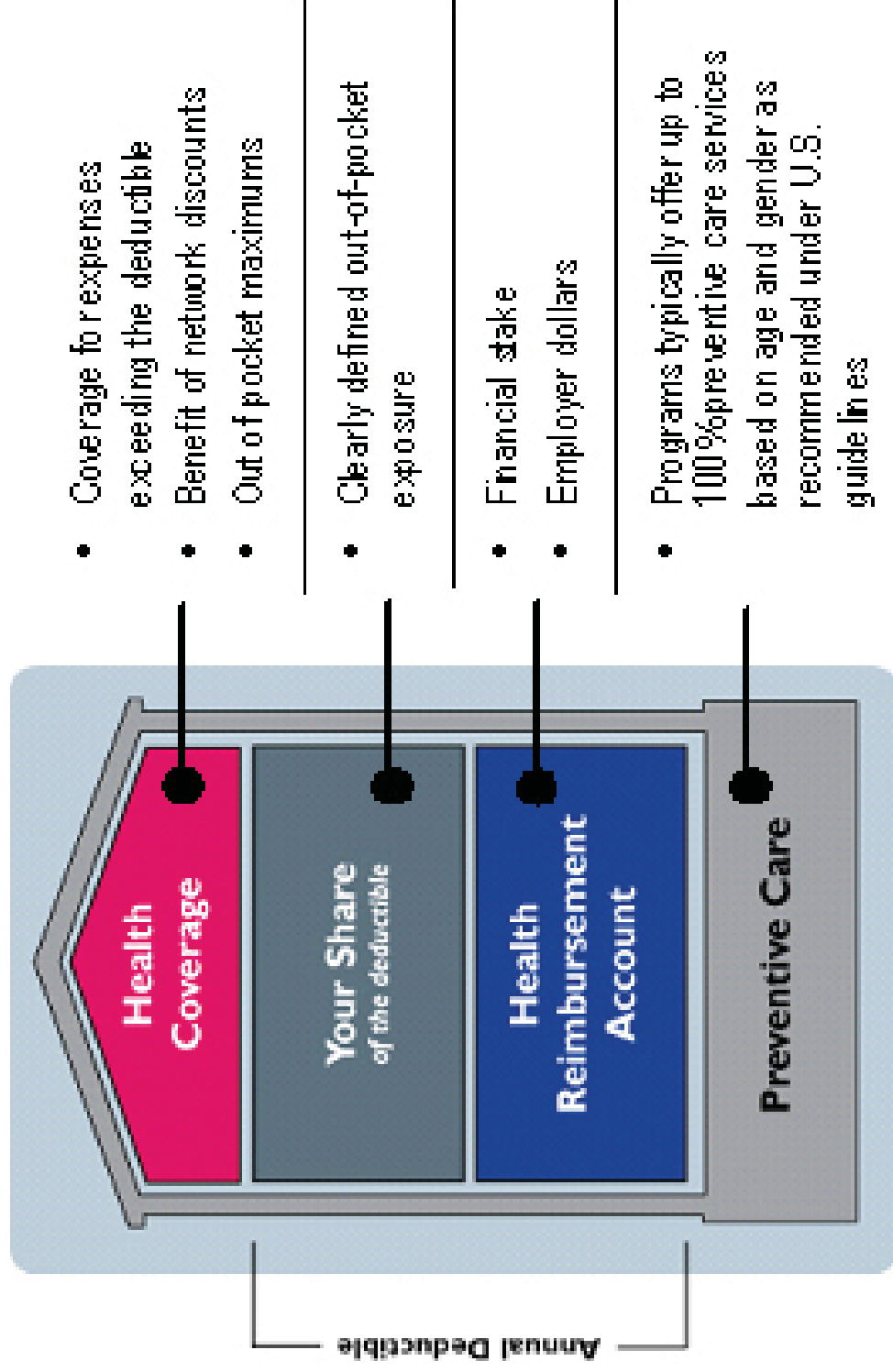
Consumer Driven Health Care

- High Deductible Plans - HDHP
- Health Savings Accounts
- Health Reimbursement Arrangements

HDHP's - Health Savings Account



HDHP's - Health Reimbursement Account



Hot Topics in Healthcare

Accountable Care Organization – “ACO”

Ancillary Benefit Coordination

Benchmarking

Compliance

Defined Benefit

Defined Contribution

Disease Management

HR Outsourcing

Medical Home – “PCMH”

Medical Tourism

Real Paychecks – Benefit Statements
Reform

Self-Insurance

Telemedicine

Trend Analysis

Wellness

Summary

Trend Analysis

“Affordability Gap”

Wellness 101

Consumer Driven Healthcare

HDHP - HSA vs. HRA