

Today's Employee Benefit Challenges... and Solutions!



Your expert panel today...

Evelina Moulder

ICMA – Director of Research

Jeff Amell

CIGNA – Strategy & Marketing Officer for Government & Education

John Young

CIGNA – Senior Vice President, Consumerism

Session objectives...

- Learn about current health benefit trends in city and county governments
 - Findings from ICMA-CIGNA health benefit research
 - You are not alone in tackling health care costs!
- There *are* solutions to your healthcare headaches...
 - What you can consider for your own city/town/county
 - Creative solutions and options to assess for your local entity

ICMA/CIGNA Research History

ICMA

Cigna[®]

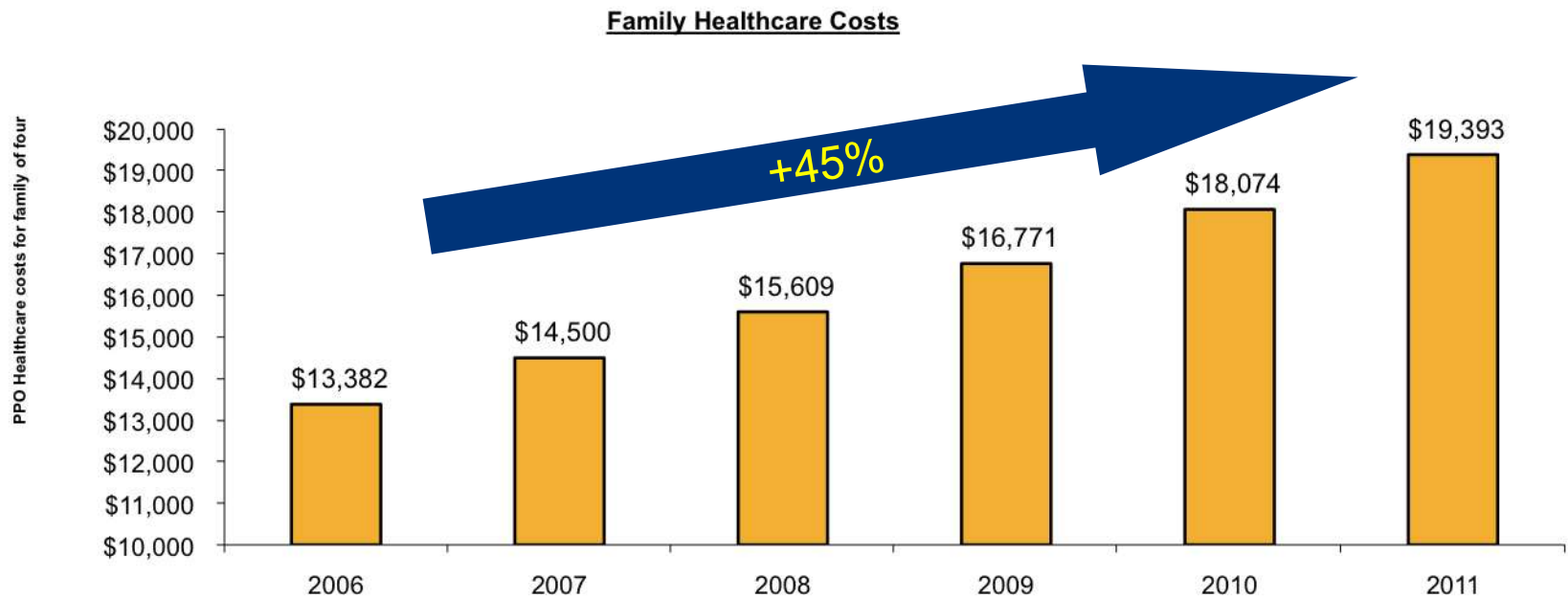
During the past five years, how much in total have healthcare costs increased?

1. 15%
2. 25%
3. 35%
4. 45%
5. To the moon!



Healthcare Cost Trends

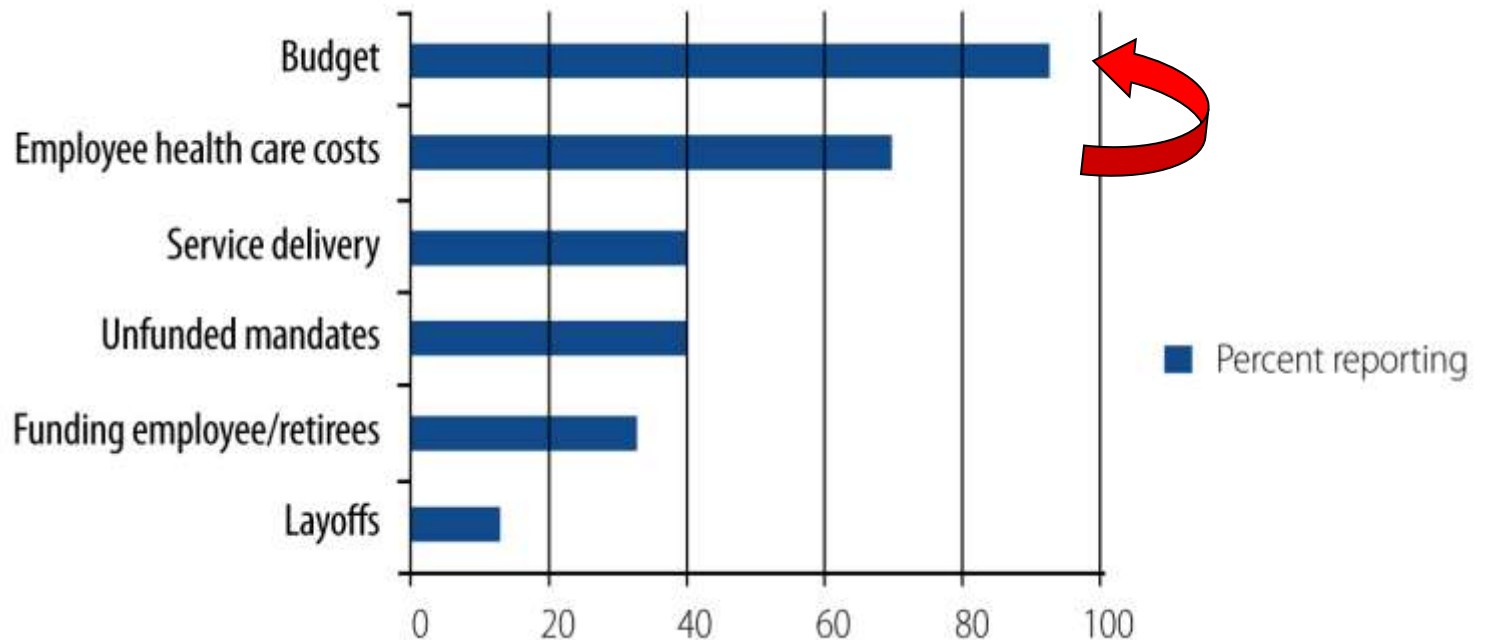
During the past five years, what has happened to healthcare costs??



Health care benefits a top operating concern

Based on the ICMA/CIGNA research, health benefit costs are the #2 concern among Government HR leaders.

Top three operating concerns



ARTON BEACON JOURNAL © 04



NURSE

SORRY, THERE'S A NURSE SHORTAGE. HOW ABOUT AN INSURANCE EXECUTIVE?



Survey says.....!

Obstacles impacting
a healthier workforce

Top health benefit
purchase
considerations

**Here's what we
learned...**

Benefit design
changes to
consider

Health care
reform
uncertainties

How to help employees
maintain their health
and reduce health risks

1. Obstacles impacting a healthier workforce

Local governments identified several obstacles impeding their ability to develop a healthy workforce. The following were cited as their biggest concerns:

Obstacle	% reporting
Lack of employee engagement	64%
Lack of sufficient financial incentives to encourage participation in programs	62%
Lack of adequate budget to support effective health management programs	59%
Too many other demands on employees/not enough time	53%
Lack of organization structure/staffing to support it	40%
Lack of adequate internal staff	34%
Lack of evidence about which practices work best	23%

How many people are employed by your local government?

1. < 25
2. 25-99
3. 100-249
4. 250-999
5. 1,000 +

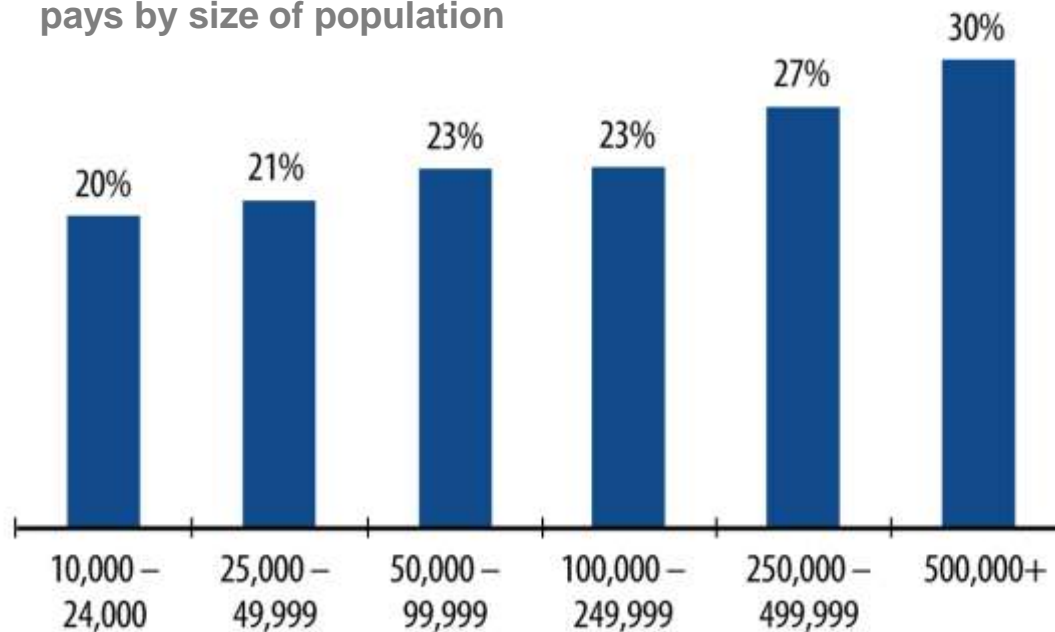
?








2. Employee Contributions...

- Making changes to employee contributions is one way to manage healthcare cost increases
- Another approach is driving awareness, accountability for health services and costs

Average percent of premium employee pays by size of population



2. Benefit actions underway...or to consider

- 70%  Have already or plan to take to have employees complete a health risk appraisal
- 65%  Have taken or are planning to take action to significantly increase pharmacy copays, deductibles or coinsurance.
- 61%  Are actively communicating to/educating employees on health care costs and living healthier lifestyles, or plan to do so in the near future.
- 60%  Report having programs in place, or plan to add programs in the future, to audit or review eligibility or enrollment in their health plans.
- 48%  Have or plan to take action to create incentives to encourage employees to use high-quality/lower-cost hospitals and physicians.

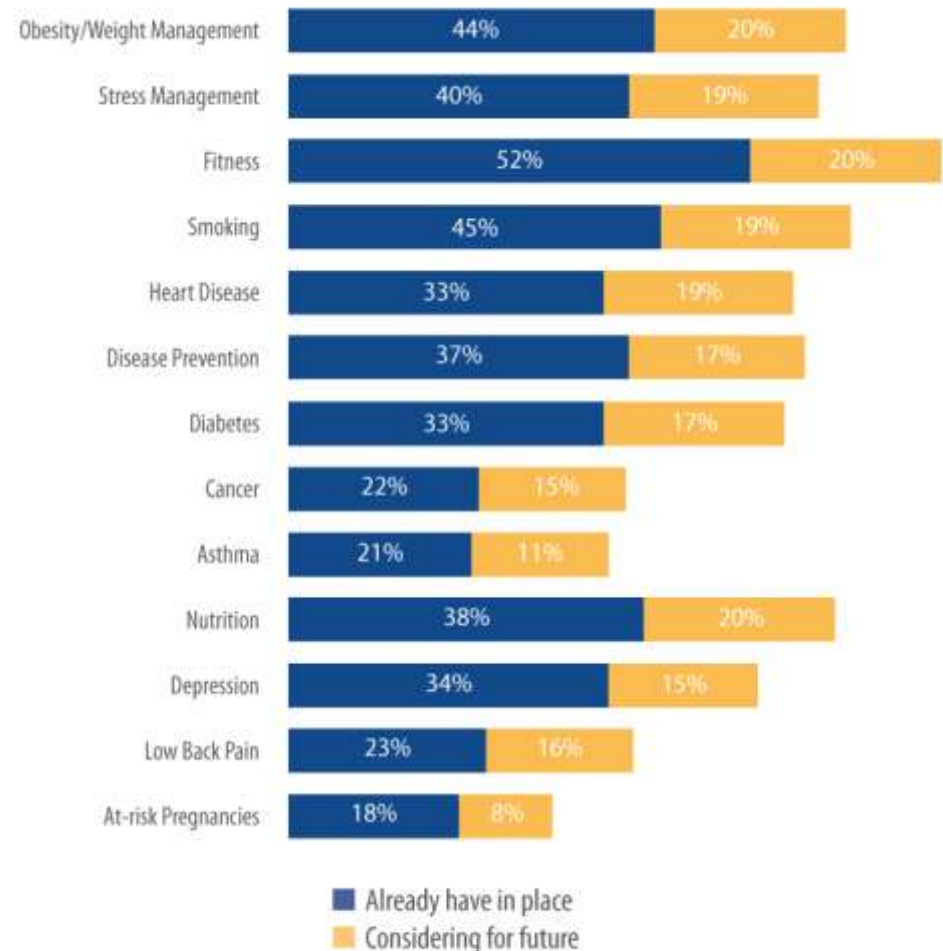
2. What else can be done to make them healthier?

- Almost two-thirds (63%) have already integrated employee participation in wellness programs with health plan data, or they are planning to do so in the next two years.
- Just over half (51%) have taken action, expect to take further action and/or plan to take initial action in the next two years to have employees participate in disease management programs.
- 47% have taken action or plan to take action in the next two years to encourage employees to complete biometric screenings
- 43% already have programs to encourage completion of adult health exams or plan to add programs in the future.
- 36% have taken action or plan to take action to help employees maintain target-level blood pressure or cholesterol levels because of the health risks these diseases represent.

3. How to help employees maintain their health and reduce health risks

- According to the CDC, more than 75% of health care costs are due to chronic conditions such as heart disease, diabetes and obesity
- Today nearly one in two adults is living with at least one chronic illness.
- Four common, health-damaging, but modifiable behaviors are responsible for much of the illness, disability and premature death related to chronic diseases
 - tobacco use
 - insufficient physical activity
 - poor eating habits
 - excessive alcohol use

Workforce health concerns
(listed in order of top concerns)



3. Here's what we heard...

- City in CA** → Quarterly “biggest loser” contest
- Town in MA** → Annual wellness clinics to encourage employees to consider healthier lifestyle
- City in OH** → We had a significant increase in the number of employees choosing HAS as their option for health insurance. Anticipate a savings of approx 10% in the next couple of years.
- Village in IL** → We now have a wellness program including flu shots, health screens, EAP and an online program including incentives
- City in FL** → Wellness initiative appear to be one of the best areas for addressing the rising healthcare costs since simply raising premium rates and copays and deductibles does not address the care problem of escalating health care costs

What are you doing about health reform?

1. Awaiting guidance from the state
2. Studying it very carefully
3. Spending \$'s on consultants to make a recommendation
4. Hoping it will go away





4. Health care reform uncertainties

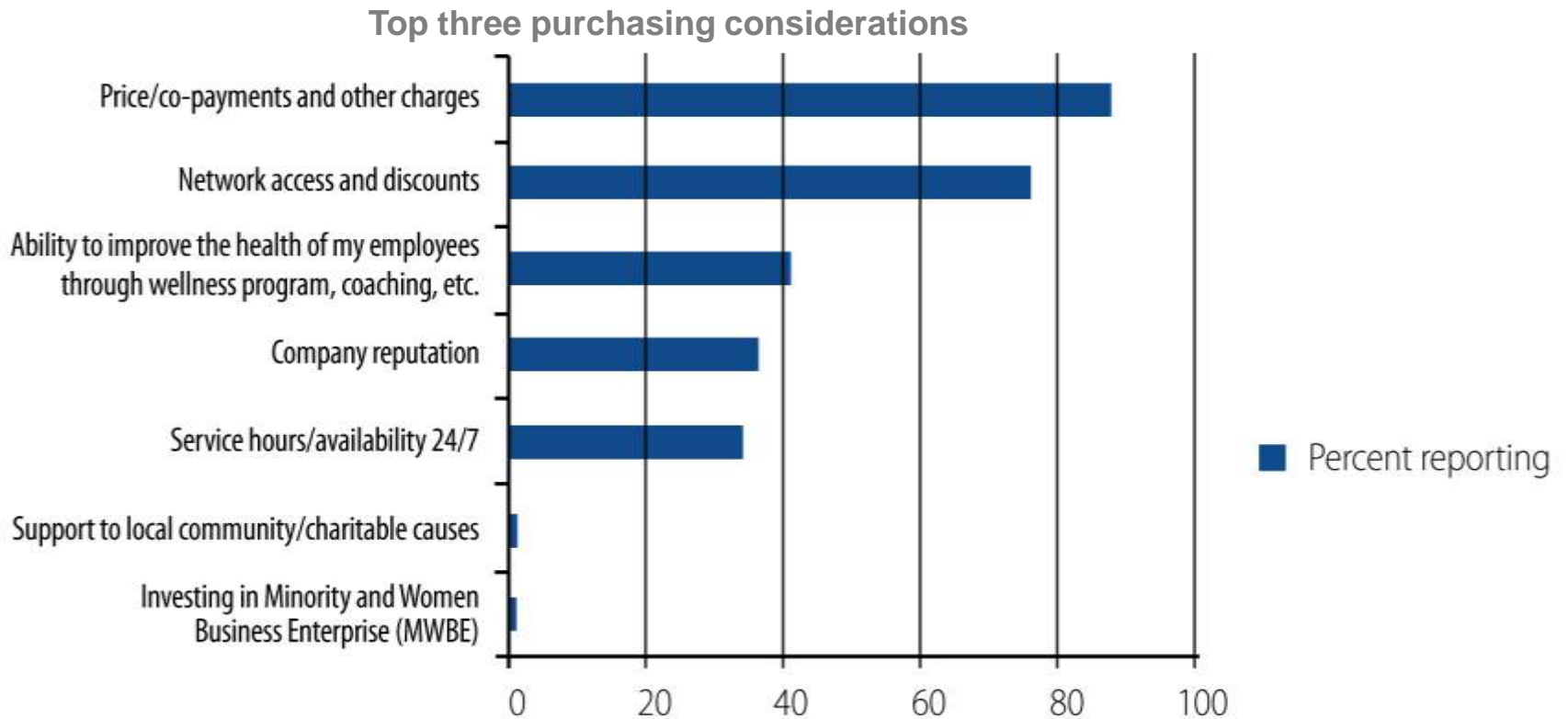
Have heard about it but don't understand the legislation or its impact on our benefits	Partially understand; need to learn more	Completely understand the legislation but need to assess impact	Completely understand the legislation and its impact on our health benefits
6%	64%	18%	11%

- The majority of local governments (64%) report that they only partially understand the impact of new health care reform legislation.
 - Respondents indicated that webinars, e-newsletters and publications would be helpful to them for gaining a better understanding of health care reform legislation.
- An overwhelming majority (97%) have **not** conducted the cost/benefit analysis of moving to a state health insurance exchange, which will be offered in 2014.
- Virtually all (99%) say they will wait and see how the legislation unfolds or plan to make no changes to their plans at this time.



5. Top health benefit purchase considerations

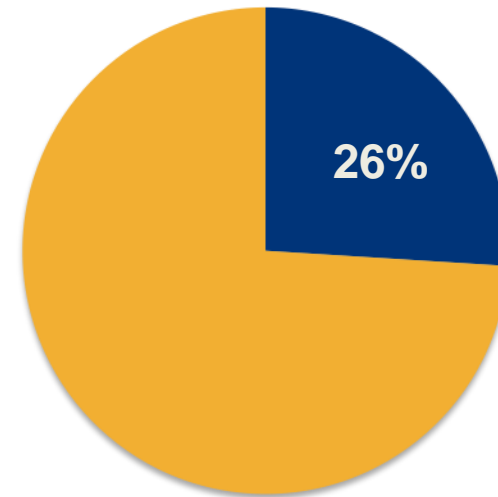
- What are you looking for when making health benefit plan decisions...

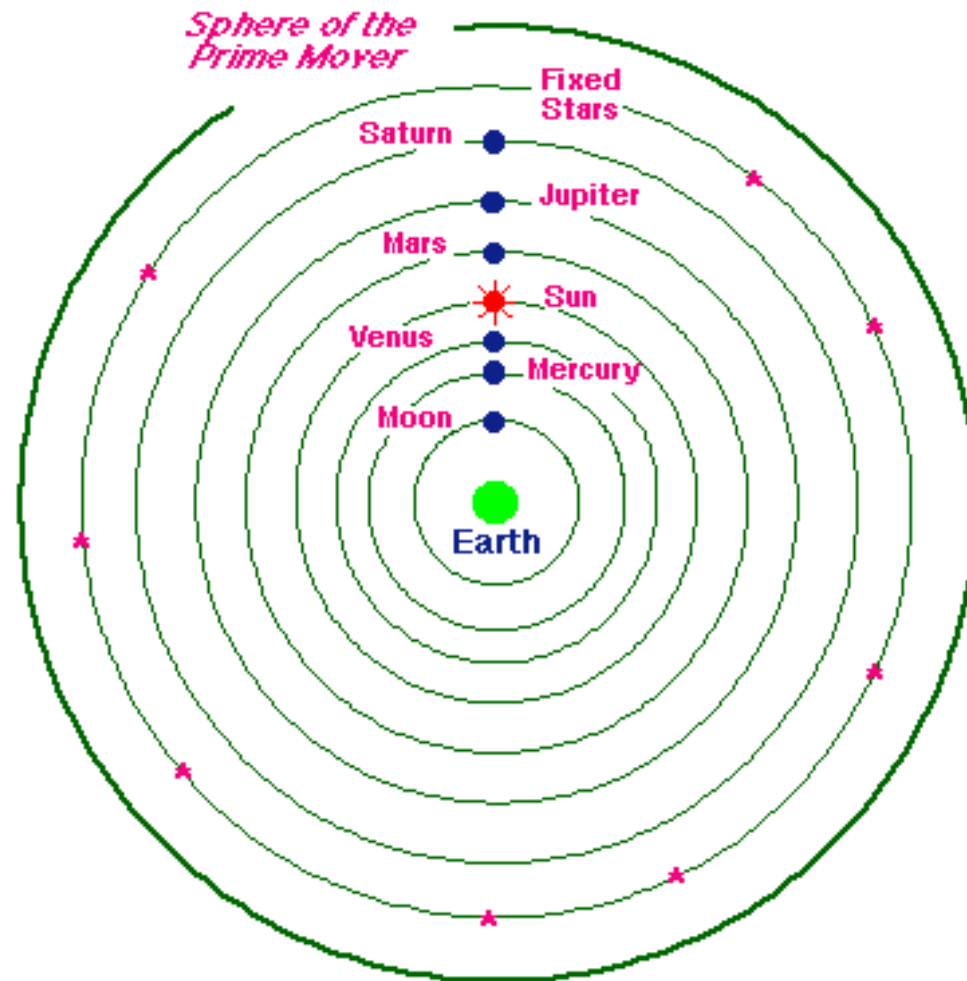


Trends that we are seeing...

- Overall, about a quarter of local governments (26%) are currently offering account-based high-deductible health plans, either health savings accounts (HSAs) or health reimbursement accounts (HRAs).
 - However, prevalence of these plans does increase to 40% among local governments with populations of 500,000 to 1,000,000.

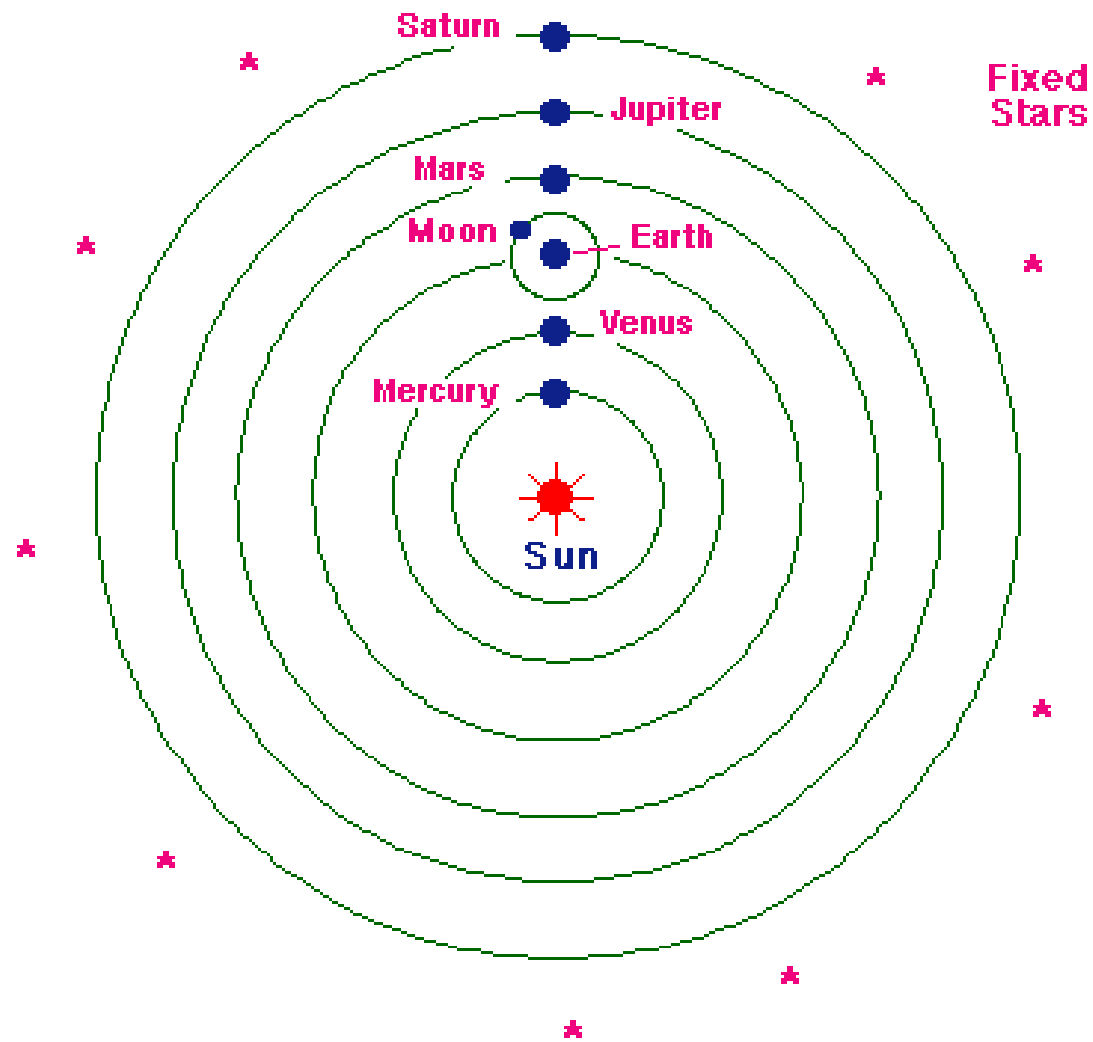
Account-based high-deductible health plans





Aristotle's Universe





Copernicus, 1543

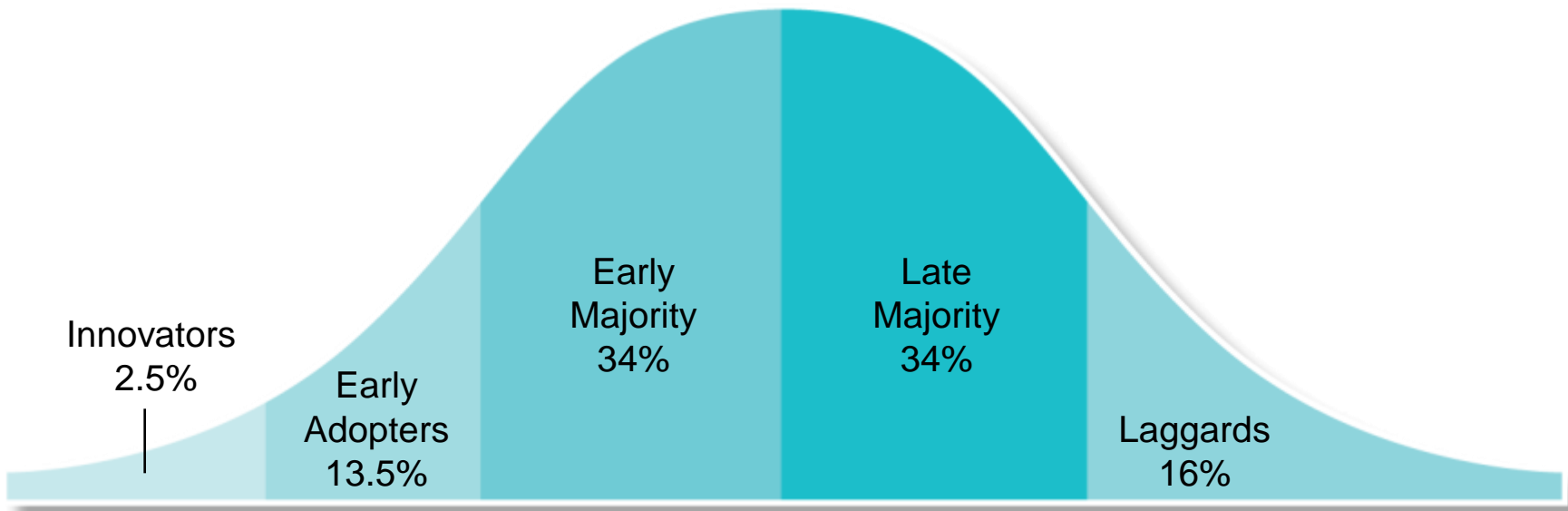
- His ideas remained obscure for about 100 years after his death.
- Over time, it became clear that Copernicus was right. The data supported his theory.

“The starting point for a better world is the belief that it is possible”

- Norman Cousins

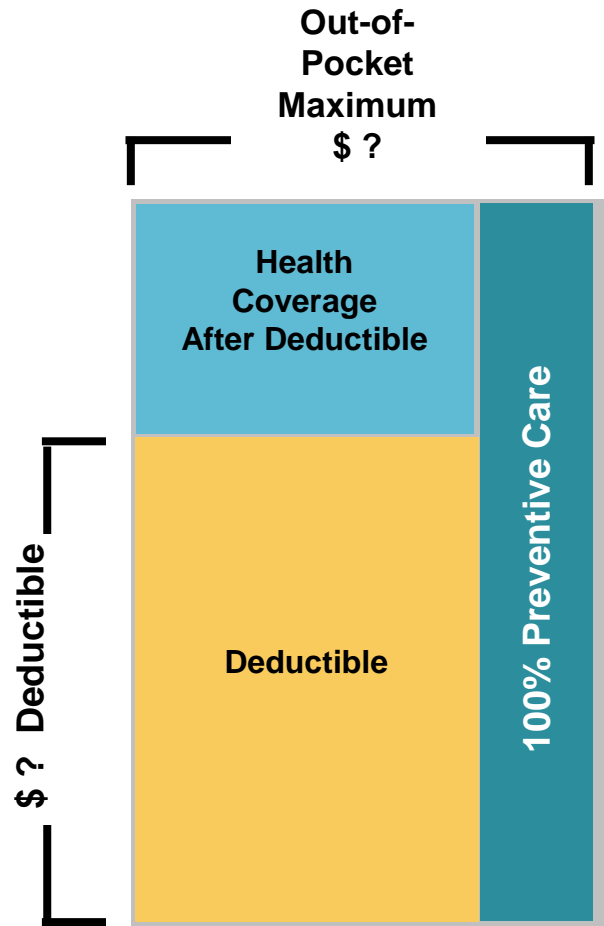
Creating a Culture of Health

- **Focusing on health rather than sickness**
- **Preventing disease before it begins**
- **Helping employees become good health care consumers.**



DifferentNot Difficult!

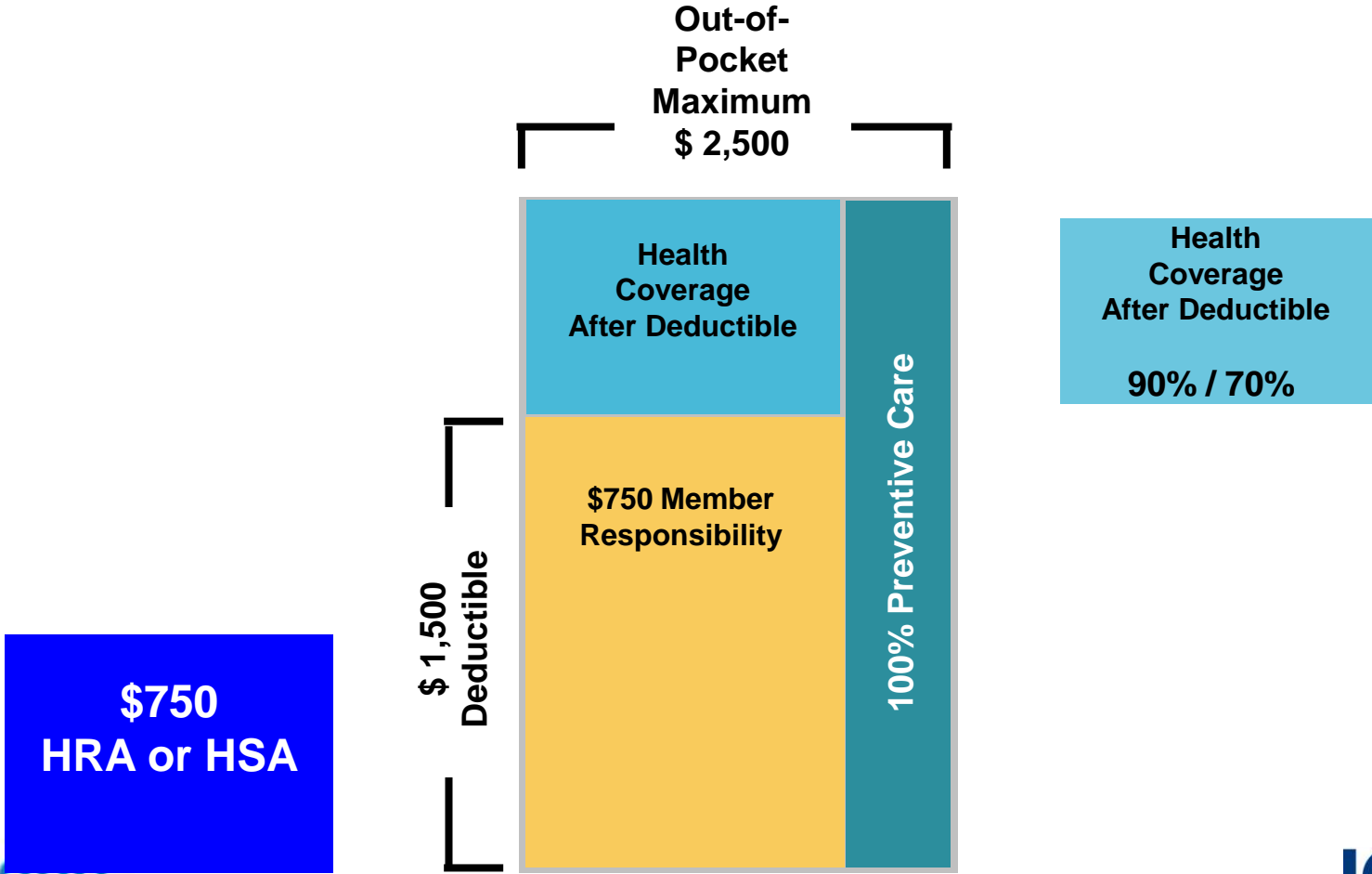
HRA or HSA



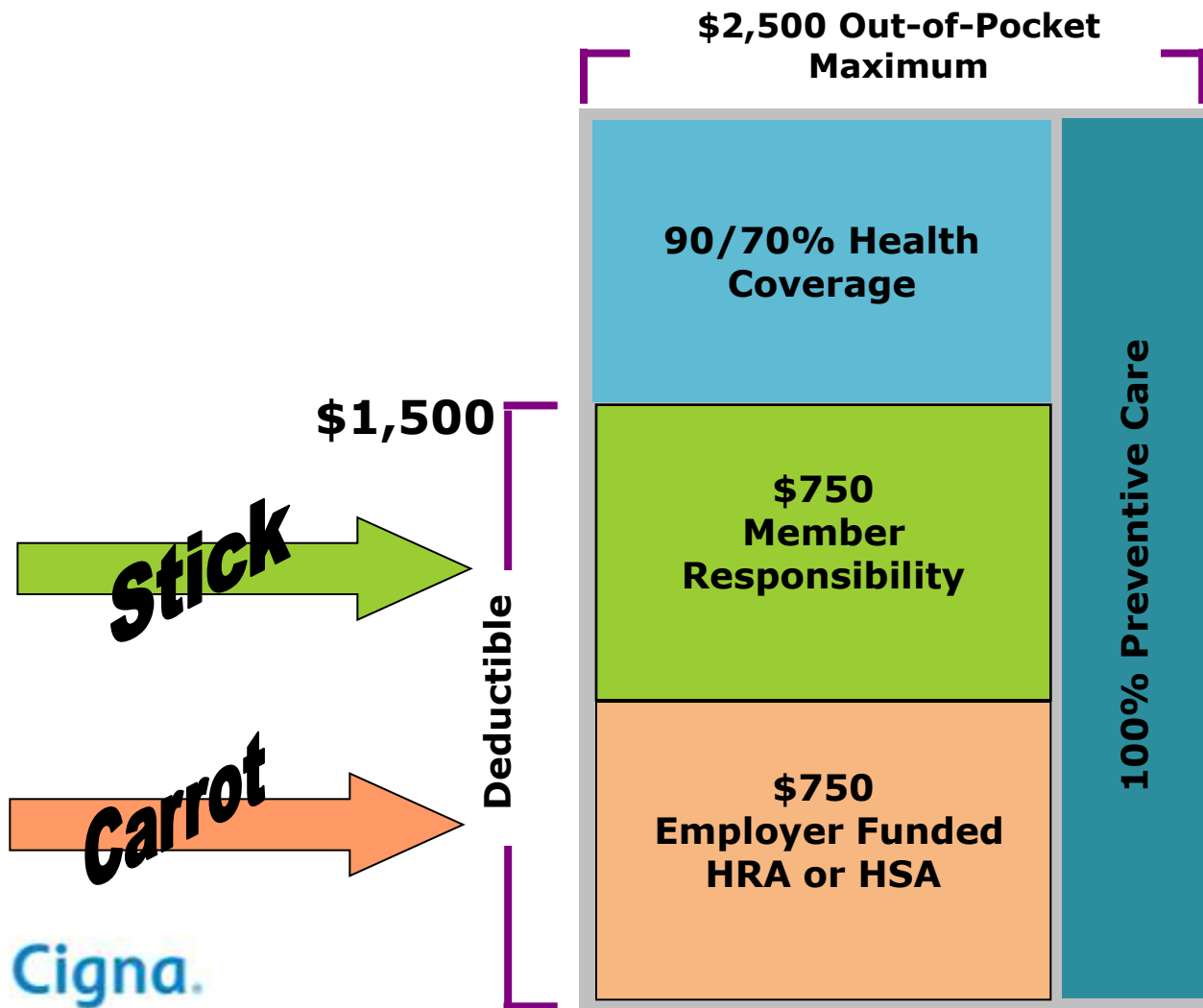
Health Coverage After Deductible

90%/70% ?
80%/60% ?
100%/80% ?
Treatment of RX?

Integrated Components



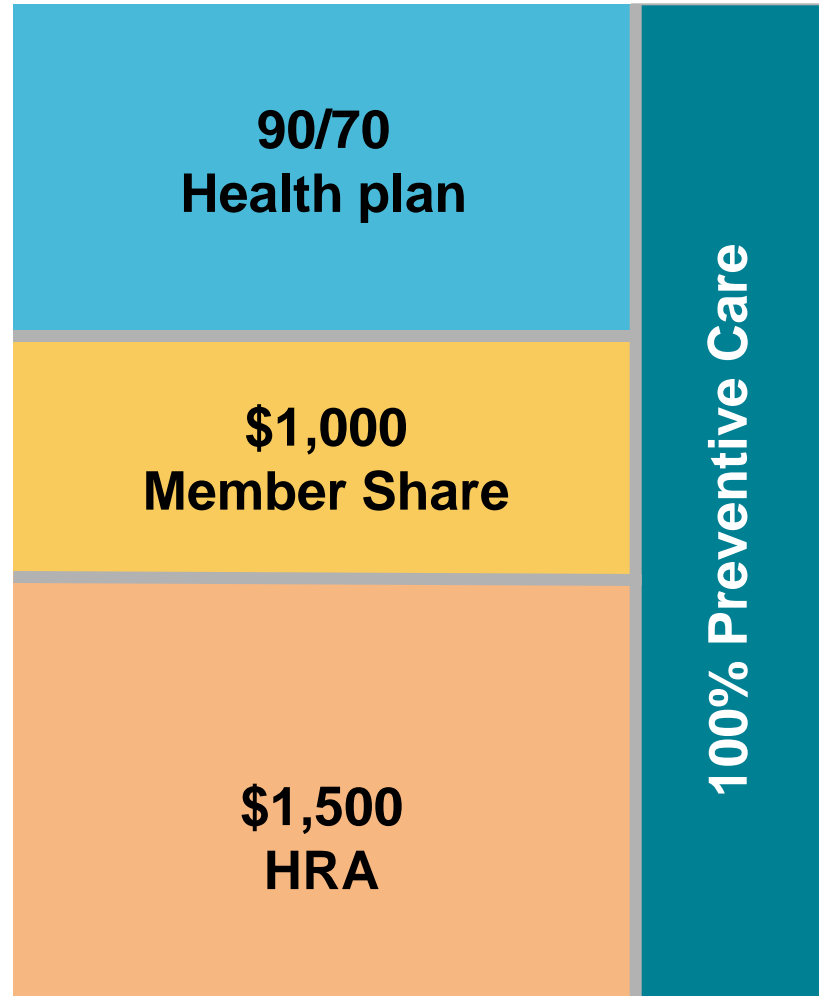
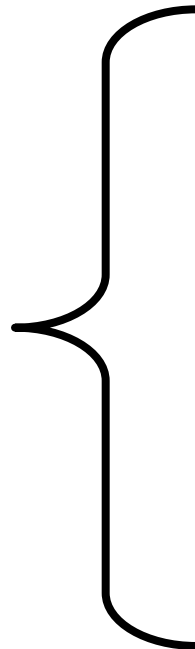
Ownership in the plan design



Consumer Experience Example #1

The Smith Family's Consumer Driven Health Plan

Deductible
\$2,500



Smith Family's 1st Year Experience

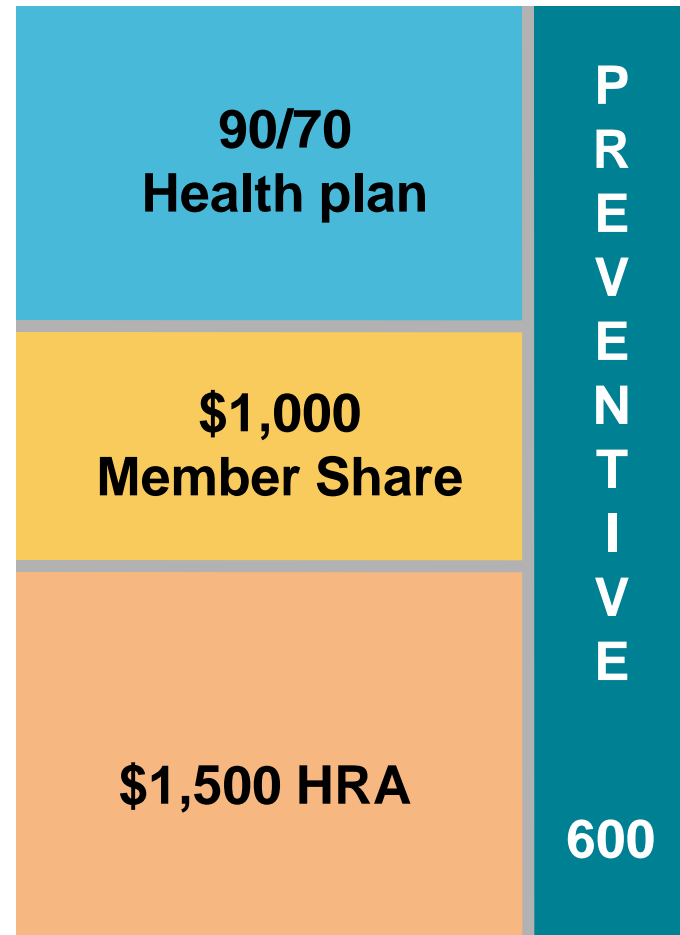
Preventive

2 Adult Physicals	\$500
Child Immunizations	\$100
Total	\$600

Medical Expenses

4 Doctors Visits	\$240
6 Prescriptions	\$390
1 X-ray	\$100
Chiropractic Care	\$190
Total	\$920

Paid by HRA **\$920**



Smith Family's 1st Year Experience

Preventive

2 Adult Physicals
Child Immunizations

\$500

\$100

Total

\$600

Medical Expenses

4 Doctors Visits
6 Prescriptions
1 Xray
Chiropractic Care

\$240

\$390

\$100

\$190

Total

\$920

Roll-over Balance

\$580

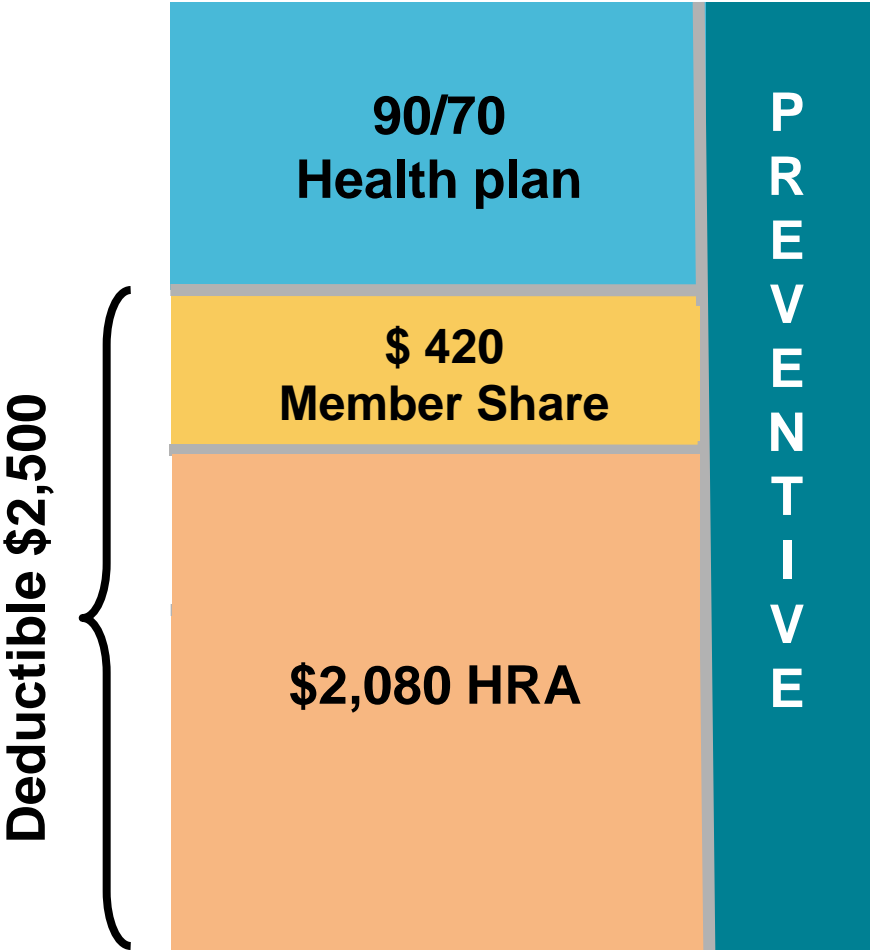
Paid by HRA

\$920

HRA
\$1,500



Smith Family's 2nd Year Experience



Smith Family's 2nd Year Experience

Preventive

2 Adult Physicals
Pediatric Exam

\$500

\$150

Total

\$650

Medical Expenses

4 Doctors Visits
8 Prescriptions
Lab Work
Chiropractic Care

\$280

\$420

\$210

\$290

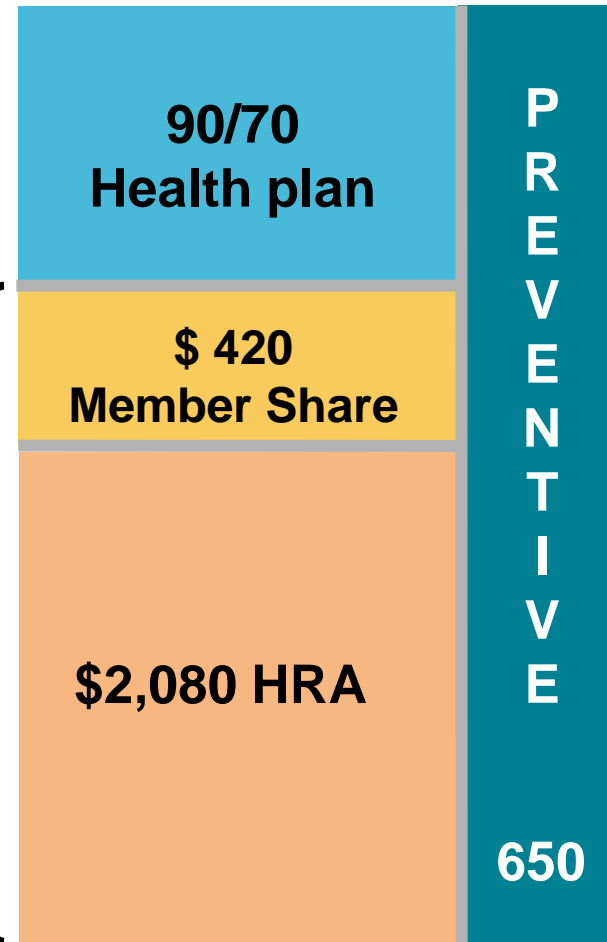
Total

\$1200

Paid by HRA

1,200

Deductible \$2,500



Smith Family's 2nd Year Experience

Preventive

2 Adult Physicals
Pediatric Exam

\$500
\$150

Total

\$650

Medical Expenses

4 Doctors Visits
8 Prescriptions
Lab Work
Chiropractic Care

\$280
\$420
\$120
\$380

Total

\$1200

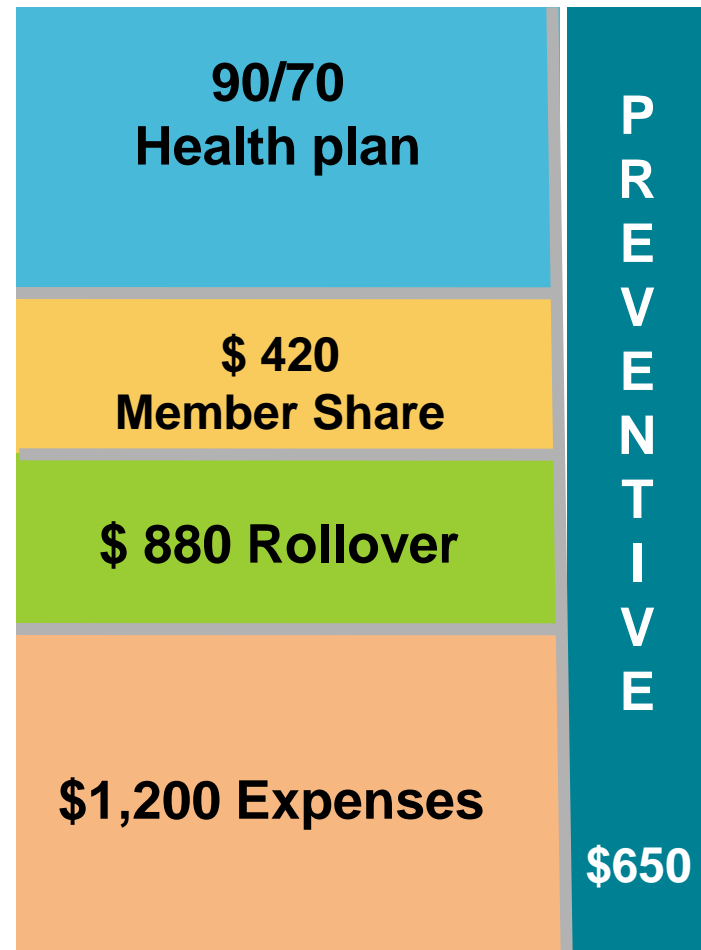
Roll-over Balance

\$880

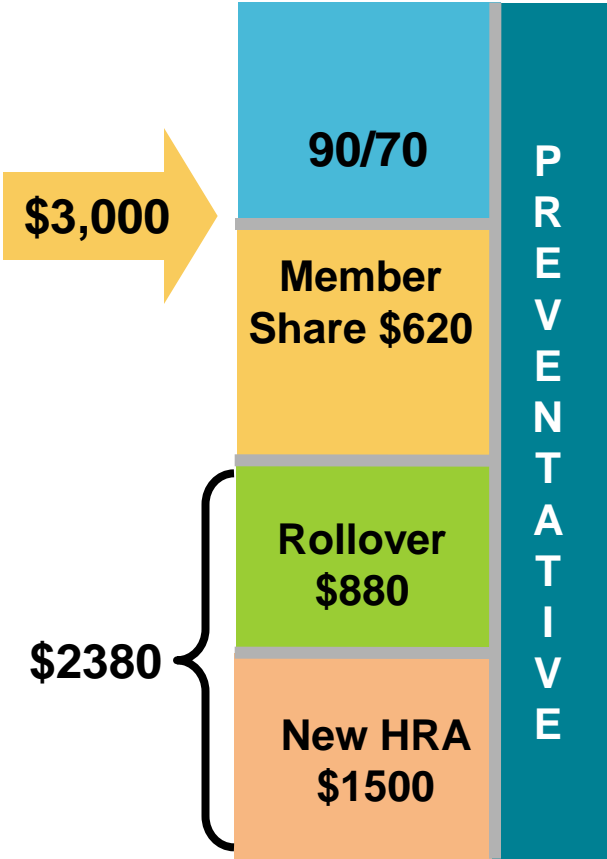
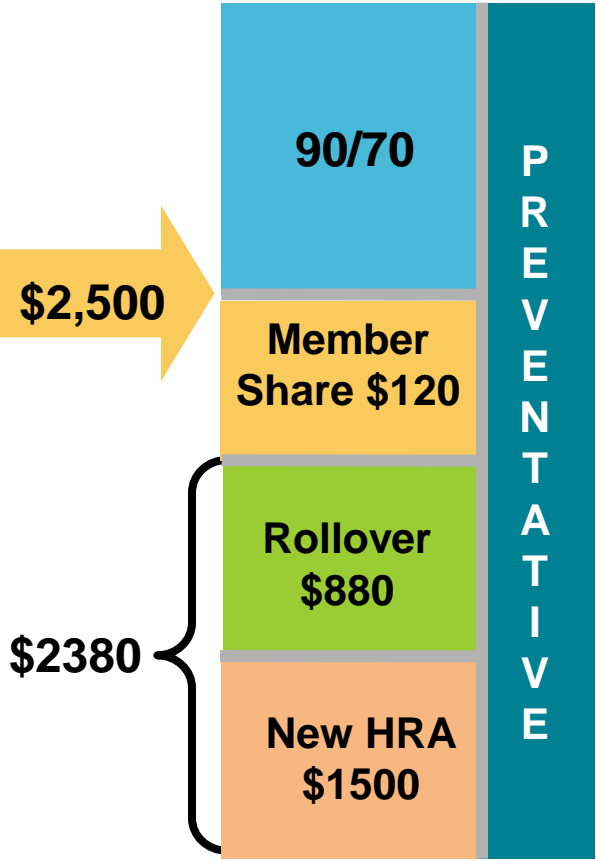
Paid by HRA

\$1200

Deductible \$ 2,500



Options



Cigna.

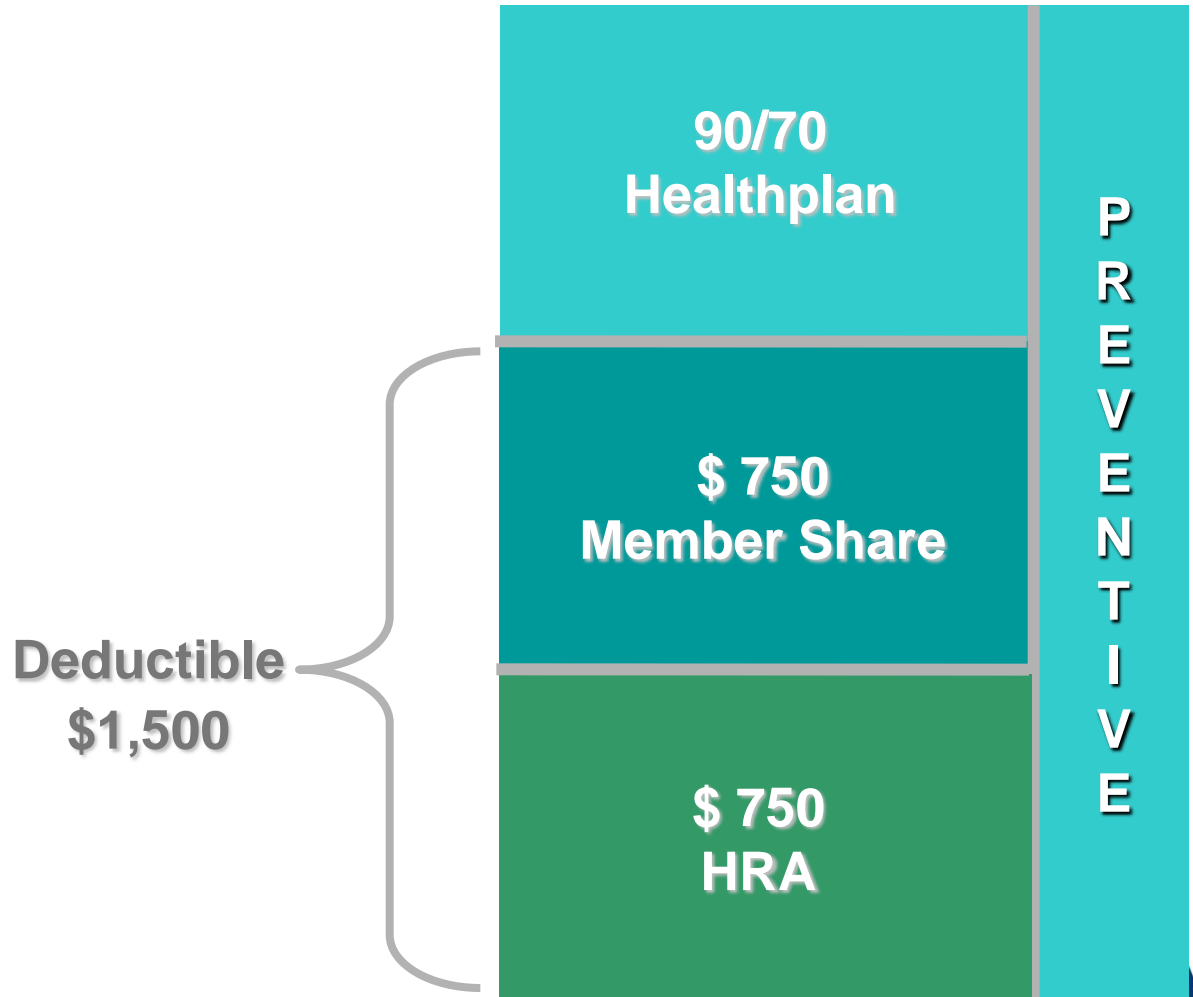
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\$

ICMA

Sandy's Experience

Sandy:
50 years old
Type II Diabetes
Hypertension
High Cholesterol



Sandy's Experience

Sandy:

50 years old

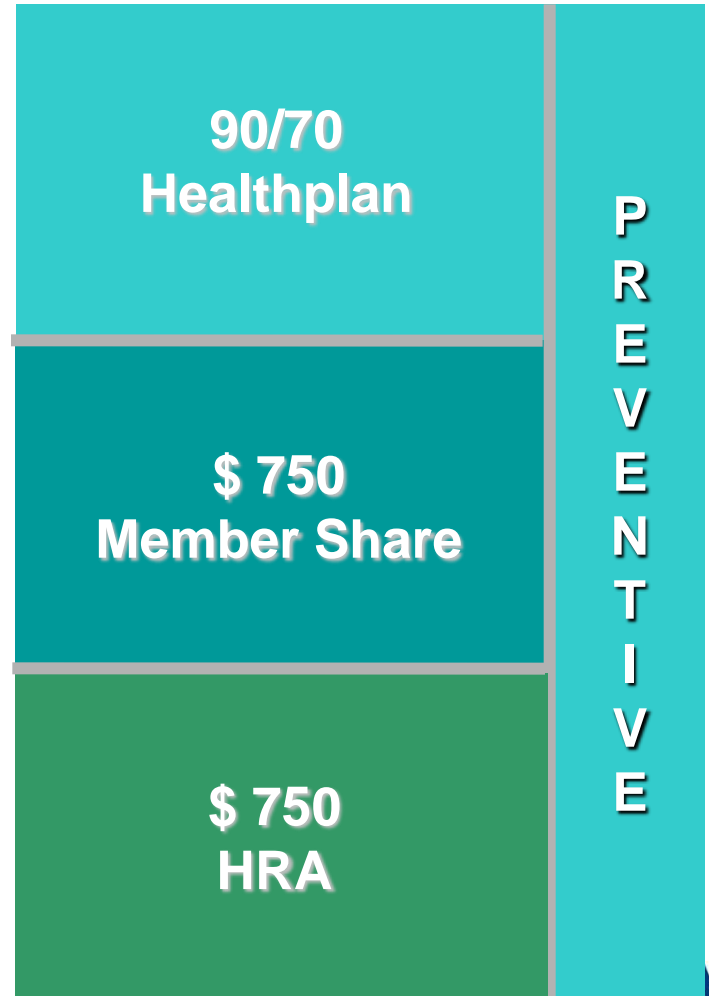
Type II Diabetes

Hypertension

High Cholesterol

Hospitalized (abnormally high blood pressure).

**Deductible
\$1,500**



Sandy's Year One Consumer Experience

Preventive

Complete Physical **\$300**

Total \$300

Medical and Rx Expenses

4 Doctors Visits **\$620**

Prescriptions **\$3,208**

Lab Work **\$450**

Inpatient Care **\$8,175**

Total \$12,453

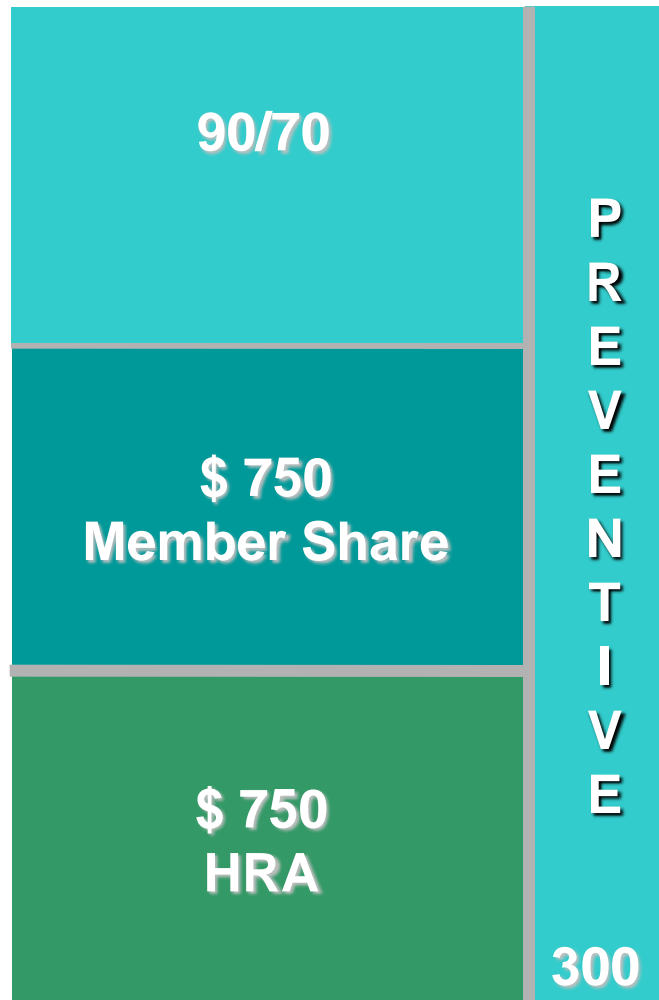
Payment

HRA Pays **\$750**

Member Share **\$750**

Member Coinsurance **\$1,095** } **\$1845**

Cigna Health Plan Pays \$9,858



Out-of-Pocket Cost Comparison for Sandy

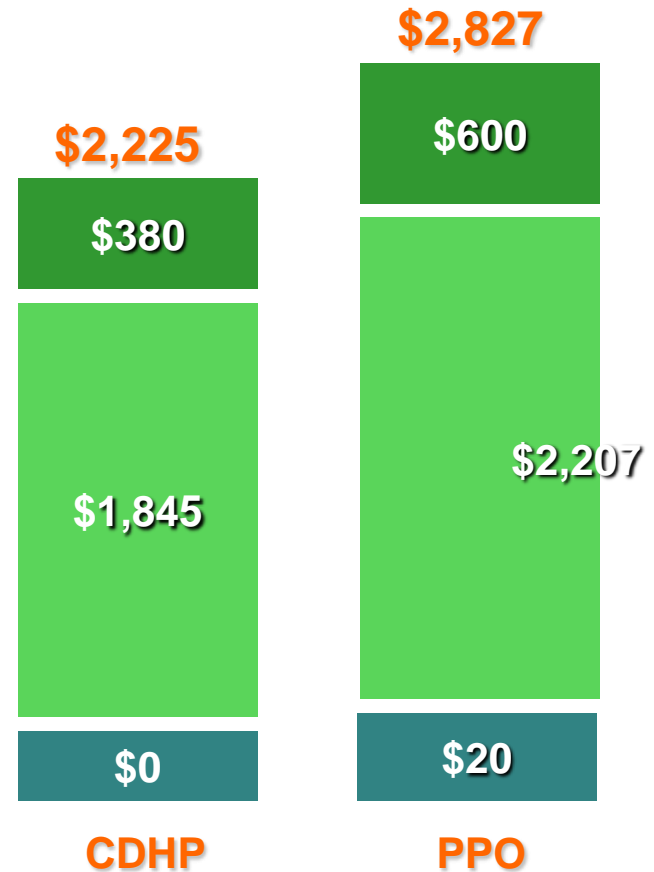
Preventive

Complete Physical	\$300
Total	\$300

Medical and Rx Expenses

4 Specialist MD Visits	\$620
Prescriptions	\$3208
Lab Work	\$450
Inpatient Care	\$8175
Total	\$12453

Paycheck Contributions



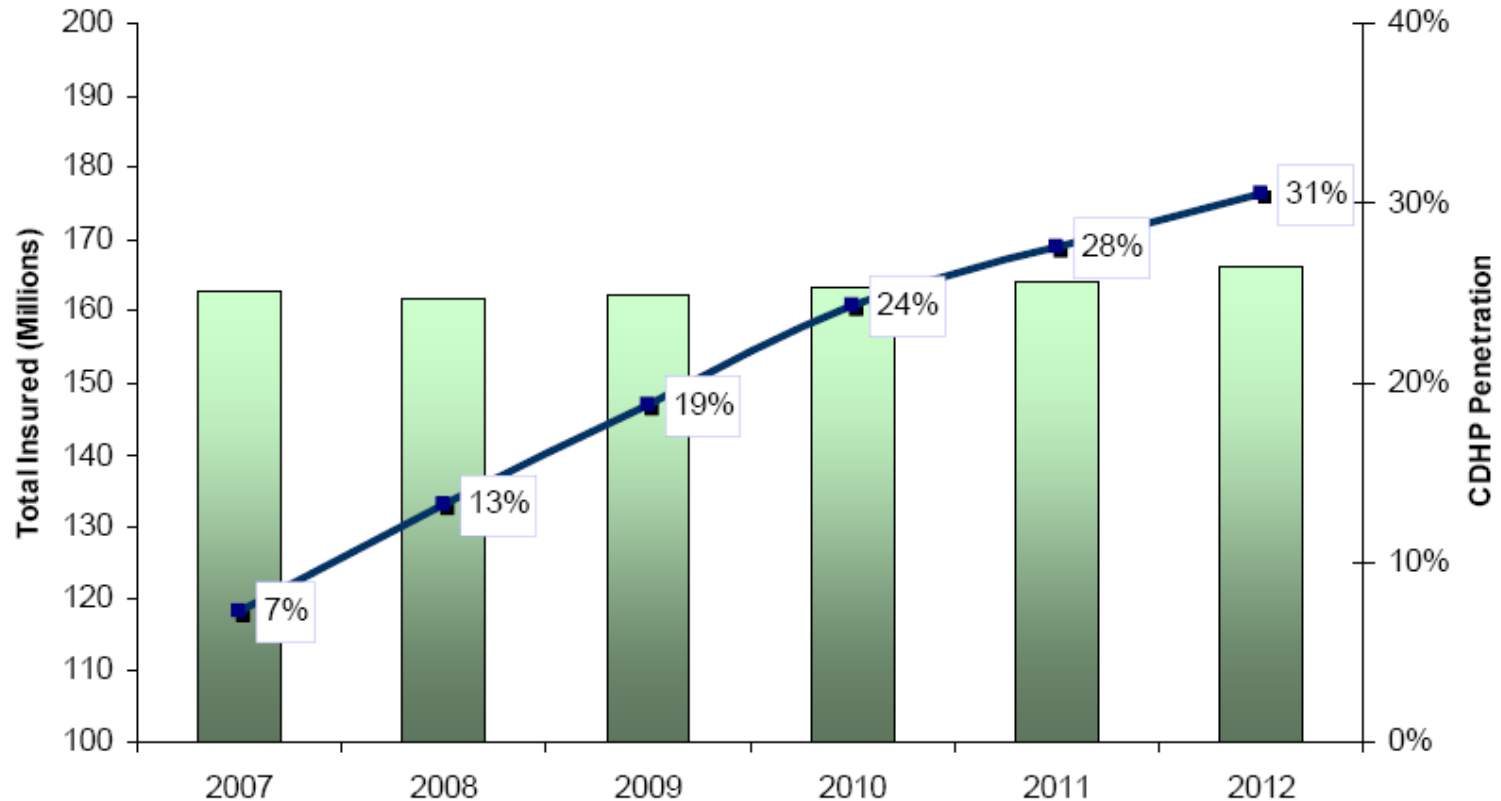
How do the two models compare?

Feature	HRA	HSA
1. Who Contributes	Employer	Employer and/or employee
2. Account Funded	No	Yes
3. Account Ownership	Employer	Employee
4. Balances for Terminated Employees	Return to employer	Stays with employee
5. Eligible Expenses	Employer Defines	All 213 expenses
6. High Deductible Plan Required	No	Yes
7. Out-of-Pocket Limits	No	Yes
8. Rollover Limits	Yes – employer discretion	No
9. Can Offer FSA	Yes	No (limited only)
10. Claim Adjudication	Required	Not for HSA; required for HDHP
11. Use Account for Non-Medical	No	Yes; taxable

Four Big Trends

- **Bona Fide Tipping Point and Plan Design Evolution**
- Incentives Within and Beyond Consumerism Plan Designs
- Transparency – Appetite and Availability
- A Next Generation Focus on Identification of Health Improvement Opportunities
... with Customized Strategies

CDHP Growth Projections

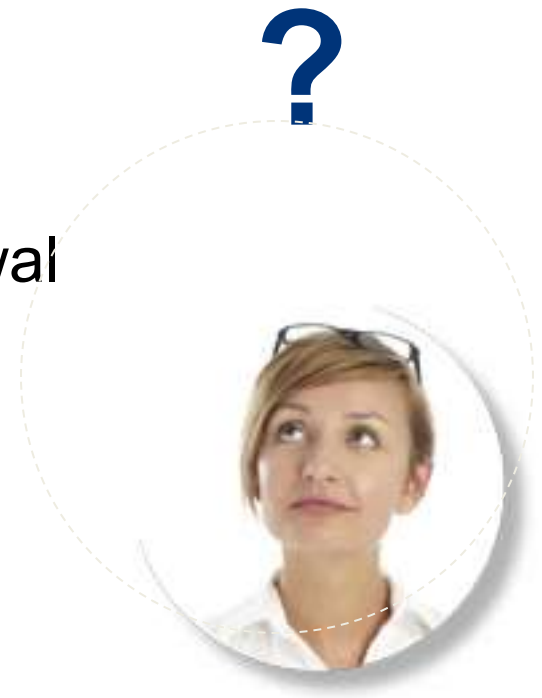


- By the end of 2012, nearly 1 in 3 customers will be in a CDHP.

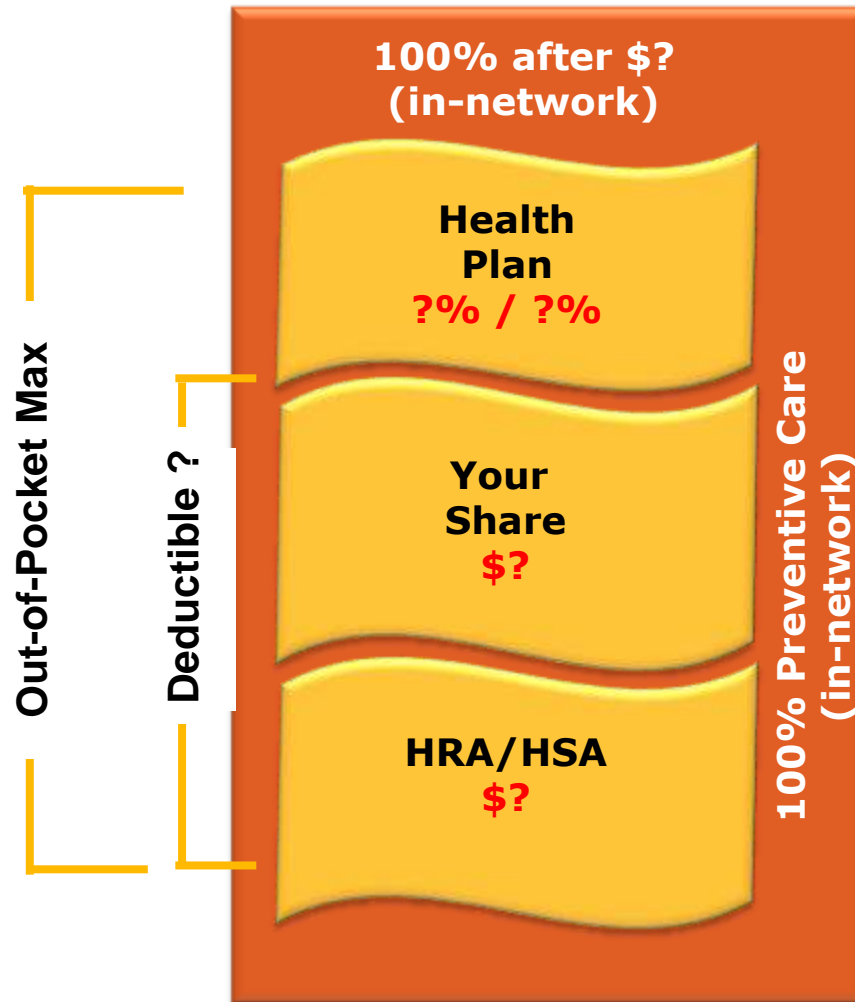
Source: Aite, CDHP – Sizing The Market, 2010

What are your plans to implement a Consumer Driven Health Plan?

1. Already Have One – it's an HRA
2. Already Have One – it's an HSA
3. Don't have One, but will next renewal
4. Considering in 2-3 years
5. Not Considering



Optimal Program Designs are Changing



Employee

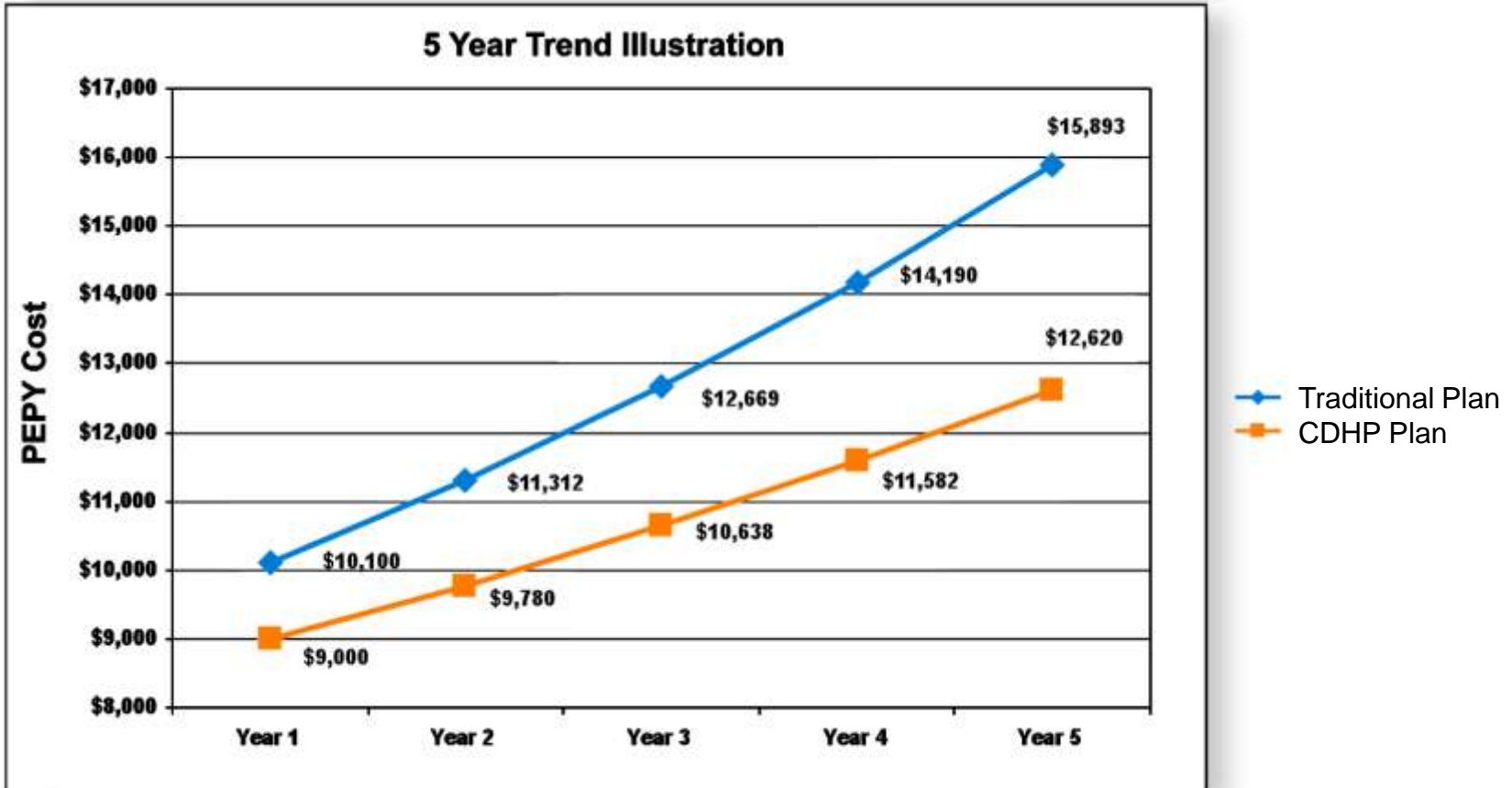
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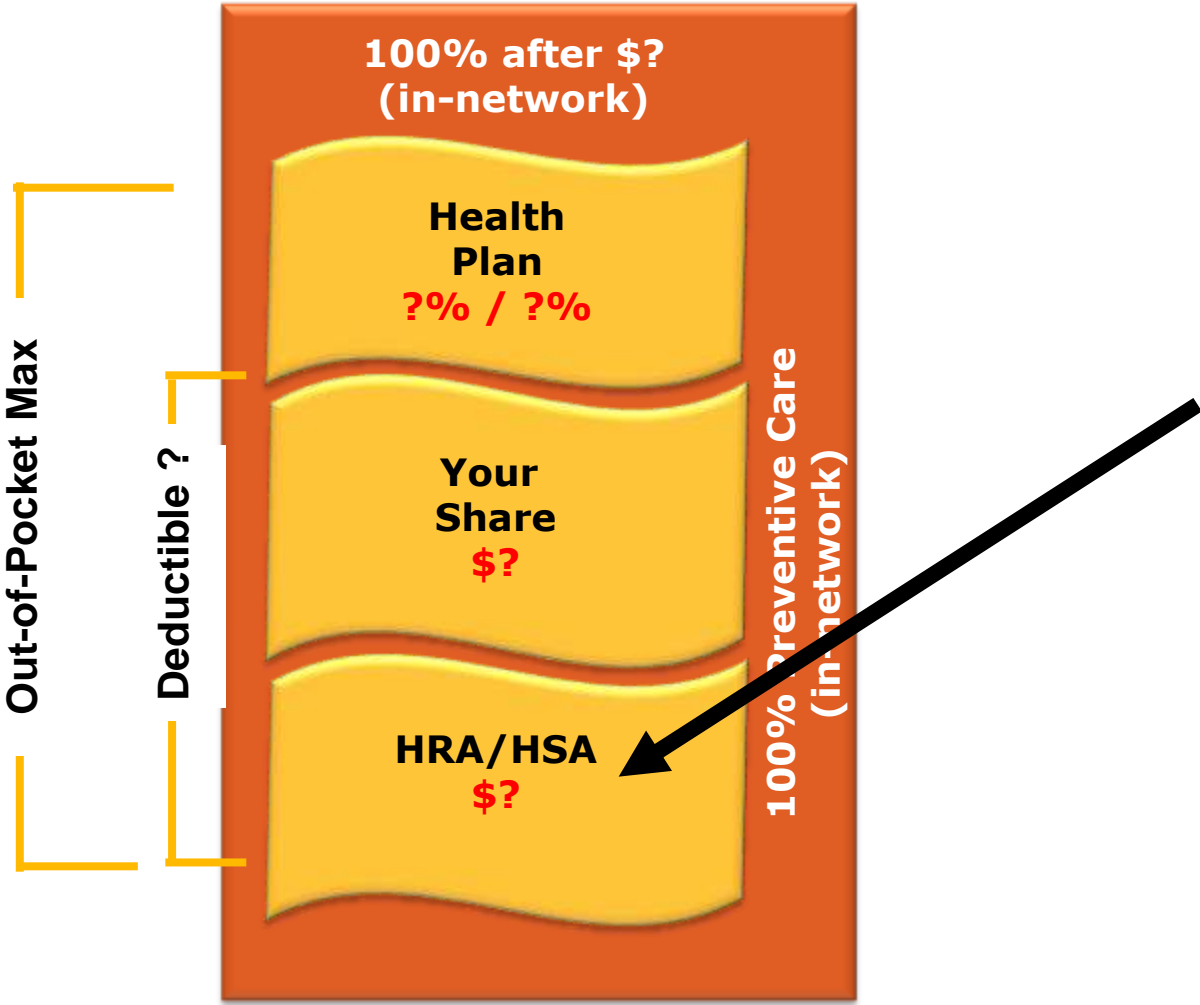
Incentives

- Financial Incentive - Account Based Plan Design
- Value Based Plan Design
- Activities
 - Health Risk Assessment
 - Biometric Screening
 - Walks/Runs
 - Coaching and participating in programs
 - Preventive Exams
- Outcomes
 - Smoking Cessation
 - BMI/Waist
 - Cholesterol
 - Blood Pressure

Multi-Year View – Significant Savings Opportunity



Incentives to increase Employer Account Funding



Employee

Activity/Outcome Based Strategy Example

Activity and Outcome Credits									
Health Assessment and Biometrics	<p>Employee (and Spouse) complete Health Risk Assessment as a condition of eligibility for medical coverage.</p> <p>Employee (and Spouse) Biometric data = \$ 250/\$500 into Health Reimbursement Account.</p>								
Smoking	Non-smoker = \$15 per paycheck								
	<table border="1"> <thead> <tr> <th>\$15 per paycheck Wellness Credit</th> <th>\$8 per paycheck Wellness Credit</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> • Less than 35 inches (women) • Less than 40 inches (men) • BMI less than 30 <p>\$ 15 per paycheck</p> </td> <td> <ul style="list-style-type: none"> • 35 but less than 37 inches (women) • 40 but less than 42 inches (men) • BMI 30 but less than 31 <p>\$8 per paycheck</p> </td> </tr> <tr> <td> <ul style="list-style-type: none"> • Systolic: Less than 130 mm Hg • Diastolic: Less than 85 mm Hg <p>\$15 per paycheck</p> </td> <td> <ul style="list-style-type: none"> • Systolic: 130 but less than 140 mm Hg • Diastolic: 85 but less than 90 mm Hg <p>\$8 per paycheck</p> </td> </tr> <tr> <td> <ul style="list-style-type: none"> • Total: Less than 200 mg/dL • HDL: More than 40 mg/dl <p>\$15 per paycheck</p> </td> <td> <ul style="list-style-type: none"> • Total: 200 but less than 239 mg/dL • HDL: More than 35 but less than 41 mg/dl <p>\$8 per paycheck</p> </td> </tr> </tbody> </table>	\$15 per paycheck Wellness Credit	\$8 per paycheck Wellness Credit	<ul style="list-style-type: none"> • Less than 35 inches (women) • Less than 40 inches (men) • BMI less than 30 <p>\$ 15 per paycheck</p>	<ul style="list-style-type: none"> • 35 but less than 37 inches (women) • 40 but less than 42 inches (men) • BMI 30 but less than 31 <p>\$8 per paycheck</p>	<ul style="list-style-type: none"> • Systolic: Less than 130 mm Hg • Diastolic: Less than 85 mm Hg <p>\$15 per paycheck</p>	<ul style="list-style-type: none"> • Systolic: 130 but less than 140 mm Hg • Diastolic: 85 but less than 90 mm Hg <p>\$8 per paycheck</p>	<ul style="list-style-type: none"> • Total: Less than 200 mg/dL • HDL: More than 40 mg/dl <p>\$15 per paycheck</p>	<ul style="list-style-type: none"> • Total: 200 but less than 239 mg/dL • HDL: More than 35 but less than 41 mg/dl <p>\$8 per paycheck</p>
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Waist Circumference or BMI									
Blood Pressure									
Cholesterol									



=



What incentive style would work better in your culture to drive behavior change?

1. The Carrot
2. The Stick
3. Combination of the Two



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... with Customized Strategies

CIGNA Goes Beyond Transparency

Innovation to make smarter health care decisions

- What customers want:
 - Accurate cost and quality information
- Where they want it:
 - Fully integrated into CIGNA's Directory
- When they need it:
 - Customer's personalized costs at every decision point
- How they need it:
 - Plan-specific
 - Total costs – including facility

Total Cost of Care

Helpful. Easy. Reliable.

Home → Find Doctors & Services

Find Doctors

Filter Options

Location [Change]
Avon, CT

0 5 10 15
Radius: 12 Miles

Last Name

Enter (Full or Partial)

Procedure
Colonoscopy
[Change Procedure]

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YOUR COVERAGE | CLAIMS & BALANCES | FIND DOCTORS & SERVICES | PHARMACY HOME DELIVERY | ESTIMATE HEALTH CARE COSTS | MANAGE YOUR HEALTH

COMPARE GASTROENTEROLOGISTS

Procedure performed by:

	Peter Gubbins	John Vishna
Address	100 Simsbury Rd Chicago, IL 60612	263 Farmington Ave, Chicago, IL 60612
Phone	860-522-1234	860-679-5555
Distance	4.38	10.13
Specialty	Gastroenterology	Gastroenterology
Quality Distinctions		

Procedure performed at:

	Lakeside Surgery Center	University Hospital
Total Costs	\$491	\$995
Physician Cost	\$156	\$158
Facility Cost	\$250	\$745
Other costs	\$85	\$92
Your costs	\$491	\$995
Deductible	\$491	\$995
Coinsurance	\$0	\$0

How were my costs calculated?

Compare at facilities for true total cost

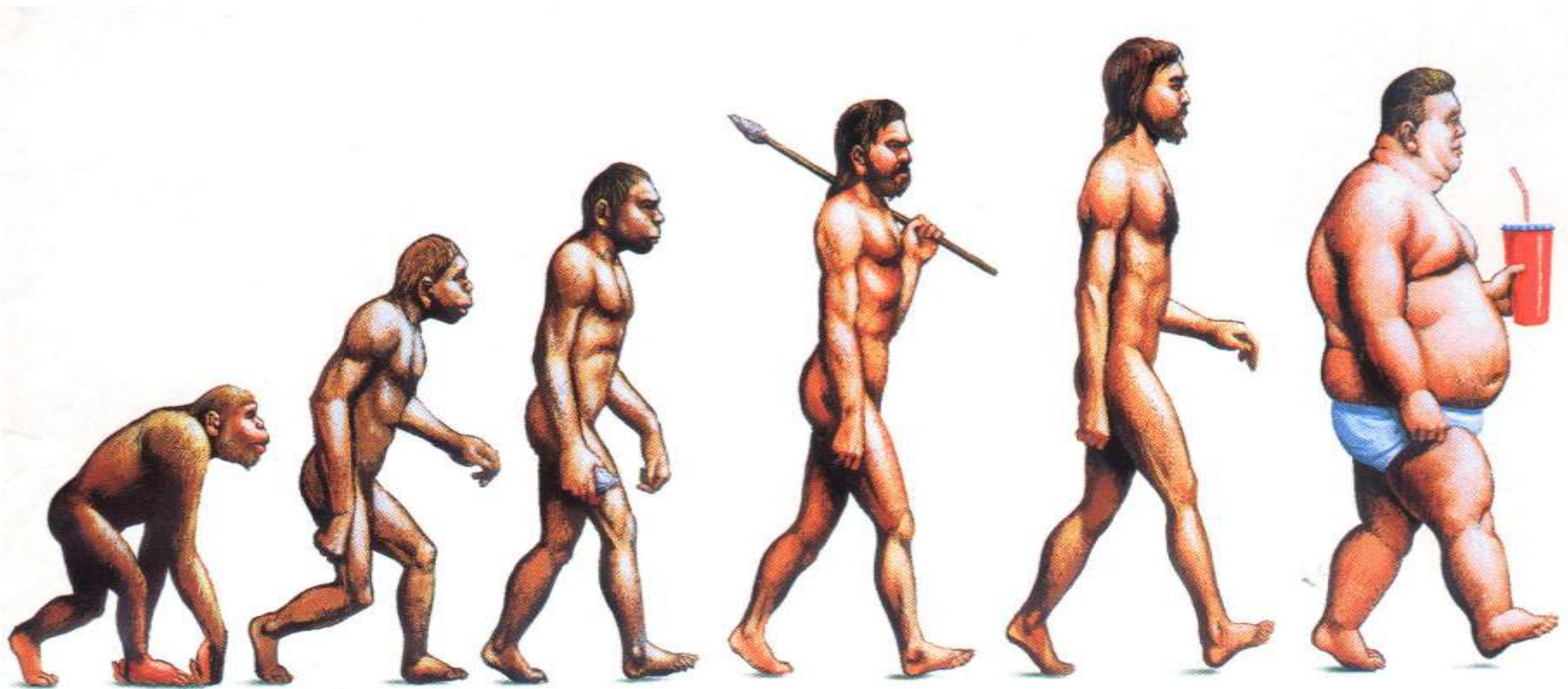
CLOSE WINDOW

Four Big Trends

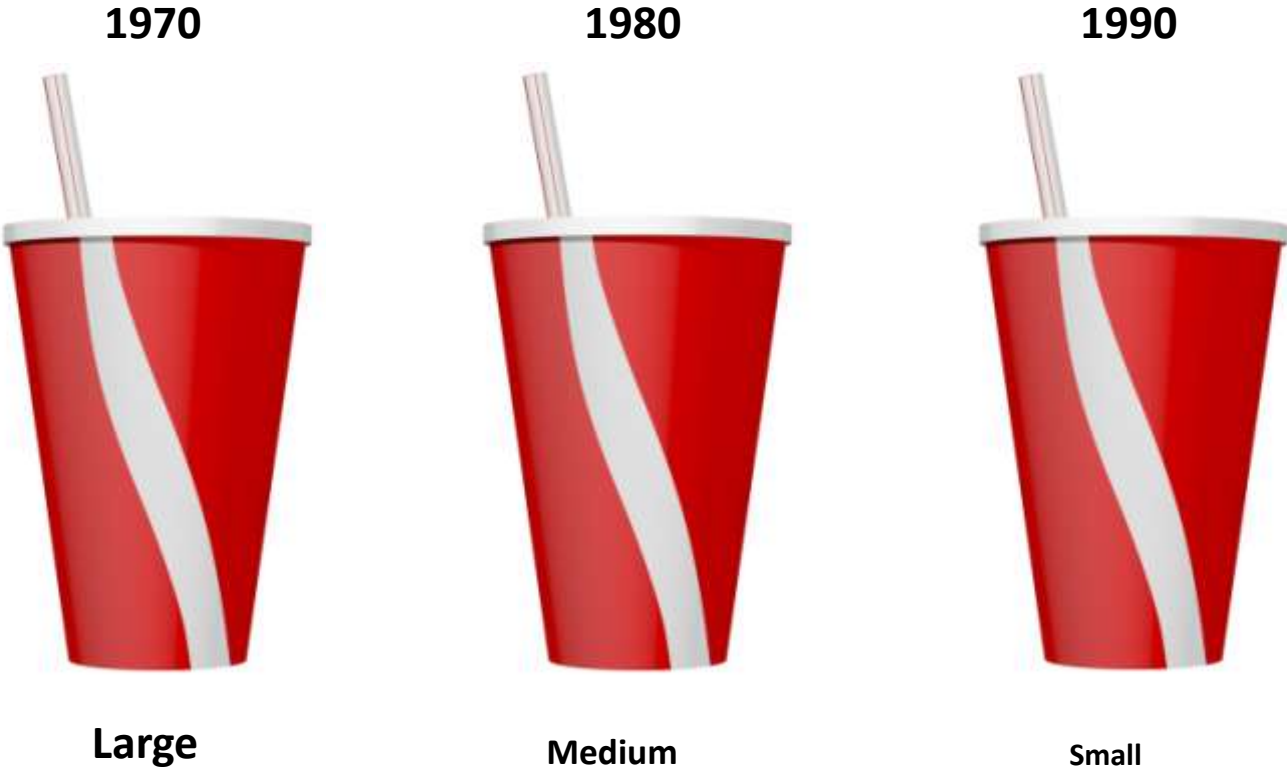
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Creating a Culture of Health

- **Focusing on health rather than sickness**
- **Preventing disease before it begins**
- **Helping employees become good health care consumers.**



Why Do Costs Keep Rising?



Source: The 9" Diet

48 Teaspoons Sugar



16 oz

32 oz

44 oz

52 oz

64 oz

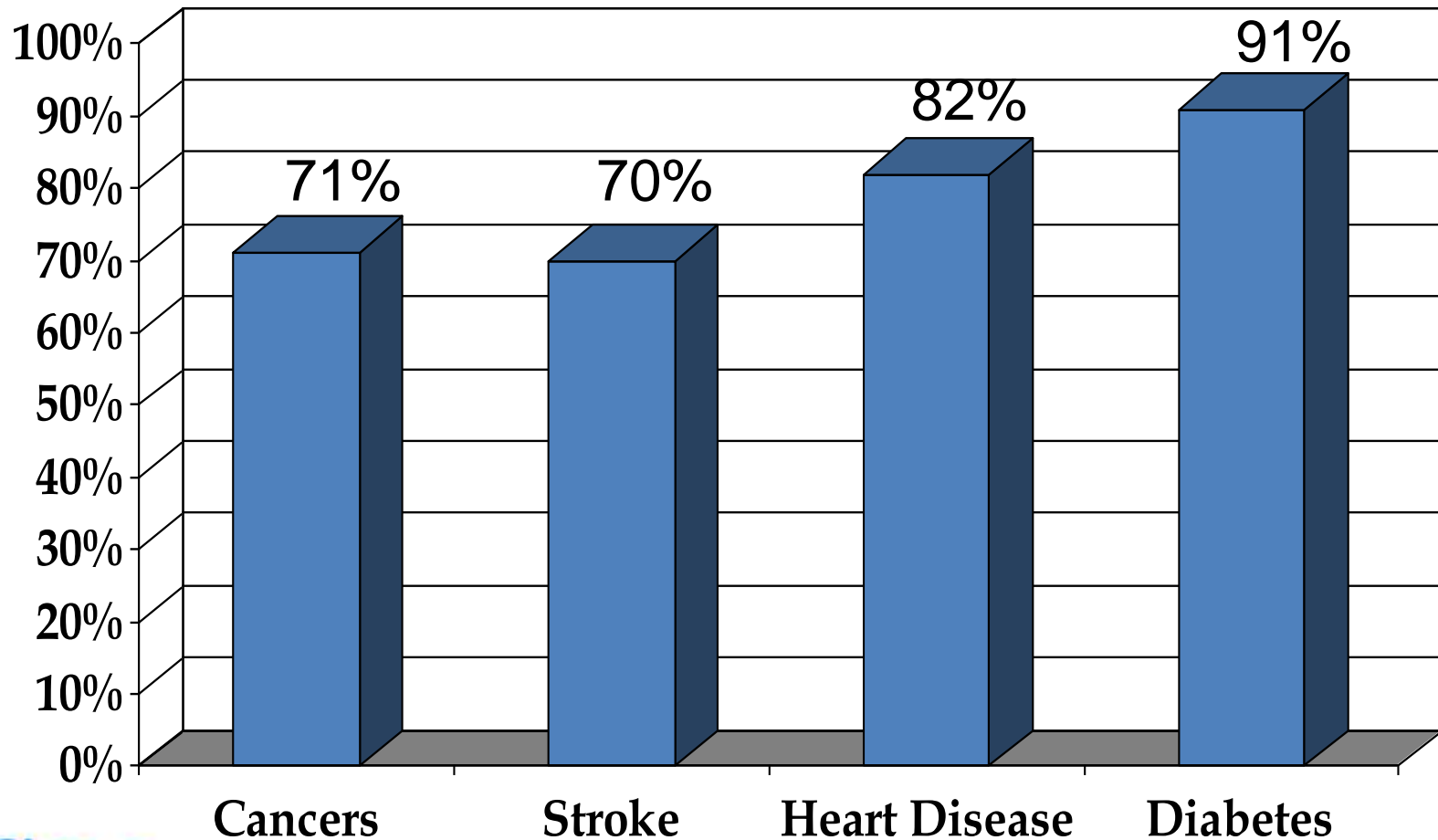




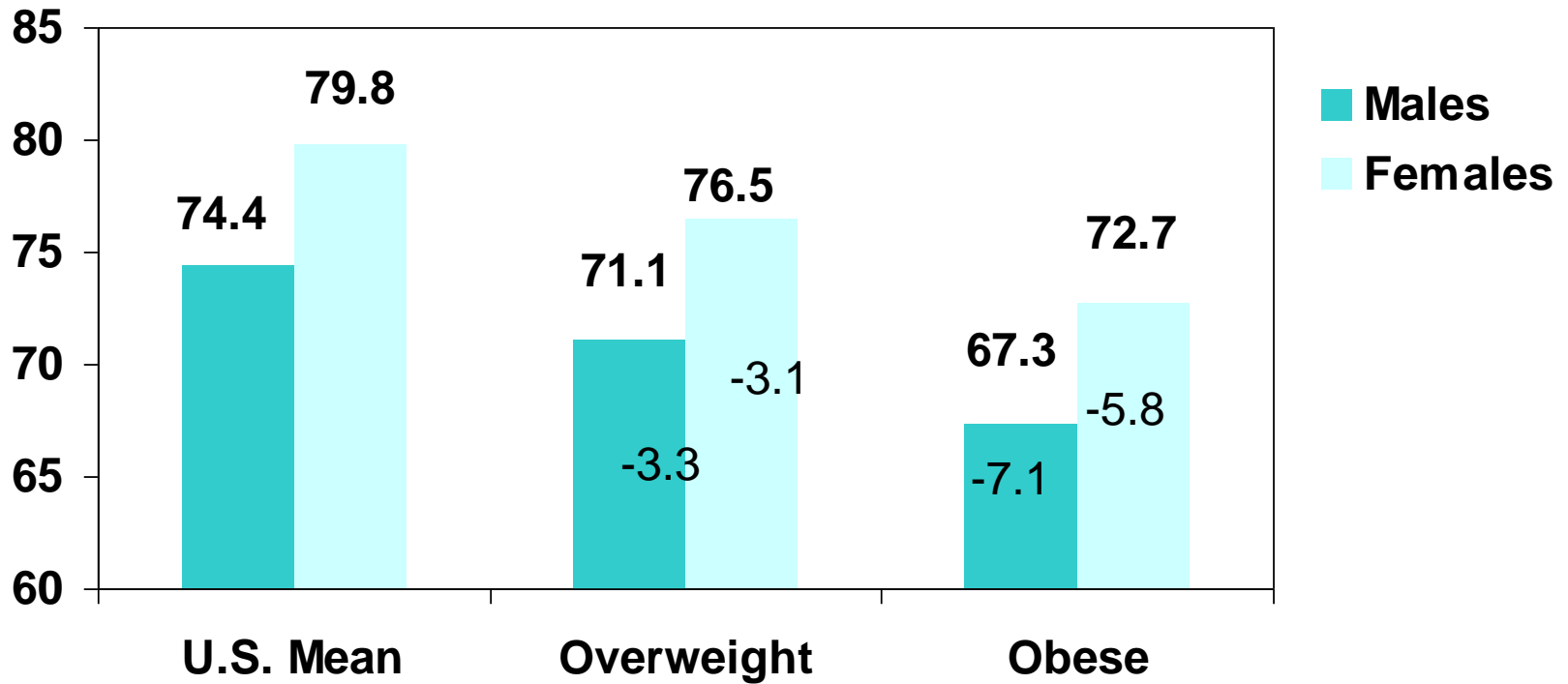
Texas Double Whopper

Calories	1050
Saturated fat	26 grams 130% of daily
Fat grams	69 grams 106% of daily
Sodium	1910 mg 80% of daily

Percent of Chronic Diseases That Are Caused by Poor Lifestyle



Excess Body Weight and Reduction of Lifespan





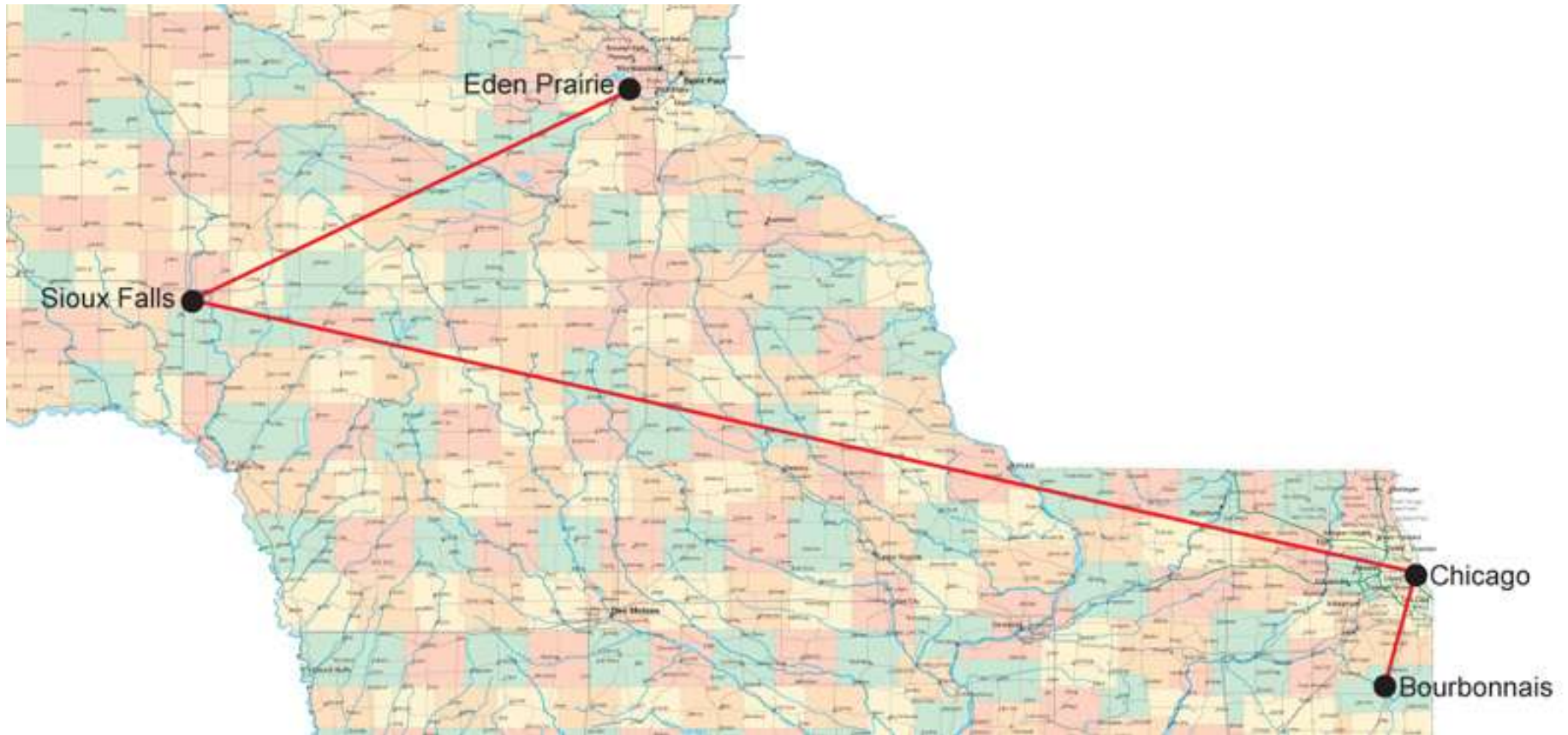


Total Cholesterol: (Desirable less than 200)			
HDL Cholesterol: (Desirable greater than 60)			
Total/HDL: (Desirable less than 4.0)			
Random Capillary Glucose			
Blood Pressure			
Height			
Weight			
Body Fat			
BMI			
Waist			

	April 2007		
Total Cholesterol: (Desirable less than 200)	194		
HDL Cholesterol: (Desirable greater than 60)	41		
Total/HDL: (Desirable less than 4.0)	4.7		
Random Capillary Glucose	124 (impaired)		
Blood Pressure	119/76 (Desirable)		
Height	6'2		
Weight	295		
Body Fat	35%		
BMI	38		
Waist	52"		







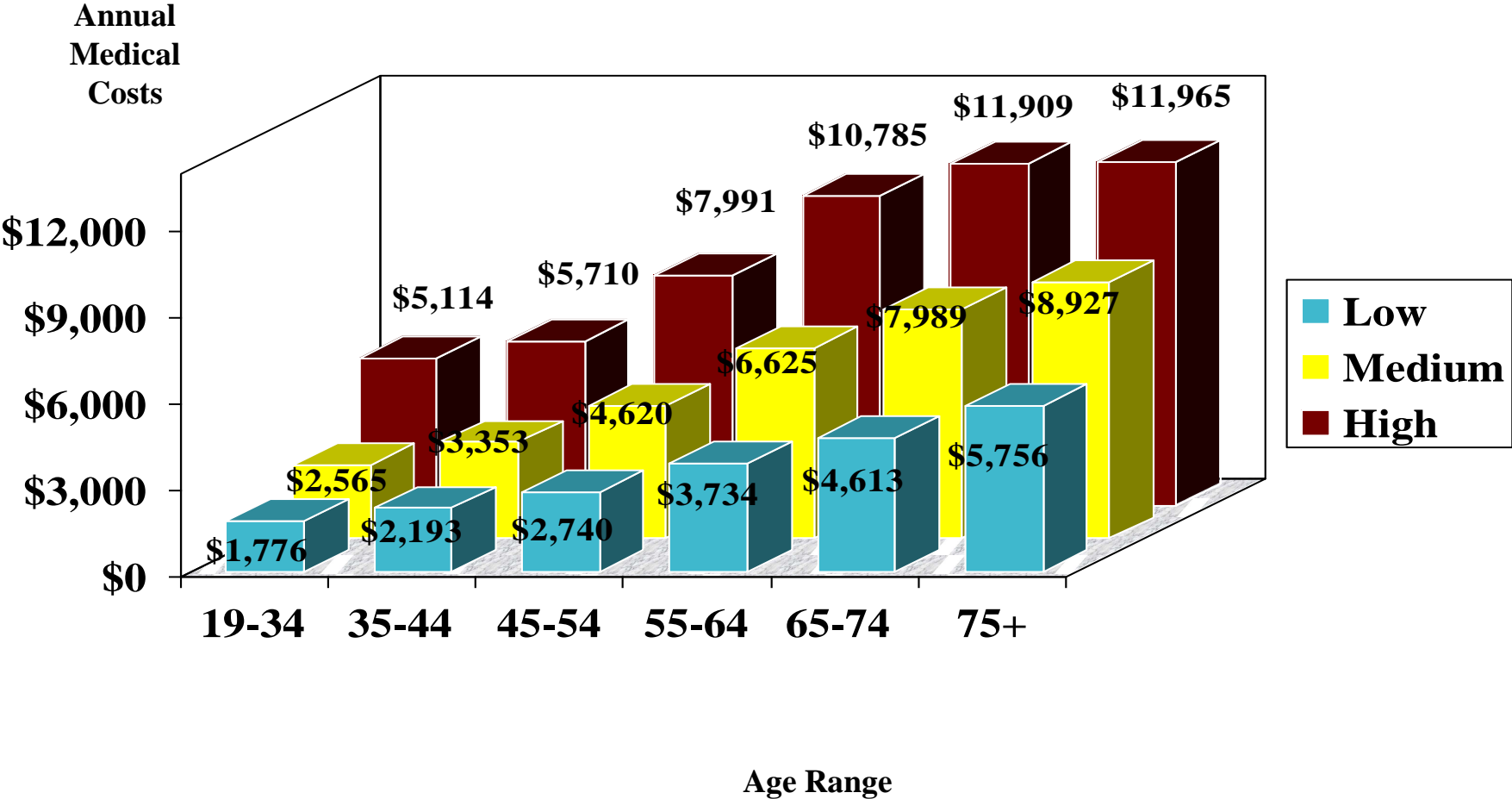
	April 2007	April 2008	
Total Cholesterol: (Desirable less than 200)	194	187 (-7)	
HDL Cholesterol: (Desirable greater than 60)	41	61 (+20)	
Total/HDL: (Desirable less than 4.0)	4.7	3.1 (-1.6)	
Random Capillary Glucose	124 (impaired)	124 (0)	
Blood Pressure	119/76 (Desirable)	110/80	
Height	6'2	6'2	
Weight	295	247 (-49)	
Body Fat	35%	27% (-8%)	
BMI	38	31 (-7)	
Waist	52"	45" (-7)	

	April 2007	April 2008	TODAY!
Total Cholesterol: (Desirable less than 200)	194	187 (-7)	140
HDL Cholesterol: (Desirable greater than 60)	41	61 (+20)	43
Total/HDL: (Desirable less than 4.0)	4.7	3.1 (-1.6)	
Random Capillary Glucose	124 (impaired)	124 (0)	102
Blood Pressure	119/76 (Desirable)	110/80	125/79
Height	6'2	6'2	6'2
Weight	295	247 (-49)	224
Body Fat	35%	27% (-8%)	
BMI	38	31 (-7)	29
Waist	52"	45" (-7)	40

Health Risk Behaviors

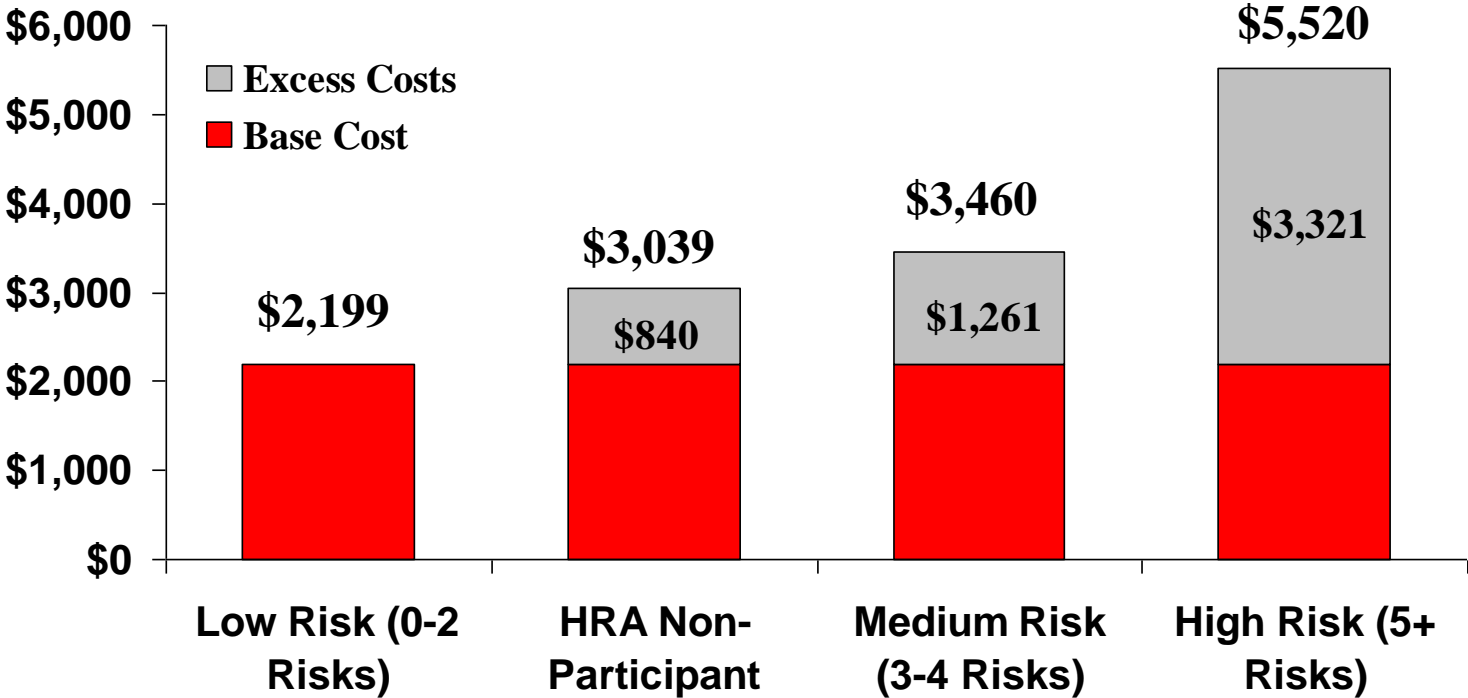
Health Risk Measure	High Risk Criteria
Alcohol	> 14 drinks per week
Blood Pressure	Systolic >139 mmHG/Diastolic >89 mmHG
Body Weight	BMI \geq27.5
Cholesterol	>239 mg/dl
Existing Medical Problem	Heart, Cancer, Diabetes, Stroke
HDL	<35 mg/dl
Illness Days	>5 days last yr
Life Satisfaction	Partly or not satisfied
Perception of Health	Fair or Poor
Physical Activity	<1 time per week
Safety Belt Usage	Using safety belts <100% of time
Smoking	Current smoker
Stress	High
Overall Risk Levels	
Low Risk	0 to 2 high risks
Medium Risk	3 to 4 high risks
High Risk	5 or more high risks

Medical costs and health risks



Cost Follows Risk

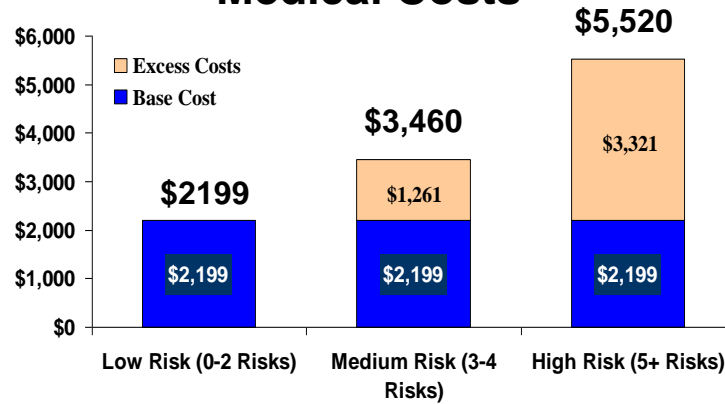
Employees with a greater number of health risks have higher medical costs



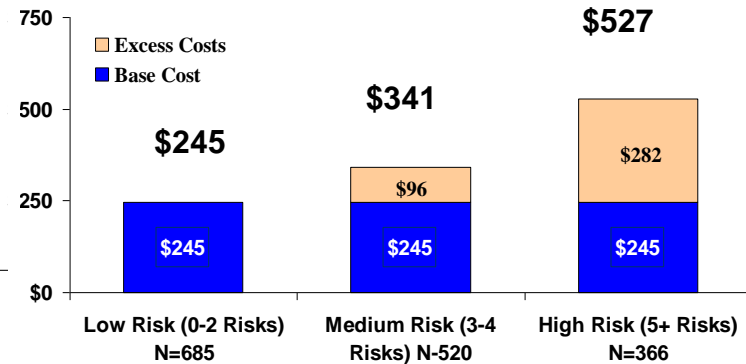
Edington, AJHP. 15(5):341-349, 2001

It's Not Just the Health Care Cost...

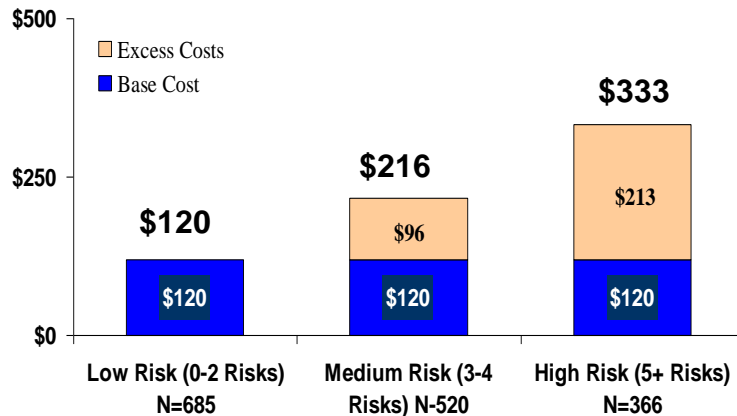
Medical Costs



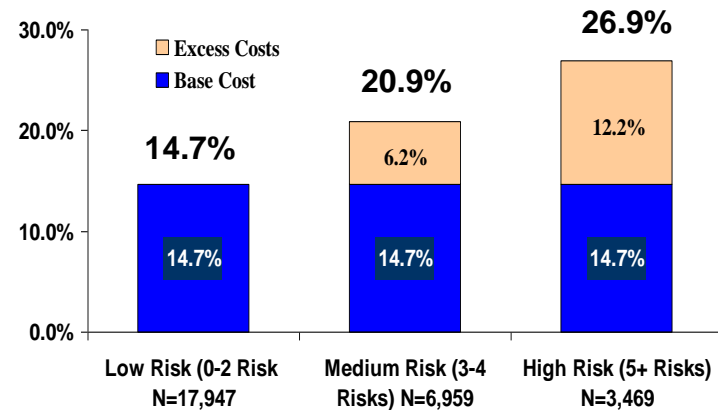
Absenteeism



Short-Term Disability



Presenteeism



Health Promotion Manager

- Enhance senior management commitment and support
- Align health goals with business goals
- Optimize a wellness team
- Create a mission statement and operating plan
- Assess and prioritize health issues (data analysis)
- Develop goals and objectives
- Select appropriate interventions
- Recommend methods of employee engagement
- Construct methods of changing and sustaining behavior
- Measure and report the success of the plan





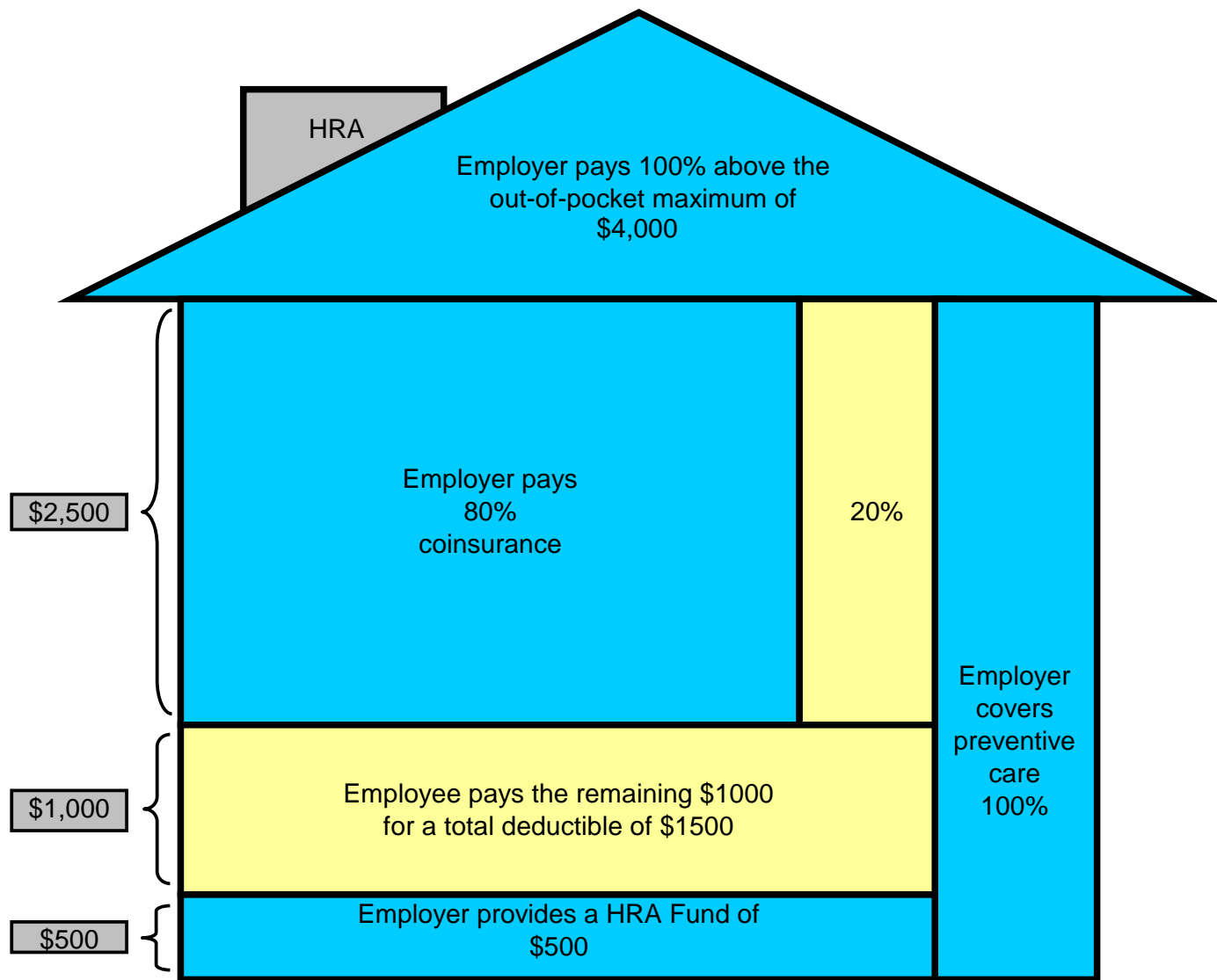
Consumerism – The 7 steps

- 7 Steps
 1. Understand what this is, and what it isn't.
 2. Believe and Don't be Afraid
 3. Get Senior Management Buy-In.
 4. Design the Optimal Plan with Contribution Steerage
 5. Choose Consumerism partner carefully
 6. Communications made easy
 7. Incentives Beyond the Plan

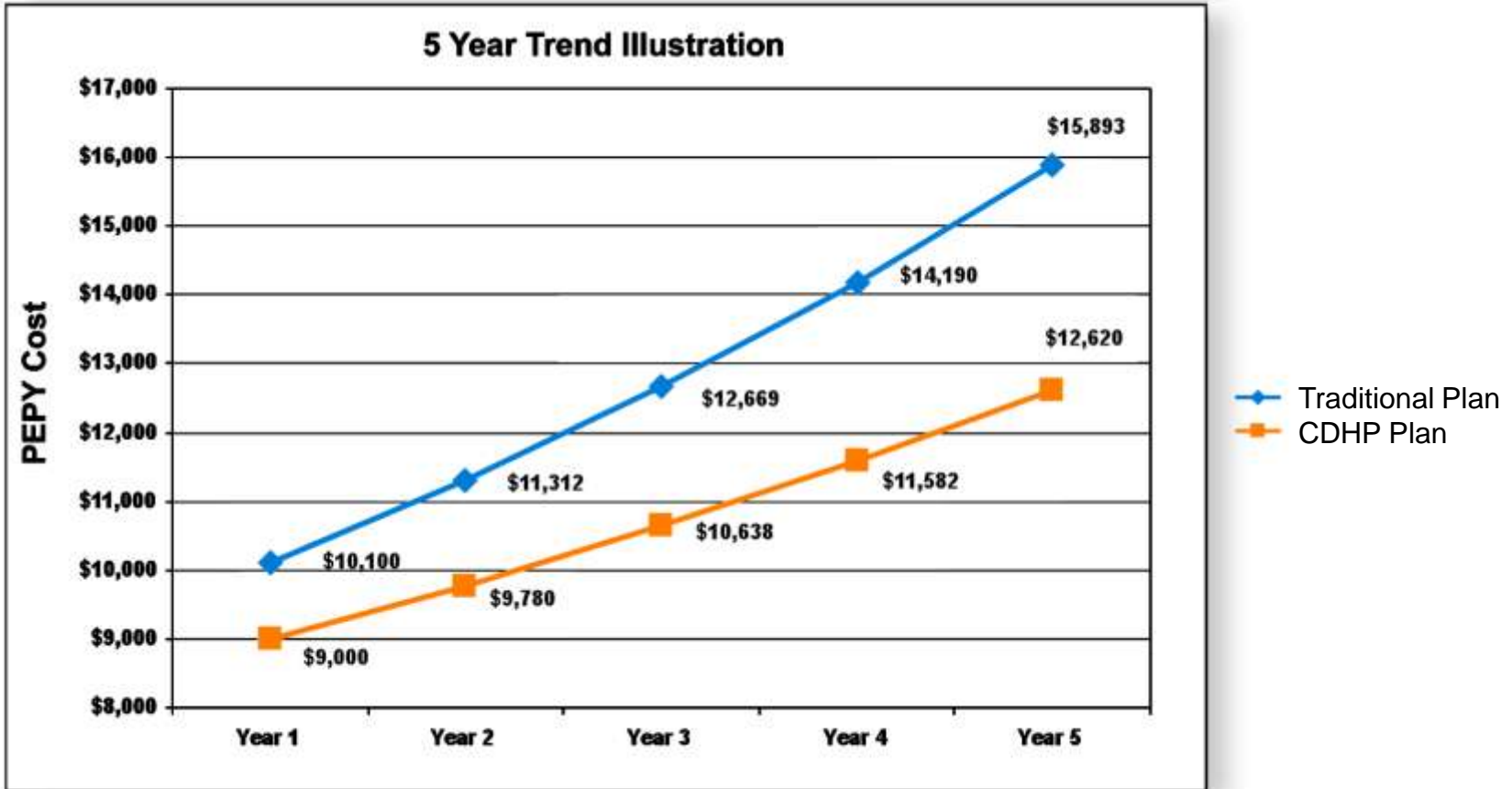
HRA Plan Design

Fund Amount	\$500
Deductible	\$1,500
Coinsurance	80%
OOP Maximum	\$4,000

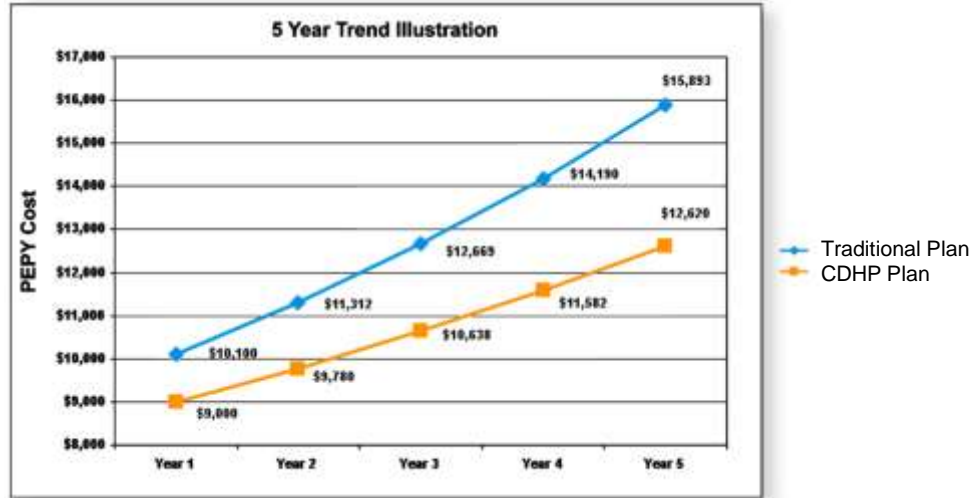
House Diagram of HRA Plan Design



Multi-Year View – Significant Savings Opportunity

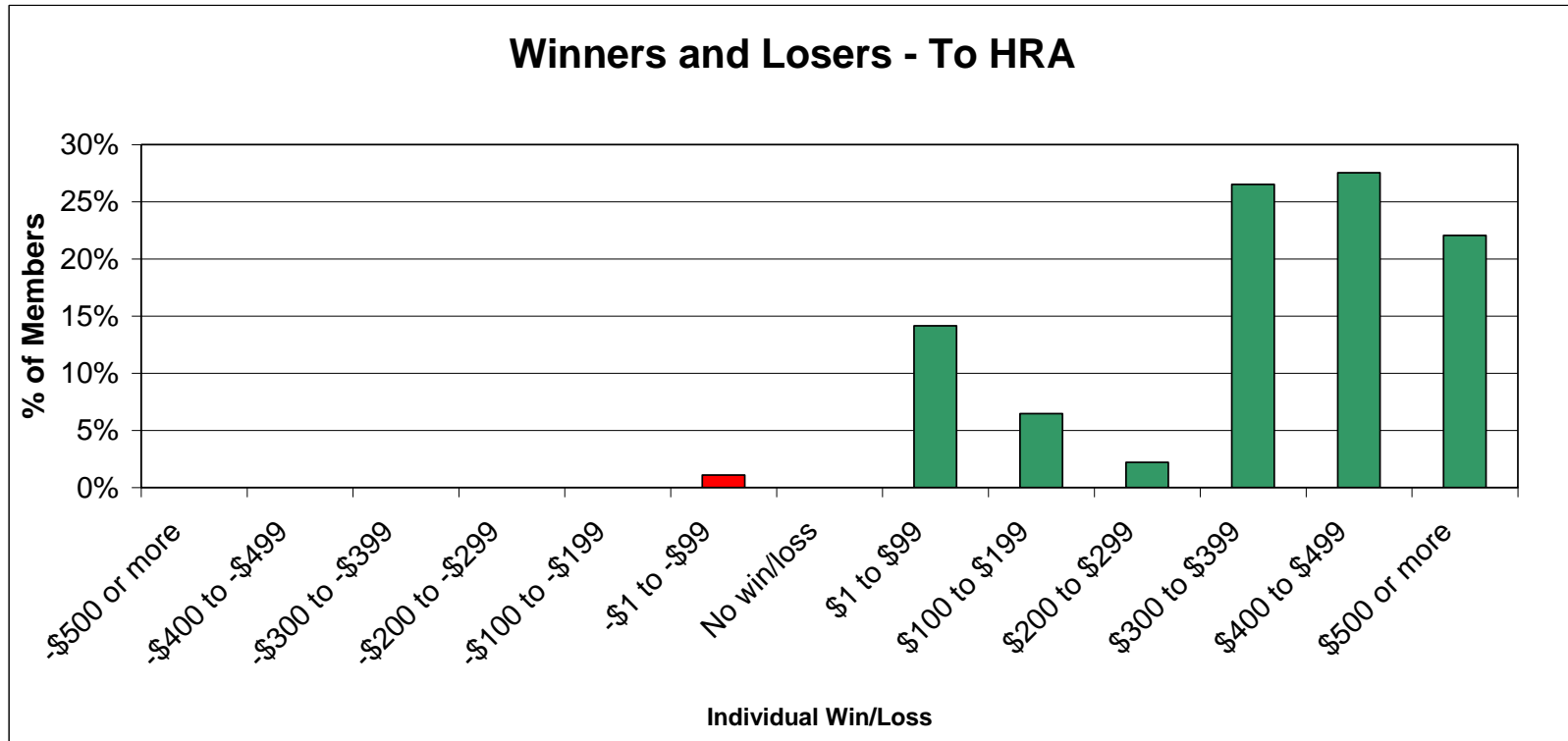


Multi-Year View – Significant Savings Opportunity

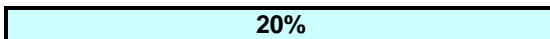


Enrollment	2010	2011	2012	2013	2014
Cumulative Cost of Doing Nothing	\$10,100,000	\$21,412,000	\$34,081,000	\$48,271,000	\$64,164,000
Expected Savings with 25%, increasing by 15% each year	\$500,000	\$1,314,000	\$2,601,000	\$4,553,000	\$7,406,000
Expected Savings with Full Replacement – 100% Year 1	\$1,100,000	\$2,632,000	\$4,633,000	\$7,271,000	\$10,544,000

Winners and Losers



Select EE Contribution Level Towards Premium:



% Winners	98.9%	% Losers	1.1%	% Unchanged	0.0%
Average Win	\$381	Average Loss	(\$3)		

Questions/Comments?

Additional Information...

EMoulder@ICMA.org

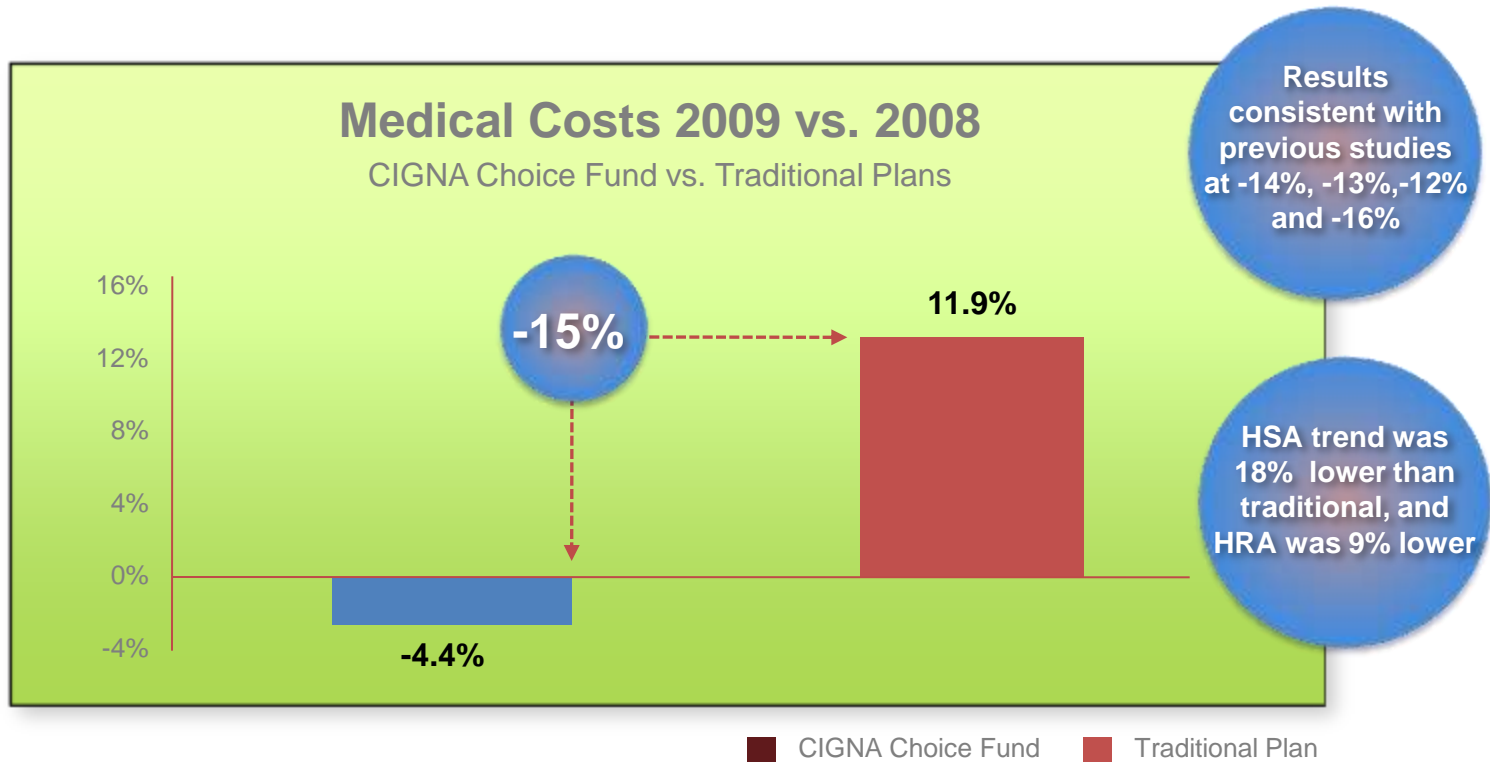
Jeffrey.Amell@cigna.com

John.Young@cigna.com



Medical Trend of New 2009 Choice Fund Customers

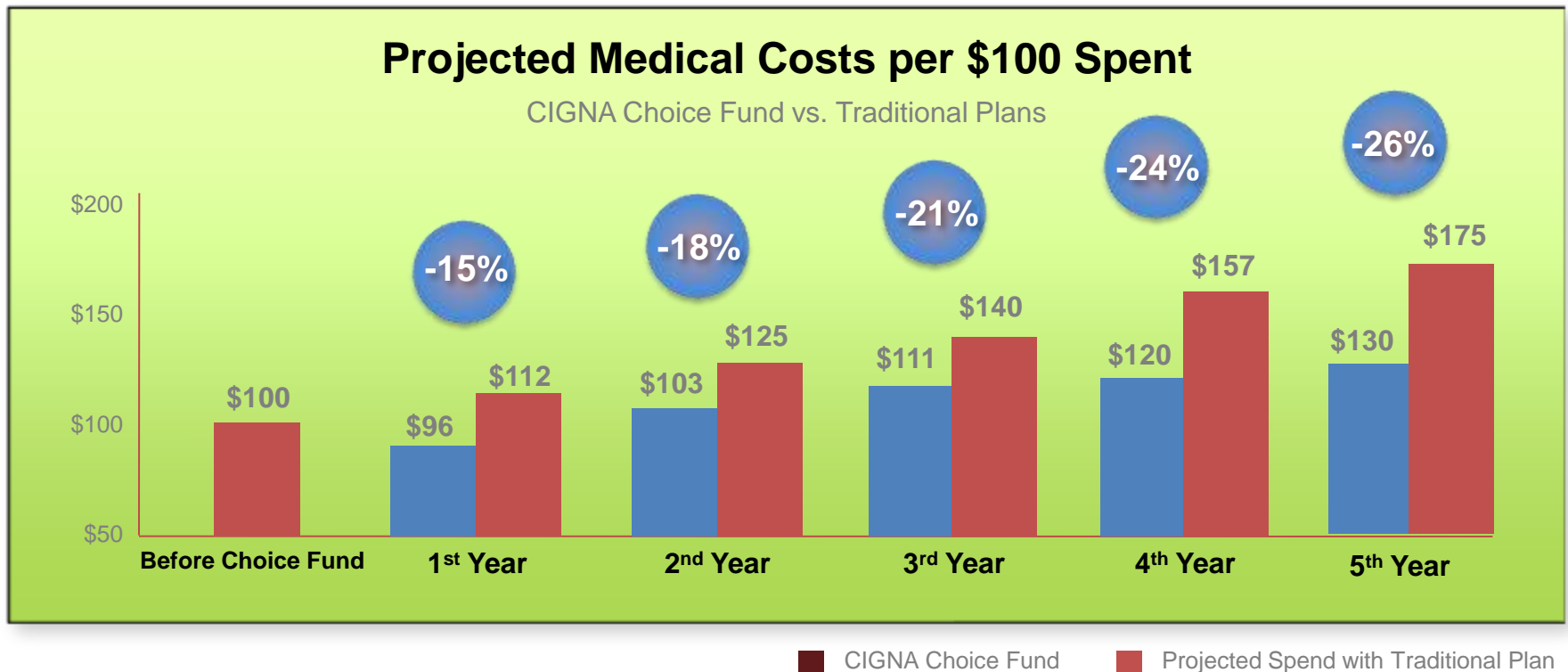
CIGNA Choice Fund first-year medical cost trend significantly lower than traditional plans.



- Medical (non-pharmacy) analysis excludes catastrophic claims > \$50,000 and capitated services.
- Data is standardized for both populations.
- Analysis is based on discounted charges (before plan design cost-sharing).
- Values are adjusted to reflect the overall health status mix of the entire study group.
- Results are relatively insensitive to the method of standardization: +/- 1%.

Choice Fund Savings Over Time

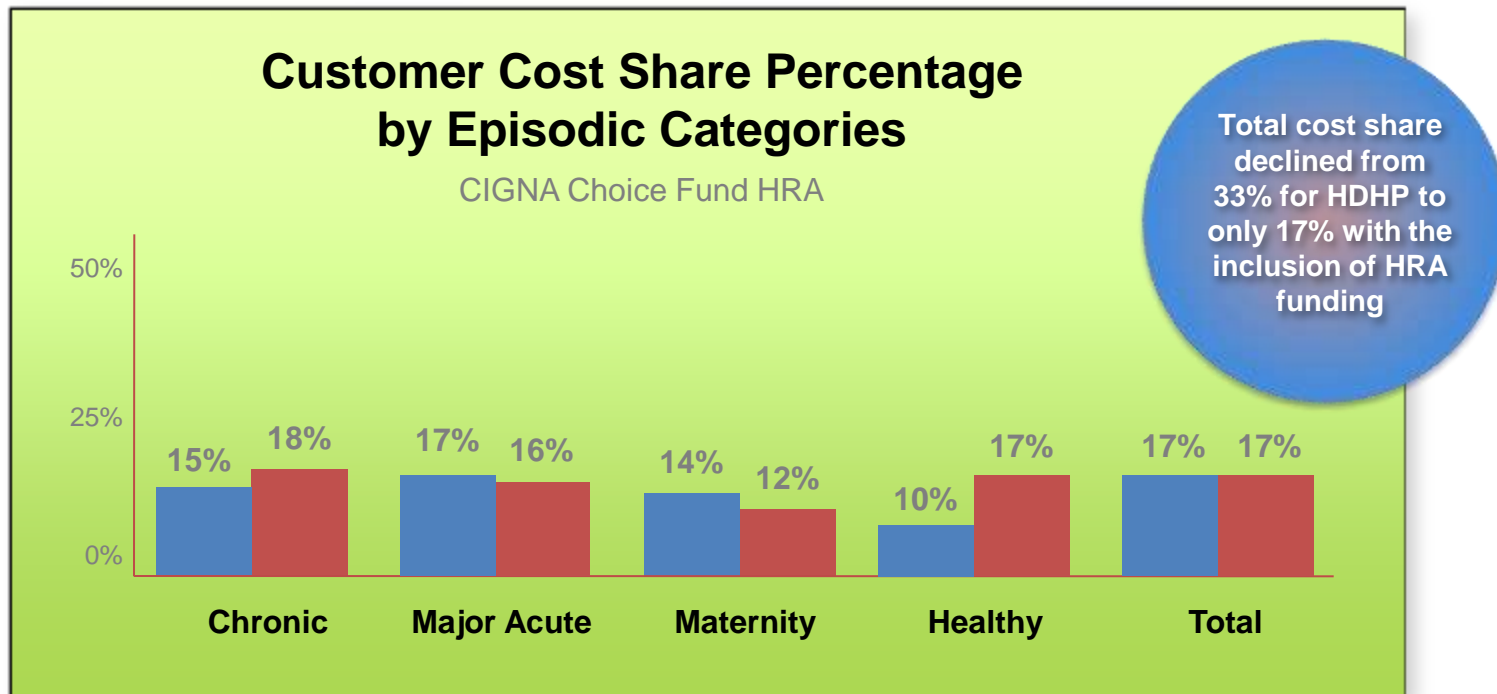
Savings from CIGNA Choice Fund are sustainable and increase over time.



- Analysis excludes catastrophic claims > \$50,000 and capitated services.
- Using these results, for an account with \$10 million of current health care spending, the combined savings over the next five years between the employer and employees could total almost \$15 million if a full-replacement Choice Fund is implemented.

Medical Cost Share – New CIGNA Choice Fund First Year HRA Customers

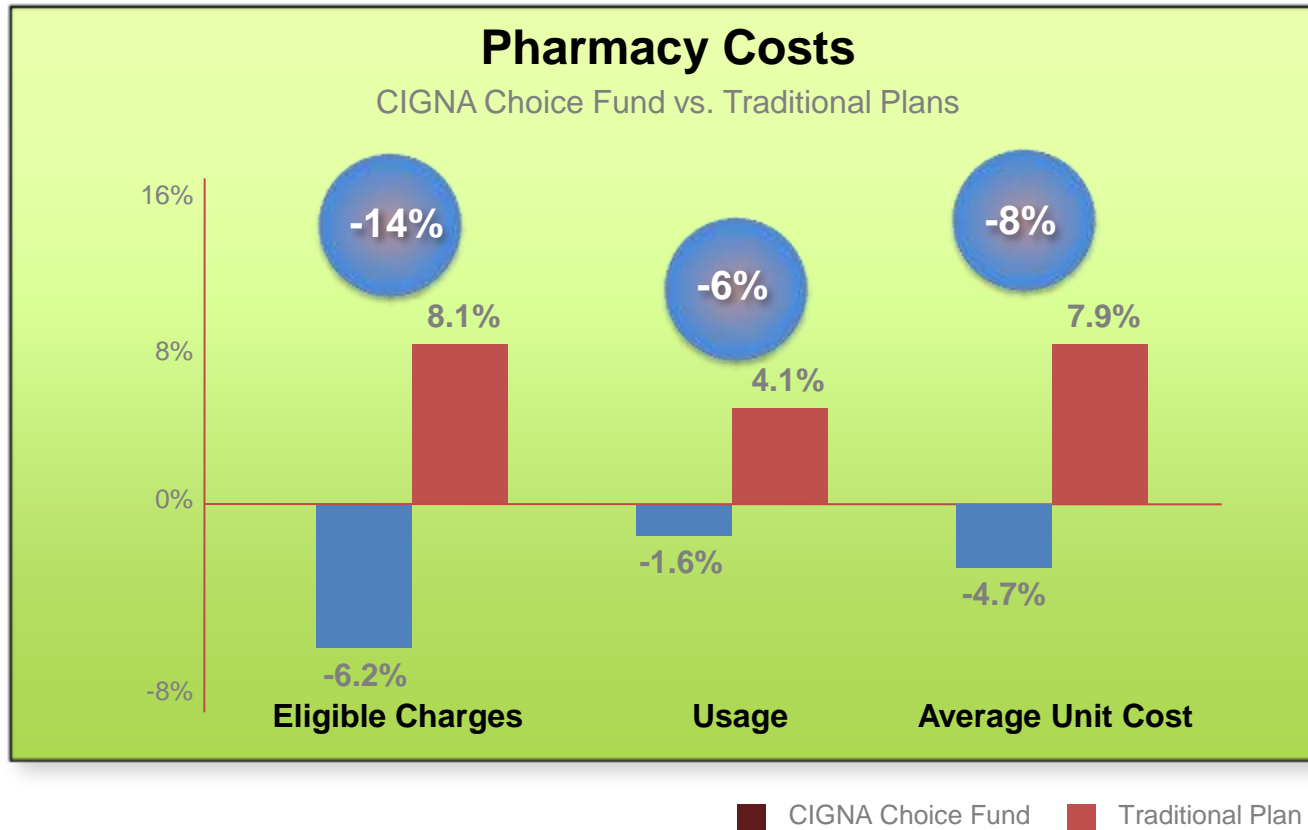
The overall percentage share of total costs paid by CIGNA Choice Fund customers remained approximately the same across episodic categories.



- Excludes premiums.
 - Medical only.
 - Unadjusted cost data.
- CIGNA Choice Fund HRA (includes fund) ■ Traditional

Pharmacy Costs – New CDHP Individuals

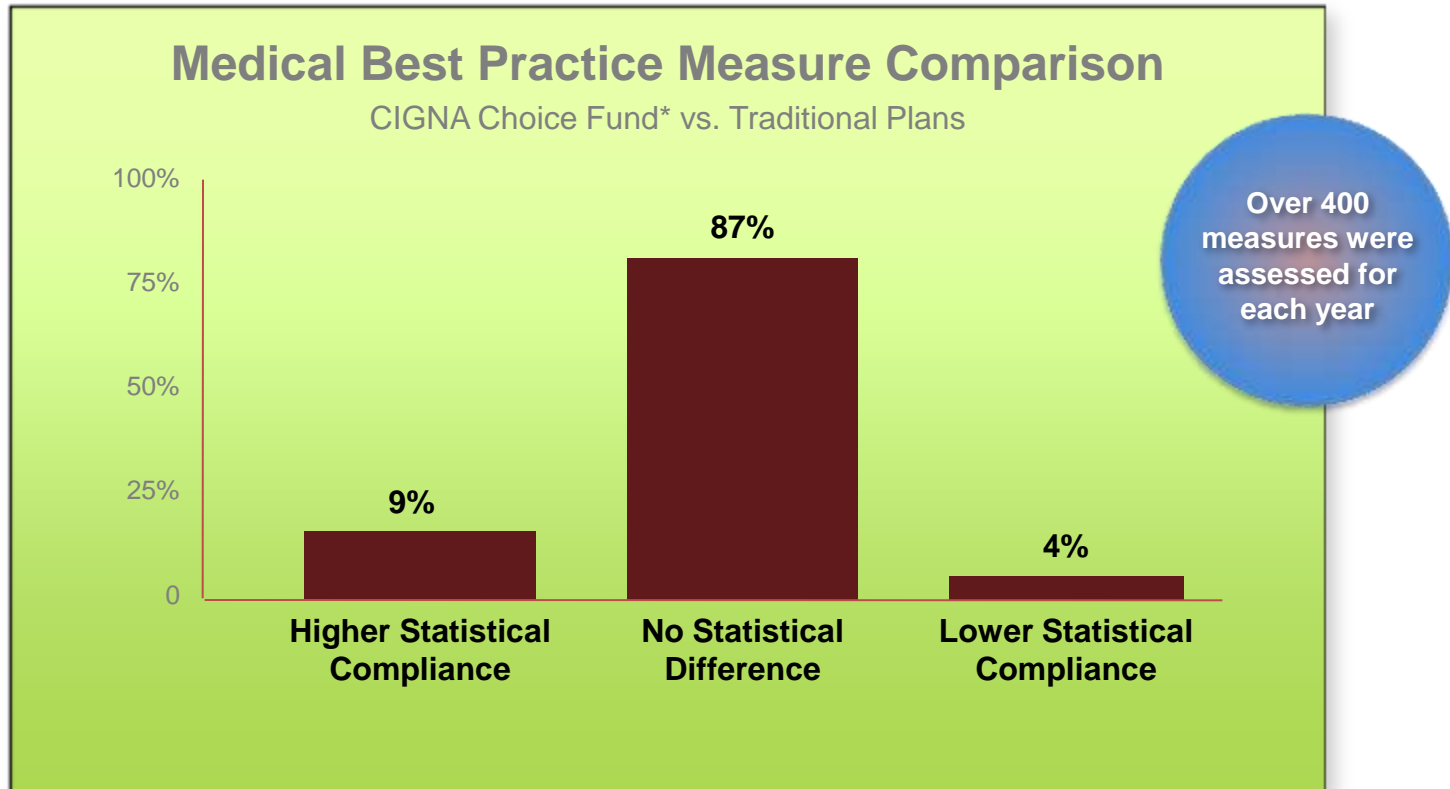
Total Pharmacy cost trends were lower than traditional plan cost trends.



Compares trend of 11,000 continuously enrolled CIGNA Choice Fund customers with a CIGNA Pharmacy Management plan who were in their first year of having a combined medical and pharmacy deductible to 368,000 continuously enrolled customers in a traditional plan with CIGNA Pharmacy Management and no combined medical and pharmacy deductible.

New - Medical Care Best Practice Measures

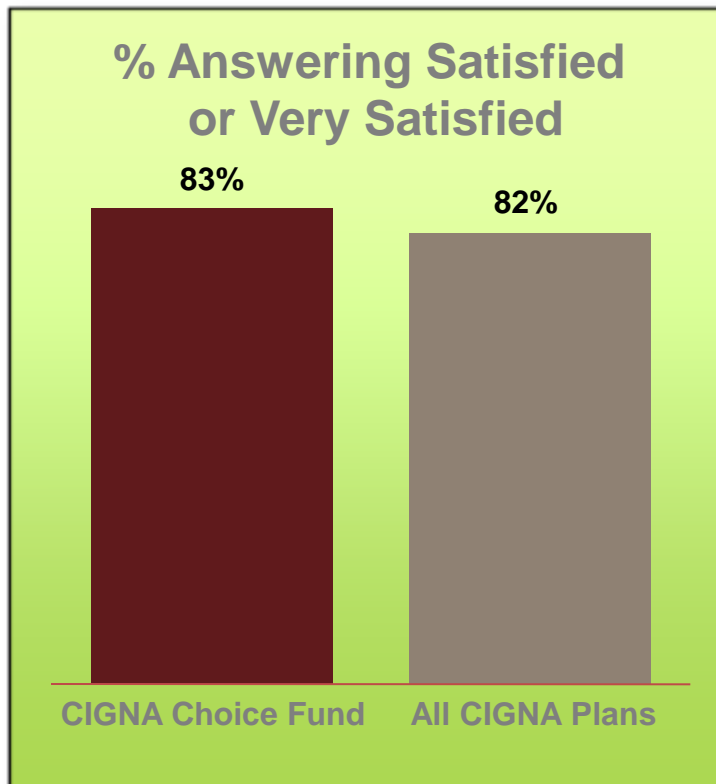
New CIGNA Choice Fund customers continued to receive recommended care at rates equal to or higher than the traditional plan population.



* New Choice Fund customers in 2009. 95% confidence level.

Customer Satisfaction

CIGNA Choice Fund customers are equally or more satisfied with our service.



- Customers who answered our Call Satisfaction Surveys were at least equally satisfied with the service they received compared to those in a traditional plan design.
- This dispels the myth that customers in a consumer-driven plan are more dissatisfied with the service compared to those in a traditional plan.