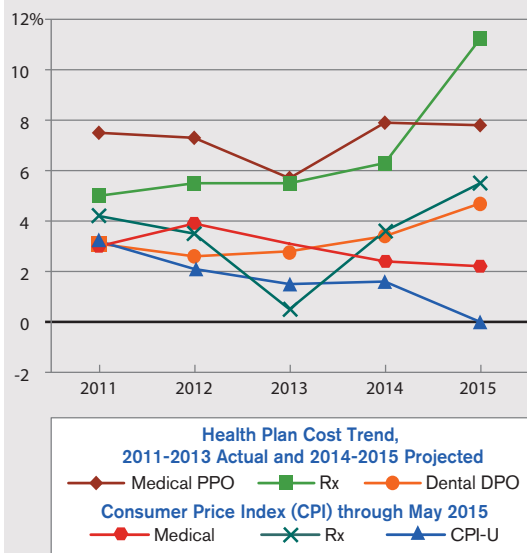


TREND AND CPI

Health benefit plan cost trend rates projected for 2015 show a slight drop for some types of coverage, but a substantial increase for prescription drug coverage.



Sources: 2015 Segal Health Plan Cost Trend Survey (<http://www.segalco.com/media/1904/2015trendsreport.pdf>) and Bureau of Labor Statistics for CPI (<http://www.bls.gov/cpi/>)

Trend is the forecasted change in claims cost determined by insurance carriers, managed care organizations (MCOs), pharmacy benefits managers (PBMs) and third party administrators (TPAs). Trend can be influenced by a variety of factors including price inflation, the leveraging effect of copayments, cost shifting and utilization. The **Consumer Price Index (CPI)** is a measure of the average change in prices over time of goods and services purchased by households. The CPI for All Urban Consumers (CPI-U) is often used as an economic indicator.

THE AFFORDABLE CARE ACT (ACA) AND OTHER COMPLIANCE NEWS

New answers to frequently asked questions (FAQs) clarifying how non-grandfathered health plans must apply the law's limitations on cost sharing (also known as the limitations on out-of-pocket maximums), were released by the Departments of Labor, Treasury and Health and Human Services (collectively, "the Departments"). (Click on the blue text throughout this report for more information on the topics discussed.)

New answers to FAQs clarifying requirements that non-grandfathered plans provide certain preventative services in network without imposing cost sharing were released by the Departments.

The ACA's plan reporting requirements require all providers of "minimum essential coverage" to report certain, detailed information regarding the individual's coverage during the preceding taxable year, to the Internal Revenue Service (IRS). The first report is due to the IRS on February 1, 2016 for the 2015 plan year.

An increase in Medicare Part D standard defined benefit and retiree drug subsidy (RDS) amounts in 2016, was announced by the Centers of Medicare & Medicaid Services. Also, the Medicare Part D benefit will cover 55 percent of the cost of the brand-name drugs in the "donut hole" (same as 2015).

The Health Care Reform Guide on Segal Consulting's website links to all publications and other resources related to the ACA.

THE VENDOR MARKETPLACE

CVS Health will purchase Target's pharmacy business, which includes 1,600 pharmacies and 80 clinics.

Assurant Inc. announced that it will sell or shut down its health insurer, Assurant Health, by the end of next year.

UnitedHealthcare and Walgreens announced a new partnership to encourage better health choices through a consumer rewards and digital engagement program.

IBM unveiled a partnership with Apple, Johnson & Johnson and Medtronic as well as the acquisition of two medical-data software companies to form Watson Health. The new partnership will introduce a new generation of apps for patients and providers.

WHAT PLAN SPONSORS ARE DOING TO MANAGE COSTS: SELECTED STRATEGIES

Plan sponsors may want to review the benefits of contracting with a Medicare prescription drug plan (PDP) — also known as an Employer Group Waiver Program (EGWP) — as opposed to continuing to apply for RDS. The EGWP option can:

- Produce greater cost savings,
- Provide greater transparency,
- Avoid excise tax, and
- Provide administrative advantages.

Plan sponsors are implementing value-based purchasing strategies to improve the value of health care services by:

- Holding vendors and providers accountable for the cost and quality of care,
- Using information on the quality of care,
- Managing the use of health care to reduce inappropriate care,
- Identifying and rewarding the best-performing providers, and
- Increasing participant responsibility to reduce and manage their own health risks.

A generation of cholesterol-lowering drugs — PCSK-9 inhibitors — is expected to increase prescription drug plan costs substantially. Plan sponsors should model the financial impact and develop a plan for management of these drugs.

KEY TRENDS, DEVELOPMENTS AND STATISTICS

Segal raised its pharmacy benefit annual cost trend factor to a range of 13 to 15 percent. This increase is driven by:

- Greater use of higher-cost specialty medications,
- Higher manufacturer price increases being passed along to consumers, and
- Excessive prices and misuse in prescribing compound medications.