

Legislative Update

DFW Chapter
International Society of Certified Employee
Benefits Specialists
September 7, 2011

Presented By:
Nellie Strong
Haynes and Boone, LLP

Health & Welfare Update

- Health Reform
 - Restricted Annual Limits Do Not Apply to Stand-Alone HRAs
 - Proposed Rules on Summary of Benefits and Coverage
 - Proposed Rules on Affordable Insurance Exchanges
 - Proposed Rules on Premium Tax Credit
 - 11th Circuit Finds Individual Mandate Unconstitutional



Dallas/Fort Worth ISCEBS



Next Generation Consumerism and Health Improvement Incentives

Controlling costs now and in the future

2011 DFWISCEBS Educational Lunch
@ Haggard Clothing Company

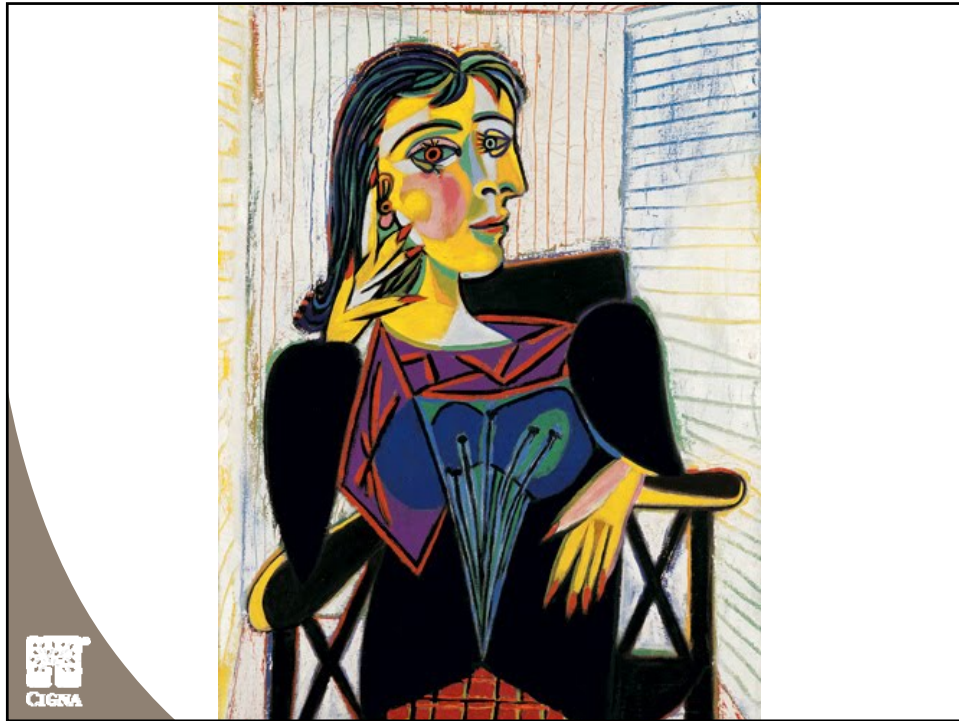
John Young
Sr. VP Consumerism, CIGNA HealthCare

September 8, 2011



Confidential, unpublished property of CIGNA. Do not duplicate or distribute. Use and distribution limited solely to authorized personnel. © 2011 CIGNA





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

- Norman Cousins

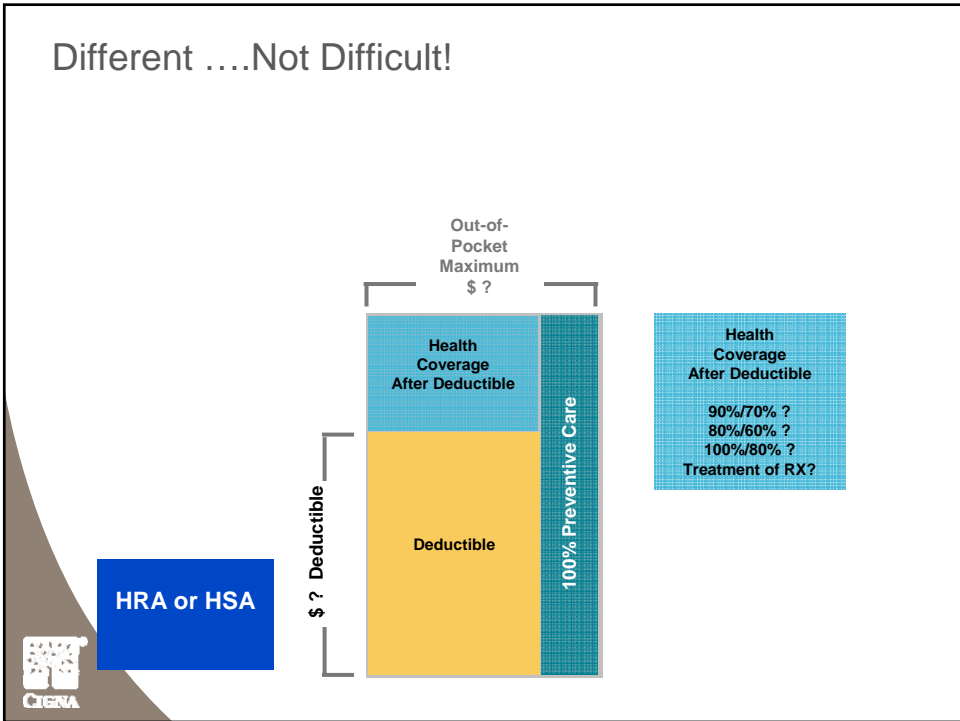
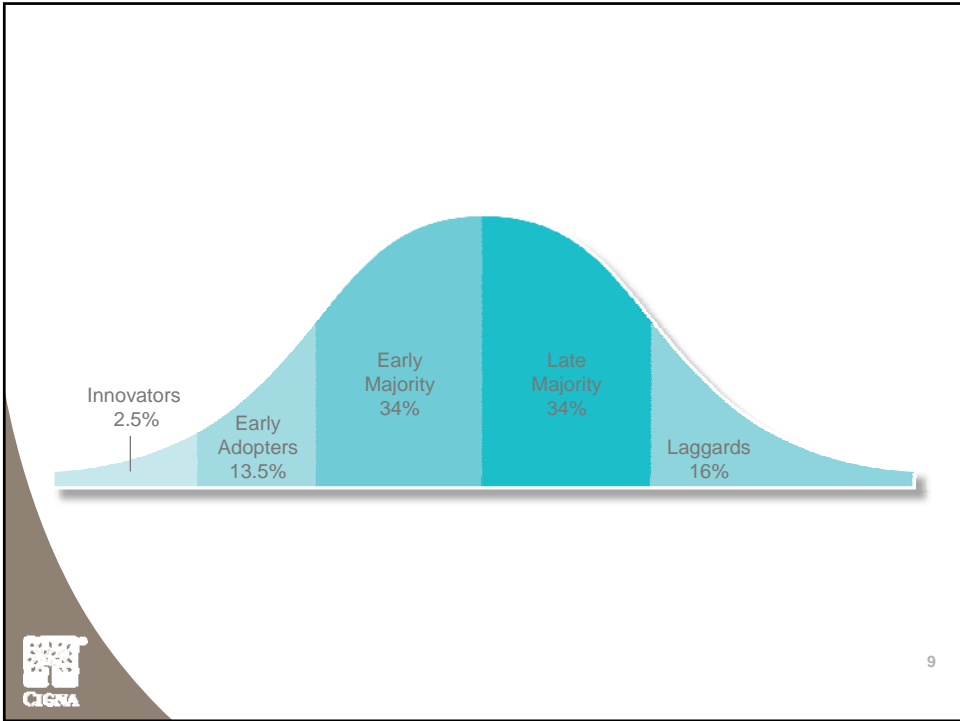




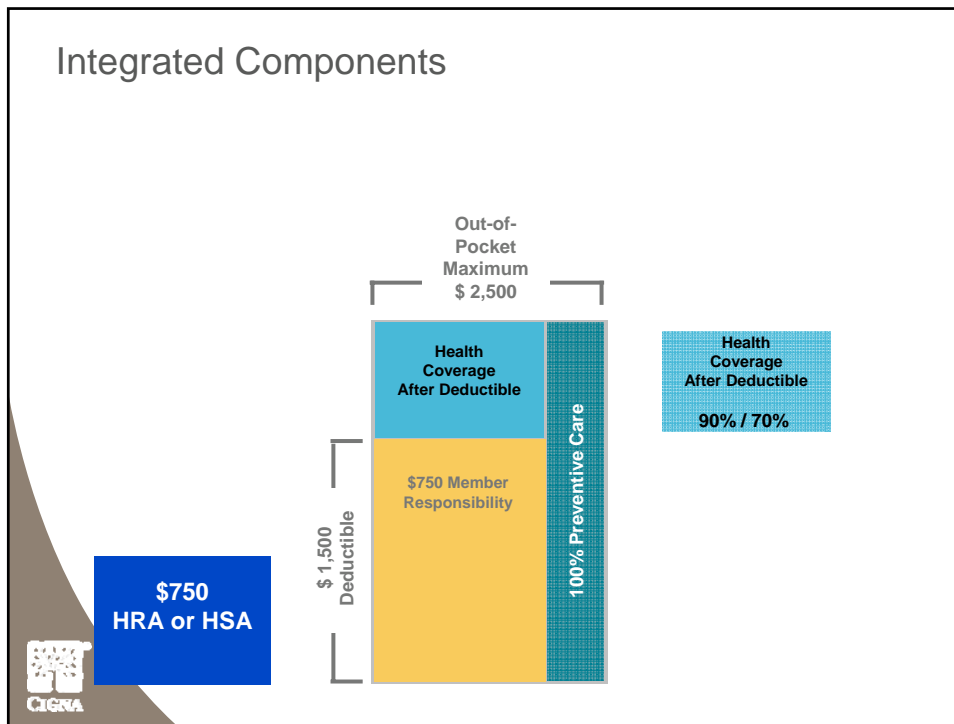
Creating a Culture of Health

The new approach to employee health care can be summarized as follows:

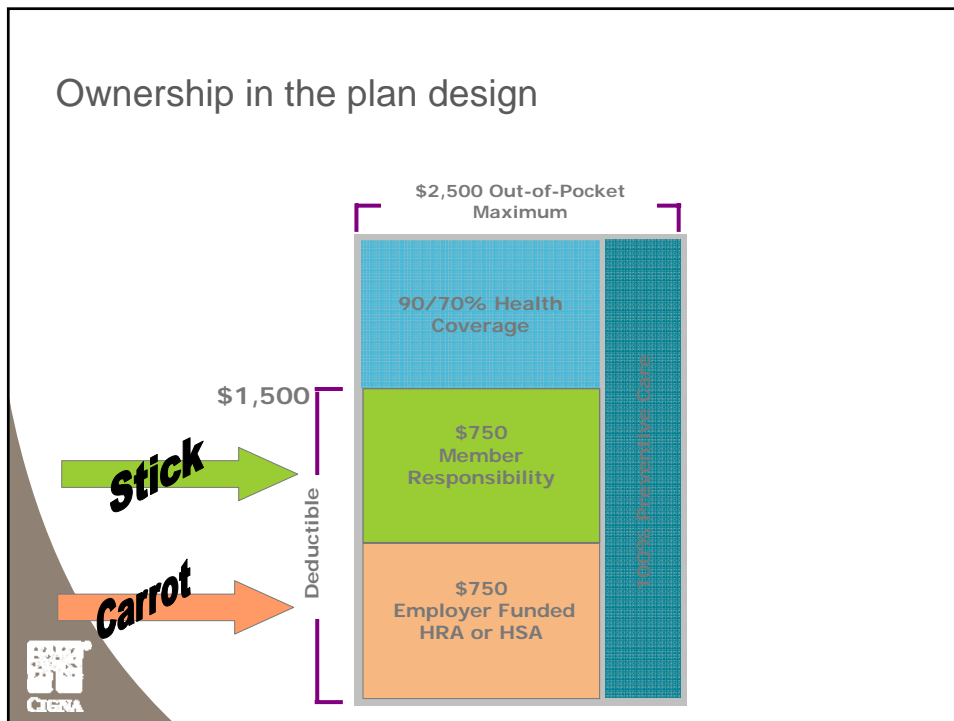
- Focusing on health rather than sickness
- Preventing disease before it begins
- Helping employees become good health care consumers.



Integrated Components



Ownership in the plan design

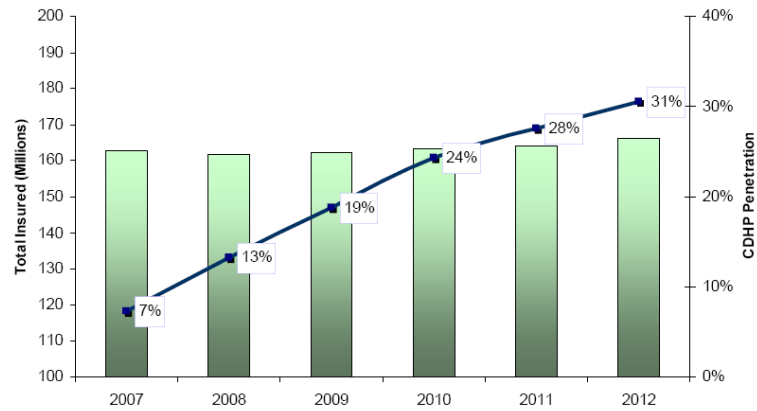


Four Big Trends

- **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



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

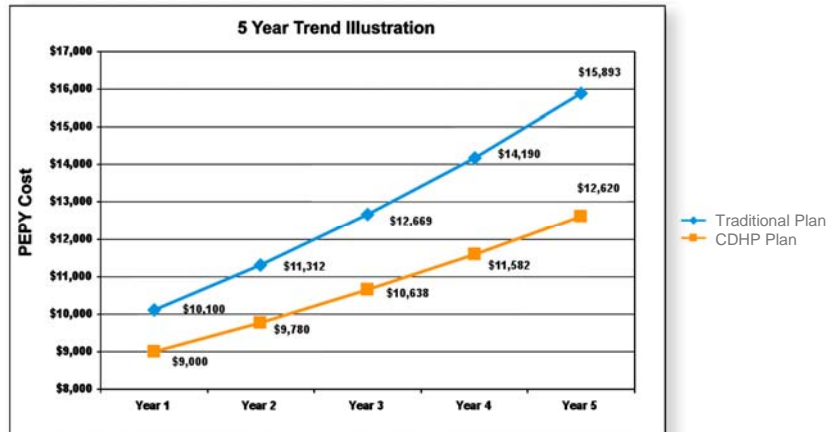


Incentives

- 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

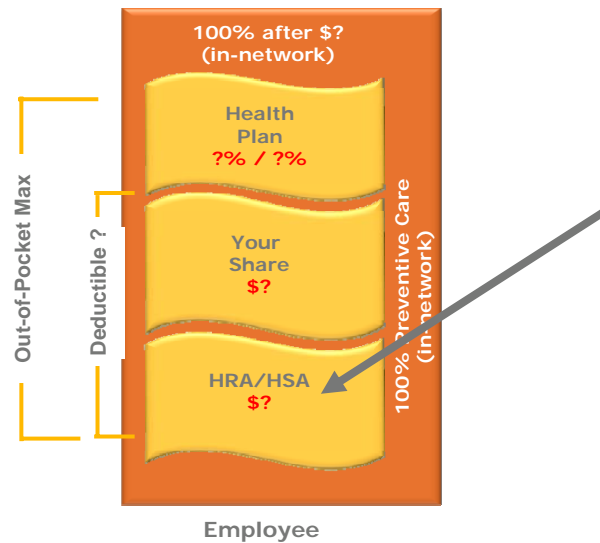


Multi-Year View – Significant Savings Opportunity



17

Incentives to increase Employer Account Funding



Activity/Outcome Based Strategy Example

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

CIGNA

Confidential, unpublished property of CIGNA. Do not duplicate or distribute. Use and distribution limited solely to authorized personnel. © 2010 CIGNA



CIGNA

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



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.

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

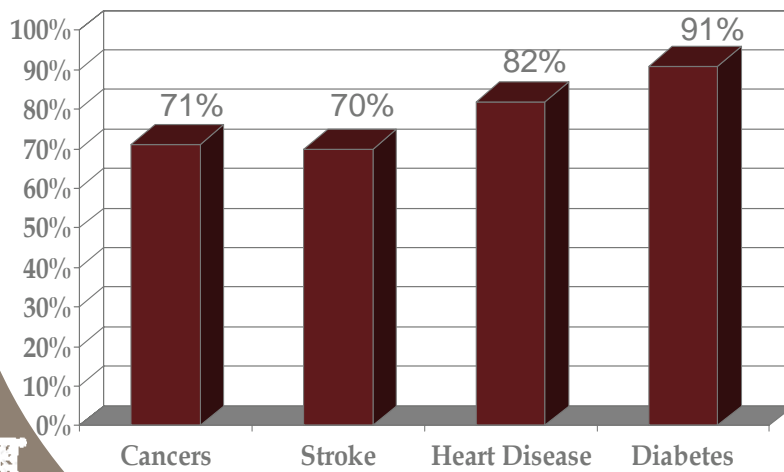
Four Big Trends

- 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





Percent of Chronic Diseases That Are Caused by Poor Lifestyle

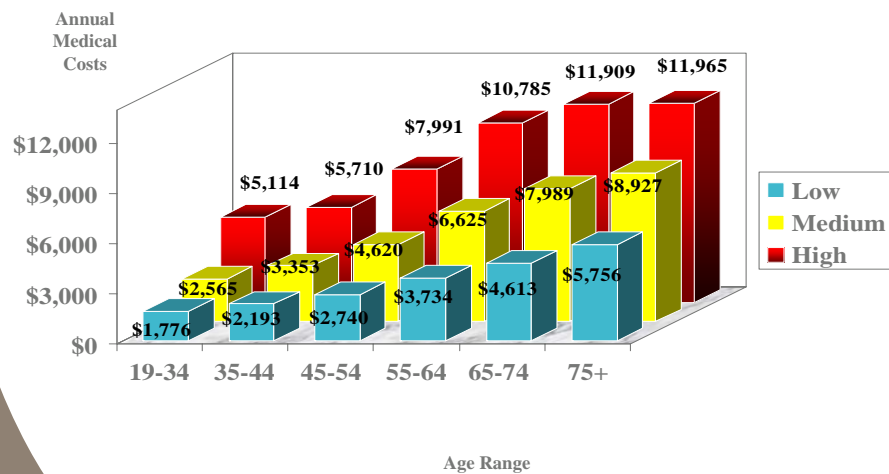


Sources: Stampfer, 2000; Platz, 2000; Hu,

Health Risk Behaviors

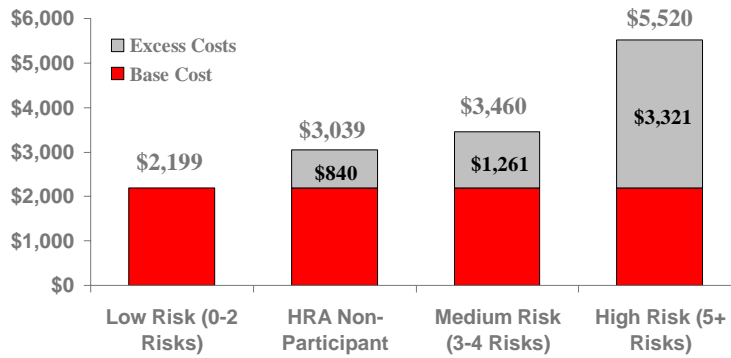
Health Risk Measure	High Risk Criteria
Alcohol	> 14 drinks per week
Blood Pressure	Systolic >139 mmHG/Diastolic >89 mmHG
Body Weight	BMI \geq 27.5
Cholesterol	>239 mg/dl
Existing Medical Problem	Heart, Cancer, Diabetes, Stroke
HDL	<35 mg/dl
Illness Days	>5 days last yr
Life Satisfaction	Partly or not 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

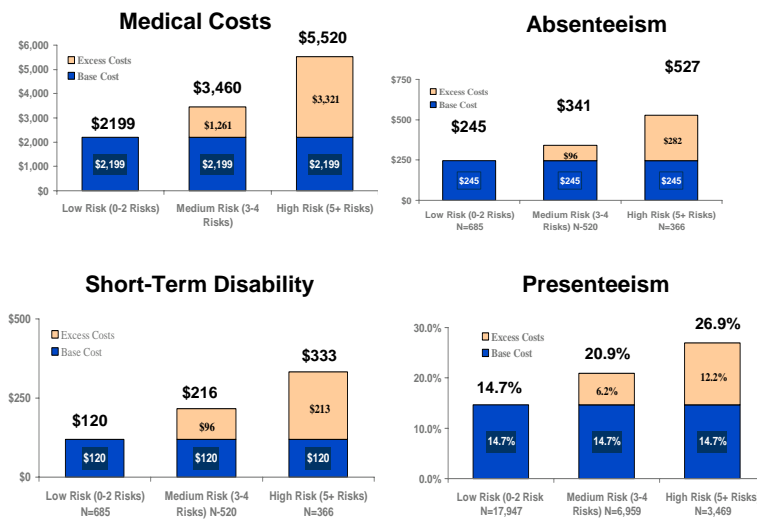


Cost Follows Risk

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



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



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



Safeway's Healthy Measures: A Closer Look

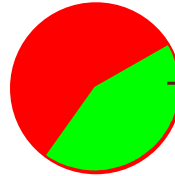
- Reductions to medical benefit premiums if employees show evidence of healthy behaviors
 - Not smoking
 - BMI below 30
 - No hypertension
 - Healthy ranges for cholesterol/glucose
- Those who missed one or more of the four goals will earn *retroactive* rebate if they improve sufficiently by year end
 - Provide support to set and meet goals



Year-Over-Year Results Summary



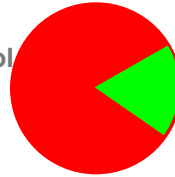
Blood Pressure



43% of participants who previously didn't qualify for the blood pressure discount now passed



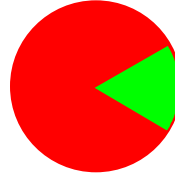
Cholesterol



18% of participants who previously didn't qualify for the cholesterol discount now passed



BMI



17% of participants who previously didn't qualify for the BMI discount now passed



Questions

Contact:

John Young

john.young@cigna.com

952-996-2147

612-490-2184



Appendix



Real Example –

Manufacturing Company with CDHP Option

Challenge

- 12,000 employees in 50 states
- Benefit plan richer than industry peers
- Union presence
- Organization-wide effort to reduce cost

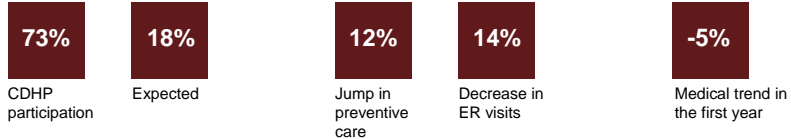
Goal

- Keep benefits competitive
- Improve health
- Don't shift costs to employees
- Don't upset union by limiting choice

Actions

- Eliminate multiple HMO carriers
- Replace with one national carrier
- Phased-in CDHP Approach
- Two PPO options plus financially attractive HRA
- Customized education, communication and decision-support tools to drive CDHP enrollment

Results Exceeded Expectations

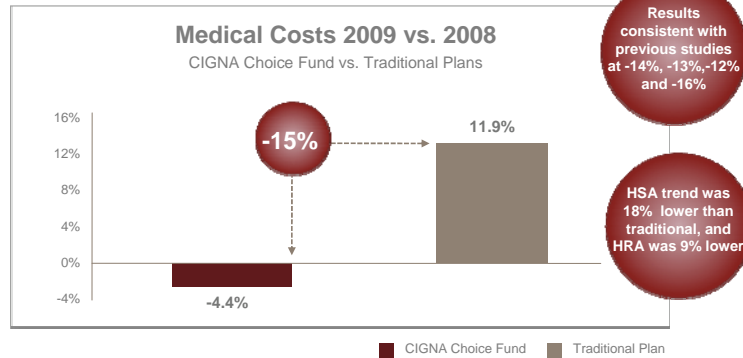


Saved nearly \$10M in two years vs. expected \$1.2M.



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%.

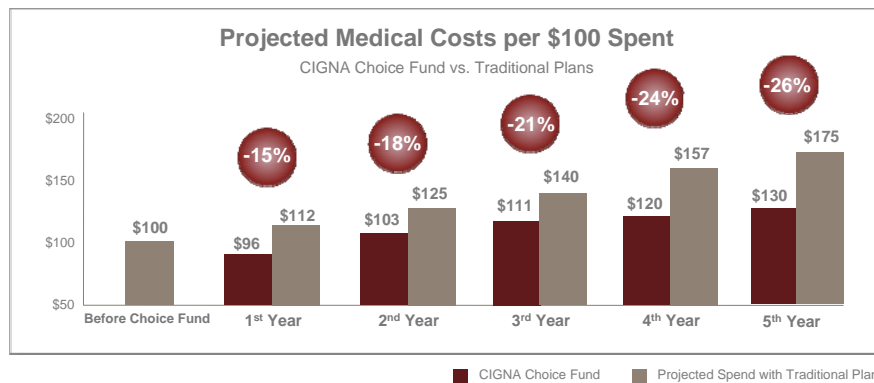


39

Confidential, unpublished property of CIGNA. Do not duplicate or distribute. Use and distribution limited solely to authorized personnel. © 2010 CIGNA

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.

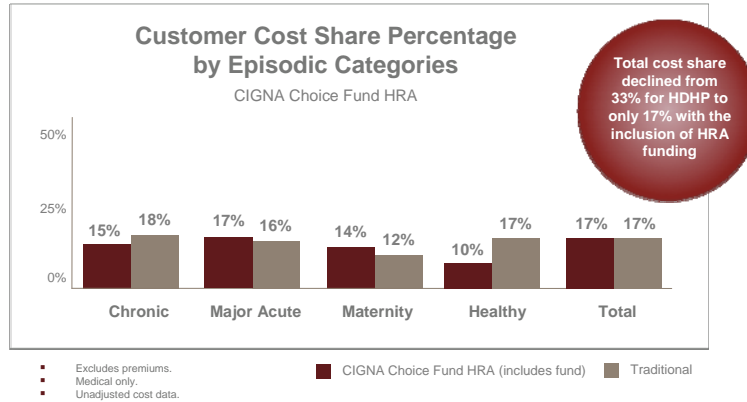


40

Confidential, unpublished property of CIGNA. Do not duplicate or distribute. Use and distribution limited solely to authorized personnel. © 2010 CIGNA

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.

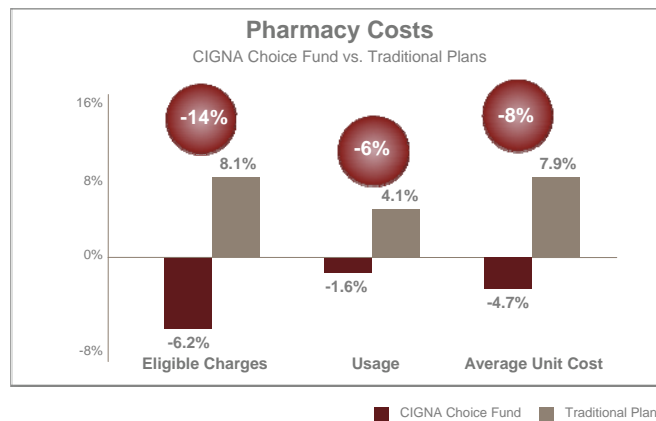


41

Confidential, unpublished property of CIGNA. Do not duplicate or distribute. Use and distribution limited solely to authorized personnel. © 2010 CIGNA

Pharmacy Costs – New CDHP Individuals

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



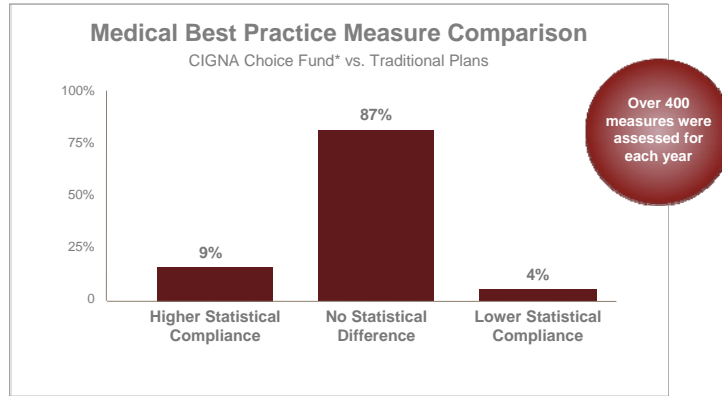
42

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.

Confidential, unpublished property of CIGNA. Do not duplicate or distribute. Use and distribution limited solely to authorized personnel. © 2010 CIGNA

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.

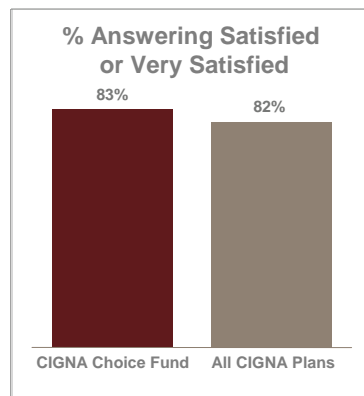


43

Confidential, unpublished property of CIGNA. Do not duplicate or distribute. Use and distribution limited solely to authorized personnel. © 2010 CIGNA

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.



44

Confidential, unpublished property of CIGNA. Do not duplicate or distribute. Use and distribution limited solely to authorized personnel. © 2010 CIGNA