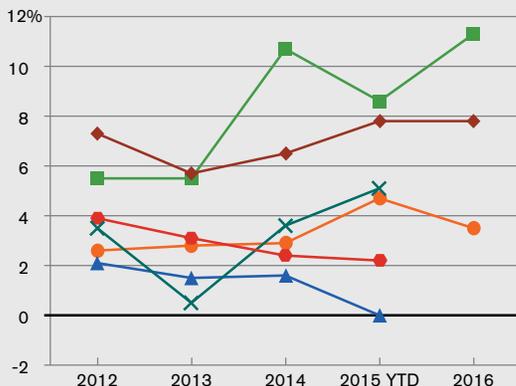


TREND AND CPI

Health benefit plan cost trend rates for 2016 are projected to increase for most medical plan options and increase substantially for prescription drug coverage.



Health Plan Cost Trend, 2012-2014 Actual and 2015-2016 Projected
 Medical PPO Rx Dental DPO
 Consumer Price Index (CPI) through August 2015
 Medical Rx CPI-U

Sources: [2016 Segal Health Plan Cost Trend Survey](#) and [Bureau of Labor Statistics for CPI](#)

Trend is the forecasted change in claims cost determined by insurers, managed care organizations, pharmacy benefits managers (PBMs) and third-party administrators. 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

Final instructions for employer reporting on the 2015 Forms 1094-C and 1095-C (required by the ACA) were released by the Internal Revenue Service (IRS).

A final rule clarifying issues with respect to the ACA's requirement that non-grandfathered health plans provide certain preventive services in network without charge to the participant or beneficiary was published by the Departments of Labor, Treasury and Health and Human Services (collectively, "the Departments").

The Trade Preferences Extension Act, which significantly increased the financial penalties for failing to comply with certain information reporting requirements under the ACA, was recently signed into law.

The rules governing the Summary of Benefits and Coverage (SBC) were revised by the Departments. A new SBC format will be released soon for the 2017 plan year.

A final rule that allows employers to provide limited benefits that supplement (or "wraparound") coverage obtained through certain individual health insurance policies was issued by the Departments. Limited "wraparound" benefits are considered "excepted benefits," and not subject to ACA's group health plan mandates.

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

THE VENDOR MARKETPLACE

Anthem, one of the largest health insurers in the U.S., agreed to purchase Cigna.

Aetna has agreed to acquire Humana, which has a large presence in the private Medicare market.

Both CVS Health and Express Scripts have announced they will exclude additional prescription drugs from their 2016 formulary lists.

WHAT EMPLOYERS ARE DOING TO MANAGE COSTS: SELECTED STRATEGIES

With the increase in financial penalties for failing to comply with reporting requirements under the ACA, employers should consider:

- Evaluating the minimum value of the plan to assure that it is at least 60 percent,
- Determining the affordability safe harbor to use and assure that all employee contributions meet the affordability standard,
- Developing a strategy for minimizing or eliminating the employer shared responsibility penalty,
- Reviewing dependent eligibility rules and dependent coverage contribution strategies, and
- Measuring employees' full-time status under the ACA.

As prescription drug formulary exclusions continue to increase, employers should consider strategies to optimize patient outcomes, such as:

- Focused, therapy-based, comprehensive care and management,
- Concentration on patient outcomes, side effect management and medication compliance, and
- Clinical and utilization management programs.

Due to recent merger activity among medical and PBM networks, employers should consider:

- Conducting competitive bids or market checks of contract terms, if allowed under the vendor contract, and
- Upgrading contract terms to include more performance-based results and transparency.

Employers should consider emphasizing key components of healthy lifestyles using the following strategies:

- Creating workplace communities that encourage group-based wellness activities,
- Using technology to promote wellness programs, and
- Communicating effectively.

KEY TRENDS, DEVELOPMENTS AND STATISTICS

According to data compiled from the 2016 Segal Health Plan Cost Trend Survey, prescription drug benefit cost trends are expected to jump by almost 3 percentage points to 11.3 percent in 2016.

The Centers for Medicare & Medicaid Services announced that the average Medicare Advantage premium will be \$32.60 per month for 2016. In addition, 59 percent of Medicare Advantage enrollees will see no increase in premium in 2016.