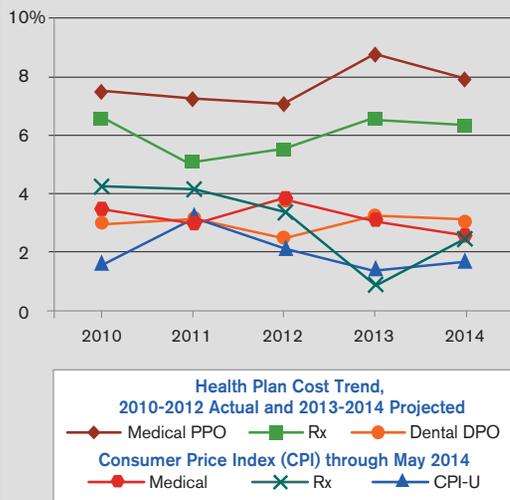


TREND AND CPI

Health benefit plan cost trend rates projected for 2014 show the slowest growth in 14 years of Segal trend forecasts.



Sources: 2014 Segal Health Plan Cost Trend Survey* (<http://www.sibson.com/publications/surveysandstudies/2014trendsurvey.pdf>) and Bureau of Labor Statistics for CPI (<http://www.bls.gov/cpi/>)

* Sibson is a member of The Segal Group.

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

The Department of Labor (DOL) published new model notices for rights under the Consolidated Omnibus Budget Reconciliation Act (COBRA). There are two model notices available: a general notice and an election notice. At the same time, the Centers for Medicare & Medicaid Services (CMS) published guidance on how an individual with COBRA rights is treated in the Marketplace (the federal government's Exchange).¹ Employers are starting to update their COBRA general notice and election notice to include information from the new model notices about the Marketplace.

The implementation date of the International Classification of Diseases (ICD) 10th revision of medical code standards has been delayed another year, to October 1, 2015.²

The Treasury Department and Internal Revenue Service (IRS) have published final rules on the reporting requirements for group health plans and certain employers. Both reporting requirements were originally scheduled to take effect in 2015, but were delayed by one year.³

The Departments of Labor, Health and Human Services and Treasury (collectively, the "Departments") issued additional FAQs addressing out-of-pocket limits and required preventive services for non-grandfathered plans. The Departments will permit reference-based pricing to continue, at least for now. They also provide a safe harbor plan design for tobacco-use-cessation programs.⁴

The Health Care Reform Guide on Sibson Consulting's website links to all publications and other resources related to the ACA: <http://www.sibson.com/publications-and-resources/health-care-reform/>

The IRS announced that the maximum annual contribution to Health Savings Accounts for 2015 is \$3,350 (up \$50 from 2014) and the maximum out-of-pocket expense for high-deductible health plans is \$6,450 (single)/\$12,900 (family) (up \$100/\$200 from 2014).⁵

CMS announced that Medicare Part D standard defined benefit and Retiree Drug Subsidy (RDS) amounts will increase in 2015. Also, the Medicare Part D benefit will cover 55 percent of the cost of the brand-name drugs in the "donut hole" (up from 52.5 percent in 2014).⁶

WHAT EMPLOYERS ARE DOING TO MANAGE COSTS: SELECTED STRATEGIES

Some employers are evaluating the potential savings associated with alternative network options, such as the use of narrow network strategies (including the exclusion of high-priced providers or tiered networks) that steer patients to higher-quality, lower-cost providers. Employers that use these networks should monitor their impact on the desired balance among cost, quality and access.

Employers are evaluating behavioral economics and motivation theory to encourage employees to make lifestyle changes that will have the potential to improve health status and lower health care costs. Employers should review their plan design and communications from a behavioral economics perspective to ensure that they are encouraging employees and dependents to take the proper steps to make better decisions that will improve outcomes.⁷

Some employers are reviewing the feasibility of implementing reference-based pricing, in which the plan makes a defined contribution towards covering the cost of a particular service, to steer participants towards higher-quality hospitals or physicians for specific procedures or conditions.

KEY TRENDS, DEVELOPMENTS AND STATISTICS

The federal government last year released the prices that hospitals charge for the 100 most common procedures. It shows that hospitals across the country charge Medicare differing amounts for the same types of cases. For example, a joint replacement could be priced anywhere between \$5,300 and \$223,000, depending on the facility.

Treatment for Hepatitis C has progressed more in the past two years than it had in the previous 10 years. The current available treatment (e.g., Sovaldi®) is much more effective at curing the disease but is associated with as much as three times the cost of the older standard of care.

¹ See Sibson's *Capital Checkup*, "New Model COBRA Notices and Guidance on Marketplace Enrollment of Individuals with COBRA Rights": <http://www.sibson.com/publications-and-resources/capital-checkup/archives/?id=2554>

² See Sibson's *Capital Checkup*, "Final Updates to HIPAA EDI Rules": <http://www.sibson.com/publications-and-resources/capital-checkup/archives/?id=1265>

³ See Sibson's *Capital Checkup*, "Final Rules on the Affordable Care Act's Reporting Requirements": <http://www.sibson.com/publications-and-resources/capital-checkup/archives/?id=2557>

⁴ See Sibson's *Capital Checkup*, "Latest Guidance on the Affordable Care Act's Rules for Out-of-Pocket Limits and Preventive Services Requirements": <http://www.sibson.com/publications-and-resources/capital-checkup/archives/?id=2564>

⁵ See Sibson's *Capital Checkup*, "2015 Minimums and Maximums for Health Savings Accounts and High-Deductible Health Plans": <http://www.sibson.com/publications-and-resources/capital-checkup/archives/?id=2541>

⁶ See Sibson's *Capital Checkup*, "Medicare Part D Amounts Will Increase in 2015": <http://www.sibson.com/publications-and-resources/capital-checkup/archives/?id=2538>

⁷ See Sibson's *Perspectives*, "Beyond Rational Thinking: Using Behavioral Economics to Improve Workforce Health and Organizational Outcomes": http://www.sibson.com/publications/perspectives/Volume_19_Issue_3/beyond-rational-thinking.html



For information about the strategies above or any of the developments discussed on this page, contact your Sibson consultant or send an e-mail to info@sibson.com