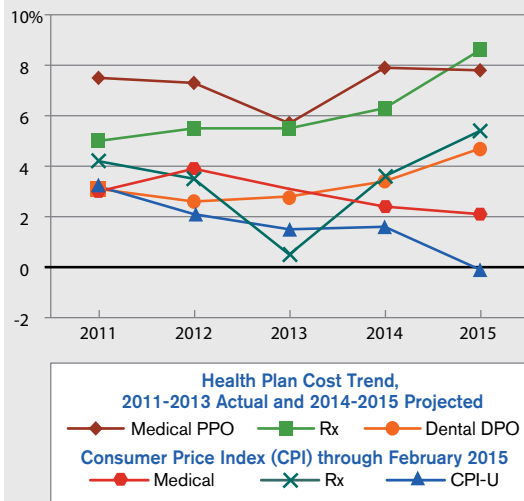


TREND AND CPI

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.sibson.com/publications/surveysandstudies/2015trendsurvey.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

Final forms and instructions for reporting full-time employment status and health care coverage in 2016 under Internal Revenue Code Sections 6056 and 6055 were posted by the Internal Revenue Service (IRS). Employers will need to provide 2015 statements to employees by January 31, 2016. **(Click on the red text throughout this report for more information on the topics discussed.)**

A rule that would permit plan sponsors to provide limited benefits through certain individual health insurance policies was finalized by the Departments of Treasury (Treasury), Labor and Health and Human Services (collectively, the "Departments") on March 18, 2015.

A response to a frequently asked question (FAQ) addressing how plan sponsors of non-grandfathered group health plans need to design reference-based pricing programs in order to comply with the ACA's rules on out-of-pocket limits was published by the Departments.

A recent answer to a FAQ on premium-reimbursement arrangements reinforces that stand-alone health reimbursement accounts, without an underlying group health plan, violates certain ACA provisions.

Two announcements affecting cafeteria plans were made by the IRS and the Treasury. The maximum salary reduction under a health Flexible Spending Arrangement will increase to \$2,550 for 2015, and two new mid-year elections will be made available to employers.

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

Sibson Consulting's 2015 Reporting & Disclosure Calendar for Benefit Plans summarizes compliance requirements for employers.

THE VENDOR MARKETPLACE

Rite Aid acquires EnvisionRx, a national, full-service pharmacy benefit management (PBM) company.

Several of the largest health systems and insurers have created a Health Care Transformation Task Force with the goal to shift 75 percent of their business to contracts with incentives for higher-quality and lower-cost health care.

CVS/Caremark is suggesting an exclusion approach for "pain patches" as part of its compound-drug strategy, as these patches may result in large claims from compounding pharmacies.

WHAT EMPLOYERS ARE DOING TO MANAGE COSTS: SELECTED STRATEGIES

Employers are looking for ways to decrease health care spending before the ACA excise tax goes into effect in 2018. Strategies include:

- Investing in wellness programs,
- Moving to a consumer driven health plan,
- Offering health care cost transparency tools,
- Contracting directly with providers,
- Introducing spousal surcharges, and
- Monitoring the success of private exchanges.

High-deductible health plans significantly cut health spending. Employers can motivate participants to participate by:

- Implementing a robust communications program to communicate the tax advantages, lower premiums and long-term cost savings,
- Offering transparency tools, and
- Providing a financial incentive.

Employers are considering taking steps to manage utilization of high-cost compound drugs. Cost management options include:

- Requiring a prior authorization,
- Including a maximum dollar limit,
- Reviewing approved and clinically effective lower-cost treatment options, and
- Excluding specific compound drugs, such as pain patches and those that use crushed tablets.

KEY TRENDS, DEVELOPMENTS AND STATISTICS

Sibson's Actuarial Model for Wellness was recently published by the Society of Actuaries. The study focuses on a conceptual model for wellness and the actuary's potential role in wellness.

In 2014, there were \$22.1 billion in health savings accounts (HSAs) and health reimbursement accounts (HRAs) across 10.6 million accounts, according to a survey conducted by the Employee Benefit Research Institute. In 2008, there were only \$5.7 billion across 4.2 million accounts.

The introduction of biosimilar drugs is expected to increase competition and lower prices. The first approved biosimilar in the United States is Zarxio™, which used to help prevent infections in cancer patients receiving chemotherapy.