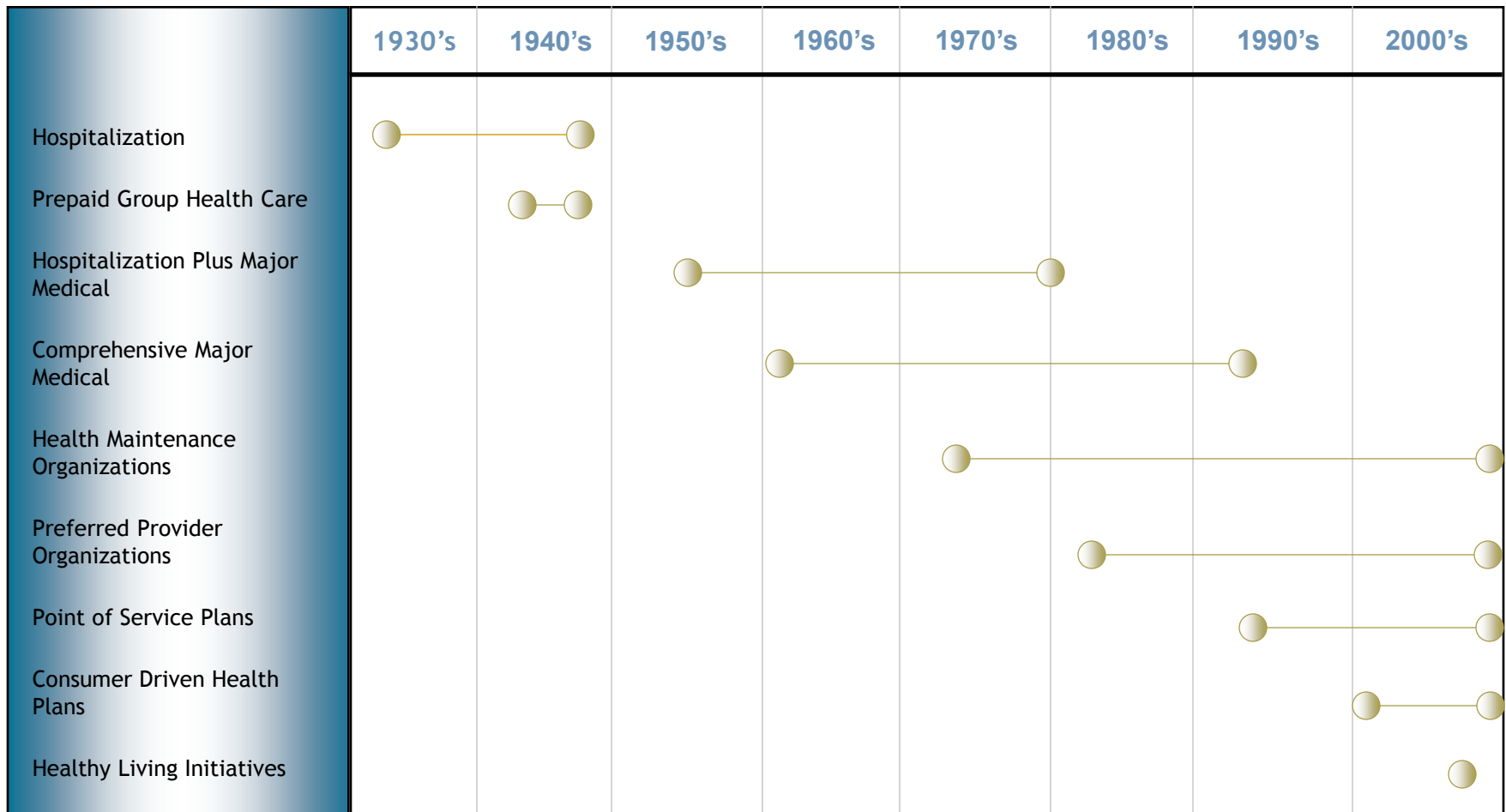




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***Health Savings Accounts***  
***Competitive Drug Cards***  
***Healthy Living Programs***

# Health Care Time Line



# Health Savings Accounts ~ HSAs

## An Overview

- Portable, tax-free savings account option (like an IRA)
- Requires participation in a Qualified High Deductible Health Care Plan
- Created under the Medicare Modernization Act of 2003, signed into Law on December 8, 2003
  - *Amended under the Tax Relief and Health Care Act of 2006*

# Health Savings Accounts ~ HSAs

## What's The Hype?

- Pre-tax contributions
- Tax-Free earnings
- Tax-Free withdrawals for a wide variety of eligible expenses
- Unused funds rollover year to year
  - *No 'use it or lose it' risk*
- Expanded health care options

# Health Savings Accounts ~ HSAs

## What's The Hype?

- Promotes healthy behavior and engages the consumer in health care choices
  - *Individuals spend their own money more wisely than someone else's (skin in the game)*
  - *Encourages account holders to shop around for the best value for their health care dollars*
- Funds grow with interest and investment options
- Provides a savings vehicle for current and future health care needs
- Reduces payroll taxes
- Portable

# Health Savings Accounts ~ HSAs

## An Overview

- Legislative Requirements
  - *First Dollar Benefit Restrictions*
  - *High Deductible Health Plan Minimums & Maximums*
  - *Annual Contribution Limits*
  - *Catch Up Contributions*
  - *HRA, FSA, IRA Rollovers*

# High Deductible Health Plan

## Basics

- Must not offer First Dollar Medical Coverage (except Preventive Care)
- Can be a HMO, PPO or Indemnity Plan
- Must comply with annually adjusted minimum deductible requirements
  - *Determined at the Federal level based on Consumer Price Index*
- Must comply with annually adjusted maximum out-of-pocket expenses and contribution allowances

# High Deductible Health Plan Deductible Requirements

- Minimum Deductible ~ 2007
  - *\$1,100 for an Individual*
  - *\$2,200 for a Family*
- Annual Deductible must be met before plan benefits are paid ~ including prescription drugs
  - *Does not apply to preventive care*
  - *Preventive care may require*
    - *A flat dollar co-payment or*
    - *Separate deductible requirement*
  - *Preventive care may be subject to an annual benefit maximum (e.g. \$500)*

# High Deductible Health Plan Deductible Requirements

## ■ Traditionally

- *\$1,000 Individual / \$2,000 Family Deductible*
  - *One family member satisfies only the \$1,000 individual deductible before benefits are paid – Embedded Deductible*

## ■ HSA

- *\$1,100 Single / \$2,200 Family Deductible*
  - *One family member may satisfy the full \$2,200 family deductible before benefits are paid*
    - *If single deductible meets family minimum deductible requirement then may be embedded*

# High Deductible Health Plan

## Preventive Care

- Preventive Care First Dollar Benefits can include:
  - *Annual Physicals*
  - *Screening Services*
  - *Routine Pre-Natal & Well-Child Care*
  - *Child & Adult Immunizations*
  - *Tobacco Cessation Programs*
  - *Weight Loss Programs*
  - *Certain Prescriptions may qualify as Preventive Care*

# High Deductible Health Plan Out-of-Pocket Maximums

- Maximum Panel Out-of-Pocket Expense ~ 2007
  - *\$5,500 for an Individual*
  - *\$11,000 for a Family*
    - *Out-of-Pocket maximums include deductible requirements*
- Higher Maximums are Allowed for Non-panel Expenses (Deductibles, Co-payments and Coinsurance)

# Health Savings Accounts ~ HSAs

## Contribution Maximums ~ 2007

- Maximum Contributions (regardless of deductible!)
  - \$2,850 for an *Individual*
  - \$5,650 for a *Family*
- Employees covered on December 1<sup>st</sup> are treated as an eligible individual for the entire year.
  - *If employee ceases to be an eligible individual during 2008 the excess over the pro rated contribution is included in income and subject to a 10% additional tax.*
- Contribution is no longer determined by the date account is established.

# Health Savings Accounts ~ HSAs

## Catch-Up Contributions

- Maximum Catch-Up Contributions – Age 55+
  - *\$800 in 2007*
  - *\$900 in 2008*
  - *\$1,000 in 2009 and After*
- Catch-Up Contributions are allowed in addition to the annual maximum contribution
- Employees covered on December 1<sup>st</sup> are treated as an eligible individual for the entire year subject to “qualification”

# Health Savings Accounts ~ HSAs

## Contribution Rules

- Contributions are allowed by:
  - *Employee*
    - *Deductible by Employee*
  - *Employer*
    - *Excluded from Employee Income & Wages*
  - *Both Employee & Employer*
  - *Others on behalf of Employee*
    - *Deducted by the HSA account holder*
  - *Can be made through April 15, or the tax filing deadline for each tax year*
    - *Example: Contributions for 2007 can continue until April 15, 2008*

# Health Savings Accounts ~ HSAs

## Contribution Rules

- Employee Contributions
  - *Contributions through a Cafeteria Plan are Pre-Tax and not subject to income or employment taxes*
    - *Elections can change month-to-month under a Cafeteria Plan*
    - *Contributions may be funded on a*
      - *Pay as you go basis*
      - *Lump sum payments*
  - *Employee contributions made outside of the Cafeteria plan qualify as a deduction on personal income taxes – even if return is not itemized*

# Health Savings Accounts ~ HSAs

## Contribution Rules

- Employer Contributions
  - *Are always excluded from employees income*
  - *Must be comparable for all participating employees*
    - *Same dollar amount*

Or

- *Same percentage of annual deductible*
  - *Contributions based on length of service are not allowed*

# Health Savings Accounts ~ HSAs

## Contribution Rules

- ❑ *Non-comparable contributions are subject to 35% excise tax*
- ❑ *Employer Contributions based on participation in health assessments, disease management programs or wellness programs may be used if the employee can receive the payment in taxable cash rather than a nontaxable contribution to the HSA*
  - *Cafeteria non-discrimination rules apply*

# Health Savings Accounts ~ HSAs

## FSA/HRA Rollovers

- Rollovers from FSAs and HRAs permitted
  - *Rollover amount must not exceed the lesser of*
    - *The balance of the FSA or HRA account as of 9/1/2006 or*
    - *The balance of the FSA or HRA account as of the date of the distribution*
  - *Distribution is not included in income*
  - *Distribution does not count against the maximum tax deductible contribution for the HSA*

# Health Savings Accounts ~ HSAs

## IRA Rollovers

- Rollovers from IRAs permitted
  - *Direct trustee-to-trustee transfer*
  - *Only one transfer per lifetime*
    - *Exception: Participant moves from individual coverage to family coverage*
  - *Rollover amount limited to maximum deductible amount*

# Health Savings Accounts ~ HSAs

## IRA Rollovers

- ❑ *Distributions are not included in income*
- ❑ *Distributions are not subject to 10% additional tax on early distributions*
- ❑ *Provision does not apply to simplified employee pensions (SEPs) or to SIMPLE retirement accounts*

# Health Savings Accounts ~ HSAs

## Eligible Employees

- Individuals covered by a HDHP **and**:
  - *Not covered by other health insurance unless it is also a HDHP*
  - *Not enrolled for Medicare*
  - *Cannot be claimed as a dependent on another's tax return*
- Participation is not limited by income, active employment status, insurance coverage of children

# Health Savings Accounts ~ HSAs

## Other Benefit Programs

- HSA's are compatible with:
  - Specific disease or illness insurance
  - Accident insurance
  - Disability insurance
  - Dental insurance

# Health Savings Accounts ~ HSAs

## Other Benefit Programs

- HSA's are compatible with:
  - Vision insurance
  - Long term care insurance
  - Employee assistance plans
  - Disease management plans
  - Discount drug plans
  - Wellness programs

# Health Savings Accounts ~ HSAs

## Eligible Expenses

- Qualified Withdrawals
  - *213(d) Eligible Expenses*
    - *Medically Necessary Services*
    - *Deductible & Coinsurance*
    - *Vision*
    - *Dental*
    - *Non-Prescription Drug Expenses*
  - *Qualified Long-Term Care Premiums*
  - *COBRA Continuation Premiums*
  - *Premiums While Unemployed*
  - *Medicare Part B & D Premiums*
    - *Supplemental Premiums Not Eligible – i.e. Medigap*

# Health Savings Accounts ~ HSAs

## Withdrawal of Funds

- Medical expenses must be incurred on or after the date the HSA account was established to be eligible
- Expenses incurred after termination in a HDHP are eligible, but contributions must cease with termination of HDHP
- Qualified Long Term Care Insurance Premiums
  - *Premiums can be paid, tax-free, through an HSA, even if amounts were contributed to the HSA through a cafeteria plan*
  - *Tax-free reimbursement cannot exceed the annually adjusted “eligible long-term care premiums” in the Internal Revenue Code*
- Amount of eligible LTC premium is based on age (see IRS Pub 502 for dollar limits)

# Health Savings Accounts ~ HSAs

## Withdrawal of Funds

- Tax-free distributions can be taken for qualified medical expenses of:
  - *person covered by the high deductible*
  - *spouse of the individual (even if not covered by the HDHP)*
  - *any dependent of the individual (even if not covered by the HDHP)*

# Health Savings Accounts ~ HSAs

## Withdrawal of Funds

- Distributions Prior to Age 65
  - *Tax-Free for Eligible Expenses*
  - *Subject to Regular Income Tax & 10% Penalty for Non-Eligible Expenses*
- Distributions After Age 65
  - *Tax-Free for Eligible Expenses*
  - *Subject to Regular Income Tax for Non-Eligible Expenses*
- Distributions After Death or Disability
  - *Tax-Free for Eligible Expenses*
  - *Subject to Regular Income Tax for Non-Eligible Expenses*

# Health Savings Accounts ~ HSAs

## Withdrawal of Funds

- No time limit on distributions
  - *Distributions from HSA can be used to reimburse prior years' expenses as long as the expenses were incurred on or after the date the HSA was established*
- Individual must keep records sufficient to prove that:
  - *the expenses were incurred, and*
  - *they were not:*
    - *paid for or reimbursed by another source, or*
    - *taken as an itemized deduction*

# Health Savings Accounts ~ HSAs

## Withdrawal of Funds

- Mistaken distributions from an HSA can be returned to the HSA
  - *Clear and convincing evidence must be shown that the distribution was a mistake of fact*
  - *Must be repaid by April 15 following the year in which the individual knew or should have known the distribution was a mistake*

# Health Savings Accounts ~ HSAs

## ERISA

- HSAs do not generally constitute “employee welfare benefit plans” under ERISA provided:
  - *The establishment of the HSA is completely voluntary on the part of the employee and*
  - *The employer does not prevent the employee from:*
    - *Moving their funds to another HSA*
    - *Impose conditions on how the funds can be used*
    - *Influence the investment decisions made*
    - *Represent that the HSA is an employee welfare benefit plan established or maintained by it*
    - *Receive any payment or compensation in connection with the HSA*

# Health Savings Accounts ~ HSAs

## Records

- Should the HSA account holder keep receipts?

YES!

- ❑ *May need to prove to IRS that distributions from HSA were for eligible expenses*
- ❑ *May be required by insurance company to prove that HDHP deductible is satisfied*

# Health Savings Accounts ~ HSAs

## Pros & Cons

### Pros

- Reduced premiums for health insurance
- Account is portable & owned by the employee
- Account balance carry-over
- Tax-free investment earnings
- Tax deductible contributions
- Employee directed investment of funds
- Tax-Free withdrawals for eligible expenses
- Cash available at time of death, disability or attainment of age 65 (subject to income tax)

### Cons

- HSA only available if employee participates in high deductible health plan (HDHP)
- Employer has limited involvement with HSA trustee or custodian
- Funds may only be used for specified medical expenses and insurance premiums until death, disability or attainment of age 65.
- Funds may not be used for post retirement medical premiums under age 65
- HDHP and coordination with FSA and HRA rules are complex

# Flexible Spending Accounts (FSAs)

- A FSA is funded by the employer and/or employee for reimbursement of out-of-pocket eligible expenses
- Tax-free contributions
- Subject to COBRA (limited) and ERISA
- Subject to non-discrimination rules
- Subject to 'use it or lose' it rule – no rollovers

# Health Reimbursement Accounts (HRAs)

- A HRA is funded entirely by the employer
- Provides reimbursement of pre-determined deductible and/or coinsurance requirements under a group health plan
- Does not require pre-funding
- Not portable
- Subject to COBRA and ERISA
- Subject to non-discrimination rules
- No comparability rules
- No plan design restrictions
- Only fund claims as they occur

# Health Savings Accounts With

## Flexible Spending Accounts &/Or Health Reimbursement Accounts

- HSA Compatible FSA &/Or HRA Plans:
  - **Limited Purpose** plans that restrict reimbursements to certain permitted benefits such as vision, dental, or preventive benefits
  - **Post-Deductible** plans that only provide reimbursement after the minimum annual deductible is satisfied under the HDHP
  - **Retirement** HRA plans that only provide reimbursement after an employee retires
  - **Suspended** HRA plans where the employee agrees to forego health reimbursements for the coverage period

# Health Reimbursement Accounts With Flexible Spending Accounts

- HRA Account pays first unless plan specifies FSA pays first
  - *The advantage to using the FSA first is that the HRA is not subject to the “use it or lose it” rule*
- OR
- Structure HRA/FSA interaction so expenses that are covered (but not fully paid) by the medical plan are payable by the HRA, and only expenses that are not covered by the medical plan are payable by the FSA
- Employer defined rollover funding allowed

# Premium Reimbursement Account

## IRC Section 106P

- Individual premium pre-tax a Non-Employer Sponsored Premium plan
  - *Separate and distinct election from FSA*
- The following types of insurance may be funded through a premium reimbursement account:
  - *Individually purchased health insurance for the employee, spouse or dependent*
  - **Individually purchased term life and disability insurance for the employee only (\$50,000 benefit limit)**
  - *Individually purchased dental insurance for the employee, spouse or dependent*
  - *COBRA premium (this premium is not considered “employer sponsored” as the employee is no longer employed by the company sponsoring the insurance)*
  - *Health insurance that may be deducted from retirement benefits provided through a previous employer*
- Note: The code also specifies that the premiums cannot be run through the medical flexible spending account. Instead, they must be funded through a separate reimbursement account.

# Health Savings Accounts Plan Comparison

- HSA
  - *Employee & Employer at Risk*
- FSA
  - *Employee & Employer at Risk*
- HRA
  - *Employer at Risk*

# Tax Advantage Options

## Plan Comparison

Feature	HSA	Health FSA	HRA
Eligibility	Anyone, except Medicare members	All eligible employees	All eligible employees
Use It or Lose It	No ~ Carryovers to subsequent years allowed	Yes ~ Carryover to subsequent plan years not allowed	No ~ Carryovers to subsequent years allowed
Salary Reduction Contributions	Allowed up to contribution limits	Allowed	Not Allowed
Funding Source	Employee, employer or both	Employee, employer or both	Employer Only
Rollovers	Rollovers to other HSAs allowed	No rollovers	No rollovers

# Tax Advantage Options

## Plan Comparison

Feature	HSA	Health FSA	HRA
Participation in High Deductible Health Plan	Required	Not required	Not required
Subject to ERSIA	Only if offered by an employer	Yes	Yes
Subject to COBRA	No	Limited applicability	Yes
Maximum Contributions	\$2,850 for individuals and \$5,650 for families in 2007	No legal maximums ~ determined by employer	No legal maximums ~ determined by employer
Portable	Yes	Yes	Employer Discretion

# Tax Advantage Options

## Plan Comparison

Feature	HSA	Health FSA	HRA
Non-Medical Taxable Distributions Allowed from Plan	Yes ~ Additional tax penalty imposed for pre-age 65 distributions	No	No
Tax Status of Contributions	Employer contributions not subject to payroll taxes Employee contributions pre-tax through cafeteria plan, or tax deductible on personal return	Employer contributions not subject to payroll taxes Employee contributions pre-tax through cafeteria plan	Employer reimbursements are tax deductible for the employer and tax exempt for the employee
Discrimination Rules	Subject to comparability rules.	Sec. 125, HIPAA	Sec 105(h), HIPAA



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## *Competitive Drug Cards*

# Insurance Carriers Respond to Marketplace Demands

- Competitive pharmacy alternatives
  - *Cost containment features*
    - *Preauthorization*
    - *Step therapy*
    - *Mandatory maximum allowable cost*
    - *Open and closed formulary options*
    - *Exclusion of lifestyle medications*
    - *Triple tier designs*
      - *Flat dollar co-payments*
      - *Percentage co-payments*
    - *Integrated deductibles*

# Insurance Carriers Respond to Marketplace Demands

- Cost advantages
  - *Blended co-payment designs steer members to generic and formulary brand usage*
  - *Closed formulary provides a lower-cost pharmacy benefit solution*
  - *Closed formulary options may alleviate the need to look at self-funding prescription carve-outs*
- Premium savings of 30-40%

# Cost Saving Pharmacy Program Design Options

- Preauthorization
  - *Physician required to obtain approval from carrier before prescribing certain drugs*
- Step therapy
  - *Requires member to first try less expensive drug alternatives before moving to the more expensive brand drugs*

# Cost Saving Pharmacy Program Design Options

- Mandatory maximum allowable cost (MAC)
  - *Member pays the difference between brand and MAC price, plus applicable co-payment*
    - *Even if Dispense as Written (DAW)*
- Open formulary
  - *Formulary and nonformulary drugs may be benefits under the plan*
    - *Some drugs intended for cosmetic use may be excluded*

# Cost Saving Pharmacy Program

## Design Options

- Closed formulary
  - *Drugs not on the formulary are not covered under the plan*
- Exclusion of lifestyle medications (elective medications)
  - *Sexual impotency*
  - *Infertility*
  - *Weight loss*
  - *Smoking cessation*
  - *Hair loss*

# Cost Saving Pharmacy Program Design Options

- Triple tier designs
  - *Flat dollar co-payments*
    - *\$10 generic*
    - *\$20 formulary brand name*
    - *\$50 nonformulary brand name*
  - *Combined with percentage co-payments*
    - *\$10 generic*
    - *30% formulary brand name*
      - *\$25 minimum*
      - *\$100 maximum*
    - *50% nonformulary brand name*
      - *\$35 minimum*
      - *Unlimited maximum*

# Cost Saving Pharmacy Program Design Options

- Integrated deductibles
  - *Cost shifting through front-end prescription coverage deductibles*

# The Contraceptive Issue

- July 2005
  - *US District Court Judge Laurie Smith Camp, for the District of Nebraska, ruled that Union Pacific Railroad's exclusion of prescription contraceptives and related services from its health plans constitutes sexual discrimination. She ruled that the exclusion was a violation of Title VII of the Federal Civil Rights Act of 1964 "because it treats medical care women need to prevent pregnancy less favorably than it treats medical care needed to prevent other medical conditions that are no greater threat to employees' health than is pregnancy."*

# The Contraceptive Issue

- If your plan allows coverage of lifestyle drugs, but excludes contraceptive coverage your plan is considered discriminatory



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*Healthy Living Programs*

# Basic Cost Cutting Strategies

- Absorb increased health care costs
- Pass all or portion of increase to participants
  - *Increase deductible requirements*
  - *Increase co-payment requirements*
  - *Increase coinsurance requirements*
  - *Increase contributions requirements*
  - *Increase prescription drug cost-sharing requirements*

# Preventable Causes of Death and Disease

- Preventable illness makes up 70% of all illness and associated costs
- Lifestyle choices account for 50% of deaths
- Lifestyle choices impact chronic conditions

# Preventable Causes of Death and Disease

- Approximately 129 millions US adults are overweight or obese
  - *\$69 to \$117 billion spent on obesity related illnesses per year<sup>1</sup>*
- More than 17 million Americans have diabetes, experts estimate that 6 million don't know they have it.
  - *\$132 billion spent on diabetes related illnesses per year<sup>1</sup>*
- More than 72 million need treatment for high blood pressure
  - *\$23 billion expected to be spent on high blood pressure medication in 2007<sup>1</sup>*
- More than 101 million have high cholesterol<sup>1</sup>
- More than ¼ of the US work-force smokes
  - *\$75.5 billion spent on smoking related health care costs<sup>1</sup>*
  - *Smokers cost on average \$1,300 more per year than non-smokers<sup>1</sup>*
- Job stress costs companies \$200-\$300 billion each year<sup>1</sup>

<sup>1</sup>HAP – Making the case for health care promotion presentation 2007

# Preventable Causes of Death and Disease

- For every 100 employees
  - *60 are overweight*
  - *60 are sedentary*
  - *50 have high cholesterol*
  - *25 smoke*
  - *24 have high blood pressure*

# Healthy Living Initiatives

## Michigan PA 413

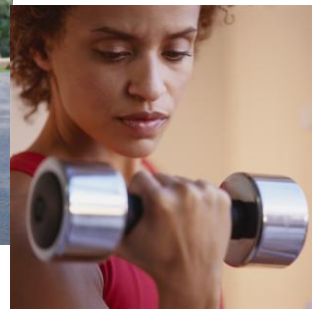
- Wellness coverage may provide
  - *Reductions for participation in:*
    - *Premiums*
    - *Co-payments*
    - *Coinsurance*
    - *Deductibles*
    - *Or any combination of these incentives*
  - *Rebates or reductions of premiums*
    - *Not to exceed 10% of paid premiums*
- HIPAA compliant
- ADA compliant

# Healthy Living Initiatives

- In it's infancy, health living initiatives requested voluntary compliance resulting in very small advancements
- Now employers are requiring compliance to achieve cost and behavior enhancing goals

# Healthy Living Initiatives

- Many health problems are preventable or manageable
  - *Promote participation in wellness program activities*
  - *Engage employees to use health care services more wisely*
  - *Increase accountability of employees to manage their own health*
  - *Improve employee health*



# Healthy Living Initiatives

- Employer cost savings from
  - *Increased cost-sharing for non-participants (short term savings)*
  - *Reduce claims cost (long term savings)*
  - *Reduce absenteeism*
  - *Increase productivity*



# Healthy Living Initiatives

## Return on Investment

- BCN
  - *Average ROI of \$6 for every \$1 spent (September 2006)*
- Motorola
  - *ROI of \$3.93 for every \$1 spent (May 2005)*
- HAP
  - *ROI of \$3 to \$8 for every \$1 spent (2007)*

# Other Wellness Initiatives

WellPoint	InTune – when members meet specified wellness goals they receive a pre-funded debit card for use for gym memberships, spa services, alternative care (e.g., massage)
United	Total Well-Being – on-line wellness resources and discounts on wellness products Health Management – on-line health records, email alerts, Healthy Pregnancy program, HRA, Health improvement programs
Cigna	Choice Fund - Allows employers to make contributions to employees health reimbursement accounts or health savings accounts for taking a health risk assessment or enrolling in a disease management program
Humana	MyHumana – HRA and health and wellness resources
Aetna	Aetna IntiliHealth – on-line wellness resources

# Other Wellness Initiatives

Priority Health	HealthbyChoice – on-line personal health education program that rewards members for making healthy choices
HAP	iStrive for better health – HRA and six lifestyle programs (weight, smoking, nutrition, stress, chronic disease, back pain); member can earn rewards (e.g., restaurant and merchant gift certificates)
BCBS Massachusetts	Blue Ribbon Personal Edge – gift certificates for completing an HRA, telephonic health coaches, self-care tools
BCBS North Carolina	Member Health Partnership – members earn prizes for physical activity (Blue Points)
BCBS Minnesota	BluePrint for Health – voluntary HRA, proactive member encouragement to participate in HRA follow up activities, participation tracking
BCBS Arizona	HealthBlueAZ – points system for employee participation in corporate wellness programs; redeemable for gifts
BS California	Healthy Lifestyles reward program – employers can offer a program that gives cash rewards to employee for engaging in healthy behaviors

# Healthy Living Initiatives

## Humana's Big Promises

- It works this way:
  - *If a company's health claims grow more than 6% to 9%*
    - *Targets set by employers, depending on their level of cooperation in wellness and health assessment programs*
  - *Humana reduces administration fees by as much as 40%*
- In return
  - *Companies must sign a 3-year contract*
  - *Agree to require employees to do yearly assessments of their health risks*
- Sample analysis
  - *A company with 472 employees spending \$3.8 million on medical claims would save \$1.8 million over three years, when claims expected to rise 15% were held to 6%*

# Healthy Living Cost Cutting Strategies

## BCN Healthy Blue Living

- First offered October 2006
- Designed to reward those who commit to healthier lifestyle choices
- Reduced premiums
- By 3/31/07 – 18,000 enrolled

# Healthy Living Cost Cutting Strategies

## BCN Healthy Blue Living

### The Six Aspects of Healthy Blue Living

- Alcohol use
- Blood pressure
- Blood sugar
- Cholesterol
- Smoking
- Weight

# Healthy Living Cost Cutting Strategies

## BCN Healthy Blue Living

Six High-Impact Health Measures	Questionnaire Wellness Targets	What Can I Do To Qualify for Enhanced Benefits if I Do Not Meet the Wellness Targets?
Alcohol Use (15 Points)	Consume less than 2 drinks per day on average and pass a physician-administered screening exam	Agree to follow treatment plan. Physician follow-up visit required.
Blood Pressure Control (15 points)	At or below 140/90	Agree to follow treatment plan. Physician follow-up visit required.
Diabetes Management (15 points)	Blood sugar at or below target	Agree to follow treatment plan. Physician follow-up visit required.

# Healthy Living Cost Cutting Strategies

## BCN Healthy Blue Living

Six High-Impact Health Measures	Questionnaire Wellness Targets	What Can I Do To Qualify for Enhanced Benefits if I Do Not Meet the Wellness Targets?
Cholesterol Management (15 points)	LDL-C below target (based on risk factors)	Agree to follow treatment plan. Physician follow-up visit required.
Smoking status (25 points)	Nonsmoker	Agree to enroll in BCN's free Quit the Nic smoking cessation program.
Weight (15 points)	Body Mass Index at or below 30. (Not sure what your BMI is? Calculate your BMI using a free tool available on the Healthy Blue Living member section of <a href="http://www.MiBCN.com">www.MiBCN.com</a> .)	Agree to participate in physician-supervised approved weight management program. Physician follow-up visit required.

# Healthy Living Cost Cutting Strategies

## BCN Healthy Blue Living

- One plan – two benefit levels
  - *Enhanced – lower co-payments and deductibles*
  - *Standard – higher co-payments and deductibles*
- Employees and spouses qualify for enhanced benefits as long as they're *committed to working toward better health*
- Even smokers who *commit to quit and maintain their commitment to quit by participating in the Quit the Nic program* qualify for enhanced benefits

# Healthy Living Cost Cutting Strategies

## BCN Healthy Blue Living

### Sample Plan Design:

#### The BCN – Enhanced Plan Benefits Include:

- \$20 office visit co-payment
- \$10 generic / \$40 brand name prescription drug co-payment
- \$75 co-payment for emergency room treatment
- \$35 co-payment for urgent care services
- 25% coinsurance for hospital and surgery services to a maximum of \$1,000 for an individual and \$2,000 for a family with no annual deductible requirement.

# Healthy Living Cost Cutting Strategies

## BCN Healthy Blue Living

Sample Plan Design:

The BCN – Standard Benefits Include:

- \$20 office visit co-payment
- \$15 generic / \$50 brand name prescription drug co-payment
- \$75 co-payment for emergency room treatment
- \$35 co-payment for urgent care services
- 30% coinsurance for hospital and surgery services to a maximum of \$1,500 for an individual and \$3,000 for a family *after* an annual deductible requirement of \$1,000 for an individual and \$2,000 for a family.

# Healthy Living Cost Cutting Strategies

## BCN Healthy Blue Living

Support services include:

- A health coach who works individually with members who request help
- BCN's free Quit the Nic smoking cessation program and Weight to Go weight loss program
- The full array of BCN's BlueHealthConnection programs
  - *Specialized programs to help members with many different chronic conditions, including rare and complex diseases*

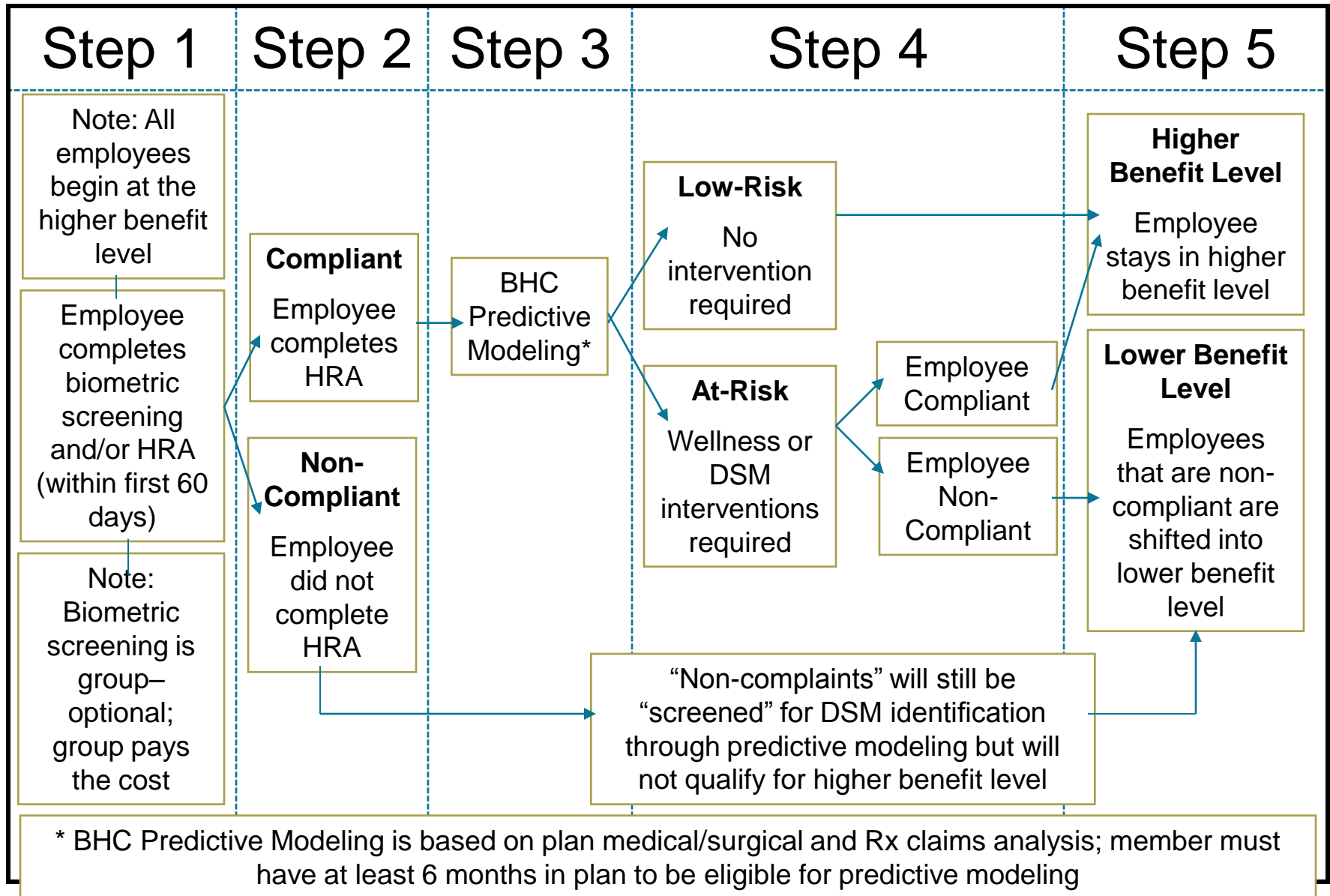
# Healthy Living Cost Cutting Strategies

## BCN Healthy Blue Living

Support services include:

- Web-based resources that offer tools your group members can use to manage and understand their health conditions
- Discounts on
  - *Weight Watchers memberships*
  - *Safety equipment*
  - *Alternative medicine*
    - *Massage therapy*
    - *Acupuncture*
    - *Nutrition counseling*

# PPO Healthy Living - Overview



# Healthy Living Cost Cutting Strategies

## Timing of Benefit Level Change

- Option #1  
Change effective year one/month six
  - *Year one: All employees begin year one in the higher benefit level and stay at that level for the first 6 months of the plan year*
  - *BHC determines compliance at month 6 of each plan year*
    - *Compliant employees stay in higher benefit level the remainder of the plan year and the first 6 months of subsequent plan year*
    - *Non-compliant employees switched to lower benefit level in month 6 of initial plan year and stay at this level for the remainder of the plan year and the first 6 months of subsequent plan year*
  - *Employees' compliance is measured each year with benefit level change (if applicable)*
- Option #2  
Change effective month one subsequent year
  - *Year one: All employees start in the higher benefit level for the 12 months of the first plan year*
  - *BHC determines compliance at month 12 of each plan year*
    - *Compliant employees stay in higher benefit level during subsequent plan year*
    - *Non-compliant employees begin and remain in lower benefit level in subsequent plan year*
  - *No benefit level changes occur during plan year*
  - *Employees' compliance is measured each year with benefit level change occurring in the plan year after measurement*

Note: In both options, employees are required to take the HRA and comply with wellness and DSM interventions (if applicable) each year to “qualify” for higher benefit level

	Step 1: July 2007	Step 2: July 2007 – August 2007	Step 3: September 2007	Step 4: September 2007	Step 5: October 2007 – July 2008	Step 6: January 2008 or July 2008	Step 7: July 2008
Group	Purchases wellness product	Optional: On-site biometric screening				Receives list of non-compliant employees and changes benefit level of employee	Start again at Step 2
Employee	All employees start in higher benefit level	Participates in biometric screening (if available) and completes HRA on-line			If at-risk – comply with BHC health interventions If no risks – no further requirements		Start again at Step 2
BHC		HRA completion reminders sent to employees	Reviews individual HRA results and performs predictive modeling to identify at-risk employees	Notifies at-risk employees that they are required to comply with wellness and/or DM interventions to continue to be eligible for higher benefit level	Performs health interventions and compliance monitoring	Identifies non-compliant employees and sends list to Group (and Plan) NOTE: if Option #1 then this step occurs at the end of 6 months – If Option #2 then at the end of 12 months	Start again at Step 3
Plan	Enroll Group; all employees start in higher benefit level					Receives list of non-compliant employees from BHC	
Gordian/ Retail Health		Performs on-site biometric screening, at Group expense					Start again at Step 2

# Healthy Living Cost Cutting Strategies

## Timing of Benefit Level Change Pros & Cons

### Option #1 Pros:

- Year one cost savings resulting from shifting non-compliant employees into lower benefit level (six months into benefit year)
- Employee “penalty” for non-compliance is effective in month 6 which may increase effectiveness when compared to a 12-month delayed penalty

### Option #1 Cons:

- Group has only 6 months to provide employee communications and to “transition” into new product before “penalty” is applied to non-compliant employees
- Benefit level changes at month 6 results in added administrative complexity
- BHC has only three months to assess at-risk employees’ compliance

### Option #2 Pros:

- Group has 12 months to provide employee communications and to “transition” into new product
- No mid-year benefit level changes results in administrative simplicity
- BHC has approximately 9 months to assess at-risk compliance

### Option #2 Cons:

- No year one cost-savings resulting from shifting non-compliant employees into lower benefit level
- Employee “penalty” is delayed until year 2 which may decrease effectiveness when compared to an “immediate” penalty