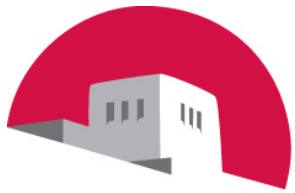


# UNM Medical Plan Update



UNM

HUMAN RESOURCES

# Varying Perspectives on Health Care Costs

High and rising costs are...

1. Not such a serious problem.
2. A problem, but they are created by factors external to the health care system.
3. Caused by the absence of a free market; the remedy is to give patients more responsibility for costs of care and to encourage competition among health insurers and providers.

# Varying Perspectives on Health Care Costs

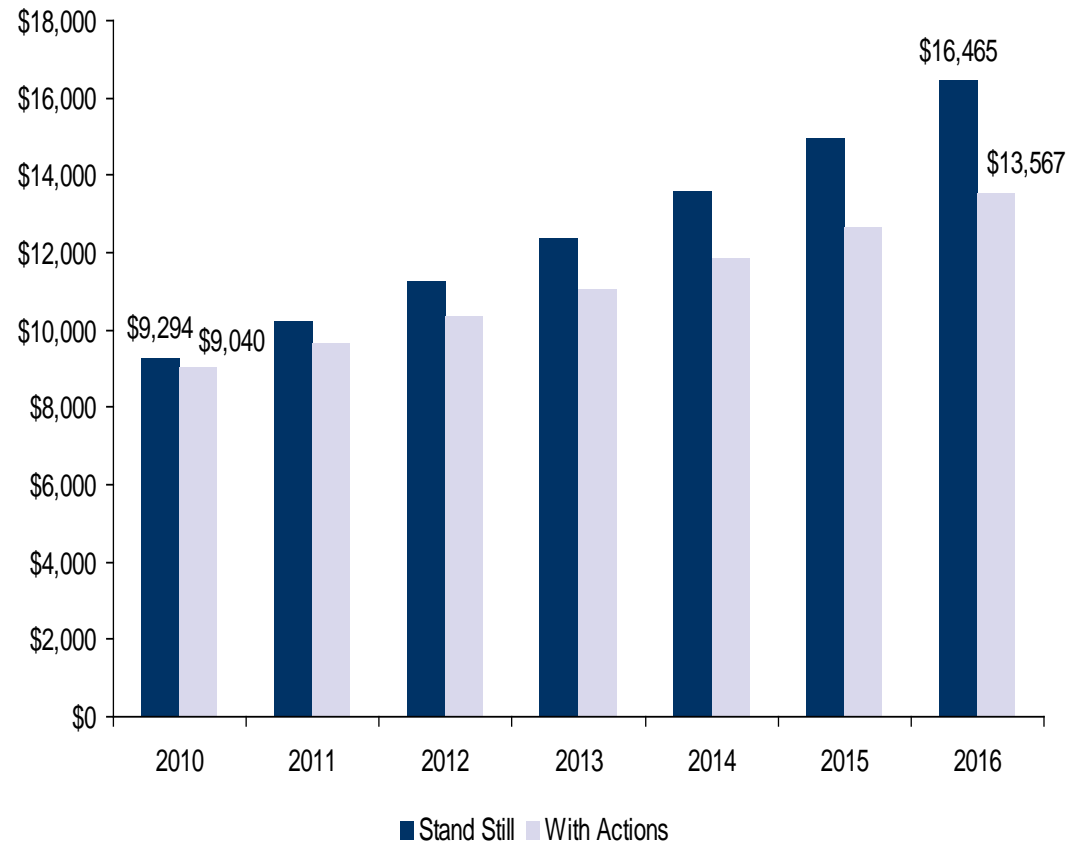
4. Result from medical technologies creating innovation in the diagnosis and treatment of illness.
5. In part the result of excessive costs of administering the health care system.
6. Explained by the absence of strong cost-containment measures.
7. Are the result of the market power of health care providers.

\* Annals of Internal Medicine May 2005

# The Realities in the Wake of Health Reform

- This is just the beginning
  - Regulatory guidance and additional legislation will continue
- Without aggressive action, employer health care costs will increase 60% in the next five years
  - The era of the copay is over
  - Employers will be requiring more of their employees
  - Some will move towards defined-contribution approach in health care or stop offering it all together

Annual gross trend of 10% per year; net trend of 7% per year



# Going Forward - Employer Costs Will Rise 60% on a “Stand Still” Basis



## Upward Pressures

- Demographics
- Obesity-related chronic illness—including children
- New therapies and technologies
- Cost shift from Medicare / Medicaid
- Industry fee pass-throughs
- New coverage provisions
- Individual mandate



## Downward Pressures

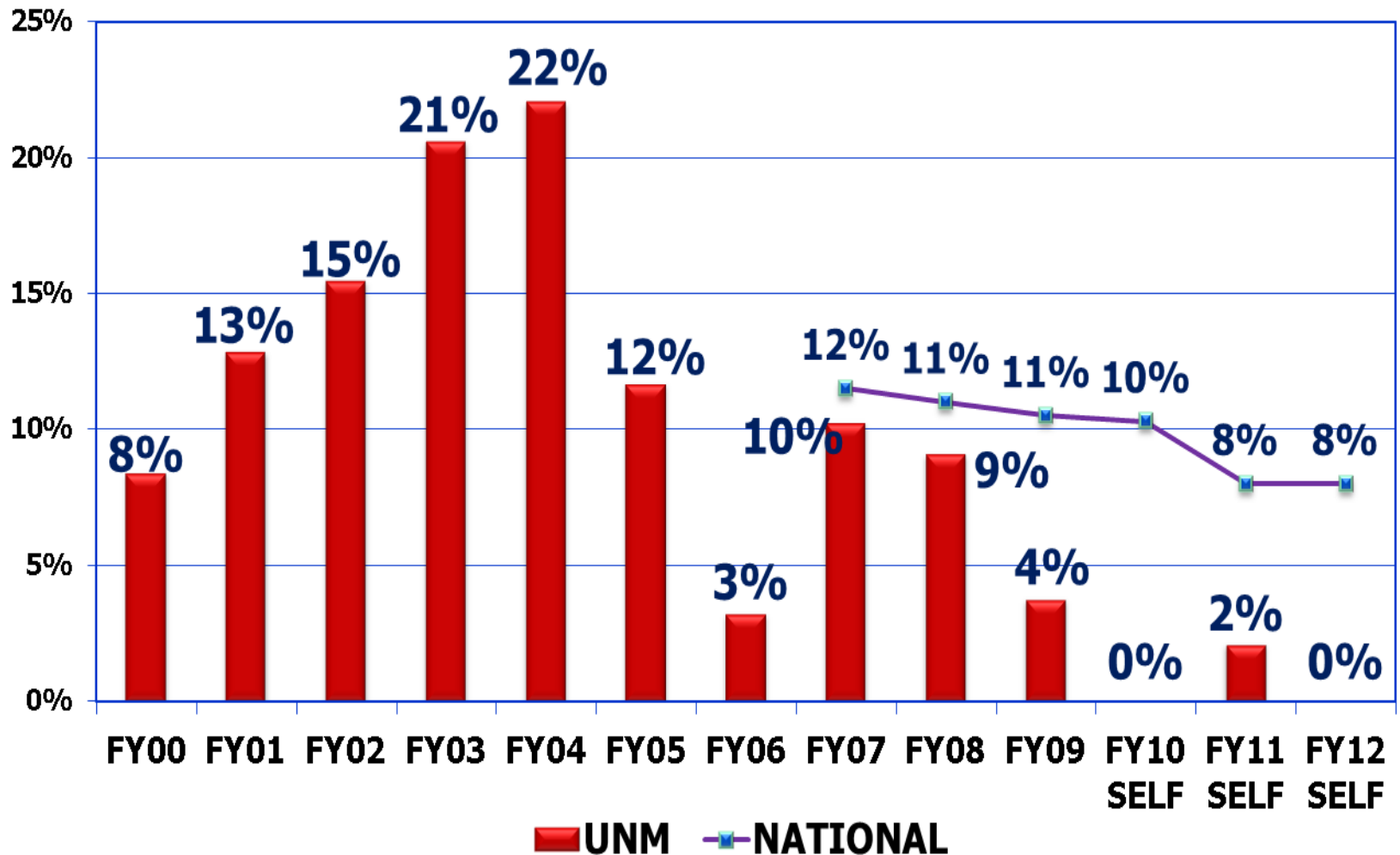
- Plan design
- Discretionary purchasing
- Brand drug patent expirations
- Investments in health

# UNM's Challenges

- Average employee age ~ 50
- Under age 65 Retirees in active pool
- Healthcare Reform increased costs by ~ 1.5%
- UNM prescription drugs costs nearly 20%
  - National norm is 15%-18%
- Choice of networks & providers
- Self-funded plan has matured

Bottom Line: Costs Increased 117% from FY 2000-FY 2009

# CHANGE IN AVERAGE PREMIUM



# How We've Dealt With Rising Costs: Past Cost Mitigation Strategies

- FY 2010
  - Self-insured
  - Carved out prescription drug coverage
- FY 2011
  - Dependent Eligibility Audit
  - Reserve funds
- FY 2012
  - Plan design changes
  - One-time Early Retiree Reinsurance Program funds
  - Reserve funds
  - Retiree Health Care Task Force



# UNM FY 2012 Projected Costs

Medical Claims Costs	\$42,874,000
Pharmacy Claims Costs	\$10,210,000
ASO Fees & Costs	\$ 3,592,000
Stop Loss Insurance	<u>\$ 1,619,000</u>
Total Health Plan Costs	\$58,295,000

# UNM FY 2012 Funding

FY12 Premium Base \$55,000,000

ERRP Funding \$ 451,440

Pharmacy Rebate \$ 173,321

Health Reserve \$ 2,670,239

Total Health Plan Costs \$58,295,000

# UNM FY 2013 Projected Costs

Medical Claims Costs \$45,135,000

Pharmacy Claims Costs \$10,755,000

ASO Fees & Costs \$ 3,820,000

Stop Loss Insurance \$ 2,054,000

Total Health Plan Costs \$61,764,000

# UNM FY 2013 Funding

FY12 Premium Base \$55,000,000

Interest Earnings \$ 100,000

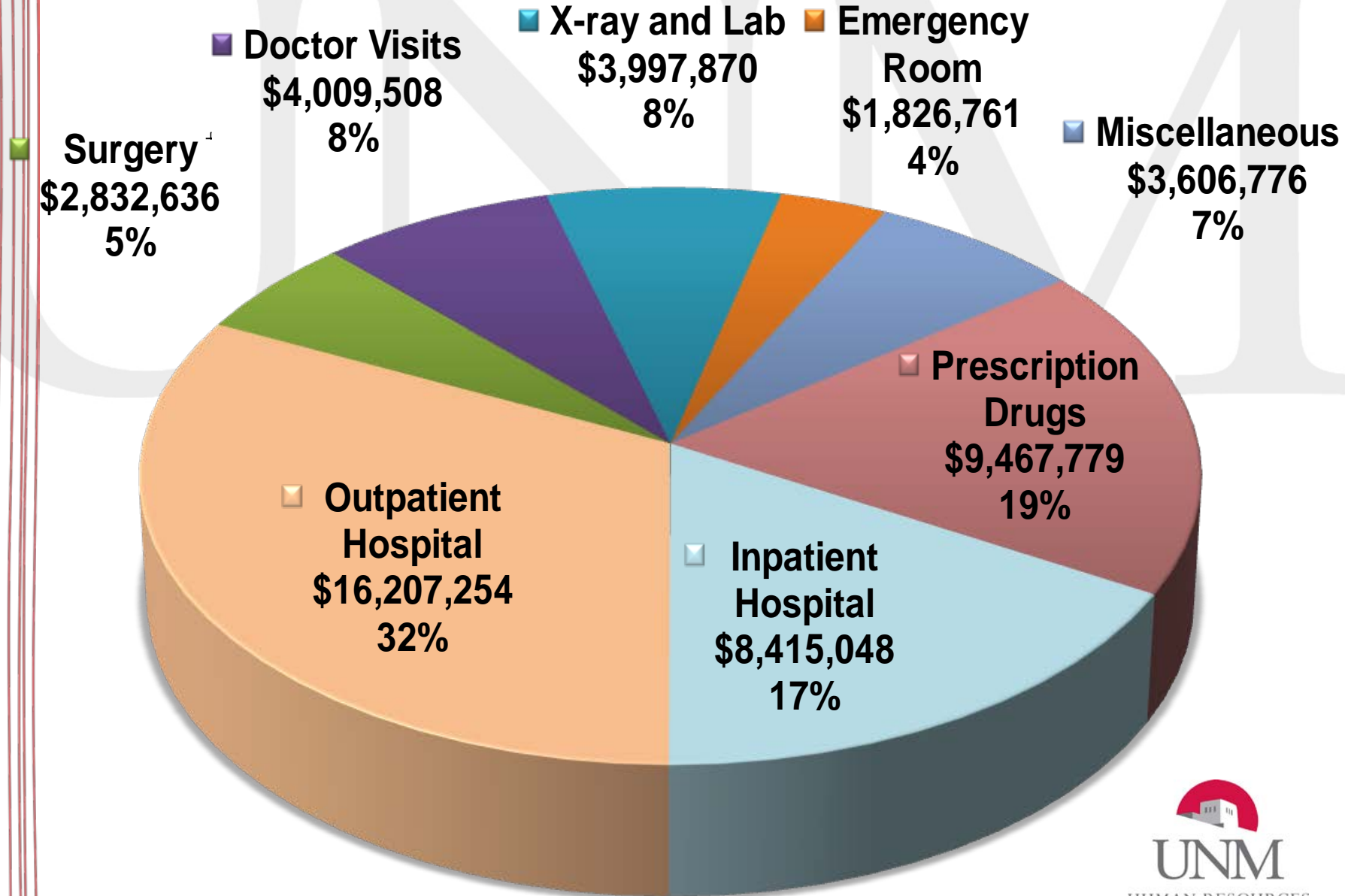
ERRP Funding ? \$ 400,000

Total Available Funds \$55,500,000

Total Health Plan Costs \$61,764,000

Projected Gap \$ 6,264,000

# UNM Medical Plan Claims Costs



# THE FUTURE OF THE UNM HEALTH PLAN

- Promote Health and prevent disease using Personal Health Assessments
- Evaluate High Deductible Health Plans
- Complete medical and prescription drug RFP
- Encourage use of mail order for prescriptions
- Enhance specialty drug management
- Evaluate cost of choice
- Balance cost-sharing strategies: premiums, deductibles, co-pays, co-insurance
- Evaluate contribution tier structure

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# Questions