

Health Benefit Advisory Committee

July 1, 2006 Report

FY 2005-2007 CBA Section 19.8.2

19.8.2. Health Benefit Advisory Committee: There shall be a health benefit advisory committee composed of four members appointed by the Employer, one of whom shall be the Manager of Employee Relations, and four members appointed by the Association, one of whom shall be the Contract and Field Operations Administrator.

- a. The purpose of the committee is: (1) to advise the Employer on all issues related to the purchase and administration of health benefit plans authorized or required by this agreement; and (2) to make recommendations to the Employer for changes in benefit design, utilization management, and/or provider payment policies that will preserve the continued viability of the health plan by limiting the growth in claims costs while improving the quality of care, including, but not limited to, recommendations concerning health education, wellness incentives, incentives to utilize “centers of excellence” or more efficient providers, preventive medical services, case management, disease management, high-risk intervention, aligning provider payment policies with quality improvement, and providing consumer information on treatment alternatives and provider cost-effectiveness.
- b. The committee shall be entitled to receive any information relevant to its mission and which is not confidential.
- c. The Employer shall make available to the committee such expert advice and assistance as is reasonably necessary to accomplish its mission.
- d. The Employer shall consider the reports and recommendations of the committee on issues related to the purchase and administration of the health benefit plan before making final purchasing decisions, provided that the reports and recommendations are timely filed.
- e. The Employer shall consider the reports and recommendations of the committee on issues related to claims costs and quality of care before making proposals for health benefit plan changes in renegotiation of this Agreement, provided that the reports and recommendations are filed by July 1 of even-numbered years.
- f. The Committee shall meet at least quarterly.
- g. The Employer and the Association shall receive a copy of any report or recommendations prepared by the Health Benefit Advisory Committee.

Health Benefit Advisory Committee

July 1, 2006 Report

Wellness Brochure

A TV sitcom lasts 30 minutes. A pizza is delivered in 30 minutes. A typical laundry wash cycle takes 30 minutes. There are 336 30-minute blocks of time in a week. The American Heart Association recommends that the average person exercise for 4 to 14 of those 336 blocks of time each week to maintain cardiovascular fitness.

*Explore our new
State of
New Hampshire
Wellness Website!*

<http://admin.state.nh.us/wellness/>

It doesn't much matter why people exercise - for health, weight control, or stress relief. For all of these reasons and more, make exercise a part of your daily routine. The key to a new exercise program is to start slow. You'll feel better through daily exercise...so get moving.

Did you know that State employees have access to the following wellness programs and product discounts:

- Stress Management
- Exercise Programs
- Weight Management and Nutrition
- Vision and Hearing Care
- Tobacco Cessation
- Alternative Medicine
- Mind/Body Programs
- Vitamins, Health and Wellness Products
- Healthy Lifestyle Products

For more information, contact either of the following:

State of New Hampshire
Employee Assistance Program
(800) 852-3345, ext. 4436

CIGNA HealthCare
(888) 642-4462



Exercise & Fitness



Nutrition & Weight Management



Emotional Well-Being



This program has been developed through a partnership between the State of New Hampshire and the NH State Employee's Association (SEA), SEIU Local 1984.





May 31, 2006

Dear State Employee:

As Governor, the health of our state employees is important to me. First because I want all of New Hampshire's state employees to be able to enjoy the highest quality of life. Second, because healthier employees provide better service to the citizens that we are all dedicated to serving. Finally, because helping New Hampshire employees stay healthy is critical to controlling health care costs, which is important to our employees and New Hampshire's taxpayers.

We formed the Health Benefits Advisory Committee to bring together state officials and state employees to analyze the health care needs of state employees. This committee has been hard at work over the past several months reviewing and analyzing data, and seeking information and ideas from other states and large health plans.

Based on this review, it is clear that we need to focus more than ever on the health and well-being of our employees. Promoting health and encouraging healthy lifestyles can make a significant difference in the long-term health of our state employees and retirees and is one important way we can address the escalating cost of health benefits.

More importantly, we believe that promoting health and wellness is directly related to the quality of life we desire for our employees, their families and the people of the State of New Hampshire.

Sincerely,

John H. Lynch
Governor

State of New Hampshire

By His Excellency

John H. Lynch, Governor

EXECUTIVE ORDER NUMBER 2006-7

An Order Relative to State Employee Wellness

WHEREAS, the overall health and wellness of New Hampshire state employees is important to their quality of life as well as to their service to the citizens of our State; and

WHEREAS, promoting healthy lifestyles and physical fitness for state employees, retirees and their dependents will improve their health and wellness; and

WHEREAS, the Health Benefits Advisory Committee was created by the 2005-2007 Collective Bargaining Agreement and consists of eight members, including four members from the State Employees Association and four members from the State of New Hampshire management team; and

WHEREAS, the State of New Hampshire in partnership with the State Employees Association, intends to implement a comprehensive wellness program that will continually support and assist state employees, retirees and their dependents in achieving greater health and wellness.

NOW, THEREFORE, I, JOHN H. LYNCH, GOVERNOR OF THE STATE OF NEW HAMPSHIRE by the authority vested in me pursuant to Part II, Article 41 of the New Hampshire constitution, as Governor of the State of New Hampshire do hereby order as follows effective immediately:

1. All executive departments and agencies shall support the efforts and goals of the Health Benefits Advisory Committee and its workgroups.
2. The Health Benefits Advisory Committee and its workgroups shall identify community partnerships, state agency resources and health coverage vendor resources that can:
 - a. Create or improve wellness programs for state employees, retirees and their families;
 - b. Provide consensus on measurements to gauge the effectiveness of wellness initiatives;
 - c. Identify models and opportunities for on-site wellness programs; and
 - d. Provide feedback for state agency health and wellness programs.
3. The Health Benefits Advisory Committee and its workgroups shall oversee the communication and promotion of wellness programs and events to state employees and retirees, which communication may consist of web pages devoted to the state wellness programs, informational mailings and statewide electronic transmissions, among other methods.
4. Each agency head shall identify and appoint a Wellness Coordinator to spearhead that agency's efforts and to serve as the agency's liaison to the state wellness program. Each agency shall offer its expertise and cooperation to assist in educating all state employees on healthy lifestyles and wellness models.
5. All state employees and retirees are encouraged to participate in the Foundation for Healthy Communities' WalkNH program and in any future offerings of the state wellness program, including the promotion of the state Employee Assistance Program, existing wellness services available through the state employee and retiree health benefits program as well as such programs offered to employees by individual state agencies and departments.



Granted under my hand and seal at the Executive Chambers in Concord, this 6th day of June in the year of our Lord, two thousand and six.

Governor of New Hampshire

Health Benefit Advisory Committee

July 1, 2006 Report

CIGNA 3/7/06 Presentation

**Calendar Year 2005
Medical Metrics Update**

The State of New Hampshire

March 7, 2006



Your
Health
is Our Business

Agenda

- Review updated metrics – Active HMO and POS members:
 - ◆ Demographics
 - ◆ Medical Payments
 - ◆ Top Diagnostic Categories
 - ◆ Emergency Room
 - ◆ Employee Cost Sharing

The time period used to assess performance in this presentation is:

- ◆ 1/1/2005 – 12/31/2005 paid claims

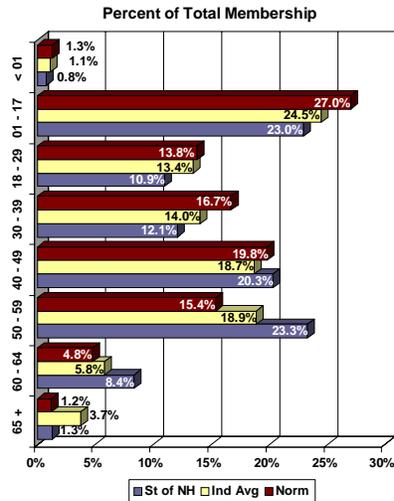
The data points used to assess performance in this presentation are:

- ◆ St of NH – the plan's claim results
- ◆ Ind Avg – average of other municipalities in the Northeast area
- ◆ Norm – average of the CIGNA Book of Business for the applicable products



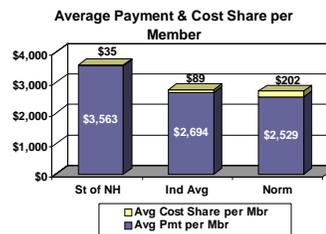
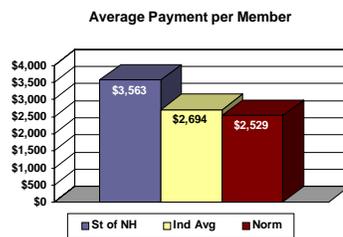
Member Demographics

- The age band breakdown for the group remained stable for calendar year 2005
- The State of New Hampshire maintained 53% of the covered population age 40+, while CIGNA industry average increased slightly to 47% and our norm remained at 41%
- The 40+ age group again accounted for 72% of medical costs for the year
- Actuarial expectations based on the group's age band breakdown still predict incurred medical costs well above the norm



3

Payment Trend

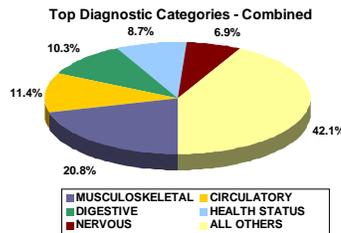
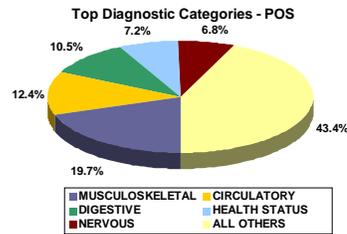
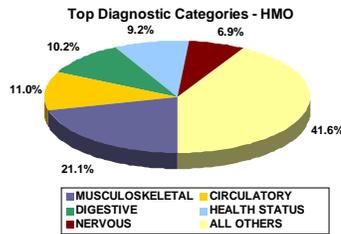


- Medical costs for the State of New Hampshire during the calendar year totaled just over \$114.6 million
- The plan's medical payment per member exceeded industry average by 32% and norm by 41% for the calendar year
- Medical payments were again higher due to a more severe mix of illnesses versus industry and national averages



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Top Diagnostic Category Comparison

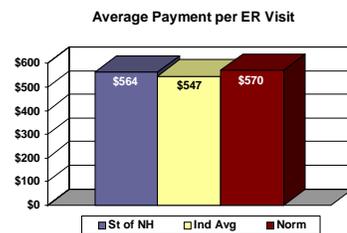
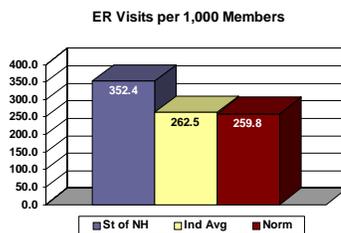


- The Diagnostic Category distribution was nearly identical to the prior plan year results
- Normative Top 5 Categories for Managed Care products are:
 - ◆ Musculoskeletal (16.7%)
 - ◆ Circulatory (12.3%)
 - ◆ Digestive (9.8%)
 - ◆ Nervous System (7.0%)
 - ◆ Health Status (6.7%)



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Emergency Room Statistics



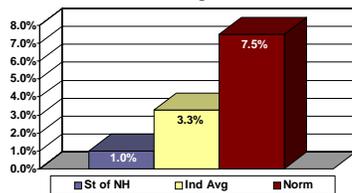
- ER usage exceeded industry average by 34% and national norm by 36% during 2005
- Average payment per ER visit was very close to the normative value and exceeded industry amount by only 3%
- Educational efforts concerning the use of the 24hr Health Information Line may help to improve a member's potential ER experience
- 113 member calls were placed to the 24hr Health Information Line during all of 2005



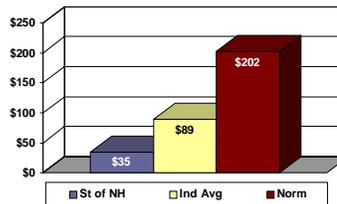
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Employee Cost Sharing

Cost Sharing as Percent of Covered Charges



Cost Sharing per Member



- Cost sharing measurements on the plan remained substantially below industry average and normative values
- On a per member basis, cost sharing totaled \$35, 61% below industry average and 83% below national norm
- The members share of claims for the calendar year was approximately 1%
- The \$167 difference in cost share per member between the State of New Hampshire and norm equates to approximately \$5.3 million in spending



Health Benefit Advisory Committee

July 1, 2006 Report

LGC Medco 2/17/2006 Presentation (Selected Pages)



State of New Hampshire

Prescription Drug Program Review
September through December 2005

February 17, 2006

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2005 Flu Vaccine Program

Statistics

- Projected total number of employee's participating = 3,353
- Total number of participants = 2,418
- Total number of clinics held = 39
- Total number of Departments participated = 84

2005 Health & Safety Education

Workshops completed

- Participated in NH Hospital's Annual Wellness Fair
 - 503 people in attendance
 - Implemented Omron Body Fat Monitor and Simulated Smoker's Lung demonstration
- Nutrition 101 at the Public Utilities Commission

Workshops & Screenings Scheduled

- Women's Health, DOC, Berlin
- Nutrition 101 & Omron Body Fat Monitor, Department of Education
- Fitness 101 & Grip Strength Screening, Department of Education
- Stress Management & Simulated Smoker's Lung Demonstration, Department of Education



Internet Utilization

Internet statistics include The Local Government Center and State of New Hampshire data.

2005 (Sept- Dec)

- Internet contact penetration rate: 57%
- Internet RX order penetration rate: 47%

Total Number of Registered Users**: 13,726					
Transaction Type	September-05	October-05	November-05	December-05	YTD Total
Order Status	8,992	7,680	9,067	9,473	35,212
Refills	3,024	2,795	3,624	3,978	13,621
Renewals	769	562	753	856	2,940
ARND	64	51	61	89	265
OTC Order	30	19	19	32	100
Pharmacy Locator (by zipcode)	1,383	284	160	150	1,977
Envelopes, Forms, Temp Id	1,734	1,575	1,887	1,707	6,903
Claim Form Request	23	12	13	13	61
Drug Information	794	547	678	649	2,668
Account Summary	665	621	733	966	2,985
Credit Card Payment	782	602	839	945	3,168
800# Request	47	29	32	41	149
Formulary	314	150	122	113	699
Flex Spending	160	183	810	1,327	2,480
Doctor Kit	48	34	47	38	167
Benefit Overview	625	316	360	288	1,589
Registration	1,815	868	809	675	4,167
Session	9,312	7,902	9,918	10,494	37,626
Profile Update	2,095	1,264	1,418	1,459	6,236
Address Change	162	132	179	149	622
Online Password Reset	249	223	270	332	1,074
Rx History (12 months)	1,380	1,245	1,638	1,965	6,228
Drug Coverage Pricing	1,171	766	615	459	3,011
Consumer Funded	0	0	0	0	0
Medicare	0	0	0	0	0
Interactive Tools	16	6	5	10	37
TOTAL TRANSACTIONS	35,654	27,866	34,257	36,208	133,985
Internet Contact Penetration Rate*	53%	54%	56%	58%	57%
Internet Rx Order Transactions	3,857	3,408	4,638	4,923	16,826
Internet Rx Order Penetration Rate*	46%	46%	47%	44%	47%

* - Penetration rates based on Customer Service channels only (i.e. Phone, IVRU and Internet). These rates do not include prescriptions received in the mail.

** - Total Number of Registered Users as of 1/13/2006

Note: This report is based on total transactions. Total Internet transactions will not match the Mail Service & Internet Utilization Summary report which is based on savings transactions, see Internet Penetration Rate definition below for details.



Health Benefit Advisory Committee

July 1, 2006 Report

Segal 11/14/05 Presentation

IMPROVING HEALTH PLAN PERFORMANCE: *The Next Generation*

Presentation to:
Health Benefit Advisory Committee

Concord, NH
November 14, 2005

Presented by:
Andrew D. Sherman



Discussion Overview

- What's driving health care costs?
- A three-pronged approach to cost management strategies
- Understanding your plan's own data and how this can be used to create specific cost savings and maximize participant benefits
- Create a long-term strategy to improve health plan performance, while advocating to protect participants



Is Medical Insurance Affordable?

➤ Health Insurance as a percent of wages

- 1960 = 1.1%
- 2004 = 10.2%
- 2004 (U.S. state & local gov't employees) = 14.1%

(Source: EBRI)

➤ Number of Americans spending more than 25% of their income on medical costs

- 11.6 million in 2000
- 14.3 million in 2004

(Source: Families USA)

➤ Average family health premium

- 1999 ≈ \$5,000
- 2004 ≈ \$10,000

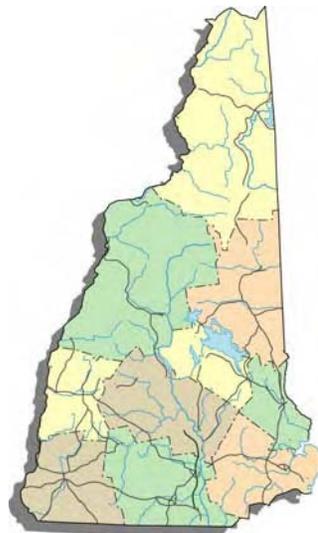
➤ The cost of family health insurance is rapidly approaching the gross earnings for full time minimum-wage worker. (Source: Kaiser Family Foundation)



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A few background facts

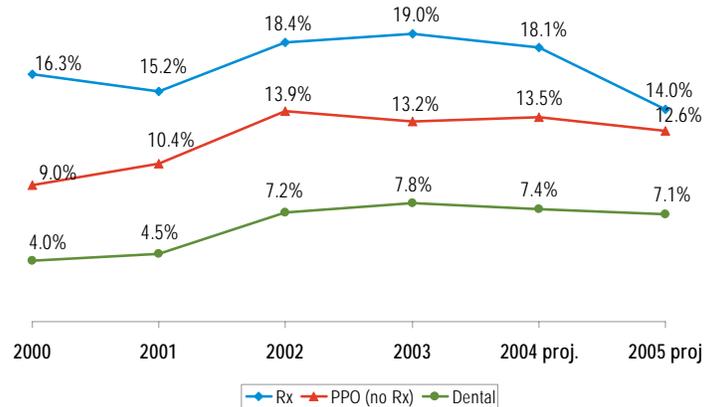
- No national solution on the horizon
- Costs continue to increase
- Recent changes in State Health Plan
- Costs of Health Plan are continuing to increase as a percentage of payroll



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Trend History and Forecasts for 2005

ANNUAL INCREASE IN PER CAPITA CLAIMS COST (PMPY)



Health care costs will likely continue to grow faster than worker's income in the foreseeable future.

Source: Segal Health Plan Cost Trend Survey.

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Drivers of Health Trend & Inflation

- Aging workforce
- Behavior (obesity, smoking, stress)
- New technology
- Treatment/price inflation
- Drug promotion
- Over-utilization of services
- Litigation, fraud, abusive practices
- Defensive medicine
- Cost-shifting by providers from uninsured and underinsured



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Current Issues Affecting Health Plan Costs



- Medical trend rates are increasing at 3 to 5 times the rate of wages
- Rx & hospital costs generate highest rates of increase
- DTC Ads spur utilization
- Provider consolidation (negotiating greater reimbursement rates)
- Plan sponsors unwilling to restrict access
- Regulations complicate benefit programs
- Aging/Obese population escalate need for medical services

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Unfortunately, There Are No Easy Fixes

- Plan Sponsors are feeling immediate pressure to control costs
- Effective strategies require focused, long-term planning
- Current trend of significant participant cost-sharing is not sustainable
- There is a lack of access to information on medical quality and costs
- Affordability of cost sharing varies by participant



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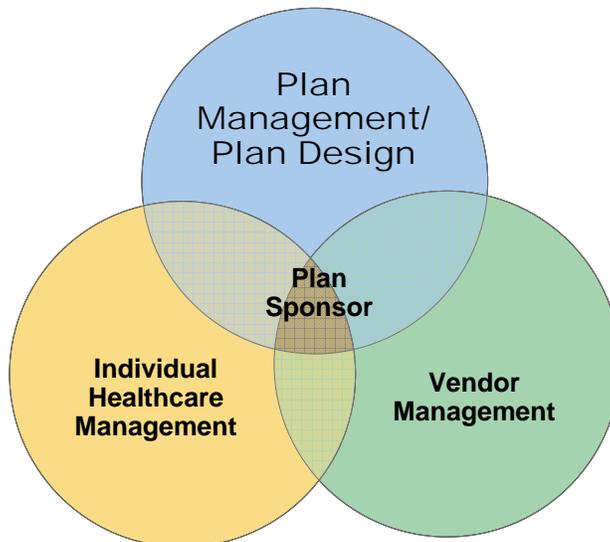
Sample Questions Regarding Key Cost Drivers

- Are co-pays and cost sharing steering claimants to cost effective therapies, treatments and settings?
- Is Plan continuing to get optimal vendor discounts?
- Which major conditions and illnesses consume the greatest portion of claim costs?
- Are there atypical claim patterns around specific illnesses or providers?
- Do the current plan design rules direct participants to the most effective health care facilities and treatments?
- Does coverage lack adequate controls to temper fraud and abuse?
- Does the plan discourage proper treatment because of excessive amounts of participant cost sharing that exceed their ability to pay?
- What tools and programs are being provided to participants to help them manage chronic conditions, improve health, become knowledgeable of all treatment options and improve compliance with effective treatment protocols?



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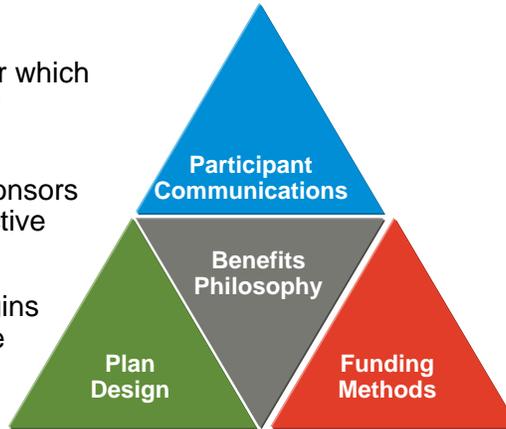
Segal's Three-Pronged Approach to Health Care Cost Management Strategies



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Plan Management/Plan Design: Strategies

- These are the strategies over which plan sponsors have the most control
- Unfortunately, many plan sponsors are more reactive than proactive in considering these
- A well-designed strategy begins with a clear articulation of the overall benefits strategy



What is the overall benefits philosophy and how well do your plan design, funding methods and communications support it?

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Plan Management/Plan Design:



- Understand participant contribution strategy
- Determine appropriate levels of patient cost sharing
- Set effective financial differentials between treatment options and settings
- Create network incentives (e.g., identify best value providers and waive participant co-pays if used)
- Modify coverage for abused and ineffective treatments

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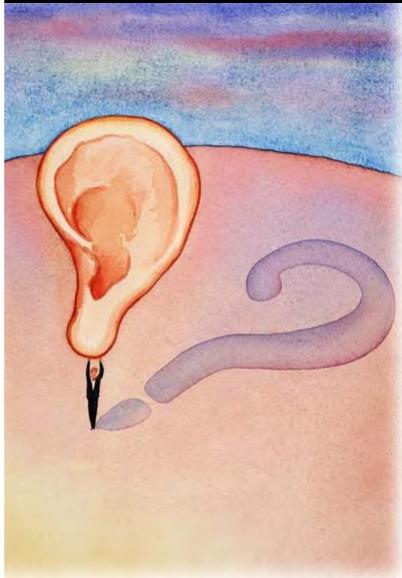
Plan Management/Plan Design:



- Improve benefits where the value will reduce long-term complications (e.g., pay for diabetic supplies, peak flow monitors for asthmatics, weight loss programs)
- Set appropriate limits on participant out of pocket costs
- Tighten exclusions and limitations where appropriate
- Ensure the plan is paying claims according to the design rules you set
- Improve COB and subrogation efforts

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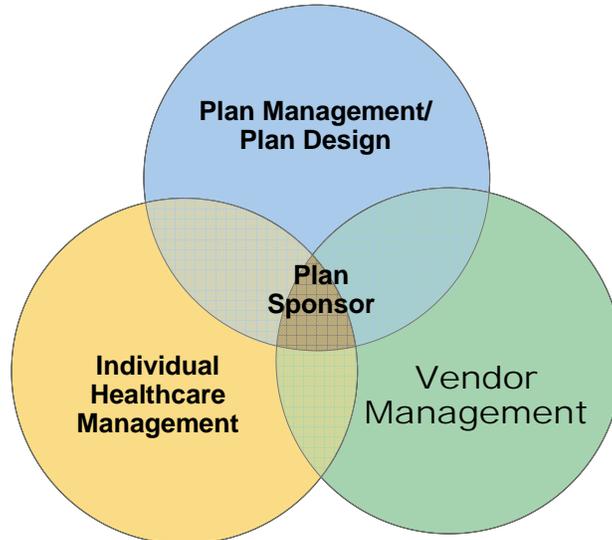
Plan Management/Plan Design: *Communications Considerations*



- How well do participants understand the true costs of health benefits?
- How well does the Plan understand plan participant preferences and specific concerns about your health benefits?
- To what extent should messages come from the Plan versus your health plan vendors?
- How do plan participants prefer to get information (e.g., paper, phone, internet, in person)?
- What messages should be communicated about individual responsibility?
 - Different groups of participants need different methods (e.g., active versus retirees)

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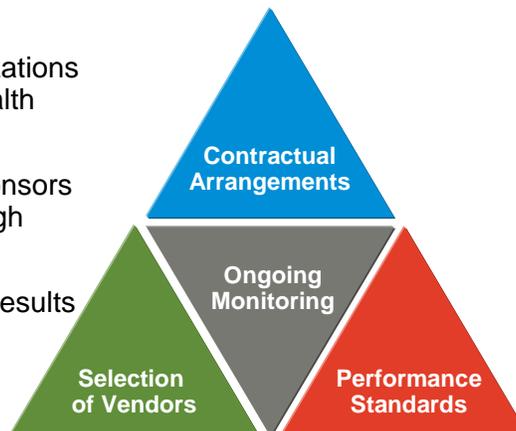
Segal's Three-Pronged Approach to Health Care Cost Management Strategies



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Vendor Management: Strategies

- The goal is to optimize the performance of those organizations supporting the delivery of health benefits to participants
- Unfortunately, many plan sponsors don't raise the bar high enough for health plan vendors
- Use data to monitor vendor results and negotiate optimal terms



Ongoing collaboration between the plan sponsor and health plan vendors is essential to management of health plan performance.

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Vendor Management Strategies

Essential Vendor Management Strategies

- Partner with vendors with commitment to keeping cost down and evidenced of lower trend rates
- Consider restricting network provider panels
- Negotiate non-claim operating expenses
- Establish meaningful performance guarantees and monitor
- Consolidate options and risk pools when appropriate
- Implement cost effective decision support tools and member services—leverage technology



Vendor Management:

- Audit vendor performance to make sure proper plan rules and co-pays where applied
- Establish meaningful performance guarantees and monitor
- Measure performance with respect to:
 - Transactional costs
 - Provider Fee Increases
- Implement cost effective decision support tools and participant services—leverage technology
- Upgrade technology to flag abusive providers, up-coding problems, duplicates, etc.
- Vendors should profile providers and question abusive practices

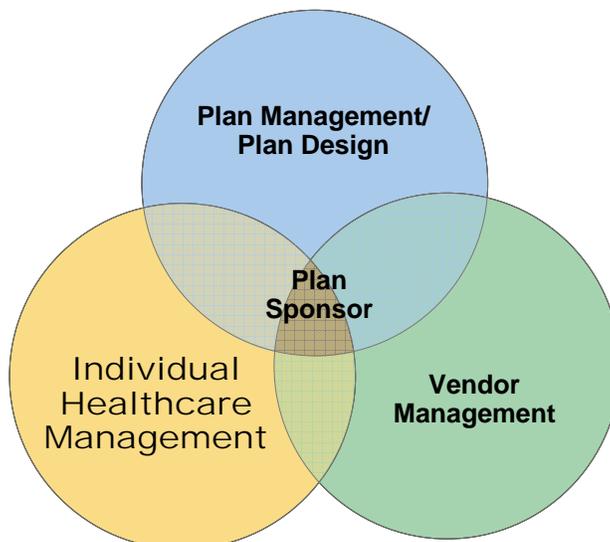


Hospital Variance in Cost and Quality

➤ Report on Coronary Artery Bypass Surgery (Leapfrog) – Denver, CO

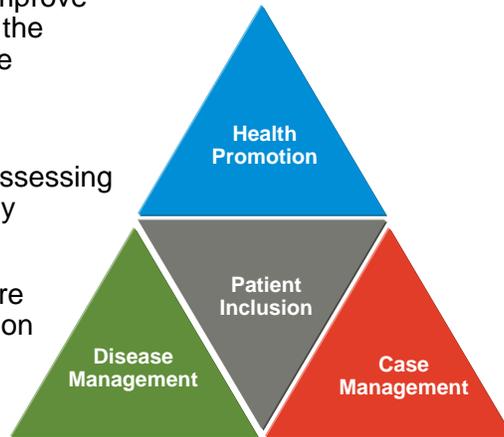
Name	Rank	Patients per Year	Mortality	Compl	LOS	Cost
Memorial Hospl CO Springs	1st	1st	1st	3rd	1st	1st
Poudre Valley Hospital	2nd	2nd	2nd	1st	5th	4th
Centura/Penrose St Francis	3rd	3rd	3rd	5th	2nd	3rd
Centura Health-Porter Advl	3rd	5th	4th	2nd	3rd	2nd
Presbyterian/St Luke's	5th	4th	5th	4th	4th	5th

Segal's Three-Pronged Approach to Health Care Cost Management Strategies



Individual Health Management: Strategies

- > These strategies are used to improve the underlying health status of the population, improve health care quality and promote efficient use of resources
- > Plan sponsors have difficulty assessing which of these programs is truly effective
- > Data will be needed to measure effectiveness of health promotion and wellness, from a baseline
- > Predictive modeling can be used to increase compliance and lower treatment costs long-term



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Impact of Chronic Disease on Health Plans



FACTS

- > 45% of Americans live with at least one chronic disease
- > 14% of Americans have two or more chronic diseases
- > 60% of the average Plan Sponsor total medical costs derived from people with:
 - Diabetes,
 - Asthma
 - Congestive heart failure
- > Chronic disease produces:
 - Complex outpatient care
 - Increased prescription drug needs
 - Increased emergency room and urgent care use
 - Increased hospitalization (frequency and duration)
 - Increased skilled nursing facility, home health and hospice use
 - Increased disability (sick time, loss of productivity)
 - Reduced independence
- > Not maintaining healthy lifestyle behaviors (such as smoking, lack of regular physical activity, improper nutrition, obesity, poor oral health) contributes 50% to an individual's health status

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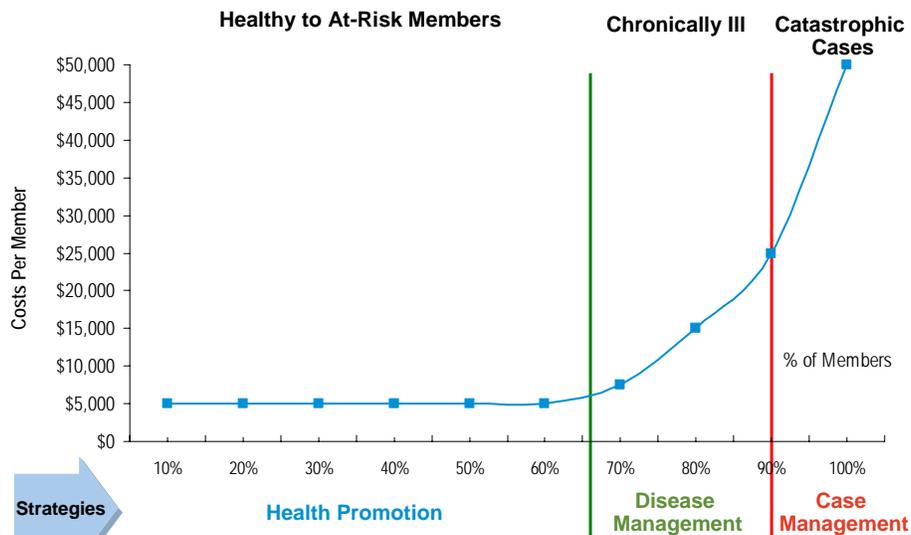
Be Prepared For An Uphill Battle

- No pain / No gain—Change takes effort and creates trauma
- We've spent the last 30 years training employees not to think about managing their own health care
- Undoing the managed care plan mentality will take an extended period



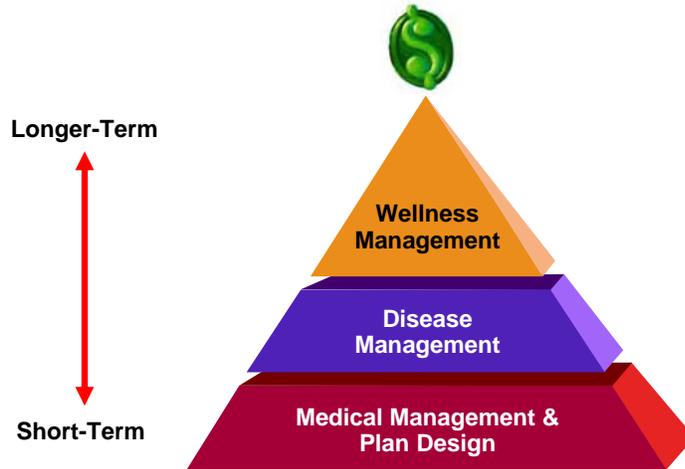
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Individual Health Management Strategies: Understanding the Health Care Cost Continuum



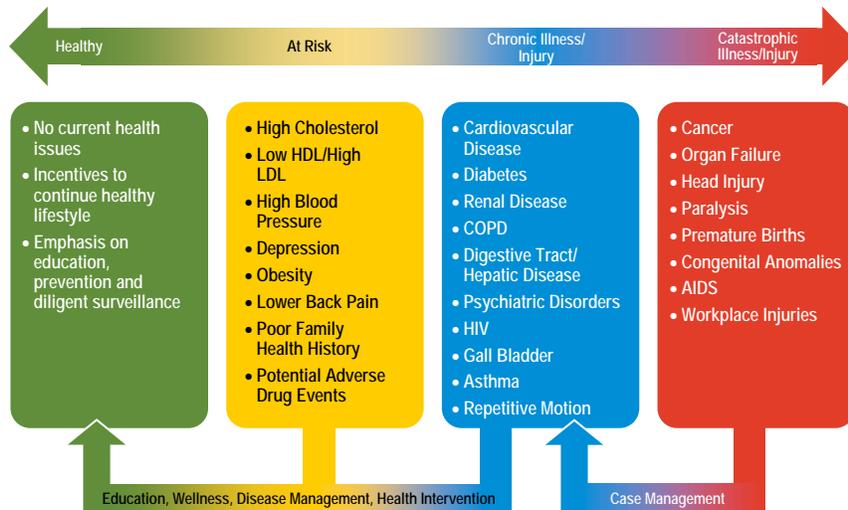
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Strategies to Improve Health Plan Performance



Predictive Modeling Based Upon Claims Data is an Important Tool for Managing the Financing and Delivery of Health Care.

Wellness and Disease Management



Understanding Your Plan's Own Data Can Provide...

- An independent perspective
- Comparisons to benchmarks
- An enhanced ability to project the impact of plan changes
- The ability to identify and forecast the costs of high risk patients through predictive modeling
- A baseline to measure results of changes
 - Effectiveness of both short- and long-term solutions
 - Even more significant for employers with long service participants
- Improved outcomes
- Reduced costs and management of future trends



Where Do You Go From Here: Create a Long-Term Strategy

FOLLOW A DISCIPLINED ANALYTICAL PROCESS



- Develop a comprehensive benefits strategy
- Develop a solid database on costs and outcomes
- Identify potential savings opportunities and quality improvement opportunities



- Develop an understanding of root causes
- Trend Drivers
 - Vendor Performance
 - Plan Strength and Weaknesses
 - Work Force Health Issues



- Develop creative solutions that use traditional and non-traditional approaches
- Create new designs that reduce costs and trends
 - Improve vendor performance
 - Introduce effective wellness and disease management programs
 - Demand higher quality as a key outcome of health care delivery system
 - Negotiate meaningful performance guarantees with your vendors

Push the Envelope

- Consider Innovative Ideas
- Make sure strategies fit your culture and financial objectives
- Measure cost and disruption impact
- Preserve the right level of coverage at the right time
- Create accountability among providers and participants
- Provide support for employees to better manage their disease and illness



Questions?

