

TRUENORTH COMPANIES



BIOWATM
GROWING THE BIOECONOMY

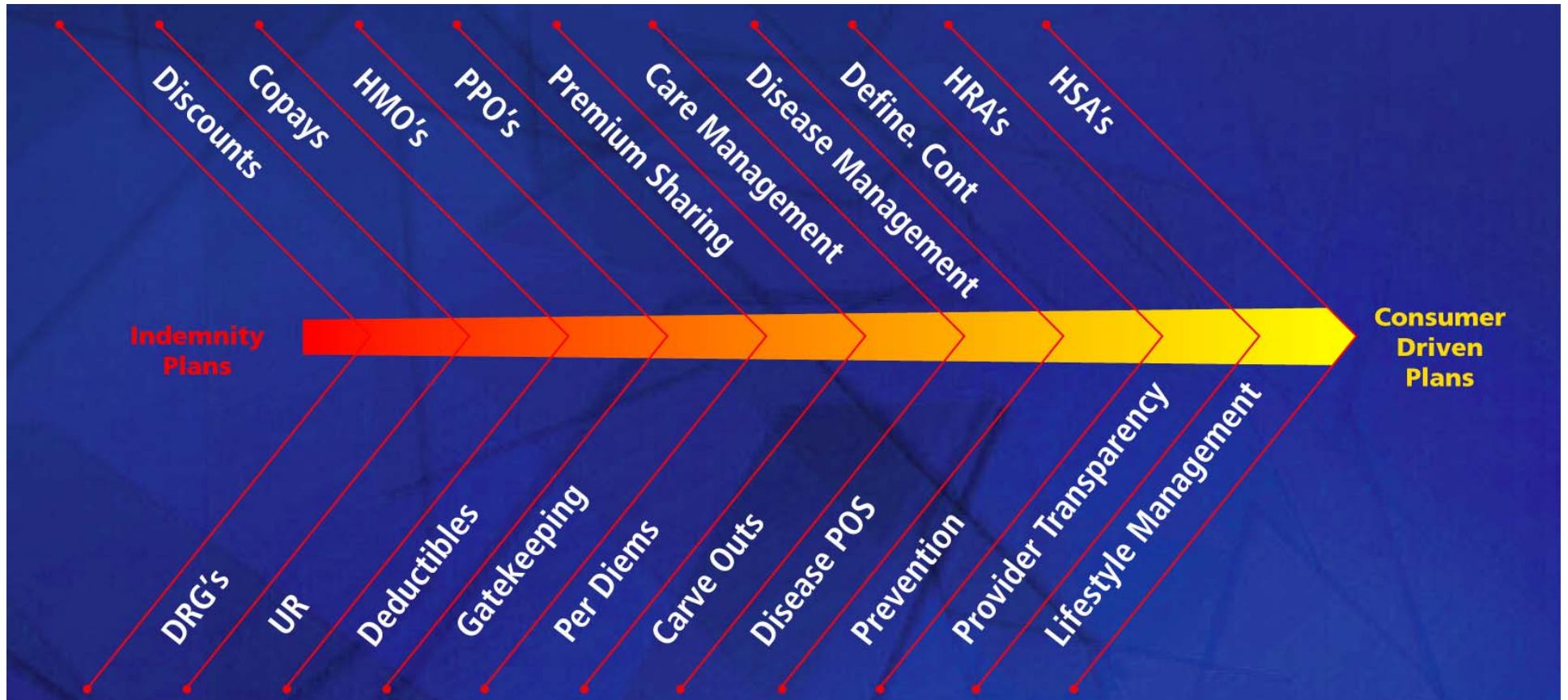


Employee Benefits Review

Ron Fuhrman

TrueNorth Companies, LC

History of Cost Controls



A Compelling Case for Change

Demand is outstripping supply.

Demand = aging population

In past 10 years, 55 – 64 = +54%

In past 10 years, 25 – 34 = -9%

Supply side limitations:

Capital (investors and taxpayers)

Shortage of caregivers (except specialty MDs)

Aging physical plants

A Compelling Case for Change

One issue: Diabetes

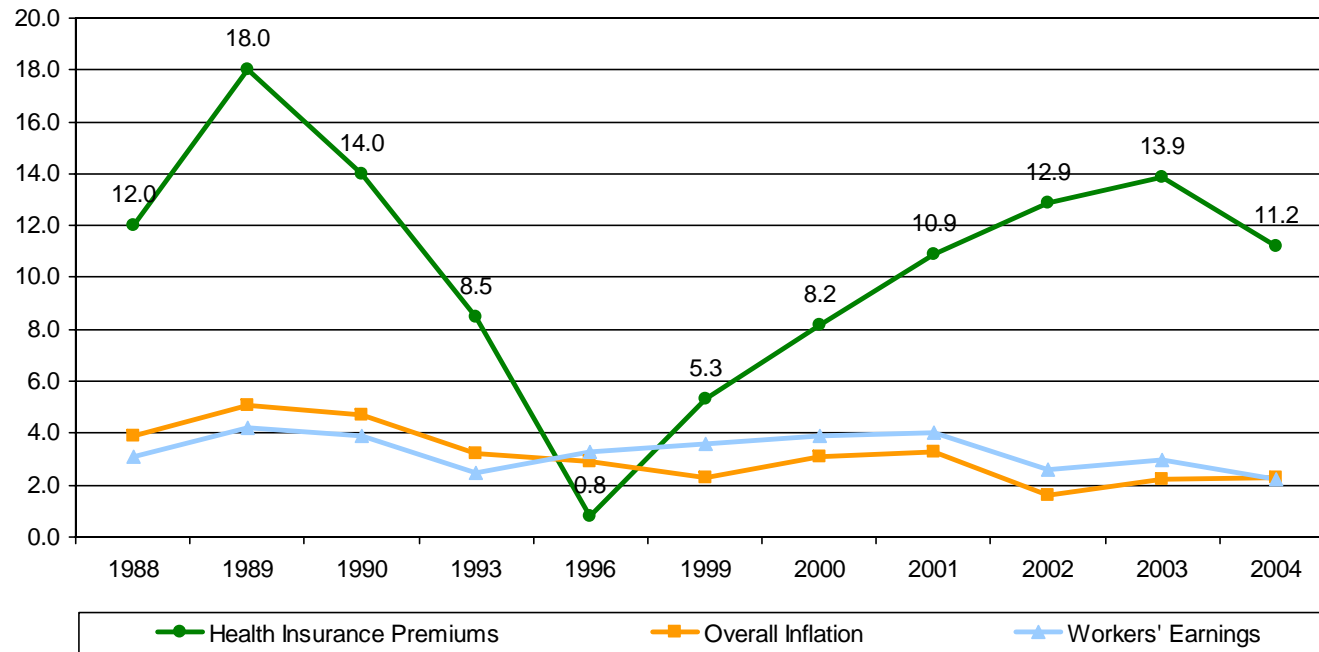
Type 2 Diabetes now being diagnosed in children, unheard of 10 years ago. Even the names have changed.

Impact Diabetes has on Health Care Delivery in ONE 24 hour period in America:

- 4100 people will be diagnosed today
- 230 people will have an amputation today
- 120 people will enter end stage renal disease
- 55 people will go blind today

•Source Center for Disease Control 2006

Increases in Health Insurance Premiums Compared to Other Indicators, 1988-2004



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001, 2002, 2003, 2004; KPMG Survey of Employer-Sponsored Health Benefits: 1993, 1996; The Health Insurance Association of America (HIAA): 1988, 1989, 1990; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1988-2004; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April), 1988-2004.

Effects of Inflation on Premium

Assumed monthly premiums — Single: \$354 Family: \$891

<u>Year</u>	<u>8.0% Per Year</u>		<u>13.0% Per Year</u>	
	<u>Single</u>	<u>Family</u>	<u>Single</u>	<u>Family</u>
2005	\$4,250.88	\$10,692.00	\$4,447.68	\$11,187.00
2006	\$4,590.95	\$11,547.36	\$5,025.88	\$12,641.31
2007	\$4,958.23	\$12,471.15	\$5,679.24	\$14,284.68
2008	\$5,354.88	\$13,468.84	\$6,417.54	\$16,141.69
2009	\$5,783.28	\$14,546.35	\$7,251.82	\$18,240.11
2010	\$6,245.94	\$15,710.06	\$8,194.56	\$20,611.32
2011	\$6,745.61	\$16,966.86	\$9,259.86	\$23,290.79
2012	\$7,285.26	\$18,324.21	\$10,463.64	\$26,318.60
2013	\$7,868.08	\$19,790.15	\$11,823.91	\$29,740.02

Medical Claims Distribution

<u>Annual Claims</u>	<u>% of Enrollees</u>	<u>% of Charges</u>
\$0 - \$500	52.7%	2.9%
\$500 - \$1,000	14.0%	3.7%
\$1,000 - \$2,000	11.6%	6.3%
\$2,000 - \$5,000	10.7%	11.9%
\$5,000 - \$10,000	4.8%	12.7%
\$10,000 - \$25,000	4.3%	24.0%
\$25,000+	1.9%	38.5%

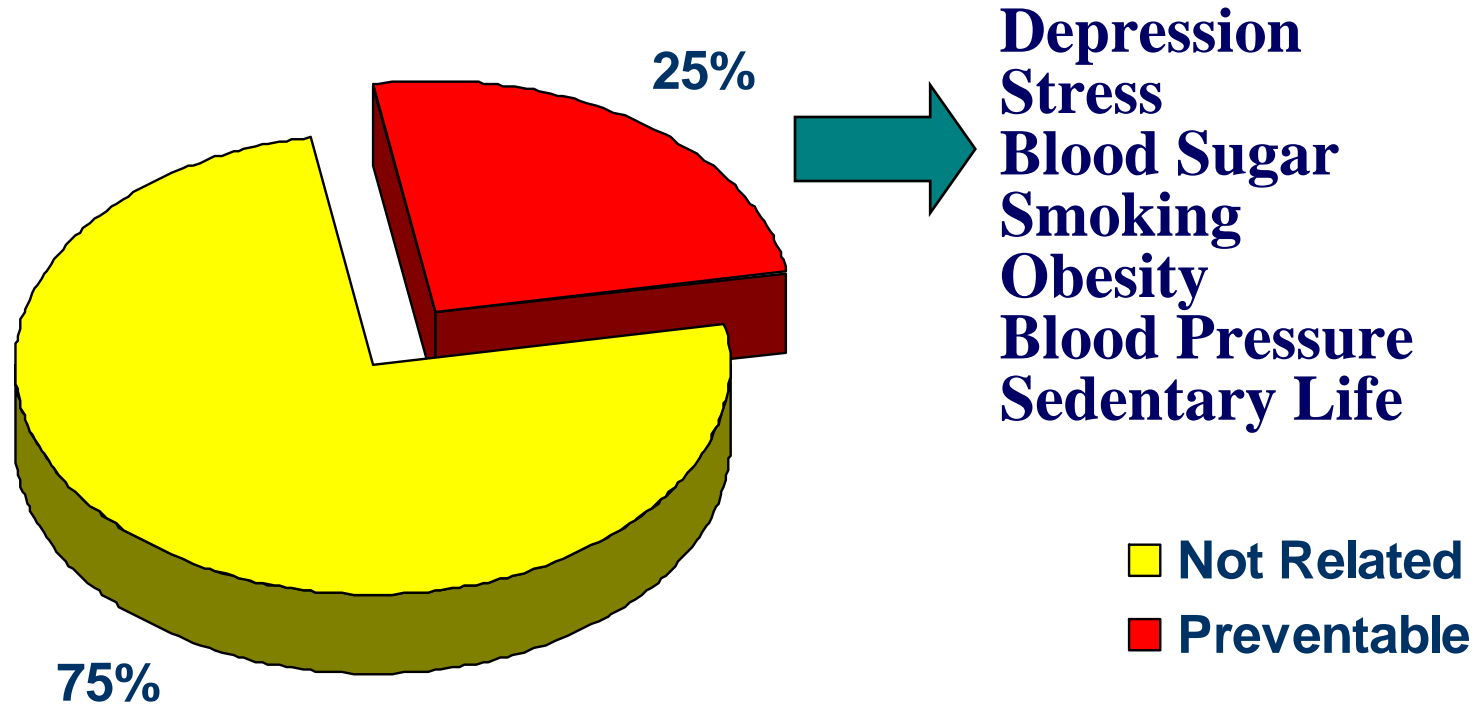
11.0% of enrollees incur 75.2% of all charges.

78.3% of enrollees incur 12.9% of all charges.

Source: American Academy of Actuaries, 1995.



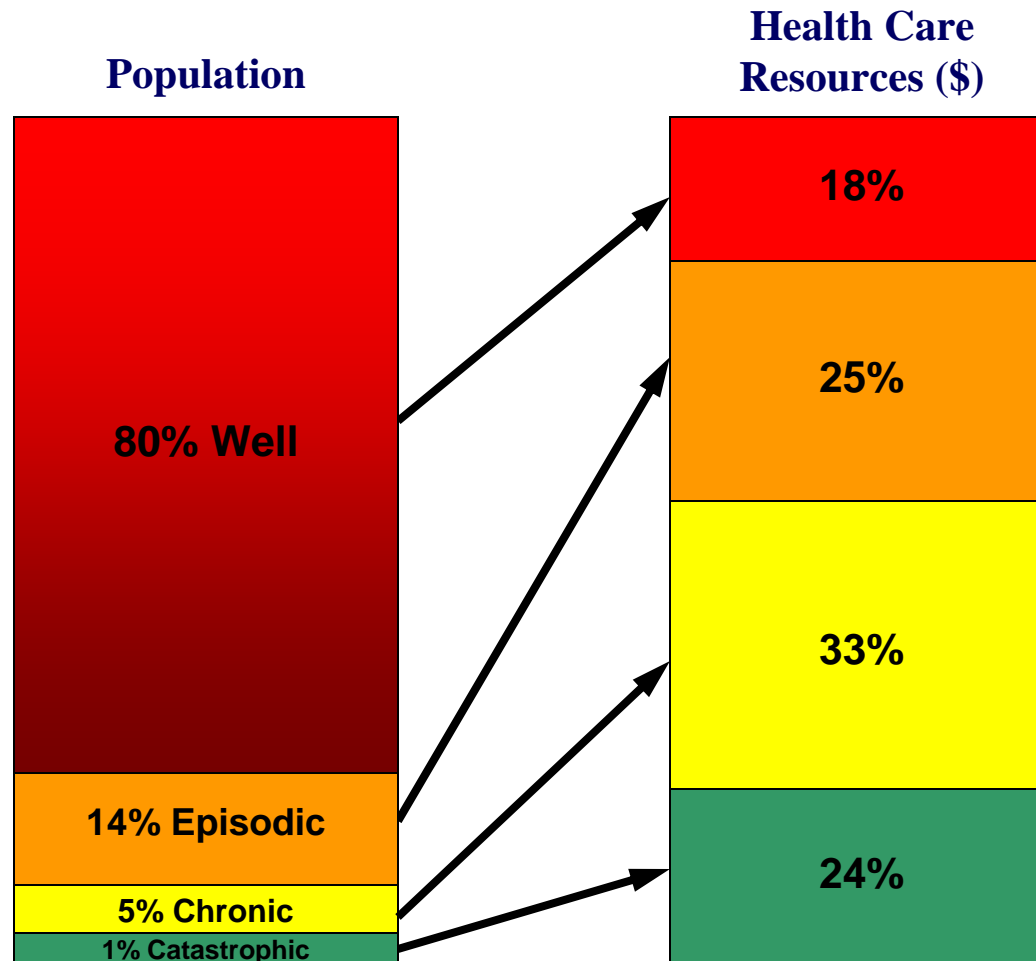
Preventable Claims Cost



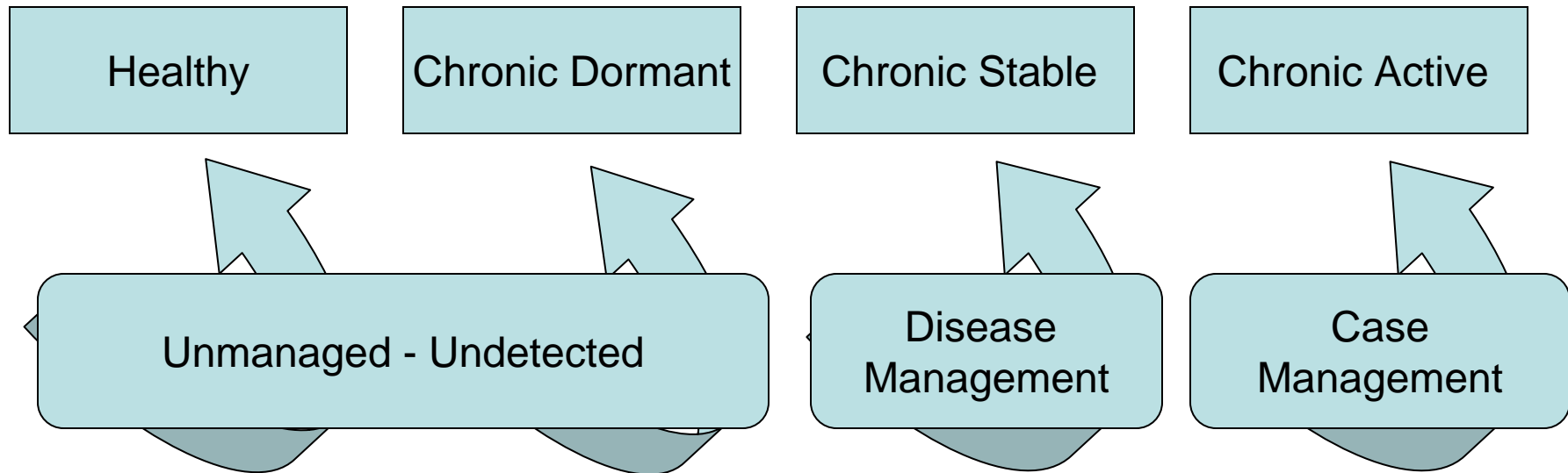
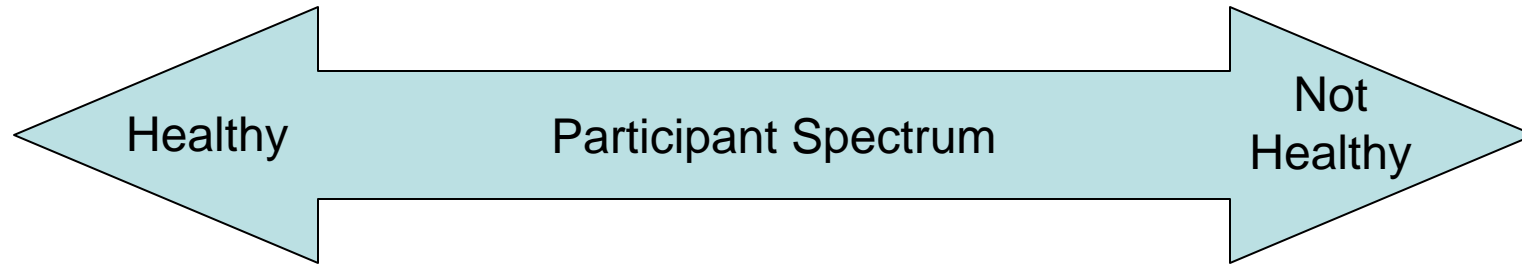
N = 46,026 X 6 years

Source: Anderson, et. al., (2000, Sept/Oct). The Relationship Between Modifiable Health Risks and Group-Level Health Care Expenditures, *AJHP*, 15(1), p. 45-52.

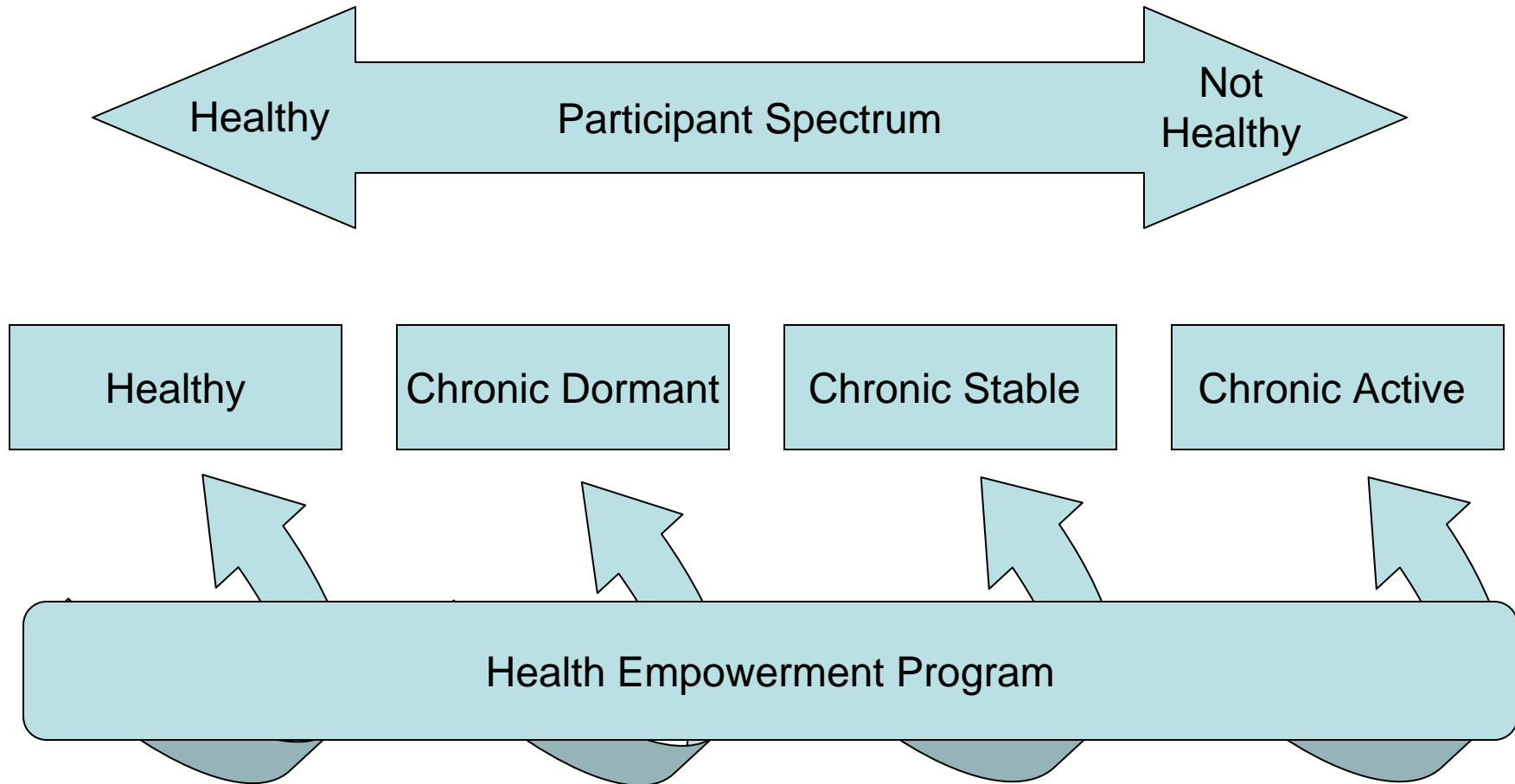
Resource Utilization



The Current/Old Model



New Behavior Modification



Health Care Economics 101

Employers use their money on someone else

How much important but not where it is spent

Employees use someone else's money on themselves

Where spent important but not how much is spent

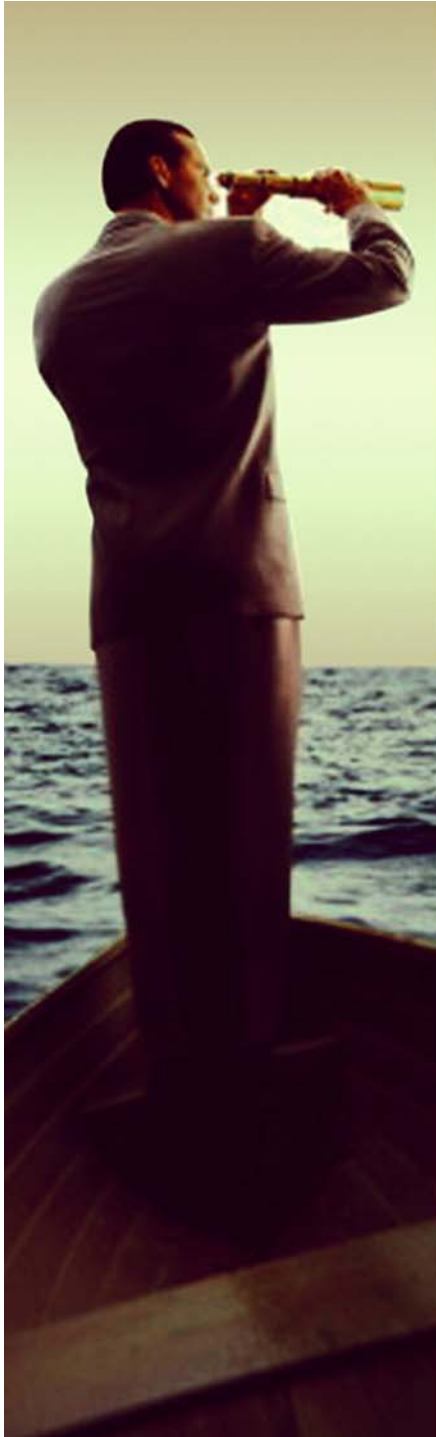
Government uses someone else's money on someone else

Where spent and how much spent not as important

Employees use their money on themselves

Both where spent and how much is spent important

*Adapted From Milton Friedman



BIOWA Value

- Size: leverage cumulative size to reduce risk
- How: Form your own program owned by each member
- Result: Experienced rated program based on your groups individual results with opportunity for dividends

