

2011 Duke Faculty and Staff Health Plans and National Health Care Reform

Current Status

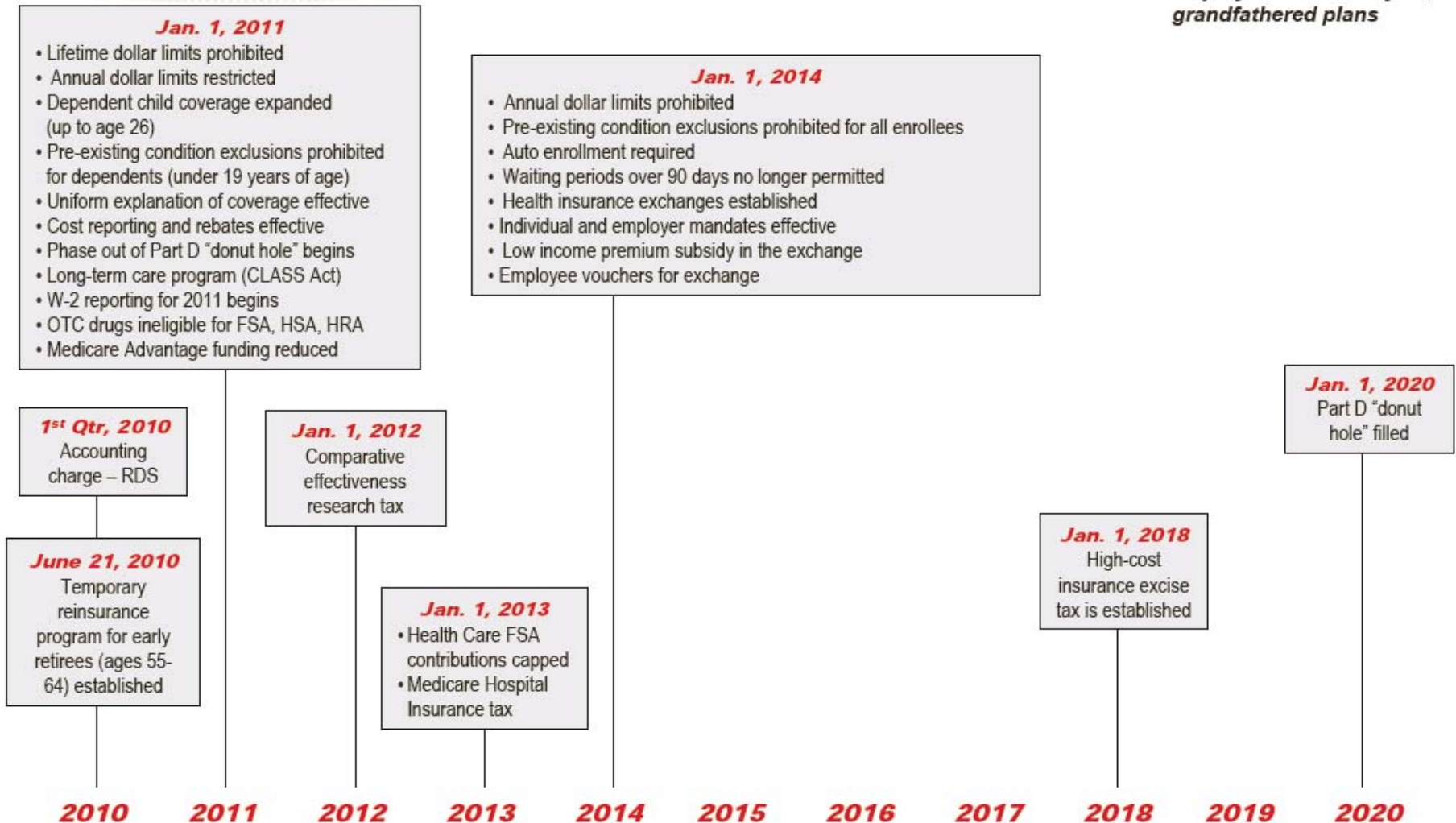
- **Background**

- Health Plans currently cover 90.8% of Duke's eligible employees (25,743)
- The spouses and children covered under the plan bring the total covered to 57,604
- In January 2010, Duke covered an additional 2,980 employees and their family members compared to January 2009
- Four health plans are offered to active employees including 3 HMOs and 1 PPO with an international network
- Five tiers of coverage (Employee, Employee Spouse/Partner, Employee Child, Employee Children, Family)
- Expenses for all health plans are estimated at \$203 million for 2010 (Duke + employee premium)

Health Reform Time Line

Summary of Selected Changes

**Timeline indicates changes for mid to large employers' calendar year, grandfathered plans*



Open Enrollment 2011

Health Reform Requires 30-day enrollment period

- Dates: October 8 to November 6
- Minimal plan design changes
- Emphasis on the use of the Duke Health portal
- Focused Duke network for Duke Select/Basic
- New name for the health management program for Duke Select/Basic – Duke Well
- Fully compliant with Mental Health Parity Act
- Fully compliant with the Patient Protection and Affordable Care Act of 2010

Impact of 2010 Plan Design Changes

- **Pharmacy Changes:**

- Generic utilization has increased from 69% to 75%
- Mail use has increased from 24% to 48%
- Duke Hospital pharmacy now with same pricing as Medco mail



2009

Mail Order Increase

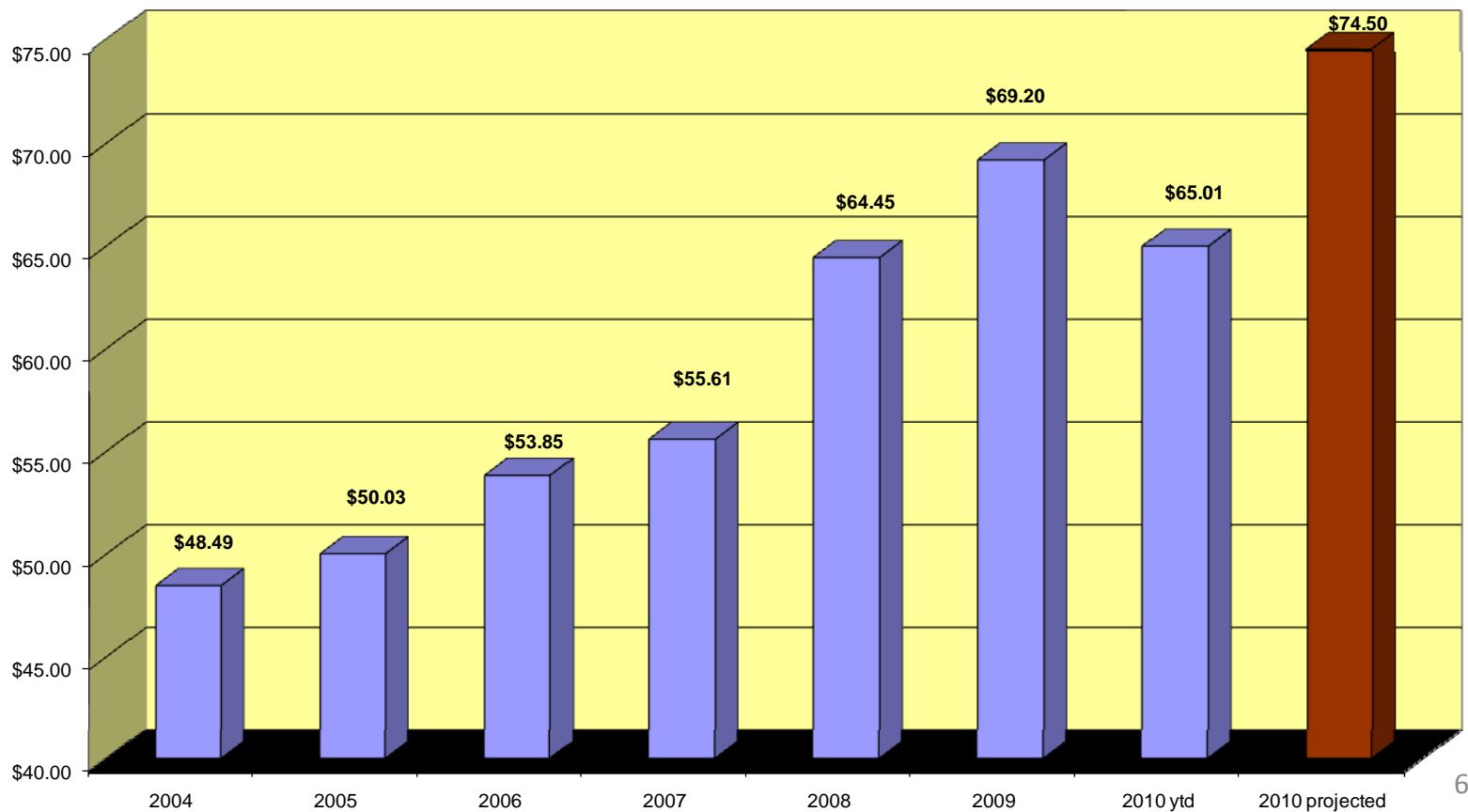


2010

Impact of 2010 Plan Design Changes

6 month pharmacy savings estimated at \$2.8 million

Per Member Per Month Net Pharmacy Cost



Regulatory Landscape

National Health Reform

– Required for 2011

- Coverage of adult children to age 26 regardless of student or marital status
- Remove lifetime limit of \$2 million per plan
- Remove annual limits of “essential benefits” (not yet defined)
- Significant number of new required notices to be included in open enrollment material
- Collection of Social Security Number required for all covered family members
- Over-the-counter drugs no longer eligible under Health Reimbursement Accounts unless prescribed
- W-2 is required to show amount paid by employee and institution

– Not required due to “grandfathered plan” status

- Preventive care remains as is (with same benefits as current)
- Claim appeals fall under existing procedure
- Annual limits remain on Durable Medical Equipment, Chiropractic, Physical, Occupational, and Speech Therapies (unless they are deemed essential)
- Clinical trial participation rights (currently covered for Phase II, III, IV in-network)

Regulatory Landscape

Mental Health Parity

- Limits on In-network services removed in 2010 for all plans
- The 20-visit limit remains on Duke Select, Duke Basic and Blue Care for out-of-network services
- There has been a significant increase in mental health costs year-to-date for 2010
- In-network copays will be reduced for 2011 in response to the Interim Final Regulations released in February 2010
 - In-network office visit copays will be reduced from \$35 to \$20
 - In-network admissions will be reduced for non-Duke facilities from \$550 to \$450
- The deductible and coinsurance maximum for services under Duke Options will be coordinated for Duke Options members

Plan Changes for 2011

All Plans

- Lifetime limits removed
- Primary care copay increased by \$5 from \$15 to \$20 for Duke Select, Blue Care and Options. Duke Basic from \$20 to \$25.
- Mental Health in-network office visit copay reduced from \$35 to primary care copay (\$20 Select, Blue Care, Options; \$25 Basic)
- Mental Health inpatient, in-network: All admissions \$450 (reduced from \$550 for non-Duke admissions)

Duke Options

- Mental health benefits have deductible and coinsurance maximum coordinated with medical benefits

Duke Select

- Speech, Physical, and Occupational Therapy from \$15 to \$20

Factors Influencing Cost and Plan Design

Cost Increases:

- More people – the non-student, possibly married children to age 26
 - Estimates range from 770 to 3,081 people with additional cost estimated at \$1.0 to \$4.2 million
- Reporting requirements under Health Reform – programming and data collection required
 - Examples: Reporting total paid on W-2, collection of all dependent SSNs, programming for month by month accounting of member participation for IRS
- Mental Health Parity Act copay changes

Cost Stabilizers:

- Plan design changes made in 2010 (particularly for Rx) had a major impact on managing cost
- The ability to maintain “grandfather status” for all plans

Premiums

Employee Premium Contribution

Premium increases for 2011 for large employer plans are currently projected at the 11% to 15% level. The premium increase for the Duke Health Plans will be less than half of the national average.

	Contract Tier			
Plan for Actives	Employee Only		Family	
	2010	2011	2010	2011
Select	\$60	\$63	\$355	\$373
Basic	\$23	\$25	\$225	\$237
Blue Care	\$99	\$104	\$444	\$467
Options	\$95	\$100	\$438	\$460

Future Efforts in Managing Prescription Spend

Close gaps in care

Omissions of Essential Therapy
 Adherence with Essential Therapy
 Therapeutic Wastage

Ensure medication safety

Prescription reviews
 Physician outreach and consultation
 Patient contact and counseling



Rare & Specialty	Oncology	HIV/ Immunology	Diabetes	Cardio-vascular	Pulmonary	Neuro-science	Women's Health
433 Patients	963 Patients	299 Patients	3,173 Patients	8,783 Patients	6,587 Patients	11,442 Patients	3,452 Patients
\$5,925,002 Plan Cost	\$2,653,934 Plan Cost	\$2,297,195 Plan Cost	\$9,178,159 Plan Cost	\$13,428,003 Plan Cost	\$5,984,876 Plan Cost	\$9,039,071 Plan Cost	\$1,051,747 Plan Cost
11.6% % Plan Cost	5.2% % Plan Cost	4.5% % Plan Cost	18.0% % Plan Cost	26.3% % Plan Cost	11.7% % Plan Cost	17.7% % Plan Cost	2.1% % Plan Cost
73.4% Female Distribution	64.1% Female Distribution	57.2% Female Distribution	61.5% Female Distribution	56.4% Female Distribution	61.7% Female Distribution	66.7% Female Distribution	100.0% Female Distribution

ACOs use several levers to drive potential cost savings

Potential Savings (%)

Example Opportunities

Duke Employer Steps

	Potential Savings (%)	Example Opportunities	Duke Employer Steps
Care management	<ol style="list-style-type: none"> Improved health status /Care management 	<ul style="list-style-type: none"> Improving health status of the population (e.g. DM, obesity) Increased primary/preventative care utilization 	<ul style="list-style-type: none"> An integration of disease management, primary care, and case management
Cost of care	<ol style="list-style-type: none"> Appropriate site of care 	<ul style="list-style-type: none"> Increased use of ASCs for OP elective surgery Reducing number of avoidable ER visits 	<ul style="list-style-type: none"> A benefit design to incent primary & urgent care use over ER.
	<ol style="list-style-type: none"> Clinical decision making 	<ul style="list-style-type: none"> Increasing the use of generic alternatives to brand products Reducing variation in variable supply cost per case or overall LOS 	<ul style="list-style-type: none"> Incentives for use of generic alternatives to branded products. Incentives for mail-order utilization.
Fixed costs	<ol style="list-style-type: none"> Volume shifts 	<ul style="list-style-type: none"> Narrowing the provider network to shift inpatient volume to hospital provider could lower effective costs per case 	<ul style="list-style-type: none"> Narrowing the provider network Increasing utilization of information technology tools.
Total	Total 100		