

Rail Labor Bargaining Coalition

Presentation to the Presidential Emergency Board

Railroad Employees National Health and Welfare Plan Cheiron Rebuttal Presentation

Presented by
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Morbidity = Health Status

- Is the adjustment needed?
- What is the number?



Why it's Important to Normalize

Plan A and B are identical: covers 85% of all medical and RX claims

<u>Age</u>	<u>Average Annual Claim</u>	<u># of Members</u>		<u>Expected Total Costs</u>	
		<u>Plan A</u>	<u>Plan B</u>	<u>Plan A</u>	<u>Plan B</u>
35	5,000	1	10	5,000	50,000
55	20,000	10	1	200,000	20,000
Totals		11	11	205,000	70,000
Cost per employer per year				18,636	6,364

Remove Demographic differences

<u>Age</u>	<u>Average Annual Claim</u>	<u># of Members</u>		<u>Expected Total Costs</u>	
		<u>Plan A</u>	<u>Plan B</u>	<u>Plan A</u>	<u>Plan B</u>
35	5,000	1	1	5,000	5,000
55	20,000	10	10	200,000	200,000
Totals		11	11	205,000	205,000
Cost per employer per year				18,636	18,636



Morbidity Adjustment

- Surveys should be close to 1.0 in order to be representative of US Employer Sponsor Plans
- Total 1.324 = UHC 1.291 +
Aetna 1.520 +
Highmark 1.248
- Ingenix validated our results
- Consistent with U/W practices



Comparison of Risk Models

$$MAPE = \frac{\sum |Actual - Predicted|}{Sample Size}$$

Mean Absolute Prediction Error

TABLE IV.2 MAPE for Prospective Nonlagged (Offered vs. Optimized) by Truncation Level (Offered Compared to Recalibrated, with Prior Costs)

Risk Adjuster Tool	Inputs	Offered Models			Optimized Models (Include Prior Costs)		
		100K	250K	None	100K	250K	None
ACG	Diag	87.7%	89.9%	90.4%	84.6%	86.2%	86.6%
CDPS	Diag	93.4%	95.3%	95.8%	83.7%	85.6%	86.3%
Clinical Risk Groups	Diag	88.7%	90.9%	91.4%	85.2%	86.6%	87.0%
DxCG DCG	Diag	85.3%	87.5%	88.0%	80.5%	82.5%	83.2%
DxCG RxGroups	Rx	82.9%	85.3%	85.9%	78.7%	80.7%	81.4%
Ingenix PRG	Rx	83.4%	85.8%	86.4%	78.9%	80.9%	81.5%
MedicaidRx	Rx	87.3%	89.6%	90.2%	79.9%	81.9%	82.6%
Impact Pro	Med+Rx+Use	79.3%	81.8%	82.4%	78.7%	80.6%	81.2%
Ingenix ERG	Med+Rx	84.1%	86.4%	87.0%	79.1%	81.2%	81.9%
ACG w/ Prior Cost	Diag+\$Rx	85.1%	85.6%	85.6%	80.3%	82.1%	82.6%
DxCG UW Model	Diag+\$Total	80.1%	80.4%	80.4%	76.1%	78.3%	78.9%
Service Vendor	Inputs	100K	100K	250K	None	100K	250K
MEDai*	All	N/A	N/A	N/A	73.0%	75.2%	75.6%

Health Risk Assessment by: Ross Winkelman, FSA, Principal & Consulting Actuary, Milliman
 Syed Mehmud, Actuarial Assistant, Milliman Peer reviewed by: Leigh Wachenheim, FSA,
 Principal & Consulting Actuary, Milliman April 20, 2007



Health Status

- Propose of Morbidity Adjustment to see if the National Plan member's over utilizing care
- Showed higher conditions to validate group is less healthy than a typical US employers' health benefits
- Have not shown high utilization thing
 - ER – other factors, e.g., work / attendance rules and no urgent care option
 - Brand drugs –



\$0 Generic Copays

- Medco assumed an approximately 3 - 4% increase in GDR versus our assumption of 6% for \$0 Generic Copays
- We estimate that the break even point for the Plan would be a 5% increase in GDR
- PBM A and PBM B have independently told us they have seen a five percentage point increase in GDR resulting from \$0 generics in their book of business
 - Medco would not provide a comparable estimate
- Below Book of Business and Targeted Mailings
- Look for a \$20 difference
 - \$30 Mail
 - \$28 effective at Retail



Rail Industry is Represented

- Freight (Class I) makes up 90% of Rail Industry
- 100% of Intercity Rail Passenger Transportation, i.e., Amtrak
- The 5 of the 20 Commuter Rails make up 86% of the employment in commuter rail road

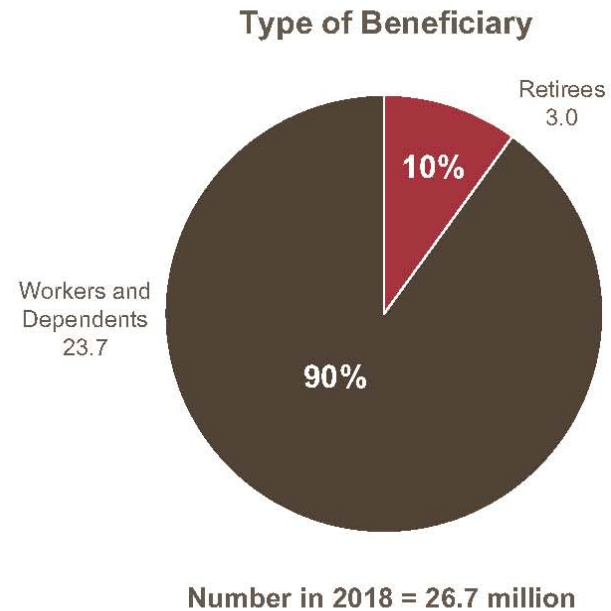
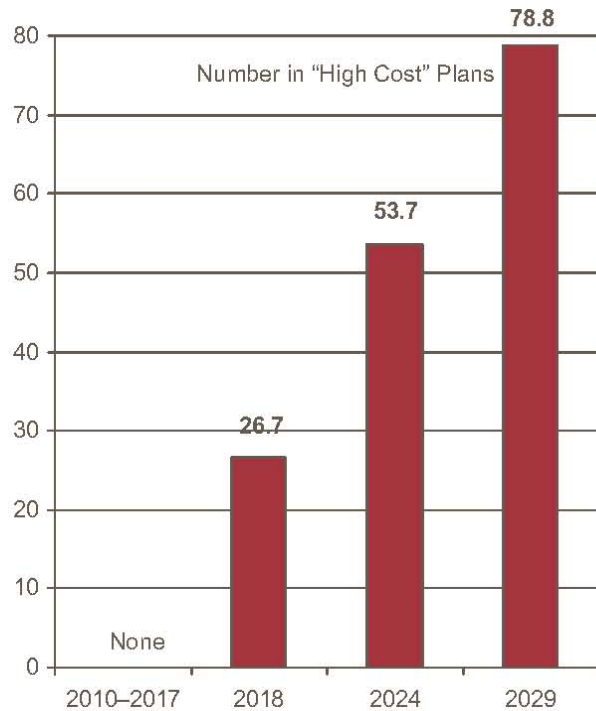


Cadillac Tax

- Not a good measure
- Watson Wyatt December 9 ,2009 issues
 - Area
 - Industry
 - Age
 - Morbidity
- Biggest concern is it's a **Chevy** Tax



Number of People with Policies Subject to the Excise Tax on High-Cost Health Plans Under the Senate Bill (millions)





Joint Plan Committee

Over \$75 million with just the Chronic Care in the middle of bargaining 1/1/2007