



2010

INSURANCE RATES AND HEALTH CARE TRENDS



A Guide for Iowa Banks and Their Employees



IOWA BANKERS
BENEFIT PLAN



MESSAGE FROM THE CAO

Will 2010 be the year of major healthcare reform? Though we don't know where the healthcare reform debate will lead, we at the Iowa Bankers Benefit Plan (IBBP) are working hard to ensure bankers and your employees receive every possible benefit from any changes in the law.

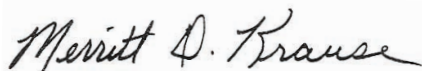
Healthcare costs are continuing to increase faster than the consumer price index. Total cost in the United States of America is rapidly approaching \$2.4 trillion annually—nearly \$5,000 a year for every man, woman and child. Nationwide, rising health care costs have led to significant increases in health insurance premiums for all types of plans. Controlling costs is our number one priority in 2010 and beyond.

Our 2010 Rate Book again includes information on healthcare costs on a national as well as a local level. We have also included Iowa Bankers Benefit Plan specific information with a section on wellness. We hope you find this useful and will share this information with your staff.

We would like all of you to share your concerns regarding healthcare reform with your legislators.

Thank you for your support of the Iowa Bankers Benefit Plan. We appreciate your business.

Sincerely,



Merritt Krause
Chief Administrative Officer
Iowa Bankers Benefit Plan



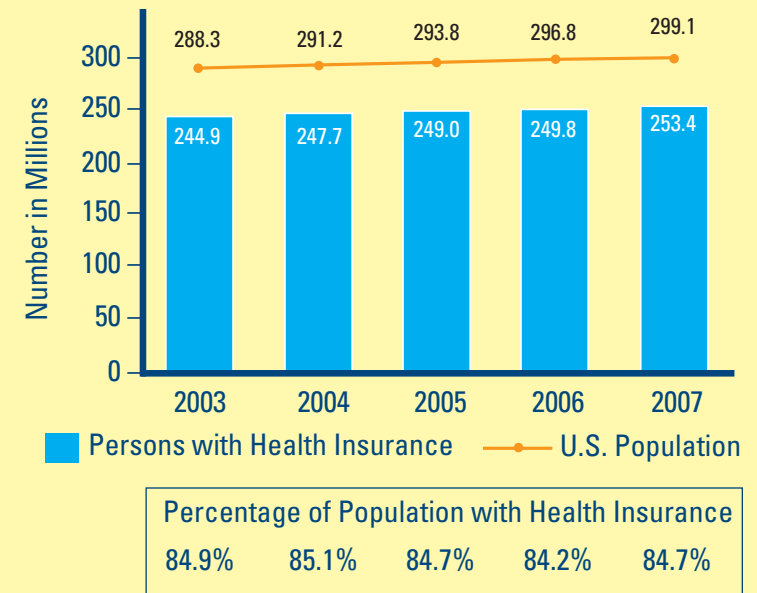
NATIONAL HEALTHCARE TRENDS

Currently, public source funds from Medicare, Medicaid and the State Children’s Health Insurance Program make up nearly half (46%) of the total National Healthcare expenditure (NHE), while private insurance funds amount to more than a third (35%). The remainder comes from consumer out-of-pocket payments and private grants and donations. Over the past five years, the percentage of the U.S. population covered by health insurance has been relatively constant, hovering around 84%. **See Figure 1.**

National Private Healthcare Dollar

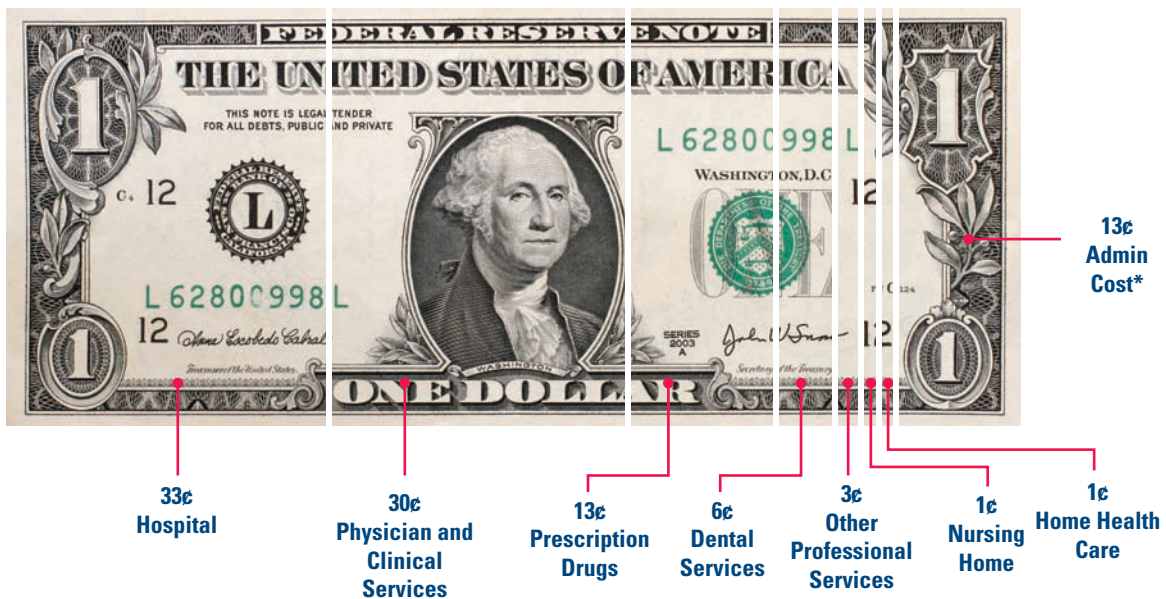
Looking at where the nation’s overall healthcare dollar is spent, hospital, physician and pharmaceutical costs continue to be the top three spending areas, accounting for 87% of the total. Hospital care remains in the forefront, representing about 33 cents of every healthcare dollar. Clinical and physician services represent 30 cents, while prescription drugs account for another 13 cents of every healthcare dollar. **See Figure 2.**

Figure 1 — U.S. Population with Health Insurance



Source: U.S. Census Bureau (2008) Historical Health Insurance Tables, Table HIA-2

Figure 2 — Private Insurance Healthcare Dollar



* Includes government administration and net cost of private health insurance.

Source: Adapted from Centers for Medicare and Medicaid Services (2008)

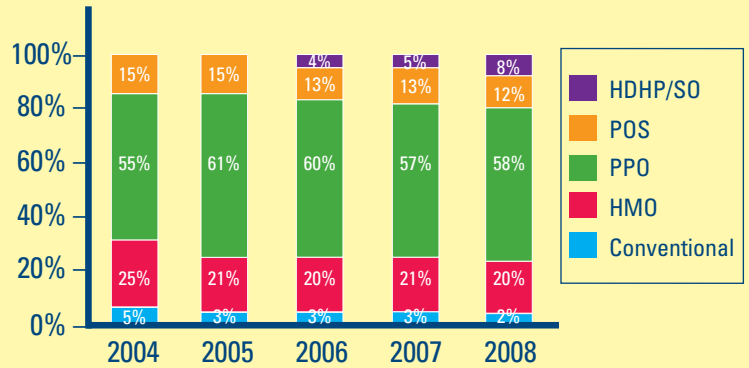
Coverage by Type of Health Insurance

The most recent data shows that nationally, 72% of individuals who have health insurance have a traditional plan design, 20% have HMO type of coverage and 8% have a high deductible health plan with a savings account option. **See Figure 3.**

Cumulative growth in health care insurance premiums continues to outpace growth in earnings and inflation by about 4:1. Nationally, the average annual employer premium contribution for family health insurance coverage is 73.5%. **See Figure 4.**



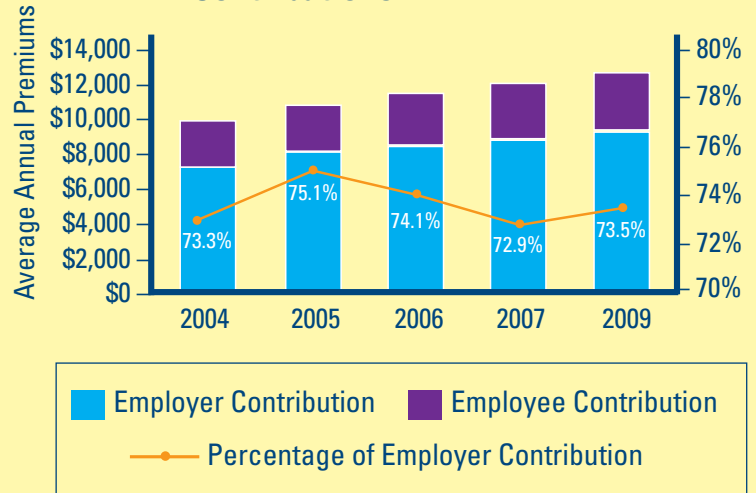
Figure 3 — Employer-Sponsored Health Plan Enrollment by Plan Type



Note: HDHP/SO is a high-deductible health plan with a savings option (either a Health Savings Account (HSA) or Health Reimbursement Arrangement (HRA)).

Source: The Henry J. Kaiser Family Foundation and HRET, September 2008

Figure 4 — Percentage of Employer Contributions



Note: Coverage is for a family of four.

Source: Calculated based on "Employer Health Benefits 2008 Annual Survey," The Henry J. Kaiser Foundation and HRET, September 2008.

HEALTHCARE IN IOWA

Over 90% of Iowans have some type of health insurance coverage. The number of Iowans without health coverage is 9.9%, which is below the national average of 15.3%. **See Figure 5.**

The types of health insurance in Iowa mirror the nation. Approximately 90% of those who have health insurance have a traditional or an HMO plan design and 10% have a high deductible health plan with a savings account option. **See Figure 6.**

In Iowa, the average deductible for single health coverage is \$920 and \$1,954 for family health coverage, an increase of 229% from the 2000 single deductible (\$280) and a 221% increase from the 2000 family deductible (\$599).



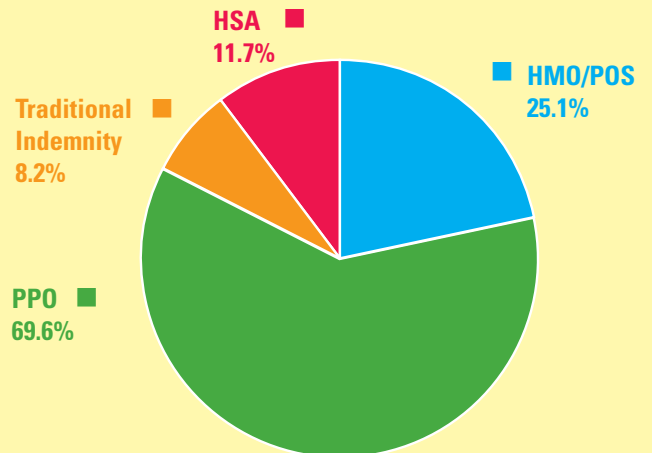
Figure 5 — Health Insurance Coverage of the Total Population

Iowa (2006-2007) and U.S. (2007)

	Iowa (#)	Iowa (%)	U.S. (#)	U.S. (%)
Employer	1,722,416	58.6%	159,311,384	53.4%
Individual	167,032	5.7%	14,541,782	4.9%
Medicaid	371,479	12.6%	39,296,423	13.2%
Medicare	376,990	12.8%	36,155,452	12.1%
Other Public	10,528	0.4%	3,253,122	1.1%
Uninsured	291,009	9.9%	45,657,193	15.3%
Total	2,939,454	100.0%	298,215,356	100.0%

Source: Statehealthfacts.org - Kaiser Family Foundation

Figure 6 — Types of Health Plans Offered in Iowa



Source: Copyright © 2008 David P. Lind & Associates, LC.,

IOWA BANKERS BENEFIT PLAN

Iowa Bankers Insurance and Services, Inc. (IBIS) serves as the fiduciary administrator of the Iowa Bankers Benefit Plan (Plan). Formed as a small group health insurance trust in 1978, the Plan has evolved into a significant health insurance organization in Iowa, insuring over 11,000 employees and 28,000 lives.

The Plan is well funded with approximately \$18 million in the Trust. The financial strength of the Trust plus the Plan's low administrative expense will enable the Plan to continue to serve its members for years to come.

At the close of 2008, the Plan had paid out more than \$75 million dollars in claims for over 28,000 members.

Figure 7 illustrates the Plan's total health claim payment for the past six years (shown in millions).

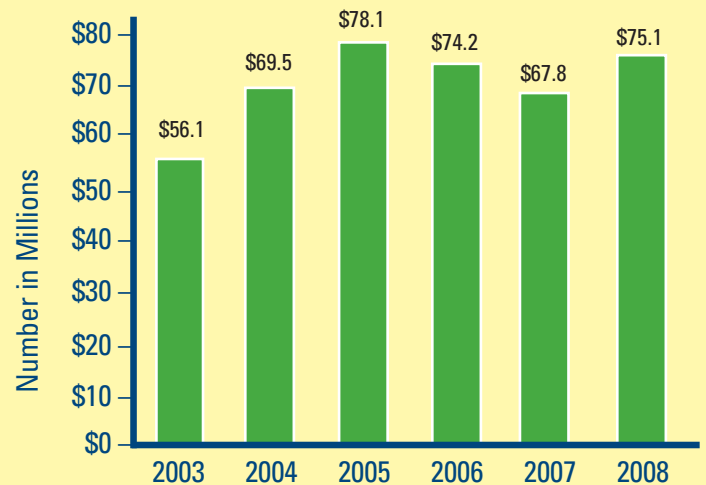
2008 Plan Facts

In 2008, the Iowa Bankers Benefit Plan provided the following to its members:

- Health-Covered Charges \$122.1 million
- Provider Savings \$44.5 million
- Total Health Claims Paid \$66.2 million
- Pharmacy Claims Paid \$11.4 million

There are two major trend drivers for the Plan. The first major trend driver is office claims, which accounted for 28% of claims paid. This is an increase of 13% per covered plan member. The second major trend driver is outpatient claims which accounted for 28% of claims. In total, 6% of covered Plan members had claims in excess of \$10,000 and account for 53% of all claims paid.

Figure 7 — IBBP Total Claims Paid



Source: Iowa Bankers Insurance and Services, Inc.



THE ROLE OF IBIS

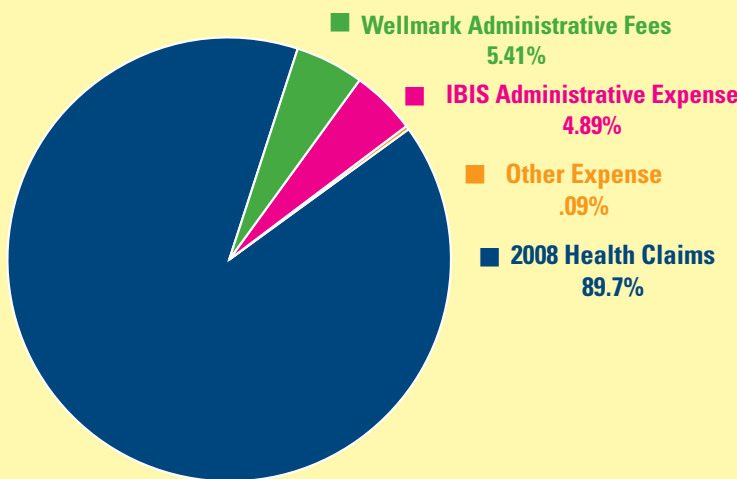
Iowa Bankers Insurance and Services, Inc. (IBIS) handles **all** administrative functions for the Plan. Only claim processing and provider service contracting are purchased through an administrative services agreement with Wellmark Blue Cross and Blue Shield of Iowa and Delta Dental of Iowa. To a large extent, the Plan's strength and competitive advantage comes from its structure, which makes it accountable only to its members.

The illustration below (**Figure 8**) is a comparison of the administrative cost for the Plan compared to other carriers who provide health insurance coverage for Iowans.

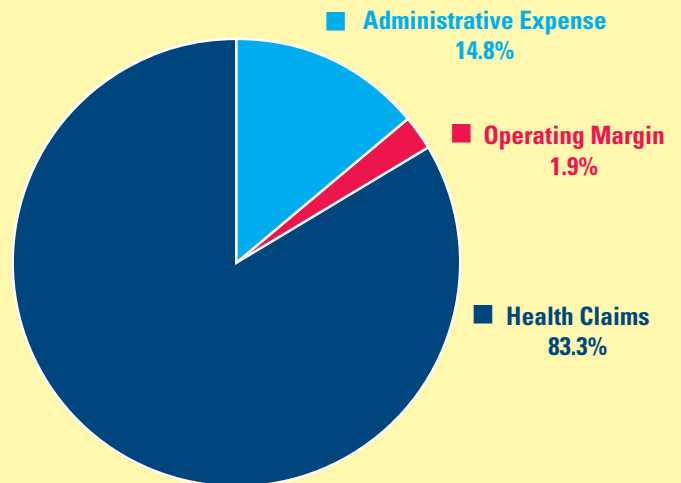


Figure 8 — Comparison of Administrative Expense

2008 Iowa Bankers Benefit Plan
Administrative Expense Ratio



Average Expense Ratio of Other
Insurance Companies in Iowa



STRATEGIC PARTNERS

The Iowa Bankers Benefit Plan partners with Wellmark Blue Cross and Blue Shield of Iowa and Delta Dental of Iowa for claims administration. Wellmark Blue Cross and Blue Shield of Iowa and Delta Dental of Iowa have been the Plan's claim administrators since the beginning of the Plan in 1978.

Wellmark Blue Cross and Blue Shield insures over 2 million members in Iowa and South Dakota. As a member of the Blue Cross Blue Shield Association, Wellmark Blue Cross and Blue Shield is part of a national network of 39 plans that insures more than 99 million people—or nearly one in three Americans—in all 50 states, the District of Columbia and Puerto Rico.

Delta Dental of Iowa administers dental claims for our Plan members. Ninety percent of Iowa's dentists participate with Delta Dental. Delta Dental of Iowa is part of the national Delta Dental Plans Association which allow our members access to a national network of participating Delta dentists.

Standard Insurance Company of Portland, Oregon, has provided short-term disability, long-term disability coverage and group term life coverage to 7,700 of our Plan members since 1991.



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PLAN FACTS

Plan Demographics

- The Plan’s workforce is primarily female (67%).
- The average age of a Plan member is 43.2.
- Members age 45 and older represent 40% of the membership and account for 60% of the health claims paid.

Cost and Utilization

In the past 12 months, the Plan paid \$3,049 per member, an increase of 15% over the past four years. **See Figure 9.**

- 84% of Plan members incurred claims paid of \$2,500 or less.
- 16% of Plan members accounted for 81% of all claims paid by the Plan.

The most costly diagnoses categories using claims paid for all areas of service, excluding pharmacy are:

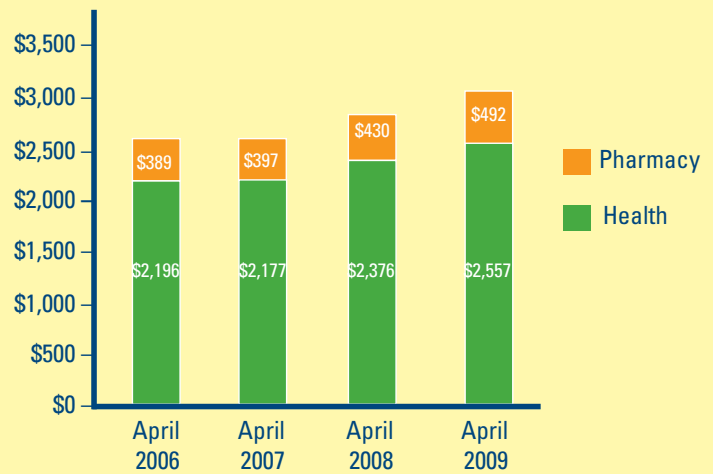
- Bones, muscles and ligaments, which account for 13% of all claim dollars paid out by the Plan in 2008, and
- Benign and cancerous tumors, which account for 9% of all claim dollars paid.

The Plan paid out **over \$11 million** in prescription drug claims in 2008—a cost increase of more than 11% from the year prior. **See Figure 10.**

In fact, 63.6% of Plan members purchased a generic drug, which is 3.5% less compared to other health plans. The three most costly drug classes paid for under the Plan are:

- Therapeutic drugs (prescribed for cancer treatment or organ transplants) (10%)
- Antidepressants (9%)
- Anti-cholesterol drugs (8%)

Figure 9 — Average Cost Per Member



Source: Iowa Bankers Insurance and Services, Inc.

Figure 10 — IBBP Drug Claims



Source: Iowa Bankers Insurance and Services, Inc.

WELLNESS

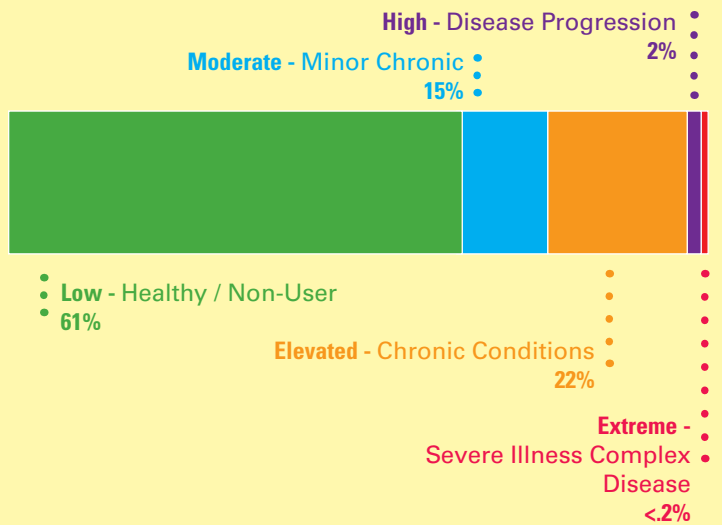
Last year, IBIS contracted with an outside consultant to analyze demographic data of the Plan’s employee/spouse population to identify risk. Analysis of the data showed that 65% of Plan members were considered healthy, 13% had minor health conditions, 20% had chronic conditions and 2% were classified with severe illness or at end of life. This year the numbers have changed with fewer members (61%) considered healthy. **See Figure 11.**

One of the most important steps our members can take to improve is to establish a medical home. A medical home is when a member has a primary care physician who monitors their over all health. Secondly, follow the American Medical Associations recommended guidelines for preventive health. This first step can help each of our members identify health risk factors, such as weight, blood pressure, blood glucose, tobacco use, dietary fat intake and stress – all preventable – the first step in addressing a more healthy lifestyle.

What more can you do?

- Promote **annual physicals** to all members of the Plan, especially males, so those who are healthy stay healthy.
- Support the use of **generic drugs**.
- Encourage **ergonomic lifestyles** with regular scheduled physical activity program, cushioned shoes and weight reduction.
- Inform and encourage Plan members to participate in the **free health management programs** such as disease management, pregnancy care plus the availability of the 24/7 nurse assistant which can help with health care concerns and assist in navigating the health care system.

Figure 11 — Health Status Distribution



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8800 NW 62ND AVENUE • PO BOX 6210

JOHNSTON, IA 50131

(800) 258-1415 • (515) 286-4214^{FAX}

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