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SEATTLE, Nov. 18

Significant Premium Savings Possible for High Deductible Plans

SEATTLE, Nov. 18 /PRNewswire/ -- Results from Milliman's 2008 Group Health Insurance Survey indicate estimated premium rate increases for January 2009 renewals are 8.4% for Health Maintenance Organizations (HMOs) and 10.7% to 12.1% for Preferred Provider Organizations (PPOs). The PPO results were compiled for a high deductible plan and a standard lower deductible plan, respectively.

The reported annual increase in premium (July 2008 versus July 2007 assuming no changes in benefit or cost-sharing levels) was 9.7% for HMOs and 10.3% to 10.7% for PPOs.

The Milliman survey is unique in that it asks HMOs and PPOs to respond to a given set of benefits and demographics. The survey thus removes three important factors that often skew the results of other health cost surveys: differences in benefit design, cost-sharing levels, and member demographics. These trends, therefore, reflect the increase in medical utilization and costs experienced by the HMOs and PPOs.

The 2008 survey also reports that the average premium savings incurred by switching from a \$250 deductible to a \$1,000 deductible is almost 12% and over 20% by switching to a plan with a \$2,000 deductible. "High deductible plans are an integral part of consumer driven health (CDH) plans, for which health savings accounts (HSAs) and healthcare reimbursement accounts (HRAs) are used to help cover the deductible and other out-of-pocket healthcare expenses," notes Doug Proebsting, co-author of the report. The survey shows continued growth in CDH plans, with respondents anticipating 6% of their premium income to come from these products in 2009.

The 2008 report includes premium rates and trends for medical and prescription drug coverage per survey responses. Milliman also provides hospital inpatient cost and utilization data, physician reimbursement levels, medical expense ratios, and profit levels from Milliman databases. The 2008 survey also addresses prescription drug costs, broker commissions, and progress toward implementing ICD-10 coding per survey responses. This marks the sixteenth year that Milliman has conducted the survey.

The survey was sent to HMOs and fully insured PPOs that serve the nation's commercial, large and mid-group employer market. About 40% of all eligible insurers typically participate in the survey. Results are provided by metropolitan area, state, region and nationwide. Results for HMOs and PPOs are shown separately when possible.

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