

Benefits in Detail

Each year the Trustees determine deductible levels for the coming calendar year. Ongoing cost management initiatives agreed to and implemented by the Trust meant that for the third consecutive year there were no changes to deductibles, lifetime maximums, or out-of-pocket costs for participants for plan year 2012.

For calendar year 2012, and for participants whose former employer contributes at the highest rate, annual deductibles were set at the following amounts:

- Medicare Indemnity – \$1,350
- Non-Medicare Indemnity – \$2,400
- Non-Medicare In-Network PPO – \$745
- Non-Medicare Out-Of-Network PPO – \$2,235
- Prescription drugs – \$650

For participants whose former employer contributes at a rate below the highest rate, annual deductibles in 2012 were set at the following amounts:

- Medicare Indemnity – \$1,740
- Non-Medicare Indemnity – \$4,500
- Non-Medicare In-Network PPO – \$1,690
- Non-Medicare Out-Of-Network PPO – \$5,070

Factors Affecting the Trust

High and Rising Medical Costs. There's no shortage of news about the so-called "Silver Tsunami" bearing down on our nation as the first baby boomers turned 65 in 2011. It's a reality that has the health care and insurance industries anticipating how best to serve the wave of 90 million baby boomers who will require senior health services.

Already, the United States spends twice as much on health care as it does on food, according to the McKinsey Global Institute, and our aging population will certainly elevate that spend. Other factors that will continue driving costs upward include inflation, costly high-tech

medical care, increasing use of prescription medications, and a complex health-care system that falls far short in delivering care efficiently and consistently.

To illustrate the effect, consider the dramatic health expenditures in the U.S. which neared \$2.6 trillion in 2010. This is over 10 times the \$256 billion spent in 1980, representing well over 17.4% of gross domestic product, according to the Centers for Medicare and Medicaid spending. By 2019, the government believes health care costs will exceed \$4.5 trillion, equaling over 19% of the gross domestic product.

Total health care spending reached more than \$2.6 trillion in 2010 – an average annual cost of nearly \$8,000 per person.

Source: Centers for Medicare and Medicaid Spending

Prescription drug costs continue to command an ever-increasing portion of our national spending on health care, reaching nearly \$320 billion in 2011. In just 20 years, from 1988 to 2008, national spending on prescription drugs increased from \$31 billion to \$234 billion. Two of the principal factors responsible for this are increased drug costs and increased utilization.

On a positive note, national prescription drug spending remained nearly flat in 2011, partially due to increased use of inexpensive generic medications. This use continues to climb, hitting 80% of all prescriptions filled in 2011. The growth of generic prescription drugs is fueled by patients trying to save money, and by the start of an avalanche of blockbuster medicines, many for chronic conditions, losing patent protection.

"Over the next 40 years, one in five Americans will be 65 or older, and the 85-plus group will expand to 15 million. Nearly one in three American workers will be more than 50 by 2012."

-The Economist, 2011