

Declining Health Status. Of 30 advanced countries included in the 2011 Legatum Prosperity Index Study, the U.S. ranked 27th for the health of its citizens. Life expectancy in America is below average, and the obesity rate is, by far, the worst among the 30 countries. And, of course, we spend far more on health care per person than any other nation, with no extra bang for the buck.

Along with obesity, physical inactivity, tobacco use, and substance abuse all contribute to a declining health status and an increased use of health care goods and services.

How the Trust Has Responded

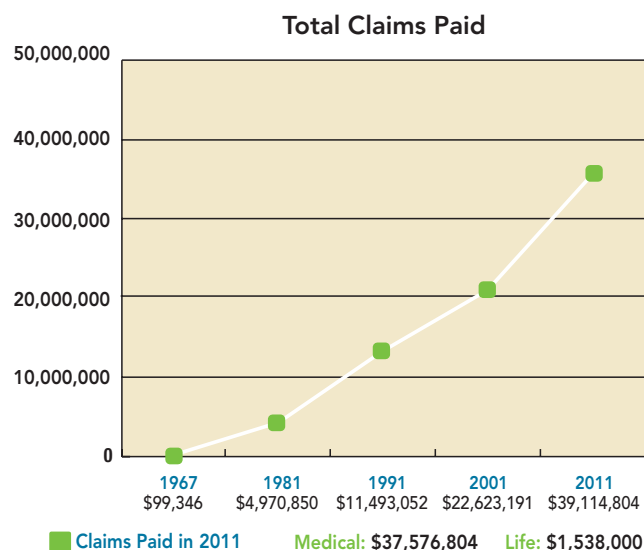
The Trust is affected by the same factors as all Americans, and always seeks creative solutions.

Investments in Infrastructure. The Trust continues to reap the benefit of investments in infrastructure and programs. For example, the Trustees made a sizable investment a few years ago in HIPAA-compliant software, and this has yielded hundreds of thousands of dollars in savings each year in “reasonable and customary” payments to health care providers. These savings preserve the Trust’s assets for future claims and, in many instances, they also yield lower coinsurance payments by participants.

Addressing Government Changes. The Trust must adhere to all federal guidelines associated with processing of claims. There are a number of major changes that began in 2010 and continue to require changes in our processes. These changes, the most significant since the 2003 introduction of the Medicare Prescription Drug, Improvement, and Modernization Act (MMA) affect:

- Every aspect of claims payment.
- All health care transactions.

HIPAA and 835 Transactions. The Trust has realized additional savings by using new transactions established as part of HIPAA to electronically communicate with providers about claims status and payments. The Trust also implemented the EDI 835 transaction set, called Health Care Claim Payment and Remittance Advice. It has been specified by HIPAA 5010 requirements for the electronic transmission of health care payment and benefit information.



Health in Decline

Unless Americans change their ways, half of U.S. adults will be obese by 2030.

Currently, 35.7% of adults and 16.9% of children age 2 to 19 are obese. Obesity raises the risk of numerous diseases, from type 2 diabetes, to heart disease, to many cancers.

The recent “F as in Fat” report, from the Trust for America’s Health, projects as many as 7.9 million new cases of diabetes a year and as many as 6.8 million new cases of chronic heart disease and stroke.

The increasing burden of illness will go right to the bottom line, adding \$66 billion in annual obesity-related medical costs over and above today’s \$147 billion to \$210 billion.

Claims Payment Trends. As the graph at the top of this column depicts, claims payments by the Trust increased steadily in the 1980s and into the 1990s. After the mid 1990s, the increase in claims payments accelerated. This was due, in part, to the elimination of the age 60 eligibility requirement in 2000, and the prescription drug benefit the Trust made available in January 2002. In 2011, prescription drug claims totaled \$12.3 million, or over 33% of the claim payments made.