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PRESS RELEASE

Milliman Group Health Insurance Survey Indicates Average 2011 Rate Increases of 10.2% for HMOs, 11.7% for PPOs

Health reform introduces new contracting dynamics and cost savings initiatives

Seattle, WA, October 27, 2010 – Results from Milliman's 2010 Group Health Insurance Survey indicate estimated premium rate increases for January 2011 renewals will average 10.2% for Health Maintenance Organizations (HMOs) and 11.7% for Preferred Provider Organizations (PPOs). In addition to typical rate increases due to utilization and cost experience, these planned increases also likely reflect some change due to implementing the requirements of the Patient Protection and Affordable Care Act (PPACA).

The reported annual historical increase in premium rates (July 2010 versus July 2009 assuming no changes in benefit or cost-sharing levels) was 10.9% for HMOs and 11.7% to 12.0% for PPOs. The PPO results were compiled for a standard plan and a high-deductible plan, respectively. Commercial insurers experienced a median 1.1% pretax profit as a percent of premium in 2009.

The Milliman survey is unique in that it asks HMOs and PPOs to respond regarding a given set of group health benefits and demographics. The survey removes three important factors that can skew the results presented in other health cost surveys: changes in plan design, shifts in premium sharing between employer and employee, and member demographics. These trends, therefore, reflect the increase in medical utilization and costs experienced/anticipated by the HMOs and PPOs.

This year's survey also asked insurers what provider contracting changes and cost saving initiatives they are considering making due to the PPACA. Insurers generally plan to utilize more quality incentive programs, introduce more shared risk with their provider networks, provide more price transparency for members, more aggressively tier provider networks, and reduce broker commissions. Almost all report they are preparing to participate in the PPACA insurance exchanges in 2014.

The 2010 report includes premium rates, trends for medical and prescription drug coverage, prescription drug costs, views toward recent health care reform legislation, and progress toward implementing ICD-10 coding per survey responses. Milliman also provides hospital inpatient cost and utilization data, physician reimbursement levels, medical expense ratios, and profit levels from Milliman's available databases. Results are provided by metropolitan area, state, region and nationwide, and are shown separately for HMOs and PPOs when possible.

This marks the seventeenth 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. Over 60 insurers participated representing a total enrollment of about one hundred million members. Please visit <http://www.milliman.com/expertise/healthcare/products-tools/group-health-insurance-survey/index.php> to order the full survey or contact Jeremy Engdahl-Johnson (jeremy.engdahl-johnson@milliman.com, 646.473.3021) to request a copy of the press version.

About Milliman

Milliman is among the world's largest independent actuarial and consulting firms. Founded in Seattle in 1947 as Milliman & Robertson, the company currently has 53 offices in key locations worldwide. Milliman employs more than 2,400 people. The firm has consulting practices in healthcare, employee benefits, property & casualty insurance, life insurance and financial services. Milliman serves the full spectrum of

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