

Employee
Benefit
News

Benefits Barometer 2006



A research resource for benefit professionals featuring statistical snapshots of benefit costs, health benefit plans and the benefits management function

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As a premier health solutions provider of pharmacy benefit management, disease management, specialty pharmacy, and health management services, Caremark is committed to providing our clients with personalized service, integrity and value, while emphasizing safety and quality of care. We have a comprehensive selection of tailored and measurable health solutions to effectively manage pharmacy trend and total health outcomes, which enable our clients to optimize their health-care investment. Solutions such as these are what make Caremark a trusted expert and leader in the healthcare industry.

The 2006 *Benefits Barometer* is produced by Caremark Rx, Inc. with the cooperation of SourceMedia, New York, NY.

Benefits Barometer

A research resource for benefit professionals featuring statistical snapshots of benefit costs, health benefit plans and the benefits management function

Barometer, *n.*— an instrument that measures atmospheric pressure. Today's benefits professionals are feeling pressure from all sides of the health benefits environment in their unceasing efforts to reduce costs while still providing employees with valuable and comprehensive services. To assist professionals in this challenging undertaking, Caremark and SourceMedia offer the 2006 *Benefits Barometer*, which draws on a number of sources for data that provide readers with a profile of the current atmosphere as it relates to benefit plan designs and useful benchmarking information.

This publication contains three important sections: Benefit Cost Highlights, Health Benefit Plans and Benefits Management. The following sources are the most frequently cited for the data presented in this year's *Benefits Barometer*:

- **The Bureau of Labor Statistics' 2005 Employment Cost Index.** This quarterly report publishes statistics that measure change in labor over time and the level of costs per hour worked. Indexes are available for total labor costs, and separately for wages and salaries, and for benefit costs. Some informa-

tion is available by region, major industry group, major occupational group, and bargaining status. Visit www.bls.gov for detailed statistics.

- **Caremark Rx, Inc.** For drug trend, disease management and specialty pharmaceutical data, visit www.caremark.com.

- **Deloitte Consulting 2004 Annual 401(k) Benchmarking Survey.** Conducted in August and September 2004 among human resources and employee benefits executives nationwide, the survey includes employer concerns, strategies and plan characteristics, providing the reader with a contemporary view of current approaches among many of the nation's leading organizations.

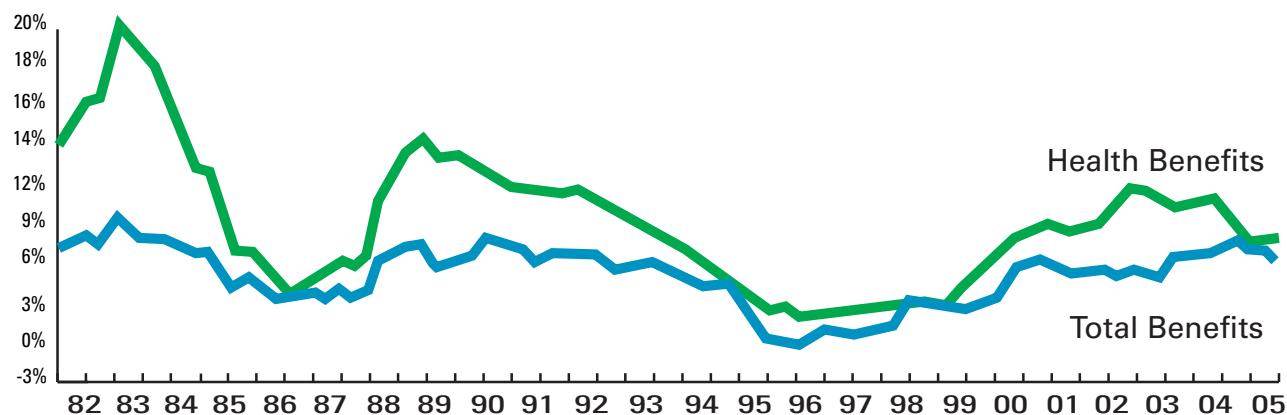
- **The Kaiser Family Foundation and Health Research and Educational Trust Survey of Employer-Sponsored Health Benefits, 2005.** This annual survey provides detailed insights into trends in employer-based health coverage, including changes in premiums, employee contributions, offer rate among firms, and the use of consumer-driven health plans. The 2005 survey included 2,995 public and private firms with three or more employees. Complete survey results are available at www.kff.org.

- **The 2004 MetLife Study of Employee Benefits Trends.** The national study of employee benefits trends surveyed both employees and employers during the third quarter of 2004. For more survey results, visit www.metlife.com.

Special thanks to the AARP, Ernst & Young, Hewitt Associates, Society for Human Resource Management, and Watson Wyatt Worldwide/ National Business Group.

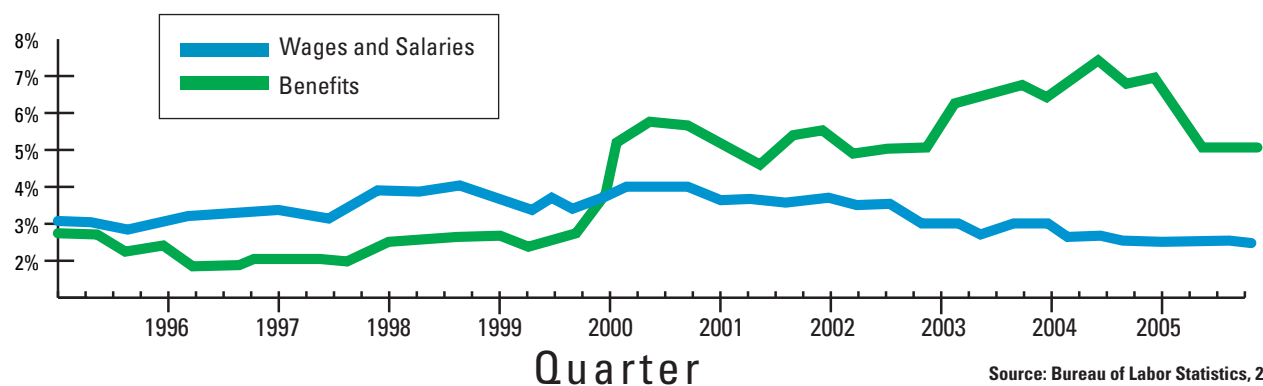
Benefit Cost Highlights

Employment Cost Index, Private Industry, 12-Month Percent Change, Total Benefits, and Health Benefits



Source: Bureau of Labor Statistics, 2005

Employment Cost Index for Civilian Workers, Changes in Wages and Salaries, and Benefit Costs



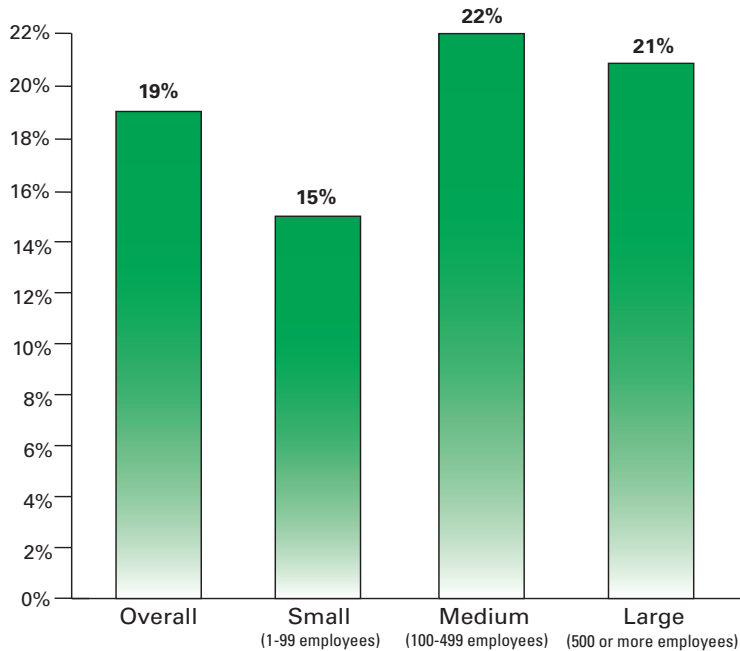
Source: Bureau of Labor Statistics, 2005

Employer Costs per Hour Worked for Components of Compensation, June 2005

Industry or occupation category	Total compensation	Wages and salaries	BENEFIT COSTS						
			Total	Paid leave	Supplemental pay	Insurance	Retirement and savings	Legally required benefits	Other benefits
Civilian workers									
Cost per hour worked	\$25.86	\$18.21	\$7.64	\$1.70	\$0.64	\$2.05	\$1.09	\$2.12	\$0.04
State and local government workers									
Cost per hour worked	\$35.46	\$24.17	\$11.29	\$2.69	\$0.32	\$3.79	\$2.33	\$2.11	\$0.05
Private industry workers									
Cost per hour worked	\$24.24	\$17.21	\$7.03	\$1.54	\$0.69	\$1.76	\$0.88	\$2.12	\$0.04

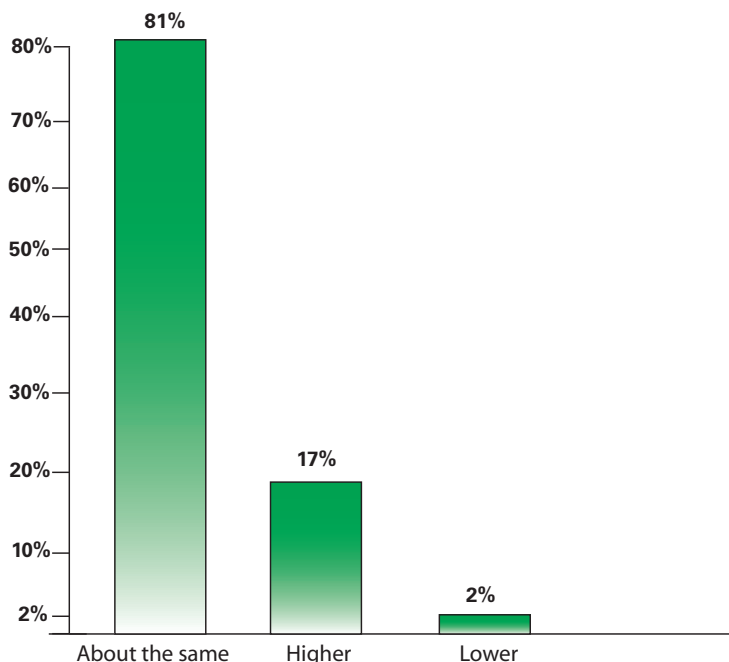
Source: Bureau of Labor Statistics, 2005

Average Percentage of Salary Reflecting Cost of Mandatory Benefits by Firm Size



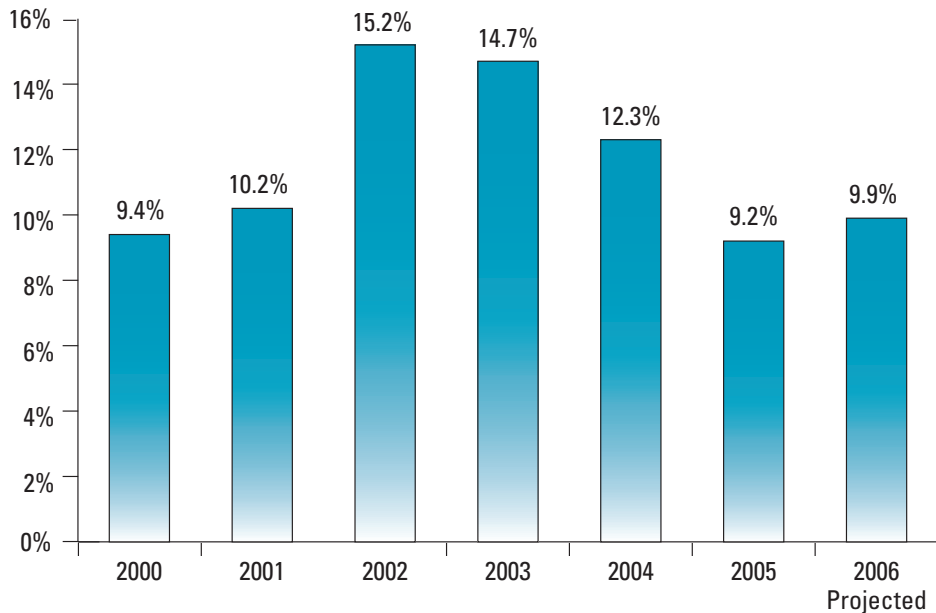
Source: Society for Human Resource Management 2005 Benefits Survey Report

Change in Percentage of Salary Reflecting Cost of Mandatory Benefits (Compared with Previous Fiscal Year)



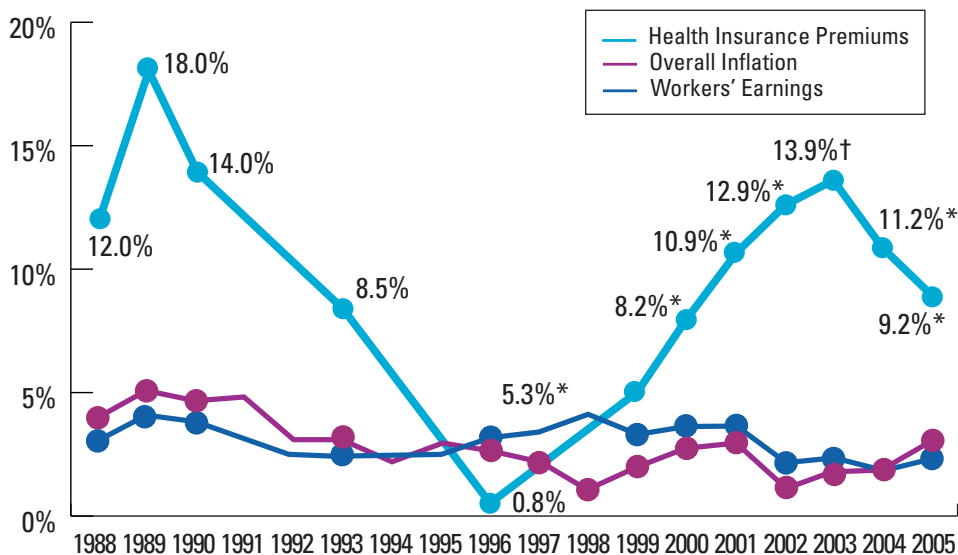
Source: Society for Human Resource Management 2005 Benefits Survey Report

National Average Annual Health Care Cost Increases



Source: Hewitt Associates Health Value Initiative

Increases in Health Insurance Premiums Compared to Other Indicators, 1988-2005



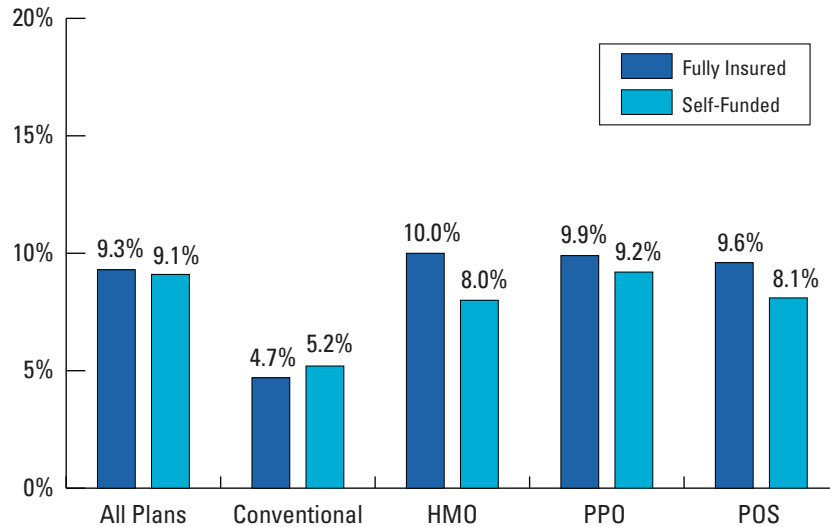
* Estimate is statistically different from the previous year shown at $p < 0.05$. No statistical tests were conducted for years prior to 1999.

† Estimate is statistically different from the previous year shown at $p < 0.1$. No statistical tests were conducted for years prior to 1999.

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four.

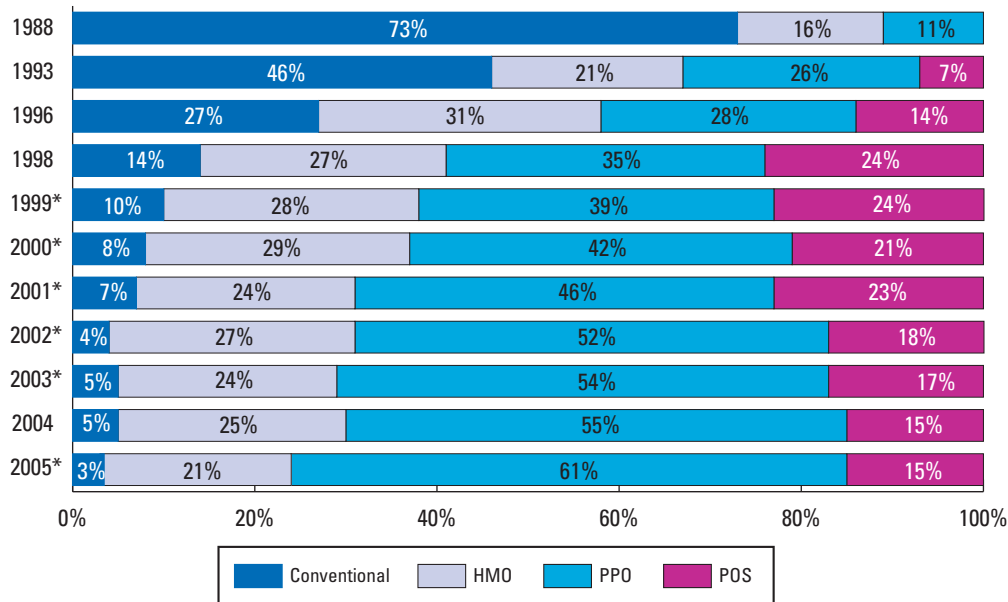
Source: KFF/HRET Survey of Employer-Sponsored Health Benefits: 1999-2005; KPMG Survey of Employer-Sponsored Health Benefits: 1993, 1996; The Health Insurance Association of America (HIAA): 1988, 1990; Bureau of Labor Statistics, Consumer Price Index (U.S. City of Annual Inflation (April to April), 1988-2005; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April), 1988-2005

Premium Increases, by Plan Type and Funding Arrangement, 2005*



* Tests found no statistically different estimates between fully insured and self-funded plans at $p < .05$.
 Note: Data on premium increases reflect the total cost of health insurance premiums for a family of four.
 Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005

Health Plan Enrollment for Covered Workers by Plan Type, 1988-2005

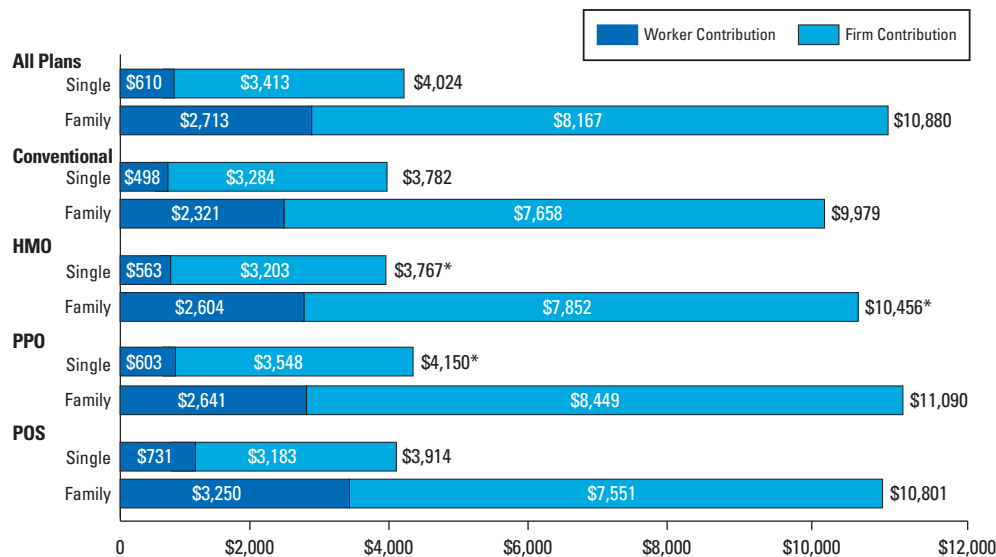


* Distribution is statistically different from the previous year shown at $p < .05$. No statistical tests were conducted for years prior to 1999. Information was not obtained for POS plans in 1988.

Note: A portion of the change in enrollment for 2005 is likely attributable to incorporating more recent Census Bureau estimates of the number of state and local government workers and removing federal workers from the weights.

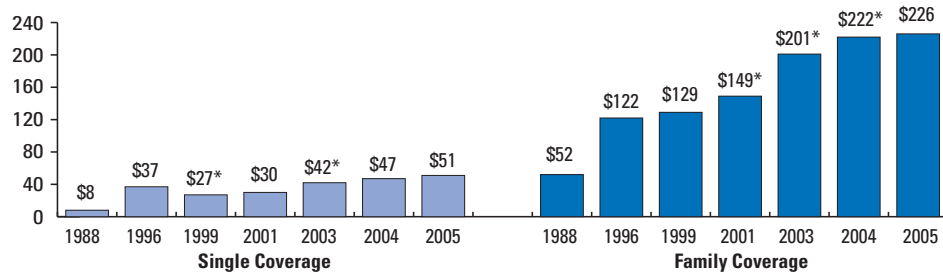
Source: KFF/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005; KPMG Survey of Employer-Sponsored Health Benefits: 1993, 1996; The Health Insurance Association of America (HIAA), 1988

Average Annual Premiums for Covered Workers, by Plan Type, 2005

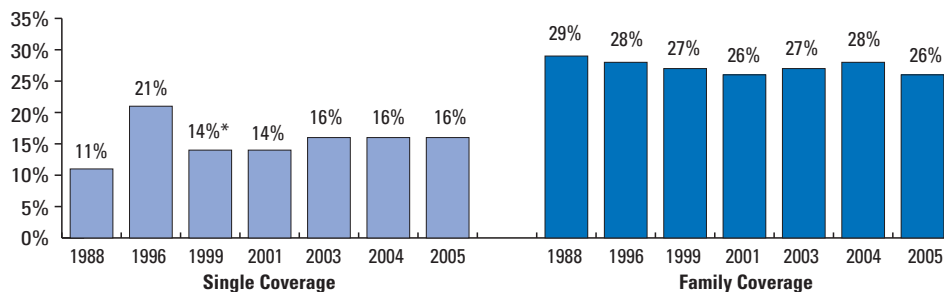


*Estimate of total premium is statistically different from All Plans by coverage type at $p < .05$.
 Note: Data on premium increases reflect the cost of health insurance premiums for a family of four.
 Source: KFF/HRET Survey of Employer-Sponsored Health Benefits, 2005

Average Monthly Worker Contribution

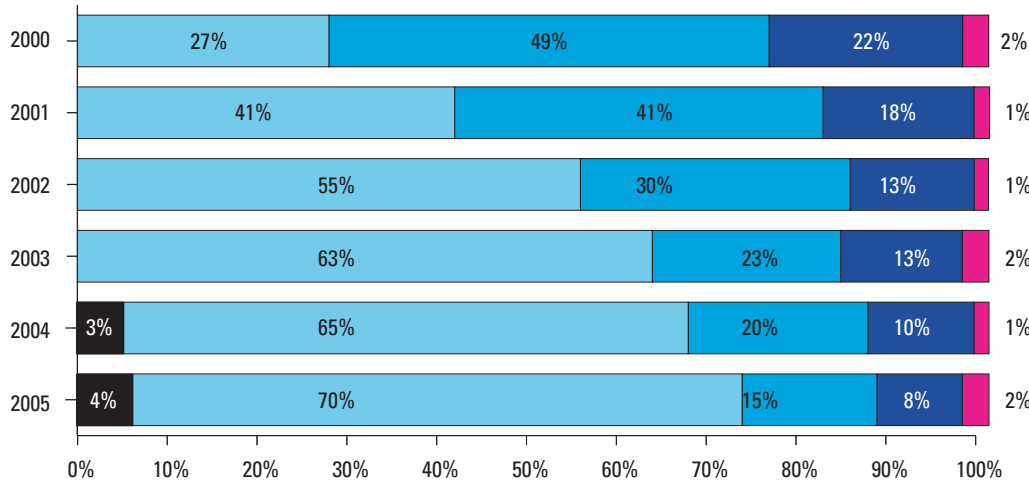


Percentage of Premium Paid by Covered Workers



*Estimate of total premium is statistically different from All Plans by coverage type at $p < .05$. No statistical tests were conducted for years prior to 1999.
 Note: Family coverage is defined as health coverage for a family of four.
 Source: KFF/HRET Survey of Employer-Sponsored Health Benefits, 2005

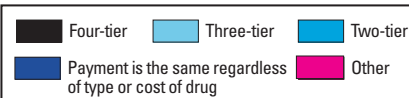
Distribution of Covered Workers Facing Different Cost Sharing Formulas for Prescription Drug Benefits, 2000-2005



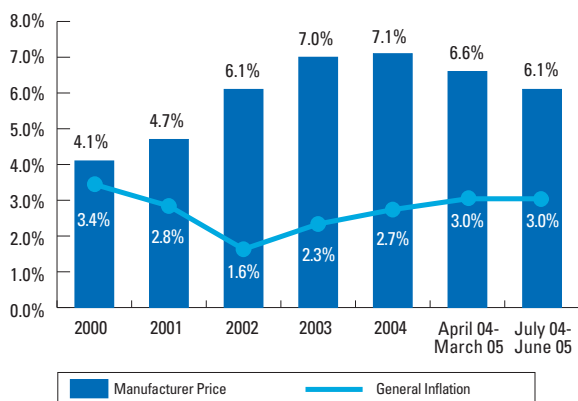
* Distribution is statistically different from the previous year shown at $p < .05$. No statistical tests are conducted between 2003 and 2004 due to the addition of a new category.

Note: Fourth-tier drug copay information was not obtained prior to 2004.

Source: KFF/HRET Survey of Employer-Sponsored Health Benefits, 2000-2005



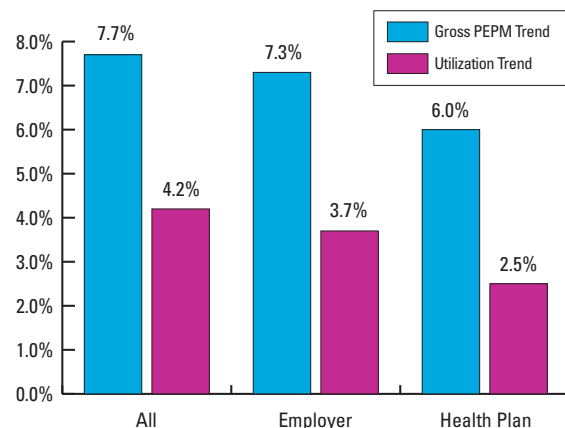
Average Annual Percentage Change in Manufacturer Prices for Most Widely Used Brand Name Prescription Drugs, 2000 Through Second Quarter 2005



Note: Average increases for 2004 and 2005 exclude Vioxx 12.5 mg and 25 mg tablets, which were withdrawn from the market in September 2004. The average increase in second quarter 2005 also excludes Bextra 10 mg and 20 mg tablets, which were withdrawn from the market in April 2005.

Source: AARP Public Policy Institute and the PRIME Institute; University of Minnesota, based on data found in Medi-Span Price-Chek PC (Indianapolis, IN, Wolters Kluwer Health Inc., September 2005)

Gross Prescription Drug Trend, Percentage Increase on All Drug Costs per Cardholder, January to June 2005 over January to June 2004

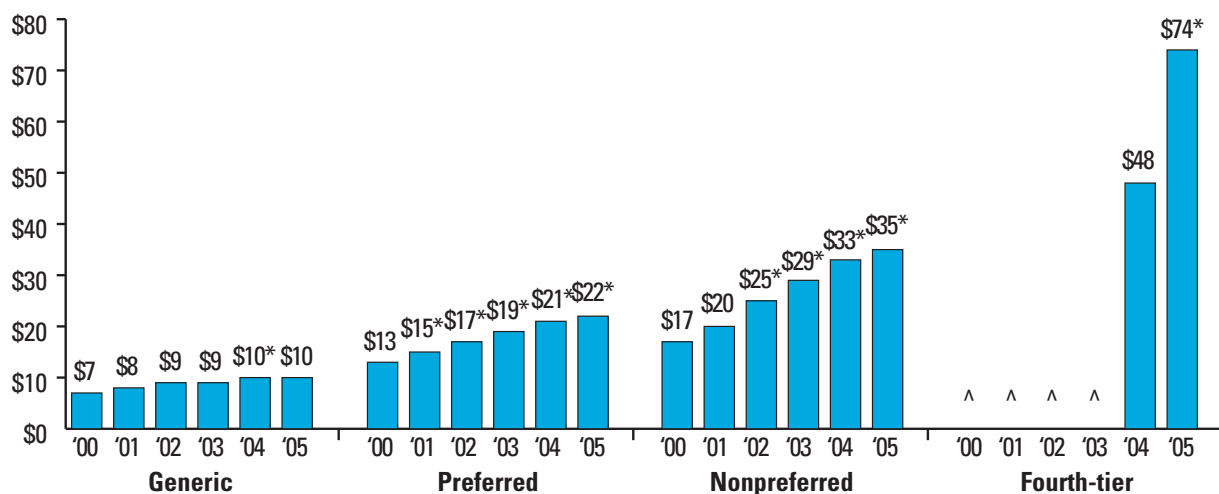


Source: Caremark Analytics & Outcomes, Book of Business. ©2005 Caremark. All rights reserved.

This page contains prescription brand name drugs that are registered or trademarks of pharmaceutical manufacturers that are not affiliated with Caremark.

Health Benefit Plans

Average Copays for Generic, Preferred, Nonpreferred, and Fourth-tier Prescription Drugs

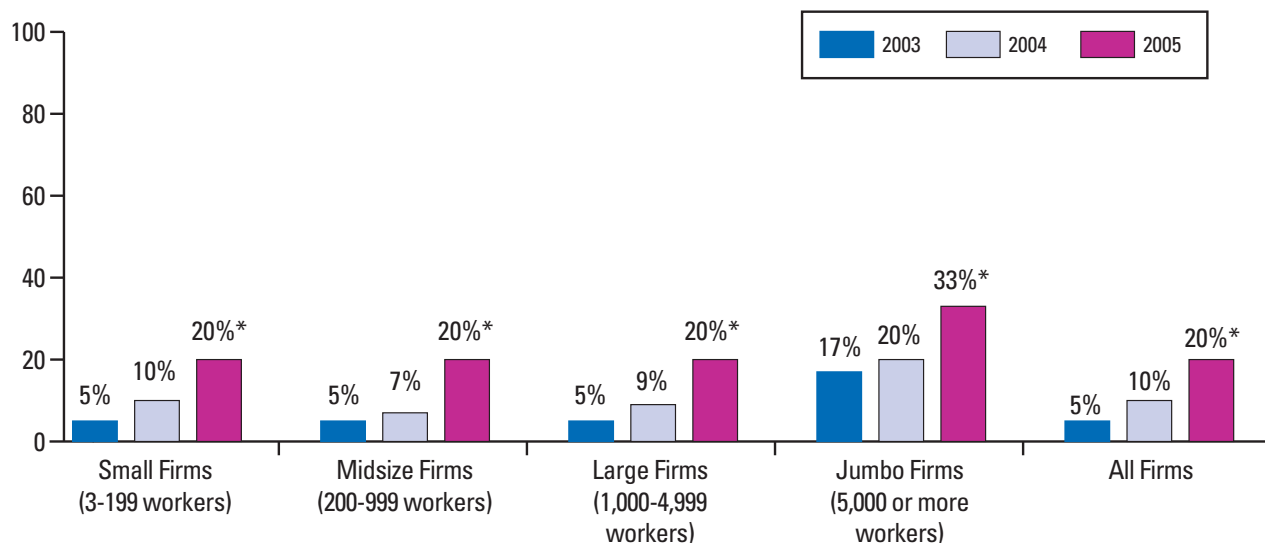


* Estimate is statistically different from the previous year shown at $p < .05$.

^ Fourth-tier copayment information was not obtained prior to 2004.

Source: KFF/HRET Survey of Employer-Sponsored Health Benefits, 2000-2005

Percentage of Employers that Offer a High-Deductible Health Plan by Firm Size

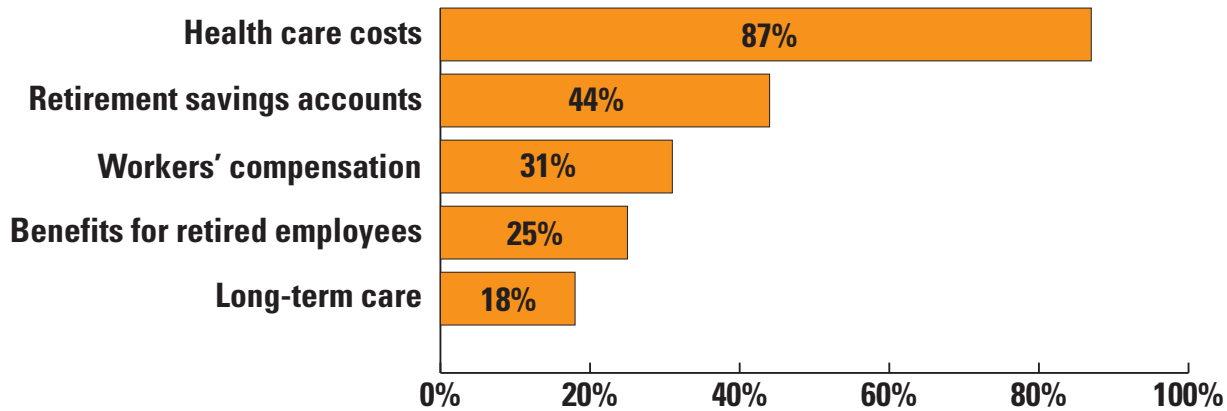


* Estimate is statistically different from the previous year shown at $p < .05$.

Note: The prevalence shown above is for all HDHPs, regardless of whether they are offered with an HRA, are HSA qualified or neither.

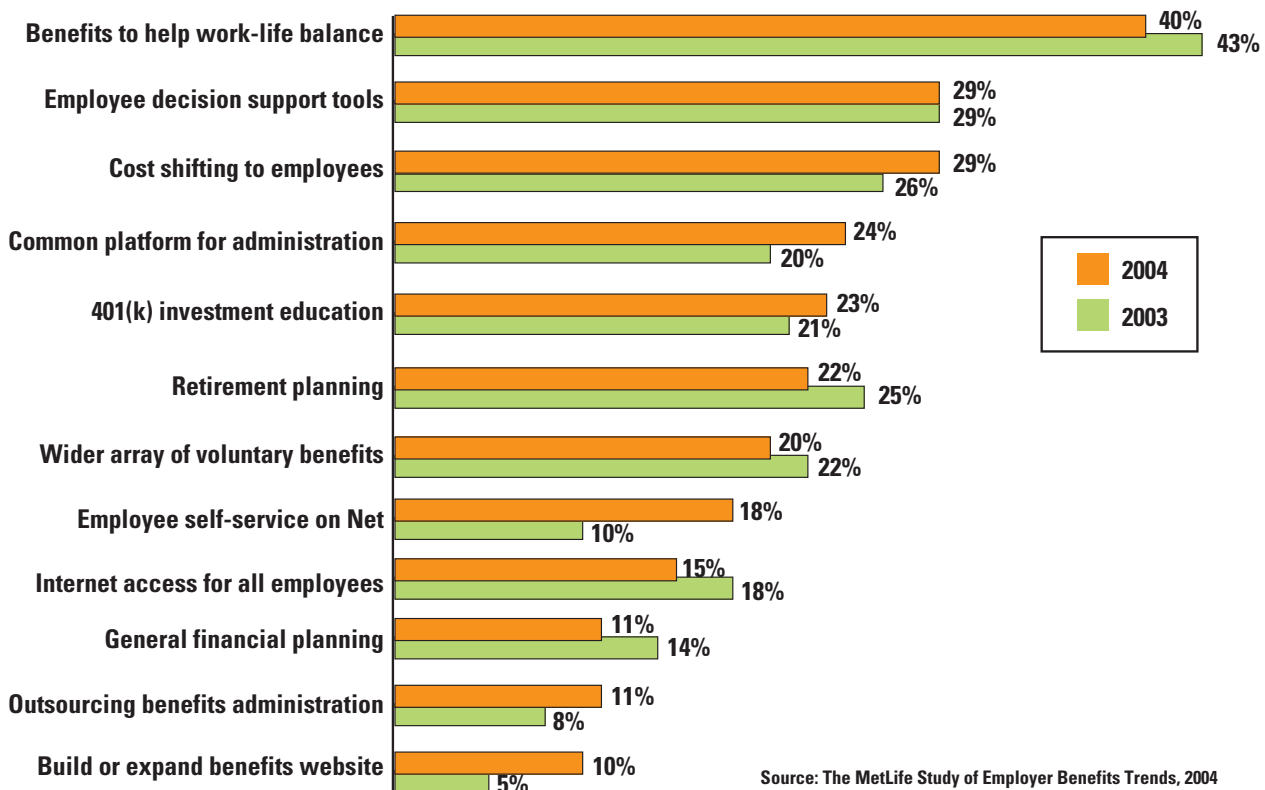
Source: KFF/HRET Survey of Employer-Sponsored Health Benefits, 2003-2005

Employee Benefits Issues Concerning Senior-Level Management Most



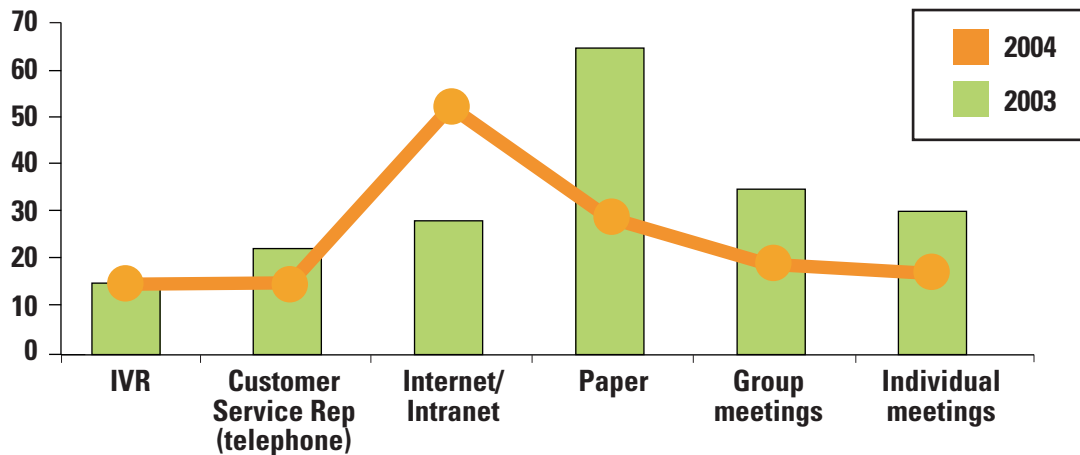
Source: The MetLife Study of Employer Benefits Trends, 2004

Most Important Employee Benefits Strategies



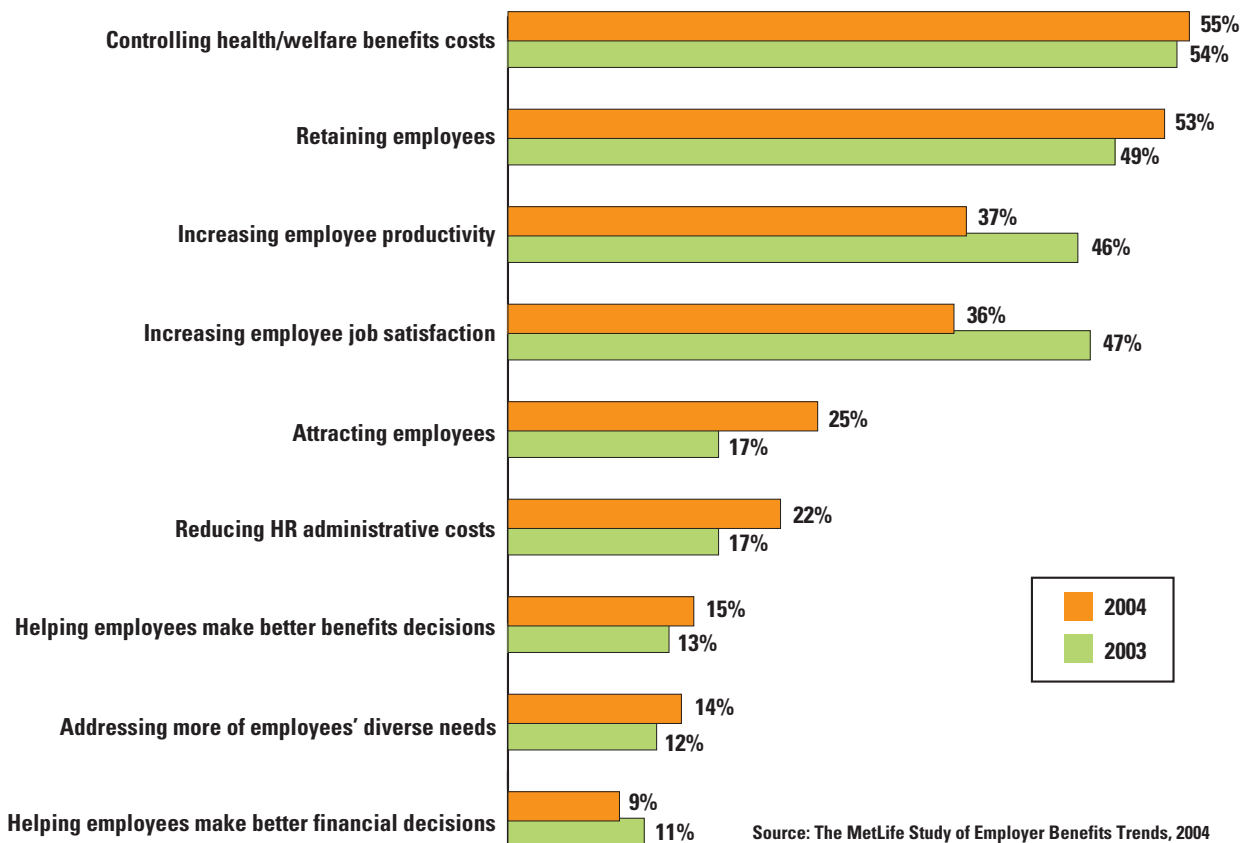
Source: The MetLife Study of Employer Benefits Trends, 2004

Employers' Current/Preferred Methods of Enrollment



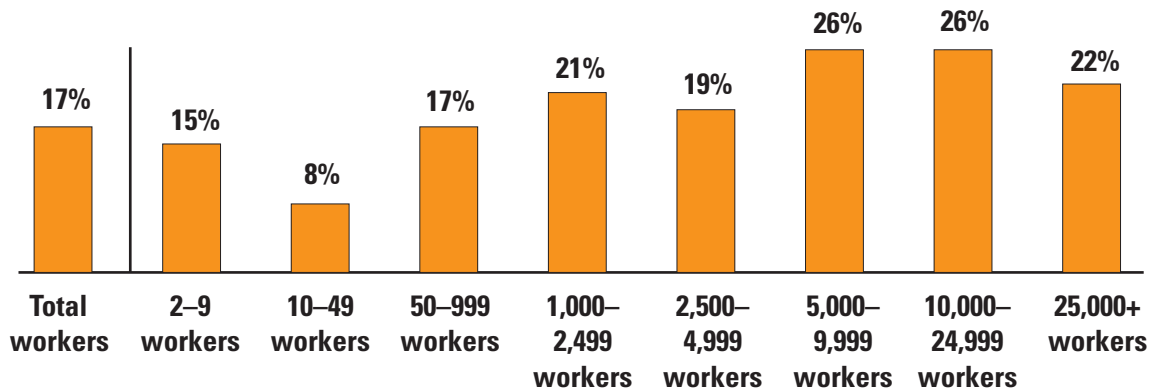
Source: The MetLife Study of Employer Benefits Trends, 2004

Most Important Employee Benefits Objectives



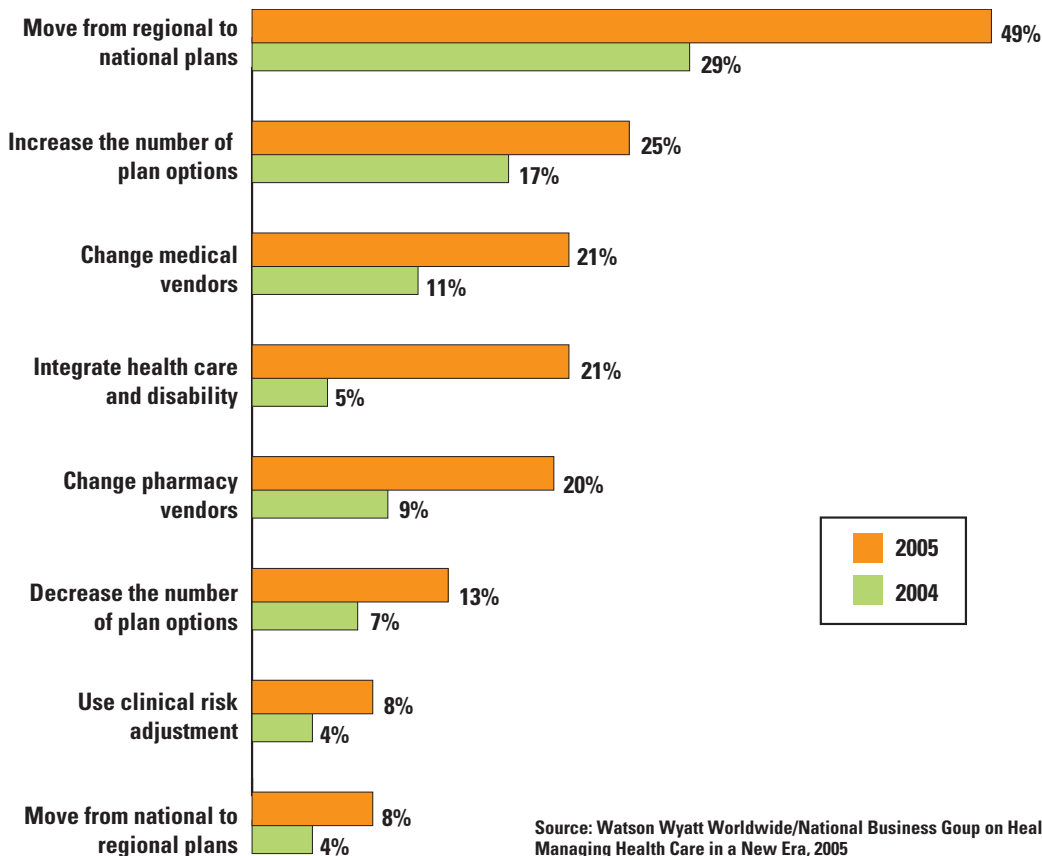
Source: The MetLife Study of Employer Benefits Trends, 2004

Percentage of Employers Expecting to Take On Additional Benefits Costs, by Company Size



Source: The MetLife Study of Employer Benefits Trends, 2004

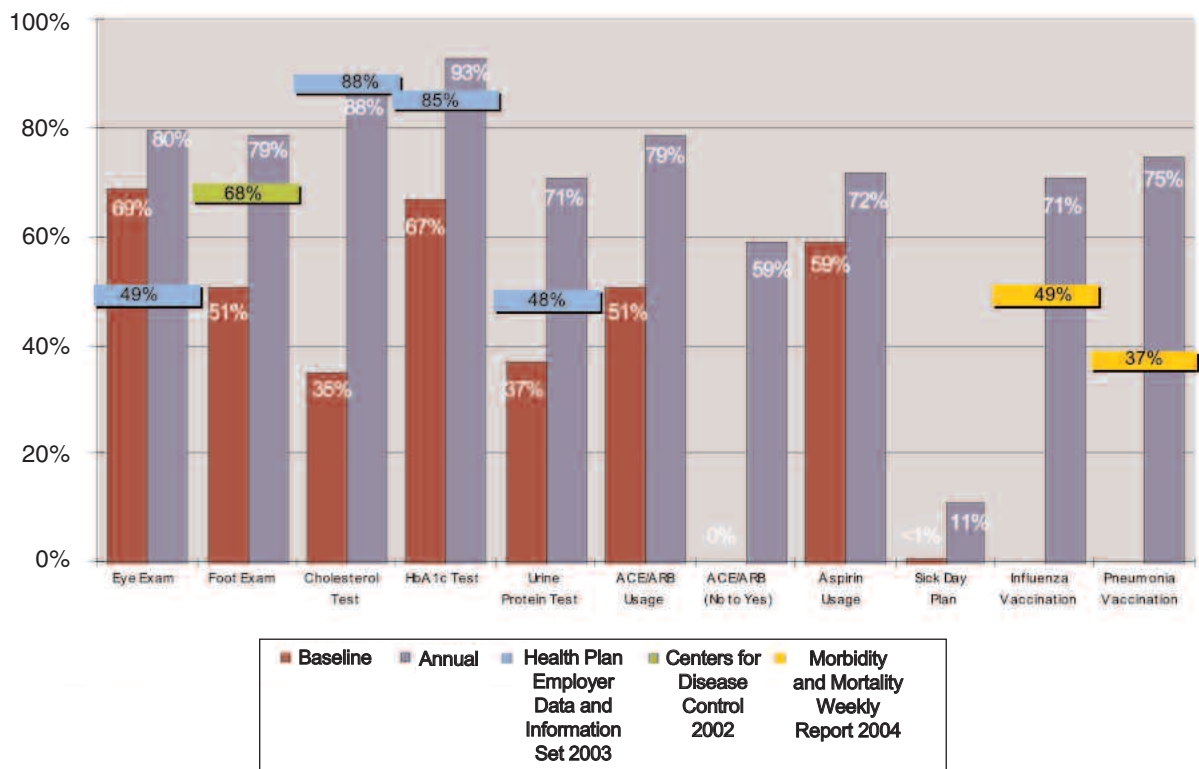
Employers Are Changing Their Relationships with Health Plans



Source: Watson Wyatt Worldwide/National Business Group on Health, Managing Health Care in a New Era, 2005

Outcomes for the Caremark CarePatterns® Disease Management Program

Diabetes Clinical Indicators

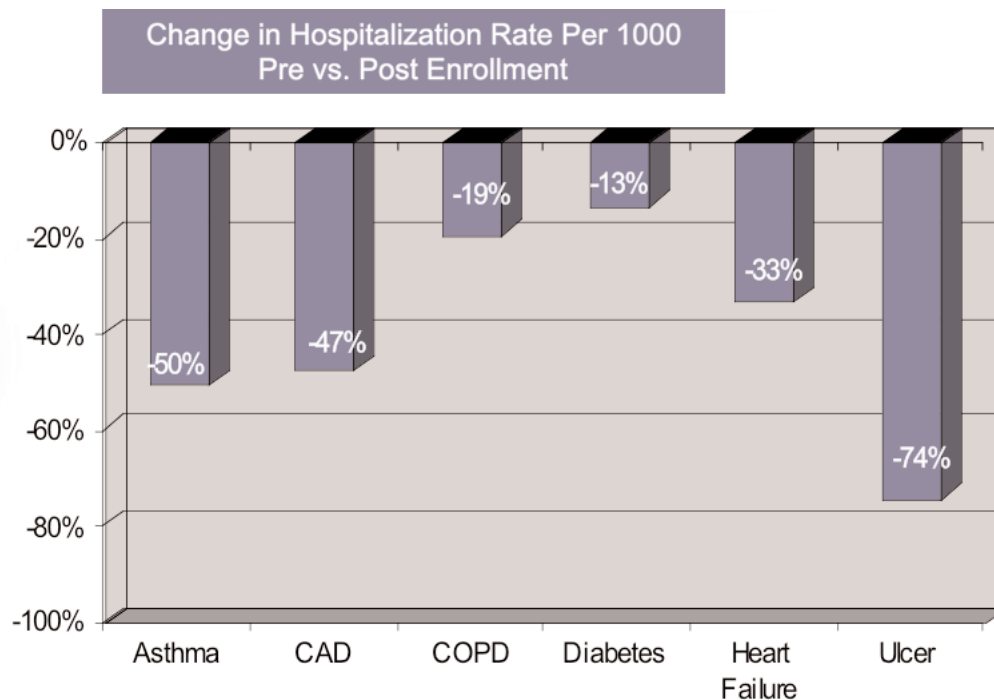


Source: 2004 Book of Business. ©2005 Caremark. All rights reserved.

The CarePatterns® Disease Management Programs cover more than 3 million lives nationally and are the first to receive both physician and participant based NCQA accreditation. Outcomes are monitored and reported on clinical, quality and economic indicators for each population. The diabetes program summarizes the improvement in key clinical measures achieved.

Outcome for the Caremark CarePatterns® Disease Management Program

Changes in Hospitalizations



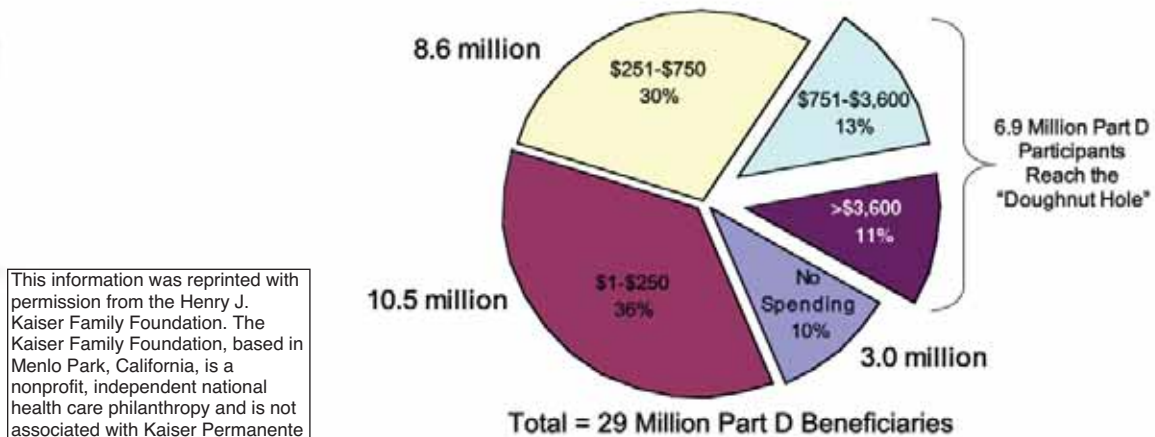
Source: 2004 Book of Business. ©2005 Caremark. All rights reserved.

Caremark was the first and only prescription benefits manager to receive full patient and practitioner oriented accreditation from NCQA in 2002. Effective 9/2005 to 9/2008, Caremark received full patient and practitioner oriented accreditation for its chronic obstructive pulmonary disease (COPD), asthma (adult and pediatric), heart failure, coronary artery disease (CAD), and diabetes programs.

CarePatterns® is a portfolio of disease-specific, patient-centered programs currently available for 10 chronic medical conditions, including some of the highest cost-per-patient diseases covered by plans today. By monitoring a participant's entire care, not just drug therapy, and coordinating the activities of the participant, physician, pharmacist, and the specially trained CarePatterns nurses and case managers, the participant's quality of life can be improved and the overall cost of treatment reduced.

Expected Spending per Part D Beneficiary

Distribution of Part D Participants, by Projected Out-of-Pocket Prescription Drug Spending Under MMA, 2006

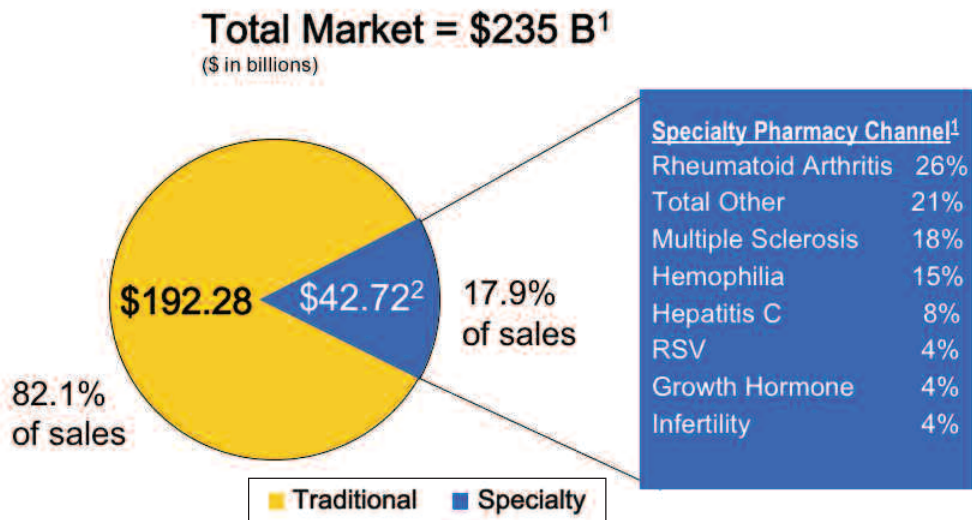


Note: Estimates exclude premiums and assume no supplementation of Part D coverage.

Source: "The Medicare Rx Drug Law — Estimates of Medicare Beneficiaries' Out-of-Pocket Drug Spending in 2006: Modeling the Impact of the MMA," (#7201), The Henry J. Kaiser Family Foundation, November 2004

Specialty Pharmaceuticals

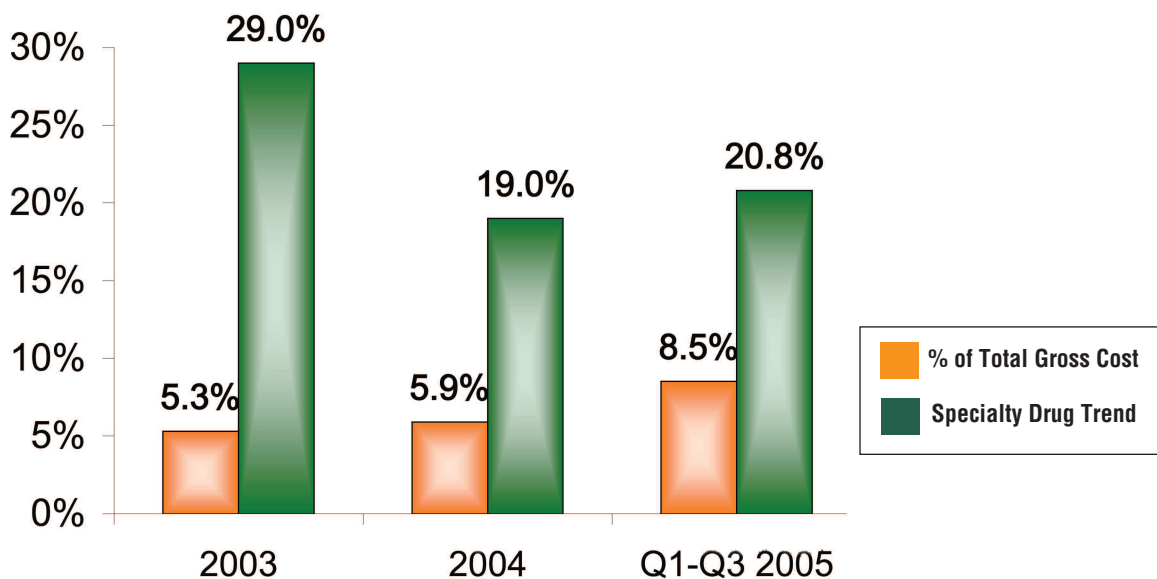
2004 U.S. Pharmaceutical Market



¹ IMS Health, Company Reports and JP Morgan estimates

² Ernst & Young, "Competitive Growth, Growing Competition," Beyond Borders 2005

Caremark Book of Business Specialty Drug Benefit Trend



Source: Caremark data on file, 2003 to Q1-Q3 2005. ©2006 Caremark. All rights reserved.

COMPREHENSIVE Healthcare Solutions

BETTER OUTCOMES FOR A HEALTHIER BOTTOM LINE



Targeted Solutions

Caremark delivers personalized, data-driven solutions and disease management programs to fit our clients' overall health management objectives.

Aligned Incentives

We collaborate with our clients to achieve their unique goals and meet their financial and business needs.

Improving Healthcare While Controlling Costs

We assist our clients in engaging and empowering plan participants to become prudent healthcare consumers, which can lead to improved health outcomes and a healthier bottom line.

Caremark is a premier health solutions provider of pharmacy benefit management, disease management, specialty pharmacy, and health improvement services.



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