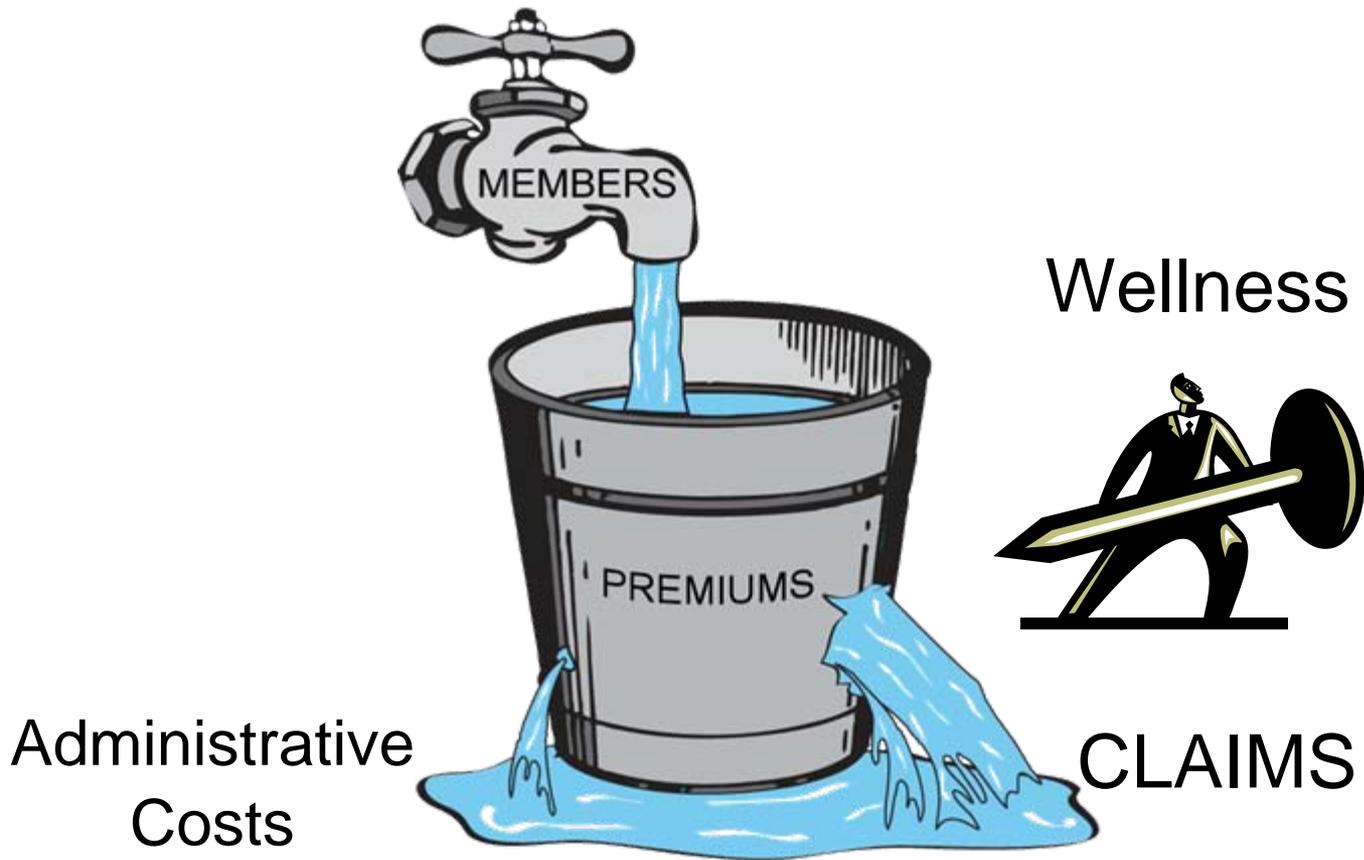


Drivers of Health Care Costs



How Insurance Works

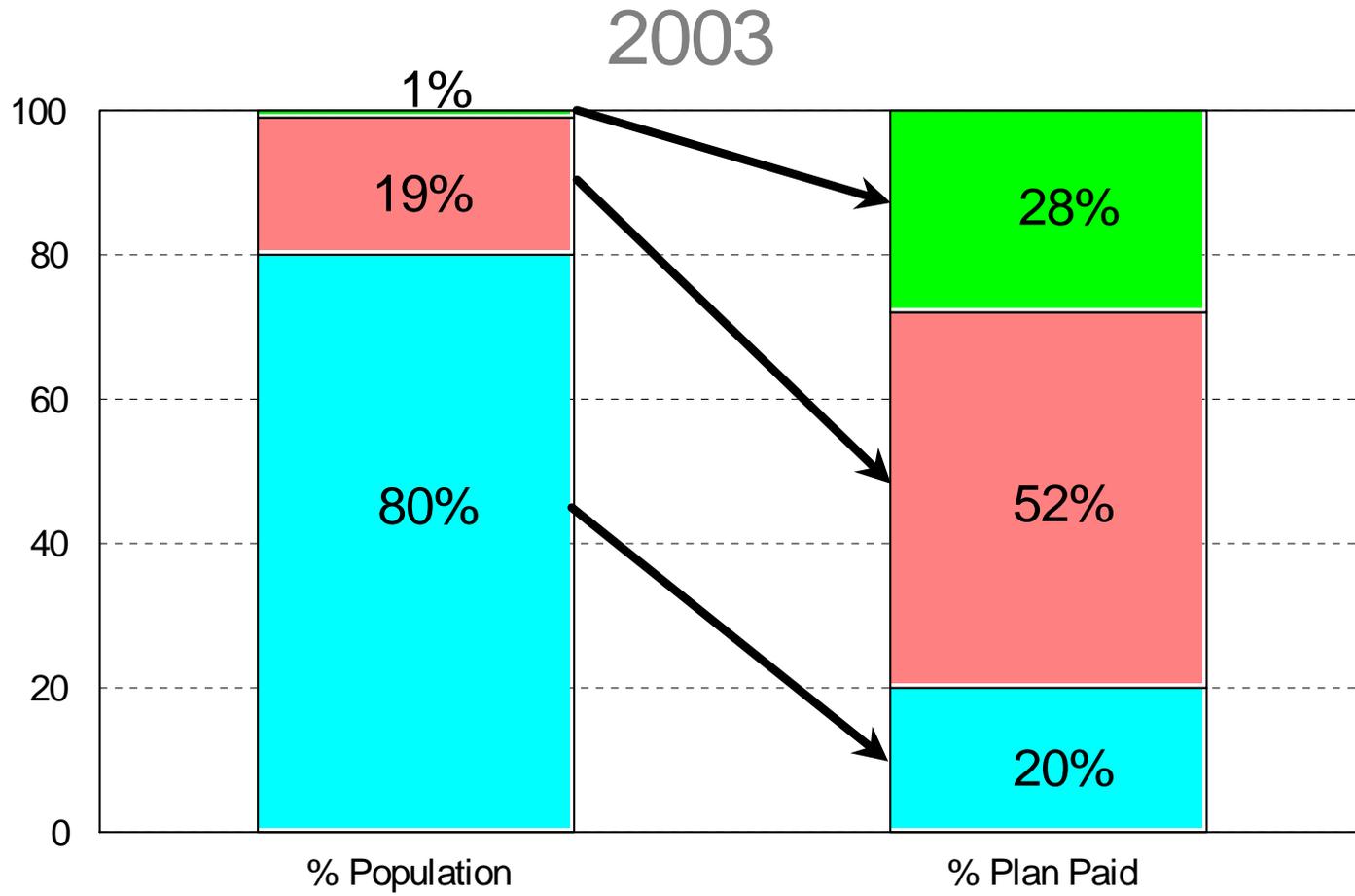




What's driving BCBSND costs

- Utilization
- Rx trends
- Aging population
- Regulations
- Reimbursement / Cost Shifting

NDPERS Health Plan Experience*

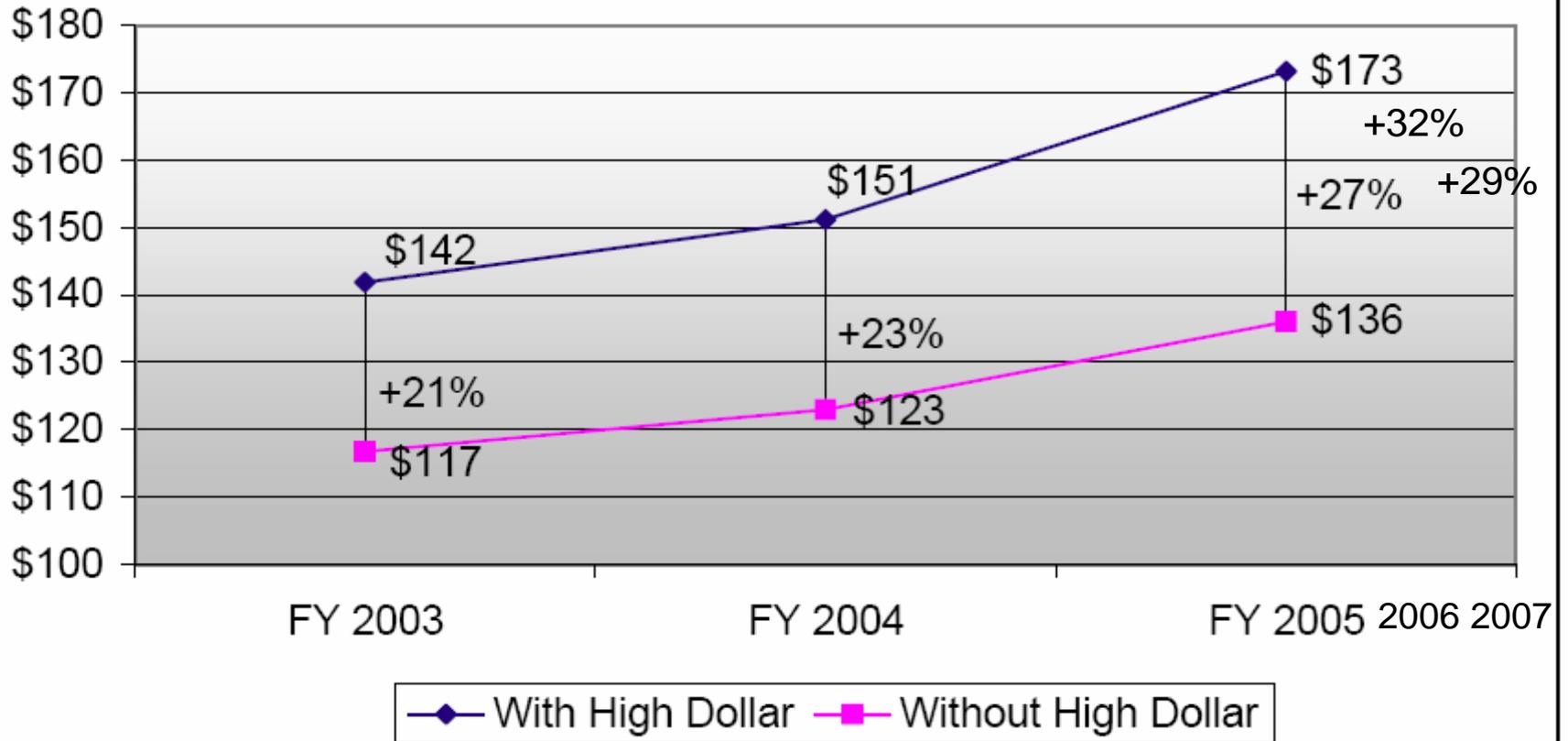


* - Includes only members who were on the Health Plan for the entire period.

High Dollar Claims – NDPERS Actives 6/2004-7/2005

- \$50,000 Payment Threshold
 - 213 Members Met
 - 69 EPO (22% of EPO Paid)
 - 144 PPO (21% of PPO Paid)
 - 157 age 45+ (75% of Hi\$ Paid)
 - 11 had Payments > \$200,000
 - 23 Members no longer enrolled
- Total Paid \$21,042,866 (or 21%)

NDPERS Actives Paid PMPM Comparison & High Dollar Influence

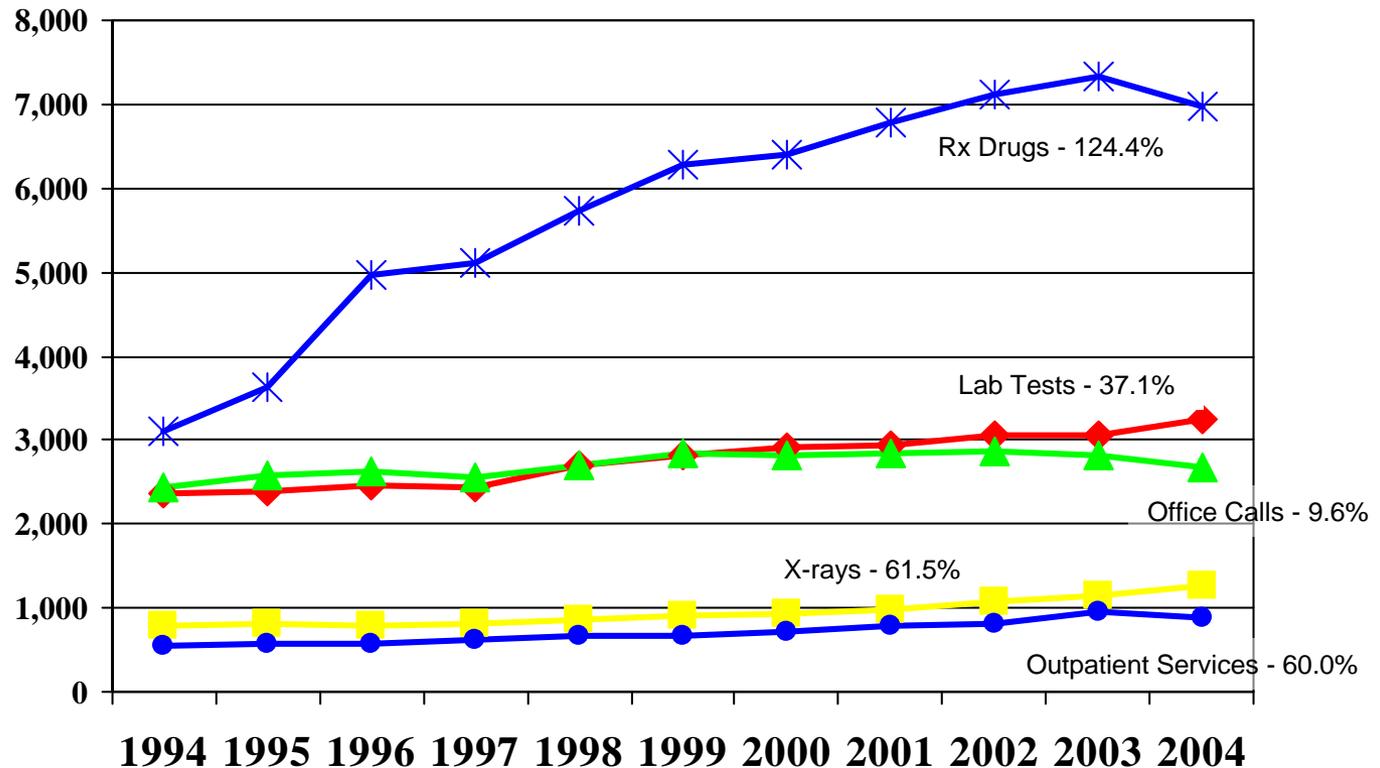




Utilization Trends

- Utilization has increased since 1994
- What if this trend continues?

Number of Services Per 1,000 Members – 1994 to 2004



Instate members only; national accounts excluded; ages 65 and older excluded. Calendar year 2004 is based on January - June 2004 data.

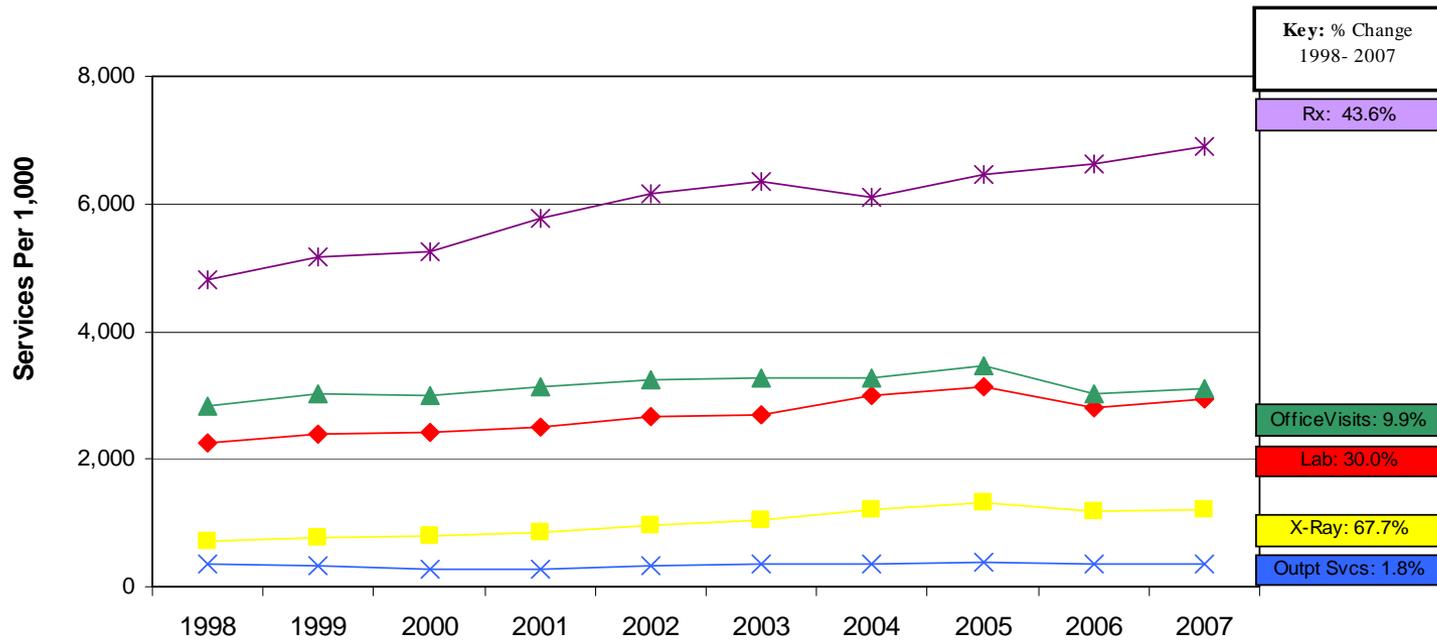
Rx drug rates calculated for members with a drug card.

Source: BCBSND data



Utilization Trends

Number of Services Per 1,000 Members – 1997 to 2007



Parameters: Instate members only; FEP, Medicare, and those aged 65 and older were excluded. Rx drug rates calculated for members with a drug card.

NDPERS Office Visits CPT 99211-99215 (Established Patient)

Table of Service Year by Procedure

	99211 5 Min	99212 10 Min	99213 15 Min	99214 25 Min	99215 40 Min	Total
1994	5735 4.58%	69672 55.70%	38510 30.79%	8584 6.86%	2591 2.07%	125092
2004	3611 2.31%	37234 23.85%	84713 54.26%	25537 16.36%	5038 3.23%	156133
2007	3800 2.20%	30377 17.58%	97568 56.46%	34103 19.74%	6956 4.03%	172804



ND Cost Comparison

Ailment	Office/ Walk-in visit		Emergency Room	
	2003	2004	2003	2004
Stomachache	103.76	110.47	206.45	228.71
Sore Throat	73.38	77.14	133.73	141.96
Sinus	75.22	80.03	127.64	148.68
Earache	73.74	77.61	122.59	135.07

Average costs: BCBSND Data

2007	Office Visit	Emergency Room
Ear Infection	\$79	\$189



What's the cost?

Employee Estimated Average	Procedure	Average Actual Cost*
\$13,500	Hip Replacement	\$25,000
\$6,145	Birth via C-Section	\$13,500

*Average billed charges for products and services as calculated by Milliman USA.



Prescription Drugs

Research and development

1 new drug

- Time: 10 – 15 years
- Cost: \$800 million



Prescription Drugs

Direct-to-consumer advertising

Peaceful, restful sleep.

Lunesta
Eszopiclone

Discover Lunesta™, a sleep aid that can change your nights.

There are many sleep aids on the market, but only Lunesta is designed to help you fall asleep faster and stay asleep longer. Lunesta is a prescription sleep aid that can help you get a full night's sleep. It's safe, effective, and non-habit forming. Lunesta is a prescription sleep aid that can help you get a full night's sleep. It's safe, effective, and non-habit forming.

Leave the rest to Lunesta.

1-800-Lunesta www.lunesta.com

The real Ambien® story. It shouldn't keep you up.

Recent news reports have focused on car accidents and sleep-related injury to patients who have slept. But, it's important to know the facts.

Ambien prescribing information has always included a warning about driving or operating machinery after taking Ambien. It's important to know the facts.

But the fact is that throughout the 14 billion nights of a weeknight period for Ambien, the actual number of car accidents and injuries has been and will continue to be of no consequence to the safety of Ambien. So we want to see these key safety facts.

- Take the exact dose of Ambien prescribed by your doctor.
- Do not take Ambien for extended periods or with any other drug that has the potential to affect your breathing.
- Please take Ambien immediately before you go to bed.
- Take Ambien only when you can get a full night's sleep. Do not take Ambien if you are not able to get a full night's sleep.
- Never take Ambien with alcohol.

Sleep well.

Most Ambien (esopiclone) tablets are 125 mg. There is a 25 mg tablet available for the treatment of insomnia. There is a 25 mg tablet available for the treatment of insomnia. There is a 25 mg tablet available for the treatment of insomnia.

For more information, talk to your doctor or visit www.FactsAboutAmbien.com

AMBIEN
Eszopiclone

mucus is beautiful

Sinus pressure is ugly. Introducing Mucinex D.

Allergy-related sinus pressure isn't pretty. Mucinex D is the natural that helps you breathe. It's a prescription sinus decongestant that is specially made to break down the mucus that causes congestion. Plus, the active ingredient in Mucinex D helps relieve that stuffy, itchy nose. And just one dose lasts for 12 hours. So you can breathe easier all day long. Mucinex D is a prescription sinus decongestant that is specially made to break down the mucus that causes congestion. Plus, the active ingredient in Mucinex D helps relieve that stuffy, itchy nose. And just one dose lasts for 12 hours. So you can breathe easier all day long.

See your pharmacist for new Mucinex D.

WELLBUTRIN XL works for my depression with a low risk of weight gain and sexual side effects.

Can your medicine do all that?

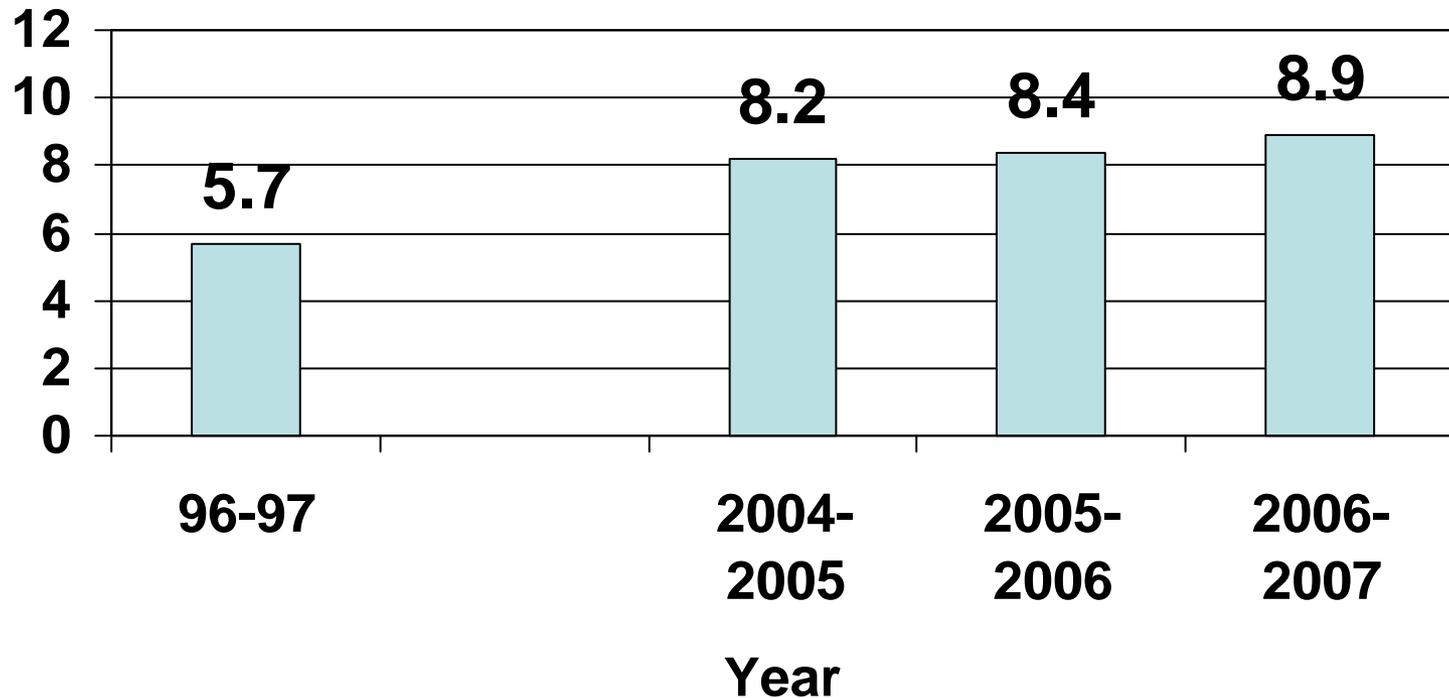
Wellbutrin XL (bupropion HCl) is a prescription antidepressant. It's safe, effective, and non-habit forming. Wellbutrin XL is a prescription antidepressant. It's safe, effective, and non-habit forming.

Experience Life.

Visit www.wellbutrin.com and learn about a \$70 savings!

NDPERS Prescription Drug Experience

Average Scripts Per Member





Generic vs. Brand

- PROZAC: **\$125.13** for 30 day supply
(average wholesale price/20 mg capsule
taken 1x day)
- FLUOXETINE: **\$6.75** for 30 day supply
(Maximum allowable cost/20 mg capsule
taken 1x day)

Source: Prime Therapeutics, December 6, 2004.



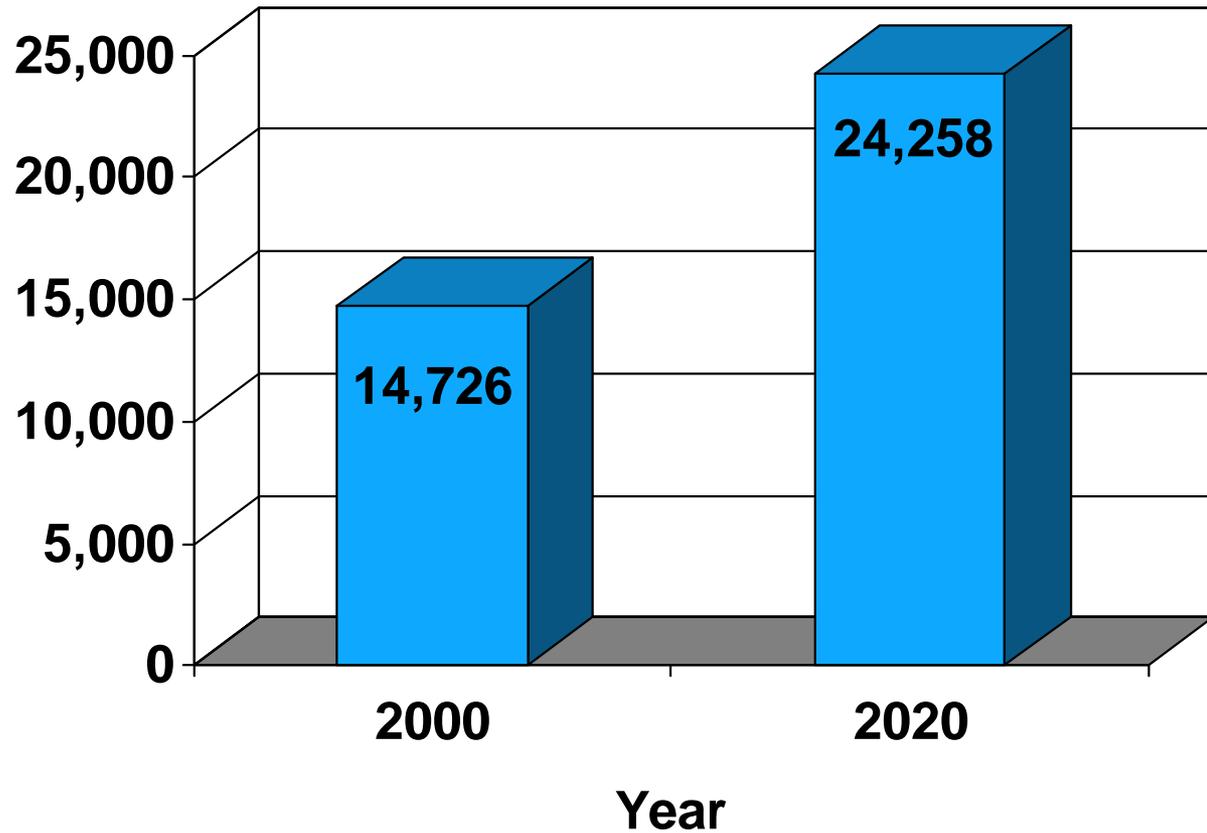
Generic vs. Brand

Brand Name	Generic Name	Generic Price	Non-Preferred	Price	Treats
Zoloft	sertraline	\$22.73	Lexapro	\$98.79	Depression
Zocor	simvastatin	\$27.49	Crestor	\$117.95	Cholesterol
Prilosec	omeprazole	\$33.84	Nexium	\$160.06	Heart Burn
Coreg	carvedilol	\$46.60	Coreg CR	\$130.98	High Blood Pressure



We're getting older

North Dakota
Residents
85 and older

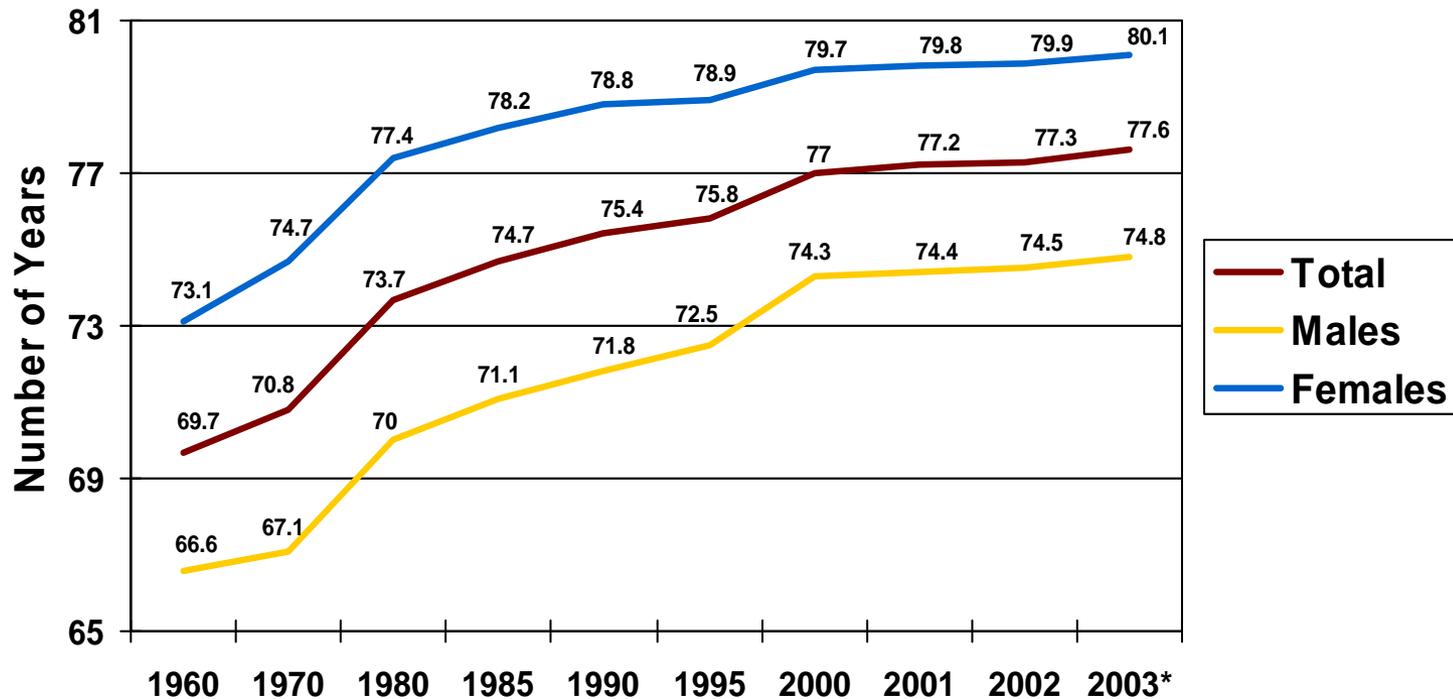


Source: University of North Dakota's Center for Rural Health



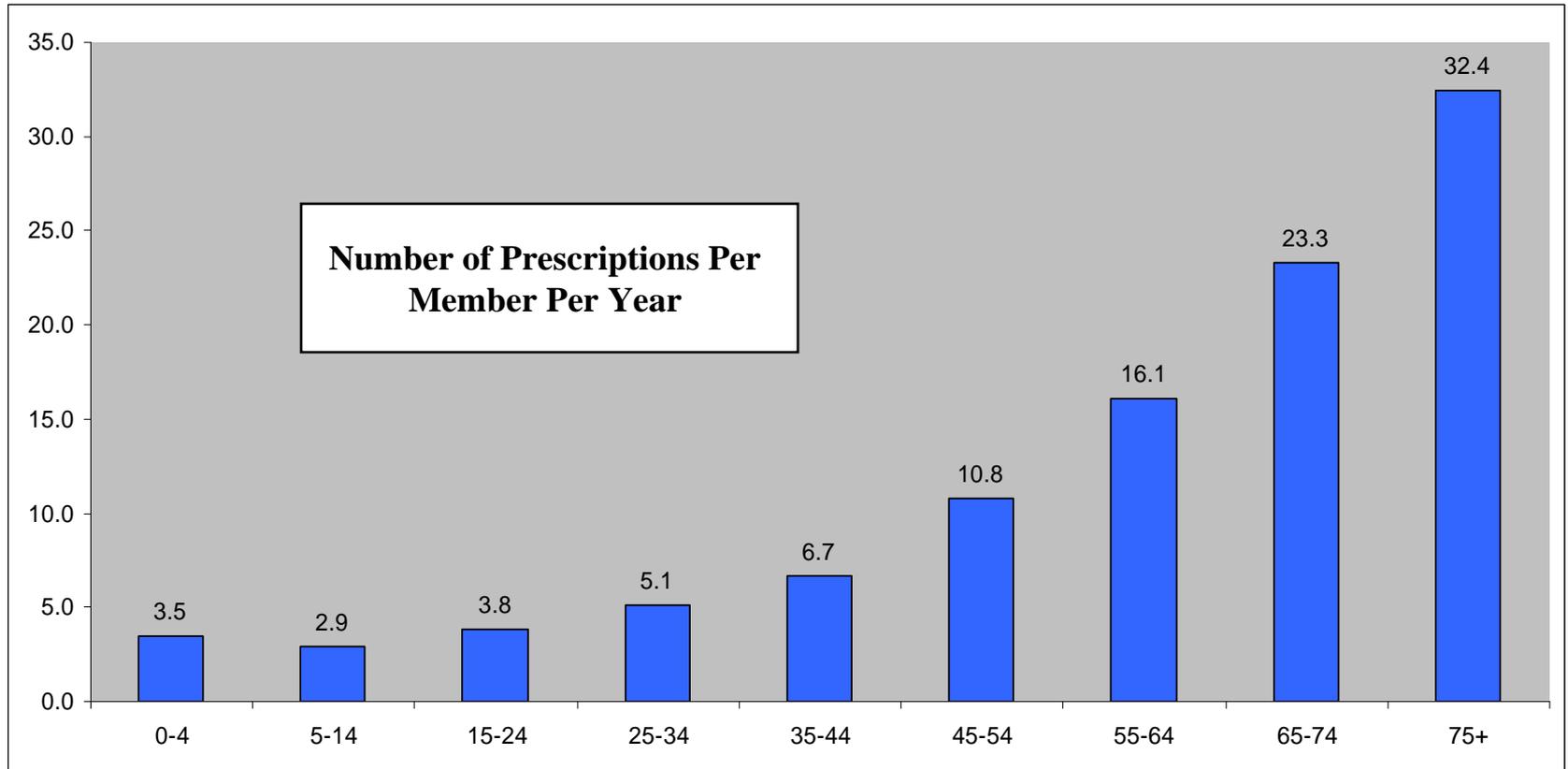
We're getting older

U.S. Life Expectancy





Age and RX Trends



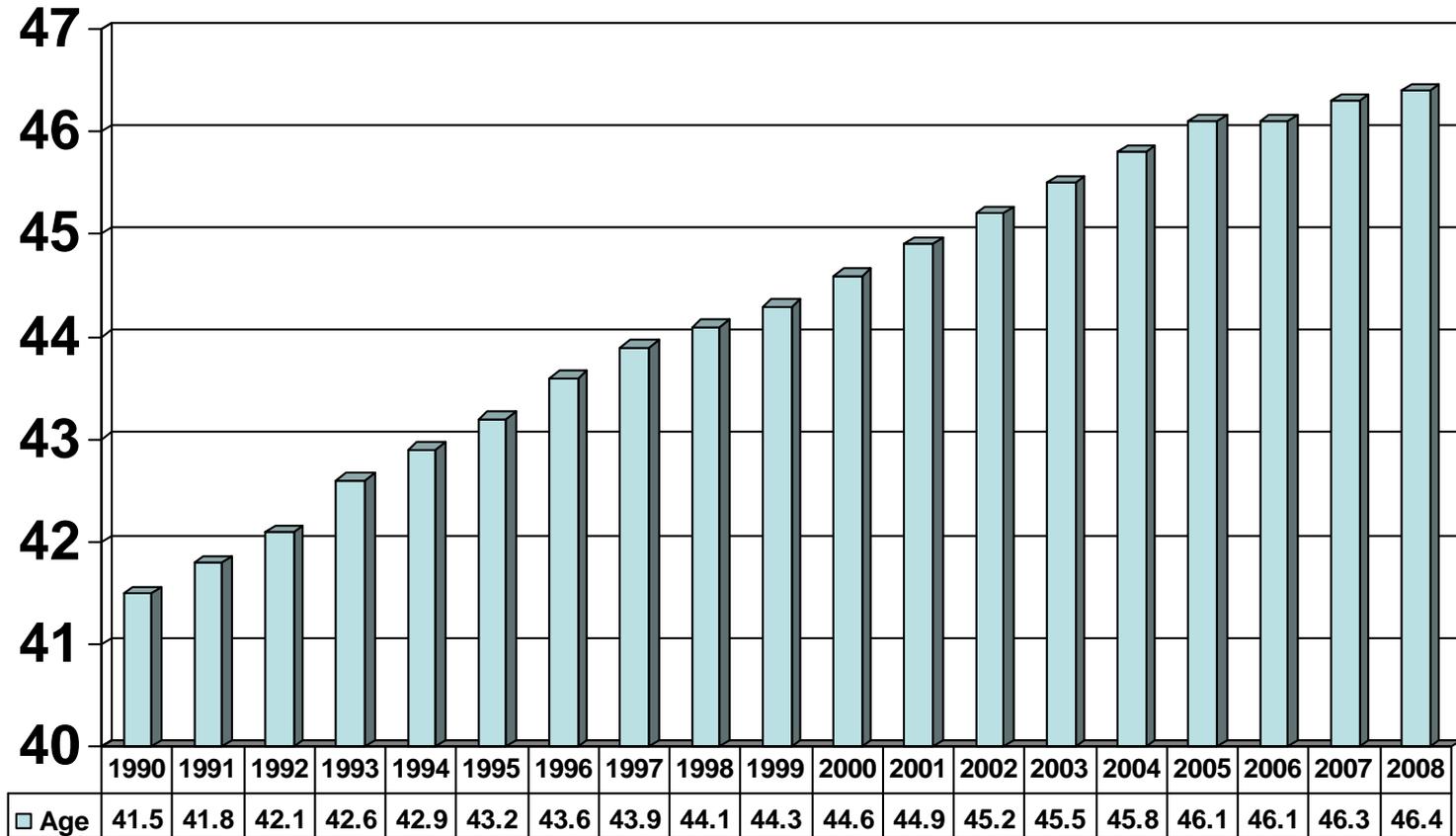
Age

NDPERS Age Experience

- NDPERS Average Employee Age has been Increasing 1 Year Every 3 Years.
- NDPERS Average Paid Per Member is 3% Higher for Every Year in Average Age.
- NDPERS Health Plan Costs have Increased 1% per Year due to Age.

NDPERS Active Employees

Average Age





Regulations

HIPAA compliance:

\$16 million to \$17 million

Medicare Coordination



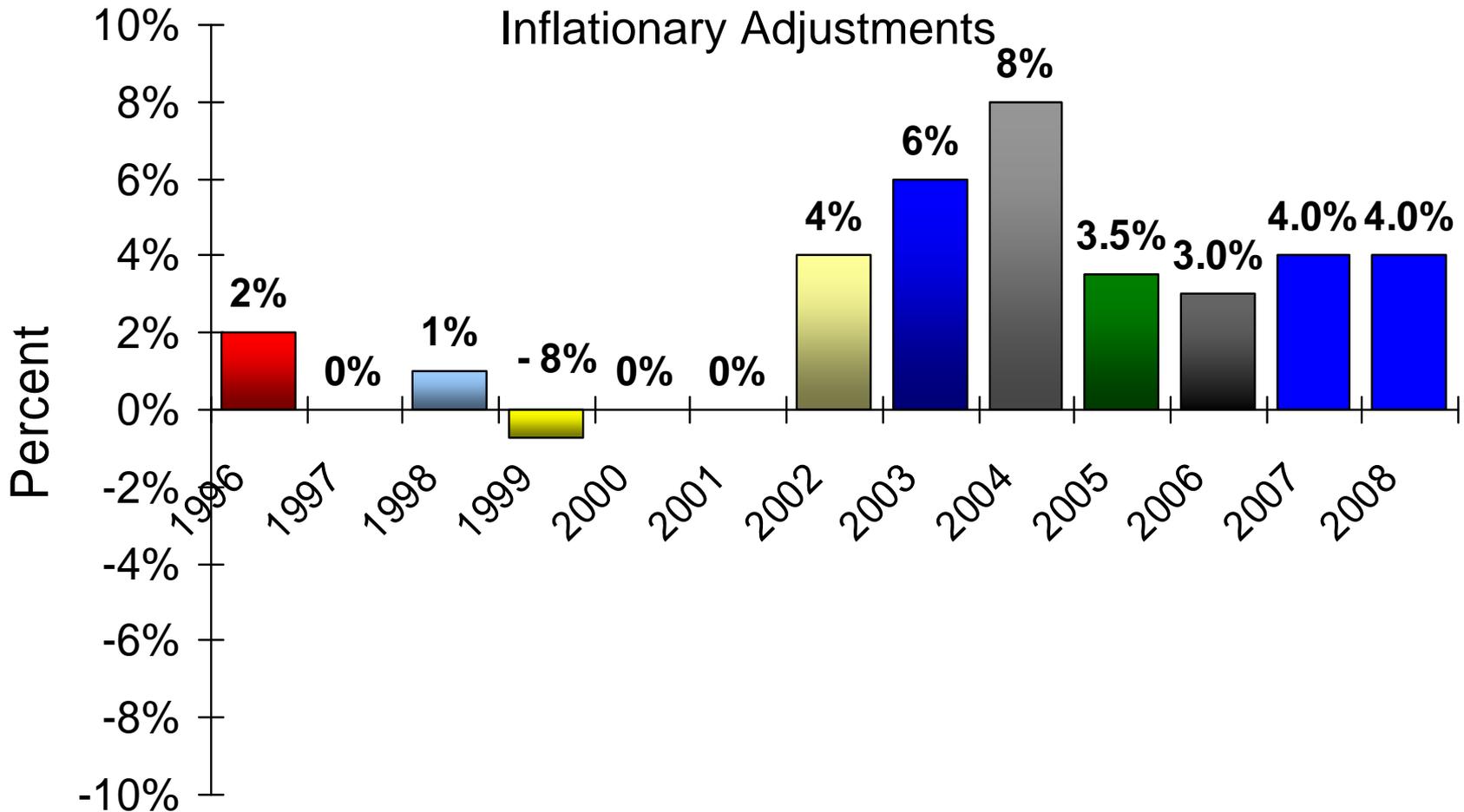
Cost Shifting

- When private payers make up the difference for public programs and those who can't pay their medical bills.



Reimbursement

13 Year History
Inflationary Adjustments





What's driving provider costs

- Technology
- Staff shortages



Technology



Positron Emission
Tomography Scanners:

Cost = \$1.5 - \$5 million

Scan = \$2,000 - \$3,000



Technology

Stealth Navigational Device

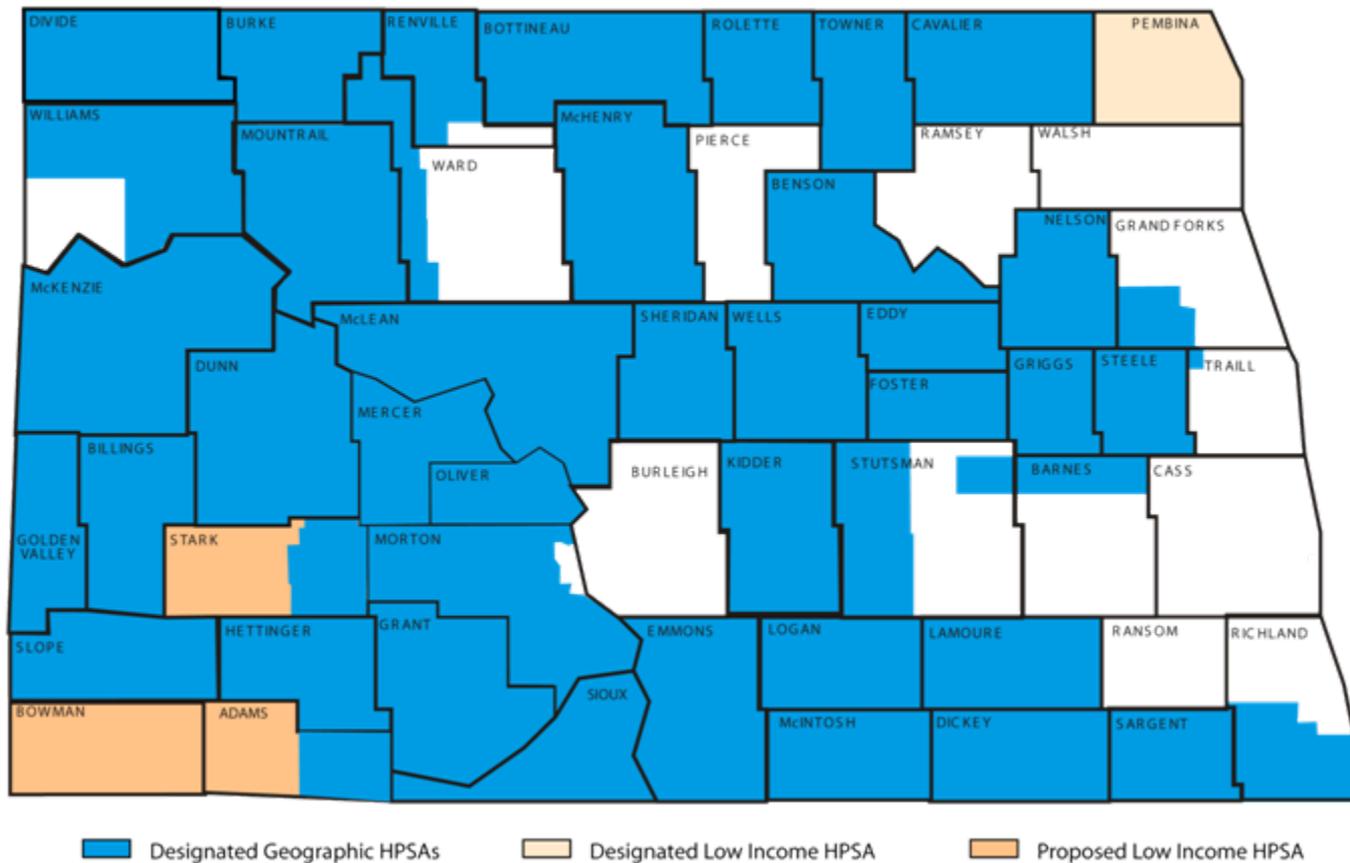


Sinus Surgery without Stealth: \$3,508
Sinus Surgery with Stealth: \$7,448



Staff shortages

North Dakota Health Professional Shortage Areas





What's driving BCBSND costs

- Utilization
- Rx trends
- Aging population
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Questions?