



## MEMORANDUM

**TO:** Health Care Commission  
Duane Goossen, Chair  
Steve Dechant  
Sandy Praeger  
Nancy Ruoff  
John Staton

**FROM:** Doug Farmer

**DATE:** March 4, 2010

**SUBJECT:** **Health Care Cost Trend**

The Health Care Commission (HCC) requested additional information regarding the health care cost trend. The health care cost trend is an important component of the rate development and ten-year cost projection worksheets. In prior years for modeling of cost projections, 6.5 percent has been used. This was possible due to the large reserve fund that could absorb any rate fluctuation. As the reserves are now depleted, the plan actuaries are no longer comfortable with using such a low projection.

Actual expenditures for the last two years, show a 9.5 percent health trend rate. Aon suggests the use of a 9.7 percent trend rate for 2011 calendar year projection purposes and for the next several years trend projection. Aon developed this rate using the national trend rate of 10.9 percent in their modeling tool as only three (3) years of State Employee Health Plan data was available. Aon normally uses plan experience based on six (6) years of data.