OCEBC Survey Results

OCEBC Membership

- Broker/Consultant
- Carrier
- Elvis Impersonator
- Other
OCEBC Survey Results

Preferred Topics

- Consumerism
- ...in September
- ...by a Minnesotan
- ....who's plus sized
OCEBC Survey Results

Real Results

- Legislative Updates
- Healthcare Provider Issues
- Consumerism
- Motivational/professional Development
- Disability
- Funding Alternatives
- Retirement Planning
Agenda

- The Business Case for Consumerism
- Components of a CDHP strategy
- What gets in the way of success
- The new role of the broker
- Results of a CDHP strategy
- HSA Revolution
The Marketplace

National Average Healthcare Costs Per Employee

- 1999: $3,907
- 2000: $4,276
- 2001: $4,713
- 2002: $5,427
- 2003: $6,227
- 2004: $7,009
- 2005: $7,829

Consumer OOP Spending as Share of Total Health Costs

- 1960: 49%
- 1970: 34%
- 1980: 24%
- 1990: 20%
- 2000: 15%
- 2003: 13.7%
- 2013*: 13%

Source: Hewitt Associates Health Value Initiative™ data.

Source: Centers for Medicare and Medicaid Services

* Projected
Demand: What Drives Health Care Resource Consumption?

Determinants of Health Status

<table>
<thead>
<tr>
<th>Determinants</th>
<th>Access to Care</th>
<th>Genetics</th>
<th>Environment</th>
<th>Behavior</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10%</td>
<td>20%</td>
<td>20%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Source: IFTF, Center for Disease Control and Prevention
Defects per Million Opportunities.

Target: 3.4 DPMO*

Defects per Million Opportunities.

Typical Healthcare Services

- Post Heart Attack Medications
- Mediation Accuracy
- Airline Baggage Handling
- Anesthesia During Surgery
- Domestic Airline Flight Fatality Rate (.43 PMM)

Detection and Treatment of Depression

Low Back Tx

Screening

Antibiotic Overuse

Inpatient

Mammography

Cigna
30% of direct costs consisting primarily of “overuse, misuse, and waste.” = $390 billion per year for 2000

$1,700 to $2,000 per employee per year for a typical employer

Drug misuse -- > 200,000 deaths and $300 billion per year

Overuse of antibiotics -- up to $5 billion per year

Inadequate care after heart attack -- 18,000 unnecessary deaths

Rand Study in NEJM – 55% chance of recommended care

Practice Pattern Variations
The Cost of Medical Services Varies Widely……

… and no one really knows the prices in the marketplace

<table>
<thead>
<tr>
<th>Service</th>
<th>Hospital A</th>
<th>Hospital B</th>
<th>Hospital C</th>
<th>Hospital D</th>
<th>Hospital E</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chest X-Ray (Two Views, Basic)</td>
<td>$121</td>
<td>$790</td>
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<td>$166</td>
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</tr>
<tr>
<td>Comprehensive Metabolic Panel</td>
<td>$197</td>
<td>$743</td>
<td>$451</td>
<td>$97</td>
<td>$576</td>
<td>$97 – $743</td>
</tr>
<tr>
<td>CT-Scan, Head/Brain (without contrast)</td>
<td>$882</td>
<td>$2,807</td>
<td>$2,868</td>
<td>$950</td>
<td>$4,038</td>
<td>$882 – $4,038</td>
</tr>
</tbody>
</table>

* Based on data from 5 same market hospitals

Source: Mercer Human Resources Consulting
A Coming Economic Hurricane

Source: Centers for Medicare and Medicaid Service via abcnews.go.com/health/story?id=1650071 – Hewitt Associates
“Of course, with the position that has the benefits—medical, dental, et cetera—there is no salary.”
Traditional Preparation
Some ideas have outgrown their time…
Along came a Revolutionary idea ....
Copernicus, 1543
- His ideas remained obscure for 100 years after his death.
- Over time, the data supported Copernicus’s theory.
- Sweeping away the ideas of Aristotle.
Aristotle’s Audience Model

- Trusting Believer
- Skeptic
- Apathetic
- Hostile
A Copernican Revolution with Health plans - FRC Projections for Health Savings Account Growth (Moderate Estimate)
If You’ve Got a BIG Health Savings Account...

I’m Single!
Don’t Follow Me...
I’m Spending Too Much
for My Health Care
PLEASE  Wal-Mart
Open a Hospital!

I’ve got a Consumer-Driven Health Plan
Ask me how I removed my own tumor and saved a ton of $$$
I’d rather be driving my health plan
Components of a Consumerism Strategy

- What is Consumerism in Health Benefits?
- What does it look like?
- How do you get there?
Healthcare Consumerism is about transforming a health benefit plan into one that puts economic purchasing power – and decision-making – in the hands of participants.

It’s about supplying the information and decision support tools they need, along with financial incentives, rewards and other benefits that encourage personal involvement in altering health and healthcare purchasing behaviors.

Must work as well for the sick as for the healthy and for those who are technically savvy and those who are not.

- Ron Bachman
Foundational Components

Financial Ownership

Active, Value-Conscious Health Care Consumer
“...nobody spends somebody else's money as wisely or as frugally as he spends his own.”

Milton Friedman

Economist and recipient of the 1976 Nobel Memorial Prize for economic science

Source: How to Cure Health Care
The Hoover Digest,
April 4, 2003
Plan Design

**EMPLOYEE**

- **In-Network Coverage Level/Out-of-Network Coverage Level**
- **HRA/HSA**
  - **Member Responsibility** $750
- **Health Coverage** 90%/70%
- **100% Preventive Care**
- **$1,500 Deductible**

**OOP Max:** $2,000

**EMPLOYEE & FAMILY**

- **Health Coverage** 90%/70%
- **Member Responsibility** $1500
- **HRA/HSA** $1,500
- **100% Preventive Care**
- **$3,000 Deductible**

**OOP Max:** $4,000

*In-Network Coverage Level/Out-of-Network Coverage Level*
HRA/HSA
Member Responsibility
HRA/HSA
Out-of-Pocket Maximum
+$100 Incentive
Preventive Care
Deductible
Health Coverage
15-minute questionnaire helps determine accurate personal health status
- Employs 5,000+ calculations that screen for over 21 clinical risk factors
- Results are integrated with CIGNA’s Disease Management Programs
- Can be customized with client-specific questions and/or productivity questions
- Will integrate with Plan Comparison (2nd Qtr. ‘05)
The Wrong Design,…or, What Cost Shifting Feels Like
Consumerism Savings without Cost Shifting

5-Year Choice Fund HRA Cost Illustration

Average PEPY Cost (Claims + Fund)

<table>
<thead>
<tr>
<th>Plan Year</th>
<th>Status Quo Cost</th>
<th>Choice Fund Design with No Ongoing Behavior Change</th>
<th>Choice Fund Design with Standard Expected Ongoing Behavior Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$6,930</td>
<td>$6,588</td>
<td>$7,022</td>
</tr>
<tr>
<td>2</td>
<td>$7,623</td>
<td>$7,464</td>
<td>$7,491</td>
</tr>
<tr>
<td>3</td>
<td>$8,385</td>
<td>$9,220</td>
<td>$9,220</td>
</tr>
<tr>
<td>4</td>
<td>$9,224</td>
<td>$9,067</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>$10,146</td>
<td>$7,997</td>
<td></td>
</tr>
</tbody>
</table>
Foundational Components

- Financial Ownership
- Engagement & Advocacy
- Active, Value-Conscious Health Care Consumer
The Importance of the Few

Number of Members

Claim Cost

$1,000

$10,000

75%

15%

10%

Healthy Consumer

Active Consumer

High Severity Consumer

Healthy Consumer

Active Consumer

High Severity Consumer
Approaches in Cost Management

- Engagement and Advocacy
- Plan Design
- Education
- Claim Cost
  - Healthy Consumer
  - Consumer/Patient
Foundational Components

- Financial Ownership
- Engagement & Advocacy
- Active, Value-Conscious Health Care Consumer
- Choice & Convenience
Patients who had this procedure also recommend:

- A root canal
- An IRS audit
- Going through airport security
Foundational Components

Financial Ownership

Engagement & Advocacy

Active, Value-Conscious Health Care Consumer

Marketplace Evolution

Choice & Convenience
Cost Information Must Be Actionable

Likelihood of Using Information for Decisions

Amount of price variance
- Low
- High

Additional Factors of Influence
1 – Level of emotional commitment
2 – Amount of price variance
• Members select pharmacy and drug
• Receive actual price they’ll pay
The Cost of Medical Services Varies Widely......

... and no one really knows the prices in the marketplace

<table>
<thead>
<tr>
<th>Test Description</th>
<th>Hospital A</th>
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</tr>
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* Based on data from 5 same market hospitals

Source: Mercer Human Resources Consulting
### Outpatient Surgical Procedure Cost

#### Cost Comparison - Outpatient procedures

<table>
<thead>
<tr>
<th>Facility/Ancillary</th>
<th>Estimated Average Facility Cost (1)</th>
<th>Estimated Average Out Of Pocket Cost (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portsmouth Ambulatory Surgery</td>
<td>$2,280</td>
<td>$878</td>
</tr>
<tr>
<td>Northeast Surgical Center</td>
<td>$3,830</td>
<td>$833</td>
</tr>
</tbody>
</table>

(1) This is an estimate of the average facility cost for the procedure based upon the cost applicable to one of our benefit plan types. It assumes that 100% of the individual deductible and out-of-pocket maximum is remaining. Actual costs can vary significantly from patient to patient and will depend on a number of factors, including the actual services received, the complexity of the case, the applicable plan type (actual costs can vary by plan type), and whether costs changed since the date of our estimate. Therefore, your actual facility costs may vary significantly from the estimated average cost figure provided. The estimated average cost figure only relates to facility costs and does not include other costs associated with the procedure such as, for example, physician costs.

(2) This is an estimate of the average out-of-pocket cost for facility services related to the procedure based upon the cost applicable to one of our benefit plan types. It assumes that 100% of the individual deductible and out-of-pocket maximum is remaining. Actual out-of-pocket costs can vary significantly from patient to patient and will depend on a number of factors, including the actual services received, the complexity of the case, the applicable plan type (actual costs can vary by plan type), and whether costs changed since the date of our estimate. Therefore, your actual out-of-pocket costs for facility services may vary significantly from the estimated average out-of-pocket cost figure provided. The estimated average out-of-pocket cost figure only relates to facility costs and does not include other costs associated with the procedure such as, for example, physician costs.

For a listing of hospitals that may also perform this procedure, return to the list of procedures available on the website.
## Summary of Advanced Radiology Procedure Benefits

<table>
<thead>
<tr>
<th>Medical Deductible:</th>
<th>Individual: $500</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-insurance:</td>
<td>Advanced Radiology: 10%</td>
</tr>
<tr>
<td>Out-of-Pocket (OOP) Maximum</td>
<td>Individual: $1,500, Family: $3,000</td>
</tr>
</tbody>
</table>

---

<table>
<thead>
<tr>
<th>Hospital</th>
<th>Estimated Average Cost (1)</th>
<th>Estimated Average Out Of Pocket Cost (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frisbie Memorial Hospital</td>
<td>$965</td>
<td>$546</td>
</tr>
<tr>
<td>Wentworth Douglas Hospital</td>
<td>$960</td>
<td>$546</td>
</tr>
<tr>
<td>Exeter Hospital</td>
<td>$1,145</td>
<td>$564</td>
</tr>
<tr>
<td>Parkland Medical Center</td>
<td>$1,260</td>
<td>$576</td>
</tr>
<tr>
<td>Portsmouth Regional Hospital</td>
<td>$1,305</td>
<td>$500</td>
</tr>
</tbody>
</table>

(1) This is an estimate of the average cost for the procedure based upon the cost applicable to one of our benefit plan types. It assumes that 100% of the individual deductible and out-of-pocket maximum is remaining. Actual costs can vary significantly from patient to patient and will depend on a number of factors, including the actual services received, the complexity of the case, the applicable plan type (actual costs can vary by plan type), and whether costs changed since the date of our estimate. Therefore, your actual costs may vary significantly from the estimated average cost figure provided.

(2) This is an estimate of the average out-of-pocket cost for the procedure based upon the cost applicable to one of our benefit plan types. It assumes that 100% of the individual deductible and out-of-pocket maximum is remaining. Actual out-of-pocket costs can vary significantly from patient to patient and will depend on a number of factors, including the actual services received, the complexity of the case, the applicable plan type (actual costs can vary by plan type), and whether costs changed since the date of our estimate. Therefore, your actual out-of-pocket costs may vary significantly from the estimated average out-of-pocket cost figure provided.

---

**Done**
### Inpatient Procedure Cost and Quality

<table>
<thead>
<tr>
<th>Summary Of Inpatient Procedure Benefits</th>
<th>Hospital</th>
<th>Estimated Average Facility Cost Range (1)</th>
<th>Estimated Average Out Of Pocket Cost Range (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>St. Luke's Episcopal Hospital</td>
<td>$3,283 - $6,432</td>
<td>$778 - $1,993</td>
</tr>
<tr>
<td></td>
<td>Patient outcomes: ★★★</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cost efficiency: ★★★★</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Methodist Hospital</td>
<td>$11,928 - $16,137</td>
<td>$1,500 - $1,500</td>
</tr>
<tr>
<td></td>
<td>Patient outcomes: ★★★</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cost efficiency: ★★</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) This is an estimate of the average facility cost for the procedure based upon the cost applicable to one of our benefit plan types. It assumes that 100% of the individual deductible and out-of-pocket maximum is remaining. Actual costs for these services can vary significantly from patient to patient and will depend on a number of factors, including the actual services received, the complexity of the case, the applicable plan type (actual costs can vary by plan type), and whether costs changed since the date of our estimate. Therefore, your actual facility costs may vary significantly from the estimated average cost figure provided. The estimated average cost figure only relates to facility costs and does not include other costs associated with the procedure such as, for example, physician costs.

(2) This is an estimate of the average out-of-pocket cost for facility services related to the procedure based upon the rate applicable to one of our benefit plan types. It assumes that 100% of the individual deductible and out-of-pocket maximum is remaining. Actual out-of-pocket costs can vary significantly from patient to patient and will depend on a number of factors, including the actual services received, the complexity of the case, the applicable plan type (actual costs can vary by plan type), and whether costs changed since the date of our estimate. Therefore, your actual out-of-pocket costs for facility services may vary significantly from the estimated average out-of-pocket cost figure provided. The estimated average out-of-pocket cost figure only relates to facility costs and does not include other costs associated with the procedure such as, for example, physician costs.

This is a summary. Please review your plan documents for full details.
# Inpatient Procedure Cost and Quality

## Report on Hip Replacement, Total

This report compares hospitals within 200 miles of San Antonio, TX for Hip Replacement, Total, and is based on your selections and rankings. This is just one of several sources you should consult to select a hospital, always consult your physician about what decision is right for you. [Click here for more information]

### Summary

<table>
<thead>
<tr>
<th>Overall</th>
<th>Name</th>
<th>Patients/yr</th>
<th>Complications</th>
<th>LOS</th>
<th>Cost</th>
<th>Patient Safety</th>
<th>Best Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>The Methodist Hospital (In Network)</td>
<td>1st</td>
<td>1st</td>
<td>2nd</td>
<td>2nd</td>
<td>1st</td>
<td>2nd</td>
</tr>
<tr>
<td>2nd</td>
<td>St Luke's Episcopal Hospital (In Network)</td>
<td>2nd</td>
<td>2nd</td>
<td>3rd</td>
<td>1st</td>
<td>1st</td>
<td>2nd</td>
</tr>
<tr>
<td>3rd</td>
<td>Scott &amp; White Memorial Hospital ()</td>
<td>3rd</td>
<td>3rd</td>
<td>4th</td>
<td>3rd</td>
<td>1st</td>
<td>1st</td>
</tr>
<tr>
<td>4th</td>
<td>Memorial Hermann Memorial City Hospital ()</td>
<td>4th</td>
<td>4th</td>
<td>1st</td>
<td>4th</td>
<td>1st</td>
<td>1st</td>
</tr>
</tbody>
</table>

### About this chart

This chart summarizes the results across all measures for this selection of hospitals. The summary scores are displayed in one of four performance groups, or quartiles which are based upon the performance of up to 100 hospitals within a 200 mile radius.

Lower numbers are better; for example, hospitals in the 1st quartile had the best results, those in the 2nd quartile had the next-best results, and so on.

You should view each section of the report to see the details for each measure.

### Legend

**Overall Quartile:** Summary score of all measures for each hospital selected for the report and based upon the performance of up to 100 hospitals within a 200 mile radius. Hospitals in the 1st quartile are those that had the best results.

**Patients/yr:** Quartile based on the number of patients treated at each hospital. Hospitals in the 1st quartile treated the most patients.

**Complications:** Quartile based on the percentage of patients who developed problems while being treated. Hospitals in the 1st quartile had the fewest complications.
Personalized Communication Promotes Action

Health Statements

Targeted Member Messaging

Consumer Alert
June 28, 2005

Sender: CIGNA Choice Fund

Dear Sandy Reach,

As part of CIGNA’s commitment to helping you become a health consumer and get the most value for your health care dollar, we alert you about savings opportunities. Your current prescription drug, XXXX, is also available in a lower-cost generic drug. In addition, you may save by using convenient mail order for XXXX.

Click here for more details [direct link to the XXXX pricing page]

Sincerely,

CIGNA Choice Fund
Foundational Components

- Financial Ownership
- Engagement & Advocacy
- Marketplace Evolution
- Choice & Convenience

Personalized

Active, Value-Conscious Health Care Consumer Behavior Change
Consumerism is more than plan design

- A long term investment and commitment for the individual and the employer

- Dependent upon health literacy supported by transparent cost and quality information

- Made actionable by decision support tools and health management resources

- Drives choice, convenience and true market characteristics
Consumer Driven Health Plans
How do you get there?

- Savvy Employer
- Financial Executive at the Table
- Business Case established
- Right Advisor
- Right Carrier
- Strategy and Roadmap
- Right Design
- Right Communications
- Manage the Misconceptions
What gets in the way of Success

- The wrong Design
- The wrong Carrier
- The wrong Communications
- Perhaps the wrong Advisor
- Myths and Misconceptions
Myth #1 – CDHPs won’t catch on, they’re too new, … it’s best not to be hasty.

Reality:

- Forrester Research Inc.
- 24% of Americans will be covered by CDHPs by 2010. Each year, covered lives doubling!
Myth #1 – CDHPs won’t catch on, they’re too new, … it’s best not to be hasty.

- Forrester Research Inc. – 24% of Americans will be covered by CDHPs by 2010 – a 7,500% increase over the current market share of just 0.3%.

- Waiting? – Caution … The savings are perishable.
Consumerism’s Effect

**Savings Over Time**

- **PEPY Medical Cost**
  - $6,000
  - $7,000
  - $8,000
  - $9,000
  - $10,000
  - $11,000
  - $12,000
  - $13,000
  - $14,000
  - $15,000

**5 Years**

- **$4.5 Million Savings** on 1,000 ees
- **$9.9 Million Savings** on 1,000 ees
- **$14.9 Million Savings** on 1,000 ees

**Savings Over Time**

- 2006
- 2007
- 2008
- 2009
- 2010
- 2011

**Legend**

- 15%
- 12%
- 8%
- 4%
Consumerism’s Effect

Savings Over Time

PEPY Medical Cost

$6,000
$7,000
$8,000
$9,000
$10,000
$11,000
$12,000
$13,000
$14,000
$15,000

2006 2007 2008 2009 2010 2011

10% Margin

$45 Million Revenue Growth

$99 Million Revenue Growth

$149 Million Revenue Growth

15%
12%
8%
4%
Myth #2 – Employees don’t get it, won’t like it or will take advantage of it.
Myth #3—My current carrier can do this, or all CDHPs are equal
The Key – Your CDHP Partner

- CDH Expertise and Experience
- Passion
- Expertise and Flexibility in the Fundamentals
  - Self-funding
  - Disease Management
- Implementation Process and Team
- Tools
  - Communication
  - Web
  - Wellness
# CIGNA Experience Shows Enrollment Drivers

<table>
<thead>
<tr>
<th>Ranked Key Attributes</th>
<th>20% - 26%</th>
<th>15% - 19%</th>
<th>10% - 14%</th>
<th>5% - 9%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disruption</td>
<td>High</td>
<td>Moderate</td>
<td>Moderate/Low</td>
<td>Low</td>
</tr>
<tr>
<td>Active vs. passive enrollment</td>
<td>Active</td>
<td>Active</td>
<td>Passive</td>
<td>Passive</td>
</tr>
<tr>
<td>Exec/corp endorsement</td>
<td>Strong</td>
<td>Strong</td>
<td>Moderate</td>
<td>Week</td>
</tr>
<tr>
<td>Business case established</td>
<td>Strong</td>
<td>Strong</td>
<td>Moderate</td>
<td>Week</td>
</tr>
<tr>
<td>Premium contribution vs. PPO</td>
<td>10%+ advantage</td>
<td>5% advantage</td>
<td>Parity</td>
<td>Disadvantage</td>
</tr>
<tr>
<td>Out-of-pocket maximum or deduct exposure</td>
<td>Less than PPO</td>
<td>Less than PPO</td>
<td>Parity to PPO</td>
<td>Disadvantage</td>
</tr>
<tr>
<td>Co-insurance level</td>
<td>Better/parity to PPO</td>
<td>Better/parity to PPO</td>
<td>Parity to PPO</td>
<td>Disadvantage</td>
</tr>
<tr>
<td>Communication start</td>
<td>Five months to OE close</td>
<td>Four months to OE close</td>
<td>Three months to OE close</td>
<td>Two months to OE close</td>
</tr>
<tr>
<td>Multi-media communication approach</td>
<td>Newsletters, brochure, email, online</td>
<td>Newsletters, brochure, email, online</td>
<td>Brochure, email or newsletters, online</td>
<td>Brochure, online</td>
</tr>
<tr>
<td>Face-to-face meetings</td>
<td>All HQ and DC locations, required attendance at DC’s</td>
<td>Available at all HQ and DC locations</td>
<td>Available at most HQ and DC locations</td>
<td>Few, if any, scheduled</td>
</tr>
<tr>
<td>Comprehensive HR, benefits and key executive training</td>
<td>Meetings and material distribution by Sept 1</td>
<td>Meetings and material distribution by Sept 1</td>
<td>Materials distributed, informal meetings</td>
<td>Minimal – HR and benefits staff only</td>
</tr>
<tr>
<td>HR/benefits team incentive program</td>
<td>Nominal incentive – cash, vacation, prizes</td>
<td>Nominal incentive – cash, vacation, prizes</td>
<td>Little impact on adoption</td>
<td>Unlikely to raise adoption</td>
</tr>
</tbody>
</table>
Identify your enrollment goal – create a plan for success

- **7/06** Communications Kickoff
- Sr. Mgmt. & Plant Mgmt. Education
- Begin Weekly Implementation/Communications Calls
- **7/06** Train-the-Trainer
- **8/06** Pre-Enrollment Website and Phone Go Live
- **9/06** Online Video Available
- 10/06 Home Mailing #2
- 10/06 Open Enrollment Meetings
- **10/06** Open Enrollment
Employee Education Begins
The Process Of Consumer Development

Phases Behind A Successful Introduction

<table>
<thead>
<tr>
<th>Pre-enrollment</th>
<th>Post-enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PLANNING</strong></td>
<td><strong>SUSTAIN</strong></td>
</tr>
<tr>
<td>Understand audiences and objectives; develop custom communications program</td>
<td>Support and reinforce behaviors with ongoing coaching and service excellence</td>
</tr>
<tr>
<td><strong>AWARENESS</strong></td>
<td></td>
</tr>
<tr>
<td>Establish business case &amp; build awareness among employees and confidence among benefits/HR staff</td>
<td></td>
</tr>
<tr>
<td><strong>INFORM</strong></td>
<td></td>
</tr>
<tr>
<td>Provide increasing levels of program detail through a customized, multi-media campaign</td>
<td>Build a consumer marketplace</td>
</tr>
<tr>
<td><strong>ACTIVATE</strong></td>
<td></td>
</tr>
<tr>
<td>Identify opportunities, and provide member-specific support</td>
<td></td>
</tr>
<tr>
<td><strong>SUSTAIN</strong></td>
<td></td>
</tr>
</tbody>
</table>

Consumer States
- Passive
- Interested
- Engaged
- Discerning
- Value-conscious
Myth #3 – My current carrier can do this, or all CDHPs are equal

Questions:
- Is CDHP your core business?
- Show me your results.
- Is the CDHP utilizing Legacy Systems?
- Are the administrative components integrated?
- Does the plan prove price transparency?
- Does the CDHP give access to provider quality and outcomes?
- How well does the plan help members understand the plans and tools?
- Is there proactive disease management and health coaches to assist members with significant medical decisions?
- Are there wellness components?
- How friendly are the website tools?
- Show me reports!
The difference between CDHP providers

1. Experienced CDHP
2. CDHP Wannabe
**Myth #4 – Some employers are not candidates**

What employer characteristics make adoption of CDHP easier?

- **Internal Champion.** A leader with vision.
- **Corporate Culture and support of independent employee choice.** Willingness to adopt consumerism as corporate philosophy.
- **Self-funded health plan**
- **High costs, Large cost increases** - providing incentive to move.
- **High utilization of discretionary and inappropriate services.** High incidence of behavior driven preventable conditions.
- **Low participation in patient care management efforts.**
### CDHP tops employers’ benefits to-do lists

"Does your company offer or plan to offer any of the following employee benefits?"

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Currently Offered</th>
<th>Plan to Offer within Two Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer-directed health plan</td>
<td>16%</td>
<td>38%</td>
</tr>
<tr>
<td>Debit cards tied to health spending accounts</td>
<td>23%</td>
<td>32%</td>
</tr>
<tr>
<td>Preventative health initiatives</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disease management programs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-site wellness or health clinics</td>
<td>15%</td>
<td>26%</td>
</tr>
<tr>
<td>401(k)/403(b)/457 plans</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Pension program</td>
<td>1%</td>
<td>34%</td>
</tr>
<tr>
<td>Retiree health benefits</td>
<td>0%</td>
<td>28%</td>
</tr>
</tbody>
</table>

Base: benefits executives (multiple responses accepted)

Source: Employee Benefit News/Forrester Research 2005 Benefits Strategy And Technology Study
Myth #5 – My consultant will take me there.

- 90% of employers rely on brokers to help with insurance.
- Nearly 70% of employers shopped for a different arrangement, yet 90% made no change to benefit providers.
- BROKERS - 39% said they spoke of/introduced CDHP to at least some of their clients. Less than 10% think CDHC won’t happen, but a majority - 60% - think it will take at least three years to catch on. Only 12% are actively recommending CDHPs.
CONSULTING

If you’re not a part of the solution,
there’s good money to be made in prolonging the problem.
The New Role of the Broker

- More Strategic
- Less support of overrides
- Leadership into the future vs. renewal orientation
- Shift from “fixed costs” and “discounts” orientation to utilization reduction and employee engagement focus.
- HRA only, HSA only, HRA and HSA strategy.

The Advisors who becomes expert in CDHP will own the town.
Myth #6 – Meaningful Result Data is not available.
CIGNA Choice Fund medical costs decreased, while traditional plan medical costs increased; the relative difference between groups was 17%.
Preventive Care visits for CIGNA Choice Fund members increased and were also higher when compared to traditional plans.

Preventive Care Visits
CIGNA Choice Fund vs. Traditional Plans

- **Choice Fund 2004**: 368 visits per 1000 members
- **Choice Fund 2005**: 397 visits per 1000 members (8% increase)
- **Traditional 2004**: 352 visits per 1000 members
- **Traditional 2005**: 354 visits per 1000 members (0.6% increase)
Pharmacy costs were lower than traditional plan costs, while days supply showed little change, suggesting that members made more cost-effective decisions as opposed to skipping medications.

Pharmacy Utilization
CIGNA Choice Fund vs. Traditional Plans

-12%
12.8%
-10%
9.5%
-2%
3.0%
0.60%
-0.50%
1.10%

Generic days supply increased over 9 percent among CIGNA Choice Fund members.

-8%
CIGNA Choice Fund Trend
Traditional Trend
CIGNA Choice Fund members are more compliant with medications that manage ongoing conditions, and more discerning in their use of medications with OTC alternatives.
## HRAs and HSAs – How do They Compare?

<table>
<thead>
<tr>
<th>Feature</th>
<th>HRA</th>
<th>HSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Who Contributes</td>
<td>Employer</td>
<td>Employer and/or employee</td>
</tr>
<tr>
<td>2. Account Funded</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>3. Account Ownership</td>
<td>Employer</td>
<td>Employee</td>
</tr>
<tr>
<td>4. Balances for Terminated Employees</td>
<td>Return to employer</td>
<td>Stays with employee</td>
</tr>
<tr>
<td>5. Eligible Expenses</td>
<td>Employer Defines</td>
<td>All 213 expenses</td>
</tr>
<tr>
<td>6. High Deductible Plan Required</td>
<td>Yes for HRA, No for HRA</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>incentive plans added to PPO</td>
<td></td>
</tr>
<tr>
<td>7. Out-of-pocket Limits</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>8. Roll Over Limits</td>
<td>Yes – employer discretion</td>
<td>No</td>
</tr>
<tr>
<td>9. Can offer FSA</td>
<td>Yes</td>
<td>No (limited only)</td>
</tr>
<tr>
<td>10. Claim Adjudication</td>
<td>Required</td>
<td>Not for HSA, required for HDHP</td>
</tr>
<tr>
<td>11. Use Account for Non-Medical</td>
<td>No</td>
<td>Yes; taxable</td>
</tr>
</tbody>
</table>
HSA Consumer Driven Components

1. Health Spending Account (HSA)
   “Benefit dollars” to pay for healthcare expenses.

2. Additional Health Coverage beyond the HSA.
HDHP: Health insurance plan must be a high deductible plan with no copays for office visits or Rx.
What Is An HSA?

- A tax favored savings account designed to pay for qualified healthcare expenses
  - Contributions are pre-tax
  - Funds grow tax deferred
  - Withdrawals are tax free if used for qualified medical expenses
- Contributions can be made by employees and/or employer
Maximum contributions for 2006 are $2,650 (single) and $5,250 (family) but may not exceed the insurance plan deductible.

- Additional contributions of up to $700/year are allowed for people 55 and older in 2006.

- Funds can be invested in a number of investment options (low risk to high risk).
Funds belong to the employee (regardless of who contributes these funds) and can be withdrawn for any reason.

Unused funds rollover from year to year with no limits or caps - there is no “use it or lose it” provision.

Funds are portable.

Comparability rules apply (if employer funded)

- Equal dollar or equal percentage contribution for each employee

Available to any size company.
Withdrawals

- Qualified Withdrawals = tax free.
  - Medical expenses as defined under Section 213(d) (Medically necessary services, including vision and dental, Deductibles and co-insurance)
  - COBRA Premiums

- Non-Qualified Withdrawals = tax and penalty
  - Under age 65
    - Ordinary income tax plus a 10% penalty
  - 65 or older
    - Subject to income tax, but likely at a lower rate
    - 10% penalty does not apply
Requirements for HDHP

- **2006 Guidelines**
  - Minimum Deductible - $1050 / $2100
  - Maximum Out of Pocket - $5,250 / $10,500 (in-network only)
  - Maximum Contribution Maximum : Lower of
    - Plan Deductible
    - $2,700 / $5,450

- **2007 Guidelines**
  - Not available until 4th quarter
  - Recommendations
    - Minimum Deductible - $1,100 / $2,200
    - Maximum Out of Pocket - $5,250 / $10,500 (in-network only)
HSA Single Coverage Design #1

100% Health Coverage

$1,050
Annual Deductible

HSA Fully Funded by Employer

Preventive Care 100%

CIGNA
HSA Single Coverage Design #2

- Annual Deductible: $5,250
- 100% Health Coverage
- HSA – No funding by Employer
- Preventive Care 100%
### HSA Growth at 5% per Year ($2,000/yr contribution)

<table>
<thead>
<tr>
<th>Annual Expenses:</th>
<th>$500</th>
<th>$1,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 years</td>
<td>$8,703</td>
<td>$5,802</td>
</tr>
<tr>
<td>10 years</td>
<td>$19,810</td>
<td>$13,207</td>
</tr>
<tr>
<td>20 years</td>
<td>$52,079</td>
<td>$34,719</td>
</tr>
<tr>
<td>35 years</td>
<td>$142,254</td>
<td>$94,836</td>
</tr>
</tbody>
</table>
Claims payment process without integration

1. Obtains service (e.g., office visit, x-ray, procedure)
2. Submits claim
3. Adjudicates claim, sends EOB/EOP
4. Bills member
5. Deducts funds from HSA
6. Pays provider bill

Source: January 18, 2006, Trends “Integrated HSAs: A Road Map For Health Plans”
Claims payment process with integration

1. Obtains service (e.g., office visit, x-ray, procedure)
2. Submits claim
3. Deducts funds from HSA
4. Sends funds to health plan
5. Adjudicates claim, sends EOB/EOP

Member

Bank

Provider

Health Plan

Source: January 18, 2006, Trends “Integrated HSAs: A Road Map For Health Plans”
HSAs – Key Points

- **Ownership role** – Resonates with Entrepreneurs. Employees can own healthcare and will try to protect their accounts and will find better deals – even better than the insurance company.

- **Employee Control**
  - With skin in the game, employees will approach healthcare differently. They will step outside the normal healthcare box – will begin to ask new kinds of questions. This will impact behavior.
  - Savers and Spenders – Employees can decide when to take a distribution – now, 10 years, 20 years. 20% of employees will see it as a retirement health plan and let the HSA accumulate.
HSAs – Key Points

- Marketplace – no other good or service has a lack of marketplace infrastructure like healthcare – HSAs will give employees control - and the infrastructure will follow.

- Communication is Key.

- 213(d) expenses.
  - The way it’s been done – insurers determine. Now, employee determines. HSAs open the door beyond those traditional limitations – employees are free to pursue their own treatments.
HSA Evaluation Questions

- Do a readiness check – Am I all in? Do I have Sr. Management buy-in? Is there cultural and organizational readiness? Do we have time to communicate?

- Are we with the right partners? Insurers - How do they rate in cost, networks, service, strength in what counts like web tools and disease management, communication assistance?
Key to Successful Implementation

- Commitment
- Recognize the significance of the change
- Communicate early and often -
- Use multiple communication channels
- Prepare for higher level of service call volumes
- Select the right Consumerism partner
Eye of the Storm –
OCEBC – Sept. 14, 2006

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Vice President, Consumerism
CIGNA HealthCare

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