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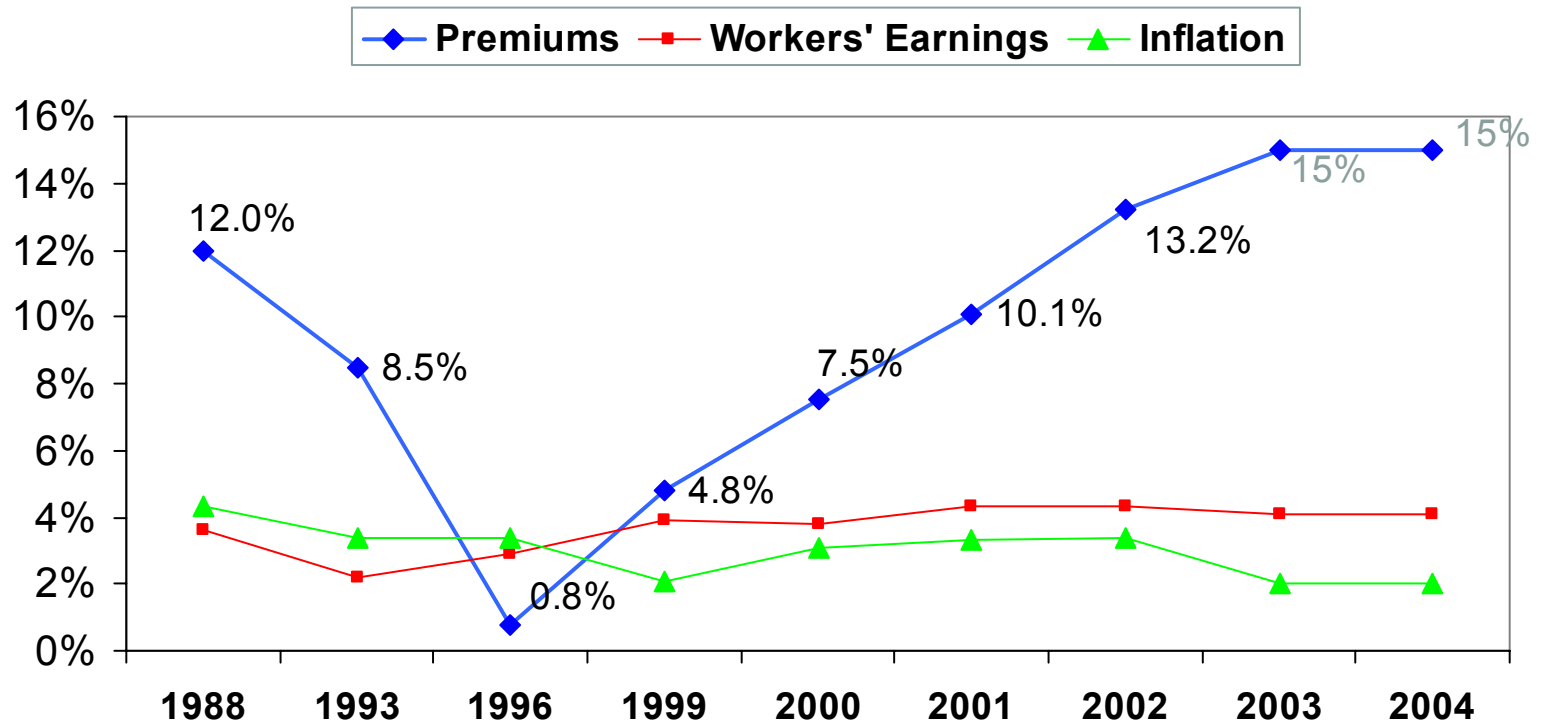
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YOU CAN BE WELL AND PROSPER!

						The Lumenos Program		
					Lumenos Program Demo			
		Contact Us		Press & News				
			Corporate Info					

Employer . . . Employee . . . And Societal Challenge

Increases in Premiums vs. Other Indicators



Kaiser/HRET and KPMG, 2001
Hewitt 2004 projections
2004 earnings and inflation estimated

“Consumerism”: The Next Dominant Trend

- Consumer-directed health plans*
 - Employees using IRS-sanctioned employer-funded reimbursement accounts for services
 - 25% “very likely” to offer within 2 years
 - 20% of market by 2005 and 50% by 2007
- Packaged administrative solutions*
 - Package of health plan options with differential employer contribution which employee chooses
 - Builds on HMO/PPO “tiering” approach
 - Growth slowing to 2% per year
- Early results** - consistent cost trend reduction with high consumer satisfaction and understanding

Mercer 2002 Employer Survey* and PWC Survey of Early Results**

Recent Medicare Statute Accelerates Consumerism

- Hospital risk-adjusted payments being phased in
- Standardized quality measures at hospital level
- Incentives for hospital IT enhancements
- Health Savings Accounts
 - Linked to “high deductible plan” coverage
 - “MSA vision” extended to all Americans
 - Real money and transportable from employer to employer into retirement
 - Can be offered side-by-side with other plans
- Scully’s complaint beginning to be addressed: “I pay same for poor as I do for good care”

Consumer Driven Healthcare: Take Homes

- Employees understand and like it
- Saves employers money and mitigates future healthcare costs
- Improves and incentivizes lifestyle and health care consumer behaviors:
 - Promotes prevention and evidence-based care
 - Reduces the demand for unnecessary care
 - Assists employees and families in managing chronic conditions



Lumenos Company Overview



About Lumenos

- Recognized industry leader and pioneer in consumer-driven health care
- Seasoned management team with solid funding: \$90 million to date
- Consistent investors throughout funding (e.g. Alliance, J&J Development, Liberty Partners, and Novartis)
- Significant investment in technology
- Internal customer service and proprietary claims application
- “High touch” proactive health management approach
- Endorsed by Texas Hospital Association
- Triple Award Winner at the 2003 Consumer Directed Health Care Conference and Expo
 - Make A Difference Best of Show Award
 - Outstanding Web Site (First Place, consumer category)
 - Pinnacle Award for Best Practices (Second Place, consumer category)
- Awarded a TETHIE for Most Innovative Use of Technology Promoting Wellness at the 2003 Emerging Technologies Healthcare Innovation Congress
- Own and operate MSAver, Kansas City – MSA administration



Sample 2004 Customers



Employer Demographics:

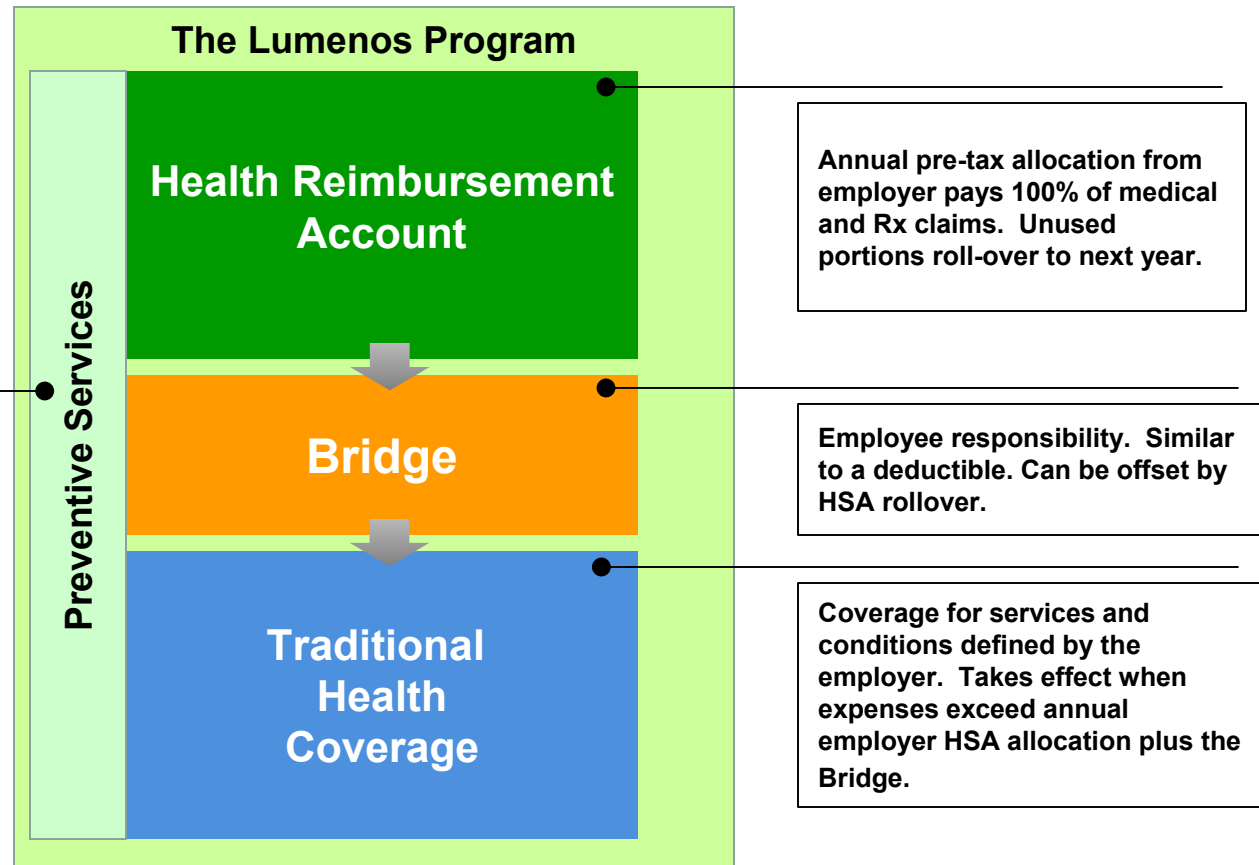
Different than anyone expected!

- Widely divergent industries: heavy manufacturing; pharmaceutical, retail, technology, rural and urban; white and blue collar
- Size Range: 200 to 75,000 employees
- Common Characteristics:
 - Significant cost pressure but a dramatic cost shift to employees is not seen as the answer
 - When asked, “Why Lumenos?”
 - #1 Reason:
 - **Having a coherent clinical strategy with proactive health management**
 - Internal customer service
 - Focus on metrics and operational excellence
 - Stability of leadership



How it Works

Consumer-Driven Plan



Evidence-based Preventive Care Covered at 100%
(subject to U&C for non-discounted providers)

Principles of Ideal Plan Design

		Employee	Family	
Preventive Care covered at 100%	Health Reimbursement Account	\$1,000	\$2,000	
	Bridge	\$500	\$1,000	
	Traditional Health Coverage	90% with discounted providers 80% with non-discounted providers		
	Out-of-Pocket Maximum (Bridge plus co-insurance)	\$1,000	\$2,000	

- Preventive Services include:
 - Physicals and Wellness Exams
 - Screenings
 - Immunizations
- Prescription Drugs and Behavioral Health are included in HSA and THC



Industry Reported Financial Results*

- Up to 12.5% overall cost reduction compared to prior year
- Ambulatory visits
 - 14% increase in preventive visits
 - Up to 18% reduction in overall visits
- Pharmacy
 - 15% reduction in pharmacy costs
 - 90-95% generic substitution rate
- Admissions
 - Up to 24% reduction in hospital admissions
 - Up to 13% reduction in hospital days

*Sources—Lumenos, Synhrgy, Hewitt, Aetna, Definity



Early Data – All Pointing in Right Direction

- As far as we can measure... it's working
 - Significantly reduced ongoing trend
 - Consistent with other early results industry-wide
- Not a cost shift to employees
 - Total claims paid by employee 16%, employer 84%
- Preventive care increased
 - Represents 5% of claims vice baseline of 2-3%
- Employees are very satisfied and remain including the 40% spending their first year HRA allotment
 - 95% retention
 - 96% satisfaction
 - 40% organic growth



High Tech and High Touch Health Care

The Facts

- 50-70% of all health care costs and premature death, illness and disability are related to **behaviors**
- Health and health care are only remotely related
 - 35% of all health care costs are wasteful or inefficient
 - Only 50% of high dollar claimants are predictable in any given year from previous
- An effective health plan must address all employees including:
 - Low utilizers (75% of ee's who consume 10% of costs)
 - Medium utilizers (20% of ee's who consume 15 – 20% of costs)
 - High utilizers (5% of ee's consuming 50 –70% of costs)

Medical Practice Treadmill: “Hamster Health Care”

Symptoms

- Inadequate time with patients
- Administrative hassles
- Patients who know and demand more
- Greater accountability
- Decreasing reimbursements
- Rising overhead costs

Signs

- Waiting times for appointments
- ER for non-urgent visits
- Managed care backlash
- Inadequate management of chronic illness
- MD burnout and retirement
- “System” collapse?

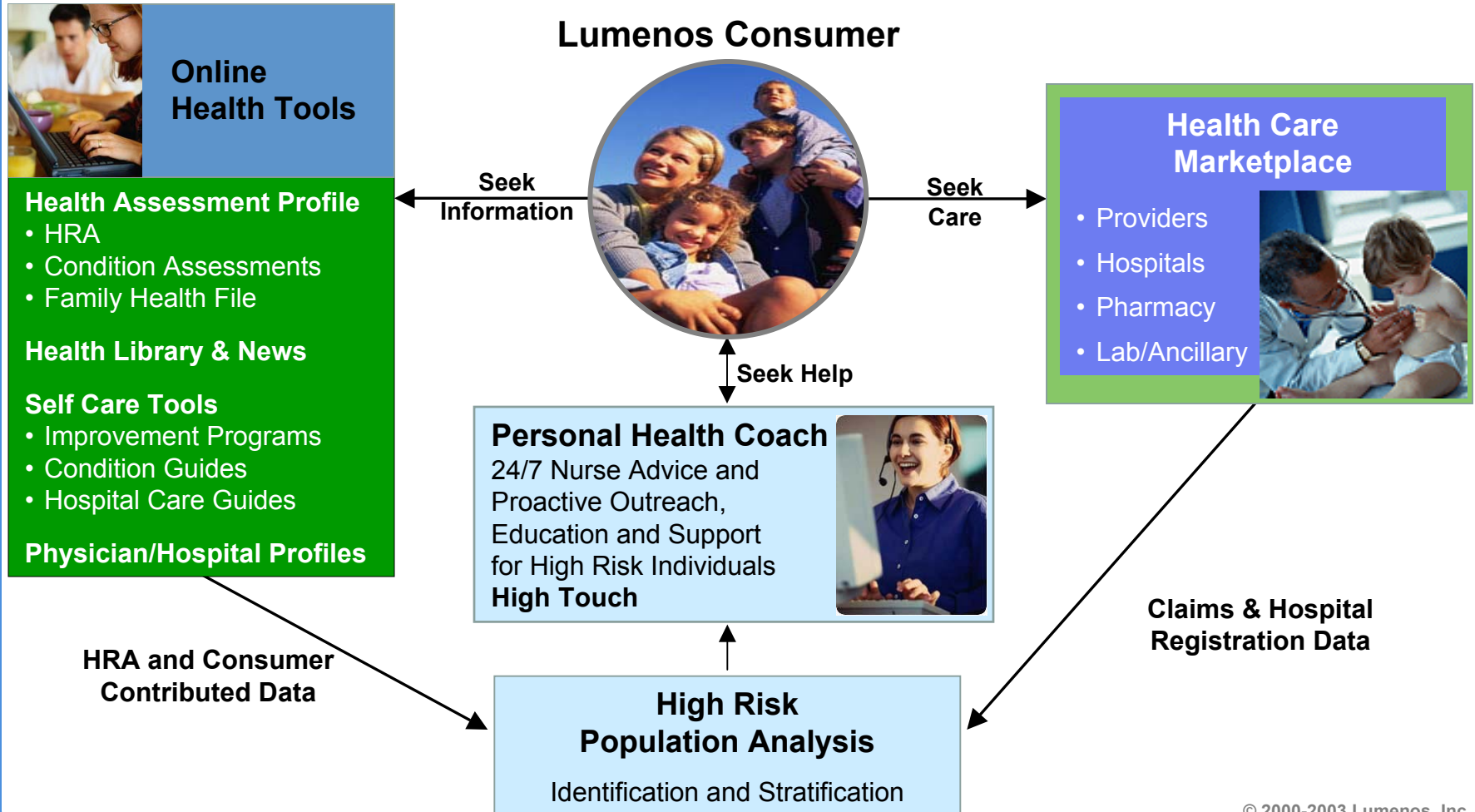




Early Physician and Health Care System Response

- Supported by AMA and leading medical associations
- Clinical
 - Provides information, tools and personal support for patients to understand and follow care management
 - Supports more efficient physician-patient and system interactions
- Administrative
 - Decreases administrative hassles at point of care
- Baylor MD leadership: “Best news in 25 years of practice”
 - “No complaints from docs or practice managers about that plan . . . Lots from the others”
- Endorsed vendor of Texas Hospital Association

Consumer-Centric Health Management Model



Integrated Health Management Incentives

- **Identification:** Health Risk Appraisal
 - \$50-\$100 HSA allocation for online HRA completion
- **Engagement:** Personal Health Coach Enrollment
 - Additional \$50-100 HSA allocation for chronic disease or high risk
 - Agrees to participate in Health Coach Program after initial assessment
 - Commits to engage with Health Coach through regularly scheduled meetings to identify goals, become educated and skilled in working effectively with their physician to manage their disease.
- **Graduation:** Competencies Mastery with Personal Health Coach
 - Additional \$100-200 HSA allocation for mastering HealthModels
 - Member achieves predetermined goals and documentation of competencies for disease(s) with knowledge, skills, functional provider-patient relationship and clinical outcomes

Search For Providers

Prescription Drug Costs

Medical Cost Estimates

Extra Discounts

My Directory

Catherine S. Casey, MD - Pediatrics

New Search

Add to My Directory

Back to Search Results

Address: 1715 N George Mason Dr Ste 205
Arlington, VA 22205

[View Map](#)

Phone: (703) 522-7300

Provider Details

Primary Specialty: Pediatrics, Board Certified

Age: 55 *

Languages: French, Spanish *

Years in Practice: 29 *

Hospital Affiliations: Virginia Hospital Center Arlin

Be sure to read these [Questions to Ask Your Doctor](#) about a particular medical condition or procedure.

Lumenos Discount - This Provider Offers Lumenos Discounts

Service	Estimated Cost After Discount	Typical cost
Office/Outpatient Visit - New Patient	\$82.69	\$163.46
Office/Outpatient Visit - Established Patient	\$45.71	\$89.39

Find the [costs for more services and procedures](#)

Quality Ratings

View how other [consumers rate this physician](#), on issues such as ease of scheduling appointments, quality of treatment and staff friendliness.

See [how this physician rates him or herself](#) on clinical best practices.

[Rate this provider](#) after your appointment to share your experience with other consumers.

[Research](#) whether this doctor has any disciplinary actions or sanctions.

Seek Care: Drug Costs and Alternatives

Search For Providers

Search For Pharmacies

Prescription Drug Costs

Medical Cost Estimates

Extra Discounts

My Directory

Drug Name	CECLOR 500MG PULVULE		
Drug Class	CEPHALOSPORINS AND RELATED SUBSTANCES		
Selected Quantity	30	Change Quantity Here ->	<input type="text" value="30"/> Next

Attention: Prices are calculated based on QUANTITY. You may need to change the quantity in order to display the proper price. You will receive the greatest discount when ordering a 90-day supply of mail order prescriptions.

The information appearing below is intended to be a general guide to prescription drug costs and their alternatives. Due to the fluctuation of prescription drug costs, the estimates shown can vary and do not reflect the exact cost you will pay at the pharmacy. Displayed drugs and their costs do not constitute verification of coverage. Please refer to your specific plan benefit information for more detail.

	Drug Name	Estimated Cost After Discount	Estimated Mail Order Cost	Estimated Retail Cost
GEN	BIOCEF 500MG CAPSULE	\$25.58	\$24.70	\$60.57
	CECLOR 250MG PULVULE	\$65.49	\$60.20	\$83.14
	*CECLOR 500MG PULVULE *	\$122.25	\$113.00	\$155.74
	CECLOR CD 375MG TABLET SA	\$116.15	\$107.32	\$147.94

Search For
Providers

Search For
Pharmacies

Prescription
Drug Costs

Medical Cost
Estimates

Extra
Discounts

My
Directory

Medical Cost Estimates

Benchmark data for your region

ZIP Code 22305 - South Atlantic Urban

[Office Visits](#)
[Tests and Exams](#)
[Procedures](#)
[Prescription Drugs](#)

← BACK

[Learn how these cost estimates are calculated](#)

Office Visits	Estimated Cost After Discount	Estimated Typical Cost
Allergy Injection (single)	\$14 - \$16	\$17 - \$26
Allergy Skin Test (approximately 5-10 tests)	\$13 - \$15	\$23 - \$35
Allergy Test - Inhalation Bronchial Challenge	\$177 - \$206	\$324 - \$485
Chiropractic treatment of the spine (three to four regions)	\$39 - \$44	\$53 - \$79
Immunization - Diphtheria, tetanus, pertussis (Dtap) Vaccine	\$35 - \$54	\$64 - \$97
Immunization - Flu Shot	\$8 - \$12	\$14 - \$21
Immunization - Measles, Mumps, Rubella (MMR) Vaccine	\$38 - \$59	\$71 - \$106
Immunization - Pneumococcal Vaccine	\$18 - \$28	\$34 - \$51
Immunization - Polio Vaccine	\$19 - \$30	\$35 - \$53
Office visit - established patient - 15 minutes	\$51 - \$58	\$71 - \$107
Office visit - established patient - 25 minutes	\$74 - \$84	\$103 - \$155
Office visit - established patient - 40 minutes	\$119 - \$134	\$165 - \$247
Office visit - new patient - 20 minutes	\$67 - \$77	\$93 - \$140

Search For
Providers

Prescription
Drug Costs

Medical Cost
Estimates

Extra
Discounts

My
Directory

BAYLOR UNIVERSITY MEDICAL CENTER - Gen Acute Care

New Search

Add to My Directory

Back to Search Results

Address: 3500 Gaston Ave
Dallas, TX 75246

[View Map](#)

Phone: (214) 820-0111

Provider Details *

Residency Program:	Y
Staffed Beds:	904
Annual ER Visits:	57876
Annual Total Surgeries:	27388
Annual Admissions:	37013
Annual Births:	4388
Annual Outpatient visits:	219391

Lumenos Discounts - This Provider Offers Lumenos Discounts

Find the [costs for select services and procedures](#).

Quality Ratings

View [patient safety information](#) about this facility.

View [more quality information](#) about this facility.

[Rate this provider](#) to share your experience with other consumers.

Quality Information Page for Hospitals - Microsoft Internet Explorer

File Edit View Favorites Tools Help

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Quality Ratings for Baylor University Medical Center

The data below comes from public data sources or from the hospital itself. Patient safety standards, however, are established by the Leapfrog Group.

Patient Safety Standards Established by the Leapfrog Group include:

Computerized Physician Order Entry		
Computerized physician order entry (CPOE) systems are electronic drug prescribing systems that intercept errors when they most commonly occur - at the time medications are ordered. Hospitals that have met this standard have CPOE systems that can markedly reduce serious medication errors for their patients.		Willing to report publicly; did not yet meet Leapfrog's criteria for a good early stage effort
Intensive Care Unit (ICU) Physician Staffing		
A growing body of scientific evidence suggests that the quality of care in hospital ICUs is influenced by how that ICU is organized and staffed. Hospitals that meet this standard are more likely to provide better quality care in their ICU.		Willing to report publicly; did not yet meet Leapfrog's criteria for a good early stage effort
Evidence-Based Hospital Referral		
For certain elective treatments and procedures, strong scientific evidence exists that hospitals with greater experience in these procedures will tend to have better patient results.		Willing to report publicly; did not yet meet Leapfrog's criteria for a good early stage effort
Procedures	Volume	Threshold
Coronary Artery Bypass	1016	500/year
Coronary Angioplasty	1624	400/year
Abdominal Aortic Aneurysm Repair	110	30/year
Carotid Endarterectomy	332	100/year
Esophageal Cancer Surgery	4	7/year

15/day feverone

Done Internet

Quality Information Page for Hospitals - Microsoft Internet Explorer

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Description of Quality Data

Heart Bypass Surgery (CABG) Based on data from Texas All-Payer Data, you can view information below about BAYLOR UNIVERSITY MEDICAL CENTER, such as:


- * How many patients were treated for this procedure or condition, and how many days they stayed in the hospital on average
- * The expected and actual (observed) mortality and complication rates for this procedure/condition, and whether or not these were higher than expected, as expected, or lower than expected.

Mortality and complication rates were calculated taking into account the level of risk involved, so that hospitals that treat patients with the most challenging situations can be compared equally with hospitals that care for low-risk patients. Complications are events that take place after admission, but do not necessarily imply negligence or improper medical care. The most probable complications for a given condition or procedure are determined by an experts panel who also assign a threshold number; the hospital would be expected to have a complication rate that is no higher than the threshold number.

Hospital Quality Data

Mortality Rate  As Expected

Actual Rate	2.4%
Expected Rate	2.4%

Complication Rate  Lower Than Expected

Actual Rate	18.4%
Expected Rate	41.3%

Number of Patients Treated	873
Number of Days in Hospital	8.7
Total Charges	\$50,485
Data Source	Texas All-Payer Data, 2000

Done Internet

We Want to Attract the Sicker, Highest Utilizers

- “Integrated”
 - Identification, intervention, hi tech and hi touch
- “Competency-defined,”
 - Evidence-based guidelines translated into consumer competencies to know, develop and “own” the skills to master their unique condition(s) in concert with their physician and specialized RN HealthCoach
- “Software-supported,”
 - HealthModel software tailored to the patient’s condition, clinical needs and physician relationship
- “Behavior change curriculum”
 - You need a coach/teacher using a curriculum, motivation and support to improve care management and behaviors

Personal Health Coach A 4-5 Month Partnership

- Assessment with comprehensive interview
 - Medical history, medications, review of systems, lifestyle behaviors, depression screen
 - Functional assessment (SF-12) pre-, post-
- Basic education about disease/condition
- Comparison of treatment plan with current guidelines
- Clarification of patient's belief and value system
- Assessment of self-management motivation and capability
- Specification of principle care physician and next appointment
- Creation, support and adoption of self-management plan



2003 Satisfaction Survey Consumer and Health Behaviors

- **Consumer and health behavior change since Lumenos**
 - ***52% report increased knowledge in managing their health care***
 - 37% cite more knowledge of financially-related health issues
 - 15% cite increased physician access and ability to choose providers
 - 14% cite increased access to health information
 - 6.5% pay closer attention to claims and tracking health care costs
 - ***24% report improving health behaviors***
 - 56% cite increased frequency of exercise
 - 34% cite improved diet and/or nutrition
 - 14% cite increased use of regular physician check-ups

New HSA Legislation - Summary

<u>Plan Design Components</u>	<u>HRAs</u>	<u>HSAs</u>
Who Contributes?	Employer only	Employer and/or Employee
Is account funded?	No	Yes
Revert to Employer on termination possible?	Yes	No
How much can be contributed?	Dictated by plan design	Cannot be greater than the annual deductible (max of \$2,600 single, \$5,150 family per year)
Can you carry-over?	Yes	Yes
What can you spend it on?	213 expenses – employer discretion	213 expenses – employee discretion
Account ownership?	Employer (or employee by plan design)	Employee
Cash-out options?	None	Taxable pre 65 with a 10% penalty
Portable?	Yes – employer discretion	Yes – completely
Claims Adjudication	Required	Not for HSA – will need it for high deductible plan
Financial partner required?	No	Yes
Investment options?	Generally No	Yes
Combine with FSA/HRA	Yes	No - qualified

Impact on Health Care Stakeholders?

- “Medical-industrial complex” disruptions with “my own money”
 - Will the consumer tolerate 17 year lag time?
 - Is the convenience worth 10X the cost?”
 - New emphasis on “breakthrough” vice “copycat” R & D
 - All “middlemen” redefining value
 - Centers of excellence: lower units costs and better outcomes?
- Hidden & shifted costs (and value questions) become explicit faster
 - How much are you willing (or should you) pay for GME?
 - Societal questions accelerated: end of life care, evidence-based vice usual care, “total cost of illness” vice “med loss ratio”
- Consensus on best of breed private, market-based functions vice public, “safety net” functions of government

Goal: Make the RIGHT Thing the EASY Thing To Do . .

- Employers/purchasers adopting consumer-driven models
 - Public sector employees and states exploring
 - Adverse risk can be anticipated and mitigated by design or full replacement
- Early indicators: trend mitigation, satisfaction and performance all high
- Coverage policy, like quality measurements, will build on managed care models but reflect consumer values
- Society and purchasers must focus “clout” on increasingly expensive (marginally effective?) technologies, hospitalizations, treatment variations etc
- Consumer-driven models offer strong potential for new emphasis on prevention-oriented, evidence-based coverage and practice