

When You've Seen One CDHP...

***The National Consumer Driven Healthcare Summit
September 14, 2006***

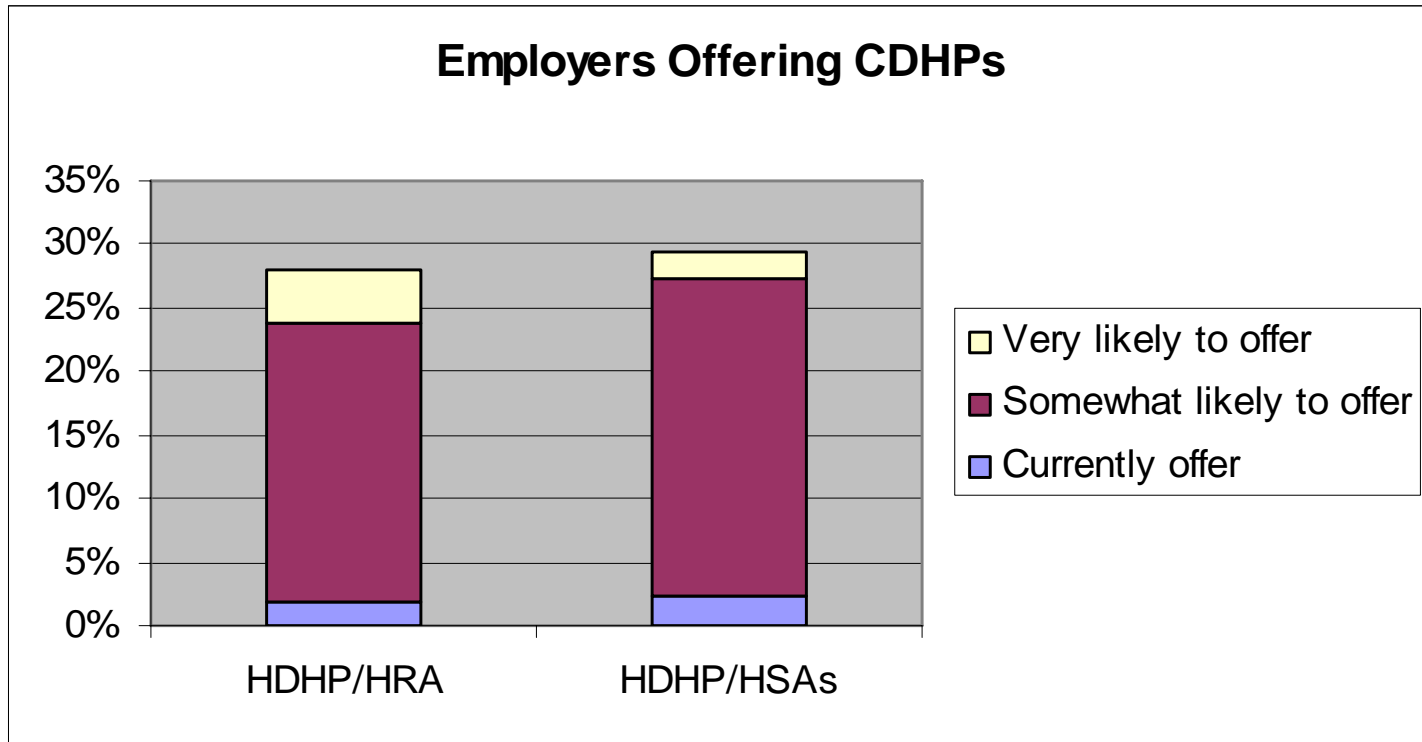
***Kim Bellard
Vice President, eMarketing & CRM***



We Live in Exciting Times

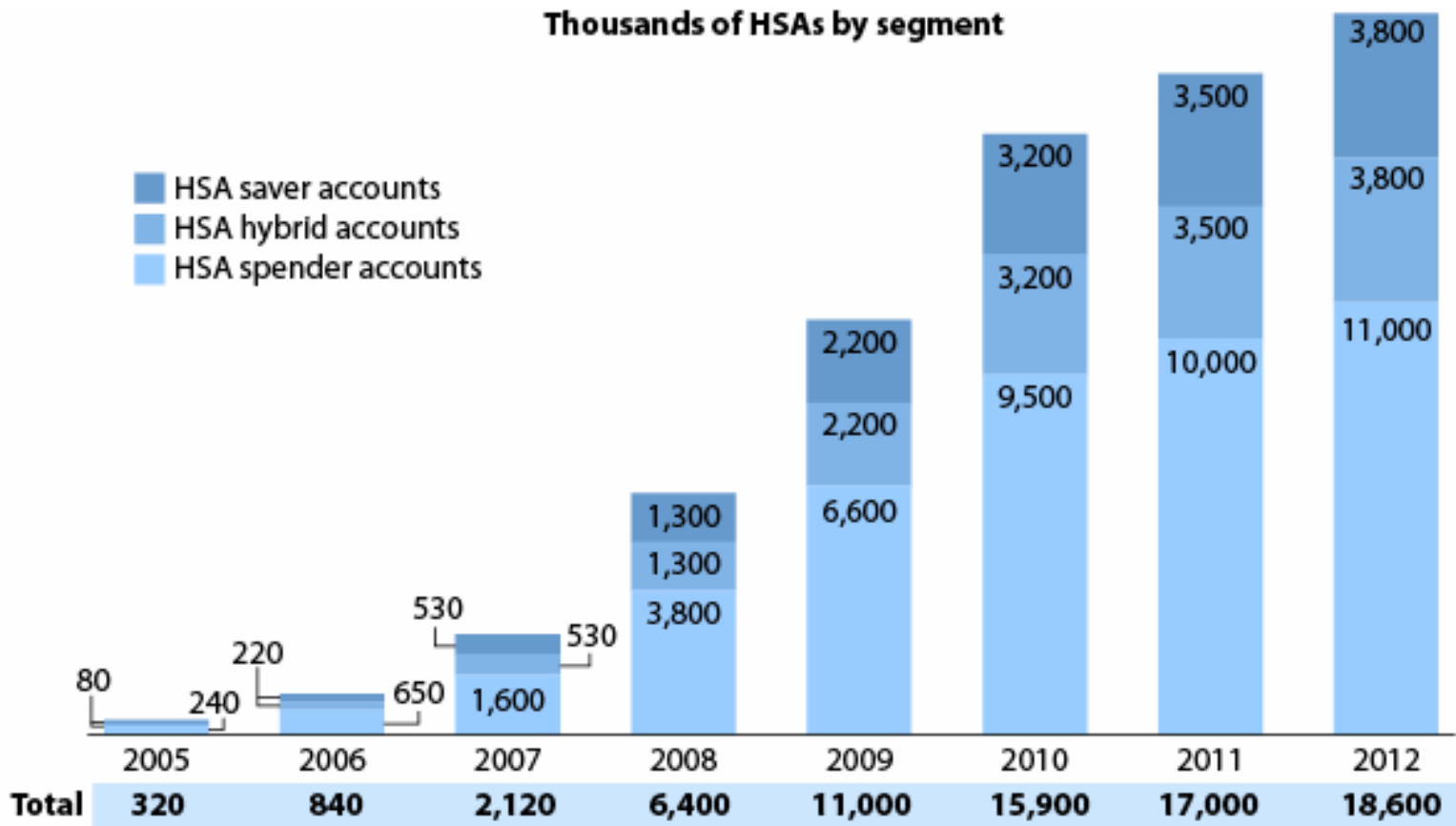
- Constant new flood of medical advances
 - Drugs/treatments/genetic
- The promise of IT revamping care delivery
 - ePrescribing/EMR/PHR/RHIOs
- Even new health plan/funding options
 - HDHP/HRA/HSA/debit cards

“CDHPs” Are Still Not Widespread



Source: Kaiser/HRET 2005

“CDHP” Is Expected to Grow Rapidly: Forecast -- US Health Savings Accounts, 2005-2012



Source: March 7, 2005, Market Overview “Will Health Plans Profit From HSAs?”

The Challenge:

- How do we get consumers to view health care spending as *their* money?
- How do we get consumers to view health care decisions as something they need to play an active role in?

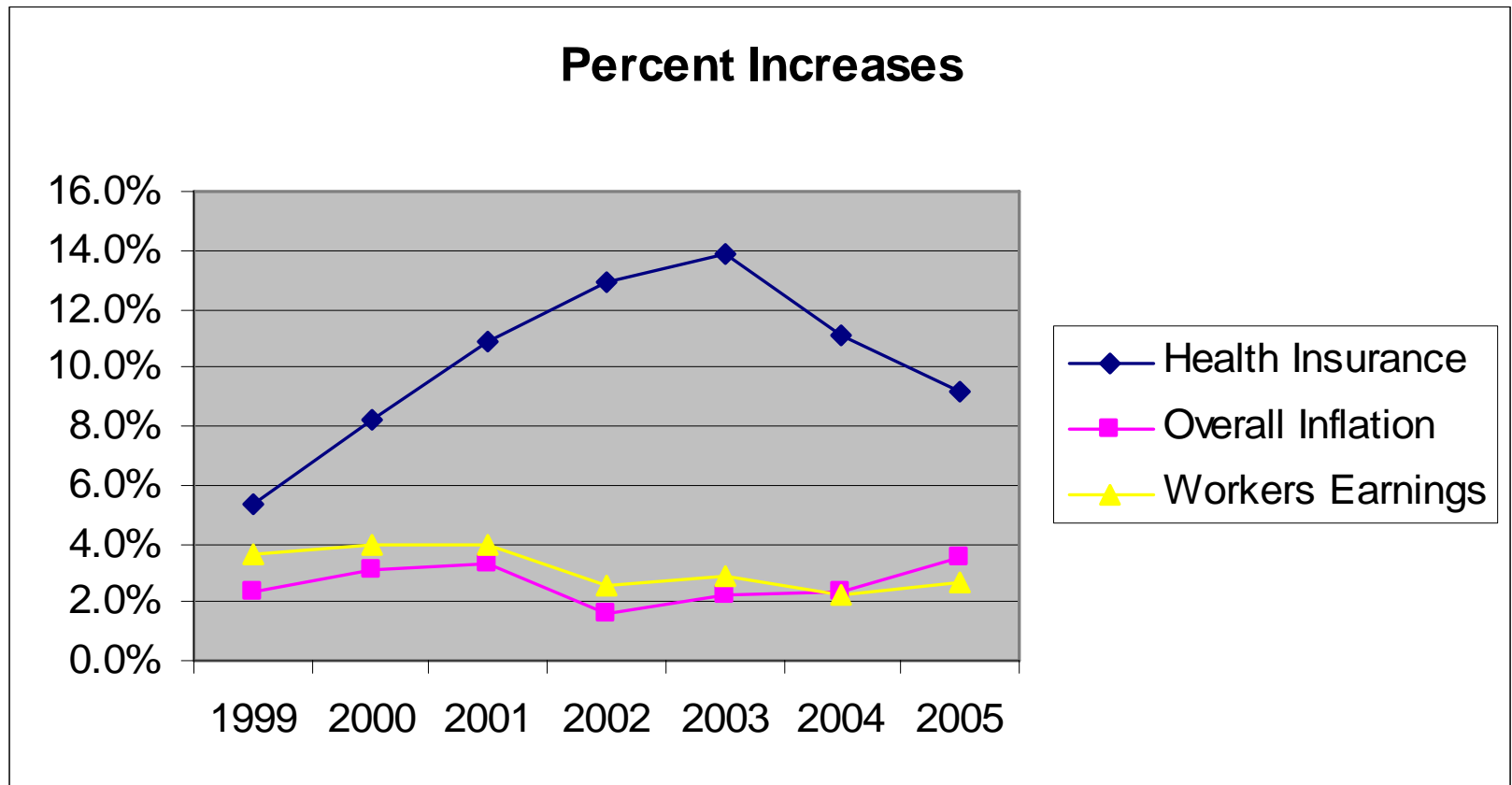
...while still providing a valued benefit at an affordable cost



The Problem Isn't Unknown

- Consumers have been paying more for health care
- Consumers have been flooded with health information
- ...yet undesired behavior continues

Health Insurance Costs Continue to Outpace Other Increases

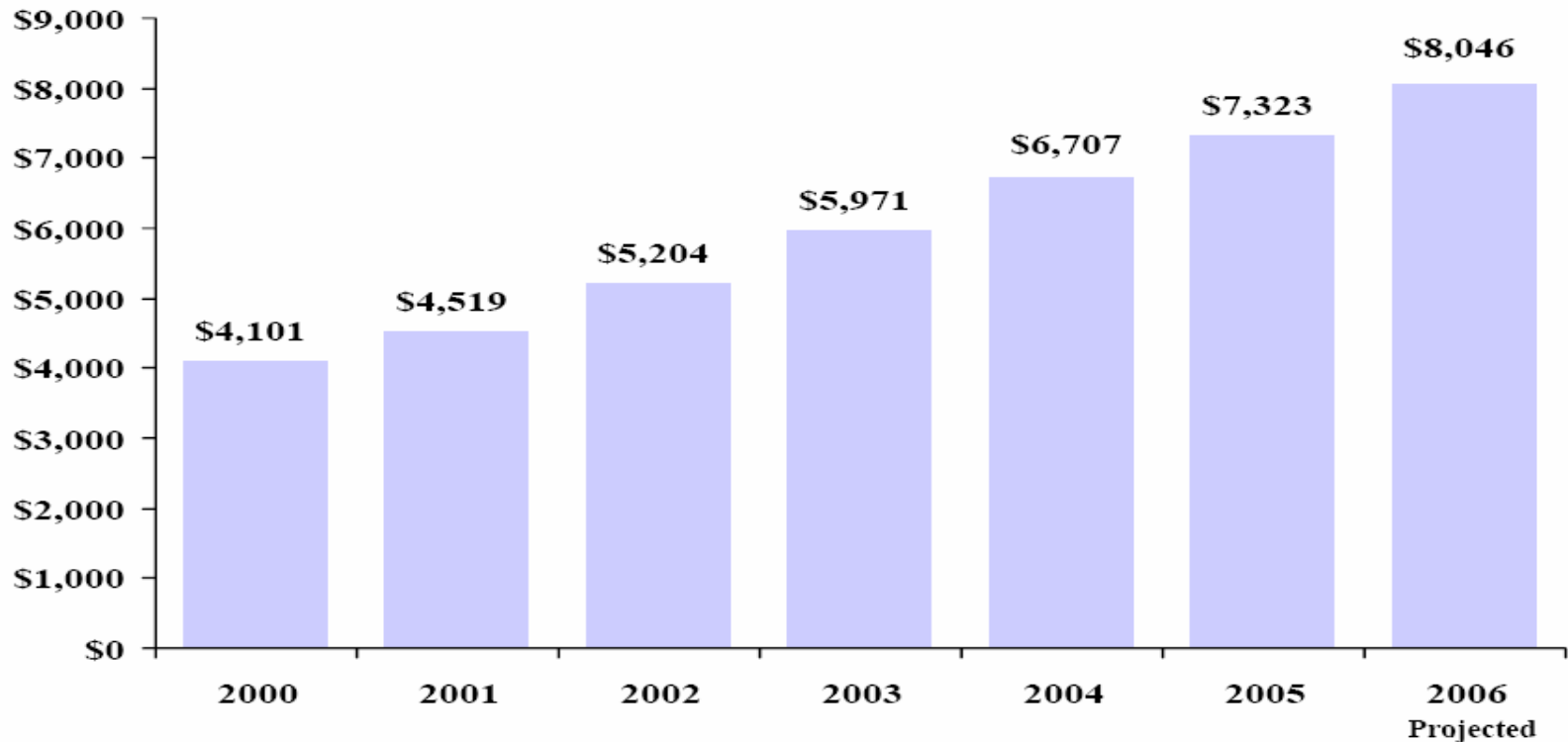


Source: Kaiser/HRET 2005

Employers Are Having to Pay More...And They Don't Like It

Hewitt

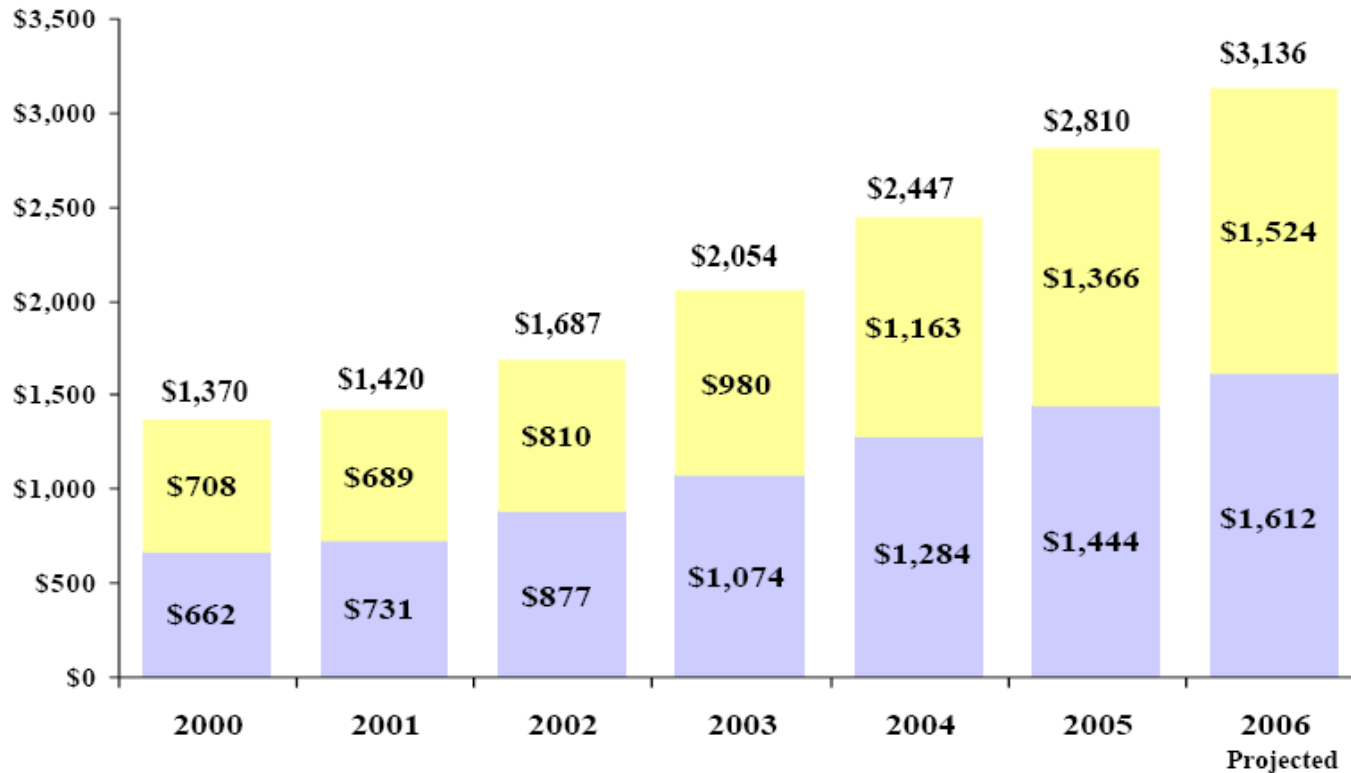
Annual Health Care Costs Per Employee National Averages





Consumers Are Having to Pay More...And *They* Don't Like It

Hewitt

National Average Employee Health Care Costs



 Employee Out-of-Pocket Costs is what employees spend on co-payments, deductibles, and coinsurance.

 Employee Contribution is the average employee contribution to the overall health plan premium.

Many Are Actively Seeking Information

- 95 million health seekers in the U.S.
 - 8 in 10 internet users have searched for at least one of 16 health topics
 - Big impact for people caring for sick loved ones
 - High expectations that reliable health care information will be online
 - Half of internet “health seekers” say they will turn **first** to the internet for their next health question

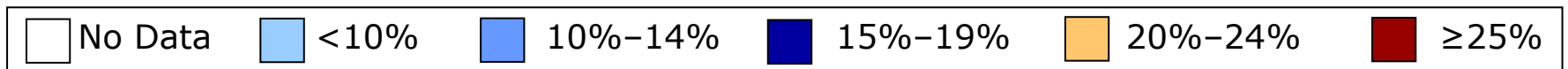
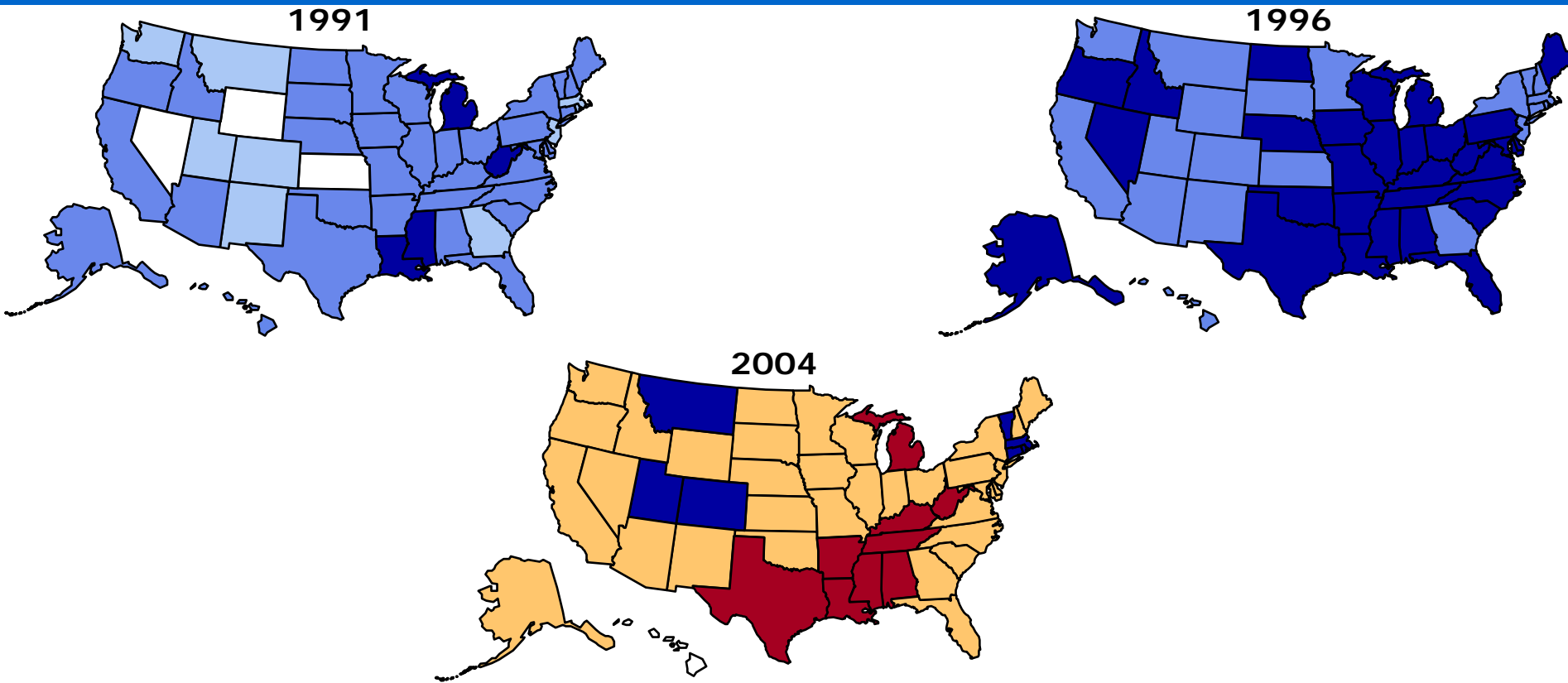
And Yet...

- Examples:
 - The number of Americans who are overweight/obese continues to rise
 - Wide range of health impacts
 - CDC estimated medical costs of between \$51 and \$78 billion in 1998
 - \$7 to \$13 billion of that was out-of-pocket for consumers
 - 44.5 million Americans still smoke
 - Impact on rates of cancer, cardiovascular disease and respiratory diseases is dramatic
 - JAMA reports Americans are less healthy than the English
 - Despite spending twice as much

Obesity Trends* Among U.S. Adults

BRFSS, 1991, 1996, 2004

(*BMI ≥ 30 , or about 30 lbs overweight for 5'4" person)



Source: Behavioral Risk Factor Surveillance System, CDC

Self-reported Health by Education and Income in England and the United States, Ages 55-64 Years*

Table 1. Self-reported Health by Education and Income in England and the United States, Ages 55-64 Years*

	England				United States			
	Low	Medium	High	Total	Low	Medium	High	Total
Years of Schooling, Percent Distribution								
Unweighted sample size	1745	969	967	3681	2293	1003	1090	4386
Diabetes	7.0	4.8	5.7	6.1	14.3†	12.3†	9.5†	12.5†
Hypertension	36.6	31.4	31.0	33.8	46.3†	40.8†	37.0†	42.4†
All heart disease	11.6	7.7	7.8	9.6	17.1†	14.8†	12.0†	15.1†
Myocardial infarction	4.5	3.6	3.4	4.0	6.7†	4.1	4.4	5.4†
Stroke	2.7	2.2	1.6	2.3	4.8†	4.2‡	1.7	3.8†
Lung disease	8.2	5.2	3.7	6.3	10.9†	8.3†	3.1	8.1†
Cancer	5.2	5.5	6.3	5.5	8.9†	10.0†	10.0†	9.5†
Income, Percent Distribution								
Unweighted sample size	1204	1212	1259	3681	1574	1484	1328	4386
Diabetes	7.3	6.7	4.4	6.1	17.4†	11.8†	8.2†	12.5†
Hypertension	36.7	34.6	30.3	33.8	46.3†	43.6†	37.1†	42.4†
All heart disease	13.7	8.7	6.5	9.6	20.0†	13.3†	12.0†	15.1†
Myocardial infarction	6.5	3.1	2.4	4.0	8.5	4.6	3.2	5.4†
Stroke	3.6	1.8	1.4	2.3	6.0†	3.8†	1.5	3.8†
Lung disease	8.1	6.4	4.4	6.3	13.2†	7.1	4.1	8.1†
Cancer	5.9	5.2	5.5	5.5	9.6†	9.6†	9.3†	9.5†

*English data are from the first wave of English Longitudinal Survey of Aging, and US data are from the 2002 wave of the Health and Retirement Survey. Within each country, weekly family income adjusted for family size is divided into 3 equally sized income tertiles with one third of the weighted population in each group. In the United States, the range of the middle income group is \$322-\$635 while in England the range of the middle income group is £127-£241. In the United States, education is separated into high school or less (0-12 years), more than high school but not a college graduate (13-15 years), and college or more (≥16 years). In England the 3-way education division is qualified to a level lower than "O-level" or equivalent (typically 0-11 years of schooling), qualified to a level lower than "A-level" or equivalent (typically 12-13 years), and a higher qualification (typically >13 years). All data are weighted.

†P<.01 vs data with England.

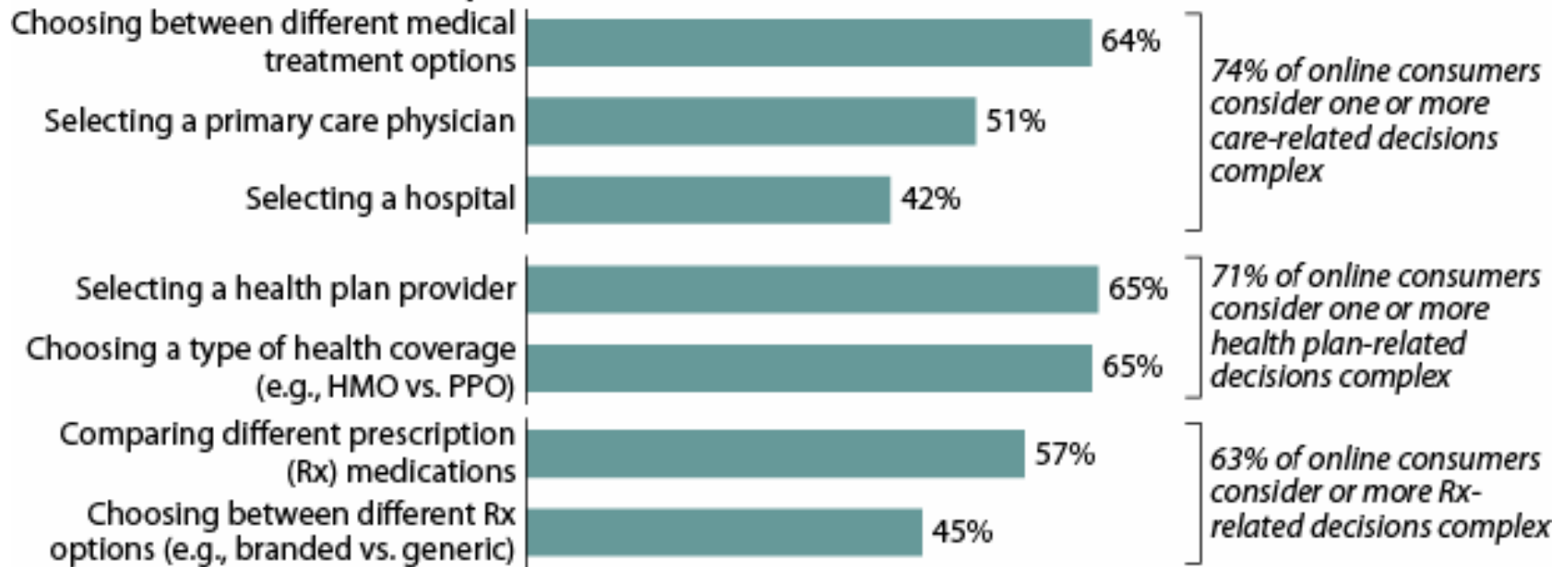
‡P<.05 vs data with England.

Banks, J. et al. JAMA 2006;295:2037-2045.

This is Hard Stuff – Most Consumers Struggle With Common Health Choices

**“How complex, if at all, do you feel the following health-related decisions are to make?
[1 (not at all complex) to 4 (extremely complex)]**

Complex (3 or 4):



Base: US online consumers



Did you know?

80% of online US consumers consider at least one of these decisions complex — and 22% of online consumers find *all* these health-related decisions complex.



Source: Forrester's Consumer Technographics® August 2004 North American Healthcare Online Study

From *What Health Decisions Perplex Consumers?*, March 2005

Consumer Driven Health Care is *not*:

- A high deductible health plan
- An HSA
- *Any* specific product

It is:

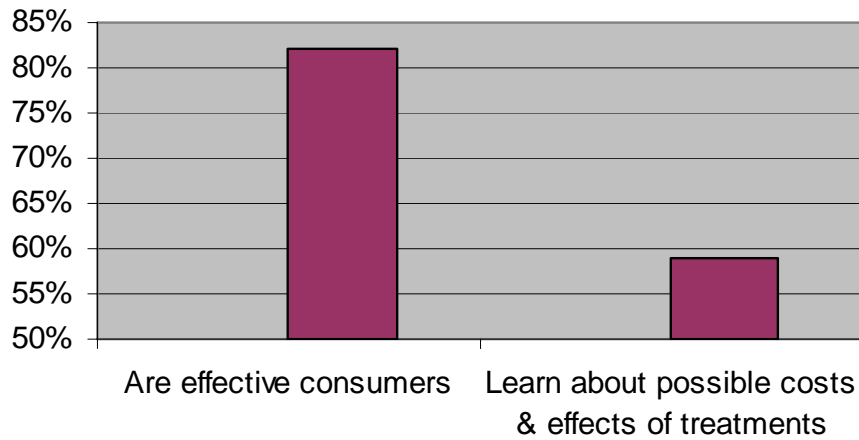
- Engaging the consumer in his/her care
 - With care decisions
 - With financial consequences of care decisions
 - *Regardless of plan design*
- *Focus not solely on “CDHP” but on fostering consumerism*

Consumerism Is An Opportunity...And a Risk

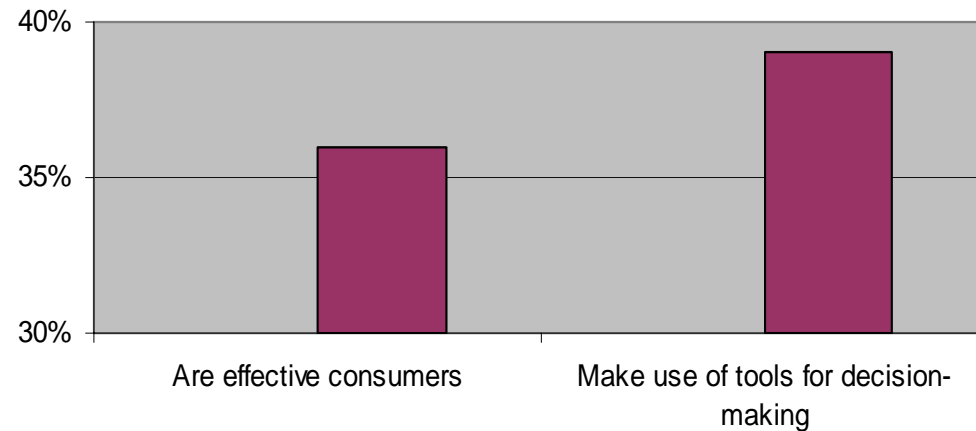
- Consumers need more information
- Consumers expect more control
- Consumers will become even more aggressive advocates
- Consumers will become more highly sensitive to cost
...and, we all hope, to quality
- Consumers may not always act in their own best interests

Employers and Employees Don't Quite Agree On Employee "Consumer" Abilities

Employees' Views

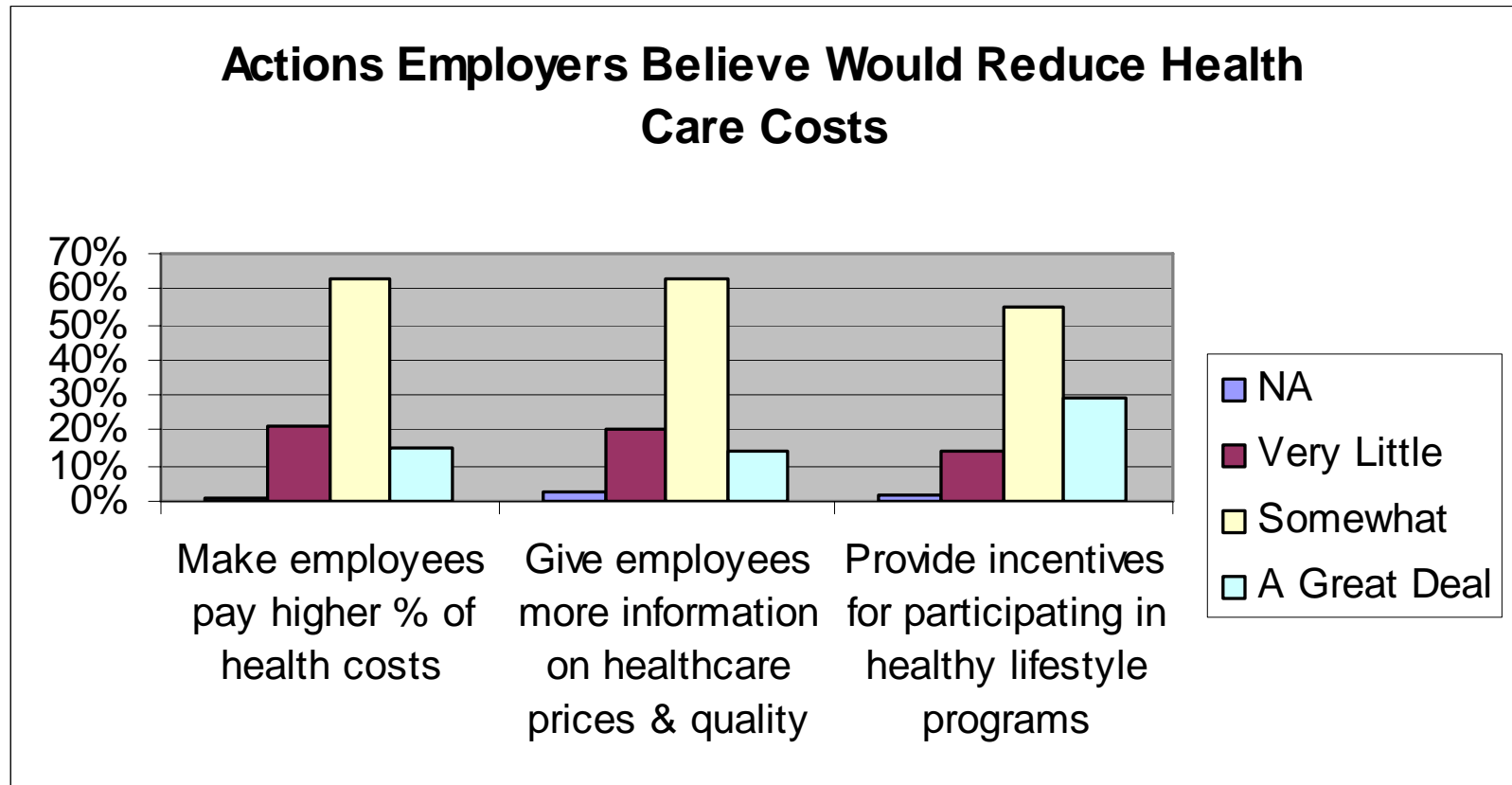


Employers' View of employees



Source: Towers Perrin

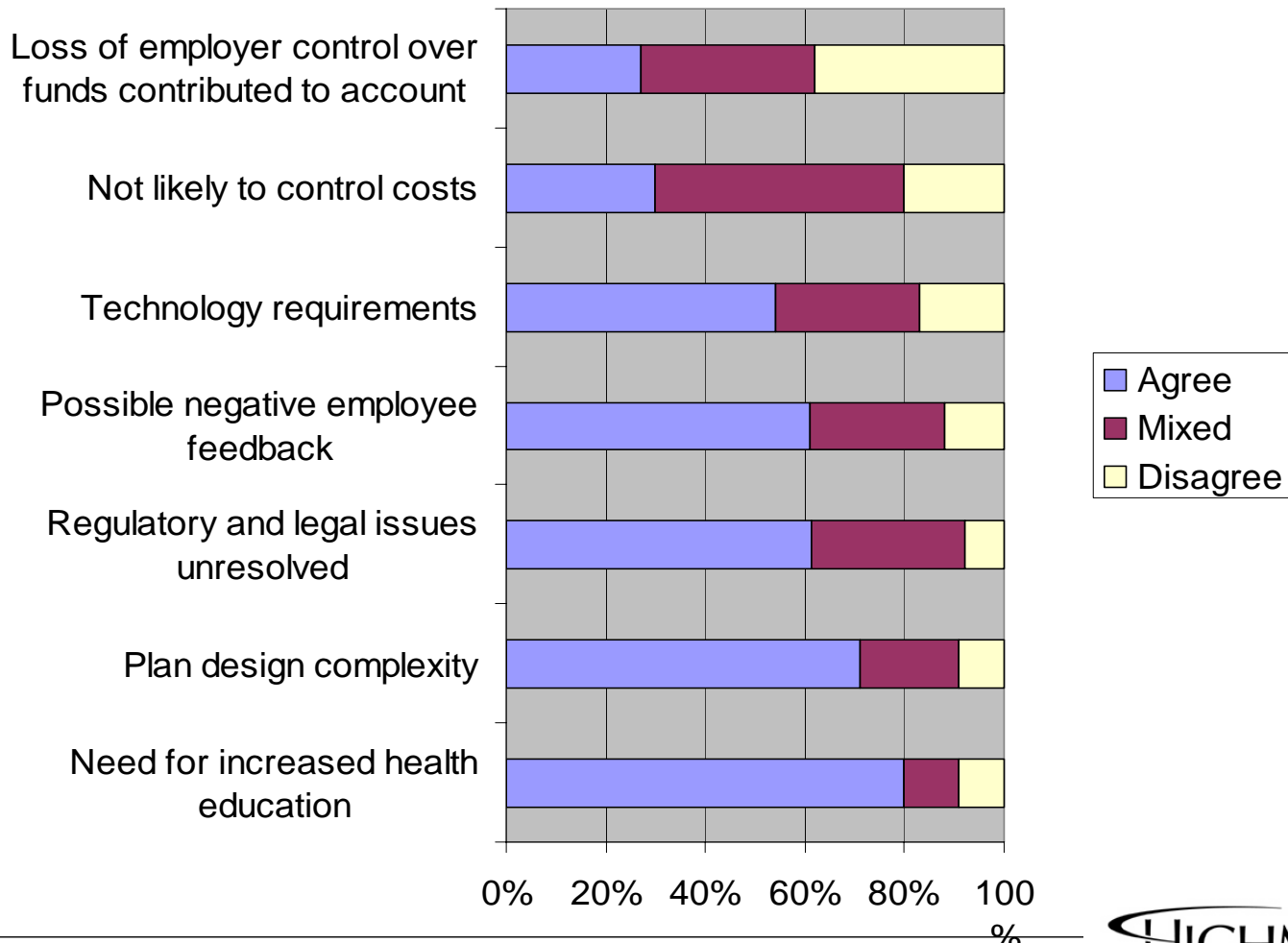
Employers See Different Strategies for Engaging Employees



Source: PricewaterhouseCoopers Barometer Survey

CDHP Has Its Own Issues for Employers

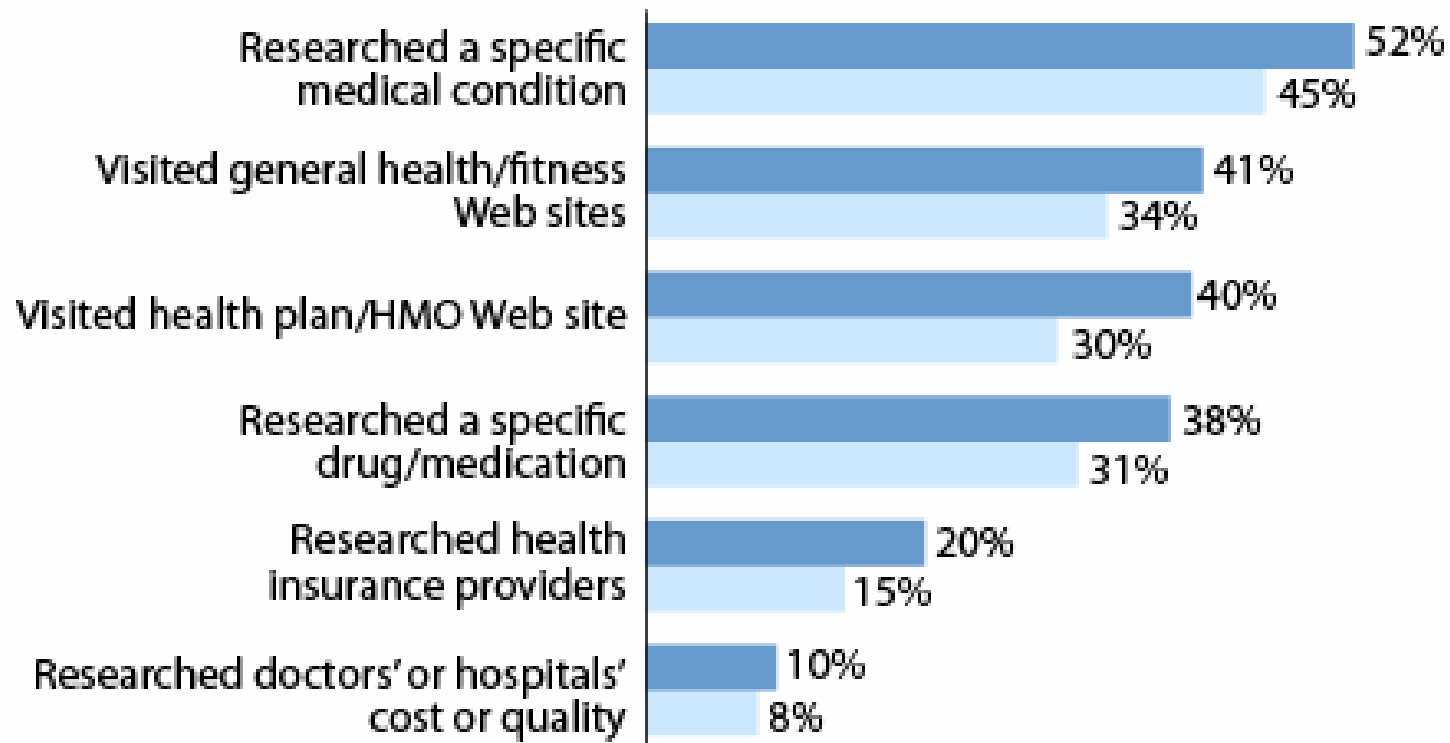
Employers' View of HSA Challenges



Financial Incentives Alone Don't Guarantee Prudent Behavior – “CDHP” Members

... And are more likely to research health information online

“Indicate whether you have performed the following activities online in the past 12 months.”



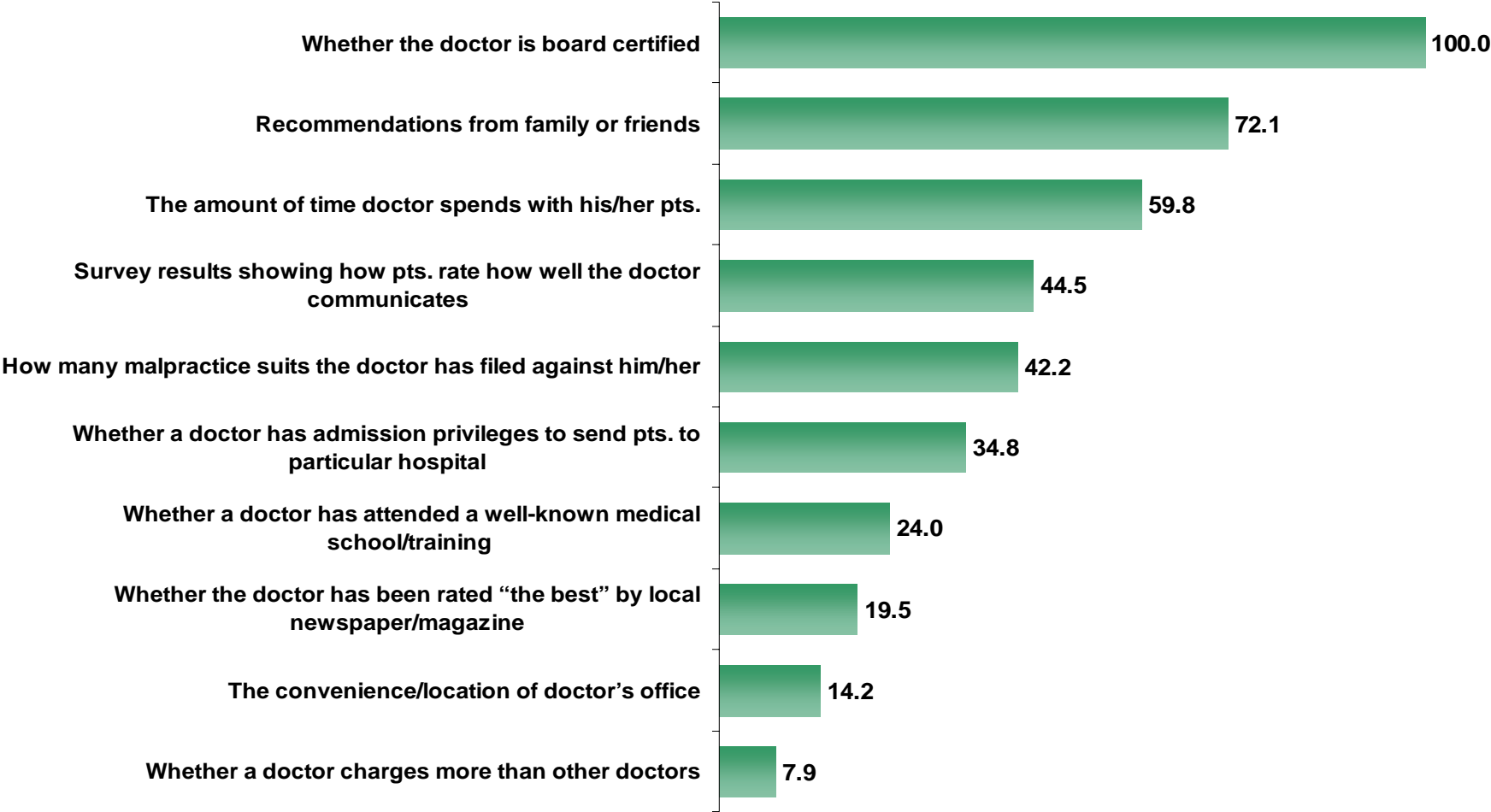
Base: US consumers

Source: Consumer Technographics® Q2 2005 North American Survey

Transparency of Information Is a Key Focus

- We cannot get to a consumer-driven market if consumers don't have the "right" information...
- ...although exactly what "right" is remains problematic
 - As well as how to make understandable to consumers
- It will include information on:
 - Treatment options & outcomes
 - Provider performance and outcomes
 - Provider cost – absolute and relative

Consumer Research: Key Factors in Physician Transparency

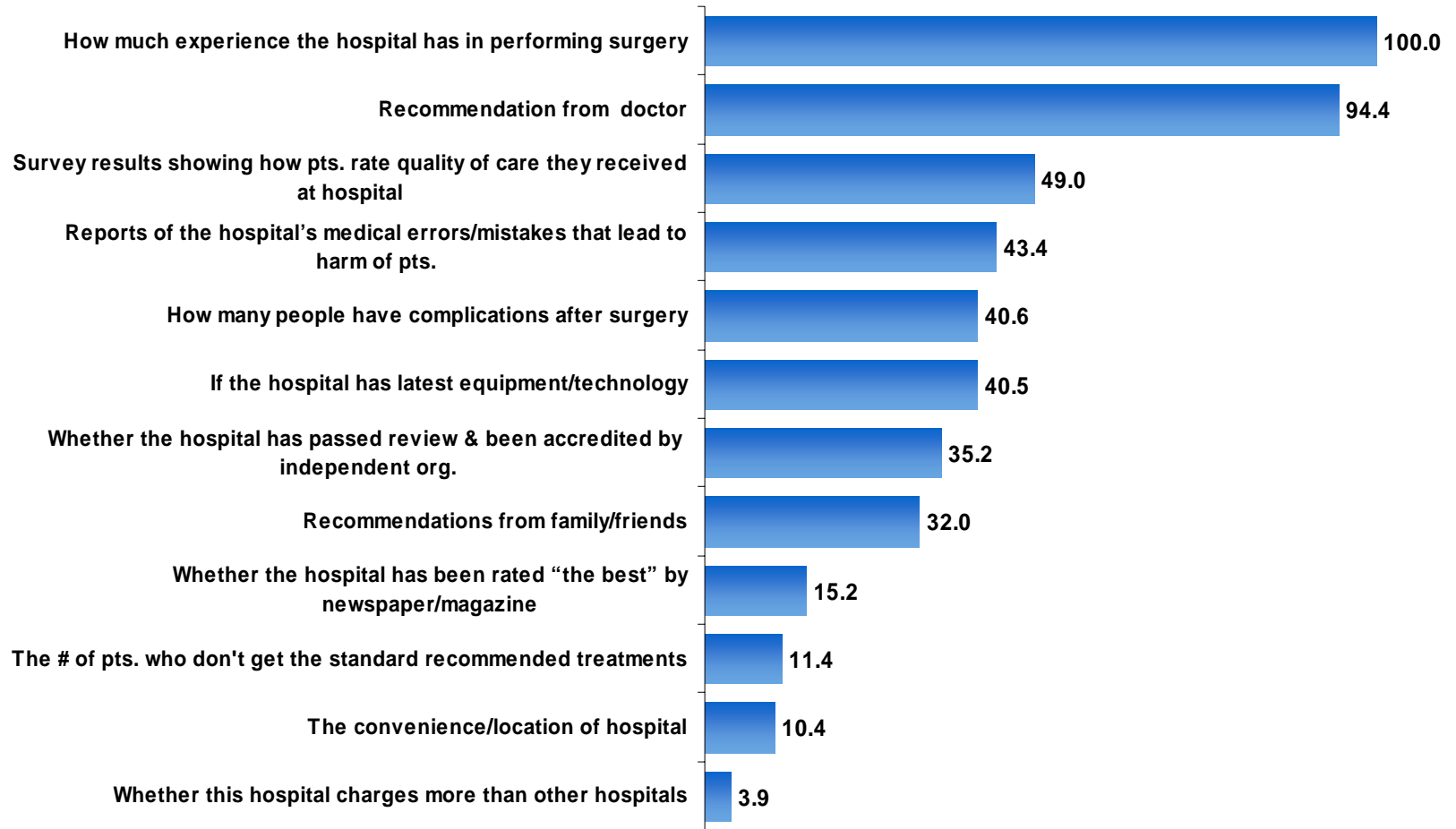


Q805: When deciding which doctor, which of the two statements in each pair is more important to you? Base: All consumers (N=608)

Source: Highmark Research

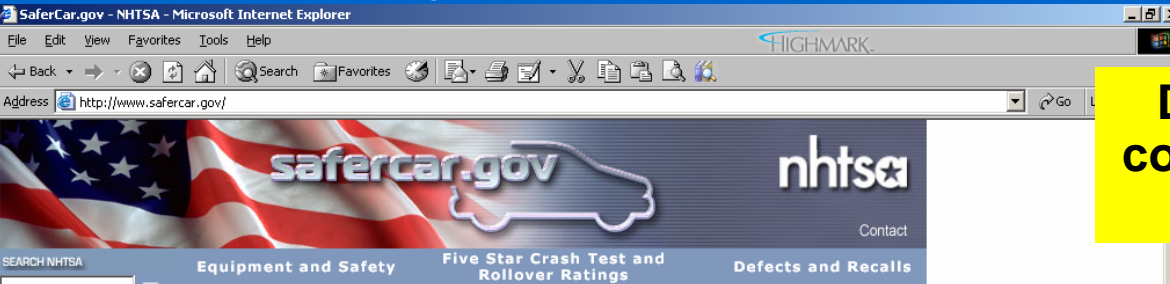


Consumer Research: Key Factors in Hospital Transparency

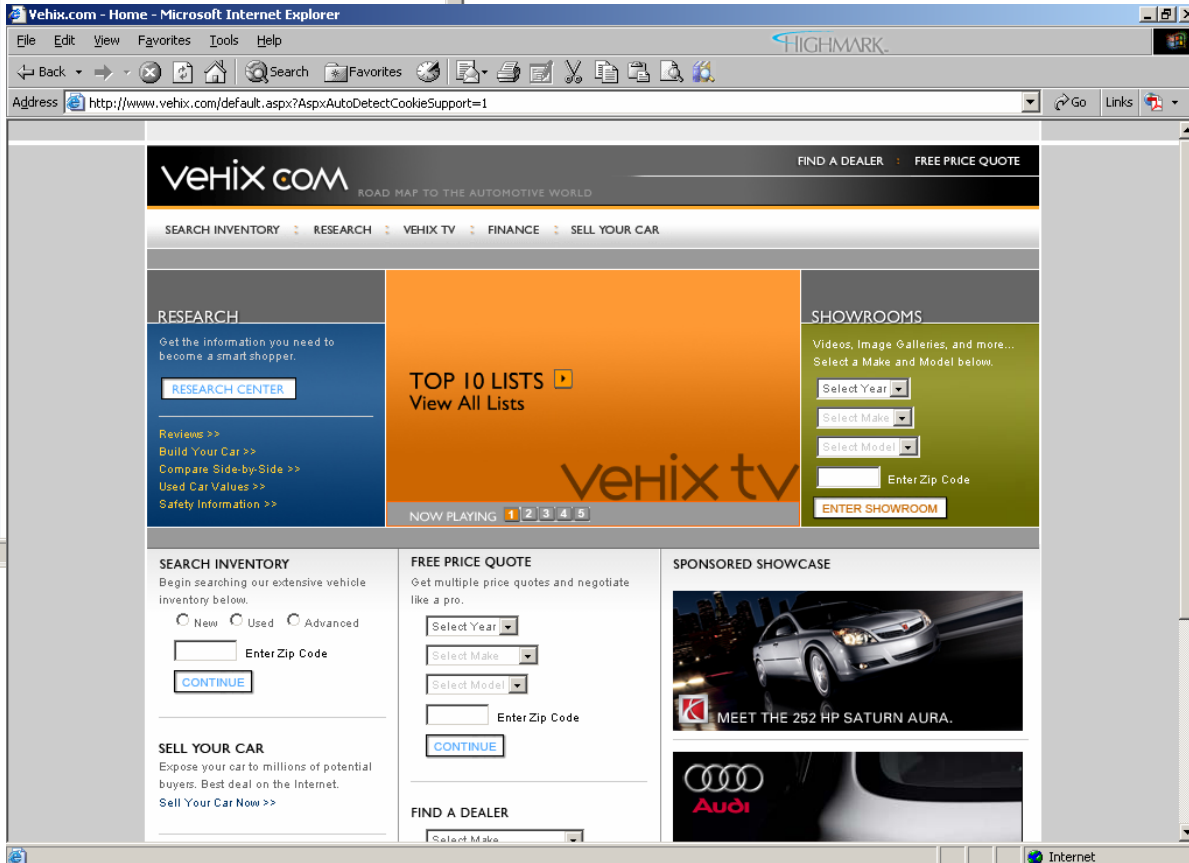
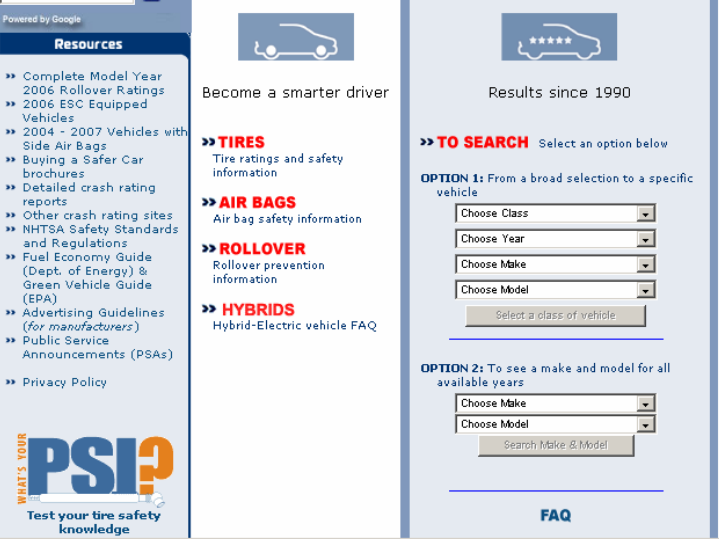


Q800: When deciding which hospital to go to, which of the two statements in each pair is more important to you? Base: All consumers (N=608)

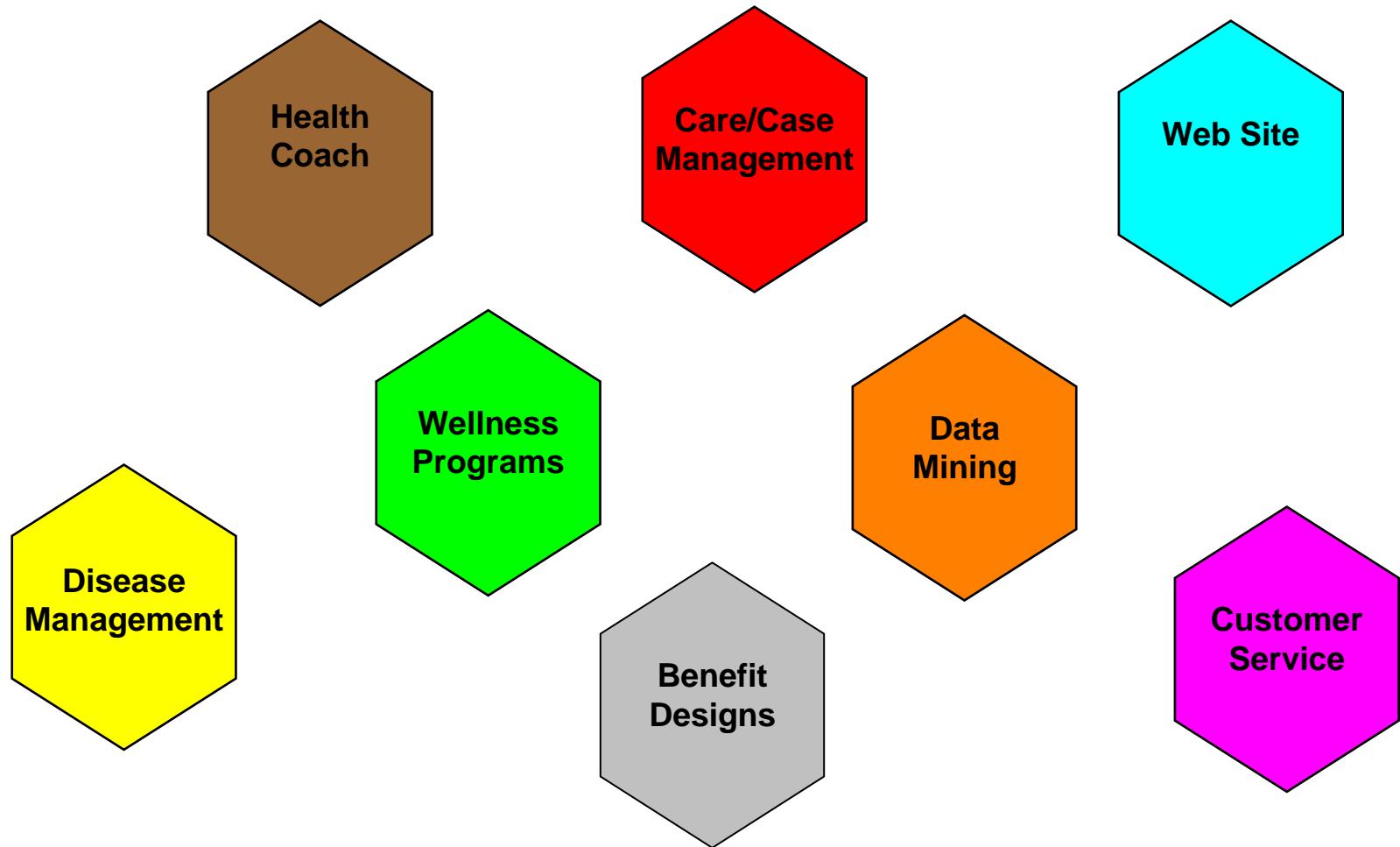
Transparency Doesn't Ensure Prudent Behavior



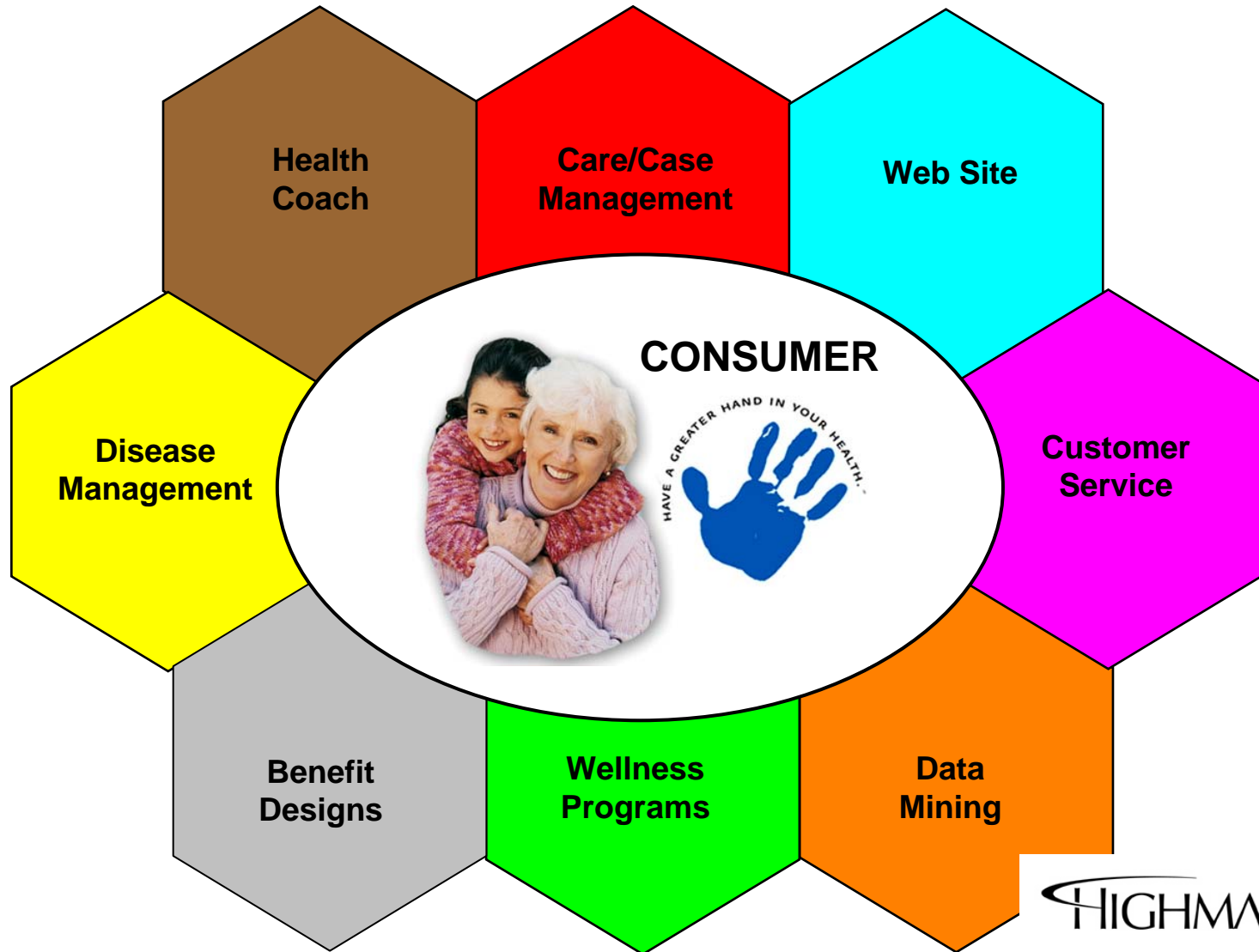
Despite abundance of safety & cost information, pickups are 3 of the top selling 5 vehicles!



Consumerism Involves Multiple Components...

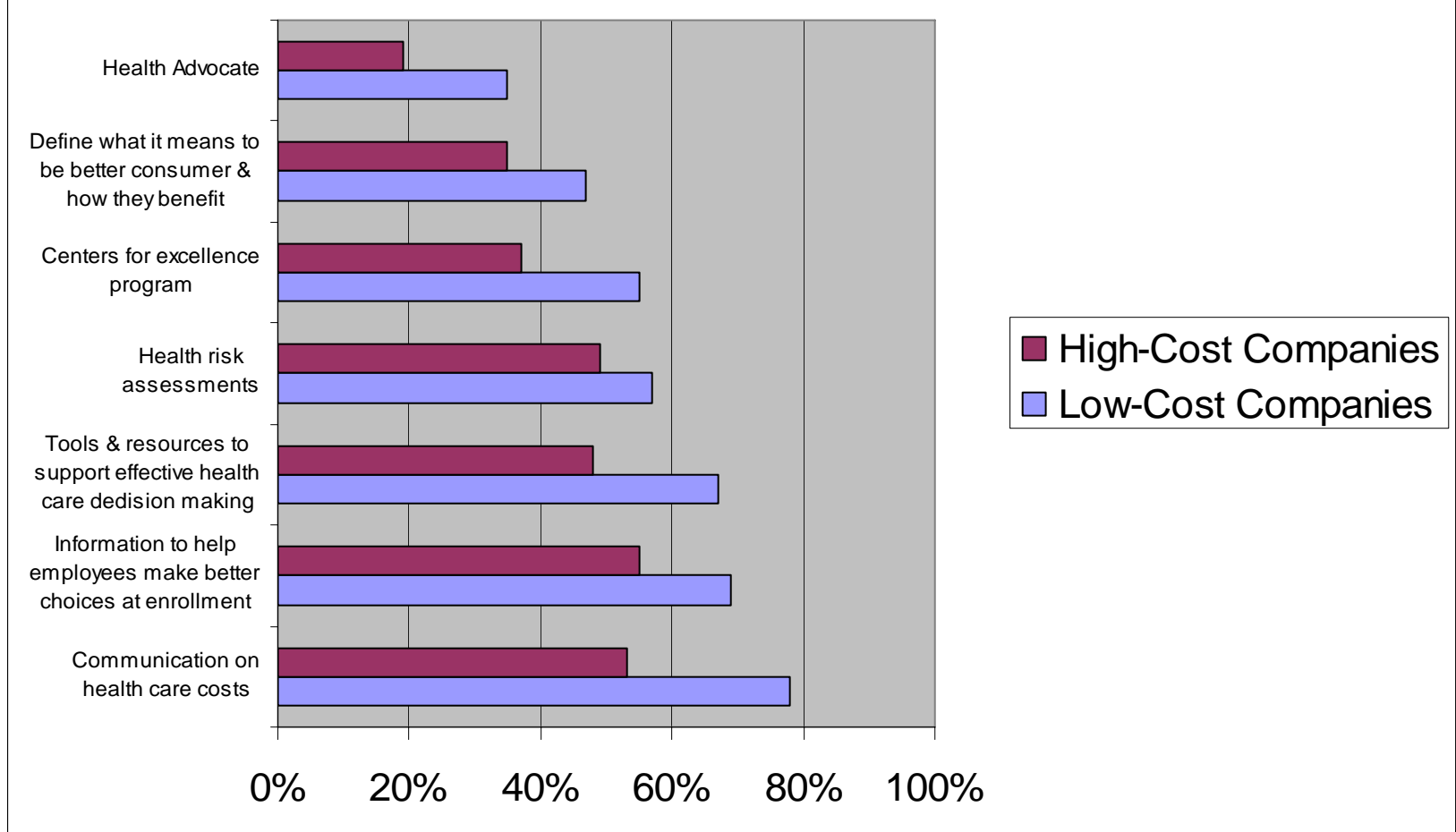


...All Focused Around the Consumer



A Variety Of Efforts Are Needed

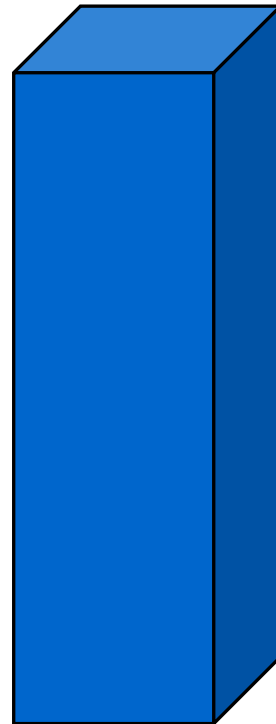
Employee Engagement



Managing Health Spending: How To Tackle The Problem?

Potential areas of focus:

Claim Costs: 90%



Behavioral changes: 20-40%

(impacts are longer term & on selected members)

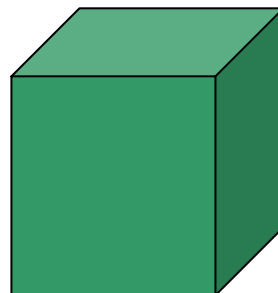


Cost sharing: 5-20%

(includes benefit and premium impacts)



Improving efficiency: 5-20%



Administrative Costs: 10%

Examples of Savings Strategies:

- Administrative:
 - Use of electronic information/transactions exchanges
 - From health records to claims/payment transmittal to customer service
- Cost-sharing
 - Increasing deductibles/copays
 - Moving to defined contribution strategy
 - Introducing FSAs/HRAs
- Behavioral changes
 - Promoting employee taking health risk appraisal
 - Promoting employee use of lifestyle improvement courses
 - Providing financial incentives for behavioral changes
 - Introducing HDHPs with HSA

Highmark's Consumerism Options: Engaging Consumers While...

- Selecting a health plan
- Using health care services
- Making lifestyle choices

Consumerism Is Not New To Us

And this is not an all inclusive list!

Introduced
enhanced
Blues On Call

Introduced
BlueChoice

Introduced
integrated
disease mgt

Introduced
BlueAccount HRA

Introduced
BlueAccount
HSA, HRA, FSA

Introduced
Lifestyle Returns

Introduced
Lifestyle Returns 2

January
2000

May
2000

April
2001

May
2003

August
2004

March
2005

September
2006

The Highmark Strategy

Give employees incentives to choose the right health plan

Give employees incentives to make the right lifestyle decisions

Give employees incentives to get the right care

BlueChoiceSM LifeStyle ReturnsSM BlueAccountSM

HEALTH CARE INFORMATION

VEHICLES:

Phone
Online
At the Worksite
In the Community

CONTENT:

Health Reference Information
Personalized Health Information
Cost/Quality Information

Network Management

CUSTOMER SERVICE

Highmark Uses Tools to Give Employees Incentives to Choose the *Right Health Plan*

- Spending profile: My Expense Summary
 - Can review levels and sources of expenses
 - Can review levels and sources of payments
- Online Plan Information and Comparisons
 - Benefit detail & grids
 - Interactive & flexible
- **BlueChoice: Plan Selection Tools**
 - Plan wizards
 - Different tools for different types of consumers

KIM BELLARD
Highmark Inc.[BlueChoice Options](#)[My BlueLink](#)[Message Center \(0 new\)](#)[Index](#)[Help](#)[Logout](#)

BlueChoice Plan Tools



- [Plan Selector](#)

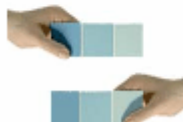
With the Plan Selector you answer a few questions, and we recommend coverages that match your lifestyle.

A variety of plan selection tools is available to assist employees with plan selection



- [Plan Builder](#)

With the Plan Builder you answer a few questions about your coverage preferences in three categories: access, benefits and costs. These answers help the Plan Builder identify plans that match your preferences.



- [Plan Customization](#)

With the Plan Customization tool you select your options, and we recommend coverages that match your lifestyle.

Highmark Uses Tools to Give Employees Incentives to Make the *Right Lifestyle Choices*

- Health Risk Appraisal/Condition Mgt
 - With personalized recommendations
 - Web and paper options
 - Data mining leads to outbound contacts and follow-ups
- Lifestyle improvement courses
 - Variety of types, based on need
 - Interactive & personalized
- Worksite Wellness programs
 - Screenings
 - Employee wellness campaigns
- **Lifestyle Returns**
 - **Structured program to help:**
 - Employees track progress on healthy behaviors
 - Employers reward employees for completing tasks
 - **Based on behaviors and health conditions, not actual health status**
 - **Variety of reward types available**

Highmark Uses Tools to Give Employees Incentives to *Get the Right Care*

- Health reference materials
 - Encyclopedias, care guides, other
- Personalized Health Information
 - Health risk appraisal
 - Shared decision-making for specific conditions
 - Web or video options
 - Blues On Call (Health Coach)
 - Telephonic or web
 - Integrated with disease and care management
 - Both pro-active and member-initiated
- Cost and quality Information
 - Hospital and physician quality profiles
 - Unit & episode of care costs
 - My Expense Summary
 - Use National, all-payer, BCBSA, and Highmark data
- **BlueAccount**
 - **Integrating Highmark health plan with spending accounts**
 - **Account balances/detail, electronic reimbursement options**
 - **Supports HSAs, HRAs, and FSAs**

BlueAccount Gives Consumers Options

- Web versus paper enrollment
 - Majority use website
- Getting money out
 - Paid to them or to provider
 - Auto-submit versus specific claim submission
 - Debit card versus web or auto
 - 55% of transactions are debit card, but account for only 34% of \$
- Managing the money
 - Several mutual fund options available
 - 96% of those over investment threshold are investing
 - We plan to reduce threshold for 2007

Claim Status - Microsoft Internet Explorer

Address: https://www.highmarkbcs.com/cgi-bin/inetcgi/chm/jsp/bac/ClaimStatus.do?BV_UseBVCookie=Yes

Member ID: 1070281420010

1 Select Date Range: Date of Service From: 01/01/2006 Date of Service To: 03/01/2006

2 New Search [Get Acrobat](#)

3 Select the claim(s) you want to send to the BlueAccount Service Center. (select the checkbox next to the desired claim)

Click on the column titles below to sort the entire claims results.

Find Medical Claims Find Pharmacy/Drug Claims

Claim Results: 1-3

Select Claims	Claim # and Status	Provider	Service Date(s)	What We Paid and Paid Date	Patient Liability Amount	Patient
View EOB <input type="checkbox"/>	06040536284 Finalized	Allegheny Rad. Assoc	01/31/2006-01/31/2006	\$0.00 02/09/2006	\$12.00	Kim 08/03/1955
View EOB <input type="checkbox"/>	06537115581 Finalized	Allegheny General Hospital	01/31/2006-01/31/2006	\$0.00 02/07/2006		
View EOB <input type="checkbox"/>	06532522558 Finalized	Pittsburgh General Medicine Assoc	01/31/2006-01/31/2006	\$0.00 02/01/2006		

4 [Send Claims](#)

Managing Spending

Claim Status History - Microsoft Internet Explorer

Address: https://www.highmarkbcs.com/cgi-bin/inetcgi/chm/jsp/bac/ClaimStatus.do

TRACY PACE My BlueLink Message Center (0 new) Index Help Logout

HIGHMARK Blue Cross Blue Shield

My BlueLink

ID Number: 5179028790

1 Select Claim History: *Date of Service From: 01/01/2005 *Date of Service To: 04/11/2005

*Dates of Service cannot exceed a 2 year period.

2 [New Member Search](#)

Listed below is the history of all claims that you have submitted, as well as those claims submitted by the dependents that you are authorized to view. Click on the claim number to access the most recent Claim Detail for that service. You will still receive an Explanation of Benefits for that service.

Transaction History

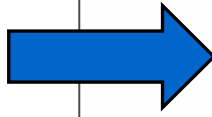
Claim Results: 1-2

Submitted By	Claim Number	Type of Claim	Incurred Date	Claim Amount
Subscriber	05019474878 Finalized	Medical	01/12/2005-01/12/2005	\$174.10
Subscriber	05032476368 Finalized	Medical	01/26/2005-01/26/2005	\$10.00

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Consumers can select which claims they want reimbursed

Website shows history of previous requests



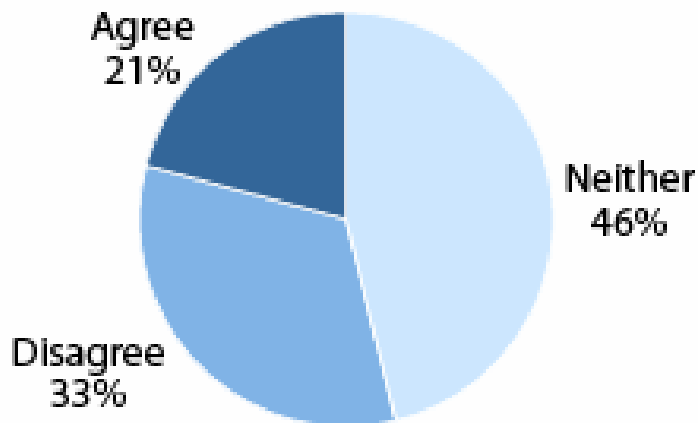
The Big Question for Consumerism:

If you build it, will they come?

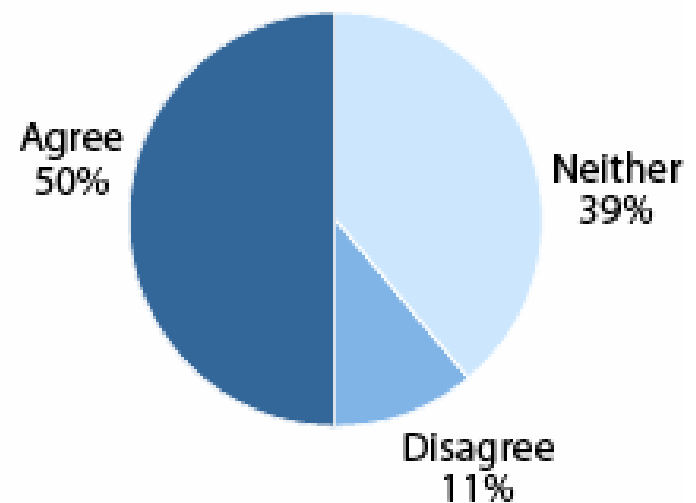


Consumers Don't Exactly Trust Health Plans...

"My primary health plan is always on my side for any problems or concerns I have."**



"My primary bank is always on my side for any problems or concerns I have."†



*Base: US online, commercially insured consumers

†Base: US online consumers

*Source: Forrester's Consumer Technographics® August 2004 North American Healthcare Online Study

†Source: Forrester's Consumer Technographics® Q4 2003 North American Study

The Good News:

- Some evidence suggests consumers can change their behavior
 - Use of health risk appraisals changes behaviors
 - If it leads to better targeting of members in need
 - More member engagement in own health risks
 - Highmark's analysis of HDHP/HSA members suggests:
 - On average, younger, healthier, and higher income, but -
 - HDHP/HSA still produces desired impacts:
 - Reduced ER visits
 - Reduced inpatient visits
 - Increased use of generic drugs
 - Increased visits to website

Employer Engagement Matters

- Putting in consumerism is not just putting in a health plan design
- We help clients develop multi-year “roadmaps”
 - Where do they want to focus efforts
 - How fast are they prepared to go
 - What are they willing to invest
- Strategy includes:
 - Product options & designs
 - Employee/employer contributions
 - Use of spending accounts
 - Education & communications
 - Wellness & disease mgt.

So Do the Providers

- Consumers still look to providers for care and advice
 - As they should – but as active partners in care
- Health plans cannot simply be claims processors
 - Financial scope not limited to health plan
 - Information & connectivity crucial
- Providers need transparency & incentives too
 - Profiling against peers/benchmarks
 - Pay-for-performance
 - Local interactions but using national standards and comparisons
 - Blue Distinction

We Have a Long Way to Go

- Pricing doesn't make sense
 - Based on billing/clinical world not intended for consumer transparency
 - Need more consumer-friendly approaches
- Defining “quality” remains elusive
 - EBM still not widespread
 - RAND study shows even accepted protocols only followed 50% of time
 - Once measures agreed to, getting data will be a challenge
- Health care is poor at point-of-care
 - None of the parties knows what whose liability is at time of service
 - or before
 - Except for Pharmacy
 - “Real-time” is the Holy Grail

**Despite those, we cannot let the perfect be the enemy of the good:
Progress can be made – and is being made**

Questions?

**“Have a Greater Hand
in Your Health”**

