

CHOICE, CONVENIENCE, CONTROL



The Convergence of Healthcare and Banking

September 26, 2007

Topics for Discussion

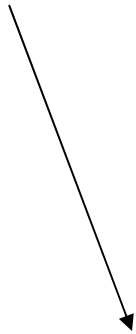
Health Account Market Overview

Products and Distribution of Account Management Solutions

Banking Go to Market Strategy

CDH Lingo

CDH Account (s) + High Deductible Health Plan (HDHP)
= Consumer-Directed Health Plan (CDHP)
a.k.a.
Account-Based Health Plan



CDH Accounts

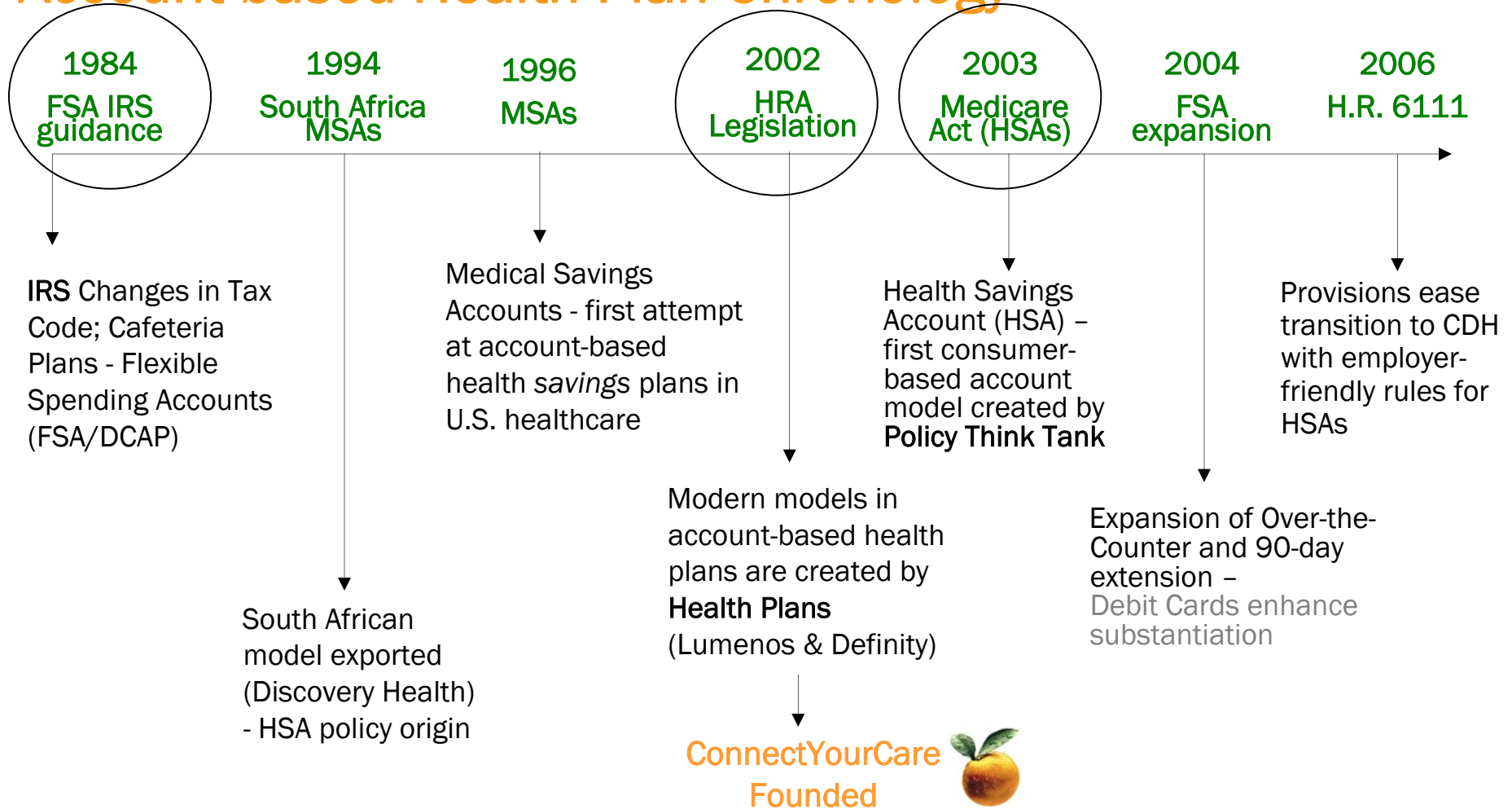
- Health Savings Account (HSA)
- Health Reimbursement Arrangement (HRA)

Optional CDH Accounts

- Flexible Spending Accounts (FSA)
- Limited Use Flexible Spending Account (LUFSA)
- Premium Reimbursement Arrangements (PRA)
- Retirement Reimbursement Arrangements (RRA)



Account-based Health Plan Chronology



U.S. Healthcare Coverage Market

150 million lives covered by employer-sponsored healthcare

- 5 million employers affected by unsustainable cost increases

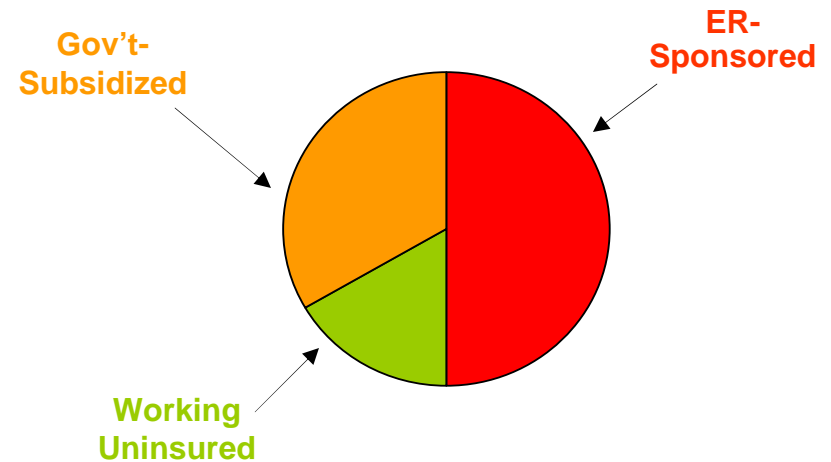
50 million working un-insured

- Local Governments subject to healthcare crisis (e.g. hospital emergency rooms)

100 million covered by Medicare/Medicaid programs

- Federal Government enacts measures to control costs (e.g. slashing rates to providers)

US Healthcare Market



April 2007 AHIP Report

HSA/HDHP Enrollment (Covered Lives)

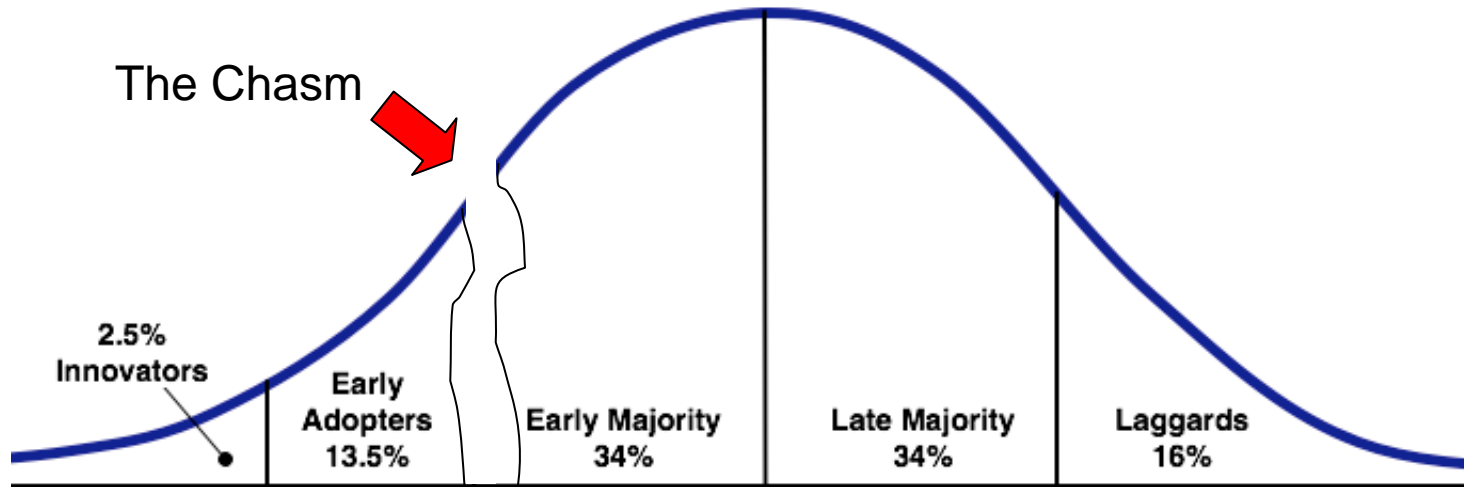
	March 2005	January 2006	January 2007
INDIVIDUAL MARKET	556,000	855,000	1,106,000
SMALL-GROUP MARKET	147,000	510,000	1,057,000
LARGE-GROUP MARKET	162,000	679,000	2,044,000
OTHER GROUP*	88,000	247,000	291,000
OTHER**	77,000	878,000	34,000
TOTAL	1,031,000	3,168,000	4,532,000

Annotations: An arrow points from the 2007 Large-Group Market value (2,044,000) to the text ">200%". Another arrow points from the 2007 Total value (4,532,000) to the text "43%".

* For this census, companies reported enrollment in the large- and small-group markets according to their internal reporting standards. The "other group" category contains enrollment data for companies that could not break down their group membership into large- and small-group categories within the deadline for reporting.

** The "other" category was necessary to accommodate companies that were able to provide information on the number of people covered by HSA/HDHP policies but were not able to provide a breakdown by market category within the deadline for reporting.

Theory of Innovation Diffusion & Crossing the Chasm



Source: Everett Rogers (Diffusion of innovations model)

Innovators – Visionaries – Always first to try new things; don't need references

Early Adopters – Change Agents - don't need whole product, will work on features; good for focus groups; Innovators used as references

Early Majority – Practical - “Evolution not Revolution”; early adopters are not good references – ***Need whole product***

Late Majority – Early Majority serves as reference base

Laggards – Will onboard when there is no other alternative

Employers Have an Alternative to Pure Cost Shifting with Account-Based Health Plans (ABHPs)

The New Role of Employers in Health Insurance

Old Model: Cost Shifting

Expense

Traditional Health Plan



Potential for Savings

Shift More Premium Cost to Employees

New Model: Responsibility Shifting

Expense

High Deductible Health Plan



Potential for Savings

Lower Premiums

CDH Account Administration



Payroll Tax Savings

Wellness and Prevention



Decreased Healthcare Utilization
High Productivity

Whole
CDH
Product



Current Offerings for CDH Account Solutions



Health Plans/TPAs may offer complete package: integrated or referral

- Pros: One Stop Shopping
- Cons: Tethering to the Health Plan, Health plan = Bank, not portable for the employee



Banks may offer HSA solution

- Pros: Leverage your wallet with your banking partner, may be inexpensive or free, portable to the employee,
- Cons: Can't manage multi-purse accounts; no healthcare expertise, look for investment options and hidden fees



FSA Administrators offer multi-purse account administration

- Pros: existing relationship, perhaps not tethered to your health plan
- Cons: platform not designed for CDH, limited investment in technology, sub-optimal user experience

Health Plans vs. Bank Capabilities

Financial Institutions / Banks

Deregulated

Trusted brand: consumer and commercial

Expertise in partnering with technology solution vendors

Trustee & custodial responsibilities

Target Markets: Employers and Consumers

Health Plans / Payers

Regulated by State [Brokers]

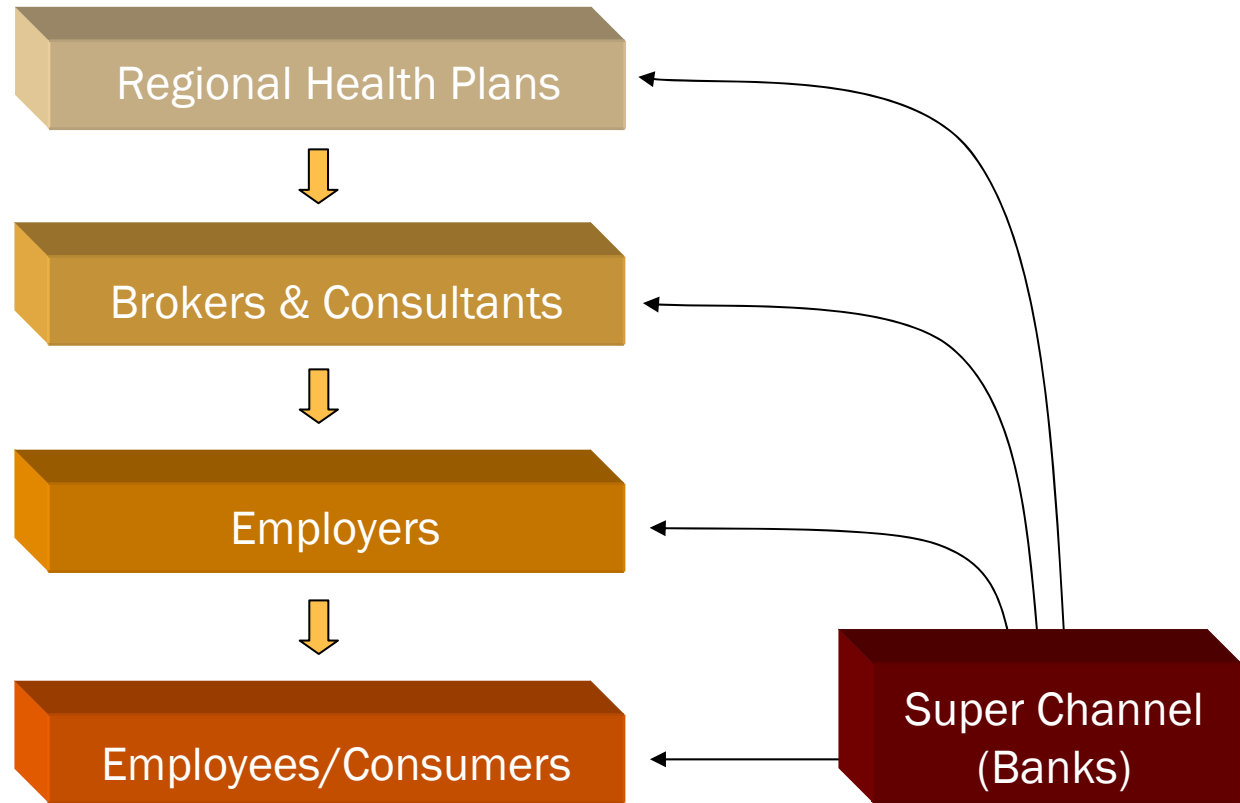
Actuarial and underwriting specific to markets/regions

Networks

Medical Management

Target Market:: Employers

Bank Distribution Strategy





The Bank HSA Business Model

Acct Opening Fee

Interchange on Card – 1.4%

FDIC Spread – avg 2% on balance

Monthly Fee (PPPM) – 0 - \$5

Other Fees

Investments – Usually 0

Example: \$5650/HSA Saver

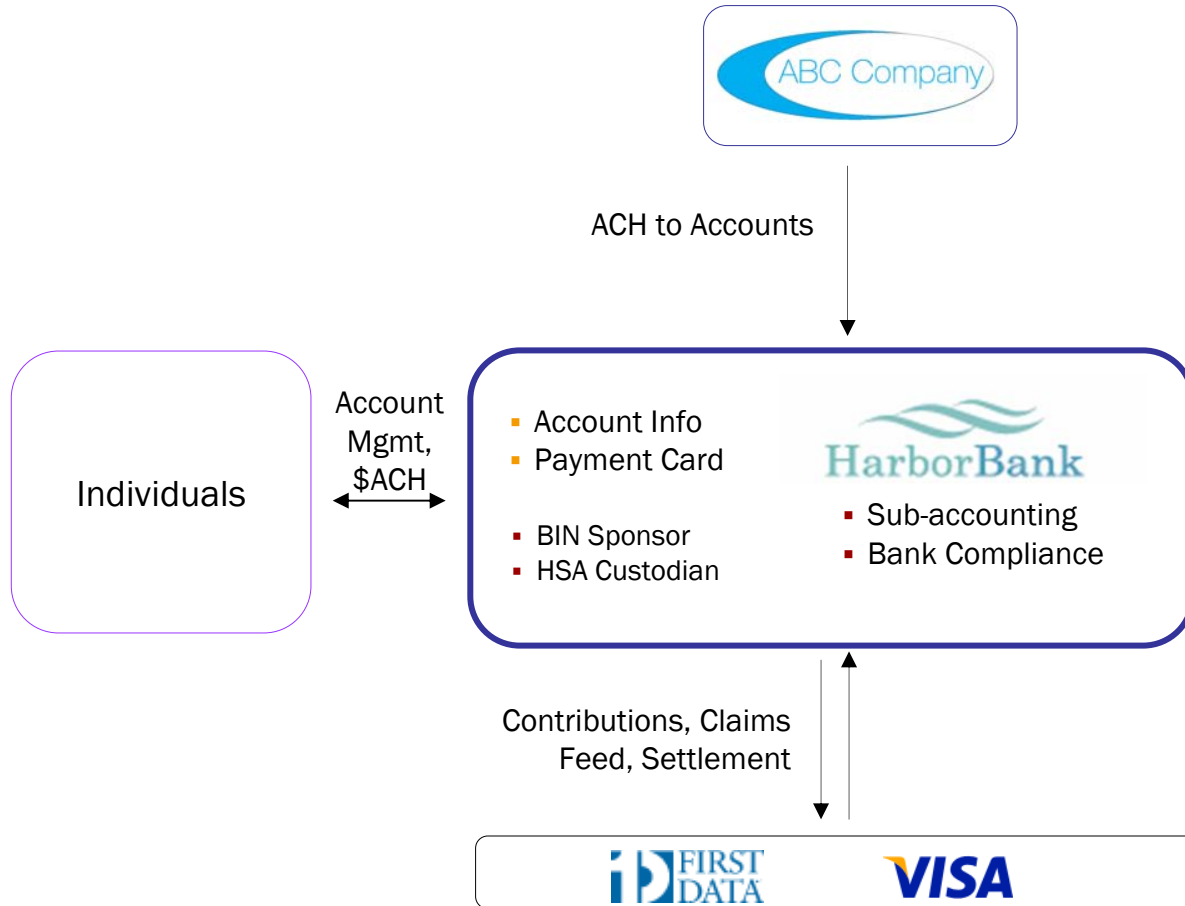
\$5/mo fee

Tier 1	\$0.01	2.70%
Tier 2	\$1,000.00	3.15%
Tier 3	\$2,500.00	3.60%
Tier 4	\$5,000.00	3.90%

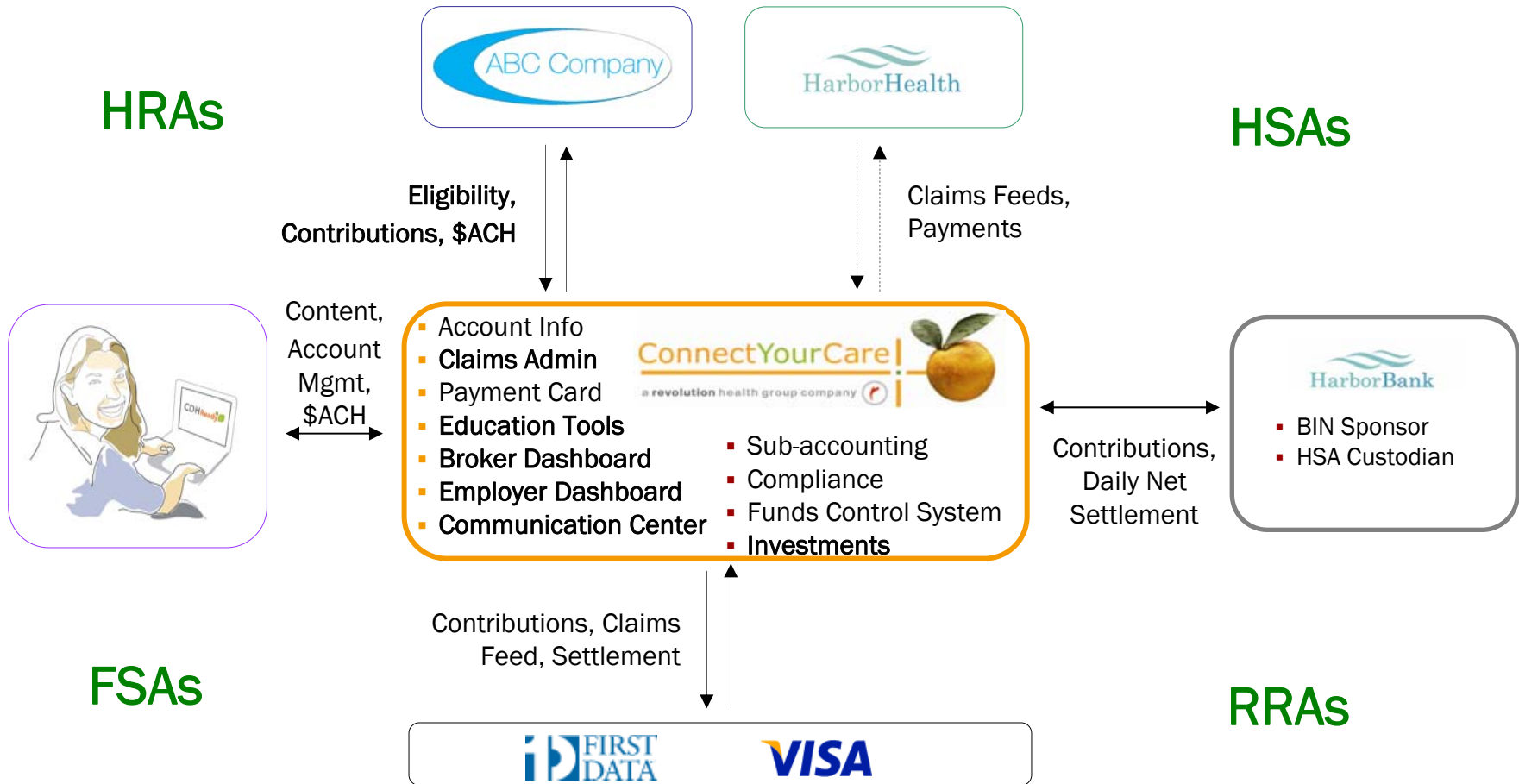
Year 1 – Bank Revenue = \$144

Year 2 – Bank Revenue = \$284

HSA Consumer Healthcare Finance EcoSystem



Account-based Health Plan Finance EcoSystem



Large Employer Example

- Full Replacement HSA or 60,000 ee's with a slice
- Company funds \$600/per year * 10,000 HSA elections

= \$6,000,000 in deposits in year one!



IRS – Prohibitive Transaction Rules

If the employer limits the number of HSA vendors to which it will forward contributions, may the employer receive a discount on another product from one of the selected HSA vendors?

No. In the Department's view, receiving a discount on another product from an HSA vendor selected by the employer would constitute the employer receiving a "payment" or "compensation" in connection with an HSA. In the Department's view, the arrangement would also give rise to fiduciary and prohibited transaction issues.

Challenges with 1st Generation CDH Solutions

1. To get products to market quickly – poor customer service as a result of fragmented solutions
2. Fragmented solutions deny employers control and requires multiple vendors to manage
3. Sophisticated plan designs result in multiple employee accounts requiring integrated functionality
4. Banks respond to HSA demands with legacy bank accounts and referral relationship with Health Plans
5. Early solutions built on legacy technology lack scalability
6. Limited ability to integrate or present consumer tools



Consumer-Focused user experience drives seamless integration from enrollment through point of service transactions



Transparency for the Employer – enrollment & contribution management through simple vendor interface



Multi-purse account intelligence integrated into debit card & portal to administer plans with stacked accounts



New platform purpose-built to address the convergence of banking and healthcare and personal finance



Flexible, extensible framework built to scale and present content dynamically



Consumers tools integrated into portal

Tips for Working with Banks in Healthcare

- Look For Banks That Have A Healthcare Division
- Perform Due Diligence On The Fee Structure
- Flexibility For Scaling And Changing Plans In The Future:
Solutions To Migrate At Your Own Pace
- Look For Technology
 - Ability To Handle Complex Plan Designs
 - Automated Enrollment
 - Single Signon To Investments
 - Internet Dashboard For Employees And Employer
 - State Of The Art Substantiation Through Healthcare Payment Card
 - Consumer Decision Support Tools and Personalized Messaging

ConnectYourCare Offers:

- State Of The Art Consumer Healthcare Payments Platform
- Integrated Multi-purse Healthcare Payment Card With Portal
- Financial Adjudication Of Notional Accounts (HRA, FSA)
- Call Center, IVR, Education Through Portal
- Healthcare Tools For Quality And Price Shopping And Education
- Most Flexibility In Plan Design
- Ability To Private Label Our Products And Services
- Full Suite Of Education And Communications Services To Complement Your In House Services
- Carrier Agnostic (But Can Be Integrated Through EOB/Claims)
- Bank Agnostic (Bank Depository Model)
- Single Sign-on To Investments; Flexibility With Investment Offerings

CHOICE, CONVENIENCE, CONTROL



Thank You

Teresa.Keefe@ConnectYourCare.com