
A Case Study in Health Plan Responses: WellPoint

National Health Policy Audioconference

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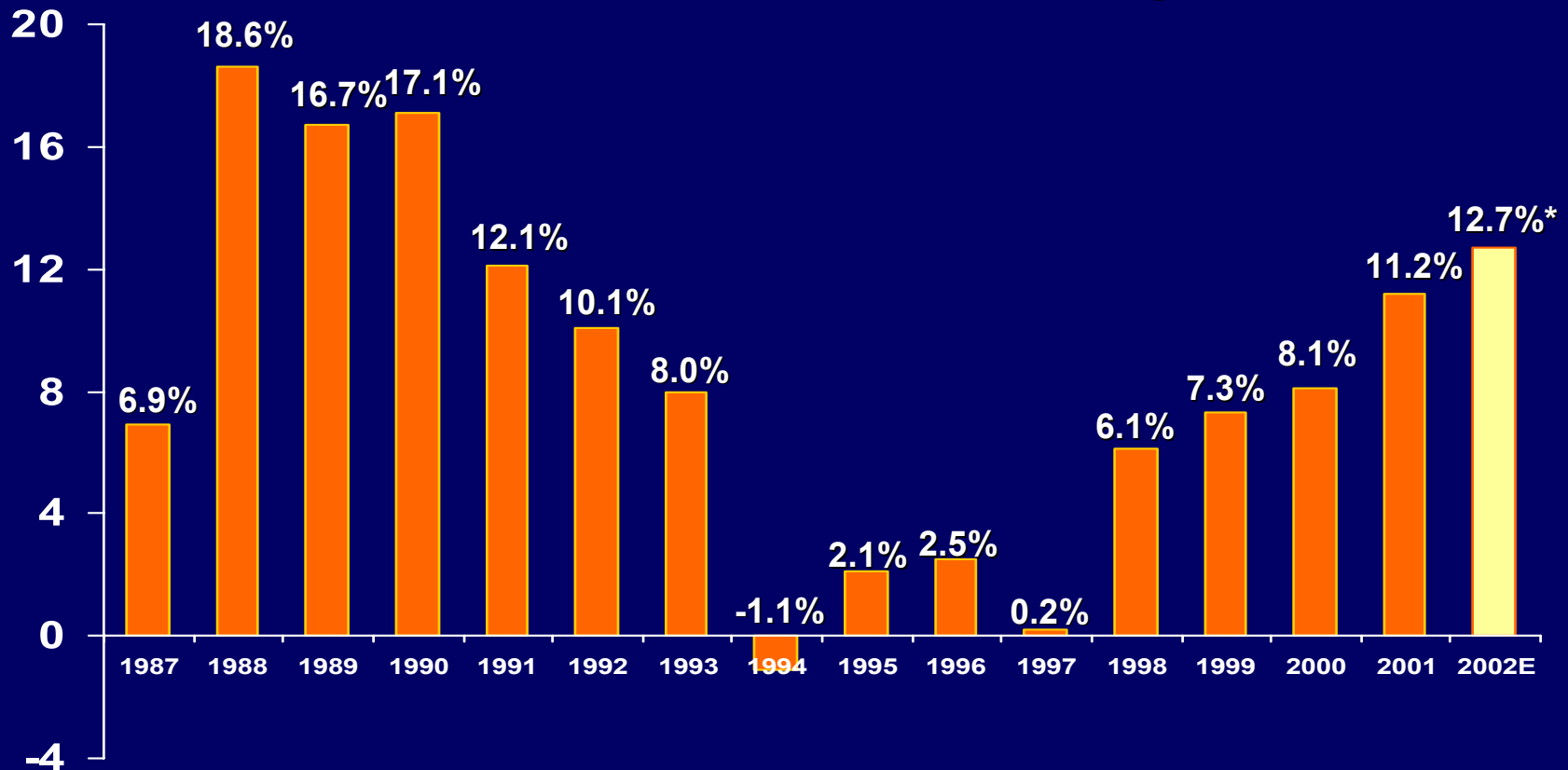
Agenda

- **Current Cost Trends**
- **Customer Challenges**
- **WellPoint's Response**
- **The Future?**

Health Benefit Cost Inflation

Employers Expect Health Care Costs to Continue Rising

All Employers



* Estimate

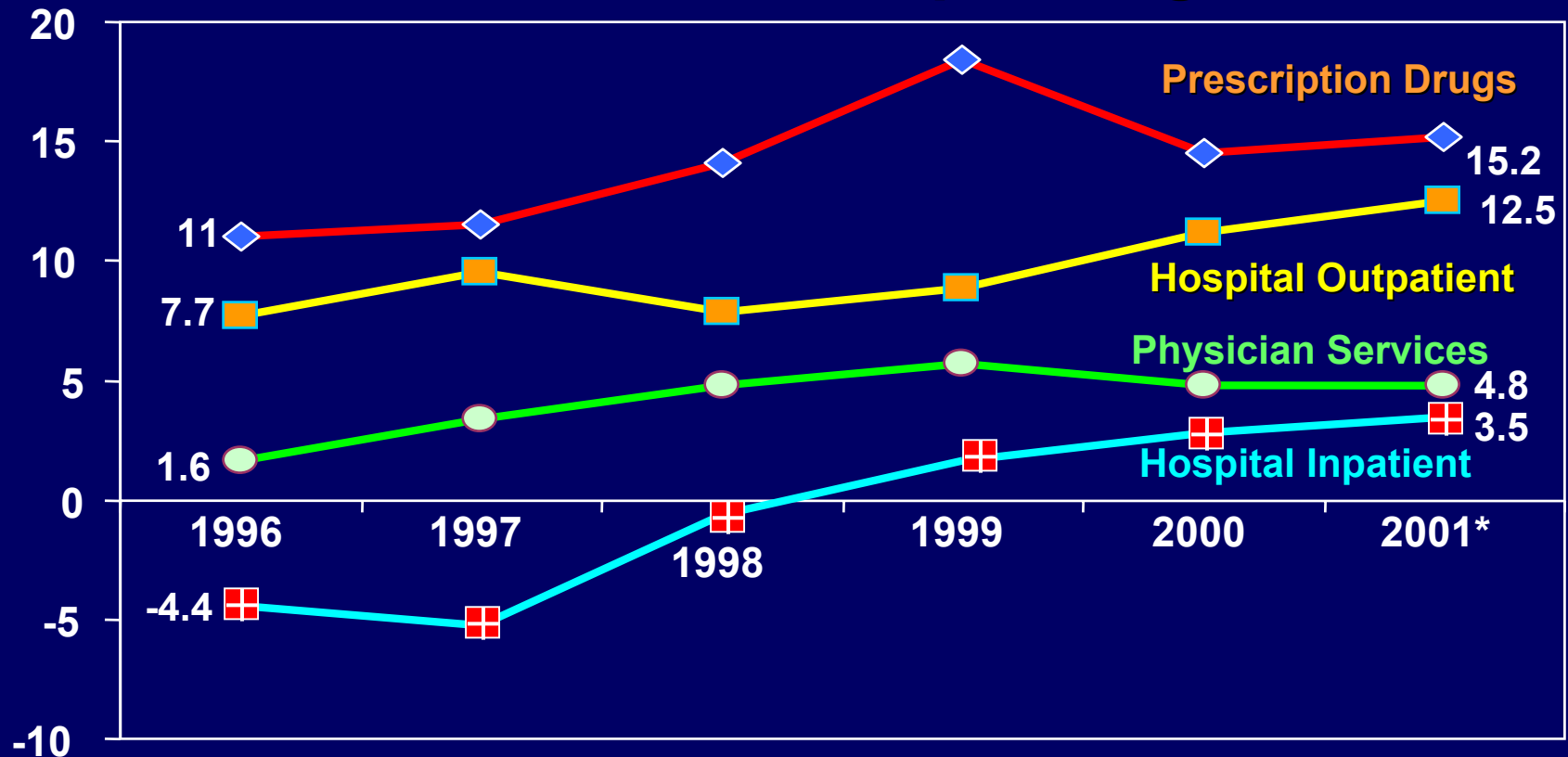
Source: Mercer/Foster-Higgins, 2001



WELLPOINTSM

Hospital, Physician and Rx Costs

Annual Percentage Change Per Capita in Health Care Spending



* Data through March 2001, compared with corresponding months in 2000.

Source: Health Care Financing Administration, 2000



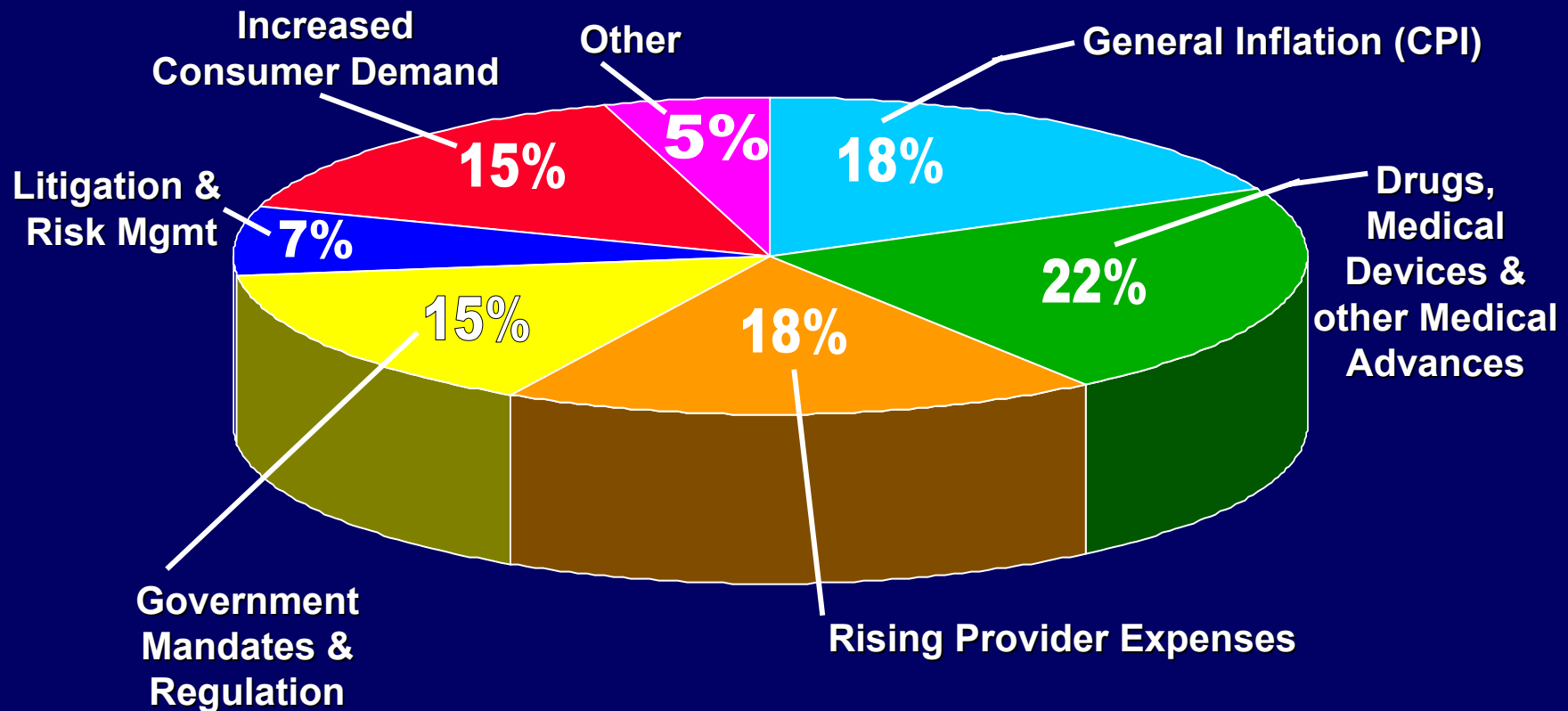
WELLPOINTSM

Multiple Cost Drivers

- **Hospital Consolidation**
- **Pharmaceutical Practices**
- **Consumer Expectations**
- **Aging Population**
- **Medical Technology**
- **Legislation**

Summary of Cost Drivers

The Factors Driving Costs in Health Care 2001-2002

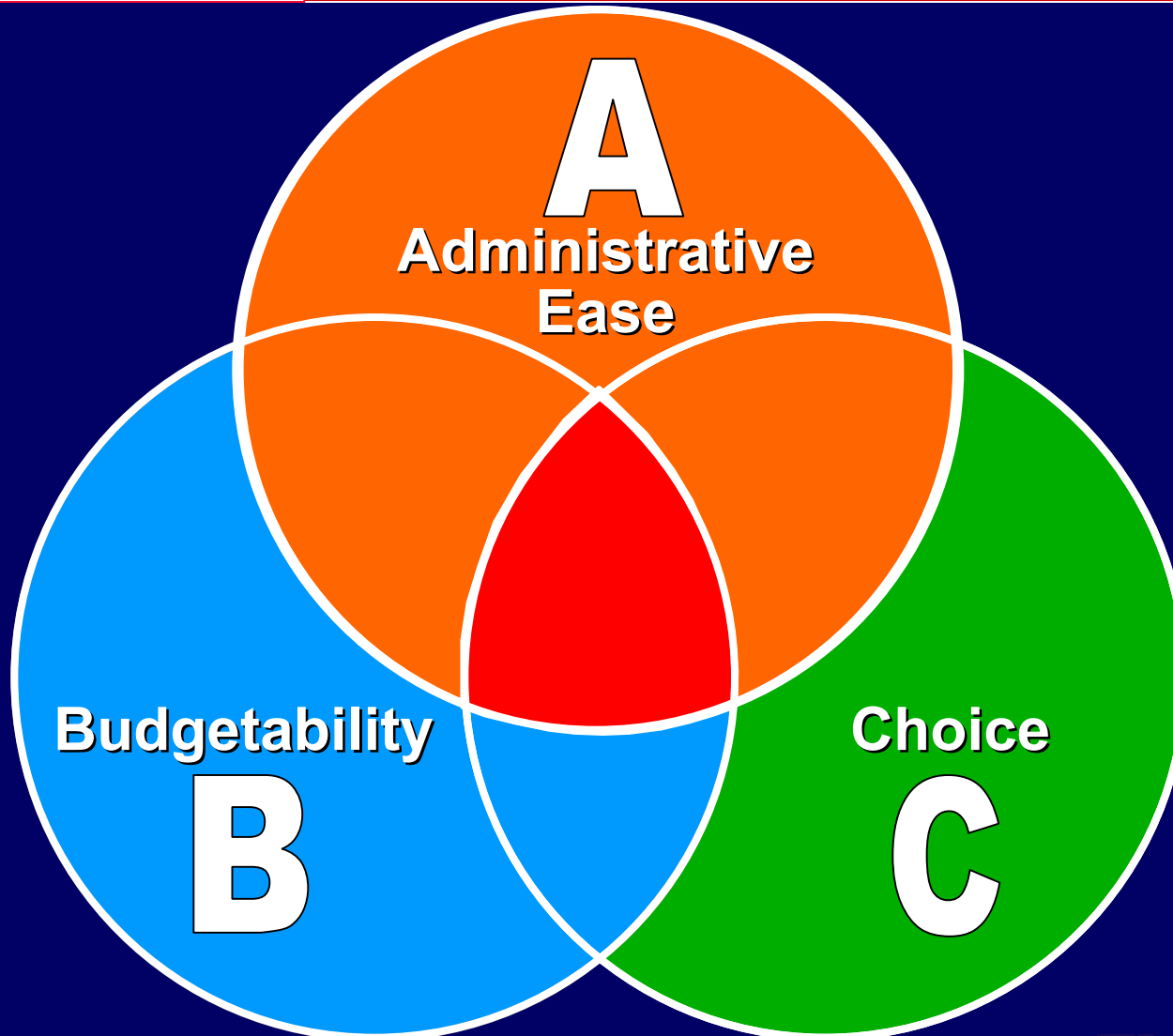


Source: PriceWaterhouseCoopers, 2002

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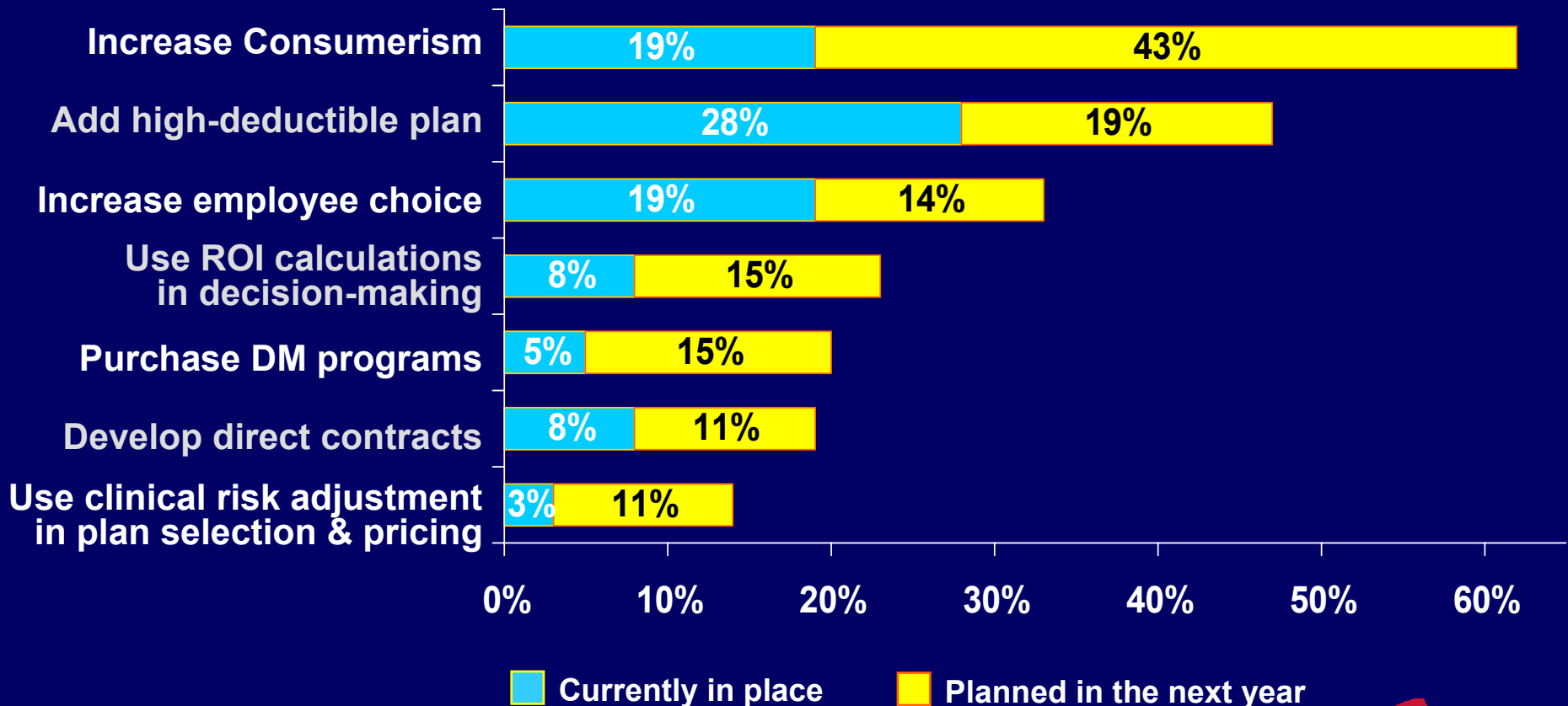
What Employers Want



What Employers Want

Strategies to Control Costs

Actions Employers Anticipate Taking to Manage Health Care Costs in Next 12 Months



Source: Watson Wyatt Worldwide, 2002

What Consumers Want

Competing demands of...

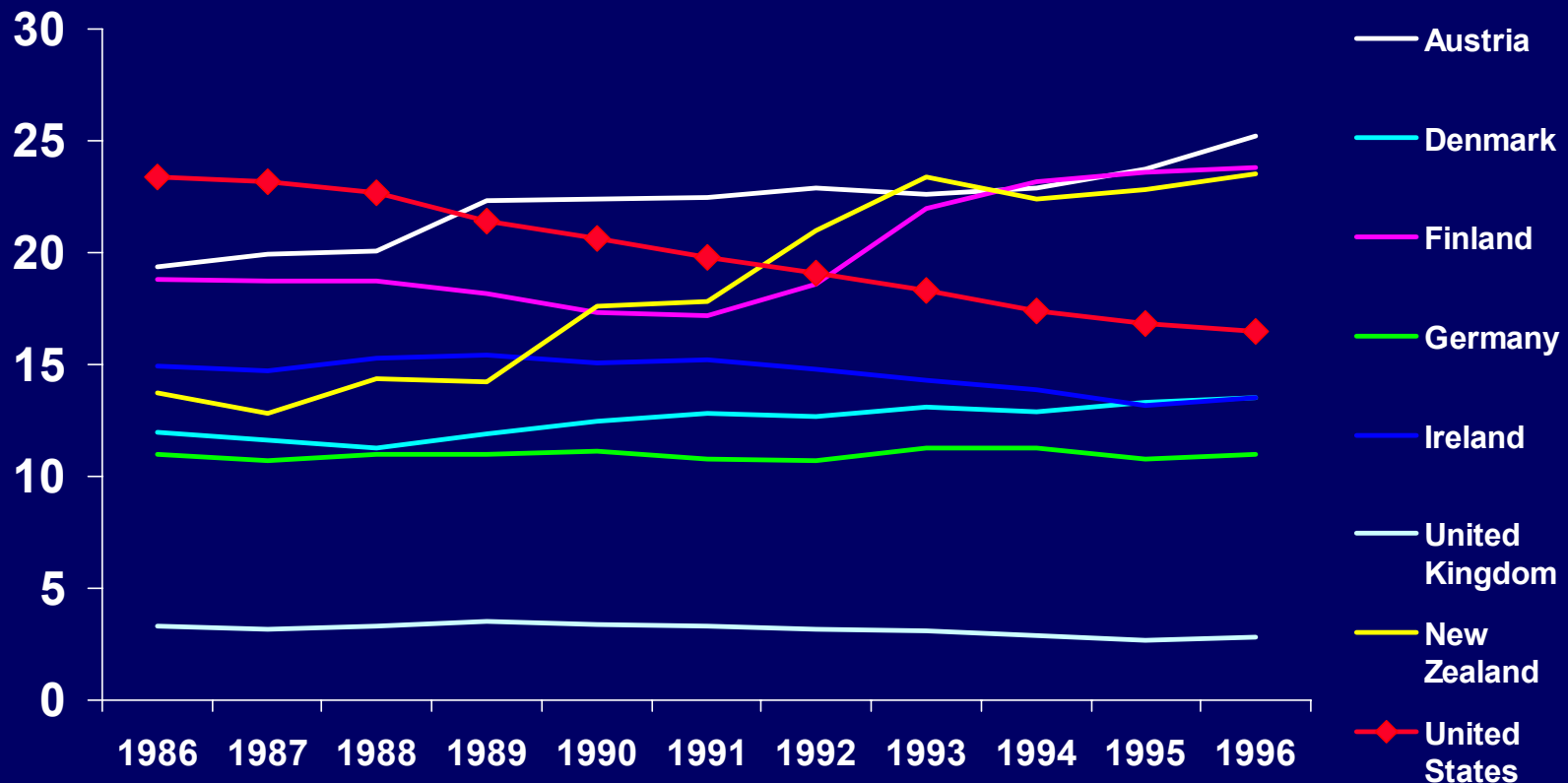
- Choice
- Unlimited benefits
- Access to new medical technologies
- Brand name drugs
- Broad / less restrictive networks

...All at an affordable premium

What Consumers Want

U.S. Employers Shoulder the Burden

Consumer Out of Pocket Spending as a Percent of Total National Health Spending, 1986-1996



Source: OECD, 2000, in PricewaterhouseCoopers' *HealthCast 2010*, 1999



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WellPoint's Response

- **Participation in All Markets**
- **The “Health Security” Model**
- **Focus on Product Innovation**

Participation in All Markets

	<u>Size</u>
Individual	1
Senior	1
Small Group	2 – 50
Key Accounts	51 – 250
Major Accounts	251 – 2000
Special Accounts	2001+
Public Entities	
State Sponsored Programs	

Organized by Customer Segment

The “Health Security” Model

- **Choice of Products**
- **Network Development**
- **Clinical Collaboration**
- **Targeted Medical Management**
- **Member Information**

Focus on Product Innovation Individual & Small Group

PlanScape

LOWER PRICED	MEDIUM PRICED	HIGHER PRICED
<i>PlanScape Products</i>		<i>HMO Coverage</i>
Basic PPO 1000 PPO Saver PPO Share 2500 EPO	PPO Share 1500 PPO Share 1000 PPO Share 500 BC Life Share 1000 BC Life Share 500	HMO Saver Individual HMO

FlexScape

LOWER PRICED	MEDIUM PRICED	HIGHER PRICED
Basic PPO High Deduct. PPO Saver PPO Saver HMO	PPO \$40 Copay PPO \$30 Copay	HMO 100% PPO \$20 Copay PPO \$10 Copay Ultra Premium PPO \$10 Copay

Focus on Product Innovation Individual & Small Group

Further choice at the member level

- **FamilyElect for Individuals**
- **EmployeeElect for Small Groups**

Focus on Product Innovation Large Group

- **ASO Services**
- **Rental Networks For Self-insured**
- **Network-Based Products**
- **Consumer-Driven Plans**

Focus on Product Innovation

Consumer-Driven Plans (Large Group)

Experimenting with Defined Contribution

Component	Features
HSA	<ul style="list-style-type: none">• Employer funded• First dollar coverage• Funds can be used for any service covered by the plan• Applies toward deductible• Access to negotiated discounts• Unused funds roll over to following year
FSA	<ul style="list-style-type: none">• Employee funded• Pre-tax• Funds can be used for out of pocket services if HSA depleted, copays and other IRS allowed services not covered by the plan• May apply toward deductible• Use it or lose it
PPO Plan	<ul style="list-style-type: none">• High deductible• Preventive care may be covered not subject to deductible• 90%/70% or 80%/60% once deductible met• OOP maximums



Focus on Changing Industry Practices Council for Affordable Quality Healthcare



A coalition of **24** health plans
(representing **100** million members)
& **3** principle health plan
associations who:



- Are committed to improving the health care experience for consumers and their doctors
- Share a common vision that some of health care's pressing concerns can best be addressed collectively



CAQH Projects



- **Save Antibiotic Strength** - Partnership with CDC & physicians to educate public on antibiotic resistance
- **Formulary Website** - Easily accessible, standardized, web-based database of health plan formularies
- **Physician Credentialing** - Centralized electronic database for national single credentialing application

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The Future?

- **More consumer choice and involvement**
- **The potential of disease management is realized**
- **Genomics (and cloning?) will result in new therapies not yet contemplated**
- **The interaction between aging, medical and technological advances, and consumerism will challenge everyone**



