

CIGNA Choice Fund®

5th Annual Experience Study

THE NATIONAL CONGRESS ON HEALTH INSURANCE REFORM
January 20, 2011

John Young, Vice President, Consumerism, CIGNA Healthcare



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Key Findings

Total medical cost trends were significantly lower for the first year. The savings are sustainable and increase over time for CIGNA Choice Fund customers.

- There were significant reductions in cost trend among customers across risk categories and service types, and even those with certain chronic conditions.
- Medical cost trend findings are consistent with the previous studies showing -14%, -13%, -12% and -16% of savings.
- There was a significant reduction in pharmacy cost trend, driven in part by an increased percentage of CIGNA Choice Fund prescriptions that were filled with generic drugs.
- The overall percentage share of total costs paid by CIGNA Choice Fund customers remained approximately the same, proving that savings can be achieved without cost-shifting.

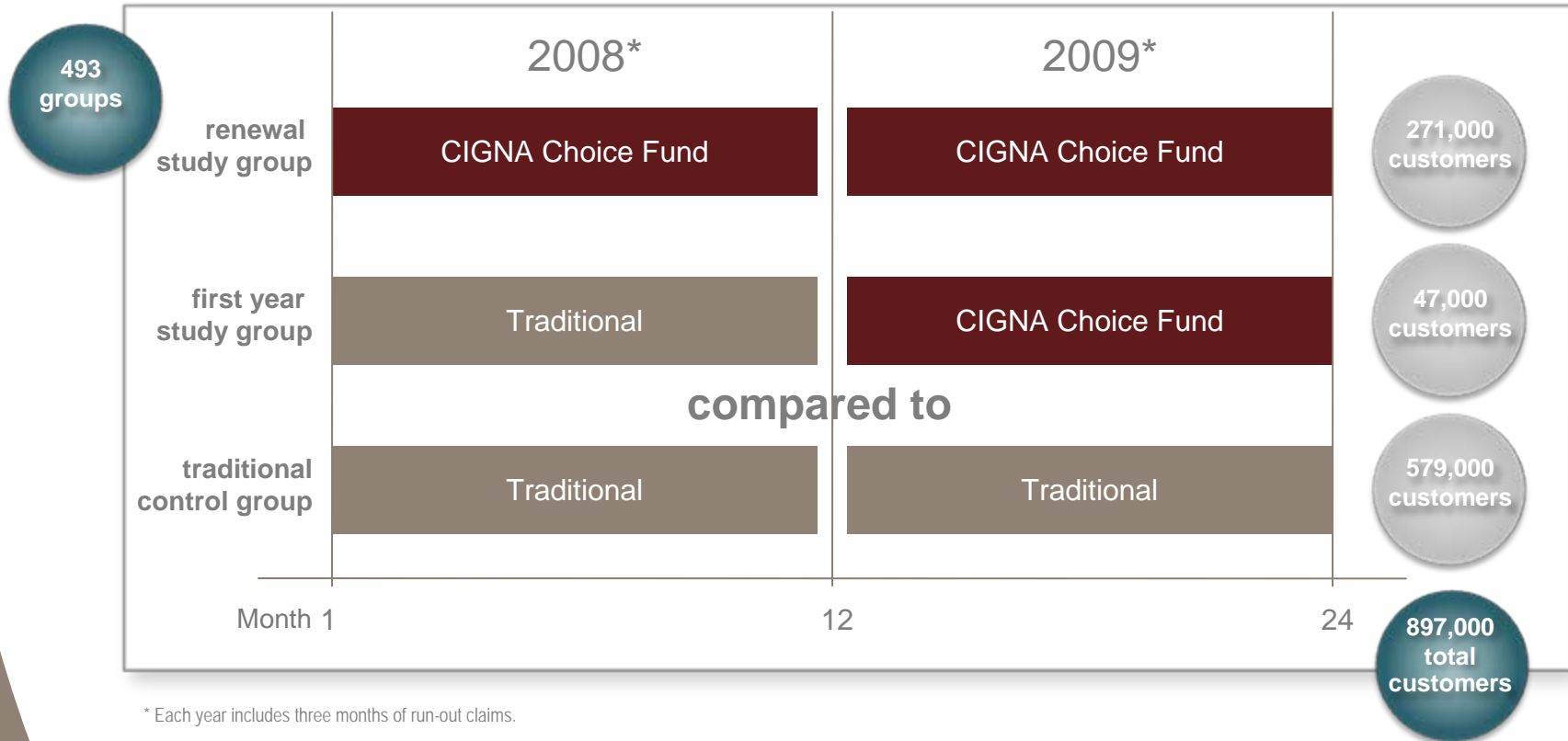
Measures of clinical quality remained the same or better for CIGNA Choice Fund customers.

- CIGNA Choice Fund customers had higher use of preventive care than customers in traditional plans.
- Use of evidence-based medicine was similar or better than traditional plans, with better use increasing in renewal years.
- There was similar use of medications.
- There was lower emergency room usage by customers in a Choice Fund plan.



About the Study

Statistically credible and growing population each year.



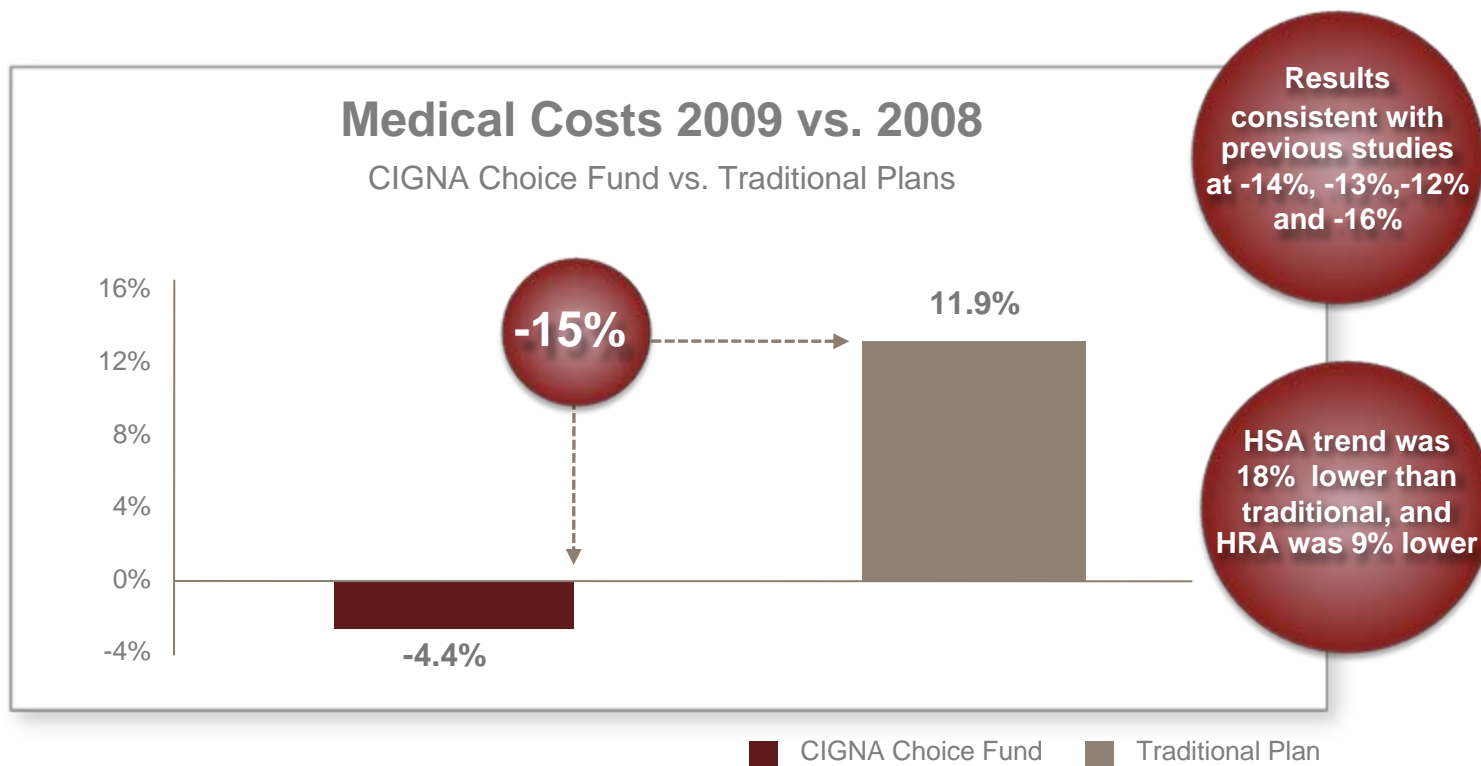
* Each year includes three months of run-out claims.

- Traditional = HMO and PPO; Choice Fund Consumer-Driven Health Plan (CDHP) = Health Reimbursement Account (HRA) and Health Savings Account (HSA).
- Excludes claims in excess of \$50,000 and capitated services.
- Analysis is based on discounted charges (before plan design cost-sharing).
- Comparative group results are standardized (adjusted to reflect claim level mix of entire study population).
 - Estimates the potential impact of a CIGNA Choice Fund plan when offered as the only coverage option (i.e., full replacement).
 - Control group represents customers who were continuously enrolled in a CIGNA plan from 2008 -2009



Medical Trend of New 2009 Choice Fund Customers

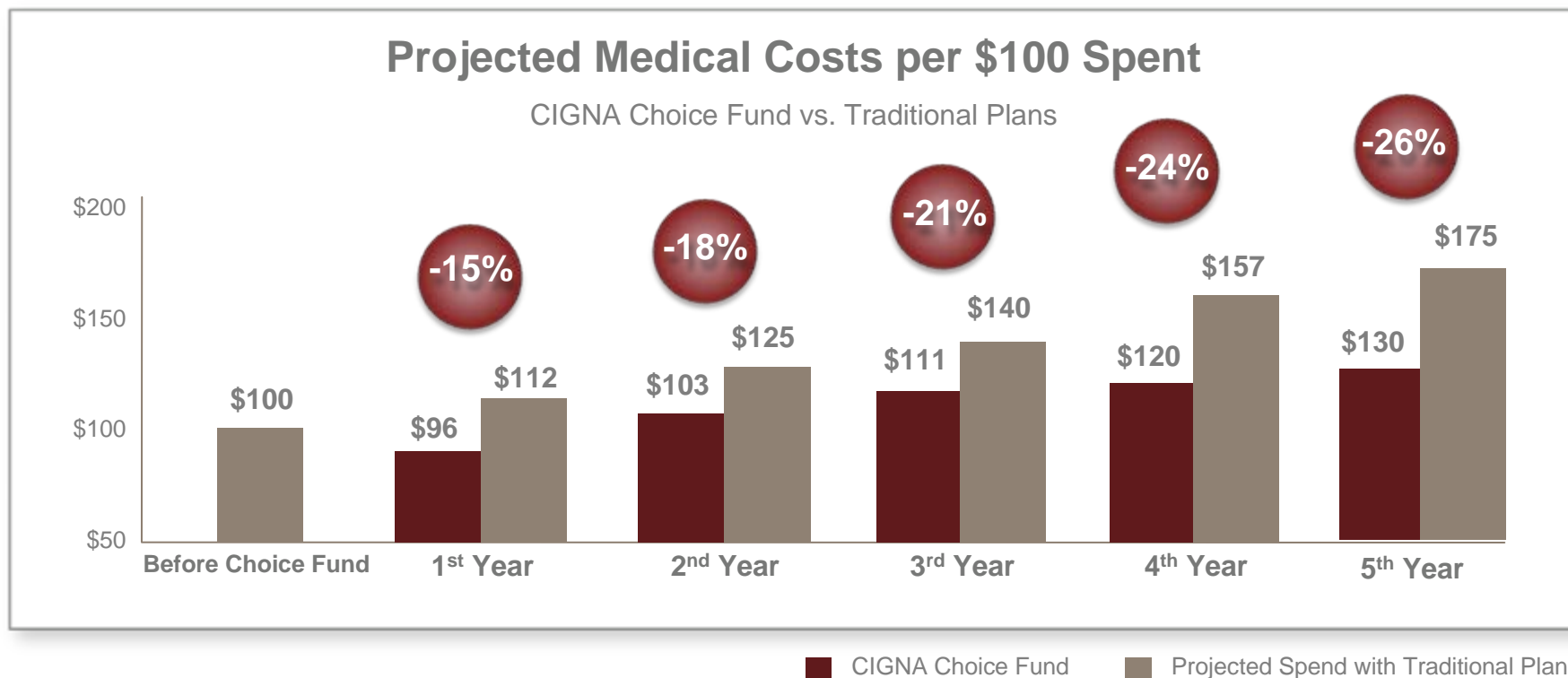
CIGNA Choice Fund first-year medical cost trend significantly lower than traditional plans.



- Medical (non-pharmacy) analysis excludes catastrophic claims > \$50,000 and capitated services.
- Data is standardized for both populations.
- Analysis is based on discounted charges (before plan design cost-sharing).
- Values are adjusted to reflect the overall health status mix of the entire study group.
- Results are relatively insensitive to the method of standardization: +/- 1%.

Choice Fund Savings Over Time

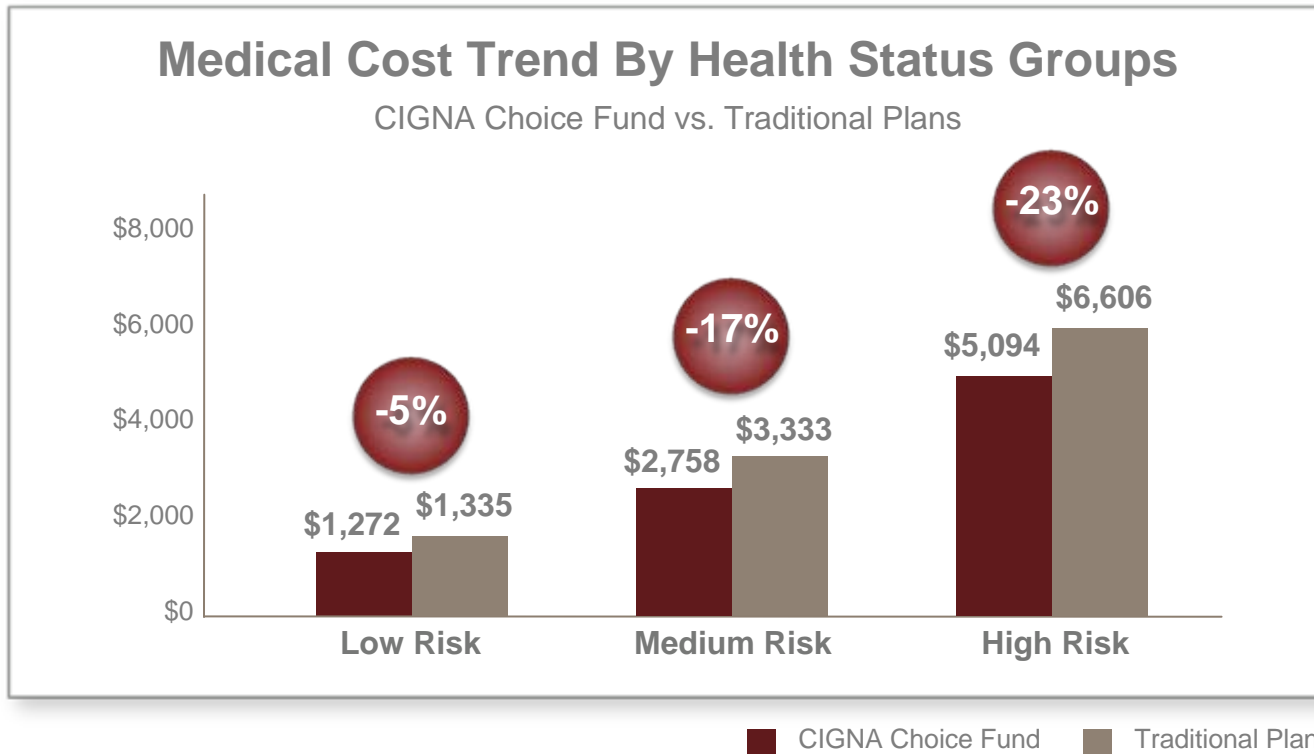
Savings from CIGNA Choice Fund are sustainable and increase over time.



- Analysis excludes catastrophic claims > \$50,000 and capitated services.
- Using these results, for an account with \$10 million of current health care spending, the combined savings over the next five years between the employer and employees could total almost \$15 million if a full-replacement Choice Fund is implemented.

New 2009 Choice Fund Customers – Cost Trend by Risk Group

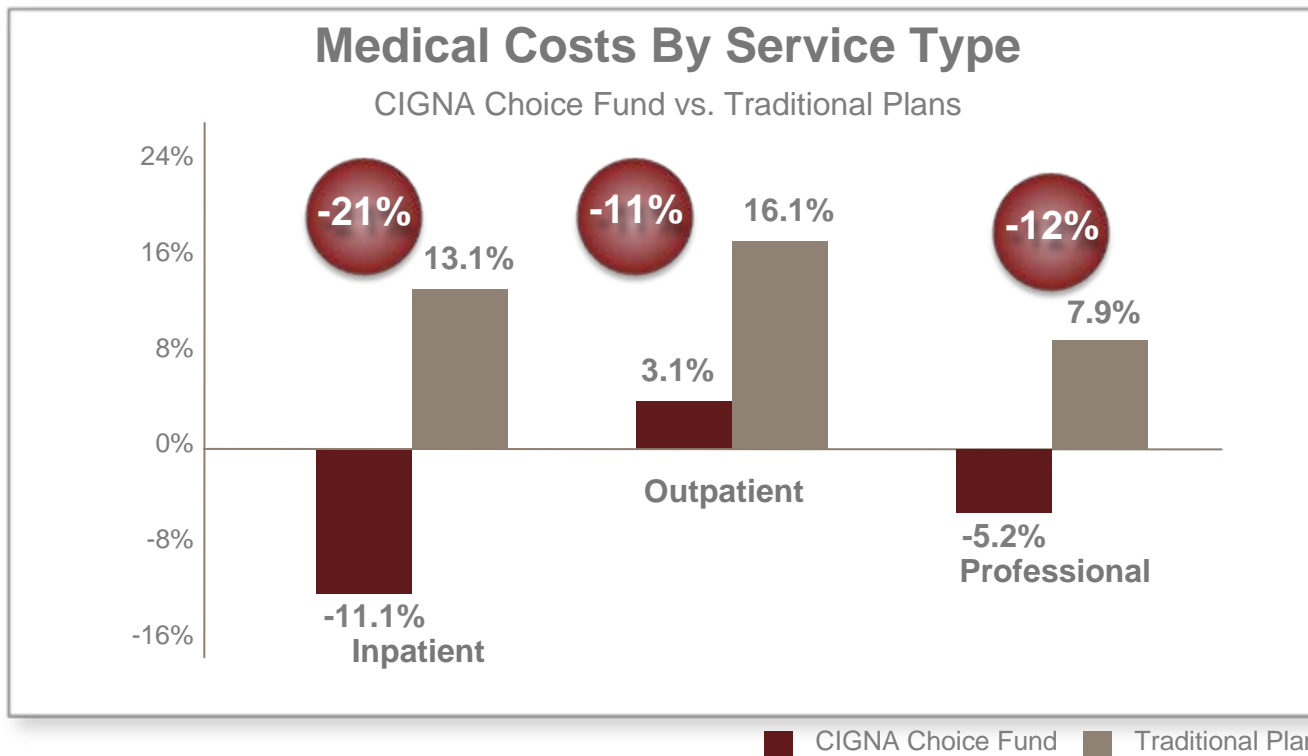
Savings observed across all health status categories; customers with medium and high risk show more savings.



- Analysis excludes catastrophic claims > \$50,000 and capitated services.

New 2009 Choice Fund Customers – Cost Trend by Service Type

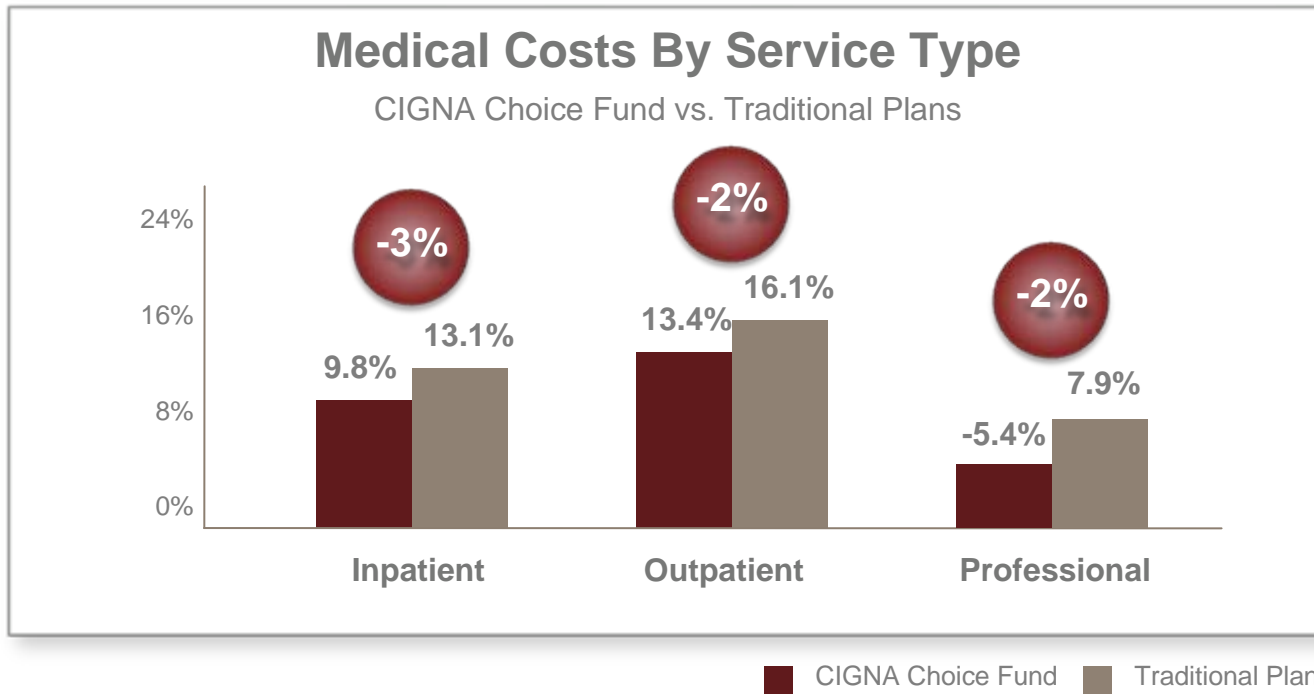
CIGNA Choice Fund medical trends were lower than traditional plans for inpatient, outpatient and professional services.



- Medical (non-pharmacy) analysis excludes catastrophic claims >\$50,000 and capitated services.
- Data is standardized for both populations. Values are adjusted to reflect the overall health status mix of the entire study group.

Renewal 2009 Choice Fund Customers – Cost Trend by Service Type

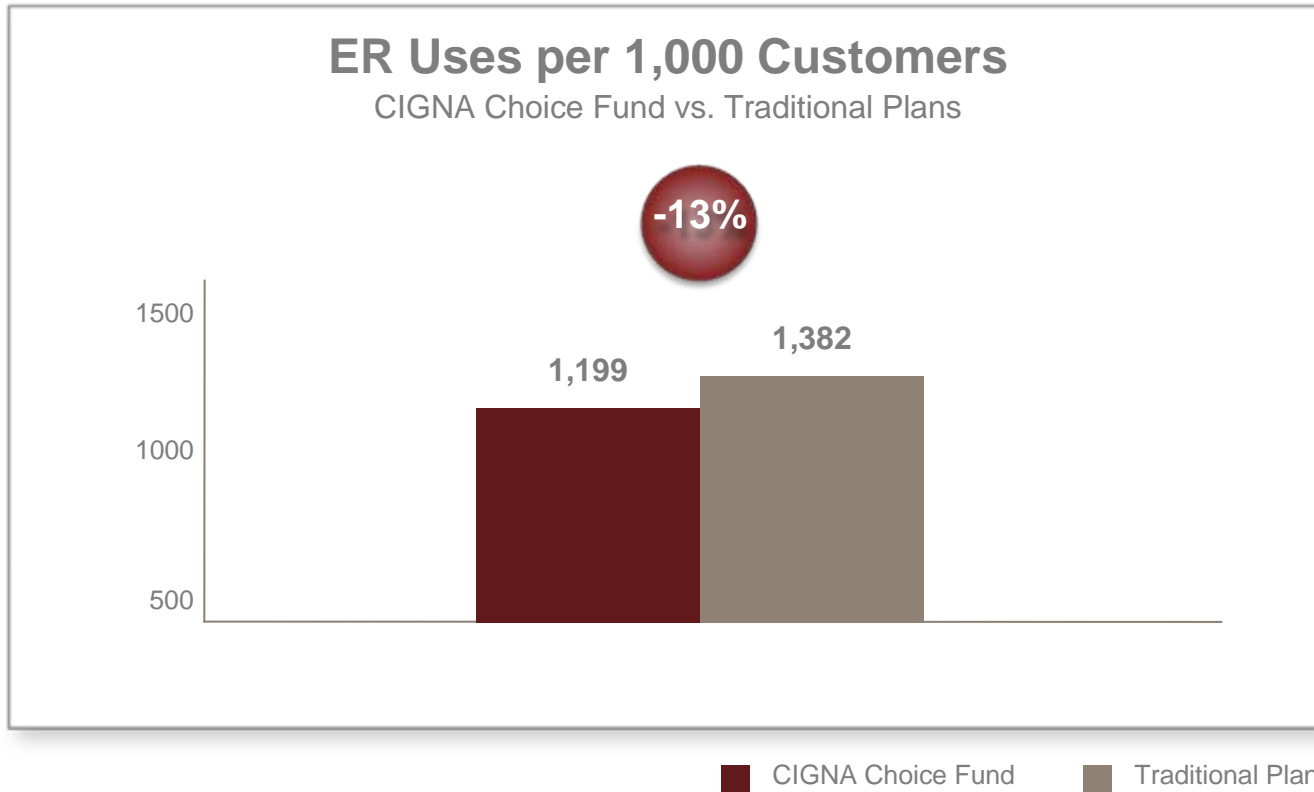
CIGNA Choice Fund medical trends continue to be lower than traditional plans for inpatient, outpatient and professional services.



- Medical (non-pharmacy) analysis excludes catastrophic claims >\$50,000 and capitated services.
- Data is standardized for both populations. Values are adjusted to reflect the overall health status mix of the entire study group.

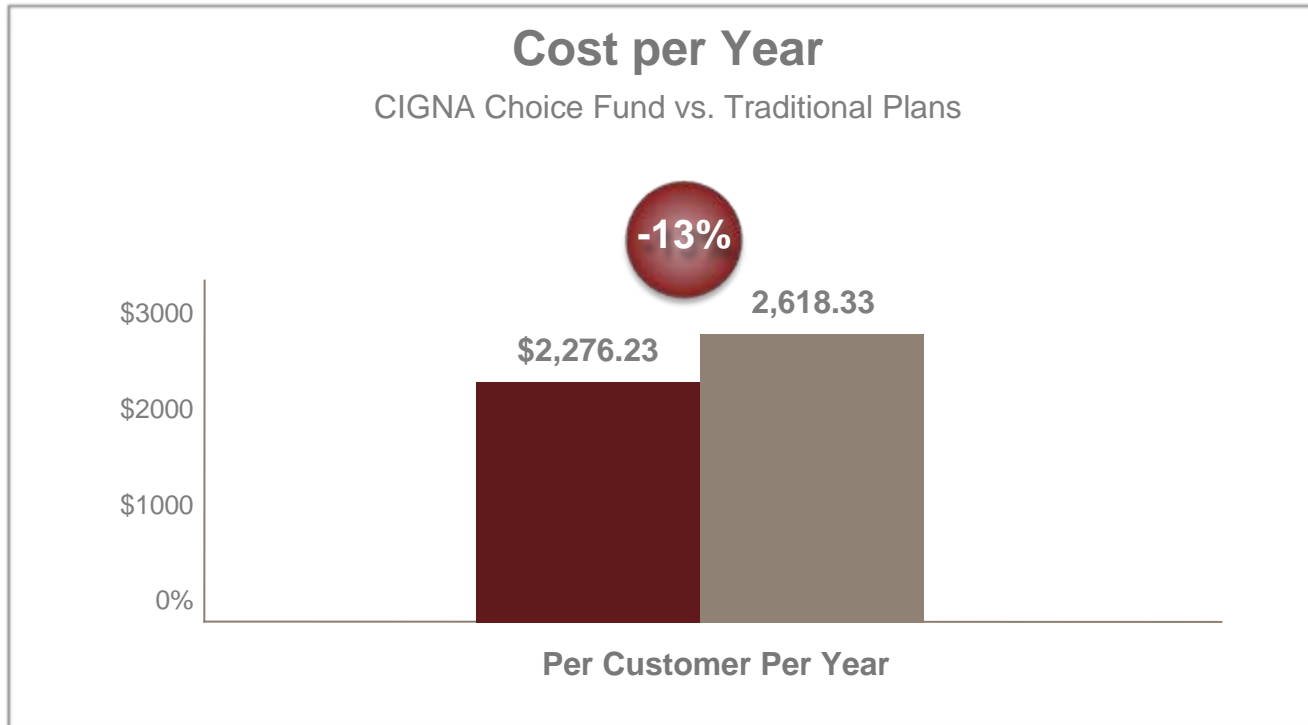
Emergency Room Use

In 2009, CIGNA Choice Fund customers used the Emergency Room at a lower rate than customers in traditional plans.



Medical Costs on Full Replacement Cases

Overall cost per year for CIGNA Choice Fund customers continues to be lower than those in traditional plans.

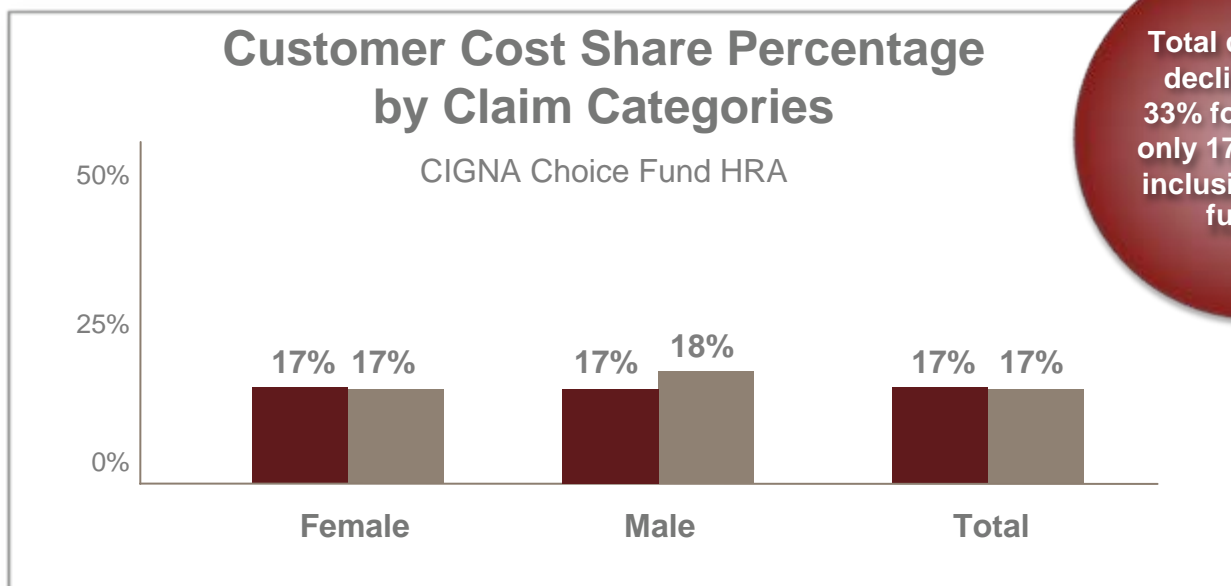


■ Full- Replacement Choice Fund ■ Traditional Plan



Medical Cost Share – New CIGNA Choice Fund First Year HRA Customers

Cost-shifting did not occur. The overall percentage share of total costs paid by CIGNA Choice Fund customers remained approximately the same for both men and women.



Total cost share declined from 33% for HDHP to only 17% with the inclusion of HRA funding

- Excludes premiums.
- Medical only.
- Unadjusted cost data – includes all costs.

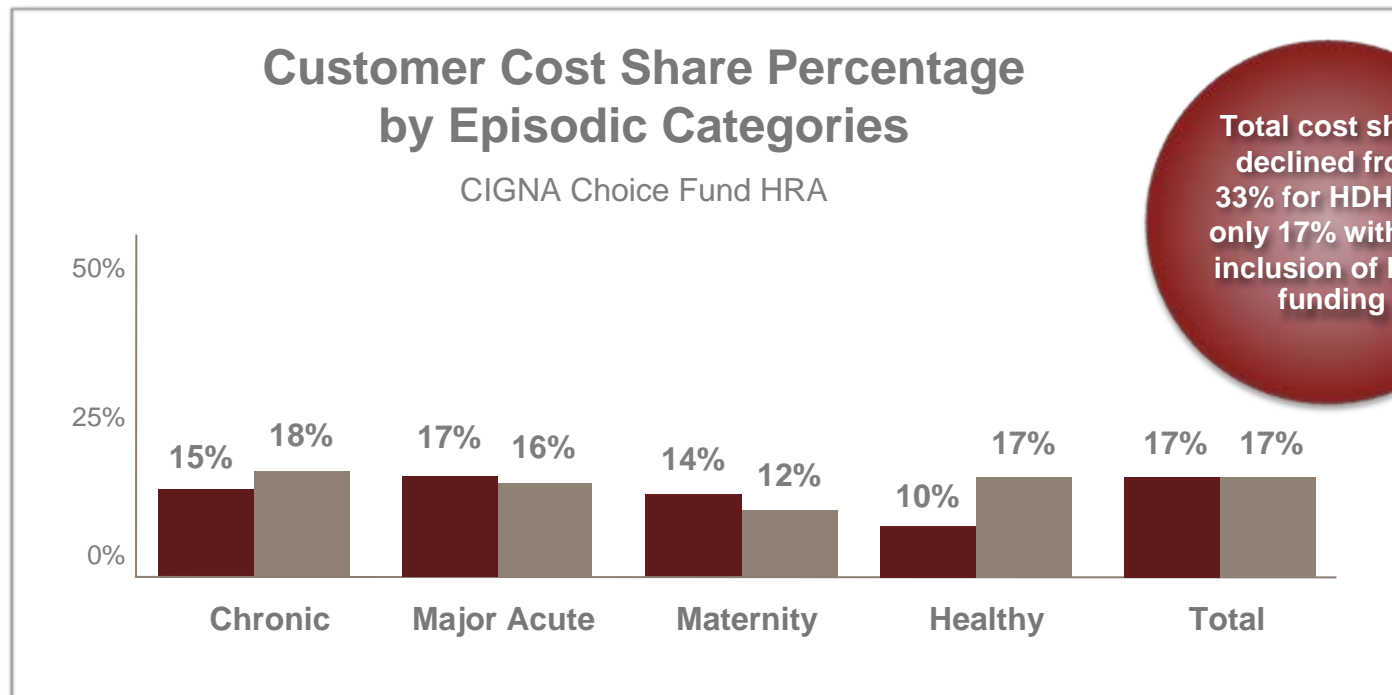
■ CIGNA Choice Fund HRA (includes fund) ■ Traditional

Savings on the annual employee contribution to premium in an HRA averaged \$465 for family coverage and \$140 for single coverage when compared to traditional plans. HSA annual savings were even greater at \$612 for family and \$495 for single coverage.*

* Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2010.

Medical Cost Share – New CIGNA Choice Fund First Year HRA Customers

The overall percentage share of total costs paid by CIGNA Choice Fund customers remained approximately the same across episodic categories.



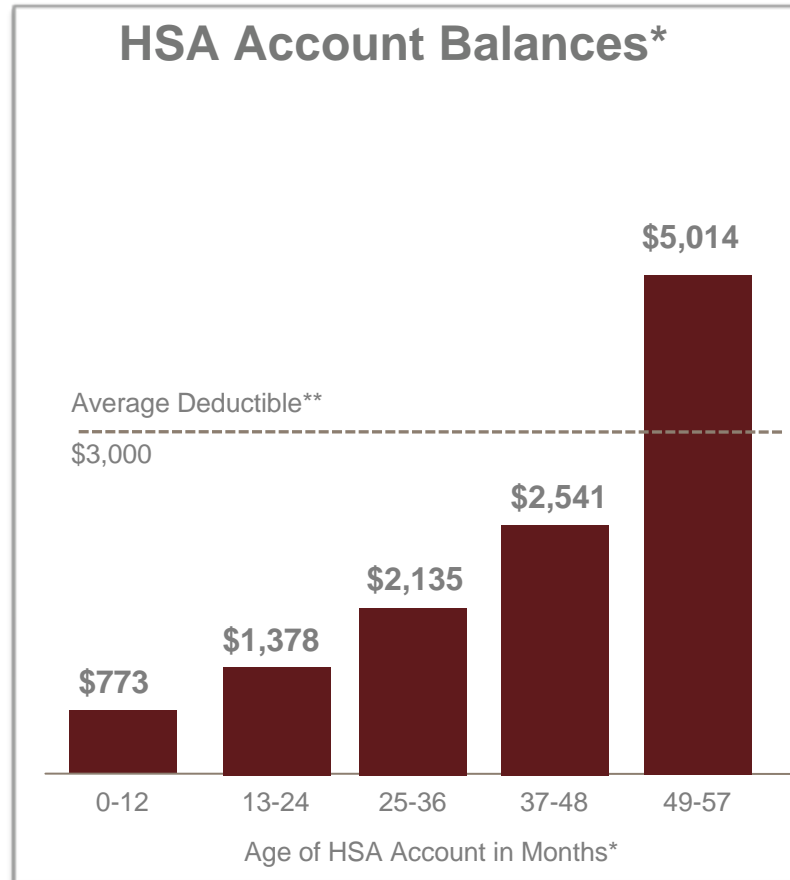
Total cost share declined from 33% for HDHP to only 17% with the inclusion of HRA funding

- Excludes premiums.
- Medical only.
- Unadjusted cost data.
- CIGNA Choice Fund HRA (includes fund)
- Traditional



HSA Account Balances

The average account balance through July 2010 was \$1,320. The balances grow significantly as the accounts increase in age.



* CIGNA Choice Fund HSA balances include cash accounts and investment dollars.

** \$3,000 is the average deductible for CIGNA Choice Fund HSA book of business, weighted for family and individual levels.



Real Example –

Manufacturing Company with CDHP Option

Challenge

- 12,000 employees in 50 states
- Benefit plan richer than industry peers
- Union presence
- Organization-wide effort to reduce cost

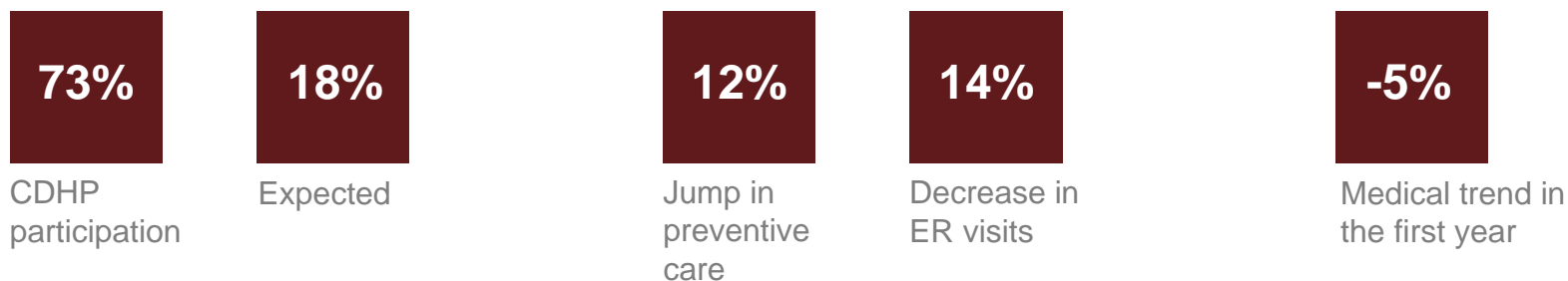
Goal

- Keep benefits competitive
- Improve health
- Don't shift costs to employees
- Don't upset union by limiting choice

Actions

- Eliminate multiple HMO carriers
- Replace with one national carrier
- Phased-in CDHP Approach
- Two PPO options plus financially attractive HRA
- Customized education, communication and decision-support tools to drive CDHP enrollment

Results Exceeded Expectations

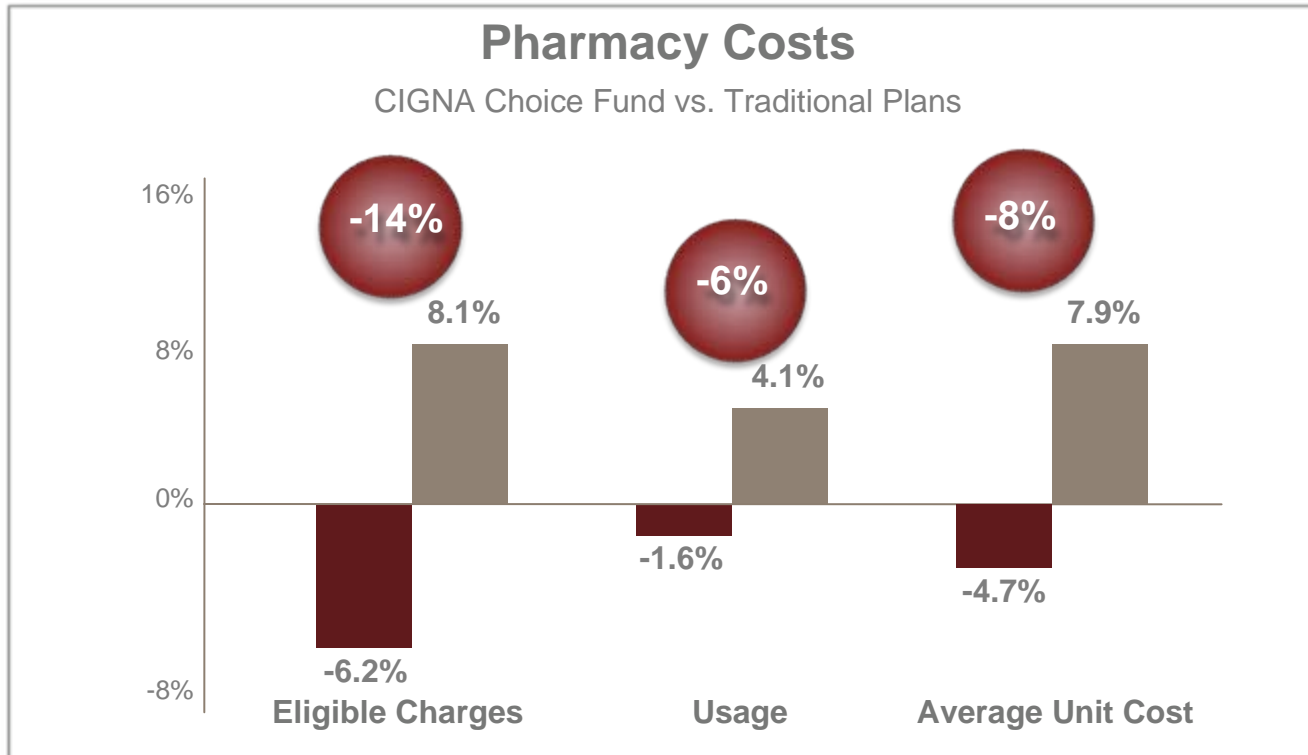


Saved nearly \$10M in two years vs. expected \$1.2M.



Pharmacy Costs – New CDHP Individuals

Total Pharmacy cost trends were lower than traditional plan cost trends.



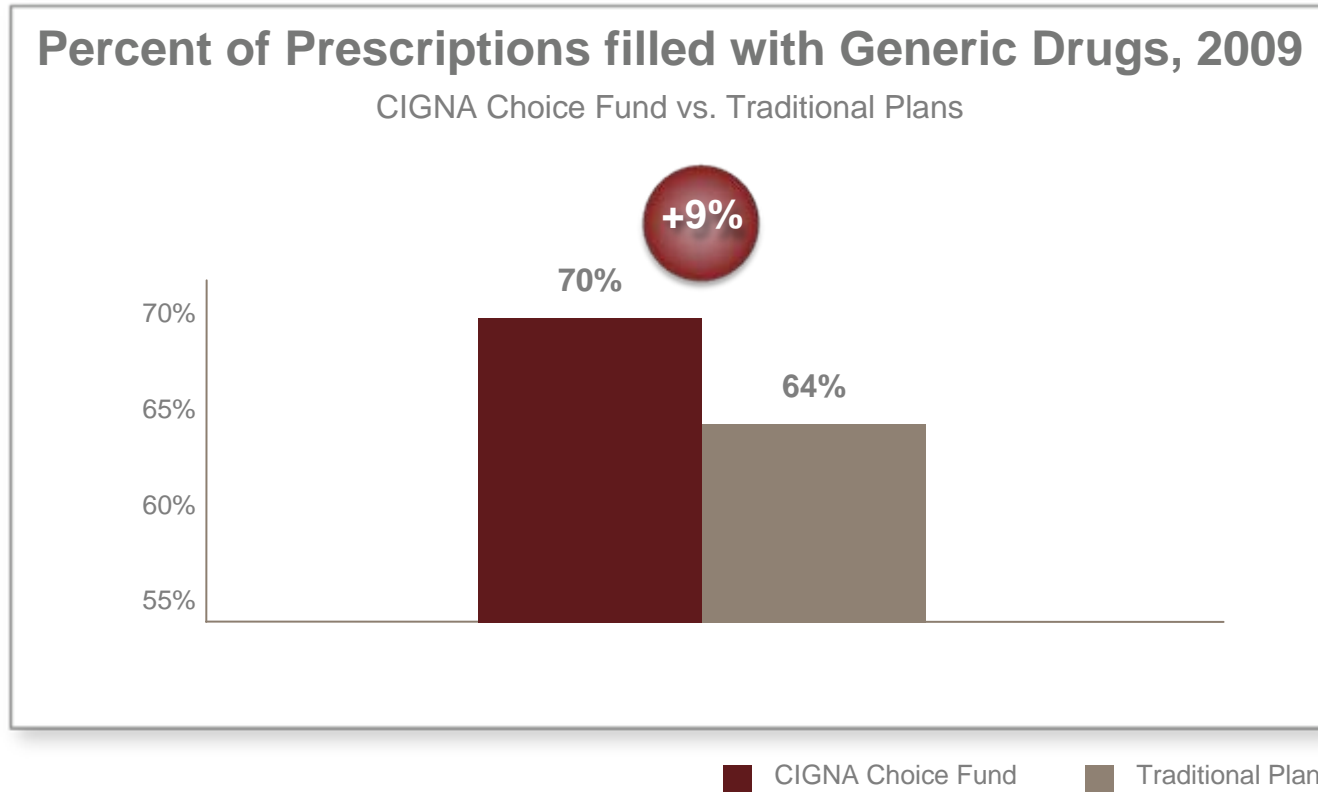
■ CIGNA Choice Fund ■ Traditional Plan

Compares trend of 11,000 continuously enrolled CIGNA Choice Fund customers with a CIGNA Pharmacy Management plan who were in their first year of having a combined medical and pharmacy deductible to 368,000 continuously enrolled customers in a traditional plan with CIGNA Pharmacy Management and no combined medical and pharmacy deductible.



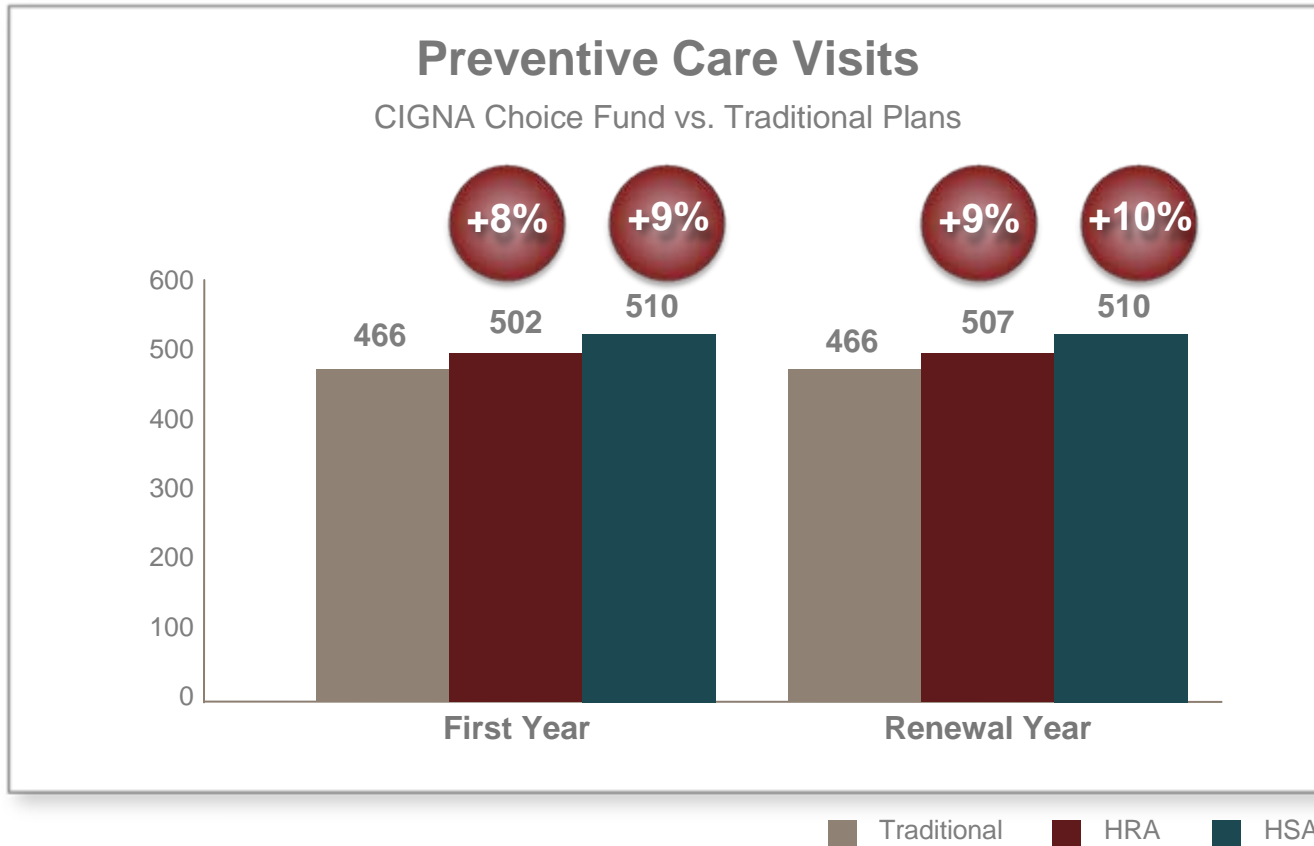
Generic Pharmacy Utilization

In 2009, CIGNA Choice Fund customers with CIGNA Pharmacy Management used generic drugs at a higher rate than traditional customers.



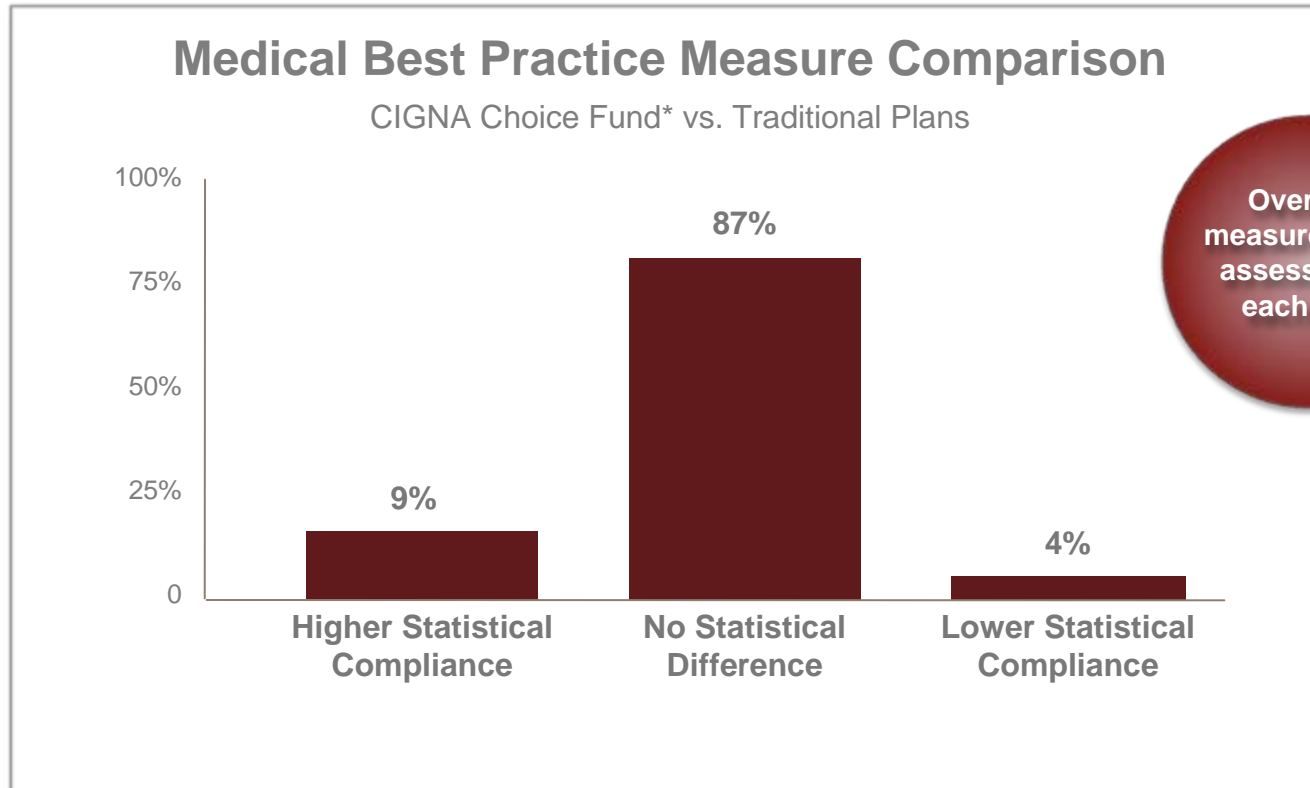
Preventive Care

CIGNA Choice Fund customers accessed preventive care at a higher rate than traditional plans.



New - Medical Care Best Practice Measures

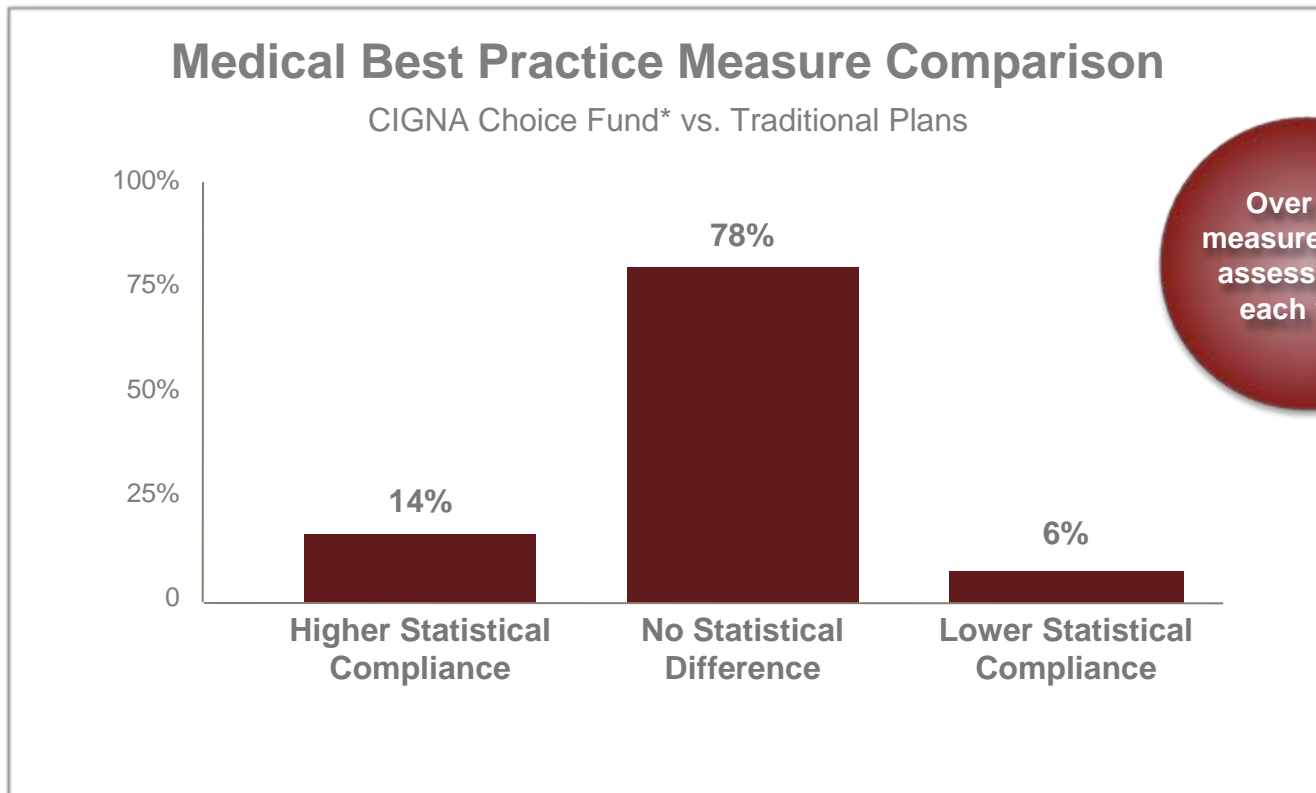
New CIGNA Choice Fund customers continued to receive recommended care at rates equal to or higher than the traditional plan population.



* New Choice Fund customers in 2009. 95% confidence level.

Renewal - Medical Care Best Practice Measures

CIGNA Choice Fund customers continued to receive recommended care at rates equal to or higher than the traditional plan population in the renewal year.

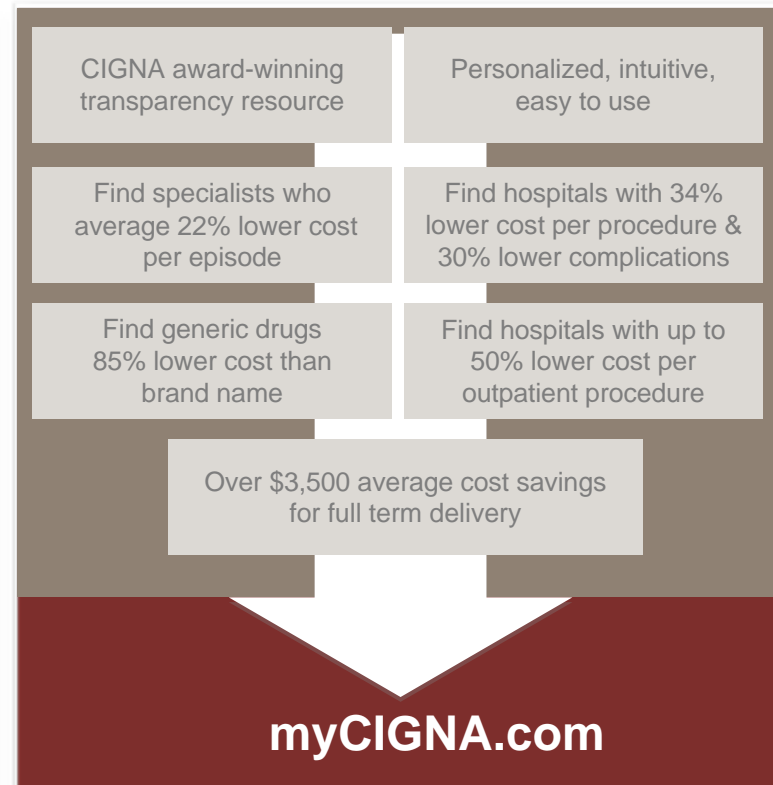
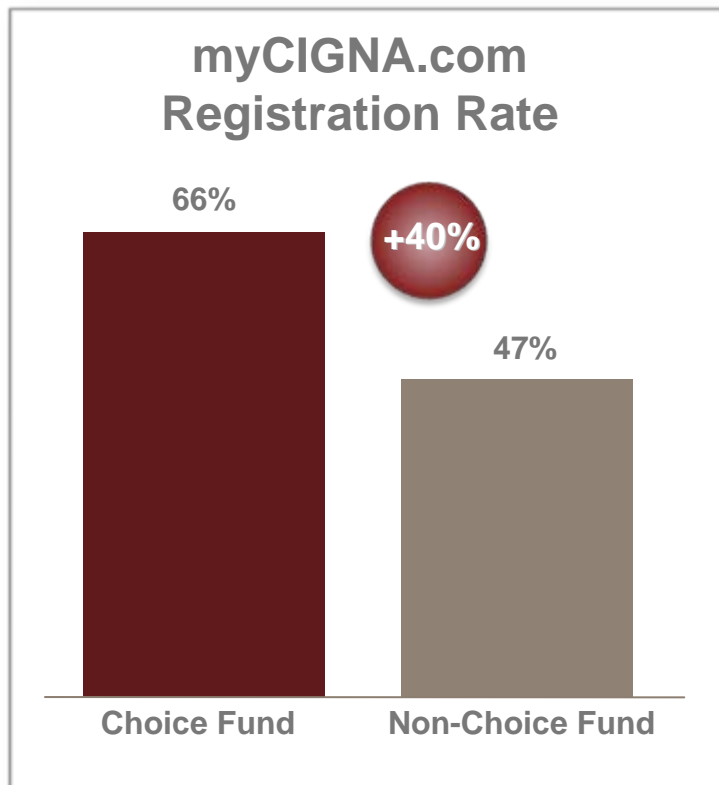


* Choice Fund customers who were continuously enrolled in 2008 and 2009. Total is less than 100% due to rounding. 95% confidence level.



myCIGNA.com Findings

Customers in a Choice Fund plan have higher rates of myCIGNA.com adoption than those in a non-Choice Fund plan, and are more likely to use the award-winning tools.



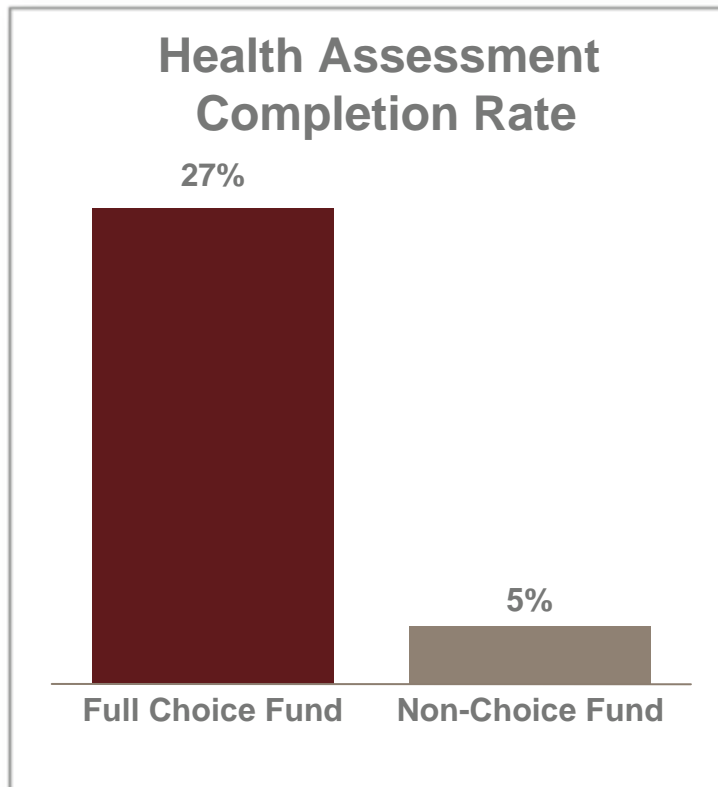
- 64% of customers enrolled in an HRA or HSA used online information and tools to make health decisions versus 50% of those enrolled in a traditional plan.*



* Source: North American Technographics® Healthcare Online Survey, Q1 2009 (U.S.) by Forrester Research, Inc.

Health Assessment Findings

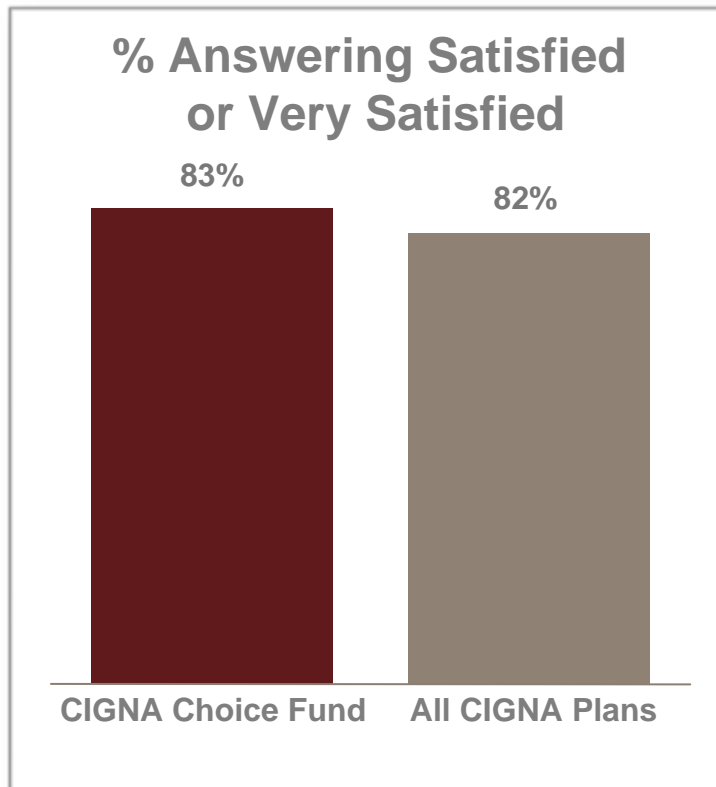
Full-replacement Choice Fund accounts have higher rates of Health Assessment completion.



- Increase in Health Assessment completion leads to an increase in identification for the Health Advisor health coaching program and certain Well Aware programs.
- CIGNA Choice Fund customers are more than five times more likely to complete a Health Assessment compared to those enrolled in a traditional plan.

Customer Satisfaction

CIGNA Choice Fund customers are equally or more satisfied with our service.



- Customers who answered our Call Satisfaction Surveys were at least equally satisfied with the service they received compared to those in a traditional plan design.
- This dispels the myth that customers in a consumer-driven plan are more dissatisfied with the service compared to those in a traditional plan.



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