

Managed Care

Yesterday & Tomorrow

Briggs Hamor
Principal
Chief Financial Officer
The Rubicon Group

Managed Care Background

- MetLife 1993
- UnitedHealthcare 1996
- Prudential 1998
- Aetna 2000
- UnitedHealthcare 2001-2006

HMO Recent History

- 1970's
 - Health Care Reform- cost containment, coverage for uninsured, access for indigent, efficient delivery
 - President Nixon, HMO Act of 1973
- 1980's
 - Real growth started
 - Convincing the provider
 - Increased volume
 - Steady and more timely payment
 - Growth Strategy
 - Diligent underwriting
 - Care oversight (denials)

Recent History Cont.

- 1990's
 - Capitation
 - Mergers & Acquisitions
 - More prevalent so more aggressive
- 2000's
 - Continued M&A
 - High deductible plans (greater patient responsibility)

Terminology

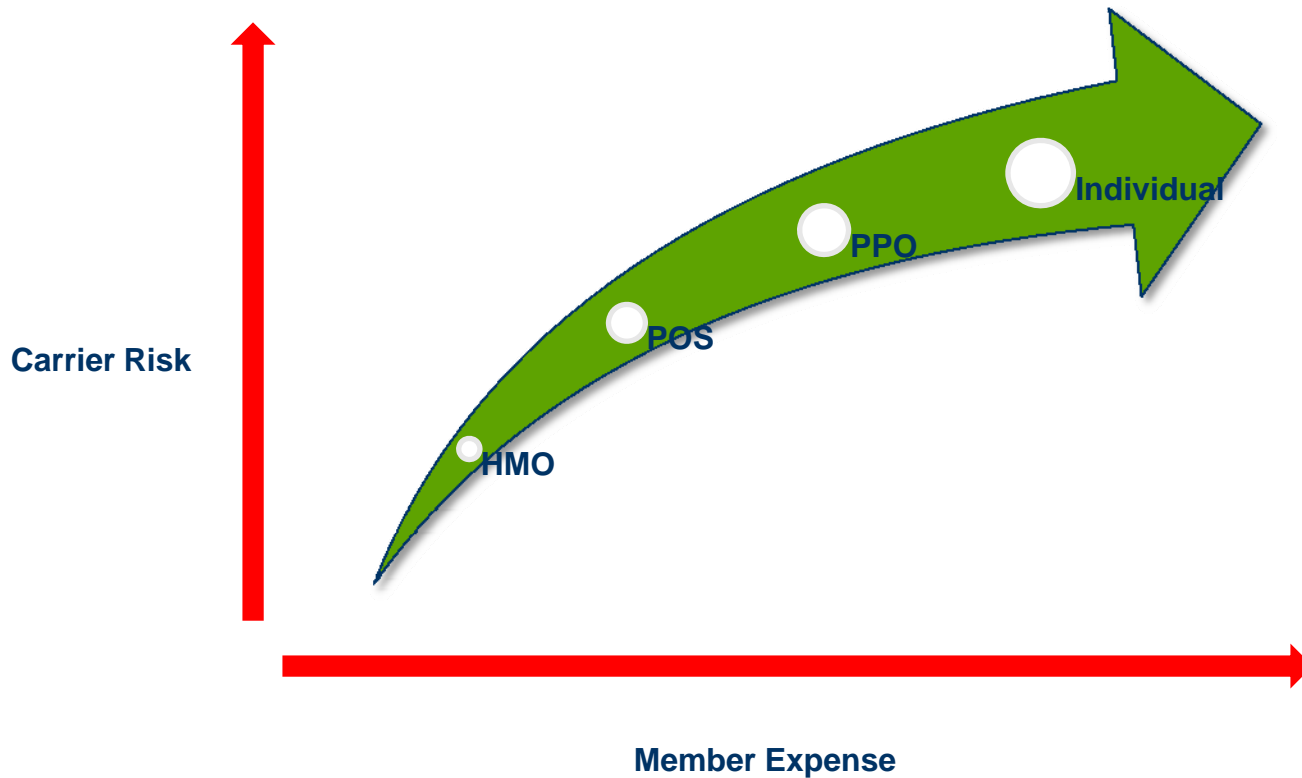
Customers

- Small Group
- Middle Market
- Administrative Services Only (ASO)

Products

- HMO
- Point of Service (POS)
- Preferred Provider Network (PPO)
- Individual- required by law (Open enrollment)

Product Cost Spectrum



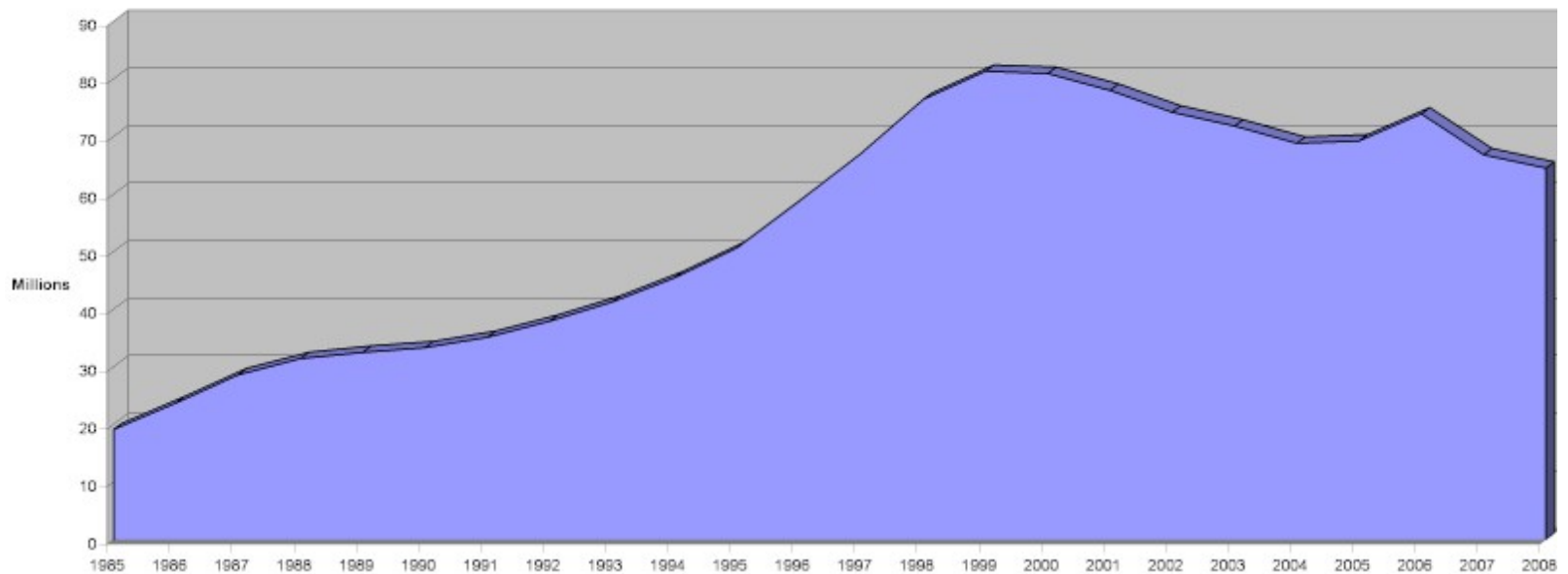
Industry Trends*

- Currently 443 HMO plans
 - The top 7 account for 54M of the members
- Currently 572 PPO active plans

*Source- © 2008 sanofi-aventis U.S. LLC

HMO Growth

National HMO Enrollment



Managed Care Saturation

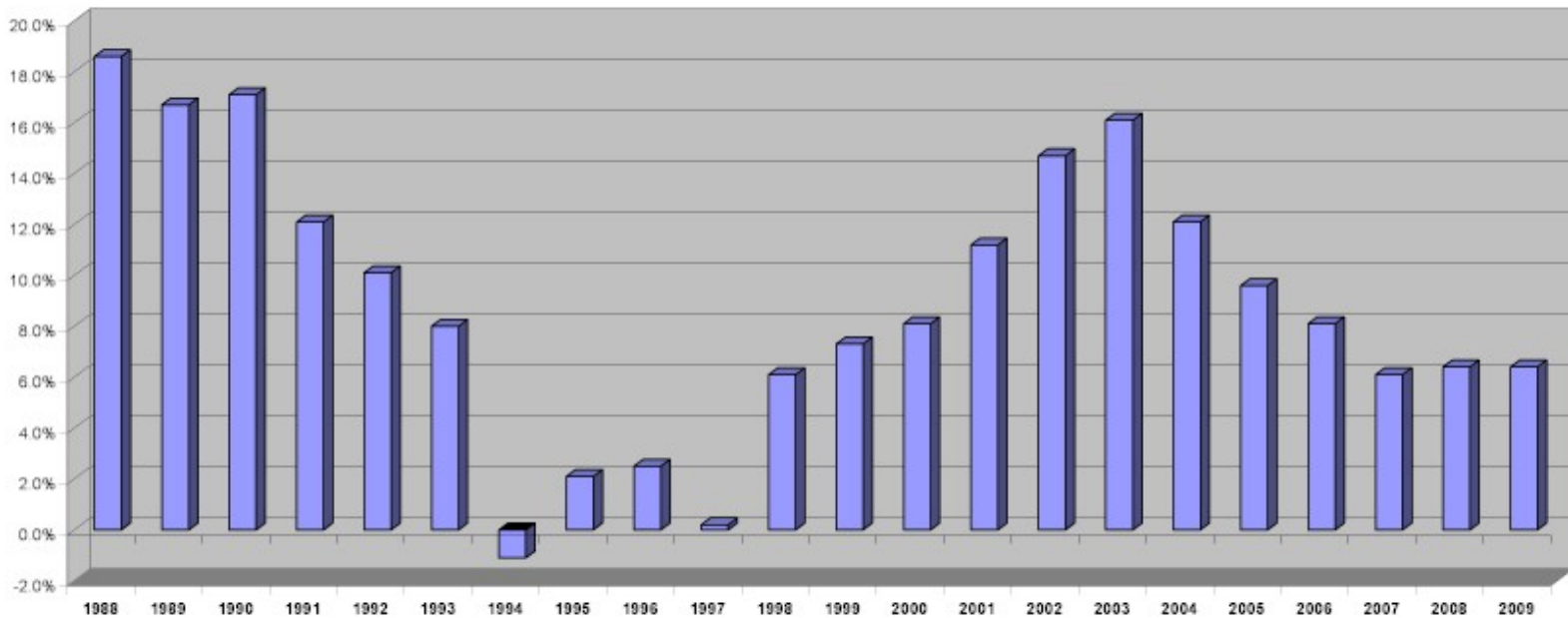
	Commercial	Medicare (2,3)	Medicaid (4,5)	Uninsured (6)	Total (7)
Total Population	51%	15%	14%	16%	100%
% Managed Care	75%	23%	68%	0%	50%
% Mgd Care of Total Population	38%	3%	9%	0%	50%
Mgd Care Population (Millions)	115	10	29	-	154

Total Population (Millions) (7) 306

Medical Loss Ratio (9) 81%

Managed Care Premium

Premium Increase Trends



Common Myths

- Deny high percentage of claims
- Few providers in network
- Playing a zero sum game with providers

Managed Care Challenges

- Organic growth
 - M&A process is over
- Hospital systems
 - Consolidation
- National Healthcare
 - Competing with government product
- High deductible plans
 - Greater premium offset
- Perception
 - Public relations battle

Combating Managed Care

- Size
 - How many physicians under one roof
- Specialty
 - Cardiology, Ob/Gyn, Ortho
- Volume
 - Critical groups in geographic area
 - Large number of patients, popular physicians
- Data
 - Who provides most of your patient base
 - What procedures predominate
 - What % of charges do you receive

Conclusion

Q&A

Footnotes

(1) HealthLeaders-InterStudy, data as of January 2008. Total Managed Care Plans data reported in HealthLeaders-InterStudy press release dated September 15, 2008. HMO Enrollment data as of July 2008 as published on Kaiser Family Foundation's State Health Facts web site (www.statehealthfacts.org) via HealthLeaders, special data request, March 2009.

(2) Centers for Medicare and Medicaid Services (CMS), data as of January 1, 2009. www.cms.gov

(3) Medicare Advantage Fact Sheet, The Kaiser Family Foundation, January 2009. www.kff.org.

(4) Medicaid Enrollment Notes: Data are "point-in-time" monthly enrollment counts. Data as of December 2006, published January 2008. Sources: Compiled by the Health Management Associates from state Medicaid enrollment reports, for the Kaiser Commission on Medicaid and the Uninsured. "Medicaid Enrollment in 50 States: December 2006 Update" available at <http://www.kff.org/medicaid/7606.cfm>. Publication: KFF's State Health Facts.org web site at: <http://www.statehealthfacts.org/comparemaptable.jsp?ind=201&cat=4>

(5) Medicaid Managed Care Enrollment Data Notes: Data as of June 30, 2007. The data shown here are unduplicated figures that include enrollees receiving comprehensive and limited benefits. Individuals enrolled only in Primary Care Case Management programs (PCCM) are counted here. For more details, please see the Enrollment by Medicaid MC Plan Type topic. Figures also include individuals enrolled in state health care reform programs that expand eligibility beyond traditional Medicaid eligibility standards. Sources: Medicaid Managed Care Penetration Rates by State as of June 30, 2007, Centers for Medicare and Medicaid Services, U.S. Department of Health and Human Services, special data request, August, 2008. Publication: KFF's State Health Facts.org web site at: <http://www.statehealthfacts.org/comparemaptable.jsp?ind=216&cat=4>

(6) The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to pace the Way. February 2009. The Commonwealth Fund. Data as of June 2006, published January 2009.

(7) Total U.S. Population data as of March 9, 2009, U.S. Census Bureau. www.census.gov.

(8) Sherlock Company PULSE, March 2008. Sherlock Company. Data for all publicly-traded health plans. Used with permission.

(11) Compilation from survey data files available in MCOL member web site