



**BlueCross BlueShield
Association**

An Association of Independent
Blue Cross and Blue Shield Plans

BCBSA Western IOC

Information Systems Group

July 21, 2009

C. D. Porter (Doug)

SVP, Blue Health Intelligence &

Chief Information Officer

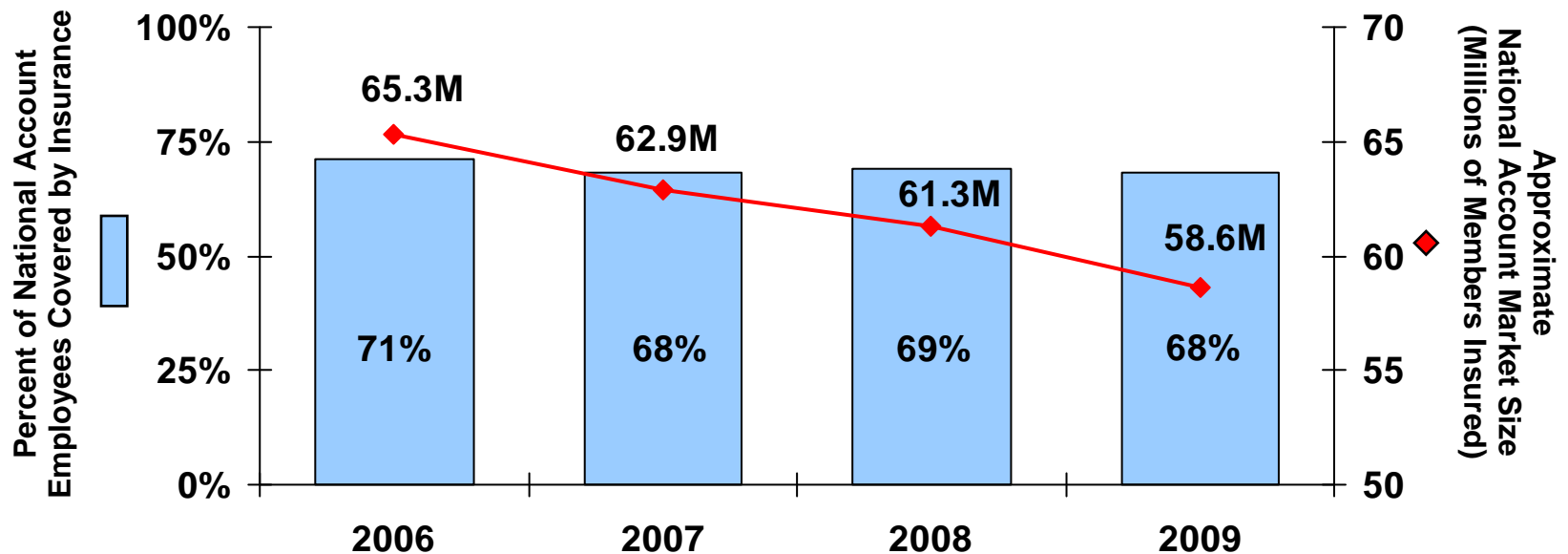
Topics

- Today's Environment
- Legislative Update
- HIPAA ANSI-5010 and ICD-10
- PlanConnexion
- Blue Health Intelligence (BHI)

National Market: Market Size

2009 National Market size decline more attributable to rising unemployment than to falling coverage rates

Approximate National Account Market Size and Percent of National Account Employees Covered by Insurance, 2006-2009

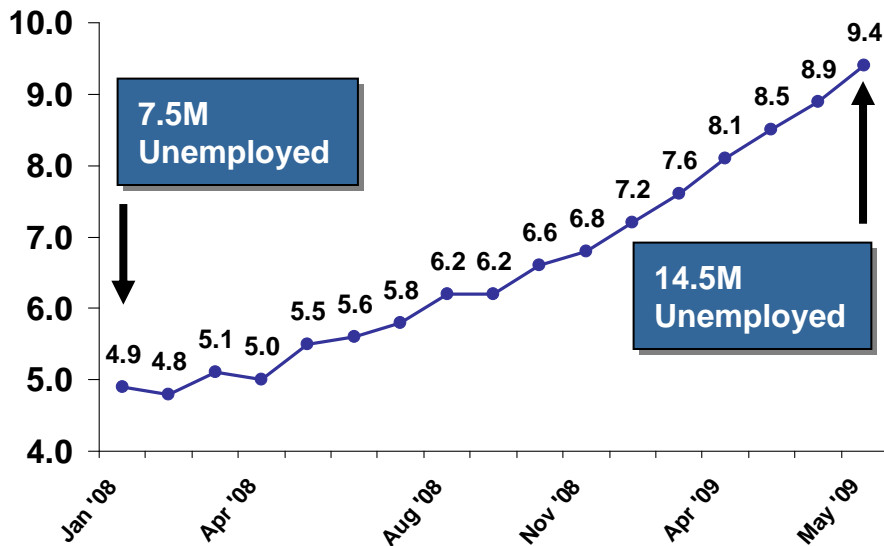


Notes: A National Account is a firm with 250 employees in more than one state; National Account market size displayed does not include retirees.
Sources: 2006-2009 NADM survey; U.S. Census; Dun & Bradstreet

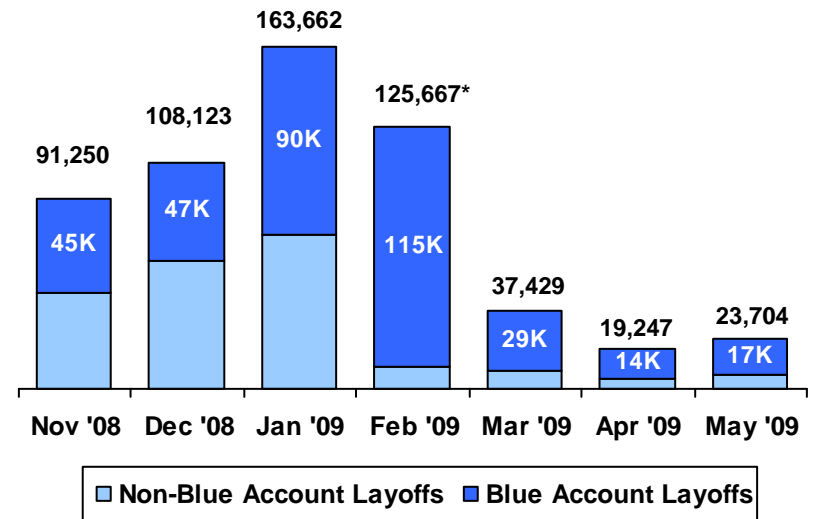
Economic Downturn Layoffs

Unemployment rate has risen above 9 percent; Q2 Layoffs have shifted from large public to smaller private companies.

**United States Unemployment Rate
Seasonally Adjusted**



**Layoffs at 500 Largest Public
Companies, Nov 2008-May 2009**



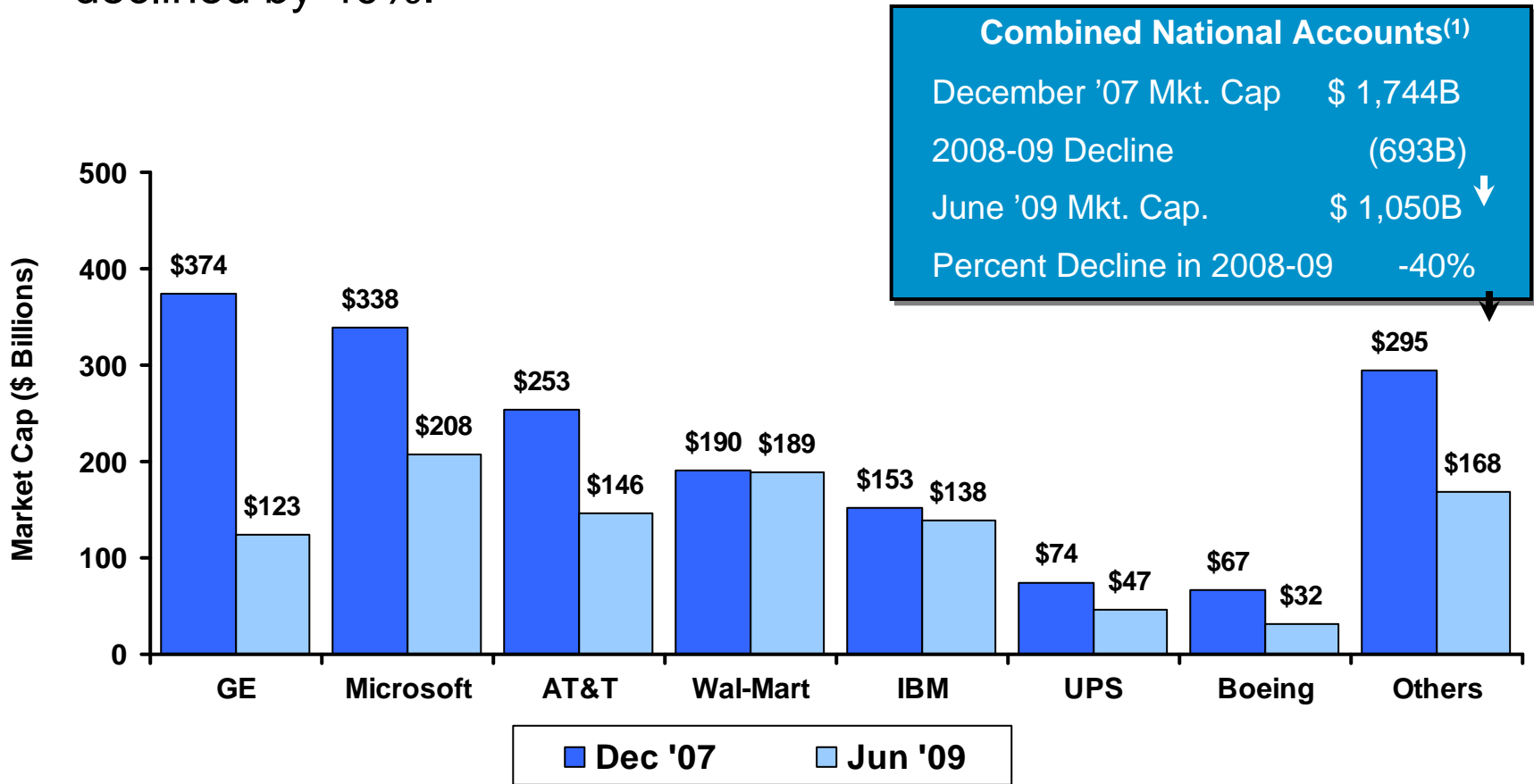
COBRA benefit uptake rates expected to double as a result of COBRA Stimulus Plan.

*Layoffs at Blue accounts are calculated as maximum potential loss with 57,000 Feb layoffs including presented GM restructuring plan. Source: Forbes.com Layoff Tracker, through May 30, 2009.

Economic Downturn

Largest Blue Employers Market Cap

The combined market cap of the largest Blue accounts (50K+) declined by 40%.

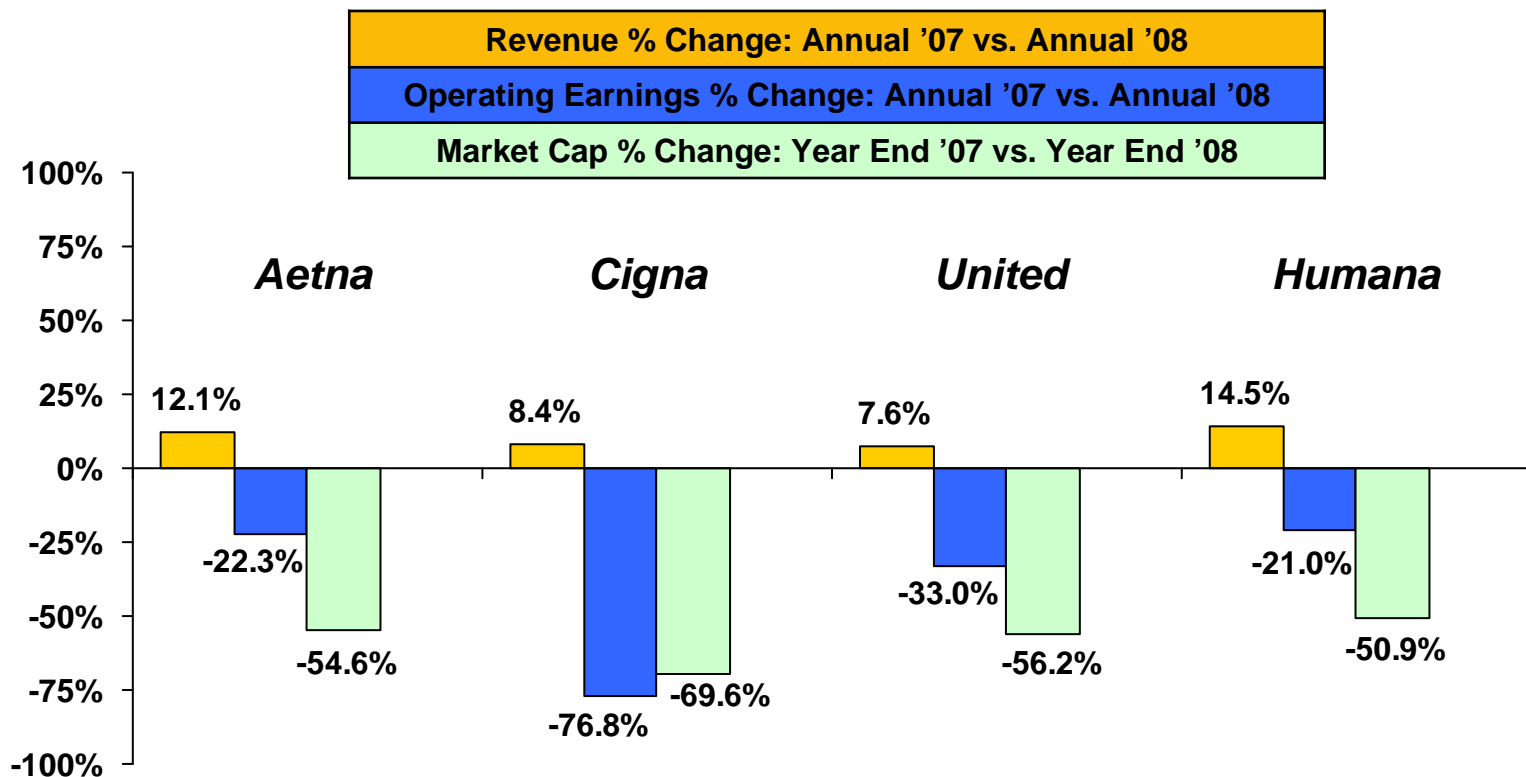


(1) Based on Dec 31, 2007 and June 23, 2009 Market Cap for 21 of the top 30 Blue accounts that are publicly traded.

Economic Downturn

National Competitors Performance

In addition, declines in Competitor Market Caps have resulted from lower margins, investment losses and year-end accounting changes.

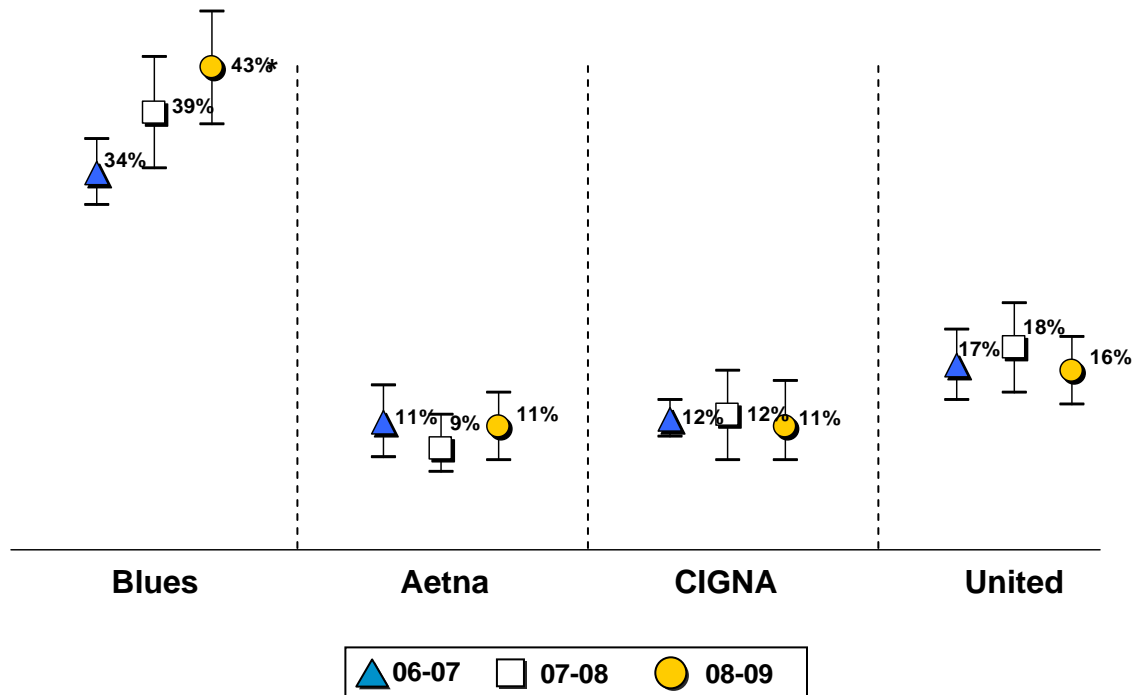


Source: One Source Database, Annual Company 10K Reports.

National Market: Preliminary Blue Share

However, overall Blue share of the National Account market continued to grow in 2009.

National Account Market Share, by Carrier, 2006-2009



- Estimated Blue share has grown from 40% to 45% among accounts with fewer than 5,000 employees
- In the 5,000+ employee segment, Aetna share has grown substantially from 10% to 13% in the past year















*Significantly higher than Aetna, CIGNA and United at a 95% confidence level.

Note: Market share figures were estimated based on self-reported quarterly enrollment numbers.





Sources: 2006-2009 NADM survey; U.S. Census; Dun & Bradstreet; IPPER Database (January 2009); Plan Enrollment Data; Employee Benefit Research Institute; Competitor Investor Information; BCBSA Analysis

National Market: Marquee Account Activity – 1st Quarter 2009





Account Wins

Account	Industry	Competitor	Contracts
 MOTOROLA	Communications	Humana	31,929
 American Airlines	Transportation	United Healthcare	18,093
 DANA	Auto Parts	TPA	8,280
 GRAPHIC PACKAGING INTERNATIONAL, INC.	Paper Products	Aetna	8,190
 Schneider Electric	Energy	United Healthcare	7,843
 nielsen	Data Collection	United Healthcare	7,601
 COOPER TIRES	Tires	Various	7,480
 U-HAUL	Leasing & Rental	United Healthcare	7,433
 Bob Evans	Restaurants	Aetna	7,217
 ORANGE-ULSTER BOCES	Government	GHI	6,802
 U of O	Education	Aetna	6,683
 IBEW	Union	Coventry	6,183
 AMERISTAR CASINO	Casinos & Gaming	TPA	5,592
 HESS CORPORATION	Oil & Gas	United Healthcare	5,503




Account Losses

Account	Industry	Competitor	Contracts
 Bank of America	Financial	Aetna	57,792
 HOME DEPOT	Retail	Aetna	22,663
 MICHELIN	Tires	United Healthcare	18,312
 Continental Airlines	Transportation	Aetna	16,497

Carve-Ins

Account	Industry	Competitor	Contracts
 Cargill	Agriculture	UHC	19,777
 WALMART	Retail	Aetna	19,360
 citigroup	Financial	Multiple	11,216
 State Farm	Insurance	Health Alliance	6,411

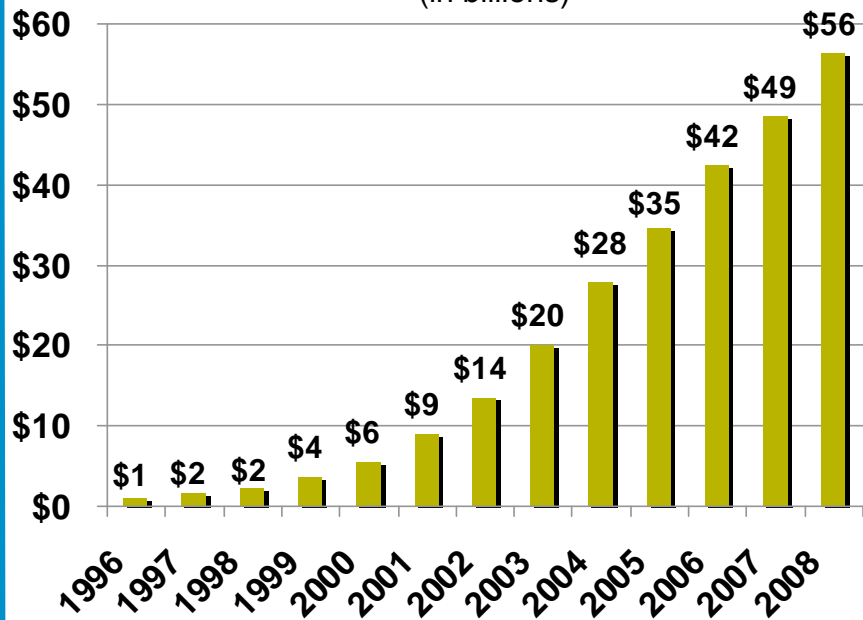
Carve-Outs

Account	Industry	Competitor	Contracts
 ups	Courier	Aetna & UHC	(22,016)
 LOWE'S	Retail	Aetna	(11,974)
 tyco	Electronics	United Healthcare	(5,141)

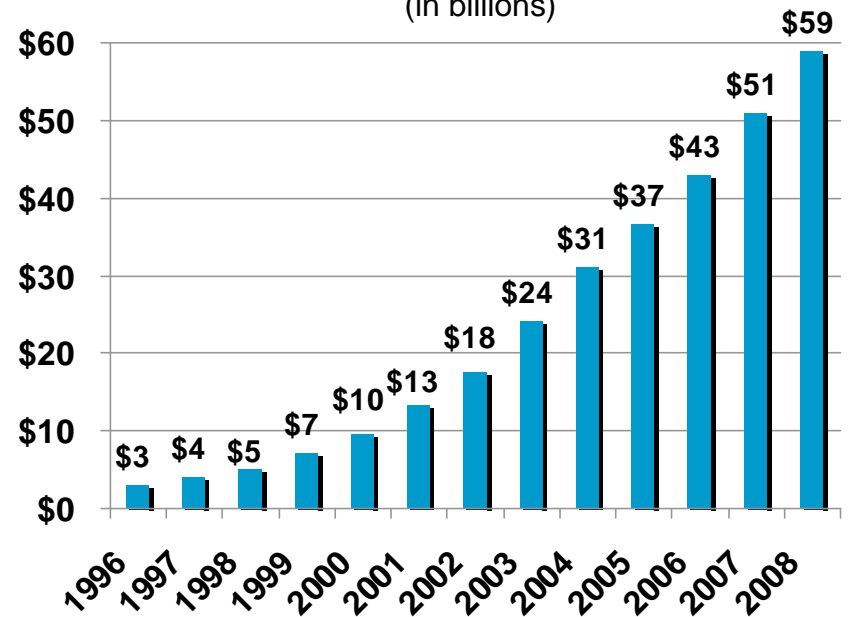
National Market: BlueCard Program Growth

BlueCard transaction volume and dollars continue to increase in 2008, but with slowed growth in 2009

Annual Home Plan Net Savings
(in billions)



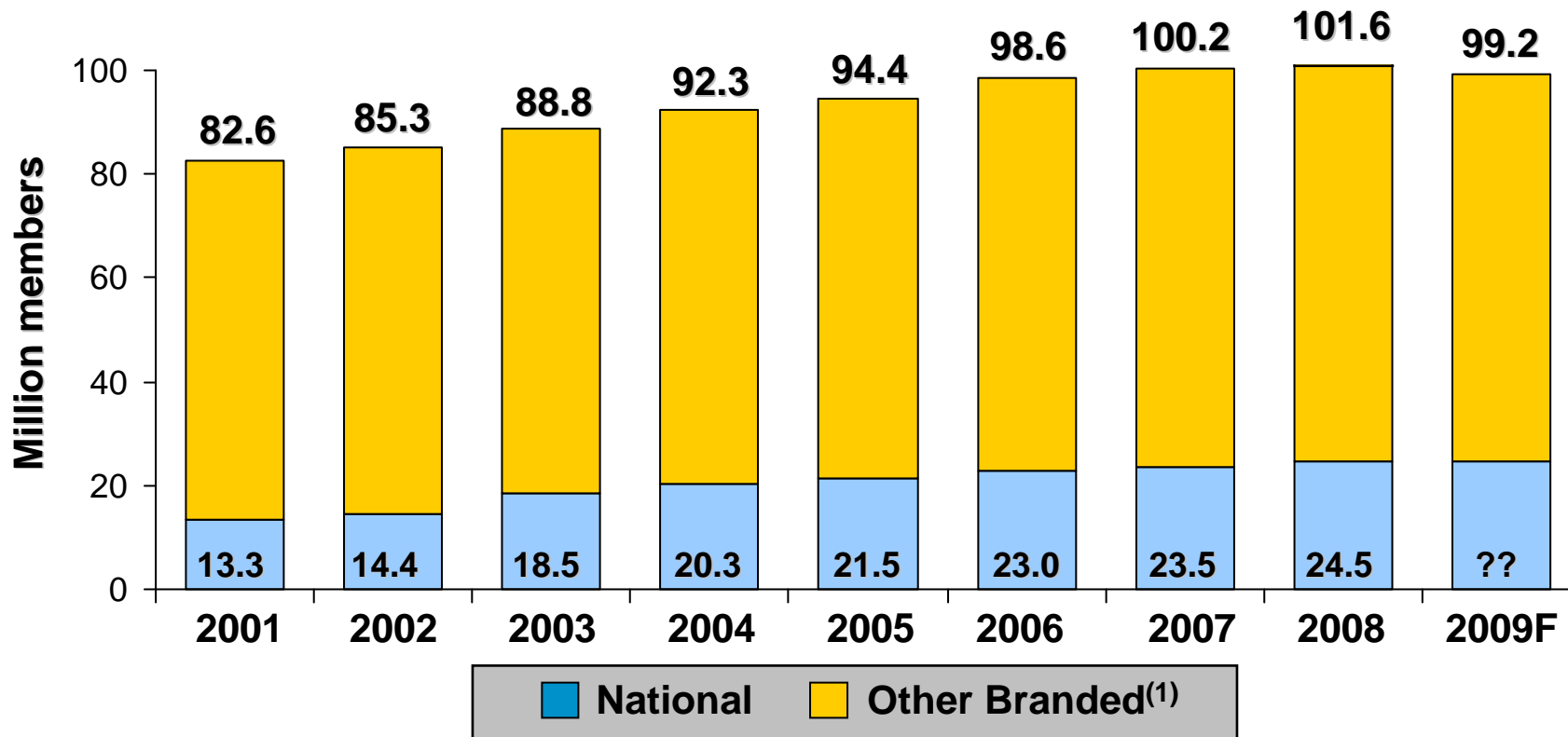
Annual Provider Payments
(in billions)



Annual BlueCard transaction volume exceeded 253M in 2008, and savings reached nearly \$57B.

Total Blue Enrollment: 2009 Forecast

Latest forecasted enrollment losses range from 1.6M to 2.4M total branded members by year-end 2009.



(1) Other Branded membership includes Local, FEP, Individual, Medicare Advantage, Medicare Supp, Medicaid Risk and Freestanding.
Source: BCBS Licensees' Report

Questions

- Jen Vachon Jennifer.Vachon@BCBSA.COM 312-297-6864

Legislative Update

Bridging to Healthcare Reform

Potential impacts to the Health Care Payer Industry?

	Objectives	Messages
Government Plan	<ul style="list-style-type: none">• No new government plan option	<ul style="list-style-type: none">• Most people will lose their current employer coverage.• Government plan will lead to a two-tiered system; eliminate choice and access to many providers.• Policymakers should build on what works today – the employer system that covers 160 million people.• Government plan is unnecessary in comprehensive reform where everyone can obtain affordable coverage regardless of their health status.
Connectors	<ul style="list-style-type: none">• No national/regional connectors• Use existing state infrastructure; keep employer choice	<ul style="list-style-type: none">• State insurance marts are less costly/complex, more transparent than new federal bureaucracy.
Insurance Reform	<ul style="list-style-type: none">• Prevent Guaranteed Issue /Community Rating in voluntary market	<ul style="list-style-type: none">• Support GI/no health status rating w/ "effective" individual mandate.• GI/CR in voluntary market will increase premiums; result in more uninsured; reduce choice.

Political Update

Washington geared up to pass reform this year

- **President:**
 - Making #1 domestic priority
 - Set October deadline
 - Activating grassroots
- **Congress:**
 - Hoping to pass bills by August recess

Mark Up Schedule

	Senate		House
	HELP	Finance	
Bill Release	Early June	?	Late June
Committee Mark Up	Continues This Week	After 7/4	Early July
Floor Action	July/September		Late July
Conference	September/October		
Final Bill	October?		

Possible Senate Scenarios

70+ Votes Regular Order

- Fully bipartisan
- Government plan option unlikely
- No full regulatory connector
- Overall less government intrusion

60 Votes Regular Order

- Little bipartisan support
- Moderate Ds/Rs are key
- Likely compromise on government plan
- State connector possible

51 Votes Reconciliation

- Highly partisan
- Byrd rule may prevent extraneous matter
- Comprehensive bill difficult
- Likely threats:
 - Medicare buy-in
 - Government plan
 - Possible insurance reforms attached to subsidy
 - Entitlement expansion

Major Proposals

Provisions		Senate		House
		Finance	HELP	
Mandates	• Individual	✓	✓	✓
	• Employer pay or play	✓	✓	✓
Subsidies	• Individual	300% FPL	500% FPL	400% FPL
	• Small group	✓	✓	✓
Government Plan	• GP competitor	?	Medicare-like (+ 10%)	Medicare-like (+5%)
	• Medicare buy-in (55-64)	Likely	No jurisdiction	✓
Exchanges		“Orbitz model”	Regulatory; state-based	National
Insurance Reforms	• GI	✓	✓	✓ Benefits, rating (?)
	• CR	✓ Age 5:1	✓ Age 2:1	✓ Age 2:1
	• Transition	Grandfather: benefits & rating Phase-in: SG rating only	✓ Benefits ?, No rating phase-in	✓ ?
	• Risk adjustment	✓	✓	✓
	• MLR	?	✓ 75% individual 80% small group	✓ 85%
Delivery System	• Medicare, P4P, CER, bundling, quality	✓	✓	✓
Financing	• Medicare/Medicaid cuts • Tax caps	?	No jurisdiction	• Medicare/Medicaid cuts • Reduces MA

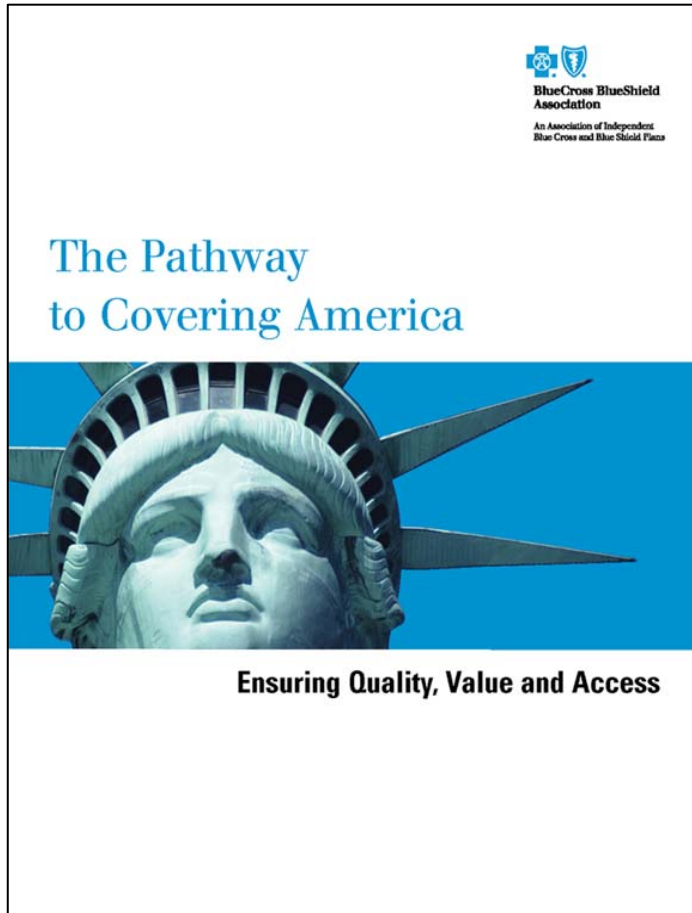
BCBSA Strategy

1) Continue to build on Pathway

2) Implement comprehensive strategy on:

- Government plan
 - Exchange
 - Insurance reforms
-  Major focus

Pathway to Covering America



**Encourage Research
on What Works**

**Change Incentives to Promote
Better Care**

**Empower Consumers
and Providers**

**Promote Health
and Wellness**

**Foster Public-Private
Coverage Solutions**



<p>Encourage Research on What Works</p>	<ul style="list-style-type: none"> • TEC • BHI 	<ul style="list-style-type: none"> • Comparative Effectiveness Institute
<p>Change Incentives to Promote Better Care</p>	<ul style="list-style-type: none"> • Blue Distinction • Plans: Patient Centered Medical Homes Incentives for quality care 	<ul style="list-style-type: none"> • MA: care management • Liability reform • Plans: Pay for quality
<p>Empower Consumers and Providers</p>	<ul style="list-style-type: none"> • Plans: Information on quality/cost HIT Consumer-driven health plans 	<ul style="list-style-type: none"> • Quality and cost transparency • HIT standards
<p>Promote Health and Wellness</p>	<ul style="list-style-type: none"> • Consumers @Work • Plans: disease management 	<ul style="list-style-type: none"> • Encourage employee wellness programs • Educate children • Focus on nutrition and health
<p>Foster Public-Private Coverage Solutions</p>	<ul style="list-style-type: none"> • The “Squeezed Out” • The “Missing Out” • The “Opting Out” 	<ul style="list-style-type: none"> • The “Squeezed Out” • The “Missing Out” • The “Opting Out”

2009 BCBSA Strategy

1) Continue to build on Pathway

2) Implement comprehensive strategy on:

- Government plan  Major focus
- Exchange
- Insurance reforms

Government Plan: Status

Strong support for government plan

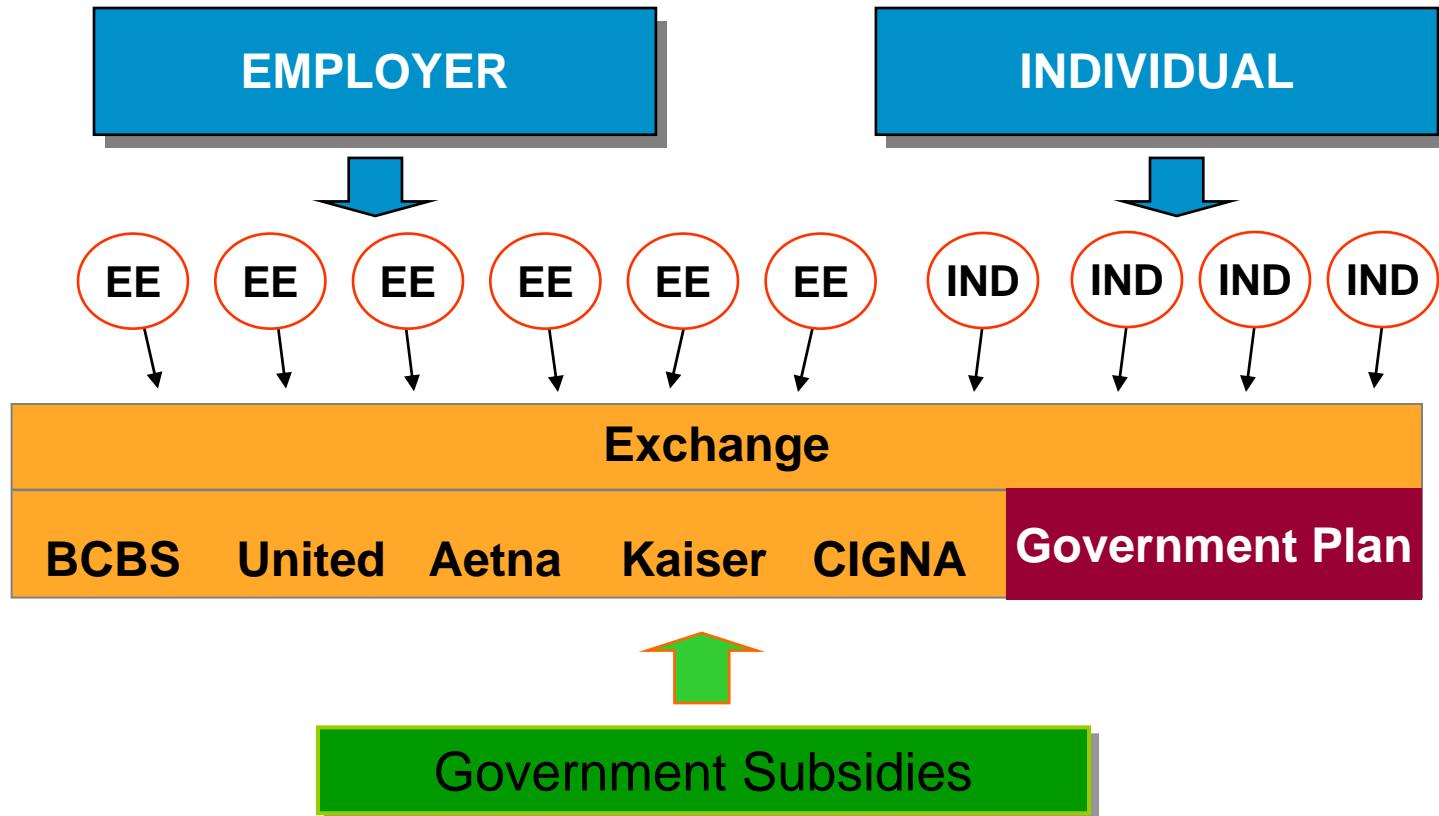
- **President now saying “a must”**
- **House:**
 - Level-playing field, with Medicare rates (+ 5% for physicians)
 - Leadership courting Blue Dogs, New Dems
 - › Major accomplishment prevent Blue Dog support
- **Senate:**
 - HELP: Medicare + 10% likely
 - Senate Finance: battleground; looking for compromise; want bipartisan bill

Government Plan: Who's For/Against

- **Obama now taking very aggressive leadership role**
 - Using town halls, house parties, 13 million activists
- **Many groups/most Ds support:**
 - Moveon.org
 - HCAN
- **Many groups/Rs/some moderate Ds oppose**
 - A few are aggressive in DC or with grassroots
 - › BCBSA
 - › Brokers
 - › Employers beginning to activate
 - Others are “quiet” or leaning toward compromise
 - › Hospitals
 - › PhRMA
 - › Docs
 - › AARP
 - › Most insurers

Government Plan: The Vision

Employers and individuals sign-up with exchange and individuals select plan from among government approved options



Government Plan: BCBSA Position

- **Support reform meeting President's objectives**
- **Government-run plan is unnecessary/will be devastating**
 - Most will lose current employer coverage
 - 118 million shift to government plan overnight (Lewin)
 - Providers will be underpaid, creating major access issues: long waits, fewer providers, rationing
 - Needed delivery system reforms will be undermined
 - Private sector free to innovate with excellent results
 - Government stifled by political pressures
 - Government will use built-in advantages and lead to single payer

Government Plan: BCBSA Position

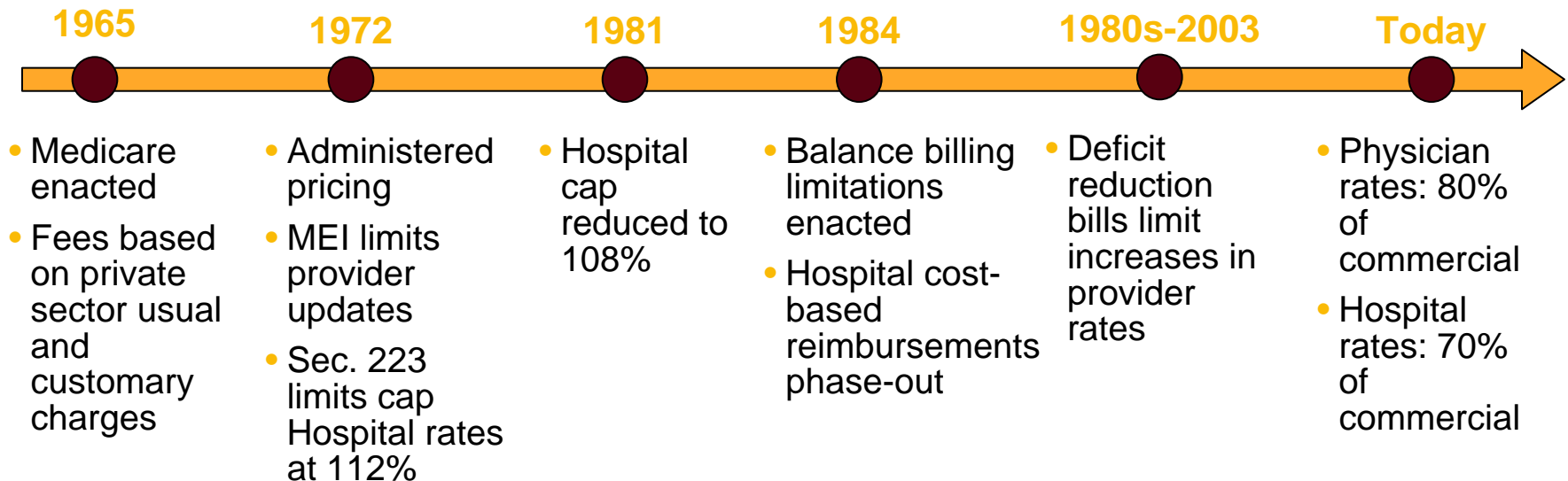
Some want “level playing field”; can’t work because:

- 1) Government can’t comply with private rules
 - Would it be allowed to fail?
 - Could individuals sue a government plan in state court?
 - Would it pay federal or state taxes/assessments?
 - Would it meet solvency requirements?
 - Would it be subject to state mandates?
- 2) Budget pressures would lead to price-fixing
 - Medicare experience

No reason for government plan if required to meet same private requirements

Couldn't the Government Plan Negotiate Rates?

Medicare experience: Administered pricing quickly followed enactment



Government Plan: BCBSA Position

Instead of new government plan, government should:

- 1) Expand Medicaid to cover/enroll all in poverty
- 2) Reform Medicare to pay for quality/make solvent
- 3) Establish new rules for insurers to cover all

Exchange

Proponents urging: National/regional insurance exchange to:

- Simplify purchasing
- Enhance competition
- Increase choice
- Viewed as key regulatory enabler of health care reform and gateway to government plan

Exchange: BCBSA Position

Offer alternative: State Insurance Marts

- Federal exchange would:
 - Increase cost by:
 - Duplicating administrative functions and,
 - Turning group market into individual market
 - Likely to become “Super Regulator”
 - Invite federal regulation
- BCBSA alternative – SIMs, would:
 - Provide a less costly, less complex, more transparent and faster alternative to a new federal bureaucracy

State Insurance Marts (SIMs)

State Insurance Marts	
State Internet portal	Lists <u>all</u> individual/small group insurers
Standard benefit comparisons	Each state to develop consensus templates
Standard application	Each state to develop consensus individual/small group application
Tax/subsidy calculator	Help for estimating available subsidies
Links	Links to broker listings; public programs; and enrollment for small employer tax credit

Reaction to date: Highly positive response

Insurance Reforms

Proponents urging:

- “Guarantee issue” in individual market
- Community rating (no health status adjustments) in individual/small group markets
- Other (e.g., minimum loss ratios)

Why?

- Guarantee access
- Assure “fair” rating

Insurance Reform: BCBSA Position

Support individual mandate coupled with subsidies and GI/phase out health status

Oppose GI/CR in voluntary market because it will:

- Increase premiums
- Result in more uninsured
- Reduce choice

BCBSA highlighting problematic state laws

- Lowest cost HMO for 23 year old in Buffalo, NY is \$973 per month

Comprehensive Strategies

	Public Programs	Connectors	Insurance Reforms
1) Alternative	No, unnecessary	SIMs	GI/CR w/ "effective" individual mandate
2) Research	✓	✓	✓
3) Direct Lobbying	Moderate Ds/Rs	✓	"Impacted States"
4) Develop Allies	Business/providers	Brokers/small business	Brokers, small business, youth
5) State Officials	✓	✓ New consultant	✓
6) Media	✓	✓	✓
7) Constituents	✓ New in-depth program		

Prognosis: What's Likely?

Major push for comprehensive reform this year

- Substantial desire for reform, more organized than during Clinton
- Kennedy “legacy” should not be underestimated
- BUT, health care reform is complicated and expensive

If consensus/\$\$ not possible, smaller bill(s) very likely

- Insurance reforms (GI/CR)
- Exchange in small group market
- Medicare buy-in 55 to 64
- Comparative effectiveness institute
- Pay for performance
- Other health plan mandates

Your Involvement Needed

- Important you weigh in with Congress
- Participate in BCBSA Ambassador Program – Go to: www.blueambassadors.org
- Go to Coalition site: www.getthehealthreformright.org
- Visit www.blueadvocacy.org to learn more on the healthcare debate and what Blue Plans are already doing
- Questions: Joel.Slackman@BCBSA.COM 202-626-8614

HIPAA ANSI-5010 and ICD-10

Questions

- Questions: Rich.Cullen@BCBSA.COM 312-297-5987

Plan ConnexionSM

Overview

PlanConnexion

What is PlanConnexion?

PlanConnexion is a new fee-based BCBSA offering to Plans that will facilitate implementation of common solutions to meet Plan needs.

An outgrowth of the 2015 strategic initiatives

Concept and planning began late 2007

IPPC approved moving forward with the initiative at their
October 8, 2008 meeting

PlanConnexion

Vision

Provides a framework for fostering the development of shared solutions that reduce redundant costs and improve speed to market for Blue products and services.



**Hosting Services
for Common
BCBSA Software**

**Consulting
Services
Leveraging
BCBSA Subject
Matter Expertise**

**Shared
Technology
that Meets the
Needs of Many
Plans**

- Enables more timely and efficient deployment of new capabilities for BCBSA and all Plans.
- Supports Plan efforts on strategic system consolidations.
- Reduces need for recruiting and retaining resources with mainframe expertise — these resources can be leveraged by Plans to work on more valuable differentiator activities.
- Supports Plan needs for expertise on system migration strategies and implementation support.
- Eliminates need for Plans to build their own ITS and Blue² capabilities

PlanConnexion

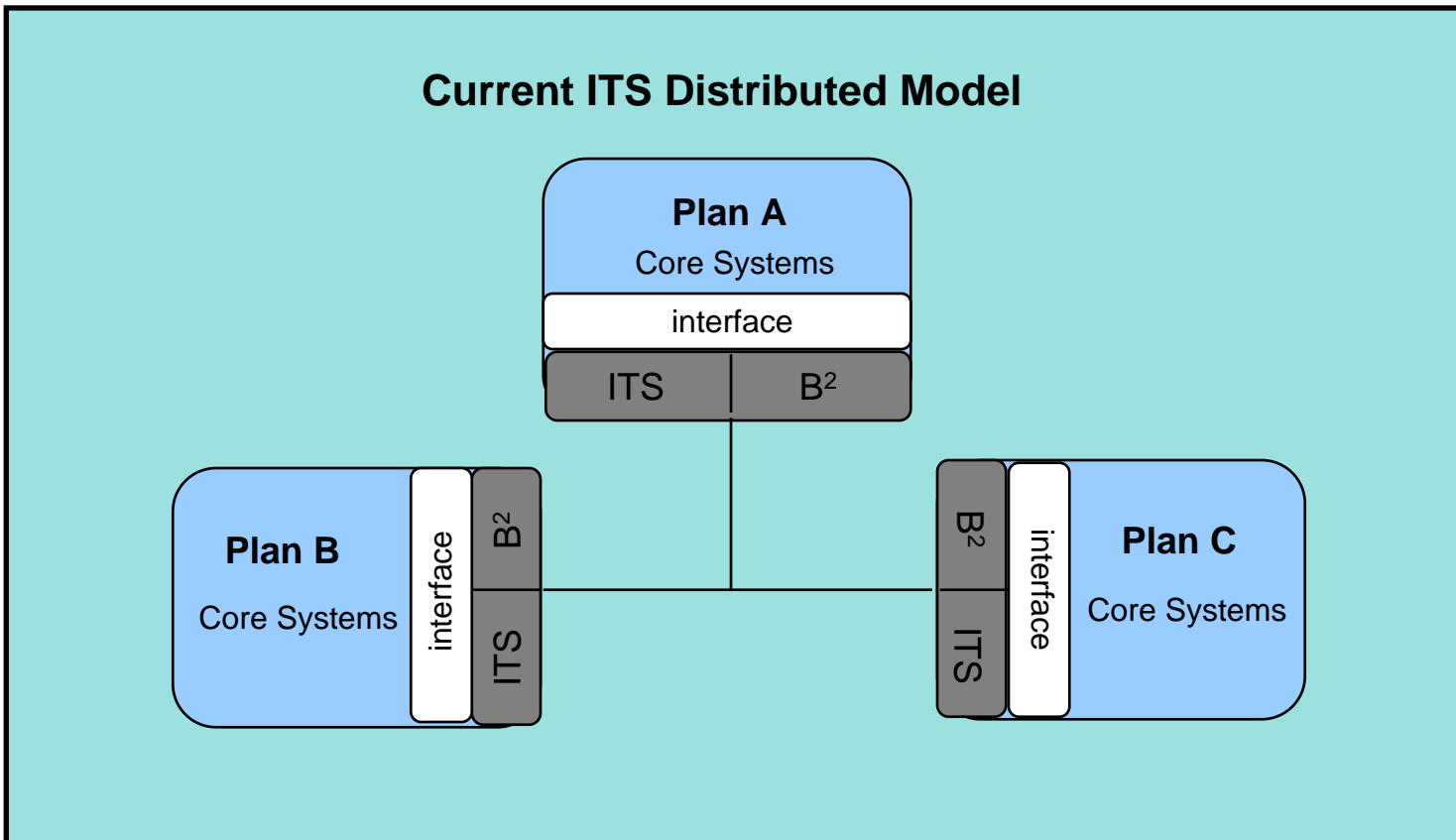
Application Hosting Services

Initial focus is on developing the application hosting service

- Through PlanConnexion, ITS software components/databases are installed and maintained on a common, shared mainframe platform.
- Client Plans continue to operate their own core systems and will access ITS components/databases through current ITS system interfaces utilizing batch file transfers or message oriented middleware (MQ) for interactive access to any ITS component.
- Blue² hosting is optional and available for an additional charge.
(NOTE: Blue² application will be hosted at the hub site)

Current Deployment Model for ITS and Blue²

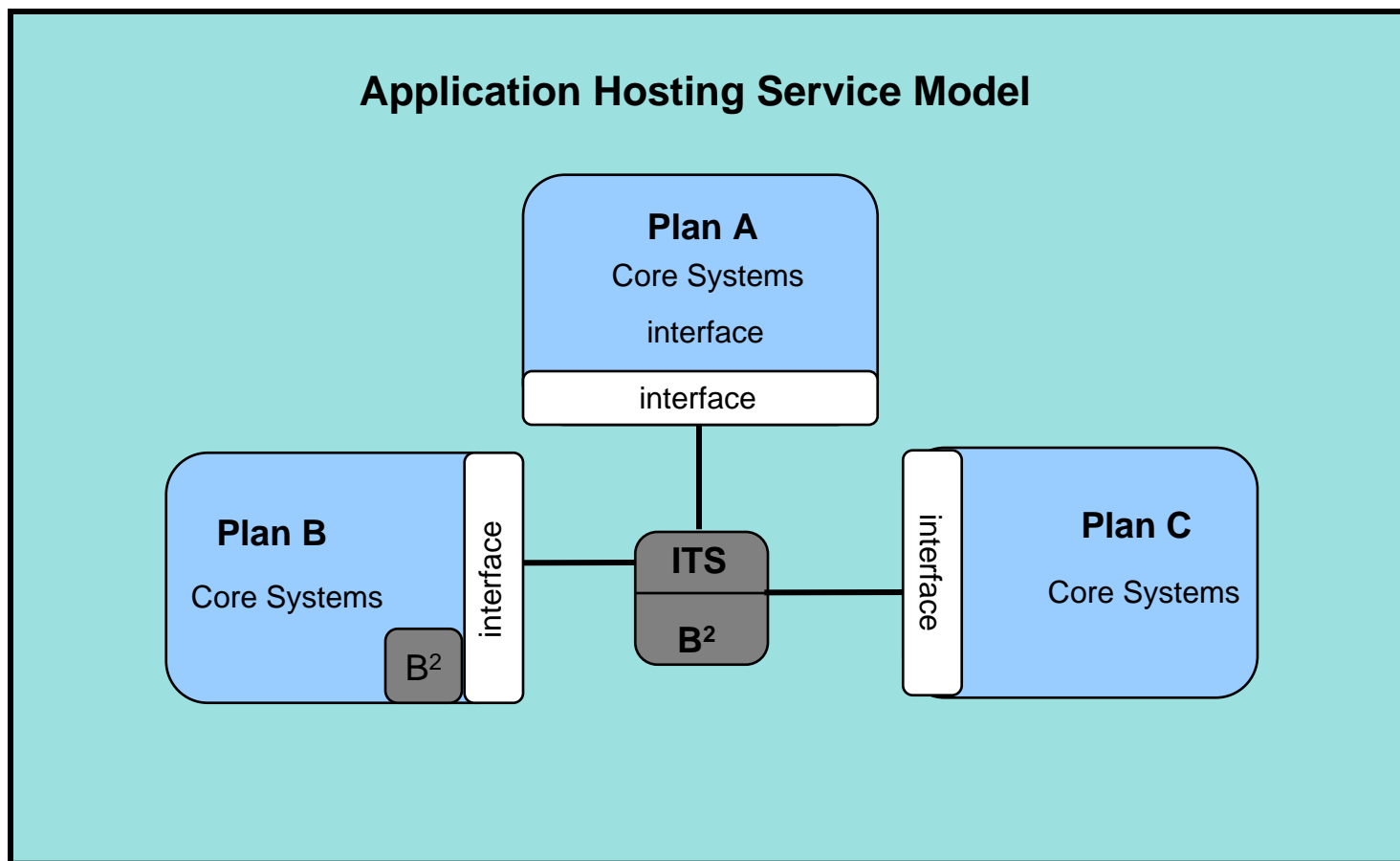
Plans have the option to utilize PlanConnexion to provide operational efficiencies and achieve potential cost savings.



PlanConnexion

Application Hosting Services Provide Plans with an Alternative Approach

Plans have the option to utilize PlanConnexion to provide operational efficiencies and achieve potential cost savings.



PlanConnexion

How will a Plan benefit from PlanConnexion?

PlanConnexion can provide significant economies of scale

- Eliminates need for Plans to build their own ITS capabilities.
 - Blue Strategy Group on Trizetto (BSGT) has determined this to be a strategic initiative.
- Reduces need for recruiting and retaining resources with mainframe expertise — these resources can be leveraged by Plans to work on more valuable differentiator activities.
- Supports Plan efforts on strategic system consolidations.
- Enables more timely and efficient deployment of new capabilities for BCBSA and all Plans.

PlanConnexion is claim system agnostic.

PlanConnexion

Current Status

- We expect the first 4 Plans to migrate ITS to the PlanConnexion Application Hosting Service over the next 12 months
 - Hosting platform has been built and will be available to begin integration testing with first client Plan in July 2009
 - Staffing of PlanConnexion core team is now in place
 - Extensive experience working with Inter-Plan systems and operations
 - Migration initiatives now underway with four Plans
 - *First Plan on target for production cutover November 2009*
 - *All four Plans have elected the BlueSquared hosting service in addition to ITS hosting services*
- Charter meeting with PlanConnexion oversight steering committee held March 2009
- Another 6 to 8 Plans have expressed strong interest and are expected to migrate ITS over to the PlanConnexion Application Hosting Service starting in 2010
- Preparing to launch shared software solutions and consulting services Q4 2009

PlanConnexion

Resources

Contacts

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- Tim Taylor, timothy.taylor@bcbsa.com , 312.297.5989
- DeAnna Roszak, deanna.roszak@bcbsa.com, 312.297.5903
- Neil Sands, neil.sands@bcbsa.com, 312.297.6272
- Peter Zenzerovich, peter.zenzerovich@bcbsa.com, 312.297.6078

BlueWeb Pages

[PlanConnexion Link](#)

[Shared Solutions Link](#)

Blue Health Intelligence (BHI) Update

Business Information Trends

Any Company that depends on tight linkages with its customers and suppliers runs the risk of disintermediation by information brokers...

- **Proliferation:** More information is available & in more hands than ever before
- **Precision:** Business must make decisions, more frequently, more accurately, and in shorter time periods than ever before
- **Process:** Decision making requires data: structured, cleansed, and integrated into actionable information and used to drive business value

There is an incredibly competitive emerging industry around information brokerage services – if the Blues aren't fulfilling the healthcare need then others will

Informatics Strategy: BCBSA Board Approved September 2008

Key components of the strategy include...

- Enhance and Protect Blue Information Assets
- Create efficient data management with Blue Plans
- Enable sophisticated data analyses
- Create leading industry standards
- Build an efficient support infrastructure

These components remain relevant amid the evolving needs of external stakeholders; consumers, employers, providers, and new alliance partners who supply analytic capabilities

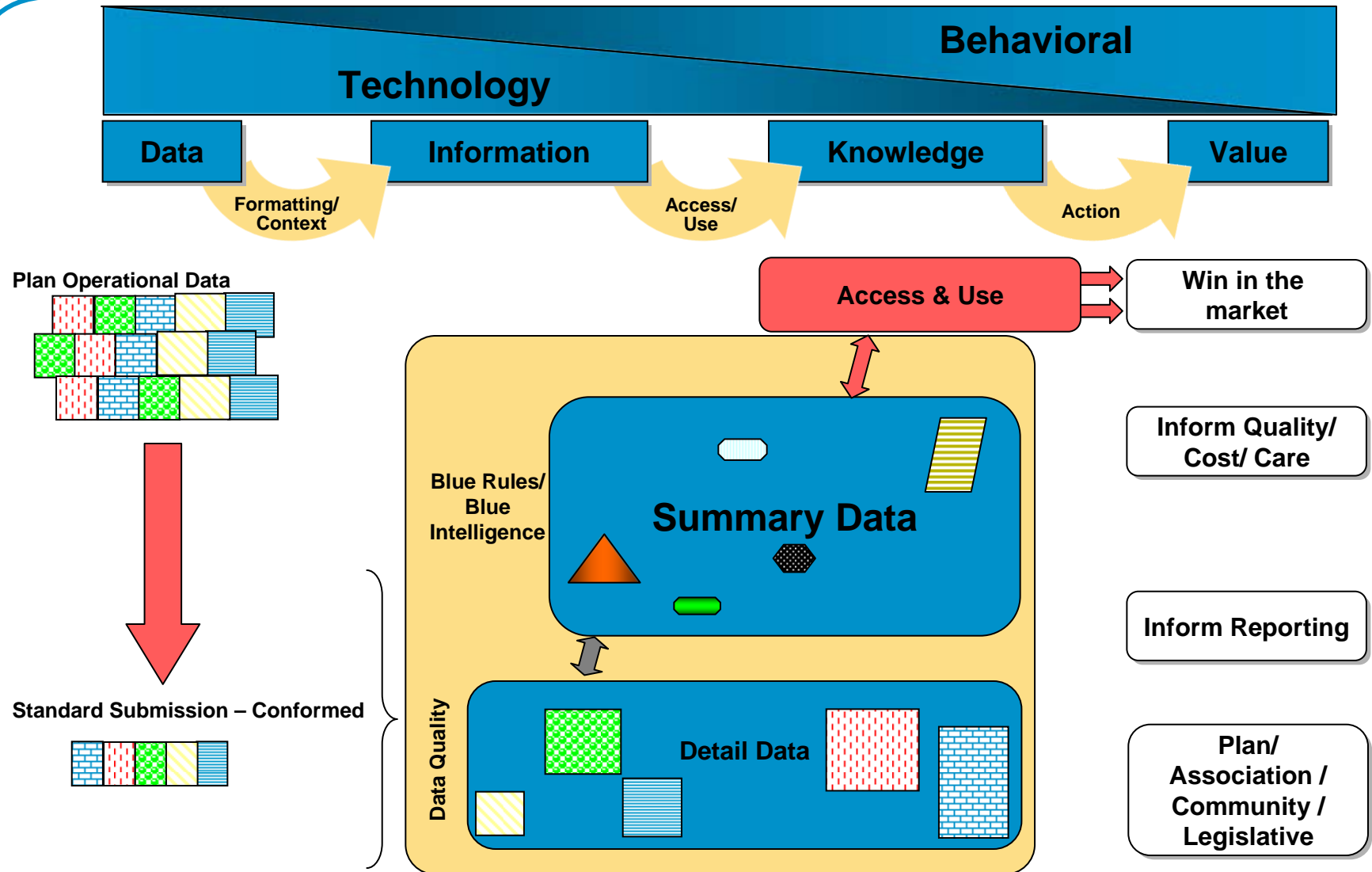
BHI Value

BHI is uniquely positioned to meet the healthcare industry's information demands placed on the Blues...

- Enhance and Protect Blue Information Assets:
 - 19 Plans collaboratively built the BHI data warehouse
 - 54M lives
 - ~ 100M lives longitudinally across 3 years
 - Aggregated medical claims and pharmacy history
- Enabling sophisticated data analyses
 - Plan benchmark and statistics files produced for Plan use
 - Established secure access and clean room mechanisms
 - Created “Jumpstart” application to ease Plan use of information
 - Harvested information from studies to inform sales, trends, and cost of care
 - Enabled Analytics Environment (ADAM) for Plan & Product use

Consistent Information use across the Blues is an area where our **competition** hopes we never leverage our size and strength in the market

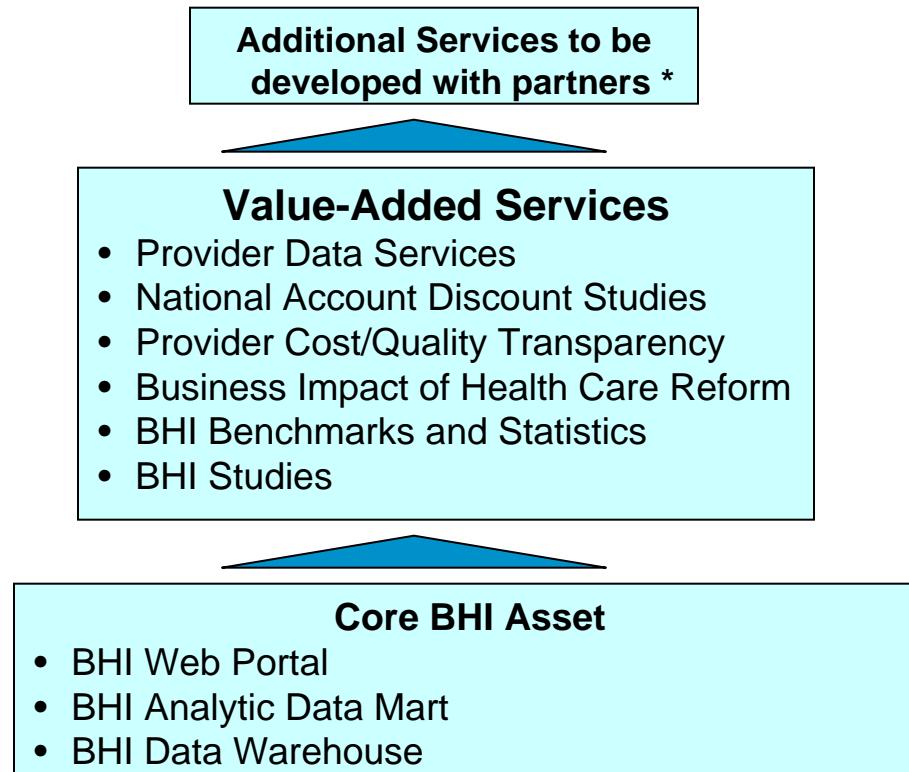
Speaking with one voice across the Blues



Proposed Business Model

Value Proposition

BHI Business Model drives value by leveraging the BHI Asset as a system standard to serve BHI and non-BHI Plans



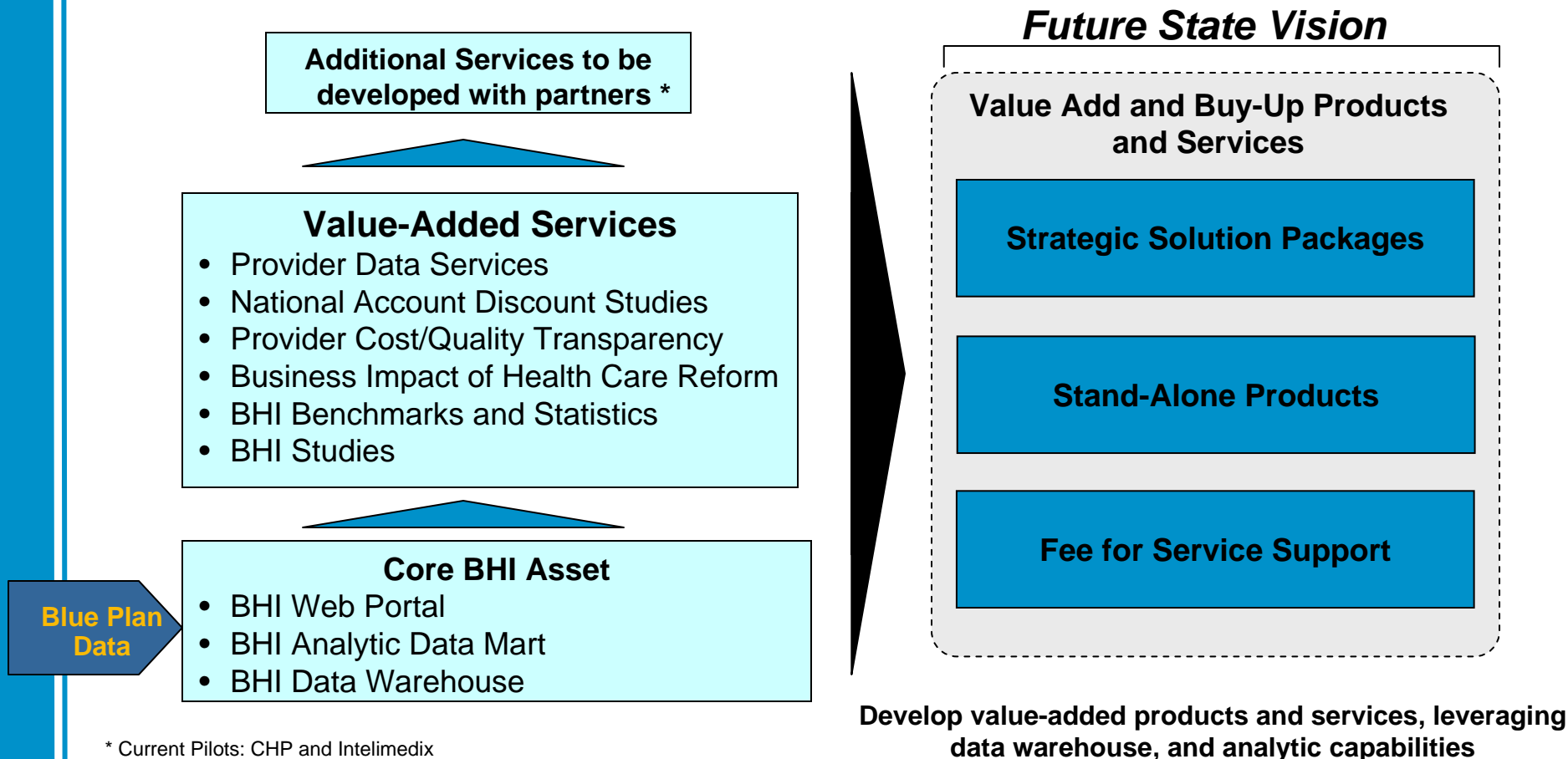
BHI is the BCBSA Informatics Standard for national data collection, analyses, reporting, and use in BCBSA programs

* Current Pilots: CHP and Intelimedix

Proposed Business Model

Value Proposition

Transitioning to standardized data collection also serves as the foundation for developing future value-add products



* Current Pilots: CHP and Intelimedix

BHI Potential Future State:

Requirements for Delivery

Future products and services will meet Plan-defined needs, delivered as packaged solutions or stand-alone products

Future Value Driver	Description	Requirements
Strategic Solutions	<ul style="list-style-type: none"> • Packaged solutions which include data and analytical products, customized reporting, and consultative support 	<ul style="list-style-type: none"> • Additional support resources • Value-add products and services built internally or through vendor relationships
Stand-Alone Products	<ul style="list-style-type: none"> • Specific product or service offerings developed based on stakeholder needs (e.g., Payment Integrity, Account Support, Integrated Health Management) 	<ul style="list-style-type: none"> • Competitive products that can supplement or replace Plans' existing informatics solutions
Fee for Service Support	<ul style="list-style-type: none"> • Supplementary support offered to Plans which request analytic consulting and training to leverage BHI in delivering against Plan-specific goals 	<ul style="list-style-type: none"> • Consulting and training resources available on demand

BHI

Resources

Contacts

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BlueWeb Page

<http://blueweb.bcbs.com/blueweb/leaf?docId=13918>