

Southeastern Actuaries Conference

June 19, 2003

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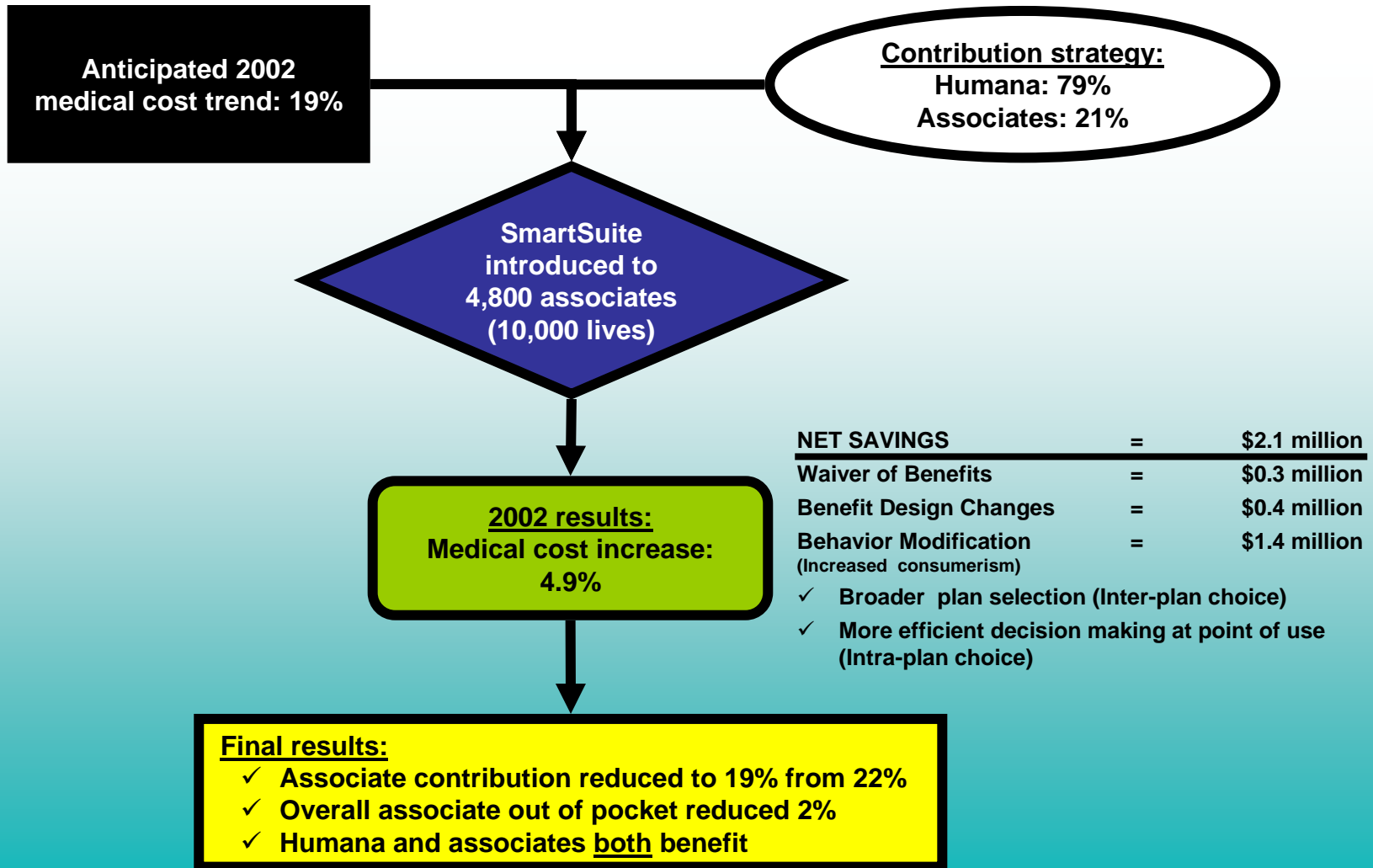
Humana Inc

SmartSuite Results

Facing Double Digit Increases

- **Costs were expected to increase 19% for the upcoming plan year**
- **Humana introduced a new concept in July 2001 to 4,800 Louisville Associates**
- **Plan design choices were expanded**
 - 1 HMO, 3 PPO plans, 2 CoverageFirst plans
- **Second year of our Rx4 offering**
- **Plan contributions remained constant from the prior year**
- **Employees were able to “buy down” to a CoverageFirst plan**
- **A comprehensive communications plan helped educate associates on their options**

Humana Has the Solution



SmartSuite Enrollment Results 2001 - 2002

Plan Option	06/01/01 Enrollment	Assumed 07/01/01 Enrollment	Actual 07/01/01 Enrollment	Current 06/30/02 Enrollment
HMO	3788	3239	3310	3159
Tiered PPO	5886	5935	5140	5037
PPO Standard	135	249	613	783
CoverageFirst \$1,000	0	156	271	274
CoverageFirst \$2,000	0	230	264	300
Totals	9809	9809	9598	9553

SmartSuite Enrollment Results 2001 - 2002

Plan Option	7/01/00-6/30/01 Trended - 7/01/01-6/30/02 Experience PMPM	Actual 7/01/01-6/30/02 Experience PMPM
HMO	\$127.17	\$138.55
Tiered PPO	\$163.33	\$141.48
PPO Standard	\$100.65	\$110.10
CoverageFirst \$1,000	\$63.96	\$39.09
CoverageFirst \$2,000	\$78.24	\$50.65

SmartSuite vs. Louisville Market - Change in Utilization

Change in Utilization

<u>Category</u>	<u>Statistic</u>	<u>SmartSuite Change</u>	<u>Market Change</u>
Hospital Inpatient	Days/1000	-14.4%	2.0%
Hospital Outpatient	Units/1000	-0.1%	8.2%
Physician	Units/1000	16.9%	13.3%
Rx	Scripts/1000	5.5%	1.9%

Lessons Learned

- **Most employers will see 10% to 25% migration to CDHPs if using a flat contribution strategy**
- **Second year migration appears to double the enrollment in CDHPs (Humana Non-Louisville)**
- **Some employees in each employer group will always want a traditional plan and are willing to pay for it**
- **Hospital and school group employees like their traditional plans and are willing to pay for them**
- **Significant changes in employees contributions will encourage enrollment in the CDHP's**

Lessons Learned (continued)

- **Communication is a key factor in order to encourage movement to the CDHPs**
- **Low utilizers are more likely to enroll in the CDHPs**
- **Higher income employees are more likely to enroll in the CDHPs**
- **Lower income employees are willing to pay more premium to buy better benefits**
- **Adverse selection will occur in the traditional plans**
- **Positive selection will occur in CDHPs**
- **Key is to keep the risk pool together and price for expected adverse selections**

SmartSuite Results

- **Forty-two SmartSuite clients to date (as of June 2, 2003)**
- **Analysis of 5 groups**
 - 4,800 members
 - 5 to 12 months of data
 - Results are annualized*
- **Average annualized trend for 5 groups is 5.5%**

**Annualized results include data through 4/2003*

The Next Generation SmartSelectSM Introduction

The Next Generation... SmartSelect “Build Your Own” Plans

- **Louisville associates were offered a new product design that allowed them to customize their plan offerings**
- **17 basic medical plans, all PPO-based, including:**
 - 6 copay and deductible options
 - 3 coinsurance options
 - High deductible plans with Personal Care Accounts (PCAs)
- **Two Rx options**
- **An online calculator was available to help employees model out-of-pocket costs**

SmartSelect Enrollment Results 2002-2003

- The average deductible selected moved from \$150 to \$350
- Waivers remained consistent at 18%
- Enrollment in the PCA plan designs was consistent with the CoverageFirst enrollment in the previous year (6%)

Plans Broken Down by Deductible	2001 Enrollment	2002 Enrollment
\$ 0	86.4%	15%
\$ 100	0%	33%
\$ 250	7.9%	30%
\$ 500	0%	16%
PCA 2000	5.7%	3%
PCA 3000	0%	3%

SmartSelect: Interesting Facts

- **20% of HMO members moved to a PCA or \$500 deductible plan**
- **16% of members moved from the tiered PPO to a PCA or \$500 deductible**
- **67% of associates chose the hospital tiered copayment option (\$100/250)**
- **20% of members chose the \$100 deductible Rx option**

SmartSelect Profile

Plan	Avg. Age	Exempt %	Coverage Level	Salary \$25K-\$50	Salary \$100K+
\$0	40	39%	EE	20.0%	11.0%
\$100	39	50%	FAM	34.0%	20.0%
\$250	38	57%	FAM	27.0%	32.0%
\$500	37	63%	FAM	13.0%	24.0%
\$2,000	38	73%	EE	3.0%	7.0%
\$3,000	38	67%	EE	2.0%	6.0%

- 20% of associates with income less than 50K chose \$0 deductible vs. 11% with 100K
- 5% of associates with incomes less than 50K chose PCA plans vs. 13% with incomes 100K+

- **SmartSuite**
- **SmartSelect**
- **Smart???**