

Texas

Health Plan Analysis

Summer 2007 Vol. 9 No. 3

Texas

Health Plan Analysis

Summer 2007 Vol. 9 No. 3

Texas Market Analyst

Bill Melville

wmelville@healthleaders-interstudy.com

Texas Research Analyst

Jodi Tonkin

jtonkin@healthleaders-interstudy.com

HEALTH PLAN ANALYSIS

Principal Director of Research & Analysis

Sheri Sellmeyer

Associate Director of Health Plan Analysis

Jane DuBose

Assistant Director of Health Plan Analysis

Paula Wade

Health Plan Analysts

**Rick Byrne, Ric Gross, Chris Lewis,
Don Mooradian, Bill Melville, Roy Moore,
Lori Anne Parker, Jan Shuxteau**

HEALTH PLAN DATA

Director of Research Analysis

Laura K. Black

Senior Analysts

Randall Gish, Jodi Tonkin

Research Analysts

**Natasha Al-Qadi, Carolyn Craft, Kristi Gumm,
Devona Matthews, Mimi Pounders,
Andrew Wharton**

SHARED SERVICES

Senior Software Engineer

Ben Jones

Database Analysts

Pam Colangelo, Lance Wolkenbrod

Senior Database Administrator

Mike Schellhammer

Design & Production

Lisa Hartley

SALES & MARKETING

Director of Sales

Eric Matchie

Marketing Manager

Kelly Morphy

Product Manager

Mark McMahan

National Account Managers

Susan Albano, Jacky Lancio, Jolayne Perry

National Account Executives

Nina Bellinger, Bob Fucile, Jed Maley, Greg Morrill

Account Executive

Shea Ivy

HEALTHLEADERS-INTERSTUDY

President

Greg George

Operations Manager

Tracy Coats

Staff Accountant

Jackie Sawyer

CORPORATE OFFICE

One Vantage Way, B-300

Nashville, TN 37228

Phone: 615.385.4131

Fax: 615.385.4979

Toll Free: 888.293.9675

In This Issue

3 Legislature

3 Texas Takes Baby Steps To Reduce Uninsured

6 Disease Management

6 DFW Business Group Focuses On Diabetes

8 Health Plans

8 Scott & White Expands Its Footprint In Texas

9 Humana: Predictable Trends Or Your \$\$ Back

10 Texas Health Plan Briefs

12 Enrollment

12 Aetna Adds 248,000-Plus In Texas PPO

14 People

15 Medicaid

15 Evercare Back In SMART+PLUS Program

16 Pharmacy

16 Aetna Waives Co-Pays To Steer Scrip Changes

17 Metrics

Published June 2007. Copyright © 2007 HealthLeaders-InterStudy (a Decision Resources company). All Rights Reserved. Intended for the sole use of a HealthLeaders-InterStudy registered subscriber. Photocopying, forwarding or reproducing in any form, in whole or in part, is a violation of federal copyright law and is strictly prohibited. Selling or otherwise providing this information to third parties violates the contractual agreement under which this report and data are provided and is a violation of federal copyright statutes. Violation of federal copyright law is punishable by fines up to \$100,000. Questions regarding use of this product should be directed to HealthLeaders-InterStudy, One Vantage Way, B-300, Nashville, TN 37228; 615.385.4131.

Texas Takes Baby Steps To Reduce Uninsured

By Bill Melville

While this session of the Texas Legislature never lacked for political drama, it also managed to score a little bit on the healthcare front.

Lone Star State lawmakers managed to approve modest improvements to Medicaid reimbursements and to relax eligibility rules for the state's Childrens Health Insurance Program, a move designed to restore coverage to children forced out of the program by cuts made in 2003. But even with those moves, Texas is secure in its perennial status as worst-in-the-nation for its rate of health insurance coverage: still estimated at 24 percent uninsured.

House members walked out on the session's penultimate day as a slap at House Speaker Tom Craddick (R-Midland), who survived a challenge to his leadership and held onto power long enough to gavel the session to a close.

But beneath the political drama, Gov. Rick Perry's Healthier Texans proposal, which would have provided healthcare premium subsidies to some employees of small business, went nowhere. The failure had more to do with the program's proposed funding mechanism than its policy value—Perry had proposed to pay for it by selling the state's lottery operation to a private company.

But, under significant pressures from doctors and hospitals, legislators did manage to enact reimbursement increases for Medicaid and CHIP. They also authorized creation of a limited "Texas Health Opportunity Pool" to subsidize premium payments for low-income employees of small employers, subject to waiver approval from the Centers for Medicare & Medicaid Services. Until that application is made, the specifics of the pool program remain unclear.

Lawmakers also came under public pressure to restore access to the state's CHIP, which covers children whose family incomes are too high for Medicaid but are below 200 percent of the federal poverty level. The program has seen a sharp decline in enrollment since legislators in 2003 erected a series of eligibility hurdles for CHIP. In the end, only some of those barriers were lifted.

Back On The Old Block. The CHIP bill (**HB 109**) didn't expand the program as much as it relaxed the stringent eligibility rules enacted in the 2003–04 budget.

"It's not 100 percent of what we advocated for, but it attacks the major points," said Anne Dunkelberg, associate director of the Center for Public Policy Priorities.

CHIP hit its enrollment zenith in May 2002 with 529,211 kids, but enrollment restrictions designed to eliminate budget shortfalls winnowed the rolls down to 325,479 by December 2006. Enrollment followed that downward trajectory into June, where it landed at 300,798, cutting off far more children than lawmakers had intended.

HB 109 HIGHLIGHTS

- » Potentially expands CHIP enrollment by 127,000 children.
- » Six-month income checks required for some families (those above 185 percent of FPL) Funds a bilingual outreach program.
- » CHIP's 90-day waiting period now applies only to children covered by insurance in the 90 days prior to application.

Source: Texas Medical Association

"Some of the administrative barriers were knocking folks off the rolls," Hawkins said.

The 2003 CHIP changes required all children to re-enroll in the program every six months, showing documentation of family income, assets and other eligibility criteria. Under a late-session compromise, the only CHIP enrollees whose family income surpasses 185 percent of the federal poverty level will be subject to the six-month reverification of eligibility. Enrollment for all others will be set at 12 months and the 185 percent threshold ensures 90 percent of CHIP families won't even notice the six-month mark's passage, state officials said.

Advocates wanted the six-month income and assets check dropped altogether, arguing that it is difficult for many low-income working families to pull together such documentation and re-apply periodically. But legislators view the process as an accountability measure, designed to make sure the program only serves those who are entitled to CHIP assistance.

As part of the new eligibility check process, the Health and Human Services Commission plans to bring a new electronic income review system online in segments, with Sept. 1, 2008 the date for total rollout. If they don't exceed the income threshold, families will have the opportunity to update the information, and those found ineligible at the six-month check will receive at least 30 days' notice from HHSC of their child's coverage expiration.

The bill also restores a provision from the 1999 CHIP law for outreach to community organizations, which the legislature augmented by requiring the state conduct the outreach efforts in both English and Spanish. That outreach component is critical because many of Texas' 1.4 million uninsured children qualify for CHIP or Medicaid yet their families don't seek the services, said Barbara Best, Texas executive director of the Children's Defense Fund.

The asset limit for families at CHIP's higher end (150–200 percent of the FPL) increased from \$5,000 to \$10,000 and lawmakers raised the exemptions for automobile values and for child care expense.

How many children will actually join the CHIP rolls is a point of debate, since 100,000 and 127,000 have both been

SB 10 HIGHLIGHTS

- » Creates customized healthcare options for enrollees.
- » Authorizes a pilot project for wellness programs.
- » Authorizes creation of a Health Opportunity Pool to fund premium subsidy programs.
- » Creates a reform oversight committee to monitor progress of the reforms.

Source: Texas Medical Association

estimated as potential increases. With the monthly fluctuations in enrollment numbers, the baseline from which the increase starts remains undetermined.

“It’s tough to know what their assumptions are about the current enrollment. We’re going to have to bide our time,” said Jared Wolfe, executive director of the Texas Association of Health Plans.

Of the 32,187 families denied CHIP services between January and June, 8,716 did not return the renewal form and 7,132 returned an incomplete renewal packet. HHSC discovered 5,554 were already enrolled in Medicaid; and 6,670 returned the renewal form but weren’t eligible for CHIP. Of those 6,670 who no longer qualified, 3,480 had income that exceeded CHIP’s limit [200 percent of the federal poverty level] while 3,190 had income that dipped down to Medicaid-eligible levels.

But lawmakers and lobbyists were eager to declare a victory for uninsured kids, even though the results of the changes are not entirely clear.

“When you couple it with some of the Medicaid programs, it’s chipping away at [the healthcare problem],” said William Hinchey, M.D., president of the Texas Medical Association.

Budget Raises Providers’ Reimbursement. Under pressure from provider groups, lawmakers raised Medicaid and CHIP reimbursement rates to doctors for the first time since 2001—a move supported by physicians and hospitals and at least partly in response to a provider lawsuit challenging reimbursement rates. Advocates of the higher rates have argued that the low Medicaid rates have forced Texas’ providers to cost shift to private insurers in order to stay afloat.

“The low [Medicaid reimbursement] rates were forcing [hospitals] to use their disproportionate share and upper payment limit before they provided any charity care,” Wolfe said. DSH and UPL funds are federal Medicaid program funds designed to reimburse safety-net hospitals for the uncompensated care and charity care they provide.

In the first half of 2007, Medicaid grew by almost 100,000 patients to more than 2.61 million, according to the HHSC; and the new enrollees were almost all children. The new budget projects total Texas Medicaid enrollment of 2.7 million in 2008.

The bill by Sen. Jane Nelson (R-Flower Mound) creates the Texas Health Opportunity Pool Trust Fund, giving

HHSC the ability to use DSH and UPL funds to provide premium assistance and limited coverage programs for the state’s uninsured. HHSC must develop a federal waiver for the program. The law allows the Opportunity Pool to use its funding to support the creation of regional small business health plan pools as well.

“A lot of [the reforms] are contingent on how the federal government plays ball with us on the waivers. CMS won’t approve just anything,” Wolfe said.

SB 10 requires the HHSC to create standards for hospitals’ uncompensated care reporting, an issue which a workgroup will examine further.

Medicaid Reforms. The measure approved several significant reforms to Medicaid, including a provision to allow adults to choose a Medicaid health savings account rather than defined medical benefits.

The legislation also permits the state’s Medicaid program to structure different benefit designs for different categories of enrollees, moving Texas Medicaid away from a one-size-fits-all system. Also for the first time, Texas Medicaid has legislative authorization to offer wellness programs such as weight loss and smoking cessation.

HHSC is also directed to consider expansion of the integrated care management (ICM) program for Medicaid enrollees in the aged, blind and disabled category.

The measure also requires copayments for Medicaid patients who use emergency rooms for non-emergency services in an effort to reduce the stress placed on hospital ERs. The measure also creates a committee on health and long-term care insurance incentives to study and develop recommendations regarding additional methods the state may use to reduce the number of uninsured.

“Anything we can do to create a medical home is important,” said John Hawkins, vice president of governmental affairs for the Texas Hospital Association. “The uninsured is such a big problem, it’s going to require additional study.”

Bits And Pieces. The frantic pace of the 80th Session pushed many pieces of legislation through at the last minute, including **HB 1919**, which would require insurers to cover some services related to early childhood autism intervention and therapy.

The Texas Association of Business brought stiff opposition and demanded Perry’s veto, saying the bill’s costs were too much for businesses to bear and that the market should set coverage offerings, not the legislature. Perry did not veto the measure.

Also passed was **HB 2702**, which extended health care subsidies of \$150 per month to adopted children leaving foster care. The bill targets adopted children not eligible for Medicaid and adopting families with incomes less than 300 percent of the FPL.

Under heavy opposition from state employee groups, lawmakers turned back an effort to offer an HSA and high-deductible health plan for state employees.

And, signalling an issue that is heating up in statehouses nationwide, the powerful Texas Medical Association blocked an attempt to loosen Texas' scope-of-practice regulations to allow more nurse-operated retail clinics to open in the state.

OUTLOOK: Though lauded by advocates as a promising step, the CHIP and Medicaid reforms only scratched the surface of Texas' massive uninsured problem. Despite uncertainty about how the level of the enrollment increases, CHIP can now ratchet up how many children it covers. With that said, enrollment will likely top out short of CHIP's 2002 high-water mark. ■

DFW Business Group Focuses On Diabetes

By Bill Melville

Pinning down a rating for physicians' quality of care can be a dicey proposition, as the Texas Blues found out earlier this year with the forced delay of its BlueCompare physician rating system.

But now the Dallas Fort Worth Business Group on Health is pushing ahead to create a quality indicator specifically designed to guide patients diagnosed with diabetes. A chronic condition shared by an estimated 1.7 million Texans, diabetes' proper management can ward off serious, expensive and disabling complications including loss of limbs, nervous system disorders, birth defects, heart disease, stroke, blindness and kidney failure.

The organization just announced the Dallas Fort Worth Diabetes Collaborative, its initiative to create a standardized measure for the quality of diabetic care across the Metroplex.

"We wanted to target chronic disease," said Marianne Fazen, M.D., executive director of the Dallas/Ft. Worth Business Group on Health, whose membership includes the region's major employers, including American Airlines, Texas Instruments, Southwest Airlines, JC Penney, EDS and Verizon Communications. Those members, she noted, "want to make sure their employees are receiving appropriate care." Further, their combined numbers make it possible for the group to have a transformative impact on healthcare quality in the market.

The collaborative is a three-year effort, with the goal of establishing the scorecard by the second year's end. The metrics for the scorecard should be decided by this summer. Then the group will hire a third-party contractor to develop a single score from those metrics. Funding for the collaborative comes through in-kind services of participating stakeholder groups, with some support from Astra Zeneca, GlaxoSmithKline, Merck, Novartis, Sanofi-Aventis and possibly more pharmacy companies down the road.

Measuring Success. There are four measures of quality that have universal acceptance for management of diabetes: periodic A1C testing for diabetic glucose control, LDL cholesterol levels, eye exams and measures of microalbuminuria, a protein in urine that serves as a warning sign for diabetic kidney disease. The collaborative's metrics will measure the degree to which providers are performing those measures in managing their patients' chronic illness.

With seven percent of the population nationwide with diabetes—and one-third of those unaware they have it—the business group did not ponder long about which chronic disease to target.

The reason for choosing diabetes is explained by Texas' demographics. One-third of the state's population is of Hispanic origin, and diabetes' complications are devastatingly prevalent in Hispanics. According to the American

Diabetes Association, Mexican-Americans with diabetes are 4.5 times to 6 times more likely to develop kidney disease. Mexican-Americans are twice as likely to develop diabetic retinopathy (blindness), and have a higher rate of diabetes-related amputation.

In addition, a national study by The Commonwealth Fund shows that Texas ranks very high relative to other states in the incidence of avoidable hospitalizations due to diabetes.

"We think with the obesity epidemic, diabetes is the natural progression," Fazen said.

The director of a national organization of business groups said while there are many positives to instituting such standards, the first and biggest is to raise the bar on care quality.

"Providers respond to it. It's a big motivator for providers to improve performance," said Andrew Webber, president/CEO of the National Business Coalition on Health in Washington D.C., of which the Dallas Fort Worth Business Group on Health is a member.

Starting with the Metroplex's major insurers (Aetna, Blue Cross Blue Shield of Texas, UnitedHealthcare, AmeriGroup, CIGNA HealthCare and Humana), the Business Group on Health expects that with those six on board, the area's smaller insurers will sign on, generating a more comprehensive report card down the road.

"There will be a single unified report card that's publicly reported. The average Joe with diabetes can make a decision. We think [the ratings] will raise all the boats in the harbor," Fazen said.

Once compiled and released, the report card will be available online to the public.

The business group completed a test run with UnitedHealthcare and one of the Metroplex's largest employers, American Airlines, and its 28,000 Dallas area employees. The 18-month project looked at 98 primary care physicians who treated more than 100 American Airlines employees and covered a large cross-section of diabetics.

Because diabetes has manageable symptoms if monitored properly, patients need to know which providers are offering the most effective care. Fazen stressed that publishing

GOALS OF THE DALLAS FORT WORTH BUSINESS DIABETES COLLABORATIVE

- » Measure area physicians' appropriate use of diabetic tests.
- » Rank doctors on their use of the measurements.
- » Post information online for insurers, hospitals and public.
- » Consider possible value networks.

Source: DFW Business Diabetes Collaborative

COMPLICATIONS OF DIABETES

- » Adult diabetics have 2 to 4 times the risk of stroke.
- » 73 percent of adult diabetics have high blood pressure or need hypertension drugs.
- » Diabetic retinopathy causes 12,000–24,000 Americans to go blind each year.
- » Diabetes is the leading cause of kidney failure.
- » Between 60 percent and 70 percent of diabetics have nervous system damage.
- » The rate of amputation is 10 times higher for diabetics.

Source: American Diabetic Association

the data isn't intended solely to spotlight what tests physicians have or haven't provided, but to "close the loop" and strengthen the relationship between doctor and patient in diabetic care.

While Webber said the collaborative's work may lead to pay-for-performance incentives in the future, the group

intends to begin with posting the information and launching a public education and outreach effort, targeted to the diabetic population.

"The research is not favorable that consumers use that information and take action in response to it. We've got some more homework to do," Webber said.

That's why the consumer education piece starts immediately. The BGH plans to use its coalition of physicians, insurers, pharma companies, employers and other stakeholders to let the public know the impact those tests can make on a diabetic's quality of life and that a unified physician rating for them is on the way.

OUTLOOK: Just as the green movement has taken off on the grassroots level, the DFW Business Group on Health's rating system is a regional attempt to improve outcomes for diabetics, prevent expensive complications and keep them in the workplace. If successful, such initiatives have a chance to improve the quality of care at the regional level and can be replicated to cover other chronic diseases, improving quality of life for patients along the way. ■

Scott & White Expands Its Footprint In Texas

By Bill Melville

As other provider-owned plans have sputtered, died and been absorbed by larger insurers, Temple-based Scott & White Health Plan is thriving financially and is expanding—very cautiously—into new territory.

Scott & White is a dominant force in healthcare in central Texas, and is pushing its boundaries outward in the 195 miles separating Dallas-Fort Worth and the state capital in Austin.

It helps that its reputation has been burnished by consistent high marks in state and national health plan rankings. Scott & White has the distinction of two consecutive years (2005 and 2006) as the state's highest ranked plan on *U.S. News and World Report's* "America's Best Health Plan" standings.

The same issue placed Scott & White's Medicare program as 13th nationwide and the National Committee for Quality Assurance awarded it three consecutive "Excellent" accreditations.

"Others have tried it, but Scott & White stays with it. They've felt the success of the health plan and the success of the provider together," said Allan Baumgarten, a Minneapolis-based independent healthcare analyst and author of the *Texas Managed Care Review*.

With Texas A&M University System Health Science Center College of Medicine as its clinical partner housed at Scott and White's Temple campus, the med school and teaching hospital is central to the plan's operation. The health plan has its roots—and its name—in the medical practice begun in 1897 by Arthur C. Scott, M.D., and Raleigh R. White Jr., M.D. The practice is now the largest multi-speciality practice in Texas, with more than 550 physicians and 19 regional clinics throughout Central Texas.

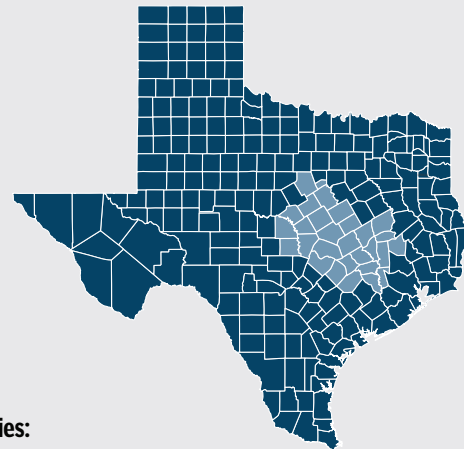
With the beginning of the Medicare Part D Prescription Drug Plan in 2006, Scott & White made its first foray beyond its Central Texas dominion and into the statewide market, enrolling 18,000 participants in its Part D plan.

"It's one of the first things we've done on a statewide basis but we'd like to do more with our capabilities," said Allan Einboden, executive director of the Scott & White Health Plan. All told, the health plan's enrollment has reached 210,000 counting its Medicare Part D members.

"They do the blocking and tackling of the healthcare system exceptionally well. That can't be said of other rural settings for healthcare delivery," said Jim Watt, president of Employee Benefits Solutions, Inc.

But as its recent building boom illustrates, this provider-owned plan has every intention of remaining a major player in Texas healthcare. Scott & White has announced it will be a partner in the new 120-bed Lake of the Hills Regional Medical Center near Marble Falls. It also plans to open a new 72-bed hospital in the economically vibrant Austin suburb of Round Rock in July.

SCOTT & WHITE HEALTH PLAN SERVICE AREA



Counties:

- | | | |
|------------|------------|--------------|
| » Austin | » Fayette | » Mills |
| » Bastrop | » Grimes | » Robertson |
| » Bell | » Hamilton | » San Saba |
| » Bosque | » Lampasas | » Travis |
| » Brazos | » Lee | » Walker |
| » Burleson | » Leon | » Waller |
| » Burnet | » Llano | » Washington |
| » Coryell | » Madison | » Williamson |
| » Erath | » McLennan | |
| » Falls | » Milam | |

Source: Texas Department of Insurance

"We're in for the long haul," said Einboden.

Slow And Steady. More a tortoise than a hare in how it has expanded throughout its existence, Scott & White is extending out from its Temple roots to Hill Country outside Austin.

"They're not doing anything in a hasty way," Watt said.

Scott & White opened its new Center for Advanced Medicine in January and the Scott & White Continuing Care Hospital in May. "Before this, we didn't have a long-term acute care hospital between Dallas and Austin," Einboden said.

When Scott & White takes its big step outside Temple into Round Rock, where it opens the University Medical campus, it moves into a high-growth area with plenty of established competitors, both on the health provider side and the health plan side.

That poses some unique competitive issues for Scott & White, Baumgarten pointed out. Scott & White virtually had the market to itself in Temple and its surrounding areas, but its move into Austin's outer suburbs places the system into a fight for market share on all fronts.

“As they move into areas where they face competition, they have to exercise caution,” Baumgarten said. Round Rock is a little different since three new hospitals [including Scott & White’s University Medical Center campus] are coming into the market, so having a “right-sized” facility is key. Otherwise, the hospital might have to confront a longer road to realization of its ROI.

But with the Scott & White Health Plan so connected to the hospital from Day One, there are other health plans to consider. Having been so dominant as an integrated health system in an area where few insurers operated, Scott & White is working to make sure its new hospital contracts with competing health plans as well, Baumgarten said.

Spreading Out. Scott & White’s recently-announced joint venture with Llano Community Hospitals calls for a 120-bed acute-care hospital, called Lake of the Hills Medical Center, in the Hill Country west of Austin. Though it sold off a local clinic in the area years ago, the health plan’s presence continued. With Burnet County’s population growing more than 26 percent over the last six years, the proposed new hospital is in one of the fastest-growing areas of Texas. That facility is slated to open in 2009.

“The health plan has always had a strong presence in that area,” Einboden said. “People don’t want to be jerked around.

SCOTT & WHITE BY THE NUMBERS

	2004	2005	2006	2007
HMO Lives (Jan.)	182,382	184,336	152,458	186,000
Net Income (000)	\$2,693	\$3,943	\$4,683	N/A
Medical Loss Ratio	0.94	0.94	0.93	N/A
Net Income PMPM	\$1.35	\$1.96	\$2.29	N/A
Profit Margin	.61%	.87%	.94%	N/A

Source: HealthLeaders-InterStudy

They want to understand the value proposition and know the value will be consistent over time,” Einboden said.

OUTLOOK: *Having a brand wrapping a hospital system, health plan and teaching hospital under the same roof offers Scott & White a market presence few can rival. With recent construction further securing its niche in Central Texas, Scott & White is poised to increase its presence on the edges of the Dallas-Fort Worth and Austin regions. Its plan offerings and facilities will expand in a slow, calculated way—and not at the expense of the care for which it has been lauded.* ■

Humana: Predictable Trends Or Your \$\$ Back

By Bill Melville

Although Texas is hardly leading the pack on consumer-driven health plans, the big-name insurers are still bringing them to Texas when they roll out CDHP products companywide.

With its latest offering in the Texas market, Humana of Texas has dangled a new carrot in front of self-insured employers of 300 or more: a product called SmartResults that includes a money-back guarantee of predictable annual premium trend. In other words, if the employer can get its employees to adhere to the program’s health assessments and other programs, Humana guarantees premium rates for three years.

Launched system-wide in late April, the SmartResults program not only offers money back if the healthcare premium trend doesn’t meet Humana’s predictions, but balances the offer by urging employees to take better stock of their health and to take advantage of the plan’s wellness options to improve health. Those include individual health assessments for members, personal health coaching by Humana-trained nurses, and other features designed to improve members’ overall health and drive down cost.

As of June, Humana had not sold the plan to any Texas employers, but it had been received well when presented to

the brokerage community, said Ken Malcolmson, Humana’s market CEO for Texas.

Humana Gets ‘Smart.’ SmartResults is an outgrowth of Humana’s SmartSuite program, which began in 2002 and demonstrated the degree to which certain initiatives could help control overall premium trend. SmartSuite customers experienced annualized claims trends, on average, of 4.2 percent from 2002 through 2006.

During the same five-year period, U.S. annualized health insurance premiums increased, on average, 11 percent.

Humana’s members exceeded prevailing prescription drug compliance rates for effective management of chronic illnesses and accessed preventive healthcare services on a par with national utilization standards. The study also showed that employers are not simply shifting costs to employees. The percentage of overall employee benefits costs borne by SmartSuite members stayed constant at 21 percent over the life of the study, with the employer share at 79 percent.

With five years of data on those trends, Malcolmson said Humana feels confident with the risk it is taking with the money-back guarantee in SmartResults.

“We are at risk for our administrative fees for up to 40 percent if we do not perform,” he said.

SMARTRESULTS, OR YOUR MONEY BACK**Humana's SmartResults offers these financial guarantees:**

- » Premium rate trend guaranteed up to 40 percent of Humana's benefit-administration fees.
- » Humana's administrative fees capped for each of the three years of the SmartResults program.
- » Employers also receive credits for members' behavior modification.

Source: Humana Inc.

Depending on which credits the employer receives for its wellness and education initiatives, the annual trend would likely run between 6 and 9 percent, with the 6 percent trend a likely figure for the employer that aggressively pursues the program's pillars, Malcolmson said.

If the program runs as planned, everyone saves money. However, that requires the combined efforts of the employer, the members and Humana. Seventy-five percent of U.S. employers offered some type of wellness program in 2006, and 40 percent used personal health coaches, according to the National Business Group on Health.

"[SmartResults] is designed to bring behavior change to the employee and how they manage their healthcare. It's a matter of an employee making a commitment to their health. We believe it leads to better health outcomes," Malcolmson said.

In order to participate, employers must get their employees to complete a health and lifestyle evaluations, whose results are used to assess the group's health risk and to design personalized health improvement plans for employees. Employees are asked to engage with Humana's health coaches and wellness resources, which include e-mailed wellness tips and program information. Employers also must agree to stick with the Humana program for three years—long enough for the health interventions to bear fruit.

"It's a three-way partnership between the broker, the employer and Humana. They all have to work together to make [SmartResults] work," Malcolmson said.

Locking in employers for three years also means the employer's isn't spending time and energy pursuing other healthcare quotes as year one winds down. For Humana, it has the security of a client locked in for three years.

"While the rate cap component of the SmartSuite is what appeals to employers, Humana knows that it's up to the participant ultimately to help manage down healthcare costs through better consumerism," said Jim Watt, president of Employee Benefits Solutions, Inc., a Houston-based healthcare consulting firm.

Watt noted that a potential hang-up for SmartResults could be consumer-driven health plans themselves—the movement has been slow to take hold in Texas. "The jury is still out," he said.

Humana is banking that the appeal of SmartResults' guarantee is that it ensures predictable health-benefits costs, enabling more accurate budgeting and long-term financial planning for employers.

"For an employer who wants to predict their cost over a 36-month period, that employer should look at this option. It depends on what the starting rates are, and it will be a client-by-client decision," said Jim Mueller, president and chief operating officer of Frank F. Haack & Associates, a Milwaukee-based insurance brokerage and employee-benefits consulting firm. "It has very broad appeal from a talking point of view though. Who doesn't want their healthcare costs locked up for three years? There are tradeoffs for that though."

OUTLOOK: *With much of the burden on Humana if the employer and employees uphold their ends of the SmartResults bargain, this CDHP has a shot even in the Lone Star State, where they've not taken off yet. Even if the numbers match Humana's predictions, there won't be any groans from employees in SmartResults if their employer's healthcare premiums follow a predictable trend for the three years.* ■

Texas Health Plan Briefs

By Bill Melville

TX Blues Build New Service Facility, Add To PPO Network

Blue Cross and Blue Shield of Texas has contracted with Texas MedClinic, a group medical practice in San Antonio and New Braunfels, specializing in occupational medicine and the treatment of urgent medical problems on a walk-in basis. The clinics have evening hours and are in ten branches in the San Antonio and New Braunfels areas.

The company is also working to staff its soon-to-open Amarillo Service Center, using its new online paperless hiring system, called "BlueRecruit." Currently, the system is

processing applications for customer advocate and claims processor positions. But it can be used to post open positions on a daily basis, accept applications, screen applications and invite potential employees for interviews.

The Texas Blues is owned by Health Care Service Corp. (HCSC), which also owns Blue plans in Illinois, New Mexico, and Oklahoma. Blue Cross and Blue Shield of Texas is the state's largest insurer, serving 3.5 million members in all 254 counties.

Scott & White, CIGNA Get NCQA Excellent Rating

Scott & White Health Plan and CIGNA HealthCare of Texas have recently earned the highest accreditation rating possible from the National Committee for Quality Assurance (NCQA) for its commercial HMO and point-of-service (POS) health care plans.

The accreditation process includes onsite and off-site evaluations of more than 60 standards and selected performance measures from the Health Plan Employer Data and Information Set, conducted by a team of physicians and industry

experts. The “Excellent” status is effective for three years. The review process evaluates how well a health plan manages its operations, works to improve health care for its members, and manages its relationships with medical providers.

CIGNA also won excellent ratings for its HMOs in Illinois, Indiana, Ohio, Arizona, Colorado, Kansas/Missouri, and St. Louis. All 23 of CIGNA HealthCare’s NCQA-accredited HMO and point-of-service health plans currently hold Excellent Accreditation status. ■

Aetna Adds 248,000-Plus In Texas PPO

By Bill Melville

With more than 5.5 million people enrolled in its PPO, Blue Cross Blue Shield of Texas remains the top dog among private insurance companies operating in Texas.

But Aetna Health Insurance of Texas showed the biggest enrollment increase among the state's large commercial PPOs, adding more than 248,000 members during 2006, according to enrollment data compiled by HealthLeaders-InterStudy. Its PPO enrollment stands at 2.3 million members.

And Aetna's PPO growth isn't a cannibalization of its HMO, whose membership generally held its own, fluctuating from 478,719 to 436,370 in the same period.

The only other major national insurer to post a major enrollment gain in Texas was UnitedHealthcare of Texas, which added 74,533 members to its rolls between January, 2006 and January 2007, pushing its total to 3.44 million.

Aetna officials involved in the Texas market say multiple factors contributed to the membership hike, noting that the company has been aggressive in pursuing new business, particularly in pitching small-employer and individual plans.

"We're beating some of our competitors in the marketplace," Ralph Holmes, president of Aetna's small and middle market accounts for Texas and Oklahoma.

Aetna's PPO enrollment was almost evenly split between the fully insured lives (1.29 million) and self-insured (1.03 million) categories. United's enrollment leans toward fully insured lives, with about 2.03 million members; it administers healthcare for 1.4 million members on the PPO self-insured side.

The success stems from a number of factors—premium renewals have stayed within a tolerable range and Aetna offers a broad array of products in a market that is looking for value.

"That's a market phenomenon driven by plan sponsors' efforts to reduce premium increases by offering plans that allow for higher cost sharing on the part of the member," Holmes said. "Having a broad spectrum of products is important to give members and plan sponsors the choices they need. But we understand the marketplace makes its own decisions."

ONE-YEAR CHANGE IN COMMERCIAL PPO ENROLLMENT (PURE+POS)

Aetna: 2,325,189—up 248,246
UnitedHealthcare: 3,429,070—up 74,533
Great-West Healthcare PPO: 336,335—down 3,753
CIGNA PPO of Texas: 176,580—down 10,492
Healthcare Partners of East Texas: 144,600—down 67,346
Humana: 638,123—down 127,615

Source: HealthLeaders-InterStudy

TEXAS HMO ENROLLMENT (PURE+POS)

Scott & White: 167,157—up 14,699
UnitedHealthcare: 286,737—up 8,847
FIRSTCARE: 73,829—up 7,105
Humana: 63,325—down 7,507
Aetna: 436,370—down 42,349
CIGNA HealthCare: 235,310—down 49,084

Source: HealthLeaders-InterStudy

To one consultant monitoring the industry, Aetna's Texas growth in the PPO sector was a matter of striking while the iron was hot.

"I am not surprised by their growth in membership. They have been the beneficiary of the service challenges experienced by UnitedHealthcare over the same period, along with the back dating stock options scandal that [former UnitedHealth Group CEO] Bill McGuire was embroiled in over the last year," said Jim Watt, president of Employee Benefits Solutions, Inc., a Houston-based consulting firm.

"Aetna's management team is exceptional, and they have executed well in their delivery of services to their customers, which is the reason [for] growth in their numbers," Watt said.

But other big commercial PPO insurers posted losses in Texas. CIGNA went from 187,072 to 176,580 (a loss of 10,492 members). Great-West Healthcare fell from 340,088 to 336,335 (losing 3,753 members), and Mutual of Omaha Insurance lost 26,726 to go from 64,009 to 37,283.

Mutual of Omaha has announced it is getting out of the employer health insurance business, and will non-renew its Texas members—most of whom are in the Dallas area—in the coming months.

Humana also posted a sizable loss, with PPO enrollment falling from 765,736 in January 2006 to 638,123 this year. The overwhelming majority came in the first half of the year.

On the regional provider-owned end of the PPO equation, Healthcare Partners of East Texas, a provider-owned PPO, lost 67,346 members from its enrollment, leaving it at 144,600.

Continued HMO Erosion. While Texas is not an HMO-heavy market, HMOs posted another decline, with total enrollment down to 1.66 million, or an 11.74 percent drop in a commercial market of 14.13 million members.

"We are seeing some migration from the HMO. That's a market phenomenon driven by cost," Holmes said. For Aetna, the loss in the HMO market amounted to 42,349 members in 2006 for a market share of 26.3 percent. But with that HMO decline, the company's overall PPO + HMO gain still exceeded 200,000 members.

Numbers for regional HMOs were an equally mixed bag. Scott & White Health Plan showed the largest gains. The Temple-based provider-owned plan grew by 14,699 members last year to 167,157 or a 10 percent market share.

Between PacifiCare of Texas and UnitedHealthcare of Texas, UnitedHealth Group posted a combined increase of 13,136 (8,847 came through UHC of Texas), giving it a market share of nearly 20 percent.

CIGNA HealthCare of Texas went from 284,394 to 235,310 in 2006, a 49,084 member decline. Although its share of the

HMO commercial market is only 3.82 percent, Humana's year-end enrollment was down a net 7,507 to 63,325, a slight rebound from its mid-year enrollment of 61,586.

OUTLOOK: With little movement on the statewide uninsured problem, insurers are left to fight for market share in a state where costs continue to rise sharply and employers feel little competitive pressure to offer full health coverage. In that tough environment, Aetna, United and Scott & White are doing something right. ■

People In The News

Please send announcements to Bill Melville at bmelville@healthleaders-interstudy.com.
Announcements may also be faxed to 615-385-4979.



A. Poteet

CIGNA HealthCare of Texas has announced the appointment of **Kenneth J. Phenow, M.D.**, as medical director for the North Texas market. Phenow joins CIGNA HealthCare from UnitedHealthcare of Southwest Ohio, North Kentucky and Indiana where he served as the chief medical officer. Prior to that, he served in several roles including lead physician for PhyAmerica Inc. at the Marine Corps Base in Camp Pendleton, Calif. and associate medical director for the Southern Region of Scott & White Health Plan.

Humana Inc. has appointed **Alonzo Poteet** as CEO of Humana Veterans Healthcare Services, the company's service division dedicated to the U.S. Department of Veterans Affairs. Poteet comes to his new position with 30 years experience as a Washington D.C. lobbyist, and a number of other private and public sector positions, including Deputy Assistant Secretary of the VA. He will be expected to develop new business with the VA, and guide improvements in efficiency and quality of care.

UnitedHealth Group has named **Tom Strickland** to the new post of chief legal officer, effective May 28. Strickland comes to UnitedHealth from the Denver law firm of Hogan & Hartson, where he is a managing partner. He served as U.S. Attorney for the District of Colorado from 1999-2001.

Aetna has appointed **Mark T. Bertolini** to the new position of head of business operations. He is responsible for the management of all Aetna's businesses and reports directly to Aetna Chairman and CEO **Ronald A. Williams**. Bertolini joined Aetna in March 2003 as senior vice president of specialty products and most recently was manager of Aetna's regional businesses. He has also worked at CIGNA and NYLCare. ■

Evercare Back In SMART+PLUS Program

By Bill Melville

After some initial stumbles, Evercare is back in business in providing network services for the Travis County area's aged, blind and disabled population.

Earlier in 2007, the Texas Health and Human Services Commission suspended Evercare's enrollment until it demonstrated it had enough doctors in its system to handle enrollment and provide services in the Austin area.

According to Ted Hughes, press officer for the Texas HHSC, Evercare has now reached the network requirements to serve that area. Because of mandatory enrollment for ABD patients in the 29 counties served by STAR+PLUS, the move to a managed care system for that population caused a good deal of disruption at first.

"Early on, we were flooded with calls from consumers who didn't know what to do," said Nancy Walker, legislative director for state Rep. Elliott Naishtat (R-Austin), whose district includes a significant portion of the affected Travis coverage area.

Applicants ran up against physicians who were listed in

the network but who were not taking on new patients. Conversely, the in-network physicians still available were inundated with calls from patients seeking care under STAR+PLUS.

But after the suspension, the network issue subsided. "In the past two weeks, I've received one call," Walker said.

The suspension only affected the Travis area; Evercare also provides STAR+PLUS in Harris and Nueces County areas, which along with the Bexar service area were added to the STAR+PLUS expansion in February.

Evercare, a UnitedHealth Group subsidiary covering the 50-plus population, referred all calls on this issue to the HHSC. The insurer has been involved in STAR+PLUS since Texas launched the program a decade ago and has approximately 34,000 members in Texas.

It also serves as the vendor for the Integrated Care Management program covering aged and disabled Supplemental Security Income patients in the Dallas-Ft. Worth area, with approval from the Centers for Medicaid and Medicare Services expected this summer. ■

Aetna Waives Co-Pays To Steer Scrip Changes

By Bill Melville

Aetna is using a targeted free-generics program to push generic utilization in the antidepressant category, hoping the six-months copay waiver will prompt a switch from Lexapro and Paxil CR to their cheaper clinical substitutes.

To get its Texas customers to make the jump off that name brand, Aetna is offering them six free months of the generic alternative on a handful of brand-new antidepressants.

Those who take Lexapro or Paxil CR who switch to their generic doppelgangers—citalopram and paroxetine—get excused from copayments for their first six months of generics.

Lexapro and Paxil CR are both new versions of familiar anti-depressants that have been re-formulated to gain additional patent protection. In Lexapro's case, it is a reformulation of the SSRI Celexa, but with very few side-effects, according to Internet Drug News.com. Paxil CR is a timed-release formula of paroxetine. While they are not generic equivalents per se, they are considered to have similar effectiveness in the treatment of depression.

"There are savings for us and the member," said Robert Gregory, head of clinical programs for Aetna Pharmacy Management.

Available to fully insured businesses across its system, the program got the nod from the Texas Department of Insurance and joined Aetna's statewide programming May 21.

Although Aetna hasn't analyzed the first quarter data yet for the copayment waiver, Gregory said that it has been well-accepted thus far.

According to Gregory, a pilot program run last year in New Jersey proved successful, with a 5.5:1 return on investment ratio.

"They are a cost driver for us. These antidepressants are in the Top 5 [most costly prescription drugs] for the company," he said.

Aetna members who receive the copayment waiver could see up to \$400 in first-year savings, though that savings would drop in subsequent years once the copayment returns.

Up next will be an evaluation of other therapeutic classes to gauge where a switch to generics would produce the most savings, to see if the program could be rolled out in other categories, Gregory said.

"The whole [industry] is making concerted efforts to direct employees from brand names to generics. There is a significant cost differential," Gregory said.

Even though the patient sees a lower cost with the generic, the insurer's cut of that cost might not track the same way.

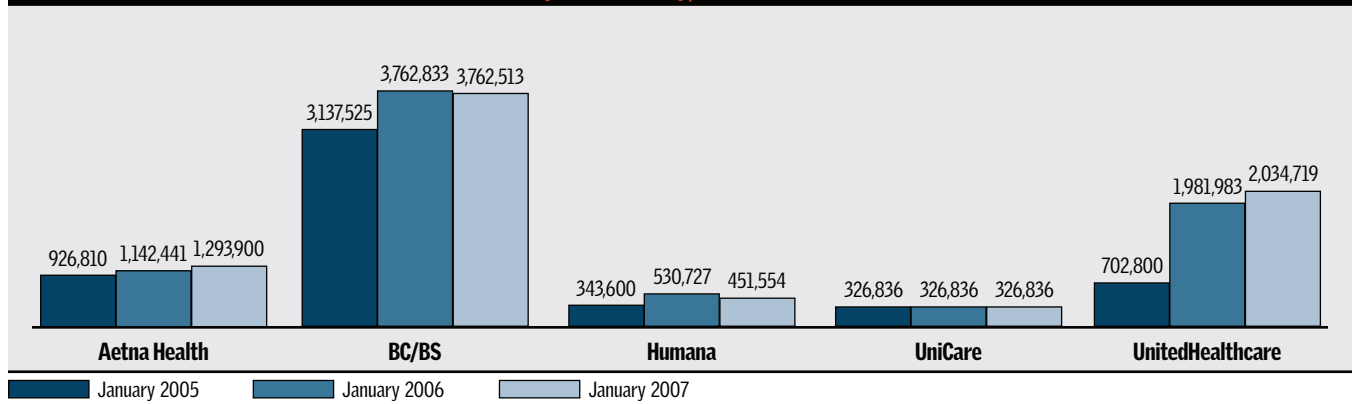
The reimbursements a carrier receives on a generic often equal or exceed their return on a brand-name—at least for the first few years after patent expiration, said Robin Rankin, Employee Benefits Solutions' pharmacy practice leader. The PBMs and carriers realize their greatest overall pricing advantage in the first two years after a brand-name comes off patent and generics enter the market. Over time, the trend for those generics flattens.

"PBMs are traditionally more assertive with these programs," Rankin said. Larger insurers making moves to push patients to generic alternatives rather than equivalents is a newer trend, but it is easy to see why with the cost-savings involved.

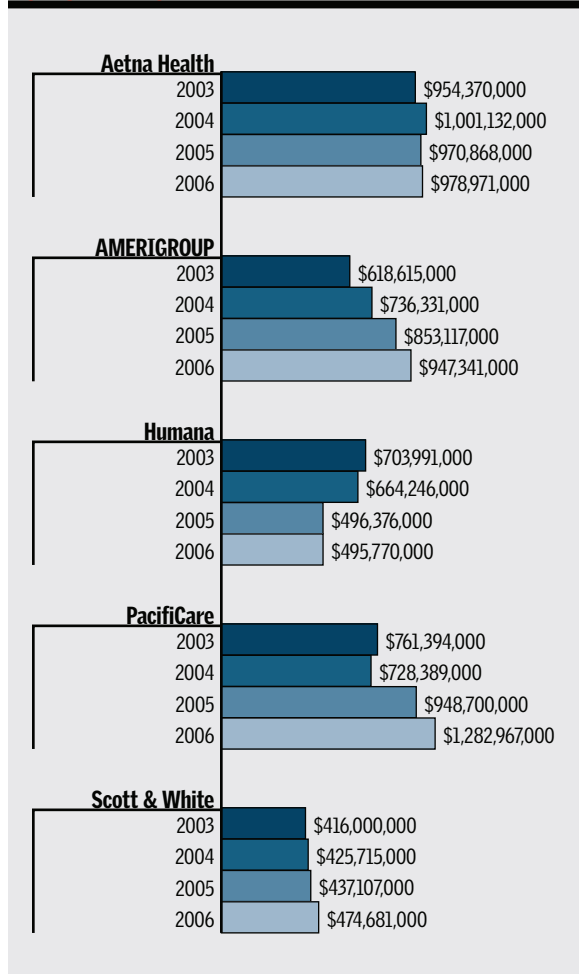
A 2005 study by Express Scripts estimates that 57 percent of those taking antidepressants are using generics, but fully 85 percent could likely use them, resulting in potential nationwide savings of \$3.4 billion. Texas generally has been behind the curve in generic antidepressant utilization, with a generic fill rate of 41 percent for antidepressants.

OUTLOOK: Drugs come off patent all the time, but re-formulations and drug combinations are giving new life to some old patent protections, and insurers are finding it worthwhile to get around those high-cost drugs as well. With every player in healthcare looking to reduce costs, copayment waivers for picking generics will likely stick with the industry for some time ahead. ■

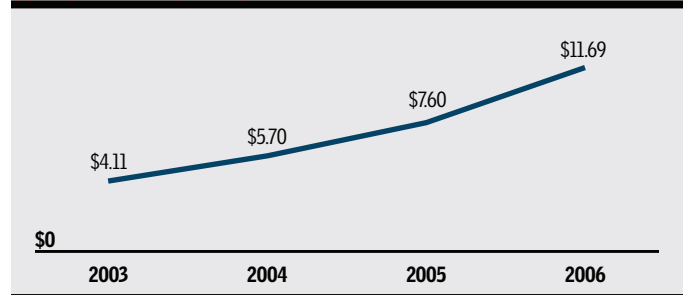
TEXAS SINGLE INSURER PPO ENROLLMENT (PURE+POS), TOP 5 PLANS



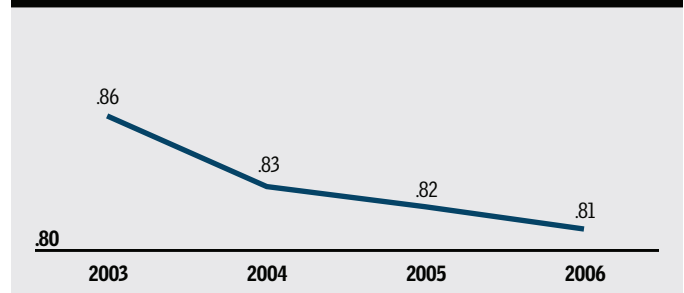
TEXAS HMOs' PREMIUM REVENUE LEADERS, TOP 5 PLANS



TEXAS HMOs' NET INCOME PMPM, WEIGHTED AVERAGE



TEXAS HMOs' MEDICAL LOSS RATIO (MLR), WEIGHTED AVERAGE



TEXAS HMOs' COMMERCIAL PREMIUMS PMPM, WEIGHTED AVERAGE

