



Changes in
**HEALTH CARE
FINANCING &
ORGANIZATION**

Defining “Defined Contribution” 2002: Research and Practice

May 15, 2002
Washington, DC



AcademyHealth



definity health

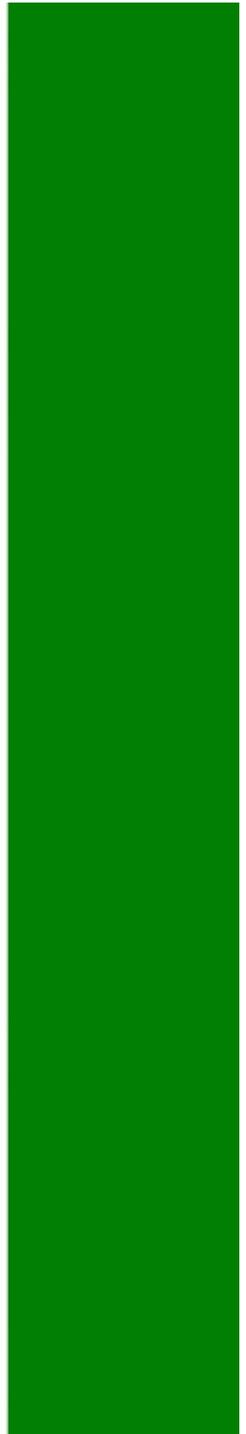
> Leading a new direction in healthcare.

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Changes in Health Care Financing

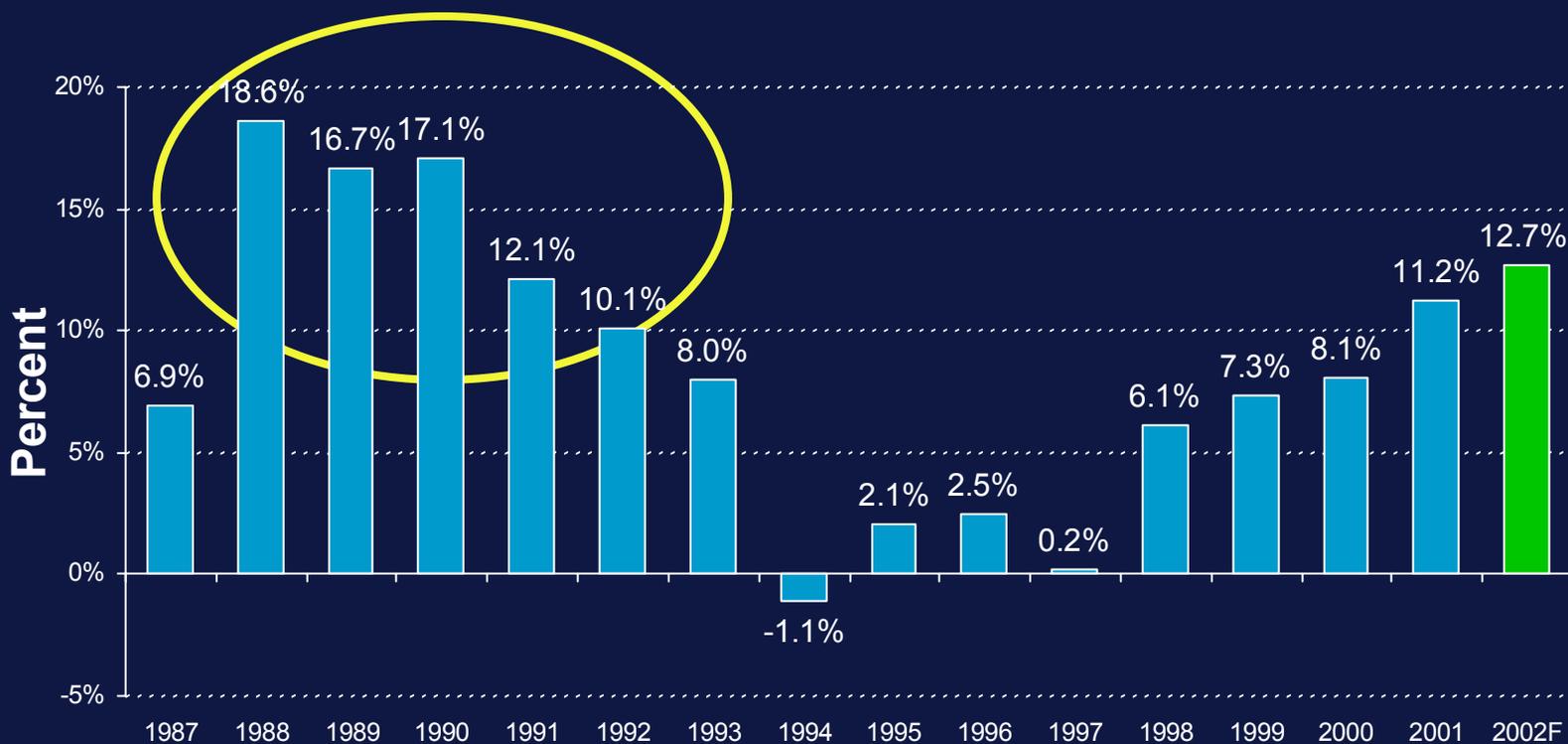
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Double-Digit Cost Inflation Returns!

Health Plan Cost Increases

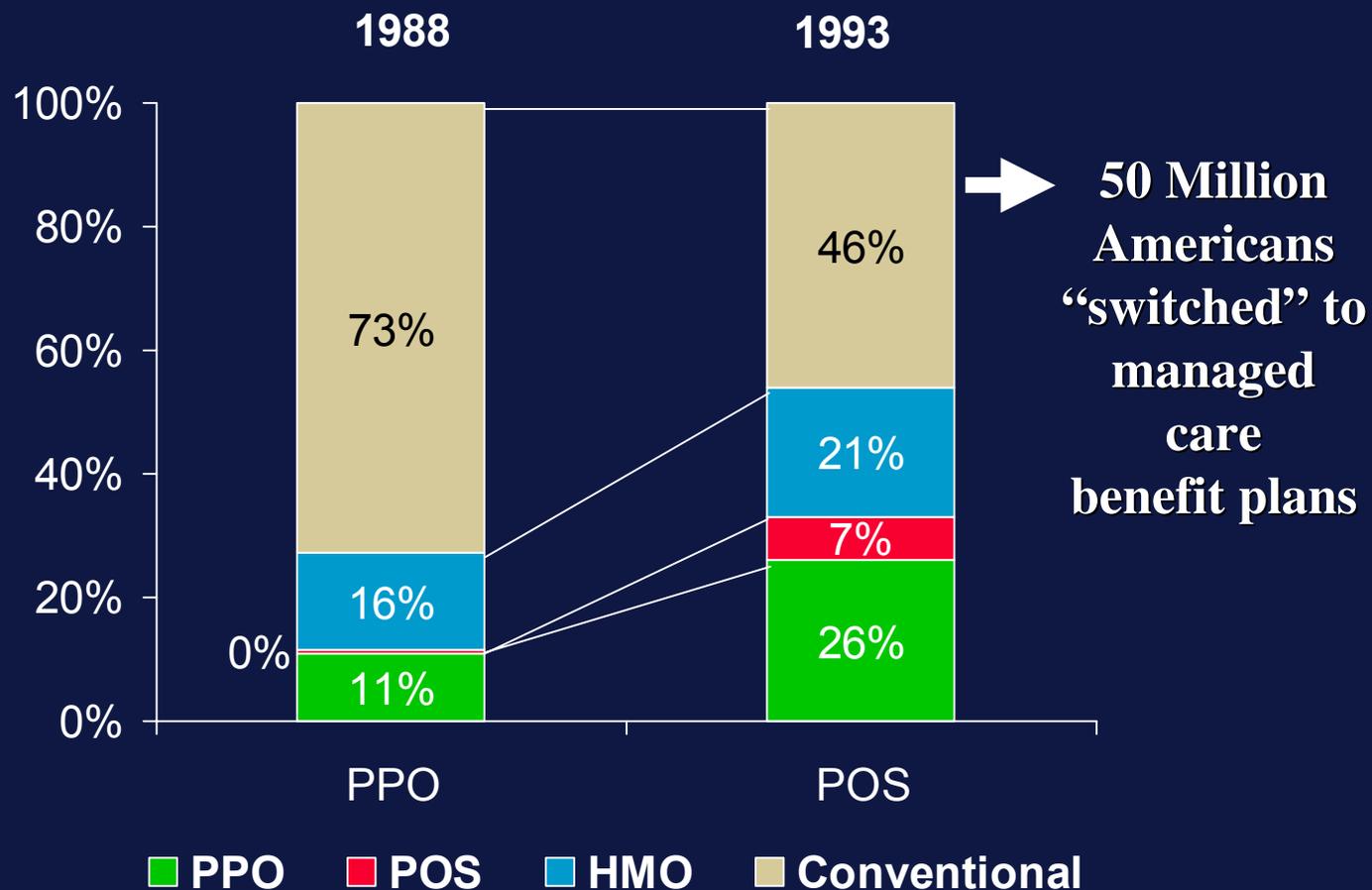


Source: National Survey of Employer Sponsored Health Plans, William M. Mercer.
(All employers with 500+ employees)



Will History Repeat Itself?

Change in Health Benefit Enrollment By Product Type



Source:
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999;
KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996, 1998.



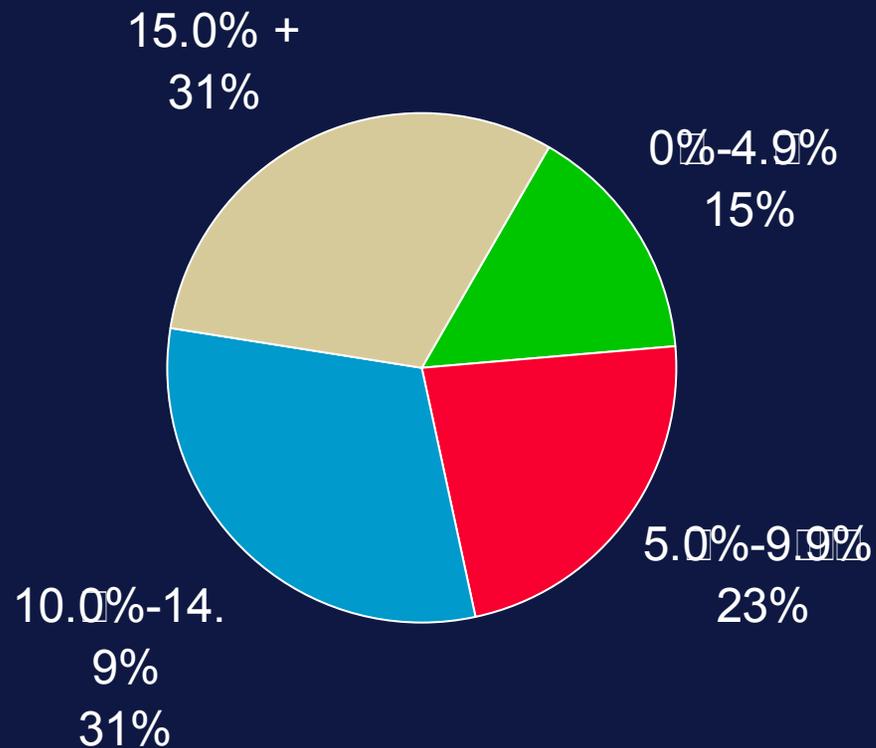
Employers are signing up!



Employee Enrollment Varies Substantially by Employer



Enrollment Rates Across Option Environments

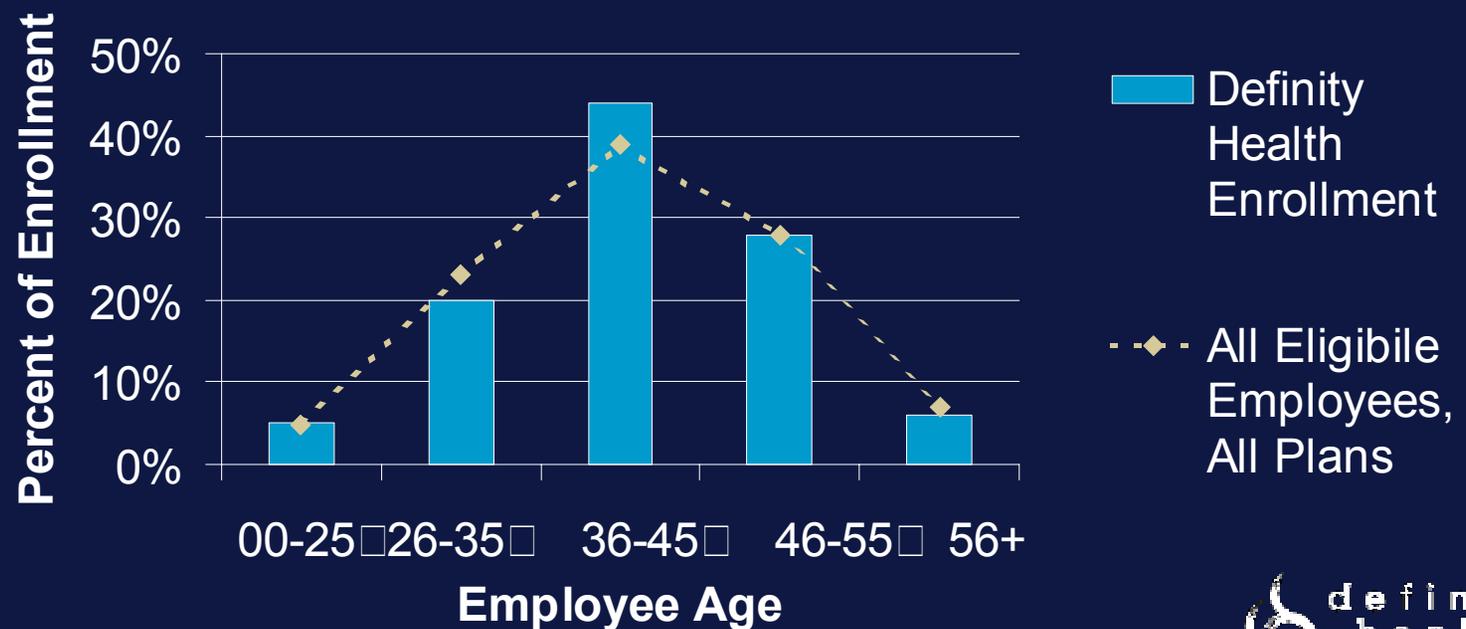


Note: Blended average of 10%.



Selection Results

- Our average age of a subscriber is 41.7 years old
- Our employee to dependant ratio was 2.6 in 2001
- Focus group results found middle-aged women experienced in using the healthcare system primary adopters of Definity Health plan



For At Least One Employer Group, There Has Been No Risk Selection



Employer A

	Enrollment		YTD Claims Paid PEPM	
	Employees	Percent	Claims	Relativity
Definity Health	525	82%	\$275	1.058
Self-funded PPO	113	18%	\$190	0.731
Total	638	100%	\$260	1.000

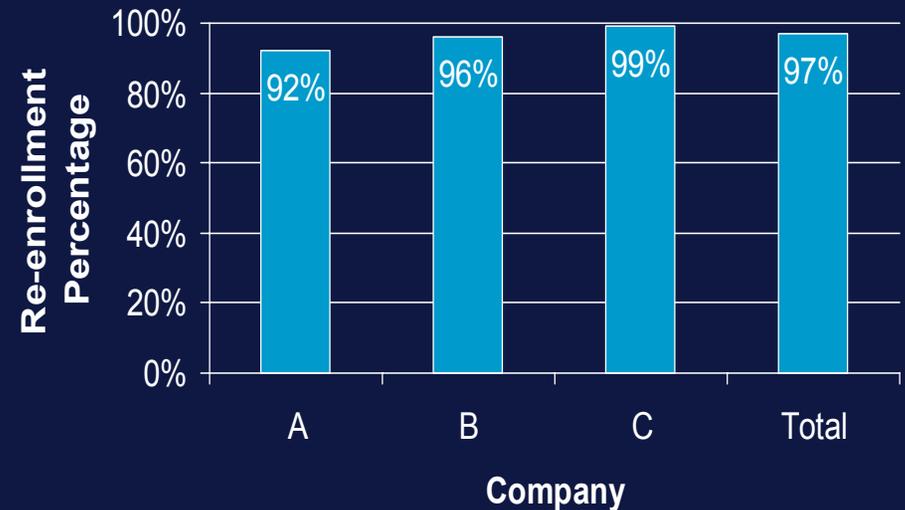
Not Only Can We Convert Them— They Stay Committed to Us!



A Trusted Benefits Company

- 100% Client Retention
- Broad Expansion of the program with our Fortune 500 clients
- 97% of our members reenrolled
- 60% Year over Year growth rates in our existing clients

Re-enrollment Statistics



Nearly Half of Definity Health Members Use Our Web Site



Definity Health Member Website Usage¹

- Member penetration
 - 48.3% of subscribers have accessed the member website
- Website usage
 - All accounts: 7.3 visits per user
- Most highly utilized website areas
 - My Account
 - Provider Search
 - Medical Library
 - Healthcare Prices

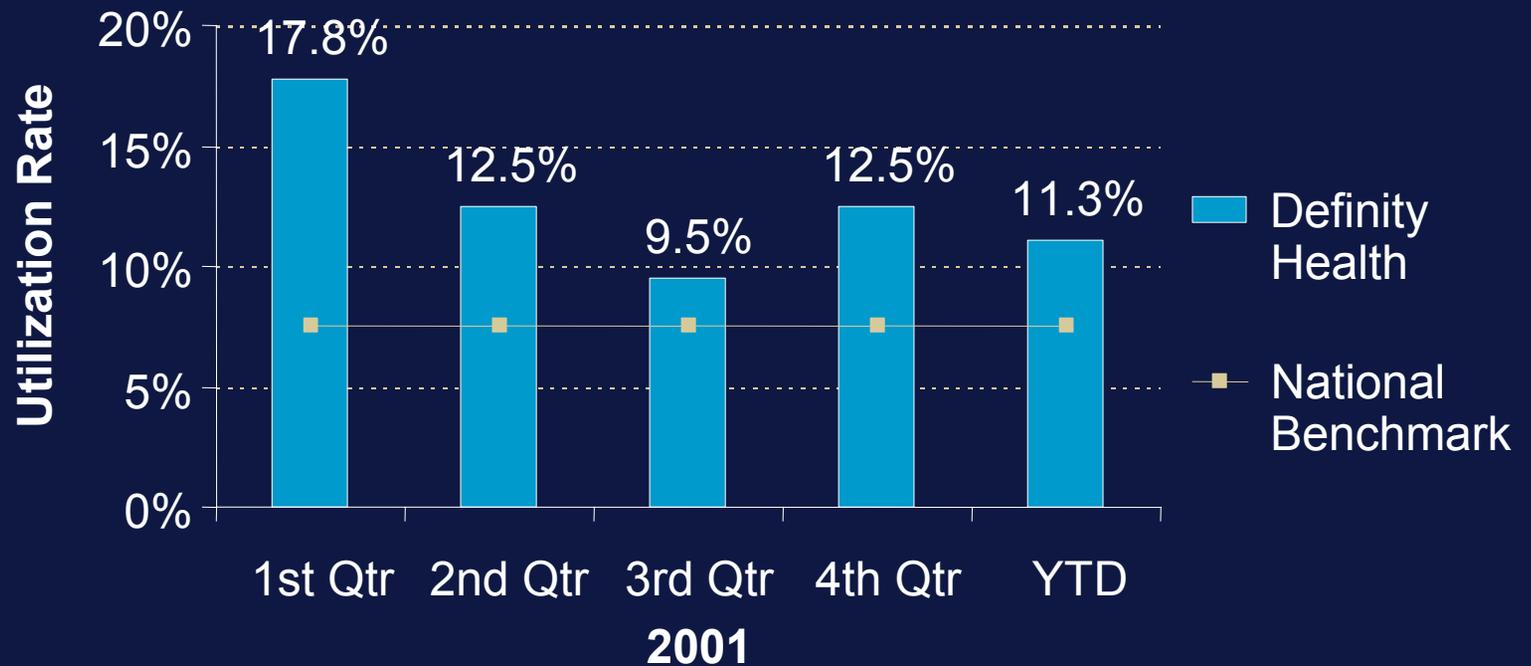
¹ Data through September 2001.



Our NurseLine Results

NurseLine Usage¹

- Total calls per 1,000 37.0 (Benchmark 21.5)
- Total member usage 11.3% (Benchmark 7.5%)

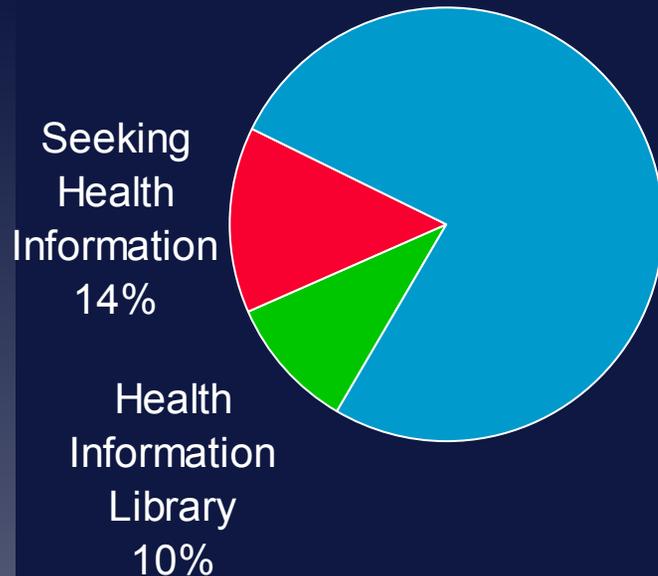


¹ Data through December 31, 2001.

Most NurseLine Calls Are Symptom-Based



NurseLine Calls

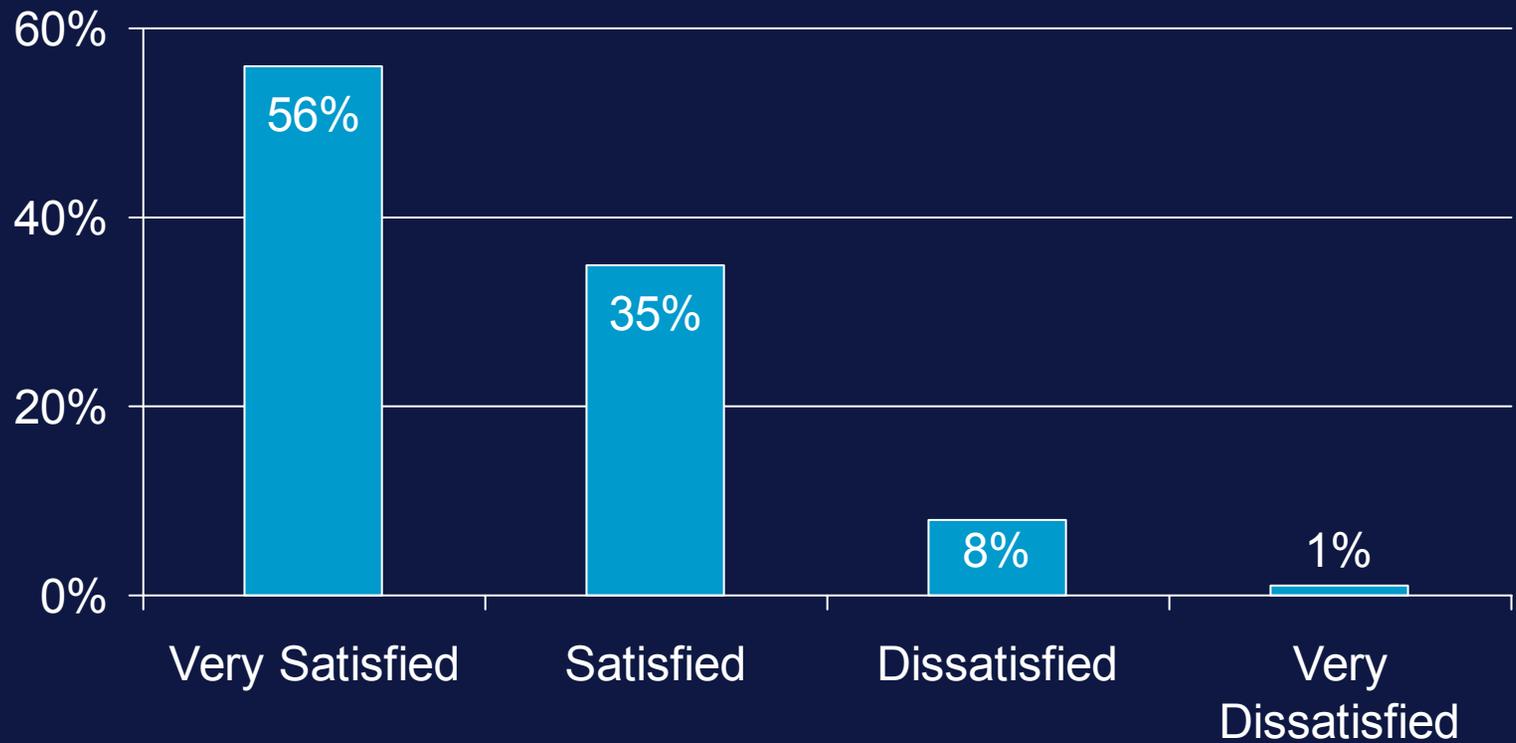


Symptom-based Calls

(478 total calls)

Syptom-based Calls	76%
• Sore throat	18
• Cough	14
• Fever	13
• Cold/Upper respiratory	12
Total	101

91% of Definity Health Members are Satisfied or Very Satisfied





Changing Consumer Behavior

Under my previous insurance plan, I would not have cared if I took my son to urgent care because I knew that I would only be responsible for my \$15 co-pay. Under the Definity Health plan, not only am I aware of the costs of medical care but I am also making better choices.

Definity Health Member

When this prescription started coming out of my PCA, I asked the pharmacist (for the first time) what the cream actually cost. ...I also asked the pharmacist if there was a generic substitute available, another first.

Definity Health Member