RISK SELECTION

Who Chooses CDP's ?

Terry Jayne Group Health Cooperative

Consumer Plan Selection and Risk

Value equation price/benefit

- Provider panel
- Access to facilities
- Benefit structure
- Cost sharing mechanisms
- Image/perception

University of Minnesota Experience

Observations and Assumptions

55% have HMO coverage

- Lowest employee contribution
- Not as popular with families relative to singles

Assumptions:

Price the driver in selecting HMO

- Was a simple transfer of enrollment from State offering
- To familiar product, benefits and funding
- CDP did not equate to equal or greater value. Were differences hard to equate?

Risk Selection

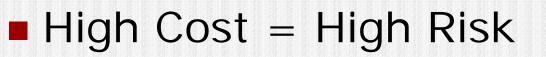
HMO low cost = better risk selection

- Attracts price shoppers
- May discourage consumers with medical needs not met as well in a defined network
- May deter families where one or more members need/want something more?

Patient Choice Cost Groups

- Next highest participation level
 - Lower cost than PPO and CDP
 - Appealed to families relative to the HMO
 - Consumer driven in it's network panel pricing feature

Preferred One PPO



Price may move lowest risk enrollment to Patient Choice or Health Partners

While High cost enrollees may move to Definity

Definity CDP

- National Provider Panel
- No Referral Authorization
- PCA's

Considerable Cost Shares through Deductibles and Co-Insurance

Who Did the CDP Attract?

Healthy/Wealthy

- Valued national provider panel
- Who were willing to "put some skin in the game" (PCA/Cost Share Trade-off)
- And could handle the potential out of pocket costs
- But are healthier than their PPO counterparts

Over time

- If PPO Death Spirals CDP may attract the higher risk participants
 Who will pay for more control over
 - chronic illness

Reaction

CDP addressed issues of a minority of employees who could or would:

- Buy-up to obtain Nat'l network
- Some (limited) control of healthcare expense
- Segregated population based on health/wealth/education
- With limited interest in web-based tools