

RISK SELECTION

Who Chooses CDP's ?

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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

- High Cost = High Risk
 - 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**