

Breaking Down Barriers to Growth: Innovations in the Marketplace

Senior Market Strategies 2006

Mike Rae

Vice President

Agenda

- Veridign Health Solutions - Who we are, who we serve and our account management philosophy
- Breaking down barriers to growth
- Questions & Answers

We're not as young as we look!

- Fully owned subsidiary of Southeastern PA's largest health insurer
 - Revenues: \$10.5 Billion
 - Members: 3.32 Million
 - Core Market: Philadelphia (5 counties), NJ, DE, Caribbean
 - Serving Medicare members for 40 years
 - Among the largest and most progressive Medicare providers in the county, with rarely matched expertise in Medicare Advantage & PDP programs and an excellent relationship with CMS

***Veridign Health Solutions –
we are fully dedicated to supporting our ASO
clients***

- BCBS Northern Plans Alliance (Regional PPO/PDP; 6 BCBS plans spanning 7 states)
 - Kentucky Passport (Special Needs Plan)
 - Select Health (PDP, South Carolina)
 - AmeriHealth Advantage (13 state regional PDP servicing dual-eligibles, expanding to 2 additional states in 2007)

Extensive experience with CMS

- 13 years of successful Medicare Risk/Choice/Advantage & now Part D programs
 - BBA 1997
 - MMA 2003
 - BBRA 2001
 - Part D & PDP programs 2006
- Numerous successful Plan applications, proposals, site visits and audits with CMS Central Office and multiple CMS Regional offices (Chicago, Atlanta, NY & Phila)
- Numerous CMS demonstrations and first in class programs
 - Medicare Choices – the first Medicare Advantage PPO & PPO Payment Demonstration
 - Plan Self-Audit Compliance demonstration
 - MSP Outreach & Special Needs Plan - the first Medicare Advantage Special Needs Plan for Dual Eligible beneficiaries
 - Dual Eligible Passive Enrollment Proposal – accepted and adopted by CMS
 - Part D Reinsurance demonstration
- Successfully assisted ASO customers (new MA plans) with Plan applications and CMS site visits

***A Single Source for marketing, sales
and
pre-enrollment services***

- Experienced in individual & group marketing material creative development and fulfillment
- Licensed call center representatives
- Proprietary contact management system – Call65
- Experienced in Group enrollment communications campaigns and meetings
- Website development & hosting – see www.yourmedicareolutions.com
- Telephonic & online enrollment capabilities

Account Management Support Model

- Dedicated Account Manager who is the single point of contact for questions and answers
- The Account Manager will work with the legal team and business owners to develop and draft appropriate and CMS compliant Service Level Agreements and Performance Guarantees
- The Account Manager works closely with the Veridign Health Solutions Operations Manager and SMEs to coordinate and facilitate operational readiness
- Standing weekly or bi-weekly account meeting with appropriate client contact to review status and discuss upcoming events
- Help Desk for receipt and tracking of questions, processing access requests and troubleshooting
- The Account Manager monitors and coordinates the resolution of all Client activity through the Help Desk



You have our assurance.

Breaking down barriers to Growth

Concerned about what you and your Sales Team will be doing now that Lock-In is here?

There are ongoing opportunities out there!

- Marketing Strategies – Then and Now
- Poaching and Preservation
- Birthday Campaign
- Age In Campaign
- Medicare Savings Program (MSP)
- Dual Eligibles
- LIS Outreach

It's also a good time to strengthen relationships in the Senior & Disabled Advocacy Community.

Marketing Strategies for MA-PD / Part D Sponsors: The Big Picture

Strategy Before Lock-In

- Get auto-assignment of duals and low-income
- Co-market PDP with Medicare supplements
- Stretch marketing \$\$ for non-LIS individuals
- Tee-up group business for 2007 and beyond

Strategy After Lock-In

- Poaching
- Preservation
 - ***Value in service industry is based on service!***
- PDP migration to MA-PD/SNP (if applicable)

Why Consider a Poaching and Preservation Strategy?

- May 15: lock-in begins. Organic growth of Part D products stymied except for:
 - Beneficiaries aging in: 3%/year (~1.2M)
 - Beneficiaries with status changes: variable but small
 - BENEFICIARIES EXEMPT FROM LOCK-IN: duals, low-income, and institutionalized: priceless (10M+)
- Part D is a market share fight, not necessarily a growth market
- How we get them (poaching) and how we keep them (preservation) becomes marketing strategy post lock-in



You have our assurance.

PDP Regions (Number of Eligibles in thousands)

Region	States	Total No. Eligibles	Low-Income Beneficiaries < 135% FPL	Low-Income Beneficiaries < 150% FPL	Dual Eligibles
32	CA	4,300	1,434	221	932
11	FL	3,000	862	234	401
3	NY	2,800	999	206	628
6	PA, WV	2,500	717	199	296
22	TX	2,500	858	188	420
25	IA, MN, MT, NE, ND, SD, WY	1,900	559	157	242
2	CT, MA, RI, VT	1,800	559	142	377
14	OH	1,800	493	132	152
12	AL, TN	1,700	625	142	338
17	IL	1,700	511	144	160
15	IN, KY	1,600	515	134	240
13	MI	1,500	396	112	197
4	NJ	1,300	343	95	145
8	NC	1,300	449	100	235
30	OR, WA	1,300	357	80	165
10	GA	1,000	352	86	172
7	VA	980	302	84	98
18	MO	920	269	62	144
5	DE, DC, MD	900	276	53	110
16	WI	835	215	73	93
28	AZ	770	191	52	82
21	LA	650	264	59	103
9	SC	640	223	48	129
23	OK	540	166	42	71
27	CO	520	151	30	60
19	AR	470	171	40	84
20	MS	460	206	19	146
1	ME, NH	422	122	34	83
31	ID, UT	420	111	34	31
24	KS	405	108	28	44
29	NV	290	77	24	20
26	NM	260	94	17	35
33	HI	180	54	13	24
34	AK	51	20	3	12
Totals		41,713	13,049	3,087	6,469

Source: CMS



You have our assurance.

Region	States	Medicare Eligibles	Duals	Total MA	Employer Covered	Estimated Non-Duals	PDPs
1	ME, NH	431,000	83,000	1,102	90,510	256,388	16
2	CT, MA, RI, VT	1,808,000	377,000	241,554	379,680	809,766	17
3	NY	2,856,000	628,000	549,040	599,760	1,079,200	20
4	NJ	1,259,000	145,000	96,348	264,390	753,262	17
5	DE, DC, MD	914,000	110,000	92,290	191,940	519,770	18
6	PA, WV	2,532,000	296,000	528,657	531,720	1,175,623	19
7	VA	1,006,000	98,000	2,648	211,260	694,092	16
8	NC	1,292,000	235,000	68,432	271,320	717,248	16
9	SC	657,000	129,000	424	137,970	389,606	18
10	GA	1,050,000	172,000	55,971	220,500	601,529	18
11	FL	3,095,000	401,000	603,729	649,950	1,440,321	18
12	AL, TN	1,702,000	338,000	154,055	357,420	852,525	16
13	MI	1,519,000	197,000	21,407	318,990	981,603	17
14	OH	1,794,000	152,000	237,331	376,740	1,027,929	17
15	IN, KY	1,614,000	240,000	79,027	338,940	956,033	16
16	WI	844,000	93,000	41,146	177,240	532,614	17
17	IL	1,733,000	160,000	67,301	363,930	1,141,769	16
18	MO	930,000	144,000	136,172	195,300	454,528	15
19	AR	480,000	84,000	554	100,800	294,646	15
20	MS	467,000	146,000	20	98,070	222,910	15
21	LA	659,000	103,000	73,664	138,390	343,946	16
22	TX	2,579,000	420,000	221,212	541,590	1,396,198	20
23	OK	551,000	71,000	42,337	115,710	321,953	16
24	KS	408,000	44,000	2,319	85,680	276,001	15
25	IA, MN, MT, NE, ND, SD, WY	1,929,000	242,000	143,324	405,090	1,138,586	18
26	NM	271,000	35,000	42,351	56,910	136,739	17
27	CO	531,000	60,000	139,580	111,510	219,910	17
28	AZ	800,000	82,000	209,918	168,000	340,082	18
29	NV	303,000	20,000	85,726	63,630	133,644	17
30	OR, WA	1,380,000	165,000	322,063	289,800	603,137	20
31	ID, UT	433,000	31,000	47,539	90,930	263,531	18
32	CA	4,334,000	932,000	1,420,867	910,140	1,070,993	18
33	HI	186,000	24,000	28,163	39,060	94,777	12
34	AK	53,000	12,000	0	11,130	29,870	11

Source: CMS, Lehman Brothers and GHG Estimates, 10/05



You have our assurance.

Region	States	Duals	Plans with Auto-Assign	Average MarketShare	Average Membership	Estimated PMPM	Potential Avg. Monthly Revenue
1	ME, NH	83,000	12	8.3%	6,917	\$130.17	\$10,804,110
2	CT, MA, RI, VT	377,000	9	11.1%	41,889	\$124.35	\$62,506,600
3	NY	628,000	11	9.1%	57,091	\$123.91	\$84,889,615
4	NJ	145,000	10	10.0%	14,500	\$125.45	\$21,828,300
5	DE, DC, MD	110,000	14	7.1%	7,857	\$127.54	\$12,025,200
6	PA, WV	296,000	14	7.1%	21,143	\$126.67	\$32,137,989
7	VA	98,000	14	7.1%	7,000	\$128.50	\$10,794,000
8	NC	235,000	11	9.1%	21,364	\$130.38	\$33,424,691
9	SC	129,000	14	7.1%	9,214	\$128.96	\$14,259,291
10	GA	172,000	13	7.7%	13,231	\$127.23	\$20,200,209
11	FL	401,000	6	16.7%	66,833	\$123.15	\$98,766,300
12	AL, TN	338,000	8	12.5%	42,250	\$126.41	\$64,089,870
13	MI	197,000	13	7.7%	15,154	\$127.30	\$23,149,015
14	OH	152,000	9	11.1%	16,889	\$124.77	\$25,286,720
15	IN, KY	240,000	12	8.3%	20,000	\$129.77	\$31,144,800
16	WI	93,000	13	7.7%	7,154	\$125.35	\$10,760,815
17	IL	160,000	12	8.3%	13,333	\$125.68	\$20,108,800
18	MO	144,000	9	11.1%	16,000	\$125.45	\$24,086,400
19	AR	84,000	12	8.3%	7,000	\$129.53	\$10,880,520
20	MS	146,000	11	9.1%	13,273	\$130.47	\$20,780,313
21	LA	103,000	10	10.0%	10,300	\$128.22	\$15,847,992
22	TX	420,000	14	7.1%	30,000	\$125.76	\$45,273,600
23	OK	71,000	10	10.0%	7,100	\$129.21	\$11,008,692
24	KS	44,000	10	10.0%	4,400	\$127.52	\$6,733,056
25	IA, MN, MT, NE, ND, SD, WY	242,000	11	9.1%	22,000	\$127.19	\$33,578,160
26	NM	35,000	8	12.5%	4,375	\$120.03	\$6,301,575
27	CO	60,000	10	10.0%	6,000	\$123.00	\$8,856,000
28	AZ	82,000	7	14.3%	11,714	\$118.70	\$16,685,829
29	NV	20,000	12	8.3%	1,667	\$117.54	\$2,350,800
30	OR, WA	165,000	12	8.3%	13,750	\$124.68	\$20,572,200
31	ID, UT	31,000	8	12.5%	3,875	\$127.70	\$5,938,050
32	CA	932,000	7	14.3%	133,143	\$117.33	\$187,459,817
33	HI	24,000	7	14.3%	3,429	\$121.52	\$4,999,680
34	AK	12,000	5	20.0%	2,400	\$128.74	\$3,707,712

Considerations for Part D Sponsors

- MA-PDs -- and SNPs especially -- will have upper hand in the poaching fight.
 - “one-stop shopping”
- *Therefore, to yield best ROI, PDPs should focus on markets with:*
 - *high concentrations of duals, but*
 - *low MA-PD penetration or presence.*
 - *Examples: New England (Regions 1-2), GA/SC (Regions 9-10): 1.3M prospects, negligible penetration*

Finding the Low Hanging Fruit

- National PDP and MA-PD market analysis
 - PDP and SNP benefit designs
 - Formulary
 - PDP stand alone
 - Emphasis on SNP vs. PDP benefits
 - Identify dual eligible prospect numbers by region
 - Identifying beneficiaries that are eligible for Medicaid and have not enrolled in the program yet
 - Identify non-dual eligibles that meet the 135% of poverty threshold
 - Identifying this population will be difficult but there are opportunities to garner this information – consider using low-income algorithms against list purchases

Poaching Strategy

- Messy launch of Part D in early 2006 set the stage for anger and confusion among this population
- Markets are ripe for poaching strategies
 - Transition policy expires: formularies, PA processes, exceptions, etc.
 - Beneficiaries getting more comfortable with program
 - ROI best right now

Poaching Strategy

- Messaging
 - YOU CAN CHOOSE
 - Easy to change from one PDP to another
 - Different messaging for duals and Medicare supplement owners with SEP
 - Formulary advantage; if any
 - Member service advantages; a must
 - Identify bells & whistles other PDPs don't offer
 - If you don't have any; develop them
 - Identify ethnic messaging opportunities
 - Test the messaging

Poaching Strategy

- **Outreach**
 - Newspaper/freestanding inserts (e.g., Penny Saver)
 - Direct mail to targeted zip codes
 - Radio
 - Ethnic markets: 60% of Hispanic beneficiaries and 50% of African-American beneficiaries are already MSP
 - Outdoor: billboards, bus/bench boards
 - Traditional provider based marketing (minority MDs, FQHCs, public hospitals)
 - Social service providers, community groups and influentials
 - Faith based marketing
- **Will be different in each market**

Poaching Strategy

- **Sales distribution**
 - **Enroll by mail; made easy**
 - Develop non-model dual eligible materials; model materials are too confusing
 - » Develop non-model PDP materials for Supplement owners; need to be more aggressive with materials
 - **Broker strategy (for supp purchasers)**
 - General agency
 - Direct broker contracts where necessary
 - Training program; keep CMS happy
 - » CMS is watching and right now they don't like what they see
 - **Don't be lulled into complacency**

Preservation Strategy

- **After May 15, 2006**
 - Dual members and beneficiaries under 135% of poverty can still change plans month to month
 - Special election period
 - Cheaper to keep members than replace them (5-7x)
 - All other beneficiaries can start enrolling October 1, 2006 for a January 1, 2007 effective date

Preservation Strategy

- Formulary evaluation
 - Where is the formulary weak vs. competition where membership is greatest?
- Top tier customer service
 - Trained, ideally dedicated, customer service reps
 - Scripting – claims will be paid, empathetic listeners and educated listeners
 - Q & A database
 - Proactive vs. reactive
 - Emphasis on “whole member”: assistance with other social support programs

Preservation Strategy

- Outreach program – must be high-touch
 - Mail campaign
 - PDP newsletter
 - Outbound call program, including automated telephony
 - Disease specific outreach program (if membership opportunity warrants this spend)
 - Leverage pharma manufacturer relationships?

Preservation Strategy

*PDP Premium Loss Associated with Member Defection –
 Hypothetical Example**

<i>Members</i>	400,000
<i>Member Months</i>	4,800,000
<i>PMPM</i>	\$100
<i>Total Premium Revenue</i>	\$480,000,000
<i>Disenrollment Rate</i>	14%
<i>Cost of Defection</i>	\$67,200,000

*=Does not account for lost acquisition, orientation or connection costs, or intangibles such as negative word of mouth or duress on provider network from churning.

Source: GHG

Birthday

Thousands of new Medicare-eligibles turn 65 in our marketplaces each year, it's crucial that they choose a MA-PD/PDP product for several reasons:

- It has been proven that if someone selects a product when first eligible at age 65, they are less likely to switch to another plan.
- First eligibles are the main source of younger (healthier) sales. Younger members provide for higher lifetime value.
- The CPS ratios for 65 business are the lowest compared to any of the subsequent marketing efforts made to the 65+ market. This is because it is much more difficult to switch them from their existing plan.

For all of these reasons, the first eligibles 65 market remains the area where marketing dollars and sales efforts should be concentrated.

Birthday

Birthday Campaigns lead to @ 18,000 leads per year.

It is important to have a program that works.

- Our program is designed to touch a member five times within a 10 month period. The touches consist of:
 - Three informative Newsletters
 - An initial Sales Kit
 - Follow-up Sales Package
- The Newsletter is an essential tool, which promotes brand awareness, gains loyalty and educates the prospect on the variety of choices.
- Sales Representatives/Agents can do follow-up calls to prospects, conduct home visits or invite members out to a Sales Seminar for a full presentation on plan choices.

Age - Ins

Age-Ins are similar to Birthday campaign prospects.

The main difference is.....

- Birthday Campaign reaches the Broad Market
- Age-Ins consist of:
 - Group Member to Individual Member
 - Group Member staying with Group

The components of the campaign are very similar, as we use sales kits, newsletters, seminars and home visits.

Approximately 20,000 leads are generated through Age-Ins.



You have our assurance.

MSP

Medicare Savings Program

A program that helps beneficiaries with their Medicare premiums, coinsurance and deductibles.

Did you know that of the 43 Million Medicare beneficiaries, 25% live at or below 150% of the Federal Poverty Level!

This means they qualify for extra help, such as discontinuance of their Medicare Part B Premium. (A savings of \$88.50 per month/\$1,062 per year, back in their Social Security check.)

This also means:

- Extra revenue for your health plan, on average:
 - In 2006 PMPM is \$247.42 = \$2,969.04/annual
 - In 2007 & ongoing, PMPM is \$172.42 = \$2,069.04
- Improved member retention

MSP

Medicare Savings Program Continued

- Sales Representatives are instrumental in the process. An initial mailing generates inbound calls for more information, including an application.
- Sales Representatives do an initial screening and send out an application with request for documentation. They also work the application upon receipt and follow-up with members on any pending issues.
- As example, a plan with @ 100,000 members with a 25% response rate would equal 25,000 level one opportunities.
- Approximately 50% of those go to level two, with a 70% eligible rate.
- Average MSP value is roughly \$200 pm/pm. This equals extra revenue to the plan with no additional risk.

Dual Eligibles

Medicare new lock-in rules do not apply to the Dual Eligible Population.

- Dual Eligibles may switch plans at any time during the year.
- Does not apply to MSP/LIS for at least PDP elections according to CMS. (Unclear as to whether this applies to MAPD.)
- Switcher campaigns are viable sales opportunities, but may prove challenging.

LIS Outreach

Here are some primary reasons to engage in this Outreach:

- Improve Rx Benefits for PDP/MAPD Members
- Enhance Plan Revenue through LIS Add-On – 8% additional revenue for LIS I and 5% additional revenue for LIS II – annualized, ongoing annuity payments
- Increase Member Retention/Satisfaction
- Contribute to improved Beneficiary Health – easier medication compliance
- Avoid reprocessing of Rx Claims on retro-active LIS eligible.

Outreach

Because they are locally based, run by and for seniors, Senior & Disabled Community Organizations can reach “hard to reach” prospects.

- This is based on trust, familiarity and program history.
- They do not work with only “formal” leaders, but “informal” leaders who have knowledge and clout and are often the key to gaining real credibility in a given community.
- They know what works in their community and understand the cultural and ethnic groups that make up their community.
- This would include the means of effective communication, such as programs, materials, settings that would lead to attendance and membership.

So, have your Sales Team launch a Territory Development Campaign.

Outreach

Territory Development

- Have Sales Representatives make at least three visits per week to Community Organizations. These would include: Senior Centers, Religious Organizations, Senior Housing, Legislative Offices, large Provider Practices
- Use a Data Sheet to capture beneficial information. Follow-up visit with “thank you” to establish warm touch.
- Consider holding a meeting at a site or perhaps a “Customer Corner”.
- Consider possible sponsorship for an event to gain exposure to the community, plan recognition and foster a relationship that could lead to sales opportunities.

Thank You and Good Luck
with your
Marketing Efforts

Senior Market Strategies 2006

Mike Rae

Vice President