Who is Highmark?

• Operates as Highmark Blue Cross Blue Shield in Western PA
  – 3,000,000 members

• Operates various other companies, including:
  – Pennsylvania Blue Shield in remainder of PA
  – Dental, Vision, Life & Casualty companies

• Western PA market reflects collective bargaining influence, such as:
  – Preference for first dollar coverage
  – Less likely to have choice of plans
  – Less likely to require employee contributions
Why *BlueChoice*?

- Convergence of three trends:
  - Consumerism in health care/health plan
  - Employers’ desire to limit costs/liability
  - Technology
  
    ⇒ BlueChoice did not start out as an Internet product

- Highmark is preparing for a much more retail marketplace
  - BlueChoice is part of a broad CRM strategy
What is **BlueCHOICE**?

- The nation’s first fully online health insurance product:
  - Everything online
    - No paper for employees
- The nation’s first true choice package:
  - Up to 16 plan options at employee level
    - All product types -- from HMO to indemnity
  - Interactive tools to assist with choice
    - Not just more choice but assistance with choice
- A functioning product:
  - Launched April 2000
    - First clients July 2000
What’s cool about *BlueChoice*?

✔ Everything is online
✔ More plan choices
✔ The plan tools:
  ➪ Plan selection tools
  ➪ Benefit Information
  ➪ Comparisons
  ➪ Provider Directory
✔ Online enrollment
✔ Online Plan Administrator capabilities

➡ But what really sets BlueChoice apart:

Not just the ability for employees to get *more plan choices*…

...but the ability to get the *right* plan choice
Everyone Wins

- Employers gain:
  - ✔ A unique benefit program
  - ✔ Employees happier with plan choices
  - ✔ Online administration
  - ✔ More cost control

- Employees gain:
  - ✔ Ability to pick the plan that is right for them
  - ✔ Easy online plan selection and enrollment
  - ✔ Online access to all plan materials.

In the words of one regulator, “This is how all health insurance will be in 3 - 4 years…”
How is *BlueChoice* doing?

- Sales through 1 Q 2001:
  - 14 accounts
  - 20,000 members
  - Accounts range in size from 70 employees to 4,000 employees

- We expect rapid growth over next 2-3 years
Some key lessons learned: Employers

• Pick the right group
  – Technology-friendly clients make the process easier

• Start the sales process early enough
  – This is not selling a product; it is selling a concept

• Some employers are still paternalistic
  – Reluctance to go full degree of choice available
  – Some skepticism about “paperless”

• Train, train, train
  – Start with the plan administrators
Some key lessons learned: Employees

- Employees like multiple options
  - Less reluctance than employers
  - Employees have enrolled in every available option

- Employees like using the web
  - Rate the process as easier than paper
  - Internet/PC ability not connected to satisfaction

- Employees actively use the plan tools
  - Each option used by at least 70%
Where does BlueCHOICE go from here?

• Uniqueness of BlueChoice
  – Internet aspects becoming less unique:
    • Online enrollment/info becoming the norm
    • Other internet-based products becoming available
  – BlueChoice has a long range plan for enhancements
    • Product options & Plan tools

• “Defined contribution” & BlueChoice
  – Employment based system will remain for near term
  – Employers will have increased interest in controlling costs
  – Increased choice can make defined contribution acceptable
  – BlueChoice is a perfect fit for defined contribution