

Providing Quality HealthCare at a Manageable Cost



Working in collaboration to improve care, reduce cost



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Overview: Cost Containment in Health Care, Health Insurance

The challenge of rising health care costs: a shared concern

Predicting and pricing for the known & unknown:
Role of the insurer in analyzing cost, projecting future expense

Medical cost inflators & deflators

Making an impact on future cost: working in collaboration

“Presidential Candidates Weigh In on Health Care”

“Health care has emerged as one of the most significant issues facing the presidential candidates this year.

In a recent poll, only Iraq was cited as a more pressing problem. Nearly 60 percent of those surveyed said their health care costs had risen in the past year.”

National Public Radio, August 28 2007

“Epic Auto Contract Talks Focus on HealthCare”

“By all accounts, the big issue appears to be health care...worker health care costs are soaring.... and the companies have promised \$100 billion worth of health care to retirees.”

National Public Radio, Sept 13, 2007

The challenge of rising healthcare costs: a shared concern

Pressure for business, government, insurers, providers, individuals

- Unsustainable health care cost increase over past decade
- Increasing faster than economy
- Annual medical cost increase of 8-12% over last 4 years
- Impacting public & private sector
- Impacting the individual consumer with increased out of pocket costs for insurance premiums and costs not covered by benefits plan
- Increased costs to the consumer for all goods & services as cost of health insurance increases nationally

Role of the insurer: analyzing cost, projecting & managing future expense

Annual analysis of insurance plan to determine future cost

- Risk sharing through pooling (experience rating vs. pooling)
- Risk assessment: evaluate spending trend - past & projected
- Determine covered benefits
 - balance employee needs & wants
 - cost sharing - employer/employee
 - steerage towards provider networks
 - steerage towards generic drugs
 - disease management & wellness programs



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Risk Assessment: past and future spending (JWilliams)

TRAJECTORY OF AN ACCIDENT: Potential cost - \$650 to \$25,000

Blunt orbital trauma (blackeye)

facial xrays:	\$250
Non-life threatening ER visit:	\$100
Doctor visits:	\$300

Blunt orbital trauma with fracture

Corrective surgery - orbital fracture:	\$2743
Hospital stay:	\$1750
Related drugs (incl. anesthesia):	\$1250
Post discharge care and following:	\$400-1000

If no surgeon on-Island at time of accident, add:

Air Ambulance:	\$15,000
Hospital stay, related drugs:	\$5000-10,000



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Analyzing cost, projecting & managing future expense

The insurer's cost equation:

Projected claims (determined through evaluation of past claims expenditure and future projected claims expense)

Projected medical cost increase

Benefit design: +/- % for each benefit

Group demographics

Reinsurance

+ Administrative expenses & profit

= TOTAL PROJECTED PREMIUM



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Unique issues facing the Cayman market

Cost of doing business in the Cayman Islands

Availability, cost of and demand for high tech medical procedures

Cost of professional indemnity insurance for physicians

Air Ambulance expense for urgent care not available locally

Relatively small number of providers limits impact of “consumerism”

Smaller overall risk pool to bear cost burden

Lack of understanding of insurance works by average consumer

Declining health status of population

Fragmented patient care, patient information

Taking a broader view of Cost Containment: behind the “equation”

The increase in health care cost is driven by a number of societal, economic, behavioral and demographic factors



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Medical cost “inflators”

1. New treatments, new prescription drugs, increased use of diagnostic technology, practicing defensive medicine
2. Increased or inappropriate utilization, fraud, non-disclosure, incorrect or missing information on claims submissions
3. Medical errors in treatment, diagnosis, drug interactions
4. Focus on acute care, fragmented healthcare delivery system
5. Increasing rates of disease prevalence, aging of population
6. Impact of environment on health
7. Lack of understanding of how to maintain health
8. Lack of understanding of health benefits coverage



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Medical cost “inflators” & impact on cost

MEDICAL COST INFLATOR → IMPACT

1. New treatments, new drugs, increased use of diagnostic technology, practicing defensive medicine

Decreases morbidity, defensive medicine to address illness in early stages, but can increase short-term medical cost



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Medical cost “inflators” & impact on cost

MEDICAL COST INFLATOR → IMPACT

2. Inappropriate utilization, fraud, non-disclosure of medical history, incorrect or missing information on claims

Unnecessary and/or fraudulent utilization drives up cost for all, prevents patients who need care from accessing care



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Medical cost “inflators” & impact on cost

MEDICAL COST INFLATOR → IMPACT

3. Medical errors in treatment, diagnoses, drug interactions

Cost for erroneous or corrective treatment

“It is estimated that nearly 100,000 patients die each year due to medical errors”

U.S. National Institutes of Medicine Report



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Addressing Medical Errors

“Typical dangerous mistakes were failures to administer antibiotics before surgery, failures to note allergies, errors in setting pumps that dispense blood thinners or painkillers, and giving overdoses to infants...”

“Poor penmanship, careless listening or bad arithmetic caused patients to get doses 10 or even 50 times as high as they should.”

New York Times, Medical Errors are Studied, March 2007



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Medical cost “inflators” & impact on cost

MEDICAL COST INFLATOR → IMPACT

4. Primary focus on acute care, fragmented healthcare delivery system

Lack of integrated care, ineffective expenditure of resources, poor outcomes, quality measures?



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How are we addressing and measuring “Quality” ?

“Measuring and reporting on health care quality is extremely important; it gives consumers and employers the ability to make informed choices and pursue the best available care.”

NCQA - National Committee for Quality Assurance

Sample - Quality measures, NCQA Physician Practice Connections

“Physician Practice Connections (PPC) recognizes [physicians] that use systemic processes and information technology to enhance quality of patient care...”

Basic system for managing patient data

Electronic system for organizing clinical data

Identifying important conditions

Guidelines for important conditions

Preventive treatment reminders

Continuity of care

Patient self-care support

Electronic prescription writing

Test tracking & followup

Medical cost “inflators” & impact on cost

MEDICAL COST INFLATOR → IMPACT

5. Increasing rates of disease prevalence, aging of the population

Cost for treating preventable lifestyle diseases, or unmanaged chronic disease

“20% of the population is driving 80% of overall health care costs”
[which are related to chronic disease]



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Medical cost “inflators” & impact on cost

MEDICAL COST INFLATOR → IMPACT

6. Impact of environment on physical health

Unchecked “environmental” influence fueling growth of certain disease states: quality of air, water, absence of sidewalks & bike lanes, food pricing and portion size



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Medical cost “inflators” & impact on cost

MEDICAL COST INFLATOR → IMPACT

7. Lack of understanding of how to maintain health

Unchecked chronic conditions, preventable lifestyle disease, disengaged patients



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Medical cost “inflators” & impact on cost

MEDICAL COST INFLATOR → IMPACT

8. Lack of understanding of health benefits coverage, potential costs & limitations

Individuals unaware of their potential costs, underinsured, little knowledge of plan limitations and restrictions



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Medical cost “deflators”

1. Accuracy in underwriting - managing the risk pool
2. Focus on key benefits that can dramatically impact pricing
3. Cost sharing - cost shifting: employers & employees
4. Consumerism: shopping for better health care
5. Patient-centered care
6. Electronic platform for sharing medical & benefits information
7. Focus on prevention: impact of health & wellness programs
8. Focus on patient/personal responsibility

Medical cost “deflators” & impact on cost

MEDICAL COST DEFLATOR → IMPACT

1. Accuracy in underwriting -
managing the risk pool

Manage risk through
underwriting, analysis,
ongoing assessment



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Medical cost “deflators” & impact on cost

MEDICAL COST DEFLATOR → IMPACT

2. Focus on key benefits that can dramatically impact pricing, consumer choice, health outcomes

Can steer members to more cost effective services, help guide and monitor utilization



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Focus on key benefits, services that can impact pricing

PLAN DESIGN

Deductibles, Coinsurance (traditional approach to plan modification)

Establishing regional, global provider networks

Generic vs. Brand name drug utilization

Ongoing claim audits, hospital bill audits

Pre-certification/Pre-Authorization

MEDICAL SERVICES

Medical case management, discharge planning, second opinions

Chronic care management: Asthma, Diabetes, Heart Disease, Hypertension, HIV/AIDS, Cancer, High-risk pregnancy

Preventative care: Antenatal care, immunizations, nutrition, exercise, smoking cessation, annual physicals, healthy lifestyle choices



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Medical cost “deflators” & impact on cost

MEDICAL COST DEFLATOR → IMPACT

3. Cost sharing - cost shifting between employers & employees

Can help to engage employees in their health by understanding the true cost of healthcare



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Medical cost “deflators” & impact on cost

MEDICAL COST DEFLATOR → IMPACT

4. Consumerism in health care:
shopping for better health care,
medical tourism for quality, cost-
effective care

Difficult in small marketplace
(limited choice) but increased
patient engagement could
impact provider quality & cost



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Medical cost “deflators” & impact on cost

MEDICAL COST DEFLATOR → IMPACT

5. Patient-centered care

Holistic view of patient care, interdisciplinary teams work to coordinate care, patient education and outcomes.

Understand “determinants of health”, assess & intervene



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Medical cost “deflators” & impact on cost

MEDICAL COST DEFLATOR → IMPACT

6. Electronic platform for sharing of medical information, health benefits information

Improves quality of care, claims filing & approval process, ability of insurer to conduct risk analysis, pricing



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Medical cost “deflators” & impact on cost

MEDICAL COST DEFLATOR → IMPACT

7. Focus on prevention: the impact of health & wellness programs

Creating a “culture” of health has a tremendous impact at every level - business, government, insurer, individual



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The focus on “Wellness”: the shift from a reactive to proactive cost management strategy

“Employee wellness programs have been shown to reduce health plan costs over time, reduce sick leave, disability pay and workers’ compensation”

“According to one study...an annual ROI of \$6 saved for every \$1 spent on employee wellness programs...”

“Shifting one individual from high risk to lower-risk can save at least \$3000 per year”

PWC healthcare study, December 2006

Medical cost “deflators” & impact on cost

MEDICAL COST DEFLATOR → IMPACT

8. Focus on patient/personal responsibility

The patient can have the greatest impact on care efficacy, consumption, outcomes, short & long-term cost



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Making an impact on future cost: a strategy of collaboration, transparency, engagement

Focus on benefit design & cost-sharing: achieve balance of coverage & price

Transparency in pricing methodology between insurers, employers, employees

Accountability in the provider community for care efficacy, integrated care

Educate consumers on their benefit plans - coverage, costs, patients' rights

Encourage greater “consumerism” in purchase and consumption of health care services, increasing dialogue with health care professionals and patients

National, local, business-wide and individual strategies on health improvement

A culture of personal responsibility for health

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