



Health Care Today and Tomorrow

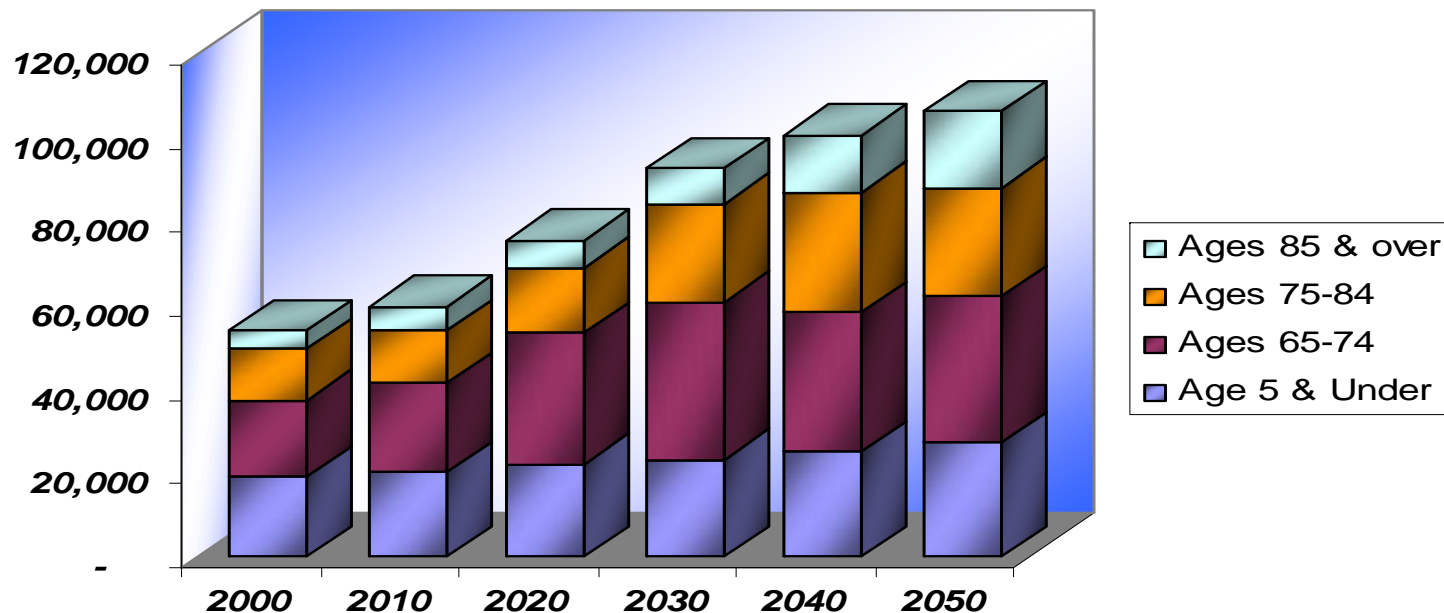
Presented by:
Jeffery L. Connolly
Vice President BCBSM & President,
West Michigan Operations



Our Aging Population

- Between 2000 and 2050:
 - The 85-plus age population is expected to increase 323 percent: 4.3 million to 18.2 million.
 - Ages 75 to 84 years old will grow from 12.3 million to 25.9 million doubling in size.
 - Ages 65 to 74 years old will almost double: growing from 18.1 million to 34.7 million.
 - Population boom will be measured by aged; with total growth from 34.7 million to 78.9 million.
- Plenty of seniors, not many kids:
 - The number of five-and-under children in our society will rise only from 18.9 million to 27.1 million between 2000 and 2050.

Source: The Coming Generational Storm



Source: Bureau of the Census, *Current Population Reports*, P25-1130. Note: Population figures are in the thousands.



Greater Costs for Poorer Outcomes Compared to Other Developed Nations

	AU	CAN	GER	NZ	UK	US
Overall Ranking, 2007	3.5	5.00	2.00	3.50	1.00	6.00
Quality Care	4.00	6.00	2.50	2.50	1.00	5.00
- Right Care	5.00	6.00	3.00	4.00	2.00	1.00
- Safe Care	4.00	5.00	1.00	3.00	2.00	6.00
- Coordinated Care	3.00	6.00	4.00	2.00	1.00	5.00
- Patient Centered Care	3.00	6.00	2.00	1.00	4.00	5.00
Access	3.00	5.00	1.00	2.00	4.00	6.00
Efficiency	4.00	5.00	3.00	2.00	1.00	6.00
Equity	2.00	5.00	4.00	3.00	1.00	6.00
Long, Healthy and Productive Lives	1.00	3.00	2.00	4.50	4.50	6.00
Health Expenditures per Capita, 2004	\$2,876*	\$3,165	\$3,005*	\$2,083	\$2,546	\$6,102

Ranking Key:  1.0 – 2.66  2.67 – 4.33  4.34 – 6.0

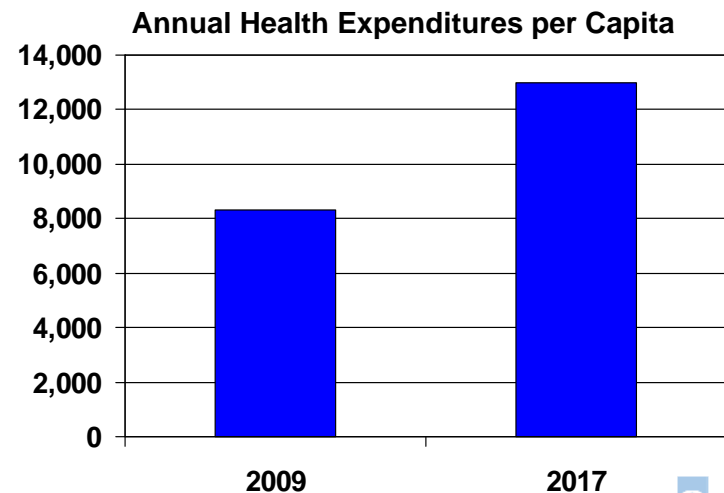
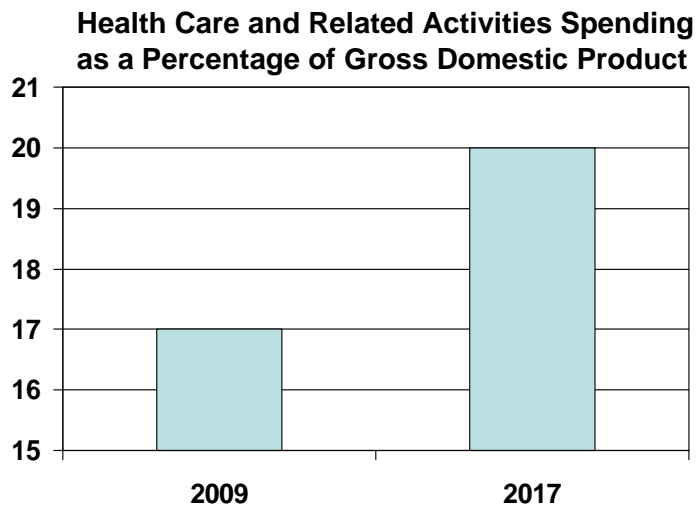
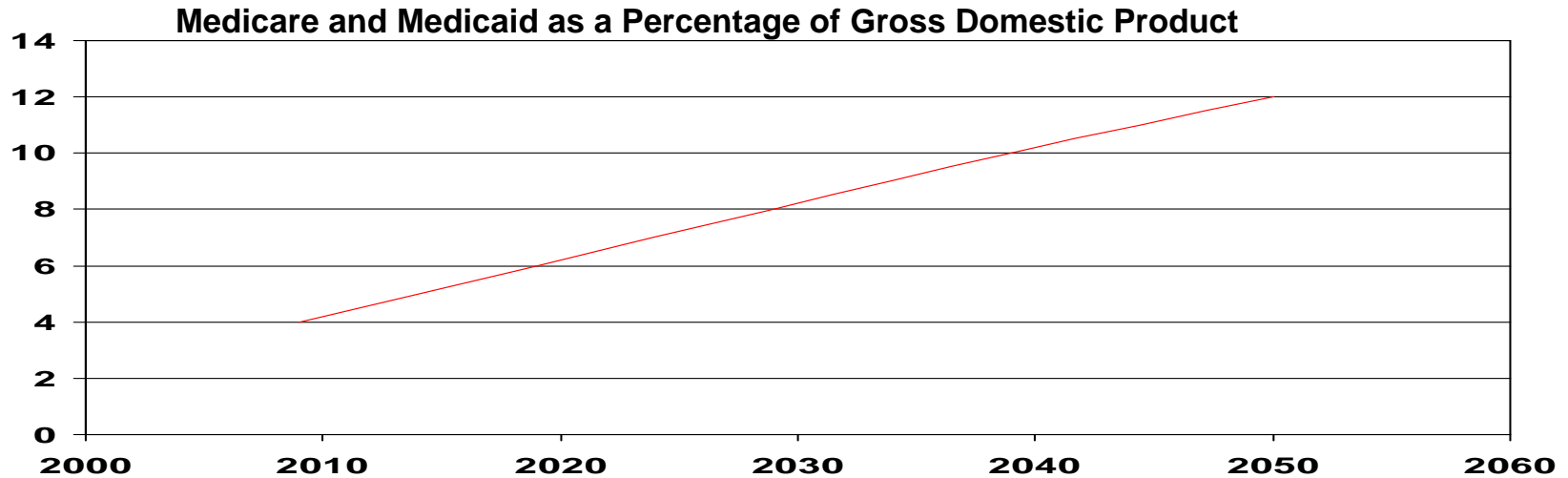
*2003 data

Source: Calculated by Commonwealth Fund based on the Commonwealth Fund 2004 International Health Policy Survey, the Commonwealth Fund 2005 International Health Policy Survey of Sicker Adults, the 2006 Commonwealth Fund International Health Policy Survey of Primary Care Physicians, and the Commonwealth Fund Commission on a High Performance Health System National Scorecard.

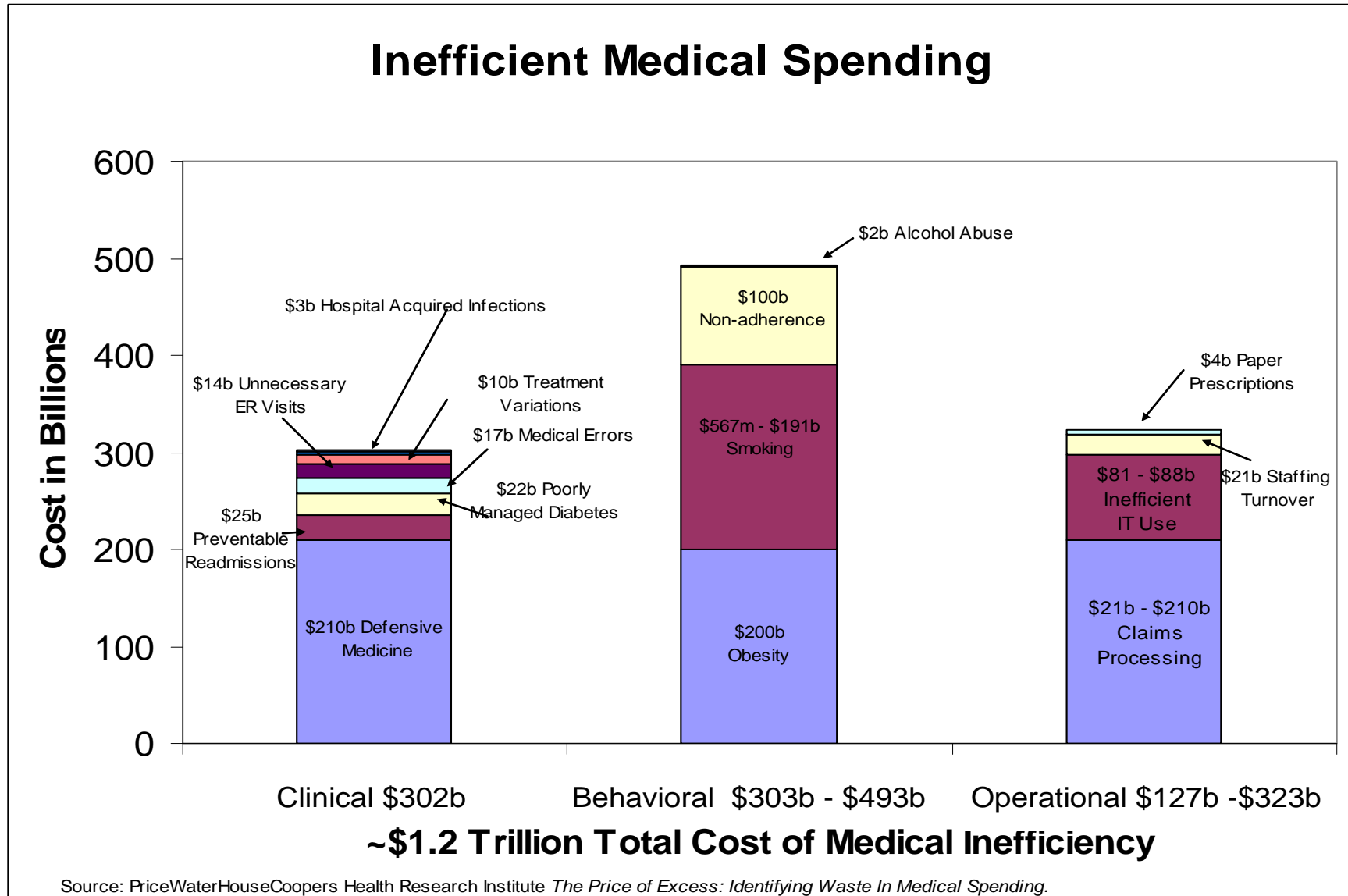


United States Health Care Costs are Expected to Continue to Rise

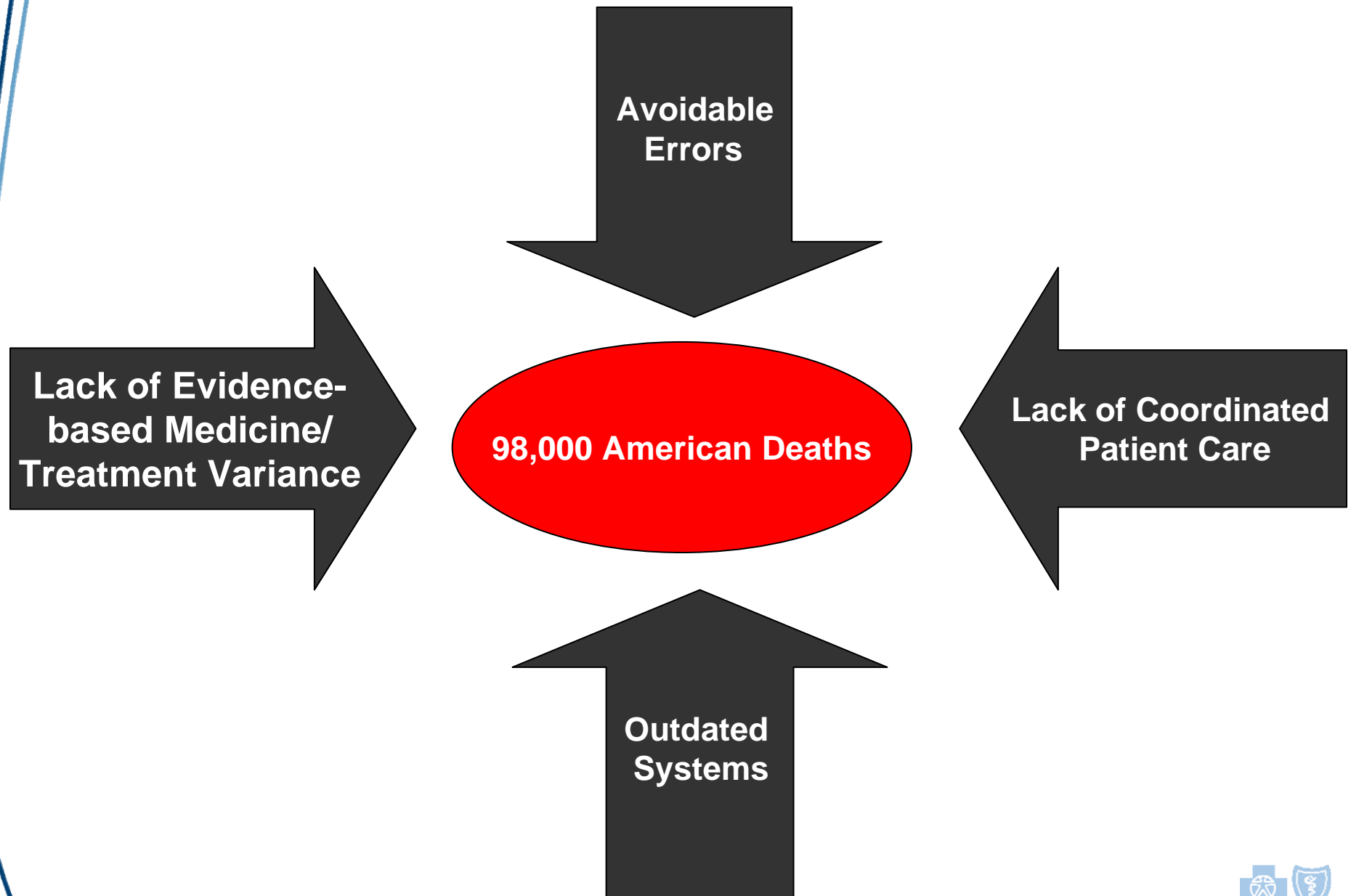
- In 2007, health care costs grew 6.4% compared to 2.8% general inflation.



Higher Growth in Health Care Costs than General Inflation is Largely Due to Inefficiencies

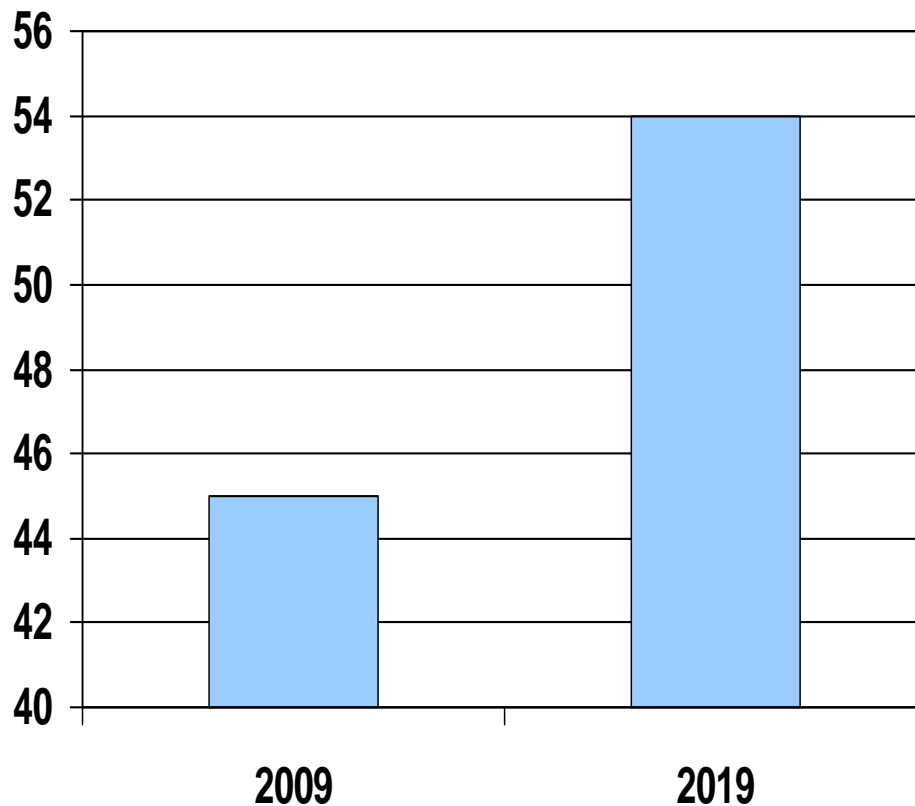


Quality Issues Contribute to Avoidable Errors, Unnecessary Deaths and High Costs



Lack of Access Increases Disease Severity, Cost-Shifting and Overall Health Care Costs

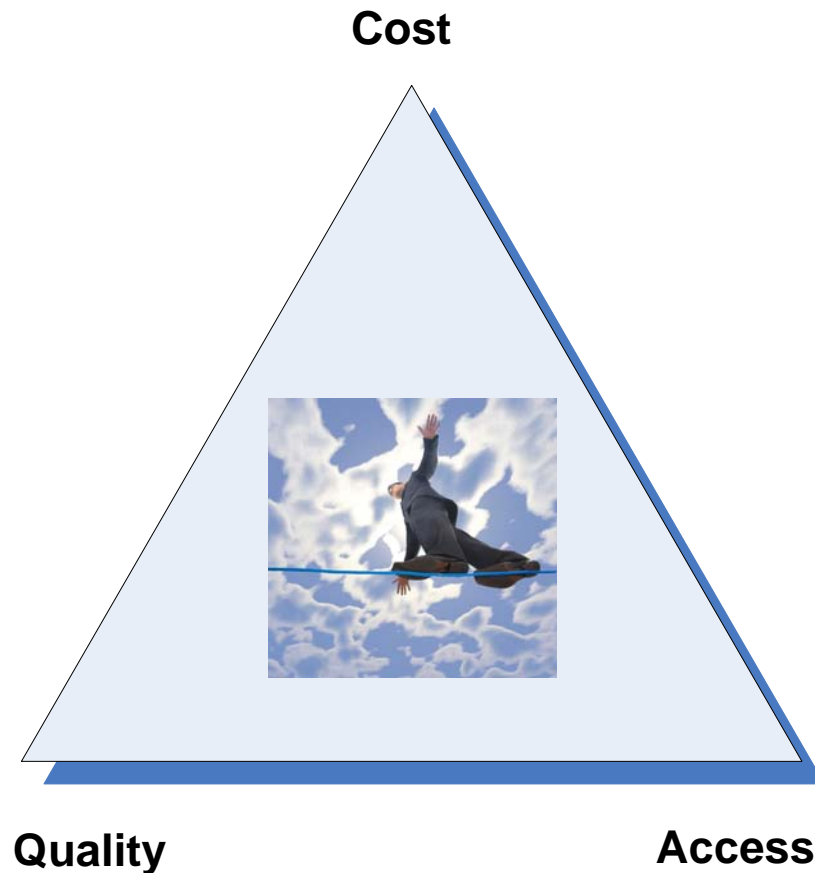
Number of Uninsured Americans (in millions)



These figures do not account for current economic conditions. Actual numbers will likely be considerably higher.

- U.S. ranks last in Commonwealth Study in access – Primary Care.
- Currently, an additional 25 million Americans are underinsured.
- Large uninsured, underinsured and Medicare/Medicaid population leads to cost-shifting in the private sector.
- Total uncompensated care costs for 2008 an estimated \$48 billion.
- Uninsured population receiving uncompensated care – low income and minorities. Health disparities lead to later diagnoses of chronic conditions, lower rates of care adherent to recommended clinical guidelines.
- We must improve access and focus on creating the right path for consumers.

Health Care Reform Requires Balancing Quality, Access and Cost



- Million dollar question: how do you balance quality, access and cost to achieve effective health care reform?
- Major component of recent 2008 presidential campaign:
 - Republican nominee Senator John McCain (R-AZ) promoted a market based approach.
 - Democratic nominee Senator Barack Obama (D-IL) advocated increased government involvement.
- President Obama believes he has the answer.

Obama's Plan Improved Quality, Access and Costs Through Increased Government Involvement

Many of Obama's proposed policy options address multiple issues.

Increased Quality and Access

- Patient Safety
- Disease management
- Prevention
- Mandated coverage for children
- New national plan based on Federal
- Employees Health Benefits Program
- New reporting requirements and accountability for minority health
- Patient centered medical homes
- National health insurance exchange
- Health information technology
- Guaranteed issue/rating limits

Decreased Costs

- Negotiate drug prices for Medicare Part D
- Permit drug re-importation
- Catastrophic cost reinsurance
- Medical malpractice reform
- Minimum loss ratios for insurers in non-competitive areas
- Comparative Effectiveness Research
- Reduce Medicare Advantage reimbursement rates
- Premium Subsidies

Health Care, Technology and Infrastructure

- Health Information Exchange:
 - Facilitates the exchange of both administrative and clinical information among health care providers and payers, making patient information easily accessible for those who are making decisions about patient care.
- Real-time Adjudication and Standardization:
 - Critical to creating efficiencies and lowering health care cost.
 - Real-time claims adjudication will help simplify administrative tasks and payee payment receipt.
- Smart Cards:
 - “Represent an opportunity to provide healthcare solutions that combine secure information access and management with data mobility and patient privacy.” Smart Card Alliance
- Impact to Payers and Payees:
 - Long-term: cost reduction
 - Short-term: increased investment; human and capital
 - Increased communication and efficiency

