

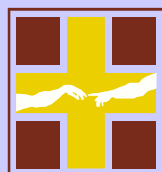


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European Summit
February 4th, 2005, Berlin

Consumer Markets in Health Care

William Boyles, Publisher
Consumer Driven Market Report



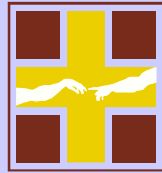
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Biggest Players*

	January 2004	June 2005
United iPlan	82,000	1,475,000
Aetna HealthFund	160,000	825,000
Humana	180,000	275,000
Lumenos	140,000	250,000
HealthMarket	40,000	125,000
CIGNA	3,000	75,000
Destiny Health	29,000	75,000
Blues, Others	346,000	1,500,000
Total	1,300,000	4,600,000

*Excluding FSAs

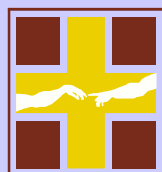


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Biggest Segments

	January 2004	June 2005
HRA	1,300,000	2,600,000
FSA	12,000,000	15,000,000
HSA	100,000	2,000,000
Total CDH	13,400,000	19,600,000

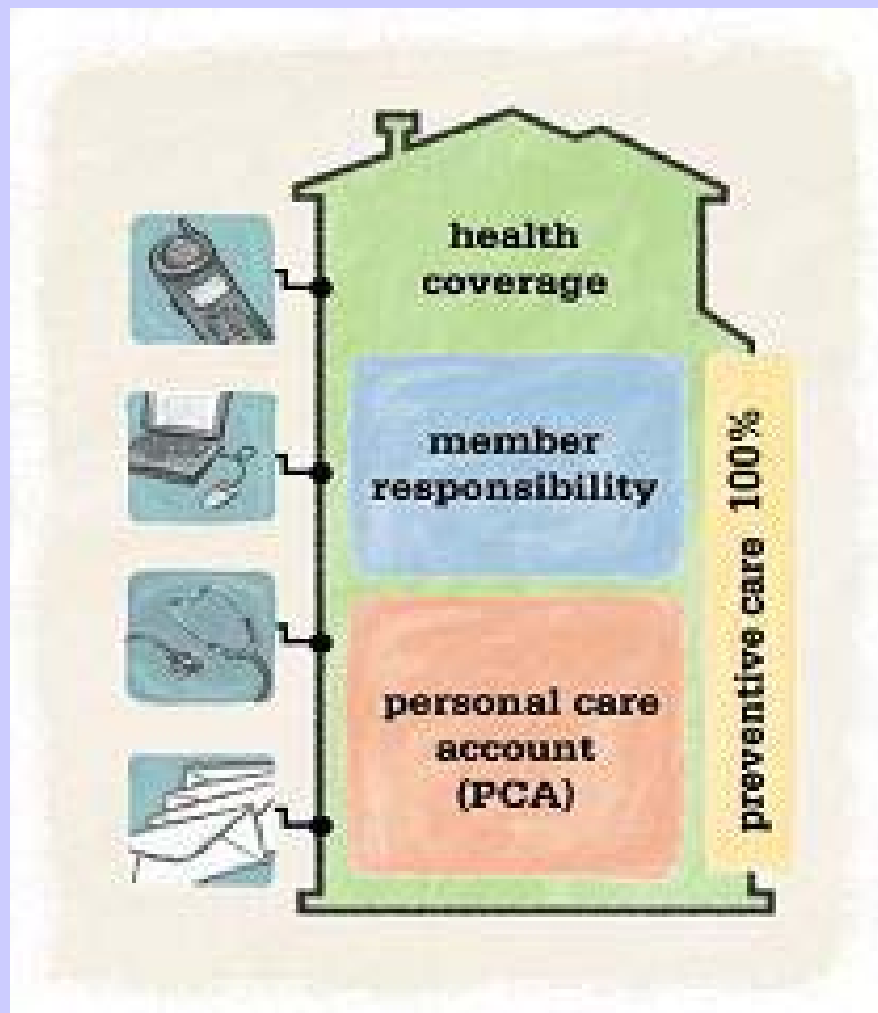


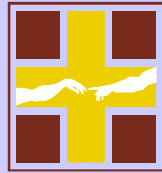
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How It Works

- High-deductible health plan on top
HDHP
- Spending account on the bottom
HRA FSA HSA



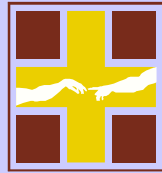


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What a Spending Account Does

- Creates an individual patient budget
- Eliminates liability for routine costs
- Patient sees and pays entire claims cost
- Slows utilization and intensity, not price



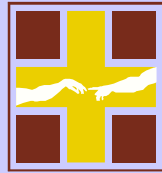
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Biggest Myths

- Have to shop for price and doctor
- Shifts net costs to the employee
- Will solve national health cost crisis
- Will fund most retiree health care





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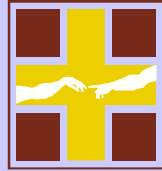
The Ideal Model

"Consumer driven"
(Primary care)

New alliance

"Managed quality"
(Acute & chronic)



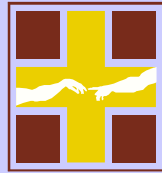


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Why Growing?

- No other new models on the radar screen
- Slows premium increases in early years
- More popular than existing health insurance
- Employers and insurers are desperate

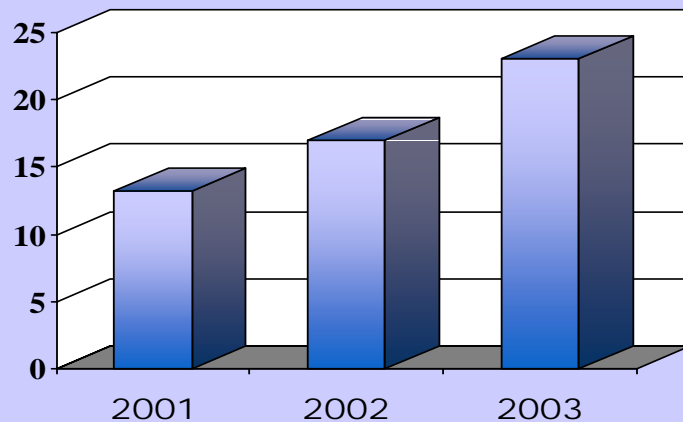


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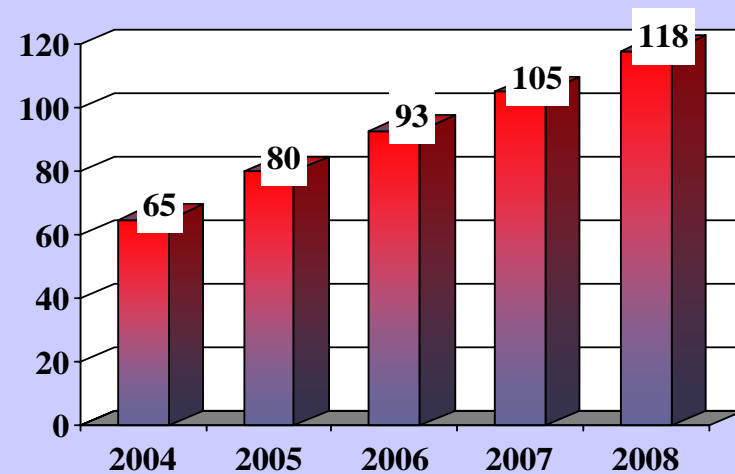
Trends Boost CDH Adoption

■ Online Banking In Million Users

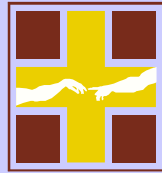


SOURCE: Nielsen Ratings 2003

■ Online Sales In Billions \$



SOURCE: Jupiter Research 2003

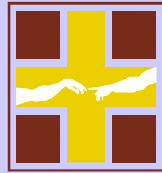


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Goals of Consumer-Driven Health

- Restore market for discretionary services
- Use that market to pressure providers
- Use it also to pressure consumers
- Use Web technology to make it work

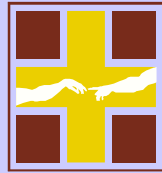


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History Lessons

- Too much coverage bad for the system
- When claims invisible, docs unaccountable
- Employers will drop health insurance
- Health spending funds create partial markets
- Web tools mandatory for market knowledge

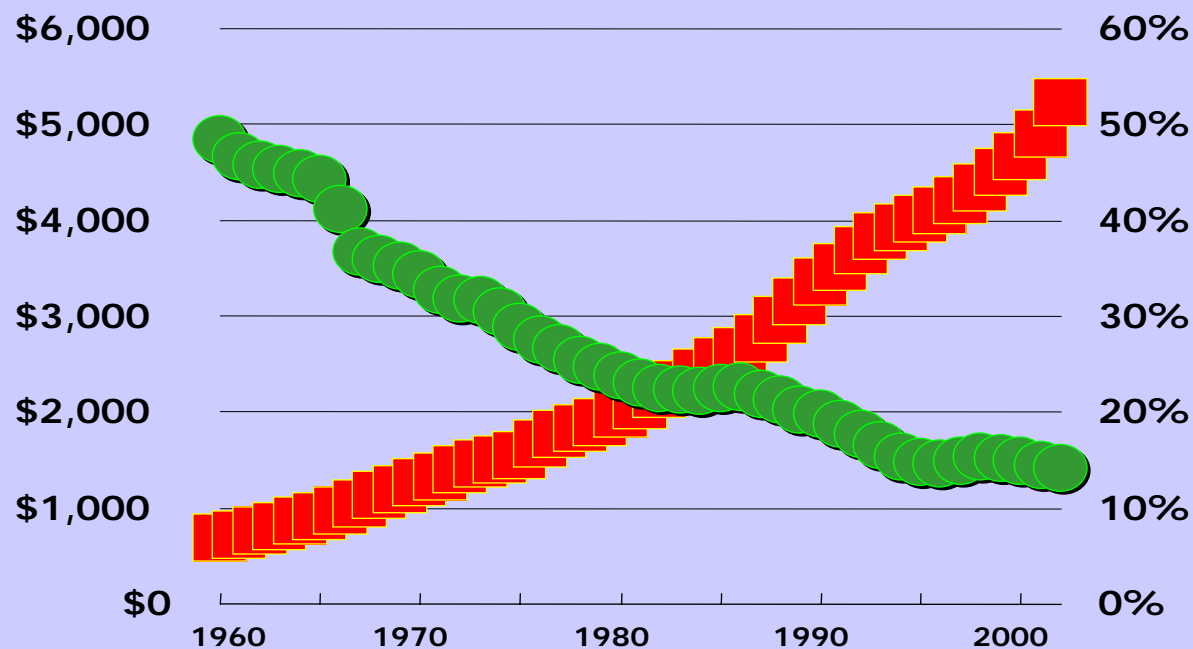


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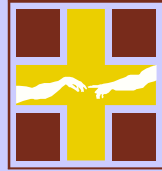
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Market Disappears, Costs Rise

U.S. real per capita health spending (red) vs.
percentage of expenses paid per person (green)



Source: Center for Medicare and Medicaid Services, National Health Expenditures 2003

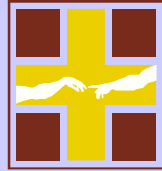


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Brave New World of Claims

- 100+ million new online claims users
- 'Self-utilization review' of claims
- Doctors and patients share claims histories
- Banks and insurers sharing claims (HSAs)

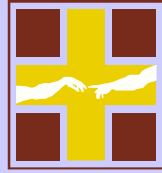


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What Claims Systems Have to Do

- Give enrollees online access to claims
- Give enrollees online access to medical records
- Tie checking accounts to health plans (HSAs)
- Prepare for a world of universal debit cards

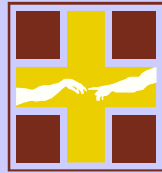


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What Insurers Have to Do

- Rethink meaning of first-dollar coverage
- Adopt new definition of 'health maintenance'
- Find ways to create 'virtual gatekeepers'
- Retain provider risk inside spending funds
- Give members more 'virtual networks'



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Dog Walking Questions

- Are the right markets being restored?
- Which will be more popular: HRAs or HSAs?
- Will the market support prevention?
- Will low-income consumers get protected?