

# News Release

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## **Relief for Rising Health Care Costs**

**Bluegrass Consumer Choice, a next-generation consumer-directed health plan, unveiled for Kentucky businesses**

*Lexington, KY, February 18, 2004* - In response to recent health care trends, Bluegrass Family Health is offering Kentucky employers an innovative health plan choice -- **Bluegrass Consumer Choice**. Bluegrass Consumer Choice is a consumer-directed health plan -- a next-generation alternative that actively involves employees in their care and health care spending.

The plan puts the consumer back in control, provides web tools that they need and creates a *partnership between employers and employees that could lower costs for everyone*. By actively involving employees in their health care decisions, Bluegrass Consumer Choice brings to Kentucky health plans that benefit both employers and employees.

Over the past week, the plan was unveiled to brokers across the state in a series of seminars explaining in-depth health plan features. Employers can find out more about the plans and enrollment by contacting their broker now. The new product is available April 1.

Companies across the U.S. have watched health care costs escalate at an alarming, double-digit rate. In 2003 alone, average health insurance costs increased 13.9 percent for U.S. families – the biggest spike since 1990. Nationally, this is the third straight year of double-digit increases. The fact is, that for the next few years, health care costs are expected to continue to rise at a rate of 15 percent annually and could go higher, especially for smaller groups.

The rapidly growing cost of health care, with the resulting increase in the cost of employer-provided health benefit plans, has caused employers to search for ways to contain their health plan expenses. To help absorb these rising costs, *many employers are restricting choice and asking employees to share in the cost of increases. At the same time employees want more choice and control in their health care decision-making* which has created an environment ripe for a consumer-driven approach. *Building financial incentives into new health plan designs encourages employees to become more effective health care consumers.* Employees need to be aware of the true costs of health care in order to make informed decisions about their own benefits and care.

Rather than cutting health benefits, employers and employees are looking for innovative coverage ideas.

**In response, Bluegrass Family Health introduces Bluegrass Consumer Choice, an innovative health plan, provided in partnership with Wells Fargo Flex Benefit Services. Plan members get PPO medical insurance from Kentucky-based Bluegrass Family Health combined with a Health Reimbursement Arrangement (HRA) administered by Wells Fargo, a national leader in financial services.**

*Bluegrass Consumer Choice brings Kentucky employers* a plan that addresses specific employer and employee needs. Consumer-directed plans offer a way for employers to:

- Hold costs or minimize increases in 2004
- Minimize premium trends going forward
- Continue to provide comprehensive, high quality medical benefits and provide a “safety umbrella” in the event of multiple or catastrophic health events
- Provide incentives for employees to become partners in managing health care costs and make wise health care decisions by living healthy lifestyles
- Leverage the power of technology
- Support recruitment and retention goals

***Bluegrass Consumer Choice involves employees*** in their care and health care spending. It puts the consumer back in control, creating an agreement between employers and their employees that could lower costs and benefit both the employers and their employees.

“Cost savings is important to the plan,” said Garry Ramsey, Chief Marketing Officer for Bluegrass Family Health, “but the plan also gives consumers more control and more discretion over their health care expenses.”

“This plan is a move toward the future of health care,” said Ramsey. “In just 5 years, 24 percent of health insurance products are projected to be consumer-directed. To take advantage of this product, we are recommending that companies contact their brokers now to prepare customized plans for the April 1 product availability.”

Ramsey adds, “We are putting Kentucky on the road to that future with the design of this product by presenting a careful blend of employer and employee benefits. With consumer choice health plans, employees become better-educated consumers of health care and participate in making wise health care decisions. Employers and employees become, in a sense, partners in managing costs.”

According to Kismet Toksu, President of Candor Consulting, Inc., a consumer-directed and e-health care strategies and solutions practice, “Working with Bluegrass Family Health and Wells Fargo over the past months on ***Bluegrass Consumer Choice*** has been truly a collaborative effort to bring all of the innovations afforded by this type of insurance arrangement to Kentucky.”

“Employer-sponsored, consumer-directed health care alternatives are a wave of the future for business health care plans. In their best form, they combine preventive care coverage, HRA and patient responsibility, traditional insurance coverage, health and medical management, and web tools. They are designed to complement traditional benefit offerings and are Internet-enabled. They focus on the consumer as the most powerful form of health care cost containment, and they leverage and support consumer purchasing ability,” Toksu noted. “The fact that Bluegrass Family Health is offering ***100 percent first dollar coverage on their plan’s preventative care*** shows strong leadership and a concern for the health of the employees they serve.”

Candor Consulting, which has worked extensively with Bluegrass Family Health on this new product, is a company formed to focus on building consumer-directed and defined contribution businesses and offerings with carriers, health plans, TPAs, pharmaceutical

companies, PBMs and e-health care companies. Candor Consulting has worked on consumer directed health assignments with national, regional, for-profit, and not-for-profit health plans.

**The Bluegrass Consumer Choice product includes five major components: PPO health insurance, 100 percent first dollar preventive care, Health Reimbursement Arrangement (HRA), patient responsibility and web-enabled tools.**

**PPO Health Insurance** – the umbrella of the plan is a major medical PPO with a higher deductible. This component covers qualified medical expenses once the deductible is met.

**Preventive Care** – Maintaining good health is a key component of Bluegrass Consumer Choice. To encourage employees to seek preventive care – including eligible exams and tests – qualified expenses are 100 percent reimbursed on a first dollar basis.

**Health Reimbursement Arrangement** – A new feature of this consumer choice program is the HRA. HRAs are tax-advantaged accounts set aside by employers on behalf of employees. Employees use money from this account to pay for qualified medical expenses. HRA funds are cumulative, so any unused monies at the end of the year roll over to the next. That means, employees that are wise with their health care spending have the opportunity to accumulate money year over year toward future health care expenses.

**Patient Responsibility** – With Bluegrass Consumer Choice, expenses toward the deductible are first paid by the employer-funded HRA. A gap exists after funds from the HRA are exhausted and before expenses become eligible to be paid by the major medical PPO plan. Employees are responsible for those expenses not paid by the HRA and before the deductible and out-of-pocket maximums are reached.

**Web-enabled Tools** - Another important part of the Consumer Choice plan is the Web-enabled tools and other services to help employees manage their costs and care.

**Wells Fargo Flex Benefit Services administers the employer-funded HRA used by employees to pay eligible medical expenses.**

**Health Reimbursement Arrangements (HRAs) *save companies* money because:**

- Premiums for higher deductible PPOs are considerably less than standard, lower deductible plans. A portion of that savings is used to fund the HRAs.
- HRAs give employees an incentive to make wise health care spending decisions.
- The combined impact of these features has been shown to decrease utilization, reducing health care costs.

**Health Reimbursement Arrangements are *important to employees* because:**

- HRAs give employees control over how they spend eligible out-of-pocket health care dollars.
- HRAs let employees accumulate unused dollars and roll them into subsequent years.
- HRAs reconnect employees with real-world costs and the entire health care process.
- HRA funds use tax-free monies to cover health care costs.

Established in 1993, Bluegrass Family Health is a Kentucky-based, not-for-profit company with a comprehensive provider network, offering competitive rates and community-based service. Bluegrass Family Health includes access to more than 5,538 physician providers and 88 hospitals in areas across Kentucky. Their headquarters are located at 651 Perimeter Drive, Lexington, KY 40517 and in Louisville at 9750 Ormsby Station Road, Louisville, KY 40223.

Wells Fargo & Company is a diversified financial services company with \$388 billion in assets, providing banking, insurance, investments, mortgage and consumer finance from more than 5,900 stores, the Internet (wellsfargo.com), and other distribution channels across North America and elsewhere internationally. Wells Fargo Bank, N.A. is the only “Aaa” – rated bank in the United States.

Candor Consulting, Inc., is a consumer directed and e-healthcare strategies and solutions practice. They are located at 7434 Hallcrest Drive, McLean, VA 22102.

Brokers in areas across the state of Kentucky will be offering the Bluegrass Consumer Choice plan and can provide more information to employer groups. Bluegrass Family Health can also give further information by calling 1-800-787-2680.

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