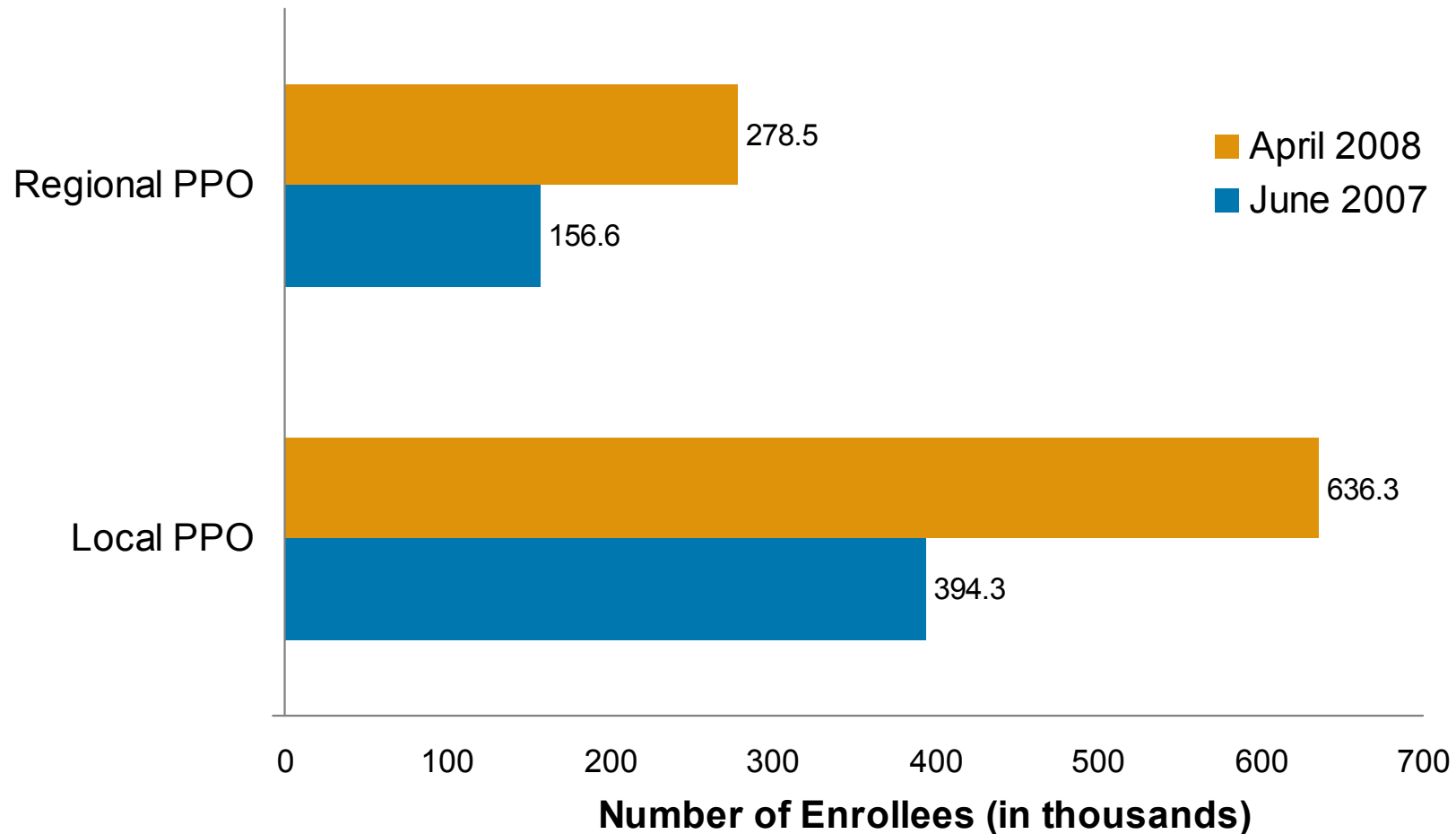


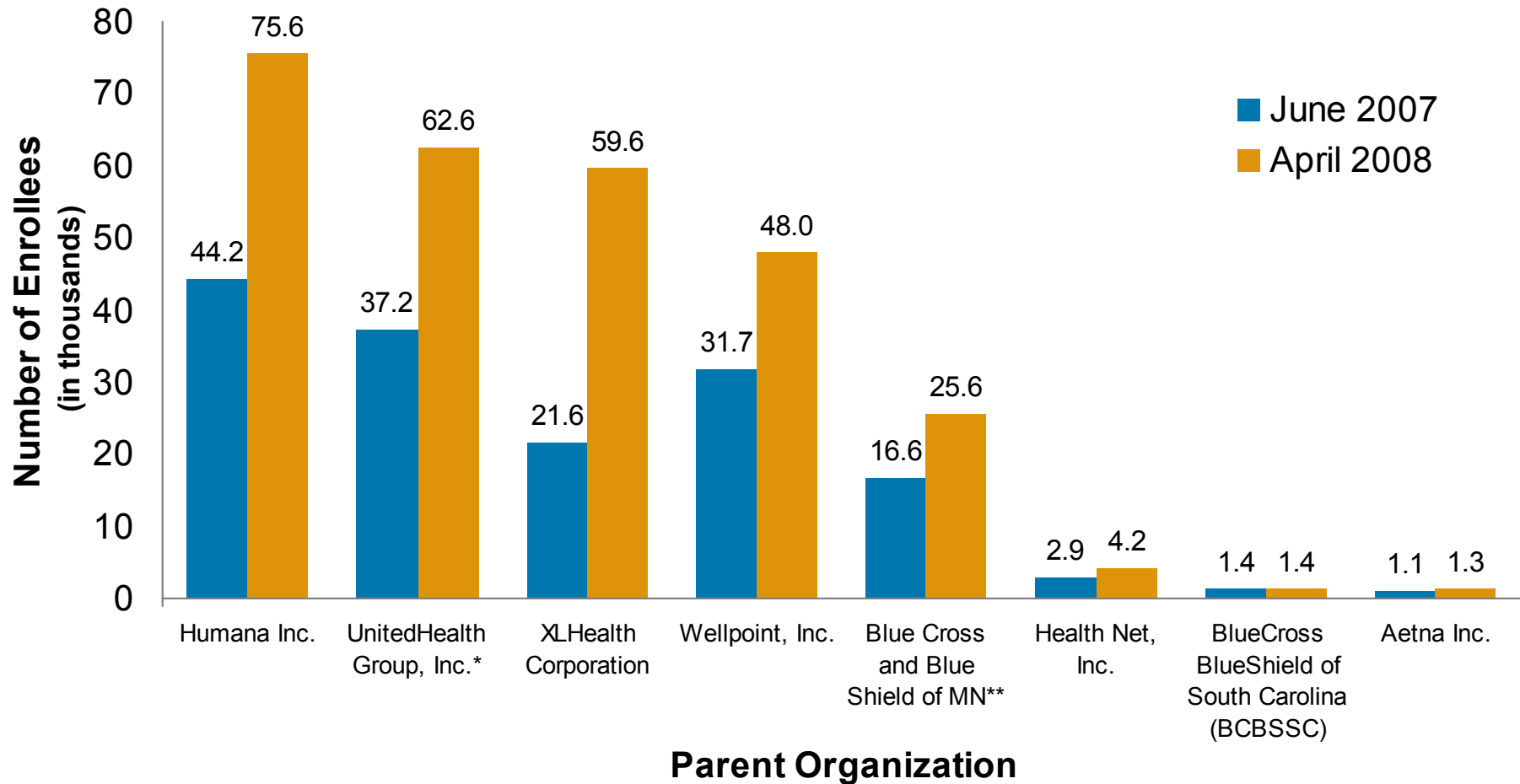
Regional and Local Preferred Provider Organizations (PPOs) Achieved Sizeable Enrollment Gains in 2008



Source: Avalere Health analysis using enrollment data released by the Centers for Medicare & Medicaid Services in May 2008 (reflecting enrollments accepted as of April 2008) and July 2007 (reflecting enrollments accepted as of early June 2007).



All Regional PPO Sponsors Gained Enrollees in 2008

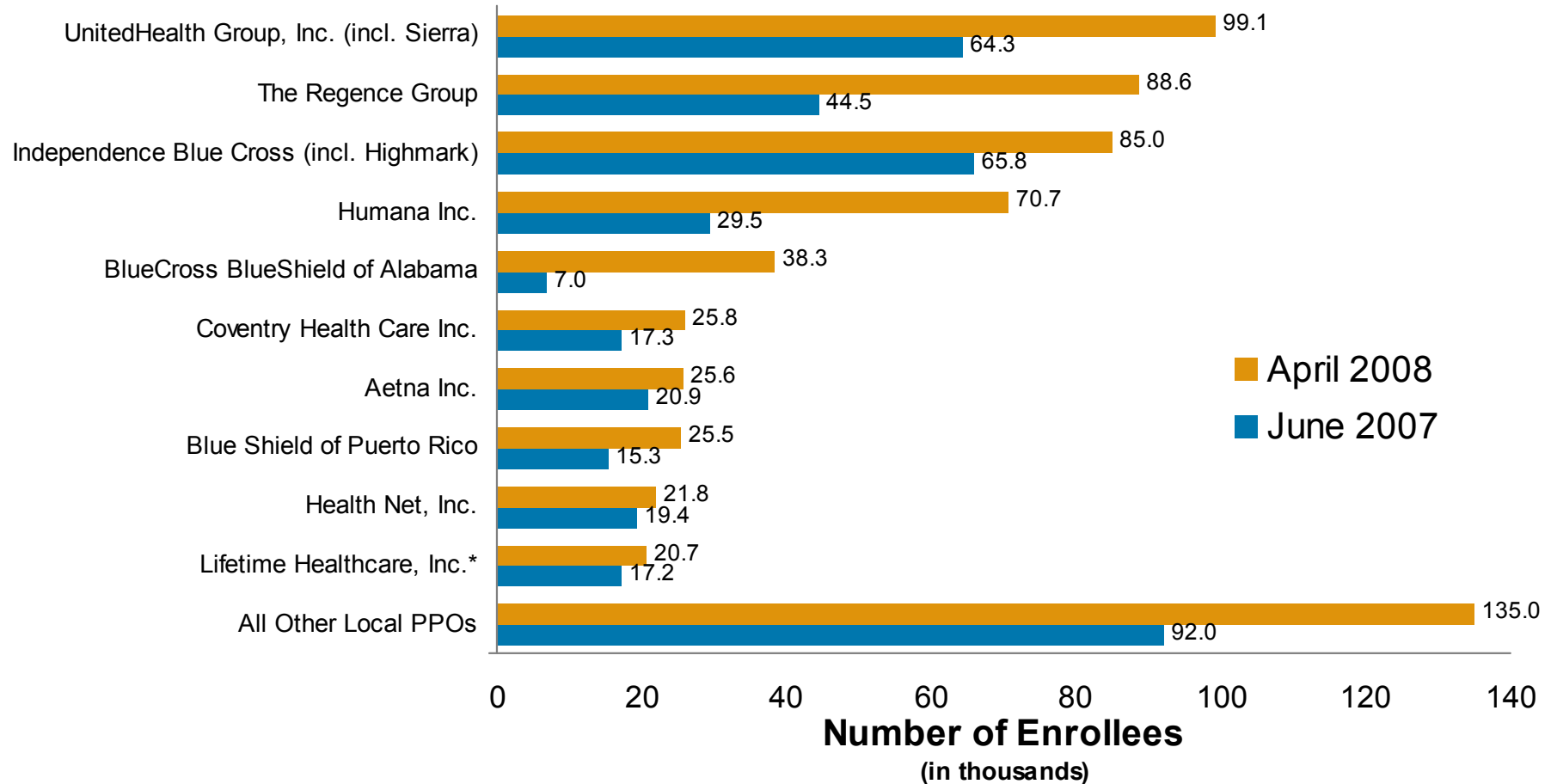


Source: Avalere Health analysis using enrollment data released by the Centers for Medicare & Medicaid Services in May 2008 (reflecting enrollments accepted as of April 2008) and July 2007 (reflecting enrollments accepted as of early June 2007).

* Includes Sierra Health Services ** Wellmark in 2007



Top Local PPO Parent Organizations also Gained Enrollees



Source: Avalere Health analysis using enrollment data released by the Centers for Medicare & Medicaid Services in May 2008 (reflecting enrollments accepted as of April 2008) and July 2007 (reflecting enrollments accepted as of early June 2007).
 *Excellus, Inc. in 2007





Growth in Regional PPO and Local PPO Enrollment, 2007-2008

- Total enrollment in Medicare Advantage preferred provider organizations (PPOs) increased from 551,000 to 915,000, a 66 percent increase.
 - » Regional PPO change: 157,000 to 278,000 (a 78 percent increase)
 - » Local PPO change: 394,000 to 636,000 (a 61 percent increase)

Regional PPO

- Few organizations offer regional PPOs; only 8 organizations in 2008 – the same number as in 2007
- XL Health, one of the larger sponsors and also the fastest growing, only offers regional PPOs that are special needs plans (SNPs)
- Humana, UnitedHealth, and WellPoint are also leaders in the regional PPO market, reflecting their presence in the overall MA market
 - » Regional PPOs are a very small portion of total MA enrollment for these three organizations
- Regional PPOs are only 3 percent of total Medicare managed care enrollment

Local PPO

- The Medicare Modernization Act (MMA) placed a two-year moratorium on geographic expansion of local PPOs in order to encourage the formation of the regional PPO market, a new plan type authorized by the MMA.
 - » Local PPOs that existed before January 1, 2006 could continue to operate and enroll beneficiaries and their sponsors could offer new local PPOs within the same service area
 - » No new plan sponsors could offer local PPOs, and even existing local PPOs could not expand their geographic reach
- Growth in 2008 driven by several factors: new plans entering the market, existing plans expanding into new service areas, and more enrollment in existing service areas
 - » Expansion into new markets allowed due to lifting of the moratorium
- UnitedHealth, The Regence Group, Humana, Highmark, and BCBS of Alabama are the leading local PPO organizations ranked by enrollment
 - » They account for more than half (57 percent) of all local PPO enrollees
- On average, local PPOs that were offered in 2007 expanded their service areas by 20 percent for 2008 – from 10 counties to 12 counties
 - » Significant expansion by Blue Cross Blue Shield plans (e.g., BCBS of Alabama, BCBS of North Carolina, Highmark, The Regence Group)
- BCBS plans account for 49 percent of total local PPO enrollment growth
 - » BCBS plans represent 42 percent of local PPO enrollment in 2007 and 45 percent of the total local PPO market in 2008
- According to MedPAC, local PPOs are paid at 119 percent of average fee-for-service costs in 2008. This difference is higher than HMOs (112 percent) and PFFS (117 percent)¹

¹ MedPAC. "Special Needs Plans and an Update on the Medicare Advantage Program," presented December 6, 2007, by Scott Harrison and Jennifer Podulka. Click here for more information: http://medpac.gov/transcripts/1207_MA_SNP_SH_pres.pdf (slide 8).