

UNICARE_{exchange}



UNICARE and Year 2000 Readiness

FORTUNE Magazine Names WELLPOINT MOST ADMIRABLE Health Care Company

WellPoint Health Networks Inc., UNICARE's parent company, was named THE MOST ADMIRABLE health care company in the country by FORTUNE magazine on March 1, 1999. This is a jump from last year, when WellPoint ranked #3 in the category.

FORTUNE's America's Most Admired List is considered to be an annual "report card" on corporate reputations. In addition to assessing the nation's top companies overall, the magazine ranks the top 10 companies in more than 55 industries. According to FORTUNE, the ranked companies were rated according to the following eight attributes of reputation: innovativeness, quality of management, employee talent, quality of products and services, long-term investment value, financial soundness, social responsibility and use of corporate assets.

"We're honored to be recognized on FORTUNE's health care list for another year of strong performance and steady growth," said Leonard D. Schaeffer, chairman and chief executive officer of WellPoint Health Networks, Inc. "Our continued commitment to choice and product innovation combined with our focus on controlling health costs have earned us the number one health care spot in this year's rankings."

UNICARE Special Accounts recognizes the importance of Year 2000 readiness. As a provider of large group health plans, we rely upon our systems to serve more than 130 client organizations and approximately 1.1 million medical members across the country.

To get our systems ready for the Year 2000, UNICARE's parent company - WellPoint Health Networks Inc. - will have spent four years and approximately \$22 million by the end of this year.

And by the end of the first quarter of 1999, our Year 2000 system changes will be implemented, tested and internally certified.

The Process

WellPoint began its Year 2000 Project in 1996. Associates in UNICARE Special Accounts also established a Year 2000 team in 1996 while we were still part of John Hancock. (WellPoint acquired the group health and related life insurance business from John Hancock in early 1997.)

"Our first step was the assessment phase, when we asked ourselves, 'How vulnerable are we?'" says Don Markey, Y2K Project Manager, who has been heading up the project in UNICARE Special Accounts for two years. After thoroughly assessing the situation, UNICARE Special Accounts - along with every other business unit within WellPoint - published a Year 2000 compliance project plan in September 1997.

"The first priority was our mainframe systems, including our claims processing system, Hanstar2," says Don. Interestingly enough, the original Hanstar2 system was built to accommodate Year 2000 data. However, extensive testing of Hanstar was still necessary, and during the course of this testing we found several problems, the biggest being that the system didn't recognize leap year in the Year 2000. (This problem has since been addressed.)

Other priorities within WellPoint and UNICARE included updating and testing all personal computers, servers, software applications, operating systems and hardware. WellPoint's total inventory of computer code is in excess of 65 million lines of code. While 70% of this is COBOL code, we have addressed all language types on all platforms.

All our Year 2000 system changes will be implemented, tested and internally certified by the end of the first quarter in 1999. In fact, at UNICARE Special Accounts, the work on our mainframe systems was completed in January - we're finishing adapting all our personal computers (PCs) and PC server systems during the first quarter of this year.

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Good News About Service

You Like Us, You Really Like Us!

In our ongoing quest to provide the best customer service in the business, we recently surveyed our customers on their level of satisfaction with their UNICARE Account Executive.

The results: 70% of customers surveyed were absolutely delighted or very satisfied with their UNICARE Account Executive.

The top five attributes, listed in order of importance, were:

- > *Effectively resolves problem situations*
- > *Works to meet your needs*
- > *Responds to your requests in a timely manner*
- > *Is proactive in identifying problem situations*
- > *Understands your needs*

In addition, 80% were absolutely delighted or very satisfied with the professionalism of our Account Executives. And more than two-thirds of customers were absolutely delighted or very satisfied with the Account Executive's performance in the following areas:

- > *is available when needed*
- > *responds to your requests in a timely manner*
- > *responds to your requests in a clear manner*

The survey was conducted in December 1998, and 172 individual customer contacts were asked to participate in the survey. We got a 69% response rate, with 119 participants. During Phase Two of the survey, our General Managers will talk to customers and learn how we can further improve our service. A big thanks to all our customers who participated!

Wall Street Likes Us Too!

1998 proved to be a very successful year for WellPoint, as the company distinguished itself on Wall Street through its continued, consistent growth. During 1998, WellPoint's stock grew in value by 106%, more than twice the increase of our nearest competitor. We believe this success is due to our focus on offering broad product choice, pricing flexibility and targeted medical cost management.

Y2K Readiness (continued from page 1)

More than 300 WellPoint and UNICARE associates are working on our Year 2000 compliance project. UNICARE Special Accounts also engaged an independent consultant to help with analysis, code changes and preliminary testing.

Of course, we don't work in a vacuum. Everyday, WellPoint and UNICARE systems interface with systems from dozens of other organizations, including our customers'. We compiled an exhaustive list of our software vendors and business partners and, where appropriate, are contacting them with questionnaires regarding their Year 2000 readiness. We also respond to more than 50 inquiries a week about our Year 2000 readiness from our business partners.

Next Steps

All units within WellPoint, including UNICARE Special Accounts, will continue testing our systems during 1999. Our telecommunications staff is currently working on making our data and phone lines compliant, and our facilities staff is investigating our physical plants, including elevator, security and emergency systems.

"The main concern are issues out of our scope of control," says Don. For example, the electrical supply grid that powers our lights and computer equipment could potentially shut down for a period of time. To address these concerns, we are developing extensive business contingency plans designed to minimize any disruption in our service to clients.

WellPoint has also engaged an outside consultant to conduct an independent review of certain of our Year 2000 testing procedures and documentation. This review is expected to be completed during the first quarter of 1999.

Y2K 101

Many people don't fully understand the Year 2000 (Y2K) Problem, or 'Millennium Bug' as it is also called. Below is an explanation which may be helpful:

In the attempt to save computer memory, programmers have traditionally used a two-digit field to identify years. Instead of providing sufficient space to hold a full date (01-01-1998), programmers instructed computers to recognize 01-01-98 with the first two digits of the year field always assumed to be 19. Any software or hardware created with this assumption will soon be obsolete because it will read the year "00" as 1900 when the intended date was 2000.

When the Year 2000 is used in calculations, any program or process that involves two-digit year codes may no longer function or may produce incorrect results.

The above article is a Year 2000 readiness disclosure under the Year 2000 Information and Readiness Disclosure Act.

SPOTLIGHT

The UNICARE

DENTAL PROGRAM

Sometimes, the whole is greater than the sum of its parts. This adage is certainly true when it comes to the UNICARE Dental Program.

Within the past few years, WellPoint Health Networks Inc. has acquired the group health and related life businesses of John Hancock and Mass Mutual. This union, which formed UNICARE Special Accounts, has allowed us to pool our strengths and offer a superior dental product.

Our customers have always enjoyed our expert plan administration for their dental indemnity and dental PPO plans. And now, since the WellPoint acquisitions, our dental PPO customers also enjoy access to the WellPoint Dental Network.

Read on to learn how the UNICARE Dental Program combines our expert administration and broad network access to best serve our customers.

The Network

The WellPoint Dental Network offers broad access through 31,000 General Dentists and Dental Specialists located across the country. All providers are approved to participate in the network based upon accepted industry standards - we verify important credentials such as state dental licensure, drug licensure and malpractice insurance. Each network dentist also participates in our utilization review program to promote ongoing dental health and the most appropriate dental care.

But what really sets our dental network apart from our competition is this: our ability to negotiate individual fee schedules with key dentists.

After sending out a standard fee schedule to dentists in a particular region, WellPoint then goes back and works with key dentists to negotiate a fee schedule that meets their specific needs. This flexibility gives our customers significant cost savings off the usual fees for the geographical region, plus access to the dentists they want in the network.

"There are many advantages to this strategy," says Lillie Gorgievski, product executive. "First of all, we can attract a large number of providers and develop networks where our competitors can't, allowing more access to more members."

Using targeted and flexible negotiation also helps UNICARE build networks that meet specific client needs - for example, we can attract specific providers and fill in gaps in key geographic regions. And finally, this type of negotiations help retain our network dentists.

Once a dentist joins the network, that dentist usually stays in the network, says Lillie, "Our annual turnover rate for network dentists averages less than 3%."

The Foundation: Plan Design and Customer Service

Besides our unique arrangement in negotiating rates with our dentists, UNICARE Dental customers benefit from our effective plan designs and premium customer service.

The UNICARE Dental Program's PPO can be supported by traditional indemnity coverage, allowing our customers the flexibility to design a plan to meet their needs. Our program offers comprehensive dental benefits in the following general categories:

- *Preventive – exams, X-rays, cleanings, sealants*
- *Basic Restorative – fillings*
- *Major Restorative – endodontics, periodontics, oral surgery*
- *Reconstructive – crowns, removable/fixed bridgework, dentures*
- *Orthodontic*

"The UNICARE Dental Program maximizes the value of dental plans by promoting preventive care," says Lille. "This can help lower the use of more expensive reconstructive procedures down the road."

We know that service is an integral part of any successful dental program. Our Account Managers first help customers design a dental plan to suit their needs, and then serve as their sole point of contact. Member service is also a high priority for the UNICARE Dental Program, and we now offer an online provider directory. To find a network dentist in their area, members simply go to <http://www.unicare.com>, click on "Provider Finder" and then on "Dental Provider Search." Members can then locate dentists by name, city, zip code or specialty.

With the UNICARE Dental Program, we offer our clients:

- *Broad access to quality dentists*
- *Care that focuses on preventive treatment*
- *Flexible plan designs*
- *No claim forms for network participants*
- *State-of-the-art claim processing*
- *Member education materials*
- *One toll-free telephone number for all member services*

For more information on the UNICARE Dental Program, please contact your Account Manager or call 1-877-UNICARE.



Carl Volpe is Vice President of Health Policy and Analysis for WellPoint Health Networks, Inc. UNICARE Special Accounts is committed to keeping our customers informed on legislative initiatives regarding health care, so we've asked Carl to write about the latest developments in Washington.

Carl's

CORNER:

Update on Washington

The impeachment trial is over. Congress and the President are now focused on public policy, and health care is back on the radar screen. Over the next several months, we can expect to hear more about proposed legislation affecting managed care, Medicare and the Employee Retirement Income Security Act of 1974 (ERISA).

All this activity needs to be watched carefully by health plan providers and employers alike. In their exuberance to reform the health care system, Congress must be careful to keep the patient in mind and to control health care costs instead of driving them up.

Here's a summary of the initiatives coming out of Washington:

President Clinton's Health Proposals

President Clinton called for a number of health initiatives in his State of the Union speech, including using one-sixth of the budget surplus to save Medicare. His other initiatives include: passage of a Patients' Bill of Rights; privacy of electronic medical records regulation; buy-in to Medicare for those aged 55 and older; buy-in to Medicaid for the working disabled; a 10% health care small employer tax credit; and a \$1 billion community-based program for the uninsured.

Medicare Reform Commission

The bipartisan Medicare Reform Commission chose to disband in mid-March after members were unable to muster enough votes for any specific proposal. The Commission had been considering: a fixed contribution model for Medicare; merging Part A and Part B premiums under a single deductible; ending current subsidies of \$2.2 billion annually for training doctors and moving it to the general budget; and ceding HCFA's authority to the health care market in setting competitive rates. Among its more contentious proposals was one to include prescription drugs in the standardized benefits package.

Shortly before the committee broke up, President Clinton criticized the fixed contribution proposal as unacceptable and vowed to devise a proposal of his own as an alternative. The Commission was split generally along party lines.

Medicare reform now moves to Congress where any proposal by the President will have to be considered by the Republican leadership. The prospects of any real Medicare reform is fading very quickly.

Managed Care Reform Legislation

Like last year, Democrats and Republicans have introduced managed care legislation. Unless Congress stalemates over specifics, we will see some of this legislation enacted.

Current proposals include: standards for emergency services; information disclosure requirements; direct access to OB/GYNs and other specialists; continuity of care when a provider is terminated from a network; mandatory Point-of-Service (POS) requirements; bans on "gag" clauses; confidentiality standards for medical records; and requirements and time frames for internal and external appeals.

There also is support among some Republicans and Democrats for federally mandated independent external review of grievances and appeals, and proposals that would allow patients to sue their health plans for personal injury or wrongful death.

Department Of Labor Proposal

In response to President Clinton's directive to federal agencies to implement the recommendations of his Advisory Commission on Consumer Protection and Quality in Health Care, the Department of Labor proposed new regulation covering health care claims procedures under ERISA plans.

This regulation, which was released for comment in September, details highly aggressive timeframes for health plans to process claims and make coverage determinations.

A Labor Department official testified at a Congressional hearing in January that the Department is open to other ideas with respect to their proposed regulation.

WellPoint's View

Many health plan providers, including WellPoint, are cautious of any legislation that could raise the cost of administering health plans. Mandating external review of grievances and appeals; setting timeframes for claim processing and coverage determinations; and allowing patients to sue health plan providers for personal injury or wrongful death all have the potential to raise the costs of health care.

WellPoint is committed to offering affordable products that meet the diverse needs of our customers, and we will work hard for legislation that allows us to sustain that commitment.