

UniCare Expands Its Product Portfolio In 2005

With the cost of health care benefits on the rise every year, there is an important need for health care companies to continually re-evaluate their products in order to offer benefits plans that will meet the changing needs of their customers. This is even more critical today, as annual premiums per employee continue to grow at double-digit rates. And with changes in governmental policies in regard to health care, the demand is even greater for lower priced benefits options. (See "Update on Washington" on page 2 for further information.)

UniCare continues to respond to the changing demands of the marketplace. In 2004, we launched our consumer-directed HRA product, CompleteChoice HealthFundSM, and our Health Savings Account compatible plans. In addition, we developed a reference-pricing pharmacy plan, YourChoiceRxSM, which offers up to 40 percent savings from traditional plans.

UniCare has traditionally offered employers comprehensive plans with relatively generous benefits. While there is still a need for many large employers (those with 50 employees or more) to offer these types of plans, a growing number of employers, particularly those in the service industries, are looking to offer lower cost benefits plans to all or some of their associates, as well.

Based on this growing need, UniCare will be launching new benefits plans in 2005, which will offer companies more variety with lower cost options for both employers and employees. Although lower cost option plans do not include all the components of a comprehensive plan, it does provide most of the commonly used health care basics, such as coverage for doctor visits, prescription drug coverage and assistance with hospitalization expenses.

Introducing BasicChoice

UniCare BasicChoice plans have been designed to provide employers with lower cost benefits plan options to offer to their employees. For employers who have a large number of part-time employees, or for those employees that are not eligible for, or cannot afford the company's benefits program, BasicChoice plans are the perfect choice.

With our BasicChoice plans, associates who previously had no health benefits can now have coverage. BasicChoice offers several flexible medical plan options from more comprehensive benefits to scheduled reimbursement plans.

Our most comprehensive BasicChoice plan to be rolled out in first quarter, offers employees:

- Basic, routine preventive care services covered at 100% and preventive screenings covered at 80% or 70% at in-network providers;
- Coverage for basic hospital and physician services;
- Quality health care benefits at an affordable price;
- MedCall[®]—UniCare's 24-hour, toll-free health information phone line; and
- Access to value-added programs such as HealthyExtensions^{SM1}, which offers discounts on health and fitness services and products.

This plan also includes a network with many of the leading physicians, hospitals and other health care providers in the associates' home and work area. In addition, all network providers are screened and must meet and maintain standards of quality.

BasicChoice also offers employers the choice of three pharmacy options:

- **YourChoiceRxSM**—our reference-pricing product;
- **Generic Only Plan**—members pay a \$10 copayment for generic drugs and receive pharmacy discounts on brand drugs; and
- **UniCare Discount Only**—offers members access to pharmacy discounts only.

In addition UniCare will be rolling out a number of supplemental products to offer alongside our BasicChoice plans in 2005. In February, we launched a Voluntary Dental Program (See our "Spotlight On UniCare's Dental Programs" on page 3 to learn more), our most cost effective dental plan to date. We are also developing a hybrid dental PPO product to be launched later in the year, which offers a significant savings over our traditional dental PPO. This can also be packaged with our UniCare BasicChoice plans.

UniCare understands the importance of providing employers with product offerings that meet their company's unique needs, as well as offer a variety of pricing options. That is why our focus this year is on developing new products that better round out our portfolio. By expanding our product offerings from lower cost/lower level coverage options to full comprehensive plans, employers will receive the most valuable benefit of all—choice.

¹HealthyExtensions materials, services and products are not insurance benefits and are ineligible for benefits under a member's benefits plan. Members are fully responsible for the charges associated with these materials, services and products, all of which are provided by independent vendors and practitioners not affiliated with UniCare. Services and/or products are subject to change or withdrawal without notice.

In The News

Flu Vaccine Update

In October, 2004, the Centers for Disease Control (CDC) was notified that Fluvirin[®], an inactivated influenza vaccine manufactured by the Chiron Corporation, would not be available for distribution in the United States for the 2004-05 influenza season.¹ This situation meant that nearly half of the nation's flu vaccine would not be available this year.

At that time, the CDC, in conjunction with the Advisory Committee on Immunization Practices (ACIP), had identified priority groups that should be among the first to receive the limited available flu shots. (For a full list, please see our "In the News" article in the last "UniCare Exchange", Issue 23.)

Since initially announcing the list of priority groups for available flu shots, the CDC and ACIP have recently added additional priority groups to the list. Those additional groups include:

- Out-of-home caregivers and household contacts of persons in high-risk groups (e.g., persons aged 65 years; persons with chronic conditions such as diabetes, heart or lung disease, or weakened immune systems because of illness or medication; and children aged 2 years); and
- All adults aged 50-64 years.

Each year more than 200,000 people are hospitalized with influenza and flu-related complications. Fortunately, this year's flu season has been off to a slow start but it has increased steadily since mid-December.²

Persons in high-risk priority groups who have not yet been vaccinated are being urged by the CDC to obtain the flu vaccine. The CDC further recommends, "persons in high-risk priority groups should be encouraged to search locally for vaccine if their regular health care provider does not have the vaccine available." The CDC reports that it will continue to allocate flu vaccines to states that do not have sufficient supplies in order to reach these priority groups.

For more information about influenza vaccinations, log on to www.cdc.gov.

^{1,2}Centers for Disease Control and Prevention Web site, www.cdc.gov.

Stay tuned to future UniCare Exchange issues to learn about our additional BasicChoice plans to be introduced, as well as more new product rollouts for 2005. For more information about UniCare's BasicChoice and Voluntary Dental plans, speak with your UniCare sales representative.



Update On Washington

From The Desk Of Susan K. Nagy, Constituent Relations Manager

Although the war in Iraq and anxieties about the threat of terrorism dominated the election debate, health care issues remained a major domestic worry.

This was confirmed immediately after the election, when pollsters Glen Bolger (Republican) and Geoff Garin (Democratic) conducted a joint survey showing that Americans across the board agree that slowing the steep rise in health care and prescription drug costs, and “assuring every American has access to health care coverage,” are among their top domestic priorities. Disagreement remains on how best to achieve these goals. However, President Bush’s victory on November 2nd and the increased Republican margins in both the U.S. House and Senate make it easier to predict the direction that national health care policy is likely to take in the next four years.

Continued Marketplace Approach

The White House and Congress are expected to support market-based solutions to reduce costs and expand coverage through new products that give consumers more control over their own health care dollars. Examples include:

- Legislation that provides tax benefits to businesses and their employees who contribute to Health Savings Accounts (HSAs) that are coupled with high-deductible plans.
- Tax credits to help low-income families buy their own policies.

Potential Cuts To Government Programs

Given the massive budget deficits and hopes to make tax cuts permanent, Congress and the Administration may look to scale back Medicare spending and limit federal Medicaid contributions, which could affect Medicaid services in UniCare states, including Illinois, Massachusetts and Texas.

UniCare Launches New Web Site

On January 27, UniCare launched our newly redesigned Web site. The site incorporates the new branding and visual design system that was implemented this past summer, which you may have already seen in UniCare sales communications materials. Updating the look of the UniCare Web site also provided the company with the opportunity to enhance some of the Web site’s usability and navigation, so it is now easier to find information.

“Our new site demonstrates our dedication to providing health care that offers ‘A Healthy Dose of Innovation,’” said David Fields, UniCare president and CEO. “The appearance is streamlined and much easier to navigate. Overall, it offers a much-improved experience for users without changing our production process.” To see the newly redesigned Web site, visit www.unicare.com.

Association Health Plans (AHPs) And One-State Regulation Nationwide

The White House will continue to press for legislation to exempt AHPs—health plans sponsored by associations—from state law and oversight. The Administration and other proponents believe AHPs will expand affordable coverage options for uninsured individuals. Opponents of AHPs argue that AHPs would increase premiums for most small employers and older, sicker groups, and preempt the consumer and provider protections of many states.

The President also supports the concept of allowing insurers licensed in one state to sell coverage under that state’s rules anywhere in the country. The idea is to encourage states to reduce their regulatory burdens to compete with other states. Opponents believe this would leave consumers and providers with little recourse against poorly performing carriers. If the licensing state lacked prompt pay laws, for example, the insurer would operate under those strictures nationwide.

Health Information Technology

The Administration will continue to promote advancements in information technology to increase administrative efficiency, reduce medical errors, and provide more health care resources to rural and/or underserved areas.

Medical Liability Reform

Republicans will push for medical liability reform that would cap non-economic damages. Efforts to date have been thwarted in the Senate, but the new, larger Republican majority may increase the chance of passing liability reform legislation. In addition to a cap on non-economic damages, new proposals will likely seek to (1) limit attorneys’ contingency fees, (2) limit the number of years a plaintiff can wait before filing a health care liability action, (3) limit a party’s liability to its degree of fault, and (4) allow defendants to introduce evidence showing that a plaintiff has received reimbursement from another party for a portion of his or her damages.



SPOTLIGHT ON

UniCare's Dental Programs

Just as with our health benefits plans, UniCare is also expanding its dental programs in 2005, offering a wide range of dental products to meet the diverse needs of our clients. Many companies that offer dental programs still have a “one-size-fits-all” approach to group dental plans. UniCare understands that employers, as well as their employees, have very different requirements when it comes to choosing a dental plan. There are many factors to consider, including cost, network size, flexibility and administration concerns.

Whether it is a small start-up or a large company with thousands of employees, UniCare's dental programs offer our clients customizable components and options that best suit their unique needs. And focusing on a company's specific needs not only means better overall customer satisfaction, but is more cost effective because there are no unnecessary payments for unwanted or unused benefits and services. This philosophy, combined with UniCare's national network¹ of over 50,000 dentists with whom we have negotiated competitive rates, ensures plans that deliver easy access, comprehensive coverage and lower out-of-pocket expenses.

To learn about UniCare's dental programs and how they can be tailored to meet your company's specific needs, review our extensive portfolio of dental products below:

Voluntary Dental Plan

UniCare's newest and often most cost-effective plan, Voluntary Dental, provides employers the opportunity to offer valuable dental coverage to employees for the first time with little or no cost to employers. Our new Voluntary Dental plans have been designed so that the employee contributes the majority of the premium, which allows employers to reduce company expenses, while maintaining the ability to offer flexible and affordable group dental coverage to their valued associates.

We have developed a suite of Voluntary Dental plans, which offer a wide range of benefits options from which to choose. Employers can consider the benefits covered, as well as the associated premium costs that their employees will be responsible for, in order to decide on a plan design that best fits both their company's and associates' needs.

UniCare's new Voluntary Dental plans cover a broad range of services, including Preventive and Diagnostic, Minor Restorative, Oral Surgery, Endodontics, Periodontics and Prosthodontics. Many of the plans also provide Orthodontic coverage.

UniCare Dental PPO

UniCare's independently contracted PPO dentists agree to provide care to plan members at a pre-arranged fee—in many cases, these fees are significantly reduced from the dentist's normal charges.

Incentive Plan

The deductible and coinsurance plan differentials in this plan are based on whether a member seeks care from a dentist or specialist within the PPO network or out of the network.

Non-incentive Plan

Under this plan there is no plan payment differential for in-network or out-of-network services.

Texas Dental Plans

In Texas, our network has over 7,100 dentists and dental specialists. UniCare offers the following types of dental plans in Texas:

Scheduled Plan

This plan offers the choice of cost-saving plans and pays a scheduled benefit for contracted providers and non-contracted providers. Members who choose contracted providers can save through negotiated fees, which are in many instances below usual charges for covered services.

Network Plan

There are no coinsurance differentials for services provided by contracted and non-contracted dentists in this plan. However, in many cases, members who choose contracted providers are not balance billed for covered services.

Indemnity Plan

This plan is a traditional fee-for-service dental insurance. The plan reimburses members for dental services provided to patients based on bills submitted after the services are rendered.

With any of UniCare's dental programs, you can expect:

User-Friendly Administration

Account management, billing and reporting for the dental plans are integrated through a single point of contact at UniCare. Your account manager's job is to help ensure that your plan and its benefits are administered smoothly and quickly. To make things easier, UniCare provides:

- Toll-free customer service for providers and members;
- A dedicated Dental Service Center to administer all dental claims processing and customer service;
- Paperless claims processing when your associates use network providers. Except for associates' out-of-pocket expenses, most paper work and financial obligations are direct transactions between UniCare and the dentist.

Online Service—Quick And Easy

Our online dental claims processing system provides speedy claims processing, automated plan control features, identification of invalid or duplicated information and quick response to members and providers.

By logging on to www.unicare.com, your associates can:

- Find a network dentist in the Provider Finder database;
- Check on the status of a claim or deductible;
- View their Explanation of Benefits (EOB) for a particular claim;
- Nominate a provider to join the network;
- Access personalized plan coverage and more.

By logging on to myunicareonline.com, benefits administrators can also use UniCare's easy and fast online capabilities to enroll, review and maintain associates' benefits.

Added Benefits For Added Value

Our HealthyExtensionsSM program, available to our dental program members at no cost, builds on existing UniCare prevention and wellness benefits by providing access to discounts on fitness club memberships, hearing and vision products and services, alternative health and nutritional supplements and more, including a discount off a treatment from the leading professional teeth whitening treatment professional, BriteSmile^{TM,2}



For information about UniCare's newest Voluntary Dental plan or for additional information about UniCare's dental programs, contact your UniCare sales representative.

¹The doctors, dentists, hospitals and other providers, which are part of the network of providers referred to in this document, are independent contractors who exercise independent judgment and over whom UniCare has no control or right of control. They are not agents or employees of UniCare. Your providers exercise independent professional judgment and should discuss treatment options with members, even those that might not be eligible for benefits under the plan. UniCare's decisions about whether any dental service or supply is covered under the plan are benefits plan decisions only and are not the provision of medical care.

²Healthy Extensions materials, services, and products are not insurance benefits under the benefit plans. Associates are fully responsible for the charges associated with these materials, services and products, all of which are provided by independent vendors and/or practitioners not affiliated with UniCare.

EYE ON HEALTH

The Rising Costs Of Prescription Drugs And What's Being Done About It

According to a summary released by the Congressional Budget Office in 2004, prescription drug spending has been the fastest growing segment of health care expenditures in the past decade.¹ Over \$165 billion is spent on prescription drugs annually and that number continues to grow each year.²

Americans, specifically, are paying substantially higher prices for their prescription drugs than those outside of the United States. The reason for this is that the United States, unlike other countries, does not limit the amount that can be charged for drugs. The population most affected by these costs are the elderly, as they are more likely than any other group to use prescription drugs.³ However, no American is immune from these costs and many are feeling the pinch.

It is important to note that price is not the only reason for significant pharmaceutical expenditures. The biggest cost drivers are:

- **Increased utilization:** more people are filling more prescriptions than ever before; and
- **Greater choice and demand:** new classes of drugs arrive to market in high demand and at high prices.⁴

In addition, because U.S. pharmaceutical companies are now able to advertise their drugs directly to consumers, more Americans are aware and informed about the availability of the newest drugs on the market. So today, physicians are approached by their patients about which prescription drugs they would like to try for their specific condition. This behavior is also a factor that is driving the demand for drugs.

With all of these factors in play, it becomes important for health care companies to find new and innovative ways to manage pharmacy utilization and costs. Some ways in which health care companies are trying to combat these rising costs are:

- **Greater availability and use of generic drugs:** Having access to important medicines and the continued emphasis on utilization of generic drugs;
- **Mandatory mail order fulfillment requirements:** Some health care companies offer mail order fulfillment to their members, which provides prescription drugs at a discounted price. Some mail order programs even offer a 60- or 90-day supply for the same cost as a 30-day supply that is filled at a drugstore; and
- **Widening the cost of copayments between second- and third-tier formulary drugs:** By widening the difference between copayments for second- and third-tier formulary medicines, members face the choice of paying less for a generic second-tier drug or a costlier third-tier brand drug.

These methods have proven to be effective in handling the rising cost of prescription drugs, but it is an ongoing process. It will take the effort of not just health care companies, but all those in the health care delivery system to work together in order to develop solutions moving forward.

Just last month, there was a shift by some of the top pharmaceutical manufacturers in their approach. Ten major pharmaceutical companies announced that they would be joining together to form a new program which will cut 25 percent to 40 percent from the retail prices of prescription drugs that are sold to uninsured people under the age of 65 who are lower income status.⁵

Eligible individuals who enroll in this new program, called Together Rx Access, will receive plastic cards that they can use at pharmacies for a significant discount off of their prescription medications. The initiative is entirely an endeavor of the pharmaceutical companies, but the U.S. federal government has shown its support, which is a promising sign.

While this latest effort by pharmaceutical companies will not solve the issue of increasing costs, it is a good start. But because there is not a simple, one-time resolution to this important issue, all those in the health care delivery system must continue to work diligently in order to provide effective solutions into the future.

UniCare's Response

UniCare has made and continues to make great strides in the pharmacy programs that we offer to our employers and their associates. UniCare's Prescription Drug Plan is one of the few prescription drug management programs not owned, controlled or influenced by any drug manufacturing companies. Because of this, our formulary and clinical programs have a degree of objectivity not found in most other programs. This helps us better reach our goal of improving the quality of care your associates receive while attempting to reduce pharmaceutical costs.

Prescription Drug Plan

Our Prescription Drug Plan offers members negotiated discounts at pharmacies and convenient at-home delivery with our mail order program, PrecisionRx. UniCare also offers our drug formulary, as well as GenericChoiceSM, which helps combat rising costs by emphasizing the choice of widely used generic drugs as appropriate substitutes for many brand name drugs.

YourChoiceRx Prescription Drug Plan

YourChoiceRxSM combines the convenience, quality service and cost-saving features of a conventional UniCare prescription drug plan with the concept of reference pricing. This innovative and cost efficient plan provides a tiered system—or four different levels of pharmacy benefits. The levels are determined by a number of utilization factors, as well as the average price of a drug within a specific therapeutic category of drugs, which we refer to as the “reference price.” The reference price is used to help determine member copayment levels.

With YourChoiceRx, UniCare encourages members to bring their pharmacy information to their doctors and speak further about the different options available. Unlike a prescription drug plan based on a traditional drug formulary, YourChoiceRx gives members the freedom of greater choice and more control over their out-of-pocket expenses. And now, YourChoiceRx is available with our UniCare HMO plans, as well.

If you have any questions or would like to learn more about UniCare's prescription drug programs, contact your UniCare sales representative.



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If the health plan is provided on a self-funded basis by the member's employer, claims are administered by UniCare Life & Health Insurance Company, UniCare Health Plans of the Midwest, Inc. (HMO in IN and IL only) or UniCare Health Plans of Texas, Inc. (HMO in TX only). If the member's health plan is insured or health maintenance organization coverage, the coverage is provided by one of the following companies: UniCare Life & Health Insurance Company, UniCare Health Insurance Company of the Midwest (IN and IL only), UniCare Health Plans of the Midwest, Inc. (HMO in IN and IL only), UniCare Health Insurance Company of Texas (TX only) or UniCare Health Plans of Texas, Inc. (HMO in TX only).