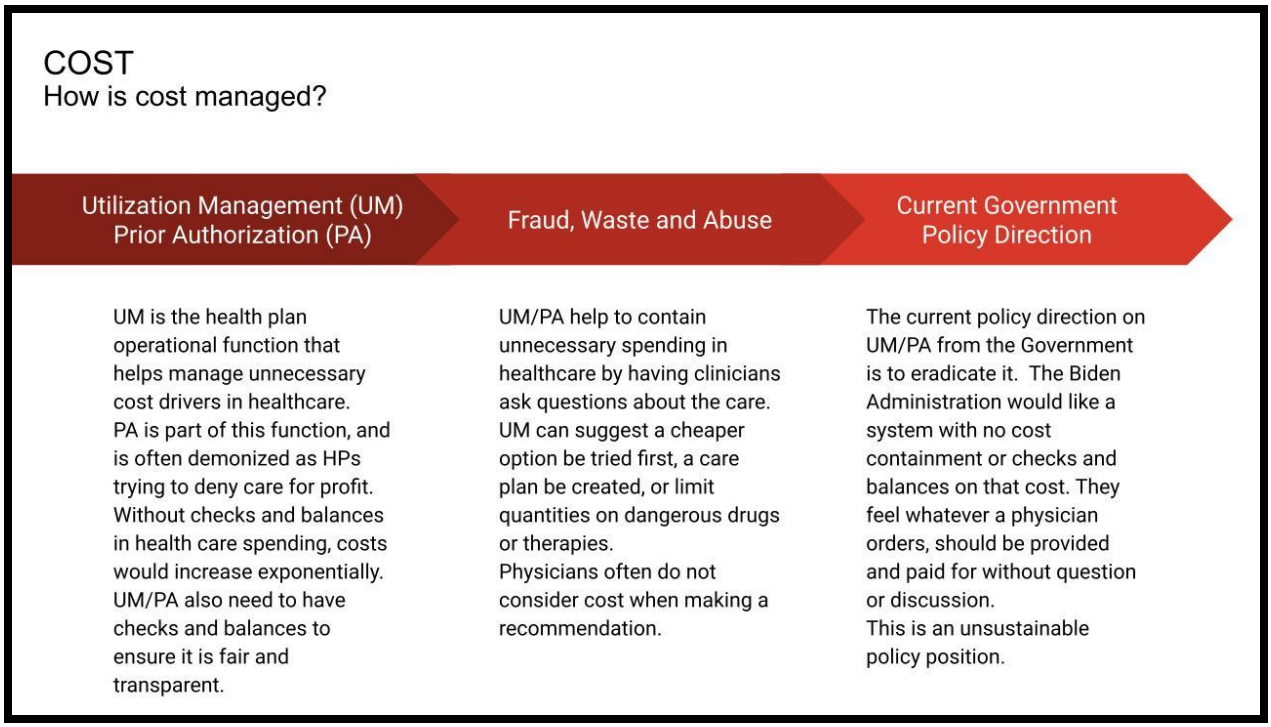

<u>COST CONTAINMENT MEASURES</u>

Health plans use cost containment to try and keep cost down. Remember, the insurance business is about mitigating cost and providing an agreed upon service for an agreed upon price based on risk analysis. Most people know cost containment and utilization management as prior authorization. This is only a part of utilization management that happens before anything is done, there are many other processes a health plan uses in addition to this.

- PRIOR AUTHORIZATION - This is when a health care provider will request a health plan to approve tests or procedures. The health plans, through medical professionals they employ, will perform a review of the request based on clinical standards and guidelines and will approve, deny, or modify the request. This controls cost by giving the health plan the opportunity to recommend using a generic drug instead of a name brand, or performing a less expensive test that provides the same information for a lower cost.

This keeps premiums down because premiums are ultimately the result of the difference between how much you pay (premium) and how much you may cost in claims. Even if you are part of a large group, your premium may be affected year over year based on how well your health plan performs this function and how costly your group is to the plan.

If the process is well defined, prior authorizations and utilization management will be the check

and balance on overutilization and unnecessary spending in the system. In order to ensure Health Plans are not creating an over-burdensome process, or having unnecessary delays; the process should include a fail safe to ensure the best outcome for the member. If the provider is not receiving a response in an adequate time from the Health Plan on the decision, they should be able to proceed with their medical judgement as to what is the best outcome for the member without delay. The provider and the member should not be negatively impacted financially for this decision. The current process already allows for a "deemed approved" process with hospitalizations and emergencies. Although for elective procedures the timeframe could reasonably take longer, the current process in this case is too slow and too burdensome on the provider.