

Letter from the President

by Pamela K. Vass

As the first quarter of 2006 closes, we at Penn-Ohio have entered into our 13th year of providing quality health care at an affordable cost. It was the intent of the Alliance to create a competitive marketplace for our member companies. Back in 1993, in our service area, there was no managed care company willing to offer multi-year rate guarantees or reasonable rate increases. Through a partnership with HealthAmerica and HealthAssurance, we have been able to do this for over 12 years.

With our new two-year arrangement with HealthAmerica, we have continued to be able to provide rate and trend caps for our member companies.

The competitive marketplace has caused us to have a loss in membership for the first quarter of 2006. While we do not like to see this loss, we know that our member companies are doing what they need to do in order to serve both their owners and employees in making these changes.

Annual Meeting – The annual meeting of the Alliance was held on Thursday, February 16, at the Radisson

Hotel in Sharon, PA. During the meeting, the 2005 annual meeting minutes were approved and the financial report was presented by Dawn Chaffee, Secretary/Treasurer. Tim Faller, Executive Director of the Alliance, announced the new HealthAssurance contract, and the membership voted for the Board of Directors. We welcome our new Board members, Shariee DeCooman of Ellwood Group, Inc., and Roxanne Edwards of Glade Run Lutheran Services. We still have one open Board position, and if you have any interest, please let me know.

The speaker for the annual meeting was Ralph Biddle of the ERSD Network 4, who discussed health care from the physician's office perspective.

Broker Meeting – On March 23, Penn-Ohio held a broker meeting to discuss the new contract with HealthAmerica and HealthAssurance. We received feedback from the brokers who attended the meeting regarding additional marketing efforts of the Alliance and how to try to compete with the various competitors who are aggressive in the marketplace presently. We would like to

thank the brokers for attending this meeting and providing us with this information.

HealthAmerica Internal Training – On March 2, Penn-Ohio held training for the internal sales representatives of HealthAmerica and HealthAssurance. Over sixteen representatives attending the training and

continued on page 2

May 2006 Spring Issue

A reference guide
to the Penn-Ohio Alliance
HealthAssurance Program

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In This Issue

- 2 **HealthAmerica
Stands Out &
Contract Renewal**
- 3 **Three-Years of
Excellence &
Save the Date &
Prior Authorizations
Removed**
- 4 **Ensuring Positive
Change in the
Health Care System**

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PLAN NEWS

HealthAmerica Stands Out

In 2005, HealthAmerica and HealthAssurance were ranked among the top 40 commercial health plans in the nation in the joint NCQA-*U.S. News and World Report* listing of the "Best Health Plans."

Their Medicare Advantage plan was ranked among the top 30 in the nation.

The accreditation affirms HealthAmerica and HealthAssurance's efforts to improve the health of their members. In the recent accreditation report, the health plans achieved exceptional ratings in two areas that affect millions of Americans:

- **Helping Members with Heart Disease.** Our commercial and Medicare Advantage plans scored better than 75 percent of the plans in our regions and among the top 10 percent of plans in the nation on key

measures related to the prevention and management of heart disease. The measures included beta-blocker use after a heart attack, cholesterol management after an acute cardiovascular event, and controlling high blood pressure.

- **Improving Diabetes Care.** We also scored better than 75 percent of the plans in our regions on key measures related to the healthy management of diabetes. The measures look at the percentage of diabetic members who had eye exams as well as critical blood tests and other screenings.

"It is gratifying to see our comprehensive efforts to maintain and improve the health of our members recognized by one of the nation's leading quality organizations," said Bob Dawson, president and CEO of HealthAmerica and HealthAssurance. "Many of the most common chronic health problems, with the right combination of medical treatments and lifestyle choices, do not need to be debilitating or life-threatening. We're definitely making a difference in the lives of our members."

President

continued from page 1

during the session it was suggested that we complete an employer survey. To be included in the survey was a request for information on employee contributions and rates. We hope to work on this during the upcoming months.

Educational/Wellness

Meeting – Our spring 2006 Educational Meeting will be held on Thursday, May 11, from noon until 1:15 p.m. Dr. Joshua Bennett, vice president of quality and cost management at HealthAmerica, will present his discussion on "Wellness in the Works." Wellness in the Works will be an informative presentation on self-service wellness options for our member companies' employees. We hope to see you there.

In closing, please accept my appreciation for your support of Penn-Ohio, and I hope that you will become more active in our educational meetings, or perhaps consider serving in a Board capacity.

—Pam Vass

HealthAssurance and Penn-Ohio Contract Renewal

A new two year agreement has been executed between Penn-Ohio and HealthAssurance beginning January 1, 2006 through December 31, 2007. For both new and existing groups sized 2-50 the base medical costs variable used as part of the calculation to determine the first year premium rate renewals shall increase by twelve percent (12%) over the previous year's base medical costs variable, adjusted for demographics; and the overall first renewal year premium rates shall not

increase more than twenty percent (20%) over the previous year's rates. For new groups with 51 or more eligible employees the overall first renewal year premium rates shall increase by nine and one-half percent (9.5%) over the previous year's rates. For existing groups that have 51 or more eligible employees the overall first renewal year premium rates shall increase by nine and one-half percent (9.5%) over the previous year's rates; provided, however,

if the claims experience of an existing group with one hundred (100) or more employees would typically warrant a premium increase of substantially less than nine and one-half percent (9.5%), HealthAssurance agrees to consider whether to waive the automatic nine and one-half percent (9.5%) increase for such an existing group.

Both Penn-Ohio and HealthAssurance are pleased to be able to continue with their long-standing relationship for the benefit of its members.

PLAN NEWS

HealthAmerica Earns Three-Year Excellent Accreditation: Rating Recognizes Our Efforts to Help Improve the Health of Our Members

HealthAmerica and HealthAssurance have been awarded Excellent Accreditation by the National Committee for Quality Assurance (NCQA), the highest certification status possible. Excellent Accreditation is granted to those plans that meet the NCQA's rigorous standards and have outstanding programs to improve the quality of health care our members receive.

The Excellent Accreditation applies to our HealthAmerica HMO, the HealthAssurance point-of-service (POS), and Advantra Medicare Advantage HMO plans in Pennsylvania.

NCQA is a private, non-profit organization dedicated to improving health care quality. Its accreditation is a nationally recognized evaluation that purchasers, regulators, and consumers can use to assess managed care plans.

NCQA Accreditation evaluates how well a health plan manages all parts of its delivery system—physicians, hospitals, other providers, and administrative services—in order to continuously improve health care for its members. Of all health plans in the nation, about 217 commercial insurers sought NCQA accreditation, and of those plans, approximately 187 currently have the Excellent status.

“Earning Excellent Accreditation reflects a health plan's ability to work with its members and physicians to improve the quality of clinical care,” said NCQA President Margaret E. O’Kane. “It shows that the plan is building the kinds of partnerships that are critical to delivering great care and great service.”

Save the Date! Wellness in the Works

Dr. Josh Bennett, vice president of quality and cost management for HealthAssurance, will present at the Penn-Ohio Wellness Educational Meeting on May 11, 2006. The meeting will be held at the Radisson Hotel in West Middlesex, Pa. from noon to 1:15 p.m. Please join us for an informative presentation on self-service wellness options for your employees.

In his current position, Dr. Bennett oversees preauthorization and precertification, credentialing, quality improvement, and appeals, wellness programs, and the plan's medical directors. He has been involved in the health

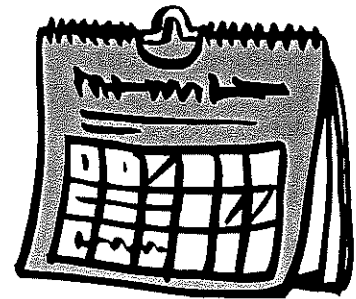
insurance industry since 1988, and began working with HealthAmerica in 2002.

Prior to his current position, Dr. Bennett worked as the Medical Director for SouthCentral Preferred owned by the WellSpan Health System in York, PA.

He has also served as CEO of PrimeSource, a physician hospital organization in Harrisburg, Pa. In addition, he was formerly Vice President of Medical Affairs at Capital Blue Cross and the Residency Director of the Harrisburg Family Practice Residency Program.

Dr. Bennett received his M.D. from The Johns Hopkins School of Medicine, and his

master's degree in Business from Allentown College in 1997. He also graduated with a B.S. degree from Penn State University. He has an active license in Pennsylvania and an inactive



one from Massachusetts. He resides in Hershey with his wife, two children, and one golden retriever.

Rx Selectsm Removes Some Prior Authorizations on Common Medicines

On May 1, HealthAmerica and HealthAssurance introduced a new formulary for PPO members within the two to 99 group size segment that removes the prior authorization requirement for some commonly used drugs—including proton pump inhibitors

used for acid reflux. Groups in the larger size segment have the ability to elect the new program based on the needs of the group. The new Rx Select program is being introduced as one of the steps to update our pharmacy program to better serve our members.

LEGISLATIVE CORNER

Adding Our Voice to the Debate: Our Involvement is Crucial to Ensuring Positive Change in the Health Care System



As the nation and the state consider health care reform, it is essential that organizations and individuals with expertise make themselves heard in the debate.

“The health care system is very complex and even small changes can have unwanted and unforeseen consequences,” said Tim Guarneschelli, vice president and general counsel of HealthAmerica and HealthAssurance. “That’s why legislators in the state are proceeding with caution. They’ve seen changes in other states go awry — they’ve seen the ramifications some changes can have.”

That’s where HealthAmerica and HealthAssurance can make a difference.

“We’ve seen the growth of managed care, the rising cost of health care, the growth of new technologies and

services — we’ve seen it all and thrived,” Tim said. “That’s why people come to us for input, and why we need to reach out to decision makers.”

Our outreach strategy is simple: Get involved, build relationships, and encourage others to get involved.

Getting Involved

HealthAmerica and HealthAssurance are getting involved with key organizations in the state and in the nation.

- We are a member of the Pennsylvania Health Care Cost Containment Council which is an independent state agency charged with lowering health care costs.
- We’ve offered comments to Governor Rendell’s Office of Health Care Reform.
- We meet regularly with key state and federal legislators and regulators to educate them about the issues facing the health care system.

Changes We’d Like to See

Start regional planning.

Currently, we have multiple hospitals in a region offering duplicative services such as open heart surgery and organ transplants. That raises overall costs at these facilities. We’d like to see the state do more to control this trend.

Encourage generic drug use.

The Congressional Budget Office estimates that the use of generics has the potential to save consumers between \$8 and \$10 billion per year at retail pharmacies.

Promote healthy choices.

Lifestyle is one of the greatest predictors of health care costs. We’d like to promote more wellness and prevention while also giving individuals more of a stake in their health care and their health care costs.

Maintain Medicare/

Medicaid payments to providers. When the state or federal government reduces Medicare or Medicaid payments, hospitals and physicians usually pass those costs on to private insurers.

Reduce medical errors.

Medical errors account for an estimated \$50 billion in added costs a year and more than 44,000 deaths — more than die from AIDS, breast cancer, or car accidents a year.¹

Promote medical efficiency and effectiveness.

A significant sum of money is wasted on unproven and even dangerous treatments. A recent study found that patients received only 55 percent of the recommended steps for quality care.²

Promote consumer-directed products.

The goal of consumer-directed products is to give members more of a stake in their health care and their health care costs.

Reform medical malpractice.

High malpractice insurance premiums — and excessive legal settlements — drive up the cost of care for everyone.

1. Institute of Medicine, "To Err Is Human: Building a Safer Health System" 2000.

2. Study: Most Get Mediocre Health Care, Washington Post, March 16, 2006

Contact Us

Are you on the Penn-Ohio e-mail list? Please send your updated e-mail address to kschraven@tjsins.com.

If you have a question, comment, or suggestion you want to share with HealthAssurance and/or Penn-Ohio; or if you have a particular HealthAssurance experience you would like to share with other Penn-Ohio members, let us know:

e-mail to: kdavidson@cvty.com; **Fax to:** 1-866-341-0414;
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