First Health: The PPO Experience

Scott P. Smith, M.D., M.P.H.
VP / Chief Medical Officer
First Health
Overview

First Health, the premier national health-benefits services company, specializes in providing large payors with integrated managed care solutions. First Health is a unique national managed care company serving the group health, workers’ compensation and state agency markets. Using technology to enable service and managed care innovations, First Health sets the bar for industry performance.
Overview

First Health is a unique national managed care company serving the group health, workers' compensation and state public program markets. We have always viewed our core competency as managing care while still managing to care.

The types of multi-sited, national organizations that make up our client base include:

- Federal employee health benefit plans
- Self-insured corporations
- Third-party administrators
- Workers' compensation payors
- Small/mid-sized group health insurers
- State Medicaid programs
Size and Scope

- **Lines of business**
  - Group health
  - Workers’ compensation
  - Public sector

- **Key Locations:** Downers Grove, IL; Sacramento, CA; San Diego, CA; Phoenix, AZ

- 5,500 colleagues
- 13.7 million total lives (2002)
- 37.9 million medical claims (2002)
- 156 million pharmacy claims
- Publicly traded on NASDAQ as FHCC
The First Health® Network
Hospital Coverage by Market Type

<table>
<thead>
<tr>
<th>Market Type</th>
<th>Contracted Hospitals</th>
<th>Total Supply of GAC Hospitals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>1,373 (70% of Avail.)</td>
<td>1,975 (70% of Avail.)</td>
</tr>
<tr>
<td>Secondary</td>
<td>1,163 (64% of Avail.)</td>
<td>1,814 (64% of Avail.)</td>
</tr>
<tr>
<td>Tertiary</td>
<td>1,294 (59% of Avail.)</td>
<td>2,195 (59% of Avail.)</td>
</tr>
<tr>
<td>Total</td>
<td>3,830 (64% of Total)</td>
<td>5,984 (64% of Total)</td>
</tr>
</tbody>
</table>

Data based on provider count as of 12/31/02
The First Health® Network
Physician Coverage by Market Type

<table>
<thead>
<tr>
<th>Market Type</th>
<th>Available Physicians</th>
<th>Percentage of Physicians</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>188,348</td>
<td>80% of Avail.</td>
</tr>
<tr>
<td>Secondary</td>
<td>92,857</td>
<td>67% of Avail.</td>
</tr>
<tr>
<td>Tertiary</td>
<td>39,946</td>
<td>54% of Avail.</td>
</tr>
<tr>
<td>Total</td>
<td>321,151</td>
<td>72% of Total Available</td>
</tr>
</tbody>
</table>

Data based on provider count as of 12/31/02
Percentage of Medicare Beneficiaries with Chronic Conditions

- 22% No Chronic Conditions
- 15% One Chronic Condition
- 16% Two Chronic Conditions
- 47% Three or More Chronic Conditions

Distribution of Medicare Spending by Number of Chronic Conditions

- No Chronic Conditions: 88%
- One Chronic Condition: 4%
- Two Chronic Conditions: 7%
- Three or More Chronic Conditions: 1%

Care Support
First Health® OnCall Clients

System Triggers:
- Clinical
- Medical Claims
- Pharmacy Claims

Identification of potential disease management or case management cases

- Disease management activities
- Health education
- Patient and family support
- Channeling
- Coordinate care
- Negotiate rates
- Monitor plan resources
Effectiveness of Engagement

Clinical Indicators

- Asthma: Increased usage of peak flow meter - 66%
- CHF: Increased monitoring of weight - 74%
- Diabetes: Increased monitoring of blood sugar - 65%
- Post-heart attack: Increase in aspirin usage - 77%
Disease Management Impact on Highest Risk Members

- Medical charges showed a decrease of 7.0% per member
- Pharmacy charges showed an increase of 14.5% per member
- Net decrease in overall costs of 9.9% per member

Source: First Health Care Support Program results for 2002
Impact on Highest Risk Members

Impact on Care Support Participants’ Annual Paid Claims

Medical charges decreased 7% per member
Pharmacy charges decreased 14.5% per member
Overall costs decreased 9.9% per member