



Michigan Association of Health Plans

We're Different. We're Better. We're Michigan's Health Plans.



MICHIGAN

HMO DATA SUMMARY 2009



Presented by

sanofi aventis

Because health matters

in conjunction with the
Michigan Association of Health Plans

**MANAGED CARE
DIGEST SERIES®**

www.managedcaredigest.com
www.localtrendssummary.com



CONTENTS

HMO Quality Measures	3–5
Medicaid Measures	6
HMO Demographics	7
Physician Reimbursement	8
HMO Provider Contracts	9
Point-of-Service HMOs	10
HMO Government Payers	11
Medicare Advantage	12
Employer Groups	13
HMO Utilization	14
HMO Premium Rates	15
Pharmacy Benefit Structure	16
Formularies	17–18
Pharmacy Premiums and Utilization	19
Pharmacy and Physician Controls	20–21
Generic Substitution	22
Drug Expenditures	23

MICHIGAN ASSOCIATION OF HEALTH PLANS

www.mahp.org

Managed Care Digest Series® 2009

Since 1987

Provided by
sanofi-aventis U.S. LLC
Bridgewater, NJ 08807

Developed and produced by
Forte Information Resources LLC
Denver, CO
www.forteinformation.com

Data provided by
SDI
Plymouth Meeting, PA

www.managedcaredigest.com

CONTACTS

Chris Van Wynen 517-468-3554
Chris.Vanwynen@sanofi-aventis.com
*Sr. Regional Account Manager,
Michigan, sanofi-aventis*

Chris Juday 616-822-4473
Christine.Juday@sanofi-aventis.com
*Regional Account Manager,
Michigan, sanofi-aventis*

Cheryl Ortwein 517-371-3181
cortwein@mahp.org
Internal Operations Manager

INTRODUCTION

The Michigan Association of Health Plans (MAHP) is pleased to present the **Michigan HMO Data Summary** for 2009 (featuring 2007 and 2008 data), an overview of quality, demographic, pharmacy and utilization measures for Health Maintenance Organizations (HMOs) in key local markets in Michigan. Now in its seventh edition, the Summary also provides national benchmarks that can help plans better identify opportunities to serve the needs of their members. Most data are from the sanofi-aventis **Managed Care Digest Series®**.

The **Michigan HMO Data Summary** continues to help MAHP to fulfill its mission to improve health care delivery to the citizens of Michigan and to promote communication within the managed care industry and between the major components of the health care delivery system.

This year's edition continues to feature HEDIS Quality Compass

commercial and Medicaid measures, along with commercial, Medicaid and Medicare Advantage data from the Centers for Medicare and Medicaid Services (CMS) and the sanofi-aventis **Managed Care Digest Series®**. MAHP and sanofi-aventis look forward to producing further reports on managed care in local markets in Michigan in the years to come.

Most data in this report were gathered by SDI, Plymouth Meeting, Pa., a leading provider of innovative health care data products and analytic services.

A final review process takes place, before and during production of this report, between SDI and publisher Forte Information Resources.

Sanofi-aventis, as sponsor of this report, maintains an arm's length relationship with the organizations that prepare the Summary and carry out the research. The desire of sanofi-aventis is that the information in the **Michigan HMO Data Summary** be completely independent and objective.

MAHP MEMBERS:

- | | |
|---|-------------------------------|
| Aetna | McLaren Health Plan |
| Assurant | Midwest Health Plan |
| CareSource Michigan | Molina Healthcare of Michigan |
| Grand Valley Health Plan | OmniCare Health Plan |
| Great Lakes Health
Plan/UnitedHealthcare | Paramount Care of Michigan |
| Health Alliance Plan | Physicians Health Plan—Mid MI |
| HealthMarkets | Priority Health |
| Health Plan of Michigan | ProCare Health Plan |
| HealthPlus of Michigan | Total Health Care, Inc. |
| | Upper Peninsula Health Plan |

To make suggestions about how to improve our publication, please contact:
MAHP, 327 Seymour Ave., Lansing, Mich. 48933. Phone: 517-371-3181, www.mahp.org.

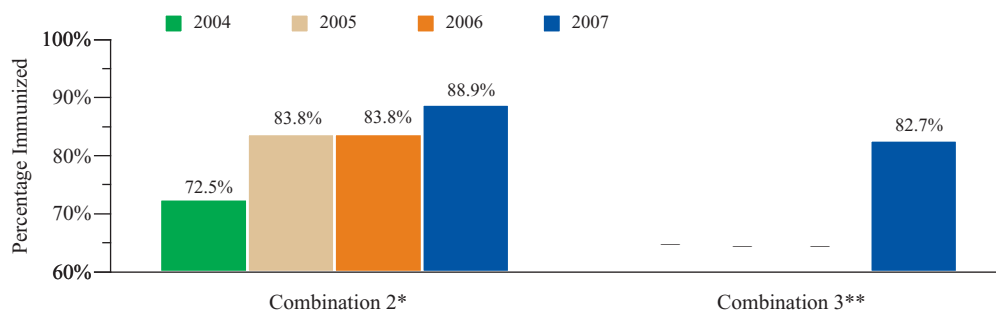
HMO QUALITY MEASURES



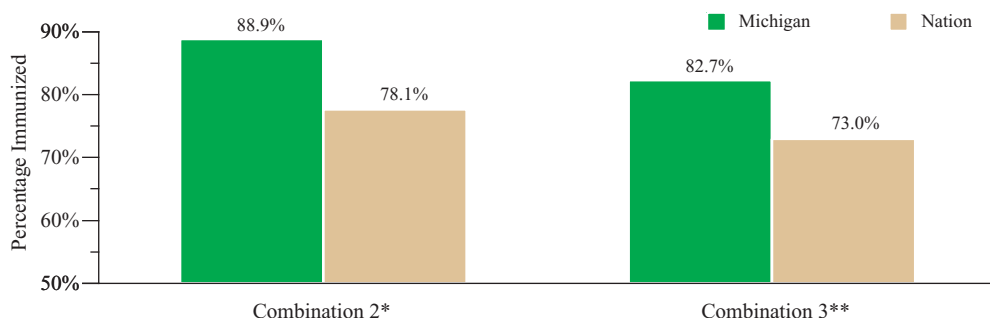
HMO CHILDHOOD IMMUNIZATION RATES

IMMUNIZATION	Michigan				Nation			
	2004	2005	2006	2007	2004	2005	2006	2007
Childhood Immunization–Combo. 2*	72.5%	83.8%	83.8%	88.9%	72.0%	77.9%	79.5%	78.1%
Childhood Immunization–Combo. 3**	—	—	—	82.7	—	—	—	73.0

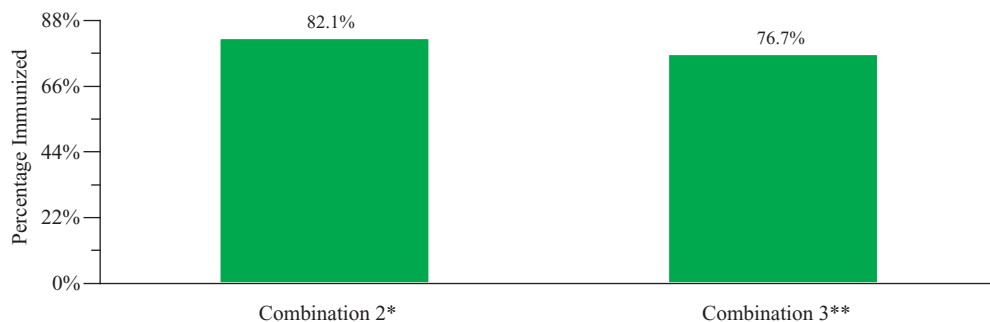
MICHIGAN HMO CHILDHOOD IMMUNIZATION RATES



HMO CHILDHOOD IMMUNIZATION RATES, 2007²



HMO/POS NATIONAL AVERAGE



MICHIGAN COMBO. 2 HMO IMMUNIZATION RATES INCREASE

Of HMO-enrolled Michigan children, 88.9% received a Combination 2 immunization by 13 years of age in 2007, up from 83.8% in 2006, and notably higher than the national rate (78.1%). In the four-year period from 2004 (72.5%) to 2007, the share of children enrolled in Michigan HMO plans who received such an immunization by 13 years of age climbed more than 16 percentage points.

NATIONAL COMBO. 3 IMMUNIZATION RATE LAGS MICHIGAN

In 2007, the share of children enrolled in HMOs nationally who received a Combination 3 immunization was 73.0%, significantly less than their counterparts in the state of Michigan (82.7%). Meanwhile, of HMO and point-of-service (POS)-enrolled children nationally, 76.7% received a Combination 3 immunization in 2007.

* Four diphtheria, tetanus and pertussis; three polio; three hepatitis B; one measles, mumps and rubella; two Haemophilus influenzae Type b; and one Varicella/chicken pox vaccines by two years of age.

** Four DTaP/DT, three IPV, one MMR, three Hib, three hepatitis B, one VZV, and four pneumococcal-conjugate vaccinations by two years of age.

NOTE: Combination 1 Immunizations (Childhood) were retired in 2006. Adolescent Combination 1 and 2 Immunizations were retired in 2007.

Data source: Michigan Association of Health Plans © 2009



HMO QUALITY MEASURES

CHOLESTEROL ADHERENCE SLIPS AT MICHIGAN HMOs

In 2007, the share of Michigan HMO members who received treatment to control their cholesterol levels following an acute cardiovascular event (ACE) was 57.4%, down from 59.1% in 2006. By comparison, the share of HMO members nationally who received such treatment after an ACE was slightly lower, at 56.5%, up from 55.8% the previous year.

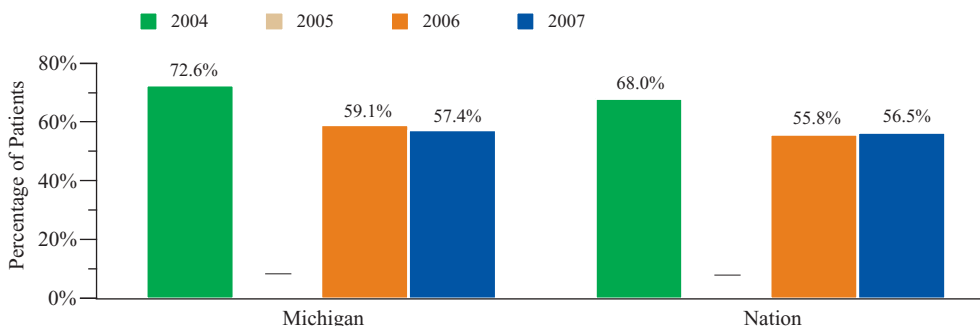
MICHIGAN HMO APPROPRIATE ASTHMA USE LEVELS OFF

The share of Michigan HMO members who were diagnosed with asthma and were administered the appropriate medications for the disease edged higher in 2007, to 92.2% from 92.1% in 2006. The Michigan HMO member share for this measure continued to surpass the corresponding national average (91.7%) in 2007, but the percentage point gap between the two continued to close.

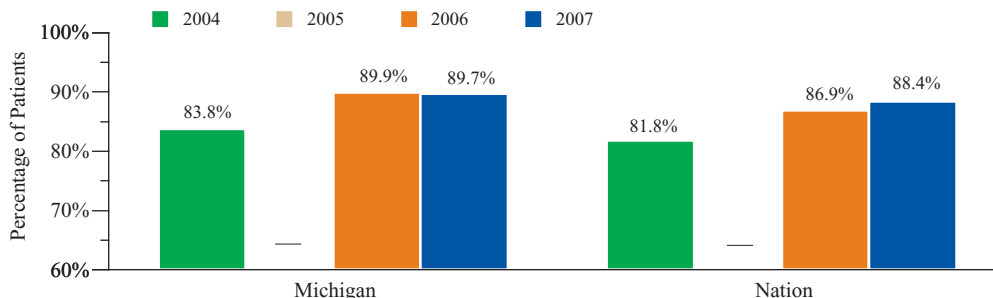
HMO ADHERENCE TO HEDIS QUALITY MEASURES¹

HEDIS MEASURE ¹	Michigan				Nation			
	2004	2005	2006	2007	2004	2005	2006	2007
Cholesterol Management (Control) ²	72.6%	—	59.1%	57.4%	68.0%	—	55.8%	56.5%
Cholesterol Screening ²	83.8	—	89.9	89.7	81.8	—	86.9	88.4
Use of Appropriate Asthma Medications ³	76.2	91.1	92.1	92.2	72.9	90.0	91.3	91.7

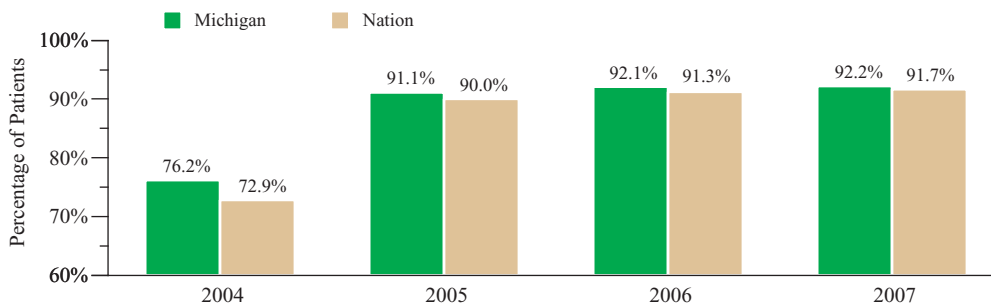
CHOLESTEROL MANAGEMENT: MICHIGAN HMOs



CHOLESTEROL SCREENING: MICHIGAN HMOs



USE OF APPROPRIATE ASTHMA MEDICATIONS³



¹ The Health Plan Employer Data and Information Set, developed and maintained by the National Committee for Quality Assurance, is a set of performance measures used to assess the quality of care provided by managed health care organizations.

² Following acute cardiovascular events.

³ Percentages are for patients of all ages.

NOTE: Cholesterol management (control) and cholesterol screening HEDIS measures were unavailable for 2005.

Data source: Michigan Association of Health Plans © 2009

MEDICAID HMO QUALITY MEASURES



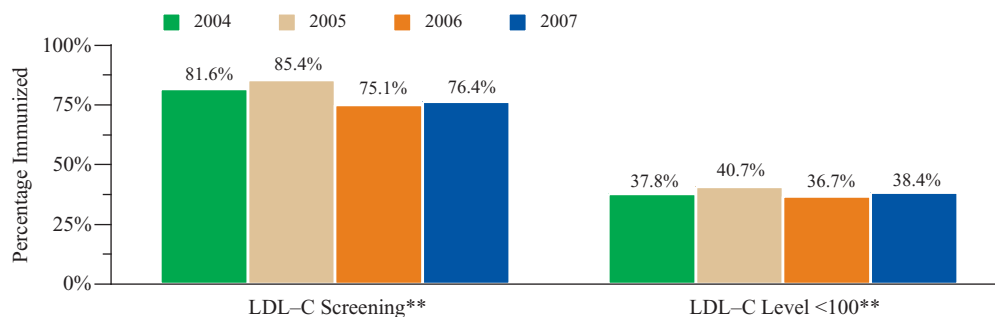
MEDICAID HMO IMMUNIZATION RATES

IMMUNIZATION	Michigan				Nation			
	2004	2005	2006	2007	2004	2005	2006	2007
Childhood Immunization—Combo. 2	71.7%	76.6%	80.2%	81.8%	61.1%	72.4%	—	72.1%
Childhood Immunization—Combo. 3	—	—	—	72.8	—	—	—	65.4

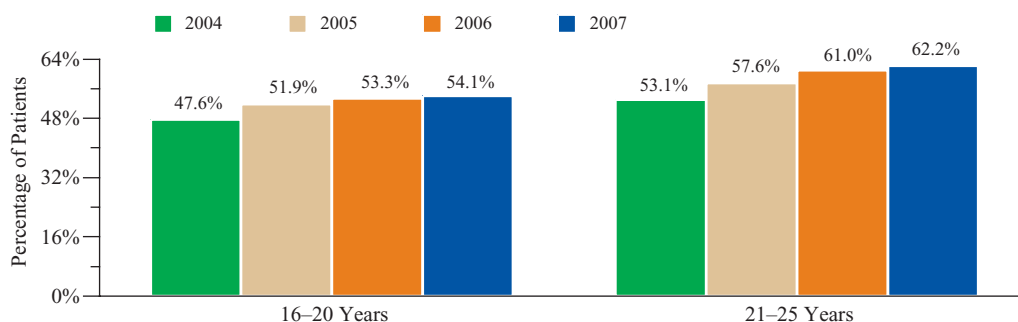
MEDICAID HMO DIABETES CARE

HEDIS MEASURES	Michigan				Nation			
	2004	2005	2006	2007	2004	2005	2006	2007
HbA1c Testing*	79.5%	79.6%	79.8%	85.0%	77.6%	77.4%	—	77.2%
LDL-C Screening**	81.6	85.4	75.1	76.4	77.5	83.3	—	70.8
LDL-C Level <100**	37.8	40.7	36.7	38.1	—	—	34.1%	31.3

MICHIGAN MEDICAID HMO DIABETES CARE



MICHIGAN MEDICAID HMO CHLAMYDIA SCREENING FOR WOMEN



MEDICAID COMBO. 2 IMMUNIZATION RATE CONTINUES TO RISE

Of children enrolled in Michigan Medicaid HMOs in 2007, 81.8% received the Combination 2 immunizations, up from 80.2% in 2006, and notably higher than the corresponding national average (72.1%). The average of children in Michigan Medicaid HMOs who were administered the Combination 3 immunizations (72.8%) was likewise higher than their counterparts nationally (65.4%).

MICHIGAN MEDICAID DIABETES MEASURES SHOW IMPROVEMENT

Between 2006 and 2007, all three Michigan Medicaid HMO member diabetes quality measures profiled improved. For example, the share of Michigan Medicaid HMO members with diabetes who were administered an A1c test was 85.0%, up from 79.8% the previous year. This share also topped the corresponding national rate (77.2%) by nearly eight percentage points.

* The hemoglobin A1c (or glycosylated hemoglobin) lab test reveals average blood glucose over a period of two to three months.

** LDL-C is low-density lipoprotein cholesterol. LDL-C levels of less than 100 are documented through automated laboratory data and/or medical record review.

NOTE: National Childhood Combination 2 Immunizations (and Adolescent), HbA1c testing and LDL-C screening HEDIS measures were unavailable in 2006.

Data sources: Michigan Department of Community Health: Michigan Medicaid HEDIS® Results Statewide Aggregate Reports for 2005, 2006, 2007 and 2008; National Committee for Quality Assurance © 2009



MEDICAID HMO MEASURES

MEDICAID HMO ENROLLMENT IN MICHIGAN RISES

The number of Medicaid recipients enrolled in HMOs that served the state of Michigan increased slightly in 2008, to 993,832 from 972,320 in 2007. By comparison, Medicaid HMO membership nationally jumped 6.8%, to 16.4 million from 15.4 million the prior year.

MICHIGAN MEDICAID HOSPITAL DAYS PER 1,000 RATE DECLINES

The number of hospital days per 1,000 Medicaid members enrolled in Michigan HMOs was 399.4 in 2008, down from 414.4 in 2007. In spite of this moderate annual decline, this measure remained notably higher than the national average (350.6). In 2008, Michigan Medicaid HMO utilization rates surpassed their national counterparts in three of the four categories profiled.

MEDICAID HEALTH MAINTENANCE ORGANIZATION (HMO) ENROLLMENT

MARKET	Total Number of Medicaid HMO Members		Enrollment Change (%)
	2007	2008	
Southeast Michigan ¹	453,378	461,481	1.8%
West Michigan ²	69,215	70,688	2.1
Michigan	972,320	993,832	2.1
NATION	15,363,923	16,408,680	6.8%

UTILIZATION RATES FOR MEDICAID HMO MEMBERS³

MARKET	Hospital Days per 1,000 Medicaid HMO Members		ALOS (days) per Medicaid Hospital Admission	
	2007	2008	2007	2008
Southeast Michigan	442.1	421.6	4.2	4.1
West Michigan	368.3	313.9	4.2	3.6
Michigan	414.4	399.4	4.0	3.9
NATION	346.9	350.6	3.8	3.9

UTILIZATION RATES FOR MEDICAID HMO MEMBERS³

MARKET	MD Encounters per Medicaid HMO Member		Ambulatory Visits per Medicaid HMO Member ⁴	
	2007	2008	2007	2008
Southeast Michigan	4.8	4.9	2.7	2.5
West Michigan	3.5	4.0	1.6	2.1
Michigan	5.0	5.0	2.5	2.4
NATION	4.1	4.2	1.7	1.9

¹ Southeast Michigan refers to the Detroit MSA throughout this document.

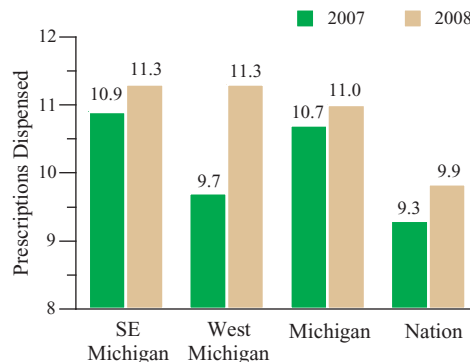
² West Michigan refers to the Grand Rapids/Muskegon/Holland MSA throughout this document.

³ Only HMOs that enroll Medicaid recipients are included.

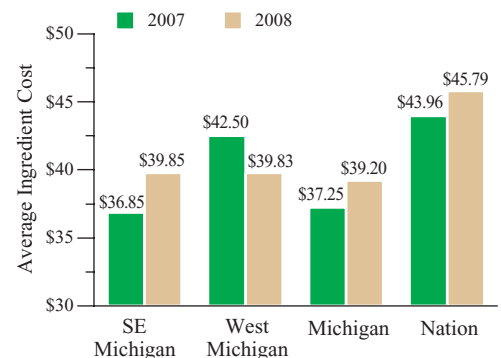
⁴ Ambulatory visits differ from physician encounters. Ambulatory visits are visits by an HMO member to an HMO clinic or physician's office when a physician is not seen, usually for tests, prescription refills, injections, immunizations, etc. Physician encounters are self-explanatory.

⁵ This average is derived by dividing HMO pharmacy expenses by the total number of prescriptions dispensed. Expenses do not include administration and copayment costs.

PRESCRIPTIONS DISPENSED PER MEDICAID MEMBER³



AVERAGE INGREDIENT COST PER MEDICAID PRESCRIPTION DISPENSED^{3,5}



Data source: SDI © 2009

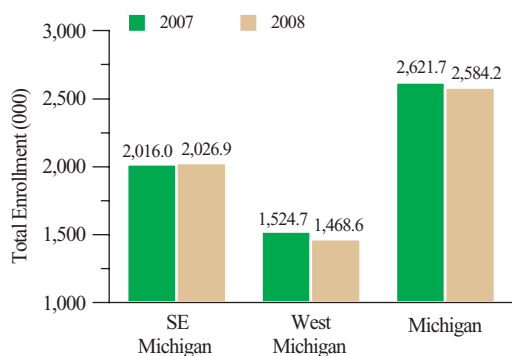
HMO DEMOGRAPHICS



TOTAL ENROLLMENT IN HMOs

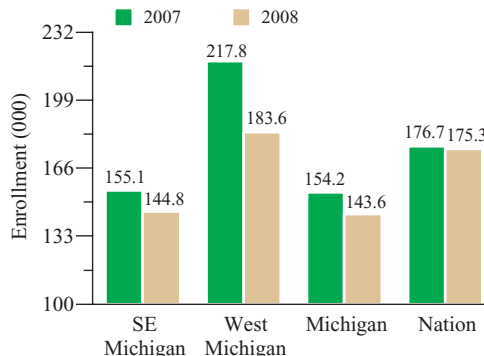
MARKET	2007		2008	
	Total Enrollees	Avg. # of Enrollees	Total Enrollees	Avg. # of Enrollees
Southeast Michigan	2,015,985	155,076	2,026,890	144,778
West Michigan	1,524,715	217,816	1,468,611	183,576
Michigan*	2,621,695	154,217	2,584,234	143,569
NATION	78,280,933	176,706	77,117,877	175,268

TOTAL NUMBER OF ENROLLEES*



2007 Nation: 78,280,933
2008 Nation: 77,117,877

AVG. NUMBER OF ENROLLEES PER PLAN



MICHIGAN MEDICARE HMO ENROLLMENT CONTINUES TO GROW

Medicare enrollment in HMOs serving the state of Michigan continued to swell in 2008, to 365,413 from 272,805 in 2007. In the five years from 2004 (21,959) to 2008, this enrollment multiplied more than 16 times. Much of this enrollment growth occurred in Southeast Michigan HMOs (to 136,865 from 92,192), which accounted for 37.5% of total Michigan Medicare HMO enrollment in 2008.

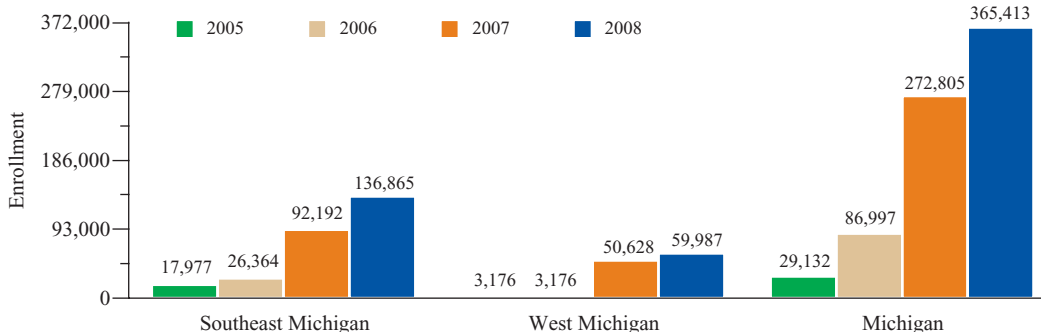
ENROLLMENT IN PLANS SERVING MICHIGAN SLIPS

Enrollment in Michigan HMOs edged down in 2008, to just under 2.6 million from just over that mark in 2007, the second consecutive annual decline. The majority of these enrollees belonged to HMOs serving Southeast Michigan, in which membership actually increased fractionally, to slightly less than 2.03 million from 2.02 million the prior year.

MEDICARE ENROLLMENT IN HMOs**

MARKET	Total Enrollees			
	2005	2006	2007	2008
Southeast Michigan	17,977	26,364	92,192	136,865
West Michigan	3,176	3,176	50,628	59,987
Michigan	29,132	86,997	272,805	365,413
NATION	5,317,387	5,695,676	6,182,199	6,150,994

NUMBER OF MEDICARE HMO ENROLLEES**



2005 Nation: 5,317,387
2006 Nation: 5,695,676
2007 Nation: 6,182,199
2008 Nation: 6,150,994

* Enrollment in Michigan is less than the sum of the enrollment of the two MSA markets because data are based on HMOs that serve more than one MSA.

** Michigan Medicare enrollment numbers are based on a county-by-county analysis by SDI.

Data source: SDI © 2009



PHYSICIAN REIMBURSEMENT

BONUS PROGRAM MD REIMBURSEMENT PERCENTAGE CLIMBS

In 2008, 53.3% of reporting HMOs serving the state of Michigan used bonus programs to reimburse physicians, up notably from 35.7% in 2007, and more than triple the national rate (16.8%) for this measure. The shares of plans using bonus programs to pay physicians rose substantially in Southeast Michigan (to 60.0% from 40.0% in 2007) and West Michigan (to 50.0% from 33.3%) alike.

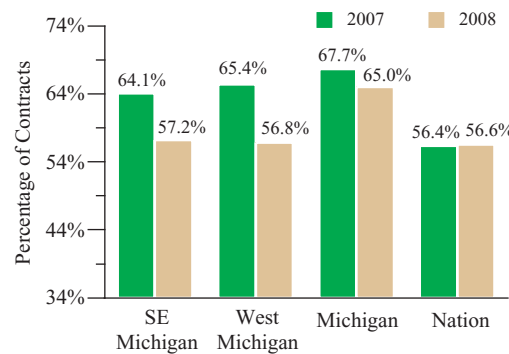
MICHIGAN HMOs ESCHEW ANCILLARY CONTRACTING

In 2008, HMOs serving Michigan once again did not capitate ancillary provider contracts. By comparison, plans nationally capitated 37.6% of ancillary provider contracts, up slightly from 36.3% in 2007. Although HMOs that served the West Michigan market capitated all of their contracts with hospitals, just 26.5% of contracts between hospitals and HMOs serving Southeast Michigan were capitated.

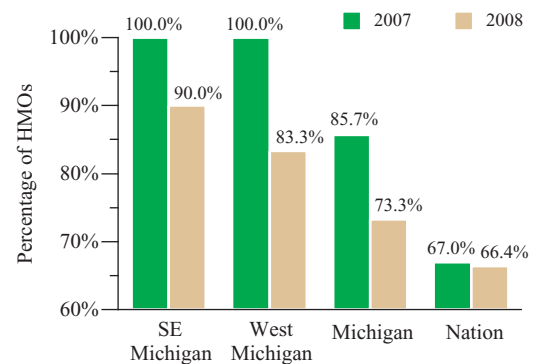
PERCENTAGE OF HMOs USING VARIOUS METHODS TO REIMBURSE PHYSICIANS*

MARKET	Salary		Profit Sharing		Fee-For-Service		Bonus Program		Capitation	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Southeast Michigan	10.0%	10.0%	10.0%	20.0%	100.0%	90.0%	40.0%	60.0%	90.0%	90.0%
West Michigan	33.3	33.3	16.7	16.7	100.0	83.3	33.3	50.0	83.3	66.7
Michigan	14.3	13.3	7.1	13.3	85.7	73.3	35.7	53.3	71.4	73.3
NATION	6.9%	7.5%	3.3%	4.1%	67.0%	66.4%	15.6%	16.8%	74.6%	72.4%

PRIMARY CARE PHYSICIAN CAPITATED CONTRACTS



FEE-FOR-SERVICE PHYSICIAN REIMBURSEMENT



AVERAGE PERCENTAGE OF CONTRACTS REIMBURSED THROUGH CAPITATION

MARKET	Primary Care Physician Contracts		Specialist Contracts		Ancillary Provider Contracts		Hospital Contracts	
	2007	2008	2007	2008	2007	2008	2007	2008
Southeast Michigan	64.1%	57.2%	0.0%	1.0%	0.0%	0.0%	26.5%	26.5%
West Michigan	65.4	56.8	30.0	30.0	0.0	0.0	100.0	100.0
Michigan	67.7	65.0	30.0	15.5	0.0	0.0	51.0	51.0
NATION	56.4%	56.6%	30.7%	29.5%	36.3%	37.6%	36.7%	36.4%

Data source: SDI © 2009

* HMOs gave multiple answers. Totals add up to more than 100%. Other reimbursement methods used by HMOs included discounted fee-for-service, fee schedule, per diem and return of risk pools/withholds.

HMO PROVIDER CONTRACTS



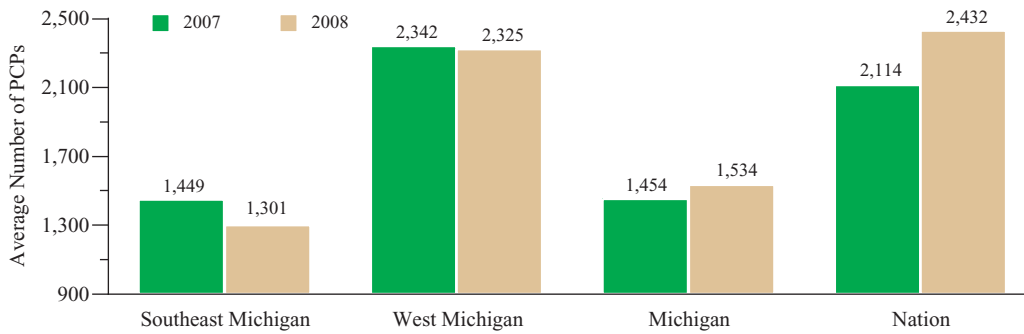
HMO USE OF PROVIDERS

PROVIDERS	Average Number of Providers Used by an HMO							
	SE Michigan		West Michigan		Michigan		Nation	
	2007	2008	2007	2008	2007	2008	2007	2008
Acute-care Hospitals	46	43	64	57	43	45	59	62
Affiliated Physicians–Total*	5,535	4,584	7,637	7,306	5,173	4,784	6,784	7,688
Primary Care Physicians	1,449	1,301	2,342	2,325	1,454	1,534	2,114	2,432
Specialists	4,086	3,283	5,295	4,981	3,719	3,250	4,670	5,256

MICHIGAN HMO AFFILIATED TOTAL MD AVERAGE DROPS

The average number of total affiliated physicians used by HMOs serving the state of Michigan dropped to 4,784 in 2008 from 5,173 in 2007. This average declined for HMOs serving Southeast Michigan (to 4,584 from 5,535 in 2007) and West Michigan (to 7,306 from 7,637) alike. Conversely, the average number of affiliated physicians used by HMOs nationally grew, to 7,688 from 6,784 the prior year.

HMO USE OF PCPs



HMO USE OF ANCILLARY SERVICES

ANCILLARY SERVICES	Percentage of HMOs Contracting with Ancillary Services							
	SE Michigan		West Michigan		Michigan		Nation	
	2007	2008	2007	2008	2007	2008	2007	2008
Home Health Agencies	84.6%	92.3%	100.0%	100.0%	88.2%	94.4%	93.2%	95.2%
Diagnostic Imaging Centers	76.9	84.6	71.4	71.4	76.5	83.3	87.5	88.8
Surgery Centers	38.5	46.2	71.4	71.4	52.9	61.1	84.7	85.2
Ambulatory Care Centers	61.5	69.2	85.7	71.4	64.7	72.2	85.2	86.4
Nursing Homes	100.0	100.0	100.0	100.0	100.0	100.0	95.8	96.2

HMO ANCILLARY SERVICES CONTRACT SHARES INCREASE

Between 2007 and 2008, the shares of Michigan HMOs with contracts grew in four of five ancillary services categories profiled. For example, the share of HMOs serving the state of Michigan that contracted with surgery centers rose, to 61.1% from 52.9% the year before. Still, the contracting shares for Michigan HMOs trailed their national counterparts in four of the five ancillary services categories in 2008.

HMO MEMBERS PER PROVIDER

MARKET	Average Number of Members per Acute-care Hospital					Average Number of Members per Primary Care Physician				
	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008
Southeast Michigan	3,979	3,867	3,606	3,927	4,762	157	138	121	143	153
West Michigan	5,340	5,600	3,892	3,302	2,957	142	159	137	107	94
Michigan	4,635	4,679	3,746	3,682	4,476	158	157	134	137	147
NATION	4,015	3,706	3,712	3,835	3,782	179	160	163	166	146

* The total number of affiliated physicians does not always equal the sum of the numbers of primary care physicians and specialists because of averaging.

Data source: SDI © 2009



POINT-OF-SERVICE HMOs

POS ENROLLMENT INCREASES AT SE MICHIGAN HMOs

Point-of-service (POS) enrollment in HMOs serving Southeast Michigan more than doubled in 2008, to 20,302 from 9,212 in 2007. Conversely, POS enrollment in West Michigan HMOs fell moderately, to 49,081 from 53,065 the previous year. Although the share of Michigan HMOs offering a POS option fell, to 40.0% from 47.1% 2007, enrollment in these plans grew, to 99,511 from 98,666.

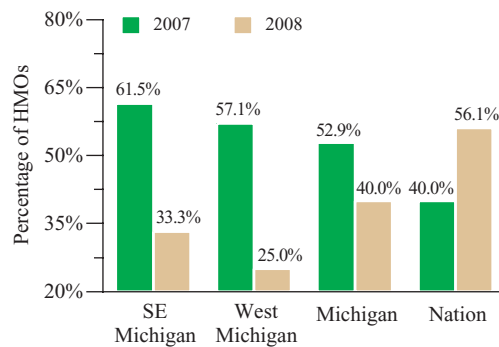
LARGER SHARE OF MICHIGAN HMOs HAS TRIPLE OPTION

The share of Michigan HMOs that offered triple-option plans rose slightly in 2008, to 25.0% from 23.5%. In spite of this annual increase, the shares of HMOs with a triple-option feature declined in Southeast Michigan (to 20.0% from 23.1% in 2007) and West Michigan (to 12.5% from 28.6%) alike. By comparison, the percentage of HMOs nationally that offered triple-option plans rose fractionally, to 52.9% from 52.4% the prior year.

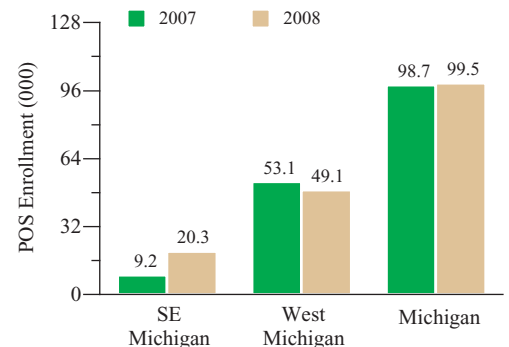
HMOs OFFERING POINT-OF-SERVICE PLANS

MARKET	Percentage of HMOs Offering Point-of-Service Plans		POS Enrollment	
	2007	2008	2007	2008
SE Michigan	38.5%	33.3%	9,212	20,302
West Michigan	42.9	25.0	53,065	49,081
Michigan	47.1	40.0	98,666	99,511
NATION	60.0%	56.1%	14,210,026	14,499,303

PERCENTAGE OF HMOs OFFERING POINT-OF-SERVICE PLANS

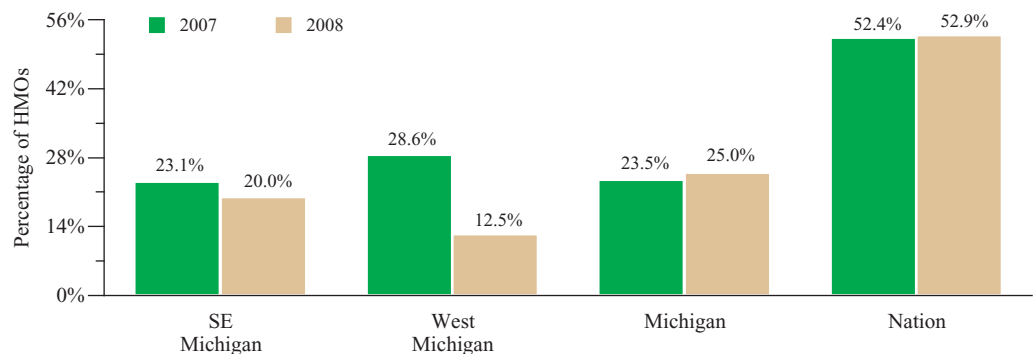


POINT-OF-SERVICE ENROLLMENT



2007 Nation: 14,210,026
2008 Nation: 14,499,303

HMOs OFFERING TRIPLE-OPTION PLANS



Data source: SDI © 2009

Point-of-service plans may be separately licensed HMOs by a state department of insurance; these plans allow HMO members to use the plan's provider network or to go outside the network to obtain services. This type of hybrid plan generally assesses a higher fee to the HMO member for going outside the provider network.

Triple-option plans include a choice of HMO, PPO or indemnity plan.

HMO GOVERNMENT PAYERS



NUMBER OF GOVERNMENT BENEFICIARIES IN HMOs

MARKET	Medicare Risk Members (000)		Medicare Cost Members (000)		Medicaid Members (000)		FEHBP Members (000)		Total HMO Govt. Enrollees (000)*	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
	SE Michigan	39	77	19	19	869	977	46	46	973
West Michigan	20	38	0	0	444	501	22	22	486	561
Michigan	47	87	19	19	962	1,073	47	48	1,075	1,227
NATION	5,676	5,932	506	219	15,364	16,409	1,710	1,572	23,256	24,132

NUMBER OF HMOs ACCEPTING GOVERNMENT BENEFICIARIES

MARKET	Medicare Risk		Medicare Cost		Medicaid		FEHBP		Total HMOs	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
	SE Michigan	6	9	1	2	10	12	3	4	20
West Michigan	3	5	0	0	4	5	2	2	9	12
Michigan	7	10	1	2	13	15	4	6	25	33
NATION	217	233	27	21	169	185	125	122	538	561

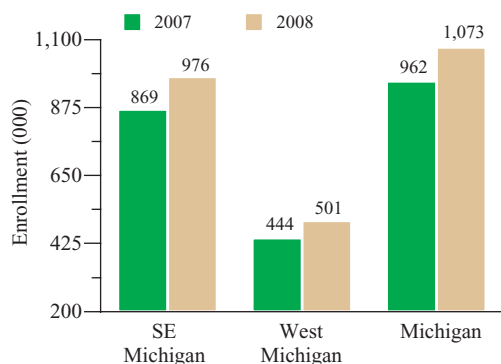
MORE MICHIGAN HMOs ACCEPT GOVT. BENEFICIARIES

Of HMOs that served the state of Michigan in 2008, the number that accepted government beneficiaries rose, to 33 from 25 in 2007. The number of HMOs nationally that accepted government beneficiaries likewise increased, to 561 from 538 the previous year.

MICHIGAN TOTAL GOVT. ENROLLEE COUNT INCREASES

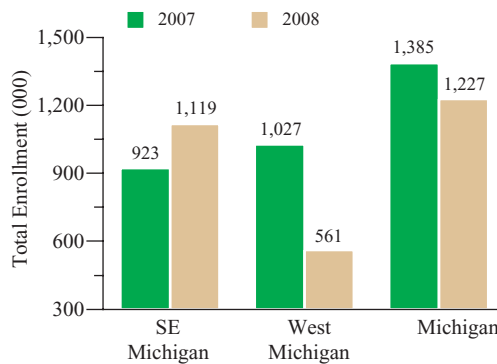
The total number of government beneficiaries enrolled in Michigan HMOs grew moderately, to 1.23 million in 2008 from 1.08 million in 2007. In the two Michigan local markets profiled, the total numbers of government enrollees rose in HMOs serving Southeast Michigan (to 1.12 million from 972,955 in 2007) and West Michigan (to 561,315 from 486,090) alike.

NUMBER OF MEDICAID ENROLLEES



2007 Nation: 15,363,923
2008 Nation: 16,408,680

TOTAL HMO GOVERNMENT ENROLLEES*



2007 Nation: 23,256,155
2008 Nation: 24,132,104

NOTE: According to CMS, "risk plans are paid a per capita premium set at approximately 95% of the projected average expenses for fee-for-service beneficiaries in a given county. Risk plans assume full financial risk for all care provided to Medicare beneficiaries. Risk plans must provide all Medicare-covered services, and most plans offer additional services such as prescription drugs and eyeglasses."

Cost plans, according to CMS, "are paid a predetermined monthly amount per beneficiary based on a total estimated budget. Adjustments to that payment are made at the end of the year for any variations from the budget. Cost plans must provide all Medicare-covered services but do not provide the additional services that some risk plans offer."

Data source: SDI © 2009

* Excludes a total of 3,233,544 enrollees in the State Children's Health Insurance Plan (SCHIP) in 2008 and 2,721,012 SCHIP enrollees in 2007.



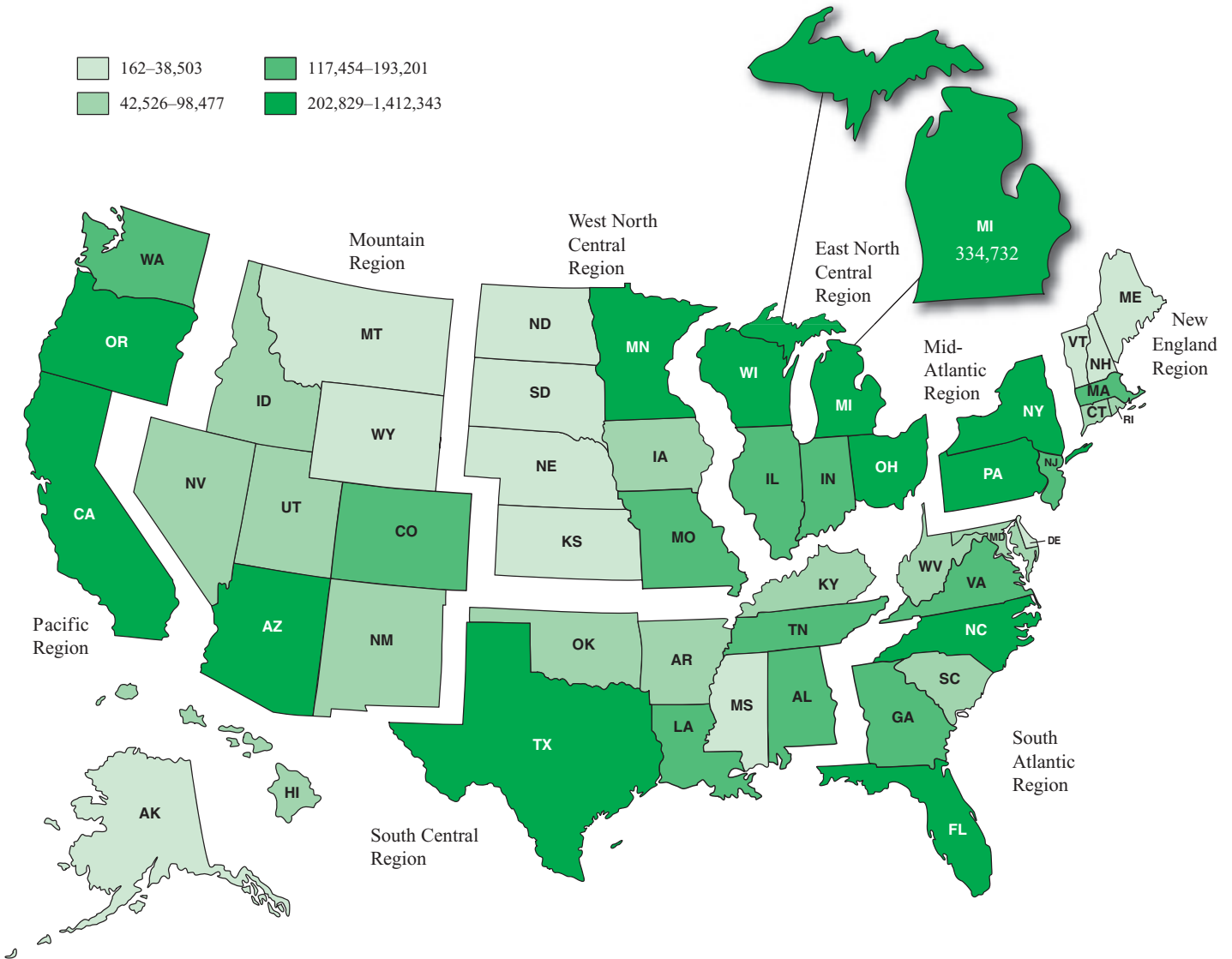
MEDICARE ADVANTAGE

MICHIGAN MEDICARE ADVANTAGE ENROLLMENT JUMPS

As of November 2008, the state of Michigan enrolled 334,732 Medicare beneficiaries in Medicare Advantage (MA) plans, up more than 20% from 275,887 the previous year. Michigan MA enrollment accounted for 3.6%

of the roughly 9.4 million Medicare beneficiaries enrolled in MA plans nationwide. Of the five states that make up the East North Central region, Michigan's MA enrollment total was exceeded by just one state (Ohio, at 453,920).

MEDICARE ADVANTAGE ENROLLMENT, BY STATE*



Data source: Centers for Medicare & Medicaid Services © 2009

* Medicare Advantage (MA) data for 2008 are November totals. MA enrollment includes coordinated care, PPO demonstration, cost and private fee-for-service plans, and other demonstration projects.

EMPLOYER GROUPS



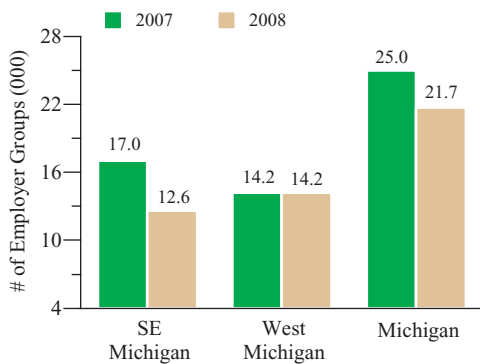
EMPLOYER GROUPS

MARKET	Total Number		Average Number	
	2007	2008	2007	2008
Southeast Michigan	16,993	12,610	2,428	2,102
West Michigan	14,230	14,206	3,558	4,735
Michigan	25,049	21,678	2,505	2,168
NATION	838,390	815,458	2,804	2,912

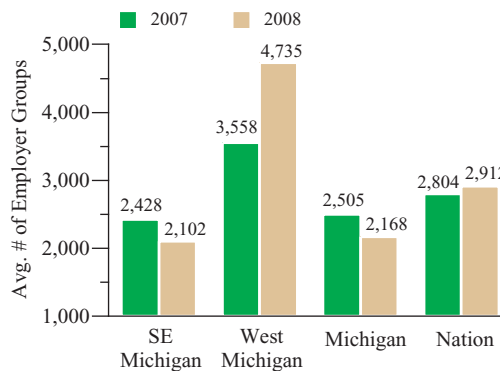
EMPLOYER GROUP COUNT SLIDES AT MICHIGAN HMOs

The total number of employer groups that contracted with HMOs in the state of Michigan fell notably in 2008, to 21,678 from 25,049 in 2007. Michigan HMOs contracted with an average of 2,168 employer groups, down from 2,505 the year before. Although the total number of employer groups contracting with HMOs nationwide also dropped over this time, to 815,458 from 838,390 in 2007, the per-plan average increased moderately (to 2,912 from 2,804 the previous year).

TOTAL NUMBER OF EMPLOYER GROUPS



AVERAGE NUMBER OF EMPLOYER GROUPS PER HMO



2007 Nation: 838,390
2008 Nation: 815,458

PERCENTAGE OF TOTAL NUMBER OF EMPLOYER GROUPS, BY HMO MODEL TYPE

MARKET	IPA		Network		Group		Staff	
	2007	2008	2007	2008	2007	2008	2007	2008
Southeast Michigan	46.6%	78.9%	53.4%	21.1%	0.0%	0.0%	0.0%	0.0%
West Michigan	98.0	98.2	0.2	0.0	0.0	0.0	1.8	1.8
Michigan	62.7	81.9	36.2	16.9	0.0	0.0	1.0	1.2
NATION	51.4%	52.2%	23.3%	21.8%	24.0%	24.8%	1.2%	1.3%

MICHIGAN GROUPS ARE MORE LIKELY TO CONTRACT WITH IPAs

Of the 21,678 employer groups that contracted with Michigan HMOs in 2008, 17,749 (81.9%) were with IPA-model plans, up substantially from 62.7% in 2007. Nearly all (98.2%) of the employer groups that contracted with HMOs serving West Michigan had contracts with IPA-model plans. By comparison, slightly more than half (52.2%) of employer groups contracting with HMOs nationwide did so with IPA-model plans, up from 51.4% in 2007.

Data source: SDI © 2009

A **staff-model** HMO consists of a group of physicians who are either salaried employees of a specially formed professional group practice that is an integral part of the HMO plan or salaried employees of the HMO. Medical services in staff plans are delivered at HMO-owned health centers.

In **IPA (independent practice association)-model** HMOs, physicians practicing in their own offices participate in a pre-paid health care plan. The physicians charge agreed-upon rates to enrolled patients and bill the IPA on a discounted fee-for-service or capitated basis.

There are two kinds of **group-model** HMOs: a) the closed panel plan, in which medical services are delivered in the HMO-owned health center or satellite clinic by physicians who belong to a specially formed but legally separate medical group that serves only the HMO; and b) the plan in which the HMO contracts with an existing, independent group of physicians to deliver medical care.

A **network-model** HMO is an organizational form in which the HMO contracts for medical services with a network of medical groups.

Source: *Glossary of Terms Used in Managed Care*, 1994, Medical Group Management Association.



HMO MEDICAL UTILIZATION

ADMISSIONS COUNT RISES SHARPLY FOR MICHIGAN HMOs

HMOs serving the state of Michigan averaged 103.2 hospital admissions per 1,000 non-Medicare members in 2008, up notably from 79.7 in 2007. During this period, the number of hospital admission per 1,000 non-Medicare members of HMOs serving Southeast Michigan jumped to 125.4 from 85.6 the previous year. By comparison, West Michigan HMOs averaged 62.4 hospital admissions per 1,000 non-Medicare members in 2008, down from 72.7 the prior year.

UTILIZATION RATES FOR NON-MEDICARE HMO MEMBERS

MARKET	Hospital Admissions per 1,000 Members					Average No. of Hospital Days per 1,000 Members				
	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008
Southeast Michigan	60.0	68.7	71.8	85.6	125.4	226.3	267.2	284.1	370.9	294.1
West Michigan	60.8	59.5	62.2	72.7	62.4	228.8	232.1	250.8	290.9	235.2
Michigan	58.6	61.3	65.7	79.7	103.2	222.3	242.3	261.7	317.7	275.5
NATION	60.3	59.1	64.0	59.1	60.5	223.6	216.0	225.0	223.5	228.3

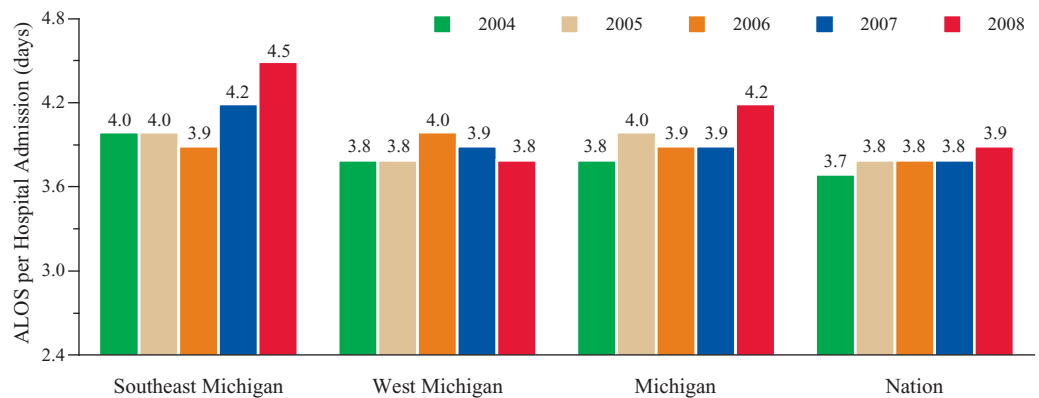
UTILIZATION RATES FOR NON-MEDICARE HMO MEMBERS

MARKET	Physician Encounters per Member					Ambulatory Visits per Member				
	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008
Southeast Michigan	3.3	3.8	4.6	4.2	5.2	2.1	2.4	3.0	3.3	2.6
West Michigan	4.2	3.9	3.4	4.1	5.2	2.3	1.8	1.6	1.4	1.2
Michigan	3.6	3.8	4.2	4.7	4.9	2.2	2.2	2.5	2.6	2.2
NATION	3.4	3.4	3.6	3.8	4.0	1.7	1.6	1.3	1.3	1.3

AMBULATORY VISIT RATIO FALLS FOR HMOs IN MICHIGAN

The number of ambulatory visits per non-Medicare member of HMOs serving the state of Michigan decreased sharply in 2008, to 2.2 from 2.6 in 2007. At HMOs serving West Michigan, non-Medicare members averaged just 1.2 ambulatory visits, down from 1.4 the year before, and the fifth consecutive annual decline. Meanwhile, non-Medicare members of HMOs nationwide averaged 1.3 ambulatory visits in 2008, unchanged for the third straight year.

AVERAGE LENGTH OF STAY PER NON-MEDICARE HOSPITAL ADMISSION



NOTE: Ambulatory visits differ from physician encounters. Ambulatory visits are visits by an HMO member to an HMO clinic or physician's office when a physician is not seen, usually for tests, prescription refills, injections, immunizations, etc. Physician encounters are self-explanatory. The two pieces of data added together equal total encounters.

Data source: SDI © 2009

HMO PREMIUM RATES



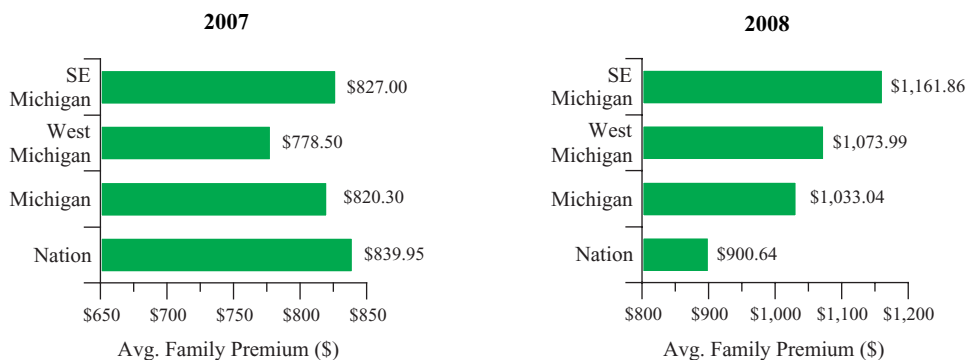
AVERAGE PREMIUM RATES PER MONTH*

MARKET	Average Family Premium		Average Individual Premium		Average Individual & Spouse Premium	
	2007	2008	2007	2008	2007	2008
Southeast Michigan	\$827.00	\$1,161.86	\$336.25	\$412.05	\$668.00	\$825.05
West Michigan	778.50	1,073.99	296.14	391.24	587.79	798.35
Michigan	820.30	1,033.04	318.34	377.95	631.53	762.32
NATION	\$839.95	\$900.64	\$314.28	\$343.91	\$634.32	\$690.83

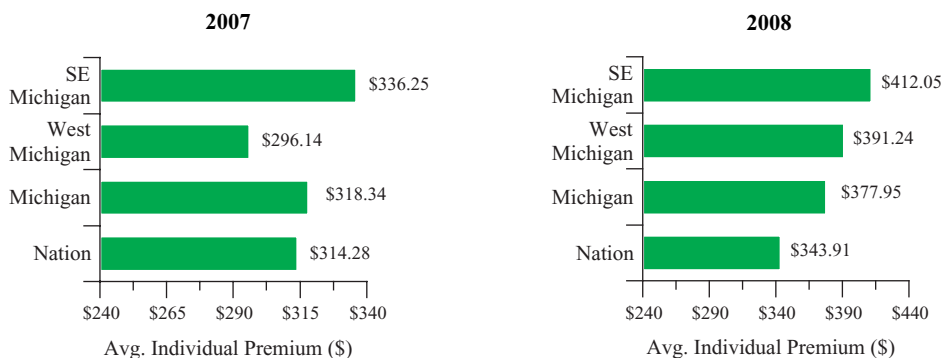
AVERAGE FAMILY PREMIUMS EXCEED \$1,000 IN MICHIGAN

Average family premiums at HMOs in the state of Michigan were \$1,033.04 in 2008, up significantly from \$820.30 in 2007, and well above the national average (\$900.64) for such premiums. Of the three Michigan markets profiled, average family premiums were highest at HMOs in Southeast Michigan, at \$1,161.86 per month, up considerably from \$827.00 the previous year.

AVERAGE FAMILY PREMIUM PER MONTH*



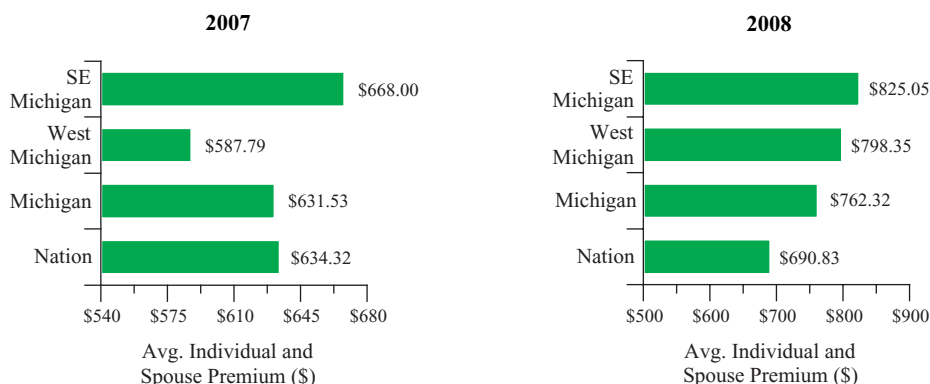
AVERAGE INDIVIDUAL PREMIUM PER MONTH*



W. MICHIGAN PLANS SEE INDIVIDUAL PREMIUMS CLIMB

Between 2007 (\$296.14) and 2008 (\$391.24), average individual premiums increased notably at West Michigan HMOs. For the first time since 2002 (\$199.09 vs. \$194.71), average individual premium rates at West Michigan HMOs exceeded the national HMO average (\$343.91). At Southeast Michigan plans, average individual premium rates surpassed the \$400 mark, rising to \$412.05 in 2008 from \$336.25 the previous year.

AVERAGE INDIVIDUAL AND SPOUSE PREMIUM PER MONTH*



* Averages represent the flat charge for medical health coverage and do not include charges for pharmacy, dental or other services. Employee copay contributions are not included.

Data source: SDI © 2009



PHARMACY BENEFIT STRUCTURE

AVERAGE TIER-THREE COPAY INCREASES FOR MICHIGAN HMOs

Members of HMOs in the state of Michigan made an average copayment of \$45.38 for a tier-three prescription in 2008, up moderately from \$42.92 in 2007. In spite of this growth, such copayments were still slightly less for members of Michigan plans than for all HMO members (\$46.81) in 2008.

WEST MICHIGAN HMO MEMBERS PAY HIGH TIER-TWO COPAYS

In 2008, West Michigan HMO members made an average copayment of \$24.71 for a tier-two prescription, down notably from \$29.58 in 2007, but still the highest such copayment among the four markets profiled. By comparison, members of Southeast Michigan HMOs paid the lowest average copayment, by market, for tier-two prescriptions, at \$13.30, down fractionally from \$13.64 the previous year. Nationally, HMO members made an average copayment of \$21.63 for tier-two drugs, virtually unchanged from \$21.52.

* Copayments can be a flat dollar amount or a percent copay (coinsurance), which requires the HMO member to pay a fixed percentage of the cost of the drug. “% of Rx Cost” reflects the average for those who pay a fixed percentage of the drug cost. For multitier systems, the percentages of prescriptions reveal the overall share dispensed by system, not the percentages for an individual tier within a system.

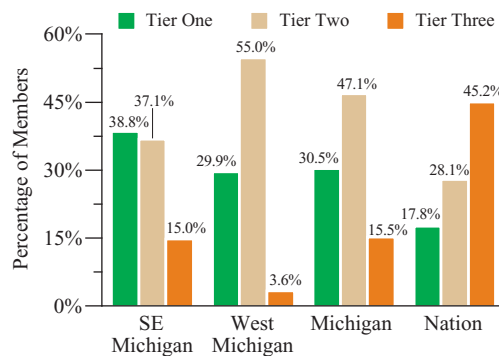
PRESCRIPTION BENEFITS OFFERED BY HMOs

MARKET	% Offering Prescription Benefits		% of Enrollees Covered		% with No Deductible for Rx		% with No Cap on Max. Drug Benefits	
	2007	2008	2007	2008	2007	2008	2007	2008
Southeast Michigan	100.0%	100.0%	96.3%	95.9%	80.0%	100.0%	80.0%	100.0%
West Michigan	100.0	100.0	94.0	95.5	66.7	100.0	66.7	100.0
Michigan	100.0	100.0	95.9	95.7	85.7	100.0	85.7	100.0
NATION	100.0%	100.0%	94.2%	94.3%	71.5%	72.6%	79.8%	81.6%

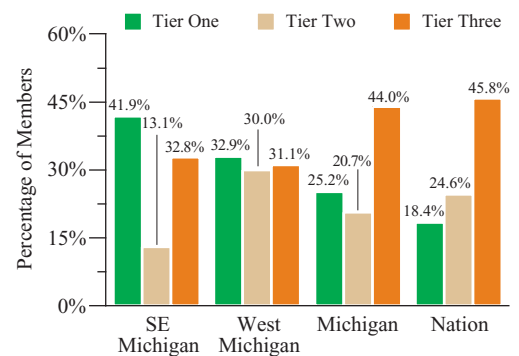
COPAYMENT REQUIREMENTS FOR PRESCRIPTIONS

MARKET	Copayment Amount—Tier One				Copayment Amount—Tier Two				Copayment Amount—Tier Three			
	Avg. Copayment per Rx		% of Rx Cost*		Avg. Copayment per Rx		% of Rx Cost*		Avg. Copayment per Rx		% of Rx Cost*	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Southeast Michigan	\$4.52	\$3.55	17.1%	13.0%	\$13.64	\$13.30	21.6%	16.3%	\$45.50	\$48.40	33.6%	13.7%
West Michigan	13.33	8.50	22.5	—	29.58	24.71	38.3	50.0	43.75	46.67	37.5	16.7
Michigan	5.84	4.92	17.1	13.0	16.55	17.06	31.1	33.2	42.92	45.38	36.9	16.5
NATION	\$7.50	\$5.88	16.7%	17.7%	\$21.52	\$21.63	24.6%	21.5%	\$45.92	\$46.81	42.4%	34.0%

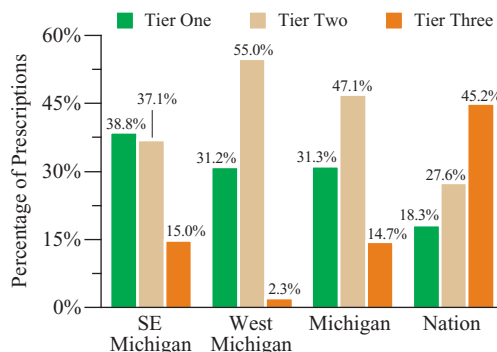
PERCENTAGE OF HMO MEMBERS BY COPAY TIER SYSTEM, 2007



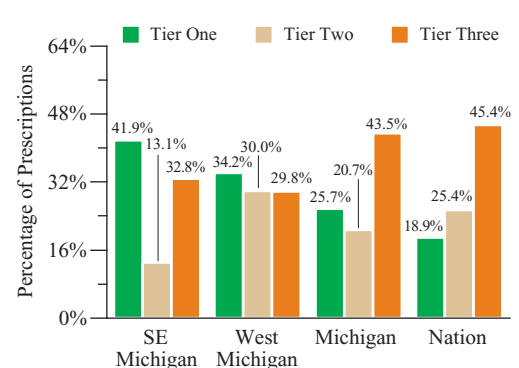
PERCENTAGE OF HMO MEMBERS BY COPAY TIER SYSTEM, 2008



PERCENTAGE OF PRESCRIPTIONS DISPENSED TO HMO MEMBERS BY COPAY TIER SYSTEM, 2007*



PERCENTAGE OF PRESCRIPTIONS DISPENSED TO HMO MEMBERS BY COPAY TIER SYSTEM, 2008*



Data source: SDI © 2009



PERCENTAGE OF HMO MEMBERS USING OPEN FORMULARIES, BY COPAY TIER SYSTEM^{1, 2}

MARKET	Tier One		Tier Two		Tier Three	
	2007	2008	2007	2008	2007	2008
Southeast Michigan	86.0%	78.9%	55.1%	61.3%	100.0%	79.9%
West Michigan	83.1	84.1	11.6	6.4	10.9	89.9
Michigan	83.5	77.0	33.9	30.1	87.3	88.4
NATION	27.1%	26.4%	31.0%	29.7%	84.8%	81.4%

TIER TWO CLOSED FORMULARY SHARE RISES IN W. MICHIGAN

In 2008, 93.6% of West Michigan HMO members subject to a two-tier copayment design had a closed formulary, up from 88.4% the year before, and more than 23 percentage points higher than the national average (70.3%). In contrast, just 38.7% of members of Southeast Michigan HMOs that used a two-tier design had a closed formulary in 2008, down from 44.9% in 2007.

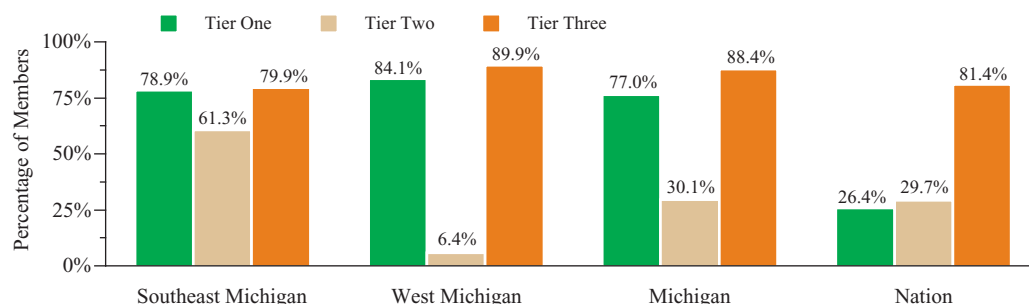
PERCENTAGE OF HMO MEMBERS USING CLOSED FORMULARIES, BY COPAY TIER SYSTEM^{1, 3}

MARKET	Tier One		Tier Two		Tier Three	
	2007	2008	2007	2008	2007	2008
Southeast Michigan	14.0%	21.1%	44.9%	38.7%	0.0%	20.1%
West Michigan	16.9	15.9	88.4	93.6	89.1	10.1
Michigan	16.5	23.0	66.1	69.9	12.7	11.6
NATION	72.9%	73.6%	69.0%	70.3%	15.2%	18.6%

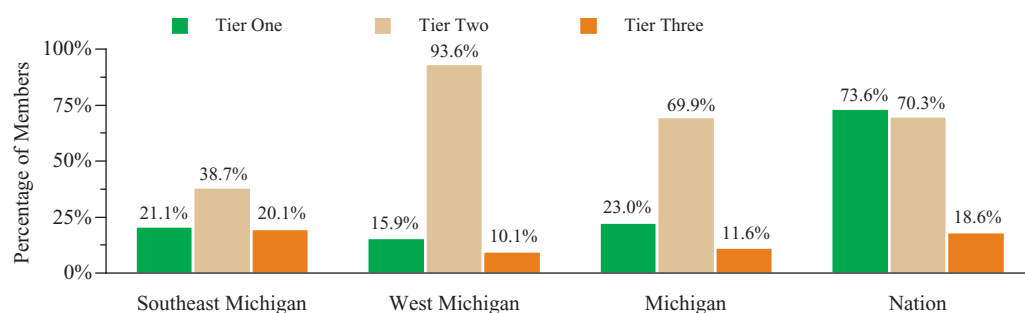
CLOSED FORMULARY USE RISES FOR HMOs WITH JUST ONE TIER

Of HMO members in the state of Michigan that were governed by a one-tier copayment design in 2008, 23.0% followed a closed formulary, up from 16.5% in 2007. By comparison, a significantly larger share of HMO members nationally (73.6%) who used a one-tier copayment system had a closed formulary system. Of the four markets listed, members of West Michigan HMOs (15.9%) were least likely to have a one-tier copayment design that used a closed formulary.

PERCENTAGE OF HMO MEMBERS USING OPEN FORMULARIES, BY COPAY TIER DESIGN, 2008^{1, 2}



PERCENTAGE OF HMO MEMBERS USING CLOSED FORMULARIES, BY COPAY TIER DESIGN, 2008^{1, 3}



¹ Copayments can be a flat dollar amount or a percent copay (coinsurance), which requires the HMO member to pay a fixed percentage of the cost of the drug.

² In an open formulary a drug is usually covered by the HMO even if it is not listed on formulary.

³ In a closed formulary a drug not on formulary is generally not covered unless it goes through a prior authorization process.

Data source: SDI © 2009



FORMULARIES

QUARTERLY REVIEW OF FORMULARIES DROPS IN MICHIGAN

Although the percentage of Michigan HMOs that reviewed their formularies on a quarterly basis dropped in 2008, to 56.3% from 60.0% in 2007, this review structure remained the most common by a significant margin. During this period, the share of HMOs nationwide that performed quarterly reviews of formularies also declined, to 49.7% from 58.2% the prior year.

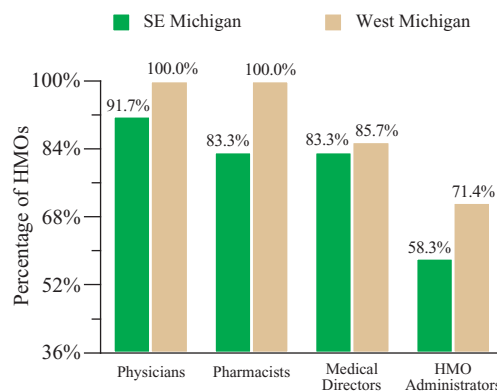
SMALLER SHARE OF FORMULARY BOARDS HAS MED. DIRECTORS

The share of HMOs in the state of Michigan that had at least one medical director on their formulary review committees fell moderately in 2008, to 76.5% from 81.3% in 2007, the fourth straight annual drop. Since 2004 (95.7%), the share of Michigan HMO formulary committees that included medical directors dropped nearly 20 percentage points. By comparison, a slightly larger share of plans nationwide (81.0%) had medical directors on their formulary committees.

HOW OFTEN HMOs REVIEWED FORMULARIES

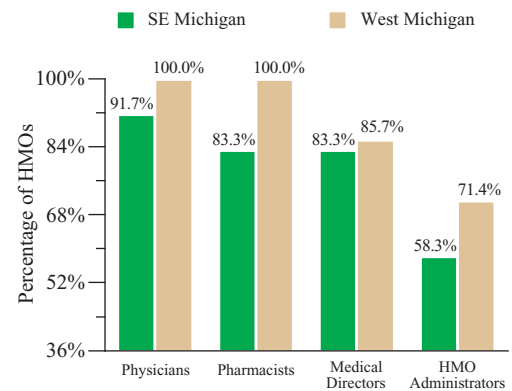
MARKET	Semi-Monthly		Monthly		Quarterly		Annually	
	2007	2008	2007	2008	2007	2008	2007	2008
Southeast Michigan	9.1%	9.1%	9.1%	9.1%	63.6%	63.6%	9.1%	9.1%
West Michigan	—	—	—	—	71.4	71.4	14.3	14.3
Michigan	6.7	6.3	6.7	6.3	60.0	56.3	13.3	12.5
NATION	1.3%	8.4%	6.1%	6.3%	58.2%	49.7%	15.6%	8.1%

MOST COMMON MEMBERS OF FORMULARY COMMITTEE, 2007



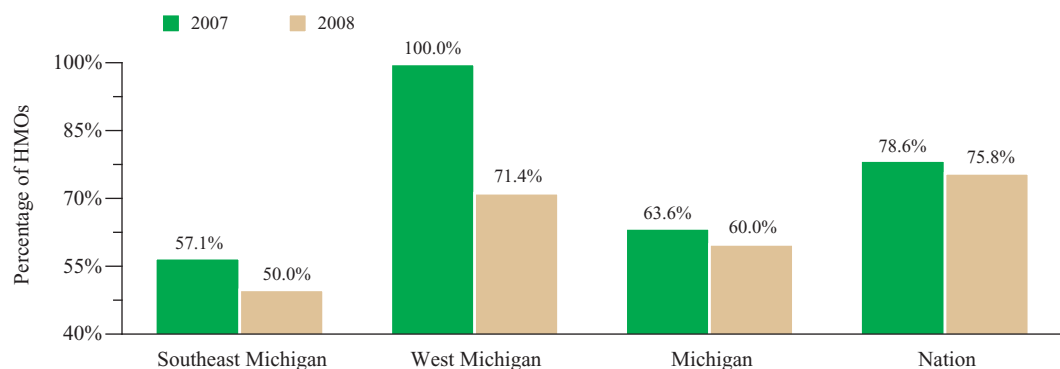
Michigan:	Physicians	93.8%
	Pharmacists	87.5%
	Medical Directors	81.3%
	HMO Administrators	56.3%
Nation:	Physicians	89.4%
	Pharmacists	91.6%
	Medical Directors	82.5%
	HMO Administrators	20.3%

MOST COMMON MEMBERS OF FORMULARY COMMITTEE, 2008



Michigan:	Physicians	94.1%
	Pharmacists	88.2%
	Medical Directors	76.5%
	HMO Administrators	52.9%
Nation:	Physicians	88.5%
	Pharmacists	90.8%
	Medical Directors	81.0%
	HMO Administrators	20.5%

HMO USE OF PROPRIETARY FORMULARIES



Data source: SDI © 2009

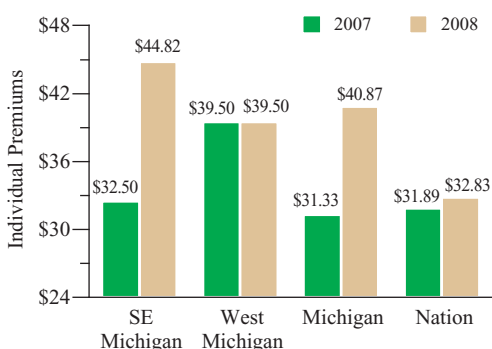
PHARMACY PREMIUMS AND UTILIZATION



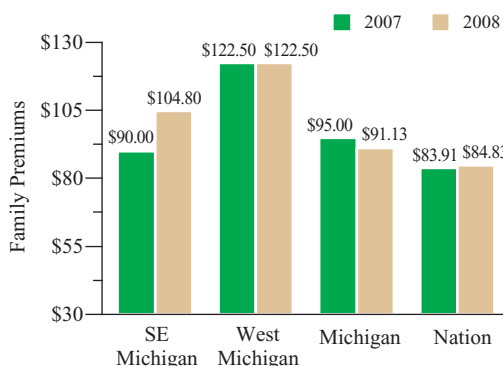
PREMIUMS PER MEMBER PER MONTH FOR OUTPATIENT PHARMACY BENEFITS

MARKET	Individual Premiums		Family Premiums	
	2007	2008	2007	2008
Southeast Michigan	\$32.50	\$44.82	\$90.00	\$104.80
West Michigan	39.50	39.50	122.50	122.50
Michigan	31.33	40.87	95.00	91.13
NATION	\$31.89	\$32.83	\$83.91	\$84.83

INDIVIDUAL PREMIUMS PER MEMBER PER MONTH FOR PHARMACY BENEFITS



FAMILY PREMIUMS PER MEMBER PER MONTH FOR PHARMACY BENEFITS



INDIVIDUAL RX PREMIUMS PMPM CLIMB IN MICHIGAN

Between 2007 (\$31.33) and 2008 (\$40.87), individual premiums per member per month (PMPM) for outpatient pharmacy benefits at HMOs in the state of Michigan grew notably. By comparison, individual pharmacy premium rates increased only fractionally for members of HMOs nationwide over this period, to \$32.83 from \$31.89 the previous year.

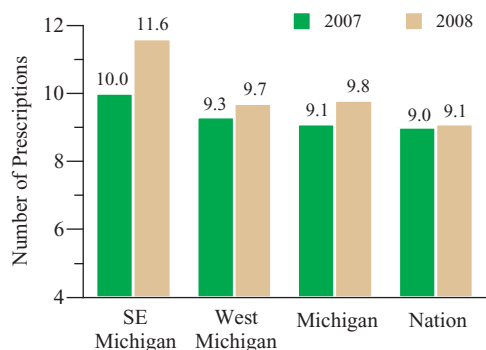
NON-MEDICARE RX RATIO GROWS AT MICHIGAN HMOs

The number of non-Medicare prescriptions dispensed per member per year (PMPY) at Michigan HMOs rose sharply in 2008, to 9.8 from 9.1 in 2007. During this time, the non-Medicare PMPY prescription count grew substantially at Southeast Michigan HMOs, to 11.6 from 10.0 the previous year. Meanwhile, the number of non-Medicare prescriptions dispensed PMPY went virtually unchanged at HMOs nationwide, to 9.1 in 2008 from 9.0 in 2007.

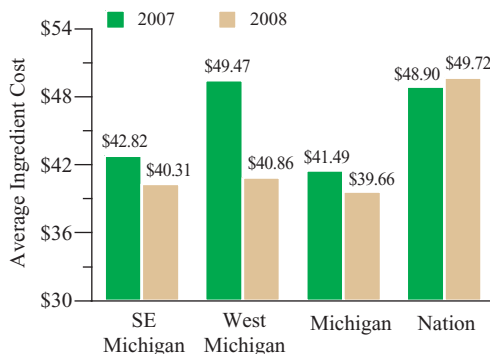
PRESCRIPTIONS DISPENSED AND AVERAGE INGREDIENT COST

MARKET	Rxs Dispensed per Non-Medicare Member per Year		Average Ingredient Cost*	
	2007	2008	2007	2008
Southeast Michigan	10.0	11.6	\$42.82	\$40.31
West Michigan	9.3	9.7	49.47	40.86
Michigan	9.1	9.8	41.49	39.66
NATION	9.0	9.1	\$48.90	\$49.72

PRESCRIPTIONS DISPENSED PER NON-MEDICARE MEMBER



AVERAGE INGREDIENT COST PER PRESCRIPTION DISPENSED*



* This average is derived by dividing HMO pharmacy expenses by the total number of prescriptions dispensed. Expenses do not include administration and copayment costs.

Data source: SDI © 2009



PHARMACY AND PHYSICIAN CONTROLS

LARGER SHARE OF MICHIGAN HMOs USES QUALITY ASSURANCE

In 2008, 64.7% of Michigan HMOs used quality assurance measures to influence the prescribing patterns of physicians, up from 56.3% in 2007. The share of HMOs serving Southeast Michigan that used quality assurance measures also rose sharply, to 66.7% from 58.3% the year before. Nationally, the share of HMOs that imposed these measures on physicians was notably lower, at 47.2%, down from 55.0% in 2007.

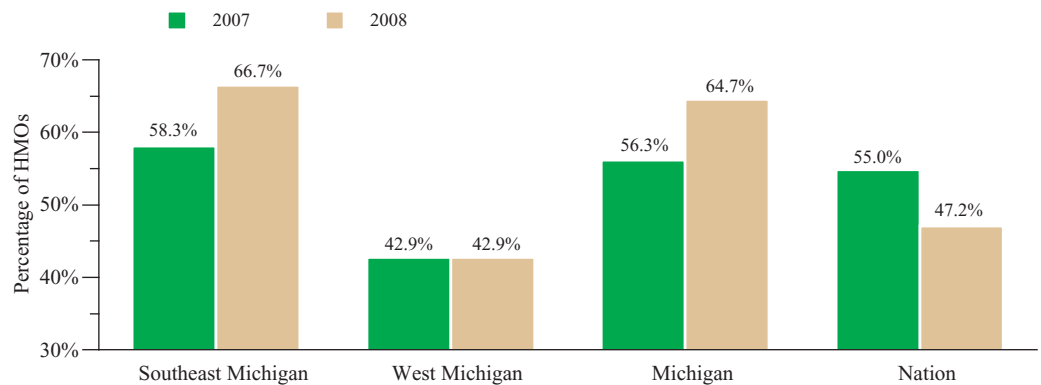
MICHIGAN HMO USE OF PRACTICE GUIDELINES GROWS

After falling notably between 2006 (90.5%) and 2007 (81.3%), the share of Michigan HMOs that used practice guidelines to influence physician prescribing patterns rose in 2008, to 88.2%. HMOs serving West Michigan were most likely, by Michigan market, to use practice guidelines to control physician prescribing patterns, at 85.7%, up notably from 71.4% the previous year.

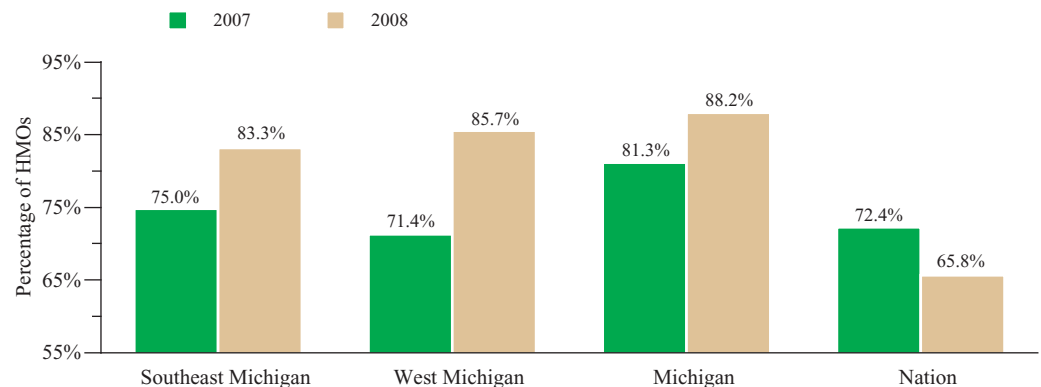
HOW HMOs INFLUENCE PHYSICIAN PRESCRIBING PRACTICES*

MARKET	Financial Incentives		Drug Utilization Review		Quality Assurance		Prior Authorization		Practice Guidelines	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
SE Michigan	25.0%	33.3%	100.0%	100.0%	58.3%	66.7%	100.0%	100.0%	75.0%	83.3%
West Michigan	28.6	28.6	100.0	85.7	42.9	42.9	100.0	100.0	71.4	85.7
Michigan	25.0	35.3	93.8	94.1	56.3	64.7	100.0	100.0	81.3	88.2
NATION	24.5%	24.4%	89.4%	89.5%	55.0%	47.2%	97.4%	97.6%	72.4%	65.8%

PERCENTAGE OF HMOs THAT INFLUENCE PHYSICIAN PRESCRIBING PRACTICES USING QUALITY ASSURANCE*



PERCENTAGE OF HMOs THAT INFLUENCE PHYSICIAN PRESCRIBING PRACTICES USING PRACTICE GUIDELINES*



* HMOs gave multiple answers. Totals add up to more than 100% of the HMOs in the sample.

Data source: SDI © 2009



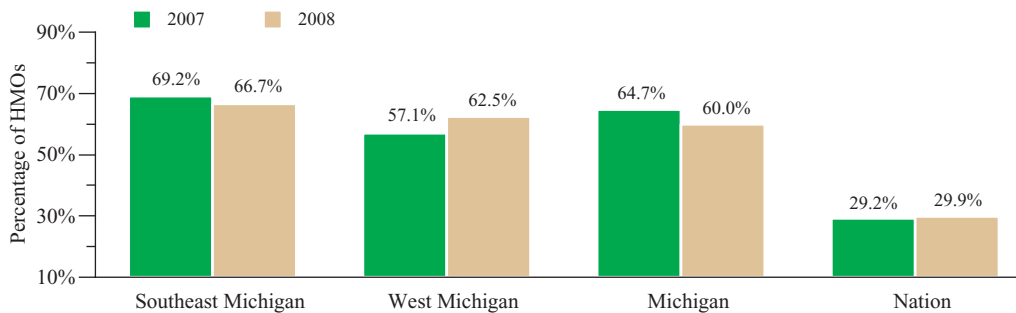
HMO USE OF PHYSICIAN WITHHOLDS/RISK POOLS

MARKET	2006		2007		2008	
	Percentage of HMOs	HMO Enrollment	Percentage of HMOs	HMO Enrollment	Percentage of HMOs	HMO Enrollment
SE Michigan	76.5%	2,088,747	69.2%	1,781,951	66.7%	1,801,786
West Michigan	75.0	1,410,876	57.1	1,459,959	62.5	1,433,246
Michigan	68.2	2,613,239	64.7	2,352,737	60.0	2,324,906
NATION	30.3%	24,855,970	29.2%	25,581,087	29.9%	24,121,540

SHARE OF MICHIGAN HMOs USING RISK POOLS FALLS AGAIN

For the second straight year, the percentage of HMOs in the state of Michigan that used physician withholds or risk pools fell, to 60.0% in 2008 from 64.7% in 2007. The share of Southeast Michigan HMOs that used these controls likewise dropped for the second consecutive year, to 66.7% from 69.2% in 2007. By comparison, just 29.9% of HMOs nationwide used physician withholds or risk pools in 2008, up fractionally from 29.2% in 2007.

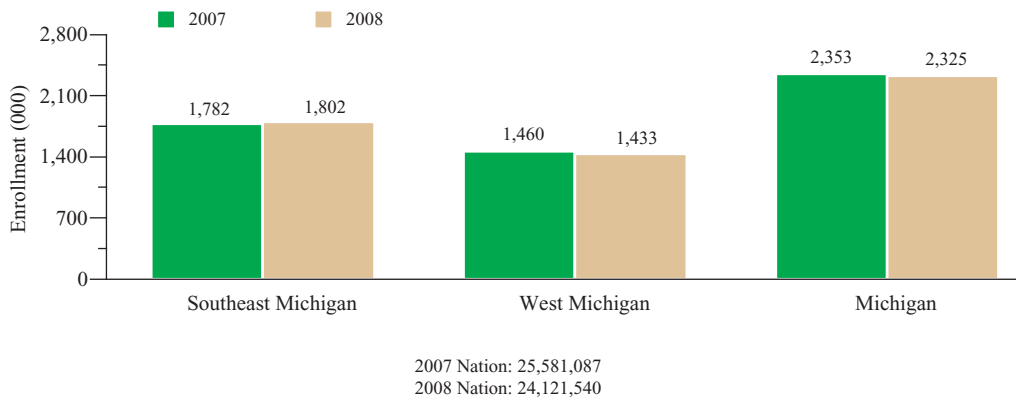
HMO USE OF PHYSICIAN WITHHOLDS/RISK POOLS



ENROLLEES RISE AT SE MICHIGAN HMOs WITH RISK POOLS

After falling considerably between 2006 (2.09 million) and 2007 (1.78 million), enrollment in Southeast Michigan HMOs that had physician withholds or risk pools increased slightly, to 1.80 million. In contrast, enrollment in West Michigan plans that used physician withholds or risk pools dropped over this period, to 1.43 million from 1.46 million the prior year.

ENROLLMENT IN HMOs WITH PHYSICIAN WITHHOLDS/RISK POOLS



Data source: SDI © 2009



GENERIC SUBSTITUTION

SHARE OF MICHIGAN HMOs REQUIRING GENERICS DROPS

The share of HMOs in the state of Michigan requiring that generic drugs be substituted for brand name drugs when available fell in 2008, to 85.0% from 94.1% in 2007. As a consequence, the percentage of Michigan HMO members who were subject to generic substitution decreased notably over this period, to 75.0% in 2008 from 97.4% the previous year.

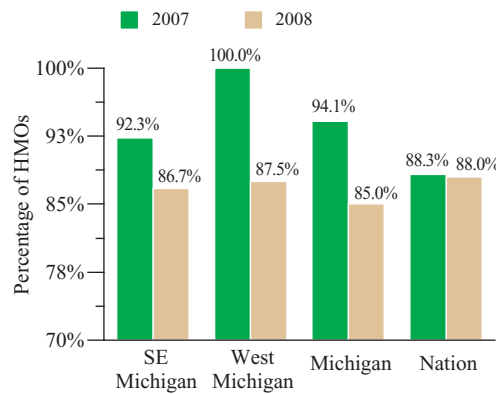
SE MICHIGAN HMO USE OF GENERICS IS RELATIVELY HIGH

In 2008, a notable 61.3% of prescriptions dispensed by Southeast Michigan HMOs were filled with generic drugs, up from 58.5% in 2007, and highest of the four markets listed. By comparison, the share of such prescriptions dispensed by West Michigan plans declined slightly, to 53.3% from 54.8% the year before. Nationally, 52.4% of prescriptions dispensed by HMOs were filled with generic drugs in 2008, up from 51.4% in 2007.

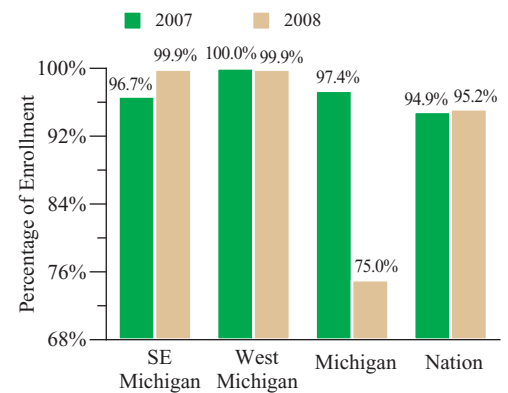
HMOs REQUIRING GENERIC SUBSTITUTION

MARKET	Percentage of HMOs		Percentage of Enrollment	
	2007	2008	2007	2008
Southeast Michigan	92.3%	86.7%	96.7%	99.9%
West Michigan	100.0	87.5	100.0	99.9
Michigan	94.1	85.0	97.4	75.0
NATION	88.3%	88.0%	94.9%	95.2%

PERCENTAGE OF HMOs REQUIRING GENERIC SUBSTITUTION



PERCENTAGE OF ENROLLMENT IN HMOs REQUIRING GENERIC SUBSTITUTION



PERCENTAGE OF PRESCRIPTIONS FILLED WITH BRANDED VS. GENERIC DRUGS

MARKET	Brand Name Drugs (Average)		Generic Drugs (Average)	
	2007	2008	2007	2008
Southeast Michigan	41.5%	38.8%	58.5%	61.3%
West Michigan	45.3	46.7	54.8	53.3
Michigan	44.9	42.6	55.1	57.4
NATION	48.6%	47.6%	51.4%	52.4%

REQUIREMENTS FOR HMO ENROLLEES CHOOSING BRANDED OVER GENERIC DRUGS*

REQUIREMENT	SE Michigan		West Michigan		Michigan		Nation	
	2007	2008	2007	2008	2007	2008	2007	2008
Pay No Additional Charge	20.0%	28.6%	0.0%	16.7%	11.1%	16.7%	21.4%	20.3%
Pay Difference Between Branded and Generic	80.0	57.1	100.0	50.0	66.7	50.0	65.0	63.1
Pay Higher Copayment	80.0	57.1	100.0	66.7	88.9	75.0	84.0	82.0
Pay Entire Cost of Branded Drug	0.0	0.0	0.0	0.0	11.1	8.3	8.5	8.6
Other Payment**	20.0	42.9	0.0	16.7	11.1	25.0	11.7	12.0

* HMOs gave multiple answers. Totals add up to more than 100% of the HMOs in the sample.

** Other payment arrangements included members paying a copayment on brand name drugs or paying the difference plus a copayment for the branded drug.

Data source: SDI © 2009

DRUG EXPENDITURES



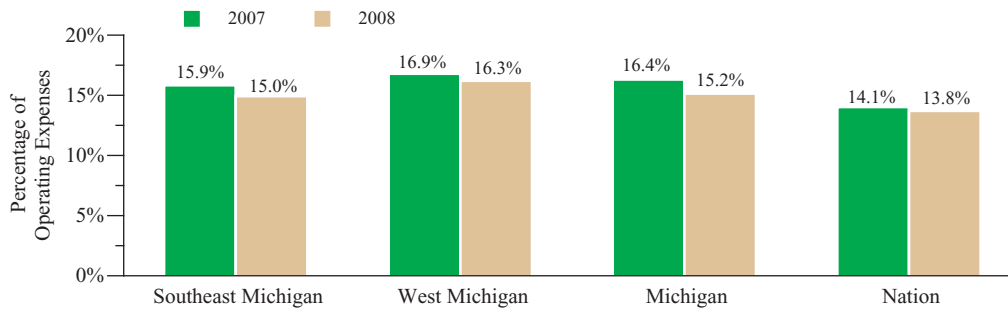
HMO DRUG EXPENDITURES

MARKET	Drug Costs as a Percentage of Operating Expenses					Expenditures Per Member per Year for Drugs*				
	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008
Southeast Michigan	16.6%	16.9%	17.1%	15.9%	15.0%	\$351	\$367	\$393	\$415	\$427
West Michigan	18.2	18.6	18.5	16.9	16.3	371	414	432	420	458
Michigan	17.4	17.4	17.4	16.4	15.2	363	380	417	426	463
NATION	14.2%	14.3%	14.3%	14.1%	13.8%	\$365	\$373	\$395	\$431	\$470

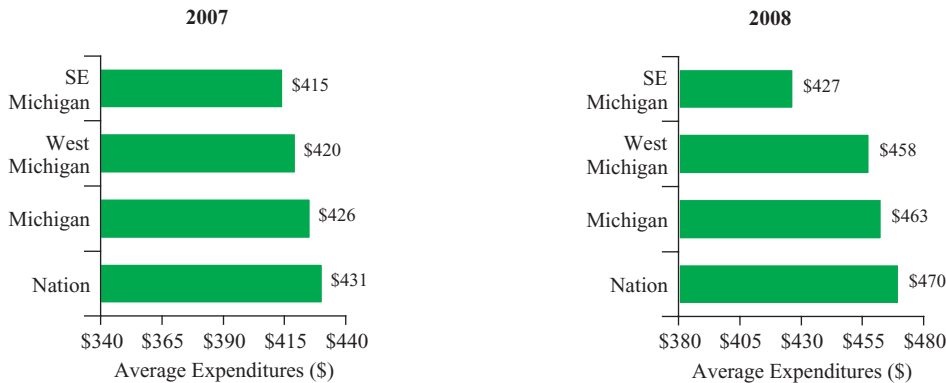
DRUG COSTS RATIO DECLINES AGAIN AT MICHIGAN HMOs

Drug costs accounted for 15.2% of total operating expenses at Michigan HMOs in 2008, down from 16.4% in 2007 and from 17.4% in 2006. In spite of this decline, drug costs constituted a larger percentage of total operating expenses at Michigan HMOs than at HMOs nationwide (to 13.8% from 14.1% in 2007). West Michigan HMOs reported the highest drug cost ratio among the three Michigan markets listed, at 15.0%, although down noticeably from 15.9% the previous year.

HMO DRUG COSTS AS A PERCENTAGE OF OPERATING EXPENSES



HMO DRUG EXPENDITURES PER MEMBER PER YEAR*



MICHIGAN HMO EXPENDITURES FOR DRUGS TRAIL NATION

Average drug expenditures per member per year (PMPY) at HMOs serving the state of Michigan rose notably in 2008, to \$463 from \$426 in 2007. However, average drug expenditures PMPY at Michigan HMOs trailed the national average (\$470) for the second straight year.

Data source: SDI © 2009

* Rounded to the nearest dollar. Expenditures do not include administration and copayment costs.



Michigan Association of Health Plans
327 Seymour Avenue
Lansing, MI 48933
Phone: 517-371-3181

www.mahp.org

Methodology

GENERAL DATA

SDI gathered national, state and local data included in this Summary from a variety of sources between February 2003 and June 2009 by contacting each state's department of insurance, mailing a survey to each plan and following up, when necessary, with a telephone or faxed survey.

Most data in this Summary are from a census of the HMO industry. When data were not available from all plans, a smaller sample was used.

In addition, SDI compares its data with those published in other sources, including trade associations in the managed care industry, state regulatory agencies, and periodicals and journals. Doing so provides an additional check on the accuracy of its database of operating HMOs.

MARKET DEFINITIONS

SDI gathered information on the service areas of every HMO, commercial, Medicare, and Medicaid, during the survey process, then aggregated it to the appropriate metropolitan statistical area (MSA), consolidated metropolitan statistical area (CMSA) and state level.

Demographic information provided in this report for MSAs is based on data from HMOs that serve that MSA. That is, data on members of these HMOs who reside outside the MSA are included, a key point to consider in analyzing the information.

The Centers for Medicare and Medicaid Services (CMS) provided data on Medicaid enrollment in managed care organizations including, but not limited to, HMOs. Data provided on Medicaid recipients enrolled in HMOs are gathered *only* from those HMOs that have Medicaid members.

Finally, to ensure the integrity of the data, MSA data are reported only for those areas served by five or more HMOs.

MICHIGAN HMO DATA SUMMARY

The Michigan Association of Health Plans (MAHP) is pleased to bring you the **Michigan HMO Data Summary** for 2009.

The Summary features key national, state and local HMO data drawn from the sanofi-aventis **Managed Care Digest Series**®.

- Demographics
- Employer Groups
- Medical Utilization
- Pharmacy Premiums and Utilization
- Physician Reimbursement
- Premium Rates
- Medicaid Measures
- HMO Quality Measures

We look forward to providing you with a **Michigan HMO Data Summary** in 2010.

