

**WELCOME TO WELLNET SOURCE**  
This quarterly newsletter features news about WellNet Healthcare as well as trends in the medical-benefit sector inclusive of interviews with WellNet executives and advice from industry experts. For our existing clients, we welcome feedback on WellNet Source. Please feel free to share the newsletter with your colleagues.

For prospective clients, we hope WellNet Source provides you with some insight into our company's strategy which significantly lowers plan costs and also gives you useful information about the business of healthcare as you navigate the medical-benefit community.

WellNet Healthcare, founded in 1994, is a privately held company that designs, implements and administers employer-sponsored health benefits that save businesses money and improve member health by giving plan sponsors unprecedented understanding and control of their medical expenses.

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## Managing Health Plan Costs During Economic Downturn

Employers are searching for new ways to control and manage escalating health plan costs due to the sharply slumping economy. The U.S. health care crisis is highlighted by the following statistics:

- U.S. health care spending totaled \$2.2 trillion, or \$7,000 per person, in 2007 and is projected to skyrocket to \$4.3 trillion, or \$13,000 per person, by 2017.
- In 2007, health insurance premiums increased twice as fast as wages.
- 125 million citizens have a chronic disease and 60 million have multiple conditions.
- Annual chronic-care costs are approaching \$1 trillion.

> As health costs continue to rise during the current national economic downturn, employers are looking for new common-sense strategies to manage their health plans and reduce costs.

"The sluggish national economic picture is making it extremely difficult for businesses large and small to add jobs or expand their infrastructure," says Keith Lemer, WellNet's president. "Health costs remain a vital element of the bottom line as employers struggle to regain control of their health plans."

Recognizing the current plight that employers and their workers face, WellNet and partner Healthcare Interactive recently launched **Point to Point Healthcare** (P2P), which is a common-sense approach to cost reduction.

Taking WellNet's previous innovative services to a new level, P2P links all key players in the health system on a single online platform, allowing plan sponsors to play a proactive role in managing their health plans.

For the first time, all key players can navigate the health system on a single platform that delivers a comprehensive file and social network to users, not just data within an e-health record.

P2P seamlessly connects employees to, among other things, their utilization data, scheduling, chat, gaps in care and drug-utilization alerts, health care research, predictive modeling, provider networks, pharmacists, claims payers and various RN-based health-management programs in an up-to-date portable medical file. This results in hundreds of thousands to millions of dollars in savings to health plans, employers and employees.

WellNet is the majority investor in Glenwood, Md.-based Healthcare Interactive, which developed P2P. WellNet's clients across the country are the first to use P2P in beta form. The new technology will become available to the entire business community in the first quarter of 2009.

For more information or to request a demo, send an e-mail to [info@wellnethealthcare.com](mailto:info@wellnethealthcare.com) or call WellNet at 1-800-808-4014.

**Q / Who is WellNet's target audience?**

We focus on corporations that pay for and provide health care benefits to their employees. Businesses and other organizations that pay for medical benefits don't have the data they need to make informed decisions and lower their costs. We provide that data and many other services to help employers significantly decrease their health care expenses.

**Q / What are these employers dissatisfied with?**

The business community is frustrated and dissatisfied with the inability to contain health care costs. These costs are increasing every year and are typically the second or third largest line item expense for businesses.

**Q / What are WellNet's main products?**

We provide an Active Reporting System that allows employers to analyze and interpret pharmacy and medical data on their computers in a detailed, understandable way.

This enables employers to identify high- and medium-risk patients, reduce inefficiencies and ultimately lower their health care costs.

Our second key product is Point to Point Healthcare. Driven by analysis from our Active Reporting System, Point to Point seamlessly connects and engages employees, allowing them to access their utilization data, make appointments, chat with their providers, look up health care research, provider networks and others, and also use health-management programs. Point to Point features an electronic medical record for every employee.

**Q / How are WellNet's products different from others in the marketplace?**

In most cases, health insurers and other medical-benefit vendors increase renewal premiums for employers and simply pay claims year after year. Their strategies often center on cost shifting and reductions in coverage. These companies don't provide the data and solutions necessary to create change and lower costs.

WellNet has developed and launched a fully-integrated, single-interface, business-administration platform combined with patient-centric services that are needed to improve outcomes, get employees healthier and drastically slash health care expenses for employers and their employees.

> **VA Sets Gold Standard for Health Innovation in Public Sector**

**Recognized as an innovative leader in transforming healthcare in the United States, the Department of Veterans Affairs (VA) now outperforms all other public sectors of American healthcare across the spectrum of measurement of quality, disease management and treatment.**

VA's unique, computerized VISTA system allows clinicians to view patient electronic health records, including images, throughout VA's 1,400-site system. The involvement of front-line providers, use of performance measures and universal use of electronic health records enables VA, as a government entity, to set the national benchmark in quality care.

Winner of the prestigious Innovations in American Government Award, the VA VISTA system for six straight years has led healthcare in the independent American Consumer Satisfaction index.

VISTA supports quality healthcare through an integrated health information and management system that is available in all VA health care facilities across the country. The VISTA framework consists of more than 100 programs that support the day-to-day clinical, financial and administrative functions of the Veterans Health Administration.

VISTA's innovative system enables key health care decisions by linking to data such as prescription drug usage – the focal point of WellNet's health plan management approach – leading to a significant reduction in error rate and costs while increasing safety and efficiency. VA reports that the price of maintaining the system is \$87 per patient, per year, less than the cost of one unnecessarily repeated lab test.

VA has seen a 32% drop in its health care expenditures as a result of the VISTA platform, according to Fortune magazine.

Other VA systems supported by VISTA also facilitate the clinical decision-making process. For example, the VA Bar Code Medication Administration (BCMA) provides real-time patient medication information, ensures medication administration accuracy and increases availability of medication documentation at the point of care. Linked to VISTA, this system virtually eliminates medication administration errors.

A national health information network could also save \$140 billion a year, according to a U.S. Department of Health and Human Services estimate.

While the VISTA platform is beneficial to veterans, nothing like it has been available in the private sector until this year, when for the first time, WellNet launched its Point to Point program for the benefit of health plan participants and businesses.

In the private sector, WellNet's unique predictive-modeling software platform – developed at Johns Hopkins University (see WellNet Source Issue No. 1, Fall 2008), enhanced by WellNet and now utilized by more than 250 companies around the nation – also is having excellent results in reducing health plan costs.

## **What is the health plan's risk exposure? What health conditions in the plan are driving up costs at excessive levels? What plan design changes are available to mitigate risk exposures and reduce overall plan costs?**

**WellNet's Active Reporting System (ARS)** is a new administrative system that allows employers to answer these questions by making it possible for the plan administrator and other key players to work together in a collaborative environment to manage their health plan.

ARS allows data to be received on a desktop so that costly plan problems are identified and early action is taken to correct the problems. Key health cost and condition metrics are identified and a plan simulator is employed to try plan design changes, estimate costs and review return on investment (ROI) models. Trending information is used to measure the effects of program changes and monitor how the program is developing.

**Performance.** With real-time data, answers to questions are found that directly relate to the plan's performance. What's wrong with the plan? What's right with the plan? How are plan

participants affecting costs? What is the plan's risk exposure? Which conditions pose the greatest and least risk for high-dollar claims? Which health conditions are prevalent at higher rates in the plan population vs. the normal population?

**Management.** Using ARS, the administrator identifies by condition which prescription drugs are the 10 most expensive to the plan. For example, the 10 cardiovascular prescription drugs utilized by plan participants in the last 30 days are identified, including annual cost to the plan, prescription drug cost to members and average co-pay – compared to savings realized by using mail-order scripts. This allows the plan administrator to develop a cost-effective action plan for member marketing that results in substantial savings.

**Plan Design Changes.** Using the plan simulator, changes in plan design are tested to reveal the highest ROI. Overall plan adjustments are made

to test theories that estimate ROI for member campaigns to reduce overall cost and within specific condition categories. The impact of plan changes that produce simulated savings when shifting prescription drugs from retail to generic or mail order is measured with a high degree of accuracy. For example, based on a group's actual data, simulated plan savings of \$71,256 are achieved when shifting from retail prescription drugs to generic or mail order.

In short, ARS allows solutions to be developed without barriers, allowing information to flow freely so that employers are able to measure and manage their health care plan as they would any other business expense.

Contact [info@wellnethealthcare.com](mailto:info@wellnethealthcare.com) or call WellNet at **1-800-808-4014** for more information.

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### > **Generic Drug Update**

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## **Generic drugs – a hallmark of WellNet's pharmacy-benefit management program – are showing dramatic reductions in overall health plan costs.**

The good news is that prices for generic prescription drugs are dropping, down 2.7% last year, and likely continuing to decrease, according to a report from health-information firm IMS Health.

U.S. generic sales dipped from \$34 billion in 2007 to \$33 billion in the year ending September 2008, when generics accounted for nearly 64 percent of all filled prescriptions. The number of generic prescriptions filled during this period actually increased by 5.4% over the prior year.

Aggressive pharmacy-management programs, low prices offered by giant retailers and drug-store chains and intense competition among many generic drug makers are driving this trend toward generics.

According to the U.S. Food and Drug Administration, generic drugs – which average 40% to 60% below the cost of brand-name drugs – are as effective as brand-name drugs, less expensive and equal in dosage, safety, strength, quality and intended use.

With pharmaceutical costs increasing faster than any other portion of health care expenses, generics have become a cost-effective alternative to brand-name drugs. Proactive management of pharmacy benefits, with help from WellNet, adds up to 10% savings in overall health plan performance.

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### > **WellNet National Team Expands**

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With its newly released **Point to Point Healthcare** technology attracting increased national attention, WellNet Healthcare has expanded its operations by opening an office in **San Antonio** to reach the Southwest market.

Led by Texas-native **Dr. Dan Van Ackeren**, the new office will also serve states such as Arkansas, Colorado, Louisiana and New Mexico. This brings the number of U.S. offices providing data analysis health plan management services to health plans, employers and organizations across the U.S. to nine.

WellNet also announced that **Debra Hampton**, a longtime health industry executive, has joined the firm's **Atlanta** office. Most recently, Hampton served as a senior director of Matria Healthcare Inc., a provider of disease-management, wellness and obstetrical programs. Previously, Hampton was national client manager and regional director in Atlanta for MultiPlan Inc., a New York-based national managed-care provider.

"With the expansion to the Southwest and in Georgia, WellNet is poised to provide its diverse offerings in pharmacy-benefit management, health management and medical-management administration even more effectively and proactively," says Keith Lemer, WellNet's president.

# Industry News @nd Trends

## > Strong Growth in Health IT Spending Expected in 2009

The health care sector will invest heavily in information technology during 2009, according to a recent straw poll conducted by the CDW Corp. during a partner summit of 271 IT leaders. Of that group, 59% said the health care and energy industries would show strong growth in IT spending. Customers need to deploy technology to improve their bottom lines, according to CDW. (Healthcare IT News, 12/16/08)

## > Rising Health Costs Change Way Americans Use Health System

Roughly half of Americans with health insurance coverage (55%) report an increase in health care costs in the past year, according to the 2008 Health Confidence Survey by the Employee Benefit Research Institute (EBRI). Those experiencing health cost increases are now more likely to choose generic drugs over brand-name drugs. Americans generally feel that centrally maintained electronic-medical records, that may be shared with authorized health care providers, are important. Despite their dissatisfaction with the current health care system as a whole, most Americans are unwilling to exchange their employment-based system for cash. A sizeable minority – 43% – of Americans says it would access medical records and personal-health information if it were available online. (EBRI Notes, Vol. 29, No. 10, 10/08)

## > Computers on Health Plan Team

Medicine's digital future is here. The Marshfield Clinic, a longtime Wisconsin innovator of health information technology, is moving patient records into the computer age – essential to improving care and curbing costs. Modern computerized systems have links to online best practices, treatment recommendations and harmful drug interactions. The potential benefits include fewer unnecessary tests, reduced medical errors and better care so patients are less likely to require costly hospital treatments. The goal is to harness health information from individuals and populations, share it across networks, sift it and analyze it to make the practice of medicine more of a science and less an art. "People ask about return on investment, but that's the wrong question," says Marshfield's Dr. John W. Melski. "This requires the usual leap of faith that knowledge will yield good things – better care, doing things smarter and, yes, saving money in the long run." (NY Times, 12/27/08)

## > Employers Look To Manage Rising Rx Drug Costs

Employers are increasingly adopting strategies that involve their employees in stemming the rising cost of prescription drugs, according to new research from Buck Consultants. Unprecedented availability of inexpensive generic drugs and the emergence of new, inexpensive specialty drugs are two of the trends driving this strategy. More than one-third (37%) of respondents say prescription-drug benefits represent between 16% and 20% of total health care costs. Another 29% indicate prescription-drug benefits are more than 21% of total health plan costs. To manage these costs, employers are taking actions that include worksite wellness activities, greater educational activities and more tools and information for employees. Managing specialty-drug programs is key to future cost containment strategies for employers, according to the study. (Employee Benefit News, 8/13/08)

## > DOD to Introduce Personal Health Records

The U.S. Department of Defense (DOD) Military Health System is preparing to introduce a personal-health record (PHR) system for military health participants. An initial version of the system is scheduled to be unveiled in early 2009. The prototype personal-health record will be available to, and entirely controlled by, the patient at no additional cost to the beneficiary. The DOD system is expected to allow users to store personal health information in a secure, encrypted database. Users will be able to authorize their prescription-drug histories and medical activities automatically for transmittal to their personal health record. (Federal Computer Week, 11/5/08)

## > Office Locations

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