

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 that 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.

Healthcare Interactive, founded in 2007, is a privately held software company commercializing innovative technologies for health-care administration and insurance. Based in Glenwood, Md., Healthcare Interactive has developed an information portal and intelligence technologies to enhance existing health-care products that focus on predictive modeling, information sharing and Web services.

> CONTENTS

CEO Action Needed for Healthcare Transformation	1
HPM Launch	2
Transparency of Health Claims Data	3
Drug Comparison Tool Licensed	3
Cronin Appointed Sales Leader	3
Industry News and Trends	4
Office Locations	4

CEO Action Needed For Healthcare Transformation

America's corporate CEOs must become engaged in their health plans and lead the effort to transform the U.S. healthcare system, according to **Craig Barrett**, chairman of the board at Intel Corp. in Santa Clara, CA.

The goal should be to make sure the \$2 trillion dollars spent by payors on medical benefits each year are for high-quality healthcare.

Writing in *Health Affairs* (January 2009), Barrett says the CEOs who run America's large businesses must abandon business as usual to reduce costs, reward outcomes, and stimulate innovative ways to achieve those outcomes. Working as a willing partner with the government, corporate America can drive efficiencies that allow U.S. companies to compete globally. "It is past time for the nation's elected and appointed CEOs to take action to transform U.S. healthcare," Barrett says.

The Intel Chairman also commented on:

- **Outdated Models.** The healthcare system is too often based on delivery models that have been virtually unchanged over the past 80 years – and payment models that are even older. We badly need new ways of paying providers based on better measures of who is doing the job right.
- **Too Much Preventable Disease.** The United States has an epidemic of preventable disease that demands a change from "sickness" care to care designed to maintain and extend health.

- **What Corporate America Needs To Do.** Innovation has always been at the core of successful U.S. companies. Both government and the healthcare system should take advantage of the same sorts of innovations that the private sector has fostered, to change the underlying reality of healthcare in critical ways.
- **Delivery System Reform.** The needed redesign of healthcare will come when consumers and those wielding purchasing power on their behalf demand the access, quality and value we've come to expect elsewhere in the economy.
- **Payment Reform.** Large employers and other private purchasers need to build on the past decade's experience to demand value from health plans and providers. In California, the Pacific Business Group on Health and its members have supported one of the nation's largest and longest-lasting pay-for-performance programs: the Integrated Healthcare Association's initiative.

Echoing WellNet's call for greater involvement by business leaders, Barrett notes the importance of **CEO accountability** by stating, "If you are a corporate CEO and you just send [this message] down your human resources chain of command for follow-up, you've missed the point."

The federal government plans to spend \$19 billion to spur the use of electronic health records, however, widespread adoption of them will prove challenging, according to a recent New York Times report, which cites two articles published in the New England Journal of Medicine. One article reports that only 9 percent of U.S. hospitals have electronic health records, while in the second article two experts at Children's Hospital Boston say that the federal spending would be a costly policy mistake.

To read the entire New York Times report, go to <http://www.nytimes.com> and search for "Doctors Raise Doubts on Digital Health Data."

What WellNet Clients Are Saying

“ Having data analyzed and interpreted will help in planning for the next three to five years out, which any CEO or business executive needs to do.”

CEO, Statewide Physician Facility

“ I like to know where my money is going now and where it may be going in the future. WellNet tells us how our healthcare expenses affect our business. The bottom line is that with WellNet, we’re not writing checks in the dark anymore. We expect WellNet to drive intelligence.”

SVP HR, National Trucking and Logistic Firm

> Innovative Plan Management Software Tool Launched

Healthcare Performance Management software (HPM), a new medical benefit-plan management software tool developed by **WellNet Healthcare** and affiliate **Healthcare Interactive**, now makes it possible for employers to lower skyrocketing health plan costs – just as they address many of their other corporate expenses.

Escalating health benefit costs – which today are often the second or third largest line-item business expense – can be effectively **measured, managed, and controlled** using this cutting-edge new software tool that is attracting national attention.

How does **HPM** work? Using this new software tool, employers can now understand what is going on in their health plan at any given moment in time – not just at annual renewal time. Utilizing plan data already available – combined with a sophisticated predictive-modeling technology – **HPM** allows employers to identify costly risk exposures and make informed decisions before catastrophic plan expenses occur.

HPM is tailored to each employer’s specific needs by identifying plan alternatives that significantly reduce medical-benefit costs.

The WellNet technology is producing raves from employers across the country.

The CFO of a national manufacturer says, “WellNet provided me with a strategic advantage, which allows me continued focus on my core business.”

The SVP of a national technology firm says, “WellNet has delivered substantial monetary savings to us every year.”

The President of a national retail chain says, “For the first time, we’re catching problems before they become catastrophic. WellNet’s

the type of partner that’s proving that they’re able to drive down medical costs.”

The **Washington Business Journal** reports, “WellNet’s software [uses] **The Johns Hopkins University** predictive modeling and pharmaceutical claims data to create charts and reports for employers. The data reveals cost-saving options by stimulating changes to the company’s benefit plan.”

The **Washington Post** says, “WellNet, for example, last fall rolled out a preliminary version of a system that puts patients’ health information online so they can schedule appointments. Information can then be aggregated into detailed reports – with individual identities removed – that employers can use to track cost and medical use trends.”

> Transparency of Health Claims Data Required to Manage Plans

Just as consumers need reliable product information when they shop, employers and health plan sponsors need meaningful claims information when making decisions on how to spend their healthcare dollars.

Timely and detailed claims data, including both prescription drug and medical information, facilitate cost-efficient management and administrative decisions by employers that sponsor group health plans.

In response to resistance from many carriers about releasing claims data to employers, some states have begun to develop laws that require health plan transparency. For example, Texas was the first state to pass a law (HB 2015) that sets forth claims data disclosure requirements for health insurance carriers that contract with employers in Texas. The Texas statute recognizes that to control health costs, employers and plan sponsors must be able to examine how they spend their money on healthcare for employees.

The legislation, which became effective January 1, 2008, calls for greater plan transparency through standardized disclosure of health claims data by requiring group health insurers operating in Texas to release claims data to employers or group policyholders.

Consistent with WellNet's data-driven approach to cost containment, laws such as the Texas statute will allow employers to identify utilization trends that lead to higher costs and help them make more informed decisions on how to more effectively administer and manage their plans.

> Drug Comparison Tool Licensed by WellNet's Healthcare Interactive

WellNet Healthcare's partner Healthcare Interactive has licensed a cutting-edge technology from DestinationRx in Los Angeles to help reduce medical costs for clients.

WellNet will use the technology, called DestinationRx Drug Compare, for comparing pharmaceuticals and identifying less expensive drug alternatives to enhance software developed in conjunction with Healthcare Interactive of Glenwood, MD.

WellNet is the majority investor in Healthcare Interactive, which launched in 2007.

"One of the biggest flaws with the U.S. healthcare sector is that employers and their employees don't have the necessary information to make wise decisions about their prescription drug spending," says Healthcare Interactive President Henry Cha. "Destination Rx Drug Compare provides an accurate and convenient way for people to find less expensive prescription drugs."

> Dan Cronin Appointed to Lead WellNet's Sales Effort

Dan Cronin, a veteran entrepreneur and sales and marketing executive, has been appointed Senior Vice President of Sales for WellNet Healthcare and partner Healthcare Interactive. Cronin's more than 20 years of executive sales management experience has resulted in major, multi-year contracts for enterprise products and services at leading Fortune 500 companies such as EMC, Oracle and Sybase.

"Dan's background and success make him the perfect fit as we roll out our Healthcare Performance Management software nationwide," says Keith Lemer, WellNet's president. "He will undoubtedly be a major force in driving our companies to the next level."

Cronin has also written the best selling technical books, "Mastering Oracle" and "Microcomputer Data Security."

"The service that I've received has been excellent. WellNet has been extremely responsive to any request that I've had."

SVP, Regional Bank

"It's one thing to receive raw data, but their interpretation of the data is huge, no one even gets close to what WellNet provides in this area. A number of vendors I talked to claimed they would lower medical benefit costs. WellNet had the experience to back up their promise to deliver an impressive impact to our bottom line."

Union Trustee

"I'm impressed with the statistics and bench-marking capabilities. We value the information that WellNet provides."

CFO, Healthcare Non-Profit

Start Reading WellNet Source Today

To sign up for the WellNet Healthcare Newsletter, WellNet Source, please visit www.wellnethealthcare.com or e-mail us at info@wellnethealthcare.com.

Industry News @nd Trends

> RX Data Can Improve Self-Funded Plan Performance

Predictive modeling software marketed by WellNet enables self-funded plans to use pharmacy benefit data to manage the plan as a whole. Based on these insights, plans may adopt strategies, such as chronic care management and wellness programs, to improve member health and manage utilization. Prescription drug data enables self-funded plans to manage benefits before expensive charges hit the system. And since prescription drug claims come in faster than medical claims, companies can act more proactively. WellNet's Plan Simulator gives plan sponsors a look at the impact of changes in drug plan design. It will predict savings from switching to generic and/or mail order prescription drug alternatives. The approach builds on the self-funding plan's access to data that insured plans don't have. (*Employer's Guide to Self-Insuring Health Benefits*, Thompson Publishing Group, February 2009)

> Healthcare That Puts Computers on the Team

Modern computerized systems have links to online information on 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 treatment in hospitals. The widespread adoption of electronic health records might also greatly increase evidence-based medicine. Each patient's record adds to a real-time, ever growing database of evidence showing what works and what does not work. 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. (*New York Times*, December 27, 2008)

> Congress Includes Health IT in Stimulus Package

President Obama said he viewed health information technology as a key part of the new Administration's stimulus package. Congress included \$19 billion in the \$825 billion economic stimulus bill signed by President Obama. The plan Obama released during the campaign called for an investment in health technology to move the nation to broad adoption of health IT systems, including electronic health records. The investment would yield savings of \$77 billion a year, if most hospitals and doctors adopted health IT and electronic health records, according to the plan. The Administration's health IT plan and the savings it could generate are based on a 2005 report from the Rand Corp. The report estimated it would cost \$114.6 billion to set up every hospital and doctor nationwide with an electronic health record system. (*Nextgov.com*, December 12, 2008)

> "Disruptive Innovation" Needed in Healthcare Reform

The country needs to innovate its way toward a new healthcare business model – one that reduces costs yet improves both quality and accessibility. Two main causes of the system's ills are century-old business models, for the general hospital and the physician's practice, both of which are based on treating illness, not promoting wellness. Hospitals and doctors are paid by insurers and the government for the healthcare equivalent of piecemeal: Hospitals profit from full beds

and doctors profit from repeat visits. There is no financial incentive to keep patients healthy. Using innovation management models previously applied to other industries, Clayton M. Christensen, a Harvard Business School professor, argues that the concepts behind "disruptive innovation" can reinvent healthcare. The term "disruptive innovation," which he introduced in 2003, refers to an unexpected new offering that through price or quality improvements turns a market on its head. (*New York Times*, February 1, 2009)

> Prescription Drug Trends in United States

Spending in the United States for prescription drugs was \$216.7 billion in 2006, more than 5 times the \$40.3 billion spent in 1990. It has been one of the fastest-growing components of national healthcare spending, until recently growing at double-digit rates compared to single-digit rates for hospital and physician services. Three main factors drive changes in prescription drug spending: Changes in the number of prescriptions dispensed (utilization), price changes, and changes in the types of drugs used. Approximately 75% of FDA-approved drugs have generic counterparts. In 2007, 21% of total prescription drug sales and 65% of total prescriptions dispensed were generic medicines. Sixty percent of employers offered health insurance to their employees in 2007. Nearly all (98%) of covered workers in employer-sponsored plans had prescription drug benefits in 2007. Employers, the principal source of health coverage in the United States, provided coverage for 177 million (59%) of Americans in 2007. (*Kaiser Family Foundation*, September 2008)

> Office Locations

Washington, D.C., area
4733 Bethesda Ave.
3rd Floor
Bethesda, MD 20814
1.800.808.4014

Atlanta
267. W. Wieuca Road
Suite 204
Atlanta, GA 30342
404.781.1700

Portland, Ore.
57 Salmon St.
St. Helens, OR 97051
1.888.366.0484

Trenton, N.J.
27 Cambridge Drive
Annandale, NJ 08801
1.866.762.6226

Philadelphia
57 Street Road
Southampton, PA 18966
1.800.727.1733

New York
Empire State Building
350 5th Ave.
Suite 4719
New York, NY 10118
212.564.4255

San Antonio
18838 Stone
Oak Parkway
Suite 106
San Antonio, TX 78258
210.481.7584

Sales
800.808.4014

Customer Service
800.727.1733