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**Pacific Business Group on Health Unveils  
Groundbreaking Alternative to Managed Care**

*Developed in partnership with Definity Health, Breakthrough Plan  
gives consumers control over health care decisions*

San Francisco, CA—The Pacific Business Group on Health (PBGH) announced today that it will offer a new consumer-driven health care plan to its 44 member-companies.

PBGH becomes the largest purchaser coalition in the country to offer an innovative new type of health plan that gives more choice to consumers while spurring traditional health plans to also give consumers both more control and more responsibility. Consumers will have access to quality information on hospitals and medical groups – and ultimately on individual physicians. The plan introduces greater flexibility in selection and use of providers. By providing powerful decision-making tools to participants, the Breakthrough Plan places consumers in control, with strong incentives to make health care decisions on the basis of quality and value.

“The Breakthrough Plan brings a fundamentally different approach to health care delivery. Ten years ago, large employers in California embraced the managed care model and helped make it today’s national standard. Now, purchasers are announcing their desire to change the direction of care delivery in the state and usher in a new era of accountability for consumers and providers,” said Peter Lee, President and CEO of PBGH.

“Over the coming months, we will work to integrate PBGH’s quality measurement systems into Definity Health’s consumer tools, and ultimately, we expect the Breakthrough Plan to take us to the next step in quality measurement—to the individual physician level. That’s what consumers are most interested in,” said Lee.

“In today’s health care marketplace, we have not only substantial cost inflation, but also quality and service stagnation. We think the ingredients of this approach will engage and activate consumers to be involved in their own health care in exciting new ways, whether through a traditional health plan or the Definity Health plan,” stated Michele French, Executive Director of Workforce Planning, University of California (a member of the PBGH board of directors and part of the review process for the Breakthrough Plan).

“We know consumers are interested in much greater flexibility and autonomy in making health care decisions for themselves and their families,” suggests Ron Pollack, Executive Director of Families USA, a leading Washington-based consumer organization. “Until now, there has been insufficient information support to do this in a

meaningful way. We believe PBGH is uniquely positioned to help develop a product anchored in quality performance information.”

The plan is based on three core elements:

- **Personal Care Account (PCA)**—The PCA is an annual account established by employers for individual employees and their families. When covered employees require medical care, it’s paid for from their PCAs—with no referrals, preauthorizations, or administrative burdens. Most expenses paid through the PCA apply toward an annual health coverage deductible. Any unused PCA benefit dollars “roll over” into the following year’s account. To ensure that consumers aren’t discouraged from getting needed care, the plan is designed to pay for 100% of preventive care, and these amounts are not deducted from an employee’s PCA.
- **Health Coverage**— Employees tap health coverage when annual health care expenses exceed Personal Care Account funds and they have reached an annual deductible. Qualifying medical services covered with benefit dollars from the Personal Care Account apply towards the health coverage deductible. Employees are encouraged to use a plan-preferred provider, but are free to choose any provider they wish (although coinsurance may be higher outside the network).
- **Tools and Resources**—The Breakthrough Plan will offer participants easy-to-use and engaging information to help choose the best providers and manage their health care needs. For those with serious health issues and chronic illnesses, it will provide the best care management and self-care tools and resources available, as well as incentives to use them. Resources will be available by telephone and Internet and will include up-to-date medical information from leading research institutions, an audio health information library, and provider quality information and ratings from PBGH’s Web site, HealthScope.org. The availability and accessibility of quality and cost information will allow consumers to more closely scrutinize their options and weigh trade-offs between competing decisions.

“Consumer-driven approaches increase customer satisfaction and raise employee awareness of the true cost of health care. We are pleased to partner with PBGH on this groundbreaking project,” said Tony Miller, CEO of Definity Health.

The Breakthrough Plan is the product of an intensive two-year review by PBGH and its members of alternate health care models and vendors. The review was launched in response to purchasers’ concerns about widespread consumer dissatisfaction with existing health care delivery systems, rising costs and few improvements in health care quality. PBGH assessed a wide range of products, including “traditional” managed care plans and products that identified themselves as “defined contribution,” in which the employer limits financial risk by contributing a specific amount of money to each employee for the purchase of health care coverage. The selection of Definity Health was based on the determination that Definity Health’s consumer-driven model, strong array of support tools and willingness to work closely with PBGH to develop better tools in the future would serve the consumer best.

The Breakthrough Plan is also expected to significantly influence the health care marketplace—not only by providing employers and employees another health benefit option, but also by sparking traditional health plans to improve quality and customer service.

As a service to purchasers, employer coalitions, small group purchasing pools, and other interested organizations, PBGH will make available the tools developed for plan evaluation on its Web site early next year. The Breakthrough Plan would most likely be customized by each employer and offered as an additional health benefit program. It could be available to consumers as early as 2002, though most purchasers are looking to make it available in 2003.

#### **About the Pacific Business Group on Health**

The Pacific Business Group on Health (PBGH) ([www.pbgh.org](http://www.pbgh.org)), a major non-profit coalition of 44 purchasers, is dedicated to improving health care quality while moderating cost. Its members annually spend more than \$3 billion to provide health coverage to approximately 3 million employees, retirees and their families. PBGH seeks to promote health plan and provider accountability and to provide consumers with standardized, comparable data to make the best health care decisions at all levels of care. PBGH also operates PacAdvantage, the nation's largest small-group purchasing pool providing health insurance to 140,000 Californians employed by more than 10,000 small employers.

#### **About Definity Health**

Minneapolis-based Definity Health ([www.definityhealth.com](http://www.definityhealth.com)) began operations in 1998 with the goal of providing health benefit programs that give consumers greater choice and responsibility over their health care decisions. A broad range of industry-leading employers have announced their offering of Definity Health effective January 2002, including Medtronic, Aon, Charter Communications, Textron, Raytheon and the University of Minnesota. Financial backers include Kohlberg Kravis Roberts & Co., Merrill Lynch Ventures, Bain Capital, Aon Corporation, Alta Partners, Psilos Group Managers, Toronto Dominion Investments and Brightstone Capital. Strategic partners include Johns Hopkins University and Health System, Synertech, Unifi, Wells Fargo, and Merck-Medco.

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