

**Blue Health Intelligence (BHI) Announcement**

**Transcript of Announcement - 8/4/2006**

Scott Serota: Good morning, and thanks to all of you for joining us this morning. With me today are Bob Greczyn, President and CEO of Blue Cross Blue Shield of North Carolina, and Gail Boudreaux, Executive Vice President for External Operations at Healthcare Services Corporation, which includes Blue Cross Blue Shield plans covering Illinois, New Mexico, Oklahoma and Texas.

This is a particularly exciting time in the history of Blue Cross and Blue Shield. Our brand currently is at an all time high record enrollment, reflecting 12 consecutive years of enrollment growth. Today, we collectively cover more than 96 millions lives, or one in three of all Americans. We have the largest and strongest healthcare networks in the country.

Moving ahead we believe Blue Cross and Blue Shield will continue to lead the evolution of our healthcare system both at the local and national level. Today we will step towards that future. We are announcing Blue Health Intelligence. Blue Health Intelligence is a major milestone that will play a lead in improving the quality of healthcare for all of America.

BHI was developed by Blue Cross and Blue Shield's unique resource will be its ability to allow sharing of critical aggregated health information with employers, consumers and providers. BHI will also strengthen the movement for transparency by providing an unmatched level of information for consumers and other key stake holders about healthcare trends and best practices. BHI is a secure HIPAA compliant resource of data with 79 million member lives served by Blue Cross and Blue Shield Plans across the country.

With that in perspective it is the largest health database in the world, and unlike any other existing database. BHI will provide data from every market in the United States, including isolated pockets of population, making it an invaluable resource of accurate and reliable information.

Access to the aggregated data, which contains no patient specific personal identification, would be available only to Blue Cross and Blue Shield Plans participating in BHI, including the two represented today by Bob and Gail, who are for leading the development of BHI. BHI is currently being pilot tested and will be operational in 2007, less than five months from now. First reports from BHI will be available in the fourth quarter of this year.

Healthcare is rapidly moving toward a more evidence based decision-making model. To that end, employers

of large and small and their employees as well as physicians, hospitals and other providers all need credible, actionable data on which to base their critical healthcare decision.

So how will BHI benefit key healthcare stakeholders? First, by taking random bits of data from 79 million Blue subscribers across the country and turning that data into useful information to benefit employers, clinicians and consumers. Further down the road it will have a huge impact on developing and understanding the efficacy of new treatment therapies and technology. It can help provide the groundwork and impact the development of future healthcare policy. The data is incredibly rich, accurate and reliable.

And since the Blues are fortunate to have retention rates well above 90 percent, the data will be invaluable in examining trends over long periods of time. Bob and Gail will now talk about how BHI will benefit customers, providers and consumers. Bob?

Bob Greczyn: Thanks Scott, I appreciate it. I'm Bob Greczyn. I'm the President and CEO of Blue Cross and Blue Shield of North Carolina and I have had the pleasure of serving as co-chair along with Gail Boudreaux of the BHI intelligence group within the Blue Cross system.

This morning, I would like to touch just briefly on what it means to Blue Plans to be able to offer such

a strong new resource as BHI. First of all, this is a great example of how Blue Plans across the United States are working together to help meet the needs of our customers. While each client is a separate entity with its own market and its own customer base, we share ideas and information on important healthcare issues such as cost and quality. We bring that collective knowledge of the healthcare market to the table when we offer health resources to our customers.

All of our plans have the capability today to provide very rich data and utilization to our customers, but historically that's been offered at the individual plan level. For example, North Carolina can identify, for our employer group, what their spending and utilization and quality trends are and even be compared to other employers within our plan. So, working in conjunction with the Blue Cross and Blue Shield Association, Blue plans have come together to develop very robust tools to help employers make better decision.

Our goal is to offer something that advances the health intelligence market beyond where it currently is. The result of that is BHI. And now through BHI any of the participating Blue Plans can provide aggregated health data across a much bigger spectrum. The biggest in our industry, in fact, and will touch every zip code in the United States.

BHI will allow Blue Cross and Blue Shield account teams to go to their customers and prospects and provide benchmarking data on quality and cost across our nation. Data will allow employers to better understand the drivers of healthcare cost so that they can, in turn, offer the best health option for the employee. So, if an employer wants to know how much its costs are for a particular health condition and they want to compare that to others and they want to compare it across the country and they want to look at variation in here, which is something that we will be able to do, BHI can answer that for them.

In just a moment Gail Boudreaux will describe more specifically what Blue Plan customers can expect to see from BHI, but there are some unique elements to BHI that I think it's important for you to understand.

First of all, as we become operational BHI will represent the data, aggregated non-identified data, of 20 Blue Cross and Blue Shield Plans across the United States with almost 79 million lives. That makes BHI the largest collection of aggregate health data in our industry by at least a factor of two.

Second, BHI will bring in data from a wide scope of employers, both large and small, in almost every industry, and as I said we represent virtually every zip code in the United States, something that has

never been accomplished before. This definitely will get the customers the kind of confidence that the data they get is both reliable and balanced. And as we continue to develop, BHI has many capabilities that will help our customers get the information they need -- and it will continue to expand over the years.

Since we are talking about health data, I just want to again assure you that we have designed into BHI every appropriate safe guard against misuse of the data. All data is de-identified so that it can't specify any individual, and we build BHI to be accessed only by participating Blue customers. This is a very timely effort because of the demand for better health information and healthcare. Like never before, purchases of healthcare, employers and consumers are demanding more value out of what they are buying. They deserve to have the best and I believe that BHI will deliver that.

The Blue Plans involved in this have been working together to develop BHI as the best source of information in the healthcare field. We are very excited about this; it is really the first time that this is accomplished in such a broad national level.

And now I would like to turn it over to Gail Boudreaux who will now give us more insights on how that's going to happen. Gail?

Gail: Thank you Bob and good morning to everyone. As Scott Serota said in his introduction, I'm Gail Boudreaux and I'm the Executive Vice-President for Health Care Service Corporation or HCSC as you may know it. We are the largest non-investor and health insurer in the country and the fourth largest with Blue Cross Plans in Illinois, New Mexico, Oklahoma and Texas serving over 11 million members.

I'm very happy to be here today because as co-chair of the group was Bob Greczyn, I helped oversee the development of Blue Health Intelligence and as part of its champion, I'm particularly excited about the additional benefit and superior healthcare insight which BHI will allow HCSC and Blue Plans to bring to our customers across the country.

As a Blue Cross and Blue Shield Plan operating in multiple states, we cover a large number of national employer groups. This intelligence will provide an unparalleled depth and breadth of information about a range of healthcare trends measured. This information would help all of us to develop and offer even more valuable employee benefits, tailored to their specific employees needs in a much more granular level than it's available anywhere today.

The amount and level of information BHI provides will enhance patient care and greatly inform healthcare decision-making.

Let me give you an example of what I mean. Let's say you are a Dallas-based department store with over 800 retail outlets around the country, and you have discovered that your current employee healthcare costs are up 14 percent from the previous year.

Well, you know a few things about your employees. You know that 56 percent of your employees are women and that you are part of a PPO plan. You also know that your most prevalent employee health problems are around several disease stages: hypertension, asthma, diabetes and depression. In concert with the data and information HCSC and Blue Plans already have analyze, BHI will give us additional ability. It will help us construct a customized benchmark group of similar types of retailers, similar types of health, similar size of employers (for example, 10,000 plus employees). We'll provide enhanced capability to drill down and compare group and regional differences and further identify difference within those.

BHI will also provide the data to analyze, write and benchmark to find if a certain group's cost may be lower than your company's cost by a certain percentage.

Finally, another advantage of having this type of health narrative information is the ability to identify diabetes management programs that can help

for people who have this similar base, most importantly to help better manage their disease and reduce the risk of complication.

Looking ahead, BHI will continue to grow and add other capabilities for healthcare providers and consumers, including ways to aggregate and dissect clinical best and determine the efficacy and safety of new medical technologies and treatment. For instance, BHI would be able to identify a new drug at its point of introduction and then later search downstream for diagnosis costs and expose complications.

I want to thank everyone for joining us today. BHI is a great step forward, one worth watching as it grows and evolves and I hope you will stay tuned, because this is an exciting time. Now I will turn the call back over to Scott.

Scott Serota: Before we turn to your questions, I want to just give you a couple of critical aspects of BHI relating to the future, and the future of health care. I strongly believe that as BHI expands, we'll provide the entire healthcare system with steady, verified data and insights into healthcare trends like an open door for medical experts and healthcare researchers to analyze new treatments and therapies that today we are only uncertain about. BHI can also provide health policy makers, legislators and regulators accurate, evidence-based data on the

issues like drug efficacy and safety, the spread of disease across the market and the potential impact of new technologies and procedures.

That is the essence of what I mean when I say that personally I believe BHI holds the promise of better knowledge for healthier lives for all of us. With that, I will be pleased to take any question that you might have.

Reporter: I'm wondering how your BHI initiative fits with CMS's recent transparency initiative, which aims to provide information on healthcare costs and healthcare quality?

Scott Serota: BHI is a tool that is focused on quality, and it fits very well with Secretary Leavitt's direction for improved transparency on quality and outcomes. And as it is more fully developed, it will provide great insights for consumers, providers and employers about the quality of services rendered at various institutions across the country, and more importantly, benchmark the kinds of services they are providing against other institutions in other markets.

Reporter: And I have a follow up question on that. Do you foresee any sort of relationship with CMS in the future in the form of information sharing or cross database sharing in any sort of way?

Scott Serota: The Blues and CMS have a long history of partnerships and relationships and I would expect that we will continue to nurture that relationship and find points where our objectives converge and we will work together on those initiative.

Reporter: Thank you very much.

Reporter: Hi I have a question. You said the patient information will be de-identified. Will you be able to see individual doctors, their names and their courses of treatment and drug prescribing habits?

Scott Serota: I'm going to ask Shirley Lady (ph) who is serving as our Executive Director of BHI to respond to that.

Shirley Lady: Yes. We anticipate that at a future date that information would be available. We are running BHI in three particular stages. Initially, with enrollment -- member enrollment data as well as medical claims data -- that we are adding pharmacy and eventually significant provider data. That significant provider data would then allow us to be able to track the seizures and efficacies amongst the providers and populations. As we have indicated before, all information on the individual members will be de-identified.

Reporter: You will be able to see which doctors are prescribing what drugs and what their patterns are?

Shirley Lady: Yes, we will.

Reporter: And could you be more specific on the kinds of information the database will contain exactly? When you say claims data, that includes diagnosis, treatment and prescription records?

Shirley Lady: Yes, all those.

Bob Greczyn: I also think it's important to point out that as a system we have nurtured relationships with the medical professional societies and we'll continue to work very closely with them so that they understand what we are doing and how we are doing it and so that we can share best practice.

Scott Serota: Other questions?

Reporter: I was just curious about -- you mentioned this is a tool to assess quality. And I just wondered, are there specific measures that you are using - I mean are you using HEDIS measures - if you could just elaborate on that?

Scott Serota: At the moment, we are developing reports and trends based upon known information and known measures. So, you'll see HEDIS measures and other measures of the like. We don't anticipate creating new burdens. We anticipate incorporating existing measures on existing state-of-the-art quality indicators into our database. We are about creating

information that is usable for people and are not into the standard's development mode. We leave that to other organizations and entities.

Gail: Well, I was just going to add to Scott's comment. The value of that is the depths again and the details within this information, which brings over 70 million members worth of information from all areas of the country. It gives you a granularity that you cannot find any existing analysis and databases today.

Bob Greczyn: I would also add that this may in fact drive those medical professional societies and others who actually do set the standards that are going to be the best practices in the future to give much more robust information for them to look at.

Reporter: So, does this mean you will draw in the CMS databases their comparisons with hospitals based on measures and nursing homes and so forth?

Scott Serota: I'm not sure what you mean by draw in, but if you mean, will we try to find areas to partner with CMS, the answer is yes.

Reporter: When people assess the data, make those comparisons, are they looking at this Medicare related data?

Scott Serota: The comparisons in the data and the reports that we generate will be generated from our database of 79 million. The benefit there of course is it's more representative of the population. The CMS data is very segregated by the types of people that are enrolled in those programs, and the Blue's database represent a broad crosscut of America. So it will be much more representative of each of us as we seek care.

Reporter: This is just briefly related to the Blue Distinction program that you announced? How will BHI tie into that? I know that's more in cost and quality, and I think you just said this one is more in the quality area?

Scott Serota: BHI will provide the backbone, if you will, of the Blue Distinction network. It will assist us in assessing the quality of the institutions that participate in Blue Distinction. It will, in fact, assist those institutions in participating by making their life a little bit easier, because we'll have data as oppose to having to force them to go through their files. We'll have information about them in our files and we can be much more interactive and work with those institutions in a quality improvement mode rather than spending a lot of time in the data collection mode. So, I think this is going to be a great asset to us as we develop our Blue Distinction network. It will also assist us in

establishing priorities for Blue Distinction. By knowing what's happening across the country from our data analysis, we can know those areas and specialtie, which need focus and collate the data from that perspective as well.

Gail: The other thing I would add to Scott's comments is, along the lines of that program, the goal is again to share this data and to make it credible. Again, going back to the depths of the data, it is very important and it also can provide us insight into actionable plan. So I think it all ties very well together with what we are trying do in Blue Distinction and very much strike the quality.

Reporter: This is just a real quick question. Is this kind of similar then to what different other health insurers, big companies like Non-Blue Plans have? Some companies have in-house departments that do this, like so called Health Analytics Company? Is that correct, just for understanding?

Gail: Well, I'm not going to say similar. I mean, our purpose is truly to understand health employers, consumers and providers and to improve the quality of care they deliver. I think some of the other companies you are referencing have multiple focuses because of the nature of their business and they use them for other sources. This is truly around

providing greater value to the Blue System, and to the customers we serve.

Scott Serota: Are there other questions?

Reporter: Yes. I imagine that this data, to pharmaceutical companies, is very valuable. I was wondering if you are going to be selling the information to pharmaceutical companies? Have they contacted you and if yes, how would you control, or do you control, what the data is used for?

Scott Serota: Well, a piece of your questions is "Have pharmaceutical companies contacted us?" The answer to that question is "yes." They are very interested in what we have in our database and how we can work together to use that database. I'll take you back with response to the other two questions, to the mission of BHI, which is quality improvement. And to the extent that our database can assist in improving quality, we would be willing to participate with lots of other entities in making that happen. We have a, for lack of a better word, "board" who oversees BHI and oversees the uses of the data and the development initiatives and any use of the data will be approved by, reviewed by and monitored closely by the leaders of the Blue system to make certain that is in concert with our mission and our objective to improving quality. So we are

hopeful that we can partner with pharmaceutical companies to the extent that our missions are in concert and we can improve quality as a result of that collaboration.

Reporter: Why are they interested in the information - in looking at how their drugs are performing or is there any other use?

Scott Serota: I think that if you envision a robust database like this, issues of compliance are things they could look at, issues of efficacy, potential complications and things of that nature. A database like this could give early indicators of issues and problems that they could course correct on. There are a myriad of potential resources and things that could be utilized as a result of this kind of data that would be of interest. They are not only pharma companies but device manufacturers, institutions, medical researchers, academic researchers - I mean we are only limited by our own imaginations as to what could result from that.

Gail: I think from our perspective, all the things that Mr. Serota said, but they also can be effective partners in physician education around these issues and I think that's another part that's important to us in the partnership with physicians and again to

use this data to help improve the outcomes that we seek from members who seek their care.

Reporter: But, just to be clear, would you be selling the information to the pharmaceutical company?

Scott Serota: I can't tell you that. We haven't made any decisions about how access of this data would be for anybody other than Blue Plans and our customers. From that perspective, this could be a resource for them as we expand beyond our "immediate family of Blues", but we haven't made those decisions yet.

Bob Greczyn: I think it's important to focus on the fact that our primary mission in creating BHI was to create value turning data into information that our customers and consumers can use on improving the quality of healthcare. As it continues to grow and develop in the future we will look at any other appropriate places where this information can enhance the Healthcare system.

Reporter: And I have a kind of a related question. I'm wondering: have any device companies called you in the same way that pharma companies have to share this information?

Scott Serota: If you are asking about formal inquiries to me, I would say no. If you are asking have they contacted people around the system about this I'm sure they have. And remember, we're announcing this today. so if we would have gotten too many calls, this would have been the worst kept secret on earth.

(Laughter)

Reporter: So just to follow-up: I am assuming that your stand, vis-à-vis the device manufacturers, is similar to your stand vis-à-vis the pharmaceutical company?

Scott Serota: Absolutely, absolutely. As Bob said, its principal purpose is to improve quality and add value for our customers, but as we expand beyond that we are looking for partnership opportunities with anybody who has got the mission of improving quality.

Reporter: Hi. When do you anticipate that the database will be available for consumers and providers and what needs to happen before that happens?

Shirley Lady: We are building BHI in stages and the initial customers that will benefit the most will be the employer groups initially. Subsequently, as we add additional elements, we'll be able to have additional depth of information and thus additional

customers that will benefit from that. Subsequently, the providers and, of course, ultimately the consumers.

Reporter: Any idea when that might be?

Shirley Lady: Starting fourth quarter this year.

Reporter: And you will be adding consumers and providers?

Shirley Lady: Consumers will be able to benefit initially depending on what information is provided to the employers. As we build the extensive use of BHI, we'll continue to expand in the consumer and the provider community.

Scott Serota: If you are asking, will consumers be able to directly access database, the answer to that is no. However, as this continues to grow and evolve, this information will be used to provide additional data to consumers that they'll find useful.

Reporter: So, consumers will never be able to directly access this database?

Scott Serota: Not directly access the database, no.

Reporter: So -- so how will they benefit from this?

Scott Serota: The reports that are generated from this database will be available to consumers. Just to be clear, whatever we develop, consumers will have access to the output from the database, but they will not be able to query the database directly in that regard. So how will they benefit? We are going to turn this data into information for them to use but they are not going to have access to the core data.

Reporter: And how about for providers?

Scott Serota: Similarly, they will get access to reports but again they will not access the core data. I think we have time for one additional question.

Reporter: Let's talk a little bit more about how the database will be accessed. Is this the web-based database? And if I am an employer, I will have user name password and be able to go in and make my queries, get my reports, then decide if or how I would share that with my employees?

Scott Serota: The database is being developed by the Blues and if you are an employer customer of a Blue Plan, you

would work in partnership with your local Blue Plan, develop the criteria, the scope and the contexts of the reports that you want, and your Blue Plan will deliver those reports to you. We are very cautious about this database. There is 79 million people worth of data in this database and access will be limited to the Blue Plans accessing the database but the reports will be tailored and custom developed for our employers and customers based upon the specifications that they work out with their local Blues.

Reporter: Okay. Cool. So any information going to providers and consumers would be in the form of aggregate reports at the discretion of an employer, right?

Scott Serota: The local Blue Plan would be the notice of control here. So, employers will get reports from their local Blue. We also have an enormous network with well over 90 percent of hospitals and physicians in the country and we have an operation that supports that. Reports that are tailored for providers will come from the local Blue Plan and they will be developed again through our provider relations departments and things of that nature in concert with local provider organizations, medical societies, hospital groups, or however we decide would be the best way to improve the quality of care in the market place.

Reporter: Then how would consumers get reports outside from their employers? Is there any other way?

Scott Serota: Well, they will get reports through their employer and plans will take it upon their own initiatives to determine other reports based upon conversations. They are in concert with consumers all the time to determine the kinds of information they are being queried about and develop reports along those lines as well.

Bob Greczyn: Let me give you a specific example. If you think about someone with diabetes, the robustness of this data, which is national data covering every zip code in the United States, means they will be able to construct consumer tools based on the data that will give people very robust information on what are the best practices for the treatment of diabetes. What question should they be asking when they go to their physician's office? It's that process of turning data into usable information for consumers.

Gail: And I would add, Blues Plans time are working in the provider community to help providers understand how they are performing and the outcomes of the patients that they support. We will be using this data in the local Blue Plans working at a local level that help them understand how they are performing against

these benchmarks - locally, regionally and nationally - and I think that's very different than what occurs in trying to set up a national standard because healthcare is still delivered locally, and especially when the provider community is critical to have the credibility of that data applicable to them. So, I think that's another example of why the distribution through the local Blues Plan is absolutely important.

Reporter: Okay. One more question please. The 20 participating plans, by my count, cover 34 states. Is that accurate and how can you say that at this point you are covering every single zip code?

Scott Serota: Again, two responses, one I think 34 states is accurate. But when you include the Federal Employee Benefit Program, in which we serve almost five million lives, the Federal Employee Benefits Program covers every zip code of the United States. So, we do have coverage in every zip code of the United States. Plus our national customers that might be served by Health Care Service Corporation or North Carolina: the headquarters are in one of those states, but their employees are spread across the country. So, all of their data will be in this database as well.

Reporter: Any idea when or if the remaining Blue Plans are going to come on board?

Scott Serota: Well, developing a database of this size requires some sequencing. So, we anticipate and are hopeful that we will get all of the plans. We expect to and are hopeful that they will all participate, but we have to sequence. We can't load all that data in all at once. So we are hopeful that over the next twelve to fifteen months we'll get the rest of the plans to participate. But, no, I can't tell here, as I'm sitting here today, that they are all committed to participate, but I am optimistic.

Reporter: Okay. Thank you.

John Parker: We are going to have to wrap up now. Just a quick reminder, the press release, if you haven't already seen it, is on the website [bcbs.com](http://bcbs.com) as well as [bcbshealthissues.com](http://bcbshealthissues.com). Again, if there are questions from the media and others, we certainly want to be receptive to that and be responsive. Please call Paul Cholette at 312-297-5954 and we will certainly enter all your questions and also connect you with others that can help out. So, thank you again for participating and we will talk to you later. Thank you.