

The Local Choice 2009 Annual Report

July 2008
through
June 2009

THE LOCAL CHOICE

2009 Annual Report

Statewide Self-Insured Products

Introduction

The Local Choice (TLC) 2009 Annual Report is based on two years of paid medical claims data from July 2007 through June 2008 and the current period of July 2008 through June 2009, and reflects paid claims during this period. Comparisons of overall year to year total expense have been made within the report in order to show the impact to our group's health care expense for this time frame. The normative values represent Anthem's combined product averages for the period ending June 2009.

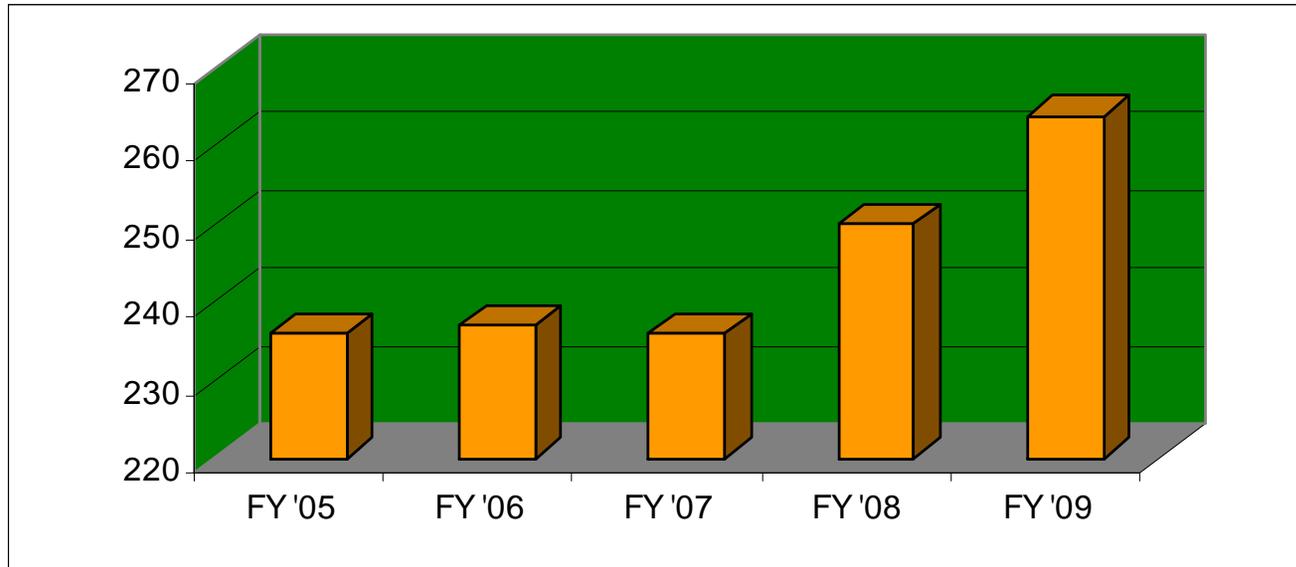
The annual report claims information is based on the claims experience of the TLC self-funded medical program while enrollment and membership are based on the entire TLC program. It is intended to outline:

- Enrollment,
- Where health care dollars were spent , and
- How our experience compared to other similar groups and the average of all groups covered by Anthem Blue Cross and Blue Shield (Anthem).

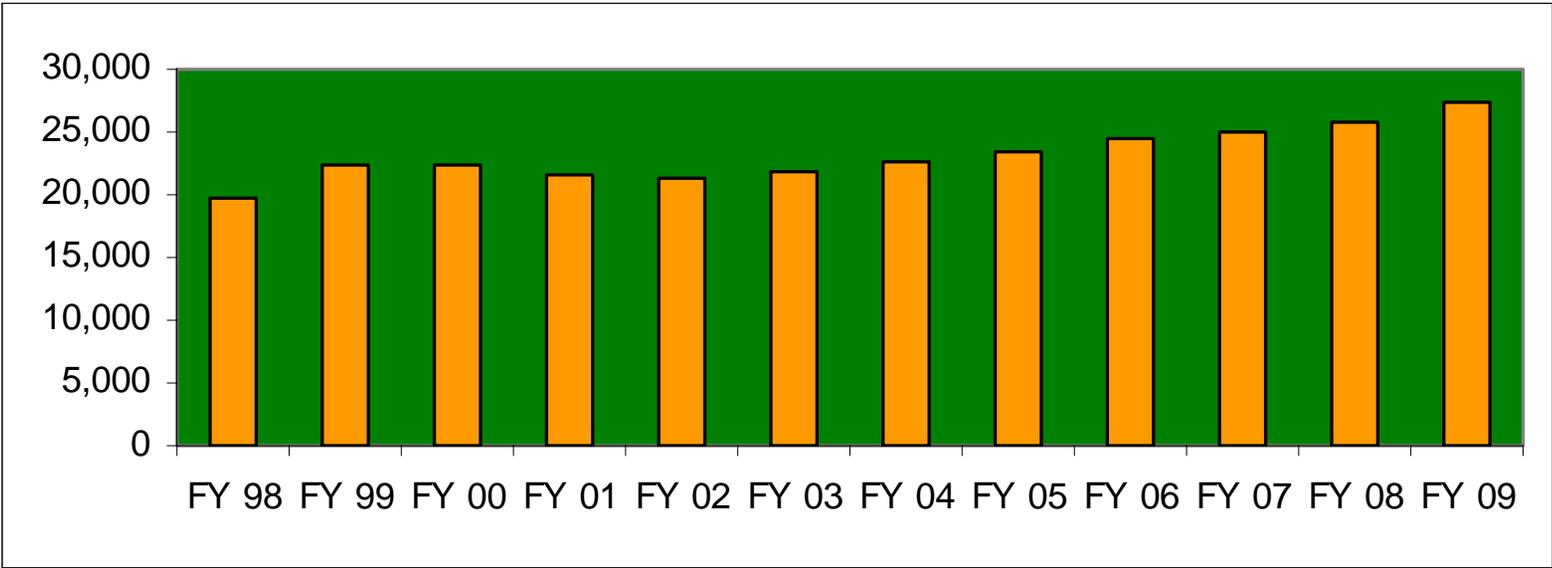
Enrollment Results

TLC group membership continues to grow. In FY '09 we added 14 groups, growing to 264 member groups. Our average self-funded enrollment increased by 6% to 27,093 employees during the current year. The current period's enrollment shows 62% of our employees enrolled in an employee only contract. Twenty percent were enrolled in dual coverage and 18% in family coverage. The average age of employees was 46, which was slightly older than Anthem's Par/PPO average age of 44. Total membership increased 6% to 46,862 members.

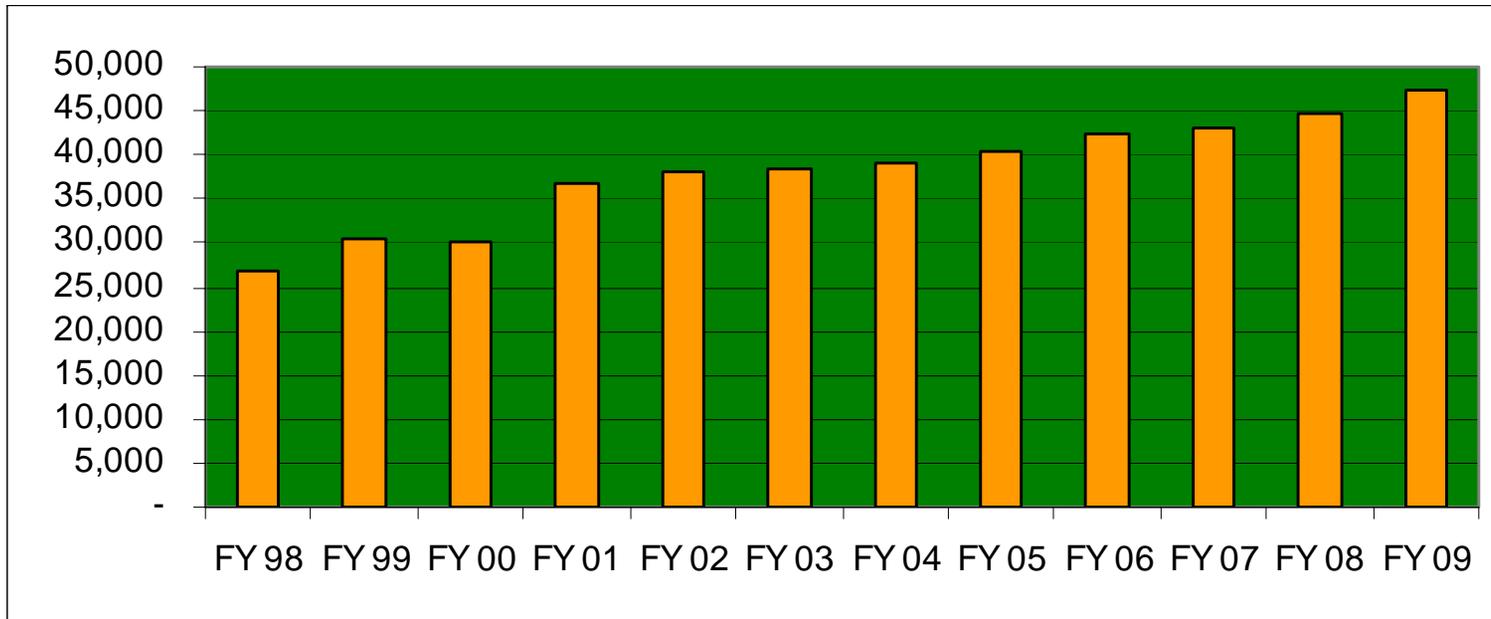
TLC Participating Groups



2009 Employee Enrollment



2009 Total Enrollment



Preventable Disease Cost Drivers

Preventive medicine is the branch of medicine concerned with preventing the occurrence of both mental and physical illness and disease. For TLC coronary artery disease ranked highest of all medical conditions manageable through preventive medicine. Breast cancer, diabetes, hypertension and cerebrovascular disease ranked second through fifth in order of expense.

Chronic Conditions Driving Cost

As with most groups, the chronic medical conditions of diabetes, hypertension, rheumatoid arthritis, asthma and chronic respiratory disease exist within the TLC covered population. These conditions continue to drive our experience.

Inpatient Facility Expenses

Increasing by 9.7%, inpatient facility expenses grew to \$45,929,975. This represents 30% of our total medical expenditure. The admission rate increased by 5% while inpatient day's rate decreased by 4% with fewer days required in each surgical and obstetrical admission. The average length of each admission decreased by 8% down to 3.86 days and was 11% lower than average.

Inpatient Professional Expenses

Inpatient professional expenses grew by 8.1% to \$7,815,248. When reviewing total medical utilization in the inpatient professional setting, the top diagnostic category for the current year was pregnancy (\$1.5 million) which represented the largest number of inpatient stays during the current year. The other top diagnostic categories ranked by expense were musculoskeletal conditions (\$992,207), circulatory conditions (\$941,806) and neoplasms (\$788,174).

Large Claims

Catastrophic cases over \$85,000 represented 19% of total medical expense during the plan year, slightly lower than in the prior year. The largest catastrophic claim was the result of treatment for diabetes and chronic renal failure on hemodialysis, incurring \$698,439 in total medical expense.

In the plan year, 189 patients met the \$85,000 medical expense threshold. When this utilization is converted to a per 1000 rate, TLC averaged 4.0 members per 1000 with expense greater than \$85,000, slightly higher than the Anthem normative average of 3.7 expected members per 1000.

The Local Choice Medical Expense Year to Year Summary

Period:	Prior 7/2007 – 6/2008	Current 7/2008 - 6/2009	% Change
Inpatient Facility	\$41,887,420	\$45,929,975	9.70%
Outpatient Facility	\$38,141,806	\$44,761,909	17.40%
Inpatient Professional	\$7,227,632	\$7,815,248	8.10%
Outpatient Professional	\$46,174,867	\$54,243,808	17.50%
Total Medical Expense	\$133,431,725	\$152,750,939	14.40%

Financial Summary

The Local Choice continues to provide a strong financial base for its member groups. During FY 2009, the program continued to return excess reserves to member groups through its premium stabilization policies. The Cash Balance figure listed below represents actual cash on hand as of June 30, 2009.

Cash Balance (*June 30, 2009*) \$ 91,014,172

Self-Insured Statewide Products

Annual premiums encompass all income, including interest earned on reserves. Annual expenses include the cost of claims and administration, promotional materials and the CommonHealth program. Participation in the statewide self-funded products continues to increase.

<i>Program Total</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
Annual Premiums	\$186,024,786	\$204,337,637	\$ 213,666,283	\$225,271,184
Annual Expenses	<u>\$166,066,550</u>	<u>\$180,140,899</u>	<u>\$ 204,052,659</u>	<u>\$233,478,731</u>
Prem. Less Exp.	\$ 20,818,236	\$ 24,196,738	\$ 9,613,624	(\$8,207,547)
Operating Ratio	88.8%	88.2%	95.5%	103.6%

Fully Insured Regional Health Plan

The annual premium collected by the Regional Health Plan is shown below. Since this is a fully insured product, paid claims are not a part of the self-funded plan accounting and are not listed.

<i>Annual Premiums</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
Government & Schools	\$1,667,041	\$1,974,844	\$2,635,380	\$2,779,114