



February, 2004

To: All Direct Markets Producers

From: Producer Marketing

Subjects:

- **Exciting Under-65 Customer Service Enhancements**
- **A Special Announcement about our Pharmacy Benefit Manager (PBM)**

**Introducing Enhancements to Our
Under-65 Individual/ Family Customer Service Processes**

At Blue Cross and Blue Shield of Illinois, we understand having competitive products at affordable prices is important, but in today’s rough and tumble environment, there’s more to it than that. That’s why we also strive to provide efficient and effective quality customer service and are always looking for ways to improve our member’s experiences with us.

In the past few months, we’ve been enhancing our Series 2 and 3 Under-65 Individual/Family billing notices and evaluating the reinstatement process. Our goal is to make doing business with us as simple and easy as possible. We’re confident you and your clients will appreciate these improvements, so read on for all the details.

The New Billing Notice

Beginning in mid-February, we will introduce a new and improved Premium Due Notice. The most significant change is that with the new bill, your clients will now clearly see an itemized breakdown of how their premium is calculated. Here’s an example.

Itemized charges for coverage period February 1, 2004-April 1, 2004

Health Insurance Coverage – BlueValue Plan		
John L. Smith	\$223.70	
Mary Smith	349.44	
Optional Maternity (Indiv)	260.00	
Total for 2 Children	287.72	
Tammy Smith		
Timothy Smith		
Total Health Insurance Coverage		\$1,120.86
Total Premium Due on or before February 1, 2004		<u>\$1,120.86</u>

The premium due notice is also being expanded to a full page. So now it’s easier to read and allows us to include important messages for our members right on the notice itself. See for yourself. A sample of the new premium due notice is enclosed.

A New Reinstatement Process

We have simplified and expanded the guidelines for accepting automatic reinstatement requests. This has further enabled us to eliminate the reinstatement form, currently found on the back of our Termination Notices. The following chart will help illustrate the new guidelines:

Current Process	New Process
Once policy lapses (31 days after the last paid to date), the member has an additional 14 days (for a total of 45 days) to submit premium and automatically reinstate coverage. No form is required.	Once policy lapses (31 days after the last paid to date), the member will have an additional 29 days (for a total of 60 days) to submit premium and automatically reinstate coverage. No form required.
Reinstatement requests received between 46-90 days after coverage lapses require a reinstatement form. Coverage is not automatically reinstated.	Beyond the 60 th day, the member is no longer eligible for reinstatement and will need to submit a new, fully completed application to re-apply and be considered for coverage.
Beyond the 90 th day, the member submits a new, fully completed application to re-apply and be considered for coverage.	

In addition to eliminating the reinstatement form, we have expanded the termination notice to one full page, which enhances its readability. Terminated members are also instructed to contact their agent to re-apply for coverage based on the guidelines outlined above. A sample of the revised termination notice is enclosed for your convenience.

Let's take a look at a sample scenario.

Mr. Jones has had individual coverage with Blue Cross and Blue Shield since January 1, 2002. He pays his premiums every two months. On December 5, 2003 he is sent a bill for his next coverage period, which is January 1, - March 1, 2004. He does not pay his bill and on February 1st his coverage lapses.

Under the **current** process, Mr. Jones has until February 15th to automatically reinstate coverage. Between February 16 and April 1, he may be able to reinstate coverage by submitting a reinstatement form. However, coverage is not guaranteed. After April 1, he needs to submit a new application, which will be fully underwritten, to re-apply.

Under the **new** guidelines, Mr. Jones has until March 1st to pay his premium and automatically reinstate his coverage. After March 1st, he will no longer be eligible for reinstatement and will have to complete a new application, which will be fully underwritten, in order to re-apply for coverage.

By streamlining the process, we hope to help more of your clients keep their coverage. Not only will we be expanding the number of members who can reinstate coverage with us automatically; we also expect to make more offers of coverage to members beyond the automatic reinstatement period.

As a Blue Cross and Blue Shield of Illinois Direct Markets Producer, you will continue to receive a listing from us once a month, identifying which of your clients has lapsed coverage the previous month. With the new, expanded guidelines, you now have an *even better* opportunity to assist your clients in conserving their valuable Blue Cross policy.

There's one more change...

There is one additional processing change being made at this time and it involves removing the smoker surcharge for existing members.

Today, as you know, a member is eligible to have their smoking related rate-up removed after their policy has been in-force for at least 12 months. After the initial 12 month period, a member may submit a written statement at any time saying only that he or she has not used tobacco for at least 12 months. Once we receive that statement, the surcharge is removed.

Beginning mid-February, requests for removal of the smoker rate-up will now be subject to underwriting review and may only be made once a year, based on a rolling 12 month period. We have determined that this change in procedure is necessary in order for us to keep our business strong and our rates competitive.

Requests for review must now include the name of the primary care physician and the member must have been seen by that physician within the last 12 months for a physical. We will obtain a copy of the physical exam. Possible outcomes of the underwriting process are as follows:

- (1) If the member has been tobacco-free for 12 months and meets current underwriting guidelines, the request for removal of the smoker rate-up will be granted.
- (2) If the member can be approved with one or more exclusion riders, removal of the smoker rate-up will be approved, be subject to acceptance of the rider(s).
- (3) If the member has been tobacco free for 12 months, but does NOT meet current underwriting guidelines, the request will be denied and premium rates will remain the same.

<p style="text-align: center;">A Special Update Regarding Outpatient Prescription Drugs and Under-65 Individual/Family, Children's and Old Small Group Plans</p>

As you may have heard, Blue Cross and Blue Shield of Illinois has recently taken the next step in its management of pharmacy benefits by moving to ownership of its own Pharmacy Benefit Manager (PBM). We have agreed to acquire an ownership interest in a Blues solution, Prime Therapeutics. At the closing of this transaction and subject to regulatory approvals, we will contract with Prime to manage prescription drug benefits for all our Blue Cross products effective January 1, 2005. This includes our Under-65 Individual/Family, Children's and old Small Group plans that have outpatient prescription drug benefits available at retail. (This change **will not** impact our Members First Program or our Medicare Supplement members in any way.)

As we all know, pharmacy costs continue to be a primary driver of health care cost escalation. By working with Prime, which focuses on pharmacy management solutions for Blues Plans, instead of an outside vendor, we expect to have greater control over pharmacy costs and how we manage the pharmacy benefit for our customers. Prime offers us the economies of scale of a national provider with the flexibility, customization, and quality service of an in-house solution.

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Prime Therapeutics is a national PBM owned by a number of Blue Cross and Blue Shield Plans. It has a proven track record of being an effective and loyal collaborator with its Blue Cross Plan clients and their customers.

While our arrangements with our current vendor have served us and our clients well, the time is right to integrate our pharmacy and health care benefit administration—especially care and disease management. Our relationship with Prime will allow us to achieve that. Prime offers all the services and benefit design capabilities of our current vendor, including claims processing, formularies, rebates, clinical programs, reporting, and national network management.

Over the next year, we will work closely with both Prime Therapeutics and our current vendor on a smooth transition for all our clients and members. The January 1, 2005, effective date allows us time to work through all issues systematically. We will be providing updates to you as we move towards implementation, and will communicate with you and your clients as appropriate in future months

Thank you in advance for your time and attention to these important changes. We will continue to look for ways to support you and your clients in the new year and if you have any questions in the meantime, please contact your Marketing Consultant or General Agent. They will be happy to assist you.



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