

Labor Connection

A Newsletter for Labor Leaders from Blue Cross and Blue Shield of Illinois
Fall/Winter 2002 Issue Volume 10 Number 2



BlueCross BlueShield
of Illinois

A Division of Health Care Service Corporation,
a Mutual Legal Reserve Company, an Independent
Licensee of the Blue Cross and Blue Shield Association

Understanding Consumerism's Impact on Today's Marketplace

What do Amazon.com, American Express and Citigroup have in common? What makes these organizations more successful in meeting the needs of their customers? All are experts at understanding and supporting their customers and have reputations for being consumer-focused. These companies have developed innovative strategies known as the "consumerism approach" that incorporate the following:

- anticipation of customer needs
- responsiveness
- customized products and service offerings
- decision-making support tools
- superior service

By understanding and using these characteristics, organizations can meet the changing needs of their customers and distinguish themselves from their competition.

In health care, the need to develop a consumerism approach has become a priority as both employers and consumers are faced with substantial cost increases. In 2001, the average annual premium for family coverage was \$7,053, almost a 30 percent increase from 1997.¹ With double-digit increases continuing, employers are trying to manage their costs by shifting more of the financial burden to employees in the form of higher premiums, copayments and deductibles. As a result of their larger economic stake, consumers are demanding more value for their health care dollars.

Current industry trends have affected the health care market in a variety of ways:

Direct to Consumer Rx Advertising

Much of the recent cost increase in prescription drugs is due to consumers' increased demand for heavily advertised drugs and lower use of their cheaper, generic counterparts. This may result in a shift from cheaper, generic medications to the increased use of more expensive medicines, ultimately raising overall drug costs and consumers' out-of-pocket expenses.

Demand for Health Care Quality Information

As costs continue to rise and consumers take a more active role in their health care decision making, they are demanding more information to help them make the best decisions to meet their individual needs. Consumers continue to seek information, especially on the Internet. Today, many key competitors are providing a variety of health content and navigation tools to help educate and empower consumers. Examples include:

- health content on medical tests, conditions, illnesses and drugs
- health risk assessment and wellness tools that enable consumers to become more aware of their personal risks for certain diseases or conditions
- personal health records for consumers to manage their family's personal health information
- tools that compare the quality of local providers

Hospital Outreach

Hospitals are employing a range of consumer-driven approaches to enhance customer loyalty and gain competitive advantage. Such tactics include:

- extensive media campaigns that promote brand recognition
- improving facilities to make them more customer-friendly
- providing consumers with information on service quality

Through these strategies, hospitals aim to gain consumer confidence and encourage use of their facilities.

Emerging Consumer-Directed Benefit Designs

"Consumer-directed" or "defined contribution" health plans have emerged as a method to encourage consumers to take more personal responsibility by increasing their awareness of the cost of health care services. The hypothesis is that if consumers have a greater economic stake in their health

care, they will become more active in managing their health care, resulting in more efficient and cost effective decisions. Several traditional and non-traditional players have developed or are developing these plans for 2003.

With so much information available and with consumers sharing more of the cost burden, health insurers recognize the rise in consumerism and its impact on the products and services they provide. At Blue Cross and Blue Shield of Illinois (BCBSIL), we continue to enhance our offerings to meet consumer demands. This includes offering more choice and flexibility, decision-making power and access to decision-making tools.

Our Web site (www.bcbsil.com) offers abundant health and wellness content and a strong set of decision-making tools for our members. The online formulary allows members to look for less expensive generic alternatives to many commonly prescribed medications.

We are also developing *BlueEdge*, an innovative, consumer-driven health plan, which will be piloted in 2003. The product design will include a health reimbursement account that pays the first dollars spent on covered health care services, offering consumers more control over how they utilize their health care dollars. The product will also include access to BCBSIL's expanding health and wellness content library and care decision-making tools. Additional online tools are planned for the future, including services that allow members to manage their health reimbursement accounts and develop a personal health record.

As BCBSIL continues to emphasize meeting the changing needs of consumers, we will keep our Labor Accounts informed when additional innovative and customer-friendly products and services are available.

¹ Kaiser Family Foundation, "Trends and Indicators in the Changing Healthcare Marketplace," 2002.

Blue Cross and Blue Shield of Illinois PPO, HMO Ranked #1 by *Crain's Chicago Business*

Blue Cross and Blue Shield of Illinois has the largest PPO plan in a six-county area in northern Illinois and the HMOs of Blue Cross are ranked number one in several categories, according to *Crain's Chicago Business*, a leading business publication.

Blue Cross was ranked as the largest PPO plan based on volume of annual dollars spent on health care (\$3.1 billion), almost twice that of the nearest competitor. Blue Cross also was ranked number one based on enrolled subscribers with 982,163 – two and a half times the nearest competitor.

The Blue Cross HMOs ranked number one for largest plan based on enrolled members (902,522) and widest availability of hospitals (101) and primary care physicians (4,365 PCPs). Furthermore, Blue Cross is one of the few HMO plans that posted enrollment gains in 2001, up 6 percent. Enrollment losses by some of the other large HMOs ranged from 2.2 percent to 25.1 percent.

The data *Crain's* used to create its rankings was current as of December 31, 2001.

Customer Surveys Yield High Ratings

Blue Cross and Blue Shield of Illinois continually strives to improve the quality, cost-effectiveness and accessibility of health care for its customers. To better understand customers' attitudes about BCBSIL, we frequently survey them. The results help us gauge satisfaction levels, target new issues and identify opportunities to improve our relationship with customers. The most recent results are from telephone survey data collected throughout 2001. The customers surveyed represent members from all group product lines and market segments.

The percentages show the respondents who answered "excellent," "very good" or "good" in these categories:

- Overall satisfaction with BCBSIL – 88 percent
- Overall value of the health plan – 88 percent
- Number of doctors and hospitals available in the network – 91 percent

- Quality of care received from doctors – 96 percent
- Quality of care received from hospitals – 93 percent
- Access to hospital and emergency room care – 94 percent
- Courtesy of customer service representatives – 94 percent
- Customer service representatives' understanding of health plan – 90 percent

Positive results are also enforced by members' willingness to recommend and stay enrolled with BCBSIL. The percentage of respondents who answered "definitely" or "probably" in those categories is shown here. Both are at least 12 points higher than competitors' ratings.

- Likelihood to recommend BCBSIL – 88 percent
- Likelihood to stay enrolled – 88 percent

BCBSIL continues to look for innovative ways to enhance its products and services as well as maintain strong provider relationships to help make customers' health care benefit experiences more satisfying.

Claims Backlog Reminder

New DOL Regulations Require Faster Claims Processing

Many of you are already aware of the new shorter claims processing timeframes, disclosure requirements and claim decision rules that were adopted by the Department of Labor (DOL) and published in the Federal Register on November 21, 2000. Your Fund Administrator and/or Claims Manager may also be receiving more frequent inquiries from Blue Cross and Blue Shield of Illinois concerning your Fund's claims.

Recently, BCBSIL reviewed each Fund's claim backlog – specifically, the number of claims that have aged over 30 days at the Fund office. To assist Funds in meeting the new DOL claims processing timeframes, BCBSIL has created an electronic backlog report that is placed in each Fund's EMC-NET mailbox every Monday.

Our intent is that Funds will run our electronic report against their internal systems to ensure that all claims are being properly adjudicated in a timely fashion. BCBSIL has also created informational files that are placed in the Funds' mailboxes regarding claims that must be returned to the provider for additional information and may be delayed. Funds can use these files to notify members of claim status.

BCBSIL is under increasing pressure from providers and our Blue Cross Plan partners throughout the country to settle claims and pay providers faster. Keeping providers happy helps to solidify our position as one of the largest provider networks in the country with excellent discounts. When your renewal date arrives, we will be changing the contract language to ensure faster timeframes for claims processing. Contact your BCBSIL account executive if you have questions.

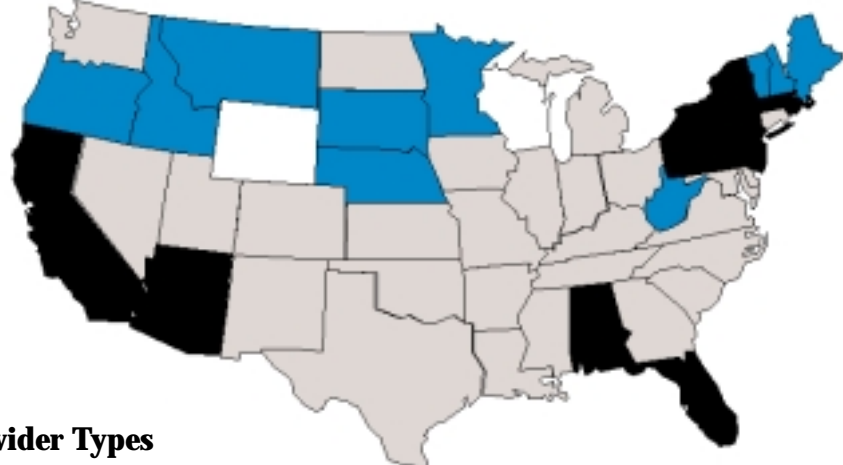
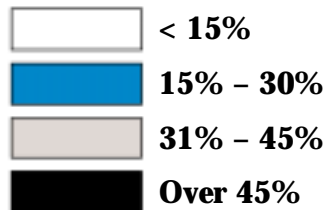
Sheet Metal Workers' Locals Merge

Sheet Metal Workers' Local 115, a 100 year-old production local has merged into Local 73. Stanley F Karczynski, Local 73's President and Business Manager said, "The merger of Local 115 with Local 73, a building trades local, makes us by far the largest Sheet Metal Workers' local in the entire International Association with over 6,000 members. This merger makes us a stronger union and creates

organizing opportunities." Twenty production firms, including the Chicago Transit Authority repair shop, employ the 800 additional members. "This merger creates more work opportunities for our members, gives us stronger bargaining power and will allow us to capture a greater market share of work for the Sheet Metal Workers of Local 73," said Karczynski.

Labor BlueCard® Map of Savings

average discounts by state



Includes All Provider Types

Someone You Should Know

Blue Cross and Blue Shield of Illinois Appoints New President



Gail Boudreaux recently became President of Blue Cross and Blue Shield of Illinois. Boudreaux, 42, reports to Raymond F. McCaskey, President and CEO of Health Care Service Corporation (HCSC). BCBSIL is a division of HCSC.

Previously, Boudreaux served as Aetna's Senior Vice President in charge of the Group Insurance business

unit in Hartford, Conn. Before being named Senior Vice President, Boudreaux headed Aetna's Customer Service division, including Claims, Member/Provider Services, Plan Sponsor Services and National Customer Operations. In that role, Boudreaux oversaw operation of 33 service centers nationwide.

"Blue Cross and Blue Shield of Illinois is extremely fortunate to have Gail Boudreaux in a leadership position," McCaskey said. "She literally has done it all, with experience that includes profit and loss responsibility for major business units. It is particularly important," McCaskey added, "that Gail's wide range of experience also includes a proven track record in customer service. Blue Cross and Blue Shield of Illinois is totally committed to customer service and Gail will be a key player as we take that commitment to new levels."

"I am very excited to be joining an organization known as a market leader," Boudreaux said. "Blue Cross and Blue Shield of Illinois is a trusted brand that provides access to

excellent, affordable health care. I look forward to building on a strong record of success and partnering with our employer groups."

Boudreaux's back-to-basics business strategy includes finding solutions to address rapidly rising health care costs while meeting customers' evolving product and service expectations. "We are revising our health care management strategy," she said, "moving toward outcome based reimbursement, refocusing utilization management to concentrate on members with certain diseases and using predictive modeling to identify members with special medical risks." The value-added focus on disease management will help to improve members' health and lower costs.

Blue Cross is also introducing innovative products to give customers more decision-making power and appeal to the increasing consumerism trend. "Everything we do – whether it involves changing processes or adding new products and services – is done with the customer as our main concern," Boudreaux said.

"We want to make doing business with Blue Cross easy," she said, adding, "We are investing in technology, streamlining business processes and giving our employer groups better tools to administer their health benefit plans."

Boudreaux joined Aetna after graduating from Dartmouth College. She also holds an MBA in Finance and Health Care Administration from Columbia Business School. On a more personal note, Boudreaux was named to the Ivy League's 25-year anniversary team in basketball in 1999 and to Dartmouth College 25-year anniversary teams in both basketball and track and field. She is a youth basketball coach and has been active in Dartmouth alumnae activities. She lives in Chicago's north suburbs with her husband and two sons.

New Face in Labor



Another Addition to Labor Affairs

Cary Goldstein is the newest Principal Account Executive to join BCBSIL's winning Labor Affairs team. Goldstein focuses on helping his accounts manage their daily operations, renewal activity and benefits administration. Among his Health and Welfare Labor Funds are S.E.I.U. Local 25, Painters District Council Local 30, Sheet Metal Workers Local 265 and Central States Funds.

Goldstein joined BCBSIL in 1991 as a Senior Underwriter in National Accounts where he handled several high profile municipal and labor accounts. Most recently, Goldstein served as underwriting manager for middle market accounts, managing a staff of 14 underwriters, developing pricing strategies and making broker and client presentations.

Goldstein's insurance background includes Metropolitan Life Insurance Company where he was an underwriter. Goldstein earned his bachelor of science degree in economics from the University of Illinois. He lives in Lake Zurich with his wife and two children.



Left to right; Pat Kelly, Tom Howard, Red Baskin and Tom Keaty, Operating Engineers Local 399



Left to right; John Henry Sena, John Valone and Frank Christensen, Elevator Constructors Local 2



Left to right; Ed Christensen, Stephen Hynes, Elevator Constructors Local 2



Left to right; Mike Marks, BCBSIL; Larry Newsom, Fort Dearborn Life; Steve Powell, UFCW Local 881; Sherm Wolff, BCBSIL



Left to right; John Foley, BlueCare Dental; Bill Scruggs, Plumbers' Local 130 UA; Robert Niksa, Plumbers & Pipefitters Local 501



Left to right; Joe Bernstein, Teamsters Local 781; Bob Walston, Teamsters Local 743



Left to right; Steve Murray, City of Chicago; Dave Gieselmann, BCBSIL; John Zipparro, Carpenters Welfare Fund



Left to right; Paul Hawkins, OBA Midwest; Art Schiavo, Kurt Schiavo, Plumbers & Pipefitters Local 23



Left to right; Marty McLaughlin, Killian Asset Management; John Crinion, Terry Lynch, Heat & Frost Local 17; Bob Kellam, BCBSIL



Left to right; Sam Cicinelli, Herb Elam, Bob "Doc" Feehan and Tom Verne, Auto Mechanics Local 701



Left to right; Johnny Short, Ironworkers Local 112; Ray McCaskey, BCBSIL; Dan Aussem, Ironworkers District Council; Howard Norberg, Ironworkers Local 444; Frank Harmon, BCBSIL



Left to right; Pete Marinopoulos, Bricklayers Local 21; Ray McCaskey, BCBSIL; Mike Fitzgerald, IBEW Local 134



Left to right; Paul Mancillas, Jim Madden and Larry Jankowski, Graphic Artists Local 458-3M



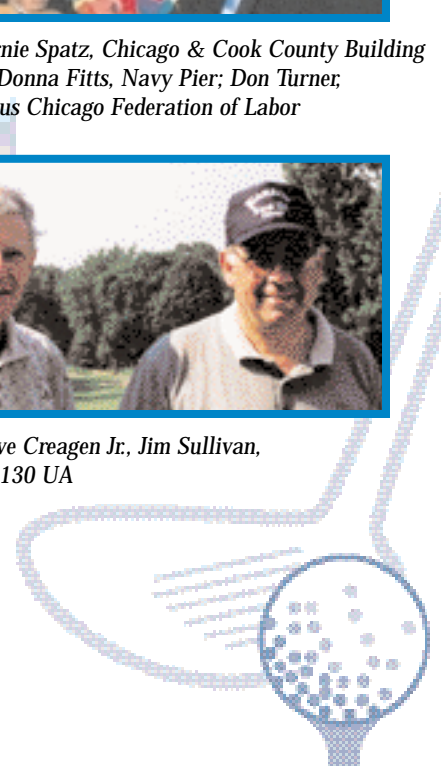
Left to right; Bernie Spatz, Chicago & Cook County Building Trades Council; Donna Fitts, Navy Pier; Don Turner, President Emeritus Chicago Federation of Labor



Left to right; Bill Callahan, IUOE Local 150; Tom Harmon, Chicago Asset Management; Monty Horne, Ron Selby, IUOE Local 150



Left to right; Dave Creagen Jr., Jim Sullivan, Plumbers' Local 130 UA





Left to right; Joe Ohm, Scott Wille, IUOE Local 150



Left to right; Tim Custer, BlueCare Dental; Joe Barrett, Pipefitters Local 597; Paulive Wilson, Fort Dearborn Life; Don Alcott, Auto Mechanics Local 701



Left to right; Nancy Cross, SEIU Local 1; Tammy Heet, Cary Goldstein, BCBSIL; Trina McCoy, Zenith Administrators



Left to right; Dick Quigley, Frank Harmon, BCBSIL; Don Turner, President Emeritus Chicago Federation of Labor; Dennis Gannon, President Chicago Federation of Labor; Al Nolan, BCBSIL; Tim Leahy, Secretary/Treasurer Chicago Federation of Labor



Left to right; Bob Gibson, President Emeritus Illinois AFL-CIO; Harry Conlon, President Emeritus Graphic Artists Local 458-3M.



Left to right; George Tapling, Sheet Metal Workers Local 115; Tom Faul, Machinists Local 126



Left to right; Jim McNally, IUOE Local 150; Bob Ingersoll, Stagehands Local 2



Dennis Gannon, President Chicago Federation of Labor

BCBSIL Labor Affairs Staff Meet with Labor Leaders for Golf, Honors



Left to right; Mike O'Neill, Chicago and Cook County Building Trades Council; Rita Jones, UFCW Local 881; Al Faul, Director of Labor; McCormick Place; Charles Renfro, BlueCare Dental

Left to right; Tom Cleary, Stagehands Local 2; Joe Burns, Attorney for Stagehands Local 2; Frank Stone, Killian Asset Management



Left to right; Tim Bechtold, Jim Corrigan, BCBSIL; Ken Cliff, Jim McArdle, SEIU Local 25



Left to right; Rod Bashir, SEIU Local 25; William Wire, SEIU Local 4



Left to right; John Zahorik, Brian Kingsbury, Steve Bukovac and Bob Zahorik, Iron Workers Local 1.



Left to right; Pete Driscoll, Tom Burek and John Norris, Sheet Metal Workers Local 73



Left to right; Tim Foley, Charlie Dunne, Mike Caddigan and Larry Crawley, IBEW Local 134

This and That

Blue Cross Labor Affairs staff extends best wishes to **Don Turner** on his retirement as President of the Chicago Federation of Labor. We wish him and his family many enjoyable years of health and relaxation.

Congratulations are in order for **Dennis Gannon**, newly elected President of the CFL. His indoctrination to the position included many long days and sleepless nights during the final Hotel and Restaurant Employees' contract bargaining sessions. Also, best wishes go to **Tim Leahy** on his election to Secretary-Treasurer.

A tip of the hat to recently elected H.E.R.E. President **Henry Tamarin**. A new four-year contract was negotiated without a strike – the union's first in six years!

Chicago's labor community lost two great leaders in recent months...**Timothy Roche**, former Business Manager of Sheet Metal Workers #73 and **Robert Healey**, former President of the CFL and Illinois Director of Labor. Our heartfelt sympathy goes to their families. Both men will long be remembered as solid labor leaders.

The U.E.C.W. Local #881's 13th Annual Southern Outing at Belk Park Golf Club in Wood River, Illinois boasted its largest turnout ever. **Paul Schaefer**, Local 881 Union Representative and his staff are to be congratulated for a terrific day.

We wish all the best to **Gerald Sullivan**, retiring Business Manager of Plumbers' Local 130. The local will remain in good hands under the leadership of new Business Manager, **James Sullivan**.

Lynn "Mr. Never Sit Still" Fieldman, IBEW Local #176 and his great crew did it again. These super Joliet and Kankakee labor folks once again shattered their previous record during the "Dollars For Diabetes" fund drive. Congratulations on a tremendous effort for an excellent cause.

Ronald E. Powell Honored



Ronald E. Powell, President UFCW Local 881, was honored at this year's Anti-Defamation League Distinguished Community Service award dinner for his work in the community. In addition to serving as president

of one of the largest labor unions in Illinois, Powell is also a vice president of the International UFCW and a member of BCBSIL's board of directors. BCBSIL co-sponsored the event.

Front, left to right; Frank Harmon, BCBSIL; Michael Madigan, Illinois House Speaker; Ronald E. Powell

Middle, left to right; Jim Corrigan, BCBSIL; Al Nolan, BCBSIL

Rear, left to right; Patrick O'Connor, BCBSIL; Gail Boudreaux, BCBSIL; Sherm Wolff, BCBSIL; Dick Quigley, BCBSIL

The O.C.A.W., which merged with Paperworkers and is now known as P.A.C.E., recently elected **William Gibbons** as Vice President and Regional Director. He replaces **Glenn Goss** who has retired. One of Gibbons' first acts was to move the office from Indianapolis, Indiana to Illinois. The new address is 16335 S. Harlem Ave., Suite 1, SE, Tinley Park, Illinois 60477. The region includes Illinois, Indiana and Michigan.

BCBSIL's 2002 Health & Welfare Golf Outing at Ridge Country Club was a great day and the biggest showing to date. Our own **Frank Harmon** deserves accolades for ensuring that everyone had a good time. The wonderful lunch, golf, reception and dinner culminated with a speech by **Paul Vallas**, former Head of the Chicago Board of Education, who is moving east to Philadelphia.

Speaking of heading east, our good friend **John Lyons**, Sheet Metal #73 Fund Administrator has moved to the Washington headquarters. We extend a warm welcome and congratulations to **Peter Driscoll**, new Fund Administrator of Local 73 Health and Welfare. Driscoll was formerly a vice president at the Segal Company.

Congratulations and best wishes to **Robert White**, President of Teamsters Local 179, who was recently appointed Director of the Central Region Construction Division by General President, **James P. Hoffa**. The Central Region includes 13 states. White was also a unanimous choice by the Executive Board of Joint Council 25 to fill an unexpired term of Trustee on its Executive Board.

Our condolences to the family of **Francis X. McCartin**, Business Manager of Plumbers and Pipefitters Local 597, who recently passed away. He was a 63-year member of the union, 43 of those years as Business Manager.

Congratulations to **Herb Elam**, Directing Business Representative for the Automobile Mechanics Local 701, on being awarded the Ed Kelly Sports 2002 Giant Award. The award is presented annually to a labor leader for professional accomplishments and community service. Winners for the past two years were **Mike Fitzgerald** IBEW 134 and **Frank Wsol** of Teamsters 710.

Welcome New Clients

Central States Southeast and Southwest Areas
Health and Welfare Funds

Chicago Tile Institute Welfare Fund

Illinois Conference of Teamsters & Employers
Welfare Fund

Machinery Movers Local No. 136 Welfare Plan

NECA-IBEW Local No. 364 Health
and Welfare Fund

Structural Iron Workers Local No. 1 Welfare Fund

2001 Condensed Consolidated Statement

Health Care Service Corporation, a Mutual Legal Reserve Company, does business through its corporate divisions, Blue Cross and Blue Shield of Illinois, Blue Cross and Blue Shield of Texas and Blue Cross and Blue Shield of New Mexico. Health Care Service Corporation is an independent organization governed by its own Board of Directors and is solely responsible for its own debts and other obligations.

The Blue Cross and Blue Shield Association licenses Health Care Service Corporation to offer certain products and services under the Blue Cross and Blue Shield brand names.

Neither the Association nor any other organization using the Blue Cross or Blue Shield brand names acts as a guarantor of Health Care Service Corporation's obligations.

A copy of Health Care Service Corporation's most recent audited financial statement is available upon written request to Public Affairs/Consolidated Balance Sheet, Health Care Service Corporation, 300 East Randolph Street, 19th Floor, Chicago, Illinois 60601.

Health Care Service Corporation and Subsidiaries

*Condensed consolidated balance sheet, December 31, 2001
(In Thousands of Dollars)*

ASSETS

Cash & Investments	\$2,861,010
Premiums & Other Receivables	1,045,423
Property & Equipment	257,977
Other Assets	<u>624,987</u>
Total Admitted Assets	<u>\$4,789,397</u>

LIABILITIES & NET WORTH

Claim Reserves	\$1,162,026
Aggregate Reserves	1,000,378
Accounts Payable & Other Liabilities	1,046,079
Debt	<u>400,000</u>
Total Liabilities	\$3,608,483
Statutory Net Worth	<u>\$1,180,914</u>
Total Liabilities & Net Worth	<u>\$4,789,397</u>

This statement is for information only. No action is required.

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Labor Connection is a publication for those who work in and with organized labor. To receive this newsletter regularly, write to Frank Harmon, Labor Affairs Dept., Blue Cross and Blue Shield of Illinois, 300 East Randolph Street, 26th Floor, Chicago, Illinois 60601 or send an e-mail request to harmonf@bcbsil.com. Please inform us of address changes, new union officers and other updates. So that we may serve you better, please provide us with your e-mail address. Send it to bagwanedep@bcbsil.com.

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nanglen@bcbsil.com