



ORGAN TRANSPLANT PROTECTION FOR SELF-FUNDED GROUPS





WHAT YOU NEED TO KNOW

Self Funded Groups need to plan on separate insurance to protect themselves from the eventuality of a transplant exposure...

BECAUSE

Your Stop Loss Insurance may not protect you from this catastrophic expense



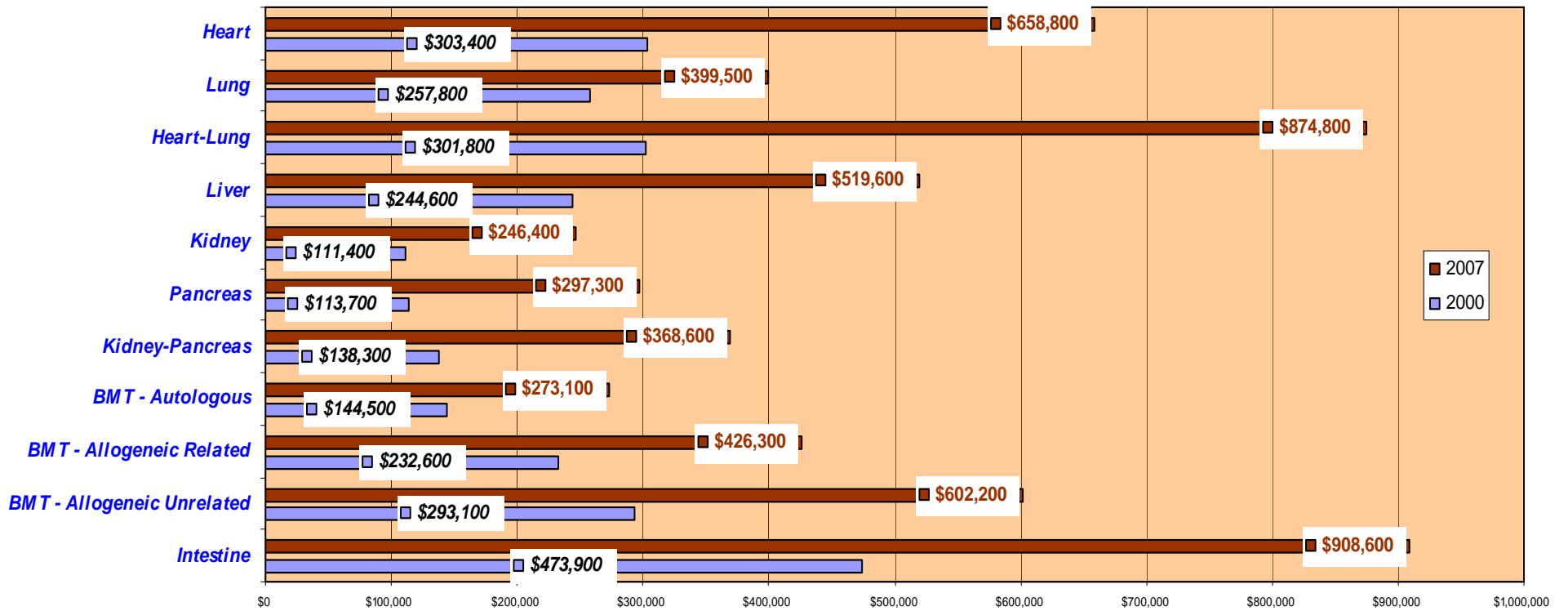


TRANSPLANT FACTS

- **Number of transplants have doubled in the past ten years - any group, regardless of size, can be hit by transplant exposures**
- **Number of people on waiting lists has tripled in the past ten years - transplant technology has improved outcomes for survival in a number of disease categories**
- **Improved donor education and living organ transplants will continue to help increase frequency of transplants**
- **10% to 25% of catastrophic costs in a group can be attributed to transplant exposures - therefore has significant effect on stop loss reinsurance costs**
- **Medical trend cost are rising – the costs of transplant are not going down**



AVG. Billed Charges Per Transplant*



•Milliman: 2007 US Organ and Tissue Transplant Cost Estimates: include evaluation, hospital, physician, follow-up and immuno drugs.





Number of Transplants per Year

Bone Marrow	15,549
Kidney	17,015
Liver	6,504
Heart	2,118
Kidney / Pancreas	924
Lung / Double Lung	1,627
Pancreas	490
Intestine	81
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TOTAL	44,308
Waiting List Candidates	99,406

(Milliman 2007 US Organ and Tissue Cost Estimates Report)





AVERAGE WAITING TIMES FOR TRANSPLANTS

Heart	<i>206 days</i>
Lung	<i>704 days</i>
Heart / Lung	<i>889 days</i>
Liver	<i>517 days</i>
Kidney	<i>1,099 days</i>
Pancreas	<i>179 days</i>
Kidney / Pancreas	<i>442 days</i>
Intestine	<i>285 days</i>





Transplant Probability* by Group Size and Year

NO. OF EES	1 YEAR	3 YEARS	5 YEARS
100	16%	22%	28%
200	29%	39%	48%
300	40%	53%	63%
400	49%	63%	73%
500	57%	71%	81%
750	72%	85%	92%
1000	82%	92%	96%
1500	92%	98%	99%
2000	97%	99%	100%

*Exposures can include actual transplants as well as evaluated but not yet transplanted patients.
Statistics based on AIG's block of OT business.





HOW A TRANSPLANT CARVE OUT WORKS

- A carve-out insurance program is a way for an employer to transfer financial obligation for a specific healthcare condition to a third party.
- These are categories that are either high cost or unpredictable, such as transplants, premature babies, etc.
- With a carve-out insurance program, risk is typically transferred on a “first dollar” or fully-insured basis as soon as a covered employee is identified as needing a specific service.
- For acute care services, a carve out also offers the benefit of the full “episode of care”, e.g. from evaluation of needing a transplant through 365 days post transplant.
- Carve outs provide predictability for a particular condition and can allow the company to trade unknown, highly variable claims expenses for known costs.





How the Program is Underwritten

- ❖ Minimum enrollment is 500 employees (if subscribing to AIG stop loss), 1,000 ee's if stand-alone.
- ❖ Pooling arrangements thru select TPAs take minimums down to 50 employees
- ❖ Rates* are based on per state (population-based frequency, utilization, provider costs) e.g.
 - Connecticut \$5.35 Single \$12.30 Family
 - New York \$5.77 Single \$13.26 Family
 - Texas \$4.94 Single \$11.34 Family
 - Utah \$4.83 Single \$11.10 Family
- ❖ Rates impose pre-existing condition clause for 12 months.

* 2009 Rates shown net of commission





How the Program is Underwritten (cont'd)

- ❖ **Pre-existing disclosure encompasses any participant that has had a transplant or been recommended, evaluated, has CKD/ESRD/Dialysis or listed as needing a transplant 24 months prior to effective date. Participant is excluded from coverage for 12 months.**
- ❖ **Run-out Expenses (365 days post transplant) are covered automatically IF the transplant procedure occurs during the contract period, regardless whether the group renews.**
- ❖ **Re-transplants are covered and considered as separate benefit periods if separated by 90 days from the last transplant, otherwise the benefit period is based on date of the first transplant.**



AIG TRANSPLANT POLICY / PROGRAM

- **Pays 100% of all transplant-related costs from 1st dollar to \$1 million (Hospital, physician, pharmacy) when in network – Heart, Lung, Liver, Kidney, Pancreas, Kidney/Pancreas, Bone Marrow, Small Bowel**
- **80% paid out-of-network up to a scheduled amount per transplant**
- **Benefit period begins at evaluation stage and extends 365 days post transplant—covering virtually all catastrophic claims relating to transplants. Shorter benefit period available.**
- **No deductibles or co-insurance for patient when in-network**
- **Generous travel allowance for patient and companion (\$10,000 per lifetime)**
- **Coverage for certain NCI Phase Trials when in-network**
- **PEPM rate includes risk transfer, network access and transplant case management**





BENEFITS TO THE EMPLOYER

- **Avoids the probability of a laser (40% of all lasers imposed on self funded groups are due to transplants)**
- **Helps stabilize stop loss insurance costs at renewals**
- **Can discount stop loss rates by 2% to 10%**
- **Option of choosing higher specific retention for more efficient stop loss rate due to first dollar coverage of a prevalent catastrophic exposure**
- **Provides access to finest transplant hospitals in the nation**
- **Experienced transplant management with the patient's well being in mind at all times**
- **Transplant policy provides a significant upgrade to this benefit within the company's health plan**





Value Proposition Of Transplant Carve Outs

SAMPLE CASE

	<u>Spec Deduct.</u>	<u>Est. SL Premium</u>	<u>Transplant Premium</u>
250 EE's	\$50,000	\$200,000	\$24,000
Internally funded transplant exposure	↓ \$16.66 pepm		↓ \$8.00 pepm
Probable Laser	↓ \$250,000	↓	
Now funded Internally at.....	↓ \$83.33 pepm...	7% discount off (\$14,000) -(\$24,000 minus \$14,000) = \$10,000	↓ ...\$3.33 pepm
Vs.....		
Transplant occurs year 1, saves = \$240,000		(Probable Laser of \$250,000 - 1 yr Premium \$10,000)	
...if no transplant until year 2, saves = \$230,000		(Probable Laser of \$250,000 - 2 yr Premium \$20,000)	
...if no transplant until year 3, saves = \$220,000		(Probable Laser of \$250,000 - 3 yr Premium \$30,000)	

Number of years necessary to go without a transplant exposure for the program to be a negative financial value .. 25 years

