

Summit Perspectives

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The pessimist sees difficulty in every opportunity. The optimist sees the opportunity in every difficulty.
-Winston Churchill



Summit Reinsurance Services, Inc.

Corporate Office
1502 Magnavox Way, Suite 120
Fort Wayne, IN 46804
260-469-3000
Fax 260-469-3014

Regional Office
12555 Orange Drive, Suite 239
Davie, FL 33330
954-862-1737
Fax 954-862-1738

www.Summit-Re.com

Managing Your Risk the Summit Re Way

The world is full of risks. These risks present opportunities and, if managed properly, rewards. Summit Re can help you understand the risk, follow the risk, capitalize on the opportunity and reap the rewards of properly managed opportunities.

Founding Principles

Summit Re was founded on four main principles:

- Practice **consistent and fair underwriting** which will produce a profit for our reinsurer and balance sheet stability for our customers.
- Deliver **benchmark customer service** at effective expense levels.
- Offer **value-added managed care programs** to complement those of our clients, particularly in high cost

areas such as organ transplants, traumas and low birth weight babies.

- Provide **products and services** to assist managed care customers desiring to expand into other fully insured PPO/Point of Service/Out-of-Area programs and employer stop loss programs.

Summit Re can help you design and implement solutions to satisfy *your* risk management needs. You'll see that we operate on a few simple tenets:

- Enthusiasm** – be enthusiastic about your job and the ability to make changes and meet customer requirements.
- Optimism** – be optimistic about the future and your ability to shape it.
- Values** – live your values. Stand for something. You are what you do.

Putting Service in Service Standards

We set standards for ourselves so you can reap the benefits of timely and accurate service. Our claims and contracts staff prides themselves not only on meeting the service standards, but also

consistently exceeding the standards. That means you can rely on timely and accurate service from Summit Re so you can concentrate on your business without worries about your reinsurance.

Service Standard	Goal	Results
Claims Turnaround Time	<30 days	8 days
Claim Quality	>99%	99.3%
Contract Turnaround Time	<30 days	21 days

Swiss Re Purchase of ERC

On June 10, 2006, Employers Reinsurance Corporation (ERC) was acquired by Swiss Re. Both Summit Re and ERC are excited about this business transaction, as it will increase our ability to provide you with the best financial security, expertise and service in the reinsurance industry.

Swiss Re took a strong balance sheet and made it even stronger.

The transaction includes all of the Commercial Insurance operations of Employers Reinsurance Corporation. Swiss Re specifically sought to include the HMO reinsurance and employer stop loss product lines in this transaction and has plans to grow the Commercial Insurance operations.

Effective with the closing, the senior management of the Commercial Insurance division of ERC will remain in place, including Robin

Sterneck, President, and Jeff Argotsinger, Vice President and medical excess product manager.

ERC, as a part of Swiss Re, will provide our customers with even more customized solutions. As a company focused solely on insurance and reinsurance risk worldwide, Swiss Re recognizes the value of building and growing customer relationships for the long term. Swiss Re is now the world's largest reinsurance company in both property/casualty and life/health business.

As part of the transaction, General Electric, the former parent of ERC, has acquired 9% of Swiss Re shares and will have a board seat. GE is essentially taking a smaller share in a larger operation.

With this acquisition of ERC, Swiss Re took a strong balance sheet and made it even stronger. ERC is currently rated A by AM Best, and Swiss Re is A+. Below is a summary of the financials of the combined operation (2005 results were not yet available).

Summit Re and ERC have a long-term agreement to underwrite catastrophic medical excess reinsurance together. We look forward to the opportunity to provide HMOs and other managed care plans with reinsurance through our exclusive relationship with ERC. Swiss Re management has re-approved our marketing plan, pricing / underwriting manuals and guidelines.

If you have any questions, please feel free to contact your Summit Re Regional Vice President or call Brian Fehlhaber at 260-469-3004.

Summit Re Contacts

Mark Troutman
President
mtroutman@summit-re.com
260-469-3010

Laura Studebaker
Director, Client Services
lstudebaker@summit-re.com
260-469-3006

Brian Fehlhaber
VP, Sales and Marketing
bfehlhaber@summit-re.com
260-469-3004

Deborah Stubbs, RN, MS, CCM
Managed Care Specialist
dstubbs@summit-re.com
260-407-3979

Kris Lahey
Director, Claims Management
klahey@summit-re.com
260-469-3017

2004 financials (in USD billions)

	Swiss Re	GEIS	Total
Net premiums earned	25.9	6.2	32.1
Total assets	162.2	41.5	203.7
Claim reserves	54.2	21.8	76.0
Shareholders' equity	16.9	8.4	25.3

Best of Both Worlds: Self-Funding and Managed Care

To control the rising costs of providing a medical benefit program, some employers look to self-funding. HMOs that can offer administrative services only (ASO) or affiliate with third party administrators (TPAs) can bring both a self-funded approach and managed care programs to employers.

Select an MGU with expertise in both managed care and self-funding, one who understands this unique combination of funding and managed care.

Selecting an MGU

HMOs who participate in the employer stop loss market should carefully select a managing general underwriter (MGU) with expertise in both managed care reinsurance and the self-funded market. Your MGU should also have full-service capabilities. Summit Re is a full-service MGU focusing on HMOs who participate in the employer stop loss market. Our managed care experience sets us apart from traditional employer stop loss carriers and managing underwriters.

Pricing and Underwriting

Summit Re's staff of underwriters and actuaries is dually equipped to understand this combination of funding and managed care savings. We apply our knowledge in the development of competitive stop loss rates and aggregate funding factors for your self-funded clients. As one of the market leaders in HMO ex-

cess reinsurance, we have a unique understanding of HMOs and their excess medical risk. We review not only your provider contracts, but also your managed care protocols and your HMO experience.

Sales Support

Summit Re takes an active role in helping you place self-funded business. We are a phone call away to discuss strategy on individual accounts. In unique situations, we can assist you in the on-site presentation of the stop loss proposal to the employer. Once a group is sold, we focus on servicing the account.

Integrated Administration

Our rating and proposal system is fully integrated with our stop loss contract production, premium collection, and claims payment modules. This results in proposal-based policy issued quickly, accurate premium accounting, and timely claim payments. We also have an experienced staff in each functional area to ensure that personalized service isn't forgotten.

Risk Transfer Flexibility

Summit Re works with two carriers who provide the employer stop loss product: Companion Life Insurance Company and Presidential Life Insurance Company. These two carriers allow Summit Re to write this product in all 50 states.

If you want to retain some of the risk but do not have an insurance company, there are certain approaches we can use that allow you to assume a portion of the risk writ-

ten by one of our insurance company partners and managed by Summit Re.

If you have an insurance company to write the employer stop loss product, your carrier can keep some or all of the risk. Summit Re can provide some or all of the MGU services, or your insurance company can perform all the functions with Summit Re providing consulting services in specific areas.

Summit Re's goal is to be creative, responsive and entrepreneurial, to help you meet your strategic goals for employer stop loss, whatever they may be!

Stop Loss Contacts

Jon Anderson
Vice President
janderson@summit-re.com
260-469-3002

Chris Alexander
Regional Vice President
calexander@summit-re.com
260-469-3012

Allen Engen
Regional Vice President
aengen@summit-re.com
763-479-0804

Deborah Stubbs, RN, MS, CCM
Managed Care Specialist
dstubbs@summit-re.com
260-407-3979

Peggy Richardson
Claims Manager
prichardson@summit-re.com
260-469-3013

Early Intervention Goal of New Clinical Notice Process

To better assist you in managing your risk and to minimize paperwork, Summit Re has significantly revised the notification process for high cost, catastrophic cases. The main goal of the revised process is to help you manage your risk while there is an opportunity to intervene.

Under the current HMO reinsurance agreements, clients are required to notify Summit Re of members whose eligible expenses have reached 50% of the deductible. Currently, Summit Re receives the majority of the 50% notices from finance or claims departments. By

this time, the claims have already been paid by you, and it is usually too late to implement any additional interventions that may help mitigate costs, as illustrated in the two examples below.

Summit Re will no longer require submission of a 50% notice report from the finance/claims area. Instead, we are requesting **clinical notices from the medical management department**. The clinical notices will be much more actionable, since services may still be in the pre-service negotiation phase, the case may be undergoing concur-

rent review and claims have not yet been paid.

As reinsurance agreements are renewed, the language regarding 50% notices will be revised to reflect the new process. The revised referral trigger list (see page 5) keeps the focus on situations where Summit Re may be of assistance to you.

If you have any questions or would like to schedule a meeting to discuss the new process, please contact Debbie Stubbs, RN, MS, CCM, Managed Care Specialist, at 260-407-3979 or dstubbs@summit-re.com

The Cost of Late Notification

Example #1

A patient was hospitalized for 16 days at a non-contracted hospital and the total claim submitted upon discharge was \$1.4 million. The claim was paid by the health plan upon receipt. The majority of the bill, \$1.2 million, was for a drug that was approved for administration by the medical management staff of the health plan.

Summit Re received the first notification of the case when the reinsurance claim was submitted since there was no interim billing. Summit Re requested an itemized hospital bill to determine the amount of the drug administered and cost per unit. Based on the amount administered, the average wholesale price (AWP) for the amount of drug administered was calculated at \$200,000. If Summit Re had been notified of the case by the medical management staff during the admission, or by the health plan claims staff BEFORE payment of the claim, negotiation of the drug cost may have significantly decreased the total cost of the admission.

Example #2

A 23-week premature infant was admitted to an out-of-network NICU. The health plan medical management staff was notified of the admission three days after the birth and continued to follow the NICU admission until the infant was discharged almost one year later. The medical management staff had difficulty receiving clinical information from the out-of-network NICU, but approved the admission based on the limited information provided. The facility did not submit a claim until discharge and \$1.3 million was paid by the plan.

Summit Re was first notified of the case when the reinsurance claim was submitted since there was no interim billing. Summit Re requested a bill history to identify potential savings related to decreased length of stay and potential experimental treatment charges. If Summit Re had been notified by the medical management staff soon after the birth, there might have been an opportunity to intervene and potentially decrease the NICU length of stay or review the NICU bill before payment and ultimately decrease the total cost.

Clinical Notification Triggers

The clinical notice form should be used by the medical management staff to notify Summit Re of potential cases where Summit ReSources may be of assistance to you. Use the clinical notification triggers list as a guide. The list is not all inclusive, so feel free to submit a clinical notification on any case for which Summit Re may be of assistance to you.

Diagnosis	Case Characteristics
<p>High cost pharmacy, such as Flolan, Factor VII, Factor VIII, Cerezyme <i>ICD-9: 272.7, 286.0, 415.0, 416.0, 416.8</i></p>	<p>Out of network services with minimal or no negotiated discounts</p>
<p>Major burns with a potential for a prolonged hospitalization <i>ICD-9: 941.0, 942.0, 943.0, 945.0, 948.2-9</i></p>	<p>Billed charges that greatly exceed reasonable and customary for the services rendered – refer <i>before</i> the claim is paid</p>
<p>ESRD/dialysis with monthly dialysis costs greater than \$10,000 <i>ICD-9: V56.0, V56.8, V45.1</i></p>	<p>Questionable charges, such as unbundling or experimental treatments</p>
<p>Major injuries or multiple trauma with a potential for a prolonged hospitalization and/or acute rehabilitation admission</p>	<p>Cases with the potential to exceed the reinsurance deductible</p>
<p>Premature infants with one or more of the following:</p> <ul style="list-style-type: none"> • gestational age \leq 24 weeks <i>ICD-9: 765.0</i> • severe congenital heart disease, e.g. hypoplastic left heart, Tetralogy of Fallot, etc. <i>ICD-9: 746.7, 746.01, 746.89, 745.2</i> • severe gastrointestinal anomalies, e.g. gastroschisis, omphalocele, necrotizing enterocolitis, short bowel syndrome, etc. <i>ICD-9: 756.79, 777.5, 777.8, 579.3, 756.79</i> • severe bronchopulmonary dysplasia requiring long term ventilator treatment <i>ICD-9: 770.7</i> 	<p>Multiple inpatient stays</p>

Submission Process for Clinical Notices

1. Use the clinical notification triggers list as a guide for completion of clinical notifications submitted to Summit Re.
2. It is recommended that the clinical notices be submitted from the medical management department as they are usually the department first notified of a request for services.
3. Complete the Clinical Notification Form (*all sections that apply to your case*).
4. Completed forms may be faxed to 260-469-3014, emailed via encrypted software to claims@summit-re.com, or mailed to Summit Re-insurance Services, 1502 Magnavox Way, Suite 120, Fort Wayne, IN 46804.
5. In lieu of the clinical notification form, you may submit a report containing similar information.

Clinical Notification Contacts

Deborah Stubbs, RN, MS, CCM
Managed Care Specialist
260-407-3979
dstubbs@summit-re.com

Kris Lahey
Director, Claims Management
260-469-3017
klahey@summit-re.com

Laura Studebaker
Director, Client Services
260-469-3006
lstudebaker@summit-re.com

Medicare Revenue Recovery ReSource

Medicare reimbursement is one of the top issues that our clients face, so we've identified a unique way to make your Medicare revenue recovery much less of a headache.

Beam Partners, LLC specializes in helping healthcare plans recover additional Medicare premium by using custom software that combines your medical claims and pharmacy data to identify the medical records that qualify.

Every disease not submitted to CMS represents lost revenue, especially for patients with co-morbidities.

Morbidity-based payments

The Medicare Advantage program operates under a diagnosis-based risk adjustment system that pays higher monthly capitation rates for enrollees with higher morbidity levels. Diagnosis codes extracted from medical claims are submitted to Centers for Medicare and Medicaid Services (CMS). CMS uses these diagnoses to assign enrollees to disease categories. The problem is that medical claims often do not reflect the enrollees' true morbidity:

- Only a fraction of the diseases and conditions documented in the medical record ever make it to the claim form or record sub-

mitted to the health plan

- New enrollees often have inadequate claims information
- Inadequate diagnosis coding is common because diagnosis codes rarely factor into the claims adjudication process

Every disease not submitted to CMS that is included in the CMS-HCC (Hierarchical Condition Categories) model represents lost revenue. This lost revenue is most acute

for patients with co-morbidities, who are likely to require a disproportionate share of your resources.

Lost Opportunity

If you have not reviewed medical records for additional HCCs in the past two years, you may have given up significant revenue. The portion of the capitation payment attributable to medical diagnosis is being phased in by



CMS through 2007, at which time 100% of the premium payment will be risk based. The table gives the transition schedule.

Results

Working closely with your staff, Beam clinical staff assesses data and medical charts to maximize recovery of lost premium. The results can be substantial. Based on its experience, **Beam Partners estimates recoveries of about \$3 million for every 10,000 members in the Medicare plan.** Therefore, for plans with 25,000 members, approximately \$7.5 million of additional recoveries is typical.

Contact: Your Summit Re account manager or Brian Fehlhaber, VP, Sales and Marketing at 260-469-3004 or bfehlhaber@summit-re.com.

CMS Schedule to Convert to Risk-Based Payment

Payment Year	Demographic Payment	Risk Payment
2004 (DOS 2003)	70%	30%
2005 (DOS 2004)	50%	50%
2006 (DOS 2005)	25%	75%
2007 (DOS 2006)	0%	100%

Access Specialty Physician Consultants

Summit ReSources recently signed an agreement with Advanced Medical Strategies (AMS) providing preferred pricing for specialty physician consulting services.

AMS is a physician-operated medical management company that helps healthcare companies dramatically improve the effectiveness of their medical management, while significantly reducing their costs.

Access over 800 specialty physicians for case reviews and discount negotiations

Collaborative Physician Reviews

AMS provides peer-to-peer collaborative physician interactions to improve quality of care and significantly reduce healthcare claims costs. AMS has access to over 800 specialty physicians across the United States to conduct patient-

specific case reviews to provide an independent opinion regarding complex cases, experimental/investigational situations, required second opinion situations, and review of cases needing a specialist review where you may not have the appropriate specialist available within your network. The reports by AMS physicians may be evidence based, criteria based or founded on expert medical opinion.

Discount Negotiations

AMS physicians directly negotiate discounts for inpatient facilities and attending or consulting physician charges, on both a prospective and retrospective basis. Clients receive a signed letter of agreement from the inpatient facility or physician outlining the negotiated terms.

Audits

AMS works with partner companies to assess provider bills for inflated charges, billing errors, unbundling and level of care issues. The audit



reports include line-by-line itemized charge reviews with a rationale provided for each recommended reduced or denied charge. AMS' audit partners also defend provider appeals of the audit and assist you in negotiating settlements.

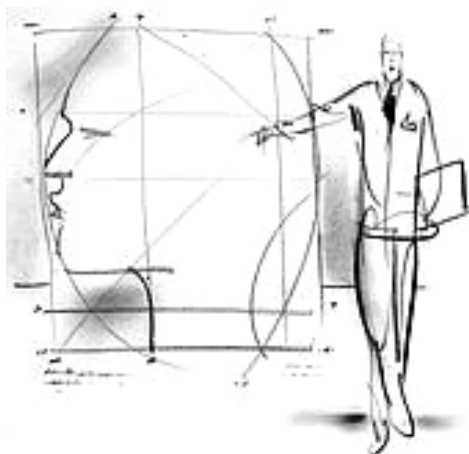
Physicians. Taking Care of Business

AMS knows the needs of businesses and business people and, since AMS is operated by physicians, AMS knows the healthcare industry inside and out. For these reasons, they can strike the delicate balance between cost and care, between medicine and business.

Contact:

*Debbie Stubbs RN, MS, CCM
Managed Care Specialist
260-407-3979
dstubbs@summit-re.com.*

Schedule an Inhouse Case Management Seminar



To help your staff keep current with case management trends and standards of practice, Summit ReSources is offering a free case management seminar.

This seminar has been approved for 3.5 contact hours by the Commission for Case Manager Certification (CCMC).

The seminar topics include standards of practice, trends in case

management and benefits of case management. We will also personalize the seminar by discussing the successes and challenges of your case management program.

Summit Re clients can schedule the free seminar for their teams by contacting:

*Debbie Stubbs, RN, MS, CCM
Managed Care Specialist
260-407-3979
dstubbs@summit-re.com*

Information-Based Decisions with TransAdvise

URN's TransAdvise is a new complimentary service for our clients who have contracts with URN. TransAdvise clinical consultants can assist you and your members by providing information about transplant-related diagnoses and treatment options.

A dedicated team of transplant nurse experts who work with more than 12,000 transplants each year are available to provide:

- Transplant program performance information (e.g. annual

volumes and outcomes) to help patients make more informed decisions about their transplant care.

- Information about relevant clinical trials and treatment protocols based on diagnosis or underlying condition.
- Assistance in referral to Transplant Centers of Excellence Network programs to maximize clinical and financial outcomes.

These services help you and your members make more informed de-

isions about transplant care with the goal of better outcomes.

Access to TransAdvise is direct, flexible, easy, and free to our clients. Simply call **(800) 343-4305** to speak with a TransAdvise clinical consultant or provide this number directly to your members. TransAdvise clinical consultants are available from 7:00 a.m. to 6:00 p.m. CST, Monday through Friday. Conference calls with a TransAdvise clinical consultant are also available for you and your member.

Summit Re/URN Transplant Program

The Fall 2005 edition of *Summit Perspectives* detailed Summit Re's new transplant program features with United Resources Networks (URN).

Some key points to keep in mind regarding the program are:

- URN access fees are discounted for transplant services on business reinsured through Summit Re. These discounts are not available by directly contracting with URN or through any

other reinsurer.

- URN will extend the Summit Re discount fee arrangements to a new Summit Re client who was using URN through another reinsurer.
- A Summit Re client does not have to use URN exclusively in order to obtain the discounted access fees for transplant services where URN is utilized on business reinsured through Summit Re.
- Zero Access Fees (ZAP) is an

exclusive URN arrangement with Summit Re. It provides for alternative transplant facility terms with no access fees. These terms can be elected on a case-by-case basis at the time of each transplant referral.

Please contact Debbie Stubbs RN, MS, CCM at dstubbs@summit-re.com if you have any questions or would like additional information concerning the Summit Re/URN Transplant Program.

Summit Perspectives is a periodic newsletter published by Summit Reinsurance Services, Inc., a full-service managing underwriter and reinsurance intermediary that focuses exclusively on managed care. *Summit Perspectives* highlights various items from both Summit Re and the managed care reinsurance marketplace. We will publish it only when we have important information to share.

If an item in this edition generates questions or comments, please give us a call at 260-469-3000 or write to us at www.summit-re.com.



SummitRe

Summit Reinsurance Services, Inc.

1502 Magnavox Way, Suite 120

Fort Wayne, IN 46804

260-469-3000

Fax 260-469-3014

www.Summit-Re.com