

US HEALTHCARE REFORM: Planning for Uncertainty with Confidence

TABLE OF CONTENTS

- 3 Uncertainty is Opportunity:
 4 Scenarios to Consider for US Healthcare Reform
- 8 Scenario: Retain Members
 Reform: Weak / Employment: Weak
- 9 Scenario: Tight Squeeze
 Reform: Robust / Employment: Weak
- 10 Scenario: All Insured
 Reform: Robust / Employment: Robust
- 11 Scenario: Differentiate Now
 Reform: Weak / Employment: Robust
- 12 Change is Certain: Are You Ready?
- 13 About SunGard's iWorks

PLANNING FOR UNCERTAINTY WITH CONFIDENCE: HEALTHCARE PAYER SCENARIOS

Uncertainty is Opportunity: 4 Scenarios to Consider for US Healthcare Reform

Will healthcare reform be the compelling event that drives healthcare payer systems to needed transformation? SunGard's point of view and position for healthcare payer business administration is that if you are not planning now, you are not going to be ready for healthcare reforms as scenarios unfold.

After careful market analysis, C-level interviews and feedback from many current customers, SunGard has formed a scenario-based approach to the current healthcare payer market. While it is clear no one knows exactly how important events will continue to develop, it is equally clear that inaction is an unacceptable response. SunGard offers this point of view to stimulate new ideas, discussions and provide a roadmap to help make decisions in the present.

Healthcare Payer Reform: Anticipating Uncertainty

The changes payers now face will require strong cost controls and consistent monitoring to maintain employer satisfaction across claims accuracy, timeliness, fees, online payments, eligibility, discounts and analytical reporting capabilities.

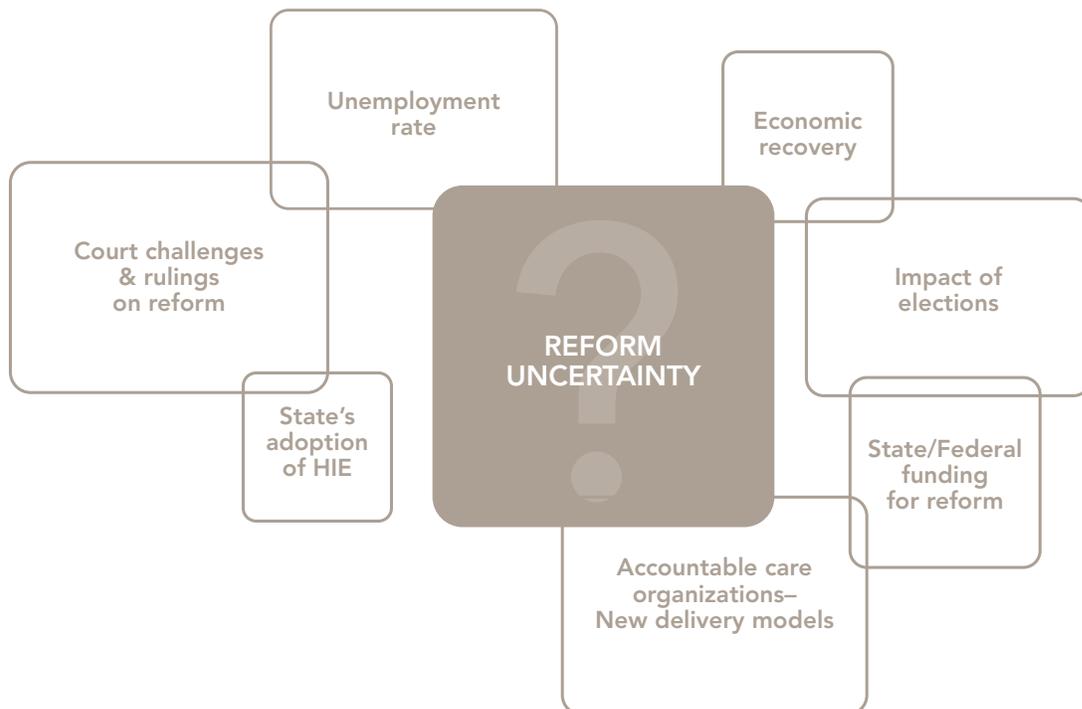
Healthcare reform is an opportunity to evaluate people, processes and technology for relevant outcomes. However, the opportunity is accompanied by a challenge. Reform addresses so many aspects of a payers' operations that prioritization of its initiatives within each health plan is influenced by more than just the timeline of the law. Changing membership demographics, economic recovery and many other factors can affect the phases and depth of implementation within a plan. There are many areas and ideas which recur in the discussion: detailed Medical Loss Ratio (MLR) compliance, performance guarantees, wellness programs, disease management, personal health records and online comparison tools are just a few among many others. When change is the only certainty, which initiatives are the best ones to pursue today?

Considering a Spectrum of Possibilities

In late 2008, the global economy faltered causing U.S. unemployment in both public and private sectors to soar. A multi-year recession has followed raising questions about the ability of governments, both at national and state levels to fund their portions of healthcare reform. Prolonged unemployment has further complicated the mixture of insured, underinsured and uninsured in the healthcare marketplace.

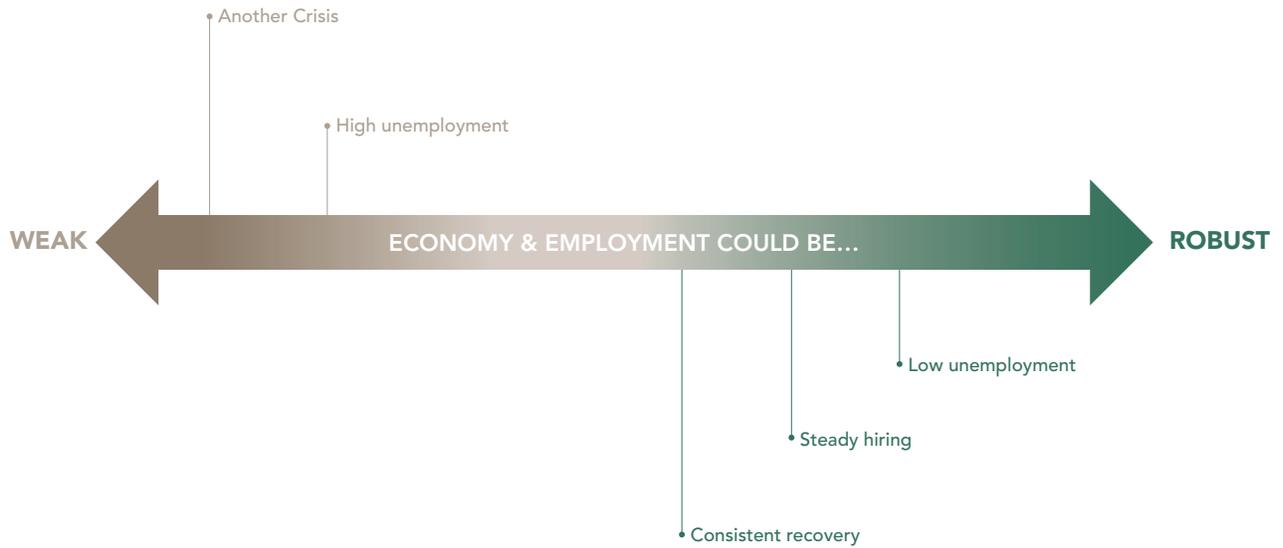
After passage of the Patient Protection and Affordable Care Act (PPACA) in March 2010, U.S. healthcare payers entered a new period of legislation. Stricter Medical Loss Ratios (MLR), member care management, healthcare exchanges and other initiatives such as Accountable Care Organizations (ACO) each place new demands on payers. But the legislation is being challenged in various ways both politically and legally.

The economy and reform politics are the main variables underlying nearly all of the difficult questions facing healthcare payers today. Unemployment, a significant factor in the economy, has an even more substantial impact on both private group and public health insurers. Further, the economy can influence the political climate to implement reform.

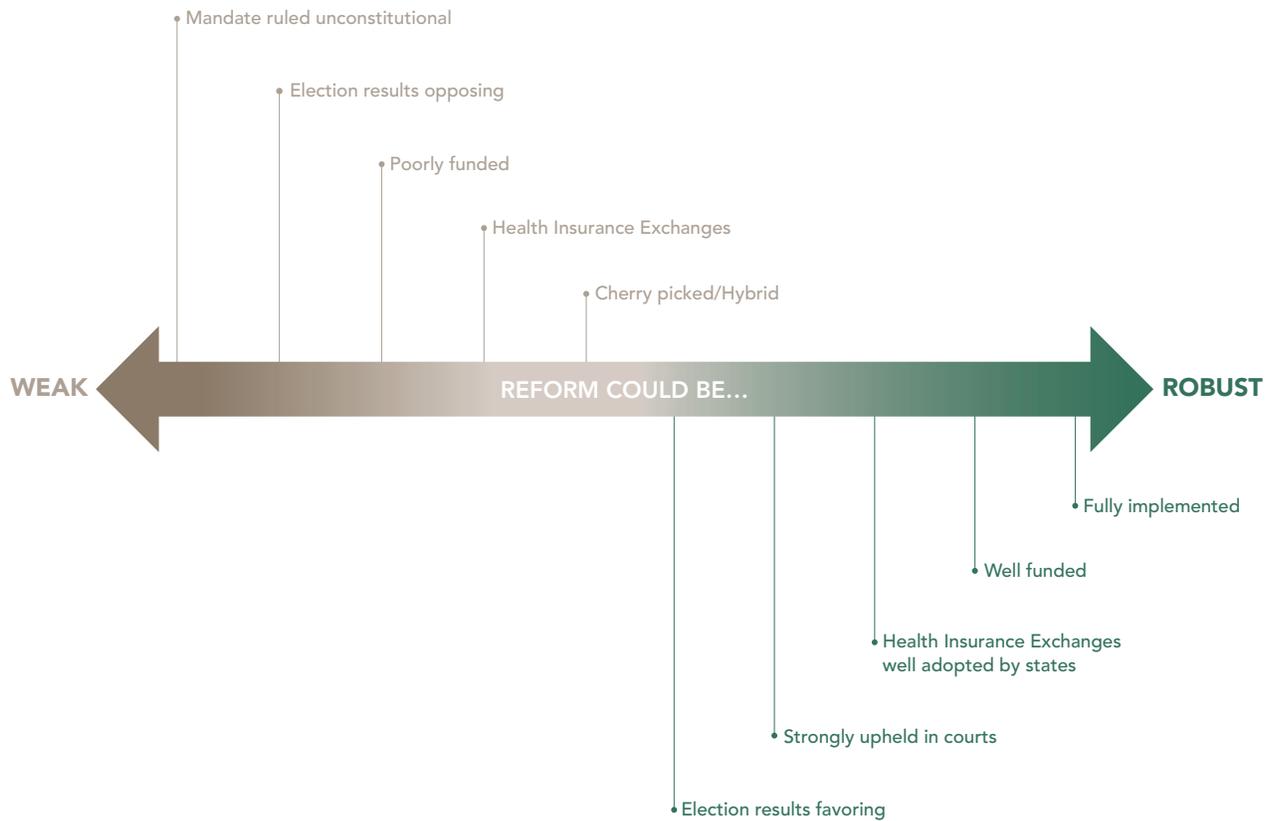


These two forces each have a spectrum of possible events and related questions which need to be taken into account for planning.

A SPECTRUM OF POSSIBLE EVENTS FOR THE U.S. ECONOMY AND EMPLOYMENT



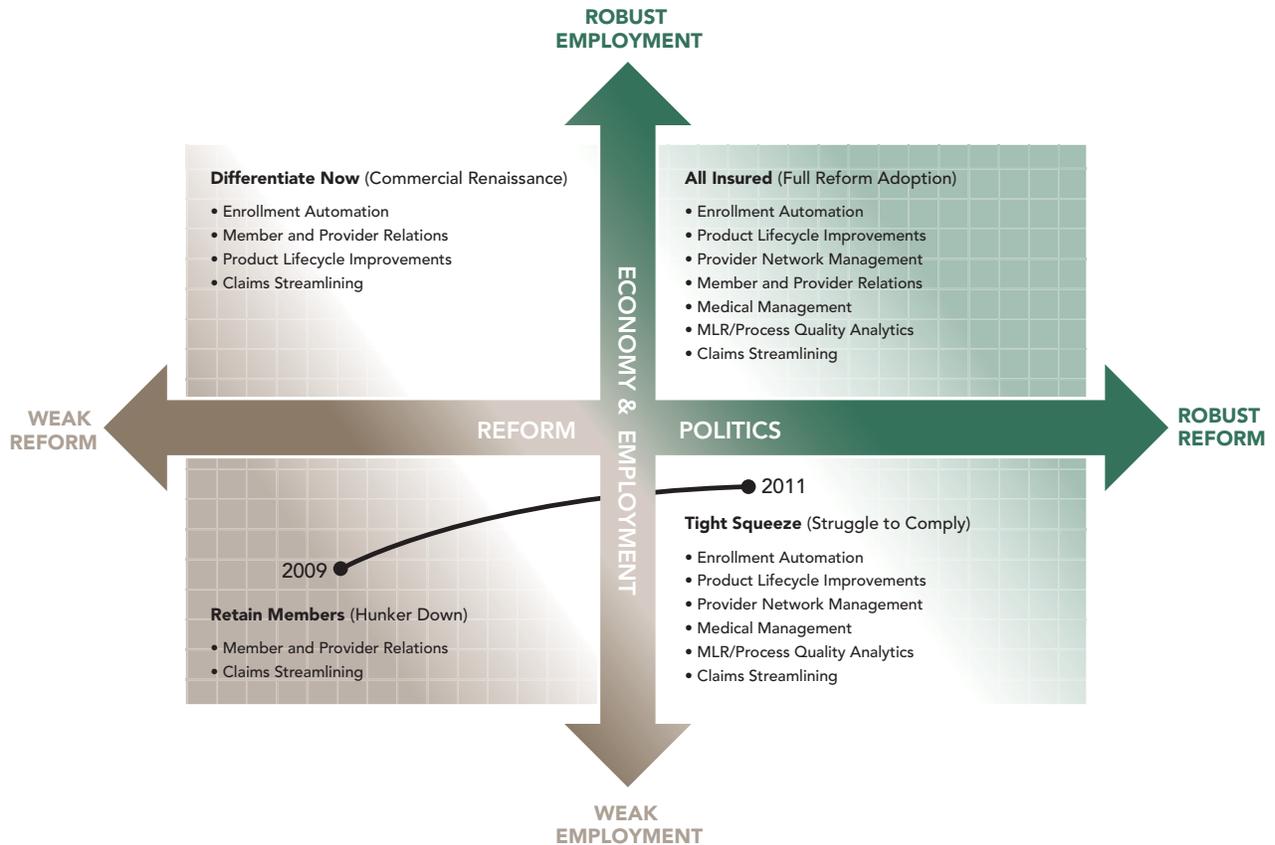
A SPECTRUM OF POSSIBLE EVENTS FOR HEALTHCARE REFORM POLITICS, FUNDING, AND LEGAL CHALLENGES



At the far left of the spectrum, the economy could lapse into another crisis similar to that of 2008, accompanied by higher unemployment and commercial loss. In the political realm, healthcare reform could be repealed or implemented in such a modest manner, its primary intent or effects are nullified.

At the far right of the spectrum, the economy for both main street and Wall Street could grow enough to correct the effects of the recession, including unemployment. Likewise, reform may be implemented to fulfill not just the letter but the spirit of the legislation.

Of course, both ends of the spectrum may vary independently. Along each spectrum are more moderate degrees of recovery, recession, repeal or implementation with corresponding effects. These "hybrid" situations are influenced by funding, economic shifts, election changes, state pressures and other forces.



Healthcare Payer Scenarios: What to Expect

SunGard combines the economic and political spectrums to highlight four main scenarios and pressures, given various economic and reform impacts. Titles describe possible future marketplaces for healthcare payers. These are not precise predictions. The purpose of the diagram is to contrast the implications of different possibilities in employment and reform. The far corners of the matrix magnify the extremes and impacts to healthcare payers. Reality will likely be a hybrid of two or possibly three of these scenarios, but isolating them in this manner helps clarify planning choices.

The scenarios on the right hand (white to green) side of the vertical center line imply the most change for healthcare payers because they represent varying rates and degrees of reform depending upon economic strength.

Although these four are offered as hypothetical scenarios, some companies are pursuing projects which provide benefit in most or all four quadrants with specific follow-on phases planned for each as events continue to unfold.

Healthcare payers have an opportunity today to plan and prepare for uncertainty with confidence. As the economy and reforms unfold, SunGard has a point of view and recommendations covering four possible U.S. Healthcare Payer Scenarios.

SCENARIO: RETAIN MEMBERS REFORM: WEAK / EMPLOYMENT: WEAK

Position: In a Retain Members scenario, we assume that reduced employment is caused by deep cuts in most areas of commercial operations. This is the scenario most healthcare payers faced in 2009. Any future events causing a return to the combination of a failing economy and tentative or repealed reform are likely to replay these same themes.

Hot-Spots:

Member and Provider Relations must retain eroding membership underscored by weak unemployment. Changes in membership levels are more likely to be negative than positive due to extensive layoffs and non-hiring. It is possible that contracts and products may have to be modified to satisfy employer groups facing difficult budgets, but these changes will be done on an as-needed basis only.

Claims Streamlining provides cost containment and efficiency as premiums revenue continues to remain low. External pressure, like rising provider costs, and internal pressure to remain competitive and possibly satisfy shareholders will force payers to look at growing the bottom line through further administrative efficiency, with claims being high on the list as usual.

Challenge: Planning for the retain members scenario, payers will need to work with employers to provide strategies for “no regret” options and prescriptive guidance between Employer Sponsored Insurance (ESI) and various exchange plan offerings. Payers must think about options for employers and employees to retain members with affordable insurance options - outside the workplace if necessary.

Best Practice: Optimize processes and leverage technology that will build products, manage plan variations and determine rating methods, while integrating across enrollment, underwriting and policy / claim systems. These measures can be accomplished via process monitoring, modest process re-engineering and applying in-house technology in creative ways for cost centers like Claims, Member & Provider Services, Utilization Care Management, etc.

SCENARIO: TIGHT SQUEEZE REFORM: ROBUST / EMPLOYMENT: WEAK

Position: In a Tight Squeeze scenario, legislation takes a huge step towards full coverage and legislation realization. Every facet and level of healthcare systems will mobilize, implementing new requirements. Challenging implementation is the weak economy/employment that hinders financial support, therefore hard choices will be made to clarify and prioritize many areas of the law. Many healthcare payers left the Retain Members scenario and entered this Tight Squeeze scenario during 2010, after PPACA became law.

Hot-spots:

Enrollment Automation streamlines member on-boarding at the lowest administrative costs. Enrollment volumes may shift upwards in some new lines of business since public plans can see increased membership during hard economies.

Product Lifecycle Improvements provide new and tailored products for both ESI plans and the individual exchange market.

Provider Network Management activities increase as member's lives are changed. Network partnerships with clinics and local providers need to be updated for new contracts and locations.

Medical Management is vital to Quality Improvement Activities (QIA) for Reform. Despite a sagging economy, improving medical management enrollment, monitoring and services is vital to addressing rising healthcare costs.

Medical Loss Ratios (MLR) & Process Quality Analytics provide activities-based measurements to cross-check and detail the traditional financial methods of MLR reporting, essential in payer reform requirements.

Claims Streamlining enables higher auto-adjudication rates and more granular controls for pended claims, authorizations, fraud checks and other areas leading to frictionless processing for lowered cost.

Challenge: Planning for Tight Squeeze, payers must focus on understanding, communicating and aligning with their networks with clear messaging for their membership. Payers must work closely with issuers to provide products and services that help employers balance options between ESI and exchanges while reaching out to members directly for education and wellness programs. Payers need platforms and tools that provide members a better understanding of defined-contribution plan choices and economics. Robust reform will cause a great transformation starting with a plethora of new products and services initially causing disruption for ESI benefit strategies, adding tension to the inextricable connection between employers and employees.

Best Practice: In order to accomplish robust reform in a tight economy, payers must focus on changes to products and the related provider network, with downstream efficiencies in claims and medical management to meet requirements while carefully controlling costs.

SCENARIO: ALL INSURED REFORM: ROBUST / EMPLOYMENT: ROBUST

Position: An All Insured scenario will result in a dramatic funding increase for membership of all types due to a strong economy and high reform enrollment. While there is no literal “Everyone Insured”, this scenario is as close as expected in the foreseeable future. Payers will be serving record numbers of new members. Almost every area of the payer enterprise will be transformed as quickly as possible prioritizing business expansion and automation.

Hot-Spots:

Enrollment Automation provides awareness, education and benefit features to streamline member on-boarding at low administrative costs. The combination of private and public member expansion will revolutionize how everyone enrolls.

Product Lifecycle Improvements for a wider spectrum of members will accelerate a broader array of products which will need to be updated more frequently as the market matures. Product design, configuration and full lifecycle portfolio management will all increase in importance and integration to meet the demand.

Provider Network Management activities increase as a broader range of members are being served and sought by plans with new products to meet many lifestyles and locations.

Member and Provider Relations increase as payers provide additional services to the increased membership through different channels such as mobile, worksite education, community awareness and improved traditional methods.

Medical Management is vital to Quality Improvement Activities (QIA) for reform. Even in a favorable economy, improving medical management enrollment, monitoring and services is vital to addressing rising healthcare costs.

MLR / Process Quality Analytics provide activities-based measurements to cross-check and detail the traditional financial methods of MLR reporting, essential in payer reform requirements.

Claims Streamlining enables higher auto-adjudication rates, more granular controls for pended claims, authorizations, fraud checks and other areas leading to frictionless processing for higher volumes.

Challenge: For the All Insured scenario, payers must focus on expanding their business while maintaining tight controls for MLR requirements. Payers need to work closely with issuers, producers and employers to develop the right product mix and compensation models that incent all parties for win/win business development opportunities.

Best Practices: Although not a likely scenario in the near future, payers can prepare by planning for areas such Claims, Medical Management, Provider Network management and others shared by other scenarios. These investments develop new muscle in product development for ESI futures.

SCENARIO: DIFFERENTIATE NOW REFORM: WEAK / EMPLOYMENT: ROBUST

Position: As the economy, especially employment, recovers in this scenario, reform has failed to meet its objectives and no longer has practical implications. This leads to an environment of great business opportunity for payers, but is one where the ideas of reform have influenced what employers, members, providers and payers all believe is possible for next generation healthcare. Competition for market share will ensue on these terms. Therefore, each health plan must find a way to Differentiate Now or lose market share to new business models.

Hot-Spots:

Enrollment Automation to onboard members faster: Payers will see a 'land grab' of sorts where rising employment will allow for well placed payers to grab market share.

Member and Provider Relations broaden how you service your members: Your Member Service staff will be exposed to a larger population with different demographics like financial background, language barriers, growth in other states and markets, etc.

Product Lifecycle Improvements for getting innovative products to market faster will need to be created, tested and sometimes replaced rapidly. Product design, configuration and full lifecycle portfolio management will all increase in importance to meet the demand.

Claims Streamlining as volumes increase due to a growing membership base: Payers must look at balancing scale and control to handle volumes anticipated.

Provider Network Management is needed to match the innovative products being offered. In addition, payers will work closely with employers to create efficient plans as well as concierge services for high-end "Cadillac type" plans.

Challenge: Planning for Differentiate Now, payers must focus on expanding programs through new innovative products for ESI concierge services while maintaining tight controls on MLR measures. Even though reform is not a factor in this scenario, it has raised awareness. MLR will still receive scrutiny from employers, members, the state DOI and market analysts, so finer management controls are needed. Employers will also require adequate coverage for the part-time worker as well as creating new specialty "Cadillac services" for high-end ESI corporate executives' plans.

Best Practices: Brand differentiation receives the most focus in areas such as product development, provider network efficiency, sales enrollment processes and claims management. Member services also provides a point of differentiation, but the modes of service will be different than those under reform as the volume and diversity of members will be less.

CHANGE IS CERTAIN: ARE YOU READY?

Each scenario has areas of emphasis, but some constants emerge across them all. Success in each scenario is underpinned by expertise in process management, financial management, actuarial reserves and systems integration for efficiency. Proof of performance will put increasing demands on the organization for information, management oversight, and analytics. In most scenarios, existing, proven systems will be extended for business initiatives incorporating new ideas. Some plans will possess the ability to adapt quickly in areas which are more sensitive to different scenarios such as enrollment mix and product configuration management.

One certainty is that change, whether fast or slow, will continue. The market for payers is changing and will continue to change. There is first a call to survive, followed by a call to thrive no matter which new marketplace emerges. The key is to invest in areas resilient to the inevitable force of change, even when the changes are unpredictable.

While it is still uncertain which scenario will emerge, it is equally clear that insurers must react and be prepared for any possibility. SunGard is committed to healthcare payer reform and provides insurers with a roadmap for success that starts with planning for the inevitable.

About SunGard's iWorks Healthcare

SunGard has been helping healthcare payers succeed for more than twenty years. Our award winning Maces and FormWorks solutions are trusted in a wide range of operational areas including Claims, Member/Provider service, Enrollment, Appeals, Authorizations, Contracting, Marketing, Legal and many others. Healthcare payers also depend on SunGard's Financials solutions for comprehensive accounting and reporting to meet the stringent demands of regulators and stakeholders. Our healthcare payer clients cover the spectrum of size and specialty from indemnity to managed care, individual and group products, from fully funded to TPA financial models. With hundreds of implementations in this range of healthcare payers, SunGard compliments core platforms from other vendors and enhances many in-house applications. For additional information on SunGard's iWorks Healthcare Solutions, please go to www.sungard.com/iworkshealthcare or contact us at iworks.info@sungard.com.

ABOUT SUNGARD'S IWORKS

SunGard's iWorks is a business-driven IT product suite for the insurance industry in each of the following major business lines: life/health/annuities/pensions, property and casualty and reinsurance. iWorks offers a range of products and services including front-office tools, policy administration, reinsurance, actuarial calculations, financial accounting, investment accounting, and reporting. SunGard partners with customers to deliver products and services that align with changing business and regulatory needs.

About SunGard

SunGard is one of the world's leading software and technology services companies. SunGard has more than 20,000 employees and serves 25,000 customers in 70 countries. SunGard provides software and processing solutions for financial services, higher education and the public sector. SunGard also provides disaster recovery services, managed IT services, information availability consulting services and business continuity management software. With annual revenue of about \$5 billion, SunGard is ranked 434 on the Fortune 500 and is the largest privately held business software and IT services company. Look for us wherever the mission is critical. For more information, visit www.sungard.com.

Partnering

Working as a team with both customers and other technology providers pays dividends. Customers obtain more elegant solutions truly tailored to their organization. Technology partners can leverage their particular expertise more effectively. SunGard works with customers of all sizes, including some of the world's largest insurers, all of whom appreciate how technology can power their success. We are also proud to work closely with leading technology providers like Microsoft and HP.

Contact Us

For additional information on SunGard's iWorks Healthcare Solutions, please go to www.sungard.com/iworkshealthcare or contact us at iworks.info@sungard.com

www.sungard.com/iworks

SunGard

104 Inverness Center Place
Birmingham, AL 35242
Tel: 205-437-7500
iworks.info@sungard.com

©2011 SunGard.

Trademark information: SunGard, the SunGard logo and iWorks are trademarks or registered trademarks of SunGard Data Systems Inc. or its subsidiaries in the U.S. and other countries. All other trade names are trademarks or registered trademarks of their respective holders.