



UPMC HEALTH PLAN
Where you belong.

One Chatham Center
112 Washington Place
Pittsburgh, PA 15219

www.upmchealthplan.com

A young girl with her eyes closed is blowing a dandelion seed head in a lush green field. The background is a soft-focus landscape with rolling hills under a blue sky. The text is overlaid on the top right of the image.

the
changing
landscape
of health care

UPMC HEALTH PLAN 2006 ANNUAL REPORT

UPMC HEALTH PLAN
Where you belong.



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Winds of Change

The health care landscape is forever changing. But our feet are firmly on the ground, even when that ground is shifting. While adapting to changes in health care and its economics, we never lose our focus on our members' well-being.

And even as we respond to the changing landscape of health care, we are also *shaping* this environment. We are finding new and better ways to improve the health of our members and the community around us.

Our goals are to deliver better care and protect our customers' health care dollars. We see trends and solve challenges before they become part of the terrain.

And our role in the communities we serve goes beyond the routine to include outreach and health promotion efforts. We draw from the best to deliver the best.

As UPMC Health Plan celebrates its 10-year anniversary, one thing is certain—nothing about health care is fixed. The way to excel in this industry's continuously shifting landscape is to embrace the changes and fashion innovative health care solutions for the employers of our region, our members, and the communities we serve.

The past year was an exciting time for the Health Plan. In 2006, we continued to leverage our close provider, academic, and industry relationships to create groundbreaking approaches to delivering the best health care to our members.

Improving the health of every individual remains our top priority, and we continue to develop new ways to give members more information and more tools to improve their health. Our commitment to transparency means members can compare cost and quality measures when making health care decisions. The *MyHealth* initiative continues to support employers who are committed to helping their employees achieve better health. And we are leading the way in helping members with chronic conditions lead healthier lives. Our plans for the coming year include expansion of these successful initiatives.



A handwritten signature in black ink that reads "Diane P. Holder".

Diane P. Holder, President
UPMC Health Plan
UPMC Insurance Services Division

We evaluate industry trends with our customers' best interests in mind. As other health insurers consolidate nationwide, UPMC Health Plan is committed to remaining a local resource for our members. Our focus continues to be on Western Pennsylvania, and we are proud of our efforts in the region.

I would like to thank our employer partners, our members, and our providers for another successful year. Each of you is crucial to our achievement as an organization.

In the pages that follow, you will read about how UPMC Health Plan is successfully navigating and changing the terrain of today's health care landscape.

I am honored to present you with our 2006 annual report.

The Road Less Traveled

Confluence of Care

Good health is good business

HEALTH OUTCOMES

Just as two rivers meet in the heart of Pittsburgh, so does UPMC Health Plan bring together two key ideas that lie at the core of good health: proven health promotion programs and effective condition management. We know that everyone can enjoy better health, and we know how to reach out to all members—regardless of current health status—to help them and their families lead healthier lives.

UPMC Health Plan applies the country's best practices here in Western Pennsylvania. To make our programs even better, we test and refine every approach before sharing it with members. From this integrated approach flows a healthier, more productive workforce.

In the pages that follow, we explore the distinctive topography of Western Pennsylvania, as captured by Pittsburgh photographer Richard Kelly. Our hills and rivers, as much as our people, help define our region. Here, barges greet the morning at The Point in downtown Pittsburgh, where the Allegheny and the Monongahela meet to form the Ohio River.



The MyHealth program offers comprehensive health assessments, educational programs, and online services to foster a healthier, more productive work environment.



Helping employers make a healthy workplace

Investing in the health of employees and their families makes good business sense. Across the country, employers are discovering the advantages of helping their employees develop healthier, more productive lifestyles through innovative onsite health programs.

UPMC Health Plan collaborates with leading experts at our parent company, the University of Pittsburgh Medical Center, to develop evidence-based assessments and programs that address the needs of members at every level of health.

In 2006, we successfully expanded our *MyHealth* program, designed specifically to encourage healthy lifestyles through a variety of worksite programs. *MyHealth* includes online tools and resources for maintaining or improving health, discounts on physical fitness activities, medical screen-

ings, worksite seminars and exercise programs, and telephone coaching for members who need help to lose weight, quit smoking, or manage stress.

For members who are chronically ill, we continue to offer telephone support and coordination of care by nurse care managers. We also provide online tools that educate them about their condition and help them to interact with their care managers and physicians.

This spectrum of education, support, and care is designed to help all of our members enjoy the best possible quality of health and life.



The Health Plan's award-winning tobacco cessation campaign materials promote our MyHealth Ready to Quit Line. Members who need help to stop smoking can call this number any time.

Assessing health status

In the last year, we enhanced our popular online health risk assessment tool, known as the *MyHealth* Questionnaire—a survey that allows members to build a personalized health profile and receive immediate feedback about their health status. The questionnaire provides a new wellness score based on risk factors. This assessment is available to all commercial members as part of their enrollment in the Health Plan.

The Health Plan also offers onsite screenings by medical professionals, who measure body mass index, levels of carbon monoxide, cholesterol, and blood glucose. As part of the screening, professional health coaches meet one-on-one with participants after testing to discuss the results and offer strategies for lifestyle improvements.

Online, onsite, and phone support for healthy living

Our lifestyle and behavior programs are evolving to meet the changing needs of our clients. In 2006, additional features were added to *MyHealth* OnLine to support members in making informed decisions about their health.

Also in 2006, we expanded our staff of professional health coaches. The coaches, who are trained in psychology, health education, counseling, nutrition, and the physiology of exercise, are available by phone to members who are facing an immediate health care need or looking to make lifestyle changes. Health coaches can help members who want to quit tobacco, manage weight, or increase physical activity. Our Health Coach Line and our Ready to Quit Line for tobacco cessation support are available 24/7.

UPMC Health Plan's MyHealth initiative offers worksite programs designed to encourage healthy lifestyles and prevent chronic medical conditions.

Health care workers at UPMC McKeesport hospital participated in the UPMC MyHealth We've Got Your Back pilot. This program uses BodyMap® diagnostics and exercise instruction to help workers whose jobs put them at risk for back injuries. Steeler "McKeesport Mike" Logan (shown in background) lent his support to the initiative.



Program aids workers at risk for back problems

Through the MyHealth program we are continuously developing new ways to help members stay healthy. In a recent effort, more than 200 nurses, nursing assistants, patient care technicians, licensed practical nurses, and clinical caseworkers at UPMC McKeesport hospital participated in a 9-week pilot known as "UPMC MyHealth We've Got Your Back." This training offered best practices in technical lifting and body mechanics, physical assessment, and evaluation. The program—a partnership of UPMC Health Plan, UPMC's Centers for Rehab Services, the WISER Institute for Simulation and Educational Research, and EAP Solutions – aimed to reduce the number of low back injuries among those most at risk.

Improving health and quality of life

As UPMC Health Plan is leading the way in innovation and early implementation of employer onsite wellness programs, we are also breaking new ground to help members prevent debilitating medical conditions and control the costs—in both human terms and health care dollars—that these diseases impose.

The Health Plan offers condition-specific programs for members with diabetes, asthma, and cardiac diseases. In 2006, we expanded our pilot low-back-pain program to include collaboration with physical therapy and chiropractic practices as part of the growing holistic approach to treatment of chronic low back pain.

Technology helps chronically ill members remain at home

An important goal for our care managers in our heart disease program is to help members who have recently been hospitalized for congestive heart

"Taylor's Souper Models" Greg Rayman, Aaron Huet, Jessica Todd, Matt Mauclair, and Rob Triffanoff were the winners of UPMC Health Plan's MyHealth Weight Race. Together they lost a greater percentage of their goal weight than any of the other 99 teams.



Health Plan Loses More Than a Ton
UPMC Health Plan employees lost 3000+ pounds—an astonishing 1½ tons of weight—during the 12-week MyHealth Weight Race. Participants were encouraged to reach sensible weight loss goals by forming teams and engaging in healthy lifestyle activities.

The event attracted more than 500 employees. Each team of five was paired with a senior-level manager who lent his or her name to the team and a health coach who provided extra motivation and support.

Participants were invited to attend lunch-time sessions on topics such as “Achieving a Healthy Lifestyle One Step at a Time,” and “Adding Flavor Without Calories.” They received weekly e-mail newsletters called “Tales from the Scales,” which published each week’s winning teams, recipes, and healthy living tips.

failure (CHF) to recognize what, for them, are the triggers of CHF events and when to seek help.

The Health Plan is collaborating with providers in deploying a new technology to help these members learn to manage their own health and remain independent. The Health Plan provides tele-health stations in the homes of members with CHF who are served by the nurses of Jefferson Regional Home Health. These stations monitor the members’ vital signs and routinely report them to the members’ physicians and the Health Plan’s care managers.

By monitoring vital signs at the same time every day, members learn to recognize the changes in weight, blood pressure, or blood oxygen levels that can indicate when they must go to the emergency room or call their physician.

The Health Plan offers worksite health screenings that measure employees' cholesterol, blood pressure, glucose, body mass index, and carbon monoxide levels. Participants receive a printout of the results on the spot and have the opportunity to discuss them with a health coach.



Online tools help members make health care decisions

The Health Plan offers members with chronic conditions access to online information and tools to help them manage their illness.

The Health Plan's MyEmmi program, introduced in 2006, uses an online audio "tour guide" to answer the most common questions about chronic illnesses and about hundreds of necessary and elective surgeries.


The guide explains the signs, symptoms, and potential hazards associated with specific chronic conditions, as well as the medications used in treatment and how to use them properly.

For specific surgeries, the program provides an overview, lists expectations, explains what the patient needs to know, describes the procedure, lists recovery expectations, and offers alternatives to surgery.

Identifying gaps in care

In 2006, UPMC Health Plan developed new means of identifying opportunities for intervention with our members living with chronic medical conditions. Such opportunities may occur at critical points in the development of a disease when a test or exam indicates a needed change in lifestyle or a protocol that can slow the progress of the disease.

Care managers in our diabetes or asthma management programs have weekly or even daily contact with members in the programs. They encourage the most effective use of medications and testing in line with current guidelines. Beyond that, IT advances in 2006 have given these care managers immediate access to data such as missed medical testing. This continuous support can make a significant difference in the member's quality of life and health.



UPMC Health Plan nurse care managers combine their special expertise with information-system support to make the most of their time on the phone with members. They measure success in decreased emergency-room visits and hospital admissions—as well as in the one-on-one celebration of a member’s improved scores on a cholesterol test or a healthy lifestyle goal that’s been met.

Every member enrolled in a care management program is also screened for depression, which often accompanies chronic conditions. Our care managers offer members with strategies for coping with stress and the emotional as well as physical issues related to their condition.

Members with multiple chronic conditions may be taking many different medications prescribed by doctors and specialists. Working closely with Health Plan pharmacists, our nurses and care managers help them plan medication regimens as part of their daily life.

There are no additional costs for any of the disease management programs offered by UPMC Health Plan, and unlike most insurers that contract with outside agencies for disease management services, all programs are provided locally by UPMC Health Plan staff.

Staying Current

Putting health statistics to work

HEALTH ECONOMICS

UPMC Health Plan captures the stream of health-related data—and puts it to work for our customers.

Our newly formed Health Economics Division helps employers foster a healthier workforce and reduce health-related expenses. We do this by analyzing aggregate data that predicts the likelihood of certain conditions among a given population. Then we provide employers the tools to help prevent these conditions from developing. It's an opportunity for every employee, regardless of current conditions, to enjoy better health.



Water rushes along Slippy Rock Creek in McConnells Mill State Park in Lawrence County. A favorite destination for paddlers and rock climbers, the park includes the 2,500-acre Slippy Rock Gorge.

Photo by Richard Kelly

Biometric screenings conducted at a worksite can tell an important story about employees health. Our medical experts collect information on cholesterol levels, blood glucose, blood pressure, body mass index, and carbon monoxide levels from participants. Individuals quickly receive a printout of their test results and have the opportunity to speak with a trained professional health coach on the spot. A sample screening results printout is shown at right.

Your Health Screening Results

Name: John O. Sample

Date: 11/01/06

Screening	Your Levels	Desirable Levels
Total Cholesterol	295 ↑	Below 200mg/dl
HDL Cholesterol	46	At or above 45 mg/dl
LDL Cholesterol	170 ↑	At or below 100 mg/dl
Triglycerides	105	Below 150 mg/dl
Glucose	94	Fasting: 70-99 mg/dl Non fasting: below 140 mg/dl
Blood pressure	132/68 ↑	Systolic below 120 Diastolic below 80
Body Mass Index (BMI)	32.75 ↑	≥ 85.5 and < 25
Carbon Monoxide	25 ↑	< 10 parts/million

What can you do now?
See Your Doctor – Your doctor can be your valued partner in helping you understand and manage any of the abnormal results you may have uncovered by this screening. Remember, only your physician can diagnose or rule out the presence of disease. Please let your physician know about any abnormal levels and begin looking for a treatment or a healthy lifestyle plan that works best for you.
My Health Tools & Resources – UPMC Health Plan members have access to many valuable health promotion tools and resources through the My Health program. If you have any questions, or would like further information about My Health tools and resources, visit us online at www.upmc.com/healthplan, select the “Member” button, and follow the “Member Online” link to access the My Health webpage. You can also call Member Services at 1-800-676-2256.

Source: Burton, WM, Conti, DJ, Schultz, AB, Edington, DW. “The role of health risk factors and disease on worker productivity.” *Journal of Occupational and Environmental Medicine*: 41(10):863-877, 1999.

Estimated Lost Work Hours Associated with Selected Conditions

Research shows that poor control of certain chronic medical conditions leads to lost productivity and excessive absenteeism among workers—additional costs that few can afford.

Condition	Estimated Lost Hours per Week
Diabetes	11.4
High Cholesterol	6.1
Body Mass Index over 30 (obesity)	5.8
Hypertension	5.1
Smoking	4.2

Interpreting data for employers

In 2006, UPMC Health Plan developed the department of Health Economics to embrace this new trend in health care. We employed highly educated individuals with experience in business and statistical and mathematical analysis to interpret the large amount of health-related data available today. With this information, employers gain a better understanding of how to create health promotion or clinical programs that will improve their employees’ quality of life and curtail chronic disease.

Targeting limited health dollars

For employers, the cost of poor health means more than just paying for medical procedures. It also results in lost productivity and absenteeism. Recent literature shows a correlation between some health conditions, such as depression, and higher rates of job-related injuries.

Other studies link high blood pressure, high glucose, and high LDL with devastating consequences such as kidney failure, blindness, stroke, and heart attack.

Understanding what health risks are present in their workforce can help employers direct their limited health care dollars toward helping their workforce become healthier.

Employees actively engaged in our health promotion and medical management programs can begin to lose weight, quit tobacco, or dramatically improve their cholesterol and blood sugar levels. Studies show these types of health improvements will help create healthier employees who work more productively and stay on the job longer.



Our Health Economics professionals can analyze aggregate workforce data and present an employer with a comprehensive picture of employees' health risks. The employers receive reports based on data gathered from health assessments and screenings. We also help develop workplace strategies for improving employee health.

Better information= better decisions

How many workers in a company are pre-diabetic? How many may be at risk for heart disease? Employers need to identify the health risks in their labor force early. Our experts collect disability, workers' compensation, absenteeism, and pharmacy data. We also analyze the aggregate results of the *MyHealth* Questionnaire and worksite health screenings to create a comprehensive view of a company's employee health status.

Using an economic model, our experts are able to categorize a member's health risk—ranging from low risk to chronic—for such conditions as diabetes, cholesterol, hypertension, smoking, asthma, depression, and obesity. This window into the health of a workforce population can help employers identify problems before they become chronic, costly, and disabling. Those who are

healthy are encouraged to remain that way by participating in health promotion activities geared especially to them. Employees with serious or chronic conditions may be referred to case managers committed to helping them better manage their illness.

Whether a member is healthy or suffering from a serious disease, our experts monitor participation levels in these programs and provide recommendations on how to generate even greater employee involvement.

Mining the depths of health data requires expertise and artistry. It is the first step on an important new path for companies of all sizes. With the help of our economic experts and targeted interventions, our clients can watch their bottom lines grow healthier along with the employees they care about.

Reaching New Heights

Exceeding customer expectations

SERVICE

When UPMC Health Plan members seek out our service, they want to talk to someone who can help them navigate the health care landscape. We deliver that—and so much more. We consistently surpass industry benchmarks for speed and accuracy.

In all areas of service, demands and expectations continue to rise. Questions are more complex, speed is no longer a luxury but a necessity, and accuracy is critically important. At UPMC Health Plan we not only meet those expectations, we find a way to use every interaction to guide our members toward better health.



Johnstown boasts the world's steepest vehicular incline. Built in 1891, it carries both people and cars high above the city.

Photo by Richard Kelly

More than 50,000 members participate in our Health Care Concierge program

Our high-touch customer service helps guide our members to better health. Our phone representatives are dedicated to "first-call resolution" of inquiries and requests from members.

Photo by Richard Kelly

Customer Service and Claims Payment Measures

Measure	Health Plan Actual	Industry Standard
Average speed of answer	18 seconds	30 seconds
% of calls answered in 30 seconds or less	83%	80%
First Call Resolution	95%	80%
Claim payment turnaround	5 days	14 days
Claims requiring an adjustment	<1%	5%

Concierge at your service

Our highly regarded Health Care Concierge service is free to all UPMC *for Life* members. A dedicated concierge helps members navigate the often confusing world of Medicare and make important decisions about medical, dental, vision, and pharmacy coverage. In addition to being available any time a member calls, the concierge calls to "check in" with the member on a regular basis.

Superior customer experience

More than 95 percent of the time, members are able to resolve issues with a single phone call. Electronic data interchange with our providers means that nearly every claim in 2006 was automated—allowing us to pay claims in just five days, compared to the standard 14-day turnaround expected within the industry.

But fast and accurate resolution of incoming calls is only part of our success. Equally important are the outgoing calls we make to members. Through our Medical Management Department, we reach out to members to help them stay healthy or manage conditions. Sometimes that means encouraging them to take part in one of our health programs, or helping them find a doctor closer to home. At other times it could be as simple as reminding them to take their medication. Our goal is always the same: providing a superior customer experience that leads our members toward better health.

Tyrone Bennett goes to work every day recalling the words of his grandmother: Treat other people the way you want to be treated. That philosophy serves him well in his role as Health Care Concierge for UPMC for Life members. His job is to guide members, one at a time, through the often complex world of Medicare. Tyrone and his fellow concierges are on call to field members' questions.

"When I talk to a member, I imagine how I would want someone to talk to my aunt or my cousin," he says. "Medicare can be confusing, and I like helping my members figure things out."

And some calls are just plain fun. In between his regular outgoing calls to check on members and any possible concerns, Tyrone dials members to offer birthday wishes each year.

Technology to simplify health care

In 2006, we undertook a comprehensive redesign of our website that simplifies navigation and enhances features. The new website attracted more users than ever before:

- More than 65,000 registered users accessed our member portal.
- Our network providers posted more than 20,000 online messages.
- Our employer groups processed nearly 23,000 transactions, including enrollments and member updates.

New features offer more ways to manage health and make informed choices. They include:

- A Health Promotion Tool Kit that helps employers get workers involved in wellness activities.
- A secure online personal health record for members.
- An online interactive tool that provides information on chronic conditions and specific surgeries.

Common Ground

A shared vision of excellence

NETWORK

At UPMC Health Plan, we think about our provider network one member at a time. We make sure our doctors and hospitals are close to where people live and work, and we make sure every medical specialty is covered. Our expanded pharmacy network makes it easier for members to obtain the medications they need.

But our idea of common ground goes beyond geography. We find shared concerns with our customers, understanding that breadth and depth of resources matter to employers. Our shared mission with UPMC and other providers strengthens our commitment to our members and brings greater efficiencies to our business processes.



Just steps from the University of Pittsburgh's research and medical facilities, Schenley Park offers trails and solitude in the heart of the city.

Photo by Richard Kelly

More than 3,000 Armstrong County elementary school students and their families are taking steps toward better health, thanks to an initiative funded in part by UPMC Health Plan. The community-based program aims to reverse the troubling rise in childhood obesity rates.

"Our goal is to promote wellness and healthy lifestyles across the entire community, not just among those who are overweight," says pediatrician Dr. Kiran Bhat of Children's Community Pediatrics—Armstrong. Dr. Bhat and Patricia Shiring (right), executive director of the ACMH Hospital Foundation, are part of the grass-roots effort that includes after-school and weekend physical activities, as well as menu and cooking advice from nutritionists.

"When the entire community is healthier, everyone benefits."

Dr. Kiran Bhat

A provider network without gaps

UPMC Health Plan has the depth and breadth to serve every member well. Our large and diverse group of UPMC and community doctors and nurses are available day and night. After hours our Pediatric Advice Line (PAL) helps parents in need of support. For those traveling away from home, Assist America makes it possible to locate doctors and hospitals to handle emergencies wherever they go, as well as replace prescriptions.

In 2006, we greatly expanded our pharmacy network to include 30,000 national chain and independent pharmacies across the nation. This means our members have access to covered brand-name and generic prescription drugs virtually anywhere they go in the country.

Common goals result in world-class care

We are the only provider-led health plan in Western Pennsylvania. United by a common mission, UPMC and UPMC Health Plan form an integrated delivery system that benefits our members. We leverage our shared information systems—as well as our shared commitment to the communities we serve—to increase efficiency and improve communication.

Whether working alongside our UPMC providers or our other contracted providers, we speak the same language and help translate best practices and the latest findings into improved medical outcomes for our members.



2006 Physician Satisfaction Ratings

Measures	UPMC Health Plan	All Other Plans
Customer Service	79%	71%
Network	86%	84%
Quality Management	71%	65%
Finance Issues	72%	66%
Willingness to Recommend to Other Patients	92%	NA
Willingness to Recommend to Other Physicians	93%	NA
Overall Satisfaction	88%	80%

Each year, physicians rate UPMC Health Plan and all other health plans in which they participate on performance and service measures. Scores indicate the percentage of respondents who reported that they were "very satisfied" or "somewhat satisfied."

Source: The Myers Group

Commitment to transparency

UPMC Health Plan is participating in a nationwide Health Pledge to provide better information about health care quality and cost to all Americans. This initiative focuses on four cornerstones of value-driven health care: health information technology, reporting on quality, reporting on prices, and incentives for quality and value.

Our consumer-oriented tools include an online Cost of Care Estimator that allows members to determine estimated costs for hundreds of common conditions, procedures, and tests, as well as routine and specialized health care visits.

Members can find additional information online with the Web-based hospital comparison tool, Hospital AdvisorSM. This increased transparency of information can help members choose hospitals based on quality and safety measures.

Emphasis on high performance

We continue to expand our pay-for-performance programs, collaborating with physicians and hospitals to implement performance measures that are manageable and meaningful. By measuring network physician practices against clinical, quality, and administrative standards, the Health Plan helps providers help their patients.

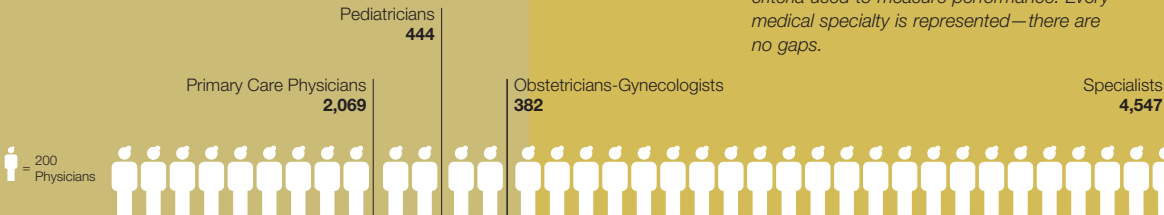
We recognize that partnership with our network physicians and support of the doctor-patient relationship are essential in our efforts to help members improve or maintain their health.



Highly trained medical professionals from the Health Plan's care management team work onsite at a number of network hospitals and physician practices to help coordinate care for our members who are patients at these locations.

A Comprehensive Provider Network

The physicians in the Health Plan network are carefully selected based on solid credentialing criteria used to measure performance. Every medical specialty is represented—there are no gaps.



Collaborating to improve care

In partnership with our network providers, we continue to ensure that members get the right care, in the right amount, at the right time.

In 2006 we began a program in which care management professionals visit high-volume physician practices. These care managers, all of whom are registered nurses and certified educators, help members manage chronic conditions. The focus is on early intervention and making sure members get the care they need—which result in better health and lower long-term costs.

Expanded in 2006 was our Hospital Care Coordination program. Our care coordinators work with hospital personnel at several network hospitals to make sure our members get the proper level of care in the most appropriate setting.



**More than
30,000
pharmacies
participate in
our network**

Our clinical pharmacists work closely with care managers and network physicians to maximize the value of prescription benefits. Appropriate drug utilization, compliance, and drug safety are key elements of our medication management programs.

A greatly expanded pharmacy network

In 2006, we contracted with pharmacy benefits manager Express-Scripts, Inc., and expanded our pharmacy network to include 30,000 pharmacies across the country. The expanded network includes independent pharmacies and notable retail chains and adds hundreds more locations throughout the Health Plan’s 28-county service area. This expansion ensures that members will receive high-quality pharmacy services whether at home, at work, or traveling.

Members can now obtain their prescription medications at hundreds of independent pharmacies and the following chains:

- | | |
|------------|-------------|
| Eckerd | Giant Eagle |
| Kmart | Rite Aid |
| Sam’s Club | Target |
| Walgreen’s | Wal-Mart |

Enhanced online features

The combined strengths of Express Scripts and UPMC Health Plan give plan members the benefit of an enhanced network and improved integrated services.

Express-Scripts’ interactive business intelligence application uses industry-leading software to provide key statistics, performance results, trends, and benchmarks. The Health Plan’s unique clinical programs will be strengthened by integrating Express-Scripts’ advanced data and distribution capabilities with a robust technology platform.

Through the Health Plan’s website, members can order prescriptions, check copayment levels, review formulary information, locate a pharmacy, and access benefit information.

A Grand view

A plan for every stage of life

PRODUCT OFFERINGS

At UPMC Health Plan, we serve people at all of life's stages. As our customers' needs change, we change, too, always creating new and better product offerings. Our team of clinical, pharmacy, and financial advisors works with businesses to find just the right mix of benefits to serve their employees.

But some things never change, like quality, service, and a steadfast commitment to health improvement. In those areas we remain a beacon, focusing on our mission to provide the best plan to every member.



First in operation in 1873—and built even higher 13 years later—this lighthouse now stands 73 feet above the shores of Lake Erie on Presque Isle.

Photo by Richard Kelly

UPMC Insurance Services Division

UPMC HEALTH PLAN
Where you belong.

Commercial HMO, POS, PPO, and EPO products

UPMC for Life
UPMC Health Plan Medicare Program

Medicare HMO and PPO products, with and without prescription coverage

UPMC for You
Affiliate of UPMC Health Plan

HMO benefits for Medical Assistance beneficiaries

UPMC for Kids
A Product of UPMC Health Plan

Children's Health Insurance (CHIP) product

UPMC for Life Specialty Plan
UPMC Health Plan Medicare Program

Special Needs Plan for members eligible for both Medicare and Medical Assistance

UPMC **work partners**

Workers' compensation products and services

EAP Solutions
Part of University of Pittsburgh Medical Center

Employee assistance services

COMMUNITY CARE
Behavioral Health Organization

Commercial and governmental behavioral health care products

ASKESIS
Development Group, Inc.

Behavioral health technology products

UPMC Insurance Services Division offers a full complement of health insurance and health-related products and services for both commercial and government benefit plan members.



A plan for everyone

All UPMC Health Plan members have access to our network of outstanding physicians and medical professionals and to the facilities and services of UPMC and numerous community hospitals. Our close collaboration with our network hospitals and physicians enables us to offer the finest health care, the latest medical breakthroughs, and the most effective health management programs in ways that no other insurer in the region can match.

Commercial Products and Services: Integrated solutions for employer groups

UPMC Health Plan's integrated suite of programs for commercial members is designed to improve members' health, control costs, and maintain competitive rates.

In 2006, UPMC Work Partners was incorporated into UPMC's Insurance Services Division, enabling UPMC Health Plan to offer employer groups full-service health promotion, employee assistance, and workers' compensation programs. These services complement our menu of HMO, PPO, and Consumer Advantage® HRA and HSA group health plans.

UPMC Health Plan added more than 1,500 new employer groups to its client roster in 2006.

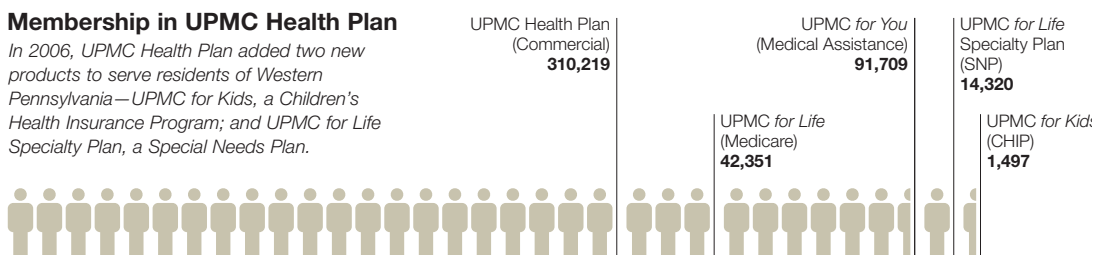


UPMC Work Partners, one of the area's largest and most capable providers of disability-related services, works with the Health Plan to customize disability programs for area employers. These programs include care and case management and return-to-work services.

Membership in UPMC Health Plan

In 2006, UPMC Health Plan added two new products to serve residents of Western Pennsylvania—UPMC for Kids, a Children's Health Insurance Program; and UPMC for Life Specialty Plan, a Special Needs Plan.

 = 15,000 Members



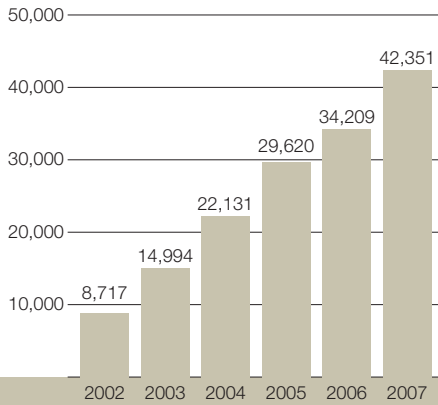
Community Care Behavioral Health manages UPMC Health Plan's behavioral health network and benefits, through its Western Behavioral Health unit, completing the comprehensive list of offerings available to employer groups. Community Care offers accessible, high-quality, cost-effective behavioral health care in partnership with local providers.

These programs are fully integrated under the UPMC Insurance Services Division umbrella, providing a seamless health benefits experience for employer groups.

Silver&Fit™, a healthy aging program offered at no cost to all UPMC for Life members, includes membership at a local participating fitness club or an at-home fitness program and online health information and tools.



UPMC for Life Membership Growth



Richer, more competitive benefits and innovative, high-quality initiatives such as the Health Care Concierge program contributed to the successful 19% increase over our 2005 enrollment figures.

Senior Products and Services: A range of benefit choices

Our Medicare program, UPMC for Life, offers a variety of plans—both with and without prescription drug coverage. Our Medicare products are available to individuals and to employer groups that wish to offer retirement benefits.

In 2006, we introduced a Part D Prescription Drug Plan (PDP) in response to the federal government’s implementation of the Medicare Modernization Act. Our PDP offers affordable coverage for both generic and brand-name drugs. Also in 2006, we began offering a Medicare Supplement, or Medigap, plan.

A personal phone representative, called a Health Care Concierge, is assigned to each of our UPMC for Life members to help explain benefits and answer questions.


Community Products and Services: Benefits for people in need

UPMC for You

Our Medical Assistance program, UPMC for You, offers comprehensive health care benefits to low-income families, as well as important preventive services and programs, including smoking cessation.

Our UPMC for You maternity program offers education and coordination of care throughout pregnancy. In 2006, more than 635 women received free infant car seats, which we offer as part of our maternity program.

With the help of a grant from the Heinz Endowments, the University of Pittsburgh, UPMC for You, and the Pennsylvania Department of Public Welfare are collaborating on a project focused on overweight children at risk for diabetes called HEALTH for Families.



UPMC for Kids provides comprehensive coverage for children who would not otherwise have health insurance. Members of this program are also eligible for Healthy Living Rewards for Kids, a program that provides discounts on health and fitness products and services.

UPMC for Kids

In August 2006, UPMC Health Plan introduced its Children's Health Insurance Program (CHIP) product, called UPMC for Kids, to provide quality health insurance to children under the age of 19 who are not covered by employer-sponsored health insurance or eligible for Medical Assistance.

The Health Plan recently expanded UPMC for Kids by participating in Pennsylvania's Cover All Kids program, which eliminates the CHIP family income limits. Under Cover All Kids, every family, no matter what their income level, can qualify for no-cost, low-cost, or at-cost CHIP coverage.

UPMC for Life Specialty Plan

The Health Plan introduced a no-cost Special Needs Plan in 2006 for people who are eligible for both Medicare and Medical Assistance. This plan combines the coverage and protection offered by both programs.

These members also receive Health Care Concierge services and membership in our Active&Fit™ program, which includes membership at a local participating fitness club, access to a toll-free member services hotline and website, and an at-home program.

Building Bridges

Partnerships to improve health

COMMUNITY HEALTH

UPMC Health Plan reaches out to the communities we serve. We want to help all our neighbors lead healthier lives, so we work with community leaders to create programs for people of all ages.

Sometimes the path to better health is learning how to prepare nutritious after-school snacks. Sometimes it's a group walk-about during the lunch hour, or a festival celebrating outdoor activity. Whatever it is, a community improves its health one step at a time—and UPMC Health Plan leads the way.



*Pittsburgh's 40th
Street Bridge spans
the Allegheny River.*

Photo by Richard Kelly



UPMC Health Plan in the community

We invest in our communities through strategic partnerships that promote the health and well-being of all people in Western Pennsylvania. Through our efforts, community leaders join together to discuss issues facing this region, including hunger, fitness, and family health.

We collaborate with local and national organizations and, in 2006, participated in initiatives that involve the active participation of Health Plan employees while improving the health and well-being of community members.

1 America On the Move

Through our sponsorship of “America On the Move” in Pittsburgh—part of a national initiative to promote active living and healthy eating across the country—we encourage team participation in large public walking events, engaging participants in a shared effort to move more, eat less, and promote healthier lifestyles in our community. In the photo, UPMC staff participate in the “America on the Move” kick-off event in downtown Pittsburgh.

2 Healthy Living Lecture Series

In partnership with the Pittsburgh Parks Conservancy, the Health Plan presented a series of lectures that highlighted some of today’s most important health issues, including topics such as alternative medicine, fitness and strength, asthma and allergies, and healthy shopping and cooking with organic foods. The photo shows a fitness demonstration led by a Health Plan health coach.



3 Working Hearts

Heart disease is the leading cause of death among women and men in the United States. UPMC Health Plan's partnership with the Jewish Healthcare Foundation's Working Hearts initiative encouraged people to improve their heart health through better nutrition, more physical activity, screenings, and stress management. The photo shows Health Plan staff preparing for the event.

4 Greater Pittsburgh Community Food Bank

UPMC Health Plan's involvement with the Community Food Bank extends beyond our participation in the annual Scouting for Food campaign. The photo shows Health Plan staff members volunteering their time to sort and pack food for members of the community in need.

5 Venture Outdoors

The Health Plan is the title sponsor of the annual Venture Outdoors Festival. This free event provides the opportunity for individuals and families to discover the diversity and richness of the recreational activities available in Western Pennsylvania. The climbing wall shown in the photo is one of many outdoor activities featured at the event.

6 Community Sponsorships

The photo shows Steeler Charlie Batch who helped kick off the Health Plan's 2006 United Way campaign. The Health Plan participates in many other local community organizations, including:

- Bethlehem Haven
- Boy Scouts of America
- Genesis of Pittsburgh
- Manchester Bidwell Corporation
- March of Dimes
- Rainbow Kitchen

The power of the doula program lies in sharing: sharing birth experiences, sharing wisdom, and—in the case of the UPMC Health Plan doula program—sharing a neighborhood. Mothers-to-be and doulas are matched, in part, based on where they live.

Doula Courtney Sage coached member Charla Johnson through the birth of her daughter, Khiyah, in early 2006. Charla lives in Swissvale, while Courtney lives in Pittsburgh's East End. Like many parents-to-be, Charla worried that she would not know how to care for her baby—a concern Courtney was able to address with advice and coaching.



Outreach to low-income mothers-to-be

UPMC Health Plan is one of the first health insurers in the nation to provide coverage for doulas, women who offer non-medical, emotional, and informational support to mothers before, during, and after childbirth. The Health Plan's doula program, a collaboration of UPMC Health Plan, Magee-Womens Hospital, and East Liberty Health Care Center, is designed for our UPMC *for You* members in the UPMC Braddock hospital service area.

One of the goals of this community outreach program is to reduce the low-birth-weight rate for its members who live in the Braddock community. In 2003, more than 11 percent of all babies born in Pittsburgh were considered low-birth-weight babies (below 5.5 pounds). The Braddock area was selected because of its statistical history of low-birth-weight babies.

The program recruits and trains women from the local community to serve as doulas. As members of the community, the doulas understand and are often helpful in resolving the issues these women face. They can work with mothers-to-be to help reduce risk factors associated with premature birth as well as low-birth-weight rates. These factors include timeliness of prenatal care, smoking, nutrition, and stress.

Through this program UPMC Health Plan hopes to strengthen the health of the community by reducing disparities in care and improving clinical and financial outcomes associated with high-risk pregnancies.



**“It would have
been very
hard if she
wasn’t there.”**

Charla Johnson

**A healthy eating program for
children**

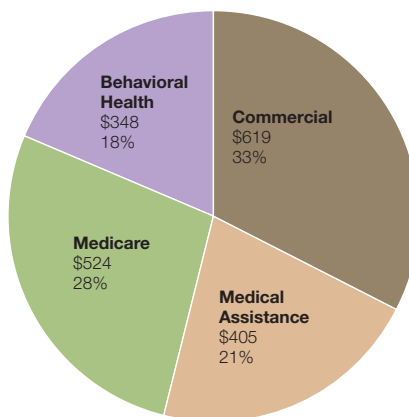
In an effort to prevent diabetes and related health problems, the Health Plan offers personalized help to UPMC *for You* members with overweight children. Called HEALTH for Families, the program includes shopping trips with personal nutritionists and weekly telephone calls to help families learn about nutrition, healthy eating, and meal preparation.

This program uses the Go Slow Whoa eating plan, which encourages members to choose foods that are high in nutrition and low in fat and calories.

2006 Insurance Services Revenue Distribution by Product

(in millions of dollars)

While revenue for all product lines increased in 2006, the share of revenue attributable to Medicare sales jumped from 15% in 2005 to 28% in 2006.



Exceptional operating performance

FINANCIAL HIGHLIGHTS

UPMC Insurance Services Division financial highlights reflect the combined operating results and financial position among UPMC's health insurance subsidiaries.

Calendar year 2006 represented another strong year of growth, with Division revenue increasing by \$296 million (18.5%) to \$1.8 billion. Division operating margins were \$62 million (3.3 % of revenue) in 2006, compared to \$56 million (3.5%) in 2005.

A highly disciplined focus on product line management as well as the application of innovative technology solutions to achieve optimal clinical outcomes for our members while effectively managing member care costs accounts for the Division's exceptional operating performance. Once again, UPMC Health Plan's administrative costs were less than 8% of premium revenue in 2006, an industry best practice performance. This illustrates our commitment to cost containment as well as efficiency.

The Health Plan also received SAS70 certification from its independent auditor for its claims-processing internal controls environment, providing additional independent quality assurance for our self-insured customers.

**UPMC Insurance Services Combined
Statement of Revenue and Expenses**
For the year ended December 31 (in millions)

	2006	2005
Enrollment Revenue	\$1,896	\$1,600
Operating Expenses	\$1,834	\$1,543
Operating Margin	\$62	\$57
Operating Margin %	3.3%	3.5%
Investment Income	\$15	\$9
Interest Expense	\$6	\$5
Income Taxes	\$22	\$20
Net Income	\$49	\$41

**UPMC Insurance Services
Combined Balance Sheet Highlights**
For the year ended December 31 (in millions)

Assets	2006	2005
Cash and Investments	\$358	\$317
Current Receivables	\$120	\$102
Other Assets	\$11	\$8
Total Assets	\$489	\$427
Liabilities and Equity		
Health Claims Reserves	\$157	\$147
Other Current Liabilities	\$92	\$74
Surplus Notes	\$111	\$128
Common Shareholder Equity	\$129	\$78
Total Liabilities and Equity	\$489	\$427

The University of Pittsburgh Medical Center (UPMC) is strongly committed to best-in-class governance and organizational transparency standards. In 2006, UPMC, including the UPMC Insurance Services Division, became the first—and only—nonprofit health enterprise to fully adopt Sarbanes-Oxley, including the stringent requirements of section 404, for which an unqualified opinion from UPMC's external auditors was received.

The Division, along with UPMC, has also adopted industry-leading public financial disclosure practices for both quarterly (unaudited) and annual (audited) results, allowing our community stakeholders to review our progress and fiscal health. The reporting can be found at <http://www.upmc.com>.

Responsive community partners

INSURANCE SERVICES DIVISION

Division Overview

As a world-class integrated health care delivery system, the University of Pittsburgh Medical Center (UPMC) brings together a seamless end-to-end continuum of care to meet the full spectrum of patients' health care needs. UPMC clinical services and facilities include academic, community and specialty hospitals, affiliated physician practices, outpatient rehabilitation services, cancer centers, senior living facilities, and imaging services, among others.

As part of this integrated system, UPMC's Insurance Services Division provides a diverse array of health and well-being services related to health benefits, health promotion and care management, employee assistance and behavioral health, and workers' compensation to the employers and the communities of Western Pennsylvania.

The Division comprises a variety of health maintenance organizations, preferred provider organizations, and health-related technology and benefit management companies offering a variety of governmental and commercial health insurance and health-related products.

UPMC Health Plan offers commercial and Medicare HMO products while also providing administrative, personnel, and financial services required by most entities in the Division. The nonprofit UPMC *for You*, Inc., offers benefits to Medical Assistance beneficiaries.

Community Care Behavioral Health balances the Division providing behavioral health products delivered independently as health insurance offerings under Pennsylvania's HealthChoices Medical Assistance program.



UPMC Insurance Services Division includes:

- UPMC Health Plan, Inc. — A Pennsylvania nonprofit HMO offering commercial, Medicare, Special Needs, and CHIP products.
- UPMC Health Benefits, Inc. — A PPO offering Medicare Select and Supplemental products.
- UPMC Health Network, Inc. — A PPO offering Medicare and commercial PPO products.
- UPMC *for You*, Inc. — A Pennsylvania nonprofit HMO offering a Medicaid product.
- Community Care Behavioral Health Organization — A tax-exempt PPO offering both commercial and governmental behavioral health products.
- UPMC Benefits Management Services — An entity that offers administrative services to self-insured employers.
- UPMC IS technology Services, LLC — An entity offering ASP hosting and other technology services.
- EAP Solutions — A division of a nonprofit entity offering employee assistance programs.
- Askesis Development Group, Inc. — An entity engaged in the development and sale of behavioral health technology products.
- Work Partners — A for-profit subsidiary of UPMC offering a full range of clinical and administrative services to Western Pennsylvania employers.

Expert governance

DIVISION LEADERSHIP

UPMC Insurance Services Division Committee 2005–2006

Community Director

David Roderick, Chair

University Director

Robert Lovett, Esq.

Hospital Directors

UPMC Shadyside

Mark Laskow

UPMC McKeesport

D. James

Heatherington

Children's Hospital of Pittsburgh of UPMC

Howard Hanna III

Magee-Womens Hospital of UPMC

William Pietragallo II

Ad Hoc:

Gary Gruen, MD
Associate Medical Director

Department of Orthopaedics
University of Pittsburgh Medical Center

Loren Roth, MD, MPH

Sr. Vice President

Quality Care

Chief Medical Officer

University of Pittsburgh Medical Center

UPMC Health Plan Board

Board Chair

George Huber

Sr. Vice President

Corporate Relations and Regional Programming

University of Pittsburgh Medical Center

Board Vice Chair

Dean Eckenrode

President

UPMC Horizon

Richard Ash, MD

Children's Community

Pediatrics

James Boyle, MD

James W. Boyle, MD,

Associates LLC

Eric Bruce

President

Trilogic Corporation

Donald Carson, MD

President, Medical Staff

Magee-Womens

Hospital

Edward Donnelly, MD

PrimeCare Medical

Associates UPMC

Peter Eisenbrandt

Sr. Vice President

Bank Broker Division

Federated Investors

Diane Holder

President

UPMC Health Plan and

Insurance Services

Division

William Kottner, MD

Internal Medicine &

Geriatrics

of Washington

Scott Lammie, CPA

Chief Financial Officer

UPMC Health Plan

Sr. Vice President

Insurance Services

Division

Norman Mitry

President and

Chief Executive

Officer

Heritage Valley Health

System

Joseph Molinero

President

Teamsters Local Union

No. 211

Gregory Peaslee

Chief Human

Resources Officer

University of Pittsburgh

Medical Center

William Pietragallo II

Managing Partner

Pietragallo, Bosick &

Gordon

Arthur Ramicone

Vice Chancellor for

Budget and

Controller

University of Pittsburgh

Loren Roth, MD, MPH

Sr. Vice President

Quality Care

Chief Medical Officer

University of Pittsburgh

Medical Center

Telford Thomas

President and

Chief Executive

Officer

The Washington

Hospital

Thomas Timcho

President and

Chief Executive

Officer

Jefferson Regional

Medical Center

Quality Improvement

We believe that to improve the quality and efficiency of health care delivery in our community, all stakeholders need to be involved in the decision-making process. This applies with particular significance to the physicians who care for our members. UPMC

Health Plan's Quality Improvement Committee is largely made up of practicing physicians who create and support the Health Plan's clinical policies. The committee is a forum enabling these physician leaders to establish collaborative clinical programming with our provider community.

Quality Improvement Committee

- Daniel Brooks, MD
- Richard Cartwright, MD
- Kenneth Ciesielka, MD
- Michael Culyba, MD
- Nicholas DeGregorio, MD
- Angelo DeMezza, MD
- Anne Docimo, MD
- Dennis English, MD
- William Fera, MD
- Juliet Jegasothy, MD
- Ken Nash, MD
- James Schuster, MD

- Dennis Stull, MD
- Jalit Tuchinda, MD
- Michael White, MD
- Jay Ziegler, MD

Behavioral Health/Physical Health

- Bernard Bernacki, DO
- Michael Culyba, MD
- Frank Ghinassi, PhD
- Edward Post, MD, PhD
- Eric Rodriguez, MD
- Bruce Rollman, MD, MPH
- Octavio Salazar, MD

- James Schuster, MD
- Tony Stile, MD
- Anne Toland, PhD

Credentialing

- Michael Culyba, MD
- Nicholas DeGregorio, MD
- Christopher Olbrich, MD
- Jay Ziegler, MD
- Eileen Baade, MD
- John Maher, MD
- Renata Hoca, MD
- Marc Finder, MD

Pharmacy/Therapeutics

- DiAnn Borasky, RN
- Colleen Culley, PharmD
- Michael Culyba, MD
- Anne Docimo, MD
- Eileen Engel, MD
- Roger Haskett, MD
- Margaret Hrinaya, RPh
- Michael Jacobs, PharmD
- Juliet Jegasothy, MD
- Michael Lamb, MD
- Joon Sup Lee, MD
- Jorge Lindenbaum, MD

- Michael McGonigal, MD
- David Paterson, MD
- Paul Rowland, MD
- Octavio Salazar, MD
- James Schuster, MD
- Steven Simon, RPh
- Anthony Spinola, MD

Insurance Services Leadership Group

- Diane Holder
President
UPMC Health Plan and Insurance Services Division
- Scott Lammie, CPA
Chief Financial Officer
UPMC Health Plan
Sr. Vice President
Insurance Services Division
- Catherine Batteer
Vice President
Medicare
- Anthony Benevento
Vice President
Sales & Marketing
- Michael Culyba, MD
Vice President
Medical Affairs
- Richard Citrin, PhD, MBA
Vice President
EAP Solutions
- Sharon Czyzewski
Vice President
Human Resources
- Anne Docimo, MD
Chief Medical Officer

- James Gavin
President
Community Care Behavioral Health Organization
- Sharon Hicks
President and Chief Executive Officer
Askesis Development Group
- Mary Beth Jenkins
Chief Operating Officer
- John Lovelace
President
UPMC for You, Inc.
Vice President
Medicaid Programs, Children's Health Insurance, and Medicare Special Needs Plan
- Edward McCallister
Chief Information Officer
- Pamela Peele, PhD
Vice President
Health Economics
- Michael Taylor
Executive Director
Marketing and Communications

- Daniel Vukmer, Esq.
Vice President and General Counsel
UPMC Health Plan and Insurance Services Division
- David Weir
President
UPMC Work Partners
- Christopher Young
Vice President
Strategic and Advisory Services

University of Pittsburgh Medical Center
<http://www.upmc.com>

UPMC Health Plan
<http://www.upmchealthplan.com>

Mission

UPMC Health Plan employees are committed to improving the health of our members by offering innovative products, cost-effective solutions, and service excellence through our unique partnerships with our health system, our members, the community providers, and our purchasers.

Values

Partnership—We believe positive partnerships and teamwork improve results.

Respect—We treat others as we want to be treated.

Integrity—We do what is right.

Innovation—We create products and services for current and future success.

Development—We invest in our staff members' continued growth and satisfaction.

Excellence—We strive for “best-in-class” practices and outcomes.

Service—We view exceptional service to all customers as a critical differentiator.

PRIDES
PARTNERSHIP | RESPECT | INTEGRITY | INNOVATION | DEVELOPMENT | EXCELLENCE | SERVICE

