

# TEXAS

## HEALTH CARE DATA SUMMARY 2004



**TEXAS  
ASSOCIATION  
OF HEALTH  
PLANS**



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### Managed Care Digest Series® 2004

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## Introduction

The Texas Association of Health Plans (TAHP) is pleased to present the **Texas Health Care Data Summary 2004**, an overview of demographic, financial, pharmacy utilization and other measures for Health Maintenance Organizations (HMOs) in key markets in the state of Texas. The summary provides state and national benchmarks that can help plans identify better opportunities to serve the needs of their members. Data are drawn from the sanofi-aventis **Managed Care Digest Series®** and other respected data sources.

The **Texas Health Care Data Summary** helps TAHP to fulfill its mission to improve health care delivery to the citizens of Texas and to promote communication within the managed care industry and among key components of the health care delivery system.

This year's edition features examples of the kinds of data that can be provided by TAHP in partnership with the sanofi-aventis **Managed Care Digest Series®**. TAHP looks forward to working with sanofi-aventis in the years to come to produce more comprehensive reports on health care in Texas markets.

Data for the **Texas Health Care Data Summary** were gathered by Verispan LLC, Yardley, Pa., a leading health care consulting and marketing research firm specializing in database management and health care data.

A final review process takes place, before and during production of this report, between Verispan and Forte Information Resources LLC.

Sanofi-aventis, as sponsor of this report, maintains an arm's length relationship with the organizations that prepare the Summary and carry out the research. The desire of sanofi-aventis is that the information in the Summary be completely independent and objective.

## Methodology

### GENERAL DATA

Verispan gathered national, state and local data included in this report from a variety of sources between February 2002 and June 2004 by contacting the state's department of insurance, mailing a survey to each plan and following up, when necessary, with a telephone or faxed survey.

Most data in this report are from a census of the HMO industry. When data were not available from all plans, a smaller sample was used.

In addition, Verispan compares its data with those published in other sources, including trade associations in the managed care industry, state regulatory agencies, and periodicals and journals. Doing so provides an additional check on the accuracy of its database of operating HMOs.

### MARKET DEFINITIONS

Verispan gathered information on the service areas of every HMO, commercial and Medicare, during the survey process, then aggregated it to the appropriate metropolitan statistical area (MSA), consolidated metropolitan area (CMSA) and state level.

Information for MSAs provided in this report is based on all data from HMOs that serve that MSA. That is, data are included on those HMO members who reside outside the MSA, an important point to consider in analyzing the information.

To ensure the integrity of the data, MSA data are reported only for those areas served by five or more HMOs.

The Centers for Medicare and Medicaid Services (CMS) provided enrollment data on HMOs serving Medicare beneficiaries and Medicaid recipients. Utilization data on Medicare and Medicaid enrollees are gathered *only* from those HMOs that have such members.

To make suggestions about how to improve our publication, please contact [lrummel@tahp.org](mailto:lrummel@tahp.org) or [bmaxwell@tahp.org](mailto:bmaxwell@tahp.org)

# HMO DEMOGRAPHICS



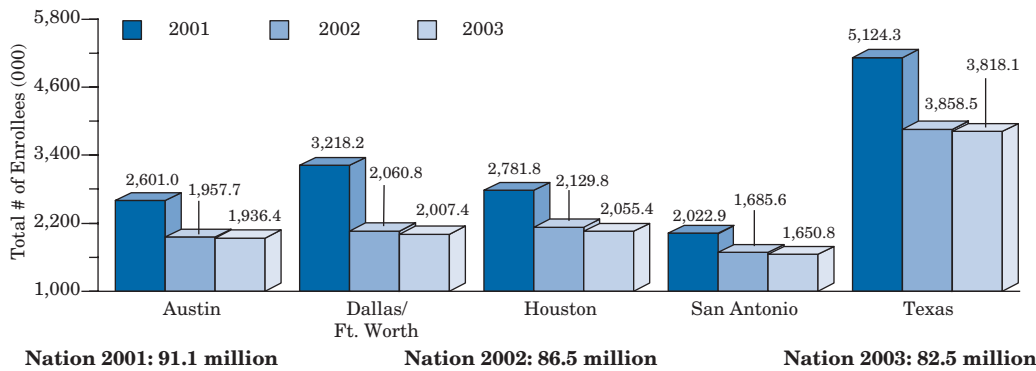
## ENROLLMENT IN HMOs

MARKET	2001		2002*		2003	
	Total Enrollees	Avg. # of Enrollees	Total Enrollees	Avg. # of Enrollees	Total Enrollees	Avg. # of Enrollees
Austin	2,601,017	173,401	1,957,683	150,591	1,936,397	148,954
Dallas/Fort Worth	3,218,201	229,872	2,060,813	137,388	2,007,436	133,829
Houston	2,781,840	198,703	2,129,830	152,131	2,055,394	137,026
San Antonio	2,022,884	168,574	1,685,604	153,237	1,650,761	165,076
Texas	5,124,325	122,008	3,858,535	113,486	3,818,148	112,299
<b>Nation</b>	<b>91,076,879</b>	<b>168,974</b>	<b>86,455,486</b>	<b>171,539</b>	<b>82,500,320</b>	<b>171,518</b>

### HMO ENROLLMENT STABILIZES IN TEXAS

Enrollment in HMOs serving the state of Texas dipped 1.0% in 2003, to 3.8 million from 3.9 million in 2002. Although HMOs in each of the four Texas MSAs profiled lost enrollment in 2003, the largest decrease was just 3.5% (Houston, to 2.055 million from 2.130 million the prior year). The total number of HMO enrollees fell 4.6%, to 82.5 million from 86.5 million in 2002.

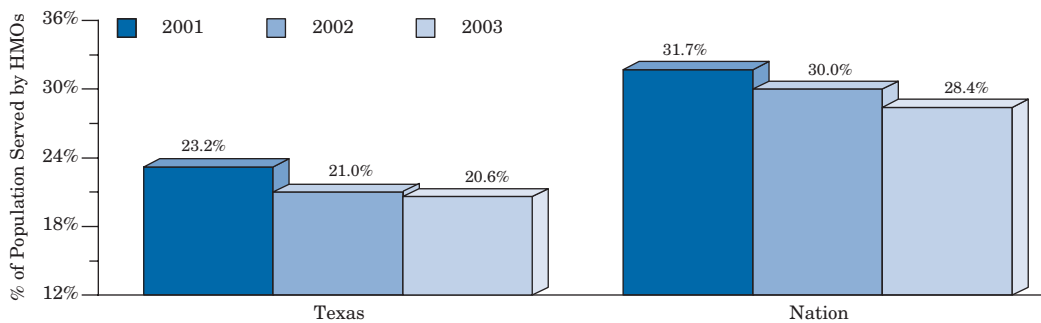
### TOTAL NUMBER OF ENROLLEES



### AVERAGE HMO SIZE INCREASES IN SAN ANTONIO IN 2003

The average number of enrollees in HMOs serving the San Antonio MSA climbed 7.7% in 2003, to 165,076 from 153,237 in 2002. Statewide, HMOs averaged 112,299 members per plan, nearly one-third less than the average for San Antonio.

### HMO PENETRATION\*\*



### HMO PENETRATION RATE DIPS IN 2003

The national HMO penetration rate fell to 28.4% in 2003 from 30.0% the previous year, the fourth consecutive annual decline. The percentage of Texas residents served by HMOs dipped only fractionally during this time, to 20.6% from 21.0%.

Data source: Verispan LLC © 2004

\* Data for 2002 on pages 3 through 11 and page 14 of this document are restated and, therefore, differ from those shown in the *Texas HMO Data Summary* for 2003.

\*\* The penetration rate reflects the percentage of the population served by HMOs.

NOTE: Unless otherwise indicated, HMO data presented in this report are based on total HMO enrollment, including Medicare beneficiaries and Medicaid recipients.

## POS ENROLLMENT CLIMBS RAPIDLY IN TEXAS IN 2003

After declining between 2001 (867,097) and 2002 (799,610), enrollment in Texas HMOs that provided a point-of-service (POS) option (see definition below) jumped 26.3% in 2003, to just over 1 million. Of the four MSAs profiled, POS enrollment was greatest in 2003 (534,226, up sharply from 327,674) at HMOs with members in Dallas-Fort Worth.

## TOTAL NUMBER OF POS ENROLLEES CONTINUES TO FALL

In sharp contrast to the increase in the number of POS enrollees in HMOs serving Texas, POS enrollment nationally tumbled 13.0% between 2002 (17.2 million) and 2003 (15.0 million), the third straight annual decline. As has been true since 2001, about two-thirds of all HMOs offered POS options in 2003.

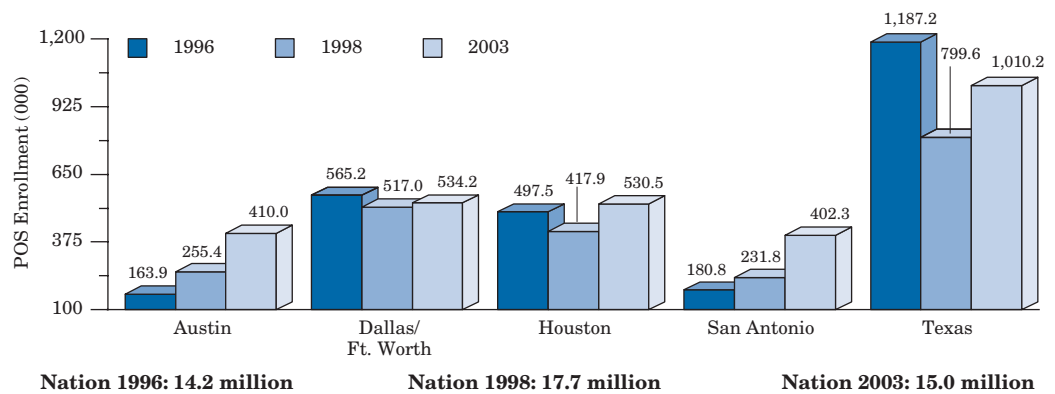
## SAN ANTONIO PLANS ARE LIKELY TO HAVE TRIPLE OPTIONS

Sixty percent of HMOs with members in the San Antonio MSA included a triple-option feature (see definition below) in 2003, up from 44.4% in 2002, and the largest share by MSA. The percentage of all HMOs that provided a triple option trailed the average for San Antonio in 2003, but climbed notably, to 51.4% from 36.3%.

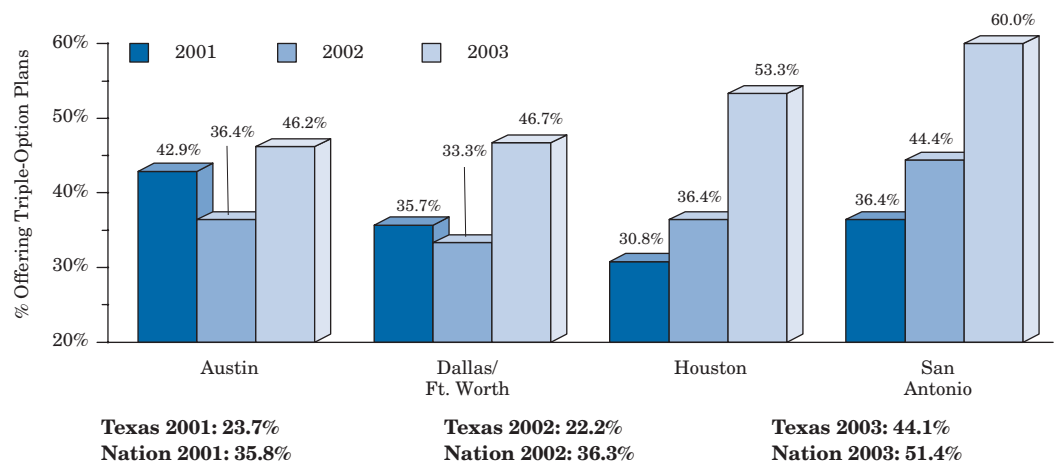
### HMOs OFFERING POINT-OF-SERVICE PLANS

MARKET	Percentage of HMOs Offering Point-of-Service			Point-of-Service Enrollment		
	2001	2002	2003	2001	2002	2003
Austin	60.0%	46.2%	46.2%	262,540	309,560	410,020
Dallas/Fort Worth	50.0	53.3	60.0	414,967	327,674	534,226
Houston	64.3	50.0	53.3	247,423	326,220	530,457
San Antonio	66.7	36.4	70.0	202,630	197,791	402,300
Texas	61.9	52.9	52.9	867,097	799,610	1,010,226
<b>Nation</b>	<b>66.6%</b>	<b>65.7%</b>	<b>66.5%</b>	<b>17,519,501</b>	<b>17,245,161</b>	<b>15,000,406</b>

### POINT-OF-SERVICE ENROLLMENT



### HMOs OFFERING TRIPLE-OPTION PLANS



Data source: Verispan LLC © 2004

**Point-of-service plans** may be separately licensed HMOs by a state department of insurance; these plans allow HMO members to use the plan's provider network or to go outside the network to obtain services. This type of hybrid plan generally assesses a higher fee to the HMO member for going outside the provider network.

**Triple-option plans** include a choice of HMO, PPO or indemnity plan.

# EMPLOYER GROUPS



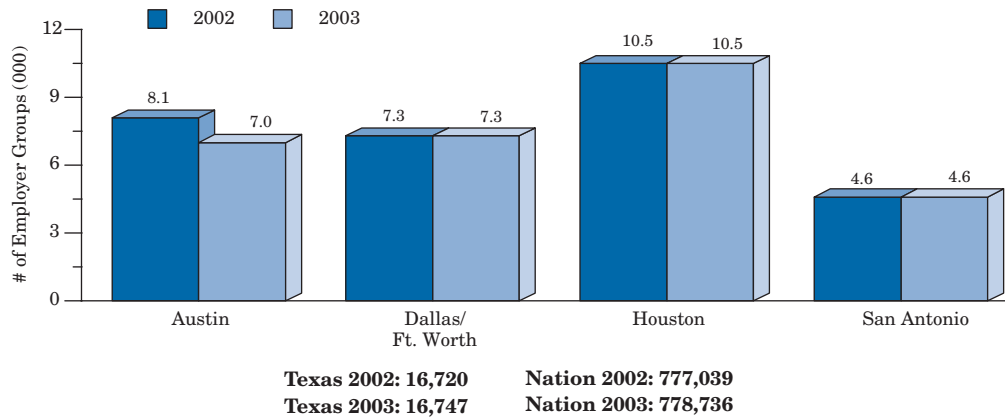
## HMO-CONTRACTED EMPLOYER GROUPS

MARKET	Total Number			Average Number		
	2001	2002	2003	2001	2002	2003
Austin	9,467	8,145	6,970	789	1,018	996
Dallas/Fort Worth	8,072	7,262	7,266	734	807	727
Houston	12,212	10,516	10,516	1,221	1,315	1,315
San Antonio	5,943	4,563	4,586	594	652	655
Texas	19,253	16,720	16,747	664	984	930
<b>Nation</b>	<b>821,174</b>	<b>777,039</b>	<b>778,736</b>	<b>2,178</b>	<b>2,348</b>	<b>2,404</b>

### AUSTIN HMOs HAVE FEWER EMPLOYER CONTRACTS IN 2003

The total number of employer groups holding contracts with HMOs serving the Austin MSA fell 14.4% in 2003, to 6,970 from 8,145 in 2002. Between 2001 (9,467) and 2003, the number of HMO-contracted groups in Austin dropped 26.4%.

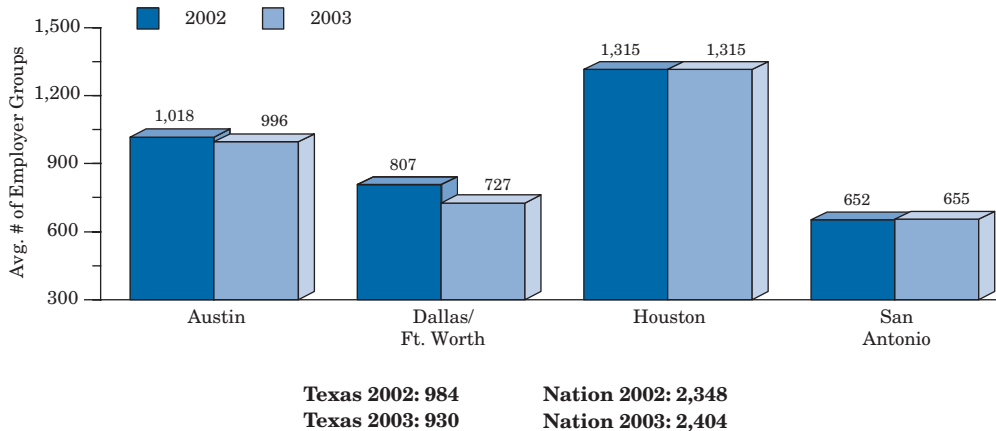
### TOTAL NUMBER OF HMO-CONTRACTED EMPLOYER GROUPS



### EMPLOYER GROUP COUNT DECREASES FOR TEXAS PLANS

In 2003, HMOs with members in Texas formed contracts with an average of 930 employer groups, down 5.5% from 984 in 2002. By comparison, HMOs overall contracted with an average of 2,404 employer groups, up 2.4% from 2,348 the prior year.

### AVERAGE NUMBER OF EMPLOYER GROUPS PER HMO



### EMPLOYER GROUPS OFTEN CONTRACT WITH NETWORK PLANS IN HOUSTON

Of the approximately 10,500 employer groups contracted to HMOs in Houston in 2003, 39.8% entered contracts with network-model plans, up from 21.4% in 2002. Statewide, network-model plans contracted with 49.3% of all groups forming contracts with HMOs, compared with just 32.3% the year before.

Data source: Verispan LLC © 2004

## MD ENCOUNTER NUMBER CLIMBS FOR AUSTIN PLANS IN 2003

Members of HMOs that served the Austin MSA averaged 2.7 physician encounters in 2003, up 8.0% from 2.5 in 2002 and 28.6% from 2.1 in 2001. Despite the increase, the 2003 average for these plans trailed the national average (3.2) by 15.6%.

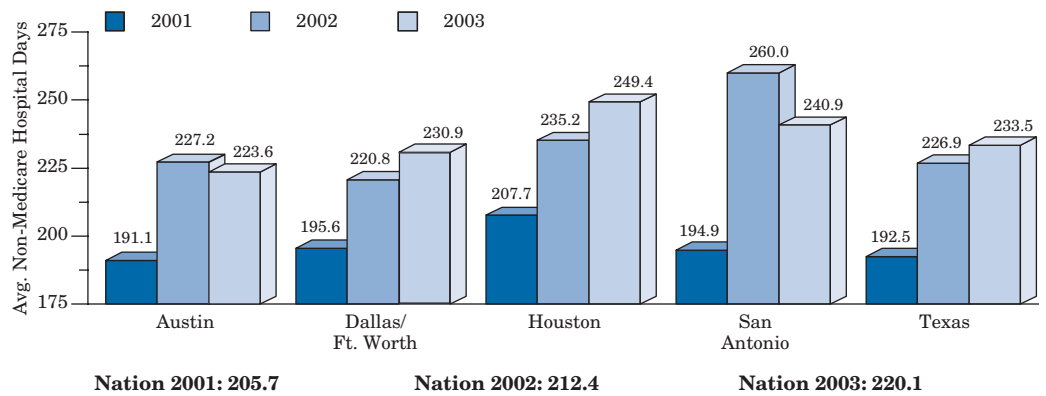
UTILIZATION RATES FOR NON-MEDICARE HMO MEMBERS

UTILIZATION MEASURE	Austin			Dallas/Fort Worth			Houston			San Antonio			Texas			Nation		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
Hosp. Admissions/1,000 Members	56.7	58.4	58.1	58.3	64.1	62.1	56.6	58.4	64.0	55.7	59.1	60.4	53.9	58.4	60.0	57.2	58.1	58.7
Phys. Encounters/Member	2.1	2.5	2.7	2.0	1.9	2.5	2.2	2.1	2.4	2.4	2.2	2.5	2.3	2.4	2.7	3.1	3.1	3.2
ALOS/Hospital Admission	3.7	3.6	3.6	3.8	3.6	3.6	3.8	3.7	3.7	3.8	3.8	3.8	3.5	3.6	3.7	3.6	3.7	3.7

## HOSPITAL DAYS/1,000 RATIO INCREASES FOR TEXAS HMOs

After jumping 17.9% between 2001 (192.5) and 2002 (226.9), the average number of hospital days per 1,000 non-Medicare members of HMOs in Texas rose a more moderate 2.9% in 2003, to 233.5. The ratio of hospital days per 1,000 members was lowest, by MSA, for HMOs serving Austin, at 223.6, down 1.6% from 227.2 in 2002.

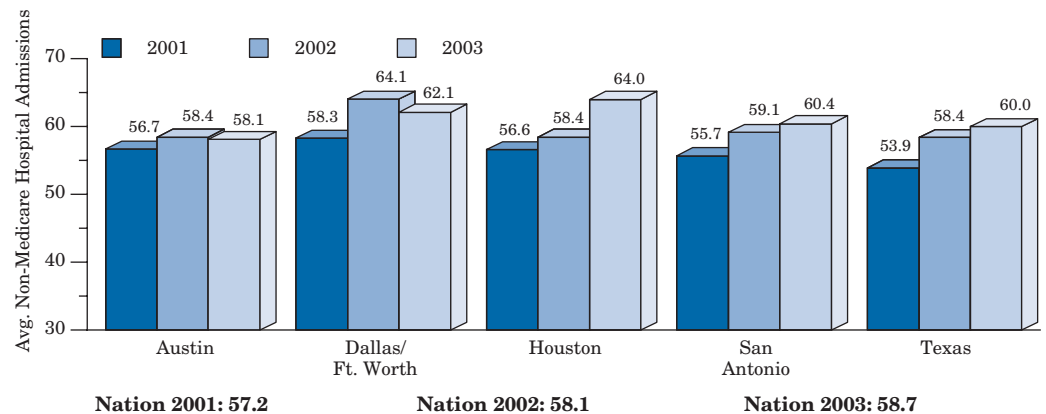
AVERAGE HOSPITAL DAYS PER 1,000 NON-MEDICARE HMO MEMBERS



## DALLAS-FORT WORTH HMOs TRIM AVERAGE ADMISSIONS COUNT

The number of hospital admissions per 1,000 non-Medicare members of HMOs serving the Dallas-Fort Worth MSA fell 3.1% in 2003, to 62.1 from 64.1 in 2002. Even so, the admissions ratio for these plans was 5.8% greater than the national average (58.7) in 2003.

AVERAGE HOSPITAL ADMISSIONS PER 1,000 NON-MEDICARE HMO MEMBERS



Data source: Verispan LLC © 2004

# HMO PREMIUM RATES



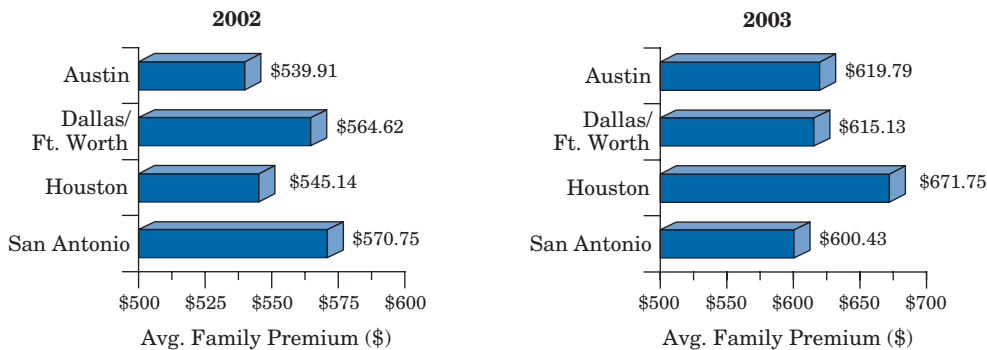
## AVERAGE PREMIUM RATES PER MONTH\*

MARKET	Average Family Premium			Average Individual Premium			Average Individual & Spouse Premium		
	2001	2002	2003	2001	2002	2003	2001	2002	2003
Austin	\$453.58	\$539.91	\$619.79	\$161.48	\$181.61	\$212.67	\$354.93	\$381.82	\$442.74
Dallas/Ft. Worth	439.96	564.62	615.13	160.90	207.02	237.20	344.41	401.97	413.08
Houston	438.85	545.14	671.75	157.28	192.10	235.54	339.18	436.86	449.77
San Antonio	441.69	570.75	600.43	168.98	201.34	220.87	357.64	421.69	434.23
Texas	461.74	599.19	693.21	159.52	197.41	247.65	348.17	458.30	486.18
<b>Nation</b>	<b>\$499.51</b>	<b>\$543.81</b>	<b>\$647.12</b>	<b>\$173.68</b>	<b>\$194.71</b>	<b>\$232.72</b>	<b>\$359.80</b>	<b>\$398.94</b>	<b>\$449.19</b>

### PREMIUM RATES FOR HOUSTON PLANS INCREASE NOTABLY

Average monthly individual and family premium rates for HMOs serving Houston each rose faster than the national average in 2003. For example, average monthly premiums for individuals increased 22.6% for Houston plans, to \$235.54 from \$192.10 in 2002, while such premiums climbed 19.5% for HMOs overall, to \$232.72 from \$194.71, during this time.

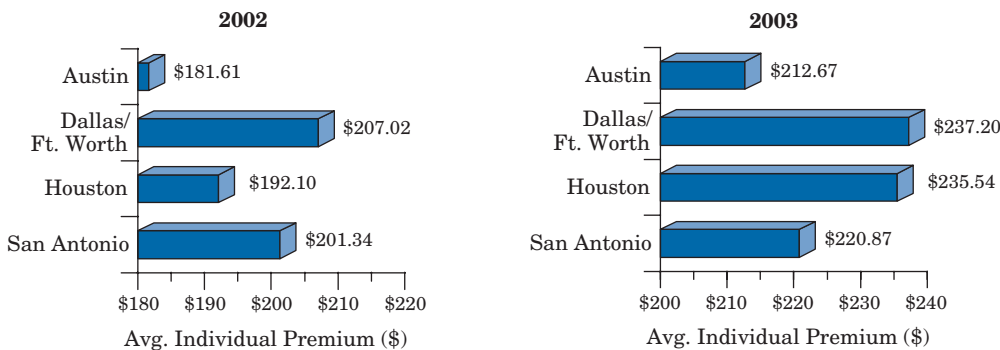
## AVERAGE FAMILY PREMIUM PER MONTH\*



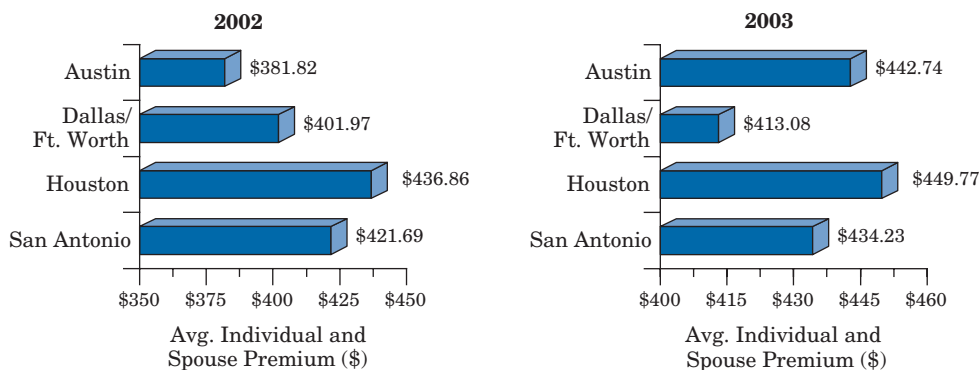
### OVERALL PREMIUM RATE RISE EXCEEDS DALLAS AVERAGE

In 2003, average monthly HMO premiums for families climbed 19.0%, to \$647.12 from \$543.81 in 2002. By comparison, monthly family premiums for HMOs serving Dallas-Fort Worth rose 8.9% during this time, to \$615.13 from \$564.62. Of HMOs in the Texas markets profiled, family premiums rose more slowly only for those in San Antonio, to \$600.43 from \$570.75, or 5.2%.

## AVERAGE INDIVIDUAL PREMIUM PER MONTH\*



## AVERAGE INDIVIDUAL AND SPOUSE PREMIUM PER MONTH\*



\* Averages represent the flat charge for medical health coverage and do not include charges for pharmacy, dental or other services. Also, employee copay contributions are not included. Numbers of options and levels of coverage may account for significant differences between an individual company's premium rates and the average.

## AVERAGE TIER ONE COPAY DECLINES FOR TEXAS HMOs IN 2003

The average copayment for a tier-one outpatient prescription dipped 2.1% for Texas HMOs in 2003, to \$10.60 from \$10.83 in 2002. Despite the decrease, the 2003 figure exceeded by 12.1% the average copayment for a first-tier drug nationally, which edged up 1.6%, to \$9.46 from \$9.31.

## TEXAS PLANS HAVE RELATIVELY LOW FIXED COST SHARE

In each of three tier categories profiled, HMOs serving Texas required a smaller fixed percentage of the prescription cost than the national average in 2003. For example, members of Texas plans responsible for a portion of the drug cost paid an average 23.3% of the cost of a second-tier drug, compared with the overall average of 28.4%.

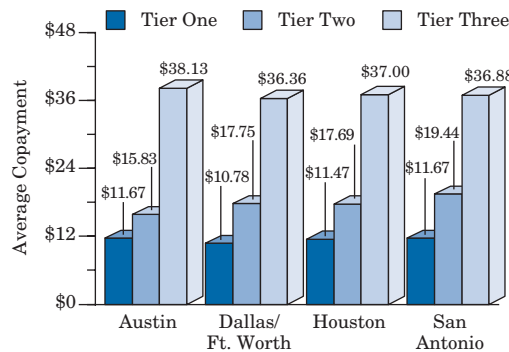
## THIRD-TIER COPAY IS LOWEST FOR HMOs SERVING DALLAS

Members of HMOs serving the Dallas-Fort Worth MSA made an average copayment of \$36.36 for a third-tier drug in 2003, the smallest amount of the Texas markets listed. By comparison, HMO members nationally paid an average \$37.31 for a third-tier drug, 2.6% more than the Dallas-Fort Worth figure.

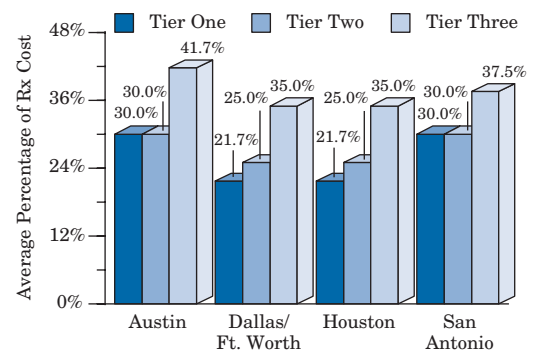
### COPAYMENT REQUIREMENTS FOR OUTPATIENT PRESCRIPTIONS<sup>1</sup>

MARKET	Copay Amount—Tier One		Copay Amount—Tier Two		Copay Amount—Tier Three	
	Avg. Copayment per Rx <sup>2</sup>	% of Rx Cost <sup>3</sup>	Avg. Copayment per Rx <sup>2</sup>	% of Rx Cost <sup>3</sup>	Avg. Copayment per Rx <sup>2</sup>	% of Rx Cost <sup>3</sup>
Austin	\$11.67	30.0%	\$15.83	30.0%	\$38.13	41.7%
Dallas/Fort Worth	10.78	21.7	17.75	25.0	36.36	35.0
Houston	11.47	21.7	17.69	25.0	37.00	35.0
San Antonio	11.67	30.0	19.44	30.0	36.88	37.5
Texas	10.60	18.9	17.94	23.3	37.83	37.0
<b>Nation</b>	<b>\$9.46</b>	<b>23.4%</b>	<b>\$20.55</b>	<b>28.4%</b>	<b>\$37.31</b>	<b>38.8%</b>

AVERAGE COPAYMENT PER PRESCRIPTION<sup>1, 2</sup>



AVERAGE PERCENTAGE OF PRESCRIPTION COST<sup>1, 3</sup>



### PERCENTAGE OF HMOs, BY COPAY TIER DESIGN<sup>1</sup>

MARKET	One-Tier Copay		Two-Tier Copay		Three-Tier Copay	
	Have	Do Not Have	Have	Do Not Have	Have	Do Not Have
Austin	50.0%	50.0%	66.7%	33.3%	75.0%	25.0%
Dallas/Fort Worth	40.0	60.0	66.7	33.3%	80.0	20.0
Houston	46.7	53.3	60.0	40.0	73.3	26.7
San Antonio	40.0	60.0	60.0	40.0	90.0	10.0
Texas	56.3	43.7	65.6	34.4	75.0	25.0
<b>Nation</b>	<b>60.5%</b>	<b>39.5%</b>	<b>62.8%</b>	<b>37.2%</b>	<b>74.4%</b>	<b>25.6%</b>

Data source: Verispan LLC © 2004

<sup>1</sup> Tiered copay drug designs implement levels of drug payments (either as a flat dollar amount or a fixed percentage of the cost of a drug) for patients. Generics require the smallest copay; preferred brand name drugs require a smaller copay than non-preferred brand names, which would require the highest copay in a three-tier design.

<sup>2</sup> Reflects the average for those who pay a flat dollar amount.

<sup>3</sup> Reflects the average for those who pay a fixed percentage of the drug cost.

# PHARMACY PREMIUMS AND UTILIZATION



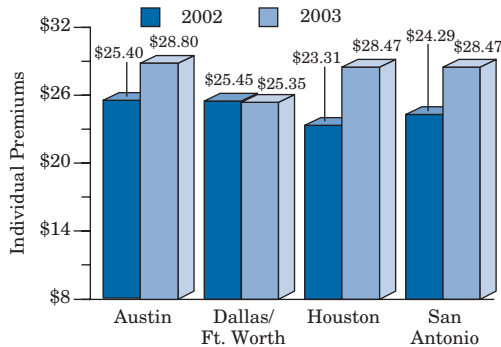
## PREMIUMS PER MEMBER PER MONTH FOR OUTPATIENT PHARMACY BENEFITS

MARKET	Individual Premiums		Family Premiums	
	2002	2003	2002	2003
	Austin	\$25.40	\$28.80	\$63.98
Dallas/Fort Worth	25.45	25.35	63.32	63.36
Houston	23.31	28.47	61.28	75.81
San Antonio	24.29	28.47	52.68	63.72
Texas	22.62	29.20	52.51	69.74
<b>Nation</b>	<b>\$24.81</b>	<b>\$26.45</b>	<b>\$58.27</b>	<b>\$61.47</b>

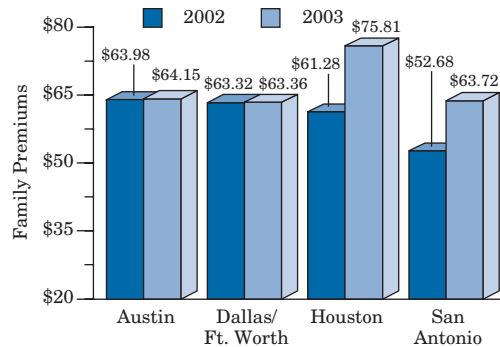
### DALLAS-FORT WORTH HMO RX PREMIUM RATES ARE LOW

Premiums per member per month (PMPM) for outpatient pharmacy benefits were lowest in 2003 among the Texas markets profiled for HMOs serving the Dallas-Fort Worth MSA. Individual pharmacy premiums for these plans were \$25.35 PMPM, at least 11.0% lower than the figure for any other area. Dallas-Fort Worth HMOs collected \$63.36 PMPM for family pharmacy premiums, slightly lower than the average for plans with members in San Antonio (\$63.72).

### INDIVIDUAL PREMIUMS PER MEMBER PER MONTH FOR PHARMACY BENEFITS



### FAMILY PREMIUMS PER MEMBER PER MONTH FOR PHARMACY BENEFITS



### 2003 PMPY RX COUNT INCREASES IN TEXAS

In each of the Texas markets profiled, the number of non-Medicare outpatient prescriptions dispensed per member per year (PMPY) by HMOs rose between 2002 and 2003. The increase was most notable for plans serving San Antonio, to 8.6 from 7.9, or 21.5%.

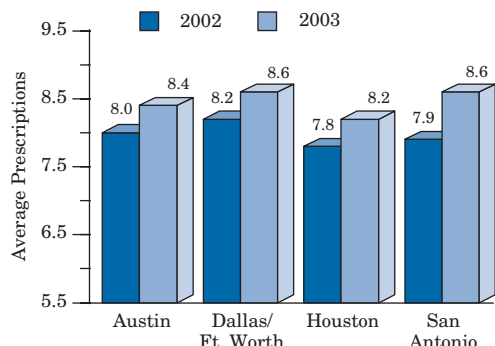
## PRESCRIPTIONS DISPENSED AND AVERAGE INGREDIENT COST

MARKET	Prescriptions Dispensed per Member per Year		Average Ingredient Cost*	
	2002	2003	2002	2003
	Austin	8.0	8.4	\$30.40
Dallas/Fort Worth	8.2	8.6	36.52	39.34
Houston	7.8	8.2	30.72	38.76
San Antonio	7.9	8.6	27.06	34.78
Texas	8.1	8.4	33.74	41.81
<b>Nation</b>	<b>8.3</b>	<b>8.2</b>	<b>\$37.22</b>	<b>\$40.07</b>

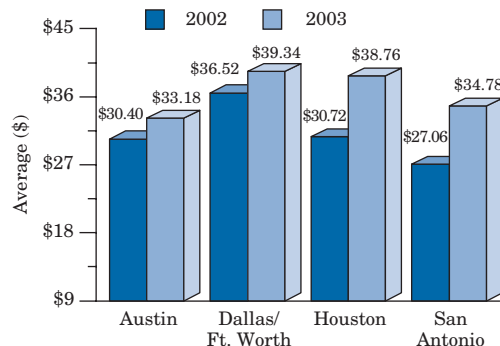
### INGREDIENT COST AVERAGE IS LOWEST PER RX IN AUSTIN

In 2003, the average per-prescription ingredient cost for Austin HMOs was \$33.18, the lowest figure among HMOs in the four MSAs listed. The average for these plans was 17.2% less than the overall U.S. average of \$40.07.

### PRESCRIPTIONS DISPENSED PER NON-MEDICARE MEMBER



### AVERAGE INGREDIENT COST PER PRESCRIPTION DISPENSED\*



\* This average is derived by dividing HMO pharmacy expenses by the number of prescriptions dispensed. Expenses do not include administration and copayment costs. See page 8 for copayment data.

Data source: Verispan LLC © 2004

# DRUG EXPENDITURES

## HMOs SERVING TEXAS MSAs TRIM DRUG EXPENSE RATIOS

In each of four Texas MSAs profiled, drug costs as a percentage of HMO operating expenses declined in 2003. The decrease was most notable for plans serving the Dallas-Fort Worth MSA, to 10.2% from 11.8% in 2002. Statewide, however, drug costs consumed a greater share of HMO operating expenses in 2003 (11.4% vs. 10.4% the year before).

## DRUG EXPENDITURE SHARE FALLS FOR SAN ANTONIO HMOs

Drug costs claimed a greater share of operating expenses for HMOs serving the San Antonio MSA than for plans in the three other MSAs profiled in 2003. However, the ratio dropped notably, to 12.9% from 14.0% in 2002.

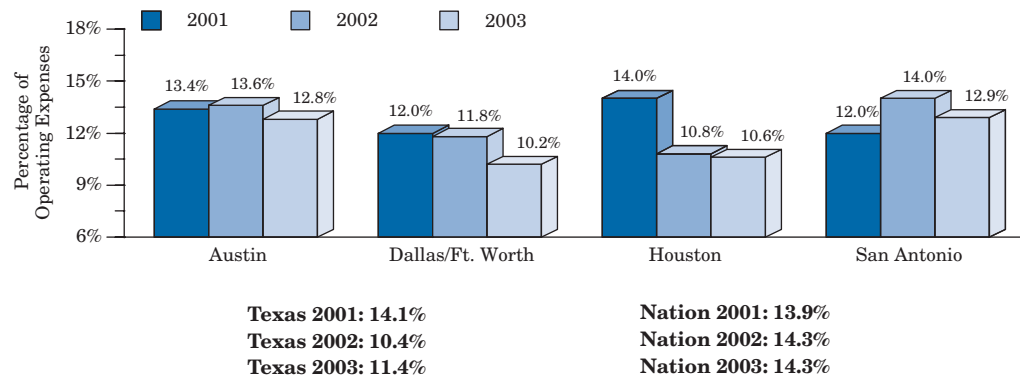
## TEXAS PLANS SPEND MORE PMPY FOR DRUGS IN 2003

In 2003, Texas HMOs spent \$294 PMPY for drugs, up 14.4% from \$257 in 2002. Nationally, HMO drug expenditures PMPY increased just 3.2% in 2003, to \$336 from \$326, but were still 14.3% higher than the average for Texas plans.

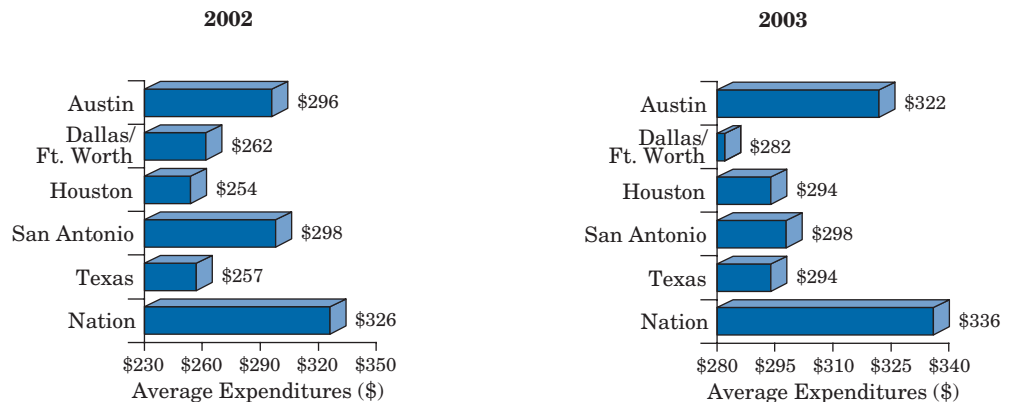
### HMO DRUG EXPENDITURES

MARKET	Drug Costs as a Percentage of Operating Expenses			Expenditures per Member per Year for Drugs*		
	2001	2002	2003	2001	2002	2003
Austin	13.4%	13.6%	12.8%	\$396	\$296	\$322
Dallas/Fort Worth	12.0	11.8	10.2	353	262	282
Houston	14.0	10.8	10.6	344	254	294
San Antonio	12.0	14.0	12.9	384	298	298
Texas	14.1	10.4	11.4	294	257	294
<b>Nation</b>	<b>13.9%</b>	<b>14.3%</b>	<b>14.3%</b>	<b>\$299</b>	<b>\$326</b>	<b>\$336</b>

### HMO DRUG COSTS AS A PERCENTAGE OF OPERATING EXPENSES



### HMO DRUG EXPENDITURES PER MEMBER PER YEAR\*



\* Rounded to the nearest dollar. Expenditures do not include administration and copayment costs.

Data source: Verispan LLC © 2004

# MEDICARE HMO MEASURES



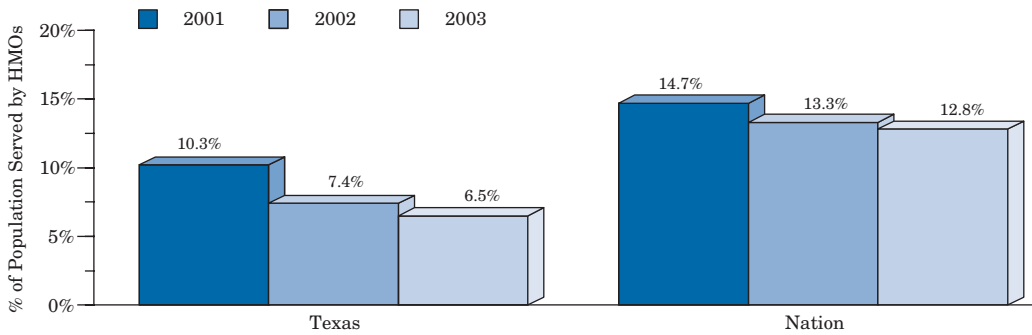
## MEDICARE HMO ENROLLMENT

YEAR	Texas		Nation	
	Number	Percentage	Number	Percentage
1999	382,643	16.6%	6,792,609	17.2%
2000	392,786	16.1	6,730,828	16.8
2001	246,005	10.3	5,931,099	14.7
2002	180,512	7.4	5,349,093	13.3
2003	162,114	6.5	5,202,953	12.8

### TEXAS MEDICARE HMO ENROLLMENT SLIDES OVER TIME

In the five-year period between 1999 and 2003, the total number of Medicare beneficiaries enrolled in HMOs serving the state of Texas fell 57.6%, to 162,114 from 382,643. Between 2002 (180,512) and 2003, the number of Medicare enrollees decreased by a more modest 10.2%.

## MEDICARE HMO PENETRATION\*

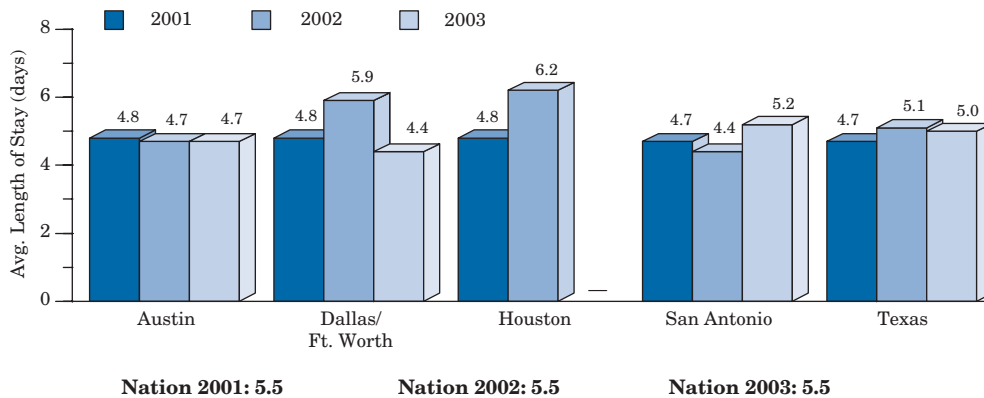


### TEXAS PLANS SERVE A SMALL SHARE OF MEDICARE INSURED

In 2003, HMOs with members in Texas served just 6.5% of all Medicare beneficiaries in the state, down from 7.4% in 2002 and 10.2% in 2001.

Nationally, the share of the Medicare beneficiary population enrolled in HMOs declined more moderately in 2003, to 12.8% from 13.3% the previous year and 14.7% two years previous.

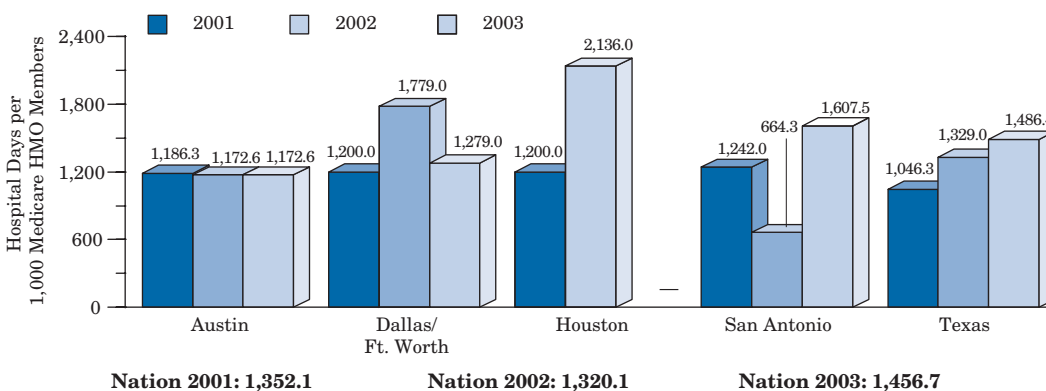
## AVERAGE LENGTH OF STAY (DAYS) FOR MEDICARE HMO MEMBERS



### HOSPITAL DAYS COUNT FALLS FOR MEDICARE HMOs

The national average number of hospital days per 1,000 Medicare members in HMOs that enrolled Medicare beneficiaries rose 10.3% in 2003, to 1,456.7 from 1,320.1 in 2002. Texas HMOs serving Medicare beneficiaries averaged 1,486.4 such days per 1,000 Medicare members, an 11.8% jump from 1,329.0 the year before.

## HOSPITAL DAYS PER 1,000 MEDICARE HMO MEMBERS\*\*



\* The penetration rate reflects the percentage of the Medicare population served by HMOs.

\*\* Only HMOs that enroll Medicare beneficiaries are included.

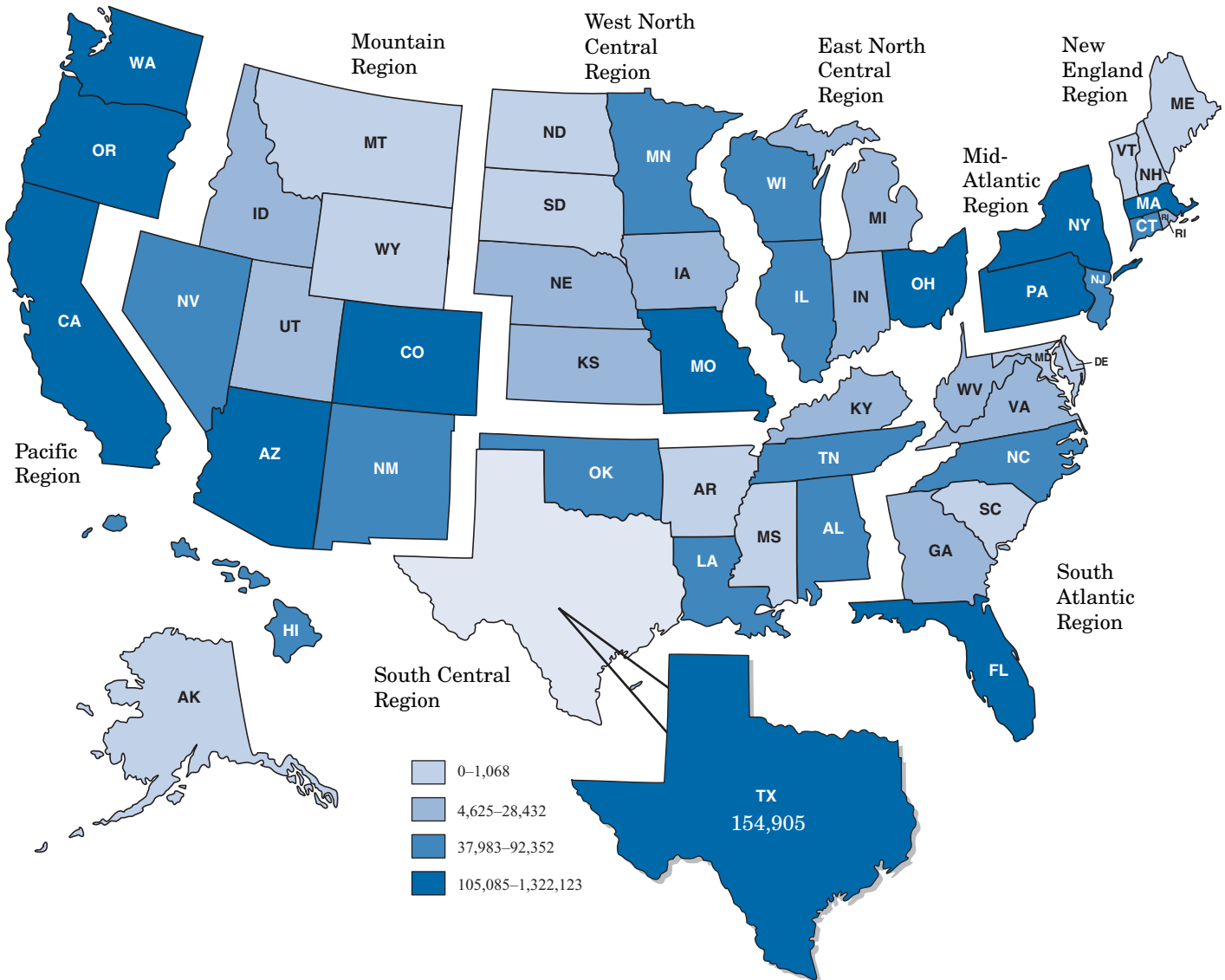
Data sources: Verispán LLC and the Texas Department of State Health Services © 2004

## Medicare Advantage enrollment decreases in Texas in 2004

In 2004, 154,905 Texas Medicare beneficiaries were enrolled in Medicare Advantage plans (see definition below), down moderately from 157,513 in 2003. Texas was the only state in the South Central region (see map below) with

Medicare Advantage enrollment that exceeded 100,000 in 2004. All told, 12 states enrolled more than 100,000 beneficiaries in Medicare Advantage programs in 2004. Of these, three were part of the Pacific region.

MEDICARE ADVANTAGE ENROLLMENT, BY STATE\*



Data sources: Kaiser Family Foundation, Mathematica Policy Research Inc. and the Centers for Medicare and Medicaid Services © 2004

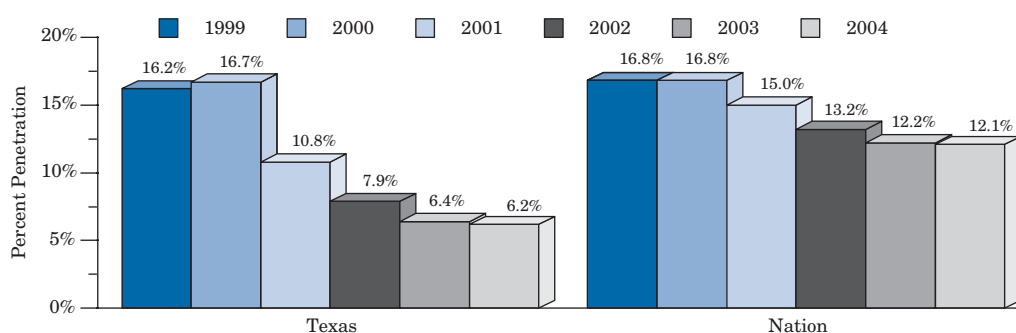
\* Data are effective as of March 2004. Medicare Advantage includes coordinated care, PPO demonstration, cost and private fee-for-service plans, and other demonstration projects.

### MEDICARE ADVANTAGE ENROLLMENT, 1999-2004\*

YEAR	Texas	Nation
1999	367,348	6,573,435
2000	384,590	6,641,644
2001	254,028	6,019,804
2002	189,019	5,390,070
2003	157,513	5,140,293
2004	154,905	5,120,866

**ENROLLMENT DROP FOR MEDICARE ADVANTAGE SLOWS**  
 Medicare Advantage enrollment, which fell 22.6% between 2000 (6.64 million) and 2003 (5.14 million) slipped only fractionally in 2004, to 5.12 million. During the six-year period from 1999 to 2004, Medicare Advantage enrollment rose just once, in 2000.

### MEDICARE ADVANTAGE PENETRATION, 1999-2004\*, \*\*



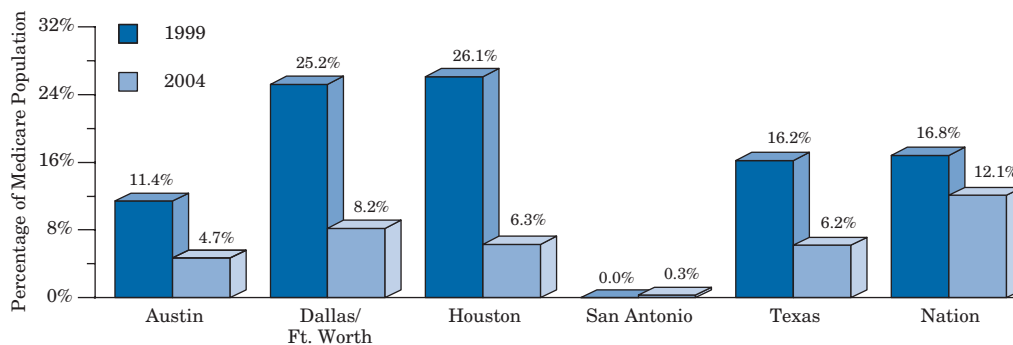
**TEXAS MEDICARE ADVANTAGE SHARE CONTINUES TO FALL**  
 Texas Medicare Advantage plans enrolled 6.2% of Texas Medicare beneficiaries in 2004, down from 6.4% in 2003, and the fourth straight annual decline. Still, the 2004 decrease was easily the slightest of the four-year period.

### MEDICARE ADVANTAGE ENROLLMENT, BY MSA, 1999 AND 2004\*

MARKET	1999		2000		2001		2002		2003		2004	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Austin	11,119	11.4%	10,683	10.6%	5,727	5.5%	5,741	5.4%	5,642	5.1%	5,418	4.7%
Dallas/ Ft. Worth	114,517	25.2	117,878	25.5	91,888	19.4	56,460	11.6	46,289	9.3	42,417	8.2
Houston	104,324	26.1	110,323	27.0	38,685	9.2	38,029	8.8	23,578	5.3	28,966	6.3
San Antonio	0	0.0%	0	0.0%	55	0.1%	155	0.2%	184	0.2%	239	0.3%

**HOUSTON MEDICARE ADVANTAGE COUNT INCREASES IN 2004**  
 The number of Medicare beneficiaries enrolled in Medicare Advantage programs in the Houston MSA increased 22.9% in 2004, to 28,966 from 23,578 in 2003. The jump partially reversed a sharp decline (-38.0%) in such enrollment in Houston between 2002 (38,029) and 2003.

### MEDICARE ADVANTAGE PENETRATION, BY MSA, 1999 AND 2004\*, \*\*



\* Data are effective as of March 2004. Medicare Advantage includes coordinated care, PPO demonstration, cost and private fee-for-service plans, and other demonstration projects.

\*\* The penetration rate reflects the percentage of the population served by HMOs.

Data sources: Kaiser Family Foundation, Mathematica Policy Research Inc. and the Centers for Medicare and Medicaid Services © 2004

# MEDICAID HMO MEASURES

## TEXAS MEDICAID HMO ENROLLMENT INCREASES SHARPLY

Between 1999 (291,299) and 2003 (720,985), the number of Medicaid recipients enrolled in HMOs serving the state of Texas increased nearly 150%. Nationally, Medicaid HMO enrollment climbed just over 39% during this period, to 15.8 million from 11.3 million.

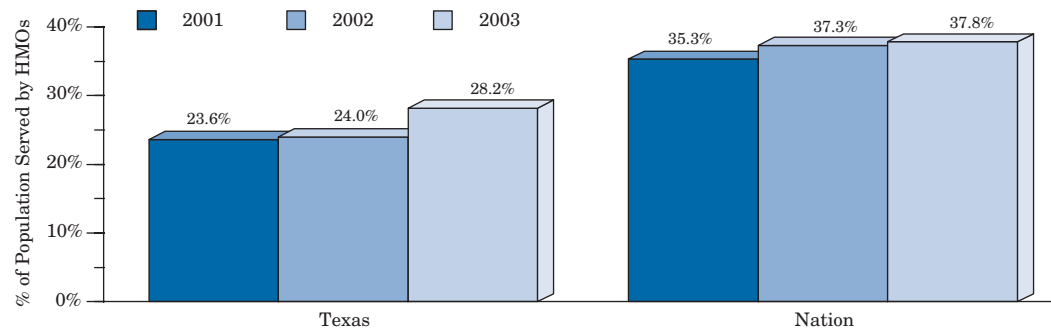
## ALOS STAYS ON THE RISE FOR TEXAS MEDICAID HMOs

The average length of stay (ALOS) of a hospital admission for Texas HMOs that enrolled Medicaid recipients climbed 16.2% in 2003, to 4.3 days from 3.7 days in 2002, and 22.9% from 3.5 days in 2001. In contrast, the overall ALOS for HMOs with Medicaid enrollees was 3.6 days for the second straight year.

### MEDICAID HMO ENROLLMENT, 1999-2003

YEAR	Total Number of Medicaid HMO Members	
	Texas	Nation
	1999	291,299
2000	338,902	11,469,803
2001	427,575	12,561,022
2002	530,870	14,578,359
2003	720,985	15,795,732

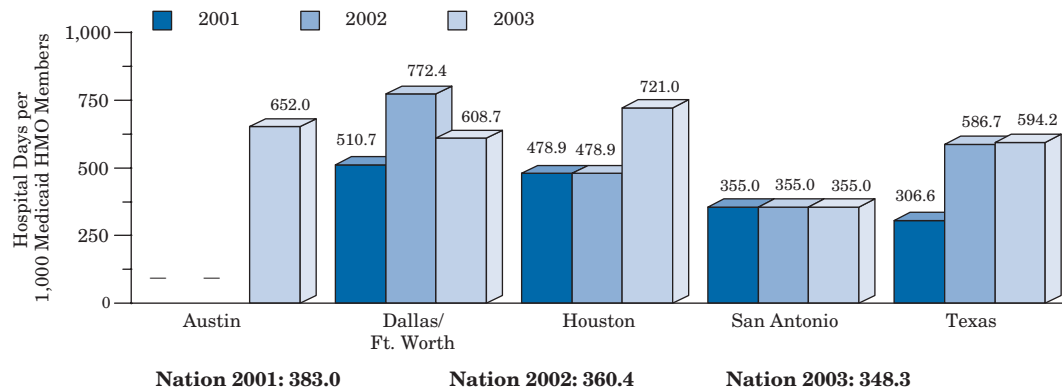
### MEDICAID HMO PENETRATION\*



### MEDICAID HMO MEDICAL UTILIZATION MEASURES\*\*

MARKET	ALOS (days) per Medicaid Hospital Admission			MD Encounters per Medicaid HMO Member			Ambulatory Visits per Medicaid HMO Member		
	2001	2002	2003	2001	2002	2003	2001	2002	2003
	Austin	—	—	5.0	—	—	14.1	—	—
Dallas/Fort Worth	—	3.7	5.0	14.1	14.1	7.5	1.1	1.1	0.6
Houston	—	3.7	5.0	14.1	14.1	14.1	1.1	1.1	1.1
San Antonio	3.5	3.7	3.7	1.6	1.6	1.6	—	—	—
Texas	3.5	3.7	4.3	7.8	7.8	5.6	1.1	1.1	0.6
<b>Nation</b>	<b>3.6</b>	<b>5.5</b>	<b>3.6</b>	<b>3.8</b>	<b>7.3</b>	<b>3.7</b>	<b>1.9</b>	<b>2.8</b>	<b>2.0</b>

### HOSPITAL DAYS PER 1,000 MEDICAID HMO MEMBERS\*\*



\* The penetration rate reflects the percentage of the population served by HMOs.

\*\* Numbers may in some cases be the same, unavailable or show little change due to lack of reporting by some HMOs. Only HMOs that enroll Medicaid recipients are included.

Data sources: Verispan LLC and the Centers for Medicare and Medicaid Services © 2004

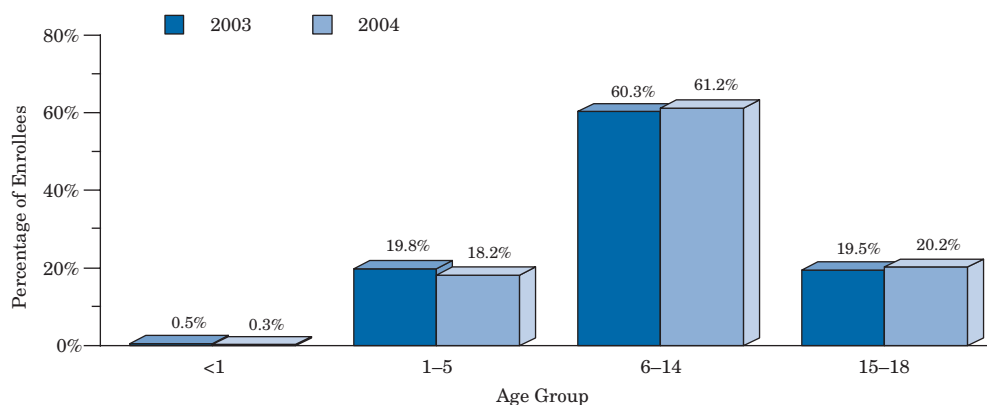
**TEXAS YEAR-END CHIP ENROLLMENT, BY AGE GROUP**

AGE GROUP	Number		Percentage	
	2003	2004	2003	2004
<1	2,280	1,183	0.5%	0.3%
1-5	86,604	61,004	19.8	18.2
6-14	264,025	205,588	60.3	61.2
15-18	85,255	67,976	19.5	20.2
<b>TOTAL</b>	<b>438,164</b>	<b>355,751</b>	<b>100.0%</b>	<b>100.0%</b>

## NUMBER OF TEXAS CHIP ENROLLEES DECREASES IN 2004

The number of enrollees in the Texas Children's Health Insurance Program (CHIP) fell 18.8% between December 2003 (438,164) and December 2004 (355,751). The number of CHIP enrollees six to 14 years of age dropped 22.1% during this time, to 205,588 from 264,025. However children in this age group accounted for 61.2% of all Texas CHIP enrollment, up from 60.3% in December 2003.

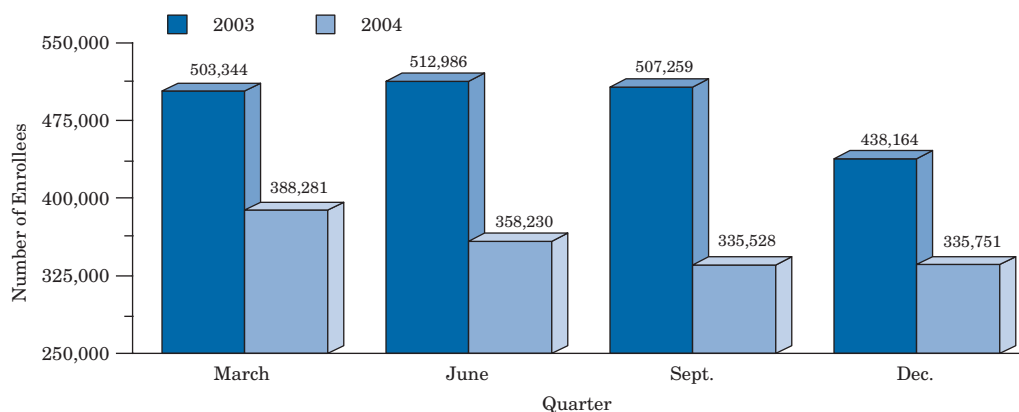
**TEXAS YEAR-END CHIP ENROLLMENT, BY AGE GROUP**



## CHIP ENROLLMENT STEADIES IN LAST QUARTER OF 2004

After decreasing 13.6% between March 2004 (388,281) and September 2004 (335,528), the number of CHIP enrollees in Texas edged up slightly by year's end, to 335,751. Prior to the December rise, the last quarterly increase in CHIP enrollment was in June 2003, to 512,986 from 503,344 in March of that year.

**TEXAS CHIP ENROLLMENT, BY QUARTER**



Data source: Texas Health and Human Services Commission

## NUMBER OF PPO ELIGIBLES CLIMBS IN TEXAS IN 2004

The number of eligible employees in preferred provider organizations (PPOs) serving Texas increased 2.1% in 2003, to 11.7 million from 11.5 million in 2002. Independent investor-owned PPOs in Texas claimed 68.5% of all eligible employees in 2003 (8.03 million, up slightly from 8.01 million the previous year). Nationally, the number of eligible employees in plans owned by independent investors rose 6.6% during this period, to 42.4 million from 39.8 million.

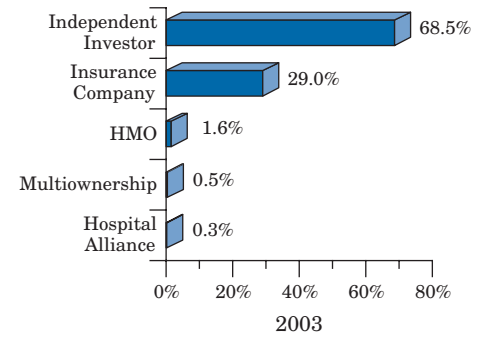
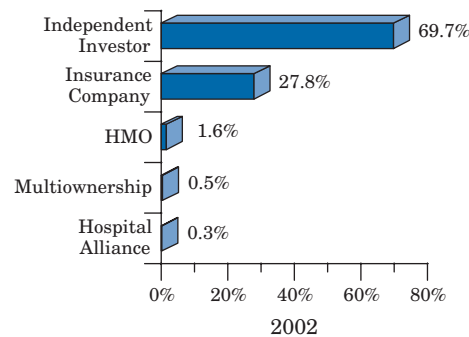
## TOTAL NUMBER OF PPO ELIGIBLES RISES

Nationally, PPOs covered 107.1 million eligible employees in 2003, a fractional increase from 106.3 million in 2002. Plans owned by insurance companies accounted for 47.6% of all eligible employees, the largest share, by owner type. Insurance-company owned PPOs in Texas served 29.0% of all PPO eligible employees in the state in 2003, up from 27.8% in 2002. The number of eligible employees covered by these plans rose 6.6% during this time, to 3.4 million from 3.2 million.

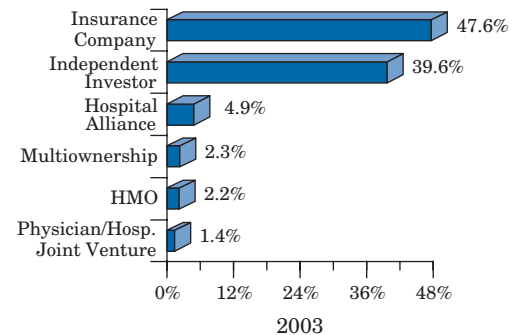
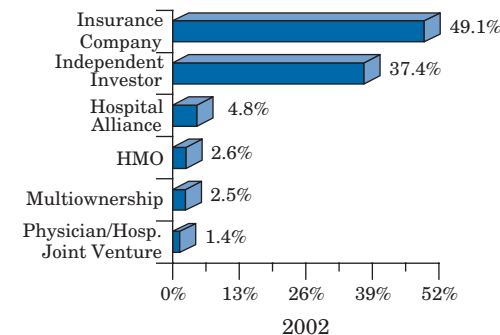
### NUMBERS OF PPO ELIGIBLE EMPLOYEES

TYPE OF OWNER	Texas				Nation			
	Number		Percentage		Number		Percentage	
	2002	2003	2002	2003	2002	2003	2002	2003
Employer/Employer Coalition	0	0	0.0%	0.0%	254,884	73,425	0.2%	0.1%
HMO	188,810	189,310	1.6%	1.6	2,742,704	2,371,075	2.6	2.2
Hospital	4,700	5,200	0.0	0.0	321,214	353,146	0.3	0.3
Hospital Alliance	34,800	35,297	0.3	0.3	5,125,903	5,263,995	4.8	4.9
Independent Investor	8,006,127	8,027,533	69.7	68.5	39,752,008	42,368,064	37.4	39.6
Insurance Company	3,191,692	3,403,335	27.8	29.0	52,169,022	51,014,701	49.1	47.6
Multiownership	60,783	61,652	0.5	0.5	2,694,519	2,504,172	2.5	2.3
Physician/Hosp. Joint Venture	0	0	0.0	0.0	1,484,263	1,488,752	1.4	1.4
Physician/Medical Group	0	0	0.0	0.0	942,719	807,962	0.9	0.8
Third-party Administrator	0	0	0.0	0.0	708,068	695,487	0.7	0.6
Other	0	0	0.0	0.0	148,781	162,137	0.1	0.2
<b>TOTAL</b>	<b>11,486,912</b>	<b>11,722,327</b>	<b>100.0%</b>	<b>100.0%</b>	<b>106,344,085</b>	<b>107,102,916</b>	<b>100.0%</b>	<b>100.0%</b>

### PERCENTAGE OF PPO ELIGIBLES, BY OWNERSHIP TYPE: TEXAS



### PERCENTAGE OF PPO ELIGIBLES, BY OWNERSHIP TYPE: NATION



Data source: Verispan LLC © 2004

# UNINSURED DEMOGRAPHICS



## NUMBER AND PERCENTAGE OF UNINSURED

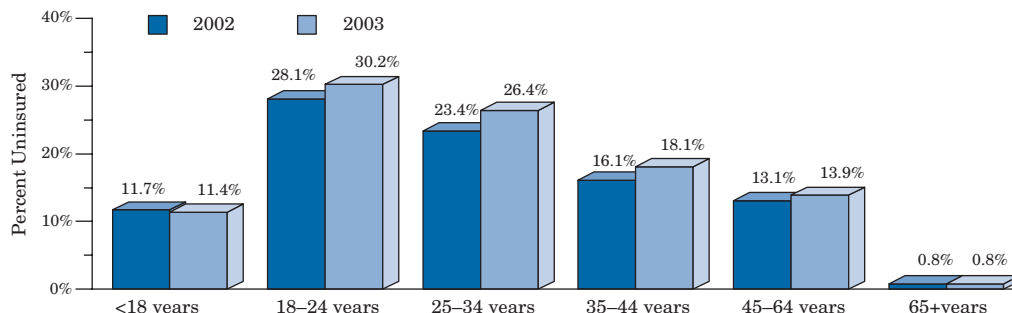
YEAR	Number of Uninsured		Percentage of Uninsured	
	Texas	Nation	Texas	Nation
	2001	5,022,181	41,580,362	23.5%
2002	5,555,598	43,832,088	25.8	15.2
2003	5,441,153	45,366,360	24.6	15.6

## TEXAS UNINSURED RATES, BY AGE

AGE RANGE	Number of Uninsured		Percent Uninsured within Age Category		Percent of Total Uninsured	
	2002	2003	2002	2003	2002	2003
	0-6	480,163	438,532	19.7%	16.9%	8.6%
7-17	872,044	825,914	24.2	22.1	15.7	15.4
18-24	955,337	876,978	42.5	40.4	17.2	16.3
25-34	1,222,205	1,319,890	37.1	39.2	22.0	24.6
35-44	953,315	893,645	31.1	28.3	17.2	16.6
45-64	1,031,520	977,591	22.2	20.5	18.6	18.2
65 and Over	41,014	41,134	1.9	2.0	0.7	0.8
<b>TOTAL</b>	<b>5,555,598</b>	<b>5,373,684</b>	<b>25.8%</b>	<b>24.6%</b>	<b>100.0%</b>	<b>100.0%</b>

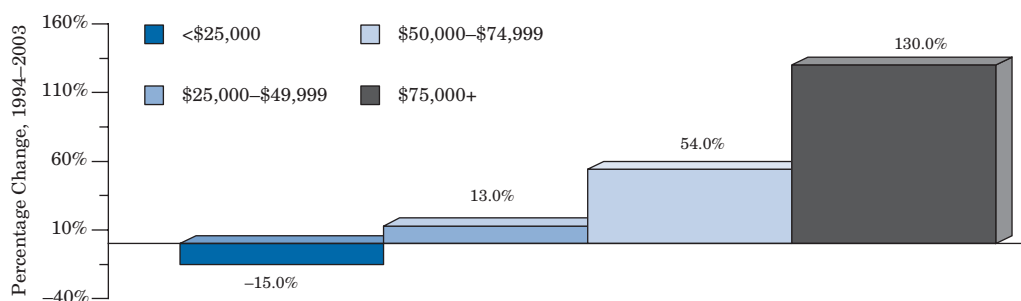
Data sources: U.S. Census Bureau, Current Population Survey, 2004; Texas Health and Human Services Commission

## NATIONAL UNINSURED RATES, BY AGE



Data source: U.S. Census Bureau, Current Population Survey, 2004

## CHANGE IN PERCENTAGE OF UNINSURED, BY INCOME LEVEL, 1994-2003, NATION



Data sources: U.S. Census Bureau, Current Population Survey, 2004; National Center for Policy Analysis © 2004

## UNINSURED COUNT IN TEXAS DECLINES MODESTLY IN 2003

The number of Texans without health insurance slipped 2.1% in 2003, to 5.4 million from 5.6 million in 2002. As a result, the ratio of uninsured Texas to all residents fell to 24.6% from 25.8%. Despite these decreases, the ratio of uninsured Texans to all residents notably exceeded the national average (15.6%) in 2003.

## GREATEST SHARE OF UNINSURED TEXANS ARE YOUNG ADULTS

In 2003, 40.4% of Texas residents 18 to 24 years of age were uninsured, down from 42.5% in 2002, but still the largest share of the seven age categories listed. Meanwhile, Texans 25 to 34 years of age accounted for 24.6% of the total uninsured population, up from 22.0% the previous year and the greatest share, by age group.

## UNINSURED RATE RISES IN HIGHER INCOME BRACKETS

Between 1994 and 2003, the percentages of those nationwide without health insurance increased in direct proportion to income levels. For example, the share of those making \$25,000 or more per year who were uninsured fell 15.0% over this ten-year period, while the percentage of those earning \$75,000 or more per year who were uninsured jumped 130.0%.

## UNINSURED RATE FALLS FOR SMALL TEXAS COMPANIES

The percentage of uninsured Texas workers in firms with fewer than 10 employees fell to 40.7% in 2003 from 43.3% in 2002. The share of uninsured workers employed by Texas firms with 25 to 99 employees fell comparably during this time, to 28.7% from 31.4%.

## LARGE COMPANIES SEE INCREASE IN UNINSURED SHARE

Although firms in Texas with 500 to 999 employees insured 80.2% of their workers in 2003 (the second largest share, by company size), the share of uninsured workers in firms of this size rose to 19.8% from 18.3% in 2002. The largest companies—those with 1,000 or more employees—had the smallest percentage of workers without health insurance (15.5%, down fractionally from 15.7% the previous year).

## THREE-YEAR RATE OF UNINSURED IS STABLE NATIONALLY

Nationally, the average uninsured rate for the three-year period from 2001 to 2003 was 15.1%, slightly lower than the two-year average for 2002 to 2003 (15.4%) and slightly higher than the two-year average for 2001 to 2002 (14.9%). In Texas, the period from 2001 to 2003 yielded an average uninsured rate of 24.6%.

\* The uninsured percentage shown here differs from that shown on the previous page because rural residents are not represented.

### TEXAS UNINSURED WORKERS, BY COMPANY SIZE

NUMBER OF EMPLOYEES	Percent Uninsured		Percent Insured	
	2002	2003	2002	2003
<10	43.3%	40.7%	56.7%	59.3%
10–24	37.0	42.1	63.0	57.9
25–99	31.4	28.7	68.6	71.3
100–499	20.2	20.5	79.8	79.5
500–999	18.3	19.8	81.7	80.2
1,000+	15.7	15.5	84.3%	84.5

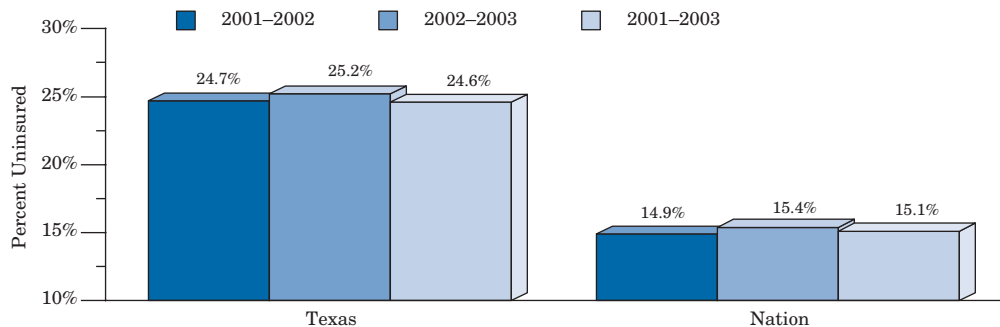
Data sources: U.S. Census Bureau, Current Population Survey, 2004; Texas Health and Human Services Commission

### NUMBERS AND PERCENTAGES OF INSURED AND UNINSURED IN URBAN TEXAS\*

COVERAGE	Number	Percentage
Uninsured	3,585,990	23.6%
Commercial HMO	1,809,006	11.9
Commercial PPO	6,787,660	44.7
Other Commercial	407,497	2.7
HMO Medicare	93,256	0.6
HMO Medicaid	496,011	3.3
Non-HMO Medicare	1,204,913	7.9
Non-HMO Medicaid	809,025	5.3
<b>TOTAL</b>	<b>15,193,358</b>	<b>100.0%</b>

Data source: IMS © 2004

### PERCENTAGE OF UNINSURED USING TWO- AND THREE-YEAR AVERAGES



Data sources: U.S. Census Bureau, Current Population Survey, 2002 to 2004 Annual Social and Economic Supplements

### CHANGE IN PERCENTAGE OF NONELDERLY INSURED, BY COVERAGE TYPE, 2000–2003

COVERAGE TYPE	Texas	Nation
Employer Insurance	–4.1%	–6.1%
Non-employer Insurance	0.2	–0.5
Medicaid	2.1	4.8
Uninsured	1.5%	1.6%

Data source: Kaiser Commission on Medicaid and the Uninsured © 2004

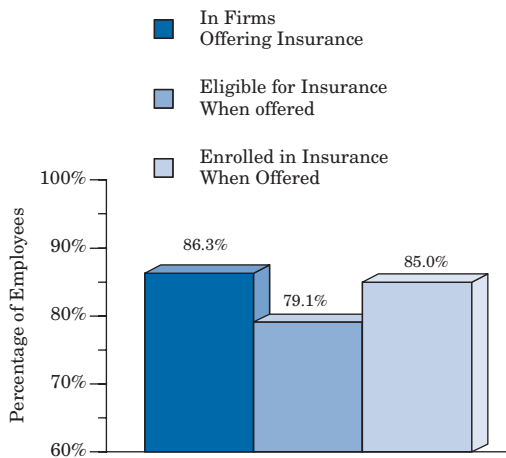
## PRIVATE SECTOR HEALTH INSURANCE: TEXAS AND NATION

SECTOR	Texas			Nation		
	Small Businesses*	Large Businesses	All Businesses	Small Businesses*	Large Businesses	All Businesses
Firms Offering Insurance	34.8%	96.1%	51.9%	44.5%	96.5%	57.2%
Employees in Firms Offering Insurance	51.1	97.4	86.3	63.5	97.8	88.3
Employees Eligible for Insurance in Firms Offering Insurance	84.6	78.2	79.1	78.0	76.8	77.1
Employees Eligible for Insurance who are Enrolled in Insurance in Firms Offering Insurance	80.5	85.8	85.0	78.5	81.7	81.0
Percent of Total Employees Eligible for Insurance in All Firms	43.2	76.2	68.3	49.5	75.1	68.1
Percent of Total Employees Enrolled in Insurance in All Firms	34.8%	65.4%	58.0%	38.9%	61.4%	55.1%

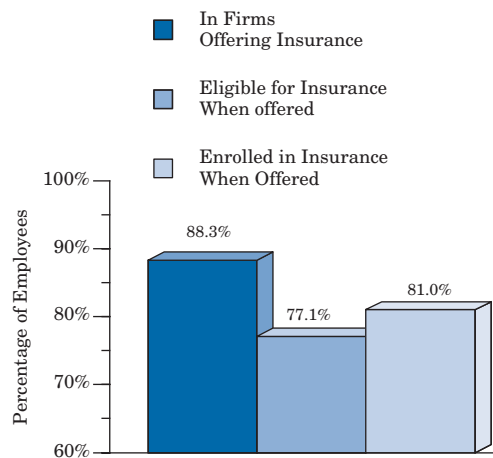
### TEXAS FIRMS INSURE RELATIVELY LARGE WORKER SHARE

Texas companies enrolled 58.0% of all employees in health insurance programs in 2002, compared with 55.1% of employees in companies nationally. Firms in Texas that offered insurance enrolled 85.0% of employees eligible for insurance in 2002, while 81.0% of businesses nationally did so.

### ELIGIBILITY FOR AND ENROLLMENT IN HEALTH INSURANCE PLANS: TEXAS



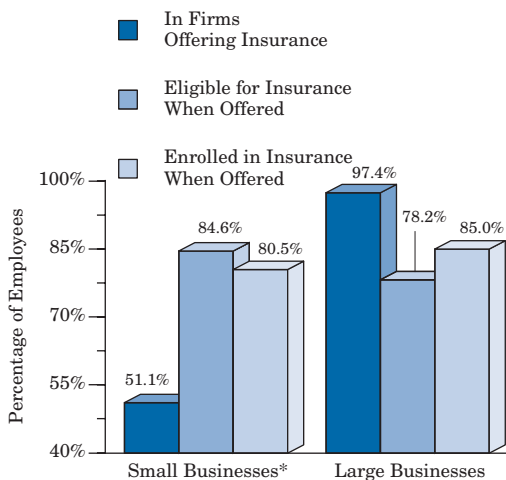
### ELIGIBILITY FOR AND ENROLLMENT IN HEALTH INSURANCE PLANS: NATION



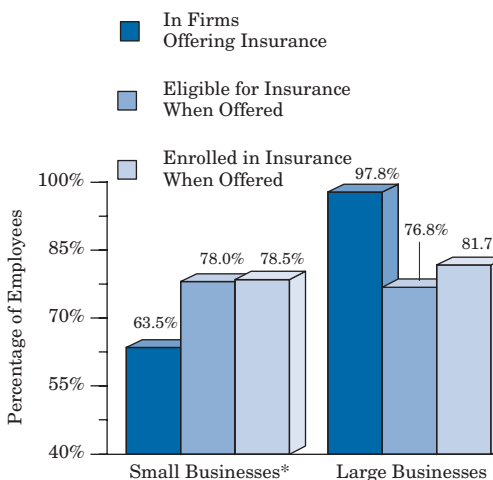
### SMALL TEXAS FIRMS ARE LESS LIKELY TO ENROLL WORKERS

Small businesses in Texas—those with 50 or fewer employees—enrolled just 34.8% of all employees in insurance programs in 2002, about four percentage points below the national average of 38.9%. Small Texas businesses that offered insurance claimed just 51.1% of all small-business employees, well below the 63.5% reported by small firms overall.

### ELIGIBILITY FOR AND ENROLLMENT IN HEALTH INSURANCE PLANS: TEXAS



### ELIGIBILITY FOR AND ENROLLMENT IN HEALTH INSURANCE PLANS: NATION



### COMPANIES IN TEXAS OFFER INSURANCE LESS FREQUENTLY

In 2002, 51.9% of all companies in Texas offered insurance to employees, compared with 57.2% that did so nationally. Nationally, small businesses (44.5%) were substantially more likely to offer insurance to their workers than small firms in Texas (34.8%).

\* Fifty or fewer employees. All data are effective as of 2002.

Data source: Texas Dept. of Insurance Analysis of Medical Expenditure Panel Survey

## SHARE OF HMO VISITS FOR YOUNGER CHILDREN RISES

The percentage of Texas children 15 months of age or younger who had the requisite number of well-child HMO visits (see definitions below) increased notably between 1999 and 2003. For example, 50.5% of children 15 months old or younger received care during at least six such visits in 2003, nearly double the 26.8% reported four years earlier.

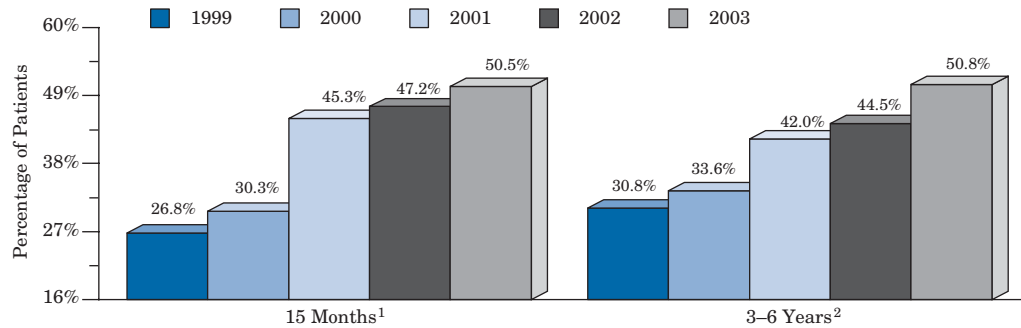
## LARGER SHARE OF TEXAS WOMEN GETS CHILD CARE IN 2003

Texas HMOs administered prenatal care (see definition below) to 78.5% of insured women in 2003, up from 74.7% in 2002. The increase partially reversed a decline in the share of women receiving such care between 2001 (81.6%) and 2002. Meanwhile, the share of HMO-insured women who received postpartum care (see definition below) also rose in 2003 to 62.2% from 65.2% the previous year.

### WELL-CHILD HMO VISITS

YEAR	15 Months or Younger <sup>1</sup>	3-6 Years <sup>2</sup>
1999	26.8%	30.8%
2000	30.3	33.6
2001	45.3	42.0
2002	47.2	44.5
2003	50.5	50.8

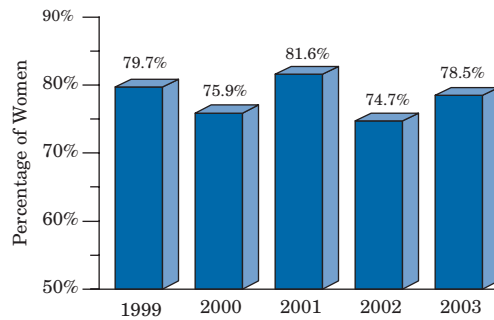
### WELL-CHILD HMO VISITS



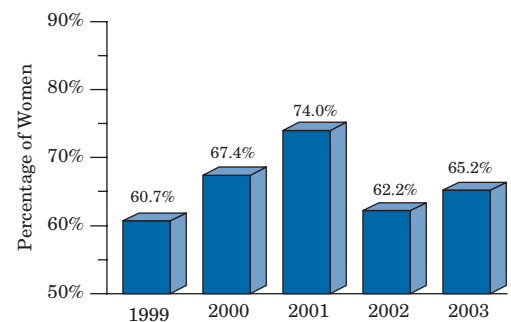
### HMO PRENATAL<sup>3</sup> AND POSTPARTUM CARE<sup>4</sup>

YEAR	Prenatal Care	Postpartum Care
1999	79.7%	60.7%
2000	75.9	67.4
2001	81.6	74.0
2002	74.7	62.2
2003	78.5	65.2

### HMO PRENATAL CARE<sup>3</sup>



### HMO POSTPARTUM CARE<sup>4</sup>



<sup>1</sup> The percentage of children using the HMO who turned 15 months old during 2003 and received six or more well-child visits during those 15 months.

<sup>2</sup> The percentage of children using the HMO between three and six years of age during 2003 who received at least one well-child visit with a primary care practitioner during the year.

<sup>3</sup> The percentage of women using the HMO who delivered a live birth during the year and had a prenatal visit in the first trimester of pregnancy.

<sup>4</sup> The percentage of women using the HMO who delivered a live birth during the year and received a checkup between 21 and 56 days after the delivery.

Data sources: State of Texas, Office of Public Insurance Counsel and the Department of State Health Services Center for Health Statistics: Guide to Texas HMO Quality 2004 © 2004

### TEXAS HMO CHILDHOOD IMMUNIZATION RATES

IMMUNIZATION	1999	2000	2001	2002	2003
DTaP/DT <sup>1</sup>	63.0%	66.7%	70.6%	67.6%	60.6%
Polio	69.2	72.8	76.9	73.2	65.6
MMR <sup>2</sup>	76.6	79.7	83.5	86.3	84.7
Haemophilus Influenzae Type b	67.0	70.7	74.6	71.5	66.7
Hepatitis B	58.6	62.8	69.2	65.4	50.0
Varicella/Chicken Pox (VZV)	62.8	70.7	77.0	83.7	82.2
Combination 1 <sup>3</sup>	45.2	50.2	55.9	53.2	42.0
Combination 2 <sup>4</sup>	37.9	44.6	51.9	51.6	41.0

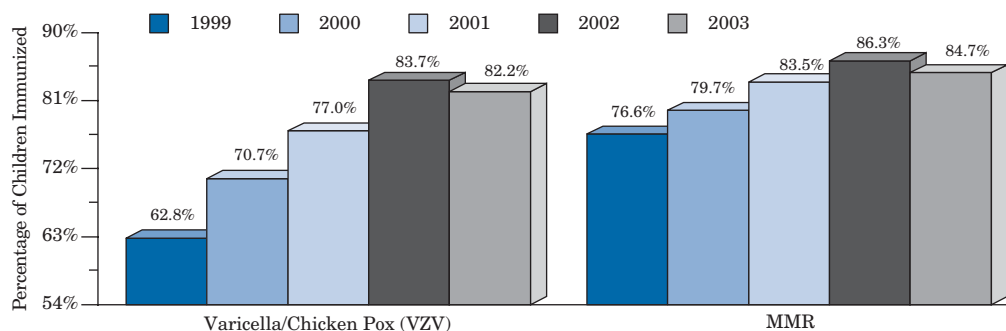
### TEXAS HMOs BOOST MMR IMMUNIZATION RATES OVER TIME

Texas HMOs immunized 84.7% of insured children for measles, mumps and rubella (MMR) in 2003, up from 76.6% in 1999. The MMR immunization rate for these plans fell during this time only in 2003, from 86.3% in 2002.

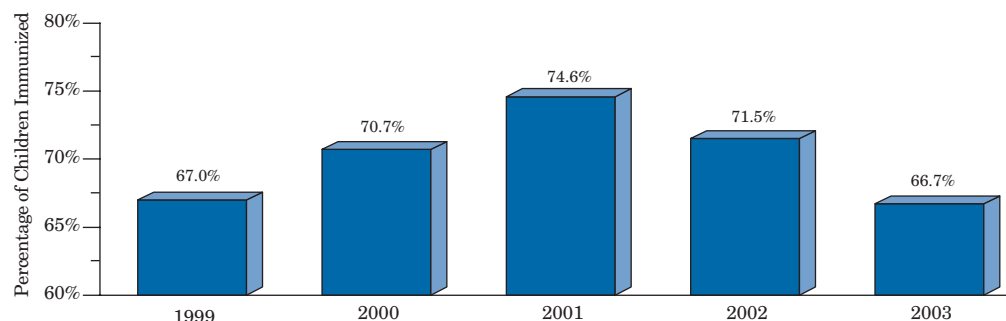
### VZV IMMUNIZATION RATE REMAINS HIGH FOR TEXAS HMOs

Although the percentage of children covered by Texas HMOs who received immunizations for Varicella/chicken pox (VZV) slipped to 82.2% in 2003 from 83.7% in 2002, the share of children receiving VZV immunizations from Texas plans rose nearly 20 percentage points between 1999 (62.8%) and 2003. The greatest single-year percentage-point increase in the share of VZV-immunized children in Texas occurred between 1999 and 2000 (70.7%).

### TEXAS HMO CHILDHOOD IMMUNIZATION RATES: VARICELLA/CHICKEN POX AND MMR<sup>2</sup>



### TEXAS HMO CHILDHOOD IMMUNIZATION RATES: HAEMOPHILUS INFLUENZAE TYPE b<sup>2</sup>



<sup>1</sup> Diphtheria, tetanus and pertussis.

<sup>2</sup> Measles, mumps and rubella.

<sup>3</sup> Four diphtheria, tetanus and pertussis; three polio; three hepatitis B; one measles, mumps and rubella; and two Haemophilus influenzae Type b vaccines by two years of age.

<sup>4</sup> Four diphtheria, tetanus and pertussis; three polio; three hepatitis B; one measles, mumps and rubella; two Haemophilus influenzae Type b; and one Varicella/chicken pox vaccines by two years of age.

Data sources: State of Texas, Office of Public Insurance Counsel and the Department of State Health Services Center for Health Statistics: Guide to Texas HMO Quality 2004 © 2004

## HMOs STABILIZE EMERGENCY ROOM VISIT RATIO IN 2003

After increasing for two straight years between 2000 (177) and 2002 (189), the number of emergency room (ER) visits per 1,000 Texas HMO members per year was unchanged between 2002 and 2003. The ER visit ratio also climbed for NCQA Quality Compass® plans, to 183 in 2002 from 163 in 2000, before falling slightly in 2003, to 181.

## OUTPATIENT VISIT COUNT INCREASES FOR TEXAS PLANS

The yearly number of outpatient hospital visits per 1,000 members of Texas HMOs edged up 2.4% in 2003, to 3,477 from 3,396 in 2002. This ratio increased every year between 2000 and 2003, most notably in 2001, to 3,292 from 2,902 in 2000, or 13.4%.

<sup>1</sup> Only ambulatory surgeries or procedures performed at a hospital outpatient facility or at a freestanding surgical center are included. Office-based surgeries or procedures are excluded, but are reported in the Outpatient Visits category.

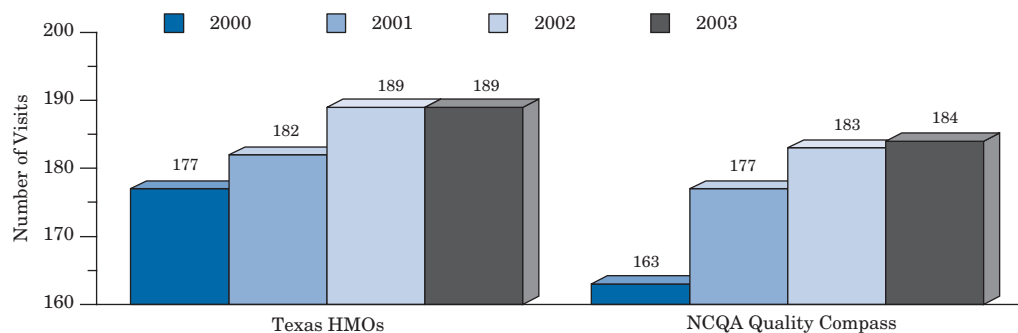
<sup>2</sup> The observation room is generally part of the outpatient department of a hospital where patients stay until the physician can determine whether or not inpatient admission is necessary. Only observation room stays that result in a discharge of the patient are included in this category.

<sup>3</sup> Figures are in billions of dollars.

AMBULATORY CARE SERVICES PER 1,000 HMO MEMBERS PER YEAR

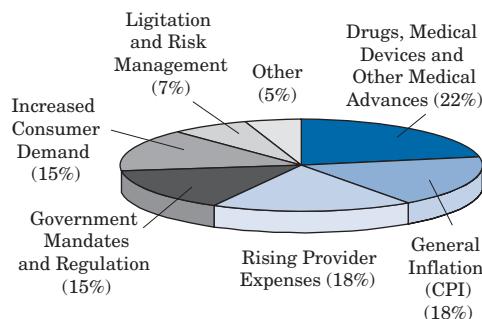
SERVICE VOLUME	2000		2001		2002		2003	
	Texas HMOs	NCQA Quality Compass®	Texas HMOs	NCQA Quality Compass®	Texas HMOs	NCQA Quality Compass®	Texas HMOs	NCQA Quality Compass®
Outpatient Visits	2,902	3,084	3,292	3,383	3,396	3,520	3,477	3,541
Emergency Room Visits	177	163	182	177	189	183	189	181
Ambulatory Surgery Procedures <sup>1</sup>	66	72	103	94	95	101	102	108
Observation Room Stays <sup>2</sup>	12	9	12	8	9	9	11	8

EMERGENCY ROOM VISITS PER 1,000 HMO MEMBERS PER YEAR

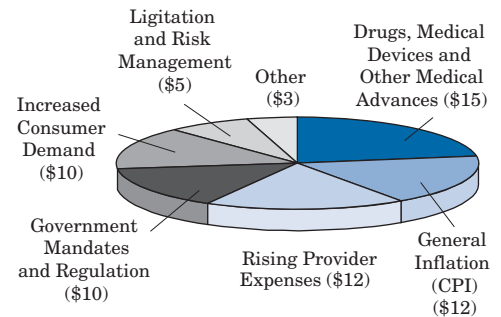


Data sources: State of Texas, Office of Public Insurance Counsel and the Department of State Health Services Center for Health Statistics: Guide to Texas HMO Quality 2004; National Committee for Quality Assurance © 2004

FACTORS DRIVING PREMIUM INCREASES IN HEALTH CARE (%), 2001-2002



FACTORS DRIVING PREMIUM INCREASES IN HEALTH CARE (\$), 2001-2002<sup>3</sup>



Data source: PricewaterhouseCoopers © 2002

NOTE: The NCQA Quality Compass® is a comprehensive database on health plan performance. The data for 2004 were reported by 262 health plans that covered more than 60 million Americans. The Quality Compass data used for this report address clinical performance measures.

# HMO CLAIMS PAYMENTS



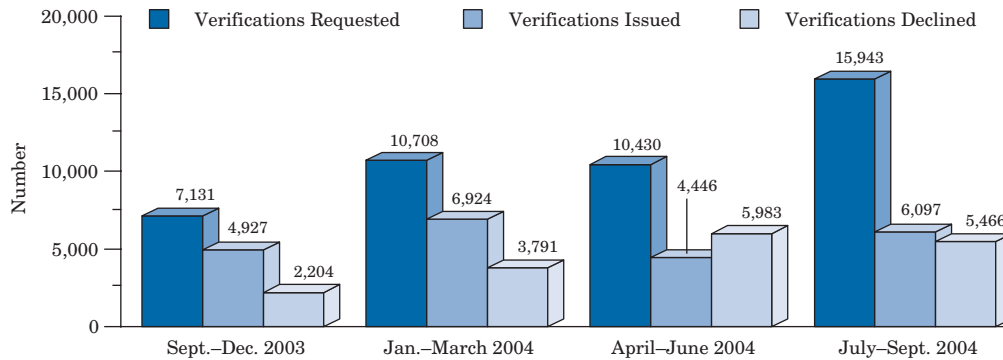
## TIMELINESS OF PROVIDER CLAIMS PAYMENTS

REPORTING PERIOD	Number of Clean Claims Paid Timely		Percentage Paid Timely		# of Clean Claims Paid Late		Percentage Paid Late	
	Inst.*	Non-Inst.**	Inst.*	Non-Inst.**	Inst.*	Non-Inst.**	Inst.*	Non-Inst.**
Sept.–Dec. 2003	717,900	2,673,814	99.7%	99.1%	2,135	26,111	0.3%	1.0%
Jan.–March 2004	544,744	3,123,085	98.6	98.5	7,688	46,917	1.4	1.5
April–June 2004	568,094	2,956,455	99.2	99.0	4,767	28,780	0.8	1.0

## TEXAS HMOs PAY LARGE SHARE OF CLAIMS ON TIME

In each quarter from September 2003 to September 2004, Texas HMOs paid at least 98.6% of clean institutional claims (see definition below) on time.

## HMO CLAIMS VERIFICATIONS



## PLANS DECLINE FEWER CLAIMS VERIFICATIONS

Between the quarters April to June 2004 and July to September 2004, the number of claims verifications that were declined by Texas HMOs fell 8.6%, to 5,466 from 5,988. However, the July to September count more than doubled the number reported during the September to December 2003 time period (2,204).

## ELECTRONIC VS. NON-ELECTRONIC CLAIMS

CLAIMS TYPE	Sept.–Dec. 2003		Jan.–March 2004		April–June 2004		July–Sept. 2004	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
Pharmacy	—	—	—	—	—	—	7,341,279	64.3%
Electronic Inst.*	584,479	17.1%	409,547	11.0%	431,141	12.1%	465,719	4.8
Electronic Non-Inst.**	1,954,502	57.1	2,272,329	61.0	2,134,573	60.0	2,560,940	22.4
Non-Electronic Inst.*	135,556	4.0	142,885	3.8	141,450	4.0	186,669	1.6
Non-Electronic Non-Inst.**	745,423	21.8	897,673	24.1	850,662	23.9	863,335	7.6
<b>TOTAL</b>	<b>3,419,960</b>	<b>100.0%</b>	<b>3,722,434</b>	<b>100.0%</b>	<b>3,558,096</b>	<b>100.0%</b>	<b>11,417,942</b>	<b>100.0%</b>

Data source: Texas Department of Insurance SB 418 Provider Claims Data Calls, September 2003 through September 2004

## ELECTRONIC CLAIMS ARE COMMON IN 2004

In the first three quarters of 2004, the percentage of all HMO claims that were filed electronically never fell below 72.0%. In the third quarter (July–September) of 2004, an estimated 90% of claims were filed electronically, primarily as a result of the new tracking of pharmacy claims.

\* Institutional, or facility, claims.  
 \*\* Noninstitutional, or physician, claims.



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## TAHP

### OUR MISSION

To improve health care for all Texans by serving as an effective advocate for value, access, quality care, and sound public policy in the administration of health care benefits.

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## TEXAS HEALTH CARE DATA SUMMARY

The Texas Association of Health Plans (TAHP) is pleased to bring you the **Texas Health Care Data Summary 2004**.

Featuring key national, state and local HMO and PPO data from the sanofi-aventis **Managed Care Digest Series**<sup>®</sup> and other sources.

- Demographics
- Employer Groups
- HMO Medical Utilization
- HMO Medical Premium Rates
- HMO Pharmacy Premiums and Utilization
- HMO Pharmacy Benefit Structure
- Medicare and Medicaid Measures
- CHIP Demographics
- HMO Quality Measures
- HMO Claims Payments

We look forward to providing you with another **Texas Health Care Data Summary** in 2005.

