



## Bravo Health Statement on Health Care Reform

May 1, 2010

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Since the passage of historic Health Care Reform legislation a month ago, we have been busy dissecting and understanding the new laws and their impact on our business. While there are a lot of critical details to be defined by future regulations released by CMS, we want to take this opportunity to highlight some of the key changes in the law and our overall response to this new environment.

**First, Bravo Health is very optimistic about the impact of health care reform on our business, and is completely committed to offering Medicare Advantage products and serving Medicare eligibles.**

Our focus has been on network-based managed care, and over the past several years we have worked tirelessly to improve the quality and efficiency of our HMO products. We have developed the most progressive physician alignment program in the industry, making primary care doctors true partners in our success. We are also investing heavily in building Advanced Care Centers - stand alone clinics available exclusively to Bravo Health members that augment our provider networks when immediate care or more intense chronic disease management is needed. These investments have set us up to be successful in this new environment. Improving quality will be rewarded financially under the new law, and managing health care efficiently will be an essential element to success in Medicare Advantage plans going forward. To this end, we believe that no Medicare Advantage plan is better positioned to be successful under the new laws than Bravo Health.

Below are some specifics from the legislation that impact the Medicare Advantage business:

### New Enrollment Periods

Beginning on January 1, 2011, there will no longer be an Open Enrollment Period (OEP). This period previously allowed beneficiaries to switch between “like” plans from January 1 to March 31 each year. With the restricted selling period (lock-in) now starting three months earlier, most Medicare Advantage plans are concerned about their opportunity to sell to beneficiaries. Bravo Health is not:

- Half of Bravo Health’s members are dually eligible for Medicare and Medicaid, and dual eligibles continue to have the right to enroll and disenroll from MA plans year-round. Furthermore, in 2014 the new law expands the eligibility for Medicaid from 100% of FPL today to 133%, creating a larger market for Bravo’s dual-eligible Special Needs Plans.
- Under Health Care Reform, Bravo Achieve, a chronic Special Needs Plan for people with diabetes, continues to be open for enrollment to beneficiaries with diabetes year-round.
- In 2011, the first Baby Boomers start to age in to Medicare. ‘Age-Ins’ have a Special Election Period and can enroll in a plan within 3 months of their birthday. There are 45 million Medicare eligibles in the country today, and by 2020 that number will grow to over 60 million beneficiaries.



Beginning in the fall in 2011, The Annual election Period (AEP) will change from the current schedule (November 15 to December 31) to October 15 to December 7.

- The new AEP schedule will actually extend the enrollment period by one week
- Ending AEP on December 7 will allow new members to have ID cards and new member kits prior to their January 1 effective date, which will dramatically reduce the number of service issues experienced by new members in a Medicare Advantage plan.

### Payment Reform and Minimum MCR Requirements

Beginning in 2012, Medicare Advantage plans will have their revenue from CMS reduced to a smaller percentage of what fee-for-service Medicare pays to care for an individual beneficiary. This reduction will be phased in over several years. Additionally, in 2014, Medicare Advantage plans will be required to spend no less than 85% of their revenue on delivering health care to its members.

- For Bravo Health, most of the payment reductions will be phased in over the 6 years between 2012 and 2018, allowing us plenty of time to adjust to the new levels. With our focus on managed health care and physician alignment, we are confident in our ability to succeed with these new payments.
- Over the past several years, Bravo Health has steadily decreased the percentage of its revenue used to pay for general and administrative costs, such that the 85% requirement to spend on health care is not a significant issue.

### Increased Emphasis on Quality

In 2012, CMS will begin to pay “bonuses” to health plans who maintain a 4 or 5 Star rating or show meaningful improvement in their quality scores. Star ratings will also affect the amount of money plans are allowed to spend on providing additional benefits.

- In 2009, Bravo Health received a 3-year accreditation from the National Committee on Quality Assurance (NCQA) at the “Commendable” level for delivering service and clinical quality that met their rigorous requirements for consumer protection and quality improvement. Our NCQA accreditation validates the work that we have done in improving our health care quality measures.
- Over the coming months, we will invest heavily in solidifying our star ratings by investing in additional quality programs.

**In summary, Bravo Health is completely committed to its Medicare Advantage business, and we believe strongly in our ability to succeed under Health Care Reform. As additional details and guidance becomes available from CMS, we will continue to keep you informed.**