

MANAGED CARE WEEK

Timely Business and Financial News of the Managed Care Industry

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UnitedHealth's McGuire Maintains Top Pay Among Publicly Traded Managed Care Execs

Despite 22-million member UnitedHealth Group's fall to second place in terms of membership among publicly traded managed care companies, CEO William McGuire, M.D., remains the highest-paid executive. He took home almost \$8 million in annual salary, bonus and other compensation, well ahead of Larry Glasscock, CEO of 28-million-member WellPoint, Inc., which became the nation's largest health insurer last year.

That's according to *Managed Care Week's* annual survey of industry pay practices (see tables, pp. 6 and 7). Most publicly traded managed care companies continue to link executives' compensation to companies' financial and operating results, experts say. Some firms are de-emphasizing stock options in favor of restricted stock and other performance-based rewards, following trends among other publicly traded companies.

New accounting rules soon will require all publicly traded firms to expense stock options, causing many companies to take another look at the effectiveness of stock options vs. other rewards practices, says Brian Kirkpatrick, a senior consultant at Towers Perrin's executive compensation and rewards practice. "A stock-option-only package may be too focused on short-term earnings reports that can drive the stock price in the short term," he says. By contrast, awards of restricted stock are partially dependent on how well the executive meets performance targets.

For example, UnitedHealth Group's board-level compensation committee uses restricted stock grants in its long-term incentive program to "link our senior executives' compensation with the long-term performance of the company over a three-year period," according to the firm's annual proxy statement filed with the U.S. Securities and Exchange Commission.

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MCOs Use Financial Incentives, Partnerships To Boost MDs' E-Prescribing Utilization

Despite growing recognition of the potential of electronic prescribing to improve patient safety and control pharmacy costs, utilization of the technology has increased slowly.

Take-up rates may start to grow more quickly, however. A new generation of e-prescribing programs features refined incentives and more targeted interventions to encourage participation. Meanwhile, collaborative efforts among employers and insurers are deepening the reach of such initiatives in some markets. And the Medicare program should give e-prescribing a big boost, since plans that participate in the Medicare Part D drug benefit will be required to support the technology starting in 2006.

E-prescribing can reduce the risk of adverse drug events and improve formulary compliance and generic dispensing rates, experts say. That's because physicians can use a personal digital assistant (PDA) or other electronic device at the point of care to check a patient's medication history, review the insurer's formulary or see therapeutic alternatives to the selected medication.

continued

CMS in January released a proposed rule that would establish a foundation for electronic prescribing under the new Medicare drug benefit. The proposed standards would govern electronic communications between prescribers and dispensers for new prescriptions, refill and change requests, prescription cancellations, and related administrative transactions; eligibility and benefits inquiries among prescribers, PBMs, dispensers and Part D plans; and formulary and benefit coverage information.

Medicare's e-prescribing requirement likely will serve as an incentive for more insurers to launch programs, predicts Mike McClure, senior vice president of sales and marketing at e-prescribing vendor DrFirst, Inc. Insurers planning to offer Medicare Advantage drug plans or Prescription Drug Plans under Part D may regard an e-prescribing initiative for the commercial population as "part of the prep," he says.

Although some insurers have had e-prescribing programs in place for several years, experts say they're growing more common — and more sophisticated.

"More and more of them are forming a strategy," says Anthony Schueth, managing partner of Margate, Fla.-based consulting firm Point-of-Care Partners, LLC. "I

think we're probably entering the 'early-majority' phase" on Everett Rogers' bell-curve model of product adoption. "But there are still health plans that would be considered 'late majority' or 'laggards,'" he adds.

Some insurers have acted alone in offering e-prescribing programs to physicians, with the understanding that the hardware and software can be used to write prescriptions for any patient with any insurance, not just the sponsoring carrier.

For example, Horizon Blue Cross Blue Shield of New Jersey last month launched an e-prescribing initiative with Caremark Rx, Inc. The insurer plans to spend \$3 million to outfit 700 physicians with hardware, software, installation and training, says Mihir Patel, Pharm.D., Horizon's project manager for the e-prescribing program. So far, the insurer has enrolled 200 physicians, with about 150 actively writing prescriptions.

Although the insurer has considered forming collaborations with other payers, Patel says it is not troubled by the notion that rivals may benefit from its stand-alone effort. In fact, "it's probably a good thing," he contends. "We want to be a leader in the area."

Collaborative Efforts Grow More Common

Among collaborations in place:

◆ *The Southeast Michigan e-Prescribing Initiative (SEMI)* was launched last month by General Motors Corp., Ford Motor Co., DaimlerChrysler Corp., and the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW). Those four organizations partnered with Blue Cross Blue Shield of Michigan, Medco Health Solutions, Inc. and Henry Ford Health System subsidiary Health Alliance Plan to launch an e-prescribing program for up to 17,000 physicians.

◆ *The e-Rx Collaborative* involves three Massachusetts insurers — Blue Cross Blue Shield of Massachusetts, Tufts Health Plan and Neighborhood Health Plan. The three MCOs are funding an e-prescribing initiative that is intended to serve 3,400 physicians. By March 31, 2,600 prescribers had signed up for the program, and 2,000 are actively sending e-prescriptions, says Massachusetts Blues plan spokesperson Chris Murphy. Prescribers are sending 41,000 prescriptions per week, a 50% increase from the average 27,000 e-prescriptions logged per week in December 2004. That rate, in turn, is a 77% increase from the average volume for the same period in 2003. The e-Rx program was launched in October 2003.

Schueth cites several reasons why partnerships are attractive to payers. "Very few health plans have a critical mass of patients within each physician office. So if a health plan goes it alone, it's in effect subsidizing electronic prescribing for its competition. By pooling money together, plans, first of all, overcome competitive issues,"

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rather than paying for rivals to improve pharmacy compliance and drug safety rates. In addition, collaboration increases the size of the pool of potential physicians and patients affected by the project, and it decreases the risk to any one payer, he adds.

Incentives, Training, Follow-Up Are Key

As payers get more experience, they're adding refinements aimed at making them more effective. For example, Horizon launched a previous e-prescribing effort in October 2003. Under that program, the insurer paid for physicians' software licenses but did not supply hardware or training. "We saw that with just sponsoring software, the uptake wasn't that great," Patel says. After more than a year, about 200 physicians had signed up, but few were actually submitting electronic prescriptions. Some didn't have compatible hardware, while others likely were having problems getting up to speed in training, he says.

With the new program, Caremark will perform installation, train physicians, send provider relations representatives out into the field and operate a customer-service call center. "They'll help monitor physicians' utilization and do follow-up in case physicians aren't utilizing the tools," Patel says.

"One lesson learned over the years is that giving away hardware and software with no strings attached was a prescription for failure," Schueth says. "The outcome of just 'giving it away' is that oftentimes, the prescriber doesn't really appreciate the value of the tool that he or she has been given...and if they don't appreciate what they've been given, it's too easy to set it down."

One solution, he says, is for payers to tie the use of hardware or software to utilization rates. For example, a payer might allow a physician to use the hardware so long as a certain percentage of prescriptions are generated electronically. Some payers may ask for the hardware to be returned or for the physician to pay for it if he or she is not using it. "There's actually a wide variety of different strategies," he adds.

Some payers are integrating e-prescribing into pay-for-performance programs, Schueth says. He cites Blue Cross and Blue Shield of Massachusetts, which pays \$1 per member per month to physicians who have "successfully implemented an e-prescribing solution and are continuing to write more than 50% of prescriptions electronically over a two-month period."

Similarly, the SEMI initiative provides financial incentives to physicians who complete training and submit prescriptions electronically. Participating physicians also are eligible for auto manufacturer discounts.

Contact DrFirst spokesperson Irene Froehlich at ifroehlich@drfirst.com, Schueth at (954) 346-1999 or Horizon spokesperson Cathleen Coleman at (973) 466-8789. ♦

CIGNA Sees End to Member Losses

Although CIGNA Corp. lost another 7% of its enrollment in January 2005, it reported net gains in February and March, possibly signaling a long-awaited turnaround to enrollment losses that have plagued the insurer for the last few years.

A slowdown in enrollment losses — along with a six-fold increase in quarterly net income, plans to eliminate another 1,700 positions to keep up with membership declines, and several new hires in sales and marketing positions — boosted investors' view of the firm. CIGNA's stock price rose 2.5% to close at \$96.77 on May 4, the day first-quarter 2005 financial results were released.

The Philadelphia-based insurer reported first-quarter 2005 net income of \$436 million, or \$3.28 per share, up from \$68 million, or 48 cents per share, for the same period in 2003. The most recent period's results included a gain of \$169 million stemming from the sale of CIGNA's retirement business, a restructuring charge of \$33 million, and a reinsurance charge of \$8 million related to the retirement business. Results for the first quarter of 2004 included a restructuring charge of \$49 million and an \$11 million charge related to accounting changes.

CIGNA posted adjusted operating income of \$297 million for the first quarter of 2005, up from \$253 million for the same period in 2004. The insurer reported 9.0 million members on March 31, 2005, down 7% from 9.7 million on Dec. 31, 2004. For full-year 2005, CIGNA expects membership to fall 8% below the year-end 2004 level. CIGNA previously had projected an 8% to 9% decline during the first quarter.

David Cordani, president of CIGNA's health segments, said the insurer's 9 million enrollees are about equally divided between national and regional segments. Regional membership fell 3% during the quarter, while national-account membership fell 11%, he said.

continued

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"Regarding health care, our top priority for 2005 is to stabilize our medical membership," said CEO H. Edward Hanway. He said the better membership results were "due to improving sales and persistency results in the regional segment, which we expect to continue throughout the year. For our national-accounts business, the combination of improving fundamentals and the recent infusion of top-caliber sales staff has positioned us for stronger 1/1/06 results."

CIGNA last month hired four executives from Definity Corp., which was acquired by UnitedHealth Group in December 2004. Mark Bailey was vice president of Definity's west region, Bill Reindl was vice president of Definity's east region, Linda Schulte was vice president of Definity's southeast and central regions, and Rodger Kemp led sales recruiting and training. All four hold the title vice president of sales at CIGNA.

Call CIGNA spokesperson Wendell Potter at (215) 761-4450. ♦

WellPoint: Lumenos Buy Will Boost National-Account Sales

WellPoint, Inc. says the May 4 deal to acquire Lumenos will deepen its consumer-directed health (CDH) capabilities and help it boost national-account sales.

The \$185-million purchase of 214,000-member Lumenos is the latest in a series of acquisitions of CDH health vendors. UnitedHealth Group in December 2004 paid \$300 million for Definity Health (*MCW 12/6/04, p. 1*)

and UICI purchased HealthMarket in September 2004 (*MCW 9/13/04, p. 4*). Lumenos was the last major independent CDH vendor. Other rivals, like Aetna, Inc. and Humana Inc., have made major internal investments in consumer-directed products and capabilities.

WellPoint already has built extensive CDH tools and services across all of its brands, asserts John Watts, CEO of national accounts at WellPoint.

Lumenos has several major national accounts and significant CDH capabilities and tools. But the firm relies on several external vendors, including FutureHealth Corp. for medical management services and Private Healthcare Systems for a national provider network. WellPoint is betting that backing the smaller firm with its own national network and deeper medical management and sales functions will make it more competitive.

Despite its own internal CDH offerings, WellPoint still has "situations where we've seen the CDH [consumer-directed] piece be carved out," Watts says.

That's because many employers that offer CDH products make them available among other, more traditional choices, and often go to an established health insurer for PPO and HMO products, for example, and a CDH specialist for HRA- or HSA-based plans. The goal, ultimately, is to integrate Lumenos' and WellPoint's systems so that employers can do "one-stop shopping," Watts says.

WellPoint plans to retain the Lumenos brand and operate the company as a stand-alone subsidiary.

Call WellPoint spokesperson James Kappel at (317) 488-6400. ♦

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◆ **Humana Inc. said strong sales of Medicare products helped drive a 63% increase in first-quarter 2005 earnings.** The insurer posted \$109.8 million, or 67 cents per share, in net income for the most recent quarter, compared with \$67.8 million, or 41 cents per share, for the same period in 2004. The insurer said improved financial results also were driven by the continued mix shift to higher-margin individual, self-funded and consumer-directed products. Total membership was 7.0 million on March 31, 2005, flat from the same date last year. Medicare Advantage enrollment rose 35% to 450,000, while commercial membership fell 2.3% to 3.2 million. The commercial decline was in part the result of an 89,000-member account that terminated on Jan. 1, Humana said. It added that 12% of commercial membership is in consumer-directed prod-

ucts. Humana's consolidated medical cost ratio was 82.2%, down from 83.5% for the year-ago quarter. Call Humana spokesperson Tom Noland at (502) 580-3674.

◆ **Coventry Health Care, Inc. posted \$112.7 million, or \$1.09 per share, in first-quarter 2005 net income,** compared with \$74.3 million, or 82 cents per share, for the same period last year. The insurer's January 2005 acquisition of First Health Group Corp. (*MCW 2/7/05, p. 8*) contributed \$141.9 million of Coventry's \$1.6 billion in first-quarter 2005 operating revenues. Coventry had 2.4 million health plan members on March 31, 2005, flat from the same date last year and down slightly from last Dec. 31. Coventry saw the biggest losses in St. Louis, where membership declined from 495,000 on Dec. 31

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to 451,000 on March 31, and Pennsylvania, where enrollment fell from 740,000 at the close of 2004 to 723,000 at the end of the first quarter. The First Health unit had another 1.3 million members in national accounts and the Mail Handlers Benefit Plan, a Federal Employees Health Benefits Program plan sponsored by the National Postal Mail Handlers Union. Call Coventry CFO Shawn Guertin at (301) 581-5701.

◆ **Health Net, Inc. reported a 42% increase in first-quarter 2005 net income**, posting \$21.3 million, or 19 cents per share, compared with \$15.0 million, or 13 cents per share, for the same period in 2004. The most recent quarter's results include the effect of a \$67 million charge for severance benefits and litigation charges associated with the settlement of a physician class-action lawsuit (see brief, p. 8). Health Net's medical cost ratio was 85.0%, down from 87.6% for the year-ago quarter. The insurer had 3.5 million health plan enrollees on March 31, 2005, an 8% decline from 3.8 million members on the same date last year. Health Net attributed the decline to "disciplined pricing" as it raised premiums to offset higher medical costs. The insurer also had 2.9 million TRICARE military health system members at the close of the first quarter. Call spokesperson David Olson at (818) 676-6978.

◆ **Kaiser Foundation Health Plan Inc., Kaiser Foundation Hospitals and their subsidiaries reported \$552 million in first-quarter 2005 net income**, compared with \$435 million for the same period in 2004. The health care organization posted operating income of \$492 million on operating revenues of \$7.7 billion for the most recent quarter, compared with operating income of \$390 million on operating revenues of \$6.9 billion for the same period last year. Kaiser Permanente had 8.3 million members on March 31, 2005, up from 8.2 million on the same date in 2004. Call Kaiser Permanente spokesperson Mike Lassiter at (510) 271-5953.

◆ **Centene Corp. said it had \$14.4 million, or 32 cents per share, in first-quarter 2005 net income**, compared with \$10.1 million, or 24 cents per share, for the same period in 2004. The insurer had 777,000 enrollees on March 31, 2005, compared with 522,000 on the same date last year. Centene's first-quarter 2005 medical cost ratio was 80.9%, down slightly

from 81.0% for the same period in 2004, while the most recent quarter's administrative cost ratio was 12.8%, compared with 12.6% for the year-ago period. Call Centene CFO Karey Witty at (314) 725-4477

◆ **Molina Healthcare, Inc. posted first-quarter 2005 net income of \$14.8 million, or 53 cents per share**, compared with \$11.1 million, or 43 cents per share, for the same period in 2004. For the first quarter of 2005, Molina's medical cost ratio was 84.9% and its administrative expense ratio was 8.5%, compared with 84.1% and 7.9%, respectively, for the year-ago quarter. The Long Beach, Calif.-based managed Medicaid insurer had 803,000 members on March 31, 2005, a 37% increase from 588,000 enrollees on the same date last year. Call CEO J. Mario Molina, M.D., at (562) 435-3666.

◆ **Assurant, Inc. reported \$114.4 million, or 82 cents per share, in first-quarter 2005 net income**, compared with \$94.4 million, or 73 cents per share, for the same period in 2004. The Assurant Health division contributed operating income of \$49.7 million in the most recent quarter, compared with \$36.7 million in the year-ago period. Call Assurant spokesperson Melissa Kivett at (212) 859-7029.

◆ **Magellan Health Services, Inc. said net income almost doubled between the first quarters of 2004 and 2005.** The managed behavioral health firm reported \$23.5 million, or 64 cents per share, in first-quarter 2005 net income, compared with \$12.9 million, or 35 cents per share, for the year-ago period. Magellan serves 57.7 million enrollees. The firm also warned that it has had some contract terminations and reductions that could result in lower 2006 earnings. Aetna, Inc. said in December 2004 that it would start internally managing behavioral benefits (*MCW 12/13/04, p. 4*); that move will result in the loss of \$250 million in revenue for Magellan in 2006. The Farmington, Conn.-based firm said other clients, including WellPoint, Inc. subsidiary Blue Cross Blue Shield of Georgia, have made similar notifications. Those contract changes represent the loss of another \$80 million in 2006 revenue. Magellan added that it has a "sales pipeline of approximately \$300 million in core business and new product opportunities" that could offset some contract losses. Call spokesperson Erin Somers at (410) 953-2405.

MCOs Change Incentive Pay

continued from p. 1

The requirement that firms expense stock options also has encouraged many publicly traded companies to "move away from broad-based stock option programs that give options to everybody," says Paul Dorf, managing director of Compensation Resources, Inc.

For example, Aetna, Inc. said in January that it would restrict stock options to company managers and pay nonmanagement workers one-time bonuses of up to \$500.

A few health care companies are considering incorporating explicit performance standards linked to member or provider satisfaction into executive compensation, rather than limiting top executives' performance goals to financial standards like gains in earnings per share, Kirkpatrick adds.

He recommends that boards avoid formulas in setting executive compensation. "The compensation committee needs to know if they are setting the right performance measures and getting actual value. Using their judgment and making informed decisions is more

2004 Executive Compensation at Publicly Traded Managed Care Firms*

Name/Title	Company	Annual Salary	Bonus	Other Annual Compensation
William McGuire, M.D., Chairman/CEO	UnitedHealth Group	\$2,176,923	\$5,550,000	\$242,386
Stephen Hemsley, President/COO		\$1,038,462	\$2,325,000	\$143,447
John Rowe, M.D., Chairman/CEO	Aetna, Inc.	\$1,133,749	\$2,500,000	\$231,416
Ronald Williams, President		\$1,028,982	\$2,000,000	\$60,567
Larry Glasscock, President/CEO	WellPoint, Inc.	\$1,081,600	\$4,081,498	\$283,445
Thomas Snead, Jr., President/CEO, Southeast Region, Corporate Vice President		\$536,731	\$1,357,437	\$3,200,270
H. Edward Hanway, Chairman/CEO	CIGNA Corp.	\$1,030,000	\$2,600,000	\$0
Michael Bell, Executive Vice President/CFO		\$517,000	\$800,000	\$69,000
Anthony Marlon, M.D., Chairman/CEO/President	Sierra Health Services, Inc.	\$1,000,002	\$2,750,000	\$0
Jonathon Bunker, Senior Vice President, Managed Healthcare Division		\$351,894	\$1,000,000	\$0
Howard Phanstiel, Chairman/CEO	PacifiCare Health Systems, Inc.	\$990,001	\$1,633,500	\$221,357
Bradford Bowlus, Executive Vice President/President, Health Plan Division		\$650,000	\$690,000	\$43,069
Allen Wise, Chairman	Coventry Health Care, Inc.	\$984,616	\$2,000,000	\$230,172
Thomas McDonough, President		\$723,077	\$1,250,000	\$87,487
Dale Wolf, CEO		\$723,077	\$750,000	\$97,703
Jay Gellert, President/CEO	Health Net, Inc.	\$934,615	\$0	\$79,732
Anthony Pizsel, Executive Vice President, CFO		\$163,463	\$900,000	\$27,815
Michael Stocker, M.D., President/CEO	WellChoice, Inc.	\$934,615	\$675,000	\$0
Gloria McCarthy, Executive Vice President/COO		\$571,154	\$330,000	\$0
J. Kerry Clayton, President/CEO	Assurant, Inc.	\$840,000	\$1,444,800	\$3,059
Robert Pollock, Executive Vice President/CFO		\$672,000	\$1,155,840	\$5,428
Michael McCallister, President/CEO	Humana Inc.	\$723,115	\$1,247,373	\$85,730
James Murray, COO		\$480,492	\$475,687	\$31,519
Jeffrey McWaters, Chairman/CEO	AMERIGROUP Corp.	\$655,318	\$1,352,259	\$0
James Carlson, President/COO		\$503,683	\$616,667	\$0
J. Mario Molina, M.D., CEO/President/Chairman	Molina Healthcare, Inc.	\$642,836	\$50,000	\$0
George Goldstein, Executive Vice President, Health Plan Operations/COO		\$453,971	\$50,000	\$0
Michael Neidorff, Chairman/CEO	Centene Corp.	\$650,000	\$1,600,000	\$71,194
Lisa Wilson, Senior Vice President, Investor Relations		\$211,538	\$210,000	\$146,244
Todd Farha, President/CEO	WellCare Health Plans, Inc.	\$311,538	\$718,920	\$102,802
Paul Behrens, Senior Vice President/CFO		\$285,577	\$182,838	\$1,719

*Companies are ranked in order of the largest annual salary paid to a single executive. The chart includes both the top-ranked executive and the second-highest-paid health care executive(s) for each company, on the basis of salary.
SOURCE: Compiled by Atlantic Information Services, Inc. from company proxy statements.

important than having a plan that looks like everyone else's," he says.

Here's a look at some CEOs' pay packages:

◆ **UnitedHealth's** McGuire received the same bonus — \$5.6 million — in 2003 and 2004. The insurer's compensation committee noted that at 2.5 times McGuire's annual salary, the bonus is well in excess of the 150% minimum called for in his employment contract. The bonus reflects UnitedHealth's record revenues, strong earnings, 51% increase in stock price last year and several successful acquisitions, the committee said. Still, it said,

not all executives exceeded performance goals. "Although a number of annual incentive targets were met, and the company had a very strong performance in 2004, the committee determined that not all goals were exceeded by all business units," the committee said. "Accordingly, bonus compensation for many executives did not increase, and in some instances decreased, over levels received in 2003."

◆ **CIGNA Corp.** CEO H. Edward Hanway's 2004 salary remained flat at the 2003 level of \$1 million. That reflects a decision by the insurer's compensation committee to

2004 Executive Stock Options at Publicly Traded Managed Care Firms

Many managed care company executives in 2004 were granted options to purchase company stock at a given price, with the assumption that the stock will appreciate over the vesting period. (Companies are ranked in order of the largest stock option grants.)

Name/Title	Company	Number of Stock Options Granted During 2004	Exercise Price per Share	Closing Stock Price on May 5, 2005
William McGuire, M.D., Chairman/CEO	UnitedHealth Group	1,300,000	\$59.40	\$97.20
Stephen Hemsley, President/COO		600,000	\$59.40	
Howard Phanstiel, Chairman/CEO	PacifiCare Health Systems, Inc.	250,000	\$32.37	\$61.19
Bradford Bowlus, Executive Vice President and President/CEO, PacifiCare Health Plans		80,000	\$32.37	
John Rowe, M.D., Chairman/CEO	Aetna, Inc.	250,000	\$77.50	\$76.83
Ronald Williams, President		225,000	\$77.50	
Jay Gellert, President/CEO	Health Net, Inc.	0	N/A	\$33.00
Anthony Pizsel, Executive Vice President, CFO		500,000	\$25.68	
Dale Wolf, CEO	Coventry Health Care, Inc.	1,000,000	\$48.69	\$68.59
Thomas McDonough, President		300,000	\$48.69	
Jeffrey McWaters, Chairman/CEO	AMERIGROUP Corp.	200,000	\$18.54	\$38.25
James Carlson, President/COO		100,000	\$18.54	
H. Edward Hanway, Chairman/CEO	CIGNA Corp.	241,000	\$55.44	\$96.40
		62,271	\$56.10	
		63,062	\$66.17	
		80,400	\$55.44	
Michael Bell, Executive Vice President/CFO	Centene Corp.	7,983	\$66.17	\$29.18
Michael Neidorff, President/CEO		200,000	\$17.85	
Lisa Wilson, Senior Vice President, Investor Relations	Humana Inc.	30,000	\$14.70	\$34.97
		30,000	\$18.10	
		30,000	\$26.07	
Michael McCallister, President/CEO	WellPoint, Inc.	200,000	\$21.28	\$132.76
James Murray, COO		85,000	\$21.28	
Larry Glasscock, President/CEO	WellChoice, Inc.	200,000	\$88.36	\$57.07
Keith Faller, President/CEO, Central Region and Corporate Executive Vice President		55,000	\$88.36	
Thomas Snead, President/CEO, Southeast Region and Corporate Executive Vice President		55,000	\$88.36	
Michael Stocker, M.D., CEO	Molina Healthcare, Inc.	179,394	\$36.94	\$44.79
Gloria McCarthy, Executive Vice President/COO		89,348	\$36.94	
George Goldstein, Executive Vice President, Health Plan Operations/COO	WellCare Health Plans, Inc.	30,000	\$25.33	\$30.68
Todd Farha, President/CEO		81,315	\$8.33	
Paul Behrens, Senior Vice President/CFO		8,131	\$8.33	

NOTE: Assurant, Inc. did not grant any stock options in 2004. Sierra Health Services, Inc. did not grant stock options to CEO Anthony Marlon, M.D., or Senior Vice President Jonathon Bunker in 2004. Molina Healthcare, Inc. did not grant stock options to CEO J. Mario Molina, M.D., in 2004.

SOURCE: Compiled by Atlantic Information Services, Inc. from company proxy statements.

adjust pay practices in light of the insurer's ongoing restructuring effort aimed at restoring profitability and ending membership losses in its health insurance division (see story, p. 3). Among other changes, the committee froze 2004 compensation targets for many executives at 2003 levels, changed stock-option award procedures and incorporated membership goals as a measure in determining 2005 bonus awards. Hanway still got a 24% increase in his annual bonus, which rose to \$2.6 million.

◆ **WellPoint's** Glasscock was the second-highest paid publicly traded managed care company executive last year. He got a 50% raise in total compensation last year,

receiving \$1.1 million in annual salary, a \$4.1 million bonus and \$283,000 in other annual compensation. In 2003, he received a similar salary of \$1.0 million, but a bonus of just \$2.3 million and \$273,000 in other compensation. Meanwhile, Leonard Schaeffer, former CEO of WellPoint Health Networks, was named chairman of the new entity. Under his employment agreement with the old company, Schaeffer received a cash payment of \$50.6 million upon the end of his term as CEO.

View details of health insurance executives' annual compensation at AIS's Managed Care channel on www.AISHealth.com. ♦

MANAGED CARE BRIEFS

◆ **Health Net, Inc. and Prudential HealthCare settled a national racketeering class-action lawsuit brought by physicians.** Health Net's settlement calls for a guaranteed cash payment to physicians of at least \$60 million and changes to physician reimbursement and other practices valued at \$300 million. Prudential Financial, Inc. agreed to a \$22.2 million settlement. Prudential operated Prudential Health Care until 1999, when it sold the subsidiary to Aetna, Inc. Because it's no longer in the health insurance business, Prudential's settlement did not include any policy changes. Aetna and CIGNA Corp. already settled the suits (*MCW 1/3/05, p. 8*). Remaining defendants include Coventry Health Care, Inc., Humana Inc., UnitedHealth Group and WellPoint, Inc. Call Audrey Mullen, spokesperson for co-lead counsel Archie Lamb, at (703) 548-1160.

◆ **Aetna, Inc. said it supports mandatory federal or state individual health insurance laws.** Speaking at the company's annual meeting, CEO Jack Rowe, M.D., said, "If structured properly, individual coverage requirements have the potential to expand access...and ease the financial crisis facing the health care system." Call Aetna spokesperson David Carter at (860) 273-3658.

◆ **Fewer than 5,000 Federal Employees Health Benefits Program enrollees signed up for high-deductible health plans (HDHPs) paired with health savings accounts (HSAs),** according to preliminary enrollment results. Despite the low sign-up rates, U.S. Office of Personnel Management spokesperson Michael Orenstein contended that "there is an incredible amount of interest in the product." OPM's HDHP/HSA Web site received "hundreds of thousands of" hits, he said. Call Orenstein at (202) 606-

2402.... **HDHP/HSA enrollment results are stronger in the private sector, according to America's Health Insurance Plans (AHIP).** A tracking survey of AHIP members found that nationwide enrollment in HDHPs has doubled in the past six months to more than 1 million people. AIS's *Inside Consumer-Directed Care* estimates that there are 425,000 open HSAs. Visit www.ahipresearch.org.

◆ **PacifiCare Health Systems, Inc. completed its acquisition of Pacific Life Insurance Co.'s group health insurance operations.** Financial terms of the deal were not disclosed. PacifiCare also purchased the right to offer employment to Pacific Life's 700 group-health staff members. Call PacifiCare spokesperson Tyler Mason at (714) 226-3530.

◆ **PEOPLE ON THE MOVE:** Colorado Gov. Bill Owens (R) named **David Rivera** the state's next insurance commissioner. Rivera previously served as a senior policy analyst for Owens, helping to implement the governor's health care agenda.... Blue Cross Blue Shield of Massachusetts CEO and Chairman **Bill Van Faasen** said the insurer's board of directors named **Cleve Killingsworth, Jr.** as his successor. COO Killingsworth will take over as president and CEO effective July 5, 2005. Van Faasen will remain on the board.... Coventry Health Care, Inc. named **John Langenus** president of national accounts for First Health Group Corp. and senior vice president of Coventry. Langenus most recently served as executive vice president of Evolution Benefits. Coventry also said **Eric Hays** was promoted by subsidiaries HealthAmerica and HealthAssurance to regional director of northwestern Pennsylvania. He was a strategic account executive for HealthAmerica's Pittsburgh office.

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