the cost of not knowing

Annual Report 2004

HARVARD PILGRIM HEALTH CARE
How much does it cost?
It didn’t seem like such a tough question.

I was seeing my physician for a nagging cough and a temperature. He checked me out – pretty standard stuff – and then said, “I think you’ll be fine, but it would be worth it for you to get a chest x-ray, just in case you have a touch of pneumonia.”

We chatted about that for a minute and then I asked him how much it would cost, since I’d chosen coverage with a deductible and I’d be paying for it.

He didn’t know.
Around the same time, a good friend of mine was being treated for prostate cancer at one of the area’s teaching hospitals. His treatment plan involved a large number of quick radiation therapy visits. When he showed up for the first one, he asked the treating physician two questions: how experienced was he in managing this sort of thing for someone like him and how much would it cost? He got a pretty good answer to the first question, and sheer disbelief that he was interested in the second.

Nobody knew.

As a general rule, we Americans don’t like to ask these kinds of questions. Wanting to know how much something in health care costs – or even how well one doctor or hospital performs a particular service relative to another – is viewed as kind of tacky, inappropriate and beside the point. Yet, with few exceptions, we are being asked to take on more financial responsibility for our care and to make increasingly complex decisions about care and coverage.

Consumers and producers in any other sector of the economy always expect to have price and performance information before making a decision. Yet in health care, we seem to prefer a “don’t ask, don’t tell” policy.

Transparency is a don’t-pass-go issue. I have completely lost faith in the concept of confidentiality as an important asset in improvement. On the contrary, I think that the more public we can be about performance, the more we’re going to get serious about making changes.

Donald M. Berwick, MD, President and CEO, Institute for Healthcare Improvement
“A Conversation With Donald Berwick”
by Robert Galvin, Health Affairs, January 12, 2005
Even from day one we learned not to ask.

The cost of a delivery of a healthy bouncing baby with no complications ranges from $1,872 to $4,226 per baby.

Ooooh baby!
New diagnostic and treatment technologies, an aging population and the rising cost of hospital care, among other factors, will virtually assure that the rate of health care inflation will outpace general inflation. How fast these costs will rise, and what we as a society get in return, will be determined, to some extent, by how well we identify high performers and low performers, and what we do with that information.

We have to get over our collective uneasiness.
At Harvard Pilgrim, we’re making a start.

▶ Our Web site lists the typical costs of medical services that may be subject to deductible payments.

▶ Our physician list designates practices that are on our Quality Honor Roll.

▶ Our online Healthcare Advisor tool makes clinical information available to members and providers on a procedure- and facility-specific basis. They can look up the number of times a hospital performed a procedure during the past twelve months and also review more detailed information like infection rates, mortality rates, complication rates, and the like, based on what’s most important to them. And they will soon be able to see how hospitals stack up in terms of relative costs – high, medium or low.

▶ We’ve developed a cost estimator that helps members make better choices by showing them how their out-of-pocket costs (copayments, deductibles or coinsurance) are affected by their plan design, their potential medical needs, the cost of medical services and their health care choices.

But there’s no common, public source that aggregates cost and quality information and makes it available to everyone in a simple, useful, understandable format.

"Public disclosure of comparative information on health care quality, safety, and cost is gaining momentum as a priority for reforming the health care system. The good news is that there is increasing evidence that public disclosure of provider performance is resulting in clinical quality improvements."

What would we learn if the purchasers of medical services put all of their cost information into the

First of all, that there is tremendous cost and price variation for the same service at similar hospitals in their state.

**How tremendous?**

Well, the average cost per admission for Harvard Pilgrim members using community hospitals in Massachusetts is about $4,450. The cost per admission is about $2,305 in the lowest cost community hospital and over $9,700 in the most expensive. That’s a spread of over 300%.

These are the price differences after adjusting for the fact that some hospitals treat sicker patients – what’s called their “case mix.” Think of it as an adjustment for degree of difficulty (like in gymnastics).
If you look at the cost per admission on a hospital-by-hospital basis, you reach an even more startling conclusion. The five most expensive community hospitals, after adjusting for case mix, increase Harvard Pilgrim’s overall spending for inpatient care provided at Massachusetts community hospitals by almost 7%.

Put another way, we could reduce our inpatient spending on community hospitals in Massachusetts by seven percent if our members were willing to use almost every community hospital in Massachusetts, instead of every community hospital in Massachusetts.

Information is integral to competition in any well-functioning market. It allows buyers to shop for the best value and forces sellers to compare themselves to rivals. In health care, though, the information really needed to support value-creating competition has been largely absent or suppressed.

Michael E. Porter and Elizabeth Olmsted Teisberg
“Redefining Competition in Health Care”
Harvard Business Review, June 2004
The teaching hospital story is similar, with a couple of caveats. First of all, it is not news that teaching hospitals are significantly more expensive than community hospitals, and that many of the less intensive services patients receive at academic medical centers could be provided with the same outcome – for about half the cost – at community hospitals.

**Web sites with health-care quality and cost information**

- [www.harvardpilgrim.org](http://www.harvardpilgrim.org)  
  *(member login required)*
- [www.hospitalcompare.hhs.gov](http://www.hospitalcompare.hhs.gov)
- [www.healthcaredisclosure.org](http://www.healthcaredisclosure.org)
- [www.mhqf.org](http://www.mhqf.org)
- [www.nbhealthcost.org](http://www.nbhealthcost.org)
- [www.dirigohealth.maine.gov](http://www.dirigohealth.maine.gov)
- [dhfs.wisconsin.gov/healthcarecosts](http://dhfs.wisconsin.gov/healthcarecosts)
- [www.minnesotahealthinfo.org](http://www.minnesotahealthinfo.org)
- [leapfroggroupdata.org](http://leapfroggroupdata.org)
What’s not as easily appreciated is the tremendous difference in cost between and among teaching hospitals. For example, after adjusting for case mix, the average cost to Harvard Pilgrim for a teaching hospital inpatient admission is about $5,200. The least expensive teaching hospital costs Harvard Pilgrim and its members $4,300 per admission, while the most expensive costs $6,200 per admission. We could reduce our inpatient spending on teaching hospitals in Massachusetts by six percent if our members were willing to switch their care from the two most expensive teaching hospitals to other teaching hospitals in Massachusetts.

In New Hampshire, the average cost per admission at a community hospital for Harvard Pilgrim and its members is about $5,200. The difference in cost per admission is just as significant as it is in Massachusetts, ranging from $4,200 to over $9,800, adjusted for case mix. It’s the same story in Maine, where case-mix adjusted costs per admission for Harvard Pilgrim members vary by

The health care industry has purposely thrown a thick blanket of fog over both the quality of treatment and its pricing, so that the ordinary consumer could more easily navigate Dante’s nine circles of hell than find out where to get the best mammogram for the best price. But in order to get the best bang for their allotment and keep from having to dish out too much from their own piggybank, people will have to be able to comparison shop.

Cincinnati Business Courier, Editorial, November 29, 2004

The story with physician costs is not much different. They vary significantly from group to group as well. Again, which groups cost more, or how much more, is simply not known – either by the public at large, or by the provider community.
There are some “measures” of quality that are strictly personal and subjective, and there are many variables that can change from week-to-week or day-to-day. But, in terms of clinical outcomes over time, there are numerous reports and documentation that every hospital in every state has to file with the state and federal government concerning infection rates, mortality rates, complication rates and the like, for every inpatient and outpatient procedure it performs.

What about quality?

Would our members in Massachusetts, Maine or New Hampshire be sacrificing quality by “shopping around” for the less expensive hospitals and physician groups in their states? The short answer to this question is a combination of “probably not” and “no.”

The cost of typical outpatient services in Massachusetts can vary by hundreds of dollars:

- **Head CT Scan** ............ $248-$454
- **Head MRI** ............... $837-$1443
- **Exercise stress test** ... $105-$177
- **Colonoscopy** ............ $733-$1061
- **Chest x-ray** ............. $51-$84
These filings show that there is virtually no correlation between high cost and high performance. In fact, recent studies have shown that patients choosing a lower cost community hospital would receive care of similar quality to that provided by teaching hospitals for the vast majority of secondary health care services. Moreover, there is no evidence to indicate that excluding a small number of provider organizations from the Harvard Pilgrim network would negatively affect the care of our members.

This is not to suggest that health plans should run out tomorrow and try to convince their members that they should stop using certain hospitals or physician groups and start using others. We see little value in that approach, at least in the short term, despite public opinion polls that say many people would be willing to trade narrower choice in provider networks for lower premiums.

However, as the costs of health care continue to climb, and as people are asked to spend more and more of their own money on health care services, we believe it is time to give them – and their care providers and employers – as much information as we can about why health care is so expensive, and how they and their clinicians might be able to factor this information into their own decision-making process.

In a perfect world, cost and quality information would be collected by the state or federal government from every provider, plan and purchaser, and posted for review and use by anybody. Health plans could then incorporate this information into their product planning and provider network development activities. Clinicians could examine their performance and the performance of those clinicians and organizations they work with against that of their peers. (Many physicians have told me that it would significantly improve their decision-making process if the states they practice in would simply aggregate the number of times other physicians perform certain procedures and make that information public.) And hospital boards could benchmark the cost and quality performance of their own institutions against others.


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Today, there is no incentive to be the low-cost, high-quality provider of health care services.

There is

▲ no public accountability

▲ no recognition concerning cost or quality at the provider or provider group level

▲ no public recognition or market benefit for low-cost/high-value providers

▲ no interest from health plans in building select, high-value provider networks in the absence of public data

In the end, wrestling the cost and quality questions to the ground in health care require two fundamental changes in the way it works now. First, people – all people – have to know what things cost and who does what well, and secondly, they have to care enough to act on that information.

There is little doubt that rising health care costs generally will force individuals to own a larger and larger share of their health care spending in the future. Publicly available, useable and understandable information on the price and performance of various aspects of the health care delivery system will give patients and their clinicians the assistance they need to use that newfound – and mostly unwanted – financial responsibility properly.

I can’t wait.

Charlie Baker
President and CEO
Harvard Pilgrim Health Care offers a wide variety of health-benefit options and services in Massachusetts, New Hampshire and Maine. We are licensed in New Hampshire through our affiliate, Harvard Pilgrim Health Care of New England, and another corporate affiliate, HPHC Insurance Company, is the carrier for certain products with indemnity insurance components in all three states. In early 2005, Harvard Pilgrim acquired Health Plans, Inc., a third party administrator (TPA) that offers administrative and consulting services to health and benefit plan sponsors such as employers and labor unions.

Our product portfolio includes a wide range of fully insured and self-insured HMO (health maintenance organization), POS (point-of-service) and PPO (preferred provider organization) plans, along with HRA (Health Reimbursement Arrangement) and FSA (Flexible Spending Account) services. HPHC Insurance Company offers a “high deductible” PPO plan that can be combined with an HSA (Health Savings Account). We also offer non-group coverage and we enroll Medicare beneficiaries through our First Seniority and Medicare Enhance programs.

Harvard Pilgrim’s integrated, regional provider network includes more than 22,000 physicians and 130 hospitals in Massachusetts, New Hampshire, Maine and Rhode Island. Our affiliated physicians practice in a variety of settings, ranging in size from individual primary care offices and community group practices to large, multi-specialty groups.

Since 1980, the Harvard Pilgrim Health Care Foundation has been promoting prevention and health improvement through the funding of teaching, research and community service.
In 2004, Harvard Pilgrim achieved an unprecedented milestone by becoming the first health plan ever to be rated #1 in both member satisfaction and effectiveness of care by the National Committee for Quality Assurance (NCQA). NCQA also rated our First Seniority plan as the #1 Medicare health plan in America for clinical quality performance.*

In addition, the HMO plan offered by Harvard Pilgrim in Massachusetts, New Hampshire and Maine and the PPO plan offered in Massachusetts were recognized for excellence under the J.D. Power and Associates Distinguished Health Plan Program. These awards honor Harvard Pilgrim for providing an outstanding experience to our HMO and PPO members. Eligibility was determined by surveying a random sample of our HMO and PPO members on multiple dimensions of their health plan service experience and comparing the results to national benchmarks established by the J.D. Power and Associates National Managed Care Service Performance Study.

*The source for this data is Quality Compass® 2004 and is used with the permission of the National Committee for Quality Assurance (NCQA). Quality Compass is a registered trademark of NCQA. NCQA is a private, non-profit organization dedicated to improving health-care quality.

Expanding our ability to serve national and regional customers

Harvard Pilgrim has formed a strategic business and marketing alliance with UnitedHealthcare to offer health benefit plans to national, self-insured employers. The alliance combines Harvard Pilgrim’s regional network of doctors, hospitals and other medical professionals with UnitedHealthcare’s national network, and offers simplified administration and care management in a single, integrated package. In January 2005, the first month of enrollment, 17 national accounts chose the UnitedHealthcare - Harvard Pilgrim alliance for more than 24,000 employees and their dependents.
Brenda, age 45, is fighting progressive multiple sclerosis. Linda Sanborn is her Harvard Pilgrim nurse care manager.

Linda checks in with me about once a week. She calls to make sure I am satisfied with my home health agency – making sure I am approved for my home health aid and physical therapist. We don’t just talk about how I’m feeling. Through our conversations she learned how much I like Impressionist art and she sent me this beautiful art book. It was just something that she saw. She thought of me and before I knew it I had it in the mail. How wonderful is that?

I’m in a wheelchair when I go out and thanks to Harvard Pilgrim I was able to get an electric one – which is a godsend. I was able to start at the local YWCA. When I told Linda I was going to do it she was very gung ho. She’d call me and say, “So, have we gone yet?” Now I go two to three times a week for Tai Chi in the pool and for weight training. I am feeling stronger and better.

I look forward to my phone calls with Linda. I feel like, “Oh my weekly phone call from my friend,” and that’s how I feel. You know, we never have enough friends.
The New Hampshire Public Risk Management Exchange (Primex®) and Harvard Pilgrim Health Care of New England have partnered to create a new health insurance program for employees, dependents and retirees of local governments in New Hampshire. Through the partnership, cities, towns, counties, and school districts can now purchase a variety of health insurance plans from Primex®, with Harvard Pilgrim handling sales and administrative services.


In early 2005, Harvard Pilgrim announced the acquisition of Health Plans, Inc., a regional third party administrator (TPA). Having HPI as a Harvard Pilgrim subsidiary strengthens our ability to serve employers and labor unions that have chosen to self-insure and that want custom-designed plans or separately priced services. HPI is authorized to offer both its own products and services and to sell and service certain products offered by HPHC Insurance Company. Approximately 81,000 members receive health, dental and short-term disability benefits through self-insured plans administered by Health Plans, Inc., primarily in Massachusetts, Maine and New Hampshire.

**Working with providers to maximize clinical quality**

Fourteen physician-group practices that care for Harvard Pilgrim’s members received grants totaling $1.2 million to improve clinical care, quality and service. Harvard Pilgrim’s Quality Awards Program funds initiatives that focus on managing chronic diseases and increasing preventive care. The results of the grant programs are shared with other Harvard Pilgrim providers at an annual Quality Innovations Forum so that their “best practices” can benefit a broader patient population.

Members of the Board of the Harvard Pilgrim Physicians Association (HPPA) conducted blinded reviews of all grant proposals to provide insight on the likely success of each initiative. HPPA comprises medical professionals who are credentialed by Harvard Pilgrim. Its board members provide significant input into the development of Harvard Pilgrim’s policies and standards for quality of care, care management, credentialing, fee schedules and other compensation programs, and medical management systems.

**2004 Quality Grant Recipients:**

- Baycare Health Partners, Inc.
- Caritas Christi Health Care
- Child Health Associates, PC
- East Boston Neighborhood Health Center
- Greater Milford Health Alliance, Inc.
- HealthAlliance with Physicians, Inc.
- Heywood PHO
- Lowell General PHO
- MetroWest Health Care Alliance, Inc.
- NovaHealth, LLC
- PMG Physician Associates
- Primary Care Center of Plainville
- Primary Care, LLC
- Sturdy Memorial Associates
Baycare Health Partners, a Physician Hospital Organization in Western Massachusetts, received a 2004 Quality Grant to implement a hypertension pilot program that helps patients and physicians control high blood pressure.

At Baycare, we’re always looking for ways to improve patient care. Thanks to Harvard Pilgrim and your Quality Grant Program, we were able to implement our hypertension program – a condition that nationally accounts for more than 28,000 deaths and costs more than a billion dollars each year. Our program includes patient education, materials for patients to monitor and report home blood-pressure readings, and actionable reports to the treating physician.

The value of your grant goes well beyond the financial investment. I applaud Harvard Pilgrim for the ongoing support and enthusiasm you provide to recipients. You asks the right questions and encourage programs you believe will benefit an entire community, and not just your members. Your Providers Forum is an excellent example of your commitment to sharing best practices. It’s an opportunity to connect with fellow clinicians and learn from each other’s experiences. Since initial program findings are proving successful, it’s my hope that others may learn from and implement similar programs. Together we can treat uncontrolled hypertension better, and ultimately save more lives throughout New England.
Harvard Pilgrim named 75 physician groups in Massachusetts, New Hampshire and Maine to our third annual “Honor Roll.” The Honor Roll recognizes adult and pediatric physician groups that have achieved exceptional results in their approach to disease prevention and the treatment of chronic illness. Harvard Pilgrim selected the physician groups based on their clinical performance measured against national standards set by HEDIS® (Health Plan Employer Data and Information Set), a tool used to assess the quality of health care.

**Developing new clinical partnerships to improve the health of our members**

Harvard Pilgrim contracted with National Imaging Associates (NIA), an NCQA-accredited radiology management company, to administer a radiology notification and consultation program for non-emergency, outpatient, advanced imaging services. The goal of the program is to address the rising trend in high-end radiology services using evidence-based guidelines. All decisions about patient care remain the sole responsibility of the ordering physician.

PacifiCare Behavioral Health, Inc. (PBH) was selected to administer behavioral health benefits for Harvard Pilgrim’s members, effective January 1, 2005. PBH is recognized as a leader in developing high quality behavioral health care programs throughout the United States and currently serves more than 4.1 million members.

Continuing our strategy of working with disease management vendors that are leaders in their field, we introduced Heart Champion for cardiac care in conjunction with American Healthways, Inc. The Heart Champion program, which will help approximately 6,000 members annually, includes services for patients with catastrophic, long-term, ambulatory and disease management needs. The program uses state-of-the art technologies to develop care plans and goals that help patients achieve improved clinical outcomes and health status, while improving member and physician satisfaction and reducing costs.

We also launched a new care management program, Your Care Champion, with the support of Accordant Health Services. Each year, the voluntary program will help approximately 3,000 members who suffer from serious medical conditions such as multiple sclerosis, Parkinson’s disease and sickle cell disease through education and clinical intervention.
In January 2004, Harvard Pilgrim began providing coverage for 1,300 Fallon Clinic employees and their families.

At Fallon Clinic, our goal is to become the gold standard for customer service in health care delivery – not only for our patients, but for our staff and physicians as well. Our employees are both happy and satisfied with Harvard Pilgrim, and that demonstrates to us that they are committed to the same philosophy of customer-service excellence that we follow for our employees and our patients.

Our customer-service experience with Harvard Pilgrim has been exceptional. We feel that we are treated as special. No question or issue is too big or too small, and they have demonstrated time and again that ensuring the highest levels of service is part of their culture.

One Fallon Clinic employee recently told me about her husband, who had been putting off a call because he had not been well treated by health insurance plans in the past. He got off the phone with Harvard Pilgrim and said he could not believe the sincerity, the rapid response, and the kindness with which he was treated.

There were several reasons to choose Harvard Pilgrim – product offering, strong network and customer service. Cost is always a factor, but the real key was finding the right fit for our service-oriented culture. Choosing Harvard Pilgrim shows we walk the talk.
Other clinical activities focused on asthma, diabetes, chlamydia, osteoporosis and healthy pregnancy, and we became the only health plan in our region to incorporate new voice-recognition technology in our outreach efforts. This technology enables us to reach patients with personalized, targeted messages more effectively than through traditional mailings. Preliminary results have been positive, and this year, we will be expanding its application to our diabetes, medication safety and hypertension programs.

To address the important issue of patient safety, we launched a pilot program designed to reduce adverse medication problems when patients are discharged from the hospital. Our care managers have been calling patients within three days of discharge to identify problems with medications and reinforce post-discharge plans. This new program discovered that almost 60% of the patients contacted had potential safety issues in areas such as drug duplications, compliance, cardiac medications and anti-coagulation management. We also implemented a multi-faceted Anticoagulation Management Program to help physicians monitor their Harvard Pilgrim patients on warfarin. Physicians receive listings that can be used to ensure patients have the regular testing needed to maintain proper dosage levels, and we send members educational materials that offer guidance on medication management.

**Using technology to improve quality, service and administration**

HPHConnect, our electronic tool for health care administration, is saving employers time and money with online enrollment, roster management and verification. Almost 90 percent of Harvard Pilgrim’s commercial employer accounts have set up HPHConnect accounts that allow them to reduce paperwork and gain greater control over the accuracy, timing and payment of their premiums. By year-end, 73 percent of our employer transactions were being processed electronically rather than on paper.

By the end of 2004, providers and their billing agents were conducting a million electronic transactions a month using HPHConnect and our other electronic channels. HPHConnect provides instant checks on patient eligibility and claims status and ensures that referrals arrive before patients do. This means less paperwork and more control over cash flow for clinicians, and fewer administrative hassles for patients, before and after they receive care. Almost 99 percent of member eligibility checks and 87 percent of claims inquiries by provider offices are completed electronically rather than by phone or fax.

After a multi-year evaluation of technology options, Harvard Pilgrim selected a technology platform developed by UnitedHealth Group to replace our current core administrative system. The new
Victory Programs provides individualized treatment to people recovering from alcoholism and drug addiction, particularly those with psychiatric and medical problems, including AIDS and HIV. Victory Programs has offered Harvard Pilgrim coverage to its employees for many years.

Health care is a real challenge today, but we’re lucky to have Harvard Pilgrim serving our area. You remain committed to making sure that people receive high-quality health care.

At Victory Programs, I handle all aspects of Human Resources, which means I work closely with our employees about any medical care issues that may come up. Whenever there’s a problem, you help me solve it. What I appreciate most is your personal service. You treat every case individually and truly put your members’ health needs first.

Our employees value their Harvard Pilgrim coverage. In fact, we polled them last year about their options due to inevitable rising costs. Our employees were willing to increase their personal cost sharing if needed just to keep Harvard Pilgrim. Now that’s loyalty. I understand why. I’ve been a member myself for more than 10 years and have never had a problem that wasn’t resolved.

Whether for a member or an HR administrator, Harvard Pilgrim consistently demonstrates how you’re the best of what a health insurance company can be.
technology platform will provide a more flexible and powerful benefits administration and claims processing system, and its implementation will significantly reduce Harvard Pilgrim’s projected costs over the life of the ten-year agreement. After an 18-month planning and development period, implementation of the new technology platform is expected to begin in 2006 and will be phased in over approximately three years.

**Keeping an ethical framework in the forefront**

The Harvard Pilgrim Ethics Advisory Group, which includes members, employer representatives, clinicians and staff, helps provide an “ethical compass” for our business and clinical decisions. In 2004, the group discussed and suggested principles and guidelines on a number of important issues facing the health plan, including the risks and advantages of bariatric (weight-loss) surgery; the use of pre-existing condition exclusions in benefit plans; the movement toward increased patient cost-sharing and “consumer-directed” plans; and the proper collection and use of data that identifies members’ race and ethnicity in programs intended to reduce disparities in health care. The EAG also took a retrospective look at several years of case studies and agreed on a “value framework” that should guide the relationship between Harvard Pilgrim and our members:

- Harvard Pilgrim should be active and innovative in seeking new ways to create value, while taking care to maintain and strengthen the trust and respect called for by our vision statement: “to be the most trusted and respected name in health care;”
- We can add significant value as a health plan by acting as a facilitator/educator to improve the quality of member interactions with providers and employer groups;
- Confidentiality, though a central value, should not automatically trump all other values;
- We should enlist members as active partners in matters affecting their health and benefit decisions;
- Since many opportunities for adding value presuppose high health literacy and Internet skills, we should seek ways to reach members with lower levels of skill;
- To improve the health of our members, we should keep Harvard Pilgrim strong and secure.
Harvard Pilgrim was there for this mother of two, small business owner, stand-up comedian and an Emmy award-winning filmmaker during diagnosis and treatment for breast cancer.

In October 1997, I was diagnosed with breast cancer and underwent two surgeries, chemotherapy and radiation. Toward the end of treatment, I called photographic artist Elsa Dorfman and told her I was going to give her a gift – three bald women going through chemotherapy. My husband, Bob Burns, shot the portrait session, which turned into the film “No Hair Day,” and has aired nationally on PBS.

Because of the film, I got a lot of calls to speak. I believe that until there is a cure for breast cancer, women must not be afraid of it – they have to catch it early. And, I believe the best way for me to reach people is through stand-up comedy.

Hopefully, your readers will never have to face a diagnosis of cancer, but if they do, they need an insurance company like Harvard Pilgrim. I never had to worry if I could afford treatment, seeing a specialist or hospitalizations. Harvard Pilgrim lives up to their contract. Thank you, Harvard Pilgrim, for helping me get through a very difficult time in my life.
Some examples of 2004 Foundation grants include:

- **Family Services of Greater Boston** to support *Reaching Adolescents and their Parents*, a science-based family intervention program.

- **Family Health Productions** to support *About Health*, a cable show that focuses on health and wellness using renowned experts.

- **Kenneth B. Schwartz Center** to support *Schwartz Center Rounds*, forums for improving the relationship and increasing the understanding between patients and clinical caregivers.

- **New Hampshire Minority Health Coalition** to help African American and Latino families become more physically fit and focused on nutrition.

- **Spurwink Institute** to make assistive technology resources available to Spanish speakers in Massachusetts, New Hampshire and Maine.

**Improving the Health of Society**

The Harvard Pilgrim Health Care Foundation helped launch a new initiative on corporate philanthropy called Community Connections. This program combines employee volunteerism and giving. Harvard Pilgrim is providing up to 8 hours per year of paid volunteer time for eligible employees. More than 550 hours of employee time was given to community organizations to fulfill our mission of improving the health of society. Community Connections also includes the 9/11 Community Spirit Mini-Grants, through which employees can request a $500 grant for a non-profit of their choice. In 2004, $81,025 was awarded to 172 local organizations on behalf of Harvard Pilgrim employees. Employees also contributed over $6,000 to relief efforts following the tsunami in Southeast Asia. These funds, along with a corporate contribution of $10,000, were distributed to UNICEF, the Vrindavana Preservation Society and the International Medical Corps.

The Foundation made financial awards of over $1.5 million in 2004 to 330 non-profits in Massachusetts, New Hampshire and Maine. The main funding priority was reducing health disparities. Other priorities include: healthy weight for youth, HIV/AIDS prevention and youth and family initiatives to promote mental health and the prevention of substance abuse, injury and violence.

Since 2003, the Foundation has hosted and convened the Massachusetts Community AIDS Partnership, which has made $200,000 in grants to nine community organizations. Partnership staff and Advisory Board members engage in fundraising, grantmaking and programming for HIV/AIDS prevention. The National AIDS Fund and the Elton John AIDS Foundation are key supporters for the Partnership.

The Harvard Pilgrim Health Care Foundation increased its scope of programs in 2004 with the addition of the Institute for Linguistic and Cultural Skills. Formerly known as Harvard Pilgrim’s Office of Diversity, the Institute provides cultural competency training for health care providers, medical interpreter training, consultation to non-profit health organizations, and other community education programs to reach underserved populations.

The Foundation joined with the National Conference for Community and Justice, a civil rights organization, to jointly sponsor Voices of Inclusion: Disparities in Health Summit on November 17, 2004. Held at the JFK Library with over 320 people in attendance, the goal of the Summit was to educate and mobilize community leaders, health and human service professionals and other key stakeholders on strategies to reduce health disparities. An award was given to Dr. Paula Johnson of Brigham and Women's Hospital for her years of work on cardiovascular health issues for minority women.
Oakhurst Dairy markets their products across New England and is one of Maine’s leading employers. They switched to Harvard Pilgrim in 2003 for their 260 employees.

We didn’t know Harvard Pilgrim before the switch, although we did have a number of less-than-pleasurable experiences with a few insurance carriers. We were looking for someone to truly serve our employees. Since switching I honestly can’t think of a single complaint. I don’t want to jinx myself – but it has been flawless.

We’ve also begun educating employees about the cost of health care – that every time they choose to go to a doctor or the ER there is a cost associated with it even if they don’t see it. To have them make the right decisions is key, and Harvard Pilgrim has been very helpful in that regard. The Web site is great. Our employees can learn something about their concern before they try just any avenue out of desperation on a Saturday morning.

Our goal also is to be an employer of choice in the eyes of prospective employees. When I become interested in someone for a position here at Oakhurst, telling them that we offer Harvard Pilgrim has become one of our key selling points. It’s great to have that.
The Department of Ambulatory Care and Prevention (DACP), supported by the Foundation and Harvard Medical School, has developed a growing portfolio of health services research in areas such as child and women's health, obesity and nutrition, drug policy and safety, improving care for chronic illness, and end-of-life issues. Several of their studies are aimed at closing the gap in care for diverse and vulnerable populations. DACP investigators are examining racial differences in glycemic control and long-term clinical outcomes among diabetic patients who receive glucose self-monitors under their insurance coverage. Another study is examining physician variation in mammography screening for elderly women. In addition, the DACP Drug Policy Group is looking at how insurance systems use routinely collected data to monitor policy impact on at-risk populations. Investigators plan to use the results from these studies to devise interventions to better measure the effect of specific health care policies and practices on vulnerable populations and decrease health care disparities in areas such as cancer screening and treatment of chronic illness.

Two studies led by DACP faculty members Grace Lee, M.D. and Tracy Lieu, M.D. have offered strong evidence that pertussis (whooping cough) booster shots should be recommended for adolescents. DACP Associate Professor Matthew Gillman, M.D. led a study showing that high normal weight in adolescents predicts obesity in adulthood. The study also showed that elevated weight in boys predicted risk of high blood pressure in young adulthood. The study, published in Obesity Research, looked at 314 Boston-area children 8-15 years old and followed up on them in young adulthood, 8 to 12 years later.

The DACP also has a thriving program in international health. In April, the Drug Policy Group organized the Second International Conference on Improving Use of Medicine in Chang Mai, Thailand. The conference attracted 450 researchers, policymakers, patient advocates, and clinicians from nearly 80 countries. Participants shared advances made in areas of drug access and safety but acknowledged that improper use of medicines is still a serious problem. There was a consensus that the push for global access to drugs must be accompanied by measurements of proper drug adherence and attention to ethical issues regarding who receives medicine. In that regard, DACP is working with several national health plans in developing countries to help devise pharmaceutical coverage policies. In addition, Madeleine R. Valera, M.D., Vice President of the Philippine Health Insurance Corporation, will work in DACP for a year as the Thomas O. Pyle Fellow.
Dancing Deer Baking Company’s products are all-natural and baked from scratch, blending artisan baking with innovative flavor combinations and fun. Their employees are passionate about food, nature and aesthetics, and they help homeless families through the Sweet Home Project.

Trish Karter: Our job is to produce the highest quality baked goods, but our mission is bigger. We believe in taking the high road not only in our business practices but in pursuing philanthropy broadly, and also one person at a time. Offering a good health-care package to our team is essential. With two active children, I’ve had many opportunities to use our Harvard Pilgrim plan and have consistently received excellent service. I appreciate what it takes to deliver excellence – it’s what we strive for every day.

Keith Rousseau: As the numbers guy, it was my responsibility to find a plan that offered value in terms of rates and comprehensive benefits. It’s never an easy decision to switch health plans, but Harvard Pilgrim made it worthwhile and seamless. Especially since your network of doctors is so extensive. And now, your online tools for bill paying and adding employees are saving me time.

What’s also been a pleasant surprise is learning from our own employees about the “extras” you offer. They’re continually telling me about many services and savings they’ve discovered.
Harvard Pilgrim Health Care, Inc.

Combined Statutory Statement of Income
For the years ended December 31, 2004, and 2003

<table>
<thead>
<tr>
<th>PREMIUM INCOME</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$2,254,104</td>
<td>$2,090,999</td>
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</table>

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical and hospital</td>
<td>1,965,757</td>
<td>1,806,707</td>
</tr>
<tr>
<td>Claims adjustment expenses</td>
<td>124,349</td>
<td>108,380</td>
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<tr>
<td>General administrative</td>
<td>138,986</td>
<td>145,076</td>
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<tr>
<td>Total Expenses</td>
<td>2,229,092</td>
<td>2,060,163</td>
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</table>

<table>
<thead>
<tr>
<th>NET UNDERWRITING GAIN</th>
<th>2004</th>
<th>2003</th>
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<td></td>
<td>$25,012</td>
<td>30,836</td>
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<table>
<thead>
<tr>
<th>OTHER INCOME (expenses)</th>
<th>2004</th>
<th>2003</th>
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</thead>
<tbody>
<tr>
<td>Net investment income</td>
<td>15,597</td>
<td>15,201</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(1,990)</td>
<td>(1,794)</td>
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<tr>
<td>Total Other Income</td>
<td>13,607</td>
<td>13,407</td>
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<table>
<thead>
<tr>
<th>NET INCOME</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$38,619</td>
<td>$44,243</td>
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</tbody>
</table>

Combined Statutory Balance Sheet
As of December 31, 2004, and 2003

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and invested assets</td>
<td>$521,624</td>
<td>$441,529</td>
</tr>
<tr>
<td>Premium and health care receivables</td>
<td>51,513</td>
<td>46,400</td>
</tr>
<tr>
<td>Real estate, furniture and equipment</td>
<td>27,538</td>
<td>32,483</td>
</tr>
<tr>
<td>Other assets</td>
<td>38,066</td>
<td>56,616</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$638,741</td>
<td>$577,028</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES &amp; NET WORTH</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Claims payable and accrued medical incentive pool</td>
<td>$233,923</td>
<td>$204,704</td>
</tr>
<tr>
<td>Premiums received in advance</td>
<td>56,642</td>
<td>57,648</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>88,720</td>
<td>91,216</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$379,285</td>
<td>$353,568</td>
</tr>
</tbody>
</table>

Net Worth | $259,456 | $223,460 |

<table>
<thead>
<tr>
<th>TOTAL LIABILITIES &amp; NET WORTH</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$638,741</td>
<td>$577,028</td>
</tr>
</tbody>
</table>
Terry and her seven-year-old twins love the relationship they have with Dr. Cara Mills at Nashua Medical Group.

I called Harvard Pilgrim when we needed a new pediatrician for our children. A friend had given us Dr. Mills’ name, but we didn’t know about Nashua Medical. The Member Services person was very helpful – giving us background information about the practice and on how we could set up an initial visit.

Dr. Mills is an outstanding clinician and a communicator. She makes sure we understand the plan of care, encourages our questions and always returns our phone calls promptly. She has earned my full and complete trust. When Dr. Mills deals with my kids, she treats them as though they are her own.

My son has asthma and some food allergies and we’ve had to use the doctor quite a bit. Once, I called with a question about John’s food allergies and the next day in the mail came recipes from the dietician. Another time, John had been admitted to the hospital, the doctor called to not only check up on him, but also to see how I was doing. I’ll never forget that, because I was so touched. The entire practice has been wonderful. They take a holistic view of care, caring for not only the patient, but also the entire family.
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The Steps to Wellness Program at the Egleston Square YMCA received a community grant from the Harvard Pilgrim Health Care Foundation.

The Steps to Wellness Program allows us to make positive changes in the community, especially the communities that need to be educated about exercising and nutrition.

It’s a free program that reaches out to African American and Latino women in the Egleston Square neighborhood who have not exercised in a long time, if at all, and have a history of high blood pressure, asthma, arthritis and obesity. When we started the program, some of the women couldn’t stand up to do some of the exercises or easily walk down the street without becoming winded. Now, just 12 weeks later, the results are obvious. All the women stand for the exercises. They now can walk to the store without trouble.

Participants are changing their eating habits, they’ve set goals for themselves, and they’re looking at the different kinds of food that they are purchasing. It’s great when a participant realizes that she can take control of her own health and positively change her lifestyle. Overall, the program has been a real success!
Since 1997, Clark & Lavey has advised employers on benefits in both Massachusetts and New Hampshire.

The market trends are forcing everyone to stand up and pay attention and to better manage the benefits and cost. It has become paramount for employers to make employees understand that they have skin in the game.

The change necessary for most employer groups in the communication and education process is almost alarming. This is our “soap box” issue with clients. We push our clients to offer mandatory open enrollment meetings. Harvard Pilgrim representatives are always at those meetings, prepared with the benefits knowledge of those plans. When it comes to customer service, Harvard Pilgrim has been a strong A+.

The sales account executives are Johnny-on-the-spot, providing our clients with quick, courteous service. Our clients also love Harvard Pilgrim’s Web site. It is employee-friendly, easy to use, and has helped the employers in the educational process of understanding benefits.

I predict that in New Hampshire, Harvard Pilgrim will rise to become the #2 plan and in time potentially #1 because you have such strong products and service. Harvard Pilgrim has become a force to deal with in New Hampshire, which is an extremely tough marketplace.
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