

MTI/MMSD PRESENTATION
January 11, 2006

Good Afternoon,

My name is Bill Bathke. I am the Executive Vice President and Chief Operating Officer at Wisconsin Physicians Service Insurance Corporation. I also serve on WPS' Board of Directors.

With me today are:

Richard Birrenkott -- Regional Vice President, WPS Sales

John Trochlell -- Director, WPS Actuarial Services

Jo Musser -- Senior Vice President, WPS Medical Affairs, Provider Relations, & Compliance

Caroline Berghammer -- Director, WPS Large Group Underwriting

Essie Whitelaw -- Senior Vice President, WPS Operations

Randy Lengyel -- Senior Vice President, WPS MIS

Annette Grosz-Ringdahl -- Senior Director, Marketing Services

We're here today to reinforce the importance WPS places on the MMSD/MTI "PARTNERSHIP"...a partnership that began in 1952 and has continued for 54 consecutive years...a partnership built on trust, respect, commitment, determination, and performance.

WPS was incorporated in 1946 as a stand-alone "not for profit" service insurance corporation under Chapter 613 of the Wisconsin Statutes.

Although we are subject to the same tax obligations (sales, income, property) as a for-profit company, our unique structure limits acquisition and divestiture options and causes us to be extremely focused around our true mission...

"Providing health and life insurance and benefit plan administration to private and government customers...considered by our customers to be the very best."

For 60 consecutive years, WPS has been HERE...providing Wisconsin residents with health care financing options emphasizing "FREEDOM OF CHOICE" insuring access and quality of care.

Our decisions are not driven by "stock price" or "quarterly returns for shareholders"...rather, they focus on the long-term goal of providing the very best service on a cost-effective basis for our customer...in this case, the Madison Teacher.

Given our business diversification, WPS is able to bring global experience...intelligence...technology...to the forefront of our relationship with MMSD/MTI.

As the largest fiscal intermediary for Medicare...which is the largest health care financing organization in the world today...WPS administers the Part B (physicians) reimbursement program in Wisconsin, Michigan, Illinois, and Minnesota. Given our cooperative agreement with Mutual of Omaha, WPS will become the largest Part A (hospital) benefits administrator in all states except New York.

WPS continues its 46-year history as a fiscal intermediary for the Department of Defense. Today, we administer over 70% of the military's health care administration needs.

As fiscal intermediary for the Western Region, WPS processes claims in 22 states including California, Hawaii, and Alaska. As fiscal intermediary for foreign claims, WPS processes all military health claims originating outside the continental United States.

And as prime contractor for TDEFIC, TRICARE for Life, WPS oversees the administration of the military's Medicare supplement plan worldwide.

On the commercial front, WPS is #2 in Wisconsin market share for individual health insurance and #6 for group. In addition to offering a Medicare supplement plan, WPS is one of only two Wisconsin companies certified to offer a Medicare Part D pharmacy product, which became available the first of this month.

All total, WPS will administer over \$14 billion of benefits this year. With WPS, you get a demonstrated track record of excellence, integrity, unmatched program experience, and real commitment to each MTI beneficiary.

With WPS, you get PEOPLE you know and experience you trust. It's hard to believe...I was just five years old when this partnership first began!

Rich will now talk more specifically about our partnership and what makes it so unique and successful.

Rich Birrenkott

Thank you, Bill. Over the next hour we're going to share with you some insight about Partnership, Choice and Value Care.

#1

These are three important words that carry an enormous amount of responsibility for WPS.

As Bill indicated our partnership goes back to November 1, 1952. That's a long time ago. As you can imagine, the health plan that is in existence today is nowhere close to the one that started this partnership. Through our relationship of working together the current plan has evolved into a health plan that is best for those who actually need health care.

Now that's an important statement. Those who actually need health care. Because if you do not need health care, you'll have no perception or idea of how important your health plan can be in a time of crisis. When a crisis strikes either you or a member of your family, knowing that your health plan will take care of you provides the security you need. One other important item to make note of is the fact that WPS cannot in any way modify your plan without prior approval from MMSD and MTI.

Choice is a word that gets bantered around each and every day. What does it truly mean to have choice? We will talk about that in more detail. But know that at WPS each person has the freedom to choose their provider based on the medical needs of themselves or their family members.

Value Care is a vehicle that helps to transport individuals who are engaged in a serious or not so serious health care crisis. And we'll have a more detailed discussion about that later.

Let's begin with Partnership.

#2

As has been previously indicated, our partnership began in 1952.

- As the slide states, health care has changed but our focused relationship has not. We understand your expectations because we know you our client. And we know the provider community which serves you while providing you with a freedom of choice plan.
- What does this mean to you? It means that you can count on WPS to be here tomorrow just as we are today. We cannot be divested or acquired. We have a commitment to serve the community and have done so for the past 60 years. We have been in our partnership longer than our local HMO competitors have been in business.

Neighbors working with neighbors.

- WPS has over 3,000 employees here locally. During our 60 years as an employer in the greater Madison area, we have undoubtedly had thousands of children of our employees who have and are attending the many terrific Madison schools.
- WPS employees participate in countless local activities which help guide our younger generation such as the Business Education Partnership programs. * Such as Starting Your Own Business & Schools Make a Difference.

#3

WPS knows and respects MMSD & MTI union.

- Through the many years of working together we understand the collective bargaining process and the need for responsiveness to priority concerns.

#4

WPS provides personalized service.

- Average tenure of operations staff is 10 years. Why is that important? Because when I am in a time of crisis I need to be able to count on the person I'm talking with for prompt accurate information. With our tenured staff you have a consistent highly educated and knowledgeable resource on which you can count.
- How many of you have heard of monthly satisfaction surveys? At WPS these are our lifelines to staying in touch with our customer. As you can see you have a 93% customer service satisfaction rate. *The sample that is utilized includes only those individuals who have had a claim processed. But what does that mean. It means that if we as a carrier can maintain high levels of satisfaction, we are providing for the needs of our customers. This is not just a one time level of 93%, we consistently achieve this level as indicated when WPS received two outstanding awards for Customer Service. One was the Entrepreneur of the Year Award for customer service from Marian College and the other was the distinguished Wisconsin Forward Mastery Level Award for customer service.

#5 - #6 - #7 - #8

As I mentioned in the beginning, Choice is a critical and integral part of the WPS plan. It gives each and every person the freedom to select a provider of their choice. This simply means you can choose whom you wish to use – whenever you wish to use them. If I want to see a doctor at the UW, I do it. If my wife prefers a doctor at Dean Clinics, she goes there. And even if our daughter wants to go and visit a doctor at Physicians Plus, she just goes there.

Now I do not know about you, but if my daughter were to encounter a serious illness and my present provider was unable to come up with a diagnosis, I know in my heart that I would want the ability to secure medical advice in order to determine the diagnosis, no matter where that provider may be

located in Wisconsin or elsewhere. Or if necessary to utilize one of WPS' Centers of Excellence located throughout the U.S., such as John Hopkins, Cleveland Clinic or St. Jude Children's Hospital to name a few.

Choice also means the opportunity to have a selection of top quality providers from which to choose. With WPS you have the ability to access Top Quality providers from a resource of over 12,400 physicians and 140 hospitals. As illustrated by the two charts over here on my left. Access to this many providers creates an enormous amount of flexibility for our members and their families.

With regards to access to care, you can access any physician at any time and as we talked about earlier, each family member has the opportunity to access any physician of their choice. No restrictions. No primary care selection needed and no red tape or hoops to jump through. Just plain and simple free access to the provider that you want, when you want.

Additionally, WPS gives our members what I like to call a Travel Card. What I mean by this is that each member has access to providers all across the nation. Not just for urgent care but for all care.

Think about this for second.

My child Lynsee is away at college in California. After her classes she begins to feel ill. When she calls home and tells her mother that she is not feeling well, she asks what doctor she can see. Would I ask Lynsee to stop what she is doing and wait until she came home to receive care? Or if I was wintering in Arizona, and because I enjoy golfing, bent over to put a tee in the ground and my back goes out. Can I wait until you return home in the spring to receive care? I believe the answer in both of these cases is that I would want to receive the necessary medical care promptly and without delay or disruption.

The information that I just shared with you frequently becomes associated with the thought "Yeah, choice is great, but it costs more." I know that for many individuals this is the perception. Freedom of choice is synonymous with higher cost. But that perception is a long way from the truth.

And here to give us the reality perspective on cost is John Trochlell. John is also a Fellow in the Society of Actuaries.

John Trochlell

I would like to say a few words about provider choice and its impact on your health insurance premiums.

#9

As many of you know, there exists a big difference in the premium rates of the two plan options available to you, the WPS PPO and the GHC HMO plans. What you may not know is what drives such a large difference in premiums. The WPS premiums are much higher as a result of something called adverse-selection. Adverse-selection occurs when employees are given a choice of multiple insurance options, each with different employee premium contributions. Quite naturally, employees tend to pick the option that best suits themselves, based on their own families' needs.

#10

If you're someone with current or imminent health care needs...if you're older, or an early retiree who travels...if your family utilizes multiple provider systems, because you know that no one system has a monopoly on all the best docs...if you prefer to play an active role in the selection of your doctor...then you're more likely to pay the existing premium contribution and choose the WPS open access PPO.

#11

If, however, you're young, healthy...or more passive about who your doctor will be...then you're more likely to save the premium contribution and choose the closed panel HMO plan.

#12

It is the result of this decision making process, taking place every year, that causes these premiums to be so different. Normal insurance plans have good risks offsetting the bad, younger, healthier members subsidizing the older members with health conditions; in this plan, the different risks are covered by different insurance companies, so the balance created by the pooling of risks does not occur. If you consider just the demographical component of this effect, you'll see the impact. A 55-year old female on average may be 75% more expensive, from a health insurance perspective, as a 35-year old female. That's a 75% impact before you even consider the self-selection between the two plans that is occurring based on that person's own appraisal of their health. The WPS premium rates would be substantially lower if our plan covered the entire group rather than just those who most need health care.

#13

WPS has maintained a very transparent financial relationship with both the District and the Union. Both parties know where every dime of your health insurance premium has been spent. Because of the long relationship between our organizations and our corporate mission, we have not tried to avoid insuring your seriously ill members, through underwriting or other risk selection measures. Instead, we work hard to support and assist those members and families navigate through the complexities of Madison's health care system.

To explain more about those efforts, I would like to introduce Jo Musser. In addition to a having background in nursing, Jo in the former commissioner of insurance for the State of Wisconsin.

Jo Musser

Thank you, John.

The high cost cases that John told you about are costly in emotional and quality of life terms, too. I would like to tell you about how WPS supports your members and their families when they are ill and need to interact with the health care system.

#14

Let me introduce you to Cathy and her success with the support of the WPS disease management program. *[Jo read Cathy's story off of slide]*

DM programs do have short-term payoff in dollars and for families and patients. The average savings of \$200/case may not sound like a great deal, but when you add up the large number of folks with risk factors and pre-catastrophic situations, it adds up to real money! But the real payback is over the long term. Hospitalizations that are prevented, ER visits turned into routine care and increased quality of life through education and support.

#15

Betsy participated in our case management program when she had colorectal cancer. *[Jo read Betsy's story off of slide]*

All of WPS' DM and CM programs are voluntary, but our participation rates are high and our satisfaction rates even higher. Again, the \$1,100/case savings may not sound like a lot, but it is significant for the members and when multiplied by the number of cases, meaningful dollars for the district's budget. Our data show that for every dollar of resources invested in care management programs, four dollars are returned in savings for you and your members.

#16

Rich and his wife had premature twins. Premies can be very costly both financially and emotionally. Rich feels strongly that his family could not have navigated successfully through the system with out the ongoing support of our UM program. *[Jo read Rich's story off of slide]*

WPS nurses and social workers help patients and family members navigate through an increasingly complex and technologically sophisticated health care system.

MMSD and MTI beneficiaries have stories just like those I told you about above. I didn't use their stories to respect the privacy of all, but I can assure you, there are many success stories among your group, just like those I told you today.

Your members have been cared for here at home, at centers of excellence, in Milwaukee or at Mayo Clinic if they need it. They have been cared for while traveling or retired anywhere in the country. The care is there for them and so is our staff of caring and compassionate nurses.

#17 - #18

WPS helps your members form active partnerships with their medical caregivers by making available easy to use tools to help them become better informed and better consumers.

Our Healthwise Knowledgebase provides easy-to-understand information on over 3,200 health-related topics. It helps patients navigate the system, provides information on treatment options, and through interactive tools helps them to ask the right questions of caregivers.

Patient safety and health system quality is a significant factor in overall health outcomes and cost. That's why WPS helps direct member users of our website to links that provide detailed, independent analysis of hospital safety and quality.

Shown here is the Leapfrog home page. Many of you may be familiar with Leapfrog, a national organization that measures hospital quality.

The Wisconsin Quality Collaborative, Checkpoint and Medicare Quality Indicators are just a few of the sites we refer members to.

All of these WPS medical support programs help your members and help to control your costs.

Bill Bathke

A lot of effort has gone into making our past relationship the best it could be. WPS truly values the relationship we now have with Madison Teachers.

You have my personal as well as WPS' commitment to work just as hard going forward...insuring that we provide the very best service on the most cost-effective basis possible.

Thanks for the role you play in educating our kids and thanks for the confidence you place in WPS when it comes to selecting your HEALTH BENEFIT PLAN.

You...our insured...make up what we know as “WPS” today.

Ms. Jennifer Solomon, a Madison teacher and WPS insured, shared the real meaning of partnership in a very personal letter to the editor of [The Capital Times](#), last night’s edition. Thanks, Jennifer, for sharing your experience and for giving us the opportunity to help.