

OUR GUIDE TO OPEN REFERRAL PRICING



Questions and answers

The following is to provide answers to the most frequently asked questions about Open Referral and pricing when compared to traditional schemes.

Question: What is the immediate price impact of introducing Open Referral?

- The price for an Open Referral scheme will be up to five percent lower than for a traditional scheme.
- Exact differential may vary, dependent upon location, size and historic performance.
- Traditional schemes will be looked at on a case-by-case basis with historic claims and expectations for future performance being key considerations in determining the differential.
- In all cases the differential will be at least one percent.

Question: How do you expect the pricing differential to change in subsequent years?

- We expect the five percent differential to grow significantly in subsequent years as the savings from Open Referral increase.
- We expect subsequent saving to be substantial with the price difference between Open Referral schemes and traditional schemes to reach double digit percentages.
- Savings generated will be incremental driving a continuous growth in savings.
- We estimate that the cost of delaying implementation will equate to up to 25 percent by the end of year three.

EXAMPLE

Year one gives lower savings:

Savings are less because of continuity of care, i.e. care that is already in progress with the current providers.

EXAMPLE

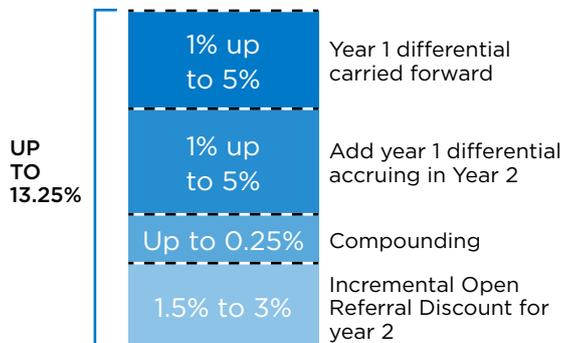
Subsequent years give substantial higher savings:

Savings expected to increase significantly, as the Open Referral process allows Bupa to make use of volume purchase discounts and negotiate better contracts with providers.

1st Year Value Differential



2nd Year Cumulative Value Differential



3rd Year Cumulative Value Differential

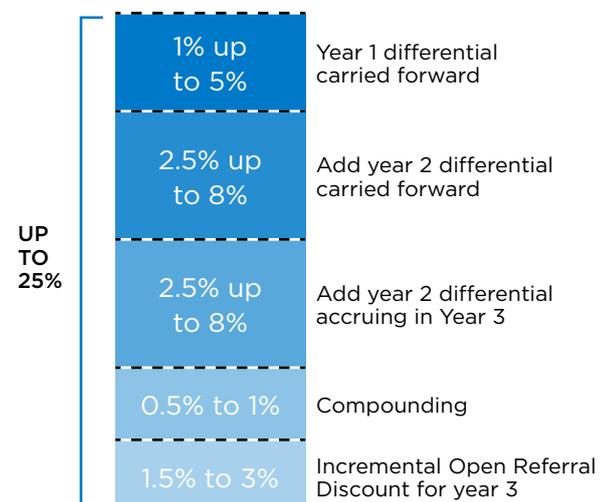


FIGURE 1: YEAR ON YEAR VALUE DIFFERENTIALS

Question: Will the price adjustment always be the same for all customers?

- The price adjustment will be broadly consistent for all customers for the first year of implementation.
- In subsequent years, the adjustment is likely to vary as the impact of Open Referral on the historic claims experience varies due to the different savings that are generated on a specific group.

Variables include:

1. the proximity of members relative to different providers - consultants and hospitals, and where treatment can be received.
 2. the profile of medical cases with that particular customer and the severity of cases.
- The experience rating mechanism that is used for corporate customers will mean that in subsequent years, the savings generated in year one on a specific group will emerge in the experience rating formula applied in year two and beyond.

Question: What is the pricing implication if a customer chooses to adopt Open Referral but with members able to access care based on work address as well as home address?

- In most cases, this will only have a pricing implication if a significant number of the customer's employees work in Greater or Central London, where hospital and consultant prices are significantly higher than outside of London.
- The pricing impact will depend on the exact profile of the customer. For a customer with the majority of employees claiming in Central London we would expect a reduction in savings of between one third and a half of the savings generated if only home address were used.
- Generally, we will apply a 0.5 percent price addition for customers with members able to access care local to their home and work, in the first year of implementation.

Question: How does Bupa account for the pricing differentials?

- The pricing differentials that Bupa applies to Open Referral versus traditional schemes has two main elements:
 1. the direct savings on the claims for that individual customer generated because of Open Referral.
 2. a factor that Bupa applies because of the improvements that open referrals gives us in our ability to actively engage with providers, and to manage provider quality and value for money on behalf of our customers.

Question: How will you be pricing health trusts that adopt Open Referral?

- Unlike fully insured customers, Health Trusts do not participate in the Bupa insurance risk pool and therefore insurance-based pricing does not apply.
- Bupa has invested in infrastructure to develop Open Referrals and requires additional resources to maintain and manage the referral. This would suggest that an additional charge should be levied. However, in reflecting our confidence to generate savings for our Health Trust customers we would prefer to participate in the savings generated and effectively go 'on risk' for such savings.
- A price for health trusts will be set based on an assessment of potential savings relative to that customer on a case-by-case basis. Risk factors that will be taken into account are primarily the location of the customer and its members, the historic loss ratio and the volatility of claims using size of group as a proxy.
- Based on the above, the pricing structure can be either a fixed fee, a flat savings share or a guarantee savings mechanism where an insurance premium is paid by the customer for a guaranteed level of savings.

If you have any further questions, please call your Bupa account manager. Information is also available at www.bupa.co.uk/intermediaries and employee support material at ww.bupa.co.uk/referral

Bupa. Helping You Find Healthy