

Business Wire

August 11, 2006

## **PacAdvantage Pooled Health Care Coverage for Small Employers Will Cease Operations at End of Year; Departure of Major Health Plans Leads to Closure of PacAdvantage**

SAN FRANCISCO--(BUSINESS WIRE)--Aug. 11, 2006--Pacific Health Advantage (PacAdvantage) will discontinue offering pooled health insurance coverage to 6,200 small businesses in California, effective at the end of the year, because of the withdrawal of health plans participating in the voluntary program.

Created as the Health Insurance Plan of California (HIPIC) by the state in 1992 and taken over in 1998 by Pacific Business Group on Health (PBGH), PacAdvantage is an independent, non-profit voluntary purchasing pool for small businesses with 2-50 employees. It was intended to make health insurance more available and affordable and to ensure a choice of health plans for employees of small businesses.

Key to PacAdvantage's closure was the shrinking voluntary participation by the state's major health plans, down to three statewide plans this year -- Blue Shield of California, Health Net of California and Kaiser Permanente -- from 10 in 1994.

"Blue Shield of California, a long-term PacAdvantage plan, has notified us it can no longer participate after December 31, 2006, due to its financial losses in the program," PacAdvantage President John Grgurina, Jr. said in a letter to the state's Managed Risk Medical Insurance Board.

"Despite concerted good-faith efforts among all parties, we could not reach a financially viable arrangement that would allow for continued participation of Blue Shield of California, Health Net of California and Kaiser Permanente."

Grgurina said a core premise behind PacAdvantage is health plan "choice" for participating small employers. Without that choice, PacAdvantage no longer can offer a suitable, competitive option for employer groups.

Effective immediately, PacAdvantage will stop enrolling new groups. All coverage for its 116,000 members will end on December 31, 2006.

"While we are saddened that we are closing our health insurance operations, our primary focus for the remainder of the year will be to do everything in our power to ensure a smooth transition for enrollees to alternative plans," said Grgurina.

Employers in PacAdvantage with 2-50 employees qualify for guaranteed issue of health insurance under California law. Grgurina said PacAdvantage is working closely and collaboratively with regulators (State Department of Managed Health Care and Department of Insurance), brokers and health plans to ensure a smooth transition for employers and enrollees.

"It's important to recognize the accomplishments of PacAdvantage, its employees, and the plans that have participated over the past 13 years," said PacAdvantage Board Chair Michele French. "Not only have we offered high quality health plan choices to thousands of Californians for many years, PacAdvantage also pioneered tools that let people compare health plan coverage, costs and quality based on their own needs and which are now used by millions of people in California and across the nation."

Pacific Business Group on Health (PBGH) created the non-profit, independent PacAdvantage, which took over management of the state's HIPC program in 1998.

"The Pacific Business Group on Health is proud of the accomplishments of PacAdvantage over the past eight years and we're disappointed that this closure has come to pass," said PBGH Chief Executive Officer Peter Lee. "PacAdvantage exhausted every possible approach to keep the partnership together with the health plans. Unfortunately, market forces kept that from happening."

"PBGH will work closely with the PacAdvantage board and staff to ensure a smooth transition of coverage for employers and employees," he continued. "This closing highlights the importance of continuing PBGH's mission of fostering affordable, quality healthcare options."

Despite disappointment that PacAdvantage is closing, Grgurina said the pooled purchasing program for small employers has helped make California's and the nation's healthcare market more responsive to consumers.

Historically, many small employers selected only one health plan for all employees. PacAdvantage demonstrated how much both employers and employees value a choice of health plans and benefit designs. By creating a market that demanded health plan choice options for small businesses and their employees, PacAdvantage has been a catalyst to promote today's market, in which virtually all major health plans now offer a choice of products among their portfolio to small businesses (such as mix of HMO and PPOs from the same carrier).