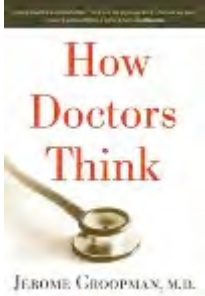


Ms. Colleen Reitan
President, COO
BlueCross BlueShield
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Summit Address

	<p>Colleen:</p> <p>Good morning and welcome, everyone. Thank you for joining us today. On behalf of Blue Cross, wanted to thank you for your business. We take the job you have given us very seriously and are proud to be your partners.</p> <p>I recently noticed that the book occupying the number one spot on the nonfiction bestsellers list is <i>How Doctors Think</i> by Dr. Jerome Groopman, a professor at Harvard Medical School.</p> <p>His book explores the way physicians make their diagnosis and determine the best course of treatment. The <i>New York Times</i> calls the book, “must reading for every physician who cares for patients and every patient who wishes to get the best care.”</p>

	<p>It is remarkable that this book is a best seller, it dramatically underscores what is happening in the world of health care today. Consumers are interested in what they can do – what role they should play – even in their interaction with doctors, to assure that they are getting the right diagnosis and treatment for their health care issues. Consumers are taking responsibility for their own health and care in new ways and in greater numbers.</p> <p>That means the health care landscape is changing---and today I'd like to share some thoughts with you about why it's changing...where we're headed...and how we can work together to help support and drive some of the needed change.</p> <p>Together, we have an opportunity to lead change because we in Minnesota are seen as early adapters. We are willing to shape new solutions that often lead the nation and can affect national trends and policies.</p> <p>Many of you work for powerful, global companies that can help shape health care policy in your workplace, in the U.S. and even the world. Together we bring a lot to the table. And that's one of many reasons why</p>
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	<p>I'm excited to be here with you today.</p>
<p>Promote Health Care Change on Two Fronts:</p> <ol style="list-style-type: none"> 1. Our health care system 2. The status of our collective health 	<p>As Michael Porter says about health care, "it is the only sector in our economy that has not undergone reconfiguration seen everywhere else."</p> <p>The truth is, we need to promote change on two essential fronts:</p> <p>1---In our healthcare SYSTEM...the way we provide healthcare services and pay for them.</p> <p>And 2---in the status of our collective health as a nation. There is work to be done to create a society that knows how to be well...with each person willing to be individually responsible for our own health.</p>
	<p>The driving force behind the need to change is, of course, increasing healthcare costs. When costs go up and the marketplace is crying out in protest, innovative solutions must be found.</p> <p>And that's the good news as I see it. We have a golden opportunity to be innovative. We have a chance to induct real, sustainable change because the market is ready for it.</p>

	<p>And though change is never easy, we are on the brink of a major transformation. Today, we can enact it together rather than wait to respond.</p>
<p>Summit Logo</p>	<p>Let's talk about the costs that have our industry in flux. A recent report by the McKinsey Global Institute tells us that the U.S. spends about 16% of our GDP on healthcare -- \$1.9 trillion in 2005.</p> <p>It also tells us that -- I quote "there is no clear optimal amount that the United States should spend on health care—every country makes its own societal choices---global comparisons can highlight potential opportunities for more rational spending."</p> <p>Many of you are familiar with this report, but for those who are not, we have copies in the back of the room. McKinsey's study used a sample of 13 countries and developed a measure they call "Estimated Spending According to Wealth" or ESAW. The measure adjusts health care spending according to GDP per capita and is anchored in the fact that countries spend more on health care---or any good or service for that matter---as their prosperity increases – and the U.S. is a very</p>

	<p>wealthy country.</p> <p>The concept we all have to remember is that health care is an economic good. We need to be less worried about the absolute amount of the spend – “is 16% of GDP bad?” ...and be more concerned about the question of value and equity.</p> <p>Yet even after adjusting for higher income levels, the United States spends more on health care than peer countries.</p>
<p>Exhibit 2, page 12 McKinsey Global Institute Report</p>	<p>So we have to look at the breakdown of this additional spending in the U.S. health care system and ask the question, “Why are we spending too much in these areas? And where can we focus change and innovation to have the greatest impact on non-value cost?”</p> <p>Take a look at this. Of the \$477 billion the U.S. spends above the ESAW (remember the concept – Estimated Spending According to Wealth), \$224 billion are found in hospital care and \$178 billion in outpatient care – which includes physician services.</p> <p>Together, these dollars account for more than 80 percent of U.S. spending above the level</p>

	<p>our ESAW would predict.</p> <p>Other categories of spending above the ESAW are \$98 billion in administration, \$57 billion in prescription drugs and \$19 billion in public investment. Interestingly, we spend less than would be expected, according to our wealth, on long-term care and durable medical equipment.</p> <p>McKinsey also noted that neither our wealth nor our disease burden explain our "overspending" in these categories.</p> <p>While there is much food for thought in this report, by focusing on the two highest spend categories that account for 80% of the spending above our wealth level, we see many opportunities for progress.</p>
<p>What Can We Do?</p> <p>Support Innovation in Health Care Delivery</p>	<p>So what can we do today that will affect positive change? We can support innovation in health care delivery.</p> <p>We need to focus now on the areas that can create the greatest impact, and help assure that we use the full team of health care professionals to deliver care for the right reasons. We can also work to make sure we all</p>

<p>Image---MinuteClinic and other similar storefronts</p>	<p>understand what we are paying for drugs and devices by creating a much more transparent process.</p> <p>Fortunately we have had some great successes in disruptive innovations that are transforming health care delivery.</p> <p>MinuteClinic came to us very early in their development. We recognized the value of their consumer-friendly, innovative thinking and supported the concept by prepaying for a block of visits.</p> <p>This helped them survive because we were confident that many of our customers would see the same opportunity we did. And you had the courage to back us up and support our plans.</p> <p>As a result of this collective courage---built on a great idea and well executed---this walk-in health care center concept has put traditional medical groups on notice.</p> <p>It shows that health care needs to be consumer-friendly and marketplace driven. It proves that consumers want transparency in treatment choices and costs. And it uses nurse</p>
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