

# **Project Work Statement**

Sponsor

**Humana Inc.**

**Humana Health Hub (H3)**

Participants

Zichan Wang, [zichan.wang@gmail.com](mailto:zichan.wang@gmail.com)

Potential Participants

Tianyu Luo, [luoty07@gmail.com](mailto:luoty07@gmail.com)

Ye Hua, [huahuaajhu@gmail.com](mailto:huahuaajhu@gmail.com)

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Any apparent association of this work to Humana Inc. is fictional one, and the sole purpose of this work is a class exercise

# 1 Background

Humana is a Fortune 100 company that employs 40,000 people in the managed care industry with a diverse portfolio of insurance products serving a wide range of consumers. In 2011, Humana revenue was 36.8 billion USD, which is the third highest in the U.S. market, and in the current year Humana has posted revenue of 19.2 billion USD for the first two quarters. Humana portfolio includes Medicare plans, employer-sponsored medical insurance plans, and individual medical insurance plans. In recent years, Humana has been focusing on consumerism by helping people achieve a lifelong well-being with a balanced sense of Purpose, Belonging, Security, and Health.

## 2 Problem Statement

Due to recent changes in the United States healthcare policy and the recent economic downturn, the healthcare system is under the threat of rising costs without a corresponding increase in the delivery of quality care for consumers. Currently, Humana has one of the highest medical benefits cost ratios (82.1 percent) in the managed care industry (the comparison number is shown in Figure 1). Benefit

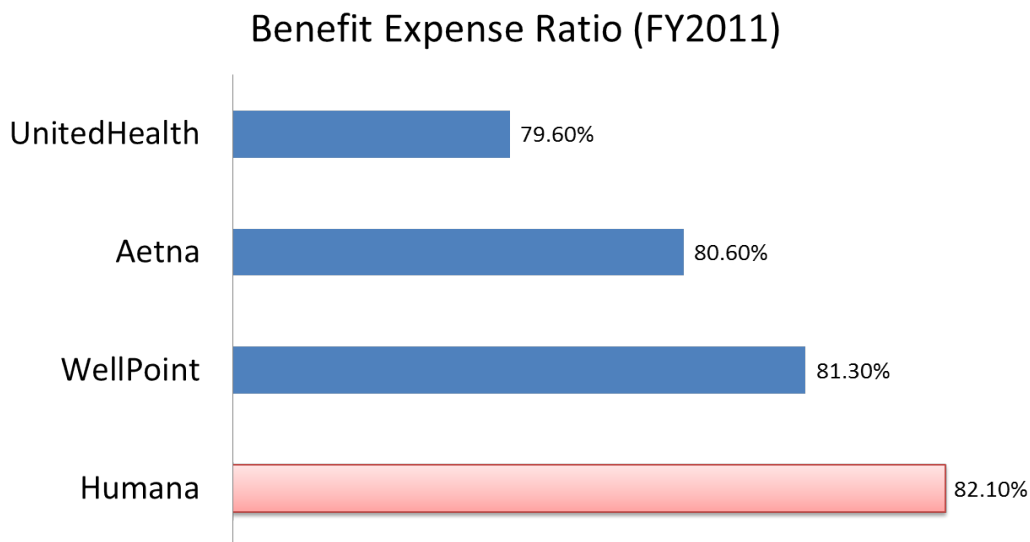


Figure 1: Benefit Expense Ratio (FY2011)

Expense Ratio represents total benefit expenses as a percentage of premiums revenue. Based on our analysis of the industry, the time for Humana to act is now. The main objectives of this study is to investigate the current state of technology in this industry and to provide recommendations and short-term strategies within two years for Humana to cut costs and long-term strategies with in five years for Humana to lead the transformation of the industry.

## 3 Approach

We have the following major approaches to solve the problem:

1. Analyze Humana and its competitors annual reports,
2. Read and gather useful information from authoritative third party reports,
3. Interivew consumers to understand the current user experience,
4. Investigate the consumers demand and industry trends,
5. Build and develop quatitative models to caculate the economic impact several cases including prostate cancer, diabetes, obesity and smoking.

## 4 Milestones

We have the following major deadlines:

- Work Statement (Finish Approach 1, 2) due date, Oct 1, 2012,
- Midterm Presentation (Finish Approach 5) due date, Oct 12, 2012,
- Progress Report (Finish Approach 3, 4) due date, Oct 26, 2012,
- Final Presentation due date, Nov 6, 2012,
- Final Report due date, Nov 30, 2012.

## 5 Deliverable

### 5.1 From Team to Sponsor

The following outputs are expected from this project:

1. Understand the detailed situation of the health insurance industry,

2. Find potential possibilities and directions in the industry,
3. Understand the current status of Humana Inc.,
4. Compare Humana with other competitors within the industry,
5. Provide Short-term and Long-term strategy for company development.

## 5.2 From Sponsor to Team

In order for our project to be of successful one, we will need:

- Annual reports from the competitors in the health insurance industry,
- Authoritative third party reports of national public health system and health insurance industry,
- Potential consumers of Humana Inc.,
- Data resources of U.S. national public health system,
- Timely responses to inquiries,
- Symposium attendance travel expenses.