

MERCER

Consulting. Outsourcing. Investments.



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN



Creating value with your health care program

Moderator: Howard Kraft, Mercer

Michele Hill, University of Rochester

Ann Williams, Halliburton

Mark Sullivan, PepsiCo

Rich VanThournout, Mercer

Total Health Management

Effectively Addressing Key Business Issues

The Problem:

Health risks and conditions are leading to increased costs of doing business and affecting companies' ability to effectively deploy talent on a day-in and day-out basis in the US and across the globe

The Solution:

A Total Health Management Approach

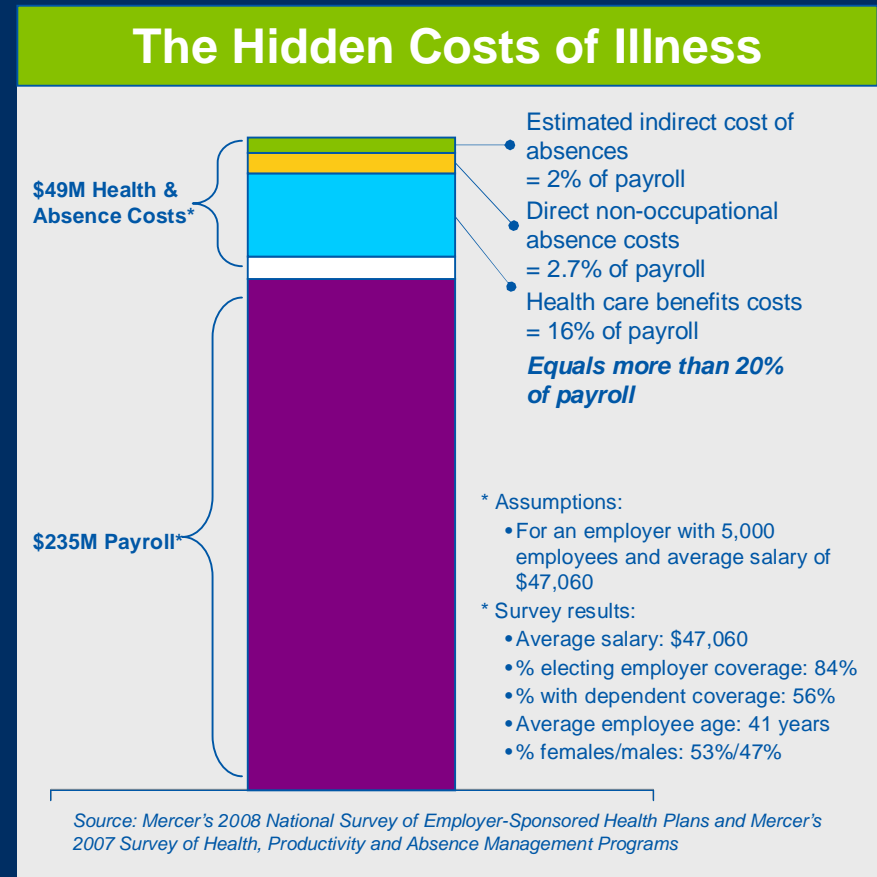


Total Health Management is all of the actions an employer can take to engage and support management and employees in making good choices to avoid the cost and consequences of poor health

The Total Health Management Opportunity

Total Savings of 1% – 2% of payroll (~ \$1 Million/1,000 employees)

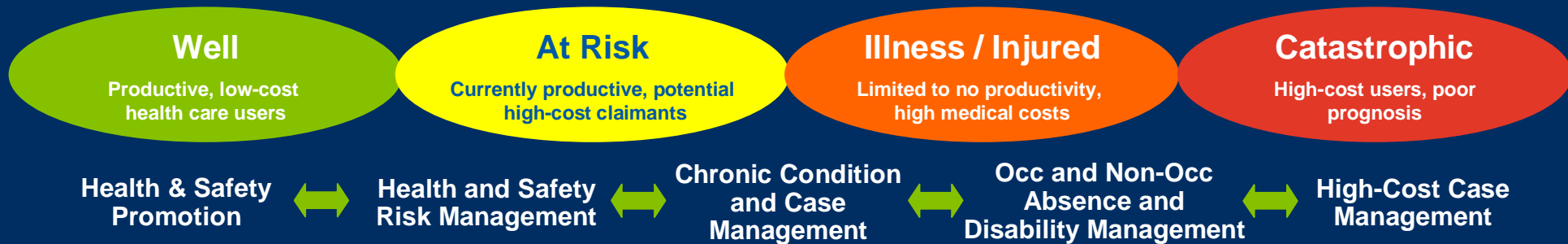
- Address the “hidden” costs associated with poor health with a comprehensive and integrated approach
- **Manage Total Health to Achieve Total Value**



Reduced cost + Healthier workforce + Increased productivity = Competitive advantage, positive company image

Total Health Cost Management

Addressing the Entire Health Care Continuum



THM components

Strategy
Design
Engagement
Integration
Measurement

A Health and Human Capital Approach:

Global Vision
Locally Deployed
Flawlessly Executed

To achieve the following objectives

Optimized health, safety and productivity

Managed costs

Wise allocation and use of resources based on local needs and infrastructure

Alignment with broader total rewards and/or talent management strategies

Maximized ROI

Marketplace Trends

Mercer Health Care Survey

- Established in 1986, national probability sample used since 1993
- 2,914 employers participated in 2009
- All employers with 10 or more employees are surveyed using a stratified random sample; large employers are oversampled to permit robust break-outs by size
- In this presentation, we refer to:
 - **Small employers** – 10-499 employees
 - **Large employers** – 500+ employees
 - **Jumbo employers** – 20,000+ employees

Back in 2006: Health management and consumerism emerge as large employers' most important cost-management strategies for the next five years*

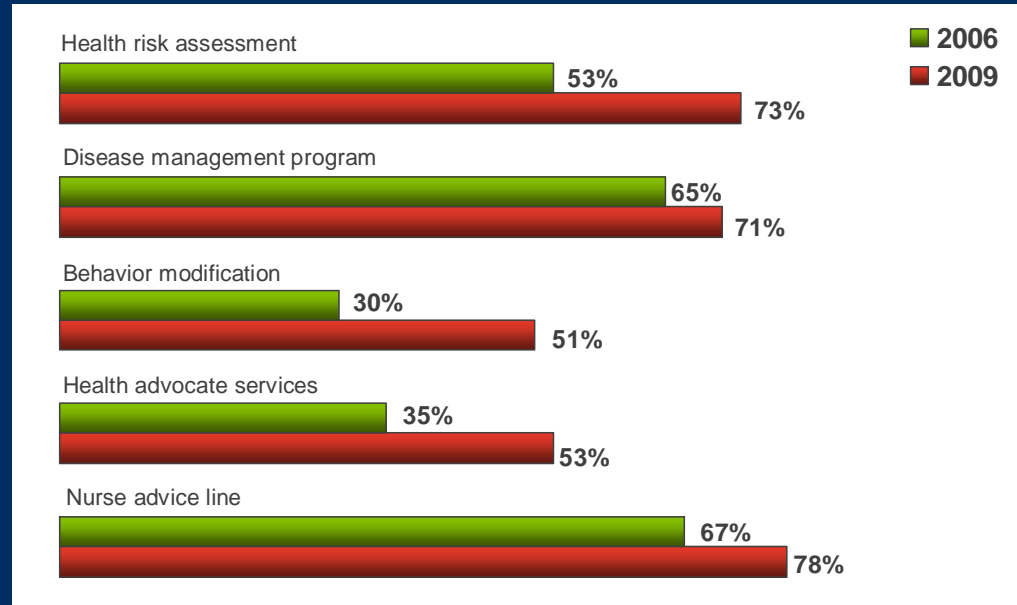
| | All large employers | Jumbo employers |
|--|---------------------|-----------------|
| Health management | 71% | 85% |
| Consumerism | 64% | 77% |
| High-performance networks | 41% | 51% |
| Collective purchasing | 37% | 29% |
| Scaling back benefits/shifting cost to employees | 37% | 21% |

* Employers indicating strategy will be significant in efforts to manage health benefit cost.

Source: Mercer's National Survey of Employer-Sponsored Health Plans 2006

Sharp growth in use of health management programs

Percentage of large employers offering programs and offering incentives



| Use incentives with specific health management programs offered (among large employers offering program) | Large employers | Jumbo employers |
|--|-----------------|-----------------|
| Completing a Health Risk Assessment | 23% | 51% |
| Participation in a disease management program | 15% | 37% |
| Participation in or completion of a behavior modification program | 19% | 52% |
| Seeking preventive care / screenings | 13% | 37% |

Innovative Approaches

Have incorporated evidence-based (or value-based) design in one or more medical plans

Jumbo employers that waive/reduce cost sharing for:

- Maintenance drugs: 17%
- Specific drug therapies proven to be cost effective: 11%
- Non-drug treatments proven to be effective: 2%
- Other form of EBD used: 6%

| What the largest employers are considering for the next five years | Interested/ very interested | Very interested | Already use strategy |
|--|--------------------------------|-----------------|----------------------|
| Surgical centers of excellence | 57% | 16% | 17% |
| Retail clinics for chronic care mgmt. | 45% | 8% | 12% |
| Treating tele-mediated physician care as eligible expense | 43% | 6% | 3% |
| Medical homes (A-ICU model) | 53% | 10% | 1% |
| Tiering of non-drug treatments | 49% | 6% | 2% |

Employers with 5,000 or more employees

Provide worksite or near-site medical clinic

| | <u>All large employers</u> | | <u>Jumbo employers</u> | |
|--|----------------------------|------------------------------|------------------------|------------------------------|
| | Currently provide | Considering for 2010 or 2011 | Currently provide | Considering for 2010 or 2011 |
| Clinic for occupational health services | 27% | 8% | 34% | 8% |
| Clinic for primary care services | 11% | 11% | 24% | 16% |



HERO Best Practice Scorecard® – Version 3

Sample Questions and Scorecard Output



The HERO Best Practice Scorecard In Collaboration with Mercer

SECTION 2: LEADERSHIP ENGAGEMENT

11 Has senior leadership demonstrated its commitment and support of EHM through any of the following actions? Check all that apply.

- Involvement in employee communications on EHM programs
- Active participation in EHM programs
- Endorsement of EHM strategic plan to Board of Directors (or equivalent)
- The corporate vision/mission statement supports a healthy workplace culture
- Employee health and well-being is included in organizational goals and value statements
- Have allocated adequate budget for EHM resources and programs
- None of the above

12 How are managers and supervisors involved in EHM, in general? Check all that apply.

- They receive periodic training and information about EHM programs and resources
- They can articulate the link between health, productivity and total economic value
- They encourage employee participation in EHM programs
- They provide flexible scheduling so that employees can attend EHM programs
- The majority of managers/supervisors actively participate in EHM programs
- EHM goals are linked to annual manager performance metrics
- They receive reports with EHM engagement metrics
- None of the above

13 Does your organization use employee champions or ambassadors to promote EHM? These individuals are typically volunteers who, in addition to their normal work role, help communicate, participate in, motivate and support health management initiatives in the workplace. Please select the one response that best represents the situation at your organization.

- There is an organized network of individuals represented at most worksite locations, with formal internal communication channels and periodic meetings
- There are wellness champions/ambassadors at some worksite locations who receive internal communication



Sample Scorecard

| Category | Your Score / Max Score | Benchmark |
|----------------------------|------------------------|------------|
| Strategic Planning | 8 / 11 | 8 |
| Leadership Engagement | 22 / 33 | 22 |
| Program Level Management | 15 / 22 | 15 |
| Programs | 37 / 55 | 37 |
| Engagement Methods | 45 / 68 | 45 |
| Measurement and Evaluation | 8 / 11 | 8 |
| Total | 135 / 200 | 135 |

Illustrative purpose only

Total Health Management Critical Success Factors

| Strategic Planning | Leadership Engagement | Program Level Management | Programs | Engagement Methods | Measurement and Evaluation |
|---|--|---|---|--|--|
| <ul style="list-style-type: none"> ▪ Cross-functional alignment of THM objectives and planning ▪ Health and wellness objectives linked to annual operating plan ▪ Formal 3-year strategic plan | <ul style="list-style-type: none"> ▪ Dashboard with THM metrics is routinely reviewed by leadership ▪ Adequate funding allocated ▪ Local wellness champions ▪ The link between health and business success is supported at the enterprise-wide, business unit and local levels | <ul style="list-style-type: none"> ▪ Accountability for health and wellness endorsed by senior leadership and cross-functional managers ▪ Process and metrics for proactive program and vendor management ▪ Vendor performance guarantees for outcomes | <ul style="list-style-type: none"> ▪ Programs span the health population continuum ▪ Multiple modes of identification (claims, HRAs, screenings, vendor cross-referral) ▪ Multiple modes of delivery (web, paper, telephonic, on-site) ▪ Accessible to Employees, Spouses/DPs, Retirees | <ul style="list-style-type: none"> ▪ Strong branding ▪ Multi-media communication strategy ▪ Simple, ongoing messaging ▪ Incentives to drive key behaviors ▪ Overarching/ integrated health benefits portal ▪ Integration with other company initiatives ▪ Competitions and other means of group / organizational engagement | <ul style="list-style-type: none"> ▪ Integrated data warehouse with individual-level data across programs and vendors ▪ Data and process for on-going performance and program evaluation |

The above are considered THM Best Practices and can be assessed through the Mercer/HERO Scorecard



Panel Discussion

- Ann Williams, Regional Benefits Manager – Global Benefits, Halliburton
- Michele Hill, Human Resources Manager – Benefits, University of Rochester
- Mark Sullivan, Vice President, Wellness, PepsiCo
- Rich VanThournout, Total Benefits Outsourcing Business Leader, Mercer



Closing Thoughts

Key Points to Remember

- **Consumer Centric Design and Delivery**
 - Intuitive, Empowering and Easy to Navigate
- **Balanced Portfolio of Investments**
 - Across the Entire Care Continuum
- **Continuous Improvement Approach**
 - Rigorous Monitoring, Evaluation and Process Improvement
- **Shared Accountability**
 - Alignment of Internal and External Stakeholders with Key Objectives
- **Engagement, Engagement, Engagement**
 - Focus on W.I.I.F.M. to Drive Best Outcomes

MERCER



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN