

THE CONFERENCE BOARD



TOWERS
PERRIN

HR SERVICES

Making Change Work: It's About Us

2007 Employee Health Care Conference

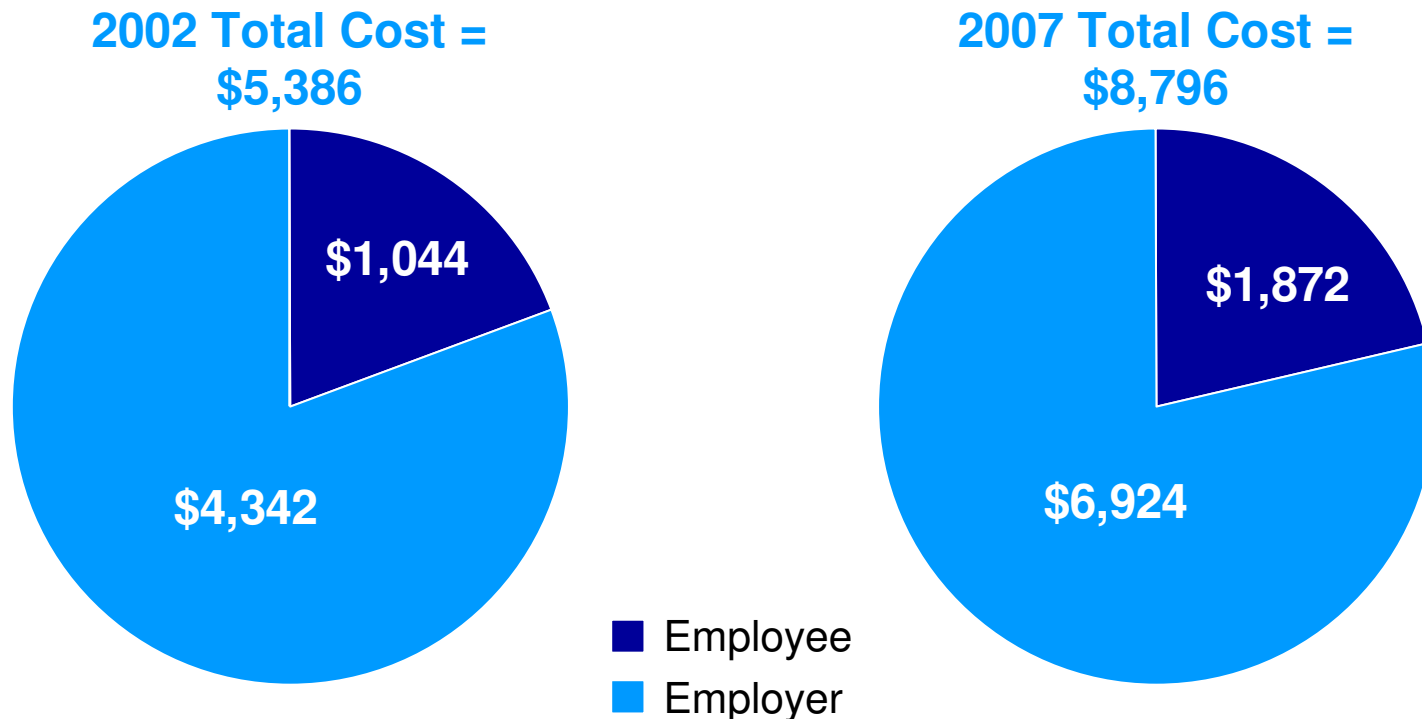
Ron Fontanetta
Principal
Towers Perrin

February 1, 2007



Relentless rise in costs: Just one factor driving employers to seek new solutions

Total Employee/Employer Health Care Costs: 2002 – 2007



Five-year increase in employer cost: 59%
Five-year increase in employee cost: 79%

Source: Towers Perrin 2007 Health Care Cost Survey.

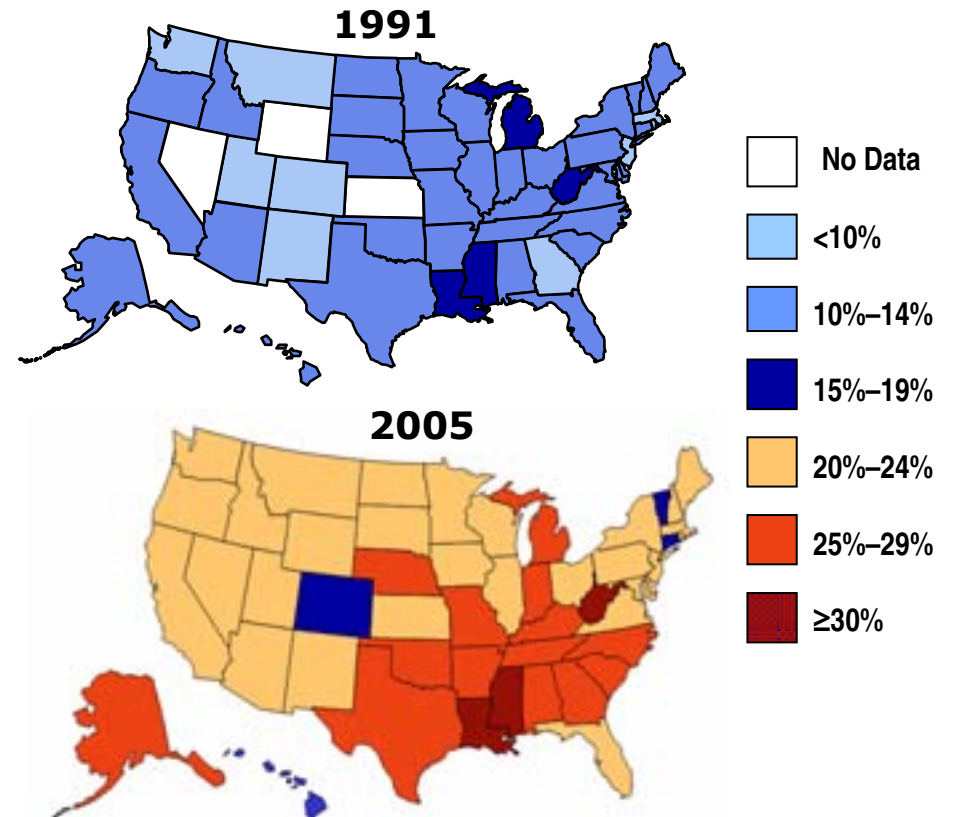
Increasing population health risks loom large today — and pose significant future threats

Changes in National Health Outcomes Measures Over the Last 17 Years

Selected Measures	Change From 1990 – 2006
Infectious disease	▼ 45%
Infant mortality	▼ 35%
Prevalence of smoking	▼ 30%
Cardiovascular deaths	▼ 20%
Immunization coverage	▲ 47%
Prenatal care	▲ 10%
Prevalence of obesity	▲ 110%
Prevalence of diabetes	▲ 70%
Lack of health insurance	▲ 19%

Source: United Health Foundation, "America's Health Rankings, 2006."
 *CDC, National Diabetes Surveillance System, 1980-2004, age-adjusted.

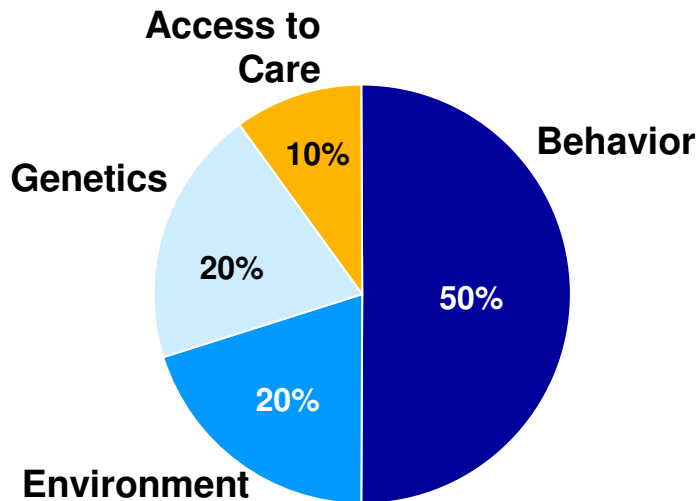
Obesity Trends* Among U.S. Adults (*BMI ≥30, or ~ 30 lbs overweight for 5' 4" person)



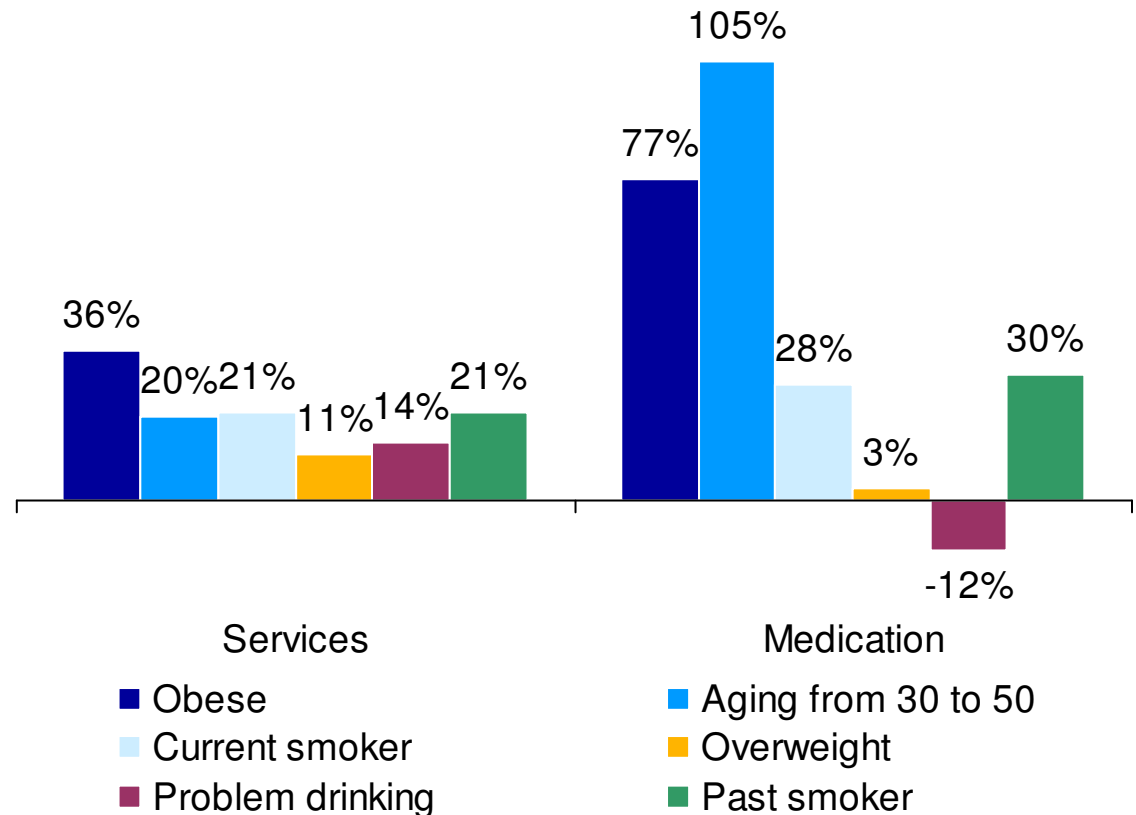
Source: BRFSS, CDC, Mokdad A H, et al. *JAMA* 2003;289:1, *MMWR* 2006;55:36.

Behavior is a primary determinant of health — with significant cost consequences

Determinants of Health*



Cost Increases Associated with Obesity, Aging, Smoking and Problem Drinking**



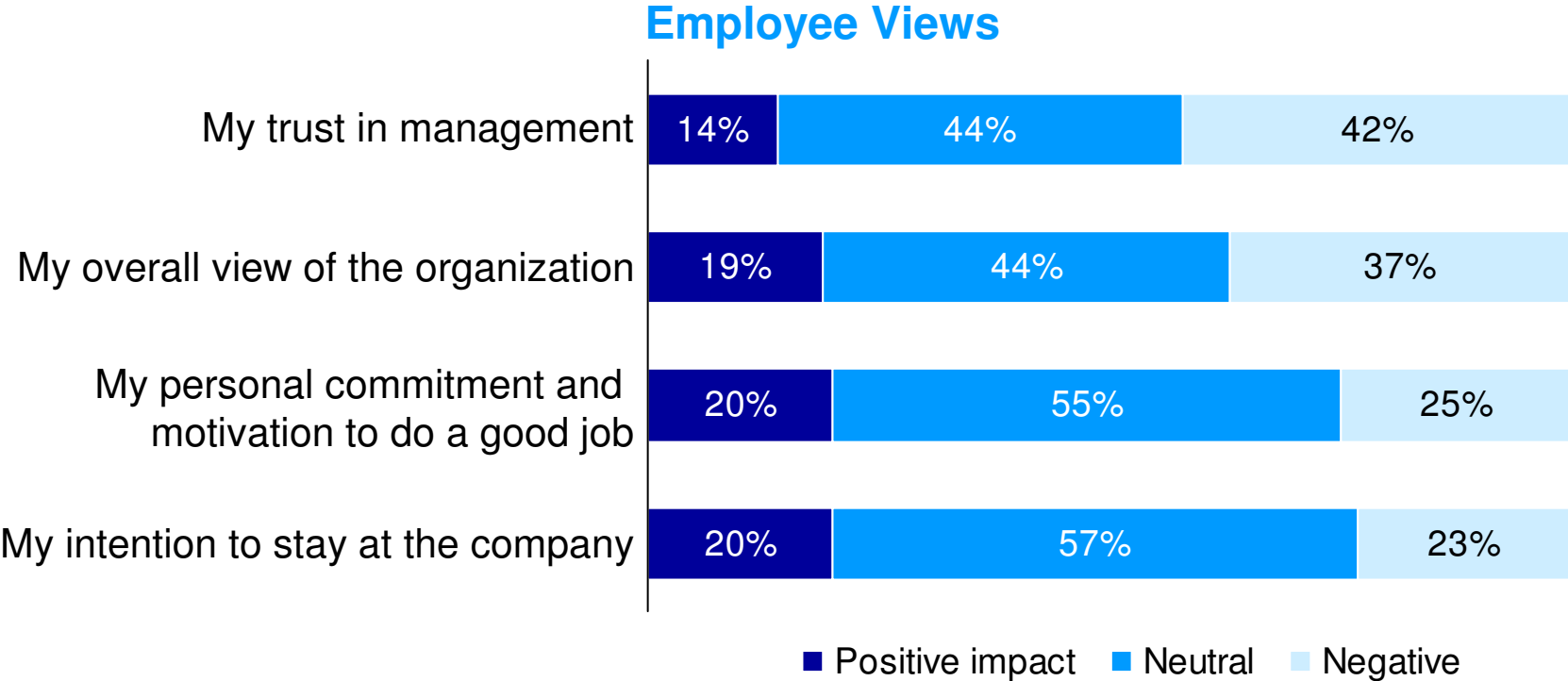
*Source: IFTF, Centers for Disease Control and Prevention, *Health and Health Care, 2010, The Forecast, The Challenge*.

**Source: Blue Cross Blue Shield Association, *Medical Cost Reference Guide*, Revised October 2004 (Strum, 2002).

But engaging employees in solutions presents challenges...

...Especially where benefit changes have tainted employees' view of the organization

What impact have benefit changes had on...?

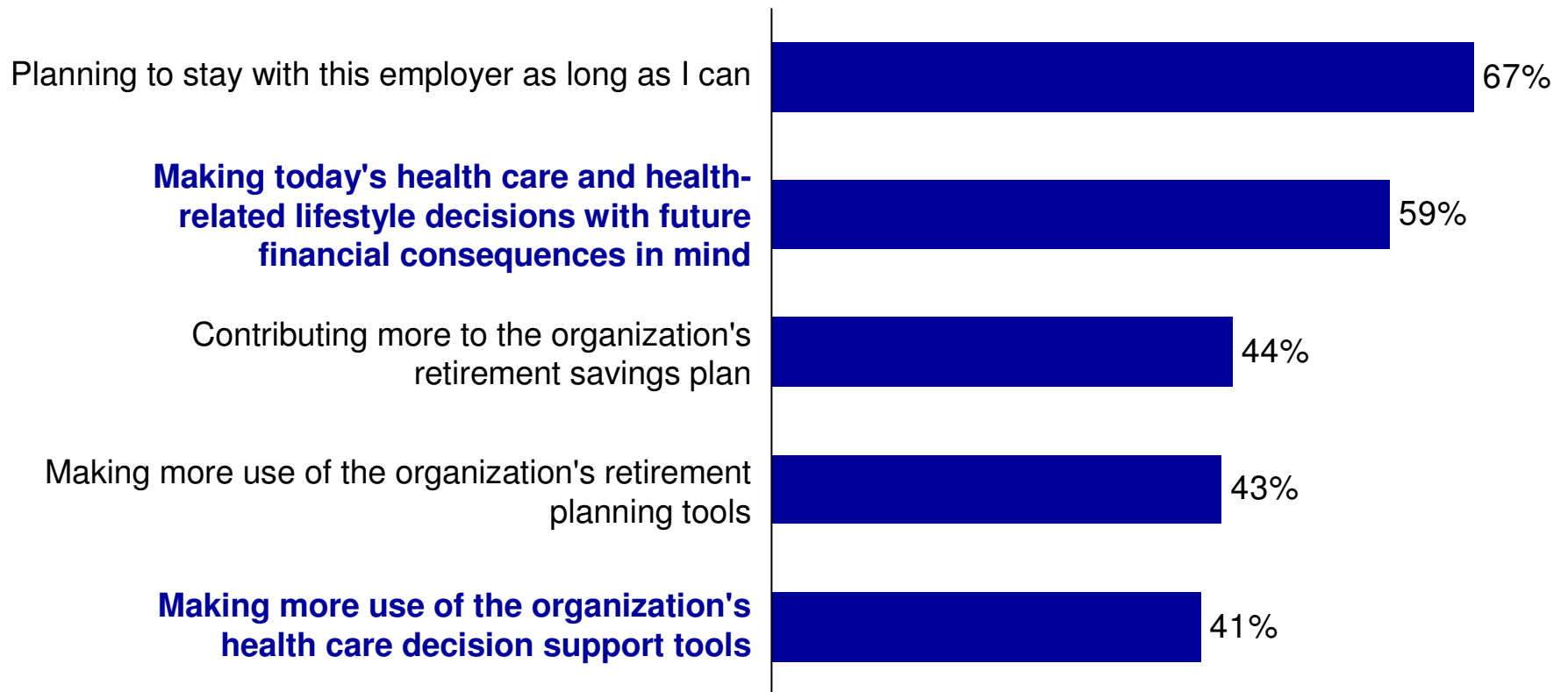


Source: Towers Perrin 2006 Benefit Strategy Study.

...And many employees are not taking the actions they should given shifts in risk and responsibility

What actions are employees taking in response to benefit changes?

Employee Views



Source: Towers Perrin 2006 Benefit Strategy Survey.

Despite pressures, some companies are managing benefits for competitive advantage

- National benchmarks show cost results vary widely within industries and among companies of similar size
- Your survey data show patterns similar to benchmarks

Cost Variation Across Companies: Top Third vs. Bottom Third

Total Cost Per Employee Per Year	High-Performing	Low-Performing
National benchmark (Towers Perrin 2007 <i>Health Care Cost Survey</i>)	\$7,080	\$10,548
Your response to 2007 pre-conference survey	\$7,872	\$9,792

Source: Towers Perrin 2007 Health Care Cost Survey; 2007 Health Care Conference Pre-Conference Survey.

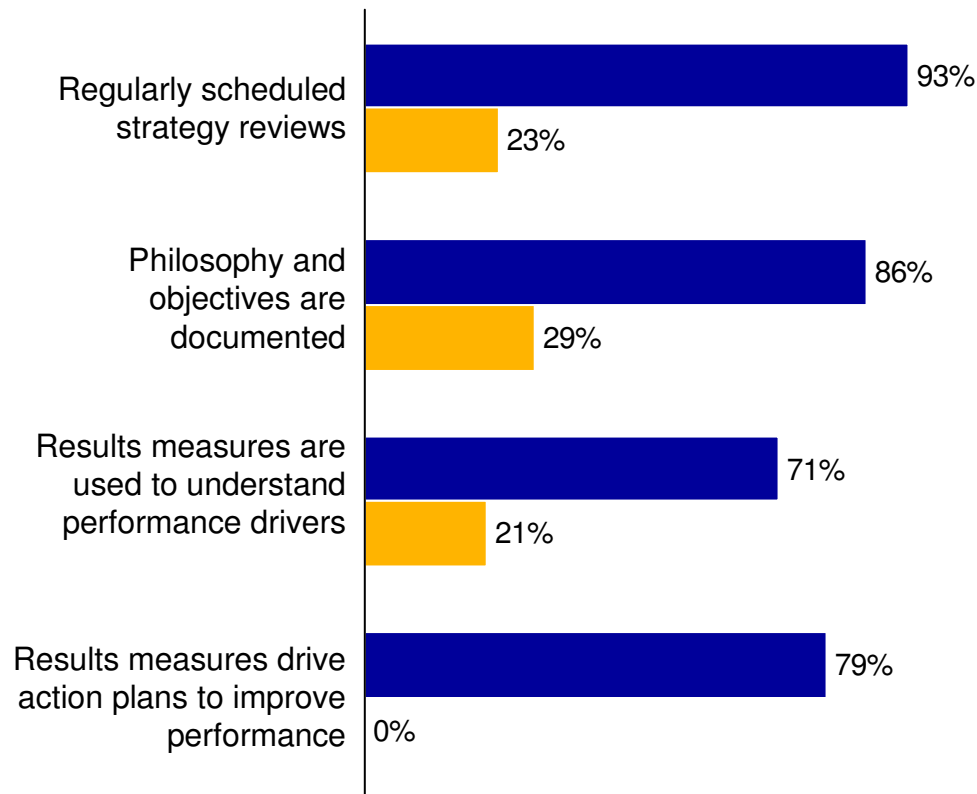
High performers in our pre-conference survey: Different attributes, different actions



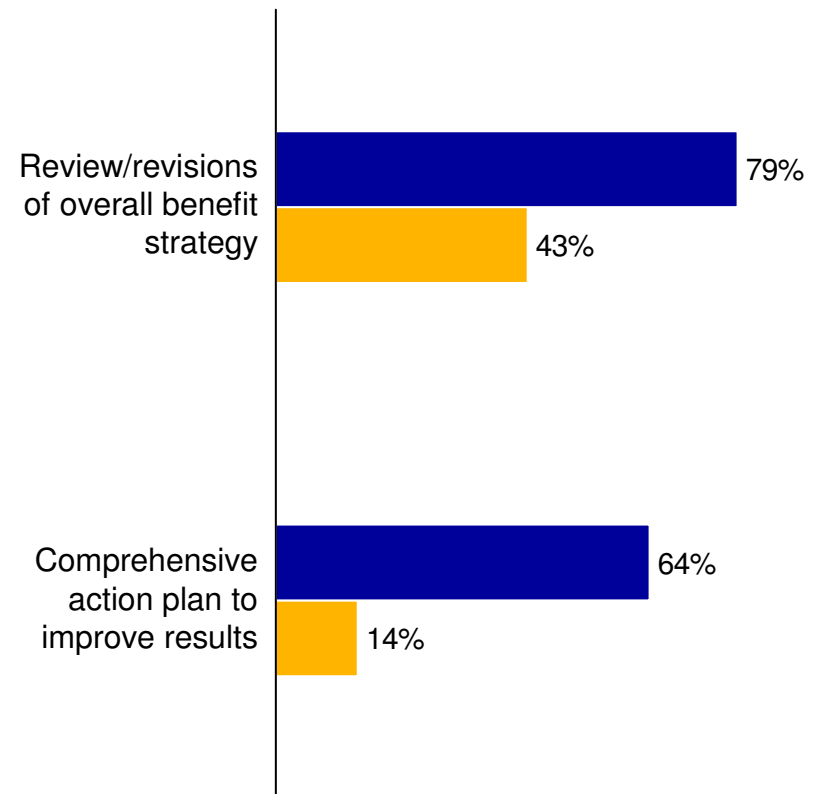
- Survey looks at performance across a broad spectrum of attributes and actions
- High performers show superior performance in *all* categories — and have lower costs
- How are they different? In a nutshell, high performers
 - Have a clear focus and **strategic framework**
 - Take a fact-based approach aimed at **underlying causes**
 - Take **comprehensive and disciplined action**

High performers have a strategic framework and take comprehensive action to improve results

Strategic Framework and Analysis



Comprehensive Action Geared to Results (Currently undertaking/ Already have in place)



■ High performers

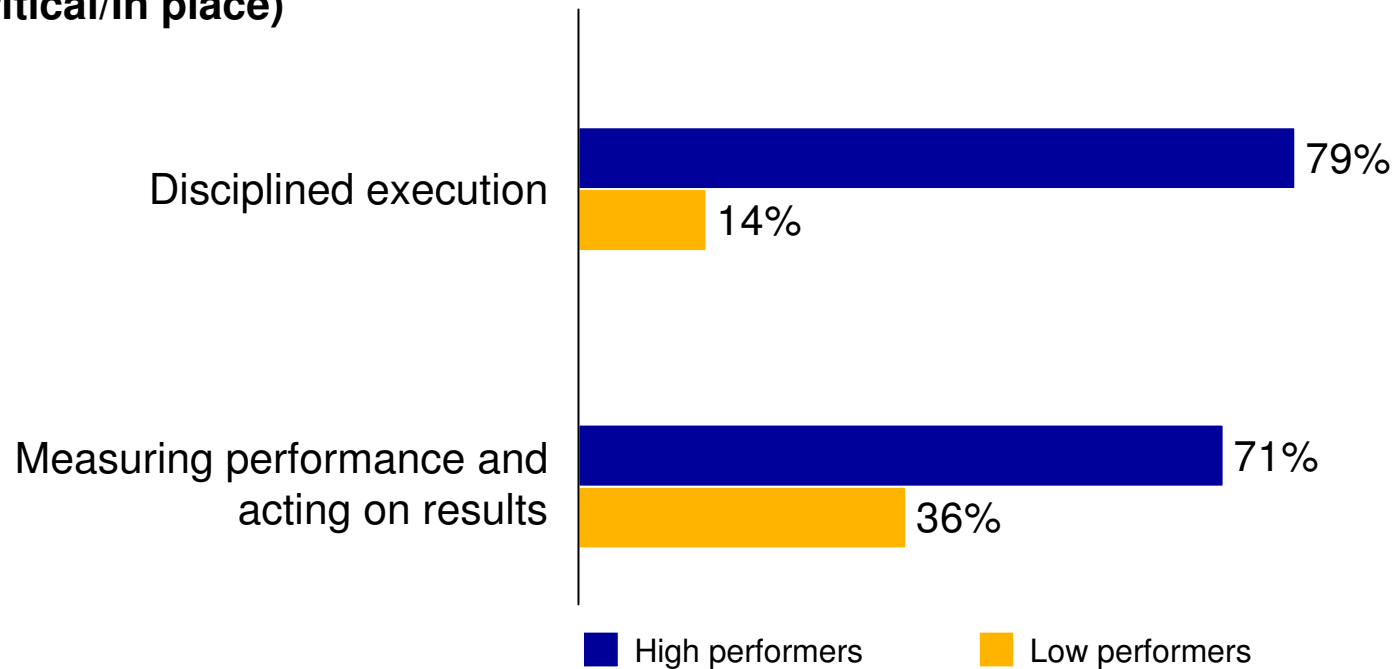
■ Low performers

Source: 2007 Health Care Conference *Pre-Conference Survey*.

High performers see the importance of measurement and disciplined execution

Which factors are critical to improving program performance, and are they currently in place?

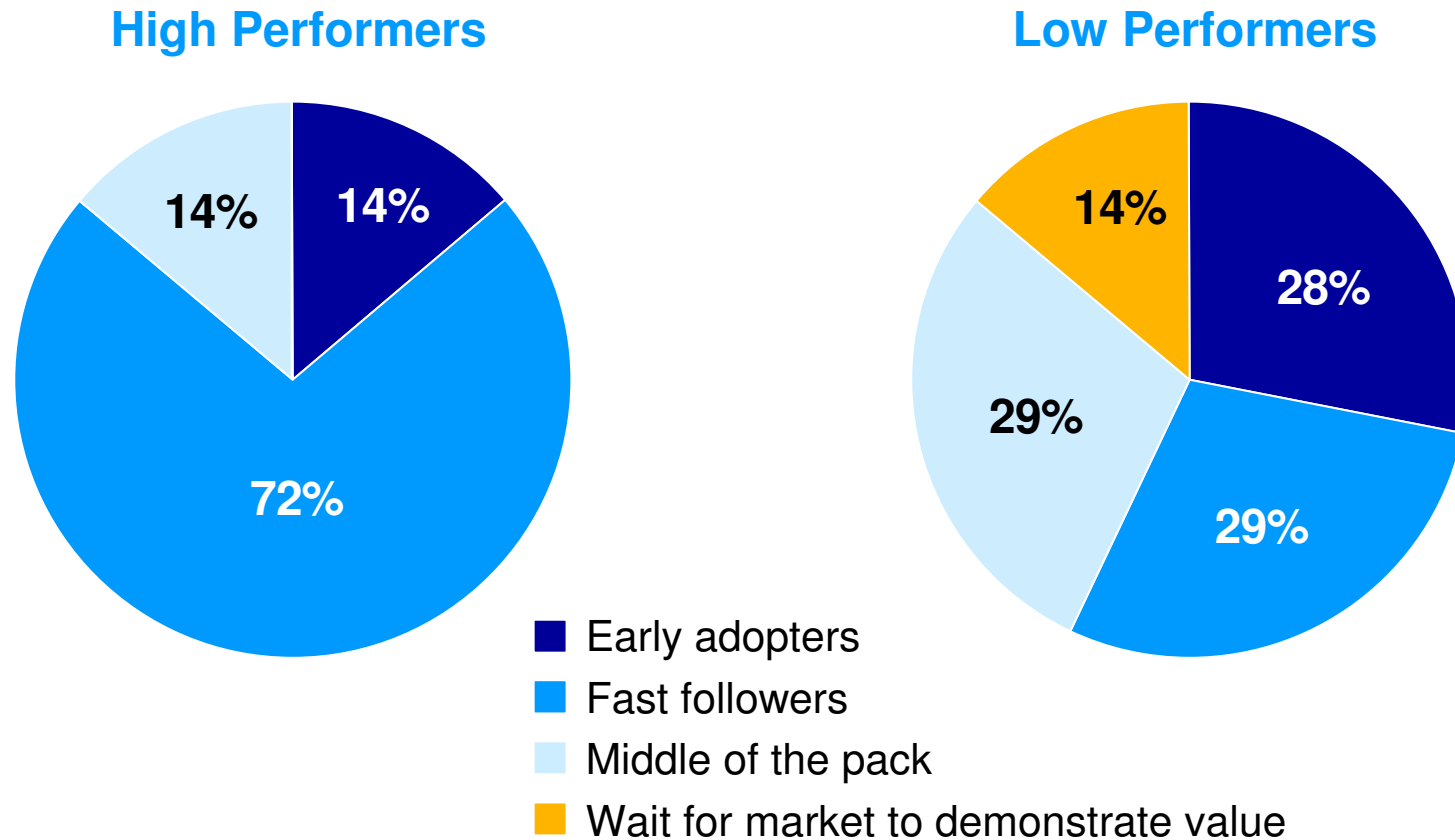
(Critical/In place)



Over a third of the low-performing companies do not see disciplined execution as a critical factor

Source: 2007 Health Care Conference *Pre-Conference Survey*.

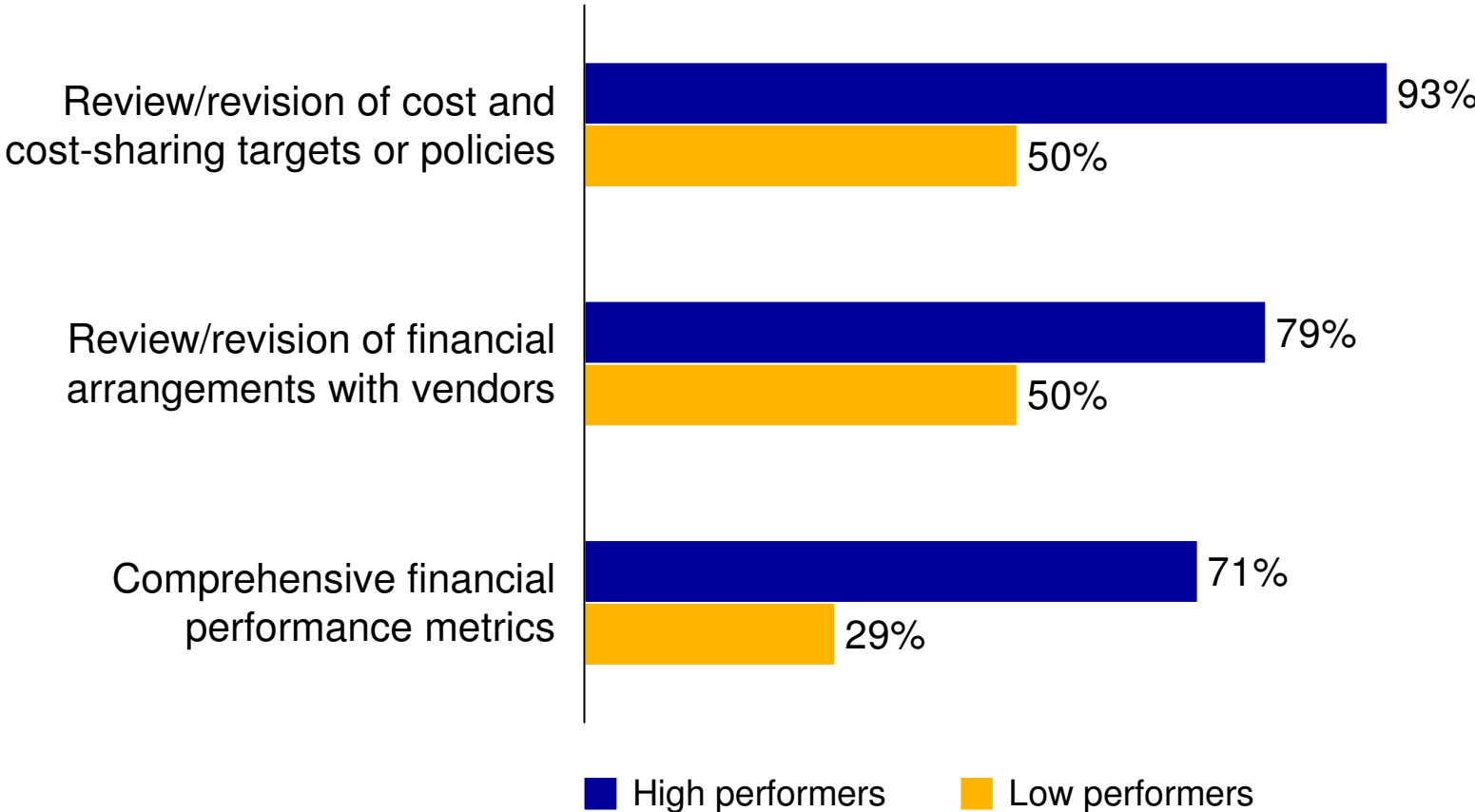
High performers are quick — but not hasty — in applying new approaches



Source: 2007 Health Care Conference *Pre-Conference Survey*.

High performers focus on financial drivers, not just cost results

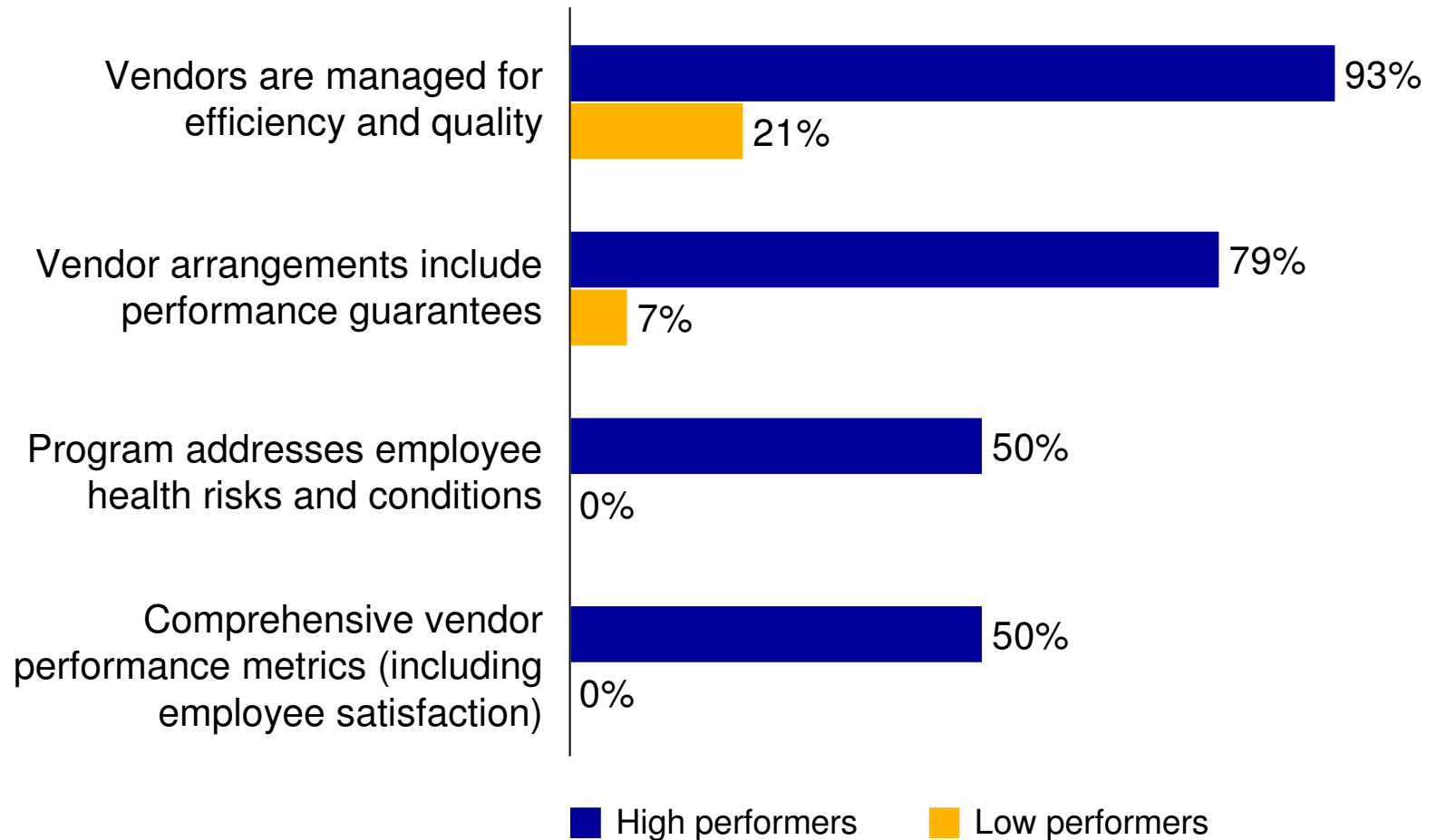
Focus on Key Elements of Sound Financial Management (Currently undertaking/Already have in place)



Source: 2007 Health Care Conference *Pre-Conference Survey*.

High performers tightly manage delivery — and vendors

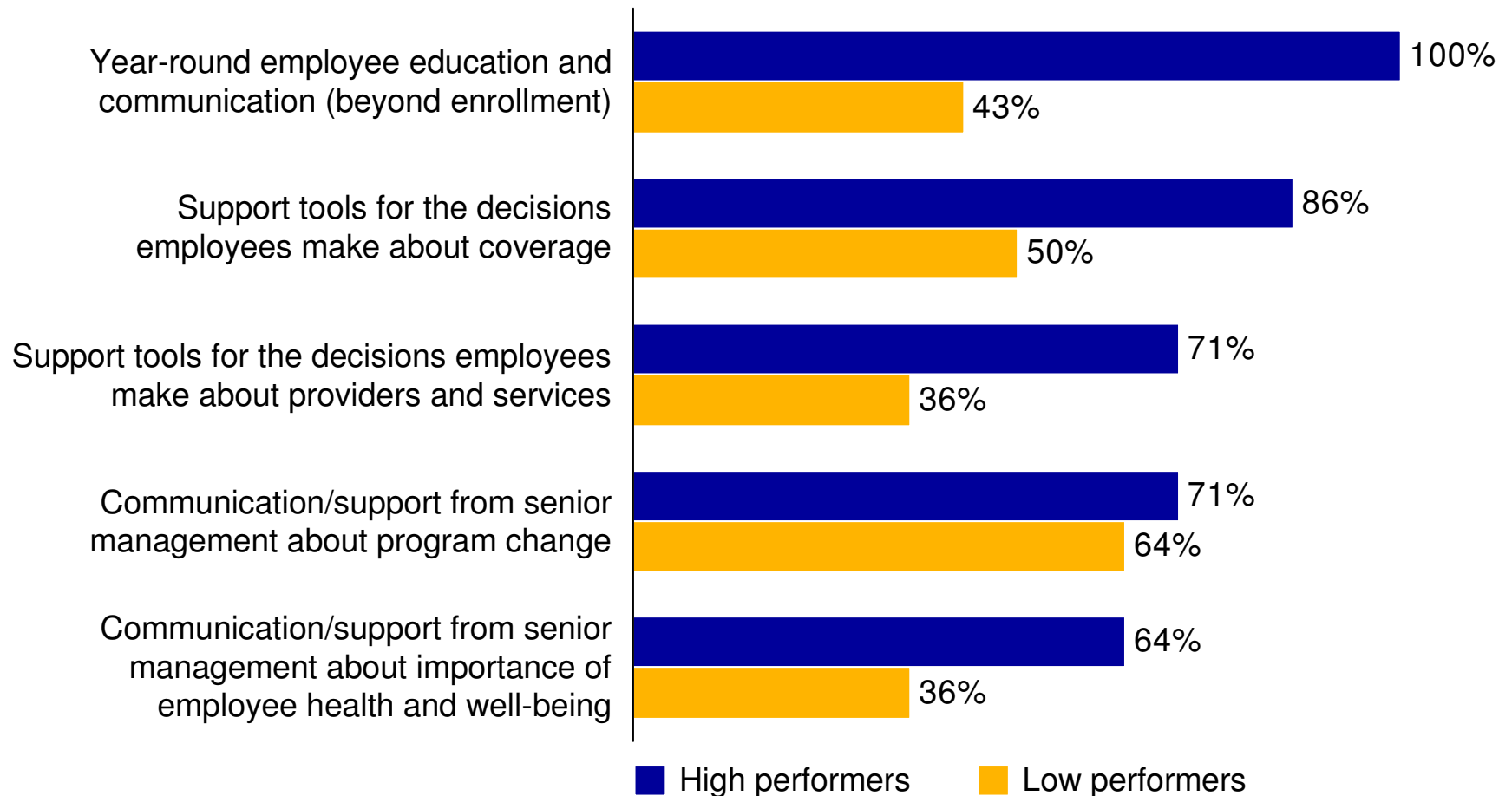
Delivery: What Makes High-Performing Companies Different



Source: 2007 Health Care Conference *Pre-Conference Survey*.

High performers engage, educate and equip consumers — well beyond enrollment

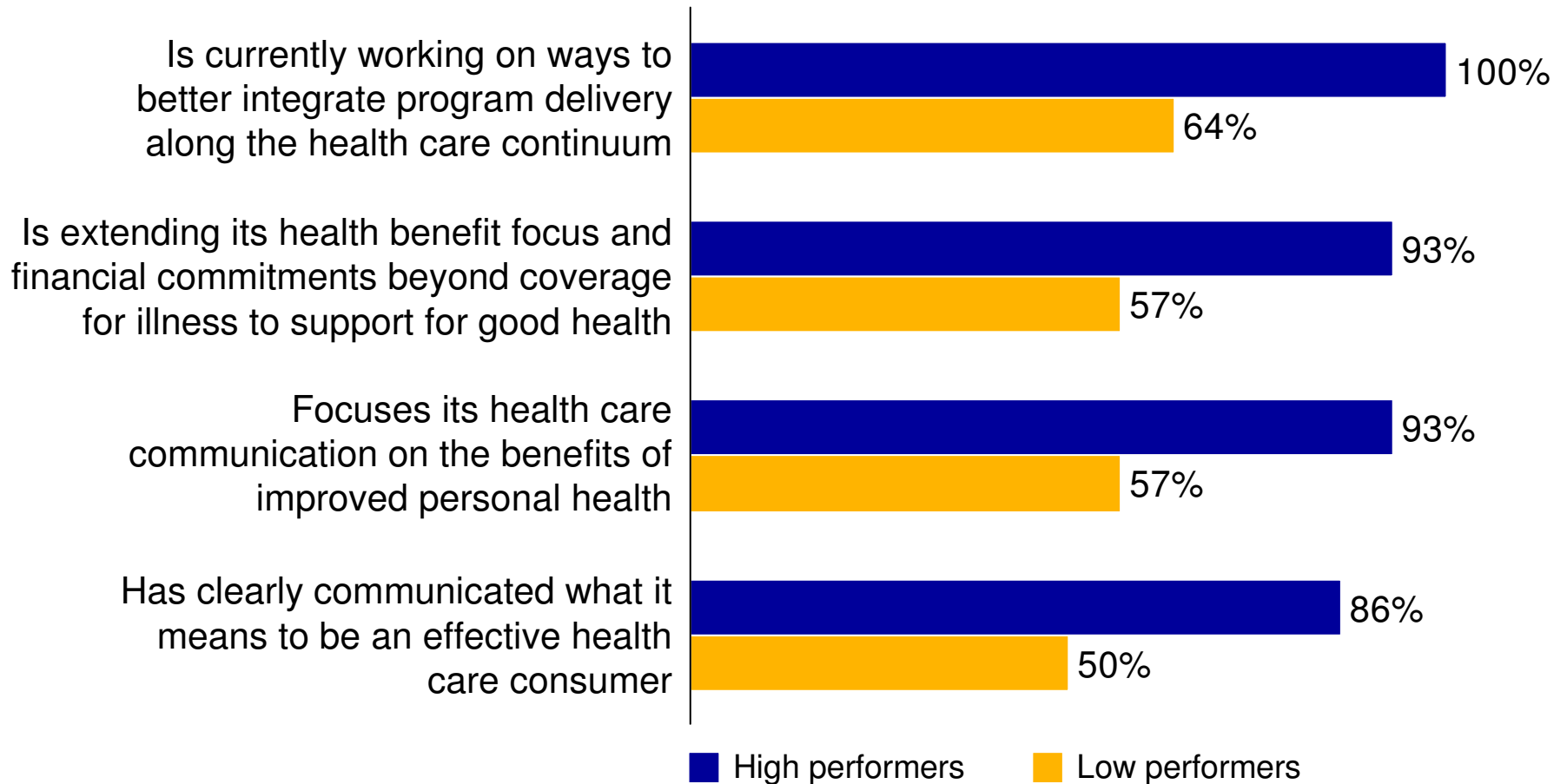
Consumer Engagement: What High-performing Companies Do Differently (Currently undertaking/Already have in place)



Source: 2007 Health Care Conference *Pre-Conference Survey*.

High performers gear their philosophies and approach to building a “culture of health”

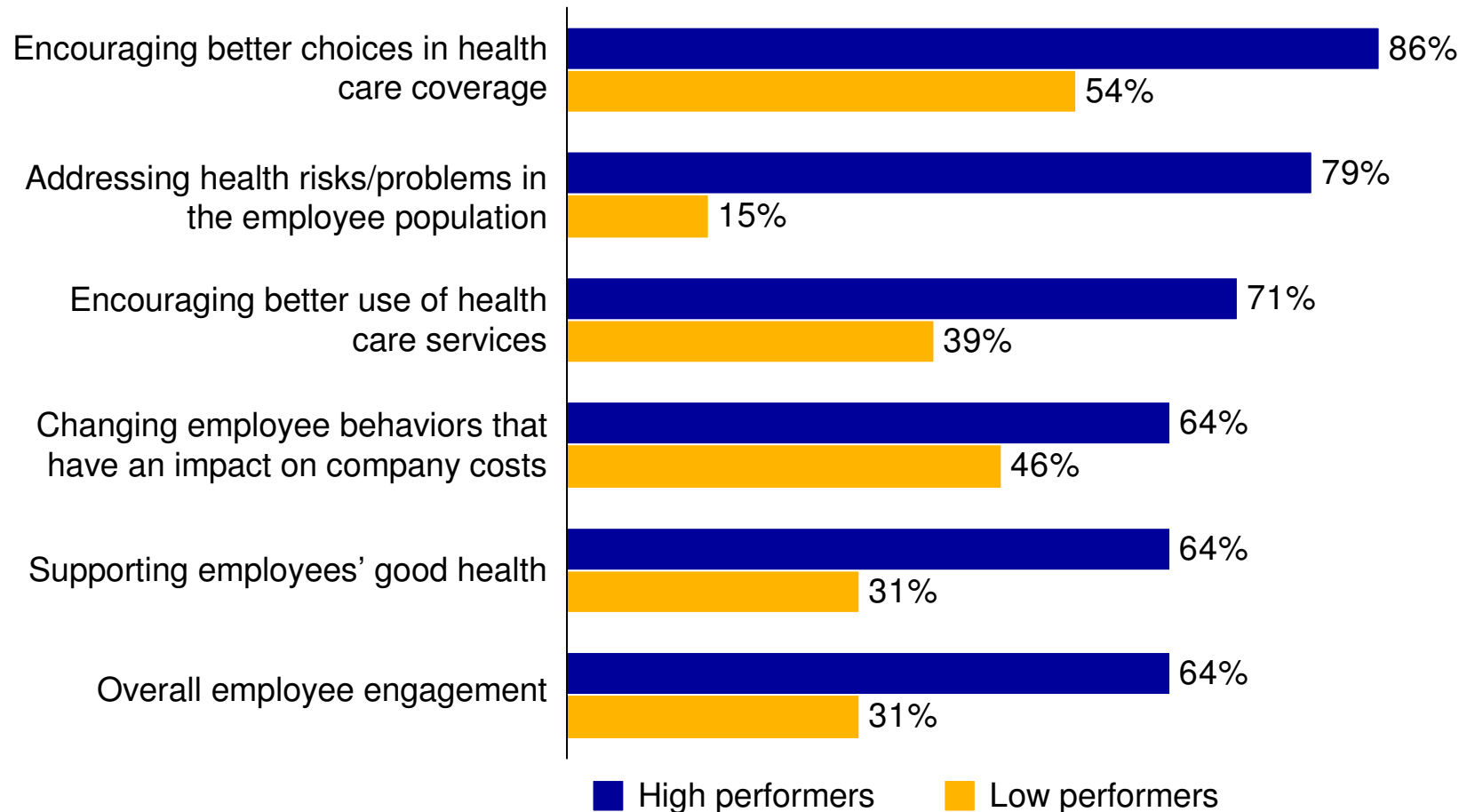
Overall Philosophy and Approach (Strongly agree/Agree) My organization...



Source: 2007 Health Care Conference *Pre-Conference Survey*.

High performers achieve better outcomes

Impact of Benefit Changes Implemented in Past Two Years (% reporting positive impact)



Source: 2007 Health Care Conference *Pre-Conference Survey*.

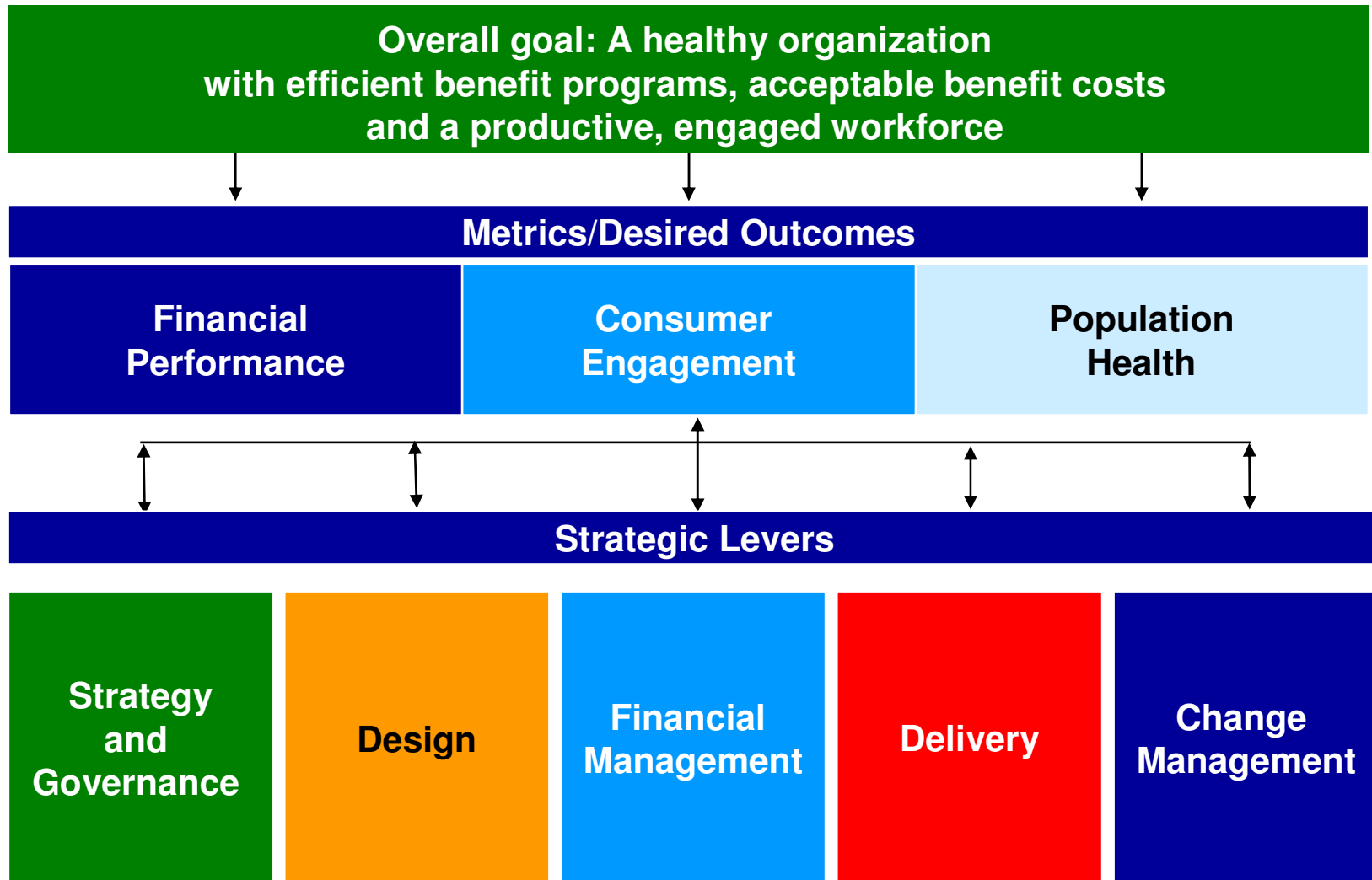
High performance defined: Comprehensive, disciplined approach to achieving and sustaining desired outcomes

CULTURE OF HEALTH:

A management philosophy and comprehensive approach that encourages employees to be healthy, choose appropriate health care coverage and use health care services wisely

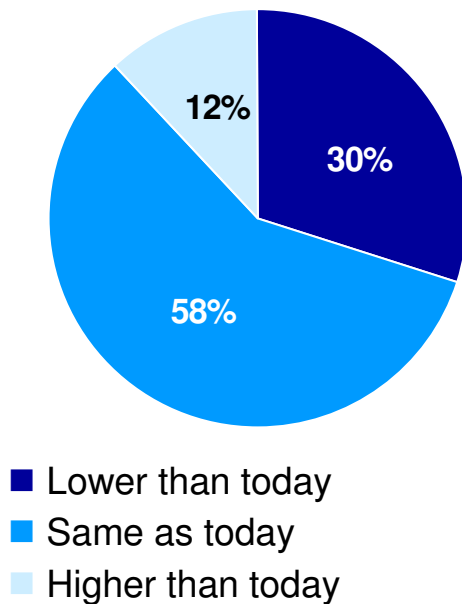
- Key objectives/outcomes
 - Improve health status and reduce total medical cost
 - Improve productivity and reduce absenteeism
 - Build a healthy organization and work environment — with efficient benefit programs, acceptable costs and a productive, engaged workforce

Building a culture of health: Roadmap for change

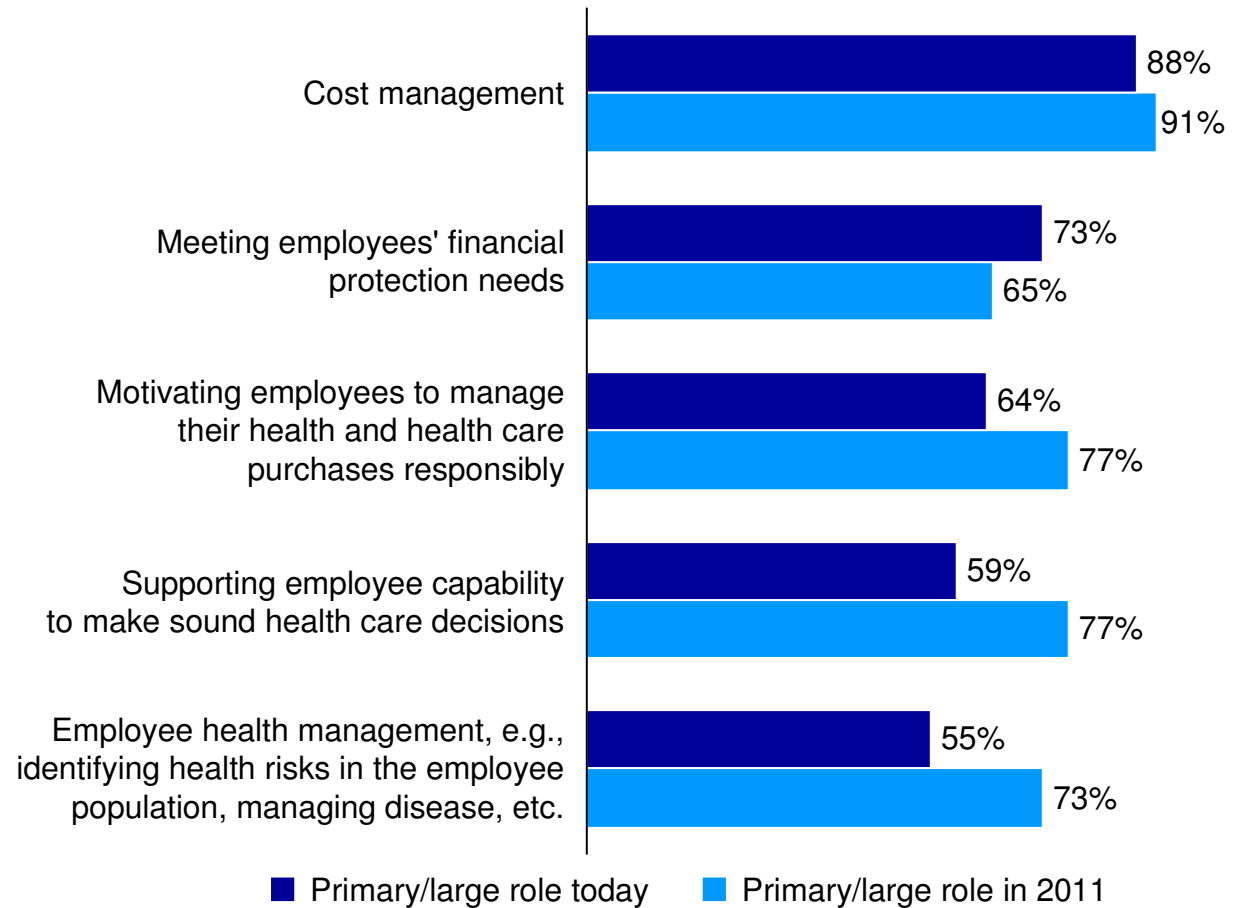


Ongoing evolution in employer role: Emphasis on financial management and employee responsibility

Employer views: Evolution in financial subsidy over next five years



Employer views: Evolution in health benefit management role

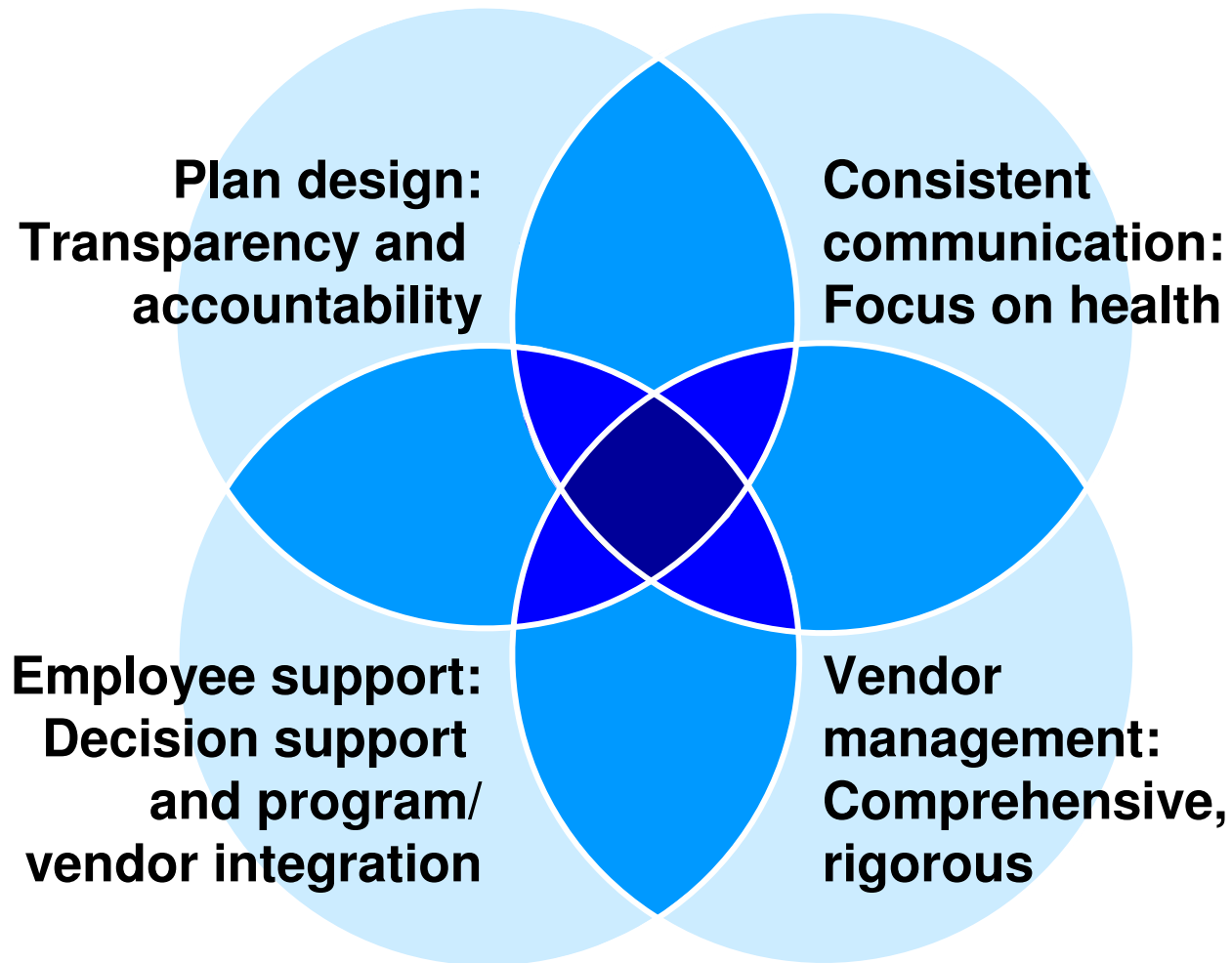


Source: Towers Perrin 2007 Health Care Cost Survey.

Building a culture of health: Top 10 checklist

1. Make health the top priority
2. Understand employee needs, attitudes, behaviors
3. Focus programs on wellness, prevention and managing illness
4. Communicate and demonstrate commitment in visible ways
5. Equip employees to make the right choices
6. Hold employees accountable
7. Manage vendors aggressively
8. Engage senior leadership and line management
9. Focus on the organization's current and longer-term business needs
10. Be progressive — plan and take action

Making it real: Our focus for the next day and half



Building a culture of health: Making change work

- What we hope to accomplish at this conference
 - Explore the possibilities and the practicalities
 - Exchange experiences, insights, ideas
 - Experience “change” in an engaging way
 - Enhance your ability to succeed