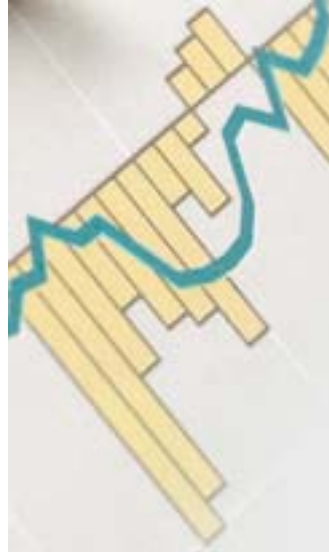


watsonwyatt.com



Alan Huddy
Senior Consulting Actuary
alan.huddy@watsonwyatt.com
248.936.7605

John Jones
Practice Leader, Technology & Administration Solutions
john.jones@watsonwyatt.com
248.936.7534

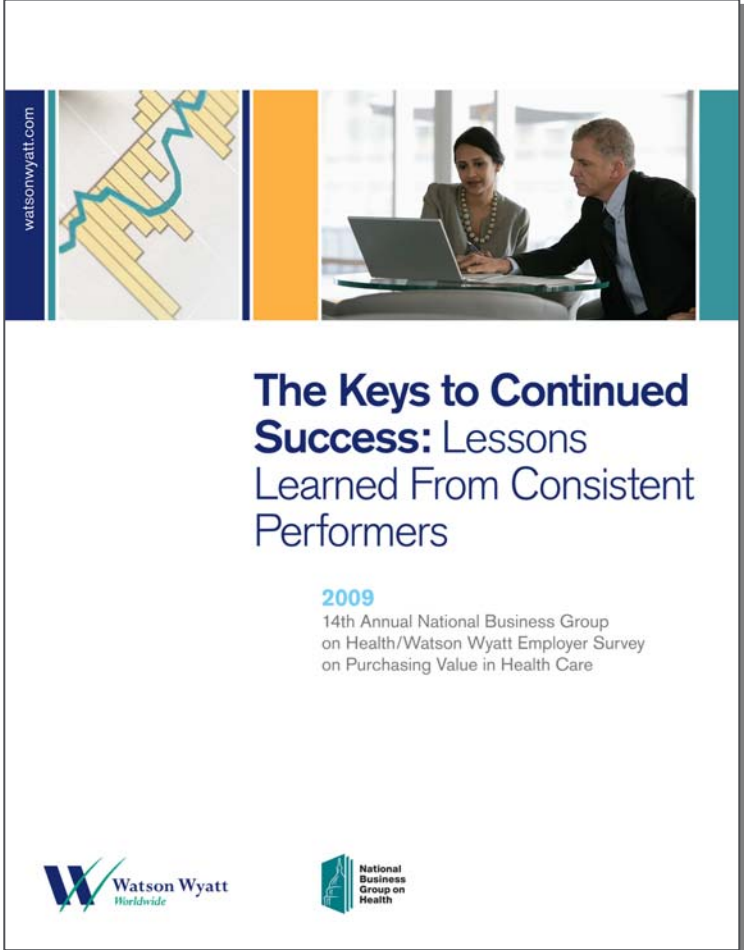
Oakland County Wellness Coalition

**The Keys to Continued Success:
Lessons Learned From Consistent
Performers**

**14th Annual National Business Group on
Health/Watson Wyatt Employer Health Care
Survey**

About the report



- 14th annual study on health care trends and the actions employers are taking
- Report focuses on companies that have maintained cost trends at or below the median over the last four years – “consistent performers”
- 489 companies providing benefits to more than 8 million individuals
- Collectively respondents spend more than \$56 billion in health care expenditures each year
- Survey conducted from November 2008 to January 2009



The cover of the report features a photograph of a man and a woman in business attire sitting at a desk, looking at a laptop. To the left of the photo is a bar chart with a blue line graph overlaid. The text on the cover reads: "The Keys to Continued Success: Lessons Learned From Consistent Performers". Below the title, it says "2009" and "14th Annual National Business Group on Health/Watson Wyatt Employer Survey on Purchasing Value in Health Care". At the bottom, there are logos for "Watson Wyatt Worldwide" and "National Business Group on Health".

The Keys to Continued Success: Lessons Learned From Consistent Performers

2009
14th Annual National Business Group on Health/Watson Wyatt Employer Survey on Purchasing Value in Health Care

Key findings

- Cost increases held steady at 6 percent in 2008
 - Best performers have two-year median cost increase of 0.5 percent, compared with 10.5 percent for poor performers
 - Differential between best and poor performers has expanded
- Consistent performers – those who have maintained health care cost increases at or below the median during the last four years - achieve significant sustained cost savings by implementing programs that incorporate:
 - Appropriate financial incentives
 - Effective information delivery
 - Metrics and evidence
 - Quality care delivered efficiently
 - Maximizing health and productivity
- Both CDHP adoption and enrollment rates are increasing
 - 51 percent of companies now have a CDHP in place, and 43 percent of these companies have at least 20 percent of their employees enrolled
- Higher enrollment rates in CDHPs are strongly linked to lower health care cost trends

Health care costs are expected to remain at 6 percent in 2009, still nearly twice the rate of inflation

Median health care cost increases 1999-2009*



Note: Medians.

*A company's medical benefit expenses for insured plans include the premium paid by the company and for self-insured plans include all medical and drug claims paid by the plan, company contributions to medical accounts (FSA/HRA/HSA) and costs of administration minus employee premium contributions. The annual change in costs is based on costs for active employees after plan and contribution changes.

† Estimated

The cost of coverage for CDHPs is considerably lower than that of PPO/POS plans or HMOs for 2009

Plan costs in 2009

COBRA PREMIUMS FOR EMPLOYEE-ONLY AND FAMILY COVERAGE	EMPLOYEE-ONLY	FAMILY
PPO and POS plans	\$4,800	\$13,906
HMO plans	\$4,800	\$14,110
CDHPs	\$3,948	\$11,760

The cost of coverage for CDHPs is considerably lower than that of PPO/POS plans or HMOs for 2009.

Despite today's economy, companies are staying with current strategies and not making contingency plans...

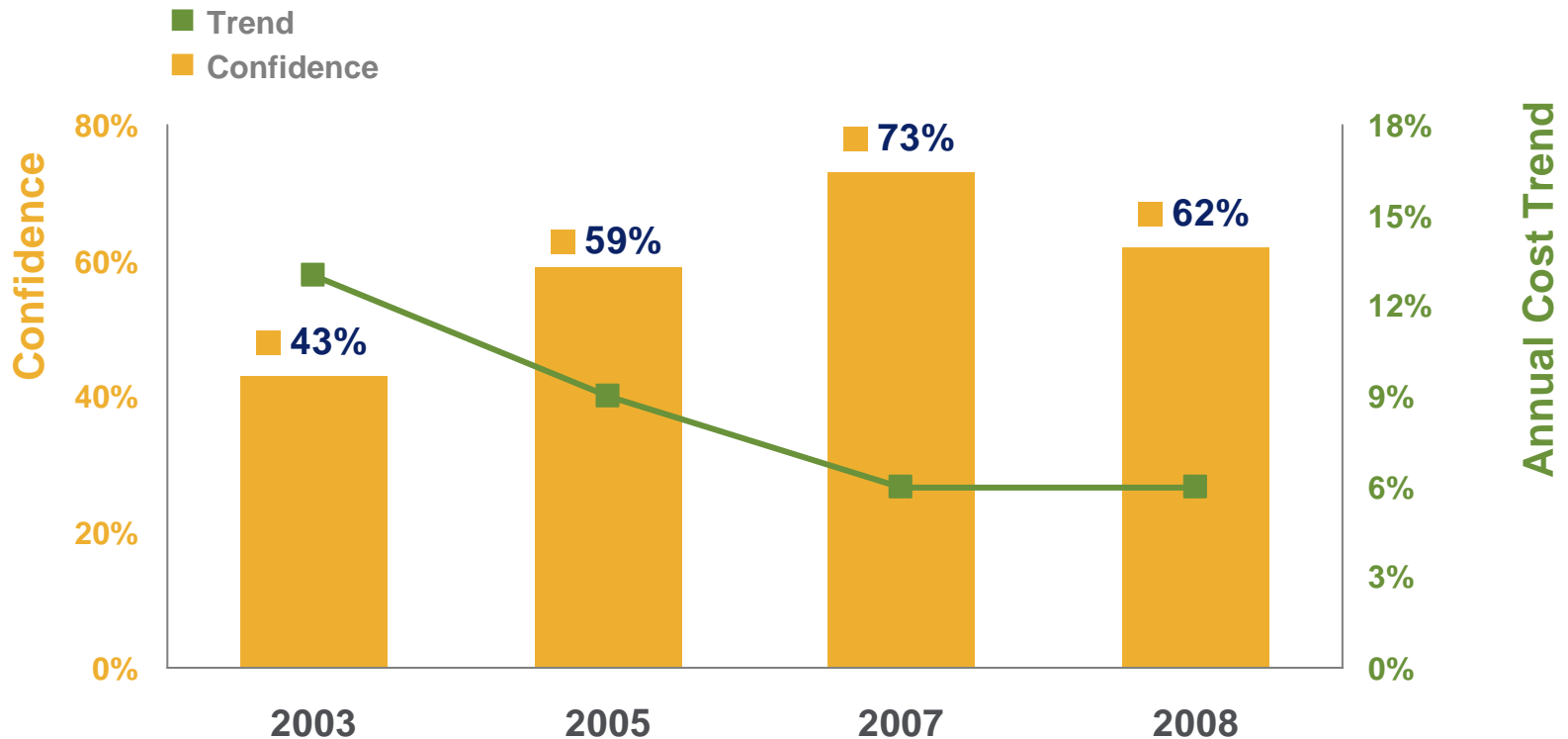
Actions organizations are taking regarding their health care programs, given the recent events in the economy

Companies are not delaying changes to their plans and have not made contingency plans for midyear changes.

	HAVE ALREADY TAKEN ACTION	EXPECT TO TAKE ACTION	NO ACTION EXPECTED
Delay/cancel planned changes in plan design	6%	7%	87%
Delay/cancel planned program offerings	5%	8%	86%
Develop contingency plan for midyear changes	1%	13%	86%
Increase employee cost sharing	34%	23%	44%
Revamp health care strategy	30%	30%	41%

... and remain positive about ability to offer benefits for next 10 years; however, confidence has waned from last year

Confidence that benefits will be offered by employers for the next decade

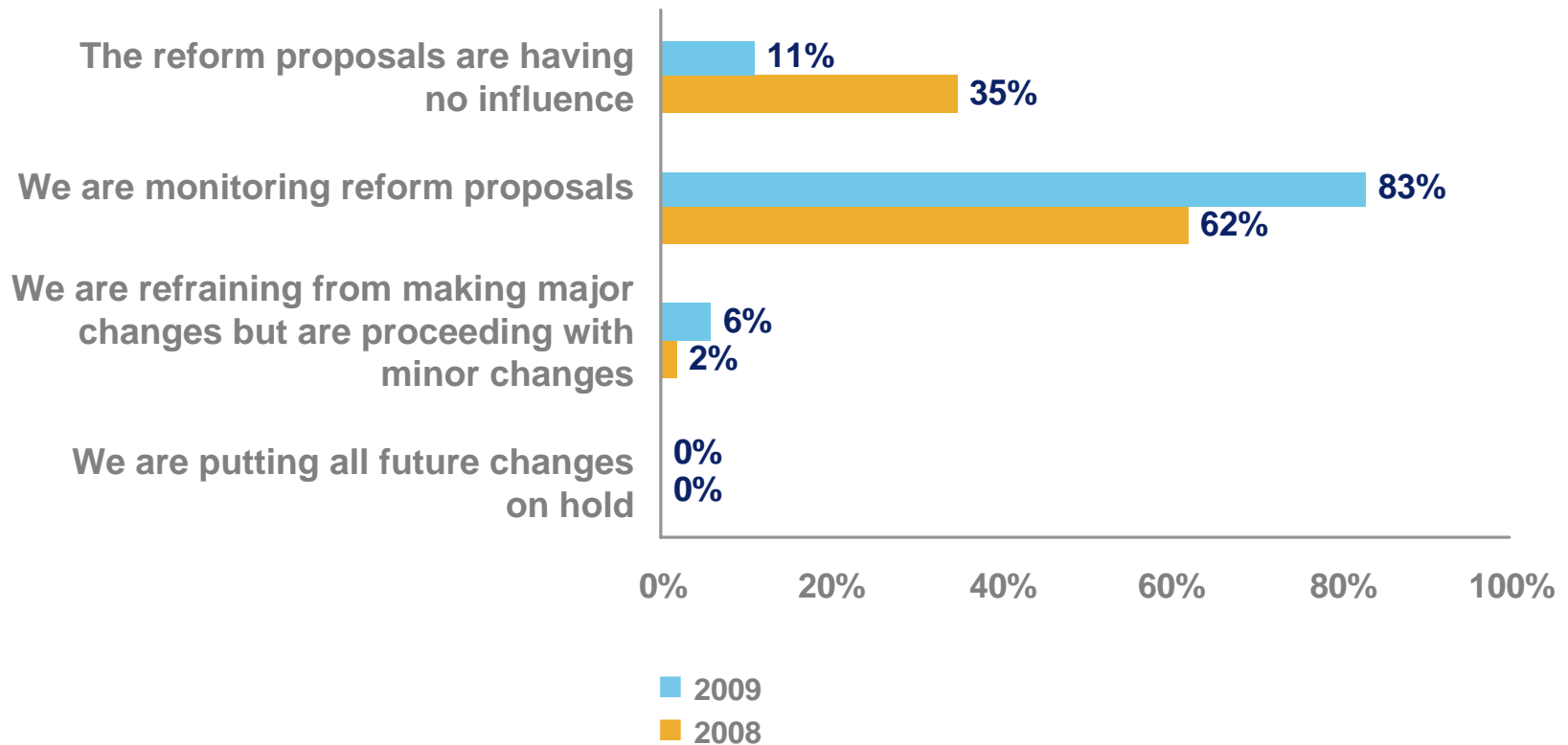


Note: Trends based on responses of "very confident."

Employers support account-based health reform initiatives and not much else

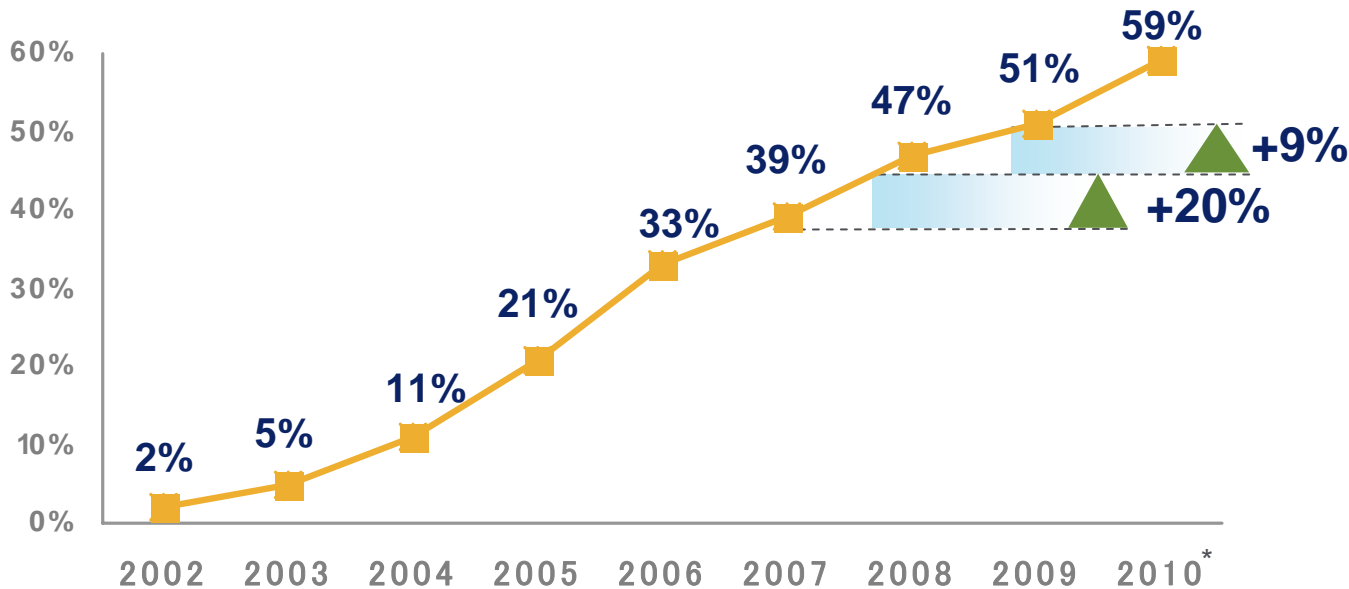
	VERY SUPPORTIVE	SOMEWHAT SUPPORTIVE	NOT VERY SUPPORTIVE	NOT SUPPORTIVE AT ALL
Account-based plans – emphasis on individual responsibility through health savings accounts, high-deductible plans and similar financial incentives	34.3%	33.9%	17.4%	14.5%
Status quo – continue with current system without any fundamental changes in how health insurance is financed	7.0%	38.5%	35.9%	18.7%
Private insurance – promote the private insurance market as an alternative to employment-based plans, allowing individual market plans to compete across state lines	9.1%	35.4%	28.1%	27.4%
Individual mandate – all individuals above a minimum income level would be required to obtain health insurance coverage or pay a tax penalty	7.6%	28.6%	33.9%	30.0%
Pay-or-play mandate – employers provide either a minimum health care package or make contributions toward an individually purchased plan	6.9%	29.1%	33.7%	30.3%
ERISA preemption – amend Employee Retirement Income Security Act or allow ERISA waivers permitting state health care reforms	8.4%	16.1%	29.0%	46.5%
Tax policy/refund credits – eliminate the exclusion of employer premium contributions from employee taxable income for refundable credits to individuals	2.8%	9.5%	35.1%	52.6%

With new administration instituting changes, companies are paying closer attention to health care reform



CDHP adoption is growing, though at a slower pace than last year

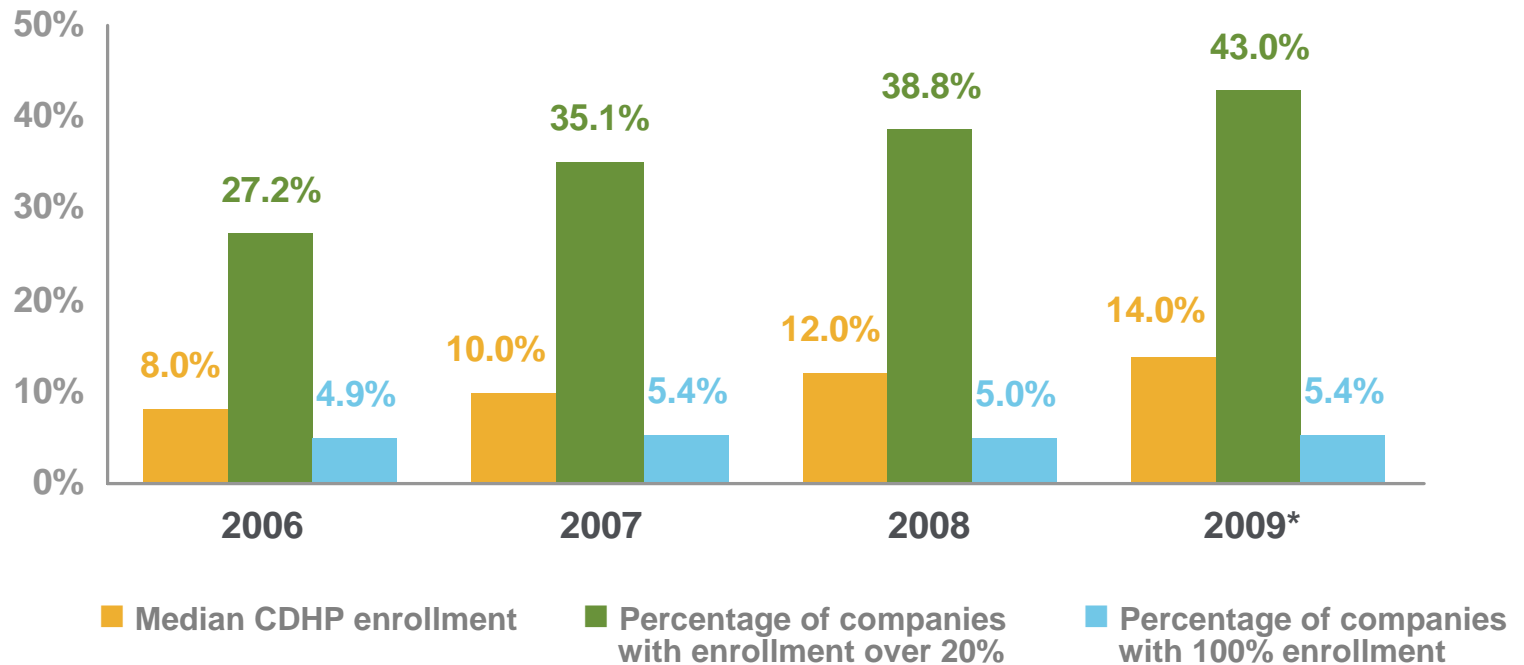
Adoption of CDHPs



CDHP adoption continues to rise. Today, 51 percent of companies have a CDHP in place – a nearly 9 percent increase over last year. This has slowed from the previous 20 percent year-over-year increase.

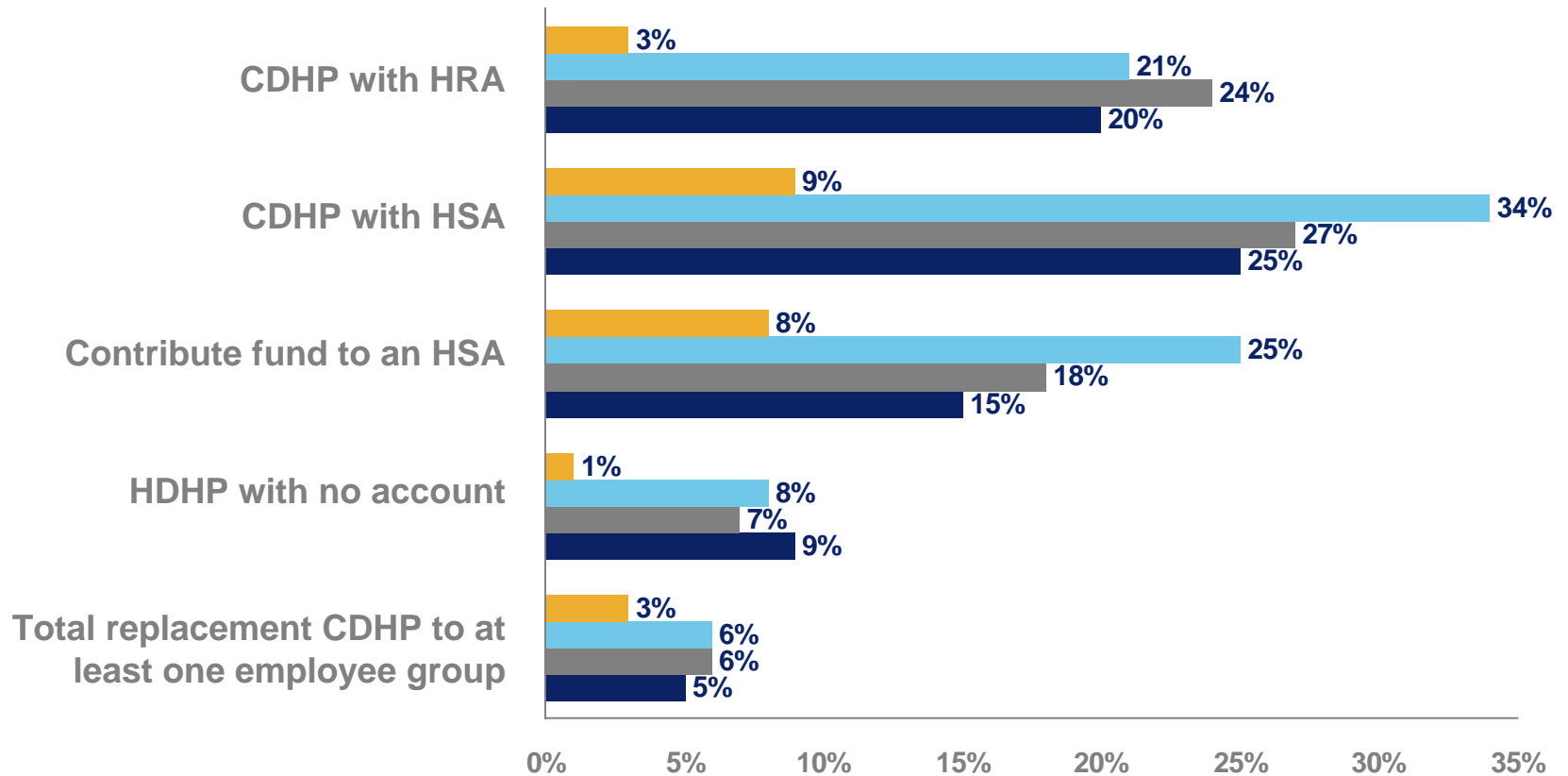
Note: (*) indicates planned for 2010.

CDHP enrollment rates are on the rise



Note: 2006 is based on the 12th annual NBGH/WW survey; 2007 is based on the 13th annual survey. (*) Estimated.

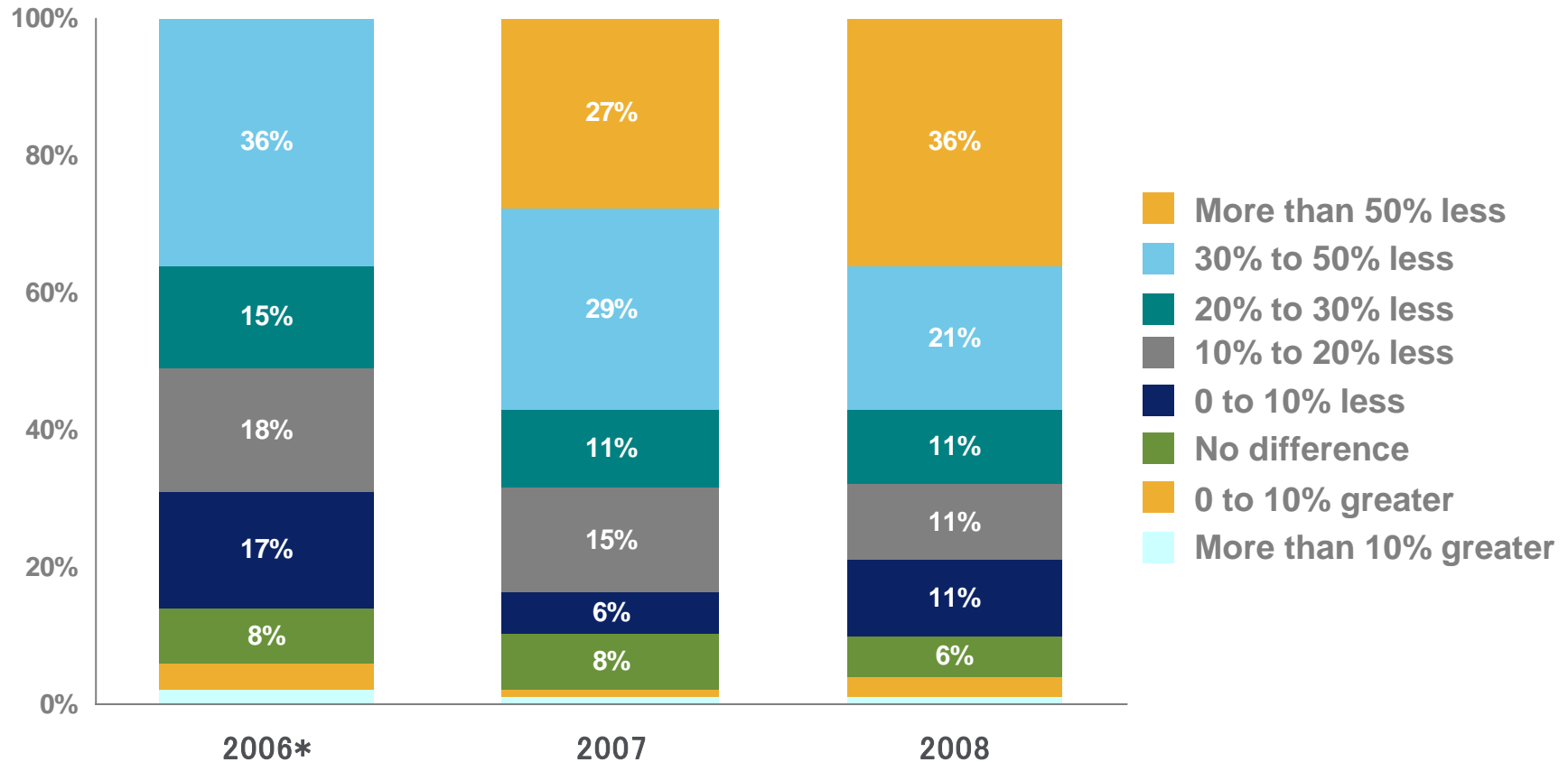
CDHPs with health savings accounts are the most popular account-based plans



Note: Percentages based on all companies – with or without a CDHP.

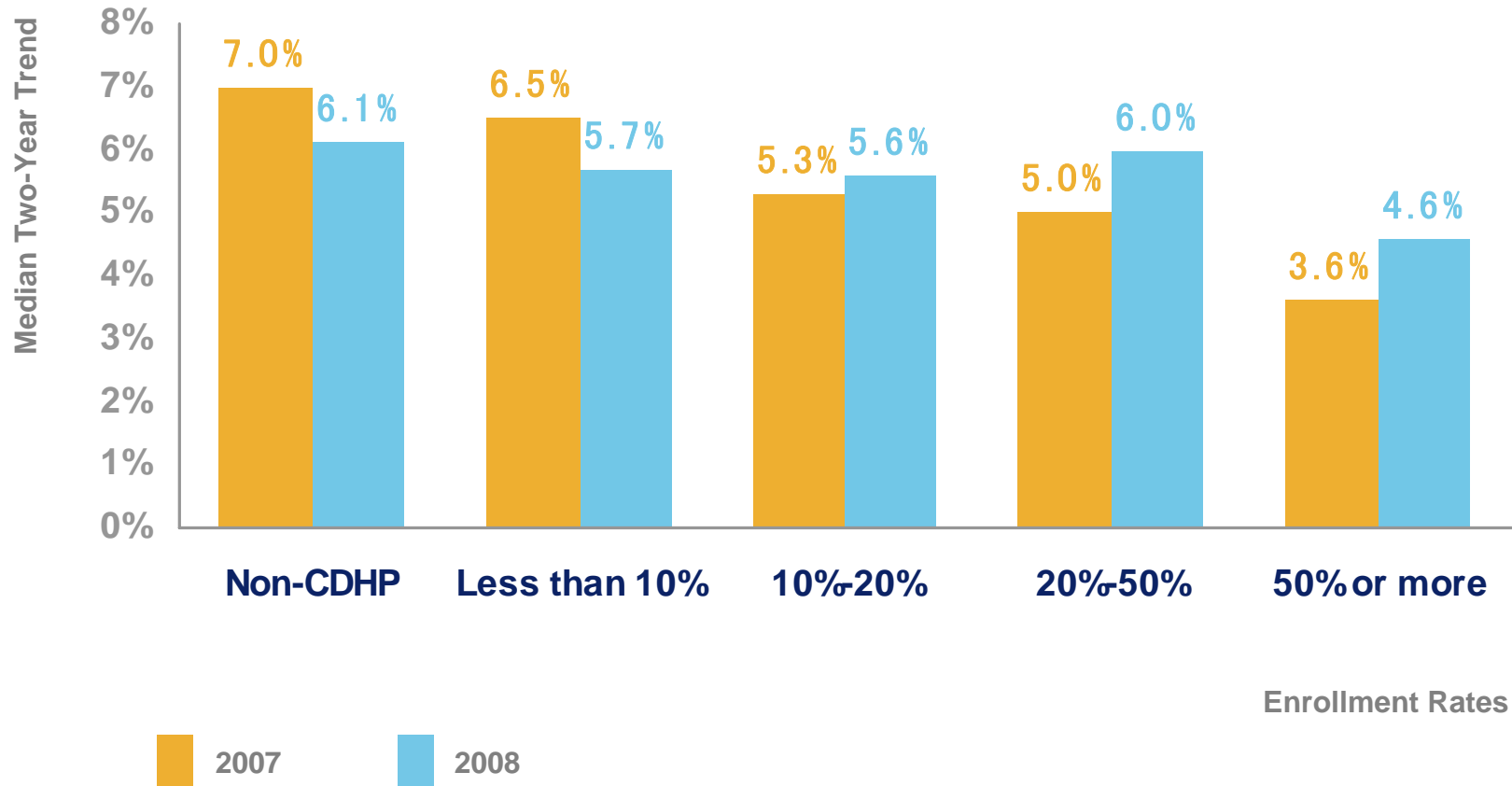
- Planned for 2010
- 2009
- 2008
- 2007

Companies offer significantly lower premium costs for employees enrolled in CDHPs



Note: Companies were only given an option of 30 percent or more in 2006.

Higher CDHP enrollment is linked to lower median trend



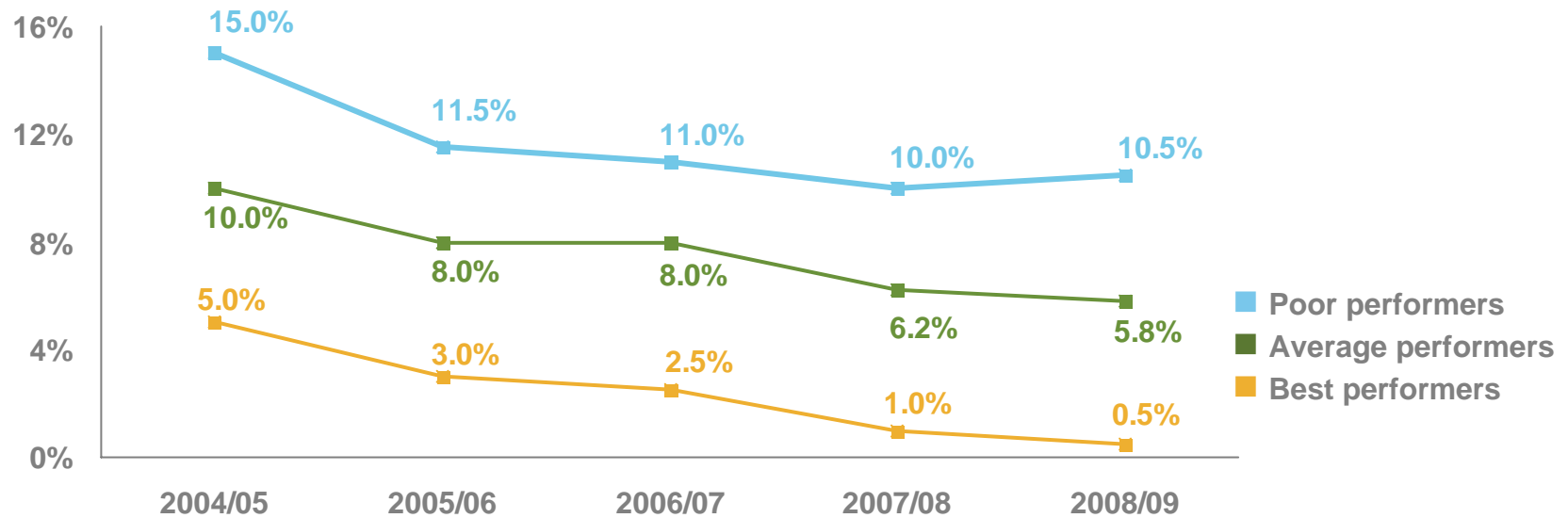
Steadily increasing CDHP enrollment lowers cost trends

FOR COMPANIES WITH UNDER 50% ENROLLMENT IN 2007	10% OR MORE INCREASE	LESS THAN 10% INCREASE
CDHP enrollment change (2007-2008)	3.6%	5.6%
CDHP enrollment change (2008-2009)	2.8%	5.9%
CDHP enrollment change (2007-2009)	3.9%	6.0%
ALL OTHER COMPANIES		
CDHP with enrollment 50% or higher in 2007	4.4%	
No CDHP in 2007	6.1%	

Note: Based on two-year trend.

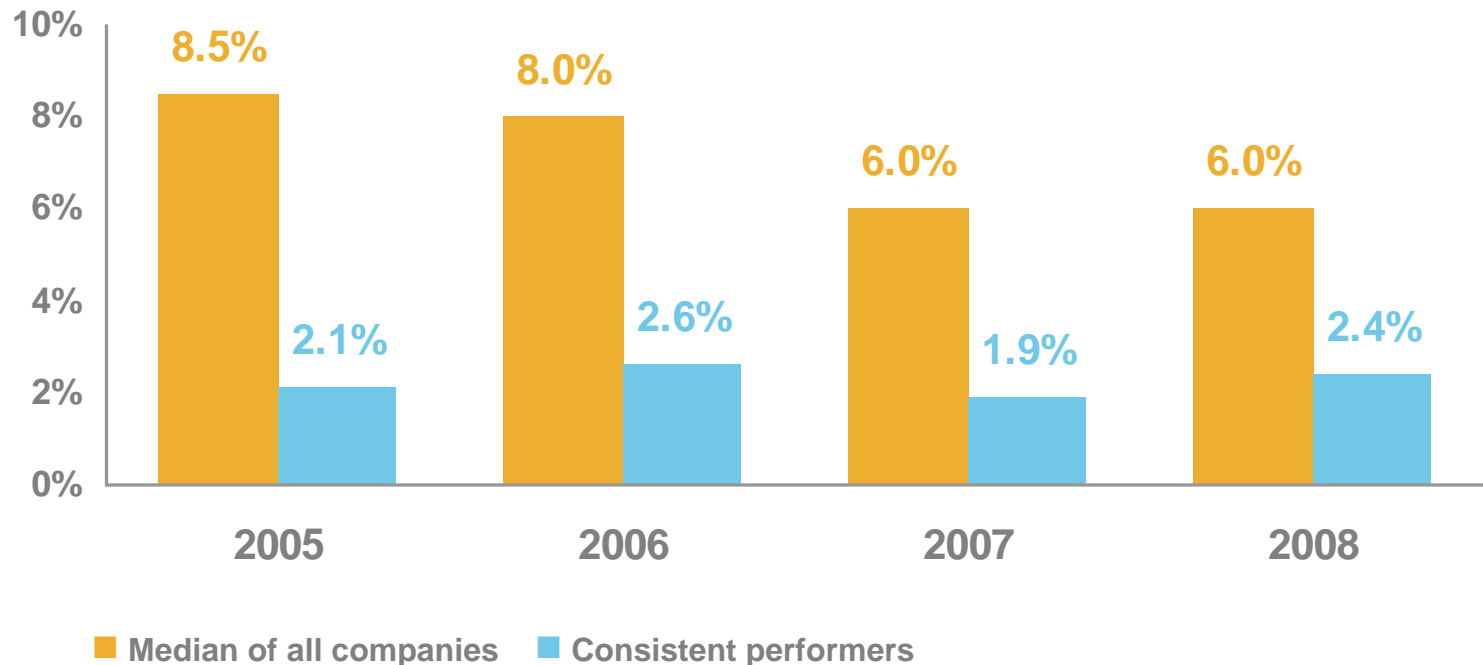
The gap between best and poor performers widens

Median trends for best, average and poor performers



Consistent performers have outpaced other companies in containing costs over the last four years...

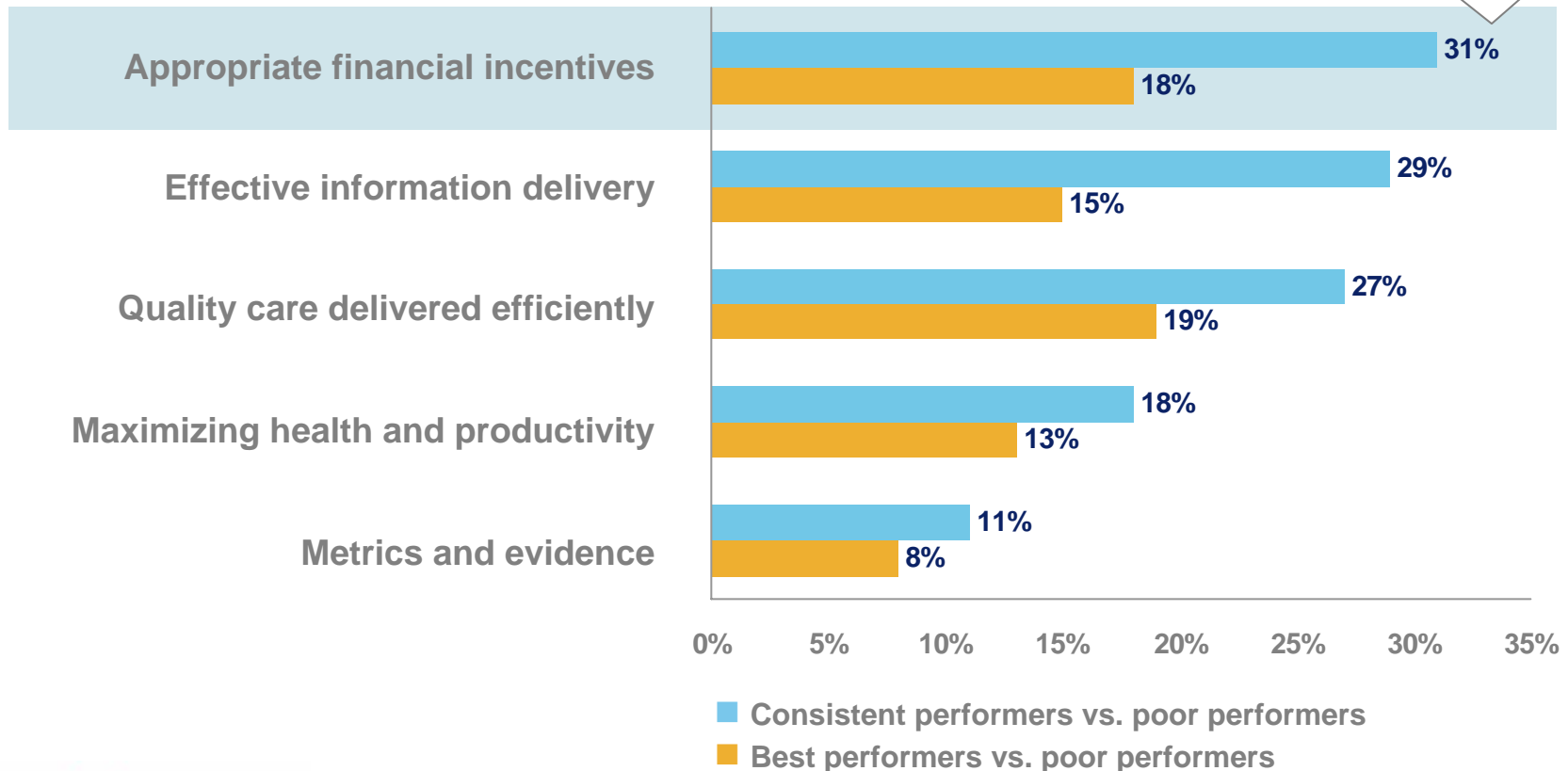
Trends for consistent performers vs. median of all companies, 2005-2008



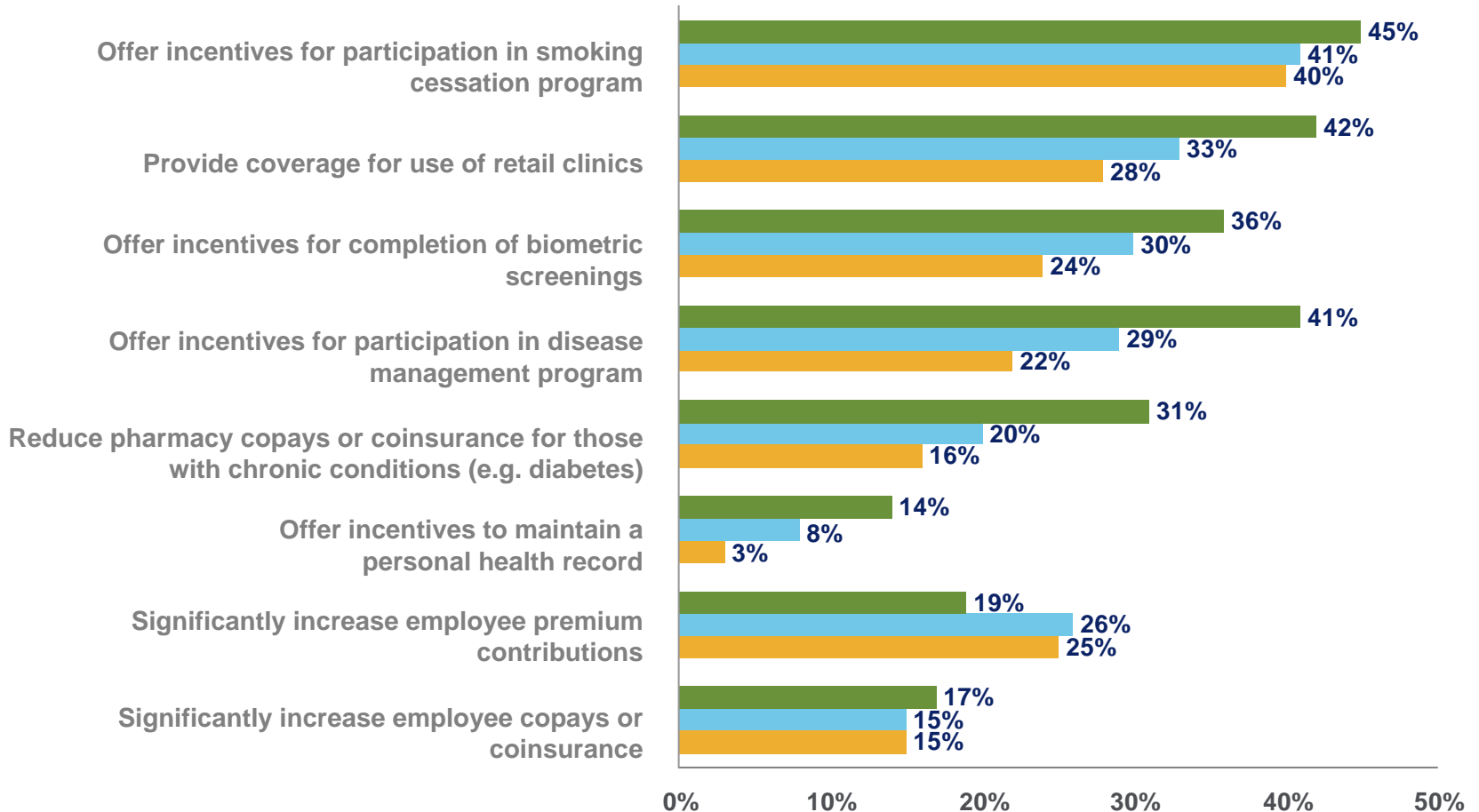
...and have exceeded all other companies in five key areas

Key drivers of best and consistent performers

Consistent performers use financial incentives much more than do poor performers.

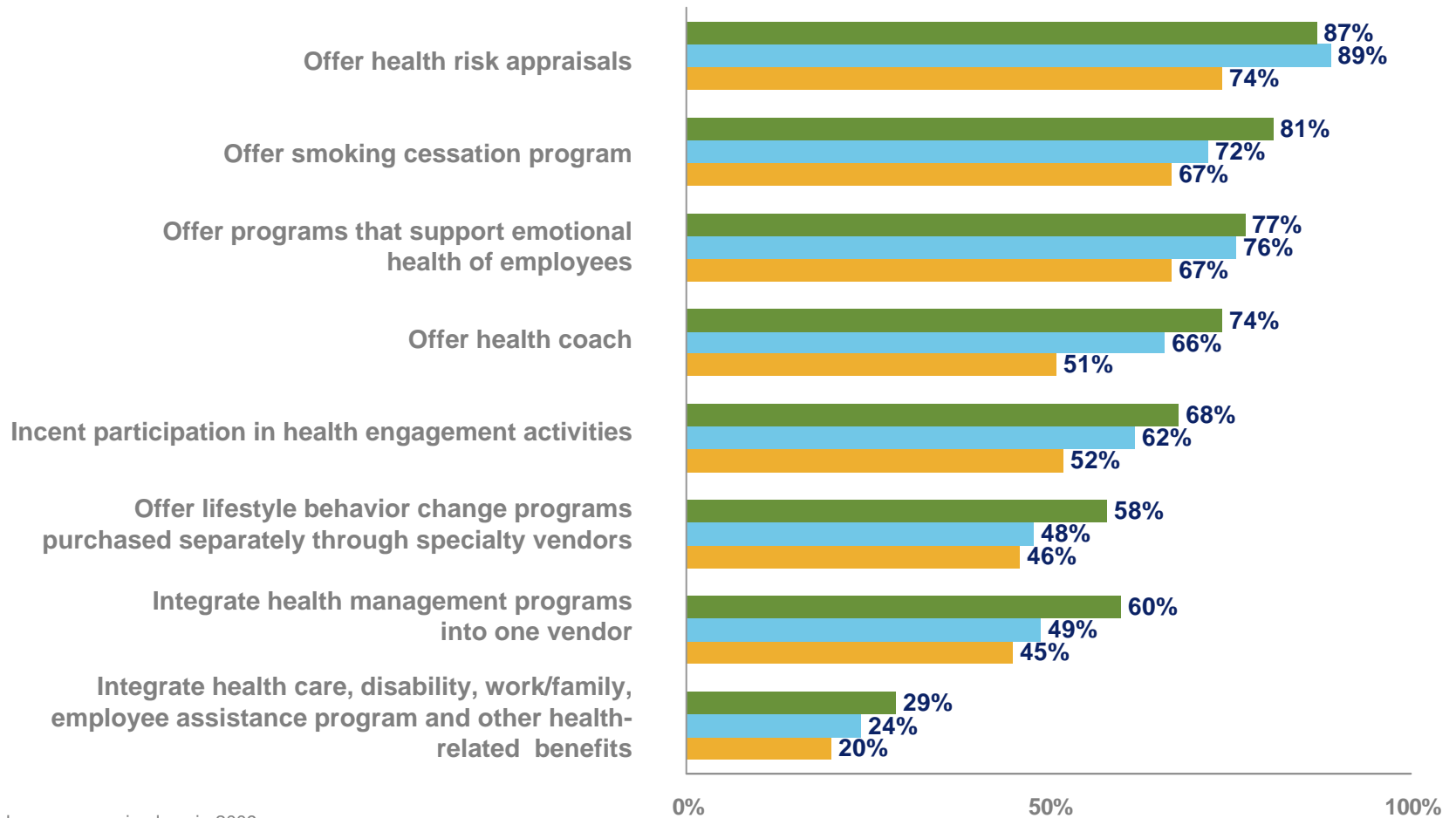


Employers are using financial incentives to encourage participation in wellness programs



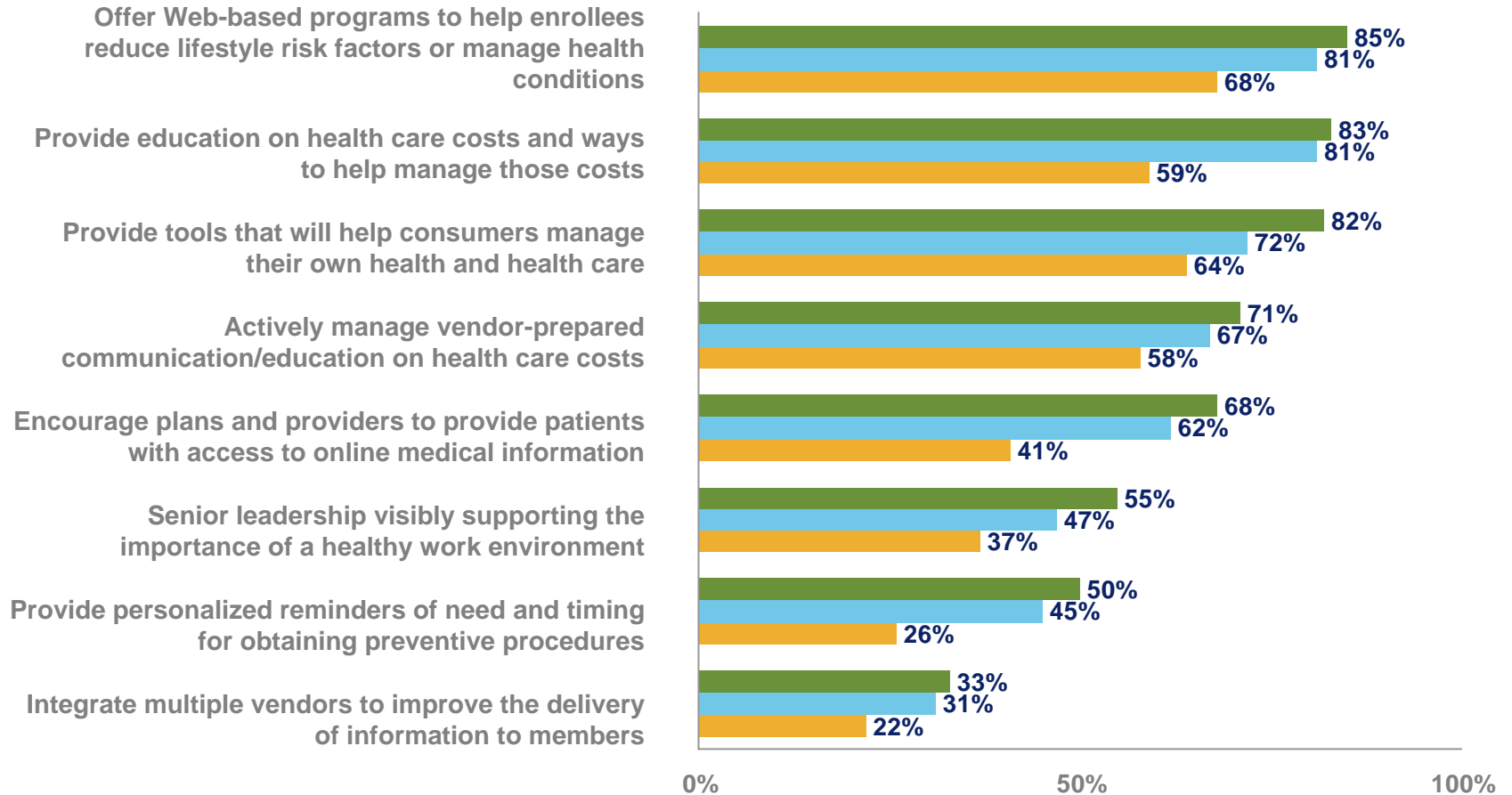
Note: Based on programs in place in 2009.

Health and productivity – all companies

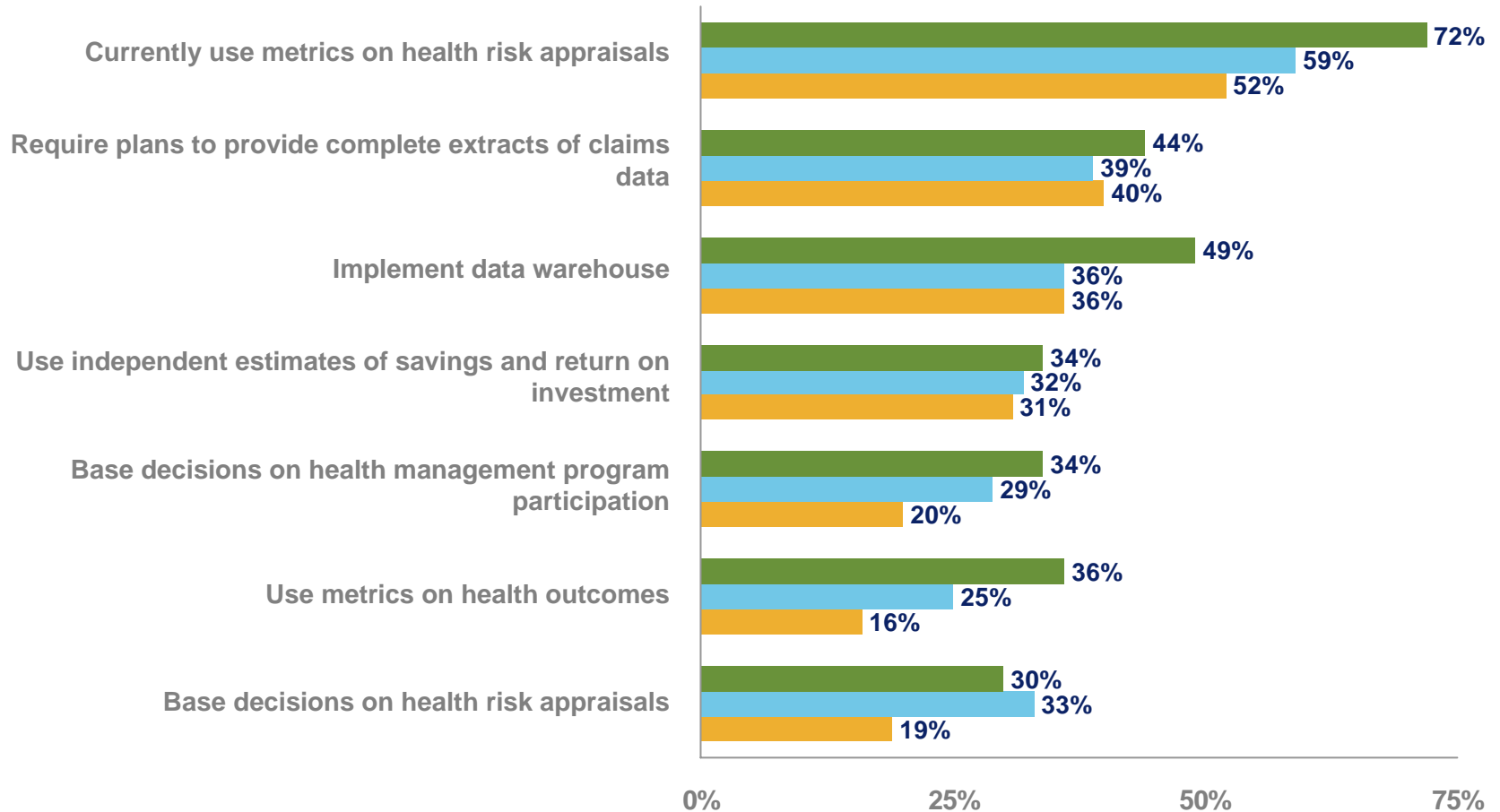


Note: Based on programs in place in 2009.

Effective information delivery – all companies

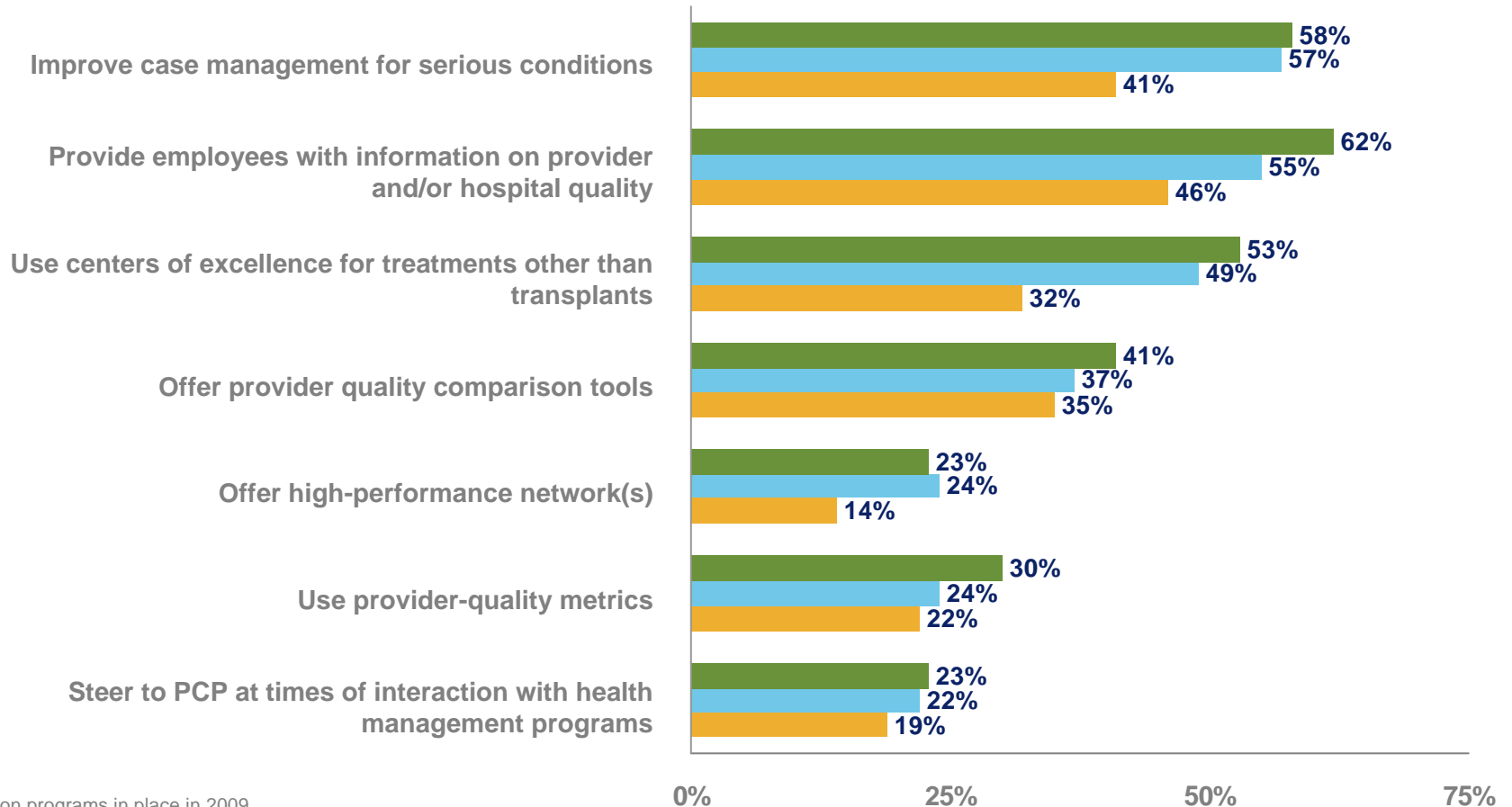


Health metrics – all companies



Note: Based on programs in place in 2009.

Quality of care – all companies

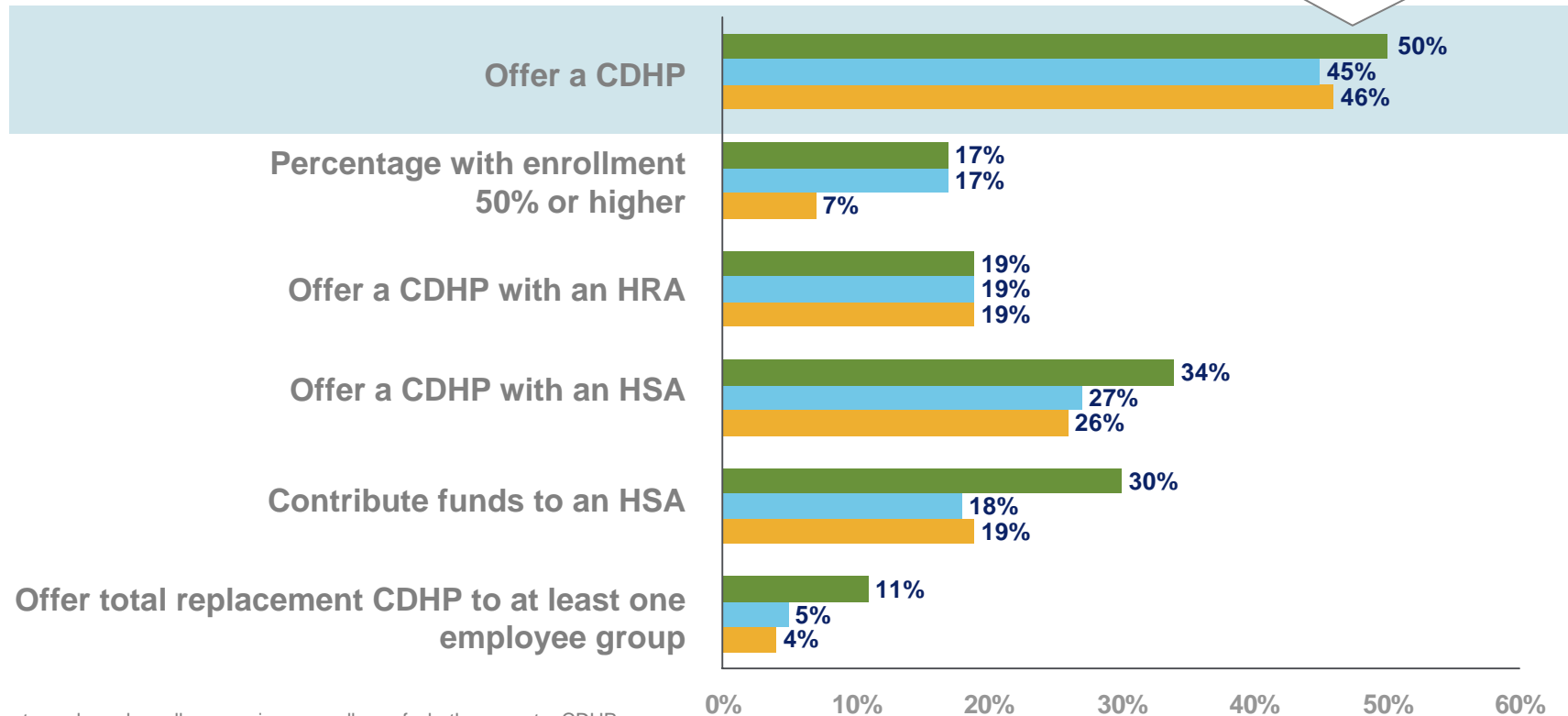


Note: Based on programs in place in 2009.

Consistent performers are also more likely to support HSAs in conjunction with CDHPs

CDHP offerings and enrollment

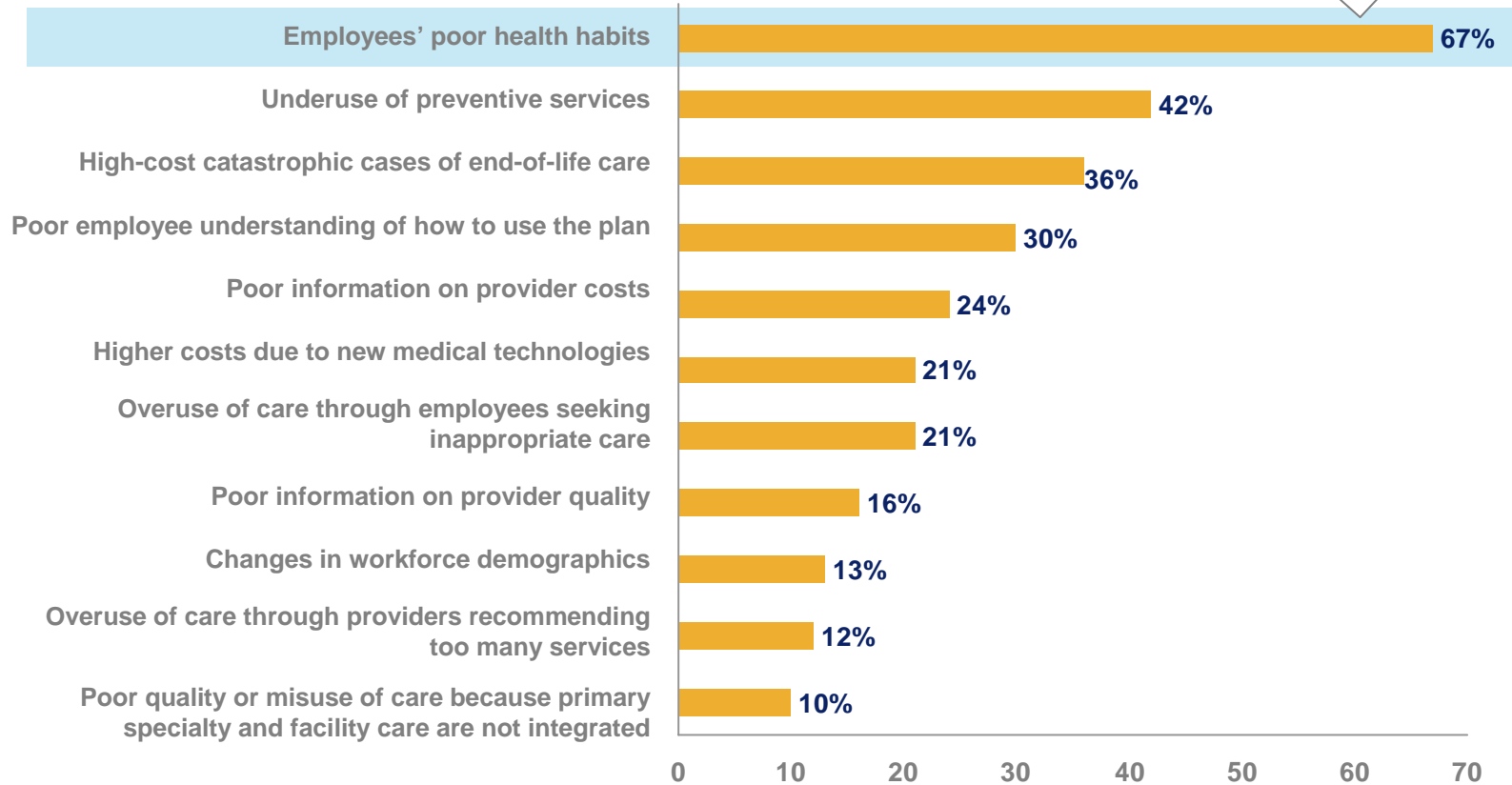
Consistent performers are more likely to offer a CDHP with an HSA and contribute funds to an HSA.



Note: Percentages based on all companies, regardless of whether or not a CDHP is offered, for programs in place in 2009.

Top challenges employers face to maintain affordable benefit coverage

Poor health habits are biggest challenge by a wide margin.



Note: Companies were asked to identify their top three challenges.

Programs and strategies on the rise ...

Programs	2007	2008	2009	PERCENTAGE POINT CHANGE (2007 TO 2009)	RATIO OF USAGE	
					BEST TO POOR	CONSISTENT TO POOR
Offer personal health records	24%	37%	40%	▲16%	1.3	1.4
Offer health coach	44%	47%	56%	▲12%	1.1	1.2
Encourage plans and providers to provide patients with access to online medical information	42%	44%	54%	▲12%	1.2	1.4
Use hard-dollar return-on-investment calculations as part of decision making	31%	34%	41%	▲10%	1.2	1.3
Integrate health care, disability, work/family, employee assistance program and other health-related benefits	19%	19%	27%	▲8%	1.5	1.3
Offer health risk appraisals	72%	83%	80%	▲8%	1.1	1.2
Use centers of excellence for other than transplants	37%	40%	44%	▲7%	1.3	1.5
Use lost workdays metrics	11%	18%	17%	▲6%	1.1	1.3
Implement carved-out specialty pharmacy from medical plan	41%	42%	46%	▲5%	1.2	1.1
Base decisions on health outcome metrics	10%	9%	14%	▲5%	1.4	1.8
Implement data warehouse	37%	41%	40%	▲4%	1.2	1.3

... and on the slide are key differentiators between best and consistent performers and poor performers

Programs	2007	2008	2009	PERCENTAGE POINT CHANGE (2007 TO 2009)	RATIO OF USAGE	
					BEST TO POOR	CONSISTENT TO POOR
Significantly increase employee premium contributions	25%	24%	23%	▼-2%	0.7	0.8
Currently use provider-quality metrics	25%	30%	23%	▼-2%	1.0	1.2
Restrict eligibility	18%	20%	16%	▼-2%	1.6	1.1
Provide employees with health care service unit price information	22%	23%	20%	▼-2%	1.1	1.1
Significantly increase employee copays or coinsurance	20%	15%	16%	▼-3%	1.0	1.2
Currently use vendors' estimates of savings and ROI	72%	67%	66%	▼-6%	1.0	1.0

Financial incentives are most effective at encouraging completion of appraisals and biometric screenings

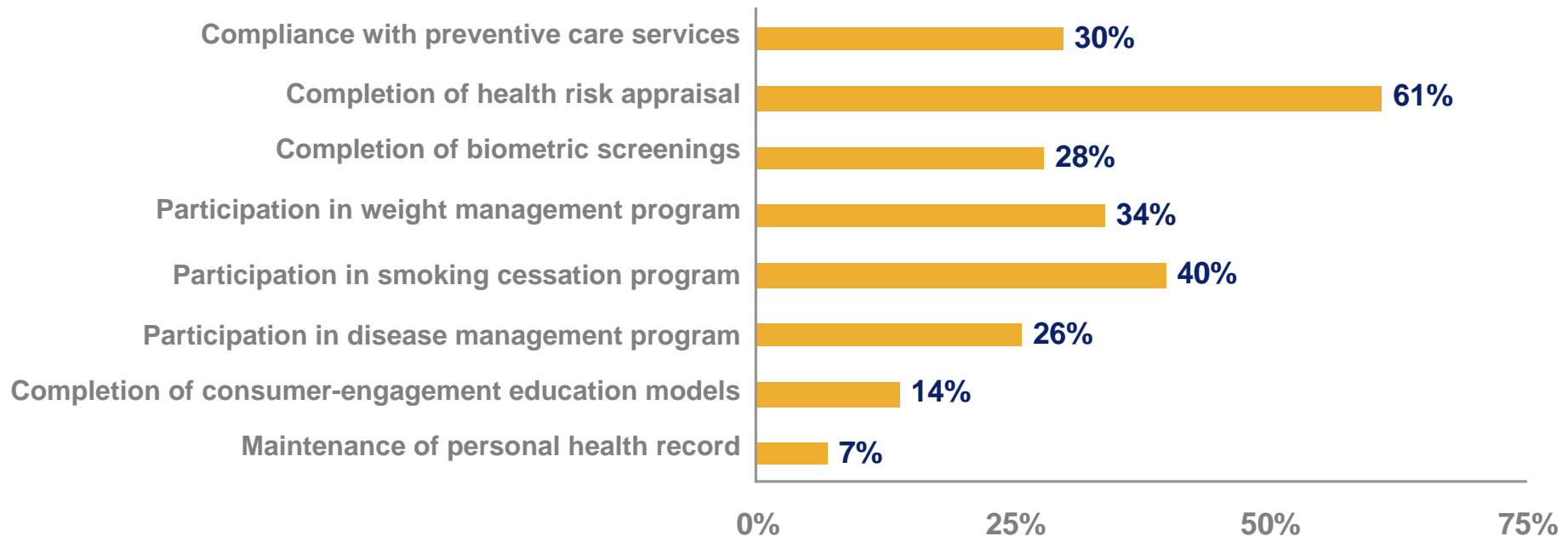
Percentage with high program participation by incentives offered

	PERCENTAGE OF COMPANIES WITH HIGH PROGRAM PARTICIPATION		RATIO OFFER TO DON'T OFFER	DEFINITION OF HIGH PROGRAM PARTICIPATION*
	OFFER INCENTIVES	DON'T OFFER INCENTIVES		
Compliance with preventive care services	21%	13%	1.5	+50%
Completion of health risk appraisal	38%	4%	8.4	+50%
Completion of biometric screenings	70%	16%	4.3	+21%
Participation of weight management program	36%	16%	2.3	+6%
Participation in smoking cessation program	24%	12%	2.1	+6%
Participation in disease management program	29%	19%	1.5	+11%
Completion of consumer-engagement education models	49%	18%	2.7	+6%
Maintenance of personal health record	54%	13%	4.2	+6%

*The definition of "high program participation" roughly equals the top quartile for all companies and doesn't denote a best practice participation level.

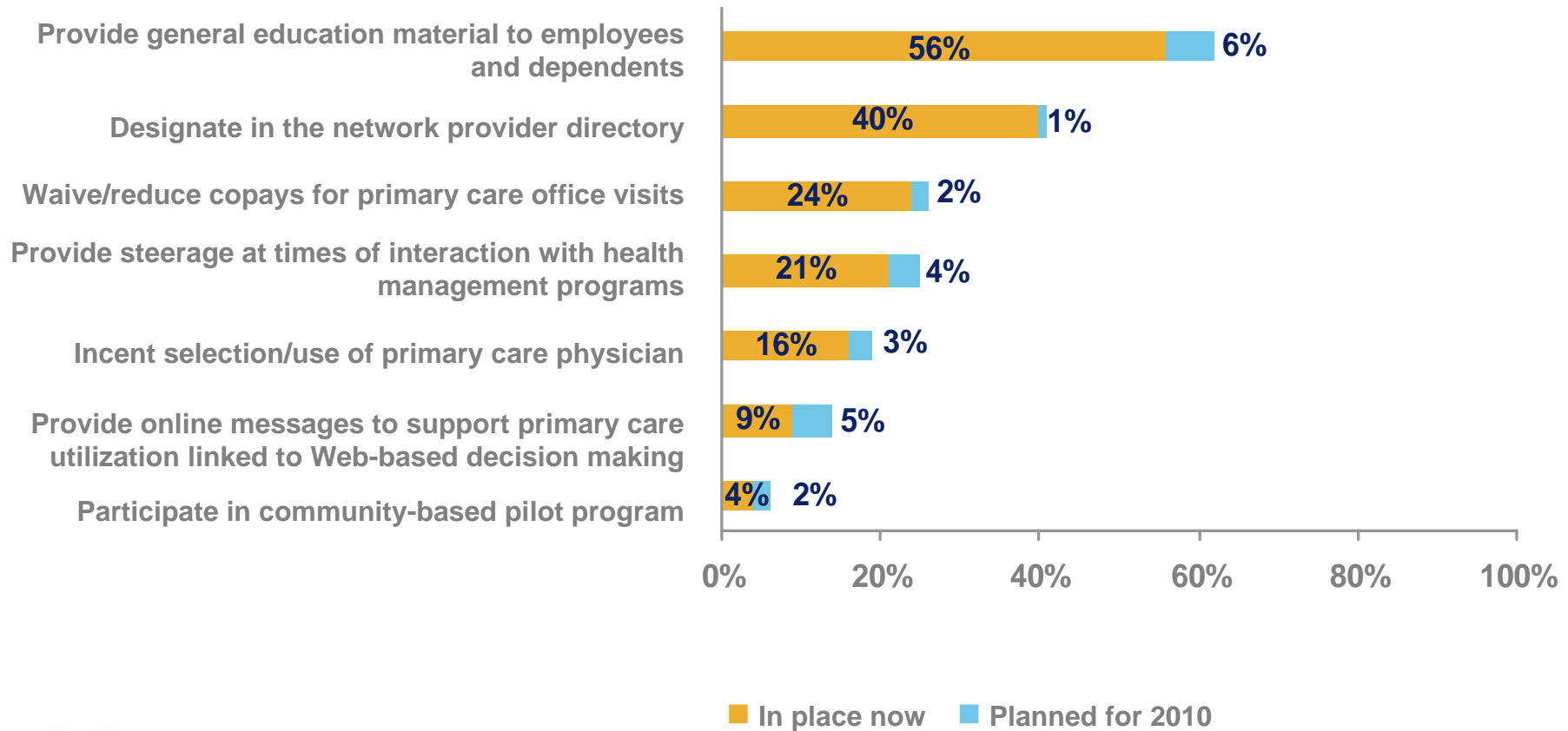
Many companies are using financial incentives to boost participation in wellness programs

Percentage of companies offering financial incentives in wellness programs



Efforts by employers to promote primary care are starting to emerge

Strategies for promoting primary care



Takeaways for employers

- It's possible to stabilize health care spending, and consistent performers are leading the way
- Appropriate use of tactics in five areas drives best performance
 1. Effective use of financial incentives
 2. Effective information delivery
 3. Emphasis on high-quality care
 4. Use of data and evidence
 5. Maximizing health improvement
- Many best-performing companies have adopted CDHPs, but for most, this is just one component of a larger consumer-oriented model
- Increasing CDHP enrollment is key to moderating cost trends
- Financial incentives drive participation in lifestyle management and wellness initiatives

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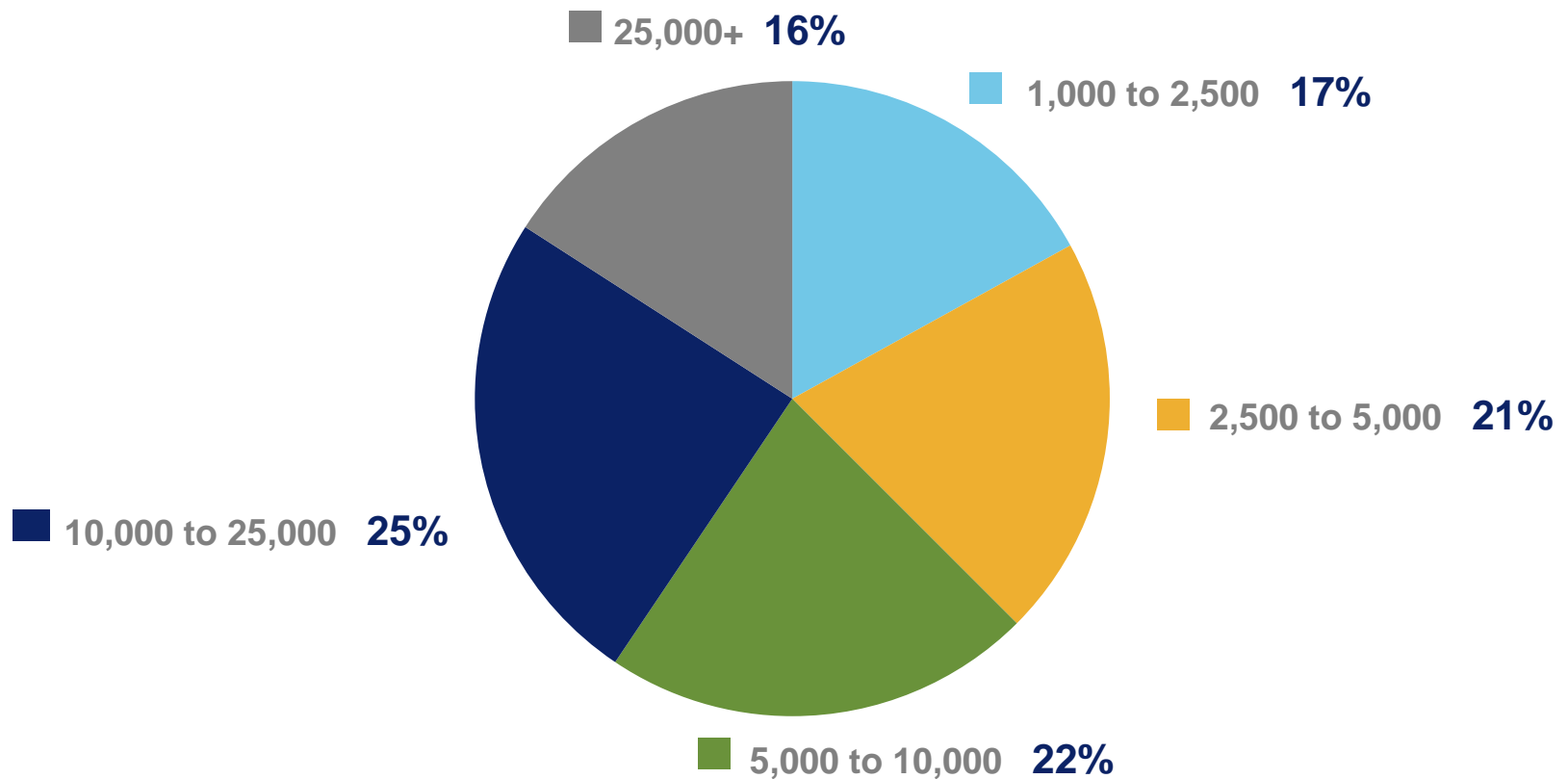
The Keys to Continued Success: **Lessons Learned From Consistent Performers**

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Employer Health Care Survey

Appendix

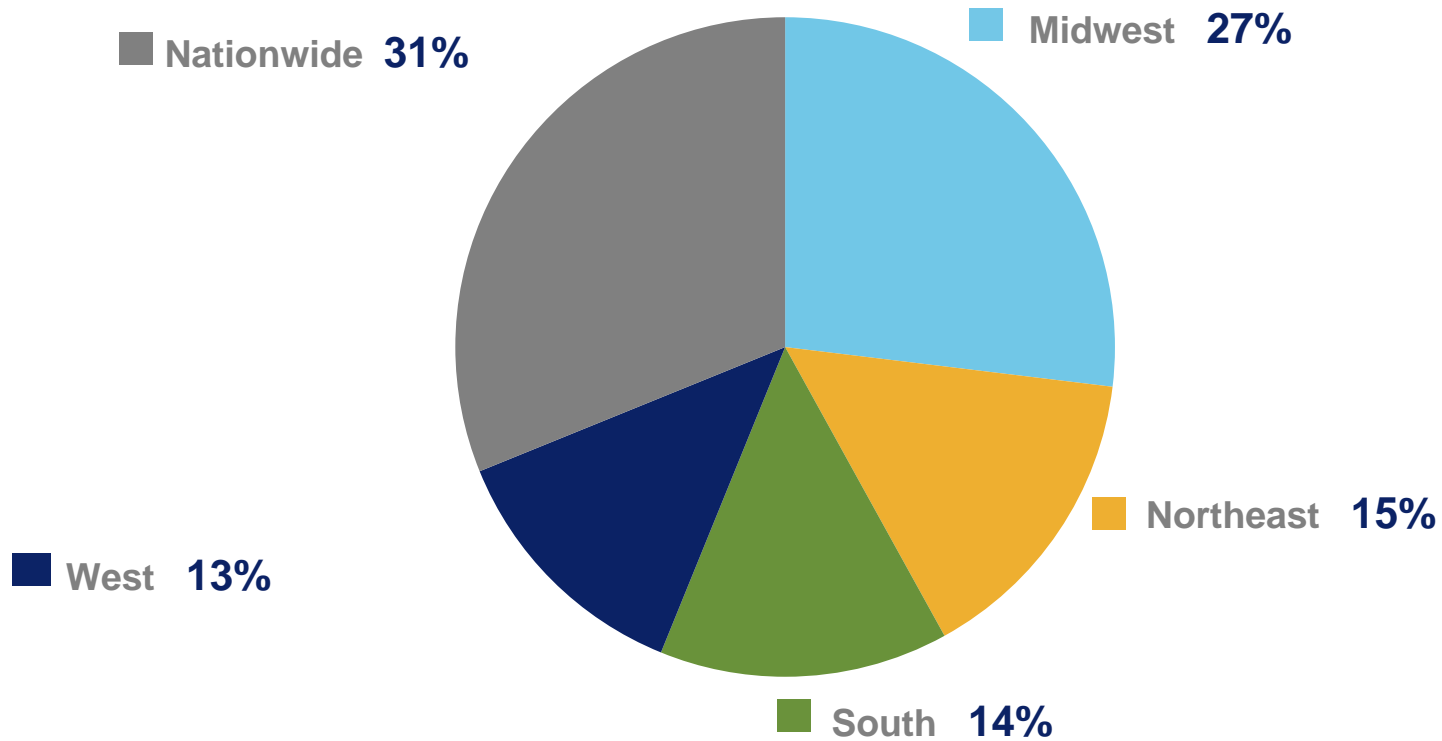
Survey of 489 large employers ...

Number of full-time employees



... that provide benefits to workers across the United States ...

Region where the majority of benefit-eligible workforce is located



... representing many industry groups

Industry groups

	PERCENTAGE OF COMPANIES	MEDIAN TWO-YEAR TREND	MEDIAN PEPY FOR 2008
Finance, Insurance and Real Estate	12.7%	6.0%	\$6,663
General Services	5.3%	7.4%	\$6,028
Government	5.1%	7.3%	\$8,377
Health Care	13.9%	6.6%	\$7,502
Information Technology & Telecommunications	14.5%	4.6%	\$7,891
Manufacturing	28.4%	5.1%	\$7,131
Utilities/Energy	8.0%	6.3%	\$7,789
Wholesale & Retail	12.1%	6.0%	\$5,651
All	100%	6.0%	\$7,173

Note: Health care cost trends and PEPY costs represent total medical and pharmacy benefits expenses, including company contributions to medical accounts and administration costs.

Organizations with national workforces report lowest annual cost per employee at \$6,786 and lowest trend at 5.2% in 2008

PEPY costs and trends in 2008

Companies with national workforces report lowest annual PEPY costs and trends.

