

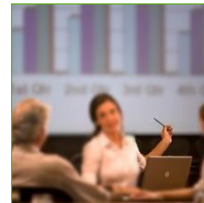
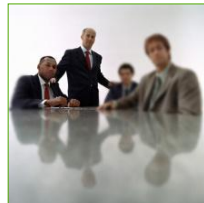
April 19, 2011

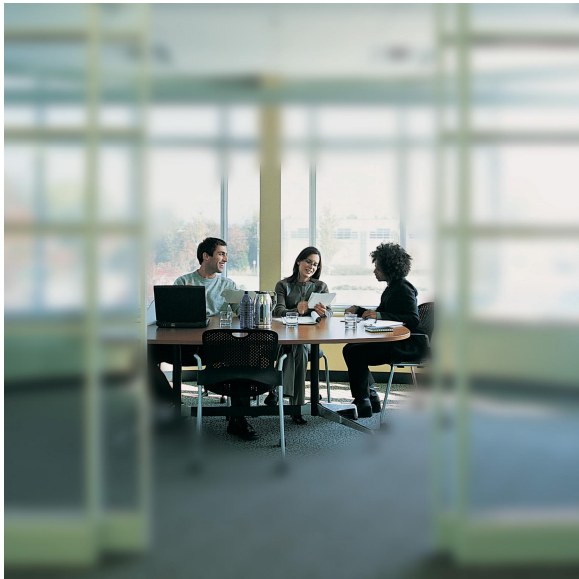
Phase I Health & benefits wellness & productivity planning session

Renee Balsiger, Portland, OR

Purpose of our meeting and agenda

- Purpose
 - To jointly explore **Washington County's** wellness landscape/current practices and gain agreement on most appropriate program direction
- Agenda
 - The business case for wellness
 - Employer discovery questions
 - Wellness program models and best practice elements
 - Next steps



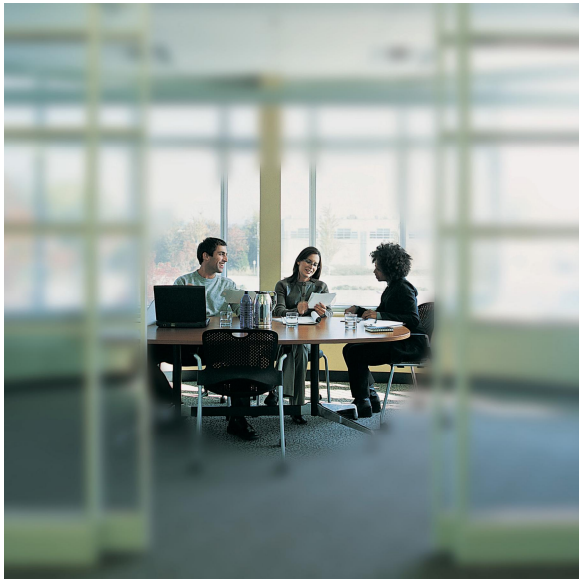


What is wellness?

What is wellness?

It can be any of the following:

- Social involvement and support
- Physical health
- Emotional health and well-being
- Intellectual growth and development
- Spiritual foundation and reference
- Related to:
 - Health care costs
 - Productivity, presenteeism & quality
 - Employee satisfaction
 - Workers' Compensation costs
 - Teamwork, innovation and creativity



Employer discovery questions

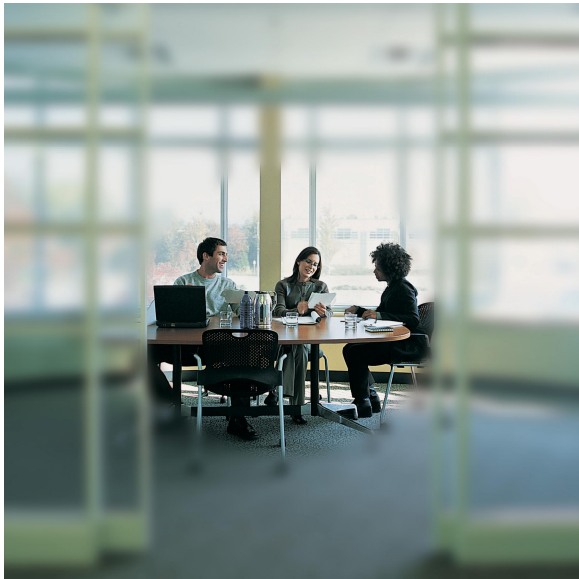
Employer discovery questions (sample questions)

- Company locations and work performed there
- How is the company organized/structured? Centralized or decentralized decision-making?
- What are the top 3 or so business challenges for you/the company overall currently and over the next 3 years or so?
- Have you been doing anything in the wellness area within the company?
- Why are you interested in pursuing wellness and productivity?
- What business issues are you trying to address?
- How will you know if you're successful?
- What are the goals of your wellness program?
- Do you have a formal strategy documented?
- Have you been successful? If yes, how do you know? If no, why do you say that?
- Do you have any data/information to illustrate success? If yes, please describe. If not, what data/information would illustrate success for you?



Employer discovery questions (sample questions)

- What would you envision the program looking like in the future?
- Do you have adequate senior leadership support to get to where you want to be? If not, what is needed to gain buy-in?
- Do you have adequate budget/funding to continue in the proposed direction? If no, what is needed to gain additional resources? If yes, how much do you budget each year? Where does the funding come from?



The business case for wellness

The business case for wellness

The problem continues

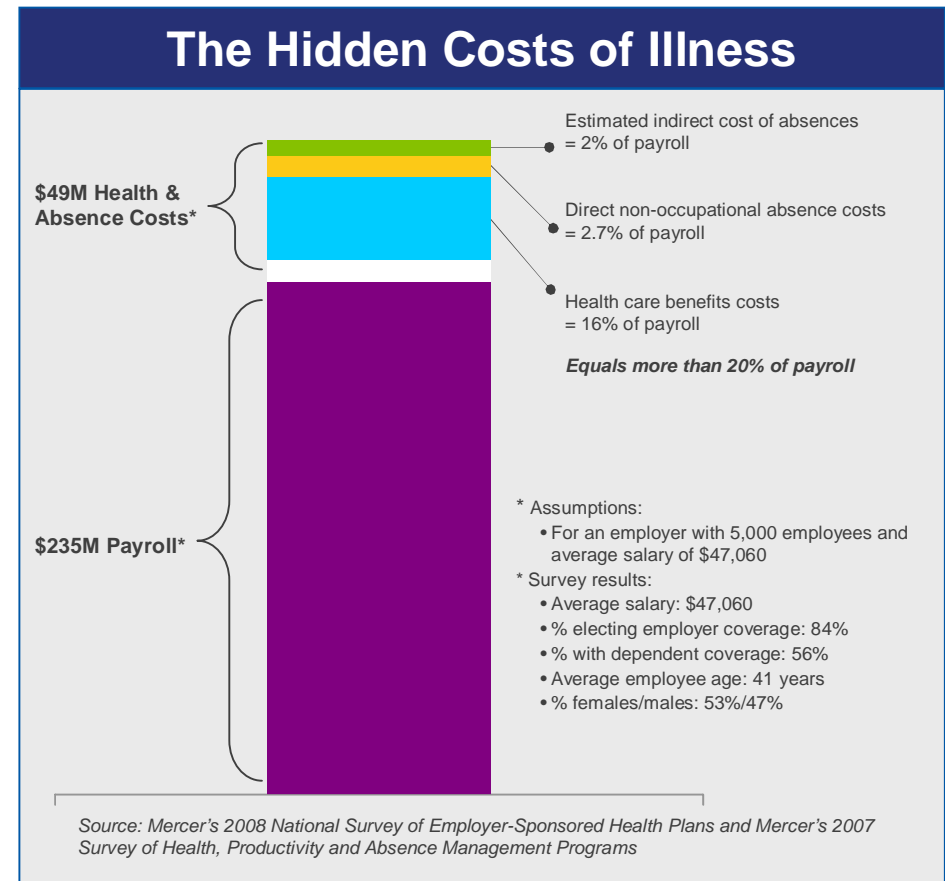
- Benefit costs are still rising, even with managed care and cost shifting
- Aging workforce – each year a person ages adds 2.5%-3.0% in medical costs, while also driving disability incidence
- Pressures to control cost and enhance productivity are increasingly important factors
- Associates and families are isolated from the true costs of healthcare
- Most people lack the skills to successfully navigate the system once diagnosed with an illness
- In most employer groups:
 - 20% of the members incur 80% of the healthcare costs
 - 3% to 5% of the members are responsible for 50% to 60% of the costs
 - Those with risk factors, (e.g., smoking, obesity, inactivity) can cost 10% to 70% more than those not at risk
- On average, 50% of people with a chronic disease do not comply with their treatment plan resulting in disease progression and increased use of healthcare resources

The business case for wellness

Framework for wellness

- A wellness and productivity strategic framework utilizes best practices in:
 - Design
 - Stakeholder engagement
 - Integration and
 - Performance
- This framework provides a validated *system* that:
 - Creates a sustainable culture of health
 - Facilitates employee behavior change
 - Reduces cost associated with poor health
 - Reduces cost and impact of absence

**Wellness & Productivity results
in 1 – 2 percent payroll cost
savings**



The business case for wellness

- Potential health care cost trend impact (health improvement)

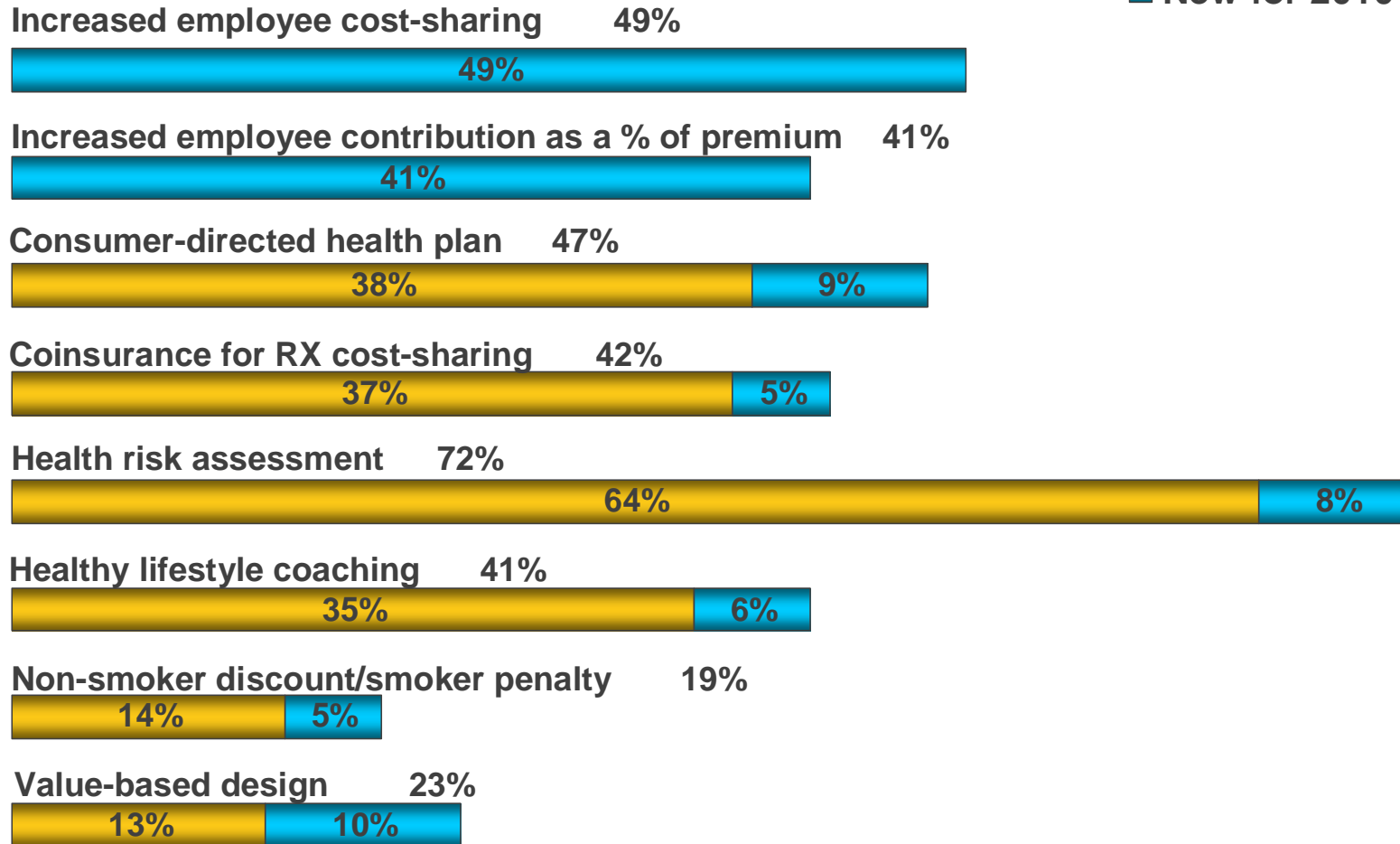
<i>Plan Design Change or Value</i>	<i>Year 1 Impact</i>	<i>Year 2 Impact</i>	<i>Future Year Impact</i>
Health Risk Assessment (with/without screening)	0%	0%	0%
HRA plus Behavior Modification	0% - 0.5%	0.5% - 1.25%	0.75% - 2.0%
Integrated Solution (Savings by bundling HRA, Behavior Modification, Health Campaigns, etc.)	0% - 0.5%	1.0% - 2.0%	1.5% - 3.0%

- Potential health care cost trend impact (care management)

<i>Plan Design Change or Value</i>	<i>Year 1 Impact</i>	<i>Year 2 Impact</i>	<i>Future Year Impact</i>
Disease Management	0.5% - 1.25%	0.5% - 1.75%	1.0% - 2.0%
Maternity Management			
Case Management	0.75% - 1.5%	0.75% - 1.5%	0.75% - 1.5%
Utilization Management			
Integrated Solution (Additional savings through management of above)	1.5% - 2.75%	1.5% - 3.5%	2.0% - 4.0%

Top cost-management strategies for large employers in 2010

■ Used in 2009 or earlier
■ New for 2010



Source: Mercer Client Pulse Survey 2010

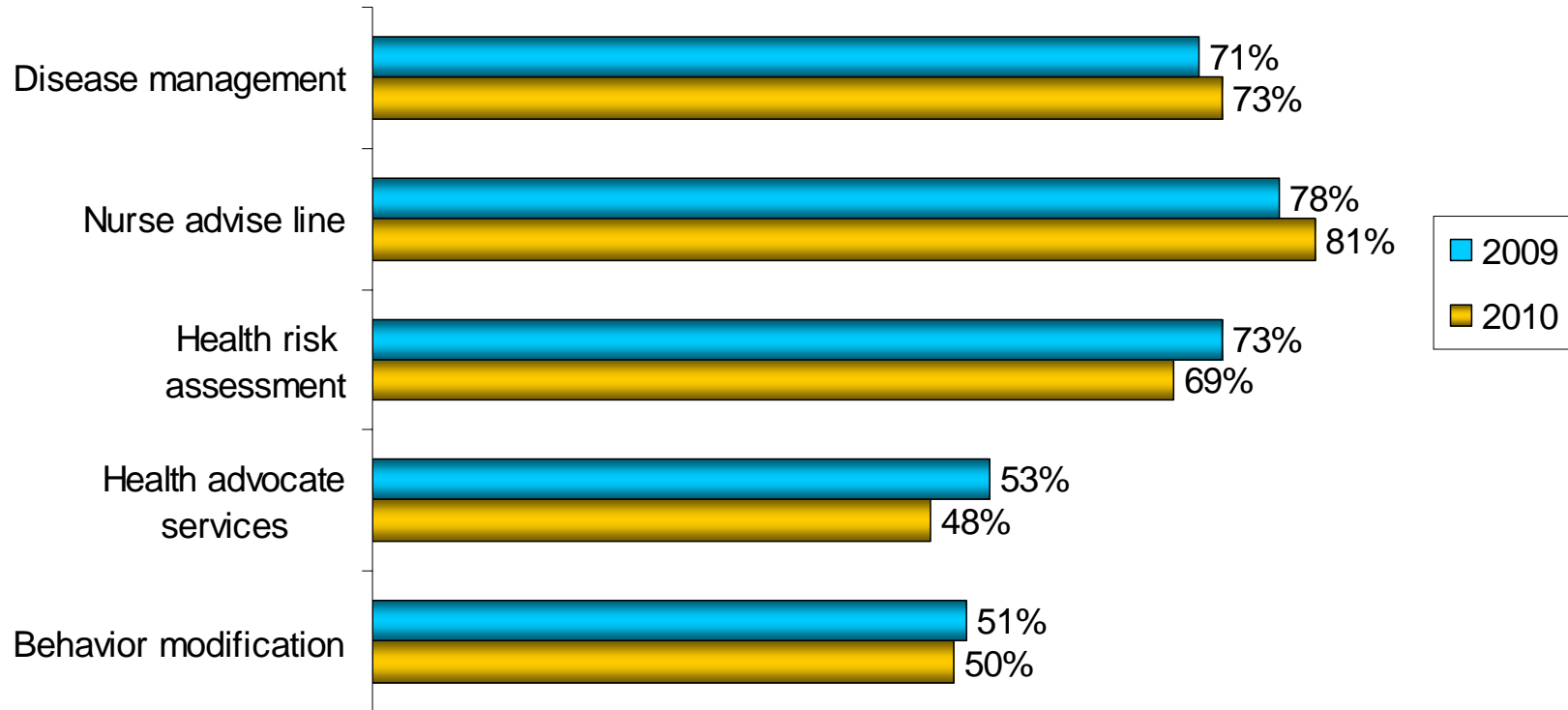


Employers with more intensive health management programs have reported lower annual cost increases, on average, for two years

- Employer groups compared:
 - Offer only the standard health management services provided by the health plan or no health management services at all
 - Offer some optional health management services through the health plan, and/or contract with a separate specialty vendor to provide health management services to employees
- Compared the average health plan cost increase for 2010
- The average increase for the group offering more intensive health management was more than two points lower than the average for the less intensive group.
- Results using last year's survey data were similar, providing some validation of the methodology

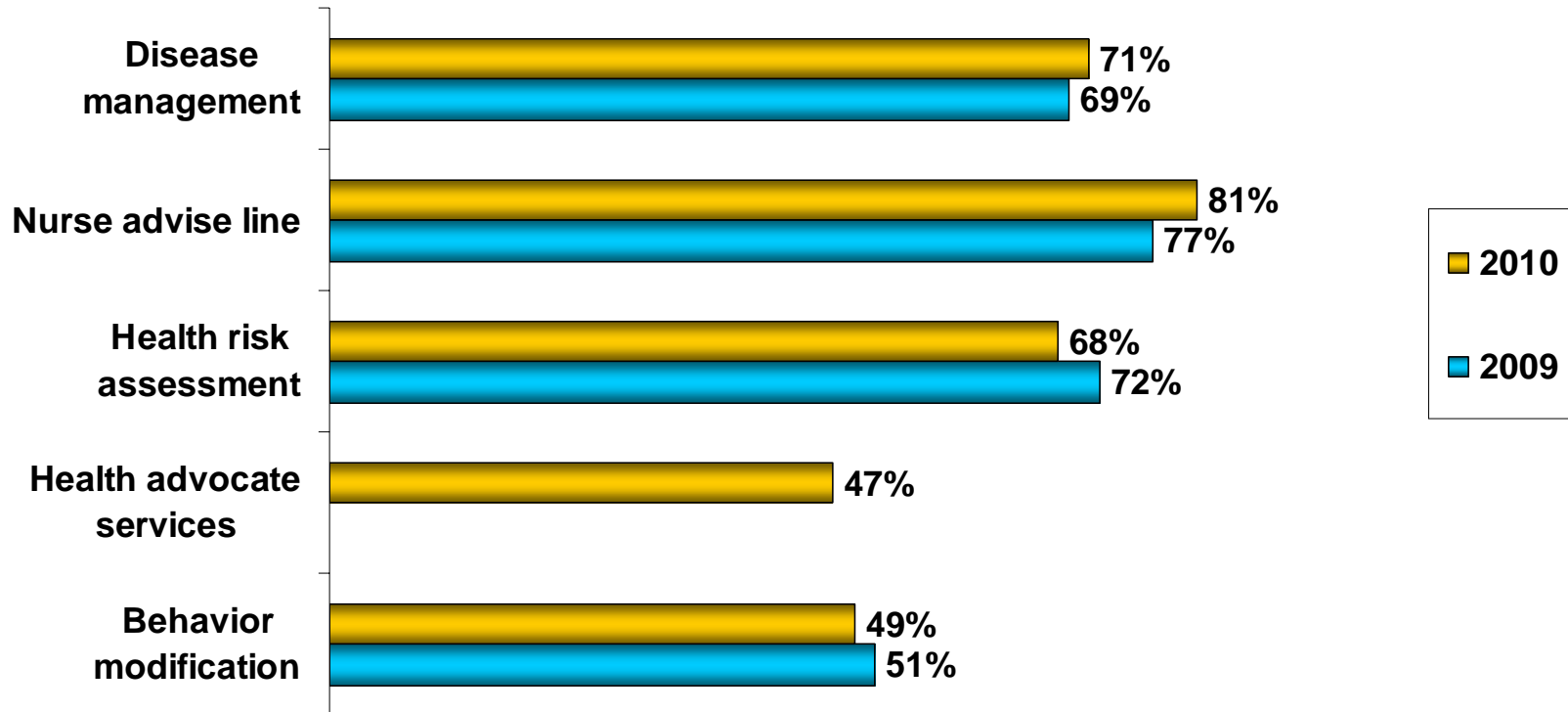
Use of health management programs

Percent of employers offering programs (500+)



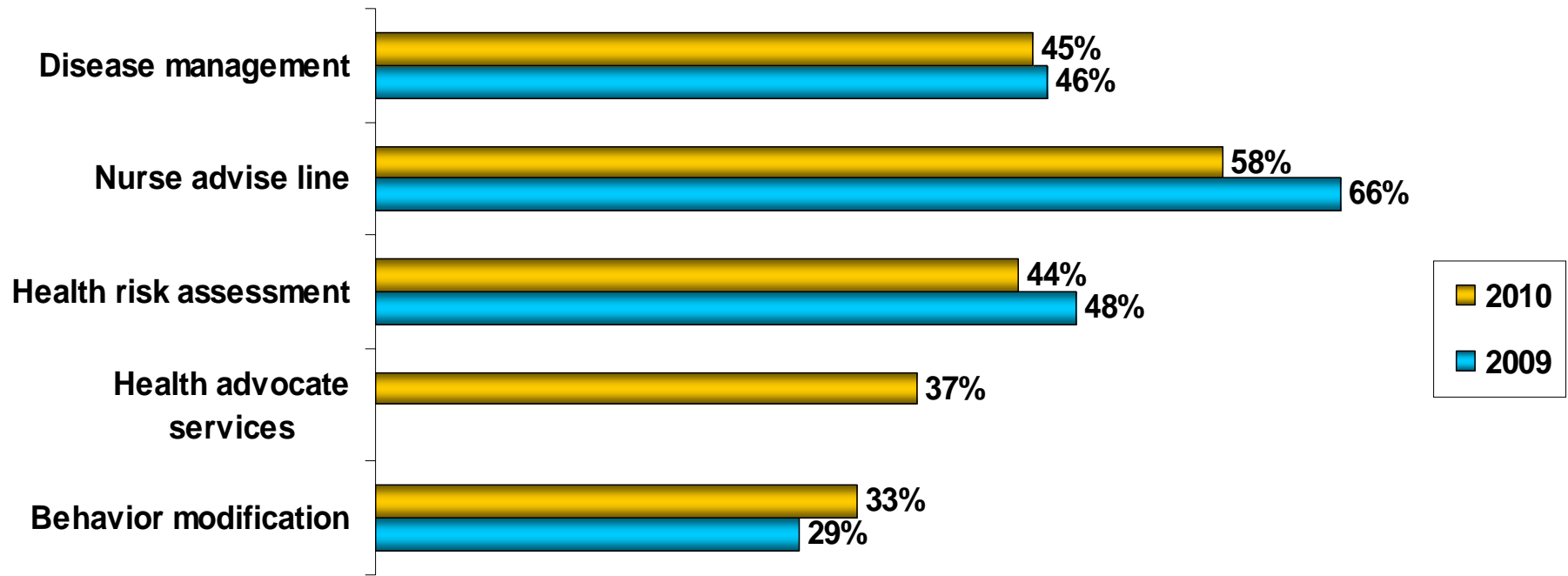
Use of health management programs

Percent of midsize employers offering programs (500-4,999)



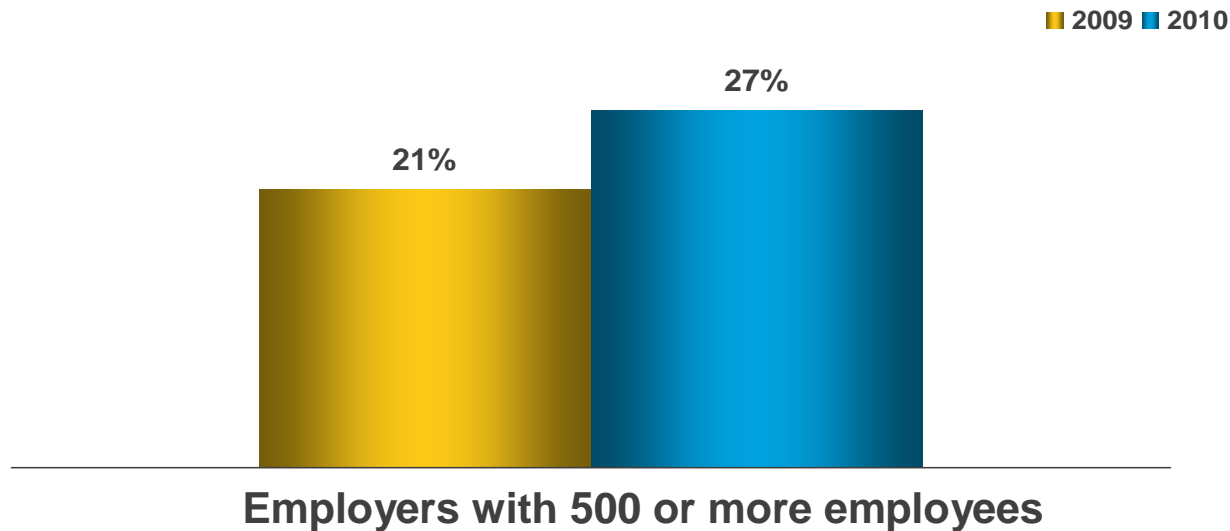
Use of health management programs

Percent of small employers offering programs (50-499)



More employers offering incentives to boost employee participation in wellness / health management programs

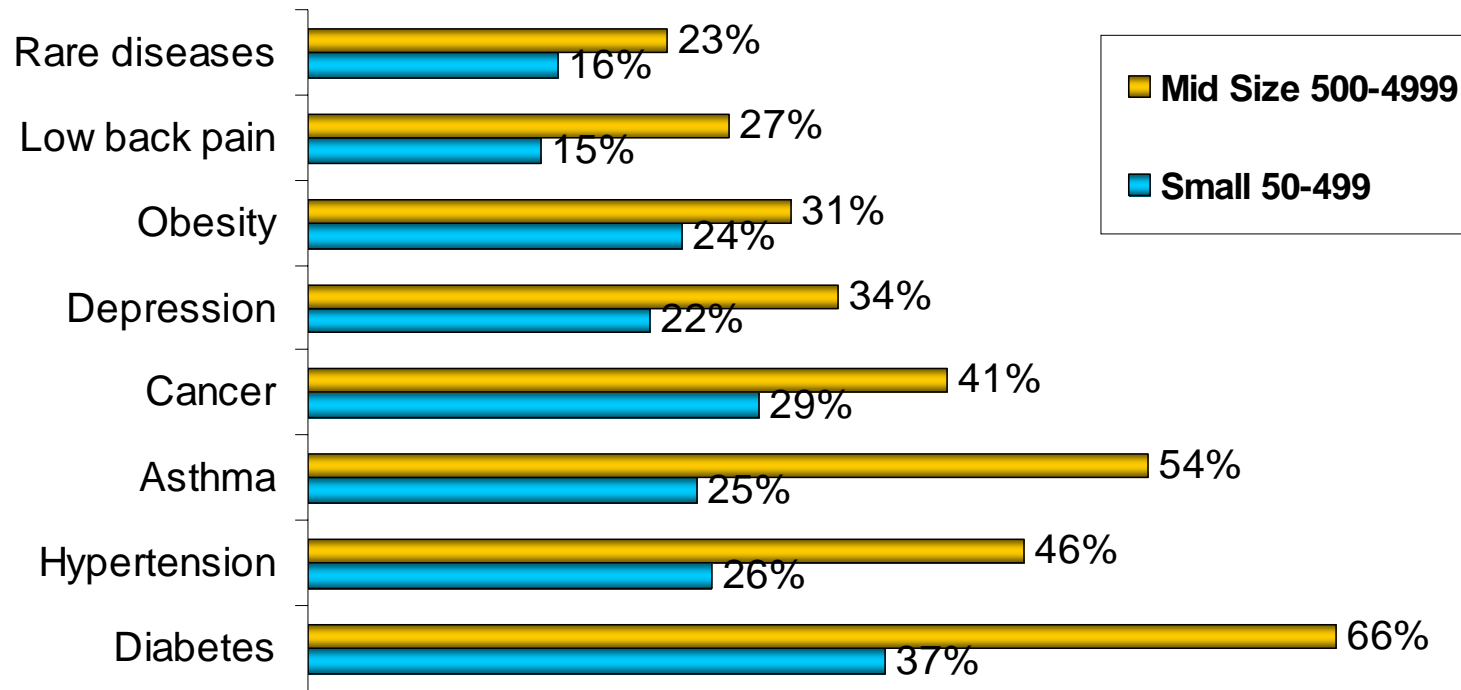
For a second year in a row, medical plan cost increases in 2010 were lower among employers with extensive health management programs than among those employers offering limited or no health management programs.



But cost savings are only possible if employees choose to participate in the programs, so in 2010 more employers added incentives or penalties to encourage higher participation rates: 27% of large employers with health management programs provided incentives, up from 21% last year. In addition, the incentives are becoming more substantial.

Disease Management Programs

Fewer of the small employers are using these programs but these numbers are growing.



Special Attention Being Paid to Incentives by Large Employers...

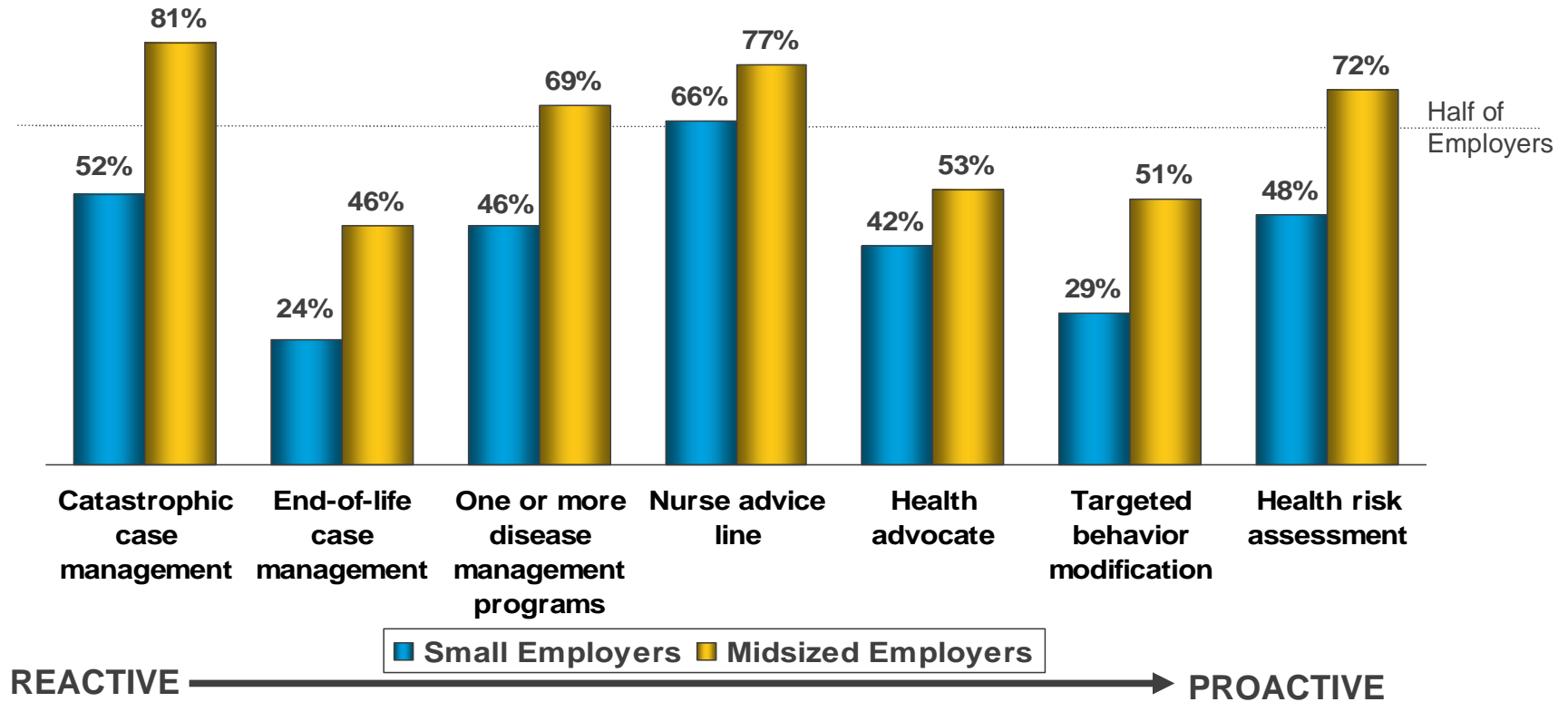
Do you use an incentive to build program engagement?

	Large Employers
Provide incentive for completion of health risk assessment	31%
Average cash value of incentive	\$125
Provide incentive for participating in disease management program	10%
Provide incentive for participating in behavior modification program	18%

Health & disease management programs are now the norm

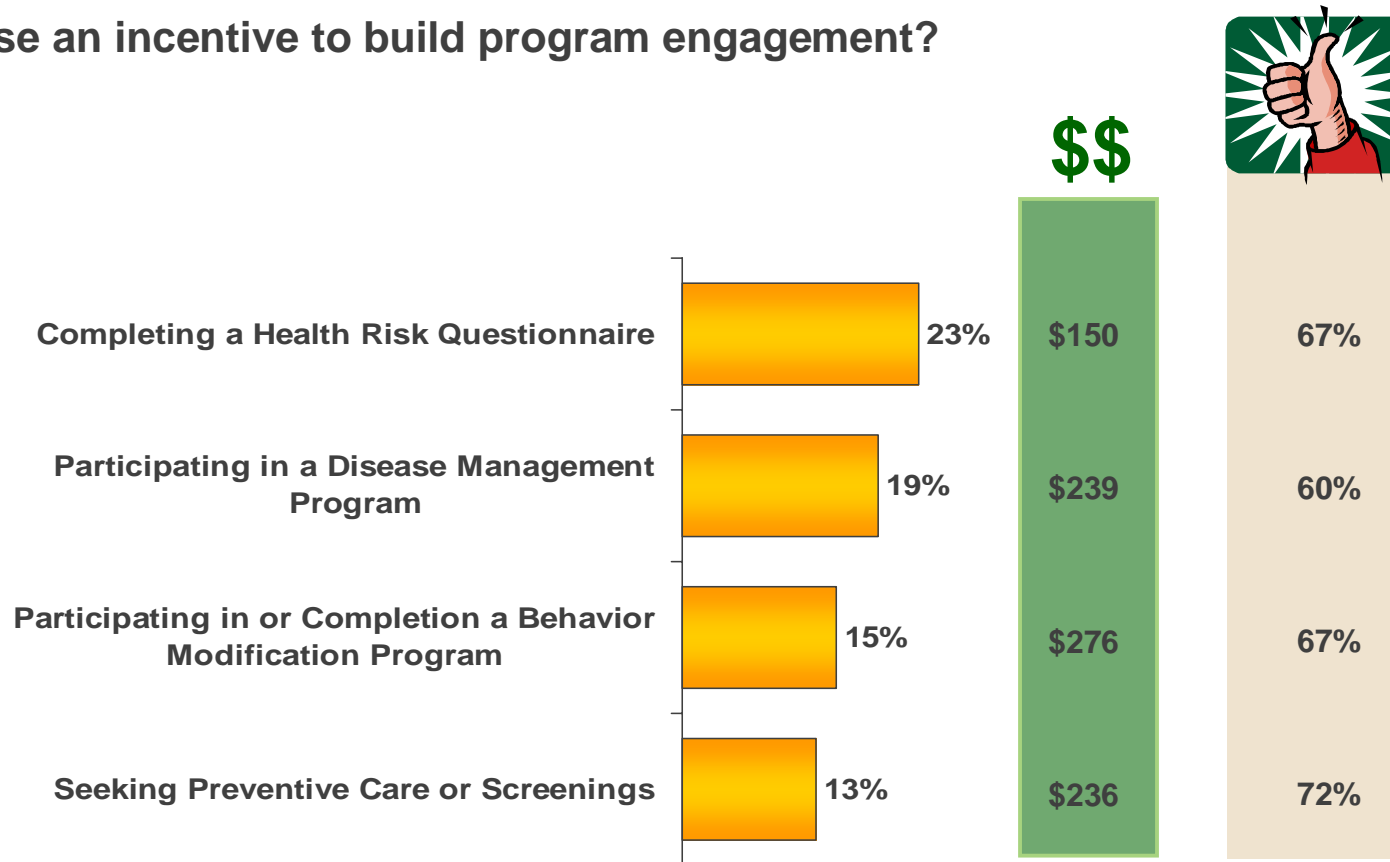
Addressing the full range of health management needs

Percent of Smaller Employers offering programs in 2009



Special attention being paid to incentives by large employers

Do you use an incentive to build program engagement?



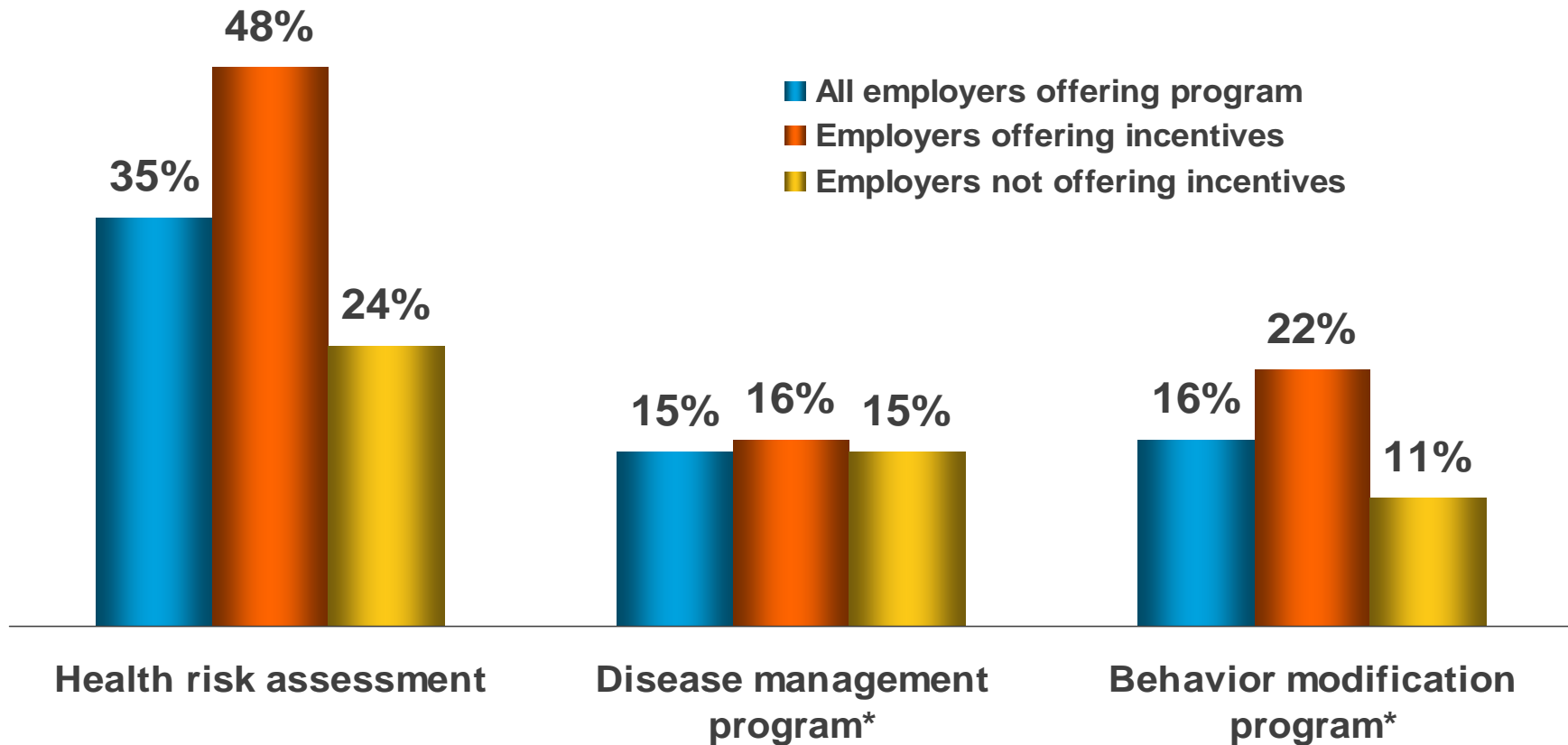
\$\$ Average value of incentive



Incentive successfully increased participation

Average participation rates for health management programs, among large 500+ employers

Percent of eligible employees / identified persons participating in program

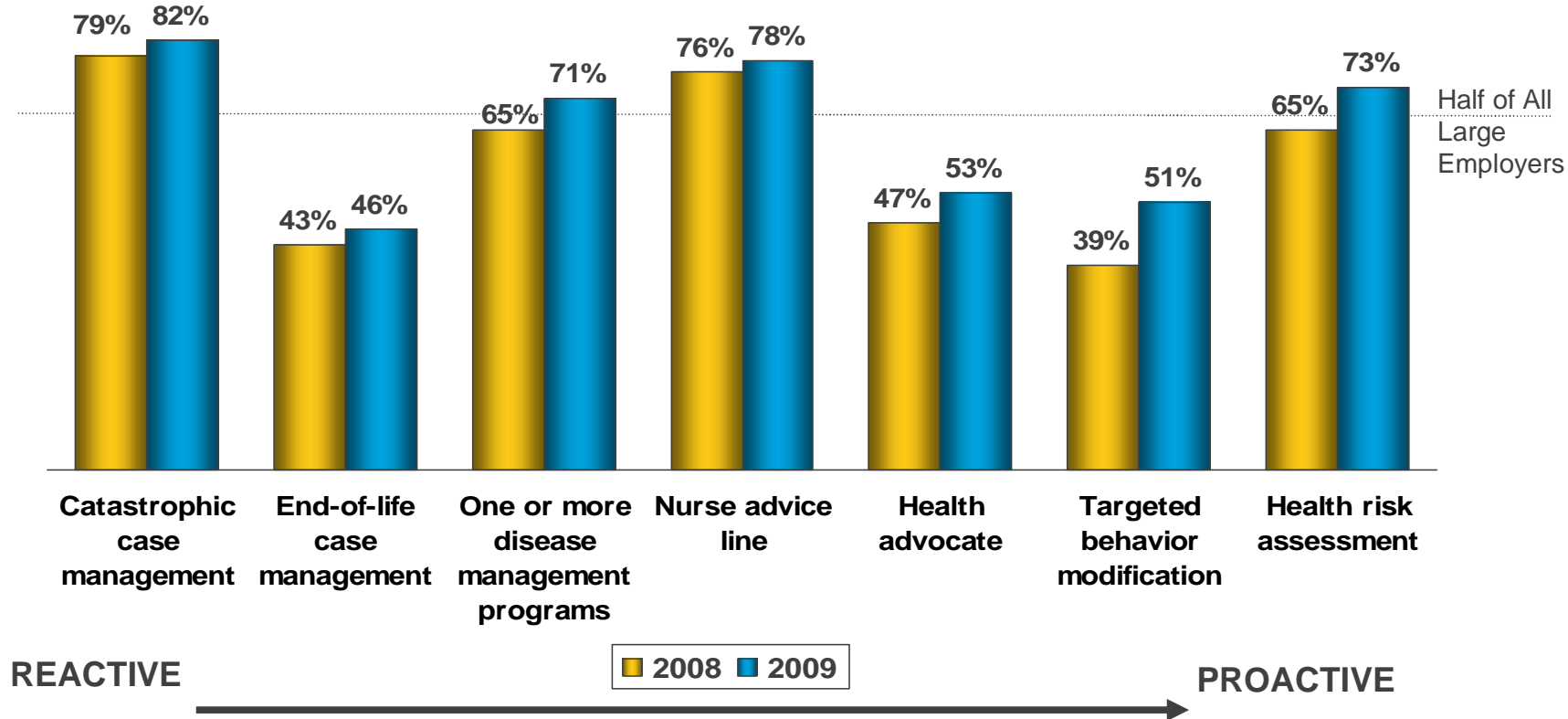


*Percentage of identified persons actively engaged in program

Health & disease management programs are now the norm

Addressing the full range of health management needs

Percent of Large Employers offering program





Employers' point of view: How appropriate are certain "engagement influencers"

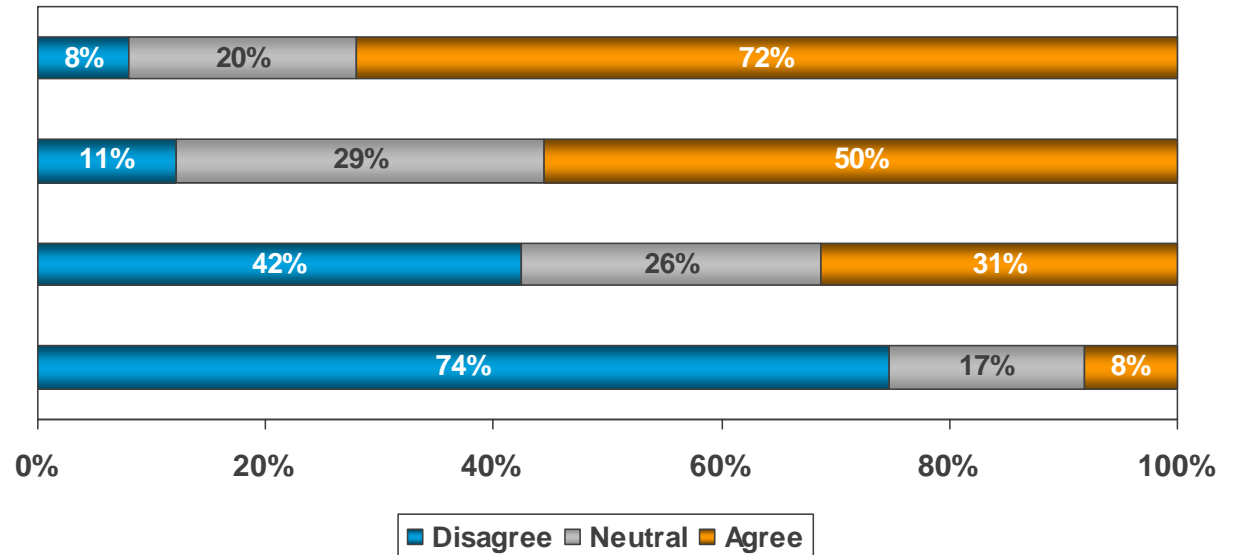
IT IS APPROPRIATE TO:

Use plan design to engage those with specific conditions to try evidence-based medicine

Use financial incentives for participating in health improvement programs

Use financial penalties for not engaging in health improvement programs

Deny coverage for not engaging in health improvement programs



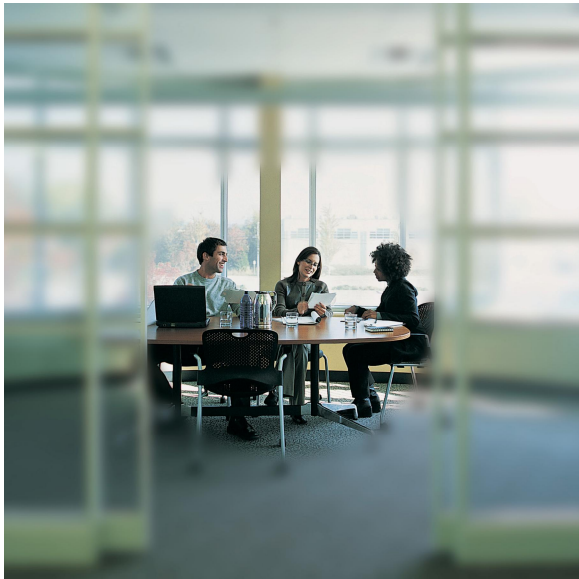
Results from Large Employers (500+).

With health reform bringing new cost pressures, employers need to focus on managing cost for the foreseeable future

Employers Increasingly Satisfied with ROI on Health Management Programs
But most aren't yet measuring



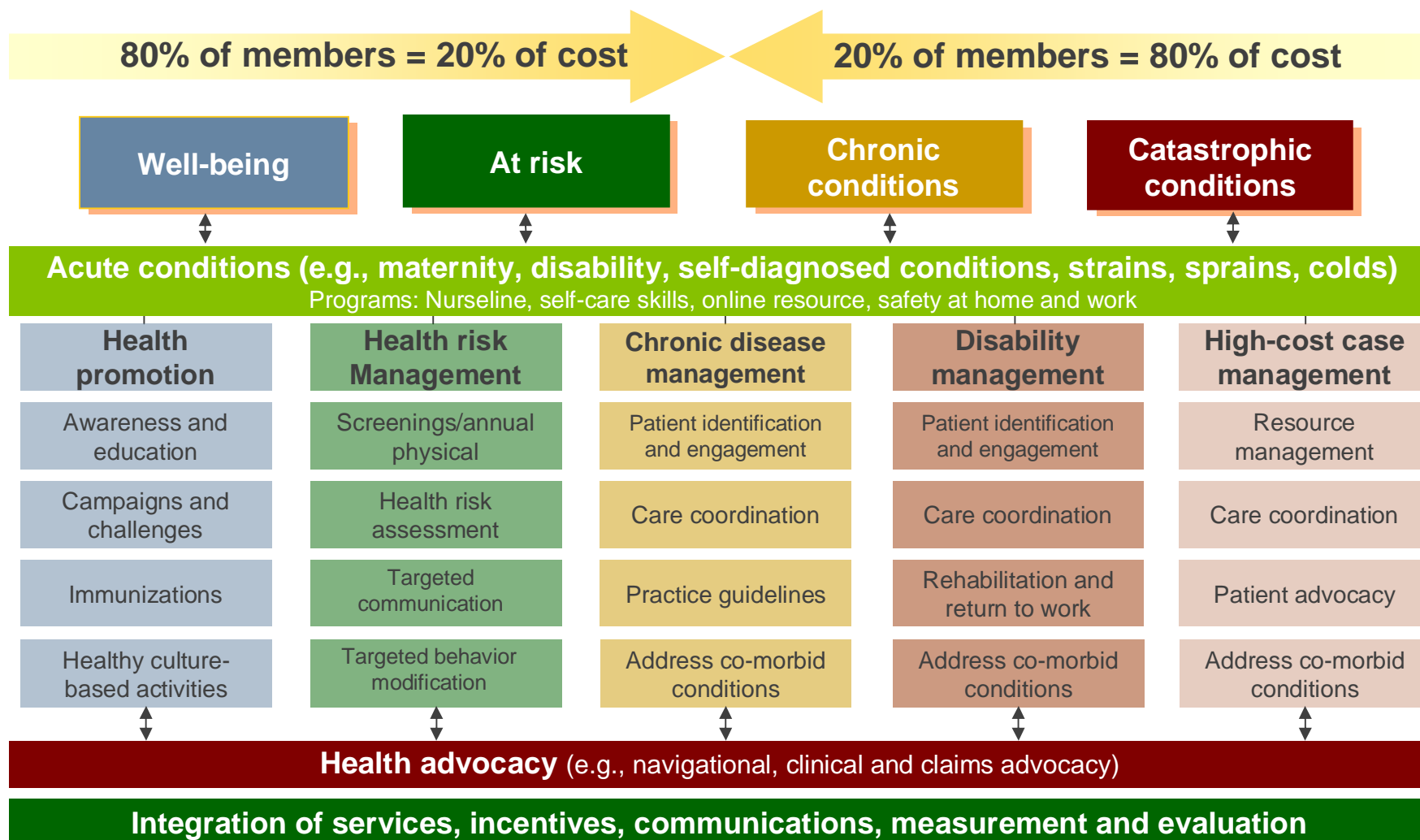
- Measuring ROI using Health plan or health management vendor
- Measuring ROI using Consultant or other third-party vendor (other than health management vendor)



Wellness program models and best practice elements

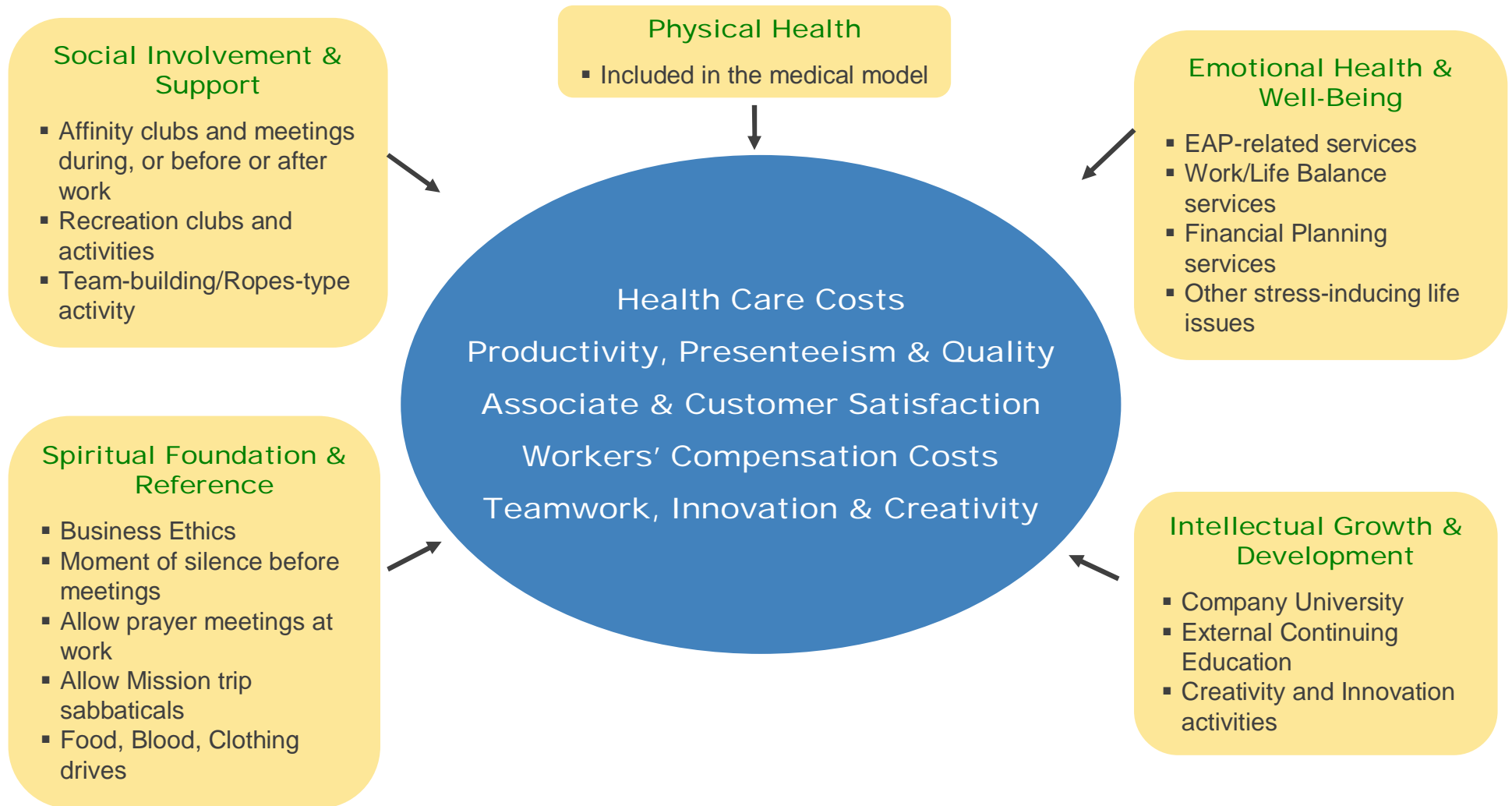
Wellness program models and best practice program elements

Medical model – services across the health care continuum



Wellness program models and best practice program elements

Holistic model – expanded across 5 dimensions of wellness



Wellness program models and best practice program elements

Key factors for successful wellness and productivity programs

<ul style="list-style-type: none">▪ Design programs consistent with organizational priorities▪ Establish specific and measurable goals▪ Have senior management support and participation▪ Create a culture that supports healthy lifestyle change▪ Integrate with current benefits and other health and safety initiatives	<ul style="list-style-type: none">▪ Conduct regular needs and interest assessments▪ Include a menu of intervention options▪ Utilize incentives▪ Conduct ongoing process and outcomes evaluation▪ Communicate to drive participation through targeted and tailored messages
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Wellness program models and best practice program elements

Common gaps in existing wellness programs

- **Lack of strategy**
 - No program goals and objectives
 - No direction
 - No link to the business
- **Focus on activities**
 - What activity should we do next month?
- **Lack of overall brand and visibility**
 - No program identity
 - Piecemeal activities not tied together
 - Difficult to maintain awareness among desired participants
 - Out of site, out of mind
- **Little accountability**
 - No administrative ownership
 - Little meaningful program evaluation
- **No administrative infrastructure**
 - Corporate
 - Site-based
 - Difficult to sustain momentum
- **Lack of measurable results**

Wellness program models and best practice program elements

Potential program components

Common Program Elements

- Health Risk Assessment
- Health Advising
- Lifestyle Management
- Disease/ Chronic Condition Management
- Health Web Portal/ Online Resources
- Nurse advice lines
- Demand Management Capabilities
- Health/ Wellness Campaigns
- Case Management
- Health Advocate
- Program Ambassadors/ Champions

Common Program Elements

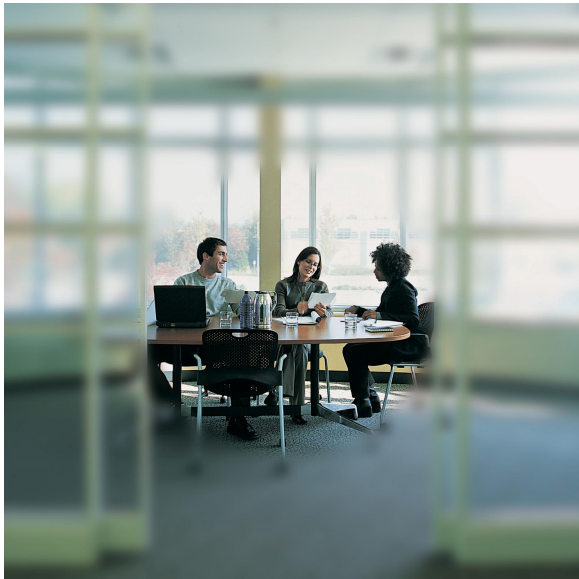
- EAP/Behavioral Health Benefits
- Age-appropriate recommended preventive health services
- Personal Health Record (PHR)
- On-site Programs
 - Coaching/Counseling
 - Clinics
 - Fitness Centers
- Complimentary/ Alternative Medicine
- Smoking Cessation Initiatives
- Obesity Initiatives
- Maternity Management

Ensure that you address any HIPPA, legal and taxation considerations.

Wellness program models and best practice program elements

Measurement and evaluation – desired outcomes and measurement timeline

- Desired outcomes
 - Reduction of healthcare costs?
 - Improved productivity?
 - Reduction in disability claims?
 - Enhanced benefit package?
 - Support for increased employee accountability (consumerism)?
 - Improved organization's image?
 - Unscheduled absence?
- Measurement timeline
 - Successful programs measure and demonstrate outcomes from leading indicators through impact and ROI
 - Measure the success of your program over time
 - Create measurable short term (less than 1 year), medium (12 – 24 months), and long term goals (3 – 5 years)



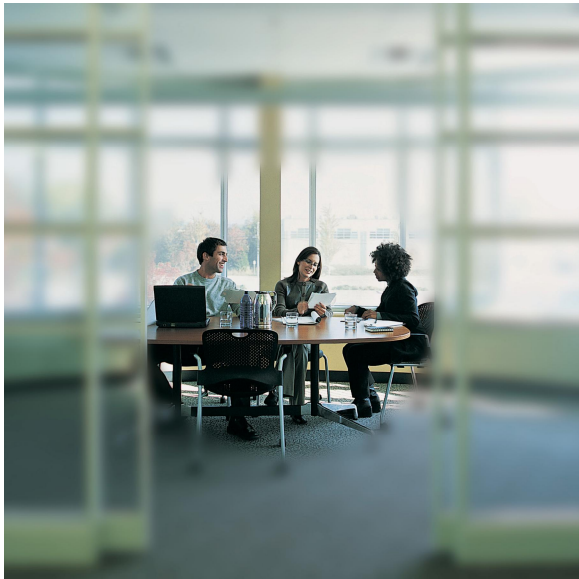
Next steps



Next steps

Putting it all together

- Mercer process
 - Today's presentation – Wellness and productivity phase 1 and client questionnaire
 - Complete client inventory
 - Complete vendor inventory
 - Complete Predictive Risk Analysis (PRA)
 - Phase 2- client planning session
 - Review PRA results
 - Determine appropriate client “path”



Appendix A

Legal considerations

Legal considerations

- HIPAA considerations
 - A wellness program may not violate HIPAA nondiscrimination rules by providing financial incentives related to a health plan based on health status factors; two exceptions:
 - Benign discrimination
 - Wellness program - to qualify as a HIPAA wellness program, the program must:
 - Limit the reward to a specified amount (not to exceed between 20% of the cost of the employee-only coverage)
 - Be reasonably designed to promote health or prevent disease
 - An opportunity to qualify for the reward must be available at least once per year
 - Be available to all similarly situated individuals (must be a reasonable alternative for those who cannot reach the health standard because of a medical condition)
 - Inform employees that individual accommodations and alternatives are available
- Other laws may apply: Americans' with Disabilities Act (ADA), state insurance and employment laws, the Genetic Information Nondiscrimination Act (GINA)
- Taxation considerations
 - Certain incentive awards may be taxable
 - Generally, cash or cash equivalents (gift cards) are taxable
 - Some exceptions apply:
 - Incentives provided through health benefit plan
 - De minimus fringe benefits

MERCER