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Market Trends in Population Health Management

Rhode Island Business Group on Health

Presented by Rich Babcock





Agenda

What are Employers Doing to Manage Medical Costs?

Population Health and Productivity Management

- Best Practices - Features of a Well-Designed Strategy
- Expected Savings and ROI
- Case Study
- Lessons Learned

Group Purchasing and Collectives

Health Benefits Costs Headlines & Drivers

The Headlines

- **Costs are still rising**, even with managed care and cost shifting
- The **workforce is aging**, adding 2.5% -3.0% higher medical costs and higher disability incidence for each year over 40 years of age
- **Business competition is getting tougher** with increased pressures to control cost and enhance productivity
- **Piecemeal solutions generally just shift costs** and promote narrow expense control

The Drivers

- People with **chronic diseases** often drive 50% of costs – 70 million people have a chronic disease
- **20% of the members incur 80%** of the healthcare costs
- Those with **lifestyle risk factors** can cost 10% to 70% more than those not at risk

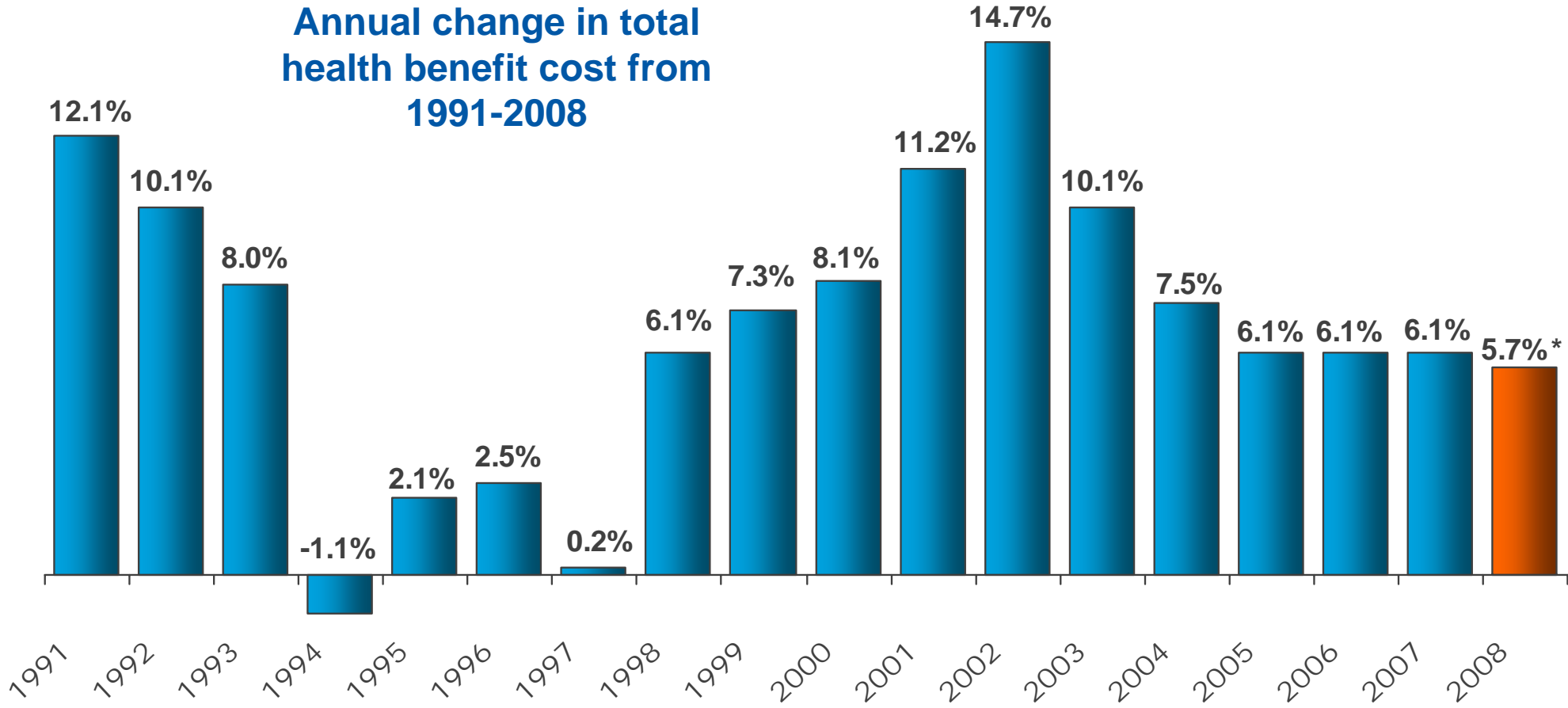
To make matters worse.....

- **1 of 2 people** with a chronic disease **don't comply** with their treatment plan resulting in:
 - Disease progression and increased use of healthcare resources
 - Costs between \$100 billion and \$150 billion annually in the U.S.



Health Benefits Cost Growth Remains Flat

Annual change in total
health benefit cost from
1991-2008

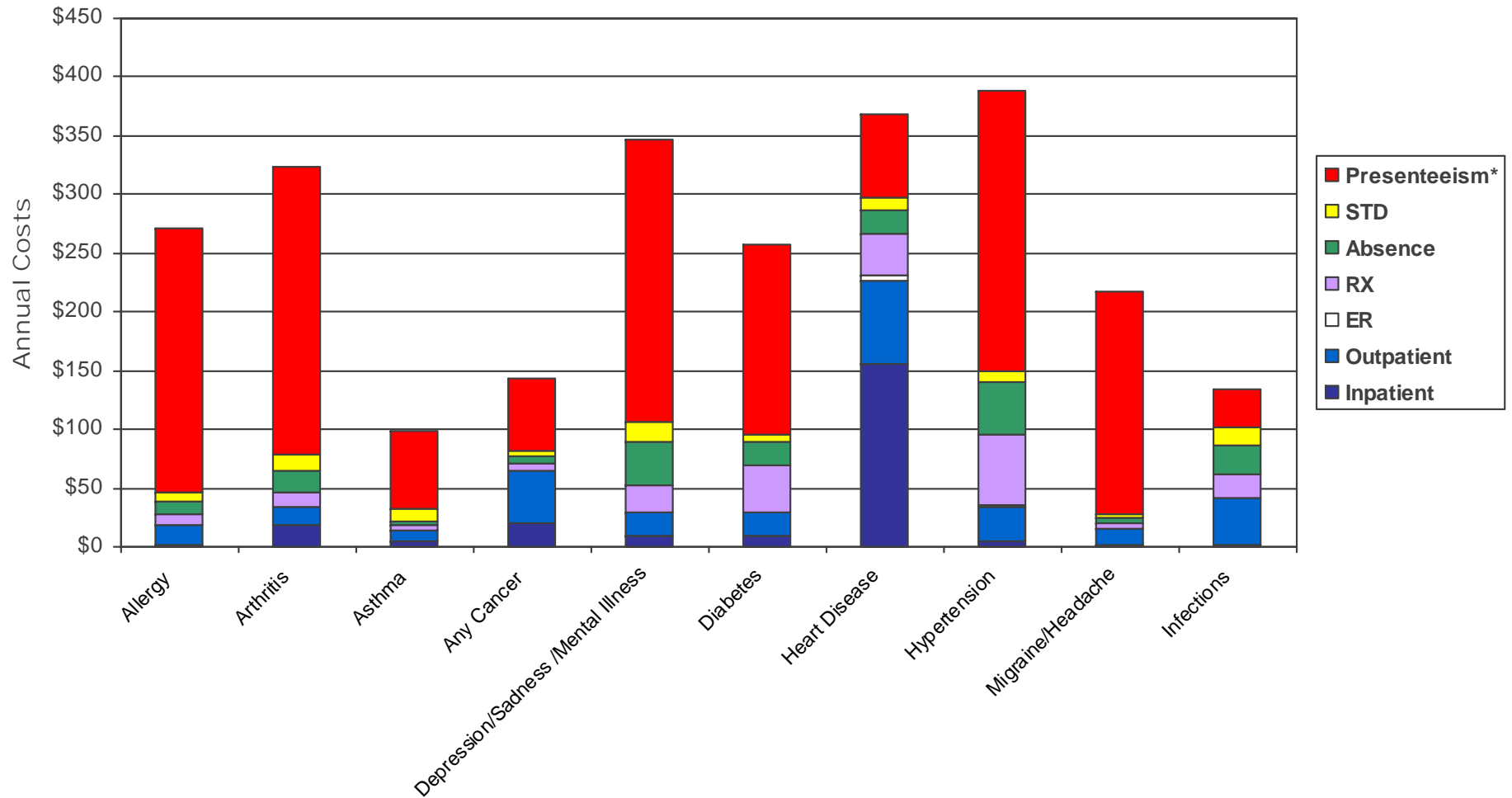


Note: Results for 1990-1998 are based on cost for active and retired employees combined. The change in cost from 1999-2008 is based on cost for active employees only.

* Average increase projected for 2008 after changes to plan design

Source: Mercer's National Survey of Employer-Sponsored Healthplans

Total Cost Includes Absence and Lost Productivity Overall Economic Burden of Illness, by Condition

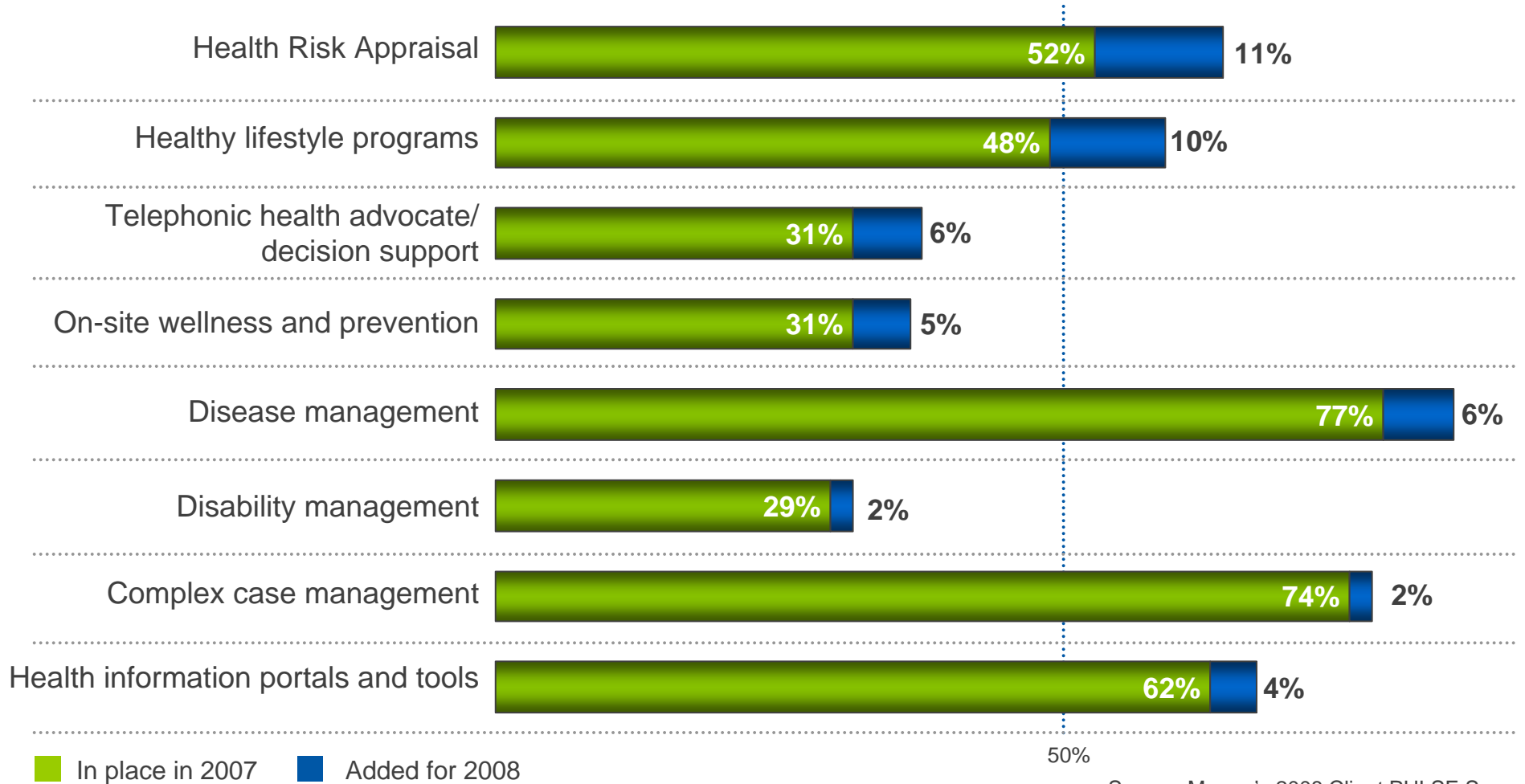


*Presenteeism: Individuals are at work but are not fully functioning because of illness or other medical conditions, resulting in decreased productivity.

Source: Goetzel, Long, Ozminkowski, et al. JOEM 2004; 46:4.

Health & Productivity Management Employers Increase Use of Health Management

Percent of Respondents Offering Program

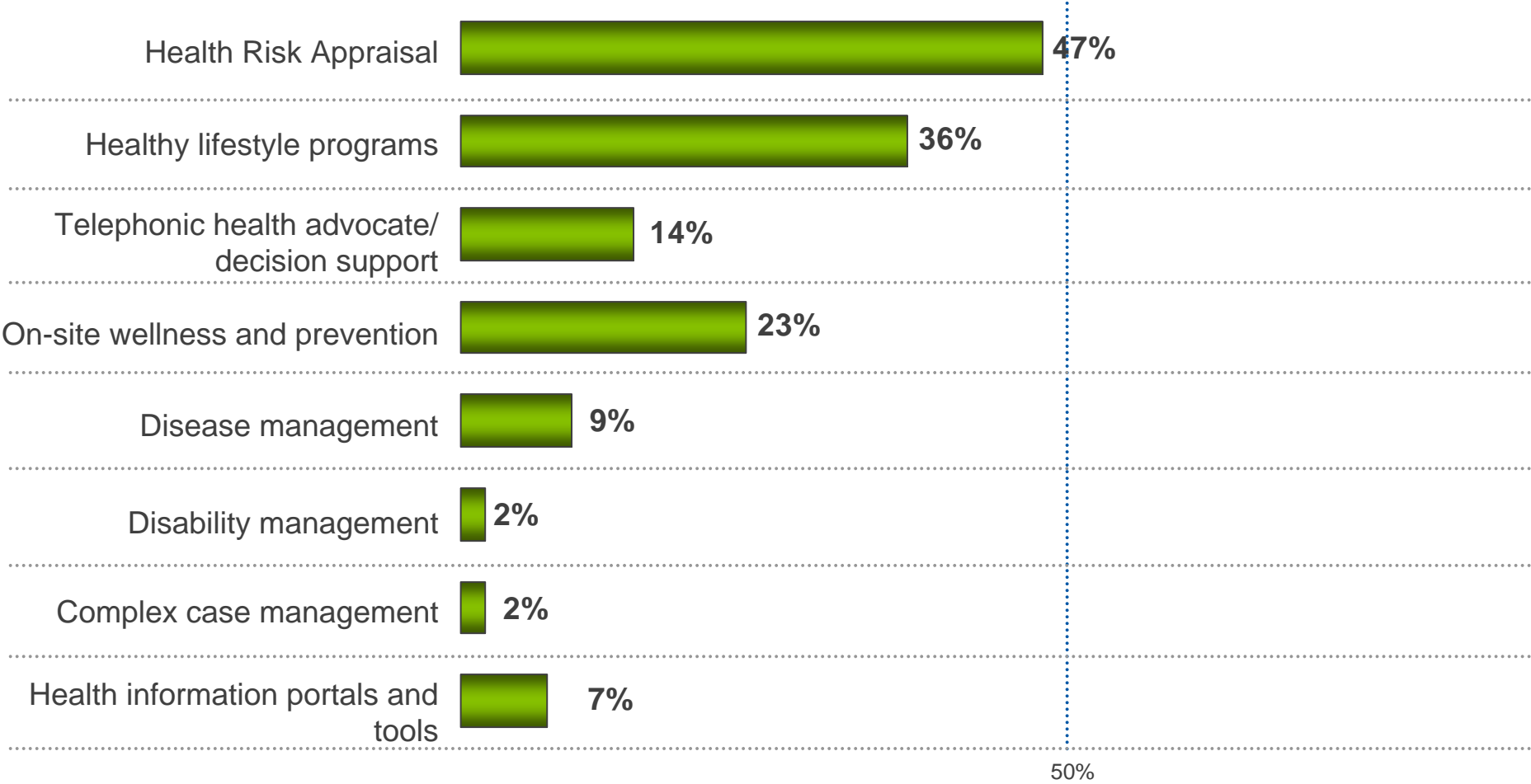


Source: Mercer's 2008 Client PULSE Survey



Best Practice Approach Health Management Incentives

Percent Providing Incentives – Among Respondents with Programs



Source: Mercer's 2008 Client PULSE Survey

Employee Engagement

Rethinking Health, Safety, Productivity

Old Way of Thinking:

Insurance for When I Get Sick or Disabled



Well or Sick ...

- “I go to the doctor whenever I need to and pay my \$15 copayment.”
- “I don’t have to worry about what treatment option is best for me – the doctor knows best.”
- “I’m not sick now, but I still have coverage so that even if I don’t use it, the coverage is always there.”

New Way of Thinking:

Resources for Healthy Living



- Practice a healthy lifestyle
- Have regular preventive and diagnostic examinations
- Pay for what you need, when you need it – think about cost and quality when you purchase care
- Take health risk assessment and use programs/resources available
- Think about cost and quality when choosing doctor, hospital, treatment options, prescription drugs
- Get prompt, quality care and follow doctors’ orders for illnesses and injury
- Manage chronic conditions for optimal quality of life
- Know you have catastrophic coverage for serious illness or injury



Health & Productivity Management Mercer's Point of View

“It is not about health benefits, it is about a healthy and productive workforce.”

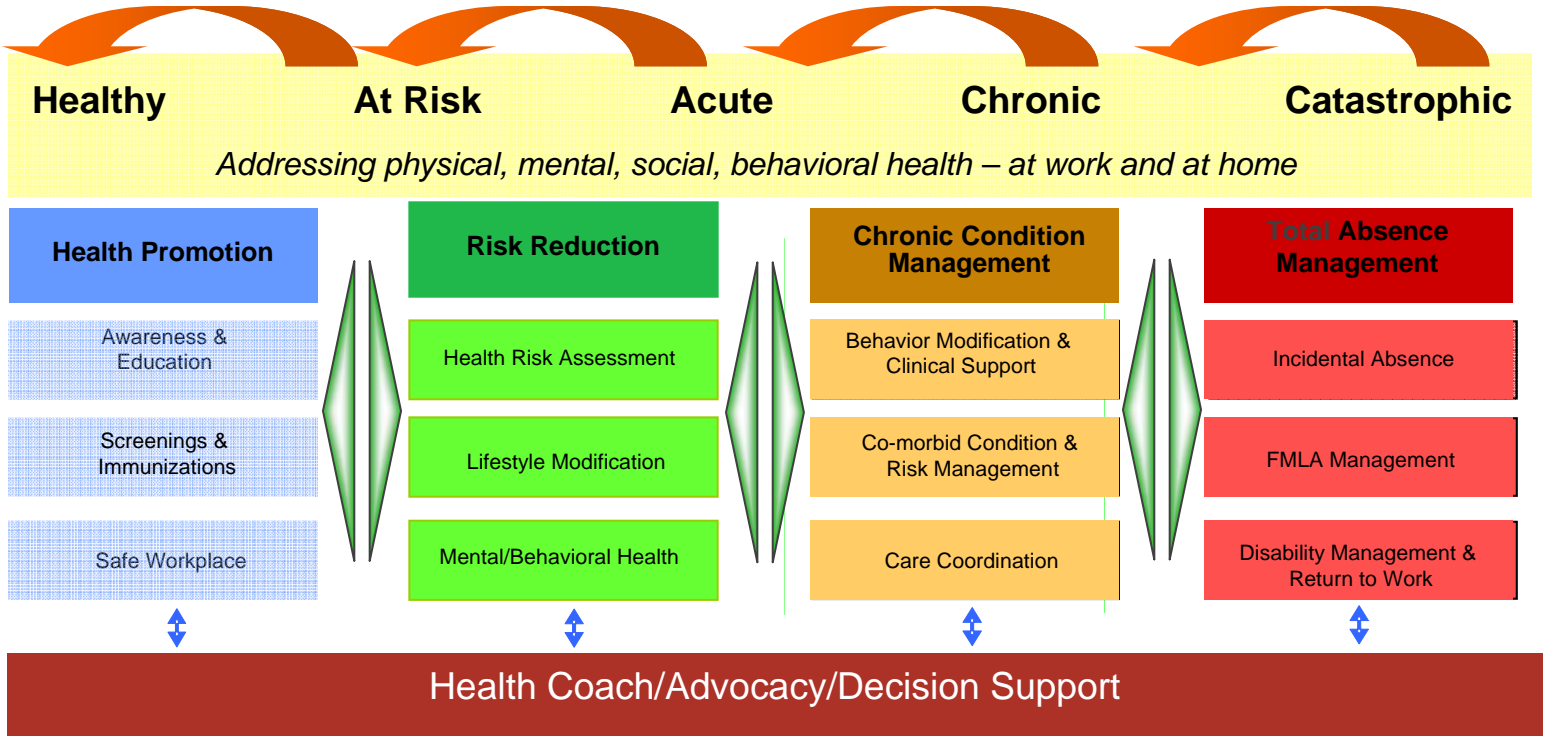
- Focus on total **population health management**, addressing the entire health continuum
- Emphasis on long term **behavior change** and risk modification
- New technologies are creating **data-driven programs** tailored to individual risk, health status, and learning style
- **Health risk assessments** (HRAs) with **lifestyle coaching** are the central starting point for risk modification programs
- Success is dependent on supportive health plan designs, strong **communication and incentives**
- Disciplined **measurement and evaluation** draw on both health and productivity measures to document program impact and ROI
- Growing body of published research documents **program impact and ROI**



Health and Productivity Management

Today's High *Risk* is Tomorrow's High Cost

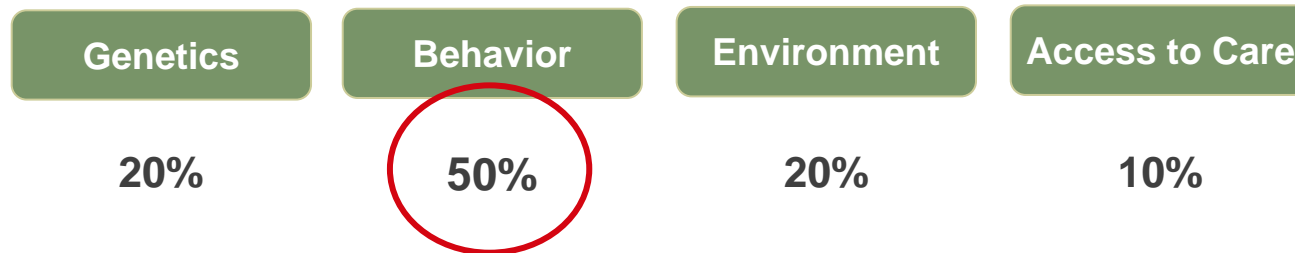
15% of members = 85% of cost



Health and Productivity Management

Changing Behavior is Key to Success

Employee Behavior Determines
50% of Health Status and Associated Costs...



You help change individuals' behaviors by providing ...

More financial stake in their health care choices

(plan design, personal health accounts, lifestyle management)

+

More resources and tools to manage their health and health care costs

(free preventive services, quality assessment tools, treatment cost estimators, coordinated medical and disability)

* Source: IFTF, Centers for Disease Control and Prevention

Health and Productivity Management

Targeting Health Risks - Interrelation with Disease

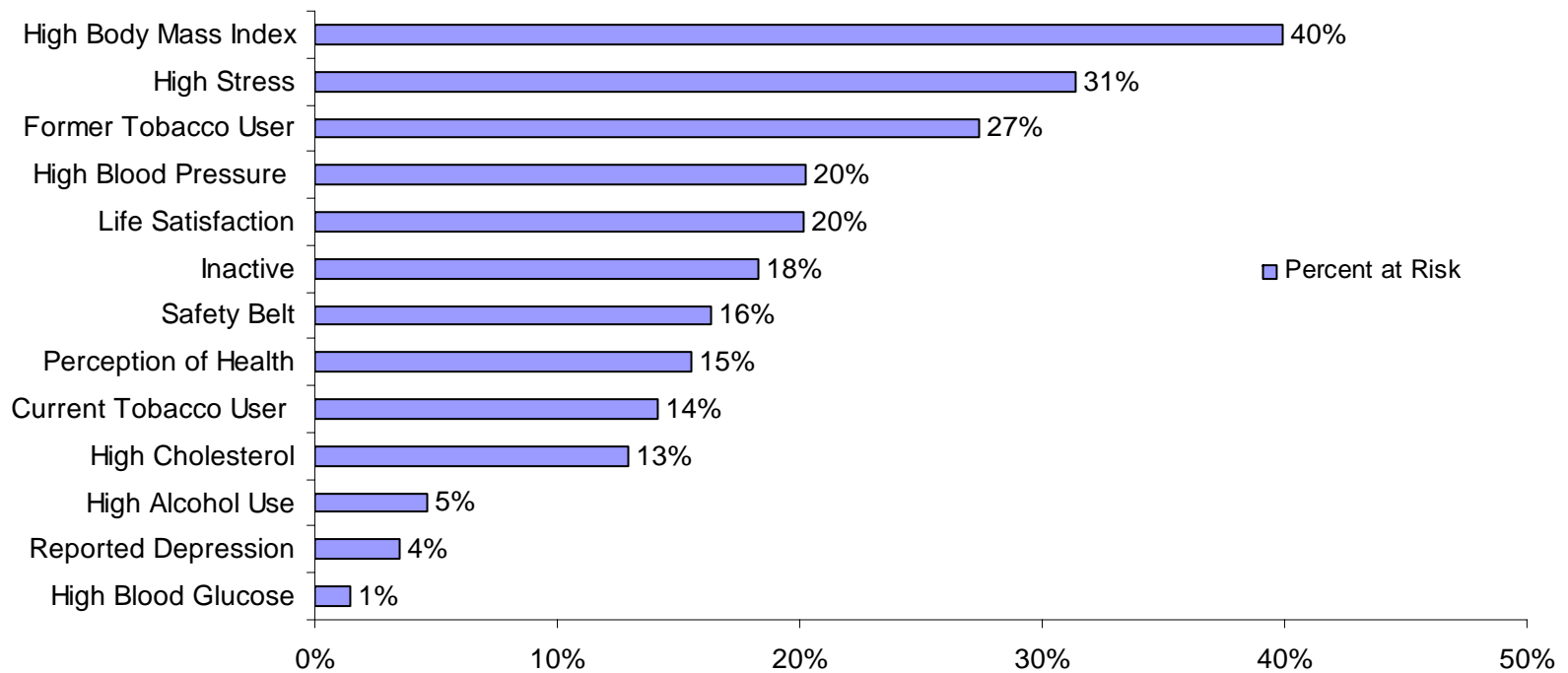
It is well documented that health risks lead to disease and chronic health problems. The chart below provides the correlation between health risks and disease states

Health Risks	Asthma	Cancers	Cardiovascular Disease	Diabetes	COPD	Pregnancy High Risk	Depression	Gastrointestinal Disease	Low Back Pain	Stroke
High Body Mass Index										
Tobacco Use										
High Stress										
Inactivity										
High Blood Pressure										
High Blood Glucose										

Health and Productivity Management

Targeting Health Risks

Predicted Health Risk Distribution – by Percent of Population



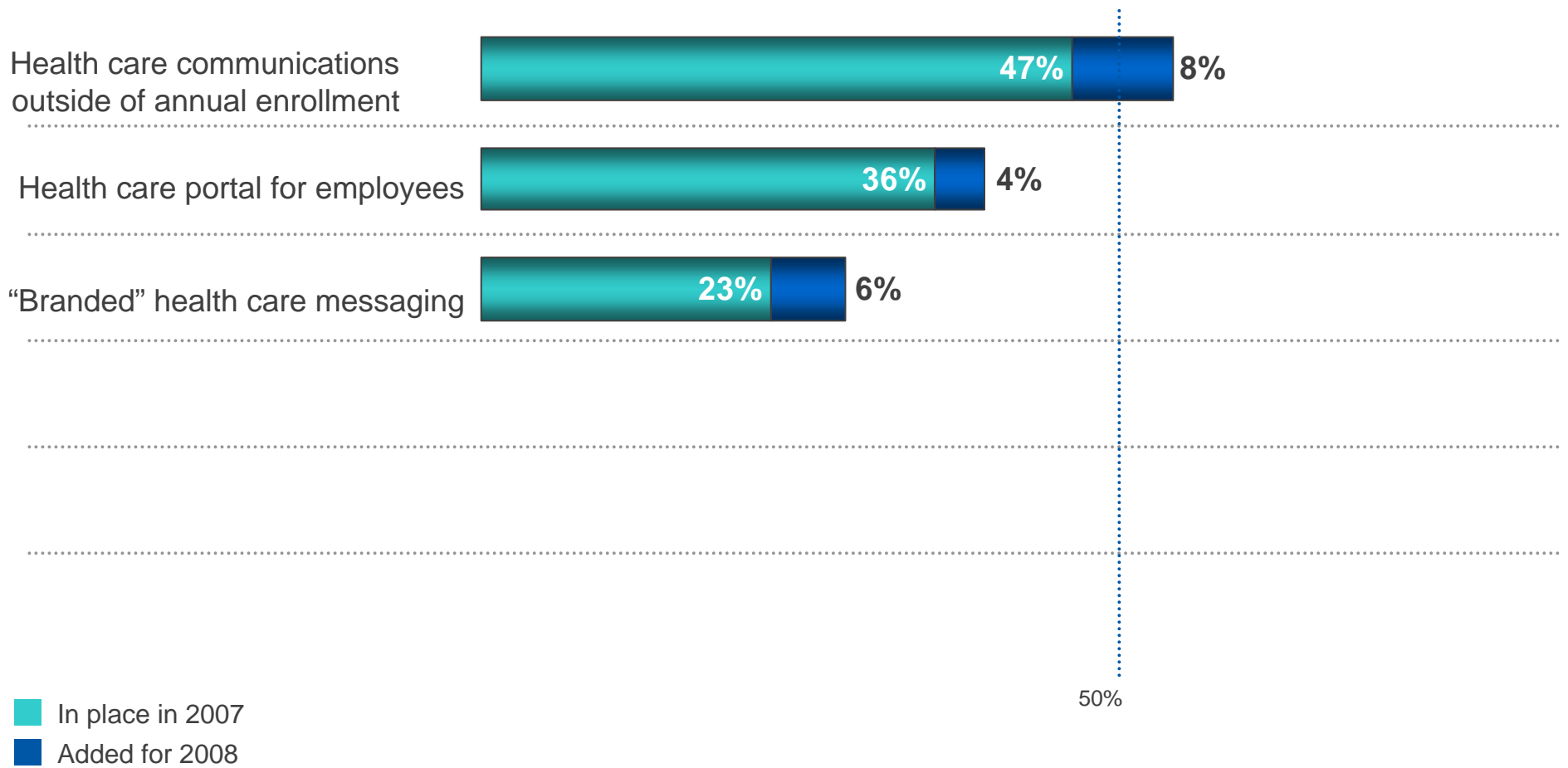
Note: Health risk distribution is projected based employer census and the University of Michigan's database of over 2 million health risk assessments

Keys to Employee Engagement

Sr. Level Ownership – Maximizing People Productivity		
Programs	Branding and Communications	Incentives
<ul style="list-style-type: none"> ▪Span the Health Continuum (well, at-risk, chronic, catastrophic) ▪Health risk assessment, telephonic lifestyle and disease management ▪Multiple Modes of Delivery (web, paper, telephonic, on-site) ▪Accessible to Employees, Spouses/DPs, Retirees 	<ul style="list-style-type: none"> ▪Create Strong Brands ▪Multi-Media Strategy ▪Local Community Focus ▪Ongoing Messaging - Monthly Calendar/Events ▪Integration with Other Company Initiatives ▪Visible Management Commitment 	<ul style="list-style-type: none"> ▪Incent Desired Behaviors (e.g. Completion of Wellness Assessment, Lifestyle Management Program) ▪Incent Healthy and Sick Populations ▪Keep it Simple ▪Reward Behaviors Immediately ▪Watch HIPAA compliance
Measurement and Performance Management		



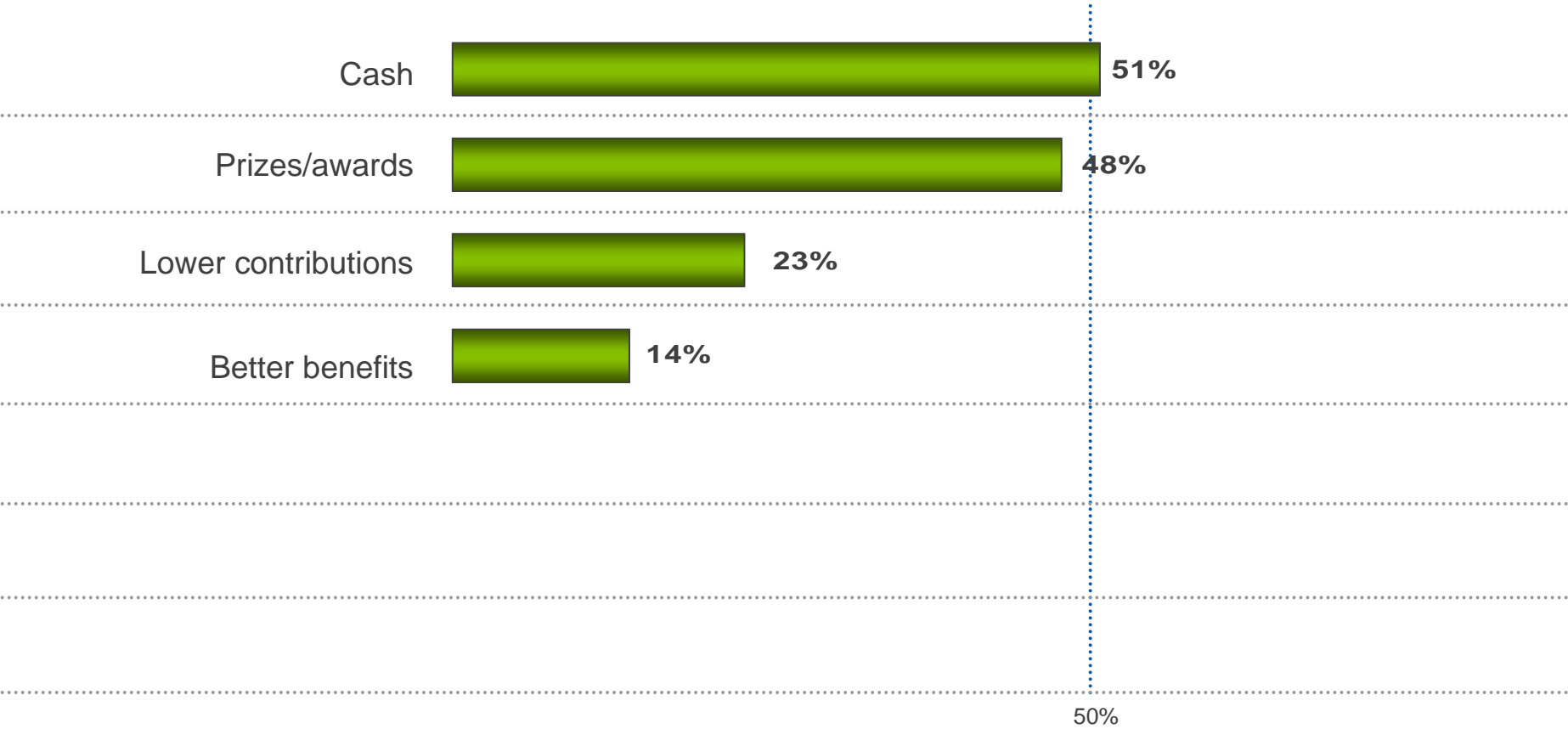
Communication Increasing levels of employee engagement



Best Practice Approach

Type of incentives

Types of Incentives Used - Among Respondents Providing Any Incentives



Source: Mercer's 2008 Client PULSE Survey

Employee Engagement

Engagement methods and potential ROI ranges

Rating	Communications	Incentive* (per person \$)	HRA (enrollment of population)	Lifestyle Management (engagement of High and moderate risk)	Year 3 ROI
Excellent	Personalized messaging, consistent marketing throughout HRA process, leadership support and health delegate support	\$250	80 - 100%	40 - 50%	****
Very Good	Good targeted marketing throughout, leadership support and health delegate support	\$150	60 - 80%	30 - 40%	***
Good	Good general marketing throughout, either leadership or health delegate support	\$100	40 - 60%	20 - 30%	**
Fair	Announcement, with leadership support, follow up communication	\$50	20 - 40%	10 - 20%	
Poor	Announced but not generally promoted	\$25 or less	0 - 20%	0 - 10%	

*Excludes communications costs

Recommended Approach

Health management savings opportunities

Elements of a Comprehensive Health Promotion Program (Healthy People 2010)

- ❖ Health education
- ❖ Supportive social and physical environments
- ❖ Linkage to related programs
- ❖ Screening programs
- ❖ Follow-up interventions
- ❖ Well-integrated program
- ❖ Ongoing evaluation

Program	Year 1 Impact	Year 2 Impact	Future Year Impact
Integrated Wellness (HRA, Lifestyle Management, Health Campaigns, etc.)	0% – 0.5%	1.0% – 2.0%	1.5% – 3.0%
Disease Management	0.5% - 1.25%	0.5% - 1.75%	1.0% - 2.0%

Assumptions:

These are conservative percentages which represent impact on spend (i.e., Total Medical + Rx Costs).

Impacts are on medical costs only and do not take into account savings for disability, productivity, retention, EE satisfaction, etc.

Due to large variations in comprehensive health management offering, estimating “ranges” is preferred when looking at programs savings projections.

All projections are based on gross savings.

Case Study

Building a culture of health – Pepsi Bottling Group



PBG Overview

- World's largest manufacturer, seller, and distributor of Pepsi-Cola beverages
- \$13.6 billion in annual worldwide sales
- Mission: "We Sell Soda"
 - Fastest growing segment is non-carbonated beverages
 - Aquafina, Tropicana, Dole, Lipton, Starbuck Frappuccino, SoBe
- 2007 C. Everett Koop Award Winner

Population

- 31,000+ employees; 60,000+ covered members
- 89% male; 80% hourly (drivers, manufacturing/warehouse workers, sales, etc.)
- Widely dispersed; 300+ work locations

Culture

- Competitive, fast-paced
- Marketing focus
- Target and results-oriented
- Big emphasis on safety

Case Study

PBG's “HealthyLiving” program components



Wellness Assessment

Know your health status



Maternity Care

24-hour resources to support all stages of pregnancy



24-Hour Nurseline & Web site

Receive specific information on minor and major conditions



Utilization Review

Assistance with pre-certification for inpatient and outpatient procedures



Case Management

Assistance with managing the health care system



Additional Wellness Programs

Fitness Programs, Weight Management Programs



Healthy Changes Programs

Make lifestyle and behavior changes

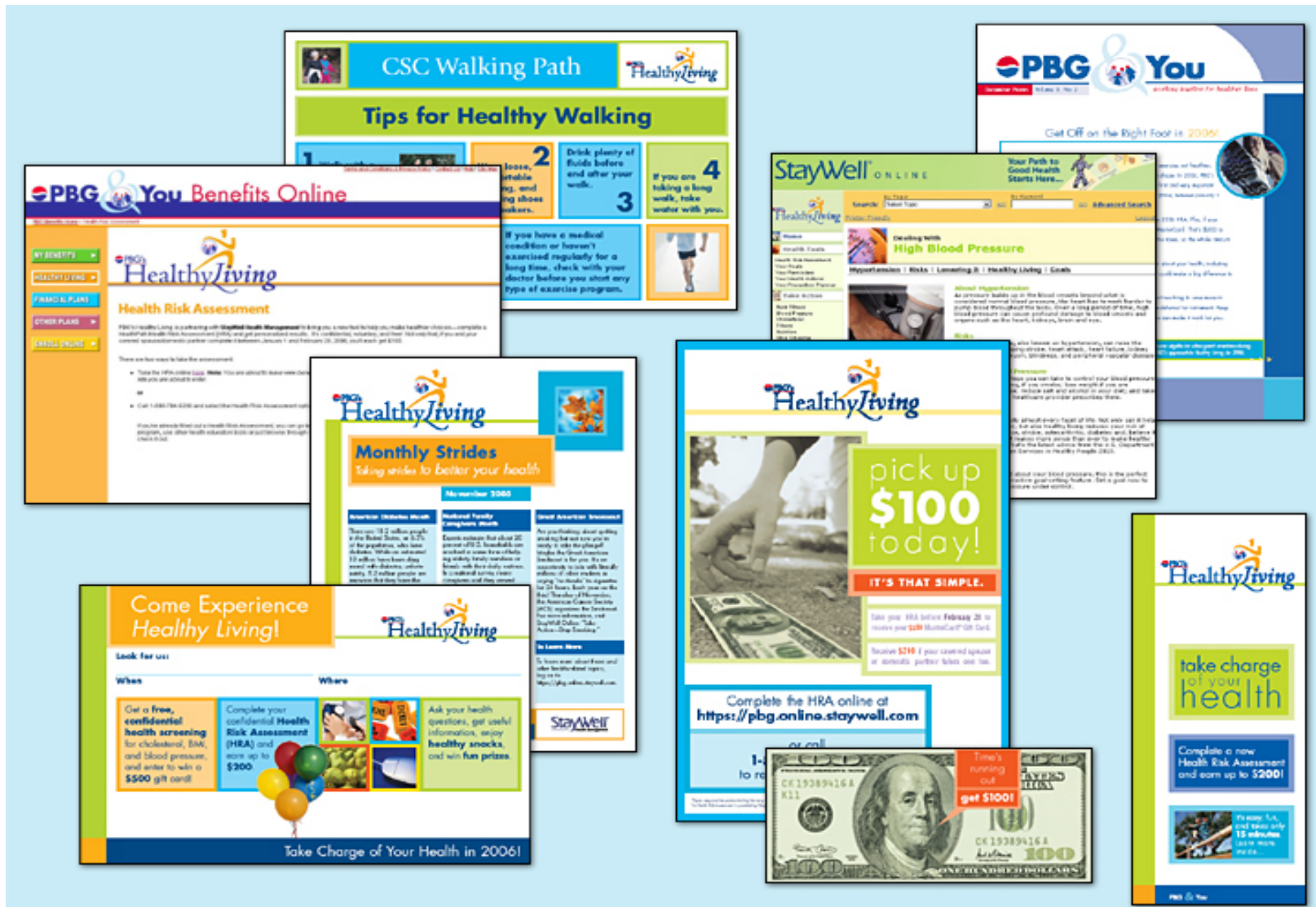


Disease Management Programs

Manage chronic conditions

Case Study

PBG's HealthyLiving communications



Case Study

PBG incentives and participation

	Incentive	Completion %	Best In Class Benchmark	Like Customer Benchmark
Wellness Assessment	\$75 Gift Card	72%	73%	51%
Lifestyle Management Participation	\$100 Gift Card	35%	40%	33%

- Wellness assessment participation increased from 29% (with \$25 incentive) in 2005 to 72% (with \$100 incentive) in 2006
- Lifestyle management participation increased from 25% (with \$25 incentive) in 2005 to 35% (with \$75 incentive) in 2006
- PBG has exceeded the like customer benchmark* and is near Staywell's best in class benchmark

**StayWell similar client measures are based on the experience of 8-10 companies that offer comprehensive programs, incentives for participation and a comprehensive communication plan*

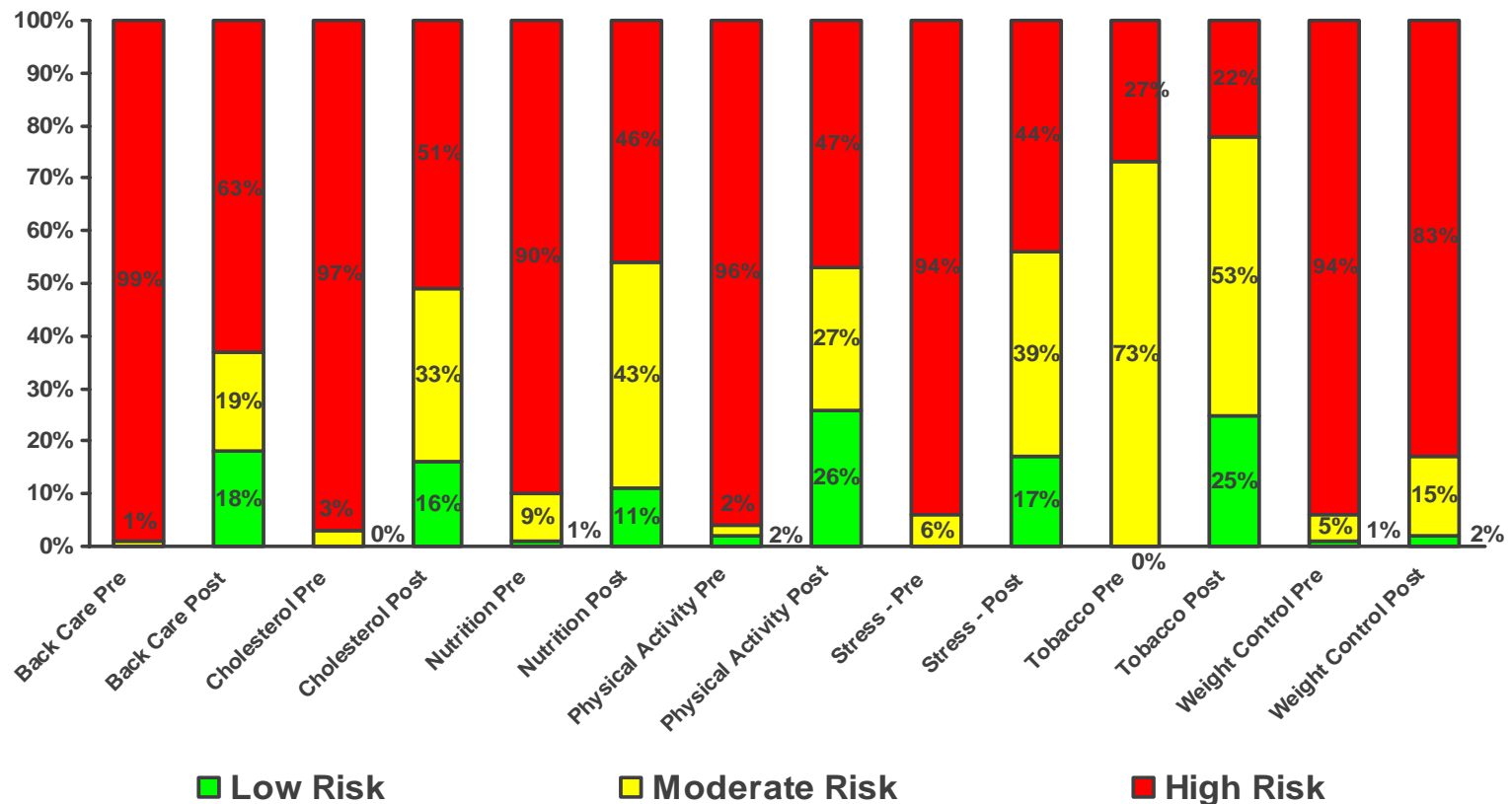


Case Study

Impact on health risks

Change in Target Risk Levels from Baseline to One-Year Follow-up

Wellness Assessment Health Risks – Before and After Lifestyle Management Participation



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Lessons Learned

Common mistakes companies make

Even the best health management strategy will not achieve results without:

- Senior management buy-in
- Comprehensive programs
- Meaningful, long term incentives
- Targeted and continuous communications
- On-going measurement of results
- Holding healthplans/vendors accountable

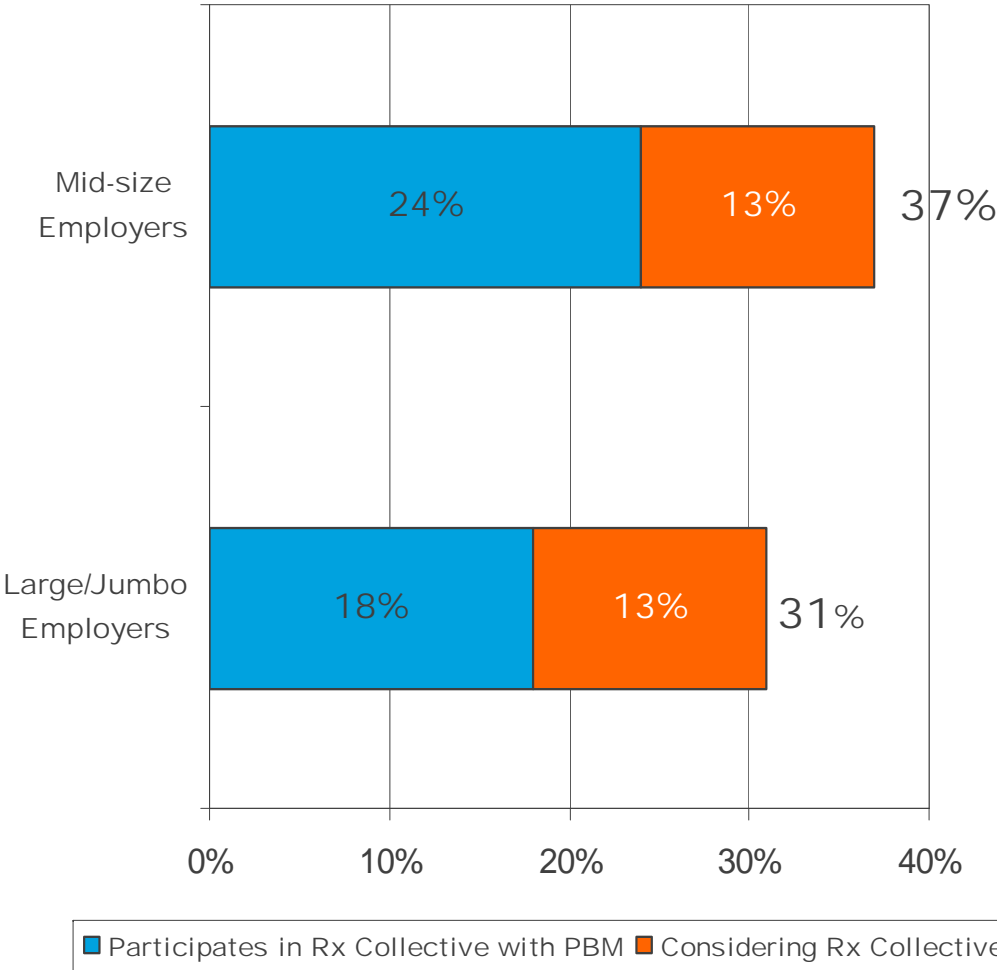


Group Purchasing and Collectives



Pharmacy Collective Purchasing

More employers working collaboratively

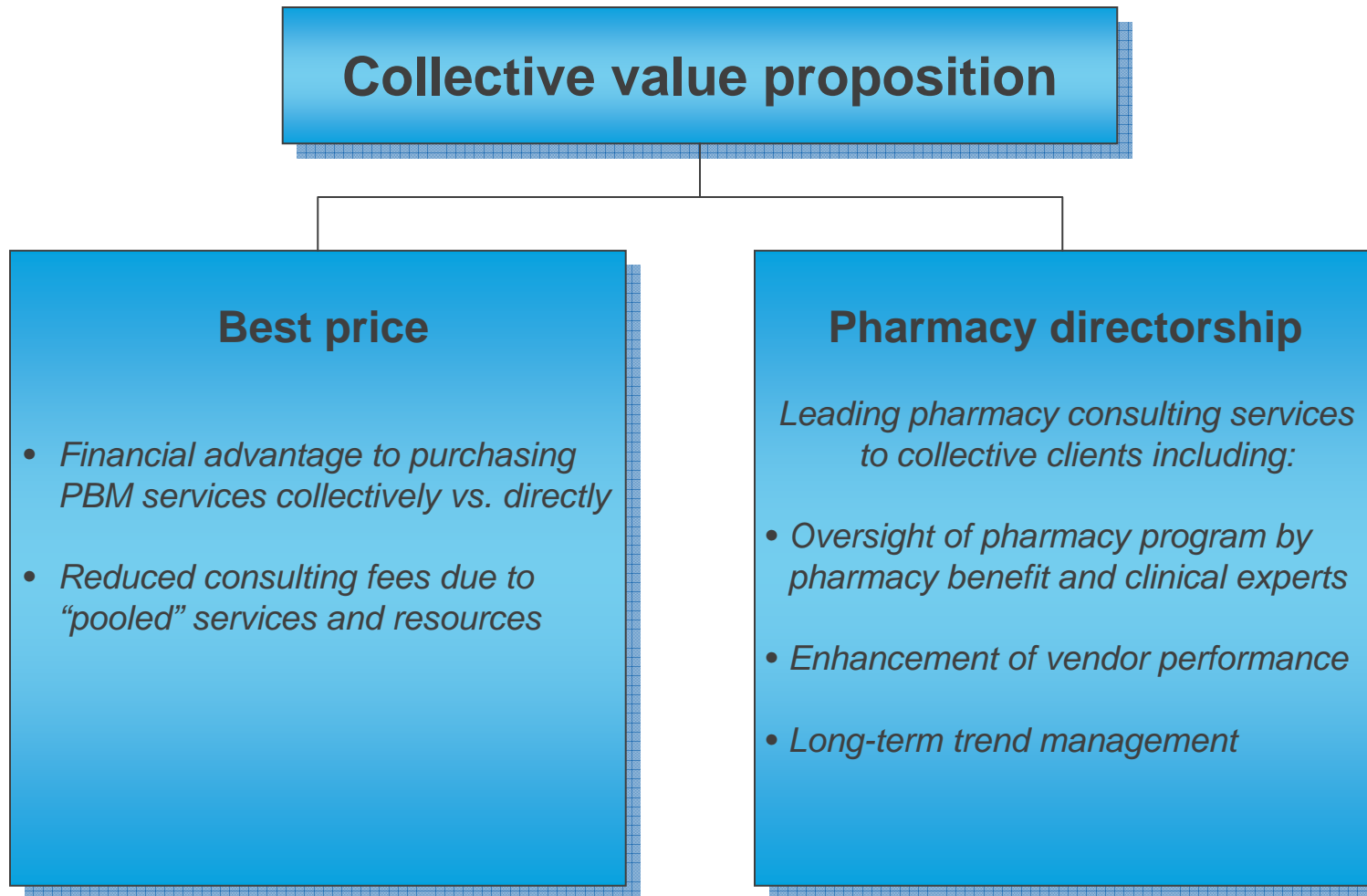


Note: Includes employers currently with a PBM

- A significant number of employers are participating in or are considering collective purchasing of their pharmacy benefits.
- In general, in these pharmacy collective purchasing arrangements, participating employers benefit from the combined purchasing clout of the group while retaining their own plan design and relationship with their vendors.

Pharmacy Collective Purchasing

Collective value proposition





Pharmacy Collective Purchasing

Mercer collective results

- Short-term
 - Average savings of **7 – 10%**
 - Contracts include a refresh clause allowing Mercer to re-negotiate terms based on market developments (i.e., employer is not locked to terms for three years)
 - Many of the options include rebates on specialty medications
 - Deals were recently re-negotiated so they are current and competitive
- Long-term
 - Long term trend for collective is roughly half of national averages
 - Concessions on key contract terms provide enhanced protection (e.g. pricing methodology changes)
 - Reporting on key metrics like pharmacy compliance available from some of the PBMs (hope to make available from all in near future)



The Study Group

What is The Study Group?

▪ **Background**

- A group of employers joined together in 1997 to evaluate alternatives to HMO and POS plans
- Each member conducted individual analysis/decision making
 - Network discounts
 - Network access/breadth
 - Operational Performance
 - Plan Design
 - National Capabilities
 - Care Management
- Plan implemented in 1/1/1999 (for the original members)

▪ **Current State**

- National BCBS PPO with Empire BCBS as control plan
- Members use various health management vendors
- Joint data analysis (through HDMS)
- Each employer maintains its own plan design and contracts with Empire
- No risk sharing
- Focus on selecting and maintaining best-in-class vendors



The Study Group Membership

- There are currently **14 employer members** that participate in the Study Group
 - 4 of the original 7 members are still active members of the group
 - The Study Group members
 - Span all industries
 - Are headquartered in all regions of the country
- Total of **210,000 employees** and **410,000 members** with BCBS
 - Smallest member has 2,000 employees with BCBS
 - Largest member has 53,000 employees with BCBS

All Study Group Members have a National BCBS PPO with Empire BCBS as their control plan *

*Some members only offer BCBS, others offer multiple carriers



The Study Group Advantages and Benefits

- Advantages and Benefits include:
 - Ability to purchase consulting services at a reduced price and benchmark their results against a larger group
 - Audits
 - Data analysis
 - Performance monitoring
 - Review of program operations across vendors
 - Work with various health management vendors to improve their programs through careful review of programs
 - Exposure to many senior executives at Anthem BCBS
 - Larger voice when negotiating fees
 - Meetings 3 times per year and conference calls monthly.
 - Members are able to exchange ideas, share experiences and learn about the changes in the healthcare arena



Questions?

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