The Rising Cost of Health Insurance: Employee Health and Wellness Programs Panel

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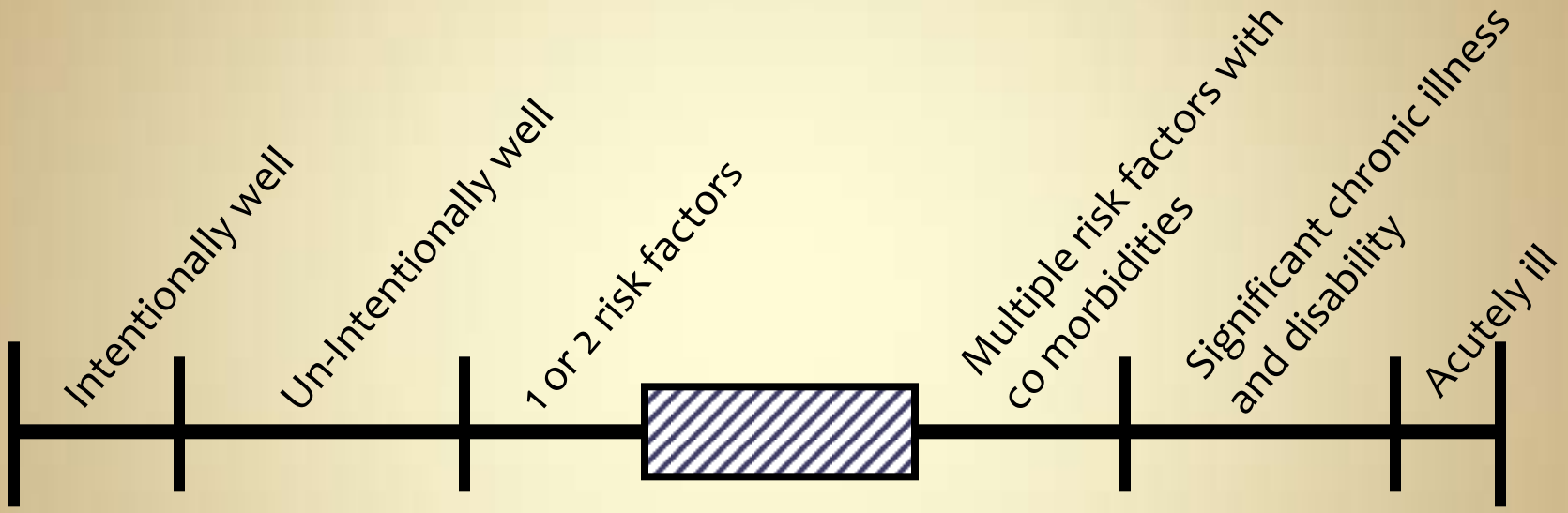
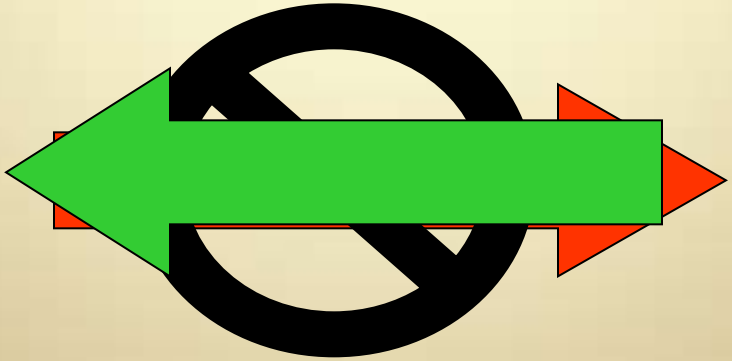
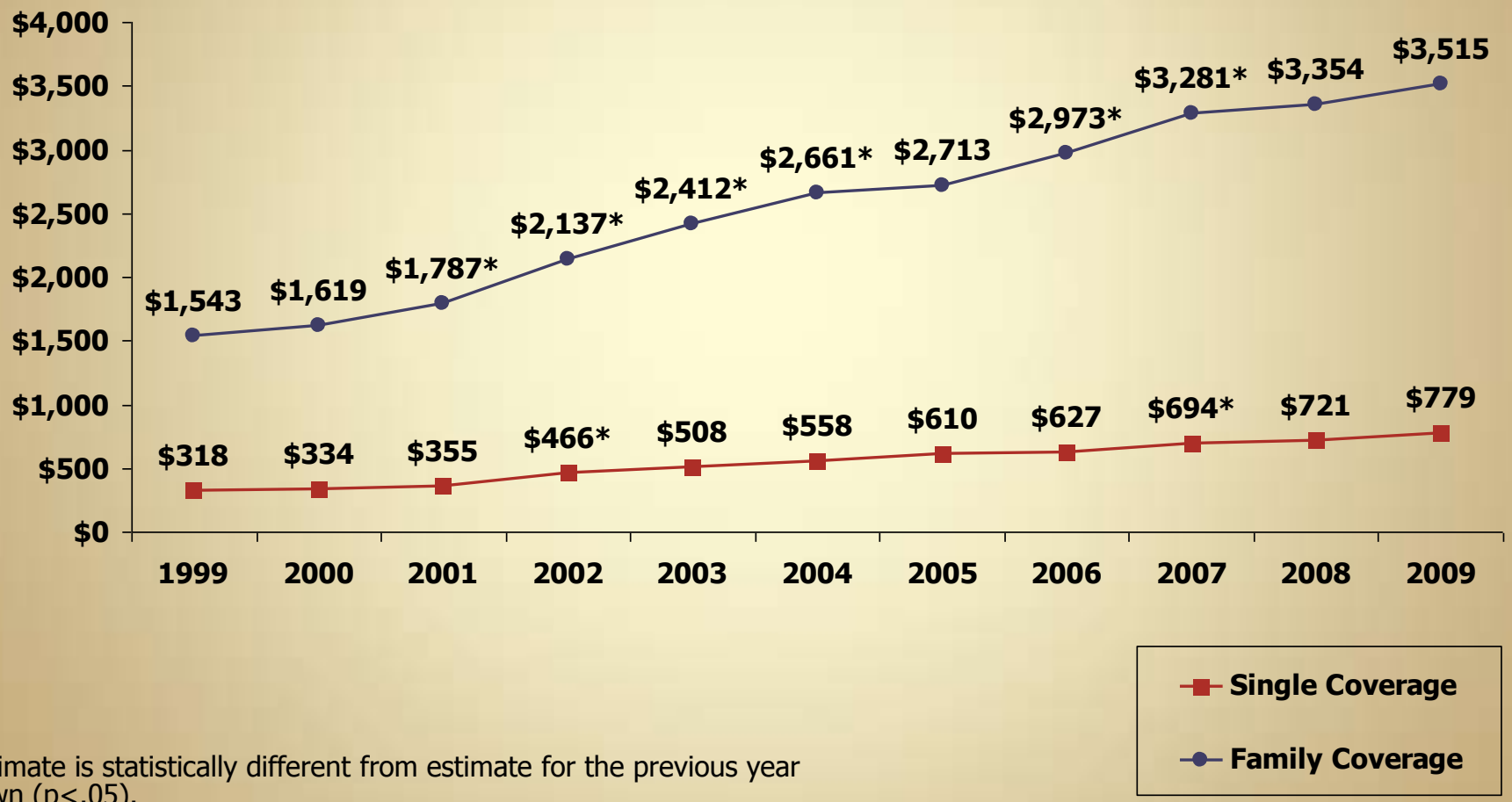
Basic Philosophy of Health and Wellness

Where is the interface between wellness and illness?





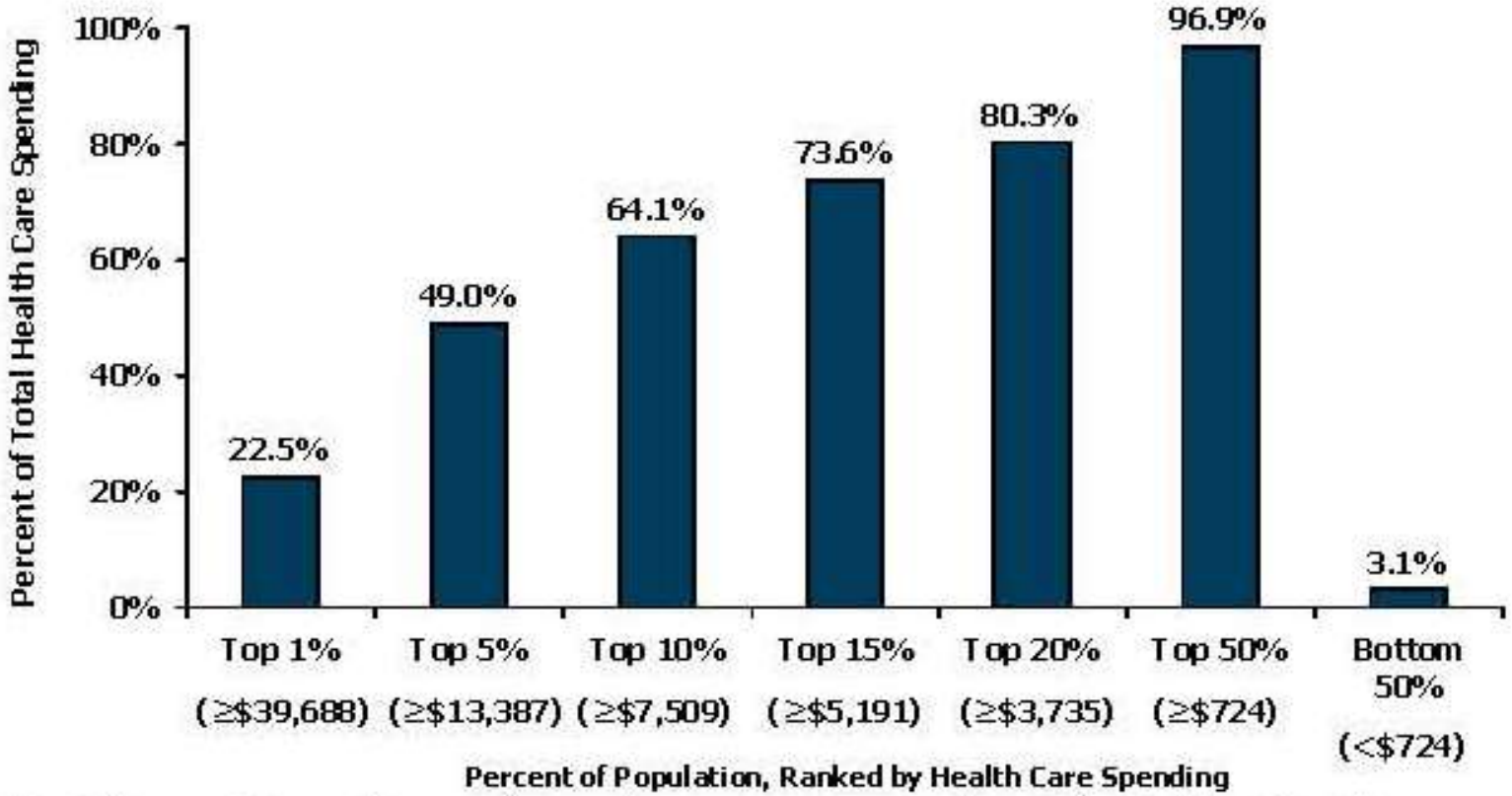
Average Annual Worker Premium Contributions Paid by Covered Workers for Single and Family Coverage, 1999-2009



*Estimate is statistically different from estimate for the previous year shown (p<.05).

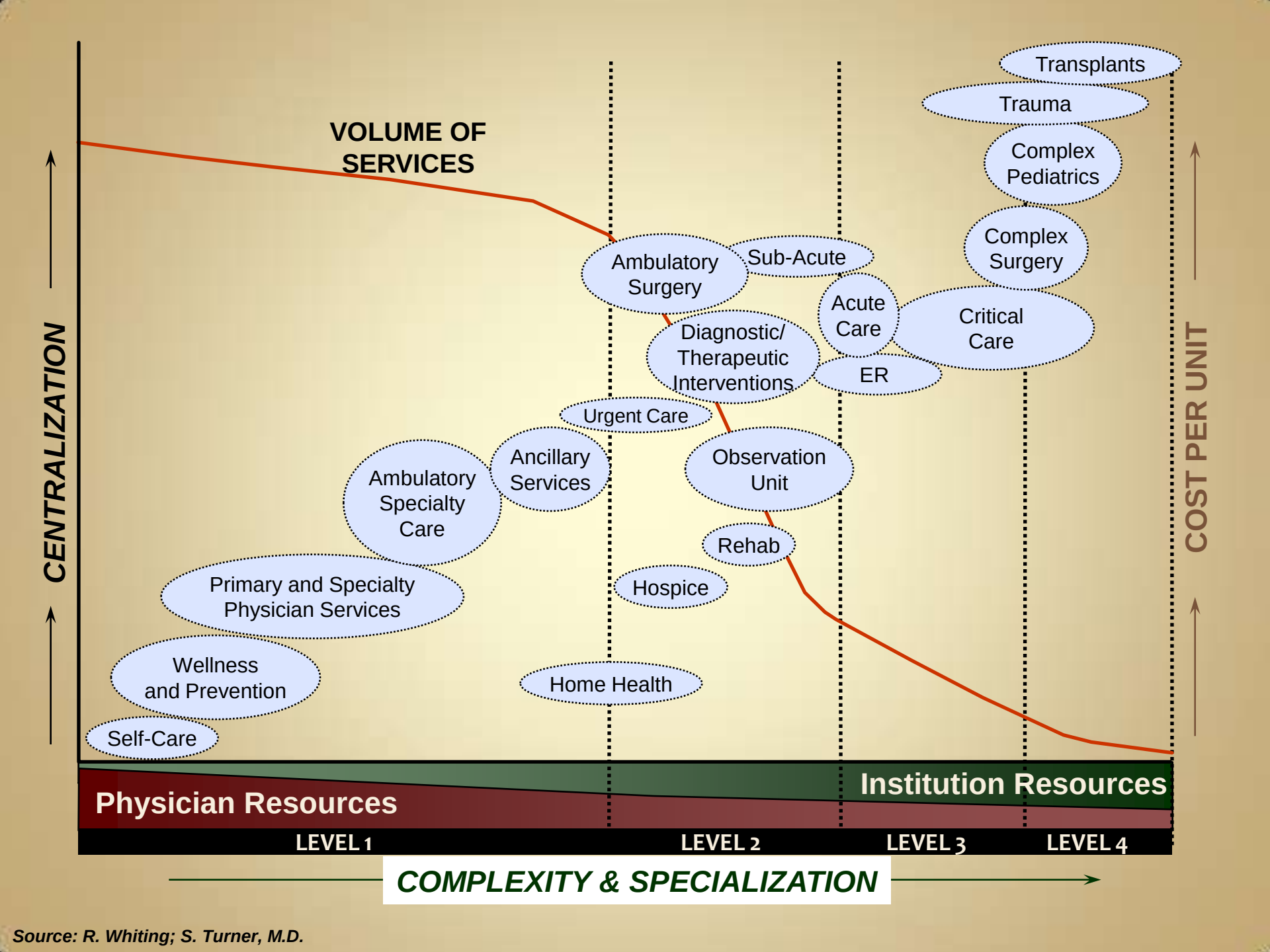
Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2009.

Exhibit 3: Concentration of Health Care Spending in the U.S. Population, 2004



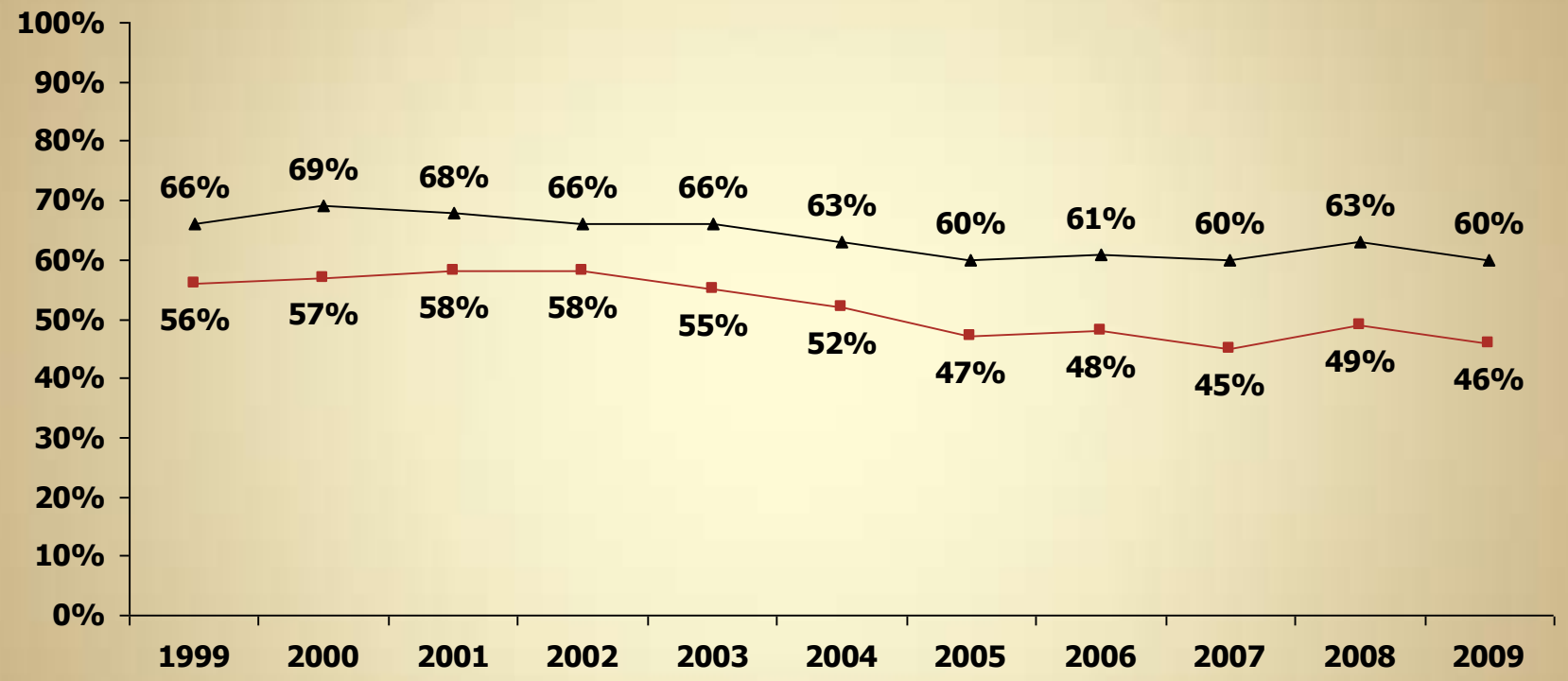
Note: Dollar amounts in parentheses are the annual expenses per person in each percentile. Population is the civilian noninstitutionalized population, including those without any health care spending. Health care spending is total payments from all sources (including direct payments from individuals, private insurance, Medicare, Medicaid, and miscellaneous other sources) to hospitals, physicians, other providers (including dental care), and pharmacies; health insurance premiums are not included.

Source: Kaiser Family Foundation calculations using data from U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey (MEPS), 2004.



Source: R. Whiting; S. Turner, M.D.

Percentage of All Firms Offering Health Benefits, 1999-2009*

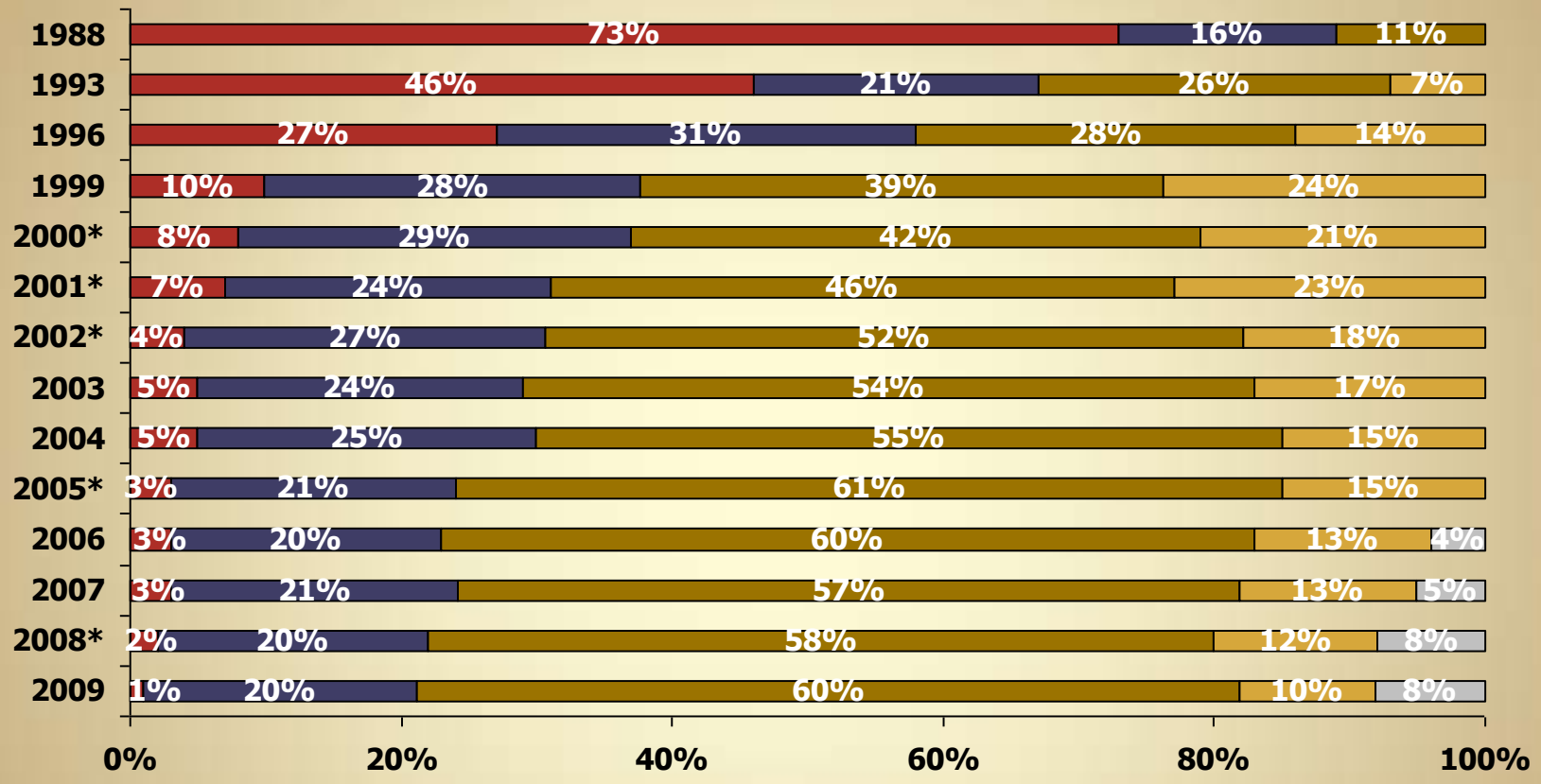


*Tests found no statistical differences from estimate for the previous year shown ($p<.05$).

Note: Estimates presented in this exhibit are based on the sample of both firms that completed the entire survey and those that answered just one question about whether they offer health benefits.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2009.

Distribution of Health Plan Enrollment for Covered Workers, by Plan Type, 1988-2009

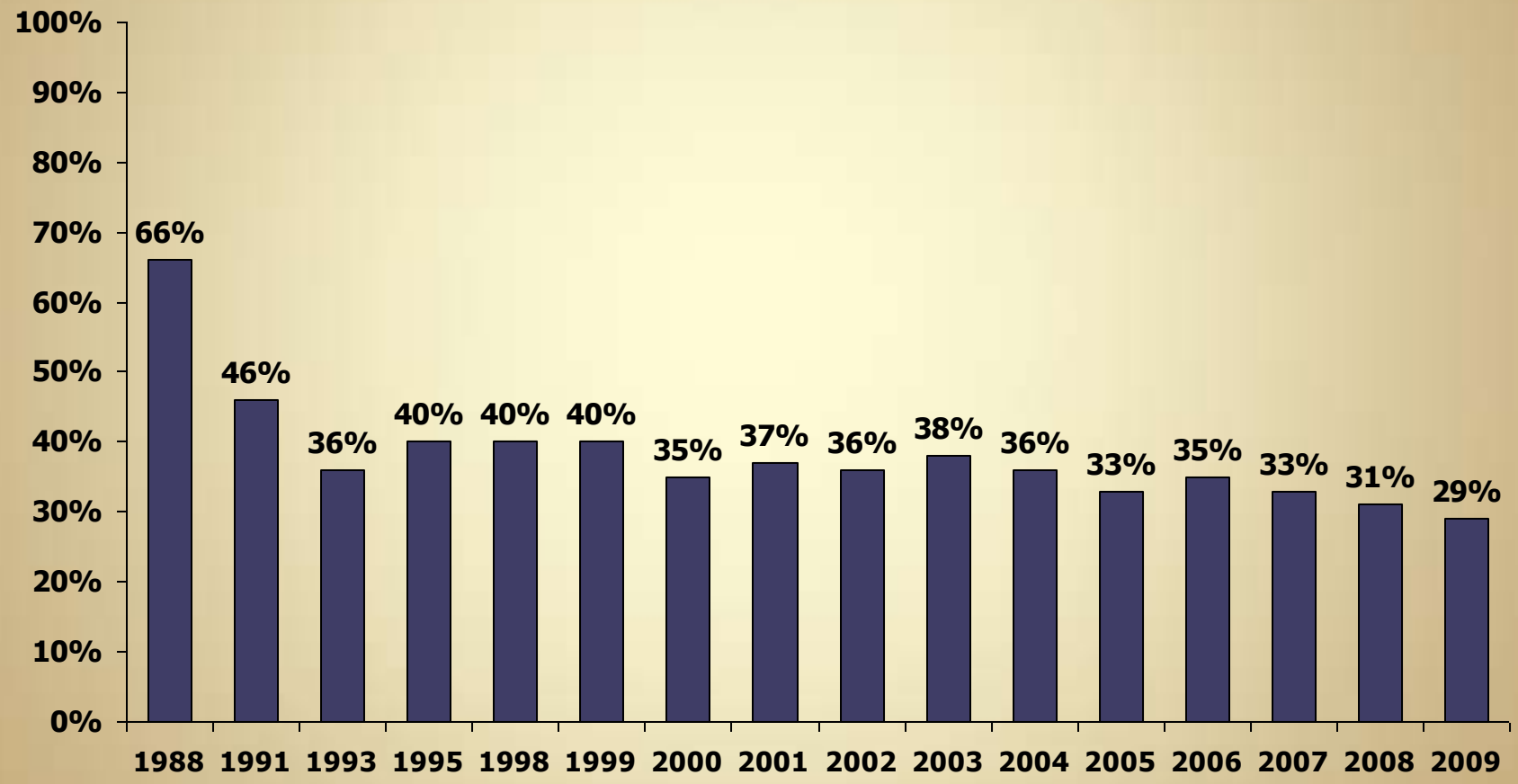


* Distribution is statistically different from the previous year shown (p<.05). No statistical tests were conducted for years prior to 1999. No statistical tests are conducted between 2005 and 2006 due to the addition of HDHP/SO as a new plan type in 2006.

Note: Information was not obtained for POS plans in 1988. A portion of the change in plan type enrollment for 2005 is likely attributable to incorporating more recent Census Bureau estimates of the number of state and local government workers and removing federal workers from the weights. See the Survey Design and Methods section from the 2005 Kaiser/HRET Survey of Employer-Sponsored Health Benefits for additional information.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2009; KPMG Survey of Employer-Sponsored Health Benefits, 1993, 1996; The Health Insurance Association of America (HIAA), 1988.

Among All Large Firms (200 or More Workers) Offering Health Benefits to Active Workers, Percentage of Firms Offering Retiree Health Benefits, 1988-2009*



*Tests found no statistical difference from estimate for the previous year shown (p<.05). No statistical tests are conducted for years prior to 1999.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2009; KPMG Survey of Employer-Sponsored Health Benefits, 1991, 1993, 1995, 1998; The Health Insurance Association of America (HIAA), 1988.

Injury/Illness Interface

- Obesity/Metabolic Syndrome/Chronic Musculoskeletal Stress and Damage
  - Chronic pain
  - Loss of balance and agility
  - Increased injury rates
  - Difficulty differentiating acute and chronic injury
  - Depression
  - Delayed recovery/healing

Delayed Recovery

- "When there's an injury on the job, healthy workers tend to recover more quickly, which then benefits the employer through less loss of productivity…"

Robert Hartwood – The Insurance Information Institute

Absenteeism

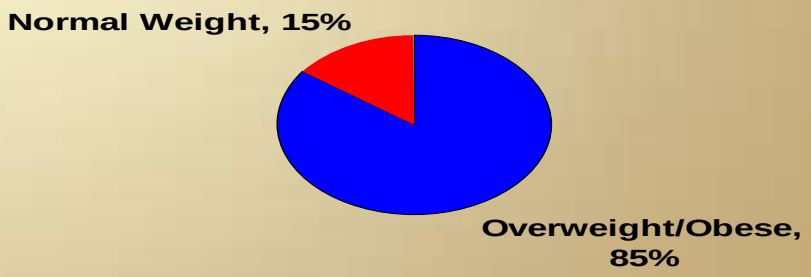
- Medical visit time lost
- Pain (low back pain, headache, etc)
- Depression/Fatigue
- Poor family health
- Injury
  - Worker's Compensation

Presenteeism

- Fatigue (sleep apnea, obesity, lung disease, alcoholism)
- Substance abuse
- Emotional causes (depression, obsessive compulsive disorder, neuroses)
- Smoking
- Poor family health (physical or emotional)
- Injury
  - Worker's Compensation

Cause or Effect: Do Obesity and Chronic Illness Increase Costs and Disability?

- Federal legislation continues to be discussed that would provide tax credits to businesses that offer wellness programs; based on the belief that there is a $3 to $4 payback for each dollar spent.
- A Hopkins study of hourly aluminum workers in 8 plants revealed that the overwhelming majority of injuries occurred in overweight or obese employees.



Cause or Effect: Do Obesity and Chronic Illness Increase Costs and Disability?

- According to the Rand Corporation's 2007 "Research Highlights," the obese spend 36% more on health care services and 77% more on medications than their normal weight counterparts.
- In addition, the report projected that by 2020 one-fifth of health care expenditures will be devoted to treating the consequences of obesity.

Cause or Effect: Do Obesity and Chronic Illness Increase Costs and Disability?

- In 2007, Milken Institute's "An Unhealthy America: The Economic Burden of Chronic Disease on the United States," it was noted that the costs of cancer, diabetes, heart disease, hypertension, stroke, mental disorders and lung conditions are in the billions. However, **the cost of absenteeism and presenteeism was calculated at more than $1 trillion that year.**

Cost Per Claim/Lost Work Day Per Claim Relative to BMI

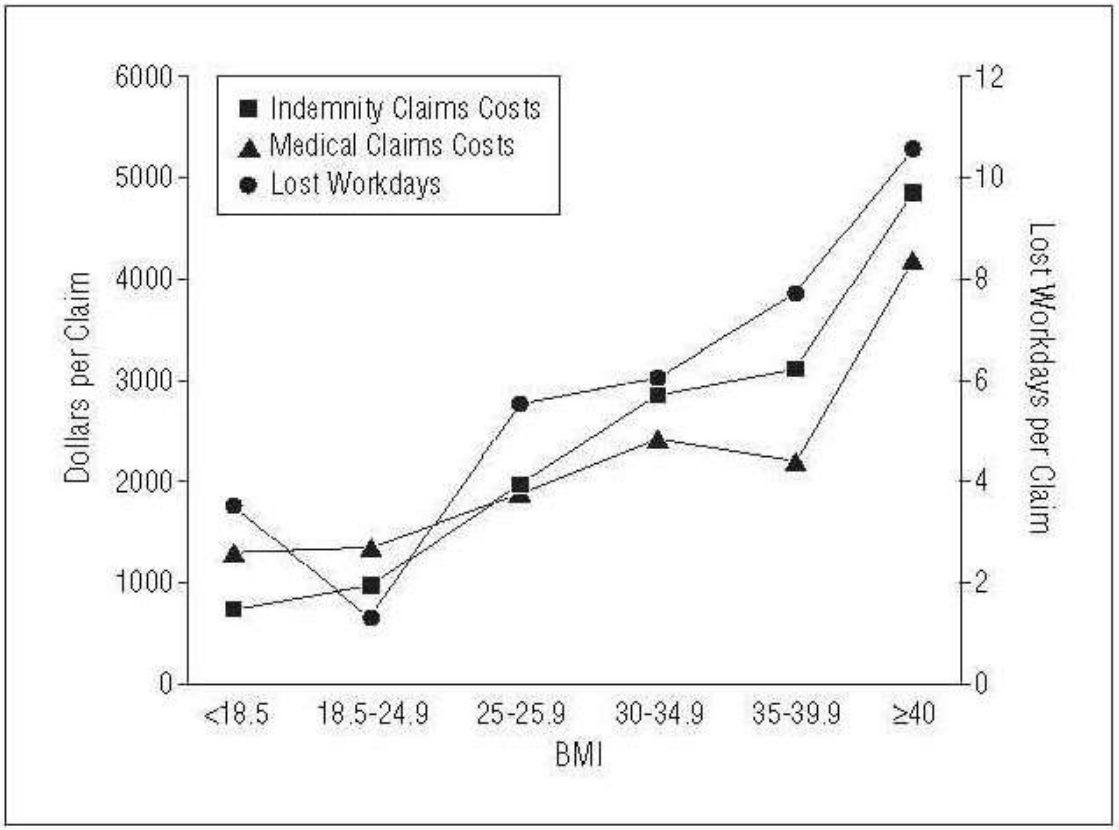
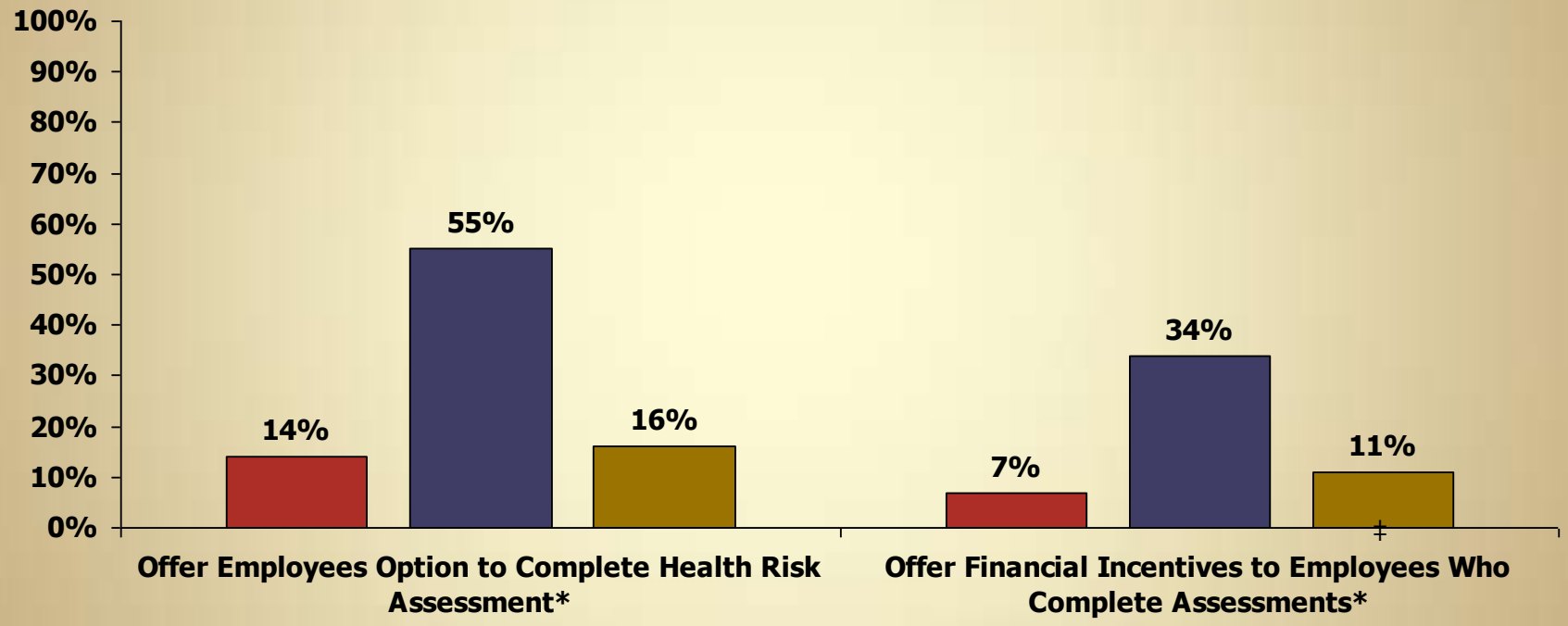


Figure 1. Mean indemnity claims costs, medical claims costs, and number of lost workdays per claim by body mass index (BMI) category. Body mass index is calculated as weight in kilograms divided by height in meters squared.

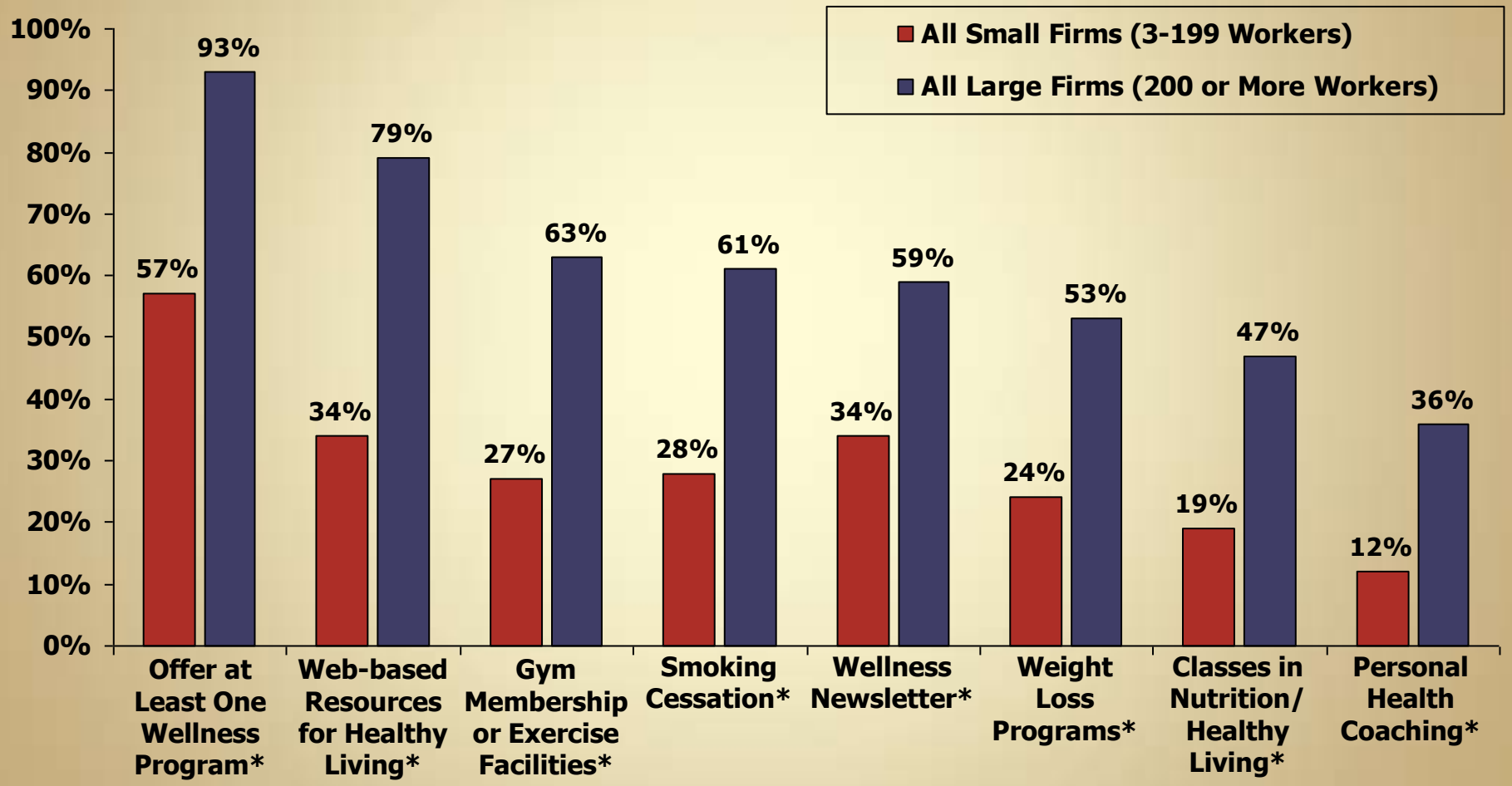
Ostbye et al. Arch Intern Med/Vol. 167, Apr. 23, 2007, pp. 766-773.

Among Firms Offering Health Benefits, Percentage of Firms That Offer Employees Health Risk Assessments and Offer Incentives to Complete Assessments, by Firm Size, 2009



*Estimate is statistically different between All Small Firms and All Large Firms within category (p<.05).
‡ Among Firms Offering Employees Option to Complete Health Risk Assessment.
Note: A health risk assessment includes questions on medical history, health status, and lifestyle, and is designed to identify the health risks of the person being assessed.
Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2009.

Among Firms Offering Health Benefits, Percentage Offering a Particular Wellness Programs to Their Employees, by Firm Size, 2009



*Estimate is statistically different within type of wellness program between All Small Firms and All Large Firms ($p<.05$).

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2009.

2008

ROI-Based Analysis of Employee Wellness Programs

The Problem…The Cost…The Solution

Organizations of all sizes and from all industries are investigating ways to save money in the form of health care, disability, sick time, recruitment and retention costs. This document looks at the problem facing employers, the cost attributed to that problem, and the critical components a wellness program must incorporate in order to provide a long-term, high ROI solution to that problem.

US Corporate Wellness, Inc.

February 8, 2008

Developing a Uniform Model of Wellness

- Our health care delivery system has not established a uniform model of wellness

- Why?
  - Businesses all operate and account differently
    - Illness, work comp, FMLA, etc.
  - ROI is difficult to calculate
    - Wellness outcomes are not just related to healthcare premiums and direct healthcare costs.

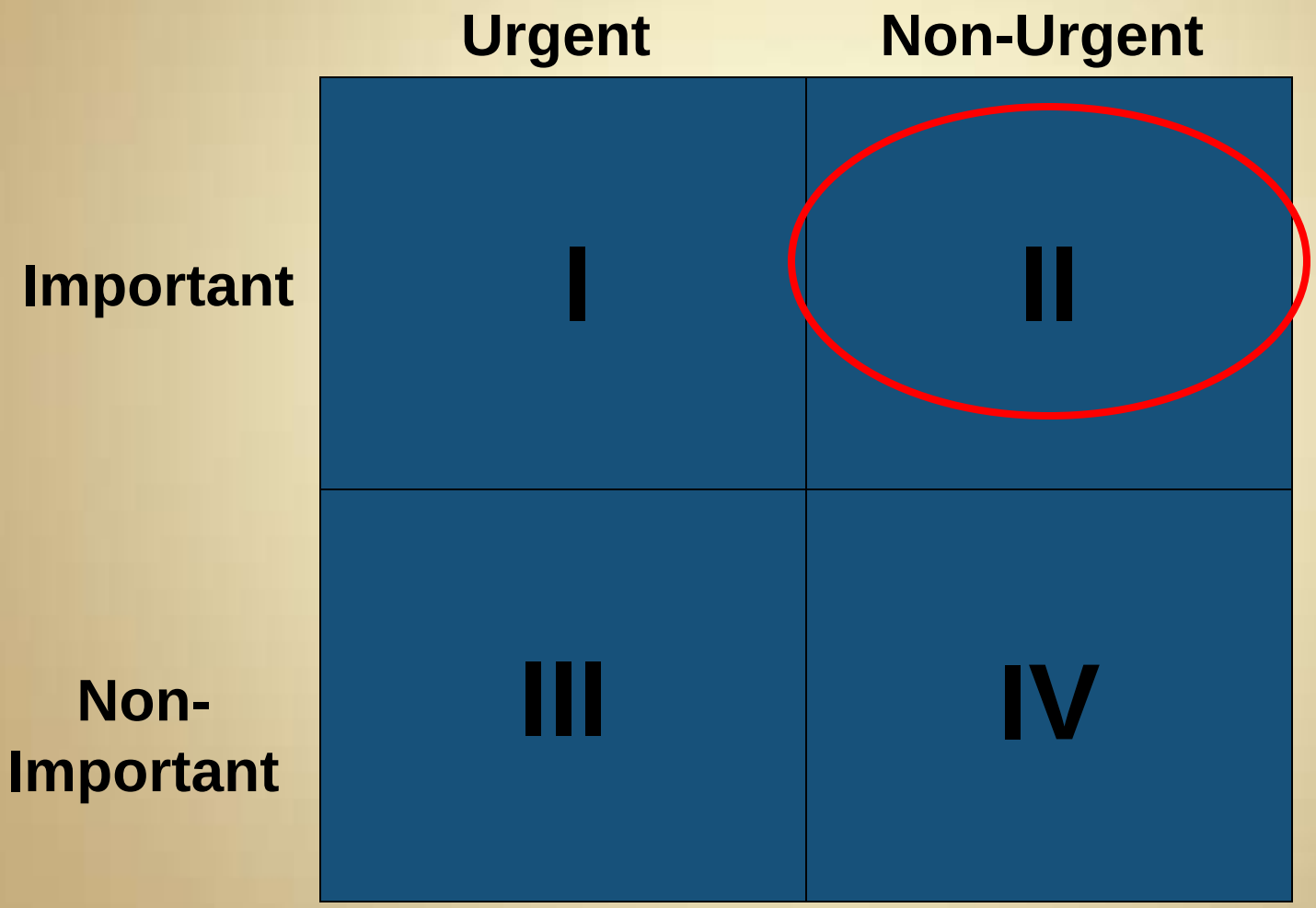
HOWEVER…

The Results of a Commitment to Employee Wellness are Notable

- Reduction in health care costs by 20-55%
- Decrease in short-term sick leave by as much as 32%
- A savings of between $3 and $6 for every $1 invested in wellness
- Drop in work comp and disability by as much as 30%
- Enhanced recruitment and retention for all positions

http://www.uscorporatewellness.com/USCW%20-%20White%20Paper%20(ROI%20Analysis).pdf

The Covey 2 x 2



Stephen Covey. 7 Habits of Highly Effective People. ©

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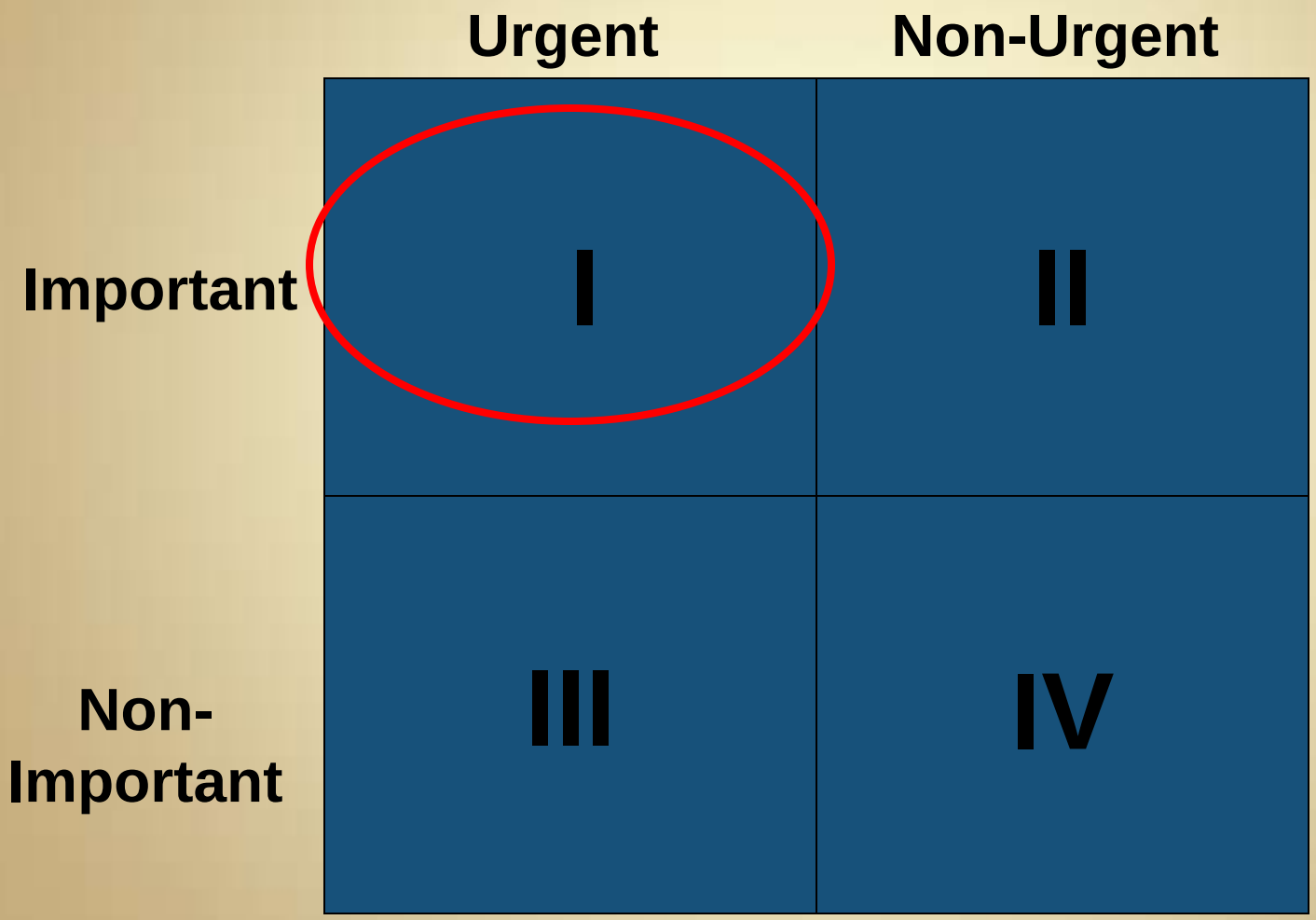

Stephen Covey. 7 Habits of Highly Effective People. ©

How Do We Proceed?

- The public senses the logic of prevention.
- They also sense that there may be more to health than our current system promotes.
- They often pay for questionable alternative medical services out of frustration with the current system.
- Many wellness programs have been primarily seen as marketing and thereby lacked permanence.
- The public might well buy-in if business/ community/healthcare shared a more logical and progressive vision of health and wellness, rather than leaving wellness to everybody else but the professionals.

- **Remember…all politics is local!**