

Employer Cost Management Strategies

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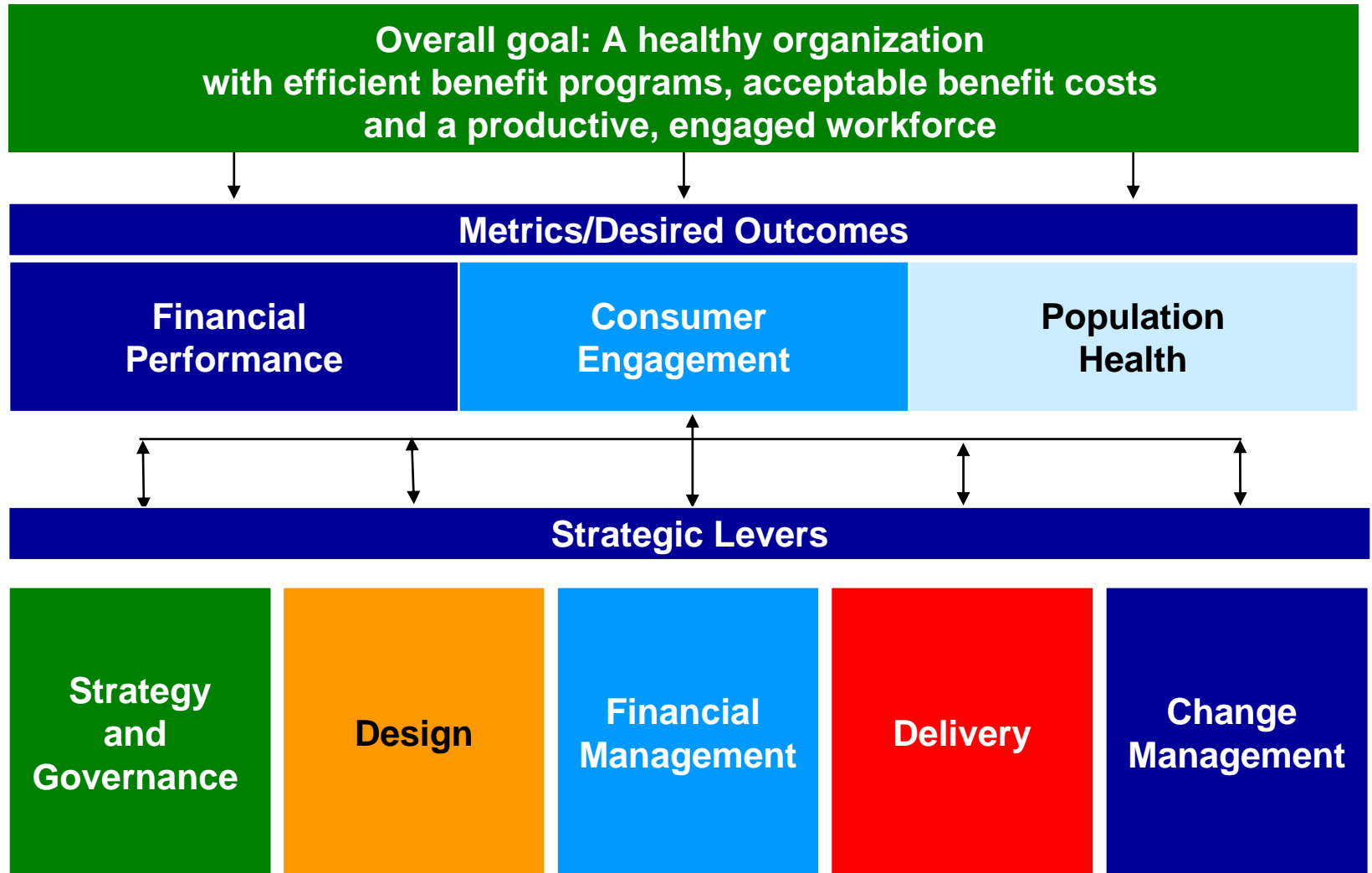
Medical Costs in 2007

Active Employees Only

| | New England | National |
|---|------------------------------------|------------------------------------|
| Monthly Medical Cost —High Cost —Low Cost | \$817 ■ \$939 ■ \$693 | \$733 ■ \$882 ■ \$590 |
| Average 2007 Increase —High Cost —Low Cost | 8.2% ■ 9.5% ■ 5.7% | 6.9% ■ 8.9% ■ 4.7% |
| Average 2007 Employee Share | 20.9% | 21.8% |

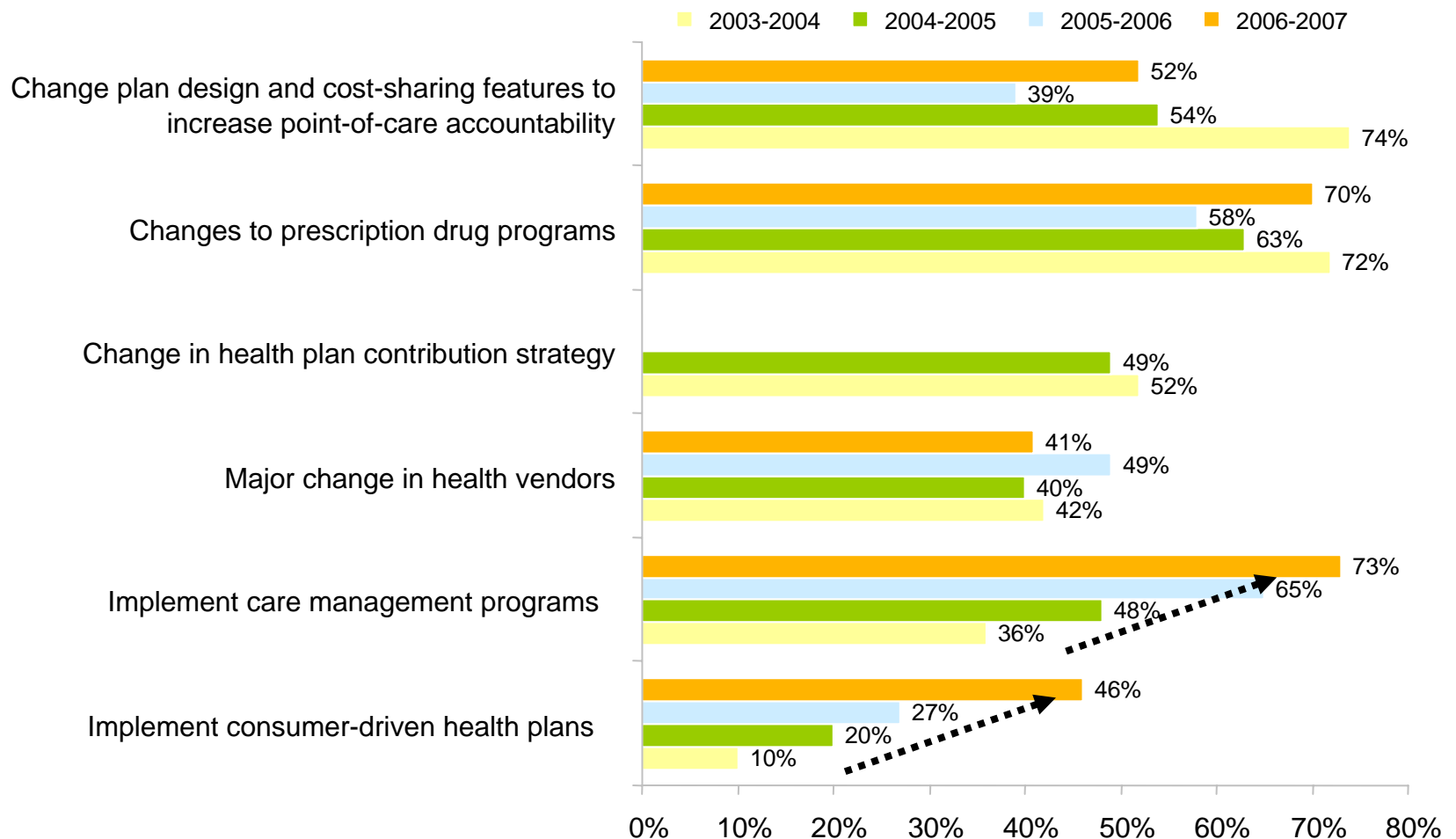
Source: Towers Perrin 2007 Health Care Cost Survey.

A framework for addressing the problem



Employers are taking multiple steps to control costs

Percent of employers implementing interventions to control health care costs

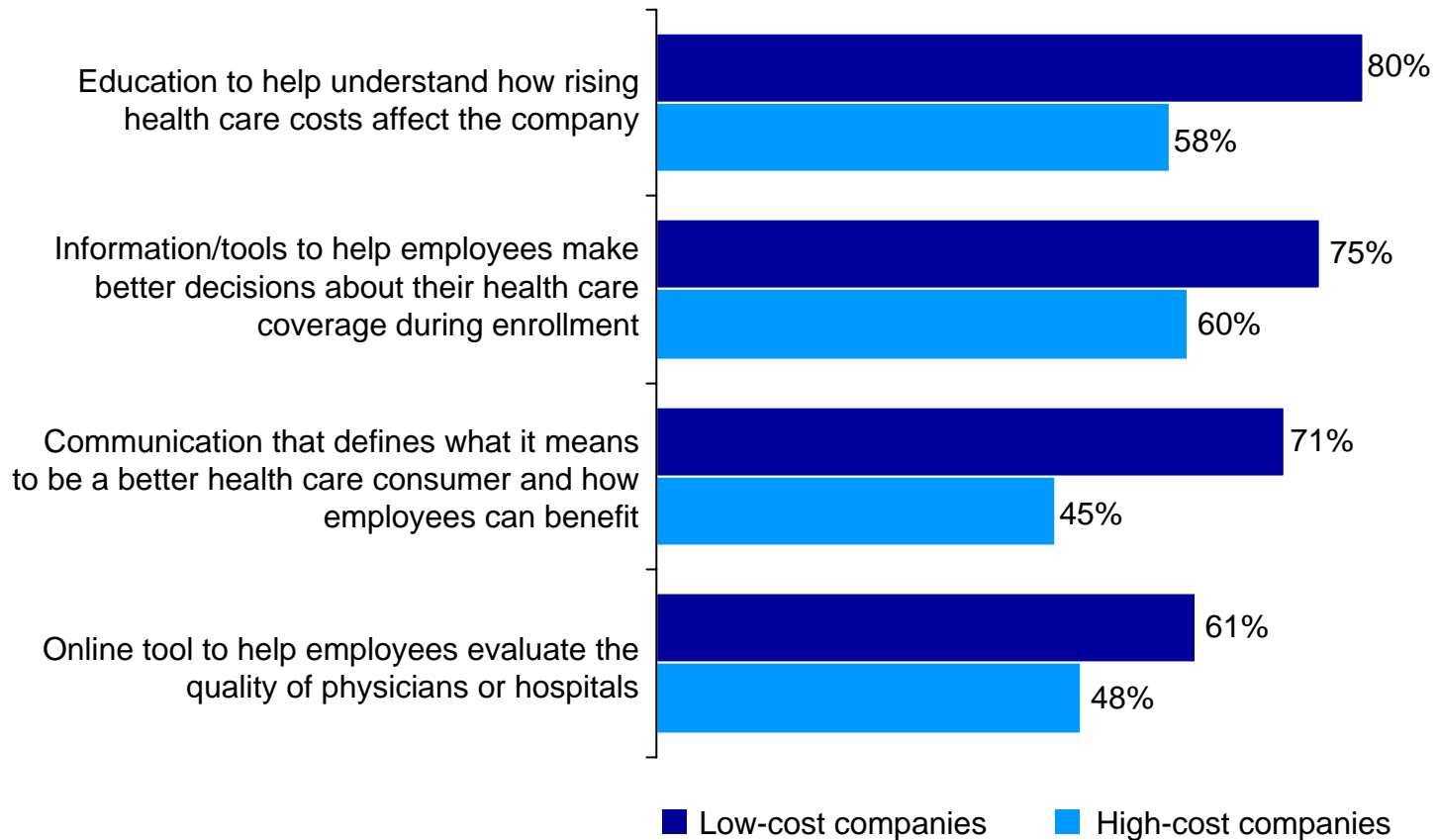


Source: Towers Perrin 2007 Health Care Cost Survey.

Change Management: Employers are forming “partnership” with employees, educating their partners via more access to tools

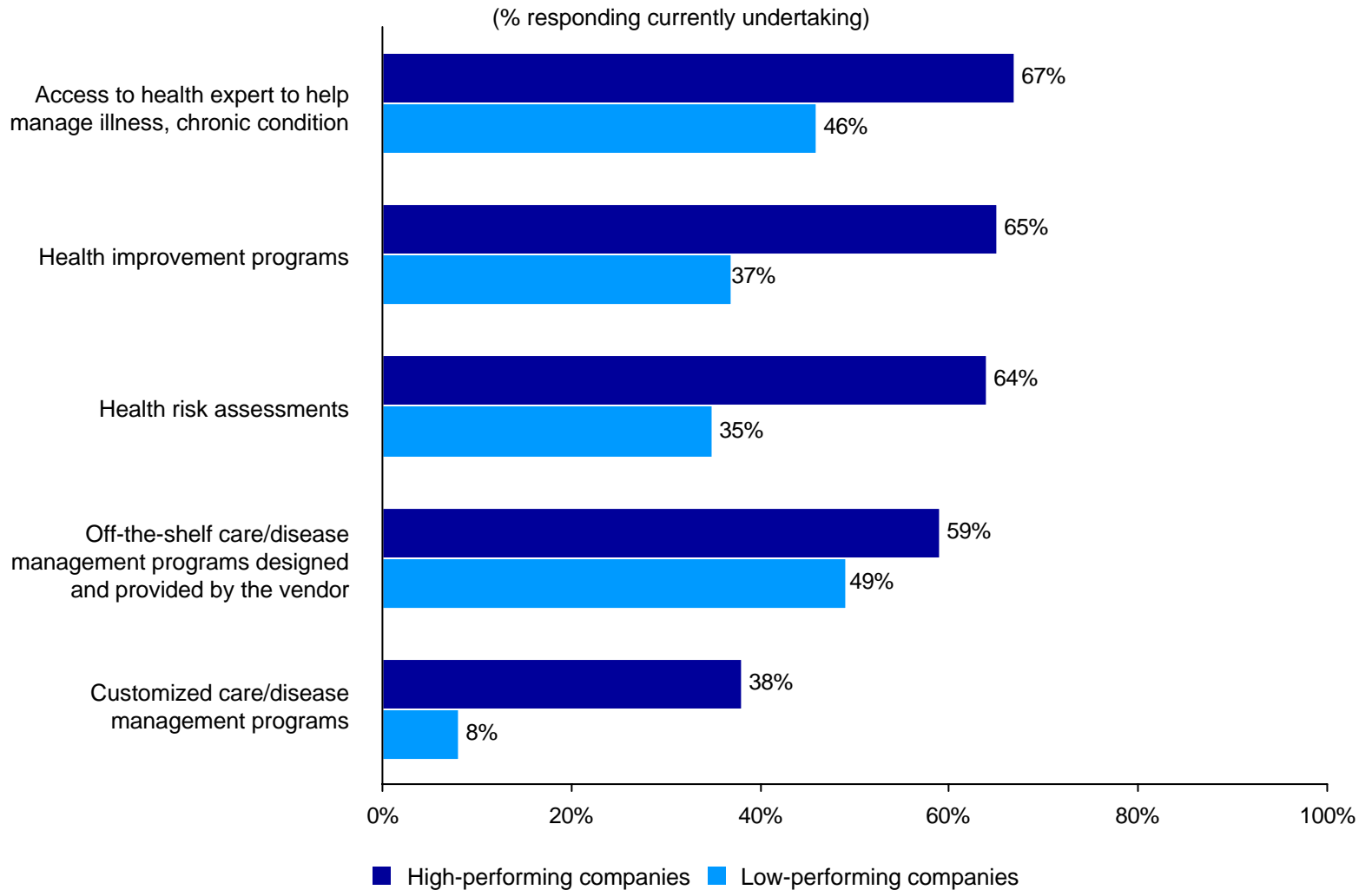
Consumer Engagement

(have implemented/will implement in 2007)
(low cost companies vs. high cost companies)



Source: Towers Perrin 2007 Health Care Cost Survey.

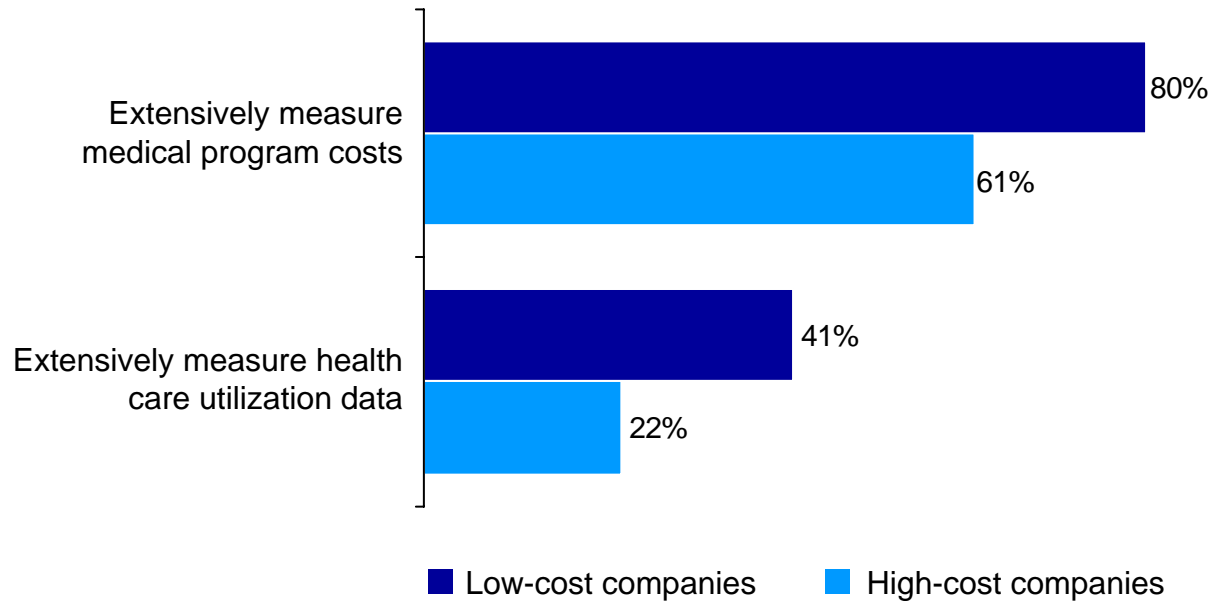
Employee health management activities



Source: Towers Perrin 2008 Health Care Cost Survey

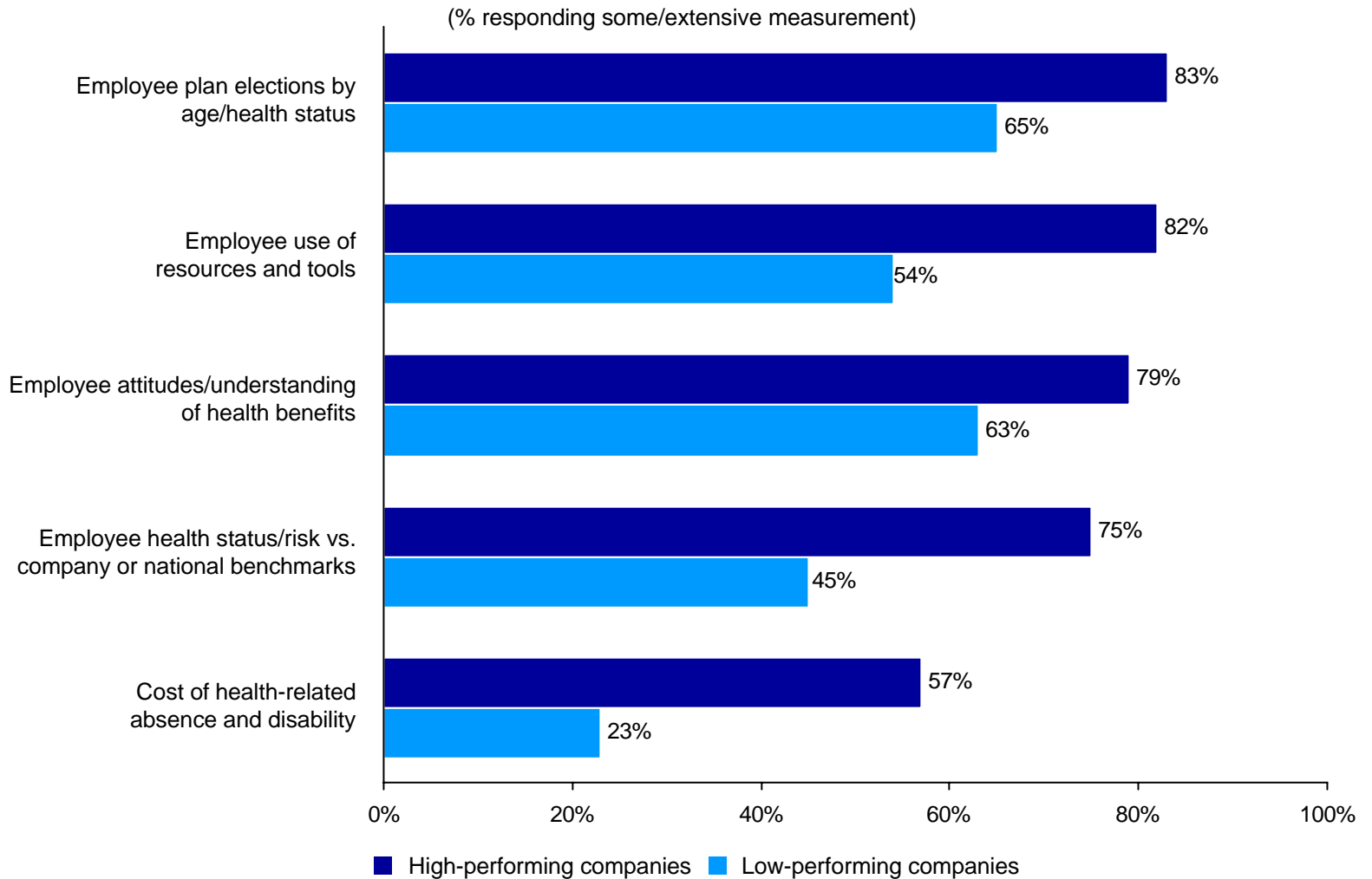
Financial Management: Comprehensive, rigorous measurement taking hold

Budgeting and Measurement (low cost companies vs. high cost companies)



Source: Towers Perrin 2007 Health Care Cost Survey.

Measurement

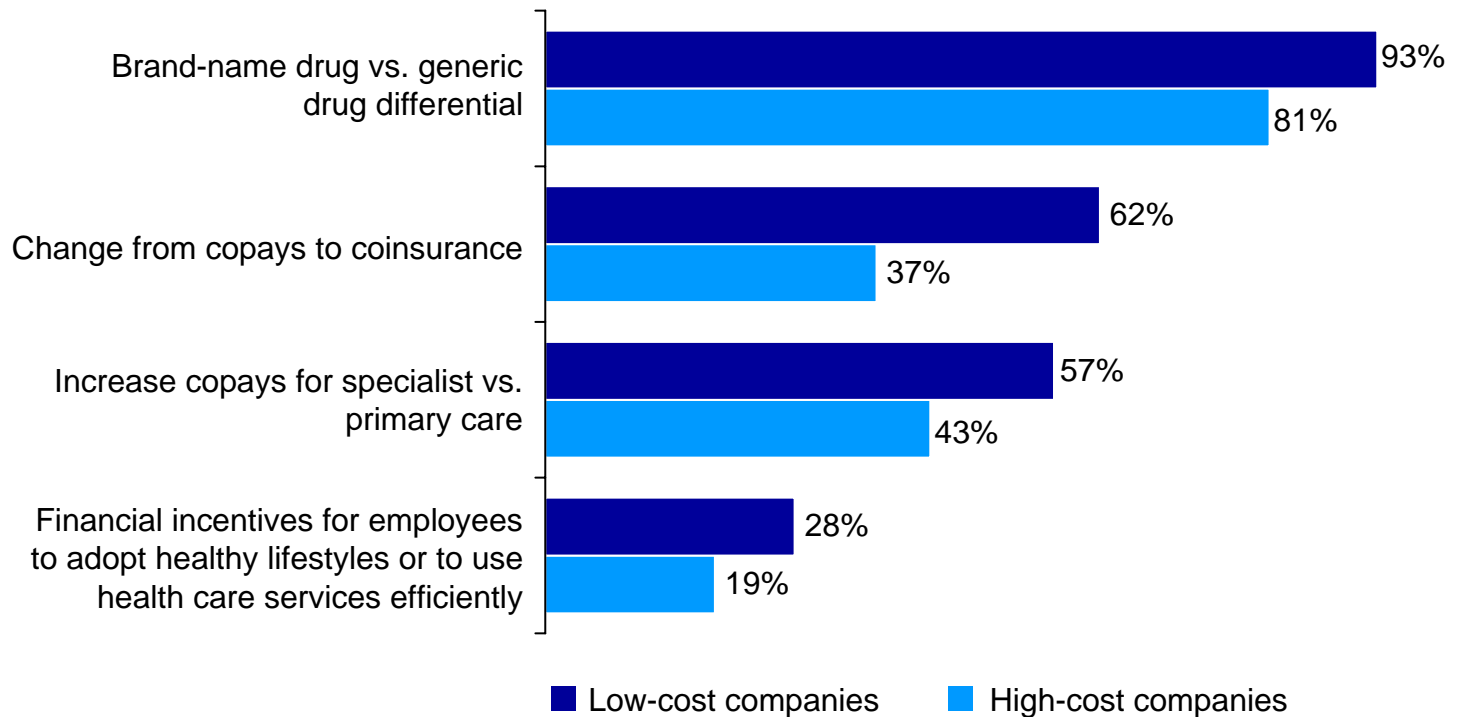


Source: Towers Perrin 2008 Health Care Cost Survey

Design: Taking steps to control costs

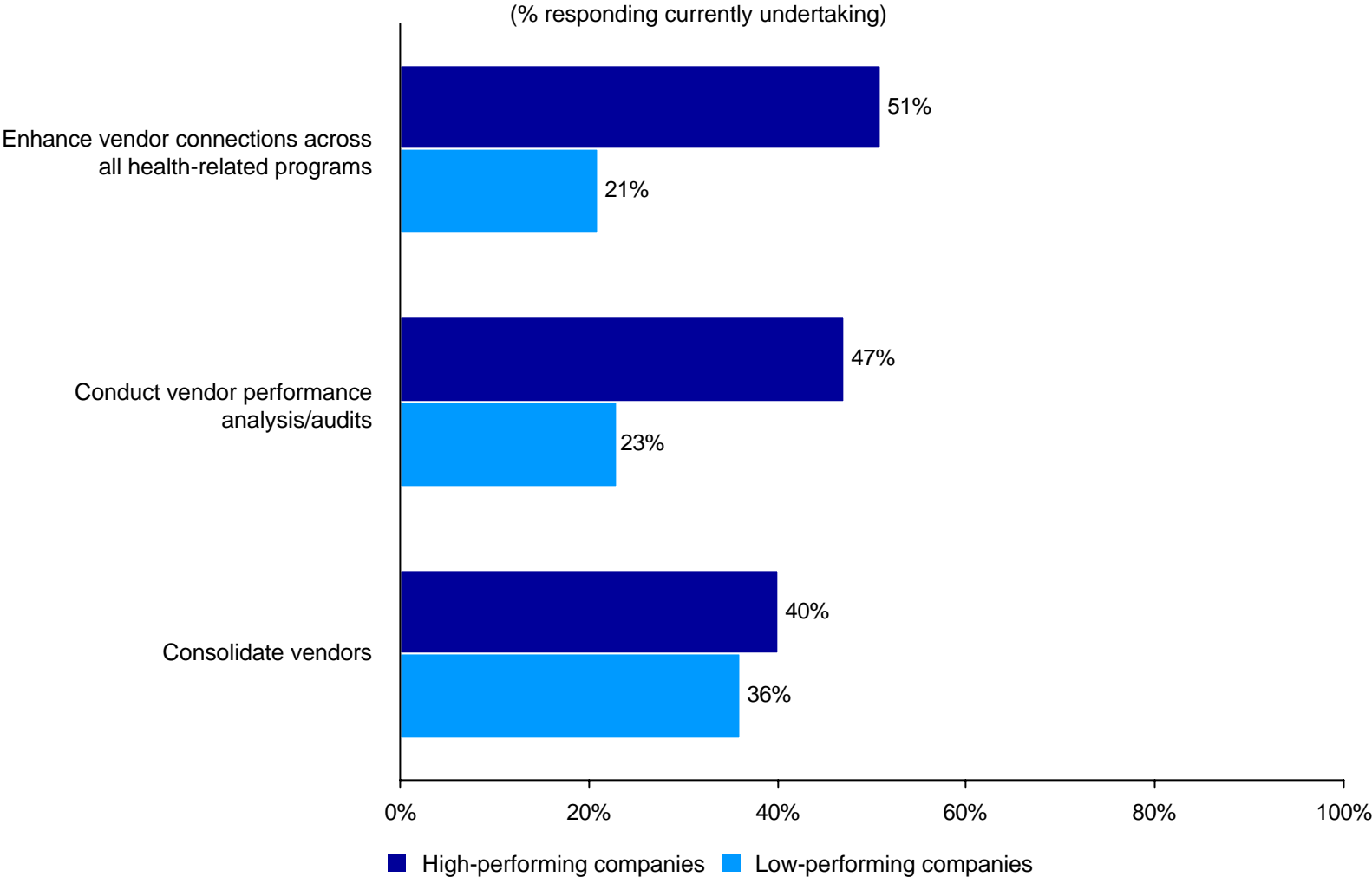
Transparency and Accountability

(have implemented/will implement in 2007)
(low cost companies vs. high cost companies)



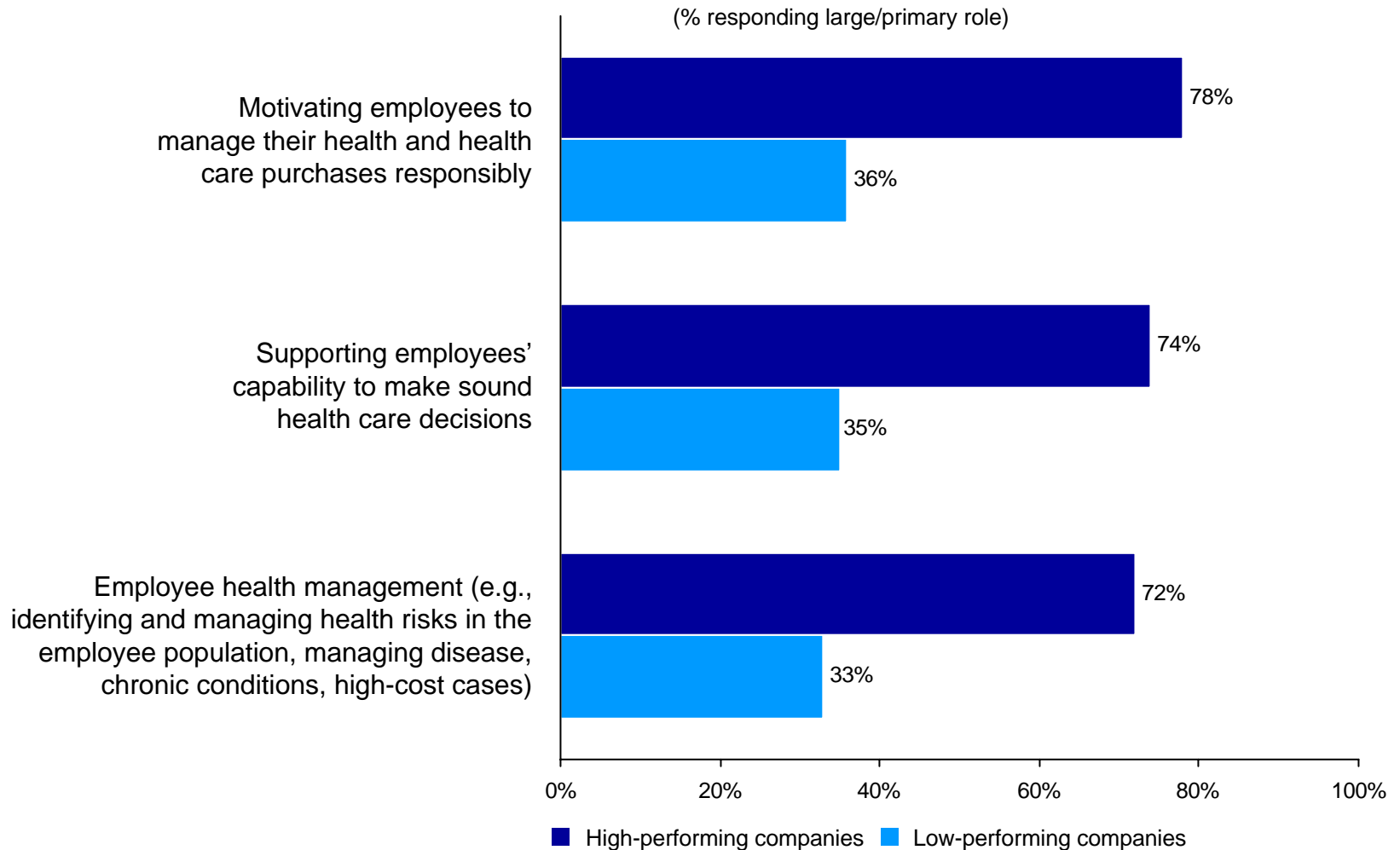
Source: Towers Perrin 2007 Health Care Cost Survey.

Vendor management



Source: Towers Perrin 2008 Health Care Cost Survey

Employer commitment/company role today



NOTE: Only 29% of TOTAL respondents say their organization today plays a large/primary role in helping employees meet their **post-retirement** financial protection needs

Source: Towers Perrin 2008 Health Care Cost Survey

Lower-cost companies want healthy organizations

- Strategy
 - Long term commitment
 - Monitor and measure
- Change management
 - Drive desired behavior
 - Improve health and productivity
- Financial management
 - Track metrics
 - Audit
- Delivery
 - Integrate, move to a continuum of health solutions and care management
 - Population health
- Design
 - Affordable designs
 - Account-based health plans