Employer Investments in Improving Employee Health

Results from the Second Annual National Business Group on Health/Fidelity Investments Benefits Consulting Survey

January 2011
Methodology For Estimating Spending on Health Improvement Programs

- Survey data around prevalence of health improvement (HI) programs is used in conjunction with estimated cost data to calculate employer spending on HI programs.

- Costs are estimated based on market data collected from vendors, proprietary databases and other sources.

- Due to significant cost variations for each health improvement program/service offered by vendors, a single cost estimate was utilized for each program/service.

- To calculate the percentage of spending on HI programs relative to total claims costs, the latter is estimated using survey data and other published resources.
  - Actual claims costs vary from employer to employer for various reasons, including differences in demographics, geography, plan design and health management effectiveness.

Survey Demographics

Employer Size

- Jumbo: 38% (2009), 39% (2010)
- Large: 26% (2009), 21% (2010)
- Mid-Market: 36% (2009), 40% (2010)

Industry

- Transportation: 10 (2009), 33 (2010)
- Retail: 12 (2009), 11 (2010)
- Other Manufacturing: 19 (2009), 1 (2010)
- Health Care: 20 (2009), 16 (2010)

Note:
Mid-Market (< 5,000 employees), Large (5,000 – 15,000 employees) & Jumbo (15,000+ employees). Size based on number of benefits eligible employees in the U.S.

About the Survey

- The National Business Group on Health (NBGH) and Fidelity Investments conducted an employer survey in September 2010.

- The survey was sent to NBGH member companies and select Fidelity clients:
  - 147 employers completed the survey and are included in the survey findings.

- The respondents were asked questions related to their company’s health improvement programs, covering a number of areas, including:
  - Costs and Measurement
  - Prevalence and Impact of Programs
  - Incentives, Assessments, and Communication
  - Measuring Return on Investment

When asked about the perceived impact of 26 different health programs, there was little differentiation among them.

Employers’ top 3 gauges for program success are participation, engagement and employee feedback; clinical measures/outcomes ranked 7th.

In instances where health improvement programs are not working well, employers choose most often to re-evaluate their overall strategy (69%) and/or increase communications (61%).

Strategic Investments
Employers continue to offer numerous programs

Average Number of Programs Offered

<table>
<thead>
<tr>
<th>Category</th>
<th>Programs Offered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Risk Management</td>
<td>4</td>
</tr>
<tr>
<td>Lifestyle Management</td>
<td>6</td>
</tr>
<tr>
<td>Condition Management</td>
<td>8</td>
</tr>
<tr>
<td>Communication/Education</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>23</td>
</tr>
</tbody>
</table>

Top 3 Programs by Category

**Health Risk Management**
- On-site flu shots (93%)
- Preventive care covered at 100% (80%)
- Health fairs/lunch-n-learns (79%)

**Lifestyle Management**
- EAP (97%)
- Smoking cessation (74%)
- Stress management (71%)

**Condition Management**
- Nurse line (85%)
- Diabetes (82%)
- Coronary Artery Disease (77%)

**Communication/Education**
- Emails (82%)
- Company intranet or health/wellness website (77%)
- Health and wellness newsletters/brochures (73%)

- 74% of employers offer 19 or more health improvement programs

Employers focusing more on health risk management

In total, employers are investing roughly 2% of medical spend on health improvement programs

- Median employer reported PEPY spend on health improvement program (excluding incentives) is $125
- Distribution in spend increased for health risk management programs, but it remains focused on condition management programs
- To determine the right mix on spend, employers should evaluate a number of factors (e.g., benefits strategy, employee demographics, turnover ratio, etc.)

Employers utilize various assessments to manage programs

- Number of employers completing assessments increased from 61% (2009) to 80% (2010)
- Given the number of programs offered by employers, multiple assessments (varying by type of program) are needed to effectively measure program success and health outcomes

**Number of Assessments Completed**

<table>
<thead>
<tr>
<th>Number of Assessments Completed</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Did Not Complete Assessment</td>
<td>20%</td>
</tr>
<tr>
<td>1 or More</td>
<td>80%</td>
</tr>
<tr>
<td>2 or More</td>
<td>61%</td>
</tr>
<tr>
<td>3 or More</td>
<td>43%</td>
</tr>
<tr>
<td>4 or More</td>
<td>29%</td>
</tr>
<tr>
<td>5 or More</td>
<td>13%</td>
</tr>
</tbody>
</table>

**Types of Assessments Completed**

- Vendor Analysis: 57%
- Financial Analysis: 53%
- Program Inventory/Gap Analysis: 45%
- Operational: 43%
- Employee Satisfaction Survey: 26%
- Not Completed an Assessment: 20%

**Note:** N = 145
Metrics remain traditional and largely qualitative

Metrics Used to Measure Program Success

- Participation levels (e.g., 30% employee enrollment): 77%
- Engagement levels (e.g., completed program): 70%
- Employee feedback: 64%
- Utilization of preventive services: 60%
- Claims cost: 54%
- Paid claims/trend: 50%
- Clinical measures/outcomes (e.g., reduced Asthma ER visits): 46%
- Evidence-based Medicine Compliance: 26%
- Utilization of high-performing providers/networks: 10%

Note: N = 124
With numerous programs being offered, the strategy for non-performing programs is critical.

### Action Taken on Health Improvement Program not Performing Well

- **Reassess All Programs (Broader Wellness Strategy)**: 69%
- **Increase Communication Efforts**: 61%
- **Detailed Review of Administration/Operations**: 41%
- **Discontinue Program Next Year**: 25%
- **Vendor Procurement/ Re-negotiate Fees**: 23%
- **Adding/Enhancing Clinical/Financial PGs**: 22%
- **Don't Know**: 8%

**Note:** N = 133

Employers plan to continue using multiple vendors while leveraging current relationships to improve delivery.

### Number of Vendors Currently Utilized

<table>
<thead>
<tr>
<th>Number of Vendors</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Vendor</td>
<td>12%</td>
<td>7%</td>
</tr>
<tr>
<td>2-5 Vendors</td>
<td>23%</td>
<td>62%</td>
</tr>
<tr>
<td>6-10 Vendors</td>
<td>22%</td>
<td>58%</td>
</tr>
<tr>
<td>11+ Vendors</td>
<td>7%</td>
<td>7%</td>
</tr>
</tbody>
</table>

### In the Future, Number of Vendors to be Utilized

<table>
<thead>
<tr>
<th>Number of Vendors</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Same</td>
<td>58%</td>
<td>71%</td>
</tr>
<tr>
<td>More</td>
<td>19%</td>
<td>38%</td>
</tr>
<tr>
<td>Less</td>
<td>4%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Note:
N = 112 (2009) / 119 (2010): In the Future, Number of Vendors to be Utilized

Incentives
Incentives typically offered at larger employers

Provide Incentives for Participating in Health Improvement Programs

<table>
<thead>
<tr>
<th></th>
<th>Mid-Market</th>
<th>Large</th>
<th>Jumbo</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Yes</strong></td>
<td>38%</td>
<td>78%</td>
<td>75%</td>
<td>63%</td>
</tr>
<tr>
<td><strong>No</strong></td>
<td>62%</td>
<td>22%</td>
<td>25%</td>
<td>37%</td>
</tr>
</tbody>
</table>

Note:
N = 146
Mid-Market (< 5,000 employees), Large (5,000 – 15,000 employees) & Jumbo (15,000+ employees). Size based on number of benefits eligible employees in the U.S.

Incentives take many forms

### Types of Incentives by Program

<table>
<thead>
<tr>
<th>Health Improvement Program</th>
<th>Cash Equivalent</th>
<th>Plan Design Adjustment</th>
<th>Lottery/Prize Drawing/Raffle</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smoking Cessation</td>
<td>84%</td>
<td>9%</td>
<td>7%</td>
<td>100%</td>
</tr>
<tr>
<td>Weight Management</td>
<td>76%</td>
<td>2%</td>
<td>22%</td>
<td>100%</td>
</tr>
<tr>
<td>Lifestyle Coach/Health Advocate Consultation</td>
<td>77%</td>
<td>10%</td>
<td>13%</td>
<td>100%</td>
</tr>
<tr>
<td>Health Risk Assessment</td>
<td>84%</td>
<td>6%</td>
<td>11%</td>
<td>100%</td>
</tr>
<tr>
<td>Biometric Screenings</td>
<td>82%</td>
<td>7%</td>
<td>11%</td>
<td>100%</td>
</tr>
<tr>
<td>Preventive Care Service/Screenings</td>
<td>57%</td>
<td>33%</td>
<td>10%</td>
<td>100%</td>
</tr>
<tr>
<td>Activity or Content/Tool Based Programs/Activities</td>
<td>61%</td>
<td>0%</td>
<td>39%</td>
<td>100%</td>
</tr>
<tr>
<td>Disease/Care Management Programs</td>
<td>73%</td>
<td>22%</td>
<td>5%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Cash equivalent comprised of cash, contributions to an account (HRA/HSA) and reduced premium contributions.

- Cash (or “cash equivalent”) incentives are far more prevalent than other types of incentives
- A small percentage of employers (12%) utilize “negative incentives” (e.g., increasing contributions for non-participation)

**Note:** N = 86

Larger employers typically provide greater incentives

**Annual Dollar Value of All Incentives**

(Employee Only)

- Average employee incentive is $430 and the median incentive is $338 in 2010
- 50% of employers that provide incentives to employees also provide them to dependents
  - Average dependent incentive is $420 and the median dependent incentive is $300

**Note:**

N = 68
Mid-Market (< 5,000 employees), Large (5,000 – 15,000 employees) & Jumbo (15,000+ employees). Size based on number of benefits eligible employees in the U.S.
Most employers provide incentives on a cost-neutral basis

Employers Adjusting Contributions to Include the Total Cost of Offering Incentives

- Cost neutral pricing is developed by adjusting contributions for expected participation and communicated incentive amount

Note: N = 80
Larger employers report greater success

How Successful Employers Believe Their Incentive-based programs Have Been in Increasing Employee Participation/Engagement


Note: N = 86
Program Value
Employers continue to leverage various communication channels to raise program awareness and participation.

### The Relative Value of Communication Program Used to Increase Engagement levels

<table>
<thead>
<tr>
<th>Communication Programs</th>
<th>Program Prevalence</th>
<th>Perceived Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Printed Mailings</td>
<td>72%</td>
<td>1.66</td>
</tr>
<tr>
<td>Company Intranet or Health &amp; Wellness Website/Portal</td>
<td>77%</td>
<td>1.72</td>
</tr>
<tr>
<td>Wellness Champions</td>
<td>40%</td>
<td>1.72</td>
</tr>
<tr>
<td>Emails</td>
<td>82%</td>
<td>1.89</td>
</tr>
<tr>
<td>Health &amp; Wellness Newsletters/Brochure</td>
<td>73%</td>
<td>2.05</td>
</tr>
<tr>
<td>Videos/DVDs</td>
<td>25%</td>
<td>2.42</td>
</tr>
<tr>
<td>Posters</td>
<td>65%</td>
<td>2.50</td>
</tr>
<tr>
<td>Self-Care Books</td>
<td>27%</td>
<td>2.77</td>
</tr>
<tr>
<td>Social Networking</td>
<td>16%</td>
<td>2.79</td>
</tr>
</tbody>
</table>

Perceived Value is based on a scale of 1 to 3, where 1=Highest Value, 2=Mid-Value and 3=Lowest Value.

- 71% of employers utilize 4 or more communication channels
- Emails, even though the most prevalent program, were not perceived to have the highest value in increasing engagement levels
  - Social Networking is the least prevalent and perceived to have the least value

**Note:** N = 86
Employers report modest variation in perceived impact

**Perceived Impact** is defined as follows: 1=Highest Impact, 2=Mid-Impact and 3=Lowest Impact

<table>
<thead>
<tr>
<th>Health Risk Management</th>
<th>Program Prevalence</th>
<th>Perceived Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-site Medical/Health Clinic</td>
<td>32%</td>
<td>1.53</td>
</tr>
<tr>
<td>On-site Flu Shots</td>
<td>93%</td>
<td>1.63</td>
</tr>
<tr>
<td>Preventative Care Covered at 100%</td>
<td>80%</td>
<td>1.73</td>
</tr>
<tr>
<td>Health Coach/Advocate</td>
<td>65%</td>
<td>2.22</td>
</tr>
<tr>
<td>Preventative Care Reminders</td>
<td>71%</td>
<td>2.23</td>
</tr>
<tr>
<td>Health Fairs/Lunch-n-Lears</td>
<td>79%</td>
<td>2.35</td>
</tr>
<tr>
<td><strong>Health Risk Management Average</strong></td>
<td></td>
<td><strong>1.97</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Lifestyle Management</th>
<th>Program Prevalence</th>
<th>Perceived Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fitness &amp; Health Challenges</td>
<td>66%</td>
<td>2.00</td>
</tr>
<tr>
<td>On-site Fitness Centers</td>
<td>61%</td>
<td>2.00</td>
</tr>
<tr>
<td>Weight Mgmt</td>
<td>63%</td>
<td>2.12</td>
</tr>
<tr>
<td>EAP</td>
<td>97%</td>
<td>2.16</td>
</tr>
<tr>
<td>Smoking Cessation</td>
<td>74%</td>
<td>2.18</td>
</tr>
<tr>
<td>Stress Mgmt</td>
<td>71%</td>
<td>2.23</td>
</tr>
<tr>
<td>Healthy Food Discounts</td>
<td>14%</td>
<td>2.26</td>
</tr>
<tr>
<td>Off-site Gym Discounts/ Subsidies</td>
<td>64%</td>
<td>2.33</td>
</tr>
<tr>
<td>Healthy Food Options</td>
<td>48%</td>
<td>2.38</td>
</tr>
<tr>
<td>Nutritional Labeling</td>
<td>53%</td>
<td>2.43</td>
</tr>
<tr>
<td><strong>Lifestyle Management Average</strong></td>
<td></td>
<td><strong>2.19</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Condition Management</th>
<th>Program Prevalence</th>
<th>Perceived Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diabetes</td>
<td>82%</td>
<td>2.05</td>
</tr>
<tr>
<td>Cancer</td>
<td>59%</td>
<td>2.13</td>
</tr>
<tr>
<td>COPD</td>
<td>66%</td>
<td>2.14</td>
</tr>
<tr>
<td>Congestive Heart Failure</td>
<td>74%</td>
<td>2.15</td>
</tr>
<tr>
<td>Coronary Artery Disease</td>
<td>77%</td>
<td>2.16</td>
</tr>
<tr>
<td>Maternity</td>
<td>74%</td>
<td>2.19</td>
</tr>
<tr>
<td>Back Pain/Musculoskeletal</td>
<td>63%</td>
<td>2.21</td>
</tr>
<tr>
<td>Asthma</td>
<td>73%</td>
<td>2.22</td>
</tr>
<tr>
<td>Health Care Navigators/Advocates</td>
<td>39%</td>
<td>2.26</td>
</tr>
<tr>
<td>Nurse Line</td>
<td>85%</td>
<td>2.50</td>
</tr>
<tr>
<td><strong>Condition Management Average</strong></td>
<td></td>
<td><strong>2.20</strong></td>
</tr>
</tbody>
</table>

*Note: N = 125*

**Source:** National Business Group on Health/Fidelity Investments Benefits Consulting, Employer Investments in Improving Employee Health Survey, January 2011.

• Employers report a higher perceived impact for Health Risk Management Programs
  ▶ Yet variability of perceived value is greatest within this category
### Program ROI tied to time horizon

**Employers Ranking Program ROI**

<table>
<thead>
<tr>
<th>Short-Term</th>
<th>Ranking Highest Impact to Lowest Impact</th>
<th>Long-Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived Impact</td>
<td>Program</td>
<td>Program</td>
</tr>
<tr>
<td>1.66</td>
<td>Case Management</td>
<td>Disease Management</td>
</tr>
<tr>
<td>1.83</td>
<td>Clinical Management</td>
<td>Wellness Programs</td>
</tr>
<tr>
<td>1.96</td>
<td>Utilization Management</td>
<td>Clinical Management</td>
</tr>
<tr>
<td>2.06</td>
<td>Wellness Programs</td>
<td>Case Management</td>
</tr>
<tr>
<td>2.07</td>
<td>Disease Management</td>
<td>Utilization Management</td>
</tr>
</tbody>
</table>

Perceived Impact is defined as follows: 1=Highest Impact, 2=Mid-Impact and 3=Lowest Impact

**Examples of Programs**
- Case Management - e.g., discharge planning
- Clinical Management - e.g., maternity, bariatric surgery, cancer
- Utilization Management - e.g., pre-authorization, concurrent review
- Disease Management - e.g., diabetes, asthma
- Wellness Programs - e.g., smoking cessation, weight management

**Note:** N = 98

Moving Forward
Many companies expect to increase program offerings

Expected Program Changes for 2011

- **Health Risk Management**: 58% (58% Remove Programs, 39% Add Programs, 3% Maintain Current Programs)
- **Lifestyle Management**: 65% (65% Remove Programs, 32% Add Programs, 3% Maintain Current Programs)
- **Communication/Education Management**: 65% (65% Remove Programs, 30% Add Programs, 5% Maintain Current Programs)
- **Condition Management**: 86% (86% Remove Programs, 11% Add Programs, 3% Maintain Current Programs)

- Aggregate number of programs to be implemented compared to being discontinued in 2011 is 8:1
  - Lifestyle Management: 10:1
  - Health Risk Management: 12:1
  - Condition Management: 3:1
  - Communication/Education Management: 9:1

**Note**: N = 147

What Employers Can Do

Update health improvement strategy and tactics

1. Document and quantify your current investment

2. Test the reasonability of expected return using experience and published data

3. Identify and categorize programs based on current effectiveness

4. For program with expected opportunities, conduct operational, financial and other analyses as appropriate

Lifestyle Management Program Prevalence

Note: N = 121 (2009) / 147 (2010)
Health Risk Management Program Prevalence

Note: N = 121 (2009) / 147 (2010)
Condition Management Program Prevalence

- Coronary Artery Disease: 69% (2009) / 77% (2010)
- Congestive Heart Failure: 69% (2009) / 74% (2010)


Communication/Education Management Program Prevalence

- **Emails**: 2009: 82%, 2010: 76%
- **Company Intranet, Website or Portal (not provided by health plan)**: 2009: 77%, 2010: 88%
- **Health and Wellness Newsletter/Brochures**: 2009: 73%, 2010: 77%
- **Printed Mailings**: 2009: 72%, 2010: 74%
- **Posters**: 2009: 60%, 2010: 65%
- **Wellness Champions**: 2009: n/a, 2010: 40%
- **Self-care Books**: 2009: 27%, 2010: 27%
- **Videos/DVDs**: 2009: 25%, 2010: n/a
- **Social Networking/Media**: 2009: 16%, 2010: 21%

**Note:** N = 121 (2009) / 141 (2010)

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