A woman with long, dark, curly hair is leaning over a desk, focused on her laptop. She is wearing a denim jacket. The desk is cluttered with fresh vegetables, including broccoli and leafy greens. The entire scene is overlaid with a semi-transparent teal filter. The background shows a blurred office or home setting with a chair and a bookshelf.

MERCER'S NATIONAL SURVEY OF EMPLOYER-SPONSORED HEALTH PLANS 2014

Today's Agenda

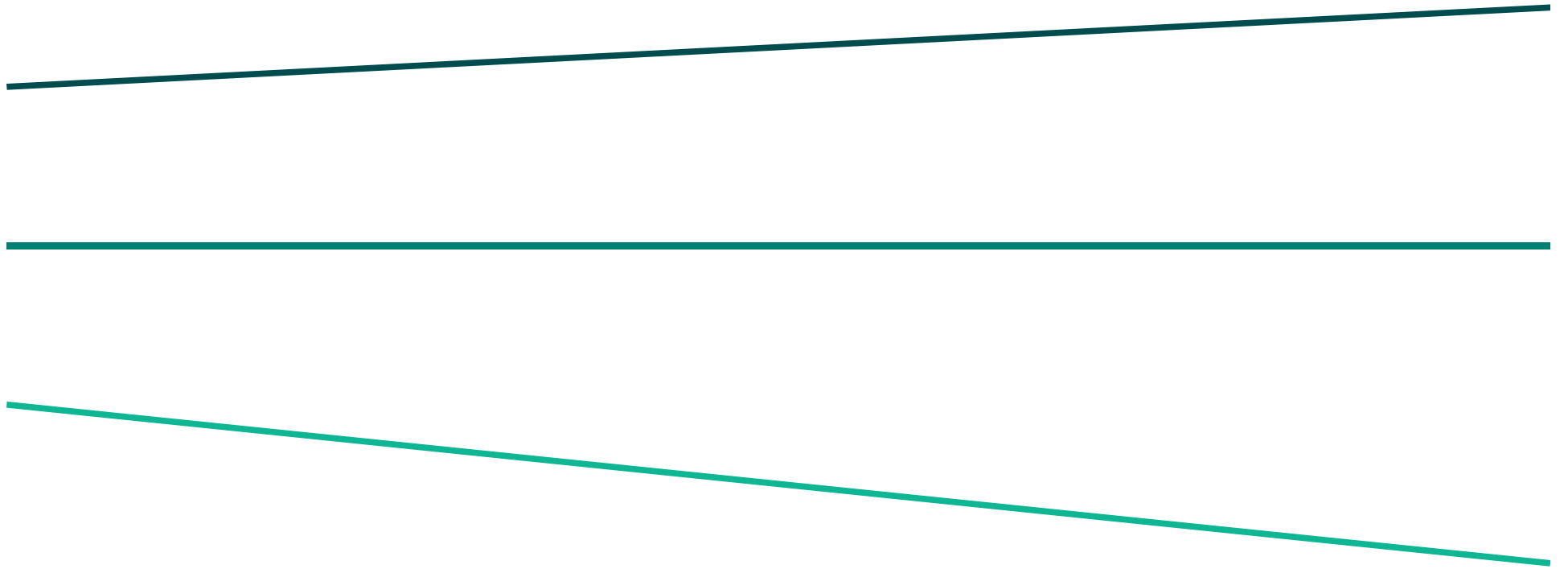
Mercer Healthcare Survey Results

Well-being 2.0

Total Wellness – Engaging a varied workforce

MERCER HEALTHCARE SURVEY RESULTS

KEY HIGHLIGHTS



About Mercer's National Survey of Employer-Sponsored Health Plans

Oldest

Marking 29 years of measuring health plan trends

Largest

2,569 employers participated in 2014

Most comprehensive

Extensive questionnaire covers a full range of health benefit issues and strategies

Statistically valid

Based on a probability sample -- only Mercer and Kaiser survey this way

Covers employers of all sizes, all industries, all regions

Results project to all US employers with 10 or more employees

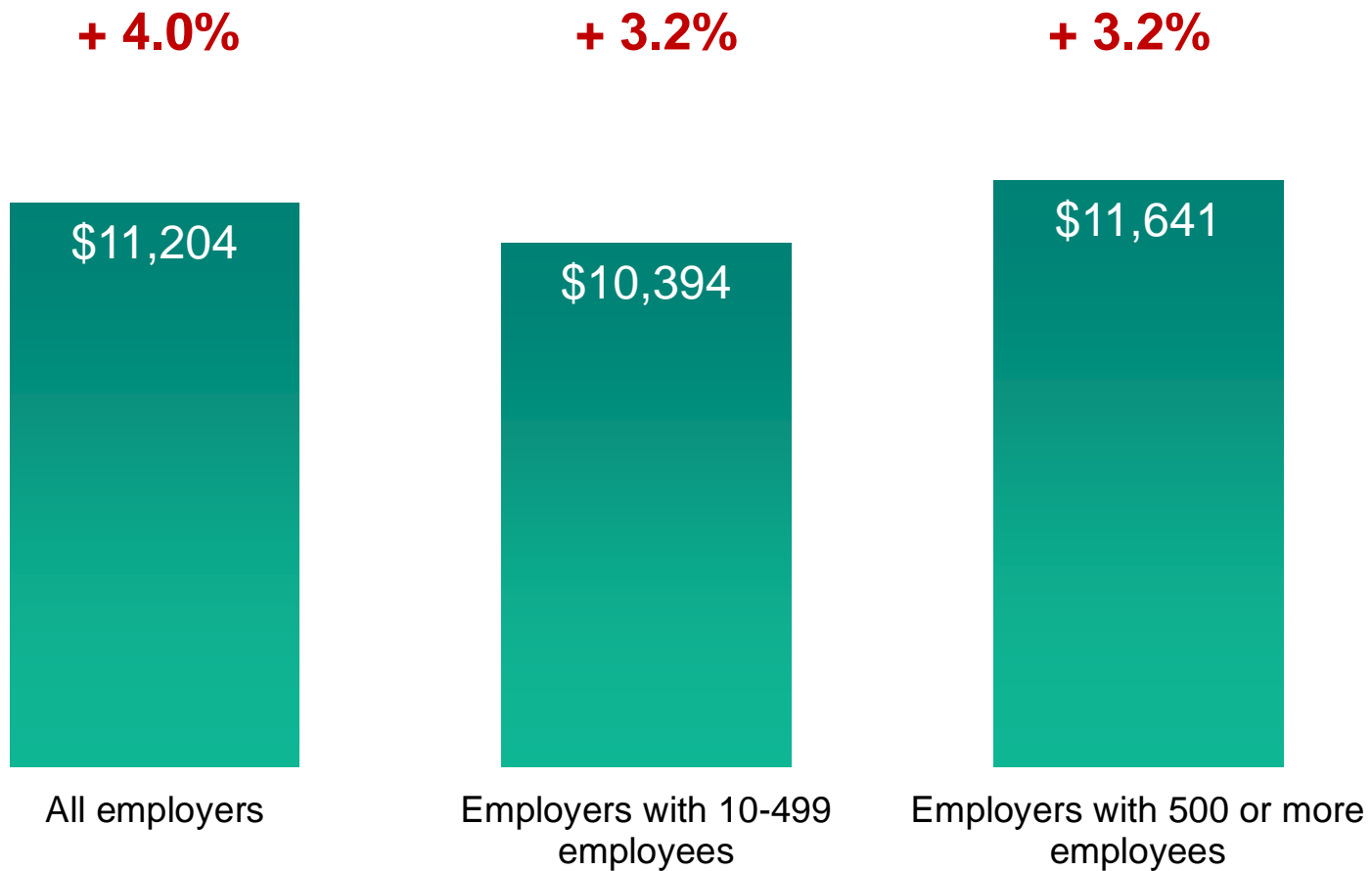
Employer size groups in presentation

Small: 10-499 employees / Large: 500+ employees / Very large: 5,000+ employees

The year's top stories

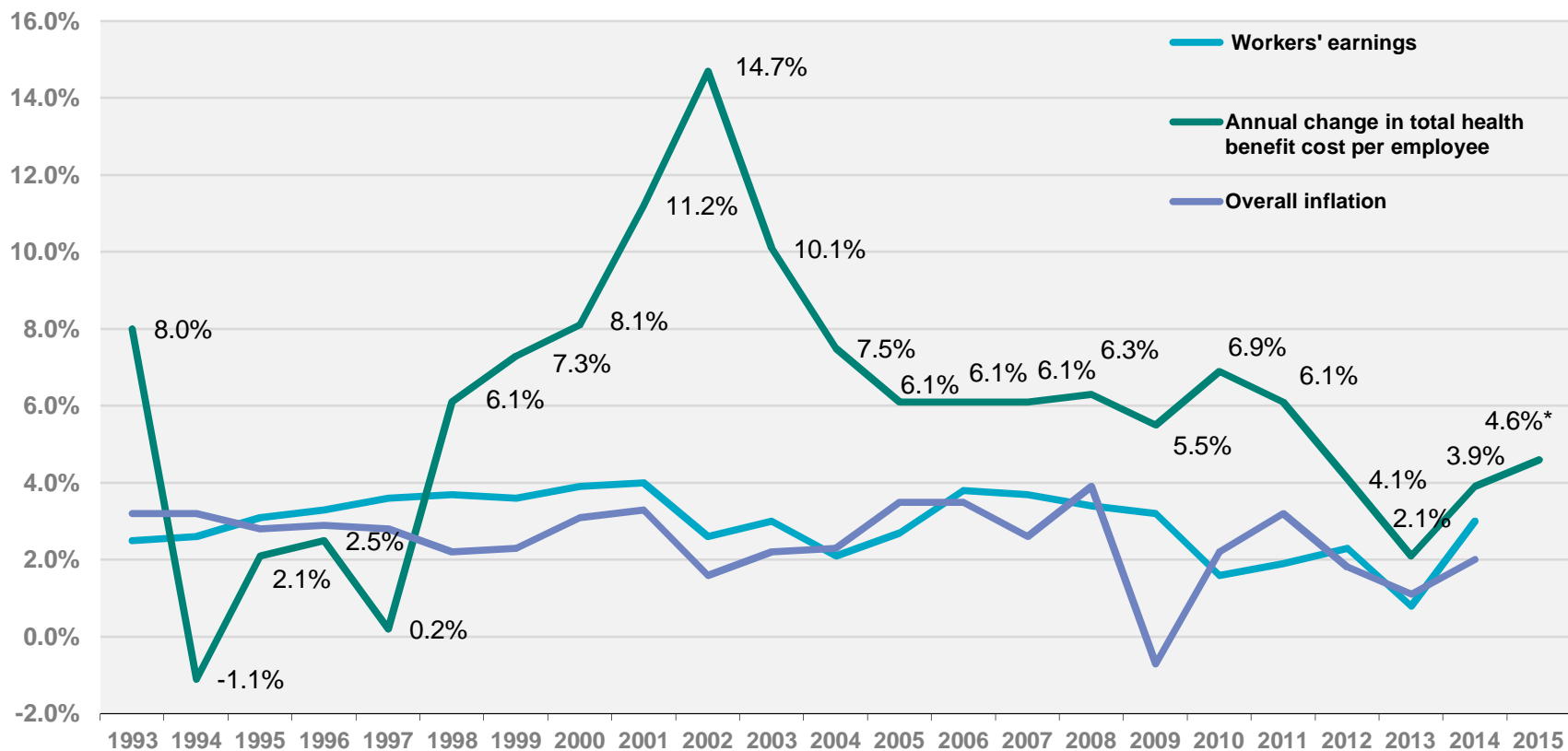
- 1 Health benefit cost per employee grew by just 3.9% in 2014**
But for many employers, higher enrollment in 2015 due to ACA will increase spending
- 2 Employers are attacking health cost from many angles**
Analysis shows employers using the most best practices achieved the lowest cost
- 3 CDHPs pass the “tipping point” with biggest jump in enrollment yet**
Consumerism tools are making CDHPs an easier choice for employees
- 4 Private exchanges emerging as a way to add choice, ease administration**
Rapid growth over the next five years predicted
- 5 Employers expanding their view of wellness to well-being**
New emphasis on organizational support to build employee engagement, productivity
- 6 With innovation driving new cost management strategies, employer confidence is growing**
Despite excise tax concerns, more employers than ever say they'll stay in the game

Total health benefit cost per employee reaches \$11,204 in 2014
Small employers keep per-employee cost lower with greater cost sharing and by covering fewer dependents



Cost growth still moderate in 2014, but rising

Change in total health benefit cost per employee compared to CPI, workers' earnings

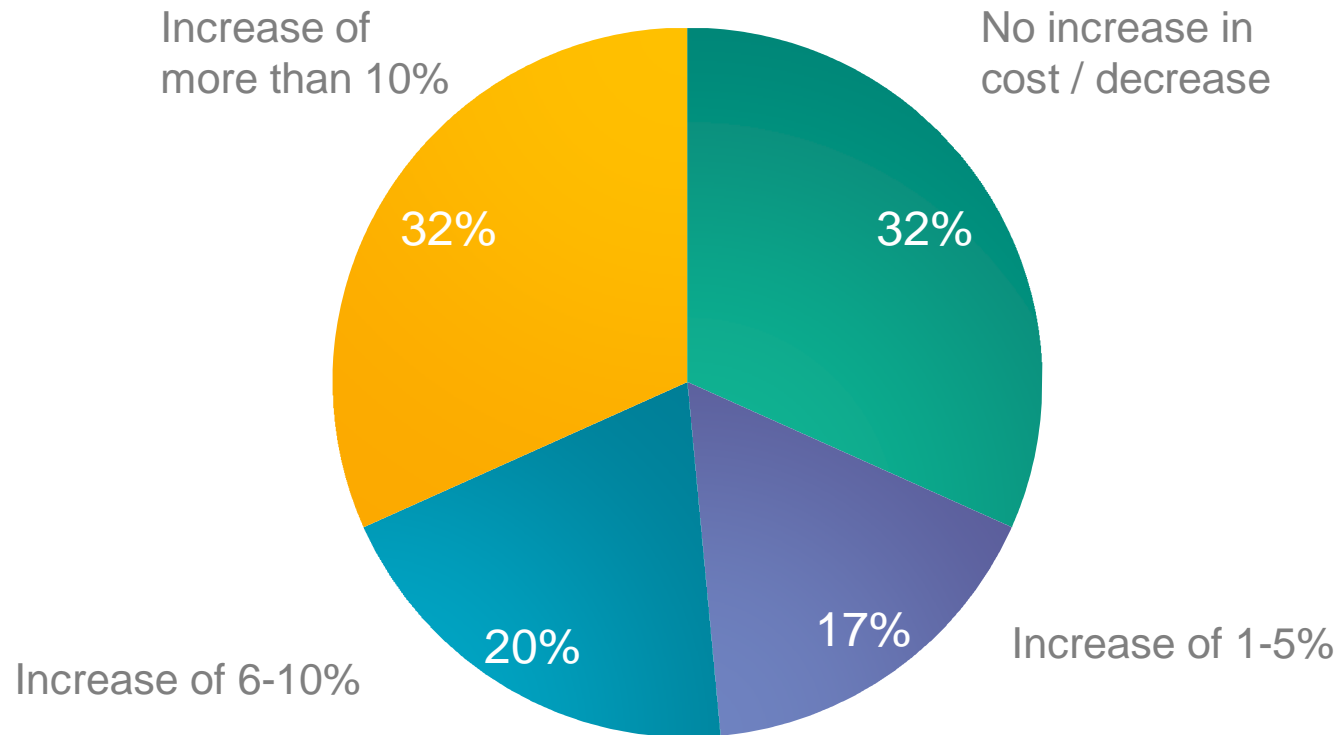


* Projected

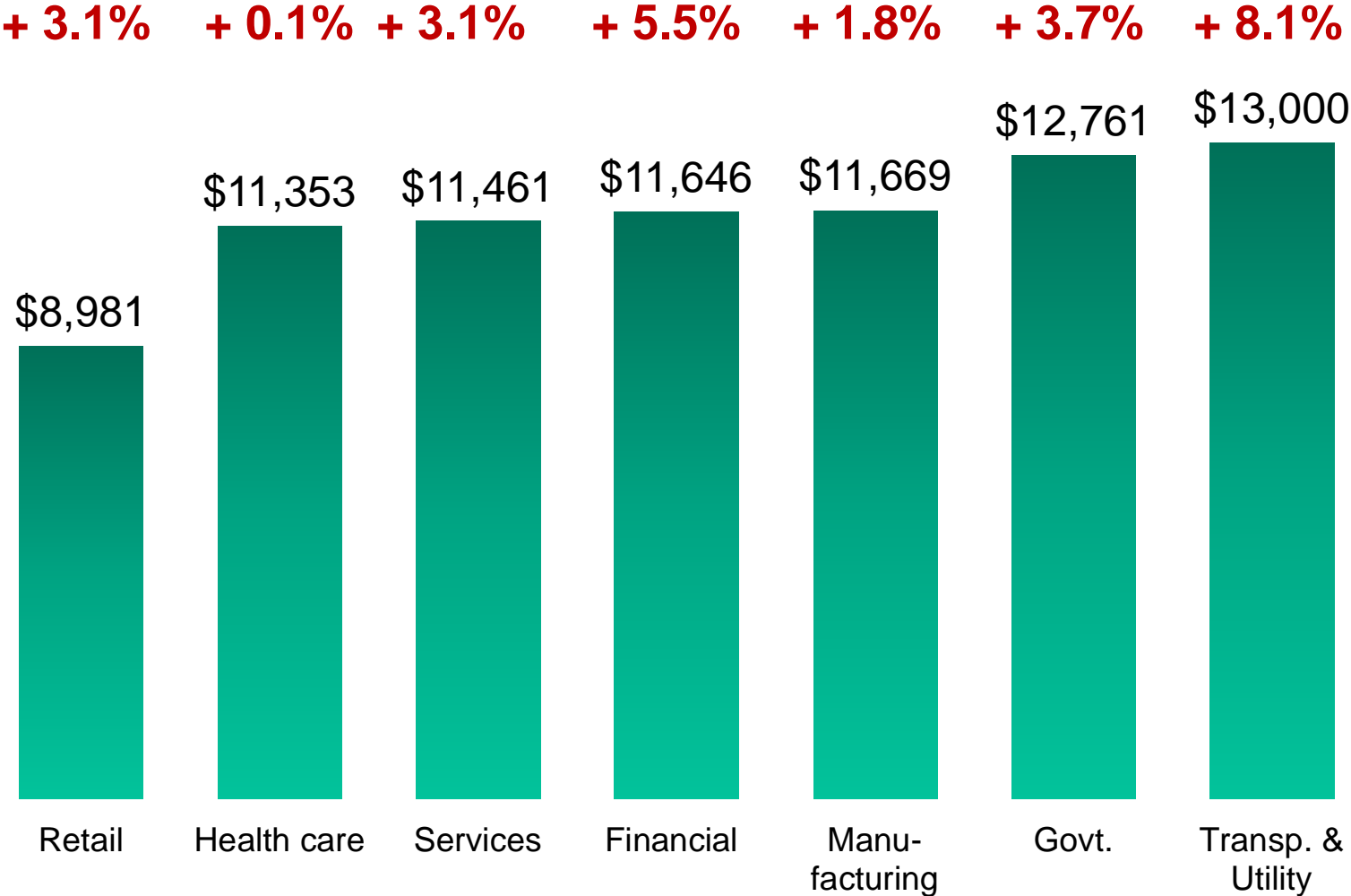
Source: Mercer's National Survey of Employer-Sponsored Health Plans; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April) 1993-2014; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April) 1993-2014.

Behind the average: Cost increases varied widely by employer in 2014

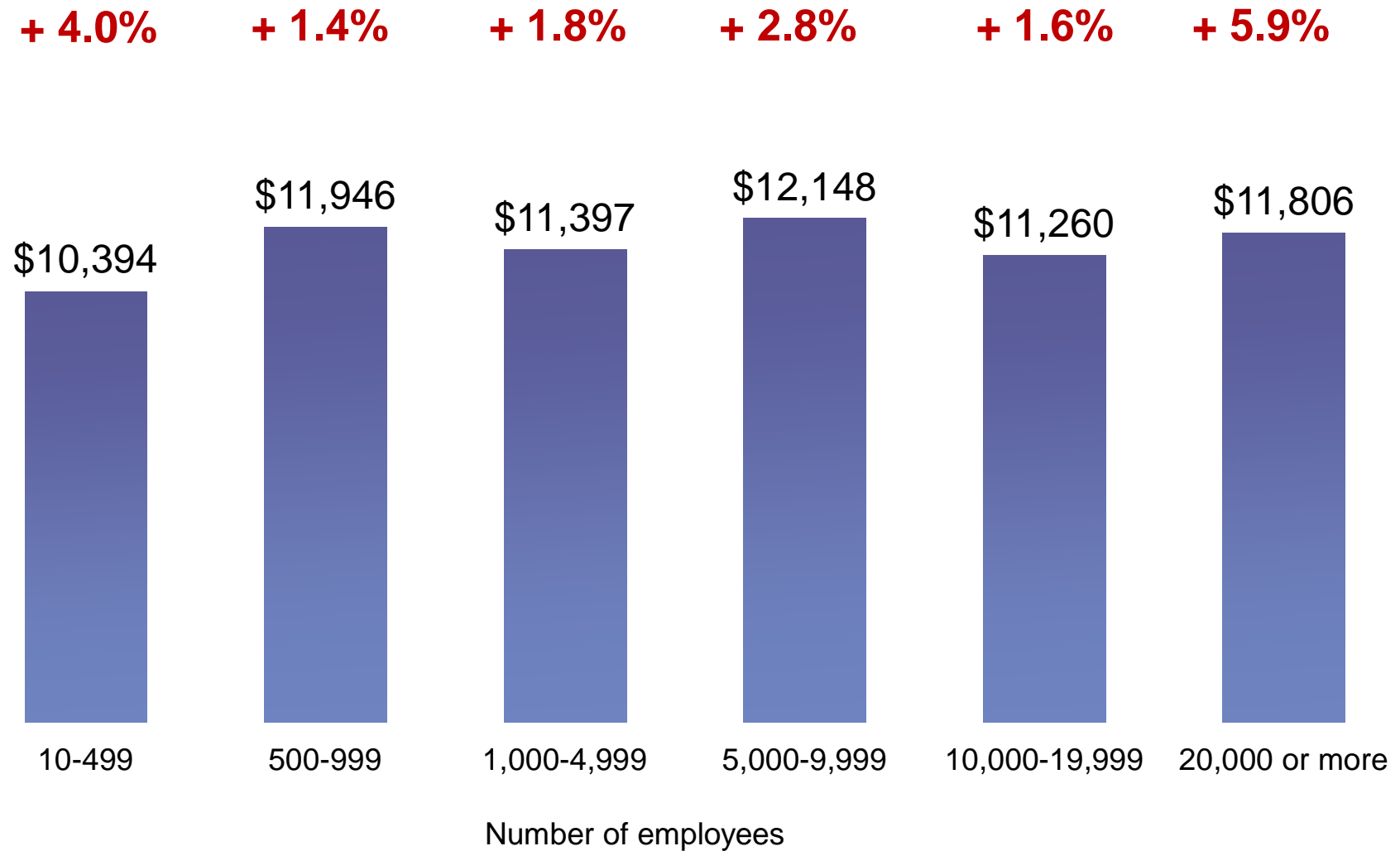
Based on survey respondents providing cost for 2013 and 2014



Behind the Average: Certain Industries Have Higher Cost Industry — Large Employers

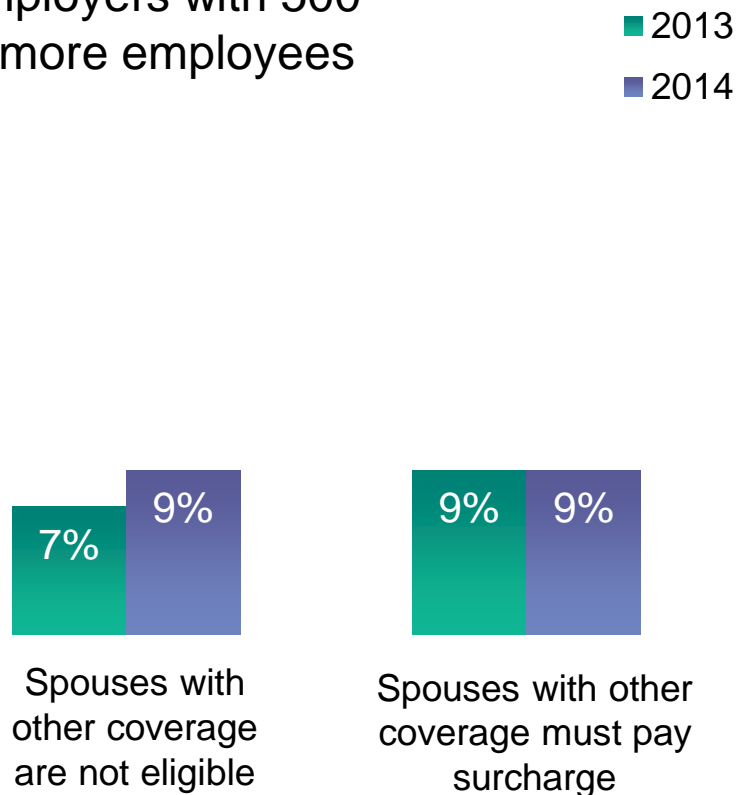


Behind the Average: Costs vary by Employer Size

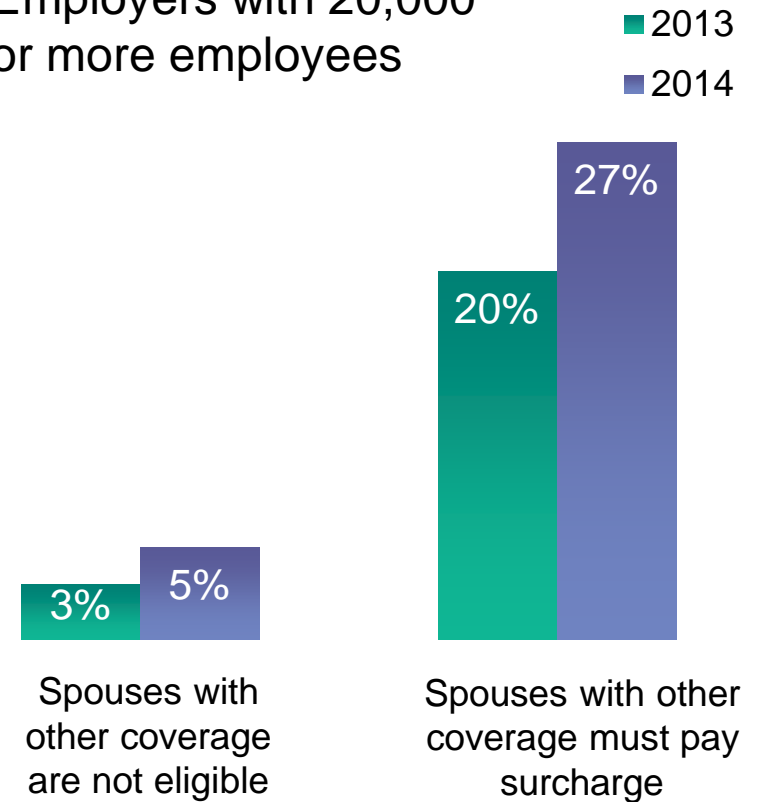


The largest employers are adding surcharges for employees' spouses with other coverage available

Employers with 500 or more employees

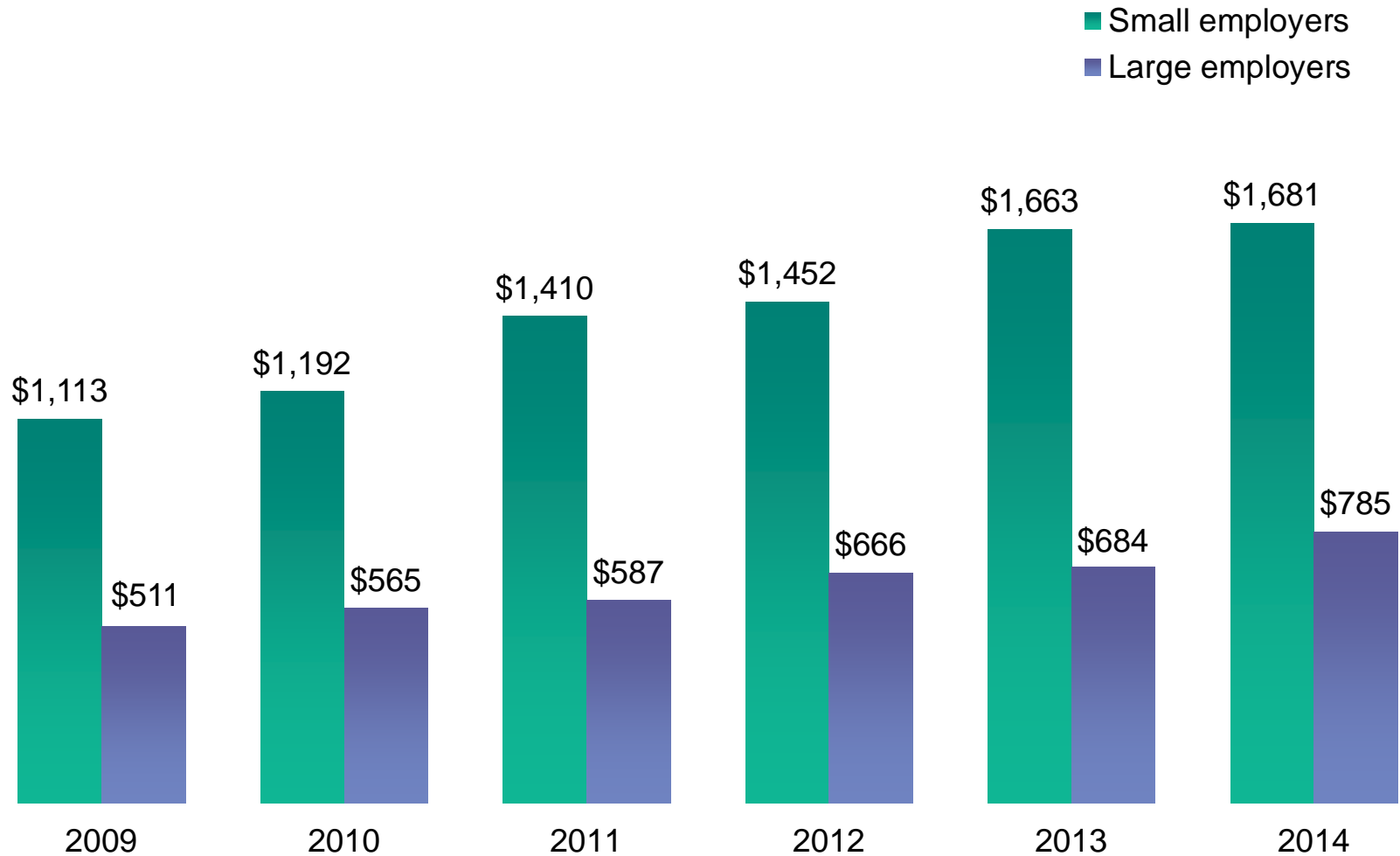


Employers with 20,000 or more employees



Cost shifting has been considerable, but it's not the whole story behind lower cost growth

Average PPO deductible for individual, in-network coverage



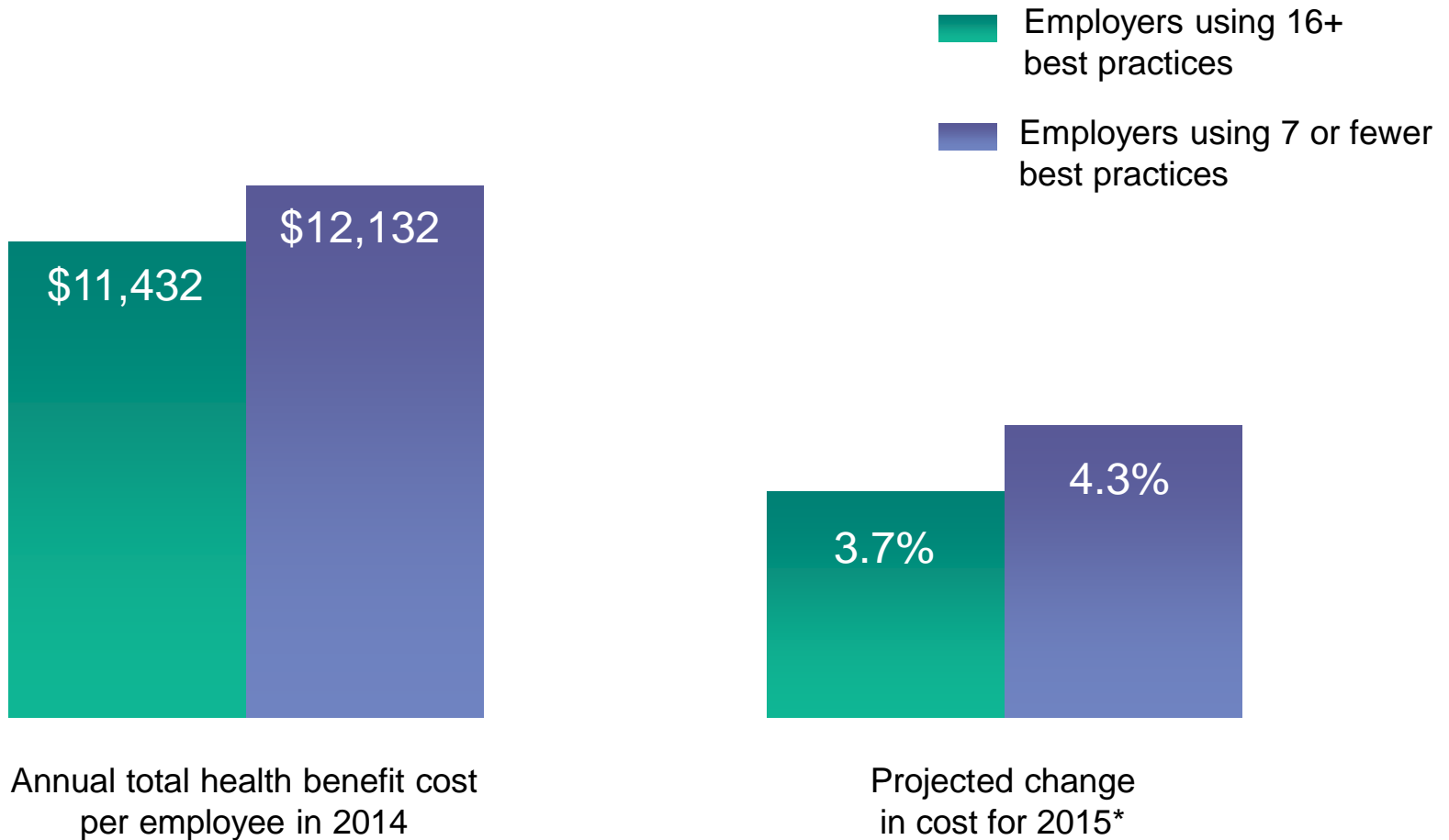
What's working to hold down cost?

Respondents' costs were analyzed based on their use of more than 25 cost-management best practices

Plan design	Employee well-being	More advanced cost-management strategies
<p>Contribution for family coverage in primary plan is at least 20% of premium</p> <p>PPO in-network deductible is \$500+</p> <p>Offer CDHP</p> <p>HSA sponsor makes a contribution to employees' accounts</p> <p>Voluntary benefits integrated with core benefits</p> <p>Mandatory generics or other Rx strategies</p> <p>Steer members to specialty pharmacy for specialty drugs</p>	<p>Offer optional (paid) wellbeing programs through plan or vendor</p> <p>Provide opportunity to participate in personal/group health challenges</p> <p>Offer technology-based wellbeing resources (apps, devices, web-based)</p> <p>Worksite biometric screening</p> <p>Encourage physical activity at work (gym, walking trails, standing desks, etc.)</p> <p>Use incentives for wellbeing programs</p> <p>Spouses and/or children may participate in programs</p> <p>Smoker surcharge</p> <p>Offer EAP</p>	<p>High-performance networks</p> <p>Data warehousing</p> <p>Collective purchasing of medical or Rx benefits</p> <p>Surgical centers of excellence</p> <p>Transparency tool provided by specialty vendor and/or used by 10% of members</p> <p>On-site clinic</p> <p>Telemedicine</p> <p>Value-based design</p> <p>Reference-based pricing</p> <p>Medical homes</p> <p>Accountable care organizations</p>

A comparison of employers using the most and fewest best practices shows a significant difference in per-employee cost

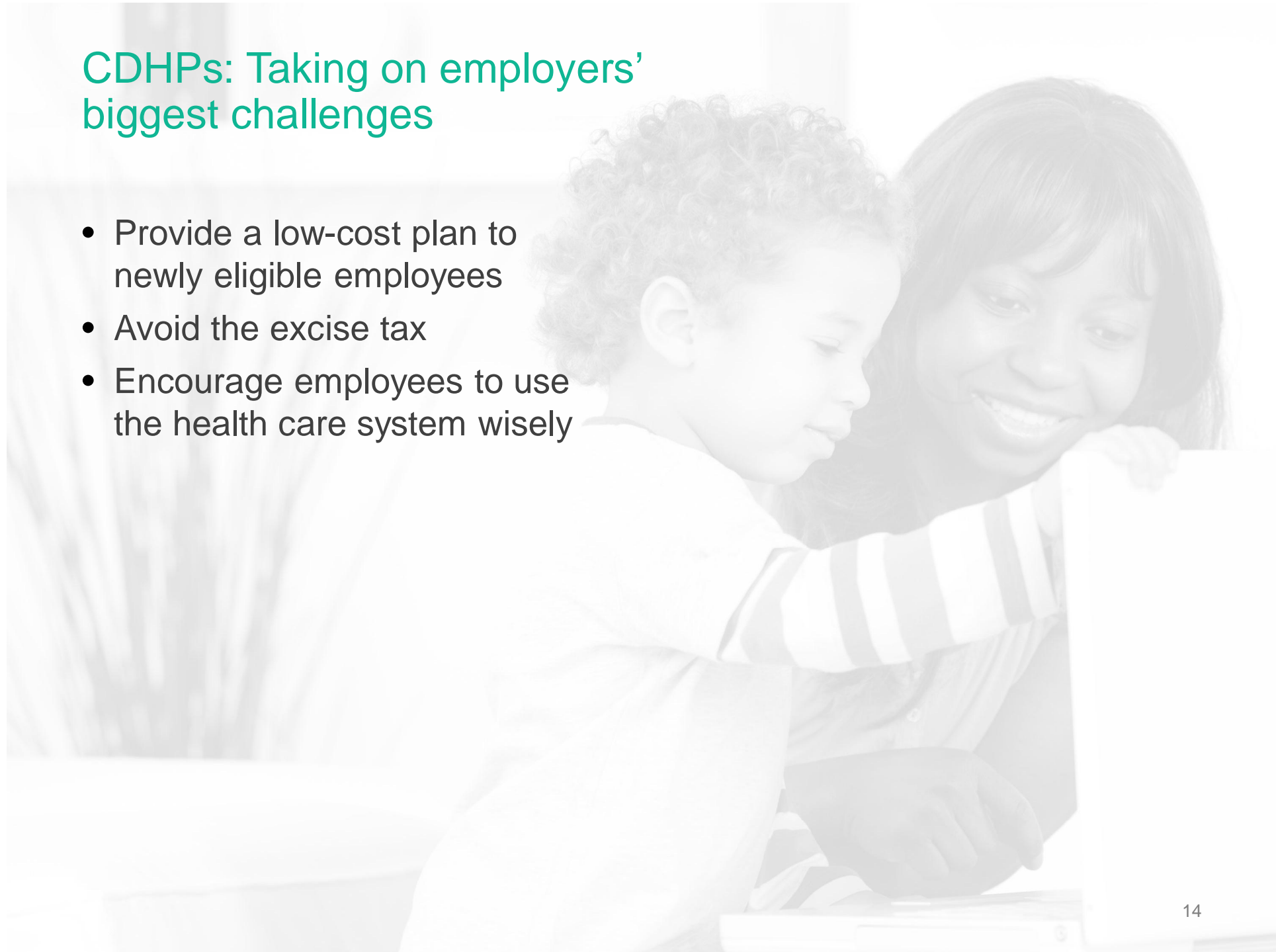
Large employers



*After changes to plan design

CDHPs: Taking on employers' biggest challenges

- Provide a low-cost plan to newly eligible employees
- Avoid the excise tax
- Encourage employees to use the health care system wisely

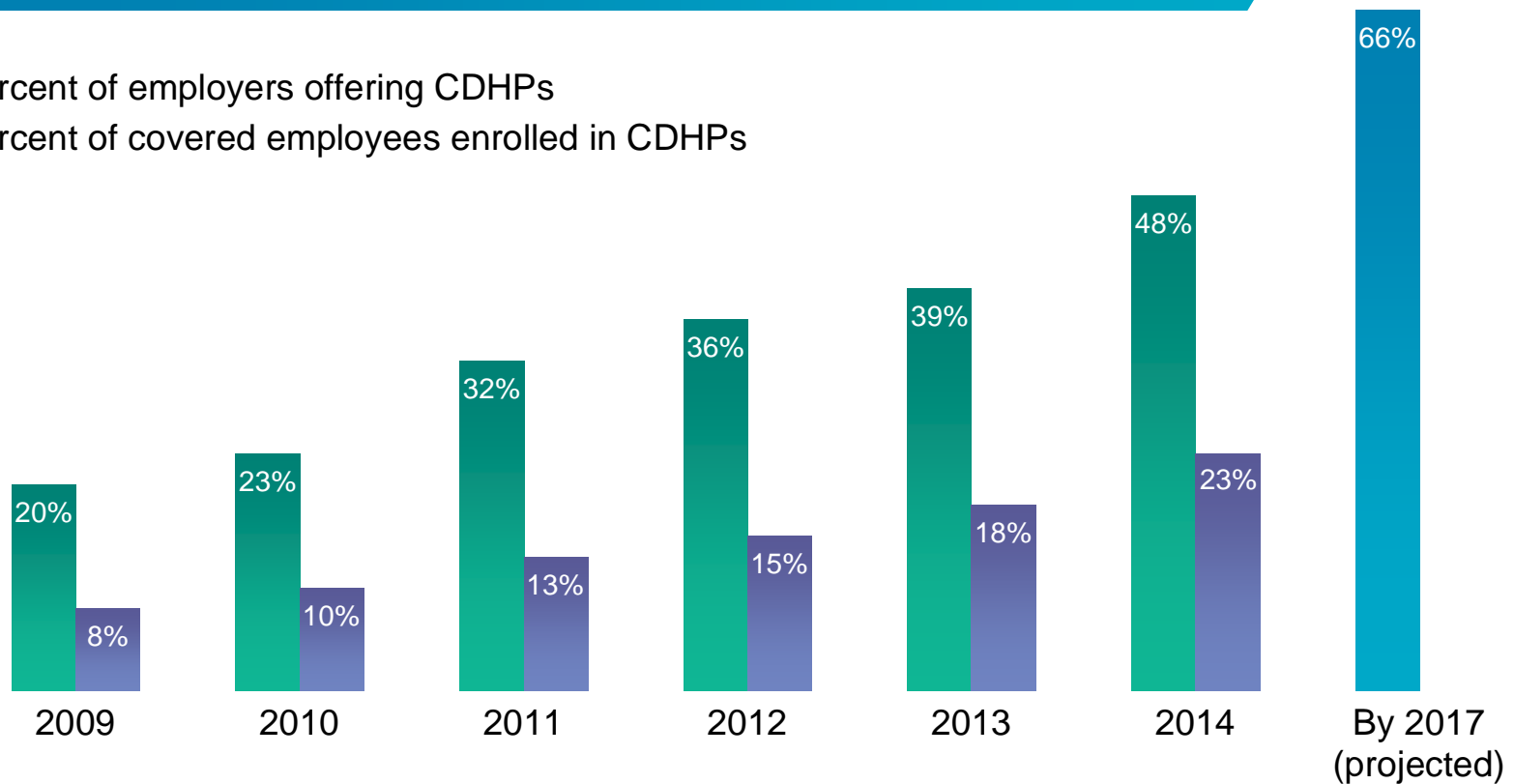


Nearly a fourth of all covered employees are enrolled in a consumer-directed health plan

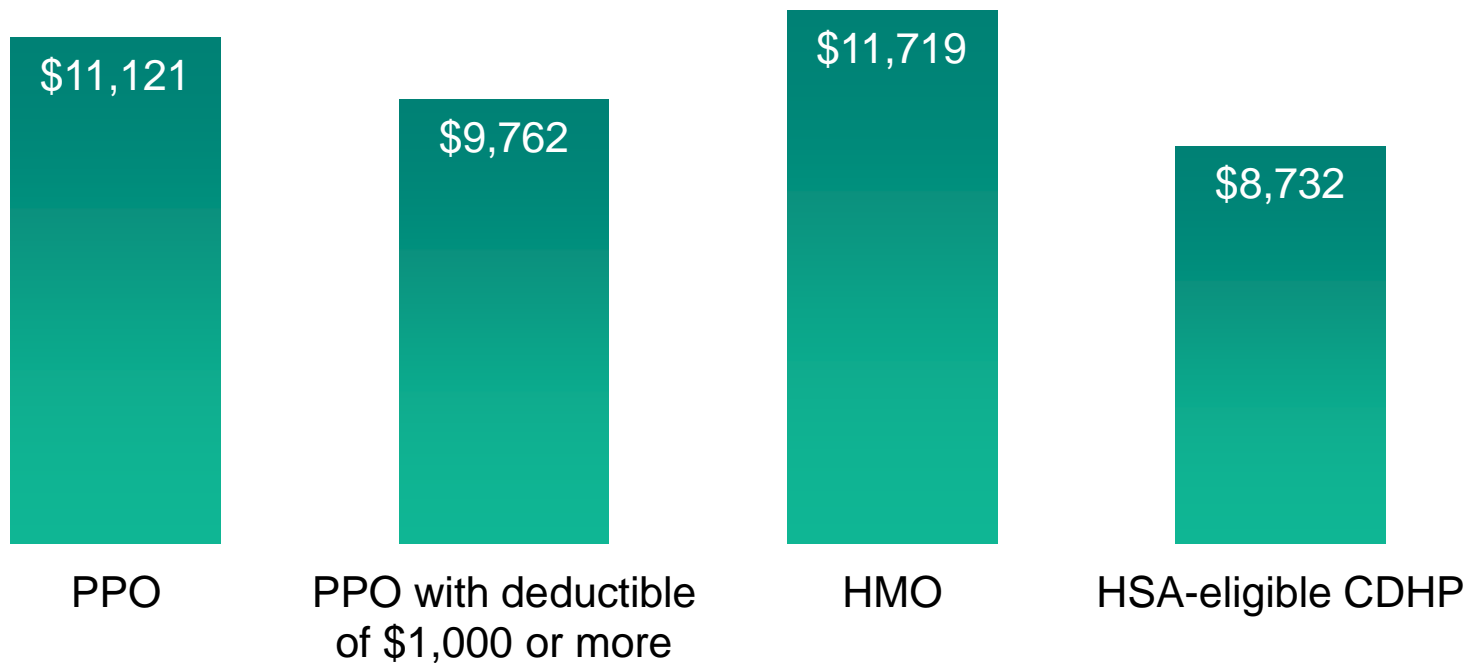
Large employers

By 2017, 66% of large employers expect to offer a CDHP

- Percent of employers offering CDHPs
- Percent of covered employees enrolled in CDHPs



Employers save with HSA-based CDHPs: They cost 21% less than PPOs and 25% less than HMOs in 2014
Medical plan cost per employee (includes employer contributions to HSA accounts) among large employers

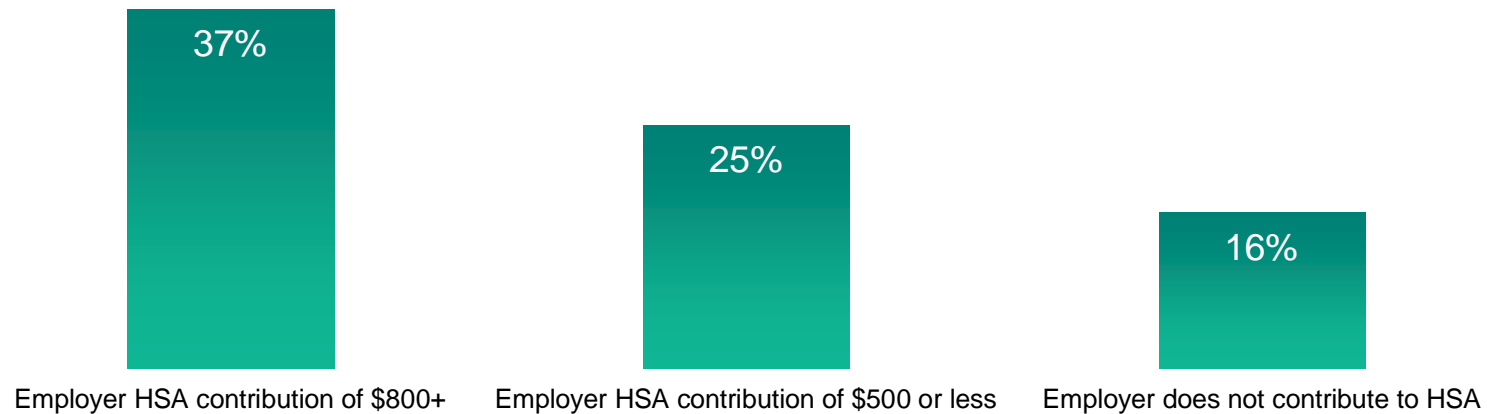


Enrollment in CDHPs grows over time – especially if the employer contributes to the HSA

Large employers offering HSA-based CDHPs

Employer HSA funding drives enrollment

% choosing HSA when offered with other medical plans



Making consumerism work: More employers providing support to help employees manage health care spending

Large employers

	2013	2014
Transparency tools	--	77%
Telemedicine services	11%	18%
Voluntary benefits offered specifically to fill gaps in employer-paid benefits	72%	77%

As employers add lower-cost plan choices, voluntary benefits provide employees the opportunity to supplement them

Large employers

PROFILE OF A SUCCESSFUL VOLUNTARY PROGRAM

- ✓ Employee-valued products
- ✓ User-friendly platform
- ✓ Multi-faceted enrollment solutions
- ✓ Robust education and communication program
- ✓ Program coordination

Why employers offer a voluntary benefits program

Help drive participation in lower-cost plans

20%

To maintain employee benefit options as core benefit plans change

39%

Accommodate employee requests

60%

Offer additional benefits at no cost to the employer

67%

Give employees opportunity to fill gaps in employer-paid benefits

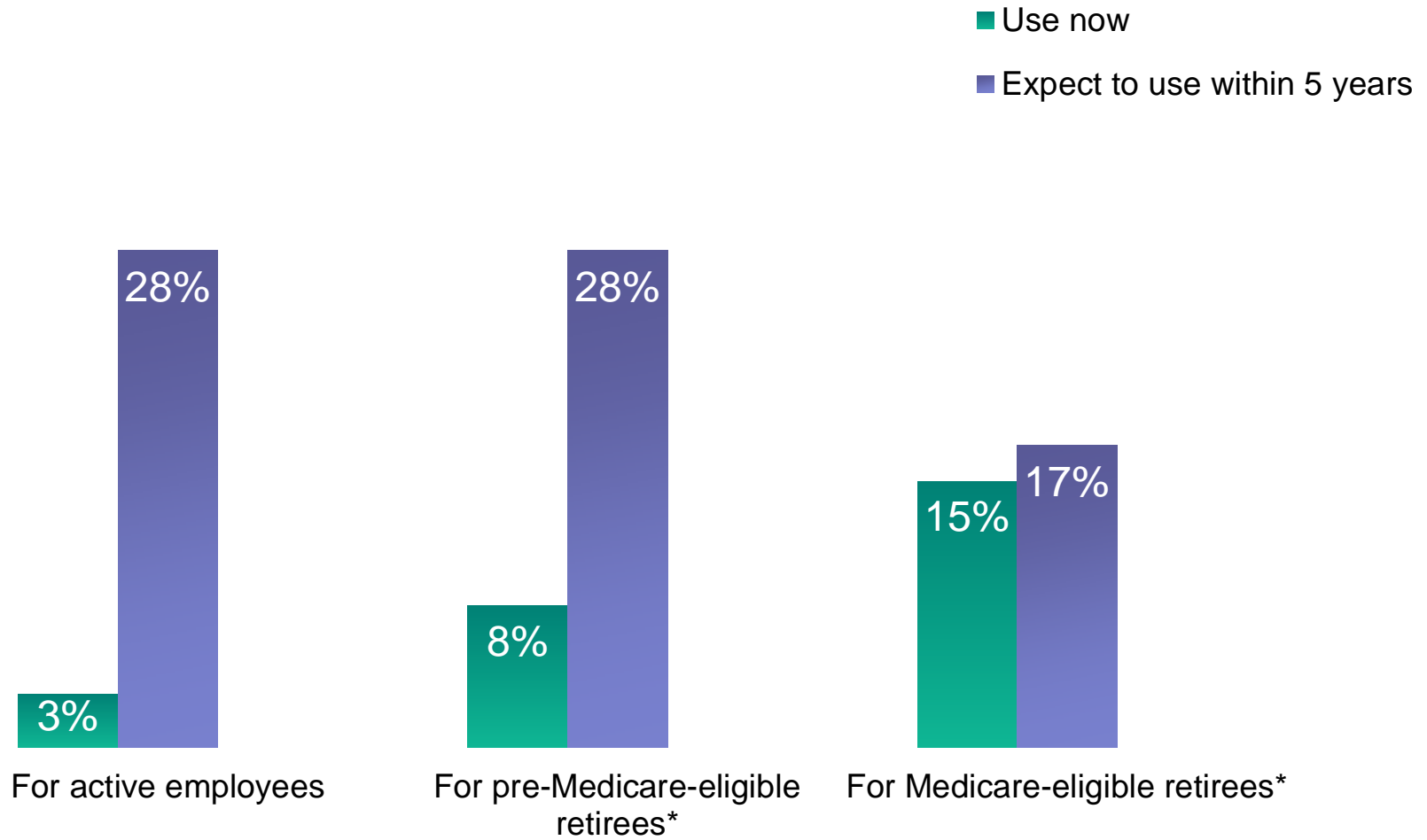
77%

Employers are adding value by adding choice

- As enrollment rises, health benefits must satisfy a more diverse population with more diverse needs
- Choice promotes efficiency by allowing employees to buy only what they need
- Private exchanges add choice without adding administrative burden
- Choice eases transition to a more sustainable program

Private health benefit exchanges gain a foothold as interest continues to build

Large employers



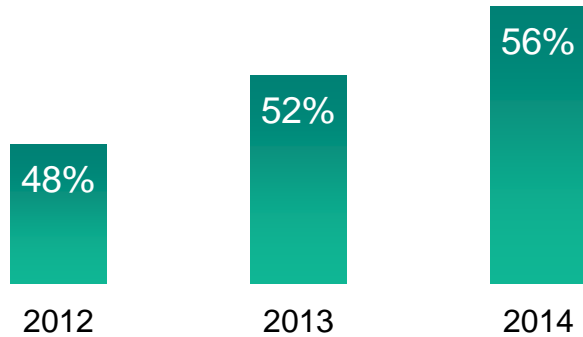
* Among current retiree medical plan sponsors

Expanding our view of employee health management from “wellness” to “well-being”

- Three pillars of well-being: physical, emotional, and financial health
- Incentives encourage participation in programs, while a culture of health and social connections create intrinsic motivation
- Employers are starting to measure well-being VOI – “value of investment” – which includes people-led business improvements as well as ROI

Financial incentives clearly improve participation rates in key health management programs

Large employers



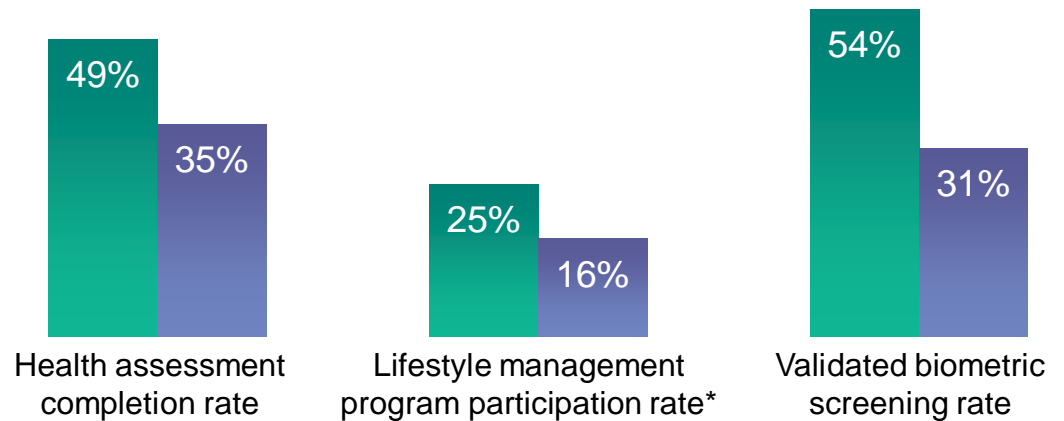
Offer financial incentives (among employers with programs)

More employers are driving engagement through financial incentives, most often cash or contribution reductions

- Large employers offering incentives
- Large employers not offering incentives

Large employers using incentives report higher participation rates

*Average % of identified persons actively engaged in program



A woman with short, light-colored hair is smiling broadly while talking on a mobile phone. She is wearing a light-colored top and a pearl necklace. In front of her is a laptop. The background is a blurred outdoor setting with greenery.

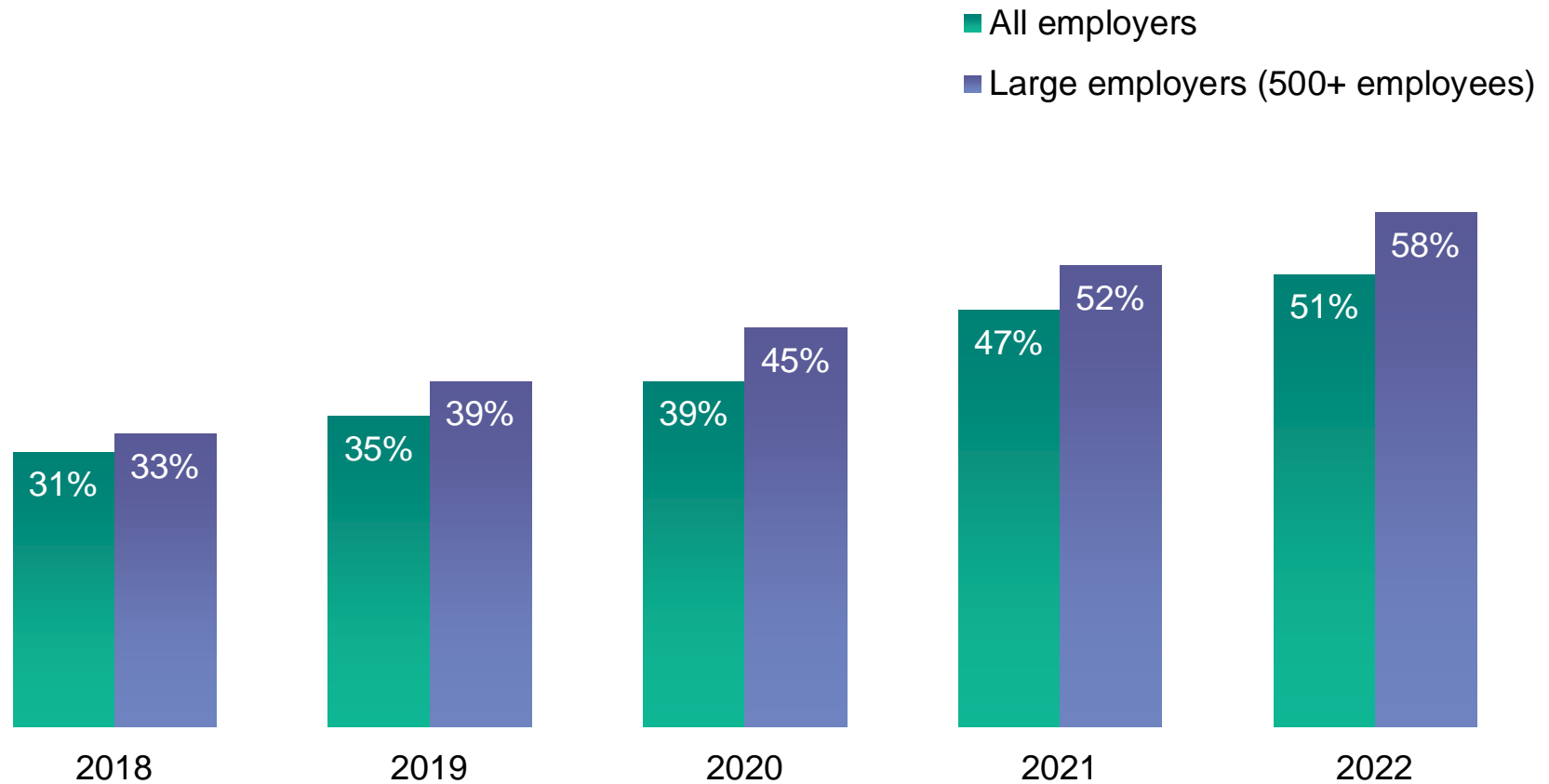
The challenges of the ACA have spurred innovation

ACA impacts push cost up – while the excise tax targets high-cost plans

Market innovations creating more efficient health care delivery are critical to offsetting cost growth

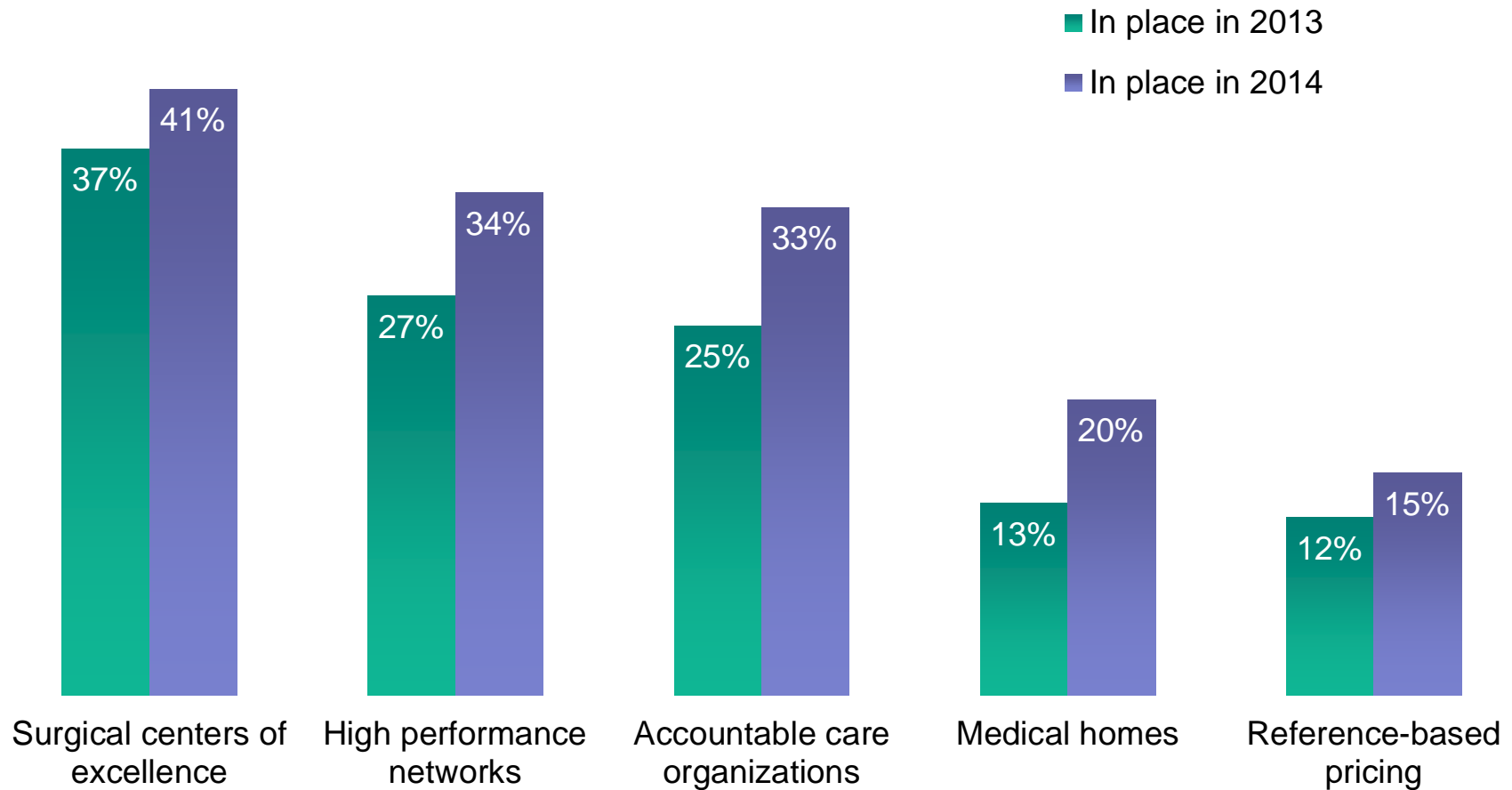
About a third of employers at risk of hitting excise tax threshold in 2018

Percentage of employers that will be subject to tax by the specified year if they make no changes to their current plans

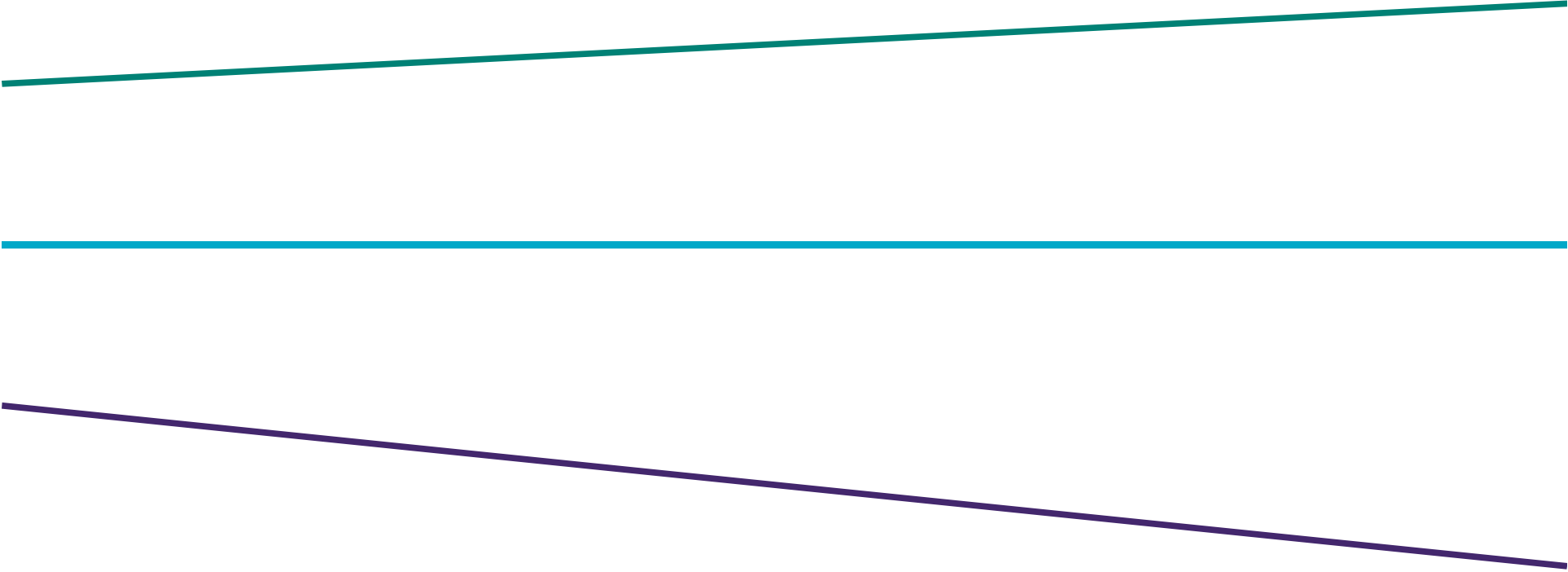


Innovations that reward high-quality, efficient providers are growing among the largest employers

Employers with 20,000 or more employees



WELL-BEING 2.0




Well-being 2.0 Core Components



➔  **Physical**

- Activity, nutrition, sleep

➔  **Emotional**

- Resilience, mindfulness, problem solving

➔  **Financial**

- Security, life planning, retirement

Well-being 2.0 Guiding Principles

- 1** Commit to a culture of Well-being
“The success of any one program aimed at improving employee well-being will be limited by the extent to which you have succeeded in creating a healthy climate in the organization.”
- 2** Create an exceptional participant experience
“Think about Well-being through a marketing lens. True consumer-centered companies work relentlessly to delight consumers.”
- 3** Focus on what influences long term behavior change
“Applying a behavior change mindset provides an illuminating line of sight into the why and how behind what people do.”
- 4** Establish clear measures
“Well-being is an entirely new way of defining the employer-employee relationship and requires an equally innovative way of measuring success.”

Well-being 2.0 ROI and VOI



- \$1.5 to \$2:\$1 ROI over three years is possible
- Stock price of firms with effective health and safety programs outperform the S&P 500 by 3% ¹

- Employer of Choice: Attraction and retention of top talent
- Enhanced productivity and performance
- Improved employee engagement: Enhanced quality of output

¹ Fabius, et al. The Link Between Workforce Health and Safety and the Health of the Bottom Line. JOEM,55 (9), 2013.

Well-being 2.0 — Key Elements

1. Create a Culture that Supports Health and Optimal Performance

Success Comes From Creating a Health(y) Culture

**Organizational
Commitment**

**Redesigned
Program Focus**

Environment

**Business-
critical
Attitude**

**Active
Leadership
Support**

**Employee
Centric**

**Leverage
Social
Connections**

**Personalized
& Engaging**

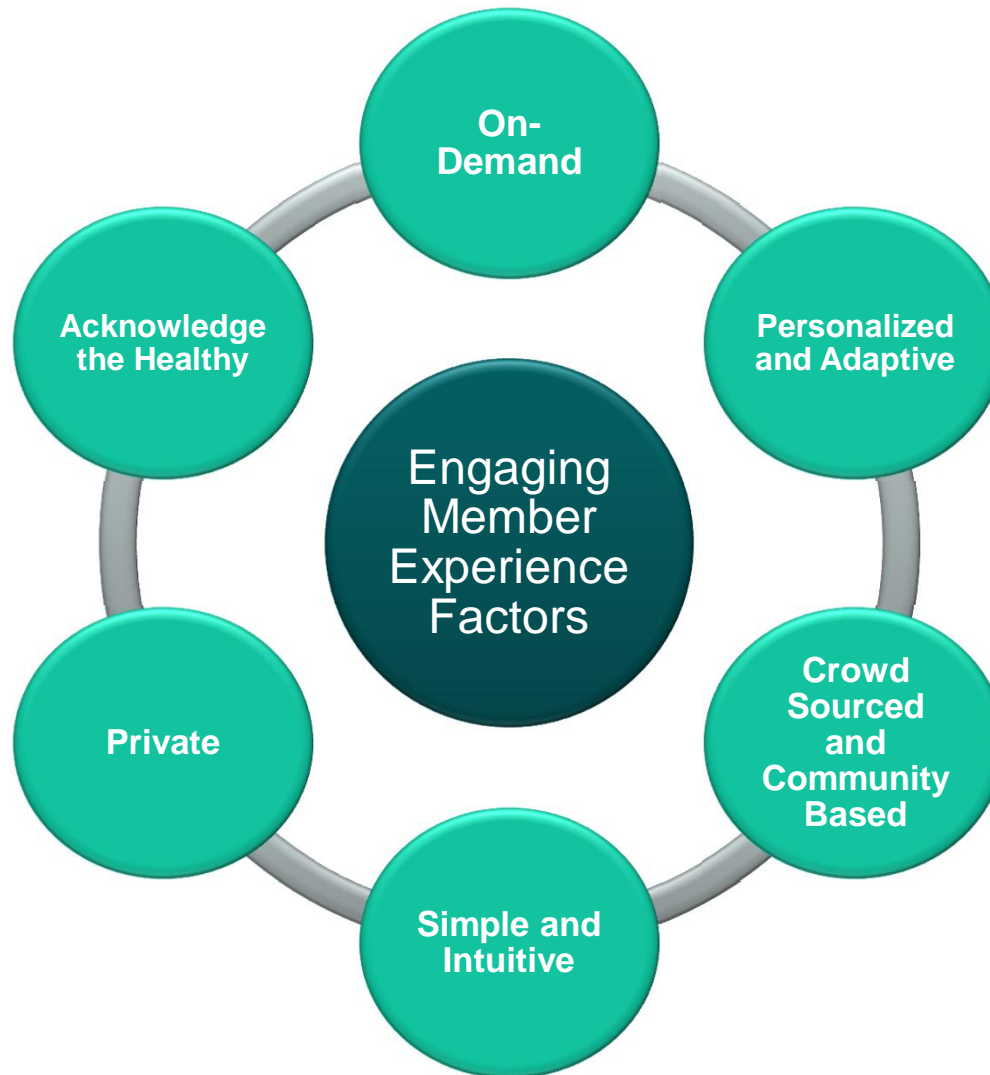
Well-being 2.0 — Key Elements

2. Move Beyond Wellness to Well-being



Well-being 2.0 — Key Elements

3. Create an Exceptional and Engaging Member Experience



Well-being 2.0

4. Address Behavior Change

Recognize Behavioral Changes

- Life is a marathon, not a sprint; build upon small steps

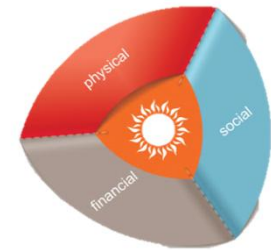
Leverage Technology

- When appropriate, utilize technology to support and encourage improved behavior
- This can help add visibility to behavioral patterns and be a catalyst for change

Promote Social Program Features

- Peer mentoring creates a sense of community and keeps employees motivated as a part of a team
- Incorporate social responsibility through charitable contributions
- Create internal motivation by highlighting the intrinsic value of good health

POLL



Raise your hand if...

- You feel your employees value the benefits your organization provides.
- Your employees are engaged...
 - Participate in wellness programs
 - Attend provided training around benefits
 - Are brand ambassadors for your organization
- If asked, your employees would say that working at your organization enriches and delights them – they LOVE their job!

TOTAL WELLNESS ELEMENTS

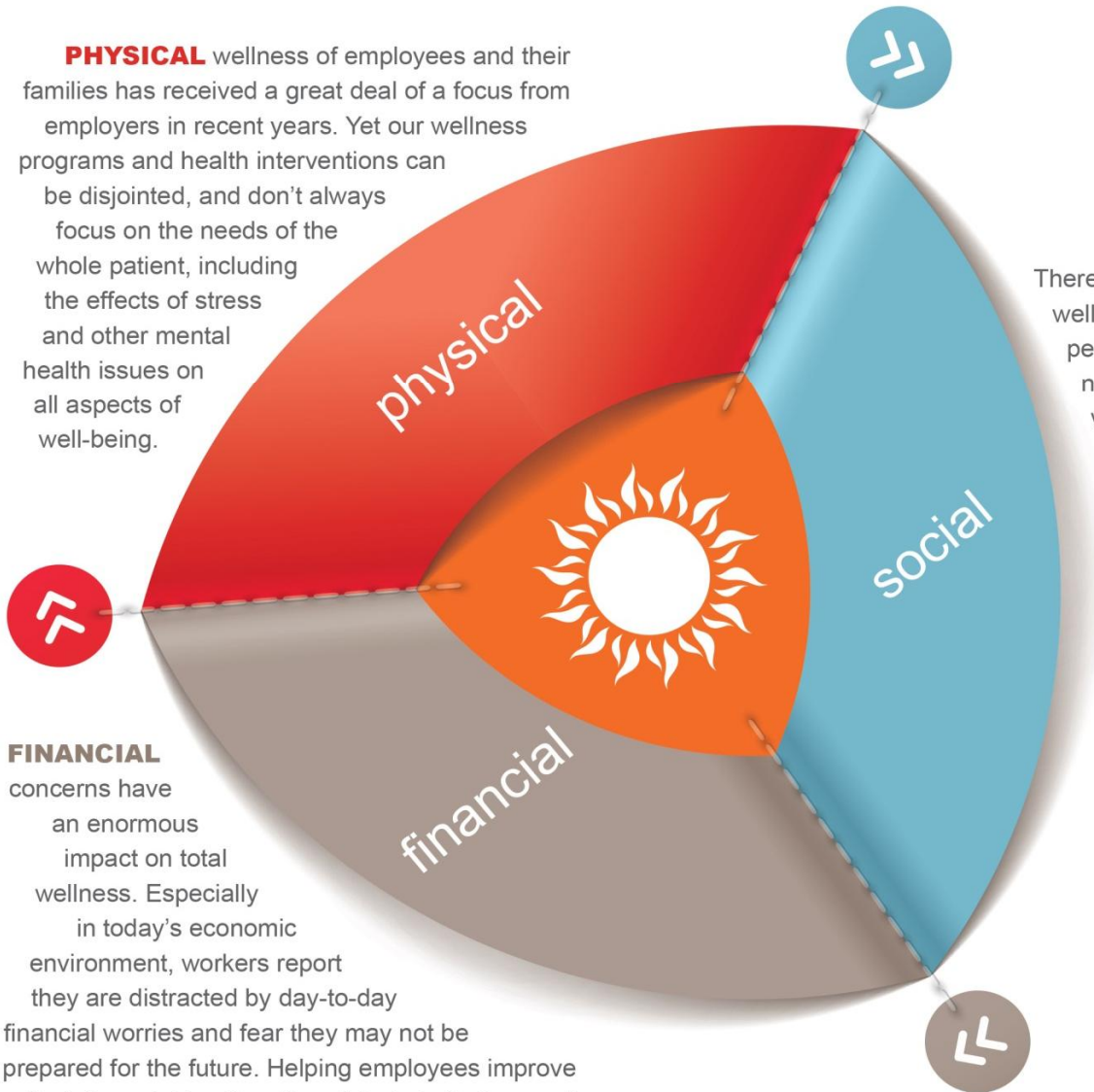
PHYSICAL wellness of employees and their families has received a great deal of a focus from employers in recent years. Yet our wellness programs and health interventions can be disjointed, and don't always focus on the needs of the whole patient, including the effects of stress and other mental health issues on all aspects of well-being.

FINANCIAL concerns have an enormous impact on total wellness. Especially in today's economic environment, workers report they are distracted by day-to-day financial worries and fear they may not be prepared for the future. Helping employees improve their financial health will contribute to their overall wellness, confidence and productivity.

There is a strong **SOCIAL** dimension to total wellness. Relationships, organizational culture, personality, family, coworkers and community norms impact employees' lives — and their work. Social concerns can divert focus, drive down productivity, and erode physical and financial health. On the other hand, healthy social connections can spark positive behavior and outcomes.



PHYSICAL, FINANCIAL AND SOCIAL DISTRACTIONS AND/OR CONCERNS ARE INTERTWINED. THEY AFFECT THE WHOLE, WHICH MEANS PRODUCTIVITY AND ENGAGEMENT ARE AFFECTED.



MERCER'S APPROACH

**Diagnose
the issue**



**Engage your
employees**



**Measure
the impact**



BROAD STRATEGY

Resonates with 50% of staff that can be engaged in total wellness.
Addresses the basic needs of the other 50% who won't be engaged.

- Context provided by Employer
- Default / design strategies

TARGETED INTERVENTIONS

Utilize segmentation to provide more relevant experience

- Tools
- Incentives
- Follow up
- Measurement



PERSONALIZED EXPERIENCE

Based on individual input

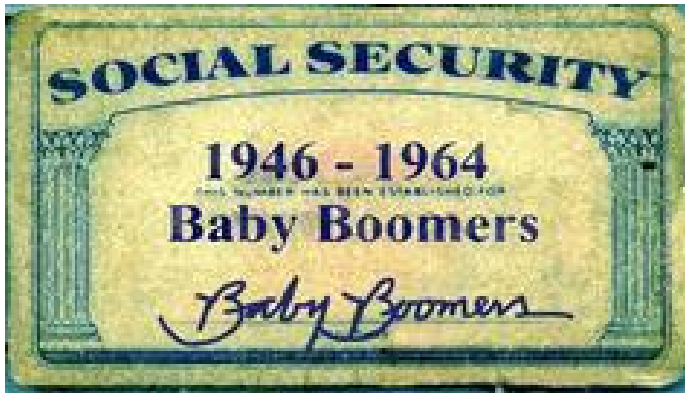


WHY PERSONAS / HOW ARE THEY DEVELOPED?

DIAGNOSING THE ISSUE

ENGAGE YOUR EMPLOYEES

MEASURE THE IMPACT



The Millennials

WHY PERSONAS / HOW ARE THEY DEVELOPED?

We must meet individuals where they are rather than where we think they are based on traditional demographics



22 years old

Firsts... job, apartment, car – benefits/ insurance
Pay off college debt



28 years old

Get married
Take on debt for graduate education
Fitness/ wellness



33 years old

Have children
Take on a mortgage
Health or dependent health event/ illness



38 years old

Pay for children's education (\$240k to raise a child to age 18!)
Pay for dependent care
Possibly single income



45 years old

Career advancement/ possibly career transitions
College planning
Sabbatical?



50 years old

Eligible to make catch-up contributions
Paying for college!
Midlife crisis!
Aging parents
Trip of a lifetime



55 years old

Eligible to make catch-up contributions
Mentoring



59^{1/2} years old

In-service withdrawals
Penalty-free distributions



62 years old

Able to claim Social Security (reduced benefit)



65 years old

Eligible for Medicare benefits



70^{1/2} years old

Minimum Required Distributions

Questions and Answers



