




**A Presentation for**





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**Collaborate. Innovate. Elevate.**

In today's Government employment world, Financial Officers and HR managers are being asked to do more when it comes to employee benefits:

- To provide benefit programs that promote retention by keeping current employees happy.
- To offer more robust benefits to attract prospective employees.
- To stay ahead of changing regulatory and compliance issues.
- To provide greater support on the day-to-day management of employee benefits plans.
- To find ways to save the governmental entity money — containing costs without reductions to or eliminations of benefits.

To remain competitive, Financial Officers and HR managers must find a way to create benefits programs that help create the best value for employees and employers alike — now, and into the future.

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**A BenefitsPartners member**

- A division of NFP (NYSE: NFP)
- National organization of more than 185 offices across the country
- More than 2,000 benefits professionals, representing over 40,000 corporate clients

We bring together leading-edge thinking, preferred carrier relationships, best-of-breed products, advanced benchmarking and analysis tools, and comprehensive decision and implementation support services to meet the needs of your continually evolving workforce.

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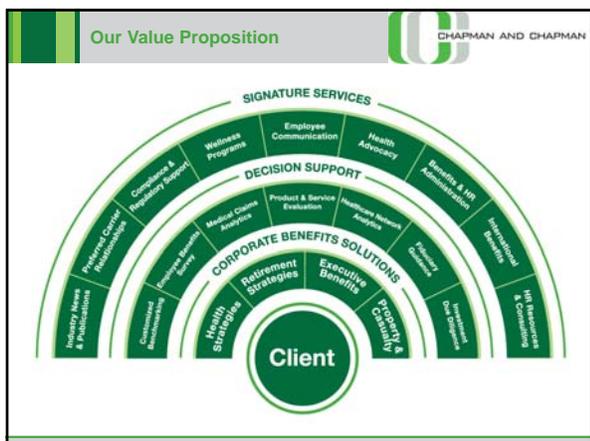
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### Goals . . . Begin with the End in Mind

The goals of wellness and prevention are to:

- 1) Identify individuals who could benefit from treatment for a condition or complication about which they are unaware;
- 2) Encourage individuals to avoid or delay disease by practicing healthy lifestyles; and
- 3) Prevent further disability among individuals with established disease.

All three affect the bottom line.

*"The doctor of the future will give no medicine, but will interest his patients in the care of the human frame and diet, and in the cause and prevention of disease." Thomas Edison*

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### Common Wellness Roadblocks

- "What's our return on investment for all this wellness stuff anyway...?"
- "Is anyone really changing their lifestyle and getting healthy?"
- "Are we risking a discrimination lawsuit or a massive employee revolt?"
- "Who has time to manage all of this event planning and activity tracking?"

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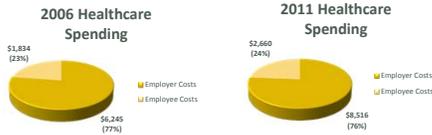
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### Towers Watson/National Business Group Health Employer Survey

Over the last five years:

- Employers experienced a 36% increase in healthcare spending
- Employees experienced a 45% increase in contributions to healthcare



\*Towers Watson/National Business Group on Health. "2011 Employer Survey on Purchasing Value in Health Care Report." pg. 5, ©2011 Towers Watson.

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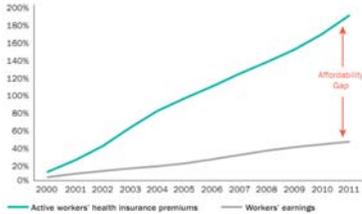
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### Affordability Gap

When inflation is greater than the increase in employee earnings, the affordability gap between healthcare and wages gets bigger each year.



\*Towers Watson/National Business Group on Health. "2011 Employer Survey on Purchasing Value in Health Care Report." pg. 4, ©2011 Towers Watson.

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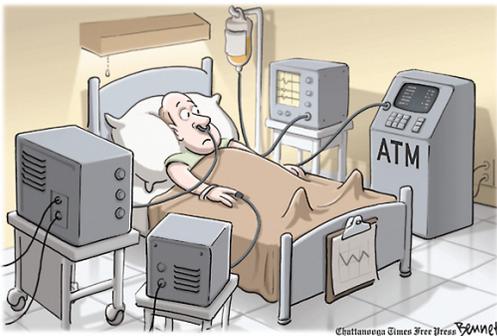
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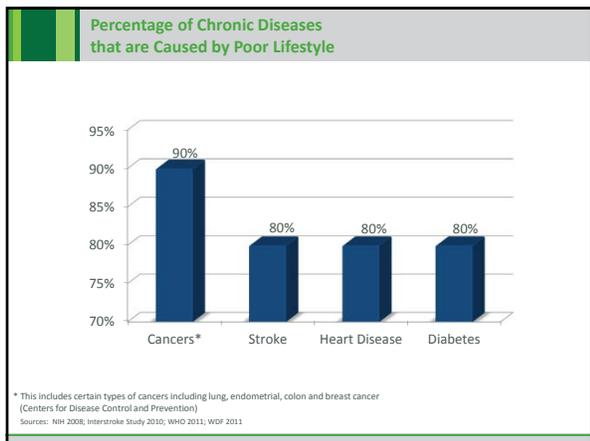
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### Health Risk Factors

- Alcohol
- Blood Pressure
- Body Mass Index
- Cholesterol
- HDL Cholesterol
- Existing Medical Problem
- Illness Days
- Job Satisfaction
- Life Satisfaction
- Perception of Health
- Physical Activity
- Smoking
- Stress
- Use of Drugs for Relaxation

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### Claim Cost by # of Health Risks

<p><b>[\$5,018]</b> 1 health risk - Nutrition</p>	<p><b>[\$8,071]</b> 3 health risks - Diet - Exercise - High cholesterol</p>
<p><b>[\$11,596]</b> 5 health risks - High blood pressure - Diet - Exercise - Unmanaged diabetes - Stress</p>	<p><b>[\$15,209]</b> 7 health risks - Stress - Weight - Diet - Exercise - High cholesterol - Job/Life satisfaction - Tobacco use</p>

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### Health Impacts from Modest Weight Loss



- No matter what your weight loss goal is, even a modest weight loss, such as 5 to 10 percent of your total body weight, is likely to produce health benefits such as improvements in blood pressure, blood cholesterol, and blood sugars.<sup>1</sup>
- Weight loss of 10 to 15 pounds on a 200-pound person can reverse pre-diabetes 58% of the time. For those who already have diabetes, losing 10 to 15 pounds may help lower their blood glucose, blood pressure, and improve blood fats.<sup>2</sup>
- A healthy BMI is 18.5 to 24.9. Having a BMI of 27.5 increases a persons chance of dying from a heart attack by 50%, and a BMI over 40 increases risk by more than 400%. Similar increases in BMI apply to death from cancers.<sup>3</sup>

<sup>1</sup> [http://www.cdc.gov/healthyweight/losing\\_weight/index.html](http://www.cdc.gov/healthyweight/losing_weight/index.html)  
<sup>2</sup> <http://www.diabetes.org/diabetes-basics/prevention/pre-diabetes/pre-diabetes-faqs.html>  
<sup>3</sup> New England Journal of Medicine, December 2, 2010 - <http://www.nejm.org/doi/full/10.1056/NEJMoa1000367>

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“First we're going to run some tests to help pay off the machine.”

Reprinted from Funny Times / PO Box 18630 / Cleveland Hts. OH 44118  
 phone: 216.371.8600 / email: ft@funnytimes.com

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### What is Wellness at the Worksite?

<p><b>Participation-Based Programs</b></p> <ul style="list-style-type: none"> <li>• Introduced over 20 years ago</li> <li>• Health Risk Assessments</li> <li>• Disease management</li> <li>• Health coaching</li> <li>• 10% to 50% employee participation</li> <li>• Incentives/penalties for participation</li> <li>• ROI difficult to measure</li> </ul>	<p><b>Results-Based Programs</b></p> <ul style="list-style-type: none"> <li>• Introduced in 2001; Final in 2008</li> <li>• Biometric screening results <i>BP-LDL-Nicotine-BMI</i></li> <li>• Premium contribution/benefit differentials</li> <li>• Appeals &amp; alternatives</li> <li>• 90% to 99.9% employee participation</li> <li>• Impact for passing tests</li> <li>• 3% to 10% first year cost reduction</li> </ul>
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*"Perhaps the 'best' approach in increasing wellness participation levels is formally linking your benefit program to your wellness plan design."*

Mr. David Hunnicutt, PhD., President of WELCOA

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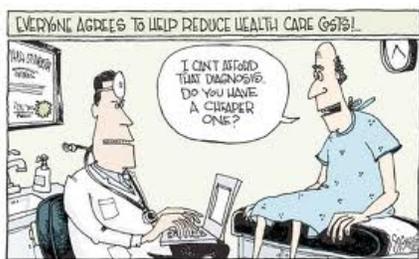
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### Why Results-Based Wellness?

Chronic diseases related to lifestyle account for 75% of national medical costs. Eleven separate studies by the Centers for Disease Control suggest that worksite wellness programs can produce significant improvements in employee health.  
- Centers for Disease Control, 2006

53% of U.S. adults think it's fair to ask those with unhealthy lifestyles to pay more for their health insurance. (Up from 37% only three years ago.)  
- Wall Street Journal/Harris Interactive Poll

56% of employers plan to hold employees more responsible for the cost of health benefits.  
- Washington Post, March 12, 2010

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**53% of Adults in the U.S. think it's fair . . . and rising**

- Results-based wellness is like a good driver discount for group health
  - Drivers with fewer tickets and accidents pay less.
  - Non-smokers pay less for life insurance.
  - Homeowners with security alarms pay less.
- Do you think it is fair for employees who live healthy lifestyles to pay a lower contribution for their insurance or have a benefit differentiation?
  - For example, non-smokers pay less than smokers

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**Federal Wellness Rules**

- Federal legislation allows employer sponsored health plans to give rewards or assess penalties based on the results of a health assessment.
  - Premium contribution differentials
  - Benefit plan differentials (deductibles, co-pays, co-insurance levels)
- Regulations are complex but achievable. Savings to health plans can be significant (short and long term).
- The 2010 National Healthcare Law preserves *and expands* the model.

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**History**

- 1996 • HIPAA requires uniform coverage and non-discrimination
- 2001 • Interim "bona-fide wellness rules" introduce exceptions for wellness plans – very restrictive
  - Final Wellness Rules issued
  - Distinction between incentives for participation and incentives "contingent upon the satisfaction of a health standard"
  - Rules clarified in February, 2008 Checklist for Wellness Program
- 2007
- 2010 • National Health Reform solidifies regulation as law and provides for expanded incentives/penalties tied to health lifestyle results
- 2011 • Federal Judge rules that Wellness Programs do not violate ADA, when designed to mitigate costs and design future benefit programs

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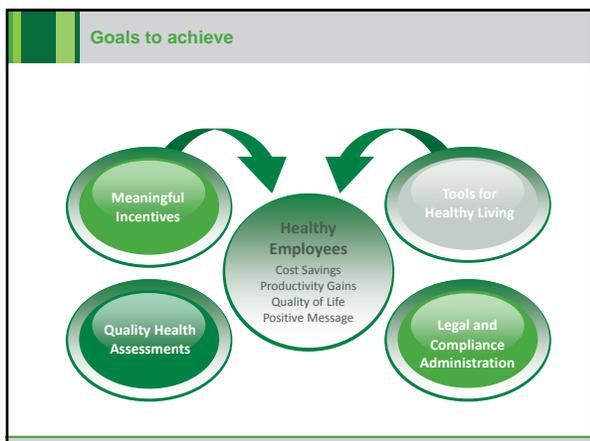
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### Sample Design

Participation and Result Requirements			
Category	NIH Goals	Revised "Gentle" Goals	Points
Alcohol/Nicotine	Negative	Negative	1
Blood Pressure	≤120/80	≤140/90	1
Cholesterol	≤100 (LDL)	≤160(LDL)	1
Body Mass Index <small>(BMI) goal is automatically correct unless you gain lean muscle mass, even if you lose weight from the BMI goal.)</small>	≤24.9	≤30	1

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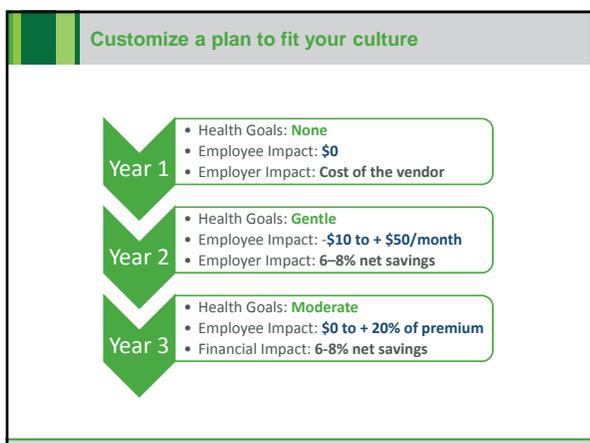
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### Example Case

Participation and Result Requirements				
Category	Goal	Value	Alt. Goal	Alt. Value
Tobacco/Nicotine	Negative	3		
Blood Pressure	<130/85	2	<140/90	1
Cholesterol	<130(LDL)	2	<160 (LDL)	1
Glucose	<110	2	<126	1
BMI (BMI goal is automatically correct even if the participant fails the BMI goal.)	<27.5	2	<30	1

650 Employees - County Government

Health Plan Deductible Based on Wellness Results						
Participation	Points	Points	Points	Points	Points	Points
0-3	4-6	7-8	9-10	11		
\$2500	\$2000	\$1500	\$1000	\$750	\$500	

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### A move in the right direction . . .

#### Strategy Summary

- The Problem:**
  - 2005 claims were 56% higher than 2004
- The Solution:**
  - Deductible adjustments were implemented 1/1/2006
  - Claims fund moved from **-\$500K** to **+\$1.5mm** in 17 months
  - Lifestyles improved and PEPY claims reduced in 2006 and 2007 before spiking again in 2008
  - Spending has still not returned to 2005 levels and costs have been held flat
  - Employees who could help themselves have done so, now the county will invest more of the savings into traditional wellness tools and coaching to get to the next level

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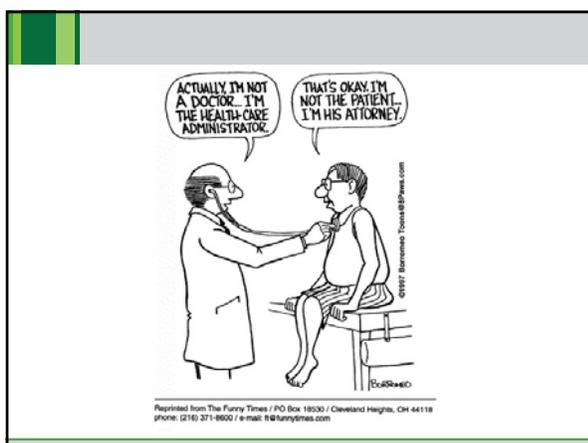
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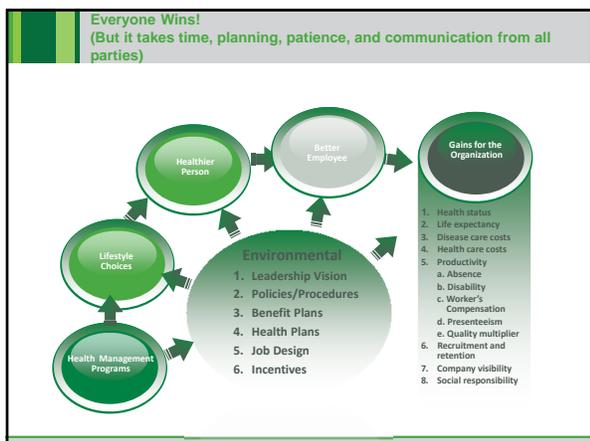
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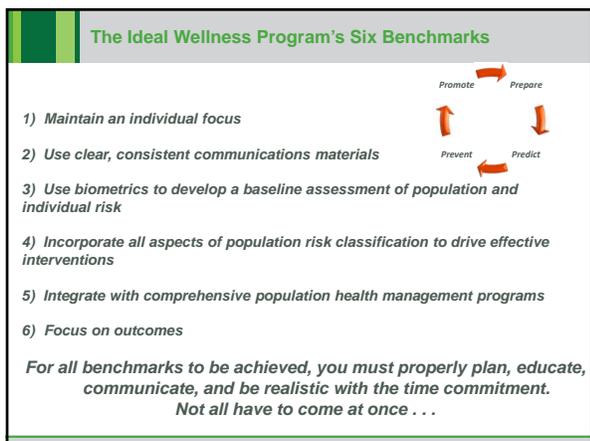
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**Planning and Strategy**

	Three Year Strategy	Annual Strategy
<b>Prepare</b>	Objective of preparing the environment and population by easing into a program and communicating the goals and objectives of HPM over the next 3 years.	Planning and communication strategy to ensure participants are aware of the current year's program and everything launches on-time as promised.
<b>Predict</b>	Objective of predicting the individual needs of each participant through mandatory program elements.	Tools to be utilized for the current year to predict health and life-balance issues. Tools may include Health Assessment, Biometrics, etc.
<b>Prevent</b>	Objective of on-going prevention by ensuring all participants are compliant with annual physical and prevention screenings.	Actions taken to prevent the healthy from becoming unhealthy and those with risks from becoming the next large claimants in the health system.
<b>Promote</b>	On-going promotion of good health and life-balance standards to support programs year over year.	On-going promotion of good health and life-balance standards to support the current year's program.

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Less expensive procedures and care . . . The easy way



"Your x-ray showed a broken rib, but we fixed it with Photoshop."

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Client Relationships Built On Mutual Trust



We appreciate the valuable relationship with our clients and never take it for granted. We strive to earn and maintain client loyalty by supporting firm adherence to the following standards:

- We are committed to upholding the highest standards of **integrity and honesty** in our business.
- We will strive to fully **understand each of our client's** business objectives, needs, and concerns.
- In recommending products and services, we will consider foremost the **interest of our clients**.
- We will actively monitor the benefits marketplace for **quality and cost-effective** products, services, and solutions.
- We will **communicate clearly and openly** information related to overall strategy, product procurement, implementation, and associated compensation.

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Public and Private Sector Benefits Solutions



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 CHAPMAN AND CHAPMAN



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**A Presentation for**



Thank you.

 BenefitsPartners

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