Pitney Bowes

Engineering the flow of communication

Value Based Benefits Designs

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About Pitney Bowes

- 80-plus year legacy
- Fortune 500 company
- $5.2 billion global provider of integrated mail and document management solutions
- Global team of more than 38,000 employees
- Presence in more than 130 countries worldwide
- More than 2 million customers

Pitney Bowes Populations

Business	**Mailstream Solutions** Meters, Postage Financial Services	**Enterprise Solutions** Outsourced Mailrooms Document Management Document Factories
US Population	9,000	18,000
Average Age	42	39
Service	10.6	4
Geographic Concentration	CT, WI, WA Dispersed	NYC Highly dispersed

Healthy Corporation

- Culture and values
- Benefit plans
- Management practices
- Employee resources

Healthy Work Environment

- On-site medical facilities/Fitness Centers
- Ergonomic workspaces/Stretch breaks
- Non-smoking work sites
- Healthy food options in cafeterias
- Lactation rooms

Healthy, Engaged, Productive Employees

Personal Responsibility

- Wellness/prevention
- Demand management
- Disease management

HPM Database

- Health care costs-Episode of Care Data
- Workers' Compensation & Disability: incidence rate, lost time, costs
- Medical Clinics: Utilization, customer satisfaction, clinical outcomes from program interventions (impact on presenteeism)
- Health Care University (HCU): Participation, risk factors & behaviors vs. established norms/targets
- HR programs:
  - Impact of work/life programs on productivity
  - Gallup survey results
  - Perception surveys

1st Generation Value Based Decision Making-Early 1990's

- Completed first review of episode of care analysis for all Doctors in the State of Ct
  - Created first EPO for State of CT-first regional plan implementation
  - Created incentives for employees to join the network through lower employee contributions
- Results-Lower health care costs significantly
- Created foundation for our on-site clinics
  - 6 primary care clinics-average of 35000 patient encounters per year(serviced population-5500 employees

2nd Generation of Value Based Decision making

- Pitney Bowes had a limited EAP and Chemical and Alcohol benefits designs with lifetime limits
- Engaged University to research the question of whether a limited EAP plan design impacted other costs in the area of physical health costs and disability
- All employee data was submitted and a 2nd generation employee data base was created

2nd Generation of Value Based Decision making : RESULTS

Overall results showed that for these members their total health care costs were greater due to the limited plan designs

- Disability costs were higher for these members
- Mental health service use and costs declined by 1/3 BUT
- Employees who used mental health services increased the use of non-mental health services
  - *And* significantly increased sick days
  - No such increases in other employees

1996: Benefit plan is changed

- "It must be our vendor: "
  - Changed vendors, keeping EAP separate from chemical dependency and alcohol
  - Results: benefit costs continued to rise
- 2001 New design
  - Changed vendor, combining EAP w/ chemical dependency and alcohol
  - Increased # EAP visits allowed from 3 to 8

RESULTS: AHA!

Our method of action:
2. Predictive Modeling

- Hybrid artificial intelligence-Utilization of $10,000 in resources-medical, disability, workers comp
- Population-based factors associated with migration from “normal” to “high cost”
- Total cost of health approach
  - Medical claims
  - Pharmacy
  - Behavioral health
  - Disability
  - Absenteeism
  - Workers Comp

2a: Predictive Model Findings

If Employee or Dependent:

- ☑ Has diagnosis of depression or diabetes
- ☑ Is over age 22
- ☑ Has filled less than 6 prescriptions for antidepressant or diabetes drugs in preceding year

Or

- ☑ Has spent more than $780 on health care in previous year

Or

- ☑ Has spent nothing on health care in previous year, less than 40 years old and filed less than 3 workers comp claims

Then:

Person is predicted to be at high cost for subsequent year

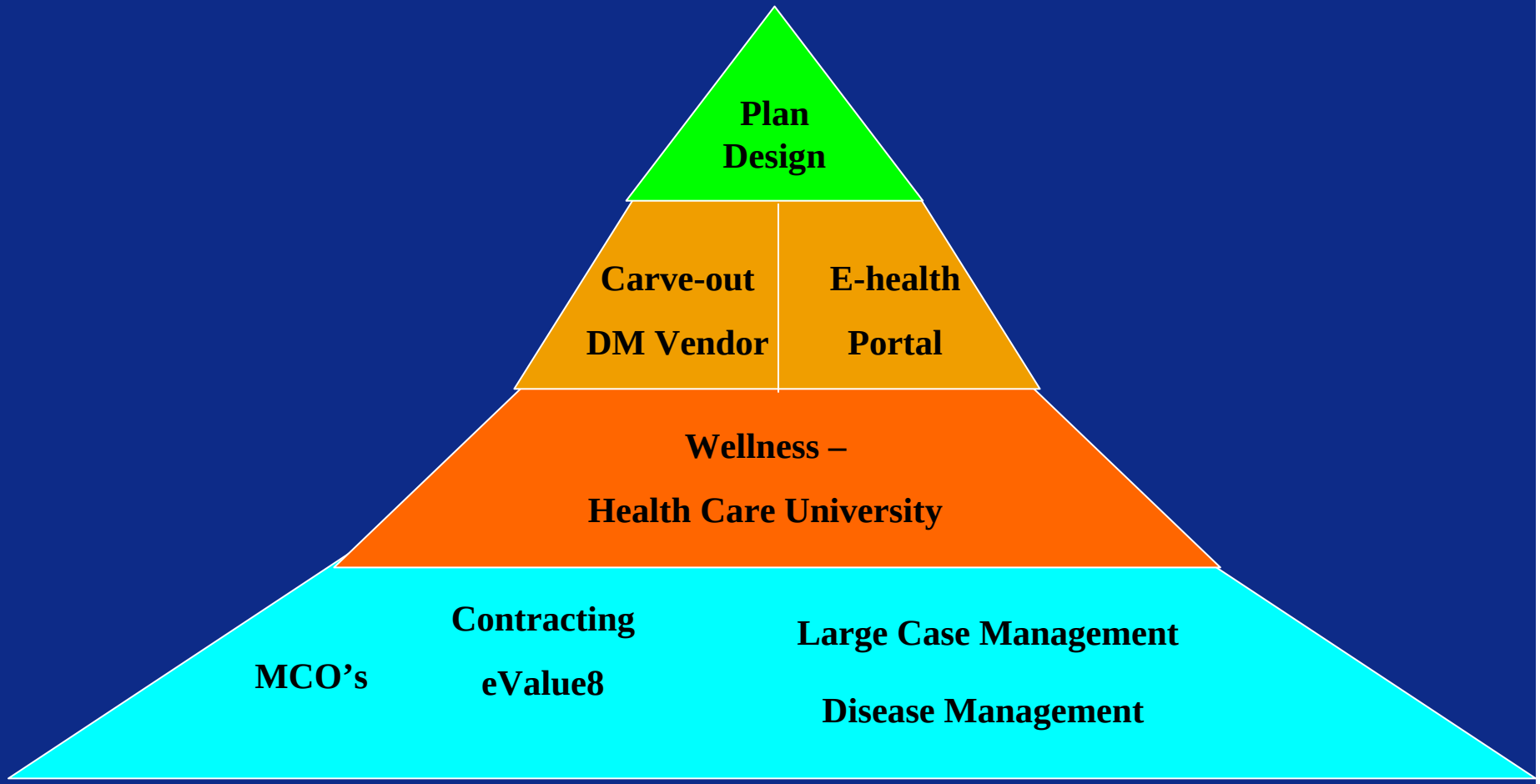
Findings:

- Prevalence of both **asthma and diabetes** increased dramatically between 2001 and 2004
  - Employee turnover and onboarding of high risk populations
  - Temporal trend
    - Aging
    - Diet, exercise patterns
- 2004 prevalence exceeds benchmark level

2b: Key Predictors for High Cost Claims

- Chronic diseases
  - Asthma
  - Diabetes
  - Cardiovascular
  - Depression
- Strong association between chronic condition progression and
  - Low possession rates of medication used to treat these conditions -- Compliance
  - Lack of preventive/screening utilization

Action Pyramid



Our method of action: Pharmacy Plan Design

- Tier 1 – Most Generics
- Tier 2 – Most Preferred
- Tier 3 – Non-preferred Name Brand Drugs

Pharmacy Plan

Performance

- 24% elect “buy-up” plan
- 47% generic utilization
- Generic Efficiency Rate = 99.8%
- 75/25 cost sharing

Design

- No mandatory generic
- No step therapy
- No therapeutic substitution
- Limited prior authorization

Pharmacy Benefit Design Decision

If:	And:	And:	Then:
Chronic disease prevalence is growing	RX is an integral part of managing most chronic conditions	Low possession rates of target medications is key predictor of future disease burden and cost	Company's future health claims can be reduced by keeping employees with chronic disease on their medications

How to keep employees taking their chronic disease medications?

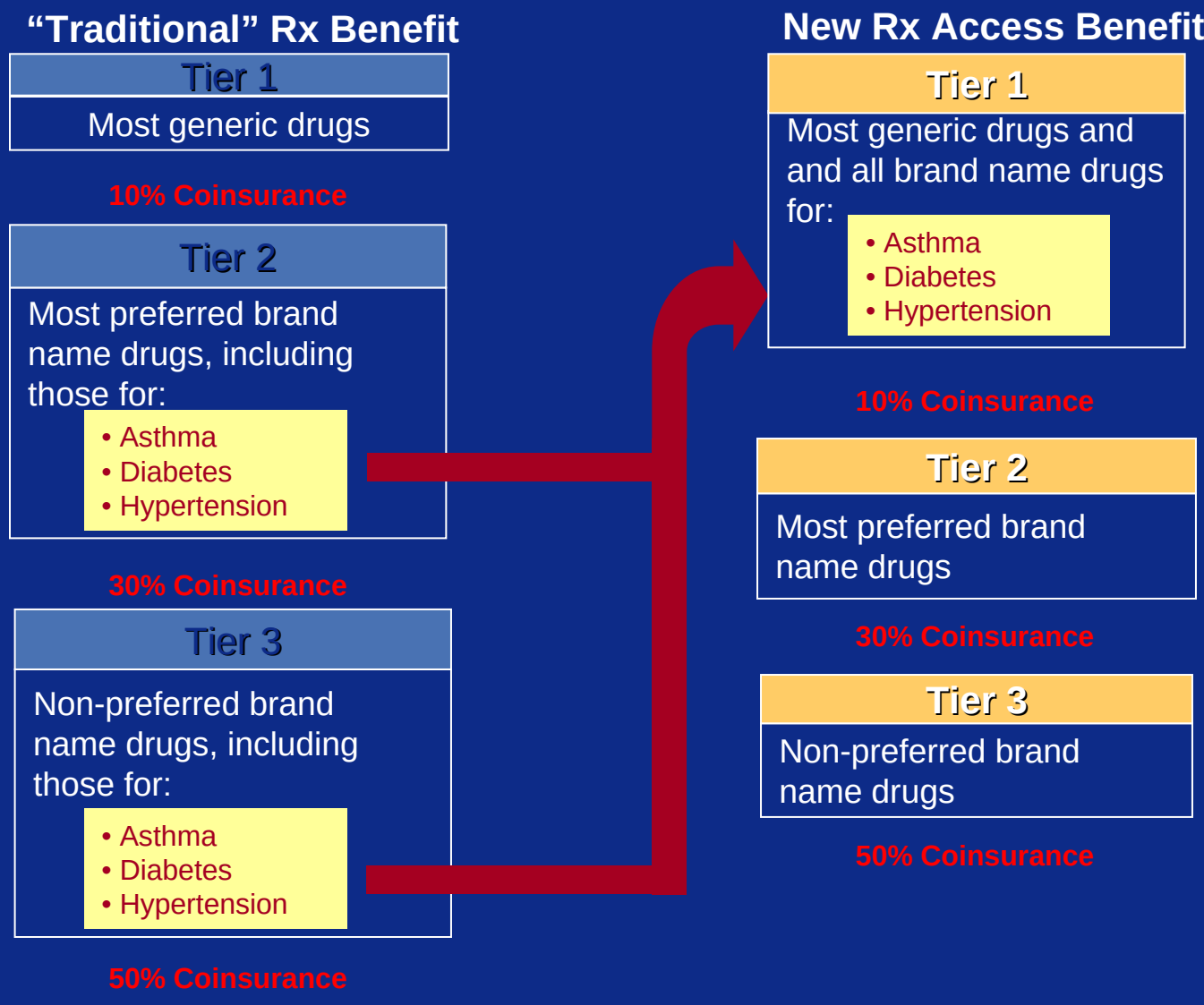
If:	And:	And:	Then:
Rx drugs are subject to price elasticity of demand	Rx drug demand elasticity is a function of cost	Medication compliance is a function of drug access and affordability	Put target chronic disease medications on most affordable tier to increase compliance with disease management program

The "Business Case" or A "Leap of Faith"

- Drivers:
  - Predictive Modeling Results

    Illness burden and costs driven by lack of preventive services and pharmaceutical compliance
  - Analysis indicating 50% population had a chronic illness
- Challenges:
  - Assume increased cost sharing
  - Forgo some rebates
  - Senior Management imperative to manage the health care budget

Solution: Rx Access Benefit Design



Preliminary findings

- Annual cost of care decreased for both conditions (asthma and diabetes)
- Pharmacy costs decreased
- Hospital admissions declined for people w/ asthma
  - Hospital admissions increased for people w/ diabetes (still below benchmark)
- ER visits declined for people w/ diabetes
  - ER visits unchanged for people w/ asthma
- Changes in medication/possession rates for both groups
  - improved adherence
  - Types of medications (more controllers, less rescue)

SAVINGS OF $1 MILLION IN FIRST YEAR

SAVINGS OF $2.5 MILLION

3RD YEAR

What We Learned:

Using investment strategy, instead of cost-containment strategy, was the key to better ROI

- Integrated HPM database is essential
- Integrated approach
  - Benefit design
  - Care delivery
  - MCOs
  - Care vendors
- Continuous process
- Appropriate pharma, Doctor visits and lab uses are an integral part of condition management
- Strategic impact of access issues

ffu11

Key Messages

1) Most tools now give you a fine view - through your rear window

2) Identify key chronic conditions using data

3) Data is valuable even if you have little of it

4) Benefits designs do drive consumer behavior

5) Redefine wellness/prevention to include care for chronic conditions

6) Prescription drugs have value in managing chronic care

7) Benefits planning can create a strategic advantage

8) You can make a difference

Slide 22

ffu11 reposition CC's....early in the presentation, mention that you will be introducing CC's throughout the presentation, and why.i.e., understanding & adopting CC's are important concepts in changing thought processes & buying processes when changing to a value vs. cost based buying mode. number them, ie., CC # 1. and then describe. have them printed up as a leave behind? It's too much to descibe them all at once...too much to digest at once

Field Force User, 08/19/2005