Agenda
Health Management as a Serious Business Strategy
May 1, 2007

Introductory Comments 5
• Do-Nothing Strategy 5
• Business Case to Build the Strategy 5
• Next Generation Programming,
  Champion Company, Zero Trend 5

Summary

Slides available via e-mail attachment
Introductory Comments
**Key Thoughts**

Objective

Shareholder value from creative and innovative products from healthy and productive people

Strategy

Next Generation Program to drive Objective

**Partners:** health plans; benefit consultants; primary care physicians; pharmaceutical companies; health enhancement companies

Outcomes to get to Zero Trend

90%-95% participation and 75% to 85% low-risk
Keep the healthy people healthy
Don’t get worse
<table>
<thead>
<tr>
<th>Company Name</th>
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<tbody>
<tr>
<td>US Steel</td>
</tr>
<tr>
<td>Steelcase</td>
</tr>
<tr>
<td>We Energies</td>
</tr>
<tr>
<td>General Motors</td>
</tr>
<tr>
<td>Cleveland Clinic</td>
</tr>
<tr>
<td>Crown Equipment</td>
</tr>
<tr>
<td>Foote Health System</td>
</tr>
<tr>
<td>Medical Mutual of Ohio</td>
</tr>
<tr>
<td>St Luke’s Health System</td>
</tr>
<tr>
<td>Cuyahoga Community College</td>
</tr>
<tr>
<td>International Truck and Engine</td>
</tr>
<tr>
<td>United Auto Workers-General Motors</td>
</tr>
<tr>
<td>Wisconsin Education Association Trust</td>
</tr>
<tr>
<td>Southwest Michigan Healthcare Coalition</td>
</tr>
<tr>
<td>Australian Health Management Corporation</td>
</tr>
<tr>
<td>Kellogg</td>
</tr>
<tr>
<td>JPM Chase</td>
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<tr>
<td>Progressive</td>
</tr>
<tr>
<td>Brush Wellman</td>
</tr>
<tr>
<td>Delphi Automotive</td>
</tr>
<tr>
<td>Affinity Health Plan</td>
</tr>
<tr>
<td>Southern Company</td>
</tr>
<tr>
<td>Florida Power &amp; Light</td>
</tr>
</tbody>
</table>

*The consortium members provide health care insurance for over two million Americans. Data are available from eight to 18 years.

Meet on First Wednesday of each December in Ann Arbor.
# Health Management as a Serious Business Strategy

<table>
<thead>
<tr>
<th></th>
<th>Building an Integrated, Sustainable Business Strategy (Next Generation Programs, Champion Companies, Zero Trends)</th>
<th>Six Hours</th>
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<tbody>
<tr>
<td>2</td>
<td>Complete Strategy and Next Generation</td>
<td>Four Hours</td>
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<tr>
<td>3</td>
<td>Fundamental Strategy and Next Generation</td>
<td>Two Hours</td>
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<td>4</td>
<td>Business Strategy and Next Generation</td>
<td>90 minutes</td>
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<tr>
<td>5</td>
<td>Short Business Strategy and Next Generation</td>
<td>75 minutes</td>
</tr>
<tr>
<td>6</td>
<td>Executive Summary of the Business Strategy</td>
<td>60 minutes</td>
</tr>
<tr>
<td>7</td>
<td>Executive Summary of Executive Summary</td>
<td>20 minutes</td>
</tr>
</tbody>
</table>
Health Management in the Workplace

Healthier Person → Better Employee → Gains for The Organization

Health Management Programs

Lifestyle Choices

Environmental
1. Leadership Vision
2. Policies/Procedures
3. Benefit Plans
4. Health Plans
5. Job Design
6. Incentives

1. Health Status
2. Life Expectancy
3. Disease Care Costs
4. Health Care Costs
5. Productivity
   a. Absence
   b. Disability
   c. Worker’s Compensation
   d. Presenteeism
   e. Quality Multiplier
6. Recruitment and Retention
7. Company Visibility
8. Social Responsibility

Moving the Paradigm  From

“The Cost of Healthcare”  To
(Treating disease)  To

“The Total Value of Health”
(Managing health status)  To

“Health is Free”
(Healthcare Costs < Total Benefits)  By

Adopting the “Quality” Strategy
(Fix the Systems that Lead to the Defects)
New way to do Health Management
In the United States and Throughout the World
Section I

The Do-Nothing Strategy
Business Case
The Natural Flow of Health Risks and Costs
# Health Risks and Behaviors

<table>
<thead>
<tr>
<th>Health Risk Measure</th>
<th>High Risk Criteria</th>
</tr>
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<tbody>
<tr>
<td>Alcohol</td>
<td>More than 14 drinks/week</td>
</tr>
<tr>
<td>Blood Pressure</td>
<td>Systolic &gt;139 or Diastolic &gt;89 mmHg</td>
</tr>
<tr>
<td>Body Weight</td>
<td>BMI ≥ 27.5</td>
</tr>
<tr>
<td>Cholesterol</td>
<td>Greater than 239 mg/dl</td>
</tr>
<tr>
<td>Existing Medical Problem</td>
<td>Heart, Cancer, Diabetes, Stroke</td>
</tr>
<tr>
<td>HDL</td>
<td>Less than 35 mg/dl</td>
</tr>
<tr>
<td>Smoking</td>
<td>Current smoker</td>
</tr>
<tr>
<td>Physical Activity</td>
<td>Less than one time/week</td>
</tr>
<tr>
<td>Safety Belt Usage</td>
<td>Using safety belt less than 100% of time</td>
</tr>
<tr>
<td>Illness Days</td>
<td>Greater than 5 days last year</td>
</tr>
<tr>
<td>Life Satisfaction</td>
<td>Partly or not satisfied</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>Partly or not satisfied</td>
</tr>
<tr>
<td>Perception of Health</td>
<td>Fair or poor</td>
</tr>
<tr>
<td>Stress</td>
<td>High</td>
</tr>
</tbody>
</table>

## OVERALL RISK LEVELS

- **Low Risk**: 0 to 2 high risks
- **Medium Risk**: 3 to 4 high risk
- **High Risk**: 5 or more high risks
Costs Associated with Risks
Medical Paid Amount x Age x Risk

Total Medical and Pharmacy Costs Paid by Quarter for Three Groups

This is the Way Americans Have been Living their Lives for 60 Years

Can You Afford the Economic Consequences of the Do-Nothing Strategy?
Section II
Key Business Concepts
To Build the Business Case
Business Concept

Eliminate “Silo” Thinking
Consider the Total Value of Health
Relative Value of Health to the Organization: Total Value of Health

Time-Away-from-Work

Presenteeism

LTD

STD

Absenteism

Worker’s Compensation

Medical & Pharmacy

Edington, Burton. A Practical Approach to Occupational and Environmental Medicine (McCunney). 140-152. 2003
Excess Medical Costs due to Excess Risks

- **Low Risk (0-2 Risks)**: $2,199
- **HRA Non-Participant**: $3,039
- **Medium Risk (3-4 Risks)**: $3,460
- **High Risk (5+ Risks)**: $5,520

## Association of Risk Levels with Corporate Cost Measures

<table>
<thead>
<tr>
<th>Outcome Measure</th>
<th>Low-Risk (N=671)</th>
<th>Medium-Risk (N=504)</th>
<th>High-Risk (N=396)</th>
<th>Excess Cost Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term Disability</td>
<td>$120</td>
<td>$216</td>
<td>$333</td>
<td>41%</td>
</tr>
<tr>
<td>Worker’s Compensation</td>
<td>$228</td>
<td>$244</td>
<td>$496</td>
<td>24%</td>
</tr>
<tr>
<td>Absence</td>
<td>$245</td>
<td>$341</td>
<td>$527</td>
<td>29%</td>
</tr>
<tr>
<td>Medical &amp; Pharmacy</td>
<td>$1,158</td>
<td>$1,487</td>
<td>$3,696</td>
<td>38%</td>
</tr>
<tr>
<td>Total</td>
<td>$1,751</td>
<td>$2,288</td>
<td>$5,052</td>
<td>36%</td>
</tr>
</tbody>
</table>

Wright, Beard, Edington. JOEM. 44(12):1126-1134, 2002
Medical and Drug Cost (Paid)*

*per employee, Improved=374, Non-Improv=103
HRA in 2002 and 2004
Improved=Same or lowered risks
*Medical and Drug, not adjusted for inflation

Slopes differ
P=0.0132

Impr slope=$117/yr
Nimpr slope=$614/yr

Year
2001 2002 2003 2004
Paid
$1,500 $2,000 $2,500 $3,000 $3,500 $4,000
Section III
Health Management:
Next Generation Programming
Champion Companies
Zero Trend

The Question is: “How can we do it?”
Where are the Opportunities for Population Health Management?

- Serious disease
- Minor Disease
- No Disease

Medical & Care Management Opportunity
Condition Management Opportunity

Medical and Drug Costs only
Next Generation Health Management Programs

1. Vision from Senior Leadership
2. Worksite Environment

4. Population Programs
   - Website
   - Low-Risk Maintenance
   - Know Your Numbers
   - Physical Activity
   - Nutrition Awareness
   - Wellness Modules

3a. Health Risk Appraisals
3b. Individual Stratification
   - Coaching Sessions - unlimited contacts
   - Health Advocate
   - Triage to Resources
   - Develop Self-Leaders

5. Incentives
6. Measurement
Scorecard

Percent Participation: 80% to 95%
Over a rolling three years
HRA + Three Coaching sessions + Two other sessions

Percent Low-Risk: 70% to 85%
Percent of the eligible population

Estimated Cost of Program: $400
Dollars per Eligible employee
Excluding major incentive

Estimated Savings: $800
Dollars per Eligible Employee
(Medical and Drugs only)
Summary
1. The “Do Nothing” strategy is unsustainable.

2. Refocus the definition of health from “Absence of Disease to High Level Vitality.”

3. “Total Population Management” is the effective healthcare strategy and to capture the “Total Value of Health”

4. The business case for Health Management indicates that the critical strategy is to “Keep the Healthy People Healthy” (“keep the low-risk people low-risk”).

5. The first step is, “Don’t Get Worse” and then “Let’s Create Winners, One Step at a Time.”
Objective

Shareholder value from creative and innovative products from healthy and productive people

Strategy

Next Generation Program to drive Objective

Partners: health plans; benefit consultants; primary care physicians; pharmaceutical companies; health enhancement companies

Outcomes to get to Zero Trend

90%-95% participation and 75% to 85% low-risk
Keep the healthy people healthy
Don’t get worse
Thank you for your attention.

Please contact us if you have any questions.

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