

WellNet Source

Innovation for a Healthier Work Force

Issue No.4 Summer 2009

WELCOME TO WELLNET SOURCE

This quarterly newsletter features news about WellNet Healthcare as well as trends in the medical-benefit sector inclusive of interviews with WellNet executives and advice from industry experts. For our existing clients, we welcome feedback on WellNet Source. Please feel free to share the newsletter with your colleagues.

For prospective clients, we hope WellNet Source provides you with some insight into our company's strategy that significantly lowers plan costs and also gives you useful information about the business of healthcare as you navigate the medical-benefit community.

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CFOs Focus on Soaring Corporate Healthcare Costs

With costs rising annually at nearly three times the rate of inflation, corporate healthcare costs continue to rank high on the list of CFO's worries.

Fifty-three percent of CFOs cite high costs for health benefit programs as a top issue, according to a recent survey in CFO Magazine.

While typically focused on corporate budgets and finances, chief financial officers increasingly are playing a greater role overseeing employee health programs, usually under the wing of human resource executives, which account for the third-biggest company expense, trailing only cost of goods sold and payroll.

Greater CFO oversight over corporate health risk management strategies reflects a major cultural shift taking place at the C-level. The significant, adverse impact of health costs on profits and productivity are key reasons for a more proactive management and decision-making role by CFOs.

Many employers miss an opportunity to improve productivity and their bottom line by failing to recognize and prioritize critical health conditions when they develop health strategies and related interventions, according to a new study published in the Journal of Occupational and Environmental Medicine.

One top executive paraphrasing an old saying recently noted, "When health costs become too high, corporate health risk management becomes too important to be left to human resource

executives." Facing a formidable task, CFOs increasingly are turning to technology to help them cull corporate claims data to gain a clearer view of what's happening in their plan and what action should be taken. With powerful new software tools, CFOs are able to make real-time strategic decisions based on an informed understanding of what's emerging inside the health plan.

WHY THE CFO?

The financial impact of employee benefit programs on productivity and profits is emerging as a major goal of chief financial officers. Ninety-three percent of CFOs believe there is a link between the quality of their company's health benefits and the bottom line, according to a survey by the Integrated Benefits Institute.

While this belief is seldom expressed in financial terms such as "cash flow" or "earnings growth," research confirms that corporate health benefit programs such as disease management and wellness add significant value in terms of employee retention, motivation and satisfaction.

Wise employee healthcare management saves money while bringing about long-term gains from increased overall employee wellness, according to F. Mark Gumz, CEO of Olympus Corporation of America. *Continued on page 4*

Know How Health Costs Affect Your Company

All CEOs should know the top categories in their healthcare spending and address them head-on. **The Centers for Disease Control informs us that more than 75% of the nation's healthcare costs can be attributed to patients with just five chronic conditions:** congestive heart failure, asthma, diabetes, coronary artery disease and depression. The National Business Group on Health estimates that U.S. employers collectively spend \$170 billion annually on smoking-related health expenses, lost productivity time and absenteeism. Know how such costs are affecting your company.

“ Employees not performing at their full potential put their companies at risk just the way injured athletes put their teams at risk. ”

– F. Mark Gumz, CEO of Olympus Corporation of America, *Forbes Magazine*



A Message From WellNet's President

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As the government continues to struggle to find an answer to managing healthcare, there is one word that time and time again gets spoken: technology.

I commend Steve Lohr writing recently in the New York Times for his concise statement on the importance of technology in health reform. Mr. Lohr's article is a succinct summary of the focus of healthcare reform today using technology designed to lower and manage healthcare expenses, long-term, for all stakeholders.

What Mr. Lohr and the other experts mention in the article very much describes the capabilities of WellNet's innovative Healthcare Performance Management (HPM) software.

Similar to ERP (Enterprise Resource Planning) and CRM (Customer Relationship Management) software for traditional back-office operations, the HPM solution empowers corporations, for the first time, with innovative tools and methods to provide accurate, actionable information in real-time to measure and manage their healthcare expenses as they fiscally manage every other aspect of their business.

Leveraging the prescription drug portion of the medical-benefit plan, WellNet's technology and advisory services provide visibility and insight into customer plan risks and combines patient-centric, Facebook-like social networking services to improve care, quality and efficiency, all operating within a fully-integrated, single-user interface that saves corporations hundreds of thousands to millions of dollars annually.

Minimizing or replacing the annual group healthcare procurement process altogether, HPM provides a common technology platform that supports the shared responsibility between plan sponsors, members and providers to manage healthcare and the risk mitigation of costs in a simplified, collaborative environment.

As you consider the possible future of healthcare, think outside the box and look for new approaches to dealing with age old problems.

Keith Lemer

WELLNESS INCENTIVES EXPECTED TO INCREASE IN 2009

Despite the cutbacks in some benefit programs, companies continue to add wellness and health management programs to promote healthier behavior among their employees. Additionally, companies that offer financial incentives report significantly higher participation in wellness and lifestyle programs, according to a new survey by Watson Wyatt of more than 300 mostly large employers.

Incentives for employee participation in wellness programs that offer a variety of health improvement activities, such as smoking cessation and weight management, are on the rise. Fifty percent of surveyed employers use incentives, a number expected to jump to 74% in 2009, according to the survey.

Incentives for health risk appraisals are trending up, offered by 61% of employers, up from 53% in 2008. Other programs that frequently offer incentives to encourage use include smoking cessation (40%), weight management (34%) and full coverage of prevention services (73%, up from 53% in 2008).

Employer programs to fight diabetes, for example, demonstrate one way that health plans are taking action around improved chronic care management. A new report by the National Business Coalition on Health finds that among employers surveyed, 54% reward patients for completing a health risk appraisal, 29% offer rewards for participation in health coaching and 57% offer a reward for participation in a disease management program. In addition, 27% waive co-payments for some pharmacy services and 17% waive office visit fees for ongoing treatment.

“ A properly structured incentive program goes a long way in helping create a healthier and more productive workforce. ”

– Judy Mueller, President of WellNet Interactive

Even moderate incentives can help to engage employees in healthy behaviors. “WellNet’s clients increasingly have found that a small monetary incentive, usually a \$25-\$100 gift card, works very well to improve participation in wellness programs,” says Judy Mueller, president of WellNet Interactive, a WellNet Healthcare affiliate. “For one group, the participation rate increased by around 18% within the first three months of the incentive gift card being in place, in this case, a \$50 CVS gift card.

“We have found only a 22% participation rate without incentives,” says Mueller. A properly structured incentive program goes a long way in helping create a healthier and more productive workforce,” says Mueller who administers wellness incentive programs for WellNet Healthcare. Mueller can be contacted at jmueller@wellnethealthcare.com.

HEALTHCARE INTERACTIVE LICENSES NEW SOFTWARE TOOL

A new software tool that advances current technology used to forecast risk exposures in group health plans has been licensed by Wells Fargo Insurance Services, a national insurance broker, to Healthcare Interactive, a software developer affiliated with WellNet Healthcare.

The tool utilizes medical, prescription drug, workers compensation, disability claims and eligibility data to analyze, model and forecast the claims of an employer group health provider that is at risk for the healthcare of a group. This includes plan sponsors,

whether fully-insured or self-insured, health plans, health insurers and managed care organizations.

Henry Cha, president of Healthcare Interactive, says, “Wells Fargo’s software tool opens the door into advanced analysis of plan data that allows risk to be forecast with a greater degree of accuracy. It is a significant breakthrough that can transform data and predictive technology.”

The tool facilitates real-time underwriting of group risk on a pure premium basis and also facilitates claim payment adjudication in excess of pre-determined risk thresholds. Scott Haas, vice president of Wells Fargo Insurance Services, says, “This is a powerful new tool that gives employers real-time information that can help employers gain insight into the relationship of their cost drivers and risk thresholds that ultimately determine appropriate risk premiums and can validate appropriate overall costs.”

The tool also provides detailed drill down reporting capabilities specific to the group experience. This capability allows for accurate auditing of 100% of historical claims and enables a health plan to create measurable metrics from which accountable performance standards can be established.

Wells Fargo Insurance Services, the largest bank-affiliated insurance brokerage firm in the United States, provides a wide range of risk management, insurance and financial services to clients.

Case Study

BERRY COLLEGE

Berry College Focuses on Major Health Cost Savings for its Workforce

Berry College, an independent, liberal arts college in Rome, GA, is using the Active Reporting System (ARS) to identify significant areas of cost savings in its health plan covering over 500 participants employed by the college.

Using ARS, Berry College has identified several high cost areas resulting in important design changes in its self-insured health plan that encourage greater use of generic drugs in lieu of more expensive brand name prescription drugs. “The switch from brand name Rx drugs to generics alone has produced a 6% to 8% return to Berry College on every prescription drug covered,” says Cindy Marchant, the college’s human resource manager. “The ARS program has helped increase the use of generics overall by 10% — a projected saving of \$238,000 annually,” according to Marchant.

Berry College has completed a comprehensive Action Plan based on the beta results and is implementing plan changes and educational programs designed to meet the goals of ARS, including the cost savings of generics. A specific educational program is aimed at encouraging Berry College employees to benefit from a zero co-pay by switching to over-the-counter drugs for gastrointestinal problems. Another program encourages a switch from brand name drugs to generics for high cholesterol problems. Both of these programs are expected to yield significant cost-savings in plan drug costs.

Continued on page 4

New Bill Provides Tax Credit For Wellness Participation

The “Healthy Workforce Act” (S.1753/H.R.3717) pending in Congress would provide a tax credit to businesses to support comprehensive workplace wellness programs. Businesses could receive the tax credit for up to 10 years by establishing wellness programs. Wellness programs may include behavioral change programs that encourage employees to lead a healthy lifestyle through counseling, seminars, online programs and classes related to nutrition, stress management and smoking cessation.

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Industry News

Keys to the Dash: Dashboards are a powerful risk management tool. The ability to identify, manage and implement mitigation and controls are amongst the most critical factors affecting a business today.

Dashboards can provide enterprise-wide diagnostic and visibility of governance and compliance requirements, issue, risk, dependency and action management for stakeholders and regulators. To effectively manage their businesses in the current economy, insurers are looking to manage their many data sources, both internal and external, into one central point and make it available to the relevant individuals.

Risk & Insurance, 3/31/09

CONSUMER DEMAND FOR HEALTH IS STRONG

Consumer appetite for electronic health records, online tools and services continues to grow, according to the 2009 Deloitte Survey of Consumer Healthcare Consumers. While only 9% of consumers surveyed have an electronic personal health record, 42% are interested in establishing PHRs connected online to their physicians. Fifty-five percent want the ability to communicate with their doctor via e-mail

to exchange information and get answers to questions. The survey of more than 4,000 U.S. consumers found that 42% favor increasing government funding and incentives to support the adoption of electronic medical records by doctors, hospitals and health plans. Despite strong consumer demand, many are still concerned about the privacy and security of their medical information.

Healthcare IT News.com 4/14/09

POOR EMPLOYEE HEALTH COSTLIER THAN DIRECT MEDICAL COSTS

Health-related productivity costs are significantly greater than medical and pharmacy costs alone—on average, health-related productivity costs are \$2.30 for every \$1 of medical costs, according to a new multi-year study of 10 organizations employing more than 150,000 workers. The study also found that when considering Rx and medical costs alone, the top five conditions driving costs are cancer, back/neck pain, coronary heart disease, chronic pain and high cholesterol. However, when health-related productivity costs are measured, the top five chronic health conditions driving costs shift significantly to depression, obesity, arthritis, back/neck pain and anxiety. Many employers miss an opportunity to recognize and address these health conditions when they develop corporate health strategies.

CCH Benefits, Spencer's Benefit Reports, 5/06/09

Continued from page 1: Why the CFO?

Writing in Forbes, Gumz says, "Employees not performing at their full potential put their companies at risk just the way injured athletes put their teams at risk. That's why you need to find ways to make changes in their behavior that help themselves and help the company. It can have a turbocharged effect on your business."

When asked by IBI to rank their benefit program's benefits in order of importance, CFOs gave prescription drug benefit management top honors, followed by wellness, employee assistance and disease management. More than eight in 10 CFOs rated a pharmacy benefit as "important," "very important" or "crucial" to their organization's health and productivity goals, and six in 10 believed a pharmacy benefit reduces health-related costs.

Companies with huge financial investments in their human capital—their workforce—understand the importance of knowing the value of their benefit programs. With technology, business strategies can be developed and actions taken that can improve the ROI of human capital by improving the overall health of employees.

Continued from page 3: Berry College

An important component of the ARS program includes a tutorial program designed to educate employee benefit personnel on how to use the program. The tutorial consists of ten 15-minute segments over a 30-day period. "The tutorial is very good, easy to use and highly informative in learning how to monitor Rx claims at the desktop on a real-time basis instead of waiting for an annual review before taking action," says Marchant.

Berry College is one of 250 companies participating in WellNet's beta program.

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NEXT STEPS

Meet with WellNet's executive management team for an in-person or Web demonstration. Allow WellNet to complete a free risk profile using only a firm's pharmacy claims. For more information, visit us at www.wellnethealthcare.com or call 1-800-808-4014.