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Business Roundtable

**Testimony to
the Senate Finance Committee,
Hearing on "Health Care Reform: An Economic Perspective"**

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Verizon, Inc**

**Chair,
Consumer Health and Retirement Initiative**

November 19, 2008

Introduction

I am pleased to present testimony on the financial crisis in our society and its impact on access to health care services for all Americans. Today, I am presenting this testimony on behalf of the Business Roundtable, an association of chief executive officers of leading U.S. companies with $4.5 trillion in annual revenues and almost 10 million employees. Member companies comprise nearly a third of the total value of the U.S. stock markets and represent over 40 percent of all corporate income taxes paid to the federal government. Collectively, Business Roundtable companies returned $114 billion in dividends to shareholders and the economy in 2006. Business Roundtable appreciates your leadership, Chairman Baucus, Senator Grassley and other Senators on this Committee, in holding this important hearing to explore ways to improve our health care system so that all Americans can have access to affordable health care.

With nearly a quarter of a million employees, plus dependents and retirees, Verizon Communications provides health insurance coverage to approximately 900,000 Americans at a cost of about $4 billion a year.

As the provider of health coverage to almost 35 million Americans, Business Roundtable companies play a significant role in helping American workers and their families obtain medical care. Business Roundtable CEOs consistently cite health care as their number-one cost pressure. Rampant cost increases in the medical system mean we're paying ***more*** for ***less*** value. Health care costs are inhibiting job creation and damaging our ability to compete in global markets. They are also imposing a major strain on the household incomes of many Americans. In these times of financial insecurity, maintaining jobs and retaining the health care benefits is an enormous strain on both employees and employers. We believe health care reform should be addressed now as we work our way through these difficult financial times.

Today, *all* employers make difficult economic decisions about whether to offer health insurance and face enormous increases year after year. Add to this, two alarming facts:

First, one-sixth of our economy is spent on health care. In 2007, total national health expenditures were expected to rise 6.9 percent — two times the rate of inflation. Total spending was $2.3 trillion in 2007, or $7600 per person. Total health care spending represented 16 percent of the gross domestic product (GDP). U.S. health care spending is expected to increase at similar levels for the next decade reaching $4.2 trillion in 2016, or 20 percent of GDP.[1]

Second, over 177 million American get health insurance coverage through their employer, yet we are facing an unemployment rate at a 14-year high of 6.5 percent. It is estimated that a single percentage-point increase in unemployment could increase the number of uninsured by 1.1 million. This means more uninsured, more who will qualify for public programs, and continued increase in premiums due to a cost-shift to those Americans who have health insurance. It is critical that we focus on ways to improve efficiencies to reduce costs just as much as we focus on expanding access to health insurance coverage. If we fail to do so, we risk being able to maintain *current* levels of health insurance coverage and we may find expanding coverage to be unattainable.

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[1] Poisal, J.A. et al, Health Spending Projections Through 2016. Health Affairs (21 February 2007).

During these economic difficulties, we must commit to retain what is good about our health care system, yet find ways to improve the value and the costs, and provide affordable health insurance options for Americans.

Thank you, Chairman Baucus, for providing us with your views on how to improve health care coverage for all Americans. Your paper, "Call to Action, Health Reform 2009," contains many of the same suggestions that we, as CEOs joined at Business Roundtable, will make today. Thank you, Senator Grassley, for your leadership on health care reform. The work you have done, with Chairman Baucus, over the years has shown an extraordinary commitment by both of you to work together and find practical solutions to improving Medicare. To all the members of the Senate Finance Committee, I look forward to talking to you about our suggestions on how to improve our health care delivery system so that more Americans have affordable health insurance coverage.

Financial Situation

First, let me discuss our financial situation. As leaders of many of the largest American companies, Business Roundtable members know personally that the ongoing turmoil in global capital markets is placing great stress on businesses throughout the American economy — both financial and non-financial companies — as well as on workers and consumers. For non-financial businesses, the reduced access to credit markets is constraining the ability of American businesses to stock inventories, purchase new equipment, meet payroll and pay vendors. Left unchecked, this breakdown in lending may lead to a deep and sustained recession both at home and abroad, with significant job losses. Significant job losses mean that many more

Americans may lose their health insurance benefits. I appreciate your leadership in understanding that our economy needs help and that all Americans are depending on your leadership in finding the right solutions to address this crisis.

For the record, on behalf of Business Roundtable, I wish to express our strong support for new bipartisan legislation to address the severe financial credit disruptions in order to restore stability to the credit markets and the U.S. economy, which will help American workers, families and companies recover from the current economic downturn.

We applaud the actions of the Congress, the Administration and the Federal Reserve to date, that are intended to restore confidence in the banking system and additional efforts within the G-7 and G-20 countries to deal with this problem on a coordinated basis. However, the problems facing the credit markets are unprecedented, and additional legislative actions are required to assist the economy.

Recent events have demonstrated the close interrelationship between employer-paid health and retirement benefits and the economy as a whole. That connection is made clear by the current pension funding dilemma. The steep and sudden market declines have created immediate and significant pension contribution mandates. Unless prompt action is taken to allow those unexpected pension contributions to be smoothed over time, employers will not be able to retain as many workers, invest in job training, maintain the same robust health plans, or pursue capital improvements that are critical to the economic recovery. We know that the Members of this Committee have been examining the pension funding issues and we urge you to act quickly.[2]

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[2] See attachment, Business Roundtable letter, November 14, 2008, to Congressional leaders.

Business Roundtable also believes that for broader economic legislation to be truly successful it must address two fundamental concerns.

First, policies must address the problems of liquidity confronting U.S. companies in order for the U.S. economy to return to growth.

Second, to promote a more rapid recovery, the economic stimulus package has to accelerate job creation and speed the return to work of unemployed workers.

Business Roundtable has made recommendations for addressing these issues and we offer our assistance to work with you to closely evaluate these and other proposals that Congress may consider to resolve the current credit crisis and bring about a quick and robust economic recovery for American workers, families and companies.[3]

Health Care Reform – Business Roundtable's Principles

Today, I want to share with you our principles for improving the health care marketplace for all Americans.[4] Our suggestions are offered as ideas — we, as Business Roundtable CEOs, are prepared to work with you to improve the health care system and these principles are intended to begin the dialogue to find the right balance between preserving what is the best in our health care system and finding ways to expand affordable coverage to more Americans.

In September, we released a document entitled "Health Care Reform in America: A Business Roundtable Plan." This contains our principles to improve our system. We all recognize that the American health care system is among the best in the world. When it comes to scientific advances, medical technology and the quality of our doctors,

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[3] See attachment, Business Roundtable letter, October 30, 2008, to Congressional Leadership, Senators McCain and Obama, Federal Reserve Chairman Bernanke, and President Bush.
[4] See attachment, Business Roundtable, "Health Care Reform in America," September 2008.

health care providers and hospitals, the United States is "the gold standard." From our perspective, the problem with the health care market in this country is that it doesn't really function as a market – it leaves major consumer needs unmet, costs unchecked by competition, and basic practices untouched by the productivity revolution that has transformed every other sector of the economy.

Contrast that to the communications industry, for example, where we've seen technology and competition invigorate our business and ignite innovation. Information technology has revolutionized the interface between customers and providers. The norms of the electronic marketplace – personalization, control, price and quality transparency, and 24-by-7 availability – have become part of the customers' expectations in just about every aspect of life – except in our health care system.

Business Roundtable's plan improves our health care system and contains four pillars:

1. Creating greater consumer value and efficiency in the health care marketplace;
2. Providing more affordable health insurance options for all Americans;
3. Placing an obligation on all Americans to have health insurance coverage and encouraging all Americans to participate in prevention and chronic care programs; and
4. Offering assistance to uninsured, low-income families to meet their obligation.

Business Roundtable strongly urges that any plan adopted by Congress reinforce the existing employer-based system through which Americans currently receive health benefits. The federal ERISA statute that governs these plans gives employers the flexibility to design and finance plans that meet their employees' needs – a system that has proven successful in making coverage widely available to workers. Tampering with this law at this time could cause massive dislocations for those 132 million Americans who have workplace coverage.

When it comes to heath care reform, ERISA isn't broken and does not need fixing. What is broken is that there are 45 million Americans without insurance coverage – because their employers don't offer it, they don't elect it, they can't afford it, they don't enroll in programs where they are eligible, or they can't get it in the private marketplace. We must address this issue now. Let me provide more detail about our principles:

1. Creating Greater Consumer Value in the Health Care Marketplace

Today's health care system needs to use modern technology. Health care consumers find it difficult to obtain reliable information on the cost and effectiveness of care. Business Roundtable recommends several actions to empower consumers to take charge of their own health and use technology to make the system more efficient:

First, the most egregious flaw in the current health care delivery model is the woeful rate of adoption of information technology (IT). Health care has failed to capitalize on the productivity revolution that has transformed almost every other sector of the economy. A heavy dose of IT has been shown to improve efficiency by 25-percent over three years every time it's introduced and can and will demonstrate savings in health care.[5] We believe the government should adopt uniform, interoperable health information technology standards so that all the systems can communicate with each other. This can be done through federal rulemaking or through

[5] See attachment, Medco, A Prescription for National Healthcare Reform.

the government purchasing authority – so long as the Medicare program has the authority to require the use of health information technology systems.

Second, consumers need more transparency and wider distribution of information about the cost, quality and effectiveness of the health care services they purchase. This will make the market function better, create better health care consumers and improve the quality of medical care. We specifically support the dissemination of consumer information on the cost and quality of health care, comparison of the effectiveness of health care services and supplies, and the release of CMS data in an appropriate manner.

Third, the current Medicare reimbursement system pays for "activities," not "outcomes." The private marketplace generally does the same – we have tried to fix this through various partnerships and programs. To get meaningful change, all payers must be included in rewarding performance. We support changing payments by public and private payers, including Medicare, to reward the value of services provided, not the volume of the service.

2. Providing More Affordable Health Insurance Options for All Americans

Over 177 million Americans obtain health insurance coverage through their employers – almost 133 million through private employers. Almost all private employers offer plans that are governed under the federal Employee Retirement Income Security Act, or ERISA. This law establishes fiduciary requirements, administrative requirements, and procedures to resolve problems in the plans. We encourage the Senate Finance Committee to continue supporting this federal framework for those employers who offer their employees health care benefits.

However, for many Americans, who do not have access to employer-sponsored coverage, they must rely on the health insurance marketplace for their coverage. The structure of the market itself is state-by-state. This marketplace has become inflexible, is overly prescriptive, creates market segmentation, and is afflicted with dueling mandates, rules and regulations. In our vision, the current state-based system could be replaced by multi-state markets and there would be more people eligible for this new market. We believe that this expanded market should be covered by rules – state solvency requirements and consumer protections would apply. There should be greater consistency in applying other rules and rate setting and possible guaranteed issue requirements. Risk adjustments and reinsurance issues would need to be explored. We need a better marketplace for all Americans to get ***affordable*** and ***portable*** health insurance coverage. We have learned lessons about how to create good markets under the Medicare Modernization Act – and this Committee has an understanding of the right balance of rules between the federal, state and private marketplace. We would like to work with you on finding the right balance for individuals who do not have coverage through their employer.

3. Placing an Obligation on All Americans to Have Health Insurance Coverage

While many Americans do have health insurance coverage through their employer, millions of Americans do not have coverage at all. At Business Roundtable, we have been educated on who *are* those Americans who do not have health insurance coverage.[6] Today, there are some 45 million Americans who do not have coverage.

[6] See attachment, Aetna's "Covering the Uninsured: Who Are The Uninsured?"

- 4.7 million are college students;
- Just fewer than 10 million are non-citizens;
- About 11 million are currently eligible for public programs, such as Medicaid and SCHIP, but they have not enrolled; and
- More than 9 million have household incomes over $75,000, yet they do not purchase or elect employer-sponsored coverage.

We believe a "one-size-fits-all" solution will not work because this group is far from monolithic. For many of these Americans, obtaining coverage isn't so much financial, as it is structural. We need to have a competitive system that provides Americans with affordable options that are suitable for their families. However, we believe that all Americans should have health insurance coverage – as an obligation through auto-enrollment or some other mechanism.

We also support encouraging all Americans to participate in employer- and community-based prevention and chronic care programs.[7] Many Business Roundtable employers offer prevention and chronic care programs to their employees and there are many worthwhile efforts in which Americans can participate. More needs to be done to educate and encourage participation.

4. Offering Health Coverage and Assistance to Low-Income, Uninsured Individuals and Families

For some low-income uninsured families, health care coverage is unaffordable. We believe that the government should provide financial assistance so that low-income individuals and families can purchase coverage from the private market. These targeted subsidies would be funded from the cost efficiencies in improving the health

[7] See attachment, Business Roundtable "Doing Well through Wellness," a 2006-07 Survey of Wellness Programs at Business Roundtable Member Companies.

care marketplace and by expanding the number of lives that are covered by the less fragmented health insurance marketplace. We want this assistance to be used either in the newly established health insurance marketplace or by paying the individual's portion of the premium if they are eligible for employer-sponsored health insurance coverage.

Medical Liability Reform

We also encourage Congress not to lose focus on medical liability reform. Chairman Baucus, we support S. 1481, the "Fair and Reliable Medicare Justice Act" that you have sponsored with Senator Enzi. We hope you will reintroduce this legislation next Congress. We believe Congress should authorize pilot projects to evaluate alternative ways to resolve medical liability claims and then enact measures that enhance the fair compensation of individuals who are actually harmed as a result of negligence by a provider of health care services.

In addition, we believe that evidence-based medicine that is developed through quality measures will make a difference. Dr. Rohack, the President-Elect of the American Medical Association, has said that the American Medical Association has already developed 261 clinical measures. The Business Roundtable believes that these types of measures should be followed and treated as a defense in medical liability actions. The AMA is working to ensure that evidence-based appropriate medical care is provided, health information technology will help this, and we need to get the right incentives in place to help physicians to have the resources to purchase HIT. Reducing the unwarranted variation in physician practice, building an evidence-based system, improving the "business model" of health care through investment in health information technology, and moving toward reducing the impact of medical liability fears can do a lot to improve the cost and quality of health care.

Efforts to Reach Consensus and Real Examples to Achieve Reform

I want to highlight two important examples of how we can reach consensus on how to improve the health care system: one is through a "strange bedfellows" group of Washington-based organizations that are calling for reform. The other relates to efforts at Verizon, as part of our collective bargaining agreement, where we agreed with the Communication Workers of America (CWA) union and the International Brotherhood of Electrical Workers (IBEW) on specific health care principles for reform.

Divided We Fail

Let me start with Divided We Fail (DWF). Representing more than 53 million people, this organization includes Business Roundtable, AARP, the Service Employees International Union (SEIU) and the National Federation of Independent Business (NFIB). The group was launched almost two years ago to call on Congress to enact bipartisan health care reform and to improve the long-term financial security for all Americans. We have principles that we believe all Americans should have access to affordable health care; that wellness and prevention efforts should be priorities; and that a focus on long-term care is necessary.

On long-term financial security, we believe Social Security must be strengthened, there should be financial incentives to save, and we need to provide all Americans with the tool to help manage their finances. Divided We Fail provides constructive input on the changes that are needed on health care reform. Most Members of Congress have joined in our pledge along with more than one million Americans. And, we have worked together in support of legislation.

Last year, we joined together to support passage of health information technology legislation. This year, it is our hope we can join together in support of positive reforms in our health care system.

Verizon, CWA, and IBEW National Health Care Reform Principles

As I stated earlier, Verizon, as part of our collective bargaining agreement, came to agreement with the CWA and IBEW on specific health care reform principles. Collectively, we are committed to working together to achieve meaningful health care reform that covers everyone; controls costs; shares the responsibility for coverage; and improves quality. We will work together to educate Verizon employees and the public about the health care crisis and options for solutions that meet our principles.

Conclusion

We want to work with you on finding solutions – and our plan is also to use the power of the market to drive down costs, drive up quality and improve access to health care for all Americans. Chairman Baucus, all ideas are good – you have captured some of the important issues we support. Some issues in your plan need to have further discussion about the costs and impact on the workforce. But, we want to work with you, and all Members of this Committee, to find realistic solutions to improve our current fragmented system. The challenge of reforming the health care system goes to the very heart of American competitiveness and innovation:

- When Americans are afraid to switch jobs or start their own business for fear of losing their health insurance;

- When American-made products carry a health-care premium that foreign-made goods do not;

- When Americans who currently have health insurance coverage must pay higher costs to subsidize those who do not have coverage;

- When America is not leading the world in technological innovation in health care delivery; and

- When year after year, we are spending more money and getting less value, then America's very place in the global economy and our ability to help those who are low-income are all at risk.

Our principles and ultimately your proposal must emerge from the uniquely American principles that drive our economy: competition, innovation, choice and a marketplace that serves everybody. We want to go to work with you to find solutions that are common sense and practical. Thank you for the opportunity to testify.

Attachments

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October 30, 2008

Individual letters to be sent to the following:
Congressional Leadership
Senators McCain and Obama
Federal Reserve Chairman Bernanke
President Bush

Re: Liquidity Crisis and Economic Stimulus

Dear _______:

On behalf of Business Roundtable, I am writing to express our strong support for new bipartisan legislation to address the severe financial credit disruptions in order to restore stability to the credit markets and the U.S. economy, which will help American workers, families and companies recover from the current economic downturn.

We applaud the actions of the Congress, the Administration and the Federal Reserve to date that are intended to restore confidence in the banking system and additional efforts within the G-7 countries to deal with this problem on a coordinated basis. However, the problems facing the credit markets are unprecedented, and additional legislative actions are required to assist the economy.

Business Roundtable believes that for legislation to be truly successful it must address two fundamental concerns.

First, policies must address the problems of liquidity confronting U.S. companies in order for the U.S. economy to return to growth.

Second, to promote a more rapid recovery, the economic stimulus package has to accelerate job creation and speed the return to work of unemployed workers.

The enclosed recommendations will assist in resolving the immediate liquidity problems and will support a more rapid recovery. These proposals will enable the U.S. economy to return to full strength more quickly and minimize job losses. Our recommendations are based on the front-line experience of our members. Business Roundtable is a CEO-led organization of over 160 leading corporations, with a combined workforce of more than 10 million employees and more than $5 trillion in annual revenues. Business Roundtable's highest priority is to sustain growth of the U.S. economy in order to achieve higher living standards for all Americans.

As leaders of many of the largest American companies, Business Roundtable members know personally that the ongoing turmoil in global capital markets is placing great stress on business throughout the American economy – both financial and non-financial companies – as well as on workers and consumers. For non-financial businesses, the reduced access to credit markets is constraining the ability of American business to stock inventories, purchase new equipment, meet payroll and pay vendors. Left unchecked, this breakdown in lending may lead to a deep and sustained recession both at home and abroad, with significant job losses.

We are cognizant that additional measures will likely increase an already significant deficit in 2009. Business Roundtable has always placed a high priority on deficit reduction as a means to enhance sustained economic growth. However, in order to avoid a prolonged and potentially deeper recession than the country has experienced in recent times, we believe a short-term increase in the deficit is an acceptable, although unfortunate, outcome at this time. This does not mean that Congress can ignore deficits now, nor when the economy recovers. Measures to control future spending will be even more important given the increased debt this nation is now incurring.

Business Roundtable offers assistance to work with you to closely evaluate these and other proposals that you may consider to resolve the current credit crisis and bring about a quick and robust economic recovery for American workers, families and companies.

Sincerely,

Harold McGraw III

Harold McGraw III

Enclosure: Business Roundtable Recommendations to Promote Liquidity and Economic Stimulus

BUSINESS ROUNDTABLE RECOMMENDATIONS TO PROMOTE LIQUIDITY AND ECONOMIC STIMULUS

Accelerate Economic Recovery by Promoting Liquidity for Businesses

America's businesses fund their ongoing capital requirements through access to capital from equity markets, debt markets and retained earnings. To date, legislation passed by Congress and actions taken by the Administration and the Federal Reserve have resulted in a number of significant and historic steps to restore the functioning of debt markets, but these markets still remain in severe distress. As noted in a recent speech by Federal Reserve Bank President Janet Yellen, borrowing rates for most businesses are higher now than at the beginning of the crisis in August 2007 despite a 375 basis point reduction in the federal funds rate over this period.

Short-term Regulatory and Federal Reserve Actions to Promote Liquidity:

- Additional measured actions should be considered by the Federal Reserve and Treasury under existing authority to lower the cost of funds to business. One immediate step is for the Federal Reserve to expand its purchases of commercial paper through the Commercial Paper Funding Facility to all investment grade instruments ('A' and 'BBB' or higher securities) rather than just the most highly rated securities currently eligible and to extend the program to indirect issuers.

- Treasury should use some of the funds provided under the Emergency Economic Stabilization Act to provide direct infusions to auto finance and auto companies.

Short-term Legislative Stimulus Recommendations to Promote Liquidity for Business:

- Temporarily allow foreign subsidiary earnings of U.S. companies to be brought back to the United States. This will immediately provide more capital to U.S. companies for their capital needs. As a result of the current liquidity crisis, the importance of these funds is even greater at this time and, appropriately structured, this measure can bring about meaningful changes in liquidity and economic activity in the United States.

- Temporary relief from pension funding requirements. Stringent new funding rules adopted in the 2006 Pension Protection Act (PPA) are still being phased-in. Recent market declines and the shortage of available credit require a reevaluation of the transition to those new rules. The volatile and unexpected cash flow demands on plans caused by the recent economic downturn should be smoothed, with those plans prudently returned to full funding status over a reasonable period. Without temporary funding relief, the economic recovery will be slowed as available resources are diverted from job creation. Moreover, retirement security will be eroded as some employers will be forced to freeze or terminate their pension plans in order to meet the unanticipated and immediate increase in required plan funding.

- Temporarily extend the carry back period for net operating losses from 2 years to 5 years through 2009 and waive 90% limitation for AMT. Businesses with current losses may carry back these losses for 2 years, but if losses exceed profits in these years they must carry the losses forward to offset future income. Extending the carry back period from 2 years to 5 years and temporarily waiving the limitation on use of net operating losses against alternative minimum tax (AMT) (as was done in 2002) will enhance liquidity of businesses with current losses.

- Extend bonus depreciation and adopt a temporary investment tax credit. The 50-percent bonus depreciation provision enacted earlier this year is set to expire at the end of 2008. This provision should be extended, including the provision to monetize credits for companies in a loss position. Additionally, an investment tax credit should be considered for new investments . First adopted under President John F. Kennedy, an investment tax credit of 10 percent applied to most equipment purchases by businesses until 1986. This credit was frequently employed on a temporary basis throughout the 1960s to promote investment during economic downturns and was credited with having a significant investment response. Today, during this period of reduced liquidity, an investment tax credit can help stretch scarce capital by lowering the cost of undertaking new investment.

- Temporarily extend and expand the ability to "monetize" existing tax credits. Under the Housing and Economic Recovery Act of 2008, enacted on July 30, 2008, companies can accelerate a portion of their unused pre-2006 research credits and alternative minimum credits in lieu of claiming the temporary 50-percent bonus depreciation allowance. Expanding the provision to provide immediate monetization regardless of investment amount, cover all general business credits, as well as increasing the amount of unused credits that may be claimed or refunded through this provision or similar mechanism, will enhance liquidity of businesses with current losses or otherwise unable to claim these credits. Companies in a loss position are an important component of the companies that need access to capital and allowing for utilization of their already existing credits will help increase their liquidity and ability to fund new investments. These companies should be allowed to immediately monetize all of their prepaid AMT credits and earned but unused general business credits.

- Loosen restrictions on capital losses for corporations. Currently, corporations can deduct capital losses only to the extent of their capital gains, and excess capital losses can be carried back three years and carried forward five years. Easing the restrictions on capital losses by, for example, allowing corporations to treat losses on the sale of stock or debt securities as ordinary would be an effective way to bolster liquidity in difficult economic times, when losses of all types tend to increase.

- Allow financial services companies to accelerate bad debt deductions. Until 1986, companies generally could deduct reasonable additions to bad debt reserves rather than postpone the deduction until such time the debt was written off. After 1986, the so-called reserve method is available only to small banks. Expanding the reserve method to the broader financial services sector including large banks would be an effective means of improving liquidity for companies that have been particularly hard hit in the current economic downturn.

- Temporary reduction in required estimated tax payments of corporations to 90% of current liability. A temporary reduction in estimated tax payments can provide companies with additional short-term liquidity without creating any revenue loss to the federal government over the 5-year or 10-year budget periods.

- Temporarily exclude debt repurchases from cancellation of indebtedness income. The current credit crisis has depressed the value of debt issued by many companies with sound balance sheets. Companies that issued such debt may wish to repurchase their own debt to strengthen their own balance sheets and, since some of this debt is also held by financial institutions, such repurchases would also strengthen bank balance sheets in a manner similar to that intended under the Troubled Asset Repurchase Program. Companies can be encouraged to re-purchase this debt by temporarily relieving such repurchases by issuers (and parties treated as related to the issuer) from rules treating these repurchases as giving rise to discharge from indebtedness income.

Accelerate Economic Recovery by Supporting Workers, Promoting Employment and Moving toward a More Efficient and Sustainable Energy Future

Jobs are the source of strength in the American economy. Job creation, as well as maintaining employment during a declining economy, is vital for economic growth. The cost of job dislocation can be reduced by getting dislocated workers back to work more quickly. Helpful policies include reducing employment-based taxes on a temporary basis, offering job training for employees and dislocated workers, and maintaining incentives for workers to regain employment.

Our economy also is facing unprecedented energy challenges and the need to address these challenges through use of clean and efficient energy strategies. Measures aimed at creating green jobs motivate creation of capacity in an area vital to both our short-term economic health and our longer term energy security.

Short-term Legislative Stimulus Recommendations to Support Workers, Promote Employment and Move toward a More Efficient and Sustainable Energy Future

- Expand energy efficiency initiatives. Expansion of the labor intensive Weatherization Assistance Program to retrofit homes with additional insulation (currently about 70,000 homes) would not only create additional jobs, but also save consumers on their utility bills. Energy efficiency block grants to states would enable states and localities to upgrade building efficiency requirements and/or match current state programs to finance efficiency retrofits of existing buildings.

- Fund green technology job training programs. The Energy Independence and Security Act of 2007 included training for green jobs, but nothing was appropriated for FY 2008. Labor shortages exist right now and demand for workers with these skills is growing.

- Temporarily extend unemployment benefits for workers who exhaust standard unemployment benefits. Consider also offering personal re-employment accounts that provide unemployed workers with funds for training, child care, transportation, moving costs, or other expenses associated with finding a new job. Recipients who take a new job within a defined period would be allowed to keep the funds remaining in the account as a re-employment bonus. Studies of experimental programs find these accounts help workers regain employment faster and at wages similar to those ultimately attained by unemployed workers without such accounts.

- Focus infrastructure investments. Infrastructure spending should focus on projects that can be undertaken quickly to repair critical infrastructure as well as build a more efficient, sustainable energy future. In addition, funding currently approved, but unfunded federal laboratory and university research infrastructure modernization and major research instrumentation procurement through existing federal programs would rapidly stimulate new construction and equipment purchases.

- Temporarily reduce the Social Security tax rate by one percentage point for both employees and employers. This enhances labor market incentives by reducing labor costs for employers and providing increased after-tax wages for employees. A worker earning $50,000 would receive tax savings of $500 over a year, with the employer receiving similar savings. The Social Security trust fund would be made whole by a transfer of funds from general revenues to cover the temporary reduction in payroll taxes.

- Provide a worker training tax credit for employers. During an economic downturn, there is an increased need for workers to find new employment in areas for which they may be poorly trained. A tax credit for employers can increase the ability of employers in growing sectors of the economy to take on workers displaced from contracting sectors and help these workers quickly regain productive employment.

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November 14, 2008

The Honorable Max Baucus
United States Senate
Chairman, Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Baucus:

Last week, Business Roundtable shared some ideas on possible ways to improve the current economic situation. This letter provides additional information on the pension funding issues that we raised and urges you to take immediate action to address the problems that have been created for pension plans by recent economic conditions.

The sudden decline in the value of pension plan assets, when coupled with the current credit crunch, places defined benefit plan sponsors in a very difficult position. Plan sponsors are confronting unexpected funding obligations that greatly exceed even the most conservative forecasts and budgets. Resources that must be devoted to meet the unexpected new funding mandates will have to be diverted from maintaining payrolls and will delay the business investments necessary to preserve jobs and ultimately spur the recovery.

Let me emphasize, this is much more than a cash flow issue. It is a jobs issue and a broader economic issue that directly affects every American. Dramatically larger pension contribution requirements during an economic downturn reduce capital spending and exaggerate economic cycles. "Procyclical" pension funding rules result in an economy that overheats more during upturns <u>and has deeper recessions during downturns</u>. That is precisely the economic threat we face today — large and unexpected pension contribution requirements will dampen the economic recovery and lead directly to greater job loss from the current recession.

Dr. Robert F. Wescott, former Chief Economist at the Council of Economic Advisors, and a distinguished team of academic reviewers have reached the same conclusion. They examined the interaction of the pension funding rules and economic cycles and concluded that procyclical funding requirements result in greater job loss during recessions.

Business Roundtable member companies currently sponsor retirement plans benefiting millions of workers and retirees. We believe that pension plans must be prudently funded. Pension promises that are made must be kept because the retirement security of millions of Americans is dependent on it. Predictable and steady funding rules are important because they allow employers to make the long-term financial plans and commitments that are required when taking on pension obligations.

We urge immediate action to address this crisis. Specific steps you should consider are:

- **Smoothing.** Congress should enact the provision already passed by the House and Senate as part of PPA technical corrections legislation that makes clear that smoothing of asset gains and losses over 24 months is permitted under PPA. In order to make the asset smoothing change effective in this period of sharp market declines, Congress should temporarily remove the "corridor" that limits the benefits of the smoothing rule.

- **Transition to New Funding Rules.** The transition to new funding targets that was created in 2006 should be modified to reflect the new economic reality. The funding target for 2009 should remain 92% and the transition funding regime should apply not only to those at or above the phased-in funding target but also to those below these targets.

- **Permit New Funding Elections.** Congress should permit defined benefit plan sponsors to change their funding elections for 2009 and 2010.

Sincerely,

John J. Castellani

Who Are The Uninsured?

45.7M

11.0M Eligible for Medicaid/SCHIP But Not Enrolled

9.7M Not a Citizen of the U.S.

4.7M College & University Students

9.1M Income > $75k

Remaining Uninsured* **13.0M to 16.0M**

(*Estimated due to some double counting in the above numbers)

Covering the Uninsured

Sources: Total Uninsured, Not a Citizen and Income >$75k: U.S. Census: "Income, Poverty, and Health Insurance Coverage in the United States: 2007." issued August 2008; Eligible-But-Not-Enrolled: Kaiser Commission on Medicaid and the Uninsured, "Characteristics of the Uninsured: Who is Eligible for Public Coverage and Who Needs Help Affording Coverage?", February 2007; College & University Students: GAO, "Most College Students are Covered through Employer-Sponsored Plans, and Some Colleges and States Are Taking Steps to Increase Coverage, March 2008; Estimated number of college students is made up of traditional college students (age18-23) of ~1.7M and non-traditional aged college students of ~3.0M. Note: Non-citizens encompass undocumented persons and others, including lawful permanent residents and refugee/asylum seekers.

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Updated September 16, 2008

Business Roundtable℠

Health Care Reform in America

A Business Roundtable Plan

September 2008

Business Roundtable™

Business Roundtable (www.businessroundtable.org) is an association of chief executive officers of leading U.S. companies with $4.5 trillion in annual revenues and nearly 10 million employees. Member companies comprise nearly a third of the total value of the U.S. stock markets and represent over 40 percent of all corporate income taxes paid to the federal government. Collectively, they returned $114 billion in dividends to shareholders and the economy in 2006.

Business Roundtable companies give more than $7 billion a year in combined charitable contributions, representing nearly 60 percent of total corporate giving. They are technology innovation leaders, with $90 billion in annual research and development (R&D) spending — nearly half of the total private R&D spending in the U.S.

Health Care Reform in America

A Business Roundtable Plan

A White Paper by Business Roundtable | September 2008

Table of Contents

I. Introduction 1

II. Creating Greater Consumer Value in the Health Care Marketplace 2

III. Providing More Affordable Health Insurance Options for All Americans 3

IV. Placing an Obligation on All Americans To Have Health Insurance Coverage 7

V. Offering Health Coverage and Assistance to Low-Income, Uninsured Individuals and Families 8

I. Introduction

Business Roundtable members provide coverage to more than 35 million employees and their families and are deeply committed to public policy changes that will improve our nation's health care system. To further this urgent priority, Business Roundtable has developed a health care plan aimed at creating a more competitive private health insurance marketplace while maintaining a strong, stable public safety net. This plan contains four elements to meet these goals:

- Creating greater consumer value in the health care marketplace;
- Providing more affordable health insurance options for all Americans;
- Placing an obligation on all Americans to have health insurance coverage; and
- Offering health coverage and assistance to low-income, uninsured individuals and families.

II. Creating Greater Consumer Value in the Health Care Marketplace

The high cost of health care imposes an enormous burden on all Americans — raising the cost of health insurance coverage for those who have coverage and those who do not have coverage. Business Roundtable supports policies that will provide greater accountability, enhance efficiency and create value for all consumers of health care services.

Today's health care system needs to use modern technology. Health care consumers find it difficult to obtain reliable information on the cost and effectiveness of care. In addition, the health care payment structure emphasizes volume over quality. Building on Business Roundtable's existing principles to promote greater efficiencies, the Roundtable supports reform based on the following principles to create greater consumer value in the health care marketplace.

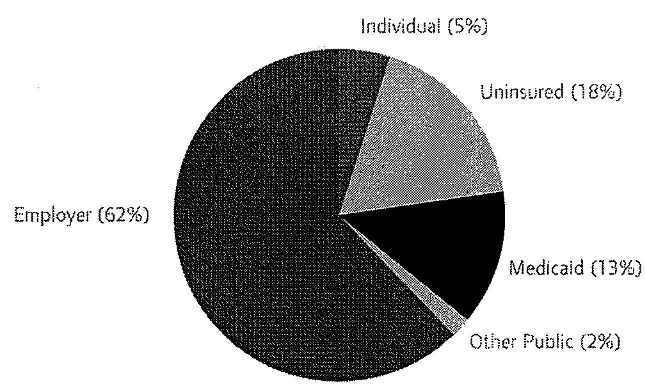
Specific principles:

- Adoption of uniform, interoperable health information technology standards;
- Dissemination of consumer information on the cost and quality of health care and comparison of the effectiveness of health care services and supplies; and
- Promotion of changing payments by public and private payers, including Medicare, to reward value of services provided, not volume.

III. Providing More Affordable Health Insurance Options for All Americans

Most Americans — a total of 177 million — obtain health insurance coverage through their employers. Approximately 133 million of these are covered under plans regulated by the Employee Retirement Income Security Act, or ERISA, which provides the framework for employer-sponsored coverage. This law has fiduciary requirements, administrative requirements and remedies. Business Roundtable supports continuation of employer-sponsored health insurance and the existing legal framework.

Health Insurance Coverage of Nonelderly, 2006



Source: Kaiser Family Foundation

To create greater health insurance options for all Americans, including insurance offered by large and small employers, Business Roundtable supports creating a more competitive marketplace in which health insurers could offer health coverage across state lines in regions, thereby expanding the numbers of people who could participate in the plans.

Specific principles:

- The Department of Health and Human Services (HHS) would establish regions, similar to those established under Medicare, to allow licensed insurance companies to compete in multistate areas where they hold at least one state license.
- Multistate plans would have the flexibility to offer plans to individuals and small and large employers throughout the states included in the area. These plans would not have to comply with mandated state benefit laws but would have to offer a minimum actuarial value plan.
- Low-income individuals who qualify for financial assistance would select coverage in these multistate markets.

An Open/All-Inclusive Market To Replace Segmented Insurance Markets

Current health insurance markets are segmented into two markets: (1) the self-insured/national plan market and (2) the insured market. Many health reform proposals would establish standardized benefit designs or further segment insurance markets to help certain purchasers through special rules. This proposal suggests taking the opposite approach — opening the market to all purchasers to increase access to competitive plans and allow additional choices for consumers.

Creating a Competitive, Multistate Marketplace without Disrupting Existing Business Opportunities

A framework could be used to govern new, multistate insurance market products, allowing insurers to offer health coverage across state lines within regions. Because of the wide geographic variation in health care spending, regions would combine similar markets. As variation decreases over time, regions could expand to potentially create a national market. Medicare Advantage, Medicare Part D and TRICARE all use multistate markets to improve access to benefits.

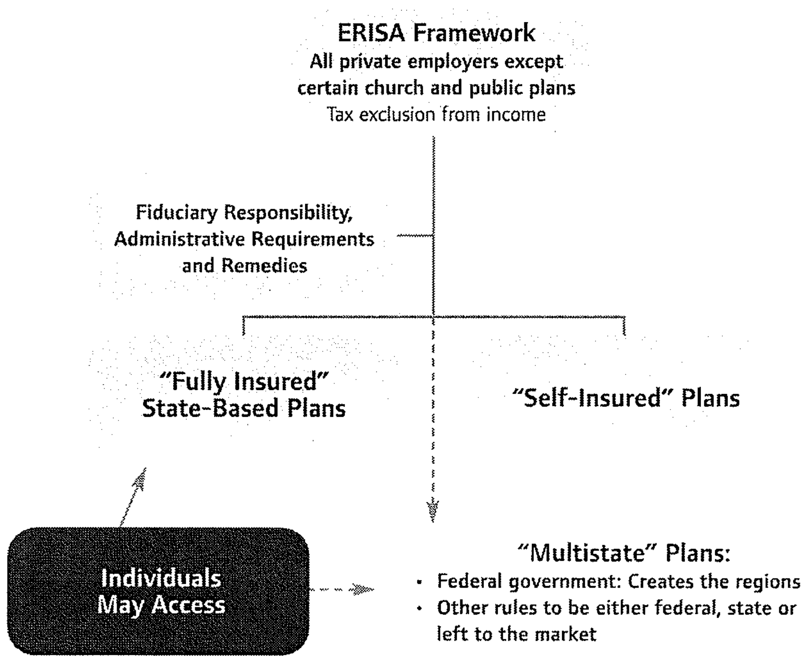
How Could Multistate Markets Be Established?

Establish Regions: HHS could establish regions, similar to those recently created under Medicare, to allow licensed insurance companies to compete in multistate areas where they hold at least one state license.

Create Framework Rules: HHS could establish, through the rule-making process, the regulations required for multistate markets. Regional plans would not have the benefit mandates; rather, they would have the flexibility to offer actuarially equivalent options driven by the market. The following issues would need to be addressed: benefit design, solvency requirements, rate setting, marketing regulations and possibly guaranteed issue requirements, risk adjustment, and reinsurance.

Create Interest in Multistate Markets: The multistate insurance market could be enlarged by encouraging participation through reinsurance adjustments that could help spread the cost of catastrophic cases across the multistate market or across the nation.

Policy Concept: Competitive Multistate Health Plans



The Benefits of Multistate Plans

- Individuals and small- and medium-sized businesses would all benefit from greater access to additional health insurance coverage options.
- Insurers and health plans would strive to become more competitive on cost and quality.
- Overall, multistate markets would improve competition, choice and access, which would result in better value for health care spending.

IV. Placing an Obligation on All Americans To Have Health Insurance Coverage

Although a majority of Americans do have health insurance coverage, there are others who do not. Some do not elect coverage from their employer or purchase coverage on their own because they cannot afford it. For those Americans, subsidies should be provided. Some Americans do not enroll in programs for which they are eligible, such as the State Children's Health Insurance Program, and Business Roundtable believes it is important to enhance education and enrollment opportunities. For all other Americans, it is an obligation that they elect health insurance coverage through their employers or purchase health insurance coverage. Through greater insurance coverage plans and bringing greater value to our health care system, the Roundtable believes the marketplace will provide employers and Americans more affordable options.

Specific principles:

- Impose an obligation on all Americans to obtain health insurance coverage that, at a minimum, offers catastrophic benefits; and
- Encourage all Americans to participate in employer- and community-based prevention and chronic care programs.

V. Offering Health Coverage and Assistance to Low-Income, Uninsured Individuals and Families

To ensure that all Americans can purchase health insurance coverage, the government would provide financial assistance to low-income, uninsured individuals and families.

Specific principles:

- Permit the individual or family to purchase private health insurance coverage with financial assistance through the private multistate marketplace; or
- For low-income Americans who have access to employer-sponsored health insurance, permit the individual or family to receive financial assistance for their portion of the premium.

Financing Health Insurance Coverage as a Safety Net for Low-Income Individuals and Families

Adopting reforms that would reorient our health care system toward consumer value would generate significant savings — savings that could be used to enhance the health insurance safety net for low-income Americans. For example, Medicare now is implementing e-prescribing, which is estimated to save $2.1 billion over 10 years. Business Roundtable believes additional efforts to enhance efficiency and reward value rather than volume can produce additional savings, providing sufficient resources for the government to finance coverage for many individuals and families who cannot afford health insurance today.

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AT THE HEART OF HEALTH™

Perspectives

David B. Snow, Jr.
Medco Chairman and Chief Executive Officer

A Prescription for National Healthcare Reform

David B. Snow, Jr.
Chairman and Chief Executive Officer
Medco Health Solutions, Inc.

David B. Snow, Jr., Medco Chairman and Chief Executive Officer, is a healthcare industry veteran and innovator who has created and implemented solutions to manage the rising costs of health care for more than 30 years.

The following material is based on a presentation delivered by Mr. Snow to attendees at the National Press Club on September 9, 2008.

"The fact of the matter is that the United States is in serious need of major healthcare reform."

Medicare is drifting toward disaster.

Those aren't my words. That's a thought expressed recently by U.S. Health and Human Services Secretary Michael Leavitt.

But that's only the tip of the iceberg. Beyond Medicare, it is apparent that the entire American healthcare system is on life support – suffocating under the unsustainable weight of $2.1 trillion a year in spending.

For more than 30 years, first running hospitals and later health plans and managed health organizations, my passion has been to ensure that healthcare is accessible to as many people as possible. That's simply not possible unless healthcare is also affordable.

The fact of the matter is that the United States is in serious need of major healthcare reform.

The United States spends nearly $7,000 per year, per person, on healthcare – two times the per capita healthcare spending of most other developed countries. However, the life expectancy, the perceived quality of care, and the healthcare inflation rate in each country are roughly equivalent to those of the United States.

In short, we're paying twice as much, but receiving little incremental value. It's a fundamental problem – and if the public and private sectors don't work together now to fix it, as a society we will be left with no choice other than to socialize healthcare under the federal government – eliminating choice, rationing care, and extinguishing innovation.

To restore balance, we need to reduce our cost base so that it's relatively consistent with that of other developed countries – and that means reducing costs by about $1 trillion a year, nearly 50 percent.

"First, keep it simple – in business, complex solutions always fail."

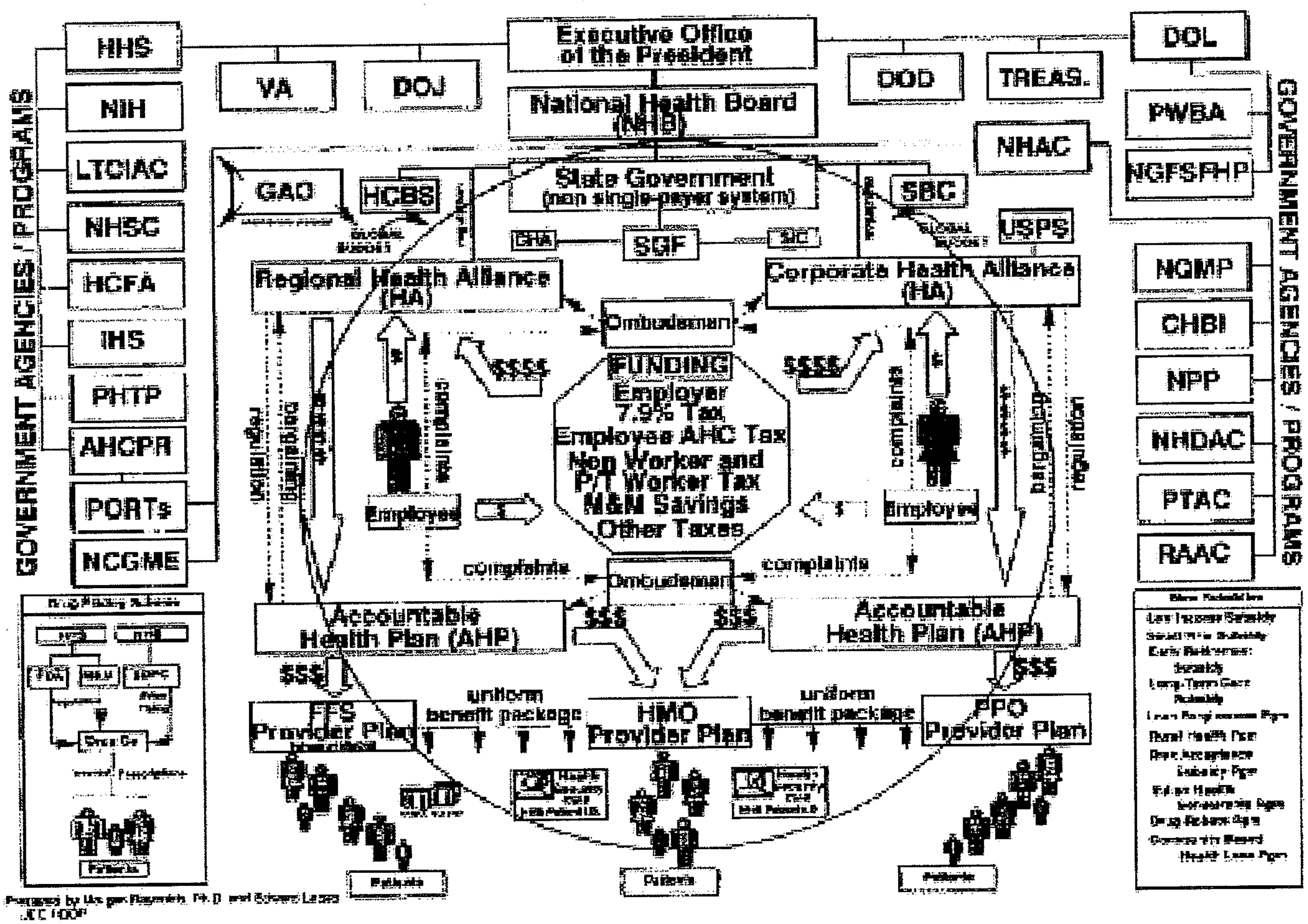
Although it won't be easy, it's not impossible. What follows are my guidelines for healthcare reform, followed by specific steps we can take to trim the $1 trillion in waste. In addition to rebalancing our healthcare budget, we can create an investment fund for stimulating innovation and extending coverage for those who are currently uninsured.

Three Rules for Reform:

- First, keep it simple – in business, complex solutions always fail.
- Second, revolutionary reform is rejected by our society; instead, we need incremental, evolutionary change with a deliberate and phased approach.
- Finally, and most importantly, we must define the roles of the private sector and the government. Each has an important but distinctly different responsibility and every time we cross those lines it results in failure – without exception.
    - The government's function is to promulgate and regulate.
    - The private sector's function is to operate and innovate.

In the early 1990s, several examples underscored the perils of violating one or several of these guiding principles.

You may recall that a plan was unleashed in Washington that purported to revolutionize healthcare in America by creating the largest, most complex government bureaucracy ever proposed. Depicted to the right, it advocated creation of no fewer than 200 government agencies.


Executive Office of the President
National Health Board (NHB)
HHS
NIH
LTCIAC
NHSC
HCFA
IHS
PHTP
AHCPR
PORTs
NCGME
VA
DOJ
DOD
TREAS.
DOL
PWBA
NGFSFHP
NHAC
GAO
HCBS
State Government (non single-payer system)
SBC
USPS
SGF
Regional Health Alliance (HA)
Corporate Health Alliance (HA)
Ombudsman
FUNDING
Employer 7.9% Tax
Employee AHC Tax
Non Worker and P/T Worker Tax
M&M Savings
Other Taxes
$$$
Employee
complaints
regulation
bargaining
Accountable Health Plan (AHP)
FFS Provider Plan
HMO Provider Plan
PPO Provider Plan
uniform benefit package
Patients
NGMP
CHBI
NPP
NHDAC
PTAC
RAAC
GOVERNMENT AGENCIES / PROGRAMS

"The reality is that our culture does not trust private sector entities to make these determinations."

The revolution failed and it was relegated to a footnote in the history of healthcare, serving now as little more than a poster child for well-intended but grossly misguided madness.

During that time, I was managing an HMO which, through a series of management techniques, was becoming increasingly effective at taming what had become runaway healthcare inflation. However, payors pressured HMOs to explore even more aggressive means of lowering costs and, without established public policy, the organizations became the de facto arbiter for setting new rules around healthcare protocols and standards of medicine.

The reality is that our culture does not trust private sector entities to make these determinations. Setting policy around life-and-death decisions is, and should remain, the province of the public sector, resulting from open discussion and public scrutiny.

So what happened? Despite the fact that HMOs successfully reversed healthcare inflation rates, the private sector was demonized in the press as politicians vilified HMOs for political gain. "Anti-managed care" regulations were promulgated and HMOs were rendered less effective. Costs again began to rise.

It is clear that rules of engagement should have been developed by government for the private sector to operate within. I liken these rules to guardrails on a highway.

What, then, should we do?

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I have five suggestions. Each is simple and leverages the appropriate roles of the public and private sectors in a manner that, taken as a whole and aggressively pursued in a phased approach, creates an opportunity to reduce current healthcare expenditures by as much as $1 trillion. They include:

- Wiring Healthcare
- Fixing Medicare's Financial Fundamentals
- Eliminating Medical Liability and Defensive Medicine
- Increasing Compliance and Reducing Errors
- Promoting Healthy Lifestyles

"Today, only about 20 percent of hospitals and 15 percent of physicians have access to electronic medical systems."

Wire Healthcare

By some independent estimates, we could save $162 billion a year by wiring healthcare – which improves efficiency and accuracy and enables us for the first time to begin measuring everything from the quality of hospitals to the individual performance of care-givers.

Today, only about 20 percent of hospitals and 15 percent of physicians have access to electronic medical systems.

In an era when preschoolers use the Internet to chat with friends half a world away, it is inexcusable that doctors write paper prescriptions – in Latin – that patients need to take to another professional in a process fraught with countless opportunities for error.

"It's estimated that e-prescribing would help avert more than 2 million adverse drug events each year."

E-prescribing alone saves more than $2 per prescription by eliminating errors – and allows prescribers to help consumers find the highest-value medicines for their course of treatment. It's estimated that e-prescribing would help avert more than 2 million adverse drug events each year.

The technology for wiring healthcare is already in place. A Rand Corporation study estimates the return on investment is 20 times per year – in the private sector, that investment would be categorized as "a no-brainer."

This is an area where government leadership through policy could become a catalyst for an immediate positive response by the private market. It's happened once before.

In the 1970s, hospitals billed Medicare using a paper-based system that in its best day was inefficient and expensive. To stimulate change, the government promulgated payment rules whereby hospitals would be reimbursed only for claims that were submitted electronically. The private sector stepped in with technology solutions and, virtually overnight, electronic claims clearinghouses sprang up and all hospitals began billing electronically. Problem solved.

Fix Medicare

Medicare is considered "the third rail of politics" and suggesting revolutionary change is, politically, a nonstarter – even though the Medicare Trust Fund is expected to go bankrupt by 2019. That would become a crisis for the country and a tragedy for America's seniors. We must confront difficult issues head-on.

When Medicare was conceived, relatively few workers reached retirement age. Today, thanks largely to modern medicine, we're living much longer and, with the baby

"Government needs to set policy and establish rational rules for the level of care based on medical science – it's not the private sector's role to pass judgment on hope."

boomers retiring in large numbers and fewer workers to support each retiree, the system is buckling under the financial strain.

Although the financial fundamentals underpinning Medicare require intense review, few realize that 30 percent of Medicare spending today, roughly $130 billion, relates to healthcare costs incurred by patients in their last year of life – often where there is no hope for recovery or improvement in quality of life.

Culturally, we are conditioned to expect and implement heroic methods, even in cases where treatment is futile, and often resulting in unintended negative and painful consequences for the patients and devastating financial consequences for Medicare.

This inherently uncomfortable issue forces us to confront our own mortality and requires strong leadership with candid conversation – it can't be left to doctors, hospitals, or insurers. Government needs to set policy and establish rational rules for the level of care based on medical science – it's not the private sector's role to pass judgment on hope.

Protocols based on scientific standards would ease the burden on families, physicians and, yes, patients. This is not withholding or rationing essential healthcare – it's stepping up to the important and necessary reality so that resources are available to those who can be helped.

Address Litigation and Defensive Medicine

Tort reform eliminates ridiculous litigation, averts the waste related to physicians performing unnecessary tests as they practice "defensive" medicine, and could reduce healthcare costs by another $200 billion a year.

"Research shows that it currently takes 17 years from the time a medical protocol is proven effective to the time that it becomes a widely used standard of practice by physicians."

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This is challenging given the density of law degrees within the Beltway. Wiring healthcare would enable us to establish measurable and scientifically sound protocols for practicing medicine. Physicians who follow these documented protocols should be held harmless from liability. In this day and age, medical protocols are appropriate and reliable – medicine is a science, not an art. Culturally, we must move beyond the belief that every negative health outcome must be "somebody's fault."

Encourage Compliance and Reduce Errors

It has been independently documented that we could save another $177 billion related to improving compliance and reducing errors.

The fact of the matter is that doctors are well paid to offer their advice, but all too often, patients simply don't follow the instructions. In the case of diabetes, which currently afflicts 5 percent of the population and whose treatment accounts for 15 percent of all drug spending, only 7 percent of diabetic patients are controlling the three primary factors that could mitigate the effects of their disease and allow them to live a healthy and productive life.

As a result, this noncompliance may lead to blindness, renal failure, amputations, increased hospitalization, and other complications that magnify the suffering and the expense related to diabetes.

The burden is not the patients' alone. Research shows that it currently takes 17 years from the time a medical protocol is proven effective to the time that it becomes a widely used standard of practice by physicians.

The chart below, for instance, highlights that 35 years after the evidence was clear on the effectiveness of thrombolytic therapy to reduce heart attack and stroke, the protocol is followed by physicians only 20 percent of the time. And the case is similar for a wide range of standard procedures.

Adoption in Clinical Practice Lags Behind Evidence by Many Years

Clinical Procedure	Landmark Trial	Current Rate of Use
Flu vaccine	1968	55.0%
Thrombolytic therapy	1971	20.0%
Pneumococcal therapy	1977	35.6%
Diabetic eye exam	1981	38.4%
Beta blockers after MI	1982	61.9%
Mammography	1982	70.4%
Cholesterol screening	1984	65.0%
Fecal occult blood test	1986	17.0%
Diabetes foot care	1993	20.0%

Source: Balas EA, Boren SA: Managing clinical knowledge for health care improvement. Yearbook of Medical Informatics 2000, pp65-70

Combined with wiring healthcare, these efforts could significantly impact the 7,000 deaths in the United States each year related to medication errors and reduce adverse drug events, which are responsible for as many as 7 percent of all hospitalizations.

Wellness and Prevention

Finally, we could reduce our healthcare spending by more than $300 billion a year if we embraced the simple concept of wellness. Simple concept. Difficult implementation.

More than 10 percent of our overall medical spending – $275 billion – is related to the self-inflicted conditions linked to obesity and smoking, with another $38 billion associated with drug and alcohol abuse.

To that point, a new Medco analysis reveals that residents in states with the highest rates of obesity and smoking take twice the number of prescription medicines compared to residents in states with healthier population profiles.

These are habitual, behavioral, and cultural issues that will require education and lifestyle modification – difficult challenges but critically important. One only needs to travel abroad to understand the ways in which healthy lifestyles are culturally reinforced or supported by government initiatives.

This directly affects longevity, infant mortality, and our quality of life for those years in between.

Here's where we must have inspired and credible political leadership to fill the current void and raise the collective national consciousness.

"These are habitual, behavioral, and cultural issues that will require education and lifestyle modification – difficult challenges but critically important."

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"Such initiatives are only likely to succeed if we make wellness a national imperative, something that requires political leadership and personal responsibility."

Most of us can remember how government-led campaigns changed behavior through vivid imagery that etched into our memories messages with impact: Smokey Bear's sad reminder that "Only you can prevent forest fires"; the crash-test dummies Vince and Larry, serving as a testimonial for seatbelt safety by suggesting that "You can learn a lot from a dummy"; the haunting image of a stoic Native American's tear caused by roadside littering connected to a call to action, "People start pollution, and people can stop it"; and, of course – you'll hear the sizzle in your head when I reference the line – "This is your brain on drugs."

These campaigns built awareness and shaped the conscience of America – to the point where kids often pestered their noncompliant parents to "buckle up." Today, buckling up is second nature.

The private sector can never be expected to drive behavioral change, although we've seen employers make valiant attempts at implementing programs to lower healthcare costs – efforts that unfortunately are doomed to fall short. These range from positive reinforcement – discounted health club memberships and bonuses for employees who meet certain fitness targets – to surcharges for employees who smoke.

Meantime, HMOs and other insurers have adopted low- or no-cost preventative programs for baby wellness visits, routine check-ups, mammographies, and other procedures that are designed to detect issues early instead of simply providing treatment after the fact.

Such initiatives are only likely to succeed if we make wellness a national imperative, something that requires political leadership and personal responsibility. In the end, each of us must take on greater accountability for making positive choices in our lifestyle and in becoming more educated and empowered consumers of healthcare services.

"Innovation is helping to redefine the standards for quality care."

At Medco, we're doing our part:

- Leveraging the power of information to prevent errors and drive greater compliance, we're a founding member of one of country's largest organizations to process electronic prescriptions, creating the equivalent of a superhighway that shuttles information between the prescriber, payer, and pharmacy.

- Our patient advocacy programs educate and empower our members and promote healthy lifestyles. We've also developed easy-to-use online tools, supported by information from Consumer Reports Best Buy Drugs™, that allow patients for the first time to effectively shop for the highest-value medicines covered under their specific pharmacy benefit plan.

- Innovation is helping to redefine the standards for quality care. We have trained hundreds of specialist pharmacists to handle the needs of patients with complex and chronic conditions – ranging from high cholesterol and diabetes to cancer and hemophilia – so they can provide greater expertise and advanced care on pharmacy issues, similar to the way in which a specialist physician can provide insight on the medical side.

- In addition to our Therapeutic Resource Centers, Medco is collaborating with the Mayo Clinic, the FDA, and other organizations in a leadership role related to pharmacogenomics – making personalized medicine a reality by using genetic testing to ensure individuals receive the right medicines in the right doses unique to their individual genetic makeup.

"Medco is dedicated to improving the quality of care and helping America reach a goal of trimming $1 trillion from our current national healthcare budget."

- And we are in Washington advocating for improvements in Medicare that will ensure America's seniors receive the care they deserve at a cost taxpayers can afford. We're also lobbying aggressively to establish a pathway for the approval of generic biotech medicines – something that could save $12 billion a year, to start – a modest amount by comparison, but as they say around Congress, "A billion here, a billion there, pretty soon you're talking real money."

Changing behavior. Driving compliance. Harnessing the power of information. Continuous innovation. Medco is dedicated to improving the quality of care and helping America reach a goal of trimming $1 trillion from our current national healthcare budget. With the right leadership in place – in both the private and public sectors – we could improve individual patient health, reduce waste, invest in new technologies and, by bringing per-capita spending to levels consistent with the rest of the developed world, have enough left over to extend coverage to the millions of uninsured.

Whether payer, provider, or patient, in the end, we all have a vested interest, personal role, and social responsibility to improve clinical and financial outcomes. Whether tax dollars, benefit dollars or out-of-pocket co-payments, it's all our money. And it's our legacy.

"I have five suggestions. Each is simple and leverages the appropriate roles of the public and private sectors..."

Five urgent imperatives	
Wiring healthcare[1]	$162 billion
Medicare: Fix Financial Fundamentals[2,3]	$130 billion
Eliminating medical liability / defensive medicine[4,5]	$200 billion
Increasing compliance and reducing errors[6]	$177 billion
Promoting healthy lifestyles[7,8,9] (overweight & obesity, smoking, drugs & alcohol)	$314 billion

~ $1 trillion

Sources: 1. RAND Corporation study, 2005; 2. CMS, Office of the Actuary; 3. Department of Health and Human Services; 4. CMS, National Health Accounts, 2005; 5. Midwest Business Group on Health, April 2003; 6. Institute for Health and Productivity Management; 7. Centers for Disease Control and Prevention (CDC); 8. Office of the National Drug Policy; 9. Association of American Physicians.

** Medco estimate of savings from products with already expired patents and approaching off-patent products*

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Five suggestions to create an opportunity to reduce current healthcare expenditures by as much as $1 trillion. They include:

- **Wiring Healthcare**: Under conservative estimates, we could save $162 billion a year by wiring healthcare – which improves efficiency and accuracy and enables us for the first time to begin measuring everything from the quality of hospitals to the individual performance of care-givers.
- **Medicare: Fix Financial Fundamentals**: Few realize that 30 percent of Medicare spending today, roughly $130 billion, relates to healthcare costs incurred by patients in their last year of life – often where there is no hope for recovery or improvement in quality of life. Government needs to set policy and establish rational rules for the level of care based on medical science – it's not the private sector's role to pass judgment on hope.
- **Eliminating Medical Liability / Defensive Medicine**: Tort reform eliminates ridiculous litigation, averts the waste related to physicians performing unnecessary tests as they practice "defensive" medicine, and could reduce healthcare costs by another $200 billion a year.
- **Increasing Compliance and Reducing Errors**: It has been independently documented that we could save another $177 billion related to improving compliance and reducing errors. The fact of the matter is that doctors are well paid to offer their advice, but all too often, patients simply don't follow the instructions.
- **Promoting Healthy Lifestyles**: Finally, we could reduce our healthcare spending by more than $300 billion a year if we embraced the simple concept of wellness. More than 10 percent of our overall medical spending – $275 billion – is related to the self-inflicted conditions linked to obesity and smoking, with another $38 billion associated with drug and alcohol abuse.

DAVID B. SNOW, JR.
Chairman and Chief Executive Officer
Medco Health Solutions, Inc.

David B. Snow, Jr., Medco Chairman and Chief Executive Officer, is a health care industry veteran, innovator and entrepreneur who has created and implemented solutions to manage the rising costs of healthcare for 30 years. Mr. Snow joined Medco, one of the nation's leading pharmacy benefit managers (PBMs), in March 2003 as president and CEO, and added chairman to his title in June 2003.

Prior to Medco, Mr. Snow was president and chief operating officer at Wellchoice, Inc. (formerly Empire BlueCross BlueShield). Throughout his expansive career, he has served in executive leadership roles for several companies including Oxford Health Plans, American International Healthcare, Inc. and US HealthCare, Inc. He also co-founded and served as president and CEO of Managed Healthcare Systems, Inc., which was later renamed AmeriChoice.

Mr. Snow earned a master's degree in health care administration from Duke University in 1978 and holds a bachelor's of science degree in economics from Bates College (1976).

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About Perspectives

Perspectives is a new series of presentations by Medco executives, offering insights into the most pressing matters concerning healthcare. Perspectives will address healthcare reform and other subjects confronting patients, employers, health plans, government officials, drug makers—virtually every one of us that is affected directly by the myriad of issues related to prescription healthcare. The series will provide insight into the issues of the day and stimulate discussion around what we are all confronting across the national healthcare landscape.

About Medco

Medco Health Solutions, Inc. (NYSE:MHS) is the nation's leading pharmacy benefit manager based on its 2007 total net revenues of more than $44 billion. Medco's prescription drug benefit programs, covering approximately one-in-five Americans, are designed to drive down the cost of pharmacy health care for private and public employers, health plans, labor unions and government agencies of all sizes, for individuals served by the Medicare Part D Prescription Drug Program, and those served by Medco's specialty pharmacy segment, Accredo Health Group. *Medco, the world's most advanced pharmacy*®, is positioned to serve the unique needs of patients with chronic and complex conditions through its *Medco Therapeutic Resource Centers*®, including its enhanced diabetes pharmacy care practice through the Liberty acquisition. Medco is the highest-ranked independent pharmacy benefit manager on the 2008 Fortune 100 list. On the Net: http://www.medco.com <http://www.medco.com/> .

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Business Roundtable℠

Doing Well through Wellness

2006–07 Survey of Wellness Programs at Business Roundtable Member Companies

Business Roundtable℠

Business Roundtable (www.businessroundtable.org) is an association of chief executive officers of leading U.S. companies with $4.5 trillion in annual revenues and more than 10 million employees. Member companies comprise nearly a third of the total value of the U.S. stock market and represent more than 40 percent of all corporate income taxes paid to the federal government. Collectively, they returned $112 billion in dividends to shareholders and the economy in 2005.

Roundtable companies give more than $7 billion a year in combined charitable contributions, representing nearly 60 percent of total corporate giving. They are technology innovation leaders, with $90 billion in annual research and development (R&D) spending — nearly half of the total private R&D spending in the U.S.

Doing Well through Wellness

2006–07 Survey of Wellness Programs at Business Roundtable Member Companies

Table of Contents

Introduction 1

About this Report 2

Overview of Survey Results 3

Wellness at Business Roundtable Member Companies 3

Shifts in Focus 3

Trends and Strategies 4

Public Policy Implications and Actions 5

Strategy: Create a Corporate Culture of Wellness 7

Integration 7

Communications 11

Communicating about Consumer-Driven Health Plans 11

Communicating about a Health-Focused Culture 13

Targeted Strategies to Promote Employee Buy-In and Participation 14

Incentives 15

Availability and Accessibility 17

Technology 20

Reaching Diverse Populations 22

Corporate Leadership and Accountability 23

Using the Company's Unique Resources to Advance Health Goals 26

Strategy: Target Interventions to Employee Needs 28

Health Assessments and Screenings 28

Online Strategies 32

Branding and Supporting a New Program 32

Establishing a Local Presence for Corporate Programs 33

Providing Employees with Personal Health Management Tools 34

Disease Management Programs 36

Support for Healthier Lifestyles 39

Strategy: Make the Business Case for Wellness 42

Calculating Dollar Return on Investment 42

Working with Vendors 45

Other Measures to Track Program Effectiveness 47

Acknowledgments 49

Introduction

2006–07 Survey of Wellness Programs at Business Roundtable Member Companies

Ask any group of chief executive officers (CEOs) to name their companies' greatest asset and they will almost always say, "Our employees." As business leaders and as people, CEOs understand the importance of having a qualified, productive and engaged workforce — so it is no surprise that Business Roundtable's 2006–07 Wellness Survey reveals "healthier employees" as the number one reason cited by member companies for having a corporate wellness program.

But U.S. employers also remain the largest source of health insurance coverage for nonelderly Americans. So, as benefit costs continue to rise faster than the rate of inflation, it also makes sense that "lower cost of benefits" runs a close second in the survey as a reason to invest in employee wellness.

Less than a decade ago, these two goals might have seemed to be at cross purposes. As benefit premiums soared by double digits year after year, health plans sought to contain costs by offering options that tightly managed how, where and from whom workers could receive care. Coupled with that approach, a number of companies recognized the potential benefits of prevention as a strategy to help workers be healthier and, therefore, reduce their use of the health care system. Companies hired wellness directors, set up on-site fitness centers and thought seriously about how they could help their workers maintain their health.

Although many companies and employees embraced the wellness ideal and services, the success of managed care as a cost containment tool proved limited. After the initial savings, health plan costs began to rise again — the result of inflation and employee demand for plans that allowed wider access to providers and services.

From those lessons learned, however, a new approach is emerging — one that encourages employees to take greater responsibility not only for their well-being but also for how their health dollars are used. At the leading edge of this trend, Consumer-Driven Health Plans (CDHPs) combine high-deductible health care coverage with Health Savings Accounts (HSAs) to provide employees with the financial incentive to make thoughtful day-to-day health care decisions while shielding them from catastrophic costs.

Coupled with their CDHPs — and in some cases in advance of them — many companies are taking a new look at wellness. Once largely a standalone enhancement, wellness is becoming fully integrated within companies: with other corporate health and safety initiatives, with health benefit plan designs, and with the corporate culture. As companies are giving employees the opportunity to direct their own health care choices, they are equipping their people with the tools they need to make the most of that opportunity: education, intervention, outreach and support — along with incentives to take full advantage of these opportunities.

About this Report

Business Roundtable's membership consists of CEOs from 160 of the United States' largest companies, with a combined workforce of more than 10 million employees. As a 10-year follow-up to the 1997 report, *Quality Health Care Is Good Business: A Survey of Health Care Quality Initiatives by Members of The Business Roundtable,* the Roundtable's Health and Retirement Task Force wanted to learn how member companies are using health and wellness initiatives to support the health of their employees while addressing rising health benefit costs.

With the support of Business Roundtable member CEOs, in late fall 2006 the Roundtable sent comprehensive questionnaires regarding corporate health promotion and wellness initiatives to the appropriate wellness, medical or benefits director at each member company. Mailings were followed up with e-mails, telephone calls and, where necessary, re-mailings to ensure that the questionnaire reached the right person and was returned in a timely way. We received an unusually high rate of 76 responses, of which all but one reported having wellness programs either fully under way or in active development.

Surveys included quantitative (multiple-choice) questions, with space for additional responses or elaboration, and open-ended questions, which invited respondents to describe in detail their signature programs, communications initiatives, return on investment and, significantly, how their programs have changed over the past five years. Based on this input, we identified companies with illustrative trends or promising practices and followed up in extended telephone interviews with program spokespeople at these companies.

Because of the limited size of the population surveyed, this report does not present full numerical results or attempt detailed statistical analysis. Instead, we use the numbers for general observation purposes to suggest trends within the member population, and we freely combine the data, open-ended responses and interviews to present what we believe is an accurate and instructive picture of how Business Roundtable's member companies are advancing the state of the art in workplace wellness today.

Overview of Survey Results

Wellness at Business Roundtable Member Companies

Many Business Roundtable member companies have longstanding wellness programs: Of the 73 wellness initiatives reported, more than half have been in operation for at least five years, and 42 percent have existed for more than 10 years. A notable number of other companies have recently launched wellness initiatives: Twenty percent of the respondents' programs were created within the past one to two years, and several other companies reported that they plan to have new programs up and running this year.

Current program offerings run the gamut from standbys, such as on-site flu shots (97 percent), health fairs and on-site screenings (91 percent), on-site workout facilities (73 percent), and organized employee walks or other challenges (66 percent), to increasingly popular tools such as health risk assessments (80 percent), nurse/health advice lines (84 percent) and online resources (72 percent).

Shifts in Focus

Interestingly, the open-ended and interview responses revealed that several companies with longstanding programs, including such wellness pioneers as **Aetna Inc., CIGNA Corporation, Corning Incorporated, IBM Corporation, Northwestern Mutual Life Insurance Company** and **Texas Instruments Incorporated,** have recently revamped or refocused their programs into integrated, branded, companywide initiatives focused on helping employees take responsibility for their health and be more effective consumers of health care. Companies with new or developing programs reported starting directly with a comprehensive consumer-based model, and in some cases, the wellness program actually was created to support the implementation of a CDHP.

In the process of such changes, lines between health plans and wellness are increasingly blurred. Many companies are reinforcing that relationship with the use of financial incentives or consequences tied directly to their health plan premiums or health-related savings accounts. Strategies such as health risk assessments (HRAs), once introduced as part of the wellness program, have become integral tools for identifying employees who need preventive or condition management programs and getting them the health system services they need.

Similarly, the focus of many programs has moved from maintaining general health and well-being to identifying, managing or reducing specific (and potentially costly) health risks. Targeted interventions, such as disease management (82 percent), tobacco cessation (74 percent) and weight management programs (85 percent), have become common. Again, financial incentives and consequences are used to engage employees at high risk, and data are used to track outcomes.

Employees are getting the message that they can be effective partners in improving their own health and well-being. For those who participate in CDHPs or any health plan that emphasizes consumerism, this speaks loud and clear to their own bottom line. "With consumerism, when employees are responsible for their initial medical care costs, they are more interested in, 'How can I take care of myself?'" observes Sharon Klun, manager of work/life initiatives at **Accenture Ltd.**

For their part, employers expect to see that sense of shared responsibility take hold across their companies. "We trust that the culture of wellness and personal responsibility that we've nurtured over the years will continue to serve us well," says Bridget Schulz, assistant director, benefits at **Principal Financial Group.** "As long as we're providing the tools and resources, when employees are ready, they will use them."

Trends and Strategies

Based on the numbers, open-ended responses and interviews with representatives from approximately two dozen companies, a number of emerging strategies bear additional discussion.

These strategies fall into three broad categories:

1. **Create a culture of wellness within the company.** Along with integrating wellness with other corporate initiatives, companies are exploring more effective ways to communicate health care consumerism, benefits and wellness; make wellness opportunities available and accessible across the employee population; increase employee participation and ownership; and build management accountability for the health goals of the organization.
2. **Focus on the health of each employee.** Companies are developing tools and approaches to target health risks, offer customized interventions, and empower employees to manage their own health and wellness.
3. **Build the business case for wellness.** Business Roundtable's member companies are tracking costs and return on investment (ROI), working with vendors to measure ROI, and developing other measures of wellness program effectiveness.

This report presents summaries of these trends along with snapshots of some of the strategies at work at member companies.

Public Policy Implications and Actions

This report highlights an important aspect of America's health care system — the commitment of U.S. businesses to offer benefits and services that help their employees lead healthier lives and make wise use of health care services. Business Roundtable members have taken the lead in developing innovative benefits and programs that promote wellness, prevent disease and manage chronic conditions to help employees maintain the best possible quality of life while becoming effective stewards of health care resources.

At the same time, Business Roundtable recognizes that the U.S. health care system needs improvement that will require the combined determination of both the private marketplace and public payers of health care. First and foremost is the goal that all Americans have access to affordable, quality health care coverage.

In addition, federal policymakers need to address certain policy issues to accelerate change and improve health outcomes. A 21st-century health care system should be powered by technology and driven by evidence-based performance and healthy lifestyles.

Most important, we need to foster greater involvement of individual Americans in their own health care. *Business Roundtable believes that every person has two responsibilities: to make the choices that support his or her own health, including participating in wellness, prevention and any necessary chronic care programs, and to have health insurance coverage that, at a minimum, offers catastrophic benefits.*

To accomplish these goals, the Roundtable supports the following policies and initiatives:

- **Release information from the public and private sectors quantifying the critical importance of healthy lifestyles, disease prevention, care management and health promotion programs.** Individuals who engage in healthy lifestyles, participate in efforts to prevent disease and follow the recommended treatment for their chronic conditions can improve their health and reduce their long-term costs. Information on the importance of these efforts to improving health care should be widely available.
- **Support incentives for wellness initiatives.** Tax incentives should be expanded and public health programs enhanced to encourage companies to offer health and wellness programs for employees and to expand options for individuals who do not have access to these programs in the workplace.
- **Preserve and protect the laws that provide the foundation for employer-sponsored health care.** The Employee Retirement Income Security Act of 1974 (ERISA) is the foundation on which most employers offer health coverage to their employees. ERISA enables employers to create health plans that are tailored to the needs and desires of their own employees. ERISA plans are federally regulated, allowing employers to create the plan, or

plans, that best serves the needs of their current and retired employees without the impediment of complying with 50 different sets of state regulatory requirements. Without ERISA there would be significantly less health care coverage and fewer healthy workers in America's workforce.

- **Expand private plan options to permit greater choices and flexibility in the design of consumer-centric health benefits.** Although progress has been made in improving the design and use of HSAs and other CDHPs, additional legislative changes should be enacted that enhance the benefits of these plans by permitting more flexibility.
- **Promote and reward quality and efficiency through the use of health information technology.** Adopting a uniform, nationwide health information system will improve the patient experience and increase positive health outcomes while realizing significant savings in health care costs for both individuals and businesses.
- **Make accessible actionable cost and quality information about health care services.** Private and public efforts at the local, state and federal levels should be expedited to provide Americans with the information they need to make wise decisions about health care services available in their communities. Such efforts must include data from both public and private plans so that consumers can make accurate evaluations based on the best information available.

We hope that the private-sector initiatives described in this report will serve as a catalyst for change in public policy — encouraging federal, state and local policymakers; business leaders; and most important, individual employees to become effective advocates for preventing disease and promoting health in the workplace, at home and in every aspect of American life.

Strategy: Create a Corporate Culture of Wellness

"Our offices are all confronted with the same question: How can we tweak the employee value proposition and use wellness to give our employees a really great work experience?"

—James Corry, Ph.D., wellness director, MetLife, Inc.

In recent years, companies have begun to think big about wellness: how to move it from a standalone program to one that supports the overall goals of the company, even above and beyond the bottom line of health care costs. And although almost 40 percent of the companies that responded to this survey reported yearly wellness budgets of $200,000 or more and 20 percent spend at least $1 million annually, the big thinking is not limited to the size of the program. Wellness professionals — along with the CEOs who champion their programs — understand that changing behavior starts with changing the culture that supports it.

Of course, many of Business Roundtable's member companies have nourished a culture of wellness for years or even decades. Recently, though, even these leaders have revamped and rebranded their programs, formed partnerships with other internal health-related corporate services, and reached out to previously underserved employee populations. Perhaps most important, some Roundtable members have devised innovative ways of keeping management and health professionals explicitly accountable for the well-being of company employees and their communities.

Following is a look at some of the approaches that member companies are successfully using to build a companywide commitment to wellness.

Integration

"We are proud to be a leader in consumer-directed health care benefits. Naturally, we want our employees to understand this and integrate it into their own way of life."

—Mary Bianchi, director, work/life programs, CIGNA

Several Business Roundtable member companies have pulled together two or more of their health-related initiatives with the shared mission of enhancing the health of their workplace and employees. The strategy has many benefits. It clarifies functional responsibilities and reporting relationships; it expands the resources a company can bring to bear on health-related activities as well as the reach of those efforts; it promotes the sharing of data and ideas to improve quality and manage costs; and it allows the company to align its health-related programs and activities to support clear, companywide goals.

Most of the respondents with integrated programs have branded those programs as well, increasing the impact of their communications while helping employees understand how various initiatives work together to support health at the company.

Although they share some elements, programs at the following member companies illustrate some of the many forms that integration can assume:

- **CIGNA**'s Healthy Life model is based on using health care consumerism to drive behavior change and address health care costs by providing an integrated range of programs and services to all employees. Launched in fall/winter 2006, the program combines health care consumerism resources with health and fitness tools, including HRAs and biometric screenings. "We have created an ongoing dialogue of health at our company. We really want employees to use the information we give them, put it into practice and act on the successes we've seen in our own organization," says Mary Bianchi, director, work/life programs.
- **MetLife** created a total health and productivity model by bringing all of its health vendors together to create a comprehensive, coordinated care system across the health spectrum. MetLife worked with its health plans, condition management, employee assistance program (EAP) and other vendors to facilitate referrals among the vendors, including those who normally compete with each other. Wellness Director James Corry, Ph.D., created a system to track intervendor referrals and used quarterly conference calls with vendors to keep the effort focused. "It was a little hard for some of them at first — especially if they needed to refer to a competitor," says Corry. "But at the end of the day, they are all trying, and we are pleased with their effort."
- **The Dow Chemical Company** has launched a comprehensive corporate health strategy, which addresses primary prevention and health promotion, quality and effectiveness of health care, health system management, and health-related legislation at the national and state levels, says Catherine Baase, M.D., global director, health services. The company's integrated approach combines the health and outreach elements of the company, including occupational health, health promotion, human resources benefits and organizational effectiveness, safety, industrial hygiene, corporate communications, government affairs, and risk management, with a stated and measurable corporate commitment to improving the health of Dow's employees, their corporate environment and their communities.
- **Union Pacific Corporation** identifies links between health conditions and safety risks through a series of innovative periodic reports that integrate incident, lost work time and other safety data with wellness assessment data. "We saw that certain health conditions and behaviors, such as tobacco use, correlated with safety, which helped us target interventions at specific worksites," reports Marcy Zauha, director of health and safety.

- **Schering-Plough Corporation** is integrating its existing wellness programs under the Healthy Steps brand and adding HRAs, a multicondition disease management vendor and other programs in a comprehensive initiative to support employee health. "As a health care company, we wanted to have a program that says we are serious and committed to the health of our employees and their families," says Teri Pazos, senior benefits manager. "This is really a very strong concern of our CEO."
- **Humana Inc.** initiated MOCHA (More Options and Choices for Humana Associates) in 2000 to develop and evaluate consumer-choice health plans and related products. "As associates became more informed health care consumers, we expanded our wellness programs to reinforce the connection between lifestyle behaviors and health," reports Elona DeGooyer, consultant, human resources. Toward that end, Humana developed internal programs and external partnerships to reach its goals to encompass multiple dimensions of wellness, encourage participation and goal attainment with incentives, and pilot innovative programs the company can introduce into the marketplace. "We use a multilayered approach to wellness program design to provide a variety of services and resources that address the broad definition of wellness," DeGooyer writes. "We incorporate traditional benefit programs and components from our consumer-choice medical plans and use site-specific opportunities to create a unique and comprehensive program."
- **Texas Instruments** (Live Healthy), **Corning** (Total Health), **IBM** (Healthy Living Rebates) and **Verizon Communications** (HealthZone) are among the other Business Roundtable member companies that have brought some or all of their health-related initiatives together under one brand.

Corning: Total Health Continuum

Corning was one of the early major companies to integrate services on an organizational level. In 1999, the company pulled together counseling and support services/EAP, workers' compensation, health and safety, corporate medical services, and employee benefits under one department with common objectives and goals.

Together, the units devised a health care continuum under the Total Health brand based on level of risk, ranging from health promotion and risk reduction on the low end, through acute conditions and chronic conditions at the mid range, to disabling conditions and catastrophic conditions on the high end.

"We populated the continuum with our existing programs, then we added any programs we needed to fill the gaps," recalls Deborah Lauper, director of compensation, integrated health and employee benefits. "Our 10,000 Steps walking program went into the health promotion box at the low-risk end, and our complex care management, cancer resources services and transplant services were at the other extreme." The result is a progression of interventions that clearly defines the connections among interventions and their impact on the employee population and on the bottom line.

Corning's team also used a data warehouse to integrate medical, dental, pharmaceutical, disability and other data from all sources, then used the information to fine-tune programs and management. "For example, we asked what we could learn from how we treat occupational health cases that would help us manage nonoccupational cases more effectively. And we saw that we had 19 different EAP programs around the country, so we decided to integrate them into a single carveout that would help us manage costs and make sure people get the most appropriate care."

In 2006, Corning took the program a giant step further with the deployment of 24/7 wellness teams at three pilot sites. At each location, existing safety teams expanded to include a nurse, representatives from human resources, plant leadership and other employees who have an interest in health. Local teams received a user-friendly data dashboard that helps them target their local health and wellness needs and measure their performance. "It's taking the integrated health approach to the grassroots level," explains Lauper.

Communications

"Once you start communicating, you can't stop."

—Tom Coogan, director of employee benefits, Case New Holland Inc.

As health plans and wellness programs become integrated, complex and proactive, companies are assigning communications a more strategic role. In many programs, including Texas Instruments' Live Healthy initiative and Corning's Total Health, communications has an identified seat at the table. "Our corporate communications department is key to what we do," declares Linda Moon, manager of wellness and health management at Texas Instruments. "We try to involve them from the front end, to help us start thinking through how things will be perceived, what we want to be careful about, what we want to emphasize. It's their specialty — why not utilize it?"

Communicating about Consumer-Driven Health Plans

"This is the first wave of getting associates to understand health care and be more accountable for how they use the consumer-driven health plan program. To do that, we really felt we needed to educate our associates around wellness and help them understand more about their own health and well-being. Everything the team looked at directed us to a decision to redesign our communications initiative around wellness."

—Frank LaPlaca, director, benefits, Office Depot, Inc.

Several Business Roundtable member companies have developed communications strategies based on health care consumerism to support the rollout of their CDHPs.

- **Northwestern Mutual** credits the company's high CDHP participation levels at least in part to its incentive-based communications strategy. When the company introduced its consumer-driven plan three years ago, "We decided that brown bag presentations and infrequent screenings were not enough, so we revamped our program to include four- to 12-week campaigns and focused on nutrition and exercise," reports Jessie Schwade, health services consultant. Among the popular activities: a consumerism scavenger hunt, which had employees scurrying to look up information on existing company programs, such as the fitness center, a self-care guide and a health clinic.
- **American Electric Power Company, Inc.**, also credits communications for the favorable employee response when the company introduced a CDHP option in 2006. "We believe the rollout was a success as the result of an extensive communications campaign that included more than 400 face-to-face meetings," writes Karen Jenkins, senior human resources associate.
- **Office Depot** has launched a three-year communications strategy, including a Web site, 12-month health calendar, self-care manual, and other integrated programs and tools, to support the company's changing benefit platform, including a new CDHP/HSA. "As in any

organization, associates are looking at this pretty much as buying insurance, a benefit that they are 'entitled' to. We are trying to change that outlook to one of awareness and understanding of how to use this product," says Frank LaPlaca, director of benefits.

Several more Business Roundtable member companies also have integrated their communications tools and programs with their CDHPs. Others, including **ArvinMeritor, Inc.**, currently are designing consumer-based communications strategies to support planned CDHP rollouts.

Case New Holland: Communicating CDHPs

Communications are critical when rolling out a CDHP, says Tom Coogan, director of employee benefits, Case New Holland. "This is one of the most important decisions our employees have to make. We wanted to give them the tools to help them do this."

Case New Holland worked with outside consultants to build a set of four CDHP options that address the specialized needs of the company's workforce and lay the groundwork for an integrated wellness program. Focus groups at the start of the planning process in 2005 served both planning and communications goals, says Coogan. "They sent employees the message that they would have to be involved in making the right purchasing decisions and in changing their lifestyles to keep from paying more in the future."

Communications strategies also included a series of newsletters explaining various aspects of the plan, followed by test groups to make sure employees were understanding the communications.

Prior to the first open enrollment period in 2006, Coogan and his team held meetings at multiple times at each plant location — mandatory for employees, with spouses welcome — to explain features of each plan. Employees also could access an online decision tool customized for Case New Holland's CDHP designs that let them calculate which of the four options was the best cost value given their needs.

Coogan continues to use the quarterly newsletter to provide additional information about the health plans. These, along with frequent communications from the disease management and other wellness programs also initiated in 2006, are starting to bring about the culture change Coogan sees as essential.

"There's really nothing unique about what we're doing," he observes. "Employers need to plan thoroughly, do a good job with communications, be serious about disease management and choose the right vendors. The concept is really quite simple. You just have to do it."

Communicating about a Health-Focused Culture

Business Roundtable member companies also use communications strategies to increase participation and engagement in health and wellness initiatives. Following are a few of their noteworthy ideas.

- **Humana** uses its benefits enrollment period to reinforce the wellness strategy that is communicated throughout the year to associates, reports Deborah Triplett, director of associate benefit programs, human resources. "Just prior to benefits enrollment, we train approximately 200 associates (all levels) to serve as MOCHA Mentors — helping peers locate resources and resolve issues and be program champions," she writes. "For the past two years, we have provided wellness program information to this group in addition to the human resources consultants and benefits specialists. This year we also produced a special consumerism wellness message from [healthful living advocate] Dr. Michael Roizen at our MOCHA to Market meetings and developed a podcast to explain key aspects of the wellness program."

  Humana's associates also can participate in pilots of new wellness products developed by the company before those products are offered to consumers.

- **Texas Instruments** brands every item having to do with health with its Live Healthy logo. Bottled water available at the company also sports the Live Healthy logo plus rotating wellness program messaging.

- **Eastman Chemical Company** uses a number of creative tactics to deliver health messages to employees, including Bathroom Briefs — flyers posted on the insides of restroom stalls. New flyers are posted every two weeks.

- **CSX Corporation** is using strategic communications to lay a strong foundation for its new integrated wellness program. "Direct, person-to-person communication is vital," reports Ken Glover, director, health and ergonomics. "Division wellness coordinators meet with management and union employees on a regular basis."

- **General Motors Corporation**'s Life Steps Wellness Program uses lifestyle-based approaches to communicate awareness and educate its diverse employee populations, writes David Siegel, M.D., M.P.H., assistant director, health care operations and programs. Each program topic provides information, skill building and group support and tracks individual employees' health behaviors and outcomes.

  For example, a deer hunting module featured an expert hunter who shared information on deer density trends and information about the Bovine TB virus while health educators shared nutritious venison recipes, walking program how-tos, proper lifting techniques to load the deer onto a truck, and warning signs of a heart attack. Golf conditioning focused on core stretches and exercises to generate power and performance, along with healthful food choices for a golf outing and relaxation techniques to improve performance.

Texas Instruments: Reaching Out to Families

Texas Instruments has a longstanding culture of including employees' families in the company's health and wellness activities. "Families always have been welcome at our Texins Activity Centers," notes Linda Moon, manager of wellness and health management. "Spouses have full access to our aerobics, nutrition and other programs, and our spring break and summer camps for kids reinforce healthy activities and foods."

Moon and her team also have been careful to communicate with spouses about the company's health benefits. "We know that women make most of a family's health care decisions — and our employee population is 70 percent male. That means we need to reach out to the spouses as well as our employees."

In a focus group for spouses, the company probed for information on how spouses receive health benefit information and if they knew where to go to get what they needed. "We learned a lot of things we never would have known if we had not taken the opportunity to seek information from the spouse," she observes.

For example, "We learned that spouses sometimes don't get information we distribute at the worksite because the workers forget to bring it home. And mailing it to employees at home doesn't solve the problem because spouses don't open each other's mail." As a result, mailings now have an inclusive address, such as "family of." Envelopes are clearly identified as benefit information so they will not be tossed as junk mail.

Spouses also reported that they could not access benefits information on the company's Web site from their homes because the site was protected by a firewall — a problem solved by moving the information to an accessible location.

Employee benefits communications regularly feature photos and stories of families — including success stories from employees reporting how their spouses support their wellness. "They're all part of who we are and what we do," says Moon.

Targeted Strategies to Promote Employee Buy-In and Participation

"We have very high participation levels, probably due to our communications strategy and incentives. We also felt it was important to keep our programs simple and accessible to all levels of participants (not just reward the daily joggers)."

—Jessie Schwade, health services consultant, Northwestern Mutual

Employee participation in health and wellness programs is an essential component of a company's culture of wellness and contributes to the success of its health programs and interventions. Business Roundtable member companies have devised numerous strategies to reach out to their employee populations, provide them with appropriate wellness opportunities, encourage their participation and, in the process, allow them to embed their own philosophies of wellness within the corporate culture.

Incentives

Incentives have been recognized for some years as an effective strategy to increase participation in health and wellness assessments and activities. Of the survey respondents, 69 percent indicated that they use some kind of program incentives, such as money rewards; logo athleticwear, pedometers or other gear; public recognition; or other positive feedback measures. Benefit designs, including CDHPs that tie financial consequences to health care choices, behaviors or outcomes, are another typical form of positive — or in some cases, negative — incentives.

Several Business Roundtable member companies have taken the lead in exploring new incentives, applying incentives in new ways, or effectively integrating their incentive programs with the company's mission or philosophy. Following are some examples.

- **Northwestern Mutual** gave employees an incentive to get to know their new self-care manuals by randomly hiding $50 gift certificates in some books before distributing them to employees.
- **IBM** built on its successful smoking cessation rebate with its Healthy Living Rebate program. Today, the program also includes a Physical Activity Rebate to reward participation in a personalized program through the company's Virtual Fitness Center, and a Preventive Care Rebate to reward employees who take steps to identify their preventive care needs and personal health risks through completion of online personal health records and other activities.
- **Humana**'s HealthMiles program from Virgin Life Care makes it simple for associates to earn gift cards for being active, tracking results and reaching goals. Steps recorded on a pedometer are automatically downloaded via USB port, and biometric data are captured at a health kiosk. Ease of use has resulted in increased participation, higher activity levels and body mass index (BMI) reduction, reports Elona DeGooyer, consultant, human resources.

  In addition, Humana's MOCHA Wellness Account rewards participation in a range of non-fitness programs, including clinical and lifestyle change programs, ergonomics, wellness Webcasts and healthy behavior campaigns. "Wellness awareness and participation have increased significantly since the introduction of the program a year ago," writes DeGooyer.
- **Aetna**'s Healthy Lifestyles incentive program encourages employees to access preventive care, complete their HRAs, join Weight Watchers, participate in and keep track of physical fitness activities, and participate in appropriate disease management programs.

- **Caterpillar Inc.** uses a differentiated pricing strategy to encourage employees to make healthy food choices in company cafeterias. Lunch for Less offerings tempt employees with nutritious, lower-cost favorites, such as a chicken breast sandwich for $1.99 or a four-vegetable selection for less than a dollar. "Employees can still get a double cheeseburger, but they'll pay more," says Michael L. Taylor, M.D., Caterpillar's medical director for health promotion.
- **Owens Corning Inc.** added a tobacco-free discount program in 2005. Employees qualify for a $40-per-month discount on their health plan premiums if they pledge to be tobacco-free for the entire year or, if they use tobacco, attempt to quit and become part of a smoking cessation program.

FedEx Express: A Small Incentive Program with a Big Return

Retinopathy is a common complication of diabetes. Untreated, it can lead to blindness, but it can be successfully treated if it is detected early with a simple eye exam. So when data revealed that only about half of the people with diabetes in the company's employee population received retinopathy screenings, "we knew we had to find a way to get more people to take the exam," reports Beth Casteel, managing director of employee benefits, health and communications for FedEx Express, the largest operating company of FedEx Corporation.

In considering options for incentives, "our number one priority was to keep it simple," she adds. "If it is too complicated, people will toss it away."

Cash was the simplest possible incentive, the team decided. The team also elected to designate the cash as a partial return of the copayment for the tests, which makes it nontaxable to the employee.

To receive the payment, an employee simply needs to participate in the diabetes disease management program and take two important exams: a blood sugar test that indicates the presence of diabetes and the dilated eye exam. There are no additional forms to fill out — although the tests are performed by two different providers and covered separately by FedEx Express' medical and vision plans, the company's data warehouse integrates the claims data from both vendors.

"People automatically receive a letter signed by me, along with a check for $50," says Casteel.

Thanks to the incentive, of the employees in the diabetes disease management program in both 2005 and 2006, participation in retinal eye exams jumped from 55 percent in 2005 to 100 percent the following year. Emergency room visits related to diabetes dropped 13 percent, inpatient admissions dropped 7 percent and the cost of a diabetic episode dropped 75 percent.

"It's a small program; that's the key," concludes Casteel. "It's something every employee understands."

Although wellness and health promotion initiatives are voluntary at most companies, some benefit designs call for mandatory participation. For example, the Preferred Provider Option at **Office Depot** requires an HRA for all enrollees.

Western & Southern Financial Group is using premium surcharges and wellness programs to encourage associates to change unhealthy lifestyles. Its self-funded health plan includes a health premium surcharge for associates who have used tobacco during the preceding 12 months and a tiered scale of surcharges for associates whose BMI exceeds 27. The company's plan offers allowances for smoking cessation programs and medical treatments for obesity, and it provides an on-site weight management program that includes counseling, healthy nutrition and exercise. Associates who lower their BMI or discontinue tobacco use are eligible for rebates of the surcharges.

Currently one-third of Western & Southern employees are paying the tobacco surcharge, and about 40 percent pay a weight surcharge.

Availability and Accessibility

"Our observations and survey data tell us that many employees felt too busy to set aside time to attend to their health needs — particularly for wellness services that are often seen as elective. So we've been making conscious efforts to bring these services to our employees."

—Jeanette Fuente, vice president, wellness, Merrill Lynch & Company, Inc.

Business Roundtable member companies make the logical connection between how many employees participate in wellness activities and how easy it is for employees to use the services.

Of the companies that responded to the 2006–07 Wellness Survey, 73 percent have an on-site fitness center in at least one location, 57 percent have an on-site employee health clinic, 97 percent offer on-site flu shots, 81 percent offer brown bag lunches or other on-site education, and 91 percent offer a health fair or on-site screenings. Almost half of Business Roundtable members that responded to the survey offer wellness activities at every worksite.

Companies that do not have wellness facilities at every site use a variety of strategies to reach distant employees, including subsidizing the cost of membership in a local health facility (27 percent) or paying all or part of the cost of local weight management, smoking cessation or other wellness programs (36 percent).

Member companies also take care to reach their covered populations, including families of employees and retirees. Of the survey respondents, 39 percent say they extend wellness services to employees' families, 68 percent to part-time employees and 41 percent to retirees.

For many Business Roundtable member companies, on-site health and wellness services are deeply embedded in the corporate culture. For example, **Texas Instruments** opened its first

Texins fitness center in the 1960s and now runs state-of-the art centers, open to employees and their families, in three of the company's major locations. "The centers stemmed from our employees wanting a convenient outlet to live a healthy lifestyle," reports Linda Moon, the company's manager of wellness and health management. "Many of our company's leaders are members of the fitness centers, working out there and setting that example."

Corporate leaders also regularly work out at **Principal Financial Group**'s seven advanced fitness centers, two at corporate headquarters in Des Moines and five at other company sites. Principal's centers are the focus of the companywide fitness program, which includes screening, coaching, goal setting and other activities. "We started 20 years ago with one person to run the first fitness center — now we have nine people whose sole responsibility is wellness," reports Bridget Schulz, assistant director, benefits.

On-site fitness also is an integral part of the corporate culture at **The Boeing Company,** where fitness centers at 34 locations receive more than 1 million employee visits annually.

Schering-Plough provides on-site medical facilities at its major sites. In addition to performing evaluations for return to work and other occupational services, the standalone facilities provide urgent care to employees along with a comprehensive menu of physical examinations and screenings. "Services are free and convenient for employees," says Teri Pazos, senior benefits manager. An on-site pharmacy at the company's Kenilworth, NJ, facility, operated by the company's health plan vendor, fills prescriptions for employees. Schering-Plough prescription products are available through the medical plan with no copayment.

Business Roundtable member companies report using various approaches to offering wellness activities at their plants, including full professional staffs; partnerships with local vendors; volunteer wellness committees; and offering discount memberships in local gyms, smoking cessation programs or weight management groups.

Integrated health and wellness programs at many companies include unified organizational structures for setting goals, managing programs and working together throughout the corporation. Other companies with health or wellness programs at diverse sites have various strategies for maintaining communications and bringing their efforts together. Following are some examples.

- **DuPont**'s Global Health Team, consisting of the company's regional medical directors and competency leaders in areas such as EAP, prevention and wellness, and occupational medicine, meets regularly to set policies, share ideas and develop tools.
- **FedEx Corporation** has a Health Task Force with directors responsible for health programs or benefits from the corporation's separate operating units, such as FedEx Express, FedEx Ground and FedEx Kinkos. "Our goal is to develop an overarching health care strategy without changing the benefit structures of the individual companies," reports Beth Casteel, managing director of employee benefits, health and communications at FedEx Express.

"Companies also learn from each other and adopt practices from others that make sense for their own populations."

- **Navistar International Corporation** is among the Business Roundtable member companies that bring their local volunteer wellness leaders together for an annual Wellness Summit. "At this event our executives share their passion for wellness and discuss how it makes good business sense," reports Dawn Weddle, wellness manager. "It keeps everyone energized and focused."

Merrill Lynch: Bringing Wellness to the Employee

Merrill Lynch provides on-site clinics that offer a broad menu of services at its seven home office locations, including company headquarters at the World Financial Center in New York. Services vary by location but include preventive screenings, fitness facilities, flu shots and other medically indicated immunizations, nutrition and smoking cessation counseling, and primary and specialized medical care, including a healthy back clinic, sports medicine, travel medicine and dentistry.

To make the on-site services as easy to use as possible, employees can use the company's electronic scheduling service to arrange most appointments from their desks.

Branch offices are offered a free smoking cessation program and discount memberships at local fitness centers. In addition, the company offers on-demand assistance from its corporate wellness office to set up wellness programs at other sites. "People at our smaller locations will learn of something we offer at a home office and say, 'We'd like to have this, too,'" says Jeanette Fuente, vice president, wellness. "They'll get the branch manager to sign off on it, and I'll work with them to make it happen."

Fuente maintains templates of most of the company's existing wellness programs that she can share with the branch offices. "I don't exactly have a turnkey kit, but I can draw on memos and planning communications and help them customize programs by location to make it their own without reinventing the wheel." Fuente also works with national vendors and partners, such as the American Heart Association, that have local offices that can work with the Merrill Lynch sites to set up screenings, health fairs or educational services.

Other services, such as nutrition counseling, and some health seminars are available to off-site offices by phone or Webex. "I'm trying to do some things that reach everyone if they are available and interested and if it is cost neutral," she says.

Although computer-based tools, such as e-mail counseling, have their place in her program, Fuente believes that a personal connection — even if only by phone — is essential. "Technology is a wonderful thing, but the motivational factor is missing — the human touch is what really gets results for some people."

Technology

Business Roundtable member companies with multiple sites increasingly look to technology to bring wellness to their distant employees.

"Because our population is so diverse geographically, most programs are available virtually (via either Web or phone) or at facilities in close proximity to McGraw-Hill locations," writes Danielle Shanes, director of benefits planning and design at **The McGraw-Hill Companies.** "For example, we offer discount gym memberships to more than 1,500 fitness clubs nationwide but sponsor very few health facilities. When we conduct educational sessions, the venue is Web and telephone based so that the maximum number of employees can participate."

Dow's local health professionals and "health contacts" serve as a network of liaisons and primary health promoters to each work location, says Catherine Baase, M.D., global director, health services. In addition, the company uses a variety of technologies to communicate with its dispersed workforce, including video commercials on internal TVs or computers, CDs for use by salespeople while driving, an interactive feedback tool on the company's global Web site, and informal highlights by leaders on company broadcasts.

Sun Microsystems and **IBM** are two Business Roundtable member companies that use customized virtual fitness centers to motivate and track employees' progress toward fitness goals. In addition, several companies use Webinars to deliver wellness programming to their far-flung workforces.

Accenture: Delivering Wellness to a Virtual Workforce

Several Business Roundtable member companies have numerous small sites, but most of Accenture's employees have limited company worksites. "Many employees are consultants, often on the road, who work directly with clients, and others work out of their homes," says Sharon Klun, manager of work/life initiatives. "When they join the company, most Accenture employees receive laptops (which provide a great degree of flexibility), and they become part of a virtual workforce — even if they are in an Accenture office."

Two years ago, when an employee poll indicated wellness as the top priority, the human resources team thought hard about how to deliver the programs to a workforce that was, in large part, virtual.

To get the program moving quickly, the team created a Work-Life Web portal that brought together existing online resources that responded to the needs of Accenture's employee population. "We wanted to be sensitive to the needs of different levels of ability and activity, so we looked for programs that offered lots of choices — tennis, gardening and canoeing, as well as running and walking," says Klun. This program evolved over the next two years into the current online wellness program, which includes an HRA and other tools as the framework for the wellness and health management program.

To give employees shared goals in a virtual world, the company offered its employees the President's Challenge, an online physical activity program sponsored by the President's Council on Physical Fitness and Sports. Over time, the company identified other programs with online models that met the identified needs of employees, and it offered gift certificates, pedometers and water bottles as incentives that employees could use to manage their health while on the go.

"We also identified new and better ways to deliver programs and information that our employees wanted and needed," says Klun. Among their creative ideas:

- Conference calls on seasonal topics, such as holiday weight management in January
- Wellness education that employees can download to their MP3 players
- Water bottles with a watertight niche to hold an MP3 player while working out
- "Did you know ..." messages recorded on the company's phone system so employees hear information about benefits and wellness instead of "hold" music

In 2007, the company also added components of consumerism to its health care benefits options and is including information to support better health care decisions in its communications efforts.

"Our high-performance workforce constantly challenges us to stay visionary, especially in the areas of wellness and other areas of work and life," says Klun. "We really want to meet and exceed their expectations."

Reaching Diverse Populations

Throughout the United States and around the world, Business Roundtable member companies have adopted other strategies to make wellness programs available and accessible to their varied employee populations. For example:

Shift Workers: At **General Motors,** the UAW-GM LifeSteps program has developed organizational, educational and psychological strategies and best practices to deliver a wellness program in a manufacturing environment, according to David Siegel, M.D., M.P.H., assistant director of health care operations and programs. Among the strategies: identifying ideal times for health screenings in a multishift population, strict confidentiality of records, company union and community support, programs tailored to different shift audiences, employee participation as program leaders, and a final reminder that "the program must be *fun*."

Global Workforce: "**MetLife** is using its domestic seasonal flu campaign as a vehicle to gain competency in the global arena and as a pilot for a corporatewide intervention should there be a pandemic," writes James Corry, Ph.D., wellness director. "Many employees of MetLife's newly acquired Travelers Life and Annuity unit are located in parts of the world where we have concerns about avian flu," he adds. "We're doing a good job of flu education in the United States, so we want to apply that model to meet the needs of our employees and our clients in other parts of the world."

Similarly, **DuPont**'s Global Health Team has developed standardized protocols for 19 different occupational health processes for its plants throughout the world, covering such issues as determining fitness for duty, modified work programming and health surveillance for hazardous agents, says Sol Sax, M.D., chief medical director. Protocols include clear process maps, methods and procedures, and they take into account cultural differences and sensitivities, says Sax. Implementation plans currently are being created by a global team of subject matter experts, he reports.

Dow translates its annual global physical activity program into 10 languages for implementation in more than 30 countries, says Catherine Baase, M.D., global director, health services.

Aging Population: "As an insurance company, **MetLife** looks ahead to anticipate demographic trends and emerging risk areas. One obvious demographic challenge we see is an aging workforce that is getting ready to retire, and this is certainly true in our company," notes James Corry, Ph.D. The company has adopted multiple strategies to keep its older workers healthy and engaged until the age of normal retirement and even longer. It also has invested millions of dollars in research on aging issues, particularly Alzheimer's disease, through the company's foundation.

At **SAS Institute Inc.**, "our programs have changed in many ways over the past five years as the age of our employee population continues to rise," observes Jack Poll, director, recreation and employee services. SAS has modified many of its fitness programs to accommodate the needs of aging workers and their families, including adding water-based activities to sports and fitness offerings.

Case New Holland's CDHP benefits include an option specifically designed for people close to retirement, according to Tom Coogan, director of employee benefits. The plan directs unused employer-funded dollars into workers' HRAs.

Corporate Change: **Duke Energy, DuPont, MetLife** and **FedEx Corporation** are among the Business Roundtable member companies that are making efforts to integrate their health and wellness cultures with those of recently acquired companies.

Corporate Leadership and Accountability

"Advancing the health of our employees is one of the most important things we need to do for our people as well as for the good of our organization. So it is reasonable that our bonuses should be tied to our success in making that happen."

—Catherine Baase, M.D., global director, health services, Dow

Business Roundtable member companies have long understood that their leaders play a critical role in establishing a culture of wellness, and many maintain strategies to engage top management on an ongoing basis. For example:

- **Navistar**'s Executive Wellness Council regularly brings together the company's 10 top corporate leaders, including the CEO, the chief financial officer, presidents of its four business units and executive vice presidents, to set the strategy and provide visionary leadership for its program. Council members are quoted in the employee wellness newsletter, present fitness awards at company ceremonies and challenge employees to beat their performance in company-sponsored fitness challenges. "We are fortunate to have executives who truly believe in the business case for health and wellness, and we want our employees to know that," says Dawn Weddle, wellness manager.
- **Principal Financial Group**'s chairman and CEO, Barry Griswell, set a companywide example of healthy choices when he made a public commitment to lose pounds. "We made a big event of it," recalls Bridget Schulz, assistant director, benefits. "Wellness isn't a hard sell at Principal — it's a top-down belief."
- Employee support for the disease management program at **Xerox Corporation** got a strong boost when Roger LaDue, the president of UNITE HERE! Local 14A, spoke publicly about how the program had improved his life. "The union sent a personal letter to every union member and Roger did a Webinar telling how the program had helped him and his wife lose weight and lead healthier lives," recalls Lawrence Becker, director of benefits and human resources policy at Xerox. "His message was extremely effective because it came from the heart — from the person our employees had chosen to be president of their union."

Top executives at many Business Roundtable member companies also are visible on national and local platforms on behalf of public policies that support employee health and wellness, including serving on the Roundtable's own Health and Retirement Task Force.

Several Business Roundtable member companies have adopted strategies for reinforcing accountability for health improvement initiatives, as well as tools to measure the results of those efforts. For example:

- **Corning** combines and distills data from its integrated programs into companywide and plant-level dashboards that show performance at a glance on measures such as HRA participation, aggregate risk levels, use of preventive services and productivity data. Plant-level 24/7 Wellness Teams will use the dashboards to evaluate local programs and see how their plants measure up to companywide performance.
- **Union Pacific**'s Health Index measures the progress of local management in achieving action plans drawn up by its work units to achieve health improvement goals, reports Marcy Zauha, director, health and safety. The Health Index includes mandatory measures — such as rate of participation in the company's HRA, behavior modification programs and educational programs — as well as extra-credit measures, such as community outreach. Local units earn points cumulatively throughout the year, with interim results tabbed on scorecards that are discussed in monthly safety calls with the company's regional vice presidents.

Dow: Taking Responsibility for Performance

As part of its integrated health strategy, Dow has adopted innovative approaches and tools for holding the corporation, its leaders and its health professionals accountable for health improvement performance. For example:

- **Tying bonuses of health professionals to employee health improvement.** In 2005, Dow's team of health professionals elected to base 20 to 40 percent of the personal portion of their annual variable pay on achievement of a set of companywide and regional goals within their own employee populations, such as frequency of physical activity and reductions of risk factors, including obesity and tobacco use. Using Dow's health assessment program as the keystone, the company's 130 to 170 health professionals worldwide also work with the company's local health plan vendors to provide education, run promotions and market their available programs to their employee populations.
- **Healthy Environment Index.** In 2007, Dow's health team introduced the Healthy Environment Index, which helps company facilities measure their progress on companywide and local human and environmental health metrics, such as the tobacco use policy, access to physical activities and availability of healthy food in the cafeteria.
- **Health Message Map.** Developed as a tool to help local company leaders understand and explain the importance of health measures, the message set illustrates the company's intersect with human health and provides details — for example, ways the company supports health in nearby communities and how the company's products support public health, plus awards and recognitions the company receives for its initiatives.
- **Leadership training.** Dow incorporates several hours of health awareness training within its formal leadership curriculum, along with business case analyses on why supporting health is important to the company.

Dow also is participating in pilot research programs at 12 U.S. sites, focusing on the ways to improve the organizational environment, including supporting employee health and the effectiveness of leadership training in promoting the success of corporate health goals.

"People are our core asset. We have a stated commitment to advance the health of our employees and our communities as well as the public through our products," says Catherine Baase, M.D.

Using the Company's Unique Resources to Advance Health Goals

Many Business Roundtable member companies tap into their products, promotional capabilities and other resources to educate and motivate their employees toward more healthful lifestyles. Following are a few of their popular initiatives.

McGraw-Hill offers a robust calendar of employee Lunch and Learns — 90-minute sessions that many times feature the company's authors, who speak and answer questions on topics related to health and other work-life matters, reports Danielle Shanes, director, benefits planning and design. Recent sessions include Dr. Edward Abramson's *Body Intelligence,* Perry Christenson's *Family 360* and Robert Brooks' *Raising Resilient Children.* Employees participate via Web conference, with the audio delivered over the phone and the presentation on their computers. Sessions also are recorded and accessible to employees for six to 12 months on the company intranet. Employees who participate in the sessions given by company authors receive free books.

"As a diverse health care company, **Abbott Laboratories** has many products and resources that support healthy living activities," writes Roberta Finkler, manager, wellness. Among these are diabetic supplies and nutritional products that support disease management programs. Abbott now covers these company-made supplies at 100 percent, as well as other Abbott drugs, says Finkler.

Office Depot's employee health initiatives get great promotional mileage from the company's national sponsorship of NASCAR driver Carl Edwards and his racing team, reports Daisy Vanderlinde, executive vice president of human resources. Edwards, who is well known around the circuit for his personal commitment to physical activity and other healthy lifestyle choices, signed a statement encouraging healthy lifestyles in the recent annual enrollment newsletter sent to all Office Depot employees.

Edwards' letter read, in part, "The importance of health and wellness can't be overstated, particularly in our nation today where we are facing a crisis in terms of individual health and in the health care industry. As someone who is personally a strong advocate of health and wellness, I want to convey that message to you as well. ... We all operate in the same high-pressure, fast-paced world, whether we spend our days behind a desk, at a cash register, assisting customers in a retail store, or behind the wheel of the No. 99 Office Depot Ford Fusion. Live your life in a way that helps you be both physically and emotionally healthy. Why? *It's your health.*"

To support its healthy nutrition efforts, **Alcoa Inc.** created the *Healthy Living Cook Book,* with submissions from employees, writes Melissa Miller, manager, relocation and work life benefits. The cookbook was given free to all employees attending a company health fair.

General Mills, Inc.: Healthy Employees to Healthy Consumers

General Mills recently transformed a successful weight management program into an ongoing national consumer campaign, reports Karen Seal Grafe, manager, health and wellness communications.

"In 2004, we launched our program for our employees, 'Lose 10 Pounds in 10 Weeks,' in partnership with the Mayo Clinic," recalls Grafe. The program included speakers and activities to engage employees with a BMI of 25 or greater in losing weight in a healthy, sustainable way, using what Grafe calls "that boring but proven formula — exercise more and eat less."

Of more than 1,300 program enrollees, 443 enrollees lost weight, with an average per-person loss of 6.7 pounds.

Several of the employees saw the potential for bigger things. "They said, 'Hey, we're a food company — why don't we do this for our consumers, too?'" says Grafe. Champions of the idea included the company's chief marketing officer, Mark Addicks, who helped get the ball rolling.

In 2005, the company launched its consumer promotion, "Brand New You," a 10-week, Web-based program featuring popular General Mills products, such as Yoplait yogurt, Progresso soups and Cheerios cereal, that provides consumers with information, motivation and strategies they can use to maintain a nutritious and enjoyable diet while attaining a healthful weight.

Another General Mills promotion, EatBetterAmerica.com, engages consumers with food, recipes, fitness and community strategies for healthful nutrition and lifestyles. "We play down our own brands and invite people to create their own more healthful versions of favorite recipes," says Grafe. The company also has an endorsement tie-in for 12 healthful brands with the new Best Life Diet by Bob Greene, the popular author and personal trainer to Oprah Winfrey.

"We're a big brand company," observes Grafe. "We want to put a coordinated, good health face on our foods."

Strategy: Target Interventions to Employee Needs

"Today, we are more focused on identifying and lowering health risks. In the past, our programs were geared toward the entire population. While we still have programs for everyone, we are more focused on moving individuals to lower risk levels."

—Keith Winick, wellness coordinator, Prudential Financial

As companies expand and integrate their programs and build them into their corporate culture, they also are becoming more strategic about how they use wellness to support the health of their employees. Although some companies have always made efforts to involve the workers who could benefit most from their programs, it was not uncommon for programs to appear to be "preaching to the choir" — filling their fitness centers with the already fit. Programs typically promoted broad goals such as physical activity, healthier eating and stress reduction.

Today, Business Roundtable member companies are skeptical about the one-size-fits-all approach. Serving workforces that are among the world's largest and most diverse, they draw on aggregated claims data, HRAs and other advanced tools to identify risks or conditions that are prevalent within their employee populations, such as tobacco use or diabetes, and/or those risks and conditions that account for the highest medical benefit costs.

Companies also have become skilled at customizing their interventions for individual employees — timing offers of help to quit smoking, for example, based on an employee's readiness to change, then providing telephone counseling and other personalized support to employees who have made the commitment. Personal self-care and health improvement services, such as nurse lines, health coaching, and telephone and online support for tobacco cessation and other behavior change programs, also are popular options within Business Roundtable members' programs.

As a result, companies believe their programs are becoming more effective at keeping workers healthy and productive while showing more measurable results in containing costs for the population's most expensive conditions. Following is a summary of the approaches and tools that Business Roundtable members are using to target their wellness programs.

Health Assessments and Screenings

Online or written HRAs have become a popular tool for companies — and their employees — to identify conditions that have the potential to become problems and provide targeted interventions. Of the member companies that responded to the Wellness Survey, 80 percent offer some kind of health assessment.

Many Business Roundtable members use instruments provided by their health plan or another vendor, in some instances branding them with the company logo or otherwise customizing the assessment for their own use. Other companies have developed their own assessment or other screening tools from scratch.

Employers typically make their HRAs available through the company's wellness Web site, although some companies offer them at their health fairs. Most HRAs cover the employee's medical history, current physical condition and lifestyle choices, such as frequency and duration of physical activity.

Many Business Roundtable members similarly use biometric screenings, such as blood pressure, heart rate or other data, performed either separately or in conjunction with HRAs. Roundtable companies also encourage the use of other preventive screenings, such as mammograms to detect breast cancer and PSA tests for prostate cancer, through strategies that include providing first-dollar coverage in their benefit plans or making the screenings available on-site.

Companies use the results of their assessments and screenings to classify employee risks and target interventions. A common strategy is to place employees in high-, medium- or low-risk groups and offer help in moving from a higher- to a lower-risk category.

Based on results, companies also may offer employees with identified risks the opportunity to join a disease management program or receive lifestyle change support such as tobacco cessation or weight management coaching. Companies that conduct assessments or screenings in person may offer help on the spot, using the results as a teachable moment to drive behavior change. Several companies report making dramatic, life-saving interventions when assessments or screenings revealed imminently dangerous conditions, such as extremely high blood pressure or the possible presence of a tumor.

Most HRAs are voluntary, although companies typically offer a cash reward, medical plan premium discount or other kind of incentive for completing the assessment. Several companies use the assessment as the portal for enrollment in the wellness program itself. HRAs also are mandatory in some health benefit plans. Participation rises as employees become familiar and comfortable with the tools. Several Business Roundtable companies with well-established programs say that participation rates in their HRAs and screenings consistently top 80 percent.

Companies are aware of employee concern about the privacy of their personal information and are prepared to respond when questions arise. For example, Jessica Muhlenberg, **Applera Corporation**'s manager of benefits, reports that the privacy issue was at least part of the reason for low participation when the company first offered its HRA in late 2005. "Our employees are very concerned about disclosing personal information," she writes. "We focused on the confidentiality of their HRA results this year, and participation jumped."

Following are some of the ways that members of Business Roundtable are using assessments and screenings to support the health of their employees.

- **General Mills'** in-house health services staff developed the General Mills Health Number Screening tool, a personalized, "live" version of an HRA, writes Karen Seal Grafe, manager, health and wellness communications. At on-site health fairs, employees answer questions on 10 lifestyle factors, including physical activity, tobacco use, nutrition, seat belt use, alcohol use and stress. Company health professionals then measure employees' blood pressure, cholesterol, BMI and fasting blood sugar and give employees their health numbers on the spot. Those whose numbers indicate risks receive referrals to information, personal health coaching, local clinics or other resources.
- At **CIGNA**'s Healthy Life Expo, employees complete biometric screenings, engage in discussions with the company's resource representatives and put together an action plan for personal health, reports Mary Bianchi, director, work/life programs. CIGNA stages the expo at more than 10 company locations.
- **W.W. Grainger, Inc.**, offers ergonomic evaluations, including carpal tunnel screenings, by company health center nurses as part of its extensive program of on-site screenings.
- **Principal Financial Group** provides on-site screenings for blood pressure, blood sugar and cholesterol at all locations with 20 or more employees. Employees at smaller sites receive screenings in their physicians' offices and are fully reimbursed. All employees fill out HRAs and set goals online.

In addition to — or in conjunction with — their other assessment and screening strategies, some companies have invested in predictive modeling software tools to target and respond to employee health risks.

Caterpillar: Assessing Risk and Readiness to Change

Caterpillar's custom-designed HRA gets much of the credit for the "best in class" results of its tobacco cessation program, says Michael L. Taylor, M.D., the company's medical director for health promotion. Caterpillar's program, which is provided by a national vendor, has achieved a four-year quit rate of 35 percent.

Along with standard information on current tobacco use, Caterpillar's HRA captures data on an employee's readiness to change risky behaviors such as smoking. This makes intervention much more efficient, says Taylor. "We're doing a better job of screening people and a better job of moving along people who are ready to quit," he says. "We don't unleash our efforts before they're ready."

For smokers identified as being in the precontemplation stage — not even thinking about quitting — efforts are deliberate, but low key. "We ask if they are ready to make a quit attempt and send them information to move them along."

"It's difficult to claim that we are more effective at moving the precontemplators, but we do work hard at it," Taylor observes. "Then, when they let us know they are ready, we invite them into the program."

Caterpillar's HRA collects longitudinal data as well, which Taylor also finds helpful in measuring the success of the tobacco cessation program. "Most programs can't measure their quit rates for more than a year, but we can track the outcomes for our employees long term," he says. "We set the standard because we have better data."

Online Strategies

"Our Web portal is an opportunity to look beyond sick care. It has trackers and modules that allow you to proactively take better care of yourself, not just in a crisis."

—Pascale Thomas, director, benefits, Verizon

Over the past decade, the computer has evolved from a passive communications tool for delivering wellness messages and benefits enrollment materials to the active center of a company's integrated health strategy.

Of the Business Roundtable member companies that responded to the survey, about three-fourths say that they use the Web to provide wellness services to their employees. Most of these companies have branded health or wellness home pages on their corporate intranets that serve as portals to all of their internal programs, with links to vendors and other resources. Some companies have built their own sites, while others have partnered with WebMD or other vendors to design customized sites.

Within that broad reach, online resources also provide virtually limitless options for targeting wellness interventions to employees — from assessing risk, to customizing and delivering programs to targeted employees, to motivating, facilitating and tracking participation. Following is a summary of some of the ways Business Roundtable companies are using virtual resources to customize and focus their programs.

Branding and Supporting a New Program

- **Verizon** partnered with WebMD to create a customized, cobranded portal, Verizon Health Zone. The portal was launched in May 2006 in tandem with a health improvement program for management employees that provides seamless and coordinated access to the company's health-related benefits and services, including integrated data from key health care vendors.

  "Prior to this, we had several points of entry for health information and myriad programs that were not coordinated," writes Audrietta Izlar, manager, benefits. "These programs did not allow for clear messaging or effectiveness measurement against our health claims experience."

- **Office Depot**'s three-year communications strategy to launch its new CDHP benefits platform also has a Web site as its centerpiece. In its first year, the site will focus on health, bringing together all the company's wellness initiatives, health benefits enrollment information and tools, plus interactive features and links to engage employees and keep them coming back, says Frank LaPlaca, director, benefits. Next year, LaPlaca plans to add a "wealth" component, with information on company-sponsored retirement accounts, stock programs and related benefits. "Eventually the Web site will be an access point to total compensation and benefit information," says LaPlaca.

Aetna: Web-Based Communications for an Integrated Strategy

Aetna's wellness program has "transitioned from a paper-based model to a Web-based, online model," writes Dick Watson, senior benefits consultant, wellness strategy and fitness operations.

Aetna's wellness programs are complemented by an innovative engagement strategy known as the Healthy Lifestyles incentive program. Employees access the program through a home page that is part of the company's transaction-based application, so employees can reach it as part of their normal business activity, explains Watson. The page also links to other Aetna resources, such as Aetna Navigator, worksite fitness centers, DocFind and employee work/life assistance sites.

"Our communications tactics reflect a friendly style and an employee-centered focus," he continues. The Web site features reader-friendly text and formatting with links to additional information, including electronic "postcards," question-and-answer documents, and the human resources knowledge base of program and policy details.

In addition, Aetna's weekly communications strategy moves employees electronically along a continuous process from registration and health assessment to documenting goals, completing healthy living programs and preventive screenings, and tracking physical activity. The company tracks employee registrations and program use to determine the impact of monthly communications and can send just-in-time messages to areas with low rates of participation.

"Our communications strategy fits into an overall initiative to give employees the tools necessary to build excellence and accountability for their health and well-being," concludes Watson.

Establishing a Local Presence for Corporate Programs

Business Roundtable members use the Web to support and connect with their wellness programs at distant sites. For example:

- **Navistar's** wellness effort includes teams of local volunteers who help implement programs at the plant level, with guidance from corporate wellness leaders. More than half the teams have their own Web sites, reports Dawn Weddle, wellness manager.
- **Merrill Lynch** connects wellness champions at the company's small local worksites with the Web sites of national vendors and partners, such as the American Heart Association. "It helps our people identify people they can work with locally to set up their own on-site programs," explains Jeannette Fuente, vice president, wellness.

Providing Employees with Personal Health Management Tools

Several members of Business Roundtable, including **Verizon** and **IBM,** offer Web-based Personal Health Records (PHRs) that employees can use to enter their family medical histories, allergies, current medications and other information that affects their health.

Verizon is populating its PHR tool with claims data from selected health plans and the prescription drug administrator, retroactively from 2004. "This gives employees a greater opportunity to control their own health care because it provides a lot of information that normally doesn't exist in one secure place," explains Pascale Thomas, director, benefits.

For example, the program helps employees prepare for a doctor visit by drawing on their data to generate questions to ask during the visit. The program also can alert employees if there is an industry update about their medication. "This is a smart tool. The more you use it, the more it knows you and can help you," adds Thomas.

IBM: Virtual Fitness Based on Readiness to Change

IBM's Virtual Fitness Center (VFC) offers each of the company's 130,000 active U.S. employees a personal wellness experience based on the employee's own readiness to change. The VFC is integrated with IBM's Healthy Living Rebate incentive programs and is accessed through the company's Wellness for Life Web portal.

"We wanted to reach everyone, not just the regular exercisers, so we built the program around behavior change," explains Megan Turner, health promotion program coordinator.

On the portal, employees can assess their own readiness to make improvements in areas such as stress, physical activity, weight management, nutrition and smoking based on the stage-of-change model developed by Dr. J.O. Prochaska. "We translated our Physical Activity-Nutrition Rebate incentive into readiness as well — for example, whether your goal is to exercise four times a week or two times, you get to choose which options you are ready to adopt," says Turner. "We focused on physical activity because it affects so many other health behaviors, like weight management and stress, as well as physical conditions, like heart disease and diabetes."

Employees also can access an online workbook that uses the 12 principles of the stage-of-change model to guide employees through five stages of readiness. "We worked with Prochaska to put the workbook online," recalls Turner. "We went beyond the typical assessment — having people determine the stage they were in, but then saying, 'Here's what will help you be successful when you are in that stage.'"

On the VFC, employees are able to log their activities, check their progress toward goals, access support resources and learn about upcoming fitness programs.

IBM employees further personalize their wellness experience by creating a Personal Wellness Vision during the company's registration process, says Turner. "We wanted to put our employees in the driver's seat and make the process a little more personal. People can pick a variety of lifestyle behaviors to work on — looking better, feeling better, spending more time playing with the kids." When employees log onto the Wellness for Life portal, they reach a personal home page that refers to their vision, asking questions like, "How do you see yourself in three months? How confident are you that you will accomplish this?"

"Last year, our focus was how employees could be better consumers of health care and better informed about their decisions," adds Turner. "This year, we've moved on to the next level: How can you take better control of your habits and be successful at it?"

Disease Management Programs

"Our surveys tell us that employee satisfaction with our disease management programs is high. Once people get into the programs, they can really see a difference."

—Lawrence Becker, director, benefits and human resources policy, Xerox

Disease management programs are an increasingly popular strategy to reduce the prevalence and complications of chronic or complex conditions such as asthma, diabetes and coronary heart disease, contributing to improved quality of life while reducing the high costs associated with these conditions.

Program designs vary, but most incorporate personal coaching and education, based on best practice treatment guidelines for the disease. Employees who are identified as having the condition or as being at risk are encouraged to receive timely and appropriate medical treatment, comply with prescribed treatments, and make lifestyle changes that may reduce the severity of the conditions or help prevent complications.

Of the Business Roundtable member companies that responded to the survey, 82 percent say they offer a disease management program or self-care tool. Disease management programs typically are offered as part of the benefits package by health plan providers or as carveout programs from other vendors. Although diabetes management is the program most frequently mentioned in the survey, some companies have begun covering many other conditions, including chronic pain, cancer and lower-back pain.

- **Abbott**'s Custom Care Coordination program is a coordinated treatment approach for chronic conditions such as coronary heart disease, cancer and lower-back pain. Offered through Abbott's health plan vendors, "the program can improve quality of life by preventing flare-ups and complications and minimizing symptoms through oversight of all treatments," writes Roberta Finkler, manager, wellness.

  Custom Care Coordination services can include supportive care, education, helping patients find community resources or helping members better understand their treatment plans, adds Finkler. "As the team of nurses interacts with Abbott members, they assess the whole situation and connect members to the appropriate Abbott resources and programs like employee assistance programs [EAPs]. This type of integration is not usually seen with disease management programs offered."

- **Caterpillar** worked with a local provider to create its own programs to manage diabetes and coronary heart disease. "We wanted a program that focused on conditions that were problems in our own populations and that evidence showed could be prevented by making lifestyle modifications and other strategies," says Michael L. Taylor, M.D., medical director for health promotion.

Taylor and the local hospital crafted their own program, which draws on a multidisciplinary team that includes a nurse, dieticians, a social worker and a health educator with an exercise physiology background. The program is telephone based to serve the company's workforce in plants across the United States. Taylor tracks the program's performance on process measures such as use of screenings and clinical outcomes.

- **FedEx Express** integrates data from disease management and other vendors to track results and design improvements to its programs. Based on data showing that few participants in the diabetes management program were receiving dilated eye exams to detect a common but preventable complication of the condition, the company created an incentive that substantially increased use of the screening (see sidebar, page 16).

Many companies include disease management strategies in their integrated health and wellness programs. For example, **Corning** identifies chronic disease management on the company's Health Care Continuum. **ExxonMobil Corporation**, **Schering-Plough**, **Owens Corning** and **Pactiv Corporation** are among the companies that report that they have recently added or plan to add disease management components to their wellness programs.

Although participation in disease management programs usually is voluntary, some companies offer incentives for participating. For example, along with a $200 medical premium reduction for taking an HRA, **McKesson Corporation** offers additional incentive dollars to employees who complete a health improvement or disease management program.

Texas Instruments: Managing Risks beyond Disease

Like many companies, Texas Instruments contracts with an outside vendor to identify employees to participate in disease management programs and deliver the appropriate services.

"What makes us uncommon is that our identification is not based on costs alone — but on a combination of costs and potential risks based on a variety of factors, including employees' use of medical and pharmacy services and disability data along with their diagnosis," says Linda Moon, manager, wellness and health management. "As a result, we can identify employees whose utilization might not be in the highest cost range, but their combination of medical conditions might put them at higher risk."

On the other hand, she notes, some employees diagnosed with diabetes may be managing their diseases well, so they would not be identified to participate in the program. "These people would not be high risks, so why would we spend that money?

"We also don't focus solely on disease," adds Moon. "Our program is more behavioral or holistic. For example, people with some conditions tend to have certain comorbidities — like diabetes is often seen with cardiovascular disease. Our program is about identifying employees on the basis of total health risks for all diseases and reaching out to talk about their quality of health in all those areas."

Moon notes that many people with multiple risks or conditions already are aware of what they can do to improve or manage them. "So the issue isn't determining what they should be doing, but determining why they're not doing it. That takes a skill set that digs deeper than 'did you keep your doctor's appointment?'"

Changing behavior at that level also is an opportunity to engage with the family, especially the spouse. "There may need to be changes in the family's lifestyle involving diet or exercise. Or both the employee and the spouse should know what questions to ask the doctor," says Moon.

Texas Instruments considered designing its own disease management program along these lines but was pleased to find a contractor who shared its philosophy, says Moon. "We don't identify the condition, we identify the people who need help."

Support for Healthier Lifestyles

"We look upon food service as a health promotion opportunity, not a dining experience."

—Michael L. Taylor, M.D., medical director for health promotion, Caterpillar

For many companies, programs aimed at lifestyle improvements, such as increasing physical activity, managing weight, quitting smoking or reducing stress, have been traditional points of entry into wellness, and they remain among the most popular offerings. Of the Business Roundtable companies that responded to the Wellness Survey, 85 percent offer a weight management program, 74 percent offer a smoking cessation program, 73 percent offer an on-site workout facility, 66 percent offer organized wellness activities that promote physical exercise, and 47 percent provide on-site massages or another stress-reduction program.

As companies become more sophisticated about tracking the costs associated with these lifestyle-related conditions as well as the effectiveness of interventions, they also are increasingly creative in how they design their programs — using HRAs, predictive modeling and other tools to identify high-risk populations; using incentives, readiness to change and personal goal-setting strategies to encourage participation; providing personal coaching, tracking and other approaches to customize interventions and feedback; and closely integrating their programs with the corporate culture. Following is a sampling of ways that Business Roundtable members have added their signatures to healthier lifestyle programs.

- In **Navistar's** companywide challenge, Trucking Across North America, employee teams from 26 company sites use a Web-based tracking tool to track their physical activity for 13 weeks. Employees use a pedometer to add up miles walked or run to a virtual destination. They get credit for all forms of physical activity from gardening to running, and receive bonus miles for other beneficial activities like community service or getting a flu shot, according to Dawn Weddle, wellness manager. Plenty of incentives and rewards keep the competition interesting; the winning team also keeps a traveling trophy for the year along with a letter of congratulations from the CEO.
- **Sprint Nextel** turned its weight management initiative into a highly successful team-building event, reports Collier Case, director, health and productivity. Approximately 3,200 employees signed up for a 10-week program that combined friendly competition, weight-loss goals and physical activity. Employees assembled four-person teams, registered online and tracked their workouts. Most teams also had weekly weigh-ins, reports Case.

  Every employee who participated received a sports bottle, and teams that met their goals were eligible for eight cash drawings of up to $100 for each team member. "People appreciated the opportunity to do something different," says Case. "They had just been through a merger, and this changed their focus a little bit, giving us a good reason to get out and take a walk, feel healthier and lose some weight."

- **Caterpillar** formed a partnership with its food service vendor to provide healthier choices in its employee cafeterias and vending machines. "Up to this point, their job was managing the dollars and cents and the quality. Now, they are part of our change model, and their job is to provide healthier alternatives," says Michael L. Taylor, M.D., medical director for health promotion. Caterpillar also made corporate food service a division of its integrated Healthy Balance program.

  Company cafeterias now offer nutritious Lunch for Less entrees at lower prices and supported by signage. The vendor also provides nutrition labeling and uses more healthful ingredients. "We did this before it became popular," reports Taylor. "We told our vendor this would become a competitive advantage for them and it has — now they are replicating it with other companies."

- **Boeing**'s telephonic tobacco cessation program uses Web integration and special programming to help employees control their weight while they attempt to quit smoking, reports Michael Brennan, wellness programs manager. "Our program serves all employees at all sites globally, and we continue to attract at least 2,000 new registrants annually," he writes.

  Boeing also pays one-third of the cost of employees' participation in a pilot Weight Watchers enhanced-for-business program. "So far, the results have been impressive," writes Brennan.

- **SAS** provides an extensive on-site services program that saves employees and their families time and money on necessary daily errands and amenities, reports Jack Poll, director, recreation and employee services. Popular offerings include a hair salon, skin care services, massage therapy, dry cleaning, alterations, car detailing, a podiatrist and a bakery.

Accenture: Bringing Work-Life Benefits Home

Accenture offers a menu of creative programs to help its consultants maintain a healthful balance in their work and personal lives. "Our company always has been interested in having our employees succeed personally as well as professionally," says Sharon Klun, manager of work/life initiatives. "And when you look at the long-term effects that mismanaging wellness can have on your health, it makes a compelling argument for providing that kind of benefit."

Most of Accenture's employees are consultants who work irregular hours and spend considerable time on the road, so the company extends backup dependent care services to children as well as elders, spouses and domestic partners. Services are available 24/7, says Klun. "A consultant might need child care at midnight while working on a report, so we think the service is a good investment in our people and the business. We encourage people to use the resource in ways that are valuable to them."

Accenture's holistic approach extends to career management and planning — especially career on- and off-ramps. For example, the company's Future Leave program allows employees to bank a percentage of their salary to self-fund planned sabbaticals of up to three months. Accenture continues to fund the employee's medical insurance during the sabbatical. Employees come back after dealing with what was important to them.

"Research tells us that top performers often value work-life balance more than compensation," says Klun. "Organizations need to think differently about where they're looking for answers. Work/life and wellness strategies provide healthy ways to help employees manage stress, take care of themselves, manage their lives and stay engaged in growing a successful organization."

Strategy: Make the Business Case for Wellness

"We don't consider it a cost because the net effect is to improve health, reduce overall health care costs and improve productivity impacting the bottom line."

—Deborah Lauper, director, compensation, integrated health and employee benefits, Corning

Wellness programs can involve a substantial investment. Of the Business Roundtable member companies that responded to the Wellness Survey, almost 40 percent spend more than $200,000 annually on their programs, and 20 percent spend at least $1 million.

Most companies that offer wellness programs believe that their investment pays generous returns, both financially and in terms of valuable intangibles, such as employee health and satisfaction. "We track the effectiveness of our program by evaluating the use of our programs by our employees and the feedback we get for our programs," says Jack Poll, director, recreation and employee services, **SAS.**

When it comes to estimating an ROI in terms of dollars and cents, however, many companies find the calculation harder to make. Although costs, such as salaries, vendor fees, facilities, equipment, assessment tools and volunteer time equivalents, are readily known, the value of improved health status is harder to reduce to numbers.

Jeanette Fuente, **Merrill Lynch** vice president of wellness, sums up the situation faced by many wellness professionals: "Although the program recognizes that promoting health and preventing disease save money through reduction in health claims costs, increased productivity and reduced absenteeism, it is difficult to systematically estimate those savings because of the complexity of accurately quantifying the savings from health behavior change, averting illness, early detection of disease or saving a life."

Still, Business Roundtable member companies are making significant efforts to track the ROI of their wellness programs, advancing the state of the science as they make a strong case for their programs. They include a growing number of companies that accompany launches of new or refocused integrated health plans with initiatives to track and analyze data that help them target at-risk employee populations, deliver appropriate services, and evaluate and refine their programs.

Calculating Dollar Return on Investment

Business Roundtable member companies use qualitative as well as quantitative program measures to place real dollar values on their program results. Following are some of their strategies.

- **MetLife** estimates the 10-year cost savings effect of regular exercise on reducing cardiovascular risk. An initial profile of 200 randomly selected fitness center members showed that 65 percent had low or no risk of cardiovascular disease, while 35 percent were in the high-risk category, writes James Corry, Ph.D., wellness director. Over time, the proportion of participants in the low- to no-risk categories increased to 90.4 percent, while the percentage of employees in the high-risk category dropped to less than 10 percent.

  With annual medical costs estimated at $1,166 for employees in low- or no-risk groups and $3,803 for higher-risk employees (those with three or more risk factors), MetLife estimated a savings of $1.38 million per year by improving the risk profiles of nearly 2,100 members in its fitness centers at the time of the study. Against annual fitness program costs of $550,000, this resulted in an estimated ROI of 2.52 for the fitness program, reports Corry.

- **Corning** measures ROI for programs in which the company has baseline costs and some years of data, reports Deborah Lauper, director of compensation, integrated health and employee benefits. "For example, our disease management program ROI is 3.7:1 over a two-year period, measuring health care costs for the participating group and tracking year after year.

  "Each program is measured separately and not always related directly to cost," adds Lauper. "We determine if the risk factors are improving from year to year and can quantify the estimated health care costs of various risk groups."

- **Prudential** tracks ROI based on the use of its on-site clinics, wellness programs, flu shots and ergonomic workstation assessments, writes Keith Winick, wellness coordinator. "Our return on investment for 2005 was approximately $4 million." The company will track short- and long-term benefits costs for employees who participate in the HRA, its wellness programs or both.

- With a self-funded, self-administered health plan, **Western & Southern** has its entire medical and prescription cost details, reports Laura Hauter, associate director, benefits department. The company is tracking medical and prescription drug costs related to its weight, diabetes and tobacco cessation programs and is in the process of measuring the return based on a net decrease in health care expenses.

- **Navistar** estimates the potential cost avoidance savings for seven key wellness programs, including disease management, its health club subsidy and its Trucking Across North America fitness incentive campaign at $6.2 million. "If we were to reach 100 percent participation, these savings could reach $19 million," reports Dawn Weddle, wellness manager.

- **W.W. Grainger** annually reviews its companywide claims history. The company targets programs such as disease management to address conditions associated with the greatest claims costs. The company plans to track those claims going forward to evaluate the impact of the program. W.W. Grainger also uses cost avoidance to evaluate the impact of some programs, such as carpal tunnel screenings performed by its health center nurses.

- **Principal Financial Group** has begun tracking ROI for its health screening and disease management programs, according to Bridget Schulz, assistant director, benefits. "We have had only one year since we've implemented health screenings, so the ROI is not positive yet at 0.51." Looking only at claims and not measuring lost productivity, ROI for disease management is 2.71, she reports.

  Principal does not look at every component of other programs and services, but it does look at some individual metrics. The company also looks at aggregate cost compared to savings, says Schulz.

- **Verizon**'s integrated program, launched in May 2006, includes methodology for measuring ROI by tracking reduction in health risks over three to five years.

Aetna: Returning the Investment in Fitness

Aetna measures ROI for its wellness programs using medical claims data and productivity studies using data from the Work Limitations Questionnaire, according to Dick Watson, senior benefits consultant, wellness strategy and fitness operations. In 2004, the company conducted a formal investigation of the relationship between health care costs and employee participation in Aetna's on-site fitness center during the previous year.

In the study, an Active Participating Group (fitness center participants who exercised two or more times a week) and a Total Participating Group (fitness center participants regardless of frequency of exercise) were each matched with a control group of fitness center nonparticipants by age, gender, state, job family code and medical product class. General Two-Sample T tests were used to compare the means for the Active Participating Group and the Total Participating Group to their respective matched control groups.

The study concluded that regular, active participation in Aetna's on-site fitness centers was associated with lower combined medical and pharmacy costs during 2003. On average, the Active Participating Group experienced total combined costs that were $28.30 lower per member per month than the matched control population, for an annualized savings of $340 per member. The Total Participating Group also showed a trend toward lower costs compared with the control group of nonparticipants. "Based on the results of this study, the ROI for the physical fitness component of the Healthy Lifestyles program is 3.4:1," Watson reports.

Working with Vendors

"Consistent with one of MetLife's core values — People Count — we engage our vendors to address health issues across the entire health spectrum, from high-level wellness to acute disease to chronic conditions."

—James Corry, Ph.D., wellness director, MetLife

Business Roundtable member companies are turning to disease management and other vendors to provide ROI and other cost-benefit metrics. Although this approach relieves the company of the burden of tracking and analyzing data, it may not always give the company a comprehensive, consistent or precise picture of the impact of the program.

"We work continuously with our vendors to evolve useful, accurate cost-benefit metrics," writes James Corry, Ph.D., wellness director, **MetLife.** "Given our health and productivity goals, however, these measures are not always perfect in capturing the full business impact of our health enhancement programs.

"For example, our vendors typically report on cost savings attributed to reduced use of medical services, more cost-effective drug selections or the use of equally effective but lower-cost alternative medical procedures. The cost-benefit ratios reported for medical savings alone have ranged from 1:2 up to 1:7.85," observes Corry. Adding reliable measures of productivity would make these estimates even more impressive.

Following is a sampling of ways that Business Roundtable companies work with vendors to track ROI.

- **Sprint** uses an integrated hierarchy of vendor-reported ROI for its complex case management, disease management and behavior change programs and for its HRA, according to Collier Case, director, health and productivity. The programs have produced results of up to 7.86 ROI, he reports.
- **Abbott**'s Custom Care Coordination program resulted in a $2.5 million cost avoidance, most significantly with coronary artery disease and cancer care, and affected the overall health care cost trend by 1.5 percent, reports Roberta Finkler, manager, wellness. Abbott measures ROI by evaluating medical trends by disease state as well as comparing baseline illness costs to post-program costs.
- "**Verizon** is beginning to review methodologies for disease management programs with our key health vendor partners," reports Audrietta Izlar, manager, benefits.
- **Xerox** has negotiated 2:1 return guarantees with its disease management vendors, reports Lawrence Becker, director, benefits and human resources policy. Guarantees include a sliding scale of penalties. "They are sharper below 1:1 and go away above 2:1," reports Becker.

- **Union Pacific** has just completed a data warehouse to track relationships among health management program participation and claims costs, disability costs and productivity costs. The company also has done lifestyle claims analyses as well as a series of studies to determine relationships between safety and health risks, according to Marcy Zauha, director, health and safety.

Business Roundtable companies also partner with outside resources, including leading researchers, to provide data, program design or other support to determine ROI. For example:

- **Navistar** recently partnered with researchers at the University of Michigan and plans to track ROI data for the coming year, reports Dawn Weddle, wellness manager.

Dow: Targeting ROI

Dow tracks three primary financial outcomes: cost per employee for medical benefits, presenteeism and absenteeism, writes Catherine Baase, M.D., global director, health services. To track presenteeism and absenteeism, the company uses annual survey data from a statistically random sample of employees from each country. Presenteeism is assessed using the Work Limitations Questionnaire. For both presenteeism and absenteeism, the company uses average salary as a proxy for financial impact.

In addition to the economic measures, Dow also tracks employee health status. Considering just the top three target risks of obesity, tobacco and physical activity, Dow trends from a 2004 baseline showed that in 2006, the company experienced a 14 percent reduction in its high-risk population and a 4 percent increase in the low-risk group.

Improving employee health status has significant value, Dow has found. In a study, "Estimating the Return-on-Investment from Changes in Employee Health Risks on The Dow Chemical Company's Health Care Costs," published in the *Journal of Occupational and Environmental Medicine,* the company estimated that reducing each of 10 risk factors by just 1 percent per year would result in an ROI of 3:1 — an estimated savings of more than $50 million in just the health benefits plan costs over the 10-year period.

"It is important to note that this ROI estimate assumes the only benefit is changes in direct dollar expenditures for health care," adds Baase. "We also expect that health risk reduction would result in indirect dollar savings of about the same magnitude, therefore increasing the ROI. The estimate also did not account for any intangible benefits, such as morale or recruiting."

Among its analyses of individual programs, Dow assessed the ROI of its internal "health advocacy" case management efforts by using disability guidelines to calculate lost days saved by supporting employees' return to health and return to work. "Across our U.S. sites in 2006, we estimate a savings of more than $6 million," writes Baase.

Other Measures to Track Program Effectiveness

Business Roundtable companies also use outcomes and other metrics to measure how well their programs are serving their employee populations.

- In addition to its ROI studies, **Aetna** measures the effectiveness of its programs through productivity studies using self-reported data; risk reduction studies using biometric data from health assessments and screenings; self-efficacy questionnaires using before-and-after results of selected wellness interventions; and literature-based savings based on participation in wellness interventions, according to Dick Watson, senior benefits consultant, wellness strategy and fitness operations.
- **Eastman Chemical Company** measures the impact on risk levels after participation in a face-to-face coaching program. Before-and-after risk levels are assessed, and a statistical significance test is run against the outcomes, according to Amanda Dean, human resources representative.
- **Case New Holland** tracks the number of employees who stop tobacco use at six-month and one-year intervals. The program has been in effect since October 2006.
- **CIGNA** uses individual program metrics including participation, costs, goals achieved, weight loss, HRA scores, multiple employee surveys on benefits and behavior change, biometric screening data, and results of incentives for enrollment and participation in disease management programs, reports Mary Bianchi, director, work/life programs. The company will analyze data from claims and outcomes post-intervention.
- The wellness program at **DuPont**'s Pioneer facility supports four key company market channels: maximum employee engagement/capability; attraction and retention of a world-class workforce; quality, efficiency and sustainable affordability of health care; and the safety goal of zero occupational injuries or illnesses.

  To measure wellness program impact on the quality health care channel, Pioneer applied a three-tiered metric approach: Tier 1 — program payroll as a percentage of revenue; Tier 2 — health care cost trend; and Tier 3 — health care benchmarks, such as use of generic versus brand name prescription drugs, inappropriate visits to the emergency room, use of preventive screenings and change in employee health status.
- **IBM**'s goal is to measure success at four levels, reports Megan Turner, health promotion program coordinator. The levels are penetration as a measure of participation; behavior change, such as increased physical activity or improved nutrition; health risk reduction or maintenance of low-risk status; and cost savings for the company, including lower health care costs and improved productivity.
- **Sprint**'s cost-benefit measures include calculating and evaluating total medical costs, tracking changes in risk factor distribution and use of HEDIS® (Health Plan Employer Data and Information Set) metrics, reports Collier Case, director, health and productivity.

- **Principal Financial Group** is collecting baseline data for a dashboard to track costs, participation and results, says Bridget Schulz, assistant director, benefits.
- **Corning** uses dashboards to measure and compare year-to-year progress at each company location. Measures include risk factors, productivity, participation levels, use and program spending, reports Deborah Lauper, director, compensation, integrated health and employee benefits.

Merrill Lynch: Putting a Value on Savings

"Our wellness programs are supported by existing medical clinics and staff," says Jeanette Fuente, vice president, wellness.

"We monitor clinical outcomes and, to the extent possible, follow up with employees found at screening programs to have treatable conditions, such as skin cancer, breast cancer, high blood pressure or high blood cholesterol. [We follow] how health promotion programs impact employees' health risks. We also estimate time saved as a result of offering programs and services on-site."

In one demonstrated ROI, a survey of more than 1,500 Merrill Lynch employees who participated in health promotion, wellness and clinical care programs in 2004 found an average per-employee savings of more than four hours of productivity. Estimating 20,000 visits and an average salary of $40 per hour, the company arrives at an estimated savings of $3.2 million for the year.

"Keeping employees healthy is good business, and it contributes to the company's bottom line — not only in health dollars saved but in positive corporate image, increased employee morale, and enhanced recruitment and retention," says Fuente.

Acknowledgments

We thank these Business Roundtable member companies for participating in the survey.

Abbott Laboratories

Accenture Ltd.

ADP

Aetna Inc.

Air Products and Chemicals, Inc.

AK Steel Corporation

Alcoa Inc.

American Electric Power Company, Inc.

American Express Company

Ameriprise Financial

Applera Corporation

Arch Coal, Inc.

ArvinMeritor, Inc.

Avery Dennison Corporation

Bechtel Group, Inc.

The Boeing Company

Case New Holland Inc.

Caterpillar Inc.

Ceridian Corporation

The Chubb Corporation

CIGNA Corporation

Convergys Corporation

Con-way Incorporated

Corning Incorporated

CSX Corporation

Deere & Company

The Dow Chemical Company

Duke Energy

DuPont

Eastman Chemical Company

Eaton Corporation

Ernst & Young, L.L.P.

ExxonMobil Corporation

FedEx Corporation

Fluor Corporation

FMC Corporation

General Mills, Inc.

General Motors Corporation

Humana Inc.

IBM Corporation

Liberty Mutual Group

The McGraw-Hill Companies

McKesson Corporation

Medco Health Solutions, Inc.

Merrill Lynch & Company, Inc.

MetLife, Inc.

National Gypsum Company

Navistar International Corporation

New York Life Insurance Company

Northwestern Mutual Life Insurance Company

Office Depot, Inc.

Owens Corning Inc.

Pactiv Corporation

Peabody Energy Corporation

PPG Industries, Inc.

Principal Financial Group

Prudential Financial

SAP America, Inc.

SAS Institute Inc.

Schering-Plough Corporation

Southern Company

Springs Global US, Inc.

Sprint Nextel

The St. Paul Travelers Companies, Inc.

State Farm Insurance Companies

Sun Microsystems

Texas Instruments Incorporated

Union Pacific Corporation

Verizon Communications

W.W. Grainger, Inc.

Western & Southern Financial Group

Weyerhaeuser Company

Wyeth

Xerox Corporation

YRC Worldwide Inc.

We thank the following people for providing interviews or extensive written contributions to the narrative portion of this report.

Catherine Baase, M.D., global director, health services, *The Dow Chemical Company*

Lawrence Becker, director, benefits and human resources policy, *Xerox Corporation*

Mary Bianchi, director, work/life programs, *CIGNA Corporation*

Michael Brennan, wellness programs manager, *The Boeing Company*

Collier Case, director, health and productivity, *Sprint Nextel*

Beth Casteel, managing director, employee benefits, health, and communications, *FedEx Express, an operating unit of FedEx Corporation*

Tom Coogan, director, employee benefits, *Case New Holland Inc.*

James Corry, Ph.D, wellness director, *MetLife, Inc.*

Amanda Dean, human resources representative, *Eastman Chemical Company*

Elona DeGooyer, consultant, human resources, *Humana Inc.*

Ralph Fader, staff consultant, benefits, *Verizon Communications*

Roberta Finkler, manager, wellness, *Abbott Laboratories*

Jeanette Fuente, vice president, wellness, *Merrill Lynch & Company, Inc.*

Ken Glover, director, health and ergonomics, *CSX Corporation*

Karen Seal Grafe, manager, health and wellness communications, *General Mills, Inc.*

Laura Hauter, associate director, benefits department, *Western & Southern Financial Group*

Karen Jenkins, senior human resources associate, *American Electric Power Company, Inc.*

Audrietta Izlar, manager, benefits, *Verizon Communications*

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