

Survey Findings

The Road Ahead: Under Construction With Increasing Tolls 2010

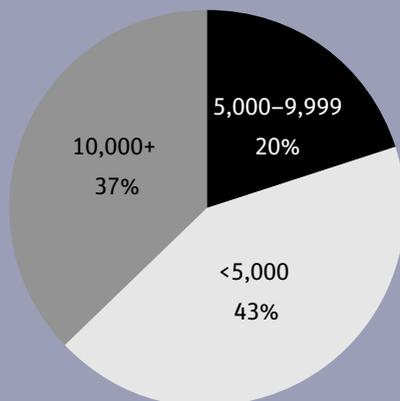


About This Survey

For more than two decades, Hewitt Associates' health care survey has tracked employer health care practices, benefit programs, and efforts to provide and manage workforce health benefits. This report, *The Road Ahead: Under Construction With Increasing Tolls*, highlights employer-sponsored health care programs and other benefits including short- and long-term cost trends, strategy, and design features drawing from *The Road Ahead—Emerging Health Trends 2010* survey.

The 2010 database represents nearly 600 individual employer-provided health benefit programs with approximately 350 being among the nation's largest employers. These companies provide health care coverage to more than 10 million U.S. employees and dependents, representing a broad spectrum of industries and a significant force for change in the health care marketplace. Responses were collected in December 2009–January 2010 and reflect the surveyed companies' current health plan decisions, as well as strategies for the next three to five years.

Number of U.S. Benefit-Eligible Employees



Industries Represented

- Aerospace/Defense
- Auto/Transport Manufacturing
- Banking/Investment/Real Estate
- Business Services/Legal
- Chemicals
- Computer/High-Tech
- Consumer Products Manufacturing
- Diversified Manufacturing
- Education
- Energy/Utilities
- Engineering/Construction
- Financial Services
- Food/Beverage
- Government
- Health Care
- Industrial Manufacturing
- Insurance
- Leisure/Hospital/Restaurant
- Media/Entertainment
- Retail
- Pharmaceuticals
- Telecom Equipment/Services
- Transportation Services

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Executive Summary

After several decades, our nation has passed new legislation aimed at improving the future of America's health care system. The basic facts are generally understood—costs are increasing at unsustainable rates; millions of Americans are “uninsured”; those who are insured face higher out-of-pocket costs; and the American public is heavier, more sedentary, and more prone to expensive and debilitating chronic conditions. While the new laws aim to help improve these trends, the reality is America's health care system remains in a very challenging state, and it will likely take some time before these trends begin to improve. In addition to government actions, employers are moving forward with their health care agendas. Increasing health care costs and the value of workforce health are primary business concerns that have taken center stage in response to tightened budgets, an aging workforce, and growing rates of chronic disease.

Despite these challenges, the vast majority of companies remain committed to providing employee health care benefits. However, as cost pressures intensify, organizations are seeking new strategies that will produce the best return from their health care investments—both reducing cost, and improving the health and productivity of their workforce. To evaluate the strategic direction employers plan to take in the immediate future, as well as emerging long-term trends, Hewitt conducted its annual health care survey, *The Road Ahead—Emerging Health Trends 2010*. As in years past, the survey collected directional data about cost trends, strategy, and design features of employer-provided health care and other benefits.

Given recent health care reform and the continued sluggish state of the economy, the survey also collected employer perspectives on issues related to health care reform and the effects of the economic downturn on employer benefit plans. These questions, in combination with those on overall strategy and planning, helped us unlock what we can expect from employers in 2010, as well as over the next few years. Results of the study indicate the following:

Employers Are Beginning to Explore New Approaches

Employers do not see sustainable relief from increasing costs using traditional methods and are beginning to explore new approaches that can potentially alter the current health care landscape—but there is much work to be done before sustainable, positive change can be realized. There is a growing recognition that newer programs and tactics, tailored to an employer's specific workforce needs, provide the best opportunity to lay the groundwork for a different future. These organizations realize that taking clear, measurable actions today will position them to achieve significant positive results.

Not All Are Paving the Way for a New Direction

Perhaps due to reform issues, not all companies are paving the way for a new direction in employer-provided health care. The majority of organizations seem far more receptive to short-term tactics than proactive, longer-term strategic approaches to addressing these growing concerns. The health care challenges employers face today require broad, bold, and sustained actions through a series of measured steps.

Most Organizations Plan to Accelerate Onto the Superhighway

Despite the current economy, four out of five employers (80 percent) plan to accelerate onto the “Superhighway” over the next three to five years—defined as making significant investments in long-term solutions aimed at improving the health and productivity of their workforces. While the majority of employers align their health care strategy with the Superhighway mentality, results indicate that this direction may be aspirational rather than strongly linked to the behaviors, tactics, and goals associated with this type of strategy. The opportunity to improve health care outcomes results from better alignment of current health care tactics, approaches, and priorities to the business strategy, which is where most organizations fall short.

Key Priorities Focus on Managing Cost and Improving Health

“Managing cost” and “keeping employees healthy” remain employers’ top business and workforce issues for 2010. Survey results indicate that employers will continue to shoulder most of the health care cost burden over the next few years. However, with the cost of providing this benefit continuing to rise, employers are planning to shift some of this cost to employees. “Increasing employee cost sharing” was for the first time ranked as one of the top five primary health care tactic priorities over the next three to five years. However, shifting costs is a short-term solution and does not address the underlying problems or long-term sustainability.

Health Care Strategies Are Not Aligned With Business Priorities

While 80 percent of respondents believe their organization is accelerating onto the Superhighway, many are doing so without a map or clear destination. Fewer than one-half of employers reported having a formal health care strategic plan in place, and current and future health care plans focus on offering “competitive benefits in the marketplace.” However, this strategy does not align well with the reported top business priority of “managing cost”—demonstrating a clear disconnect between human resource benefit goals and overall business objectives.

Carrots and Sticks Are Being Used to Drive Behavior Change

One of the more transformational survey findings is that employers are showing far more of an appetite for using incentives and/or penalties as a means of motivating employee behavior change with the potential to improve outcomes and reduce costs. Employers are beginning to move toward a combined carrot-and-stick approach, but they’ll have to broaden the tactics they use to achieve sustained behavior change. The rapid growth in employers’ willingness to impose penalties suggests that employers will be increasingly requiring of employees, and potentially their dependents, over the next few years.

Higher Demands for Data and Analytics to Drive Health Care Strategy

There is strong interest from employers in using analytics/measurable data to drive health care strategy and ultimately employee behavior change. However, the types of methods used to evaluate program effectiveness and success need to evolve to support these efforts. Today, more than one-half of employers primarily use traditional measures (e.g., program utilization metrics), which are easiest to use in terms of measuring transactions but do not necessarily provide the understanding needed to evaluate outcomes or program effectiveness. Vendors beware—as employers implement new innovative health programs, they’ll be looking for more sophisticated measures to evaluate their effectiveness.

Employers Prepare to Comply With New Health Care Reform Requirements

At the time this survey was administered, it was unclear what the outcome of health care reform would be. That being said, our survey respondents made several things clear. Universal coverage was favored by most employers, although about one-half were hopeful that reform would include a combination of an employer and individual coverage mandate. Employers believe the employer-sponsored system will endure even when health care reform is enacted—though competitive dynamics would likely play a large part in their decisions. And lastly, while employers support legislative efforts, they believe the area in most need of reform—medical malpractice—was not seriously addressed by Congress. Although health care reform legislation is enacted in 2010, it’s clear that employers and their employees will continue to face significant cost challenges in the years ahead.

The remainder of this report expands further on the health care trends employers have identified that will influence the industry in the immediate future as well as over the next three to five years.

Survey Results Section I: Strategy and Planning

Strategic Direction

For the past four years, Hewitt has examined the “roads” available to employers as they consider their role in the increasingly challenged state of the U.S. health care system. In 2008, organizations showed a migration toward the “Superhighway,” reporting their organizations were focused on long-term solutions aimed at improving the health and productivity of their workforces. However, in 2009, organizations reported pulling back slightly on this direction, focusing on short-term fixes primarily aimed at reducing medical cost alone (Stop Light-to-Stop Light)—with some having plans to move away from directly sponsoring health care benefits (Exit Ramp).

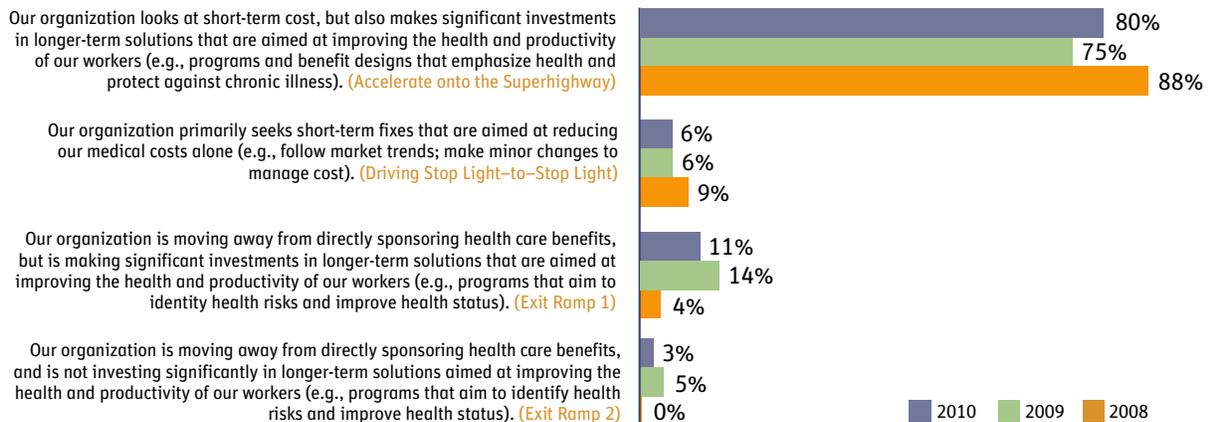
After a one-year lull, there appears to be a resurgence in the number of employers who intend on accelerating onto the Superhighway over the next three to five years (80 percent)—a 5 percentage point increase from last year. At the other end of the spectrum, fewer than one-fifth

(14 percent) of organizations report that if given the chance they’ll move away from directly sponsoring health care benefits (Exit Ramp) over the next three to five years—a 5 percentage point **decrease** from 2009.

Accelerating onto the Superhighway— beware of the potholes

While the majority of participants described their organization’s approach to health care strategy as aligned with the Superhighway mentality, results from the study indicate that this direction may be aspirational rather than strongly linked to the behaviors, tactics, and goals associated with this type of strategy. The opportunity to improve health care outcomes results from better alignment of current health care tactics, approaches, and priorities to the business strategy, which is where most organizations fall short.

Employers’ Approaches to Health Care Benefit Strategy Over the Next Three to Five Years





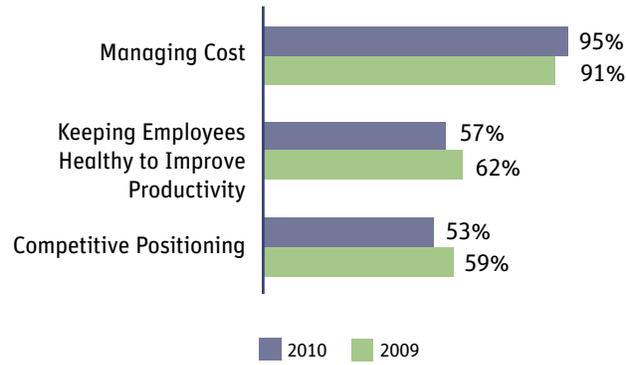
While 80 percent of respondents believe their organization is accelerating onto the Superhighway, many are doing so without a map or clear destination. Only 42 percent of employers report having a formal health care policy or strategic plan in place. This is a slight improvement, up 10 percentage points compared to just 32 percent in 2007. Employers say they want to be far more involved in the health and productivity of their workforces, yet survey data suggest they have not been very planful in doing so. While the trend is heading in the right direction, more than one-half of organizations (58 percent) continue to report they do not have a formal policy or strategic plan for their employee health care program. As a result, many organizations take reactive versus strategic approaches to generating more value from limited or shrinking budget pools. Increased formalized

planning is critical to ensure that progress toward achieving plan goals is being monitored and that appropriate strategic adjustments are made to account for changing business and workforce conditions.

Key Business and Workforce Issues

The top business and workforce issues have remained similar over the last several years. “Managing cost” and “keeping employees healthy” to improve productivity continue to be employers’ top business and workforce issues for 2010. In fact, “keeping employees healthy” has been the number one workforce issue for the last two years. These results, along with responses to other survey questions, point toward a trend where employers are more requiring of employees and their health.

Top Business Issues



Top Workforce Issues



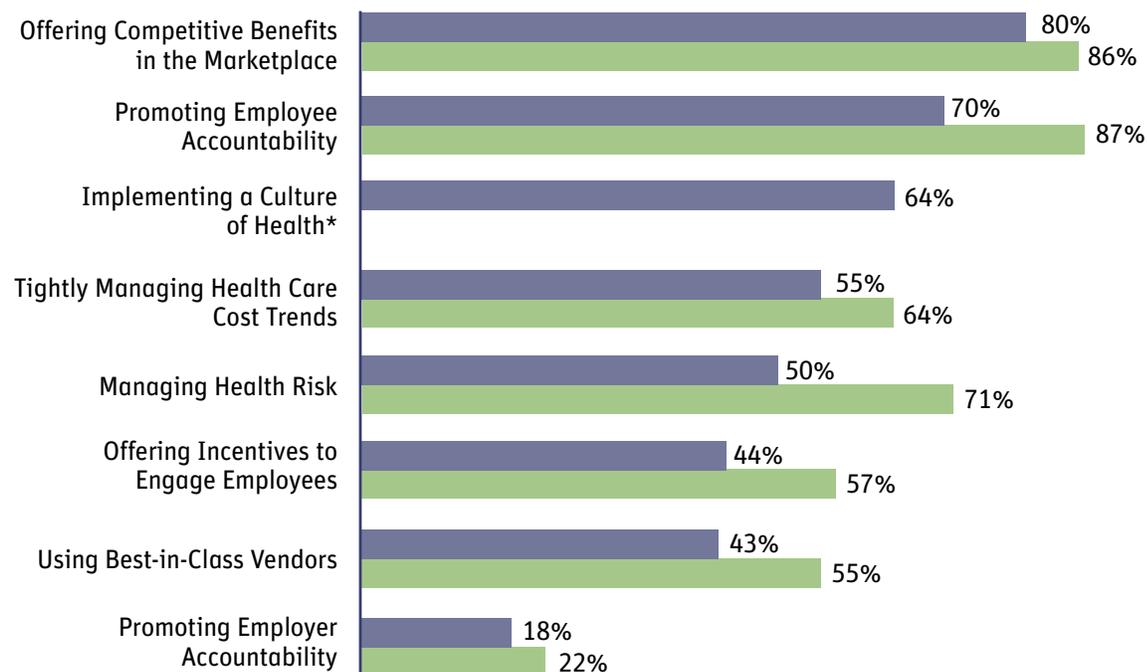
However, to manage costs long term, organizations will need to be more forward-looking in their health care strategies. This will require longer planning cycles, protecting against catastrophic losses, targeting specific conditions, effective communication with employees and dependents, and strong leadership support. Interestingly, only one-fifth of participants (21 percent) identified that they have a C-Suite level mandate to address health care. Leadership today appears to be more interested in cost reduction and benchmarking versus embracing a philosophy of improving workforce health. Companies that prepare and invest in initiatives now and actively promote them will be best positioned later to reap the benefits.

Health care strategies not aligned with business priorities

Health Care Strategy Components

Current and future health care plans reflect employers’ primary interest in offering “competitive benefits in the marketplace,” with four out of five employers (80 percent) identifying this as a key component of their health care strategy. However, this strategy does not align well with the reported top business priority of “managing cost”—demonstrating a clear disconnect between human resources benefit goals and overall business objectives.

Components of Health Care Strategy



*New data point for 2010

■ 2010 ■ 2009

Organizations' ability to attract and retain the right talent depends greatly on their ability to offer a competitive total rewards package—including medical benefits. To accomplish this, employers are challenging employees to take on more responsibility for their own health and seeking new methods to help them do so. Roughly two-thirds of employers identify “promoting employee accountability” and “implementing a culture of health” among their top three health and prevention strategy components.

Health Care Tactic Priorities

Employers are addressing cost and key health drivers through a variety of other health care tactics—from offering incentives to motivate sustained behavior change to executing efficient health care purchases and providing health and productivity management programs. The top-priority tactic for the third consecutive year is “utilizing health care data and measurement to drive health care strategy,” indicating a strong interest from employers in using analytics and measurable data to drive health care strategy and ultimately employee behavior change.

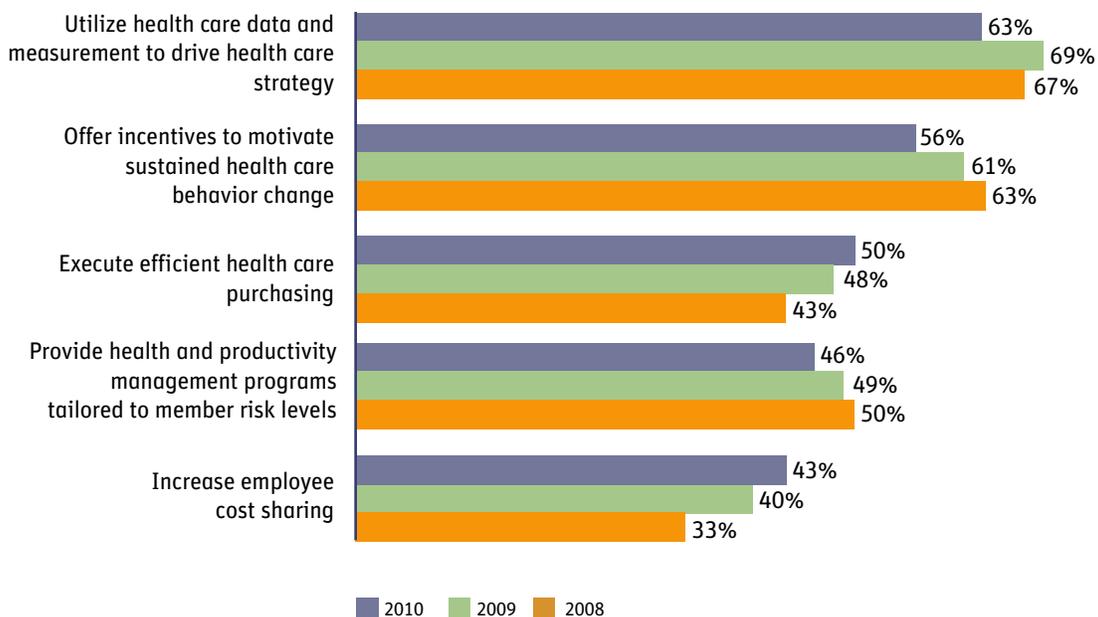
Utilizing measurable data and analytics to drive health care strategy and behavior change

Unfortunately, most companies have a way to go in this area before they can truly measure and evaluate plan performance in a way that will increase their ability to transform raw, measurable data into actionable information. Organizations not only need access to the right data at the right time, but also need to understand how to use it in order to effectively contribute to the overall

health care strategy, establish targets/benchmarks, measure success, and implement changes to achieve continuous outcome improvements.

With the cost of providing health care benefits continuing to rise, employers are planning to shift some of this cost to employees. “Increasing employee cost sharing” was for the first time ranked as one of the top five primary health care tactic priorities over the next three to five years. However, shifting costs is a short-term solution and does not address underlying problems or long-term sustainability.

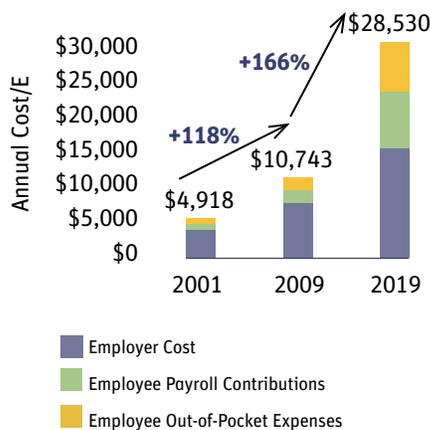
Top-Ranking Health Care Tactics Over the Next Three to Five Years



Survey Results Section II: Cost Trends

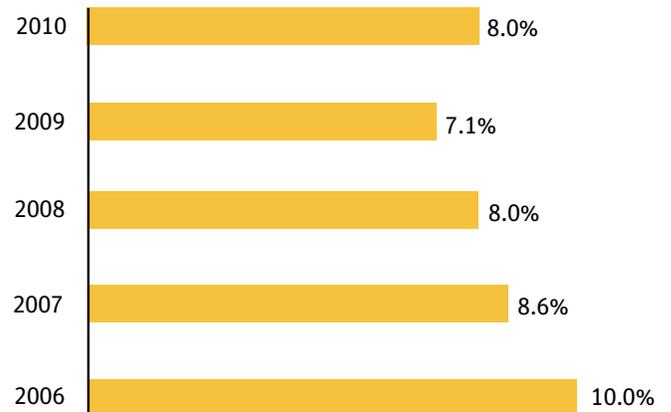
In a recent report, “Health Care Reform: Creating a Sustainable Health Care Marketplace,” the Business Roundtable, in partnership with Hewitt Associates, concluded that employers will spend an average of \$28,530 per employee per year by 2019 unless substantial changes to the way health care is delivered and financed are implemented. And, the health care reform bill recently passed does relatively little to change this picture. Even with health care reform, employers still need to figure out how they’re going to deal with this trend.

Without Change, Per-Employee Health Costs Will Nearly Triple in 10 Years; but Less Than Half if at CPI Rate



Source: “Health Care Reform: The Perils of Interaction and the Promises of Effective Action,” Hewitt Associates in partnership with Business Roundtable (BRT), September 2009.

Average Overall Annual Employer-Reported Health Care Cost Increases

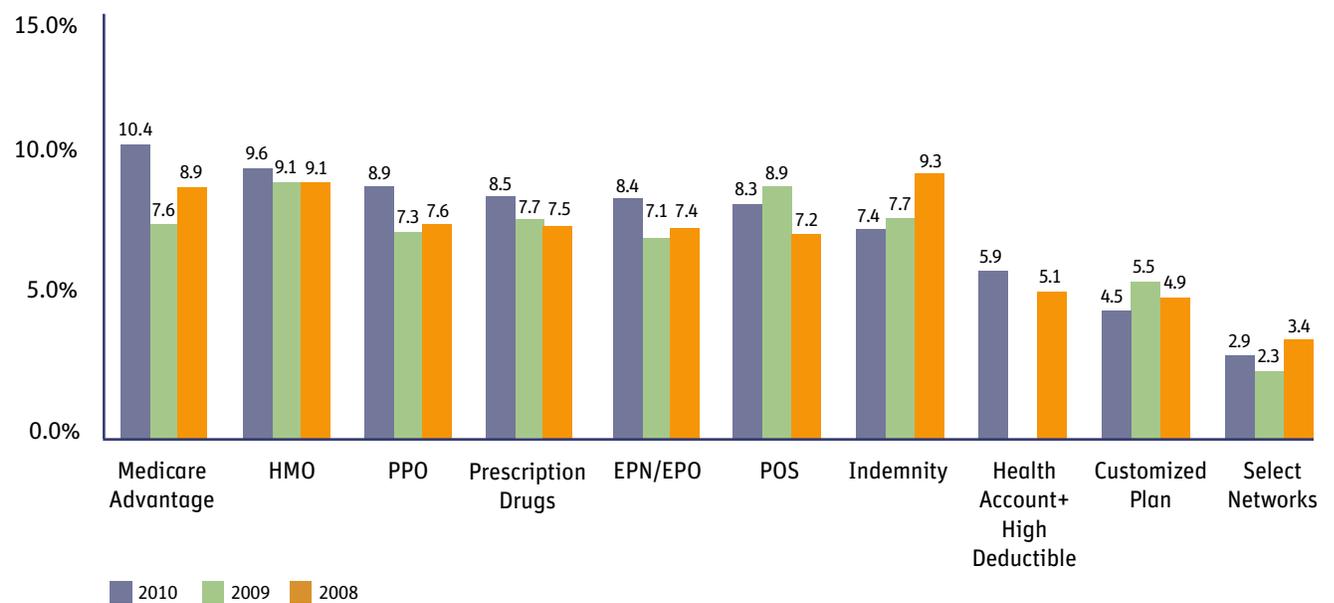


Employer-reported health care cost trends had been trending downward since 2006; however, this trend is beginning to reverse. Employers now report an overall anticipated plan cost increase for 2010 of 8 percent, a slight increase from 7.1 percent in 2009. Actual year-over-year cost increases, after design changes and vendor consolidation, have run more favorably than employers anticipated, with increases of 6 percent per year from 2008 to 2010, per the Hewitt Health Value Initiative™.

The plans with the highest employer-reported cost increases include Medicare Advantage and HMO plans (over 9 percent). However, not all plan types are experiencing high cost increases. Health

account and high-deductible plans, along with customized plans and select (narrow) networks, have all reported below 6 percent increases for the past three years.

Employer-Reported Three-Year Cost Increases by Plan Type



Survey Results Section III: Employer Plans and Actions

Laying the Groundwork for the Future

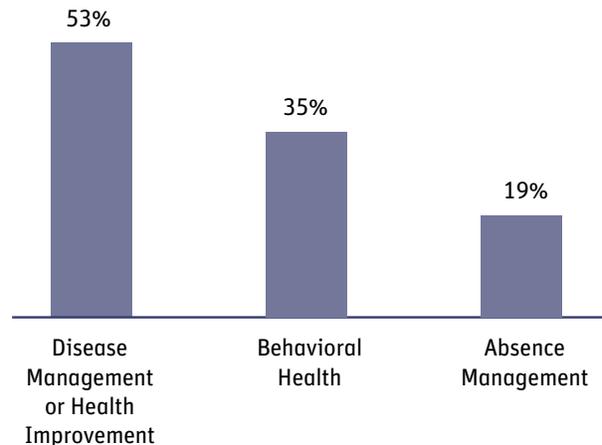
Despite a general disconnect between goals and business objectives, survey results suggest there is a growing recognition among employers that programs and tactics, tailored to employees' specific needs, will provide them with the best foundation for future change. These programs and tactics are often built on existing targeted initiatives. For example, inclusion of disease management/health improvement, behavioral health, and absence management programs as part of overall health and productivity strategies continues to rise with more than one-half of organizations who do not include these components indicating they'll be doing so over the next three to five years.

Employers are also showing acceleration on this pathway by offering more access to health improvement programs and targeting specific conditions. More than three-quarters (77 percent) of employers report targeting specific conditions, and in most cases more than one condition, with diabetes, cardiovascular disease, asthma, and obesity/weight being most prevalent. This year, employers showed higher interest (47 percent) in targeting weight and obesity—a 40 percentage point increase from last year.

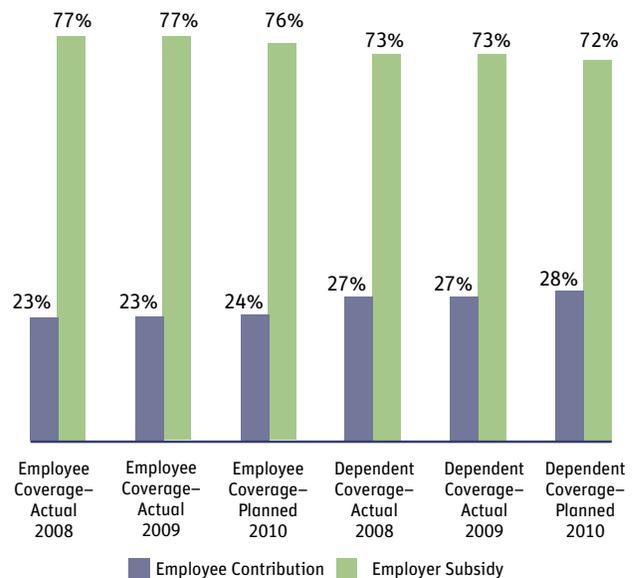
Controlling Employee Cost Sharing

Despite all indications that employers are planning to shift more cost to employees, survey results suggest employers will continue to shoulder most of the health care cost burden over the next few years. On average, the share of premiums paid by employees increased by only 1 percentage point over last year—from 23 percent to 24 percent.

Components of Health and Productivity Strategy



Employer Cost Sharing 2008 to 2010

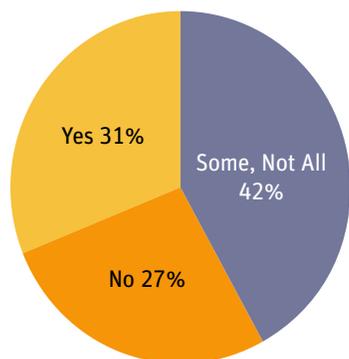


Utilizing Data and Analytics to Evaluate Program Success

Metrics and data analysis are critical components of a successful health care strategy. While employers show interest in using analytics/measurable data to drive their health care strategy, the types of methods used to evaluate program effectiveness and success need to evolve in order to support these efforts.

So what are employers doing to measure the success and effectiveness of their health care programs? Today, more than one-half of employers primarily use basic, traditional measures such as medical cost trend reduction (58 percent) and program utilization metrics (57 percent), which are easiest to use in terms of measuring transactions but do not necessarily provide the understanding needed to evaluate outcomes and program effectiveness, or ultimately drive health care strategy.

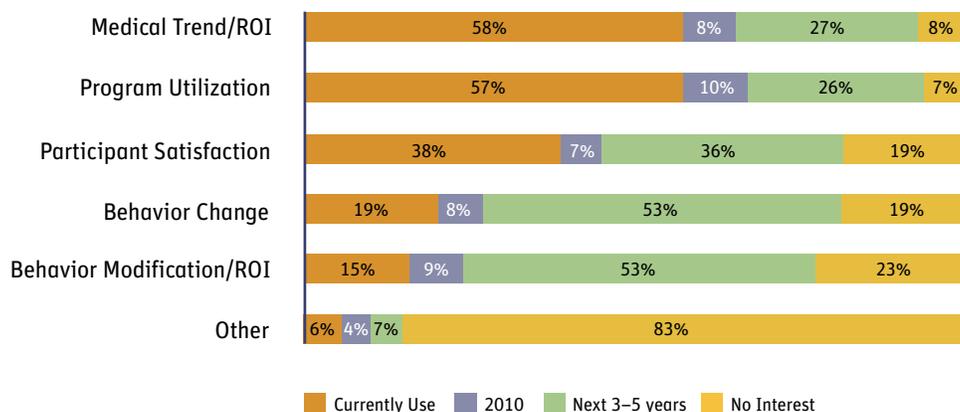
Comprehensive Reporting



More than two-thirds (69 percent) of employers do not regularly receive comprehensive reporting on their health and productivity programs. Most organizations say they want a data-driven strategy, but without comprehensive reporting, they simply don't have the necessary information for strategic planning purposes.

Fewer than one in five employers measure employee behavior change or behavioral modification when determining the success of their health and productivity programs—further demonstrating the need for other types of measures (e.g., health risk data, attitudinal/segmentation data, benchmarking data). However, more than one-half (53 percent) do plan to measure these types of factors over the next three to five years. While 85 percent of employers do not currently measure the effectiveness of their health improvement programs through any formal scorecard system, they'll likely begin doing so over the next few years—indicating employers are beginning to think beyond short-term financial tactics.

Success Measures



Survey Results Section IV: Health and Productivity

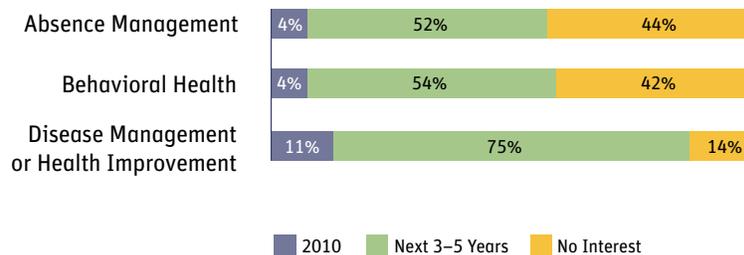
Culture of Health Is Emerging

While still emerging, there's an increasing interest among employers in taking a holistic approach to improving both the physical and mental health of their workforces. This includes offering a comprehensive set of programs that span the entire health continuum from disease management/health improvement programs to incorporating behavioral health and absence management programs into their health and productivity strategy. Today, 53 percent of organizations incorporate a disease management or health improvement program as part of their health and productivity strategy. Of the remaining employers, 86 percent plan to include this component in their strategy over the next three to five years. More than one-half of organizations also plan to include absence management and behavioral health in their strategy over the next three to five years.

Increased focus on improving both physical and mental health

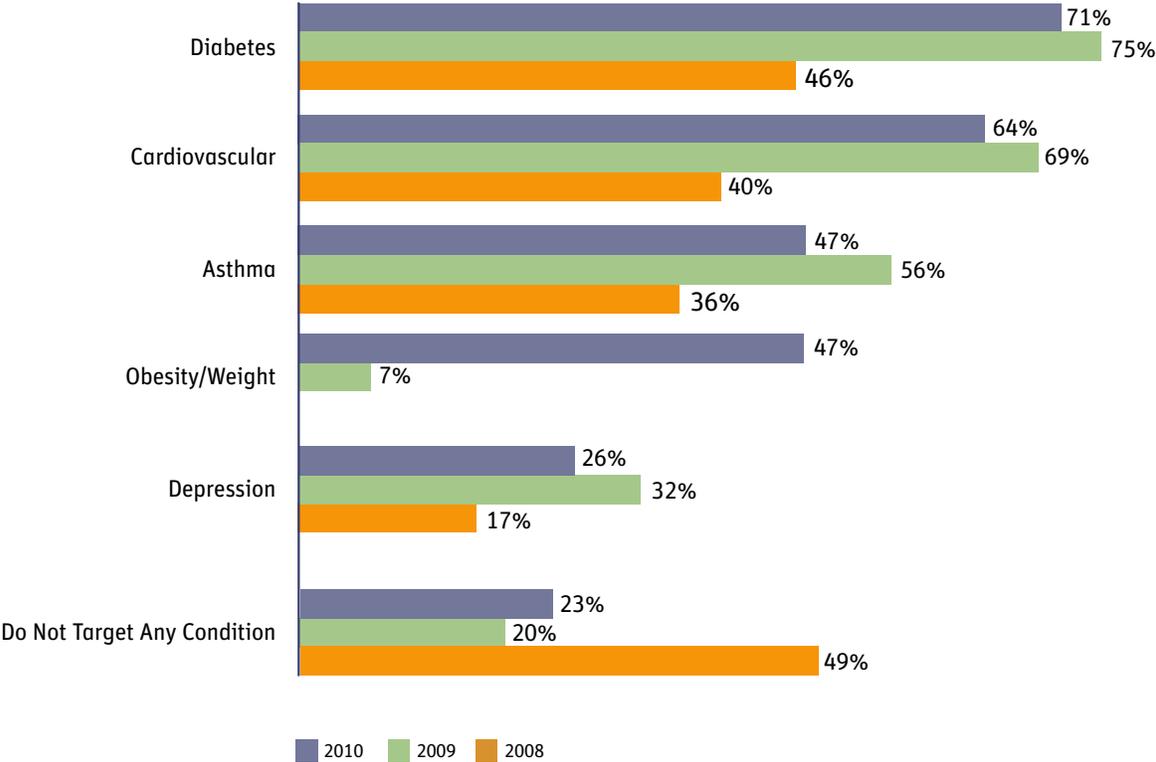
Further supporting the emergence of a culture of health is the continued targeting of specific health conditions and offering employees and dependents various health programs. More than three-quarters (77 percent) of companies report targeting one or more specific health conditions for their workforce population. Diabetes, cardiovascular disease, and asthma are most popular, with weight and obesity programs gaining more traction (47 percent in 2010 versus 7 percent in 2009). Fewer than one-quarter of companies report **not** targeting any specific conditions, a 26 percentage point decrease from 2008.

Future Plans to Include in Formal Strategy*



* Chart above includes only organizations that do not currently include disease management, behavioral health, or absence management in their strategy.

Health Conditions Targeted by Employers



While employers have continued offering various health programs to employees and their dependents, the number of programs offered is smaller than reported in previous years. Furthermore, program participation and satisfaction levels are not as high as expected—indicating there’s room for improvement in this area. As employees and dependents increase their responsibility for living healthier lifestyles and making decisions about their health care, it’s critical that they be familiar with the health care system and understand programs and health care options available in order

for them to become informed health care consumers.

Employers can assist with these efforts by focusing on personalized messages (e.g., reminders encouraging preventive screenings/procedures), integrating vendors to improve delivery of information, and creating a culture of health in the workplace by having senior leaders visibly support the importance of health to drive employees to participate and engage in efforts to improve their health.

Employer-Sponsored Health Programs

	Percentage of Companies Offering Programs in 2009	Percentage Eligible Who Participated (Average)	Level of Satisfaction			
			Highly Satisfied	Satisfied	Somewhat Satisfied	Not Satisfied
Flu shots	81%	39%	38%	48%	11%	3%
Health risk questionnaire	66%	39%	14%	45%	26%	15%
Nurseline	66%	13%	9%	52%	25%	14%
Disease/condition management	66%	17%	6%	47%	34%	13%
Online health information and cost tools	55%	26%	6%	49%	32%	13%
Smoking cessation	51%	8%	8%	48%	27%	17%
Biometrics screening	42%	38%	28%	46%	20%	6%
Telephonic health improvement coaching	41%	14%	6%	47%	26%	21%
Weight management	39%	9%	13%	45%	28%	14%
On-site fitness center	32%	20%	27%	56%	13%	5%
Physical fitness program	26%	20%	16%	56%	23%	5%
Stress reduction	22%	11%	6%	59%	27%	9%
Nutrition	20%	10%	9%	54%	27%	10%
Substance abuse	18%	7%	11%	66%	21%	2%
Health/clinical advocacy	17%	15%	11%	58%	21%	11%
Online/Web live-chat health improvement coaching	16%	8%	5%	47%	30%	17%
On-site medical clinic	16%	27%	35%	50%	15%	0%
On-site EAP	13%	14%	32%	54%	10%	4%
On-site pharmacy	7%	26%	22%	71%	7%	0%
On-site health coach	5%	23%	31%	52%	10%	7%

Challenges and Barriers to Decision Making

According to employer perspectives, employees' primary obstacles to making informed health care decisions are lack of awareness and relying too heavily on their doctors to make decisions regarding their care. Employers also believe health care information is too difficult to understand and financial sacrifices are not a priority for employees. These employer-reported top challenges for employees are unchanged from last year.

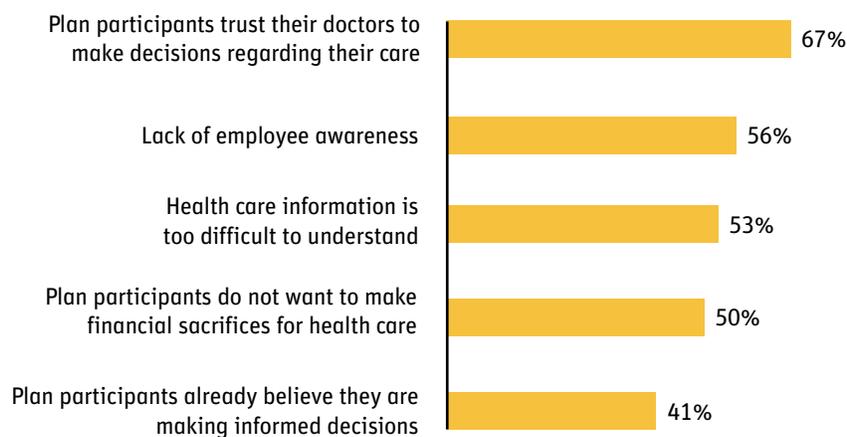
Changing employee behaviors related to health (e.g., encouraging employees to live healthier lifestyles and manage chronic conditions) will continue to be top of mind for employers over the next several years. As of now, organizations have made limited inroads to promoting and sustaining employee engagement in healthy behaviors but are showing growing interest in establishing incentives and requirements for compliance with desired behaviors.

Incentives and Penalties to Drive Behavior Change

The deal between employees and employers is changing. The trend is moving toward a partnership—where the employer provides the most generous benefits to those who are doing the most to maintain or improve their health. To do this, employers are increasing the use of incentives and penalties as a means of motivating employee behavior change with the potential to improve outcomes and reduce costs. In addition to motivating behavior change, these tactics are also being used to promote more employee and dependent accountability and involvement in their own health care decision making.

Carrots and sticks are being used to drive behavior change

Top Employee Decision-Making Obstacles (Ranked 1, 2, 3, 4, or 5)—From Employer Perspective

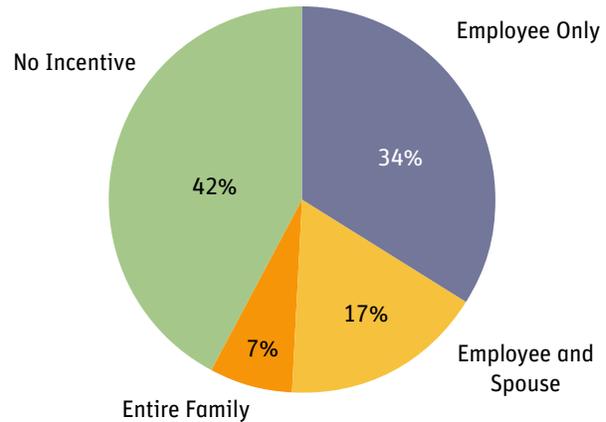


There's a growing trend toward offering incentives beyond just employees. Of the 58 percent of employers offering incentives to promote employee participation in health care programs, 24 percent extend these incentives to dependents (spouses and/or family members).

Incentives (both cash and noncash) are increasingly being used to influence behavior. Of the employers that offer incentives, cash payouts for completing a health risk questionnaire almost doubled from last year—from 35 percent in 2009 to 63 percent in 2010. In addition, companies that offer incentives (both cash and noncash) for participating in health improvement programs are up 8 percentage points from 2009.

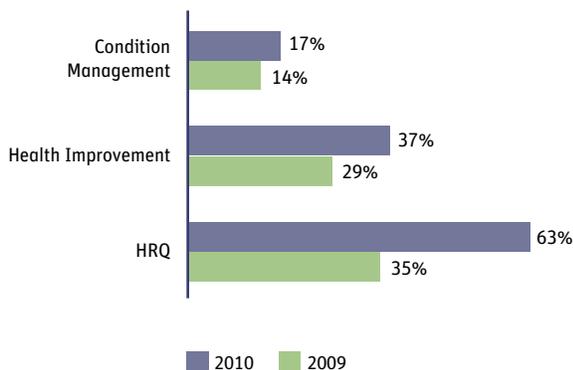
Offering incentives to motivate behavior change is certainly a step in the right direction; however, it's important for employers to tie incentives to steps that require and promote actual behavior change. For example, giving an employee \$100 to complete a health risk questionnaire may identify a health

Incentive Groups Targeted

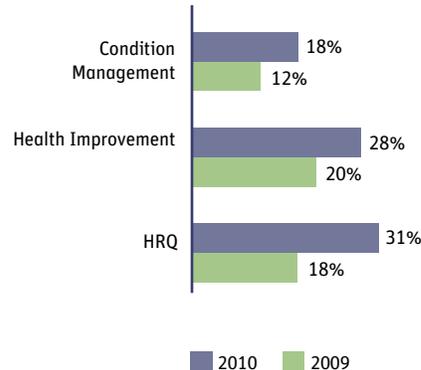


risk, but it won't do much to ensure that the employee takes preventive steps to exercise, eat properly, and get preventive care. Employers with programs that require workers to demonstrate sustainable behaviors before receiving an incentive will have a more meaningful impact than those that base the reward on one-time actions.

Cash Incentives



Noncash Incentives



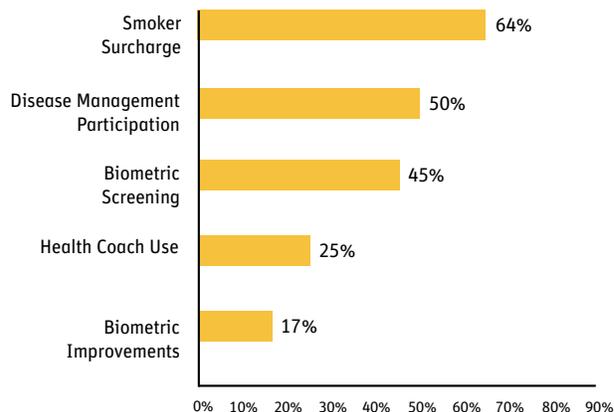
“Play or Pay”
Employers are imposing tougher requirements for incentives and adding penalties for noncompliance

On the flip side of offering incentives, employers are moving toward requiring a “play or pay” model. Nearly one-half of employers (47 percent) are planning to impose penalties/disincentives for nonparticipation in certain health improvement programs in 2010 or over the next three to five years, 18 percent of which are already using some form of penalties.

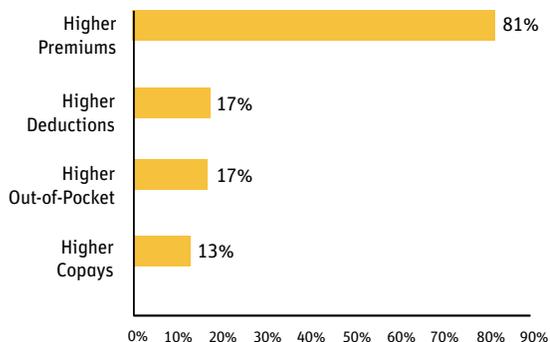
As employers move toward a combined carrot-and-stick approach, the majority (81 percent) identified “higher benefit premiums” as their penalty of choice. Higher deductibles and out-of-pocket expenses are also emerging as a popular disincentive tactic, with almost one in five (17 percent) employers applying these methods for nonparticipation in health care programs or lack of behavior change. Smoking and failure to participate in disease management programs are the most common behaviors where penalties are deployed. Employers have not broadly established standards for maintaining target behaviors (blood pressure, cholesterol levels, nonsmoking, etc.) but will likely be exploring various incentives/penalties in the future.

Companies remain committed to offering health and productivity programs. But success goes well beyond merely offering programs—it requires high levels of program participation and motivating employees to engage in healthier lifestyles, protecting employees against catastrophic health

Health Care Program Penalties



Disincentive Types



losses, and encouraging those with chronic conditions to take appropriate actions to manage their health. To achieve these types of sustained behavior change, employers will have to broaden the tactics they use beyond one-time rewards and premiums charged by embracing tougher requirements and using standards for earning financial incentives. The rapid growth in employers’ willingness to impose penalties suggests they’ll be increasingly requiring of employees, and potentially their dependents, over the next few years.

Survey Results Section V: The Economy and Health Care Reform

Economic Impact on Health Care Programs

Despite economic instability and increased employer pressure to reduce costs, “the state of the economy” was not identified as a primary business issue in 2009 or 2010, although nearly one-half (44 percent) of employers believe the economic downturn will impact their health care programs in 2010.

When asked to identify how specific programs and offerings might be affected, some employers plan to reduce benefit plan design offerings and employer health care subsidies, while others plan to increase the prevalence of consumer-driven health care plans, incentive programs, wellness programs, and employee communication efforts. Overall, employers are moving forward with their health care agendas—focusing on both conventional and new approaches to address their economic concerns.

Economic Downturn Impact on Programs

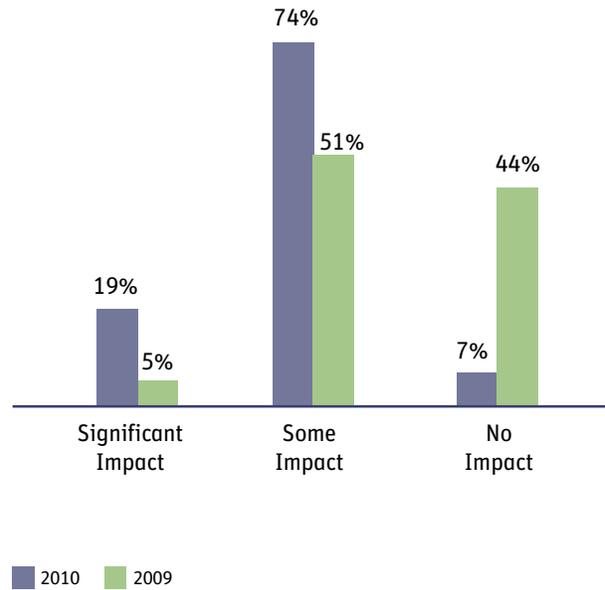
	Increase	No Impact	Reduce	Eliminate
Benefit Plan Design Offerings	9%	50%	41%	0%
Prevalence of Consumer-Driven Health Care Plans	36%	59%	4%	1%
Employer Health Care Subsidy	9%	43%	47%	<1%
Full-time Health Care Benefits	5%	79%	16%	0%
Incentive Programs	31%	51%	15%	2%
Part-time Health Care Benefits	3%	83%	11%	3%
Retiree Health Care Benefits	2%	70%	21%	6%
Wellness Programs	42%	44%	12%	2%
Employee Communication Efforts	60%	33%	7%	<1%

Health Care Reform

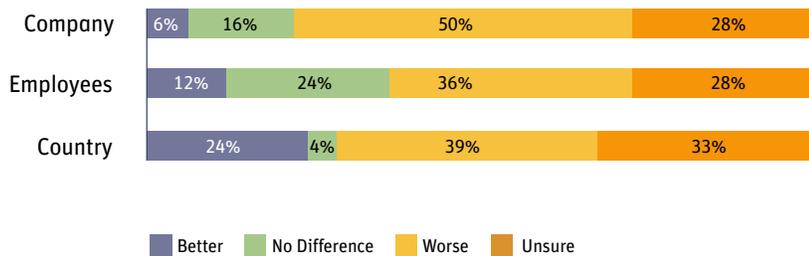
During the health care reform debate, we asked employers a number of questions related to pending legislation. In early 2010, the extent to which employers believed health care reform would impact their plans significantly increased from last year. The majority of employers (93 percent) believed that health care reform would have some or a significant impact on their organizations' health care strategies compared to 56 percent in 2009.

Prior to the passage of the health care reform bill, one-half of employers thought companies would be worse off as a result of reform, believing the country and their employees would fare better—but not great. Only 12 percent of employers believed health care reform would improve employee situations, and just 24 percent believed the country as a whole would be better off.

Reform Effect on Employer Health Care Strategies



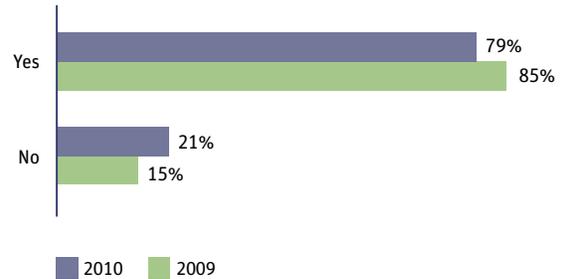
Impact of Health Care Reform



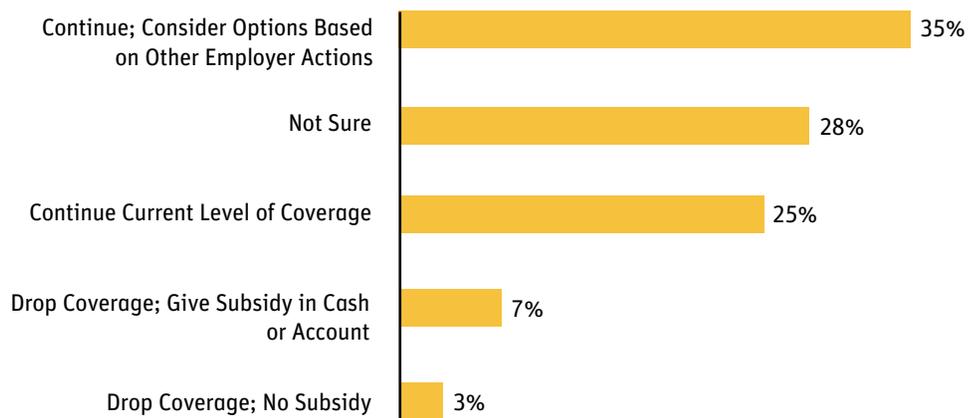
One thing that has held relatively steady from 2009 to 2010 was employers' support for expanding health care coverage, with a large majority of respondents in favor of universal coverage. Of those responding, one-half were hopeful that reform would include a combination of individual and employer coverage mandates.

We also asked employers: "If the new bill allowed employees to obtain comprehensive coverage through the individual market and/or exchanges, and your company could eliminate its current group benefits by paying a penalty that was substantially less than current cost, how would your organization respond?" Overall, employers believed the employer-sponsored system would endure even after the enactment of health care reform, with only 10 percent of respondents saying they would eliminate coverage post-reform—though competitive dynamics would play a large part in this decision.

Do you believe there should be health care coverage for all Americans?

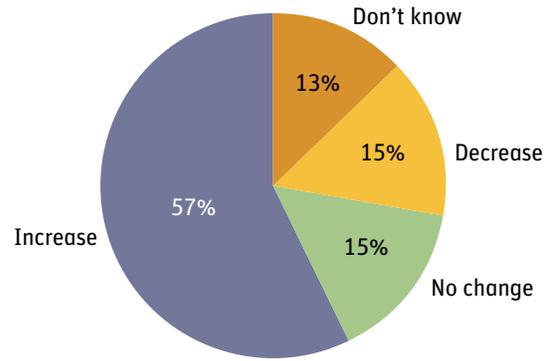


Employer Response to Government Plan



Perhaps most ominous for an employer system that's already tremendously costly, most employers (57 percent) thought that health care reform would increase the growth rate of national health care expenditures. While 13 percent of employers indicated they didn't know what effect reform would have, the remaining employers thought it would decrease or have no change on the growth rate (15 percent each). While employers support current legislative efforts, the area in most need of reform (medical malpractice—77 percent) has not been seriously addressed by the new legislation.

Universal Coverage Impact on Growth Rate of National Health Care Expenditures



Conclusion

This is both a challenging and exciting time for health care. Rising health care costs and recent health care reform legislation have confirmed that maintaining the status quo is not sustainable. Unfortunately, efforts to reform the health care system through new legislation will not measurably bend the cost curve for many years. The pressure to reduce cost and improve workforce health has pushed organizations to think more critically and strategically about the best approach to addressing these challenges.

Health care has surfaced as a top business priority for best-in-class companies—where the focus is aligning short-term cost control with a long-term strategy to improve workforce health. And, these challenges will remain even with health care reform. Fundamental paradigm shifts are needed

to sustain long-term, affordable health benefits. Organizations are responding with an assortment of tactics designed to contain cost and motivate employees to become better health care consumers and more engaged in their own health.

Results of this survey show that companies will continue to offer health and productivity programs and use more financial incentives/penalties to influence lifestyle behavior change. But these initiatives alone will not create healthier workforces. Companies also will need to provide employees and their dependents with the education and tools needed to become better consumers. These and other new approaches being explored by best-in-class companies can serve as a road map for how to build a successful and sustainable health care program for the long term.

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