HealthCare Benefits Trust

Disability and Life Consulting Solutions
Agenda

• How we are different
• Why organizations choose the HealthCare Benefits Trust
• Challenges Facing HR and Hospitals
• Our core services and typical approach
• Understanding the impact of disability on hospitals
• Open discussion: questions and next steps
# Sagewell Partners – how we are different

## Unique aspects of our organization

<table>
<thead>
<tr>
<th>Focus</th>
<th>Our core competency is consulting with hospitals and healthcare organizations on disability and life programs – we work with more than 125 organizations across the country.</th>
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<tbody>
<tr>
<td>Expertise and innovation</td>
<td>As a result of our focus we have built a technical consulting team that includes some of the best disability, life and absence management consultants in the industry.</td>
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<tr>
<td>Client service</td>
<td>Our client retention rate over the past decade exceeds 95%. We understand our clients expectations and diligently work to exceed them.</td>
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<td>Relevant experience</td>
<td>We have completed numerous engagements for similarly situated hospital organizations that encompass the precise services you are evaluating and have consistently reduced our clients costs by a minimum of 25%, while improving the underlying performance of their programs.</td>
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<tr>
<td>Ongoing service model</td>
<td>Our ongoing consulting approach ensures our ability to deliver long term sustainable cost reductions, while optimizing the design and management of the disability plans.</td>
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Why organizations choose the HealthCare Benefits Trust
The HealthCare Benefits Trust

• Developed a special risk pool for disability and life over 35 years ago for hospitals and other healthcare related organizations
• Provides economies of scale for over 250,000 insureds
• Utilizes higher tolerable loss ratios resulting in lower initial rates and renewal mitigation
• Specialized Underwriting Team
• Enhanced plan designs, simplified administration and dedicated claims team
• Fully insured through Unum, Cigna and Sun Life
# Hospital Trust – value proposition

## Expertise
- Experts in group disability and life insurance, senior consultants averaging 25 years industry experience
- Deep understanding of healthcare organizations – culture, benefit structure, challenges, etc.
- Extensive track record in conducting successful RFPs - ensuring the most appropriate plans, funding structures and ongoing financial arrangements

## Pricing
- Partnerships with the leading industry carriers
- HCB Trust participants receive an annual savings of at least 25%, with extended rate guarantees
- Cost neutral consulting approach

## Stability
- 35+ year history of stability and performance, and no barriers to entry or exit
- Non-participating programs
- Scale through aggregation, with more than 125 hospitals participating in the Trust
# Hospital Trust – value proposition

## Plan Design
- HCB Trust offers proprietary plan designs that are not elsewhere available in the marketplace – RN and Physician Recruitment Benefits and RN Specialty Definition
- Utilize “best practice” approach to benefit design and policies that ensure consistency, manage risk and reduce cost
- Enhanced benefits for employees - tax choice, higher maximums, etc.

## Service
- Absence Management Support services
- HR Consulting services
- Support services offered at no additional cost - 5500 filing, plan document support, communications development and delivery, research assistance, etc.
- Consolidated billing and enrollment management offers administrative and reporting efficiencies

## Dedicated Account Management
- HCB Trust clients are assigned dedicated account managers and senior level consultants responsible for the overall success of the partnership
Representative Clients

UPMC

HAP

Jefferson University Hospitals

West Virginia University Hospitals

Penn Medicine

Western Maryland Health System

Cooley Dickinson Hospital

West Penn Allegheny Health System

Iowa Health System

Crozer Keystone Health System

Asante Health System

Christian Care Health System
Challenges Facing HR and Hospitals
## Challenges Facing HR

### Increased Demand on HR Resources

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<tbody>
<tr>
<td>HR Departments are being asked to do more with less</td>
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<td>Health Care Reform compliance</td>
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<tr>
<td>Need to reduce overall benefits spend without impacting ability to attract and retain employees</td>
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<tr>
<td>Elimination of discretionary “consulting fee” budgets</td>
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<td>Primary focus is often on the highest cost and highest touch benefits (i.e. medical/retirement)</td>
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<td>Group life and disability programs are not truly evaluated and are more often simply “bid”</td>
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## Challenges Facing Hospitals

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<tr>
<th>Increased Demand on Hospitals</th>
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<tr>
<td>Declining reimbursements</td>
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<td>Continued demand for more employed physicians</td>
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<td>Quality reporting initiatives</td>
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<td>Accountable Care Organizations/Consolidation Trend</td>
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<td>Economic performance</td>
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Our core services and typical approach
## Our focused service offering

<table>
<thead>
<tr>
<th>Disability and Life Consulting Practice</th>
<th>Absence Management Consulting Practice</th>
<th>HR and Benefits Administration Consulting Practice</th>
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<tbody>
<tr>
<td>Plan design review &amp; strategy</td>
<td>Policy inventory &amp; review</td>
<td>Compliance services</td>
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<tr>
<td>Funding structure review</td>
<td>Data collection &amp; analysis</td>
<td>Policy &amp; procedure review</td>
</tr>
<tr>
<td>Pricing analysis &amp; negotiation</td>
<td>Strategic plan development &amp; implementation</td>
<td>General HR support</td>
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<tr>
<td>Ongoing experience review &amp; management</td>
<td>Ongoing program management</td>
<td>Vendor selection search</td>
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<td>Contract review</td>
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An integrated platform that drives immediate cost savings while ensuring a long term sustainable cost savings strategy
Core services – disability and life programs

We help our clients think strategically about their disability and life programs.

**Plan Design**
- Plan designs are not well aligned across all programs
- Plans are not structured to leverage the tax code or other alternatives
- Benefit provisions are often carrier driven, leading to unnecessary benefits

**Pricing/Risk Spread**
- Pricing approach is transactional and not viewed strategically
- Inability to leverage a homogenous risk pool to impact costs
- Provider claims management services are paramount to long-term cost management

**Policies**
- Sick time, FMLA, PTO, and other policies are typically not aligned with best practice
- Practices are not often administered consistently across various sites
- Lack of integration between wellness, disease management, and worksite health promotion programs

**Absence Management**
- Insufficient focus on duration controls
- Lack of effective transitional return to work programs
- Programs typically not structured to engage broadly at claim intake
- Lack of understanding of current environment

Direct cost impact opportunity: 25% - 40% versus current costs.
### Core services – market assessments

#### STRATEGIC MARKET REVIEWS THAT DRIVE VALUE

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<tr>
<th>RFP Component</th>
<th>Objectives/Activities</th>
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<tr>
<td>Risk Presentation</td>
<td>Understanding the drivers behind claims experience, the prospective client business environment, and underlying demographics are essential to initial positioning</td>
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<tr>
<td>Funding Approach</td>
<td>Evaluation of funding approach, inclusive of insured/self-insured positioning and tax structure will have a significant impact on ongoing costs</td>
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<tr>
<td>Leverage/Scale</td>
<td>Identifying opportunities to enhance scale through combination of entities, yet managing risk profile is important</td>
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<tr>
<td>Plan Design</td>
<td>Complete review of current and alternative plan designs leads to better decisions and on-going cost reductions, both direct and indirect.</td>
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<tr>
<td>Administrative Services/Process</td>
<td>Clearly define administrative priorities/opportunities to be achieved along with completing a comprehensive review of all related leave policies</td>
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<tr>
<td>Process Timeline</td>
<td>Develop a timeline that provides sufficient time for providers to fully assess risk while allowing for some contingency</td>
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Our proposed approach – initial phase

• **Minimal HR time** required for data collection.

• **Comprehensive review** of all aspects of your disability and life plans.

• **Initial project phase** completed within 60 days, with detailed report outlining recommendations.

• **Cost reduction expectation** – We consistently enable organizations to achieve a minimum of 25% cost savings versus current spend.

• **Savings redeployment** – Based on expected cost savings, the direct cost reduction could be utilized to help fund other benefits or HR initiatives.
Understanding the impact of disability on hospitals and healthcare systems
Challenges of the traditional ‘direct cost’ approach

Organizations tend to focus on health care costs, since costs are most easily measured.

**Traditional approach to cost management**

- Primary focus is often on benefits with the highest touch and the highest premium cost (i.e. medical and retirement programs)
- Group life and disability programs are most often simply ‘bid’, with very little attention to design
- Desire to reduce overall benefits spend without impacting ability to attract and retain employees

**Employer Challenges**

- Lack of strategic focus on a major cost input
- Difficult to quantify total cost of disability
- Address evolving benefit landscape and best practices around plan design

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The ‘total cost’ reality

The total cost of disability is more significant than most employers realize and is not well controlled.

Major Cost Components

- Direct premium costs
- Direct payroll costs for incidental and extended absences
- Indirect costs for replacement workers and/or lost productivity
- Administrative expenses for internal staffing or 3rd party vendor fees

Business Issues

- Lack of integrated systems to track absence
- No accountability within organization for management and reporting
- Consulting community does not leverage the link to drive change
- Lack of integration between disparate providers to impact results

1. The Survey on the Total Financial Impact of Employee Absences (Kronos 2010)
2. National Survey of Employer-Sponsored Health Plans (Mercer 2009)
The impact of workforce trends

Several factors support the rising incidence of disability claims, which will result in a continued and increased strain on health care costs:

### Aging Workforce
- Employees over the age of 40 who are out of work average 8-18 days longer than younger workers
- From 2000 to 2020, the 55-64 age group will increase by 73%

### Chronic Disease
- More than 75% of our health spending is on people with chronic conditions
- 1 in 2 adults (over 133 million) live with chronic disease

### Socioeconomics
- High unemployment rates and workforce reductions have resulted in elevated stress levels in the workplace
- Eroded retirement accounts will lead to more people working longer

**FACT**
55% of medical costs are generated by the 10% of the workforce who file disability claims.

Source: *The Benefits Challenge: Defining the Impact of Disability, Lost Time and Medical Costs* (Kenneth Mitchell, Ph.D., March 1, 2003)
Hospitals face higher absence risks...

- **Demanding Work**
- **Continuous 24/7 operations**
- **Increased chance of injury**
- **Exposure to illness/disease**

**Shortage of 0.5 million nurses by 2025**

**89% higher rates of injury among hospitals vs. the private industry as a whole**

**37% higher rates of depression than other working populations**

3. [http://www.oas.samhsa.gov/2k7/depression/occupation.htm](http://www.oas.samhsa.gov/2k7/depression/occupation.htm)
...and higher costs

62 FULL-TIME EMPLOYEES ARE ABSENT FROM WORK EVERY DAY IN A HOSPITAL WITH 5,000 WORKERS.

- 62 absent workers
  - 22 RNs
  - 40 all other workers

Affecting the care of 90 patients

Which costs $4.5 million annually

Based on 2010 Unum internal data for hospital clients, 2011.
THANK YOU