

November 2, 2010

“Do Benefits Drive or Hinder Company Growth?”



THE VISIONLINK
ADVISORY GROUP

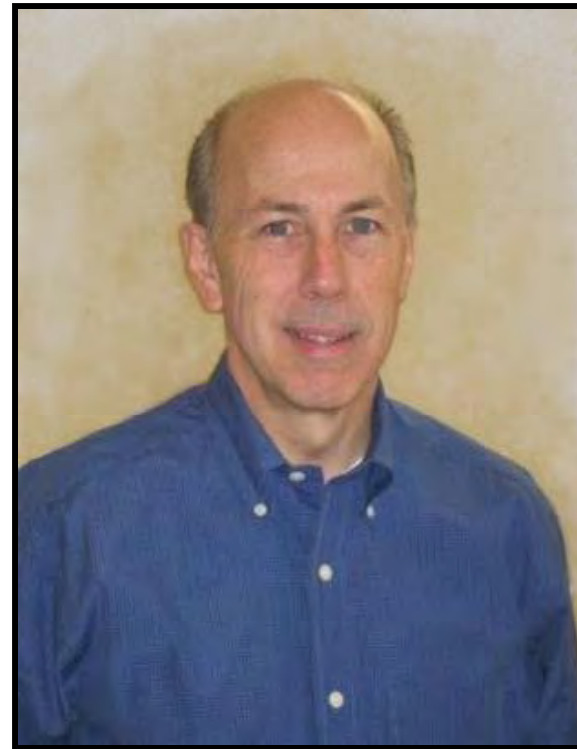
Today's Presenter:

Ken Gibson

Senior Vice President

(949) 265-5703

kgibson@vladvisors.com





PRECEPT™
www.preceptgroup.com

Special Guest Presenter:

Wade Olson

Chairman and CEO, Precept

949-679-2103

wolson@preceptgroup.com

*20 year veteran guiding both the
strategic and tactical activities
associated with clients' employee
benefit programs*



We're happy to provide a copy of today's slides.
Information will be provided at the close of the
presentation.

For questions during today's presentation:

Use the question panel
To the right of your screen

The “Driving” or “Hindering” Factor
Key Questions



Dialogue with CEO



VL: "Is your approach to compensation driving or hindering growth?"

CEO: "Hmmm. Not sure."

Dialogue with CEO



VL: “What is the largest budget item on the company’s financial statement?”

CEO: “Comp and benefits”

Dialogue with CEO

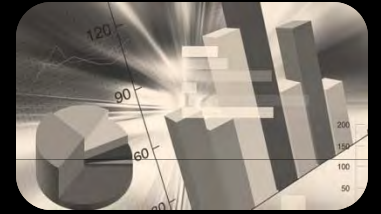


VL: "So...comp and benefits is the largest item on the company's financial statement, but you don't know whether its driving or hindering growth?"

CEO: "I guess that doesn't make much sense, does it?"

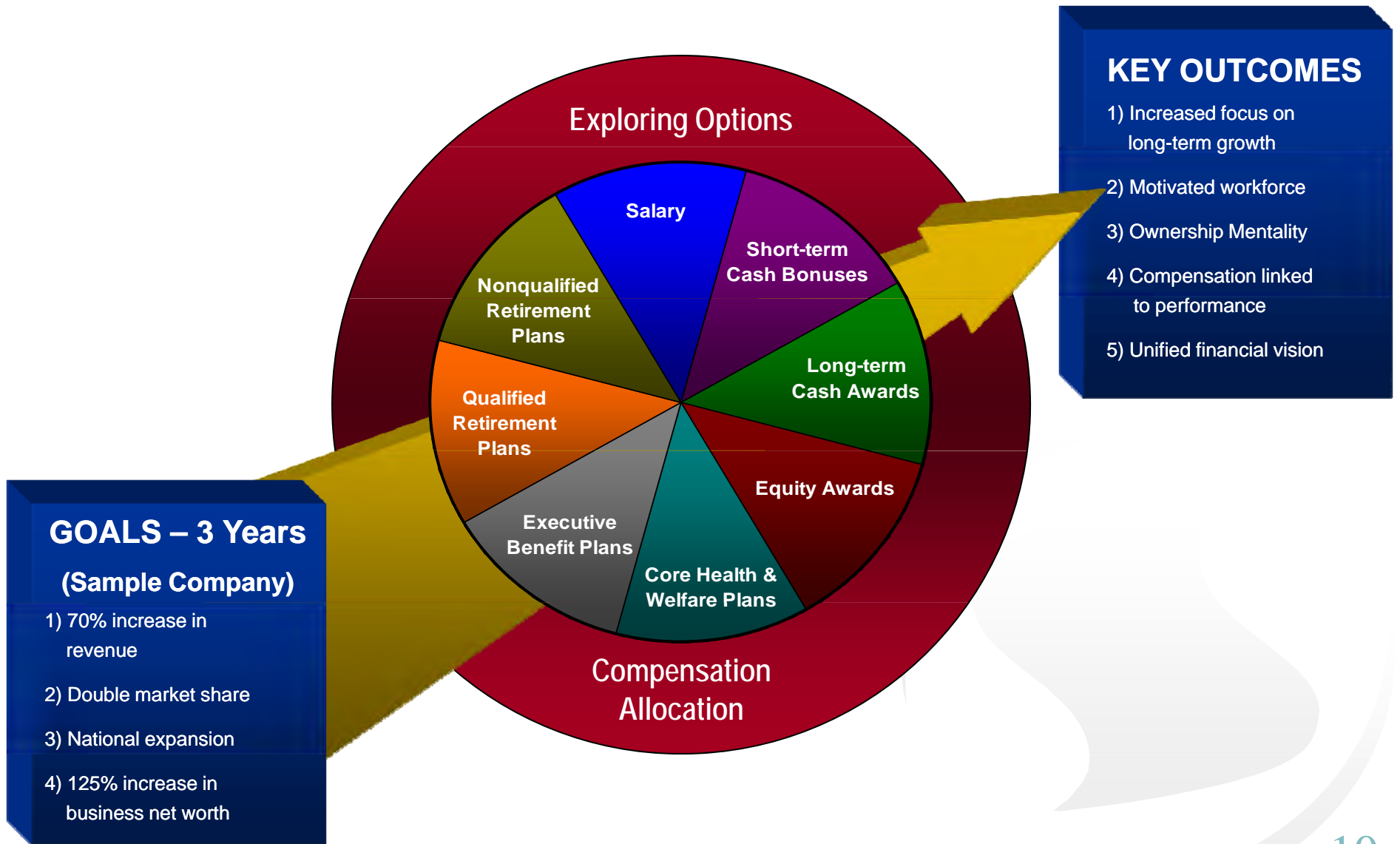
VL: "No...it really doesn't."

Outcome



Millions of dollars are poured into something that isn't measured for results in the same way other large capital investments are evaluated.

Allocate the Compensation Investment







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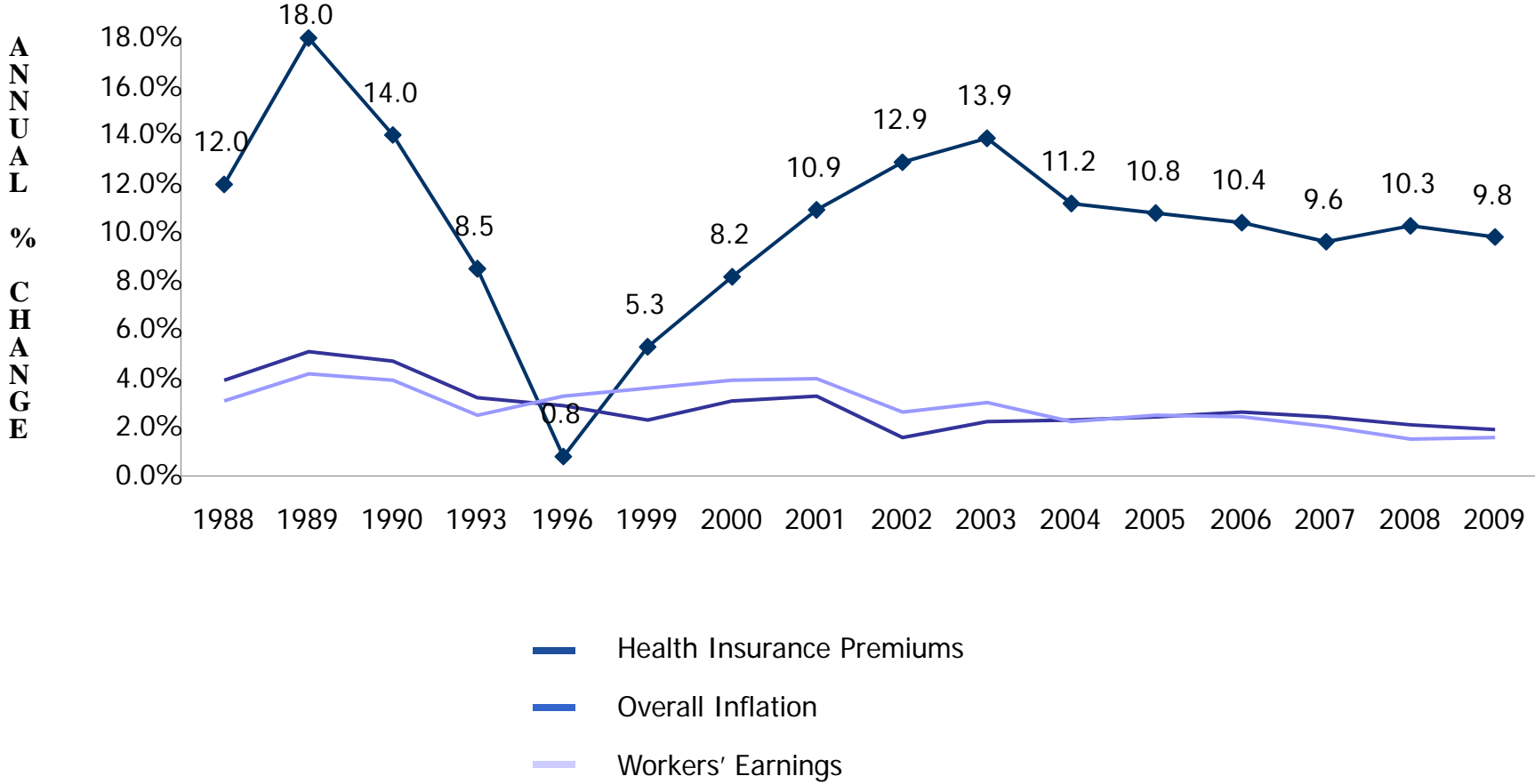
Making Employee Benefits Work for America



Do Benefits Drive or Hinder Company Growth?

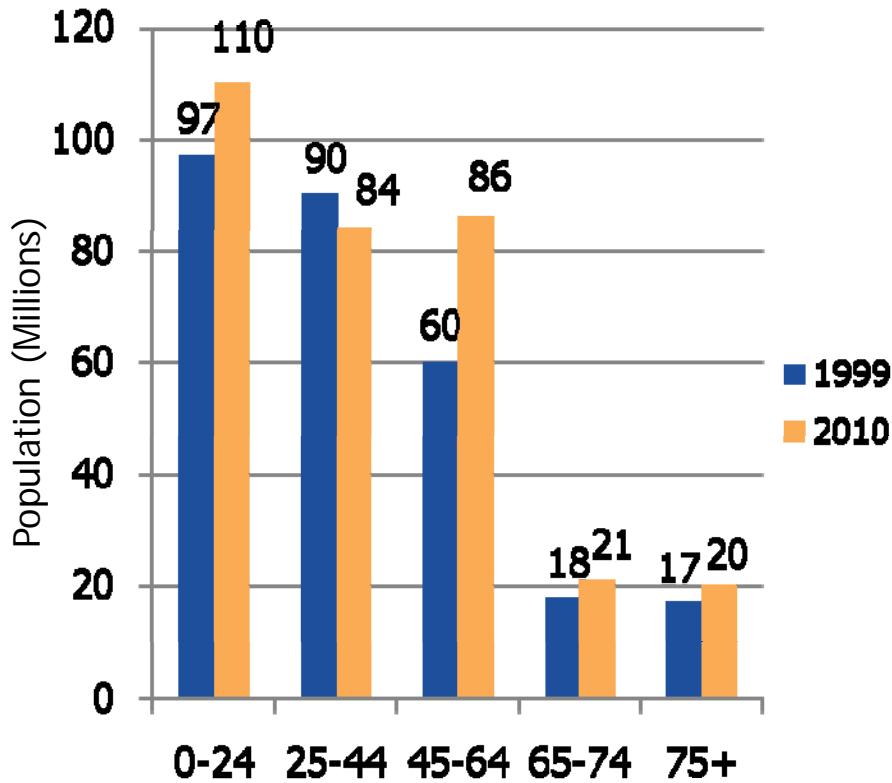
October 26, 2010

Historical Health Insurance Costs



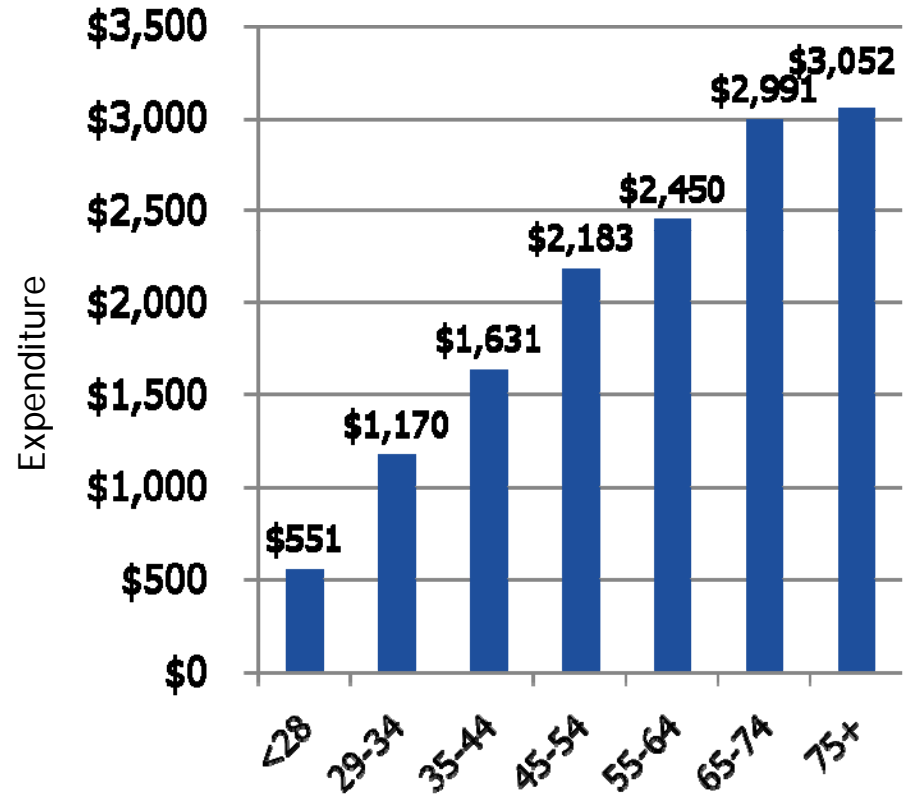
Will the Cycle Change?

The aging of the baby boomer generation suggests that health care spending will continue to increase



10% increase in total population from 1999-2010

Deloitte 2006

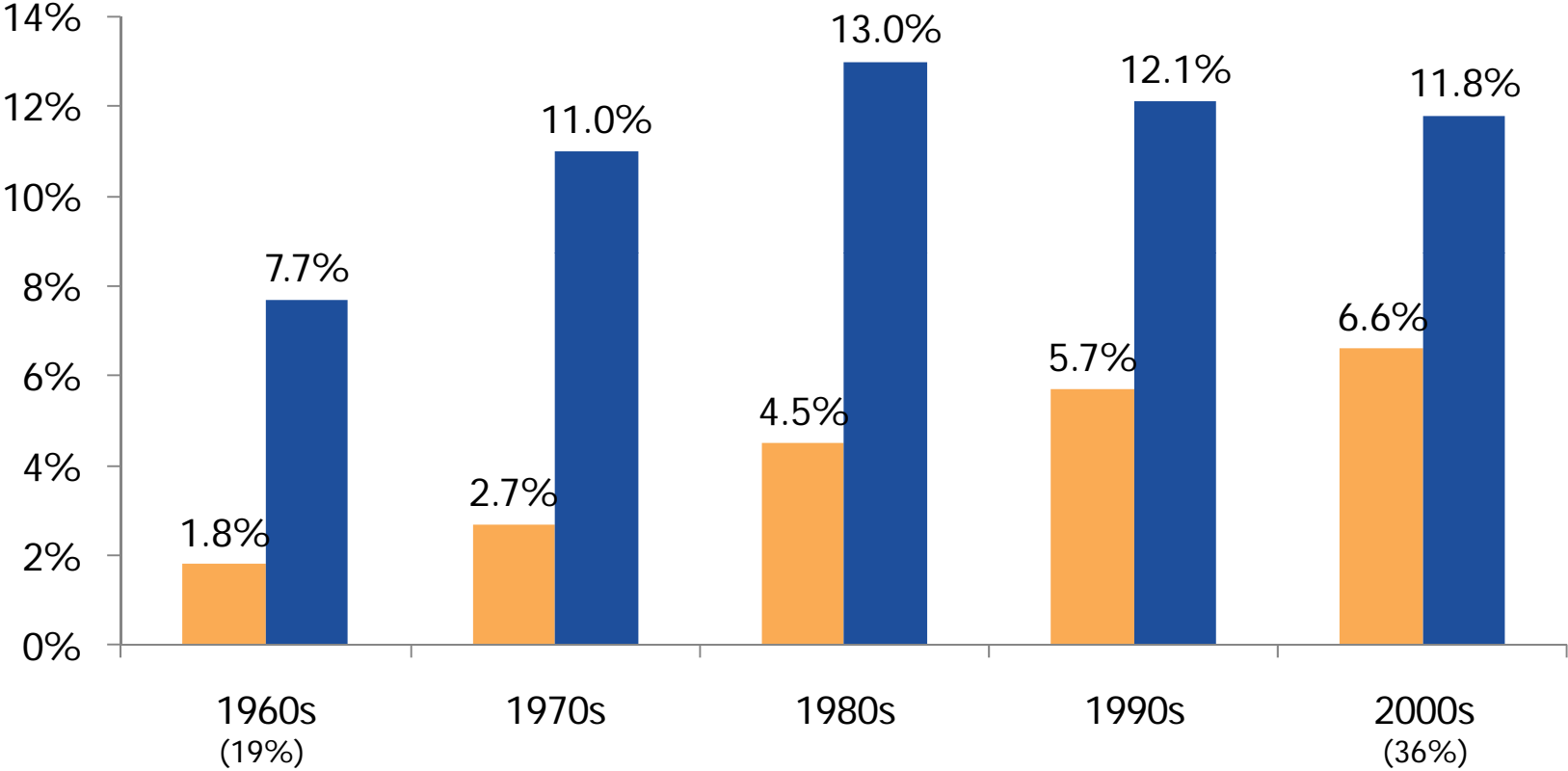


16% increase in average annual expenditure per capita by age group

Employer Costs for Employee Compensation, Civilian Workers, March 2010

Compensation Component	Cost per Hour Worked	Percent of Total Compensation	Percent of Benefits
Total Compensation	\$29.39	100.0	–
Wages and Salaries	20.49	69.7	–
Benefits	8.90	30.3	100.0
Paid Leave	2.08	7.1	23.4
Insurance Benefits	3.23	11.0	36.3
Retirement & Savings	1.31	4.5	14.7
Legally-Required Benefits	2.28	7.8	25.6

Benefits as a Share of Total Compensation



Source: U.S. Department of Commerce, Bureau of Economic Analysis, National Income and Product Accounts, 1960-2010, Tables 1.1.5, 2.1, 6.11B, 6.11C, & 6.11D.

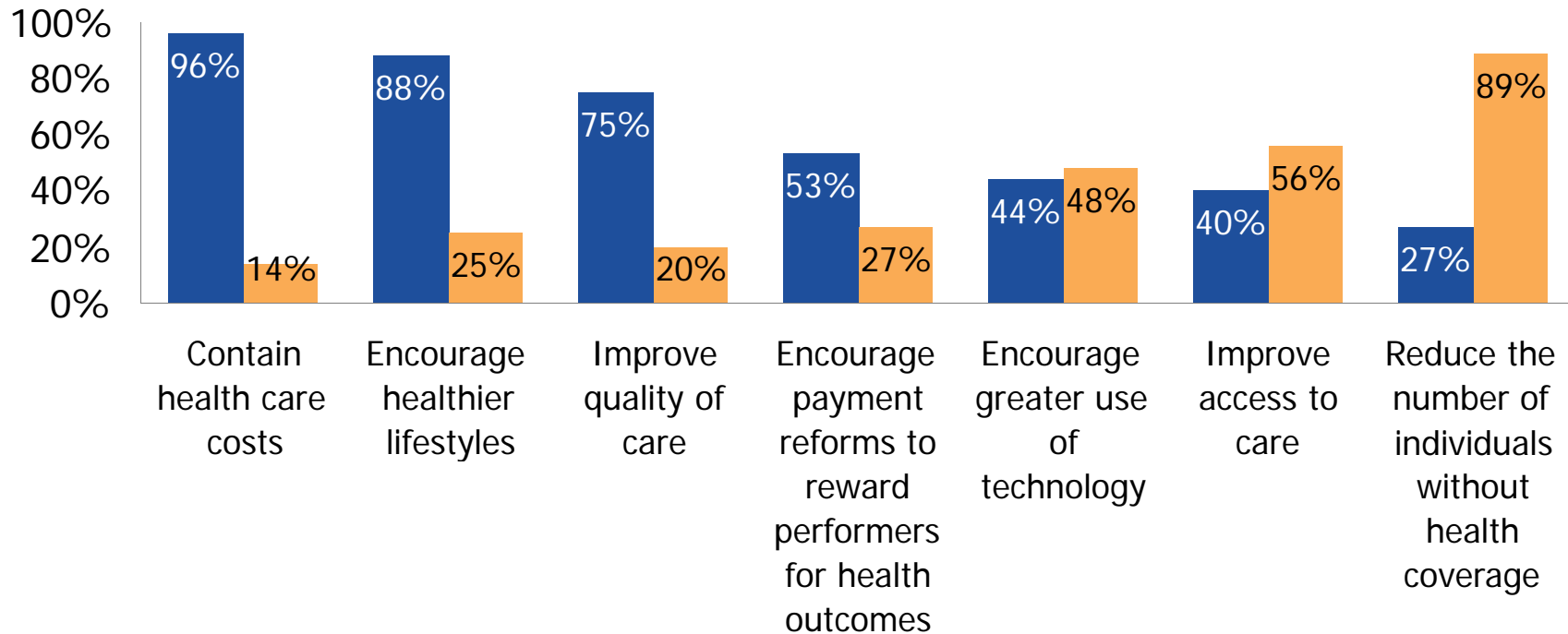
Health Care Reform Objectives

- Patient Protection and Affordable Care Act (PPACA) signed into law March 23, 2010 focused on achieving the following results:
 - Provide health care coverage for the 40-45 million Americans who are uninsured
 - Ensure coverage availability for individuals regardless of health care status
 - Ensure medical providers improve health outcomes and leverage best practices
 - Encourage employee consumer focus and improve access to key data from providers
 - Pay for reform changes with existing health care dollars

Federal Plan Modeled After Massachusetts

- Reform was implemented in 2006. Today, just 2.6% of state residents lack insurance, down from 9.8%.
- Overall, 439,000 were newly insured
 - 72,000 – Medicaid eligibility went from 100% to 150% of FPL
 - 176,000 – CommCare, newly subsidized program for those between 150% and 300% of FPL
 - 18,000 – Obtained insurance through CommChoice, the Connector Exchange
 - 14,000 – Bought individual policies
 - 159,000 – through employer-sponsored programs
- Original budget was \$160 million in 2007
- Cost went to \$625 million in 2008 (56% over budget) and \$1.3 billion in 2009 (66% over budget)
- Reforms were thought to reduce prices by 25-40%. Instead, the cost has increased as follows;
 - 2007 – increased 7.4%
 - 2008 – increased 10%
 - 2009 – increased at 11.9%
- Average 2009 cost of a family in Massachusetts is \$16,897, compared to \$12,700 nationally

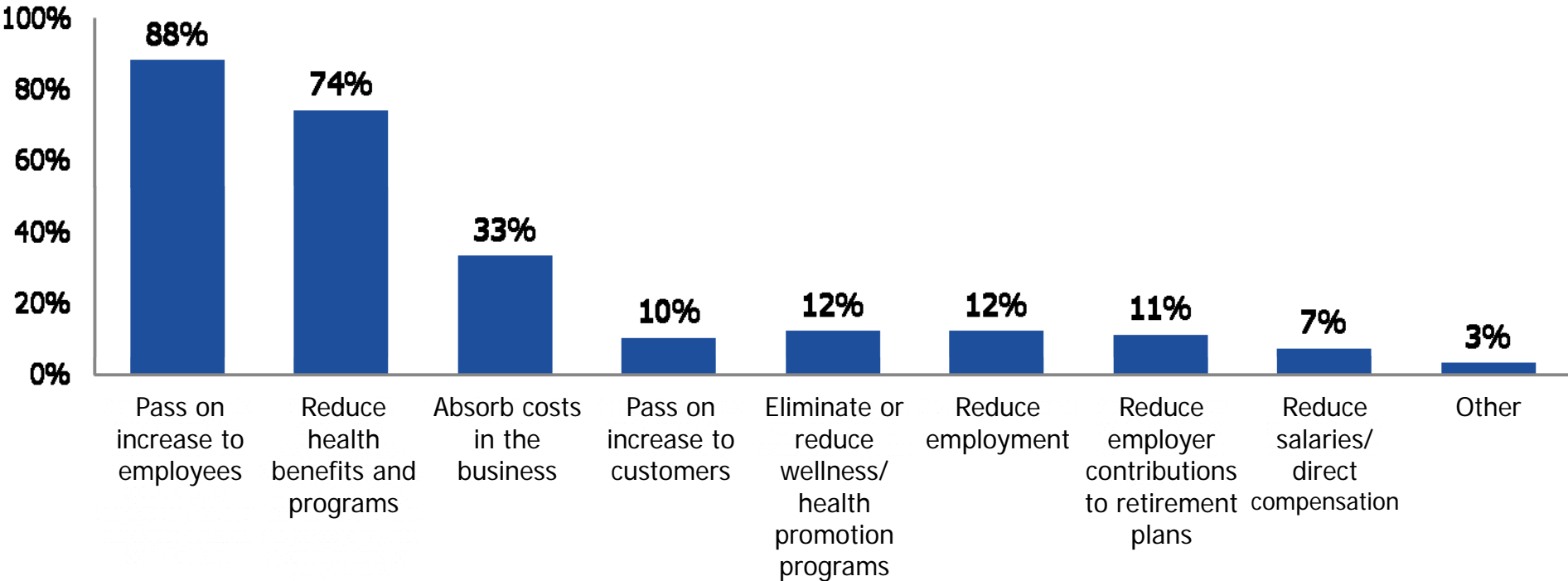
Importance and Impact of Health Reform Goals



■ Goal is absolutely essential/high priority to organization ■ Reforms are expected to have a positive impact on goal

Source: "Health Care Reform: Looming Fears mask unprecedented employer opportunities to mitigate costs, risks and reset total rewards," Towers Watson, May 2010

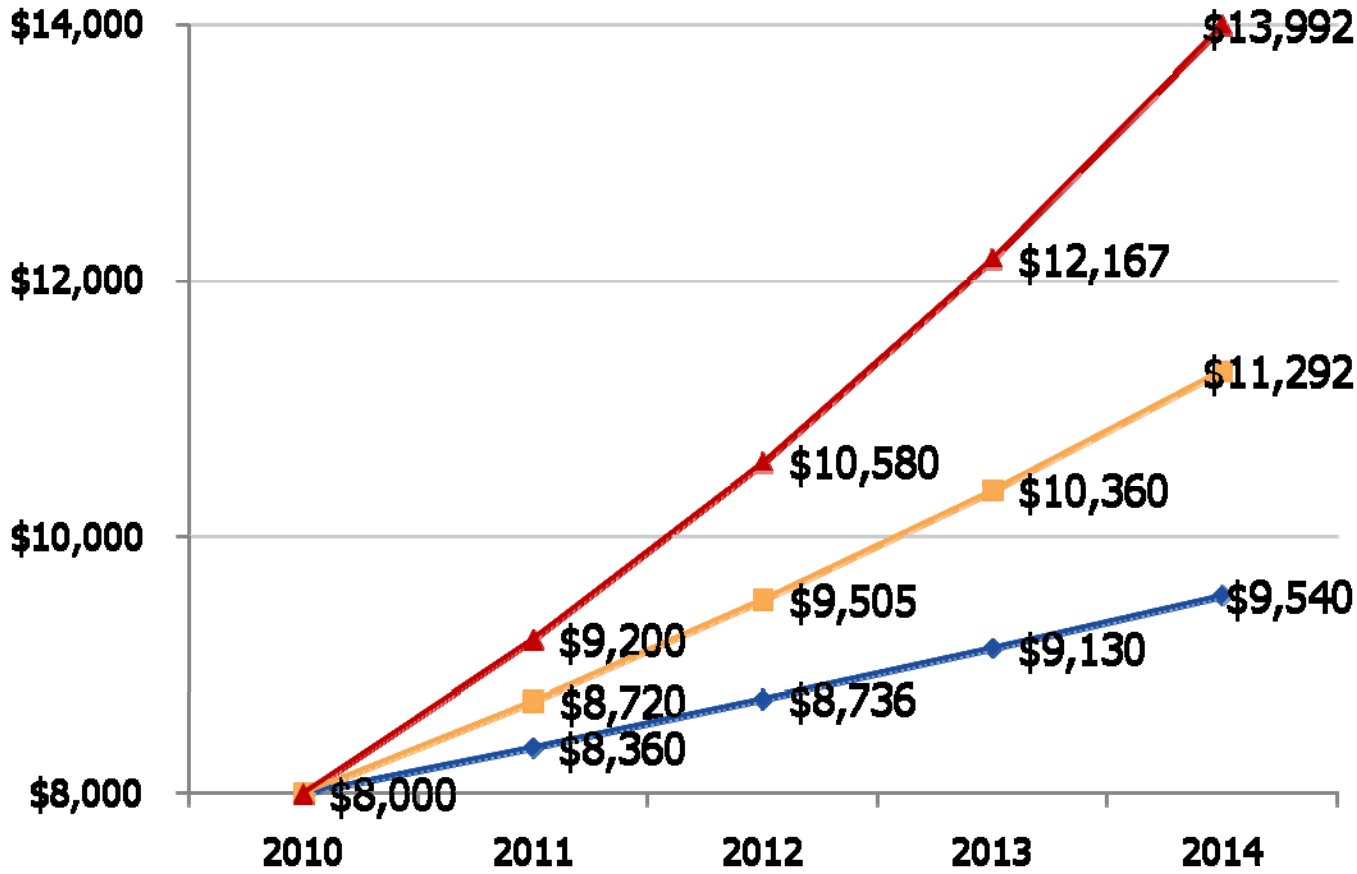
Likely Actions if Reform Increases Organization's Health Care Benefit Costs



Source: "Health Care Reform: Looming Fears mask unprecedented employer opportunities to mitigate costs, risks and reset total rewards," Towers Watson, May 2010

Cost Impact

\$8,000 PEPY Spend



5-year cost savings:

\$10,173 PEPY

5-year costs savings:

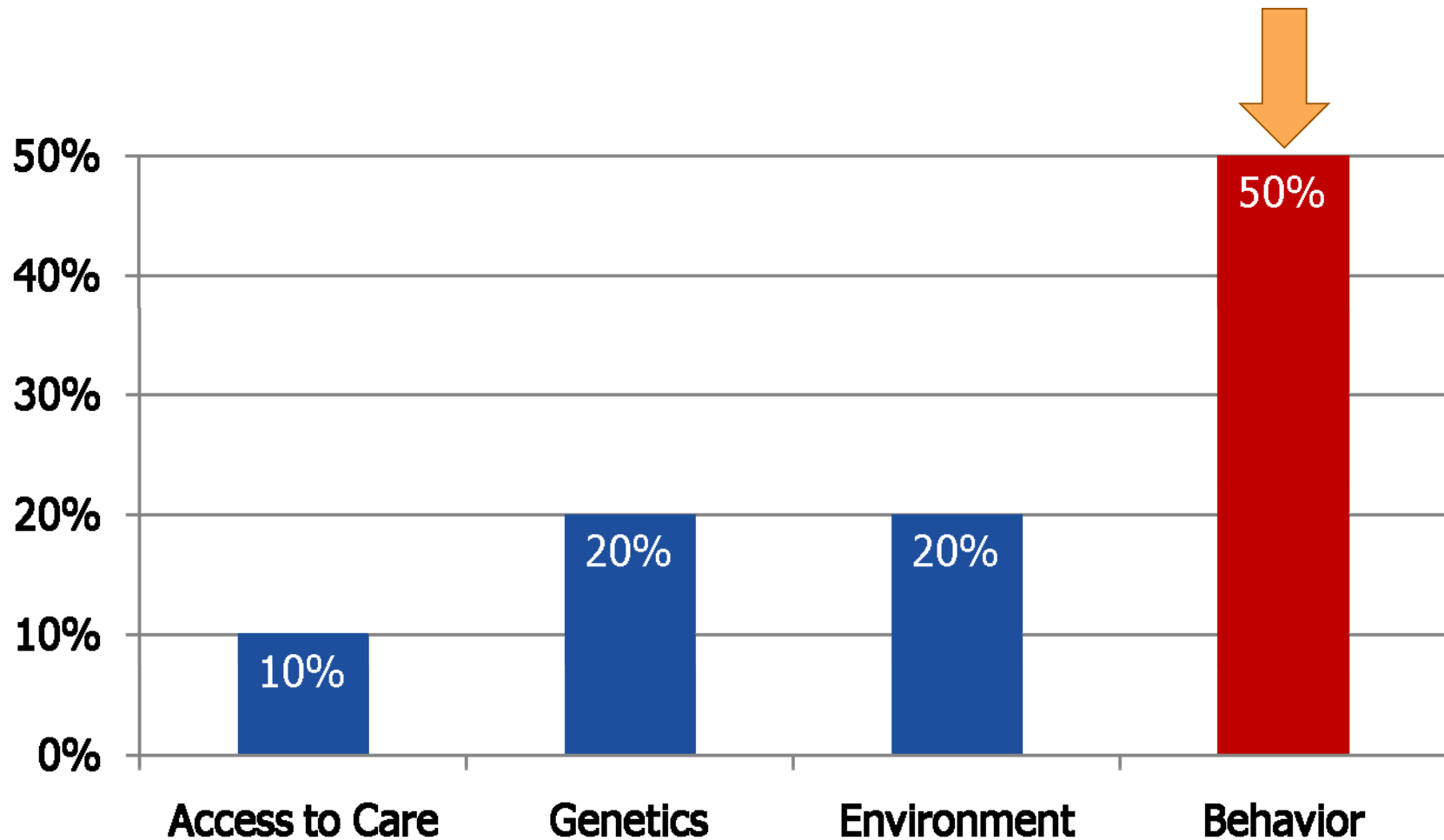
100 EEs = \$1,017,300

1,000 EEs = \$10,173,000

15 to 1 P/E = \$153 M

◆ Top Performers at 4.5% ■ Targeted Results at 9% ▲ Standard Trend at 15%

Determinants of Health Status



Source: IFTF, Center for Disease Control and Prevention

For Every 100 Employees...

68 are overweight

30 have high cholesterol

26 have high blood pressure

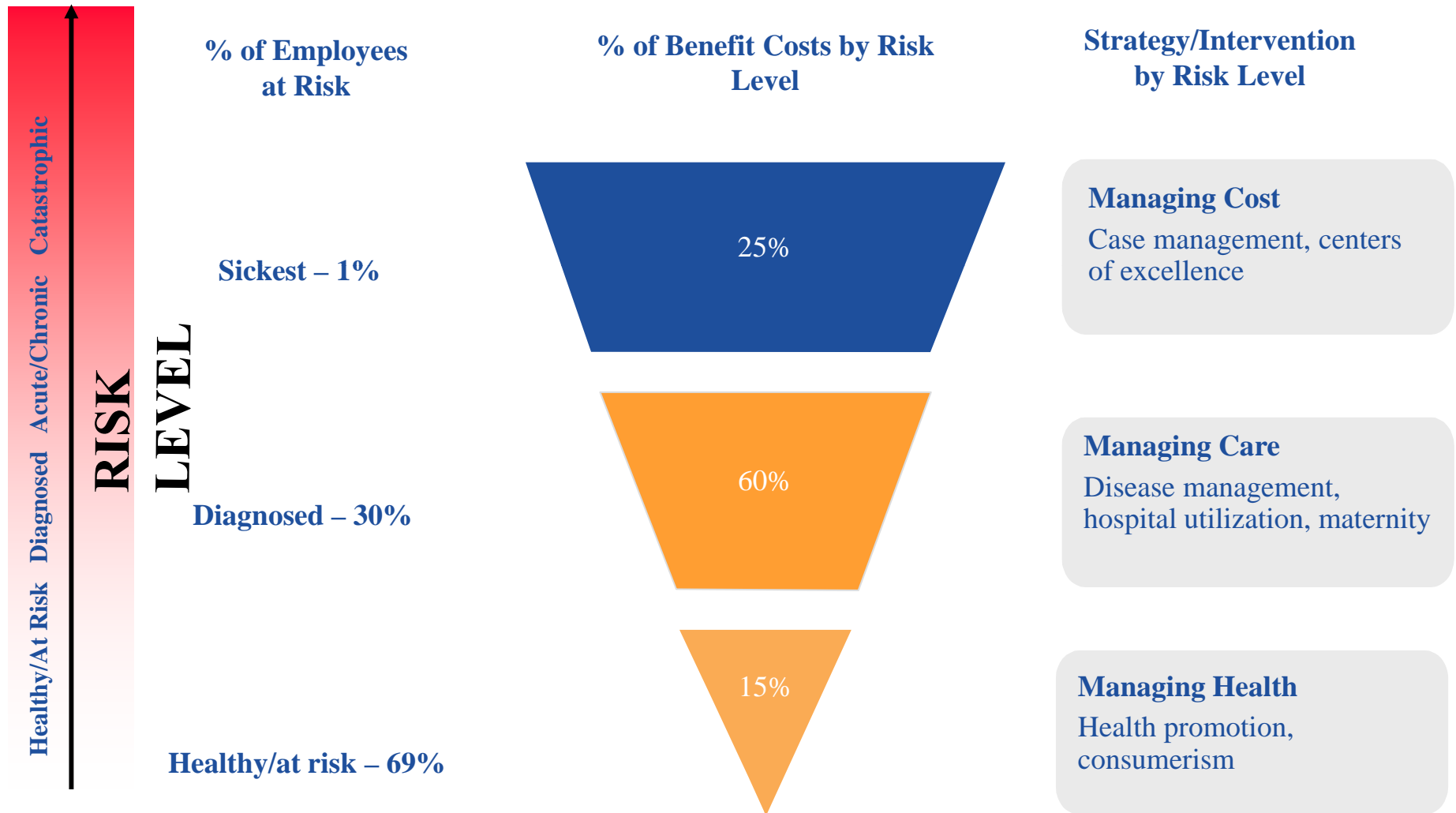
25 have cardiovascular disease

21 smoke (U.S. average)

12 are asthmatic

6 are diabetic

Health Management



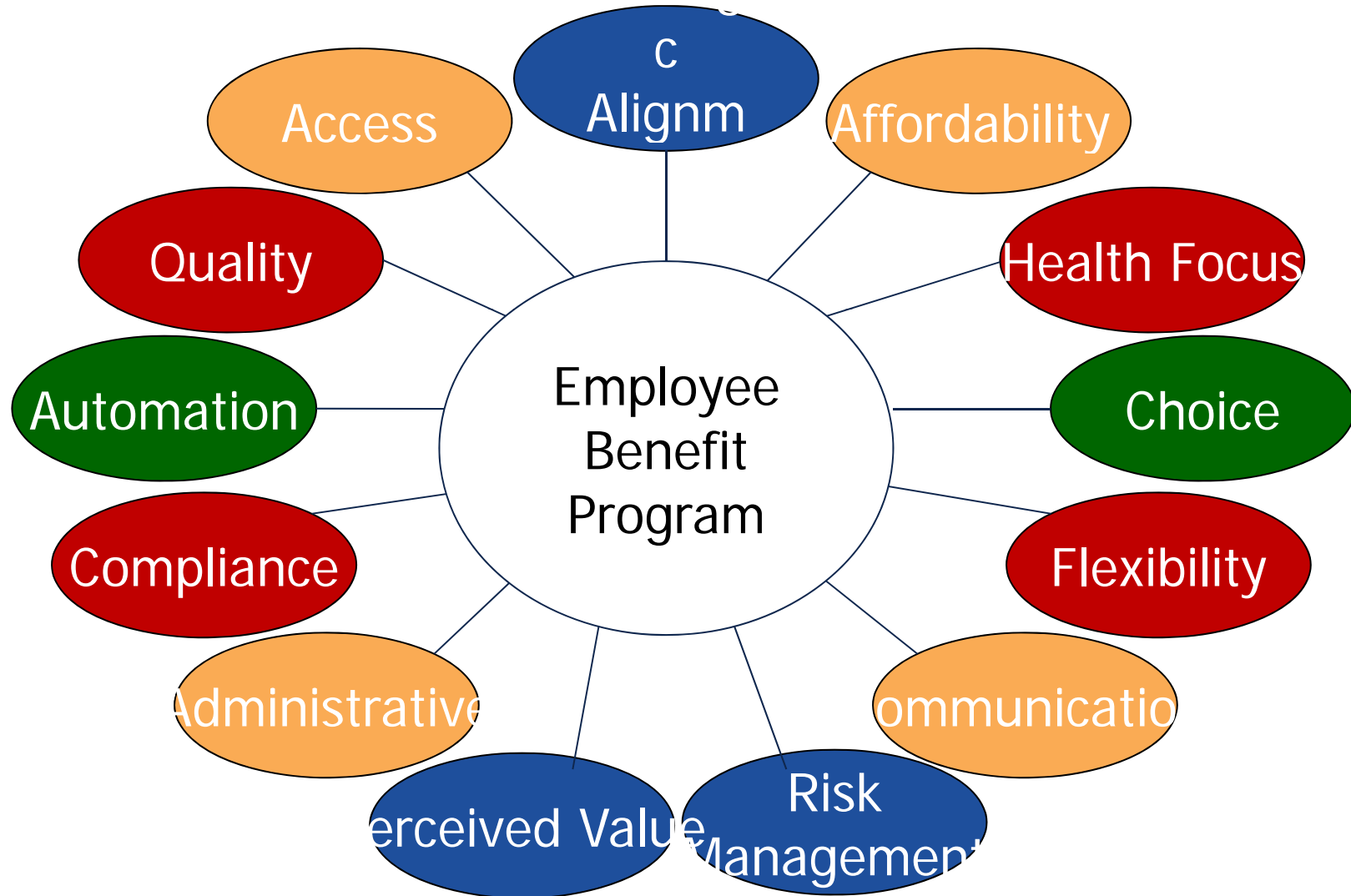
Health Promotion Roadmap

	Phase 1	Phase 2	Phase 3
Phase/Theme	Lay Foundation	Engagement & Incentives	Continued Improvement: Behavior-Based Premiums
Program	<ul style="list-style-type: none"> • HRA • Lifestyle programs for smoking cessation, weight mgmt, and exercise • Flu shots 	<ul style="list-style-type: none"> • Biometric screenings in largest locations • Weight Watchers • Corporate food policy 	<ul style="list-style-type: none"> • Coaching (lifestyle and chronic illness) • Integrate with care mgmt • Behavior-based benefit design
Employees	<ul style="list-style-type: none"> • Survey • Educate/motivate • Create "buzz" 	<ul style="list-style-type: none"> • Educate/motivate • Engage in program activities • Recognition and celebrate successes 	<ul style="list-style-type: none"> • Educate/motivate • Improve health • Enjoy rewards
Incentives	<ul style="list-style-type: none"> • Incentives to support awareness, including HRA 	<ul style="list-style-type: none"> • Expand to activity, screening, participation • Focus: Smoking cessation and weight management 	<ul style="list-style-type: none"> • Biometric screening participation • Completion of coaching or programs • Payroll-based incentives
Metrics	<ul style="list-style-type: none"> • Establish baselines w/survey • Readiness to change • Measure success of program roll-out 	<ul style="list-style-type: none"> • Track health status change (biometrics and HRA) • Participation • Claims, disability, productivity 	<ul style="list-style-type: none"> • Improved health status • Program results • Risk reduction • Impact on business results • Productivity improvements

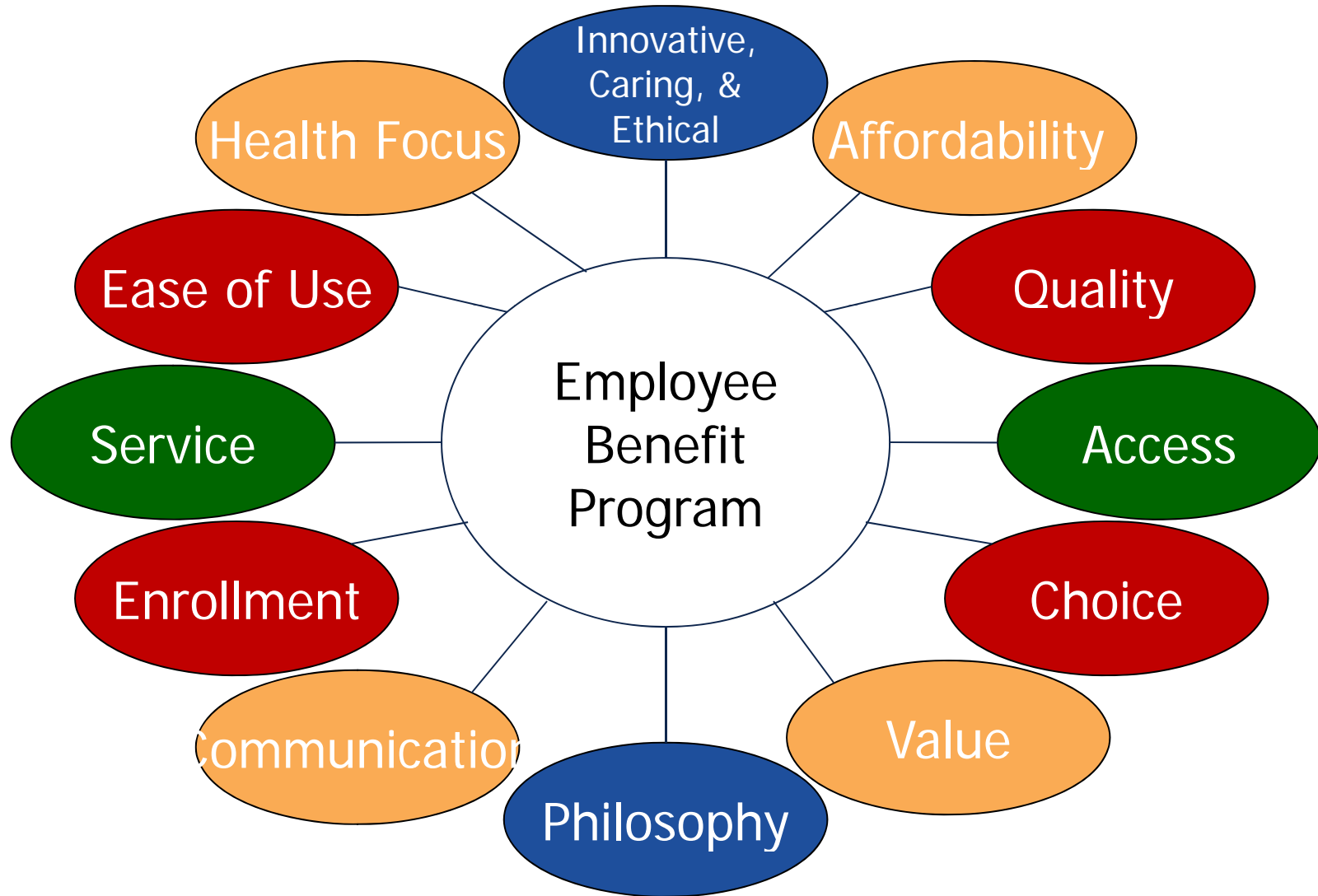
Impact of Health Management

- Control Costs
 - Fewer claims
 - Smaller claims
 - Better medical outcomes
- Improve Health Status
 - Less medical care
 - Less disability, worker's comp
 - Better productivity
- Employee Satisfaction
 - Reward for doing the right thing
 - Knowledge and control
 - Culture of health makes employer of choice
- Measure and Manage
 - Data on medical care and carrier performance
 - Metrics for health status
 - Accountability

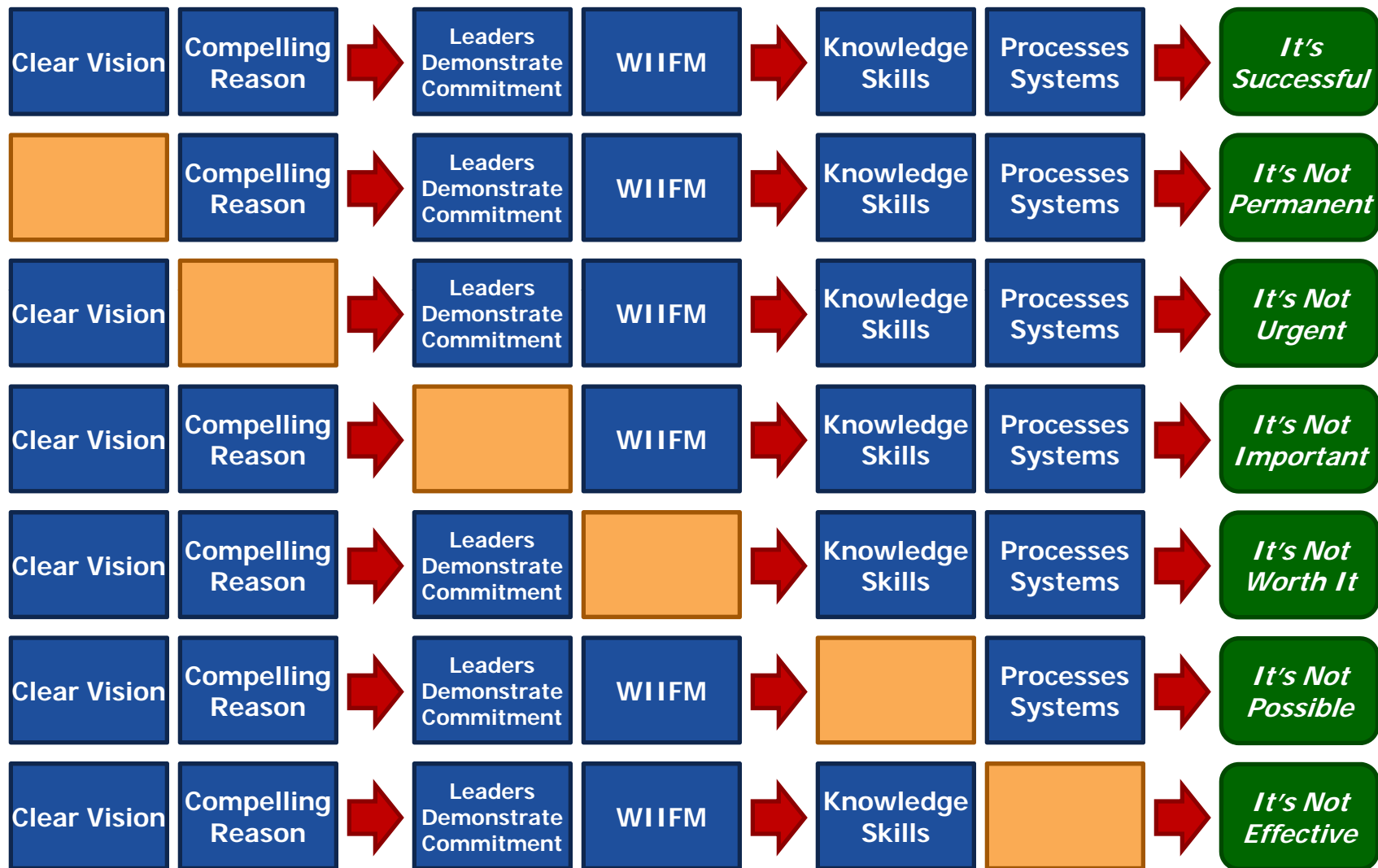
Employer Perspective



Employee Perspective



Strategic Plan Success Matrix



Benefit Program Considerations

- Does your plan support your overall business objectives?
- Are your current vendor relationships fully leveraged to provide the best pricing and services?
- Do your employees value your benefit program?
- Can your employees afford their benefits?
- Are employees engaged health care consumers?
- Are incentives established to reward health lifestyles and consumer choices?
- Does your communication strategy allow employees access to information needed to make educated decisions?

Current versus Future State

	Current	Future
Cost	Increasing at 10-15% per year	Increasing at 3-5% per year
Employee Health Focus	<ul style="list-style-type: none"> • Reactive focus • Company-neutral • No incentive for lifestyle 	<ul style="list-style-type: none"> • Proactive focus • Building a culture of health • Strong incentives for lifestyle & behavior
Employee Awareness	<ul style="list-style-type: none"> • Neutral to low value • Limited choices • User-focused • Limited part of total comp 	<ul style="list-style-type: none"> • High value • Many choices • Consumer-focused • Strong part of total comp
Productivity	At current levels	1.2 – 2x current levels
Retention	At current levels	10-50% less than current levels
Company Growth & Profits	At current levels	1.2 – 2x current levels

First Step

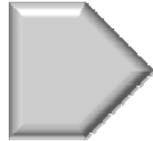
- Where are we now?
- VisionLink's Tool:
 - Alignment Appraisal™
 - A focused look at your current practices with a comparative eye on “World Class Compensation” standards. “Is your total rewards program enhancing or slowing growth?”
 - Process—simple online employee survey

Quantitative and Qualitative Assessment

The Alignment Appraisal™

helps a business measure results in five key areas

Partnership



Do our employees feel like participating partners in our business successes?

Clarity



Do we effectively communicate and reinforce our organizational standards and the value of our total rewards opportunity?

Engagement



Do we achieve a crucial level of employee commitment, passion and engagement?

Practices



Do we follow best practices in managing our compensation investment?

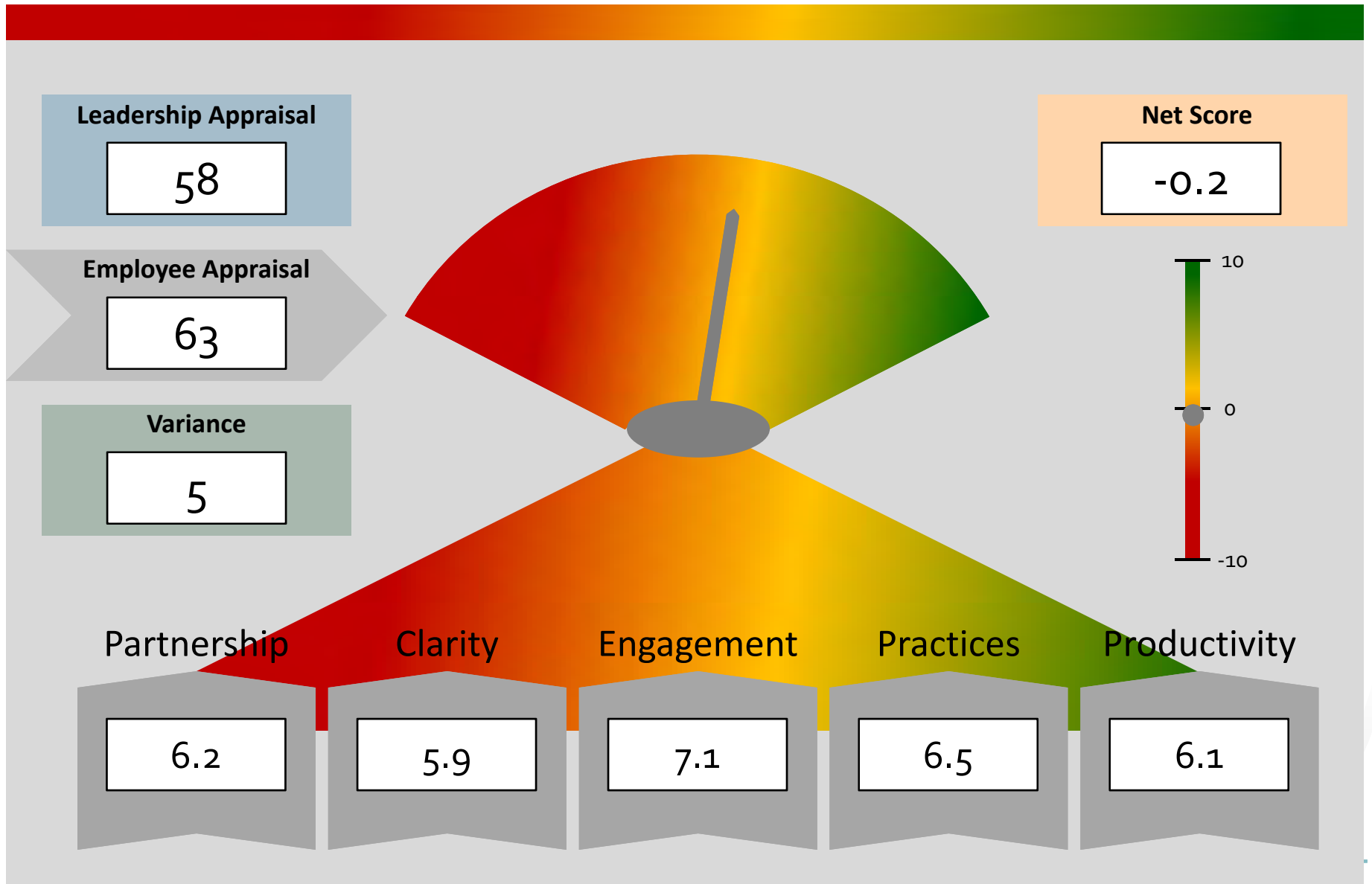
Productivity



Do we conscientiously measure and manage employee productivity?

(Sample) Alignment Appraisal Index = 63^* / -0.2

*Scale of 100



Special Offer

For today's webinar attendees:
Complimentary offer

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PRECEPT™
www.preceptgroup.com

Wade Olson
wolson@preceptgroup.com
130 Theory, Suite 200
Irvine, CA 92617
949 679 2103
www.preceptgroup.com



Next Online Seminar:

“Creating an Ownership Mentality without Giving Away Equity”

To be held on:
Tuesday, December 7, 2010

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Questions?



Thank you for attending

Please complete our brief survey immediately following our presentation.

We value your input.

You may request a copy of our slides and more information about the Alignment Appraisal™.

Thank you!



Ken Gibson

Senior Vice President

(949) 265-5703

kgibson@vladvisors.com



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