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The Business Value of a Healthy Workforce

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The Value Dilemma

“My CEO asked me recently what we were getting for all the money we’re spending on benefits. I realized I could tell him exactly what our benefits programs cost. But I had no idea what value our business was getting from them.”

-- IBI Employer Board Member

About IBI

- National, non-profit
- 440 corporate sponsors
- Programs
 - Research
 - Health & productivity measurement
 - Benchmarking
 - Education



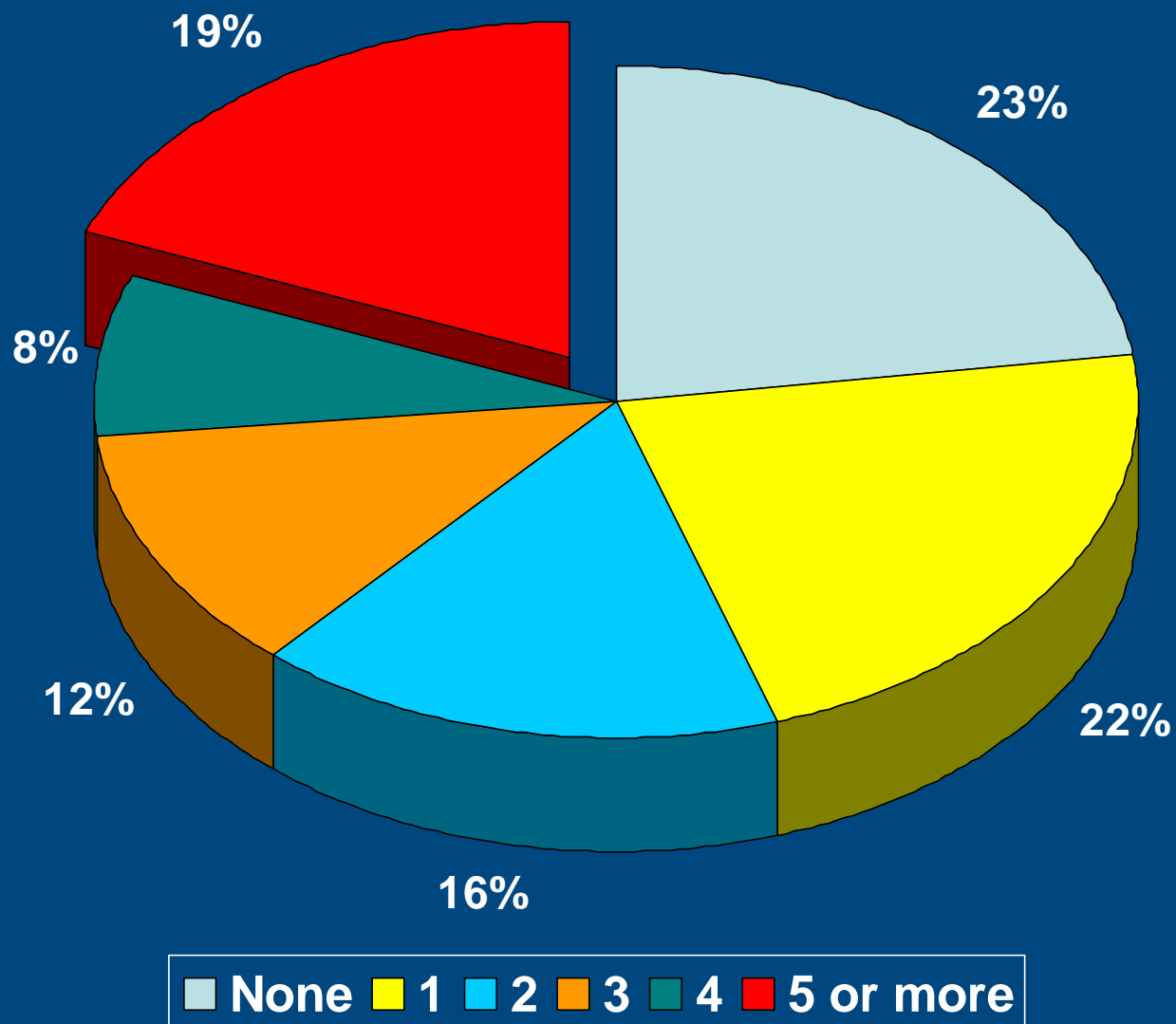
Why Chronic Disease?

IBI The Starting Point

- **#1 cause of death and disability**
- **75% of nation's healthcare spending**
- **Majority could be prevented or managed**
- **Prevalence nearly doubled between 1995 and 2005**

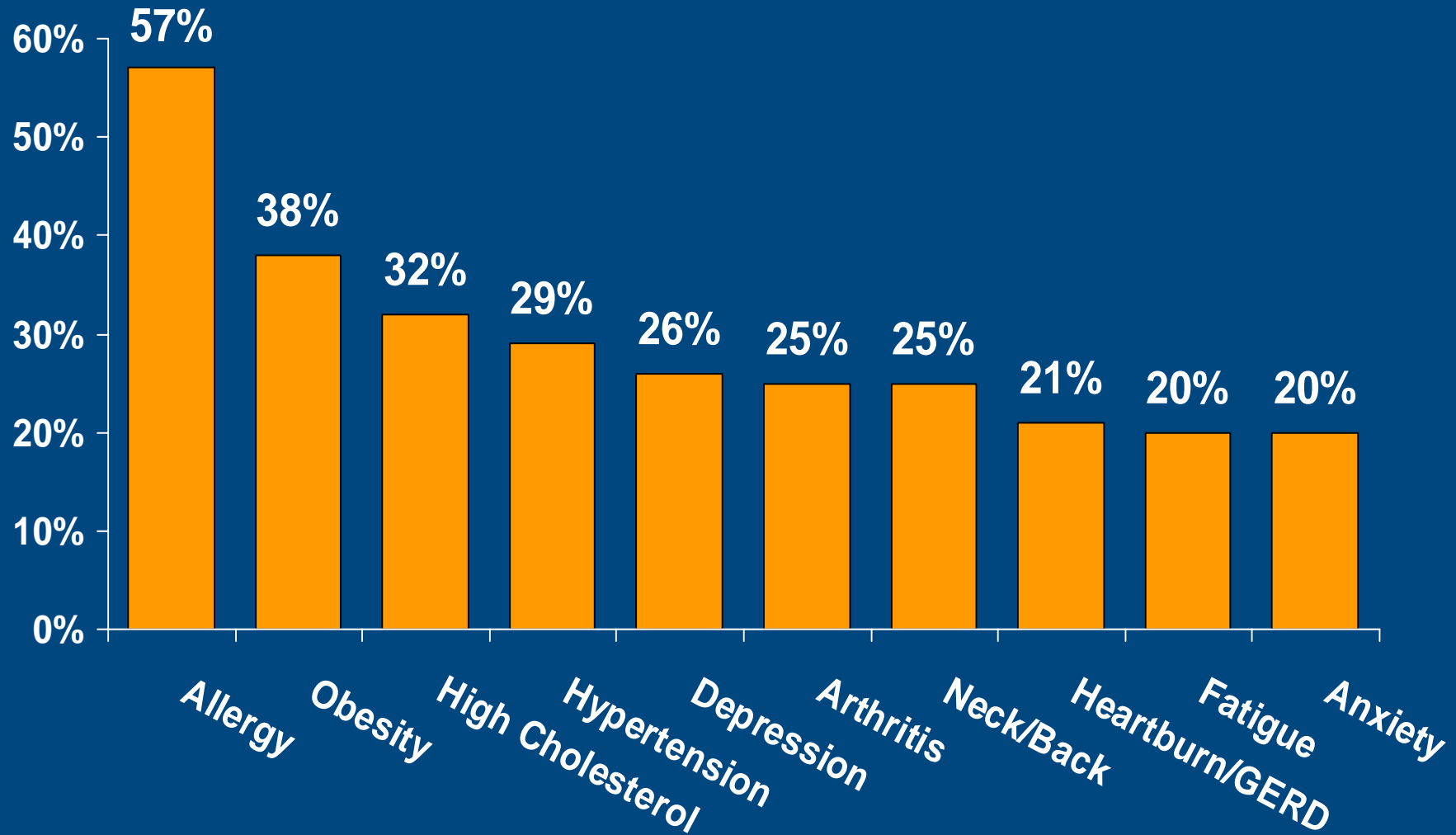


Number of Chronic Health Conditions





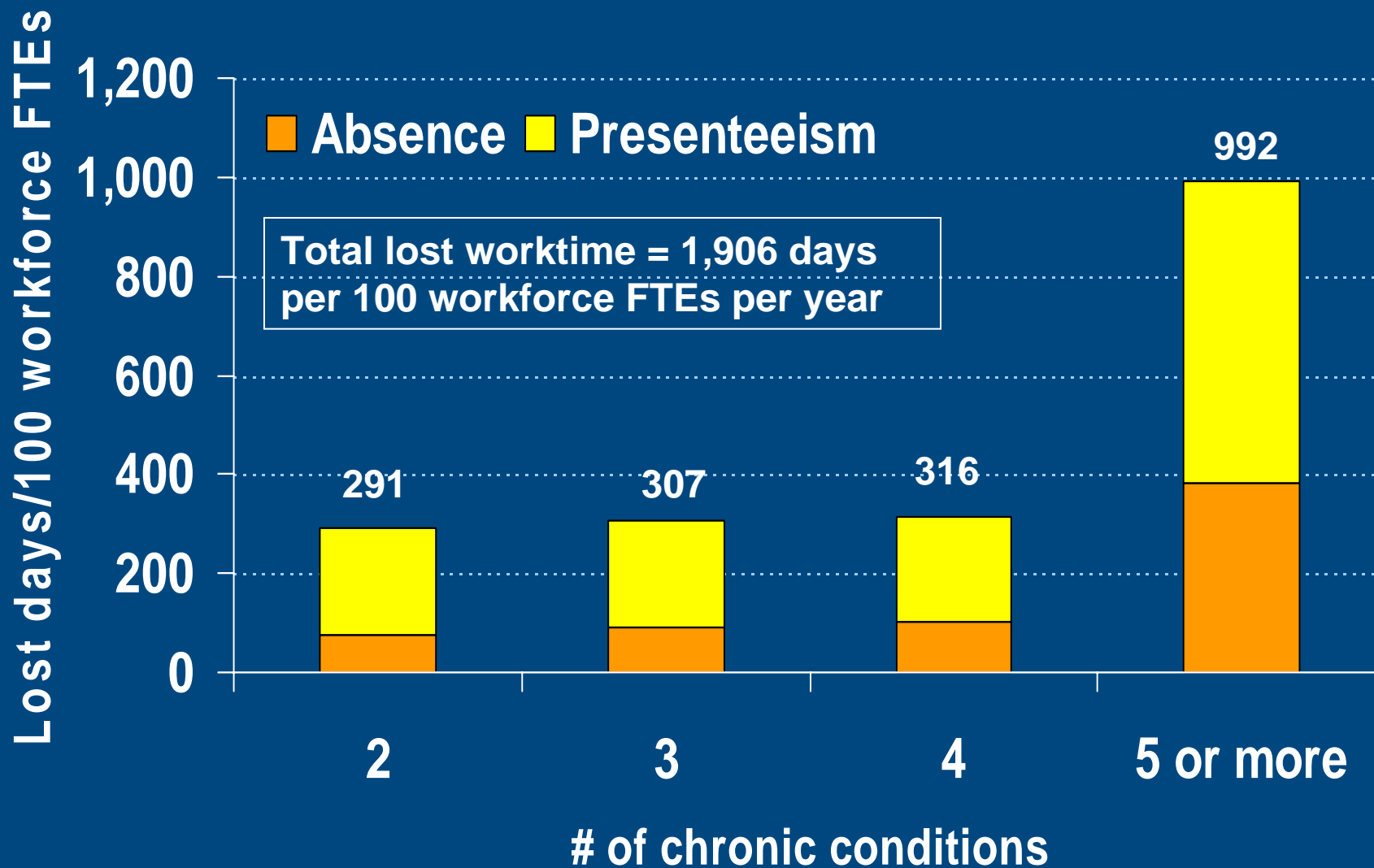
Most Frequent Co-Morbid Conditions*



* Employees with two or more chronic conditions



Co-Morbid Chronic Health Conditions and Lost Time





How Can We Build the Business Case?



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On the Brink of Change

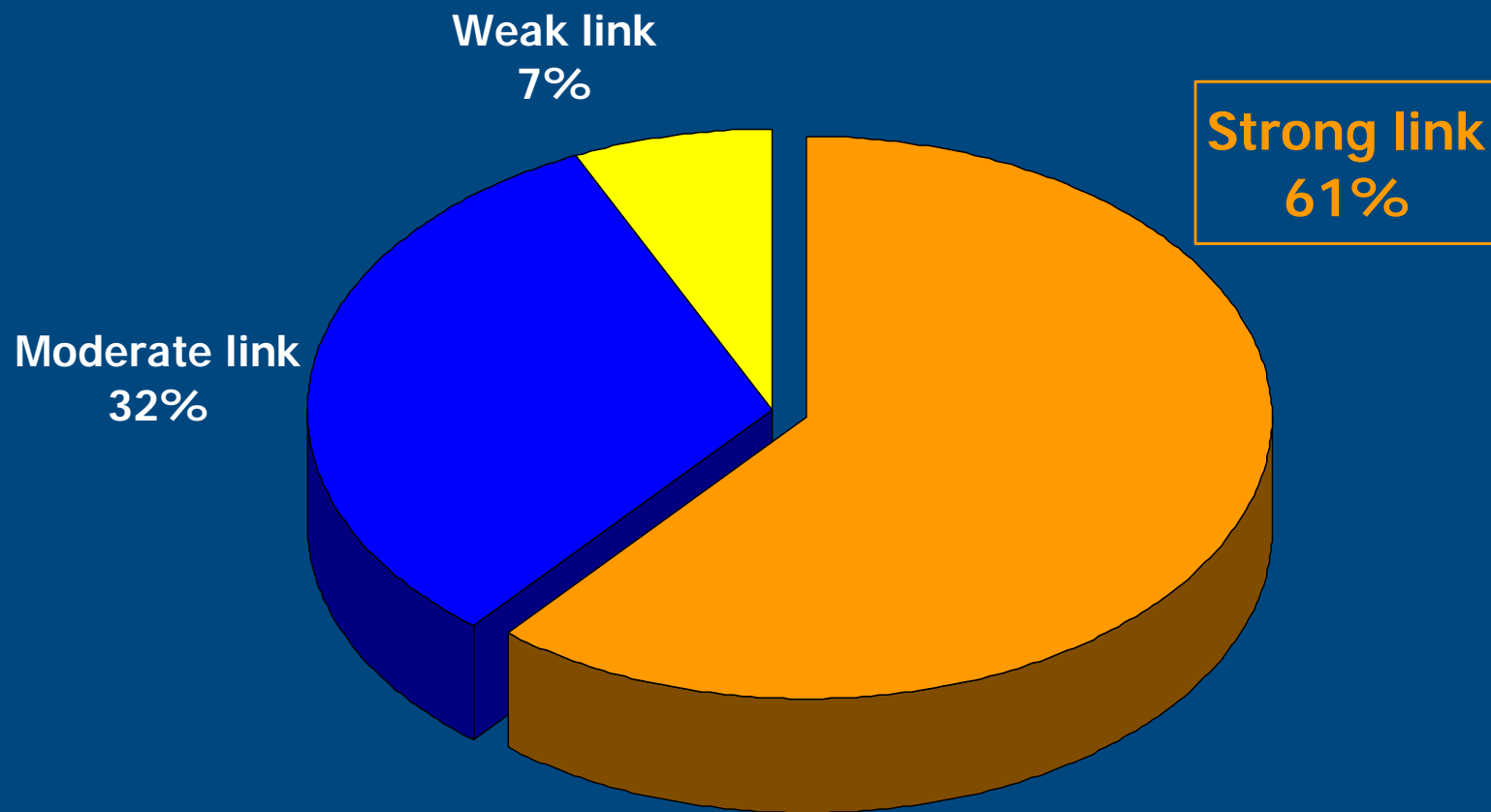


How CFOs View Investments in Health & Productivity

IBI Research, 2002



Linking Health, Productivity & the Bottom Line



What are the Key Metrics?

CFOs

- Cash flow
- Revenue growth
- Earnings growth

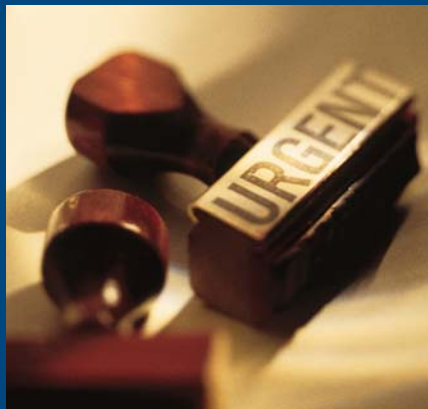
Benefits Managers

- Program costs
- EE satisfaction
- EE retention



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The Business Value of Health

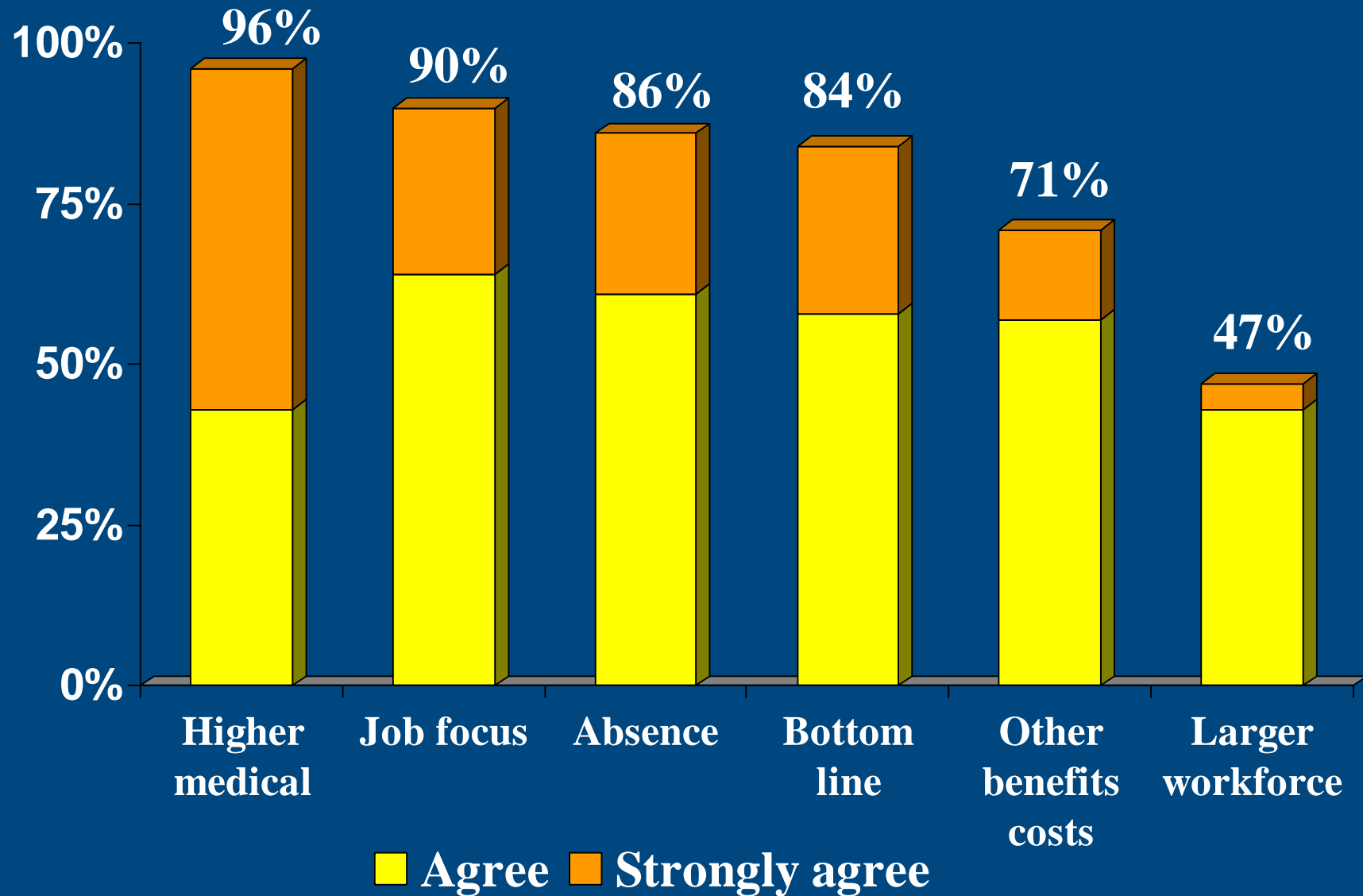


Linking CFOs to Health and Productivity

IBI Research, 2006



The Impact of Ill-Health





Quantifying Lost Productivity

What is the real cost of people being away from work?

IBI Lost Productivity Costs a Function of

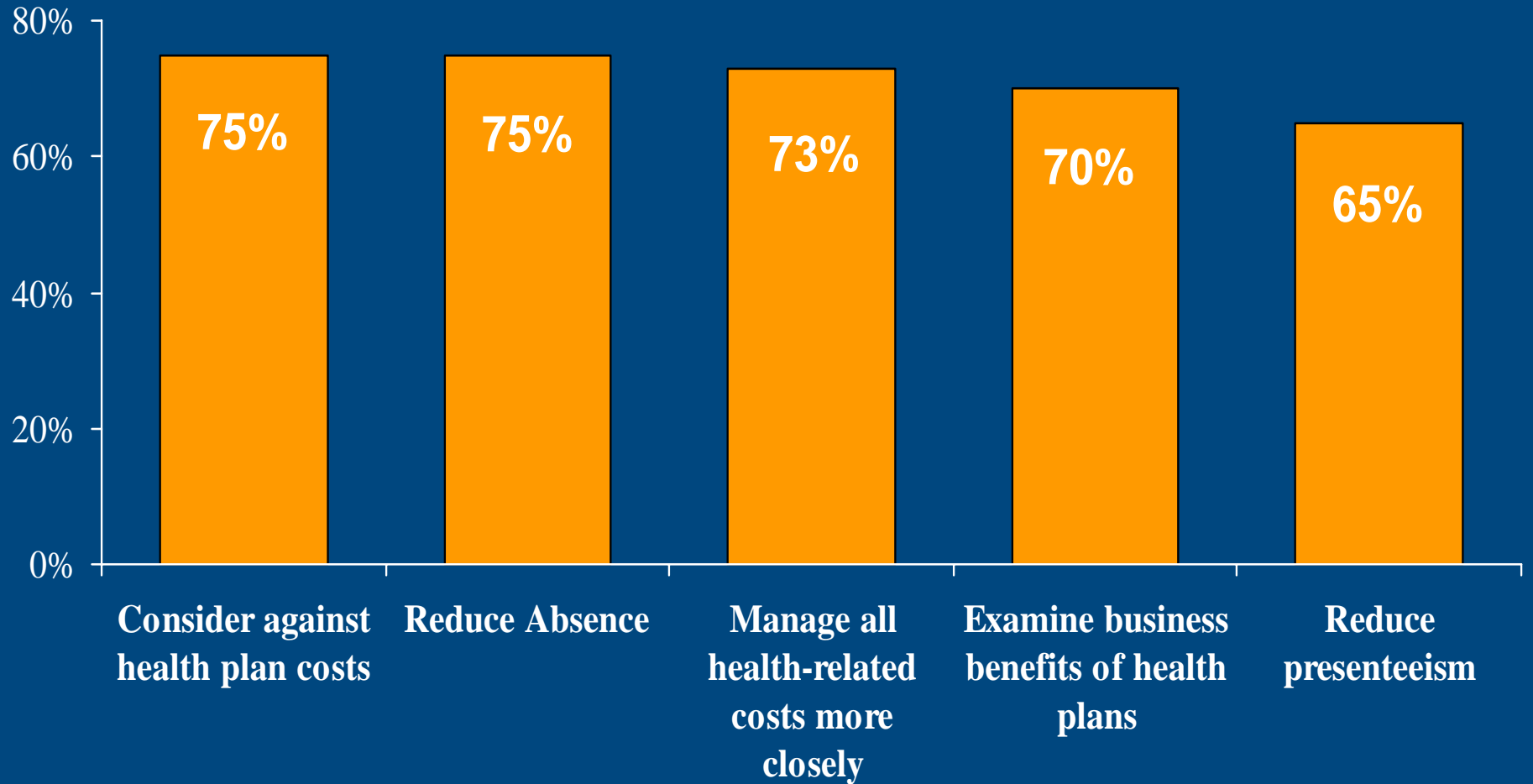
- **Ability to replace workers**
- **Time value of output**
- **Degree of team work**

Measuring the Productivity Impact

- Absence
 - Overtime pay
 - Lost revenue
 - Temporary help
 - Quality lapses
 - Wage replacement
- Presenteeism
 - Overtime pay
 - Temporary help
 - Quality lapses
 - Lost revenue
 - Additional staff



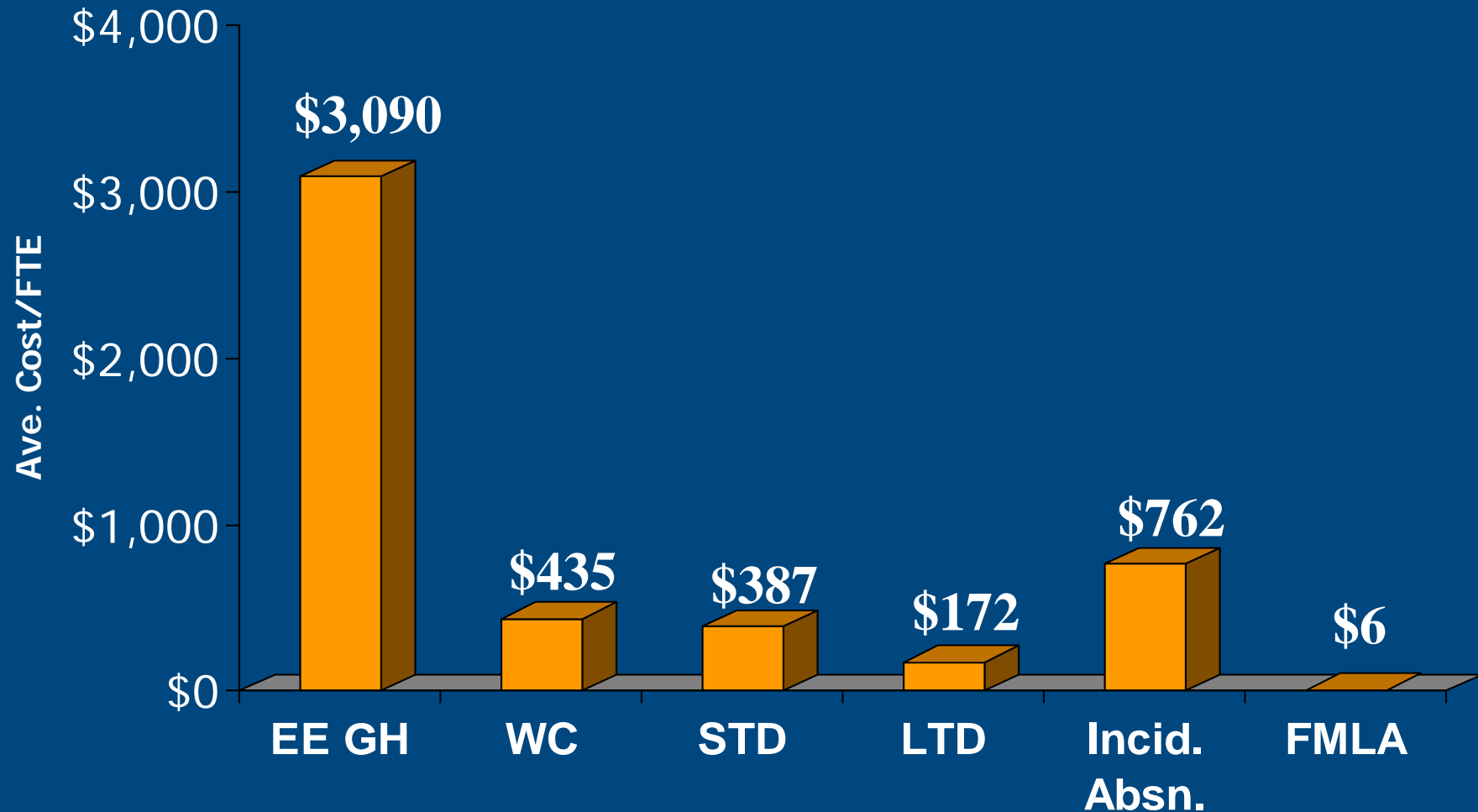
How CFOs Would Use Lost-Productivity Information





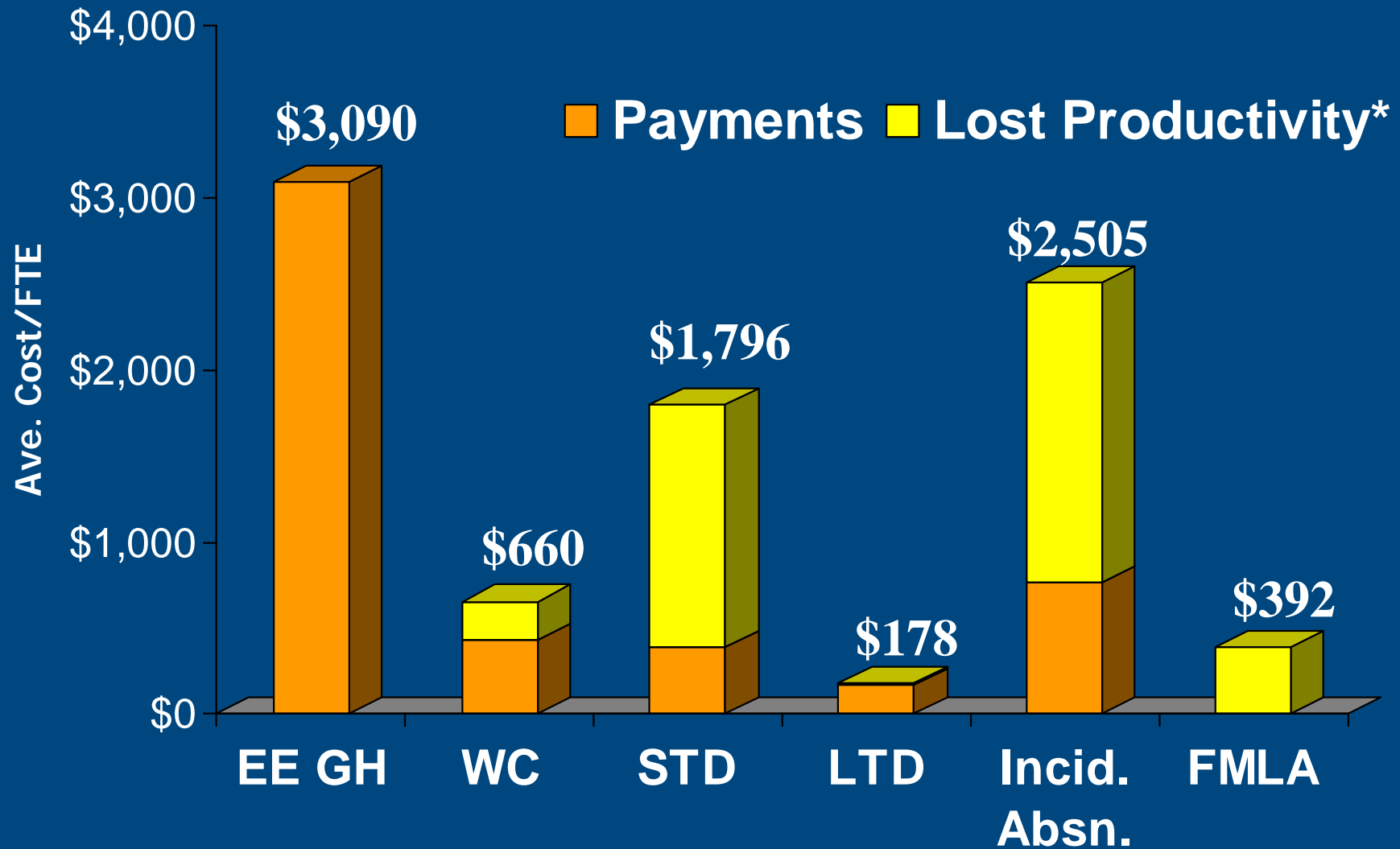
Why We Need to Look Beyond Group Health

IBI Perceived Costs/Program



Source: IBI 2002 Benefit Benchmarking Data

IBI Real Costs/Program

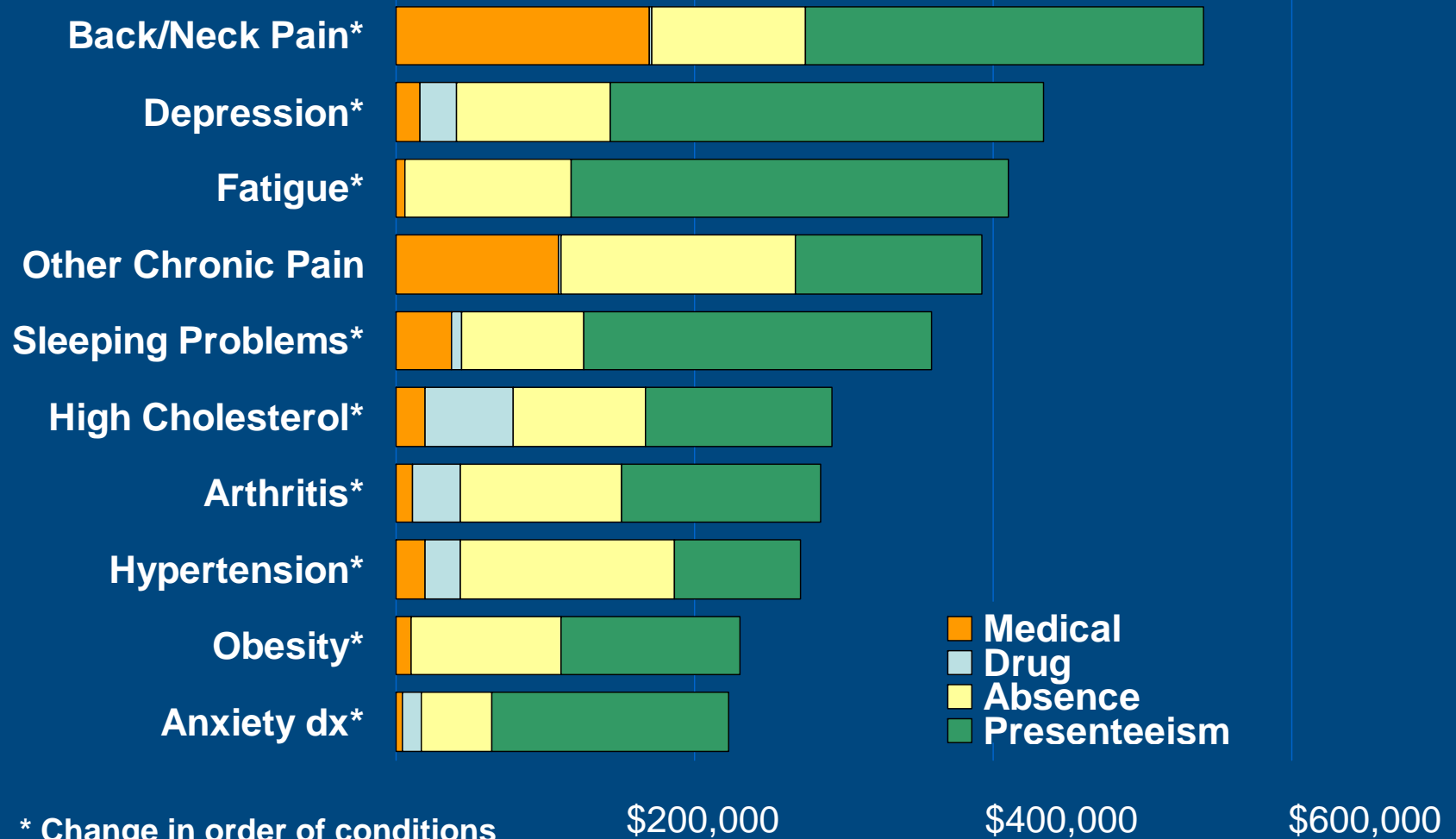


* Nicholson Lost-productivity modifier



Top 10 Medical, Drug & Productivity Costs

-- per 1000/FTEs --



* Change in order of conditions from medical + drug costs

\$200,000

\$400,000

\$600,000

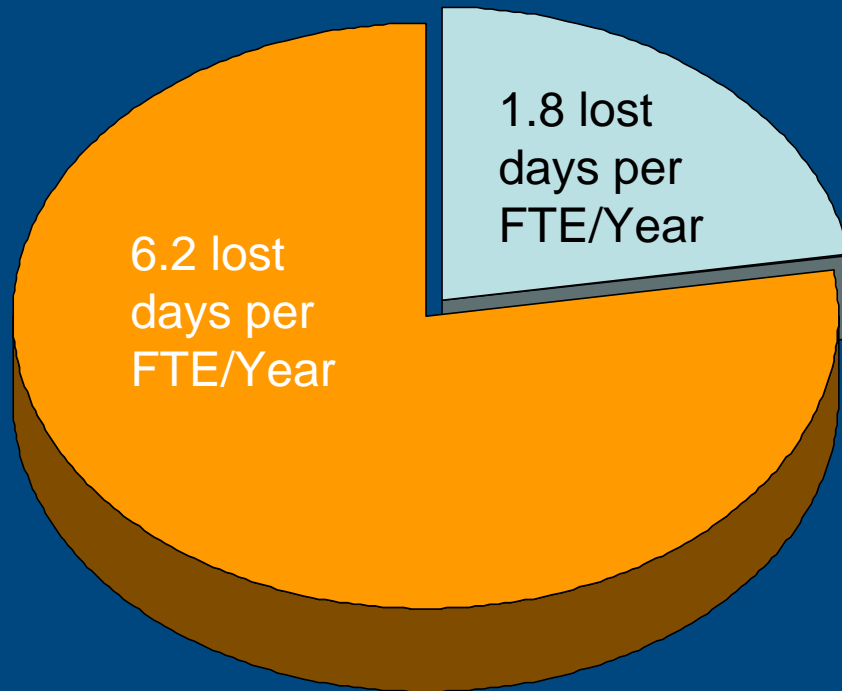


The MGM MIRAGE Case Study

**Making the Business Case for HPM to
Senior Executives**



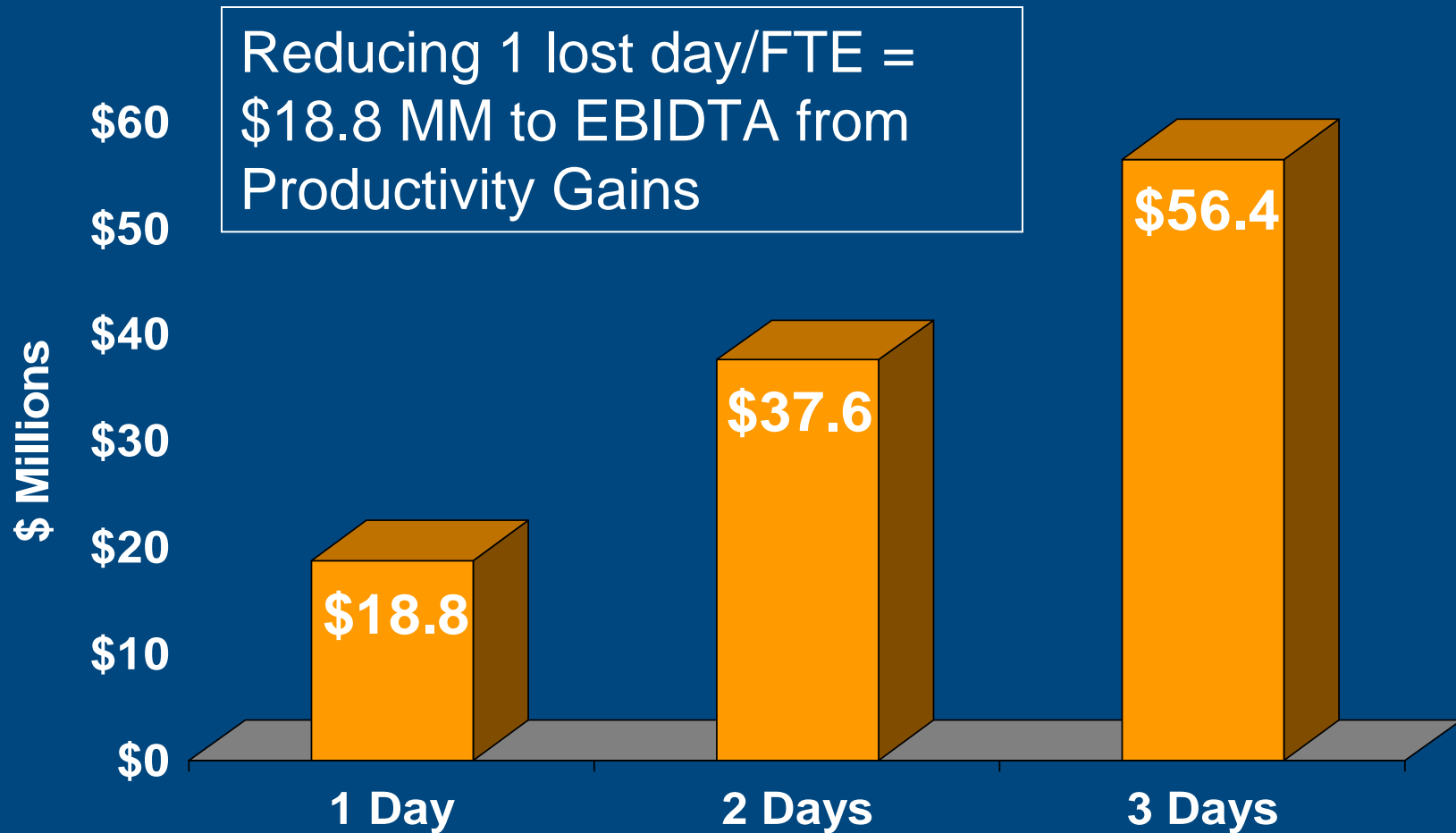
IBI Health & Productivity Snapshot Results



Lost worktime = 8 days per FTE/Year or \$2,598 per FTE/Year in Lost Productivity

- Absence
- Presenteeism

IBI Impact on EBIDTA* of Lost-Time Improvements



* Earnings before investment income, depreciation, taxes and amortization

The Bottom Line

One Day of Productivity Improvement

Savings **\$18.8 MM**

Wall-Street Multiple **13X**

Outstanding Shares **292 M**

Gain in Stock Price **\$.84/share**

Principal Owner (56%) **\$137.4MM**



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For More Information

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