



TOWERS
PERRIN
HR SERVICES

Benefits Partnership Plus

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Health and welfare benefits have been an operating issue for most companies for many years — a component of the human resource program that clearly requires careful ongoing management. What's different today? The degree of attention these benefits need — and the attention they receive in the “C” suite.

In this environment, HR executives face new challenges from three important perspectives:

- **Cost control.** For most employers, benefit costs are problematic, if not prohibitive, and highly visible to senior management. What's more, traditional solutions — tweaking the health plan design, for example, by increasing coinsurance or copays — can raise unwelcome employee relation issues and ultimately fail to address the business problem: controlling cost increases over the medium to long term.
- **HR efficiency.** As organizations strive for competitive advantage by reducing operating expense and increasing return on investment, HR departments are leaner than ever. HR solutions must be comprehensive but streamlined, flexible but fully transparent and strategic within tight budget constraints. In this scenario, trusted partners play a key role.
- **Employee engagement.** With cost shifting less viable as a benefit management option, many employers are turning to employee engagement strategies to achieve better outcomes for both employees and the company — by, for example, developing education and communication programs that encourage healthy behaviors, good health care choices and full appreciation of the value of benefits. But to achieve significant positive results in this arena, investments must be carefully targeted and based on a full understanding of employee attitudes and preferences.

EXHIBIT 1

Benefits Partnership Plus: What You Can Expect

Quick Impacts Immediate Financial Return	Basic Efficiencies Short-Term Financial Return	Advanced Strategies Sustainable Trend Reduction
CORE SERVICES	CORE SERVICES	CORE SERVICES
<ul style="list-style-type: none"> ■ Contract negotiation ■ Enhanced vendor service ■ Coalition purchasing evaluation 	<ul style="list-style-type: none"> ■ Annual custom benchmarking ■ Plan design alternatives ■ Plan funding evaluation/adjustment ■ Provider network efficiency ■ Vendor selection 	<ul style="list-style-type: none"> ■ Consumerism modeling ■ Healthy lifestyle incentives ■ Integrated benefit platform ■ Performance measurement metrics
PLUS SERVICES	PLUS SERVICES	PLUS SERVICES
<ul style="list-style-type: none"> ■ Plan eligibility audits ■ Coalition purchasing participation 	<ul style="list-style-type: none"> ■ Claim administration audits ■ Employee surveys 	<ul style="list-style-type: none"> ■ Expanded communication and administration ■ Population health management analysis ■ Clinical audits: Care and disease management ■ Data warehouse and/or MEDManager
IMMEDIATE SAVING TARGET 5% - 10% ■ LONG-TERM TREND REDUCTION TARGET 3% - 7%		

HOW WE CAN HELP

Towers Perrin can help you address these critical issues. How? By providing the core services you need across the full spectrum of your health and welfare programs, including health, dental, disability, life and other welfare coverages. Plus, we give you the added value that comes from our years of experience, innovative tools and solutions, and in-depth knowledge of the marketplace.

Our Benefits Partnership Plus service offering gives you:

- a straightforward, efficient benefit program management service that delivers the results you want
- immediate cost savings, plus a proven strategy that allows you to control costs — beyond cost shifting — over the long term
- effective communication tools to engage your employees
- a performance dashboard that measures your results and supports reporting to senior management
- opportunities for significant cost savings on prescription drugs and stop loss coverage through powerful group purchasing arrangements, with a free up-front savings analysis
- opportunities to outsource enrollment and ongoing administration
- access to high-value Towers Perrin thought leadership and intellectual capital
- a trusted advisor and account team who give you the proactive service you need
- a three-year, fixed-fee structure — with full transparency and no surprises.

Overall, you get more value for your benefit management spend — that is, more value for the same or less cost than you’re incurring today.

Overall, you get more value for your benefit management spend — that is, more value for the same or less cost than you’re incurring today. *Exhibit 1*, page 1, gives you a quick look at what you can expect from your Partnership Plus relationship. (Most of the tools and strategies listed are included in our core package; some are available on an optional/as-needed basis.)

A CLOSER LOOK: THE CORE SERVICES YOU NEED, PLUS...

What do you want from your health and welfare benefits partner? A streamlined benefit management service that helps you deliver the programs employees value — at a cost senior management can live with. Benefits Partnership Plus gives you that, plus the added value you get from our depth of expertise, innovative tools, comprehensive databases and marketplace leverage.

To further enhance your program’s effectiveness, Partnership Plus gives you the option to add key communication and administration support services to the basic program management package — *and* to participate in Towers Perrin purchasing coalitions that can help you achieve significant savings on prescription drugs and stop loss coverage.

As illustrated in *Exhibit 2*, here’s a quick overview of the core Partnership Plus package:

■ **Strategy development.** It’s a different world today — a world where you need to manage costs in the short term and reduce the rate of cost increases over time. What’s more, you need to accomplish these goals in ways that achieve measurable, sustainable improvements without negative reactions from the workforce. That said, it pays to have a

EXHIBIT 2
Benefits Partnership Plus: Full Service Offering



strategic framework, a clear set of documented objectives and predefined metrics to evaluate results. In fact, Towers Perrin research shows that employers with these disciplines in place have better-than-average benefit program outcomes — and lower costs.

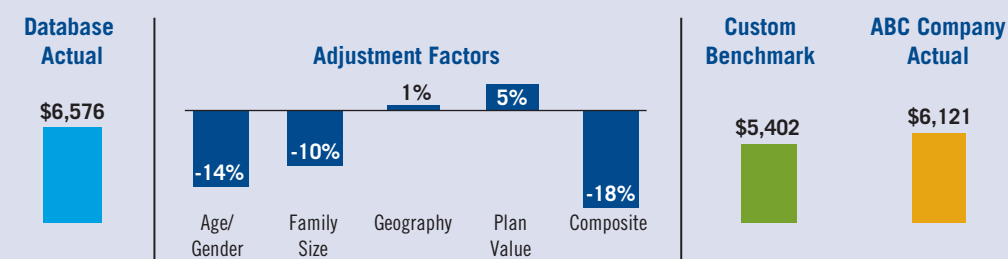
With Partnership Plus, the strategy process begins with a look at your program’s results against national norms for competitive positioning and financial performance through our Employee Benefit Information Center (EBIC) database and Health Care 360 performance benchmarking process.

This exercise ensures that your benefit programs meet business needs and are appropriately positioned to meet your workforce attraction and retention objectives. Most important, the financial analysis helps you identify the true drivers of your costs (adjusting for demographics and geography), allowing you to develop a specific strategy for taking costs out of the system rather than simply managing existing costs (*Exhibit 3*).

■ **Plan management.** If you expect only one thing from your benefit management partner, it’s the basic blocking and tackling that keeps your program running smoothly throughout the year. To support you most effectively in this critical area, we’ve developed a four-quarter plan management calendar process that clearly maps out the key activities you need to focus on during each phase of the plan management year.

Standard activities for each phase include a meeting with your Towers Perrin team, a quarterly claims and utilization report, and ongoing data management and vendor issue resolution. As an important additional service, we keep you abreast of relevant legislative and regulatory activities and the potential impact on your programs (*Exhibit 4*).

EXHIBIT 3
Health Plan Performance Benchmarking



Key message: Your total program is 13% less efficient than the database — an estimated saving potential of \$11.5 million.



EXHIBIT 4
Key Activities Included in Each Phase of the Plan Management Process

FIRST QUARTER: Strategy and Planning
<p>1 In this phase, we hold our annual planning meeting with you to review program performance from both a competitive and financial perspective, evaluate your claims/utilization reports and revisit metrics for the coming year as needed. This discussion includes an overview of any hot topics, trends or legislation that might affect your program. We also conduct annual meetings with your vendors.</p>
SECOND QUARTER: Design and Procurement
<p>2 This phase kicks off your annual core plan management activities with a review of your plan design(s), an evaluation of your program experience, development of budget/cost projections and determination of employee contribution amounts. We also conduct renewals and vendor procurements as needed.</p>
THIRD QUARTER: Implementation and Pricing
<p>3 During this important period, we finalize plan designs and rates, close contracts with vendors including performance guarantees, work with your program administrator to manage implementation activities, review enrollment communications, perform your IBNR calculations and provide you with completed, signature-ready 5500 forms.</p>
FOURTH QUARTER: Enrollment Support and Contract Review
<p>4 Here, we support your enrollment process and debrief the current year. Our debrief includes a review of vendor contracts, performance and strategy, and a preview of issues for the coming year.</p>

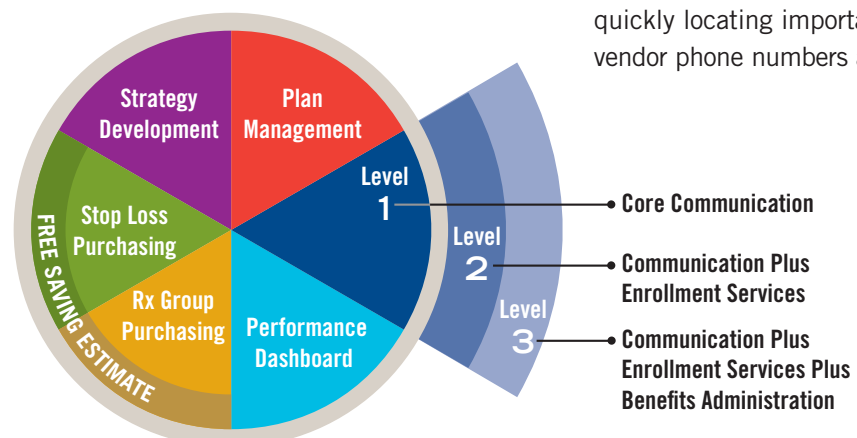
As an enhancement to these core services, you get the benefit of our years of experience in the health, dental, disability and life arena, and the wealth of information we bring to bear on meeting your vendor selection and management needs.

In a nutshell, we place billions in premium dollars every year with virtually every vendor in every key market nationwide. Our day-to-day interaction with the marketplace — coupled with our senior-level relationships with all the major health and welfare plan providers and insurers across the U.S. — gives you access to the contacts and knowledge you need to make your program work more efficiently at a lower cost.

Specific benefits to you include our vendor accountability model — a codified approach to vendor management that ensures you get maximum value for the

money you spend with vendors. As an option, we can also give you access to our discount data warehouse, which is a comprehensive database of on-offer discounts from all major plans in key marketplaces nationwide that can significantly increase your power at the negotiating table.

EXHIBIT 5
**Benefits Partnership Plus:
 Opportunities to Expand**



■ **Core communication.** According to our 2007 *Health Care Cost Survey*, communication that educates employees about their benefits and engages them in building responsible consumer behaviors is at the heart of the highly cost-effective benefit programs run by successful companies.

Benefits Partnership Plus gives you a solid foundation for your communication strategy with a set of core vehicles — in a printer-friendly format — you can use right away. Incorporating your logo, brand colors and benefit plan information, these core pieces include:

- **Announcement letter from your leadership** — a one-page letter to employees that briefly discusses the value of your benefit program, as well as the importance of understanding any upcoming changes/enhancements and making informed benefit choices during the enrollment period
- **Benefit highlights brochure** — a four-to eight-page brochure that provides a quick, at-a-glance summary of your health and welfare benefit program and plan options for use by employees, new hires and recruits
- **Carrier contact card** — a convenient, wallet-sized contact card for employees to keep as a handy reference for quickly locating important carrier/ vendor phone numbers and Web sites.

The annual performance dashboard gives you and your leadership team an accurate year-to-date reckoning of how your plans are performing relative to key metrics.

Print production and fulfillment are not included in this core package, but are available as buy-up options. Partnership Plus also offers you the opportunity to purchase additional levels of service designed to support you in enrolling employees in the program and administering your plans on an ongoing basis (*Exhibit 5*, page 3).

■ **Annual performance dashboard.** We firmly believe that effective management is built on sound measurement. Our core Partnership Plus service includes an annual performance dashboard report that gives you an opportunity to:

- identify and track the factors that drive your overall claims experience (such as high-cost claims, hospital admissions and so forth)
- target the interventions you might put in place to address key cost drivers
- evaluate how well those interventions work over time
- deliver compelling performance reports to senior management.

Our proprietary claim tracking system is designed to accept data directly from carrier feeds on a monthly or quarterly basis. The annual performance dashboard compares your claim data directly to budget targets and benchmarks, giving

you and your leadership team an accurate year-to-date reckoning of how your plans are performing relative to key metrics set for the year.

■ **Free saving estimates: Stop loss and prescription drug group purchasing.** The core Partnership Plus service includes a *free analysis* of how much your company would save (based on plan data you provide) by participating in one or both of our group purchasing initiatives for prescription drugs and stop loss coverage. Average savings on these initiatives range from 1% to 3% of a typical company's current total health and welfare program spend. So, for example, a company with 5,000 employees spending \$40 million on health and welfare benefits could potentially see savings of \$400,000 to \$1.2 million as a result of membership in Partnership Plus.

Participation in the Stop Loss Purchasing program and Rx Group Purchasing initiative are additional services for which we require additional fees (*Exhibit 6*). But again, an assessment of the potential value to your company is included in our

core offering at no extra charge — and the newfound savings invariably exceed the additional fees.

RELATIONSHIP MANAGEMENT AND FEES

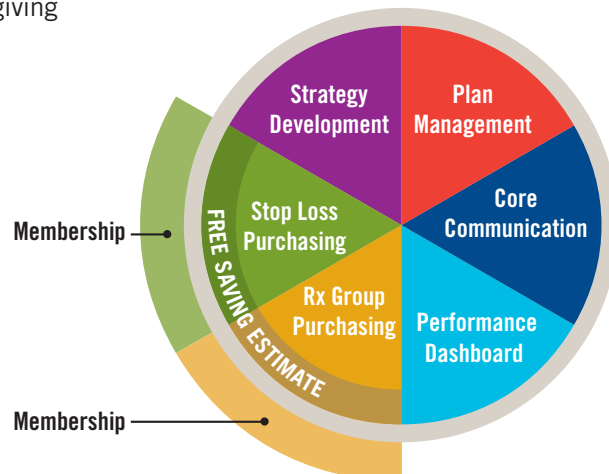
We can offer you a variety of payment arrangements to respond to your company's specific needs and to reflect the nature and scope of the work you engage us to deliver. For our core Partnership Plus offering, we generally develop three-year contracts on a fixed-fee basis, with fees offset by commissions or paid directly to Towers Perrin as a monthly charge for services rendered.

BENEFITS PARTNERSHIP PLUS: WHAT PARTNERSHIP MEANS

We believe in strong relationships. We know from years of experience that strong relationships are built on mutually agreed-upon expectations and, most important, unflinching delivery. We look forward to partnering with you in this way.

We will work with you to get a clear definition of your needs, good data on your programs, timely decisions from you and other decision makers in your organization, thoughtful review of work products and an overall commitment to collaboration. In turn, we commit to providing you with high-quality work, on-time delivery, superior project management, access to our full resources and experience, no surprises on the bill — and, overall, a great experience.

EXHIBIT 6
Benefits Partnership Plus:
Opportunities to Save



ABOUT TOWERS PERRIN

Towers Perrin is a global professional services firm that helps organizations around the world optimize performance through effective people, risk and financial management. The firm provides innovative solutions to client issues in the areas of human resource strategy, design and management; actuarial and management consulting to the financial services industry; and reinsurance intermediary services.

The firm has served large organizations in both the private and public sectors for over 70 years. Our clients include three-quarters of the world's 500 largest companies and three-quarters of the *Fortune* 1000 U.S. companies.

Our businesses include HR Services, Reinsurance and Tillinghast.

The HR Services business of Towers Perrin provides global human resource consulting and related services that help organizations effectively manage their investment in people. We offer our clients services in areas such as employee benefits, compensation, communication, change management, employee research and the delivery of HR services.

