TOWERS PERRIN

2009 Health Care Cost Survey

The Health Dividend: Capturing the Value of Employee Health

20th Annual U.S. Results Report

WHAT'S INSIDE

WHERE WE'VE BEEN, WHERE WE'RE HEADED: A 20-YEAR PERSPECTIVE

Over the last two decades, the *Towers Perrin Health Care Cost Survey* has identified key trends in health care — examining cost drivers, enrollment patterns, plan design, population health, prescription drugs, retiree medical and other topics on an annual basis. During this period, health care has changed dramatically, in ways that have challenged the industry to evolve and innovate.

As we mark the 20th anniversary of this seminal survey, we can look to the past to better understand the present and more clearly define a path for the future. This historical perspective illuminates both the importance of the challenges we face and the value of the opportunities employers and employees can choose to embrace today and in the years ahead.

A 20-Year Perspective

Consider these observations:

The cost burden is becoming unsustainable, and issues of affordability and access loom larger than ever. At current growth rates, health care spending will account for 20% of U.S. GDP in 2017 — nearly twice what it was 20 years ago. The cost to companies of providing health coverage has more than tripled over the last 20 years, and the share shouldered by families is becoming prohibitive.

TWENTY YEARS AGO...

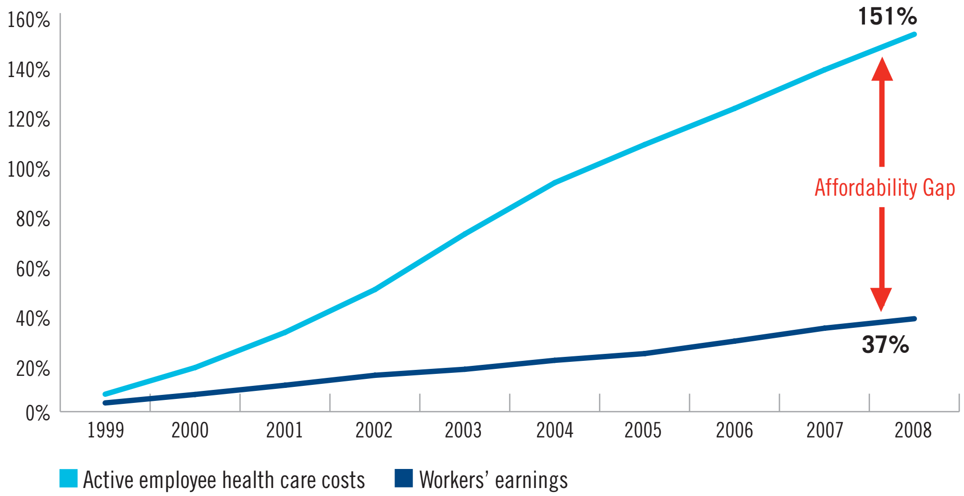
- Americans spent $558 billion on health care. In 2009, health care spending is expected to total $2.6 trillion (a fivefold increase over the 20-year period) and reach $4.3 trillion by 2017.
- Companies paid $1,480 per year for individual coverage ($4,040 for family). Today, the cost is more than three times higher, at $4,820 for individuals ($14,064 for family).
- The employee share was $230. Today, it's $960 ($3,276 for family), with further increases on the horizon as employers limit their subsidies in efforts to control company costs.

Meanwhile, the affordability gap continues to grow. Health care costs have increased more than 150% over the past eight years, while employee wages have risen only 37% *(Exhibit A).*

EXHIBIT A

The growing affordability gap

Cumulative active employee health care costs vs. wage increases



Employer commitments to retirement income and health benefits continue to erode — while the ranks of older workers and retirees continue to swell. Employers, struggling with relentless cost increases, are making significant cutbacks in retirement benefits. The consequences include a broad array of new workforce management issues, including managing retirement timing and, for some employers, reengaging older workers.

TWENTY YEARS AGO...

- Nearly two-thirds (65%) of employees in large private sector companies had employer-based retiree medical coverage. Today, less than half (47%) have coverage and, by 2019, virtually all private sector retirees will pay the bulk of the cost for their health care coverage.
- About two-thirds (63%) of private sector employees had defined benefit pension plans in 1989, versus only 14% today, as employer sponsorship of defined benefit plans also erodes.
- An individual retiring at age 60 needed $40,000 in savings to fund health care premium contributions and out-of-pocket costs in retirement. Today, a 60-year-old retiree needs to have $135,000 saved. In 2019, that same retiree will need to have $250,000 saved to pay health care premiums and out-of-pocket costs.

Rising rates of chronic disease highlight the limitations of two decades of "managed" health care delivery. Twenty years of managing plan designs and providers (through discounts and network breadth) have proved inadequate in stemming the growing tide of chronic conditions and behavior-related disease, pointing to the need for a new focus on health promotion and consumer behavior change.

TWENTY YEARS AGO…

- Most health care coverage was provided through indemnity plans (62% of the market). Today, indemnity plans have all but disappeared (representing only 2% of the market), with PPO and HMO plans dominating the landscape.
- Under 3% of the total U.S. population (or 6.5 million Americans) had diabetes. Today, that number is 8% of the population, or 23.6 million. Projections put the number of diabetics at 60 million by 2031.
- The obesity rate among American adults was 12%. Today, that number is 26% — and, at current trends, over half the population will be obese 20 years from now.

In 1995, 118 million Americans had some type of chronic medical condition. That number is expected to grow to 164 million by 2025.

Scientific, medical and technological innovations are laying the foundation for a revolution in how employers manage health programs and how individuals manage their personal health. These new tools are transforming health care delivery and increasing quality and efficiency by enabling highly focused population health management strategies, evidence-based medicine and value-based benefit designs, and health management programs that target the specific needs of individuals.

TWENTY YEARS AGO…

- There was no commercial Internet and no health care-related communication technology. Today, 66% of U.S. adults search for health care information online, and 36% of U.S. physicians report communicating with patients online.
- Health records were paper; transactions were manual, and health data were highly fragmented. Today, electronic health records, integrated data warehousing and remote biometric screening applications are proving highly effective in supporting health care efficiency and quality.
- The human genome project began. Today, there are genetic tests for more than 1,000 diseases.

LOOKING AHEAD

Working in concert, these forces are causing a shift in the way leading companies view employee health, health care and costs. The focus is evolving away from managing the cost of illness toward working to prevent illness and promote health. An activity that was once fairly narrowly defined as health plan management is now better described as building a culture of health — aligning programs, consumers, vendors, providers and technology to support and improve workforce health.

Most important, by considering health more holistically, leading companies are building health and well-being into the organization's culture as a platform for delivering the business outcomes they strive to achieve. They recognize the strong correlation between employee health and positive financial and operational results — a *health dividend* that includes lower costs, but also improved performance and overall business success.

2009 SURVEY HIGHLIGHTS

Average health care costs will increase 6% in 2009, according to the Towers Perrin 2009 Health Care Cost Survey. While the rate of growth is holding steady with prior-year increases, companies and their employees still face record-high costs in 2009. In flat dollar terms, gross health care expenditure will rise by an average of $532 per employee, to an average total cost of $9,552.

The survey findings are based on *prospective* increases in premium rates or, in the case of self-insured plans, increases in premium equivalents for 2009 plans offered by over 600 of the nation's largest employers. This year's respondent group — covering approximately 13 million employees, retirees and dependents, and representing over $65 billion in annual health care spend — is by far the largest in the survey's 20-year history and, as such, stands as a powerful indicator of emerging trends and changing practices in the health care marketplace.

HIGH PERFORMERS DEMONSTRATE THE ART OF THE POSSIBLE

The most significant findings in the 2009 survey are the cost variations between high-performing and low-performing companies.* On average, high-performing companies will pay 12% less ($1,200 per employee) than low-performing companies in 2009 — a savings differential that quickly adds up to millions of dollars in annual savings for both employers and employees. The survey results also suggest that the health dividend high-performing companies achieve is linked to other workforce management outcomes beyond cost savings, such as higher employee engagement.

To achieve these important advantages, high performers focus on the connections between workforce health and business results, promote a culture of health supported by consumer engagement strategies, and invest in a broad array of both proven and emerging health management techniques — with disciplined execution and measurement processes as the platform for ongoing program management.

COST INCREASES DEEPEN AFFORDABILITY CONCERNS

While some companies are successfully reining in costs without compromising their workforce management objectives, ongoing cost increases continue to weigh heavily on many organizations and their employees. Over the past five years alone, employers' total health care costs have increased by 29% and employees' by 40%. These growing burdens are becoming increasingly

* Towers Perrin divides respondents in its annual health care cost database into three categories: low-performing, average-performing and high-performing companies. Performance designations are based on relative costs and cost increases, as well as whether an organization is meeting its health benefit objectives in key areas that include managing employer and employee costs, enhancing efficient purchasing of health care services, enhancing employee understanding and engagement, and increasing employee satisfaction, attraction and retention.

difficult to manage and, for many individuals, such as low-wage workers and pre-65 retirees, they can be prohibitive (see Exhibit A, page 2).

Pre-65 retirees, in particular, continue to feel the squeeze as employers are forced to rethink their financial commitments to retiree medical benefits. Total annual average costs for this group — at $13,296 — are the highest in the survey, with retirees picking up $6,996, over half of the cost.

This situation is not likely to improve anytime soon. Looking ahead, Towers Perrin predicts that, within five years, individuals retiring before age 65 could be paying as much as 80% of the cost of health care coverage. And it's unclear whether they will be prepared to foot the bill. Only 48% of our survey respondents are confident that their benefit programs today give employees opportunities to prepare financially for retirement. Moreover, only a third (33%) anticipate playing a significant role in helping employees meet their postretirement financial protection needs just three years from now.

ACCOUNT-BASED APPROACHES EXPAND

Leading organizations are, however, taking steps to develop strategies and program designs to address affordability issues for the employee and retiree groups most acutely affected by rising costs. The survey data show, for example, that employers continue to turn to account-based health plans (ABHPs) as a potential solution, with over half of the respondents reporting that they currently offer ABHPs or will do so in 2009.

High performers are more likely to report success, with 44% of those companies saying their ABHPs are meeting objectives for controlling employee costs (versus 16% of low performers). However, while ABHPs are delivering lower costs, the survey results indicate that employers and employees still have work to do to get more people enrolled in the programs and encourage participants to more effectively use the plans to support retirement savings needs.

BY THE NUMBERS: THE SURVEY RESULTS IN DETAIL

Employers face an average 6% increase in health care costs in 2009, according to the Towers Perrin 2009 Health Care Cost Survey. Employer-sponsored dental plan costs will increase 3%, a rate similar to those of the past three years.

At 6%, this year's medical increase marks the fifth consecutive year of single-digit rate growth, following the double-digit increases seen in 2000 through 2004. Total overall employer costs for retirees (both pre- and post-65) will increase 5% in 2009 — just under the 6% rate for active employees but still above core economic inflation. Notably, the cumulative effect of year-over-year increases has produced record-high costs, intensifying concerns about the affordability of health care coverage for employers, employees and retirees.

THE GROWING COST BURDEN

To put the 2009 data in context, employers are now paying nearly 30% more in health care costs than they did just five years ago, and employees are paying 40% more. In average dollar terms, employers pay $7,416 per employee today versus $5,760 in 2004. Employees today pay $2,136, compared to $1,524 just five years ago *(Exhibit 1).*

Focusing on the year-over-year increase from 2008, composite costs for active employees (combining all coverage levels) will rise by an average of $44 per month, to $796 in 2009. The composite cost for retirees under age 65, also rising at an average of 6%, will increase by $61, to $1,108 per month *(Exhibit 2).*

EXHIBIT 1

Total employee/employer health care costs 2004 vs. 2009

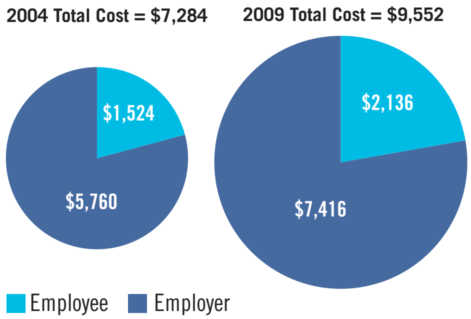


EXHIBIT 2

Average monthly medical costs and cost increases — by covered group

	Employee/ Retiree Only	Employee/Retiree Plus One	Family	Composite*	Average Increase From 2008
Active employees	$402	$826	$1,172	$796	6%
Retirees under age 65	$595	$1,202	$1,572	$1,108	6%
Retirees age 65 and older	$310	$638	N/A	$501	4%

*Composite (i.e., employee/retiree only, employee/retiree plus one and family combined)

Looking at the 2009 data by coverage level, the average reported cost of medical coverage for active employee-only coverage is $402 per month ($4,824 per year) and, for family coverage, $1,172 per month ($14,064 per year). The cost for family coverage for pre-65 retirees tops $1,500 per month for a whopping total of $18,000 per year.

In 2009, average health care cost increases will continue to outpace the Consumer Price Index (CPI), as they have for the past decade (*Exhibits 3* and *4*), although a notable number of companies in this year's survey are holding their cost increases at or below the medical cost component of CPI — a rarity in years past (see the high-performer analysis, which begins on page 12, for additional details).

EXHIBIT 3

Average cost increases 1993-2009

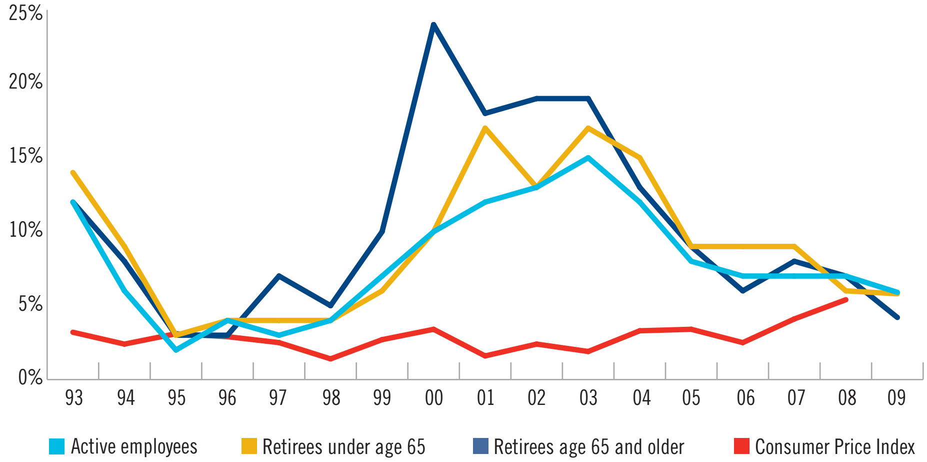


EXHIBIT 4

Average cost increases 1999-2009

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Medical Plans											
Active employees	7%	10%	12%	13%	15%	12%	8%	7%	7%	6%	6%
Retirees under age 65	6	10	17	13	17	15	9	9	9	6	6
Retirees age 65 and older	10	24	18	19	19	13	9	6	8	7	4
Combined	7	12	13	14	16	12	8	7	7	6	6
Dental Plans											
Active employees	7%	6%	7%	6%	7%	5%	5%	4%	3%	3%	3%
Retirees under age 65	4	6	6	5	6	5	7*	7*	2*	5*	3*
Retirees age 65 and older	3	6	4	4	5	6					
Inflation Measures											
Consumer Price Index (CPI)	2.7%	3.4%	1.6%	2.4%	1.9%	3.3%	3.4%	2.5%	4.1%	5.4%*	
Medical care component of CPI	3.7	4.2	4.7	5.0	3.7	4.2	4.3	3.6	5.2	3.3	

*Unadjusted 12 months as of August 2008
Source: U.S. Department of Labor, Bureau of Labor Statistics

WHO PAYS

Employers will continue to shoulder the lion's share of health care coverage costs in 2009, subsidizing, on average, 80% of active employee-only coverage costs and 77% of family coverage. Employees pay the remaining 20% to 23%, respectively, plus usage-based copays, deductibles and coinsurance *(Exhibit 5).* Retirees, on the other hand, both pre- and post-65, will continue to pay a considerably larger share — about 50%, depending on status and type of coverage.

While company subsidy percentages for active employees have held steady in the past few years, the cost burden for employees in flat dollar terms has grown due to the ever-increasing cost base and the added impact of benefit design-related increases in out-of-pocket costs.

Taking a look at the 2009 dollar amounts, individuals' share of the monthly medical cost has increased 8% over 2008 figures to an average of $80 per month ($960 per year)

EXHIBIT 5

Average monthly employee/retiree share of 2009 medical coverage costs

	Employee/ Retiree Only (% of total cost)	Employee/Retiree Plus One (% of total cost)	Family (% of total cost)
Active employees	20%	23%	23%
Retirees under age 65	51	53	54
Retirees age 65 and older	48	48	N/A

EXHIBIT 6

Average employee/retiree share of monthly medical costs and cost increases — by covered group

	Employee/ Retiree Only	Employee/Retiree Plus One	Family	Composite*	Average Increase From 2008
Active employees	$80	$189	$273	$178	8%
Retirees under age 65	302	640	847	583	7
Retirees age 65 and older	148	309	N/A	242	8

*Composite (i.e., employee/retiree only, employee/retiree plus one and family combined)

for single employees and $273 per month ($3,276 annually) for family coverage *(Exhibit 6).* Meanwhile, 2009 costs for retirees reflect the impact of both rising costs and higher cost sharing. So Medicare-eligible retirees pay significantly more than actives — $148 per month ($1,776 annually) for individual coverage. The pre-65 retiree family once again tops the charts, paying nearly $847 per month — well over $10,000 per year.

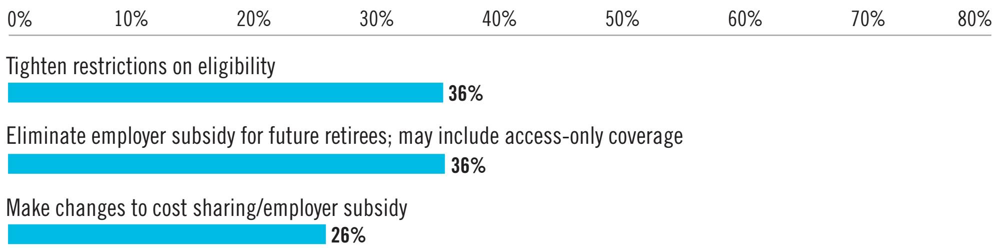
Notably, for pre-65 retirees, the total annual composite cost (the average for all coverage levels) is the highest in the Towers Perrin survey, at $13,296. These retirees are expected to pick up $6,996, or 53%, of that amount, which is nearly *70% more* than they paid just five years ago, due to the combined effect of rising costs and increases in their share of the costs. (Pre-65 retirees paid only 39% of the cost five years ago.) Looking ahead, Towers Perrin predicts that, within five years, pre-65 retirees could be paying as much as 80% of the cost of health care coverage.

In the best of times, the cost to companies has a significant business impact. In today's difficult economy, rising costs are likely to have an even greater effect on company profit margins, employee wage increases and resources available for other rewards. And clearly, today's costs for employees and retirees — particularly low-wage earners and the vulnerable pre-Medicare group — raise pressing practical issues about access to coverage and care, and represent a significant erosion over time in compensation values and consumer purchasing power.

EXHIBIT 7

Retiree medical actions employers have taken/will take

Percent responding in place in 2008/will implement in 2009



RETIREE MEDICAL: THE SHIFTING LANDSCAPE

This year's findings offer evidence that employers continue to review and revise their commitments to retiree medical benefits, applying a range of traditional cost management approaches such as eliminating subsidies for future retirees, modifying current cost-sharing and subsidy arrangements, or tightening restrictions on eligibility *(Exhibit 7).*

A contributing factor is, of course, the burden of postretirement obligations on a company's reported financial position, which for some organizations poses a significant threat to ongoing business viability. For example, older industrial corporations with aging workforces, having promised comprehensive retiree benefits in the 1960s and 1970s, often face liabilities today that exert a heavy drag on business performance.

Most important, our analysis of current annual reports highlights the tremendous variation in FAS 106 liabilities, both within specific industries and across them. As shown in *Exhibit 8,* page 10, companies at the 75th percentile report FAS liabilities nearly seven times higher than those at the 25th percentile.

Clearly, employer approaches to the retiree medical issue have significant long-term implications for the global competitiveness of individual companies and, in some cases, entire sectors. Beyond shifting costs to retirees, many companies are responding to the challenge by seeking creative ways to balance financial commitments with other forms of retirement support.

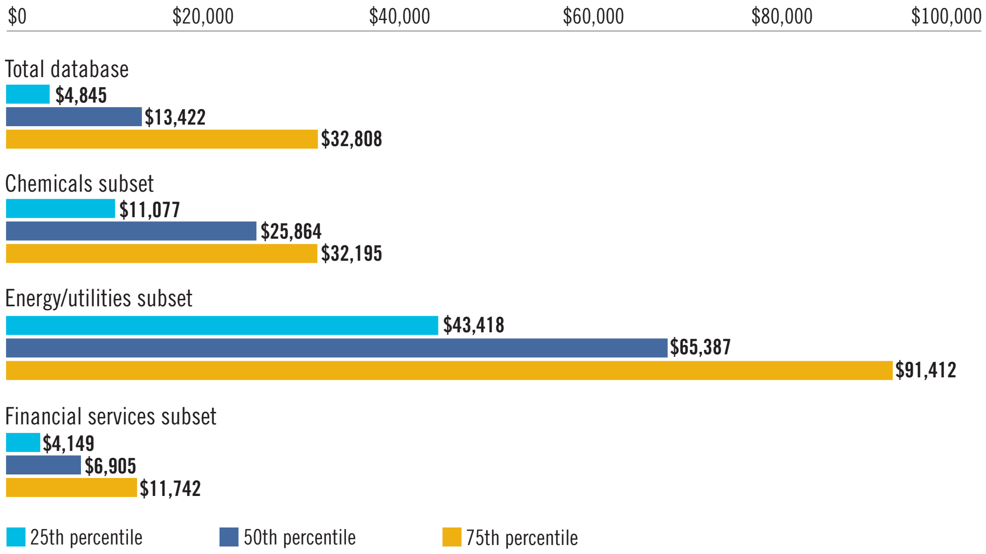
For starters, leading companies (in significant numbers) are taking advantage of changes in the Medicare program to redefine their commitment and benefit proposition — by, for example, offering Medicare Advantage or private fee-for-service options (with or without subsidy), or replacing their company-sponsored drug coverage with Medicare Part D plans *(Exhibit 9).*

Some employers are also showing interest in new ways to deliver benefits that convert traditional benefit promises into commitments based on a defined contribution to a retiree's account or a capped premium reimbursement — such as account-based plans with health savings accounts — or in providing employees support in managing the transition to retirement (see retiree medical sidebar, page 11). Approaches such as these are proving successful in limiting the level and volatility of retiree medical obligations.

EXHIBIT 8

Annual retiree medical costs and accumulated liability

Average and industry (comparison of APBO per active employee)

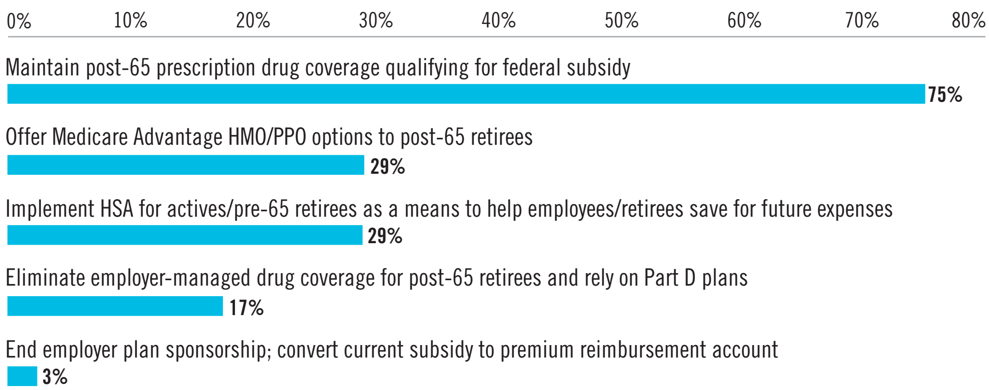


Source: Summary analysis of 2007 company annual reports

EXHIBIT 9

Actions employers have taken/will take for retiree medical program

Percent responding in place in 2008/will implement in 2009



RETIREE MEDICAL BENEFITS: THE NEXT CHAPTER

The 2009 story on retiree medical benefits unfolds along the same lines as in previous surveys: Ongoing cost increases and growing economic pressures continue to force employers to revise their financial commitments and shift more of the cost to retirees, intensifying concerns about affordability — particularly for pre-65 retirees, who shoulder the greatest cost burden.

This year's cost data highlight the growing challenge. While the average cost increase for retiree medical in 2009 is 5%, just below the rate of increase for active employees, average contributions were already far higher for retirees than active employees — and are hitting record highs this year.

In fact, 2009 contributions for pre-65 retirees are over three times higher than those of actives. Moreover, retiree contributions are rising faster than active contributions due to the growing prevalence of employer subsidy caps under which retirees bear 100% of future cost inflation.

Bottom line? Rising costs, combined with ongoing erosion in employer financial support, are creating a cost gulf that will only become wider in the current economic environment as more employers take steps to reduce all costs, including those for health care.

Employers do, however, see the need for both cost control and retirement readiness for employees, and they recognize that current programs may not fully address this dual challenge *(Exhibit B)*. Moreover, our survey suggests that employers are beginning to write the next chapter in retiree medical benefits, embracing new tools for helping current and future retirees better prepare themselves to manage the cost of health care in retirement. Approaches attracting interest include:

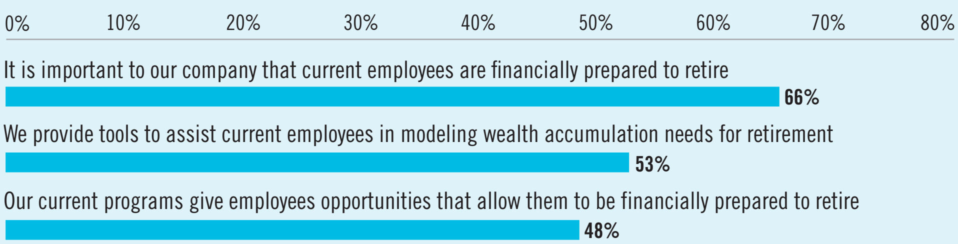
- financial management solutions, such as VEBAs, 401(h) accounts, funded health reimbursement accounts and other funding techniques that can mitigate cost and risk
- wealth accumulation vehicles, such as health savings accounts, that provide tax-effective retiree medical savings opportunities during active employment and into retirement
- new options in the private market — including post-65 medical and drug plans — that enhance retiree choice and value while reducing employer administration burdens
- employee demographic projections — coupled with changes or reductions in pre-65 retiree medical subsidies — to support workforce management goals, including encouraging early retirement
- change management strategies that help retirees navigate a complex environment and help active employees understand how to take full advantage of new opportunities to save for future medical needs.

Although significant shortfalls remain in building affordable solutions, our 2009 survey suggests that the traditional way of thinking about retiree medical (i.e., employers design and deliver the benefit) is evolving toward a new model of greater employee responsibility. That model promotes employee savings for retiree medical during active employment, and takes advantage of expanding consumer choice and value, particularly for post-65 retirees, in a private health insurance market.

EXHIBIT B

Retirement readiness: Will employees be prepared to retire?

Percent responding strongly agree/agree



BEYOND THE AVERAGES: HIGH PERFORMERS CAPTURE A HEALTH DIVIDEND

The most striking result of our survey is the contrast between companies that succeed at keeping costs at or below the CPI and those struggling with above-average, and in some cases double-digit, increases in health care costs. This year's high performers are not only spending dramatically less per employee overall than low performers, but also sharing their savings with employees in the form of lower contributions.

This shared health dividend includes additional advantages for both employees and employers. Overall, employees at high-performing companies are paying less for more benefits — in the form of programs, resources and tools — and employers are reporting better program outcomes and links to workforce performance advantages, such as higher employee engagement.

To understand the many factors that contribute to the dramatic variations in results, for the fourth consecutive year, our survey analysis divides respondents into three categories: low-performing, average-performing and high-performing companies. Performance designations are based on relative costs and cost increases, as well as whether an organization is meeting its health benefit objectives in key areas that include:

- managing employer and employee costs
- enhancing efficient purchasing of health care services
- improving employee understanding and engagement
- enhancing employee satisfaction, attraction and retention.

EXHIBIT 10

Cost variation across companies

High-performing vs. low-performing companies

	High-Performing Companies	Low-Performing Companies	Difference
Cost per employee per year (composite for all plans)	$8,904	$10,104	$1,200
Increase in overall cost	4%	7%	3%
Increase in employer cost	4%	6%	2%
Increase in employee cost	8%	10%	2%
Employee annual contribution	$2,040	$2,364	$324

HIGH PERFORMERS SAVE MILLIONS

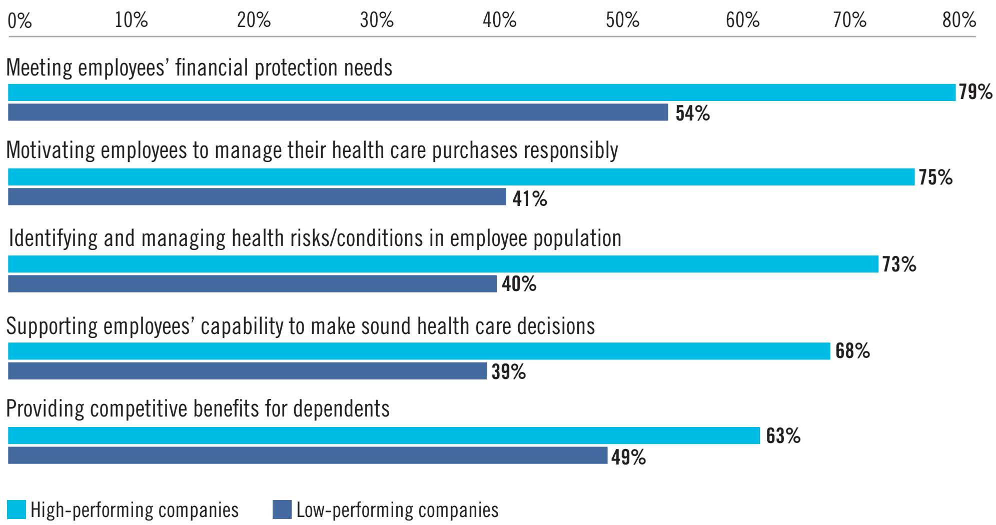
High-performing companies are keeping costs in line with the CPI — about two-thirds of them (65%) have managed to hold trend at 5% or less. In dollar terms, low-performing companies expect average 2009 costs of $10,104 per employee, while high-performing companies will pay $8,904 — a difference of $1,200 per employee that can quickly translate into millions of dollars in savings for an average-size company *(Exhibit 10).*

In addition, the percentage increase in the employee portion of the overall health care cost is significantly lower at high-performing companies than at low performers (8% versus 10%), a data point that puts to rest speculation by some that high performers hold costs down by shifting the burden to employees. Employees at high-performing companies pay, on average, $324 less but get more, as high performers tend to offer more in the way of prevention and wellness support, as well as more tools and resources for optimizing employees' health and finances.

EXHIBIT 11

Employer commitment: How do you describe your company's role today?

Percent responding primary/large role



HIGH PERFORMERS SHOW THE WAY TO SUCCESS

The cost differentials among our survey respondents are important, but the real story is the underlying shift in employer strategies driving those results. That shift begins with the most fundamental elements of the approach — such as governance and guiding principles — and, through highly disciplined execution, touches every detail of program design, delivery and management.

From the outset, high-performing companies see a different role for the organization in the employer/employee health care contract. Rather than focusing on managing the cost of illness, they balance affordability objectives with efforts to prevent illness and promote health *(Exhibit 11).* What's the recipe for success? To summarize our 2009 findings, high performers achieve superior results by:

- building the link between workforce health and business results
- ensuring that key success factors, such as leadership involvement, are firmly in place
- engaging employees and promoting a culture of health
- investing in a broad range of existing and emerging health management programs and approaches
- designing and pricing programs to create transparency and appropriate incentives
- rigorously measuring program and vendor performance against goals
- building action plans to address gaps and opportunities.

A POST-ELECTION LOOK AT HEALTH CARE REFORM

During the 1988 presidential race between Michael Dukakis and George H.W. Bush, roughly 90% of Americans thought the U.S. health care system needed a fundamental overhaul. Fast-forward 20 years to the contest between Barack Obama and John McCain, and 80% of Americans said the same — evidence of how little progress has been made in resolving an issue that perpetually ranks among the top concerns of U.S. voters.

With health care costs at record-high levels and uninsured Americans totaling nearly 46 million today (up over 60% from 31 million 20 years ago), issues of access and affordability figure prominently in the Obama health care reform proposals. Although some key features have yet to be defined, the Lewin Group estimates that the Obama plan would cut the number of uninsureds by more than half in the first two years and produce net federal spending increases beginning in 2010 that would reach a total of $1.17 trillion by 2019.

Broadly speaking, the pillars of Obama's reform legislation include:

- creating a National Health Insurance Exchange program to offer a new public plan and competing private options to individuals who do not have employer-sponsored coverage
- moving employers to a pay-or-play mandate
- providing reinsurance to employer health plans for a portion of catastrophic costs incurred above an unspecified threshold amount, with savings used to reduce employee premiums
- offering small businesses a refundable tax credit of up to 50% on premiums paid on behalf of their employees
- mandating that all children have health coverage, but no individual coverage mandate for adults
- expanding eligibility for Medicaid and SCHIP.

While the pay-or-play provision may cause concern for many employers, Obama's current plan doesn't yet include enough information to gauge the potential impact. Under the current provision, companies that do not offer "meaningful coverage" or make a "meaningful contribution" to the cost of coverage for their employees will be required to contribute a percentage of payroll toward the cost of the national plan. However, the provision doesn't specify what constitutes meaningful coverage or a meaningful contribution, nor does it say what level of payroll assessment would apply to employers who choose to pay rather than play.

Needless to say, if the pay-or-play mandate significantly increases employer costs, the new proposal could engender the same level of opposition that contributed to the defeat of past reform efforts. (It's also worth noting that the pay-or-play issue is potentially of more concern to smaller companies.)

At this point, it's impossible to predict with precision how Obama's reform proposals will ultimately roll out. But we do believe it's likely that Congress will consider changing the tax law to impose a cap on the employee income exclusion for employer-provided health benefits. Overall, timing is the question. While Obama's list of domestic policy priorities includes both health care and tax reform, the economic crisis will undoubtedly take precedence for the short term. So continued pressure for health care reform remains, but sweeping reform seems unlikely anytime soon.

GOOD HEALTH IS GOOD BUSINESS

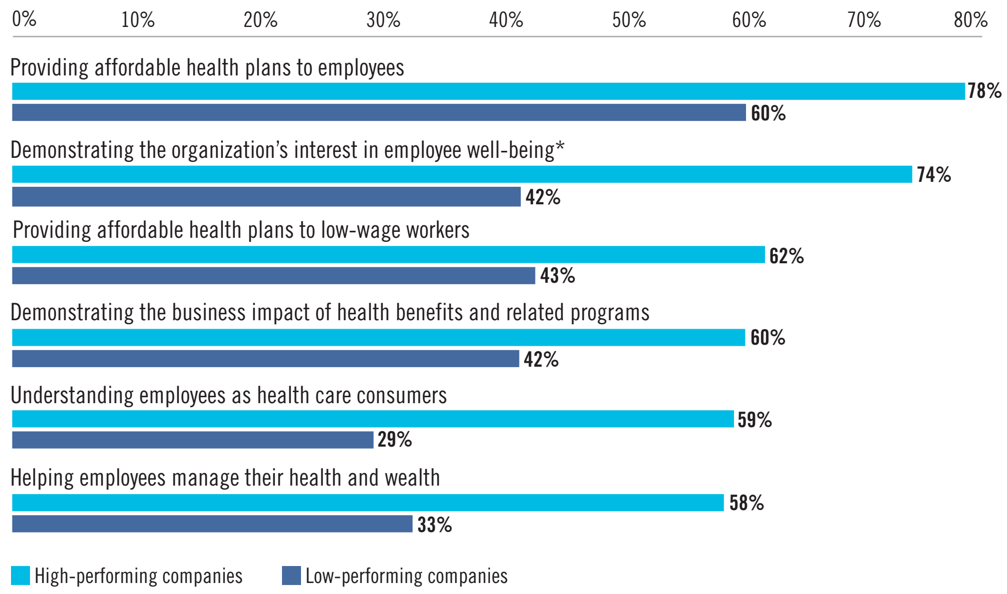
High performers see the connection between employee health and positive business outcomes — and that insight is clearly reflected in their corporate culture and program objectives *(Exhibit 12).* Their strategies reflect a broad view of employee needs and motivations, from financial protection to the factors in the work environment and health care marketplace that prompt employees to make decisions and take action.

- One of the top factors shaping high performers' health care strategy is demonstrating the organization's interest in employee well-being. According to the Towers Perrin Global Workforce Study, senior management interest in employee well-being is the number one driver of employee engagement. And engaged employees are far more likely to devote the discretionary effort to their jobs that helps build long-term performance improvement and competitive advantage.
- High performers are sensitive to affordability issues across the various segments of their workforces. They see health benefits as support for employees' physical *and* financial

EXHIBIT 12

Factors shaping health care strategy

Percent responding extremely/very important



* Senior management interest in employee well-being is the top driver of employee engagement in the Towers Perrin 2007-2008 Global Workforce Study.

health. And they make efforts to understand the unique needs of different employee groups, as well as what motivates them to make appropriate lifestyle and health care choices.

In building and supporting their health care strategies, high performers recognize the importance of senior management involvement, trust in the culture, and support from managers and supervisors as key factors in getting employees to adopt the financial responsibilities and behaviors expected of them *(Exhibit 13).* They also see disciplined execution — and measurement — as critical ingredients for success.

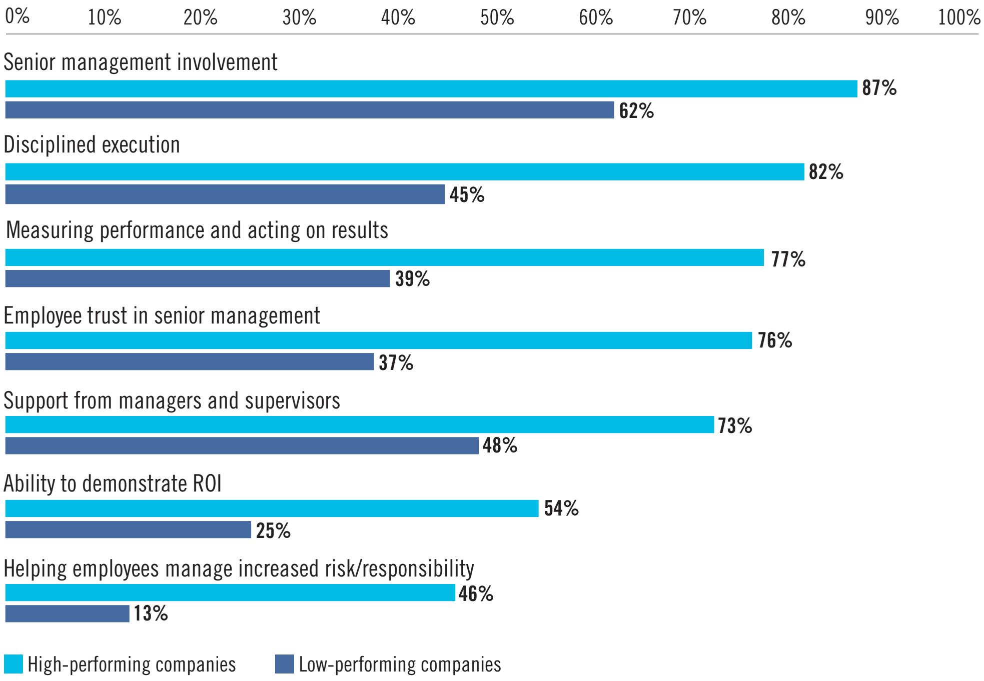
ENGAGING EMPLOYEES AND PROMOTING A CULTURE OF HEALTH

High performers are committed to building a culture of health within their organizations, and they focus their consumer engagement strategies on the value of health and the specifics of good

EXHIBIT 13

Critical performance factors: Are they in place?

Percent responding critical factor; in place now



consumerism *(Exhibit 14).* They believe they have an important role to play in helping employees successfully manage the responsibilities, accountabilities and risks inherent in today's health care programs. And, to that end, they make significant investments in a broad range of health information resources and tools that support employees' abilities to adopt new behaviors and make sound health care decisions *(Exhibit 15).*

- High performers make good health part of the organization's fabric and identity. More than twice as many high performers as low performers say their organizations are committed to building a culture of health. They take steps to build a healthy work environment, and their leaders communicate the importance of employee health.
- High performers provide employees with a broad array of resources, tools and information sources to ensure understanding and optimal use of the health program. They are roughly twice as likely as low performers to offer employees year-round education and access to health information (instead of just at enrollment time), as well as support tools for making decisions about providers and services.

EXHIBIT 14

Building a culture of health

Percent responding strongly agree/agree

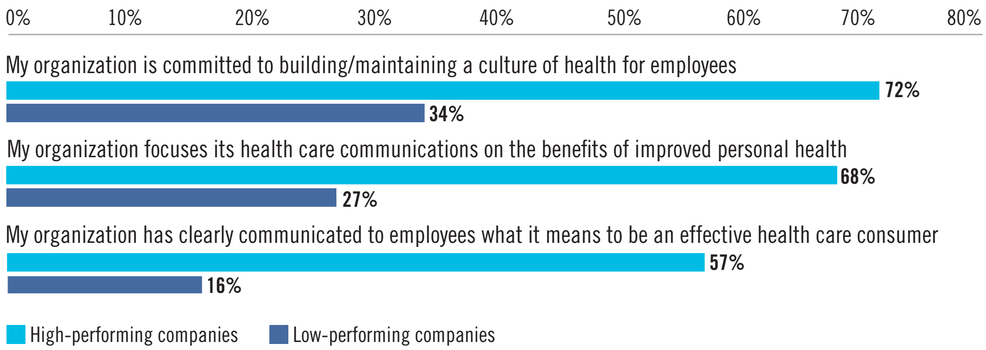
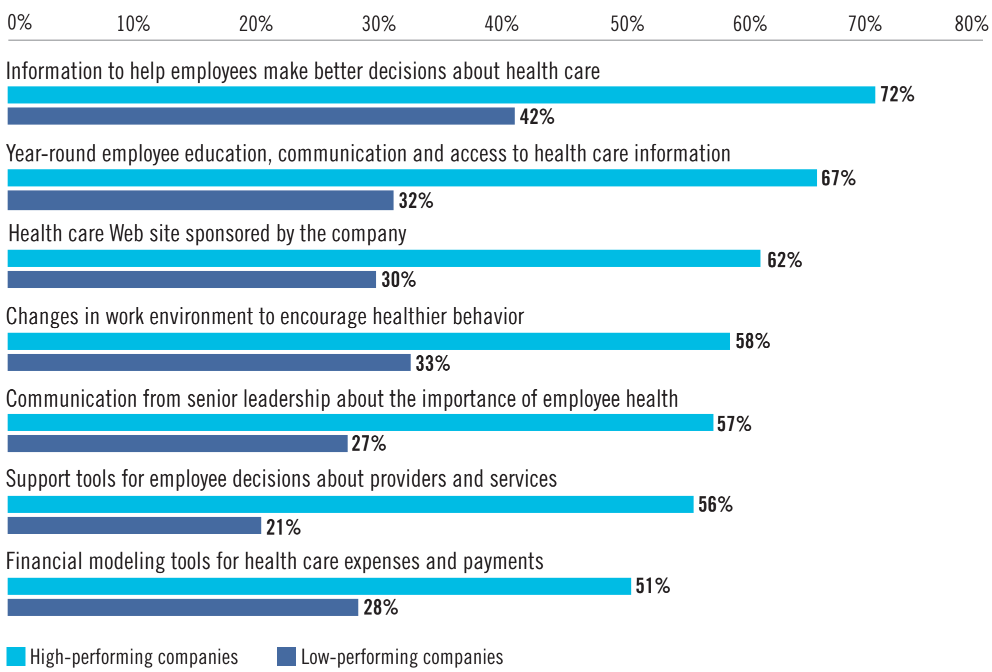


EXHIBIT 15

Engaging consumers

Percent responding doing to a great/moderate degree



THE HANNAFORD WAY: BUILDING A CULTURE OF HEALTH FROM THE INSIDE OUT

When *Health* magazine named Hannaford Supermarkets one of the nation's 10 healthiest grocery chains, it cited the stores' organic products, local produce and "groundbreaking" Guiding Stars program — a three-star system designed to make nutritious shopping simple for consumers. What the article didn't mention was that Guiding Stars, and many of Hannaford's other health-focused initiatives, is the outward extension of an internal culture-of-health program created to improve employee health and lower overall benefit plan costs.

Ten years ago, the cost of Hannaford's U.S. health care plan was threatening its long-term business prospects in the North American market — not because the company was spending significantly more on health care than its U.S. peers but because, alongside its non-U.S. sister companies in the Europe-based Delhaize Group, it looked significantly less competitive from a global perspective.

Today's picture is, however, completely different. Hannaford's health care strategy is not only driving benefit cost savings, but also business value in the form of improved competitive positioning and brand strength. How did this transformation come about? The strategy included four key elements:

- focusing on quality to spur more competition in local health care markets and more collaboration between providers and the company
- using "informatics" to measure current performance and define the future path
- building a culture of health by putting health in employees' — and customers' — hands, engaging them through consumer education and information
- creating a new dynamic — connecting employees, providers and customers in lower-cost, higher-quality, community-based health promotion and care.

The results speak for themselves. Hannaford's health care spending over the past three years has dropped 11% while costs for most U.S. companies were rising. Employees (called "associates" at Hannaford) are more satisfied with their benefits than employees at the average *Fortune* 25 company — and their perception of the quality of the health care they receive is close to twice as high as the average.

Associate engagement in the program is one of many key success factors. How does it work? While the new health plan provides more cost transparency and requires associates to take more accountability for health care decisions, it also gives them more control in choosing providers and managing their health.

For example, the program offers a healthy behavior credit, which discounts health plans for employees who make smart life choices. As a result, employees have begun asking their doctors for additional health guidance and, ultimately, improving their own health status. The program also gives associates a higher benefit when they choose what the plan identifies as "top tier" providers. Hannaford benefits by paying less, and the top providers also share in positive results by earning more through performance incentives.

What are the outcomes? In the first year of the culture-of-health initiative, 26% of associates were at risk for high cholesterol; in the following year, that figure dropped to 13%. Similarly, 20% of associates were, at the outset, smokers; a year later, only 10% were.

With the new strategy clearly scoring wins with both associates and providers in the community, Hannaford extended it to other parts of the business, partnering with professional nutritionists to develop an easy-to-use nutritional value guide — Guiding Stars — that would facilitate practical, healthy eating habits for both employees and customers by awarding "good," "better" or "best" stars to healthy foods sold in its stores. Within a year of the program's inception, starred food products were selling three to five times faster than other products. What's more, some suppliers began to reformulate their products to make them healthier and thus qualify for coveted Hannaford Guiding Stars.

Today, Hannaford continues to expand its culture of health, offering associates and customers free in-store nutrition classes and store tours led by registered dietitians on topics ranging from heart health and diabetes to good nutrition on a tight budget. The registered dietitian program also supports efforts to combat childhood obesity by partnering with local pediatric practices and offering free nutrition education for at-risk patients and their families. These programs are boosting both employee and customer loyalty — and earning the goodwill of the communities in which the stores are located.

"We think of health care not just as a cost, but as one of the best investments we can make in our company and our community," says Peter Hayes, Director of Associate Health and Wellness at Hannaford.

And the effort hasn't stopped there. The company is now focused on another innovation that will benefit employees, consumers and the broader community.

"Now we're building the first all-green supermarket in the country," says Hayes. "We're always striving to determine how to improve the health of our employees and communities."

For more details on the Hannaford story, please go to towersperrin.com: Perspectives: Healthier Consumers, Customers and Communities: The Hannaford Dynamic.

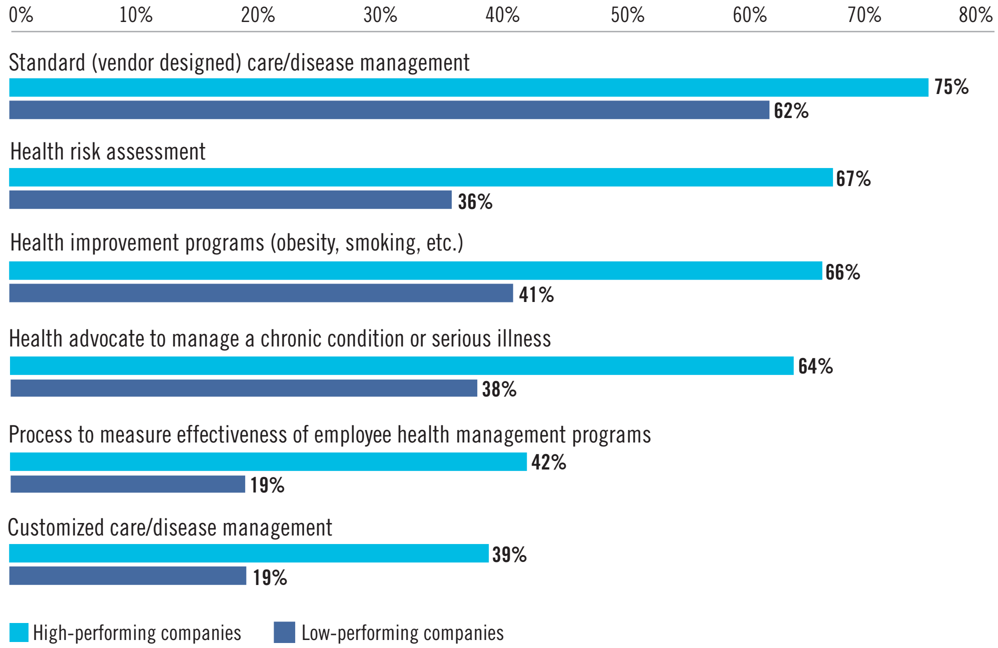
INVESTING IN EMPLOYEE HEALTH MANAGEMENT AND ACCOUNTABILITY

Rising rates of chronic disease underscore the importance of identifying and addressing health risks and conditions in the employee population early and effectively. High performers are attacking this problem from multiple angles, proactively profiling employees' health status and risk factors, and building a variety of programs to help address them *(Exhibit 16).* In addition, high performers (many of whom describe themselves as "early adopters" or "fast followers") are beginning to embrace

EXHIBIT 16

Employee health management: Prevalent activities

Percent responding doing to a great/moderate degree



new and emerging technologies to help support the behavioral changes employees must make to maintain their health or manage existing health risks or conditions *(Exhibit 17).*

- Disease management programs, health risk assessments and health improvement programs targeting common risks such as obesity and smoking are now standard practice in high-performing organizations. What's more, high performers are exploring leading-edge approaches and technologies — such as lifestyle coaching, personal health records and remote biometric screening — that show considerable promise in better connecting patients with their care providers and engaging employees in actively managing their health.

In addition to these programmatic elements, many high performers seek to maximize the value of their investments in employee health management through thoughtful design and pricing — along with targeted incentives — to ensure cost transparency, encourage participation and reinforce employee accountability *(Exhibit 18).*

EXHIBIT 17

Employee health management: Emerging activities

Percent responding doing to a great/moderate degree

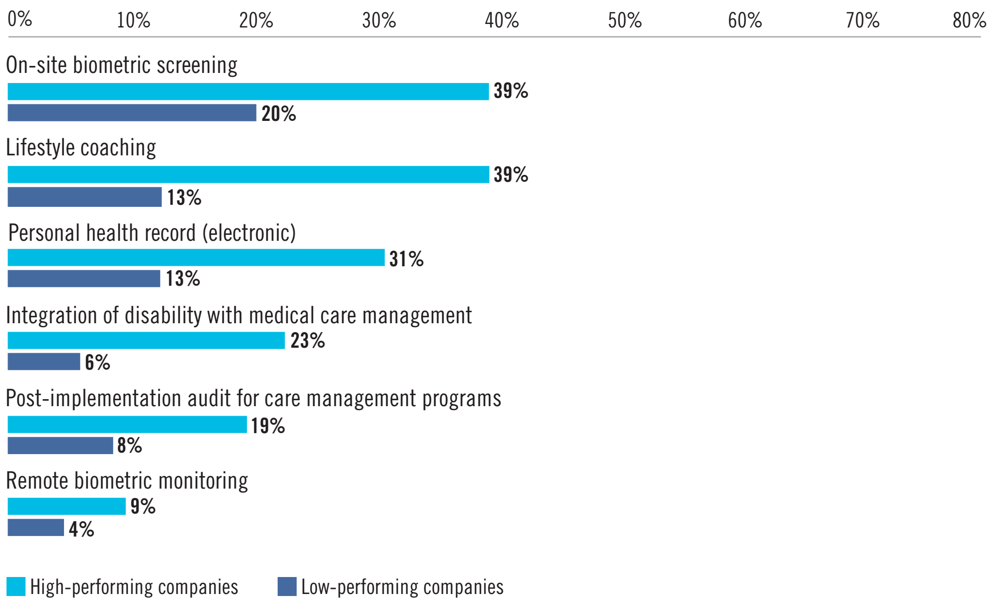
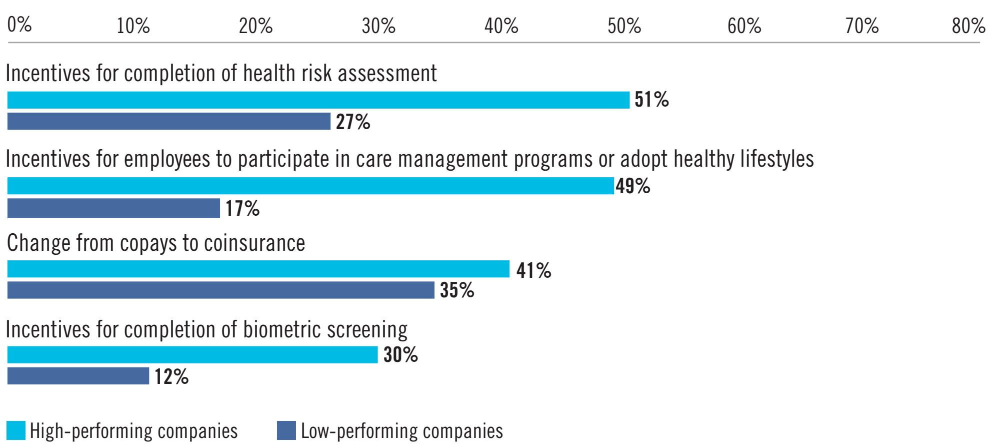


EXHIBIT 18

Incentives and employee accountability: Current program design elements

Percent responding doing to a great/moderate degree



MEASURING PERFORMANCE, TESTING PERCEPTIONS

High-performing companies measure performance rigorously and regularly *(Exhibit 19).* They document their strategies and identify success metrics at the outset, thereby creating opportunities early on to adjust strategies that aren't working or optimize those that are. What's more, high performers are far more likely to articulate a formal health philosophy, enhancing their ability to broadly promote and brand the organization's commitment to workforce health.

Taking a page from best practices in marketing, high performers are also more likely to test consumer motivations, preferences and potential reactions through employee research before they launch a new strategy or program, during the launch and after implementation *(Exhibit 20).* This practice not only ensures that the product design will meet with success, but also serves as an important means of earning employees' trust, involvement and buy-in.

- The vast majority of high performers embed regular strategy reviews into their program governance processes. They make a significant commitment to optimizing plan performance and manage by fact, building action plans based on results. Their vendor metrics encompass employee satisfaction as well as financial and clinical performance, and they make design and delivery decisions using data on the needs, risks and attitudes of the various segments of their employee populations.
- High performers are also more likely to consider the cost of illness in terms that go beyond medical claims to include the cost of health-related absence and disability.

EXHIBIT 19

Program governance

Percent responding doing to a great/moderate degree

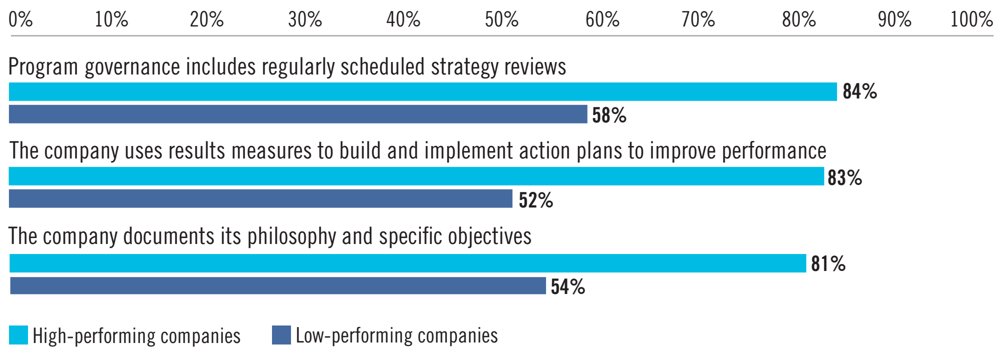
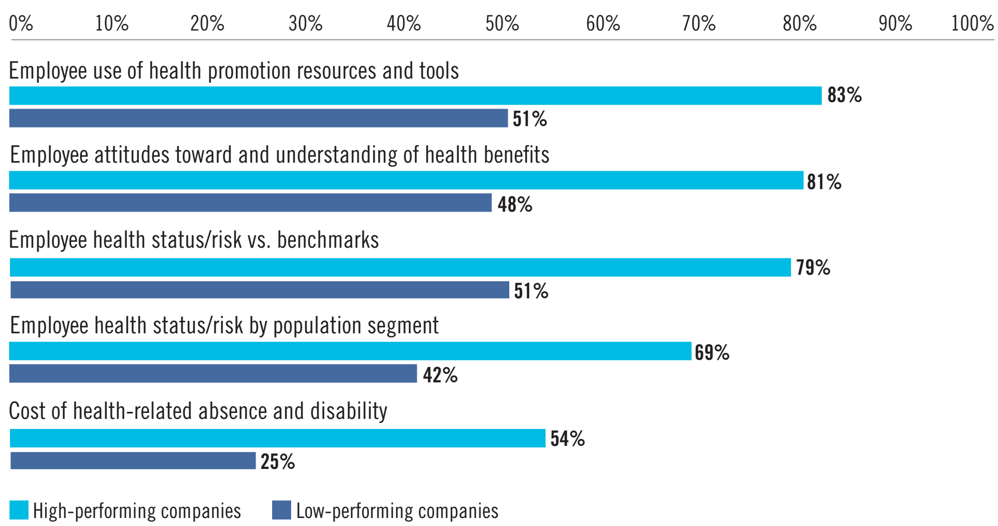


EXHIBIT 20

Measurement: What employers focus on

Percent responding doing extensive/some measurement



HIGH PERFORMERS GET RESULTS

Beyond the clear-cut cost results already discussed, high performers are significantly more successful in achieving positive outcomes, particularly in the critical areas of employee attitudes and behaviors *(Exhibit 21).* They are more confident, for example, that employees accept their roles and responsibilities under the health plan, and that employees are comfortable with the level of financial risk they bear. As we've seen in other research, these attitudes can have a powerful halo effect on how employees view the organization overall and whether they trust senior management.

High performers also report success in influencing employee actions in all the key areas of health program effectiveness — coverage selection, use of health care services and adoption of healthy behaviors *(Exhibit 22).* Just as important from a business perspective, high performers are much more likely to report that their employees are engaged — a key workforce performance advantage that may not be directly driven by the health program, but an outcome that has proven links to an organization's focus on employee well-being.

EXHIBIT 21

Outcomes: High performers get results

Percent responding to a great/moderate degree

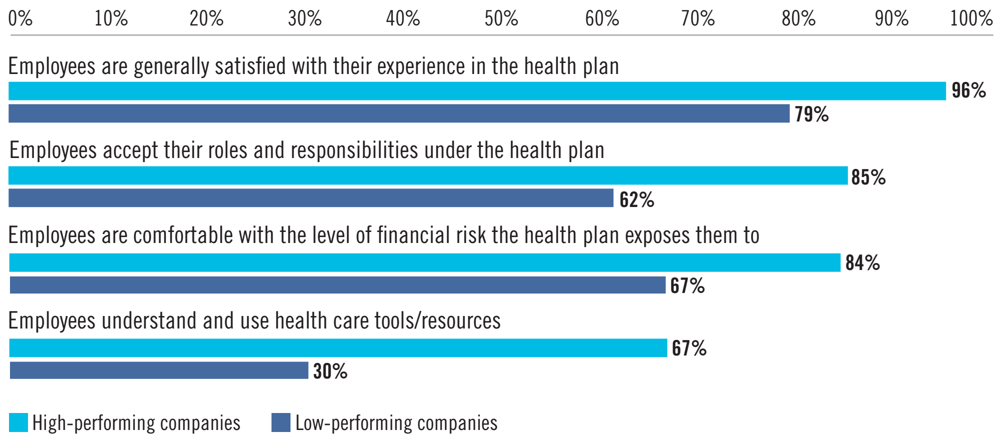
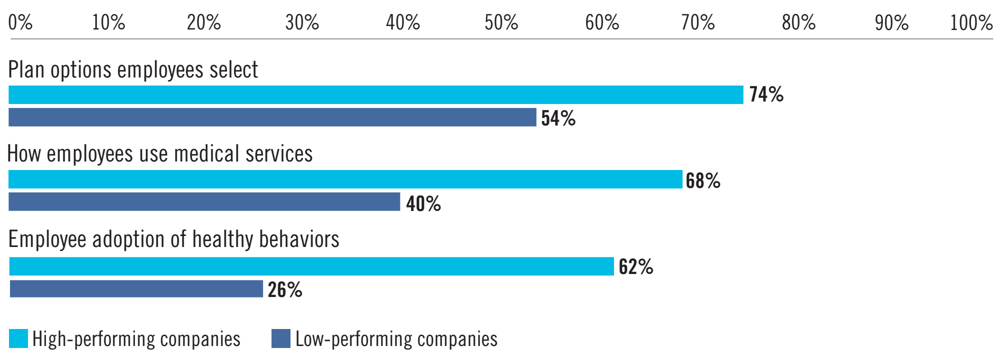


EXHIBIT 22

Communication effectiveness: Extent to which communication and education influence employee actions

Percent responding doing to great/moderate degree



EMPLOYEE WELL-BEING: THE LINK TO PERFORMANCE

Over the four years that Towers Perrin has studied the differences between high- and low-performing companies through the Health Care Cost Survey and other research, we've consistently found that high-performing companies (successful from a benefits or overall business perspective) are more focused on demonstrating their interest in employee well-being than are low performers.

In fact, this year's results show high performers are nearly twice as likely as low performers to cite employee well-being as a primary factor shaping their health care strategies (see Exhibit 12, page 15). As our Global Workforce Studies have repeatedly shown, management concern about employee well-being is the top driver of engagement, and engaged employees are more inclined to invest discretionary effort in their jobs. Clearly, high-performing organizations recognize the important connection between employee well-being and company performance.

But how should employers define and measure well-being, and what should they do to help build and sustain it? Supporting employees' physical health is, obviously, one critical component. But as employers focus more on a new generation of health care strategies that promote health and wellness, are there other factors they should be concerned about? What metrics should they add to their measurement arsenals to better understand — and influence — the relationships between health and well-being and business results? What special factors come into play in an environment of severe economic stress, and what's the potential impact on workforce performance?

Our ongoing research into employee attitudes and behaviors offers important clues. What we've found is that people seek a broad array of "rewards" from their employment experiences. Their sense of well-being in those experiences is partly driven by their physical health status, but also might include:

- **Rewards, security and performance** — reward packages commensurate with employees' values, work and needs for financial security, and a culture that recognizes and rewards achievement
- **Competence and growth** — having skills to do the job at hand, as well as having the ability and opportunity to grow into new roles
- **Line of sight** — feeling the job is valued, and understanding how it fits into overall business goals and outcomes
- **Leadership** — management at all levels that is effective, responsive and interested in how employees feel about their work and workplace
- **Psychological aspects** — manageable levels of stress, as well as work satisfaction
- **Social and relational elements** — good work/life balance, respect at work.

Notably, as *Exhibit 28* on page 30 shows, high-performing companies seem to have many of these elements in place. But clearly, no two organizations — or employees — are exactly alike. An organization's specific drivers or predictors of employee well-being will be determined by the corporate culture and the individuals who work in it. But there's no question that, as employers strive to achieve a full range of health, talent management and performance objectives in a very challenging business environment, they will need to look at health and well-being more broadly, considering factors and interventions outside the traditional sphere of benefits. The strategy? Practical tactics and measurable results for the short term, and sustainable business advantage for the long term.

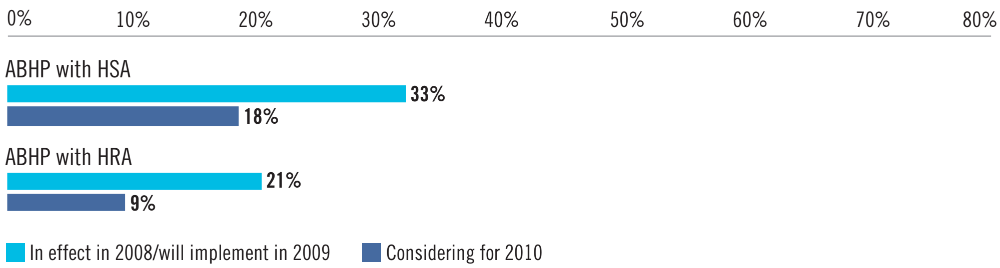
ACCOUNT-BASED HEALTH PLANS (ABHPs): THE FOREFRONT OF CHANGE

The growing prevalence of account-based health plans in many ways reflects the increasing emphasis on the value of health programs and on the measurable performance and workforce advantages employers can derive from their health investments. A significant departure from traditional health benefit models, ABHPs offer employers a new tool for achieving new objectives. But their distinct characteristics can be a disadvantage as well as an advantage, as our survey results show.

EXHIBIT 23

Prevalence of ABHPs

Percent employers currently offering or considering offering an ABHP



BASIC STATISTICS

Our survey results show a steady increase in the prevalence of ABHPs over the past three years. Today, more than half (54%) of the survey respondents currently offer or will offer ABHPs in 2009 *(Exhibit 23),* including plans with health reimbursement accounts (HRAs) or health savings accounts (HSAs). Some employers "seed" the accounts. Looking broadly at both HRAs and HSAs, employer funding ranges from $500 to $700 for individual coverage and $1,000 to $1,500 for family coverage.

Costs for ABHPs overall are lower than for any other plan type: $319 per month for active employee-only coverage in an ABHP with HSA and $365 for those in an ABHP with HRA — versus $402 per month for active employee-only coverage across all plan types. What's more, the employee contribution percentage is lower for ABHPs. While employees in other plans shoulder 20% to 26% of the total cost, those in ABHPs with HSAs contribute 14% to 22%, depending on coverage level.

The monthly price tag is lower due in part to demographic differences, the lower coverage levels provided by ABHPs, and the higher deductibles (in HSA plans) and other out-of-pocket costs paid by employees. But, in addition to these factors, it's important to note that ABHPs tend to be more efficient. Taking into account both the lower premium contributions employees pay to buy an ABHP plan and the higher employee out-of-pocket expense, the overall cost to employees (and employers) is still less than for a traditional plan. Moreover, year-over-year cost increases for these plans tend to be lower.

Clearly, ABHPs offer interesting possibilities for companies seeking options that meet affordability objectives for both employers and employees. And while experience under these programs is still developing — most plans have been in effect for four years or less *(Exhibit 24)* — the outlook is good for positive performance over time.

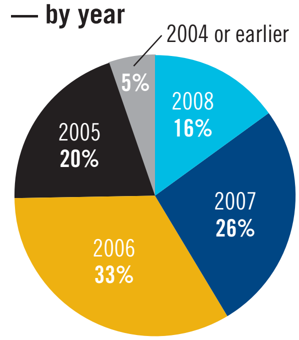
In another interesting development, the survey data show signs of an uptick in the HSA approach. Most plans set for implementation in 2009 will have a savings account feature (rather than a reimbursement feature). Possible explanation: In an environment where employer-funded retirement benefits are rapidly becoming a thing of the past, these tax-favored savings accounts offer significant opportunities as wealth accumulation vehicles to fund retiree medical coverage costs.

CHALLENGES PERSIST

While it's evident that more employers are recognizing the advantages of ABHPs, the survey also indicates that some employers and employees have not yet developed the mindset required to take full advantage of this benefit approach. Average enrollments in ABHPs, at under 20%, are still fairly low (although, as noted above, ABHPs are relative newcomers to the health benefit scene). Because the great majority (90%) of companies that offer ABHPs offer them as a choice alongside other plans, it's clear that employers need to do a better job of positioning these programs for success and communicating the advantages to eligible employees.

EXHIBIT 24

ABHP implementation dates — by year



In addition, the survey shows that only about half of employees participating in an HSA are contributing to the account, a significant missed opportunity given that the ability to save for future expenses is undoubtedly one of the most important attributes of ABHPs — and a particularly important feature given the dramatic changes in employer commitments to retirement programs over the past decade.

HIGH PERFORMERS ONCE AGAIN STAND OUT

When implementing ABHPs, high-performing companies exhibit a different "going in" proposition than low performers and are achieving far greater success with their ABHP plans as a result. High performers focus more on influencing employee behaviors, building shared responsibility and meeting affordability objectives for employees as well as for the company *(Exhibit 25).*

Clearly, different expectations lead to different results: High performers are more than twice as likely to say their ABHPs are meeting cost objectives as

EXHIBIT 25

Importance of ABHP objectives

Percent responding extremely/very important

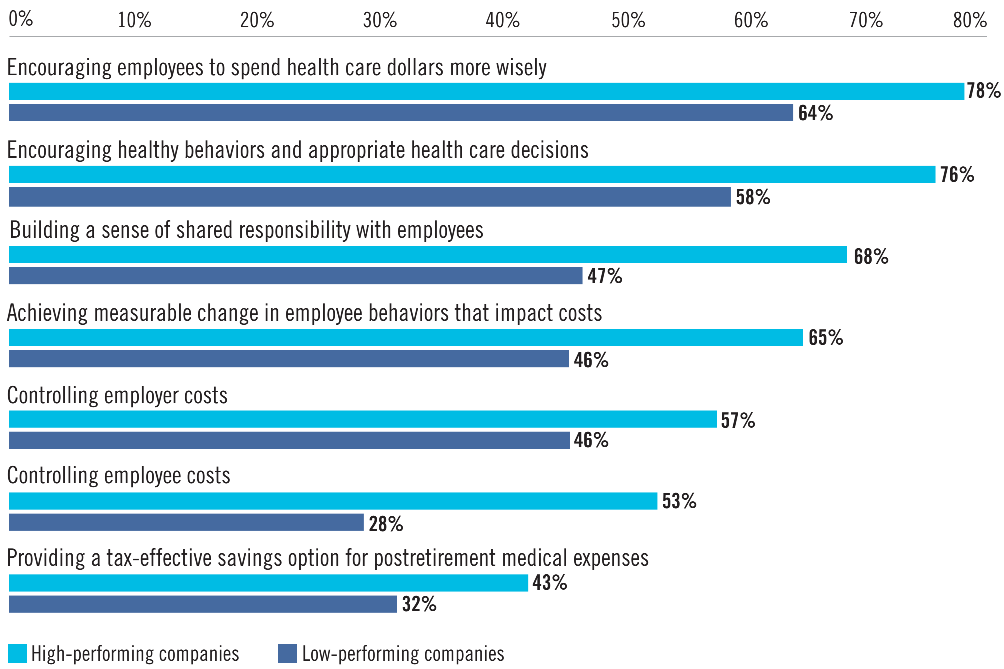


EXHIBIT 26

Extent to which ABHPs meet objectives

Percent responding fully/largely meeting objectives

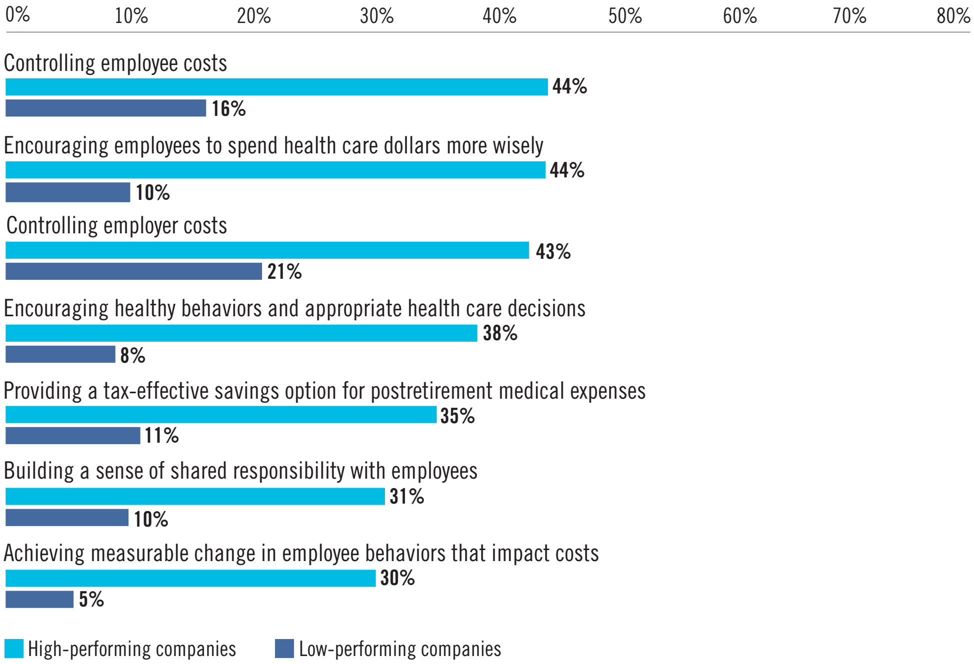


EXHIBIT 27

ABHP cost variation across companies

High-performing vs. low-performing companies

	High-Performing Companies	Low-Performing Companies	Difference
Cost per employee per year (composite for all plans)	$8,904	$10,104	$1,200
Cost per employee for ABHP with HRA	$8,316	$9,324	$1,008
Cost per employee for ABHP with HSA	$7,032	$7,908	$876

low performers and six times more likely to say that the plans are successfully fostering many of the desired behavioral changes in employees *(Exhibit 26).*

Looking at actual costs, high performers do succeed in bringing in their ABHPs at lower costs than their low-performing counterparts *(Exhibit 27).*

EMC CORPORATION: CONNECTING THE DOTS FOR CONNECTED HEALTH

Just 20 years ago, the Internet was in its infancy, and there were virtually no commercial technology applications in health care. Today, remote biometric screening, personal health records, data warehousing and Web-based communication platforms are creating new opportunities for "connected health" strategies — strategies that have the potential to fundamentally transform health management and care delivery, and significantly increase quality and efficiency.

Massachusetts-based EMC Corporation, a leading developer and provider of information infrastructure technology and solutions, is on the forefront of this important trend, using connected health strategies to reach employees with valuable support tools, help them adopt healthier behaviors and build the foundation for an organization-wide culture of health. Today, the company is seeing important dividends: lower costs, but also higher employee engagement both in managing their personal health and in supporting the overall goals of the business.

EMC began exploring new approaches to health care in 2002. At that time, a 15% annual trend in the health benefit program was threatening to double health care costs for the company and its employees over the following five years. It was clearly time for change.

As a technology organization focused on innovation, EMC sought a fresh approach to health care in a five-year plan that would marry the power of new technologies with effective benefit design, provider outreach and the company's insights into the health needs of the employee population.

"Our concept of connected health means delivering care where the patient is, when the patient needs it, using messaging and monitoring technologies as our delivery system," says Delia Vetter, EMC's Senior Director of Benefits.

The goal was to develop a "partnership in health" with employees and families through highly targeted, value-based programs, and to accelerate adoption of technologies such as e-prescribing, remote patient monitoring, computerized order entry and personal health records (PHRs) for safer patient care. Launched in 2002, the first trial was called DASH (Dietary Approaches to Stop Hypertension) — a high-touch nutritional program targeting employees with high blood pressure, which saved the company $800, on average, per participant.

Each success led EMC to further expand its connected health program. In 2007, EMC announced its collaboration with Partners Health Care's Center for Connected Health (CCH) to develop a remote monitoring program that would deliver care outside traditional medical settings. As Dr. Joseph Kvedar, M.D., practicing physician and CCH's director, says, "You unlock all kinds of value if you stop thinking that health care can only happen when patient and doctor are in the same room at the same time."

EMC and CCH coproduced SmartBeat, a study aimed at driving medical treatment adherence and consumerism by connecting the dots between remote monitoring and self-management. Participating EMC employees used a wireless arm cuff to take blood pressure readings at home, and data were immediately transmitted to health care providers at CCH and to the health portal, which sent individualized feedback messages to participants.

SmartBeat has begun to demonstrate remote monitoring's cost effectiveness and value in improving clinical quality as well as increasing patient involvement and encouraging behavior change. Asked to do two biometric readings per week, the test population averaged three. What's more, participants say they plan to continue monitoring on their own when the study is completed. One survey respondent raved, "This is the best benefit EMC has ever offered." Dr. Kvedar observes that "employees feel more loyal to their company" for offering the program. Patients say they are "happy to spend time and energy inputting diet and exercise information because they know their provider is looking at the data."

Overall, employee responses have been universally positive. And, by 2008, company surveys showed that nearly 90% of their U.S. employees have bought into EMC's interactive health portal.

Results? CCH is meticulous about measuring whether SmartBeat both lowers blood pressure *and* saves money. EMC also measures health care cost trend, the success of health programs and workshops, and the value of its communications. These measures help draw a line of sight between connected health strategies and the company's business goals.

When people ask Vetter what "magic words" convinced senior leadership to make an up-front investment in health technologies, she explains, "*We had the data:* We showed senior management the value in higher-quality, more efficient health care by demonstrating the ROI. It's basic, intuitive: Good employee health supports high employee engagement and productivity. It also creates a great place to work and lowers health care costs."

CAPTURING THE HEALTH DIVIDEND: THE NEW FRONTIER OF SUCCESS

The business and social impacts of rising health care costs loom larger than ever in our 2009 survey, but good news can be found in the new way leading organizations are approaching health and health care today. High-performing companies are focusing intensely on value — the health dividend they can achieve in terms of workforce performance and bottom-line results from the right investments in health care.

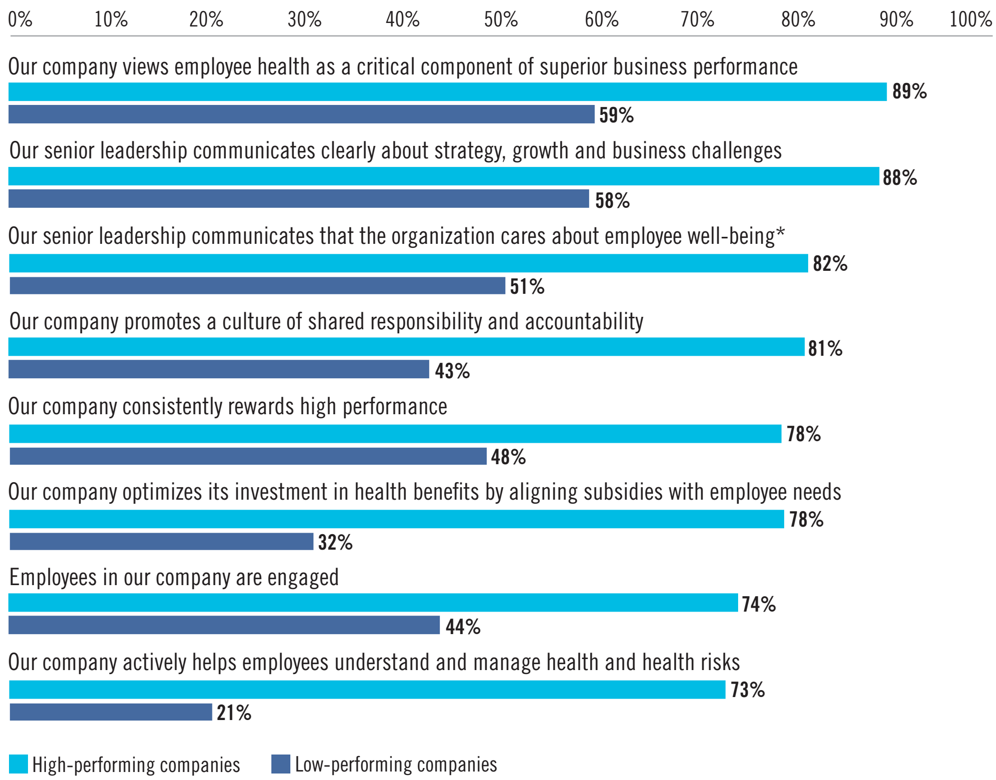
What are the "right" investments? Those that promote health and effective health management. Those that build a culture of health, and spur employees to participate more actively in managing their health and avoiding health risks. And those that draw strong, measurable connections between healthy employees and a healthy business.

The high-performing companies in our survey bear this out. The vast majority of high performers say their organization views workforce health as a critical component of business success (Exhibit 28). And their cultures are, overall, more focused on business goals, leadership communication and employee engagement in performance and success.

EXHIBIT 28

The power of culture

Percent responding strongly agree/agree



*Senior management interest in employee well-being is the top driver of employee engagement in the Towers Perrin 2007-2008 Global Workforce Study.

Just as important, high performers manage their investments rigorously and consistently across all aspects of program design and delivery, measure results, identify opportunities for improvement and act decisively to implement change.

WHAT'S THE OUTLOOK?

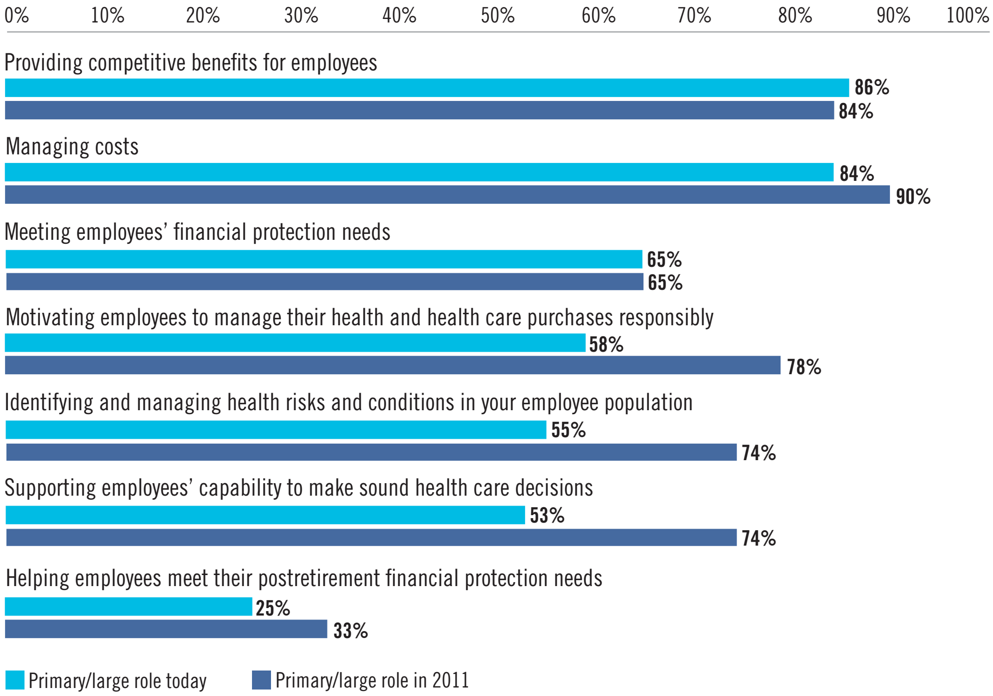
According to our survey, the quiet revolution in employer-sponsored health care will continue into the years ahead *(Exhibit 29).* Despite ongoing cost challenges and the potential for health care reform, our survey respondents expect to be providing competitive employee health benefits for the foreseeable future. They also expect to keep a tight rein on their financial subsidy, which they expect will be the same or lower in 2011. Delivering on that expectation will, of course, require the kind of comprehensive approach and rigorous execution high-performing companies exercise today.

Respondents also envision key shifts in the employer role — shifts along the lines of those already under way at many high-performing companies. Specifically, employers will continue to expand their focus on driving behavioral changes that benefit both the organization and employees. They expect to support those efforts by taking steps to better identify and communicate the health and financial risks employees face, as well as by providing programs and support tools to help manage them.

EXHIBIT 29

The evolving role of the employer

Percent responding primary/large role



ABOUT THE SURVEY

The Towers Perrin 2009 Health Care Cost Survey, conducted between August and September 2008, marks the 20th consecutive year that Towers Perrin has surveyed employers to analyze and report on major trends in U.S. employee and retiree health care costs. Participants were asked to report their 2008 per capita premium costs for insured health and dental plans, or premium equivalents for self-insured plans.

A total of 609 employers responded. They are primarily *Fortune* 1000 companies representing all regions of the country. Collectively, they provide medical benefits costing more than $65 billion annually to approximately 13 million U.S. employees, retirees and dependents. Their annual outlays for dental benefits exceed $4 billion.

We are grateful to all participants in this year's research. We believe the findings reveal interesting marketplace trends and provide a useful guide for organizations seeking to better manage their health care costs. For additional information on the survey results, please contact your local Towers Perrin consultant or office, or visit our Web site at *www.towersperrin.com*.

PARTICIPANT LIST*

Abercrombie & Fitch Stores Inc.
Acosta, Inc.
Administaff, Inc.
Advocate Health Care
Afni, Inc.
Altec Industries
Amazon.com Inc.
American Academy of Pediatrics
American Airlines
American Management Association
Appleton
ARCADIS
ARINC Incorporated
Art Van Furniture, Inc.
Associated Banc-Corp
Atmos Energy Corporation
AT&T
Atwood Oceanics, Inc.

Bank of America Corporation
Bank of the West
Baptist Health System
Barclays Global Investors
BASF Corporation
Bath Iron Works Corporation
Bayer Corporation
Beckman Coulter, Inc.
Belk Inc.
Bethesda Group Health
BHP Billiton
Biogen Idec
The Black & Decker Corporation
Black & Veatch Holding Company
Blockbuster Inc.
Blue Shield of California
BMC Software, Inc.
Board of Regents of the University System of Georgia
Bombardier Inc.
Boston Scientific Corporation
Botsford Hospital
Bridgestone Americas Holding, Inc.
Bristol-Myers Squibb Company
Broadridge Financial Solutions, Inc.
Brooks Automation, Inc.
Bull HN Information System Inc.
Burger King Corporation

CACI International, Inc.
Cameron International Corp.
Caterpillar
Catholic Health Initiatives
Cedars-Sinai Health System
Celanese Corporation
Central Georgia Health System
Centric Group
Centura Health System
Cheniere Energy, Inc.
Children's Hospital of Wisconsin
Cianbro Corporation
Circle K Stores, Inc.
City of Austin
City of Charlotte
City National Bank
Clarian Health
CNH Global N.V.
Columbia St Mary's
Conseco, Inc.
Consolidated Edison Company of New York
Contran Corporation
Cooper Industries, Inc.
Covance, Inc.
CPS Energy
Cracker Barrel Old Country Store, Inc.
Crown Castle International Corporation
Crozer-Keystone Health System
CSX Corporation, Inc.
Cummins Inc.
Curtiss-Wright Corporation
Cytec Industries Inc.

The Decurion Corporation
Delaware North Companies
Del Monte Corporation
Devereux Foundation
Devon Energy Corporation
Dick's Sporting Goods
Discovery Communications, Inc.
Dover Corporation
The Dow Chemical Company
Dresser, Inc.
Dr Pepper Snapple Group
Duke Realty Corporation

*Of the more than 600 employers participating in this year's survey, these companies have agreed to be listed by name in our report.

Eaton Corporation
Eddie Bauer, Inc.
EDS, an HP Company
Educational Credit Management Corporation
Edward Jones & Company
EGS Electrical Group
Electric Reliability Council of Texas, Inc.
Ellwood Group, Inc.
El Paso Corporation
Emory Healthcare
Emory University
Energy East Management Corp.
EOG Resources, Inc.
E.ON U.S.
Ernst & Young
ESL Federal Credit Union
The E.W. Scripps Company
Experian
ExpressJet Holdings

FANUC Robotics America, Inc.
Federated Department Stores, Inc.
Federated Securities Corp
Fed Ex
First Citizens Bank
FirstEnergy Corp
Fluor Corporation
F.N.B. Corporation
Food Lion
Frankenmuth Insurance
Freescale, Inc.
Frisch's Restaurants, Inc.
Fulbright & Jaworski L.L.P.

Gap Inc.
Gehl Company
Genentech, Inc.
General Electric Company
Genesco Inc.
Genmar Holdings, Inc.
Gilead Sciences, Inc.
Golden Corral
Golden Living
GrafTech International Ltd.
Graybar Electric Company, Inc.
Great American Insurance Company

Haemonetics Corporation
Halliburton Company
Hardin Memorial Hospital
Harris Bankcorp, Inc.
Hayes Lemmerz International Inc.
Health Net, Inc.
Hearst-Argyle Television Inc.
Helix Energy Solutions, Inc.
Helmerich & Payne, Inc.
Henry Ford Health System
Herman Miller, Inc.
Highmark Inc.
H.J. Heinz Company
H&R Block Inc.
Huntington Bancshares Incorporated

IBM Corporation
Imation Corporation
IM Flash Technologies
IMS Health Incorporated
Information Resources, Inc.
ING Americas
International Flavors & Fragrances

Janus Capital Group
Jatco USA, Inc.
J.C. Penney Company, Inc.
Jo-Ann Stores, Inc.
John Crane Inc.
John Hancock Financial Network
Johns Manville
Johnson & Johnson Services, Inc.
Journal Communications, Inc.
Joy Global Inc.
JPMorgan Chase & Co.
J.R. Simplot Company
Juniper Networks Inc.

KBR, Inc.
Kellwood Company
Kennametal, Inc.
K. Hovnanian Companies, LLC
Kimball Hill Inc.
Kohl's Illinois, Inc.
The Kroger Co.

Lahey Clinic Foundation, Inc.
Lennox International, Inc.
Limited Brands
Lower Colorado River Authority
The Lubrizol Corporation
The Lutheran Church-Missouri Synod

Maine Medical Center
M.A. Mortenson Company
Manpower Inc.
Manufacturers and Traders Trust Company
Marshall & Ilsley Corporation
Marsh Supermarkets, Inc.
Massachusetts Medical Society
Massachusetts Mutual Life Insurance Company
Mazda North American Operations
McCain Foods USA, Inc.
The McGraw-Hill Companies Inc.
M.D. Anderson Cancer Center
M.D.C. Holdings, Inc.
MDU Resources Group, Inc.
Mecklenburg County Government
Medco Health Solutions Inc.
Media General Inc.
Mercedes-Benz USA, LLC
Merrill Corporation
Mervyns LLC
Metaldyne
Metavante Corporation
The Methodist Hospital Systems
Michigan State University
Micron Technology, Inc.
Midwest Airlines, Inc.
Milbank, Tweed, Hadley & McCloy LLP
The Ministers and Missionaries Benefits Board
MKS Instruments, Inc.
The Mosaic Company
Mueller Water Products, Inc.
Munich Reinsurance Company
Murphy Oil Corporation
Mutual of Omaha Insurance Company
MWH
Mylan Inc.

NACCO Materials Handling Group, Inc.
Nash Finch Company
National Futures Association
National Gypsum Properties, LLC
National Presto Industries Inc.
Navarre Corporation
Navistar, Inc.
Nelnet, Inc.
NICOR Inc.
Nike, Inc.
Noble Corporation
Noranda Aluminum, Inc.
Nordstrom, Inc.
Nortel Networks
Northeast Georgia Health System, Inc.
Northern Trust Corporation
Northside Hospital, Inc.
The Northwestern Mutual Life Insurance Company/Northwestern Mutual
Novartis Pharmaceuticals Corporation
Nova Southeastern University

Ohio National Financial Services
Oiltanking Houston
Old National Bank
Open Text Corporation

PACCAR Inc.
Pacific Gas and Electric Company
PacifiCorp
The Pantry, Inc.
Papa John's International Inc.
PeaceHealth
Penn Mutual Life Insurance Company
PerkinElmer, Inc.
Pfizer Inc.
Phillips-Van Heusen Corporation
Piedmont Natural Gas
Plains All American Pipeline, L.P.
PlayPower, Inc.
Plexus Corp.
PNM Resources
PolyOne Corporation
Portland General Electric
Praxair, Inc.
PRC, LLC
Presbyterian Healthcare Services
Principal Financial Services Corporation
Public Employee Benefits Cooperative

Questar Corporation

Reebok International, Ltd.
Rent-A-Center
RLI Corp.
RML Specialty Hospital
Robert Half International
The Ryland Group

Sabre, Inc.
Samsung
Sanford Health
SCANA Corporation

School Specialty, Inc.
The Seattle Times Company
Seton Family of Hospitals
7-Eleven, Inc.
Severn Trent Services, Inc.
The Shaw Group, Inc.
Shaw Industries, Inc.
Shelter Insurance Companies
Showa Aluminum Corp of America
Solutia Inc.
Source Interlink Companies, Inc.
Southeastern Freight Lines
Southern California Edison
South Shore Hospital
Spansion Inc.
Spectrum Health
St. Agnes Medical Center
Stanford University
Staples, Inc.
Station Casinos, Inc.
Stepan Company
Stryker
Sumitomo Mitsui Banking Corp.
Summit Medical Group
SunCoke Energy Inc.
Suncor Energy Inc.
SVB Financial Group
SYSCO Corporation

Tennessee Valley Authority
Texas A & M University System
Texas Health Resources
Texas Instruments Incorporated
Thedacare, Inc.
ThyssenKrupp Budd Company
TIAA-CREF
TIMEC Company, Inc.
Time Warner Telecom
TJX Companies, Inc.
Tollgrade Communications, Inc.
The Toro Company
Tower Automotive
Toys“R”Us Inc.
Transocean Inc.
TransUnion LLC
The Travelers Companies, Inc.
True Value Company
Trump Entertainment Resorts
TS TECH CO., LTD
Turner Broadcasting System, Inc.
Twin Disc, Inc.

UGI Utilities, Inc.
UMASS Memorial Health Care
Unilever United States, Inc.
Unisys Corporation
United Parcel Service of America Inc.
The University of Chicago Medical Center
University Community Hospital
University of Missouri
University of PA Health System
University of Pittsburgh
University of Pittsburgh Medical Center
University of Rochester
University of Texas System
Unum Group
U.S. Bancorp
USEC Inc.
USIS
UT-Battelle, LLC

Valero Energy Corporation
VF Corporation
VIA Metropolitan Transit
Visa
Visiting Nurse Service of New York

Wake County Government
Wellstar Health System, Inc.
Westfield Group
Westlake Chemical Corporation
West Penn Allegheny Health System
The Williams Companies, Inc.
Windstream Communications
W.W. Grainger, Inc.

Zale Corporation
ZF Group

ABOUT TOWERS PERRIN

Towers Perrin is a professional services firm that helps organizations improve performance through effective people, risk and financial management. The firm provides innovative solutions in the areas of human capital strategy, program design and management, and in the areas of risk and capital management, insurance and reinsurance intermediary services, and actuarial consulting.

Towers Perrin has offices and alliance partners in the world's major markets. More information about Towers Perrin is available at **www.towersperrin.com**.

www.towersperrin.com

TP583-08