Aon Hewitt
Guaranteed Health Cost Solution

Changing Health Care for Better Results
Health care cost—and its seemingly open-ended financial risk—are top concerns of U.S. business leaders. Employers are re-evaluating how they sponsor, structure and deliver health benefits. They’re responding to increased pressure to manage expense and volatility with tighter budgets and unprecedented change.

Many employers understand the need to do things differently to improve health outcomes and results. However, many have also repeatedly exceeded budgets. Continuing to invest in health benefits, employers are ready for guarantees.
With Aon Hewitt You’ve Got Guarantees

**Guaranteed absolute level of health care cost**
Employers face national health care inflation of 6% or more over the current average annual cost of $13,000 per employee, with $8,400 paid by the employer. Affordable Care Act requirements will drive increased compliance and health care cost, especially as employers expand coverage with decreased ability to shift cost to employees. Employers need alternatives to control cost.

*What if you could set your cost limit and not pay a dollar more?*

**Guaranteed cap on health care exposure**
Employers have also been dealing with worsening population health and an inefficient health care delivery system, spending more without results. Add the impact of health care reform, and employers’ financial exposure escalates.

*What if you had total protection against costs in excess of your budget limit?*

**Guaranteed plan design control and flexibility**
Health benefits are increasingly valued by employees, and employee health impacts business performance. Many employers are committed to improving the health of their workforce and want control in advancing new strategies for positive change.

*What if you could customize the plan design that’s right for your business with the assurance of cost at or below budget now without waiting for long-term savings?*

You can. Aon Hewitt now offers a new, market-defining solution that provides employers with these guarantees.

At Aon, we’re passionate about health and risk management. We understand employers’ concerns around health care cost and its uncertainty. We turn today’s health challenges and opportunities into solutions. Through our unique leadership and expertise in both health benefits and reinsurance, we’re changing the game for employers.
“The market demands innovation to improve health, control volatility and create budget certainty. We’ve responded. With the Aon Hewitt Guaranteed Health Cost Solution our clients maintain 100% control of program design and gain financial security.”

Timothy Nimmer, FSA, MAAA
Chief Actuary and Chief Broking Officer, Health & Benefits, Aon Hewitt
A New Choice to Limit Cost and Uncertainty

Employers now have a new choice—Aon Hewitt’s Guaranteed Health Cost Solution—to aggressively control total spend and volatility, while adopting leading, innovative approaches to improve health benefits.

What’s unique about Aon Hewitt’s new solution is its:

• Guarantee that health care cost will not exceed your total health care program budget
• Freedom to customize plan design with a tailored set of cost saving strategies

Aon Hewitt designs and implements your program to keep cost at or below your budget limit. Working with our reinsurance partners, we lock in a targeted level of cost.

This market-changing approach gives business leaders what they’re missing—an alternative to offer health benefits, stay involved in plan design and achieve budget certainty by controlling cost and risk.

Get in Control. Place a Ceiling on Health Care Cost

With the Aon Hewitt Guaranteed Health Cost Solution you’re in control. You set your absolute health care cost, even setting your budget at a 0% increase, for the next 3 years. We tailor the program to your cost limit and recommend a broad range of targeted cost saving strategies, mainly focused on the critical areas of health improvement and delivery system management. You select the strategies and level of aggressiveness that will work best for your organization and workforce.

Your cost limit and implementation level will depend on your health benefits budget and cost outlook, especially considering the financial impact of the Affordable Care Act’s 2015 employer mandate. Employers expecting greater impact will most likely be more aggressive in implementing cost savings strategies. Other considerations include your organization’s culture and senior management commitment.

It’s your choice. You’ll receive a 3-year proposal tailored to your budget and maximum level of health care cost with a menu-style set of strategies and tactics. Whether you choose a moderate or aggressive approach, you can expect immediate protection and significant longer-term savings.
Get Specific on Your Health Risks and Cost Drivers

The first step toward developing cost saving strategies is to identify your health care cost/risk drivers and understand their distribution and magnitude across your population.

Normal claims from chronic conditions and simple acute cases drive most employers’ rising health care costs. Random claims from catastrophic and rare acute conditions are costly and present volatility, but are not the main driver of cost. Thus, tackling the risks and behaviors that drive chronic conditions can result in the most significant savings.

Eight health risks and behaviors directly lead to 15 costly chronic medical conditions that drive 80%* of the cost for all chronic disease worldwide (health and absence cost). If employers are able to meaningfully impact as few as three of the behaviors, they can realize savings as much as $700* per employee per year. Reducing the frequency and severity of chronic conditions will help employers gain control of health care costs and is at the foundation of the Aon Hewitt Guaranteed Health Cost Solution.

*Source: 2010 World Economic Forum

8 Risks & Behaviors drive 15 Chronic Conditions

- Poor Stress Management
- Insufficient Sleep
- Smoking
- Excessive Alcohol Consumption
- Poor Diet
- Physical Inactivity
- Poor Standard-of-Care Choice
- Lack of Health Screening

- Diabetes
- Coronary Artery Disease
- Hypertension
- Back Pain
- Obesity
- Cancer
- Asthma
- Arthritis
- Allergies
- Sinusitis
- Depression
- Congestive Heart Failure
- Lung Disease
- Kidney Disease
- High Cholesterol

accounting for 80% of total costs for all chronic illnesses worldwide
Aon Hewitt helps employers:

Prioritize and target specific health risks that drive the greatest costs within their population

Design and implement plans and programs to directly address targeted risks

Use data analytics as evidence to inform and operationalize the process and results.

We analyze your health care data to determine the key health characteristics and needs of your participants as individuals, as well as part of three main categories: healthy, “at risk” and “in the system”. Each of these groups requires different approaches and tactics to reduce health care trend.

### Risk Stratification: Different Needs, Different Approaches

<table>
<thead>
<tr>
<th>Healthy</th>
<th>At Risk</th>
<th>“In the System”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Little to no claim activity, few risk factors (if any)</td>
<td>Low to moderate claim activity, 3 or more risk factors present</td>
<td>Moderate to high claim activity, with chronic disease and increased absence</td>
</tr>
<tr>
<td><em>Need: strategies to maintain health</em></td>
<td><em>Need: strategies to mitigate risk via behavior change</em></td>
<td><em>Need: high quality, cost-effective care and condition management</em></td>
</tr>
</tbody>
</table>

Majority of the population

Majority of the cost

The next step to implementing the Guaranteed Health Cost Solution is to understand the key components of Aon Hewitt’s model.
Get Solutions that Work.

Key Components to Guarantee Savings

To guarantee cost, Aon Hewitt recommends, designs and implements four key components—or strategies—in parallel. All four are critical to comprehensively controlling health care cost.

Key Components to Guarantee Health Cost Savings

Optimize plan design

Achieve better health and financial results by structuring plans and programs to improve care access, quality and cost. We leverage data intelligence, provider delivery innovations and consumer-based strategies to drive results. We develop and apply new, leading-edge plan designs focused on changing your most costly health risks and improving health outcomes.

Examples include:
- Drive behavior improvements with consumer directed plans
- Require health risk assessment and biometric screening for access to coverage
- Require gated benefit plan or contributions for those not achieving specific biometric outcomes
- Support transparency/price tools
- Optimize Rx design
- Reduce actuarial value of some plan options

Influence healthy behaviors

Drive participation in health programs and encourage participants to take action to improve their health, sustain positive changes in behavior and achieve specific health outcomes.

Examples include:
- Target health improvement activities based on population risk profile
- Leverage segmented data for targeted messaging and customize programs
- Use outcomes-based “gated design” approach to enforce health improvement initiatives

Maximize provider efficiency

Manage high risk participants
Maximize provider efficiency

There is currently wide variation in cost and quality in today’s health care system. We implement new strategies that reduce inefficiency and promote provider system and payment models to better manage cost, quality and results.

**Examples include:**
- Require use of high performance/narrow networks to drive increased quality and efficiency
- Mandate centers of excellence (COEs) for complex procedures
- Pilot new delivery models, such as accountable care organizations and patient-centered medical homes

Manage high risk participants

Design and implement specific programs to manage the highest cost claimants—less than one percent of participants drive more than 20% of health spend. Provide a high touch program for those with chronic conditions.

**Examples include:**
- Add complex case management
- Address participants with comorbidities/likely drivers of highest cost
- Implement Rx adherence management program

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Across these four components, your selected tactics will vary. Our Guaranteed Health Cost Solution follows a client specific, menu-style approach to achieve a customized solution that’s right for your business.
Get Strategic. New Approaches to Lead Health Care Now

*Employers have more strategic options to address the significant changes taking place in the health care system and driving consumer behavior. You have the opportunity to champion creative, new solutions, but you’ve lacked guarantees, until now.*

Aon Hewitt’s 2013 Health Care Survey of over 800 employers indicates a shift away from traditional plan management. 65% of employers use or plan to use a “House Money, House Rules” (HMHR) or an “Exchange” approach to health benefits to enable a longer-term, more positive impact on health care results. Both of these approaches are intended to place more accountability on employees for their health risks, care and cost. However these approaches differ in the employer’s level of involvement and control.

Today large employers take on most of their health care cost risk.

- Some employers transfer this risk to employees and health insurers through a fully insured **private health care exchange**. This defined contribution, fixed-subsidy, “hands-off” approach provides employee health coverage choice yet controls employer cost and eliminates risk and volatility.

- Other employers want to retain control over benefit plan designs and programs to effectively manage this risk. These employers are more likely to pursue an approach like Aon Hewitt’s **“House Money, House Rules”** which integrates pay-for-performance into benefits and is more requiring of plan participants to better manage their health. With a focus on achieving positive health outcomes, it provides enhanced benefits at a lower cost for participants who make smart decisions about their health behaviors and when/where they seek care.

*Aon Hewitt’s health cost guarantee—implemented as an extension of HMHR—allows the employer both plan design and cost/volatility control.*
New Approaches, Leading Solutions

Aon Hewitt provides employers with industry-leading solutions. Whether you transfer risk through a private exchange or manage it using HMHR with our cost guarantee, Aon Hewitt provides you with more choice to select a health care strategy that’s right for your business and workforce and within budget. We are changing health care for better results.
Range of Health Benefits Options

What It’s Not — A Stop Loss Program

The traditional option for large employers to limit their exposure to extreme health care cost/claims has been “stop loss” coverage (purchased as a hedge against self-insured program volatility). The Aon Hewitt Guaranteed Health Cost Solution is much more than typical stop loss coverage. Working with the reinsurance marketplace, Aon can lock in a maximum level of cost increase, depending on an employer’s size and health care strategy.

What It’s Not — A Wellness Program

Aon Hewitt’s health cost guarantee goes beyond existing wellness programs. Our new solution incorporates changes across a wide range of components, including wellness. We leverage superior data analytics to precisely target health costs/risks and take action to improve both consumer health and provider delivery. Wellness programs drive results through increased savings; the guarantee achieves that objective and provides immediate financial protection.
## Impact to Traditional Coverage

<table>
<thead>
<tr>
<th>Budget Volatility</th>
<th>Self-funded, claims volatility</th>
<th>Guaranteed Health Cost</th>
<th>Corporate/Private Exchange</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mitigated slightly by specific stop loss protection</td>
<td>Self-funded, claims capped at ceiling</td>
<td>Fully Insured</td>
</tr>
<tr>
<td></td>
<td>Maintain benefits of self insurance</td>
<td>Claim volatility eliminated</td>
<td></td>
</tr>
</tbody>
</table>

## Health Care Cost Trend

| Without intervention, moves with market | Cap trend based on employer choice |
| With cost management, driven by claim experience | Balance aggressive cost control with willingness to disrupt population |

## Inherent System Cost Efficiency

| Nothing inherently manages cost | Built to eliminate system cost |
| Requires annual intervention to reduce cost | Manages/focuses consumer driven purchasing, efficient network/provider contracting, and behavioral improvements |

## Control of Plan Management

| Employer maintains control, on an annual basis | Employer controls program structure for 3 year duration |
| Only regulations and laws limit control | “Lock in” program for 3 years |

## Employee Relations

| Least disruptive | More requiring of individuals to manage/“own” their personal health |
| Viewed as most paternalistic option | Employer still manages plan |

| Effective cost reduction to lower employee premiums over 3 years | Creates more choice, both carrier and plan design |

| Employer detached from decision making, employees may feel distance | |

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### What it is — Changing the Future of Health Care

“With health care reform, rising cost and declining population health, the landscape is increasingly complex. Employers are thinking differently about how best to provide competitive health insurance for employees and their dependents while delivering those programs at a more predictable cost. Leading employers are staying in the game with bold and assertive steps to achieve more effective results, and they’re doing so at a rapid pace. Aon Hewitt anticipates and meets these employers’ needs with new, market-defining solutions to lead health care now and into the future.”

Jim Winkler
Chief Innovation Officer, Health & Benefits, Aon Hewitt
Get Results, Guaranteed.

With the Aon Hewitt Guaranteed Health Cost Solution employers benefit from an immediate ceiling on their health care cost, reduced volatility and longer-term savings. With our guarantee, you’re responsible for health care costs only up to your chosen budget limit. Through tailored and targeted cost saving strategies, you can expect a sustainable reduction in medical claims. However, if medical claims exceed your limit, your expenditure is capped, and the reinsurer’s liability kicks-in. The reinsurer covers costs in excess of your chosen health care cost limit.

The chart below illustrates an employer’s health care claims cost with the Aon Hewitt Guaranteed Health Cost Solution and without, assuming traditional self-funded coverage. The chart compares both approaches under three scenarios: medical claims coming in lower (i.e., better than), even with and above (i.e., worse than) the employer’s expected cost. The employer’s total responsibility never exceeds the health cost guarantee—the limit or ceiling—even considering the reinsurance premium paid by the employer. For example, in the third scenario when claims exceed the expected amount, Aon Hewitt’s health cost guarantee transfers liability above the limit to the reinsurer, dollar for dollar, eliminating the employer’s risk and placing a ceiling on health care cost.

**Illustrative Example**
The Aon Advantage

Aon brings together expert resources and strong, vast client experience across risk, reinsurance and people—a strong combination for unmatched leadership in health and benefits:

- Aon is one of the largest health insurance brokers and risk advisors in the world with strong health insurance carrier relationships and health and benefits expertise
- Clients receive deep industry expertise and industry tailored solutions
- Aon’s access to data, driven by visibility into clients’ $600 billion in annual claims cost, allows it to understand and manage clients’ health and benefits expenditure
- Aon Hewitt’s Health & Benefit’s team of expert, industry-leading health care attorneys, actuaries, clinicians, pharmacists and consultants plan, design and implement comprehensive health solutions for over 5,000 clients, organizations across industries. Partnering with our benefits administration and communication teams, we provide world-class solutions and service to clients with 100 to 10,000,000 employees around the globe.
- Aon Hewitt leads the industry with the first, full-service private health care exchange with over 100,000 employees and dependents enrolled in 2012.

Get Started

Ensure your organization has a proactive health care strategy that best supports your business performance and profitability in 2014, 2015 and beyond. Aon can help you optimize health and benefits coverage in a way that is affordable, sustainable and provides absolute protection against over-budget cost. Talk to your Aon Hewitt account manager, email health@aonhewitt.com or contact:

Timothy Nimmer, FSA, MAAA
Chief Actuary and Chief Broking Officer
Health & Benefits, Aon Hewitt
timothy.nimmer@aonhewitt.com
303.782.3388

To get started, request an Aon Hewitt health care cost/risk assessment and Guaranteed Cost proposal today.
Aon Client Promise®

The Aon Client Promise is a 10-point program developed to create distinctive value based on a deep understanding of each client’s business and risk issues. In addition, a consistent methodology for delivering value and services helps ensure that all clients receive the best customized risk advice and brokerage services in the industry, regardless of their location, industry or market segment.

Key elements of the Client Promise

• A global, uniform approach

• Full transparency in how we create and deliver solutions to clients

• Customized Client Promise Plans based on each client’s needs and priorities

• Accountability through the Aon Client Promise Survey and measurable scorecard via Aon Client Promise Review

About Aon Hewitt

Aon Hewitt empowers organizations and individuals to secure a better future through innovative talent, retirement and health solutions. We advise, design and execute a wide range of solutions that enable clients to cultivate talent to drive organizational and personal performance and growth, navigate retirement risk while providing new levels of financial security, and redefine health solutions for greater choice, affordability and wellness. Aon Hewitt is the global leader in human resource solutions, with over 30,000 professionals in 90 countries serving more than 20,000 clients worldwide. For more information on Aon Hewitt, please visit aonhewitt.com.