LANGDALE INDUSTRIES, INC.

Innovation, Consumerism, and Collaboration to Reduce Health Costs

Presented to

Atlanta Regional Collaborative for Health Improvement

October 11, 2012

Together we <u>can</u> improve health!

THE LANGDALE COMPANY

- 118 Year Old Diversified Forest Products Family Business (http://www.thelangdalecompany.com)
- Self-funded, 1,100 Employees/1,700 covered lives
- Identified Health Plan Cost Concerns Since1990
- Average Annual Double-Digit Cost Increases
- Lack Access to Credible Data, no Data Integration
- Reactionary Health Plan Design
- No Wellness or Disease Management Programs
- Unknown Economic Development Impact

WHY SELF-ADMINISTRATION?

- 2000 PEPY Cost Trending to >$6,400
- Telephonic DM Program
- Self-Administered in August 2000
  - Collect and Manage Data
  - Identify Trends and Cost Drivers
  - Implement Programs to Control Costs
  - Engage and Educate Employees
  - Take Control of Data = Lower Plan Costs

Data is Power

- Access to Paid Claims Data - Critical
  - Evaluate Plan Performance
  - Determine High Cost Areas
  - Determine Chronic Disease/Cost
  - Evaluate/Modify Plan Benefit Design
  - Tailor a Wellness/DM Program to Manage Chronic Disease (via Health Care Advocates and HRAs (with Biometric Data)

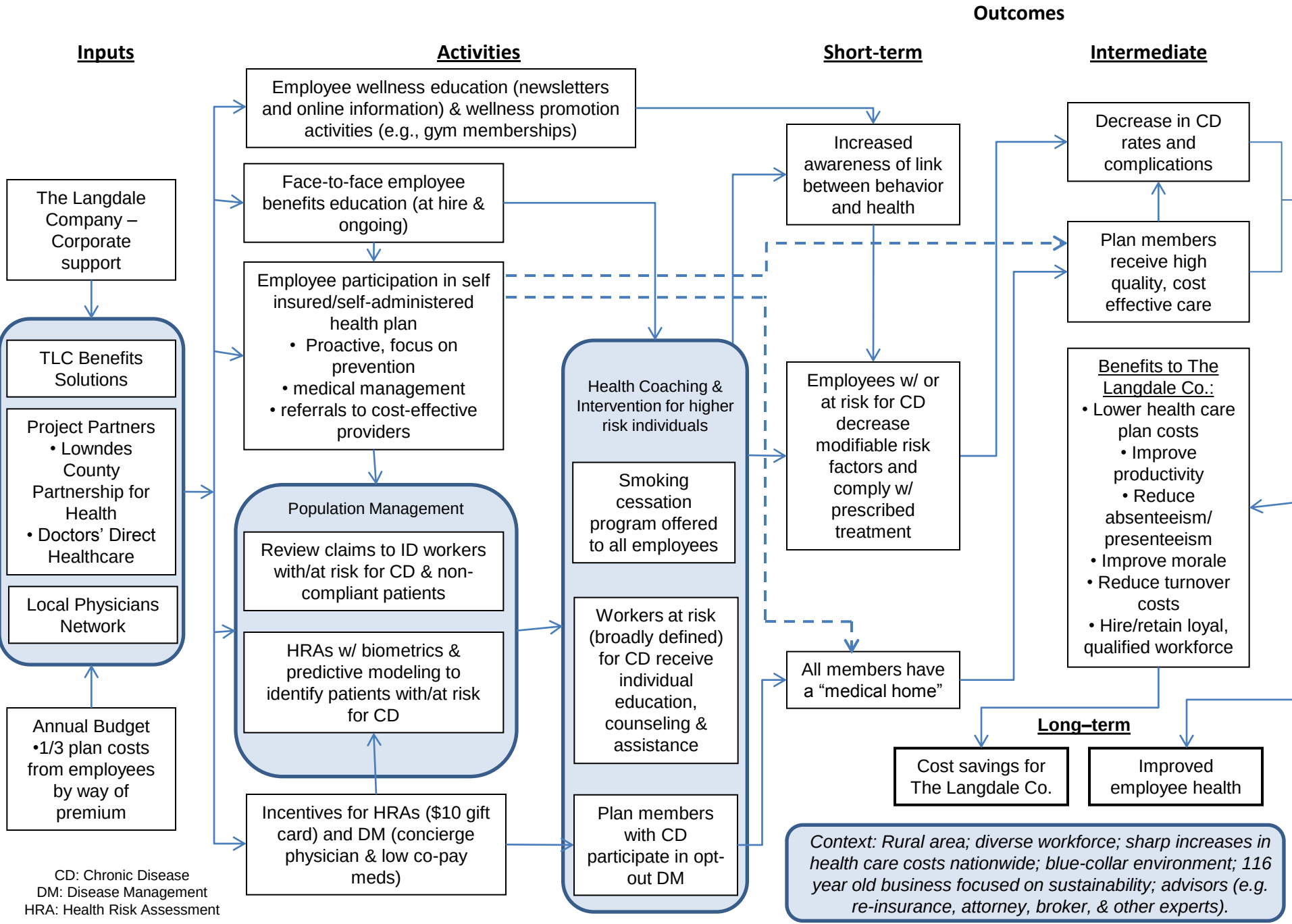
Employer Driven and Sustainable Health Innovations Roadmap

1. Leadership/Management Commitment
   a) Executive Team Buy-in
   b) Management Reporting
   c) Peer to Peer Learning

2. Plan Design
   a) Understand Culture and Goals (develop workplace medical home)
   b) Comprehensive/Proactive
   c) Data driven/Data Integration
   d) Vendor/Partner Integration
   e) Provider Competition and Quality
   f) Employee Education/Communication (Health Care Advocates)
   g) Evaluation/ROI

3. Program Implementation
   a) Employee Engagement
   b) Preventive/Wellness and Rewards/Incentives
   c) Disease Management and Rewards/Incentives
   d) Medical Management
   e) Treatment- value based providers (i.e. MIP, Bariatrics)
   f) Centers of Excellence (Worldwide Care Destinations, Clinics)

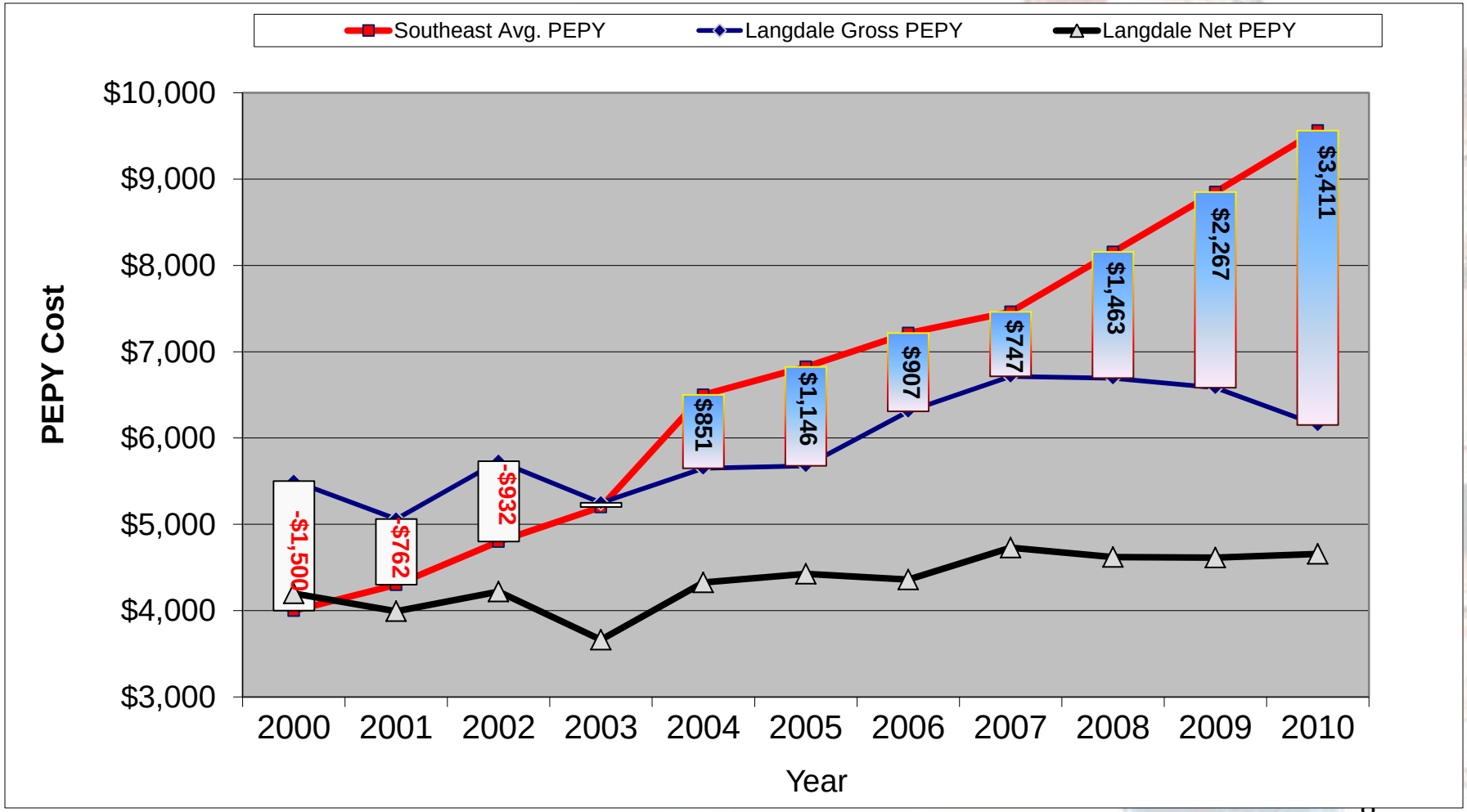
Langdale Employee Benefits Program Logic Model



Langdale Proactive in 2012

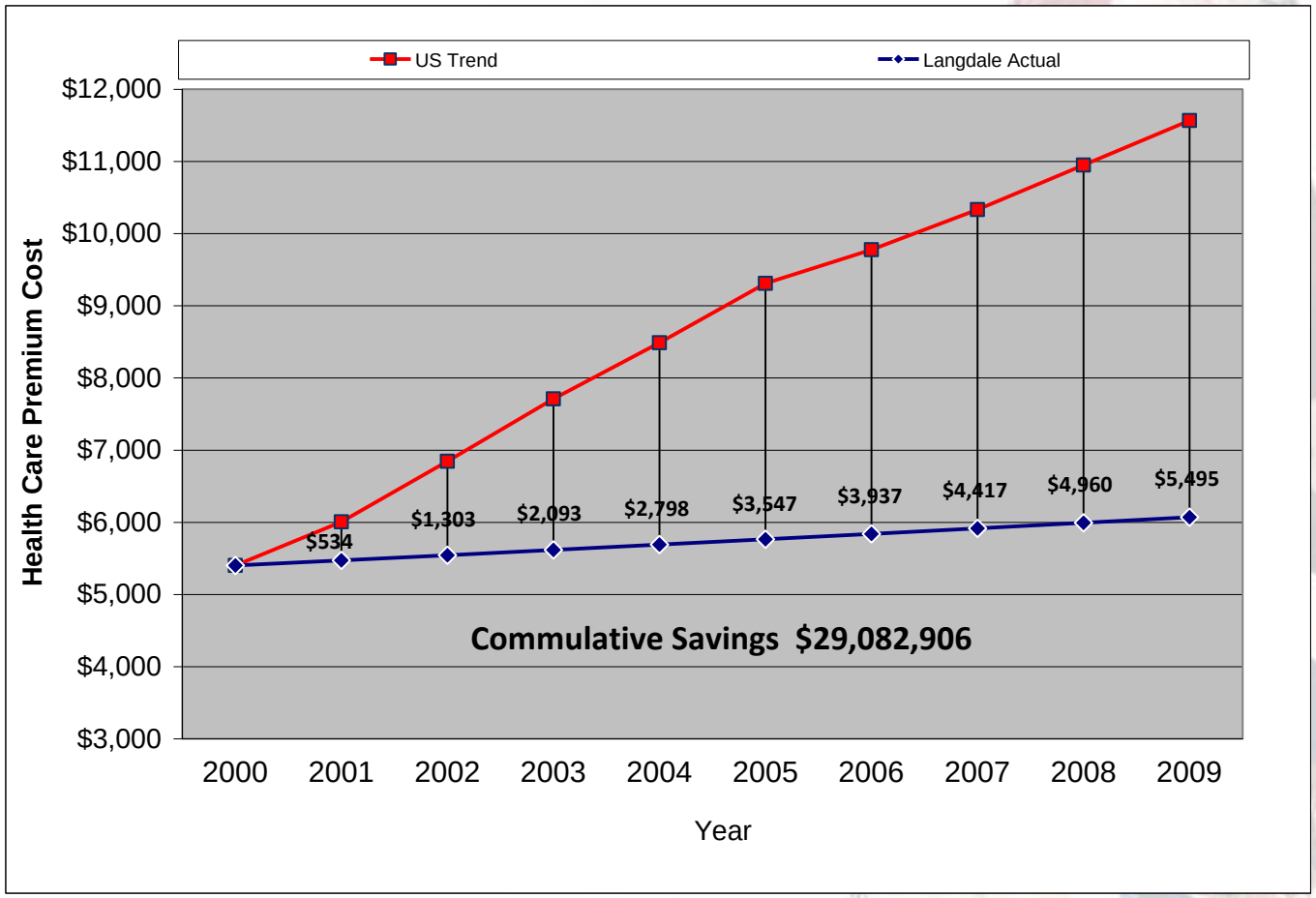
- PEPY Cost Flat Since 2000
- Reinsurance Cost Below Trend
  1.3% Average Trend 2000 – 2011
- Engage Employees, Management Reports
  - Wellness and Disease Management
  - High Tech/High Touch Education
- Community Involvement
  - Lowndes County Partnership for Health
  - Cancer Coalition of South Georgia
- Centers of Excellence, and Direct Contracts
- **Saved over $29M health care plan cost since 2000!**
  (in non-managed care market, without cost-shifting)

LANGDALE ANNUAL PLAN COST TO SOUTHEAST AVERAGE EMPOYER COST



Comparison of Langdale Trend Cost to National Inflation Rate

(Medical, Dental & RX)



Source: Kaiser/HRET 2009 Employer Health Benefits Annual Survey

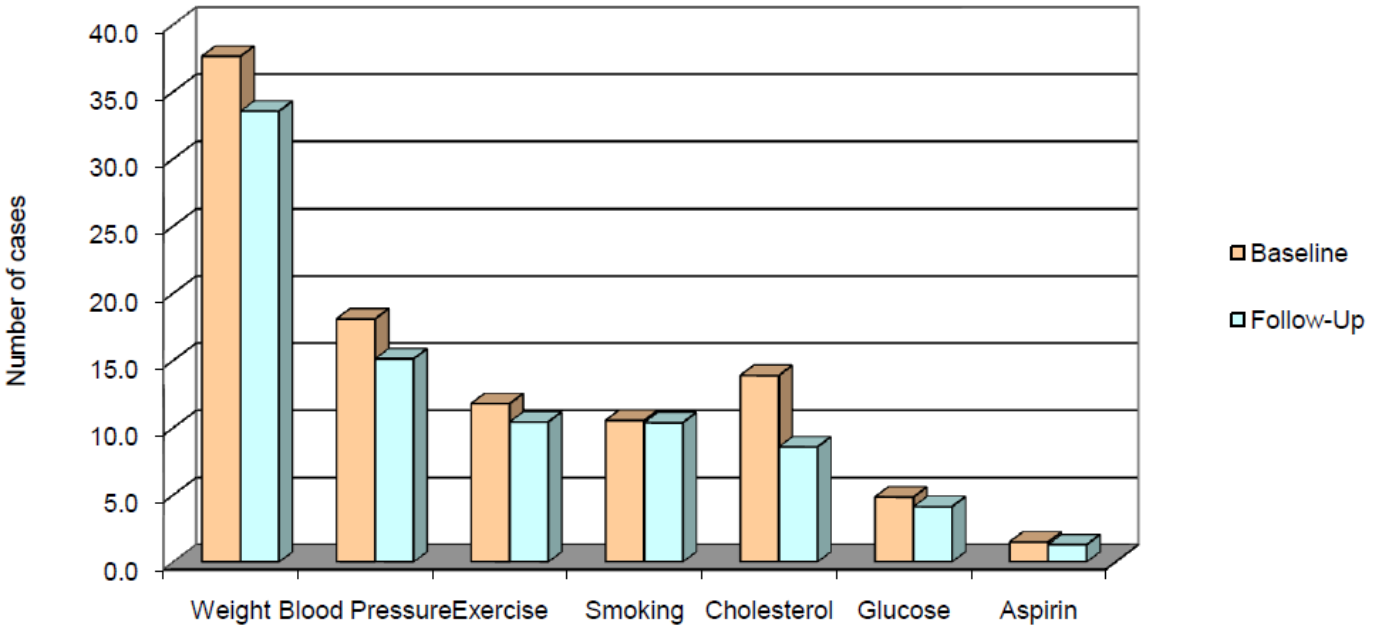
HRA Three Year Results

Extrapolation to Total Population
Contribution of Risk Factors to Avoidable Cases* of Each Disease**: Changes Between Baseline & Follow-Up

Total Population: **N = 1054**

Risk Sources	Avoidable Cases		Change
	Baseline	Follow-Up	
Weight	37.6	33.5	-11%
Blood Pressure	18.1	15.1	-16%
Exercise	11.8	10.4	-12%
Smoking	10.6	10.4	-2%
Cholesterol	13.9	8.6	-38%
Glucose	4.8	4.1	-15%
Aspirin	1.5	1.3	-13%
Total	98.3	83.5	-15%

HRA Three Year Results



* "Avoidable cases" is the number of new cases that can be avoided in the next 5 years, if all modifiable risk factors are brought within the normal range.

** Diseases include type 2 diabetes, coronary heart disease, stroke, heart failure, COPD, and lung cancer.

HRA Three Year Results

Extrapolation to Total Population****

Total Population: **N = 1054**

Diseases	Baseline	Follow-Up	Difference
Type 2 Diabetes	$1,103,673	$902,327	-$201,346
Coronary Heart Disease	$1,067,919	$904,188	-$163,731
Stroke	$776,394	$762,278	-$14,116
Heart Failure	$164,150	$154,301	-$9,849
COPD	$72,181	$73,061	$880
Lung Cancer	$44,370	$35,496	-$8,874
All Diseases	$3,228,686	$2,831,650	-$397,036

* Predicted costs = probability of disease onset (KYN) x 2.5 years x annual cost of disease (noted below).

** Study population is the population who participated in Know Your Number.

*** Difference = follow-up estimated costs minus baseline estimated costs.

**** The study population is considered to be a representative subset of the larger total population.

The annual costs (per patient) were as follows: type 2 diabetes = $9,943; coronary heart disease = $9,775; stroke = $11,293; heart failure = $6,566; COPD = $3,521; and lung cancer = $35,496.

Estimates include direct and indirect medical costs associated with occurrence of each disease and were calculated using current national average annual costs, as reported by the American Diabetes Association, the American Heart Association, the American Stroke Association, the American Lung Association, and National Cancer Institute.

The Big Picture

- Data Analytics is Key to Success
- Data Integration (Medical, Rx, HRA, DM/Med. Mgt.)
- Proactive Plan Benefit Design
- Develop Strategic Partnerships with Vendors
  - Medical Management
  - Reinsurance Relationship
  - HRA/Wellness/DM
- Measure Health & ROI (Business and Community)
- Determine Economic Development/Jobs Impact

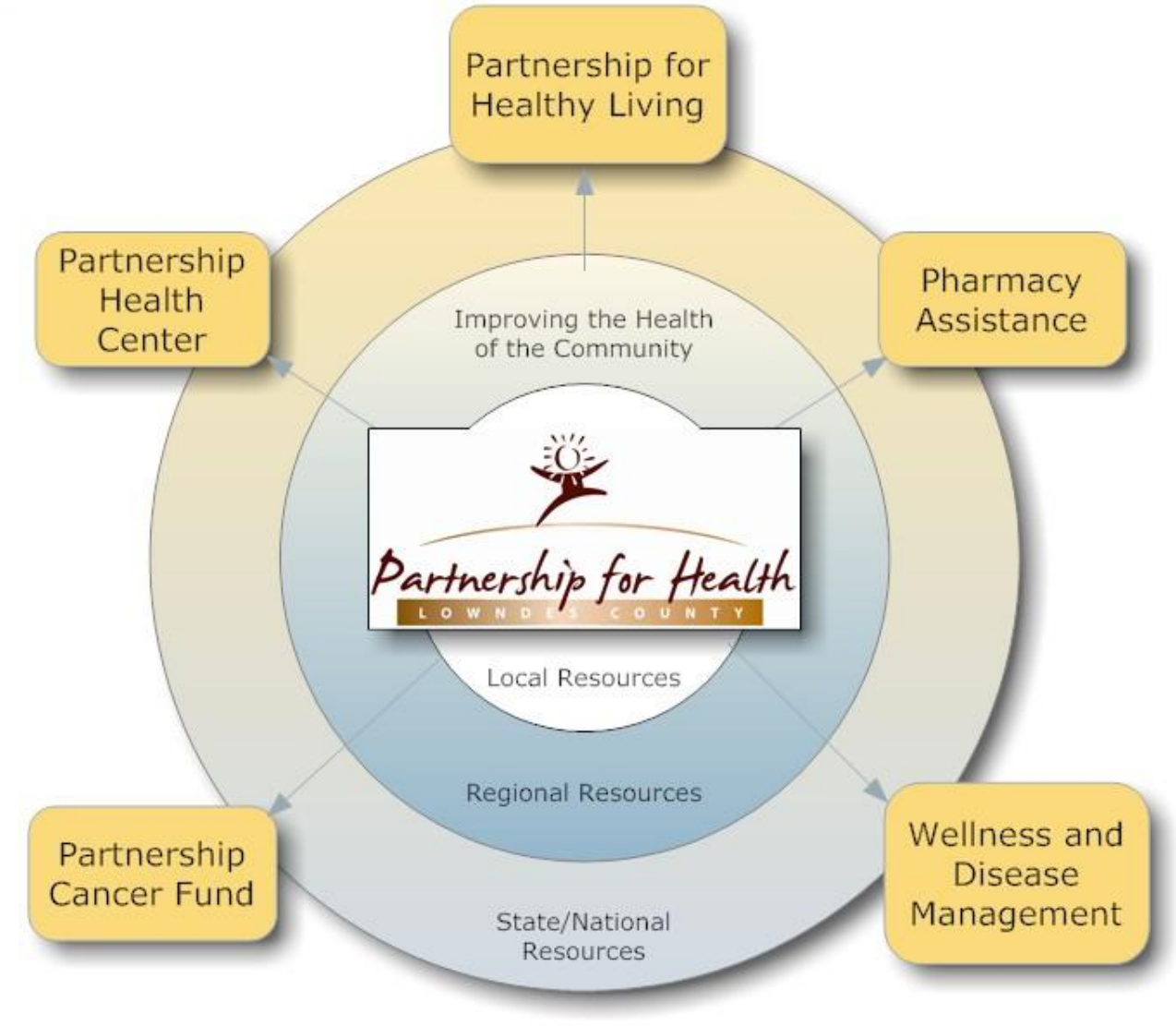
PARTNERSHIPS

- Doctors Direct Healthcare (DDHC)
  - Physician Leadership
  - Medical Management
  - Disease Management – Opt Out Program
  - Data/Reporting Capabilities
- Lowndes County Partnership for Health
  - Health Risk Assessments
  - Wellness Screening
  - D/M Face to Face Interaction with Employees
  - Collaborate with Doctors Direct

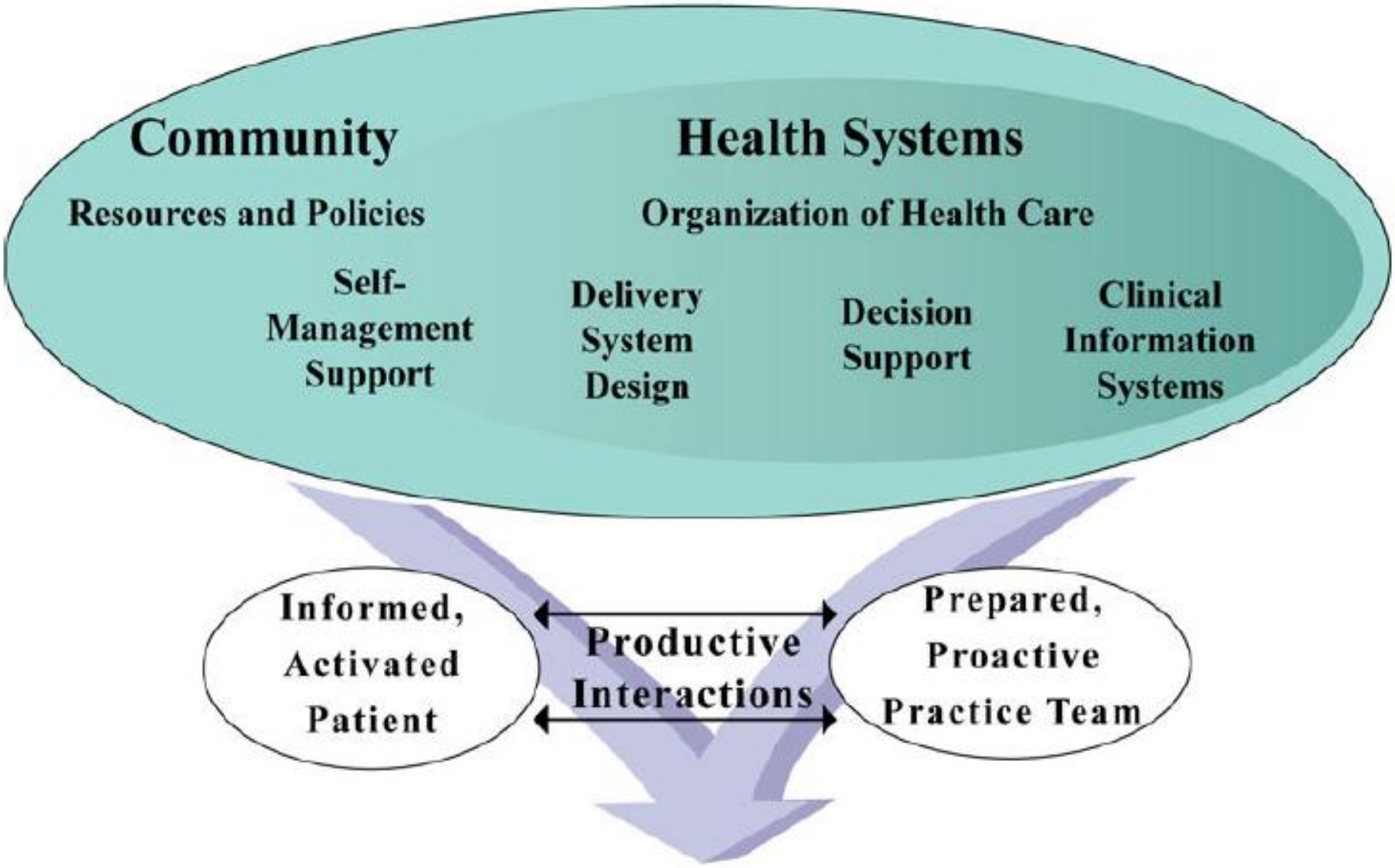
→ 6.8:1 ROI

- Cancer Collation of South Georgia
  - EAP-type Assistance/Education

Lowndes County Partnership for Health



The Chronic Care Model



Health Care Transformation

Current System	21st Century System
Provider-centered	Individual/patient-centered
Price-driven	Value-driven
Reactive	Proactive
Hidden price and quality information	Transparent price and quality information
Knowledge-disconnect	Evidence-based, Knowledge-intense
Slow diffusion of innovation	Rapid diffusion of innovation
Disease-focused	Prevention and health-focused
Paper-based	Electronically-based
Process-focused	Outcomes-driven
Limited choice	Increased choice
Disconnected, sporadic care	Continuity of health and care
Costly	Cost-effective
Quantity and price measured	Quality of care and quality of life measured

Adapted from Center for Health Transformation, 2005

Presenter and Contact Information

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