



HEALTHIER TOGETHER

Health Care Strategy - the Simplot Journey

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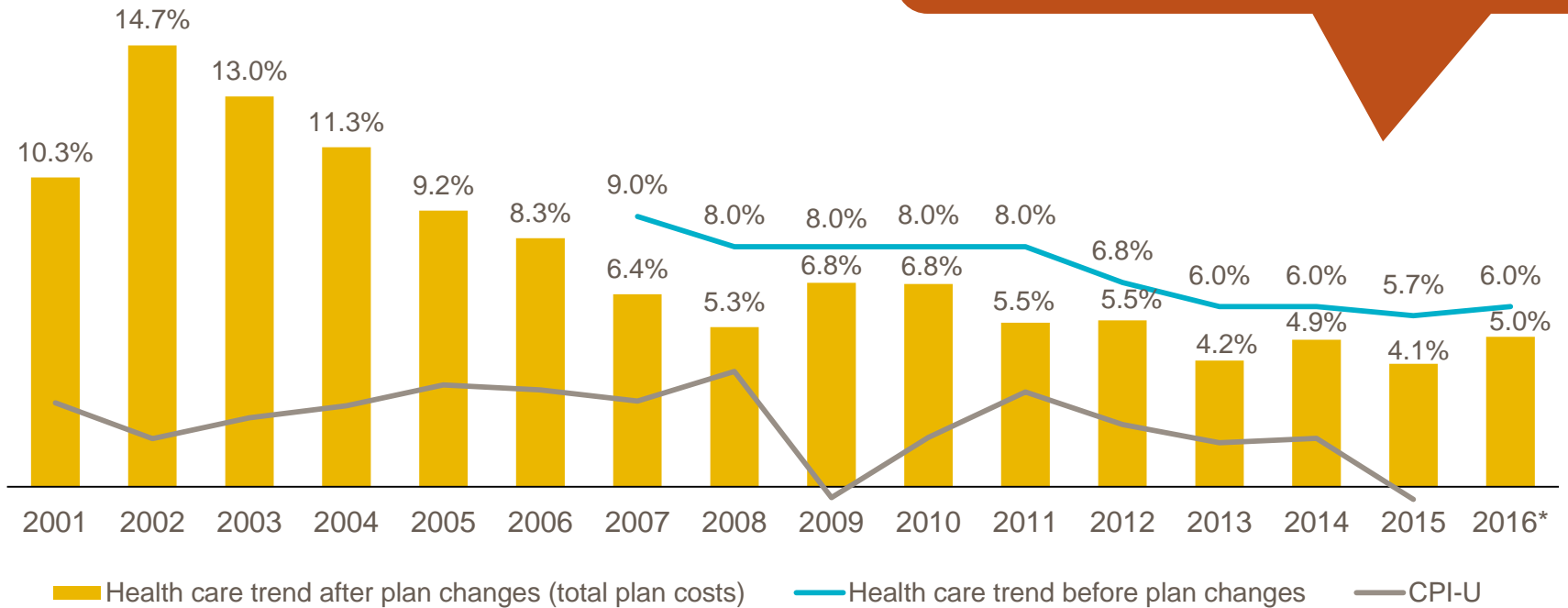


Today's agenda

- What is the landscape today?
- Why Simplot made changes?
- How did we go about it?
- What has been the outcome of the change?
- What lessons did we learn?
- What else can we share with you from our journey?

Health cost trend lower...but still too high

Health care cost trends after plan changes are well above the rate of inflation.

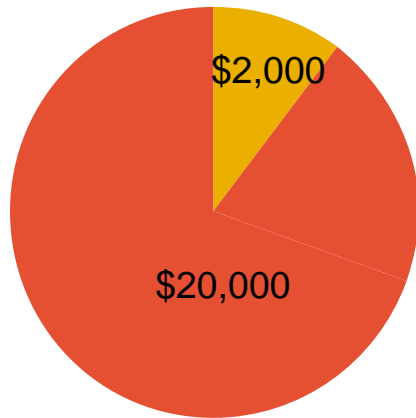


*Projected.

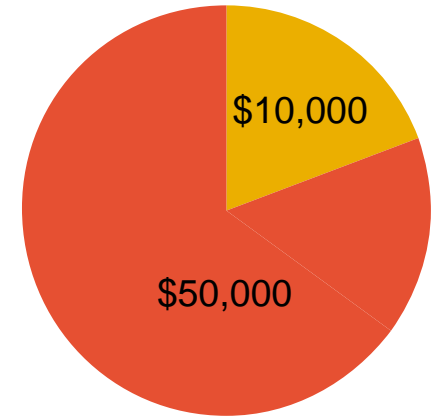
Source: 2015 Towers Watson/NBGH Best Practices in Health Care Employer Survey

Result: Health care versus Compensation

Health Care vs. Compensation — annual \$ Per Employee Per Year (PEPY)



1983



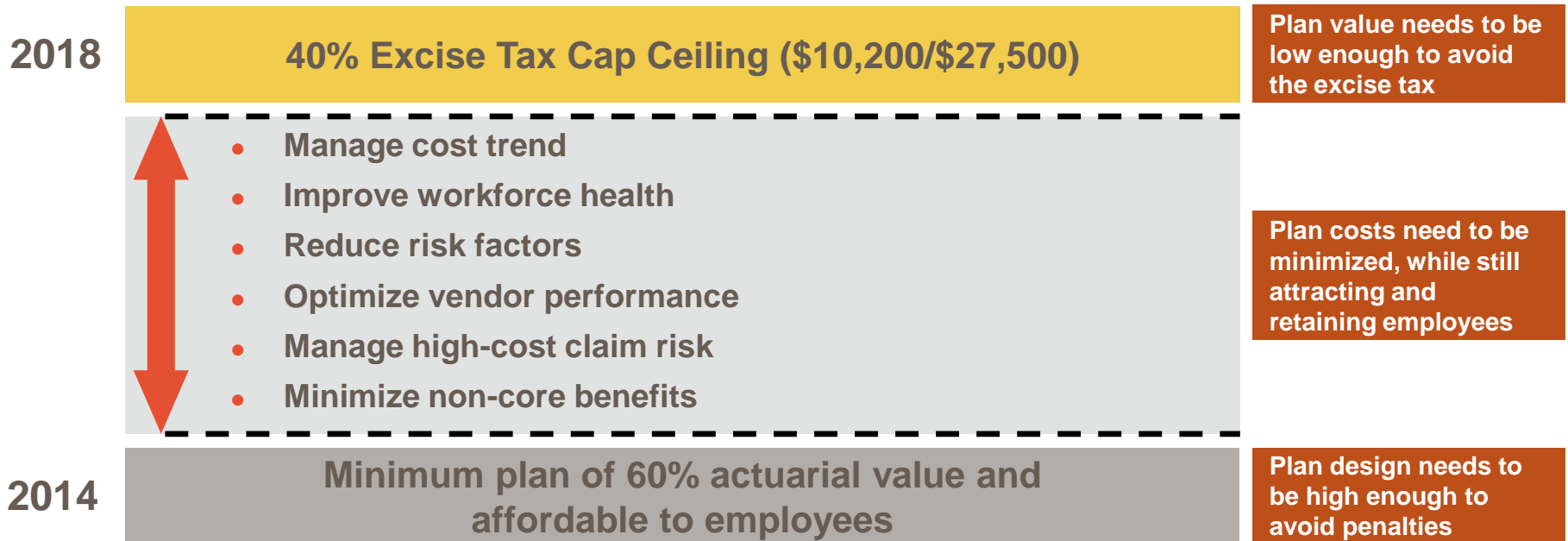
2013



2043

■ Health Care (PEPY)
■ Compensation (PEPY)

The “cost squeeze” of Health Care Reform



Reasons to revisit health care strategy

- Health care delivery and the employer role in providing coverage is undergoing significant change — **Nearly 50% of employers expect to make significant or transformative change to their health care strategy by 2018⁽¹⁾**
- All plan sponsors should evaluate implications of ACA
 - Compliance requirements and potential pitfalls
 - Strategic opportunities
 - Short-term and long-term financial implications
- ACA is only part of the story
 - Health care delivery system transformation is underway, but progress varies widely in markets around the U.S.
 - Public and private benefit exchanges are emerging
 - Unrealized opportunity to engage employees in their health

⁽¹⁾ Source: 2013 Towers Watson/National Business Group on Health Employer Survey on Purchasing Value in Health Care

Employers take aggressive action

#1 Priority is to evaluate health and pharmacy plan design strategy



80%

Plan to change health and pharmacy plan design as most important priority in the next 3 years



60%

Anticipate adopting spousal surcharge, compared to 27% today



40%

Structure employee contributions based on employees taking specific actions



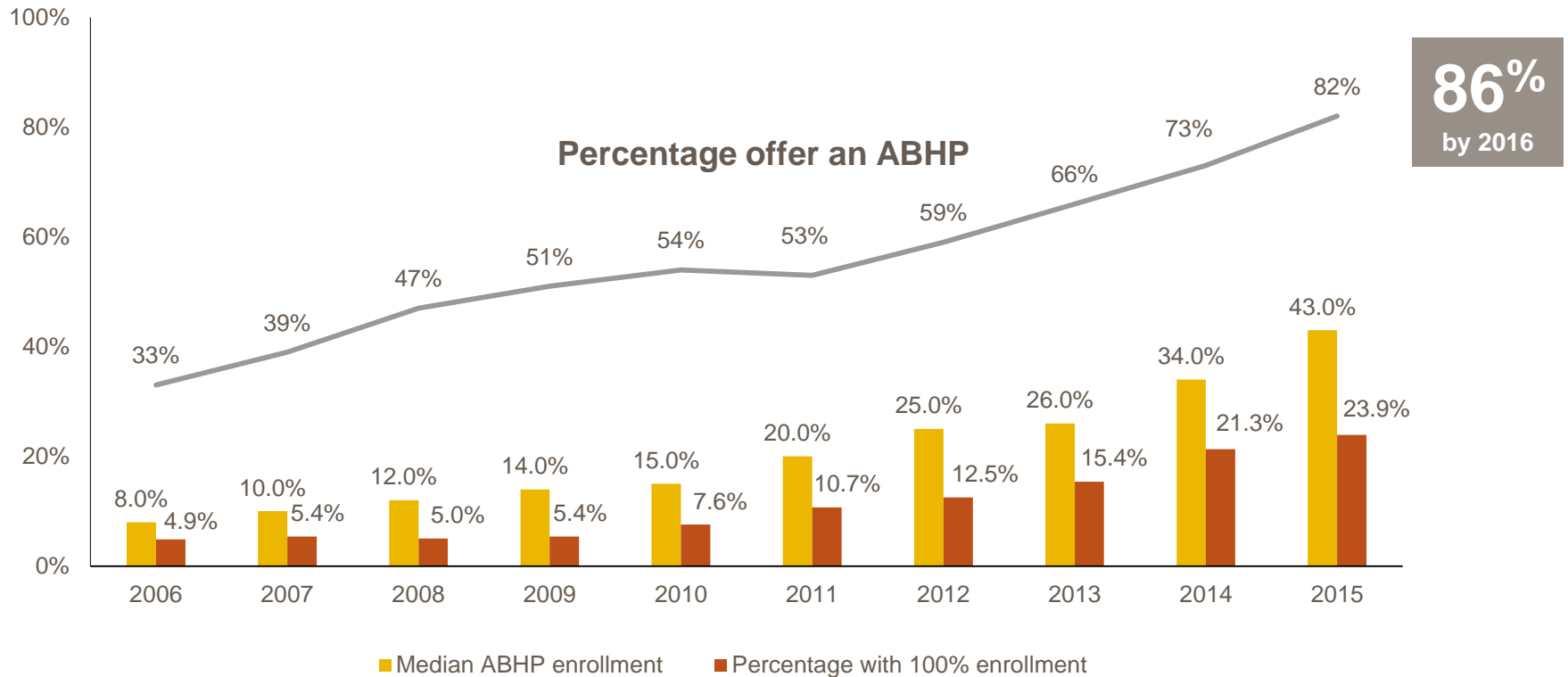
20%

Currently use defined contribution strategies, expected to double by 2018

Source: 2015 Towers Watson/NBGH Best Practices in Health Care Employer Survey

Adoption of ABHP nears universal use

And full-replacement ABHP continues to grow



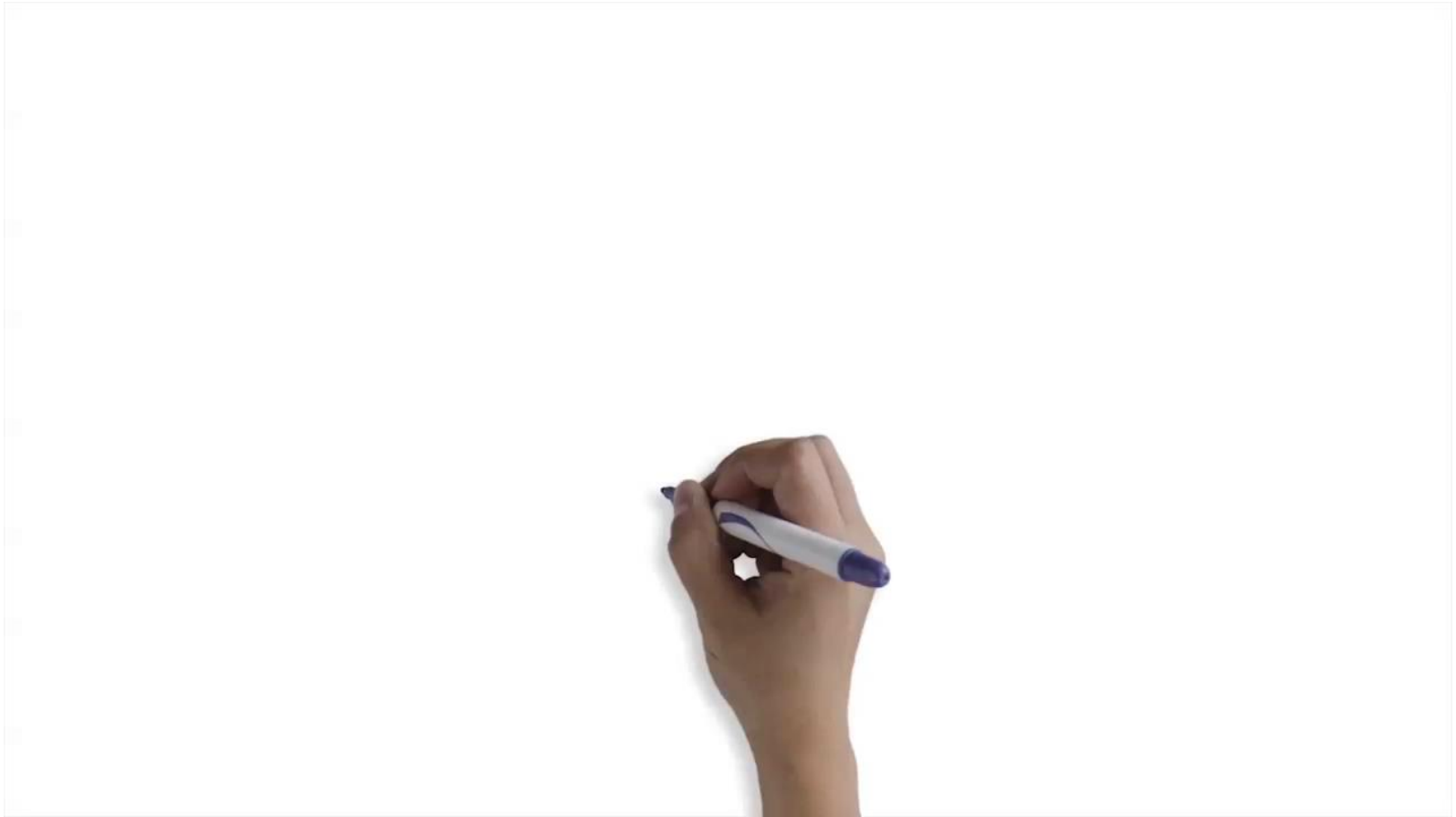
Note: Enrollment rates are based on **companies that offer an ABHP** in various years. 2006 is based on the 12th Annual Towers Watson/National Business Group on Health survey; 2007 is based on the 13th annual survey, etc.

Source: 2015 Towers Watson/NBGH Best Practices in Health Care Employer Survey

Why changes for Simplot?

- Simplot costs were high but better than average
- Time was right for fundamental change
- Grandfathered status could no longer be maintained
- Needed an approach that would lower the overall employee and Simplot cost long-term
- Wanted to position ourselves us for future health care industry changes

Health care innovation



How did we go about it?

- Executive involvement
 - Guiding principles
 - Periodic updates
 - Review of two alternative approaches
- Project team
 - Included a cross-section of HR representatives
- Support from Towers-Watson team
 - Bring us new thinking
 - Industry
 - Expertise in analysis

Project approach: “Six views” to evaluate strategy

Employer View

Simplot's objectives?

Financial View

Simplot's current and future projected program costs? How costs are shared?

Workforce View

Current and future characteristics of Simplot's workforce? Project Idaho?

Competitive Market View

How competitive are Simplot's programs? How is market changing?

Health View

Are there important health/risk characteristics of Simplot's population?

Employee View

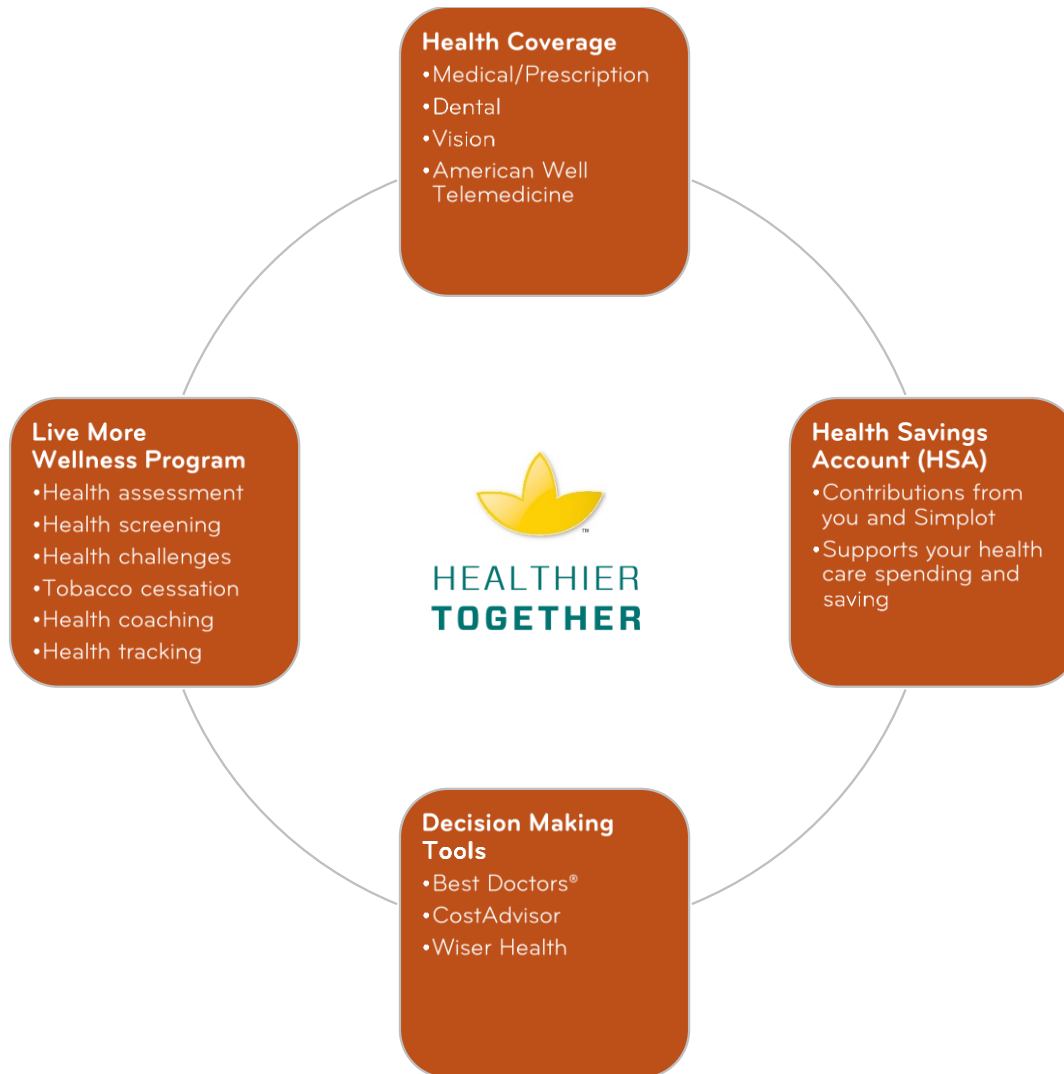
What do employees know, need and value?



What did we want to accomplish?



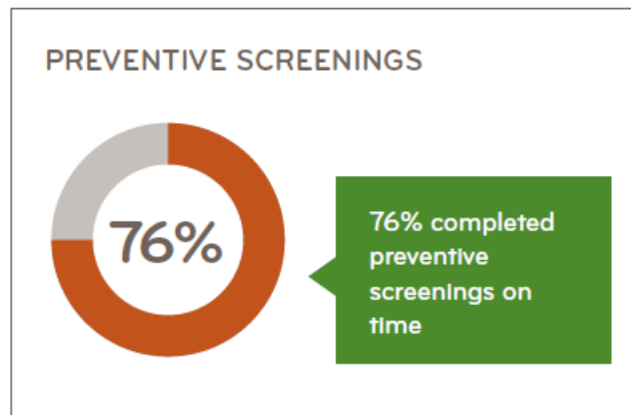
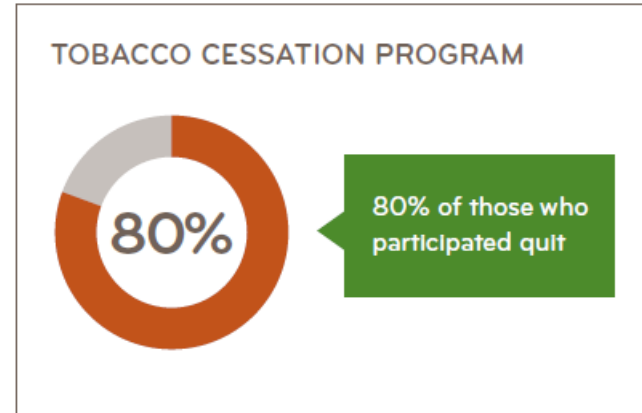
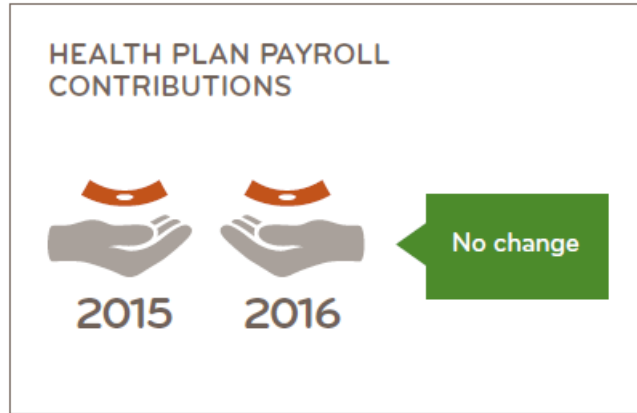
What did the design look like?



What was employee reaction?

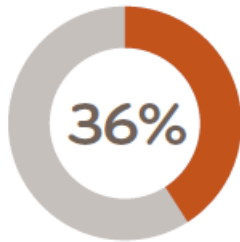


What has been the impact of the change?



What has been the impact of the change?

LIVE MORE HEALTH ASSESSMENT & HEALTH SCREENINGS



36% participated
In 2015, available
again In 2016

DECISION MAKING TOOLS

 Best Doctors

 CostAdvisor
KNOW BEFORE YOU GO

WiserHealth

Available to help
you make better
decisions

HEALTH SAVINGS ACCOUNTS



Savings for
our health care
expenses now
and In the future

What were our top seven learnings?

- 1) Communication – early, often and in a variety of ways
- 2) Strong vendor partnerships and new tools
- 3) Generous HSA contribution important to transition
- 4) Expect lots of noise from pharmacy
- 5) Aggregate family deductible is hard
- 6) Plan for the transition of your FSA to an HSA
- 7) Recognize that it is complex and will take time

What else can we share with you
from our journey?