



Executive Health White Paper

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Executive Health

Addressing the impact of illness on the strategic workforce and the enterprise.

Introduction

Keeping the employee population as healthy and productive as possible is increasingly becoming a key corporate concern as healthcare costs continue to increase and put pressure on company profitability. Much focus and attention has been given to designing health and wellness programs to improve the health status of employees and manage chronic disease in order to curb these rising healthcare costs.

However, designing effective health and productivity programs has its challenges and is also accompanied by soft ROI characteristics. It can be very difficult to determine the appropriate investment level—especially factoring in the impact of employee turnover and the need to “crystal ball” the future 20% of the population who will drive the future 80% of claims. It may require organizational culture change as well as lifestyle and behavior changes on the part of individual employees and their dependents. Building a structure of rewards and penalties to modify individual lifestyle choices, education and awareness are key aspects of program design, but often present compliance issues. This not only requires significant initial investment of time, money and resources, but also a long-term commitment in order to gain the benefits of a potential financial return.

Yet, there is an area of health and productivity program design where it is possible to experience a more immediate return on the investment: Strategic Workforce Health and Productivity. While there is less direct claims impact, there is far-reaching impact on indirect costs to the business. This best-practice concept embraces a tailored solution that supports a company’s need to protect and retain a mission-critical resource. It helps strategic leaders gain control of family health issues and minimizes the distraction factor for the business. Unlike broader wellness programs, it also carries an identifiable return on investment, requires limited change for either the company or the individual and has lasting impact on the business.

A well designed approach to managing the health and productivity of a company’s most strategically critical people can impact not only the productivity of this important resource, but also play a beneficial role for the company in attracting and retaining top talent, serve as a corporate risk management tool and support companies’ long term strategic flexibility in health plan design.


The Strategic Workforce

People are the heart of any organization, each playing a role in the successful operation of that company. However, every enterprise has a few select individuals without whom the company cannot thrive and who are directly and ultimately responsible for building shareholder value. They are the strategists and visionaries, the owners of bottom line results, the owners of vital client relationships and the ones who move the company towards a profitable and successful future. In short, they are *the strategic workforce*.

In most companies, this group would be what is thought of as the executives or officers, but it may also include others. This mission critical core group of employees have significant business impact, are typically essential to retain, and if they leave, are costly and difficult to replace, especially in the midst of a dwindling supply of senior executive talent as the baby-boomer generation moves into retirement.

As evidenced by the following unfortunate examples, the disruption caused by illness or death of mission critical leaders, can have great ramifications for business results and thus shareholder value. In 1997, Coca Cola Co's Chairman and CEO Roberto C. Goizueta died of lung cancer just two months after being diagnosed. His replacement, M. Douglas Ivester, was asked to step down after only three years, unable to fill the shoes of Goizueta and his legendary turnaround of the company, and after mishandling a number of crises. McDonald's Corp. also suffered the loss of not just one, but two, CEOs to serious illnesses within a year. McDonald's stock tumbled as a result, highlighting the direct impact on shareholder value of the strategic workforce population.

The table below illustrates some of the differences in characteristics, and therefore the approach to benefits, of the strategic and tactical workforce populations.

<h2 style="margin: 0;">Workforce Characteristics</h2> 		
	Strategic Workforce	Tactical Workforce
Turnover	Typically low turnover	Varying turnover rates depending on function, ee class or position
Retention	Generally want to retain this group as the roles, positions and responsibilities are directly tied to business plan development, execution and company performance.	Greater FTE variability based on company's need to respond to competitive, economic, cost or other pressures.
Compensation	Highly compensated with broad range of financial and supplemental benefits	Wide compensation variation in both amounts and components of compensation
Business Impact	Ultimate group responsible to shareholders for building value. Significant business risk and potential performance impact for sudden loss of an executive due to termination, health related disability or distraction.	Positions and relative importance widely varied. Performance of any one person has diminished impact of the successful execution of company business plans. Lower business risk for loss of any one person.
Recruitment	High acquisition/replacement costs and increasingly competitive to recruit and retain.	Recruitment costs and difficulty generally lower than for strategic workforce
Health Plan	Fractional in size and number but typically higher health plan participation with a skew towards high level of family participation.	Varying plan participation with greater volume of participants here, more likely to be driving greater % of future large health claims.
Work-Life Balance	Rigorous demands and company expectations of time, focus, commitment and personal sacrifice to achieve company performance goals.	More regulated working hours and less impact of business issues on personal life.

Strategic leaders are not only highly compensated; they also hold substantial value for the company in leadership skills, knowledge and experience. When a health issue strikes a member—or a family member—of this group, the business impact goes far beyond that

of lost time or medical bills. Many studies have explored the multiplier effect of lost executive time. Not only does a health concern present a distraction factor for the individual, but his or her team, critical client or supplier relationships, operating units or departments are also impacted by the reduced focus and productivity. It is near impossible to react quickly and replace the knowledge base residing with the impacted employee. The economic consequences can be substantial.

The work-life balancing act is also quite different for the strategic group. Rigorous demands on schedules and a traveling lifestyle can create both ongoing and emergency based health concerns. Supporting executives as they travel—domestically or internationally—presents special challenges for the company. When an emergency strikes, the senior Human Resources professional often gets the call and scrambles to help locate quality medical care and deal with the situation, without the required knowledge or resources at his or her disposal. For the company, this creates additional risk and exposure for a highly valued human capital asset.

The Essential Strategic Workforce Health and Productivity Components

Simply delivering a “perk” in the form of a supplemental health reimbursement program does not meet either corporate or individual market needs. While enhanced and extended coverage is an important core offering, an effective Executive Health program must also address the unique requirements of the strategic workforce (executive) population, such as needs for more comprehensive physical examinations, global health and emergency support, a highly responsive service delivery system and time-saving, personalized clinical concierge support to address illnesses and gain priority access to the top few percent in the specialty physician universe.

It must also deliver a broad range of benefits to the company such as supporting, retaining and attracting top talent, protecting productivity of mission critical employees, global risk management tools and opening up flexibility in health plan design and strategies.

Finally, it is essential that *all* the aspects of the program are integrated into one seamless solution inside a fully insured product so that the executive does not face tax consequences and the company can provide the solution to only a select population, if so desired.

Clinical Concierge Services: 360° Healthcare Support

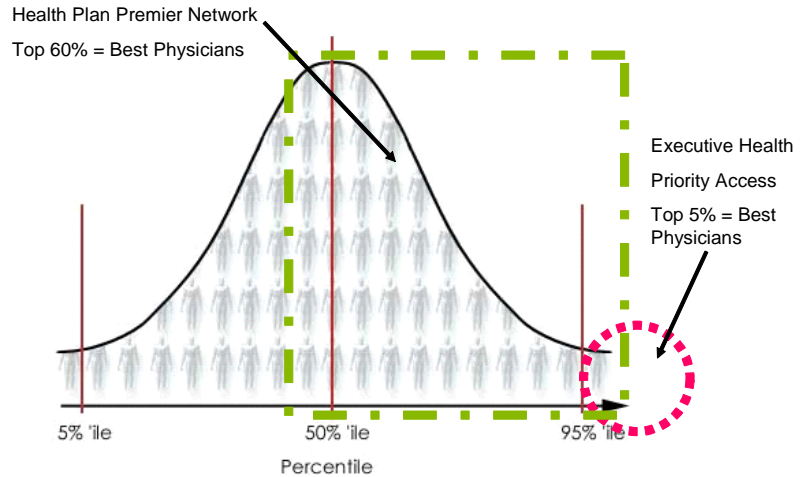
In response to the increased difficulty of navigating the U.S. healthcare system, the industry has seen the emergence of clinical concierge or advocacy services focused on helping patients deal with the complexities embedded in the system and successfully and efficiently navigate to the best solutions.

Why have these services taken hold? A brief examination of the current healthcare system clearly outlines the exploding need.

Even the seemingly straight-forward task of obtaining a diagnosis, can be anything but straight-forward. As evidenced by a West Coast based Executive Health client, who spent 8 months going from physician to physician, being put through a battery of tests and running up medical bills, being diagnosed can be a time-consuming and frustrating journey. It is far too common for patients to be spinning their wheels, driving up medical costs and productivity losses in the search of an elusive diagnosis. A recent book, “*How Doctors Think*”¹ highlights many examples of this phenomenon. Why can it be so difficult? Reality is that medicine is part science, part art. Many test results are inexact and the diagnostic experience and right kind of expertise of the treating physician are critically important in evaluating symptoms and determining the diagnosis. In the example above, once the clinical concierge nurse helped the patient access the right specialty physician, who was a globally recognized leader in his field and in the top few percent of physicians, it was only a matter of days before an accurate diagnosis was established and the proper treatment plan could be put in place. For this client, the clinical concierge nurse made a life-impacting difference by quickly navigating him to one of the specialty’s foremost experts and obtaining an appointment in days that would otherwise have taken months to obtain.

The U.S. healthcare system is comprised of hundreds of thousands of physicians, each increasingly specialized or even sub-specialized. Not only does this present diagnostic challenges, but as with any profession, there are those that are better than others. Before the rise of clinical concierge and advocacy services there was no reliable way of *objectively* discerning who the top few percent of physicians are.

Further, available physician referral services provided by health plans and/or hospitals are focused on the health plan network or the institution’s physicians rather than accessing the entire universe of physicians to locate those who are true leaders in their field—regardless of location or network affiliations. Unlike these referral hot lines, clinical concierge firms have spent years building a



highly personalized service delivery model and proprietary access to an elite physician network that focuses on the top 3-5% of physicians. Their knowledge base, physician affiliations and skill in navigating patients to the right options now provide executives with the same star treatment that was previously only afforded to professional athletes.

To complicate the navigation process further for the patient, there are thousands of diseases, many of which have multiple treatment options. Even the top institutions and physicians in a particular specialty might be more skilled in a certain course of treatment versus another. Johns Hopkins, for instance, has an excellent reputation for the surgical

treatment of prostate cancer. However, for radioactive seed implants, the Swedish Cancer Institute in Seattle Washington, as an example, has achieved world renowned status. Both are highly regarded in cancer treatment, but the personal outcomes and impact on recovery are vastly different for each of these treatment options. A clinical concierge service must be able to provide this level of guidance and knowledge to the executive patient.

The explosion of available medical information on the Internet has added further to the confusion and challenges. With medical advances occurring at breakneck speed, it becomes virtually impossible for any one patient or even physician to stay on top of all the options. Clinical concierge nurses are specifically trained to navigate these waters and have access to researchers and leaders in a broad range of specialties to skillfully navigate patients through the maze.

So while most of us tend to default to primary care physician referrals, our health plan provider list or the input from friends, it is clearly not a sufficient model for ensuring we can reliably access the very best and most appropriate healthcare providers. It is near impossible in today's complex and highly specialized medical world for an individual to identify the right physician and treatment, not to mention making it all happen right away. Offering clinical concierge support to eliminate the productivity impact of the navigation process ensures executives receive star athlete access and treatment choices that drive better outcomes and recovery times—thus impacting the company's bottom line and driving loyalty and retention among these strategically critical employees.

Comprehensive Executive Physicals

While some may consider “Executive Physicals” an executive perk, medical prevention is far from indulgence, especially when it comes to a vital human capital asset. Companies don't hesitate to implement preventive maintenance programs, disaster recovery plans and other risk management strategies to lower the risk for, or mitigate the business impact of loss. Executive Physicals can play a similar role for the strategic workforce.

According to Biophysical Corporation², a high level of fitness does not always indicate a high level of health. Even outwardly healthy people can discover the initial stages of serious problems. The sooner specific diseases and medical conditions are detected the sooner—and more effectively—they can be treated. The outcome differences between early vs. late detection can be dramatic. For instance, early detection of colon cancer has a five year survival rate of 90%³, while for late discovery this plummets to 10% or less. Comprehensive, top-to-toe executive physicals provide an opportunity for early detection and have proven positive impact on both lost time and medical costs. Coupled with a clinical concierge service to help evaluate executive physical facilities nationally and obtain priority appointments and to help navigate to the appropriate follow-up specialist care, comprehensive physicals become an invaluable aspect of an effective Executive Health program for the company as well as a prized benefit for the executive.

24/7 Global and Domestic Emergency Support

Did you know that medical mistakes are a leading cause of death in the U.S. and that, according to an IBM Health Institute study, the U.S healthcare system kills the equivalent of a jumbo jet of people *every day*? The highest risk for mistakes exists in emergency situations where ER staff has limited knowledge of prior medical history. Why are medical records so vital? Without records, physicians are handicapped in accurately diagnosing symptoms, understanding possible effects of drugs, and assessing the benefits and risks of surgery. The risk of medical mistakes or inadvertent negligence is exponentially increased. Ensuring you have your medical history readily available and access to a 24/7 physician based emergency support service, can make a life-saving difference in these situations.

While a domestic medical emergency can be frightening and you want the peace-of-mind of competent clinical support, it pales in comparison with an emergency abroad where issues such as language barriers, medical training of the physicians and staff, hospital sanitation and equipment quality create additional challenges. According to the *Merck Manual*, one in 30 international travelers will require some form of emergency care. The Association for Safe International Road Travel, claims that the risk of dying after injury in an auto accident is 20 to 80 times higher in countries outside the U.S. Even “safe” destinations such as Britain and the continent may not provide the level of medical care you need and expect. For instance, in Western Europe, surgical mortality rates are almost 20% higher than in the U.S. ⁴

Travel insurance is not adequate protection in these situations. To handle a medical emergency, many factors come into play. The logistics and details of a medical evacuation can be overwhelming, not to mention trying to manage it all in a different language and while hampered by cultural barriers. Yet details can make the difference between life and death, or quality of life and lifelong disability. For the right level of protection, companies should provide executives with 24/7 medical coordination, help in qualifying local care providers and with medical transportation to a facility of choice where higher standards of care are offered. The program needs to incorporate both domestic and international emergency support that includes “from anywhere to anywhere” medical air evacuation coverage. Putting the Human Resources team or the executive in the position of managing emergencies without the proper resources or tools is simply risky business.

Executive Medical Reimbursement

The Executive Health concept was born out of the long established executive medical reimbursement products that have been provided to executives as a perquisite benefit for decades. However, despite evolving market needs these legacy products have changed very little, even for this more limited aspect of the service offering. Market feedback points to their failure in delivering on contemporary feature and service needs. Discerning executive consumers have high expectations for service responsiveness, rapid reimbursement processing and other features such as a prescription card for point-of-purchase reimbursement, that make the program highly convenient to use. Only when the

Executive Health program can deliver these next generation aspects in its medical reimbursement component, will it be a true valued benefit.

Additionally, to effectively support and accompany the objective, clinical navigation process, executive medical reimbursement needs to provide a level of financial neutrality to in- and out-of-network providers. By reimbursing beyond reasonable and customary charges and out-of-network, the focus can remain first on obtaining quality care rather than the quality that exists within the health plan network.

The executive medical reimbursement plan should also provide broader coverage of medically necessary expenses, following closer to the IRS 213 and Flex Plan guidelines of medical necessity. For instance, Over-the-Counter medications that are eligible under 213 should be a covered expense under the executive medical reimbursement plan while rarely covered as an eligible expense under a corporate health plan. The executive medical reimbursement plan component should also expand coverage into other areas of health and prevention such as dental (orthodontia) and vision (Lasik).

When incorporating an executive medical reimbursement program it is important that it does not merely become a claims reimbursement arrangement as this arrangement does not qualify for tax exempt status under Section 105(h) of the tax code. Under the IRS guidelines, a program must be fully insured (or alternatively be provided to the entire workforce) to avoid W2 impact. Because a fully insured plan is also a tax-deductible business expense for the company, there is an attractive tax leverage effect that makes program implementation more cost effective.

What Companies Need from Executive Health Programs

A well designed Executive Health program is not only good for the individual executive, but also good for the company and its shareholders. The program needs to assist the company in a number of ways. Among them are:

Support Attracting and Retaining Top Executive Talent

As baby boomers age and retire, the pool of available executive talent is dwindling, creating pressure on companies' ability to attract and retain mission critical employees. Coupled with heightened sensitivity to perceptions of "corporate excess", providing meaningful executive benefits is increasingly becoming a challenge. Yet, studies have shown that healthcare coverage and programs that impact life-work balance are high on the list of benefits that are highly valued by executives. A well designed Executive Health program should accomplish both, by offering extended coverage for healthcare expenses as well as clinical concierge services to help minimize the impact of a medical concern on the family and the business, as well as recognize company demands of executive time, focus and sacrifice.

A well designed Executive Health program should help you attract new executive talent.

A West Coast client e-mail excerpt:

*Hello ladies:
Do you by chance have a copy of the presentation that you gave out to our active officers that came out to meet with you? I need to forward a copy of it to one of our VP's who would like to share it with a high potential candidate.
Thanks.*

Optimize Executive Productivity

A health issue in the family can quickly impact productivity and performance of the executive and in turn the performance of the company. Studies have shown that health concerns can cause productivity reduction by as much as 70%, causing indirect costs to quickly sky-rocket. An Executive Health program should provide resources to immediately manage medical conditions, offer information and education on conditions and treatments and provide objective and rapid identification of, and priority access to, leading physicians to assist in achieving the best possible medical outcomes and recovery times.

Support Corporate Risk Management of Executive Talent Investment

Comprehensive executive physicals to provide opportunity for early detection and management of illness, clinical concierge services to gain rapid access to the best care and extensive 24/7 domestic and global emergency support services, all serve to help protect the investment in executive talent.

Support the Company's Long Term Strategic Flexibility in Health Plan Design

Managing escalating healthcare costs is a challenge virtually every company is facing. An Executive Health Reimbursement program can help maintain consistent coverage for key personnel as you need to make adjustments to the base health plan to shift or lower overall costs and/or reduce benefits. This provides fewer constraints in designing the optimum benefits plan across the business and allows the reallocation of limited resources to those who are the strategic drivers of the business.

Provide Compliance with IRS Regulations

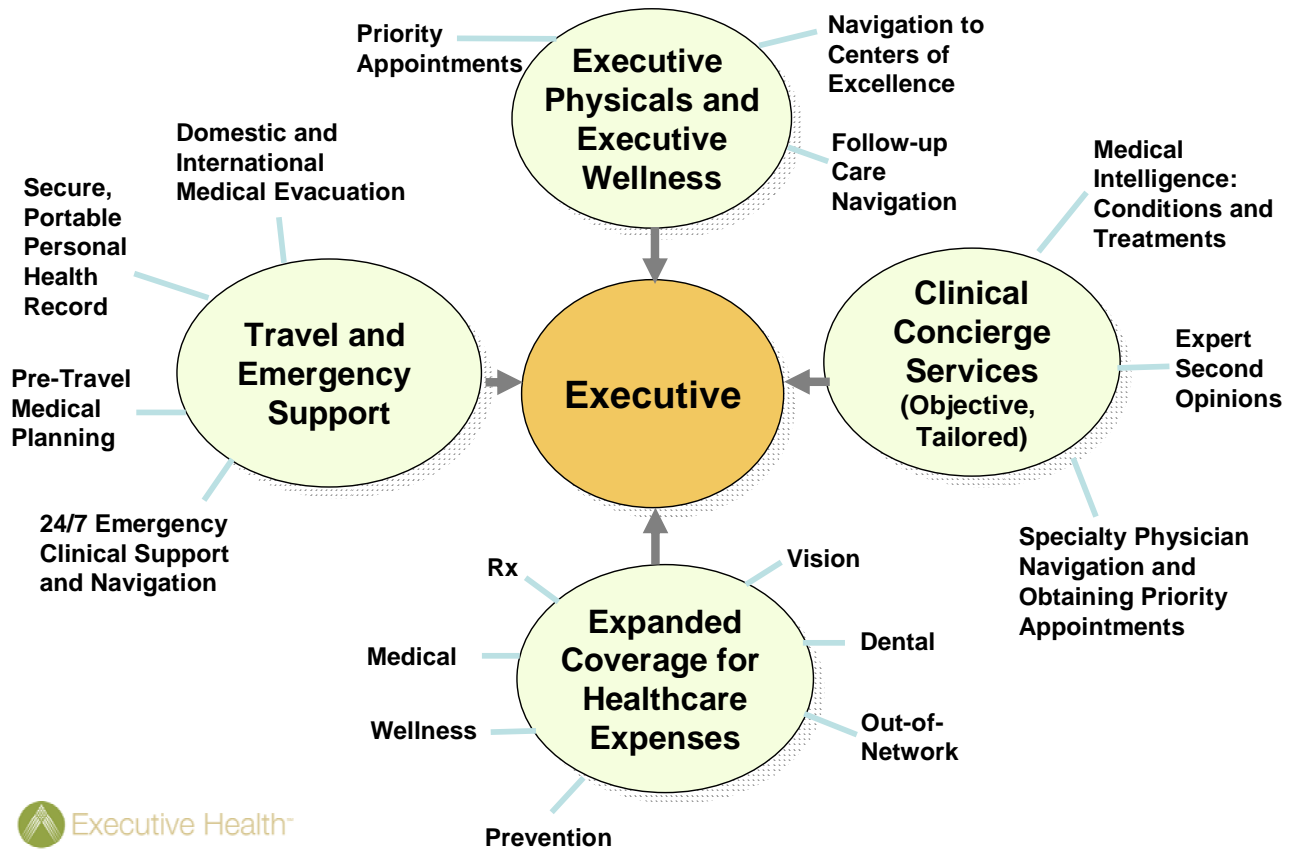
Sarbanes Oxley, Enron and Spitzer, all served to create a highly sensitized corporate environment when it comes to executive benefits. It is thus essential that the Executive Health program is fully in the "safe zone" with current IRS regulations. The key is to ensure there is adequate risk transfer to the insurance carrier, especially for programs based on a "claims plus" financial structure. A fully insured, full risk transfer, premium based structure keeps the program safely compliant and without tax consequences for your executives.

In Conclusion

While the company is addressing the overriding health and wellness question for the entire employee population, it is possible to quickly implement a comprehensive Executive Health program that can have immediate positive impact on the business. When designed properly, the program has broad reaching benefits for the company and executive alike and helps drive loyalty and retention among strategically important employees, while also protecting them from productivity losses due to health concerns or global medical emergencies.

Components of a Contemporary Executive Health Program

Maximizes health, productivity and tax advantaged coverages



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