

AGING POPULATIONS & THE ASSOCIATED INCREASE IN CHRONIC DISEASE PREVALENCE & HEALTHCARE UTILIZATION

Tokyo November 2012

The State of Health Care in America

Annual health care spending increased from \$75 billion in 1970 to \$2 trillion in 2005; by 2015, annual spending is estimated to reach \$4 trillion.

Over the past 35 years, health care's share of the economy has more than doubled, rising from 7.2 percent of the Gross Domestic Product (GDP) in 1970 to 16.0 percent of the GDP in 2008, and is projected to be 20 percent of the GDP in 2015. Per capita, health care spending increased from \$356 in 1970 to \$6,697 in 2005, and is projected to rise to \$12,320 in 2015.²¹

Nearly 70 percent of all health spending growth is driven by the increased diagnosed prevalence of chronic diseases.

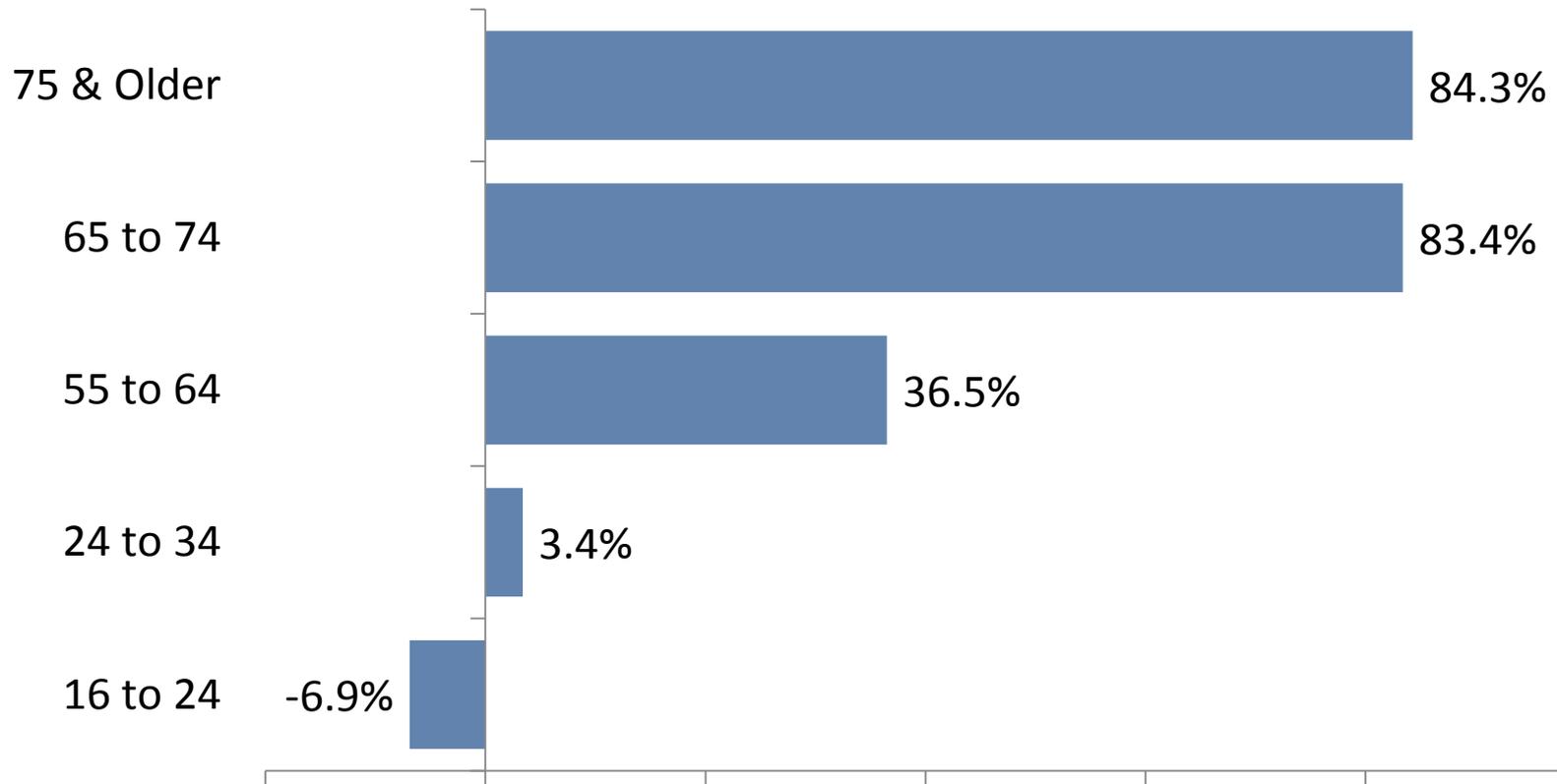
Health Spending has Major Impact on American Businesses

American businesses are the country's largest providers of health insurance.

Employer-sponsored health benefits cover over 156 million Americans, or more than 3 out of 5 of the nonelderly

From 1999 to 2005, the average employer cost for health insurance rose 62% from \$1.60 to \$2.59 per employee per hour.

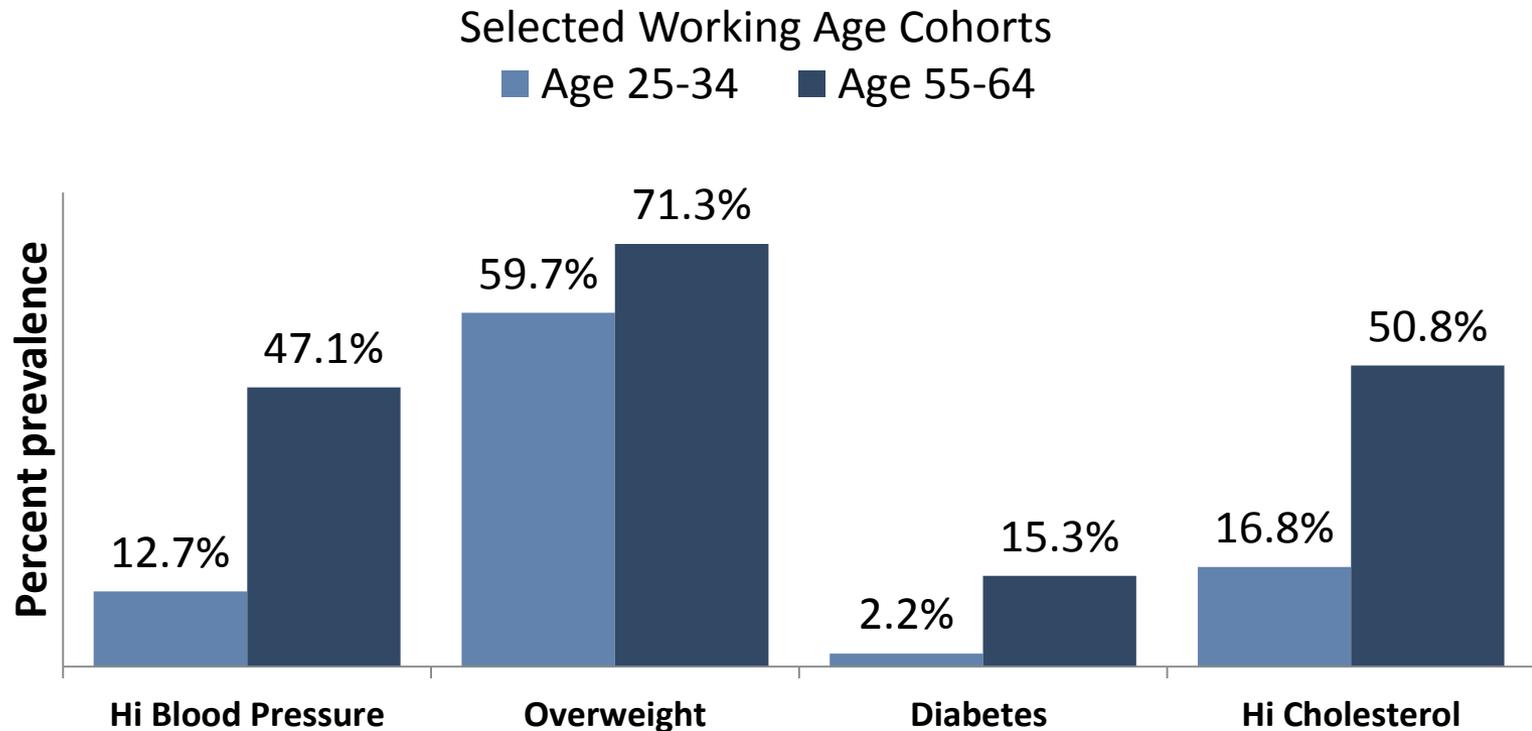
Percent Change in US Labor Force by Age 2006-2016



Aging and the Associated Increase in Chronic Disease & Healthcare Utilization

- By 2020, the number of U.S. workers aged 55 and older will represent more than 25 percent of the labor force nearly compared to 13.6 percent in 2000.
- In 2010, 65 percent of people aged 55 to 64 were actively engaged in the workforce, up nearly 5 percentage points from a decade earlier.
- In the 65 and older age bracket, 17.4 percent will employed in 2010 compared to 12.9 percent in 2000.
- Due to the aging of the U.S. population healthcare costs are increasing dramatically. These cost increases will primarily cover the rising need for management of chronic diseases, including coronary heart disease and congestive heart failure.

Aging & Increased Prevalence of Chronic Diseases & Risk Factors



Total Health Costs of Employees with Selected Chronic Condition vs. Employees Without

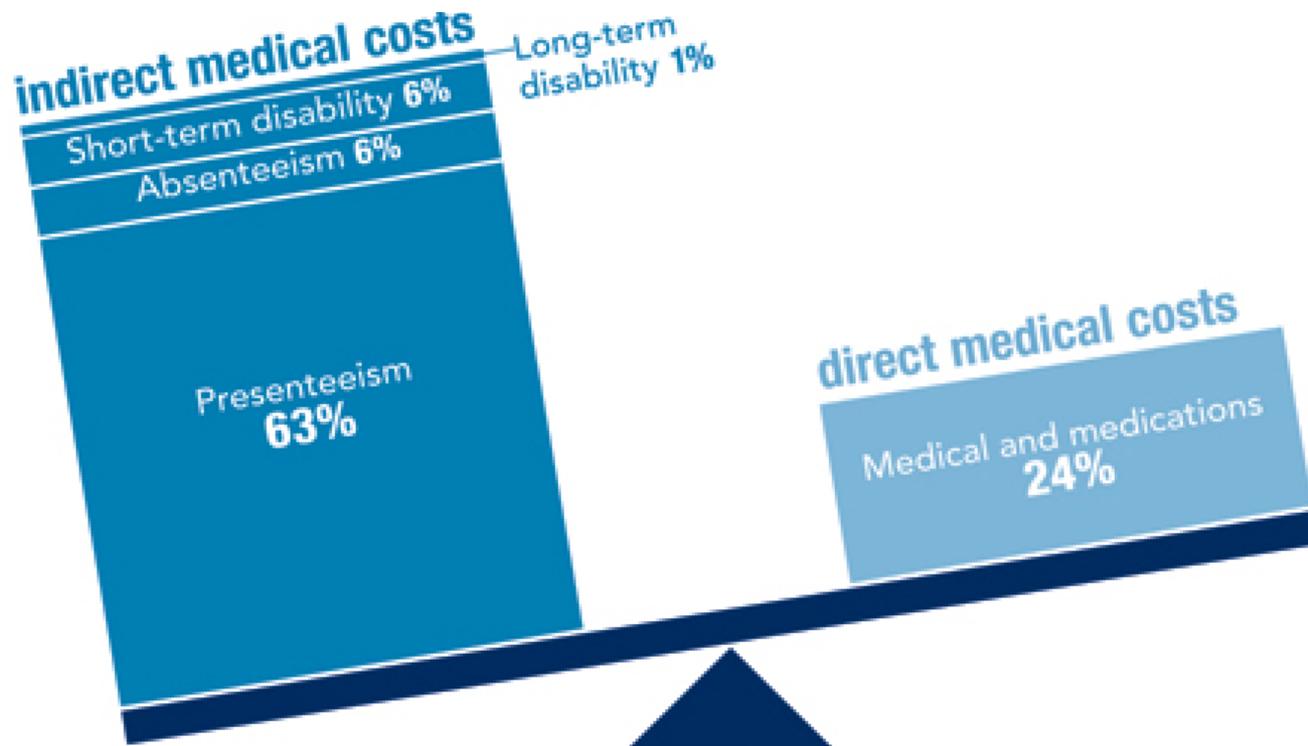
Above Normal Body Weight	+27%
High Blood Pressure	+32 %
High Blood Sugar	+32 %
Depression	+48%

Impact of Aging Workforce on Businesses in U.S.

While the direct costs of providing employee health benefits are significant the indirect health-related costs may be even more onerous. One study estimates the costs to employers of job impairment (i.e. presenteeism) can be as much as 60 percent of total employer health costs.

Productivity losses related to personal and family health problems cost U.S. employers, on average, \$225.8 billion annually, or \$1,685 per employee per year.*

Total Cost Burden of Poor Employee Health



Promoting employee health can significantly impact *productivity-related costs* associated with sick days, disability, workers' compensation claims, and on-the-job impairment (e.g., presenteeism).

Current Trends in Health Spending Growth are Not Sustainable

Growing employer health care costs are unsustainable and are viewed as a “clear and present danger” to the short-term and long-term competitiveness and survivability of American businesses.

Considering the impact that health status has on organizational performance, employee wellness is a critical factor to an organization’s short- and long-term success.

Recognizing the Need to Shift the Focus on Chronic Disease from Illness to Health

Organizations that implement programs that promote and engage employees in primary prevention and management of risk factors can significantly reduce risks (and associated costs) across their population, reduce the trend of health care spending, and have a more productive, engaged workforce.

Examples:

- **Florida Power & Light** – After an employee wellness program, total health care costs were reduced by 35%, workers compensation costs were reduced by 38% per claim, and 82% of employees reported personal health improvements.
 - *Source: Wellness Councils of America, The Cost Benefit of Worksite Wellness, 2002.*

- **Caterpillar** – Participants in the Healthy Balance Program who completed the Health Risk Assessment reduced their doctor visits by 17% and hospital days by 28%.
 - *Source: Wellness Councils of America, The Cost Benefit of Worksite Wellness, 2002*

- **Johnson & Johnson** – The results of a 4 year worksite wellness program involving 18,331 employees demonstrated an overall savings of \$8.5 million annually due to reduced health care costs. This amounted to a savings of \$225 per employee per year.