A Story from 3M

- Very brief overview of 3M
- 3M Health & Productivity Model and Strategy
- Rebate Incentive for Business Leaders

I’d like to offer yet another perspective on the whole matter of incenting and driving health and productivity outcomes. Nico has focused on providing incentives for individuals in promoting their personal health and productivity management, and I’d like to briefly share a story with you on looking at creating a culture for health and productivity by influencing leaders, in looking at the organizational aspects of health and productivity.

I’ll start, though, by setting the stage and give you a little bit of a feel for the culture of 3M and the model that we use for how we think about health and productivity in general.
As hopefully you all know, 3M is a company that prides itself on its innovation. We celebrated our Century of Innovation a couple of years ago.
We’re known for our many products. We actually produce over 60,000 products. Many of them are associated with the brands that you see here, from Post-it® to our Command™ Adhesive and Scotch® Tape and so on.

What maybe is lesser known or understood is that we also are among the largest health care companies in the United States. We manufacture touch screens for ATM’s, and so on – everything from that to highly flexible, light, fly rods for trout fishing; so, a highly diverse technology company. All of this is driven by the intellectual property and capability of our technical community.
3M Facts

Year – end 2003:
Sales .......... $18.2 billion
Earnings ..... $2.4 billion net income
R & D ........ $1.1 billion
Employees .. 33,000 U.S. - 67,000 WW

Our Values:
• Satisfy our customers with superior quality, value and service
• Provide investors with an attractive return
• Respect our social and physical environment
• Be a company employees are proud to be a part of

A year ago in 2003, our sales were a little over $18 billion, which yielded earnings of about $2.5 billion, $1.1 billion of which went back into our R&D to fuel this technology engine that we have. What I also want to draw your attention to is our workforce, so world-wide we’re about 67 thousand. In the United States, we’re 33,000. So it’s technology – that intellectual capacity – but it’s also a highly productive workforce that’s driving these outcomes.

We’re trying to do that in the context of keeping our eye to our core values, which is delivering superior quality and service in products, as well as a good return for investors, while at the same time being good stewards and corporate citizens of our social and physical environment and being a company that employees are proud to be a part of. It gives you a little sense of how we’re performing – what’s behind that – and our value structure as a corporation.
I want to turn from that, then, to talk a bit about our model for health and productivity. This is a busy slide – I just want to walk you through some high level key points here.

We begin with the assumption that that which drives health and productivity is a combination of both personal factors as well as organizational factors. Where the personal and the organizational intersect is around the work-life balance. Much of what we’re attempting to do is try to influence those things which drive – on a personal basis and an organizational basis -- health and productivity outcomes, while at the same time acting to proactively prevent and manage risk factors – usually show up on an individual basis – that involves stress symptoms, role strain, work-life overload, job stress, and what we refer to as “working wounded” – those employees that, while they may be at work, are distracted, demoralized, not functioning well.
All of that, if that persists for awhile, will show up most predictably in physical health difficulties, psychological health difficulties, a demoralized work force, diminished functioning in the workplace, and so on. So we’re eager to prevent and mitigate that and to intervene as early as we can when the aggregate of that shows up organizationally, impacting our overall health and disability or productivity costs as well as our employment brand, if you will, in terms of a company that attracts and retains top talent.

That’s all apart – from a business standpoint – of creating our economic value to the corporation by minimizing preventable health and productivity costs, promoting productivity and the capability of our work force in supporting this employer of choice standing.
Now, as Nico had mentioned – and it’s no surprise to any of us – the health care landscape in the last few years has been particularly challenging, and much of our attention has been going towards, how do we manage the overall health care costs that we’re experiencing, which shows up not only in our health care claims, but also in our disability costs?
And our trends look no different than anyone else’s trends. In conjunction with that, while we’re trying to manage those trends, we’re also very much wanting to maintain our standing in a very competitive way with other peer premier companies.

In managing those costs, it’s not really an option for us to shift those cost increases to our employees and maintain that competitive standing, so we’re very much trying to manage those costs without that cost shift, in the context of a workforce that is aging – our average age is in the mid-forties – and we’re facing all the regulatory challenges that everyone else is facing. So that’s the balancing act that we’ve been faced with, as have others, in the last few years.
Factors Driving Health Care Cost Growth

- **Inflation**, above CPI due to:
  - Innovation in treatment and new technology (e.g., biogenetics, new drugs & diagnostics)
  - Cost shifting as Medicare fixes price

- **Volume/Use/Quality** of Services
  - Increase in need and demand by individuals for services
  - Variability in Care Quality and Patient Safety
  - Defensive medicine due to malpractice suits

- **Government**
  - Public Policy (e.g., state mandates)
  - Regulations (e.g., HIPAA)

To Control Costs, 3M Must Manage Volume & Quality of Service as well as Price

When we do an analysis – and this is derived a lot from the work from Price Waterhouse in looking at key drivers of overall health care trend – what I want to point out here is that while maybe 5 percent of this overall or underlying 12 percent trend is attributable to price (seeing a lot of that driven by technological advances), a comparable amount is driven simply by the need for – the demand for – health care and the quality of health care.

And there’s been a lot of discussion about the wastes in the health care system, the cost of poor quality, and again, with an aging workforce and the growing preponderance of chronic conditions, and so on, this is all a part of what we believe is a picture of driving our costs, and then a few percentage points just to the cost of responding to regulatory requirements.

So the bottom line for a company such as 3M, which is self-insured – every time any one of our employees goes to the doctor or gets a prescription, the lion’s share of that funding for those services is coming out of 3M’s pocketbook. The implication here is that we’re not going to get to our cost management by simply looking at price management; we also have to look at utilization.
Commitment to Health

Employees As Effective Health Consumers &
Personal Health Managers…

• Engaged in healthy lifestyle choices and proactively managing health risks and conditions
• Make informed health care consumer choices & decisions
• Better able to manage serious, complex, or chronic conditions

Result:

– Better health outcomes & Improved quality of care/life
– Better functioning & productivity
– More effective use of health care services & health care dollars
– Greater value and lower health care costs

Which brings us to our commitment to health, which is really focusing on helping our employers engage in healthy lifestyles, be well-informed savvy consumers, so that they can well utilize the services in the health care community to benefit their health and their productivity and are able to effectively manage serious, complex medical conditions. That benefits them in their overall outcomes and their quality of life. It benefits 3M from a standing of we get good value out of the health care dollars that we spend in support of our benefits and – just get a better spend out of it.
Our focus, then, in this commitment to health is really on the 90 percent of our costs that are driven by about – the medical conditions – by only about a third of our claimants. Our strategy is looking at containing the costs of poor quality and waste by focusing on personal health management services.
Disease Management & Shared Decision Making

**Focus: ‘Best Opportunity’ Conditions**

**Objectives:**
- Containment of Costs of Variable Quality & Sub-optimal Self-Management
- Improved Health, Productivity & Well-being
- Employee Satisfaction

**Services:**
- **Disease Management**
  - 2004: Diabetes, Coronary Artery Disease
- **Shared Decision Making**
  - 2004: Complex Conditions, Outreach to High Risk Conditions

Primarily we’re looking at disease management and shared decision-making where we’re looking at best opportunity conditions, looking at our health care claims, and doing analysis.

Currently, we’re focusing on diabetes and coronary artery disease as well as complex, serious conditions where there’s considerable variability in the treatment patterns and the effectiveness of treatments that are available –
Healthcare Consumer & Personal Health Management Consultation

Focus: Common & High Opportunity Medical Events

Objectives:
- Containment of costs related to treatment & quality variability, patient safety, and preventable conditions
- Promote health care consumerism through personal education & consultation at time of immediate decision point
- Employee Well-being, Productivity & Satisfaction

Service:
24 Hr. Nurse Line: HC Consumer & Health Mgmt Consultation
- Prior to Surgery (Non-emergency, planned surgery)
- Prior to Diagnostic Procedures and Invasive Intervention
  - E.g., for back, knee, and hip conditions; benign uterine conditions, cardiac conditions
- Maternity
- Symptoms and self management
- Health care utilization and provider selection decisions

…so this is one area of focus; the other is around common high opportunity medical events where, again, there’s considerable variability in the quality of care and the patterns of treatment – everything from wanting to get in and talk with employees prior to elective surgery, prior to diagnostic procedures, and so on, so they’re well-informed, understand what the state-of-the art medical research is suggesting around treatment options for those conditions, pros and cons of those treatment conditions – so that they can go into their conversations with their treating providers well-informed and make decisions that feel like they work right for them.
Critical to Success Factors for Commitment to Health

Employee Engagement
- Understand health care cost challenges
- Understand variability of quality & cost
- Proactively use 3M Health & Productivity services & resources
- Actively manage their health care services and personal health

Now all of these services and resources don’t do us much good unless we really engage the employees, which is (in part) making sure that they understand the health care cost challenges, how that impacts 3M, how it impacts them. They also understand the variability in the quality and cost of health care – can proactively utilize these resources that we’ve put into place and are actively involved in managing their utilization of services as well as their personal health.
Why A Rebate?

• Engage Business Leaders
  – Carry ‘the message’ to employees
  – Build awareness of healthcare realities
  – Promote utilization of H&P services
  *Goal: Personal leader engagement of employees*

• Incent and Reward Local Investment in Health & Productivity
  – Support and align local efforts with corporate strategy
  – Support Employee Assistance contracted services
  – Support of plant OHN role for non-occupational health
  *Goal: Common strategy/local implementation*

*Rebate: $/employee offset to corporate healthcare cost recharge*

This brings us to why a rebate for our leaders. We’re interested in developing a culture for health and productivity, and engaging our business leaders in understanding that health and productivity is a strategic business issue. And they, as leaders, are in a strategic position to engage their employees and carry these messages to our employees, build the awareness around the health care realities, and actively promote an awareness and utilization of the tools and resources that we put into place for our employees.

The other rationale here is, we want to ensure that our local leaders are supporting the local health professionals that are a part of their facilities – the occupational health nurses, the employee assistance professionals – and ensuring that their activities are aligned to our overall strategy. So, local efforts are aligned to corporate strategy.

The rebate that we offer is a per capita offset to the corporate cost recharge that we do to our business units.
2004 H & P Initiative Focus: Rebate Areas & Leadership

• Healthcare Consumerism – OHN
• Personal Health & Disease Management - OHN
• Behavioral Health & Disease Management and Organizational Health - EAP
• Home & Vehicular Safety - Safety
• Benefit Satisfaction Survey - HRM

• 60 Locations Participating
• 17,000 Employees

To give you a sense of the distribution of this rebate, we are focusing on five key areas: health care consumerism being one of them; personal health disease management; behavioral health; and organizational health and productivity; home and vehicular safety. As has already been discussed, we’re interested in 24-hour safety both at home and at work – and a survey that we do just to monitor benefit satisfaction over time.

So far in 2004, we have over 60 locations participating in this rebate; over half of our workforce (is) involved.
This gives you a sense of how we have pro-rated the rebate.
A Rebate Incented Example: Promotion of Shared Decision Making

Local Business Leader support of local Occupational Health Nurse to actively promote service & educate employees …

- Build awareness and understanding of service
- Develop perceived value
- Convey confidence in service
- Link individuals experiencing significant, complex conditions at time of need

Goal: Develop readiness for service utilization & for active healthcare consumerism

And I want to give you a sense of the impact of this approach by looking at our promotion of shared decision-making, which went into place about two-and-a-half years ago.

Again, the rebate encourages the local leaders to really support the role of their occupational health nurse – to carry the message to their workforce on an ongoing basis, to keep the awareness going in understanding these services, help employees understand the perceived value – the credibility of these services – and at the time of need, help link people to these services. The whole idea here is to create the readiness for utilization…
Key Messages

• Variability of quality and cost of health care
• Geographic variability in patterns of treatment
• Complexity of treatment options, value, risks, and personal situation
• Active patient engagement with treating providers

Goal: Getting right care at right time

…so that people get the right care at the right time and they are effectively navigating on a personal basis the variability of quality care and treatment patterns, and so on.
In 2002, which was our first full year of this service, what we saw in terms of utilization patterns per quarter looked like this – the impact here is in the visual. A year later, after having incorporated shared decision making as a part of our rebate program for health care consumers and personal health management, this is what our utilization rate looked like. We could not have gotten there without engaging our business leaders to be supporting their nurses and their EAPA to be carrying the messages to our employees. Prior to this, we would have been relying simply on the normal benefits communications and other types of employee communication medium.
Other Leader / Rebate Incented Efforts

Personal Health Management

• Screening for Health Risks & Referrals
  – Hypertension 18 locations
  – Cholesterol 7 locations
  – Diabetes 3 locations
  – BMI/Fitness 6 locations

• Personal Health Management Education
  – Depression/Anx. 6 locations
  – Low Back Pain 14 locations
  – Other 4 locations

Organizational Health & Productivity

• Leader, change, etc. 54 locations

To give you a sense beyond this, the kinds of activity that our employees are engaged in through the support of their leaders – screening for health risks, personal health education including depression, and also organizational health and productivity, where we have in – well, 54 of our locations – this is dealing with organizational impact of organizational change on people’s lives, shift work, and so on.

In some of our locations in the screenings we’ve had as many as 50 percent of our employees show at high risk, many of whom would not have been aware of that had the screening not happened at their locations, enabling the nurses to facilitate them getting into their primary care physician.

So that’s another picture of looking at use of incentives to drive a culture for health and productivity.

Thank you.