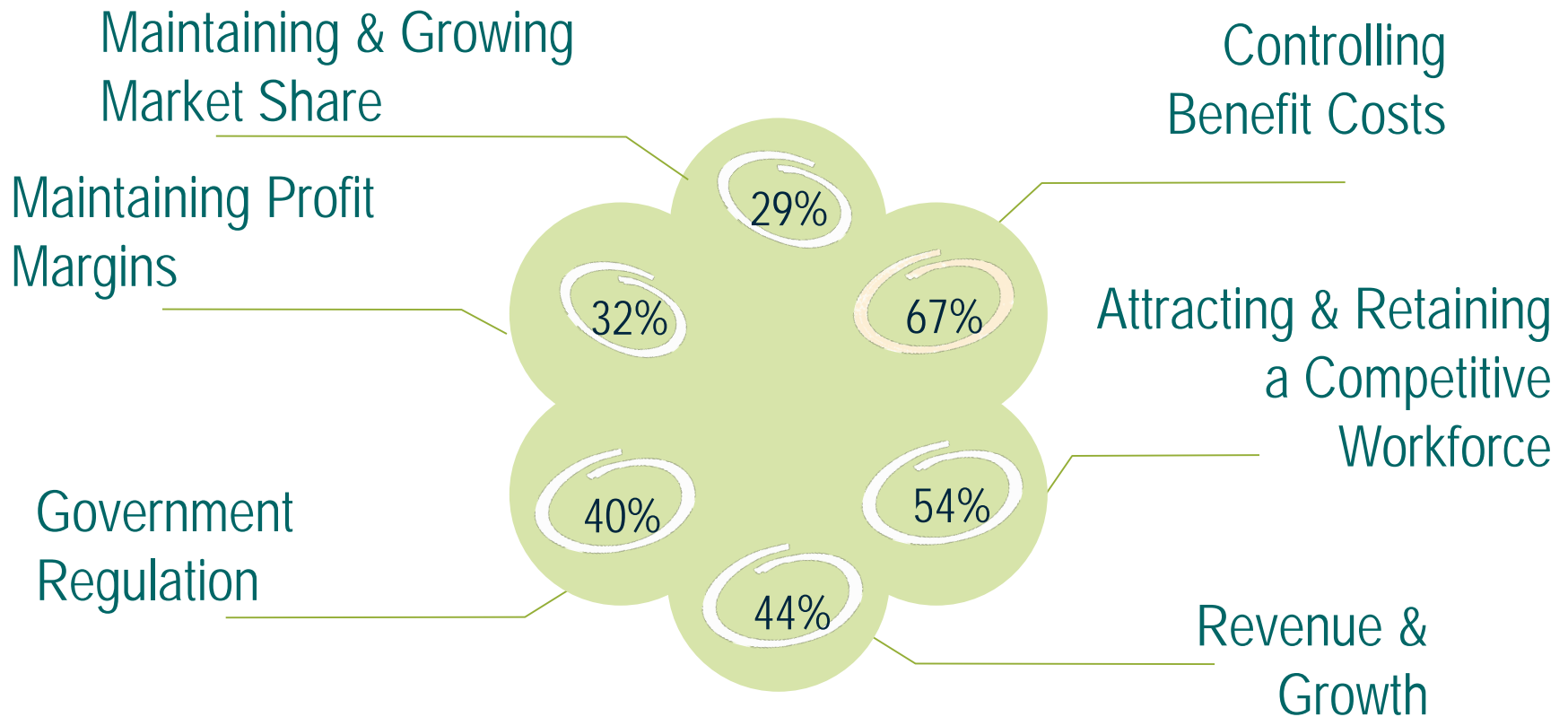


Engaging a Transforming Workforce in the New Age of Health Reform



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Top Business Overall Challenges*



*Arthur J. Gallagher & Co.'s Benefits Strategy & Benchmarking Survey, US National Report, 2014



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Employers & Employees with the ACA



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Employee-focused companies (49%) are more likely than **cost-focused** employers (34%) to feel they have successfully prepared for the ACA.

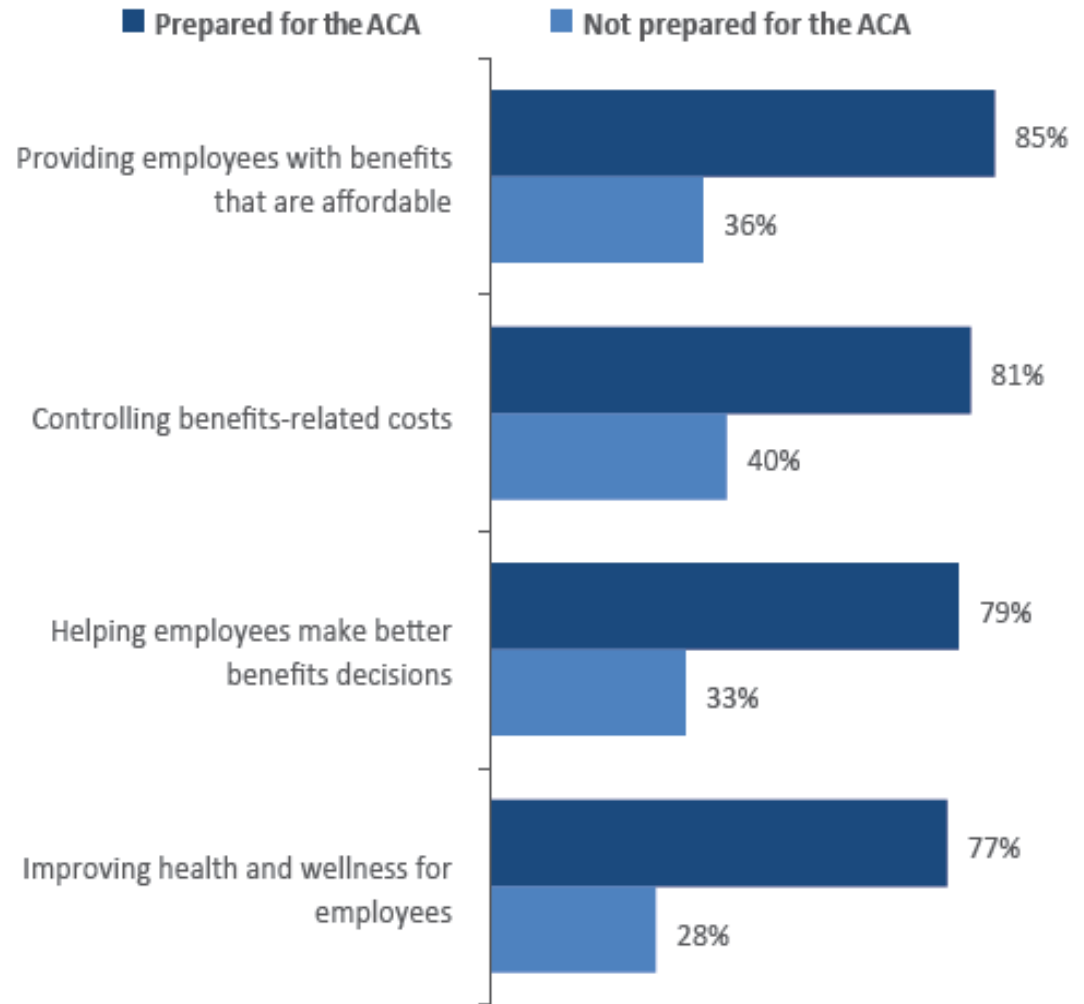
Cost-focused employers (71%) are more likely than those who are **employee-focused** (56%) to believe reform will lead to increased health insurance costs.

Source: GUARDIAN 2015 WORKPLACE BENEFITS STUDYINTRODUCTION



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Success Against Benefits Objectives By Self- Reported Level of ACA Preparedness

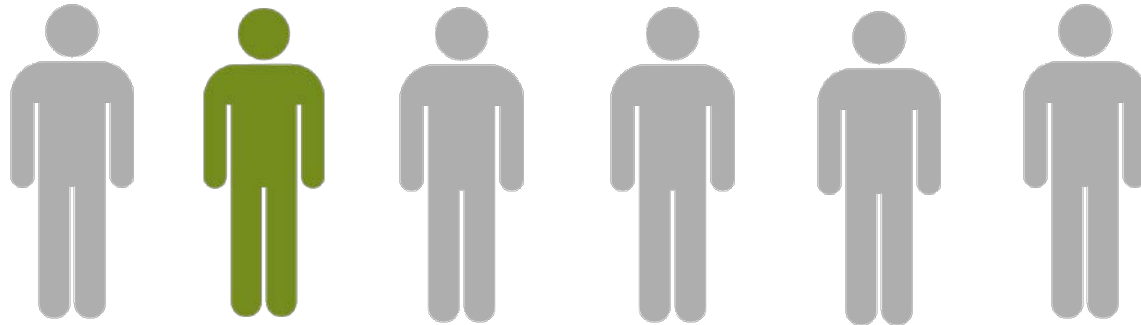


Source: GUARDIAN 2015 WORKPLACE BENEFITS STUDYINTRODUCTION



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One in six employers that plan to offer medical benefits in 2015 are already using an exchange and another 4% say they are likely to use one in the coming year.

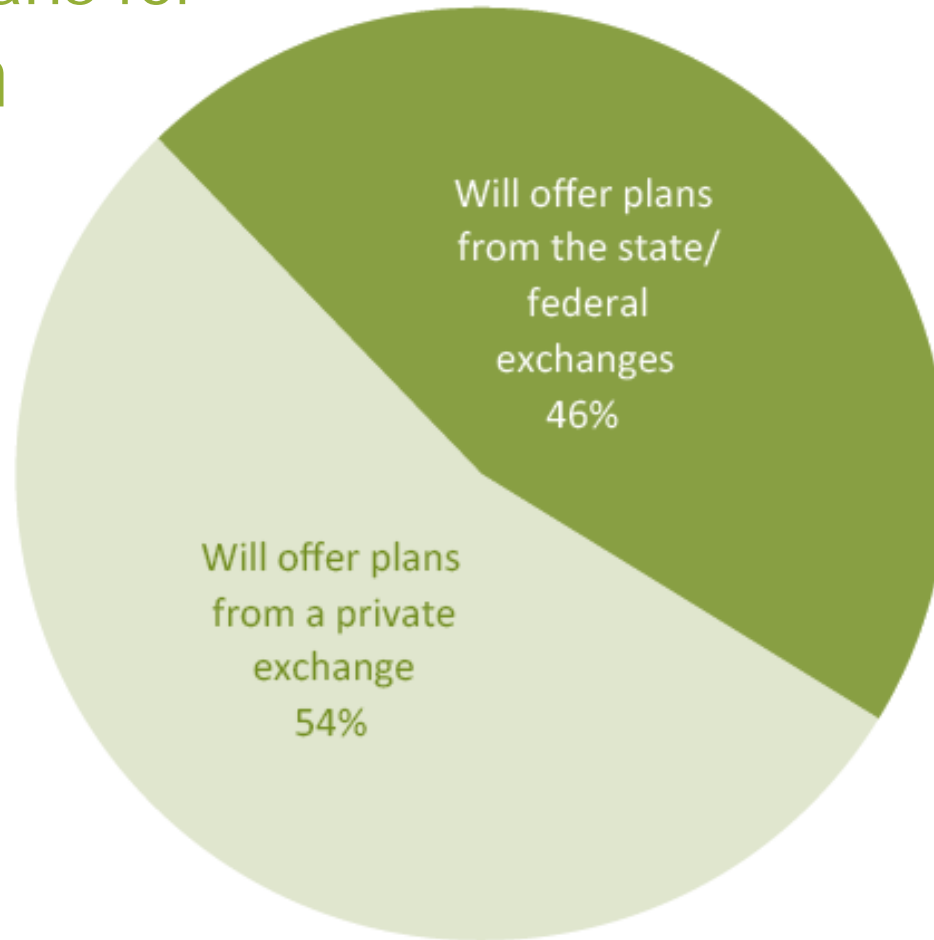


Source: GUARDIAN 2015 WORKPLACE BENEFITS STUDYINTRODUCTION



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Employer Plans for Moving to an Exchange



Source: GUARDIAN 2015 WORKPLACE BENEFITS STUDYINTRODUCTION



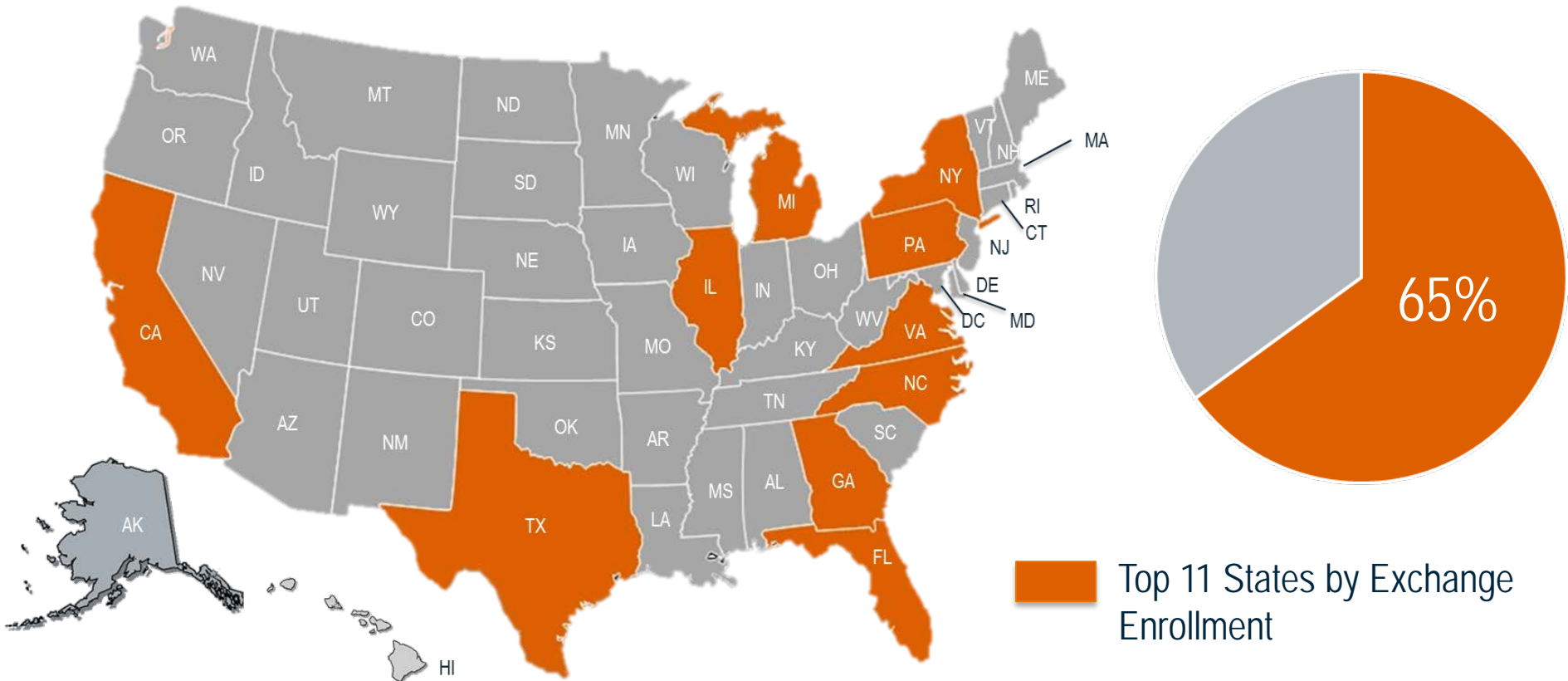
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Public Marketplace?



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Exchange Models and Enrollment



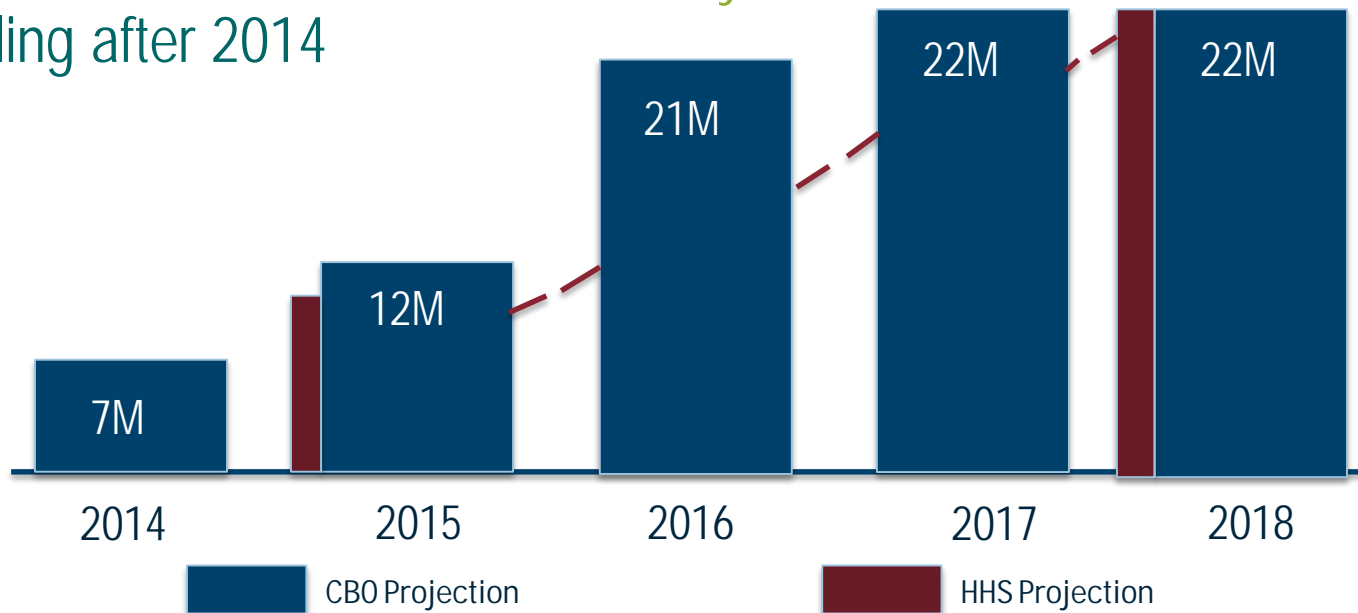
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Long Term Exchange Market Growth

Projections Differ on Ramp-Up Timing but Agree on Strong Market Growth

CBO projects growth to 22M enrollees with 70% enrolling after 2014

HHS projects slower ramp-up, growing to a large market over 4-5 years



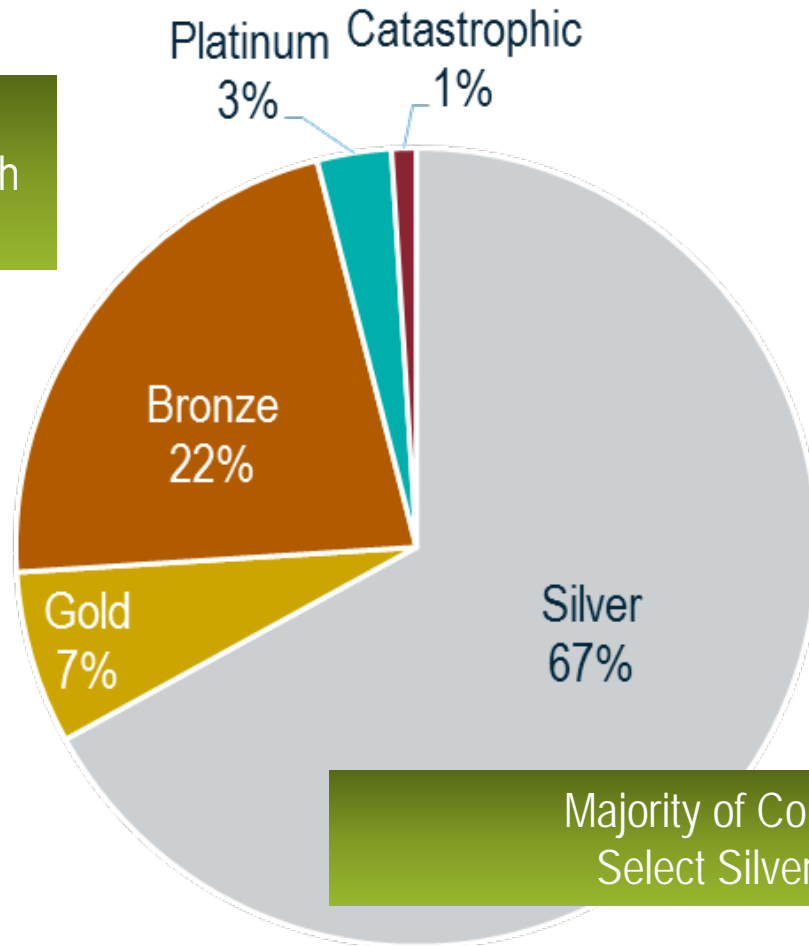
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Exchanges: Plan Selections in 2015

11.7 M Enrolled Nationally in Individual Exchanges as of March 2015

~24% (2.8M) enrolled through state-based marketplaces

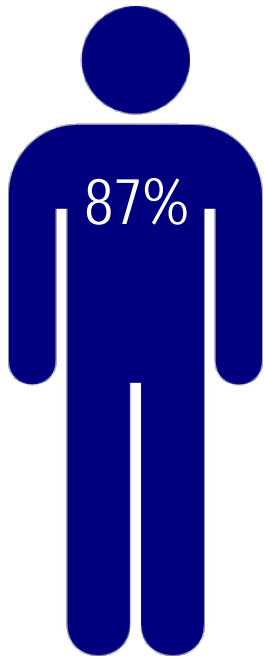
~76% (8.8M) enrolled through Federally-Facilitated marketplaces



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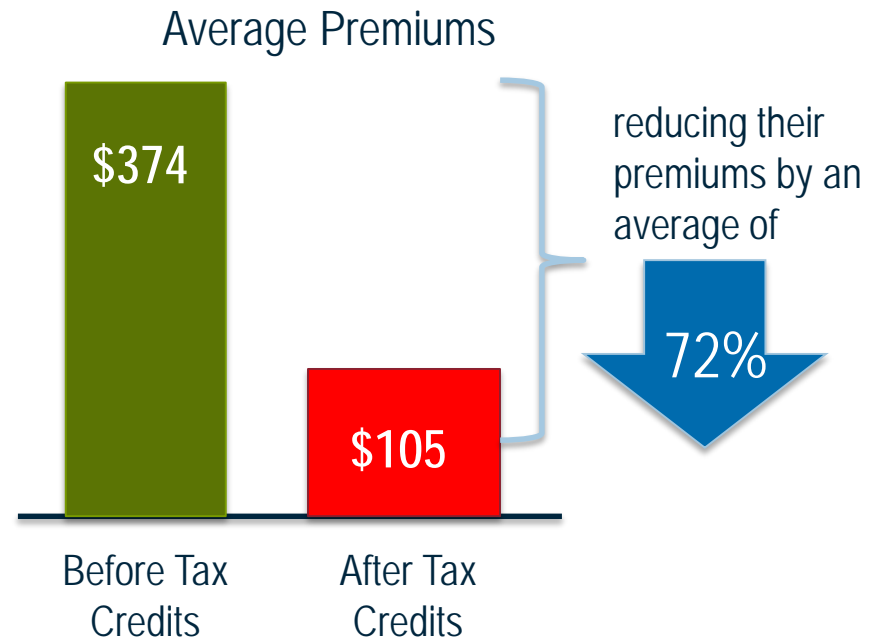
Exchanges: What We Know So Far

Majority of Consumers Are Lower Income, and Medicaid



of those selecting a plan did so with financial assistance (subsidies)

In 2015, Premiums Are Reduced By An Average 72% After Applying APTC



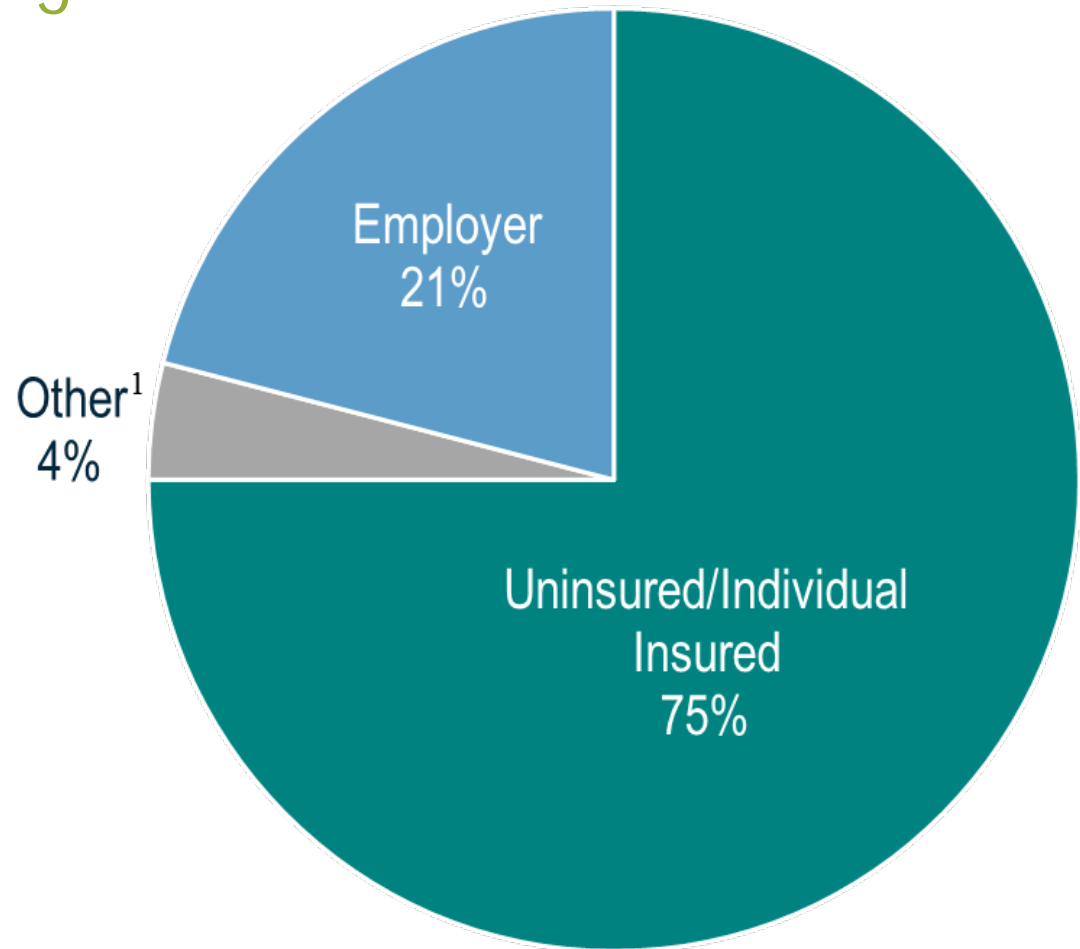
Source: National Data as Reported by HHS through March 10, 2015



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Sources of Exchange Growth

Majority of Exchange Membership Projected to Come from the Uninsured



Optum study: Sanctioned by Society of Actuaries, "Cost of the Future Newly Insured under the Affordable Care Act (ACA)", March 2013. Assumes full Medicaid expansion.

¹ High risk pool/Medicaid



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Employer & Benefits Landscape



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History of Benefits

Benefits *noun* | ben·e·fit \ 'be-nə- ,fit\

Something extra (such as vacation time or health insurance) that is given by an employer to workers in addition to their regular pay*

- Existed since colonial times**
- Were voluntarily offered by businesses
- Intended to promote economic security
- Provided access to certain services

*www.Merriam-Webster.com/dictionary/benefits

**Employee Benefits Research Institute, *Fundamentals of Employee Benefits Programs: Part One, Chapter One: Employee Benefits in the United States*



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Where Are We Today?



How are you managing this investment?

*Bureau of Labor Statistics US Department of Labor, New Release, *Employment Cost Index – March 2015*, <http://www.bls.gov/news.release/pdf/eci.pdf>

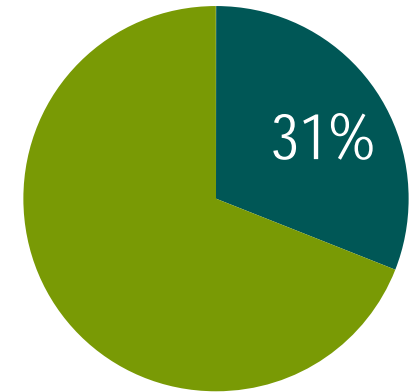


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Legislation in Benefits

Lawmakers have changed the course of benefits many times.

- Employee Retirement Income Security Act of 1974 (ERISA)
- Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA)
- Health Insurance Portability and Accountability Act of 1996 (HIPAA)
- Patient Protection and Affordable Care Act of 2010 (PPACA)



Only 31% of employers have quantified the potential impact of healthcare reform.*

*Arthur J. Gallagher & Co.'s Benefits Strategy & Benchmarking Survey, US National Report, 2014



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Employers are Striving to become “Employers of Choice”

- Inspiring leadership
- Commitment to communication
- Alignment of organizational brand and employee value proposition
- Meaningful career development opportunities
- Competitive, fair and equitable total reward programs
- Focus on thought leadership
- Clear culture, vision and mission
- Good co-worker and management relationships



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What High Performing Employers are Striving for...



High Performance Organization Profile

No longer enough to have competitive salary & benefits...



Become an Employer of Choice



Stronger Employee Value Proposition



Early Adoption of Emerging Trends



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Using Data to Make Decisions...



MOTIVATION/
PRODUCTIVITY



ENGAGEMENT



COST
CONTAINMENT



COMPLIANCE



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High Performing Employer Health Plans



Are Usually
High Performing Employers

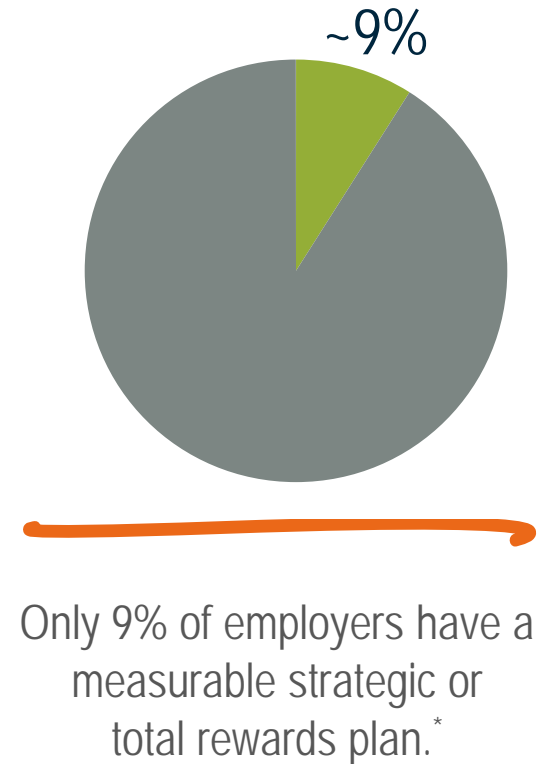


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What Are Employers Doing Today?

“Thinking Strategically About Benefits”

- Aligning benefits strategy with business objectives
- Creating a stronger Employee Value Proposition
- Using and Mining Data to Make Decisions
- Making Employees Healthier
- Investing in Engaging Communications



*Arthur J. Gallagher & Co.'s Benefits Strategy & Benchmarking Survey, US National Report, 2014



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Aligning Benefits Strategy with Business Objectives

Sustainability Modeling



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Sustainable Comp & Benefits



What conversation
should companies
be having today?

Using Health Data

Data Drives Decisions™

- Identification of the underlying issues affecting the cost and performance of the plan
- Explains where, how and to what extent healthcare dollars are being spent
- Helps determine the most cost effective plan changes
- Identifies underlying disease burdens



Claims

Trends

Cost Drivers

Key Metrics



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Aligning Benefits Strategy with Business Objectives

Workforce Evaluation



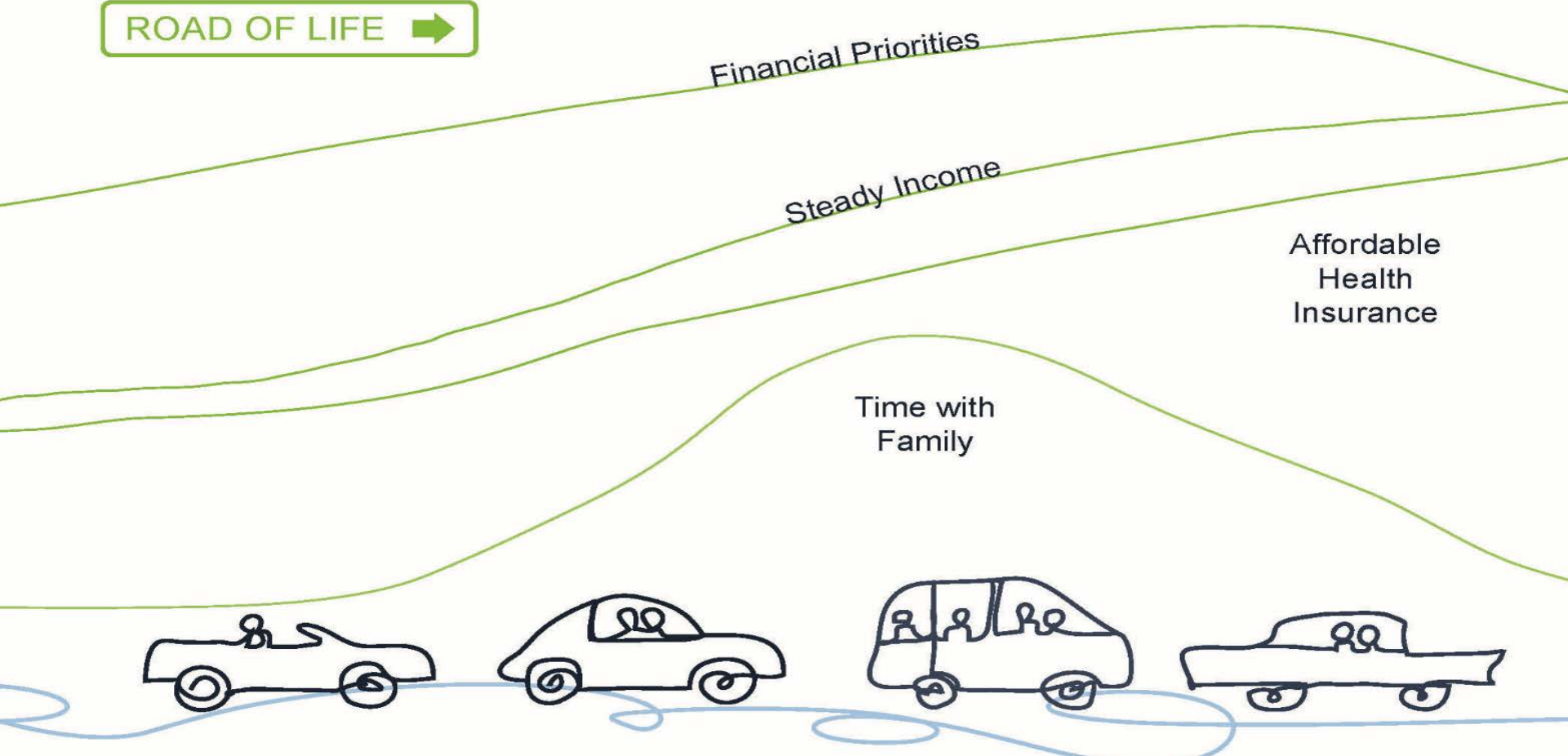
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Understanding Your Workforce



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ROAD OF LIFE ➔



Entry Level

- Career growth
- Income
- Recognition

Mid-Career

- Income
- Time off/flex time
- Career growth

Established

- Time off/flex time
- Health & Wellbeing
- Savings & Income protection

Pre-Retiree

- Health & Wellbeing
- Savings
- Career accomplishment



Aligning benefits strategy with business objectives

Emerging Trends



Driving a Culture of
Holistic Wellbeing



Defined Contribution &
Private Exchange



Integrated Absence
Management



Focus on Multi-Channel
Communication & Education



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Creating a Stronger *Employee Value Proposition*



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Employer Human Capital Challenges

- Labor Gap...
- People are not Retiring
- Fastest Set of Shrinking Jobs = Low Skilled
- Fastest Set of Growing Jobs = Highly Skilled
- Employee Loyalty is at an all time low



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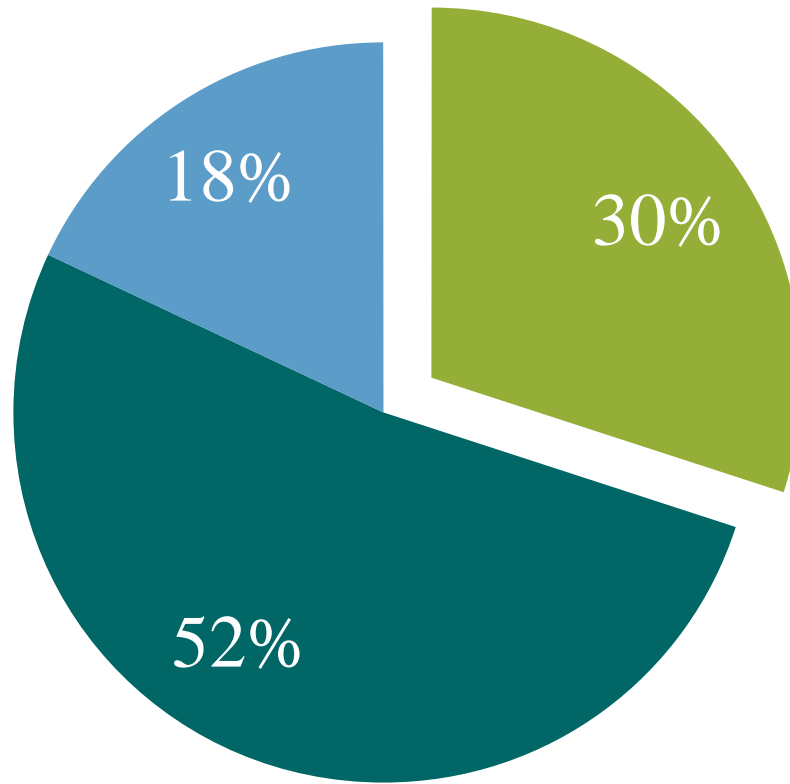
Definition of Engagement

engagement

noun | en·gage·ment \in-'gāj-mənt, en-\

- A formal agreement to get married
- An arrangement to do something at a fixed time
- The action of engaging Participate & become involved
- A fight or battle between armed forces

Employee Engagement Among US Working Population



2013, Gallup State of the American Workforce Study

■ Engaged ■ Not Engaged ■ Actively Disengaged



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Erosion of employee loyalty may mean retention risk

- Employers have become used to relatively low employee turnover – but this may be changing
- Employee loyalty is not recession-proof



More than **one in three (34%)** surveyed employees hopes to be working elsewhere in the next 12 months.

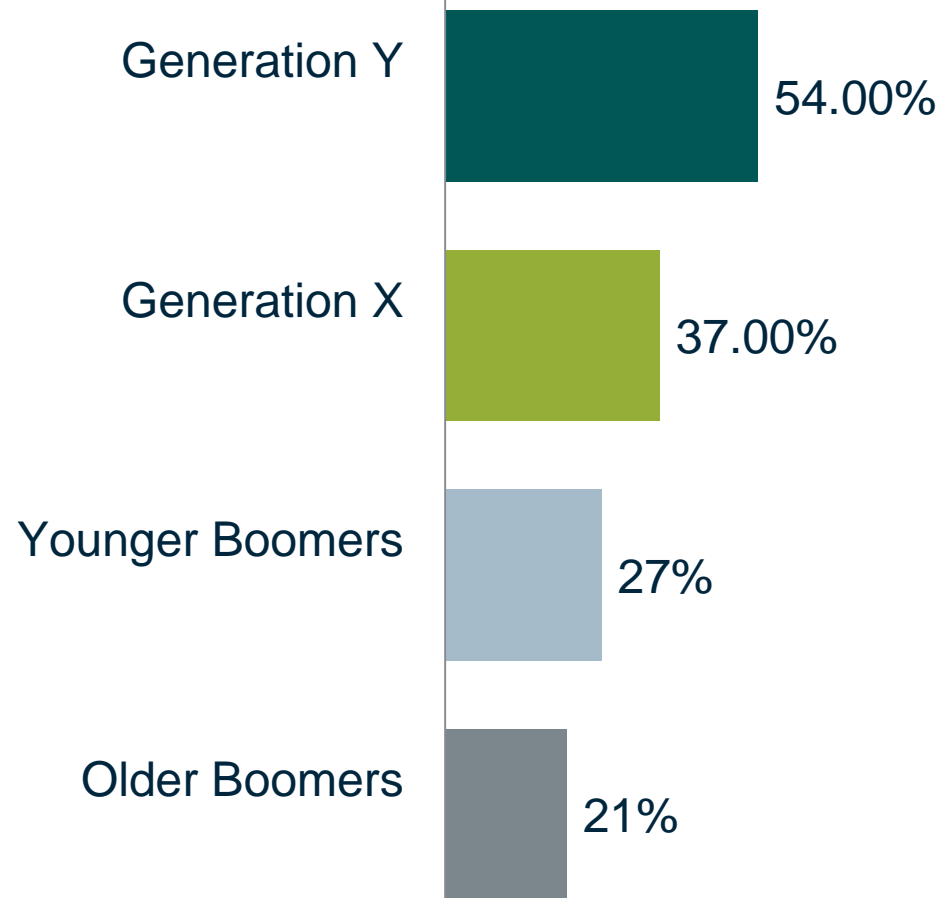
Source: MetLife's Annual Study of Employee Benefits Trends



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Retention Risks for Younger Workers

More than **half** of Gen Y workers agree that given the choice they hope to be **working for another employer**

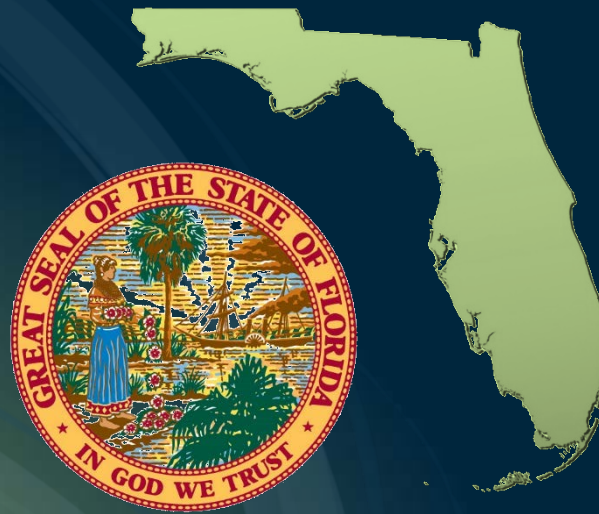


Source: MetLife's Annual Study of Employee Benefits Trends



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The Florida Market Place



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Florida Employer / Employee Surveys



Employers believe benefits are extremely or very influential on:

- Job satisfaction – 49%
- Loyalty to employer – 45%
- Decision to leave – 31%
- Willingness to refer a friend – 31%
- Work productivity – 42%

Employees believe benefits are extremely or very important to:

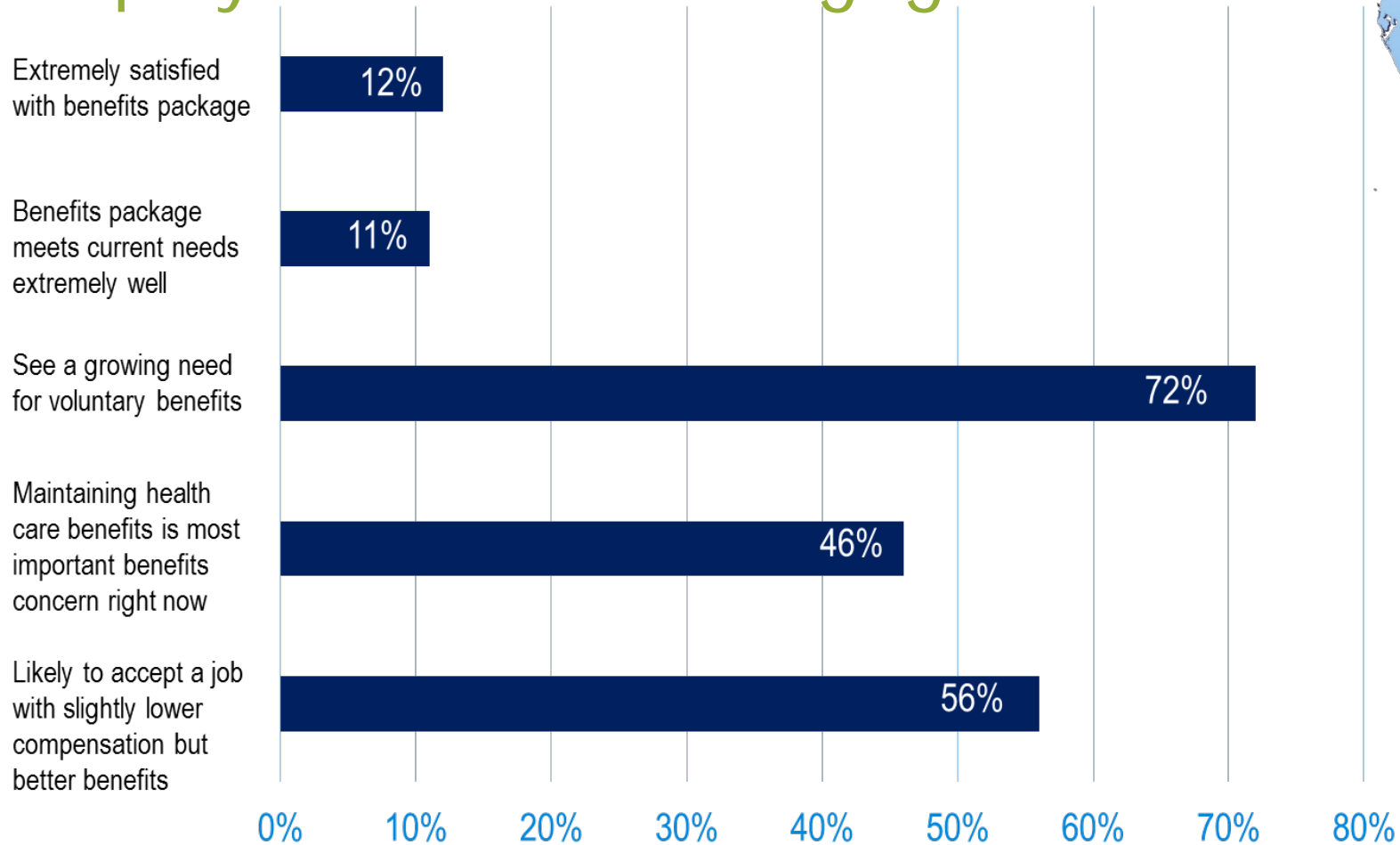
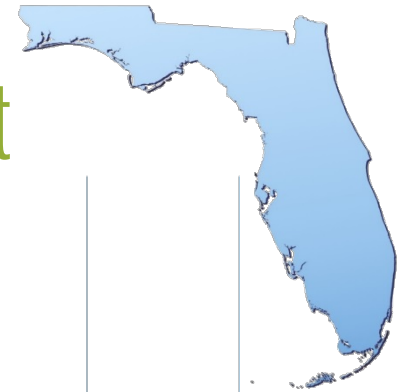
- Job satisfaction – 78%
- Loyalty to employer – 68%
- Decision to leave – 57%
- Willingness to refer a friend – 52%
- Work productivity – 66%

Source: AFLAC 2014 Employer Survey



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Employee's Benefits Engagement



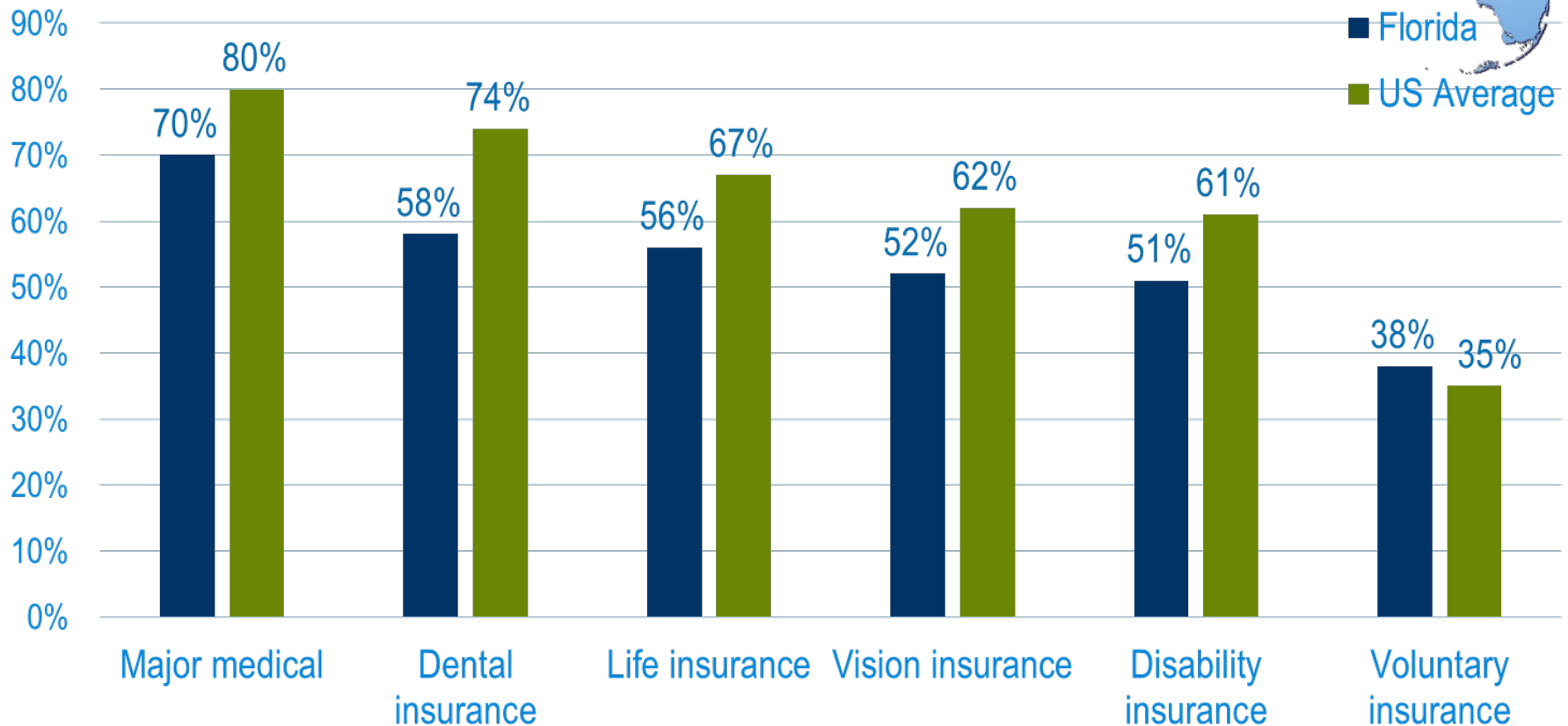
Source: AFLAC 2014 Employer Survey



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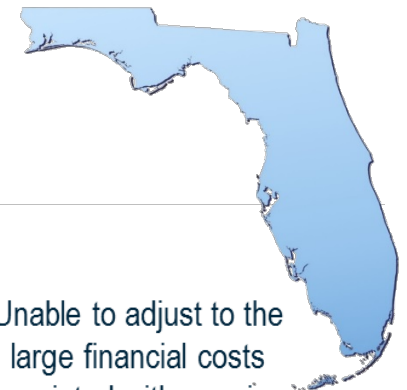
Company Benefits Offerings

The percentage of Florida companies offering each type of benefit compared to the percentage of companies across the United States offering the same benefit.

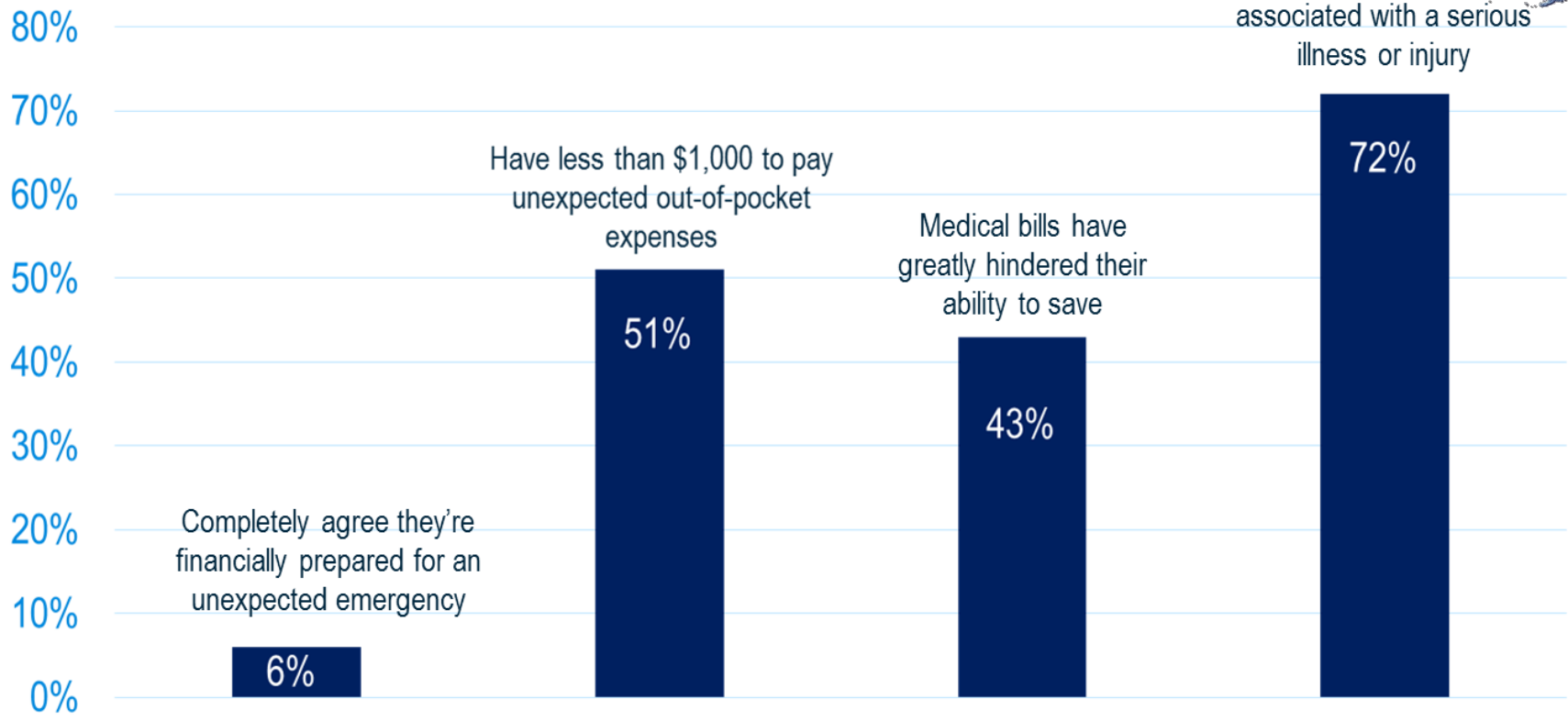


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Financial Preparedness of Employees



Unable to adjust to the large financial costs associated with a serious illness or injury



Source: AFLAC 2014 Employer Survey



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Employee Value Proposition

The balance of the rewards and benefits that are received by employees in return for their performance at the workplace.*

Why should an employee choose your company over your competitor?



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Containing Healthcare Costs + Attracting and Retaining Employees

Employer Perspective

- Attract/Retain
- Engage and satisfy
- A perception of value
- Workforce productivity
- Business results
- Allocation of spend



Employee Perspective

- Fair
- Understandable
- Equitable
- Financial security
- Professional growth
- Choice

How are you balancing an engaged workforce with a healthy bottom line?



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Engagement Strategies

Keys to a Strong Employee Value Proposition:



Using Data to Drive Decisions



Providing Relevant Choices



Communication & Education

Employee Value Proposition

the balance of the rewards and benefits that are received by employees in return for their performance at the workplace.¹

¹-"The Employee Value Proposition: 6 Things You Need to Know".
Recruiters Network. Retrieved 05-06 2008.



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What Are Employers Doing...

...to strengthen perceived value and increase loyalty?



Private Exchange

23% of employers will consider a *defined contribution* approach with a private exchange platform.*

71% of employers believe that voluntary benefits improve worker morale and satisfaction.**



Voluntary Benefits

* Arthur J. Gallagher & Co.'s Benefits Strategy & Benchmarking Survey, US National Report, 2014

** LIMRA report, Stability in a Changing World: Voluntary Options Remain Deep-Rooted in Employee Perceptions

2014



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Engagement and Satisfaction



Participation in wellness programs increases job satisfaction*



Businesses with positive employee satisfaction have lower turnover**



Cost to replace an employee due to turnover = 20% of salary***

*Kizzy M. Parks and Lisa A. Steelman, Organizational Wellness Programs: A Meta-Analysis, Journal of Occupational Health Psychology, 2008, Vol. 13, No. 1, 58-68

**Dong Liu, et al, When Employees Are Out of Step with Coworkers: How Job Satisfaction Trajectory and Dispersion Influence Individual-and Unit-Level Voluntary Turnover ACAD MANAGE J December 2-12 55:6 1360-1380

***There Are Significant Business Costs to Replacing Employees, Center of American Progress, Nov 16, 2012., <https://www.americanprogress.org/wp-content/uploads/2012/11/CostofTurnover.pdf>



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More Choice, More Value, More Loyalty

Employees who say having benefits customized to meet my needs would increase my loyalty.*



STRONGLY AGREE



AGREE

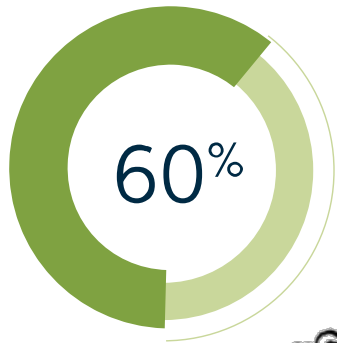


*12th Annual MetLife U.S. Employee Benefits Trends Study

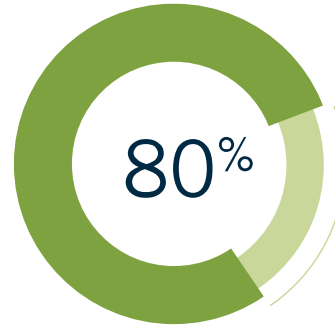


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More Choice, More Value, More Loyalty



"I am willing to bear more of the cost of my benefits to have a choice of benefits that meet my needs."^{*}



"I would value more personalized benefits geared to my individual circumstances and age."^{*}

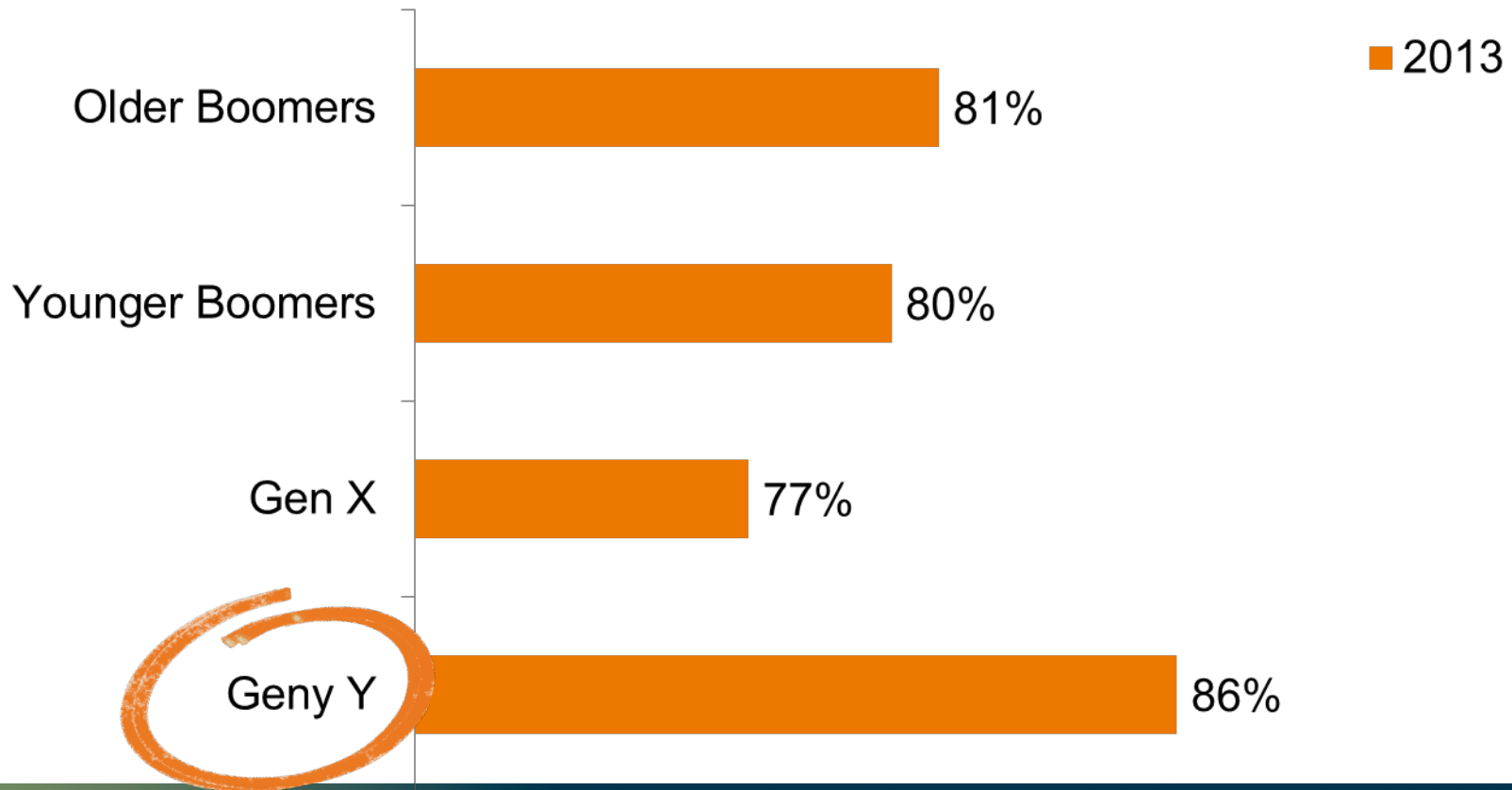
**12th Annual MetLife U.S. Employee Benefits Trends Study*



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Preferences by Generation

Younger employees especially value having benefits personalized to meet their individual circumstances and age.



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Are Employers Getting it Wrong?

When employees were given a choice...*

100%

**Chose a different
benefits “package”**

80%

Chose a different health plan

90%

Bought something less expensive

*Liazon study conducted on the first 300k transactions on a private exchange platform



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Individually Focused Consumer Experience



Defined Contribution

Medical

Life / Disability Ins.

Dental

Vision

Spending Accounts

Health
Dependent Care
HSA / HRA
Parking/Transit

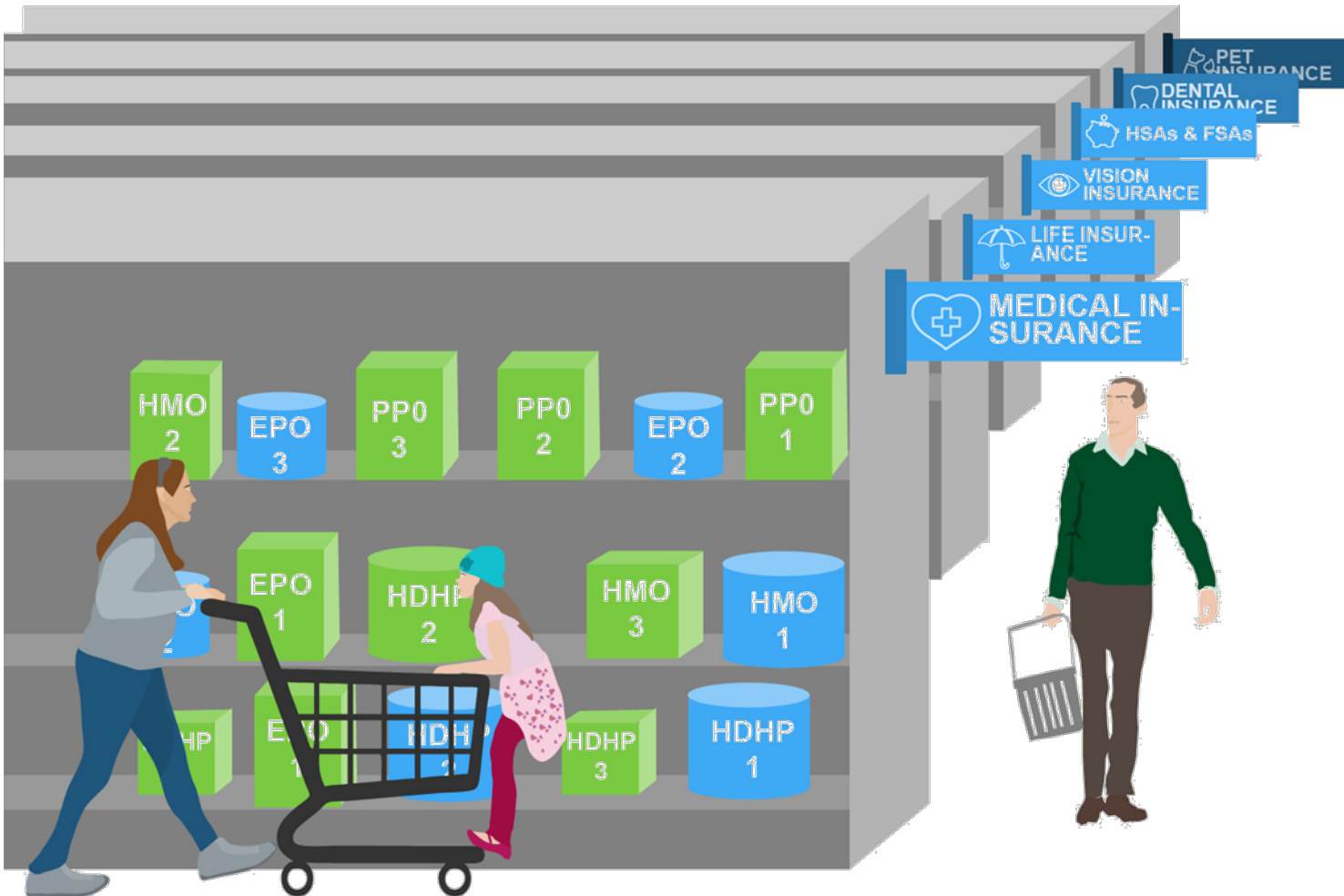
Ancillary
Voluntary

Home/Auto
Group Legal
Pet Insurance
ID Theft



Private Exchange

Your online benefits store...



The Private Exchange Model

Provide a robust offering of benefits falling into 3 categories



Health

Medical
Supplemental Health
Dental
Vision
Wellness
Telemedicine

Wealth

HSA
FSA
• Transit
• Parking
• Dependent Care

Protection

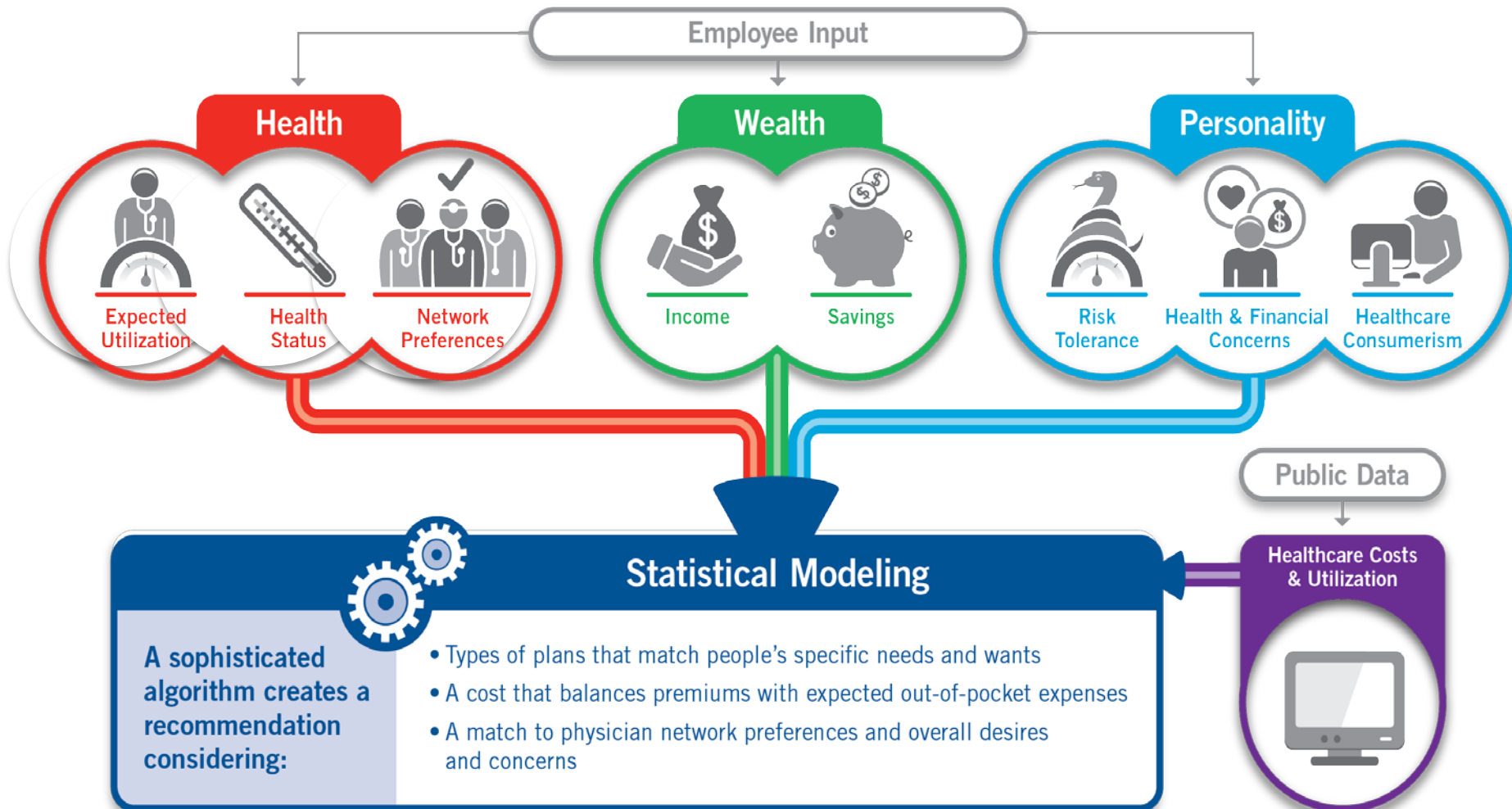
Life Insurance
Disability (*LTD and STD*)
Legal Services
Identity Theft Protection
Pet Insurance

Employees create a unique portfolio of benefits that work together, rather than selecting individual benefits one at a time.



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Recommended Engines



Takeaways From ~240k Transactions In 5 Years

In Year 2: 65% remain the same, 25% evolve, 10% make radical changes

- ~ 100% Different benefits package
- ~ 80% Different health insurance plan
 - 90% buy something cheaper
 - People rarely cluster into one or two plans
- ~ 71% Dental Insurance
 - Even distribution across plans
- ~ 70% Disability Insurance (40% STD; 45% LTD)
 - Even distribution across plans
- ~ 52% HSA qualified plans
 - 90% open an HSA
- ~ 48% Vision Insurance
- ~ 40% Life Insurance
 - Dramatic increases in policy amount
- ~ 30% Supplemental Health Insurance (accident, CI, hospital)
- ~ 15% Pet, Telemedicine, Legal, Wellness, etc.



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Is a Private Exchange Right For You?

- 1 Do you want to manage/limit your employer share of healthcare costs through a defined contribution model?
- 2 Do you wish to improve the engagement of your employees in their healthcare decisions by offering more choices?
- 3 Are you comfortable with your employees making their own benefit decisions.?
- 4 Are you able to implement decision support technology and support new employee education and communication strategies?
- 5 Are you looking for way to impact your employee engagement?



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Employer Individual Insurance Strategies



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Employees Populations for Consideration

- Pre & Post Medicare Eligibles
- Retirees
- Dependents not eligible for Employer Plan
- Dependents who cannot afford Employer Plan
- Part Time Employees
- COBRA Beneficiaries
- Small Employer Groups



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Communications & Personal Support are Key



Coverage for Individuals
Gallagher Employer Individual Insurance Service

- Healthcare Insurance
- Public Exchange Subsidy Support
- Life Insurance
- Dental Coverage
- Disability Insurance
- Vision Insurance

BENEFITS | COMPENSATION | RETIREMENT | RISK MANAGEMENT



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Making Employees Healthier



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“**Engagement** –is social learning, usually within peer groups, that typically leads to the development of behavioral norms and social pressure to enforce those norms”

Alex Pentland, PhD

MIT Media Lab



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Participation

Ongoing Programs

- Staying Active
- Tracking Activity
- Challenges
- Social Wellness

One-Time Programs

- HRA
- Biometric Screenings
- Health Coaching*
- Health Fairs
- Health Education

Engagement



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Healthy Culture Delivers Outcomes

- H health improvement
- E engagement
- A accountability
- L linking physician strategies
- T technology
- H healthy environment

2.2%
cost trend

TOP
HEALTH

TOP
PERFORMING



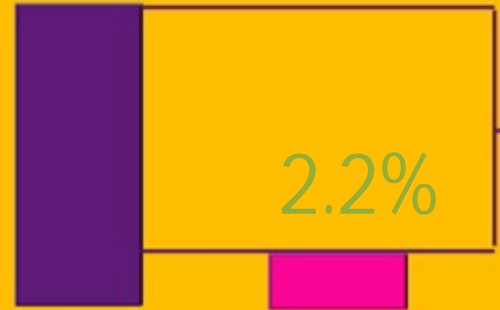
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Healthy Culture Pays Dividends

Annual Medical Cost Trend

More productive workforce - connected to mission and goals

10%



2.2%

\$2,800 per employee cost difference

Low

Top

Performers

Performers

\$2.8 million

saved per 1,000 employees

Approx. \$500

lower employee premiums



The Correlation between WELLNESS & Job Satisfaction

81%

of companies that offer wellness programs say promoting healthy behaviors is a very important benefits strategy ¹

¹ MetLife 12th Annual Study of Employee Benefits Trends

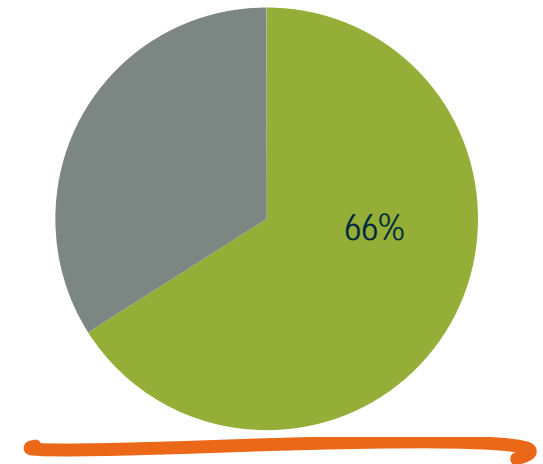


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Health Improvements

Cost Containment v Cost Shifting

- Strategy aimed at specific cost drivers in the plan
- Cultural shift encouraging healthy lifestyles and intrinsic motivation
- Education, communication and policy change
- Health has a critical impact on the success of a company



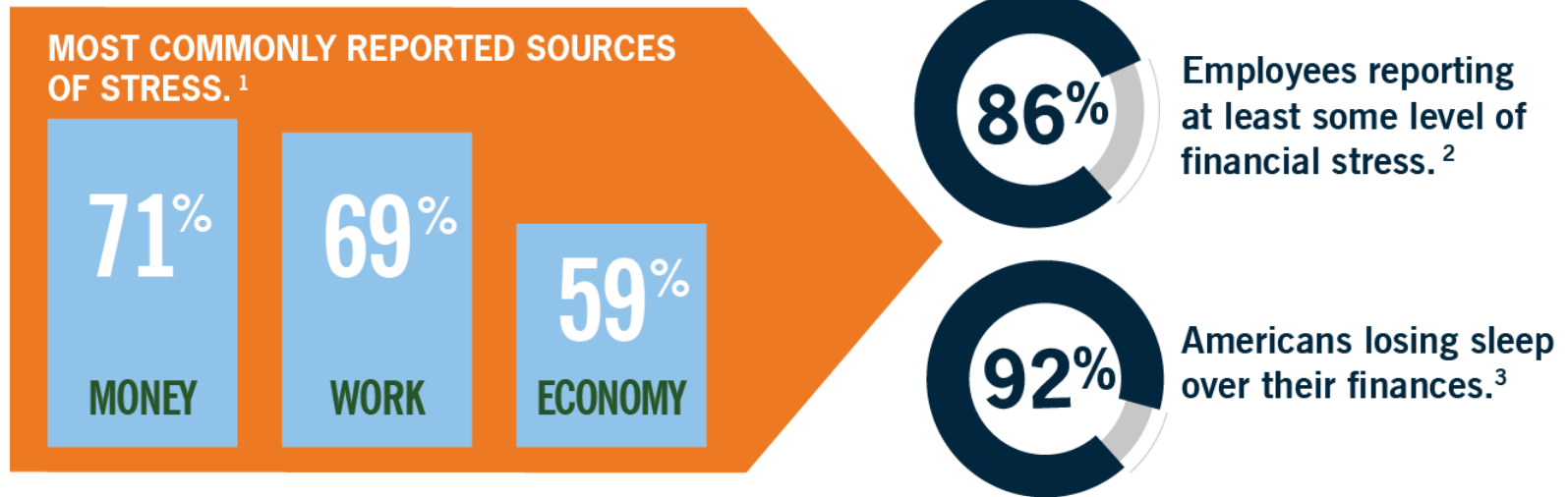
66% of Best-in-Class Employers offer a wellness program vs. 44% of average employers.*

*Arthur J. Gallagher & Co.'s Benefits Strategy & Benchmarking Survey, US National Report, 2014, Best-in-Class Analysis



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Finances – Top Stress Factor For Employees



1. American Psychological Association, *Stress in America™ 2013 Highlights: Are Teens Adopting Adults' Stress Habits*
2. Financial Finesse Reports, 2014 Research Financial Stress <http://www.financialfinesse.com/research-best-practices/2014-financial-stress-research-2/>
3. ComPsych Poll: Vast Majority of Employees Losing Sleep Over Financial Worries, ComPsych, October 27, 2008

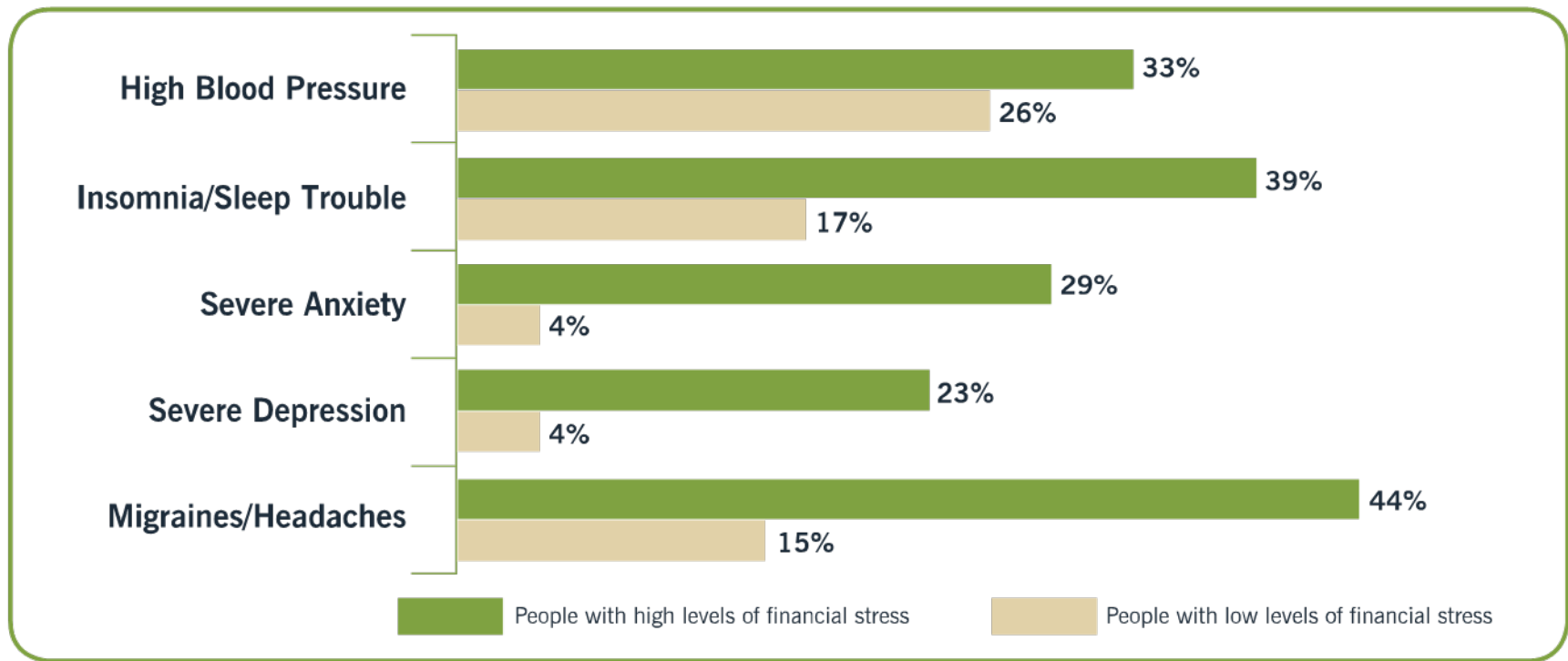


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Financial Stress & Your Bottom Line



Financial Stress Impact on Health*

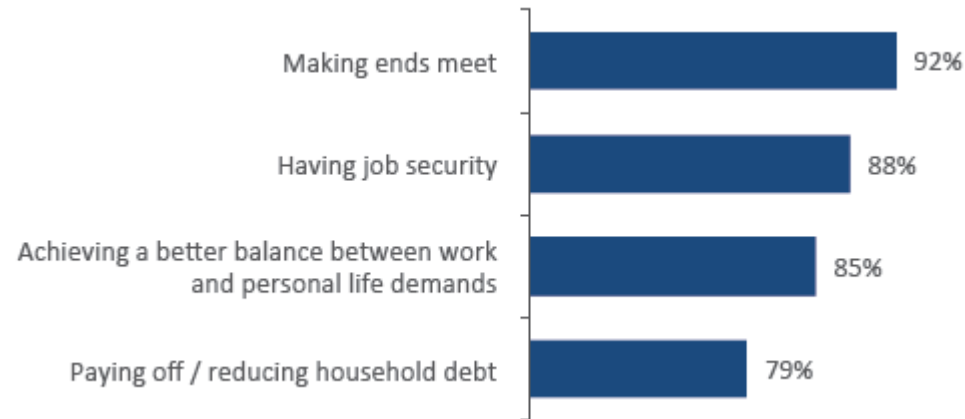


*AP-AOL Health Poll: Debt Stress: The Toll Owing Money Takes on the Body

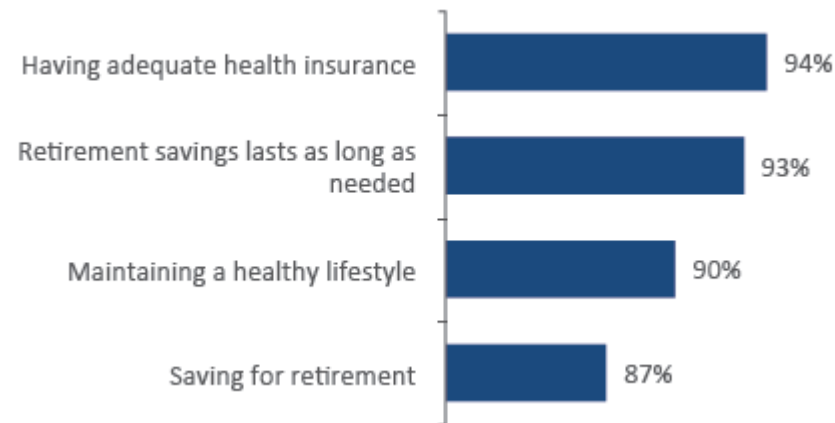


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Early Entrants' Top Personal & Financial Concerns



Near Retirees' Top Personal & Financial Concerns



Source: GUARDIAN 2015 WORKPLACE BENEFITS STUDYINTRODUCTION



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Health & Engagement

- Encourage health accountability
- Educate on total wellbeing
- Utilize technology to drive favorable outcomes



ASSESS
current state of
engagement



CREATE
blueprint for long-
term plan



LEVERAGE internal
and external resources



MEASURE
outcomes & collect
feedback



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Integrating Absence Management & Wellness



Successful integration will reduce incidents and absence duration



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Got Data?

- 1 Have you analyzed your workforce demographics?
- 2 Do you look at your data in a comprehensive way?
- 3 Are you incorporating your findings into your long-term strategy?



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Driving Engagement



A screenshot of the hubbub health app interface. At the top, it shows the user's name 'lauramartini' and 'Laura Martini', and the location 'hubbub health Portland, OR'. Below this, there are three statistics: '128 Badges Earned', '247 Challenges Complete', and '149 Friends'. A progress bar indicates 'Level 83' and a 'Hall Of Records' badge. The section 'MY OPEN CHALLENGES' includes a mood check-in with thumbs up/down icons and two challenges: '100 Push-Up Challenge' (intermediate, 25th place) and '8,000 Steps. Every. Day.' (beginner, 13th place). The bottom navigation bar includes 'My Hub', 'Challenges', 'Friends', 'Messages', and 'Settings'.

Socialized
Wellness

Gamification

Fitness Trackers

Incentive
Strategies



gam·i·fi·ca·tion

[gay-muh-fi-kay-shuhn], noun

The use of game mechanics & rewards for non-game applications in order to **increase engagement and loyalty.**

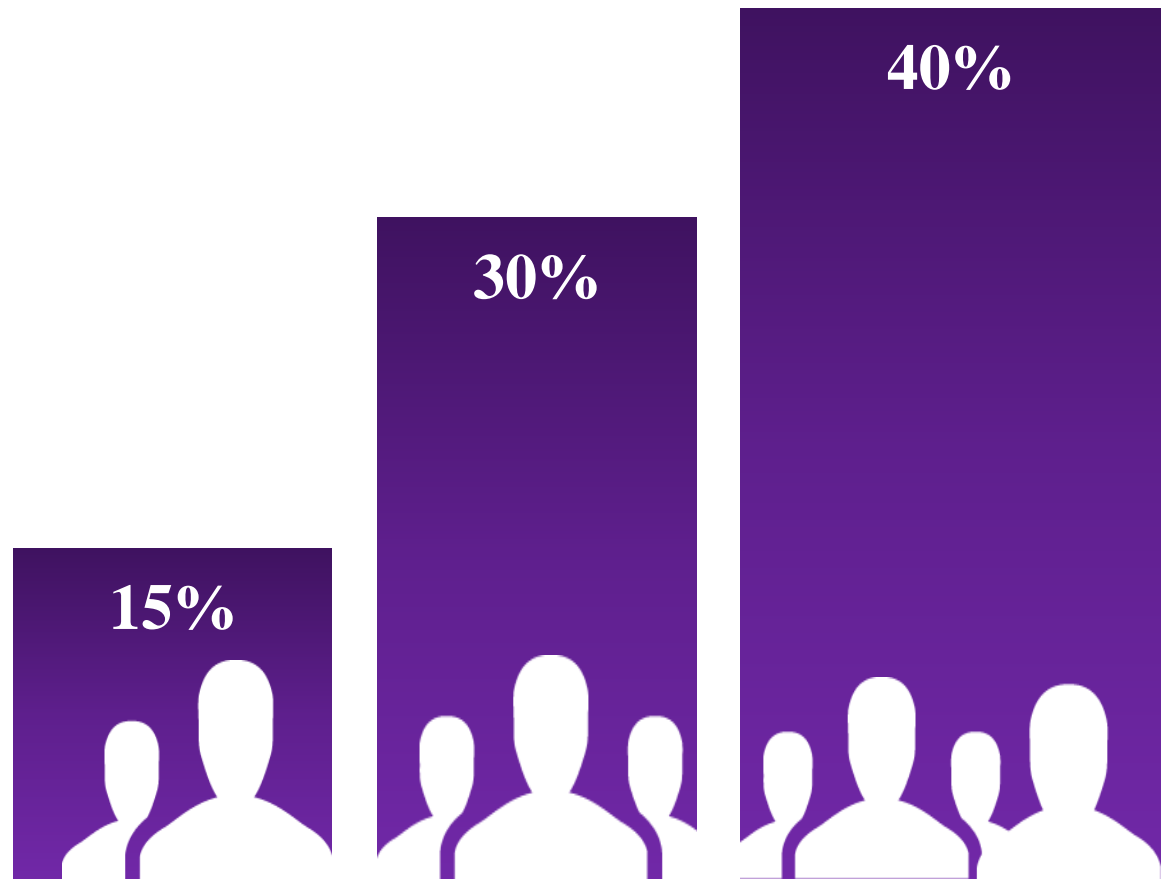


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The Socializing Effects...

The effects of exposure to peer behaviors are roughly the same size as the influence of genes on behavior or IQ on academic performance

- Alex Pentland, PhD
MIT Media Lab



“Social reinforcement from multiple health buddies made participants much more willing to adopt the behavior,”

– Damon Centola, PhD MIT



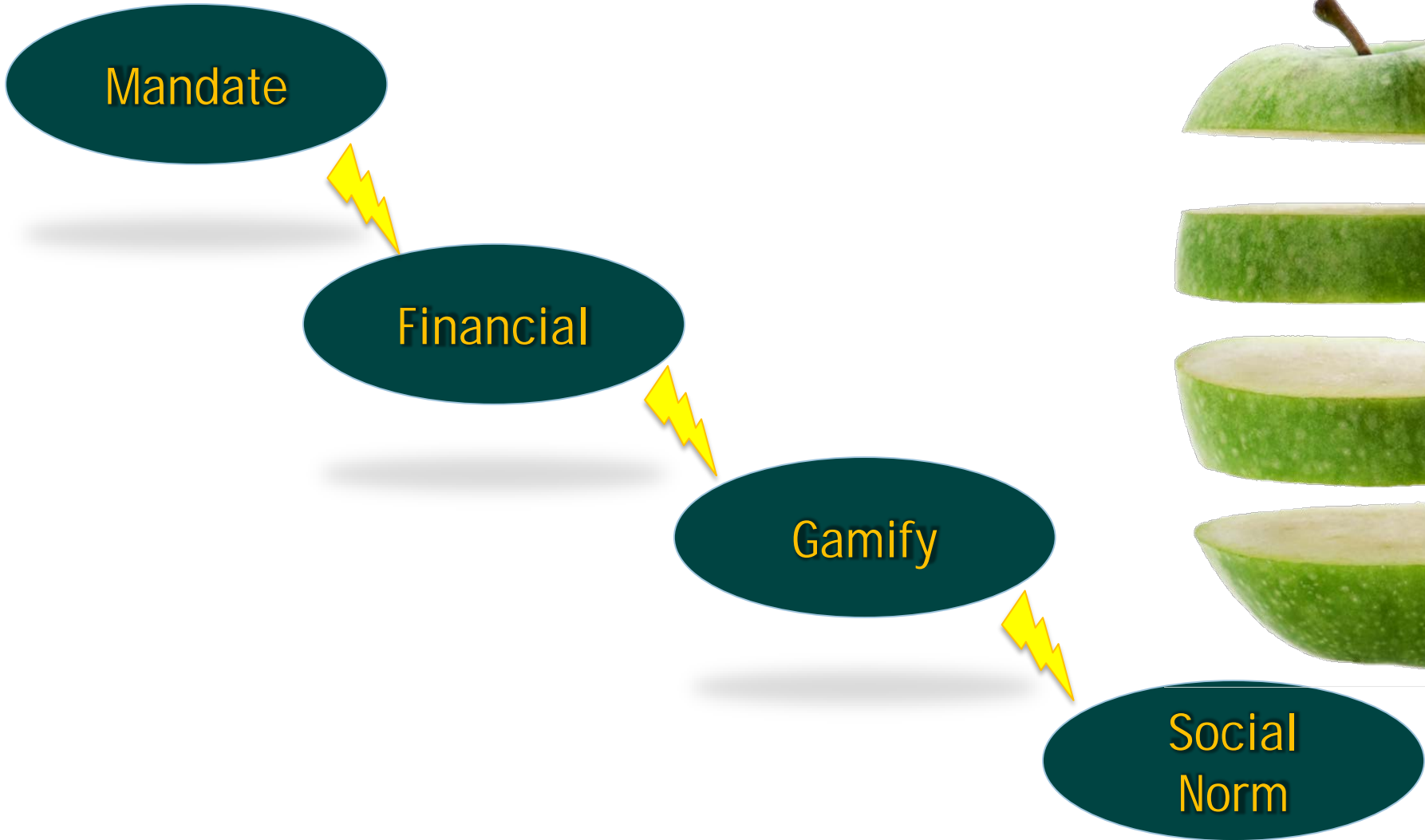
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75%

Of employees join a challenge because they get invited by another employee



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Clinical Care

Telemedicine

- Client characteristics
- Convenience, access to rural locations
- Limited primary care access

On-site Clinics

- Full-time for 500 employees+
- Multiple staffing and scope models

Near-site Clinics

- Shared between multiple employers or locations
- Capitated rate
- More primary care focused



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Incentives

- Incentives continue to grow
- Intrinsic vs. Extrinsic



Culture Trumps All!

Create Top-down
Support

Personalize

Socialize

Make it Easy

Make it Fun



Investing in Engaging Communications



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Why Leverage Communication Tools?

Ensure Employees Understand Your Investment in Their Health



Strengthen the perceived value of your benefits without increasing costs



Empower employees to make sound decisions based on their specific needs



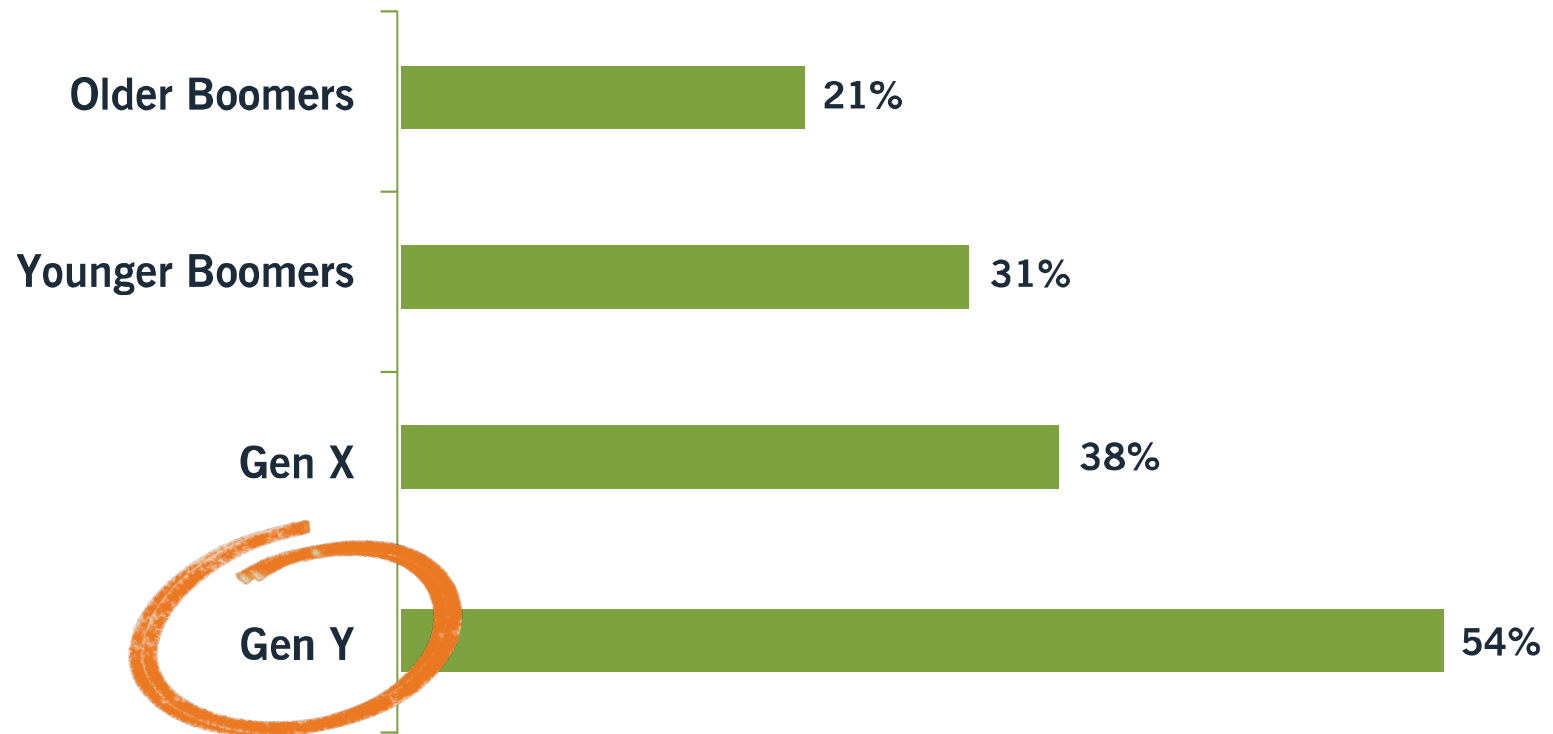
Increase interest in value-added benefits for employees and their families



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Employees Want to Be Educated

Employees who strongly agree that they need more help understanding how their benefits work and how these options help meet their needs.*



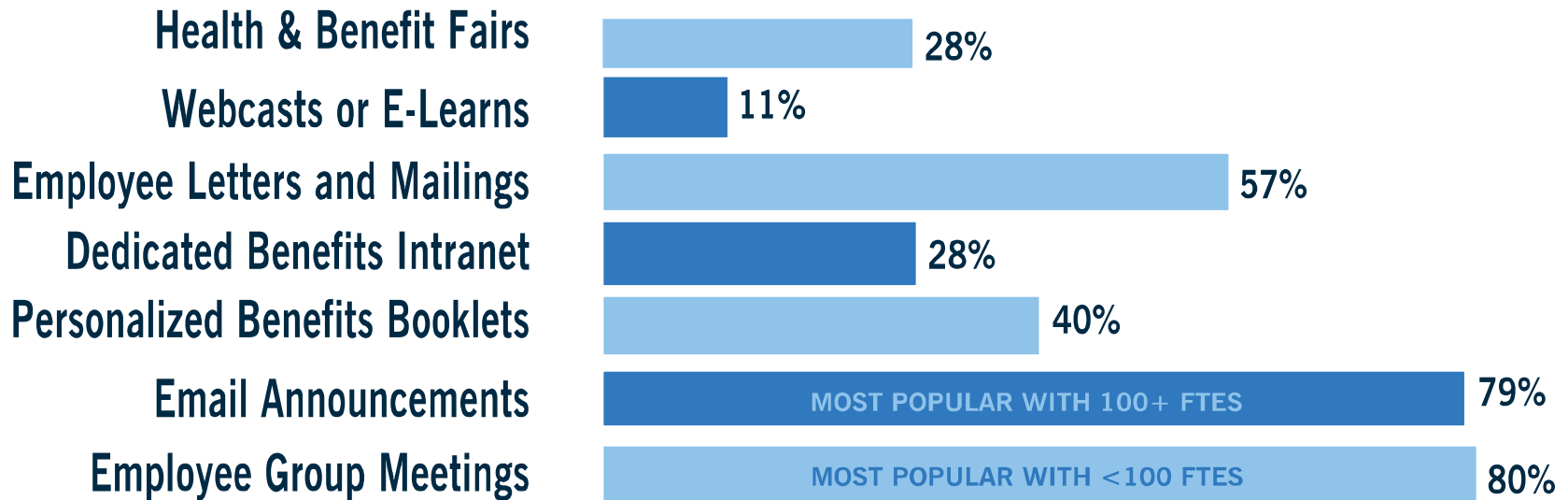
*12th Annual MetLife U.S. Employee Benefits Trends Study



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If You Can Reach Them... You Can Teach Them

Methods Employers Are Using to Communicate and Educate*



*Arthur J. Gallagher & Co.'s Benefits Strategy & Benchmarking Survey, US National Report, 2014



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Compensation Statements

Highly creative design. You can add your logo and change the colours reflect your preferred or company palette.

A set of pre-defined images will appear throughout the statement.

Brian,
your total reward for last year was:
\$96,745
that's 176% of your Basic Salary

Financial	Protection	Stay healthy	Lifestyle
Salary: \$55,000	Life Insurance: \$1,750	Employee Assistance: \$450	Holiday: \$2,900
Bonus: \$8,000	Pension: \$8,500	Medical Insurance: \$1,750	Childcare Vouchers: \$0
LTIP: \$5,000	Taxi Insurance: \$950	Healthcare Cash Plan: \$1,300	Cycle to work: \$0
Share Options: \$3,000	Critical Illness: \$1,600	Dental Insurance: \$750	Season Ticket: \$3,250
	Income Protection: \$1,600	Gym membership: \$0	Regal Dining: \$880
	Car breakdown cover: \$1.25		Eye test: \$50
			Car parking: \$N/A
			Taxi, coffee and biscuits: \$N/A
\$71,000	\$14,415	\$4,250	\$7,080

All of the figures shown within your statement are gross & before income tax and National Insurance contributions for the 12 month period up to 31 March 2014.

Salary: Your basic pay (before any tax and deductions) paid to you monthly.
Bonus: Your annual bonus, paid to reflect your performance and attitude.
LTIP: The value of company shares you received this year.
Share Options: The gain from the share options you exercise this year.

Life Insurance: Annual cost to provide cover to your family if you die while still working.
Pension contributions: Our contribution to your Defined Contribution account by the Company.
Travel Insurance: Cost to ensure you and your family are protected while on holiday.
Critical Illness: Cost to ensure you're covered if you become ill and unable to pay bills.
Income Protection: Providing a replacement income should you be absent from work through illness.
Car breakdown cover: Cover to get you back on the road if your car breaks down.

Employee Assistance: An confidential program to help you deal with work or personal issues.
Medical Insurance: Ensuring you've seen quality and receive the best quality care.
Healthcare Cash Plan: Cash for single issues, giving you money back for regular treatments.
Dental Insurance: Taking the pain out of regular dental check-ups and hygiene appointments.
Gym membership: Get on your membership.

Holiday: We'll give you the 25 days of holiday you get, including bank holidays.
Childcare Vouchers: Helping spread the cost of childcare through our specialist scheme.
Cycle to work: Cost of the bike you bought through our accredited scheme.
Season Ticket: Helping spread the cost of commuting in school in an affordable manner.
Regal Dining: Car out charitable donations the Company made on your behalf.
Eye test: Every year you can claim up to this amount for tests and/or frames.
Car parking: Limited spaces perhaps, but at least we don't make you buy a ticket.
Taxi, coffee and biscuits: It might be a little thing, but our employees make you pay.

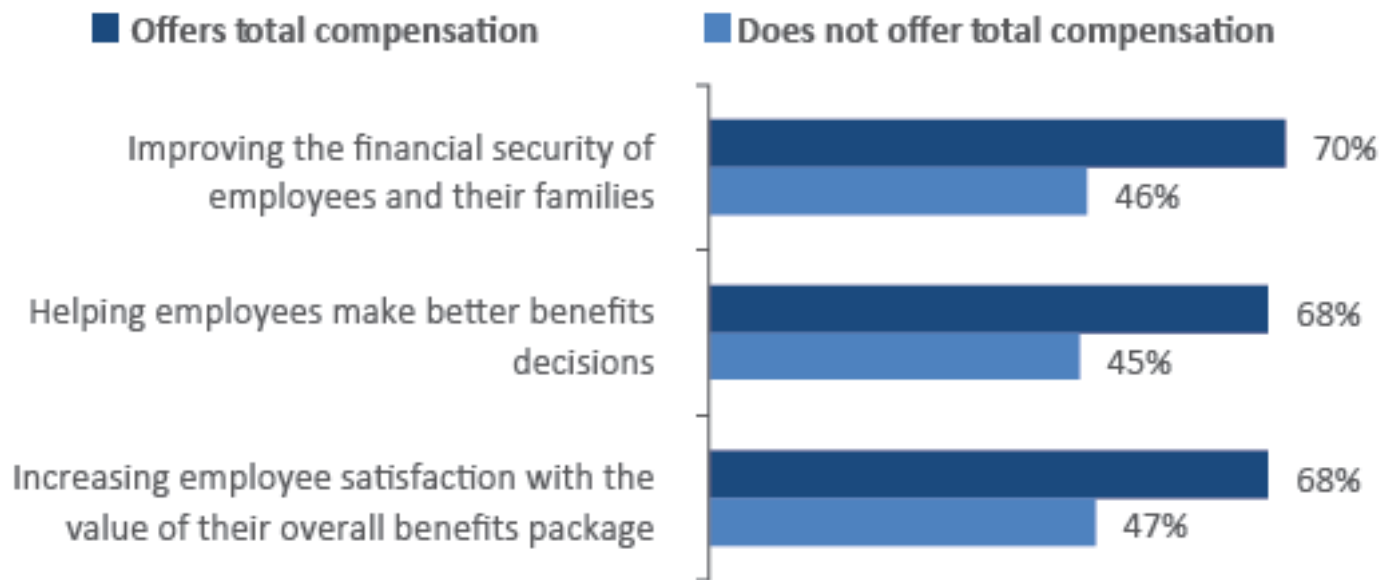
Pre-drafted content for 20 recognized employee benefits. You can edit the content as you wish, within a pre-defined word count per section.

Annual \$1 plus



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Employer Success in Achieving Benefits Objectives *By Those Offering vs. Not Offering Total Compensation Statements*

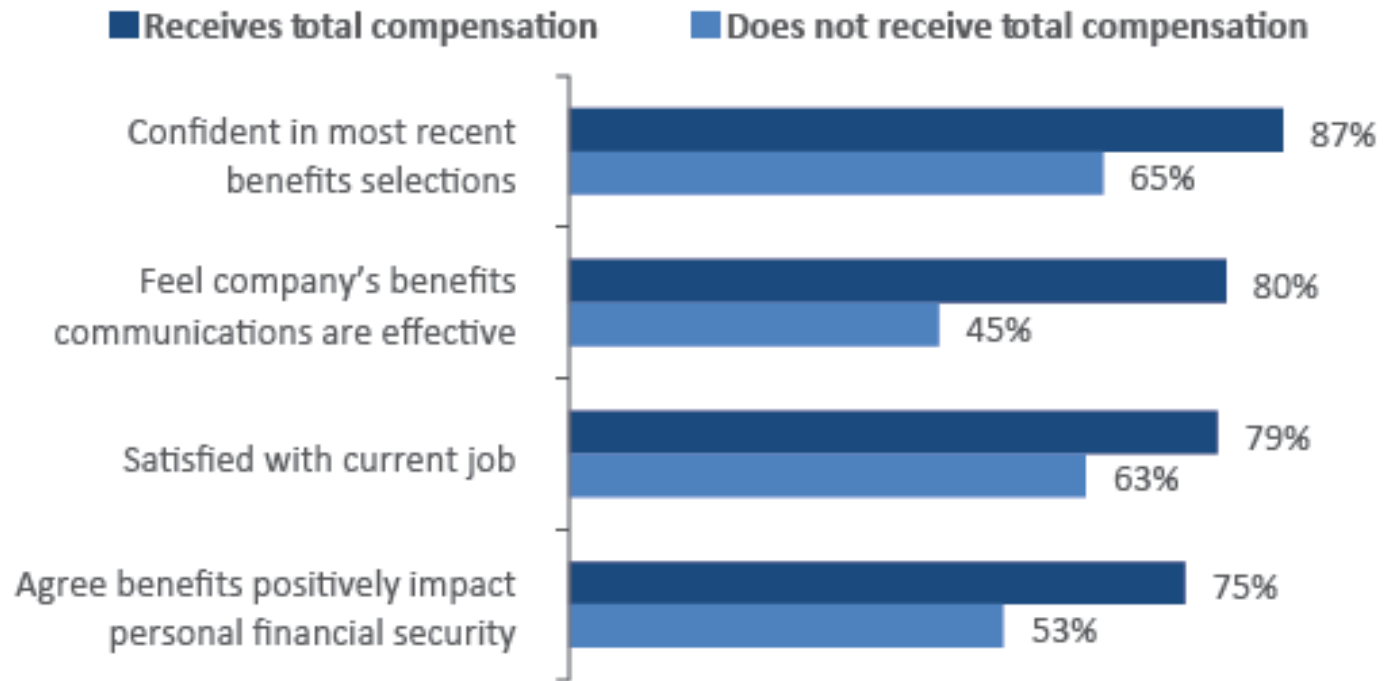


Source: GUARDIAN 2015 WORKPLACE BENEFITS STUDYINTRODUCTION



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Employee Attitudes Towards Benefits *By Those Receiving vs. Not Receiving Total Compensation Statements*



Source: GUARDIAN 2015 WORKPLACE BENEFITS STUDYINTRODUCTION



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Trends to Watch*



9% currently utilizing,
17% expect to introduce this channel



12% utilizing,
20% plan to introduce this
channel



67% already offer these tools for financial planning and retirement, growing in popularity in benefits space

*Arthur J. Gallagher & Co.'s Benefits Strategy & Benchmarking Survey, US National Report, 2014



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Additional Trends



PBM Pricing
Transparency



Telemedicine



Care Coordination & Specialized Concierge
Services



Alternative Funding
Strategies



Consumer-Driven
Plans



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Is Decision Support Right For You?

- 1 Do employees REALLY understand their plan options?
- 2 Do you want to introduce a new option but fear employee perception?
- 3 Do employees hate having to pick a plan at open enrollment?
- 4 Post open enrollment meetings, do your employees still have unanswered questions?
- 5 Is there a tool that helps them to model their personal situation?



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Summarizing Engagement Strategies



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Engagement is tough

Why do programs lack ongoing engagement?

- Lack of Executive Leadership Support
- Poor marketing & rewards tactics
- Lack of real-time & actionable feedback
- Lack of individualized support
- Lack of social influence



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Engagement Outcomes

How did employees PARTICIPATE or become INVOLVED?



Became
EDUCATED
on risk tolerances



Drove
CONSUMERISM
& behavior change



Member
ACCOUNTABILITY for
selecting benefits



Increased
LOYALTY
and attract talent



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Engagement needs to be All Day, Everyday



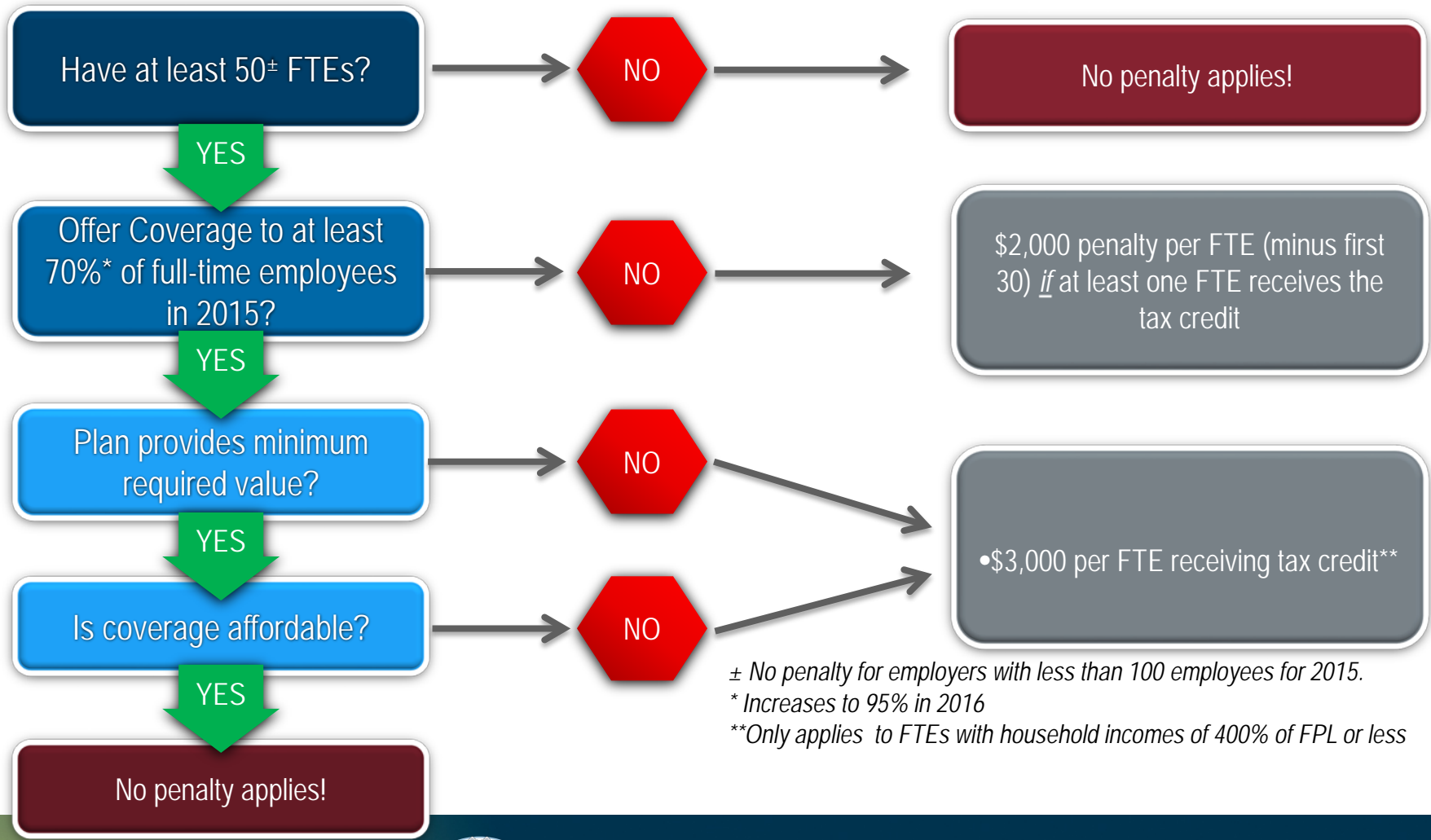
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Regulatory Compliance & Health Care Reform



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Employer Penalty Overview



± No penalty for employers with less than 100 employees for 2015.

* Increases to 95% in 2016

**Only applies to FTEs with household incomes of 400% of FPL or less



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Minimum Essential Coverage and Affordability

- “Minimum value” means the actuarial value of the Employer’s out-of-pocket cost share (based on plan provisions) must be at least 60%
 - IRS and HHS provide options to determine 60%
 - Value calculator
 - Safe harbor plan designs
 - Actuarial certification
- “Affordability” of employer’s group health plan is based solely on whether employee’s cost for employee only coverage for the least expensive plan is less than 9.5% of their pay. What are safe harbors for determining pay.
 - W-2 : Employee premium is less than 9.5% of the employee’s W-2 wages as reported in Box 1 from the employer
 - Rate of pay: Monthly premium is less than 9.5% of: (1) For Hourly employees: rate of pay x 130 hours; or (2) For salaried: monthly salary
 - Federal poverty level: Monthly premium is less than 9.5% of the monthly amount of the federal poverty level in effect 6 months prior to start of plan year (\$11,770 for 2015)



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Continuing to Offer Coverage: Planning/Strategy

Assuming employer chooses to offer coverage, how does employer minimize potential penalties?



60% Actuarial Value:
Make sure have one plan that meets this minimum

Premium for employee-only coverage is less than 9.5% of wages/pay

Any employee working 30 or more hours per week on average. Penalty is \$3,000 (or \$250/month) per "full time" employee.



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Types of Employees

- “Full Time”: Reasonably expected to work on average at least 30 hours per week
 - This is different than how the employer defines “full time” for any other purpose
- “Part Time”: Reasonably expected to work less than 30 hours per week
- “Variable Hour”: Cannot be ascertained whether the employee will work at least 30 hours per week
- “Seasonal”: Customary annual employment is 6 months or less
- For purposes of determining who is “full time” for penalty purposes:
 - Variable hour and seasonal employee can be subject to a lookback “measurement period” of up to 12 months before they’re considered to be full time. If they work on average 30+ hours during measurement period, then they’re considered “full time” for penalty purposes in the immediately following “stability period” (basically, 12 month period or plan year).



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Measurement Period Example

- Employer has a medical plan that operates on a January 1 – December 31 Plan Year
- John is a “variable hour” employee.
- Employer has a lookback measurement period from November 1 – October 31 each year.
- During November 1, 2014 through October 31, 2015, John works an average of 35 hours per week.
- For the plan year that begins January 1, 2016, John is considered a “full time” employee under ACA.
- If Employer does not offer John medical insurance for the 2016 plan year, the employer could face penalties under ACA.



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Cadillac Tax

- This is an excise tax on high-cost health coverage
- Starting in 2018, an employer will owe an excise tax if the value of the employer's health insurance coverage for an employee exceeds a threshold amount
 - 40% of aggregate value in excess of threshold
 - 2018 Threshold:
 - \$10,200 single
 - \$27,500 family
 - Future years, multiplied by health cost adjustment percentage and increased by age and gender adjusted excess premium amount
 - Increased threshold for non-Medicare eligible early retirees and high-risk professionals
- Example: Employer offers a plan with a value for a single employee of \$14,200. For each employee that elects single coverage, the employer will owe an excise tax of \$1,600, which is $\$14,200 - \$10,200 \times 40\%$.



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Reporting

- Starting in 2016, the IRS is collecting information from insurers and large employers about individuals' health insurance coverage.
- Large employers must report information about the coverage they offer, and whether or not it was elected by, the employee and their dependents, by month, to:
 - The employee, by January 31st
 - The IRS, by February 28th (or March 31st if filing electronically)
- You'll here this referred to as 6055/6056 reporting and/or 1094/1095 reporting



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Action Items for Employers

- Review medical plans for minimum value and affordability
- Evaluate workforce, classify employees, and fully understand who is “full time” as defined by ACA
- Review value of medical plans to prepare for potential Cadillac Tax issues
- Understand and plan for upcoming IRS reporting by:
 - Understanding what needs to be reported and by whom
 - Conducting gap analysis to see what you do and don't have
 - Identifying who will be responsible for each step of the reporting process



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Upcoming Events



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2015 Arthur J. Gallagher National Employer Benchmarking Survey Results and Executive Summary

- Over 3,000 participants
- Largest survey in the market
- Results will be released in August



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Wellbeing Webinar & Roundtable Employer Educational Series



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Please join us for Dinner at
HR Florida
Monday August 31st at 7 p.m.

Maggiano's



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