Companies in the Philippines are generally more concerned about the health of their employees.
Philippines’ benefits cost is high compared to the rest of Asia
On top of a relatively rich statutory program

Percentage of payroll spent on non statutory benefits

**Philippines**
- 9%: 0-<2%
- 11%: 2-<6%
- 22%: 6-<15%
- 26%: >15%
- 32%: Don't know

**Asia**
- 11%: 0-<2%
- 21%: 2-<6%
- 27%: 6-<15%
- 28%: >15%
- 13%: Don't know
The cost of benefits continues to increase 10-15% increase expected in the Philippines

Current Situation

- The cost of benefits continue to rise in particular medical related benefits
- Higher utilization and advances in medical technology contribute to increased medical premiums

A combination of medical inflation, utilisation and cost of medical services are driving medical costs in APAC

<table>
<thead>
<tr>
<th>Country</th>
<th>2014 General Inflation¹</th>
<th>2014 Medical Inflation²</th>
<th>Expected Change in Medical Premiums²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>2.5%</td>
<td>3.3% - 4.4%</td>
<td>5.5% - 6.5%</td>
</tr>
<tr>
<td>China</td>
<td>3%</td>
<td>6.0% - 8.0%</td>
<td>10.0% - 12.0%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>3.6%</td>
<td>8.5% - 9.5%</td>
<td>10.0% - 12.0%</td>
</tr>
<tr>
<td>India</td>
<td>8.9%</td>
<td>16.3% - 21.8%</td>
<td>16.0% - 22.0%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>7.5%</td>
<td>10.9% - 14.5%</td>
<td>10.0% - 12.0%</td>
</tr>
<tr>
<td>Japan</td>
<td>2.9%</td>
<td>3.0 – 4.0% (TBC)</td>
<td>N/A</td>
</tr>
<tr>
<td>Malaysia</td>
<td>2.6%</td>
<td>10.0% - 15.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Mauritius</td>
<td>4.7%</td>
<td>7.1% - 9.5%</td>
<td>5.0% - 10.0%</td>
</tr>
<tr>
<td>New Zealand</td>
<td>2.1%</td>
<td>8.0% - 9.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Pakistan</td>
<td>7.9%</td>
<td>14.0% - 18.0%</td>
<td>15.0% - 20.0%</td>
</tr>
<tr>
<td>Philippines</td>
<td>3.5%</td>
<td>6.9% - 10.9%</td>
<td>10.0% - 15.0%</td>
</tr>
<tr>
<td>Singapore</td>
<td>2.7%</td>
<td>3.4% - 4.6%</td>
<td>4.0% - 8.0%</td>
</tr>
<tr>
<td>South Korea</td>
<td>2.3%</td>
<td>2.1% - 2.8%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>6.9%</td>
<td>11.1% - 14.8%</td>
<td>15.0% - 20.0%</td>
</tr>
<tr>
<td>Taiwan</td>
<td>1.3%</td>
<td>2% - 3%</td>
<td>4.0% - 6.0%</td>
</tr>
<tr>
<td>Thailand</td>
<td>2.1%</td>
<td>18.0% - 22.0%</td>
<td>15.0% - 20.0%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>7.4%</td>
<td>20.0% - 25.0%</td>
<td>15.0% - 20.0%</td>
</tr>
</tbody>
</table>

¹ Projected IMF estimates, World Economic Outlook Database, Oct 2013 (information as extracted December 2013)
² Extracted from Mercer’s Inflation Summary subject to changes due to updates
Costliest health problems
What is the top 3 for the Philippines?

15 Costliest Health Problems in The World Today

These conditions account for more than 80% of the total cost of all chronic disease around the world today.

- High Blood Pressure
- Heart Failure
- Arthritis
- Chronic Obstructive Pulmonary Disease
- Depression
- High Cholesterol
- Asthma
- Cancer
- Allergies
- Obesity
- Sinusitis
- Coronary Artery Disease
- Chronic Kidney Disease
- Back Pain
- Diabetes

Based on analysis by the World Economic Forum
What makes up the bulk of employee health costs? 
“Hidden cost of presenteeism”

Employee Health Costs

When it comes to employee health costs, most organizations focus their efforts on direct medical spending. But this is not the major driver of total health costs... it’s just the tip of the iceberg.

Direct vs Indirect Health Costs

- Two-thirds of total health costs are the indirect costs owing to health-related lost productivity.
- Two-thirds of indirect costs are the hidden costs of presenteeism – employees working at impaired levels owing health issues.
Increasing number of companies in Asia are finding it difficult to fill jobs

Problems associated with this:
- Reduced productivity
- Reduced ability to serve clients
- Reduced innovation and creativity

*Source: Manpower Group; survey consisted of 40,000 companies across 42 countries.*
How can Health and Wellness programs help?  
Addressing the root cause

The Root Cause

As chronic and expensive conditions become more prevalent in almost all countries, employers are faced with significant increases in direct and indirect health costs. To offset these costs, employers have implemented various strategies:

- Cost-shifting to employees
- Providing consumer-driven health plans (e.g. Flexi Benefits)
- Switching providers

Employers are realizing that all the above strategies are only temporary fixes. They do not address the Root Cause – unhealthy behaviors among your employees.
How prevalent are Health and Wellness programs? 
Philippines leads the way

- No provision
- Statutory requirements only
- Supplemental health and wellness education/information
- Multiple discrete health and wellness programs (e.g. health exams, fitness programs etc.)
- Fully integrated health and wellness strategy

Asia Philippines

- 0% 10% 20% 30% 40% 50% 60%

- Fewer programs
- About the same
- More programs – employer sponsored
- More programs – cost share
- Don’t know

MERCER MARSH BENEFITS
Where to start?
Roadmap for a successful Health and Wellness program
Key drivers for introducing a Health and Wellness program

- Support employer of choice brand
- Reduce health risks (e.g. reduce stress)
- Reduce other benefits costs (e.g. sick pay)
- Reduce medical claims cost
- Corporate responsibility
- Reduce absence
- Increase employee's work effectiveness
- Encourage positive health behaviors
- Enhance employee engagement
- Attract and retain talent

Chart showing the percentage of importance of each driver for Philippines and Asia.
What are elements of the Health and Wellness program?

<table>
<thead>
<tr>
<th>Program</th>
<th>Philippines</th>
<th>Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual employee health checkups</td>
<td>100%</td>
<td>80%</td>
</tr>
<tr>
<td>Bio-metric screening</td>
<td>100%</td>
<td>80%</td>
</tr>
<tr>
<td>Health talks/health fairs</td>
<td>70%</td>
<td>60%</td>
</tr>
<tr>
<td>Exercise programs</td>
<td>60%</td>
<td>50%</td>
</tr>
<tr>
<td>Web-based information resources</td>
<td>60%</td>
<td>50%</td>
</tr>
<tr>
<td>Routine cancer screenings</td>
<td>50%</td>
<td>40%</td>
</tr>
<tr>
<td>On-site clinic/medical services</td>
<td>40%</td>
<td>30%</td>
</tr>
<tr>
<td>Employee assistance programs (EAP)</td>
<td>40%</td>
<td>30%</td>
</tr>
<tr>
<td>On-site food service improvements</td>
<td>30%</td>
<td>20%</td>
</tr>
<tr>
<td>Stress management</td>
<td>30%</td>
<td>20%</td>
</tr>
<tr>
<td>Absence management</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Health risk assessment (HRA)</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Weight control</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Smoking cessation</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td>Chronic disease management</td>
<td>10%</td>
<td>0%</td>
</tr>
</tbody>
</table>
Incentives for employees to participate in the program

- Monetary incentives
- Access to additional benefits
- Prizes/lucky-dips
- Vouchers
- Recognition
- Contribution to charity
- Other

Asia
Philippines
How do you know your program is successful?

- Onsite service utilization
- Employee disability/salary continuance
- Employee health risk surveys
- Employee feedback
- Employee assistance program (EAP)
- Employee absence data
- Medical/health plan - claims history reports
- Employee physical check-up reports

Note: The diagram compares the data for the Philippines and Asia.
But what are the main reasons for not starting a program?

- The cost of health and programs is too high
- Resource constraints within the organization
- Complexity of administration
- Demonstrating a return on investment
- Our employees do not see the value of a health program
- Employee communication challenges
- Employee turnover is seen as a barrier

<table>
<thead>
<tr>
<th>Reason</th>
<th>Philippines</th>
<th>Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>The cost of health and programs is too high</td>
<td>60%</td>
<td>45%</td>
</tr>
<tr>
<td>Resource constraints within the organization</td>
<td>20%</td>
<td>30%</td>
</tr>
<tr>
<td>Complexity of administration</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>Demonstrating a return on investment</td>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>Our employees do not see the value of a health program</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Employee communication challenges</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Employee turnover is seen as a barrier</td>
<td>5%</td>
<td>5%</td>
</tr>
</tbody>
</table>
### Situation

- Multinational employer offered comprehensive hospitalization insurance plan, but with significant gaps in coverage based on employee needs/health risks
- 45% a year cost increases, with little incentive for employees to manage costs
- Various health programs had not evolved strategically and were not integrated
- High volume of health issues, including those specific to a BPO operation
- Cost effective and meaningful medical coverage for parents important

### Actions

- Assessment of current benefit and health strategy and identified spend not supporting organizational objectives
- Redesigned benefit program and:
  - Refocused monies/resources from treatment to prevention through plan design
  - Introduced positive health program
  - Identified strategy to make employees smarter healthcare consumers
  - Identified return on investment metrics

### Results

- **Immediate monetary savings;** medium and long term savings will be greater
- Treatment behaviors should move to driving more effective utilization and clinical outcomes
- A 3-year plan with short, medium and long-term cost containment/health risk management elements developed
Bringing it all together
Roadmap

**STRATEGY**
- Are benefits objectives aligned with business priorities?
- What will success look like?
- What are our measurement metrics?
- What kind of data are available?
- What is the budget limitation?

**DESIGN**
- Do the benefits choices meet the diverse needs of employees?
  - Will employees be confused by too many choices?
- Are our health and wellness programs integrated? Do the health and wellness programs address prevalent risks and conditions across all segments of our population?
- Are there overlaps or redundancies?

**DELIVERY**
- What is the most effective and efficient way to deliver benefits?
- Who should be the partner that manages benefits for our employees?
- What is the most efficient way to administer benefits?
- How do we effectively communicate with employees?

**MEASUREMENT**
- Are employees satisfied with the choices? Are the choices meeting their needs?
- Are programs effective given key objectives? If not, what is the problem (design or vendor partner)?
- What is the ROI? Is there any short-term cost reduction?
- Any health risk improvement? How does that translate into long-term cost avoidance?
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