

Changes in
**HEALTH CARE
FINANCING &
ORGANIZATION**

Defining “Defined Contribution” 2002: Research and Practice

May 15, 2002
Washington, DC



AcademyHealth



Medtronic

When Life Depends on Medical Technology



Agenda Overview

- Medtronic Overview
- Vision 2010 & Medtronic Mission
- Total Well-Being at Medtronic
- Health & Wellness Initiatives
- Employee Education



Global Overview

- World's leading medical technology company
- Over 27,000 employees in 120 countries
- Revenues of \$5.6 billion in fiscal 2001
- Publicly traded (NYSE - MDT)



Medtronic Vision 2010

Medtronic is the world's leading medical technology company, providing lifelong solutions for people with chronic disease.



Medtronic Vision 2010

Patient Centered Health Care

- + Patient Dissatisfaction
 - + Chronic Disease
 - + Personal Responsibility
 - + Wealth of Information
- = Patient Centered Health Care



Medtronic Mission Statement about employees

“...To recognize the personal worth of employees by providing an employment framework that allows personal satisfaction in work accomplished, security, advancement opportunity and means to share in the company’s success.”

- *Introduction of “Total Well-Being”*



Why is Total Well-Being Important?

- Demonstrates company's commitment to employees as outlined in our Mission
- Reinforces the concept of patient-centered health care
- Supports recruiting and retention efforts in a positive manner
- Provides a framework through which to evaluate future programs and resources



Total Well-Being Initiative

Developed the Total Well-Being concept to enable employees to be “fully present” through resources, tools and education that fit under the following themes:

- Financial rewards and security
- Individual and family well-being
- Fulfilling work environment
- Health and wellness



Financial Rewards and Security

Program examples

- Competitive pay programs
- Financial / retirement benefit plans
- Stock ownership
- Life and disability insurance
- Financial planning and education tools



Individual and Family Well-Being

Program examples

- Childcare and Eldercare referral
- Scholarships for children
- Sick child care subsidy
- Child care center
- “Bring your Parents to Work” Day
- Employee Assistance programs
- Volunteer opportunities



Fulfilling Work Environment

Program examples

- Mission & Medallion ceremony
- Learning opportunities
- Measured through Global Voices
- Patient-focused events
- Career development
- Career Action Center and on-line tools
- Flexible work arrangements



Health and Wellness

Program Examples

- Wellness Screenings and Health Risk Assessment
- Free on-site Flu Shots
- Wellness programs and resources
- On-site Fitness Centers
- Resource Rooms
- Mother's Rooms
- Health Plans
- Consumer Driven Health Plan

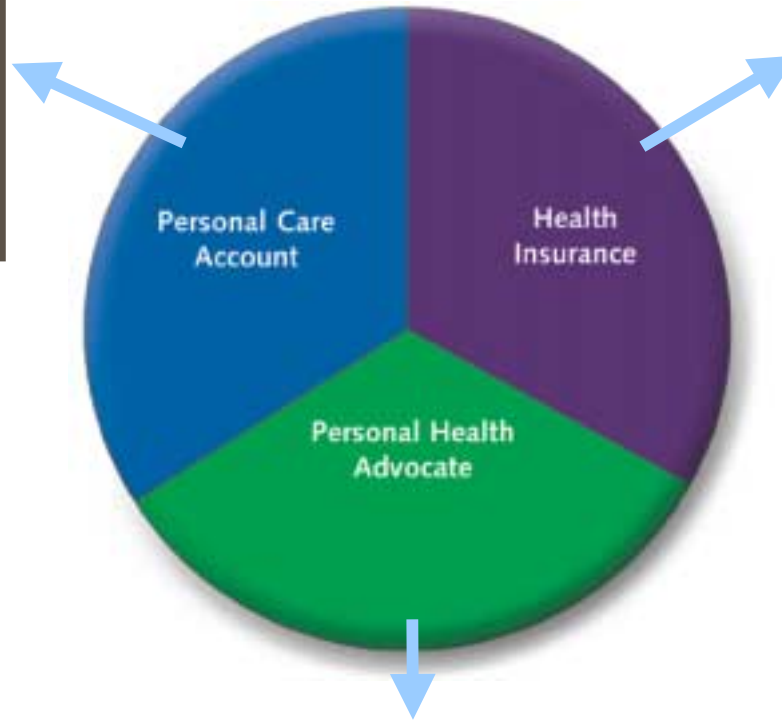


Why Consumer Driven Health Care?

- Change employee behavior from receivers of health care to informed consumers of health care
- Provide greater access and utilization of the right kind of information
- Appropriately aligns the financial elements of health care

Plan Design Features

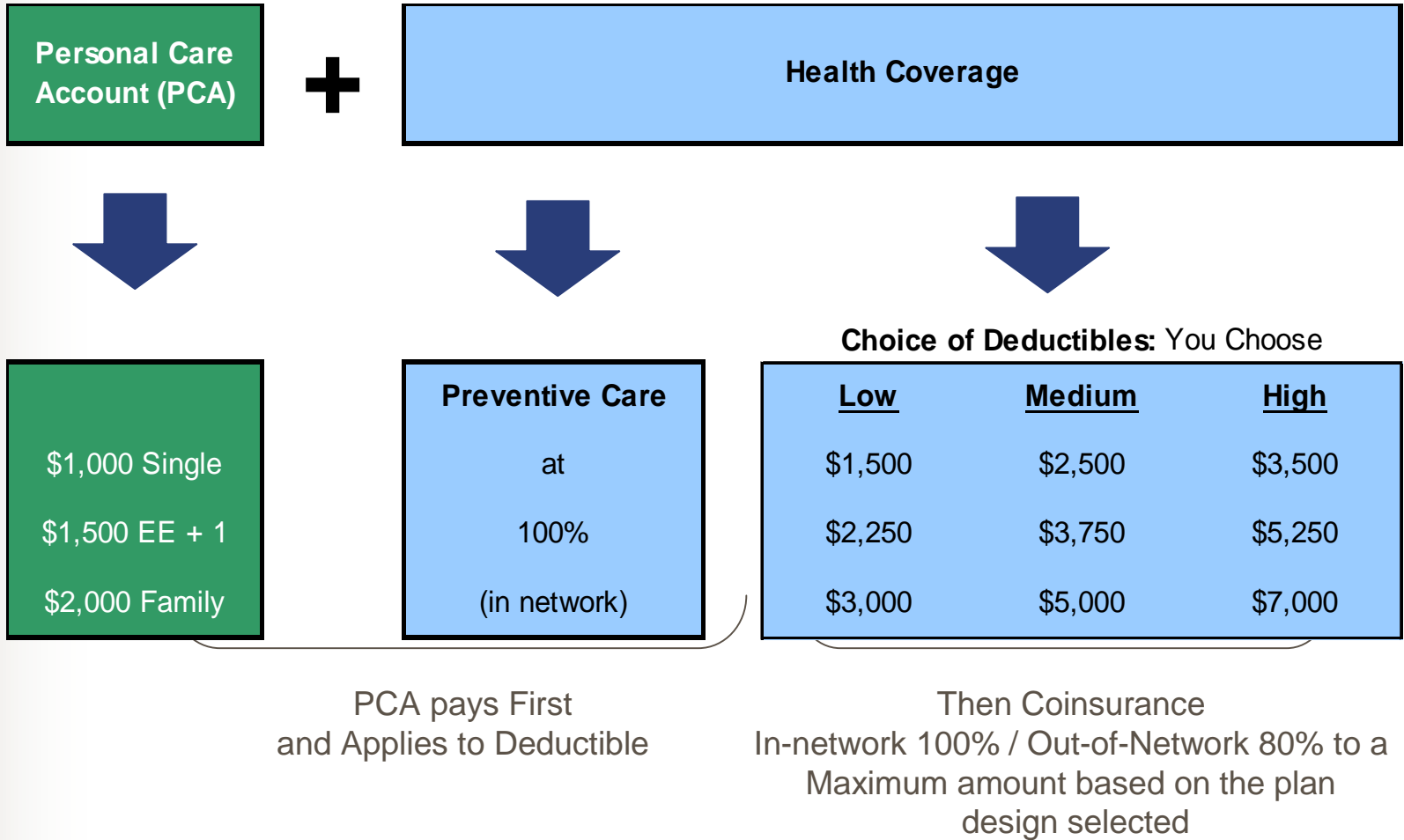
- Dollars (book account) to pay for medical expenses
- Leftover dollars roll-over for future health/wellness needs



- Choice of deductibles
- Safety net plan
- Choice of providers
- No referrals
- Covers 100% of eligible preventive care expenses

- Personalized information
- Online medical resources
- Consumer-focused financial products

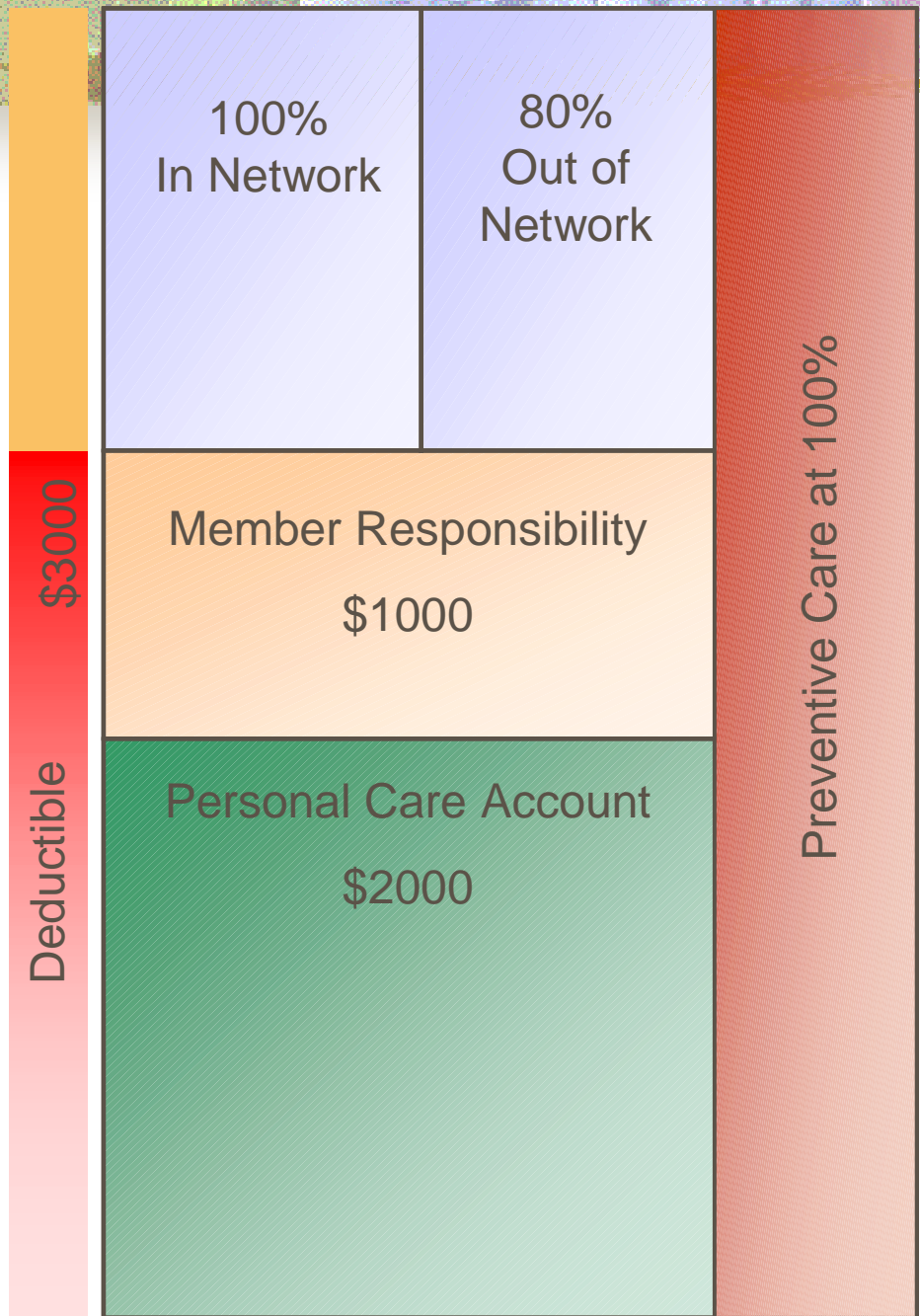
Medtronic Consumer-Driven Health Plan



Definity Health

Family Plan Example

1. Personal Care Account
\$2000
2. Annual Deductible
\$3000
3. Member Responsibility
\$1000
4. Health Coverage
Co-Insurance
\$100% / 80%
5. Preventive Care
100% In Network





Employee Education – Health and Wellness Examples

- Annual wellness screenings/HRA/free flu shots
 - On-site “brown-bag sessions
 - On-site programs (nutritional, fitness centers, smoking cessation, diabetes management etc.)
- On-line benefit administration
- Personalized website through health plan
- Tools available through the Consumer Driven Health – Definity Health
 - Q & A on-line (Definity Health)
 - Ask a “Doc” (Definity Health)
 - Subimo – ability to evaluate different procedures according to individual criteria (hospital and procedures)



How's It Going??

- Enrollment
- Utilization
 - Nurse line
 - Pharmacy
 - Web site usage
- Health education and relationship to consumer driven health



Preliminary Information

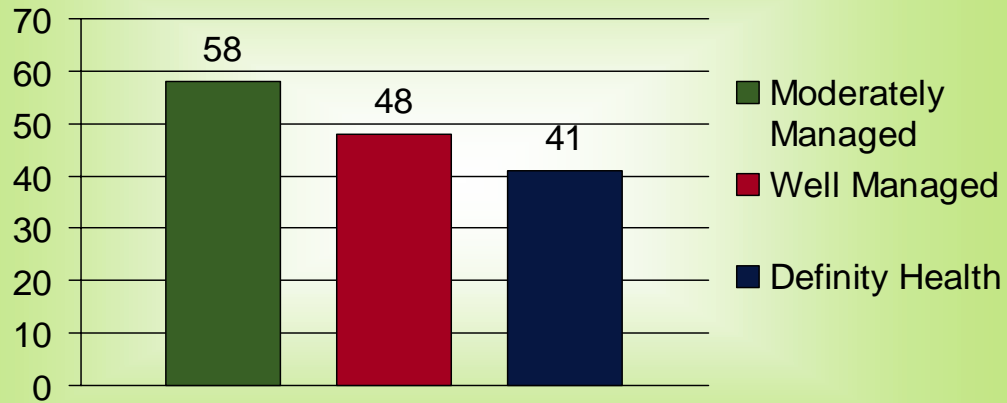
■ High Cost Claimants

- Renal transplant
- Breast cancer
- Lupus
- Newborn with congenital abnormalities
- Brain tumor
- Colon cancer

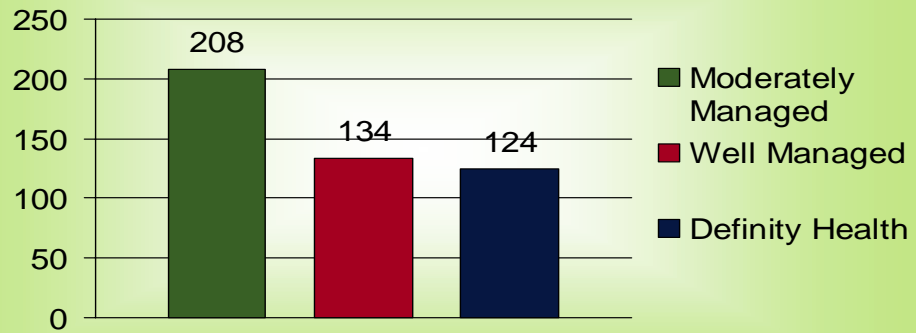
■ Demographics

- Female: 52%
- Male: 48%
- Avg age: 41
- Avg members per employee: 2.6

IP Hospital Admissions/1000



IP Hospital Days/1,000



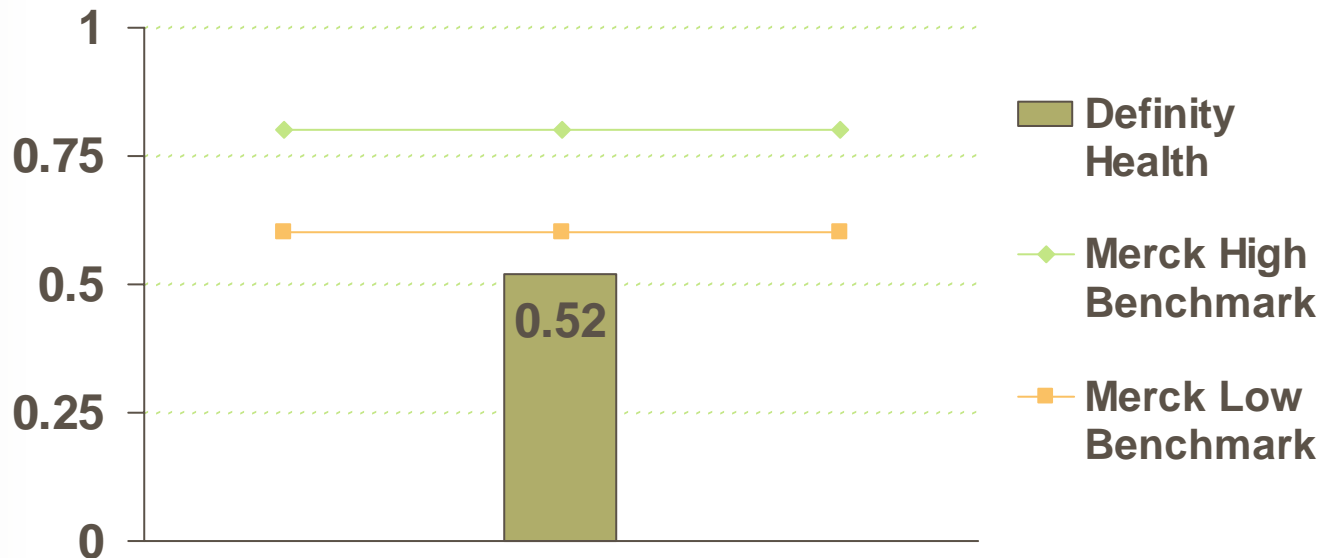
Data from Definity Health care management system as of October 31, 2001.

Pharmacy Results

■ Definity Health Pharmacy Benefit¹

- Integrated with our PCA and high deductible plan
- 90% generic substitution rate

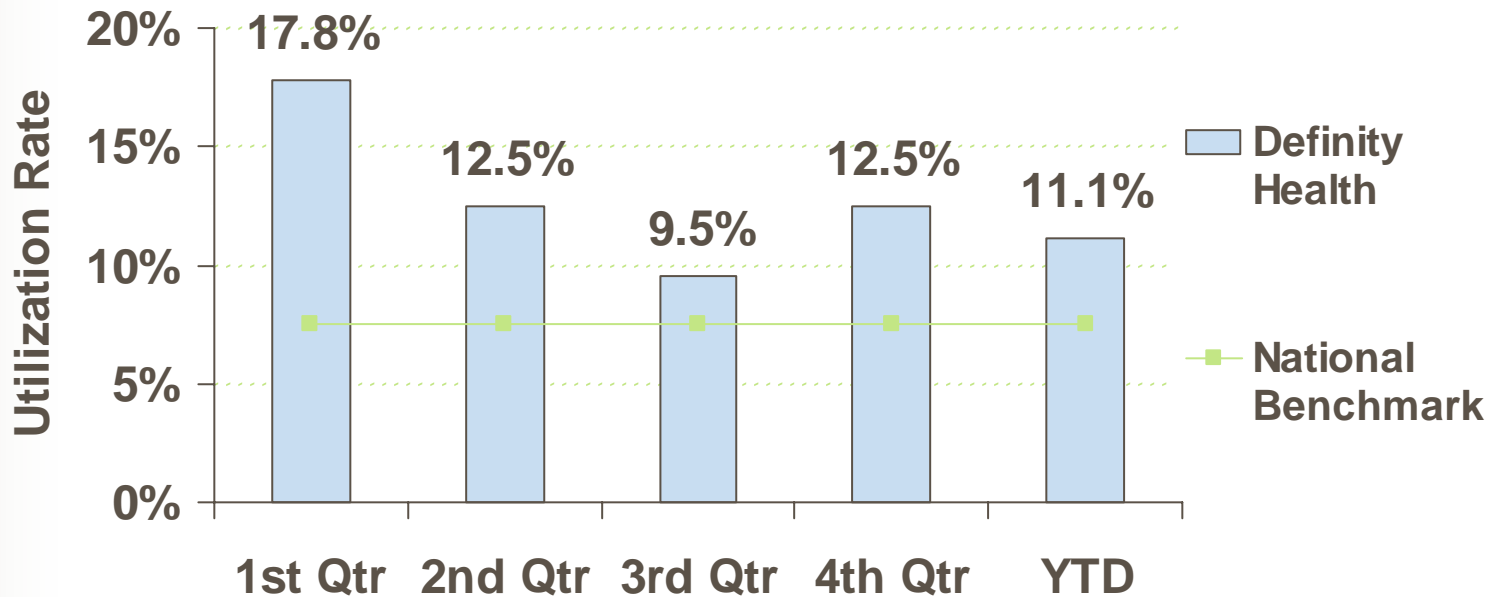
Prescriptions PMPM



¹ YTD data through December 31, 2001.

NurseLine Results

- Total calls per 1,000 37.0 (Benchmark 21.5)
- Total member usage 11.7% (Benchmark 7.5%)



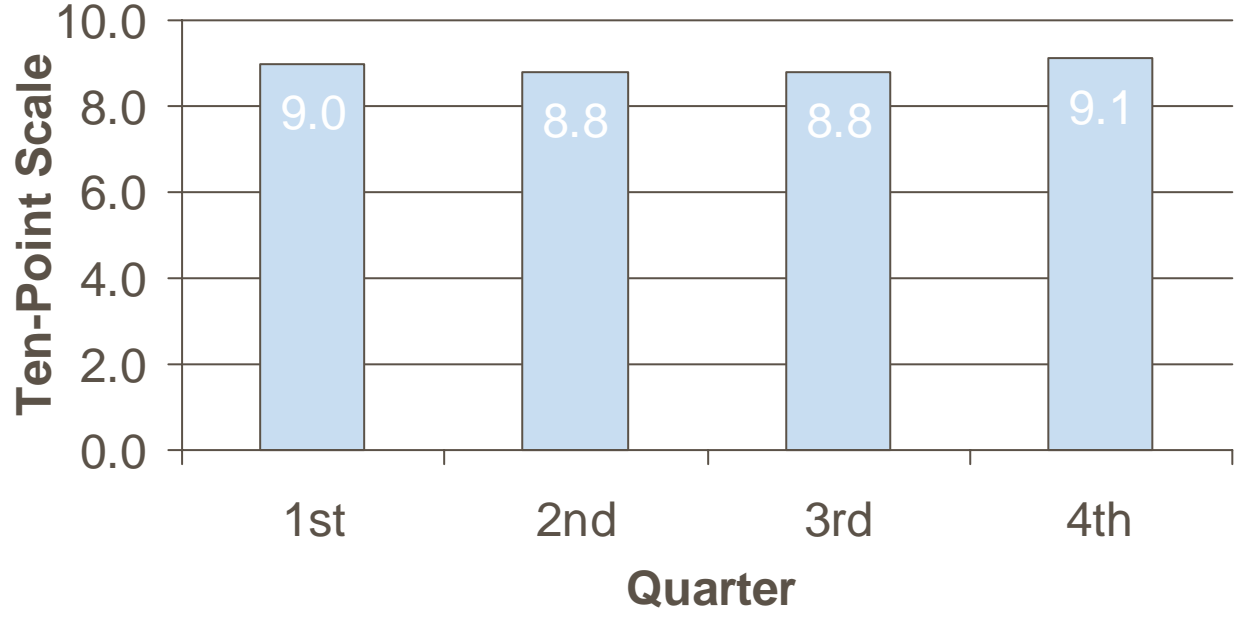
¹ Data through December 31, 2001.

2001

Customer Satisfaction

2001 Service Satisfaction Scores

Sampling error: +/- .275



Data through December 31, 2001.

Preliminary Utilization Study Results

Demographics

	Definity Health	Plan A	Plan B
Members per Employee	2.71	2.58	2.69
Males	50%	Not available	49%
Females	50%	Not available	51%
Average Employee Age	41.8 years	Not available	40.5 years



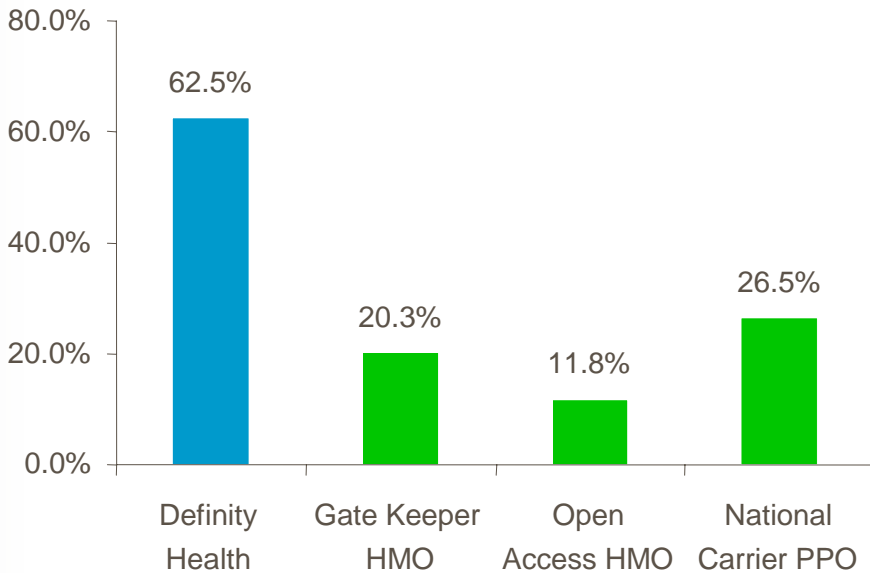
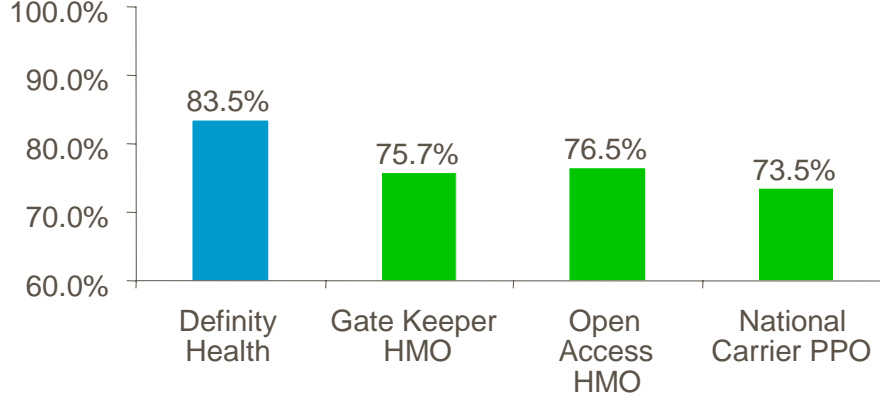
Preliminary Utilization Study Results

Definity Health Results Compared to Competing Plans

	Plan A	Plan B
Inpatient Admits/1000	3.2% Increase	2.5% Increase
Inpatient Days/1000	Not available	4% Decrease
Office Visits/1000	28% Decrease	24% Decrease
Prescription Drug Claims/1000	29% Decrease	25% Decrease
Emergency Room Visits/1000	40% Decrease	5% Decrease

Definity Health Client— Satisfaction Study Results

“I am satisfied with my health plan.”

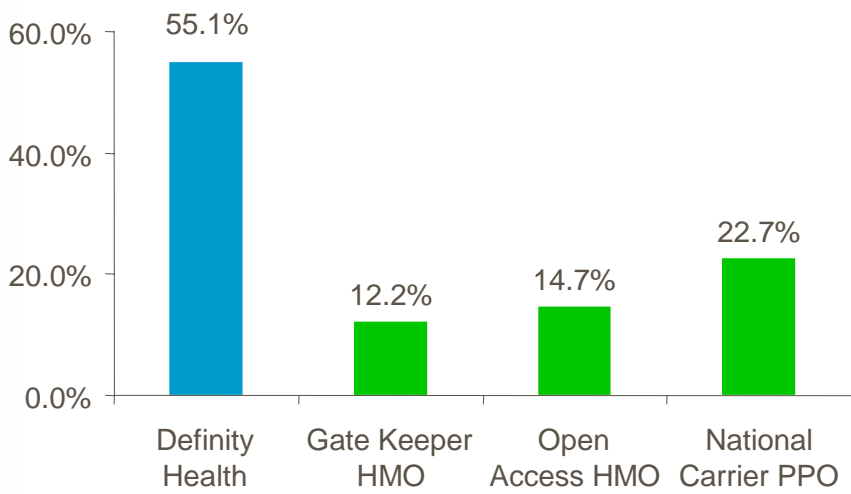
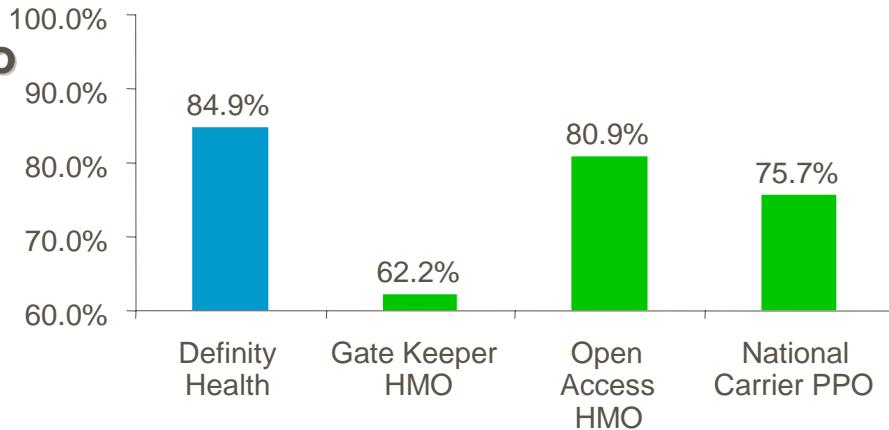


“I am more satisfied with my health plan today than I was a year ago.”

Notes:
 Definity Health client Human Capital study conducted for client by Unifi.
 Percent in answering either strongly agree or agree.

Definity Health Client— Satisfaction Study Results

“My health plan allows me to get the care and services I need.”

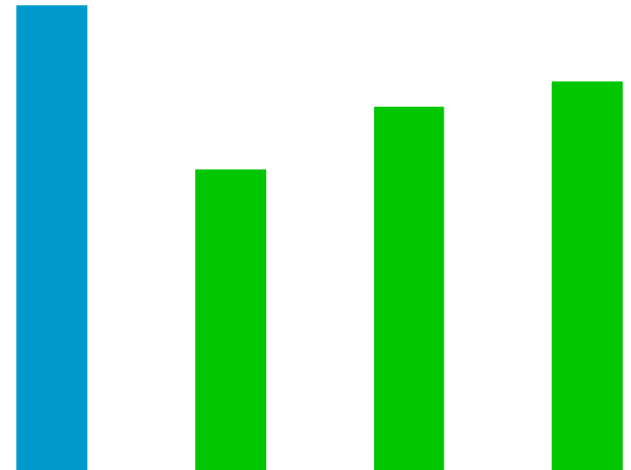


“My current health plan offers more information to support my health decisions.”

Notes:
Definity Health client Human Capital study conducted for client by Unifi.
Percent in answering either strongly agree or agree.

Satisfaction Study Results

“I have actively tried to reduce the amount I spend on healthcare this calendar year.”



Notes:

Definity Health client Human Capital study conducted for client by Unifi.

Percent in answering either strongly agree or agree.



Total Well-Being
Resources for Growth –
Mind, Body, Heart and Spirit

TOTAL WELL-BEING™

Resources for Growth —
Mind, Body, Heart and Spirit

Search
This site

Go

A to Z
This site

HEALTH & WELLNESS

Personal Health & Fitness / Healthcare

FINANCIAL REWARDS & SECURITY

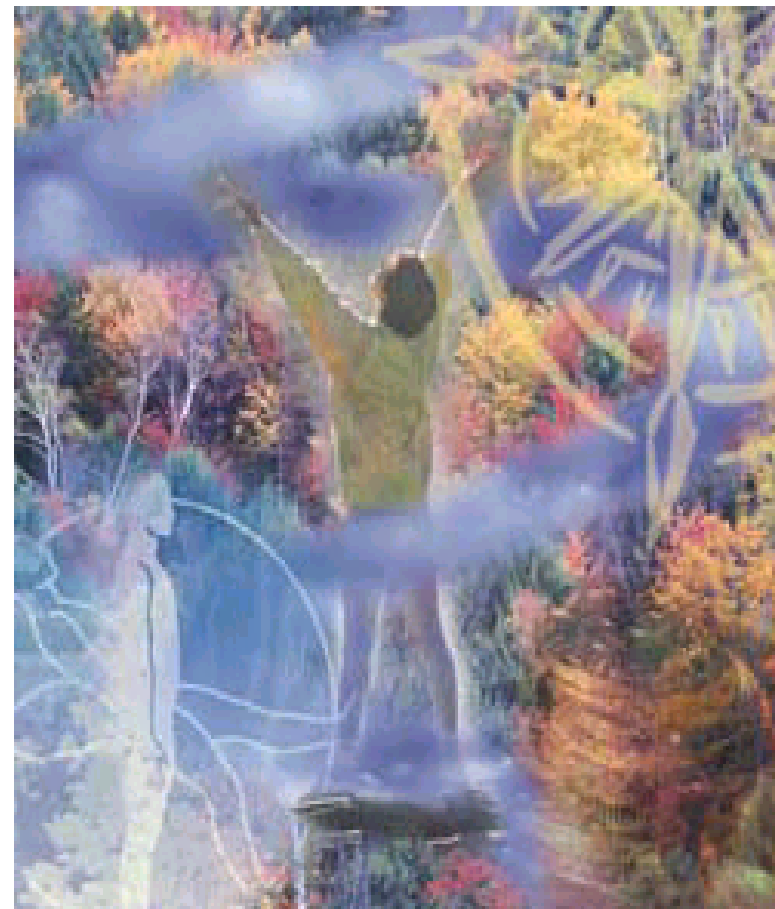
Stock Ownership / U.S. Financial Benefit Plans

INDIVIDUAL & FAMILY WELL-BEING

Personal & Family Needs / Community Involvement

FULFILLING WORK ENVIRONMENT

Career / Learning / Medtronic Company Information



Total Well-Being Website: <http://totalwellbeing>



Q & A's