Medtronic Inc.
Consumer Driven Health Care

Consumer Driven Health Care
Evidence From The Field

September 15, 2003
Who We Are

- Medtronic is the world’s leading medical technology company, providing life-long solutions for people with chronic disease
- Over $7 billion in annual sales
- 30,000 employees world-wide
- Established in 1949 by Earl Bakken, inventor of first external pacemaker
- Driven by the Mission
Why Consumer Driven Health Care?

- Desire to deliver health care to employee group through an alternative delivery system that:
  - Changes employee behavior from receivers of health care to informed consumers of health care
    - Eliminate role of plan as gate keeper
    - Enable/educate employees in their role of managing their own health
    - Strengthen relationship between patient and physician
  - Provides greater access to the right kind of information
    - Internet based data base
    - Nurse and pharmacy hotlines
    - Outcome and quality information
    - Access to procedure and prescription price information
Why Consumer Driven Health Care?

- Appropriately aligns the financial elements of health care
  - Investment in health, rather than cost of treatment
  - Provides choice of various levels of employee deductibles
  - Provides control over personal care account
  - Price information on medical services and prescription drugs
  - Personalized on-line statements that show total cost of health care of employee and dependents

- Includes broad range of tools/services such as:
  - Access to over 60 centers of excellence
  - Nurse Line
  - Health Coach
  - Subimo
  - Compare Your Care
  - “Ask a Doc”

- Is an integral part of the Company’s “Total Well-Being” initiatives
Plan Summary

Medtronic Consumer-Driven Health Plan

Personal Care Account (PCA) + Health Coverage

- Preventive Care at 100% (in network)
- PCA pays First and Applies to Deductible
- Choice of Deductibles: You Choose
  - Low: $1,500
  - Medium: $2,500
  - High: $3,500

Then Coinsurance
- In-network 100% / Out-of-Network 80% to a Maximum amount based on the plan design selected
## Demographics and Enrollment

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<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
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<tbody>
<tr>
<td>Participation</td>
<td>1,300</td>
<td>2,400</td>
<td>3,500</td>
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<tr>
<td>Percent Change</td>
<td></td>
<td>+84%</td>
<td>+47%</td>
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<tr>
<td>Participation As % of Eligible</td>
<td>13%</td>
<td>13%</td>
<td>19%</td>
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<tr>
<td>Average Age</td>
<td>41</td>
<td>41</td>
<td>41</td>
</tr>
<tr>
<td>Male</td>
<td>50%</td>
<td>60%</td>
<td>60%</td>
</tr>
<tr>
<td>Female</td>
<td>50%</td>
<td>40%</td>
<td>40%</td>
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<tr>
<td>Average Members</td>
<td>2.60</td>
<td>2.75</td>
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</tbody>
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Claims Analysis

- Plan participants have illness burden higher than traditional plans
  - Organ transplants
  - Cancer
  - Pre-mature births
  - Others
- Significantly higher utilization of nurse line resulting in fewer office calls
- Higher utilization of generic prescriptions
Conclusions

- Emphasize consumer driven health care as one of the key components of health & wellness resources
- Provide various methods of communications to employees about their health plan options and the mechanics of the consumer driven plan
- Personal financial responsibility will increase awareness of actual costs of services
- Awareness can and will change behavior over time
- Employees are willing to try alternatives for health care delivery
- No magic bullet – this is one of many solutions
- Do it for the right reasons!!