



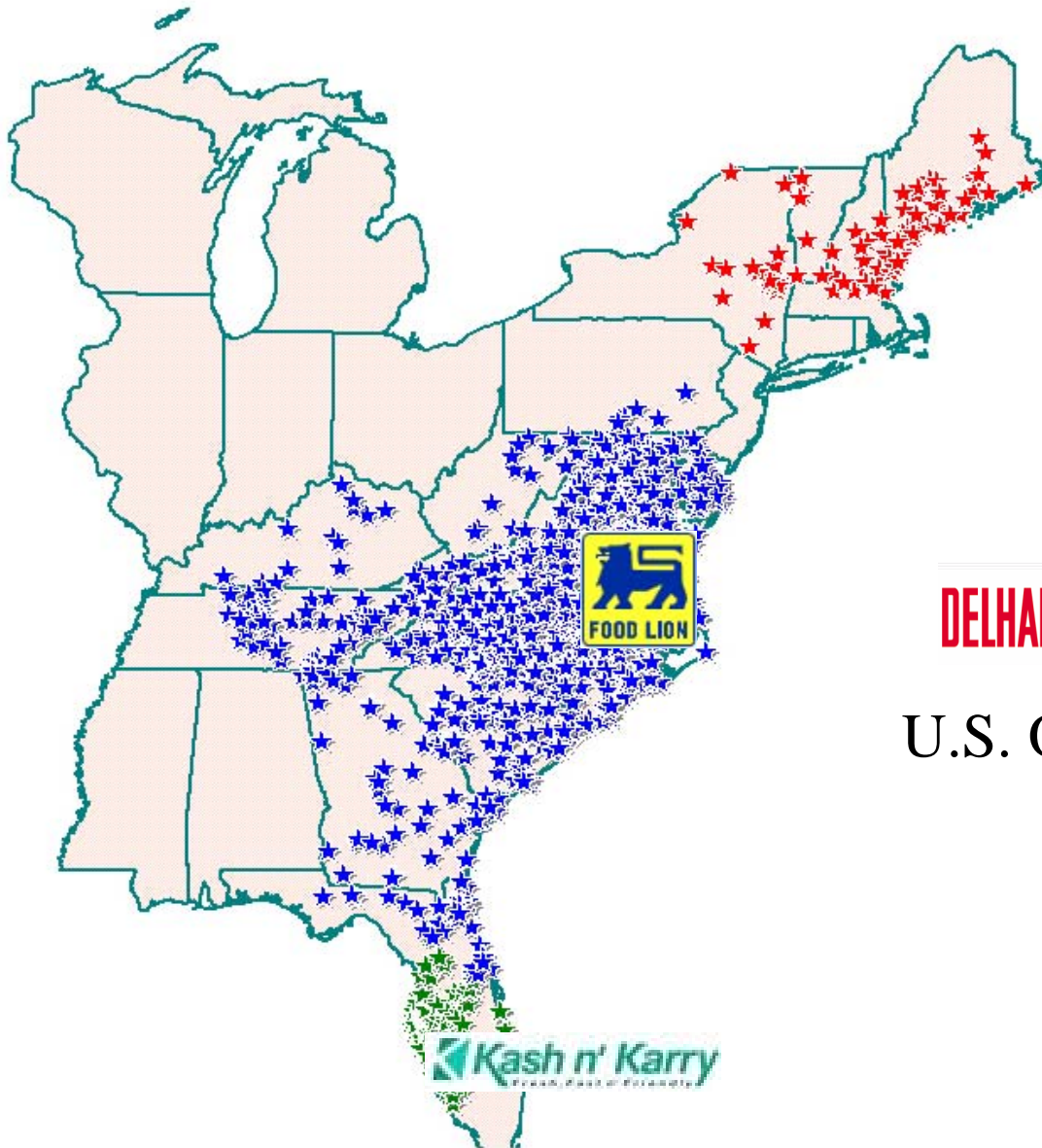
Hannaford

Consumer Driven Healthcare

Peter Hayes

Hannaford Bros. Co.

September 15, 2003



- Largest northeast supermarket chain

- 5 New England States

DELHAIZE  GROUP

U.S. Operations

- 20,000 associates

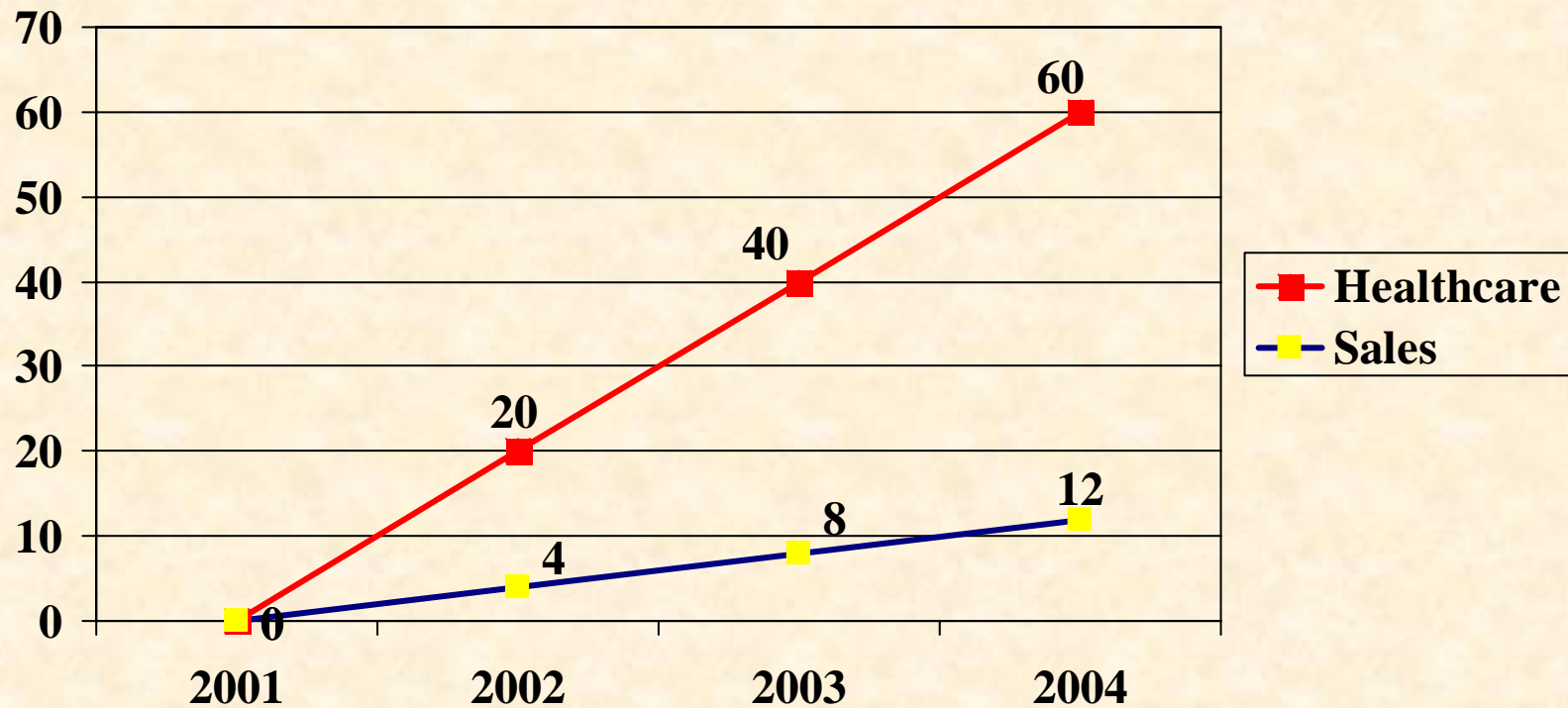


Kash n' Karry
Fresh. Fast. Forwards.



Healthcare Environment Current Climate

Accumulated Percentage Increase



Health Care Environment

“Quality of Care”

“Crossing the Quality Chasm”





advantage

Chicago Tribune
— ONLINE EDITION —

- **Low quality health care in the U.S. is costing nearly \$400 billion a year, or about 30 percent of the total \$1.3 trillion spent annually on medical expenditures in the U.S., according to a study to be released Tuesday in Chicago.**

- **From medical errors and unnecessary treatments to misused drugs and bureaucratic waste, new research suggest such problems compromise quality medical care and each year cost private employers between \$1700 and \$2000 per insured worker.**



Institute of Medicine Report – *March 2001*

- “The US healthcare system is **in need of fundamental change**...Healthcare today harms too frequently, and fails to deliver its potential benefits routinely”
- “The performance of the healthcare system varies considerably. It may be exemplary, but often is not, **and millions of Americans fail to receive effective care.**”
- “A highly fragmented delivery system that **largely lacks clinical information capabilities** results in poorly designed services characterized by **unnecessary duplication of services** times and delays.”



ACTIVE HEALTH
MANAGEMENT



Hannaford

The New Paradigm





Health Care Environment

The Future: A New Partnership

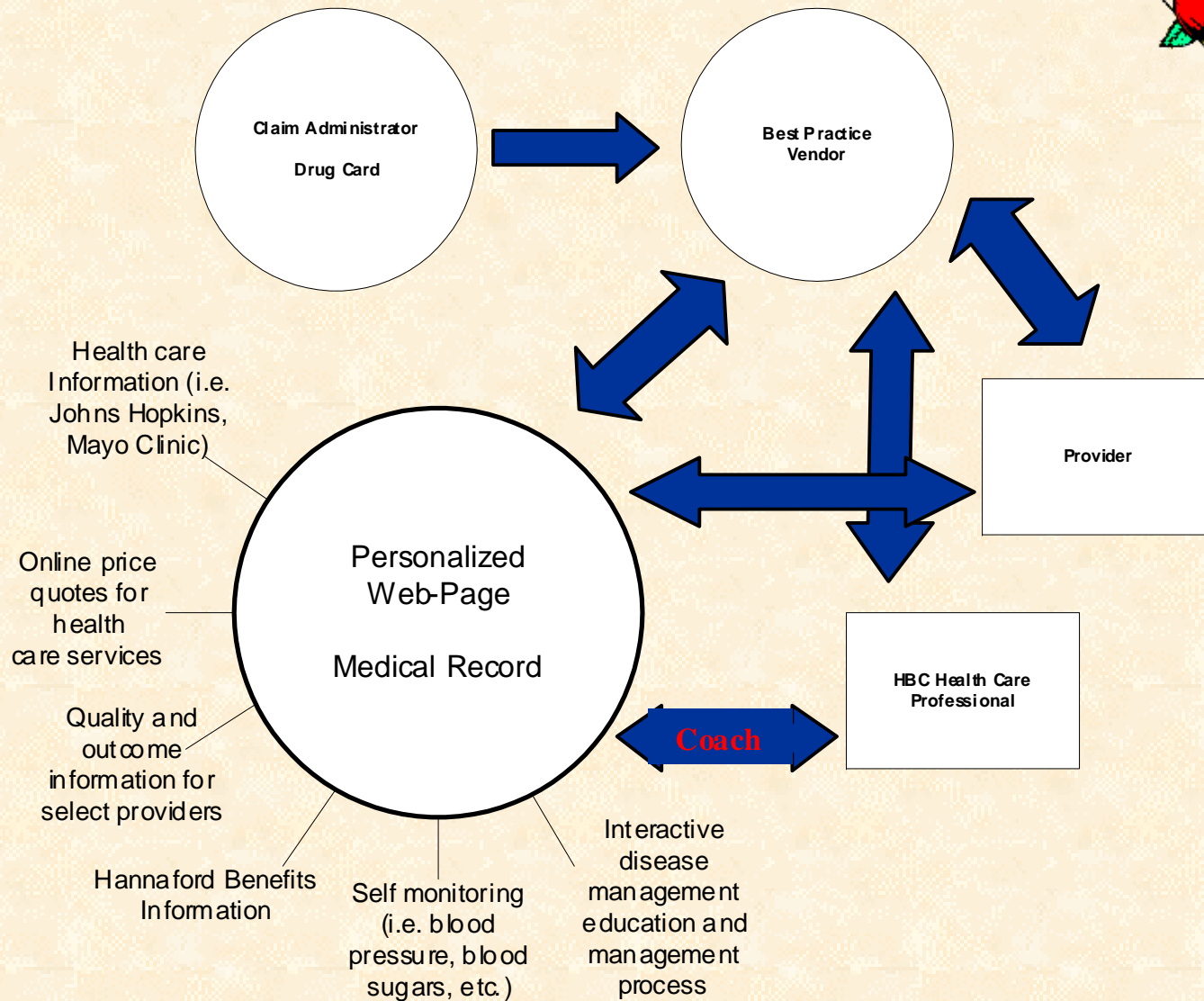
Strategy

Partner with providers (physicians, hospitals, plans, care systems, communities, etc.) to leverage benefit design, technology and information systems to achieve the following:

- Focus and identify “best practice protocols” to achieve better and more consistent outcomes.
- Connectivity between the patient, health care providers and Hannaford’s Wellness Resources.
- Create incentives to encourage associates to select and utilize the highest value providers (as measured by quality and price considerations).

Health Care Environment

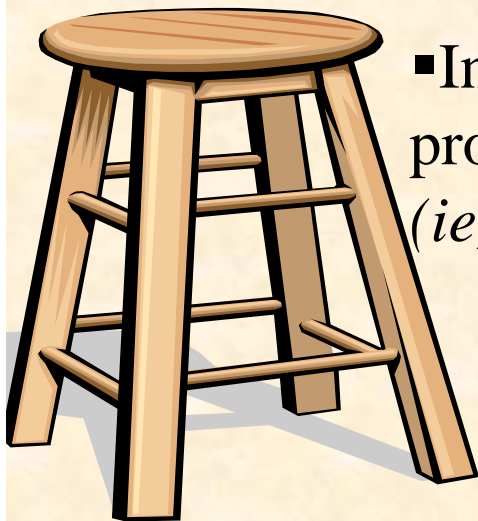
The Future: A New Partnership





Patient Centric

- Delivery evidence based medicine (*AHM, PKC knowledge couplers, etc..*)
- Patient coaching/mentoring to fully informed decision making about treatment paths (*i.e., Health Dialog etc..*)
- Information about outcomes and costs of individual providers/facilities for the selected treatment option (*ie, Healthgrades, subimo, healthshare, etc..*)





Actual Results of Consumer Driven Plan

Enrollment, retention and growth has exceeded expectations, showing employee responsiveness to consumer-driven healthcare

- 17% enrollment 2002
- 25% enrollment 2003
- 92% member retention from 2002 much higher than Hannaford norm
- Most lost members left Hannaford vs. switching plans



Actual Results of Consumer Driven Plan

Demographics:

- 18% larger contract size (*2.4 versus 2.0*)
- 9% lower average age (*29.5 versus 32.4*)
- 3% higher female population



Actual Results of Consumer Driven Plan

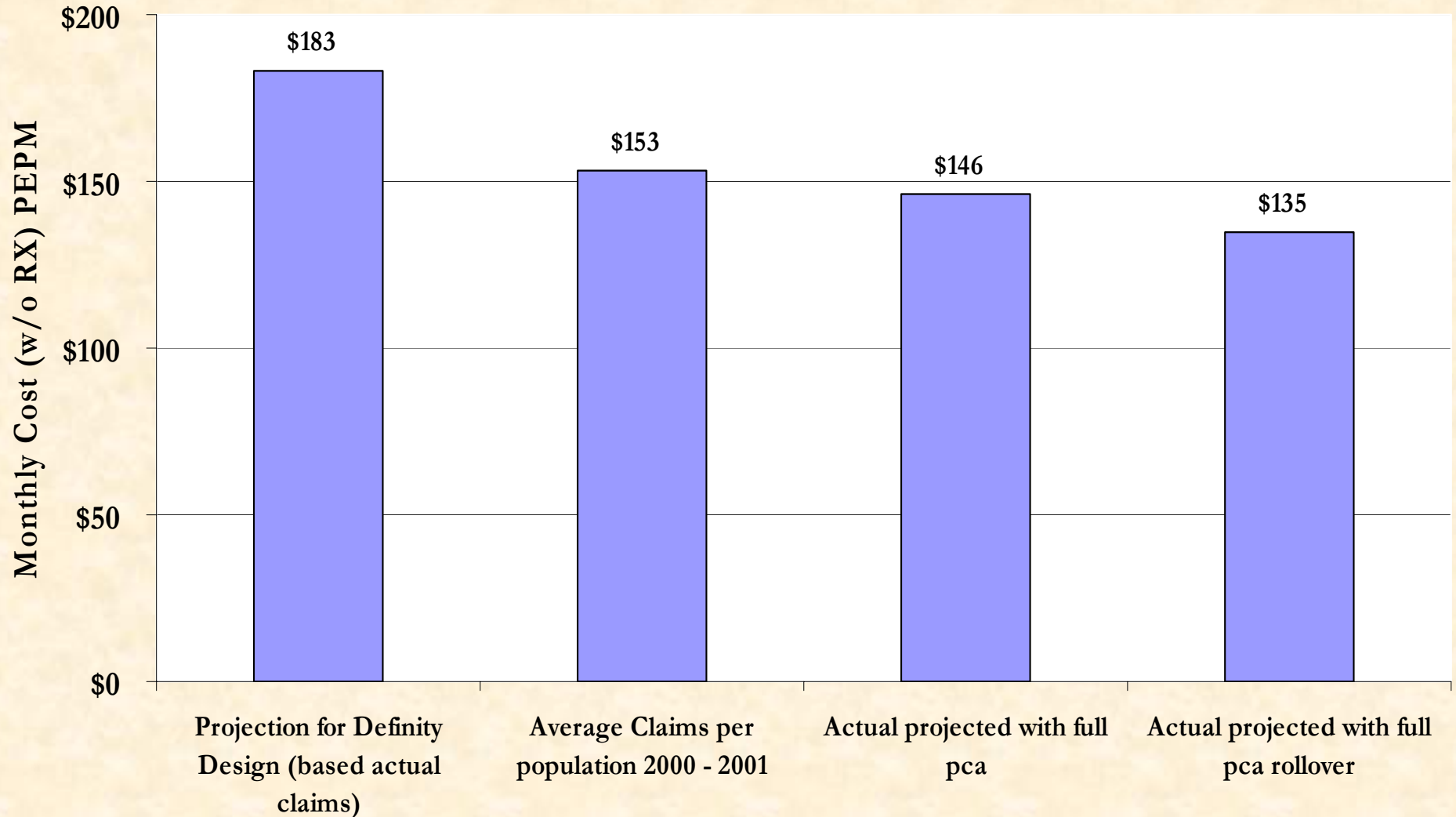
Claims:

- 22% higher utilization maternity and newborn services
- 10% higher usage preventative services especially prostate and cervical cancer screenings
- Prior claims experience was 38% lower than the average
- 2002 Claim trend for non-Definity only 8%



2002 Hannaford Experience

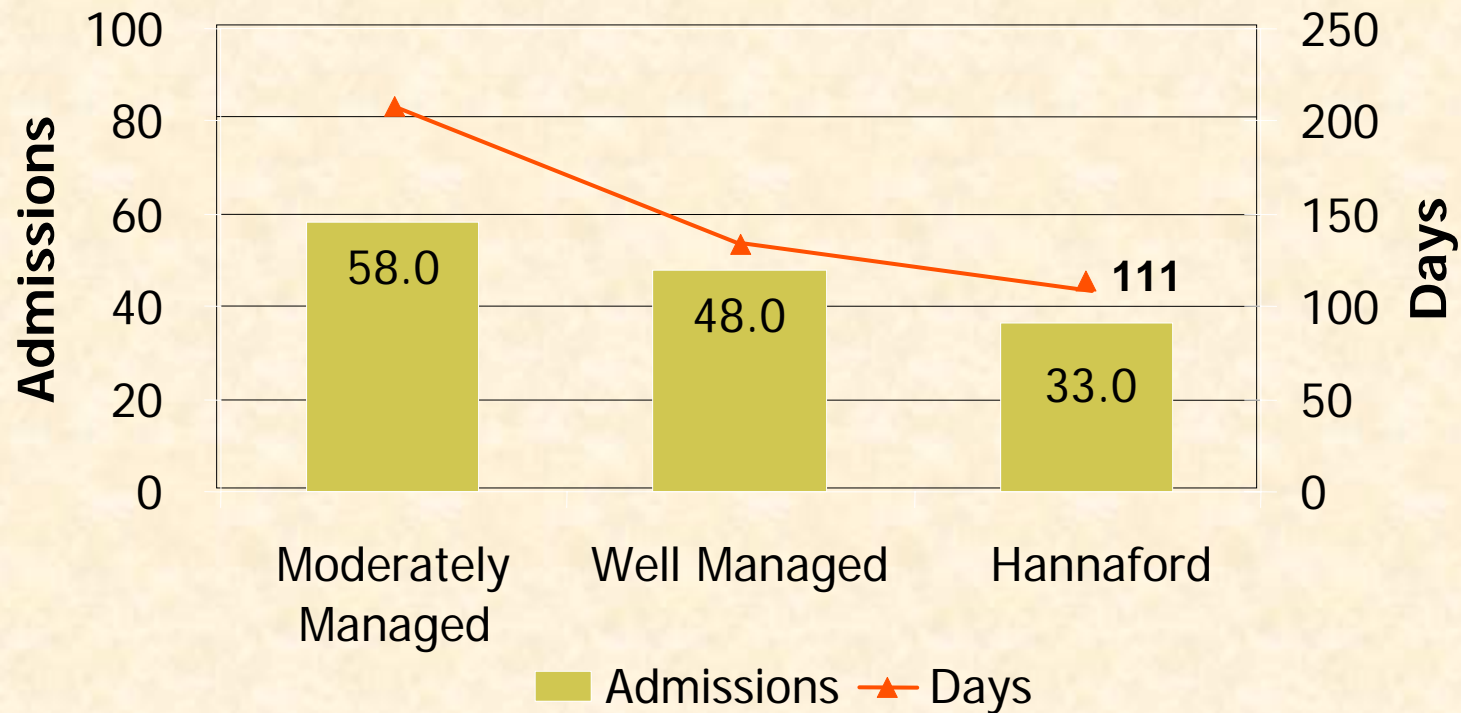
(based claims thru 6/30/02)





Plan Design Is Not Driving Higher In-Patient Utilization

2002 Hospital Utilization per 1,000





Consumer Driven Healthcare

Final Observations

- Highest employee satisfaction with plan and benefit offering
- Creates win-win scenario. Increased consumerism saves employer and employee money
- Additional analysis needed to determine if quality of care is impacted.