

Principal *HealthyEdge*SM

Understanding Wellness and Improving Employee Health





Welcome to Principal Wellness!

Welcome to the Principal Wellness Company! Principal Wellness implemented its first employee wellness benefit in 1992. Since that time, we have been leading the industry in developing proven wellness programs and documenting their effectiveness at improving health and lowering overall claims costs. Today, the marketplace looks to Principal Wellness for innovative wellness solutions and comprehensive data analysis of the impact of wellness initiatives on employee health and claims trends.

This toolkit is a reference guide for “understanding wellness” and its potential for improving employee health and reducing claims. It provides a working knowledge of today's wellness environment as well as introduces the Principal *HealthyEdge*SM program and its proven techniques.

Our wellness products and services give you The Health Edge[®] and offer you a complete wellness solution.

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Why Wellness?

Health care costs are spiraling out of control. Without dramatic changes, employers could be facing double-digit cost increases for the foreseeable future. Employers are under increasing pressure to find ways to reduce health benefit expenses while increasing employee productivity. Savings from managed care programs have run their course. Many employers see cost shifting and benefit redesign as their only options, but these short-term fixes can strain the relationship between employer and employee. Significant, long-term savings will only occur when member health is actually improved.

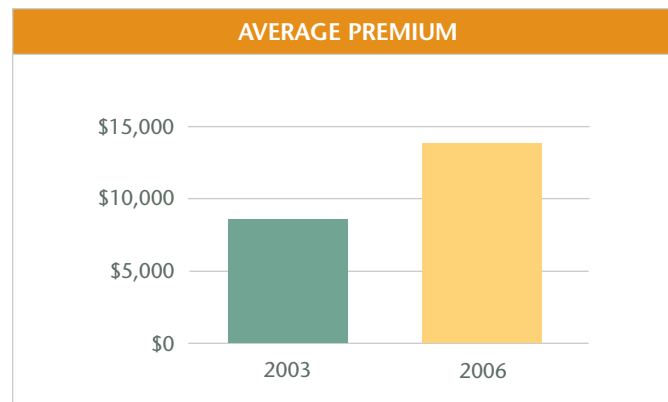
Employer health care issues and challenges

Rising health and medical costs – according to 2003 projections from the National Coalition of Health Care, the average health insurance premium for employer-sponsored family coverage is projected to increase from \$9,160 in 2003 to \$14,545 in 2006.¹

Increasing worker demands – Employers are facing a shortage of new workers entering the workforce and at the same time, the employee population is aging, which brings with it many health issues. Add to this the pressure that employers need continual productivity increases from their employees in order to stay competitive.

Limited health management alternatives –

- The prospect that managed care will continue to constrain health care costs is highly questionable.
- Employers are shifting health insurance increases to employees, which is hurting employee relations and making it difficult to recruit and retain top talent.



The increasing prevalence of chronic illness – From research on our own business, we have learned that claims resulting from chronic illness are a significant driver of health care cost increases. Chronic illness also impedes workers by increasing absenteeism and decreasing their productivity.

Obesity – According to the Centers for Disease Control, in the year 2003 alone, the total cost of obesity in the United States was estimated to be \$78.5 billion.²

In addition, the CDC's Health-E Stats for 1999-2002 show that 64% of adults in America age 20 and over are overweight or obese.³

Diabetes – The incidence of diabetes and its effects on our health care system have been on the increase in recent years. The National Diabetes Clearinghouse states that:

- Each year, approximately 798,000 people are diagnosed with diabetes.
- Diabetes is a leading cause of death and disability, and costs \$92 billion per year in direct medical costs.⁴

Heart disease – In 2002, there were 23 million adults diagnosed with heart disease according to the Centers for Disease Control Summary Statistics for U.S. Adults.⁵ The CDC also reports Heart Disease as the number one cause of death in the United States.⁶

Preventable, but not prevented

While all of these diseases are to some extent preventable and/or treatable, current health protocols are not adequately addressing the problem. And because these often preventable diseases represent a large portion of the claims costs incurred, employees at high-risk for chronic conditions represent the greatest potential for future medical claim savings. In short, we believe the most effective way to control claims costs is to prevent claims from being incurred through overall health improvement. Consider these facts from the Principal Wellness participants for 2003:

- 40%-50% of adult participants are at high-risk of developing chronic health conditions
- Approximately 18%-28% are driving current claims
- Approximately 20%-25% will drive future claims

Wellness programs defined

Many employers mistakenly believe they already have a wellness program in place. Unfortunately, these approaches are often just “feel good” activities promoted under the guise of “wellness.” Employers may feel good about efforts to help their employees, but frequently the programs are not very effective in addressing the needs of high-risk employees and in reducing claims. Reduced claims equate to decreased absenteeism, increased productivity, increased morale and higher health benefit satisfaction.

What is wellness?

According to the National Wellness Institute, “Wellness is an active process of becoming aware of, and making choices toward, a more successful existence.” There are several key ideas in this definition that denote a bona fide wellness program:

An Active Process – Participants must be actively engaged and involved in the wellness program. If employees don’t participate, the program has *no chance* of succeeding. Our many years of experience in motivating employee participation are key in actively involving employees in the process.

Aware and Making Choices – Education is the single most important factor in any wellness program. Through years of research, we have identified “teachable moments” – periods when education and behavior modification have the greatest chance of success. Our process engages employees during these “teachable moments” helping them to become aware of potential risks and to make healthy choices.

Successful – We define success in two ways:

1. Did the program improve the health and welfare of the participant? Our studies validate our achievements in improving clinical risk factors among our participants. And we’ve heard from our participants about how our programs have saved their lives and thwarted or minimized their diseases.
2. Did the program reduce claims and provide a benefit to the employer? It takes thorough, detailed analysis to determine the effectiveness of a wellness program, and we enthusiastically dedicate time and resources to the studies that ensure the success of our programs.



Incomplete wellness efforts

To understand a bona fide wellness program, it is helpful to understand what it is not:

- It is not a health fair
- It is not a health questionnaire
- It is not a fitness facility
- It is not a nurse line

While these programs are valuable in their own right, it is easy to see that they lack the features and qualities that denote a complete wellness program. Employers who invest solely in these types of approaches often become frustrated when the programs don't live up to their promise and fail to deliver a positive impact on their employee benefits program.

Incomplete wellness programs often fail to deliver a positive impact.

The Principal Wellness approach

In terms of employee health benefits, employers need all the help they can get, and Principal Wellness Company has a solution. A solution that:

- Is a true win-win for the employer and the employee.
- Reduces claims and can reduce absenteeism, increase productivity and boost morale.
- Offers employees a benefit that could quite literally save their lives.

Claims savings aside, our solution is the right thing to do for employers who are concerned about the well-being of their employees. Among other things, Principal Wellness is instrumental in:

- Identifying risks of future health problems and associated high costs.
- Helping people become ready to change.
- Increasing the likelihood of a net positive change in risks.
- Lowering risks resulting in lower medical costs and better health over time.

Since 1992, we have carefully examined our process and extensively researched our client base through long-term studies and actuarial analysis – and we know what works!

A four-step process

To be truly effective, a wellness program must include certain critical components. By incorporating these components into a four-step process, we have created a comprehensive initiative that addresses overall health and helps participants manage the conditions with the highest risk of claims.

- **Observation and Evaluation** – We observe and evaluate participant’s current health through an on-site screening and health risk analysis questionnaire.
- **Targeted Health Management** – Individuals with major health risks receive additional attention with the *Take Charge* program.
- **Counter-Marketing and Education** – We help counter the marketing hype that promotes unhealthy lifestyles with solid educational material.
- **Actuarial Reporting, Administration and Management** – Our analyses allow each company to see where its employee wellness is, where it needs to go, and, over time, where it has been.

PRINCIPAL HEALTHYEDGESM

STEP 1: OBSERVATION AND EVALUATION	STEP 2: TARGETED HEALTH MANAGEMENT PROGRAMS
<p>On-Site Health Screening (Approximately 30 minutes per person) including:</p> <ul style="list-style-type: none"> • Health Risk Analysis Questionnaire (with stages of change model) • Blood sugar • Lipid profile/cholesterol • Blood pressure • Heart rate • Low back and hamstring flexibility • Height and weight • Body composition analysis • Immediate written results from questionnaire, health screening and body composition • Immediate private one-on-one consultation of all health screening results 	<p><i>Take Charge Home-Based Targeted Intervention Program</i> (for high-risk health conditions)</p> <ul style="list-style-type: none"> • Targets four high-risk health conditions: cholesterol, blood pressure, blood sugar, weight • Risk-specific interactive workbook (sections with education, recipes, charts and logbooks, etc.) • Outbound phone calls or e-mail from personal consultant (total of four outbound sessions) • Two page high-risk monthly newsletter • Consultant access by toll-free telephone number and e-mail <p>Dedicated Quitline[®] from the American Cancer Society giving participants access to tobacco cessation counseling</p>
STEP 3: COUNTER – MARKETING AND EDUCATION	STEP 4: REPORTING ADMINISTRATION AND MANAGEMENT
<p>Directed to home</p> <ul style="list-style-type: none"> • <i>Words of Wellness</i> monthly newsletter • Online educational suite (lifestyle and health education, newsletters, links, etc.) <p>Directed to worksite</p> <ul style="list-style-type: none"> • On-site or video orientation seminars (first year of the program) • <i>Healthy Bytes</i> bi-weekly wellness education (e-mailed to wellness coordinator for distribution by e-mail, payroll stuffer or internal mail) • Quarterly health awareness campaigns (focus on men, women, family and holidays) • Monthly National Observance Newsletter (sent to wellness coordinator) 	<ul style="list-style-type: none"> • Group Aggregate Report that provides summary analyses of employee health and areas of concern and tracks changes and improvements year after year • Analysis of medical claims impact • Responsive customer service and consulting from a client dedicated wellness account manager • Year-long calendar of scheduled programs and events • Communication and wellness promotion design assistance

Five major stages in changing lifestyle and behavior

Prochaska stages of change model

In addition to our four-step process, we integrate awareness of the Prochaska Stages of Change Model[®] into everything we do. Through this, we know that when beginning a wellness program, less than 20% of any high-risk population is ready to take action regarding their health. Unfortunately, in the United States more than 90% of behavior change programs are designed to begin with immediate action. That means individuals in early stages of change who are not ready to take action are participating in “action-oriented” programs. This ultimately translates into failure, frustration and high dropout rates!

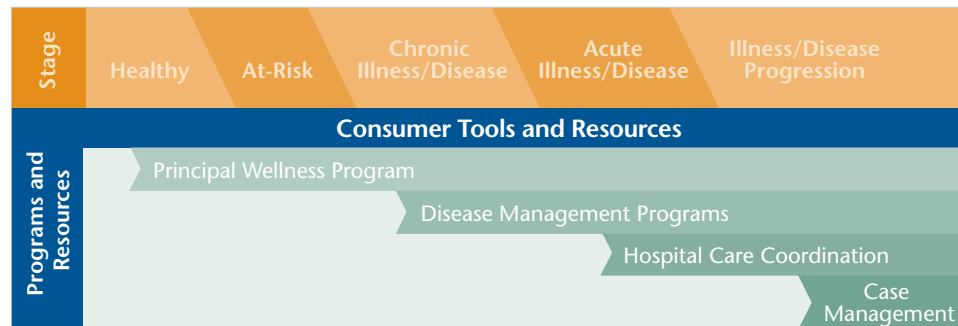
But Principal *HealthyEdge*SM is different! Based on Prochaska, we utilize five major stages through which participants pass on their way to making lifestyle and behavior changes. Our program identifies the stage at which a person is regarding each major area of health – exercise, diet, weight, smoking cessation, etc. – and provides helpful consultation and information that makes the most sense to the individual. Principal Wellness technicians, counselors and coaches are trained and certified in identification and counseling using the Prochaska Stages of Change Model.

STAGE OF CHANGE	MINDSET/INTENTION
Pre-contemplation	Not thinking of change
Contemplation	Seriously thinking of change within the next six months
Preparation	Getting ready to make a change within the next month
Action	Actively making the change
Maintenance	Made the change and maintaining change for greater than six months

Continuum of care

Principal *HealthyEdge*SM is an important component of a coordinated health improvement strategy. An integrated healthcare continuum addresses a broader spectrum of conditions while touching 100% of an employee population, enabling better outcomes and increased cost control. Data is examined using data mining and predictive modeling to quickly detect situations and initiate programs that help members control illness and contain costs. Plus, the programs build upon each other and add resources to address the most serious and costly conditions.

Health Care Continuum



Principal *HealthyEdge*SM coordinates well with other health benefit programs. As a member of the Principal Financial Group, Principal Wellness can increase its effectiveness by integrating its services with employee benefit programs offered by Principal Life Insurance Company. Employers benefit from a seamless integration of services that address many aspects of participant health and achieve optimum health management synergy.

The Principal Wellness difference

The Principal Wellness Company succeeds in its mission of improving employee health and reducing claims because of the unique features we bring to every client situation. A number of key components differentiate our program from others and significantly improve our results.

Experience – For over a decade, Principal Wellness has documented the measurable benefits of health promotion and integrated this knowledge and understanding into every program and process.

Broad Focus – Our services are built around understanding client needs and serve both high- and low-risk groups. We have a significant history of not only reaching, but also exceeding program goals, and demonstrating consistent success for both blue and white-collar work forces.

Prochaska Stages of Change – When changing health-related behavior, people follow a recognized path through clear and identified stages. We create and sustain positive change by effectively incorporating this awareness into our training, program design, and direct involvement and intervention.

Actuarial Foundation – Principal Wellness' in-house data analysis staff helps to structure programs that align with documented health and population trends. Our programs and services are based on hard evidence and a solid foundation – not simply theories.

Immediate Reports – At the end of the health screening, a personalized written report is immediately generated that supports the need for behavior changes. Principal *HealthyEdge*SM participants receive these results in person, immediately following their tests.

Immediate Private Consultations – Participants in the Principal *HealthyEdge*SM program receive a personal, confidential, one-on-one consultation with a trained health professional immediately following their health screening. For participants in the highest risk groups, dialogue continues via phone and e-mail. This maintains the direct engagement and personalized support that leads to positive change.

Take Charge Home-based targeted intervention for high-risk participants – Based on our studies, 40 to 50 percent of an average employee population is at high-risk for chronic illness. Some members drive current medical claims while others will drive future claims. To improve risks, it is imperative that these participants receive the motivation and the extra resources they need. Our *Take Charge* program specifically targets this high-risk group. This program is proven to be effective at reducing risk and keeping participants from developing disease or illness.

Counter-marketing and education programs – The American public is constantly bombarded with marketing that pushes unhealthy lifestyles. Countering these messages and promoting lifestyle behavior change needs continued reinforcement through various communication methods that are provided to everyone in the employee’s household. Our counter-marketing materials provide consistent, relevant messages to educate and motivate participants.

Other targeted programs – Targeted programs from highly qualified third-party vendors, such as home-based smoking cessation, chronic disease management, and others, are important add-ons that help participants address a specific condition or disease.

Confidentiality – Health issues are private matters, and we have a deep, organizational respect for the privacy of each participant.

Company Structure – As a member of the Principal Financial Group, Principal Wellness is structured for responsive service and providing sound wellness information for our clients and their employees. A coordinated team of managers, service representatives and schedulers is assigned to each Principal Wellness client. And our professionals have four-year health degrees.

The advantage to companies

The Principal Wellness program is a good business decision. It provides a business approach to an increasingly critical business problem. Here are some things to keep in mind when considering implementing Principal *HealthyEdge*SM.

A valuable service that has been shown to lower claims expenses – Healthier employees will translate into better claims experience. Principal *HealthyEdge*SM is a complete wellness strategy, proven effective through years of studies. This is a great value-added feature to any health benefits program.

The many benefits of improved employee health – In addition to reduced claims, the company will also enjoy the many other benefits that come from healthier employees, including decreased absenteeism, increased productivity and higher morale.

Outstanding service and support – We guide the company through all steps of our program. We provide orientations (on-site or video) that answer employees' questions, and put to rest concerns they might have about the health screenings. We know which methods are effective for increasing employee participation. And we know how to help companies understand and use the information we provide on the health status of the employee population.

Improvement is cumulative – The positive effects of Principal *HealthyEdge*SM are cumulative. Taking action now is the best way to head off the chronic conditions that will inevitably affect employees in the future.

Results that speak for themselves – The Principal Wellness program has a proven track record, and the results are outstanding. We get people to participate, and more importantly, we know how to get them to improve their health. Our studies validate our processes, and few competitors can match our wealth of knowledge and proof of effectiveness.

The advantage to employees

The Principal Wellness program is a win-win program for companies and employees. Employees reap a number of advantages.

Add tremendous value to health benefits – Employees quickly understand the value of the program and appreciate the additional benefit. When many companies are scaling back employee benefits, Principal *HealthyEdge*SM is an opportunity to enhance benefits and prove your company is investing in its people.

Improve lives – Participants tell us that the Principal Wellness program has improved, and even saved, their lives. We know we can help people, help control costs, and help save lives – all while giving another valuable benefit to companies and employees.

Alignment with health benefits – Principal *HealthyEdge*SM is an important addition to, and aligns with, other health benefit and health management programs. By reaching 100% of an employee population and targeting at-risk individuals, we can have a tremendous impact in keeping participants healthy.

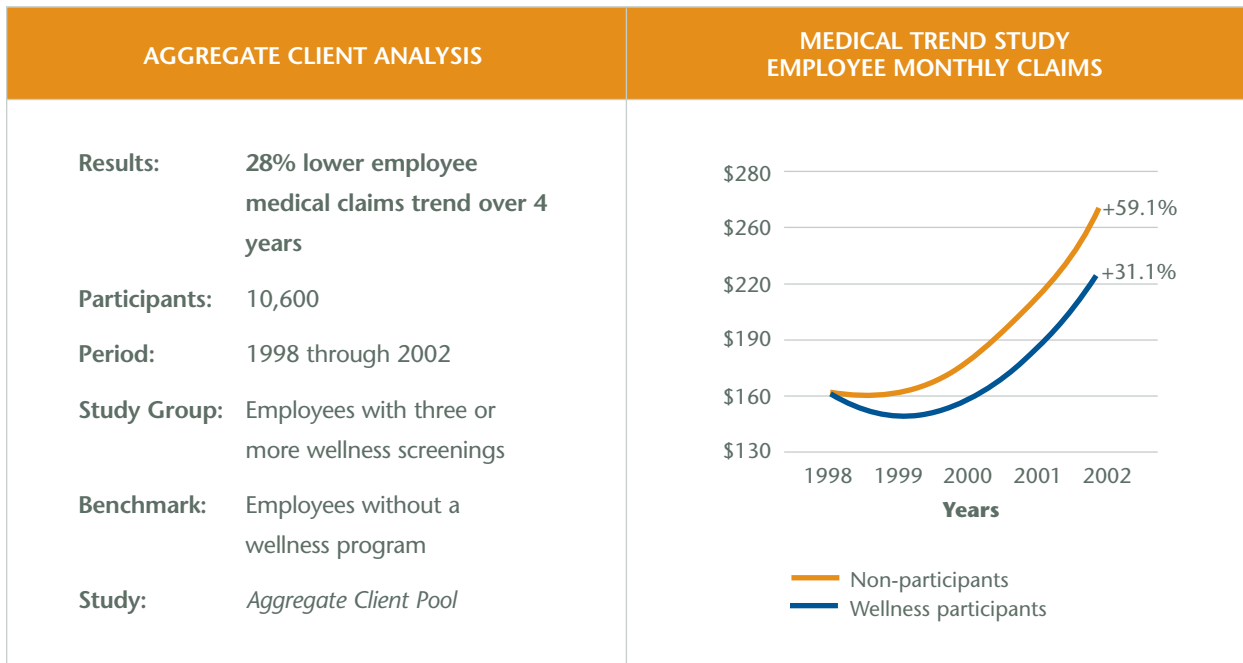
Professionalism that reflects well on the company – The company can feel secure in the fact that it is offering a quality program. We have been in the “wellness business” since 1992, and our screenings are professionally run by appointment, in an orderly fashion. We are fully aware of potential employee concerns or fears and make every effort to insure participants are comfortable with the process and leave the screening feeling empowered to make informed health care decisions and wise health-related choices.

Proving the results

Principal Wellness significantly differentiates itself from other companies through our ability to draw from verified clinical and financial evidence that enhances the effectiveness of our programs. We continuously evaluate our techniques through comprehensive studies and analyses. We know our wellness program works and we have the studies to prove it!

Case study summaries

Our case studies track our program's impact on claims and other important factors. Principal Wellness can clearly demonstrate the value our Wellness program has delivered to our clients through extensive case studies.



Study comparing claims of Principal Wellness participants with 3 or more health screenings to non-screened individuals.

INDIVIDUAL GROUP ANALYSIS

<p>Results: \$45.39 gross savings per employee per month \$4.61 return for every \$1.00 invested</p> <p>Participants: 1,297 employee lives</p> <p>Period: 2001 through 2004</p> <p>Study Group: Employees with 3 health screenings</p> <p>Benchmark: Employees with 0 health screenings</p> <p>Study: <i>Aggregate Client Analysis¹</i></p>	<p>Results: 12% lower medical claims trend</p> <p>Participants: 462 employee life group</p> <p>Period: 2001 through 2003</p> <p>Study Group: Employees with 2 health screenings</p> <p>Benchmark: Entire block average</p> <p>Study: <i>Client Analysis</i></p>
<p>Results: 23% lower medical claims trend \$2.64 return on investment</p> <p>Participants: 460 employee life group</p> <p>Period: 2001 through 2004</p> <p>Study Group: Employees with 3 health screenings</p> <p>Benchmark: Employees with 0 health screenings</p> <p>Study: <i>Client Analysis</i></p>	<p>Results: 4.0% average lower loss ratio – white collar workers 9.6% average lower loss ratio – blue-collar workers</p> <p>Participants: 6,300+ employee lives</p> <p>Period: 1993 through 2004</p> <p>Study Group: Employer groups with a wellness program</p> <p>Benchmark: Employer groups without a wellness program</p> <p>Study: <i>Trade Association, White and Blue Collar</i></p>

¹ Single employer clients implementing the wellness program in Q4 2001 or Q1 2002. Based on employee medical claims excluding drug coverage's for employees eligible from 2001 to 2004. Excludes claims per employee per year over \$100,000.

TARGETED INTERVENTION – CLINICAL ANALYSIS

Results: 23% improved cholesterol by 15% or more
38% improved LDL cholesterol by 15% or more
27% improved HDL cholesterol by 15% or more
21% improved body fat by 15% or more

Participants: 1,885 employee lives

Period: 2002 through 2004

Study Group: Participants enrolled in the *Take Charge* program

Benchmark: 2002 results for Study Group

Study: *Aggregate Client Analysis*



Endnotes

- ¹ Simmons, H. E. and M. A. Goldberg. "Charting the Cost of Inaction." National Coalition on Health Care, May 2003.
- ² Finkelstein E, Fiebelkorn I, Wang G. "National medical expenditures attributable to overweight and obesity: how much and who's paying?" *Health Affairs*. 2003;W3:219-226. Cited in Finkelstein, January 2004
- ³ United States. Centers for Disease Control and Prevention. National Center for Health Statistics. "Overweight Prevalence." Fast Stats A to Z. July 22, 2005. <http://www.cdc.gov/nchs/fastats/overwt.htm>
- ⁴ United States. National Diabetes Information Clearinghouse. National Diabetes Statistics. "Cost of diabetes in the United States, 2002." National Estimates on Diabetes. 22 July 2005 <http://diabetes.niddk.nih.gov/dm/pubs/statistics/index.htm#14>
- ⁵ United States. Centers for Disease Control and Prevention. National Center for Health Statistics. "Heart Disease." Fast Stats A to Z. 20 July 2005. <http://www.cdc.gov/nchs/fastats/heart.htm>
- ⁶ United States. Centers for Disease Control and Prevention. National Center for Health Statistics. "Death/Mortality." Fast Stats A to Z. June 2, 2005. 20 July 2005. <http://www.cdc.gov/nchs/fastats/deaths.htm>.
- ⁷ Finkelstein E, Fiebelkorn I, Wang G. "National medical expenditures attributable to overweight and obesity: how much and who's paying?" *Health Affairs*. 2003;W3:219-226.
- ⁸ Prochaska, James O., Norcross, John C., and DiClemente, Carlo C. *Changing For Good*. New York: Avon Books. 1995.

The Principal[®]

Principal Wellness is a member of The Principal Financial Group[®] (The Principal[®]). The Principal is a family of insurance and financial services companies. Our insurance companies focus on providing employee benefit solutions.

Our focus

- **Strength & Integrity**
- **Outstanding Customer Service**
- **Superior Local Sales and Service Support**
- **Technology Driven**
- **“Easy to Do Business With” Philosophy**
- **Broad and Competitive Product Portfolio**

Principal Wellness Company does not diagnose or treat any medical condition. The Principal Wellness Program is not part of any Principal Life group medical insurance policy. Improved health and reduced costs are not guaranteed. Your group results may vary.

FOR MORE INFORMATION

For more information about Principal *HealthyEssentials*, please contact your Principal Wellness sales representative, or: Phone: (800) 354-1721. Visit our website at: www.principal.com



WE'LL GIVE YOU AN EDGESM

Principal Life Insurance Company, (800) 354-1721, www.principal.com/wellness