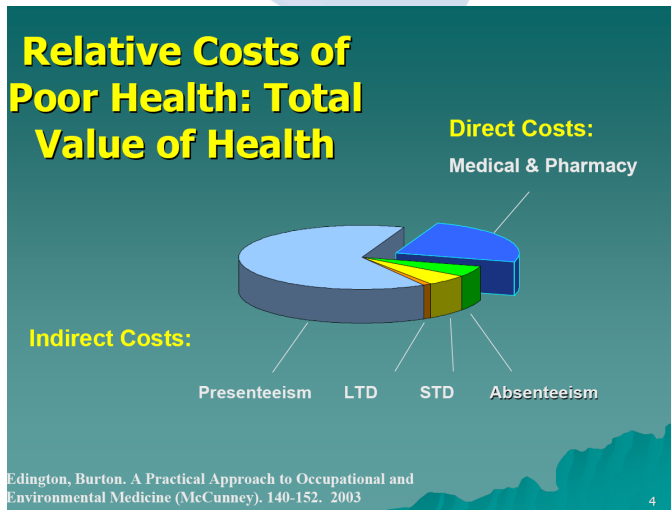


INVESTING IN HEALTHCARE

WHERE TO SPEND CORPORATE HEALTHCARE DOLLARS

Corporations face rising group plan premiums, an aging workforce and labour shortages. While Cancer and Cardiovascular disease drive Canadian Medicare costs, the incidence of these and other critical illnesses in the working population is relatively low, (< 5/1,000). Their impact on total corporate healthcare costs is far less than one would intuitively expect.

The largest drivers of corporate healthcare costs are the indirect costs; those high incidence medical issues, which fall beneath the radar of employers and group plans since they are ill-equipped to recognize, let alone deal with them.



To address the issues of rising health related costs, a wide choice of healthcare programs have been brought to market. The value of these programs is measured on three scales;

- Employee Satisfaction/Goodwill
- Return on Investment
- Scope of Use - how many employees make use of the service

Corporate decision makers must first determine their priorities in terms of these three areas, and then spend accordingly.

ANNUAL WELLNESS EXAMS



Over the past twenty years employers have invested in wellness in the form of comprehensive annual physical exams for senior management. The purpose of these annual exams is to identify potential problems in an otherwise healthy individual before they develop into illness or disability.

Executive Annual Physical Assessments include a written questionnaire and physical exam performed by a Family Physician or Internist, blood tests, stress test, hearing, respiratory and visual acuity tests, imaging and X-rays, dietary consults and others.

For an acute problem requiring a specialist opinion, the clients of wellness providers are simply referred or squeezed in to see a colleague in the public system, order tests and schedule a follow up, ie simply faster - no more efficient or engaged and questionably more effective.

Annual Wellness Exams have been part of the corporate landscape for close to 20 years and are seen as a perk by executives. These programs occasionally provide early detection of serious illness. The extremely low incidence of these findings makes for a very low ROI.

GROUP PLAN



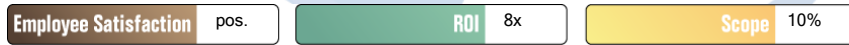
Throughout the 1970's, relatively low cost group plans effectively served the healthcare needs of employees and the goodwill and recruitment/retention needs of plan sponsors. These group plans perfectly complemented the expanding and efficient Canadian public health care system.



Group plans were designed to provide collective funding for healthcare expenses not covered by provincial healthcare plans. This brings employee satisfaction to those employees whose usage exceeds the value of their contributions. As 80% of benefits are consumed by 20% of beneficiaries, overall, employee dissatisfaction has risen as rising costs have forced plan sponsors to reduce the benefits within the group plan.

Group plans were designed for employers and employees to collectively pay for non-Medicare healthcare expenses. They provide access to resources at the discretion of the employee and their physician. There is no mechanism in place to manage the use of these resources for optimal ROI.

EMPLOYEE ASSISTANCE PROGRAMS



During the early 1980's, the impact of stress and mental health issues on workplace performance was identified. This niche was addressed by introduction of Employment Assistance Programs and their integration with group employment benefits.

Over the past 25 years, EAP's have successfully complemented the public health-care system and have been integrated into many group plans to provide beneficiaries with short term mental health intervention and a return on productivity to plan sponsors.

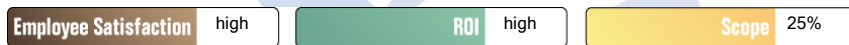
EAP's provide employees access to short term mental health intervention to reduce stress and anxiety. Resources for substance abuse, gambling, legal and financial difficulties may also be accessed.

Most EAP's provide a defined amount of counselling sessions with subsequent referral to community based resources (an additional cost to the group plan).

EAP's have been widely adopted by corporations who recognize the value of employee driven early intervention to reduce the fiscal impact of presenteeism and absenteeism.

EAP's have a 10% annual utilization rate and an ROI of 8 times. For this segment of the employee population, EAP's bring a productivity benefit.

HEALTHCARE PRODUCTIVITY MANAGEMENT



Existing wellness programs target cancer, heart disease and other low-incidence medical conditions. Plan sponsors and HR managers increasingly understand the role of the hidden high-incidence 'minor' issues in driving presenteeism, indirect costs and corporate health costs. The widespread but largely invisible nature of these conditions renders plan sponsors and HR managers powerless in reducing their impact.

Healthcare Productivity Management is a unique per-employee per-month program to screen, identify, address and resolve all medical problems, minor to major. By effectively & efficiently addressing these problems in an engaged manner, MedExtra reduces both employee distraction and the costs of lost productivity, absenteeism and disability.

Plan sponsors realize an immediate and ongoing return on investment through increased productivity, diminished absenteeism and disability, and a reduction in redundant group plan use.





PREVENTION/SCREENING

Employee Satisfaction	pos.	ROI	neg.	Scope	<30%
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The prevention of disease and its clinical progression have been well described and can, over a period of time measured in decades, be cost effective in reducing societal healthcare costs.

Corporate prevention programs for a wide variety of medical conditions are offered to Canadian businesses. The stated goals of these programs are to reduce corporate healthcare costs and to engender employee goodwill.

Beyond the cost of the program, the resulting increased monthly group plan utilization for prescription drugs and other medical benefits are often overlooked.

An investment in screening and prevention today yields return over a time frame measured in decades. Since the time scale of employment is measured in years, employers typically see minimal fiscal return:

“Investments in improving the health of workers may incur costs but the desired effects - affording serious disease and hospitalization - are not likely to be felt for another 10 to 20 years. The payback in these cases may be so far in the future that the employer does not see the benefit of undertaking the initiative. In some cases, a prevention program may actually result in higher health costs for organizations.”¹

Data for Prevention and Screening programs is mostly from large, unionized, ‘employee for life’ companies in the United States, where employers pay for healthcare costs, which in Canada are borne by the provincial healthcare programs. Healthy lifestyle habits are beneficial, however, screening and prevention of Cancer and Heart disease (low incidence diseases) bring increased group plan costs and no productivity benefits.

PRODUCTIVITY WELLNESS SCREENING

Employee Satisfaction	high	ROI	high	Scope	high
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MedExtra’s Productivity Wellness Screening identifies those employees afflicted by the relatively minor medical problems which drive corporate health costs and rob productivity. The investment is minimal, and the return on investment is immediate and substantial. Once uncovered, the problems can be addressed through MedExtra’s Healthcare Productivity Management programs.

RAPID ACCESS INSURANCE

Employee Satisfaction	pos.	ROI	low	Scope	low
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Insurance products providing funding for care in the US or privately in Canada are available to Canadian employers on an individual or group basis. Policies providing funding for rapid access to US healthcare, at the institution of the beneficiaries’ choosing, will improve the outcome. This is of value to employee and employer alike when a low incidence, high gravity afflictions arise.

The introduction of either a limited number of covered conditions or time restraints on utilization (ie a waiting list of greater than 45 days in Canada) diminishes the value of such products to employer and employee alike.

For the most part, these products are designed to address medical conditions, which by virtue of their low incidence have minimal impact on productivity.

¹ Health Promotion Programs at Work - Human Resource Management - Conference Board of Canada - October 2002 p.17





CRITICAL ILLNESS PROGRAMS

Employee Satisfaction	pos.	ROI	low	Scope	<5/1000
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Plan sponsors and individual Canadians recognize the value of Critical Illness Insurance. All CI policies offer cash indemnity and most offer a Remote Second Opinion from a major US or Canadian medical centre.

By providing a financial indemnity and some support upon diagnosis of a covered condition, these products provide employee satisfaction only and a minimal impact on productivity due to the low incidence of covered conditions. The employer ROI is minimal.

DISEASE MANAGEMENT

Employee Satisfaction	pos.	ROI	pos.	Scope	varied
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In the United States the corporate healthcare dynamic differs vastly from that in Canada;

- Employers and employees pay for 100% of the healthcare which in Canada is mostly covered by the provincial healthcare programs
- Employees are sensitized to the cost of healthcare and the value of appropriate, effective healthcare through cost shifting known as “Consumer Driven Healthcare”
- Physicians, while profit motivated, are aware of the cost of care and are constrained by cost containment mechanisms beyond their control

Disease Management programs are made available to employees to facilitate cost effective and appropriate care while reducing the cost to them and the employer. In the US these programs provide employee satisfaction and employer ROI.

In contrast in Canada, the provincial healthcare programs bear 70% of healthcare costs. There are no market forces driving efficiency, engagement or effectiveness of the healthcare delivered by physicians.

The value of Disease Management, for employer ROI, for low incidence conditions is low. In Canada, Disease Management programs serve to guide physicians as to the ‘best way’ to treat and manage disease states, the role of these programs in corporate health remains nascent.

INFORMATION PROGRAMS

Employee Satisfaction	pos.	ROI	nil	Scope	<5/1000
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Best Doctors, an American based company is the leader in this domain. This service is available on a bundled basis with Critical Illness Insurance or group plans and as a stand-alone product to provide a Remote Second Opinion for a list of defined covered conditions, with the following limitations;

- Depending on the benefits purchased, service is provided only upon diagnosis of or upon physician suspicion of one of the covered conditions
- Membership is required, non members cannot use the service
- A waiting period of 12 months for pre-existing conditions
- Non comprehensive - no other physician services offered beyond the provision of the RSO

Dedicated portals provide employees with convenient, reviewed medical information and links to other sites.

The low incidence of the medical issues that Best Doctors addresses (<5/1,000) and the challenges to translate the ‘Evidence Based’ Remote Second Opinion to care in the ‘Scarcity Based’ Canadian system provided by this service, means that there is very little value for employees or employers beyond the goodwill at the time of purchase.