Re-thinking Your Human Capital Strategy:
*Aligning Total Rewards to Attract, Retain and Engage the New Health Care Provider Workforce*

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April 19, 2017
Today’s Discussion

- Total Rewards is Still Relevant
- The Total Rewards Journey
  - Insights
  - Strategy
  - Design
  - Implementation
- Ideas for Change
Modernization, relevance and what’s at stake
Market trends and realities from our newest research →

- Fast-changing market
- Fast-changing technology
- Demographic shift – It’s really happening
- Expectations of transparency and individualization

Link to our 2015 Becker’s article:

Baby Boomers are retiring at the rate of one every 9 seconds between now and 2029.

Source: USA Today Money
The average U.S. student today will have 10 to 14 jobs before age 40.

Source: U.S. Department of Labor.
Percent of children entering school today who will end up in jobs that do not exist yet

65%

Labor Force Distribution by Generation

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
<th>Silent Generation</th>
<th>Baby Boomers</th>
<th>Generation X</th>
<th>Generation Y</th>
<th>Generation Z</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>115 million</td>
<td>55%</td>
<td>38%</td>
<td>7%</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>2000</td>
<td>143 million</td>
<td>33%</td>
<td>48%</td>
<td>6%</td>
<td>36%</td>
<td>3%</td>
</tr>
<tr>
<td>2015</td>
<td>157 million</td>
<td>31%</td>
<td>31%</td>
<td>31%</td>
<td>36%</td>
<td>3%</td>
</tr>
<tr>
<td>2020</td>
<td>161 million</td>
<td>30%</td>
<td>23%</td>
<td>30%</td>
<td>43%</td>
<td>1%</td>
</tr>
<tr>
<td>2030</td>
<td>168 million</td>
<td>25%</td>
<td>9%</td>
<td>25%</td>
<td>45%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Sources: 1985 and 2000 from OECD, 2015 from CPS, 2020 from BLS labor force projections and 2030 from Willis Towers Watson estimates based on Census population projections for 2030 and BLS labor force projections for 2024; Source: Pew Research Center tabulations of U.S. Census Data; WTW estimates.
Employers face critical challenges…

<table>
<thead>
<tr>
<th>Attraction</th>
<th>60% of health care providers report they’re having problems attracting critical-skill talent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alignment</td>
<td>Post-M&amp;A / Post-rebranding difficulties encountered in aligning employees around a common purpose</td>
</tr>
<tr>
<td>Engagement</td>
<td>25%+ employees intend to leave their employer in next 2 years&lt;br&gt;˂50% employees stay with their current employer by choice</td>
</tr>
<tr>
<td>Retention</td>
<td>One-third of health care providers report they’re having problems retaining critical-skill talent</td>
</tr>
</tbody>
</table>
Getting it right starts with understanding the top drivers of attraction

<table>
<thead>
<tr>
<th>Viewpoint</th>
<th>Employer</th>
<th>HCP</th>
<th>HCP</th>
<th>&lt;30</th>
<th>30-39</th>
<th>40-49</th>
<th>50+</th>
<th>All US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Org’s mission, vision and values</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Reputation of organization as a great place to work</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>7</td>
<td>6</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health care and wellness benefits</td>
<td>3</td>
<td>7</td>
<td>5</td>
<td>5</td>
<td>3</td>
<td>7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Challenging work</td>
<td>4</td>
<td>4</td>
<td>7</td>
<td></td>
<td></td>
<td>5</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Base pay/salary</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Career advancement opportunities</td>
<td>4</td>
<td>5</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td></td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Opportunities to learn new skills</td>
<td>7</td>
<td></td>
<td></td>
<td>3</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job security</td>
<td>7</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>4</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vacation or PTO</td>
<td></td>
<td>6</td>
<td>6</td>
<td>2</td>
<td></td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flexible work arrangements</td>
<td></td>
<td></td>
<td></td>
<td>6</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Length of commute</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7</td>
<td>7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ability to have a real impact on the organization’s performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5</td>
</tr>
</tbody>
</table>
You also need to understand why employees would choose to leave

<table>
<thead>
<tr>
<th>Viewpoint</th>
<th>Employer</th>
<th>HCP</th>
<th>HCP</th>
<th>&lt;30</th>
<th>30-39</th>
<th>40-49</th>
<th>50+</th>
<th>All US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drivers of retention</td>
<td>Base pay/salary</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Career advancement opportunities</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Opportunities to learn new skills</td>
<td></td>
<td></td>
<td></td>
<td>4</td>
<td>4</td>
<td></td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Job security</td>
<td></td>
<td></td>
<td></td>
<td>3</td>
<td>3</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Flexible work arrangements</td>
<td>7</td>
<td>5</td>
<td>7</td>
<td>5</td>
<td></td>
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<td>5</td>
</tr>
<tr>
<td></td>
<td>Length of commute</td>
<td>5</td>
<td>7</td>
<td>6</td>
<td></td>
<td>5</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Relationship with supervisor/manager</td>
<td>2</td>
<td></td>
<td>7</td>
<td>6</td>
<td></td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ability to manage work-related stress</td>
<td>3</td>
<td>6</td>
<td>5</td>
<td></td>
<td>7</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Trust/confidence in senior leadership</td>
<td>6</td>
<td>4</td>
<td>3</td>
<td>6</td>
<td>4</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Physical work environment</td>
<td></td>
<td></td>
<td></td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Retirement benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6</td>
</tr>
</tbody>
</table>
Despite the clear importance of getting base pay right, many organizations struggle with it.

Suggesting that old tools and approach to the annual merit cycle may need to change. As the number one driver of attraction and engagement, we need to get base pay right in the modern context.

<table>
<thead>
<tr>
<th>Performance Rating</th>
<th>Salary Range Position</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Below Minimum</td>
</tr>
<tr>
<td>Unsatisfactory performance</td>
<td>0.0% – 2.0%</td>
</tr>
<tr>
<td>Performance needs improvement</td>
<td>2.1% – 4.0%</td>
</tr>
<tr>
<td>Good performance</td>
<td>4.0% – 7.0%</td>
</tr>
<tr>
<td>Excellent performance</td>
<td>7.0% – 11.0%</td>
</tr>
</tbody>
</table>

Over half of employers expect to pay more for certain skill sets in the next 3 years.

Our managers execute our base pay program well in 21% HCP and 39% USA.
Client Case Study

Identify leading edge compensation practices to support the system’s migration to care delivery and reimbursement models

Problem:
- Senior leadership concerned about the attraction, engagement and retention of core employees seeks solutions to address gaps in the organization’s Extraordinary Employee Experience

Objective:
- Identify potential changes to base pay practices most likely to have a beneficial impact on the problem based on analysis of the organization’s situation, competitive practice and Willis Towers Watson’s experience and insights gained from leading integrated delivery systems

Key market insights:
- Market data reflects narrowing of the spread of actual pay rates for benchmark jobs; wider ranges may no longer reflect actual market pay rates; some job families have a reduced number of levels
- Industry slow to embrace practices shown to drive employee engagement and improve business results in other industries: workforce segmentation, differentiated pay programs, and effective performance management

Solution:
- Two-zone base pay structure with:
  - Experience zone aligned with new hire market, with steps to median over four years
  - Contribution zone enabling performance-based increases up to market 90th percentile

<table>
<thead>
<tr>
<th>Experience Zone</th>
<th>Contribution Zone</th>
</tr>
</thead>
<tbody>
<tr>
<td>→ 50th %ile</td>
<td>→ 90th %ile</td>
</tr>
</tbody>
</table>
Client Case Study
Conclusions and ROI of making changes

- Fixing base pay for core employees will help with attraction and retention, and reduce the degree to which pay is driving engagement lower but it is investments in talent management or pay-for-performance that will improve the organization’s “EEE”
- Talent management and pay-for-performance should follow and support the transformation of care delivery and reimbursement models, not the other way around
- Using our Financial Cost of Turnover study, Willis Towers Watson estimated that the system could amortize the cost of implementing market aligned salary ranges through reduced turnover:

$74 million  Implementation cost (phasing in over two years smooths implementation costs to $50 million in 2017 and $24 million in 2018)

- $58 million  Savings over two years due to reduced turnover

$16 million  Net incremental cost
The Employee Value Proposition and Total Rewards Framework
While base pay is a critical foundation, employees have become astute consumers of your organization’s Employee Value Proposition.

- **Employee experience**
- **Culture and people**
- **Purpose and values**
- **Leadership**
- **Career advancement**
- **Total rewards**

70% believe their organization should understand them to the same degree employees are expected to understand external customers.

43% report having an employer that understands them in this way.
An integrated total rewards strategy and design supported by a well-marketed EVP have tangible and compelling outcomes, including...

**Best practice EVP companies achieve better outcomes**

- **Leadership**
  - Almost **3x** as likely to report their employees are highly engaged
  - **93%** more likely to report significantly outperforming their industry peers financially
  - More than **10%** less likely to report difficulty attracting and retaining key employees segments
  - **27%** fewer regrettable new hires in the first year
  - **17%** lower voluntary turnover

- **Human capital dimensions**
  - **Desired Culture**
  - **Human Capital Strategy**

- **Business strategy**

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... quality and patient satisfaction

Desired Culture

Human Capital Strategy

EVP
Employee Value Proposition

Purpose
People
Work
Total Rewards

Customer Experience
Business Performance
Employee Performance
Employee Retention
Employee Engagement
Employee Attraction

People Systems / Programs

Rewards
Leadership
Communication
Talent Management

Employee Behavior

Engagement
Safety • Service
Turnover • Absenteeism

Patient / Member Outcomes

Satisfaction
Loyalty
Quality

Financial Results

Revenue Growth
Operating Margin
ROA
The EVP defines the deal between the organization and its workforce

Employee Experience
Employees’ interactions with the company, colleagues and customers, the work environment and total rewards that drive their behaviors and engagement

Employer Expectations
The desired affiliation, mindset and behavior that optimize the employee’s contribution to the employer’s success

<table>
<thead>
<tr>
<th>Purpose</th>
<th>People</th>
<th>Work</th>
<th>Total Rewards</th>
</tr>
</thead>
</table>
| - Company mission, vision and values  
- Company image and reputation | - Leadership  
- Manager-employee relationships  
- Peer relationships | - Job content  
- Work environment  
- Tools and resources to do work | - Foundational rewards  
- Performance-based rewards  
- Career and environmental rewards |
Integrate Total Rewards strategy, design and delivery for a superior EVP

“Total rewards” describes the full combination of monetary and non-monetary investments an organization makes in its workforce to attract, retain and engage the people it needs to operate its business successfully.
Insights are the first steps toward articulating a Total Rewards strategy, developing integrated designs and achieving effective delivery

<table>
<thead>
<tr>
<th>INSIGHTS</th>
<th>STRATEGY</th>
<th>DESIGN</th>
<th>DELIVERY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understand the business, workforce and Total Rewards drivers of high performance</td>
<td>Formulate an integrated Total Rewards strategy and work plan</td>
<td>Improve programs and processes to optimize performance</td>
<td>Implement changes to align programs and behavior</td>
</tr>
</tbody>
</table>

**KEY WORKSTEPS**

<table>
<thead>
<tr>
<th>Current State</th>
<th>Strategy and principles</th>
<th>Rewards:</th>
<th>Communication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Future State</td>
<td>Programs and priorities</td>
<td>Foundational</td>
<td>Process</td>
</tr>
<tr>
<td>Challenges</td>
<td>Roadmap for change</td>
<td>Performance-based</td>
<td>Technology</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Career &amp; Environmental</td>
<td>Governance</td>
</tr>
</tbody>
</table>

**KEY DELIVERABLES**

| Diagnostic to focus and accelerate strategy development; pivotal insights | Total Rewards Strategy, guiding principles and work plan to guide design and implementation | Design and synchronization of Total Rewards programs and processes | Implementation guidelines; alignment of Total Rewards, improvement of workforce performance |
INSIGHTS: Multiple perspectives provide a robust picture

Workforce Viewpoint
Provides insight regarding workforce engagement, demographics and performance

External Viewpoint
Provides insight regarding trends and industry process and program practices

Business Plan / Performance
Provides insight regarding current business plans, priorities and performance

Process & Program Diagnostics
Provides insight regarding current workforce programs and processes

Leadership Viewpoint
Provides insight regarding future vision, business strategy, corporate culture and presenting issues
Total Rewards benchmarking paints an illustrative picture of your total compensation and benefits investment versus market, and provides a perspective to assess potential portfolio “trade-offs”

- Potential portfolio changes must be considered in light of your organization’s overall total compensation philosophy
- Where possible, potential portfolio changes should consider employees’ perceived value across compensation and benefit programs, in order to maximize the return on total rewards spend

For purposes of this example, total rewards comprises the following elements:

- Base Salary
- Target Short-term Incentives
- Retirement
  - Defined Benefit (DB)
  - Defined Contribution (DC)
- Health & Welfare
  - Medical
  - Dental
  - Death and Accidental Death & Disability (AD&D)
  - Long-term Disability (LTD)
  - Short-term Disability (STD)
- Vacation and Holidays

Note that additional examples and our detailed Total Rewards methodology are provided in the appendix.
INSIGHTS: Total Rewards Benchmarking

Physical Therapist

<table>
<thead>
<tr>
<th>Employee Demographics</th>
<th>Healthcare System XYZ</th>
<th>Market Median</th>
<th>Differential to Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>F</td>
<td>F</td>
<td></td>
</tr>
<tr>
<td>Median Age</td>
<td>47</td>
<td>47</td>
<td></td>
</tr>
<tr>
<td>Median Service</td>
<td>5</td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reward Type</th>
<th>Healthcare System XYZ</th>
<th>% of Total Rewards</th>
<th>Market Median</th>
<th>% of Total Rewards</th>
<th>Differential to Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Salary</td>
<td>$78,500</td>
<td>86%</td>
<td>$82,000</td>
<td>78%</td>
<td>-4%</td>
</tr>
<tr>
<td>Short-Term Incentive</td>
<td>$0</td>
<td>0%</td>
<td>$8,200</td>
<td>8%</td>
<td>N/A</td>
</tr>
<tr>
<td>Retirement</td>
<td>$3,533</td>
<td>4%</td>
<td>$4,428</td>
<td>4%</td>
<td>-20%</td>
</tr>
<tr>
<td>Health &amp; Welfare</td>
<td>$8,903</td>
<td>10%</td>
<td>$10,290</td>
<td>10%</td>
<td>-13%</td>
</tr>
<tr>
<td>Total Rewards</td>
<td>$90,936</td>
<td>100%</td>
<td>$104,918</td>
<td>100%</td>
<td>-13%</td>
</tr>
<tr>
<td>Vacation and Holidays</td>
<td>$4,831</td>
<td>N/A</td>
<td>$7,885</td>
<td>N/A</td>
<td>-39%</td>
</tr>
</tbody>
</table>

Note: Vacation and Holidays are excluded from the Total Rewards summary value since they are already considered a part of Base Salary. Vacation and Holidays values are provided for reference.
Focus Groups and Executive Interviews: Provides solid qualitative data

Traditional Preferences Survey: Provides flexible question design, analysis and administration

Conjoint Survey: Provides detailed reward trade-offs and modeling capabilities

TRO: Provides detailed reward trade-offs, modeling capabilities and cost optimization
Reflects cost constraints on investment
Develops an efficient frontier of optimum allocation of investments
Determines optimum investment level on the basis of program costs and turnover cost savings

Optimum solution may be to:
- Improve outcome (e.g., motivation / perceived value / retention) by changing allocation while maintaining the current level of investment
- Maintain current outcome at lower level of investment by changing allocation
- Increase investment and outcome to economically efficient level
INSIGHTS: Total Rewards Optimization (TRO)

To maximize your Total Rewards, invest your resources where it makes the most difference

What is the best level of investment in employees?

What is the best allocation of that investment to maximize desired behavior (e.g., retention, motivation, perceived value)?

Do the answers vary by organization level, geography, business unit, other demographic characteristics?

Rewards Optimization can be applied to compensation, benefits and non-financial rewards (work/life balance, for instance) or any combination of reward categories.

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INSIGHTS: Total Rewards Optimization (TRO)

Three Points on the Curve

Each point along the curve represents the best allocation of the corresponding total investment:

1) To reduce total cost, the curve identifies which programs should be reduced to reallocate investments in other areas and maintain current levels of perceived value.

2) To maintain current investment levels, the curve identifies how to reallocate investment across programs to increase perceived value without raising cost.

3) To increase perceived value dramatically and make the most of each reward dollar, the curve indicates the best ways to invest additional rewards funds.

1) Maintain current perceived value at a lower investment

2) Maintain current level of investment while increasing perceived value

3) Increase investment and increase perceived value

Current levels of perceived value and reward investment

DECREASE IN INVESTMENT FROM CURRENT LEVEL

INCREASE IN INVESTMENT FROM CURRENT LEVEL

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### INSIGHTS: Total Rewards Optimization (TRO)
Unearthing “hidden gems” of opportunity

<table>
<thead>
<tr>
<th>Changes in Value of Total Rewards</th>
<th>Change in Reward Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>STI—2X</td>
<td>6.4</td>
</tr>
<tr>
<td>Merit Increase —+50%</td>
<td>5.4</td>
</tr>
<tr>
<td>401(k) Match—$1-for-$1 to 6%</td>
<td>5.3</td>
</tr>
<tr>
<td>Merit Weighting—Greater performance differentiation</td>
<td>4.6</td>
</tr>
<tr>
<td>STI Weighting—Greater performance differentiation</td>
<td>4.5</td>
</tr>
<tr>
<td>401(k) Company Contribution—6%</td>
<td>4.5</td>
</tr>
<tr>
<td>Medical—Premium -20%</td>
<td>3.9</td>
</tr>
<tr>
<td>Vacation—+2 days</td>
<td>3.7</td>
</tr>
<tr>
<td>STI—Half</td>
<td>-10.6</td>
</tr>
<tr>
<td>Merit Increase—Half</td>
<td>-9.5</td>
</tr>
<tr>
<td>Merit Weighting—COLA</td>
<td>-8.4</td>
</tr>
<tr>
<td>401(k) Match—$1-for-$1 to 3%</td>
<td>-7.8</td>
</tr>
<tr>
<td>Medical—OOP +20%</td>
<td>-7.8</td>
</tr>
<tr>
<td>Medical—Premium +20%</td>
<td>-7.7</td>
</tr>
<tr>
<td>STI Weighting—Based on company performance</td>
<td>-7.5</td>
</tr>
<tr>
<td>401(k) Company Contribution—4%</td>
<td>-7.2</td>
</tr>
<tr>
<td>Vacation—-2 days</td>
<td>-5.7</td>
</tr>
</tbody>
</table>

Note: Modeled impacts of various reward changes on value in Total Rewards are not additive due to the “portfolio effect.” Modeled impact assumes all other programs stay the same. Changes in value of Total Rewards are point increments or decrements to current value of Total Rewards of 79.5 (from valid conjoint data only).
INSIGHTS: Total Rewards Optimization (TRO)

Health care TRO – reward value and cost analysis example

Change in Perceived Value

Positive

All Employees

Negative

Lower Reward Cost

Reward Cost

Higher Reward Cost

Health care premiums decreased
Flexible work options increased
Career development opportunities increase
Recognition increased
PTO increased
Merit pay opportunity increased
Base pay increased
Out-of-pocket decreased
401(k) contribution increased

Merit pay opportunity decreased
Out-of-pocket increased
401(k) contribution decreased
PTO decreased

Increase in Perceived Value

Decrease in Perceived Value

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INSIGHTS: Total Rewards Optimization (TRO)
Health care TRO – reward value and cost analysis example

- Healthcare premiums increased
- Out-of-pocket increased
- Merit pay opportunity increased
- Base pay increased
- Training increased
- Flexible work options improved
- 401(k) contribution increased
- Healthcare premiums decreased
- Out-of-pocket decreased
- PTO decreased
- 401(k) contribution decreased
- Career development opportunities improved
- Recognition increased
- PTO increased
- 401(k) contribution increased

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1. Guiding Principles for Design

- **Performance Orientation:** Programs will drive a high performance culture by rewarding employees for individual and collective results in driving XYZ’s business performance.
- **Competitive Positioning:** In aggregate, programs will be targeted at median of relevant external market; actual positioning should vary based on individual and/or company performance.
- **Affordability:** Programs will align with business objectives in terms of affordability and scale and provide a balance of fixed and variable costs consistent with relevant external market.
- **Shared Responsibility:** Employes will share in program costs and will be responsible for planning for their current and future needs; employees will own their careers.
- **Career Orientation:** Programs will recognize education and work experience to the extent that it results in employee performance or the knowledge to take on increased responsibilities.
- **Individual Flexibility:** Programs will provide flexibility to support the diverse needs of employees when solutions meet both business and employee needs.
- **Workforce/Business Group Segmentation:** The compensation and benefit philosophy will be consistent globally; programs may be customized where business or market necessitates.
- **Delivery:** Program design will consider employee understanding, ease of administration and cost control while leveraging economies of scale and technology.

2. Gap Analysis

<table>
<thead>
<tr>
<th>Currently Aligned</th>
<th>Require Adjustment</th>
</tr>
</thead>
</table>

- **Compensation:**
  - Add competitive positioning level for many job groups andaffiliates.
  - Pay for performance philosophy.
  - 2007 study program changes.
  - New U.S. recognition program.
  - MBA and Research Title process.
  - Performance level allocation.

- **Benefits:**
  - Global-defined contribution plans.
  - U.S. active medical.
  - Flexible work arrangements.
  - Other ancillary benefits that drive increased value for employees.

2a. Gap Analysis — Scorecard

Sample HROI Deliverables

- **Management Level:**
  - Deemed market
  - Low
  - Medium
  - Medium
  - Low
  - Medium

- **Bonus/Incentives:**
  - Deemed market
  - High
  - Medium
  - Medium

- **Total Cost of Compensation:**
  - Deemed market
  - High
  - Medium
  - Low

- **Retention:**
  - Deemed market
  - Low
  - Medium
  - Medium

- **Death:**
  - Deemed market
  - Low
  - Low
  - Low
  - Low

- **Disability:**
  - Deemed market
  - High
  - Medium
  - Medium
  - Low

- **Medical:**
  - Deemed market
  - High
  - Medium
  - Medium
  - Low

- **Dental:**
  - Deemed market
  - High
  - Medium
  - Medium
  - Low

- **Vision:**
  - Deemed market
  - High
  - Medium
  - Medium
  - Low

- **Flexible Benefits Program:**
  - Deemed market
  - Low
  - Medium
  - Medium

- **Career Development Opportunities:**
  - Deemed market
  - Low
  - Medium
  - Medium

3. Directional Recommendations

- Single compensation philosophy across company.
- Ability to vary competitive positioning level for mission-critical roles.
- Align with business imperatives.
- Variable pay component will drive a high performance culture by rewarding employees for individual and collective results in driving XYZ’s business performance.

4. Roadmap for Change

**STRATEGY: Road Map**

- **Current Strategy:**
  - Deemed market
  - High
  - Medium
  - Low
  - Low

- **Target Strategy:**
  - Deemed market
  - Low
  - Medium
  - Medium
  - Low

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Insights and strategy inform program design

Total Rewards

- Base pay
- Health care
- Retirement
- Perquisites
- Allowances
- Life and disability
- Other wellness benefits
- Wellness initiatives
- EAP
- Voluntary benefits
- Time off

Performance-Based Rewards

- Base pay increases (merit, promotion)
- Recognition
- Short-term incentives
- Long-term incentives
- Profit-sharing plans

Career & Environmental Rewards

- Training and development
- Mentor programs
- Career management programs
- Talent mobility
- Discretionary technology
- Flexible work programs
- Corporate social responsibility
- Well-being programs

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Implementation is critical to a successful Total Rewards program and a superior EVP...

<table>
<thead>
<tr>
<th>COMMUNICATION</th>
<th>PROCESS</th>
<th>TECHNOLOGY</th>
<th>GOVERNANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager readiness to communicate &amp; support Total Rewards decisions</td>
<td>Accurate &amp; efficient delivery processes</td>
<td>Efficient and effective decision making</td>
<td>Clarity on decision making</td>
</tr>
<tr>
<td>Employee &amp; manager understanding of and trust in Total Rewards processes &amp; outcomes</td>
<td>Alignment with other HR programs, with EVP as the compass</td>
<td>Robust analysis and reporting</td>
<td>System vs. entity</td>
</tr>
<tr>
<td>Decisions informed by understanding of what employees actually value</td>
<td>Decisions informed by understanding of what employees actually value</td>
<td>Enhanced employee experience</td>
<td>Defined success metrics and proactive course correction</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Leadership that stands behind Total Rewards principles and decisions</td>
</tr>
</tbody>
</table>
...but as you know communicating Total Rewards in healthcare is unique

Make an emotional connection with your employees on the EVP to get higher performing, more engaged employees

- Recruiters create candidate records to enhance the job offer
- Candidates model their potential total rewards
- Candidate specific content and experience
- Exposure to the total rewards value proposition before day one

- Regional healthcare system with limited talent pool
- Recruitment and retention challenges
- Need to communicate to many different audiences
- Utilize the platform to communicate annual pay/bonus statements as well

Vignettes about total rewards communications from other organizations:


We have seen some interesting design themes for 2017
Focus on specialized value proposition and employee consumerism

**Total Rewards**

**Foundational Rewards**
1. Update programs designed before recession
2. Review peer group due to rapid market changes
3. Focus benchmarking and preference analysis on critical skill talent and key employee groups
4. Employees desire more security and are willing to pay for it
5. Health, financial and engagement issues cluster together (integrated health and financial well-being strategies and programs)
6. Shift to more choice and consumerism
7. Evolution of private health care exchanges
8. Optimize retirement program performance

**Performance-Based Rewards**
1. New emphasis on short-term and long-term variable pay
2. Updated sales incentive plans
3. Rethinking merit and performance management program design and cycles
4. More frequent formal feedback
5. Social media-enabled multi-rater feedback
6. Device enabled-assessment tools
7. Real-time assessment tools
8. Broader use of social recognition
9. Wellness incentives
10. Company performance-based retirement matches/funding

**Career & Environmental Rewards**
1. Technology-enabled/virtual training and development
2. Sponsorship and mentoring programs
3. Enhanced focus on Inclusion & Diversity
4. Portal-based career management programs
5. Expansion of contingent workforce
6. Targeted access to supplemental technology
7. Expansion of flexible work arrangements
8. Formalized corporate social responsibility programs
9. Increased focus on physical work environment
10. Unique company-specific perks/discounts

**IN GENERAL:**
- Optimize program value based on employee preferences and business performance
- Advanced employee segmentation research and definition
- Redefine “buckets” around employee value points (“theirs, not ours”)
- Health care and retirement changes drive shift to a focus on the portfolio
- Focus on true Total Rewards spend (all buckets)
- Technology-enabled analysis, design and administration
- Digital access for managers and employees
- Articulation of employment and Total Rewards brands
- Targeted communication to defined segment categories
- Consumer-grade employee experience (message and medium)

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We work with...

more than 430 of the largest hospitals and health care systems in the U.S.

50% of Becker's Hospital Review's 2015 list of 50 Largest Hospitals in America

47% of the Everest Top Hospital Award Winners 2014

85% of the Largest Nonprofit Health Systems in the U.S. according to U.S. News & World Report's Honor Roll of Best Hospitals 2015 – 2016

17% of Truven Health Analytics' 100 Top Hospitals' Major Teaching Hospitals 2016

38% of the Leapfrog 2015 Top Hospitals Award Winners

56% of Becker's Hospital Review's 2014 Top-Grossing Nonprofit Hospitals

82% of U.S. News & World Report's Honor Roll of Best Children's Hospitals 2015 – 2016

47% of hospitals/health systems on Becker's Hospital Review's 150 Great Places to Work in Health Care 2016

Questions?
Appendix
Willis Towers Watson’s Total Rewards Benchmarking Methodology

- Total Rewards benchmarking is an analytical process that illustrates the median total compensation value for compensation levels and the set of benefit plans for each job, as well as the percentage of the total rewards package that each element comprises.
- Further, each job is populated by a typical employee profile so that the demographics are applied against the benefit plans as part of the modeling process.
- The analysis is based on competitive market total cash (or total direct) data for each position, as well as the benefits values based on the individual employee profiles with varying demographic information.
- The data presented only represent the quantitative total rewards calculations pertaining to the employee profile for each job.
- Willis Towers Watson calculated the DB, DC, Medical, Dental, Vacation/Holiday, Death, STD and LTD benefit values for the set of peer health care organizations using Willis Towers Watson’s BDS database and BENVAL methodology (see pages 45-47 for additional information about our proprietary BENVAL methodology, as well as the health care organizations included in this analysis).
  - Benefit values for each of the peer companies represent employer-paid benefits only.
- Data are displayed by each grouping of total compensation (e.g., Base Salary, Retirement, Health & Welfare).
  - Market median Health & Welfare values were calculated by summing the market median Medical, Dental, Death and AD&D and LTD values.
Comparison to Market: Total Rewards
Account Representative

<table>
<thead>
<tr>
<th></th>
<th>Healthcare System XYZ</th>
<th>% of Total Rewards</th>
<th>Market Median</th>
<th>% of Total Rewards</th>
<th>Differential to Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Salary</td>
<td>$33,245</td>
<td>88%</td>
<td>$37,500</td>
<td>87%</td>
<td>-11%</td>
</tr>
<tr>
<td>Short-Term Incentive</td>
<td>$0</td>
<td>0%</td>
<td>$0</td>
<td>0%</td>
<td>N/A</td>
</tr>
<tr>
<td>Retirement</td>
<td>$898</td>
<td>2%</td>
<td>$1,159</td>
<td>3%</td>
<td>-23%</td>
</tr>
<tr>
<td>Health &amp; Welfare</td>
<td>$3,604</td>
<td>10%</td>
<td>$4,651</td>
<td>11%</td>
<td>-23%</td>
</tr>
<tr>
<td>Total Rewards</td>
<td>$37,746</td>
<td>100%</td>
<td>$43,310</td>
<td>100%</td>
<td>-13%</td>
</tr>
<tr>
<td>Vacation and Holidays</td>
<td>$2,174</td>
<td>N/A</td>
<td>$3,173</td>
<td>N/A</td>
<td>-31%</td>
</tr>
</tbody>
</table>

Employee Demographics
- Healthcare System XYZ
  - Median Age: 27
  - Median Service: 2
  - Gender: M

Note: Vacation and Holidays are excluded from the Total Rewards summary value since they are already considered a part of Base Salary. Vacation and Holidays values are provided for reference.
Comparison to Market: Total Rewards

Radiation Tech

<table>
<thead>
<tr>
<th>Component</th>
<th>Healthcare System XYZ</th>
<th>% of Total Rewards</th>
<th>Market Median</th>
<th>% of Total Rewards</th>
<th>Differential to Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Salary</td>
<td>$54,900</td>
<td>88%</td>
<td>$54,000</td>
<td>86%</td>
<td>2%</td>
</tr>
<tr>
<td>Short-Term Incentive</td>
<td>$0</td>
<td>0%</td>
<td>$0</td>
<td>0%</td>
<td>N/A</td>
</tr>
<tr>
<td>Retirement</td>
<td>$1,976</td>
<td>3%</td>
<td>$2,333</td>
<td>4%</td>
<td>-15%</td>
</tr>
<tr>
<td>Health &amp; Welfare</td>
<td>$5,634</td>
<td>9%</td>
<td>$6,646</td>
<td>11%</td>
<td>-15%</td>
</tr>
<tr>
<td>Total Rewards</td>
<td>$62,510</td>
<td>100%</td>
<td>$62,978</td>
<td>100%</td>
<td>-1%</td>
</tr>
<tr>
<td>Vacation and Holidays</td>
<td>$4,645</td>
<td>N/A</td>
<td>$6,023</td>
<td>N/A</td>
<td>-23%</td>
</tr>
</tbody>
</table>

Note: Vacation and Holidays are excluded from the Total Rewards summary value since they are already considered a part of Base Salary. Vacation and Holidays values are provided for reference.
Comparison to Market: Total Rewards

RN

<table>
<thead>
<tr>
<th>Healthcare System XYZ</th>
<th>Market Median</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Base Salary</strong></td>
<td>$71,000</td>
</tr>
<tr>
<td><strong>Short-Term Incentive</strong></td>
<td>$0</td>
</tr>
<tr>
<td><strong>Retirement</strong></td>
<td>$3,195</td>
</tr>
<tr>
<td><strong>Health &amp; Welfare</strong></td>
<td>$7,835</td>
</tr>
<tr>
<td><strong>Total Rewards</strong></td>
<td>$82,030</td>
</tr>
<tr>
<td><strong>Vacation and Holidays</strong></td>
<td>$5,735</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Healthcare System XYZ</th>
<th>% of Total Rewards</th>
<th>Market Median</th>
<th>% of Total Rewards</th>
<th>Differential to Market</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Base Salary</strong></td>
<td>$71,000</td>
<td>87%</td>
<td>$69,700</td>
<td>82%</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Short-Term Incentive</strong></td>
<td>$0</td>
<td>0%</td>
<td>$2,000</td>
<td>2%</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Retirement</strong></td>
<td>$3,195</td>
<td>4%</td>
<td>$3,657</td>
<td>4%</td>
<td>-13%</td>
</tr>
<tr>
<td><strong>Health &amp; Welfare</strong></td>
<td>$7,835</td>
<td>10%</td>
<td>$9,189</td>
<td>11%</td>
<td>-15%</td>
</tr>
<tr>
<td><strong>Total Rewards</strong></td>
<td>$82,030</td>
<td>100%</td>
<td>$84,546</td>
<td>100%</td>
<td>-3%</td>
</tr>
<tr>
<td><strong>Vacation and Holidays</strong></td>
<td>$5,735</td>
<td>N/A</td>
<td>$7,506</td>
<td>N/A</td>
<td>-24%</td>
</tr>
</tbody>
</table>

Note: Vacation and Holidays are excluded from the Total Rewards summary value since they are already considered a part of Base Salary. Vacation and Holidays values are provided for reference.
Comparison to Market: Total Rewards
Pharmacist

<table>
<thead>
<tr>
<th></th>
<th>Healthcare System XYZ</th>
<th>% of Total Rewards</th>
<th>Market Median</th>
<th>% of Total Rewards</th>
<th>Differential to Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Salary</td>
<td>$148,200</td>
<td>86%</td>
<td>$124,000</td>
<td>73%</td>
<td>20%</td>
</tr>
<tr>
<td>Short-Term Incentive</td>
<td>$0</td>
<td>0%</td>
<td>$18,600</td>
<td>11%</td>
<td>N/A</td>
</tr>
<tr>
<td>Retirement</td>
<td>$7,410</td>
<td>4%</td>
<td>$8,958</td>
<td>5%</td>
<td>-17%</td>
</tr>
<tr>
<td>Health &amp; Welfare</td>
<td>$17,105</td>
<td>10%</td>
<td>$17,536</td>
<td>10%</td>
<td>-2%</td>
</tr>
<tr>
<td>Total Rewards</td>
<td>$172,715</td>
<td>100%</td>
<td>$169,094</td>
<td>100%</td>
<td>2%</td>
</tr>
<tr>
<td>Vacation and Holidays</td>
<td>$14,820</td>
<td>N/A</td>
<td>$14,308</td>
<td>N/A</td>
<td>4%</td>
</tr>
</tbody>
</table>

Note: Vacation and Holidays are excluded from the Total Rewards summary value since they are already considered a part of Base Salary. Vacation and Holidays values are provided for reference.
Health care organizations included in our Total Rewards Analysis

- Advocate Health Care
- Allina Health
- Asante
- Avera Health
- Barnabas Health
- Baylor Scott & White Health
- Baystate Health System, Inc.
- BJC HealthCare
- Brigham and Women’s Hospital
- Broward Health
- Carolinas HealthCare System
- Children’s Health System of Texas
- Christiana Care Health System
- Cincinnati Children’s Hospital Medical Center
- Cleveland Clinic
- Community Medical Centers
- Cook Children’s Health Care System
- Cottage Health System
- Covenant HealthCare
- Dartmouth-Hitchcock
- DaVita
- Dignity Health – Dominican Hospital
- Elliot Health System
- Emory Healthcare, Inc.
- Essentia Health
- Fairview Health Services
- Fresenius Medical Care North America
- Gwinnett Health System
- Hanger, Inc.
- Hazelden Betty Ford Foundation
- HCA Inc.
- HealthEast Care System
- INTEGRIS
- Intermountain Healthcare
- Lancaster General Health Network
- Lehigh Valley Health Network
- LifeBridge Health
- Maine Medical Center
- Massachusetts General Hospital
- Mayo Clinic
- Memorial Hermann Health System
- Mercy Health
- Methodist (Dallas)
- MidMichigan Health
- Nationwide Children’s Hospital
- Nemours
- Northside Hospital
- OhioHealth
- Park Nicollet Health Services
- Piedmont Healthcare, Inc.
- Presbyterian Healthcare Services
- Regions Hospital
- San Antonio Regional Hospital
- Sanford
- Select Medical
- Shriners Hospitals for Children
- Spectrum Health
- SSM Health Care
- St. Anthony’s Medical Center
- St. Luke’s Hospital of Duluth
- Sunrise Senior Living
- Tanner Medical Center, Inc.
- Tenet Healthcare Corporation
- Texas Health Resources
- Texas Scottish Rite Hospital
- The Children’s Hospital of Philadelphia
- The Evangelical Lutheran Good Samaritan Society
- The Mentor Network
- University Hospitals
- University of Pittsburgh Medical Center
- Verity Health System - O’Connor Hospital
- Visiting Nurse Service of New York
- WakeMed
- WellStar Health System
Willis Towers Watson’s BenVal Valuation Methodology

- Willis Towers Watson's BenVal is a method for determining the value of benefits across a set of organizations by applying a standard set of actuarial methods and assumptions to a common employee population.
- BenVal results provide a quantitative evaluation of each company’s benefit provisions and overall benefit program, and facilitate a comparison of these benefit values against peer organizations.
- The valuation methodology reflects the timing of benefits -- whether deferred or immediate.
  - Retirement benefits such as pension and retiree welfare benefits are valued using projected unit credit (service prorate) methodology.
  - Values for defined contribution plan benefits reflect amounts expected to be contributed for the year.
  - Benefits potentially payable immediately such as death and disability benefits are valued on a term cost basis, reflecting the probabilities of the various events occurring within the year, multiplied by the value of the benefit.

*Note that the relative values generated are not intended to represent actual costs incurred by plan sponsors. Plan sponsors may experience differences in benefit costs due to factors not reflected in BenVal -- varying participant demographics, regional cost differences, or differences in funding or provider arrangements.*
Benefit Provisions Reflected

- The benefit provisions reflected in BenVal are those applicable for new hires at each member company
- BenVal assumes that these plans have been in place over each employee's full career and does not reflect the value of any transition or grandfathered provisions
- Benefit plan provisions are regularly updated, with update requests going out to all participating companies each year

Demographics

- Benefit values depend on a number of factors including age, pay, sex and length of service of the employee population

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