

Saratoga
Human resource services

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Results from Saratoga's 2008 / 2009 US Human Capital Effectiveness Report

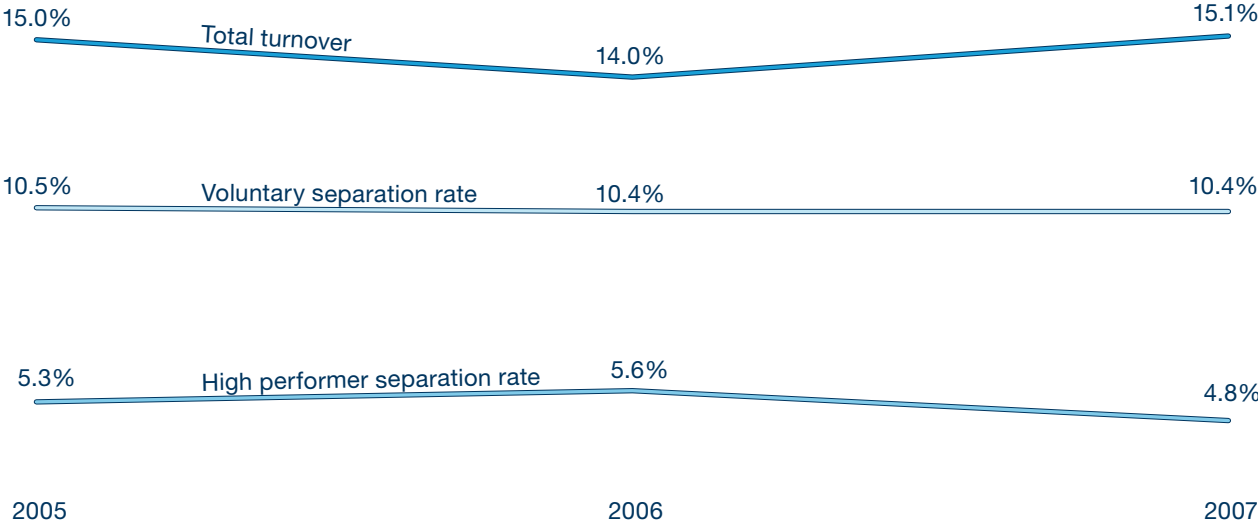
Part 2 of 4

Last month, we began our review of some of the key trends noted in Saratoga's 2008/2009 US Human Capital Effectiveness Report by discussing productivity improvements. This month we discuss employee turnover and challenges of retaining younger workers.

The results described in this article represent the all-industry medians, which are the midpoint values for all organizations in PwC Saratoga's database. Individual demographic groups, especially industry groups, can demonstrate substantially different median results. For example, the amount of revenue generated per employee in the healthcare industry is \$163,144, while in the banking industry that figure is \$264,897.

Three high-level PwC Saratoga metrics suggest organizations are controlling workforce turnover. Total turnover and voluntary separation rates remain flat, at 15.1 percent and 10.4 percent. Most encouraging, high-performer separation rate has dropped to 4.8 percent.

Turnover rates



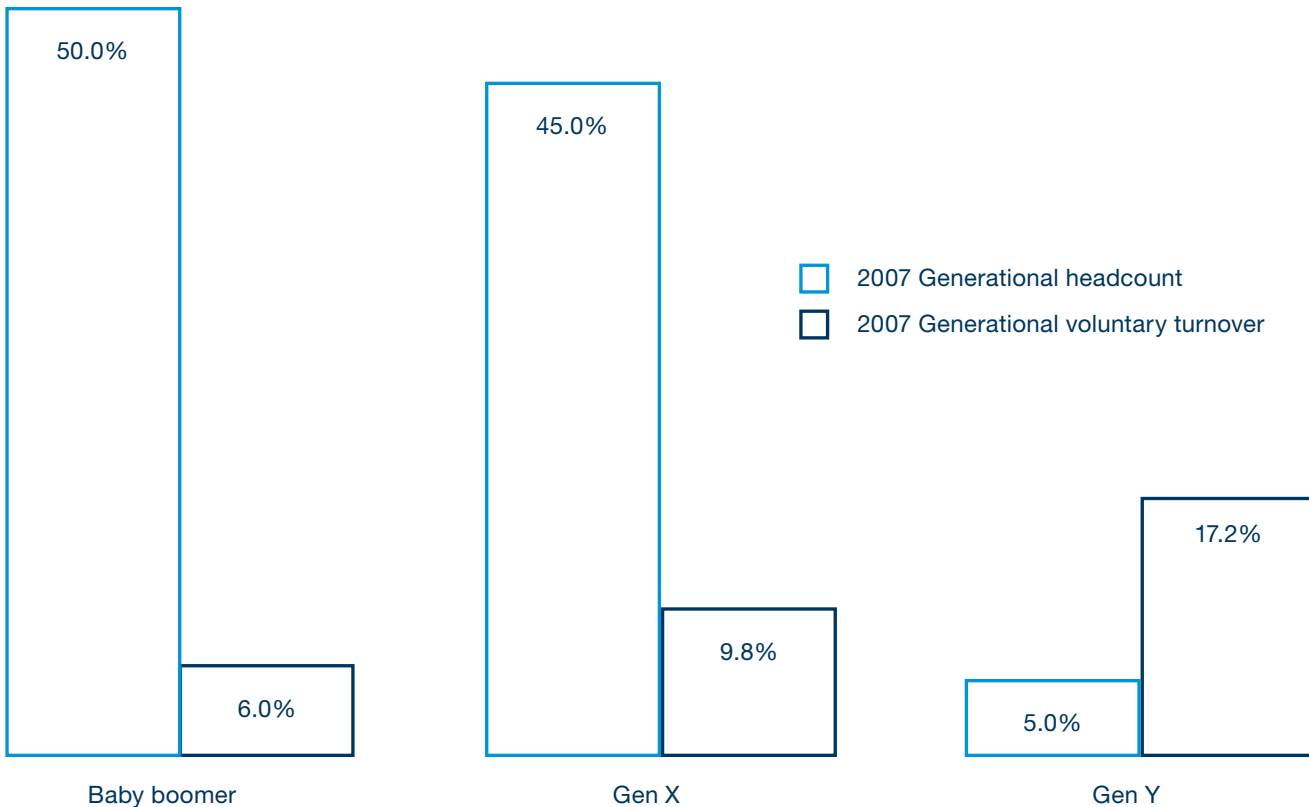
PwC Saratoga introduced generational measures of work-force volatility to this year's survey, and the results were striking. Results indicate the Baby Boomer (born 1943-1960) and Generation X (born 1961-1981) age cohorts make up 95 percent of employees.

Members of Generation Y (born 1982 and later) make up just 5 percent of employees in the companies surveyed, but they left organizations at a much higher rate than each of the other two cohorts. Generation Y voluntary turnover rate topped 17 percent in 2007.

The data is inconclusive as to specific drivers of this turnover. It may just be that younger workers move more frequently. Or there may be some cultural factors keeping younger workers from finding a comfort zone at work. In any event, the relationship of the millennial generation and the workplace requires more study.

Next month we'll discuss the talent acquisition crisis.

Generational representation



Key highlights of Barack Obama's proposed healthcare program

This is a summary of a previous PricewaterhouseCoopers article titled Healthcare policy in an Obama administration: Delivering on the promise of universal coverage. To read that article in its entirety, please [click here](#).

The Obama administration and a Democratic Congress will face one of the most critical challenges of this century. Amid the economic crisis and the war on terror, Obama pledged on the campaign trail to take on the boldest challenge in healthcare today – universal healthcare coverage.

His vision must conform to the new fiscal realities that will discourage additional deficit spending. The price of expanded access may be reallocation of existing spending or forced efficiencies of the more than \$2 trillion spent on health. Obama has talked about cost reduction, health information technology, personalized medicine, transparency and public health programs. However, a pledge of universal access is central to his proposals.

While covering every single US resident may not be possible, Obama's plan could get the nation closer to universal coverage than it has ever been and reverse a trend in the other direction. Universal healthcare is not a synonym for single-payer. However, achieving broader access could mean more government involvement in financing and regulating care.

What does that mean for the health industry, employers, and patients?

Some of the key findings of our analysis of Obama's healthcare plan include:

- Many of Obama's proposed reforms are being tested at the state level in Massachusetts, where they have resulted in the nation's lowest uninsured rate in what has been the most costly healthcare state.
- Based on the results in Massachusetts, PricewaterhouseCoopers estimates Obama's plan would provide coverage for two-thirds of the nation's uninsured at a cost to the government of \$75 billion a year.
- Of the 30 million Americans who would be newly insured under Obama's proposals, nearly 40% would obtain coverage through their employers, a reversal of the current decline of employer based coverage. Most of the gains in coverage are likely to come from small employers.

- Not all of those who will receive subsidized coverage under the new plan would have been previously uninsured. PricewaterhouseCoopers estimates that about 4.5 million people would trade their current private coverage for insurance with higher government subsidies.
- Obama's reform plan does not include a requirement that individuals purchase coverage, an aspect that Massachusetts health leaders say has been important to reducing their uninsured numbers.
- Over one-third of the cost of Obama's plan could come from existing funding for the uninsured; much of that funding now goes to hospitals. The rest will have to be raised through repealing tax cuts, raising taxes, or limitations on other spending.
- Expanding coverage to more Americans will exacerbate current deficiencies in the health system, such as shortages of primary care clinicians.
- Unless successful cost containment strategies were put into place, growing healthcare costs will increase the costs of Obama's plan dramatically over time and reduce the effectiveness of mandates. This could make the federal costs unsustainably high.
- Obama's proposal is likely to lower margins for providers, pharmaceutical companies, and health plans that increasingly depend on government payment.

- Regardless of whether Obama's proposals are implemented, the health industry can improve care and lower costs through public-private efforts on five ideas:
 1. Keep people well
 2. Reorder treatment around collaboration
 3. Simplify the system
 4. Make interoperable electronic medical records a reality
 5. Use genes to pick the lock on disease

The likelihood that major changes to the American health system will be implemented under the new President are increasing because:

1. Problems in the economy require addressing health-care costs, which are at 16% of GDP and rising.
2. Health industry leaders agree that something needs to be done to solve the trio of problems in access, quality and affordability, though they disagree over exactly what to do.
3. The President-elect has promised to do something major to fix the problems.

Every organization will be uniquely impacted by the coming health reform of the new presidential regime. Is your organization ready for the change?

Metric of the month: Workers' Compensation Cost per Employee

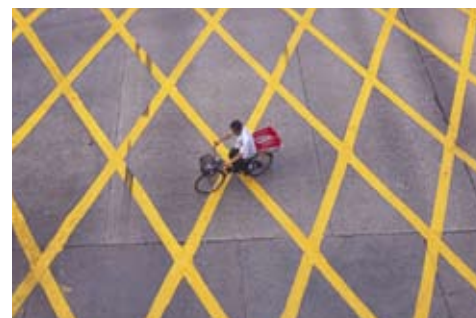
According to the Bureau of Labor Statistics (BLS) there were nearly four million recorded workplace injuries in the private sector in 2006 (<http://www.bls.gov/news.release/osh.nr0.htm>). The National Academy of Social Insurance reports that workers' compensation injuries cost US organizations \$55.3 billion in 2005 (http://www.nasi.org/publications2763/publications_show.htm?doc_id=518405).

Given the financial impact of workplace injuries, workplace safety is a key issue for many organizations. One of Saratoga's key workplace safety measures is Workers' Compensation Cost per Employee. The formula for this metric is:

$$\text{Workers' Compensation Cost/Regular Headcount}$$

To get a more complete view of employee rewards, Saratoga recommends tracking Employer Contribution to Healthcare Coverage for Active Employees in conjunction with Healthcare Costs per Active Employee, Average Benefits per Employee, Compensation Cost per FTE, and Labor Cost Revenue Percent.

To learn more about Saratoga's measurement programs, please visit www.pwc.com/saratoga or call us at 866-727-2864.



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We're often asked about how metrics are impacting organizations and want to hear your experiences. How is your organization using metrics/measurement to influence change/reduce costs in your organization?

We'd love to hear your stories and feature your experience in one of our upcoming newsletters which is read monthly by thousands of HR practitioners. If you have a story to share, please contact saratoga@us.pwc.com.