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Chairman, President, and CEO

Understanding the Health Care Landscape

Safeway Inc.

Healthy Incentives

Company Overview

- Type of industry: Food and drug retailing
- Number of employees: 205,000

Program Components

- More individual involvement and responsibility in health care management
- Health Reimbursement Accounts (HRAs) and Flexible Spending Accounts (FSAs)
- Preventive care covered 100%
- Incentives for healthy behavior
- Free wellness programs
- Health Risk Assessment (HRA) and proactive care management programs

Program Highlights

- Strong preventive care program with 100% coverage of annual physicals, well baby/child care and other age appropriate screenings
- *Lifestyle Management Program* with incentives for tobacco cessation, weight loss, stress reduction, and positive healthy behaviors
- Employee health resources available with 24-hour health information hotline, chronic care management, health advisors and education materials for employees and price transparency tools
- Incentives for healthy behavior that include premium discounts for healthy decisions and higher (based) premiums for non-compliance

CEO Statement

“Too often companies look at wellness as just another benefit. We have fully integrated wellness into every aspect of our company’s culture. It’s a source of pride and reflects how we care for one another. As a result, wellness has become a critical element of our success.”

Health care costs pose a serious threat to the competitiveness of all U.S. businesses. Consider the following:

- Employee health benefits are the fastest growing cost component for employers; with overall costs projected to exceed profits by 2008 for an average Fortune 500 company.¹
- The number of businesses offering health benefits is decreasing—69 percent of companies provided health benefits in 2000, compared to 60 percent of companies in 2005.²
- Our nation’s health spending is expected to increase at a faster rate than the Gross Domestic Product (GDP) sometime before 2014. The amount of GDP spent on health care is projected to increase from 15.3 percent in 2003 to 18.7 percent in 2014.³
- In one national survey, employers reported that they can absorb only a 9 percent health care cost increase, in contrast to the expected annual increase of 14 percent.⁴
- Employees continue to demand expensive, state-of-the-art treatments; hospital and pharmaceutical costs continue to rise.⁵
- Health risks and chronic illnesses associated with an aging workforce will increase total health care costs exponentially.⁶

Some employers may pass cost increases on to workers through higher cost sharing. However, this short-term fix does not address the primary driver of soaring health costs: inadequate investment in prevention, health risk reduction, and disease management.⁵

