

Health Care in the U.S.

Health care is a top competitive issue impacting all U.S. businesses as companies are responsible for the rapidly rising costs of our employer based health care system. The US spends more per capita than any industrialized nation, or 16 percent of our Gross Domestic Product (GDP), on health care. Yet, we rank among the lowest in terms of quality of care.

Overseas companies are not burdened by high health care costs because their respective governments provide benefits for their employees and retirees. The auto transplants operating in the United States have minimal retirees. The auto transplants combined have 1,200 total retirees. GM alone has 432,000 in the United States.

Sustaining a viable health care system in the United States will require a coordinated effort on the part of the business community, health care providers, including doctors and hospitals, pharmaceutical companies, government, and consumers of health care services and products. In order to be successful, all stakeholders must come together to make health care more affordable and accountable, reduce waste in the system and improve the quality of care provided in this country.

Health Care at GM

GM is the largest private purchaser of health care in the United States. GM is committed to improving today's health care system. We are working with our employees and unions to help them become better health care consumers in the areas of safety, quality, cost and overall benefits. GM's community initiatives efforts and wellness program are just two of the proactive ways the company is driving change with employees, retirees and their families, in communities and in the overall health care system.

Community Initiatives

GM is actively engaged in communities that have large populations of GM employees, retirees and their dependents. These communities/areas are:

- Flint, Mich.
- Anderson, Ind.
- Warren/Youngstown, Ohio
- Southeast Michigan
- Dayton, Ohio

GM's community initiative outreach is focused on driving Value Driven health care into the local health care delivery system. By focusing on the critical components of Value Driven health care, GM believes it can improve quality, reduce cost and enhance the health status of GM and

community populations. These issues include competition, capacity utilization, standardization, benchmarking, informed decision-making, and market-place incentives for those who promote improved quality and lower costs.

An example of where GM has had great success is with e-prescribing initiatives in Southeast Michigan. This was a collaborative effort with Ford, DaimlerChrysler, and Medco Health and supported by the UAW and the State of Michigan. For example, doctors at HAP and the Henry Ford Medical Group have been writing prescriptions by computer, instead of by hand, since 2004. And of the 1.7 million prescriptions written through this program so far, more than 150,000 have been changed or cancelled thanks to early detection of drug-to-drug and drug to allergy interactions. Even more, this initiative has helped increase the use of generic drugs more than 10 percent, which is a huge savings to the public, companies like GM, and our employees. This is the kind of improvement we need to see throughout America's health care sector.

LifeSteps

The UAW and GM launched the UAW-GM LifeSteps program in 1996. LifeSteps is a comprehensive health and wellness program for active employees, retirees and their adult dependents. LifeSteps is the largest corporate wellness program in the United States.

LifeSteps helps those interested in improving their health to adopt healthy behaviors. The program assesses individual health risks and places them in three categories: low, medium or high risk for illness or disease. There is a direct link between the number of risk factors and illnesses, such as heart disease or diabetes. LifeSteps also provides information about quitting smoking, exercising and healthy eating.

Some of the components of LifeSteps include:

- Health Risk Appraisal (HRA) - a questionnaire of health related behaviors
- Personal Profile – a personalized and confidential report on the results of the HRA with personalized advice on how to get and stay healthy
- “Feelin’Good” newsletter – quarterly communication sent to each health care member household
- Website (www.lifesteps.com) – a site dedicated to providing the latest health news and information.

Health Care Expense

In 2006, GM spent \$4.8 billion covering the health care costs of 1.1 million employees, retirees and dependents in almost every zip code in the United States. From 1996 (\$3.0 billion) to 2005 (\$5.35 billion) GM has seen an 80 percent increase in total health care spent. And, these total costs have increased despite our decline in the numbers of lives GM covers.

The company has taken many steps to address high health care costs. In October 2005, GM and the United Auto Workers reached an agreement to reduce GM's health care costs significantly while maintaining high quality health care benefits for its hourly employees and retirees in the United States. Subsequently, GM has reached similar agreements with its other unions including the IUE.

The agreement reduced GM's retiree health care (OPEB) liabilities by about \$15 billion, or 25 percent of the company's hourly health care liability, and cut GM's annual employee health care expense by about \$3 billion on a pre-tax basis. Cash savings are estimated to be about \$1 billion a year.

The agreement also includes contributions to a new independent Defined Contribution Voluntary Employee Benefit Association (VEBA) that will be used to mitigate the impact of reduced GM health care coverage on individual

hourly retirees. The new independent VEBA is partially funded by GM contributions of \$1 billion in each of three years –2006, and planned for 2007 and 2011.

In addition, in February of 2006, GM announced changes to salaried retiree health care benefits. As of Jan. 1, 2007, GM has capped its contributions to salaried retiree health care at the level of its 2006 expenditures. This affects those employees and retirees who are eligible for the salaried post-retirement health care benefit, their surviving spouses and their eligible dependents. Salaried employees who were hired after Jan. 1, 1993, are not eligible for retiree health care benefits, so they are not affected by these changes.

The adjustments to the salaried retiree health care benefits are projected to reduce GM's retiree health care (OPEB) liabilities by approximately \$4.8 billion and cut GM's annual retiree health care expense by approximately \$900 million on a full-year pre-tax basis. The majority of the OPEB liability reduction and related expense would accrue to GM's North American automotive operations. GM expects that cash savings from this action will grow to about \$200 million within five years, and continue to increase after that.

Key Facts

- In the United States health care is a top competitive

issue impacting all businesses. Even though we spend more on health care (16 percent of GDP) than any other country in the world, the United States is second to last among developed nations when it comes to key health indicators.

- GM is the 2nd largest private purchaser of health care in the United States, paying the health care costs of 1 million employees, retirees and dependents. In 2006, GM spent \$4.8 billion on health care.
 - GM pays for health care in virtually every zip code in the United States.
 - For every two seconds, GM pays for a prescription. GM spent \$1.3 billion on prescription drugs in 2006.
 - GM pays for a medical procedure every second of every day.

GM is committed to improving today's health care system. We are working with our employees and unions to help them become better health care consumers in the areas of safety, quality, cost and overall benefits.

We believe there is NO single solution or a one size fits all approach to reducing the costs and improving the quality and outcomes of care delivered. We must all work together to find solutions: business, labor, consumers, the health care industry and government.