Transforming Employee Health: Prevention, Intervention & Engagement

Mark Englizian, Group Vice President, HR Business Strategy & Solutions

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About Walgreen Co.
“At the Corner of Happy and Healthy”

- 8,295 best corners in US
- 2 strategic global partners
- $100Bn + combined revenue
- 400 healthcare clinics
- 63% US live w/in 3 miles
- 6.5 million customers per day
- 250,000 employees
- 210,000 members
- 75,000 in healthcare roles…

*helping people Get, Stay, and Live Well*
Health Care at Walgreen Co.

10% of the members attributed to 65% of the healthcare spend

<table>
<thead>
<tr>
<th></th>
<th>Prevention</th>
<th>Intervention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Walgreens Experience</td>
<td>Low Risk</td>
<td>Moderate/Chronic Risk</td>
</tr>
<tr>
<td>% Plan Members</td>
<td>73%</td>
<td>19%</td>
</tr>
<tr>
<td>Claims Cost</td>
<td>$214.9m</td>
<td>$186.3m</td>
</tr>
<tr>
<td>Per Capita Cost</td>
<td>$1,431</td>
<td>$4,698</td>
</tr>
<tr>
<td>% of Total Cost</td>
<td>29%</td>
<td>25%</td>
</tr>
</tbody>
</table>

True cost savings result from continually moving associates “one box to the left”
Our Guiding Principles in Moving to An Exchange

• Personalization of Benefits and Health Needs
• More Benefit Options
• Affordable Choices
• Wellness and Good Health Really Matters
• World-Class Enrollment/Engagement Tools
Healthcare Exchange Enrollment Results

Record enrollment - over 140K completed, 98% online

Walgreens Enrollment by Metallic Level
- Silver: 43%
- Bronze: 26%
- Bronze Plus: 10%
- Platinum: 9%
- Gold: 12%

Primary Reason for Choosing 2014 Medical Plan Level
- 32% Best overall pricing (OOP + Premium)
- 25% Wanted plan as close to current plan as possible
- 19% Best level of medical coverage for me
- 8% Wanted lowest possible premium
- 8% Wanted lowest possible out-of-pocket costs
- 8% Other

Record enrollment - over 140K completed, 98% online
Walgreens Zero Co-pay Program Today

• Team members and spouses are eligible for zero copay when participating with Health Coach

  – $0 co-pay for generic diabetes, cholesterol, blood pressure medications (new for 2014)
  – $0 insulin (up to a $50 copay)
  – $0 Walgreens branded diabetes test strips and syringes

• Results include adherence improvement of 10 points…

  40 days of additional therapy
  $53 savings per enrolled
  Health coaching up 34% versus last year
  Zero copy up 48% versus last year
# 2013 Healthcare Clinic Population Overview – Leveraging Store/Onsite Clinics to Lower Costs

<table>
<thead>
<tr>
<th>Employees in a 10-mile radius of a Healthcare Clinic</th>
<th>Number of employees who are enrolled</th>
<th>Percentage of employees who are enrolled</th>
</tr>
</thead>
<tbody>
<tr>
<td>98,757</td>
<td>42,436</td>
<td>43.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Relationship</th>
<th>Enrolled members</th>
<th>Clinic utilization (n)</th>
<th>Clinic utilization (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee</td>
<td>42,436</td>
<td>14,278</td>
<td>33.6%</td>
</tr>
<tr>
<td>Dependent</td>
<td>37,797</td>
<td>8,643</td>
<td>22.9%</td>
</tr>
<tr>
<td>Total</td>
<td>80,233</td>
<td>22,921</td>
<td>28.6%</td>
</tr>
</tbody>
</table>

**Average population density for zip codes within 10 miles of a Healthcare Clinic**

8,121 people per square mile

*Time period: 12/01/12 – 11/30/13*
$5 Co-pay at Healthcare Clinic: Walgreens Team Members Saved Over $3 million in Healthcare Costs

Number of Healthcare Clinic visits by team members increased 40%

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visits</td>
<td>16,311</td>
<td>18,599</td>
<td>22,921</td>
</tr>
</tbody>
</table>

$3 million in savings over three years for the top 15 diagnoses

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs</td>
<td>$836,000</td>
<td>$874,000</td>
<td>$1,300,700</td>
</tr>
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*Independent analysis conducted by HCMS group on behalf of Walgreen Co.*
Team members enrolled in the medical plan have the opportunity to complete Healthy Activities across three periods throughout the year.

- Earn up to 120,000 Balance Rewards
  - 40,000 points per Period ($50 value)
  - Each activity worth 10,000 points
- Approximately 10 Healthy Activities are promoted each Period
- Examples of Healthy Activities include:
  - Did you get your Flu Shot?
  - Annual Preventative Screening
  - Participate in a Health Coaching program
Walgreens Team Member Engagement Increases Using Balance® Rewards

✓ Changed the incentive offering from gift card to loyalty points
✓ Significant increases in participant engagement

<table>
<thead>
<tr>
<th>Engagement</th>
<th>2013 ($150 Gift card)</th>
<th>2014 ($150 in Balance Rewards)</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1 (January 1-March 31)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• # of participants</td>
<td>18,190</td>
<td>30,556</td>
<td>68%</td>
</tr>
<tr>
<td>• Total dollars earned</td>
<td>$717,750</td>
<td>$1,500,000</td>
<td></td>
</tr>
<tr>
<td>Period 2 (April 1-June 30)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• # of participants</td>
<td>6,214</td>
<td>36,145</td>
<td>480%</td>
</tr>
<tr>
<td>• Total dollars earned</td>
<td>$260,850</td>
<td>$1,800,000</td>
<td></td>
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