Case Study: Hilton Worldwide
Hilton at a Glance

- Global in scope, with twelve distinct brands serving different needs of our guests
- We own properties, manage properties on behalf of Owners, and franchise properties
- Approximately 155,000 Team Members globally at the company’s owned and managed hotels, HGV and corporate offices
- We have approximately 70,000 Team Members on our payroll in the U.S.
- In the U.S.
  - We operate hotels in 44 states plus Puerto Rico and Guam
  - Approximately 400 locations
  - Employer sponsored plans and union sponsored plans
  - No retiree medical benefits
Hilton’s Beliefs on Benefits

- Provide competitive benefits that are designed to **attract, retain and motivate** our Team Members to achieve our strategic objectives
- Use benefit program design, subsidies, policies and service to **differentiate Hilton** and support our desired culture
- Properties with higher medical enrollment have higher scores on the question: “**This is a great place to work**”
- Positive **correlation** between “This is a great place to work” and answering positively about our benefits - stronger correlation than to compensation or training
- Properties with higher medical plan enrollment correlate with **higher hotel overall service scores**
- Team Members not enrolled in medical and 401(k) plans have much **higher turnover rates**
- Employees who are highly satisfied with their benefits have a **higher sense of loyalty to their employer and are 3 times more satisfied with their jobs overall** (MetLife Survey)
Multipronged Approach to Managing Healthcare Costs

**Funding Mechanism**
1. Self Insured

**Employees Choice**
2. Aggressively managed Rx Network-only plan designs (HMO)

**Defined Contribution**
3. Benefits Credit

**Carrier Options**
4. Best-In-Market Approach
   - Best –in Class
   - Best –in Class
   - Best –in Class

**Health Imperatives**
5. Early Stages of Wellness Journey
Hilton’s Broadened View and Fresh Perspective

Fueled by the changes and complications of the ACA, Hilton took three distinctive actions:

Studied the marketplace for insurance alternatives
- Insurance, self insurance, public exchanges, private exchanges

Discussed results of marketplace experiments
- Accountable care organizations
- Narrow networks
- Direct contracting
- Wellness
- Population health
- Transparency tools for provider cost and quality of care

Monitored cost increases and plan design changes in the market
- The movement to high deductible plans
- The use/non-use of HSAs
The ACA Provides An Opportunity For Fresh Thinking

The ACA essentially redefines how employers will structure their total rewards approach

- A new “floor” on what constitutes acceptable coverage (2010-2014)
- A common definition of who should be covered (2010-2016)
- A new “ceiling” on what constitutes acceptable coverage (2018)

Result: Healthcare benefits will be a less useful differentiator in total rewards between employers, and the effect will be compounded by health care inflation over time.

The creation of public exchanges redefine the marketplace. A new consumer experience is created. Insurers compete in a more transparent way.

The infrastructure created to support public exchanges and mindset created by public exchanges can be leveraged for a private exchange model.
Aon’s Exchange Emerged as the Best Model Forward in This New Era

HealthChoice: A new dynamic of providing health care to Hilton Worldwide US Team Members

Competing carriers
- Aetna
- Anthem
- United
- BCBS
- Kaiser
- HealthNet

Standardized plans
- Bronze Plus
- Silver
- Gold
- Platinum

Exchange
- Multi-carrier
- Fully insured
- Standard designs
- Group plan

Real competition
- The largest, most respected coverage administrators in the country quoting competitive, binding rates
- Competition for individual employee enrollment creates accountability and incentive for innovation
- An economically stable option in an era of rising health costs

Real Consumerism
- HealthChoice gives Team Members freedom to choose medical coverage that best fits their needs
- High deductible plans encourage consumerism and accountability to make the best health decisions for Team Members and their families
- Large variance in cost when comparing lower value to higher value plans
Aon’s Exchange Provides an Innovative Alternative at a Lower Cost

- Known service provider
- Less administration
- Maximum cost avoidance
- Advanced movement to exchanges
- Choice of insurers

Extension of existing agreement
Costs are only for insurance plans
Better overall pricing
- Lower costs for team members – can “draft down” in their plan choices
- Allows us to offer competitive employer/employee cost sharing

System moving to exchange model
Better local provider coverage
Myth

+7% to +12%
Fully Insured vs. Self Insured

Fact -1.3%
The move to HealthChoice for 2014 reduced an increase of 8% per Team Member down to an overall decrease of 1% without reducing plan designs or company subsidy.

Renewal rates for the second year remained at market-competitive levels. We anticipate annual per capita increases to be consistent with market increases, leveraging our initial savings.
Second Year Rate Increases

Up to 25%

Myth
Second Year Rate Increases

5.3%

Fact
Employee Satisfaction
Hilton Employee Reaction

- 84% liked being able to choose their carrier (and associated provider network)
- Team Members were very positive about the enrollment website and decision-making tools that Aon provides as part of the Exchange experience
  - Health plan comparison chart
  - Provider directories for each health plan
  - Prescription coverage tool
  - Estimate my usage and “Need Help Deciding?” tools
  - Links to carrier websites
- 76% said the Aon site made it easy to compare options, made it easy to enroll and that the confirmation process assured them that their choices had been saved
- Two-thirds said the site was easy to navigate
- Some employees opted up from prior plan levels, some employees opted down. Overall, more enrollment in “Silver” than its predecessor
Insurer Behavior
Insurer Behavior

Average Medical Ratings

<table>
<thead>
<tr>
<th>Category</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Rating</td>
<td>4.07</td>
</tr>
<tr>
<td>Customer Service</td>
<td>4.03</td>
</tr>
<tr>
<td>Network</td>
<td>4.22</td>
</tr>
<tr>
<td>Prescription Drugs</td>
<td>4.01</td>
</tr>
<tr>
<td>Online Experience</td>
<td>3.95</td>
</tr>
<tr>
<td>Other Services</td>
<td>3.85</td>
</tr>
</tbody>
</table>
Hilton’s Key Recommendations and Future State

DO:
- Look 5-10 years into the future
- Evaluate exchanges for retirees, part time employees, lower paid, and active full time employees
- Evaluate your current health plan pricing strategy
  - Regional vs national pricing structure
  - Integration of insured and self-insured plans
  - Pure actuarial vs behavioral modification to actuarial value

Do NOT:
- Underestimate your employees—they can handle an exchange approach

The Future and what still matters:
- Carriers WILL compete for your business if they know they need to
- The consumer experience created by Aon on the exchange platform is well-received
- The choice of insurers, networks, plan designs, and price points are all important to employees—exchanges can deliver that
- Population health still matters
- Best-in-class clinical care still matters
Smart Decision-Making