



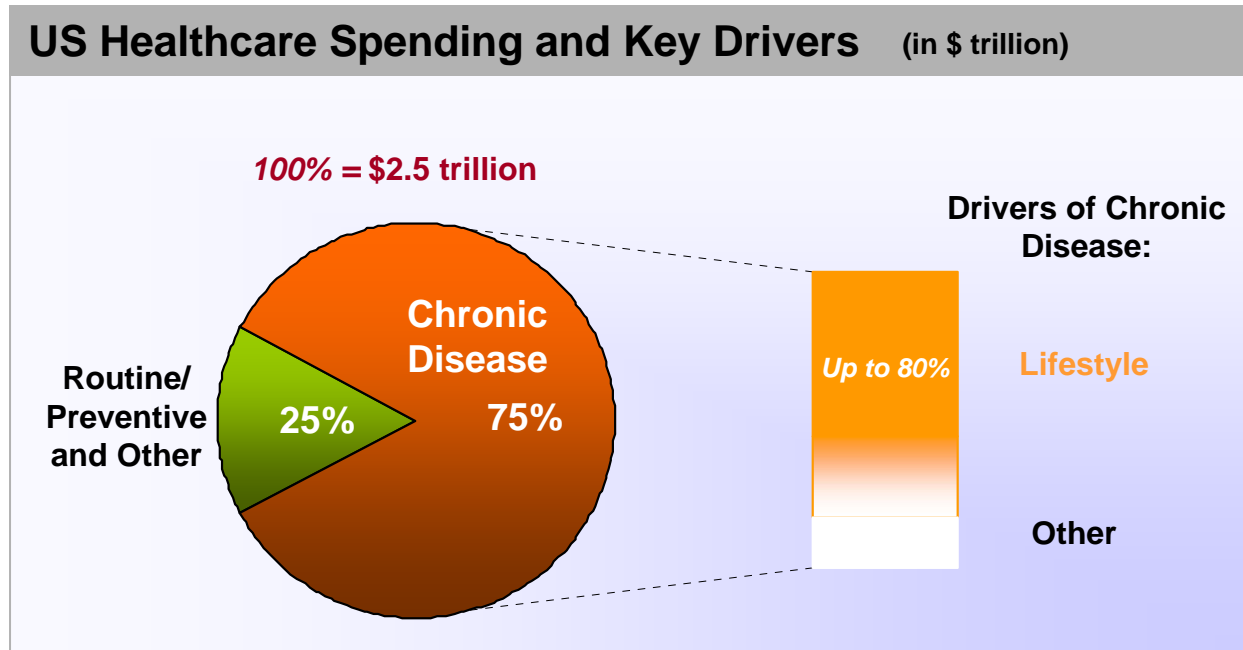
## MemorialCare Presidents' Partnership

September 20, 2011



**IT'S A  
NEW  
DAY.**

# Healthcare cost fundamentally driven by lifestyle



- Total healthcare spend projected to increase to as much as \$4.4 trillion (20% of GDP) by 2018
- Long term healthcare cost containment impossible without a fundamental change in the lifestyle of our population

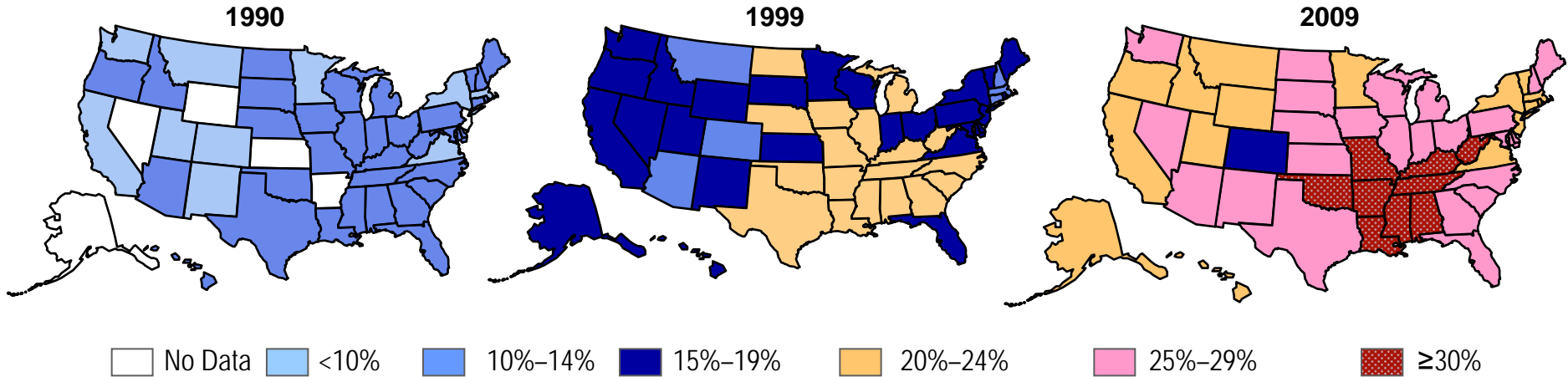
Source: 1) Sisko et al., Health Spending Projections Through 2018: Recession Effects Add Uncertainty to the Outlook, *Health Affairs*, 28, no. 2 (2009): w346-w357, w346. National Coalition on Health Care, Health Care Facts: Costs, July 2009, <http://www.nchc.org/facts/cost.shtml>.  
3) CDC, National Center for Chronic Disease Prevention and Health Promotion, Chronic Diseases *The Power to Prevent, the Call to Control at a Glance 2009*

# Obesity has progressed rapidly since 1990



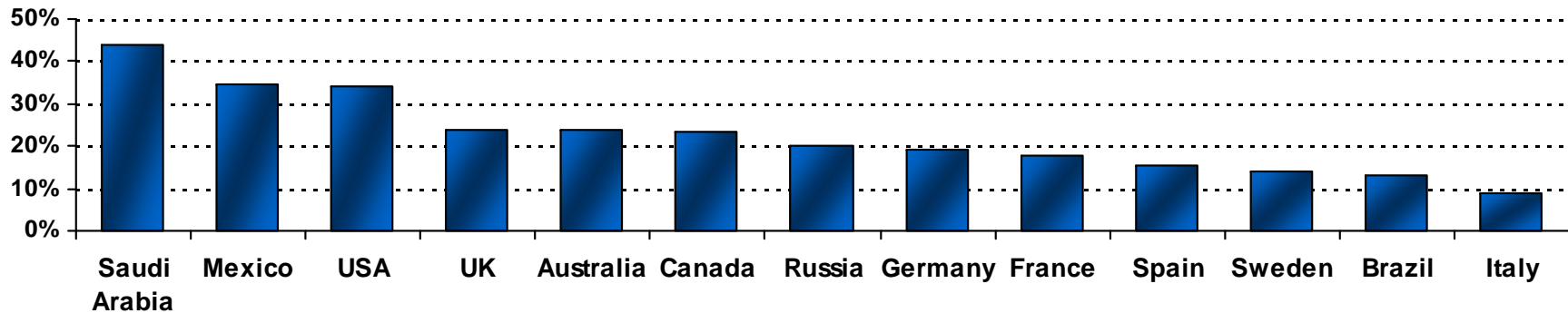
## Obesity Trends Among U.S. Adults

(BMI greater than or equal to 30, or approximately 30 lbs overweight for a 5'4" person)



Source: Behavioral Risk Factor Surveillance System, CDC

## Prevalence of Adult Obesity Across Countries

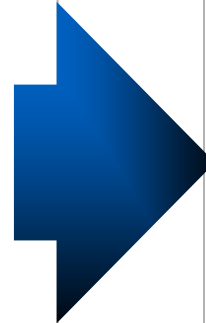


Note: The data presented are not directly comparable since they vary in terms of sampling procedures, age ranges (and the years) of data collection  
 Source: World Health Organization Global Database on Body Mass Index and "OECD Factbook 2006: Quality of Life – Obesity"

# Impact of obesity on health is very real, driving significant portion of healthcare spending

## Multiple conditions driven by obesity <sup>1</sup>

- Coronary heart disease
- Type 2 diabetes
- Hypertension (high blood pressure)
- Dyslipidemia (high total cholesterol or high levels of triglycerides)
- Cancer (breast, colon, endometrial)
- Stroke
- Liver and gallbladder disease
- Sleep apnea
- Osteoarthritis
- Infertility
- Hip and knee joint replacement



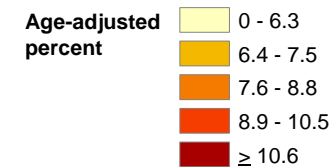
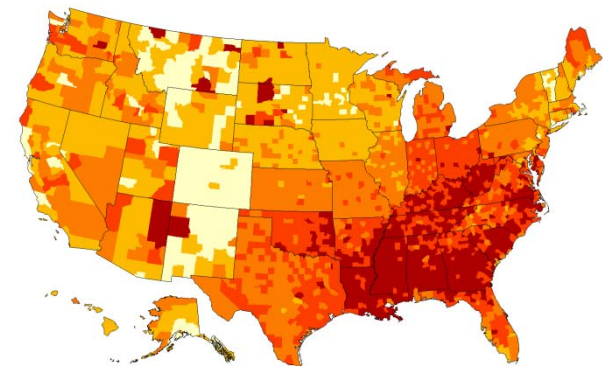
## Impact on US healthcare spending <sup>2</sup>

- Obese adults cost 42% more for medical care in 2006 than their healthy weight counterparts
- Every unit of BMI over 25 increases medical costs and drug costs by ~\$200 and \$83 respectively per person per year
- Obesity estimated to cost \$147 billion per year in 2008 dollars
- Obesity now accounts for 9% of total healthcare spending
- Costs would be even higher if social costs were included
  - Productivity
  - Absenteeism
  - Presenteeism

# Case study: Type 2 Diabetes

- **23.5 million adults have diabetes, 10.7% of the population (2007)**
- **Average medical expenditures for the diabetic 2.3x non-diabetic**
- **Diabetes a \$218 billion condition (2007)**
  - Diagnosed diabetes - \$174 billion
  - Undiagnosed diabetes - \$18 billion
  - Pre-diabetes - \$25 billion
- **Latest CDC estimate that diabetes rates will increase 3-fold by 2050 (October release from CDC)**
  - 57 million Americans considered pre-diabetic
  - Implication: Diabetes becomes a \$0.5 trillion condition

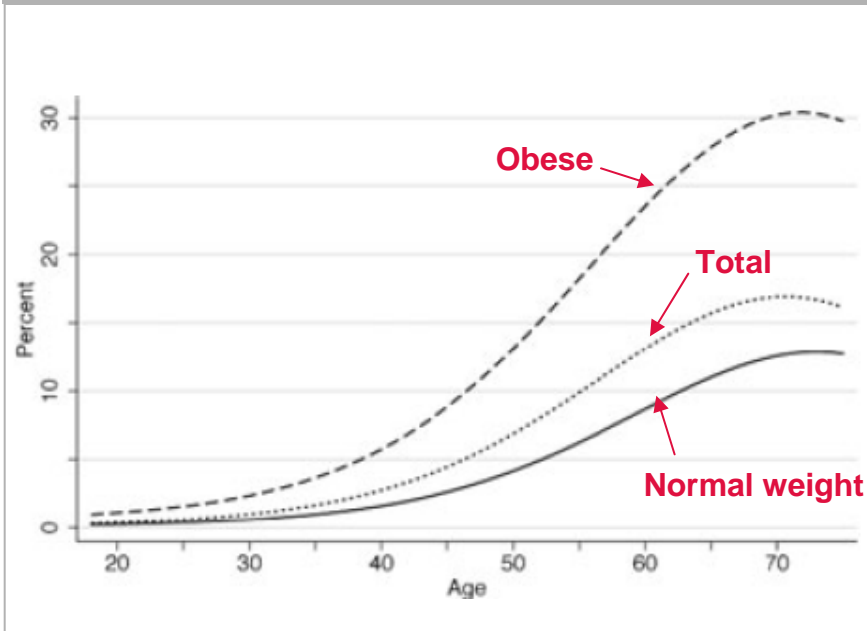
**Prevalence of Diabetes - 2008**  
percent of adults with diagnosed diabetes



Source: 1) American Diabetes Association, 2) Behavioral Risk Factor Surveillance System, CDC

# Reducing obesity is a key lever for reducing healthcare costs

Prevalence of Diabetes<sup>1</sup>



the average consumer not likely to act on obesity issue purely for health benefit reasons

## Benefits for an obese person to sustainably reduce weight by 10%:

- Reduction in the risk of Type 2 diabetes by >50%
- Increase expected years of life without:

<b>hypertension</b>	<b>1.2 to 2.9 yrs</b>
<b>hypercholesterolemia</b>	<b>0.3 to 0.8 yrs</b>
<b>type 2 diabetes</b>	<b>0.5 to 1.7 yrs</b>

- Reduction in systolic blood pressure of 6.1 mm Hg
- Increase life expectancy

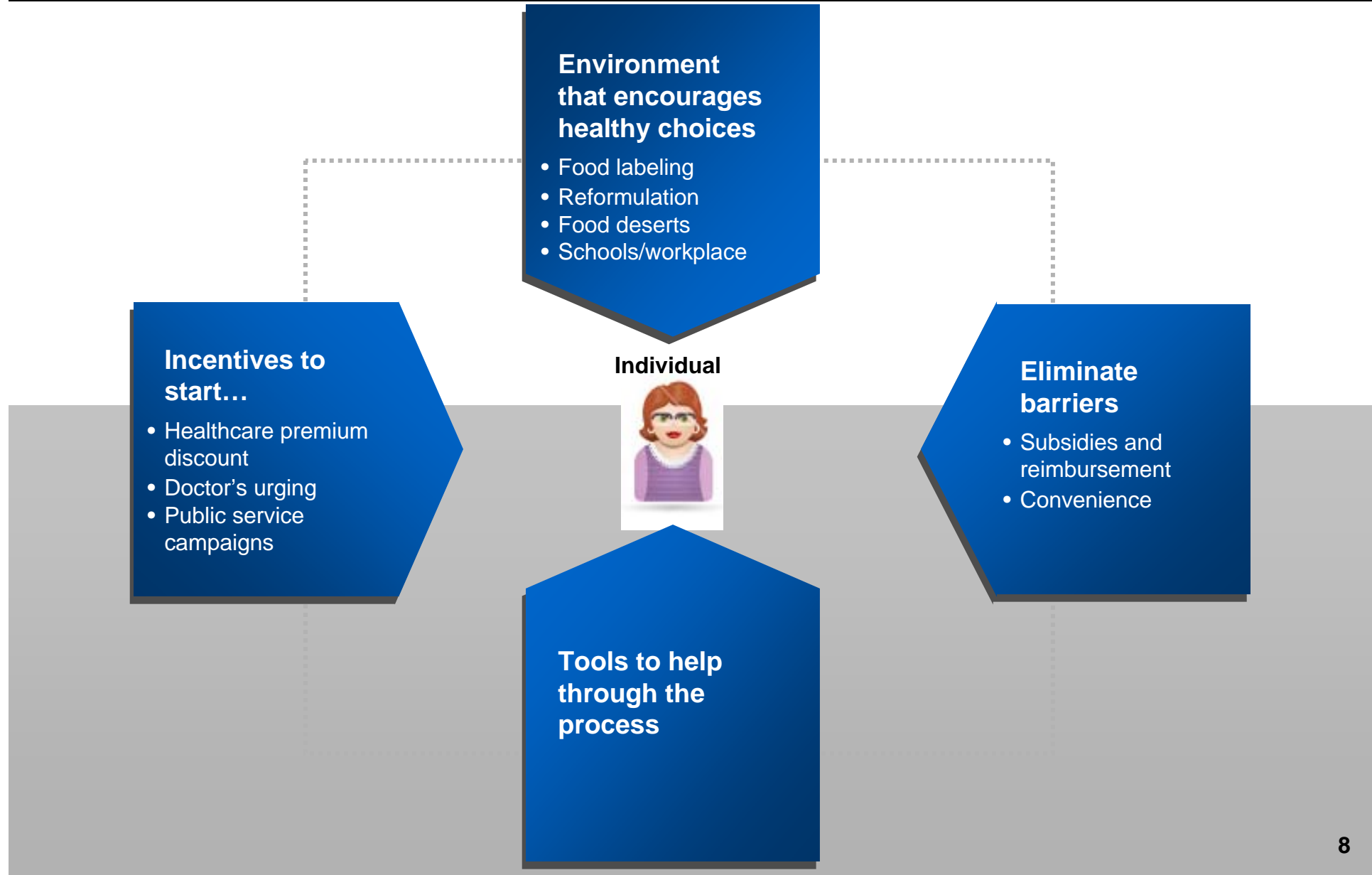
modest weight reduction will have significant benefits in reducing healthcare costs

Source: 1) Value in Health, Volume 10, Supplement 1 - 2007 "Age-Specific Impact of Obesity on Prevalence and Costs of Diabetes and Dyslipidemia" Eric Finkelstein et al

2) Multiple sources, See Annex

- **Long term reduction fundamentally requires the individual to behave in a different way**
  - Reduction of caloric intake
  - Increase of activity / exercise
- **Lifestyle change is possible, but difficult**
  - Healthy lifestyle is a compendium of healthy habits
    - Eating a good breakfast
    - Having a healthy lunch
    - Making better food choices in restaurants
    - Increasing activity, ideally exercising 5 days per week
  - By definition, habits are second nature behaviors
    - They take time (months, not weeks) to establish
  - Recidivism is an ingrained challenge

# Holistic model for systematically reducing obesity



# Need treatment options that meet a set of defined criteria

- 1 Treatment methodology based on the premise of sustainable change**
- 2 Clinically demonstrated to be effective**
- 3 Cost effective**
- 4 Scalable: capable of population level impact**

## UK Example

### NICE criteria for commercial weight loss offerings acceptable for NHS

- Help people decide on realistic healthy target weight
- Focus on long-term lifestyle changes
- Address both diet and activity, and offering a variety of approaches
- Use a balanced, healthy-eating approach
- Offer practical, safe advice about being more active
- Include some behavior-change techniques
- Recommend and/or providing ongoing support

# What Weight Watchers offers



## Meetings



- Inspiring and supportive environment
- Facilitated by leaders (who successfully lost weight)
- Sharing of ideas among members and with the leader
- Accountability of the weigh-in
- Low price
  - \$15 - \$25 Registration
  - \$12 - \$15 per Week

## Online



- Offers Plan Manager, tracking tools, recipe builder, community
- Targets self-helpers
- Mobile options
  - iPhone and iPad apps
- Low price
  - \$65 for first three months
  - \$17.95 / month subsequent months



## Unlimited Meetings + eTools

Get our best offer with **Monthly Pass**

**\$9<sup>22</sup>** per week on average\*  
Pay only \$39.95 a month



**\$39.95 / month + Free Registration + Free eTools**

- **Distinctive construct:**
  - Focus on long-term behavior modification
  - Sustainable and livable food and activity plans
  - Diet-agnostic: basic elements of food plan designed to reflect best and most reliable views of science. Constantly updating and improving.
- **Effectively complements prescribed medical-based approaches, all of which require behavior modification for true long-term success**
  - Bariatric surgery
  - Pharmaceutical-based treatments
- **More compelling solution vs. typical diets**
  - Sustainable change to a healthier lifestyle vs. quick fix diet
- **Longer-term solution vs. meal delivery**
  - Teaching members how to fish rather than giving them the fish

# Weight Watchers vs.the four criteria

Criteria	Weight Watchers
1) Sustainable, lifestyle-based	Fundamental approach: education and behavior modification provided in a supportive environment
2) Clinically effective	64 publications in the last 15 years
3) Cost effective	\$9.22 per week Monthly Pass \$4.14 per week Online
4) Scalable/population level impact	<p>Close to 50K meetings per week on average</p> <ul style="list-style-type: none"> <li>• ~32K in North America</li> <li>• ~17K in International</li> </ul> <p>More than 15,000 leaders globally who have achieved goal weight and have been trained to lead meetings</p>

# Effectiveness and ROI

## Clinically Proven

Study	Key findings
International RCT (Jebb et al. <i>Lancet</i> 2011)	<ul style="list-style-type: none"> <li>• Doctor referral to WW outperformed doctor counseling in accordance with current clinical guidelines</li> <li>• <b>2 x</b> weight loss after 12 months</li> <li>• <b>2.5x</b> reached 10% weight loss</li> <li>• High completion rate</li> <li>• 16% of enrollments in WW arm reached 10% weight loss</li> </ul>
NHS Referral Scheme (Ahern et al. <i>Obes. Rev.</i> 2010; 11(Suppl 1):S242)	<ul style="list-style-type: none"> <li>• Showed very little variability in results from site to site</li> </ul>
Melanson et al ( <i>Am. J. Lifestyle Med.</i> 2010; 4(3):275-281)	<ul style="list-style-type: none"> <li>• Among non-diabetic individuals attending WW meetings regularly, lower fasting glucose, insulin levels, and insulin resistance were observed</li> </ul>

- Weight Watchers uniquely positioned to deliver weight-loss through education, behavior modification, and compliance
- Ideal partner for doctors and payors

## High Return on Investment

Treatment approach	Cost per QALY
<b>Surgery</b>	£ 6,289 to £ 8,527
<b>Medication</b>	£ 6,349 to £ 24,431
<b>Exercise w/ physiotherapist</b>	£ 9,971
<b>Behavioral w/ psychologist</b>	£ 4,360
<b>Weight Watchers</b>	£ 1,022

NICE (in the UK) evaluates treatment options using a model measuring cost per quality adjusted life year (QALY)

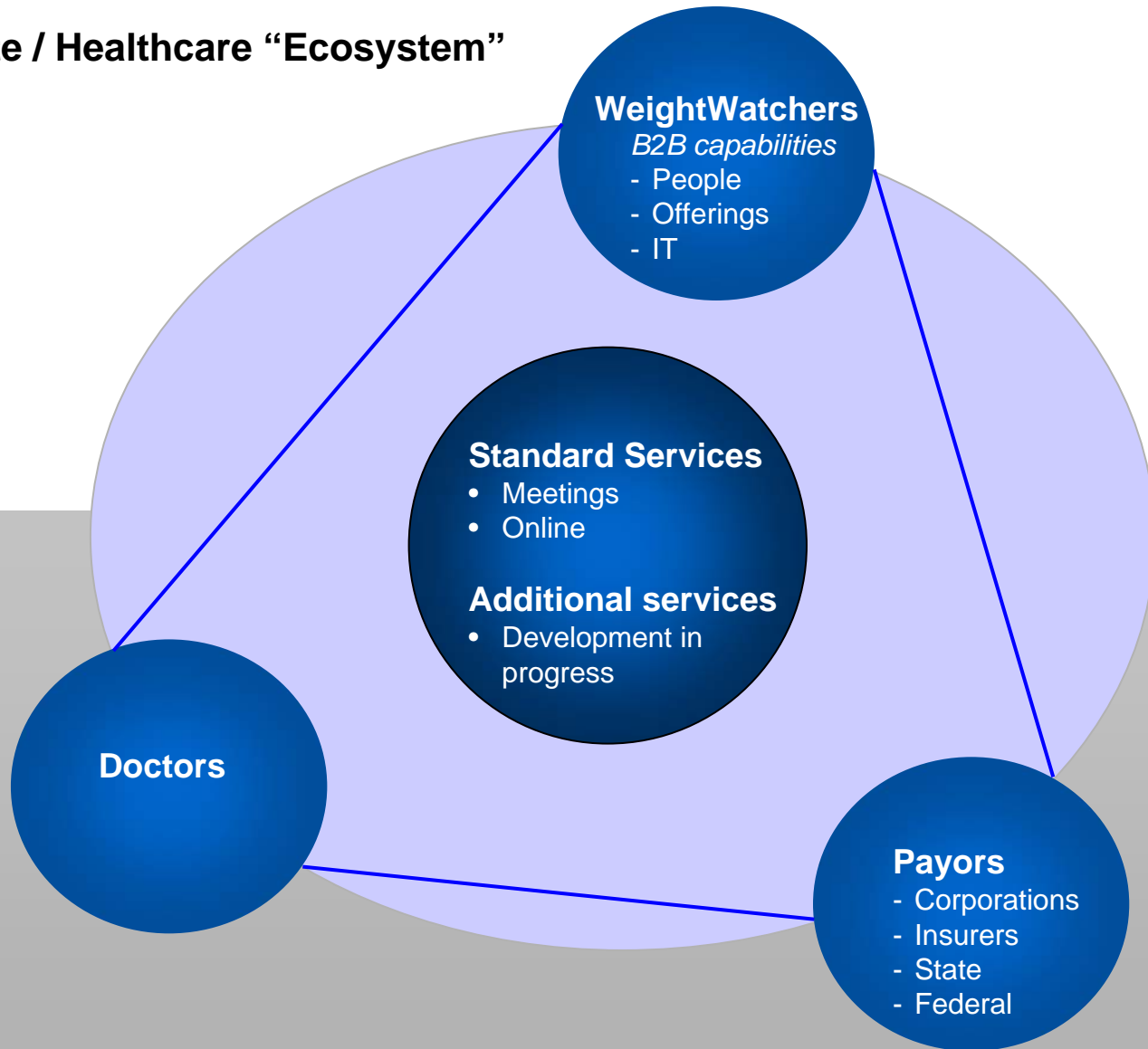
QALY is a measure of the burden of disease both on the quality and the quantity of life lived

### Fundamental advantage of Weight Watchers:

group/community based is the most economic way of delivering Intensive Behavioral Therapy (IBT)

# Best solutions will come from integrated partnerships

## Corporate / Healthcare “Ecosystem”



# Innovating behavior modification through program development

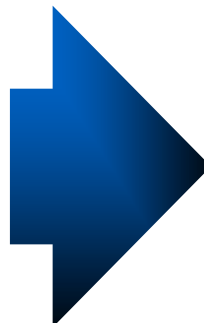
## Fundamental shift in approach




- Original *POINTS*® program:

heavy orientation toward calories with penalty for fat and bonus for fiber

**Fundamental challenge:**  
empty calories and over-reliance on processed and less healthy food



# PointsPlus<sup>™</sup>

- Uses 4 macronutrients (protein, carbohydrates, fat, fiber) and uses algorithm that considers net calories (i.e., after conversion by body) and satiety
- Fruit and most vegetables have zero Points 
- Power Food designation: rates foods based on health and satiety characteristics

**Implication:**  
much more orientation toward more satisfying and healthier choices



**Early reaction of US members to the new program has been excellent despite the significance of the change**

# Leveraging and enhancing our on-the-ground presence



**BEFORE**



Street view



Meeting Room



Merchandising Wall

**AFTER**



# Continue to leverage impact with consumers and patients through marketing

