



May 9, 2008

Tanna Prince
Lockton Companies
7251 W. Lake Mead Blvd.
Suite 300
Las Vegas 89128

Dear Tanna,

Thank you again for your continuing support. We truly appreciate the opportunity we have to work in partnership with the City of Las Vegas to continuously advance employee health, wellness and quality of life; and we are very pleased with the excellent results we have achieved together (see below for Highlights and Projected Savings).

As previously discussed, I am sending this letter to offer two alternatives regarding the staffing of our services going forward. We would be pleased to implement either one, as the City determines.

Alternatives

- ❖ We can continue our services with three full time Wellness Coaches at a reduced monthly charge of \$21,500 (presently, \$22,800), OR
- ❖ We can add a fourth fulltime Wellness Coach for an additional monthly service fee of \$4,700 per month (a total of \$27,500 per month).
- ❖ With respect to either option above, we propose that the new term for our services be 3 years, and that the fees set forth above be increased by 4% per year for each year after the first.

Highlights

Here are some of the Highlights related to our coaching work with the approximately 3000 City employees eligible for our services. These Highlights cover the first full 19 months of our engagement with the City, from July 1, 2006 to January 31, 2008.

- ❖ We had personal, face-to-face educational, metric testing, or wellness coaching interactions with 100% of the City's eligible employees; representing a total of approximately 43,000 coach/employee interactions, or an average of 14+ coaching interactions per employee.
- ❖ We have had Wellness Coaching interactions (to coach employees regarding their specific, personal health risks and behaviors) with 75% of the City's eligible employees; representing a total of approximately 13,000 coach/employee interactions, or an average of 6+ coaching interactions per employee.



- ❖ Our Wellness Coaching interactions helped employees with over 100 different health/wellness issues, including blood pressure, conditioning/exercise, nutrition, weight control, cardio/heart disease, stress, tobacco use, diabetes and fatigue/sleep.
- ❖ 57% of the City's eligible employees, or approximately 1,700 people, participated in either blood pressure or body composition testing.
- ❖ 504 City employees lost a total of 4,556 pounds (an average weight loss for those eligible employees who lost weight of approximately 9 pounds per employee).
- ❖ Approximately 1,100 employees had their blood pressure checked, with an average of 5+ checks for each of the 1,100 employees. Of this group, 593 actually lowered their blood pressure.
- ❖ Our Wellness Coaches participated in the planning, implementation, and/or promotion of 93 special health and wellness activities, including health fairs, injury prevention fire fighter training classes, Mayors health Initiative Walk, flu prevention, and the Las Vegas Marathon.

Savings

Further, based upon the very significant employee health risk factor improvements as reflected in our Service Report to the City (for the period July 1, 2006 to January 31, 2008), we believe our partnership with the City has achieved impressive cost savings from our onsite Wellness Coaching process. More specifically, an evaluation of the returns from the three risk factor improvements that most directly correlate to widely accepted estimates of cost savings (that is, reductions in the number of employees who smoke, who do not exercise, and have high blood pressure), produces the following projected annual savings:

A	B	C	D
Actual Results (as reported in our most recent Service Report to the City for the period July 1, 2006 January 2008)	# of City EEs	Savings **	Total \$ Savings
EEs who have increased their exercise to at least 20 minutes for 2 or more days/week	164	X \$500	\$82,000
EEs who stopped using tobacco products of any kind	37	X \$1,600	\$59,200
Actual number of employees who moved from high blood pressure to a lower risk status	189	X \$350	\$66,150
		Total Savings	\$207,350



The Savings reflected in column C above (and as set forth in the July 1, 2006 January 31, 2008 Service Report) derive from the following research.

- ❖ **164 Employees Increased Their Exercise/Physical Activity** *Moving an essentially sedentary employee to exercise for at least 20 minutes, two or more days per week, can lower healthcare costs by \$500 per employee per year. Source: Univ. of Michigan Health Management Research Center. <http://www.umich.edu/news>*
- ❖ **37 Employees Stopped Using Tobacco Products** - *The annual incremental medical cost of a smoker is \$1,600. Source: CDC. www.cdc.gov*
- ❖ **189 Employees Moved From High Blood Pressure to a Lower Risk Category** - *Annual excess health care cost per employee with high blood pressure is \$343. Source: Journal of Occupational Medicine*

While the risk factors reflected in the table above offer the most direct and measurable areas of cost reductions, we believe that significant additional savings have also been generated by employees who have reduced body fat, reduced alcohol use and reduced stress. As reflected in the Service Report, these additional risk factor reductions are summarized as follows:

- ❖ **504 Employees Lost Weight Obesity** *Obese adults incur \$2,500 more in average annual health care costs as compared to the non-obese. Source: Journal of Occupational and Environmental Medicine - May, 2004. <http://www.joem.org>*
- ❖ **11 Employees Reduced their Alcohol Use** *The annual excess health care cost per employee with an alcohol abuse problem is \$2,400. Source: George Washington Univ. Medical Center. <http://www.alcoholcostcalculator.org>*
- ❖ **203 Employees Coached on Stress Management Techniques** - *Employees who experience depression and stress utilize healthcare at a rate 250% higher than regular employees, a difference of \$3,000 per employee per year on average. Source: Milliman and Robertson Consulting. <http://ubhc.umdj.edu>*

Further, it is useful to note that the above projected cost savings do not include additional savings realized from the productivity gains, enhanced morale, and reduced incidence of absenteeism and workplace injury which likely result from the improved healthfulness of the City's workforce.

We appreciate your assistance in this process, and we look forward to continuing the work we are doing together with the City of Las Vegas. If you have any questions or comments, please don't hesitate to call at your convenience. Thanks again for all of your support. It is a pleasure working with you.

Yours truly,

Jay W. Vandegrift Jr.
President
Wellness Coaches USA