

Engineering a Healthy Workforce

April, 2007

Steve Mason, P.E. President

Cardinal Engineering, Inc.-
2005 BCBS Champion of Health

Earl's Rib Palace

Cardinal Engineering, Inc. & Earl's Rib Palace

- Cardinal Engineering
 - Civil Engineering, Environmental Engineering, Surveying
 - 45 Surveyors, Engineers, Scientists
 - 68% have college degrees
 - Wages \$24,000 - \$95,000/yr
- Earl's Rib Palace
 - Best BBQ, OKC Gazette (2003-2006)
 - 120 Cooks, Managers, Waitstaff, Dishwashers
 - 5% have college degrees
 - Wages \$10,000 - \$65,000/yr

Cardinal Health Initiatives

1. 100% family insurance
 - health/eye/dental/disability
2. \$1300 to meet health goals
3. \$800 if Blue Preferred and less than full family health insurance
4. Support for community involvement-
Team Cardinal
5. Deductible Reimbursement not to exceed \$4500 per family

Salaried Employee Insurance

- Cardinal Employees & Families
 - 100% Coverage for 100% of Employees
 - Eye care Insurance
 - Dental Insurance
 - Health Insurance
 - Disability Insurance

- Earl's Employees & Families
 - 100% Coverage for Managers
 - Eye care Insurance
 - Dental Insurance
 - Health Insurance

Hourly Employee Insurance

- Cardinal Employees & Families
 - 100% Family Coverage
 - Eye care Insurance
 - Dental Insurance
 - Health Insurance
 - Disability Insurance

- Earl's Hourly Employees
 - No Health Insurance
 - Should Earl's raise prices 3.5% to provide insurance for hourly employees?

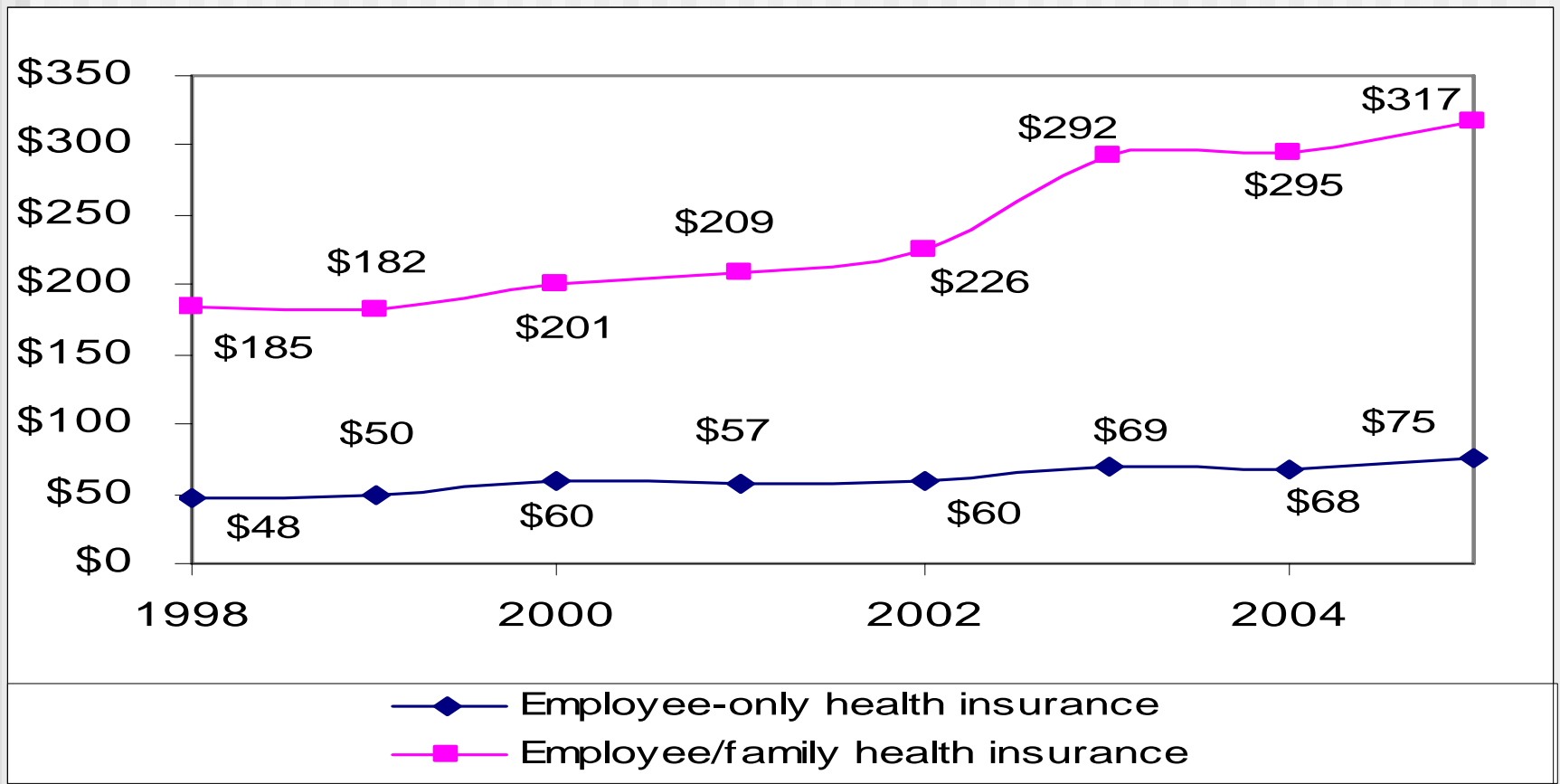
Health Insurance Premiums

Are health insurance premiums paid entirely by the firm for any of the following?

Employee coverage only.....	33%
Employee/family coverage.....	7%
None of the above (employees contribute to all premiums).....	59%

(Rothman, L.B.; Hedgepeth, J.D.; Stoodley, J.H.; ***Policies, Procedures & Benefits Survey of Architecture, Engineering, Planning & Environmental Consulting Firms, Zweig White Information Services, LLC, 2005, pp 279***)

Monthly Employee Contributions to Health & Dental Insurance Premiums



As reported in the 1998 – 2005 editions of the Polices, Procedures & Benefits survey
Architecture, engineering, Planning & Environmental Consulting firms

\$ to Employees for Healthy Living

- Cardinal Engineering
 - \$400 debit card if < full family (CEI saves \$5000/employee/yr)
 - \$400 debit card if Blue Preferred vs. Blue Choice (CEI saves \$1100/family/yr)
 - Team Cardinal- Cardinal pays race fees
 - Successful health goals = \$1300
 - \$300/quarter + \$100 for four successful quarters
- Earl's Rib Palace
 - No Health Goals
 - \$0 Cash

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- Quarterly Personal Health Goals
 - Examples
 - Work out 3-4 times/week
 - Reductions in caffeine intake
 - Meeting and maintaining weight goals
 - Running or walking
 - Lower blood pressure
 - Floss teeth
 - Weight lifting
 - Abdominal crunches
 - Quit smoking

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■ Health Goal Successes

- Healthier Employees
 - Exercise more
 - Lifted weights
 - Smoke less
 - Lost 463 pounds
 - Lower cholesterol
- Jason Cotton lost 82 lbs, maintained weight for 3 years
- Team Cardinal ran 3 races in 2006
- Ricky Arce lifted 201,600 lbs in 2003 & 2004
- 10 employees – Susan Komen Breast Cancer Run 2005

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- Health Goal Successes in 2006
 - Healthier Employees
 - Exercised 27,428 hrs.
 - Ran 456 miles
 - Less tobacco use
 - Lower cholesterol
 - Lost 55 pounds
 - Lifted weights
 - Ate healthier
 - Dave Tedford and Ryan Murphy completed all four goals
 - Combined, Gary Smith and Zach Favors lost 10% body fat
 - Team Cardinal has already participated in 3 runs in 2007
 - Chili Day Run
 - Running for Bella
 - Red Bud

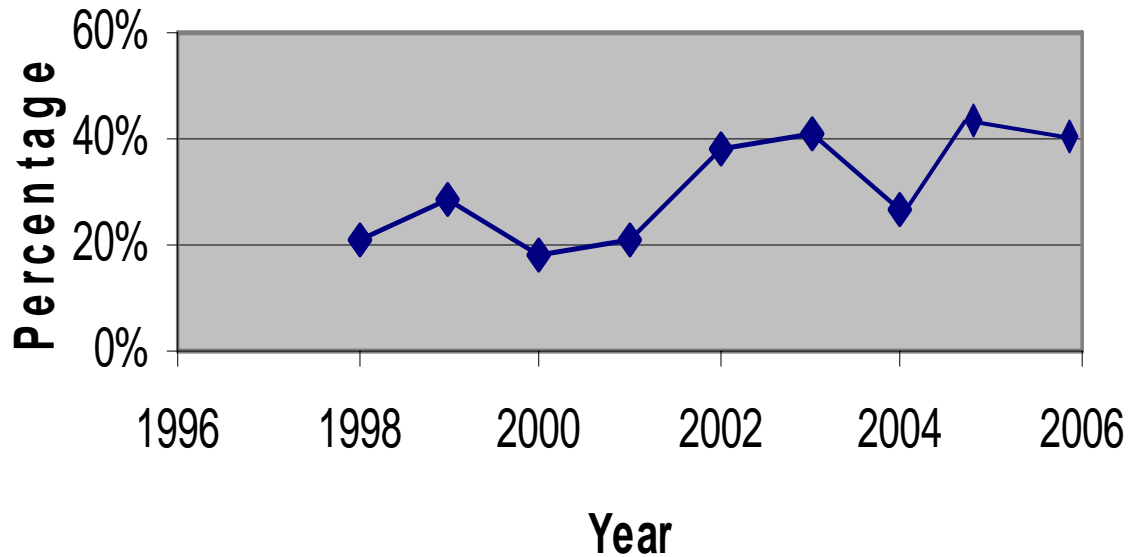
Cardinal Engineering Health Incentive Plan

- Health Goals: Success = Cash
 - Quarterly Achievements
 - \$300/quarter
 - \$12,900 in 2006
 - Year Achievement
 - An extra \$100 rewarded to 2 employees for completing all 4 quarters

Health Goal Amounts Awarded

Year	Amount
1998	\$10,100
1999	\$13,075
2000	\$6,500
2001	\$10,500
2002	\$11,000
2003	\$12,400
2004	\$9,900
2005	\$9,600
2006	\$12,900

4 Quarter Success Rates of Employees



Year	4 Quarter Success Percentage
1998	21%
1999	29%
2000	18%
2001	21%
2002	38%
2003	41%
2004	27%
2005	41%
2006	40%

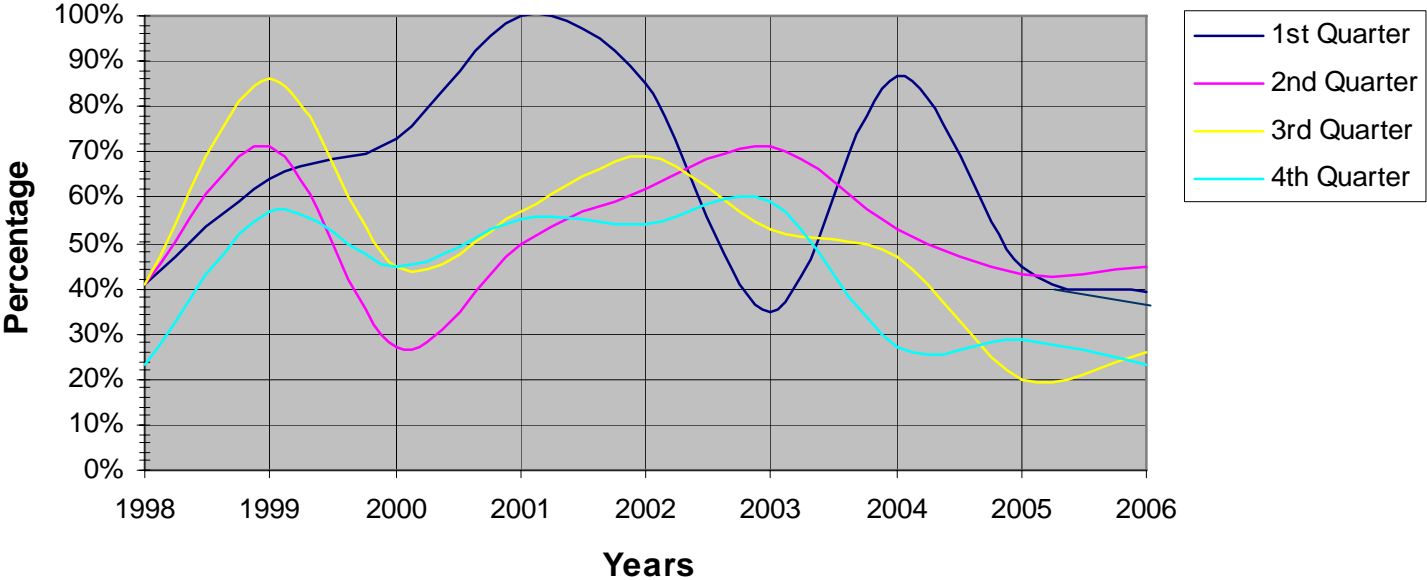
% Quarterly Health Successes

Year	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr
1998	41	41	41	23
1999	64	71	86	57
2000	73	27	45	45
2001	100	50	57	55
2002	85	62	69	54
2003	35	71	53	59
2004	87	53	47	27
2005	45	43	20	28
2006	39	45	26	23

Achieving one quarter goal is better than not having had any goal at all

Past Success Percentages

QUARTERLY PERCENTAGES FOR PAST YEARS



Cost of Cardinal Health Insurance

- 2001

- Family Blue Choice, Dental, Vision
\$7560/yr

- 2002

- Family Blue Choice, Dental, Vision
\$8400/yr
- 10% Increase

Cost of Cardinal Health Insurance

- 2003
 - Family Blue Choice, Dental Vision \$9,000/yr
 - 7% Increase
 - BCBS changed
 - Accident injury subject to deductible coinsurance
 - Prescription coverage
 - Cardinal increased deductible
 - \$500 to \$1,000
 - Premium savings of \$11,200/yr
- 2004
 - Cardinal increased out of Pocket Maximum
 - \$1,000 to \$2,000, Cardinal reimbursement increase
 - Reimbursed \$2,800, Insurance savings of \$6,100/yr
 - Family Blue Choice, Dental Vision \$10,080/yr
 - 13% Increase

Cost of Cardinal Health Insurance

- 2005
 - Deleted drug card but drugs apply to deductible
 - Cardinal increased deductible
 - \$1,000 to \$2,500, Cardinal reimburses increase
 - Family Blue Choice, Dental Vision \$8,400/yr
 - 16.7% decrease
 - Family Blue Preferred, Dental Vision \$7272/yr
 - 4.6% decrease
 - Reimburse \$10,272 deductibles, Insurance savings of \$47,432/yr
 - Added Disability Insurance

Cost of Cardinal Health Insurance

- 2006
 - No Changes
 - Family Blue Choice, Dental Vision \$9,159.60/yr
 - 11% increase
 - Family Blue Preferred, Dental Vision \$7,928.40/yr
 - 11% increase
 - Reimbursed \$13,882 deductibles
- 2007
 - No Changes
 - Family Blue Choice, Dental Vision \$9,319.20/yr
 - 1.7% increase
 - Family Blue Preferred, Dental Vision \$8,073.60/yr
 - 1.8% increase

Percent of Revenue

- Wages – 44.2%
- Bonuses – 8.0%
- Insurance medical (full family coverage) – 4.3%
- Payroll taxes – 3.5%
- Depreciation – 2.8%
- Liability insurance – 2.2%
- Rent – 2.1%
- 401K plan – 1.5%
- Health bonuses - 0.3%
- Insurance rebates – 0.2%

Cardinal Health Program Costs

	2003	2004	2005	2006
# FT Employee	23	24	35	39
Health Premiums	\$133,000	\$162,000	\$167,262	\$199,743
Insurance Rebates	\$0	\$6,400	\$8,800	\$11,400
Health Goals	\$12,400	\$9,900	\$9,900	\$12,900
Deduction Reimbursement	\$0	\$2,800	\$10,272	\$13,882
Total	\$145,400	\$181,100	\$187,624	\$237,925

■ Quality health results from Community Involvement

- Deanne Hughes –
Board Chair for the Girl Scouts Redlands Council
- Dave Tedford -
2005 supervisor for American Red Cross in the Disaster Service Human Resources (DSHR) system for disaster relief operations
- Laurie Bennett
Den Leader and Cub Master, Boy Scouts of America
- Steve Mason –
Scoutmaster & property chairman, BSA;
Oklahoma City Community Foundation; Youth Leadership Exchange – Leadership OKC
- Duane Winegardner –
Treasurer, Board of Directors, Central Oklahoma Master Conservancy District (Water Supply from Lake Thunderbird); Chairman, Social Ministry Committee at the University Lutheran Church and Student Center, Norman

Cardinal's Health Initiatives

- Are inexpensive
- Provide excellent insurance to families
- Shifts some cost burden and responsibility to Cardinal and employee
- Produce healthier people

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Question: Why does Cardinal provide

1. 100% family insurance
 - health/eye/dental/disability
2. Health goals
3. \$1300 to meet health goals
4. \$800 if Blue Preferred and less than full family health insurance
5. Support for community involvement

Answer: To ensure healthy people

Quality Health

- Why encourage quality health?
 - Money
 - Less sick leave, increased productivity
 - Health premiums not reduced by health insurance company, Small Group reform Act 360.5.Sec6511-6529
 - Cardinal health premium increases are less than average
 - “Profits happen when you do everything else right.”-Yvon Chourinord, Patagonia, Black Diamond Climbing
 - Cardinal Values-Quality and Ethics
 - Improved teamwork
 - Fun, positive activities
 - Health is an invaluable fragile asset

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- Why Encourage Quality Health?
 - Cardinal Values Healthy Employees
 - Happier person
 - Better parents and spouses
 - Improved self confidence
 - Increased productivity
 - Less sick leave
 - Positive atmosphere
 - Live longer



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