

IN THIS ISSUE:

Page 1
Cornerstone News
Message from Cornerstone Group

Page 2
Employee Benefits Update
Lower Medical Costs - You Can Make A Difference!

Page 3
Employee Administrative Services
Cornerstone introduces HRconnection

Page 4
Financial Services News
Wild Ride or Quiet Stroll?

Page 5
Financial Services News
How Should I Manage My Retirement Plan?

Page 6
Municipal Advisors Update
Medicare Advantage and PDPs in 2007: Early Indicators

Page 7
Municipal Advisors Update
Retiree Drug Subsidy Reconciliation: Complete or Lose Your Subsidy!

Why Corporations Choose Cornerstone

Organizations can evaluate their relationship with their insurance advisors in a number of ways. Cost savings, responsiveness, industry knowledge, creativity and the ability to anticipate change are among the most important talents an insurance agency can provide; and, on all these counts, businesses and government agencies in Michigan increasingly are expressing their confidence in Cornerstone Group.

Over the past six years, Cornerstone's client base has expanded from a few dozen firms to more than 350 corporations, leading to a tenfold increase in revenue that we have translated into technology and people skills that we employ to the benefit of our clients. Cornerstone's 28 professionals today operate in four important arenas:

- Cornerstone Benefits
- Cornerstone Municipal Advisory Group
- Cornerstone Financial Advisors
- Cornerstone Employee Administrative Services

In the past year, a dozen more organizations have selected Cornerstone as their broker of record, including:

- Branch Area Transit Authority
- City of Hazel Park
- City of Royal Oak
- Detroit Precision Hommell
- Dietz Management
- Ganton Retirement Centers
- Getrag
- Grand Sakwa Management
- Linamar Corporation
- Shelby Township
- Sundance Chevrolet

Clients especially appreciate Cornerstone's dedication to incorporating technology as the key to rapid, accurate, on-demand services. Through Cornerstone Employee Administrative Services, we have become the only benefit agency in Michigan to provide a tightly integrated suite of services that focus on the critical components of human resources, from technology, training and customer support to the deployment and management of our Web-based employee benefits management system.

Our own newly expanded Web site at www.cornerstonebenefits.com provides more information on our services and our strategies. We invite you to explore the benefits you can gain with Cornerstone Group.





Lower Medical Costs - You Can Make A Difference!

The average annual health care cost per person in the United States exceeds \$3,000 - and preventable illness makes up approximately 70% of the total costs. A study published in the American Journal of Health Promotion found 11 modifiable risk factors tied to various medical conditions—stress, smoking, sedentary lifestyle, obesity, nutrition, depression, high blood pressure, high cholesterol, alcohol use and blood glucose level. The study found that, overall, these risk factors accounted for approximately 25% of total medical care costs!

Because much of these costs are linked to health habits, it is possible for employers to take aggressive action toward containing health care costs while improving health, by implementing a dynamic wellness program. As an added benefit, studies show companies that promote wellness enjoy a reduction in employee absence rates, and improved employee productivity.

How To Get Started?

Wellness initiatives can be simple or complex; focusing on overall behavior change (such as nutrition counseling, and weight management) or targeted illness (such as asthma, diabetes or hypertension). Statistically, the most utilized wellness initiatives are health risk appraisals, smoking cessation programs, workout facilities, diet groups, cafeteria healthy food options, gym memberships, exercise breaks and diet counseling.

Whatever the plan, utilization and acceptance is the key to success. According to the Wellness Councils of America, the following elements are inherent to successful workplace wellness initiatives—

1. Management support is a must. Managers must be role models for the program.
2. Design a program that will be effective for your employees. Keep the program fresh, relevant, and remember to celebrate success.
3. Create a plan that includes measurable goals, budgets, ongoing communication, and a method of evaluation. A good wellness program is not a one time event!
4. Establish a supportive environment for healthy behavior...Provide healthy food choices in the cafeteria, encourage lunch time walks, distribute wellness and prevention tips.

Don't Believe It? Take a Look....

Johnson and Johnson reduced their absenteeism rate by 15% within two years of introducing their wellness program. They cut their hospital costs by 34% after just three years. *Human Resources Executive, April 1993*

Sony Corp. of America analyzed claims data from 1988 to 1990 and found that 50% of its indemnity plan costs were incurred by employees with medical conditions that were lifestyle-related, or that could be changed. *Employee Benefits Plan Review, January 1992*

Waste Management, Inc. implemented a pilot, stress management program for employees and their families; it reduced the total number of claims for the company and resulted in estimated savings of between \$3,750 and \$15,000 per participant, per year. *Business and Health, November 1992*

These are just a few examples...Since 1980 there have been over 50 studies of comprehensive worksite health promotion and disease prevention programs. Every study has indicated positive health outcomes, and 29 of 30 proved to be cost effective. Most employers find the cost involved in an effective wellness program to be a worthwhile investment. Not only can you lower medical costs for the company, you can improve the health and productivity of employees.

For more info on Employee Benefits contact Frank Mayer at 248-641-2731.



Cornerstone introduces HRconnection

Problem:

My employees are demanding more and faster information about their benefits plans.

Meanwhile, my human resources staff is already overburdened by administrative tasks and employee inquiries. What can I do?

Solution:

Cornerstone Administrators

Cornerstone helps you tackle administrative problems head on. We deploy an integrated suite of services to assist you in the daunting tasks of managing your employee benefits. The two Employee Communication Printed booklets:

- Customized to client organizational appearance
- Required Notifications (e.g. HIPAA Privacy, FMLA etc.)
- Benefit Plan Descriptions

See employee benefits in a whole new way. Put Cornerstone Administrators to work for you!

Online Enrollment is here!

We design a robust online employee portal designed around the premise of employee self-service, including a Flash enabled New Employee Orientation wizard complete with customized talk-track. This is a complete online employee communication tool that allows you to manage all of your important company information in one secure and convenient location. Your employees can access it any time, from any computer with Internet access.

Just imagine no longer having to distribute reams of paper describing your benefits plans, policies, or procedures to employees. And, no printing and distributing confusing handbook inserts every time you make a change.

Instead, you can simply direct your employees to your site where they'll find:

- Your company's history and mission statement
- Your employee directory and company handbook
- Human resources forms and contact information
- Detailed employee benefits information
- Online benefit elections
- Online vacation/time off requests
- Provider directories and Summary Plan Descriptions
- A new employee orientation wizard
- Information just for Spanish-speaking employees
- Message Board
- Recommended Links
- And much more!

Cornerstone Administrators Helps Employees Stay Informed.

Employees will be happy to avoid paging through bulky binders or folders to find one simple answer. Cornerstone Administrators makes benefits information, company policies, holiday lists, expense forms, and much more available right at their fingertips.

Cornerstone Administrators Helps Human Resources Work Better.

Employees can request time off electronically streamlining and automating your workflow processes. Here's an example of a typical day:

- An employee needs a vacation request form.
- Another wants to know what their health plan deductible is.
- Yet another would like to know your company's policy on tuition reimbursement. And it's only 8:15 AM.

Answering your employees' questions about the issues most important to them is vital to keeping them happy, but it can also hinder efficiency for you or your HR personnel. That is, unless the answers are on HRconnection.

With answers to most day-to-day employee questions, HRconnection gives time back to HR professionals, and lets them focus on more strategic issues. And what's more, HRconnection will help HR portray a high-quality image to current and prospective employees, greatly enhancing your recruitment and retention efforts.

Reduce premium expenses and reduce carrier invoice discrepancies.

For more info on Employee Administrative Services contact Mary McIntyre at 248-233-6166.

WILD RIDE OR QUIET STROLL?

The stock market has taken investors on a wild ride for the past several years. For example, a hypothetical portfolio of stocks mirroring the S&P 500 would have taken until 2006 to recoup losses sustained during the three-year bear market that began in 2000.¹

Meanwhile, an investment in low-risk 10-year Treasury bonds wouldn't have lost a penny during the same time period — or at any time during the past 25 years (see table). Looking back, it might seem as though the portfolio of Treasuries would have been the better investment. But there's more to the picture.

Dig Deeper

As you can see from the table, the return from stocks was more than four times greater than from Treasuries — in other words, the opportunity cost of playing it safe was almost \$175,000. Of course, remember that past performance is no guarantee of future results.



Risk — In this case, the return from stocks was worth the risk, but only for someone who had time to recover from losses sustained during the period. Your own risk tolerance is determined in large part by your time horizon and investment objectives.

Treasury bonds are backed by the full faith and credit of the U.S. government as to the timely payment of principal and interest. The principal value will fluctuate with changes in market conditions. If not held to maturity, Treasuries may be worth more or less than their original value.

Inflation — Inflation for the 25-year period averaged slightly more than 3% per year.² That's almost half the average annual return from the bond investment but less than one-fourth of the return from stocks.

It's impossible to forecast whether stock market volatility will continue, but it would be prudent to assume it will. However, the cost of playing it safe may be higher than you are willing to bear.

For more info on Financial Services contact Scott Prechtel at 248-641-2877.

How Should I Manage My Retirement Plan?

Employer-sponsored retirement plans are more valuable than ever. The money in them grows tax deferred until it is withdrawn at retirement. And contributions to a 401(k) plan actually reduce your taxable income.

But figuring out how to manage the assets in your retirement plan can be confusing, particularly in times of financial uncertainty.

Conventional wisdom says if you have several years until retirement, you should put the majority of your holdings in stocks. Stocks have historically outperformed other investments over the long term. That has made stocks attractive for staying ahead of inflation. Of course, past performance does not guarantee future results.

The stock market is inherently extremely volatile. Is it a safe place for your retirement money? Or should you shift more into a money market fund offering a stable but lower return?

If you're participating in an employer-sponsored retirement plan, you probably have the option of shifting the money in your plan from one fund to another. You can reallocate your retirement savings to reflect the changes you see in the marketplace. Here are a few guidelines to help you make this important decision.

Consider Keeping a Portion in Stocks

In spite of its volatility, the stock market may still be an appropriate place for your investment dollars — particularly over the long term. And retirement planning is a long-term proposition.

Since most retirement plans are funded by automatic payroll deductions, they achieve a concept known as dollar cost averaging. Dollar cost averaging can take some of the sting out of a descending market.

Dollar cost averaging does not ensure a profit or prevent a loss. Such plans involve continuous investments in securities regardless of the fluctuating prices

of such securities. You should consider your financial ability to continue making purchases through periods of low price levels. Dollar cost averaging can be an effective way for investors to accumulate shares to help meet long-term goals.

Diversify

Diversification is a basic principle of investing. Spreading your holdings among several different asset classes (e.g., stocks, bonds, etc.) lessens your potential loss in any one investment.

Do the same for the assets in your retirement plan.

Keep in mind, however, that diversification does not guarantee against loss; it is a method used to help reduce risk.

Find Out About the Guaranteed Interest Contract

A guaranteed interest contract offers a set rate of return for a specific period of time, and it is typically backed by an insurance company. Generally, these contracts are very safe, but they still depend on the claims-paying ability of the company that issues them.

If you're concerned, take a look at that company's rating. The four main insurance company rating agencies are A.M. Best, Moody's, Standard & Poor's, and Fitch Ratings. You can access these services online, or you should be able to find copies of these guides at your local library.

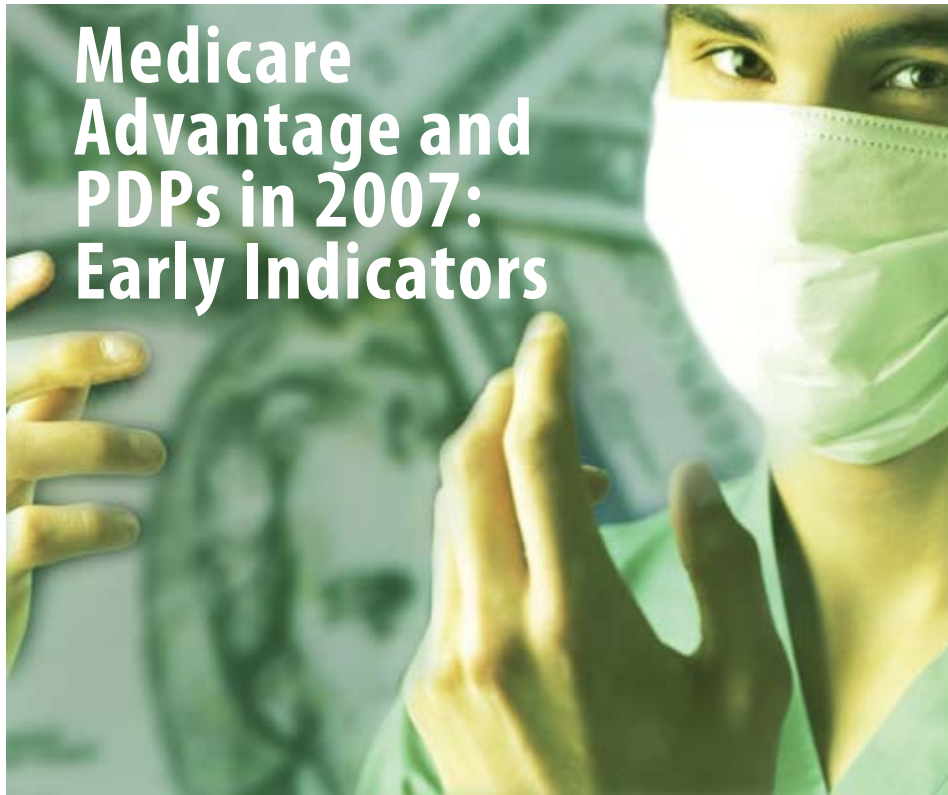
Periodically Review Your Plan's Performance

You are likely to have the chance to shift assets from one fund to another. Use these opportunities to review your plan's performance. The markets change. You may want to adjust your investments based on your particular situation.

For more info on Financial Services contact Scott Prechtel at 248-641-2877.



Medicare Advantage and PDPs in 2007: Early Indicators



Data released by the Centers for Medicare and Medicaid Services detailing February 1, 2007 enrollment in Medicare Advantage (MA) and stand-alone prescription drug (PDP) plans shows a remarkable surge in membership in both plan types during January.

MA enrollment topped 8 million, growing at a rate of 7.2% during the month. Membership in PDPs reached nearly 17 million, picking up 1.8% as the last few plans closed their 2006-2007 open enrollment.

Prescription Drug Plans

Since some PDP companies extended enrollment deadlines due to late member notices of plan changes, perhaps the best gauge of open-enrollment performance is change in membership between November 1, 2006, and February 1, 2007.

Among market leaders, UnitedHealth and Humana continued to command nearly half the PDP market, with UnitedHealth improving its position and Humana losing ground during open season.

Prescription benefit managers Medco and Caremark also lost substantial numbers during the 2007 sign-up period. The table below presents market share and membership changes for these market leaders.

PDP Parent Company	Market Share	Nov to Feb Membership Change
UnitedHealth	27.6%	166,492
Humana	20.6%	-30,694
WellPoint	7.0%	61,347
Member Health	6.7%	151,769
WellCare Health Plans	5.7%	53,035
Coventry Health Care	4.1%	15,175
Universal American Financial Corp.	2.9%	41,712
Caremark	2.2%	-40,444
Wellmark	2.0%	-1,327
Medco Health Solutions	1.9%	-110,623

PSource: CMS data and MFA analysis (Same source for all tables)

Two market leaders, UnitedHealth and Member Health, each grew membership

by more than 150,000, and a total of 14 plans grew by more than 10,000 members each. These include two companies that are offering PDPs for the first time in 2007 – EnvisionRx Plus and Hawaii Medical Service Association.

For current PDP enrollment and company enrollment trends, consult Medicare Business Online™ (MFA's online database) or Medicare Prescription Drug Plans: A Business Perspective (a new MFA market analysis report).

Medicare Advantage Plans

For Medicare Advantage, a look at membership changes from December 1, 2006 to February 1, 2007 is telling. So far, five Medicare Advantage companies stand out for enrollment gains during MA open enrollment, which continues through March 31: Blue Cross Blue Shield of Michigan; Humana; Coventry; Universal American Financial Corporation and Aetna.

Several PDP market leaders are among the top Medicare Advantage sponsors as well. Although UnitedHealth and Humana again hold first and second place, seven additional companies have 2% or more of total MA market share.

Parent Company	Market Share	Dec to Feb Membership Change
UnitedHealth	16.7%	-102,633
Humana	13.3%	97,055
Kaiser Permanente	10.6%	-11,889
WellPoint	3.8%	37,410
Highmark	3.0%	6,411
Health Net	2.5%	11,056
Aveta	2.4%	-4,312
Aetna	2.3%	66,360
Independence Blue Cross	2.1%	-9,576

Five new companies participating in the CMS Medicare Health Support Pilot are coming on strong in 2007. These disease management companies are working with CMS to offer services to improve the health status of targeted individuals with one or more chronic conditions.

For more info on Municipal Advisory contact Mark Manquenl at 248-641-2786.

Retiree Drug Subsidy Reconciliation: Complete or Lose Your Subsidy!

The RDS Reconciliation process requires that a Plan Sponsor report the total gross covered retiree plan related prescription drug costs including the actual rebate and other price concession data for a specific plan year. In most cases, reconciliation can be initiated one day after the end of the plan year. Reconciliation must be completed by the reconciliation deadline, which is no later than 15 months after the end of your Application year. If reconciliation is not completed within an application's deadline, all RDS amounts paid to the Plan Sponsor for that particular application will be considered an overpayment. CMS will institute proceedings to recoup such amounts.

Although many Plan Sponsors have been reporting interim costs over the past year, the final total gross costs might not match the interim costs already reported. Even though a Plan Sponsor may have multiple applications, each application must be reconciled individually.

Plan Sponsors must reconcile all applications for which one or more interim payments (including one time payments) were received. Plan Sponsors that either selected an annual payment frequency on their application or did not submit any interim payments, and that wish to receive a subsidy, must use the RDS Reconciliation process to submit final cost reports and submit their one and only subsidy payment request.

Reconciliation should not be initiated if further interim payments are required, or final rebate information is not yet received. (All interim payment requests do not have to be used before initiating reconciliation.)

Before initiating reconciliation, Plan Sponsors should prepare all necessary data and allocate and align all necessary resources. If Plan Sponsors have multiple individuals involved in validating final costs and building the reconciliation payment request, they should carefully coordinate the effort. The RDS Center recommends that Plan Sponsors assign one individual to handle this necessary coordination.

For more info on Municipal Advisory contact Jayne Brown at 248-641-2892.



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