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Redesigning Benefits

Shifting Environment Necessitates Education

The impact of double-digit increases in healthcare has resulted in employers' redesigning their benefit programs in a way that requires workers to take on more responsibility for the cost of their healthcare, both while they are active and when they retire.



Shifting care and cost management responsibilities onto employees brings with it a new set of responsibilities for

employers, according to BenefitNews: (1) Educating employees about the healthcare system itself, including its costs and efficiencies; and (2) Providing employees with the tools to effectively manage the quality of their healthcare.

This shifting health environment requires employees to share in more of the cost of the plan—particularly during retirement, where it is becoming more likely that future retirees will pay all of the premiums. Many employees do not realize that most healthcare plans are different for the new generation of retirees (including them) compared to what it had been for past generations of retirees.

Since healthcare is not something that most employees pay the full cost of while they are active, they start retirement with an incomplete picture of the economic value of their employer's plan. (Continued on back)

Annual Enrollment for 2005

7 Trends Dominate Benefit Programs

Faced with continued rising health costs, employers are making several changes to their benefit programs for 2005 that will have employees assuming more responsibility for making healthcare decisions. According to Watson Wyatt, seven trends are dominating employers' benefit programs for 2005:



- (1) *New plan designs, but fewer options*—Additions: Consumer-driven health plans (CDH) and Health Savings Accounts (HSAs). Limitations: fewer HMOs and smaller PPO networks with fewer choices of doctors.
- (2) *Increased focus on disease management*—Some employers may offer cash incentives or a discount on health premiums to help employees better manage chronic illnesses.
- (3) *Higher costs for doctor, hospital visits*—Increased copayments for doctor/hospital visits, inpatient hospital care, and Rx drugs.
- (4) *Surcharge for spousal coverage*—For employees who opt to include their spouse in a benefit program if the spouse has coverage elsewhere.

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Targeting Workers' Wants, Needs

'Flexible' Programs Entice New, Keep Old

While compensation will always be important, today's workers place less emphasis on monetary rewards and more on benefits and programs that contribute to professional development and quality-of-life enhancements, according to Lee Hecht Harrison, a global career management services company.



Employers increasingly are making sure that they have adequate programs to entice new employees and keep old ones working in the company, according to AON. There is a trend toward targeting workers' lifestyles to bring them both what they want and need. Included among these "benefits" are concierge services, payroll-deduction vacation packages, telecommuting, subsidized eldercare referral services/dependent care center for aging parents, flextime/compressed work weeks, and onsite daycare. According to Spherion Employment Solutions, employers need to keep pace with changing employee attitudes and carefully assess if their recruitment, retention, and HR policies and programs match the needs and aspirations of the existing workforce and the workers they want to attract. ■

Shifting Environment ...

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They also might be under the misconception that their employer provides retiree medical coverage.



While employers are teaching their employees about being good health-care consumers, they

should really be helping to educate them about healthcare during their retirement, including such items as: (1) How the healthcare system works; (2) The total costs associated with their healthcare decisions; (3) How those costs impact their families, their companies, and the community; (4) How the cost of healthcare and quality of care are related—or not related; (5) What health coverage or other insurance they need, or tax-advantaged saving vehicles they can use to save for future healthcare costs; and (6) How to use the tools available to them now so that they can make healthcare decisions that result in the best outcomes for the best cost.

With the proper tools and education, employees can make medical decisions that meet their needs. Thus, benefit plan offerings need to be designed in a way that rewards employees for making lifestyle changes, for seeking better outcomes, and for obtaining the level of service that is right for their medical condition.

BenefitNews also says that it is the employer's responsibility to educate employees and retirees about the long-term benefits of becoming self-sufficient in managing their healthcare. ■

7 Trends Dominate

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- (5) *Greater access to decision-support tools*—Self-service, web-based tools, available in several languages to serve increasingly multilingual workforces, enable employees to compare health plan costs, determine spending account contributions, check the status of claims, find medical specialists, track their medications, and access information on specific diseases/wellness.
- (6) *More voluntary benefits*—Additional benefits are available for employees to purchase, including benefits such as homeowners insurance, automobile/life insurance, low-rate mortgages, and fitness club memberships.
- (7) *Enhanced employer communication*—Employers are providing information to help employees navigate the overall healthcare system/understand new health plan designs and develop personal criteria for making critical healthcare decisions that impact their short-/long-term health. ■

Bulletin Briefs

◆ *DOL: New Overtime Rules Still in Effect*

Legislation that would have blocked the new rules governing overtime eligibility have been dropped, and the Department of Labor says the new rules are still in effect. These rules guarantee and strengthen overtime protections for millions of workers earning less than \$23,660 annually, as well as police, fire fighters, other first responders, hourly workers, blue collar workers, and workers covered under a collective bargaining agreement.



◆ *SHRM Workplace Forecast Projects Top-10 Trends*

The top-10 trends affecting the American workplace, according to the Society for Human Resource Management (SHRM), include healthcare costs; domestic safety/security; use of technology to communicate with employees; legal compliance complexity; global security; retirement/labor shortage; use/development of e-learning; exporting of manufacturing jobs; use of technology to perform transactional HR functions; and the changing definition of family.

◆ *Congress Extends Mental Health Parity*

President Bush signed the Working Families Tax Relief Act of 2004, which included an extension of the mental health parity provisions to Dec. 31, 2005. The 1996 federal law says that group health plans must have the same limit for mental health benefits as they do for medical health benefits. ■

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