

..... **SEPTEMBER 2004**

Same Song, Second Verse

**Healthcare Costs Impact
All Aspects of Business**

Results from the 2004 EBN-Hay Survey indicate that while voluntary benefits, HR/benefit technology, and retirement education are getting more top-level attention, more than half (58%) of Hay's respondents believe that healthcare cost containment will demand the greatest share of their attention next year via a focus on consumer-driven healthcare.



Some 25% of respondents indicate they are adding or expanding a health reimbursement account (HRA) option in their plan, and 62% are increasing efforts to educate employees on consumerism. Many see health savings accounts (HSAs) poised to explode onto the market starting in 2005, but especially in 2006, according to the American Benefits Council. The consumer-driven health movement is a very big trend, with HSAs now firmly in the driver's seat.

Facing an average increase of 10.5% in 2004, employers are looking at their fifth year of double-digit medical premium increases, with no relief in sight. Hay says medical premiums are expected to increase by about 10% again for 2005 due to a number of different factors: (1) rising reimbursement rates to hospitals and physicians; (2) improving medical technology;

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COBRA Compliance for 2005

Employers to Revamp Forms, Practices



The impact of the new COBRA regulations means that employers will need to revamp their COBRA practices almost completely, according to Fisher & Phillips, a labor law firm. Calendar-year plans must comply with the new COBRA regulations as of January 1, 2005.

The General Notice which is given to individuals when they first become covered by a COBRA-governed plan and the COBRA election form and accompanying materials have been totally revised. Similarly, the Employee Benefit Security Administration (EBSA) requires two new notice forms which plans must provide to individuals in certain circumstances: the Notice of Termination of COBRA Continuation Coverage and the Notice of Unavailability of COBRA Continuation Coverage.

Finally, EBSA's regulations require plans to maintain written policies and procedures governing certain notices which are to be provided to the plan by covered employees or qualified beneficiaries. Employers should also review benefit plans to determine if all plans subject to COBRA are in compliance with the law and review internal recordkeeping to make sure best practices and liability-limiting protections are in place. ■

Meet Your Fiduciary Responsibilities

New Tools to Assist Plan Sponsors



The 401(k) plan is the only retirement plan for over 40 million workers and is an essential benefit for many small and mid-sized companies. However, sponsoring a 401(k) plan also means that investment committees and boards of directors need to know and follow the rules pertaining to their position of trust. Law enforcement agencies, securities regulators, and the IRS are shining their spotlights on questionable governance and investment practices of corporations and nonprofits alike.

The Employee Retirement Income Security Act (ERISA) requires that those responsible for managing retirement plans—fiduciaries—carry out their responsibilities prudently and solely in the interest of the plan's participants and beneficiaries.

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Healthcare Costs . . .

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(3) increasing Rx drug costs at a rate exceeding 15%; and (4) aging of the workforce. Companies not able to absorb the cost increase this year or next will have to reduce medical benefits, salary increases, and staff, or lower some other costs. Consequently, employers and employees are expressing greater interest in products that allow them to more fully cover healthcare deductibles and other out-of-pocket expenses, according to Eastbridge Consulting's *2004 Worksite Product Trends* survey. As employers scale back benefits from high-end PPOs or POS plans, they will supplement their offerings with more group voluntary products, such as supplemental medical, critical illness, vision, dental, group life, and long term care.



The pain of offering healthcare benefits is widespread and deep, according to a study by the National Federation of Independent Business. Some 65% of small-business owners surveyed deemed health insurance costs a "critical" issue, a level of anxiety that the Federation has not seen in the 22 years it has been conducting surveys. While small businesses (fewer than 200 workers) seem to be bearing the brunt of the problem, according to The Kaiser Family Foundation, healthcare is a larger and larger part of the compensation package, says Allan D. Gilmour, vice chairman at Ford Motor. "This pressure comes to bear on everything we do," says Gilmour. ■

New Tools Help Sponsors

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According to the Department of Labor (DOL), fiduciaries have a responsibility to ensure that the services provided to their plans are necessary and that the cost of these services is reasonable.

To help fiduciaries understand the fee and expense information related to their 401(k) plan, the DOL has issued "Understanding Retirement Plan Fees and Expenses," available at <http://www.dol.gov/ebsa/pdf/undrstndgrtrmnt.pdf>. In addition, the Revere Coalition, a consortium of independent fee-only retirement plan consulting firms, has published a disclosure form—"Intermediary and Service Provider Annual Disclosure Statement"—designed to help plan sponsors gather compensation information and identify any payments or structures that create a direct or indirect conflict of interest. Download this form at http://www.401khelpcenter.com/pdf/Annual_Disclosure_Form.pdf. ■

Bulletin Briefs

◆ *Obesity Raises Risk for 9 Cancer Types*

Americans' expanding waistlines increase the risk for at least nine types of cancer. Fat is known to increase the risk of developing cancers of the colon, breast, uterus, kidney, esophagus, pancreas, gallbladder, liver, and top of the stomach. UnumProvident researchers, who said earlier this year that STD claims had jumped tenfold over the past decade due in large part to obesity, found a 100% increase in hypertension and diabetes and a 63% increase in cancer, thus illustrating the burden of suffering and increase in healthcare costs attributable to obesity. Left unabated, the escalating rates of obesity in the U.S. population will place a severe burden on the nation's health and its healthcare system, according to the National Institutes of Health (NIH). The NIH says that obesity now affects close to two-thirds of the U.S. population and threatens to overtake smoking as the leading cause of death.

◆ *Generics Make Employers' Rx Benefit Possible*

As Rx drug costs continue their steady 10-year double-digit spiral, Express Scripts' *Drug Trend Report* notes that plan sponsors who introduced two or more trend-management tools in 2003—promoting mail-order delivery, emphasizing over-the-counter drugs, developing more clearly defined coverage rules, and using patient medical/health-plan information to identify potential drug interactions—saw their drug costs decline by 4.6%. Generics are the key to managing the growing cost of Rx drugs, thus making it possible for plan sponsors to continue providing an attractive Rx benefit, according to Barret Toan, Express Scripts' chairman and CEO. ■



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