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Covering All the Bases

2006 Trends Challenge Managements' Skills

Employers must be prepared to cover multiple bases in 2006, according to *Workforce Management Magazine*. This includes everything from reining in healthcare costs to designing compensation and rewards programs, to dealing with compliance issues, to competing in a global marketplace, to implementing sophisticated human resources technology. However, some trends will be more influential in 2006 than others.



For example, as healthcare costs continue to rise far beyond the rate of inflation, consumer-directed health (CDH) plans are taking off as a way to reduce costs. "The reason [for the cost increase] is that people have not been spending their own money for healthcare," says Joe Martingale, Watson Wyatt national healthcare strategy leader. "CDH is an attempt to solve the underlying problem of increasing costs by asking people to take more responsibility."

While it's too early to tell if CDH plans will become the dominant way of offering healthcare, the trend is off to a strong start. In 2005, for example, 8 percent of employers offered health savings accounts (HSAs), a key element of CDH, and another 18 percent plan to offer them in 2006, according to a survey by Watson Wyatt and the National Business Group on Health. Another 47 percent are considering the accounts.

As with healthcare, the trend in retirement benefits is to transfer the responsibility and (Continued on back)

Staying@Work Strategies

Employers Implement Practices to Lower Costs; Keep Employees Healthy, Productive



FOR ALMOST 70 YEARS, the foundation of the American healthcare system has been the employer-based model. However, in the past five years, the percentage of employers offering health insurance has dropped precipitously, even though some 90 percent of employees surveyed still rank health insurance as the most important benefit, according to The Principal Financial Group's Well-Being Index.

Nonetheless, employers that are aggressively implementing health and productivity practices are seeing lower costs, reduced lost time, and improved worker health, according to the 2005/2006 Staying@Work survey by Watson Wyatt and the National Business Group on Health (NBGH). "Employers recognize that a healthy and productive workforce directly impacts their bottom line," says Shelly Wolff, Watson Wyatt national director of health and productivity. With many different factors affecting their employees' health and productivity, the survey found that more employers are implementing (Continued on back)

Some Relief in Sight

Employers Tackle Rx Drug Coverage

Although prescription drug costs are expected to increase in the double digits in 2006, the rate of growth (11.8%) will be lower than the medical trend for the first time in the past four years, according to Aon's latest *Health Care Trend Survey*. Bill Sharon, Aon senior vice president, attributes the slowdown to a potent battle that employers are waging against ballooning healthcare expenses. "Employers are at the end of their rope and are being more aggressive in tackling this issue," says Sharon.



The survey cites several factors contributing to the lower trend: (1) employers implementing three-tiered copay plan designs; (2) more than \$80 billion blockbuster drugs facing patent expiration by 2008, thus making them available via generics or over the counter; (3) employers using consumer-driven health plans and similar strategies to encourage employees to be more savvy consumers of Rx drugs; (4) increasing co-pays for or excluding lifestyle drugs; (5) using mail order to purchase medications for chronic conditions, and (6) employers putting the squeeze on pharmacy benefit managers. Nevertheless, pharmacy costs are expected to remain the fastest-growing component of health benefits spend this year, according to *Employee Benefit News*. The challenge for employers and PBMs will be to squeeze additional savings out of already carefully designed plans. ■

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risk from employer to employee. Traditional pension plans continue to be replaced with 401(k) plans, and employers are putting more of the onus on employees for saving for retirement. "This requires a great deal of education on the part of employees as they learn to make sound investment decisions, and puts demands on employers, who carry some responsibility to provide that education," says Kevin Wagner, Watson Wyatt practice director.



In the wake of numerous ethics scandals, HR is also getting swept into coordinating compliance efforts in addition to dealing with a

steady increase in class-action litigation, according to Gary Mathiason, partner with Littler Mendelson, a labor and employment law firm. "This will demand greater knowledge from HR of what it means to be compliant, and the language of compliance is complex," says Mathiason.

As pressure mounts in the workplace to increase productivity, employers are tying rewards and recognition to a company's core values. "Employers are not just recognizing great behavior, but behavior based on values," says Adrian Gostick of the O.C. Tanner Co., a provider of corporate recognition programs. Ninety-five percent of employers who have a written strategy for employee recognition programs have aligned them with the organization's goals, according to a 2005 survey by the National Association of Employee Recognition and World at Work.

Finalizing 2006's more influential trends are integrating HR software and technology with recruitment and staffing, as well as creating individualized training and development. ■

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a variety of practices designed to help workers remain healthy and productive, such as employee assistance programs, return-to-work programs, health promotion programs, health risk appraisals, work and family balance, paid-time-off banks, and personal health coaches/advocates.

The study also found a large gap in employer efforts to hold workers accountable for their health and productivity. "Employers that work most closely with employees to encourage healthy behaviors will ultimately be most successful at closing this gap," says Helen Darling, NBGH president. Wolff notes that "without data and metrics, organizations cannot gauge the effectiveness of their health and productivity strategies and practices." ■

Bulletin Briefs

◆ *USERRA Final Regulations Take Effect January 18, 2006*

To protect themselves, employers must ensure that their health and retirement plans and leave policies are revised to comply with the final regulations of the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA). According to Fisher & Phillips, a labor and employment law firm, for purposes of determining benefits under a health or retirement plan, a reemployed service member must be treated as though the employee had remained continuously employed during the military leave. In addition, employers should review all forms, policies and procedures, and ensure that third party administrators are aware of their potential legal obligations. The DOL also issued a final (and revised) version of the USERRA Notice that informs employees of their rights, benefits, and obligations under USERRA. For a copy of the Notice, see:

http://www.dol.gov/vets/programs/userra/USERRA_Private.pdf.

◆ *CMS to Receive Disclosure of Creditable Coverage Info by March 31*

Employers have until March 31, 2006 to file a disclosure of creditable coverage information form to the Center for Medicare & Medicaid Services. The form MUST BE filed electronically. The form requires the employer to provide an estimate of the number of Part D eligible individuals covered as of the first day of the plan year. The employer must also state the latest date on which it provided the required disclosure of creditable coverage to Part D eligible individuals. The form is available at <http://www.cms.hhs.gov/apps/ccdisclosure/default.asp>.

◆ *Mental Health Parity Act Gets Extension until Dec. 31, 2006*

The Mental Health Parity Act (MHPA) states that group health plans providing mental health benefits may not impose annual or lifetime dollar limits on mental health benefits that are lower than those for medical and surgical benefits. While the MHPA has been extended until Dec. 31, 2006, employers with 50 or fewer employees are exempt, as are health plans whose costs would be increased more than 1% by complying with MHPA. ■

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