HR insider bulletin

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Good News; Bad News

Everyone Feels Pinch as Healthcare Premiums Continue Upward Trend

THE COST OF employer-sponsored health insurance premiums continues to grow faster than both the rate of inflation and worker wage increases, and now averages more than $12,000 a year for family coverage, according to the Kaiser Family Foundation's *2007 Employer Health Benefits Survey*.

To put this sum in perspective, the average cost of family healthcare coverage is now roughly equal to the annual income of a worker earning the new federal minimum wage of $5.85, according to Jon Gabel, senior fellow at the National Opinion Resarch Center at the University of Chicago and co-author of the Kaiser study.

Put another way, "you could buy a new economy car every year for less than the cost of family health insurance," said Drew Altman, Kaiser president and CEO, using the cost of a new Chevy Aveo—about $9,995—as his benchmark.

There is some good news, however, in this year's findings. The rate of increase in employer-sponsored health insurance has been moderating over the past four years, and the 6.1% increase Kaiser calculated for 2007 was the lowest that it has been since 1999.

Likewise, UBA's *2007 Health Plan Survey* also shows a *(Continued on back)*

Prevention Solution

Firms Work to Adjust Healthcare Culture

HELEN DARLING calls it "revolutionary," this effort on the part of employers to more closely monitor and improve the health of their workers. "It's revolutionary in that businesses are actually saying to themselves, 'if we want people to be healthy, we cannot sit back,'" says Darling. Darling, president of the National Business Group on Health, says that corporate America began getting much more involved in trying to improve clinical outcomes for its workforce about three years ago.

Dr. Dee W. Edington agrees. As Director of the Health Management Research Center at the University of Michigan, he has been charting what works in wellness programs for a quarter of a century and has seen more activity in the past three years than at any time in the last 25 years. The impetus is coming from executives fairly high on the corporate food chain, too. "There's much more realization in the C-suite that you have to be doing something about people's health," says Darling. Policy experts contend that employers can help reverse the problem by changing their corporate culture and promoting health and wellness in the workplace. *(Continued on back)*

Facing More Stress

Retirement Savings Fall as Benefits Costs Rise

THE HIGHEST stress factors continue to be saving for retirement and paying for healthcare in retirement, according to the *2007 Ameriprise Workplace Financial Planning Benefit Decisions* study.

"As employer-paid benefits such as pensions and retiree healthcare go by the wayside, employees increasingly confront a confusing nexus of financial decisions related to retirement plans, health insurance, and other benefits on an annual basis," says Rusty Field, vice president, Ameriprise Workplace Financial Planning. "Many are increasingly recognizing how financial planning can be of assistance in making effective and balanced choices."

According to the study, more than four out of five employees (81%) would take advantage of a financial planning option if their employer paid for a portion of it as part of the employee benefits package. In addition, the study also found that financial planning helps employees get an earlier start with saving and investing in their company-sponsored retirement plans, and that they are more likely to contribute substantially throughout their lifecycle, especially for those under age 35. ■

Good News; Bad News…

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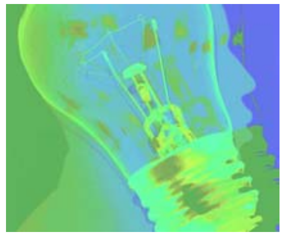
downward trend in premium increases. Average premiums increased 7.2% for all plans versus 8.6% last year. The UBA survey shows the average annual health plan cost per employee across all coverage levels to be $6,881 (medical coverage only), with an average employee cost of $3,110 and an average employer cost of $3,771 per employee. Average monthly premiums for all plans were $347 for single coverage and $848 for family coverage (a weighted average of all non-single coverages).

While PPO plans continue to dominate the market (55.9% of plans offered), the HMO market share continues to slip (22.6% of plans offered). Consumer-driven plans (high-deductible plans with an HRA or HSA) now represent 8.8% of all plans offered by employers versus 5.8% last year, according to the UBA survey. The majority of the increased adoption of consumer-driven plans continues to come from employers with under 1,000 employees, with the highest sub-segment being employers with 25-100 employees.

In a sign of growing awareness that preventive care can be cost effective, the Kaiser survey found that most PPOs now pay for preventive services such as immunizations and mammograms without charging the employee. Likewise, the UBA survey found that 7.4% of all employers offer some form of preventive or comprehensive, non-insurance company-based wellness program, mirroring the increasing trend toward consumer empowerment in healthcare. ■

Prevention Solution. . . *(Continued from front)*



Influential employers who are making headway in focusing on employee health are implementing various initiatives, according to Andrew Webber, president and CEO of the National Business Coalition on Health: (1) Pushing wellness programs; (2) Giving employees information on comparative costs and quality of providers; (3) Investigating value-based benefit designs, including CDHP/high deductible programs, to force patients to take increasing responsibility for costs; (4) Hiring disease management companies to get better monitoring of conditions and better compliance with treatment regimens; (5) Contracting directly with high-quality providers through group purchasing arrangements; (6) Working with IT companies on community and personal health records and interoperability of clinical information; (7) Setting up in-house clinics; (8) Experimenting with payment for performance by providing financial incentives for the delivery of safer and more effective and efficient care; (9) Promoting quality measurement efforts at the national level through organizations that include the National Quality Forum and the National Committee for Quality Assurance; (10) Giving employees incentives to complete health-risk assessments; and (11) Lowering or waiving copayments for prevention and critical medical services.

Edington believes that health insurance companies that are not employing wellness or even more innovative methods to affect clinical outcomes resist the natural evolutionary pull of the industry. "I think health plans have to realize that employers are focused more on improving health and less on reducing costs or cutting benefits," says David Kasiarz, vice president for compensation, benefits, and risk management at Pepsi Bottling Group. "Health plans that understand what employers are trying to do and develop offerings to support employer priorities have an inside track." ■

Bulletin Briefs

♦ *DHS Regulation 'On Hold'*

A federal court has temporarily barred enforcement of a Homeland Security rule regarding employer responses to Social Security no-match letters. No-match letters refer to notifications sent to employers when Social Security numbers submitted by employees do not match those in the SSA database. For now, employers need to continue to do their best to make sure their employees are legal.

♦ *Medicare Noncreditable Coverage Notice Contains Error*

Individuals with noncreditable coverage who do not enroll in Medicare Part D during their initial enrollment period will have to pay higher premiums ***permanently*** when they finally enroll. The model notice on the CMS website says they have 63 days when coverage ends to enroll without being subject to the late enrollment penalty, which is not the case. CMS is aware of the problem and intends to update the noncreditable notice, but in the meantime suggests that plan sponsors simply remove the statement from the model notice. ■

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