HR insider® bulletin

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Fredericks Benefits

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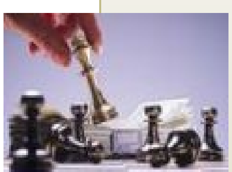
UBA Opinion Survey

Employers Predict Significant Changes To Healthcare by 2010

EMPLOYERS ARE implementing a range of new cost-sharing strategies to complement the more prevalent ones of reducing plan benefits and/or increasing employee premium cost-sharing, according to the 2005 UBA/Ingenix Employer Opinion Survey on Healthcare.



Included among the emerging strategies are High Deductible Health Plans which incorporate HRAs or HSAs, wellness programs that incorporate individual health-risk assessments, and expanded disease management programs to help employees manage chronic health conditions.

Three other significant findings also emerged from the survey. First, only 22% of employers believe the primary responsibility for controlling healthcare costs reside with the parties directly involved: employees, physicians, and hospitals. Almost all responsibility has been ceded to intermediaries: insurers/health plans, government, and employers.

Second, an overwhelming majority of employers believe the federal government has a definite role to play regarding healthcare: that of requiring all hospitals, physicians, and insurers/health plans to publicly disclose all cost and quality information.

"Employers are fed up *(Continued on back)*

Changing Landscape

CDH Options, Other Benefit Trends Complicate Open Enrollment Season

CONTINUED COST shifting, more consumer driven healthcare options, and a new Medicare benefit make this year's open enrollment season a potential minefield for benefit managers, according to Tom Billet, Watson Wyatt senior consultant.

"With many employers once again passing rising healthcare costs to their workers, open enrollment has become more than simply a process of checking off which benefits employees would like for the following year," says Billett. Six trends will affect benefit managers as they begin their 2006 open enrollment season, according to Billett:

(1) Designing health plans to emphasize first-dollar cost sharing. Employees will be covering 20% of the cost instead of paying $15 to $25 copayments for doctor visits. (2) Replacing prescription drug plans that require copayments for generic and brand-name drugs with coinsurance and deductibles. (3) Adding health saving accounts (HSAs) and health reimbursement arrangements (HRAs) as an option to traditional plans. According to the Employee Benefit News/Forrester Research 2005 Benefits Strategy and Technology *(Continued on back)*

Employee Exodus

Firms Gear Up for Upcoming Retirement Rush

MORE THAN 40% OF THE U.S. workforce is expected to stop full-time work by the end of the decade, according to a recent report by The Conference Board. Industries to experience the most fallout from this retirement rush include oil, gas, energy, healthcare, and government, according to the report. Consequently, forward-thinking firms are recruiting, retaining, and developing flexible work-time arrangements and/or phased retirement plans for these workers (55 years of age or older), many of whom have skills that are often difficult to replace.

"The maturing workforce is often seen as an issue to be dealt with instead of a great opportunity to be leveraged," says Lorrie Foster, co-author of The Conference Board report. The historical linear life plan—where certain years are earmarked for education, work, and then leisure—is becoming obselete. Thus, new work arrangements have to be developed to meet the needs of the mature worker and the head-count concerns of the corporation, according to Jeri *(Continued on back)*

Employers Predict . . .

(Continued from front)

with being denied access to cost and quality information that both employers and employees need and deserve in order to make informed healthcare purchasing decisions in advance of receiving care," says David LoCascio, UBA Co-Founder.

This long overdue disclosure has the potential to simultaneously lower employer and employee costs through informed purchasing, reward higher quality providers, increase competition among insurers and health plans, and allow consumer driven healthcare to fulfill its promise.

Third, employers predict two significant changes to the healthcare system within the next five years: (1) All hospitals, physicians, and insurers will be required to publicly disclose all cost and quality information in advance of purchasing care or insurance; and (2) Employers will increasingly adopt a "total compensation" approach to healthcare, whereby employees will receive a single compensation amount over which they will have total control to allocate their money toward take-home pay, health benefits, retirement or savings plans, or non-health benefits in the manner they feel appropriate to their needs.

LoCascio says that 99% of all employers consider both company health costs and the impact of higher costs on employees either a critical or significant concern. "This level of concern. . . implies little faith by employers that a real solution to the underlying drivers of healthcare costs has been found or implemented." ■

Consumer Driven Options . . . *(Continued from front)*

Study, benefits related to CHDPs, including FSAs, HSAs, HRAs, and debit cards tied to spending accounts, top employers' to-do lists for the next two years. (4) Offering bigger financial incentives for workers to complete health risk assessments and participate in wellness programs. Lewis Devendorf, Mercer principal, says that employers should invest more in financial incentives to urge workers to adopt healthier lifestyles, because medical cost containment depends on changing people's habits. Likewise, Buck's National Health Care Strategy Survey finds that organizations reporting success in controlling healthcare costs tend to employ health risk assessments, wellness programs, employee education, and systems that track employees' health-related behavior changes. (5) Using online tools to help workers make better healthcare decisions. (6) Notifying Medicare-eligible employees/retirees about the new prescription drug benefit effective January 1, 2006. ■

Upcoming Retirement Rush. . . . *(Continued from front)*

Sedlar, report co-author. "The skills and knowledge mature workers possess can be utilized to great advantage by a company that knows itself well and can identify its weak areas that can be bolstered by the right mature workers," says Foster. Consequently, employers are introducing flexible work schedules, retraining, health-and-wellness seminars, part-time positions, job sharing, and other strategies to retain and recruit older workers. As the demographic pool continues to shrink, future workers will increasingly be found among older workers, married women, the disabled, and "sequencing mothers"—those who leave a job or scale back their employment to raise their children and then rejoin the workforce when their children are older. ■

. . . . Bulletin Briefs . . . .

♦ *IRS Boosts Mileage Reimbursement Rate*

In reaction to soaring gas prices, the Internal Revenue Service has increased the optional standard mileage rate to 48.5 cents per mile for the reimbursement of employees who use their own cars for company business, retroactive to September 1. The increased rate continues through the remaining months of 2005.

♦ *Online Tool Helps Families Predict Medical Expenses, Budget*

Humana's new online resource, the Family Health Budget, includes a personal finance planning tool and provides employees with information on how much to spend on annual health-related products, ser-vices, and activities. Access the site at: http://www.familyhealthbudget.com/global/need_budget.htm ■

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