HR insider bulletin

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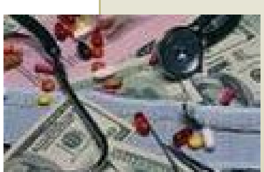
UBA National Benchmarks

Health, Employer Surveys Help Benefit Plans Stay Cost-Effective, Competitive

AVERAGE PREMIUMS increased 8.6% for all plans (after any plan adjustments) vs. 9.6% percent last year, according to United Benefit Advisors' (UBA) second-annual health plan benchmark survey. Consumer Driven Plans (CDP) had the lowest increases at 5.7%. The overwhelming majority of the increased adoption of CDPs (5.8% vs. 2.6% last year) have come from employers with under 1,000 employees, with the highest sub-segment being employers with less than 100 employees, according to the health plan survey.



In addition, the average annual health plan cost per employee is $6,629 (medical/Rx coverage), with an average employee cost of $2,031 and an average employer cost per employee of $4,592. Average monthly premiums for all plans were $331 for single coverage and $817 for family (a weighted average of all non-single coverages), according to the health plan survey.

"With employer health plan information reported for over 2,700 cities from virtually every state in the country, differences in plan design and plan costs between various regions and industry groups become apparent," says David LoCascio, UBA Co-Founder. "This unique level of additional information provides important factors in determining not just what is happening with health plan costs, but why it's happening." *(Continued on back)*

Small, Midsize Employers

Wellness Programs Offer Promising Results

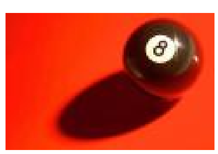
SINCE MOST working Americans are part of small employer groups, there's a unique opportunity for this market segment to have a significant impact on employee wellness. "The challenge for employers is to identify ways of getting people who have no idea that they are borderline diabetics and others with similar health conditions that would respond favorably to lifestyle changes interested in participating in wellness programs," says Susan O'Connor, assistant vice president, managed care operations, Guardian Life Insurance Company of America. "We're all trainable and able to respond to both positive and negative feedback," she says.

Her suggestion: develop the right incentives that at the very least encourage smaller employee populations to complete a health risk assessment and eventually commit to altering harmful behavorial patterns. This suggestion supports results from United Benefit Advisors' 2006 Employer Opinion Survey on Healthcare which indicate that the focus for many employers has clearly shifted to preventing and managing employee health rather than solely cutting benefits and/or increasing employee contributions.

Nonetheless, large employers who were early adopters of disease management programs have produced enough credible results through years of tweaking the most effective practices that small and midsize companies are now benefitting from their experiences. For example, the use of information technology, such as predictive modeling tools, enables more small and midsize employers to move forward with more meaningful programs designed to improve employee health and productivity, especially in the coming age of healthcare consumerism. *(Continued on back)*

Saving for Retirement

DC Plans to Dominate Workplace in 10 Years



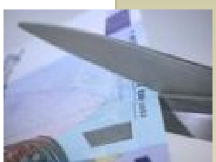
MOST U.S. ADULTS (88%) say the government should "do something" to ensure that Americans have enough to live on in retirement, according to a recent Wall Street Journal Online/Harris Interactive Personal-Finance Poll. Because securing adequate funding for retirement is critical to the future standard of living of so many in the U.S., President Bush signed the Pension Protection Act (PPA) last month.

As a result, many experts believe there will be a significant shift toward defined contribution (DC) plans, such as 401(k)s, which will have a huge impact on a large number of workers, especially younger workers and future workers, who cannot depend on Social Security and Medicare to the same extent as their parents and grandparents did *(Continued on back)*

UBA National Benchmarks…

(Continued from front)

For example, the survey data confirm that the often reported health plan premium cost difference for plans in the Northeast (~13% above the national average) is largely attributable to those plans having richer benefits than any other region of the country. Specifically, 74.6% of plans in the Northeast have no single deductible, and an amazing 83.3% have no in-network coinsurance vs. roughly 25% for plans in other regions.



IN A RECENT companion employer opinion survey on healthcare, the most prevalent cost-containment strategies used by employers continue to be reducing plan benefits and/or increasing employee premium cost-sharing. However, employers now believe wellness programs that incorporate individual health risk assessments and expanded disease management programs to help employees manage chronic health conditions are equally effective at cost-containment.

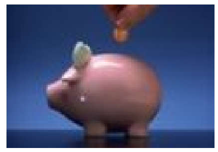
"The focus for many employers has clearly shifted to preventing and managing employee health rather than solely cutting benefits and/or increasing employee contributions," says LoCascio.

Among additional survey findings, three clear responses emerge: (1) almost all responsibility for controlling healthcare costs has been ceded to intermediaries: insurers/health plans, government, and employers; (2) an overwhelming majority of employers believe the federal government has a definite role to play regarding health care; and (3) costs will shift more to employees within the next five years, with CDP dominating the future. ■

Small, Midsize Employers. . . *(Continued from front)*

Increasingly, however, employers—large and small—are embracing wellness with the goal of reducing health insurance and workers' compensation claims and keeping the lid on escalating insurance costs. "I think the switch in the last five to 10 years is the realization that wellness is not just fluff," says Dr. Steven Marks, chief medical officer, PacificSource Health Plans. "It's a major contributor to peoples' health on the job, their ability to manage their own wellness over time to keep medical expenses down, and to even prevent the ravages of chronic disease." ■

Saving for Retirement . . . *(Continued from front)*



to support them in retirement. As defined benefit plans dry up, 401(k) plans are becoming the norm, according to the National Center for Policy Analysis.

It cannot be overstated how important the passage of the PPA is, according to David L. Wray, President, Profit Sharing/401(k) Council of America (PCSA). "It will lead to dramatic expansion of employer-sponsored defined contribution programs, and there will be a dramatic shift in companies moving to automatic [401(k)] enrollment," Wray says. "I believe that within five years, as many as half the companies sponsoring defined contribution plans will have changed their plan philosophy from opt-in to opt-out. The result will be a dramatic increase in 401(k) plan participation and overall retirement savings."

At the same time, Wray notes that plan designs will be highly customized, and employees will see a re-introduction of cash and deferred profit-sharing plans. As companies and individuals continue to recognize the importance of saving for retirement, participation in these programs will grow significantly. Within 10 years, participation in defined contribution plans will approach 90 percent. "The defined contribution system will become a universal aspect of the workplace," says Wray. ■

. . . . Bulletin Briefs . . . .

♦ *Minimum Wage Laws Multiply in States*

Legislatures in 10 states have enacted laws mandating a higher minimum wage than federal law requires, bringing 23 states and the District of Columbia above the threshold. On Nov. 7, voters in Arizona, Colorado, Ohio, Nevada, Missouri, and Montana will decide whether to raise the minimum wage to as much as $6.85/hour, with automatic adjustments for inflation.

♦ *Higher Copays Don't Deter Use of High-Cost Medication*

Cost-sharing has relatively little impact on the use of expensive new specialty pharmacy drugs, often found in a so-called "fourth tier" of health plan formularies, according to *Health Affairs*. Some health plans are struggling to pay for drugs which can cost as much as $10,000 per month.

♦ *Provider Stops Offering Nexium*

UnitedHealth Group will stop offering the acid reflux drug Nexium to its 15 million customers due to the restructuring of its Tier 2 category of drugs, which will include five proton pump inhibitor alternatives. ■

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