

# BENEFIT

## *Plan Developments*



A report covering plan design and legislative changes

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## Employee Exercise Programs Reduce Employer Health Care Costs

Participation in a program of regular exercise can lead to a dramatic reduction in medical insurance claims by employees, according to a study conducted by health insurer Medica and fitness center operator Life Time Fitness.

The study followed the progress over two years of 3,249 participants in an exercise program sponsored by Medica. Program participants who exercised at least eight days per month received a \$20 monthly credit from Medica toward their fitness center membership dues, as well as access to personal fitness screening and assistance in developing a personalized exercise and nutrition program. The study compared the total health care expenditures of the exercise program participants with those of a control group of equivalent size, demographics, health status, and health care consumption habits.

Researchers found that, during the second year of participation, the aver-

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age overall monthly claim cost of plan members who met the minimum requirements of the exercise program was 33.6% lower than that of the control group. Relative to non-exercisers, program participants realized on average a 64.3% reduction in facility claims, a 13% decrease in physician claims, and a 9.2% decrease in prescription drug costs. Compared with exercise program participants, non-participants recorded an average of 63.6% more visits to inpatient facilities, 105% more visits to emergency room facilities, and 43.3% more visits to outpatient facilities.

When Medica joined forces with Life Time Fitness in 2003, the insurer was making an investment in the health of plan members and expected to see dividends in the form of controlled health care costs, according to Charles Fazio, M.D., chief medical officer at Medica.

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“Via the study,” Fazio said, “we found that offering a financial incentive is effective in motivating people to exercise. We also validated that health care cost reductions occur when participants exercise at least eight days per month and participants experienced improvement in their health status based upon self-reported survey results.”

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## Americans Support A Wide Range Of Health Coverage Options

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With health care costs rising, around half of Americans are worried that their families will soon be unable to afford medical insurance or that their employers will make sharp cuts in their health care benefits, according to a survey conducted by Harris Interactive for the Wall Street Journal Online’s Health Industry Edition.

Of the 2,402 adults surveyed, 49% said they are very concerned that health insurance for themselves and their families will become so expensive that they will be unable to afford it, while 56% said they are worried that their current health care benefits will be substantially reduced or completely eliminated due to rising costs.

When asked for their views on proposals for expanding health care coverage, 74% of respondents said they favor requiring employers to provide health insurance for all their employees, 76% agreed that the government should offer a subsidized health insurance plan to individuals who do not have access to employer-sponsored benefits or existing government programs, and 76% expressed their support for tax credits or other government subsidies to help people buy insurance.

On the other hand, just 26% of respondents said they favor paying more in income taxes to cover greater numbers of people through the Medicare and Medicaid programs. Researchers noted that both uninsured respondents and respondents who receive employer-provided benefits

expressed similar opinions about each of these coverage options.

Results further indicated that Americans are generally aware of the challenges faced by small businesses in providing health benefits to employees: More than two-thirds (67%) of respondents agreed that requiring all employers to offer health insurance to all employees could put many smaller employers out of business, while fewer than half (47%) said they believe the benefits of requiring smaller employers to offer insurance coverage to all employees outweigh the negative impact it might have on their businesses.

Commenting on the findings, Katherine Binns, president of health care research at Harris Interactive, noted that congressional Democrats and presidential candidates have recently put forward a variety of proposals for expanding health insurance to cover more of the uninsured. The survey results, Binns said, “suggest that the public is willing to back proposals that do not rely on big government or higher taxes.”

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## Hybrid Products Can Increase Long-Term Care Insurance Coverage Rates

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More consumers would consider purchasing long-term care (LTC) insurance if it were offered as part of a “hybrid” policy that combines LTC coverage with another insurance product, such as annuities, life insurance, or disability insurance, a study recently published by the AARP Public Policy Institute concluded.

The report by Marc P. Freiman of RTI International looked at several types of hybrid insurance products that might increase the appeal of LTC insurance. As an example of these products, the study cited the accelerated death benefit, a hybrid of life insurance with LTC insurance which may be offered as an option or rider to a life insurance policy. This benefit allows the policy owner to “accelerate” all or

part of the death benefit payout if he or she becomes permanently disabled and requires long-term care services. It is also possible to combine disability and LTC coverage in a single product that offers the option to exchange the disability policy for an LTC policy without undergoing an underwriting review.

Because so few people currently have long-term care insurance, Freiman speculated that introducing hybrid products could produce a significant increase in the number of people who have some form of LTC coverage, especially if these products were accompanied by government incentives and promoted through marketing and education campaigns.

“Since there is a range of insurance products that may be appropriate for any individual, educating oneself about these products and applying for the insurance in a single combined informational and application process may be more efficient,” Freiman said.

Freiman also observed that hybrid products can be useful in overcoming the negative perceptions of long-term care insurance, particularly the prospect of paying premiums to insure against events that may never occur or will likely only occur far in the future.

“Hybrids with whole life insurance or annuities allow for some benefit or residual cash value even if the policyholder never needs long-term care, and may help motivate the payment of premiums for possibly decades before a policyholder does need long-term services and supports,” the author asserted.

However, Freiman also warned that hybrids alone are unlikely to solve the basic societal problem of how to pool long-term care risk. He noted that hybrid products are priced at levels that are often no lower than the cost of buying the insurance policies separately. Given the complexity of these products, the author added, most consumers would require more education before being able to make an informed decision about which product best meets their individual needs.

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## Workers Need Support In Using Consumer-Driven Health Plans

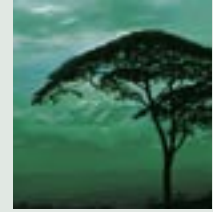
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Many employees who have moved from traditional health plans to consumer-directed account-based health plans (ABHPs) are dissatisfied with their choice, largely because they are not fully aware of how to maximize the tax advantages and savings features of these accounts, according to a survey by professional services firm Towers Perrin.

Researchers surveyed 1,000 employees who are currently enrolled in ABHPs or who have the option to enroll but have chosen to remain with a traditional plan. The findings revealed that ABHP members tend to be less content with their plan than members of traditional plans. Half of the ABHP participants surveyed said they are satisfied with the protection the plan provides against the risk of major health care costs, compared with 65% of enrollees in traditional plans. Similarly, 44% of respondents enrolled in ABHPs—but 63% of those in traditional plans—indicated they are satisfied with their access to affordable health care and the assistance their plan provides in finding quality doctors and hospitals.

Despite having chosen the consumer-directed plan option, ABHP participants are failing to take full advantage of the plan features that can help them better manage risk, researchers observed. When asked about their savings habits, 52% of the ABHP members surveyed reported using the account primarily to pay for current health care expenses and said they do not expect to have money left over at the end of the year. By contrast, just 29% of account holders said they try to reserve account money for future financial protection, and 16% reported using the account to save for health care expenses in retirement.

“Contrary to the designed purpose of ABHPs, employees do not appreciate the



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long-term potential these savings accounts hold and remain mired in the old ‘use it or lose it’ mentality of flexible spending accounts,” said Dave Guilmette, managing director of Towers Perrin’s health and welfare practice.

Guilmette recommended that employers take steps to improve their employees’ experiences with consumer-driven plans. He advised plan sponsors to take care in designing ABHPs, make an effort to gain and preserve employee trust through transparency and ongoing communication, and build employees’ confidence in managing their health care and finances by providing the necessary tools and resources.

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## Health Care Costs More Burdensome For Women

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Even women who have health insurance often do not obtain the care they need and struggle to pay medical bills, according to a joint report by nonprofit advocacy groups the Commonwealth Fund and the National Women’s Law Center (NWLC).

Written by Elizabeth Patchias and Judy Waxman of the NWLC, the study examined the difficulties women face in obtaining and paying for health care. The analysis was based on data from the 2005 Annual Social and Economic Supplement to the Current Population Survey (CPS), the 2004 Medical Expenditure Panel Survey (MEPS), and the 2005 Commonwealth Fund Biennial Health Insurance Survey.

Researchers found that 26% of non-elderly adult women are uninsured for all or part of a given year, compared with 32% of men. However, insured women are more likely than men to have less stable

sources of health care coverage: 24% of women are insured through their spouse’s employer, compared with 11% of men. In addition, more women than men purchase insurance on the individual market, which is more expensive and harder to obtain than group coverage. In general, the study noted, women have less access to employer-sponsored insurance than men because they are less likely to be employed and are more likely to work part-time when they do have a job.

Compounding these problems are the comparatively low earnings of women and their tendency to use more health services than men, researchers said. Women’s reproductive needs require them to get regular check-ups, and women are more likely than men to take prescription medications on a regular basis.

Because they earn less but use more medical services than men, women incur higher out-of-pocket costs as a share of their income than men, according to the report. Faced with these challenges, women are also more likely than men to report having difficulties obtaining the health care they need: In one survey, 43% of women indicated they have faced cost-related problems in accessing care, compared with 30% of men. Moreover, 38% of the women reported having problems paying medical bills, versus 29% of men.

“Women are more likely than men to go without needed health care services because of costs, yet they still have higher out-of-pocket expenses. This disparity exists for both insured and uninsured women,” said Waxman, vice president for health and reproductive rights at the National Women’s Law Center. “As policymakers and advocates explore how to expand and improve health coverage, they should ensure that any proposal provides comprehensive benefits and low cost-sharing.”




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