

# BENEFIT

## *Plan Developments*



A report covering plan design and legislative changes

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## Benefits Strategies Must Adapt To Changes In The Workforce

Faced with an array of challenges, including escalating health care costs, an aging workforce, and mounting demand for better work-life balance among employees of all ages, employers should develop benefit strategies and educational tools that will enable them to remain competitive over time, a study on employee benefits trends released by insurance provider Unum and research firm LIMRA International recommended.

Researchers analyzed a range of data, including existing Unum studies, research conducted by LIMRA International and the Society for Human Resource Management (SHRM), and a variety of articles published in business, government, and trade journals. The study identified broad socio-economic and employee benefits trends, and it examined the implications of these trends for employers.

While health care cost increases have slowed slightly since 2003, employment-based health insurance premiums have more than doubled since 1997 and continue to increase at twice the rate of inflation and twice

the growth in employee earnings, the study said. Unless action is taken to reverse this trend, health insurance costs will exceed profits for some employers by 2008, researchers warned.

Premiums for employers are climbing in part due to the effects of general inflation and forms of inflation specific to the health care sector, such as the rising cost of technology and cost-shifting from Medicare and the uninsured to private payers, the study said. However, researchers added, increases in utilization of health care account for an estimated 43% of the overall rise in premiums. Increased utilization is, in turn, fueled by greater consumer demand, more intensive diagnostic testing, an aging population, advances in medical treatment, and unhealthy lifestyles.

Replacing managed care plans with consumer-driven health plans (CDHPs) is often discussed as a possible solution

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to rising health care costs, researchers noted. But, they cautioned, because CDHPs shift some of the costs and risks associated with health care to the employee, participants should have access to tools that would enable them to use these plans appropriately, such as health care cost and quality information, wellness and disease management programs, health information and coaching, and financial tools.

While some employers have been using disease management and wellness programs as a means of improving productivity and curbing health care costs, the study found that there is currently no conclusive evidence demonstrating that programs of this kind actually save plan sponsors money. However, researchers said, a recent review of studies analyzing the economic impact and return on investment for disease management programs showed a positive return for programs targeting specific chronic ailments, as well as for programs addressing multiple health conditions.

Researchers emphasized that the aging of the baby boomers will have a profound impact on the composition of the labor force in the coming years. A large segment of the baby-boom generation is expected to retire later than members of previous generations, but surveys show that many of these older workers will prefer part-time to full-time employment or will seek to alternate between periods of work and leisure. In addition, the study predicted, members of this generation may need time off work to care for their elderly parents or other sick family members.

Employers should consider adapting their benefits packages to better meet the needs of older workers, researchers advised. In addition to offering basic health care and retirement plans, employers should consider offering voluntary benefits such as short-term disability insurance, supplemental medical insurance, and long-term care insurance.

Finally, researchers said, as increasing health care and other benefits costs force employers to shift a greater part of the responsibility for managing their health and retirement to workers, employers should

provide ongoing education, informational tools, and other forms of support designed to help workers understand their benefits and make financial decisions appropriate to their individual circumstances.

## Managing Clinical Risk And Employee Health Produces Savings For Employers

Offering employees cash-based incentives for adopting healthy behaviors, providing clinically based care management programs, and implementing proven approaches to benefit administration and communication are among the practices that are most effective in cutting the costs of health plan sponsors, according to a study published by health benefits consultancy SHPS.

The report was based on responses to questionnaires completed by benefits and human resources executives at 115 mid-sized and large companies with a total of more than 3.7 million employees. Researchers studied the data in an effort to identify which practices lead to lower health care costs, assuming otherwise comparable benefits and workforce profiles.

Instead of reducing health care bills, certain practices correlate with higher costs for plan sponsors, the analysis showed. These practices include using deductibles and co-pays to drive health behavior, offering multiple plan designs, and managing employee health solely through wellness and education programs. Researchers also observed that employers that have experienced difficulties in assessing the quality of care in their provider networks report spending more than average on health care, as do companies with high rates of employee turnover.

On the other hand, the report said, there are certain practices that have been shown to produce substantial cost savings for the health plan sponsors studied.

Among the companies that manage employee health through targeted, clinically based care management programs, average health care costs were found to be 18.2% lower than among companies that do not manage care. These programs monitor quality of care and offer nurse counseling support to employees who are catastrophically ill, and they also provide screening and on-site medical care to workers who suffer from chronic conditions. Researchers noted that, while the introduction of care management programs can increase costs in the first year as patients take advantage of newly available services, a mature care management program can save the employer around \$1,400 a year per worker.

Giving cash incentives to employees for engaging in positive health-related behaviors was also found to correlate with lower health care costs for employers. These incentives might include the offer of a lower premium, a direct cash payout, or a contribution to a health reimbursement arrangement (HRA) or health savings account (HSA). Among the companies studied that offered one or more of these cash-based incentives, health care costs were found to be 15.1% lower than average. The study also found that cash-based incentives are most effective when offered in conjunction with care management programs that assist participants in altering their health behaviors and monitoring their progress.

In addition, researchers discovered that some companies have been successful in trimming their health care costs through excellence in benefits administration and communication. Researchers identified several specific practices that tend to result in lower costs, including selecting vendors capable of sharing information and providing seamless service to participants, ensuring that member eligibility data is accurate and up-to-date, implementing a coordinated process for data processing and recordkeeping, communicating all health-related messages with a common theme or brand, devoting a specific communications vehicle to the promotion of employee health, and targeting health

communications to both employees and their families.

Commenting on the study's results, Rishabh Mehrotra, president and CEO of SHPS, said the evidence suggests that "traditional methods of cost management, which rely primarily on the management of financial risk rather than clinical risk, are not enough to effectively manage the ever-increasing health care cost trend."

Instead, Mehrotra observed, "significant improvements in the health care cost trend are achieved when employees improve their clinical status and reduce their need for health care services."

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## Half Of Americans Lack Emergency Savings

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Fewer than half of Americans have saved the recommended three months' living expenses to shield them in emergencies, and women are less likely to have a rainy day fund than men, according to a poll conducted by financial website Bankrate.com.

The survey of 1,005 randomly selected Americans revealed that, while 77% of respondents have some type of savings account, just 46% possess the savings cushion recommended by financial advisors. Broken down by gender, 55% of the men surveyed—but only 39% of women respondents—said they have saved at least three months' living expenses. The findings further showed that people earning less than \$30,000 a year are especially at risk, with just 25% of this group saying they have socked away at least three months' expenses in case of emergency.

"Half of all Americans might be on the brink of financial disaster," said Greg McBride, senior financial analyst at Bankrate.com. "Many people living paycheck to paycheck would not be able to weather a financial storm, such as sudden unemployment or illness."




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When savers were asked about the amount of interest they are earning on their savings, the survey showed that 56% of respondents are earning 3% or more on their accounts. Researchers observed that, while more Americans appear to be earning at least 3% on their savings this year compared to 2006, these findings still indicate that nearly half of all these savings accounts are losing value due to inflation. Results also showed that men (61%) are more likely than women (49%) to be earning a minimum of 3% interest on their savings.

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## Working Mothers Increasingly Prefer Part-Time To Full-Time Jobs

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While most women with preschool and school-age children want to remain in the workforce, the percentage of mothers who prefer full-time work to part-time positions has declined noticeably over the past decade, according to a survey conducted by the Pew Research Center.

In spring 2007, researchers asked 2,020 adults ages 18 and older for their views on employment options for parents. Of the women surveyed who are currently employed and have children ages 17 and under, just 21% characterized working full-time as the ideal situation, compared with 32% in a similar survey conducted in 1997. Results showed that, in 2007, 60% of working mothers would prefer to be working part time, up from 48% in 1997. Meanwhile, the percentage of working mothers who would rather stay home with their children was found to be roughly the same in 1997 and 2007, at around one-fifth.

The most recent survey also revealed a similar shift in preference among at-home women with minor children: 16% of this group said they would like to be working full-time, down from 24% in 1997. While 48% of the stay-at-home mothers polled in 2007 characterized not working outside the home as their ideal situation, up from 39% in 1997, 37% said they would prefer to be working part-time, compared with 33% in 1997.

Broken down by demographic groups, views on the question of which situation is ideal for women of minor children were found to vary little by income or education level. While the survey showed that married women are somewhat more likely than unmarried women to consider staying at home or part-time employment to be the ideal arrangement, results also indicated that, compared with a decade ago, a significantly larger percentage of both unmarried women with minor children and mothers of preschool children prefer part-time to full-time work.

There appears to be a large gap between women's preferred work situations and the types of positions they currently hold, researchers observed: While 60% of employed mothers would like a part-time job, figures from the U.S. Bureau of Labor Statistics indicate that just under one-quarter of employed mothers actually work part time.

Of all the mothers surveyed, both employed and unemployed, 20% prefer working full-time, 50% would rather work part-time, and 29% would prefer not to work at all. These priorities are not, however, shared by the fathers surveyed: When asked which situation they would consider ideal, 72% chose full-time employment; 12%, part-time employment; and 16%, staying at home with the kids.




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