

BENEFIT

Plan Developments



A report covering plan design and legislative changes

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Number Of Americans Lacking Health Insurance Reached 47 Million In 2006

According to a report released by the U.S. Census Bureau on income, poverty, and health insurance coverage, poverty rates fell and the real median income of households in the United States increased slightly between 2005 and 2006; at the same time, however, the real median earnings of workers declined last year, while the percentage of Americans without health insurance climbed to record levels.

Compiled from information collected in the Annual Social and Economic Supplement of the 2007 Current Population Survey and the 2006 American Community Survey, the study found that the real median household income increased 0.7% between 2005 and 2006, from

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\$47,845 to \$48,201. This increase represents the second consecutive year of growth in median incomes after five years of decline but remains 2.1% lower than the pre-recessionary peak of \$49,244 recorded in 1999, researchers noted.

The study also found that the percentage of Americans living below the federal poverty line fell for the first time this decade, from 12.6% in 2005 to 12.3% in 2006. At the same time, however, the real median earnings of full-time, year-round workers decreased between 2005 and 2006, with median earnings for men falling 1.1% to \$42,261 and median earnings for women declining 1.2% to \$32,515.

The 2006 poverty rates for children (17.4%) and people between



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Researchers observed that the drop in private insurance was largely driven by a decline in employer-provided coverage, which slid from 60.2% in 2005 to 59.7% in 2006.

the ages of 18 and 64 (10.8%) were statistically unchanged from 2005, according to the report. The overall decline in the poverty rate was, researchers said, largely driven by a decrease in the poverty rate among Americans aged 65 and older from 10.1% in 2005 to 9.4% in 2006.

The Census Bureau analysis further revealed that both the number and percentage of Americans with no health insurance coverage rose in 2006: The uninsured rate climbed from 15.3% in 2005 to 15.8% in 2006, while the number of uninsured individuals grew from 44.8 million to 47 million. The data showed that, between 2005 and 2006, the percentage of people covered by government health programs declined from 27.3% to 27.0%, while the percentage of Americans covered by private insurance, either employer-sponsored or privately purchased, fell from 68.5% to 67.9%. Researchers observed that the drop in private insurance was largely driven by a decline in employer-provided coverage, which slid from 60.2% in 2005 to 59.7% in 2006.

Broken down by age group, the study found that the uninsured rate rose from 10.9% in 2005 to 11.7% in 2006 among children aged 18 and under, and from 25.7% to 26.9% among Americans between the ages of 18 and 34. Meanwhile, the percentage of people over the age of 65 who lacked insurance coverage increased only slightly, from 1.3% in 2005 to 1.5% in 2006.

Commenting on the release of the report, President Bush said, “When we keep taxes low, spending in check, and our economy open—conditions that empower businesses to create new jobs—all Americans benefit.”

The Census Bureau data, the president added, “confirms that more of our citizens are doing better in this economy, with continued rising incomes and more Americans pulling themselves out of poverty.”

Despite the dip in the poverty rate, House of Representatives Speaker

Nancy Pelosi (D-CA) said, middle class and working families, in particular, are losing ground. “Americans are working harder but living paycheck to paycheck, struggling to make ends meet and going deeper into debt because of the high cost of health care, energy, and education,” Rep. Pelosi observed.

Unionization Leads To Big Jump In Pay And Benefits For Low-Wage Workers

Among workers in traditionally low-paying occupations, union members earn higher wages and are significantly more likely to have access to health and pension benefits than their non-unionized counterparts, according to a study published by the Center for Economic and Policy Research (CEPR).

Using data drawn from the Current Population Survey, the study looked at the differences in the wages and benefits earned by unionized and non-unionized employees working in 15 of the lowest-paying occupations in the United States, including laborers, cashiers, food preparation workers, janitors, security guards, child care workers, and nursing and home-health aides.

Recent reports by the National Bureau of Economic Research indicate that over 40 million jobs in the United States pay low wages, roughly translating to one of every three jobs held by American workers. Approaches to combat the effects of low pay on the quality of life of workers include enhancing existing labor standards, such as the minimum wage, and establishing stricter basic labor standards, such as guarantees of vacation and other leave. The CEPR study explores the strategy of greater unionization to improve pay, benefits, and working conditions, by promoting the bargaining power of low-wage

workers. The CEPR estimates that about 13.6% of U.S. workers are unionized.

The analysis showed that, for non-union workers, the median hourly wage in 2006 was \$9.03, with food preparation workers earning the least (\$7.80), and security guards, the most (\$10.94) per hour. In contrast, unionized food preparation workers earned \$10.32 per hour and unionized security guards earned \$14.86 per hour. The median hourly wage in 2006 for unionized workers across these 15 low-paying occupations was \$12.39, with home care aides earning the lowest (\$9.87), and grounds maintenance workers, the highest (\$15.35) hourly wage.

Because union workers may be more likely to have characteristics associated with higher wages, such as being older or having more formal education, researchers created a second set of results using standard regression techniques to control for potential differences between the unionized and non-unionized workforces. Yet, even after controlling for these effects, researchers said, the union wage premium for workers in low-wage occupations amounted to 16.4%, or about \$1.75 an hour.

The study also found that unionized workers in low-wage occupations are far more likely to receive health care and retirement benefits than non-unionized workers in similar positions. Among the unionized workers in these 15 occupations, 63.3% have employer-provided health insurance, and 59.8% have pension benefits. By contrast, just 27.6% of non-unionized employees in these occupations have health care coverage, and only 21.2% have a pension, according to the study.

“Our findings contradict the widespread belief that low-wage jobs are incapable of providing decent pay and benefits,” said John Schmitt, a senior economist at the CEPR and one of the study’s authors. “When workers have a voice at work, they can dramatically increase their wages and benefits, even in what are traditionally badly paying jobs.”

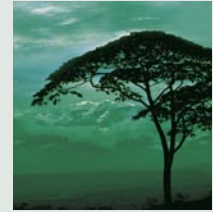
Employees Feel Excluded From Benefits Design Decisions

Most workers believe they are not given an adequate voice in the design of benefits programs by their employers, and many would like to have a greater say in the benefits planning process, according to a study commissioned by Delta Dental of Missouri of plan sponsors’ and employees’ views on the current benefits environment.

Based on a survey of 1,023 employees and interviews with human resource managers representing 150 companies, the study found that HR managers are much more likely than employees to indicate they are satisfied with their organization’s benefit offerings.

And, whereas a majority of the employers surveyed believe they are adequately engaging workers in benefits design and planning, the survey revealed that only around one in five employees believe they are sufficiently involved in the process. The results also showed, however, that nine out of ten employees would be happy to devote time and energy to collaborating with their employers in designing benefits.

When asked to rate the importance of various types of benefits in attracting and retaining workers, nearly all the employers and employees surveyed agreed that medical insurance and prescription drug coverage are absolutely essential. At the same time, however, differences in opinion about the importance of certain benefits emerged: 72% of workers rated dental benefits as absolutely essential, compared with 57% of employers. Employees were also more likely than HR managers to classify as highly important vision benefits, life insurance, long-term disability insurance, and employee stock ownership programs.



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“We believe that employers and employees have the potential to become powerful collaborators capable of positively impacting the benefits industry and the health status of companies and communities,” said Steve P. Gaal, III, president and CEO of Delta Dental of Missouri. “A partnership of this type could help slow the rate of increase in healthcare costs, improve health, and engineer benefits that help satisfy and retain employees.”

Medical Case Management Program Leads To Lower Health Care Costs

A study released by health insurer Aetna found the cost of providing medical care for health plan members suffering from serious health problems is significantly lower when patients are enrolled in a case management program.

For the purposes of the study, Aetna researchers compared data from members enrolled in its Medical/Psychiatric High Risk Case Management Program (Med/Psych)—which targets members who have both chronic medical conditions and mental health problems, such as diabetes and depression—with data from members with at least one serious health condition who were not enrolled in a case management program. The study looked at the medical, pharmacy, and utilization costs incurred by mem-

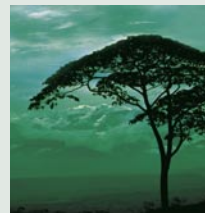
bers of both groups over the course of a one year period.

Results of the evaluation showed that, on average, participation in the Med/Psych program led to a cost savings of \$136 per member, per month. A breakdown of the costs indicated that, while pharmacy costs were \$39 higher and antidepressant costs were \$11 higher for members enrolled in the program than for non-enrollees, medical costs for Med/Psych participants were \$175 lower than for non-participants.

In addition, a questionnaire measuring symptoms, functioning, and quality of life showed that program participants experienced improvements in their own perceptions of their physical and mental health after enrolling in the program. The questionnaire also found that program participants had been at work an average of three days more per month after enrolling in the program.

“These results are encouraging because we now have hard evidence that integrating the case management of behavioral health care and pharmacy with medical care can have a positive impact on members’ overall health and help to manage the costs associated with chronic conditions,” said Hyong Un, MD, national medical director for Aetna Behavioral Health.

While the program led to a rise in pharmacy costs, Un noted that this increase was offset by an overall decrease in medical costs. “We believe these results are evidence that the program had a positive impact on adherence to medication for both behavioral health and co-morbid chronic medical conditions,” Un said.



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