

BENEFIT

Plan Developments



A monthly report covering plan design and legislative changes

Volume 48, Number 4

Government Health Care Spending Outpaces Private Sector Expenditures

U.S. government agencies are carrying an increasingly large share of the nation's rapidly rising health care expenditures, with the growth in health care services' public funding outpacing increases in private sector health care spending, according to a study by the Center for Medicare & Medicaid Services (CMS) on health care cost growth over the next decade.

Overall, health care spending in the U.S. grew 7.5% in 2004, down from 7.7% in 2003, the report said. But private and public spending growth patterns appear to be diverging, researchers observed, with private health care expenditures falling from 8.6% in 2003 to 7.4% in 2004, and public health expenditures accelerating from 6.6% in 2003 to 7.6% in 2004.

Researchers attributed increased public costs in 2004 to Medicare spending growth, driven primarily by higher spending on physicians and other health care providers under Medicare Parts A and B. In contrast, they said, private

spending decreased, largely as a result of slower growth in medical care utilization.

The study also noted that the gap between private and public sector health care expenditures is likely to widen as the new Medicare drug benefit takes effect. Medicare drug spending in 2006 is projected to constitute 28% of total drug spending, up from 2% in 2005, researchers said. By 2014, the report predicted, public expenditures will make up more than 49% of the health care market, up from the current 46%.

Private health insurance premiums will grow at a slower rate during the next decade, but will still exceed per capita disposable income by an average of 1.4% from 2004 to 2014, the study indicated. Premium growth per enrollee decreased from 9.9% in

In This Issue

- Most Workers Underestimate The Value Of Employer-Sponsored Benefits
- Wellness Programs Contribute To A Healthy Bottom Line



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Services to Value, People to Trust



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2003 to 7.7% in 2004, due to a slowdown in underlying medical costs and a slight dip in the underwriting cycle. Researchers projected that private health insurance enrollment growth will be below population growth each year through 2014, as the rising cost of private health insurance places further strain on the current system of employer-sponsored coverage.

Most Workers Underestimate The Value Of Employer-Sponsored Benefits

Lack of employer communication about the cost of the benefits they provide to their employees means many workers fail to appreciate the value of these benefits, two recently published studies have suggested.

A MetLife survey of 2,445 adults on employee benefits trends found that 28% of full-time employees believe their companies spend less than \$1,000 per employee annually on health insurance, and 49% believe their employers spend less than \$2,000. In fact, MetLife researchers said, U.S. employers spend an average of \$3,137 per employee per year for single coverage, and \$7,289 for family coverage, according to figures released by the Kaiser Family Foundation and Health Research and Education Trust.

Divorced or separated survey participants, or those in domestic partnerships, were more likely to assess their employers' contributions realistically, with more than 40% of these groups estimating their companies' annual spending on medical insurance at \$3,000 or more per employee, compared with 38% of all employees.

MetLife researchers speculated that failure to communicate may be partially to blame for the tendency among workers to underestimate benefit value. The

survey indicated only 31% of employees give high marks to their companies' benefits communication programs, and just 36% give high marks to their employers' benefits packages.

Workers also spend relatively little time mulling their benefits choices, with 57% of full-time employees reporting that they spend 30 minutes or less making benefits decisions during open enrollment periods.

"Rising health care premiums are having an impact on many companies' bottom lines," said Beth Hirschhorn, chief marketing officer, MetLife. "Yet far too many employers are not taking the time to educate their employees on the value of their investment, causing employees to underestimate the worth of their individual and family benefits."

Hirschhorn noted that, among full-time employees highly satisfied with their companies' employee benefits, overall job satisfaction was nearly three times as high as it was among employees unhappy with their benefits package.

These findings were echoed by a study conducted by human resources consultancy Watson Wyatt, which concluded that companies with effective employee benefits communication strategies were also more likely to have satisfied employees.

According to Watson Wyatt, 22% of surveyed employees at companies that do a poor job communicating the value of their generous benefit programs were satisfied with their benefits packages, compared with 76% of employees at organizations considered effective in communicating the value of their less-generous benefits packages.

Watson Wyatt researchers also found that turnover rates for top-performing employees were higher at companies with low ratings for health benefits communication, than at firms pairing less costly benefits with more effective communication strategies.

"The results really drive home the fact that effective communication is vital for employers if they want to see returns on their health benefit investments and retain

top talent, said Kathryn Yates, global director of communication consulting at Watson Wyatt. “Employers can spend huge sums of money on benefits, but if their employees aren’t aware of the cost or don’t appreciate the value of the benefits, they aren’t going to see a return on their investment.”

Wellness Programs Contribute To A Healthy Bottom Line

Employee health inevitably affects business productivity and profitability. Illness, both chronic and acute, can result in frequent absences and underperformance. A company’s bottom line takes an additional hit when insurance premiums increase due to significant health problems among workers.

When faced with rapidly rising medical insurance premiums, many business owners feel they have no choice but to ask their employees to bear a greater proportion of health care coverage costs. But with the help of a comprehensive wellness program, designed to lower risk factors across an employee group that can lead to expensive insurance claims, employers may be able to reduce their health care expenditures—and boost employee morale—without resorting to unpopular cost-shifting measures.

According to the nonprofit Partnership for Prevention, promoting worksite health helps companies attract the best workers, minimize employee turnover, reduce absenteeism, improve on-the-job decision-making and time utilization, foster stronger organizational relationships, and build goodwill toward management.

What are the risk factors a workplace-based health promotion campaign can effectively address? Smoking, excess weight, poor diet, high blood pressure and cholesterol, hypertension, and stress

are just a few of the health problems targeted by employer-sponsored wellness programs.

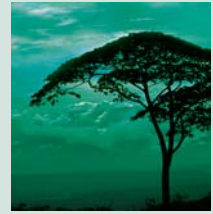
Some of these risk factors are related to personal choice, some to the nature of the workplace, and some to a combination of the two. While obesity is caused in part by an individual’s nutritional choices, it is also clear that a worker is more likely to gain weight if he or she has a sedentary job, little access to fresh food, and little leisure time for exercise. Improving the health of employees often involves encouraging them to make changes in their work habits, which can extend into other parts of their lives.

The most popular wellness programs offered by employers in 2004 were exercise and fitness, smoking cessation, nutrition, and assistance in the management of weight, blood pressure, cholesterol, and stress, according to a survey by the American Management Association.

If you are thinking of implementing a company-based wellness program, start-up costs are likely to be a primary concern. Smaller companies lack the economies of scale to justify building an on-premises fitness center, or hiring a full-time medical professional to provide care. Fortunately, businesses of all sizes can take measures that cost relatively little to put in place, yet have the potential to improve the health of your workforce significantly.

Here are some examples of wellness initiatives that may work for your business:

Encourage regular check-ups. If you do not require your employees to have yearly physicals, you may want to introduce incentives to encourage people to regularly see their primary care physicians. Supply your employees with a list of tests, such as cancer screenings, that should be conducted at certain ages and at certain intervals. Sometimes relatively small incentives, such as gift certificates coupled with frequent reminders, can be enough to encourage workers to seek out regular preventative care.



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Arrange lunchtime clinics on health issues. While information alone may not change people's habits, a clinic where blood pressure is measured, or addiction or weight control issues are discussed, can alert employees to potential problems and provide them with risk-reduction ideas.

Organize weight loss, exercise, sports, and other health-oriented groups. Employees are more likely to take a walk around the block during lunch breaks if they do not have to go out alone. Some companies have set up walking and running clubs, and offered employees incentives and recognition for reaching certain goals, such as walking a certain number of steps each day, or finishing a race. If there is enough interest, it may also be possible to set up a dieting group to support members in making the right food choices during the workday. People who prefer team sports may be persuaded to join a company softball, soccer, or ultimate Frisbee team.

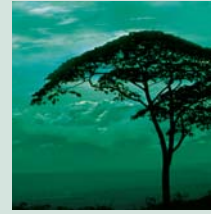
Offer additional support to employees with special concerns. If particular workers suffer from chronic illnesses, such as diabetes or hypertension, or are experiencing high-risk pregnancies, you may want to encourage them to enroll in disease-management programs offered by local health-care providers. While there is a cost associated with these programs, participation can often reduce the chances of more serious complications from these illnesses developing further down the line.

Form a partnership with a local fitness center. It is generally easy and inexpensive to obtain a corporate account at a local fitness center. An account should enable your employees to sign up for membership at a reduced rate, and may give them discounts on classes or individual sessions with personal trainers.

If enough people are interested, you may want to have a trainer from the center visit your premises to conduct classes.

Look for ways to improve eating habits. If your company has an on-site cafeteria, bring in a nutritionist to assess the food quality from a health perspective. In addition to offering more fruits and vegetables, you may want to consider changing recipes to make them lower in fat and higher in fiber. If you do not have a cafeteria, it may be possible to have healthy meals or sandwiches delivered by a local deli or restaurant. You can also replace candy bars and sodas in vending machines with healthier alternatives, such as fruit juices and trail mix.

Take action to reduce stress levels. Nearly all employees experience some level of stress on the job, but the recent trend toward greater efficiency among American businesses has added to many workers' burdens. Because each working environment is different, there is no one-size-fits-all approach to reducing stress in a particular workplace or for an individual employee. The best way to find out if stress is a problem in your organization is to conduct interviews with a range of employees across the company. Ask them what they consider the leading causes of stress in their jobs and send out questionnaires to the remainder of your staff, asking them to rate their stress levels. Once you have identified the sources of stress, appoint a group of employees to devise ways of minimizing pressures on individuals, while still maintaining a productive and efficient working environment.



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