

BENEFIT

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More Employees Engaged In Choosing Health Plans

Despite having been more engaged in selecting their health care benefits during open enrollment for the 2010 plan year than in the past, a majority of employees chose to enroll in health plans similar to those they selected in preceding years, according to a study of the most recent open enrollment period by human resources consultancy Hewitt Associates.

Based on data for six million U.S. workers for whom Hewitt manages benefits, the analysis showed that, during the open enrollment period that took place in fall 2009, the highest percentage of employees took an active role in choosing their health care benefits since the firm began tracking data in 2003. The study found that nearly half of employees (45%) actively chose their benefits for 2010, rather than passively defaulting into

the same coverage or selecting no coverage at all. Researchers observed that this figure is up significantly from the 2009 open enrollment period, in which just 39% of employees actively enrolled.

But, the analysis also found that few workers switched to different

health insurance plans. For example, results showed that enrollment in exclusive provider organizations (EPOs), preferred provider organizations (PPOs), and high-deductible health plans (HDHPs) remained consistent with previous years. Meanwhile, enrollment in health maintenance organizations (HMOs) declined slightly, from 17% in 2009 to 14% in 2010, enrollment in point of service (POS) plans grew slightly, from 5% in 2009 to 8% in 2010, and enrollment in indemnity plans showed a modest increase, from 11% in 2009 to 13% in 2010.

Researchers noted that enrollment in Health Savings Accounts (HSAs) has risen steadily over the past five years, from 5% in 2005 to 14% in 2010. However, enrollment in flexible spending accounts (FSAs) remained consistent, with one in five employees

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Results showed that 77% of respondents offer short-term disability benefits, and 82% offer long-term disability benefits.

(20%) enrolling in an FSA for 2010, up slightly from 18% in 2009.

“Employee inertia continues to play a large role in enrollment decisions—it’s encouraging to see that people are more engaged in assessing their benefits, but that doesn’t mean they are necessarily making different choices,” said Sara Taylor, health and welfare strategy leader at Hewitt Associates.

“If employers want workers to make different elections,” Taylor added, “they might need to adopt a more aggressive approach—whether it’s changing or reducing plan options or offering plans with widely differing price points.”

The analysis further indicated that there were across-the-board increases in the percentage of employees using online decision-support tools to help them compare health care coverage options and make decisions about how to spend their health care dollars. For example, researchers said, use of a tool which supplies employees with examples of the benefit selections of people in similar circumstances increased from 8% in 2009 to 26% in 2010, while 22% of participants used a medical expense estimator in 2010, up from 11% in 2009.

Trends In Group Disability Coverage

While many employers continue to offer long-term disability benefits, some companies have lengthened the amount of time a worker with a disability must wait before benefits kick in, according to a recent survey conducted by human resources news website BLR/HR Daily Advisor.

The survey queried 400 HR professionals about their company’s disability benefits and other forms of group insurance coverage. Results showed that 77% of respondents offer short-term disability benefits, and 82% offer long-term disability benefits. In addition, 5% offer

group auto insurance, 5% offer group homeowners’ insurance, and 13% offer group prepaid legal services.

Focusing on disability coverage, the poll asked HR professionals whether their organization requires a waiting period before disability coverage begins, and the length of this waiting period. More than three-quarters (77%) reported that their company has imposed a waiting period of at least seven days before short-term disability benefits begin, up from 65% in a similar survey taken in 2006. The 2010 survey also showed that most companies pay a short-term benefit of 60% to 69% of weekly pay for 13 weeks or less, and this benefit is funded primarily by conventional insurance.

Meanwhile, a similar trend toward longer waiting periods was also found for long-term disability benefits, with 94% of respondents reporting that their company requires a waiting period of three months or more, up from 80% in 2006.

When asked who pays the premiums for group disability insurance, 70% indicated that the employer picks up the full premium amounts for short-term disability coverage, and 76% said the employer pays the full premium amounts for long-term disability coverage. The poll also showed that more than half of companies (59%) impose no maximum dollar amount for weekly short-term disability benefits, and another 19% set the limit at \$800 or above.

Health And Lifetime Health Care Costs

Workers approaching retirement are frequently advised to try to remain as healthy as possible as a means of not only improving their quality of life in retirement, but also reducing their health care expenses. However, the findings of a new study published by the Center for Retirement Research at Boston College indicate that people who are healthy when they retire may spend more on health care over

the rest of their lives than those who enter retirement with chronic health problems.

The issue brief, “Does Staying Healthy Reduce Your Lifetime Health Care Costs?” was written by Wei Sun, Anthony Webb, and Natalia Zhivan. Despite the availability of Medicare benefits, the authors observed that medical and long-term care costs continue to represent a risk for most retired households. In an effort to estimate how much money various types of households are likely to spend on health care in retirement, the study sought to determine whether good health is a predictor of lower health care costs over an individual’s lifetime. “If so,” the authors said, “healthy households could set aside less for health care expenditures than the unhealthy, and households that stay healthy could release for general consumption money that they had previously set aside for health care costs.”

According to the report, the main sources of health care expenses retired households are likely to face include premiums for Medicare Parts B and D, Medigap and retiree health insurance premiums, co-payments related to Medicare-covered services, and health care services not always covered by Medicare or other insurance, including long-term care expenditures like home health care and nursing home costs.

To calculate the relationship between the lifetime risk of incurring high health care costs and the current health status of individuals turning 65, the authors used data from the Health and Retirement Study (HRS), a nationally representative sample of older Americans, to simulate lifetime health and health care cost histories for each HRS household observed at age 65. In each of the simulations, the members of a household experience the onset of various chronic diseases, with the probabilities of these events calibrated to match those observed in the HRS data and vary by gender and socioeconomic status. Similarly, health care costs were adjusted to match the HRS data and vary according to age, health, and

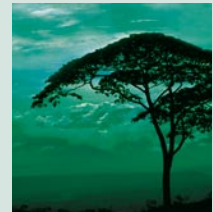
socioeconomic status. Other factors included coverage by Medigap or retiree health insurance and the need for nursing home care.

Results of the analysis showed that, in any one year, households aged 65 and older that report ever having been diagnosed with a chronic disease have substantially higher out-of-pocket costs than households that have been free of chronic diseases. The findings further indicated that the presence of such chronic diseases is a strong predictor of the need for long-term care. Given these results, the authors observed, “it might be reasonable to assume that people free from chronic disease would also incur lower lifetime health care costs.”

But, when health care costs were averaged over the remaining lifetimes of households free from chronic diseases at age 65, these households were found to have higher total health care expenditures. An examination of the relationship between health status and the average expected present value (EPV) of remaining health care costs revealed that, at any given age, the average costs for people who are in good health are higher than for those with chronic illness. For example, the report said, at age 65, the average EPV of households with chronic illness is \$220,000, compared to \$260,000 for those in good health.

Researchers attributed these findings in part to the fact that people who are in good health can, on average, expect to live significantly longer than those with chronic illness, which puts them at higher risk of incurring health care costs over a greater number of years. In addition, people who are currently free of illness are nonetheless likely to acquire one or more conditions over time and could require care at a later time in their lives. Finally, people who are healthy at younger ages are more likely to live to an advanced old age, when the risk of requiring nursing home care is high.

Thus, the study’s authors advised currently healthy people who are planning



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for retirement not to assume that they will continue to enjoy lower-than-average health care costs as the years pass. To prepare for health care costs, researchers recommended that people approaching retirement consider purchasing long-term care insurance and signing on for Medigap coverage when they first join Medicare, rather than waiting until the need arises and premiums are generally higher.

Workplace Factors Can Lead To Weight Gain

A growing number of U.S. workers report that they have gained weight in their current jobs, a trend that may be attributable in part to the combination of work stress and economic pressures employees have been experiencing, according to a survey by online recruitment firm CareerBuilder.

Of more than 4,800 workers, 44% reported gaining weight in their current jobs, up slightly from 43% in 2009. More than one-quarter (28%) said they have gained more than 10 pounds and 12% said they have gained more than 20 pounds while in their present positions.

By gender, the survey found that women were more likely to put on weight than men, and they tended to gain a greater number of pounds. Half of women respondents (50%) said they have gained weight in their current position, compared to 39% of their male counterparts. The findings further indicated that 30% of women gained more than 10 pounds, compared to 23% of men.

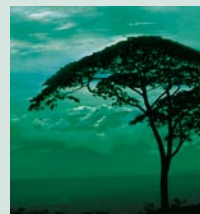
When asked to identify the factors they believe contribute to weight gain in the office, 49% cited sitting at a desk most of the day, 32% cited stress, 25% said eating out regularly, 16% said workplace celebrations, and 14% cited skipping meals because of time constraints.

The poll results also revealed that only 9% of respondents go to the gym over the lunch hour, although women employees (11%) were found to be slightly more likely to take advantage of the opportunity for a lunchtime workout than their male co-workers (8%). Meanwhile, half of the employees said they eat out for lunch five days a week, and 65% admitted to snacking at least once a day.

“Especially in this economy, it is easier to pick up unhealthy eating habits in the office as workers spend more time on heavier workloads and less time on themselves,” observed Rosemary Haefner, vice president of Human Resources for CareerBuilder.

“Employers know that employees who are healthier and have less stress are more productive and ultimately stay longer in their positions,” Haefner continued. “Because of this, we continue to see employers taking a more proactive role in their staff’s health by offering perks such as gym passes, onsite workout facilities, wellness benefits, and even contests that promote healthy living.”

Haefner recommended several strategies for avoiding weight gain at work, including setting an eating schedule for the workday, packing a healthy lunch and snacks, and finding a “weight loss buddy” in the office to provide support and encouragement. In addition, she recommended that workers look for ways to incorporate more physical activity into their daily routine, such as taking the stairs or walking to and from public transportation.



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