

JUNE 2006

Gaining Control

Some Employers Find Relief from Rising Healthcare Costs

WHILE STILL reaching double-digit figures, healthcare costs are beginning to moderate, according to Aon Consulting. Over the next 12 months, healthcare costs are projected to increase by 12.2 percent for HMOs, 12.4 percent for PPOs, 11.9 percent for POS plans, and 12.5 percent for consumer-driven health plans (CDHP).

Aon also found that general pharmacy costs are expected to increase by 12.2 percent, and specialty drug costs, 17 percent. Medicare Supplement plans and Medicare Advantage plans are predicted to increase by 11.5 and 10.2 percent, respectively.



"This is the sixth year of double-digit increases in healthcare costs," said Bill Sharon, Aon Consulting senior vice president and study director.

"Employers have been responding to this by using a variety of strategies to control healthcare costs, such as increasing deductibles and copayments, expanding disease management programs, adding health promotion programs, and introducing new consumer-driven health plans."

Similarly, a recent National Business Group on Health/Watson Wyatt Employer Survey found that best-performing companies are also

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Workforce Realities

'New Retirement' Era Shows Disconnect



A GROUNDBREAKING retirement study from Merrill Lynch reveals a disconnect between how Americans and their employers view retirement. While many people are actually working in retirement or have taken steps for a new retirement career, most

employers are not on track to prepare for this phenomenon.

"Not only is the new model of retirement here, but it transcends many different age groups," says Michael Falcon, head of the Merrill Lynch retirement group. "Multiple generations report cycling in and out of work and pursuing a new career in later life as the retirement ideal. Companies need to be aware of this new concept of retirement in order to prepare for the new workforce realities."

Building on the findings of the *2005 New Retirement Study* which discovered that 76 percent of all Baby Boomers had no intention of seeking a "traditional" retirement, the 2006 sequel finds that: (1) The average tenure of a retirement career is over nine years, and the average age at which one stops working completely is over 70; (2) The most common reason for working in retirement is to stay mentally and physically active; (3) Gaining control over debt is ranked as the most important element in creating a secure financial future; (4) The ideal work arrangement in retirement is cycling between periods of work and leisure; and (5) Boomers want to give back by sharing or passing on knowledge to others.

As individuals continue to reject traditional retirement and the wave of people seeking retirement careers comes crashing in, those leading the pack realize the importance of attracting and retaining older and talented workers. ■

Making Healthcare Choices

Decision-Support Tools Enable Consumers

IN TODAY'S healthcare marketplace, Americans are being asked to take an increasingly active role in decisions concerning their healthcare. In turn, employers need to give employees the tools and information they need to become healthier and more prudent consumers.



However, as the number and complexity of these decisions expand—from care and treatment choices to selection of health plans, hospitals, doctors, and other providers—new information and tools are being

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finding ways to regain control over costs by: (1) promoting the use of high-quality providers and facilities; (2) using data and hard evidence to plan and implement health programs; (3) helping employees better manage their health; and (4) encouraging employees to use medical services appropriately. Although the cost trend is beginning to increase at a lower rate, healthcare costs persist as a chronic problem for most companies. Small employers, especially, are concerned about their ability to provide affordable health insurance coverage and to attract and retain top quality staff.



According to the Towers Perrin 2005 *Global Workforce* study, health benefit programs are second only to

competitive base pay in attracting employees to an organization. They also contribute to a company's reputation as a good employer, which, in turn, helps retain good people and engage them in the business. So, while benefits don't directly drive employee performance, they do play an important role in attracting an effective workforce and sustaining the positive, productive work environment companies need to succeed.

Therefore, how can companies reconcile the seemingly conflicting goals of managing costs and managing people? According to Towers Perrin, by building a culture of health. Employers who take this approach do two things: focus on the underlying causes of healthcare cost increases (rather than simply costs alone) and take a systematic, comprehensive approach to identifying and acting on opportunities for improvement. ■

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developed to support consumers in their healthcare decision-making. Yet, according to a report from the California HealthCare Foundation, *Consumers in Health Care: Creating Decision- Support Tools That Work*, certain barriers exist both in the design and implementation of such tools. The barriers include: (1) Limited consumer awareness of information; (2) Lack of relevant and standardized content; (3) Lack of trust in the source of support; (4) Low levels of health literacy; (5) Lack of online access to web-based tools; and (6) Poor tool design and confusing presentation of complex information. However, decision tools related to health plan choice have been shown to improve users' knowledge, satisfaction with the decision process, likelihood of considering alternatives to current plans, and selection of plans that best meet consumers' personal needs and preferences. ■

. Bulletin Briefs

◆ *Employers Can Seek Reimbursement of Participant Recoveries*

The U.S. Supreme Court has ruled that ERISA fiduciaries may use ERISA §502(a)(3) to enforce plan reimbursement provisions against participants who take possession of funds recovered from third parties that caused the injury or sickness. According to Fisher & Phillips LLP, employers and plan fiduciaries should make sure their plans have subrogation/reimbursement provisions that create plan-based rights to enforce such claims against participants. Plans that have deleted subrogation and reimbursement provisions should amend their documents to include these provisions, as well as provisions that state that any tort recovery by a plan participant is to be held in trust for the repayment of benefits to the plan.

◆ *Deadline for Bonus Deferral Election is June 30*

Employers have until June 30, 2006 to defer bonuses earned during the 2006 calendar year and paid in 2007. The rule is part of §409A of the Internal Revenue Code, enacted in 2004 through the American Jobs Creation Act. The Act has generated new regulations restricting the ways executives can defer compensation and limiting when and how these assets are distributed.

◆ *Electronic Filing of PBGC Premiums Becomes Mandatory*

Effective July 1, 2006, sponsors of large defined benefit pension plans (500 or more participants) must file premiums electronically for plan years beginning on or after January 1, 2006. The requirement extends to all other plan sponsors for plan years beginning on or after January 1, 2007.

◆ *Deadline for Medicare Part D is September 30*

For 2007 calendar-year plans, the application for plan sponsors contemplating participation in the Retiree Drug Subsidy program is due Sept. 30, 2006. The application date is earlier for non-calendar-year plans ending in 2007 as applications must be filed no later than 90 days before the beginning of the plan year. CMS estimates the tax-free subsidy will average \$668 per individual per year. ■

Voluntary Products to Complement Your Core Package

Find out how Gemini Group can help you implement a voluntary benefits package that will complement your company's core benefits.

Three of the most important objectives for an employer in managing personnel issues are:

- Attracting and retaining loyal workers
- Providing employees choice and security in their benefits package
- Managing the organizations dollars

Voluntary benefits have proven to be important offerings that address each of the three objectives. Selecting the right benefits, communicating them properly and administering them efficiently is the Gemini advantage.

Gemini is licensed with over 20 of the largest voluntary companies in the country thus allowing us to pick the carrier and product to fit your company's needs. We seek to achieve the right balance that ultimately helps your organization better manage costs and attract and retain loyal workers. ■

Do you have part-time or non-eligible employees not covered on your group health plan? Gemini Group, Inc. can help!

Recent changes to Colorado insurance law have made it easier to get these workers health insurance coverage. Gemini Group, Inc. can show you how to best use these changes to your advantage.

Benefits at no cost to the employer- Under the new guidelines, a company can now help workers obtain affordable individual health insurance coverage at no cost to the employer.

Helps eliminate COBRA problems- An employer can now help terminated employees obtain an option to COBRA that usually will cost less and move them off the group plan.

Cover dependants no longer eligible for a group health plan- When a dependant graduates or reaches an age where they are no longer eligible for a group plan, an employer can help by contacting Gemini Group, Inc. to get them covered on an individual health plan. It's easy to apply for individual health coverage at www.geminigrp.com.

Call Gemini Group, Inc. at (303) 757-1234 to find out how our team of consultants can help find exciting new solutions to all your benefit needs. ■

The HRinsider SM bulletin is brought to you each month courtesy of **Gemini Group Inc.**, a UBA member.

For more information, contact us at info@geminigrp.com

Or visit our website:
<http://www.geminigrp.com>

