



### UBA Benchmark Survey

## Employers Still Expect Double-Digit Costs; CDH Premiums Lowest

**E**VEN THOUGH employers expect a continual slow decline in the double-digit cost increases of the past six years in their health costs, they still anticipate average expense hikes of 12.2% (before any plan changes) next year.

This was one of a series of findings from the recent *UBA/Ingenix 2005 Health Plan Survey* of 12,176 health plans sponsored by more than 8,700 employers. "This finding reflects little confidence that a substantive solution to rising costs has been found," says David LoCascio, UBA Co-Founder.



Average premiums have increased to \$327 for single coverage, with employees contributing an average of \$53 of the cost.

Average premiums for family coverage were \$927, with employees contributing an average of \$381 of costs. However, amidst employers' efforts to encourage employees to become better healthcare consumers to help control rising costs, the survey found that health plan premium increases for all plans averaged 9.6% in 2005 (after any plan adjustments) vs. 3.4% for consumer-driven health plans. Currently, only 2.6% of surveyed *(Continued on page 2)*

### From 'Fringe' to Comp

## Benefits, Work Trends Challenge Employers



SINCE THEY WERE originally introduced to circumvent World War II-era wage controls, health and retirement benefits have grown from "fringe" benefits to a central part of employee compensation packages. Employees are now

likely to weigh a benefits package just as heavily as salary when considering a job, according to a new report from the Employment Policy Foundation.

In addition to health and retirement, employee benefit packages now include a vast array of benefits designed to improve the quality of employees' lives, including flexibility, tuition reimbursement, paid leave, childcare and eldercare, long term care, and disability insurance. *(Continued on page 2)*

### From the Trenches

## CDH Pioneers Plan to 'Stay the Course'

HEALTH SAVINGS Accounts (HSAs) have been controversial since their foray into the healthcare landscape in January 2004 as a result of the



Medicare Prescription Drug, Improvement and Modernization Act of 2003. While the buzz surrounding HSAs far exceeds the interest generated by Health Reimbursement Accounts (HRAs) over the past few years, employers who pioneered consumer-directed health (CDH) intend

to stick with their HRAs, at least for now, according to AIS/INSIDE CONSUMER DIRECTED CARE.

Employers also worry that HSA contributions may be used by employees for non-health-related expenses, whereas HRAs can only be used to pay for qualified medical expenses. Some employers say they are reluctant to carve out their pharmacy benefits in order to offer an HSA-qualified health plan. Effective January 1, 2006, employees who are covered by a high deductible health plan will not be able to contribute to an HSA if they have a separate policy or rider that covers prescription drugs, according to AIS. One positive note, however, is that HRAs drive the same behavior as HSAs, according to Janice Pushaw, director of Whirlpool's global benefits. The company's HRA-based options have already prompted employees to be more responsible healthcare consumers. ■

## Employers Expect . . .

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employers offer consumer-driven plans (high-deductible plans with an HRA or HSA), with 1.9% of all employees enrolled in the plans, although a significantly larger percentage of employers are considering adding such a plan next year.

Employee choice continues to proliferate. Over one-third of all employers now offer their employees two or more plans from which to choose. In addition, 63.9% of employees are enrolled in PPO plans, which provide benefits for services received from non-network providers, while only 20.1% of employees are enrolled in HMO or EPO plans, which typically provide no such non-network benefits.

"With employer health plan information reported for over 2,600 cities from virtually every state in the country, differences in plan design and plan costs between various regions and industry groups become apparent," says Lo-Cascio. "This unique level of additional information provides important factors in determining not just what is happening with health plan costs, but why it's happening."

Other important findings include:

- The median single PPO deductible is now \$500; in-network and out-of-network coinsurance is 80% and 60% respectively.
- HMO premiums on average are approximately 5% lower than PPO premiums.
- Employers continue to explore a number of cost-containment strategies for prescription drug benefits: only 10.9% of all plans still have two copay tiers, while plans requiring four-copay tiers have become nearly twice as prevalent. ■

## Benefits, Work Trends . . . (Continued from page 1)



However, the 10<sup>th</sup> annual report of *The American Workplace 2005: The Changing Nature of Employee Benefits*, finds that a series of challenges confront employers today as they seek to continue to offer quality benefits. Faced with

increased foreign competition, spiraling healthcare costs, an aging workforce, and legal and regulatory controls, "employers are being forced to make difficult decisions that have a direct impact on the quality of their workers' lives and on their own ability to survive," said Janemarie Mulvey, Foundation president. These challenges make it unlikely that America's employers can continue indefinitely to shoulder the cost of the benefits programs they have in place, according to the report.

Consequently, as employers struggle with the dilemma of how to balance the need to control the cost of benefits with the need to attract and retain top talent, they have turned, in the short term, to such cost-containment strategies as increasing health plan copayments and deductibles. Long-term efforts to control healthcare costs include a focus on consumer driven health plans and disease management programs to better engage employees in making healthcare decisions.

However, experts who spoke at the International Foundation's healthcare conference in Washington, D.C. last month agreed that medical cost containment depends on changing employees' habits and that employers should invest more in financial incentives to urge workers to adopt healthier lifestyles. Dr. Michael Parkinson, Lumenos chief medical officer, supports financial incentives and maintains that consumerism entails a corporate culture transformation. "Healthcare information can facilitate behavior change, but without incentives, it doesn't alter behavior," he said.

To help employees be less fearful and more frugal in their healthcare decision-making process, employers need to step up their efforts in three areas, according to Charlie Watts, Towers Perrin practice leader for measurement and research: educate workers about what healthcare costs; teach them how to evaluate healthcare quality; and show them how to stay healthy. ■

## Bulletin Briefs . . . . .

### ◆ CMS Extends Drug Subsidy Application Deadline One Month

Employers with retiree healthcare plans have until October 31, 2005 to submit applications to the Centers for Medicare & Medicaid Services (CMS). The one-month extension is automatic and employers do not have to request it. The subsidy is available to employers who retain retiree prescription drug coverage at least equal to what Medicare will provide. CMS also notes that employers may get workers' protected health information without violating HIPAA Privacy. ■

## 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 C.O.B.R.A. problems-** An employer can now help terminated employees obtain an option to C.O.B.R.A. 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](http://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.

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