THIRD QUARTER
2011

BenefitsBulletin

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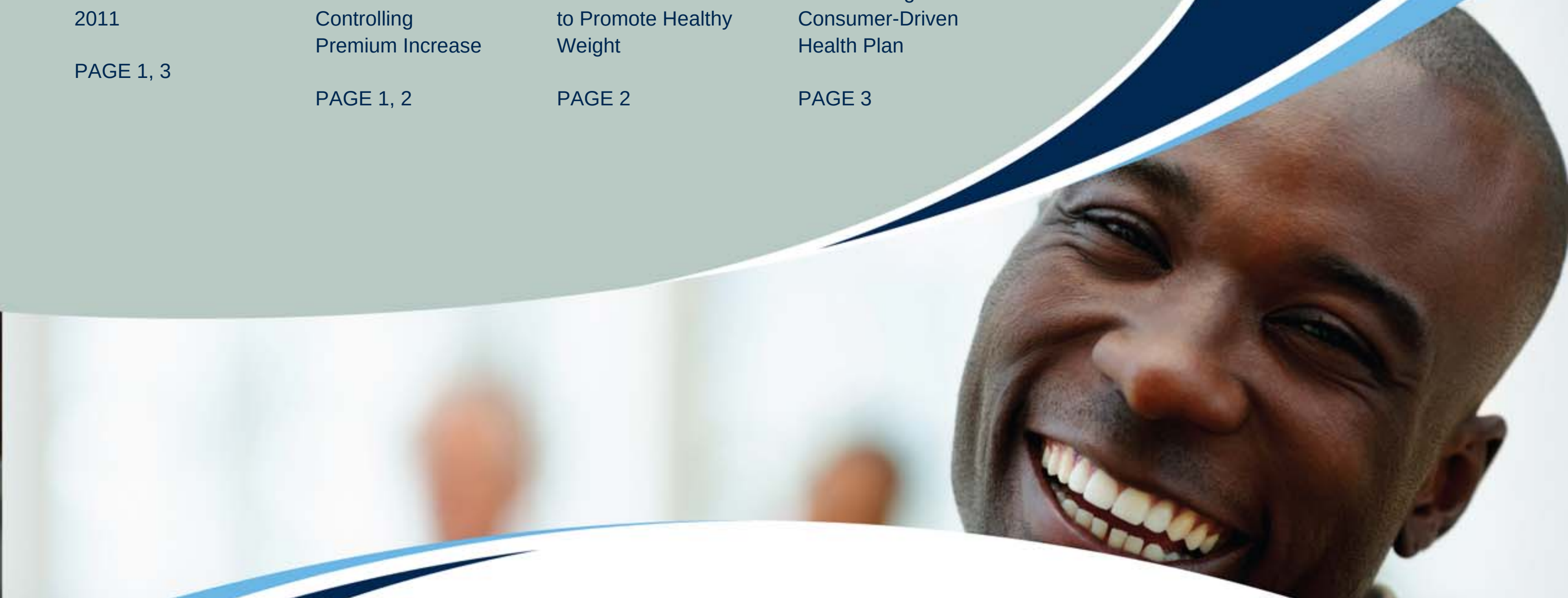

Benefit Trends in 2011

As your company has likely experienced, health care costs were expected to rise between 5 and 11 percent in 2011, according to several reputable surveys and research groups.

Several causes were cited, including the slow economic recovery and increased health care utilization; the most notable factor was the cost to implement various health care reform provisions.

Faced with this cost increase and the expectation of continued rising costs, employers shared in these surveys various strategies they were utilizing or considering to control health care costs.

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HHS Final Rule on Controlling Premium Increases

On May 19, 2011, The Department of Health and Human Services (HHS) issued a final regulation aimed at controlling large health insurance premium increases.

This regulation was implemented to comply with the provision of health care reform that required HHS to establish a new process to annually review “unreasonable increases in premium for health insurance coverage.” The reform provision mandated that the process must require health insurance issuers to submit justifications for unreasonable premium increases prior to implementing the increase.

The final rule issued by HHS provides that:

- Rate increases of **10 percent or more** by insurers in the **small group and individual markets** must be reviewed by state or federal officials.
- Insurance companies will be required to justify significant rate increases and provide information to consumers about the reasons for the increases.

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HHS Final Rule on Controlling Premium Increases, cont.

- Grandfathered plans and excepted benefits (such as separate dental-only and vision-only plans) do not have to comply with these requirements.

Effective Sept. 1, 2011, insurers seeking rate increases of 10 percent or more for non-grandfathered plans in the small group and individual markets must publicly disclose the proposed increases, along with justification for the increases. (Effective Sept. 1, 2012, the 10 percent threshold will be replaced with a state-specific threshold to reflect trends particular to that state.)

The increases will be reviewed by either state or federal experts to determine if they are unreasonable. States with effective rate review systems will conduct reviews, but if a state does not have the resources, the Centers for Medicare & Medicaid Services will conduct them.

Increases are considered unreasonable if found to be any of the following:

- **Excessive**: The premium charged for the health insurance coverage is unreasonably high in relation to the benefits provided.
- **Unjustified**: Justification data provided by the insurer is incomplete, inadequate or otherwise does not provide a basis upon which the reasonableness of an increase may be determined.
- **Unfairly discriminatory**: Premium differences between insureds within similar risk categories that are not permissible under state law or do not reasonably correspond to differences in expected costs.

This rule is designed to make more information available to consumers regarding premium increases. Details on the outcome of all reviews for increases of 10 percent or more, including the justification for the increase, will be posted on the HHS website, www.healthcare.gov.

In addition, HHS will publish forms that insurers must use to propose rate increases and inform consumers about the proposed increases.

Wellness Initiatives to Promote Healthy Weight

The primary goal of your workplace wellness program is to improve employee health – which will lead to increased productivity and lower health care costs. Achieving and maintaining a healthy weight is one of the best ways an individual can strive toward overall health and avoid preventable medical problems. Help employees manage their weight with these initiatives.

Activities and programs:

- Sponsor (or help pay for) exercise classes.
- Create employee support groups that meet periodically.
- Place scales in the fitness room or bathroom and have monthly weigh-ins with rewards for progress.
- Replace unhealthy food in your vending machines with healthier alternatives.
- Add healthy food to your onsite cafeteria and/or any company-provided meals.

Incentives:

- Give healthy gift baskets to employees (in-season produce, nuts, healthy cookbook, etc.).
- Offer gift certificates for a personal trainer.
- Provide access to a personal nutrition consultation.
- Reward employees who meet weight or other health goals with lower insurance premiums.
- Reward program participants with an extra day of paid vacation.
- Offer new clothing reimbursements or discounts for employees who move down a size or two.

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Benefit Trends in 2011, cont.

Cost-management strategies employers reported using or considering include:

- Offer financial rewards for good health, such as lower premiums for employees who participate in wellness programs. May also include penalizing employees for unhealthy habits like smoking.
- Increase employee cost sharing.
- Transition from copays to coinsurance, so employees are more aware of health care costs.
- Conduct dependent audits and encourage spouses to enroll in their employer's plan when available.
- Increase efforts to promote preventive care.
- Enhance voluntary benefit offerings or shift programs to strictly voluntary.
- Offer a health savings account (HSA).
- Implement more incentive-based programs.
- Increase employee health education and provide resources for managing their health care expenses.
- Encourage use of generic medications.
- Offer onsite health clinics, nurses and/or coaches for employees to access.

Sources: Hewitt Associates, Kaiser Family Foundation and Health Research & Educational Trust, Mercer, Milliman, Inc., The Segal Group, PriceWaterhouseCoopers

Transitioning to a Consumer-Driven Health Plan

Offering a consumer-driven health plan can yield substantial cost savings for both your company and employees. Many employers have tranistioned to this type of plan as a health care cost-containment strategy. However, the actual transition can be difficult and effective employee communication is paramount.

A major reason that consumer-driven health plans are cost effective is because employees become much more conscious of their health care spending when under these types of plans. A survey finds that these employees are more likely to:

- Receive preventive screenings
- Check whether a plan would cover care
- Ask for a generic drug instead of brand name
- Talk to their physician about options and costs for treatment or prescriptions
- Check the price before receiving care
- Check the quality rating of a doctor/hospital

By engaging in these proactive behaviors, employees directly impact their own (and the company's) bottom line.

However, getting started can be a challenge for employers. The best way to gain employee support (and secure solid enrollment numbers) is employee education. They will have many questions about this new plan and may be apprehensive about switching from the comfort of a traditional plan.

It is essential that you answer questions not only about the basics of the plan and how it can benefit them, but also how to actually use it once enrolled. Explain contribution and withdrawal rules, the financial benefits, what to do during an office visit, how to find lower cost alternatives, etc. – plus, provide general consumerism education and suggestions to help them become more cost-conscious.

The higher your employee enrollment in your new plan, and the more empowered your employees feel to control their own costs, the more your company will benefit financially – effective, ongoing employee communication is the key to succeeding at this transition.

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