

5 Things You Should Know Before Spring Open Enrollment

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Challenges Continue in Recruitment

- Pay increase budgets are stagnate
- Companies using benefits to attract and retain employees



5 Things You Should Know Before Spring Open Enrollment

1. Employees are unaware of company benefit costs
2. Prescription costs affect employees' perceptions of health insurance coverage
3. Understand which cost containment methods are most commonly used
4. Communication is key for successful wellness programs
5. Behind the benefit headlines



#1 - Employees are unaware of company benefit costs



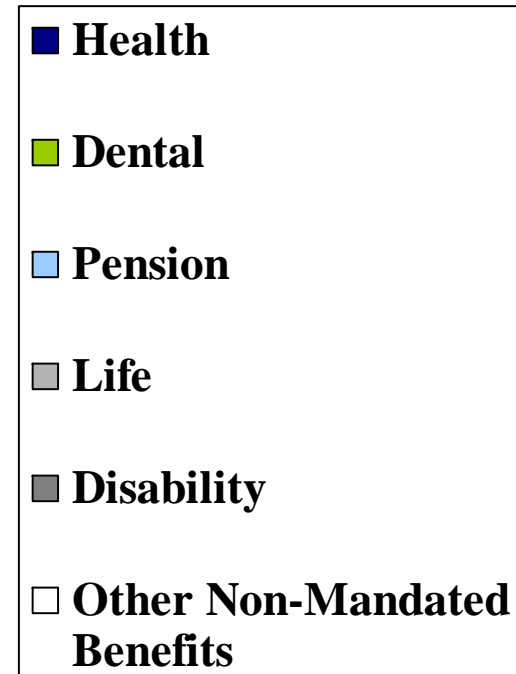
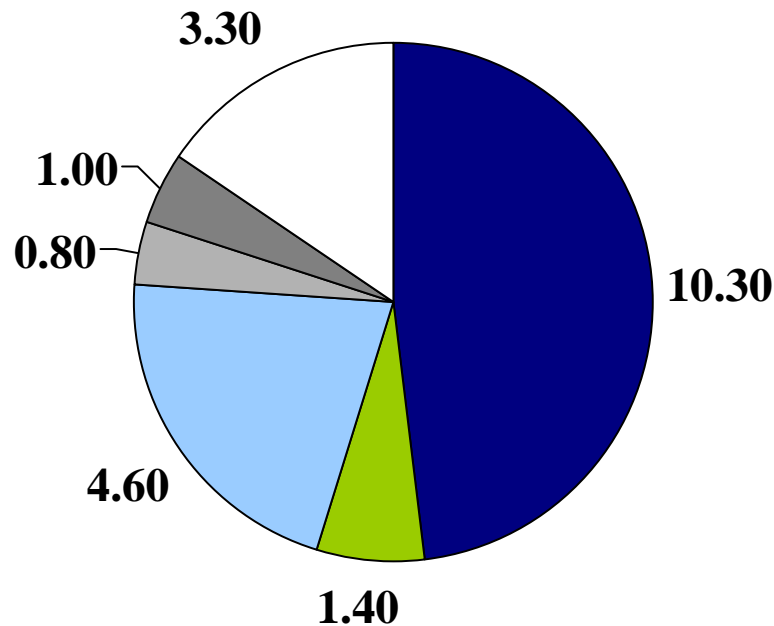
Employees Unaware of Costs

- Out of sight and out of mind
- Most know costs are increasing, but in terms of how it relates to their paycheck



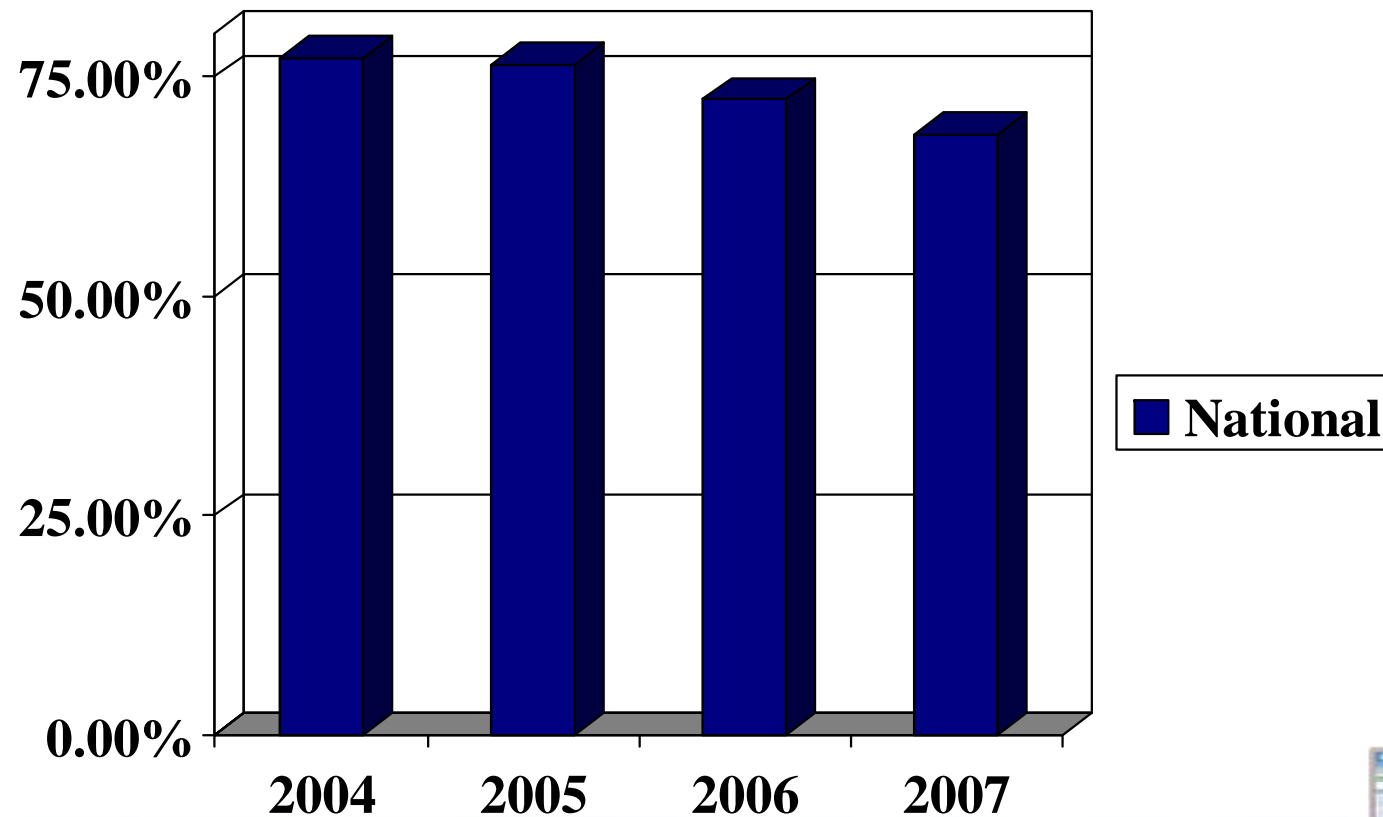
Benefit Costs

Employers Contribution Toward the Cost of Benefits as a Percentage of Payroll:



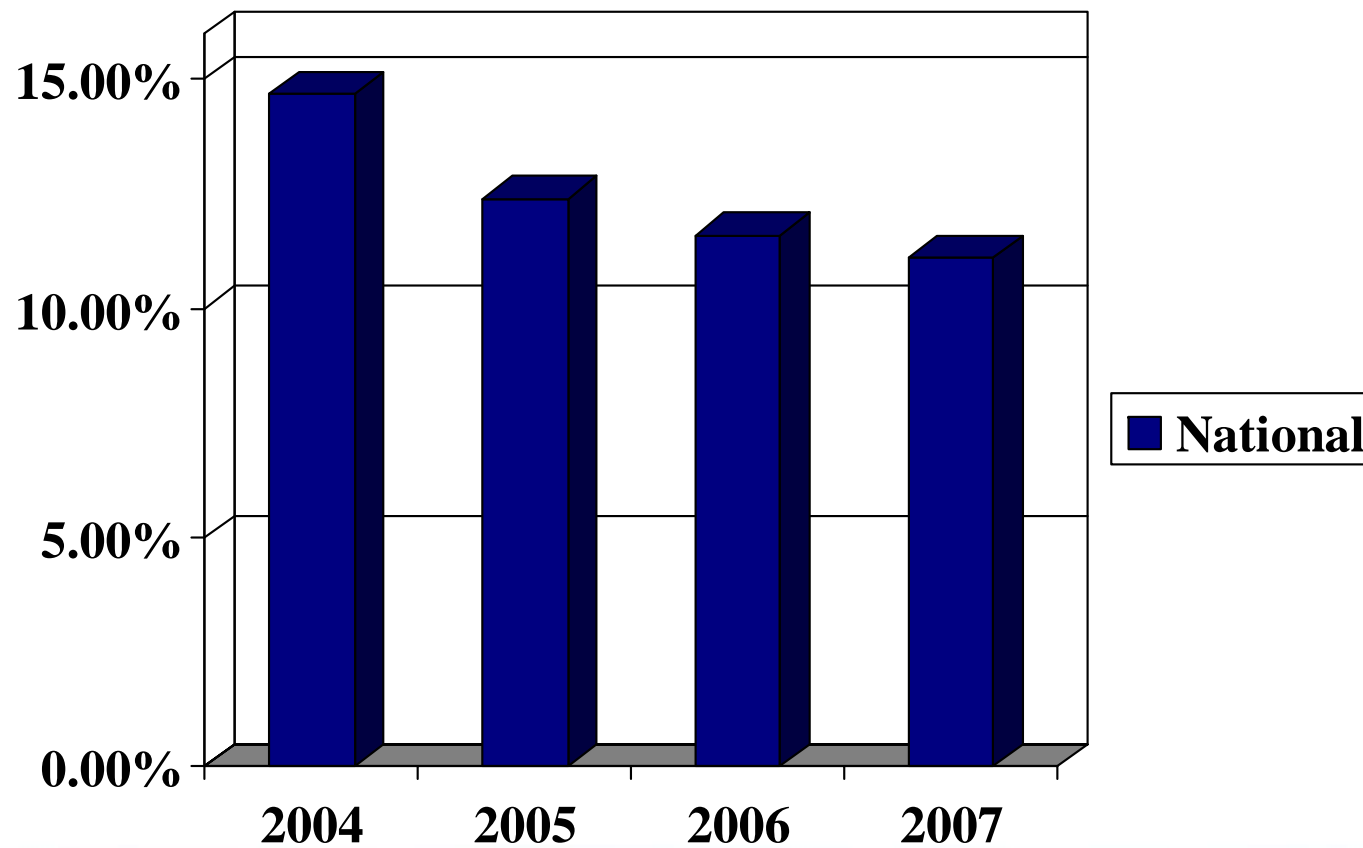
Health Insurance Costs

Percent of Employers with Increase in Healthcare Premium



Health Insurance Costs

Average Premium Increase



Employer vs. Employee Costs

Average Monthly Premium Paid by Employers & Employees on Employee Only Plans

Flat Dollar Amount	Paid By Employee	Paid by Employer
Less than \$150	89.8%	6.5%
\$150 to 249	6.2%	30.1%
\$250 to 349	4.1%*	38.9%
\$350 to 449		17.5%
\$450+		7.0%

*The breakouts for the average monthly premium paid by employees ended with a breakout of \$250+



Employer vs. Employee Costs

Average Monthly Premium Paid by Employers & Employees on Family Plans

Flat Dollar Amount	Paid by Employee	Paid by Employer
Less than \$150	23.7%	2.0%
\$150 to 249	33.4%	5.3%
\$250 to 349	43%*	7.7%
\$350 to 449		8.5%
\$450+		76.5%

*The breakouts for the average monthly premium paid by employees ended with a breakout of \$250+



Looking Forward

- Communicate the value of your benefit package using a total compensation review
 - Outlines salary, value of health insurance, any retirement contributions and time off
- Inform employees of plan changes through a variety of methods:
 - Company meetings
 - E-mails
 - Letters
 - Fliers



#2 - Prescription costs affect employees' perceptions of health insurance



Prescriptions Growing in Use

- The number of prescriptions purchased per capita in the U.S. rose from 7.9% in 1994 to 12.3% in 2005.
- Experts expect these numbers to grow due to:
 - An aging baby boomer population that is demanding more health services due to longer life spans and poor lifestyle choices
 - The increasing popularity of lifestyle drugs
 - Aggressive advertising



Prescription Costs

- Employees judge the value of medical coverage when filling prescriptions
 - Monthly expenses are easily measured
 - While health insurance costs are automatically removed from paychecks, the cost to purchase prescriptions is evaluated each time medication is purchased



Generic Prescription Costs

National Prescriptions	2003 Generic	2007 Generic
Indemnity	\$9.36	\$11.25
HMO	\$9.31	\$10.70
PPO	\$9.60	\$10.99
POS	\$9.72	\$10.56



Formulary and Non-Formulary Costs

National Prescriptions	2003 Formulary	2007 Formulary	2003 Non-Formulary	2007 Non-Formulary
Indemnity	\$18.93	\$24.69	\$29.68	\$40.36
HMO	\$18.87	\$24.06	\$33.15	\$39.80
PPO	\$20.31	\$25.31	\$33.15	\$42.31
POS	\$19.37	\$24.65	\$33.96	\$43.37



Looking Forward

- Cost saving example
- Communicate benefits of coverage
- Provide formulary information to employees



#3 – Understand which cost containment methods are most commonly used



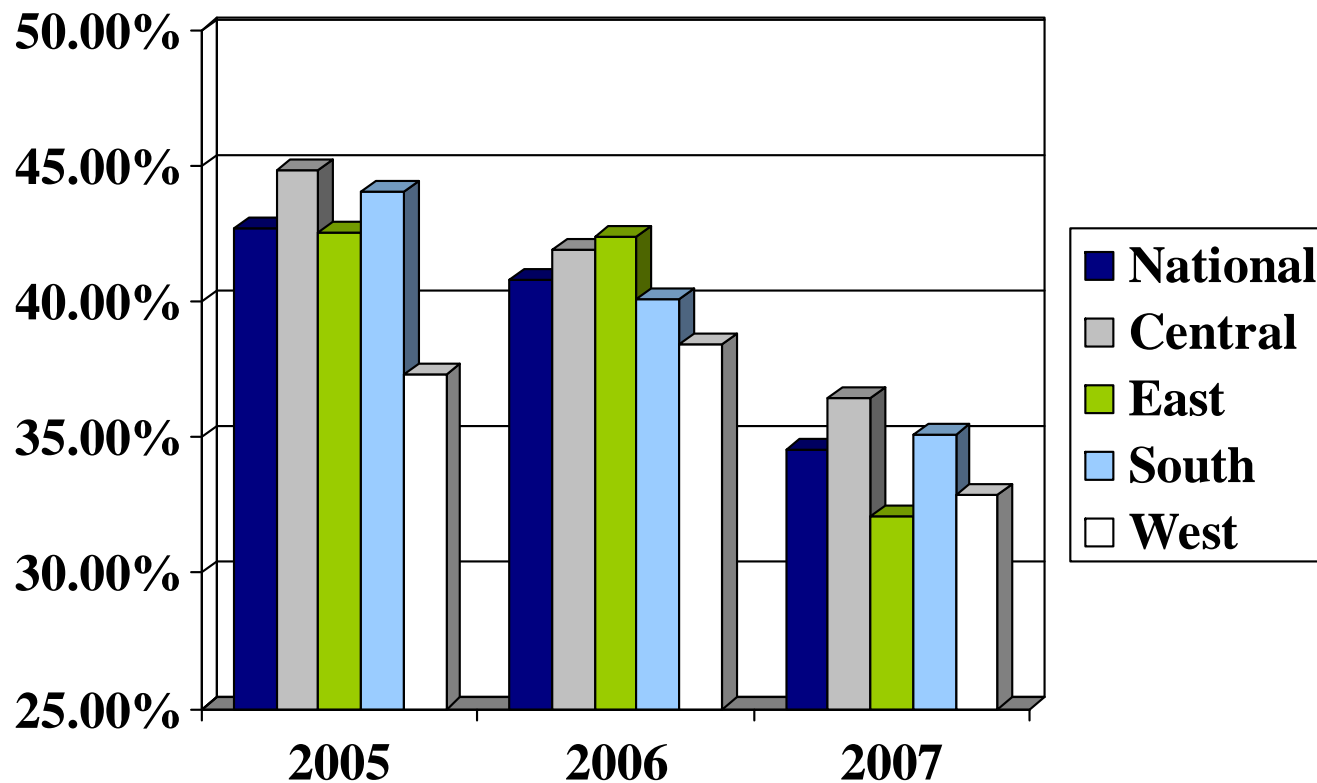
Good News/Bad News

- Health care costs are increasing, but at a slower rate
- Most organizations are using a cost containment measure
- Fewer organizations are reducing health insurance



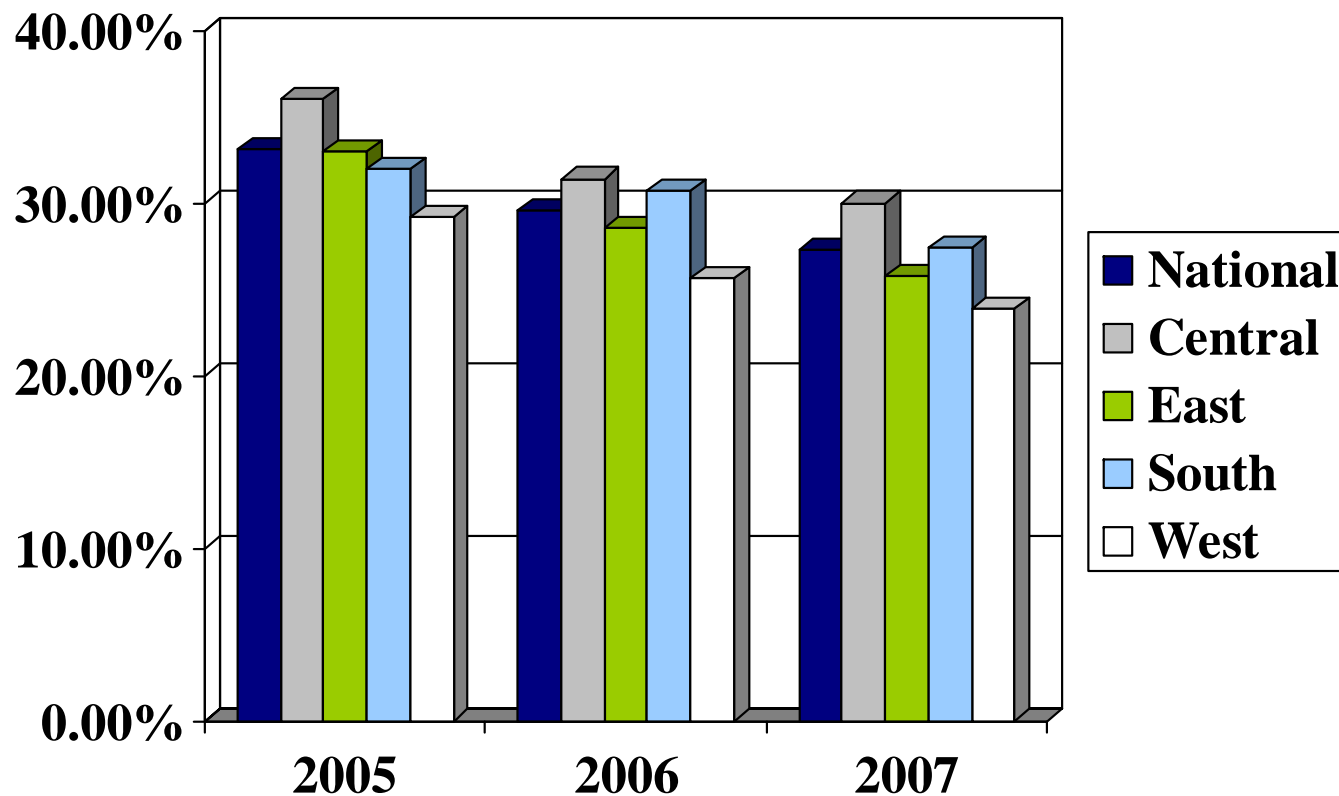
Cost Reduction Measures

Percent of Employers Increasing Employee Contributions



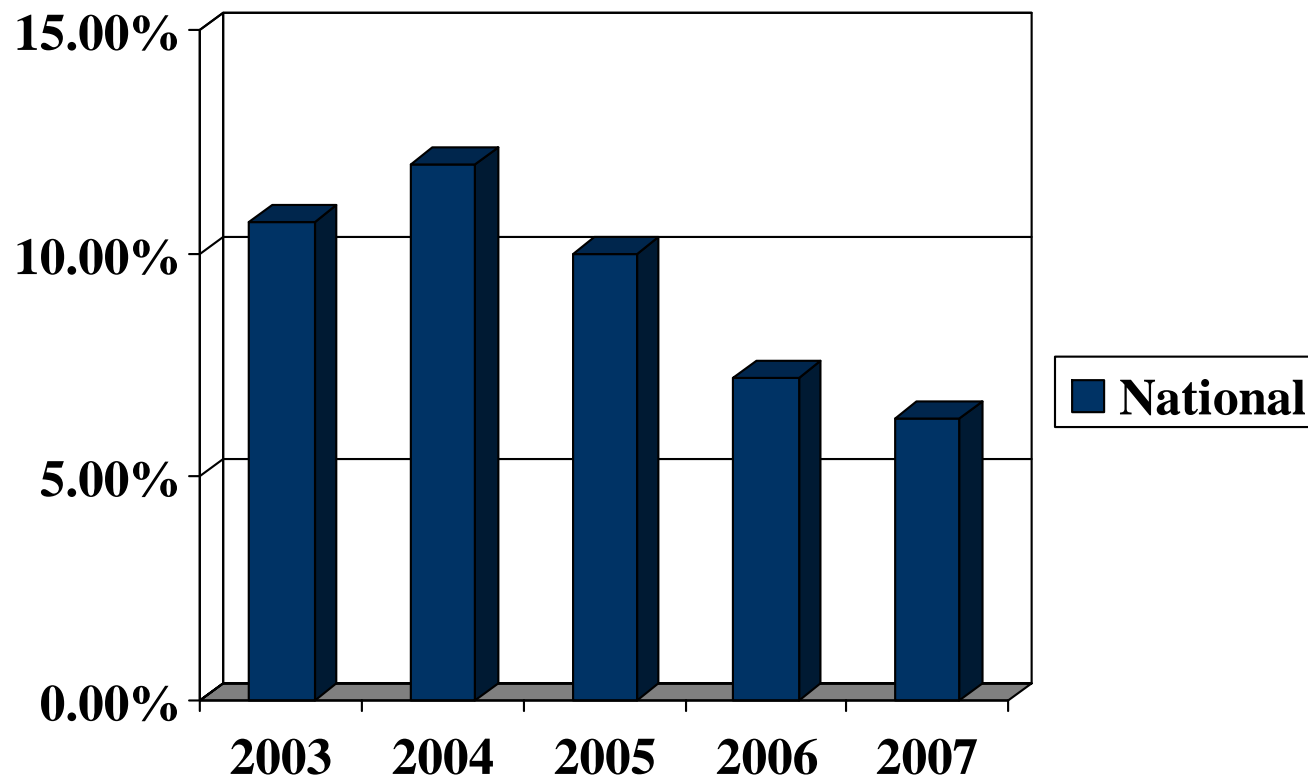
Cost Reduction Measures

Percent of Employers Increasing Deductible Levels



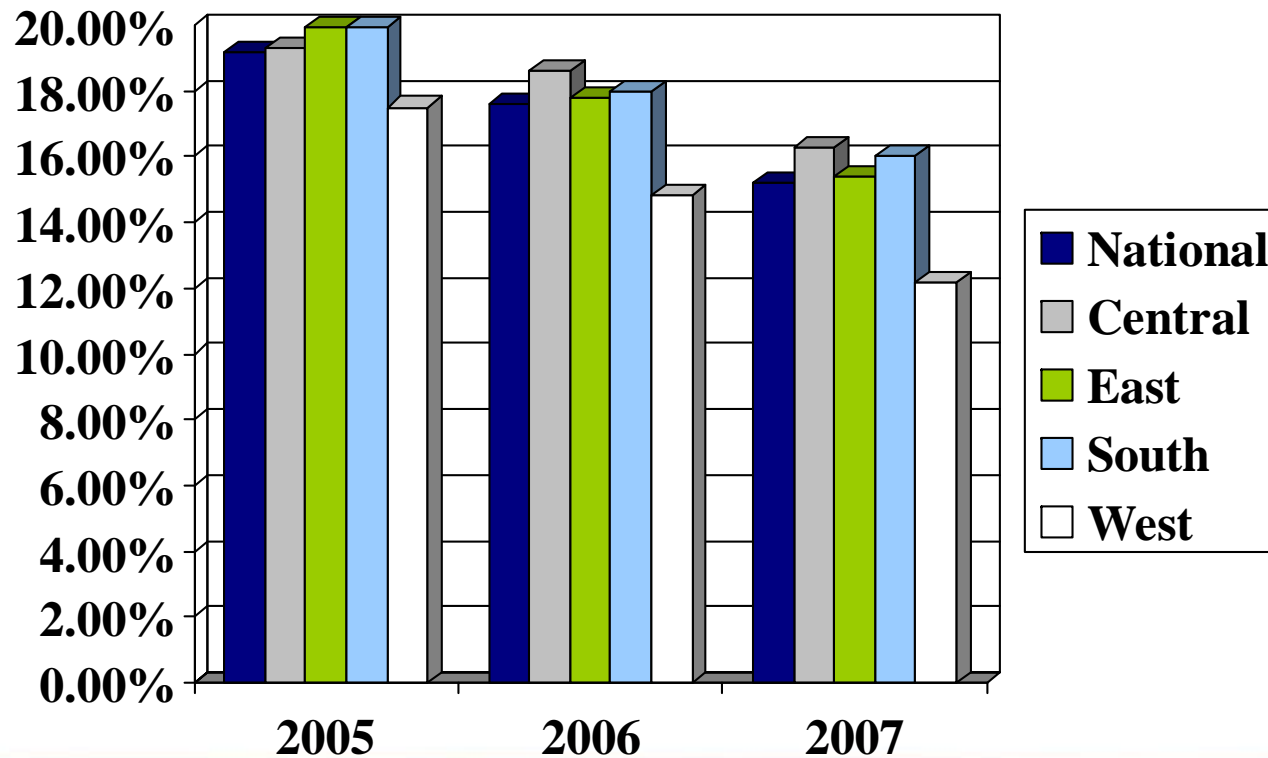
Cost Reduction Measures

Percent of Employers Reducing Benefits



Cost Reduction Measures

Percent of Employers Increasing Employee Co-Insurance Level



Looking Forward

- Educate yourself on current cost reduction trends to ensure your organization is staying competitive
 - Health care provider
 - Benefits surveys
 - Industry sources



#4 - Communication is key for successful wellness programs



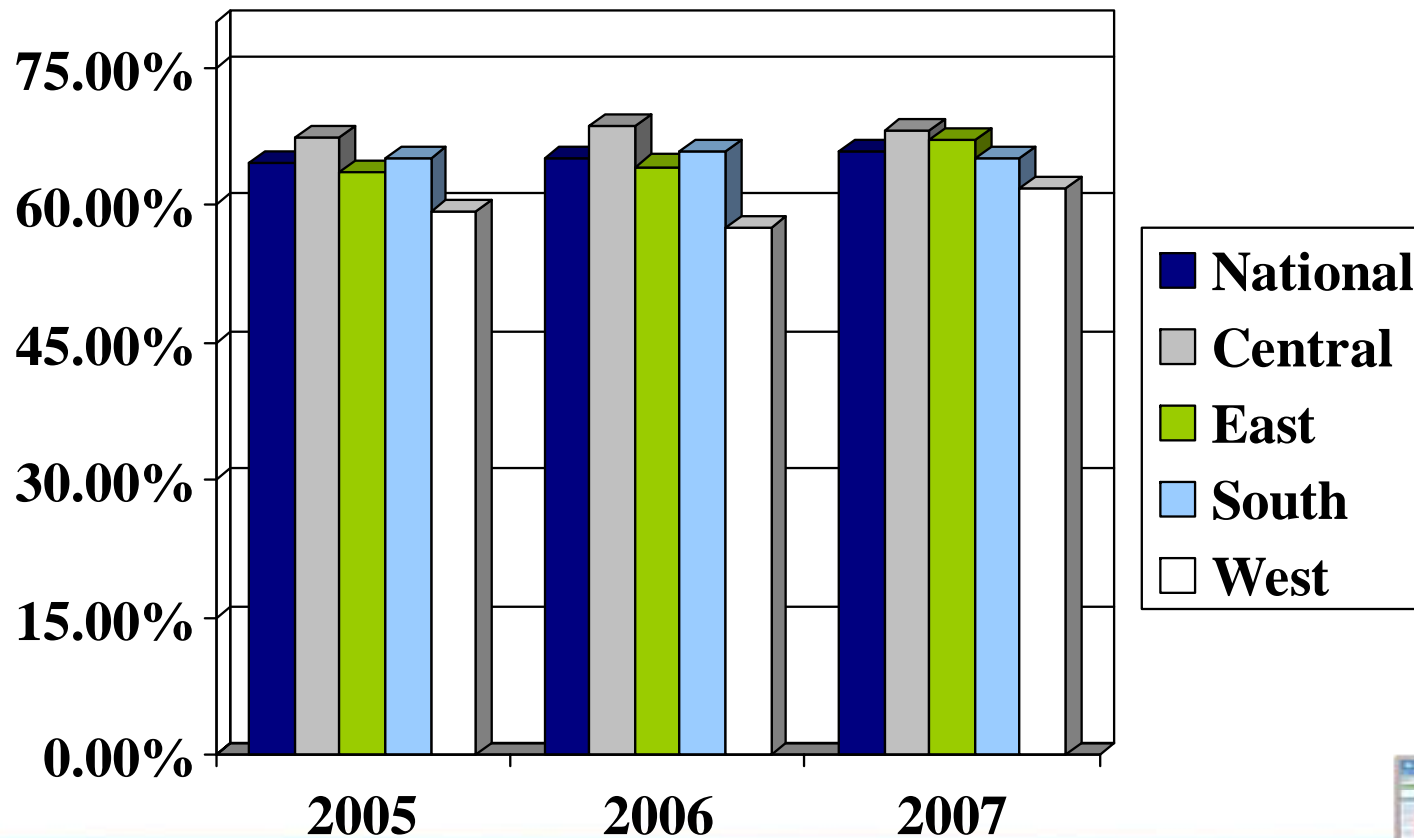
Education & Wellness

- Education is a key component to the success of wellness programs
- Companies are using a variety of methods for education, including:
 - Online tools
 - Fliers or handouts
 - Newsletters



Wellness Programs

Percent of Employers Offering



Cost of Obesity

- A US Surgeon General's report said health care costs of obesity totaled more than \$117 billion in 2000.
- Trust for America's Health found:
 - Obesity rates have increased in 31 states and no state has seen an improvement in obesity rates.
 - In 32 states, 60% of the population is overweight or obese.



Case Study

- Employees will be charged more for health insurance for each of the following five categories:
 - Tobacco use
 - Obesity – BMI over 29.9
 - Blood pressure over 140/90
 - Blood glucose over 120
 - LDL cholesterol over 130
- Employees who do not meet requirements will be charged \$5 per paycheck, up to a maximum fee of \$25 per paycheck.



Other Wellness Program Options

- Cafeteria menus
 - Healthy snacks and cafeteria menus
 - Key is to offer choice and educational component to changes
 - Healthy food less expensive than non-healthy items
- Health Risk Assessments
- On-Site Wellness Clinics



Looking Forward

- If your organization does not have a formal wellness program, consider implementing educational programs
- Utilize fliers and handouts on health
- Resources
 - Smoking cessation hotline
 - 1-800-QUIT-NOW
 - BMI calculator
 - http://www.cdc.gov/nccdphp/dnpa/bmi/adult_BMI/english_bmi_calculator/bmi_calculator.htm
 - Balanced diet
 - <http://www.mypyramid.gov/>



#5 – Behind the benefit headlines



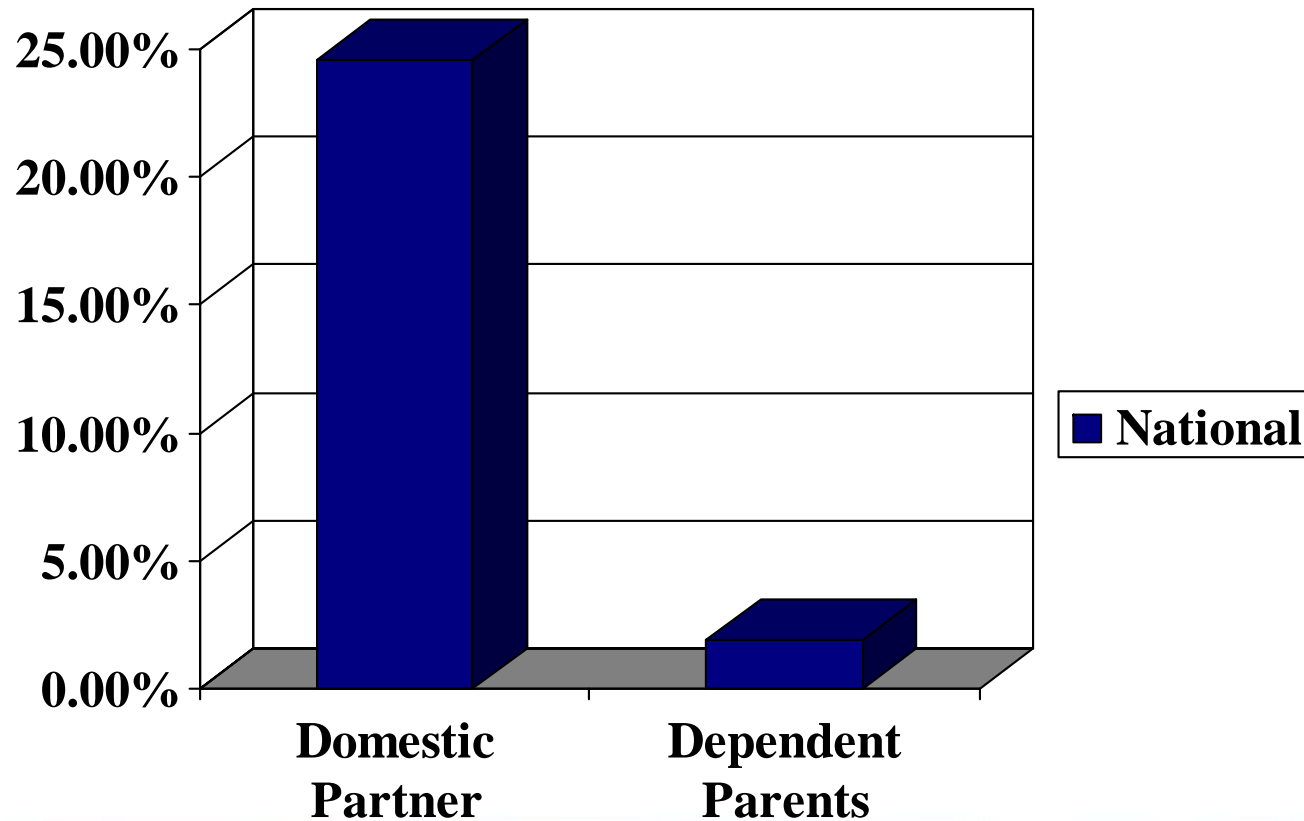
Elder Care

- Eldercare has been a hot topic in the news, as more employees are responsible for the care of an elder family member.
- In addition to increased duties outside of work, these employees also face financial challenges in providing necessary healthcare.



Emerging Trends

Percent of Employers Offering Health Insurance to:



Retiree Benefits

- Retiree health benefits have drawn attention in union negotiations
- However, they are offered by less than a quarter of organizations
- Of those offering, 37.3 percent of organizations have retirees pay 100 percent of the costs.
 - A smaller number, 24.9 percent, require retirees to cover 25 to 49 percent of the cost.



Consumer Driven Health Plans

- Consumer-driven health plans cover about 5 percent of all covered workers, which is not statistically different from the 4 percent share recorded in 2006.
- Firms with at least 1,000 workers are more likely to offer such plans, with nearly one in five (18 percent) offering one.
- Looking toward 2008, few firms that don't already offer such plans report that they are very likely to add an HRA plan (3 percent) or an HSA plan (2 percent).



Looking Forward

- Compare how others are handling these issues in your recruiting area and industry
- Stay on top of trends mentioned in HR focused publications



Thank You!



Questions?

All data featured in this presentation is from *Compensation Data*,
unless otherwise cited.

