

HR CONNECTION

Key Benefit Findings

Benefits and HR tips brought to you by Debbie Youngs, Account Executive
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Key findings from the 2008 Society for Human Resources Management Benefits Survey include:

- Organizations spent on average 39% of payroll on total benefit costs (21% on mandatory benefits and 18% on voluntary benefits).
- Employee benefits remained stable from 2007 to 2008.
- The most commonly offered benefits are health insurance, prescription drug program coverage, direct deposit of paychecks, paid holidays, professional development opportunities, and payroll deductions.
- 36% of respondents offer health coverage for same-sex partners.
- 37% offer compressed work weeks.
- 72% provide wellness resources and information.

Benefits to Keep or Add During Tough Times

According to *Employee Benefit News*, there are five employee benefits that you should protect in an economic downturn:

- 1) Healthcare benefits are highly regarded by employees, and the loss of them may mean the loss of key talent.
- 2) Cutting wellness programs sends the wrong message, and employers lose a long-term cost savings strategy.
- 3) Discontinuing employee retreats and meetings will impact employee morale and motivation, and employers lose a chance to develop a sense of teamwork.
- 4) Employee assistance programs can help employees facing financial and other personal issues, and managers can focus on the task at hand instead of employee personal issues.
- 5) As employees are asked to do more with fewer resources, make sure that developmental opportunities are made available.

Consider adding telecommuting or expanded training, and pass on executive level perks (i.e., sporting event tickets) to lower-level employees. You might attract a talented individual looking for a new opportunity. Most importantly, educate your employees on the benefit package they currently have. ■



Did You Know?

According to a recent survey conducted by the National Association of Insurance Commissioners, 22% of U.S. consumers have reduced the number of times they see the doctor as a result of today's economy, and 11% have cut back on the number of prescription drugs they take or the dosage of those medications.

Employers should stress to employees that it is important to continue to take responsibility for their health, so they benefit from both healthier lives and more affordable healthcare.



KIG BENEFITS BRIEF



LEGISLATIVE UPDATE

Connector Plans - What are They?

For more information contact Patrick Penefather; patrick.penefather@kapnick.com

Health insurance "Connector" proposals (also labeled "Exchanges") are popping up in state legislatures throughout the country. They are based on portions of legislation that Massachusetts enacted during 2006 and, if signed into law, would represent a major shift in the way private health insurance coverage is purchased and delivered. This overview is designed to answer some of the most commonly asked questions about Connectors.

Connectors are purchasing pools designed to offer consumers greater accessibility to a wider range of tax-advantaged employer health insurance choices than many employees of smaller businesses enjoy today. Connectors intend to operate like the Federal Employee's Health Benefit Plan does today, where many private insurance plans compete for federal workers' business.

All health insurance products sold through a Connector will be individual policies even if they are purchased by an employer in lieu of traditional group insurance coverage. Employers purchasing coverage through a Connector may be required to establish premium-only Section 125 "cafeteria" policies through which the Connector policies would be purchased. Through the Section 125s, someone with multiple jobs could pool money from multiple employers to buy tax-advantaged health insurance.

While the Connector goals of increased consumer choice and accessing federal insurance tax advantages are certainly commendable, your opinion of a Connector will depend on the many fine details of the legislation. From a producer's perspective, a Connector can be an innovative private/public partnership to expand health insurance choice, or a taxpayer-subsidized entity directly competing with licensed health insurance producers.

How are Connectors governed and operated?

Similar to most state high-risk pools, Connectors are governed by boards of political appointees. Legislation dictates the board's composition and the members' qualifications. The board members may be appointed by the governor, attorney general, speaker of the House, Senate president or other elected officials. Appointees may have to meet specific qualifications, like a consumer advocate or health insurance producer.

What kind of insurance policies will be offered through Connectors?

Any insurance policy design could, in theory, be offered by a Connector. However, a Connector board may prescribe that a plan meet special requirements to receive its "seal of authority," and thus be offered for sale.

How much do policies cost?

Visit the Massachusetts Health Connector's webpage to see plan and premium information.
<http://www.mahealthconnector.org>

Different Connector Variations

Pending Connector bill(s) would not necessarily create a Connector like the one that currently exists in Massachusetts.

Some differences among Connector proposals include:

- **Individual Mandates:** The Connector legislation in Massachusetts was accompanied by a mandate requiring individuals to obtain health insurance coverage or be subject to state income tax penalties. However, not all Connector bills being considered in other states include a mandate to purchase health insurance coverage; some may limit mandates to residents who earn above a certain threshold, like three times the federal poverty rate.
- **Eligible Populations:** Different populations may be eligible to purchase insurance from the Connector: individual market only, small-group market only, individual and small-group markets (1 to 50), small-group plus (2 to 100)



Have a healthy,
happy Fall!



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What would be our agency's role in a Connector and how would we be compensated?

This answer depends entirely upon how the legislation is written. In Massachusetts, residents can buy from producers or directly from the Connector. Legislation can, of course, be written in a way that bypasses agents altogether. In fact, before the Massachusetts Association of Health Underwriters successfully sought an amendment to that state's legislation, policies could be sold by non-licensed entities as well as through producers.

How will Connectors interact with current markets?

State health insurance market rules vary significantly. Connector products are designed to be offered on a guaranteed-issue basis and not be medically underwritten but instead rated on a community or modified community basis, which would not take into account enrollee health status. The vast majority of states currently employ medical underwriting in both their individual and small-group markets, and most do not require that individual policies be offered on a guaranteed-issue basis. So, in most states, the implementation of a Connector would represent a significant regulatory shift.

- Some Connector proposals would have dissolved the existing individual and small-group markets within a set time frame of the Connector's establishment.
- Rating Factors: In Massachusetts, Connector products will be sold on a guaranteed-issue basis and will be rated on a modified community basis. This is how all individual and small-group products were required to be sold in the state even before the passage of the Connector legislation. Other state Connector proposals may use different rating factors than what are currently being used in Massachusetts (age, geography and tobacco use), and they may or may not include the same guaranteed-issue requirements.

While Michigan has not yet introduced "Connector" legislation, it has been discussed by the Governor as an option to explore in the next session of the Legislature following the election. ■

Resources

The Massachusetts Association of Health Underwriters <http://www.massahu.org>
 The Massachusetts Connector's page www.mahealthconnector.org Connector board reports and updates are available on this website.
 The law firm of Mintz Levin has published An Employers Guide to the 2006 Massachusetts Health Care Reform Act, which can be found at <http://www.nahu.org/legislative/connector/MHCRA-Emp-GuideJuly07.pdf>
 The Center for Studying Health System Change published an update of the Massachusetts reform, which can be found at <http://www.nahu.org/legislative/connector/July07Update.pdf>

"SARAH SAYS"

Health Management Issues - Low Cost Activities that Work

For more information contact Sarah Szul; sarah.szul@kapnick.com

Workplace wellness programs that support employees and the environment that they work in have been shown to be a good return on investment. Workplace wellness programs can be extensive and sometimes expensive. However, there are ways for small employers to make positive changes at little or no cost.

Nutrition Activities

1. Provide healthy eating reminders and prompts to employees via multiple means (i.e. email, posters, payroll stuffers, etc.).

2. Offer appealing, low-cost fruits and vegetables in vending machines and in the cafeteria.
3. Offer healthy foods at meetings, conferences, and catered events.
4. Provide healthy cooking demonstrations that teach skills (i.e. fruit and vegetable selection and preparation)
5. Make water available throughout the day.
6. Offer appropriate portion sizes at meetings, workplace events and in the cafeteria.

Physical/Weight Management Activities

1. Offer and encourage participation in after work recreation or leagues.
2. Provide cash incentives or reduced insurance costs for participation in physical activity and/or weight management or maintenance activities.
3. Offer on-site fitness opportunities, such as group classes or personal training.
4. Set up programs that have strong social support systems and incentives, such as:
 - Buddy or team physical activity goals
 - Explore discounted or subsidized memberships at local health clubs
5. Offer flexible work hours to allow for physical activity during the day.
6. Support physical activity breaks during the workday, such as stretching or walking.
7. Host walk-and-talk meetings.
8. Map out onsite trails or nearby walking routes and destinations.
9. Post motivational signs at elevators and escalators to encourage stair usage.
10. Start employee activity clubs such as walking or bicycling clubs. ■



Sarah's Health Tip:

Children's Safety - Halloween

Kids love Halloween, but this is one holiday that requires extra safety precautions. Most Halloween-related injuries can be prevented if parents supervise their child's special activities. If your town allows trick-or-treating at night, do not overestimate your child's street-crossing skills. Most children are used to walking during daylight hours, so evening trick-or-treating may pose a completely new risk to them.

STRATEGIES FOR SUCCESS

For more info contact Stephen Peck; steve.peck@kapnick.com

Kapnick Partners with Evolution Benefits to Offer a FSA Debit Card



The Benny™ (a product of Evolution Benefits) Prepaid Benefits Card is a special-purpose MasterCard® or Visa® card for use with FSAs, HRAs, HSAs, and QTAs. With Benny, participants simply swipe the Card and the funds are automatically deducted from the applicable benefit account(s) for payment. Benny eliminates most out-of-pocket cash outlays and paperwork, as well as the need to wait for reimbursement. This convenience, and improved cash flow

leads to increased enrollment, contributions, and FICA savings for employers.

Using a prepaid benefits card improves cash flow and increases benefit convenience for participants.

Without cards, using tax-favored benefit accounts like health care FSAs can be cumbersome. Participants have to pay for eligible expenses out of pocket, submit claim forms and receipts, and wait for reimbursement. In essence, they "pay twice and wait." So, in spite of the tax savings, many people choose not to participate. But prepaid benefits cards change all that!

Benny™ is the best benefits card on the market!

Benny offers two key advantages:

Proven high auto-substantiation rates and multi-account stacking. These factors are vital to the success of any benefits card program.

They:

- aid in IRS compliance
- reduce paperwork
- increase participant satisfaction
- reduce administrative costs
- can ease the transition into consumer-directed benefits programs

To find out all the details on how you can offer your employees "The Benny" contact steve.peck@kapnick.com today!

MARKETPLACE UPDATE

For more information contact John Watson; john.watson@kapnick.com

Looking Ahead

After enjoying a steady decline in health care cost trends over the past eight years, U.S. companies have seen average rate increases settle in around 6 percent to 7 percent, according to "Hewitt Health Value Initiative". In 2008, average health care costs increased 6.0 percent, up from 5.3 percent in 2007. A 6.4 percent average increase is projected for employers in 2009.

2008-09 Cost Increases by Plan Type-

In 2008, average cost increases of 10.1 percent for traditional indemnity plans, 8.0 percent for health maintenance organizations (HMOs), 3.9 percent for point-of-service (POS) plans and 4.8 percent for preferred provider organizations (PPOs).

For 2009, companies will receive cost increases of 6.5 percent for traditional indemnity plans, 8.0 percent for HMOs, 5.5 percent for POS plans, and 5.5 percent for PPOs. That means from 2008 to 2009, the average cost per person for major companies will increase from \$9,296 to \$9,900 for traditional indemnity plans; \$8,442 to \$9,117 for HMOs; \$8,986 to \$9,480 for POS plans; and \$8,048 to \$8,491 for PPOs.

Employer Response to Rate Increases-

To keep rate increases in the 6 percent to 7 percent range, employers continue to take proactive steps to mitigate costs. These steps include:

Increasing attention on plan dependents-

While cost-shifting in its traditional sense has tapered, an increasing number of companies are beginning to look at cost shifting a portion of their dependent subsidy dollars to employees, either through increased payroll contributions for dependent health care coverage or by applying surcharges to encourage dependent spouses to take coverage under their own employer's plans.

Eliminating "cost-inefficient" plans-

As fully insured HMO rates increase in excess of overall medical cost increases, an increasing number of companies are consolidating plan participants under self-insured arrangements with fewer health plans. This enables them to streamline administration, offer more consistent designs across their markets and reduce costs.

Aggressively managing health plans-

As in past years, employers continue to negotiate aggressively with their health plans to try to reduce initial premium increases, and they are coming to the negotiation table with clear expectations and requests.

Continuing emphasis on employee health and productivity-

Companies are continuing to invest significant resources in programs aimed at improving health and productivity of employees and their families. ■