

Health Cost Outlook

Many Expect Steep Growth in Health Costs Despite National Trend

As the economy continues to tighten, many employers are bracing for double-digit increases in health care costs in 2009, even though a new government report shows national health spending growth has slowed to the lowest level in decades.

A recent survey of 400 employers nationwide by Business & Legal Reports (BLR) found that 42 percent expect health care plan cost increases to top 10 percent in 2009. Only 13 percent of those polled say the rate of growth will not increase.

The BLR study falls in line with several other recent projections. A survey by Buck Consultants predicts a 10 percent hike in health plan costs, while Aon Consulting forecasts a 10.5 percent increase. Other recent surveys project a lower overall cost increase, such as Hewitt Associates (6.4 percent) and Mercer (5.7 percent).

While many of these surveys indicate a gloomy outlook by employers, a government report printed in the journal *Health Affairs* this month found the overall national health spending rate (which includes what employers spend on health plans) slowed to 6.1 percent in 2007 -- the lowest rate in nine years.

The report's author, Micah B. Hartman, a statistician at Centers for Medicare and Medicaid Services, wrote that the overall rate was affected by slower growth in prescription drug prices. Hartman listed three factors in the slowdown: more generics are being purchased; overall

(Continued on back)

Jobs: To Cut or Not to Cut

Wave of Layoffs Creates Challenges, Opportunities

The eradication of American jobs skyrocketed in the final months of 2008, making that year's job loss total of 2.6 million the worst in 60 years. This flood of layoffs presents plenty of challenges for HR staffs who must deal with the compliance aftermath of job elimination.

Sheila Aiken of benefits law firm Aiken & Aiken writes that while layoffs might be a necessary move, employers should tread carefully to make sure they comply with applicable labor laws.



For example, some employers choose to cut the highest-compensated workers first, hoping to maximize savings from the move. However, higher-paid employees often are also the oldest on the payroll because their

(Continued on back)

Finding Wellness Success

Studies: Workers Need a Little New Year's Nudge

More than one-third of Americans have made weight loss and fitness parts of their New Year's resolutions, and many are looking for help from their employer, a recent study finds.

The survey, by Workplace Options, found that 63 percent of polled workers want their companies to offer wellness programs that include coaching and diet workshops.



Alan King, president of Workplace Options, said trained coaches can benefit a wellness program because they can help employees stay on track.

Companies don't necessarily have to hire burly personal trainers pushing their employees to do just one more sit-up to see good wellness results. Sometimes, a lot of encouragement from co-workers and the company itself can keep workers fit, according to a recent study published in the *American Journal of Preventive Medicine*.

Home Depot employees who enrolled in a company program that helped them set exercise goals notably increased their exercise activity, the study found. After six weeks, more than half of the enrollees were completing five 30-minute moderate exercise sessions per week or two 20-minute vigorous sessions per week - an increase from 30 percent at the study's start. The program was successful in part because it relied on individual and group goal-setting, which fosters peer encouragement, said Katherine Alaimo, an assistant professor at Michigan State University. ■

Health Cost Outlook

(Continued from front)

drug prices are rising more slowly; and safety concerns have reduced the sale of some drugs.

Although health spending growth has slowed, the total spending figure hit an all-time high at \$2.2 trillion, or 16.2 percent of the gross domestic product, the report said.

To combat the high costs on the employer side, more companies are turning to consumer-driven health plans (CDHPs), according to the Mercer study. It predicts an average cost increase of 4.5 percent for those with CDHPs, compared with a 6.4 percent jump for companies with no CDHP.

A separate study by the Employee Benefit Research Institute reflects this trend, showing a 21 percent increase in the number of employees who were eligible for a CDHP in 2008 compared with 2006.

However, only 6.6 percent of those were actually enrolled in a CDHP.

The 2008 UBA Health Plan Survey found that 12.6 percent of employees had the option to enroll in a CDHP, up from 5.8 percent in 2006. CDHP enrollment was 11.2 percent in 2008, an increase from 3.4 percent in 2006.

"While there is still a lot of education that needs to be done to make consumers aware of the best way to utilize these products, the substantial enrollment growth and the findings on CDHP consumer behavior tells us that CDHPs are helping to create incentives for consumer engagement," said Maureen Sullivan, senior vice president of strategic services for the Blue Cross Blue Shield Association.

Sullivan said offering generous contributions to employees' health savings accounts (HSAs) or other incentives can go a long way in getting workers on board. ■

Job Cuts

(Continued from front)

salaries have increased over time.

"Employers should ensure that they are using objective, legitimate business criteria to make their selections, so they do not leave themselves open to an age discrimination claim," Aiken wrote recently in her online blog.

Aiken also warns employers that layoffs can trigger trouble under a myriad of laws pertaining to ERISA, Family and Medical Leave Act, Americans with Disabilities Act, COBRA and more.

While many employers have already made the move concerning job cuts, others are scrambling to find alternatives to layoffs. These include reduced hours, salary cuts, hiring freezes and scaled-back benefits, such as 401(k) plans without a company match.

Peter Cappelli, director of the Wharton Center for Human Resources, said holding off on cuts can help employers avoid the compliance headaches and increased premiums in unemployment insurance.

Also, keeping the current staff means a company will be well-stocked with talent and won't need to spend as much on hiring and training when the economy eventually turns a corner, he said.

Many executives fear that tightening the belt would only drive away the best employees, leaving them with a lower-performing staff, Cappelli said. But most rank-and-file workers are willing to "take one for the team" to save their jobs. In fact, sacrificing wages and benefits to avoid layoffs "might actually build some morale and knit the company together," Cappelli said. ■

..... Bulletin Briefs

◆ **DISCLOSURE RULES:** The Department of Labor has released a final regulation that allows the agency to assess civil penalties against plan sponsors who fail to disclose certain documents to participants and others as required under ERISA and the Pension Protection Act. These documents include disclosures on funding-based limits, certain forms of distributions, financial reports and participants' rights and obligations under automatic-contribution arrangements.

◆ **STIMULUS WATCH:** An economic stimulus plan proposed by President-elect Barack Obama would have a direct impact on employers, including an expansion of health care for departing workers and unemployment insurance changes, according to the *Wall Street Journal*. Notably, the plan would provide jobless benefits for part-time workers and others not currently eligible, with the added coverage to be financed by employer contributions and not by taxpayers. Congress is expected to consider the bill soon after Obama takes office. ■

HRinsider[®] *bulletin* is brought to you each month courtesy of Maniaci Insurance Services, Inc., a UBA[®] member firm. For more information, contact us at www.maniaciinsurance.com.

January 2009

