

# Employee Benefits Report



MATTAR FINANCIAL CORPORATION

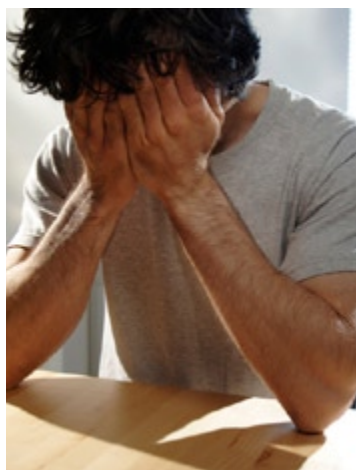
5750 New King Street, Suite 310  
Troy Michigan, 48098  
phone: (248) 290-0250  
fax: (248) 530-4777



Legislative Update

December 2007

Volume 5 • Number 12



## Mental Health Parity: The New Reality, The New Costs

Many in the healthcare professions have long considered mental health the poor stepchild of health plan coverage. While the Mental Health Plan Parity Act of 1996 (which expires at the end of this year) aimed to ensure adequate levels of mental health coverage, critics believed it didn't go far enough.

Replacing it — pending final reconciliation between similar bills in the US Senate and House — most likely will be the Mental Health Parity Act of 2007.

Both the Senate and House bills basically do the same thing: require full parity between mental health and medical benefits for all aspects of plan coverage, including day/visit limits, dollar limits, coinsurance, co-payments, deductibles and out-of-pocket maximums.

When signed into law, the legislation is expected to extend protections to more than 113 million Americans, including 82 million individuals in self-insured employer plans who do not currently benefit from mental health parity

protection through state laws.

In reality, the Senate and House bills are very similar.

- ✓ Both bills provide nearly the same parity standards for financial requirements and treatment limitations.
- ✓ Both apply to all health plans, except for employer plans with 50 or fewer employees and individual plans.
- ✓ Neither bill requires mental health or substance use disorder coverage, but when such coverage is provided, it must be at parity.
- ✓ Both bills recognize the use of benefits management; therefore, health plans may continue to manage benefits as they do today under applicable state law.
- ✓ Both require out-of-network

coverage. The Senate bill preserves state laws with these requirements and requires ERISA-regulated plans to provide parity for any out-of-network mental health services they provide. The House requires health plans to provide out-of-network mental health coverage, if the plan provides such coverage for physical benefits.

### Figuring the cost

The Mental Health Parity Act includes a cost exemption for health plans, but it is not a loophole. This exemption allows a health plan to be exempted from the federal parity law if it can prove, as certified by a member of the American Academy of Actuaries and based on experiential

## This Just In

Those retail “minute clinics” beloved by employees, employers and insurers are raising eyebrows over at the American Medical Association (AMA).

Citing concerns that retail-based clinics may be “too much retail and not enough clinic,” the AMA House of Delegates at its annual meeting recently approved resolutions that call for an investigation into the growing industry.

Many AMA members expressed concerns with patients getting prescriptions written and filled under the same retail roof. Members also expressed concern that insurers and state regulators might be giving the clinics favorable treatment, placing traditional practices at a competitive disadvantage.

A year ago the AMA board acknowledged that retail health clinics were controversial, but ultimately decided the clinics fit longstanding AMA policy that encourages “multiple entry points” into the healthcare system. It also developed guidelines that clinics must follow.





## First Smokers, Now the Obese? Do “Lifestyle” Penalties Really Work?

A small but growing number of employers charge smokers more for their health care than they do for nonsmokers. And in a recent survey by the National Business Group on Health, about 49 percent of employees surveyed at large companies said they would support higher premiums for obese workers — in theory anyway.

**T**his much is certain; the cost of obesity in the workplace is high. The Centers for Disease Control and Prevention found that obesity causes 400,000 deaths a year. And a study published in the March 2006 *Journal of Occupational and Environ-*

*mental Medicine* found obesity is responsible for 2.1 percent of all diagnosed medical claims dollars for men and 2.8 percent for women. Of ten lifestyle health risks considered, obesity was by far the most costly — accounting for approximately 14 percent of lifestyle-related health costs



OBESE—continued on Page 3

### Where There's Smoke, There's Fire

**M**ost managers would rather reward good behavior than punish bad behavior, but with health care costs so high, some companies have taken a harsher stance. Most notable is Weyco, an Okemos, Michigan-based health plan administrator with 200 employees. It made headlines when it announced that it would fire workers who were smokers. CEO Howard Weyers defends the company's stance on smoking, noting that Weyco started out offering incentives but did not get the results it wanted. Also, Weyco gave employees months of notice before it began implementing the program, Weyers says. ■

### HIPAA Rules May Allow “Obese Penalties”

Under HIPAA rules, employers may indeed penalize (or reward) employees for wellness issues as long as the wellness program meets certain regulations:

- ✓ The reward or penalty must not exceed 20 percent of the cost of employee-only coverage under the plan.
- ✓ The program must be reasonably designed to promote health or prevent disease.
- ✓ Employees must be eligible to qualify for the reward at least annually.

- ✓ The reward must be available to all similarly situated individuals.
- ✓ A reasonable alternative standard or waiver must be available to individuals for whom it is unreasonably difficult to satisfy the otherwise applicable standard due to a medical condition.
- ✓ Employers are also permitted to seek verification, such as a statement from an employee's physician, when a health factor makes it unreasonably difficult or medically inadvisable for that employee to satisfy or attempt to satisfy the otherwise applicable standard. ■



## Health Benefits

*OBESE*—continued from Page 2

for men and 25 percent for women.

A Rand Corp. study found that obesity adds \$395 per person per year to the cost of healthcare. Obese people's average expenditures for hospital/outpatient care and medications are 36 and 77 percent greater, respectively, than for people in the normal weight range.

### Pros and cons

While there may be a legal foundation for doing so, many employers may be hesitant to penalize the obese, fearing possible bad publicity and employee backlash.

Moreover, penalties may not work as well as incentives. Employees who are obese or who smoke often do not want to get a health risk assessment only to be told that they have to change their lifestyles. But these are the very employees whom companies most want to reach. They are key to reducing the company's health care costs. And that's where the incentives come in.

### Taking off with incentives

Delta Airlines, for example, recently began raffling off gift certificates and full-year paid health premiums to employees who signed up for an online health risk assessment. The effort came after the Atlanta-based airline realized that a small number of employees were driv-

*PARITY*—continued from Page 1

ing the majority of the company's health care costs, says Lynn Zonakis, director of health strategy and resources at Delta.

ing the majority of the company's health care costs, says Lynn Zonakis, director of health strategy and resources at Delta.

"We saw that one-tenth of a percent of participants were responsible for 10 percent of our health care costs and that 1.4 percent was responsible for nearly 33 percent of our cost," she says. By offering incentives for its wellness program, Delta hopes to get that small group of high-risk employees into its program as the first step in living healthier lives.

Delta's healthcare costs run \$5,208 per em-

ployee annually. The airline's goal is to keep its cost increases below five percent per year. If Delta can keep healthcare costs flat this year, as it did last year, it might begin offering reductions in premiums to employees who sign up for the assessment, Zonakis says. She says that the company's wellness program has helped keep healthcare costs down, but it's too early to say by how much.

For more information on designing wellness programs and health incentives that work, please contact us. ■

*PLANNING*—continued from Page 4

### Educational goals

If you're in charge of retirement benefits education, here are a few principles and related practices on which to build your program:

Principle	Related Practice
Successful learning is an intentional process of constructing meaning from information and experience.	Actively engage participants as goal-directed and self-regulating individuals who assume personal responsibility for learning about their retirement options.
Successful learning, the acquisition of complex knowledge and skills, is a process that occurs over time with support and instructional guidance.	Gain participants' commitment to persist in developing retirement plans and to invest considerable time and energy in a process to create plans that are consistent with their personal aspirations and interests.
Successful learning is a process of integrating new knowledge with a learner's prior knowledge and understanding.	Engage participants in linking new knowledge about retirement options to prior experiences, and using the new knowledge to refine their retirement plans.
Successful learning is a process that requires an expansive repertoire of thinking and reasoning strategies.	Engage participants in reflection about their retirement plans and interactions with others who are knowledgeable about retirement options.
Successful learning is a process that involves higher order strategies for selecting and monitoring mental operations.	Engage participants in reflections on how they think and learn, setting reasonable retirement savings goals, selecting potentially appropriate retirement planning strategies, monitoring their progress toward these goals, and devising ways to solve problems if they occur.
Successful learning is a process influenced by environmental factors including culture and social relations.	Provide a supportive environment for discussions about retirement, a setting that embraces diversity in all its many forms, including cultural norms about money, savings and retirement.
Successful learning is a process influenced by a learner's emotional states, beliefs, interests, goals and habits of thinking.	Cultivate participants' positive self-beliefs about themselves as retirement planners. Encourage positive emotions such as curiosity to dominate over negative emotions (e.g., anxiety or panic) and related thoughts (e.g., ruminating about failure).

Source: Pension Research Council



# Better Retirement Planning Through Better Education

As benefits managers know, Americans aren't saving for retirement like they should. Effective education may be the key to improving participation in retirement plans.

It's the great conundrum of retirement benefits management: despite continued warnings, opportunities and assistance, American workers simply don't put enough away for retirement. American households save approximately one percent of their annual income, and the median retirement account balance of US workers was under \$15,000, according to the Employee Benefit Research Institute. One in four employees does not participate in retirement plans at all; and the average annual contribution rate is a paltry six percent of pay.

What's a benefits manager to do? The answer is to take a fresh approach to retirement education, according to studies conducted by the AARP and Pension Research Council of the Wharton School of the University of Pennsylvania.

Since effective retirement planning requires individuals to plan, monitor and evaluate their own decisions, educational planning services work best when they assist participants in setting reasonable savings goals, selecting appropriate planning strategies, moni-

toring their progress towards these goals, and devising ways to address problems as they occur.

## A proper environment

Ideal educational services are best delivered as a "warm hearth," taking place in a setting that embraces individual differences, respects diversity in all its forms, cultivates participants' positive beliefs about themselves as retirement planners, encourages positive emotions such as curiosity, and dampens negative thoughts such as excessive fears, anxieties or ruminations about failure.

At their best, educational services kindle participants' natural curiosity to learn, by engaging participants in novel tasks relevant to their retirement.

Effective education, according to researchers at The Enterprise Foundation, "meets participants where they are when they start the training and builds on what they know in an affirming and participatory way." Good training involves eight traits:

- \* a skilled facilitator
- \* well-planned training tied to behavior objectives with a focus on application
- \* content relevant to the audience
- \* education based on and reflective of the principles of adult learning
- \* training that balances the diverse realities of multiple learners
- \* an adult-oriented and accessible location
- \* a schedule that is respectful of the needs of the audience
- \* evaluation.



PLANNING—continued on Page 3

## Health Benefit Cost Increases Slow

What goes up must come down...or at least moderate. That seems to be the case with the rate of increase in employee health benefit costs. After years of double-digit increases, the rate of increase should return to single digits next year (but just barely), according to a report released by PricewaterhouseCoopers L.L.P.

Private insurers expect 2008 medical costs to increase an average 9.9 percent for preferred provider organizations and health maintenance organizations and 7.4 percent for consumer-driven health plans, according to PwC. This compares with increases of 11.9 percent for PPOs, 11.8 percent for HMOs and 10.7 percent for CDHPs this year.

What's causing the slowdown? The report, *Behind the Numbers: Healthcare Cost Trends for 2008*, identified four major trends: slower spending growth for prescription drugs; increased transparency and cost-sharing with employees; total health management approaches such as wellness programs, and greater use of technology in the health care delivery system.

Wellness programs also are helping to hammer down cost increases by encouraging employees to lead healthier lifestyles and undergo preventive screenings, leading to fewer medical claims and lower medical costs, PwC found. ■