

Benefit Insights

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Unhealthy Behaviors and Declining Health Impels Employer Costs

An employer's health care expenditures are greatly impacted by the overall health of their workforce. In fact, the March 2011 Thomson Reuters Workforce Wellness Index found that the unhealthy behaviors of employees cost their employer an average of \$670 per year, per employee.



The Thomson Reuters Workforce Wellness Index tracked the collective health of American workers with an employer-sponsored health insurance plan by considering six risk factors—blood pressure, cholesterol levels, blood glucose levels, and alcohol and tobacco usage. The costs associated with less-than-optimal health was also gauged.

The index declined two percent to 84.4% between 2005 and 2009. An ideal state of health, whereby there aren't any behavioral risk factors or risk-related additional health care costs within a certain population present, is represented by a score of 100. The decline in ideal health is a

major contributing factor when it comes to the rising health care costs for U.S. employers.

The index found that the six behavioral risk factors mentioned above were associated with 14% of the direct health care costs among the working, privately insured population. And, of the average \$670 per employee that unhealthy behaviors cost the employer, \$400 is attributed to high BMIs and \$150 is attributed to elevated blood glucose levels. A separate study by Duke University also showed a clear relationship between how much is spent on a worker's workers' compensation claim and his/her BMI, which uses height and weight to measure body fat. The Duke study estimated that workers' compensation claims for obese workers averaged \$51,000 and those for workers of a normal/average weight averaged \$7,500 dollars.

Given the research, it would be prudent for any employer trying to find ways to reduce their health care costs to confront the behavioral risks among their workforce. Experts recommend that employers and insurance providers compare their beneficiaries against the national norms, as this will help begin identifying and addressing any specific problem areas. What else can you, the employer, do?

Employee Wellness Programs

According to statistics from the CDC, employee lifestyle choices are attributed to 75% of an employer's productivity losses and health care costs. Workplace wellness programs have been proven to improve employee health and therefore improve a company's financial bottom line. In fact, the Wellness Council of America found

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Benefit Managers And HR Professionals Need To Understand Pharmacy Benefit Management

The almost \$140 billion dollar a year prescription industry is an element of health care that simply can't be ignored by managers and brokers of benefits as they seek innovative ways of bringing value to their employees and clients.

In American health plans, prescription-related costs are usually 20% to 30% of the total cost. Furthermore, prescription costs are estimated to be rising by 10% to 20% each year. Most employer-sponsored health care plans contain a prescription benefit.

It's when the prescription benefits are utilized excessively that self-funded employers find themselves at financial risk. Americans are increasingly requesting more and more prescriptions from their health care providers, a happening that is in part due to prescription manufacturers adamantly and aggressively pushing for usage of their pharmaceutical products. The middlemen in the prescription drug industry are the pharmacy benefit management companies that are trying to simultaneously satisfy both the drug distributors and manufacturers -and- the employers and employees that are their end users.

The various aspects of prescription drug pricing must be thoroughly understood to really understand the prescription drug industry. This is a lengthy and complex topic, but there are several key issues that can help benefit managers and HR professionals begin to better understand the industry.

One key issue is pharmacy benefit management, or PBMs. These create revenue a couple of different ways, including

drug margins and administering rebates or fees. Sponsors and employers are starting to better question their PBMs as they're better understanding such revenue-generating issues and are exploring more and more ways to produce cost savings amid the rising cost of health care. Unveiling and understanding the prescription industry pricing model better has brought many calls for the PBMs to change their model.

However, the PBMs and drug manufacturers aren't the real bad guys in cost savings. Each have their own objectives, but the burden of these objectives are often shouldered by the sponsors, employers, and employees.

Real cost savings can be achieved by negotiated, aggressive prescription drug pricing. Considering today's market, an employer seeing just an eight to 12 percent cost savings to their prescription plan could actually manage to save some jobs that may otherwise be lost.

Properly structured transparency pricing, especially when combined with real prescription plan management, has the potential to reduce an employer's prescription risk and bring them substantial savings.



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that three dollars in health care costs are saved for each dollar invested in a wellness program.

While the benefits to employer and employee alike are clear in writing, studies have shown that employee participation in wellness programs only averages 5% when an employer doesn't offer incentives. A 2011 survey by employee support and work/life benefit provider Workplace Options showed the following:

- Of the respondents, 76% felt it's appropriate for companies to provide incentives for employees to better their well-being and health.
- If offered an incentive, 73% of the respondents would enroll in their employer's wellness program to better their personal health.

- Only 36% of the respondents worked for an employer offering initiatives like wellness coaches, fitness programs, and on-site health screenings.

With the cost of health care premiums, absenteeism, and workers' compensation continuing to rise for employers, many are starting to embrace the idea that offering employees rewards to pursue a healthy lifestyle is a worthy investment gamble. A Fidelity Investments and National Business Group on Health study showed that employee wellness incentives per employee increased from \$260 in 2009 to \$430 dollars in 2010. Representatives from the study noted that employers now face the challenge of getting employees to continue the healthier behaviors they adopt over the long run, not just temporarily from an incentive.

Boost Employee Satisfaction, Loyalty, and Retention with the Benefits You Offer

Whether employers are listening or not, alarms are sounding that the American workforce is increasingly growing more dissatisfied and disloyal. If businesses continue failing to recognize and respond to such trends as the job market improves, then they could potentially lose key workers to more astute competitors and suffer the consequences of decreased employee productivity.

The above warning stems from the results of MetLife's 9th Annual Survey of Employee Benefits Trends, which was conducted in the fourth quarter of 2010. The study wasn't all doom and gloom. It also found some promising data for employers, such as the fact that employers can help restore lost loyalty, encourage their workers to stay with them, and drive engagement by having a well-designed employee benefits package. Some other key findings of the MetLife study included:

- Of all the employees surveyed, 36% hoped to be working for a different employer within the year.
- Increased workload and decreased job security were factors that drove down job satisfaction and loyalty and were the main reasons cited by workers considering a job change.
- Fifty-one percent of workers reported that they were satisfied with their current job. This was an eight percent drop from 2008 numbers.
- At only 47%, the number of workers feeling a strong loyalty to their employers hit a three year low.
- Down eight points from 2008, only 33% of workers felt a strong loyalty from their employers.

Despite the change in how employees view loyalty and job satisfaction, the 51% percent of employers that believe their employees have a very strong sense of loyalty to them hasn't wavered. Considering that a large percentage of workers are now seriously contemplating a job change in the near future, loyalty and retention should be priorities for employers. It was only a few years ago that employers were actually highly focused on retention as they were prepping for the massive amount of Baby Boomers nearing retirement. However, due to low voluntary turnover rates during the recent recession, many employers have put retention efforts on the back burner.

Rebuild Loyalty

The MetLife study found that 71% of employees satisfied with their benefits also reported that they felt very loyal to their employer. Employers can focus on benefits to rebuild loyalty and boost employee engagement and satisfaction.

Benefits have long been an important element to attract and retain new and existing employees of all ages. Most employers usually understand how important health benefits and salaries are to creating employee loyalty, but many overlook other benefits like retirement benefits and life, dental, and disability insurance as loyalty drivers. In fact, the MetLife study showed that only 37% of employers recognized these non-medical benefits as loyalty drivers.

Focus On Benefits

As with most things in life, employees of different age groups will have very different perspectives on their benefits package. One-size-fits-all packages simply aren't suffice for the modern diverse workforce. Employers should think about flexibility, choice, and customization to best engage their entire workforce. Some of the study's generational findings may be helpful for the design or redesign of benefits:

- Workers between the ages of 21 and 29, or Generation Y, are the most anxious to leave their current job.
- Workers between the ages of 30 and 45, or Generation X, are the least satisfied with the benefits offered by their employer.
- Workers between the ages of 45 and 54, or younger Baby Boomers, are most frustrated with their retirement prospects and could threaten workplace productivity.
- Workers between the ages of 55 and 65, or older Baby Boomers, are financially unprepared for retirement.

Employers also need to be careful that they aren't dismissing or overlooking the value in voluntary benefits. The MetLife study showed that it's extremely important to workers, especially Generation X and Y workers, that they have a choice of benefits that meets their specific needs.

One last point to consider is communication. After all, employees are much more likely to value and appreciate their benefits when they realize just how much you've invested to provide them.

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It's often later in life when medical needs become the greatest and most costly. Most HSA providers will offer several different investment options, such as stocks, bonds, and mutual funds, that will help you to build an even greater medical nest egg for your future medical needs.

In summary, it's all of the combined features and advantages that make HSAs a financially appealing option for many individuals and families. After all, who wouldn't want to build their savings for current and future medical expenses from a position that's so tax advantageous?

Save Tax Free for Current and Future Medical Expenses With a Health Savings Account

You might have already noticed or heard of the health savings account (HSA) deduction on your income tax forms. Up to \$6,150 (families) or \$3,050 (individuals) of your HSA contributions are tax-deductible. This isn't only a tax advantage; it ultimately means more affordable health coverage for you or your family. So, it might be very beneficial for you to become familiar with HSAs.

HSAs marry high-deductible, lower premium health insurance plans with tax-advantaged savings accounts.

While you'll pay significantly less in premiums for HSA qualified plans than other more traditional health insurance plans due to the high-deductible aspect, it's still quality coverage. Even areas like preventive care are included.

The money that you'd have otherwise spent on more expensive coverage options can be deposited into an HSA, and it would then be free to grow from a tax-deferred position. So long as you use your HSA dollars for qualified medical expenses, you'd also be able to make untaxed withdrawals. Areas like your health plan deductible and uncovered dental and vision care are just a few examples of qualified medical expenses.

**HSAs marry
high-deductible,
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Any leftover funds in the HSA at the end of the year will roll over to the next year. Keep in mind that you, not your bank or insurance company, own the account and its funds. This means that you're the one deciding when to save and when you need to spend.

You might have heard that the new health care laws recently changed some aspects of HSAs. However, the three-pronged tax advantage remains the same—HSA deposits are still tax-deductible, interest can still grow in a tax-deferred state, and withdrawals for qualified medical expenses aren't subject to taxation.

In addition to the above, those 65-years-old and up will not suffer a penalty for using HSA dollars for non-medical expenses so long as they pay regular income taxes. For those at least 55-years-old and not yet eligible for Medicare, you'll have an even greater tax advantage from being able to make an additional \$1,000 annual HSA contribution. Also, any HSA owner can make a transfer from their IRA, but this can not exceed the annual contribution limit and is limited to a one-time transfer.

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