

Benefit Insights

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New Health Care Communications Strategies Needed For Effective Cost Control

In order to control rising health care costs, more employers have begun passing along cost hikes to employees, and are attempting to persuade employees to make smarter health care spending decisions. However, employees are beginning to resist calls for more cost-shifting, and already feel that they are effective health care consumers. This "disconnect" between employers and employees, as reported in a survey by human resources consultant Towers Perrin, indicates that if efforts to make employees true "partners" in cost control are to succeed, employers may need to make changes in their health care communications strategies.

The research, which included a survey of more than 1,000 employees and a companion survey of executives and managers at 120 U.S. companies, found that only about a quarter (28%) of employees thought that it would be appropriate for employers to ask them to absorb more health care cost increases. Nevertheless, in a similar survey conducted last year, almost half (46%) said that they would understand the need for the additional cost-shifting.

Why are employees resisting the idea of continued cost-shifting? According to the survey, many employees (more than a third) simply don't buy the premise that rising health care costs have implications for the success of their companies. Furthermore, only about a half (53%) said they believe what their employers communicate about rising health care costs.

As to health care consumerism, a large majority of the employees-82%-thought of themselves as good health care consumers. In contrast, only 36% of employers held this opinion of their employees.

Survey results indicate that different types of health care communication strategies are needed to fully enlist employees in cost containment efforts. For example, only about a quarter of the surveyed employers (28%) said that they communicate with employees about health care issues other than costs. Furthermore, less than a third of the managers surveyed (31%) felt that their companies had sent clear messages about what employees need to do to be more effective health consumers.

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The survey states that employees might be more open to changing their health care spending habits if they believed it was in their own interest not only their employer's interest to do so. For example, most employees indicated that they were open to initiatives that directly benefited them, such as plans that offered financial incentives for healthy behavior or confidential health risk assessments that identified an individual's health risks. In contrast to cost-shifting, the benefit of which employees saw as going only to the employer, initiatives such as these can positively impact employer costs and at the same time employees see them as being in their best interest, as well.



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Long-Term Care Insurance Fills Important Need, So Why Aren't More Employers Offering It?

Businesses are feeling the impact of employees' long-term care obligations, yet are slow to add long-term care insurance to their employee benefits offerings. Because productivity can suffer when employees struggle to meet their long-term care obligations, as well as when they worry about how they'll someday pay for their own long-term care needs, employers should consider long-term care insurance as an affordable and appreciated enhancement to a benefits program.

Studies document the impact of cost and personal toll long-term care obligations have on individual workplace productivity. Nursing home rates now average \$183 per day (semi-private), according to an annual study from Genworth Financial, with Medicare-certified home health aid services at \$46 per hour and residence in an assisted living facility at \$2,825 per month.

As to the effect of caregiving obligations on the caregivers themselves, the Evercare Study of Family Caregivers, conducted in collaboration with the National Alliance for Caregiving, found a relationship between a caregiver's out-of-pocket spending in fulfilling caregiving obligations and the extent to which the caregiver reported adverse emotional and physical effects of caregiving. These adverse effects included starting or increasing a bad habit such as smoking, alcohol abuse or prescription drug abuse; experiencing new or worsening health problems; having trouble sleeping; feeling depressed or hopeless; gaining or losing weight; feeling increased anxiety or stress; and being unable to set or keep necessary personal medical or dental appointments.

When employees undergo any of these physical or emotional effects, it's apparent that work performance will suffer. Caregivers under such strain are more likely to be absent due to their own personal illness or a caregiving crisis, and when at work will tend toward attention lapses, mistakes, and overall lowered productivity. According to a study in the *Gerontologist* that used the Work Productivity and Activity Impairment (WPAI) Scale, working caregivers experienced a 21.2% work productivity loss due to their caregiving role, a combination of missing 5.4% of their work time, and being only 80.8% productive while at work.

And the actual cost of these losses to employers? A study from the MetLife Mature Market Institute estimates that the cost to U.S. businesses due to the lost productivity of working caregivers is between \$17.1 billion and \$33.6 billion per year.

Yet, businesses have been slow to respond to such data. A study from John Hancock found of companies with 10 to 1,000

employees, employer misconceptions have resulted in a reluctance to offer long-term care insurance despite a perception of employee need. While six in ten of the surveyed employers thought employees were concerned about their ability to afford long-term care, and ranked employee concern about the ability to afford long-term care for themselves or another as second only to that of not having a financially secure retiree-



ment, only one-fifth of the businesses offered a long-term care insurance plan as a benefit for employees. Among businesses that did not offer long-term care insurance, 66% cited the perceived cost to implement a plan and 63% cited a perceived lack of interest on the part of employees. However, according to the survey, among respondents that had a long-term care insurance plan in place, only 5% reported a poor experience with plan cost or implementation. Also, contrary to the 63% that perceived employee interest to be low, an identical percentage reported that their employees were concerned about their ability to fund future long-term care.

The long-term care market is evolving, with traditional standalone long-term care insurance plans and, recently, hybrid products that combine life insurance or annuities with long-term care insurance. Products are available to meet a variety of individual needs, at a range of cost. And, if offered on a voluntary basis, the employer incurs minimal or no cost. Clearly, long-term care insurance is not only a timely benefit program addition, but a practical and feasible one as well.

Employers Say Retaining Talented Employees Is Their Primary Benefits Objective

According to the 2006 MetLife Study of Employee Benefits Trends, retaining talented employees is now the primary goal employers consider when designing benefits programs. Controlling costs was previously the most important objective over the first four years of this study's existence.



55% of all employers surveyed cited employee retention as the most important benefits objective. 62% of retail employers polled and 59% of employers in service-related industries that were questioned believe workplace benefits are the key to keeping talented staff members. In 2003, less than half of employers surveyed named retention as a primary goal. However, given the current labor market in which 40% of all employees have changed jobs at least once in the last five years, the importance of developing benefits packages that attract and retain employees has become increasingly more important.

Another important outcome of the research was the correlation between benefits and job satisfaction. Among those employees who said they were "highly satisfied" with their benefits, 80% also indicated strong job satisfaction. This is an increase from the 65% who expressed the same sentiments in last year's study. 72% of employees polled said that workplace benefits were one of the factors that influenced their decision to take their current job and 83% said it was one of the factors that influenced their decision to remain in their current position.

While designing an attractive benefits program may be the goal, it is not as simple as it may seem. Employees at various life stages place different emphasis on the importance of workplace benefits. Nearly 32% of married employees polled and 41% of employees with young families surveyed stated that workplace benefits were a major consideration for joining their current employers. While only 10% of singles polled agreed it was a critical consideration.

Some other important findings of the study include:

- 64% of Young Baby Boomers and 60% of Gen Xers are very concerned about having enough money to make ends meet compared to 58% of Older Baby Boomers.
- Approximately seven out of ten Gen Xers and Young Boomers versus six out of ten Older Boomers are concerned about having enough money to pay bills during a period of sudden income loss.
- Both Gen Xers and Young Boomers are alike when it comes to valuing family time. 54% of Gen Xers and 51% of Young Boomers rated having more time to spend with their families as very important. This was in direct contrast to only 43% of Older Boomers who answered the same.

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ERISA. Fiduciaries lacking such expertise must hire a professional who has the proper knowledge to complete those functions. Prudence requires excellent skills in making fiduciary decisions. Every decision must be documented properly. It's best for fiduciaries hiring service providers to interview several candidates, make comparisons and then make a decision. Following plan terms is also a vital responsibility. This includes memorizing the plan, reviewing it regularly, and keeping it current.

Employer Liability Information

It's important to know the potential liabilities that accompany employer responsibilities. Any fiduciaries who don't follow standards of conduct face personal liability for restoration of losses to the plan. They also must restore

profits that were obtained through personal misuse of plan assets. Fiduciaries have the ability to limit their liability in some circumstances. Proper documentation is an essential way to reduce the likelihood of undue liability issues arising.

Fiduciaries may also hire service providers to handle their responsibilities. In doing this, it is essential to include verbiage in the service contract that places responsibility of mismanagement of the plan on the service providers. Employers are responsible for the selection of service providers. However, they're not liable for the decisions and actions of the providers they choose. It is important to remember that monitoring the service providers is essential. Keep documentation of all periodic monitoring to further reduce liability risks.

Understanding Employer Responsibilities for Group Benefits Under ERISA

The Employee Retirement Income Security Act, commonly shortened to ERISA, is a federal law enacted to set minimum standards for the majority of voluntary pension and health plans in the private industry to protect involved individuals. This federal statute went into effect on September 2, 1974. ERISA requires plan sponsors to provide participants with thorough information about features and funding. In addition to this, the statute mandates fiduciary responsibilities for managers and controllers of plan assets. The statute also requires plans to have an established grievance and appeals process that is easy for participants to use in order to get benefits from their plans. Participants who are the victims of fiduciary duty breaches have the right to sue under this statute's provisions.

Important ERISA Changes To Be Aware Of

Over the years, there have been several amendments made to the ERISA statute. These changes were made to further the protections offered to health benefit plan participants and beneficiaries. One of the most important amendments is the Consolidated Omnibus Reconciliation Act, which is more commonly known as COBRA. This amendment provides selected workers and their families the opportunity to continue their health coverage for a specified amount of time following the loss of a job or other certain events.

Another important amendment to the ERISA statute is the Health Insurance Portability Act, which is commonly known

as HIPAA. This provision created new protections for workers and their families with preexisting medical conditions. Such individuals would have likely faced discrimination in applying for health coverage prior to this act. The Mental Health Parity Act, Newborns' & Mothers' Health Protection Act and the Women's Health & Cancer Rights Act are also important changes made to ERISA.

Definition Of Responsibilities

Employers who are fiduciaries need to be familiar with the amendments made to the ERISA statute. This knowledge is helpful in understanding responsibilities. All fiduciaries have an important set of responsibilities since they act on behalf of the plan participants and beneficiaries. The following are important responsibilities to memorize:

- Act in the interest of the plan participants and beneficiaries with the purpose of providing them with their benefits.
- Follow plan documents that are consistent with ERISA.
- Carry out all duties in a prudent manner.
- Hold the assets of plans in trusts.
- Only pay reasonable plan expenses.

Prudent action requires extensive expertise. This is one of the most important responsibilities employers have under

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