

Employee Benefits Administrators

The Administrator

SUMMER 2005

Important news and updates from your benefits professional

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**Plus Health Questions
and Answers, Facts,
Trends and More!**

Feature Story

Powerful Enough To Change Attitudes In A Single Bound

With the rise in popularity of consumer-driven health care (CDHC) options, questions and concerns continue to be heard from employers, employees, providers and lawmakers. Who stands to benefit? What resources are needed to help people understand these plans and use them effectively? Can consumer-driven health care really control costs?

Perhaps the first question that should be asked is “why”? Why is consumer-driven health care creating such excitement?

The challenging climate of ever-rising health care costs coupled with an increasing burden on employers to stay competitive in a global marketplace led to the passage of laws like the Health Savings and Affordability Act of 2003. These new provisions, which paved the way for the use of health savings accounts (HSAs), were created to foster an environment where employees become more engaged in their health care decisions and have greater incentive to live healthier lives.

The reason more employers are switching from traditional health care plans to higher deductible plans supplemented by an HSA or HRA (Health Reimbursement Account) is to encourage a change in participant attitude. Rather than looking at group

health coverage as “an entitlement that will take care of me with no strings attached”—many of our clients are viewing consumer-driven strategies as an opportunity to help participants get more involved in the entire health care process. When you choose to participate in a consumer driven plan, you have

to make choices. And the only way to get comfortable making important choices is to devote the time and effort needed to learn more about your health and how these benefit plans really work.

Becoming more involved in the health care process can have a positive impact not only on a person’s pocketbook, but also on their well-being. Participating employees become more proactive; preventive care is taken more seriously and lifestyle choices such as diet, exercise, smoking and alcohol consumption take on added meaning. If complications are avoided or the risk of a medical complication is identified early, the cost of treatment and the burden placed upon the patient can be minimized.

If these important changes occur because of the increased employee awareness that consumer-driven plans bring, then there will indeed be much to be excited about in 2005 and beyond.



Q&A

Bringing you answers to tough questions

Are strokes, the third leading cause of death in the U.S., preventable?

Yes. There are preventative measures one can take to lessen the risk of having a stroke.

- Controlling your blood pressure is priority number one. This can be achieved through lifestyle changes or medication.
- Exercise. People who exercise regularly lower their risk of stroke.
- If you smoke, quit.
- Drink alcohol in moderation.
- Keep tight control of blood sugar levels, especially if you are diabetic.
- Follow a diet designed for those with high blood pressure and heart disease.
- Take calcium and magnesium, both of which help keep blood pressure levels in check.

In The Workplace

Bettering Benefits Communication



The most helpful tip an employer can receive regarding benefit communication with their employees is this: Tell it like it is. A study conducted by Medco Health Solutions found that 78% of employees don't believe their employer's plan has limited funds. With the misconception that deep-pocketed insurance companies cover the bill for benefits becoming common in the workplace, employers must communicate the fact that the business is still shouldering the greatest portion of the costs and thus needs cooperation to alleviate major financial risks to all.

A second survey conducted by Towers Perrin found that only 15% of employees say it's appropriate for their employers to reduce benefits and only 28% of employees said they understand paying for more coverage is necessary. These are the expected knee-jerk reactions of an employee who doesn't want to pay more for benefits than they already are.

When self funding or new consumer driven plans are in place, it is easier for an employer to demonstrate that a majority of dollars paid out of the plan for medical claims are coming from the company and participating employees. Illustrations will help employees understand where plan dollars are really going.

And being that only one-third of employees surveyed believe health plan costs affect their employer's business success, this open dialogue must stress that everyone's livelihood is at stake. A good way to start is by educating everyone on how to best control expenses for non-emergency health care services.

Once all parties accept the realities of cost increases, measures can be taken to create a health-conscious workforce that is proactive about their own health care decisions.



TRENDS *Latest Happenings In Today's World*

Patients Get More Hospital Data

Despite rising pressure to offer consumers "report cards" to help them make informed health care choices, most hospitals remain tentative to report any statistics that might make them look bad, or increase their liability, such as high

mortality rates for certain procedures, or recurring complications from surgeries. Current evaluations provided by hospitals often offer limited statistics on quality care and give little or no price comparisons.

However, a small but growing number of hospitals and health care groups

are offering up more frank disclosure of information regarding a variety of statistics. While disclosure is easiest for hospitals with sparkling records, all hospitals could benefit from putting out comparative data, mainly to strengthen the waning sense of trust between patients and their providers.

Employers Still Pay Majority Of Premiums

To keep costs under control, HR managers plan to reconstruct their benefit plans, lean on pharmacy benefits managers, and encourage employees to be wise health care consumers. Still, employers continue to pick up about 75% of the cost



BENEFIT BEAT

Keeping A Good Eye on What's Working

FSAs More Attractive After Government Changes

The US Treasury Department's amendment to the "use-it-or-lose-it" rule for FSAs to allow a 2 1/2-month grace period for spending will help bolster interest in the consumer-driven accounts.

The new rule will give workers with FSAs more time to pay for medical and dependent care expenses and will ease the year-end spending rush prompted by the prior rule.

Before the change, workers were required to spend their funds within the plan year or forfeit the unspent money. Under the new rules, if workers were required to empty their accounts

by the end of December, they can have until mid-March to use the funds.

Most employers will likely adopt the new grace period in their FSAs, which workers use to pay for health expenses with pretax dollars. Employers may have higher FSA administration costs to adopt and communicate changes to workers, but they will make the changes because of the enhancement of the benefit.

The flexible spending arrangements allow workers to set aside untaxed wages in special accounts to spend throughout the year; effectively stretching their pay-checks for health and child care costs.

Mandates Slashed to Lower Health Costs

Some state legislators want to peel back laws requiring insurance companies to cover certain procedures.

The New Mexico and Georgia State Senate passed bills in March that would allow consumers and small businesses to buy health policies without state mandated health benefits. By slashing some mandates and preserving coverage for such things as cancer screenings and

diabetes treatment, lawmakers attest that consumers will end up spending less on health care.

Mandates typically boost the cost of health coverage between 20 and 50 percent, according to a report from the Council for Affordable Health Insurance that lists each state's mandates and associated costs.

Legislation

States Begin to Cap Malpractice Awards

Illinois recently joined the growing legion of states that have proposed caps on non-economic, also called pain-and-suffering, damages in medical malpractice cases. These rulings reflect the public's growing concern that perpetually rising medical costs and the loss of specialist physicians are due to costly jury awards and expensive malpractice insurance. Illinois' proposal sets the limit at \$1 million on pain-and-suffering awards from hospitals and a \$500,000 limit from doctors.

Proponents of the malpractice caps argue that physicians who practice in fields with traditionally high complication risks, such as obstetricians and gynecologists, are hesitant to work in states that don't protect them from potentially ruining lawsuits.

And although the malpractice cap issue has deep roots in partisan politics, with Democrats siding with trial lawyers and Republicans with the medical and business communities, the public's opinion that specialist physicians need to be protected and kept available seems to be gaining favor.



Public opinion has trumped partisan politics in many states in the push for malpractice caps.

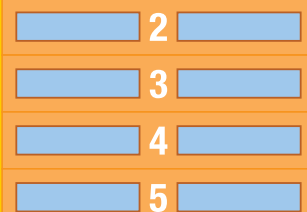
of health care benefits, and even slightly more (79%) in 2005, according to Towers Perrin's 2005 Health Care Cost Survey. The average total cost for medical care coverage in 2005 is \$7,811 per employee, an increase of 88% in eight years.

And The Survey Said...

When a major pharmacy benefit manager recently surveyed its clients' employees whether they would prefer additional wages or better benefits, the results were overwhelming. In a landslide decision, 58% of those polled said they would choose to participate in a health

care plan. Fourteen percent said they would prefer an increase in salary of \$5,000; 12% favored a company match to existing 401(k) plans; 8% chose life and disability insurance coverage; 2% preferred five additional vacation days and 6% were not sure.

PARTICIPATE IN HEALTH PLAN





DID YOU KNOW? *New Ideas for Healthy Consumers*

Cancer Threat Looms Long After Last Cigarette

Former and current smokers will account for 87% of the anticipated 163,500 deaths this year from lung cancer, which kills more Americans than any other kind of cancer, according to the American Cancer Society.

If you think about all the people you see smoking throughout your day, these numbers should be no surprise. What is alarming to researchers is that the number of lung cancer cases is rising among people who quit smoking years ago.

Research has long demonstrated that quitting smoking significantly reduces the risk of cardiovascular disease, lung cancer and emphysema – the biggest health problems associated with the addiction. But with former smokers now outnumbering current smokers, doctors are beginning to see that negative health effects follow those who took their last drag ten, twenty and even thirty years ago.

Whether former smokers can do anything other than worry is a matter of debate. Tests such as X-Rays, CT scans and spiral CT scans can detect lung cancer, though the necessity for these tests depends on factors like the number of years a person smoked and their current condition.

Something Fishy

One can enjoy many healthy and delicious fish entrees while keeping a clear conscious knowing the species isn't being over fished. Recommended cold-water oily species that are abundant and well-managed include: striped bass, wild Alaskan salmon, herring, sardines, anchovies, mackerel and Alaskan halibut. All these fish are tasty, low in mercury and other toxins, and contain beneficial omega-3 fatty acids.



Natural Hay Fever Fighters

The freshly cut grass and warm winds of summer that carry pollen are a great burden for many who suffer from hay fever, allergies, itching or hives. These sniffers and sneezers often turn to over-the-counter antihistamines that have sleepy side effects, but there are natural and non-drowsy alternatives.

Research has found that quercetin, a bioflavonoid found in buckwheat and citrus fruits, and nettle leaf, a flowering perennial herb, may help to alleviate the symptoms commonly associated with histamine reactions. Quercetin and nettle leaf can be taken together and are both found in tablet form.

Osteoarthritis Nutrition Tips

Osteoarthritis can bring about stiffness, pain and swelling of joints. Aside from regular, low-impact exercise and sustaining a healthy weight, some nutritional changes could help prevent or lessen symptoms. Eating plenty of fruits, vegetables and other foods rich in antioxidants can help to reduce tissue damage from inflammation. Also, making certain your diet has enough omega-3s, compounds found in oily fish like salmon, walnuts, freshly ground flaxseed or in supplement-form, can reduce arthritis pain. Finally, regular use of ginger and turmeric will help naturally keep inflammation at bay.

Please Contact Us: This newsletter is not intended as a substitute for personal medical or employee benefits advice. Please consult your physician before making decisions which may impact your personal health. Talk to your benefits administrator before implementing strategies which may impact your organization's employee benefit objectives.



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