HRElements

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Ideas and Information for Human Resources Professionals

HR Elements
is brought to you
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Health Care Costs

Employers Save Money By Giving It Away

As health care costs continue to climb, some employers are taking a novel approach to saving money: They're spending more.

These companies are offering cash incentives and adjustments to health premiums in the hopes of boosting preventive care, which they hope will translate into big health care savings.

One approach involves eliminating copayments on some prescription drugs for chronic conditions, such as asthma, diabetes, high cholesterol and high blood pressure.

Many companies that have tried this tactic swear by it. Now, more employers are starting to experiment with their prescription copayments. A recent industry study notes that the number of employers waiving drug copayments for maintenance drugs for chronic conditions increased to 18 percent in 2009, compared with 11 percent in 2007. Dr. Kevin Volpp, director of the University of Pennsylvania's Center for Health Incentives, told *CFO.com* that this "explosion of interest" is clearly fueled by concerns about rising health care costs.

Midwest Business Group on Health (MBGH), a consortium that purchases health care benefits for 100 large employers, offers a program that eliminates copayments for diabetes drugs. Larry S. Boress, the consortium's CEO, said participant companies can save up to $3,000 per patient annually because the no-copay arrangement encourages better drug compliance, which reduces the risk of expensive hospital stays.

Despite those savings, Boress said tweaking the copayments still doesn't go far enough in boosting drug adherence. So MBGH gives patients access to a diabetes "coach" to help them manage the disease. Employees who don't keep in touch with their coach must go back to making copayments for their drugs.

Other employers are taking an even more direct route and are doling out cash to employees who change their lifestyle. These companies offer cash rebates or reduced medical premiums to convince workers to stop smoking, lose weight and live healthier, according to a report in *The Washington Post*. For instance, Safeway offers a medical premium discount to nonsmoking employees who meet certain targets for weight, blood pressure and cholesterol levels. After instituting the plan, the rates of obesity and smoking among Safeway employees have dropped below national averages, the company said.

Considering that bad health behaviors account for as much as 40 percent of all disease and premature death in the U.S., employers are wise to do all they can to improve their workers' health, the University of Pennsylvania's Volpp noted.

Monetary and premium incentives "can not only help you reduce future health care costs, but also improve the health and productivity of your employees," he said.

Employers, however, expect results for their cash. A recent Towers Watson survey found that 65 percent of polled midsize employers expect to offer wellness incentives in 2011. But 62 percent said that in 2012 they'll only pay up if they see positive results from participants, according to a report in the *Los Angeles Times*.

Retention

In 2011, Resolve To Keep Top Talent

The New Year is a perfect time to shake off old habits, refocus and make a fresh start. For employers who want to remain successful in 2011, that means making a resolution to revisit their workforce retention strategies, experts say.

While the country still struggles with a weak economic recovery, several signs point to improvements in the labor market. The Society for Human Resource Management expects December 2010 hiring by manufacturing and service industries to increase for the 14th straight month. While it is doubtful that this increase will make a big impact on the national unemployment rate (9.3 percent as of November 2010), the Leading Indicators of National Employment (LINE) report suggests that the hiring environment is continuing to improve.

A stronger wave of seasonal hires likely will contribute to that trend. Chicago-based Challenger Gray & Christmas reports that the holiday hiring trend for 2010 was the strongest since 2006, according to *Human Resource Executive Online*.

Even more telling, the LINE report finds that salaries for new hires are higher compared with November 2009 figures.

All this positive economic news bodes well for employers and employees alike. However, experts say many employees are eager to make their own fresh start in the New Year -- by finding a new job.

"Disengagement is higher than ever, historically," Joy Kosta of the Human Capital Institute told *Employee Benefit News*. "Some people, if they can, spend up to 50 percent of their time looking for another job."

That disengagement stems from several years of layoffs, salary freezes and benefit cuts. With the job market improving, some experts see a mass exodus by top performers who are fed up and burned out.

"Even though boomers have postponed retirement and everyone across generations is holding on to their jobs for economic security, those retained have been asked to do four or five jobs," Kosta said. "The expression we've heard repeatedly is 'working like a water bug' because all they can do at best is skim the surface of what they've been asked to do. When the economy improves and people can make a change, they will."

So what can employers do? For starters, they can provide strong leadership and make an extra effort to let their employees know they are appreciated.

"The top retention driver isn't necessarily salary," said Lauren Herring, president and CEO of IMPACT Group, who cites a recent survey by her organization that found that an inspirational manager, advancement opportunities and a company's good reputation can go a long way in keeping top talent.

Positive retention starts with good management, and employers need to give managers the right support, training - and especially, time - to boost retention efforts, Herring told *EBN*.

"Now you have managers with expanded duties, additional reports, and now we're saying to them, 'Don't forget - we have to retain our talent as well,' " Herring said. "Some people are naturally good at developing talent and coaching, but most are not when they are incented on business results and margins and things like that."

Workforce Health

Flu Season: Nothing to Sneeze At

For employers, flu season can create a flurry of scheduling headaches, higher health costs and lost productivity as workers stay home to take care of themselves or loved ones.

This year's assault has already begun, with Georgia health officials recently reporting the first regional outbreak of the season, according to a *HealthDay* report.

While the season likely will bring lots of aches and pains, companies can boost their immunity to the impact of influenza and protect their workforce with a couple of simple solutions.

One of the best ways to stave off a workplace outbreak is a flu clinic. A recent study by the American Public Health Association (APHA) finds that companies can save between $63 and $95 per employee by offering vaccines to its workforce, according to a *Los Angeles Times* report. The secret to maximize savings, the APHA says, is to hold the flu clinic early. Any efforts after the end of December won't add up, according to the APHA.

"Employers are likely unaware of the potential savings" of flu clinics, said Rachel Bailey, the APHA study's lead author. "They may view employee vaccination as a short-term expense but may not be fully aware of the savings that result later into the influenza season."

Other HR tips for battling the flu, from *Entrepreneur* magazine:

Tell sick workers to stay home: In a rough economy, some workers might feel they can't afford to miss work. But a sick worker who infects others can do a lot more harm than a few lost days of productivity. Keep a close eye on your workforce and let employees know they should stay home if they feel sick.

That goes for you, too: HR and management shouldn't contradict the sick policy, either. Workers who see the boss refusing to take sick leave may think that they must do the same.

Keep it clean: Offer sanitizer at work and impress upon employees the importance of washing their hands. Emphasize the importance of cleaning office equipment, such as computer keyboards and phones.

Plan for absences: Inevitably, some workers will fall ill. Arrange for telecommuting possibilities in advance and prepare schedules with some wiggle room in case someone calls in sick.

In Brief

PPACA NOTES

Federal agencies recently released a series of regulations and decisions related to the Patient Protection and Affordable Care Act. They include:

Tax credit for small businesses: The IRS recently clarified that the small-business tax credit applies to a broad range of employers, including those who pay for a portion of their workers' health coverage through a wide range of contribution arrangements, religious groups that provide coverage through denominational organizations, and certain employers who provide coverage through multiemployer plans.

Medical loss ratio: The Department of Health and Human Services has approved a new rule that states that insurers of individual and small group plans must spend at least 80 percent of their revenue on direct medical care. Larger plans (50 or more participants) must spend 85 percent on medical care. The rule might make millions of Americans eligible for rebates starting in 2012.

Grandfathered plans: Federal agencies in November announced that employers who switch insurance carriers won't necessarily lose grandfathered status for their group health care plans. Forcing an employer to stick with a carrier to maintain grandfathered status for a health care plan would give the insurer an unfair advantage, the agencies said. Self-insured employers also can change administrators without automatically losing grandfathered status.

2011 MILEAGE RATES

The IRS has issued the optional standard mileage rates for motor vehicles in 2011. These rates are used to calculate the deductible cost for operating a car or truck. The rates will be 51 cents per mile for business purposes, 19 cents per mile for medical or moving purposes, and 14 cents per mile driven in service of charitable organizations.

STILL NEED TO SAVE

Despite some savings from recent health care reform, employees still need to save a significant amount of money to ensure they can cover health care expenses in retirement, a new Employee Benefit Research Institute (EBRI) study finds. The research notes that a 65-year-old man retiring in 2010 will need from $65,000 to $109,000 to give him a 50 percent chance of covering all health premiums and out-of-pocket expenses in retirement. To increase his chances to 90 percent, he would need between $124,000 and $211,000, the EBRI study finds. Because women have a longer lifespan, they must have even more stashed away - between $88,000 and $146,000 for a 50-50 chance of covering all health expenses in retirement (between $143,000 and $242,000 for a 90 percent chance).

A LITTLE WEIGHT, A LOT OF TROUBLE

Even a few extra pounds can translate into health troubles, according to new research by the American Cancer Society. The study of 1.5 million people found that healthy white adults who were overweight (but not obese) were 13 percent more likely to die during the time they were followed in the study than those whose weight was in the ideal range. Two-thirds of U.S. adults are either overweight or obese, according to a report by *The Associated Press*.

SOCIAL MEDIA SWAMP

The flurry of social media outlets can leave employees "scattered and disoriented," according to a new report by People-OnTheGo, which provides training on social media. While people are spending more than an average of 4.5 hours daily on social media sites and email, social media "is misused and contributing little to productivity," researchers said. Thirty-nine percent of respondents said they use social media at work for personal reasons more than for work-related tasks.

EEOC CHARGES

The Equal Employment Opportunity Commission (EEOC) received a record number of charges by workers in fiscal year 2010. The commission took in 100,000 new private-sector discrimination charges, an increase of 7 percent from 2009, the EEOC reported. The jump follows a slight decline in 2009, when totals fell 2.2 percent from fiscal year 2008. In a report, the EEOC attributed this year's increase to the expanded authorities of the EEOC under several new labor-related laws, including the ADA Amendments Act of 2008.

409A RELIEF

The IRS has issued a new notice (Notice 2010-80) that provides more relief for nonqualified deferred compensation plans covered under Section 409A. This guidance provides another method of correction and transition relief under Notice 2010-6. The latest notice clarifies that a nonqualified plan linked to a qualified or another nonqualified plan is eligible for the previous relief in Notice 2010-6, provided that the link doesn't affect the time and form of payments under the plan.

401(k) TAX BREAK

The IRS has announced that the 20 percent withholding tax does not apply to in-plan Roth conversions of 401(k) plans. This rollover feature was included in a small-business jobs bill that was signed into law in September. If employers add the option this year, employees who roll over funds into a Roth (401)k will get a tax break.

DON'T SKIMP ON SPDs

The Department of Labor recently reaffirmed its policy regarding the distribution of summary plan descriptions (SPDs) to plan participants. According to the Nov. 15 issue of Deloitte's Washington Bulletin, the DOL said "ERISA plan administrators cannot satisfy their obligations to 'furnish' summary plan descriptions simply by making them available to participants." The DOL was responding to a question of whether SPDs could be furnished by mailing a letter or postcard to participants informing them that a new SPD is available and that they call a telephone number and make a request. Such an action "is not a method likely to result in actual and full distribution of the SPD," the DOL said.

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