



EMPLOYEE BENEFITS NEWSLETTER ~ MARCH 2010

Health Care Progress Report ~ A Road Map for the Final Weeks

Source: "Prescriptions" NY Times

House Call

After all the frenzy last year about whether there would be 60 votes in the Senate, the main action is now in the House, where some Democrats are eyeing March 18th as a target for a vote.

To prevent a Republican filibuster in the Senate, Democrats are planning to include the final revisions to the health care bill in a budget reconciliation measure, which can be adopted by a simple majority in both chambers.

But first, House Democrats must approve the Senate's health care bill, originally adopted December 24, 2009. This is where the legislative heavy lifting will take place.

Many rank-and-file House Democrats are deeply uneasy. They disliked the Senate bill on both policy and political grounds. On policy, for example, many opposed the Senate's proposed tax on high-cost, employer-sponsored insurance policies. Politically, they objected to several provisions included to win over individual Senators, like extra Medicaid money for Nebraska.

President Obama has put forward a compromise plan, and White House and Congressional leaders will continue working to resolve any remaining differences. Those changes, like eliminating the Nebraska provision, would be in the reconciliation bill.

The Magic Number(s)

Confused about how many votes it will take to pass the Senate bill, and then the reconciliation bill, in the House? Even House Democratic leaders have been left guessing in recent days. The short answer is a simple majority present and voting. With a full 435 House members, that number is 218.

But there will not be 435. After a death and three resignations, including that of Representative Eric Massa, (D-NY), on Monday, there will be 431 House members. With everyone voting, 216 wins.

The number has changed several times. Representative Nathan Deal, (R-GA), was set to resign to focus on running for governor, but is staying to vote against the health bill. Mr. Massa had opposed the

bill, so his departure helps Democrats on the health care front.

The original House bill was adopted November 7, 2009 by a vote of 220 to 215, with one Republican in favor and 39 Democrats opposed.

Anh Cao (R-LA), the lone republican to vote yes, now says he will vote no. Some Democrats who supported the bill only because it had tight restrictions on insurance coverage for abortions are also wavering. Absent a deal on the abortion issue, Speaker Nancy Pelosi will need to persuade some Democrats who voted no in November to vote yes now. She believes she can.

Kathleen Sebelius, the Secretary of Health & Human Services, said "there are lots of Republican ideas in the bill," but it was unclear whether that would translate into any Republican votes. "We are hopeful, but I'm not sure there will be."

The Final Product

What is in the final version of the health care bill? Mr. Obama has offered an 11-page outline of how he would meld the House and Senate bills, and has also cited four issues raised by Republicans that he wants to address. But lawmakers have not seen legislative language, and the Congressional Budget Office has not issued a cost analysis.

The bill is expected to require most Americans to obtain insurance, and would provide subsidies to help moderate-income people.

It would add about 15 million people to the Medicaid rolls, and over all is projected to reduce the number of uninsured by more than 30 million over 10 years.

It would tighten regulation of insurers, banning the denial of coverage based on pre-existing conditions, for instance.

It would impose the new tax on high-cost employer-sponsored policies, and would increase the Medicare payroll tax for individuals earning more than \$200,000 and couples earning more than \$250,000. and it would slow the growth in spending on Medicare.

The Endgame

Mr. Obama has begun making what

the White House officials are calling the "closing arguments," focusing on steep increases in insurance premiums and his insistence that a comprehensive overhaul is needed rather than the incremental approach Republicans are demanding.

Senate Democrats, meanwhile, are preparing for a procedural fight with Republicans over the reconciliation measure. The rules require provisions to focus on meeting budget targets, and policy changes when only an "incidental" fiscal impact will be struck out. (This is why Democrats cannot make changes to the abortion provisions, and may need a third bill to resolve that issue).

Democrats will go to the floor with a package they believe can pass muster with the Senate parliamentarian, aiming to complete it by March 26th. Surprises are possible, and while debate on a reconciliation bill is limited to 20 hours, republicans can offer unlimited amendments, which will mean politically charged votes intended to inflict damage ahead of the midterm elections.

Senate Democrats control 59 votes, so passage of the reconciliation measure is expected. Even a 50-50 tie would pass it, because V.P. Joseph Biden, Jr. is the tiebreaker.

Still, some House Democrats want assurances—perhaps a letter signed by 50 senators—but they may have to rely on Mr. Obama's word.

Democratic leaders want lawmakers to make a simple calculation: vote yes and chalk up an accomplishment, vote no and be painted as a failure.

"Just looking at the politics," the Senate Rep. leader Mitch McConnell, (R-KY) said, "there's nothing but pain here for the next four years."

Inside this issue:	HEALTH CARE REFORM	1
	IN THE NEWS	2
	EDUCATING EMPLOYEES ABOUT BENEFITS	3
	HEALTH CARE COSTS	4



'Red Flag' Rule Applies to Benefit Accounts with Debit Cards

Source: SHRM

Beginning June 1, 2010, the U.S. Federal Trade Commission (FTC) will enforce its "red flags" rule on identity theft. It had been delayed by the FTC from earlier announced dates of August 1, 2009, and November 1, 2009. The rule requires creditors and financial institutions to implement a written program to detect, prevent and mitigate identity theft in connection with the opening of a covered account or an existing covered account.

As part of its guidance on the rule, the FTC has posted (FAQs) on its website, (<http://www.ftc.gov/redflagsrule>) some of which explain the application of the rule to employer-provided health and welfare plans. Specifically, the FAQs clarify that the rule applies to **health care flexible spending accounts** (FSAs) if they feature a debit card or similar option for accessing funds (e.g., checks or wire transfers).

Group health plans that offer FSAs with a debit card or similar option should work with their third-party administrators to ensure that there is a written identity theft program in place to protect sensitive information.

Wal-Mart Settles Sex Discrimination Lawsuit for \$11.7 Million

Wal-Mart Stores will pay \$11.7 million in back wages and compensatory damages, among other relief, to settle a sex discrimination lawsuit, the U.S. Equal Opportunity Commission (EEOC) announced on March 1, 2010.

The lawsuit arose after Wal-Mart's **London, KY**, Distribution Center allegedly denied jobs to female applicants from 1998 through February 2005 to its entry-level order-filler positions. Hiring officials told applicants that order-filling jobs were not suitable for women and hired mainly 18 to 25 year old males for the jobs, the agency said.

The consent decree settling the lawsuit requires Wal-mart to provide order-filler jobs, as they become available to eligible and interested female class members, as determined by a claims administrator. Wal-Mart will fill the first 50 available order-filler positions with female class members. For the next 50 positions, female class members will be offered every other job. Then, every third position will be offered to female class members.

"Forty-plus years after the passage of the Equal Pay Act and Title VII of the Civil Rights Act, far too many employers are still blatantly excluding women from particular jobs, segregating their workforces on the basis of sex, and denying women equal pay for equal work," said Acting EEOC Chairman Stuart Ishimaru. "Let this major settlement serve as a warning: Employers must stop engaging in these outdated and sexist practices, or they will face severe legal consequences."

DOL Model Notice for CHIPRA

The U.S. Department of Labor has issued a new model notice that employers can use in complying with the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA).

If an employer's group health plan covers residents in a state that provides a premium subsidy, the employer must send an annual notice about the available assistance to all employees residing in that state (the Employer CHIP Notice).

The first Employer CHIP Notice must be sent by the first day of the first plan year beginning after February 4, 2010, or May 1, 2010, whichever is later. For employers with calendar year plans, the notice must be sent by January 1, 2011.

Employers that fail to send the required notices may be subject to penalties of \$100 per day.

Educating Employees About Benefits

Source: Health Insurance Underwriter

One of the biggest challenges employers face when adding new benefits or conducting open enrollment is finding the time to educate employees about changes and options. At the same time, many HR executives agree with the need to better inform their workforce and the potential payoff in the form of reduced turnover, yet struggle with finding time to add yet another item to their growling list of administrative duties.

A slow economic recovery is fueling an already challenging reality for HR executives—the need to do more with less. As HR leaders attempt to improve the quality and delivery of HR services and information, they are also seeking ways to reduce time and money spent on administrative duties. Many executives have found that improving how and when they communicate information about the company's benefits program achieves both goals—saving turnover costs and easing administrative burden.

Reducing Turnover

Half of all employers strongly agree that their employees need to be better engaged with benefits, and a full 43% believe a well communicated benefits program leads to reduced turnover—and they are right. Two in five employees agree that a well communicated benefits program would make them less likely to leave their jobs.

Considering that a conservative estimate of the average turnover cost is 33% of a person's salary, companies can save significant costs just by better educating their workers about benefits. For example, a company with 1,000 employees could potentially avoid \$387,350 in turnover costs by simply communicating their benefits program more effectively.

**1,000 employees x 2.5%
at risk of leaving = 25**

**25 x \$15,494 =
(33% of average salary
of \$46,954)**

**\$387,350 in
turnover costs!**

Easing Administrative Burden

In a recent study, nearly half of respondents reported that time spent on

administrative duties represents their greatest dissatisfaction with their current HR procedure. The process of administering and modifying employee benefits plans is a natural part of the business cycle, but also represents one area of administrative displeasure. There are several ways in which HR executives can greatly increase their workers' knowledge and appreciation of their benefits package without adding to the administrative headache.

Given the strong business case for a well communicated benefits program, here are some tips for implementing effective education initiatives without breaking the bank:

Make Benefits More Accessible and Automated

Executives would be surprised to know that most employees aren't even aware of all the benefits available to them, let alone where to find information about them. Companies should begin by surveying their workforce to gauge how many are aware of benefits offerings, and how well they understand them. With a clearer view of the knowledge gaps that exist, HR executives can better address communication gaps and find ways to make benefits information more robust and accessible.

Many companies today are turning to online venues where employees can access any information, tools and tips about their company's benefits packages. Regardless of whether you use intranet or a website, just be sure it is easy to use and interactive.

Communicate All Year Round, Not Just During Open Enrollment

Too often employers only communicate the benefits programs to their workers one time a year, heaping on the information during open enrollment. Employees are already struggling to better understand even the basic of health care terms, so expecting them to retain large amounts of benefit information at once is unrealistic, and unfair.

Instead, try communicating different segments of your employee benefits program throughout the year. This stands to improve the amount of information employees retain, as well as make the open enrollment a smoother, easier process.

Consider Providing In-Person Meetings with HR or Carriers

Be wary of relying on only one communication vehicle to reach employees. Too often employees are inundated with mounds of enrollment materials. Consider using a variety of communications methods, including e-mail, broadcast voice mails, online outlets and in-person meetings with employees. Giving employees the opportunity to talk directly with a benefits advisor or representative from insurance carriers can be incredibly effective in terms of education. Most health insurance brokers prefer to meet in person with employees, and are adept at answering questions, and educating employees.

Identify Areas to Promote Prevention

According to the "Why Supplemental?" study, employers cite taking care of their employees as the most important objective of its benefits program. To further this objective, companies can conduct a informal audit of how benefits are being used by employees. For example, if an employer found that less than half its employees are taking advantage of a routine physical provision, this may be an area to aggressively promote to improve wellness and prevention among its workers.

Communicating well is a tough job, no matter how you look at it, particularly when it comes to educating workers about their benefit options. Health care plans can be incredibly complex and detailed. The challenge is for HR executives to make the information easy and simple for employees to understand so that they not only make better choices for their families, but also so that they have a greater appreciation for the total compensation package offered by their employer.

**Interested in improving your
Benefits Communications or
conducting a
Benefits Survey?
We can help.....**

Call us at: 270-793-0367

Email: msweetman@isbgky.com

Employers Change Health Benefits to Cut Costs, Alter Behavior

Source: Stephen Miller SHRM

A sluggish economy is forcing more U.S. employers to take aggressive measures to control rising health care costs and motivate workers to improve their health, according to a survey by consultancy Towers Watson and the National Business Group on Health (NBGH), an association of large U.S. employers.

The 15th Annual Purchasing Value in Health Care Survey was conducted from November 2009 through January 2010 among 507 U.S. employers with 1,000 or more employees. The survey found that 83 percent of companies have already revamped or plan to revise their health care strategy within the next two years, up from 59 percent in 2009. These moves come at a time when median health cost increases continue at more than twice the rate of inflation. Costs are expected to increase 6.5 percent in 2010, down slightly from 7 percent in 2009.

“The downturn has amplified the pressure on companies to find ways to support effective health management programs under budget constraints,” says Ron Fontanetta, senior consultant at Towers Watson. “For employers, the current environment is a clarion call to adjust their health plan strategy, reassess vendor relationships and aggressively address the challenge to encourage workers to become better advocates for their own health.”

Revamping Health Benefit Programs

	Have taken action and plan further action in next two years	Have not taken action but plan to do so in next two years	Have already taken action, no further action planned	No action planned
Revamp health care strategy	27%	23%	32%	17%
Replace ineffective medical plan administrators	12%	20%	26%	42%
Adopt a consumer driven health plan (CDHP)	9%	14%	44%	34%
Consolidate health and productivity programs with a single vendor or health plan	8%	13%	23%	57%
Increase/add spousal surcharges	4%	13%	19%	64%

Poor Health Habits Raise Costs

Employers continue to be concerned about their workers’ poor health habits. Nearly two-thirds (67%) identify employees’ poor health behavior as a top challenge to maintaining affordable benefit coverage. Among the biggest obstacles to changing employees’ health habits are:

- Lack of employee engagement (identified by 58% of employers)
- Lack of sufficient financial incentives to encourage participation (31%)
- Lack of an adequate health management program budget (30%)

Employees who are not engaged are those not interested or unwilling to participate in programs designed to change health behaviors. To address this, the survey found, employers increasingly are adopting programs to help employees change their behavior and become better informed health care consumers.

In 2010, more employers plan to:

- Offer incentives for employees to complete a health risk assessment (66%)
- Offer health coaches (56%)
- Offer on-site health centers (26%)

“Even in tight times, employers will continue to encourage healthy behaviors with financial incentives and other initiatives,” says Ted Nussbaum, senior consultant at Towers Watson. “However, there are challenges to changing employee behavior that extend beyond budget constraints and employer sponsored programs. Inspiring workers to be actively involved in their own health remains an uphill battle for most companies.”