

Global Best Practices

National Health Systems Search for Solutions

FACED WITH RISING costs, diminished resources, and growing demands, health systems around the world are under siege, and many will be unsustainable within 15 years unless fundamental change occurs, according to *HealthCast 2020: Creating a Sustainable Future*, a groundbreaking report from PricewaterhouseCoopers (PwC) Health Research Institute. While most countries have some aspects of their health system that are working, no one country has the magic bullet, according to the report.



Although U.S. spending remains the highest in the world, PwC projects that global healthcare spending will triple over the next 15 years, consuming 21 percent of gross domestic product (GDP) in the U.S. and 16 percent in other countries.

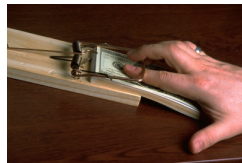
"Innovative solutions to common healthcare problems are emerging in the global healthcare market," says Sandy Lutz, director of research for PwC Health Research Institute. "Governments and healthcare organizations across industries must find a way to share ideas and work together in ways that they have not in the past."

As a result, *HealthCast 2020* identifies best practices and common features for sustainability in health systems around the world:

(1) Some 75 percent of health leaders and policy makers believe that financial responsibility for healthcare should be shared *(Continued on back)*

Workforce Trends

Panel Cites Critical Concerns Impacting HR Professionals for Next 3-5 Years



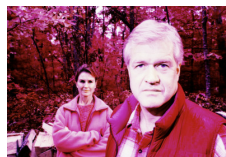
CONTAINING RISING HEALTH costs will continue to be the top concern confronting human resource professionals in the next three to five years, according to predictions from a Society for Human Resource Management (SHRM) panel.

For example, a recent Hewitt survey found that employers will pay an average of \$8,046 per worker for health insurance in 2006, an increase of 9.9 percent from 2005 and nearly double the amount paid six years ago.

As a result, the emergence of consumer-driven health plans and optional group benefit plans are ways to put the brakes on escalating healthcare premiums, according to an Aon report. *(Continued on back)*

401(k) Medicine

Retirement Attitudes, Behaviors Changing



With 401(k) plans becoming the primary retirement savings vehicle for Americans, there has not been a corresponding trend in the utilization of the plans, according to Lori Lucas, Hewitt director of participant research. Consequently, the failure of many employees to participate in their 401(k)s—or to save enough in them for retirement when they do participate—now has the attention of corporate boards who are taking action to make sure participants do what is needed to succeed.

"Plan sponsors and providers are beginning to move toward 401(k) structures that address the shortcomings of human behavior and are automatically enrolling workers in 401(k)s and increasing their contribution rates over time," says Stephen P. Utkus, director of the Vanguard Center for Retirement Research. In other words, the opt-in model is being replaced by the opt-out model. Hewitt says that 19 percent of corporate sponsors use an automatic enrollment system, and an additional 47 percent say they plan to start using such a system soon.

Consequently, traditional retirement patterns are experiencing major changes as some seven million previously retired Americans return to the workforce for various reasons, according to a recent Putnam Investments' study. The working retired, who represent almost one-third of all American retirees, see returning to work during retirement as an opportunity for growth and fulfillment, according to David Tyrie, director of Putnam's retirement services. Two-thirds of the working retired population have returned to the workforce *(Continued on back)*

Global Best Practices . . .

(Continued from front)

among government, private industry, and employer-funded systems. For example, 46 percent of U.S. health spending is tax-funded and growing as Medicare and Medicaid programs expand. Likewise, market reforms in government-run systems such as England, the Netherlands, and Germany are increasing the use of co-pays or providing compulsory coverage with an option to purchase supplemental private insurance.



(2) Consumerism is changing the way healthcare will be delivered. As consumers pay more for their

own healthcare, they will demand accountability and information about pricing, safety, and quality to make better decisions about what they are buying. Accordingly, 8 in 10 survey participants said that transparency will be one of the most important features of a sustainable health system.

(3) Health promotion and wellness initiatives are being sought voluntarily by employers and mandated by governments throughout the world as the most important ways to reduce healthcare costs and manage demand on health systems. For example, Ireland was the first to place a country-wide ban on smoking indoors, a concept that has spread widely.

(4) Pay-for-performance incentives are soaring. For example, the Dutch will introduce a new health insurance system next year that realigns their incentive structure. Spain is using patient choice as a lever for changing physician behavior.

(5) As countries begin to build national healthcare networks, technology will be critical to integrating care and information sharing. ■

Workforce Trends . . . (Continued from front)



Moreover, HR professionals will also confront an aging workforce. Workforce futurists forecast that the majority of people in the United States will continue to work, in some fashion, well into their 70s, 80s, and 90s, according to *Employee Benefit News'* editorial staff, increasing phased retirement programs. Others will work part-time, flex time, under contract, or in job-sharing roles based on hours, days, or seasons.

Finally, other concerns confronting HR professionals are diminished Social Security support; a reduction in Medicare prescription drug benefits and employer-sponsored retiree benefits; class-action lawsuits from employees suing plan fiduciaries; work/life balance variations, with an increasing emphasis on "life" rather than "work" as flexibility in schedules and workplaces will determine employers of choice; tying compensation to business measures, such as developing a set of metrics that are important to the organization; avoiding identity theft via protecting private information; and implementing voluntary benefits to meet employees' needs. ■

Retirement Attitudes . . . (Continued from front)

because they wanted to, but the remaining one-third returned as a result of economic necessity. "There's no indication when the working retired plan to slow down their working, saving, or spending," says Tyrie. "Their retirement investing needs will be different from any group that has come before them . . . as well as the 75 million Boomers that come after them." ■

Bulletin Briefs

◆ *DOL Launches Compliance Website*

Designed to help employers obey federal employment laws and regulations, compliance assistance is a cornerstone of the DOL's efforts to protect the wages, health benefits, retirement security, employment rights, safety, and health of America's workforce. Access the site at <http://www.dol.gov/compliance/certification>.

◆ *Bankruptcy Bill Adds to Employers' Responsibilities*

The Bankruptcy Abuse and Consumer Protection Act of 2005 went into effect on Oct. 17 and requires garnishing wages for persons filing for Chapter 13 bankruptcy. Due to the tightening of standards for Chapter 7 bankruptcy filings, it is likely that the number of Chapter 13 filings will increase, thus imposing additional administrative burdens on employers. In addition, the new law requires employers to change the way they handle certain employee retirement benefits, 401(k) plans, and repayment of participant loans. ■



Happy Holidays

HRinsider[®] *bulletin* is brought to you each month courtesy of Wine Sergi & Co, LLC, a UBA[®] member firm. For more information, contact us at (630) 513-6600 or benefits@winesergi.com.



DECEMBER 2005