

Shift toward Consumerism!

Trend: Skyrocketing Costs Force Plan Design Changes

Healthcare spending dipped below nine percent for the first time in a decade in 2003, but it is still growing at twice the pace of the overall economy, according to a recent trend study by the Center for Studying Health System Change. With cost the number-one factor in evaluating healthcare plans, 75 percent of employers have changed their healthcare plan design, according to the Society for Human Resource Management's (SHRM) 2004 Health Care Survey.



Primarily because of escalating healthcare premiums, employers have shifted a greater share of premium payments to their employees or required them to pay more out-of-pocket expenses and copays as spending on benefits by private-sector employers rose 24 percent from March 2000 to March 2004, according to the U.S. Bureau of Labor Statistics.

At a recent "Wall Street Comes to Washington" conference, financial experts predict that more cost-shifting will spur growth in Health Spending Accounts (HSAs) and Health Reimbursement Accounts (HRAs) because they fit into the cost-shifting strategy. *(Continued on back)*

Survival Tactics

Workforce Shortage to Hit by 2010



Projections from the U.S. Bureau of Labor Statistics (BLS) forecast a dearth of more than 10 million skilled workers by 2010. It's a double-edged sword for employers, according to Roger Herman, a North Carolina management consultant and author. "Employers who delay assessment, planning, and action may be at a disadvantage on many fronts. On the other hand, there is the possibility that things won't materialize as expected since much of the shortfall is based on Baby Boomers retiring en masse."

While the Pension Research Council at Wharton says that the demographics of today's workforce, employee expectations about retirement, and the types of retirement options offered are all in a state of flux, Herman sees Boomers working into their 70s, 80s, and even their 90s. As of January 2004, BLS reports that 319,000 employees over the age of 80 are included in today's workforce.

(Continued on back)

Effective, Comprehensive Wellness Programs Need to Provide Incentives



Employers need to be in the prevention and risk-reduction business in order to control healthcare costs, according to Sean Sullivan, CEO, Institute for Health and Productivity Management. Since a small number of chronic diseases account for more than 75 percent of the nation's annual medical expenditures, employers can help employees identify and control health risk factors through a variety of programs, from low-cost screenings to comprehensive disease management.

To be effective, however, experts recommend the carrot approach: provide employees with incentives to stay healthy rather than disincentives for leading unhealthy lifestyles. *Healthy Workforce 2010*, a worksite health-promotion program recently released by The Partnership for a Healthy Workforce, is designed for companies of all sizes and utilizes a 10-step process: establish a planning committee; determine senior management support and employee interest; develop goals, realistic timelines, and a budget; select incentives, get outside support; market and implement the program; evaluate; and modify as needed. ■

Skyrocketing Costs . . . (Continued from front)

As momentum builds for consumer directed health plans (CDHPs), some evidence is emerging that encouraging the consumerism mentality helps employers control costs, according to a Watson Wyatt survey. Twenty-four percent of employers who have adopted CDHPs cited confidence that CDHPs would reduce overall plan costs, and 22 percent felt they would increase employees' price sensitivity to healthcare decisions.



Similarly, a recent Fidelity Investments study found that several forces are driving a behavioral shift by employees toward consumerism: higher out-of-pocket costs, more employer education efforts, and self-service decision support tools. Interest is also growing in flexible spending accounts (FSAs) as a useful tool, says KPMG, as many employers who are moving to CDHP formats expect their employees to pay high deductibles and coinsurance.

Nonetheless, the Center for Studying Health System Change says costs—and therefore premiums—will likely continue to outstrip growth in the overall U.S. economy by a sizable margin for the foreseeable future. ■

Workforce Shortage.....(Continued from front)

The country has about 10 years to make significant structural changes in where we work and how we live before the baby boom wave crashes on the shores of retirement. Start today to determine your staffing needs for the future by implementing some smart survival tactics: (1) groom successors; (2) establish formal mentoring programs; (3) focus on the second tier of management for future leadership; (4) rotate staffs/switch jobs to broaden knowledge of company operations; (5) implement training (e-learning or computer-based) to address the increased demand for education; (6) record institutional knowledge of long-term workers; (7) create lifespan-friendly workplaces to continue relationships with workers who want to continue to work, but in lesser amounts; and (8) keep benefit packages competitive to attract and retain employees. ■

Bulletin Briefs

◆ *Reminder--New FLSA Regs Take Effect August 23*

Employers are under the gun to come into compliance with the new Fair Labor Standards Act (FLSA) FairPay guidelines, effective August 23, 2004. Most FLSA experts agree that the nonsupervisory administrative employees should be a priority because they are the most likely to be misclassified.

◆ *Rising Healthcare Costs Top Workplace Trends*

The rising cost of healthcare is the number one issue affecting trends in the workplace in the coming year, according to the SHRM *Workplace Forecast 2004-2005: A Strategic Outlook*. Also at the top were domestic safety and the use of technology. Completing the list: growing complexity of legal compliance; preparing for the next wave of retirement/labor shortage; use/development of e-learning; exporting of U.S. manufacturing jobs; and the changing definition of family.

◆ *Depression Impacts Workplace in Absenteeism, Productivity*

American employers lose \$52 billion annually from depression-related absenteeism and lost productivity, according to recent research from the University of Michigan Depression Center. About 9.5 percent of American adults, or about 18 million individuals, experience depression annually, according to the National Institute of Mental Health. Depression often co-occurs with physical illnesses like heart disease, stroke, cancer, and diabetes, and also can increase the risk for subsequent physical illness, disability, and premature death. ■

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.

