

HEALTHCARE REFORM UPDATE

By Maura Kelly Koehler

Healthcare Reform legislation remains a heated topic in the US, as local, state, and federal officials continue to debate the merits and shortcomings of President Obama's Patient Protection and Affordable Care Act of 2010. The mandated healthcare reform regulations will greatly impact small and large employers' financial and business practices. While some regulations have already been implemented, upcoming statutes remain under much scrutiny.

Local business leaders weigh in. According to Gene Barr, VP, Governmental and Public Affairs of the PA Chamber of Business and Industry: "Making health insurance affordable for all begins with real reforms—reforms that protect doctors from frivolous lawsuits, change the way we pay providers to incentivize quality and not quantity, unleash small businesses to pool their purchasing power on their own and to look for more affordable policies in other states, and making serious efforts to crack down on fraud and abuse...I am hopeful that Congress will make it a priority to repeal the most objectionable provisions like the employer mandate as it did with the onerous 1099 reporting requirement... ." (www.pachamber.org).

Joan Verplanck, President of the NJ Chamber of Commerce, agrees that healthcare reform is definitely needed but opposes many of the proposed regulations. "Whether a full understanding of the impact on patient care, viability of our hospitals, and cost to the nation can be demonstrated over a single summer remains to be seen." (www.njchamber.com). The Board's biggest concern is the creation of a new government run insurance plan, since they favor a system where patients and their doctors make joint healthcare decisions.

Despite ongoing deliberations, many healthcare reform regulations remain intact, and the below timeline shows employers upcoming key requirements and their deadlines. For more detailed information on healthcare reform, go to <http://www.healthcare.gov>.

Current Health Care Reform Timeline 2011—2014 *(for more details, visit www.shrm.org/healthcare)*

2011

- Over-the-counter medications no longer eligible for FSA reimbursement without a prescription
- Excise tax for nonmedical HSA and Archer MSA distributions increases to 20%
- Certain small employers' cafeteria plans may qualify as "simple cafeteria plans" exempt from the general discrimination rules

2012

- March 23, 2012 is the deadline to communicate explanation of coverage to plan participants

2013

- FSA contributions are capped at \$2,500 per year
- High wage earners must pay an additional 0.9% Medicare tax on earnings in excess of \$250,000 for joint returns and \$200,000 in all other cases.
- Employers must notify employees about state health insurance exchanges.

2014

- Employers offering health coverage must offer a free health voucher for employees who choose to purchase through exchanges.
- "Play-or pay" penalty tax becomes effective.
- State health insurance exchanges must be open for business.

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Spread the word about PEBA!

We welcome the following member companies who joined in recent months:

Pacific Resources

Ted Roofner, Director

Founded in 1975 as an insurance and financial services firm, Pacific Resources provides retiree review and analysis, data analysis and management, benefit plan design, and other related services. They have locations in Chicago, Boston, and Malibu.

Doyle Alliance Group

Jana Jim, Senior Consultant

Doyle Alliance Group is an employee benefits consulting company offering strategic advising in planning, renewal management, RFP development, financial analysis, compliance, and employee communication. They have locations in Philadelphia, PA and Woodbridge, NJ.

Morey's Piers

Stephanie Berge, Account Executive

Family owned and operated since 1968, Morey's Piers is an amusement and water park complex located on the beach in Wildwood, NJ. They provide a spectacular family recreation experience in an exceptionally safe, clean, friendly, and unique environment

ACS, A Xerox Company

Stephanie Carr, Sr. Consultant

A global presence, ACS offers extensive business process and IT outsourcing services, including data processing, HR benefits management, finance support, and customer relationship management for commercial and government organizations worldwide.

Chartis/Medical Express

Chip Studer, Regional Sales Director

A provider of quality claims processing, Chartis focuses on medical stop loss, catastrophic healthcare risk solutions, and a fully-insured organ transplant program. They have locations throughout US.

Gregory FCA

Kate Valez-Leddy, Consultant

Gregory FCA is a full service public relations company with over 20 years of experience. Ranked in the top 30 largest firms in US, they help build businesses through both traditional and digital media.

The Kimmel Center

Elizabeth Santangini, Chief Human Resource Officer

The Kimmel Center, Inc. is a charitable, not-for-profit organization that owns, manages, supports, and maintains The Kimmel Center for the Performing Arts and manages the Academy of Music and the University of the Arts' Merriam Theater.

MetLife Expatriate Benefits

Brian Sideris, Regional Sales Manager – East Coast

MetLife Expatriate Benefits offers a variety of employee benefit products: medical, dental, vision, and prescription drug insurance; life, AD&D, and disability insurance; and an international employee assistance program. They are prominent in the US, Japan, Latin America, Asia Pacific, Europe, and the Middle East.

Community College of Philadelphia

Agnes M. Trummer, Director of Benefits

As the largest public institution of higher education in Philadelphia, CCP offers more than 70 associate's degree, certification, and continuing education programs; a lively campus near Center City; and a supportive, top-flight faculty.

EisnerAmper LLP

Christine A. Faris, J.D., Director, Tax – Employee Benefits Group

EisnerAmper LLP is an accounting, tax, and business advisory firm whose nearly 1,200 employees work with not-for-profit firms, sophisticated financial institutions, entrepreneurs, and global public corporations in various industries. They are the 14th largest accounting firm in the country.

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PET INSURANCE STRENGTHENS EXISTING BENEFIT PACKAGES

By Renée L. Rosenfeld, CEBS, SPHR

In my many years of attending HR and employee benefit conferences, the 2011 PEBA Annual Forum was the first in which I encountered a vendor offering pet insurance. I knew that such policies have existed for decades, but never thought of pet insurance as an “employee benefit” until now.

If you attended the Forum on April 21st, you couldn't help but notice Heidi, a diminutive Dachshund who attracted lots of attention in the Pet Assure vendor booth. Pet Assure's VP for Business Development, Steven Jezek, explained to me that their product is cost-free to employers and easy to administer through payroll deduction. With corporate headquarters in Lakewood, NJ, their client base represents both mid-size and Fortune 500 companies.

63% of US households own a pet, and more than 50% of workers are responsible for the care of at least one “extended family member.” Studies show that having a pet improves a person's quality of life (2007/2008 APPMA National Pet Owners Survey). Following this line of reasoning, a happy healthy workforce is a productive workforce. Employers are beginning to “get this” and to see pet insurance as yet another way to attract/retain quality employees and increase morale without additional expense.

To my surprise, a variety of pet insurance plans exist. Similar to the health insurance policies with which we're all familiar, some pet plans pay benefits according to a schedule while others pay a percentage of costs after a deductible. Some policies include coverage for routine care, dental, Rx, alternative treatments, spaying/neutering, and cancer care while others restrict coverage for pre-existing conditions, impose waiting periods, and require use of in-network providers. Plan provisions may include discounts on pet products, boarding facilities, groomers, training professionals, and lost pet relocation/recovery services, and coverage may be portable.

Fascinating, but with monthly premiums ranging from under \$10 to \$50+, employee benefit managers are cautioned to do their homework before selecting a pet insurance provider and the appropriate plan for their employee population. The first pet insurance policy, issued to television's Lassie, was sold in the US in 1982. Who would have imagined then that organizations would one day turn to pet insurance to demonstrate how much they value their staff's quality of life outside the workplace?

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SELF-FUNDING IN THE WAKE OF PPACA

By Chris Marren

While larger employers have been self-funding for years, it is now also becoming an increasingly popular option for small- and mid-sized companies. According to PricewaterhouseCoopers data, the percentage of self-insured employers with fewer than 1,000 people in their health care programs has almost doubled – from 29% in 2008 to 48% in 2010 (*M. Frey, BenefitsPro, Feb. 2011*).

Under self-funded arrangements, an employer establishes a budget and sets aside funds to pay the medical expenses of workers and their families from current cash flow as claims arise, based on analysis of prior claim expenditures and underwriter's projections. By purchasing stop-loss insurance on the population, an employer is able to limit risk by assuming only a certain dollar amount of claim liability on each covered individual (called a "specific deductible").

Depending on the organization's size and risk tolerance, the employer can purchase a specific deductible ranging from as low as \$25,000 to \$125,000 or higher. Additional mitigation of financial risk is available via aggregate stop loss which will reimburse an organization whose aggregate claims exceed a particular threshold at the end of the plan year. Aggregate stop loss coverage is more common with smaller populations, where a comfort level with anticipated claim experience may not be as high as with larger populations.

In addition to the enhanced cash-flow opportunities, employers with self-funded plans are not subject to state health insurance regulations and benefit mandates, allowing for flexibility in plan design, especially for those with multi-state locations.

Under PPACA and the creation of state health benefits exchanges, several provisions are designed to avoid adverse selection, such as standardization of plan designs and risk adjustment methods applied to premiums.

As noted in *Issue Brief #840 from the National Health Policy Forum, December 2010*, self-insured plans are exempt from some requirements, even though the term "self-insured" is not defined in PPACA. Some exemptions for self-insured plans:

- They are not required to provide coverage with minimum essential benefits
- They are not required to participate in a risk-adjustment system
- They are not subject to provisions such as medical loss ratio requirements and review of premium increases.

While the Issue Brief noted that data is not available to assess the availability, premiums, or terms of stop-loss for small employers, it indicated that the stop-loss marketplace is developing different types of products for smaller firms who may consider switching to self-insurance in the future.

As an aside, if a trend begins to develop where smaller businesses with healthier populations find a way to become self-insured via new products in the coming years, a situation could arise where less healthy populations are insured via the exchanges, causing premiums within the exchange to rise and ultimately challenging the viability of the exchange.

PPACA mandated the Secretary of HHS to partner with the DOL to study fully-insured and self-insured markets, and their 180-page report was sent from the DOL to the Secretary of HHS for review on April 20th. The TPA and stop-loss marketplace is no doubt anxiously awaiting the results to see what the future holds for self-insured plans.

Chris Marren is VP, Benefits Consulting with Elite Group, LLC, in Exton.

RETIREMENT PLANNING COMMUNICATION ACROSS GENERATIONS

By Julia Bluemle

In today's multi-generational workforce, it is becoming increasingly important for employers to adapt to different communication styles and preferences. Four generations, often identified by their familiar monikers, simultaneously represent the present-day workplace population: Veterans, born between 1922 and 1945; Baby Boomers, born between 1946 and 1964; Generation X, born between 1965 and 1980; and Generation Y, born between 1981 and 2000. Their work ethics, values, views on work/life balance, communication, and leadership styles vary widely. To communicate, Veterans generally prefer the formal memo, Baby Boomers an in-person meeting, and Gen X and Gen Y prefer direct, immediate information by e-mail, voice mail, and text.

Studies show that employees lose one hour of work each day due to financial stress. Also, since employees' wealth accumulation and plans for retirement are 70% to 80% tied to their company plans, more emphasis is needed on both plan design and communication for all generations in the workforce. How a company communicates to each group simultaneously with personalized information can determine a retirement plan's success for the plan sponsor as well as for the employee, but one message is crucial for everyone: employees need to become more involved in their company's plans, whether defined benefit or defined contribution, for wealth accumulation and financial security.

The conventional communication approach for Baby Boomers and Generation X includes group education, telephone contact, and website information. For Generation Y, financial planning/wealth attainment is often communicated by unconventional methods such as fragments on YouTube, iPad apps, social media, video conferencing, and texting. Companies need to consider regulatory and compliance factors before incorporating the latest methods to communicate plan design.

Patrick McAllister, Vice President of Wells Fargo Retirement Services, affirmed that companies can measure successful retirement plans by several factors, including investment performance, maximum employee participation and contributions in 401(k) plans, and participant diversification among appropriate investments. Employees can measure plan success if they have accumulated enough retirement savings (80% pre-retirement income replacement) to enjoy a financially secure retirement, have appropriate diversification to weather market swings, and fully utilize the plan's benefits.

A Putnam Investments study determined that the investment industry needs to re-focus on the drivers most impacting retirement wealth, which are (in order): employee salary deferral rates, asset allocation/diversification, and individual fund performance. Plan sponsors also need to provide age-appropriate strategies and rebalancing tools to help plan participants better manage risk.

To achieve maximum plan success and health, plan sponsors should consider solutions that include automatic enrollment, enrolling all participants who have not previously joined the plan, setting a higher default percentage for automatic enrollment participants, using an opt-out approach, and setting a higher annual increase for automatic escalating deferrals.

The 2011 Retirement Confidence Survey (RCS), conducted by the Employee Benefit Research Institute (EBRI), found that in 2010, with the recession acknowledged as over and increasing signs of economic improvement, Americans' confidence about retirement was stabilizing. However, although the stock market was going up and unemployment was going down, 50% of workers and retirees said they were *not very confident* or *not at all confident* they will be able to live comfortably in retirement, almost double the response in the year 2000. The analysis showed the decline came almost entirely among people with financial assets of less than \$100,000.

Almost 50% of workers in the survey are offered a workplace retirement savings plan, such as a 401(k), and 36% report they are currently contributing. The likelihood of contributing to a plan is higher for workers age 35 and older than for workers age 25-34.

More workers plan to delay retirement, citing the poor economy, a lack of confidence in Social Security or the government, or a change in their work situation. Ironically, the RCS does not find proof that Americans have started changing their behavior about preparing for retirement yet.

Employers should consider these facts when re-tooling retirement benefit plan designs.

What Workers in All Generation Groups Want to Know

The EBRI reports that 60% of workers in an employer retirement plan said they would find the following information very valuable:

- How much they should save now to maintain their current lifestyle after they retire
- How much retirement income they can expect from the money they currently have in their retirement account
- How much retirement income they can expect from their account if they continue saving at the current rate

Younger Workers' Priorities

In a study by the American Savings Education Council and AARP on preparing for the future and looking at the financial state of Gen X and Gen Y, 90% of young adults agree *at least somewhat*, and just over 50% *strongly agree*, that they have financial goals. Asked to identify goals from a list of potential objectives, 75% report “advancing one’s career” and “earning more money.” Following closely behind on the list of life priorities are saving for retirement, minimizing stress, and paying off debt.

Among those in Gen X and Gen Y who are employed, the most important workplace benefit is health insurance, followed by matches or contributions to a retirement savings plan, and a retirement savings plan in general (with or without a company match).

Adjusting Pension Plans to All Generations in the Workforce

Using multi-media, specially-designed programs can target employee needs at all stages of career and life (early, mid, and late). Employers should determine the scope: retirement education vs. financial education. They can also determine delivery channels by company demographics and emphasize the importance of starting early, using a combination of personalized assistance, seminars, and web-based tools. Companies can access technology that involves incorporating spouse/partner assets and income and providing assistance in making involved business decisions.

Employers who offer more in-depth financial planning tools and assistance to their employees benefit in various ways: workers have an improved understanding, appreciation, and use of company benefit plans; they are more loyal and likely to stay; and they are more productive.

Julia Bluemle is Retirement Benefits Coordinator at SEPTA in Philadelphia.

SURVEY TEASER

Are you aware that over 60% of Medicare spending goes towards patients with chronic conditions such as diabetes and heart disease?

Are you curious how your current benefit plan designs match up to other employers nationally?

Do you need to provide data on the prevalence of wellness programs?

Not sure what some of the norms are in terms of disability plan design?

Would it be convenient to find this and much more benchmarking information from the deep industry experience and unmatched expertise of Milliman?

Then make sure you visit the PEBA website and access the 2010 Health Plan Survey where we have been able to poll our local membership to provide meaningful comparisons to regional and national data for your review!

US SALARY INCREASE BUDGETS ARE LOOKING BRIGHTER IN 2011
But Small Budgets Continue to Create Challenges
By Christine Stanton

As we head into the summer, many companies are testing the waters on salary increase budgets for 2011. Will projections stay stable (as they did in 2010)? Or are there signs of change?

Some History ...

- **2009 ... The Financial Crisis Rocks Budgets:** Prior year projections for salary increases went out the window. For example, WorldatWork measured the actual average salary increase in 2009 at 2.2%, the smallest increase in the survey's history and 1.7% below the 3.9% that had been projected in the previous year's report.
- **2010 ... A Modest Jump.** 2010 brought more stability with projections in the 2.5% - 2.7% range, with actual increases generally following suit.

For 2011, the Survey Says ...

2010 Surveys conducted by the Hay Group, the Conference Board, and WorldatWork pointed to average salary budgets in the **3%** range.

Survey updates completed earlier *this* year continue to show employers projecting merit budgets in the 3% range ... a modest jump from 2010.

Survey	Average 2011 Projected Salary Budget (US)	Survey Publish Date
Towers Watson	3%	February 2011
Culpeper	2.86%	March 2011

Rewarding Top Performers with Small Salary Budgets

Although a 3% salary increase budget represents a lift from the prior two years, it's still a tight budget and will continue to present challenges for companies struggling to differentiate pay based on performance.

According to the *Hay 2011 Salary Budget Spot Survey*, top performers are expected to receive a median increase of only **3.1%** versus the **2.8%** increase for the typical employee. A discouraging statistic. But, as we continue on the road to economic recovery, rewarding top talent will become increasingly important. With salary budgets remaining tight, what strategies can employers consider to differentiate pay for top performers?

- **Just Say No to Low Performing Employees:** Ensure that employees who don't meet expectations do not receive increases. The days of "cost of living" increases are gone.
- **Create a "Top Performer" Pool:** Keep the overall pot the same, but carve out a portion to be distributed to exceptional performers only. For example, assuming a 3% budget, 2.5% is established as the overall increase budget and .5% is held back for additional "top-performer" rewards.
- **Hold "Boot Camps" for Managers:** Managers are at the center of pay decisions. Be sure to coach them on how to differentiate performance and deliver difficult messages. Provide them with specific guidelines on ranges of pay for performance – and help them understand why differentiating pay makes sense. Point them to the research. The most successful organizations have strong links between individual pay and performance!
- **Lean on Incentive Pay:** With base pay a fixed cost, having an incentive program for all levels of employees can take the pressure off the salary budget. That said, it still makes sense to drive pay for performance across ALL elements of pay.

Look for an update on salary increase projections in PEBA's fall newsletter.

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DISABILITY AND HEALTH MANAGEMENT – MERGING PROGRAM SILOS

By Renée L. Rosenfeld, CEBS, SPHR

On March 16th -18th, I had the opportunity to attend the World Congress Leadership Summit on Ancillary Benefits in Orlando, FL. The event convened CEOs and senior executives to exchange ideas and foster innovative, solution-oriented approaches to contain costs while advancing health quality and access.

The session I found particularly enlightening highlighted the advantages of integrating health and disability benefits. Co-facilitators were **Robert N. Anfield**, CIGNA's Chief Medical Officer, Disability Benefits, and **Thomas Parry**, President of Integrated Benefits Institute. Anfield opened by emphasizing that employers are adjusting to healthcare reform by demanding the right to know if their employees are engaged in wellness initiatives (such as disease management programs and EAPs) in order to better assess the value of a healthy workforce and determine the actual cost of healthcare.

The days in which employers control costs in separate program silos are numbered; firms are beginning to insist on integrated strategies that improve workforce health, reduce lost time, and enhance productivity. Case in point: by integrating HIPAA-compliant longitudinal databases, CIGNA's health and disability claims managers now view real-time information simultaneously and manage cases collaboratively, leading to a decrease in days off and an earlier return to full functionality.

Parry explained that CIGNA quantifies lost productivity in terms of two components: absence and decrements in job performance (a/k/a presenteeism). The next generation of tracking value is not as much ROI as VOI (value of investment). VOI includes, but is not limited to, shareholder value and the following indicators: participation, preventive screening, health risk, clinical utilization, and productivity.

Today's employers are thinking more holistically about employee engagement and productivity with a heightened focus on prevention, wellness intervention, cost and quality transparency, better clinical integration, and care coordination. Large firms have already made the connection between healthcare reform and wellness programs by assessing the effect of integrated strategies on disability leaves. Numerous studies also demonstrate that collaborative disease and health management programs result in a reduction in disability incident rates and in duration of time off.

Some believe employer on-site clinics will become the catalyst to orchestrate more centralized healthcare management (such as programs that wrap wellness-oriented benefit plans around on-site treatment centers), thus integrating health information technology and aligning provider training, approach, and compensation with prevention.

In sum, the road to 2014 will see a greater focus on ancillary and supplemental medical coverages and the realization that a strategy for assimilating these related benefits is crucial. Proactive HR professionals are already contemplating ways to simplify the ease of doing business through integrated health and wellness products and by bundling services through a single provider that offers comprehensive quality networks. Yes, the merging of program silos is imminent.

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