

Benefit Insights

Study Examines Characteristics of Successful Account-Based Health Plans

Account-based health plans (ABHPs) have been a key part of the movement toward health care consumerism. ABHPs generally consist of a high deductible health plan coupled with some form of savings account, such as a health savings account (HSA) or health reimbursement account (HRA). In theory, ABHPs have the potential to lower individual and corporate health care costs by raising consumer awareness of cost—through measures such as the high upfront deductible—and by providing incentives, through the savings account accumulation, to choose the most cost-effective, quality care and forego unnecessary care.

However, not all employers that implement these plans see the expected drop in cost, nor the plan participation they envisioned. A study from Towers Perrin analyzes the factors in account-based plan strategy, design, implementation and management that characterize successful plans. High-performing programs, the study found, have the right approach to implementation, delivery and employee engagement.

One of its “most striking findings,” according to the study, is the critical role that comfort with financial risk plays in employees’ acceptance of and engagement with account-based plans. Thus, helping employees gain confidence in their ability to manage financial risk, in order to enable them to embrace the responsibilities necessary for a good account-based plan experience, is a key indicator of program success. ABHP participants who said they felt comfortable with the level of financial risk their plan exposed them to were more

likely than those who were not comfortable with risk to—

- assess their plan experience as good (88% vs. 29%),
- say they understood how their health benefits program works (86% vs. 41%),
- say they thought they could affect their own and their employers’ health care costs (73% vs. 50%),
- find it appropriate that they pay a share of health care cost increases (71% vs. 40%), and
- agree that they should pay a larger share of the cost if they use more expensive health care (61% vs. 30%).

The study stresses that employers are capable of increasing employees’ comfort with risk, with benefits communications being the critical element to accomplishing this.

Another characteristic of successful programs was their ability to build a new mindset, both for employees and employers, around health and long-term commitment to the program. According to the study, both employees and their employers need to build a new mindset in order for ABHPs to reach their full potential. For example, the study found that participants in account-based plans were less satisfied than participants in traditional plans with various aspects of their health plans. However, the study states that employee dissatisfaction appeared to be based more on perception than on a realistic

comparison of plan features and benefits, indicating that the account-based plan participants were thinking of their health

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When times get tough economically, businesses and individuals look for ways to cut expenses. Before cutting health benefits, consider the possible consequences and alternatives. These decisions can end up not only costing you money but it adds to absenteeism and lower employee productivity. Ask your Client Consultant how we can help you get your employees more involved in the management of their benefits and of their own health.

As always thank you for your continued support and business throughout the year.





Get Employees More Involved in Their Benefits and Health Management During Tough Economic Times

When times get tough economically, both businesses and individuals alike examine how they can cut expenses. For a business, this may mean looking for ways to cut costs in the employee benefits program. Health benefits, which carry the highest tab in most companies' benefits programs, may seem like the most reasonable target for cost cutting measures. But before taking a knife to your health plan and/or other aspects of your company's benefits program, it's important to consider the possible consequences and alternatives.

What can happen if you implement significant cost shifting in your health plan in order to save money? Large premium increases can cause employees to drop coverage, in particular younger, more healthy employees, leaving your plan with a less desirable risk pool. Cost-shifting that involves higher copayments and/or deductibles can cause employees to defer routine care, delay seeing a doctor when symptoms of illness first arise, and fail to fill prescribed medications. In the long run, these decisions can end up not only costing your health plan money, but also add to absenteeism and disability costs and lower employee productivity and morale.

As an alternative, make sure that your benefits dollars are being applied to measures that enhance employee health and well-being. These include:

- Generous coverage for preventive care.
- Incentives for participation in activities designed to detect potentially serious medical conditions, such as health risk assessments and health screenings for blood pressure, cholesterol and blood sugar levels.
- Incentives for participation in other wellness activities, such as smoking cessation classes, weight loss efforts, nutrition counseling and fitness activities.
- Making available employee assistance programs (EAPs). An EAP can be particularly important to employees during

trying economic times, providing a resource for or referral to financial counseling, as well as stress management and crisis intervention services.

If cost shifting is a must, there are ways to soften the impact on employees:

- Flexible spending accounts (FSAs) enable employees to pay for health care expenses with before-tax dollars. This lets employees get the most out of the dollars they use for health care.
- Consumer-directed health plans (CDHPs), which couple a high-deductible health plan with a health savings account (HSA), make employees more conscious of how they are spending their HSA dollars, since these funds can carry over year after year.
- Voluntary benefits can add a wide range of personalized options to an employer's benefits program, at little or no cost to the company. At the same time, they offer employees cost savings and convenience over finding and purchasing these benefits on their own in the individual market.

As you look back over the above bullet points, notice that there is something they have in common: They all require employees to become more involved in the management of their benefits and of their own health. Whether it be participating in wellness activities, keeping on top of scheduling regular preventive care, thinking ahead and budgeting for anticipated health care needs, or researching provider networks to find the most appropriate care at the most cost-effective price, all of these measures enhance individual involvement. And, in the long run, the individual responsibility your employees assume for their health care and benefits management can serve as one of the most important cost-management tools you'll ever find.

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plan in a one-year cycle—like traditional plans run—rather than in terms of the long-term benefits of an account-based plan.

According to the study, successful programs also were able to create an organizational culture in which employees trust management and believe that the company cares about employees' well-being, and to use strategic change management initiatives, ongoing communications and visible leadership to build trust and a healthy work environment.

In sum, companies that assessed employee readiness for change, communicated honestly and consistently about the account-based plan program, and launched the program within a structured change management strategy achieved better success with their ABHPs than companies that focused on isolated plan elements or applied traditional communication techniques. Thus, companies must recognize that account-based plans are, for employees, an entirely new way to think about health care, and approach implementation strategy and communications accordingly.

Wellness Program Incentives Grow, As Does Return on Investment

The use of health and wellness programs continues to grow, with more than three-quarters of the employers in a recent survey offering them, and more than half of those without programs planning to implement one. Increasingly, these employers are encouraging employee participation in wellness initiatives by offering incentives for participation, with more than seven in 10 employers doing so in 2008. Why? Employers are becoming more successful in measuring these programs' return on investment, and finding that they are more than breaking even.

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The survey is the second annual from Health Resources, and respondents were employers that are members of the National Association of Manufacturers and the ERISA Industry Committee.

According to the survey, in 2008, 77% of the employers offered health and wellness programs—a 5% increase over 2007—and 48% offered disease management programs. Among the health and wellness programs were—

from 41% to 26%. In 2008, employers used these incentives—

Incentive	% of Employers Offering
Gift Cards	28%
Premium Reduction	26%
Cash/Bonuses	24%
Small Token	23%
Merchandise	19%
Health Club Membership	18%
Recognition	16%
Health Account Contribution	13%

The value of incentives ranged between \$100 and \$300 per person per year, with the average incentive value being just under \$200.

The most common behaviors rewarded with an incentive were participation in the health and wellness initiative (48% of employers provided the incentive for this), completing a program (38%), and signing up for or enrolling in a pro-

Type of Program	% of Employers Offering
Health Risk Assessment	64%
Safety Program	62%
Smoking Cessation	61%
Physical Activity/Exercise	55%
Weight Management	52%
Stress Reduction	34%
Work-Loss Prevention	32%
Maternity Management	25%

From 2007 to 2008, there also was an increase from 62% to 71% in the proportion of employers offering incentives to employees for taking part in these programs. Incentives are most likely to be offered in connection with health risk assessments, but they are used with other types of programs as well—

Type of Program	% of Employers Offering
Health Risk Assessment	62%
Physical Activity/Exercise	50%
Smoking Cessation	43%
Weight Management	40%
Safety Program	23%
Stress Reduction	12%
Maternity Management	11%
Work-Loss Prevention	10%

Between 2007 and 2008 the survey reported a "substantial shift" in the types of incentives employees could earn for taking part in health and wellness programs. The use of gift cards—now the most prevalent incentive—increased from 17% to 28%, while offering a premium reduction declined



gram (25%). The survey notes that these behaviors are easy to track, and they "steer clear of regulatory caps on monetary incentives" that the Health Insurance Portability and Accountability Act (HIPAA) place on programs tied to a health-related standard. That said, some employers did require the employee to achieve an outcome or goal before awarding the incentive (16% for achieving this during the program, 12% for achieving it after the program, and 6% for maintaining it after the program).

Most employers implementing health and wellness programs still do not measure return on investment (ROI), with only 36% of respondents saying they had attempted to do this in 2008 and 26% saying they had done so successfully. Among those who were able to measure ROI, 83% estimated an ROI greater than break-even in 2008, up from 66% in 2007.

The complete survey results are available through the ERISA Industry Committee's web site, www.eric.org.

Mortgage Bailout Bill May Be the Second Chance Homeowners Need

On October 1st, 2008 the new mortgage bailout bill officially took effect. The Congressional Budget Office estimates it will rescue about 400,000 Americans facing the prospect of losing their homes, although it is believed that more than 2 million require help. If you qualify for assistance under this new law, it may be possible for you to keep your home, decrease your loan balance, and refinance at lower rates, all because of a taxpayer subsidy built into the law.

The first hurdle you need to overcome to qualify is passing the eligibility requirement. You must be a homeowner, meaning you actually live in the house that may be foreclosed on. Landlords don't qualify for assistance under this legislation.

In addition, you had to have taken out your mortgage before January 1, 2008, and your mortgage payments, as of March 31, 2008, must be more than 31 percent of your gross income. You have to really be in dire straits as a result of your mortgage, not just looking for an easy way out. However, the law doesn't specify if you will be asked to prove hardship.

If you meet these requirements, you should start the rescue process by contacting your lender. Present the lender with a written estimate of your home's value as evidenced by current market prices, and write down your mortgage to 90 percent or less of this value. If your lender agrees, you'll qualify for a new 30-year fixed mortgage subsidized by the Federal

Housing Authority (FHA). Keep in mind that you will also have to pay 1.5 percent annually above the amount of your interest as a kind of repayment insurance.

Although Congress passed the legislation to aid struggling homeowners, they wanted to be sure that these same homeowners wouldn't profit later on from having been bailed out. A stipulation was added to the law allowing the FHA to claim a minimum of 50 percent of any profits that homeowners realize when they sell their homes. However, Congress overlooked a possible loophole. Homeowners can probably avoid having to pay back any of their profits if they first refinance their FHA loan with a new private sector mortgage before they sell.

While there are many advantages to refinancing under these terms, remember that the bailout is targeted at homeowners who run the risk of serious financial trouble if their mortgage payments are dramatically increased, and who face the prospect of losing their homes. If your financial situation allows you the leeway to absorb higher mortgage payments after a reset, you don't qualify. The same is true for the opposite end of the financial spectrum. If you're in such bad shape that you can't handle the current low interest rate, you don't qualify either. That means that if you've already fallen behind on your mortgage payments, you're not eligible.



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