

# Benefit Insights

## ***Employers Should Take Every Precaution Against Seasonal and H1N1 Flu Viruses***

Due to the possibility of a serious flu pandemic, the U.S. Government is asking business leaders to make response plans for a range of flu outbreak scenarios. For this flu season, predictions range from a moderate increase in flu-related absenteeism, to a full-blown influenza pandemic.

The most up-to-date information regarding flu risk can be found online at the Centers for Disease Control and Prevention Web site; on the World Health Organization Web site; as well as on the U.S. Department of Health & Human Services Web site (refer to Guidance for Businesses and Employers to Plan and Respond to the 2009-2010 Influenza Season).

For both business and public health reasons, it is critical for employers to be ready for the possibility of a pandemic. A pandemic may involve your clients as well as your workforce, as employers face the potential for supply chain disruptions, workforce shortages, and even panic among employees and their family members.

Business experts and government officials have developed the following guidelines to help business leaders coordinate plans in the event of a pandemic:

### ***Identify a Team***

Name a pandemic coordinator or team with specific responsibilities for preparing and response planning. Go over emergency preparedness plans with your identified team members. Remember that your planning process needs to remain fluid and dependent upon circumstances, not a fixed or finite plan.

### ***Communicate with Your Employees***

Have emergency communication systems and plans in place. Communicate pandemic preparedness and response

plans to employees and, if necessary, to your customers and suppliers.

Educate your employees on flu preparedness. By involving employees, they may feel less anxious and more in control. Stress the importance of the message that employees should stay home when they are sick.

### ***Prepare for Widespread Absenteeism***

Create a plan for how critical functions will be carried out elsewhere if work sites must be temporarily closed. Review health care, disability, and leave policies with employees. So that tasks can be handled by more than one person, provide cross-training to employees. Whenever possible, plan to have employees work remotely. Create policies for reducing travel to affected geographic areas.

### ***Immunize and Sanitize***

Set up immunization clinics for your workforce through your EAP or insurer.

Encourage employees to practice good hygiene by washing hands, using sanitizers, and covering their mouths and noses with a tissue when coughing or sneezing. It is also recommended to avoid touching eyes, nose, or mouth, as this is a good way to spread germs.

### ***Remain Informed***

Consult the U.S. Department of Health and Human Services site, the Centers for Disease Control and Prevention site, and the World Health Organization site.

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## ***What Employees Need to Know About the Real Cost of Healthcare***

Everyone in America knows that the healthcare landscape is rapidly changing. Although the Obama administration is working to make sweeping changes in how healthcare is paid for, no one yet knows if and/or when the new plans will affect individuals and businesses. In the meantime, insurance premiums are growing by leaps and bounds, and employers and healthcare organizations everywhere are seeking innovative approaches to reduce, or at least stabilize, these costs. Most experts agree that any savings generated from managed care options has long since evaporated. These experts feel the greatest chance for improvement lies in consumer directed healthcare. The idea behind the movement towards consumer directed care is that patients will better understand expenditures and will share in the costs, making them more discerning consumers of health care.

To understand why the cost of healthcare is skyrocketing, there are several factors to consider. The list includes:

- New Medications being marketed aggressively
- New Medical Technologies
- An Aging Population
- Overuse of Medical Services
- Cost Insulation that isolates patients from the real cost of healthcare services, as well as the true cost of pharmaceuticals

But what can be done about any of these factors? Obviously, insurance carriers, employers and consumers have little control over medical advancements or the increasing age of the U.S. population. Additionally, to attract and retain valuable employees, employers need to continue offering comprehensive medical plans. Although employers may not be able to directly affect costs, they can play an active role in creating an informed healthcare consumer.

In our current healthcare system, consumers are sheltered from the true value of their healthcare. Many employees believe that the average prescription drug and doctor visit costs little more than their \$15 or \$20 co-pay. But health insurers and employers are keenly aware of what these services cost. Taken together, the lack of incentives for employees to use healthcare prudently, plus the ever-rising healthcare costs, lead us to the difficult spot we are in today.

Over recent years, defined contribution healthcare plans have garnered much attention to the need for consumer education. With a “consumer-directed” model of health coverage, consumers bear a significant amount of responsibility for financial decision-making. And although employees still have coverage for disastrous events, they may only have a certain set dollar amount to use toward day-to-day expenses, gener-

ally excluding preventative care. Therefore, when a consumer-directed approach is being considered, communication is vital, and a strategy for educating employees is a must.

How can employers help? The answer depends on the size and the resources of the company. Large companies, which are often self-funded, have a greater stake in the outcome of an educational effort. These companies might have the resources to hire third party providers to develop and implement programs for employee education. However, even many larger businesses may not have the extra time or resources to commit to a full-scale education effort.

Despite this fact, most employers have free access to education resources directly through their health insurer. In particular, pharmacy education is often integrated within a specific medical plan. For example, some insurance companies give their members cost comparison information of brand name versus generic drugs. Insurers have also created tiered pharmacy plans, which use lower co-pays to encourage members to use generic drugs whenever possible. Since an increasing proportion of health dollars is spent on developing and marketing pharmaceuticals, the situation would only worsen if not for these early education efforts.

Many insurance carriers in the U.S. now offer searchable online databases for their members where they can research the approximate cost of certain procedures. Employees considering a “routine” MRI are able to view the cost of this procedure and their out-of-pocket cost potential. While this information may not affect everyone’s decision, some will consider foregoing the procedure if they feel it is not really necessary.

Another idea is for insurance carrier representatives to host health seminars and workshops for businesses and employees. Topics could range from healthy diets to disease management, as well as the value of preventative care. Employers should show commitment to these programs by making such meetings mandatory.

Repetition is the key to making health education work. Employees should have easy access to healthcare alternatives. Communication at annual enrollment time is not enough. The message needs to be communicated more often, using multi-media with clear and clever delivery.

Undoubtedly, employers will benefit from lower premiums in the future by educating employees today. When employees utilize healthcare resources more efficiently, everyone wins. Over the long haul, cost-effective healthcare choices can produce savings that not only flow directly back to the employer, but to the consumer as well. And, in these tough economic times, who can argue with that?

## **Michelle’s Law Extends Health Care Coverage for Ill or Injured College Students Who Lose Full-Time Student Status**

On October 9, 2009, a new federal law impacting eligibility for coverage under employer-sponsored group health plans became effective. “Michelle’s Law” requires continued eligibility for seriously ill college students covered under a parent’s plan, who lose their full-time student status due to reducing their hours or taking a leave as a result of their medical condition. For calendar year plans, the law’s provisions will apply for plan years beginning January 1, 2010. Michelle’s Law applies to both insured and self-insured plans.

The impetus behind the law was the case of New Hampshire college student Michelle Morse. Diagnosed with colon cancer and undergoing treatment, she was advised by her doctors to cut back on her course load or take time off from school. If she did this, however, she would lose full-time college student status, and with it coverage under her parents’ health plan. Though she could then elect COBRA, that coverage was too expensive. Consequently, she continued as a full-time student while undergoing chemotherapy. After her death, her parents worked to have a law passed in New Hampshire that would have allowed her to continue coverage as an eligible dependent while taking a leave or reducing her school schedule. This state law served as the model for the federal law.

The federal law mandates continued eligibility as a dependent for 12 months for post-secondary school students with a serious illness or injury, even if the student loses full-time student status. The individual must be covered as a full-time student under the plan immediately before taking the leave or reducing the school schedule. A physician must certify in writing that the student has a serious illness or injury and that a leave of absence from school or change in enrollment status is medically necessary. The law does not specify a time frame for providing this certification.

During the 12-month period of continued coverage, the regular plan premium will apply. If during those 12 months something happens that would cause coverage to end for reasons not pertaining to loss of full-time student status-such as the termination of employment for the parent working for the company sponsoring the plan, or the student reaching an age that exceeds the plan limit-then coverage can be terminated for these reasons.

For employers that require employees to certify full-time student status for college-age dependents, the law says that notice of the 12-month Michelle’s Law extension must be included in communications requesting such certification. Thus, for employers that conduct dependent eligibility audits-a growing trend as employers look for ways to manage health care costs-the Michelle’s Law mandate will impact audit communications.

What should employers be doing now in response to this new law becoming effective? Given the lack of specificity for some aspects of compliance-such as the time frame under which to require physician certification of a serious illness or injury-consult with your legal counsel or benefits professional to determine how you will handle any pending regulatory clarification. Also, review plan documents and summary plan descriptions and update them as needed to reflect Michelle’s Law provisions. Additionally, make sure any human resources or benefits staff members are apprised of the requirements so that they can respond to employee inquiries appropriately.

Some states have laws similar to the federal law. If any of these apply to your organization, make sure your plan and procedures are also in compliance with provisions that may be additional to or more specific than the federal law.

### **continued from page 4...Employees Value Workplace Benefits More Than Employers Realize**

employees said health benefits were an important factor in their loyalty to the company, while 72% said this about retirement benefits and 69% said this about other insurance benefits. Smaller percentages cited advancement opportunities (57%) or company culture (50%) as reasons to be loyal to their current employer. Interestingly, employers severely underestimated the influence of benefits on employee loyalty:

The message in these two surveys is clear: Benefits are an essential strategic investment for employers. Though most employers spend generously on providing an employee benefits program, this “investment” doesn’t always have to involve a large capital outlay. As noted above, employees place great value even on those benefits that they pay for in full, meaning that voluntary benefits-as well as traditional plans-can garner the kind of positive employee response that results in a more loyal, motivated workforce.

	<b>% Employees Agreeing</b>	<b>% Employers Agreeing</b>
Health benefits influence	75%	59%
Retirement benefits influence loyalty	72%	40%
Other insurance benefits influence loyalty	69%	41%

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## **Employees Value Workplace Benefits More Than Employers Realize**

Employee benefits long have served as a recruitment, retention and loyalty-building tool for the companies that offer them. However, even as employers make benefits programs available to employees, research indicates that they underestimate how very valuable these programs can be, both for employees' well-being and as a means to solidify the company-employee bond during tough economic times.

Just how much do employees value their benefits? According to a study from Sun Life Financial, employees value their total benefits offerings more than cash, even in a tough economic environment. The nationwide study asked employees to assume they had access to adequate medical insurance, and then to rate the value of certain other benefits, along with cash. Specifically, the survey respondents were to allocate a total of 100 points across seven benefits areas-401(k)/retirement plans, dental insurance, vision insurance, long-term disability, short-term disability, life insurance and long-term care insurance-and cash, based on how much they valued the specific benefit, or the cash. Only 33% of the survey respondents assigned a value greater than zero to cash; in contrast, more than 70% allocated a value greater than zero to each of the other six benefits.

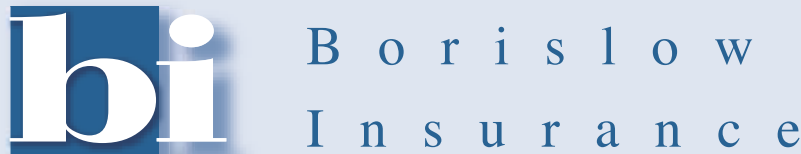
Of the types of supplemental benefits evaluated in the study, those garnering the most points were dental insurance, 401(k)/retirement plans, vision insurance and group life insur-

ance. However, nearly half of the respondents allocated at least some of their points to six or more benefits, indicating that they value a broad combination of benefits.

Similar findings appear in MetLife's most recent annual Study of Employee Benefits Trends. According to this survey, faced with tough economic challenges, employees place more value than ever on their benefits, and increasingly look to the workplace for help in controlling their finances and their personal and financial risks-even if the workplace benefits that help them achieve this are fully employee-paid. More than one in four (41%) said their workplace benefits were the "foundation" of their personal safety net, and a majority (51%) reported that they obtain most of their financial products through the workplace. Additionally, 56% said recent economic events have caused them to have a greater appreciation of their workplace benefits, and 46% said economic conditions have caused them to take a greater interest in understanding the employee benefits available through their employer-statistics that may indicate employees are more open than in the past to company efforts to engage them in benefits consumerism and personal responsibility.

More than company culture or advancement opportunities, employees cited benefits as an important factor in their loyalty to their employer. According to the survey, 75% of the

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