

Rising Healthcare Cost Means Upset Employees

*Can Consumer
Driven Healthcare
and Advanced Tech
Be the Answer?*

By: Rob Thurston

Most HR/benefits professionals would love to know what incentives, benefits and salaries will attract and retain workers. In particular, most would love to know if we cut back on benefits; what would be the reaction of our employees?

Most HR/benefits professionals feel that they will have more upset employees if there was a cut back in employee benefits.

We have some surprising news for you. In fact, you might have to change your thinking. As HR/Benefits professionals, we all feel that we know what is best for our employees and what benefits to offer. We all pride ourselves that we are the experts. But employees do not understand the costs of their benefits and don't like the way the benefits are presented, offered, or administered for them.

The Cost and Value of Benefits

According to Dave Williams of Human Capital Management.biz; "Ironically, even after investing enormously in employee benefits, the benefits often fail to produce the desired results for the company and the employees: poorly managed benefit plans can actually make employees *less* happy, *less* loyal, and *less* productive.

Three or more stakeholders are often involved in each benefit program. In addition to the employer, the employee, and the government, some combination of a carrier, an insurance agent/broker, a Third-Party Administrator (TPA), and one or more unions may be involved. Solving problems among these multiple parties when the benefit data does not reconcile can be very time consuming and frustrating.

Adding insult to injury, the average employer spends \$14,000 on benefits per employee per year (more than 42% on top of payroll according to the U.S. Dept. of Commerce), but employees don't fully recognize or appreciate **it**: employees typically undervalue their benefits at less than 50% of their actual cost."

Two Critical Factors

We have identified two factors, which should cause us to stop and rethink how we do handle our employee benefits. They are:

1- The changes in employee populations from Baby Boom (Boomers) employees to Generation X (GenX) employees.

2- Increasing health care costs are forcing the use of Consumer Driven Health Care (CDHC) and Advanced Technology via the Intranet/Internet, touchtone phones, agent-assisted enrollments via a Call Center, and other forms of computerization.

These two factors are causing employees to be increasingly more frustrated and hostile to the benefits enrollment process and the way that benefits are communicated. Here's why:

Baby Boomers versus Generation X

X

Boomers are those employees born between 1946-1960, which includes 69 million people. According to different studies Boomers are feeling invincible as part of a team and they like to receive information via Group meetings, written communications, etc. They believe that people are motivated by a stirring, emotional, well-expressed idea and they are always looking for participation and consensus.

GenX are those employees born between 1961-1981 that includes 79 million people and also those people who consider themselves GenX (immigrants, computer techies, foreign students with university degrees, etc.) GenX are likely to have a preference to work alone and reluctant to participate in meetings. They don't need to hear others' opinions to make up their own minds.

From a communications standpoint, especially when it comes to *benefits*, it's quite a challenge because you have very different audiences.

Boomers like voluntary benefits and easily assimilate, process, and accept information when presented by an enrollment specialist. They like to read brochures, rate cards, and to hear information from an expert who will meet with them in either a Group or individual setting one-on-one.

GenX like to go at their own speed, get information when and where they want it, and want to make decisions on their own. They are captivated by technology the more advanced the better.

Our means to communicate with *Boomers and GenX* needs to be different. How do we "reach" both

Boomers and GenX employees with voluntary benefits and information about human resources?

The solution to all this is to over-communicate rather than under-communicate. Anytime a benefit is changed, added or up for re-enrollment, HR should conduct both written and verbal presentations. As a HR / benefits professional it is necessary to try to anticipate any question you might get. This approach ensures that *benefits*, and educational components, don't get overly skewed to one side or another. If such communications are handled effectively *Gen X and Boomers* will emerge. "Talk" the right language to these two very different groups and you can make your current benefit offerings work for all.

Rising Health Care Needs New Solutions

In addition, employees are mad about rising health care costs and not being able to make their own decisions about health care. Employees want control and

want more of a Consumer Driven Health Care (CDHC) approach to benefits. So employers are looking at the new Health Reimbursement Arrangements (HRAs since 6/2 002) and Health Savings Accounts (HSAs since 1/2 004). Now an employer can limit his costs and yet give his employee the ultimate control and access to health care spending.

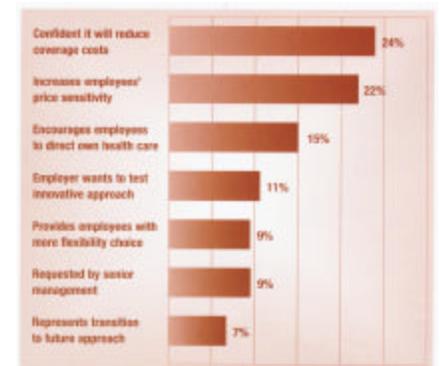
In an April 2004 Survey by Watson Wyatt for the National Business Group on Health:

Nearly one-third (32%) of the 160 large employers that participated in the survey said they intend to offer a CDHC plan this year about 21% already have a plan in place. The study

also included data from nine CDHC vendors and insurers that have a CDH product.

Seven Reasons for Implementing a CDH Plan

Employers that have a CDH plan in place say the following beliefs drove their decision to make the plan available to employees:



New research by Mercer Consulting shows:

"Employers offering a CDHC or HRA plan are getting about 15% of eligible employees to sign on, Mercer finds. Forty-five percent said the employee response to the HRA plan has been "strongly positive," while none of the employers in the study reported any great degree of strong negative feedback.

In terms of account funding, the median amount provided by employers in health reimbursement accounts (HRAs) is \$750, with a median deductible of \$1,500 for single coverage. Nearly one in five employers allow for account rollovers into retirement so workers may finance retiree health coverage.

CDH plans appear to be doing exactly what benefits experts predicted: saving employers money. Eighty-five percent of employers told Mercer the CDHC plan is their lowest-cost health plan option. Looking forward, all current CDHC plan

sponsor respondents indicate they will offer the plan again next year.”

Because of rising health care costs among Retirees, many employers are exploring Retiree Medical Arrangements (RMAs),

which can be offered as either a HSA or HRA. In the Watson Wyatt sample of 56 large employers, annual credits ranged from \$750 to \$2,500 per year of participation, and interest rates on the accounts ranged from 5 to 7.7 percent both before and during retirement.

According to the study, only 2 percent of large employers have RMAs for current retirees. However, 7 percent have adopted them for future retirees and 13 percent have RMAs for new hires. Most of these plans limit participation to employees who have met minimum age and service requirements, concentrating benefits on older, longer tenured workers. “At a time when employers are looking to rein in health care costs and place more decision-making into the hands of retirees, retiree medical accounts are a viable alternative to traditional retiree health care plan designs,” said Joe Martingale, national health care strategy leader at Watson Wyatt. “These accounts encourage retirees to be more judicious consumers by giving them more autonomy, better information and a financial stake in the cost of their health care.” The Watson Wyatt report also notes that RMAs can be especially valuable to employers that have completely eliminated retiree medical coverage or their contributions toward these plans, as well as employers that have never offered a retiree medical benefit.

On April 2, 2004 HR outsourcing and consulting firm Hewitt Associates surveyed nearly 270 companies, and found that, while 61 percent of employers are likely to offer HSAs in the near future, only one-third of all companies have the required design structure in place to do so.

“The law allows HSAs as part of a high-deductible health plan, which few companies currently offer,” noted Allen Steinberg, retiree health care consultant, Hewitt Associates. “Companies interested in adding HSAs must offer a consumer-driven health care option for their employees, which represents a significant shift in thinking and strategy for many employers and a major change in the way employees would use their health benefits.”

We feel strongly that HSAs will become the “hottest” new benefit and be extremely popular for many years to come. So what strategies can a HR/Benefits professional adopt to take advantage of HSAs yet counter these two factors of a changing workforce and rising health care costs?

Advanced Technology Might be the Key

Advanced Technology involves all types of employees in the communication enrollment, and even parts of the administration process. We’ve become a computer, television, and video-oriented society. That means all employees are increasingly accustomed to receiving information from a telephone or computer screen. In order to reach the broadest possible employee audience, and sell them on the true value of their benefits, programs have to be made very user-friendly yet cost effective.

Some new examples of advanced technology systems are:

- Intranet (internal networks)/Internet (world wide web)
- Laptop enrollments with a trained benefits specialist
- Call Center with a “live” specialist available to help
- Interactive Voice Response (IVR).

Advanced Technology can help your company improve performance by educating your employees and influencing their behavior, while helping you manage health care administration tasks.

Technology can offer both the employer and employee access to a quality enrollment, options for CDHC, HSAs, HRAs and RMAs, and higher participation in new, low cost and even voluntary benefits.

Advanced Technology let your employees choose the path that will best meet their healthcare needs, while relieving you and your HR team of time-consuming, expensive health care administration

tasks. Through such tools employees can easily compare health care plan features, forecast costs and gain greater understanding of the quality differences among health care plans and providers.

Employees want the CDHC approach to benefits and that includes HSAs and HRAs. Many of these CDHC plans are linked to an employer sponsored Debit or Credit Card, which means added convenience for employees. The latest IRS Ruling and guidance have given added incentives to using either a Debit or Credit Card with HSAs, HRAs and with even FSAs.

In short, employees want to do a lot of things in a lot of formats. Advanced Technology computer programs allow employees to learn by using a computer or the phone as a tool.

You should achieve higher enrollment, better appreciation, and lower costs from using CDHC, HSAs, HRAs, Debit/Credit Cards, and Advanced Technology. When employers spend millions on benefits, effective enrollment and communication is essential. Advanced technology communicates to employees that the

company is proud of the benefits it provides. It tells employees that the company wants them to be aware of what benefits they have and the value of those benefits. The cost is a very small percentage of what the employer spends to provide the benefits. For all of the value Advanced Tech offers, it's a bargain.

University, Romania, her major being Organizational Behavior ('Psychology'). She designed and implemented various projects on areas like organizational diagnosis, job security and performance evaluation.

Summary

If you want to reduce health costs and yet give employees more respect- you need to be providing new Boomer and GenX solutions to employees. CDHC, HSAs, HRAs, Debit/Credit Cards, and Advanced Technology might be the answer.

Rob J. Thurston, President of the Human Resources Consulting Group, has been a national speaker and noted author on HR consulting and systems development since 1981. He has implemented and designed some of the largest selling employee benefits software systems nationwide while part of a international brokerage firm, a national administration and as a consultant.

He has available at no cost or obligation a comprehensive listing of HSA, HRA, Debit/Credit Cards, software, and consulting firms providing advanced technology systems for benefits enrollment, communication and administration. Please request this list by calling Mr Thurston at (801) 765-4417, email hrconsultinggroup@msn.com, website www.hrconsultinggroup.com; or writing: HRCG, Inc., 1202 E. Dover Dr. Provo, UT 84604.

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