

Benefit Insights

Boosting HSA Participation Is Important to Consumer-Driven Health Plans

Participation in Health Savings Account (HSA)-qualified high deductible health plans tripled from March 2005 to January 2006, while the number of employers offering these plans is doubling annually, according to research from America's Health Insurance Plans. Yet, the Government Accounting Office estimates that only 50% to 60% of individuals with health coverage that would make them eligible to open an HSA—namely, a high deductible health plan—had actually opened the account.

Given that out-of-pocket costs can be sizable in a high deductible health plan, having access to HSA funds to cover these costs can be important to these plans being perceived as meeting a member's health care needs. What can sponsoring employers do to encourage eligible employees to participate?

Looking to lessons learned by 401(k) plan sponsors can provide some insight and useful ideas. For example, surveys have consistently shown that possibly the most important factor influencing 401(k) plan participation is the presence of an employer match. While employers cannot match HSA contributions, they can provide seed money so long as all eligible employees receive comparable contributions. Currently, about 60% of employers provide funding to their employees' HSAs, according to data from UnitedHealth Group. This same study found that 90% of employees open an HSA if the employer offers to contribute funding to the account. Clearly, some amount of employer funding is a powerful draw.

Another factor shown to be effective in achieving high 401(k) plan participation rates is employee education (both about the plan and on surrounding issues). Consider that consumer-driven health care plans are still new, and are very different from traditional plans and the various forms of managed care that employees learned about over the past

two decades. Further consider that they are another addition to the alphabet soup of health care accounts (HSA? HRA? FSA?). It should come as no surprise that education would be a critical component to achieving good participation rates. Employees are unlikely to commit money to an account that they have any uncertainties about. An especially important part of the HSA communication message should be distinguishing these accounts from health care flexible spending accounts, which many employees are wary of due to the "use-it-or-lose-it" rule.

Finally, consumer-driven health plans rely on informed decision-making employees to succeed, both at reining in health care costs and at ensuring quality care for members. Vendors of consumer driven plans tout the decision-making tools they offer as helping employees reach a higher level of health care awareness. And, according to a survey from Hewitt Associates, employees who use decision-support tools are more likely to enroll in consumer-driven plans. These tools might include health plan comparison charts, provider directories, personal summaries of members' health care claims and costs, and health care spending account estimators. As an employer, you can make sure employees are aware of the availability of any offered tools and alert them to the importance of using these tools.

Consumer-driven health plans hold great promise, but can't be as effective if employees aren't making optimal use of them, which includes participating in health savings accounts when eligible. Developing strategies to boost HSA participation among eligible employees can help consumer-driven plans become a winning health care offering for your workplace.



We are pleased to present to you Lambert & Carney's Employee Benefits newsletter. This newsletter is designed to give you timely and important information regarding employee benefits, government regulations, new products, and other areas of interest to employers and their employees. We value you, your employees, and your business and continue to strive to provide you with the very best products and service available.

Please contact Paul Lambert or Sean Carney at (800) 357-1840 if you have any questions.

Lambert & Carney Benefits Group, LLC
1700 Post Road
Fairfield, CT 06824
Phone: 800-357-1840

Paul Lambert
plambert@lcbenefits.com
Sean Carney
scarney@lcbenefits.com



Higher Engagement, Lower Costs Characterize CDHP Enrollees

Participants in Consumer-Directed Health Plans (CDHPs) are more likely to make engaged, informed decisions about their health care, and more likely to use preventive health care services than non-CDHP participants, according to a study from UnitedHealth Group. The study covered three years of data from 40,000 CDHP participants and 15,000 individuals who were enrolled in preferred provider organizations (PPOs).

Other conclusions from the study include:

- In each of the three study years, up to 5% more CDHP members sought preventive care services than did PPO members.
- CDHP members reduced their hospital admissions by 22% and their emergency room visits by 14%, while the relative utilization of these services by PPO members increased. Importantly, this reduction in acute care services came without adverse health effects or outcomes for the CDHP members.
- Hospital admissions and emergency room visits by CDHP members with chronic conditions also decreased, by 8% for hospital admissions and by 12% for emergency room visits. Importantly, these enrollees continued to visit a primary care physician at the same rate as chronically ill PPO members.
- Health plan costs per plan member over the study period decreased for CHDP enrollees while increasing for PPO enrollees. After adjusting for demographics, health status, plan design impact and geography, costs per CDHP mem-

ber decreased 3% to 5%, while increasing 8% to 10% for PPO enrollees.

This cost data is consistent with the results of a report entitled McKinsey CDHP Consumer Research, which indicated that 55% of CDHP patients with a chronic disease very carefully followed a treatment regimen versus 44% of those in traditional plans.

According to a 2006 Lambert & Carney Benefits Group, LLC survey, 13% of the employers in the Northeast are offering a Health Savings Account. This is double the level in 2005. Most do so in order to help control health care costs, through increasing employees' awareness of health care spending and by giving employees a more immediate financial stake in their health care decision-making.

According to UnitedHealth Group, health care spending and consumer behavior can be positively impacted, without adverse effects on members' health, when CDHP enrollees are given the necessary support. Thus, employers wishing to see the best that CDHPs can offer must commit to providing—or commit to ensuring that the CDHP vendor provides—tools and information that enable employees to make smart health care decisions. Such a commitment includes ensuring that employees understand how CDHPs work; having plan provisions that encourage utilization of wellness programs and preventive care services; offering easy-to-use tools that give employees useful, comprehensible information on health care issues, services and providers; and educating employees that how they manage their health and use health care services is a financial—as well as a personal—issue for them.

2006 Lambert & Carney Survey Results- Cost Shifting Continues

While carrier trends continue to project double digit rate increases net increases in healthcare costs have been reported to be closer to 7% this year. The reason why premium rates are increasing at a lower rate than trend is due to cost shifting.

Lambert & Carney's 2006 Survey of Employee Benefit Plans reflects a continued shift in costs to employees through higher deductibles and copays. Further, employers are asking employees to pay a greater share of the premiums. The following are just a few examples

- 51% of employers now require a contribution of 25% or more for single coverage compared to just 38% just two years ago

- 43% of companies now have plans with in-network deductibles
- 56% of plans now have copays of \$20 or more versus 38% in 2004
- 72% of plans have hospital copays compared to 66% in 2004
- The most common hospital copay (25%) is \$101 to \$250 followed closely (22%) by \$251 to \$500

If you would like to have your company's benefits benchmarked against our results, please contact us at 800-357-1840.

Employers Will Soon Be Required to Electronically File Form 5500s

Starting with the 2008 plan year, employers will be required to electronically file their annual pension and other employee benefit plan reports with the government. A new Department of Labor regulation requires companies to file their annual Form 5500 reports electronically, starting in 2009. The new rule affects annual reports dated January 1, 2008, or after. The department originally proposed electronic filing starting next year. However, many small employers voiced concern that more time would be needed to make the necessary adjustments.

Form 5500 is a requirement of the Employee Retirement Income Security Act of 1974 (ERISA), and is filed annually with the Department of Labor, the Internal Revenue Service, and the Pension Benefit Guaranty Corporation. Form 5500 is the primary source of public information about the operation, funding, assets, and investments of employee pension, 401(k), and health-benefit plans. This new system is expected to increase the accuracy of information used by the public and government. One anticipated outcome of improved speed and accuracy is better tracking of delinquent filers.

Lessening the current turnaround time for giving the public and government access to Form 5500 data will lead to more error corrections as well as enforcement actions for any filers that misrepresent financial data. Currently, it takes about a year for the Department of Labor to process data and make it available to the public.

The e-filing process should save time and money over the long term. However, some small business advocates feel that smaller firms will face compliance problems. One compliance problem is that each plan sponsor must obtain an Electronic Filer Identification Number (EFIN) from the Department of Labor before filing electronically. The EFIN is an identification code and password. Another anticipated hurdle is the setup and testing of the software and encryption running of the system. Since small companies may not presently have this technological proficiency, it could be a major expense to install systems and train staff or hire consultants to prepare filings on their behalf.



Another transition problem is accuracy. When filing paper reports, attaching additional documents to Form 5500 schedules was permissible. However, in most cases, the e-filing rule requires plans sponsors to input data gathered from various sources into the schedule itself. Hence, companies must develop procedures to coordinate, input, and ensure the accuracy of data obtained from internal systems, external actuaries, and other third party record-keepers.

This new regulation is another example of the government's recent move to increase the use of electronic filing. The IRS encourages electronic income tax filing for individuals and corporations, and the Pension Benefit Guaranty Corporation currently requires electronic filing of pension data.

A welfare benefit plan that covered fewer than 100 participants as of the beginning of the plan year and is unfunded, fully insured, or a combination of insured and unfunded does not need to file Form 5500.

Lambert & Carney Benefits Group, LLC can help your company comply with this requirement.

Targeted Communications Catch Employees' Attention

We live in an age of information overload. Mail piles up (both at the front door and in our e-mail inboxes) due to the volume we receive on a daily basis. Many of us quickly and automatically trash (or, if paper, recycle) everything but bills, personal or business letters, or other items that we can quickly identify as of interest or importance.

For employers, this situation adds to the challenge of communicating employee benefits matters. Employers, more than ever, are faced with developing benefits communications that employees don't automatically zone out. Thinking about the employees in your work force and attempting to customize, or target, communications to different employee groups can help make your communications efforts more effective.

Today's work force comprises roughly three "generations" of employees: Baby Boomers, born from 1964 and earlier; Generation X, born from 1965-1980; and Generation Y, born after 1980. Each group has different current needs and focuses.

Young and in the early stages of their working careers, members of Generation Y are unlikely to be thinking about the importance of saving for retirement. They may also still have that feeling many of us have when we are very young, of infallibility and immortality, and therefore not pay attention to the health benefits their employer offers. Used to quick-changing media images, individuals in this group likely

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will have short attention spans, and as such could be more receptive to communications that are brief, eye-catching and to the point, and to electronic media, such as e-mail and Internet.

Many Generation Xers are at a time in their lives when they have significant competing financial responsibilities—raising a family, acquiring a home, thinking forward to future retirement and children's college education, and perhaps contributing toward the care of elderly parents. These employees will have been in the work force long enough to be aware of any retirement plan, but may not be contributing (or not contributing enough) because of their competing financial responsibilities. Making budgeting tools a highlight of retirement plan communications could be one way to get the attention of this group. Another benefits resource likely to be useful to this group is the resource and referral services of an employee assistance program (EAP), for childcare and eldercare referrals. However, these employees may not be as aware of EAP availability as they are, say, of a retirement or health plan. Leading off communications with how the EAP can be a resource for helping to juggle multiple

responsibilities can be a gateway to information on other relevant benefits.

Nearing retirement, many Baby Boomers are catching up on missed savings opportunities while preserving the value of any wealth that they have accumulated.

They also may be more focused on health issues as they grapple with the effects of aging. Communications that hone in on these topics are likely to generate more interest among members of this employee group.

The concept behind targeted communications is simple and basic: we are more likely to pay attention to what interests us. Determining how to reach each different group, and crafting communications accordingly, can lead to an increased ability to communicate more effectively with each group.



Lambert & Carney Benefits Group, LLC
1700 Post Road, Suite B-1
Fairfield, CT 06824

Paul Lambert
plambert@lcbenefits.com
Sean Carney
scarney@lcbenefits.com