

Employee Benefits & Workers' Comp News

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Your future— Our commitment



Medical Benefits

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Healthcare Reform: What Employers Need to Know Now

On March 23, 2010, President Obama signed into law H.R. 3590, the Patient Protection and Affordable Care Act (Public Law 111-148), the largest healthcare reform bill in decades. Many provisions of the bill will not go into effect for a few years (generally, 2014). Until then, here are some of the provisions that might affect your health plan during 2010.

Effective January 1, 2010:

Tax credits for small businesses: Small businesses can receive a tax credit to cover up to 35 percent of employee health-care premiums the employer pays, retroactive to January 1, 2010. Businesses that initiate coverage this year will also get a credit. Qualifying firms must

have fewer than the equivalent of 25 full-time workers (e.g., a firm with fewer than 50 half-time workers would be eligible), pay average annual wages below \$50,000, and cover at least 50 percent of the cost of health coverage for their workers.

The credit phases out for firms with average wages between \$25,000 and \$50,000

and for firms with the equivalent of between 10 and 25 full-time workers. To avoid giving employers an incentive to choose a high-cost plan, an employer's eligible contribution is limited to the average cost of health insurance in that state. In 2014, the credit will increase to 50 percent. Tax-exempt organizations that meet the criteria of a "small employer" (as above) can receive a 25 percent tax credit in 2010. In 2014, this rate increases to 35 percent.

Effective June 23, 2010

Early retiree reinsurance: The law requires the U.S. Department of Health and Human Services (HSS) to develop an early retiree reinsurance program by June 23. The program will provide \$5 billion to help employers subsidize coverage for

This Just In

Employers should expect increased enforcement of OSHA's health and safety regulations. The federal Occupational Safety and Health Administration has 100 more compliance officers than it did a year ago, and has requested funds to add 25 more in 2011.

H.R. 2067, the Protecting America's Workers Act, would also stiffen penalties for violating OSH regulations. The bill "addresses three major weaknesses in the OSH Act," said sponsor Rep. Lynn Woolsey, D-Calif. H.R. 2067 would extend OSHA coverage to state, county and municipal workers; increase protections to whistleblowers; and increase civil and criminal penalties for violations of OSHA regulations.

According to Woolsey, OSHA civil penalties "have not been increased in two decades and are extremely low....without a change in the penalty structure...they will never be high enough to be an effective deterrent, especially for those employers who are repeat violators."

Jonathan L. Snare of the U.S. Chamber of Commerce said in testimony on the bill: "Penalties alone will not solve the problem [of workplace injuries and fatalities]—remember, penalties are imposed after the fact of an injury or fatality. The critical mission of OSHA is to assist employers to make sure these injuries and fatalities never occur in the first place."



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Managing Workers' Comp Drug Costs

Prescription drugs account for slightly more than 20 percent of total workers' compensation medical expenses, estimated the National Council on Compensation Insurance in 2008. That share is likely to grow—a survey released in late 2009 found workers' compensation drug costs had increased 7.5 percent over the previous year's.

Survey respondents attributed most of the increase to overuse of certain drugs, such as pain medications, and certain physician's prescribing patterns.

So what can you do to control *your* workers' compensation drug costs?

Unfortunately, many of the strategies you can use to control drug costs in your group health plan won't work in workers' compensation. First, workers' compensation laws require employers (or their insurers) to pay 100 percent of the costs of treating a work-related injury or illness, including any drugs prescribed. Group health plans, on the other hand, are voluntary. Employers choose whether they want to provide benefits or not. Like it or not, some healthcare providers use this fact to their advantage and try to get the most out of workers' compensation claims.

In addition, the two systems have different goals. If an employee suffers an injury that isn't work-related, a good health plan will attempt to cure or treat it, without regard to how long that treatment takes or how long the patient will be out of work. But workers' compensation has two goals: treating the injury and returning the employee to productive work as soon as possible. The need to return an injured employee to productive work as soon as possible might justify selecting a more costly treatment that could speed recovery.

Finally, when group health costs rise and employers will not or cannot increase their spending, they can pass more costs on to employees, select a group health plan that uses more cost controls, or a combination of both. Employers can't pass workers' compensation costs on to their employees, but they can adopt some of the cost control strategies used by group medical plans.

These strategies include:

Encouraging the use of lower-cost drugs. Steps include:

- ✱ Developing formularies, or lists of preferred drugs. Even though workers' comp law in many states prohibits employers or insurers from limiting workers' compensation drug payments to certain formularies, these lists can serve as recommendations.
- ✱ Using evidence-based criteria to recommend drugs for specific conditions. For example, acetaminophen can relieve pain effectively, costs less than OxyContin, and doesn't lead to addiction. And more expensive doesn't always mean more effective when it comes to medication. For simple inflammation, ibuprofen can be as effective as prescription Celebrex.
- ✱ Encouraging the substitution of generic drugs for brand-name ones, when available.

Managing claims. Steps include:

- ✱ Using workers' compensation or occupational health specialists to treat workers' compensation claims whenever possible. Providers who understand work-related injuries can help workers recuperate faster and help employers control their costs.
- ✱ Reviewing claims to ensure that prescriptions have been properly prescribed and to avoid potentially dangerous drug interactions.
- ✱ Reviewing claims to ensure that any drugs paid for treat a work-related condition. Obvious red lights would include any drugs related to fertility, cholesterol, blood pressure or weight loss.



Reviewing utilization: This includes reviewing providers' drug-dispensing histories and practices for the following:

- ✱ Frequent prescribing of addictive painkillers, particularly when others might be available.
- ✱ "Layering" drugs, or adding another drug on top of others already taken, rather than eliminating or tapering off use of drugs that might not be effective.

Many workers' compensation insurers provide cost control services. If you self-insure, a prescription benefit manager (PBM) can help you control the costs of workers' compensation prescription drugs. For more information, please call us. ■



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early retirees—those age 55 and older who are not eligible for Medicare. The program will reimburse employer-sponsored health plans up to 80 percent of their costs of covering early retirees (and eligible spouses, surviving spouses, and dependents).

The program applies to health benefits between \$15,000 and \$90,000 and translates into a savings of up to \$1,200 off the premium of every family plan offered by that employer. Plans must use the proceeds to lower health costs for enrollees (e.g., premium contributions, copayments, deductibles, etc.).

Payments are retroactive for a plan year, so employers and early retirees will be able to take advantage of them for costs incurred from the date the program is established. The program ends on January 1, 2014, when early retirees will be able to choose from coverage options in the health insurance exchanges.

Temporary high-risk pool: Section 1101 of the new law establishes a “temporary high risk health insurance pool program” to provide health insurance coverage to currently uninsured individuals with preexisting conditions. The law directs HHS to carry out the program directly or through contracts with states or private, nonprofit entities. Currently, most states have high-risk health insurance pools; the law would extend risk pool protection nationally, reduce the costs of risk pool coverage for many participants, and provide \$5 billion dollars to subsidize the costs of coverage.

However, the law creates fines for insurers and employers that encourage employees

to drop coverage to enroll in high-risk pools. The pools will be dissolved in 2014, when the health insurance exchanges become operational.

Effective July 1, 2010

The law requires the Department of Health and Human Services to establish an Internet portal to provide information to small businesses about available health coverage options, including information on reinsurance for early retirees, small business tax credits, and other information specifically for small businesses regarding affordable health care options, by this date.

Effective September 23, 2010

(Calendar year plans must comply by January 1, 2011.)

Dependent coverage: All plans, insured and self-insured, must permit coverage for employees’ children to age 26 unless they are eligible for employer coverage. Currently, most plans cut off coverage for adult children by age 23.

Until now, the IRS required the employer to report the value of coverage for an older, nondependent child on the employer’s health plan as wages on the W-2. The new law removes that requirement effective with April payrolls.

Pre-existing condition exclusions: Plans must remove any pre-existing condition exclusions for children up to age 19.

Lifetime dollar limits: Insured and self-insured plans must eliminate lifetime dol-

lar limits. Currently, most group plans cap lifetime benefits at \$1 million to \$2 million. New and non-grandfathered plans will have to ensure the following provisions apply:

Claim appeals process: Plans must have a process that allows insureds to appeal coverage determinations and denied claims.

Non-discrimination: Insured group plans cannot discriminate in favor of highly compensated individuals.

Emergency services: Plans must cover emergency services without prior authorization. Primary care providers: HMO and PPO plans must allow insureds to designate a pediatrician or ob/gyn as a primary care provider.

Effective date unknown:

Auto enrollment: Employers with more than 200 employees that offer coverage must automatically enroll new full-time employees in the healthcare plan with the lowest employee premium, with the opportunity to opt-out. The law doesn’t specify an effective date; however, it will likely become effective after regulations are written.

Break time for nursing mothers: Employers must provide “reasonable” (but unspecified) unpaid break time and a private place, other than a bathroom, for mothers to express breast milk for a nursing child for one year after the child’s birth.

Other provisions go into effect in 2011 and later; look for more information in upcoming issues. ■

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can point out risky behaviors and areas where employees have room to make positive changes for the good of their health.

3 Provide low-cost opportunities for regular exercise. Nearly half of employees surveyed said they would use employer-provided programs to improve their fitness, but only 15 percent of workers surveyed had employer-provided access to fitness facilities in fourth quarter 2009. Twenty-seven percent of employees surveyed by

Principal Financial said they would like in-office fitness facilities, 23 percent wanted fitness center discounts and 19 percent expressed interest in weight management programs.

4 Realize that incentives may actually reduce participation. A PricewaterhouseCoopers’ Health Research Institute study released in early 2010 found that employee participation in biometric screenings increased to 32 percent from 30 percent when no

incentives were offered, such as cash, gift cards or annual premium savings. The only exception was a \$500 reduction in premium (rather than a lower reduction), which increased participation.

For suggestions on setting up a wellness program that meets the needs of your workforce, please contact us. ■



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Wellness Programs: Ten Good Reasons to Start One Now

Why you should start a wellness program, and how to design it to meet the specific needs of your employer and employees.

Reason #1: Wellness programs help retention. Forty-five percent of Americans working at small to medium-sized companies said that they would stay at their jobs longer because of employer-sponsored wellness programs.*

Reason #2: Wellness programs help them work harder and perform better, said 40 percent of employees.*

Reason #3: Wellness programs reduce absenteeism. Twenty-six percent of respondents said they missed fewer work days by participating.*

Reason #4: The timing is right. Sixty-two percent of employees think their personal healthcare expenditures will increase “significantly” under healthcare reform. Another 20 percent think they’ll increase slightly.*

Reason #5: Employees are motivated. Thirty percent of employees said they wanted to reduce their personal healthcare costs.

Reason #6: Employees will use these benefits. Nearly half (47 percent) use (or would use, if they were available) employer-paid wellness benefits to improve their fitness and health.*

Reason #9: The cost of medical care continues to increase faster than the general rate of inflation. For the 12 months ending in March 2010, the Consumer Price Index for medical services grew 3.8 percent, vs. 2.3 percent for all items.

Reason #10: You can start small and expand your program as savings grow.

**Source: Principal Financial Well-Being Index, fourth quarter 2009*

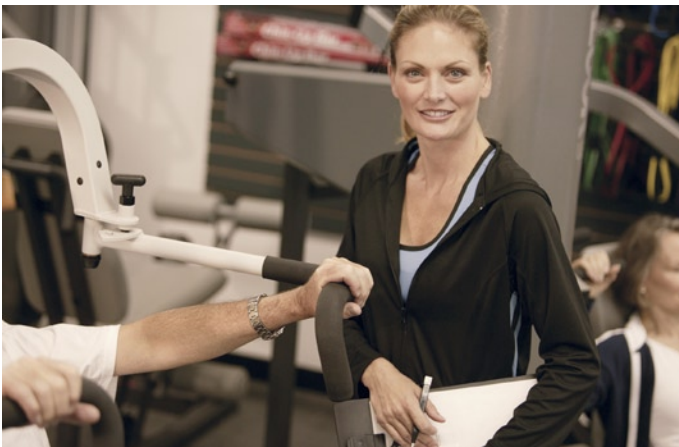
If you agree that it’s time to start a wellness program, how can you design one that meets the goals of both employees and the employer?

Reason #7: Wellness confers benefits to employers, too. Healthier employees are more productive, miss fewer days of work and cost less to insure.

Reason #8: Wellness programs are a sound investment. The Wellness Council of America says that every \$1 invested in employee wellness yields \$3 in healthcare savings.

- 1 Ask employees to undergo biometric screenings. A basic biometric screening includes blood pressure, body mass index (BMI) and cholesterol levels. Screenings can point out some of the most immediate and obvious health problems for an individual to work on.
- 2 Ask employees to complete individual health assessments (IHAs). When evaluated by a trained health professional in a one-on-one confidential session, the IHA

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Speaking the Language of Safety

Employers have an obligation to ensure all workers understand safety communications, even if they have minimal English skills, minimal literacy skills or other barriers to understanding. To improve the effectiveness of your safety communication program, consider the following:

- * A 2003 survey by the U.S. Department of Education found 14 percent of adults—including many native English speakers—had prose (text-reading) skills at the “below basic” level and 12 percent had document (chart or form-reading) skills at below basic level. Ensure communications are written no higher than the Grade 4 to 6 range, the level usually recommended for general audiences.
- * According to the most recent census figures, approximately 12 percent of the U.S. population is foreign born; many are less than proficient English speakers. Translate existing documents into Spanish or other languages read fluently by your workers.

- * Sometimes workers have to react quickly to protect their safety. A study commissioned by the Occupational Safety and Health Administration found that “[w]arnings containing a pictorial, color, or an icon elicited significantly faster response times among subjects than warnings without them.” Consider adding pictograms or symbols to your company’s warning signs and safety-related documents. To ensure comprehension, provide some training, which can be as simple as pointing out the symbol and saying what it means.
- * It’s a fact of life that people don’t read most of what’s in front of them. Don’t limit your safety training efforts to simply posting signs or handing employees a safety manual. Meet with them—either in a classroom situation or one-on-one at the job site—to ensure they understand any work-related hazards and how to avoid them.

For more suggestions on improving safety in your workplace, please call us. ■