

JUNE 2006

Gaining Control

Some Employers Find Relief from Rising Healthcare Costs

WHILE STILL reaching double-digit figures, healthcare costs are beginning to moderate, according to Aon Consulting. Over the next 12 months, healthcare costs are projected to increase by 12.2 percent for HMOs, 12.4 percent for PPOs, 11.9 percent for POS plans, and 12.5 percent for consumer-driven health plans (CDHP).

Aon also found that general pharmacy costs are expected to increase by 12.2 percent, and specialty drug costs, 17 percent. Medicare Supplement plans and Medicare Advantage plans are predicted to increase by 11.5 and 10.2 percent, respectively.



"This is the sixth year of double-digit increases in healthcare costs," said Bill Sharon, Aon Consulting senior vice president and study director.

"Employers have been responding to this by using a variety of strategies to control healthcare costs, such as increasing deductibles and copayments, expanding disease management programs, adding health promotion programs, and introducing new consumer-driven health plans."

Similarly, a recent National Business Group on Health/Watson Wyatt Employer Survey found that best-performing companies are also finding ways to regain control over costs by: (1) promoting the use of high-quality providers and *(Continued on back)*

Workforce Realities

'New Retirement' Era Shows Disconnect



A GROUNDBREAKING retirement study from Merrill Lynch reveals a disconnect between how Americans and their employers view retirement. While many people are actually working in retirement or have taken steps for a new retirement career, most employers are not on track to prepare for this

phenomenon.

"Not only is the new model of retirement here, but it transcends many different age groups," says Michael Falcon, head of the Merrill Lynch retirement group. "Multiple generations report cycling in and out of work and pursuing a new career in later life as the retirement ideal. Companies need to be aware of this new concept of retirement in order to prepare for the new workforce realities."

Building on the findings of the *2005 New Retirement Study* which discovered that 76 percent of all Baby Boomers had no intention of seeking a "traditional" retirement, the 2006 sequel finds that: (1) The average tenure of a retirement career is over nine years, and the average age at which one stops working completely is over 70; (2) The most common reason for working in retirement is to stay mentally and physically active; (3) Gaining control over debt is ranked as the most important element in creating a secure financial future; (4) The ideal work arrangement in retirement is cycling between periods of work and leisure; and (5) Boomers want to give back by sharing or passing on knowledge to others.

As individuals continue to reject traditional retirement and the wave of people seeking retirement careers comes crashing in, those leading the pack realize the importance of attracting and retaining older and talented workers. ■

Making Healthcare Choices

Decision-Support Tools Enable Consumers

IN TODAY'S healthcare marketplace, Americans are being asked to take an increasingly active role in decisions concerning their healthcare. In turn, employers need to give employees the tools and information they need to become healthier and more prudent consumers.



However, as the number and complexity of these decisions expand—from care and treatment choices to selection of health plans, hospitals, doctors, and other providers—new information and tools are being developed to support consumers in their healthcare decision-making. Yet, according to a report from the California *(Continued on back)*

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facilities; (2) using data and hard evidence to plan and implement health programs; (3) helping employees better manage their health; and (4) encouraging employees to use medical services appropriately. Although the cost trend is beginning to increase at a lower rate, healthcare costs persist as a chronic problem for most companies. Small employers, especially, are concerned about their ability to provide affordable health insurance coverage and to attract and retain top quality staff.



According to the Towers Perrin *2005 Global Workforce* study, health benefit programs are second only to competitive base

pay in attracting employees to an organization. They also contribute to a company's reputation as a good employer, which, in turn, helps retain good people and engage them in the business. So, while benefits don't directly drive employee performance, they do play an important role in attracting an effective workforce and sustaining the positive, productive work environment companies need to succeed.

Therefore, how can companies reconcile the seemingly conflicting goals of managing costs and managing people? According to Towers Perrin, by building a culture of health. Employers who take this approach do two things: focus on the underlying causes of healthcare cost increases (rather than simply costs alone) and take a systematic, comprehensive approach to identifying and acting on opportunities for improvement. ■

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HealthCare Foundation, *Consumers in Health Care: Creating Decision-Support Tools That Work*, certain barriers exist both in the design and implementation of such tools. The barriers include: (1) Limited consumer awareness of information; (2) Lack of relevant and standardized content; (3) Lack of trust in the source of support; (4) Low levels of health literacy; (5) Lack of online access to web-based tools; and (6) Poor tool design and confusing presentation of complex information. However, decision tools related to health plan choice have been shown to improve users' knowledge, satisfaction with the decision process, likelihood of considering alternatives to current plans, and selection of plans that best meet consumers' personal needs and preferences. ■

Bulletin Briefs

James P. Patrician Named Senior Vice President of Coordinated Benefits Company

SCHAUMBURG, June 7, 2006 – Coordinated Benefits Company, an insurance benefits retailer, consulting and brokerage firm, has named James P. Patrician Senior Vice President of the company, which is headquartered in Schaumburg, IL.

Coordinated Benefits Company assists metropolitan Chicago firms with group insurance plans, including health, dental, life, disability and qualified retirement plans.

Patrician, 38, is a seasoned manager who brings more than 17 years of experience to the new position. From April, 1996 until joining Coordinated Benefits Company effective June 7, 2006, he was a vice president of Insurance Plans Agency, Inc. Prior to 1996, he was a member of the Managed Care Division of The Prudential and then with Rush Presidential following the merger of the two organizations.

A native of Arlington Heights, IL, Patrician graduated from the University of Iowa with a B.A. degree in 1989. He also holds an MBA from DePaul University. He resides in Algonquin, IL with his wife and their two children.

Coordinated Benefits Company's membership in United Benefits Advisors, a partnership of the nation's premier independent advisor firms, is one of the features that attracted him to the new position, Patrician said. Coordinated Benefits is the approved vendor of employee benefits for the Northwest and Schaumburg Association of Commerce and Industry.

"This is a time when employers are confronting many questions about benefits. I wanted to be with a firm that has the best ability to help," Patrician said. "Through John Rippinger's personal investment in the company, I also have access to the counsel of one of the best advisers in our industry."

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JUNE 2006

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