

..... JANUARY 2007

And the beat goes on!

Perfect Storm Brews as Employers, Networks Face Key Health Issues

THE CONVERGENCE of market pressures, public policy developments, and cost concerns in the healthcare provider sector will drive momentum for wider adoption of electronic records, improved efficiencies, greater transparency, and new metrics for quality care, according to Ernst & Young LLP's (E&Y) healthcare provider practice.

"Healthcare is operating under a growing strain to serve more patients, cut costs, and maintain and demonstrate quality of care," according to Dee Balle,



America's provider care sector leader. "We are likely to see more focus on a transformation in business processes and operations in the coming year as hospitals and hospital networks confront these challenges. Those who get out front will raise the bar and create a more competitive environment among healthcare providers," says Balle.

Topping E&Y's key health issues for the healthcare provider industry are:

- ◆ **Cost Recovery.** According to a recently issued report from the Government Accountability Office advising the incoming Congress to reform Medicare and Medicaid, the long-term fiscal sustainability of these federal programs is in jeopardy. The issue will escalate as states facing budget challenges push back on their contributions to Medicaid. *(Continued on back)*

Sea of Change

Experimental Wellness Program Shows 'Good Faith' in Health Outcomes, Costs

A WELLNESS experiment in Seattle's King County aimed at getting employees healthier and reducing medical costs ties what employees pay for health benefits to the effort they make to be healthy. Whether it's aerobics classes, smoking cessation programs, nutrition classes, or departments bonding through group salad days, the King County approach represents a novel and relatively benevolent ripple in what has become a sea of change in how employers are addressing health benefits, according to the *Seattle Times*. *(Continued on back)*



Ever-Changing Landscape

Workforce Managers to Tackle 2007 Issues

GREATER CONSUMERISM in healthcare, tighter labor markets, and smarter investment in training and HR technology will keep workforce managers busy in 2007, according to Watson Wyatt and *Workforce MANAGEMENT*. Highlights of these trends include:

- ◆ **Increased focus on high-deductible health plans (HDHPs) coupled with a reimbursement arrangement, such as health savings accounts (HSAs)** – "It's not enough for organizations to put in a plan design by itself," says Tom Billet, Watson Wyatt senior consultant. "Companies really need to invest in tools and education to help employees make better healthcare decisions."
- ◆ **Rewards & Recognition** – More companies are tying recognition to their business goals, and these directives are coming from the top of organizations.
- ◆ **Outsourcing** – The hot growth trend of recruitment process outsourcing will see more companies opting to farm out everything from searching for candidates to hiring new employees, a trend being driven by an increasingly tight job market, looming talent shortages, and cost efficiencies.
- ◆ **Training & Development** – Corporate executives are demanding more proof that training dollars are tied to sound business results. As a result, employers are using more sophisticated metrics to assess learning programs.
- ◆ **Recruitment & Staffing** – Recruiting continues to be more bottom-line oriented as the talent shortage and tightening labor market force organizations to be more accountable for their recruiting dollars and more aggressive about finding top people. Employee referral programs are still the best source, according to CareerXroads annual *Source of Hire* report. As employers feel the pinch for talent, organizations need to beef up their employee referral programs. ■

And the beat goes on!

(Continued from front)

- ◆ **Technology Catch-Up.** There is growing support for the federal government to play a leadership role in establishing standards and funding health information technology. This issue is likely to resurface during the 110th Congress as incoming Senate Health Committee chair Edward Kennedy has stated that one of his top priorities is to pass health IT legislation.



- ◆ **Staffing Challenges.** According to the U.S. Labor Department, an additional 5.3 million healthcare workers will be needed by 2010 (2.2 million replacements; 3.1 million new positions). Issues of cost and how to efficiently increase staff according to demand will receive much attention from healthcare administrators in 2007.
- ◆ **Pay for Performance & Gain-sharing.** Implementing a pay-for-performance program in 2007, the Centers for Medicare and Medicaid Services (CMS) doctors who serve Medicare patients can qualify for a 1.5 percent bonus if they report data on quality of care, using specific government measures. Gain-sharing, another incentive program under discussion, occurs when hospitals provide physicians with a percentage of any reduction in hospital costs resulting from physician reengineering of patient care without sacrificing quality. ■

Road to Wellness . . . (Continued from front)

The program skirts between two sharply divided views of today's employee healthcare insurance debate: sharing risks vs. paying what you cost. But what really distinguishes the King County approach is the abiding faith it places in two relative unknowns: the long-term financial return of wellness programs and the human capacity to change behavior in ways that stick.



Run on an honor system, the only requirement is that each employee *try*. "Most everyone needs a push," notes King County Executive Ron Sims. While money talks, it is most often crisis or epiphany that changes long-term behavior. What *is* important for workers trying to get healthier is time and opportunity. To ensure that employees have this opportunity, Sims has devoted considerable staffing and investment (more than \$1 million a year) to health assessments and coaching to make his wellness plan work.

The program has the potential to be a win-win. Employees keep their enviable insurance packages (no premiums and no-cost screenings) and learn to live healthier. King County government hopes to save as much as \$40 million by 2009 or 2010, believing preventive measures could head off many costly conditions. ■

..... Bulletin Briefs

- ◆ *San Francisco's Paid Sick Time Law Effective Feb. 5, 2007* Measure F enacted a Sick Leave Ordinance that requires all employers to provide paid sick time benefits to their employees who work within the City and County of San Francisco. By Feb. 5, employers who have employees working in San Francisco should take action to comply with the Ordinance by adopting a new paid sick time policy that complies with the Ordinance, revising existing paid-time off benefit policies, or a combination of both. Employers must also post the required notice in their workplaces where it can be readily viewed by employees, available at: http://www.sfgov.org/site/uploadedfiles/olse/Paid_Sick_Leave_Poster.pdf
- ◆ *DOL Offers Good-Faith Guidelines for Individual Benefit Statements* Under the Pension Protection Act of 2006 (PPA) amendment, plan administrators are required to provide individual benefit statements at least quarterly to participants or beneficiaries who have the right to direct their investments in defined contribution plans (including 401(k) plans) or at least once a year to participants and beneficiaries who have their own accounts but do not have the right to direct their investments in defined contribution plans. The new benefit statement requirements generally are effective for plan years beginning on or after January 1, 2007. Until the DOL issues regulations or further guidance, Field Assistance Bulletin 2006-03 offers guidelines for good-faith compliance for eight specific issues. For more information, the guidance is available at: <http://www.dol.gov/ebsa/pdf/fab2006-3.pdf>. ■

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JANUARY 2007

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