

JULY 2007

## Dominating Issue

### Reforming Healthcare Moves to Center Stage As Elections Heat Up

**H**EALTHCARE IS staking a claim to center stage on the national political agenda for the first time since the great debate about the Clinton health reform plan in the early 1990s.



Sixteen months before Election Day, presidential candidates in both parties are promising to overhaul the system and cover more—if not all—of the 45

million people without insurance. This amount of attention comes in response to the growing anxiety among voters—and much of American business—about the cost of healthcare. In a short period of time, healthcare has gone from an issue that was not even included on the list of seven issues voters were asked about on the national exit poll in last November's election to the number one domestic issue and the number two issue overall behind the Iraq war on several recent polls.

Nonetheless, both parties are closely watching the action in the states as potential blueprints for a middle-of-the-road compromise. All eyes are looking east as Massachusetts recently began implementing a comprehensive plan in the real world just as interest in health reform nationally is taking off. It is also the first test in the nation of a so-called individual mandate, a requirement that all residents purchase health insurance as *(Continued on back)*

## Sustaining Benefits

### Employers Must Move Beyond Cost-Shifting

MORE EMPLOYERS ARE recognizing that cost-shifting is not effective over the long term, according to Tom Lerche, Aon healthcare practice leader. "It's a good short-term solution, but after several years of doing that, employees have higher contributions, but it hasn't reduced or stabilized healthcare spending. At worst, it's devalued the health benefit."



Current cost trends are not sustainable, according to Gary Kushner, futurist and president, Kushner & Co. Speaking at a recent SHRM Annual Conference, Kusher told attendees that pursuing the same benefit strategy you have today is not viable in the next 10 years.

"There is a point at which you can no longer shift costs to employees. By 2017, total benefit costs will approach 65 percent of pay, driven by healthcare trends and an aging workforce. A growing number of employers will be paying more for benefits *(Continued on back)*

## Retaining Workforce

### Mentoring Keeps Younger Workers on Board

ONE OF THE most notable shifts in the workplace in recent years has been the rapid disappearance of the prototypical loyal employee who would work 30 to 40 years for the same corporation and then retire with a gold watch and a pension. Many workers today hold positions at multiple companies during their careers and may feel no particular loyalty to remain at any organization for a great length of time. Likewise, many companies feel no special loyalty to their workforce.



Despite this change in corporate culture, mentoring may be more important than ever to organizations themselves, since linking up a mature mentor with a promising protégé is an excellent way to keep valued up-and-comers from jumping ship and taking jobs elsewhere. Mentees, for example, often look to more experienced co-workers for career guidance and professional advice, and use them as sounding boards for ideas and problem-solving. "Employees who have mentors earn more money, are better socialized into the organization, and are more productive," says Terri A. Scandura, management professor and dean, University of Miami graduate school. "They experience less stress and get promoted more rapidly."

Both benefit from the experience. It's an interactive process as mentors and protégés become co-learners, says Scandura. Both must be excited about the initiative. "It has to be a long-term program with frequent, meaningful meetings," notes Jennifer S. Mueller, Wharton management professor. "You can't just meet to talk about 'stuff' three times a year." ■


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they do auto insurance in many states.

On the west coast, the Healthy San Francisco initiative aims within 18 months to cover all 82,000 people in the city who lack health insurance. Employers who don't currently offer health insurance to their employees must contribute to the program starting January 1.

Even though healthcare is rising on the national agenda, at least four things need to happen for this debate not to end in failure in the new Congress in 2009 as the last debate did in 1994, according to Drew Altman, Kaiser Family Foundation president and CEO.



First, the pace-setting states with comprehensive health reform plans need to achieve at least some measure of success, or substantial momentum nationally will be lost.

Secondly, business has to engage for real this time and add its muscle to the debate. In the past, business leaders have complained about their healthcare costs but not actively supported national legislation. Third, there will be no chance at legislation in the Congress in 2009 unless there is a big national debate about health reform in the presidential campaign. Finally, when we get to 2009, our political leaders will need to show a willingness to compromise to achieve consensus, such as has been done in Massachusetts' approach.

"The choices we make now will set the direction of medical care in America for years to come," says President Bush. ■

## Sustaining Benefits. . . *(Continued from front)*

per employee than they're putting into workers' paychecks."

Helen Darling, president, National Business Group on Health, says that employers should first "do all the easy things to reduce costs."



For example, perform vendor audits. Howard Gerver, founder and CEO, HR Best Practices, agrees. "Given the materiality of healthcare costs, employers simply cannot afford to not audit their respective plans every two or three years." In addition, Bruce Kelley, Watson Wyatt consultant, affirms that data mining is

an important part in targeting methods to contain costs without cost-shifting.

As a result, companies adopting alternate cost-containment initiatives must do the messy work of culture change, according to Tony Merlo, Health Dialog national practice leader. "It's very different to go from saying that part of the HR/benefits job function is to lower healthcare costs to saying, 'Everyone in this organization has a responsibility for improving health and reducing the total costs of poor healthcare and poor health.'" ■

## Bulletin Briefs . . . . .

### ◆ *What actions can be taken if an employer fails to file a Form 5500?*

The Department of Labor currently maintains the Delinquent Filer Voluntary Compliance (DFVC) program. Without this program, the penalties for failing to file a Form 5500 are \$25/day up to \$15,000/year to the IRS, and \$1,100/day to the DOL, without any limit. Under the DFVC, the penalties are significantly reduced. The maximum penalty can be as low as \$10/day for delinquent Form 5500s that are caught quickly, according to Frank Palmieri, partner, Palmieri & Eisenberg.

### ◆ *Changes to EEO-1 Report due September 30, 2007*

Employers with 100 or more employees, and federal contractors with 50 or more employees and a \$50,000 federal contract, must provide an annual count of their employees by job category and ethnicity, race, and gender in an EEO-1 Report by Sept. 30 each year. Although the new regulations do not require an employer to resurvey its workforce, the EEOC "encourages" employers to allow their current employees to voluntarily self-identify using the new race and ethnic categories. In addition, under the new system, the EEOC will categorize employees based on their level of responsibility and influence in the organizational hierarchy, rather than on the census codes. Employees in business and financial occupations who are non-managerial employees should be assigned to the professional category in the new system, according to Fisher & Phillips LLP.

### ◆ *Web page offers HR Managers Resources on SS programs*

The Social Security Administration recently launched a new webpage that offers information and resources on various Social Security programs and Medicare, especially designed for Human Resource Managers. Check out this useful resource at

[http://www.socialsecurity.gov/SSA\\_Home.html](http://www.socialsecurity.gov/SSA_Home.html) ■

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