

## Health Cost Slowdown Studies Predict Slower Premium & Cost Growth; Employers Still Suffering

**A**FTER YEARS of steady increases, the rise in health care costs paid by employers is expected to level off or dip in 2009, according to several recent national studies.

Most projections, however, still have health premium costs rising much faster than inflation. And while a slowdown in cost elevation no doubt would be welcomed by employers, many small-business owners say they're already at the breaking point when it comes to dealing with health care costs.



In a study released last month, PricewaterhouseCooper's Health Research Institute predicts medical costs paid by employers in 2009 will increase an average of 9.6 percent, compared with a 9.9 percent increase in 2008. The PwC report cites improved medical management and a focus on wellness programs as reasons for the smaller increase.

Generic options for prescription drugs also are helping to reduce costs, the report said. That benefit, however, is likely to shrink because fewer drugs are coming off their patents in 2009.

Preliminary results from Milliman's 2008 Group Health Insurance Survey estimates increases of 8.5 percent in

*(Continued on back)*

## Getting the Word Out

### DOL proposes new fee-disclosure rule

**THE U.S. DEPARTMENT OF LABOR** has issued the last portion of a proposal that would require fee disclosures regarding employee-directed retirement plans, and most experts and advocates seem pleased with the changes.

The regulation would require plan sponsors to regularly disclose to employees general information about the plan and the fees and expenses paid by plan participants.



The new rule also requires plan sponsors to provide information on past performance of the plan's individual investment options. *(Continued on back)*

## Tightening the Belt

### 'Hardship Withdrawals' Signal Tough Times

**WITH THE ECONOMY** in a slump and gas and food prices putting pressure on employees, many employers are looking to "recession-proof" their benefits plans and help their workers cope with the current economic downturn.

The extent of the economic crunch on employees is demonstrated by a recent report by Mercer, in which the percentage of workers making "hardship withdrawals" from their 401(k) plans jumped 21 percent in the first half of 2008 compared with the same period last year.

"Benefits have been getting more expensive relative to employee wages and inflation for the last seven years, and now there are so many additional expenses piling on for employees," Marsh Senior VP George Lane told a recent roundtable of HR professionals in Washington, D.C.

"Gas prices, food prices – that's all just piling on to the issue we've been dealing with for a number of years now, and . . . benefit costs (are) going up faster than payroll and inflation."



While there's little employers can do in the short term about rising health costs and retirement benefit fees, some businesses are trying some innovative tactics, such as offering flex time, telecommuting and compressed work weeks.

Some employers are sensing a need of more financial planning services for workers.

"Everyone used to believe that giving specific financial advice and coaching in the workplace was a big liability, so they've stayed away from it," Lane said. "But it's also a huge opportunity" to help employees improve their overall financial health. ■

## Health Cost Slowdown ...

(Continued from front)

2009 premium renewal costs for HMOs and a 9.4 percent increase for PPOs.

Preliminary data from Hewitt Associates Inc. projects an average of an 11.8 percent increase in 2009 premium rates for HMOs – a substantial decrease when compared with 2008's 13.2 percent projected hike. Hewitt also predicts employers could reduce the cost increases to 9.4 percent through aggressive negotiations with HMOs, switching to self-insured plans and by promoting wellness programs.

Nearly two-thirds of employers surveyed in the PwC report said they had already adopted a wellness program, and half of those said they are seeing some positive impact on health care costs from those programs.

All these projections, however, still outpace the government's rate of inflation, and employers' future medical costs are threatened by two growing trends: new construction in the health care industry and cost-shifting to the uninsured, according to the PwC report.

The trend of increasing costs has been especially tough on smaller businesses, according to the National Association of Professional Employer Organizations. Many smaller employers saw costs jump 11 percent or more in 2007, and more are dumping health plans altogether because of rising costs. ■

## Getting the Word Out.... (Continued from front)

The changes are projected to cost plan administrators and employers about \$800 million over the next 10 years. However, the DOL estimates that overall savings (based on the hours that participants would otherwise spend trying to find information on their plans) will reach \$6.1 billion.

The Washington-based American Benefits Council (ABC), a lobbyist group that represents mostly Fortune 500 companies with health and retirement plans, said it was pleased that the rule requires disclosure of investment performance as well as fees, according to ABC senior counsel Jan Jacobson. "Participants, in deciding on what they invest in, should not make decisions just on fees," Jacobson said. "They need other information on risk and return."

However, Jacobson noted that the January 2009 deadline for implementing these changes will make it hard for employers to comply.

At least one member of Congress said the proposal falls short. Rep. George Miller (D-Calif.) said the proposed changes "would still allow financial firms to hide many fees that they take from 401(k) participants' accounts." Other U.S. House staffers have expressed concern that the disclosure information, to be displayed on a simple chart, provides too little information.

DOL officials have defended the plan, saying the proposal will provide basic information for employees, with the idea that workers can gather additional facts on their own. ■

## ..... Bulletin Briefs .....

- ◆ New research by insurance firm Guardian found that two-thirds of employees believe wellness programs are effective in promoting healthy lifestyles, but only 30 percent of polled employees have participated in a wellness program recently.
- ◆ The U.S. Court of Appeals in Washington, D.C. declared in a ruling that an employee with impaired sexual ability qualifies for disability benefits. In a 2-1 decision, the court found that sex is a "major life activity," which is covered in the Rehabilitation Act of 1973.
- ◆ Employers are bracing for a retirement boom as more baby boomers prepare to leave the workforce. A recent Hewitt Associates survey found that 55 percent of employers have already studied how potential retirements would impact their business, and 61 percent have developed or are planning to develop programs to help retain the best older workers. ■

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## tbc notes:

We would like to thank the following companies for allowing us to be of service again this year:

Crosswalk Lutheran Ministries, Phoenix, AZ  
Dutch Distributing, Inc., Phoenix, AZ  
JM Development, Inc., Santa Barbara, CA  
Michael J Smith, DDS, Mesa, AZ  
Misty Mate, Inc. Gilbert, AZ

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**We congratulate Nicole Newhouse**, Business Services and Development Manager, as our *212° Performer* of the Month for July, 2008.....Nicole, while relatively "New" to our company, has performed "above the boiling point" in providing exceptional consultative and strategic direction to our current customers and to those that are considering our services. Thanks Nicole!

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**Evaluations, financial reports, competitive bid management, insurance company negotiations.....just a bit of what Lindsey LaRue, our Director of Client Services**, does on a day to day basis. The work she completes on behalf of you, our clients, is exacting to say the very least.

She reviews complex proposals and rating methodologies and "boils them down" into concise and attractive presentations. She reviews complex reports (for our experience rated clients) and translates these into readable formats.

For our employee benefit consulting and brokerage services, she is the heartbeat!

She works diligently in these areas to ensure that you have the most comprehensive and understandable information at your fingertips. Thanks Lindsey!!

Thank you for your continued business!!

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