



THE STRATEGIC LINK™

Wellness Success Requires Perseverance

Wellness, as experts acknowledge, is a 3-5 year investment of resources: both time and finances. We can strive to achieve results much sooner, but the only way to achieve sustained success is to keep pushing ahead down the path to employee health and wellness promotion.

It is important to remember as we try to promote wellness and good health practices in our workplaces that despite our attempts to reach out to all of our people, we will not reach them all every time.



Change in behaviors, in lifestyles, in organizational culture, and ideally in health care cost trends take time and require relentless effort. Keep in mind with each initiative that is promoted, a person's life is impacted to some

degree. With each program that is offered, another person may be closer to being ready to make a change. A "well workplace" is not created overnight, but rather with strategic measures and constant perseverance.

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(k)ey points of retirement plans

401(k) fiduciary responsibility has become an ever-present subject in the popular media and press. What many fiduciaries do not realize is that, as a fiduciary, you can be held **personally liable** for the decisions you make, or fail to make, with respect to your company's 401(k)

plan. That means your personal assets may be at risk if you do not properly carry out your responsibilities as a fiduciary of the Plan.

Does your current 401(k) plan offer the following Plan Fiduciary Support?

- Investment Policy

Statement Development?

- Prudent Investment Selection?
- Ongoing Investment Analysis Including a Process to Replace Funds?
- Fiduciary Manual & Checklist?

Employers Take Aim at Selected Health Costs

IFEBP, January 2-006

Rather than raising premium costs across the board, some employers are selectively adding surcharges for plan participants responsible for significantly higher expenses to the plan. To shift the rising cost of health care, plan sponsors are

adding surcharges for plan members and beneficiaries who use tobacco, for spouses eligible for coverage through their own employers, for those with chronic conditions unwilling to participate in health management programs and for highly paid employees. In early 2005, 11% of employers had

or planned to add a spousal surcharge, while 45% have adopted coinsurance for prescription drugs and another 31% are considering it. Cost sharing based on pay levels is an approach taken or under consideration by 42% of employers.



*“Only those
who do
nothing
make no
mistakes,”*

Anonymous

Abandon your traditional health insurance plan and “self-fund” your company’s health care expenses. While it sounds risky, for some companies with as few as 20 employees, this approach is saving significant dollars and providing additional flexibility to their health care benefits.

Here’s how it works. The company defines what health costs it plans to cover, it pays an administrator to review the claims, and the company pays any claims directly. Interestingly, the risk of a devastating claim is easily managed. Self-funded plans usually purchase “stop-loss” insurance. In most cases, stop-loss insurance aggregates the expected health insurance claims for the covered employees, makes an estimation of what the “normal” amount of claims would be for that population, and purchases special insurance for any claims “above” that expected amount.

Let’s consider a simplified

Self Funded Plans

By Scott W. Schultz, CEBS

hypothetical company with 20 single employees. Assume you would normally predict \$400,000 in claims from a group like this in a given year. Your self insurance costs would include administrative fees, the premium for “stop-loss” insurance, and any claims. Let’s assume the administrative fee and the “stop-loss” insurance costs \$85,000. Your best case scenario is an expense of only \$85,000 in the unlikely event that none of your employees have any claims. Your worst case expense would be \$485,000 if your employees exceed \$400,000 in claims, the amount where your stop loss insurance kicks in.

Traditionally, companies would not consider self insuring without a minimum of 100 employees. But with the dramatic rise in health care costs over the last few years, the equation has changed. Insurance premiums have grown to the point where more and more

companies can justify self insuring.

In addition to potential cost savings, companies also see other benefits to self funding:

Cash flow advantages

When you are self funded, you just pay the claims and an administrative fee to the claims administrator.

Wellness programs have a direct and meaningful effect.

Wellness programs improve the health of participants, reducing claims; hence self-funded plans reap the rewards of wellness programs immediately and directly as soon as claims go down.

You can write your own plan

You can add benefits not normally covered under traditional plans, offer certain benefits only to

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 executives, or choose to not offer certain benefits that your employees do not need or want. This flexibility is especially helpful for firms facing collective bargaining.

Self funding is not without its detractors. Here are some of the concerns we hear from our clients:

Run out

“Run out” refers to the expenses a self-funded plan continues to incur after a company changes to a new

plan. For example, if an employer stops self funding, there is an accrual that must continue to cover claims that come in after the employer has adopted a new plan. The issue of “run out” points to the fact that employers considering self-funding should not do it as a temporary or short-term solution. Self funding makes sense for companies committed to doing it over a number of years.

Nuances

Self funding has more

moving parts and less certainty than traditional insurance. Instead of writing one check for a premium, there are multiple claims and less predictability. This makes it harder at budgeting time.

The landscape for self funded plans has changed dramatically for the small employer. Self funded plans grew from just 28% to 35% for groups less than 100 employees between 1990 and 1996 according to U.S. Bureau of Labor Statistics.



“You always pass failure on the way to success,”

Mickey Rooney

Question of the Quarter:



401(k) Plan Participant Behavior:

Each employee has a different investment interest.

Does your Plan offer lifestyle/lifecycle funds or a portfolio series?



**The
 B&A
 Buzz...**

One Down...One to Go!

Dan Burkwald has completed the first surgical phase of his reconstruction journey. The procedure was performed at St. Luke's on January 3rd and his doctors declared it a

success. Dan is slowly returning to work while maintaining his recovery efforts. The final surgery in this process will take place in the spring. Thanks to everyone for their continued support.

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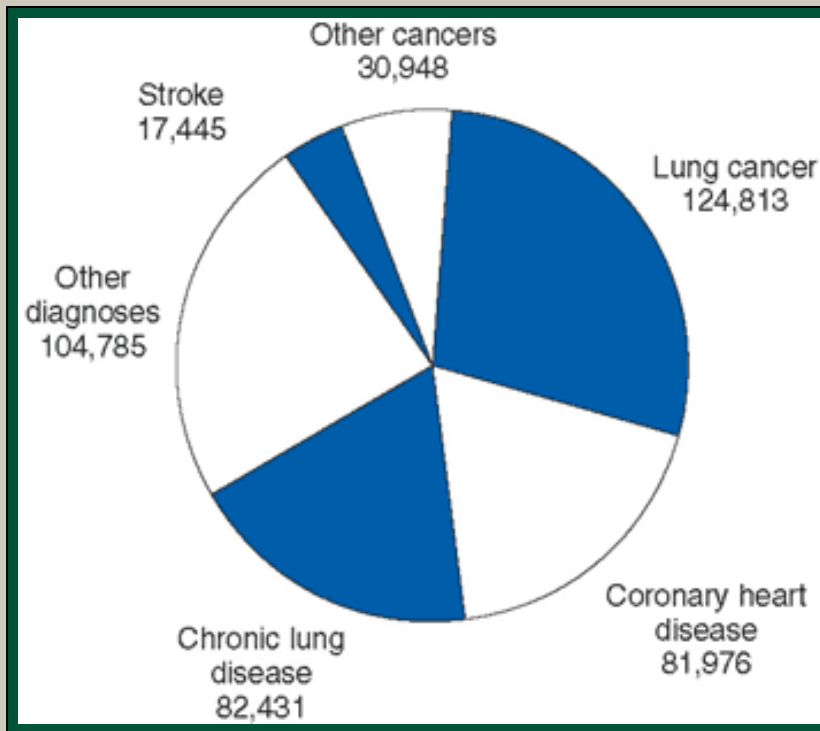
just good business.

*“Aim for success, not perfection.
Never give up your right to be
wrong, because then you will lose
the ability to learn new things
and move forward with your
life.”*

Dr. David M. Burns

*Check out our website
at www.burkwald.com*

442, U.S. Deaths Attributable Each Year to Cigarette Smoking*



*Average annual number of deaths, 1995-1999
Source: MMWR 22002; 51 (14):300-3

Tobacco use remains the leading preventable cause of death in the US causing more than 440,000 deaths each year and resulting in an annual cost of more than \$75 billion in direct medical costs.

www.cancer.org

Quitting isn't easy and doesn't always happen on the first try.

Companies can support their employees by offering tools to guide them on their road to quitting permanently.

<http://www.cdc.gov/nccdphp/publications/aag/osh.htm>