

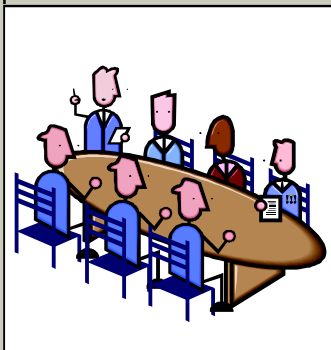


THE STRATEGIC LINK™

Inside this issue:	
Advisory Boards	1
Benefit Communication	1,3
Client Case Study	2
Question of the Quarter	3
The B&A Buzz	3
Benefits Most Wanted	4

The Value of Benefit Advisory Boards

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Benefit costs continue to draw attention from senior management teams and the employees on the factory floor. The establishment and ongoing operation of an effective benefit advisory committee helps fulfill the need for greater input and review.

Participative advisory committees help promote broader acceptance of change and a more positive employee relations climate overall, because employees feel they have had some influence on the end result. An advisory committee affords both employer and employee a way to understand the value systems of one another. It can provide a forum to understand the complexity in managing and operating a comprehensive benefit program. Management and employees can profit from the experience of serving on such a committee. Advi-

sory committees, however informal, should have a clearly enunciated mission and/or statement of purpose. Who should serve on the committee? Traditionally, three primary departments are represented in an advisory committee: finance, legal and human resources. There are also other areas to consider, such as labor relations in a unionized setting. And in today's business environment, there is both a need and a value ascribed to having an independent outside party attending meetings as a resource.

Communication vital to success

From Employee Benefit News, May 2005

Today the average employer spends more than 40 percent of total compensation on employer-paid benefits. Most employers find that they perform a delicate balancing act, trying to provide a competitive package of benefits, while holding down costs.

In spite of their efforts, employers are frustrated by the fact that their employees often overlook or undervalue the total compensation package they receive, which includes employer-paid benefits. While they place a high value on their benefits, many employees fail to recognize that

their total compensation package is far more than they're taking home in pay. A well-planned, comprehensive communications program can address the issues and win employee support for needed change, even when the news is bad. Employers who are

(Continued on page 3)

Case Study: How one employer trimmed its health care cost increase

By Scott Schultz for the Small Business Times (May 13, 2005)

There is no silver bullet to harness increasing health care costs. However, companies are taking successful shots at minimizing their increases. By making a couple of changes to your plan, you can successfully change the direction of your company's health care costs.

One local organization, Alexian Village of Milwaukee (AVM), used both a Section 125 health reimbursement arrangement (HRA) plan and a wellness program to achieve an 8 percent reduction on its insurance renewal. AVM's renewal still rose 15 percent, but it would have been 23 percent without changes. Ultimately, AVM saved more than \$200,000 without increasing employee expense.

This is a case study of how AVM curbed its cost increase.

Step #1: Increase deductibles.

AVM introduced a high deductible of \$1000 with a \$1500 coinsurance maximum, hence a total of \$2500 out-of-pocket annual maximum. The company decided to self-insure a large portion of the \$2500 annual maximum. This is what enabled the company to reap significant savings

through the insurance premiums.

Step #2: Use a Section 125 health reimbursement arrangement. AVM did not simply pass the new higher deductible onto employees. The company used its Section 125 flexible savings plan, whereby each employee could use pre-tax dollars to pay for medical expenses. The company provided the first \$500 of the deductible and all \$1500 of the coinsurance. Those exceeding the \$500 deductible would be responsible for the remaining \$500, but AVM expected that this would only impact a small portion of employees. Unlike a health savings account (HSA), the Section 125 HRA plan allowed the company, not the employee, to control the money. With HSAs, the money goes directly to the employee, whereas with these Section 125 HRAs, the company only incurs expense if an employee incurs a claim. While the employee had access to the entire \$500 deductible and \$1500 coinsurance from day one of each year, if no claims materialized, the company did not need to spend the money.

Step #3: Help cover part of the cost of co-pay.

To encourage routine and preventive care, the company decided to reimburse \$10 of a \$30

co-pay toward doctor's office or urgent care visits. On the flip side, the insurance program was increasing the emergency room co-pays from \$100 to \$150. This way, employees are encouraged to visit the less-expensive doctor's office or urgent care. An interesting nuance of the AVM program is that employees need to submit a claim form for reimbursement to the Section 125 Flex administrator.

By submitting receipts and explanations of benefits, employees become more aware of the costs of certain health care procedures. The goal is two-fold — reimburse people for high-cost procedures but allow them to become better consumers by being engaged in the process.

Step #4: Encourage good health. Many companies realize that health costs are driven by the actual claims experience. Health insurance renewals can improve by simply encouraging healthy lifestyles. AVM implemented Health Risk Assessments and are rolling out wellness programs to address areas of concern.

There is no standard answer for every company, but many companies are using unique options to attack health care costs.



"Patience and perseverance have a magical effect before which difficulties disappear and obstacles vanish."
~ John Quincy Adams

Communication Vital to Success...

(Continued from page 1)
willing to make this commitment will find that effective benefits communication can pay off. The ultimate payoff can be healthier, more informed employees, greater motivation, improved employee retention and better morale.

Pointers for More Effective Benefits Communication

1. Take a total compensation approach. An annual compensation and benefits statement can show employees specifically what the company pays for their benefits.

2. Embrace Consumerism
Tell employees what they can do to help keep costs down

and how their decisions and actions can benefit themselves as well as the company.

3. Select tools with your audience in mind. Younger employees, in particular, require different communication tactics.

Consider using electronic tools, such as e-mail and Internet tools to reach this group.

4. Use a variety of communication methods. No one size fits all. Face-to-face meetings, e-mails, newsletters, decision guides, brochures, online calculators and Web pages all have their place.

6. Be persistent. Benefit communications isn't a one-time event. Employees need to

be constantly reminded about the advantages of their benefit plans.

7. Plan for the long term. Behavioral changes don't take place overnight. Plan your communication campaigns to roll out over time to drive your message home.

8. Monitor results. Continuously review your communications and make modifications based on feedback from your audience. Involving employees in communication planning and evaluation goes a long way toward building commitment and acceptance of needed change.



Through perseverance many people win success out of what seemed destined to be certain failure.

~ Benjamin Disraeli

QUESTION OF THE QUARTER:

Q. What types of wellness programs are companies offering nationwide?

A. According to a recent survey performed by Deloitte Center for Health Solutions of 365 national companies a variety of wellness programs are being offered including:

- Smoking cessation classes
- Subsidized gym programs
- On-site workout facilities
- Health Risk Assessments
- Allow employees to use work time to exercise
- Adding healthier foods to menu in company cafeterias
- Diet counseling
- Employee diet groups
- Other – free flu shots, healthier vending machine choices, wellness Web sites, and on-site massage therapy.

The B&A Buzz...

New Additions

Burkwald and Associates is pleased to introduce two of our newest associates!

Jennifer Matteucci and Linda Schoof are both Benefit Analysts at B&A. They compile plan options and perform claims intervention in

addition to many other important tasks.

Jennifer Matteucci joined the team in December of 2004 and has jumped right into her position as Benefit Analyst.



Linda Schoof is our newest addition, although many clients will recall working with Linda years ago at B&A. We're thrilled to have her back!



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*Check out our website
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*“Every day you may make progress.
Every step may be fruitful. Yet there
will stretch out before you an ever-
lengthening, ever-ascending, ever-
improving path. You know you will
never get to the end of the journey.
But this, so far from discouraging,
only adds to the joy and glory of the
climb.”*

~ Sir Winston Churchill

