



THE STRATEGIC LINK™

Focus on Health Plan Design, Paying off

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Health Care costs are projected to rise more in 2008 than they did this year, but some employers are making progress with cost-containment strategies, according to two studies released by Hewitt Associates and Towers Perrin.

Although U.S. companies enjoyed a nine-year low in healthcare inflation in 2007, they should not expect that trend to continue for 2008, Hewitt reports. Average health care inflation was 5.3% this year, down from 7.9% in 2006. However, Hewitt projects an 8.7% average increase for employers in 2008.

Towers Perrin is reporting an even higher percentage predicting the average corporate health expenditure in 2008 will be 12.3%. Towers Perrin says companies with a proactive, successful approach in managing costs or “high-performing companies” will pay about \$1,500 less per employee compared to low performers in 2008.

High-performing companies show a deep commitment to managing their health benefits, provide rigorous and effective communications and form transparent benefit designs that allow



employees to make sound medical decisions, Towers Perrin notes.

Many employers are mitigating costs and enabling employees to make smarter medical decisions by adopting best practices in benefits creating more stringent requirements around vendor selection,

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Companies' Uncertainties over CDH plans diminish

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Employers are becoming more comfortable with consumer-driven health care plans, according to Aon Consulting and the International Society of Certified Employee Benefit Specialists.

A recent survey of 470 employers shows that

37% offered a CDHP, up from 28% in 2006 and 22% in 2005. Among those with CDHPs, 42% provided health reimbursement arrangements, 48% offered health savings accounts and 10% offered both.

In addition, among employers that offered the

HSA, 40% contribute \$500 per person or more, 17% contribute less than \$500 per person and 10% match employee contributions. Furthermore, 83% of that group offered a CDHP along with other health plans, while 17% provided a CDHP only.

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Uncertainties diminish

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“This finding has held pretty steady over the past five years,” says Bill Sharon, senior vice president at Aon Consulting. “The majority of employers offer a CDHP as an optional plan, since these plans operate very differently from an HMO or PPO, and it takes time for employees to become comfortable with a new plan type. Companies can achieve first-year savings of 8% of their premium if they implement an effective consumer-driven health care strategy.”

Meanwhile, HSAs may be financially out-of-reach for low-income workers due to high deductibles, according to a recent report from the Bell Policy Center, a think tank focusing on fiscal and social issues. “HSAs may be useful for some customers, but they are by no means a solution to the major problems in today’s health care system,” says Blair Woodbury, a researcher at the center.

Taxpayers claiming an HSA deduction in 2004 had an average income of \$133,000,

while the national income average is \$51,000. Low-income families are less likely to take advantage of HSAs because they have a lower tax liability, meaning they benefit less from the opportunity to make tax-free contributions.

Furthermore, given a choice of health plans, only 20% of employees would select a CDHP, and low-income workers are likely to contribute to their HSAs only when their employer provides a match, Woodbury reports.



**Goals are
fuel in the
furnace of
achievement**

-Brian Tracy

Generic drugs rein in rising RX costs

Generic drugs may be an employer’s first line of defense in reducing prescription drug costs, according to experts at the Benefits Management Forum & Expo.

In 2006, Virginia based Landmark Communications reduced its copayments for generic drugs from \$10 to \$5 for retail purchases and from \$25 to \$10 for mail-order purchases. In addition, the company increased coinsurance from 20% to 25% for preferred-brand drugs and from 40% to 50% for non-preferred brand drugs.

The company wanted to implement a new pharmacy benefit without disrupting employees and negatively influencing company culture, Kathleen Thomas, director of benefits at Landmark told

attendees. “We knew we had to use several different avenues to communicate changes to our employees during the transition. Naturally, we promoted the more positive aspects of the change,” she said.

In 2004, the media outfit had a 12% drug cost increase, and a year later that figure jumped to 14%. Its generic utilization rate was 48% of prescriptions in 2004 and 51% in 2005. Under the new design in 2006, its generic utilization rate was 57% and number is estimated to reach 63% by the end of 2007.

The company saved \$500,000 and reduced double-digit pharmacy trends to 3.7%. Part of the savings included \$15,000 from an early-refill

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management program and \$18,000 from generic conversion program. Plan design changes also included clinical management programs and web-based drug comparing and pricing tools.

“We knew that every member was not going to choose a generic drug, so we included brand-name drugs where the patents were about to expire,” said Erik Fielder, vice president of account management at Cigna Pharmacy Management, which helped Landmark design its new plan. “It’s a great success story of reducing prescription drug costs without putting on tight management controls on the members. It was achieved simply by plan design and communications.”

Plans, Paying Off

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pinpointing cost drivers, offering new health plan choices and changing prescription drug coverage, Hewitt finds.

Average health care costs for employees—including the employee premium contribution and out-of-pocket costs—are projected to reach \$3,597 in 2008, up 10.1% from \$3,266, according to Hewitt. On average, employee premium contributions will reach \$2,040 per year in 2008, an 8% increase that is roughly more than twice that of employees' annual merit increase, Towers Perrin Reports.

Employers need to ensure that their health

plans are still attractive to workers, consultants say. "While some cost-shifting is appropriate, it's critical that companies design their health care programs in a way that encourages employees to use them - and use them wisely," says Jim Winkler, practice leader of Hewitt's health management consulting business.



The Benefits of Eating Together

"Come and get it." IT may be dinnertime, but when was the last time your family sat down and enjoyed dinner together? With music lessons, ball practice, play rehearsal and work schedules, it can be tough. Rounding up the troop for an evening meal can be almost impossible! However, research is beginning to show that eating as a family has great benefits for your children and teenagers. Here's another reason why you should try to sit down together 5-6 times a week, whether for breakfast, lunch or dinner.

Expand their world, one food at a time. Encourage your children to try new foods, with-

out forcing, coercing or bribing. Introduce a new food along with some of the stand-by favorites. Remember that it can take 8-10 exposures to a new food before it is accepted, so be patient. Trying a new food is like starting a new hobby. IT will expand your child's knowledge, experience and skill.

- Include foods from other cultures and countries.
- Select a new vegetable from a local farmer's market
- Have your child select a new recipe from a cookbook, website or magazine.

Happy Eating!

Along with
success there
comes a
reputation of
wisdom
-Euripides

The B&A Buzz

B&A's Scott Schultz welcomed baby #3 on July 7, 2007.

Blake Christian Schultz is welcomed by sister Amanda and brother Caleb. Everyone is happy and healthy and adjusting to their new environment.

As you can see Blake is already a big sports fan supporting the Brewers and now the Packers during football season. Go Pack Go!!



What a cutie???

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Follow your honest
convictions
and stay strong

-William Thackeray

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Food For Thought:

On August 2, the U.S. Senate approved legislation, on a 68-31 vote, that would increase the federal cigarette tax by 61 cents to \$1.00 per pack, and increase the taxes on other tobacco products as well. The revenue from the increase would be used to fund an expansion of the State Children's Health Insurance Program, known as SCHIP, which provides health insurance for lower income children whose parents do not qualify for Medicaid.

A similar bill that would increase the cigarette tax by 45 cents to 84 cents was also approved 225-204 in the House of Representatives on August 1. The Senate and the House will now form a conference committee to work out differences between the two bills.