

Benefit Insights

Effective Employee Communication: A Must to Ensure Understanding of Health Insurance Rate Changes

Ensuring employee understanding of benefit plan changes and rate changes can be difficult, at best. When working to inform your employees of changes in their benefit packages - be it coverage changes, rate increases, or just additional information regarding their benefits - experts advise keeping communications simple, straightforward, and focused.

Start by scheduling a mandatory employee meeting, or series of meetings. Accurately and completely convey the necessary information, then follow-up all meetings with a hand-out of matching written materials that serve to reiterate the pertinent information discussed in the meeting.

Invite the experts. Employees like the opportunity to meet the company health insurance representative or 401(k) provider. When benefits change, call in the people responsible for the change and give them the chance to meet and talk to your employees. More often than not, they will have better, more informed answers for your employees, as this is their job. Just as important, it takes you out of the hot seat.

Also, provide a single person or point of contact for employees to go to with questions and concerns after the meetings. Your best option may be to have all personal communications directed to your agent/broker or insurance company representative. Many employees do not feel comfortable discussing their personal situations with other company employees. Therefore, providing them with a single

contact person outside of the company will effectively alleviate much unnecessary employee concern and help you as the employer adhere to the recently enacted HIPAA privacy laws. Remember that you never want to receive Protected Health Information (PHI) from your employees.

Keep meetings friendly and informative. This is not the place for confrontation. The atmosphere should be somewhat casual, with a comfortable business tone. Take the time to open the meeting with news that serves to heighten employee awareness by engaging in friendly communication that accurately conveys the investment you make in your employees and your employee programs. Let them know you care and be honest about what prompted these benefit changes.



Aside from handouts that serve to reiterate the meeting discussions, have copies of any necessary booklets, pamphlets, and worksheets for all employees. Be prepared. This is not the time to ask employees

to share information. Doing so will only serve to heighten employee anxiety about any changes being discussed.

Perhaps the most important thing to remember is to treat your employees like you would want to be treated. Be honest, open, and willing to take the time necessary to explain the changes to them. Be prepared to have even your best efforts met with frustration and concern. This is to be expected and can be kept at a minimum by keeping communications simple, straightforward, and focused.

It is with great satisfaction that we bring our newsletter to you. In this quarterly issue, we will discuss pertinent financial and benefits topics which affect you and your employees. If you have a topic for future discussion, please email us at:

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Dental Benefits: A Good Investment in Employee Health and Morale

Dental benefits consistently survey as among the workplace-based benefits offerings that employees want most. MetLife's 2004 Employee Benefits Trends Survey found that one in two employees characterized dental insurance as an important employee benefit. Some estimates rank dental benefits second to medical in terms of the value that employees place on them.

As the prevalence of dental benefits has risen, employees—and prospective employees—have almost come to expect that they will have access to dental benefits through employment. Figures from Delta Dental indicate that while only 6% of Americans had employer-sponsored dental insurance in 1970, nearly half have it today.

Employees who are covered by dental insurance are more likely to seek preventive dental care, thereby reducing their chances of later needing more costly procedures or emergency care. According to Delta Dental, as the incidence of dental coverage has increased, so has the rate at which individuals visit dentists for routine care: From 1979 to 1990, regular checkups increased by 70%, while more costly procedures declined by 27%.

The positive effect dental benefits have extends beyond an individual's dental health, because good oral health is a key element of good overall health. Some studies have linked oral bacteria to heart disease, stroke, diabetes and pre-term, low birth-weight babies. Also, routine dental care plays a role in general preventive health care. A number of non-dental diseases and medical conditions can be detected through an oral exam before symptoms have appeared that affect other parts of the body. These include diabetes, immune deficiencies, hypertension, cancer, nutrient and vitamin deficiencies, and hormonal irregularities.

In assessing any component of the employee benefits package, an employer balances its cost restraints with the positive value the benefit offering can bring, in terms of employee morale, productivity, and retention/recruiting. If a benefit has the potential to increase employee productivity, aid in employee retention, lower absenteeism, and improve employee health overall, these attributes help offset any cost expenditure. This certainly is the case with dental benefits.

Various types of dental insurance are available in the market: indemnity—or fee-for-service—plans, dental preferred

provider organizations (PPOs), and dental health maintenance organizations (DHMOs). Fee-for-service plans offer employees the widest choice of dental providers. Dental PPOs offer cost incentives to visit providers who have agreed to render services at a discounted rate. DHMOs limit provider choice, but offer some cost savings as a result. The dental services covered by these plans typically are categorized as preventive (cleanings and x-rays), basic/restorative (fillings), and major (crowns, root canals). The extent to which these services are covered can vary by plan, and this needs to be considered along with the plan type (PPO, etc.). Additional coverages, such as for orthodontia, also can be included in a plan.

As noted, a key coverage category is for preventive care.

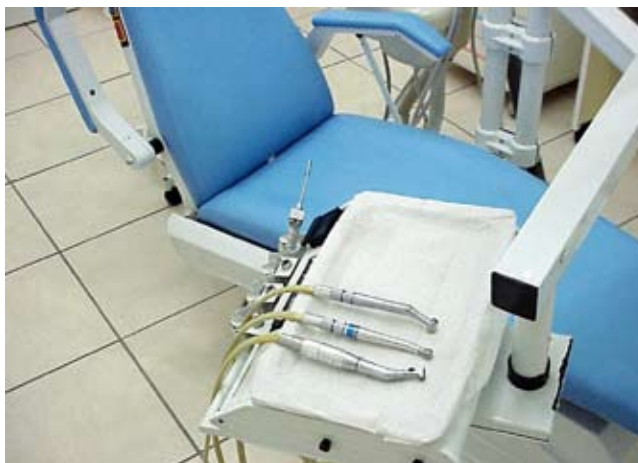
If a dental plan is to do its job in helping employees maintain good oral health, coverage for preventive care should be generous enough to motivate them to see their dentist for routine care on a regular basis. Many plans provide 100% coverage for twice-a-year checkups and cleanings. Employees who seek regular preventive care are more likely to avoid more serious—and more costly—treatment later.

In addition to the above, some other issues to consider in selecting a plan include:

- the cost versus the comprehensiveness of the coverage provided;
- the cost controls the plan has in place;
- the vendor's history of rate increases;
- the scope of the network, retention rate of providers, and network growth trend (expansion or retraction); and
- customer service capabilities and reputation.

If the cost of a dental plan is not in your benefits budget, consider making dental insurance available to employees on a voluntary (employee-pay-all) basis. Employees will achieve some cost savings, because they will be able to purchase the product at a group rate; they will save the time of having to shop for coverage on their own; and they will have the convenience of paying for the coverage through payroll deduction.

With many product types and cost-sharing arrangements available, most any employer should be able to find a way to make the investment in dental benefits.



Research Confirms Promise of Consumer-Driven Health Plans

Though consumer-driven health care plans (CDHPs) are becoming more widespread, many employers are taking a wait-and-see approach toward implementation. In a survey conducted in late 2005 by the International Society of Certified Employee Benefit Specialists and Aon Consulting, about one-third of employers that had not yet implemented a CDHP said they thought the consumer-driven concept was too new and wanted to wait and see other employers' results before going forward.

Companies taking this approach might be interested in the results of a study by McKinsey & Company, a management consulting firm, of consumer-driven health plan participants. Though other studies of CDHP experience have been done, this one was unique in that it examined plans in which the CDHP was the only health benefit offering. The employer plans in the survey were "full-replacement" plans, i.e., when implemented, they replaced previous health plan offerings, rather than being one option from among many. By focusing on full-replacement plans, the study sought to eliminate any adverse selection bias.

According to the results, CDHPs are "delivering on their promise to increase consumer engagement and reduce utilization." The responses of the CDHP participants indicated that they made more careful, value-conscious health care utilization decisions, and that they had a heightened level of engagement in their overall health and wellness.

Five key findings emerged from the study, according to the published report:

- CDHP participants appear to be more value-conscious. For example, although they were twice as likely to report not seeking care for conditions they perceived as less serious, they were no more likely than traditional plan participants to put off treatment for what they thought were serious conditions. Those who had sought treatment (non-pharmaceutical) in the past year were three times more likely to have selected a less intensive (and less expensive) setting, such as an urgent care center rather than an emergency room.
- CDHP participants were as likely or more likely to receive preventive care, and were 20% more willing to take part in company-sponsored wellness programs. They also were more likely than participants in a traditional health plan to say they pursued preventive treatment—such as an annual physical—because it was important for their long-term health or because it would save them money in the long run; traditional plan participants more frequently said they had annual physicals because these services were covered by their health plan.
- Companies in the study reported lower health care costs, even when including costs that had been shifted to employees. Part of the reason for this may be that individuals with chronic conditions who were in a CDHP were 20% more likely than those with traditional insurance to say that they carefully followed their treatment regimens. Also,

CHDP participants were nearly twice as likely to discuss less expensive treatment alternatives with their doctor or pharmacist.

- Less than half of CDHP participants said they were as satisfied with their current plan as they had been with their previous plan, a result that did not vary by health status but which did vary widely among companies, suggesting that how a company helps employees transition from traditional to consumer-driven care—and its attendant decision-making responsibilities—is critical to success.
- CDHP participants seem to be more open to their new plans when they perceive factors other than cost-shifting as driving a company's decision to make the switch to a consumer-driven plan.

Research such as this can contribute to the decision-making process as an employer considers adding—or switching to—a CDHP.



Using Your Health Benefits Package As an Employee Retention Strategy

Every employer knows it's a jungle out there – a hiring jungle that is. Finding and retaining top-notch employees has become a major factor in keeping a company competitive. But as many employers soon discover, in the employee retention war, salary is not the only factor.

David Sirota, co-author of “The Enthusiastic Employee: How Companies Profit by Giving Workers What They Want,” made the following comments during a May 2005 interview with Knowledge @ Wharton:

“We find there are three basic goals of people at work. First, to be treated fairly. We call that equity. Employees want to know they are getting fair pay, which is normally defined as competitive pay. They want benefits and job security. These days, employees especially need medical benefits, so those have become significant.”

However, in spite of the fact that health benefits have become a top priority for employees, the number of small businesses offering employee health care plans has actually declined. In a 2005 study conducted by the Henry J. Kaiser Family Foundation, a Menlo Park, California-based non-profit foundation that focuses on the major health care issues facing the nation, the rate of growth of health insurance premiums declined for the second straight year in a row. In fact, premium growth slowed to a low of 9.2% in 2005. Yet, the percentage of all firms offering health benefits to their employees has fallen significantly from 69% to 60% over the last 5 years. If premiums are continuing to decline, what's stopping small business owners from offering their employees this benefit?

The answer to that question lies in how well a business owner understands cost versus value. As the statistics quoted above indicate, offering an employee medical plan has become easier, however, some employers don't see the value in the product. In many small companies, the owner or decision maker has a spouse with coverage and they don't see the need for an employee medical plan because it doesn't pertain

to them. These business owners are using tunnel vision to evaluate the need for a medical plan, instead of evaluating it from the end users' perspective.

Using the end users' perspective is important when evaluating a new product or service. That's because you can only retain your customers if you give the people what they want. If you cannot provide products or services that respond to their stated needs, they will simply find someone else who can. The same is true for your employees. With the spiraling cost of health-care, employees need group coverage to ensure their family's health. That is a stated need whether or not it is verbalized during an interview. It makes good business sense to provide a solution to that need via the best medical plan you can offer. If you don't, your employees, like your customers, will find someone else who can.

Even beyond answering employee need, there is another less obvious benefit to offering the best medical plan your firm can afford; it not only helps to retain key employees, it helps to maintain their loyalty. From your employees' perspective, your willingness to help them take care of their families is a sign that they are worth more to you than just extensions of the bottom line. And being valued on the job has been determined to be another important factor in retaining employees. Talk to your insurance professional about designing a health care program that is not only cost effective, but meets the needs of your employee population.



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