

Benefit Insights

Do Your Employees Appreciate Their Benefits?

As an employer, you spend a significant amount of money providing your employees with an attractive benefits package. It is a necessity if you're in a competitive industry where you need to find and retain top talent. But do your employees appreciate your investment? Do they have any idea how much you spend to provide their benefits package?

If your workplace is like most, the answer is probably no. Surveys on employee attitudes toward their benefits reveal that most vastly underestimate the amount their employers spend. Studies also show that employee attitudes toward their benefits packages tend to be negative, focusing on focusing on rising premiums and cost-sharing methods rather than employer contributions.

Telling your story

Generally, it's not that employees are ungrateful; it's that they truly don't realize how much you pay to provide benefits. How can you tell your story so that employees appreciate their benefits? There are a number of ways to accomplish this, and it's a worthwhile undertaking since you



need a return on your considerable investment. Here are low or no-cost tips that may help:

- Provide a total pay statement: When employees think about their compensation, they typically only consider their gross pay. However, as you know, benefits make up a large part of the full amount you pay to keep them on board. You can spell out the details in a total pay statement,

which is typically a chart illustrating the value of the total compensation and breaking it down into its various parts. You can include other employee perks you offer, such as tuition reimbursement, licensure fees you pay, etc. There are companies that provide custom total pay statements, or you can use a spreadsheet application to generate them yourself.

- Make costs a part of benefits education: Many businesses provide educational meetings about employee benefits during new-hire orientation or annual benefits enrollment. This is a perfect opportunity to emphasize the value of the benefits package and to underscore the fact that it is part of the employees' total compensation. If your insurance carrier conducts employee training on benefits, you can ask your representative about the possibility of mentioning the total cost and the employer portion.
- Add free or low-cost perks: You might also consider adding voluntary benefits or perks such as pet insurance, discounts on gym memberships, community service days or other incentives to help employees see the overall value of their relationship with your company. Sometimes employees focus on quantity, so having additional choices — even ones that are 100% employee paid — can result in a greater level of appreciation. Your insurance broker may have suggestions if you're ready to explore this option.

A token of appreciation

If your employees don't appreciate their total compensation, you can't fully capitalize on your investment in benefits as the important motivational tool it can be. It pays to take a second look at how your employees perceive their benefits. Remember, improving their perception can be relatively inexpensive — and well worth the effort.

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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Can Your Company Afford Not to Offer a Smoking Cessation Program?

Almost 26 million U.S. men and 21 million U.S. women are smokers—and many of these individuals are probably your employees. The adverse effects of tobacco use are well-documented: cardiovascular disease, lung and respiratory illnesses, cancer, and premature and low-birth weight babies, to name just a few. Smokers have higher health care costs than non-smokers, and more will die at a premature age. Smokers' vulnerability to illness means that they may be among your least productive employees, taking more sick days than average. They also may be absent from their workstations more frequently than the norm, to take cigarette breaks in whatever nearby areas where smoking still is allowed.

Employers have all sorts of good reasons not only to eliminate smoking from the workplace, but also to assist employees who smoke in quitting the habit. A survey released by the National Business Group on Health confirms that a majority of employers rank smoking as one of the highest priority health issues facing their companies, second only to obesity. With regard to the effects of smoking by employees, 65% of the surveyed employers said that the long-term medical costs were the most harmful to their business. Though the surveyed employers estimated these costs to be less than \$1,000, according to the Centers for Disease Control and Prevention (CDC) in 1999, excess medical expenses were \$1,623 and additional health-related productivity losses were \$1,760 per smoking employee.

The surveyed employers overwhelmingly saw benefit in providing smoking cessation programs to employees, and more than half were doing more than they had done in the past to help employees quit. Furthermore—

- 70% viewed offering smoking cessation benefits as the most valuable way to encourage employees to quit smoking.
- 85% said providing smoking cessation benefits can be cost-effective for their company.
- 78% said that providing employees with smoking cessation benefits can help improve employee health.
- 74% said that providing employees with smoking cessation benefits can decrease health care costs.

Despite these views, only 2% of the employers offered the type of smoking cessation program recommended by the CDC. The CDC advises that smoking cessation programs include—

- Coverage for at least four counseling sessions (telephone and individual) of at least 30 minutes each.

- Coverage for both prescription and over-the-counter nicotine replacement medication.
- Counseling and medication coverage for at least two smoking cessation attempts per year.
- Elimination or minimization of copayments and/or deductibles for counseling and medication.

Though all employers may not be willing or able to offer a smoking cessation program that follows these CDC guidelines, there are steps that any company, regardless of size or budget, can implement to help employees quit. PACT (Professional Assisted Cessation Therapy)—a consortium of smoking cessation therapy professionals whose mission is broader utilization of cessation therapy through education and information—publishes a guide of practical approaches for employers interested



in putting such a program in place. According to this guide, workplaces are ideal places for smoking cessation programs because they “can provide a built-in support

system, allowing employers to capitalize on a relatively ‘captive audience’ to change health views and promote healthy lifestyles.” On-site programs also offer convenience and easy accessibility.

Suggestions in the guide range from providing smoking cessation brochures in common areas, to sponsoring an on-site support group, luncheon seminar or guest speaker, to offering health risk appraisals or subsidizing access to online counseling and information. The suggested initiatives are designed to complement any smoking cessation therapy or medication benefits available through the company group health plan. The guide is available online at PACT's Web site, www.endsmoking.org.

Don't Underestimate the Importance of Communications When Introducing a Consumer-Directed Health Plan

Employers' experience in implementing consumer-directed health plans (CDHPs)—typically a high-deductible health plan in tandem with either a health savings account (HSA) or health reimbursement account (HRA)—shows that enrollment figures can be very different from one company to the next. However, when workers have a choice of health plans in addition to a CDHP, such as a preferred provider organization (PPO), health maintenance organization (HMO) or point-of-service (POS) plan, enrollment in these other plan options typically far outstrips that in the CDHP. A survey from the Kaiser Family Foundation found that when given a choice among these four different types of plans, only 19% of employees opted to enroll in a CDHP, compared with 55% in a PPO, 40% in an HMO and 34% in a POS plan.



A survey from Segal/Sibson of companies that had implemented CDHPs found that communications play a vital role in the success of a consumer-directed health plan. This is especially so, the survey report states, because employees tend to be skeptical of the CDHP option when it is first introduced. Almost three-quarters of the surveyed employers that had implemented a CDHP said they had invested more resources in educating employees about the CDHP option than they had in communicating other changes in benefits.

A separate study from Watson Wyatt and the RAND Corporation underscores the importance of communications in successful CDHP implementation. When employees have

a choice of health plans, this study states, “employers must try to explain the rationale for and design of the CDHP in a fashion that communicates the CDHP’s underlying value and encourages employees to sign up.” Furthermore, “to get the most out of these plans, employees need reliable and extensive health care cost and quality information so they can make good health care decisions.”

Thus, CDHP communications really must be multi-faceted, and go beyond “about-the-plan” messages to include information that will enable employees to be smart health care consumers. Given this task, it’s no surprise that 90% of the employers in the Watson Wyatt/RAND study cited employee communications as their biggest challenge in CDHP implementation.

In developing CDHP communications, it’s important to remember where employees currently are in their understanding of and experience with health plans. For most employees, CDHPs represent a whole new way to finance health care, and many will see the prospect of the high deductible as very risky. Thus, it’s essential that communications clearly outline how CDHPs work—for example (if applicable), that the premium will be lower, that the underlying health plan operates in tandem with an HRA or HSA to which the employer has made a contribution, and that these accounts can accumulate and offset the impact of the high deductible in the event that the employee or family needs the type of care that is subject to the deductible (e.g., care other than preventive care).

In the Watson Wyatt/RAND survey, more than half of the employers involved employees in creating plan communications materials, and on average began communicating to employees about the new plan more than four months before open enrollment. Many of the employers surveyed emphasized the importance of including specific and realistic examples of how an employee’s out-of-pocket costs under the plan might play out over the course of a year (e.g., showing what the plan would pay depending if an expense was for preventive care or regular medical care, and how the HSA or HRA could be used).

Consumerism messages should endeavor to help employees understand that how they obtain health care can significantly affect their costs over time. Such messages include the importance of regularly obtaining recommended preventive care; tending to and staying on top of any chronic medical conditions; understanding the reasons behind any treatments a doctor recommends; and choosing reliable lower-cost treatments—such as generic prescription drugs—when available.

Consumer-oriented messages must be an ongoing staple of CDHP communications, repeated in various media and restated through a variety of examples. As employees gain familiarity with the way CDHPs work, these long-term communications messages will eclipse the “how the plan works” messages in frequency. If these messages work as intended, employees will grow into more engaged health care consumers, savings both themselves—and their employers—dollars on their health care spending.

Obesity Linked with Increased Rates of Absenteeism

A recent study titled *Occupation-Specific Absenteeism Costs Associated with Obesity and Morbid Obesity* examines the correlation between excessive body weight and increased rates of absenteeism from work. According to study findings published in the December 2007 edition of *The Journal of Occupational and Environmental Medicine*, lead researcher John Cawley, PhD and his team concluded that this excessive absenteeism costs American businesses an estimated \$4.3 billion annually of which fully 9% is attributable to obesity.

The researchers used health data from across the country to analyze the effects of obesity-related absenteeism. They discovered that 29 percent of American working men and women are obese, which means having a body mass index (BMI) of 30 or higher. The study also examined the absenteeism rates of the eight percent of women and six percent of men categorized as morbidly obese, having a BMI of 40 or higher.

The study concluded that obese women were 61 percent more likely to miss work time, compared to women of normal weight. However, the absenteeism rate jumped dramatically for morbidly obese women. They were 118 percent more likely to miss work time, compared to women of normal weight.

Obesity was linked to absenteeism across all occupational categories for women; but the professional occupational

category comprised the greatest amount of obesity-related costs, making up 28 percent of the total. The high incidence of weight-related absenteeism among women caused the gender to account for about \$3.2 billion in obesity-related absenteeism, or about three-fourths of the total annual cost to American businesses.

The across the board link between weight and absenteeism wasn't the case when it came to working men. For them, the relationship between the two varied by occupation. Men employed in professional and sales occupations displayed an increase in absenteeism as their weight increased. However, in other occupations such as managers, office workers, and equipment operators, the loss of work time increased only for morbidly obese men. Even so, the managerial category was still the largest contributor to obesity-related costs for men, coming in at 37 percent.

The researchers believe that, "Quantifying these costs is important because such information will help employers assess the return on investment associated with interventions to reduce obesity. Such interventions may be particularly cost effective when targeted to those with the highest costs of obesity-related absenteeism: the morbidly obese, women more than men, and managers more than other occupations."



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