Employee Benefits Report

MSI Benefits Group, Inc.

TownPark Ravine One, 245 TownPark Drive, Suite 100, Kennesaw, Georgia 30144
Office: (770) 425-1231   Fax: (770) 425-4722   E-Mail: info@msibenefitsgroup.com

Wellness   August 2014   Volume 12 • Number 8

Cancer Care and Your Employee Health Costs

The average cost of a course of branded cancer drugs has doubled over the past decade, reaching $10,000. That's per month, not year.

The cost of cancer drugs has gotten so high that even physicians are starting to notice. The American Society of Clinical Oncology discussed the cost versus benefit of various cancer drugs at its recent annual meeting. According to a report by Bloomberg News Service, Clifford A. Hudis, president of the society, noted there is often a "lack of a direct linear association between their price and their benefits." He said the society wants "to bring all parties

continued on next page

This Just In…

The Affordable Care Act prohibits group health plans from requiring otherwise eligible employees or dependents to wait longer than 90 days before enrolling in the plan. The newest final implementing regulations, issued in June, clarify that an employer can also have employees go through an "orientation period" of not more than 30 days before the waiting period begins.

With orientation periods now officially allowed, an employer could make otherwise eligible employees wait up to 120 days before their coverage would begin. But in reality, few employers offering group health coverage make employees wait this long. According to Business Insurance magazine, a 2013 survey by the

continued on next page

in a room and start to understand what we need to do to have a more rational system" and will be focusing studies more on this area.

But when it comes to the cost of treating an employee with cancer, your costs don't end with high-priced cancer drugs. "Employees with cancer have an average of approximately four other conditions that complicate their care management strategies," says the Integrated Benefits Institute (IBI). "In terms of their impact on productivity, the most serious co-morbid conditions are: depression (16% of employees with cancer), chronic fatigue (22%), obesity (19%), anxiety (14%), chronic back or neck pain (23%), high cholesterol (30%) and hypertension (24%)."

Further, the Council for Disability Awareness says cancer accounted for 14.6 percent of all new disability claims in 2012, second only to musculoskeletal/connective disorders.

Cancer also has many indirect costs. The recent Medical Costs and Productivity Losses of Cancer Survivors* study estimated that about 30 percent of employees undergoing cancer treatment never return to work. Productivity also suffers. A University of Arizona study found that cancer is responsible for approximately $7.5 billion in lost productivity every year.

So what can employers do to control their cancer-related employee health costs?

1 **Look at the cost/value payoff of cancer drugs.** Some high-cost drugs can more than pay for themselves if they are effective in helping patients avoid surgery or complications and return to work. Employers can work with their insurers to ensure drug formularies, or lists of covered drugs, include drugs that have proved effective for specific conditions. Plans should also require approval for reimbursement of drugs that are experimental or have less of a track record for a particular condition.

2 **Evaluate your prescription drug benefit structure.** The insurance exchanges created by the Affordable Care Act could put some downward pressure on drug pricing. Most managed care plans require insureds to pay a flat copayment for each prescription filled. However, many exchange health plans require employees to pay a percentage of the cost of high-priced drugs, until they reach their out-of-pocket maximum. (In 2014, that's $6,350 for an individual and $12,700 for a family). Adopting a similar structure for your health plan could help make employees—and their physicians—more aware of their prescription drug spending.

3 **Consider case management.** Treating cancer often involves surgery, radiation and complicated drug regimens. Patients are often exhausted, which makes compliance harder. A case management program in which a nurse counselor works with the patient's physicians and the patient can improve outcomes by helping cancer patients better understand their treatment options and better comply with their treatment plan.

Kaiser Family Foundation found that waiting periods averaged 1.8 months.

The June regulations and rules do not require employers to offer coverage to any particular individual or class of individuals. Earlier regulations clarify that employers can use other conditions to determine eligibility for health coverage, such as meeting certain sales goals, earning a certain level of commission, or successfully completing an orientation period. Such conditions cannot exceed 90 days or a maximum of 1,200 hours. For more information on implementing the Affordable Care Act, please contact us.

4 **Encourage prevention.** Under the Affordable Care Act, health plans must provide certain preventive services, including cancer screenings, with no out-of-pocket costs to participants. Employers can encourage employees to take advantage of these services, which can often catch cancers in their earlier, more treatable, stages.

5 **Encourage wellness.** The National Cancer Institute lists tobacco use, alcohol and poor diet, lack of physical activity or being overweight as some of the most common risk factors for cancer. Targeted wellness programs can encourage and help employees modify their behaviors to reduce lifestyle risks.

6 **Offer appropriate coverage.** Employees dealing with cancer incur many expenses, even if they have a good health insurance

continued on next page

plan. A recent study of patients at Duke Cancer Institute and three affiliated rural clinics found patients had median out-of-pocket costs of nearly $600 a month for their treatment.

Cancer patients can also have expenses that aren't limited to medical bills. They might miss work, require additional help around the house and have extra transportation expense. Disability insurance can replace a portion of an employee's income when he or she cannot work due to a covered illness. And cancer or critical illness insurance can help employees with some of their other expenses. These policies pay benefits directly to insureds when they receive a diagnosis of a covered illness. This means insureds can use their benefits for whatever they need—whether covering deductibles and copayments, paying for transportation expenses or covering the income of a spouse who loses work to provide care.

Employers can provide both disability and critical illness insurance on an employer-paid or entirely employee-paid (voluntary) basis. For more information, please contact us.

**Source: U.S. Centers for Disease Control, Morbidity and Mortality Weekly Report, June 13, 2014.*

Benefits for an Aging Workforce

Researchers predict that one-third of the U.S. workforce will be age 50 or older by 2016. (Heidkampe, Mabe & DeGraaf, 2012). By 2050, the U.S. Census Bureau predicts that workers age 65 and older will make up 19 percent of the total U.S. workforce.

Mature workers offer companies many advantages: experience, commitment and a strong work ethic, and they can offer important perspectives to younger workers. But how will they affect your benefit programs?

Medical claims: The risk of many health conditions, such as osteoarthritis, high blood pressure, cardiovascular disease, cancer and more, increase as we age. Maintaining a healthy lifestyle can reduce their incidence.

Action steps: Promote wellness. A 2010 Harvard University study reported that every dollar spent on wellness saved $3.27 in medical expenses. A newsletter or occasional events probably won't create the desired results. To reduce medical costs, target preventable conditions that contribute to your group medical claims and design a program to achieve measurable results in those areas.

Disabilities: The good news is that workers age 65+ have the lowest incidence of work-related injuries per hour of full-time work of any age group. The bad news is that injuries (together with poisoning) rank third on the list of the top five causes of new disability claims. Musculoskeletal/connective tissue disorders, cancer and cardiovascular/circulatory disorders ranked first, second and fifth on the list—and the likelihood of all these disorders increases with age. (*Source: Council for Disability Awareness, 2013 Long-Term Disability Claims Review*)

Older patients also take longer to heal in general. They are also more likely to experience comorbidities, or another disorder or disease that occurs at the same time. This makes treating older employees more challenging and expensive.

continued on next page

Action steps:

1. Provide short- and long-term disability benefits to employees to help them through the financial difficulties of a disability and focus on recuperation.
2. If your organization has a return-to-work program for workers' compensation claims, consider integrating non-occupational disabilities into the program. A formal program that includes regular contact with disabled workers as they recuperate and appropriate light-duty work as they're able can speed return to full-time, productive work.
3. Consider wellness. Lifestyle-related conditions such as obesity, high blood pressure and diabetes can increase the risk of disability.

Time off: Older workers value vacation and leisure time. Unlike time- or cash-strapped younger workers, many also have the lifestyle flexibility and financial resources for extensive travel.

Action steps: Compare your paid time-off benefits to those of your competitors. In addition to considering number of days off, consider program flexibility. Do you allow workers to accrue unused vacation time from year to year so they can take an extended trip? How about sabbaticals or time off for volunteering? Allowing employees to take time off for volunteer work increases employee satisfaction and improves your organization's image in the community.

Retirement: The Employee Benefit Research Institute's annual Retirement Confidence Survey found that only 18 percent of workers are very confident they will have enough money for a comfortable retirement, while 37 percent are somewhat confident.

Action steps:

1. Offer retirement savings benefits. "Retirement confidence is strongly related to retirement plan participation," noted Jack VanDerhei, EBRI research director. Workers who have money in a defined contribution plan or IRA or have a defined benefit plan are more than twice as likely as those without to be very confident of their retirement finances, he said.
2. Provide financial education, with an emphasis on retirement savings. Not only will this help your employees understand their retirement benefits, it could help you increase participation rates and avoid nondiscrimination issues.

Retiree medical benefits: EBRI estimates a Medicare-eligible man retiring in 2013 would need $65,000 in savings to have a 50 percent chance of having enough money saved to cover his retirement health costs. A woman would need $86,000. To increase their odds to 90 percent, a man would need $122,000 in savings, while a woman would need $139,000.

By 2010, only 17.7 percent of workers had access to retiree health benefits through their employer. And as medical inflation increases, retiree medical benefits become increasingly unaffordable. The answer, then, is to encourage employees to build their own savings for medical care needed in retirement.

Action steps: Offer employees a Health Savings Account (HSA). To be eligible, they must have health coverage through a high-deductible health plan (HDHP) and no other health coverage (with the exception of certain limited benefit programs, such as cancer insurance or hospital indemnity insurance). An HSA allows participants to contribute pre-tax dollars, and funds grow tax-free. If account owners withdraw funds to pay qualified medical expenses, withdrawals will not count toward their taxable income.

Long-term care: Almost 70 percent of people turning age 65 will need long-term care at some point in their lives. On average, a woman will need 3.7 years of care and a man will need 2.2 years. Among all people who need long-term care, 20 percent will need services for more than five years. The cost of these services can vary greatly depending on region and where the care is given, whether in a nursing home, an assisted living facility or the person's own home. And contrary to common belief, Medicare does not cover long-term care services.

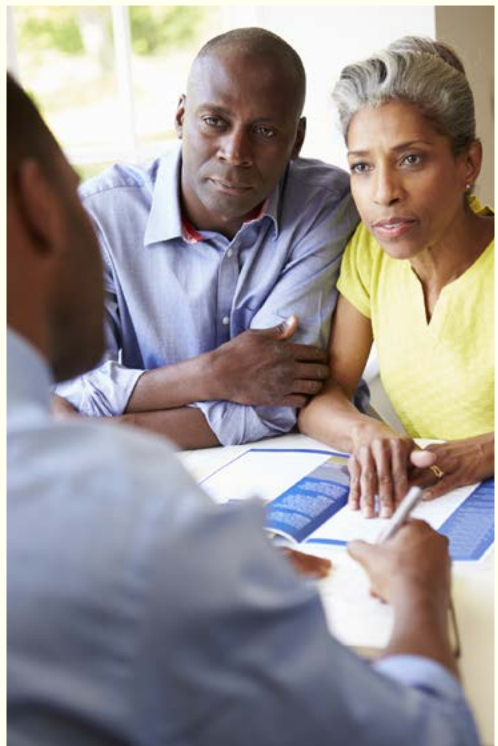
Action steps: Consider offering your employees long-term care insurance. When offered on a voluntary (employee-paid) basis, employees can pay their premiums with convenient payroll deduction.

The bottom line: A one-size-fits-all approach to benefits wastes money and time. To get the most of your investment, rebalance your benefits portfolio regularly to reflect your employees' needs and interests, and your organization's goals and budget. For an analysis, please contact us.

Keeping it SIMPLE: Retirement Plans for Small Businesses

The percentage of workers younger than 40 who considered their retirement program an important factor in accepting their job jumped from 28 to 63 between 2009 and 2011, reported Towers Watson. Human resource managers agree retirement benefits are important, and 76 percent said they will increase in importance in the next five years.*

Small businesses often lag behind mid-sized and larger companies in offering retirement plans to their employees. If the administrative costs and noncompliance testing requirements of a regular 401(k) seem overwhelming, consider offering one of the SIMPLE retirement plans created specifically for small employers.



The Simplified Employee Pension (SEP)

Pros:

Easy to establish: Any employer with one or more employees may establish a SEP plan, an IRA-based plan funded solely by employer contributions. The employer adopts a trust for plan assets and sets up a separate account for each employee within the trust. The deadline for establishing the SEP is the employer's tax filing deadline, including extensions.

Flexible: You can opt to make contributions or not, as your circumstances dictate. This makes SEP plans appealing for employers with variable income. For 2014, employers can contribute the lesser of $52,000 or 25 percent of pay.

Simple filing requirements: Employers must complete IRS Form 5305-SEP or use an IRS-approved "prototype" available through many financial institutions. Once the plan is in place, the employer has no other filing responsibilities. No discrimination testing required.

Tax advantages: Employers can deduct contributions they make to employees' accounts as a business expense. Contributions do not count toward the employees' taxable income, and their savings grow tax-free until withdrawn.

Self-employed employers can contribute to their own accounts: Subject to certain conditions.

Cons:

No employee contributions: When plans allow employee pre-tax contributions, employees can save more and reduce their in-

continued on next page

come taxes, while also reducing the employer's payroll tax liability.

No catch-up contributions: Some plans allow participants age 50 and older to contribute an extra $2,500 per year.

Benefits vest 100 percent immediately: This could limit the plan's usefulness as an employee retention tool.

No participant loans: Unlike some retirement plans, SEPs do not permit participant loans.

The Savings Incentive Match Plan for Employees (SIMPLE IRA)

Pros:

Simple to set up: Any business with 100 or fewer employees can set up a plan. Any employee who earns $5,000 or more during the preceding year can qualify. To establish a SIMPLE IRA, employers must file either IRS Form 5304-SIMPLE or 5305-SIMPLE, depending upon whether or not the employee selects the financial institution to receive plan contributions. Once the initial paperwork is done, there are no annual filing requirements for a SIMPLE IRA plan.

Simple administration: As with the SEP-IRA, there are generally no filing requirements and no annual discrimination testing required. Employers can elect to contribute either 1) a matching contribution of up to 3 percent of the employee's compensation or 2) a 2 percent nonelective contribution for each eligible employee. Each participating employee must receive an annual statement of the contribution amounts to their account for the year.

Employees share responsibility for their retirement: Opting for matching contributions gives employees more skin in the game…and more interest in their retirement plan. Employees make contributions with pre-tax dollars, reducing their taxable income.

Plans permit catch-up contributions. Employees aged 50 and over can make an additional "catch-up" contribution of up to $2,500 for 2014.

Cons:

Employers must make contributions: Employers usually must contribute to SIMPLE IRAs every year, as long as the plan is maintained, regardless of financial circumstances.

Employees can opt not to contribute: If you have decided to make yours a matching contribution plan, employees can opt not to contribute, minimizing the value of the plan.

Contributions vest immediately: As with SEPs, all contributions to the SIMPLE IRA are immediately 100 percent vested.

No participant loans permitted: As with SEPS, SIMPLE IRAs do allow inservice withdrawals, subject to income taxes and early withdrawal penalties, depending upon the owner's age at the time of distribution.

With SEPs and SIMPLE IRAs, small businesses can provide employees with retirement benefits with very little administrative cost or expense. To qualify for either of these plans, you cannot sponsor any other retirement plan. For more information on SEPs and SIMPLE IRAs, go to www.irs.gov/Retirement-Plans, or contact us for more information about these and other retirement plan options for small employers.

more on next page

Vacations: The Cure for the Stressed-Out Worker?

Only 44 percent of employees responding to a recent Virgin Pulse survey take most of their allotted paid time off per year. More than one-third (34 percent) take half or less of their paid time off.

So what, you might think. My employees are dedicated and love their jobs. Or maybe they feel guilty about taking time off—41 percent of respondents to the Virgin Pulse survey reported feeling "guilty" or "stressed out" about taking time off from work. Further, half of all employees report not being able to unplug completely while on vacation:

- More than 20 percent said they work during vacations;
- 48 percent say they're expected to be at least somewhat available while on vacation; and
- 48 percent say they typically use their mobile devices to "stay plugged in" while on vacation.

Unfortunately, that stress spills over into other areas. Chris Boyce, CEO of Virgin Pulse, says, "Stressed-out employees cost companies $600 more than average in health care each year, adding up to over $300 billion annually."

The cure? Encourage employees to use their paid leave time. Although nearly two-thirds of workers say they have to work extra hours before taking a vacation, they still benefit from taking time off. About 60 percent reported feeling recharged after a vacation, and nearly half (48 percent) also return to work feeling more rested.

Vacation benefits support employee mental health and productivity. For a review of your benefit programs, please contact us.

Employee Benefits Report