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

Health Insurance September 2016 Volume 14 • Number 9

How Self-Funded Employers Can Manage the Top 10 Catastrophic Claims

A new report by Sun Life Financial U.S. offers insights for self-funded employers about critical factors affecting their medical costs. The Top Ten Catastrophic Claims Conditions report compiles the costliest medical conditions covered by Sun Life stop-loss insurance from 2012-15 and explores trends to help brokers and self-funded employers manage their risks.

In its examination of the top 10 catastrophic illnesses that can prompt claims on stop-loss insurance policies, Sun Life Financial U.S. found self-insured employers paid more than half ($5.3 billion) of $9 billion in billed charges from 2012-15—receiving $2.3 billion in reimbursements through stop-loss protection.

Stop-loss insurance policies protect self-funded employers by limiting the risk associated with catastrophic claims.

"More employers are self-funding their medical plans than ever before, and manag-

continued on next page

Health Insurance and Vacation Are Most Popular Benefits

Recognition for good work, wellness programs and other employee perks are good for overall morale and productivity.

But amid growing millennial influence in the workplace, vacation and health insurance are now the most popular benefits to inspire employee engagement, according to a new report from Namely, a benefits and human resources platform.

"The employers we surveyed chose core benefits and paid time off as the benefits and perks they feel deliver the biggest ROI to the organization," George LaRocque, founder of the research firm #HRwins, told *Employee Benefit News.*

continued on next page

ing the rising cost of health care continues to be one of their central concerns," says Brad Nieland, vice president of Stop-Loss at Sun Life Financial U.S. "By highlighting the conditions that create catastrophic claims and providing insights into trends influencing high costs, we can help employers anticipate what they'll see when self-funding and raise awareness about the importance of cost-containment resources and stop-loss insurance."

The fourth annual Top Ten Catastrophic Claims Conditions report found that million-dollar-plus claims increased 25 percent compared to last year. Less than 2 percent of the million-dollar-plus claims accounted for a disproportionate 18.5 percent of overall stop-loss claims reimbursements ($431 million). During the four-year period, the average amount paid by an employer on a claim exceeding $1 million was $1.45 million, which was reduced to $491,000 after applying the average stop-loss reimbursement of $962,000.

Among the top claims, cancer continued to dominate the list at the top two spots with $618 million in stop-loss reimbursements. Costs increased and represented one-quarter (26.6 percent) of all stop-loss claims reimbursements during the four-year period. Of the various types of cancer identified in the report, breast cancer accounted for 14 percent of the total reimbursements for this condition.

Chronic/end-stage renal disease (kidneys) held steady at the number three spot on the list, accounting for more than $369 million in combined first-dollar claims and stop-loss claims reimbursements. One in three Americans are at risk for kidney disease, with diabetes and hypertension as leading causes.

Altogether, the top 10 costliest claims conditions comprised more than half (53 percent) of the $2.3 billion in claims that Sun Life reimbursed to stop-loss policyholders from 2012 to 2015.

Following is the list of the Top 10 catastrophic claims conditions, along with the value of stop-loss claims reimbursements from 2012-2015, the percentage of total stop-loss claims reimbursements and the increase or decrease compared to 2011-2014.

1. Malignant neoplasm (cancer), $429.5 million, 18.5 percent, 0.9 percent increase.
2. Leukemia/lymphoma/multiple myeloma (cancers), $188.6 million, 8.1 percent, no change.
3. Chronic/end-stage renal disease (kidneys), $156.6 million, 6.7 percent, 1.0 percent decrease.
4. Congenital anomalies (present at birth), $96.3 million, 4.1 percent, 0.1 percent decrease.
5. Disorders relating to short gestation and low birth weight (premature birth), $75.2 million, 3.2 percent, no change.
6. Transplant, $62.2 million, 2.7 percent, 0.7 percent.
7. Congestive heart failure, $57.8 million, 2.5 percent, no change.
8. Cerebrovascular (blood brain vessel) disease $57.4 million, 2.5 percent, no change.
9. Pulmonary collapse/respiratory failure (lungs), $55 million, 2.4 percent, no change.
10. Septicemia (infection), $54.7 million, 2.4 percent, 0.2 percent increase.

All other conditions, $1.09 billion, 47 percent, 0.5 percent decrease.

"We also surveyed consumers to get the employee side, and we saw the same core benefits, health benefits and PTO ranked highest in increasing the feeling of engagement. I think it speaks to the need to deliver at that fundamental level before moving into different types of perks."

In the survey of nearly 500 employed adults, 40 percent said they were willing, or already had, given up stock options and a higher salary in return for more time off. More than half those surveyed said they intend to take 15, or in some cases, up to 20 days of annual vacation, but the average American only took 11 vacation days in 2015 (out of an average 15 offered).

In the "Recommendations" section of the Sun Life Financial U.S. report, the authors wrote that when an employer, broker, claims administrator and stop-loss carrier work together they can "identify new effective ways to manage claims costs and support improved patient outcomes." Here are some of their recommendations:

continued on next page

- Determine which medical conditions have the largest impact on the plan's medical expenses.
- Understand employee demographics and whether the demographic profile indicates the likelihood of certain types of catastrophic conditions.
- Ask the claims administrator how it identifies and manages emerging high-cost claims.
- Examine the current use of specialty medications. Does the claims administrator or pharmacy benefits manager have programs in place to specifically control the costs associated with these medications?
- Know about newly approved and emerging medical treatments and medications, as well as changes in approved uses for specific medications.
- Evaluate the stop-loss coverage and decide if the right deductible levels are in place.
- Check with the stop-loss carrier to find out if clinical resources are available to work with claims administrators, and cost-containment vendors in order to identify opportunities for cost savings.

Private Exchanges Offer Brokers Ways to Help Employers Navigate Changes

At a time when changing healthcare legislation is creating uncertainty for businesses, private exchanges can help employers stay financially afloat in the choppy seas of benefit changes.

Private exchanges—online marketplaces where businesses and people can buy health insurance—are growing rapidly in popularity, a new survey found.

The Aflac Healthcare 2015 survey found 86 percent of employees said they were happy with private exchanges and 16 percent of employers expect they will move their employee health insurance benefits to a private exchange this year—up from 6 percent in 2014 and 2015.

The survey also found that 49 percent of workers who have used a private or public exchange say they were very or extremely satisified.

"By combining online enrollment and personalization, private exchanges allow health insurance consumers to research and choose benefits based on their unique situations, with support tools to help them make better decisions," Brad Knox wrote in an article for BenefitsPRO.com. "With a variety of options to compare and choose from, combined with increased engagement opportunities in the benefits decision-making process, it is no wonder private exchanges have grown in popularity.

"Even with the consumer independence that typically accompanies moving benefits to a private exchange, brokers will still play a vital role in the enrollment and education process. Online enrollment coupled with personal consultation can help ensure that employers are selecting the right benefits to suit their individual needs, opening an opportunity for brokers to further position themselves as advisers."

The authors of the Aflac survey noted that brokers will play a vital role in keeping employers' shift to ex-

continued on next page

changes on track.

The increasing popularity of the exchanges grew out of the launch of the Affordable Care Act, which focused attention on the idea of a health insurance exchange. Under the ACA, people buying insurance by themselves can choose from various private insurance options in standardized coverage tiers through a federal or state sponsored exchange and, depending on their income, get tax credits to subsidize their premiums.

Now, private exchanges are emerging as an option for employers looking to provide coverage for their employees too.

"These private exchanges do not provide access to premium subsidies like the public exchanges, nor do they necessarily involve standardized coverage tiers," wrote the authors of a Kaiser Family Foundation report titled, "Examining Private Exchanges in the Employer-Sponsored Insurance Market. "But, they do have the potential to reshape the employer-sponsored health insurance, which covers 149 million people, or nearly 56 percent of the U.S. non-elderly population."

In an *Employee Benefit Advisor* article—"Are private exchanges meeting employer expectations?"—Bruce Shutan wrote that while most of corporate America is still on the sidelines, waiting to see how the emerging private health insurance exchange market develops, a growing number of small and midsize firms are reaping the benefits of technology platforms that simplify shopping for health coverage.

"I can see the smaller businesses really getting a turnkey solution where they don't need to do much, whereas a larger business may get much more involved in things like picking the plans that are available, plan design and contracting," Paul Fronstin, director of the Employee Benefit Research Institute's Health Research and Education Program, told Shutan.

By 2020, the EBRI predicts private exchanges will have about 10-13 million enrollees. Currently, there are about 8 million enrollees in various private exchanges, mostly from companies with 100 to 2,500 employees.

Simplicity Sells

"These private exchanges have gotten so sophisticated now that what a midsize group sees is very similar to what a larger group sees," Fronstin says. "What's been really fun to watch for the last couple of years is seeing the quality of the user experience improve dramatically for even the smallest of employers."

For more information on private exchanges or other health insurance options, please contact us.

401ks Leave Most Americans Unprepared for Retirement

The rise of 401(k) plans has left most Americans unprepared for retirement. The average family only has $5,000 saved in a retirement account, according to a new report by the Economic Policy Institute.

The report, "The State of American Retirement," found 401(k) plans have magnified economic inequities. While the median family between the ages of 32 and 61 only has $5,000 in a retirement account, the top 1 percent of families have $1 million or more. For many groups—lower-income, black, Hispanic, non-college-educated, and unmarried—the typical working-age family has no savings at all in these accounts.

"Our retirement system used to reduce inequality, but since the shift to 401(k)s it has only served to magnify it," EPI economist Monique Morrissey said in a statement. "These accounts are accidents of history that were never designed to replace pensions, and it should come as no surprise that they have not worked for the majority of people.

"Decades after the rise of 401(k)s, pensions are still far more important to retired people. To make sure Americans are prepared for retirement, we need to defend existing pensions and expand Social Security."

The report found that nearly half of all working-age families have zero retirement savings. While almost nine in 10 families with incomes in the top fifth have savings in retirement accounts, fewer than one in 10 families in the bottom fifth have retirement savings. Only 41 percent of black families and 26 percent of Hispanic families have retirement account savings, compared with 65 percent of white

continued on next page

non-Hispanic families. Only married couples are more likely than not to have retirement account savings.

The report underscores the importance of preserving and expanding Social Security, defending pensions for workers who have them, and seeking solutions for those who do not, Morrissey said. Social Security benefits are by far the most important and evenly distributed income source in retirement. Traditional pensions remain the second most important source of retirement income after Social Security. Pension benefits are six times larger than distributions from 401(k)s and IRAs.

Bankrate Makes Similar Findings

Meanwhile, a new Bankrate analysis reached a similar conclusion, finding a "widespread lack of retirement preparedness at a time when many people have a hard time planning even week to week, let alone for an event that is decades away."

The Bankrate analysis found that retirees had average incomes equal to just 60 percent of working-age households, 10 percentage points short of the 70 percent "replacement rate" that most financial advisors recommend. In only three states—Hawaii, Alaska and South Carolina—did Bankrate find that average retirement incomes topped 70 percent of pre-retirement incomes.

"Americans are facing a shortfall of retirement income (because) their saved assets are not enough to fund their desired or even current lifestyle," James Carlson, chief investment officer at Questis, a Charleston, S.C.-based financial services firm, told Bankrate.

The Bankrate analysis found ratios of pre-retirement income that seniors are replacing range from a high of 73 percent in Hawaii to a low of 48 percent in Massachusetts. The national average is 60 percent.

Regardless of what state people live in, retirement experts recommend setting goals for the income desired in retirement and making a plan. Putting money aside automatically through a workplace or individual retirement account is considered one of the easiest ways to build a nest egg, if automatic contributions are made and withdrawals are avoided.

For their part, employers can offer automatic enrollment in 401(k)s, "target date" funds and automatic increases. The Pension Protection Act of 2006 made it easier for employers to adopt automatic enrollments, permitting the employer to choose which classes of employees are subject to auto-enrollment. "Target date" funds, or a mutual fund that automatically resets asset mixes in its portfolio according to a selected time frame, offer a solution too. Finally, offering funds with automatic increases, usually 1 percent annually, is a good way to keep employees' retirement goals on track without a big shock to their disposable incomes.

more on next page

A New Trend: Runners Get Discounts on Life Insurance

Perhaps you've seen the ad on Facebook or elsewhere, noting runners have a "35 percent lower risk of all-cause mortality" and may be eligible for life insurance discounts.

In light of research revealing the health benefits of running—lower blood pressure, cholesterol and ratio of weight to height—one insurer, John Hancock, now offers a plan to that gives discounts of up to 15 percent to customers who meet exercise goals.

"Since running improves HDL (or good cholesterol) and keeps weight and blood pressure down, those who run may be at an advantage when it comes to being eligible for the best life insurance premium rates available from insurers," Dr. Steven Rigatti, vice president and chief medical officer at the mutual life insurance company MassMutual, told *Runners World* magazine.

An Iowa State University study of 50,000 adults found running as little as four to five miles a week, even at 11 or 12 minutes a mile, reduces the risk of dying from heart problems by 45 percent and extends life spans by as much as three years compared to those who don't run.

However, insurers take a number of items into consideration when determining premiums and experts say personal or family medical history could overshadow exercise routines. While running reduces the chance of having high blood pressure by more than 4 percent, according to the American Heart Association,

some runners still may have high blood pressure or medical histories with surgeries and other problems.

"Some runners may not check out as healthy as they appear," Kyle Winkfield, managing partner of the Washington, D.C. financial planning firm O'Dell, Winkfield, Roseman & Shipp, told *Runners World*. "Just because you run doesn't mean you're going to get these awesome rates."