

# CSA Benefits

SUMMER 2008

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### Feature Story

## Some Call It Value-Based Benefits Design. We Call It Business As Usual.



**T**here seems to be a lot of talk about value-based benefits these days – a strategic approach to health benefit plan design that's based on the review and analysis of claims data. We find it interesting that so much buzz can arise over a practice that has always been at the heart of our business. As a TPA specializing in the design and administration of self-funded health benefit plans, we review prior claims to determine if self-funding is an appropriate way for a prospective client to fund their health benefits. In the process, we often identify factors driving plan costs higher and we gain the insight needed to better meet the needs of the covered group.

### The Health Management Dimension

Personal health management programs, including chronic disease management and wellness strategies can be very effective when combined with a self-funded health plan design. Health risk assessments, clinical logic and predictive modeling can help identify potential health risks. When consent is obtained, providers and health coaches can help tailor and monitor customized care plans for those with chronic conditions.

### Bringing It All Together

When we are able to see everything associated with the health and utilization of a covered group, we can do a better job of helping the chronically ill get the care they need. This is extremely important because chronic conditions that go untreated often evolve into serious illnesses requiring more costly acute care. Current statistics show that even with increased media attention, far too many individuals with diabetes, high cholesterol, depression and other potentially dangerous conditions still fail to get the care and services they need.

When we integrate self-funded plan design, claims administration, predictive modeling and health management programs, we often lower the demand for care and uncover many opportunities to improve the health and productivity of covered employees. The real value of integrating all these elements is the ability to help clients obtain the data needed to control healthcare costs AND help their employees lead healthier lives. *Now that's value-based benefits design!*

# Q&A

Bringing you answers to tough questions

## How Much Will Retirees Need for Health Care?



Statistics show that premiums and out-of-pocket expenses continue to rise, with women needing more of a retiree-care cushion than men.

A recent study showed that a 65-year old man retiring in 2008 will need \$122,000 to cover 90 percent of his retirement health expenses compared to \$140,000 for women. The costs for women are higher because of their greater longevity. These numbers do not even consider potential long-term care expenses that could arise, further increasing costs.

Finding these funds may get a little easier, however, now that IRA owners who participate in a high deductible health plan (HDHP) will be allowed to make a one-time, tax-free transfer from their IRA to a health savings account (HSA).

## Industry Approaches

# Employers Work to Combat Rising Health Care Costs

Health care costs rose about seven percent in 2007 and will rise another seven percent this year. This statistic isn't that bad, right? It is when you consider that seven percent is double the yearly inflation rate. These rising costs are beginning to adversely affect both employers and employees. In an effort to save money all around, employers are starting to fight back against these rising costs.

## Saving With CDHPs

Companies are enticing employees to take a more active role in their health care plans as a way to cut costs. They want people to be informed of their options and make better health care decisions. This is why many employers today are advocates of consumer directed health plans (CDHPs). These plans typically combine a tax-advantaged health savings account with a high deductible health plan, putting more responsibility on the plan holder. Some companies encourage participation by setting premiums 30 percent lower than that of a typical plan.

Employee participation for these plans is currently 15 percent and is expected to rise another five percent next year.

To ensure the success of CDHPs, companies must thoroughly educate their employees on plan benefits and risks, and make sure their questions are answered. Companies that educate their participants have seen enrollment rates of over 70 percent.

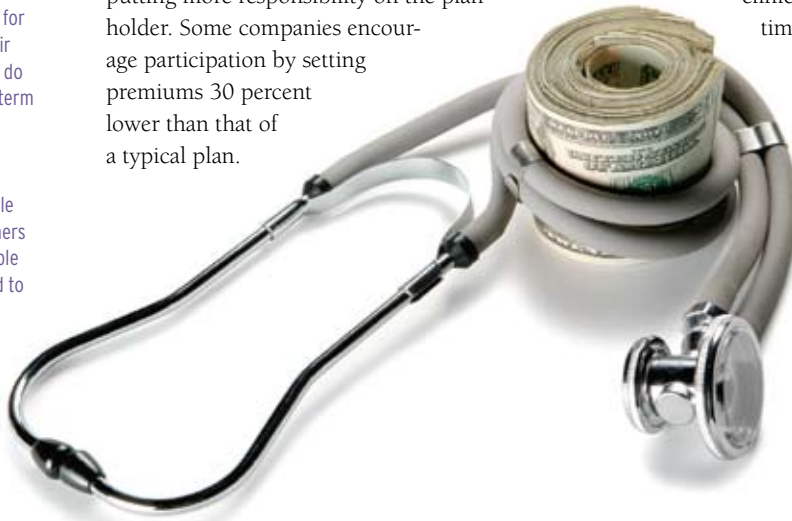
## Other Ways to Control Costs

Providing free drugs and supplies for chronic illnesses, including asthma and diabetes, helps people stick to treatment plans. Since these diseases can lead to major complications and expensive medical bills, prevention is the best assurance of major cost savings. Other options include paying the total cost of typical preventative services and providing on-site clinics to reduce health care costs and the time employees spend away from the office.

The 20-20 approach is also popular.

Essentially this means pairing the 20 percent of employees who need the most attention with the top 20 percent of physicians.

In addition to incentives for employees managing their health plans, employers are also beginning to penalize those who mismanage their plans. Employers hope these methods will help increase employee benefits and cut health care costs.



## TRENDS *Latest Happenings In Today's World*

### Hospitals In Crisis

Hospitals are having difficulty paying their bills. In fact, over half lack the patient volume to create enough revenue to pay for operations, and face a serious threat of becoming insolvent. Today, hospitals have more competition than ever for patients and funding. Health care options include everything from outpatient clinics and same-day surgery centers to the internet and self-help books. The

number of hospitals filing for bankruptcy is escalating. A study of 3,900 acute care hospitals showed that nearly 2,000 of them don't make a profit treating patients. The 750 "profitable" hospitals don't even have money to complete improvements. Add a decreasing number of patients and decreased Medicare and Medicaid reimbursement rates, and you have a recipe for disaster. Changes will need to be made now for hospitals to have a future.



### Employees Juggle Parent Care

Of the one in four employees currently caring for an older or disabled adult, nearly half have missed work time to do so. Self-managing parent care is stressful and takes time. With care-giving support, employees can focus on work-life balance, knowing their loved one is being cared for. Being openly supportive to employees can help them feel they do not have to face the hurdles of senior care alone.



## BENEFIT BEAT

Keeping An Eye on What's Happening

# Paid Medical Leave Causing a Stir

Can't afford to take 12 weeks off work without pay? You are not alone. This is one of the main issues with the Family Medical Leave Act. In concept, the act gives those with a family medical issue a chance to take time off. However, most people can't afford to take that kind of time off without a paycheck.

California and Washington State are currently the only states with any sort of law offering paid medical leave. This is why some lawmakers are trying to pass a bill in Congress calling for companies to offer employees up to eight weeks of paid medical leave. This program would be funded by three sources: employers, employees and the federal government.

This concept has ruffled quite a few feathers. Employers and politicians alike are concerned that this new law will raise the cost of doing business. They worry companies would have

to take a variety of measures, such as cutting wages, to remain competitive. However, the concept seems to be working well in California, where employees are paying for the program. Whatever the outcome in Washington, it doesn't look like this idea is going away any time soon.



# 2009 HSA Contributions

The IRS has released the maximum contribution levels for Health Savings Accounts (HSAs) and out-of-pocket spending limits for high deductible health plans (HDHPs) connected to HSAs. For calendar year 2009, the annual HSA contribution for an eligible individual with self-only coverage is \$3,000, a \$100 increase. For family coverage, the maximum contribution is \$5,950, which is a \$150 increase. In addition, catch-up contributions for participants 55 or older will increase to \$1,000 for 2009.

The maximum HDHP out-of-pocket expense limit for 2009 is \$5,800 for self-only coverage and \$11,600 for family coverage, a \$200 and \$400 increase from 2008, respectively.

The required minimum annual deductible for HDHPs increases to \$1,150 for self-only coverage and \$2,300 for family coverage for 2009.

Health Wise

# Take Responsibility for Your Health

Part 1 of 2 - See continued article in Fall Issue

According to researchers, at Americans' current "growth" rate, 75 percent of the population will be overweight or obese by the end of the next decade. While the number of obese adults has doubled since 1980, even more alarming is that the percent of overweight children, ages two to 19, has tripled to 17.

This increase in weight gain will undoubtedly bring a surge in life threatening illnesses, for adults and children. Taking responsibility for your health and well-being, and raising your family to eat healthy and exercise regularly can help you avoid a lifetime of chronic disease and early death. While embarking on a diet and exercise program for the entire family can seem daunting, the National Institute of Health (NIH) recommends you keep these things in mind:

**You have more control than you think.** You CAN turn off the TV and you CAN feed your family more veggies.

**Focus on immediate benefits.** Eating smaller portions or skipping dessert will make you feel less full and sluggish. A walk with your teenager may lead to a great talk; and dancing with your spouse can be a fun workout.

**Make small, easy changes over time.** Try some new approaches to nutrition and physical activity the whole family can do. Take a walk after dinner a few nights a week, rather than turning on the TV.

**Try a variety of strategies.** No one will notice if you use skim mozzarella instead of whole-milk in the lasagna, but you'll reduce calories and fat for everyone. Combine invisible strategies with ones that actively include other family members.

## Employee Benefits Grow as Gas Prices Rise

The average person spends five percent of their annual income on gasoline. As average gas prices reach \$4.00 a gallon and continue to rise, many employers are looking for ways to reduce the amount employees pay for gas. Employers have begun to supplement paychecks, increase mileage reimbursement rates and institute cost of living raises.

With 33 percent of employees admitting they would leave their current job for a comparable one closer to home, enhancing these benefits works to the advantage of employers and employees. Many workers are now taking advantage of benefits they never considered before, such as telecommuting, employee van pools and using pre-tax money to pay transportation fees. These practices and the numbers using them will only grow as gas prices soar.



## Wellness Programs Yield ROI

According to a Principal Financial index, 45 percent of employees indicated interest in health plans that include a wellness component. While employers who implement wellness programs can yield a significant return, just 14 percent offer educational tools or fitness center discounts. Employees appear to see the positive benefits of wellness programs, even though many employers haven't yet taken the leap.



## DID YOU KNOW? *New Ideas for Healthy Consumers*



### Yoga: More Than Just Stretching?

Common misconceptions about yoga are that it is just another form of stretching muscles, or a way to lose weight. But, there is more to yoga than meets the eye. More than just exercise, yoga is a union of mind, body and spirit.

Yoga is all about alignment. The key is to focus on **how** you are doing the different movements and poses, not how far you can push yourself. Poses involve strengthening the whole body, not just an isolated section, and movements are designed to flow from one to the next while paying close attention to your breathing. Yoga also helps combat some common ailments:

**Fatigue** - Yoga combines rest, stress reduction and movement with the cultivation of life force energy and activation of the “rest and renew response” in the nervous system to eliminate fatigue.

**Anxiety** - It reduces excessive levels of stress and anxiety, and greatly enhances the effects of traditional therapies.

**Cold & Flu** - Boosting and regulating the immune system means yoga practitioners are less likely to suffer from the typical cold or flu and have a faster recovery time when sick.

**Insomnia** - Insomnia is often caused by stress, hormonal changes and emotional problems. Yoga promotes calmness and balance.

### Daydreaming for Your Health

Let's face it, everyone spends some time during the workday daydreaming. Maybe you dream about weekend plans or imagine yourself hitting a home run like Cal Ripkin. Whatever it is you think about, it may actually be helping, not hurting, your performance.

Daydreaming provides benefits including reduced stress levels, increased relaxation and even increased creativity. It also increases cognitive function at its highest levels by helping your brain function outside of its normal thought process. Daydreaming is a brain stimulant and it may also help reduce blood pressure and improve memory.

Daydreaming can be a brief escape from the worries and issues of everyday life. So, next time work is crazy or life has you on high

stress alert, take a time out for a daydream, it can do wonders for your health.

### Is Your Glass Half Full?

The power of positive thinking may be more than just an old adage. A positive outlook may actually increase your lifespan. Studies show that highly pessimistic thinkers are more likely to become ill, or even die, earlier than positive people.

A negative life outlook can cause added stress and affect hormonal balance, weakening the immune system and making it less capable of fighting off disease. Negativity can even affect our body's ability to heal. In a recent study of breast cancer patients, results showed that women who focused on fighting and winning the battle with cancer were less likely to die from the disease or experience a recurrence than those who let negativity take over.

Optimists and pessimists are defined by the way they see and describe the events in their lives. Is the glass half empty or half full? Seeing the glass half full can mean a happier life today and a healthier, longer life in the future.

**Please Contact Us:** This newsletter is not intended as a substitute for personal medical or employee benefits advice. Please consult your physician before making decisions which may impact your personal health. Talk to your benefits administrator before implementing strategies which may impact your organization's employee benefit objectives.



**Corporate Systems Administration, Inc.**

4722 Lake Park Drive  
Johnson City, TN 37615  
423/282-3420 • 800/829-7566  
FAX 423/283-8834  
[www.csabenefits.com](http://www.csabenefits.com)