CSA Visions

Trends in employee benefits from Corporate Systems Administration, Inc.

WE WANT YOU TO KNOW

New Clients

The Dixie Group, Inc.

This new client ranks among the industry's finest in carpet and rug manufacturing with Corporate headquarters located in Chattanooga, TN. Employing approximately 3,000 associates, The Dixie Group also has manufacturing and administrative offices in Alabama, Georgia and California with annual sales of about $535 million.

John W. Hancock, Jr., Inc.

This Salem, VA-based manufacturer makes steel joists and girders, which are used to support the floors and ceilings of buildings such as Walmart, Lowes and Home Depot stores. John W. Hancock, Jr., Inc. is a wholly owned subsidiary of Roanoke Electric Steel Corporation.

CSA's "Defined Contribution" Plan

Much attention has been focused on the concept of Defined Contribution Plans, or also known as Consumer Driven Health Benefits. CSA supports this concept which aligns the economic interest of the employer with the employee. This concept provides employees the health benefits they count on with financial incentives for them to choose the most cost effective and appropriate levels of care.

The bottom line of Defined Contribution Plans is that it allows the patient and physician to be in control of health care decisions. If you would like to learn more about Defined Contribution Plans in response to rising medical costs, please contact *Erik Goransson* at *Corporate Systems Administration, Inc.*

Defined Contribution Employee Benefit Plans Put Employees In Charge!

A new type of employee health care benefit plan seems to be putting smiles on the faces of many employers and covered workers wary of double-digit health care cost increases. These "Defined Contribution" employee health benefit plans are growing in popularity because they actively involve the employee in the health care purchasing process. Participating employees are encouraged to ask about medical fees and sometimes even "shop around", which traditional health insurers and managed care organizations have tried to encourage, but with minimal results.

When a Defined Contribution Health Plan is combined with a Medical Savings Account (MSA), the money placed in the account can be used to fund virtually any health care service. For example, if $2,000 is placed in the account at the beginning of a plan year, every medical or pharmaceutical bill incurred by the employee would be deducted from the $2,000. There are no physician referrals required, no restrictions on choice of physician and no co-payments. After the $2,000 is gone, the employee is responsible for health care costs up to $1,000. When the participating employee has spent $1,000, the employer typically pays for 100% of the remaining health care costs, if network providers are used. If the employee goes "out of network", the employer typically pays 80% of the cost, which is common in most health care plans.

Factors influencing the growth of Defined Contribution Plans coupled with a MSA are the combination's flexibility. The account can be funded by the employer or the employee and if the funds in the account are not used up during the year, the remainder can be rolled into the following year.

May Be Best To Look Before You Leap...

Defined Contribution advocates are generating a lot of excitement for this product by promising cost savings and administrative relief. A closer look will reveal that while Defined Contribution Plans and other ideas promoting individual responsibility offer many advantages, they are not perfect. Certainly, they are straightforward and they enable the employer to budget for a fixed amount of expense. But there are some things that must be examined carefully, such as:

- ***Potential lack of subsidization between older and younger employees...*** *a way around this is to award increasing amounts to older employees, which of course defeats much of the simplicity and efficiency of the defined benefit concept.*

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- ***Wage inflation is not coming close to health care cost inflation...*** *Again, if the employer tries to balance these realities, much of the cost efficiencies are lost. If the employer ignores this factor, employee turnover may become a bigger problem.*

- ***Employees have the freedom, but will they exercise it...*** *You may remember that Medical Savings Accounts were a pretty widespread failure. Some experts say this is because most workers really don't want to have the responsibility of managing their own benefits. Many would rather have someone, usually the employer, be responsible, take all the risk and do all the work for them.*

So, there are many potential hazards for the employer and participating employee. That doesn't mean that a Defined Contribution Benefit Plan isn't worthy of your consideration. What it does mean is that plan design and regulatory knowledge are critical as you examine this idea and others that will come along in the near future.

What's Happening?

A Review of Military Leave And Re-Employment

With 50,000 reservists in service, it seems an appropriate time to review a few points on health insurance, contained in the Uniformed Service Employment and Re-employment Rights Act (USERRA) of 1994. This act applies to virtually all employers, regardless of size.

- *An employer must continue health coverage for up to 18 months for employees on military leave whether or not coverage is provided during other leaves of absence or the employer is subject to COBRA.*

- *The health coverage may terminate before the end of the 18-month period if an employee fails to return to work after military service.*

- *When military service is longer than 31 days, an employer may charge up to 102% of the cost of the health coverage as determined under COBRA. If the military leave is for 31 days or less, the employer may only charge the same amount it requires from active employees.*

- *COBRA treats health coverage provided under USERRA as alternative coverage. Alternative coverage is any coverage not required by COBRA that is provided or offered after a qualifying event. However, because an employee on military leave does not terminate employment until the end of the leave, the qualifying event would be a reduction of hours which would otherwise cause a loss of coverage.*

- *Because USERRA health coverage is more generous than COBRA health coverage, they can run concurrently, which should be explained in COBRA materials given to employees on military leave.*

If re-employment rights are of concern at your place of business, contact our COBRA specialists for additional information and assistance.

Voluntary Products May Be A Smart Solution

Even though rising costs are a concern of every organization, it's still important to offer benefit programs which are attractive and competitive in your marketplace. Voluntary benefit products may offer employers the opportunity to take control of overall benefit costs without hampering their ability to meet employee needs.

Today, many businesses are complementing their employer-sponsored health benefit plan with voluntary product offerings. In fact, the larger the size of the covered group, the more prominent the use of voluntary offerings. Payroll deductions are commonly used to fund the purchase of voluntary products. While life insurance and disability coverage have been sold on a voluntary basis for a long time, a few other popular voluntary products include:

- ***Personal Accident Coverage*** *– This popular group product offers affordable insurance protection in the event of a serious injury or death.*

- ***Vision Care*** *– Offering vision care can make it possible for employees to receive routine eye exams which can identify problems, increase their ability to perform on the job and improve their overall quality of life.*

- ***Critical Illness Insurance*** *– This coverage can provide a lump sum benefit to help offset the costs of surviving a critical illness. Benefits can often mean the difference between financial survival and ruin for a family impacted by a critical illness.*

Contact us for more information on voluntary benefits and help in determining whether these offerings may help fill a few of the "gaps" present in your overall benefit offerings.

A Closer Look At Domestic Partner Benefits

According to research by Hewitt Associates, the number of large companies offering domestic partner benefits has doubled from 10% to over 20% in the past three years. Of those companies which have begun offering benefits to domestic partners, most site employee retention as the main advantage.

Even with this growth, estimates say that domestic partner benefits comprise less than 1% of total benefit costs. Who qualifies as a "domestic partner"? Here are typical requirements...

- *The two have lived together at least six months.*

- *Each is responsible for the other's financial welfare.*

- *The two are not blood relatives.*

- *Neither is married to or claimed by anyone else as a partner.*

- *They have a joint checking account.*

- *The two share utility, rent or mortgage payments.*

- *The couple is listed in domestic partner registries (where available).*

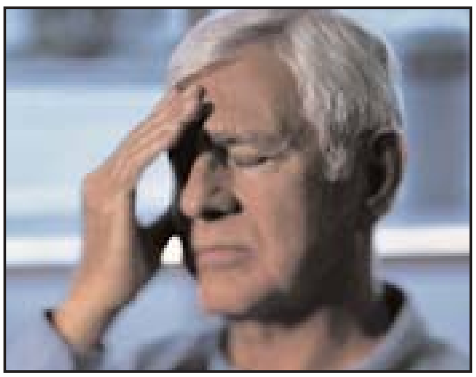
In addition, some employers impose waiting periods as long as one year before coverage for a domestic partner begins.

Your Health

Mom Was Right... Breakfast Is Important

With surveys indicating that at least 50 million adult Americans skip breakfast, physicians say this may be one of those little things that can make a big difference in the way we feel. In fact, it may go a lot further than that... it may be a serious health risk! Here's why.

Our bodies begin losing energy 8 to 10 hours after a meal and believe it or not, the body's survival mechanisms actually kick in. Fuel is pulled from fat cells and sent to the liver to be converted into energy. While this may sound like a good thing if you're trying to lose weight, it can trigger a variety of health problems, such as:



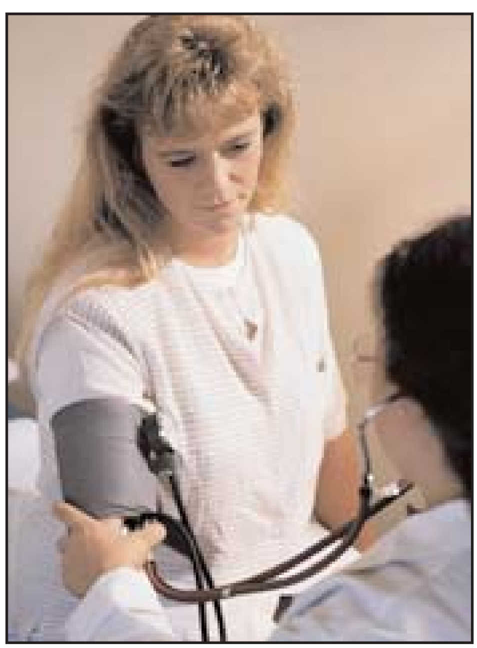
- ***Headache and fatigue...*** *Again, many people will reach for the pain tablets when a good breakfast each morning just may put an end to the headache that often occurs later in the day.*
- ***High cholesterol...*** *Adults who skip breakfast often make up for it by snacking on fatty, high calorie foods throughout the morning. This helps them gain some of the energy they need, but can often raise cholesterol far more than eating a good breakfast would do.*
- ***Lower glucose...*** *While you may think it isn't important, we really do need blood sugar to get through the day. This is an important part of what helps us think straight and perform well on the job.*
- ***Vitamin and mineral deficiencies...*** *Research shows that people who skip breakfast are not only often low in vitamins and minerals, but lacking in protein and carbohydrates as well.*

One more note of caution... If you haven't been a breakfast eater, don't get started by choosing

pastries and sweetened cereals or coffee and juice. Our bodies need fresh fruit, complex carbohydrates and healthy protein, not fatty pastries or fast foods. Begin your day with a healthful breakfast, including fresh fruit, a whole-grain cereal and the healthy protein found in soy milk, nuts and yogurt. You'll feel better and won't be tempted to run out for fatty junk food when lunch time rolls around.

Can We Prevent High Blood Pressure?

High blood pressure affects one in four adults in the U.S., and is most common in adults over age 60. Smokers, diabetics and those who are overweight are more apt to experience high blood pressure. Physicians tell us that the only way to prevent and control high blood pressure is to maintain a healthy weight, watch our salt intake, limit intake of alcohol and exercise regularly. In other words, our lifestyle habits will go a long way in maintaining a safe blood pressure level. Doctors recommend a low-fat diet rich in fruits, vegetables, dairy products, whole grains, fish, lean meats, calcium and other minerals. And 30 to 45 minutes of exercise several days a week will be a tremendous help as well. ■



Strategy...

With rising costs and an ever-increasing need to retain valued employees paramount to every employer, we thought this might be a good time to discuss a few new ideas that can be implemented without breaking the bank...

- ***Flexible Spending Accounts (FSAs)*** – *They've been around a long time and are often overlooked, but today they can be a very affordable option with the savings realized in FICA and other payroll taxes probably offsetting the cost of implementing and managing a program.*
- ***Flexible Spending debit cards*** – *Today, the technology may be available for employees to reimburse themselves for out-of-pocket expenses simply by swiping such a card at their physician's office. No paper, no hassle.*
- ***An annual "whatever" reimbursement*** – *You determine the amount, say $200 per year per employee, and reimburse employees for a portion of automobile insurance, repairs, dry cleaning, vision care or dues at a fitness center.*
- ***A prize lottery for those who go above and beyond*** – *Place the names of those who work overtime during peak production times each month or quarter in a hat. Give away a few nice prizes such as gift certificates at area retailers or restaurants. You might be surprised to learn that a little can go a long way in this regard.*
- ***Pick-up and drop-off of dry cleaning at work*** – *Perhaps an area dry cleaner will make a daily stop at your place of business, saving your employees from making one of their time-consuming stops each week.*
- ***Multi-employer subsidized day care or on-site exercise*** – *Maybe you can partner with one or more area employers to establish a day care program or bring a personal trainer into your facilities for aerobics a few times per week.*
- ***Subsidized computer purchases*** – *Many companies now offer to pay for a portion of a computer purchase if it will help increase their productivity while outside of the office.*

There are plenty of ways to let employees know how valuable they are and still be honest and open about how rising costs are impacting your overall benefits strategy. We cannot emphasize this enough... be up front about rising costs. ■

Trends...

2000 Census Reveals Benefit Trends

Results of the 2000 Census indicates that the number of single-mother households has risen by more than 25% since 1990. In addition, there was a 71% increase in the number of individuals living with an unmarried partner. What's on the decrease? The percentage of married couples declined from 55.1% to 51.7% of households and the percentage of families with children under the age of 18 dropped to only 23.5% compared to 25.6% in 1990.

HIPAA Deadline Extended

President George W. Bush has signed legislation that gives benefits managers until October 16, 2003 to comply with HIPAA electronic standards for 10 types of health care transactions. Plans and providers still have to report whether or not they are in compliance this year, and the steps they will take to comply if they are not yet there.

Web Access Rising Rapidly

According to surveys by Towers Perrin, on-line benefit enrollment is being offered by 51% of employers. Personal data change capabilities are being offered by more than 40% of employers and 401(k) account activity is being monitored over the internet at nearly 75% of surveyed organizations. Other surveys continue to indicate that the number of organizations using the internet to distribute employee handbooks and benefit plan booklets is increasing rapidly, with cost savings being a widespread advantage.

Finally!

The Census Bureau has finally announced that when follow-up questions were used, about 8% of those previously classified as "uninsured" reported that they were covered. Estimates indicate that if the same approach had been used, the number of people without health insurance in 1999 would have been 39.3 million rather than 42.6 million.

Small Companies And Cost Increases

According to Dun & Bradstreet's Annual Small Business Survey, nearly 20% of those companies employing fewer than 25 people experienced health care premium increases between 21 and 30% this year. Many (30%) say their businesses have absorbed the extra cost of health benefits without passing the increases along to their employees. Almost an equal number (29%) have responded by shopping for a new carrier.

How Much Do Employees Pay?

The Towers Perrin Health Care Cost Survey for 2001 showed little difference in employee contribution levels in HMOs, PPOs and POS plans. The reported share paid by employees was $40 per month for individual coverage and $130 for family coverage. These figures still relate to about 20% of the total cost of health care coverage.

Overall Spending Grew Nearly 7%

A new government report shows that the pace of health care spending in the year 2000 grew by 6.9% to $1.3 trillion. This follows a 1999 increase of 5.7% to $1.22 trillion. On a per person basis, this figure equals an average health care expenditure of $4,637 per person in 2000. While hospitals contributed most to the increase, with their costs rising 5.1% to $412 billion, the fastest growing segment was prescription drug spending, which shot up by 17.3% to more than $121 billion. According to the report, this was the first hospital cost increase above 4% since 1993.

The Visions 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 Corporate Systems Administration, Inc. before implementing strategies which may impact your organization's employee benefit objectives.

In Memoriam...

We want to take this opportunity to honor the memory of all who were lost in the tragic events of September 11, 2001.

Corporate Systems Administration, Inc.

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