

### Great Expectations

## Employers Watch, Wait as CDH Demand Grows

Industry watchers expect most businesses to spend the coming months evaluating what's out there and, if they opt to offer Health Savings Accounts (HSAs), drafting education programs to prepare employees for annual enrollment by 2006 or 2007. If things fall into place as expected, about 73% of U.S. employers are likely or somewhat likely to be offering HSAs by 2006, according to a Mercer survey.



HSAs are seen as a way to curb runaway medical insurance costs while giving people more control over what they spend and where they spend it. Even so, most of corporate

America is watching and waiting to learn from the successes and mistakes of early adopters.

The combination of three key factors—four consecutive years of double-digit rate hikes for health coverage, the IRS' 2002 landmark ruling regarding the tax treatment of employer-funded HRAs, and the HSA provision of last year's Medicare reform law—have contributed to what can best be described as the perfect storm in the health insurance industry, according to Steve Davis, managing editor of *Inside Consumer-Directed Care (ICDC)*. "That environment has created a tidal wave of interest in these account-based plans." Consequently, Davis notes that enrollment in HSA-

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## 21<sup>st</sup> Century at Work

### Trends Shape Workforce, Employment



Three major trends are shaping the labor force and employment relationships in the 21<sup>st</sup> century, according to the nonprofit think tank Rand Corp.: (1) a dramatic slowdown in the nation's workforce by 2010; (2) advances in technology that will change the relationships between employers and employees; and (3) further globalization that will negatively impact some industry sectors while leading to growth in others.

These trends will affect the size, makeup, and skills of the labor force, the kinds of work and its settings, and worker compensation, according to Lynn Karoly, Rand economist who headed the study, *The 21<sup>st</sup> Century at Work: Forces Shaping the Future Workforce and Workplace in the United States*.

Advances in technology will lead employees to be more mobile and work in more decentralized, specialized firms, with more individualized work relationships that incorporate flexible work schedules and telecommuting, something that will require an adjustment on the part of many firms that have yet to embrace telecommuting, notes Karoly. With more Generation X and Y workers (those who are younger than 40) putting family before jobs, according to Ellen Galinsky, president of the Families and Work Institute, there will be more blurring of work and home life since technology--such as BlackBerries, (Continued on back)

### Cost-Saving Dental Initiatives

## Pilot Programs Push Prevention, Choice

Two emerging cost-saving initiatives in dental benefits are vying for the attention of cost-conscious employers: disease management and a plan design that combines the best features of dental PPOs and DHMOs.

With the dental disease-management approach, covered services are determined by a patient's risk factors. A pilot program in Massachusetts aims to cut costs by preventing the most severe stages of disease and reducing expenditures on unnecessary care for low-risk patients.

The pilot INO (In-Network Only) plan combines the larger networks available through PPOs and the cost savings available through DHMOs. This plan gives patients access to a nationwide network of dentists with the added convenience of no waiting periods, claim forms, or network referrals. ■

## Employers Watch . . .

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qualified high deductible health plans is expected to quadruple to more than 2 million members by January 1, 2006.

The trend toward consumer-driven healthcare does not signal an end to traditional managed care and preferred provider plans. Rather, it is changing how these providers do business. According to the Milliman 2004 Group Health Insurance Survey, carriers are aware of the shifting market trends and are making adjustments to their HMO and PPO offerings while simultaneously introducing CDH offerings in greater numbers for 2005.

### CDH Products

In general, HMOs and PPOs will evolve to have greater employee cost-sharing at point of care, and the degree of efficiency between them and CDH will be small, according to Towers Perrin. The new CDH products feature a variety of approaches, including high-deductible plans, integrated employee accounts such as HRAs and HSAs, tiered-provider networks, self-selected networks, self-selected benefits, sharing of price and quality information on hospitals and physicians, and education for the various options available to members.



Despite outside pressure to plunge in, industry experts counsel large and small employers to take their time determining what's best for their situation and employee base. Also, spend time to develop a communication plan that will be helpful to all employee cultures as education is critical to employee acceptance of HSAs. ■

## 3 Trends Shape . . .

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laptops, and cell phones--enable parents to work "virtually" from a child's soccer practice or any other place. Galinsky's survey found that those who put work first weren't as mentally healthy as family-first workers. Nonetheless, at a time when most

employees are seeking avenues to achieve more balance in their lives, the American vacation is shrinking. According to CCH analyst Lori Rosen, the trend away from traditional vacation and sick leave packages is fueled by the fact that flexible plans are advantageous for both sides, and survey data reveals a positive correlation between these programs and employee morale.

Furthermore, Rand also found that technology and globalization will require more employees to engage in lifelong learning, as technology increases the rate at which some skills are rendered obsolete while globalization and the ease with which low-skills jobs can be shipped overseas will negatively impact workers who do not continuously update their skills. ■

## Bulletin Briefs . . . . .

### ◆ *Veterans Law Creates New Employer Responsibilities*

The new Veterans Benefits Improvement Act of 2004 (VBIA) expands the period for which employers must offer employees called into active military service the right to continue employer-provided health coverage to 24 months from 18 months, effective for elections made on or after December 10, 2004. VBIA also requires employers to post a notice of affected employees' rights and obligations under the Uniform Services Employment and Reemployment Rights Act of 1994 (USERRA). The notice should be available from the Department of Labor this Spring.

### ◆ *MHPA Gets Extension through December 31, 2005*

The interim final rules under the Mental Health Parity Act (MHPA) have been extended to December 31, 2005 as part of the Working Families Tax Relief Act of 2004. MHPA requires that annual or lifetime dollar limits for mental health benefits be no lower than the dollar limits for medical/surgical benefits offered by a group health plan.

### ◆ *Consumer Reports Turns Focus on Prescription Drugs*

*Consumer Reports* has launched an initiative to compare the effectiveness and cost of prescription drugs to help consumers navigate in a world of skyrocketing costs, heavy advertising, and occasionally dangerous side effects. The move is part of a broad trend to put more responsibility for healthcare in the hands of consumers. The reports are available at [www.crbestbuydrugs.org](http://www.crbestbuydrugs.org). Check this site monthly for new reports on other drugs. ■

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