

Wisconsin businesses adapt to the rising costs of health insurance. Is relief in sight?

Getting a Grip on Health Insurance Costs

By Maura Keller

Gather together business owners from diverse industries and it won't take long for them to determine they share a common malady: the rising cost of health insurance.

Businesses face a myriad of challenges when it comes to paying for employee health-care benefits, including rising premiums, ever-changing regulations, deciding whether to cover retirees, and a wealth of insurance programs and policies to choose from.

But with a combination of managerial and employee education, health benefits know-how, and insurance industry initiatives, Wisconsin businesses are on the cusp of gaining the upper hand.

At the forefront

Pricing trends in healthcare have outpaced inflation for years, putting intense pressure on health insurance premiums.

But annual cost increases for employer-sponsored health programs now show signs of easing slightly. According to the 2005 Towers Perrin Healthcare Cost Survey, employers can expect, on average, an 8%

increase in healthcare costs this year. This is the first significant break in a five-year string of double-digit increases that hammered employer-sponsored plans with increases ranging from 12% to 16%.

The good news is that the average health insurance increase dropped to 8% in part because of steps employers took to manage costs, such as care management, vendor management, and plan design changes, since the underlying increase in healthcare costs was more than 10%.

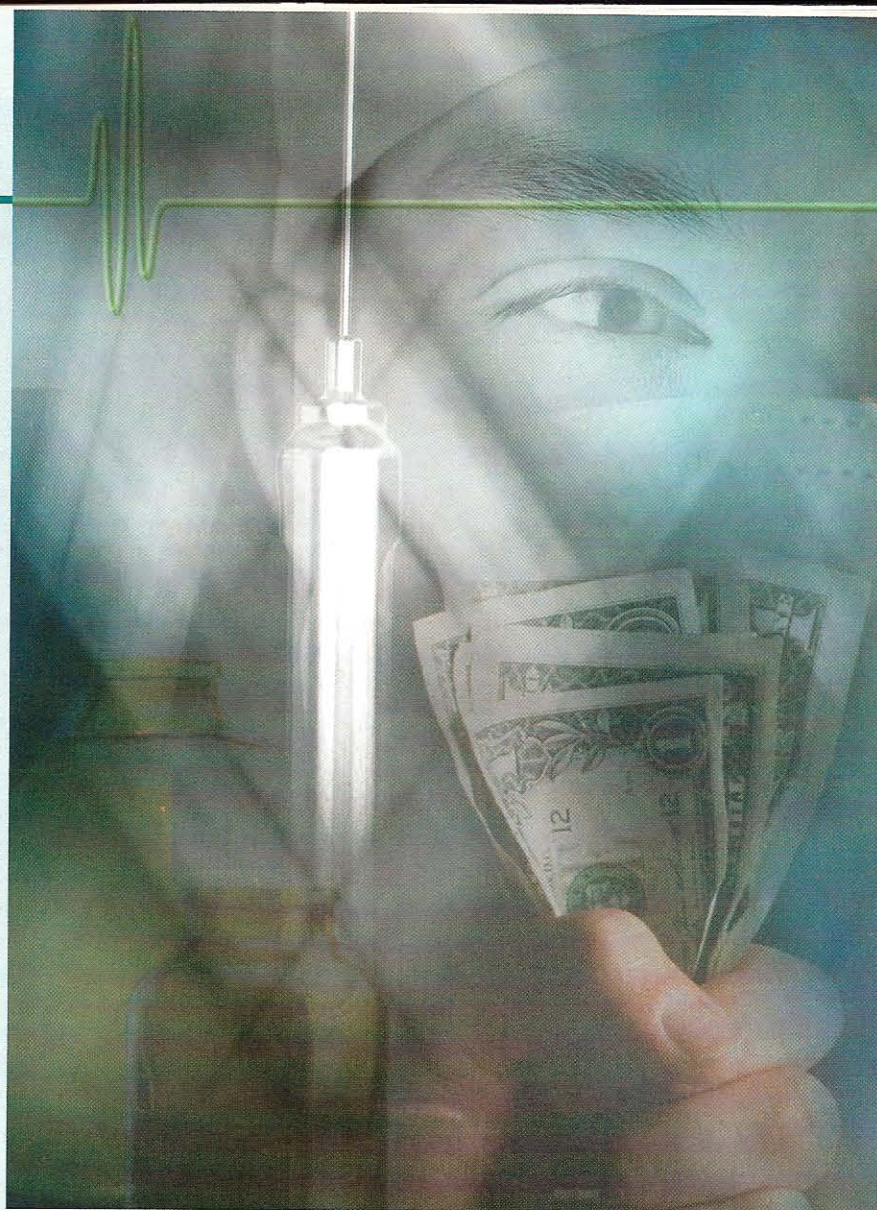
"We are seeing a variety of efforts by companies and/or individuals who are looking to lower their insurance costs," said Ric Gross, market analyst for HealthLeaders-InterStudy, Nashville, Tenn. "Health management programs, disease management, and consumer-driven plans are all approaches being taken."

Health management programs are designed to promote the health of employees/plan

members and empower and encourage them to be active and knowledgeable participants. Such programs may provide extensive education and resources for tobacco cessation, weight management, asthma, or maternity care — with the hopes that educating people on health and wellness can prevent and/or curb future medical costs.

Likewise, disease-management programs target individuals with specific diagnoses, such as diabetes, coronary artery disease, and asthma, who may be subject to expensive healthcare in the near future. The goal of disease-management programs is to provide education, patient self-care, counseling, and primary physician support to help manage the condition and avoid complications in the future.

Sean LaBorde, vice president of sales at Madison-based insurance agency Mortenson, Matzelle & Meldrum, said that the primary



areas he has seen employers focus on to lower health insurance costs include improved communication, consumerism, and wellness.

"Each area is integrated with an employer's plan design and overall healthcare strategy," LaBorde said.

Specific areas that continue to gain in popularity include:

- On-site medical care
- Wellness programs tied to employee contributions
- Improved communication with employees
- Patient advocacy services
- Online benefits communication and/or enrollment

Getting the consumer involved

The basic blueprint of a consumer-directed (or driven) health plan involves a high-deductible health-insurance policy — at least \$1,050 for individuals and \$2,100 for families — and a health savings account from which the employee pays for the deductible and co-pays, which in total can't exceed \$5,250 annually for individuals and \$10,500 for families. The idea is that the consumer of healthcare will be more aware of costs and shop for the best deal.

Large employers are leading the way with consumer-directed health plans. According to a national survey by Mercer Health &

Benefits, among employers with 20,000 or more employees, CDHP offerings rose from 12% to 22%.

But when smaller employers are considered, the numbers go way down. Only 2% of all employers with 10 or more employees offered CDHPs in 2005, and nationally, just 1% of all covered employees are enrolled in CDHPs. In Wisconsin only 8% of the 97 Wisconsin companies that responded to the survey offer consumer-directed health plans to their employees.

"For companies, these plans offer an opportunity to shift costs to employees with the hope that they will be wiser in spending their own money versus the employers," LaBorde said.

"For employees, these plans allow them to take control of their healthcare and determine what works best for them as an individual."

While these types of plans can save employers double digits when it comes to premium payments, they also often have higher out-of-pocket expenses for the employees.

"Consumer-driven plans will be something to keep an eye on in the coming years to see if consumers are becoming better, more educated healthcare consumers," Gross said.

LaBorde said the population that is most under-served by these types of plans fall into two categories:

1. For employees who lack basic healthcare literacy, these types of plans can be confusing. These populations, if not properly educated, will struggle with these plans and how they work.

2. Employees who do not have access to resources that can help them be a better consumer could also potentially struggle with consumer-directed healthcare plans. These tools range from online provider directories to quality-of-care comparisons between hospitals for specific procedures.

"Consumer-directed plans really put employees in the driver's seat," said Jay Coldwell, product director for Fiserv Health/Wausau Benefits. "Not only are they responsible for making good healthcare decisions, but these plans also educate them on the costs involved with those decisions. But it takes more effort on everyone's part."

Educating employees

Experts agree that if increasing healthcare costs provide an incentive for business owners to take a closer look at their policies, then it's a blessing in disguise.

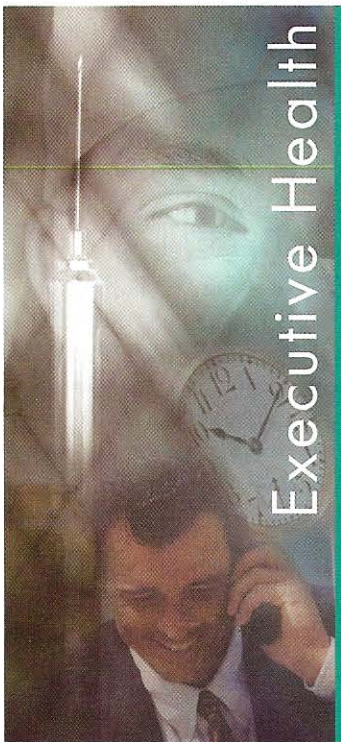
Some businesses have adapted by conducting a more in-depth review of policy terms and conditions when they apply for renewal. They get help with this by either contracting with a broker, consultant, or healthcare advocacy firm, or by hiring a full-time health benefits manager.

One such healthcare advocacy firm is Milwaukee-based Patient Care.

"As an advocacy company, employers hire us to provide assistance to their employees and families with navigating through the healthcare system and becoming a better healthcare consumer," said Jane Cooper, founder and CEO of Patient Care.

"When I founded the company four years ago a lot of what we focused on was claims problems, hassles with getting prescription drugs filled appropriately, and helping people understand their benefits because the system can be so complex, frustrating, and intimidating," Cooper said. "Sometimes they need an expert to help them to get through it."

And because Patient Care is an independent advocacy company, they can discuss medical issues with employees without violating HIPAA, the Health Insurance Portability and Accountability Act, which protects the right



Okay, admit it. When was the last time you took your executive self in for a physical exam? Four years? Seven? If you're like the majority of executives, it may have been even longer.

Burdened by jam-packed schedules, many top executives avoid getting physicals. That's why healthcare providers such as the Mayo Clinic and Johns Hopkins have designed executive health programs to streamline scheduling of tests and minimize the time commitment.

The Medical College of Wisconsin in Milwaukee keeps executives out of airports, too, by offering an executive health program right here in Wisconsin.

The MCW Executive Health Program promises to condense the necessary tests to less than one working day and provides a personal escort through the process. Group discounts are available to corporations with several executives.

of patients to keep their medical records private from employers. (Cooper said that Patient Care still has employees fill out HIPPA release forms before a consultation).

Since the advent of consumer-directed plans, Cooper and her colleagues have continued to help with general health insurance issues but now are spending a great deal of time with people helping them become better healthcare consumers.

“Educating employees is a core focus of companies,” Cooper said. This includes rewarding employees for getting involved with smoking-cessation and weight-management programs, and simply clarifying health insurance costs related to certain types of medical conditions.

Of course, insurance providers are taking their own initiatives to help businesses curb costs. Take Humana, for example. With 13,000 employees across the nation, including nearly 4,000 in Wisconsin, Humana offers coordinated health insurance coverage and related services — through traditional and Internet-based plans — to employer groups, government-sponsored plans, and individuals.

“Back in 2001, Humana was facing its own large rate increase, projected at 19%. So we introduced a new type of health insurance plan for our own employees,” said Mark Mathis, corporate communications manager at Humana.

“The first year that we used the plan with 10,000 employees and family members, we saw just a 4.9% rate increase. We expanded it to the rest of Humana employees and then eventually made it available to consumers.”

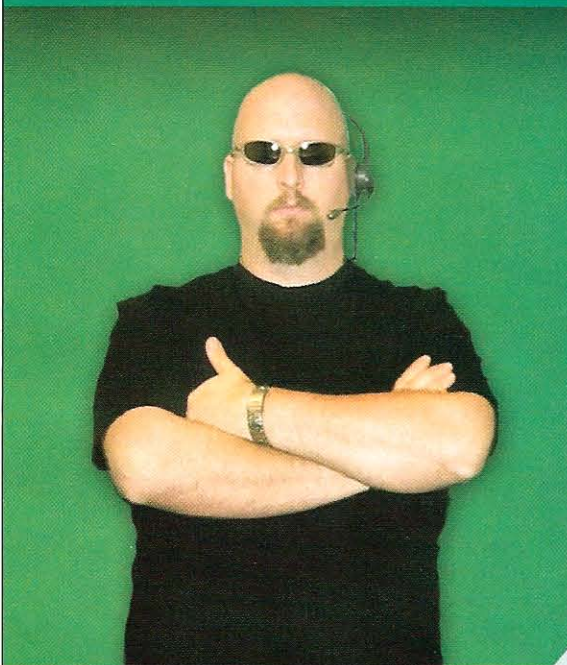
Called SmartSuite, Humana’s program allows employers to offer a range of choices for the employee, recognizing that there is no “one size fits all” when it comes to health insurance coverage.

The program lets employers choose a bundle of between four to six different kinds of plans.

“The bundle might include an HMO plan, several kinds of PPO plans, and maybe one or two consumer-driven plans,” Mathis said. That way employees can choose a health plan that fits their needs.

In a recent three-year study, Humana found that companies that had signed up for SmartSuite had annual healthcare cost increases between 5% and 6%, which compared very well

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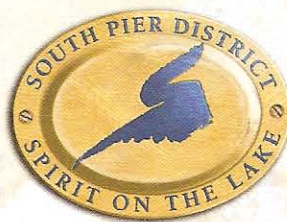
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Health Savings Account information

Many companies that offer HSA plans have calculators and other tools to help make the concept clearer. An official government site for HSA information is at the U.S. Treasury, www.treasury.gov, then search for "HSA".

to the 12% to 14% national rate of healthcare cost inflation during the same period.

What the future holds

Let's face it, life is filled with a variety of events that dramatically affect the health insurance coverage people need and the trickle-down costs that affect others. Each year millions of Americans face life-altering events, which can vary from the birth of a baby to the onset of a chronic condition or disabling disease. Not to mention the mind-boggling array of health issues that the aging baby boomers will soon be facing.

With all of these unknowns, experts agree that for all the stumping for health insurance cost reductions, the price for insurance coverage won't recede anytime soon. As a result, more and more companies are going to have to embrace alternatives that cause consumers to become active players in managing their healthcare costs.

"We are still at the infancy-stage of consumer-driven healthcare, but I think these plans will become the predominant form of healthcare over the next decade based on early employer response and potential impact on key players in the market," LaBorde said.

However, LaBorde advises that some very basic bridges will have to be built to fully leverage the potential of consumer-directed health plans, specifically:

- Easy access and understanding of both cost and quality information.
- Effective benefit communication and education strategies for employees and their family members.

LaBorde said, "The ultimate piece of the puzzle that will make or break the trend toward consumer-directed health plans will be the ability of individuals, with the support of their employers, to make a personal commitment to living a healthy lifestyle." ■