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## INDUSTRY HIGHLIGHT

### THE AGING WORKFORCE: PERCEIVED ADVANTAGES AND DISADVANTAGES

It has been widely reported that the American workforce is experiencing a major demographic shift, largely based on the Baby Boomer generation reaching retirement age. According to a recent study, nearly 20% of the US workforce will be age 55 or older by 2012, up from just under 13% in 2000.<sup>1</sup>

For employers, what are the concerns associated with this aging labor pool? AARP asked 1,000 executives whether they agreed with some commonly-perceived advantages and disadvantages of older workers (see Fig. 1).

According to this same study, many older workers want to work past retirement age for both personal and financial reasons, which is a potential solution for staffing shortages.<sup>1</sup> Considering this and the previous points, many companies have proactively considered these possibilities and concerns and have taken steps to accommodate the new demographic reality. For suggestions and more information on this topic, visit the AARP website ([www.aarp.org](http://www.aarp.org)) and review "The Business Case for Workers Age 50+."

## PROMOTING PREVENTIVE HEALTH SERVICES

According to the National Business Group on Health, research has shown that approximately 75% of all healthcare costs are the direct result of preventable chronic health conditions. In addition to putting a strain on healthcare budgets, chronic disease is also a leading cause of disability and lost productivity.<sup>2</sup>

Employers are in a unique position to promote the use of clinical preventive services, which can help employees avoid disease or arrest disease development in the earliest stages. Partnership for Prevention identified three barriers that employers should evaluate to promote the use of preventive services: cost sharing, knowledge, and convenience.<sup>3</sup>

**Cost sharing:** Employers should evaluate medical plans with attention paid to the employee-paid portion of preventive screenings and medications. This may be especially true for employers who offer a High Deductible Health Plan (HDHP). Allowing preventive services to be covered at either a minimal copay, or even at 100% before the deductible is met, can encourage individuals in these plans to seek preventive care.

**Knowledge:** Employers can also promote the use of preventive services by educating

employees about the services that are covered by their health plan, and providing resources that include information on recommended screenings. Several guides are available that employers can share with their employees, including the National Business Group on Health Purchaser's Guide to Clinical Preventive Services, which can be found at [www.businessgrouphealth.org/prevention/purchasers](http://www.businessgrouphealth.org/prevention/purchasers).

**Convenience:** Employers can evaluate the accessibility of preventive services and search for ways to make that access more convenient for employees. Many corporate wellness companies provide preventive screenings and ongoing health coaching as part of their services. Local healthcare providers and clinics may also be willing to provide services such as health screenings or flu vaccines on-site on a specified day.

Partnership for Prevention has issued an employer guide to providing high-value, cost effective preventive services to employees. This guide can be found at [www.prevent.org](http://www.prevent.org). By encouraging employees to seek the recommended preventive services, employers can realize lower healthcare and disability costs, lower absenteeism, and greater productivity.

**Figure 1: How Businesses Perceive Older Workers**

AARP asked 1,000 executives whether they agreed with some commonly perceived advantages and disadvantages of older workers:

Advantages	Percent who agree	Disadvantages	Percent who agree
Experienced	91%	Uncomfortable with technology	52%
Knowledgeable	78%	Inflexible	49%
Ability to mentor other workers	71%	Difficulty reporting to younger supervisors	44%
Valuable insights into customer or business needs	63%	Risk of health problems	30%
High level of engagement in their work	37%	Lower productivity	18%
High productivity	23%	Unwilling to be a team player	14%

Source: AARP

## BENEFITS COMPLIANCE FAQ

**Q.** Can an employer charge a higher health insurance premium for a smoker vs. a non-smoker?

**A.** HIPAA prohibits a health plan from charging individuals different premiums based on a health status or standard (26 USC 9802 (b)). However, there is an exception when provided under a wellness program. The wellness program would need to comply with the Final Nondiscrimination and Wellness Program Regulations jointly issued on December 13, 2006 by the Department of Labor, Department of Health and Human Services, and Department of the Treasury.



If a wellness program provides a reward for individuals satisfying a standard related to a health factor (in this case, the health factor being a non-smoker), then the program must meet 5 requirements in order to comply with the HIPAA nondiscrimination rules:

- 1) The premium differential may not exceed 20%
- 2) The program should be designed to “promote health and prevent disease”
- 3) Participants must be offered an opportunity at least once annually to meet the standard and thus qualify for the reward
- 4) If it is unreasonably difficult for an individual to meet the standard due to a medical condition (or if it medically inadvisable), the program must offer a reasonable alternative standard [Note:

The DOL maintains that addiction to nicotine is a medical condition (71 Federal Register 75037). Therefore, a physician could certify that it is unreasonably difficult for an individual to quit smoking. An alternative must be offered, such as completing a smoking cessation program.]

- 5) All program materials must include information on the availability of a reasonable alternative standard

## LIMITED MEDICAL: DECIDING ON THE RIGHT PLAN

The limited medical market continues to grow as more and more employers address the need to provide basic medical benefits for employees as they wait to become eligible for a major medical program. These products offer the dual benefit of controlling group medical costs and providing first dollar benefits to entice employees to stay on.

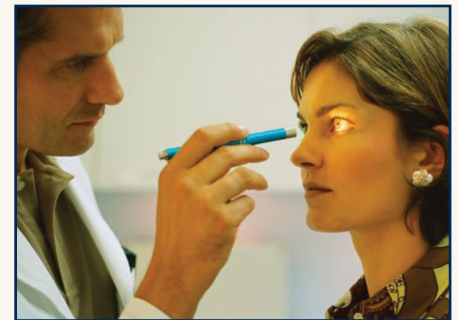
While there is often little question as to whether these plans can help round out an employer’s benefit offering, finding the right plan design isn’t always as simple. Limited medical products come in two basic forms: copay and indemnity. Each design has subjective advantages and disadvantages.

Many people are comfortable with copay plans, in which they pay a percentage of a network discount price or for “usual customary charges” that have been incurred. The provider will submit a claim, and the member pays the appropriate deductible/copayment. However, copay plans can be confusing because, if communicated improperly, they can be interpreted as offering all of the benefits of a full medical plan.

Indemnity plans pay the provider a fixed rate for medical services, and members pay the difference. Indemnity plans are straightforward; there’s generally nothing being paid up front by the members or

submitted for reimbursement. However, if an expense isn’t specifically cited on the covered list of services, an indemnity plan might not cover it at all.

The need for non-catastrophic first dollar medical coverage has inspired the development of countless products, by widely-recognized underwriters to boutique vendors. The most important thing to do is to insist on very clear descriptions of what these programs cover and, more importantly, what they do not.



The reality is that healthcare costs will undoubtedly continue to rise, and the number of uninsured may increase accordingly. So, while specific individual expectations and preferences may vary from case to case, there is no question that the need for limited medical products is significant and will continue to grow.

### Sources:

1. AARP (report prepared by Towers Perrin), The Business Case for Workers Age 50+, [http://www.aarp.org/research/reference/boomers/workers\\_fifty\\_plus.html](http://www.aarp.org/research/reference/boomers/workers_fifty_plus.html)
2. National Business Group on Health, A Purchaser’s Guide to Clinical Preventive Services: Moving Science into Coverage, <http://www.businessgrouphealth.org/prevention/purchasers/>
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