

BENEFIT TRENDS & DEVELOPMENTS

Gerry Adams, Directions Benefit Group

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Employers Can't Afford Not to Have Health and Productivity Programs

Uncertain employment conditions may contribute to greater lifestyle-related health risks among employed persons, according to data analyzed by the non-profit Integrated Benefits Institute (IBI). When considering cutbacks in health and productivity management (HPM) programs, employers need to know that employees are more likely to engage in hazardous health behaviors when employment conditions are uncertain. And risky health-related behaviors reduce employee productivity. According to the analysis recently released by IBI, now more than ever, employers stand to benefit from encouraging healthy lifestyle choices for workers.

"The studies we analyzed indicate that risky health behaviors such as heavy drinking, smoking, or neglecting physical exercise significantly contribute to workplace absence and reduced productivity while on the job," said Thomas Parry, PhD, president, IBI. "The effect harms employers and workers alike."

For example, research in Sweden found that workers who smoke take about one-third more sick leave days per year than non-smokers or former smokers. In another study, lack of exercise was a factor in almost a day's worth of health-related presenteeism per year, while higher levels of smoking and drinking were associated with more than a day of additional presenteeism.

Recent IBI reports have suggested that economic downturns can actually improve a population's health, as laid-off workers gain more time to exercise and consumers tighten their discretionary spending for unhealthy items such as cigarettes. But employees who keep their jobs during tough times may respond differently than those who find themselves under or unemployed. To better understand how employees change their lifestyles in response to employment uncertainty – and by extension, the likely impact on overall productivity – IBI used data from the Center for Disease Control's National Health Interview Survey (NHIS) to analyze the relationship between 31,000 employed adults' lifestyle risk factors and their industry's quarterly unemployment rate. The focus of the analysis was on drinking, smoking, and physical inactivity.

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Gerry Adams

A Licensed Agent With

Directions Benefit Group

3805 Rockdale Avenue, Suite 250
Atlanta, GA 30325

Phone: (770) 555-9100 Email: gadams@dirben.com



Gerry Adams

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The Worse Things Get, the Worse We Behave

IBI's analysis shows that employees tend to smoke more, drink more, and exercise less at higher rates of unemployment. For example, doubling the unemployment rate from 4.5 percent - the national average in April 2008 - to April 2009's rate of 8.9 percent increases the expected percentage of employees who smoke daily by 25 percent, and who smoke occasionally by 18 percent. The share of non-exercisers increases by about nine percent, and all other levels of weekly exercise decrease. The greatest decline - 15 percent - comes for employees who exercise at least eight hours per week. The percentage of moderate to heavy drinkers increases by 20 percent.

A recent IBI survey of more than 400 employers conducted with Harris Interactive suggests that employers are much more likely to increase resources for health and productivity enhancing programs, rather than cut back. Sixty-eight percent of respondents with any HPM programs plan to add resources to at least one program, without decreasing resources for any other program, in the next two years, while only four percent expect to decrease. An additional 33 percent plan to hold firm on the resources allocated to HPM programs, while five percent are cutting some and increasing others.

"Regardless of what you're doing their sustained support for health and productivity management, employers appear willing to step up their health promotion, disease management, and return-to-work efforts even in tough economic times" noted Parry. "It's important that workforce health promotion be seen as a necessary and sound business strategy."

Voluntary Products Have Significant Role in the Overall Benefits Package

According to a survey released by the International Foundation of Employee Benefit Plans (IFEFP) and co-sponsored by Employee Benefit News, voluntary benefits are a fundamental part of employers' benefit

plans. Employers are offering voluntary options as way to better meet the needs of a diverse workforce.

Eighty-four percent of the employers who responded to the survey currently offer voluntary benefits and an additional 5% plan to offer voluntary benefits in the future. The survey defined voluntary benefits as supplementary benefits made available by an employer often at a group rate or premium discount to employees.

"The survey shows voluntary benefits are a significant part of plan sponsors' strategic benefit approach and they are poised to increase in importance in the coming years. These benefits improve employee satisfaction, with minimal administrative costs for employers," summarized Sally Natchek of the International Foundation of Employee Benefit Plans.

Of the employers who offer voluntary products, the most common options provided include term life insurance (73%), vision insurance (53%), long-term care insurance (51%), long-term disability insurance (50%), accident insurance (49%) and dental insurance (48%).

"Long term care is one of the fastest growing voluntary benefits," explained Natchek. "Aging baby boomers, who may have experienced the overwhelming costs of custodial care with a parent, are expected to drive the future trend in purchasing long term care insurance."

A smaller, but still significant number of employers offer newer niche voluntary products including automobile insurance (32%), homeowners'/renters' insurance (29%), debt counseling and financial planning (22%), identity theft coverage (22%), college savings plans (21%) and pet insurance (19%).

Large and Small Employers Offer Voluntary Benefits to Better Meet Their Employees' Needs

The majority of employers, 68%, identify providing employees access to a greater array of benefits and supporting employee choice and flexibility as the main reason for offering voluntary benefits. Other reasons reported include filling gaps in employer-sponsored benefits (42%) and helping employers get better prices at group rates (41%). Very few employers, only 4%, indicated that supplementing or replacing

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employer-sponsored benefits that have been reduced or eliminated, is a top reason why they offer voluntary benefits.

“Workers are taking more accountability for their own future, preferring to pick and choose their benefits based on their specific needs and costs,” stated Natchek.

Slightly more than three-quarters of employers (76%) agree or strongly agree that voluntary benefits are a win-win supplement to an organization’s benefits package. Employers indicate that their employees have an overwhelmingly positive reaction to voluntary benefits, with 89% agreeing their employees have a positive view of the benefits. No employers reported negative employee reactions.

The large majority (78%) of responding employers believe that offering voluntary benefits results in only slight or moderate increases in administrative costs.

Employee Participation Levels and Reasons for Participating Vary Widely

Employers indicate various levels of voluntary benefit participation among their employees. The most common participation rate is 20%-40%, reported by 23% of employers. Nine percent reported that less than 10% of their employees purchase at least one voluntary benefit, while 14% report that more than 80% of their employees participate in at least one voluntary benefit program.

The majority of employers, 66%, have not seen participation levels change during the past year. However of those who have seen changes, nearly twice as many (14.4%) report participation has increased than those who report decreases (7.9%).

Of the employers reporting increases, just over half (52%) cite employees appreciating a broader range of benefits as a reason participation increased. Employees assuming more responsibility for their health and welfare is another significant reason for increased participation, cited by 43% of employers.

Other reasons for increased participation appear to be a direct effect of the economy. A quarter of employers (26%) report that employees seeking ways

to manage risk is a reason for increased participation. This is followed by employees looking for advice and guidance on financial loss (23%), seeking way to cover themselves and/or dependents as a result of spousal job loss (23%) and seeking portable benefits due to decreased job security (12%).

A small number of employers reported decreased participation during the past year (8%); the large majority of these employers, 83%, attribute the decline to employees who are unable to afford the benefit.

Voluntary Benefits Expected To Gain Popularity

Looking towards the future, a majority of employers, 80%, agree or strongly agree that with the aging of baby boomers, voluntary products with guaranteed issue provisions (meaning applicants cannot be denied coverage based on their health status) will become more popular and participation will increase.

Employers also feel that portability will continue to be an important characteristic (88%) and 50% of employers think voluntary benefits will increase if phased retirement becomes popular.

Wellness Survey: Businesses Look to Wellness Programs to Improve Productivity and Lower Absenteeism

Improving productivity by keeping employees healthy and working is emerging as the top business objective for employer-sponsored wellness programs around the world. The two exceptions are the United States, where reducing health care cost increases overwhelmingly continues to be the top goal, and Asia, where the most important objective is improving workforce morale.

These are among the latest trends identified by Buck Consultants’ third annual global wellness survey, “WORKING WELL: A Global Survey of Health Promotion and Workplace Wellness Strategies,” released last month. The survey analyzed responses from more than 1,100 organizations representing 10

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million employees in 45 countries.

“The heightened global focus on improving productivity is a significant trend,” said Barry Hall, a Buck principal who directed the survey. “Business leaders around the world are increasingly recognizing the financial value of healthier workers and the need to better engage employees in reducing their health risks.”

Stress is consistently cited as the top health risk driving wellness programs in all areas of the world, except for the United States and Latin America, where lack of exercise and poor nutrition are of top concern.

“Employers in the United States and Latin America seem to lag behind the rest of the world in addressing stress and its related conditions such as depression, anxiety, and fatigue,” said Hall. “These are among the most significant drivers of productivity loss and absenteeism, as well as increased health care costs.”

Effect of Economic Downturn

Wellness programs are still most prevalent in North America, where 77 percent of responding employers offer them. However, strong growth is reported from all regions of the world, despite current economic conditions. Globally, 24 percent of respondents indicated a decreased ability to provide wellness services, and 19 percent actually enhanced their wellness initiatives.

“Wellness programs appear to be holding their own as an organizational priority,” said Hall. “Despite increased pressure on employers to cut budgets, many recognize that their wellness programs can help relieve the personal burdens that often affect their employees’ health and productivity. Further, the prevalence of provisions in U.S. health reform legislation in support of wellness and prevention seems likely to propel wellness to even greater attention and investment in the United States.”

Fastest-Growing Wellness Components

The fastest-growing components of wellness initiatives around the world are expected to increase 100 percent or more over the next three years. These include technology-driven tools, such as Web portals, online healthy lifestyle programs, and personal health records.

On-site programs, such as caregiver support, personal

health coaching, and healthy vending machine food choices are also expected to rapidly increase.

Incentive Awards

Incentive awards, designed to improve employee participation and engagement in wellness program activities, are most prevalent in the United States (offered by 56 percent of respondents). The use of incentives in the United States has increased 63 percent since Buck’s inaugural survey in 2007.

U.S. respondents spend an average of \$163 per employee per year on wellness incentive rewards, up from an average of \$100 two years ago. Twelve percent of U.S. respondents spend more than \$500 per employee per year, with the largest incentive reported at more than \$2,000 per employee.

Incentive rewards of various types are increasingly being offered in all parts of the world, especially Asia (42 percent) and Australia (33 percent).

Measuring Impact

Buck’s annual survey continues to find that relatively few organizations are using metrics to validate the success of their wellness programs. Worldwide, only 22 percent have measured financial outcomes (although financial objectives are not a primary focus in most regions outside the United States).

“The fact that organizations continue to expand wellness programs, despite this lack of measurement, suggests that the intuitive value of improved employee health remains a major motivator for employers,” said Hall. “Employers may recognize that health outcomes and behavior changes inspired by wellness programs are likely to take multiple years to fully manifest themselves in the form of measurable savings.”

Among U.S. respondents who have measured the effect of wellness programs on their health care cost trend rate, 43 percent report a reduction in the trend rate. The typical reduction is two to five trend percentage points per year. “This is a significant savings on the massively growing health care bills of many employers,” said Hall.