At most companies, employee benefits represent a significant portion of an employee’s overall compensation. According to the Bureau of Labor Statistics, employee benefits’ costs account for almost 50 percent of an employee’s total compensation. Yet this significant outlay often gets overlooked, or undervalued, by employees. For example, according to data from MetLife, 28% of surveyed full-time employees thought their employer’s contribution toward health insurance was less than $1,000 per employee annually, and almost half—49 percent—put this figure at less than $2,000. This perception significantly underestimates what is likely to be an employer’s actual contribution.

The average annual employer contribution for health coverage during 2004 was $3,137 for individual coverage and $7,289 for family coverage, according to the Kaiser Family Foundation and Health Research and Educational Trust 2004 Employer Health Benefits survey. According to the Bureau of Labor Statistics March 2005 National Compensation Survey, employees pay only 18 percent of the health care plan premium for single coverage and 31 percent of the premium for family coverage, with employers covering the rest of the cost.

Effective communications can go a long way toward bridging this gap between perception and reality. Too often, employee benefits’ communications are limited to the annual enrollment period, when most employees’ focus will be on what their benefits are costing them, and not on what their employer contributes to the total benefits package. Furthermore, research from MetLife shows that the amount of time most employees take to make decisions about their benefits is small, 57 percent spend only 50 minutes or less, with the average running just over one hour.

Employee benefits’ communications should continually reinforce the value of the benefits package. In addition to the significant contribution most companies make toward health insurance, there are other items such as employer contributions to a pension plan or profit sharing plan or matches to a 401(k) plan; employer premium contributions toward other health and welfare benefits (e.g., life, disability, dental insurance); savings employees realize through purchasing any voluntary benefits at a group rate; the salary—in dollars—represented by paid vacation days; and employer contributions to mandatory benefits, such as Social Security and Medicare.

Beyond annual enrollment, communications should use a variety of media throughout the year to explain the value of the benefits package. This might include an annual total compensation statement that shows the employer’s actual outlay—in salary and benefits—for the employee; “Did you know?” emails, placards and posters, each highlighting the actual cost of, and employer contribution, toward a specific benefit; and items in newsletters discussing benefits cost issues in understandable terms.

A company’s employee benefits package is important—not only because of the cost the employer incurs in offering it, but insofar as the role it plays in recruitment and retention efforts. Effective year-round communications help ensure that the investment the employer has made in the benefits package produces the highest return in terms of employee recognition, and understanding of the true value of their total compensation.
Consumers remain confident of prescription drug safety, despite several recent instances of popular medications being pulled from the market or linked to serious conditions. However, older drugs are more trusted, even when their cost is comparable to newer medications that may be perceived as more effective.

These conclusions from recent surveys come at a time when a number of popular medications have garnered attention regarding their safety. Within the last year or so, the arthritis medication Vioxx has been pulled from the market, some antidepressants have been linked to suicides in children and adolescents, and popular over-the-counter pain relievers have been associated with cardiovascular and gastrointestinal concerns.

Despite these high-profile cases, 84 percent of American consumers remain “very confident” (36 percent) or “somewhat confident” (48 percent) about the safety of prescription drugs sold in the U.S., according to an AP poll. Among the group of individuals surveyed, 74 percent had taken physician-prescribed medications in the past year.

Older drugs are perceived as safer than medications that are new to the market, according to a survey by Medco Health Solutions. About one third (31 percent) of the survey group rated medications that had been on the market for 10 years or more as safer than newer drugs; 11 percent gave the safety nod to newer drugs; and 38 percent thought the two groups were equally as safe. Conversely, newer medications get the edge when consumers are asked about effectiveness: 33 percent said they thought newer drugs were more effective than medications that had been on the market for 10 or more years, 11 percent said they thought older drugs were more effective, and 39 percent thought the two groups were equally as effective.

Overall, safety concerns trumped effectiveness among the Medco survey respondents, with 70 percent saying they would prefer older prescription drugs (perceived as safer) to newer medications (perceived as more effective), even if the cost were the same. As characterized by a spokesperson for Yankelovich, the research firm that conducted the survey for Medco, “consumers are willing to sacrifice effectiveness to ensure their own safety.”

With consumers focused on the safety of the medications they take, the Food and Drug Administration (FDA)—the federal agency responsible for prescription drug oversight—has retained the public’s confidence. Three-quarters of the AP survey group said they were “very confident” or “somewhat confident” of the FDA’s ability to ensure the safety of prescription drugs. A poll by the Kaiser Family Foundation (KFF), a nonprofit foundation that focuses on health issues, found similar levels of confidence in the FDA—22 percent were “very confident” and 55 percent were “somewhat confident” of the FDA’s effectiveness. And, despite the recent safety concerns surrounding specific medications, the public’s confidence in the FDA has largely remained constant: 62 percent of the KFF survey group said their confidence in the FDA’s ability to ensure the safety of prescription drugs has remained the same over the past few years, compared with 27 percent who said their level of confidence has decreased.

Given that the appropriate use of prescription drugs is a key element of one’s overall health care, it is important that any safety concerns about medications do not interfere with necessary drug therapy. Communications concerning health care coverage should reinforce the details of the prescription drug program, and remind employees of the importance of discussing their medications with their prescribing physician and/or pharmacist. Open discussions between patient and these health care professionals has the added benefits of facilitating appropriate medication use, alerting patients to possible side-effects, and better understanding prescription drug options, including generics.
Employees Who Smoke Add to Their Employer’s Cost of Doing Business

Though the percentage of the U.S. population who smokes cigarettes has declined substantially since the early 1960s, about one-quarter of American adults continue to smoke. According to figures from the Centers for Disease Control and Prevention (CDC), in 2002, just over 22 percent of U.S. adults age 18 and older smoked cigarettes.

The potential hazards of smoking are well publicized. Cigarette smoking is the leading cause of preventable death in the U.S., responsible for one in five deaths, according to the CDC. Smoking is linked to a number of diseases that may lead to premature death or disability: various types of cancer, cardiovascular disease, emphysema and chronic bronchitis, low-birth weight babies, and addiction. Additionally, cigarette smokers expose those around them to the hazards of second-hand smoke.

In certain workplaces, the combination of smoking and exposure to certain substances can exacerbate the risk. Cigarette smoking can transform existing chemicals found in certain workplaces into harmful ones, increase exposure to toxic chemicals, and add to the biological effects of other chemicals, according to a Surgeon General report cited by the CDC.

As well as the human cost of early death and disease, cigarette smoking carries with it an economic cost, felt not only by the smokers themselves but by their employers, too. Cigarette smoking is associated with increased absenteeism: ASH (Action on Smoking and Health, a national antismoking organization) cites data that, on average, smokers are absent 50 percent more often than nonsmokers. Smokers generate higher health and life insurance costs and claims. According to the CDC, other factors associated with smoking that contribute to increased costs for employers include workers’ compensation payments and awards; increased incidence of accidents, fires, and property damage (plus higher insurance costs); and increased cleaning and maintenance costs. The Employers’ Smoking Cessation Guide, published by PACT (a consortium of smoking cessation therapy professionals) also cites liability costs associated with exposure to tobacco smoke and penalties for noncompliance with any applicable community or state ordinances.

Given the costs associated with cigarette smoking, many employers have taken steps to eliminate or discourage smoking in the workplace, through implementation of workplace smoking policies or incentives for smokers to quit. For example, PACT reports that 50 percent of employees work in facilities where smoking is prohibited in their work areas or shared workspaces, and 80 percent work for companies that have some type of smoking policy.

Incentives for smokers to quit can take many forms, including health plan designs that cover smoking cessation programs and workplace wellness initiatives that target smokers. What types of workplace programs are most effective? A study cited in Medical News Today reported that health insurance that pays the full cost of smoking cessation treatments can increase quitting rates, compared with benefit plans that cover only part of the cost or provide no smoking cessation benefit at all. Smokers who received full benefits for a smoking cessation program were one-and-one-half times more likely to successfully quit, and also one-and-one-half times more likely to try to quit.

The cited study was from the Cochrane Collaboration, an organization that evaluates medical research. A previous review from that organization (which also sought to determine the effect of workplace interventions on smoking cessation) concluded that interventions directed toward individual smokers, such as advice from a physician, individual/group counseling, and nicotine-replacement therapies, were effective in increasing the likelihood of quitting smoking. The authors found conflicting evidence as to whether workplace smoking policies increased overall quitting rates, though they did decrease the prevalence of smoking during the working day.

The CDC has published a booklet, Making Your Workplace Smokefree — A Decision Maker’s Guide, that provides suggestions for employers that are considering implementing policies for smoking or incentives for smokers to quit. The booklet is available on the agency’s web site, at www.cdc.gov/tobacco/research_data/environmental/etsguide.htm.

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the near-continuous historical decline in the out-of-pocket share that has sheltered many consumers from the impact of rising medical spending.”

Total health care spending is projected to reach 18.7 percent of the gross domestic product by the year 2014, up from the 15.3 percent it represented in 2003, according to health tracking trends published in Health Affairs.

“U.S. Health Spending Projections For 2004-2014” projects private health care spending will grow at a rate of 6.6 percent in 2005 and at an average rate of 6.4 percent from 2003-2014, growth that continues to outpace inflation, but which represents some relief for employers and other private sector payers, compared with the double-digit increases seen in some recent few years. In contrast, growth in public spending for health care is expected to be higher—the report projects 8.1 percent growth for 2005, and average growth of 7.4 percent from 2003-2014. As a result of this difference between the rates of growth in the private and public sectors, public funding of health care will exceed a record 49 percent of total U.S. health care spending by the end of the projection period.

Medicare’s new prescription drug benefit is largely responsible for this funding shift, according to the report. Despite this, the report forecasts that the rate of increase in prescription drug spending will slow over the projection period, primarily due to utilization. The study points to three factors in the forecasted usage slowdown: reduced demand on account of increased cost sharing and more drugs shifting to over-the-counter status; expansion of plan management tools, such as prior authorization and step therapy, by pharmacy benefit managers (PBMs); and an expectation that new drugs currently in development will target “niche” diseases, and consequently not achieve “blockbuster” status.

The report also points to utilization as “almost entirely” responsible for the relatively modest private sector health care cost increases noted above. According to the report, factors driving this slowdown include the “quiet reimposition” of utilization management techniques, such as preauthorization requirements and utilization review, and “dampened demand” for discretionary services on account of increased cost sharing for individuals.

The report projects enrollment in private health insurance plans will grow more slowly than the overall population for each year in the projection period. Though premium increases are expected to slow, growth in premium costs still will exceed growth in per capita disposable income (by a projected 1.4 percentage points, down from a four-plus-point gap in the late 1990s and early 2000s), according to the report. Growth in out-of-pocket spending is projected to keep pace with growth in private health insurance spending, which, according to the authors, “represents a departure from...” continued on page 5