

Benefit Insights

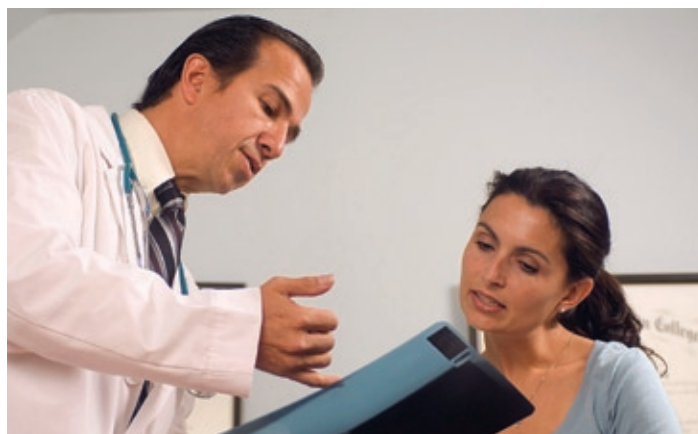
Lives, And Dollars, Could Be Saved If More Americans Used Preventive Care

Increased use of just five preventive care services could save more than 100,000 lives annually in the United States, according to a report from the Partnership for Prevention. Underuse of these and other high-value types of preventive care lead to lost lives, unnecessary poor health, and inefficient use of health care dollars.

The study, *Preventive Care: A National Profile on Use, Disparities and Health Benefits*, examined what it termed “high-value preventive care,” defined as services that produce the greatest health benefits and offer the best cost value. Services ranked as having the highest value include advising at-risk adults about daily aspirin use; providing recommended immunizations to children; providing advice to smokers to help them quit; screening adults for alcohol abuse and providing brief counseling; screening adults age 50+ for colorectal cancer; screening adults age 18+ for hypertension and providing treatment; immunizing adults age 50+ against the flu; and screening adults age 65+ for vision.

The study identified current utilization of some preventive care services and estimated the number of lives that could be saved each year if utilization rates were increased to 90% —

- Increasing the portion of at-risk adults who receive counseling about the benefits of daily aspirin use (no statistics available on physician counseling; 40% of at-risk adults currently use aspirin for preventive purposes)—45,000 lives saved.
- Increasing the portion of smokers who receive counseling and help from a doctor to quit, from the current 28% — 42,000 lives saved.
- Increasing the portion of adults age 50 and older who are up-to-date with colorectal cancer screenings, from the current 48% — 14,000 lives saved.



- Increasing the portion of adults age 50 and older who receive annual flu shots, from the current 37% — 12,000 lives saved.
- Increasing the portion of women age 40 and older who have had a breast cancer screening within the past two years, from the current 67% — 3,700 lives saved.

The report also examined disparities in preventive care use among different population groups. For example, Hispanics were 55% less likely to receive help in quitting smoking, and 39% less likely to be up-to-date on colorectal cancer screenings, than were Whites. Asian Americans were 40% less likely to be on a daily aspirin regimen, and also 40% less likely to be up-to-date on colorectal cancer screenings. While African Americans had higher screening rates than other minorities, the report noted that improving their screening rates even more would have a huge impact, because this group has higher mortality rates for colorectal and breast cancer than other minorities.

continued on page 3

Welcome to Our Newsletter!

It is with great satisfaction that we bring this newsletter to you. In this issue and in coming months, we will discuss pertinent employee benefit topics which may affect your organization. We sincerely hope that you will find this newsletter informative and please do not hesitate to contact us at advisor@21stcenturybenefit.com or 781-416-1043 should you have any questions or needs.





Reports Show How Some Employers Are Successfully Holding Down Health Care Spending

Though health care cost increases have moderated in recent years, the rates of increase still exceed inflation, making the provision of health care benefits an increasingly expensive business proposition for employers. According to a survey from human resources firm Towers Perrin, for 2007, per employee health care costs are expected to average \$8,748, with employers in the top third cost-wise averaging \$10,428 annually per employee and those in the lower third averaging \$7,224. Such a large expenditure dramatically impacts a company's budget, and can impinge on its core business operations. Since health benefits are critical to attracting and retaining employees, few employers are willing to drop coverage, and instead seek ways to manage costs.

What are the most successful cost management strategies? The 2007 SHPS Health Practices Study examines this question, and found that the use of certain practices in health care management can result in enormous differences in per employee costs—as much as 30% to 50% between two otherwise comparable companies. The employers in the SHPS study spent, on average, \$7,713 on health care benefits per eligible employee.

According to the study, these practices had the greatest success in lowering health care costs—

- Clinically based care management programs, which, on average, resulted in an 18.2% decrease in health care costs, or savings of \$1,400 per benefits-eligible employee. Programs best at containing costs were those that managed catastrophic cases, followed by programs for chronic conditions. That such initiatives would act to reduce health care spending makes sense, since analyses of health care claims typically show that a small percentage of any given population will generate most of the health care costs. Other clinically based care management programs found to lower costs included biometric screenings, employee assistance programs, and the presence of an on-site nurse or physician.
- Cash-based incentives that drive desirable health behaviors, which, on average, reduced health care costs 15.1%, for a savings of \$1,165 per benefits-eligible employee. The incentives might include a reduced plan premium, direct cash payout, or employer contribution to a health savings account (HSA) or health reimbursement arrangement (HRA). The incentives were used to reward participation in programs thought to have a high value in promoting health: preventive screenings, health risk assessments, and wellness and disease management programs.
- High-quality administrative and communications practices, which resulted in an average 12.7% decrease in



health care costs, or savings of \$980 per benefits-eligible employee. High performance in seven specific practices were linked to savings: centralized recordkeeping; accurate eligibility management; use of vendors who were able to effectively share information and data with each other; use of vendors who were able to provide a seamless experience for plan participants; targeted communications; themed or branded communications with a cohesive look and feel; and communications earmarked for health promotion.

As noted above, employers in the lowest-cost third of the Towers Perrin survey saw per-employee health care expenditures that were more than \$3,000 less than employers in the highest-cost third of the survey group. The survey identified the steps that the low-cost companies were taking to actively manage their spending on health care. The low-cost companies tended to—

- Have a clear focus and strategic framework for their health care programs (such as written objectives for health care benefits, expense targets for their cost-sharing provisions, etc.).
- Understand the current state of their benefit program and of the health care system overall (for example, they measure their program costs, analyze health care utilization statistics, and examine their employee population's health status and risks).
- Pursue cost containment solutions that target the underlying causes of health care cost increases, by designing their programs to make the true costs of health care visible to employees, holding employees accountable for the decisions they make at the point of care, and investing in programs and resources that encourage employees to manage their health risks and decisions.

The success of any cost management initiative will vary with the company using it, but the strategies reported in these two studies certainly give any employer ideas to try.

Exploring the New Features of Dental Insurance

A recent article in Money magazine offered consumers simple advice to cut their health-care costs. The advice? Floss daily. According to the writers, you'll save up to \$2,000 in dental expenses down the road if you start flossing today.

The message is timely. Americans are placing more importance than ever on proper dental hygiene. Increasingly, scientific evidence shows a strong link between a person's oral health and conditions such as diabetes, heart disease, and even some forms of cancer. Furthermore, studies have shown that pregnant women with periodontal disease are more likely to give birth prematurely and have low-birth-weight babies.

We Americans love our teeth, it would seem. Dental insurance is the most commonly offered employee benefit after medical and prescription drug coverage, according to LIMRA International. Workers treasure it. Fully 89% of Americans believe that their overall health is linked to their dental hygiene, according to a recent survey by The Guardian Life Insurance Company of America. Seventy percent of them visit the dentist once a year, and 47% go every six months.

Yet, faced with higher costs for health insurance, many employers are asking workers to shoulder some or all of their dental insurance premiums. Small businesses are among the growing ranks of firms offering dental as a voluntary benefit.

The rewards of offering dental insurance are great, regardless of whether the employer or employee pays for the coverage. Since dental plans typically cover 100% of the cost for preventive services, people tend to take advantage of these benefits regularly. That's a good thing, because every dollar spent on prevention in oral health care means \$8 to \$50 saved in restorative and emergency treatments later, according to the American Dental Hygienists' Association.

That savings is money in the pockets of workers and their employers. This makes group dental plans a good deal for everyone.

Because of the potential future savings, the number of preventive care services covered by dental plans is growing. Many insurers now offer extra cleanings at no charge to people at risk for periodontal disease, including diabetics and pregnant women.

Some insurers have even started covering fluoride treatments for adults. Children and teenagers have traditionally received fluoride treatments to strengthen their teeth while the bones are still developing. But adults can benefit from fluoride treatments, too. It's an inexpensive way to head off the need for high-cost restorative treatments such as bridges, crowns, and implants.

Fluoride treatments aren't the only new preventive dental benefit to hit the market. Dental insurers are also adding advanced oral cancer screening technologies to their list of covered services.

Oral cancer is on the rise in this country. It claims the life of one American every hour, according to The American Cancer Society. The Oral Cancer Foundation reports that 34,000 Americans will be diagnosed with the disease in 2007. Smoking, drinking, and genetics are among the risk factors, but 25% of oral cancers occur in people with no lifestyle risk factors.

The key to surviving oral cancer is early detection. When detected early, it can be treated successfully 90% of the time. Yet it's difficult for dentists to spot the warning signs. Oral cancer is discovered through early detection only about one-third of the time.

Thankfully, new tools are available to help dentists find the early signs of oral cancer. One of these is ViziLite Plus, which uses a fluorescent light to reveal abnormal tissue in a patient's mouth that cannot be seen with the naked eye. As with fluoride treatments, some insurers give patients and dentists the freedom to decide if the test is needed for individuals over 40.

Freedom to make one's own health care decisions is a hallmark of consumer-driven health plans. Patients are becoming more accustomed to controlling their own health plan dollars. Accordingly, some dental insurers are allowing patients to roll over part of their maximum annual benefit into the next year. Patients can save up a portion of their unused annual maximum dollars to help pay for future, more expensive dental procedures such as dental implants. This product creates a more sensible incentive than the "use it or lose it" rule that governs traditional dental plans.

continued from page 1...Lives, And Dollars, Could Be Saved If More Americans Used Preventive Care

Why don't more people receive these preventive care services? The report suggests that the following are the most significant reasons—

- Health care providers do not have systems in place to stay on top of providing the appropriate preventive care services to their patients who need them, or they fail to use these systems if they have them. This includes tracking and contacting patients, and delivering the follow-up to ensure the services are correctly delivered.
- The U.S. health care system places an emphasis on specialty and acute care, resulting in health care profes-

sionals not being adequately trained in delivering high-value preventive care services.

- 46 million Americans are uninsured, and many of the insured lack adequate coverage for preventive care, resulting in people failing to get the recommended services.
- Only a little over a quarter of Americans have a regular doctor or source of health care, making it easy for preventive care to go neglected.

The report can be accessed through the Partnership for Prevention's Web site, www.prevent.org.

Executive Long-Term Care Plans Are Growing in Popularity for Small and Medium-Sized Businesses

Providing executives with long-term care (LTC) coverage is becoming increasingly more prevalent. Small and medium-sized companies realize that offering LTC benefits can help them attract and retain quality senior managerial staff. In the past, these employees would have been lost in a bidding war with a larger company who could offer the employee a bigger paycheck. As medical costs continue to skyrocket and individuals face the likelihood of living well into their eighties and nineties, however, employees are foregoing larger salaries in favor of benefits, such as LTC coverage.

There are several significant aspects to an executive LTC plan that make it an attractive lure:

- Addresses an important retirement planning need at a time when most executive employees are beginning to contemplate retirement.
- Removes stress about providing for the future of the employee.
- Offers both uncomplicated underwriting and lower premiums than the employee can obtain on their own.

There are other features employers should keep in mind when considering whether to offer executives a LTC plan. These policies are generally guaranteed renewable. In other words if premiums are paid on a timely basis, the insuring company cannot cancel the policy. Insurers can, however, raise premiums.

LTC policies for your executives can be contractually paid up

within 10 years or even with a single premium depending on the policy. In addition to the substantial tax deduction for the shorter duration premium period, the insurer cannot increase premiums after the policy is paid up.

Policies are underwritten either as indemnity or reimbursement plans. An indemnity policy pays a specific amount of daily benefit without concern for actual expenses. The reimbursement policy pays either the actual expenses for covered reimbursements or a specified percentage.

The employer can purchase optional riders for executive policies. One of the most common provides a cost-of-living allowance to keep up with inflation in health care costs. These riders set a percentage of increase each year, and continue to increase until they reach the designated multiple of the base policy.

Employers should consider providing a plan that allows benefits for care provided in the employee's home instead of in a nursing facility. It might be included as part of the base policy or as a separate rider. Some policies will even pay benefits to a family member or friend who provides care.

LTC plans must be flexible enough to accommodate changing medical technology, but offer paid up coverage by the time the employee retires. Policies should permit plan participants to keep benefit limits current, while offering a complete menu of both in-home and assisted-living benefits. LTC is more than just nursing home coverage.



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