HR insider℠ bulletin

JULY 2005

HARDMAN BENEFIT PLANS
(316)685-5585

Creditable Coverage

Employers Prepare to Notify Medicare-Eligible Participants by Nov. 15

UNDER PART D of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), employers have the opportunity to reduce their future retiree prescription drug liability by 20% or more as a result of the government subsidies offered under Medicare Part D, according to Milliman.

In addition, employers that provide a prescription drug benefit under a group health plan covering active and/or retired employees are affected by MMA's new Notice of Creditable Coverage.

Employers have several options under Part D, but doing nothing is not one of them, according to Troy M. Filipek, Milliman Associate Actuary. These options include:

- Keeping existing coverage and applying for a 28% tax-free federal subsidy;
- Offering a wrap-around plan and making Part D coverage primary;
- Sponsoring a Medicare Advantage or stand-alone prescription drug plan (PD plan);
- Contracting directly with a PD plan to offer a private label plan; and

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2005 Specialty Pharmacy Costs

Cutting-Edge Medicines to Rise 22.5%

"EMPLOYERS SHOULD LOOK to implement cost-management strategies for dealing with rising specialty pharmacy costs," says Randy Vogenberg, senior vice president, Aon life sciences practice. Aon's 2005 healthcare trend survey found that specialty pharmacy costs are expected to increase at nearly double the rate of total pharmacy costs this year.

Specialty drugs—pricey drugs that require injection and refrigeration or special handling, such as those used to treat cancer, multiple sclerosis, and rheumatoid arthritis—represent about 5% of overall pharmacy spending for employers. However, they are expected to grow as the workforce ages and medicine advances. Annual costs can range from $10,000 to $250,000 per patient.

Express Scripts projects that overall prescription costs will increase about 12% this year. Brian Kolling, Express Scripts' senior director, says that employers should continue to see similar price increases over time.

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Meet Diverse Employee Needs

Worksite Benefits Help Small Businesses

WITH NO END IN SIGHT to rising healthcare trends, worksite and voluntary benefits that leverage the buying power of the employer at no additional cost will continue to be the most popular add-ons in this environment for large and small employers.

According to MetLife's Employee Benefits Trend study, nearly half (45%) of all employers see voluntary benefits as an economic solution to a critical challenge—meeting the diverse needs of employees. "Voluntary benefits are a perfect fit for the small business markets," says Ben Colvin, vice president, Institutional Marketing, MetLife. "While they give employers a cost-effective way to increase the diversity of their benefits offerings, they also give employees a convenient way to purchase additional savings and protection products from their desktop."

Nearly two-thirds of employers (60%) believe that payroll deductions make voluntary benefits convenient for employees, while one-half (50%) note that voluntary benefits offer employees better rates. ■

Creditable Coverage . . .

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- Dropping coverage.

As the Center for Medicare & Medicaid Services (CMS) continues to release important guidance for retiree health plan sponsors, a few key dates are approaching, which require important decisions and actions by employers:

- **September 30, 2005**—Employers who intend to apply for the federal subsidy for benefit years ending in 2006 must submit their applications, including required actuarial attestations, to the CMS between August 1 and September 30. CMS intends to release instructions for requesting an extension after August 1. Milliman notes that plan sponsors may change their approach each year and are not bound by any particular approach that they choose for 2006.
- **November 15, 2005**—All health plan sponsors who provide prescription drug plans must notify active and retired employees (and their spouses and dependents) who are entitled to Medicare benefits under Part A or who are enrolled in Part B as to whether or not the plans provide creditable coverage. The notice requirement applies regardless of the employer's size or whether or not the employer intends to apply for the federal subsidy.

The CMS-issued creditable coverage model notices are available at http://www.cms.hhs.gov/medicarereform/CCguidances.asp and may **only** be used until November 15, after which time the agency may make modifications for ensuing years. ■

Specialty Pharmacy Costs . . . *(Continued from front)*

As employers continue to rein in the rising cost of prescription drug benefits, they are implementing several strategies to encourage the use of cheaper drugs: raising co-payments (Georgia state employees will soon experience a $100 co-pay for certain brand-name drugs in what may be the highest drug co-payment anywhere in the country); using co-insurance (employees pay percentage of cost vs. flat amount); requiring doctors to get permission before prescribing an expensive drug; refusing to pay for a costly drug until a less-expensive medicine is tried first (step therapy); cutting co-pays for generics; and offering discount coupons for over-the-counter medicines. ■

. . . . Bulletin Briefs . . . .

- *43% of Companies Adopt Disease Management Programs*

With obesity, fitness, and chronic heart disease being cited as top concerns by HR Departments, senior management is adopting a more holistic approach for managing increasing healthcare costs. Approximately 43% of employers included in a recent Aon survey have adopted a formalized disease management and health promotion/ wellness strategy for employees. To achieve a return on this investment, a high rate of participation in the plan is needed. Incentives, such as reduced health plan contributions, wellness credits, and deposits to flexible spending accounts, can increase employee participation. Employees who choose not to participate in health management programs cite a lack of motivation (41%), too busy to participate (21%), privacy concerns (15%), and a low priority on getting healthier (12%).

- *Auto 401(k) Plan Features Rise in 2005*

An increasing number of employers with 401(k) plans are using automatic enrollment and/or automatic rebalancing to enable workers to increase their savings, according to a Hewitt survey. While 401(k) plans play an increasingly important role in retirement income security, many employees continue to underutilize them because they don't feel comfortable investing or they simply lack the motivation to save, according to Lori Lucas, director of Hewitt participant research. Thus, a number of employers are taking more aggressive steps by automating features to take the legwork out of retirement savings and investing by enabling employees to maximize the value of their 401(k) plans without having to spend a lot of time thinking about or proactively managing them. ■

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