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Questions and Answers, Helpful Facts, Trends and More!

Transparency: Leading the Wave of Change in Healthcare

When we last discussed transparency over a year ago, the focus was prescription drugs. Not only is the issue of transparency not going away, it is expanding from cost to quality of patient care and is likely to help shape future attempts at reform.

Consumerism A Contributing Factor

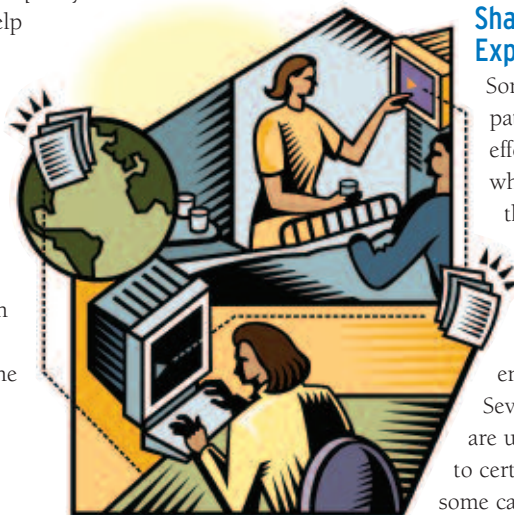
While consumer directed health plans might not be growing as predicted, there is no doubt that they are fueling the trend to transparency, as plan participants pay more attention to their personal health and to the cost and quality of medical care available in their community.

Some Providers Are Responding

Even though many providers are uncomfortable even talking about transparency, others have been proactive. While some have simply posted information that is available on sites that compare hospital costs and outcomes on various procedures, others have dedicated significant resources to providing the type of information their consumers want to see.

Hospital administrators and marketing officers know that every region is different. They point out that the keys to success lie in knowing your community and identifying what people want to know. While the

quality of care may be of great concern in some markets, it is often taken for granted in large urban areas which are served by several excellent hospitals.



Sharing Patient Experiences

Some providers are posting patient comments in an effort to disclose exactly what people are saying about their experience. Some hospitals are inviting patients to write about the treatment they received and critique their entire hospital experience.

Several hospital executives are using the blogs to respond to certain comments and in some cases, offer an explanation or an apology. One executive praised this practice as a way to demonstrate their commitment to both quality care and transparency.

Information Is The Key

From our perspective, transparency is an idea long overdue. As benefits administration specialists, we continue to gather claims data and enhance our technology to provide information that can help our clients control future costs. Plan participants have a right to information that can aid decision-making and taking the lead in this area will improve communications and strengthen healthcare benefit plans.

Q&A

Bringing you answers to tough questions

What is the state of inflation in the employer-based healthcare system?

According to a new report from the Kaiser Family Foundation, employer-sponsored health insurance premiums rose an average of 6.1 percent this year, compared to 7.7 percent last year. However, the number of employers offering medical insurance is also on the decline.

In 2007, 60 percent of employers provided health benefits, down from 61 percent in 2006 and 69 percent in 2000. Less than half, 45 percent, of small businesses with three to nine workers offer health benefits at all.

Despite economic expansion of two million jobs from April 2006 to April 2007, there seems to be a slow erosion of the employer-based system. Employers are doing what they can to hold on, but may be forced to shift more costs to the employees.

Consumer directed health plans continue to gain ground in the marketplace with roughly 10 percent of employers offering them in 2007, up from 7 percent last year. While the jury is still out on their part in the effort to control overall plan costs, there is no doubt they are contributing to increased awareness and involvement on the part of plan participants.

Industry Approaches

An Update on the Candidates

Healthcare reform continues to emerge as the paramount domestic issue in the 2008 presidential race. In our last issue, we shared a few facts about where some of the candidates stand on healthcare reform, but cautioned there would be more to come. Here's an update.

Senator Hillary Clinton Unveils Plan

We stated that Hillary Clinton would propose universal coverage and cut healthcare costs by \$120 billion per year while fighting chronic diseases like diabetes and obesity. When Senator Clinton introduced *American Health Choice Plans*, she stressed simplicity, cost control and especially, consumer choice.

Her proposed plan would provide the 47 million uninsured Americans with health insurance, while allowing those who are satisfied with their current plan to continue their coverage. People would be allowed to enroll in a public plan similar to Medicare or the program federal employees use, or to get healthcare through a private insurer. The linchpin of the plan is that by requiring all Americans to obtain health insurance, healthy people - who are less expensive to insure - will offset the higher cost of covering the elderly and sick.

Under the proposal, insurers could no longer deny coverage based on pre-existing conditions and would be expected to standardize premiums and stop charging more based on age, sex or occupation. The plan would require large companies to offer coverage or help pay coverage costs while tax assistance and tax credits would help small businesses and lower-income individuals buy insurance.

The Clinton camp says the \$110 billion plan will be

funded through healthcare savings, new technology, limits on prescription drugs and the end of President Bush's tax cuts. Once again, future newsletters will continue to report on what candidates are thinking about healthcare.



TRENDS *Latest Happenings In Today's World*

Coverage-for-All Plans... Meaningless Without Access

Under new law aspiring for universal healthcare, state-subsidized insurance plans are now available in Massachusetts. But for those who have enrolled, it's going to take more than an insurance card to see a doctor. Forty-nine percent of internists aren't accepting new patients, according to the Massachusetts Medical Society. At Boston's top three teaching

hospitals, 95 percent of 270 doctors in general practice have halted enrollment. Primary-care doctors, including internists, family physicians and pediatricians, are in short supply across the country. Their numbers fell six percent relative to the general population from 2001 to 2005, according to the Center for Studying Health Systems Change. This critical shortage of primary-care providers threatens to undermine this healthcare initiative.



All Work and No Play

According to a recent study, one in four U.S. employees does not receive any paid vacation time and nearly half do not even take a week off each year. But is all this work good for business? Researchers insist that extreme jobs have a dark side. In addition to health risks that come with overwork, people who don't get out of the office tend to be less productive and, ultimately, less effective.



BENEFIT BEAT

Keeping An Eye on What's Happening

Section 125 Regulations May Change in 2009

Section 125 plans, or FSAs, allow employees to put money into nontaxable accounts to pay for health-related expenses. The Treasury Department and the Internal Revenue Service (IRS) announced proposed revisions to Section 125 of the Internal Revenue Code. New regulations are expected to apply to plan years beginning in 2009. An increase in focus by the IRS on design, operation and nondiscrimination tests associated with all employers' plans will be among the biggest changes. Particularly interesting for employers will be proposed adjustments to rules for group life insurance plans and new concepts, such as short plan years and automatic elections.

Revisions clarify that cafeteria plans are the only method of nontaxable benefits where employees can choose between taxable compensation and nontaxable benefits. In addition, the proposal maintains the "use-it-or-lose-it" rule, the 12-month plan year and restrictions on changing plan elections in mid-year.

Good News on Rx Drugs



With our prescription drug spending at \$275 billion per year, the forecast of patents beginning to expire on brand-name medications is welcome news. Pharmaceutical executives estimate that patents on brand-name drugs with more than \$60 billion in combined annual sales will expire in just the next 5 years. Even with an aging population and new medications

entering the market each year, generics are slowing the increase in overall prescription drug spending.

Johnson & Johnson felt the impact of this trend, announcing it will eliminate as many as 4,800 jobs as it prepares for generic competition to just two of its brand-name drugs. Patents on several other brand-name drugs used to treat chronic illnesses such as high blood pressure, cholesterol and sleeping disorders, will also expire in the next two years.

Even though patents provide protection from generic competition for 20 years, they often have a shorter "effective life," since drug companies often apply for patents in the early stages of development, well before they receive FDA approval.

Health Wise

Obesity: America's Newest Epidemic

During the last year, obesity rates have risen in 31 states with not one state reporting a decrease. The fourth annual report from the Trust for America's Health shows that two-thirds of U.S. adults are obese or overweight. In 1991, only four states had obesity rates above 15 percent. Now more than 25 percent of adults in 19 states are obese, up from 14 states last year. Americans are among the fattest people in the world and just keep packing on the pounds.

Obesity is rapidly becoming an epidemic that could threaten the health of Americans, as well as the health of the nation's economy. For U.S. businesses trying to compete in an international marketplace, overweight employees translate into hefty medical bills and lost productivity.

A Duke University study reports the average obese worker has up to 21 percent higher healthcare costs. The study also found there are 184 lost workdays per 100 obese full-time employees versus 14 lost days per 100 normal-weight full-time employees.

Numerous societal changes are linked to the nation's expanding waistline - the greater availability of food, an increase in television viewing and a wider variety of soft drinks. No single strategy will solve this problem of obesity. Governmental agencies involved in public health; zoning boards involved in building sidewalks that encourage people to walk; and school boards involved in ensuring students get nutritious meals and physical education programs all need to play a role. The nation as a whole needs to exercise responsibility by eating healthier foods and increasing their physical activity.

See related POMCO Total Care Management article on back page.

Life Expectancy Hits A High

Life expectancy inched up to nearly 78 years of age, the longest in U.S. history. The increase is in sharp contrast with 1995, when life expectancy was 75.8, and even more so from 1955, when it was 69.6. A decline in deaths from both heart disease and stroke - two of the nation's leading killers - have led the improvements in life expectancy, according to the National Center for Health Statistics.



Growth In CDHPs Driven By Small Employers

A recent survey by United Benefit Advisors of over 10,000 employers shows that consumer directed health plans (CDHPs), the high-deductible health plan paired with an HRA or HSA variety, are starting to hit on all cylinders. CDHPs comprise 8.8 percent of all plans offered, up 51 percent from 2006. A higher percentage of companies with between 25 and 100 workers offer

CDHPs than those with 1,000+ employees. Participation in these programs is up and growth is being driven by small employers.

The survey shows that CDHPs are doing what they were intended to do, keeping costs down. CDHP premiums grew just 2.7 percent in 2006 compared to an average 7.2 percent increase for all plans. Per employee, CDHP plan costs can average 10 percent less than other plans.

MultiPlan, PHCS Merger Means Access to More Providers



MultiPlan's recent merger with Private Healthcare Systems (PHCS) means that POMCO clients' covered employees who access the MultiPlan network will now have access to nearly 16,000 additional physicians who previously only participated with PHCS. These two combined networks offer access to more than 600,000 health care professionals and 4,600 hospitals.

As part of the process of integrating providers in the MultiPlan and PHCS Networks, PHCS Network providers have been asked to accept the MultiPlan ID card logos and vice versa. While existing members' current ID cards with the "old" logos will continue to be accepted by network par providers and not need to be replaced, cards with the new dual network logo will be issued when members' cards need to be reprinted.

EOB language for this will be: *PHCS PPO—Participating Provider* for all primary PPO business.

Members can view the complete list of additional providers in the patients section of MultiPlan's Web site, www.multiplan.com.

Kelley Joins POMCO Group/EM Risk Management as Business Development Coordinator



Mark Kelley has joined POMCO's EM Risk Management division as a Business Development Coordinator.

In his new position, Kelley is responsible for marketing and sales initiatives supporting the company's workers' compensation and disability benefits management services, including claims adjusting, medical bill auditing and medical case management.

Kelley has extensive experience in the workers' compensation and insurance industry, both from a marketing and claims adjustment perspective.

Don't Keep Your Health To Yourself

Not being open with your doctor may prevent you from getting the care you need. For your own health, consider your doctor's office a "no-secrets" zone where you can put aside any discomfort. Here are some potentially sensitive issues that are important to discuss with your doctor:

- **Smoking.** Not only can smoking cause lung cancer, but it can also contribute to other health problems. Knowing you smoke may change the way your doctor investigates certain symptoms.
- **Depression.** Don't be ashamed to talk to your doctor about depression - it is a real illness and requires treatment.
- **Costly Medications.** Ask your doctor if they may be able to substitute a less expensive drug or refer you to a medication assistance program.

Health Wise

POMCO Teams with CareGuide to Launch Total Care Management Program

Research has shown that employees who feel "ill" are more expensive to cover on a company's health plan, likelier to take more sick days and be out of work longer than their healthier counterparts. So to further help employers preserve benefit coverage for their employees and contain associated costs, POMCO and CareGuide, a national population health management company, have partnered to introduce *Total Care Management*.

One central component of this comprehensive program is a Health Perception Survey. Unlike traditional Health Risk Assessments that typically survey employees about their general health habits and choices, the *One Care Street™ Health Perception Survey* goes a step further by inquiring about an individual's perceptions and feelings.

Once individuals complete the Health Perception Survey, they immediately receive a personalized, online Health Action Guide they can follow to improve their overall health and well being. Based on survey results, the Guide contains recommendations for improving their health, as well as useful tools to help meet their goals, such as an online medical encyclopedia and access to telephonic counseling from a Personal Health Coach, if necessary. Users are also able to print the Health Action Guide to take with them to their next physician's visit.

Call your POMCO account representative today to learn more.

Please Contact Us: This newsletter is not intended as a substitute for personal medical or employee benefits advice. Please consult your physician before making decisions which may impact your personal health. Talk to your benefits administrator before implementing strategies which may impact your organization's employee benefit objectives.