

### Special points of interest:

- IMPLEMENT TOTAL HEALTH MANAGEMENT FOR "DEEPER" HEALTH COST SAVINGS
- BENEFITS WERE 30.3% OF TOTAL COMPENSATION IN MARCH 2008, BLS FINDS
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## Implement Total Health Management For "Deeper" Health Cost Savings

Source: CCH Spencer's Benefits Reports NetNews June 10, 2008 <http://hr.cch.com>

To achieve "deeper" savings in health care costs, public (and private) sector employers should take a focused total health management coordinated approach, The Segal Group advised in its *Public Sector Letter* dated June 2008.

As Segal describes it, total health management "focuses on the development of a multiyear strategy that addresses certain root causes of medical cost escalation by influencing participant behaviors, health care provider efficiency, plan sponsor capabilities, and service provider performance."

Total health management involves analyzing plan-specific data on claims, utilization, trends, and demographics to develop "a predictive model for health risks." With comprehensive data analysis, the plan sponsor can identify opportunities to target diseases, medical conditions, providers, and treatments that are driving costs, Segal explained. Data analysis also may be used to identify and address treatment gaps for affected participants to improve health and ultimately reduce costs.

Once the plan sponsor has identified the greatest opportunities for participant health improvement, the sponsor must start strategic planning to establish "guiding principles and key objectives," and define specifically how it will define "success," Segal continued. Any programs implemented must be customized to the plan participant population, and the plan design should support program objectives. It also is important to periodically evaluate the "effectiveness" of program vendors in terms of plan objectives and to ensure that multiple vendors coordinate their efforts. Plan sponsors should ensure that their program vendors are their "partners" in improving member health and that they contain costs, obtain competitive pricing on services, and pro-

vide good customer service as well as documented targeted results.

"Ideally, the total health management strategy should focus first on any immediate cost-savings opportunities (e.g., treatment compliance and patient safety), then on longer-term shifts in utilization and participant health," Segal advised.

Finally, the plan sponsor must develop a tailored program of continuous, consistent, and effective communications to engage participants in managing their own health and health care. Furthermore, the communications campaign must convey to participants the plan's mission to partner with participants and their physicians to more effectively navigate through the health care system.

A copy of the Segal *Public Sector Letter*, "Total Health Management: A Targeted Approach to Improving the Quality of Care and Ensuring Appropriate Utilization," is available at <http://www.segalco.com>.

## Benefits Were 30.3% Of Total Compensation In March 2008, BLS Finds

Source: CCH Spencer's Benefits Reports NetNews June 16, 2008 <http://hr.cch.com>

Employer-provided benefits costs for civilian workers in private industry and state and local governments in March 2008 averaged \$8.63 per hour worked, accounting for 30.3% of total compensation costs, which averaged \$28.11 per hour worked. Benefits as a percentage of compensation have risen in the past three years from 27.4% of total compensation, although costs have been relatively stable in the last year. These are among the findings of the March 2008 *Employer Costs for Employee Compensation* report, produced quarterly by the Bureau of Labor Statistics (BLS).

Publication: BLS, *Employer Costs for Employee Compensation*, March 2008

Insurance benefits averaged \$2.40 per hour, or 8.4% of total compensation, in March 2008, representing the largest nonwage employer cost (see chart below). Legally required benefits averaged \$2.24 (7.9%), employer costs for paid leave benefits averaged \$2.00 (7.0%), and retirement and savings benefits costs averaged \$1.26 (4.4%) per hour worked.

**Private industry.** According to the BLS, private industry benefits costs averaged \$7.86 per hour, accounting for 29.4% of total compensation costs, which averaged \$26.76 per hour worked. Private industry employer costs for paid leave averaged \$1.80 per hour worked (6.7%), insurance benefits averaged \$2.06 (7.7%), retirement and savings benefits averaged 96 cents (3.6%), and legally required benefits averaged \$2.24 (8.4%) per hour worked.

**Health care benefits, private industry.** The average cost for health benefits in private industry was \$1.92 per hour worked (7.2% of total compensation) in March 2008. In March 2003, employer costs for health benefits averaged \$1.41, or 6.3% of total compensation. Among occupational groups, employer costs for health care benefits ranged from 90 cents per hour and 6.8% of total compensation for service workers to \$2.77 and 5.8% of total compensation for management, professional, and related occupations.

Among other occupational categories, employer costs for health benefits averaged \$1.67 (7.9%) for sales and office occupations, less than \$2.30 (7.6%) for natural resources, construction, and maintenance occupations, and \$2.21 (9.6%) for production, transportation, and material moving occupations.

**State and local governments.** In March 2008, state and local government benefits costs accounted for 34.1% of total compensation, or \$12.89 per hour worked. Employer costs for insurance benefits averaged \$4.30 per hour, or 11.4% of total compensation. The largest component of insurance costs was for health insurance, which averaged \$4.15 per hour worked, or 11.0% of total compensation. The average cost for retirement and savings benefits in state and local governments was \$2.87 per hour worked, or 7.6% of total compensation. Costs for legally required benefits averaged \$2.26 per hour worked, or 6.0% of total compensation.

### Relative Importance Of Employer Costs For Employee Compensation, March 2008

	<u>All Civilian Workers</u>	<u>State, Local Governments</u>	<u>Private Industry</u>
Wages And Salaries	69.7%	65.9%	70.6%
Benefits	30.2	34.1	29.4
Paid Leave	7.0	8.2	6.7
Supplemental Pay	2.6	0.9	3.0
Insurance	8.4	11.4	7.7
Health Care Benefits	7.9	11.0	7.2
Retirement & Savings	4.4	7.6	3.6
Defined Benefit	2.7	6.7	1.6
Defined Contribution	1.8	0.8	2.0
Legally Required	7.9	6.0	8.4

For a complete copy of the BLS report, visit <http://www.bls.gov/news.release/ecec.toc.htm>.

## **COBRA Election Notice Was Required For Employee on Leave For Work-Related Injury**

Source: EBIA Weekly 6/26/08 [www.ebia.com](http://www.ebia.com)

[Aquilino v. Solid Waste Servs., Inc., 2008 U.S. Dist. LEXIS 47168 (E.D. Pa. 2008)]

The employee in this case participated in his employer's health plan and paid the required contributions for his coverage through monthly payroll deductions. When he took a medical leave of absence due to a work-related injury and began receiving workers' compensation benefits, the employer maintained his health plan coverage for a few months without charging the employee and then terminated the coverage, all without notifying the employee. When the employee was later hospitalized, he learned that his health coverage had been terminated.

He sued the employer for, among other things, violating COBRA's notice requirements. The employer responded that no COBRA election notice was required because the employee's coverage had been terminated for failure to pay required contributions and not as a result of a COBRA qualifying event.

The court ruled that a qualifying event had occurred and that the employee was entitled to a COBRA election notice, concluding that the employee's leave of absence was a reduction of hours that had resulted in a loss of coverage for COBRA purposes. The court pointed out that a loss of coverage did not have to occur immediately after the employee's reduction of hours (but only before the end of the maximum coverage period), and that to "lose coverage" meant that the employee had ceased to be covered under the same terms and conditions. Noting that a change in the method or means by which a participant is required to make premium payments is "an implicit term and condition of the health plan," the court found that the employer neither continued to deduct contributions for health coverage nor told the employee how he was to make such contributions when his leave began. According to the court, this change in the method by which the employee was required to make contributions resulted in a loss of coverage for COBRA purposes.

Observing that the employer's "casual indifference and general disregard" had placed the employee in an "extremely precarious position," the court awarded statutory penalties of \$50 per day for the period beginning on the date the employee's coverage was terminated and ending on the date the employee first learned he had no coverage. The court also found the employer liable for the medical bills from the employee's hospitalization.

EBIA Comment: Here is another cautionary tale for employers who may be tempted to take COBRA requirements lightly. While it may be difficult, particularly in leave of absence cases, to determine when the COBRA qualifying event occurs, this does not excuse an employer from its obligations. As shown here, the consequences can be severe, and may include statutory penalties, medical expenses, and more.

## **DOL Issues FAQs On Schedule C Reporting For 2009 Form 5500**

Source: EBIA Weekly 7//08 [www.ebia.com](http://www.ebia.com)

[DOL FAQs About the 2009 Form 5500 Schedule C] For a copy of the FAQs:

[http://www.dol.gov/ebsa/faqs/faq\\_scheduleC.html](http://www.dol.gov/ebsa/faqs/faq_scheduleC.html)

For a copy of the News Release:

<http://www.dol.gov/ebsa/newsroom/ebsa071408.html>

The DOL has issued 40 frequently asked questions (FAQs) on Form 5500 Schedule C reporting for plan years beginning January 1, 2009. In November 2007, the DOL, IRS, and PBGC jointly issued final Form 5500 regulations and adopted final revisions to the Form 5500 that generally will be applicable for 2009 and later plan year filings. The FAQs provide guidance to plan administrators and service providers to assist in complying with the requirements of the 2009 Form 5500 Schedule C, including guidance on indirect and non-monetary compensation and electronic disclosure of fee information by service providers. Additional information will be provided shortly.