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Banyan Consulting is pleased to present our monthly newsletter. We hope the articles in this and future editions will provide insight into an array of employee benefits topics.

We appreciate your feedback! If you have a topic for future discussion, please let us know.

## **Employee Loyalty And Retention**

### **When the Economy Improves, Will Your Best Employees Still Be with You?**

Employee job dissatisfaction is running high these days, meaning that, as the economy recovers, they are more likely to seek new employment opportunities. This finding, from a MetLife survey, indicates employers would be well-advised to work now on strategies geared toward improving employee loyalty and retention down the road.

The MetLife survey, its 9th Annual Study of Employee Benefit Trends, reports that upwards of one in three employee's hopes to be working elsewhere in the next 12 months. The specific percentage varies from 34% to 38%, depending on company size. Given this inclination to bolt from their current employers, it's not surprising to see that the percentage of employees who express a very strong sense of loyalty to their current employer has dipped below 50% (now 47%, compared with 59% in 2008). The percentage of employees who feel their company has a very strong sense of loyalty to them has dropped to 33% (from 41% in 2008).

Employers, understandably focused on recession-related business issues, remain unaware of this change in employee perception. From 2008 to 2010, a consistent 57% say they have a very strong sense of loyalty to their employees, and half consistently say their employees have a very strong sense of loyalty to them.

Employers need to be aware of changing employee sentiment, and act now to avoid having to face significant retention issues when the economy improves. As the economy rebounds and business picks up, companies can least afford to lose staff, particularly top performers. Consider a few of the following steps that companies can be taking today to address this:

- Identify top performers and other employees who, for various reasons, you would hate to lose.
- Make whatever tweaks you can afford to the compensation packages of these employees.
- Employee loyalty isn't created by money alone. Nurture an "all for one and one for all" attitude, by providing access to owners and executives, fostering teamwork, and making corporate strategies and mission a shared vision to the extent possible.
- Look for non-monetary ways to compensate employees, like offering more flexible schedules where possible.
- Show employees that their company appreciates them, through individual and group recognition.
- Make the workplace a place where employees want to be, by cultivating a positive, mutually supportive corporate culture.
- Invest in employee training, giving workers the opportunity to advance and your company better and more productive performers.

As the MetLife survey states, "A loyal and satisfied workforce is part of the foundation of business growth. Widening cracks in this foundation may force employers to pay a price in reduced retention and productivity when the job market improves." Avoid this potentially expensive price tag for your company tomorrow, by attending to issues of employee loyalty, satisfaction and morale today.

## **HSA Enrollment Continues to Rise**

### **Despite Potential PPACA Problems on the Horizon...HSA Enrollment Continues to Rise**

Since health savings accounts (HSAs) were first authorized in January of 2004 as a tax-advantaged portal for medical savings, America's Health Insurance Plans (AHIP), which is a trade association representing the health insurance industry, has conducted an annual survey of the HSA market. According the 2011 AHIP survey, HSA plan enrollment in the United States has almost doubled over the last three years, going from 6.1 million participants in 2008 to 11.4 million participants in 2011. From 2010 to 2011, the number of Americans covered by HSAs linked to high-deductible plans (HDHPs) increased by 14%.

Other key findings from the AHIP survey are:

- Large-group coverage was the fastest growing market for HSA plans between 2010 and 2011, with a growth of 26%.

- Individual market coverage was the second fastest growing market for HSA plans, with a growth of 15%.
- Over 6.3 million individuals were enrolled in HSA plans in the large-group market.
- Around 2.8 million individuals were enrolled in HSA plans in the small-group market.
- Approximately 2.4 million individuals were enrolled in HSA plans in the individual market.

## **The Impact Of The Patient Protection and Affordable Care Act On HSAs**

As it relates to HSA plans, AHIP has noted that some of the provisions in the Patient Protection and Affordable Care Act (PPACA) could create some potential unintended consequences that might disrupt, if not limit, the availability of HSA plan coverage. Three of the main problems noted by AHIP include:

### ***1. Medical loss ratio regulation.***

This requires an insurer to spend 80% or more of a consumer's premiums on direct, non-administrative patient care and improvements to such care's quality. AHIP asserts that medical loss ratio regulations will be especially problematic for HSA-eligible HDHPs. Participating in a qualified HDHP is a requirement to participate in an HSA. HDHPs provide individuals with a low-premium, high-deductible alternative to traditional health plans. These plans might have lower benefit costs, but they certainly aren't always cheaper to administer from a per-enrollee standpoint. As a result, they may naturally have lower medical loss ratios.

### ***2. Over-the-counter (OTC) medication restrictions.***

After 2011, funds from HSAs can't be used to purchase OTC medications unless the individual has a prescription in hand. By limiting consumer access to many common OTC drugs, such as those used for allergies and colds, consumers will be left in default to use more expensive prescription drugs.

### ***3. Minimum actuarial value requirement.***

Each level of insurance coverage (platinum, gold, silver, and bronze) sold in either the small or individual market will be required to meet a level-specific minimum actuarial value starting in 2014. The actuarial value is a dollar value based on the average benefits expected to be paid out by a particular plan. Bronze, which is the lowest level, will be required to have at least a 60% actuarial value. Under the Patient Protection and Affordable Care Act, the Secretary of Health and Human Services is to institute a process that will determine actuarial values. The health care reform law specifically instructs that

the HHS Secretary may include annual employer HSA contribution amounts within the actuarial value calculation. Of course, this wording means annual employer HSA contribution amounts may not be calculated. AHIP recognizes that including this in the calculation will help to ensure continued consumer access to affordable, high-quality coverage since inclusion will considerably increase the probability that HSAs will meet the minimum requirements.

In closing, AHIP's survey clearly reflects that HSA enrollment is steadily growing. Policymakers should recognize that HSA plans are more important than ever when it comes to U.S. consumers having access to affordable, quality coverage.

## **Cancer Leads Among Causes of Long Term Disability Claims**

### **Cancer Leads Among Causes of Long-Term Disability Claims**

Unum is a Fortune 500 company and one of the leading providers of disability, long-term care, life, voluntary, and disability benefits. In 2010, the company looked at data concerning their long-term disability claims. Unum found that cancer has been the top cause of long-term disability claims within their company over the past 10 years.

There have long been questions regarding the workplace and cancer, but elements like early detection and more advanced treatment options have greatly changed the direction of such questions. It wasn't that long ago that a worker diagnosed with cancer didn't have high odds of ever returning to work. Today, just the fact that cancer treatments have become more effective has resulted in improved return-to-work rates for those diagnosed with the more commonly seen types of cancer.

Unum found that cancer was the causative factor in around 14% of their long-term disability claims over the last 10 years. The data showed that back injuries, at 12% of the claims, and other injuries, at 9% of the claims, were among the other most frequently seen causes of long-term disability claims in 2010.

However, a comparison of Unum's 2001 and 2010 long-term disability claims found that a larger percentage of the cancer claimants returned to work in 2010 than they did in 2001. Some of the cancer-specific return-to-work percentages included:

- Breast cancer - 52% in 2010 versus 47% in 2001
- Prostate cancer - 30% in 2010 versus 28% in 2001
- Colon cancer - 30% in 2010 versus 23% in 2001

Most workers are actually highly motivated to return to work following a cancer diagnosis. At a time when the person is emotionally, physically, and mentally

overwhelmed, returning to work can help provide a sense of control and normalcy.

Of note, the data also showed that the return-to-work rates for breast cancer sufferers on short-term disability doubled over the last ten years, increasing from 28.8% in 2001 to 60% in 2010. The Unum data showed that other leading causes of short-term disability claims in 2010 included the following:

- Pregnancy (22%)
- Injuries (9%)
- Digestive disorders (7%)

## **Featured Link**

### **Pennsylvania Passes Unemployment Compensation Law Reform By Joshua L. Schwartz , Barley Snyder LLC**

The Unemployment Compensation process underwent significant changes with the recent enactment of Senate Bill 1030, which ensures the continuation of a federally funded, 13-week extension of unemployment compensation benefits but also appears designed to ease the financial burden on base-year and terminating employers. Pennsylvania's Unemployment Trust Fund is currently insolvent, with approximately \$4 billion borrowed from the U.S. Department of Labor since 2009, and while the reforms do not completely address this insolvency, experts estimate that they will save the Commonwealth between \$114 million and \$133 million annually.

The new law freezes the maximum benefit at \$573 until the end of 2012, with only 1 to 1 1/2 percent growth permitted annually until 2018 or until the fund reaches solvency, whichever comes first. In addition, claimants who have been permanently separated from employment must prove they are actively searching for work by registering for the Pennsylvania CareerLink system, posting a resume if resumes are typical in their field, and applying for similar positions that are within a forty-five minute commuting distance. The current law permits claimants to receive up to 26 weeks of benefits so long as they have worked 18 weeks, but the new law implements a "week of work for week of benefits" system beginning in 2015, under which claimants will only be eligible for benefits up to the number of weeks they have worked. The 26-week cap remains unchanged.

Employers will likely see more immediate savings through new pension and severance offsets and provisions mandating automatic relief from charges under certain circumstances. The bill provides for up to a 40 percent offset for severance pay, defined as payment(s) made by an employer on account of separation, regardless of whether the employer is legally bound by contract, statute, or otherwise to make such payments. Retirement, accrued leave, and supplemental unemployment benefits do not count. Employers also receive pro-rated credit for most pension payments, though the amount varies depending on how the pension was funded and how eligibility for the pension was

determined. The bill provides for automatic relief from charges where a claimant is ultimately determined to be ineligible for benefits.

The legislation includes several provisions related to part-time work. If an individual separated from one employer is still employed part-time for another base-year employer, the latter employer is automatically relieved from charges as long as the part-time employment continues without material change. And Pennsylvania joins 21 other states in creating a work-share program, under which employers may avoid mass layoffs by permitting groups of employees to all reduce their hours and collect partial unemployment benefits.

## **Client Spotlight**

**Penn State Hershey Children's Hospital has been recognized in U.S. News and World Report's Best Children's Hospitals rankings.**

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