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Banyan Consulting LLC 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.

Focused, Simple, and Straightforward - Effectively Informing Employees of Changes in Their Benefits

Whenever changes occur to the rates and/or structure of employee benefits' programs, employers are given the difficult task of making sure everyone is on the same page. With open enrollment around the corner for many employers, now is a good time to take a look at how you are communicating any benefit changes. No matter if the changes are big or small, experts suggest being straightforward in communicating the news, keeping your messages focused and simple.

Introduce these changes at a mandatory meeting, or meetings, for all employees to attend. Provide the employees with all of the necessary information accurately and completely, leaving time for a questions and answers session at the end. In addition, as the employees leave the meeting, provide them with a handout that outlines and reiterates the information discussed during the meeting.

Inviting experts to the meeting, like your 401(k) provider rep or your company's health insurance broker, will give your employees the opportunity to speak with individuals who know the most about how these changes will affect their benefits. Also, this will prevent you from having to answer some of the more difficult questions.

When meeting with employees, do your best to keep the atmosphere friendly and non-confrontational while you pass on the information. Set a casual tone and make those in attendance feel comfortable enough to ask questions and seek clarifications. In the event of rising costs or benefit cutbacks, be open and honest about what has

prompted these changes. By showing that you care, your dedication to providing the best benefits possible will be evident.

Along with offering handouts to explain the changes in the benefits program, be sure to have pamphlets, worksheets, and other booklets to help further explain all of the ins and outs of the employee benefits program. Have at least one handout, worksheet, etc. for each employee at the meeting. Having to share paperwork will only add to employee anxiety and confusion during this time of change.

Remember the "golden rule" when speaking with your employees. Treat them with the same honesty, openness, and dedication you would want to receive in such a meeting. Let them know that you will take the time to ensure every employee understands the upcoming changes. Despite your positive attitude and preparations, expect some employees to become frustrated and upset over the news. Keeping a level head and presenting a straightforward message is the best way to maintain control of the situation.

Comprehensive Approach to Wellness and Prevention Yields Best Return

As health care costs continue to rise, discussions abound as to the causes. There is, of course, plenty of blame to go around—an aging population, new treatments and therapies for a variety of diseases, advances in technology. Statistics show, however, that diseases and illnesses that are preventable—at least to some degree—account for anywhere between 75% and 90% of health care costs. Statistics also show that the bulk of health care spending goes toward the treatment of illness and disease, rather than their prevention.

That so much of health care spending stems from conditions that are preventable should come as no surprise, when one considers the American lifestyle. Nearly a third of Americans now fall into the obese category, and at least another third are considered overweight. Packing on extra pounds can lead to a wide range of health conditions: diabetes, high blood pressure, cardiovascular disease, problems with bones and joints, and even some kinds of cancers. Failing to lead a physically active lifestyle worsens the potential consequences. Tobacco use continues to be a problem, with nearly a quarter of men and more than 20% of women smoking, potentially leading to lung- and heart-related diseases for themselves (along with mouth and throat cancers), and for nonsmokers through second-hand smoke.

U.S. employers are beginning to catch on to this reality, and shifting strategies in their efforts to bring health care spending under control. According to research from Hewitt Associates, 80% of large companies surveyed said they planned to focus on improving employee health and productivity over the next three to five years. As a means to improving employee health, many are using both carrots and sticks: 63% offered a cash

incentive for completing a health risk questionnaire and 37% offered cash incentives for participation in health improvement and wellness programs, while 18% employed penalties, including higher benefit premiums or deductibles, for unhealthy behaviors such as smoking or failing to participate in a disease management program (and 29% said they would use them in the next three to five years).

One of the most effective ways to encourage employees to engage in preventive health care measures is to make it as affordable as possible. An increasing number of health plans cover preventive care at 100%, or close to it. (Health care reform mandates coverage of certain preventive care services without cost-sharing for employees, except for grandfathered plans.) Full coverage motivates employees to stay on top of their health, through annual physical exams, screenings for hypertension, cholesterol levels and blood sugar levels, mammograms/prostate exams, health risk assessments, and the like. Such measures, of course, can detect potential health issues at an early stage, when they are more treatable, head off more serious developments and avoid costly interventions down the road. They also present the opportunity to direct employees with chronic conditions to disease management programs.

What is the payback for employers who devote more resources to implementing strategies that engage employees in prevention, wellness and overall health education? The return on investment for health promotion and disease management programs ranges from \$1.49 to \$4.91 (with a median of \$3.14) in benefits for every dollar spent, according to information published by NutriScience Corporation. A report from U.S. Corporate Wellness states that health promotion programs have demonstrated a successful history of both improving health and providing a significant return on investment for the employers implementing them, with ROIs ranging from 3:1 to 5:1, or higher.

No one approach to wellness and prevention is likely to bring about these kinds of returns on investment. Rather, a comprehensive strategy-one that encompasses generous coverage for preventive care, opportunities to engage in wellness activities, carrots and/or sticks for participating in such activities, and plenty of health education-helps create a workplace culture of wellness...along with healthier, more productive, employees.

Informed Employees Select Generic Drugs

As employees learn more about the availability of generic medications, they begin to make more cost efficient choices in the doctor's office. Seems like a simple enough concept, and now there is more evidence to prove it.

A recent report from CVS Caremark has found a strong correlation between the amount of education employees receive regarding the use of generic medications and the reduction of the employers' overall health care costs.

The 2010 Insights Report found that CVS Caremark was able to improve their GDR, or generic dispensing rate, by over 3% in 2009 to 68.2% by educating customers on the money-saving advantages of generic medications. This increase also came during a time where few noteworthy generic alternatives were introduced.

Proactively, employers have designed their plans to maximize the availability of generic medications, while creating outreach programs in the workplace and with plan physicians. According to CVS Caremark, these tactics have been able to dramatically increase GDR up to 90% in some drug classes.

Outreach programs and other tactics, like preferred drug lists, have been working for some time now. A Harris Poll study from October 2006 to December 2008, found that the amount of adults who would select generic alternatives to brand name medications jumped from 68% up to 81%. Since more generic medications are hitting the market, this percentage is likely to increase.

In recent years, the patents ran out on brand name medications that have sold nearly \$71 billion combined, and within the next five years, patents are expected to lapse on brand name drugs that sell more than \$100 billion each year, all together.

The CVS Caremark research team predicts that this new wave of generic therapeutics could result in doctors writing about 80% of their prescriptions for generic alternatives as early as 2012.

The announcement of new generic drugs is music to employers' ears, as they continue to look for ways to steer employees towards more cost efficient health care methods. As workers begin to understand how their use of generic medications is safe and financially responsible, the cost of benefits can be reduced, saving everyone money.