

Benefit Insights

Preserving and Promoting Family Stability Improves Productivity in the Workplace

The Family & Medical Leave Act (FMLA) states that employers covered by this act must grant an eligible employee up to a total of 12 weeks of job-protected, unpaid leave during any 12-month period. An employer would even have to provide paid leave if the employee has earned it or accrued it. Reasons for leave under FMLA include the birth of a child of any employee or a serious health condition of an immediate family member or of the employee himself. The taking of FMLA leave cannot result in the loss of a job or any benefit that accrued prior to the start of the leave.



The enactment of FMLA was predicated on two fundamental concerns: the needs of the American workforce and the development of high-performance organizations. A direct correlation exists between stability in the family and productivity in the workplace. The Act is intended to balance the demands of the workplace with the needs of families, to promote the stability and economic security of families, and to promote national interests in preserving family integrity.

Benefit Strategies, Inc. is pleased to present our quarterly newsletter which contains important information on current and/or emerging employee benefit topics.

Ultimately, our goal is to provide you relevant benefit information that will enable your organization to fulfill both its financial and benefit objectives now and into the future. As always, we welcome your thoughts and suggestions.

We appreciate your confidence in us and thank you for allowing us to serve your organization.

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Employers covered by FMLA

An employer covered by FMLA is any entity engaged in commerce or in any industry or activity affecting commerce, that employs 50 or more employees for each working day during each of 20 or more calendar work weeks in the current or preceding calendar year. The terms "commerce" and "activity affecting commerce" are defined by the US Department of Labor. An important point to note is that a corporation is considered as a single employer even if it has separate establishments and divisions.

Requirements to be followed by the FMLA covered employer

Every covered employer has to follow certain notification requirements imposed by the FMLA. These requirements can be summarized as follows:

- Every employer is required to post a notice that apprises its employees of FMLA, and its benefits and eligibility, on its premises in noticeable places whether or not it has any eligible employees;
- The employer's notice should explain in detail the Act's provisions and provide information concerning the procedures for filing complaints of violations of the Act;
- The notice should be easy to understand and completely legible;
- In the case where a majority of the employees do not understand the English language, it is the employer's responsibility to post the notice in a secondary language understood by the employees;

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A Look at HIPAA: Can Health Plans Offer Rewards or Discounts for Employee Participation in Wellness Programs?

A closer look at the Health Insurance Portability and Accountability Act of 1996 (HIPAA) shows that its nondiscrimination provisions do not prevent health plans or insurers from putting wellness incentives in place that encourage participants to take part in health promotion and disease prevention programs. However, HIPAA's provisions do prohibit plans from imposing a penalty for unhealthy activities.

According to HIPAA, wellness programs offered to employees must be reasonably designed to promote good health and disease prevention. For instance, a program that offers reduced premiums to participants who achieve a cholesterol count below 200 is perfectly acceptable.

To qualify for such a program, participants must have the opportunity to be eligible for the program's reward at least once a year. However, a plan that bases a reward on health factors present when the participant first enrolls is not considered an effort to promote health or prevent disease and, therefore, is not permitted under HIPAA provisions.

Furthermore, HIPAA provisions state that employee rewards for participation in such wellness programs must offer a limited reward or discount. The reward may be a premium discount, a rebate of premium or contribution, a waiver of all or part of a cost-sharing mechanism (such as deductibles, co-pays or coinsurance), or the absence of a surcharge. The reward may not exceed a specified percentage of the cost of employee-only coverage under the health plan (based on the total amount of employer and employee contributions).

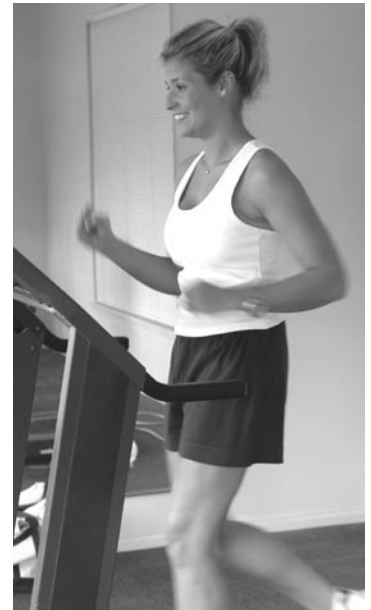
The reward must be consistent, and the same must be offered to all employees, according to HIPAA provisions. Therefore, if it is medically inadvisable for a participant to sat-

isfy the program standards, the program must provide a reasonable alternative. In an effort to include all employees and to allow for reasonable personal variances, these alternatives can be established on an individual basis and can be established after the program begins.

This HIPAA provision is best demonstrated with programs that offer incentives to nonsmokers. Because nicotine addiction is a medical condition, it may be unreasonable to expect a smoker to satisfy an initial program standard of not smoking. When this happens, an alternative must be offered.

HIPAA also requires that all materials distributed describing the wellness programs and applicable incentives must also outline reasonable alternatives for the program.

For employers and Human Resource managers, HIPAA clearly outlines its provisions for employee wellness programs and rewards for participation. It is the responsibility of the employer to take it from there, and to ensure wellness programs meet HIPAA's outlined criteria, and that they do not discriminate against employees for any reason.



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- If a FMLA covered employer provides an employee handbook to all employees, including the FMLA eligible employees, that describes the employer's policies regarding leave, wages, attendance, and similar matters, the handbook must incorporate information on FMLA rights and responsibilities and the employer's policies regarding the FMLA;
- If the employer does not provide any handbooks or manuals such as the ones described above, the employer must provide written guidance to an employee concerning all the employee's rights and obligations under the FMLA;
- Any employer violating the terms and conditions of the Act, including the posting of the notice, will be penalized for each offense.

In addition to the above-mentioned requirements, covered employers must make, keep, and preserve records pertaining to their obligations under the FMLA in accordance with the record keeping requirements and regulations of the Fair Labor Standards Act (FLSA). The Department of Labor may request an inspection of these records once every year.

No particular order or form of records is required. It is vital that employers keep the records specified by these regulations for no less than three years and make them available for inspection, copying, and transcription by representatives of the Department of Labor upon request.

Look Beyond Cost in Evaluating Health Plan Carriers

Although by some accounts health plan cost increases moderated in 2003, the hikes still were substantial, by any definition of the word. Mercer Human Resource Consulting reported an average 10% health plan cost increase, and projected this figure would rise to 13% for 2004. The Institute of Management and Administration, citing a survey by the Council of Insurance Agents and Brokers, reported 10%-20% price increases for group medical insurance premiums during the second half of 2003.

Premium increases such as these are higher than many businesses are willing to absorb. An employer must decide whether to scale back benefits, pass on all or part of the increase to employees, or seek a more cost-effective plan with a different carrier.

Many factors go into evaluating a potential carrier. (Cost may not be the only reason for an employer to consider changing health insurance carriers. Dissatisfaction with the current coverage offered, the carrier's customer service or claims payment record also can be reasons to shop around). If an employer does decide to explore carrier change, the following are among the issues to consider in evaluating potential options.

- How financially stable is the carrier? Is it licensed? Information on these important considerations should be available from insurance rating services (such as A.M. Best), or from state insurance commission websites.
- How does the carrier set premium rates? Will it issue coverage only if a certain percentage or number of the group enrolls? How is the premium cost allocated among claims, administrative fees/expenses, and commissions?
- Is the carrier's provider network adequate in terms of the range of providers and their locations? For employees, perhaps the most potential disruption caused by a new carrier involves having to change physicians or hospitals (or having to pay more to continue with a current provider). Will the new carrier's network require a substantial portion of employees to make a provider change?
- What is the carrier's reputation for efficient and accurate claims payment? Problems in this area ultimately will cost the employer at renewal time, and with employee satisfaction.
- How does the carrier define important contract provisions

(covered employees, dependents, coordination-of-benefits, usual and customary)? What limitations, exclusions, and caps on services are imposed? Make sure contract provisions reflect the needs of the work force, and that the plan cost reflects extreme limitations.

- Will employees have a choice of plan options, such as with varying deductibles and copayments? Choice will increase employee satisfaction, and can result in cost savings, if high deductible/copayment options are chosen.
- Are wellness programs and preventive screenings included in the plan? Inclusion of such services may result in cost savings down the road and in areas outside the health plan (decreased absenteeism/increased productivity).
- Does the carrier use technology to improve access to plan information? For example if employees can get answers to coverage questions and track the progress of claims electronically, they will make fewer calls to the carrier's customer service department and to the employer's human resources or benefits personnel, resulting in cost and time savings. (A related issue is: if the available technology does not address a particular issue, how easy is it to reach a real person?)
- Can the carrier articulate specific steps it has implemented to reduce waste, ensure appropriate care, and control costs? Some employers use "quality indicators" to judge the effectiveness of plans on these and other issues (e.g., members' access to specialists, screening rates for preventive procedures, how the plan responds to complaints, etc.). One set of quality indicators is HEDIS, developed by the National Committee for Quality Assurance, which can help health plan purchasers compare the performance of plans.
- Will the carrier provide references of customers in similar industries, of similar size, and in similar communities? This information will provide valuable insight into the carrier's reputation.

When evaluating potential carriers, remember that low cost does not always translate into best value. Weighing coverage and cost, along with considerations of reputation, financial stability, and responsiveness to employer and employee needs, are essential in choosing the right plan and carrier for a company.

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als and monitoring of diagnosed diabetics. These programs are well worth exploring. However, employers can take many other steps to prevent diabetes as well. For example:

- Underwrite membership in health clubs, gyms, fitness programs
- Sponsor walking and exercise programs at the workplace
- Provide education seminars on nutrition and healthy cooking
- Sponsor weight loss contests

- Offer only healthy food alternatives in the cafeteria and vending machines.
- Sponsor blood glucose screenings.

Diabetes is one of the most preventable diseases affecting today's working population. Employers who want to save money on health care costs should lead the charge for healthier lifestyles; the possible benefits of healthier, more productive employees and lower health insurance costs are a winning combination.

Diabetes Disease Management - Saves Money and Lives

According to the American Diabetes Association, diabetes affects about 17 million people; it is the fifth leading cause of death by disease in the US. In their latest research, the ADA estimated the costs of diabetic medical care to be \$132 billion in 2002. These costs include \$91.8 billion in direct medical costs such as hospitalization and medication and \$39.8 billion in indirect costs through lost workdays, restricted activity, permanent disability and mortality. These "indirect" costs of illness affect employers directly.

Diabetes is a disease in which the body does not produce or properly use insulin, a hormone that is needed to convert sugar, starches and other food into energy needed for daily life. The cause of diabetes remains unclear, although both genetics and environmental factors such as obesity and lack of exercise appear to play major roles. The encouraging news about diabetes is that 1) it can often be prevented and 2) once diagnosed, can usually be effectively treated and controlled. This means that employers and employees have the means at hand to save a great deal of money and medical hardship on this one disease.

Disease Management

The term disease management describes programs that help patients manage their chronic illness. In the case of diabetes disease management, the first step is prevention.

Prevention

In a recently completed ADA study of pre-diabetics (people whose blood glucose level is above normal but not high enough to be diagnosed with diabetes), intensive life style modification intervention resulted in a 58% decrease in the number of people who went on to be diagnosed with diabetes. Given recent Center for Disease Control findings that annual medical spending on diabetics averaged \$13,243 versus medical costs for non-diabetics of \$2,560, few businesses can afford to be without some form of diabetes prevention program.

Chronic Management

Once diabetes is diagnosed, the focus of care management includes appropriate monitoring of blood glucose level so that medication can be matched to the body's needs and incidences of insulin shock or diabetic coma can be avoided. In addition, well-regulated diabetes reduces the wear on the body's other organs and can delay the onset of additional diabetic complications such as circulatory disorders and vision loss.

Employer Options

Many insurers offer formal disease management programs that include risk assessment, counseling of high-risk individu-

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