Employee Benefits Report

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How to Help Employees Make Better Healthcare Decisions

The best way to help employees make better healthcare decisions is to give them more information, right? Maybe not. Contrary to popular notions that healthcare consumers need more information, research shows that they need the right information at the right time to improve decision-making.

Giving employees the right information becomes even more important when your healthcare offerings include a high-deductible plan. These plans require participants to take greater control of their healthcare expenditures to reap the benefits of their savings features. Participants who make poor decisions can suffer financially.

For example, half of insured adults with a high-deductible health plan have medical bill problems or debts, compared with less than one-third (31 percent) of those with lower-deductible plans, according to new research from The Commonwealth Fund. Individuals with high-deductible plans are also more likely than those with lower-deductible plans to experience access problems such as not filling a prescription, or skipping a medical test, treatment, or follow-up when needed, due to cost.

Here are some tips for presenting information so employees make smarter decisions and spend more wisely.

✷ Make decision-support information relevant to the specific type of healthcare decision. Consumers don't need all information all the time. For example, they'll need info on selecting a health plan only once a year during open enrollment, but they may need information at their fingertips all year long to manage the treatment of chronic diseases. Therefore, the best decision-support systems will consider the frequency and complexity of the decision, the degree of choice, and the factors that are most important to consumers who make these choices, such as cost, convenience and quality.

✷ Help decision-makers simplify their choices systematically. Everyone knows the uneasy feeling of information overload. Consumers cannot deal with large amounts of information. So if you're in charge of developing a decision-support system, think about giving consumers easy ways to simplify the decision process. You can deploy a range of methods, from "low-tech" design strategies, such as a simple health plan comparison chart with visual cues that help people navigate and understand the core implications of information, to more so-

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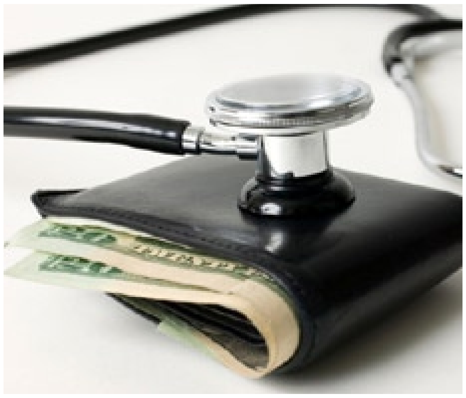
This Just In

Some employees want Hanukkah off, others Christmas. Some want Columbus Day off, others Martin Luther King Jr. Day. To accommodate diversity — and to reduce unexpected absences and the abuse of sick days — many companies have instituted paid-time-off banks. In these programs, employees receive a fixed number of days off a year, to be used as employees see fit, *The New York Times* reports.

The particulars of the programs vary widely. Most plans simply combine sick and vacation days; about two-thirds also include holidays and personal days, but may include certain fixed holidays that all employees must take.

Two-thirds of workers who call in sick at the last minute do so for reasons other than personal illness. Respondents to the 2007 CCH Unscheduled Absence Survey said their reasons for taking sick time included family issues (22 percent), entitlement mentality (13 percent) and stress (13 percent).

Unscheduled absences can cost a large business more than $760,000 a year, said CCH, a division of Amsterdam-based information services company Wolters Kluwer. And that is just direct payroll costs, without counting lower productivity, lost revenue and the effects of low morale.



Dependent Care Reimbursement Accounts Can Save Money

But if used incorrectly, employees may actually lose hard-earned dollars.

By setting aside pre-tax money into a dependent care account, employees can later be reimbursed for eligible expenses incurred in the plan year. They save on taxes because their contributions are deducted from their pay before federal income, state income, and Social Security taxes have been withheld.

But tax rules that govern these accounts are stringent and require vigilance on the employee's part. You may want to help employees keep these regulations in mind if they decide to contribute to a dependent care account.

- Total contributions cannot be greater than the employee's earned income or spouse's earned income, whichever is lower. This means if a spouse's salary is $4,000 and the employee's salary is $30,000, the contribution ceiling is $4,000. If both the employee and spouse have dependent care reimbursement accounts, the total combined contribution limit is $5,000. Likewise, if employee and spouse file separate federal income tax returns, the individual dependent care reimbursement account limit is $2,500. Single filers with an eligible dependent, however, can contribute up to the full $5,000. A spouse who is a full-time student, or incapacitated, has imputed income of $200 per month for one qualifying dependent, or $400 per month for two or more qualifying dependents.

- Employees can use a combination of the dependent care reimbursement account and the dependent care tax credit. However, participation in a dependent care reimbursement account offsets on a dollar-for-dollar basis the allowable expenses used to calculate the dependent care tax credits on income taxes.

- Employees must also report the name, address and Social Security number or taxpayer identification number of each dependent care provider when they submit a dependent care reimbursement account claim.

- Eligible dependents include:
  - ✔ A child under age 13 whom the employee claims as a dependent on his or her tax return;
  - ✔ A legal spouse who is physically or mentally incapable of self-care;
  - ✔ A dependent who lives with the employee —such as a child age 13 or older, same-sex domestic partner, parent, sibling or in-law—who is physically or mentally incapable of self-care, and whom you claim as a dependent on your tax return.
  - ✔ If care is provided outside of the employee's home for a spouse or a dependent age 13 or older, either of whom is incapable of self-care, the spouse or dependent must live in the employee's home at least eight hours each day.

- Eligible expenses include:
  - ✔ Day care facility fees for qualified dependents
  - ✔ Before or after school, or extended day programs
  - ✔ Local day camp fees, if custodial in nature, not educational
  - ✔ Baby-sitting fees for at-home care while you and your spouse are working (care cannot be provided by you, your spouse or other dependent).

- Ineligible expenses include:
  - ✔ Child support payments or child care if the employee is a non-custodial parent
  - ✔ Payments for dependent care services pro-

Tips for Success

A reimbursement account is designed to help employees save money on healthcare and dependent care costs. But if used incorrectly, employees may actually lose hard-earned dollars. Make sure employees understand the following:

- ✔ **Know what expenses are eligible.**
- ✔ **File claims only for eligible expenses for yourself, your spouse and your eligible dependents.**
- ✔ **Keep your receipts. Save receipts that describe exactly what you paid for and when, just like you would to deduct them on your taxes.**
- ✔ **Keep an eye on your reimbursement account. Watch your statements to see if you need to verify any claims, or check your personal account online for the latest information.**
- ✔ **Use all your money. Keep track of your reimbursement account balance, and plan ahead to make sure you spend the full amount before your plan year ends — otherwise you'll forfeit the remaining balance.** ■

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phisticated online approaches that enable users to "customize" information to their specific preferences and circumstances.

- Focus on those most receptive to the information. Some people will never take advantage of your hard work, but others will. Focusing and marketing to the latter group will help you identify what works best; then you can use that knowledge to reach out to nonusers.
- Work with trusted advisors. Because many consumers (especially the elderly and certain ethnic groups) tend to make their healthcare decisions based wholly or in part on the guidance of trusted advisers, sponsors of report cards and other decision-support information should consider these advisors to be a key target for their marketing and distribution efforts. Trusted advisors include nonprofit consumer advocate organizations, national institutes of health and, locally, physicians, senior centers and civic organizations.
- Integrate multiple types of information. As consumers are forced to take on more responsibility and risk for the cost of their decisions, they will need to integrate information on all the factors they need to consider, such as quality, cost, the degree of choice among providers and convenience. More than half of employees in a Hewitt survey, for instance, indicated a desire for an online tool to help forecast medical expenses. Employees also indicated a need for a road map to assist with their decision-making and analysis, including how to create a working relationship with their doctors, how to explore treatment options, and how to choose a hospital.
- Promote information by emphasizing benefits, not features. Marketing theory and practice suggest that it is more effective to emphasize benefits than to describe features. The most appealing benefits for consumers are usually immediate and tangible, and tap into emotion-laden core values, like a desire for control or independence, or the desire to care for one's family. Making the appeal emotional rather than intellectual may help cut through the defenses of consumers inundated with demands for their time, and open them up to the idea of integrating "cold" analytical information into some of the most personal—and daunting—decisions they may make.

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vided by the dependent, the spouse's dependent, or a child who is under age 19

- ✔ Healthcare costs or educational tuition
- ✔ Overnight care for dependents (unless it allows the employee and spouse to work during that time)
- ✔ Nursing home fees
- ✔ Diaper service
- ✔ Books and supplies
- ✔ Activity fees
- ✔ Kindergarten expenses

Before employees open accounts, they should determine whether they could save more income tax through the dependent care reimbursement account or through dependent care tax credits. The best approach will depend upon eligibility for the earned income tax credit, dependent care expenses, marital status and adjusted gross income. You may want to suggest consultation with a tax attorney or accountant.

To participate in a dependent care reimbursement account, employees must complete IRS Form 2241, "Child and Dependent Care Expenses," along with IRS Form 1040, "U.S. Income Tax Return."

Bottom line: dependent care accounts can offer significant tax savings – if they are managed correctly.

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A discount vision plan provides eye care at fixed discounted rates after an annual premium or membership fee. The participant pays the total bill, less the applicable discount, at the time of service.

Both kinds of vision plans can be custom-designed to meet the different requirements of a wide range of customers, including small and medium-sized businesses, non-profits, associations, school districts and unions.

Vision insurance generally covers the following basic services:

- Annual eye examinations, including dilation
- Eyeglass frames
- Eyeglass lenses
- Contact lenses
- LASIK and PRK vision correction at discounted rates.

Vision insurance costs vary for employers, depending on the size of the company and how the program is designed. It may even be offered at no cost as part of a voluntary (employee-paid) benefits program. Typically, vision plan premiums range between $5 and $15 per employee per month, depending on benefits selected.

For both employees and employers, vision care costs only a fraction of the cost of vision problems or impairment. For more information, please contact us.

The Changing Landscape of Info Delivery

Several major trends are changing consumers' need for healthcare information and its availability:

- **An exponential growth in the availability and use of healthcare information, fueled largely by the Internet;**
- **Consumers' desire to be more involved in the management of their healthcare;**
- **A movement to shift to individuals more healthcare costs;**
- **The growing customization of products and services, including health benefits;**
- **Increasing advertising "clutter";**
- **Declining levels of consumer trust in key institutions, including those of the healthcare system.**

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The Clear Benefits of Offering Vision Health

Companies that exclude vision benefits for employees may want to rethink whether that is helping the bottom line. Vision disorders can cut productivity and are said to cost U.S. companies billions.

One of the great advantages of defined contribution health benefit plans is that they provide employees with a menu of choices for healthcare, including the "big four" – medical care, dental care, prescription drugs and vision benefits.

But among these four potential benefits, vision care is the least likely to be offered and the least likely to be used. According to the most recent U.S. Department of Labor National Compensation Survey, just 28 percent of companies offer vision care. (In comparison, 72 percent offer medical care, 68 percent offer prescription drug benefits and 46 percent offer dental benefits.)

Companies that don't offer vision care may want to rethink their strategy. Vision disorders carry a hefty price tag for employers. They can result in a marked decrease in productivity, costing businesses an estimated $8 billion annually, according to a report released by the Vision Council of America (VCA).

High cost of blurred vision

"Uncorrected vision problems are costing employers billions of dollars," said Ed Greene, CEO of VCA. "Direct medical costs associated with vision disorders exceed similar medical expenditures for breast cancer, lung cancer and HIV, yet few Americans get regular eye exams or have vision coverage in their health plans," said Greene.

The employees most at risk for developing vision problems that affect their work performance include engineers, construction workers, stockbrokers, software developers, accountants and administrative assistants.

The report found that an estimated 11 million Americans have uncorrected vision problems, ranging from refractive errors (near- or far-sightedness) to sight-threatening diseases such as glaucoma or age-related macular degeneration. Nearly 90 percent of those who use a computer at least three hours a day suffer vision problems associated with computer-related eye strain.

Another study cited in the *Journal of the American Optometric Association* found that in the presence of very little visual degradation, such as glare on a monitor, employees show an efficiency decline of four percent to 19 percent in accomplishing standard tasks. Translating that percentage into dollars, just a four percent improvement in efficiency of an employee earning $30,000 per year would be worth $1,200.

And here may be the most telling statistic of the VCA report: employers gain as much as $7 for every $1 spent on vision coverage.

Types of packages

Vision insurance typically comes in the form of either a vision benefits package or a discount vision plan.

Typically, a vision benefits package provides enrollees with eye care services in exchange for an annual premium or membership fee, a yearly deductible for each enrolled member, and a co-pay each time a member accesses a service.

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What To Do When Vision Impairment Becomes an Issue?

When may an employer ask an employee questions or require a medical examination related to the employee's vision impairment?

As you are probably aware, the Americans With Disabilities Act (ADA) strictly limits the circumstances under which an employer may ask questions about an employee's medical condition or require the employee to undergo a medical examination. Generally, you may ask an employee for medical information if your company has reason to believe that there is a medical explanation for some change in the employee's job performance or if the employee's medical condition might pose a direct threat to safety, according to US Equal Employment Opportunity Commission.

Here's an example: a data entry clerk has recently been making numerous errors when entering information into a computer system. For example, he seems to be confusing the numbers 1, 7 and 9. The clerk's supervisor also has begun to see the clerk rubbing his eyes frequently and looking more closely at both his computer screen and printed materials. Your company has a reasonable belief based on objective evidence that the clerk's performance problems are related to a medical condition (i.e., an eye problem) and, therefore, you may ask for medical information.

You can also ask an employee with a non-obvious vision impairment, who has requested a reasonable accommodation, for documentation demonstrating that he has a disability and needs the accommodation. In addition, you can ask an employee with a vision impairment to justify the use of sick leave by providing a doctor's note or other explanation, as long as you require all employees to do so. Finally, you can collect medical information about a vision impairment if it's part of voluntary wellness program.