

# BENEFIT

## *Plan Developments*



A report covering plan design and legislative changes

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## Federal Health Care Transparency Initiatives Supported By Employers

Most employers support greater transparency in the health care sector and would like hospitals and other health care providers to move forward quickly in achieving transparency in health care pricing, quality, and efficiency of delivery, according to a survey conducted by the National Business Group on Health (NBGH) and Mercer Health & Benefits LLC.

Researchers questioned 120 large employers about their views on an executive order signed on August 22, 2006 by President George W. Bush mandating improved transparency for Medicare beneficiaries and participants in health plans administered or sponsored by government agencies, including the Department of Veterans Affairs, the Department of Defense, and Medicare. The order directs federal agencies to share with benefi-

ciaries information on the pricing of medical procedures and the quality of services delivered by health care providers. In addition, the order calls for the adoption of improved health IT systems and the development of initiatives promoting quality and efficiency in health care.

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On November 17, 2006, Department of Health and Human Services (HHS) Secretary Michael O. Leavitt called upon private employers to lend their voluntary support to the health care transparency goals outlined in the president's executive order. The Secretary asked employers who agree with the goals to sign a support statement that would be distributed by the HHS to employers and other health care stakeholders.

Announcing the launch of the transparency campaign at the National Summit for Employers in Washington, D.C., Leavitt said, "If we are going to get a handle on health care costs—and we must—we first need to know what our costs are and what we are getting for our money."

Leavitt added, "Our nation's private employers are the major source of

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health insurance for Americans, and they can help provide the information consumers need to achieve better value for their health care dollars.”

Results of the survey showed that 61% of employers are aware of the HHS transparency initiative. Of those respondents, 31% reported signing the letter of support, while 22% indicated they will definitely or probably sign the statement. The 10% of respondents in this group who said they will probably not sign the letter of support cited concerns about whether the campaign’s goals are a good fit for their organization and its employees, as well as fears that the marketplace, rather than employers, will drive these measures.

At the same time, however, two-fifths of respondents told researchers they currently participate in a collaborative initiative focused on improving health care quality and/or cost efficiency. In addition, 29% of surveyed employers reported that they currently make some provider quality or cost information available to health plan participants. Of those respondents, 47% said they believe the release of this information has resulted in improvements in health care quality or cost, 21% said they doubt there have been improvements, and 32% admitted they do not know whether the information has had an impact.

When asked to assess whether the tools that are currently available for measuring provider performance are sufficiently developed and ready for use, 44% of employers said they believe current capabilities are adequate and performance measurement should begin immediately, while 30% of respondents said they believe provider performance cannot yet be adequately measured.

When asked to identify potential sources of resistance to provider performance measurement efforts, 82% of respondents cited physicians; 77%, hospitals; and 36%, health care vendors. Other major barriers to measurement initiatives mentioned by respondents included insufficient measures (63%), insufficient data (61%), cost (40%), and insufficient efforts by both private and public payers (40%).

Results further showed that 50% of employers place a high or very high priority on the release of Medicare claims data for use in performance measurement, while 32% do not view the publication of the data as a priority.

Commenting on the HHS campaign, Helen Darling, president of the National Business Group on Health, said, “One of the most important things employers can do to drive change in health care is to join with other employers and the government to leverage our collective purchasing power to foster transparency.”

Linda Havlin, partner with Mercer Health & Benefits, agreed. “Employers need to rally more forcefully behind Secretary Leavitt’s challenge to urge the public posting of Medicare claims data and engage the provider community in advancing transparency,” Havlin said.

## Working Parents Appreciate Emergency Backup Daycare Benefits

More than half of working parents scramble to arrange emergency care for their sick children up to four times a year, and nearly one-third need backup care up to eight times a year, according to a study by employee benefits firm ComPsych.

Based on a survey of more than 1,000 employees with young children, the study revealed that many workers would benefit from access to trained caregivers who are available at short notice to look after children unable to attend school or daycare centers due to illness.

Citing statistics from the National Association for Sick Child Daycare, researchers noted that the number of daycare centers that will take sick children has fallen by 20% over the past decade to 25%. Over the same period, however, the use of “drop-in nannies,” or home health care specialists prepared to pro-

vide emergency backup care to working parents, has grown by 24%, according to the study. Employers can help their workers gain access to backup caregivers by contracting with employee assistance programs (EAPs).

When asked how often they need emergency backup care for their children, 58% of the working parents surveyed said one to four times a year, 27% said five to eight times a year, 10% said nine to twelve times a year, and 5% reported needing emergency babysitting services more than twelve times a year.

“With dual-income households and employees working longer hours, finding backup care for a sick child is a bigger problem than ever before,” said Richard A. Chaifetz, chairman and CEO of CompPsych. Because of the decline in traditional sick-child daycare centers, Chaifetz added, his organization is placing more nannies and prescreened in-home care professionals on its list of providers for employees.

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## Older Workers Value The FMLA

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A majority of workers age 50 and older covered by the Family and Medical Leave Act (FMLA) have taken time off from work to deal with a personal or family medical crisis, and most older workers consider the FMLA to be relevant to their own lives, a study published by AARP concluded.

A survey of 1,356 workers over the age of 50 who are likely to be eligible for FMLA leave revealed that most workers in this age group have a high level of understanding and appreciation of their rights under the FMLA, with 91% of respondents indicating they are aware of the law and 88% saying they view the protections provided by the FMLA as personally important.

Results also showed that 58% of respondents have taken time off from work during the past five years for a family or medical reason. Some 47% said they had requested

leave because of their own serious illness, while 25% told researchers they had taken time off to care for a family member who was sick.

At the same time, however, just 9% of all respondents and 15% of those who had taken time off from work for family or medical reasons indicated the leave they took could be classified as FMLA leave. Instead, most respondents reported taking other types of leave, including sick leave, vacation time, paid time off, or disability leave. Workers with household incomes below \$50,000 were found to be more likely to take FMLA leave than those in higher income households. The survey also showed that those respondents who took FMLA leave were more likely than other leave-takers to report having taken at least nine weeks off work during a twelve-month period.

When those respondents who reported taking FMLA leave were asked to speculate about what they would have done if the FMLA had not been enacted, nearly two-thirds (64%) said they would have taken the same amount of time off but used another type of leave. Another 11% said they would have lost their job or quit, while 14% said they would have taken less time off, worked from home, or cut back on their hours.

While the survey’s findings indicated that a relatively small percentage of older workers actually take FMLA leave and an even smaller group has no reasonable alternative to taking FMLA leave, even this level of usage “is a promising sign that the Act has made a difference,” the study concluded. Moreover, researchers noted, the ability to take time off from work for family and medical reasons is “clearly of importance to this group.” However, they observed, the lower awareness of the legislation among leave takers who have not used FMLA leave within the last five years suggests that additional education about their rights under the FMLA may encourage more workers to take advantage of its protections.




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## Plan Design Can Improve 401(k) Savings Rates

By making relatively minor and inexpensive changes to the design of defined contribution retirement plans, employers can significantly improve participation and savings rates among employees, according to a recently published study on the behavioral economics of retirement savings habits.

Written by behavioral economists Richard H. Thaler of the University of Chicago and Shlomo Benartzi of the Anderson School at UCLA, the study concluded that most workers attempt to cope with the complexity of retirement and other forms of financial planning by adopting simple heuristics, or rules of thumb. In their report, the authors examined simple heuristics that can lead to counterproductive biases in workers' savings behaviors, including decisions about whether to participate in retirement savings plans, the size of plan contributions, and asset allocation. They also looked at whether interventions by plan sponsors could be successful in changing negative savings behaviors.

Thaler and Benartzi cited research showing that participation rates in the 401(k) plan of one company rose substantially among new employees after automatic enrollment was introduced, from around two-thirds to nearly full participation within 36 months of starting employment. However, the authors observed, studies uniformly showed that new enrollees in defined contribution plans have a strong tendency to choose their plan's default asset allocation and savings rate options, which are generally far too conservative to meet the retirement savings needs of most people.

In addition, the authors cited research that examined the prevalence of certain heuristics that tend to impede, rather than facilitate, optimal savings outcomes. These include the common strategy among 401(k) plan participants of contributing only the minimum necessary to get the full employer match or failing to adjust their deferral rates to take advantage of changes in the tax laws that would allow them to save up to 100% of pay.

Similarly, Thaler and Benartzi noted that studies of 401(k) plan participants' decisions on asset allocation indicate that most employees do not base their investment choices on an accurate assessment of their individual needs, but on the types of choices they are offered and the way in which they are presented. For example, one experiment showed that employees are more likely to invest the majority of their assets in equities when most of the funds offered are equity funds, but they demonstrate the opposite tendency when most of their choices are fixed-income funds. Other studies found additional evidence of naïve diversification behaviors, such as a tendency to divide assets equally among the funds selected.

Discussing what plan sponsors can do to help participants overcome these types of potentially self-defeating behaviors, Thaler and Benartzi warned that the usual approach of providing financial education and detailed information about savings choices has been shown by a number of studies to be largely ineffective. Instead, the authors recommended that employers alter their plan design to include automatic enrollment features, target maturity funds as the default investment option, and a program of automatic escalation that asks participants to commit in advance to increasing their saving levels each time they get a pay raise.



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