

# BENEFIT

## *Plan Developments*



A report covering plan design and legislative changes

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## Economy Causes Slight Decline In Employee Benefits

While many employers continue to provide generous employee benefit packages, a majority of companies have had to trim or maintain their current benefit offerings in response to the economic downturn, according to an annual survey conducted by the Society for Human Resource Management (SHRM).

While 94% of the 522 HR professionals who took part in the 2009 survey reported that their organizations are feeling the effects of the economy, only 60% said it has caused their companies to cut employee benefits. Despite the financial pressures many employers face, their overall commitment to employee benefits remains high: Organizations spent an average of 20% of an

employee's annual salary on mandatory benefits, 19% on voluntary benefits, and 11% on paid time off in 2009.

"The recession plus rising health care costs are causing companies to evaluate all operating costs closely,

even employee benefits, where a reduction in some benefits is required to survive the economic crisis," said SHRM president and CEO Laurence G. O'Neil.

While health and welfare benefits decreased slightly overall between 2008 and 2009, the survey found that more companies are now offering mental health coverage benefits. Nearly all HR professionals (98%) indicated that their organizations provide health care benefits to employees. The types most frequently offered are preferred provider organization (PPO) plans (81%), followed by health maintenance organization (HMO) plans (35%), point of service (POS) plans (26%), and consumer-directed health plans (CDHPs) (12%). A further 32%

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### David P. Lind & Associates, L.C.

1350 NW 138th Street

Suite 400

Clive, IA 50325-8308

Phone: (515) 273-5140 • Fax: (515) 273-5141

Toll Free: (800) 821-5463

[www.DPLAConsulting.com](http://www.DPLAConsulting.com)

[www.DPLABENCHMARK.com](http://www.DPLABENCHMARK.com)



David P. Lind & Associates

*Employee Benefits Broker/Consultant/Research Firm*



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offer employees the option of opening a health savings account (HSA), which is designed to help an individual save on a tax-free basis for future qualified medical and retiree health costs. In addition, 96% of the HR professionals indicated their organizations offer dental insurance to employees, and 80% provide mental health coverage.

Almost all respondents (92%) said their organizations sponsor at least one retirement plan, with some indicating that a number of different types of retirement plans are provided. When asked to name the types of plans offered, 90% said their companies sponsor a defined contribution retirement plan; 29%, a defined benefit plan; 24%, a Roth 401(k) plan; 8%, a supplemental executive retirement plan (SERP); and 6%, a cash balance pension plan. Moreover, 72% said their organizations provide an employer match on some or all of the employee's retirement plan contributions, and 69% reported that their organizations offer defined contribution plan loans.

Most respondents (89%) indicated that their companies provide some form of paid vacation leave to their full-time employees. While 47% reported that their organizations offer a stand-alone paid vacation plan, 42% said they provide paid vacation leave through a paid time off plan. In addition, 20% said their organizations offer a time bank of vacation leave, in which employees can donate vacation to a general pool that may then be used by other workers, and 8% reported that they offer a vacation purchase plan, which allows employees to "buy" additional vacation days through a payroll deduction.

The most substantial year-on-year declines in benefit offerings were seen in benefit categories considered less essential to employee well-being and performance. For example, fewer respondents than in previous years reported in 2009 that their companies offer non-cash companywide performance awards, community volunteer program benefits, and discount ticket services. In addition, many respondents reported plans to reduce or eliminate

holiday parties, company picnics, and company-purchased tickets to events.

Results also showed, however, that a growing minority of companies are extending family-friendly benefits to same-sex and opposite-sex domestic partners. The survey showed that 37% of organizations offer health care benefits to opposite-sex domestic partners, and 36% offer coverage to same-sex domestic partners. In addition, 16% of HR professionals reported that their companies offer some form of domestic partner benefit beyond health care.

## Workers Are Saving More And Spending Less

In reaction to the economic downturn, Americans increasingly report saving more of their paychecks in personal savings and retirement accounts, while scaling back spending, reducing credit card debt, and avoiding other types of loans, a survey conducted by Harris Interactive has found.

In a nationwide survey of 2,681 U.S. adults conducted in May 2009, 21% of respondents who have personal savings and 10% of those with retirement savings said they have added bank savings and CDs to their portfolios over the last six months. Nearly two-thirds of respondents with personal (62%) or retirement (65%) savings reported they have not made any adjustments to their savings and investments over the past six months.

The results also revealed that, despite the decline in the stock market, people have become only slightly more reluctant to make equity investments over the past six months: 8% of survey participants reported adding stocks and mutual funds to their personal savings, compared with 9% who said they have moved their personal savings out of equities. Meanwhile, 7% indicated they have added more equity investments to their

retirement savings portfolios, compared to 10% who said they have moved their retirement savings out of stocks and mutual funds.

At the same time, however, the poll showed that many Americans have little or no savings, either for short-term use or to rely upon in retirement. Nearly one-quarter (22%) admitted they have no personal savings, and 30% indicated they have no retirement savings. Not surprisingly, responses to this question varied considerably by income: 55% of respondents in households with an income of \$34,999 or less told researchers they have no retirement savings, compared with 21% in households with incomes between \$50,000 and \$74,999 and 12% in households with incomes of \$75,000 or more.

Survey participants were also asked whether, and to what extent, they had changed their spending habits in response to the economic downturn. Nearly two-thirds of respondents (63%) said they have reduced their spending over the past six months, with 37% saying they are spending a little less and 26% saying they are spending a lot less. Middle-aged and older adults were more likely than younger people to claim they have cut back their spending: 70% of respondents ages 40–49 and 69% of those ages 50–64 said they are spending less, compared with 55% of respondents ages 18–24 and 58% of those ages 25–29. Meanwhile, 29% indicated they have not adjusted their spending patterns, while 8% reported spending more in recent months.

When asked whether they have altered their credit card spending habits over the past six months, one-third of respondents (33%) said they are using their credit cards less. According to age, results showed that 45% of respondents ages 40–49 and 41% of those ages 50–64 have reduced their credit card spending, compared with just 14% of those ages 18–24 and 22% of those ages 25–29. Moreover, the survey found that lower-income households are significantly less likely to have cut back on credit card spending than upper-income households.

The findings further indicated that attitudes toward loans, including mortgages and home equity lines, have changed substantially since the onset of the financial downturn. Nearly two-thirds of respondents (64%) said they are less likely to take out a loan now than they would have been six months ago, with lower-income respondents expressing the greatest degree of reluctance to take on new debt.

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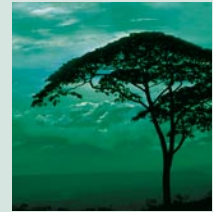
## Americans Support Aspects of Health Care Reform

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As the debate over health care reform continues in Washington, research suggests that most Americans tend to support improvements in the U.S. health care system, but are concerned about some aspects of the reform proposals, especially about the possible effects of managed care initiatives on choice of providers and treatment options, according to a report released by the Changes in Health Care Financing and Organization (HCFO), a national program of the Robert Wood Johnson Foundation administered by AcademyHealth.

The study, “Public Perspectives on Health Delivery System Reforms,” was written by Jill Bernstein, a consultant for HCFO. Bernstein looked at the results of recent research into the opinions of Americans regarding the current health care system and proposals to overhaul the system. According to Bernstein, public opinion research indicates that most Americans are generally happy with their own health care, though people frequently express concerns about the health care system as a whole.

“Although Americans report barriers to care, problems with communication, coordination among providers, and administrative inefficiencies, the majority—who have health insurance and have a regular doctor or place where they go for




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care—are mostly happy with what they have, and worry about losing it,” Bernstein observed. “People want to know how reforms will affect them now as well as in the future.”

In the report, Bernstein analyzes the views of Americans on a variety of aspects of health care delivery. On the issue of prevention, research indicates widespread support for comprehensive health coverage that includes emphasis on preventive care. In community meetings and surveys, Bernstein noted, people have expressed strong support for preventive services and wellness programs. However, she added, while people tend to support employers offering lower-cost options for health screenings and wellness programs, they often object to the idea of tying health insurance premiums to participation in wellness programs. Despite general agreement that good health behaviors should be encouraged, Bernstein said, “there also is evidence of ambivalence about how far the health care system should go in offering incentives to guide personal behaviors.”

Similarly, the study found that Americans tend to support the idea that each patient should have a “medical home,” in which a single physician or practice is responsible for a patient’s primary care and for coordinating that care. Surveys also show that people support the idea of physicians and other medical providers working together to improve care coordination, efficiency, and quality. But Bernstein also noted that the majority of Americans do not report having experienced problems due to a lack of coordination of care and are therefore not very worried about the issue.

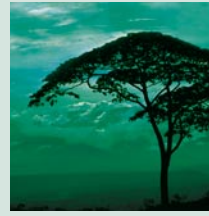
The analysis further showed that Americans express greater concern about the question of provider choice and whether reform might limit their ability to

choose their own primary care physician and other doctors. Bernstein observed, however, that while survey participants tend to assess provider choice as very important when asked to consider the issue in isolation, they have been shown to rate the issue as significantly less important than providing basic health care to all and making health care affordable.

In addition, the findings indicated that the public is ambivalent about the issue of evidence-based care, in which insurance coverage of treatment options is based on evidence that these options are medically effective. The polling, Bernstein said, “indicated underlying concern about who would be making recommendations about which tests and treatments should be covered.”

Finally, the study found that the public broadly supports the use of information technology by physicians, including initiatives that would encourage doctors to use computerized medical records, have online access to medical and lab tests, and enable physicians to share patient information electronically. But, while poll results indicate that most Americans believe electronic medical records have the potential to improve quality of care, they also doubt that electronic medical records would remain confidential, and relatively few are convinced that the use of medical IT will reduce costs.

Bernstein points out that, regardless of the reforms that are eventually implemented, reducing costs will likely involve some form of managed care. But, while polls suggest there is underlying public support for coordination of care and for an infrastructure that allows patients to find the care they need, she also warned that there is less evidence to suggest that Americans will react positively to changes that appear to result in their choices being restricted, even if these restrictions are intended to improve health care quality and efficacy.




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