

BenInfo

Benefit Trends and Information Updates



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Howitt Insurance Services is pleased to provide periodic updates on benefit trends and information. As part of our valuable services, we want to ensure that you are in well-informed of the topics within our industry.

WELLNESS: ARE YOU READY?

Are you ready to incorporate a Wellness Program in your Employee Benefits Plan?

Survey after survey in 2007, shows nearly 70% of large companies plan to offer tools and programs to help employees improve their health, including health risk questionnaires and nurse hot lines.

Companies' efforts at improving employee health range from simple things, such as flipping the food in company vending machines so the nutritional information faces out, to an increasing number of in-house clinics and pharmacists to help employees with primary care.

What can we do?

Let's start with obesity, smoking and understanding who is at risk. According to the SHRM 2006 Benefits Survey Report, 43% of large firms offer weight loss programs, versus 29% of small firms. However, small firms are just as likely as large companies to offer wellness programs such as gym membership subsidies, well-baby programs, prenatal programs and nutritional therapy. In fact, wellness initiatives can be highly successful at small businesses because of the following factors:

- Small companies typically have higher participation rates than large companies; CEO support and word of mouth are effective strategies in small companies.
- Simple programs are a good way to begin (e.g., walking contests, a wellness newsletter, discounts for local gym memberships and/or a list of local restaurants with healthy food menus).

When thoughtfully tailored to the workforce population, wellness initiatives can be effective (e.g., educational classes for health cooking, programs for weight loss and smoking cessation, fitness incentive contests and on-site health screenings).

Common Wellness Program Initiatives

- Flu shots
- General health and safety communications
- Weight management programs
- On-site exercise facilities or programs
- Gym memberships
- On-site health fairs
- Health risk assessments
- Smoking cessation programs

Source: Adapted from Carlson Shepherd, L. (2006, July 1). Employers increase wellness push with new programs, incentives. Employee Benefit News, 1.

Rewarding Employees for Improving Health

To encourage participation in wellness programs, employers are becoming creative in their approaches. Financial incentives are common to boost participation. Reduced health care premiums are among the well-received incentives. In addition, some companies are establishing health risk assessments (HRAs) as a strategic vehicle to determine potential sources of health care costs in their workforce. Due to potential employee concern about privacy and HRAs, these incentives are likely to be more numerous in the coming years.

Examples of Wellness Incentives and Rewards

- Cash
- Gift certificates and merchandise discounts
- Time off
- Reduced health care premiums
- Cash, flexible spending account credit or HRA credit to participate in health care risk assessments

Source: Adapted from Carlson Shepherd, L. (2006, July 1). Employers increase wellness push with new programs, incentives. Employee Benefit News, 1.

Tax Implications and Legal Issues

Depending on the wellness program and the employer's level of risk, there may be tax implications for the employer and/or the employee. In some cases, federal and/or state laws may have tax implications.¹⁶ In addition, HR and benefits managers need to be aware of that certain incentives may be taxed: gift certificates, cash, employer subsidies for exercise equipment and health magazines, reimbursement of gym membership fees, weight management classes and nutrition classes for general health improvement. However, taxes would not apply to doctor-prescribed memberships, classes and equipment. In addition, employees would not be taxed on reductions in premium contributions, nor would employers be taxed on contributions to an FSA, HSA or HRA, on-site exercise facilities and classes, or reimbursement for smoking cessation or disease management programs.

Privacy and legal questions continue to be a significant concern around wellness programs--in particular, mandatory health tests such as a health risk assessment. HR should seek legal counsel to ensure the company is not trespassing into risky territory that could pose significant problems.

The HIPAA Five

In April, 2007, three Federal agencies issued final regulations under (HIPAA) describing how wellness programs must be designed to meet legal requirements which apply to plan years beginning on and after July 1, 2007. The publication of final regulations by the Internal Revenue Service, the U.S. Department of Health and Human Services and the U.S. Department of Labor enables employers to review their wellness arrangements to ensure compliance. In addition, the final regulations open the door to government enforcement of wellness standards.

- A wellness program reward or penalty cannot exceed 20 percent of the total cost.
- Reasonable structures should be in place to promote health and prevent disease.
- There must be annual eligibility for the program.
- There must be alternative standards to accommodate people who have medical conditions that prevent them from reaching certain goals to receive a reward.
- The employer must advertise alternative standards.

Age-related adjustments should be made to programs, as well as adjustments to weight goals to avoid claims under Title VII, he added. And under the National Labor Relations Act, unionized employers would have to bargain about wellness programs.

Return on Investment

Devoting resources to wellness programs is important--otherwise, the programs may fail.

An outstanding example of ROI of wellness programs is that of Johnson & Johnson, which began its health and wellness program in 1979. The company has invested \$30 million and measured and assessed the results of various health factors prior to and following the program (e.g., smoking habits, stress, weight, exercise habits, nutrition, cholesterol, alcohol use and vehicle safety). As an incentive to participate, each employee receives a \$500 discount on health care premiums, and the participation rate is at 94%. Among the impressive results are the decreases in the number of employees with high cholesterol (from 66.2% to 43.2%), cigarette smoking habits (from 32.7% to 23.9%) and poor exercise habits (from 45.8% to 35.1%). Further, since 1995, Johnson & Johnson's health and wellness program has resulted in an annual savings of \$225 per employee. Overall, the program saves the organization approximately \$8.55 million per year.

Some employers are taking a harder look at the fat in their rising premiums. General Motors Corp. has found that 25 percent of the \$5.3 billion it spent in health care in 2005 could be traced to unhealthy habits. A study by Citigroup that found that for every dollar spent on wellness, the bottom line improved by \$4.50.

Sensitive Subjects

Aggressive wellness programs aren't for every company. It isn't difficult to imagine employees objecting for reasons beyond the law.

Some topics, like weight and smoking, are just sensitive. Many employers may not want to broach them beyond the usual encouragements to participate in voluntary wellness programs.

"Dignity and respect" are of the utmost importance when dealing with sensitive health topics. Third-party administrators are essential to make a wellness program work, and an approach that becomes too aggressive might risk claims of harassment.

Wellness Checklist – What you can do: From simple to more involved

- Turn packaging around in the vending machines so nutritional content is visible to buyer. Also stock vending machines with healthier items.
- Create Management/employee Wellness Committee to institute company programs.
- Identify employees who are mentors or champions for healthy activities and ask to present their programs.
- Offer free, healthy snacks for employees (fruits, nuts, popcorn)
- Walking contest/program. Or just hold walking meetings
- List of local restaurants with healthy menus
- Hire local dietician/nutritionist as a resource for employees who want information on healthy eating, meal planning or weight control.
- Form a support group to help employees who are trying to lose weight
- On site flu shots
- On site health risk assessments to all employees, including counseling and follow-ups
- Discount Gym memberships
- Establish a wellness library/resource center with DVDs, books, magazines on a variety of topics or interest to employees
- Offer a smoking cessation program
- Wellness newsletter or publish/post healthy tips in newsletters, paycheck stuffers, bulletin boards, etc.





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