

Employee Benefit Consultants

The Administrator

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Important news and updates from your benefits professional

INSIDE

Medical Technology
Mammograms Go Digital

Benefit Beat
CDHC Helps Cut Rx Costs

Employers Extend FSA
Deadlines

In The News
Volunteer Network Sought
After Katrina

*Plus Health Questions
and Answers, Facts,
Trends and More!*

EBC

Experts.
Making it Easier.

Feature Story

What Discount Nets You The Lowest Cost? 50%? 40%? 30%?

You Might Be Surprised

The answer to the above question is not nearly as simple as it appears. Some PPOs owned by national insurance carriers try to portray their savings in the most favorable light. There are several things a self-funded employer should consider when reviewing PPO savings information provided by a national carrier.

Never Confuse "Actual Dollars Paid" with "Discounts"

PPO discounts are only part of the equation. Careful medical and claim management, benefit plan design and employee education all significantly affect actual dollars paid and ultimately can be more important than network discounts.

Never Let a National Carrier Tell You What Their Discounts are without Real Evidence

The table below illustrates how a carrier can demonstrate different discount percentages by adjusting the level of ineligible charges. While the grossed billed charges and the net paid claims are exactly the same, the discount percentage levels vary considerably.

Gross Billed Charges	\$3,000,000	\$3,000,000	\$3,000,000
Ineligible Claims	-1,000,000	-700,000	-500,000
Eligible Claims	\$2,000,000	\$2,300,000	\$2,500,000
PPO Network Discount	-900,000	-1,200,000	-1,400,000
Net Paid Claims	\$1,100,000	\$1,100,000	\$1,100,000
Discount Percentage (eligible claims)	45%	52%	56%

Similarly, adding the employee co-pays and deductibles into the equation also skews the discount levels, leading to comparisons between national carriers and proprietary PPOs that are not of the apples-to-apples variety.

Carefully Examine the Composition of the Network

Choose a network whose providers your employees use for their medical care. Absent significant financial incentives, a network that doesn't match where your claims dollars are currently spent will, in all likelihood, cost you more money since you are paying for care without the benefit of a PPO contract.

Obtain Information about the Provider Reimbursement Mechanisms in the PPO Contracts

Ask the insurance carrier PPO about the percentage of the provider contracts that have prospective pricing. For hospital contracts this means per diem, case rate or DRG contracts. For professional providers this means fee schedules. Percentage off charges contracts do not contain costs the way prospective pricing contracts do. With prospective pricing, a dollar amount is tied to a service provided.

We're Here to Help

As always, EBC has the knowledge, expertise and experience to help you sort through the options and find the best fit for your needs. We have the ability to work with a variety of networks and seasoned professionals that have seen it all. If you're confused about which network to choose and how to evaluate discounts, give us a call – we're here to help.

Q&A

Bringing you answers to tough questions

Are Personality Tests Effective HR Tools?

Although personality testing for job interviews is a totally unregulated industry, many HR experts feel that personality testing, when validated by an independent source and coupled with other intensive interviewing, can significantly help predict future job performance and minimize turnover rates.

Critics of personality testing for hiring purposes argue that the tests were never intended to be used as pass/fail systems, which some HR departments are doing. The tests, which include the Myers-Briggs, California Personality Inventory and the Keirsey Temperament Sorter, should be used as one of many tools that evaluate the candidate's potential, which, in turn, will help the company hire the right person for the right position.

Medical Technology

Breast Cancer Testing Goes Digital

A new computerized version of mammography is significantly better than the conventional test at catching breast cancer in many women, according to a major study released by the National Cancer Institute.

The long-awaited study of nearly 50,000 U.S. women found that digital mammography picked up 15 to 28 percent more cancers in women younger than 50, those who had not gone through menopause and those with dense breast. (Breast tissue density is a factor related to menstruation, estrogen and age, not weight.)

The digital technology allows radiologists to manipulate the images, such as adjusting the contrast, to make them easier to interpret. That may reduce the need for follow-up tests to examine suspect areas.

The approach also uses slightly less radiation, and the images are easier to store and transmit.

The study, called the Digital Mammographic Screening Trial, had women undergo a standard and a digital mammogram, each of which was read by a different radiologist, and had another mammogram a year later. Only about 8 percent of mammography units available nationwide are digital yet experts stress that no woman should delay getting a mammogram and that traditional mammograms are still very effective.

Breast cancer strikes 211,000 U.S. women each year and kills more than 40,000, making it the leading form of cancer and second-biggest cancer killer (after lung) among women. The American Cancer Society recommends annual mammograms starting at the age of 40.



TRENDS *Latest Happenings In Today's World*

Paging Dr. Diet

There are now an estimated 2,500 doctors practicing medical weight loss in the U.S. Virtually ignored by medical schools and residency programs, medical weight loss has no specific entry requirements and no recognized certification board. This new field, which recently gained a

delegate seat at American Medical Association meetings, has received some complaints from fellow doctors and consumer watchdog groups.

By selling products to their patients in-office, including special foods, liquid diets, unproven therapies or potentially dangerous and habit-form-

ing weight-loss drugs, many argue that some doctors have created an environment where profiteering may conflict with their patient's best interests. There are, of course, many dedicated and qualified doctors specializing in weight loss, whom can be found by referencing and using background checks.





BENEFIT BEAT

Keeping A Good Eye on What's Working

CDHC Cut Rx Drug Costs

Overall medical spending, including spending on prescription drugs, fell for about half of employers offering workers consumer-driven health care plans, according to a new survey by The Segal Co. Sixty-five percent of the 27 companies surveyed in late 2004 also reported an increase in the use of generic medications by employees enrolled in CDHC.

The most common CDHC offered was a high-deductible health plan combined with a health reimbursement account (HRA). Only one of the employers offered a health savings account (HSA).

Ninety-six percent of employers offered such plans to encourage employees to choose more cost-effective medical care. An equal percentage also offered the

choices to help reduce health plan costs. More than half the firms had offered CDHC for at least two years. Eight-one percent offered the plans as an option for coverage, while 48 percent provided financial incentives for employees to enroll in them.

Nearly three-quarters of employers reported "no significant growth" in CDHC enrollment in 2004 compared with 2003. About two-thirds invested "somewhat more or significantly more" in educating employees about these options than about other benefit changes.

Workers with higher incomes and lower users of health care were more likely than their colleagues to enroll in CDHC.

One-Third of Employers To Extend FSA Deadlines

Only one-third of employers intend to amend their medical and dependent care flexible spending accounts (FSA) to give employees extra time to spend money in those accounts before the money is forfeited, according to a survey by Deloitte and the ERISA Industry Committee.

The 2005 FSA Grace Period Survey said 34% of employers plan to give partici-

pants the newly permissible two-and-one-half-month grace period to spend unused balances. Another 16% of employers plan to offer the grace period only to health FSA participants.

Because the new FSA implementation is so new, many feel that the employers not offering the grace period are taking a 'wait-and-see' approach.

In the News

After Katrina, Medical Volunteer Network Needed



Civilian and law enforcement officials help unload boxes of drinking water and supplies.

Following the admittedly slow response from both state and federal disaster relief agencies after Hurricane Katrina, the Department of Homeland Security's new chief medical officer said he would like to improve the government's medical response to disasters by creating a network of trained volunteers.

The new chief medical officer, Dr. Jeffery Runge, said that the U.S. should be taking full advantage of medical volunteers and make it easier for them to provide their invaluable services by lowering the barriers with liability and logistical issues.

Runge argues that this volunteer network would provide an economical way to harness the enormous volunteerism among medical professionals so trained doctors, pharmacists, medical technicians and nurses can work alongside the permanent federal crews in disasters.

Saving Big In The Far East

There is a rising tide of American and European patients boarding planes to the countries in Asia for orthopedic surgery, plastic surgery, infertility treatment and cardiology that comes much cheaper in the Far East than in the West.

These "medical tourists" are attracted abroad because of the low cost, absence of waiting lists and quality of the doctors who are almost exclusively educated in America and Britain.

Through Web sites set up by patients telling their stories and general word of mouth, the international medical

market has boomed recently, with just under 1 million patients going to Thailand, Singapore and India alone. Experts warn that it is important to shop around for credible professionals and to make certain that hospital standards, from staffing to hygiene, are acceptable.

Lifestyle Choices: HR's Main Concern

62 percent of benefit managers said obesity and physical inactivity concern them the most, according to a study of industry hot topics. Another 15 percent indicated stress as their high priority. Only 3 percent rated smoking as number one.



DID YOU KNOW? *New Ideas for Healthy Consumers*

Pick Up The Phone?

They ring in cars, in grocery lines and at the ball game. They interrupt movies, classes and business meetings around the country. They are everywhere and odds are you have one in your pocket or purse right now. But the biggest problem with the dethroning of land-line phones by cell phones may not be the lack of etiquette: It could be your health.

The National Institute of Environmental Health Sciences has given \$22 million to the Illinois Institute of Technology's Research Institute to evaluate the health effects, with particular emphasis on carcinogenicity, of cell phones radio-frequency radiation.

Most studies in the past, which were conducted in response to lawsuits attempting to link the phones to brain tumors but were dismissed for lack of evidence, were sponsored by the cell phone industry.



Smart Snacking A Good Idea

Snacking on healthy food helps give you energy, especially if you have an active lifestyle. It keeps you from getting too hungry and then overeating at a later time.

What an individual should snack on depends on several factors, including gender and age, as well as how much energy they're burning through physical activity. A good snack combo has carbohydrates for energy, including high-fiber content for a full feeling and fats to help make it last.

Other good snacking combinations include fruits or vegetables with low-fat dips, yogurt or cheese, whole-wheat crackers with hummus or apples with peanut butter. Nuts and seeds help add fats to a snack, including the omega-3 fatty acids that help in preventing chronic illnesses like cancer and heart disease.

Get Some Shut-Eye

The amount of sleep a person needs depends on a number of factors, including age, lifestyle and quality of sleep. Infants generally need 16 hours of sleep, teens need about nine and most adults feel fine with just seven or eight hours of sleep.

It's apparent when a person isn't getting enough sleep because they often feel drowsy

during the day, yawns frequently and feels tired in the morning.

Sleep patterns are also influenced by lifestyle. Drinking coffee, alcohol and smoking can affect the quality of your sleep. People who give up these substances may improve their quality of sleep and end up needing less sleep. Regular exercise can also improve sleep quality.



Please Contact Us: This newsletter is not intended as a substitute for personal medical or employee benefits advice. Please consult your physician before making decisions which may impact your personal health. Talk to your benefits administrator before implementing strategies which may impact your organization's employee benefit objectives.

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