

BENEFIT

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Health Care Uninsured Rate Rose And Real Wages Fell In 2005

The number of U.S. residents who lack health insurance increased by 1.3 million to a record 46.6 million between 2004 and 2005, while the number of Americans with health insurance coverage rose over the same period by 1.4 million to 247.3 million, according to a report released by the U.S. Census Bureau. The report also found that the median income of U.S. households rose 1.1% to \$46,326 from 2004 to 2005, but the median earnings of full-time workers declined.

The findings of the report "Income, Poverty, and Health Insurance Coverage in the United States: 2005" were based on data drawn from the 2006 Annual Social and Economic Supplement (ASEC), the Current Population Survey (CPS), and the 2005 American Community Survey (ACS).

The uninsured rate among the U.S. population rose from 15.6% in 2004 to 15.9% in 2005, according to the

report. The percentage of the population covered by employer-sponsored health plans was shown to have declined slightly, from 59.8% in 2004 to 59.5% in 2005, while the percentage of people covered by government health insurance programs remained unchanged at 27.3%. The percentage

of uninsured children increased from 10.8% in 2004 to 11.2% in 2005.

Broken down by race and ethnicity, the uninsured rates for non-Hispanic whites (11.3%), blacks (19.6%), and Hispanics (32.7%) remained statistically unchanged from 2004 to 2005, but rose from 16.5% to 17.9% among Asians. The percentage of the total population born in the United States who lacked insurance grew from 13.1% to 13.4%, while the uninsured rate for foreign-born residents was found to be statistically unchanged at 33.6%.

Commenting on the census figures, American Medical Association (AMA) Board Member Ardis D. Hoven, MD, said, "This new government figure on the number of uninsured Americans is a forceful reminder that 46.6 million Americans without health insurance are forced to take a gamble each day that they won't get sick or injured.

In This Issue

- Pace of Rising Health Plan Costs To Decline In 2007
- Workers Want Employers To Offer More Benefits And Incentives
- Most Americans Support Health Care System Reform



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This increase in uninsured Americans reinforces the urgency of the situation.”

Ardis added that the AMA advocates an expansion of health insurance coverage through a system of refundable tax credits based on income, individually selected and owned health insurance, and market reforms that will enhance new, affordable insurance options.

The report also presented findings on income trends among U.S. households. While median household income was found to have risen 1.1% from 2004 to 2005, results showed that the poverty rate remained statistically unchanged at 12.6%. Real median earnings of men who worked full-time declined 1.8% to \$41,386 over the period, and the median earnings of women who worked full-time fell 1.3% to \$31,853.

Income growth from 2004 to 2005 was found to be highest in the Northeast and the West, where the median income rose 2.9% to \$50,882 and 1.5% to \$50,002, respectively. Results showed that median income remained statistically unchanged over the period in the Midwest and the South, where the 2005 median incomes were \$45,950 and \$42,138, respectively.

In an analysis of the 2005 income figures released by the Economic Policy Institute (EPI), Jared Bernstein and Elise Gould asserted that, despite the overall increase in median household income, working families appear to be losing financial ground. The researchers noted that the median income of working-age households fell by 0.5% between 2004 and 2005, but rose 2.8% among households headed by someone age 65 or older.

Between 2000 and 2005, the median income of all households declined 2.7%, but was down 5.4% among working-age households, according to Bernstein and Gould. The researchers observed that these declines in real income occurred during a period of economic expansion, during which gross domestic product rose 12.5% and productivity was up 16.6%.

“The economic growth of the last few years has largely bypassed middle- and low-income families, and especially working families,” Bernstein and Gould

said. They noted that other data sources reveal historically high growth rates of non-labor income, such as corporate profits, which suggests that “growth has been eluding wage earners and flowing up the income scale to those with high levels of assets.”

The Census Bureau figures, the EPI researchers added, “corroborate this dynamic, showing that the gains that did occur tended to show up among higher income households, and not among those who depend on their paychecks to get ahead.”

Pace of Rising Health Plan Costs To Decline In 2007

Health care plan cost increases are expected to outpace inflation and wage growth in 2007, but they will rise at lower rates than in 2006, according to a report released by human resources consultancy the Segal Company.

The survey of managed care organizations (MCOs), health insurers, pharmacy benefit managers (PBMs), and third party administrators (TPAs) showed that both medical plan costs and prescription drug plan costs are likely to increase substantially next year. But researchers said the price trends of all MCOs peaked in 2003; they are expected to decline for the fourth consecutive year in 2007.

Price inflation for high-deductible plans offered by preferred provider organizations (PPOs) is forecasted to reach 12% in 2007, compared to 12.6% in 2006. The cost of traditional PPO plans is expected to grow 11.6% in 2007, down from 12.4% in 2006. The projected cost increase for health maintenance organization (HMO) plans is 11.1% in 2007, down from 11.6% in 2006.

Results showed that price inflation for prescription drugs is expected to decline markedly in 2007. For active participants and early retirees, retail network prescription drug costs are forecasted to rise 11.9% in 2007, compared with 13.8% in 2006. Mail order drug plan costs are predicted to

increase 11.5% in 2007, down from 14.5% in 2006. These declines can be attributed to the increased availability of generic drugs and the efforts by medical plans and PBMs to maximize generic drug utilization, according to the report. Researchers added, however, that the cost of biotechnology or specialty drugs is projected to rise far more rapidly than other drug costs.

Commenting on these trends, Edward A. Kaplan, Segal's national health practice leader, said, "The plan sponsors with the most success in dealing with health costs have taken major steps to understand the underlying dynamics of their health plan to address the root cause of high costs."

Workers Want Employers To Offer More Benefits And Incentives

Most employed Americans would like to work for an organization that invests in programs or benefits designed to create a more satisfied workforce, but little more than one-third actually work for a company that provides these incentives, according to a survey conducted for workforce management software firm Kronos Inc.

Of the more than 1,000 employed adults surveyed, over 80% said they consider programs intended to motivate employees to be important. However, just 36% of respondents indicated their employer invests in these incentives.

When asked what incentives they would most like their employer to offer, the top three responses among the workers surveyed were found to be competitive salary, 100% coverage of health care costs by the employer, and company matches of 401(k) contributions. Among the other benefits respondents said they value are bonus programs, flexible schedules, and compressed work weeks. When respondents who reported feeling satisfied with their current employer were asked why they were content, the top three responses

were "I like my boss," "I am treated with respect," and "I am paid well."

The survey showed that 58% of respondents would consider leaving their current employer if the job market continues to improve, up from 46% in a comparable 2005 survey. Nearly three-quarters of respondents said they are actively or passively looking for a new job.

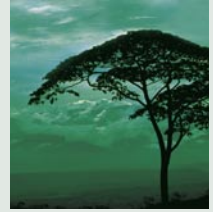
Researchers noted that, while the economy is growing, many workers appear to be dissatisfied with their wage increases and career advancement. Some 61% of workers surveyed said they are not experiencing the benefits of an improved economy in their work life. In addition, 67% of respondents employed six months or longer in their current position reported an increase in workload or responsibilities over the last six months, but just half of this group said they had received a pay raise during that time.

Most Americans Support Health Care System Reform

Amid concerns that health care delivery in the United States is becoming increasingly inefficient and unsafe, as many as three-quarters of Americans are in favor of fundamentally changing or completely rebuilding the U.S. health care system, according to a report released by the Commonwealth Fund, a health care policy think tank.

Researchers asked 1,023 adults for their views on how patient care and health policy could be improved. Results showed that most respondents believe it is important to have a long-term relationship with a single primary care physician who manages their care (92%) and that care from different doctors is well-coordinated (96%). Respondents also overwhelmingly told researchers they value easy access to medical records for themselves (94%) and all their physicians (96%).

In addition, most respondents said they think it is important to have infor-



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mation about the costs of care prior to receiving treatment (91%) and about care provided by different doctors and hospitals (95%). A further 87% of respondents said they would like insurance companies to identify and reward health care providers who achieve excellence in quality and efficiency of care.

Researchers observed, however, that patients face a very different reality. According to the report, most patients have short-term relationships with physicians and rarely have easy access to their own medical records. Moreover, most patients have little or no access to reliable information on quality and costs of care, and health insurance providers frequently lack the information needed to offer incentives to providers for better or more efficiently delivered care.

When asked what measures they believe would help improve the quality of care, most respondents said they are in favor of computerizing medical records (92%), expanding the role of nurses in delivering care (90%), widening the use of reminders for preventive care (88%), and encouraging physicians to practice in groups (81%).

Survey participants were also asked about their experiences and concerns relating to health care access, costs, and quality. Respondents reported experiencing serious problems over the past two years paying for medical bills (38%), paying for health insurance (38%), getting a doctor's appointment quickly (38%), obtaining information on caring for an aging or ill family member (36%), and having to spend time on paperwork or disputes related to medical bills and insurance (39%).

When asked about whether they had received unsafe, poorly coordinated, or inefficient care over the past two years, 42%

of respondents said they had experienced at least one of the following problems: duplication of a test, a medical or lab test error, failure by a provider to pass on important medical information to another provider, or a recommendation of unnecessary care or treatment.

More than three-quarters of those surveyed said they believe the U.S. health care system needs fundamental reform (46%) or should be completely rebuilt (30%). Researchers noted that these views are remarkably similar across income groups and regions of the country, though negative assessments of the current system were found to be more prevalent among Democrats than Republicans, as well as among those who reported having a negative health care experience.

When asked what policy actions they would like to see at the federal level, large majorities of respondents said they believe it is very important that Congress and the president ensure that Medicare remains financially sound in the long term (84%), control the rising cost of health care (84%), ensure that all Americans have adequate and reliable health insurance (80%), lower the cost of prescription drugs (78%), improve the quality of nursing homes and long-term care (75%), reduce the complexity of insurance (71%), and reform the medical malpractice system (65%).

"Overall, the survey reveals a high level of shared public values, experiences, and concerns regarding the current U.S. health care system," the report said. "Worries about the future combined with experienced-based concerns about quality, access, and costs are fueling negative overall views of the current system and stimulating calls for fundamental change."



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