



## Health & welfare news distributed for the benefit of our client community

July 2007

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### **Court upholds EEOC retiree health benefits rule** **From BUSINESS INSURANCE • June 5, 2007**

A federal appeals court has upheld a rule that exempts employers from age discrimination charges for offering a two-tiered system of retiree health care benefits. The court held that the Equal Employment Opportunity Commission did, in fact, have the authority to exempt such benefits plans from the Age Discrimination in Employment Act. The ruling allows employers to provide richer benefits to younger retirees than to Medicare-eligible retirees and ends litigation going back to 2000.

### **Weighing boomer retention against risk** **From EMPLOYEE BENEFIT NEWS • June 2007**

Many surveys show that baby boomers plan remain to in the workforce well past age 65. This could benefit employers who don't want to lose their knowledge and expertise. At the same time, older workers are likely contributing to a growing problem for employers – rising health care costs. Most boomers are on pace to have more than one chronic condition by 2030 and the majority are already obese.

As a result, employers have a choice. They can (a) tailor wellness programs for boomers; (b) allow (or encourage) boomers to retire and take their health risks with them or (c) accept that the benefit of boomers' experience is worth the added potential health costs.

### **Benefit offerings see little change since 2006**

**From EMPLOYEE BENEFIT ADVISER • June 2007**

With the exception of small change in some financial and compensation benefits, the benefit plans offered by employers have seen little change in the last year, according to a survey by the Society for Human Resources Management (SHRM).

Almost all organizations continue to offer some type of health insurance; other common benefits include prescription drug and dental coverage. But financial benefits – car allowances, investment advice, defined benefit pension plans, and the like – all decreased from 2006 to 2007.

On average, organizations spent 38% on payroll on total benefit costs – 20% on mandatory benefits and 18% on voluntary plans.

### **Massachusetts begins universal health care**

**From THE WASHINGTON POST • July 1, 2007**

All eyes are on Massachusetts, as it becomes the first state to require its residents to have health insurance or face financial penalties. While July 1 marks the beginning of the “individual mandate” – the obligation to obtain health insurance – the real deadline is December 31. When state residents file their state tax returns in early 2008, they must certify that they had acceptable coverage by the end of 2007 or lose the \$219 personal exemption. The penalty grows in subsequent years.

For their part, businesses must arrange to allow workers to pay health insurance premiums with pre-tax dollars. Those employers with 11 or more full-time employees that do not offer health insurance must pay an annual “fair share” assessment of \$295 per employee.

### **Scant drug benefits called costly to employers**

**From THE NEW YORK TIMES • June 27, 2007**

A new study on drug co-payments seems to confirm earlier findings: When co-payments go up, employees stop taking medications, and overall costs go up.

The latest study, from the nonprofit Integrated Benefits Institute, looked at rheumatoid arthritis patients from 17 employers. More than half those diagnosed were not taking their drugs – many because they considered the out-of-pocket costs too high. As a result, employers incurred \$17.2 million in costs from lost productivity (mostly in short-term disability costs), 26% more than what they would have spent if the workers had taken their medication.

This study builds on results from research of employees of Pitney-Bowes and the city government of Asheville, NC. Both found improved productivity and lower medical costs after drug co-payments were reduced or eliminated for diabetes, asthma and heart-related problems.

**Medical leave program generally popular**  
**From THE NEW YORK TIMES • June 26, 2007**

Comments to the Labor Department from employers, employees and interest groups say the Family and Medical Leave Act (FMLA) is generally working well, though some companies find the intermittent, unscheduled time off taken by those with chronic health conditions to be disruptive.

The Department concludes that FMLA is “working as intended,” giving 76 million eligible workers time off since its inception 14 years ago. While the intermittent leave issue is causing “considerable tension between employers and employees,” the Department says it is not making any recommendations to change the law.

**Fighting ERISA erosion**  
**From EMPLOYEE BENEFIT NEWS • June 2007**

Employers say ERISA spares them from a “crazy quilt” of state mandates and encourages them to provide health insurance to 160 million workers. That’s why they’re alarmed at moves to grant states ERISA waivers to require employers to contribute to state health programs.

While Maryland recently gave up on its bid to require Wal-Mart to spend at least 8% of its payroll on health benefits or pay the difference into a state Medicaid fund, other states have broader “pay or play” proposals under consideration, including California, Illinois and Pennsylvania.

In Washington, D.C., two bipartisan bills have been introduced to give states access to federal grants for health reform initiatives such as tax credits, risk-pooling arrangements and single-payer systems. And two presidential candidates, Edwards and Obama, have announced health plans with pay-or-play as a major feature.

Despite ERISA challenges, self-funding continues to be a popular strategy among employers. In 2006, 55% of insured workers belonged to a plan that was either fully or partially self-funded, up from 49% in 2000, according to the Kaiser Family Foundation.

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