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*Your Human Resource Department*

# HR & Administrative Update

September 28, 2011

**Key Topics in This Issue:**

- **Open Enrollment**
- **Prescription Drugs Coming Off Patent**
- **Voluntary Benefits**


## Open Enrollment Mistakes to Avoid

As the season for Open Enrollment and renewal of your employee benefits plans descends, a few timely reminders may help avoid enrollment mistakes that can result in unnecessary expenses for employers and employees. As reported in Reuters recently, "too many people make benefits decisions that just don't benefit them." Nearly 80% of American workers report making mistakes when signing up for their benefits, with over 40% saying they lost money due to "bad benefit decisions." These findings are taken form the Open Enrollment Survey of Aflac WorkForces Report, an online survey of 2,220 employees in August 2011.

Failing to sign up for flexible spending accounts (FSA's) is the #1 mistake cited. Nationwide, only 20% of employees participate in this type of program. As healthcare costs continue to climb and employers are transferring more of rising health care costs to employees, out-of-pocket expenses are becoming a significant concern. In 2010, out-of-pocket health care costs averaged $3,280 for a family of four, according to Milliman Medical.

Lack of information or availability of FSA's are often the reason this benefit is overlooked. FSA's are one of several benefits that are not automatically renewed, even if the employee opts for "the same benefits as last year." Generally, health insurance and 401(k) choices from the previous year will remain the same, but the default for FSA contributions or childcare credit, to name a few other benefits, is zero. Here is an example of the need for employee communications regarding benefit renewal and re-enrollment. Clarifying re-enroll procedures for ***all*** benefit options each year in your employee communications will help to save your employees money.

Other costly mistakes during benefit enrollment include (1) not electing available benefit coverage, such as vision, dental, or voluntary options; and (2) choosing the wrong level of coverage; both resulting in greater out-of-pocket expenses.

The majority (74%) of workers say they do not understand everything in their elected policy or the changes from the previous year's policy. Making effective benefits decision when there are multiple options can be difficult. Including comparative coverage and pricing information in employee enrollment packages; allowing adequate time periods for employees to review the programs; and working with your benefits provider to help employees choose the options that best fit their age, income, medical status, and personal responsibilities will ensure the best coverage and cost containment decisions.


## 5 Top Selling Prescription Drugs Coming Off Patent

Over the next two years, 5 of the top selling drugs are coming off patent, and generic competition will "decimate sales of these brand name drugs and slash the cost to patients and companies that provide health benefits." The top 5 best selling drugs coming off patent in 2011-12 include:

(1) Plavix – an anti-clot or blood thinner used to prevent heart attack or stroke, with U.S sales of over $6 billion and patient cost of approximately $162/month.

(2) Lipitor – a statin or cholesterol reducer, with U.S. sales of $12 billion, and patient cost of up to $168/month.

(3) Seroquel – an antipsychotic, with U.S. sales of nearly $4 billion, and patient cost of approximately $549/month.
(4) Actos – for Type 2 diabetes, with U.S. sales of $3.5 billion, and patient cost at about $240/month.
(5) Enbrel – a TNF-alpha inhibitor used to treat arthritis, with U.S. sales of $3.3 billion, and patient cost as high as $2785/month.

According to the Associated Press, over 120 brand-name prescription drugs will lose their market exclusivity during the next decade.  An unprecedented wave of generics will roll out, giving patients and companies a multitude of lower cost options.

## Volunteers for Benefits?

According to LIMRA, there are some definite advantages for employers to offer voluntary benefits, such as:

**No Employer Costs** – voluntary benefits are a great way to provide employees with benefits they want with little or no cost to the company.  Any additional administrative costs can be offset by the payroll tax savings gained from Section 125.
**Highly Desired Benefits** – Dental, vision, accident, disability, or additional life insurance are frequently desired and can be made available on a voluntary basis.
**Employee Retention** - Companies with strong benefit packages typically have lower employee turnover and attract prospective employees more readily.
**Group Rates** – Employees gain access to more benefits at low group rates.
**Favorable Underwriting** – On an individual basis, disability coverage and life insurance are difficult to obtain and costly even with the best of health histories.  Offered through a group/employer program, simplifies the underwriting.
**No Secondary Market** – Some programs are only available through employer sponsored plans and not available through an individual's insurance agent for purchase.
**Promotes Goodwill** – Employees appreciate having benefit choices that fit their individual needs.


Voluntary benefits can enhance a company's benefits package, allowing it to compete with larger organization's programs, and demonstrate to its employees that their needs matter without direct costs to the company, plus, possibly reducing corporate taxes by cutting FICA contributions.  With increasing economic pressures, over 80% of employers are interested in offering voluntary benefits.  Interestingly, only about 20% of employers currently offer between 1-3 voluntary benefit options.

Adding voluntary benefits can satisfy the biggest benefit challenge for small businesses – offering a wide array of benefits while staying within budget constraints. Keeping your primary assets – your employees – in good shape is also the best way to improve your company's performance!

**Quote to Remember:** ***People who say it cannot be done should not interrupt those who are doing it.***
*- Unknown author*

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