

# BENEFIT

## *Plan Developments*



A monthly report covering plan design and legislative changes

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## Cancer Leading Cause Of Long-Term Absence From Work

More employees filed long-term disability claims for cancer than for any other illness in 2005, according to an annual report on disability trends released by insurance provider UnumProvident. Cancer was the leading cause of long-term absences from work for the fifth year in a row, the report said, with breast cancer making up nearly a quarter of all cancer claims.

Cancer was given as the reason for disability in 12% of the long-term claims filed with the insurer, the report indicated. The findings are based on data from UnumProvident's disability database, which tracks 26.8 million covered individuals and some 178,000 employer policyholders. The company received more than 412,000 new disability claims in 2005 and paid \$4 billion in disability benefits to individuals and their families.

Citing estimates from the National Institutes of Health, UnumProvident researchers said cancer-related costs in the United States amounted to \$209.9 billion in 2005. Of this figure, direct medical costs accounted for \$74 billion, the cost of lost productivity due to illness for \$17.5 billion, and the cost

of lost productivity due to premature death for \$118.4 billion.

"The effects of cancer touch countless employers from coast to coast," said chief medical officer at UnumProvident, Constantine Gean, MD. "The prevalence of cancer highlights the fact that we as a society still have work to do in encouraging prevention, promoting early detection and generating treatment options. Frankly, employers can have a big impact on these factors."

According to the report, the other leading causes of long-term disability claims in 2005 were complications of pregnancy (10%); joint, muscle, or connective tissue disease (10%); back injuries (8%); and cardiovascular disease (8%). The top five reasons for short-term claims were normal pregnancy (18%); injuries, not including those of the back (10%); digestive or intestinal diseases (8%); pregnancy

### *In This Issue*

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complications (8%); and reproductive or urinary system diseases (7%).

Researchers noted that many employers are making efforts to control the costs associated with lost time due to illness. While some companies are adjusting health care coverage or requiring employees who smoke to pay higher premiums, other employers are seeking to encourage good habits through wellness programs and healthy food options in the workplace.

“As employers continue to struggle with escalating health care benefits costs, a small investment in preventative measures will no doubt reap savings in the long term,” said Gean. “So many cancer diagnoses can be avoided through healthier habits like not smoking, getting regular cancer screening tests, eating well, exercising and avoiding the harmful rays of the sun.”

## Congress Holds Hearings On Health Care Costs

Two congressional committees held hearings related to the rising cost of health care in March. The Senate Finance Committee invited testimony on issues surrounding federal health care tax policy, and the House Energy and Commerce Committee’s Subcommittee on Health considered proposals on improving health care price transparency.

Observing that the March 8 hearing was the first on health tax policy to be held by the Senate Finance Committee since 1994, committee chairman Sen. Chuck Grassley (R-IA) said the issue is urgent given the unsustainable rate of health care inflation in the United States, which is threatening the nation’s ability to compete in the global economy. Grassley noted that tax preferences for health care represent the single largest federal tax expenditure, amounting to \$177.6 billion in 2005 and a projected \$2 trillion over

the next decade. Given these already very large sums, Grassley questioned whether proposals to provide even more health care tax subsidies were responsible strategies for solving the nation’s health care problems.

Grassley said, “From a health policy perspective, we have to ask: Do our current tax incentives make sense? Are they helping to maximize coverage, reduce costs, and improve quality? From a tax policy perspective, we also must ask if our current tax incentives make sense: Are they fair? Do they help produce a good policy result? And do the benefits outweigh the costs?”

In his testimony before the committee, former U.S. Treasury Secretary Paul H. O’Neill called upon lawmakers to “stop tinkering at the margins of tax policy” and instead introduce a requirement that all Americans purchase a base level of individual health insurance coverage, with the tax system providing financial support only to those who lack the means to fully pay for their own insurance. O’Neill dismissed the idea that employers should provide their employees with benefits as “a myth,” saying employers “act as a rather inefficient and increasingly spotty pass-through for insurance benefits” and use dollars that would otherwise be available for compensation to pay for health coverage.

Leonard E. Burman, senior fellow at the Urban Institute, argued against eliminating the exclusion of contributions to employer-sponsored insurance from income and payroll taxes, maintaining that leaving the provision of health insurance to the market would likely make coverage more, rather than less, expensive.

“On balance, despite its failings, the current employer-based system supplies health insurance coverage to almost 70% of American workers under age 65,” Burman told the committee. “Reform should build upon that coverage base instead of eroding it. Simplistic market-based solutions, though appealing, are likely to come up short.”

Burman suggested that current tax subsidies be re-targeted toward those workers who would benefit the most, possibly by replacing the current tax exclusion with a refundable credit for workers earning less than the median income. A more incremental option, Burman added, would be to provide a refundable tax credit or direct subsidy to small employers to help them offer health insurance. Another would be to allow small companies to purchase insurance at large-group rates.

At the March 15 hearing on health care price transparency before the House Energy and Commerce Committee's Subcommittee on Health, Rep. Daniel Lipinski (D-IL) presented details of legislation he is co-sponsoring with Rep. Bob Inglis (R-SC), the Hospital Price Reporting and Disclosure Act.

After personally experiencing difficulties in deciphering hospital charges after being treated for a hip injury, Lipinski said he introduced the bill "to make price information available for all hospitals across the country, and give all Americans the ability to make informed choices about where they seek medical care." Lipinski told the subcommittee the bill would require hospitals to report biannually to the Secretary of Health and Human Services (HHS) the prices they charge for the 25 most commonly performed inpatient procedures, the 25 most commonly performed outpatient procedures, and the 50 most frequently administered medications. This information would then be posted on a "user-friendly website" that could be viewed by all Americans.

Sara R. Collins, senior program officer at the Commonwealth Fund expressed her view to the subcommittee that, while the current level of health care price transparency is inadequate and should be improved, a perfectly competitive health care market cannot exist because patients often lack the time or the knowledge to make their own health care decisions, especially in emergencies or when very ill. Rather than burdening

the individual, Collins recommended that transparency be achieved through investment in health IT systems and by having Medicare assume a leadership role in collecting and making cost and quality information available to the public by provider and patient condition.

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## Small Business Health Plans Bill Passes Senate Committee

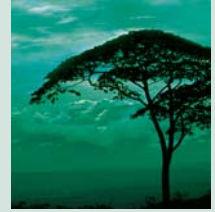
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In a move that could mark the end of a long-running stalemate, the Senate Health, Education, Labor and Pensions Committee voted on March 15 to allow business and trade associations to join together across state lines to offer affordable health insurance to their employees.

The bill, the Health Insurance Marketplace Modernization and Affordability Act, is the latest attempt to enact a federal law that would permit trade associations to offer group health coverage on a national or regional basis. The concept of small business health plans (SBHPs) has been highly controversial because the plans would be exempted from state mandates and would not be overseen by state insurance regulators. Proponents of association plans claim the plans would make health insurance considerably more affordable for small business owners and their employees.

Commenting on the passage of the bill in committee, Dan Danner, executive vice president of the National Federation of Independent Business (NFIB), said, "SBHPs will level the health-insurance playing field and give participating small businesses the same buying power as Fortune 500 companies and unions by allowing them to band together through trade and professional associations to purchase affordable health benefits."

Danner added, "By joining together across state lines, small employers will enjoy




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savings from greater bargaining power, economies of scale and administrative efficiencies.”

Bill sponsor Sen. Mike Enzi (R-WY) believes that most of the previous objections raised by opponents of SBHPs have been addressed in the new legislation. The bill, the senator said, preserves the states’ role in protecting insurance consumers, requires associations to offer a comprehensive package of benefits, and includes safeguards to prevent premiums from becoming unaffordable for the less healthy.

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## States Weigh Measures Forcing Employers To Provide Health Benefits

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State legislatures across the country are considering measures that would require employers over a certain size to provide health care benefits to workers or pay a tax or assessment in lieu of offering benefits. Retail chain Wal-Mart, which employs large numbers of low-paid workers receiving public health care assistance, is at the center of many of these initiatives.

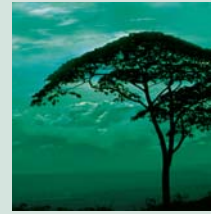
As part of its “Fair Share Health Care” campaign, the AFL-CIO is backing legislation in more than 30 states that would require or otherwise pressure large employers such as Wal-Mart to pay their “fair share” of the cost of health care for their employees. According to a report released by the AFL-CIO in March, Wal-Mart is at the top of the list of employers pushing workers into state-provided health care programs in at least 19 states. “On top of its health care subsidies, Wal-Mart has wrung at least \$1 billion in economic development assistance from state and local governments over the past 20 years,” the report asserts.

As the cost of providing Medicaid to low-income residents continues to rise,

many state lawmakers are considering some version of what has become known as the “Wal-Mart Bill.” In January, Maryland passed the first such law in the country, requiring companies with more than 10,000 employees to spend at least 8% of their payroll on health care benefits. The Maryland law, which is expected to face legal challenges, would only affect Wal-Mart, as the other large employers in the state already meet the payroll threshold.

The proposed legislative remedies to the problem for employers failing to provide affordable coverage to employees vary from state to state. Most states would exempt smaller employers from the requirement that they spend a set percentage of their payroll on health benefits for employees. The future of these proposals will depend in part on whether the Maryland law is found by the courts not to violate ERISA or other federal laws. In addition to weighing a payroll tax, some states are compiling and making public lists of companies with employees on Medicaid in an effort to embarrass these employers into changing their benefit practices.

Meanwhile, legislators in Massachusetts are preparing to enact an ambitious health care plan that would, its proponents claim, ultimately cover most of the uninsured in Massachusetts. Following protracted negotiations between leaders of the state’s House and Senate, legislators agreed to drop a House proposal that would have required all companies with more than 10 employees that do not provide health benefits to pay a tax of between 5% and 7% of their payroll. Instead, the bill would impose a \$295-per-employee annual fee on employers with more than 10 workers who do not provide health insurance. The fee is intended to cover the cost of free health care used by workers who lack insurance. The law is expected to require individuals to purchase a basic level of health coverage, with the state providing subsidies to those who cannot afford the full cost of insurance.




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