BENEFIT Plan Developments

A monthly report covering plan design and legislative changes

Volume 48, Number 12

Employers Strive To Accommodate Seriously Ill Workers And Their Families

When employees are coping with major illnesses, such as breast cancer, employers accommodate most requests that would allow these workers to stay on the job while undergoing treatment, according to a survey by the International Foundation of Employee Benefit Plans.

The survey of benefit managers and human resource professionals revealed a strong willingness among employers to accommodate requests that would allow a seriously ill employee to continue working. Results showed that half of respondents made the requested accommodations "all of the time," while the other half made accommodations "most of the time."

The most common types of accommodation cited by respondents included a reduction in hours worked (84%), an ad hoc flexible schedule (79%), a flexible schedule set in advance (70%), additional breaks or rest periods (62%), and telecommuting (47%). One-third of respondents said their companies have a sick room or other area to provide additional rest breaks.

Employers indicated the most frequently granted types of accommodations in work assignments for sick employees included change in the timing or prioritization of work (60%), change in type of work assigned within the same position (58%), transfer to another mutually agreed upon position (55%), and job sharing (28%).

Of those employers surveyed who reported incidences of breast cancer among employees, 56% said they had received a request from an employee for accommodations to allow them to continue working while receiving treatment. The most commonly requested types of accommodation, according to the survey, included periodic time off (97%), modification

In This Issue

Sequoia BENEFITS

Sequoia Benefits & Insurance Services, LLC

499 Seaport Court
Suite 310
Redwood City, CA 94063
www.sequoia.com
Phone: (650) 369-0200 Fax: (650) 369-0201

55% of respondents said they go beyond the caregiver leave requirements under the Family and Medical Leave Act (FMLA) to grant an employee whose spouse or partner is seriously ill the option of flexible hours, telecommuting, or a temporary shift in work assignments.

of work schedule (82%), leave of absence (66%), and adjustment in workload (34%).

In addition, 55% of respondents said they go beyond the caregiver leave requirements under the Family and Medical Leave Act (FMLA) to grant an employee whose spouse or partner is seriously ill the option of flexible hours, telecommuting, or a temporary shift in work assignments while his or her partner is undergoing the more difficult stages of treatment.

A number of the employers surveyed also reported offering employees the opportunity to support a co-worker with a serious illness, such as providing personal assistance to the employee (27%), conducting fundraising campaigns on behalf of the employee (19%), donating vacation days to a bank or pool (15%), and donating sick days to a bank or pool (11%). On the other hand, 53% of respondents indicated they did not view offering these types of volunteer opportunities as part of the employer's role.

When asked what they perceived to be the main human resource challenges associated with incidences of breast cancer among employees, 57% said addressing the privacy/confidentiality issues of breast cancer, 31% reported maintaining productivity, 23% indicated dealing with perceived equity issues, and 17% said dealing with overall morale. On the other hand, 24% of respondents indicated they do not view breast cancer in the workplace as a human resource challenge.

While 52% of respondents reported they had experienced no legal or regulatory challenges in addressing breast cancer in the workplace, 19% of employers said compliance issues had arisen in relation to the FMLA, 19% experienced issues in relation to the Health Insurance Portability and Accountability Act (HIPAA), and 17% reported issues in relation to the Americans with Disabilities Act (ADA).

Workers Are Bearing A Greater Share Of Prescription Drug Costs

In response to the rapid growth in prescription drug expenditures, many employers are redesigning their pharmacy benefits to shift a greater part of the cost to employees, according to a survey by Mercer Health & Benefits. The survey also revealed, however, that most employers are exploring other ways of cutting costs, while still providing workers with essential prescription medications at affordable prices.

One-fifth of the 529 large employers surveyed indicated their health plan participants were responsible for 30% or more of the cost of prescription drugs in their health plans in 2004.

"A 30% member cost-share is about as high as most employers are willing to go," said Debbie Martin, a member of Mercer's pharmacy benefit specialist team. "If you're there already, as many employers now are, you're probably looking for alternative ways to manage pharmacy costs. Fortunately, employers have a number of options."

Results indicated that nearly two-thirds of respondents currently have three-tier member copayments, generally with the lowest amount for generic drugs and higher amounts for preferred and non-preferred brand-name medications.

The survey also showed that some employers have additional payment tiers in place for discretionary or high-cost specialty drugs. Approximately 46% of respondents reported using a DAW2 program, which requires members to pay the difference between the cost of a generic and brand-name drug should the patient choose the more expensive option, while 26% of the employers surveyed said they use the even stricter DAW1 program, which forces the patient to pay the difference between the cost of the generic and brand-name forms of a drug even if a physician was responsible for requesting the brand-name medication.

A smaller number of employers offer health plan participants incentives for using generics, according to the survey. While only 2% of respondents said they currently offer copayment waivers for generic drugs, at least for an initial period, another 8% said they are considering implementing a generic waiver within the next two years. Moreover, 48% of surveyed employers reported producing targeted communications designed to educate participants and/or physicians about generic options.

Another commonly used cost-reduction measure, according to the survey, is step therapy, a requirement that more expensive drugs be used only after preferred first-line drugs have been administered and found to be ineffective in treating a member's illness. Around one-quarter of respondents reported requiring the step therapy approach in treating asthma and arthritis, and almost one-fifth said they apply it to antidepressants and cholesterol medications.

More than one-fifth of respondents said they use another cost-cutting tactic, uptiering, which involves removing all brand-name drugs from the formulary for a certain therapeutic class. Uptiering, researchers said, is most commonly used for antihistamines.

More than 80% of respondents using the services of a pharmacy benefit manager (PBM) indicated they are satisfied or highly satisfied with the account and member services provided by their PBM. At the same time, however, approximately one-fourth of respondents with a PBM said they are likely to change approaches over the next two years.

Most of the surveyed employers who rely on their health plans for pharmacy benefits also claimed to be satisfied or very satisfied with the account and member services rendered, but they expressed lower levels of satisfaction with the cost management performance of these providers. However, compared with those using PBMs, this group of employers was less likely to report plans to switch pharmacy benefit providers over the next two years.

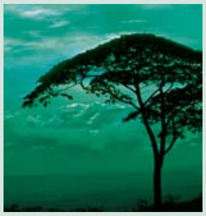
While more than one-third of respondents currently using a PBM are participating in—or are considering participating in—collective purchasing of pharmacy benefits, those using a health plan are considerably less likely to show an interest in collective buying.

Only 6% of respondents reported using pharmacy benefit administrators (PBAs), a new type of PBM offering transparent pricing arrangements, which involve the pass-through and disclosure of arrangements with pharmacies and drug manufacturers. Moreover, just 2% of the employers surveyed expressed interest in moving to a PBA in the next two years.

"Employers interested in transparent pricing have been able, for the most part, to secure this arrangement through their current PBM or health plan," Martin explained. "Many of the new PBAs or transparent PBMs are small, and employers may fear they lack the critical mass to provide a consistently high level of service."

When asked which objectives for their prescription drug benefit they would categorize as important or very important over the next two years, 78% of the employers surveyed said they hoped to implement incentives for cost-effective drug use, and 73% said they wanted to better manage costly specialty or biotech drugs, such as those used to treat rheumatoid arthritis or multiple sclerosis.

Researchers noted that specialty and biotech drugs are often covered through health plans, rather than pharmaceutical plans. Fewer than half of the employers surveyed said they believe they are using the most cost-efficient channels for buying specialty drugs, and just two-fifths



More than one-fifth of respondents said they use another cost-cutting tactic, uptiering, which involves removing all brand-name drugs from the formulary for a certain therapeutic class.

rated their clinical case management for these drugs as effective.

Some employers are cutting costs by scaling back coverage for discretionary drugs, according to the survey. Results showed the drugs most likely to be excluded from coverage were those related to weight-loss, fertility, and smoking cessation.

To ease the financial impact of cost-shifting and encourage compliance with treatment programs, a small minority of the companies surveyed said they were reducing or eliminating copayments for patients with certain chronic medical conditions, such as diabetes and asthma. Just 3% of respondents reported providing waivers for the chronically ill, but 11% said they are considering doing so within the next two years.

Employers Find Flexible Schedules Improve Company Performance

Companies offering employees flexible hours and compressed workweeks see flexibility not only as a reward of accommodation for workers, but also as a key management strategy that can have a positive impact on the company's financial performance, a study conducted by Corporate Voices for Working Families (CVWF) concluded.

Based on surveys and interviews examining the effects of flexibility on business outcomes in 28 large American businesses—including Ernst & Young, Marriott, AstraZeneca, KPMG, Mellon, Sodexho, Deloitte, and IBM—the study identified several important ways in which flexibility can benefit both the employee and the employer.

Researchers found flexibility had a significant positive impact on talent management, especially in the retention of key employees. Internal research conducted by the companies involved in the study concluded that flexibility has saved them millions in turnover costs.

Deloitte, for example, calculated the cost of replacing employees who indicated they would have left the firm had flexible arrangements not been available. The turnover-related savings attributable to flexibility, the company concluded, amounted to an estimated $41.5 million in 2003 alone.

Internal organizational studies conducted by the companies also found significant improvements in human capital outcomes since flexible schedules were introduced. Employees given even a small measure of flexibility regarding when and where their work is done tend to be much more satisfied with their jobs.

An employee survey at JP Morgan found that employees with access to flexible schedules were much more likely to report overall satisfaction than those who were not granted flexibility. Similarly, a survey of AstraZeneca employees found that job commitment scores were 28% higher among those employees who indicated they had the flexibility they needed, compared with those who said they did not have sufficiently flexible schedules.

Assessments of the business impacts of flexibility on the companies studied concluded that flexibility is a driver of financial performance and productivity. It can also be correlated to increased revenue generation and stock price.

"We have found a continuum of flexibility where regardless of size or type of program, the results point to flexibility as a key management tool," said Donna Klein, president and CEO of CVWF. "The increasing use of flexibility mirrors changes in the global marketplace. To remain competitive, business leaders must deploy resources quickly to respond to marketplace changes. The rise in the use of formal and real-time flexibility enhances competitiveness by allowing business to deploy their workforce in the same way."

Employees given even a small measure of flexibility regarding when and where their work is done tend to be much more satisfied with their jobs.