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Benefit Insights

April 2012

A Newsletter for Clients and Friends of First Insurance Agency Inc.

Lowering Health Care Costs through Smart Healthcare Decisions

The annual insurance renewal process is a difficult time for employees and employers alike, especially when faced with the rising cost of health care. Employers do their best to make the plans they offer affordable, and employees are often unhappy with the amount they must pay to receive coverage for their families.

If employers take a proactive approach towards addressing health care costs with their employees, the financial burden of carrying benefits can be softened. By introducing employees to money saving strategies that can reduce the overall cost of health care for the company, rising premium costs can be stopped in their tracks.

Cost Effective Strategies for Purchasing Prescription Medication

Here are a few suggestions that can help employees and employers save on health care costs.

1. When prescribed a new medication at the doctor's office, ask for a sample before filling a full prescription. Pharmaceutical representatives leave samples of many medications with physicians, and this is a cost effective way to see if the medication is beneficial or not. For instance, many patients must

try different anti-depressant medications before finding the right one. Instead of having the insurance company pay upwards of \$125 for each prescription, patients can try different medication samples until the best results are achieved.

2. Many patients who experience pain and inflammation are prescribed NSAID, or non-steroidal anti-inflammatory, medications. The family of NSAID medications ranges greatly in strength and most drugs are available in brand-name and generic form. Patients should experiment with generic NSAID medications to see if they receive the same results as from their brand-name counterparts. Choosing to go with a generic medication will save the employee money in co-pay costs and save the employer money in overall costs.

3. Doctors generally become familiar with a certain medication and prescribe it over and over again, and at times they must be asked by patients to use an alternative medication on their provider's formulary. When a patient opts to go with a formulary medication instead of a similar non-preferred one, the savings gets passed on to both the employee and the employer.

4. Employees should be reminded to follow the directions of their doctors carefully when taking prescribed medications. Skipping doses of required medications to extend the time between renewals will not save you or your insurance plan any money in the long run. Missing doses or not following the warnings of your doctor can lead to illnesses and hospital stays, which are emotionally draining on your family and financially draining, as well.

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First Insurance Agency Inc.

25 West State St. Upper Level
Mason City, IA 50401

www.1stinsurance.com

Phone: (641) 423-8184

(641) 421-8000

Toll Free (Iowa)

(800) 247-0713

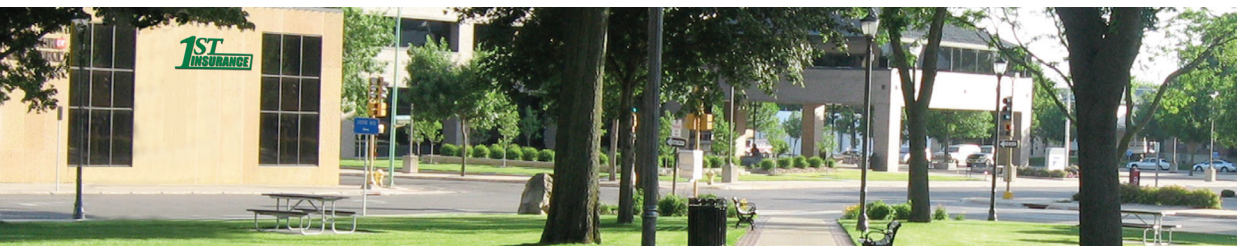
Toll Free (out of Iowa)

(800) 367-6907

Fax: (641) 421-1940



Protection and Security Since 1921



Group Disability Coverage: Is it Right for Your Business?



The best way to guarantee an income is by getting disability coverage. Once someone cannot work due to disability, there are not many options to maintain current standard of living or to pay for necessary medical expenses due to that disability. Many people put off purchasing disability coverage because they feel it will not happen to them, at least not right away. But if it does suddenly happen, cutting off an income stream can be devastating. Some people think that Government Disability can provide enough income, if one is covered, but in reality Government Disability covers a very minimal amount.

Why Get Group Disability

The last thing an employer wants is an employee hanging on to their job by a thread just to keep their income stream

going. Firing an employee is not always an easy answer and can come with legal consequences. Group Disability can help ease a very painful situation, and is also good management because it reduces any potential disruption and risks that can affect the success of a business. Lastly, as a great group benefit to offer an employee, it also helps keep the best employees loyal to the business as it can be seen as more important than a higher salary offered by a competitor.

The Group Underwriting Advantage

Group disability underwriting, depending on the size of a group, can either be more lenient or for larger groups medical underwriting may be waived. Also, in most cases pre-existing conditions are not excluded under a group policy. A group policy may be cancelled as a group, while individual policies may not be cancelled. If a policy is cancelled, there may or may not be replacement options. Group policies also tend to have more favorable pricing than individual policies. However, group policy benefits are taxed, while individual policies benefits are not taxed. You may want to consult with your CPA, though, as there may be options to structure a group policy so that the group benefits are not taxable. Lastly, group policies may not have as rich benefits as individual policies.

Conclusion

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Passing Down the Saving to Employees

All of this advice makes sense and is sure to reduce the overall health care costs companies face, but without seeing a difference in the amount employees pay in premiums, workers may not see the incentive of making everyday choices to reduce the cost of health care. Employers must live up to their promise of lowering health care premiums when employees work towards lowering overall expenses, otherwise they will not see why it is worth the effort.

All examples in this article are for purposes of illustration and should not be construed as medical advice. Prices are estimates based on current retail market value.

Group Disability coverage is a management investment decision and is an excellent choice for businesses that want to minimize risk as well as round out their benefits packages to keep and attract the best employees. In most cases, this costs a fraction of the cost of health insurance and may be the best supplemental benefit a business can offer. Since each business situation is different, it's best to discuss this with your insurance professional on what available options exist for your business.

Importance of Key Employee Insurance

Key employees are those whose skills and knowledge are significant contributions to overall business income. If a key employee dies or is unable to work anymore, the impact is significant enough that the business will suffer. The financial consequences are undesirable and detrimental. Research shows that many businesses depend on at least one or two key employees for their overall success. However, less than 25 percent of employers have life insurance for their key persons.

Disability income and life insurance for key persons who die or become disabled can provide compensation for a business. The monetary benefits are enough to cushion the adverse financial impact of losing the key person. There

is no specific dollar amount that employers should purchase for this type of coverage. However, each employer should consider how much their key persons contribute to the company in order to decide how much coverage to buy. To ensure the proper amount is purchased, it's best to contact an agent to discuss insurance options. Some insurance companies provide special formulas for calculating this amount. However, it's important to keep in mind that a calculator is standardized, so it may be better to purchase more than the amount derived from the formula. Only an employer can determine an individual employee's worth to their company.

In many cases, reviewing the employee's list of responsibilities can help in the evaluation process. It's important to



The Economic Costs of Obesity Continue to Rise

The total annual economic cost of overweight and obesity in the United States and Canada, in medical, excess mortality and disability costs, has reached \$300 billion, according to a report from the Society of Actuaries (SOA).

The SOA reviewed 500 separate research articles published over the last three decades on the topics of obesity and overweight, and their connection to various health conditions. Medical conditions with a statistically significant relationship to obesity and overweight include cardiovascular impairments, diabetes, hypertension, cancer, kidney disease, osteoarthritis and sleep apnea.

Looking at the U.S. alone and based on BMI (body mass index) measurements, just over a third of the adult population is considered overweight and nearly another third is considered obese. These figures, overall, represent an increase of about 50% from the early 1960s in the number of Americans who are overweight or obese.

As to the impact of overweight and obesity on U.S. businesses, the following data emerged:

At least 43% of all health care spending by U.S. businesses is associated with obesity. The impact varies considerably by disease, with obesity driving health care spending for diabetes the most.

Annual workers' compensation claims costs for overweight employees are 80% higher than for employees with a BMI in the normal range. This increase jumps to 161% for obese employees, and continues to rise with BMI.

Several studies looked at health care expenditures based on BMI. Not surprisingly, in all cases annual per person health care expenditures rose along with the BMI measurement. One of the studies, which examined data from 1989 to 2002, estimated annual additional medical costs of \$1,458 for obese women and \$406 for obese men.

Overweight and obesity increase disability rates, as well as the time needed to recover from disabling medical conditions.

The total cost

attributable to lost productivity from excess death and disability and work-related injuries as a result of overweight and obesity is approximately \$177 billion annually in the U.S.

Statistics such as these strengthen the case for making efforts in the workplace to enable and motivate employees to get and stay fit. Such efforts don't necessarily have a big price tag. Fortunately, there are many inexpensive ways to buck national obesity trends in your workplace-

Encourage employees to choose the stairs instead of the elevator by making stairwells attractive or using them as a place to post employee photos, brief interesting news articles, or funny anecdotes and comics.

Hold daily afternoon work breaks, and play 10 minutes of dance music with someone leading the moves, followed by a piece of fruit for everyone.

Install bike racks in preferred parking positions or permit employees to store their bikes inside the building during the workday.

Stock vending machines with water and healthy snacks.

Sponsor a company softball, bowling or soccer team.

Organize employees to participate as a group in fundraising walks or runs that take place in your community.

Check with local gyms or fitness facilities for the availability of group discounts for your employees.

Become an active partner with your health benefits carrier in promoting to employees any wellness, nutrition and/or fitness programs and information that is provided by or covered under your company's health care plan. In addition to the potential of improved employee health, a side benefit of many of these ideas is that they can generate employee team building and goodwill. And, happier employees are likely to be healthier, too.

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Importance of Key Employee Insurance*

consider the cost of replacing a key person. Hiring new employees can be expensive. In addition to this, agency fees, salary and possible moving expenses should be considered for the replacement. While the insured organization pays the premium, is the beneficiary and owns the policy, it's possible to set up an insurance plan that allows sharing of these responsibilities between the key employee and employer. However, the employee must agree to the company's purchase of this type of insurance.

Most businesses choose term insurance if their main purpose is getting compensation for losses resulting from the death or disability of a key employee. In some cases, policies that accumulate cash value are appropriate. It's best to discuss these options with an individual agent. Key person life insurance is more popular than key person disability coverage. However, it's important to consider the possibility of an employee becoming partially or fully disabled and the effects the disability would have on the financial future of the business. If the key person is a sole proprietor or partner, it may be best to consider a business overhead expense policy for disability coverage. To determine which options are best for an individual company, speak with an agent.



Employer Workplace Wellness Programs for Employees: A Win-Win Situation

According to the fourth-quarter 2010 Principal Financial Well-Being Index, 43 percent of American workers cite the achievement of better overall health as the number one reason they would or do participate in a wellness benefit program. In second place, with 33%, was the reduction of personal health care costs. In third place, with 31%, was the increased chance of living a healthier and extended life.

The Principal Financial Well-Being Index is released by the financial services provider, Principal Financial Group. This is a quarterly survey of American workers from American businesses with between 10 and 1,000 employees. The findings of the fourth-quarter 2010 survey involved data from 528 retirees and 1,159 employees.

Some key points from the survey included:

- When offered by an employer, blood sugar screenings had an 84% utilization rate. This was an 18 point increase from 2009 statistics.
- When offered by an employer, weight management programs

were utilized by 53% of employees. This was a 25 point increase from 2009 statistics.

- When offered by an employer, personalized action plans for conditions considered high-risk were utilized by 68% of employees. This was a 21 point increase from 2009 statistics.

Some credit rising health care costs and more public awareness about diseases like heart disease and diabetes with American workers being more ready to take action toward their own health. None the less, as evidenced by the substantial increase in how many workers are taking advantage of wellness benefits, there is clear indication that there's a growing element of employees taking more personal responsibility for their health.

Employers Can Benefit From Wellness Programs Too

Personal responsibility may drive employee participation in wellness programs, but employees

have much to gain from offering wellness and encouraging its usage. During the index, workers said the following occurred as a direct result of the wellness program offered by their employer:

- Forty-three percent felt they were motivated to perform better and work harder.
- Twenty-eight percent said they were absent less days from work.
- Thirty-eight percent said they experienced improved productivity and energy while at work.
- Forty-eight percent said that the offering of wellness benefits encouraged them to remain with their current employer.

In closing, this research is echoed by countless other studies showing employers that invest in the wellness of their employees by offering them the means and the educational resources they need to control their own wellness not only gain physically healthier employees, but also productivity and cost-saving increases.



First Insurance Agency Inc.

25 West State St. Upper Level • Mason City, IA 50401
www.1stinsurance.com

Phone: (641) 423-8184
(641) 421-8000
Fax: (641) 421-1940

Toll Free (out of Iowa)
(800) 367-6907

Toll Free (Iowa)
(800) 247-0713

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