



The ViewsLetter

IN THIS ISSUE

- Depression Affects Many Areas of An Organization 1
- About the ViewsLetter 1
- Did You Know 2
- Teaching Financial Know-How 3
- Your Questions 3
- Trend Tidbits 4
- Technical Corner 5
- Employee Listing 6

Depression Affects Many Areas of An Organization

Depression is a serious illness that can have a hidden impact on your organization. Employers may think of depression only in terms of medical plan cost but its actual cost is much greater. Depression impacts absenteeism, productivity, disability, workers' compensation and medical plans. In addition, depression often affects not only the employee struggling with illness but also all the co-workers in contact with that employee.



Employers tend to underestimate the effects of depression because they cannot calculate its indirect costs. They also tend to underestimate the number of employees suffering from depression. The *Employee Benefit News* recently conducted a survey asking 515 employers to estimate the number of depressed employees in their organizations. Nearly two-thirds of respondents estimated that at any given time, the illness affects no more than 3% of their workforce. A quarter of the respondents estimated it affects less than 1% of their workforce. However, the Substance Abuse

and Mental Health Services Administration conducted an independent study in 2003 showing that, in fact, 8.2% of employees working full time suffered from a serious mental illness. Because many employers are unaware this illness is so pervasive, they tend to discount its impact.

Employers tend to consider mental health claims as the sole cost of depression. Although that is indeed the direct cost, the indirect cost may be more frightening. A University of Michigan Health Management Research Center study

suggests psychological factors may significantly affect overall health. For over 25 years the Research Center has analyzed data from many major corporations. Initially, it concentrated only on individual health risks and their impact on health care costs. The more health risks, the higher health care costs. Then the Center fine tuned its study to examine specific health risk clusters, such as individuals participating in high risk activities, individuals with poor biometric screening results and individuals with psychiatric

Continued on page 2

About the ViewsLetter

We welcome you to the first quarterly issue in Volume Eleven of the McGraw Wentworth ViewsLetter. It is our mission to be the leader in the employee group benefits brokerage and consulting industry to mid-sized organizations.

We have established the ViewsLetter as an integral part of our commitment to keep

you informed of benefit trends, legislative and marketplace developments that may affect your group benefit programs.

We welcome your comments and suggestions regarding the ViewsLetter. You can pass your comments directly to your McGraw Wentworth Account Director or Account Manager, or you can reach us at www.mcgrawwentworth.com.

Depression Affects Many Areas of An Organization, cont.

symptoms. People were placed in the psychiatric cluster based on their responses to a health risk appraisal asking about stress, perception of health, sick days and life satisfaction.

Surprisingly, the study revealed that the psychiatric cluster had the highest percentage of participants in the overall high health risk category, nearly double the next highest cluster, poor biometric screening results. Many in the psychiatric cluster also reported medium health risk factors. In fact over 80% of the psychiatric cluster fell in the medium and high risk categories. These findings are significant and the Research Center is still analyzing this data. It does suggest psychiatric issues have a significant impact on overall health and may be a contributing factor to many chronic conditions and poor lifestyle choices.

Although many employers are concerned about the impact of mental health on their organization, they have no clue as to the best way to attack this problem. Depression is a deeply personal issue. It has such a stigma associated with it that employers and managers struggle with the best way to get employees help.

Employers offer an array of programs to support mental health, such as:

- 90% offer coverage for mental health services under their health plan.
- 76% offer employee assistance plans or EAPs.
- 67% offer workplace support for mental health issues.

While organizations do provide these important mental health benefits, the greater emphasis is often on good physical health. For example, more than 50% of the employers in the *Employee Benefit News* survey actively

encourage employees to get recommended preventive exams, such as blood pressure checks, mammograms, and so on. Only 12% of employers encourage mental health screenings.

Although employers want to help, finding the best way to provide that help is a challenge. Despite all the media attention paid to mental illness and the progress in the last several decades in diagnosing and treating it, few employees use mental health benefits. The stigma attached to mental illness is still too strong. When asked why they chose not to seek treatment for potential mental health issues, employees gave the following responses:

- 80% said that the shame and stigma associated with being diagnosed with a mental illness kept them from seeking treatment.
- 56% said they were concerned their employer or co-workers would find out.
- 75% said they did not have a mental illness or felt they were able to solve their problems on their own.

Employers also felt the lack of interest in maintaining good mental health might be related to their front line managers' inability to recognize potential mental health issues. In fact, only a few employers (15%) said they trained managers to recognize potential mental health issues and direct employees to mental health resources. Some employers indicated they wanted to provide a more supportive atmosphere to encourage mental health screening, but were concerned about their employees' reaction to these efforts.

DID YOU KNOW?

- Only 50% of patients take their medications as prescribed.
- Poor prescription adherence costs \$1.77 billion annually in direct and indirect health care costs.
- In the past year:
 - ◆ 20% of adults had not filled at least one prescription given to them by a doctor.
 - ◆ 16% of adults said they took a prescription less frequently than prescribed.
 - ◆ 14% of adults admitted taking a smaller dose of a medication than prescribed.
 - ◆ Among those with health insurance, 10% of individuals under age 65 and 33% of individuals over age 65 do not have outpatient prescription drug coverage.

Source: *National Council on Patient Information and Education, 2007.*

Continued on page 3

Depression Affects Many Areas of An Organization, cont.

The stigma related to mental health issues is a huge hurdle for organizations to overcome. However, the benefits of overcoming those hurdles and fostering a corporate culture that places value on good mental health

may be substantial. Mental health problems contribute to the health and productivity costs in your organization. Improving mental health may decrease your health plan costs, lower

your absenteeism rates and increase your overall productivity.

Depression often becomes more intense at this time of year. Many people struggle to get through the gray winter months. If your organization wants to understand mental health issues and reduce the stigma attached to those seeking help, the following are good resources to use:

- The Partnership for Workplace Mental Health – www.workplacementalhealth.org

Look for their publication “A Mentally Healthy Workforce – It’s Good Business” for helpful tips on strengthening a corporate mental health program.

- The National Business Group on Health – www.businessgrouphealth.org

Look for “An Employer’s Guide to Behavioral Health Services.”

These resources will help your organization strengthen its commitment to your employees’ mental health. Your organization can then concentrate on building a happier, healthier and more productive workforce in 2008 and beyond. **MW**

YOUR QUESTIONS

- Q.** Last year our company launched a high deductible health plan with an HSA. The company contributes \$750 to each employee’s health savings account. At year end, we had three employees who did not establish HSAs. We know we are required to provide employees comparable contributions, but what is our responsibility if the employee fails to establish an HSA?
- A.** Employers need to understand a host of rules when they decide to offer a consumer driven health plan with an HSA. As you have indicated, if a company contributes to one employee’s HSA, it must make comparable contributions to all employees’ HSAs. However, the rules do allow for some flexibility depending on coverage categories, different deductible levels (if multiple plans offered), exceptions for collectively bargained plans, and so on. Although there are exceptions to the rules, employers still need to make comparable contributions. In fact, if an employer fails to make comparable contributions, the employer could be charged a 35% excise penalty on all contributions made to any employee’s HSA.

When employees fail to establish an HSA, as in your situation, employers struggle with how to meet the comparable contributions requirement. According to the new guidance issued last year, these are the steps employers must follow. The guidance assumes a calendar plan year:

1. Notify employees in writing that they must not only establish an HSA, but they must also inform you that it has been established by February 28 in order to receive the employer contributions to the HSA.
2. If the employee establishes an HSA and notifies you by February 28, you must deposit all employer contributions the employee qualified for in the previous plan year plus reasonable interest by April 15.
3. If an employee does not establish the HSA or notify you that it has been established by the February 28 deadline, you are not responsible for providing the comparable contributions to that employee only for that year.

It is imperative that your employees know that they must establish an HSA if they wish to receive comparable contributions.

Continued on page 4

Teaching Financial Know-How

Many organizations have adopted a paternal mindset toward employees. They try to provide for their employees' well-being usually by offering them an adequate salary and a host of benefits designed to meet their needs at every stage in life. Medical plans, 401(k) plans, flexible spending accounts, employee assistance plans, and so on, are all common benefits employers typically provide to employees.

One more important benefit employers should consider is a course in financial life skills. It is shocking how little employees know about managing their finances properly. Many younger employees carry significant credit card debt and struggle to live within a budget. The Federal Reserve reported in 2005 that Americans owed \$800 billion on their credit cards which was a 31% increase from 2000. The study showed in the most recent 12 months, one in three households used credit cards to pay for their mortgage, utilities or groceries.

Reported Total Savings and Investments by Age (excludes value of primary residence and any defined benefit retirement plan)						
	All Workers	Ages 25-34	Ages 35-44	Ages 45-54	Ages 55+	All Retirees
Less than \$10,000	35%	50%	36%	24%	26%	32%
\$10,000-\$24,999	13%	18%	16%	10%	5%	13%
\$25,000-\$49,999	10%	9%	10%	11%	9%	10%
\$50,000-\$99,999	13%	10%	14%	15%	11%	12%
\$100,000-\$149,999	8%	7%	7%	9%	11%	8%
\$150,000-\$249,999	7%	1%	9%	10%	9%	12%
\$250,000-\$499,999	7%	1%	4%	12%	11%	5%
\$500,000+	7%	4%	4%	9%	17%	9%

Source: Employee Benefit Research Institute and Matthew Greenwald & Associates, Inc. 2007 Retirement Confidence Survey

Financial life skills courses are disappearing from high school curriculums. What's more, once in college, students are besieged with tempting credit card offers. They begin digging financial holes young and finding it difficult to climb out of debt. Financial stress may be impacting employees more than employers understand. A recent study cited by *Employee Benefit News* reveals:

- 51% of respondents are under moderate financial stress

- 23% are under severe financial stress
- 12% are under overwhelming financial stress

The study showed financial stress was common even though 23% of respondents earned more than \$50,000 annually. The stress of financial challenges does impact employees' daily lives. The stress may show itself in physical illness or distraction from work. While many employers offer plans to help deal with stress, it may make sense to teach employees financial responsibility.

Issues such as divorce, death, an unexpected illness or disability can suddenly cause financial problems. Many employees do not have the savings to cover the unexpected loss of income as shown in the chart above titled "Reported Total Savings and Investment by Age." Lifestyle may also play a role in financial problems. No matter the cause, the result is a struggle for employees.

TREND TIDBITS

- \$ The average cost per employee for medical coverage increased 6.1% after employer plan changes; the increases have been 6.1% for the last three years.
- \$ Employers report an average cost increase of 8% before plan changes; in 2006, the increase before changes was 9%.
- \$ CDHP cost was substantially lower than PPOs and HMOs in 2007. The average per employee annual cost for a CDHP plan was only \$5,970 compared with \$7,120 for HMO coverage and \$7,352 for PPO coverage.

Source: Mercer National Survey of Employee Benefit Plans, 2007.

Continued on page 5

Teaching Financial Know-How, cont.

Some employees don't have the skills they need to make the right choices and dig themselves out of debt. Recent research conducted by Virginia Tech, however, indicates that financial education can make a difference; 75% of participants receiving training reported making better financial decisions and 56% reported that their financial situation improved.

Effective financial counseling will help employees sort through their finances and teach them to make better financial decisions. An effective program will evaluate your employees' finances confidentially and offer options to help them improve their situation. Financial counseling has yet to hit the benefit mainstream although it seems to be only a matter of time. Employers interested in such a program should look to their EAP for possible options.

Many of your employees may need financial counseling especially following the holiday season. Look for options and give your employees an important gift in 2008, the knowledge to help them manage their finances. This gift will last a lifetime. **MW**

Technical Corner

Most organizations have just finished a very difficult time of the year: open enrollment. A major communication effort for most organizations, open enrollment requires a significant amount of time and sometimes, a significant amount of paperwork. If your organization still conducts open enrollment using paper, you may have sworn next year will be different, next year we will launch an electronic process.

Conducting open enrollment electronically will, in most cases, eliminate the unending paper shuffle. However, it is not as easy as flipping a switch. If your organization is seriously considering electronic enrollment next year, begin the process now.

The first step is to form an internal workgroup to evaluate your current process and potential vendors. Your workgroup should include employees from HR, IT and payroll. These people will help you identify the key areas you need to automate.

Next, have the workgroup assess the current open enrollment process and decide on the issues they need to consider when they evaluate various vendors. Your workgroup should evaluate potential vendors on these features:

- **Appearance to employee:** Is the site logical? Can it incorporate all the benefits your organization offers? Are there any software glitches tied to certain browser programs?
- **Behind the Scenes Functionality:** If the product looks good from an employee standpoint, will it manage your benefit programs effectively? Is the software compatible with your HRIS, your

payroll system, and your key vendors? How does it track mid-year enrollment? How does it track evidence of insurability for life and disability plans? Does it have a system in place to verify data and transmit it to vendors properly?

- **Security of the System:** How secure is the system? How is data stored? Is there an emergency recovery system? Does the vendor offer off-site back-up file capabilities?

These are just a few issues to consider when you analyze electronic enrollment options. Electronic enrollment can be an effective method for tracking enrollment data. However, everyone involved in benefits and IT must understand the process. If you include all these disciplines in your workgroup, you can significantly increase your chances of successfully launching an electronic enrollment system. **MW**

McGraw Wentworth Team

ACCOUNT DIRECTORS	ASSISTANT PLAN ANALYST MANAGER
	PRINCIPAL PLAN ANALYST
	SR. PLAN ANALYSTS
DIRECTOR OF TECHNICAL SERVICES	PLAN ANALYSTS
MANAGER, CLIENT SERVICES	
ASSISTANT MANAGER, CLIENT SERVICES	
SR. ACCOUNT MANAGERS	DIRECTOR OF INFORMATION TECHNOLOGY
	SYSTEMS SUPPORT SPECIALIST
ACCOUNT MANAGERS	HUMAN RESOURCE DIRECTOR
	ADMINISTRATIVE SUPPORT
CONTROLLER	MARKETING MANAGER
	MARKETING DEPARTMENT

Copyright McGraw Wentworth, Inc. Our publications are written and produced by McGraw Wentworth staff and are intended to inform our clients and friends on general information relating to employee benefit plans and related topics. They are based on general information at the time they are prepared. They should not be relied upon to provide either legal or tax advice. Before making a decision on whether or not to implement or participate in implementing any welfare, pension benefit, or other program, employers and others must consult with their benefits, tax and/or legal advisor for advice that is appropriate to their specific circumstances. This information cannot be used by any taxpayer to avoid tax penalties.

McGraw Wentworth, Inc.

3331 West Big Beaver Road, Suite 200
 Troy, MI 48084
 Telephone: 248-822-8000 Fax: 248-822-4131
www.mcgrawwentworth.com

250 Monroe Ave. NW, Suite 400
 Grand Rapids, MI 49503
 Telephone: 616-717-5647 Fax: 248-822-1278
www.mcgrawwentworth.com