



# The ViewsLetter

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## Tips on Delivering Bad News

Communicating with your employees can be difficult, even when the news is all good. Unfortunately not many organizations have good news to deliver in these tough economic times. In fact, most organizations are now faced with delivering bad news and more bad news.

How your organization delivers bad news reflects on your organization and your commitment to employees. In general, bad news may need to be delivered to the group as a whole or sometimes, the news is specific to just one employee. This article will help you communicate effectively whether you need to deliver bad news to a whole group or just one employee.



### Group Communication

In many cases you may have to deliver bad news to a group. Whether it's benefit cuts, layoffs, reduced work hours,

budget tightening, or even pay cuts, consider the following issues before you announce these changes:

- **Timing:** Sitting on bad news will never make it easier to deliver, but releasing it too quickly before all the details are hammered out will cause anxiety as well.

For example, your organization may need to make drastic changes to the medical plan this year. If you announce that significant changes will be coming for 2010, your employees may immediately think the worst and start trying to figure out the details.

If you are not ready to share the details, an early announcement will just produce anxiety.

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## About the ViewsLetter

We welcome you to the second quarterly issue in Volume Twelve of the McGrawWentworth 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 McGrawWentworth Account Director or Account Manager, or you can reach us at [www.mcgrawwentworth.com](http://www.mcgrawwentworth.com).

## Tips on Delivering Bad News, cont.

- **Optimism and Honesty:** These two approaches are essential when you deliver bad news. While your tone should reflect the message, an overly serious or negative tone will ratchet up employee anxiety. The more you temper the bad news with optimism, the better the bad news will be received. For example:

- Suppose you need to temporarily layoff 80 staff members. Try to announce the news either just before or just after the layoff and explain the business reasons for the decision. A reasonable explanation could be your sales have dropped 40% so you do not need a full staff to process orders. If the layoff will be temporary, stress that the organization hopes to bring employees back to work in two months. If your organization has plans to launch marketing campaigns or offer incentives

to boost sales, share the details with your employees.

Layoffs affect not only the employees that lose their jobs, but also the employees still at work. Be sensitive to the fears these employees have about keeping their jobs and handling the additional work load.

- Your organization may need to make major changes to employee benefit plans this year to keep expenses in check. Employees do not like benefit changes, so make sure they know how much health plan costs have increased over the last five years. In many cases, employers have shouldered a good portion of those increases. If your plan is self-funded, remind employees that plan costs rise when claims increase. If they manage their health and take an active role in

finding the most cost effective treatments, they can help keep costs down. Announce the changes and acknowledge areas where employees may have to pay more. However, remind employees that the health plan will still cover most of the cost for a catastrophic illness. Use examples. Perhaps a participant incurred \$150,000 in claims, but the most the participant had to pay was the out-of-pocket maximum, which in most cases is a fraction of the total cost.

- **Communicate Openly:** When you face tough times, avoid the tendency to downplay potential negative news. For example, if your organization has several offices and you are only downsizing one, you may have thought about not informing the others. Remember your employees communicate regularly across divisions. In fact, sharing information electronically is easier than ever even from different locations. If you do not discuss the situation openly and honestly, the employees at other divisions will likely find out anyway, and employees will be upset about hearing the news through the grapevine and not from management.
- **Media matters:** Even though it seems easier to just e-mail bad news to employees, this delivery method is not a good idea. A respected member of upper management should deliver the news in person. If this personal level of communication is impractical, then at least Webcast the message from

### DID YOU KNOW?

- About 78% of American workers love their jobs more than they did before entering the recession.
- About 54% of respondents would have chosen a different career path knowing what they know now.
- About 41% of respondents said they arrive at work with feelings of appreciation, 26% are indifferent; 21% are charged up to get started; only 9% of workers dread the start of the new work week.
- About 30% of Gen X employees are nervous about retaining their jobs while only 20% of Gen Y workers are concerned. About 28% of Gen Y workers are more willing to work harder and longer in the current economic environment; only 15% of Gen X workers are willing to put in the extra effort.

Source: Workplace Insights Survey, Adecco USA 2009

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## Tips on Delivering Bad News, cont.

management. Using an impersonal e-mail format to deliver bad news is very poor business form. Your employees will feel your organization has no respect for them. They will not forget the callous way they received bad news and when the economy turns around, they may be the first people looking for new opportunities.

Group communications must be very well structured and thought out when you deliver bad news. Be prepared to answer employees' questions. To achieve the best results, keep the tone professional and make sure your approach communicates the situation openly and honestly.

### *Individual Communication*

Individual bad news could be layoffs, performance concerns, termination, and so on. Individual situations are more personal, but you still need to prepare for the discussion. Some ideas for effectively delivering bad news to an employee include:

- **Get to the Point:** When you have a difficult message, don't start by asking about the employee's weekend or discussing Sunday's football game. Skip the small talk and get to the point. Once the employee gets the message, the introductory conversation will seem like a delay tactic. In addition, the employee may relax when the small talk begins, and the bad news will feel like a hard hit.
- **Avoid the good news/bad news approach:** This tip is particularly important when you

## YOUR QUESTIONS

- Q.** We have recently reduced pay by 10% to cut costs. We hope to be able to reinstate full pay by 2010. In the meantime, several of our employees would like to reduce the amount they pay into their medical flexible spending accounts because of the lost income. Would this change be permitted?
- A.** Even though your organization has cut pay across the board, your employees cannot change their medical flexible spending account elections. Section 125 allows only mid-year election changes for qualified changes in family status. Unfortunately for your employees, a salary reduction by itself does not qualify as a mid-year status change.

See your Section 125 plan document for the situations when mid-year changes are allowable.

discuss performance. You may be tempted to cushion the bad news by first complimenting the employee's work and then voicing concern for other performance issues. However, many people tend to remember only the good; the performance concerns will not carry the necessary weight if you try to cushion the blow.

- **Allow time:** This tip is particularly true for layoffs. Employees will need a minute to absorb the bad news. Once the situation sinks in, they will likely have many questions. Make sure you have enough time to answer their questions and handle their concerns. Some of the details may need to come from another department, such as Human Resources. At a minimum, you will need to make sure your employees know where to get answers to their questions.

- **Be tactful:** Bad news is hard to take, even if the employee brought the situation on himself. However, being rude or too abrupt will not help. If an employee has a performance issue, make sure you discuss the employee's behavior, not the person.

No one likes to be the bearer of bad news. Unfortunately, sometimes situations or business conditions force an organization to make difficult decisions. When those decisions affect employees, someone must deliver the message.

In some cases, employees will at least be able to understand the decisions. However, if your organization delivers the bad news poorly or inappropriately, your employee may not be as empathetic to your business needs. Delivering bad news poorly magnifies its impact. **MW**

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# Battling the Bulge

Most people have battled weight gain at one time or another in their lives. Unfortunately, obesity is on the rise. It is now a major health issue in our country. Not only does obesity have a significant impact on overall health, it also affects employer health plan costs.

The statistics on obesity are frightening (according to the STOP Obesity Alliance, the Milken Institute and the Disease Management Association of America):

- 26% of Americans are obese.
- Over a nine-year period, obese people spend twice as much on medications as average weight people.
- Employees with a body mass index over 40 have twice as many workers' compensation claims as employees at their recommended weight.
- 67% of employers are concerned about the effects of obesity on medical claims.

- 73% of employers believe offering obesity-related services are effective.

Obesity is a serious problem and many employers are trying to combat its effects.

Employers should be even more concerned about obesity in a difficult economy. The poor economy has an impact on employees trying to watch their weight. Why would the poor economy derail an employee's efforts to lose weight? People with healthy lifestyles readily admit that healthy living costs more. Fresh fruits and vegetables and other healthful foods are usually more expensive than prepared foods.

McDonald's revenues have increased since last year, another solid indicator the economy may be compelling employees to abandon healthy eating. Employees living on a budget are choosing McDonald's fast food. Although it is not very costly, McDonald's menu does not always offer the most healthful meals.

Also as employees are tightening their budgets at home, one of the first expenses they cut is gym membership. For those that were not using the gym, it makes sense to cut this expense. However, for those who use the gym regularly, cutting the gym membership may decrease their physical activity levels.

Employers can still help employees meet their health goals even in this economy. They can focus wellness efforts on cost-effective weight management.

Following is a list of inexpensive suggestions to help employees manage their weight:

- **Farmers Market** – Work with local vendors and invite them to visit your office once a week with an array of reasonably priced fresh fruits and vegetables. Perhaps you can even pay part of the cost. You can also encourage your employees to share the bounty from their gardens. You may be surprised at the number of gardeners on your staff.

## TREND TIDBITS

\$ Average raw trend for PPO plans in first quarter 2009 in Michigan is 11.8%; national trend is 12.2%.

\$ Average raw trend for POS plans in first quarter 2009 in Michigan is 11.6%; national trend is 11.8%.

\$ Average raw trend for HMO plans in first quarter 2009 in Michigan is 11.7%; national trend is 11.9%.

\$ Average raw trend for indemnity plans in first quarter 2009 in Michigan is 14.1%; national trend is 14.5%.

\$ Average raw trend prescription drug trend in first quarter 2009 in Michigan is 10.8%; national trend is 12.8%.

**Source:** Average trend data provided by Aetna, CIGNA, BCBS, and United HealthCare, first quarter 2009.

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## Battling the Bulge, cont.

- **Personal Trainers** – Look for a personal trainer to teach employees key exercises they can do in their own homes using everyday household items. If your organization cannot offer a gym, think of ways to encourage exercise without breaking the bank.
- **Coupons for Healthy Choices** – Many employees brown bag it for lunch, but some employees will go out to lunch every day. Look for fast food places within a few miles of your office and find the ones serving the healthiest meals; then offer your employees a list of the best choices. You can try asking these restaurants to give your employees coupons in exchange for your recommending them as a good choice for lunch in a hurry.
- **Publish Healthy Recipes for Employees** – Many employees are so stressed they cannot even decide what to make for dinner when they get home from work. They just turn to processed food or make a quick trip to a fast food restaurant. Offer recipes for simple meals that can be prepared in half an hour. The recipes should include fruits or vegetables that are in season.
- **Walking Programs** – An inexpensive way to keep employees moving is to establish a walking program. In the spring and summer, promote morning or lunch time walking clubs. The walking path can be near your office or at a local park. In the fall you can call it the fall color tour and publish the top ten walks for the fall color changes. In the winter, you can promote mall walking.

In this poor economy, employees as well as employers are tightening their belts. Unfortunately, employees trying to keep costs down will find it even more difficult to keep their weight in check or lose those extra pounds. Employers can offer wellness programs to help monitor weight, nutrition, exercise, and overall health during these tough times.

As the economy eventually improves, your organization will need healthy employees. **MW**

## Technical Corner

### *Destruction of Electronic Records*

Over the last decade electronic communication has become an integral part of our work and personal lives. Technology has expanded so quickly, very few of us truly understand how electronic devices work. Yet most companies store their employment records and even health plan information in an electronic data base. Has your organization developed a process, or even thought through a process, to destroy old records or protect current information?

Certain electronic records, such as those associated with your health plan, need to be protected under HIPAA rules. Other data, for example, employment records, may not need electronic protection under the law, but the information may still be sensitive. You should have a policy on accessing and destroying actual employment information. Clearly, only the employees that need to use the data should have access to it. What's more, these employees need to know this data is confidential.

You also need rules for the computers used to view this data. Employees should not be allowed to move the data to their own hard drives where, in general, the data has relatively little protection. In addition, any time a computer that was used to view sensitive data is moved to another department or perhaps donated to a school, your organization should completely reformat the hard drive so that no confidential information remains.

Do not simply dispose of electronic data in a public dumpster or in any other way that may allow unauthorized people to acquire sensitive information. Instead, render the data unreadable or indecipherable. Whatever method you chose, make sure the data cannot be reconstructed. **MW**

# McGraw Wentworth Team

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