

Benefit Insights

Employee Weight Loss Can Shed Dollars from Your Health Plan Spending

Over the past few decades the number of Americans who are obese or overweight has skyrocketed. According to data from the Centers for Disease Control and Prevention, almost two-thirds of U.S. adults are overweight or obese, and close to one-third are obese. Individuals carrying extra weight increase their risk for a number of health conditions and diseases, including high blood pressure, high cholesterol and triglycerides, osteoarthritis, type 2 diabetes, coronary heart disease, stroke, sleep apnea, respiratory problems and some types of cancers.

It doesn't take a great leap of logic to see that, because obesity can lead to many serious health conditions, it also leads to higher health care costs. An article in *Health Affairs*, *The Impact of Obesity on Rising Medical Spending*, concluded that both escalating obesity rates and the higher medical costs incurred by obese individuals accounted for 27% of the growth in per capita health care spending in the United States between 1987 and 2001. Health care spending ran approximately 36% higher among obese adults under the age of 65 than it did for adults of normal weight. Among individuals ages 50-69, health care spending by the severely obese (body mass index [BMI] of 35 and above) averaged 60% more than for those of normal weight.

This study also found that growth in obesity rates accounted for more than 41% of heart disease spending growth and 38% of diabetes spending growth.

A later study by the same lead author examined differences in health care spending between Americans and Europeans. Per person U.S. health care spending in 2004 averaged \$6,037; spending in 10 European countries ranged from 35% to 67% of this amount, with the highest per person health care spending, \$4,045, taking place in Switzerland. According

to this study, neither the capacity of a country's health care system, nor access to technology, explains this gap. Rather, for many of the most costly chronic medical conditions, such as heart disease, cancer and diabetes, both diagnosed prevalence and treatment rates were higher in the United States. Heart disease and diabetes are strongly linked to obesity, and obesity prevalence in Europe is far below what it is in the United States—17%, compared with almost 33%.



With the link between obesity and increased health care spending so clear, employers have ample reasons to take steps to help employees attain a healthy weight, and then maintain it. Such measures can help to control and even lower health care spending, sometimes without cutting back on benefits or shifting costs to employees. And, these measures don't have to cost a lot. Consider these ideas—

continued on page 2

Welcome to Our Newsletter!

Happy New Year!

2007 brought some changes for AKT Benefit Advisors and we're excited about 2008 and what it might bring. We hope you'll find the articles of interest in this quarter's newsletter. If you want to receive this newsletter electronically, email Donna at dboswell@benefitadvisorsllc.com. We hope 2008 brings prosperity and good health.

AKT Benefit Advisors Team

AKT Benefit Advisors LP
1011 Commercial St. NE
Suite 135
Salem, OR 97301

Website: www.aktbenefitadvisors.com



Joanie Leaton
Phone: 503-588-0002
Fax: 503-589-9399
Email: jleaton@benefitadvisorsllc.com



Employers Say Retaining Talented Employees Is Their Primary Benefits Objective

According to the 2006 MetLife Study of Employee Benefits Trends, retaining talented employees is now the primary goal employers consider when designing benefits programs. Controlling costs was previously the most important objective over the first four years of this study's existence.

Fifty-five percent of all employers surveyed cited employee retention as the most important benefits objective. Sixty-two percent of retail employers polled and 59% of employers in service-related industries that were questioned believe workplace benefits are the key to keeping talented staff members. In 2003, less than half of employers surveyed named retention as a primary goal. However, given the current labor market in which 40% of all employees have changed jobs at least once in the last five years, the importance of developing benefits packages that attract and retain employees has become increasingly more important.

Another important outcome of the research was the correlation between benefits and job satisfaction. Among those employees who said they were "highly satisfied" with their benefits, 80% also indicated strong job satisfaction. This is an increase from the 65% who expressed the same sentiments in last year's study. Seventy-two percent of employees polled said that workplace benefits were one of the factors that influenced their decision to take their current job and 83% said it was one of the factors that influenced their decision to remain in their current position.

While designing an attractive benefits program may be the goal, it is not as simple as it may seem. Employees at various life stages place different emphasis on the importance of workplace benefits. Nearly 32% of married employees polled and 41% of employees with young families surveyed stated that workplace benefits were a major consideration for joining their current employers. While only 10% of singles polled agreed it was a critical consideration.

Some other important findings of the study include:

- Sixty-four percent of Young Baby Boomers and 60% of Gen Xers are very concerned about having enough money to make ends meet compared to 58% of Older Baby Boomers.
- Approximately seven out of ten Gen Xers and Young Boomers versus six out of ten Older Boomers are concerned about having enough money to pay bills during a period of sudden income loss.
- Both Gen Xers and Young Boomers are alike when it comes to valuing family time. Fifty-four percent of Gen Xers and 51% percent of Young Boomers rated having more time to spend with their families as very important. This was in direct contrast to only 43% percent of Older Boomers who answered the same.

continued from page 1...Employee Weight Loss Can Shed Dollars from Your Health Plan Spending

- Offer employees access to health risk assessments (HRAs). Many health plan vendors offer these as a confidential way for employees to get an honest, objective appraisal of their risks for certain conditions, without having to make an appointment to see a doctor.
- Make it easy for employees to get screenings for blood pressure, cholesterol/triglyceride and blood sugar levels. Make sure your health plan offers generous coverage for these tests. Also occasionally provide for free onsite screenings which, like the HRA, provide employees the chance to monitor their readings without having to see a doctor.
- Run articles in the company newsletter on topics related to the health risks associated with being overweight, tips on trimming the fat, ideas for fun and convenient ways to get exercise, etc.
- Host a healthy snack day in the workplace, with company-provided fruit, veggies and healthy dips.
- Sponsor Weight Watchers at Work.
- Form a company walking club or athletic team. Participate as a company in a charity walk or run in your town.
- Arrange for luncheon speakers on topics related to weight loss and management, exercise, fitness, etc.
- If you have an onsite cafeteria, focus the menu on fresh, low fat choices. Stock vending machines with granola bars, nuts and flavored waters.

The possibilities are endless. Your health plan provider and employee assistance program provider can be good resources for ideas and contacts for programs on weight loss, disease prevention and overall fitness. If you have questions or concerns in gathering resources, give us a call.

Roth 401(k)s Offer Another Way to Save

The Roth 401(k)—which combines features of the traditional 401(k) plan and the Roth IRA—offers employees another way to save for retirement on a tax-favored basis.

The Roth 401(k) shares many characteristics of the traditional 401(k) plan, but with some key differences. One important difference involves the tax treatment of employee contributions to the plan. While employees contribute to a traditional 401(k) plan with pretax dollars, contributions to a Roth 401(k)—like those to a Roth IRA—are made after tax. Like a traditional 401(k), earnings grow tax-free, but unlike a

employee is age 50 or older). These limits greatly exceed those for Roth IRAs (\$4,000; \$5,000 if age 50 or older). Even though Roth 401(k) contributions are made after tax, they are considered “elective deferrals.” Thus, if the employee also makes elective deferrals to another plan (such as a traditional 401(k) plan), the \$15,500 limit would be a combined limit for the contributions made to both plans. Contributions to a Roth 401(k) also are subject to the same nondiscrimination test (the actual deferral percentage, or ADP test) that applies to pretax contributions to a traditional 401(k) plan.

High earners can make contributions to a Roth 401(k). For them, this favorably distinguishes Roth 401(k)s from Roth IRAs, because married couples with more than \$160,000 (and singles with more than \$110,000) in adjusted gross income cannot contribute to a Roth IRA.

Given that pretax contributions to a traditional 401(k) receive an immediate tax break, are employees likely to be interested in a Roth 401(k)? For certain employees, Roth 401(k)s can make a lot of financial sense. These include individuals who expect to be in a higher tax bracket at retirement than they are now; individuals who believe that tax rates will rise in the future; and individuals who prefer certainty, as the Roth 401(k) account value more accurately indicates its “spendable” amount (since most distributions are tax-free). On the other hand, individuals who are close to retirement and expect to need the account within five years might be better off investing in another retirement

vehicle, as would those who want the tax break on their contributions up front.

According to AKT Wealth Advisors, adoption of the Roth 401(k) option has been modest. Plan sponsors have been more focused on establishing automatic enrollment options and implementing target date retirement funds rather than the Roth option. There is some concern that participants are already faced with too many decisions with respect to their retirement plans. The Roth or traditional 401(k) option is not clear cut and requires participants to make assumptions about future tax rates. Currently, adoption rates are highest among participants that are currently in lower tax brackets and those that want to defer the maximum level allowable.



traditional 401(k), Roth 401(k)s offer the advantage of continued freedom from taxation for earnings when withdrawn, so long as the distribution is “qualified.”

A distribution is qualified if it is made after the individual has reached age 59-1/2 (or on account of death or disability), so long as at least five years have passed since the participant first began contributing to the plan. Distributions also may be taken at the termination of employment or for hardship, but unless they meet the requirements to be considered “qualified,” the earnings portion of the distribution will be subject to tax.

For 2007, the limit on the annual amount that can be contributed to a Roth 401(k) will be \$15,500 (\$20,500 if the

AKT Benefit Advisors Hosting Spring Seminar

AKT Benefit Advisors is hosting a seminar. Mark your calendars for the morning of Thursday, March 13th (not quite Spring, but close enough). This one will be held in Lake Oswego. Please plan to join us. Speakers include

Jack Friedman, CEO, Providence Health Plans; Martin Moll, Principal, AKT; and Jennifer Powers, MA, Certified Professional Coach and dynamic speaker.

Medicare Part D Reminder

Step One: Many of you have just completed your medical plan renewal in January and one of the times during the year when you are required to notify employees of their creditable coverage for prescription drugs is after your medical plan renewal. As soon as you get notification from your carrier about the creditability of the prescription drug plan, you should notify your employees. If you didn't change plans, you can notify them now of whether or not the plan is creditable. This notification should be done within 60 days of your renewal. There is a sample letter for

your use on our website at <http://www.aktbenefitadvisors.com/Resources/MedicarePartD.html>, then click on Model Individual Creditable Coverage Disclosure Notice.

Step Two: Federal law also requires employers to notify the Centers for Medicare and Medicaid Services (CMS) annually whether or not your prescription drug coverage is creditable for Medicare beneficiaries. You can access CMS electronically by going to our website at <http://www.aktbenefitadvisors.com/Resources/MedicarePartD.html>. (The form asks for the date you notified Part D Eligible individuals – which you did in Step One.)

New Website for AKT Benefit Advisors

Be sure to make a note of our new web address and visit our updated website at aktbenefitadvisors.com. You can get an updated **I-9** form on our website on the News page. If you know anyone who is looking for **individual health insurance** coverage, we have a nifty quoting system on

our website where you can compare all Oregon plans and rates and even complete an application online for coverage. We're also now offering a **Medicare health plan** through Physicians Choice Advantage and you can find more information about that on our website as well. We hope the website will be a valuable resource for you. We'd welcome your feedback.

Oregon Health Plan Scam

Be aware of another scam. For the first time since 2004, the state will be accepting new enrollees for the Oregon Health Plan (OHP) Standard benefit package beginning January 28th. There have been reports of someone identifying himself as a state worker and requesting a Social Security number. Oregonians who want to get their names

on the OHP reservation list need to say "no" to anyone who calls asking for a Social Security number. This information is optional at the time you're adding your name to the reservation list. It is only required at the time an application is filed. Reservations will be available from January 28th through February 29th only. They'll be enrolling 10,000 people during the next few months, and applications sent only to names randomly drawn.



AKT Benefit Advisors LLC
1011 Commercial St. NE
Suite 135
Salem, OR 97301

Joanie Leaton
Phone: 503-588-0002
Fax: 503-589-9399

Email: jleaton@benefitadvisorsllc.com

Website: www.aktbenefitadvisors.com

Benefit Insights