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Taxes and Mandates

Health Care Reform Runs into Tougher Opposition as Specifics Emerge

As the details of health care reform legislation solidify, a hotly contested topic — taxes on employer-sponsored benefits — has come under fire, even from within the Democratic Party.

Several Democratic senators recently spoke out against a tax on employee health insurance benefits that would help foot the bill for health care reform, which has been estimated to reach $1 trillion over 10 years.

Sen. Max Baucus (D-Mont.), chairman of the Senate Finance Committee, is pushing the idea of a benefits tax as a way to pay for reform while controlling future costs. Some Republicans have warmed to the idea as well, but it has been strongly opposed by labor unions.

"It's clearly a very difficult issue. ... You go to the public to ask them what they think and they don't like it," said Sen. Kent Conrad (D-N.D.). Many Democratic senators expressed concern that such a measure would cost more votes from their own party than they would gain from the Republicans, according to a report from the Associated Press.

A compilation of four recent polls revealed that at least 59 percent of the public opposes taxes on health care benefits to pay for reform. Conrad said legislators are "looking at other options" to help pay for the proposed plans.

After a recent bipartisan meeting, a top Republican said it would be tough to

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Prescription Drugs

Employers Eye Long-Term Benefits with Low Copays

More employers are adopting a long-term approach to controlling health costs by dropping prescription drug copays from their plans.

The move is aimed at improving drug compliance among employees, which ideally would keep them healthier and free of costly hospital visits. Studies have shown that patients who must pay higher copays are less likely to take their medications.

Although the idea can be a hard sell in difficult economic times, more companies are searching for solutions that can work today and well into the future, said David Dross of Mercer.

"What's helping move along initiatives like this is that employers have already done all the basic things to control costs and they are looking to advanced strategies, such as implementing reduced copays for certain disease states to improve compliance," Dross said.

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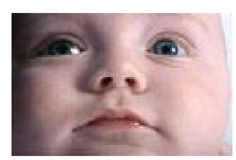
Supplemental Benefits

Adoption Benefit Dips As Funeral Planning Emerges

Many employers are looking to trim costs by cutting benefits in this rough economy. A recent survey by the Society of Human Resource Management found that 60 percent of employers have either cut back or held benefits steady this year because of the recession.



Even low-cost options, such as adoption assistance, are taking a hit. The SHRM poll found that the number of employers offering adoption assistance dropped to 10 percent this year, down from 22 percent in 2006.

However, employers might want to tread carefully when dumping benefits. A new study by Sun Life Financial found that U.S. workers value their benefits even more than cash. Respondents ranked dental, retirement, vision and group life insurance at the top of the list of most important nonmedical benefits.

A new low-cost feature is receiving some interest from employers despite the economic downturn: funeral planning.

Insurers such as the Hartford have started to offer end-of-life services and funeral planning as part of some of their group life plans. This benefit is predicted to be popular among baby boomers, who would use a funeral concierge service not only for themselves but for their parents as well, said Joseph Coughlin of the Massachusetts Institute of Technology. ■

Taxes and Mandates

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pass any health care reform without some sort of benefits tax.

"The extent to which that's not on the table, it leaves a great big hole in what we're trying to do, and to fill that hole is very, very difficult," said Sen. Chuck Grassley (R-Iowa).

The concept of an employer mandate also has moved to the forefront of the health care debate. Earlier this month, senators released a new draft bill that would require employers to pay 60 percent of the cost of insurance for workers or pay an "annual fee" of $750 per full-time employee. Businesses with fewer than 25 employees would be exempt from the requirement and would receive a subsidy to encourage them to offer benefits.

Separately, a House proposal released in June would call for employers to pay 72.5 percent of the premium for an individual employee (65 percent for family coverage). Failing to do so would cost companies a penalty equal to 8 percent of pay for each worker who was not offered coverage. Small firms, which the draft did not define, would be exempt.

Many employer groups oppose a mandate and a government-run public option because they fear an exodus of healthy employees to a cheap government plan, leaving required employer plans saddled with higher medical costs.

Senators have attempted to address this concern by proposing to prohibit employees from jumping from their employer's plan to a government-run public option unless premiums were deemed "unaffordable." ■

Prescription Drugs

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While a drop in out-of-pocket medication expenses surely would be welcome by employees, a new study suggests workers still aren't taking advantage of a simple cost-saving option: generic drugs.

The study, by Prescription Solutions, found that nearly one-third of respondents did not know or did not believe that generic drugs are just as effective as their brand-name counterparts. The research also revealed that less than one-third of workers don't realize the significant cost savings (50 percent to 70 percent) that a generic alternative can generate. However, the study also found that 21 percent have talked recently with their doctor about switching to a lower-cost prescription.

The generic option, however, is limited because biotech drugs, a particularly expensive class of medications, are excluded from a law that permits the sale of generic alternatives.

About $40 billion of the nearly $287 billion spent on U.S. prescriptions in 2007 went for biotech drugs, which often treat complicated diseases such as cancer and heart disease.

The Hatch-Waxman Act of 1984 only allows generic versions of chemically synthesized drugs. Biotechnology innovations, covered under the Public Health Safety Act, were omitted from that rule. Officials from the White House and the Food and Drug Administration have pledged to move swiftly to allow generics in this class if a new bill is passed.

Even if Congress opens the door for biotech generics, the sheer complexity of the drugs might make generics less attractive. It takes up to five years and up to $5 million to develop a generic drug, but experts say biotech drugs would likely take up to 10 years and cost as much as $200 million. ■

. . . . Bulletin Briefs . . . .

♦ **SLOWER HEALTH CARE COST RATE:** A new analysis by PricewaterhouseCooper's Health Research Institute predicts employers' health care costs will grow 9 percent next year, a slightly slower rate than in 2009 (9.2 percent) and 2008 (9.9 percent). The study cites possible health reform, decreased prescription drug use and higher adoption of high-deductible health plans as reasons for the decline.

♦ **DISCRIMINATION RULING:** The Supreme Court reversed a decision by a lower court and ruled that the city of New Haven, Conn., discriminated against white and Hispanic firefighters when it threw out a promotions test because no African-Americans qualified for promotions. Experts say employers should carefully examine how they measure performance and make sure such policies fit the letter of the law.

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