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### **Three-Quarters of Large US Employers Don't Want to Fund Retiree Health Benefits, But Still Willing to Provide Access, Finds PricewaterhouseCoopers Survey**

To Reduce Healthcare Costs, Employers Expect Current Employees to Get Healthy or Pay

NEW YORK, May 2 /PRNewswire/ -- A majority of large US employers want to provide their retired employees with access to health insurance, but they no longer want to fund the coverage, according to findings of a PricewaterhouseCoopers Management Barometer Survey released today. The survey also found that to cut health costs among their current workforce, employers are looking for greater accountability, telling employees to get healthy or pay the price.

Nearly two-thirds of employers surveyed agree that employees with unhealthy lifestyles, such as smoking, poor diet and inadequate exercise, should pay more for their health insurance coverage. This sentiment is up significantly from 2005, when fewer than half of employers (48 percent) felt this way.

Findings of the survey are in a report entitled "Tailoring the Approach: Employer Attitudes and Healthcare Strategies Address Distinct Issues," published by PricewaterhouseCoopers Health Research Institute. According to the survey:

-- 73 percent of employers said that retiree health coverage is placing financial pressure on their organizations.

-- 74 percent agree that companies should provide access to affordable retiree health coverage, but not necessarily fund it.

-- Eight out of ten think there should be more tax incentives for employees to set aside money to fund their retirement healthcare needs.

"We are seeing a constant movement of employers getting out of the retiree medical space," said Barry Barnett, Principal in PricewaterhouseCoopers' Global Human Resource Solutions Group, specializing in health and welfare benefits. "Yet they feel an obligation to their employees even in retirement and are seeking ways to provide them with access to affordable coverage. In addition, they are encouraging current employees to invest now in the future in two ways: By making health lifestyle changes and by making sound financial decisions to prepare for their health coverage in retirement. Health Savings Accounts are the only vehicle to prefund retiree healthcare, so employers need to convince employees that they need to do more on their own, and then design plans that incent them to do so."

Support for Employer-Sponsored Healthcare, With Caveats

When asked whether employers should move away from providing healthcare coverage for current employees, 87 percent of survey respondents disagreed, demonstrating strong support for the nation's employer-sponsored healthcare system.

According to analysis by PricewaterhouseCoopers Health Research Institute, employers are still debating over how to control future healthcare cost increases and incent current employees to take on more responsibility for their health. PwC's

experience is that employers are taking a more tailored approach to benefit plan design than two years ago, when increased cost sharing, applied uniformly across the employee population, was all the rage.

The latter approach was perceived by current employees as their employers retreating from providing healthcare coverage.

"Healthcare coverage is becoming a precious commodity in our society, whereas it was once taken for granted," added Barnett. "In an economy with under 5 percent unemployment, employers recognize that their health plan is a differentiating factor in their ability to attract talent. They want to design competitive benefits plans that employees want, but, in turn, they want employees to work for the benefits."

PwC finds more employers looking to refine the programs they currently have in place rather than abandoning them.

-- More than nine in ten employers (94%) surveyed by PwC said they believe they can do a better job than they are doing now to support their employees in managing their own health to help reduce costs and improve business performance.

-- When asked about whether providing information on quality would reduce their company's healthcare costs, agreement dropped from 77 percent in 2005 to 62 percent in 2007. This may indicate that employers now realize that providing information isn't enough by itself to change behavior. The real challenge is in motivating employees to act on the information provided.

Though employers previously had been reluctant to get involved in employees' personal healthcare matters because of privacy and nondiscrimination laws, that is beginning to change, according to PwC. An increasing number of employers are cautiously designing plans that deter unhealthy behavior by charging higher premiums, a strategy used in conjunction with incentives to activate responsibility and motivate employees.

Eight in ten employers (80%) surveyed said they believe that providing financial incentives for employees participating in healthy lifestyle programs could reduce their company's healthcare costs at least somewhat. This was down slightly from 84 percent in 2005. Incentive programs range from cash rewards for completing health risk appraisals to rewards for accomplishing agreed-upon goals such as a specified amount of weight-loss or smoking cessation.

"Employers have a vested interest in the health of their employees, but truly changing behavior goes beyond dangling a carrot in front of employees," said Bruce Spooner, director, PricewaterhouseCoopers Health Industries Advisory Practice. "Consumer-directed healthcare is not about cost shifting; it is about sharing responsibility for health. Progressive companies and health plans now know that they need to provide information, tools and support in addition to financial incentives to promote and reward healthy lifestyle choices and individual health. We are seeing healthy lifestyle and wellness programs increasingly incorporated into benefit structures, even for those employers who are not yet prepared to offer a specific consumer-directed health plan."

## Methodology

PricewaterhouseCoopers' Management Barometer is a quarterly survey of over 100 top executives in a cross-section of large, multinational businesses. The survey is developed and compiled with assistance from the opinion and economic research of BSI Global Research, Inc. The Barometer provides quarterly guideposts on the direction of the economy, including revenue growth, new investments, new hiring plans, emerging business barriers and more. Changing, in-depth "hot topics" are also featured each quarter at <http://www.barometersurveys.com>.

## About PricewaterhouseCoopers Health Research Institute

PricewaterhouseCoopers Health Research Institute (<http://www.pwc.com/hri>) provides new intelligence, perspective, and analysis on trends affecting all health-related industries, including healthcare providers, pharmaceuticals, health and life sciences, and payers. The institute helps executive decision makers and stakeholders navigate change through a process of fact-based research and collaborative exchange that draws on a network of more than 4,000 professionals with day-to-day experience in the health industries. The institute is part of PricewaterhouseCoopers' larger initiative for the health-related industries that brings together expertise and allows collaboration across all sectors in the health continuum.

## About PricewaterhouseCoopers

PricewaterhouseCoopers LLP (<http://www.pwc.com>) provides industry-focused assurance, tax and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 140,000 people in 149 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

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