

Employee Benefits & Workers' Comp News



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Prescription Drugs

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Why Generics are Good for Your Pocketbook (and Health Insurance Premiums)

When available, generic drug substitutes generally save about 30 percent.

Generic medications have been hailed as a great way to save money on prescriptions and control escalating health insurance premiums. Generics usually cost substantially less than name brand drugs, but be aware that generics aren't immune to excessive price hikes.

Fortunately, the more you know about brand name drugs and generics, the more control you have over health care benefit costs.

Generic drugs are similar to prescription drugs since they contain the same

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Auto Portability Earns Thumbs Up from DOL

Many employees who leave your company for another job are tempted to cash out their retirement savings — particularly if there is little money in the account.

The U.S. Department of Labor recently issued guidance (Advisory Opinion 2018-01A on Auto Portability) that allows employers to make an automatic transfer of small 401(k) accounts to employees' new retirement plans. The guidance was written in response to a question from Retirement Clearinghouse LLC of Charlotte, N.C.

There are stipulations. Balanc-

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active ingredients at the same strength and purity as brand-name counterparts, but at a reduced cost.

Generic drugs generally cost about 30 percent less than brand names. Recently, a dose of the antidepressant Prozac costs up to \$185 a month. Its generic equivalent runs as little as \$24.

However, doctors don't always prescribe generics because not every medication has a generic equivalent. An *Archive of Family Medicine* survey showed that doctors underestimated the cost of brand-name drugs 90 percent of the time and overestimated the cost of generics 90 percent of the time.

And, some generics don't work exactly the same as name brands because blood levels vary.

Why Prescription Drugs Cost More

Drug companies claim higher prices pay for the research, development, testing and marketing of drugs. There seems to be no apparent ceiling on how high prices can go. Humira, used to treat rheumatoid arthritis, cost one employer \$31,993 per person.

Other reasons for high drug costs:

- ✱ Competition in the specialty medication market can drive costs up as companies increase the price of older therapies to match the price of new ones.
- ✱ To protect their investment, companies file for patents on new drugs to have exclusive manufacturing rights. Other manufacturers can then apply to the U.S. Food

and Drug Administration (FDA) to make a generic version. Because these companies don't have to pay for research, they can sell the generic at a price closer to the manufacturing cost. While patents keep competitors at bay until the patent expires, some companies have found ways to expand the patent. AbbVie, manufacturer of Humira, added about 70 new patents on the drug that could keep biosimilars away until 2022 – even though the first patent expired in 2016.

According to Berkeley Wellness of the University of California, generic drugs account for more than 85 percent of U.S. prescriptions, compared to 57 percent in 2004. The popularity of generics clearly stems from the higher prices of prescription drugs.

Why Generics Cost Less

After a patent expires, a single generic drug manufacturer gets exclusive marketing rights, usually for six months. But when that period ends, other generic makers can make the drug and the resulting competition drops the price 80 or 90 percent or more.

The FDA has been under pressure to approve more generic drugs, but many generic prices are already so low, generic drugmakers are concerned increased competition could be a threat to their business.

Why Generic Prices Increase

According to the Government Accountability Office, more than 300 drugs recently

es must be \$5,000 or less and cannot be transferred if the employee opts out.

The Employee Benefit Research Institute (EBRI) estimates that 5.3 million employees who have 401(k) plans have less than \$5,000 in their account at the time of their job change. And of those, more than 54 percent are likely to cash out their retirement savings within one year, and 75 percent will cash out by year seven.

The guidance is being viewed as a good first step toward minimizing 401(k) cash-outs. EBRI estimates that full adoption of auto portability could generate \$2 trillion in retirement savings.

To read the opinion, visit <https://tinyurl.com/ybk2kau4> or talk to your broker.

had at least one price increase of 100 percent or more. The *New England Journal of Medicine* reports that one manufacturer raised a generic price 2,800 percent.

Some drugs are harder to manufacture than others. Humira, for instance, falls in the class of drugs called biologics. These specialty drugs are manufactured from a living organism and are difficult to replicate. The Federal Drug Administration refers to the generic versions of the drugs as “biosimilars.” Pharmaceutical companies creating biosimilars must prove their products create the same effects as the drug they replicate, requiring the companies to fund case studies and tests with patients, increasing the cost.

Another reason for high costs is that some

generic manufacturers that lack competition can price their drugs at the same level of the branded drug.

Not all pharmacies charge the same price for generics. A reporter for Detroit's WXYZ-TV compared the retail prices of several generic drugs at more than 20 local pharmacies and found that prices for one medication varied from \$10.99 to \$97.99.

Drug discount cards also can reduce costs, but the savings depend on the card.

Ways for Employers and Employees to Save Money

Many experts agree that the key to lowering pharmaceutical costs is to educate your employees. They should seek second opinions and ensure they are diagnosed properly for chronic conditions and that their doctor prescribes the appropriate medication and dose. Of course, employees should request generic drugs when appropriate, and should compare prices at different pharmacies.

Employees can not only save money by purchasing generics, but their insurance premiums are generally lower when overall health plan costs for the group were kept down the preceding year.

Please contact us if you have other questions about generics. ■

What Is Integrated Disability?

With companies like MetLife and Travelers working together to create programs such as their trademarked *Synchrony*, the concept of integrated disability is gaining wider acceptance, though there are still hurdles.

Integrated disability means combining the administration of the disability component of workers' comp and the disability programs in the benefits arena.

Here are some of the issues that Integrated Disability aims to address:

- ✦ Increased complexity of dealing with leave regulations at the federal level, including the Americans with Disabilities Act and Family Medical Leave Act — as well as regulations on state and municipal levels where there are at least 500 different regulations in all.
- ✦ Inconsistencies in leave policies on the workers' comp side and the human resources side, exposing employers to audits and fines.
- ✦ Reductions in lost time— Absentee rates declined by 10 to 25 percent when employers implemented integrated disability management programs, according to a white paper by Sedgwick Claims Management Services.
- ✦ Administrative cost savings — when data is analyzed collectively, better preventive programs can be designed.
- ✦ Opportunities to combine initiatives that im-



prove overall employee health while reducing workers' comp incidents, such as health screenings and education, smoking cessation programs, health interventions, and even cooking classes with suggestions about how to prepare simple, healthy meals.

What seems like a good idea in concept, though, has been difficult to put in practice mainly because of organizational silos, according to Tim Rarick, vice president of product strategy and solutions at Phoenix-based Matrix Absence Management Inc.

"Employers are required to have work comp coverage, so it is viewed as an insurance program

and tends to fall to risk management. Disability is viewed as a benefit and part of compensation packages. There are two different buyers and two different mentalities, and because of this disparity, their focus tends to be different," Rarick told *Business Insurance* magazine.

One of the silo issues that's always been troubling for employers is that occupational injuries and non-occupational injuries are treated differently, eliminating the opportunity to reduce overhead costs by managing medical claims as a single process. But while the concern applies to workers' compensation medical claims, disability claims are a different matter.

Some employers are realizing that compliance is better addressed when the silos come down and disability is integrated, even if there are some hurdles. "It's a very painful process trying to get everybody to work together," said Terri Rhodes, CEO of San Diego-based Disability Management Employer Coalition, to *Business Insurance*. "In the current environment, FMLA [applies to benefits administration] and ADA applies to workers' comp claims, so it's important if they are not integrated programs that they all communicate with each other. The [U. S. Department of Labor] and [U.S. Equal Employment Opportunity Commission] don't care about organizational silos." If they are integrated, though, they will communicate as a single voice.

Aside from compliance issues, the real benefits of integration can occur when workers' comp and disability programs work together to prevent injuries, improve medical outcomes and reduce costs.

"One of the things most people don't notice is the impact wellness and health plans can have on workers' comp," points out Matt Sears of EPIC Insurance. Smokers, people suffering from obesity and stressed workers in general have a higher risk of being injured at work — and these kinds of people also incur higher costs when they are injured on the job. Taking a holistic approach just makes more sense. It's not only a more productive and efficient approach, it's also less stressful for employees.

"It's really taking an employee-centered position, not a company- or department-centered position, which is the way it used to be," said Ms. Rhodes.

For more information on how your firm can take a more integrative approach to disability claims, please contact us. ■

Benefit Planning Strategies for 2019-2020

Although employer-sponsored group health benefit open enrollment is behind us, it's not too early to start looking at what strategies will be in favor in 2019 to curb costs.

The Society for Human Resource Management (SHRM) reports that group health benefits are expected to approach \$15,000 to \$20,000 per employee this year. And while some employers are paying as much as 70-100 percent of employees' premiums, health benefit costs still are rising at twice the rate of wage increases and three times general inflation, according to National Business Growth on Health, a human resources consultant.

Employers are taking matters into their own hands and are looking at new products and benefit changes for the 2019-2020 season.

Popular Health Insurance Trends

Consumer-Directed Health Plans combine a high-deductible health insurance plan with a tax-advantaged account that

employees use to pay for eligible medical expenses — a health savings account (HSA) or health reimbursement arrangements (HRA). Any unused funds in an HSA can be rolled over to the next year. Also, employees can continue to use the funds for medical expenses after they reach age 65 and are enrolled in Medicare. The National Business Group on Health says many employers are helping employees by contributing to their employees' HSAs, on average \$500 for an individual and \$2,000 for a family. In contrast, an HRA is a company-funded, tax-advantaged health benefit used to reimburse employees for personal health care expenses, and may be aligned with any type of health plan, not just a qualified high deductible health plan. However, HRAs can only be funded with employer contributions. HRAs may rollover funds at the employer's discretion in plan design.

Employee purchase programs help employees pay for things they really need — such as appliances, tires or computers — but don't have the emergency funds to pay for unexpected expenses. Bankrate, a consumer financial services company, estimates that nearly one fourth of all Americans do not have adequate emergency savings. An employee purchase program means that employees facing a financial crisis are less likely to withdraw funds from their 401(k) plan or put the expenses on a high-interest credit card if they have access to emergency funds through the program. Employees pay back the loan over several pay periods through payroll deduction.

Group legal insurance plans give employees low-cost access to attorneys for will preparation, adoptions, estate planning, tax audits, traffic violations, real estate purchases, child custody issues and document review and preparation. One reason many people don't seek legal assistance is fear of high fees. Having a ready bank of attorneys also saves employees' time from having to search for appropriate legal assistance. The benefit is not a new one. It was first offered in the United States in the 1970s and became more mainstream in the 1990s.

Student loan repayment programs. According to a report by CNBC, more than one million people default on their student

loans every year. And ColleginColorado.org says that many of those loans average \$25,000. Student loan repayment programs allow employers to assist employees with repaying their student loans. The Internal Revenue Service in 2018 issued a private letter ruling allowing a company to amend its 401(k) plan to allow employer contributions of up to 5 percent toward student loans to individuals who contribute at least two percent to their student loan. It's assumed that this ruling may lead to more student loan debt solutions. Employers who can't afford to assist with student loan costs can opt to provide educational tools about navigating debt.

Virtual care, also called telehealth or telemedicine, is becoming more and more popular as a way to provide easy and inexpensive access to board certified physicians. Employees who have access to virtual care can have a phone or video conference with a professional physician or behavioral professional at low or no cost. Many of the telehealth physicians can prescribe medications.

Voluntary benefits are insurance products employers can offer employees at rates lower than they would pay for individual coverage. These products cover a large range of needs, such as life, disability, critical-illness and accident insurance, plus pet coverage, ID theft protection, legal services and financial counseling. Employees' premiums usually are automatically deducted through paychecks. For planning guidance on your group health benefits, please contact us. ■



Meet Your Insurance Professional: Claims Examiner

Workers' compensation insurers and some self-insured employers have employees who examine claims after they are submitted for payment. In workers' compensation, benefits are mandated by law, so examiners who work for workers' compensation insurers review a claim to ensure it meets the law's definition of a compensable work-related claim. If a claim meets that definition, the examiner will review it to ensure claimants receive any lost-time benefits due to them.

Claims examiners also review the medical portion of workers' compensation claims. Once a physician or other medical practitioner submits a claim for treatment of a work-related injury or illness, it might go to an examiner for review. Examiners will ensure that physicians are following recommended treatment guidelines for the condition and whether the costs are reasonable, given the diagnosis. After they review the claim, they authorize appropriate payment, deny the claim, or refer the claim to an investigator if they suspect fraud. Either claimants or medical providers may commit workers' compensation fraud.

Claims examiners must have familiarity with the state's workers' compensation laws and regulations and the insurer's claims-handling



practices. They must also have a layman's knowledge of the medical factors involved in injury and fatality cases and have the ability to understand and evaluate the specific facts and circumstances that make each workers' compensation claim unique.

For more information on what happens after an employee files a workers' compensation claim, or how to better manage your organization's workers' comp claims, please contact us. ■

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