



# BENEFITS NEWS AND VIEWS

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## HIGH DEDUCTIBLE HEALTH PLANS AND HSAs GAIN POPULARITY AS CUSTOMERS AND EMPLOYERS LOOK TO TRIM COSTS

As medical insurance costs continue to grow for both employers and employees, high-deductible health plans (HDHPs) and other forms of consumer-driven health plans (CDHPs) are getting more and more popular. CDHPs require individuals to take a greater role in making their health care decisions and to bear more of the cost of relatively minor medical issues. The expectation is that they will make better health care decisions with more sensitivity to cost.

HDHPs are special health insurance plans that require their insureds to meet relatively high expense thresholds before the insurance company will begin paying benefits for covered health care. In exchange, HDHP insureds and beneficiaries who qualify are allowed to contribute to special tax-advantaged accounts, called health savings accounts (HSAs), to help them accumulate cash to pay the deductibles themselves, in the case of a health care event.

These plans have proven to reduce eventual claims, resulting in premium savings for employers and employees alike. These plans are also gaining traction in the individual market as well. The National Business Group on Health estimates that more than eight out of ten large employers plan to offer an HDHP or other variant of CDHP in 2016. Of these, more than a third plan to offer HDHPs together with an HSA as the only option.

### WHY? IN A WORD: SAVINGS.

The average annual premium for individual health insurance plans last

year was \$6,435. But for those enrolled in HDHPs with HSAs, the average premium was \$5,762 per year in 2015, according to the Kaiser Family Foundation.

For plans that cover the whole family, the premium savings that HDHPs offer were even greater: The average head of household was paying \$19,003 for family insurance coverage. But HDHP premiums were just \$16,737 per year, for savings of \$2,266 per year.

### POPULARITY

Thanks to premium savings, these plans have proven to be a hit with the American public, and more and more people are flocking to such CDHPs. Employers have been leading the charge, migrating workers from more expensive PPO plans to HDHP plans with either a HSA or Health Reimbursement Arrangement (HRA) attached to the plan. The result is a lower out-of-pocket premium for similar coverage for the employer - and often for the employee as well. However, deductibles are higher,

so in the end the worker winds up shouldering more of the burden. Average deductibles for individual plans range from \$917 for HMO plans to \$1,028 for PPOs to \$2,199 for HDHPs with savings options.

In compensation, though, some employers are taking some of the money they save in the form of lower health care premiums, and using them to beef up employee HSAs. 14 percent of covered workers in an HDHP with an HRA and 7 percent of covered workers enrolled in an HDHP with a HSA receive employer contributions to their plans at least equal to their deductible. Further, about 47 percent of workers with HRAs and 28 percent of covered workers with an HSA receive enough contributions to their accounts from their employer that it reduces their annual deductible out-of-pocket costs to \$1,000 or less - putting them in the neighborhood of HMOs when it comes to out-of-pocket costs.

# GROUP LIFE INSURANCE - A VALUABLE BENEFIT

Group life insurance is among the most popular offerings in the employee benefit market today. Furthermore, millions of American families rely on it to provide desperately needed protection against the devastating risk of the unexpected death of a family breadwinner. The overwhelming majority of workers typically sign on to the program when it is offered.

Group life represents about 41 percent of all life insurance policies in force, according to the American Council of Life Insurers, and provides an estimated \$8.2 trillion in protection.

## EMPLOYEES NEED THE COVERAGE

The average American family is woefully underinsured. Most families say they want or need enough life insurance to get them through 14 years of living expenses in the event of the death of a family member. But 1/3rd of adults have no life insurance in place at all, including 2/3rds of American males, ages 18 to 24, according to information from the Life Insurance Marketing Research Institute (LIMRA). And 43 percent say they would experience severe financial problems within six months of the death of a family member.

## HOW GROUP LIFE WORKS

The employer works with their benefits broker or agent to select a carrier and limit of coverage under the plan, as well as to define who exactly qualifies as a member of the group eligible for coverage.

Employers pay some or all of the premiums on employees' behalf. Generally, the premiums necessary to provide up to \$50,000 in death benefits to each employee are tax deductible to the employer. Many employers choose to make additional coverage available, however - often on a voluntary basis. Additional premium is deducted from employees' paychecks and sent to the insurance company via your normal payroll operation. If employees choose to participate via a Section 125 plan, or 'cafeteria' voluntary benefits plan, their premiums are generally paid with pre-tax dollars.

Some employers offer the same coverage to everyone. Others elect to offer a multiple of income - usually 1 or 2 times the workers' annual income but sometimes more. This amount is usually paid for by the employer, but individual workers can choose to buy additional coverage on a voluntary basis.

## GUARANTEED APPROVAL

Approval is generally guaranteed, provided the employer provides the coverage to all eligible employees. This is a valuable

feature for many employees, because prior medical issues may make it difficult or impossible for them to qualify for health insurance on their own.

## ADVANTAGES OF GROUP LIFE

For the employer, group life insurance is an important part of your company's overall benefits package. Employees value robust benefits packages, and life insurance provides an essential protection that many of them could not get at all outside of a group plan. Statistically over 7 out of every 10 workers offered group life insurance via their employer take it.

## THE BOTTOM LINE

The best reason for having group life insurance in place, though, is this: If an employee dies, and his distraught widow calls or comes to the office to ask if he had any life insurance in place, you can look that widow and the family in the eye and say "yes, absolutely. We loved him and valued him and we made sure life insurance was in place to protect the ones that he loved."



## TOP CONCERNS OF RETIREES AND THOSE NEARING RETIREMENT

According to a study conducted by the Society of Actuaries, paying for long-term care and inflation were the two main concerns of individuals who were nearing retirement or those who had recently retired. The study's purpose was to identify financial decisions and resource management habits for pre-retirees and retirees. In the survey, pre-retirees were identified as people who had not yet retired but were at least 45 years of age. They were concerned about their ability to pay for health services in the future.

### WORKING AND DELAYING RETIREMENT

Although retirees and pre-retirees voiced the same concerns, researchers said that there are differences between what people thought they would do after retirement to manage their funds and what they actually did. About 70 percent of pre-retirees reported expecting to work after retiring. More than 45 percent said that they would delay retirement. In contrast, only 30 percent of the retired respondents actually worked after retiring, and only about 10 percent attempted to postpone retiring.

### LIFE EXPECTANCY

As they did in the previous year's SOA survey, pre-retirees continued to miscalculate their life expectancy. Most of the respondents in the current survey predicted living until age 85. However, more than 50 percent of respondents reported having one or more family members who lived beyond age 90. The average predicted life expectancy by respondents was about 10 years shorter than their longest-living family member's lifespan.

To counteract the risk of outliving retirement savings, about 30 percent of respondents reported buying a guaranteed life insurance policy. This number included more than 20 percent of the retired participants. Researchers said that this still shows a major problem with most people planning on a short-term basis instead of a long-term basis.

### ADDITIONAL SURVEY FINDINGS

The most common financial shock that retirees cited was expensive home repairs. About 25 percent required costly dental work, and another 20 percent mentioned prescription prices or out-of-pocket medical costs.

When researchers asked pre-retirees when they plan to retire, more than 15 percent said they plan to retire within the next 10 years, about 20 percent said within 10 to 15 years, and almost 40 percent were undecided.

For pre-retirees, the main form of debt is mortgages. More than 50 percent of pre-retirees are still paying a mortgage, and about the same percentage reported having considerable credit card debt. Another 40 percent of this group mentioned that they have car loans to pay and approximately 30 percent have \$30,000 of debt aside from their mortgage balance. In comparison, more than 50 percent of retirees had less than \$10,000 of total debt.

Adequately planning for retirement involves setting up savings vehicles and overestimating life expectancy instead of making a low estimate. Life insurance, retirement plans, and investments are all important topics to research. To learn more about retirement options and how to build a solid retirement plan, reach out to your MMA Account Manager.

## GET OFF THE COUCH AND IMPROVE YOUR HEART'S HEALTH

Getting too much rest can kill you. That's the conclusion of a study presented by the American Heart Association.

Researchers who surveyed more than 500 older Americans found that long periods of sitting were strongly linked to an excess build-up of pericardial fat around the heart. This fat build-up is stubbornly persistent, even if the individual later engages in a much healthier and more active lifestyle, say researchers.

According to the study of 504 Americans with an average age of 65, prolonged periods of sitting were connected with pericardial fat, but not with other kinds of fat, including visceral fat (fat build-up around other organs) and subcutaneous fat, such as belly fat and "love handles."

Further, the other kinds of fat could be reduced through resuming a healthy diet and regular exercise. Pericardial fat, however, remained around the heart no matter what the exercise regimen. Pericardial fat is much more permanent than the other kinds of fat - and much more damaging.

Research has shown that deposits of pericardial fat are much better predictors of future severe heart problems than other indicators, including body mass index and waist circumference.

Studies have shown that pericardial fat is also associated with cholesterol blockages. If you must sit for long periods of time, because of work concerns or other physical reasons, it is extra important to moderate cholesterol intake and to watch good and bad cholesterol levels.

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## APPEARANCES CAN BE DECEIVING

While high pericardial fat levels are generally correlated with a high body mass index, and by extension obesity, even thin people can have dangerously high levels of pericardial fat as well. And obese people can have moderate levels of pericardial fat - especially if they lead a generally active lifestyle.

## WHAT YOU CAN DO

**Get off the couch.** Do not spend long periods of time sitting, whether at work or at home. Make a point of getting up and moving around every few hours.

**Exercise.** To prohibit excess pericardial fat build-up, though, exercising once each day or several times per week is not enough. The exercise must be more frequent, to break up long periods of sitting.

**Invest in a treadmill desk.** If you work long hours at a desk, like, for example, a commercial copywriter, consider getting a stand-up or treadmill desk. This keeps your legs moving, even as you're typing.

**Eat healthy.** Moderate your caloric intake and adjust it to your body type and metabolism. Identify your weight maintenance caloric intake levels and stay at or below it. Limit bad cholesterol, saturated fats, and partially hydrogenated corn or vegetable oil.

**Consider prescription medication.** While it doesn't work miracles, and there are downsides, some medications have demonstrated themselves to be effective at moderating cholesterol levels and high blood pressure, reducing the long term risks of heart attacks.

While most people have an instinctive understanding that obesity is bad, fewer people understand the perniciousness of pericardial fat and its connection with heart disease, or visceral fat, for that matter, and its connection with other severe illnesses such as diabetes.

Ask your doctor about getting tested for pericardial and/or visceral fat levels - especially if you lead a relatively sedentary lifestyle.

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