Employee Benefits Report

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Big Data and Technical Advances Are Helping Employers Reduce Health Insurance Costs

At a time when the annual price tag for health insurance is topping $10,000 per employee, cognitive health systems, telemedicine or telehealth and other medical advances are helping to lower costs.

The aim of cognitive health systems is to control costs with the use of healthcare data and analytics.

Cognitive health systems help doctors gain access to data for their patients. Patient-level data from health records and other sources is integrated to create a better picture of patient populations, risk factors and other red flags at the individual,

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Retirement Wealth Flatlines Amid Move from Pensions to 401(k) Plans

As more employers moved workers from pension to 401(k) plans between 1992 and 2010, total retirement wealth stayed flat. Not surprisingly, the highest retirement savings are concentrated among those with greater education, according to a study by the Center for Retirement Research at Boston College.

The study found the mean retirement wealth for households ages 51-56 with a defined benefit plan fell from $242,540 in 1992 (in 2010 dollars) to $237,814 in 2010. Meanwhile, the mean retirement wealth of similar households with defined contribution plans nearly doubled, from $123,877 in 1992 to $216,855 in 2010. This likely reflects the fact that defined benefit pension plans are more com-

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group and population levels to improve patient outcomes.

Watson Imaging Clinical Review is one such cognitive data review tool. It helps create a more reliable patient record for accurate reporting and billing processes.

How Cognitive Data Tools Work

The Watson cognitive data review tool improves the path from diagnosis to documentation, eliminating data leaks caused by incomplete or incorrect documentation. It supports accurate and timely clinical and administrative decision-making by:

- Reading structured and unstructured data
- Understanding data to extract meaningful information
- Comparing clinical reports with the Electronic Medical Record (EMR) problem list and recorded diagnosis
- Empowering users to input the correct information back into the EMR reports.

"Watson Imaging Clinical Review enables reconciliation of inconsistencies between clinical diagnoses and administrative records," said Anne Le Grand, general manager and vice president of imaging at IBM Watson Health. "Those inconsistencies…can impact billing accuracy, quality metrics, and an organization's bottom line."

The initial release of this cognitive data review tool was focused on aortic stenosis, a condition that affects 1.5 million Americans and occurs when the aortic valve in the heart is narrowed. This impedes blood flow to the rest of the body and causes shortness of breath, tiredness, and chest pain. If a cardiologist's report indicates a diagnosis of aortic stenosis, Watson Imaging Clinical Review helps propagate the diagnosis into the full electronic health record, including the patient's problem list and recorded diagnosis.

"Aortic stenosis is only the beginning of the important journey to wide-ranging cognitive medical imaging innovation we are undertaking at Watson Health," Le Grand said.

Telemedicine or Telehealth Continues to Progress

While it's been around for nearly two decades, telemedicine or telehealth — technologies that deliver healthcare via telecommunications — is only now starting to make significant strides, improving care and lowering costs.

"It's clear that effectively harnessing the full breadth and depth of telemedicine's capabilities, in fact, can impact healthcare for millions of people, especially those in more remote communities and regions," John Donohue, associate CIO of technology and infrastructure at Penn Medicine, wrote in an article for Healthcare IT News.

"Telehealth could save as much as $6 billion annually in U.S. healthcare costs," according to a recent study by Towers Watson. Three specific examples include:

- reducing readmission rates by using remote monitoring,
- improving staff utilization by allowing access to key personnel throughout the healthcare system, and
- addressing healthcare needs preventatively by monitoring conditions remotely thus reducing hospital admissions.

While telehealth is reducing costs, it's also increasing patient satisfaction. Studies by the Veterans Administration and CVS revealed that some recently implemented telehealth strategies increased patient satisfaction 86% and 90% respectively, according to a post by The Telehealth Report.

Perhaps some day the same kind of dramatic reduction in costs and improvements in speed and capabilities that we've seen in the computer industry will have a similar impact on health care. We can only hope as we watch developments like these take shape in the next few years.

mon among workers in industrial, trade or union jobs. Professional or skilled employees are more likely to have a defined contribution plan.

Defined benefit plans *specify the amount of money an employee will receive at retirement, usually based the number of years of employment.*

Defined contribution plans *specify the amount of money set aside each year by the employer; how much the employee receives at retirement depends on the amount of the contributions, investment outcomes and rules of the plan.*

For suggestions on creating a retirement plan that best fits your employees' needs, please contact us.

How to Control Rising Drug Costs

Spending on prescription drugs in the United States accounted for nearly 17 percent of total healthcare spending — with a price tag of $457 billion in 2015. And that's only going up, unless serious change occurs.

The rapidly rising prices of prescription drugs, combined with increasingly higher cost-sharing, has shifted much of the costs to consumers. This is especially true for new therapies that, in some cases, cost hundreds of thousands of dollars for a single course of treatment.

Spending on prescription drugs in the United States totaled $457 billion in 2015, comprising nearly 17 percent of total health care spending. From now through 2018, prescription drug spending is projected to rise by an average of 7 percent annually, straining family budgets and putting treatment out of reach for many consumers, according to the Robert Wood Johnson Foundation report, "Promoting Access to Affordable Prescription Drugs."

"Given the impact of high drug prices on consumers, payers, and government budgets, prescription drug costs are a matter of serious public concern," the authors wrote.

President Trump Vows to Crack Down on Drug Costs

Amid growing concerns about the rising costs of drugs, President Donald Trump said during a recent speech to a joint session of Congress that he planned to crack down on the high prices drug companies charge.

"We should implement legal reforms that protect patients and doctors from unnecessary costs that drive up the price of insurance, and work to bring down the artificially high price of drugs, and bring them down immediately," Trump said.

In a recent AARP article, John Hishta wrote this issue is critically important for all Americans, but especially for people over age 50 who "depend on prescription drugs to keep them healthy and who've been devastated by the price increases we've seen in recent years."

The AARP noted several concerns regarding rising drug costs:

- **Prices of drugs are getting out of control.** Brand-name prescription drug prices rose nearly 130 percent faster than inflation did in 2015.
- **Advertising is behind rising costs.** The

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drug industry spent $5.4 billion on ads in 2015, a 19 percent increase over 2014, according to Kantar Media.

- **Americans count on their prescriptions.** A recent AARP survey found that three in four adults age 50-plus regularly take at least one prescription medication, and more than eight in 10 take at least two drugs. More than half of seniors take four or more drugs.
- **Older Americans suffer the most from high prices.** The average cost of a year's supply of a prescription drug more than doubled to more than $11,000 since 2006.
- **High drug prices raise costs for everyone.** People with health coverage will pay higher health insurance premiums and deductibles.

"While the president didn't offer any specific proposals on how to deal with these skyrocketing prices, we're happy he sent a message to Congress that he expects them to follow his lead," Hishta wrote. "AARP has long supported a wide variety of policies that will help reduce prescription drug prices, and we plan to let President Trump and Congress know exactly what they can do. For example, we believe that the secretary of Health and Human Services should have the authority to negotiate lower drug prices on behalf of millions of Medicare beneficiaries. In addition, we believe that we should reduce barriers to global price competition by allowing for the safe importation of lower-priced drugs. There is no reason for Americans to continue paying the highest prescription drug prices in the world."

In March, U.S. Reps. Elijah Cummings, D-Md., and Peter Welch, D-Vt., met with Trump to discuss ways to combat high drug prices. They pitched a House bill that would expand the federal government's ability to negotiate drug prices.

"He made it clear to us that he wanted to do something," Cummings said.

Before the meeting, Trump tweeted that he was "working on a new system where there will be competition" in the drug industry. After meeting with Cummings and Welch, Trump said he wanted to work "in a bipartisan fashion to ensure prescription drug prices are more affordable for all Americans."

Many Americans 'Not Worried Enough' About Retirement

More than half of working age Americans risk facing a lower standard of living during retirement, a new study by the Center for Retirement Research at Boston College found.

But even more surprising, many people believe they're on track for a secure retirement when in fact they aren't. Conversely, many who are doing well are worried they will fall short during their golden years.

The study found that 52 percent of working-age households in 2013 were at risk of being unable to maintain their standard of living in retirement, up from 30 percent in 1989 and 45 percent in 2004.

"This pattern of increasing risk reflects the changing retirement landscape," the authors wrote. "The length of retirement is increasing as the average retirement age hovers at 63 while life expectancy continues to rise. At the same time, replacement rates are falling for several reasons. First, at any given retirement age, Social Security benefits will replace a smaller fraction of pre-retirement earnings as the full retirement age rises from 65 to 67 and Medicare premiums take a larger chunk.

"Second, while the share of the workforce covered by a pension has not changed over the last quarter of a century, coverage has shifted from defined benefit plans to 401(k) plans. In theory, 401(k) plans could provide adequate retirement income. But individuals make mistakes at every step along the way, and the median 401(k)/IRA balance for household heads approaching retirement in 2013 was only $111,000. Finally, interest rates have declined dramatically, which means that households receive much less income from their accumulated wealth."

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Some 'Not Worried Enough,' Others 'Too Worried'

The authors found 57 percent of the households had a realistic idea of whether they were adequately prepared for retirement, but more than four in 10 households were mistaken in terms of how prepared they are.

The researchers found 19 percent of households were overconfident, believing they were on track for a secure retirement when in fact they were at risk of having to lower their living standard after retiring. The authors described this group as "not worried enough." This group may suffer from a "wealth illusion," believing that what appears to be a large balance in a 401(k) plan will help ensure a comfortable retirement. For example, a $100,000 401(k) balance may seem like a lot of money to many people, but it only provides about $400 a month in retirement income.

"The real danger in terms of misperceptions is being in the 'not worried enough' group," the authors wrote. "The key drivers here are having a defined contribution plan and being in the high-income group. As noted, households with a 401(k) may suffer from 'wealth illusion,' not recognizing how little income can be derived from their defined contribution balances.

"In addition, high-income households may not recognize how much wealth accumulation is required to maintain their standard of living. The 19 percent of households that do not recognize that they are at risk are unlikely to undertake remedial action. Perhaps better educational efforts could help here too, such as focusing more on the amount of retirement income that a given 401(k) balance could produce rather than the total account balance."

Meanwhile, the study found 23 percent of households are "too worried" about being able to generate sufficient income in retirement, although CRRBC's projects suggested they were on a course to maintain their pre-retirement standard of living.

"And while being 'too worried,' or better prepared than you think you are, may not be quite as problematic, it too has a downside: You may end up saving more of your income during your career than is necessary, which in turn may prevent you and your family from enjoying life as much as you could during your working years," Walter Updegrave wrote in a *Time* article.

For more information about retirement benefits, please contact us.

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New Long-Term Care Insurance Policies Only Cost Seniors $100-$150 a Month

The cost of long-term care insurance continues to rise. A couple in their 60s purchasing new coverage could expect to pay 6-9 percent more compared to a year ago, according to the annual industry analysis of prices.

"A typical couple where both spouses are age 60 will pay between $100 and $150 a month each for long-term care insurance protection," Jesse Slome, director of the American Association for Long-Term Care Insurance, said in a statement regarding the national trade group's 2017 Long-Term Care Insurance Price Index, an annual examination of costs for new policies.

"We advocate for a 'Good-Better-Best' approach to long-term care planning," Slome said.

Good coverage, Slome explains, provides benefits for up to 360 days with a benefit pool that increases each year as the policyholder ages.

"For many individuals who ultimately need long-term care, this is going to be sufficient or good coverage, and it's certainly going to be far more affordable," Slome said.

About half (41 percent) of current long-term care insurance claims end within one year, according to AALTCI data.

Meanwhile, the cost of policies for single men remained fairly level or, in some instances, actually declined compared to 2016.

"Our rate comparison for a single 55-year-old man showed a year-to-year decline of 20 percent in some instances," Slome said.

A single male, age 55, could anticipate paying anywhere from $90 to about $150-per-month for long-term care insurance available from some of the leading insurers.

Costs for virtually identical policy coverage still vary significantly from one insurer to the next, according to the AALTCI's 2017 Price Index.

The AALTCI analysis found rates varied by as much as 70 percent, a decrease from the prior year when some costs ranged by 94 percent.

"You generally only buy long-term care insurance once, so it's important to do it correctly the first time," Slome said.

For more information about long-term care benefits, please contact us.