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Government employees face benefits changes

Employers see significant savings from proven cost-control moves

COLUMBIA, S.C. (Dec. 14, 2011) — Government workers are not likely to see their health benefits disappear, but they are likely to face a lot of other changes as public employers struggle to control costs.

That's one of the key findings in a new study by the Government Finance Officers Association of its members. The research project, funded by a grant from Colonial Life & Accident Insurance Company, identified strategies government employers are using to manage the quality and cost of their employee benefits programs.

Tops among the changes government workers could see in their benefits packages are wellness initiatives. Seventy-nine percent of GFOA members responding to the survey said they're placing a greater emphasis on preventive care, and 77 percent said they're promoting healthy behaviors as a cost-control technique. An equal number said they've established Section 125 "cafeteria" plans and are focusing on maximizing participation in pretaxed benefits. Only 4 percent said they planned to eliminate health benefits.

"Public employers clearly see benefits that help them maintain a healthy and productive workforce can also be effective strategies for controlling their benefits costs," said Anne Spray Kinney, GFOA's director of research and consulting.

Popular moves not always effective

The study also showed the most common cost-savings techniques were not always the most effective. Health plan design changes, including carving out pharmacy benefits, expanding use of generic drugs, implementing health savings accounts and tightening provider networks, were the fourth most often-cited strategy at 71 percent. Yet just over half of those making health plan design changes strongly recommended that strategy to others.

In fact, some strategies getting the strongest endorsements apparently aren't being widely implemented. Moving noncore benefits to employee-paid voluntary benefits was recommended by 87 percent of those who implemented this change, but only a third of employers have done so. Using a benefits carrier to handle benefits education and communication was recommended by 84 percent, but just over half have made this move.

"Public employers have proven strategies for controlling their benefits costs, but many of them aren't taking advantage of the opportunities available to them," said Pat McCullough, Colonial Life's public sector practice

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leader. “Strong benefits packages are typically an attraction for public employers. They’re most likely to be able to continue offering high-quality benefits if they find ways to make them more cost-effective.”

Proven cost savings
Study participants who implemented cost-control strategies reported significant savings in their employee health care benefits. More than half — 55 percent — of government employers reported saving at least 6 percent, and 40 percent of them saved more than 10 percent. However, a quarter of respondents said they didn’t know how much they’ve saved. This lack of awareness points out a need for public employers to get help capturing and quantifying their potential savings, Colonial Life’s McCullough says.

A report based on the survey, “Containing Health Care Costs: Proven Strategies for Success in the Public Sector,” is available free of charge on Colonial Life’s website at www.coloniallife.com.

About Colonial Life
Colonial Life & Accident Insurance Company is a market leader in providing insurance benefits for employees and their families through the workplace, along with individual benefits education, advanced yet simple-to-use enrollment technology and quality personal service. Colonial Life offers disability, life and supplemental accident and health insurance policies in 49 states and the District of Columbia. Similar policies, if approved, are underwritten in New York by a Colonial Life affiliate, The Paul Revere Life Insurance Company, Worcester, Mass. Colonial Life is based in Columbia, S.C., and is a subsidiary of Unum Group, one of the world’s leading providers of employee benefits. For more information, call Colonial Life at (803) 798-7000 or visit www.coloniallife.com.

About GFOA
The Government Finance Officers Association is the major professional association serving the needs of 17,000 appointed and elected local and state level government officials and other finance practitioners. It provides top-quality publications, training programs, services, and products designed to enhance the skills and performance of those responsible for government finance policy and management. The association is headquartered in Chicago, Ill., with offices in Washington, D.C. For more information, visit www.gfoa.org.

Employee benefit cost management strategies used by government employers

	Using technique	Strongly recommend	Somewhat recommend
Emphasize preventive treatment	79%	67%	22%
Promote healthy behaviors	77%	65%	25%
Establish Section 125/maximize pretax participation	77%	73%	13%
Health plan design changes	71%	53%	24%
Shift benefits education and communication to carrier	52%	70%	14%
Move noncore benefits to employee-paid voluntary	34%	70%	17%

Health care benefit savings in most successful two-year period using cost-management strategies

Amount of savings	Respondents
1-5%	21%
6-10%	15%
11-15%	30%
15+%	10%
Don’t know	24%

Source: “Containing Health Care Costs,” Government Finance Officers Association, 2011.

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