

The Best Practices of The Principal 10 Best Companies for Employee Financial Security

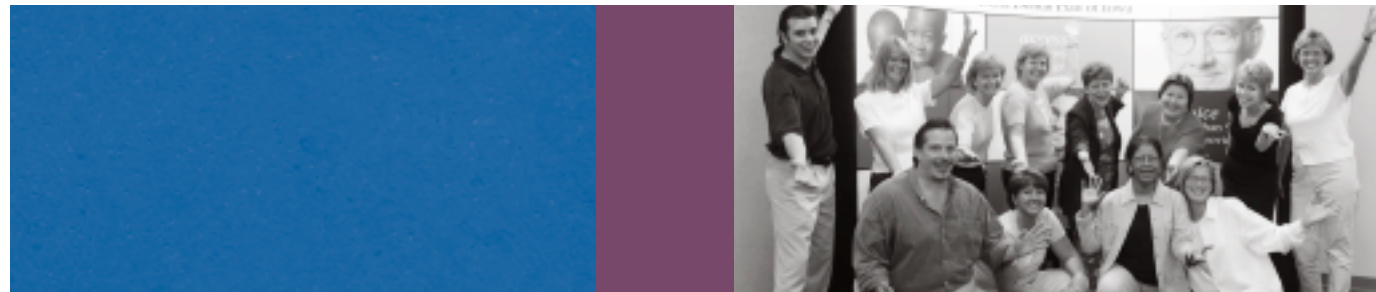
HEALTHCARE BENEFITS

Ironically, the benefit that employees say is the most important – medical insurance, according to the Second Quarter 2003 Principal Well-Being Index – is also the benefit that presents the biggest challenge to employers. The rising cost of healthcare is the number one benefit concern of *The Principal 10 Best Companies* in 2003 and of most small- and medium-sized businesses across the nation.

The majority of *The Principal 10 Best Companies* experienced medical cost increases of 17 percent to 27 percent in 2002. This trend of double-digit increases will likely continue. In fact, the 2003 Segal Health Plan Cost Trend Survey projects that “the cost of healthcare coverage will average nearly 25 percent of wages in less than five years for many plan sponsors.”

Fortunately, there are ways to control costs while still offering a strong medical insurance program. *The Principal 10 Best Companies* have had success with these approaches.

- **Offer more than one plan.** This approach gives employees greater choice of – and greater responsibility for – their



Delta Dental Plan of Iowa

healthcare benefits. Two or more medical plans are made available: one with a lower premium and higher deductible or coinsurance, as well as one or two with a higher cost to the employee and richer benefits. The employer typically pays for a substantial portion of the cost of the lowest-cost plan. The employees can then decide, based on their families' needs, which plan is best for them. This method paid off for Lancet Software Development, saving the company 9 percent on their medical costs.

- **Consider a consumer-driven healthcare plan.** Known by a wide variety of names, consumer-driven healthcare plans are those that create a consumer moment and provide a consumer experience, empowering members. A consumer

moment is created when financial consequences are attached to healthcare decisions. A consumer experience is created when members have access to tools and information to understand their health, their healthcare plan and their options. Consumer-driven healthcare plans often include features such as a health reimbursement arrangement (HRA), a medical savings account (MSA) or flexible spending account (FSA).

- **Encourage participation in care management programs.** Care management services are voluntary programs for employees and dependents with chronic or acute illnesses or injuries.

Two programs promoted by *The Principal 10 Best Companies* are disease management and case management. Disease management programs work with chronically ill members, such as diabetics, to help them understand their condition and assist them with getting appropriate care as part of a long-range care plan. A case manager – typically an experienced registered nurse – works one-on-one with the individual to ensure the best, most cost-effective care. By providing help in navigating the often complex medical maze, case managers not only save money for employers by steering employees to cost-effective care, but they can also be a great help to employees and their dependents. Parr Instrument Company recently added this option. The company has already experienced cost savings as a result.

- **Fine-tune the plan.** Work closely with your medical insurance provider to find

small changes that can be implemented to reduce costs. Several small changes could make a big impact on plan costs without significantly reducing benefits or increasing employees' expenses. These changes can be made instead of, or in addition to, larger changes to meet budgets.

- **Use a multi-tiered prescription drug plan.** Multi-tiered prescription plans give employees a financial incentive – typically in the form of a lower copay – to use generic or formulary drugs whenever medically feasible. MSU Federal Credit Union used this approach to reduce their most recent renewal increase from 20 percent to 17 percent. None of the premium increase was passed on to employees.
- **Educate employees.** Help employees become consumers of healthcare rather than users. Use newsletters, one-on-one

discussions or small-group meetings to educate employees on their benefit levels, their healthcare choices and the costs of those choices. *The Principal 10 Best Companies* have accelerated their healthcare education efforts to employees as one tactic in dealing with rising medical costs.

- **Be honest about the situation.** Let employees know what's involved in maintaining a strong medical insurance program, and they'll most likely have an easier time dealing with necessary changes to the plan. As Donn Hutchins, CEO of Delta Dental Plan of Iowa, explains, "I've learned that if we're honest and we've done our research, our employees are OK with the changes. Open communication with the employees makes a difference. They're part of the successes and the challenges, and we need to be straightforward and honest with them."

WE UNDERSTAND WHAT YOU'RE WORKING FORSM



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