

Mini News

News For The Employees of Data General

May 1987

SPECIAL REPORT

- *Medical, Dental, and A & S Benefits Improved*
- *Programs Designed To Control Benefit Costs*
- *Open Enrollment from May 26 - June 19*

This Special Report announces changes in Data General's Benefits programs and discusses the challenge of responding to increased medical costs.

Complete details on the changes, which are called BENEFITS PLUS, are being mailed to each employee at home. Meetings are being scheduled to review the new plans, answer questions, and obtain new benefits enrollment forms from each employee.

Here's when you can expect to hear more about BENEFITS PLUS:

May 20-23 — Information received at home by each U.S. employee

May 26-June 12 — Enrollment meetings at plants and offices.

June 19 — Enrollment deadline

July 1 — New Benefits effective

BENEFITS PLUS



Corporate Benefits Manager Ganne De Somery meets with a task force implementing benefit changes.

Balancing Employee Needs And Rising Health Care Costs

Data General, like most companies, has been challenged for several years with the problem of how to control the rising cost of benefits as health care charges escalate rapidly. In July of this year, benefit changes take effect which will reduce the current rate of increase and, hopefully, limit the future impact.

"In revising our benefits program, we were insistent that the availability of comprehensive coverage at an affordable price be maintained," states Don Bateman, vice president of Human Resources. "The balance between broad coverage and reasonable cost for both the company and employee was the ever-present challenge. I believe we've met the challenge and employees will be pleased with the result."

Options

There are many options available to manage rising medical benefit costs. One approach is to require advance authorization of hospitalization and to have the length of hospital stays pre-approved by the insurance company. Another is to transfer costs to the user through larger deductibles and co-payments. And still another is the so-called cafeteria plan where employees use their own money and a fixed amount of "company money" to "buy" benefits.

"What we've done is create a program for medical and dental coverage which we believe takes some of the best elements of several different approaches," says Ganne De Somery, manager of Corporate Benefits. "In doing so, we have managed to create a partnership between Data General and the employee. We have avoided extremes such as managing large portions of your health care or passing along high costs for one kind of coverage."

Program

The Data General program, which will be announced in a mailing to each employee's home in late May, is called BENEFITS PLUS. Most of the changes are in the area of medical coverage, but a new dental plan will be offered as well. A DMO, a dental maintenance organization, is similar to a medical HMO a health maintenance organization. It is a plan in which care provided by a participating dentist is paid in full in most instances. A major innovation will be "pre-tax" employee contributions for medical coverage, which will allow payroll deductions to be made before federal, state and social security taxes are applied.



Camillo Davis

In the area of medical benefits, there will be a choice of three Data General medical plans in addition to HMOs. The plans include some of the positive elements of managed health care such as second surgical opinions and incentives for ambulatory or day surgery. Other features such as well-child care, vision care and payment for routine physicals will also be included. An employee will also be able to choose higher deductibles, but \$100 deductible coverage continues to be an option as well.

Details

Following receipt of all information at home, employees will be invited to participate in enrollment sessions at work. These meetings are being developed to further explain BENEFITS PLUS; to help employees enroll; and to answer questions about the transition from current coverages to new coverages.

"Employees must make choices," explains Ganne. "Current coverages end; new coverages begin; and employees can only participate in the new choices by providing their specific authorization."

An Open Enrollment for medical and dental, as well as life insurance benefits, will be conducted between May 26 and June 19.

Medical Cost Increases - A Costly Fact Of Life

An individual with a prescription that needs to be filled regularly might notice that every few months the price changes...not by a few pennies, but by a dollar or two at a time.

A husband and wife awaiting the birth of a second child are shocked that the doctor's fee has more than doubled since their first child, still a pre-schooler, was born.

These are just two visible examples of the rising cost of health care. Doctors' fees continue to climb due to many factors including the cost of malpractice coverage. Diagnostic tests become more common and more expensive due in part to the growing availability of medical technology. Government reimbursements to health care providers are "capped," resulting in increases to individuals and private benefit plans.

In 1984, American business paid \$90 billion in health insurance premiums, seven times what it paid in 1970. The 1984 payments were equal to 38% of pre-tax profits and far in excess of dividends paid to shareholders. Dr. Regina Herzliner of the Harvard Business school, writing in the Harvard Business Review of August 1985, predicted "Corporate expenses for health care are rising at such a fast rate that, if unchecked, in eight years they will eliminate all profits for the average Fortune 500 company and the largest 250 non-industrials."

Data General has not been immune from the cost increases. The cost per employee for medical coverage has doubled since 1981. The cost per Data General employee was projected to increase 15 percent this year. Data General's share of that cost has continued to escalate. Even with pre-tax contributions, cost-control, and greater individual choice, Data General's share is expected to increase nearly \$2 million.

The magnitude of the health care bill to American business is even more astounding when one looks at the history of company-provided health benefits. Health insurance through employers was introduced in the 1940s; provided hospital coverage only; and was totally paid for by the employee. It was not until the early 60s

that medical insurance through employers as we know it today began to develop. Today, health insurance is often viewed as the total payer of medical bills.

The fact that most bills are paid by third parties - insurance companies or the government - is sometimes cited as a reason for "consumer indifference" which results in sharp medical cost increases. In fact, however, most individuals have group health coverage through an employer and the increased costs are passed along directly to the individual or the company. This is the case with Data General, where costs are based on actual claims paid.

Inflation also plays a role, but the increases have far outstripped both inflation and the consumer price index. In the first part of 1986, for example, the Bureau of Labor Statistics reported a decrease of 1.9 percent in the consumer price index and an 8.7 percent increase in medical costs.

A survey by Johnson & Higgins, an Employee Benefits Consulting firm, reported health care cost increases last year of 7.7 percent to \$1857 per employee. Data General has seen health care costs nearly double in the past six years to about \$1800 per employee. Of that amount, Data General will pay approximately \$1450 per employee in 1987.

"The increase in medical costs is a fact of life," says Ganne De Somery manager of Corporate Benefits. "Each individual, insurance company and business must deal with these facts. Data General is no exception."

Accident & Sickness Coverage To Be Company Paid

A greater threat than high medical bills for working Americans is often the loss of income during an illness. Data General's short-term and long-term disability benefits in the form of Sick Time, Accident and Sickness coverage, Salary Continuation and Long Term Disability insurance have protected employees for many years.

One change being made this year will assure that all eligible employees have the necessary coverage. Accident and Sickness coverage will be provided at no-cost to eligible non-exempt employees. The cost of Accident and Sickness coverage, which provides short-term disability income to non-exempt employees, had been a shared expense between employees and the company in the past. Effective July 1, it will be totally company paid.

"The importance of this coverage was reflected in enrollment of 95 percent or more of all those eligible," explained Ganne De Somery, manager of Corporate Benefits. "The company is willing to absorb the additional cost since providing this benefit assures that no one risks going without income during a period of illness simply to avoid the weekly premium."

Life Insurance Open Enrollment

For the first time in more than five years, Data General is having a life insurance enrollment. This is an opportunity for employees to add life insurance without providing proof of insurability. The enrollment will coincide with the medical open enrollment from May 26 through June 19.

Data General provides each regular employee working more than 30 hours a week with life insurance equal to twice basic pay. Employees may then buy supplemental coverage up to three times their pay up to a maximum - company-paid and employee paid - of \$300,000. Additionally, employees may purchase \$5,000 spouse and \$2,000 per child dependent life insurance coverage for 31-cents per week.

"The life insurance you chose several years ago may or may not be best for you or your family today and in the future" says Camillo Davis, manager of Health and Life Insurance Benefits. "We are asking each employee to assess his or her individual situation and make the decision."

The information package provided each employee in late May will provide several questions to consider about life insurance coverage.

THE REAL ANSWER: Healthier People

One way to control medical costs is not to get sick. At first, this sounds like a wise remark, but think about it. People who maintain their health avoid many of the maladies that result from an unhealthy life style. The facts are well known: smoking is one of the greatest contributors toward cardio-vascular disease; untreated high blood pressure is "the silent killer;" etc.

History may look back upon the 1960s and 1970s as the era of the "pill," not just from the birth control perspective but from a total health outlook on life. There was a pill for everything and people began to rely on medical science to solve problems after-the-fact. With the cost of medical treatment going up and the effects of unhealthy living being spotlighted, the 1980s and 1990s present the opportunity for a change in American attitudes toward health.

Once upon a time, unhealthy life styles may just have shortened your life. While the personal tragedy was great, the impact on medical costs was negligible. Today, hardly a problem exists that cannot and is not being addressed by medical technology. Deteriorated vascular systems can be repaired; artificial mechanisms can replace non-functioning body parts; and machines can maintain life.

"Fewer smokers, more moderate drinkers and more people exercising will have a greater effect on medical care costs than the most innovative benefit programs available," states Data General Health Nurse Nancy Powers in discussion with other Data General nurses meeting recently at Woodstock.

Data General nurses have been increasing their commitment to maintaining healthy employee life styles through programs ranging from Stop Smoking clinics to blood pressure screening. At many Data General facilities, policies now discourage smoking and programs are in place to encourage employee exercising.

Some dramatic testimony was provided the U.S. Senate Committee on Labor and Human Resources earlier this year from Joseph Califano, Jr., the former Secretary of Health, Education and Welfare and author of a major study on America's Health Care Revolution.

"The world's most expensive health care system might be justified if Americans were the world's healthiest people," says Califano. "But while the United States spent \$1600 for the health care of each person in 1984 and Singapore spent about \$200, both nations have the same life expectancy at birth. And Singapore's appears to be rising more rapidly than ours. Singapore and six other nations have infant mortality rates lower than ours."

Califano then went on to suggest strongly that it is the lifestyle we choose to lead that results in medical problems. "Sixty-seven percent of all disease and premature death is preventable," he says. "The plain fact is that each of us can do more for our own health than any doctor, any hospital, any machine or any drug.

"For example," states Califano, "heart disease is America's number one killer. People have the impression that coronary bypass surgery, modern cardiopulmonary techniques, miracle pills and human heart transplants are the way to battle heart disease. Right? Couldn't be more wrong. Since 1970 our nation has experienced a dramatic 25 percent decline in deaths from coronary heart disease. The major reasons? Improved eating habits - the reduction of cholesterol - and the decline in cigarette smoking were responsible for more than half of the decline in deaths from heart disease."

Califano concludes: "In a free country, pursuit of a healthy lifestyle is voluntary. But we can certainly take a host of actions to encourage Americans to choose wisely, and to bear the cost when they don't."