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Companies smoke out health care savings

BY ROB ROBERTS / STAFF WRITER

Besides being one of the nation's largest pork providers, Premium Standard Farms Inc. provides self-funded health insurance to about 4,400 employees.

Soon, tobacco users among that work force will be bringing home less bacon because more will be deducted for insurance.

"They're going to be unhappy," said Jeff Gough, vice president of human resources for the Kansas City-based company.

But with health care costs continuing to rise and tobacco users costing about 25 percent more to cover than nonusers, Premium Standard decided it was time to join the growing number of employers adopting premium differentials.

"We want to give people a chance to quit smoking," Gough said. "So starting in the next month or so, and for every month thereafter, we're going to roll out smoking-cessation programs, which are going to be paid for 100 percent by us."

Starting Jan. 1, 2007, however, Premium Standard employees still using tobacco will be charged 15 percent more for health insurance than their tobacco-free co-workers.

"We have three different plans, so the cost will be anywhere from $5 to $15 a month," Gough said. "It's not much, but I'm sure we have a high percentage of smokers, so that's going to make it tough."

Ron Dutton, president of R.J. Dutton Inc., a Kansas City employee benefits advisory firm, said more employers are making the tough decision to add premium surcharges for workers who smoke.

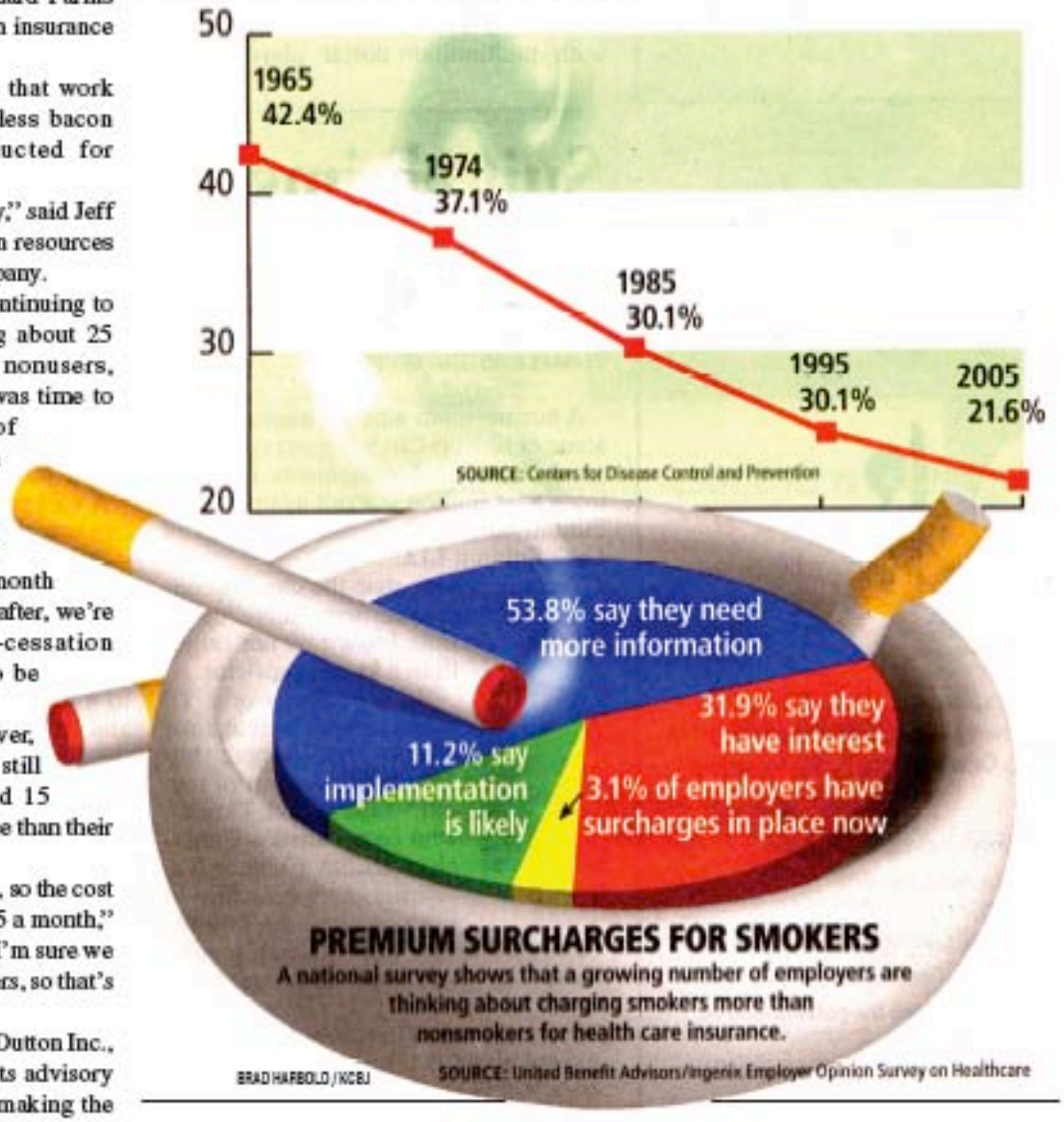
"Over the last three to four years, employers have gradually become fed up with the fact that they are being held responsible for financing health care in the United States," Dutton said. "Yet we have a population that is less and less concerned with taking care of its health."

United Benefit Advisors, a national alliance that R.J. Dutton belongs to, reported in September that 3.1 percent of employers surveyed nationally have adopted premium differentials for tobacco users.

An additional 11.2 percent said they

SMOKING AMONG U.S. ADULTS

Economic penalties for smoking are becoming more common as the habit becomes less prevalent among U.S. adults 18 and older.



SMOKE: Obese employees also might pay premium surcharges

probably will adopt a differential in the next year, and 53.8 percent indicated that they need more information before acting.

Once employers opt for a differential, Dutton said, they need to decide whether to take the carrot or stick approach.

The stick approach involves premium surcharges like those Premium Standard is planning, he said, and the carrot approach involves comprehensive wellness programs that allow employees to earn lower premiums.

In both cases, Dutton said, differentials are limited to 20 percent of employee-only premium costs by the federal Health Insurance Portability and Accountability Act of 1996.

Dutton said premium surcharges also may be levied against obese employees.

HIPAA, however, does not allow surcharges against employees who cannot quit smoking or lose weight due to a medical condition, such as nicotine addiction or a genetic weight issue, and who complete an alternative requirement.

Although no area employer has attempted to charge obese workers more for their insurance, several are asking smokers to cough up more, Gough said.

"We're not leading the way here," he said. "But we want to start doing whatever we can to keep our insurance costs under control."

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>
> **Jeff Gough**
> vice president of human resources, Premium Standard Farms Inc.

Although surcharges are becoming a popular tool for holding down costs associated with unhealthy employees, an internal Wal-Mart Stores Inc. memo leaked recently highlights other approaches.

The memo, from Susan Chambers, Wal-Mart's executive vice president of benefits, suggests a shift to consumer-driven health care plans, which appeal to healthy employees with lower premiums, higher deductibles and health savings accounts.

"Most troubling," Chambers wrote, "the least healthy, least productive associates are more satisfied with their (current) benefits ... and are interested in longer careers with Wal-Mart."

Chambers, who estimated that consumer-driven plans could save Wal-Mart $700 million a year, recommended a variety of moves to "dissuade unhealthy people from coming to work at Wal-Mart."

Another recommendation: "Design all jobs to include some physical activity (e.g., all cashiers do some cart gathering)."

Howard Weyers, president of an insurance consulting firm near Lansing, Mich., has a simpler approach to unhealthy employees: Fire them.

Weyers announced two years ago that as of Jan. 1, 2005, any workers still using nicotine would be fired. And they were.

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