

## The smokers' surcharge - Tehran Times

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19 November 2011 13:27 - More and more employers are demanding that workers who smoke, are overweight or have high cholesterol shoulder a greater share of their health care costs, a shift toward penalizing employees with unhealthy lifestyles rather than rewarding good habits. Policies that impose financial penalties on employees have doubled in the last two years to 19 percent of 248 major American employers recently surveyed. Next year, Towers Watson, the benefits consultant that conducted the survey, said the practice — among employers with at least 1,000 workers — was expected to double again.

In addition, another survey released on Wednesday by Mercer, which advises companies, showed that about a third of employers with 500 or more workers were trying to coax them into wellness programs by offering financial incentives, like discounts on their insurance. So far, companies including Home Depot, PepsiCo, Safeway, Lowe's and General Mills have defended decisions to seek higher premiums from some workers, like Wal-Mart's recent addition of a \$2,000-a-year surcharge for some smokers. Many point to the higher health care costs associated with smoking or obesity. Some even describe the charges and discounts as a "more stick, less carrot" approach to get workers to take more responsibility for their well-being. No matter the characterizations, it means that smokers and others pay more than co-workers who meet a company's health goals. But some benefits specialists and health experts say programs billed as incentives for wellness, by offering discounted health insurance, can become punitive for people who suffer from health problems that are not completely under their control. Nicotine addiction, for example, may impede smokers from quitting, and severe obesity may not be easily overcome.

Earlier this year, the American Cancer Society and the American Heart Association were among groups that warned federal officials about giving companies too much latitude. They argued in a letter sent in March that the leeway afforded employers could provide "a back door" to policies that discriminate against unhealthy workers.

Kristin M. Madison, a professor of law and health sciences at Northeastern University in Boston, said, "People are definitely worried that programs will be used to drive away employees or potential employees who are unhealthy." Current regulations allow companies to require workers who fail to meet specific standards to pay up to 20 percent of their insurance costs. The federal health care law raises that amount to 30 percent in 2014 and, potentially, to as much as half the cost of a policy.

When Wal-Mart Stores, the nation's largest employer, recently sought the higher payments from some smokers, its decision was considered unusual, according to benefits experts. The amount, reaching \$2,000 more than for nonsmokers, was much higher than surcharges of a few hundred dollars a year imposed by other employers on their smoking workers.

And the only way for Wal-Mart employees to avoid the surcharges was to attest that their doctor said it would be medically inadvisable or impossible to quit smoking. Other employers accept enrollment in tobacco cessation programs as an automatic waiver for surcharges.

"This is another example of where it's not trying to create healthier options for people," said Dan Schlademan, director of Making Change at Walmart, a union-backed campaign that is sharply critical of the company's benefits. "It looks a lot more like cost-shifting."

Wal-Mart declined to make an official available for an interview and provided limited answers to

questions through an e-mail response. "The increase in premiums in tobacco users is directly related to the fact that tobacco users generally consume about 25 percent more health care services than nontobacco users," said Greg Rossiter, a company spokesman.

Wal-Mart requires an employee to have stopped smoking to qualify for lower premiums. The company, which has more than one million employees, started offering an antismoking program this year, and says more than 13,000 workers have enrolled.

Some labor experts contend that employers can charge workers higher fees only if they are tied to a broader wellness program, although federal rules do not define wellness programs. Employers cannot discriminate against smokers by asking them to pay more for their insurance unless the surcharge is part of a broader effort to help them quit, said Karen L. Handorf, a lawyer who specializes in employee benefits for Cohen Milstein Sellers & Toll in Washington.

Many programs that ask employees to meet certain health targets offer rewards in the form of lower premiums. At Indiana University Health, a large health system, employees who do not smoke and achieve a certain body mass index, or B.M.I., can receive up to \$720 a year off the cost of their insurance. "It's all about the results," said Sheriee Ladd, a senior vice president in human resources at the system.

Initially the system also rewarded employees who met cholesterol and blood glucose goals, but after workers complained that those hurdles seemed punitive, Indiana shifted its emphasis a bit. Workers who do not meet the weight targets can be eligible for lower premiums if a doctor indicates they have a medical condition that makes the goal unreasonable, Ms. Ladd said.

"There are not many of those who come forward, but it's available," she said, adding that workers must be nonsmoking to get the other discount. About 65 percent of roughly 16,000 workers receive a discount. Some benefits consultants say companies may be increasingly willing to test the boundaries of the law because there has been little enforcement, even though there is a provision requiring employers to accommodate workers with medical conditions limiting their ability to meet certain standards. "They are thumbing their nose at the accommodation provision," said Michael Wood, a consultant at Towers Watson.

Still, "The employer is going to win not by cost-shifting but by getting people to stop smoking," said Barry Hall, an executive at Buck Consultants, which advises employers.

Some versions of tougher standards have already been abandoned. The UnitedHealth Group, for example, had introduced a health plan called Vital Measures, which allowed workers to reduce the size of their deductible by meeting various health targets, but discontinued the offering three years ago because of insufficient demand, according to a spokesman. The insurer now offers plans that allow employees to earn rewards by either achieving health targets or participating in a coaching program to improve their health.

Wal-Mart's decision to start charging smokers more for insurance came abruptly, according to some employees who say they had no chance to quit or consult a doctor. Jerome Allen, who works for Wal-Mart in Texas, says he realized he was paying \$40 a month more as a smoking surcharge only when he saw a printout of his insurance coverage.

"Forty dollars is a lot of money," said Mr. Allen, 63, who works part time. He says he has now quit smoking.

Wal-Mart says it mailed information about benefits changes weeks in advance of the enrollment deadline.

Under Wal-Mart's programs, employees who want to enroll in some of the company's more generous plans, which offer lower deductibles and out-of-pocket maximums, can pay as much as \$178 a month, or more than \$2,000, a year more if they smoke. Many other companies

charge smokers a smaller, flat amount, and have kept any financial penalties under the 20 percent threshold set by the federal rules, according to benefits experts. Target, a Wal-Mart competitor, does not charge smokers more for insurance, while Home Depot charges a smoker \$20 a month. PepsiCo requires smokers to pay \$600 a year more than nonsmokers unless they complete an antismoking program.

Some critics say Wal-Mart's surcharge may have the effect of forcing people to opt for less expensive plans or persuade them to drop coverage altogether. Dr. Kevin Volpp, the director of the Center for Health Incentives and Behavioral Economics at the Leonard Davis Institute at the University of Pennsylvania, pointed out that surcharges and stringent health targets might wind up endangering those whose health was already at high risk. "There is this potentially very significant set of unintended consequences," he said.

□ **(Source: The New York Times)**