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8 Investing Mistakes You Should Avoid This Year

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Money

For every vice, there's a price

Fancy a smoke? Got a weakness for Krispy Kremes? Your insurer may start charging you for it. From Money Magazine's Patricia B. Gray

By Patricia B. Gray, Money Magazine contributing writer
January 15 2008: 2:09 PM EST

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(Money Magazine) -- Brace yourself. You may soon get a memo from your employer with a pretty bold threat: Shape up or pay up. As part of an ongoing effort to curb the runaway cost of providing health benefits, a small but growing number of companies are charging workers for habits like smoking, overeating and failing to exercise.

One example: Sixteen percent of the nation's largest employers now make workers who smoke pay more than nonsmokers for health insurance, reports Mercer, a benefits consulting firm. The penalty comes in the form of higher premiums or deductibles and can get pricey - running a few hundred to a few thousand dollars a year.

Critics say these programs violate workers' privacy and make group health plans too much like individual insurance. Already a union grievance has been filed against the Tribune Co., (TXA) which now adds \$100 a month to smokers' premiums, and more challenges are likely.

But benefits experts don't expect the complaints to reverse the trend. Says Deirdre Kelley of benefits consultancy Watson Wyatt: "Companies are determined to get tough with employees."

Where we're headed

Under the typical employer-based health plan, your health status doesn't affect how much you pay. But in the new world order, you might have to go through an annual screening, conducted by your insurer or employer.

You could be tested on one or more of four indicators: body mass index, blood pressure, cholesterol and tobacco use. And your results may determine how much you pay for family coverage. Under one United Healthcare plan, for instance, a family deductible is \$1,000 if you pass four tests; \$5,000 if you fail them all. The insurer hasn't exactly set the bar high, though experts expect stricter standards in

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WOULD YOU PAY A PREMIUM?

In one health plan, people above certain trigger points pay a bigger deductible. Still, these are more lenient than medical standards.

| | PLAN TRIGGER | HEALTHY LEVEL |
|-----------------|--------------|---------------|
| BODY MASS INDEX | >27.5 | <25 |
| LDL CHOLESTEROL | >130MG/DL | <100MG/DL |
| BLOOD PRESSURE | >135/85 | <120/80 |

SOURCES: UNITED HEALTHCARE; NATIONAL INSTITUTES OF HEALTH

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How we got here

In the late '90s, companies began in earnest to reward workers for healthy behaviors, with gym reimbursements and cash for exercise. But these incentives alone couldn't fight health costs rising at twice the rate of inflation.

"Besides, people were putting pedometers on their dogs to log miles or using the hot tub instead of the treadmill at the gym," says Doug Short, CEO of BeniComp, which administers health plans. "We've learned that people don't change lifelong habits if you give them a trinket."

Many employers still offer wellness rewards - 23 percent, up from 19 percent in 2006, Mercer says. It's just that a few are adding disincentives to further cut costs. Advocates speak of these as another form of reward: Get healthy and you'll get the better price.

What your options are

So what do you do if your job wants to charge you for your love of doughnuts, lack of exercise and need for cigs?

If you can, get coverage through your spouse's company. Or just swallow hard and pay up (it'll still be cheaper than an individual policy), then work on cleaning up your act. To comply with federal law, many employers that tie insurance costs to health also offer programs to help workers change habits, like smoking-cessation classes. Simply attending could earn you a waiver on the penalty.

Getting healthy solved two problems for Teri Sank, 46, of Berne, Ind. In 2006 she failed her company's cholesterol test and her deductible went up \$500. She went on a diet, reduced her LDL and earned the lower deductible for 2008. Says Sank: "I have no hard feelings because it forced me to pay attention to my health." ■

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