

New Business

HEALTH CARE: GE GETS RADICAL; It's offering only high-deductible, consumer-directed plans. That will save millions but may damage morale

By Jena McGregor, with Esme Deprez

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It's been a hard year to work at General Electric ([GE](#)). Salary freezes have hit its famously performance-driven employees, with some managers taking pay cuts. The price of GE stock, which once made millionaires out of even hourly workers, has gone nowhere as the rest of the market has risen. A 68% dividend cut—the first in 71 years—has stung execs who rely on a heavy dose of restricted shares.

And now GE is making changes that could deal another blow to morale. The company is forcing its 75,000 salaried U.S. employees and 8,000 retirees under the age of 65 to choose what's known as a consumer-directed health plan, which includes deductibles that run as high as \$4,000 a year. Traditional plans, where employees pay higher premiums in exchange for predictable co-pays up front, are no longer available for salaried workers. One employee says his colleagues "are looking at this as a cut in pay."

GE says the plan is being rolled out to make employees better health-care consumers and to coincide with its new "Healthymagination" strategy, a companywide initiative for health-care innovation. While GE says its future cost savings are unclear, people with knowledge of the situation estimate it could save \$1 billion over the next decade or so. With three tiers of premiums and deductibles, GE spokesperson Sue Bishop notes, employees still have options. "It's not that different from their car insurance," she says. "You get to choose the amount of your premium, and that determines the amount of your deductible."

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The total cost of care will depend, of course, on the individual. Consumer-driven plans can save money for healthy workers who rarely visit a doctor or shop around. Typically, employees have lower premiums and save pretax dollars in health-savings accounts to pay much higher deductibles, with companies providing contributions to offset expenses. (GE will fund up to \$1,000 for two of the three tiers.) While GE's plans offer free preventive care, for the first time, it's making smokers pay an extra \$625 a year.

Workplace experts say that while many companies are adopting consumer-directed plans—about half now offer one, according to consultancy Watson Wyatt Worldwide ([WW](#))—most offer them as part of a broader menu. Wharton School professor Peter Cappelli argues that this isn't the year

to be piling big changes on an already battered employee base. "There's the death-by-a-thousand-cuts issue," he says. Veteran recruiter Peter Crist adds that the health-care change could add to the grousing he hears from GE executives. "At the high end, it's not just the money," says Crist. "It's the aggravation."

Indeed, there are indications that many are anxious about their new benefits, even if they can take comfort in knowing GE's salary freeze will lift in 2010. Some are overwhelmed by the complexity of the new plans. GE is offering Web tools, town halls, and coaches to help. But James N. Cawse, a former staff scientist at GE Global Research, says: "I'm a statistical analysis guy and I finally had to draw up a spreadsheet to make any sense of it."