Common Health Plan Options

Employers searching for methods to control rising group health costs should consider the following important differences in three common cost-reduction options:

Health Savings Account (HSA)

The employee, employer and others can contribute to the employee's account. The tax benefits are three-fold: Contributions are tax deductible, earnings are tax-free, and withdrawals for qualified medical expenses are tax-free. Funds in the account do not expire, and employees can take their accounts with them if changing jobs.

Flexible Spending Account (FSA)

The employee or employer can contribute through a salary reduction agreement. The tax benefits are two-fold: Contributions to the account are tax deductible and withdrawals are tax-free if used for qualified medical expenses. Funds in the account are forfeited if not used by the end of the year, and the account is forfeited if the employee changes jobs.

Health Reimbursement Account (HRA)

The employer contributes to the account. Employer contributions are not included in the employee's income, and withdrawals are tax-free if used for qualified medical expenses. Money in the account can carry over to the next year. Funds are returned to the employer if the employee changes jobs. ■

Benefits Compliance Free Info

Those entrusted with the administration of a firm's employee benefits program face the difficult responsibility of understanding the many compliance guidelines set forth by the U.S. Department of Labor and ERISA.

Understanding compliance is not easy; nonetheless, it is extremely important to reduce the risk of litigation arising from a breach in fiduciary responsibility.

Benefits administrators, HR managers and employers should visit the Department of Labor's website (www.dol.gov/compliance/laws/comp-erisa.htm) for important information concerning compliance and other essential data. The website contains everything administrators need to know on important benefits issues including ERISA, COBRA, the Employee Benefits Security Administration (EBSA), and more. The DOL has compiled consumer-friendly guides, fact sheets, record-keeping assistance, e-tools and other items essential to understanding required filings, reports and other compliance information that will ensure the proper administration of a variety of employee benefit plans. ■

Critical Illness Benefits

Critical illness insurance is a voluntary health benefit product available from several major life and disability insurers at no cost to employers. This and other voluntary health benefits are designed to fill large gaps in traditional major medical plans, and most products are available to groups on a guaranteed issue basis.

Most critical illness policies pay cash benefits at the time the individual receives any of several critical medical diagnoses. Covered events include cancer, stroke, heart attack, kidney failure, major organ transplant and others.

In addition to providing money to help with out-of-pocket expenses for treatment itself, many critical illness policies also cover at least some expenses related to treatment. Such expenses may include transportation to treatment and home-care support stemming from the diagnosis.

Many critical illness policies also cover costs associated with recurrence or multiple diagnoses of covered illnesses. Call us for more information on this important voluntary benefit for your firm's employees. ■

Inform Employees of 401(k) Options

Benefits managers, are you doing your fiduciary duty in explaining to employees their options when they are going to work somewhere else? How about when they begin employment at your firm?

A recent study by Hewitt Associates indicates that 46% of 401(k) participants who terminated employment in 2008 took a cash distribution. Only 29% kept the money in their former employer's 401(k). About 25% rolled the money into an IRA or a new employer's retirement plan. Account balance cash-out rates are highest among younger and middle-aged workers.

"The high cash-out rate among young and middle-aged workers is troublesome because these employees are missing out on the opportunity for decades' worth of tax-deferred growth on their investments," says Hewitt's director of retirement research.

Administrators must make sure that new and departing workers are aware of their choices, which include keeping those dollars in a former employer's 401(k)—an option many don't know exists. Failure to adequately inform workers of their options could result in costly claims of a breach of fiduciary responsibility.

For more information on communicating options to workers at your firm, call our service team today. ■

Dependent Eligibility Audit

Benefits departments looking to control escalating health costs should consider looking within, according to a recent report from Watson Wyatt Worldwide.

A dependent eligibility audit has become the fastest-growing form of health-cost audit performed by companies, according to the report. This type of audit reviews whether the dependents enrolled in the company's medical benefit program truly qualify.

According to the report, such audits have grown in popularity due to the immediate and substantial savings reported by firms that successfully identify ineligible dependents—usually ex-spouses and children who have dropped out of college or "aged out" and no longer qualify for benefits. Experts believe these audits prove that between 3% and 12% of dependents on an employer's health plan are actually ineligible.

Savings related to the removal of ineligible dependents vary. They can reduce health expenditures by 1%–3% for many employers. Large employers have seen savings of millions of dollars.

Interested in learning more about how your firm could save health plan dollars through this and other audits? Give our service team a call. ■

Mini-Med Plans for Small Employers

For employers hoping to offer workers group health coverage but struggling with the rising costs of group major medical plans, limited- or mini-medical plans may be the solution.

These plans also provide a solution for many smaller employers hoping to boost retention by offering employees the opportunity to participate in some form of health plan that was not possible in years past due to the overwhelming cost of most major medical plans. Employers have the option to partially pay the cost of the plan or make it 100% voluntary. Even if it's the latter, many employees will jump at the chance to purchase benefits that are typically better and cheaper through a group plan than a plan available in the individual market.

Mini-medical plans continue to evolve in terms of coverage and limits. In years past, policies were designed to cover smaller costs, such as X-rays or blood tests, and had low annual maximums for certain services. Many current plans have been expanded to cover higher-cost services, such as MRIs and CT scans. Limits for many plans have greatly increased for services including outpatient and inpatient services, and some offer higher maximums for hospital daily allowances.

The plan's main attraction is that premiums are typically half the cost of major medical coverage. Is one of these plans the right option for your firm's benefits offerings? For more information, call our service team today. ■

Disability Insurance Can Be Affordable

Are your firm's employees prepared for the consequences of a disability? They should be. According to the U.S. Commerce Department, one in seven workers can expect to be disabled for five years or more prior to retirement.

Unfortunately, many employees feel they are adequately prepared for the effects of a disability when they aren't. Many workers erroneously believe that workers compensation and/or Social Security will provide benefits if they become disabled. The problem with this belief is that workers compensation benefits apply to work-related illness or injury only, which account for just a small portion of overall disability. The organization reports that over 90% of disabling accidents and illnesses are not work-related.

What about Social Security? While it is possible a worker could receive disability benefits under Social Security, the chances aren't good. For example, the worker must be disabled for five full calendar months, and the disability must be expected to last at least 12 months or to end in death in order for benefits to apply. Further, benefits will apply only if the worker is unable to perform any type of job and not just the type of work performed at the time of the accident or injury. Finally, even if benefits are applied, they may not be sufficient. The average benefit is around $1,000 monthly, according to the Life and Health Insurance Foundation for Education (LIFE).

Employers are in an excellent position to help workers obtain disability insurance under a plan that makes this valuable insurance available for pennies on the dollar when purchased on a group basis. For more information on a group disability plan for your firm, give us a call. ■

Thank you for your referrals.

If you're pleased with us, spread the word! We will be happy to give the same great service to all of your friends and business associates.

How Does Your 401(k) Score?

Interested in how your firm's 401(k) plan measures up to others? Now there's a service that will tell you. BrightScope (www.brightscope.com) is an independent 401(k) ratings and analytics firm that relies on public documents to compile information and "score" 401(k) plans. Scores are based on several factors, including the plan's administrative costs, investment returns, options, expenses and company matching.

The service has reviewed more than 4,000 plans and hopes to exceed 30,000 by early 2010. If your plan is not one of those already reviewed, you can contact the service and have your plan reviewed for free regardless of the number of participants.

To see how your firm's plan stacks up, visit www.brightscope.com. For more information about your firm's 401(k) plan, call our service team today. ■