HR insider bulletin

BENEFIT RESOURCES

April 2009

Trimming Costs

Employers, Workers Find More Favor with CDHPs

Most employers who choose to implement consumer-driven health plans (CDHPs) are pleased with the results, and their employees are beginning to discover new investment opportunities with these plans' health savings accounts (HSAs), according to several recent studies.

A survey by *Employee Benefit News* and Healthcentric Partners found that 37 percent of employers rated their experience with CDHPs as excellent, while 31 percent said it had been good.

The findings reflect the "important and growing trend" of health care consumerism, said Frank Hone, founder of Healthcentric.

Hone said the survey also suggests that employers are likely to encourage their employees to become better health care consumers in the future. "The ones that will be more successful will be the ones that take an assertive role," Hone said.

Giving employees more direct responsibility in the use of their health care is key to the cost-saving possibilities of CDHPs, said Ted Nussbaum of Watson Wyatt Worldwide.

Companies that push their employees to be better health care consumers can expect to see an average of 1 percent to 2 percent smaller cost increases annually, Nussbaum told a recent Business Group on Health audience in Pittsburgh.

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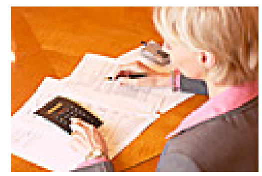
Compliance Matters

COBRA Deadline Looms as Congress Mulls More Changes That Could Greatly Impact Employers

As the April 18 deadline fast approaches, many employers are rushing to comply with the new COBRA notice regulations. Yet even before the quandary over COBRA has cooled, new proposals in Washington are emerging that could further complicate employers' compliance efforts.



Employers must issue notices informing some former employees of the 65 percent federal premium subsidy, which was passed as part of the American Recovery and Reinvestment Act of 2009. Only employees who were "involuntarily terminated" between Sept. 1, 2008, and Dec. 31, 2009, are eligible to receive the subsidy. However, the government stipulates that all "qualified beneficiaries," not just those who were involuntarily terminated, must receive the notices. View the notices: http://www.dol.gov/ebsa/COBRAmodelnotice.html.

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Employee Benefits Outlook

Most Employers Stick to Their Overall Benefits Plan

Although reports of large corporations threatening to slash health care benefits and the company 401(k) match are becoming more common, small and mid-size companies are sticking with their benefits packages and expect to do so in the future, according to a recent report.

The study by LIMRA found that only 2 percent of employers surveyed had dropped a group insurance, health care or retirement benefit within the past 12 months.

Although the recession is pressuring businesses to cut costs, most employers said they plan to stay the course with their employee benefits, according to the LIMRA study. Only 5 percent of employers who have a 401(k) company match said they expect to alter that benefit in the next 12 months, and a mere 3 percent of respondents said they planned to drop a group insurance or health care benefit.

Employers seem particularly protective of their wellness programs. A recent survey by Buck Consulting found 87 percent of respondents said creating a corporate culture that supports healthy lifestyle choices is a priority, and 65 percent they already had moderate or extensive wellness programs in place. ■

Trimming Costs

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However, respondents to the EBN-Healthcentric poll said they are struggling to pinpoint exactly how much savings their CDHPs are generating. While 41 percent said the ability to measure savings is an important factor in their health care strategy, only 2 percent said they felt capable of doing this successfully.

Employers often start several health initiatives at once -- a CDHP and a wellness program, for instance -- which can make it difficult to narrow down the source of health care savings.

Workers, on the other hand, are realizing new value with HSAs that go beyond paying for short-term medical bills.

Because HSAs are portable and have some tax advantages, employees should consider investing in their HSAs as a way to pay for retiree health care costs, said Carolyn McClanahan, a former doctor who is now a financial advisor in Jacksonville, Fla.

According to a new study by Canopy Financial Inc., employees seem to be catching on to this idea. Individual balances for HSAs increased 33 percent between the first quarter and fourth quarter of 2008. The study also found employees are pumping more money into HSAs than employers.

"What we've seen throughout 2008 is that consumers who select HSAs . . . are not simply using these accounts to pay for their immediate health care needs," said Vik Kashyap, CEO of Canopy Financial. "They are also funding their HSAs above and beyond their employer contributions and using them as long-term savings and investment vehicles." ■

Compliance Matters

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Earlier this month, the IRS released guidance clarifying the definition of an "involuntary termination." The IRS defines it as "the independent exercise of an employer's authority to terminate employment when the employee was willing and able to work," according to a report in *Business Insurance*. View the guidance:

http://www.businessinsurance.com/images/random/files/COBRA_Notice2009-27.pdf.

While employers grapple with the new COBRA requirements, other topics are brewing in Congress that could soon create new compliance challenges and more costs for employers.

A new bill introduced by four House Democrats would widen the Family and Medical Leave Act (FMLA) to include 12 weeks of paid leave. FMLA already experienced an expansion this year when Congress passed a bill that extends benefits to families of injured military personnel.

According to the bill, the expansion would be financed through a new trust that would be equally funded by employers and employees, who would each contribute 0.2 percent of an employee's pay.

Support for limiting the tax exclusion on employee benefits is also gaining some steam, according to the Employee Benefit Research Institute. Although no formal bill has been introduced, the idea has bipartisan support in Congress.

While workers certainly would be affected by such a move, many employers would wind up paying new administrative costs. Employers who purchase insurance and pay a premium would simply have to report the premium amount above a specified cap on employees' W-2 forms. However, this tax limit would force self-insured employers to do more leg work because they would need to determine the true value of the benefits to report for income-tax purposes, which likely would take time and incur costs. ■

. . . . Bulletin Briefs . . . .

♦ **SAME-SEX MARRIAGE:** An Iowa court has ruled the state's ban on same-sex marriages is unconstitutional. This might affect employers nationwide because the state doesn't require proof of residency in order to obtain a marriage license. Iowa joins Vermont, Massachusetts and Connecticut as states that have legalized same-sex marriages.

♦ **STARTING YOUNG:** A survey by the American Association of Long-Term Care Insurance found that 24 percent of buyers of LTC plans through an employer were between the ages of 35 and 44, while only 5 percent of consumers who purchased such plans on an individual basis fell into that age category.

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