



MID AMERICAN GROUP

"The Leading Edge"

A quarterly Newsletter to our valued friends and clients...

Spring, 2004

Ask us about...

The Leading Edge

...a trend-setting employee benefits program from Mid American Group, including:

Administrative Services

- ⇒ COBRA Administration
- ⇒ Flex Administration
- ⇒ Benefits Administration
- ⇒ Cafeteria Plan Administration
- ⇒ HIPAA Administration

Employee Benefits

- ⇒ EAP
- ⇒ Vision
- ⇒ Wellness Services
- ⇒ Internet Services



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The information contained in this publication is intended for the general information of our clients. It should not be construed as legal advice or legal opinion regarding any specific or factual situation.

VISION COVERAGE – A HEALTHY ADDITION TO EMPLOYEE BENEFITS

With rising health care costs, many employers are reluctant to add a new benefit. But, vision care benefits are highly valued by employees. One survey found that 65% of employees surveyed were willing to trade one or two vacation days per year for vision benefits.

The need for vision care is easily verified by a look around the worksite. The American Optometric Association found that 60% of the population wears eyeglasses. **The average eyeglass wearer spends \$300 on a comprehensive eye exam and materials each year.**

When vision benefits are not provided, some employees forego the annual eye health exam. This exam can be useful in identifying illnesses such as diabetes, high blood pressure and rheumatoid arthritis – illnesses that can result in high health care costs if left untreated.

There are three models for vision benefits:

1. Discounts
2. Retail outlet based networks
3. Private practice based networks.

Each of these models has a role depending on the needs of the employer and the employees. Of the three, however, discount-based plans provide the least accountability for quality of care and savings.

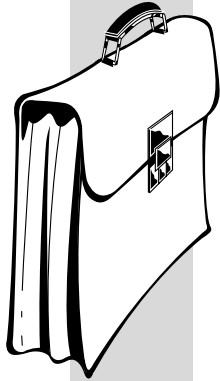
The retail based model has the benefit of accessibility. Employers with multiple locations may find that a retail model provides more convenience for employees. But, continuity of care may suffer as optometrists and other providers in the retail setting change frequently.

A private practice model is often considered the "gold standard." Depending on the depth of the network, the private practice model provides the greatest continuity of care over time, while also providing more accountability for service and prices.

The scope of benefits should include an eye exam – the more comprehensive the better – every 12 months. Less frequent exams may be warranted if based on the age of the patient and medical necessity. Frame replacement at 24 months can result in keeping costs moderate.

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News Briefs



BEWARE HEALTH INSURANCE SCAMS

The General Accounting Office (GAO) of the federal government recently reported an increase in the number of insurance scams. The number of bogus plans identified doubled from 2000 to 2002.

The analysis looked at 144 plans that were not authorized to sell health benefits. **These included MEWAs (Multiple Employer Welfare Arrangements), METs (Multiple Employer Trusts) and types of Association Plans.** They failed to pay \$252 million in health claims, collectively.

Employers should remember that old adage when considering coverage with an unknown insurer: "If it seems to good to be true, it probably is." **The State Department of Insurance is often able to verify if a health plan is a valid and legal one.**

COBRA NOTICE REGS POSTPONED

Proposed regulations regarding COBRA notices were to have been effective beginning in 2004. **But, the Employee Benefits Security Administration (EBSA), a department of the US Department of Labor, has postponed the effective date of the final rules.**

The COBRA notice requirements were published in the May 28, 2003 *Federal Register*. Among the concerns that caused the postponement were: 1) a proposed new notice when coverage terminates early; and 2) a new notice when coverage is not available. These notices appear to be inventions of the EBSA, unsupported by the COBRA law.

Employers are free to use the proposed notices even though final rules are not expected before July 2004. In fact, employers would be well advised to review their existing notices to make sure that they reflect the law and the rules as they are currently written. Some employers have failed to update their notices since COBRA was initially enacted into law, despite numerous and important changes in the ensuing years.

RETIREE RX: MEDICARE DRUG SUBSIDY BENEFITS EMPLOYERS

Companies with retiree medical plans may see an economic benefit from the

Medicare drug law passed by Congress in 2003.

A subsidy was enacted to encourage employers to continue providing retiree coverage. Legislators feared that the expansion of Medicare would encourage employers to drop their plans in favor of the government program.

The government will reimburse employers for 28% of the cost of prescription spending over \$250. The subsidy maximum is \$1,330 per retiree, per year for qualifying plans.

Actual cash from the government is still two years away. But, accounting rules may allow employers to show the expected amounts on their financial statements covering their fourth quarter 2003 earnings. Most employers are expected to postpone these decisions pending further legislative guidance on the subsidy's requirements.

LONG TERM CARE INSURANCE BENEFITS FAMILY TOO

Long-term care insurance obviously provides financial support to an elderly or disabled insured. **But, a less obvious benefit of LTC insurance accrues to family members.**

Of particular importance, family caregivers who work double their chances of remaining in the workforce when a disabled or elder individual has LTC insurance. The caregivers also experience less stress and have better job performance.

DRUG IMPORTATION/ PRESCRIPTION DRUGS STILL A CONCERN

The issue of prescription drug prices is expected to remain front and center for employers, employees – and politicians. Politicians, including Illinois' Governor Rod Blagojevich, endorse allowing individuals to purchase discount prescription drugs from Canada.

But, the Canadian approach has other limitations. Chief among these is the likelihood that drug manufacturers will be less inclined to continue providing deep discounts to the Canadian government given the media spotlight on the price discrepancies.

The issue of purchasing drugs from Canada is of more concern to individuals without health benefits coverage – where any savings directly impacts the wallet.

Insured individuals have seen – and will continue to see – changes in the structure of prescription drug benefits. **One of the most effective changes has been changing from a co-payment for prescriptions to coinsurance. Coinsurance requires that the individual pay a percentage of the price of the prescription thereby allowing for variations in the costs of prescriptions, and automatically adjusting for inflation. Coinsurance rewards the consumer for finding a more reasonable drug alternative, such as a**

generic substitute.

A newer approach for some employers is to mandate that employees purchase recurring prescriptions via mail-order pharmacies. A survey of 600 employers found that 21% will have a mandatory mail-order program by the end of the year.

Employees have voiced concern over the mandatory programs. But, in most cases, the savings are significant, blunting their criticisms. In one case, the out-of-pocket costs for a three-month supply of a drug by mail order were the same as those for a one month's supply from the local pharmacy.

CONSUMER DRIVEN PLANS GROWING

Consumer driven plans are expected to continue to grow in popularity for both individuals and businesses. **But, growth has been slow as employers and insurers have been reviewing the various laws that give consumer driven plans their tax advantages.**

The new HSAs, Health Savings Accounts, enacted as a part of Medicare reform in 2003, are expected to give consumer driven plans a boost. However, some insurers and employers are waiting for additional government guidance before moving forward. Until major insurance carriers aggressively promote these new plans, growth will be limited.

Research conducted by an insurer trade group found that

the terms “consumer-directed” and “consumer-driven” are problematic with consumers and hindering growth. The trade group believes that these terms should give way to one encompassing the term “choice.”

Employers should take steps to encourage employees to question the necessity and costs of their health care. The consumer-driven concept gives consumers a direct incentive to ask these questions. But, employers who get employees to begin thinking about costs will have an advantage whether they move to these new plans or not.

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Lenses should be covered for replacement on an every 12-month basis.

Some employers have had success with voluntary vision programs. Whether the plan is voluntary or not, vision benefits can be a highly visible and attractive part of an employer's benefit offerings.





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A quarterly Newsletter to our valued friends and clients...

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Employee Benefit Consultants—Insurance Brokers

Mid American Group Named as America's 2nd most productive insurance brokerage firm in 2003.

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**Please mark your calendars for our upcoming
FREE Spring Luncheon/Seminar and Workshop.**

HSAs / HRAs Rx Carve-Outs

**HELPING CONTAIN
THE RISING COST
OF HEALTH CARE**



*You Are
Invited...*

WHEN: Thursday, May 6, 2004 12 noon to 3:30 pm
WHERE: Hyatt Regency Hotel Oak Brook
1909 Spring Road, Oak Brook, IL 60523
(adjacent to Oak Brook Mall)

**TO MAKE A RESERVATION, CALL 630-789-9508
OR EMAIL: DANHUTCHINSON@MIDAMGROUP.COM**