



# MID AMERICAN GROUP

The Leading Edge<sup>©</sup>

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

Summer, 2008

## Ask us about...

### The Leading Edge<sup>©</sup>

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

- ▶ Administrative Services
  - COBRA Administration
  - Flex Administration
  - 5500 Form Preparation
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  - HIPAA Administration
  - FMLA Administration
  - Total Compensation Statements
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- ▶ Employee Benefits
  - EAP
  - Vision
  - Wellness 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.

## Health Savings Accounts Reporting Steady Growth

**A new report by America's Health Insurance Plans (AHIP) shows that growth in High Deductible Health Plans (HDHPs) and Health Savings Accounts (HSAs) has grown significantly.**

The annual report asked health insurance carriers about sales and enrollment in HSAs and HDHPs. The analysis compared the results over the last several years. The report did not ask about Health Reimbursement Arrangements (HRAs), another popular savings plan that is often associated with the growing trend of consumer-directed health plans.

January 2008 figures revealed that 6.1 million people were enrolled in HSA/HDHP coverage. This was a significant increase from January 2007 when there were 4.5 million people in such plans. Most notably, growth has been fastest in small group plans.

More than one-quarter (27%) of new individual policies have been HSA/HDHP plans. As of 2008, 1.5 million people were covered by these plans in the individual market. A further analysis shows that individual HSA/HDHP plans are popular regardless of age. The age group of 40-49 showed the most enrollees with 21%. This was followed by the 50-59 year olds with 19%.

The only segment below 10% was the age 60 and older group with 6%. These older ages might reflect either:

declining health, satisfaction and comfort with current plan types or recognition that growth of the savings account portion of the plans will not have the benefit of the long-term.

The average individual premium for a single policy ranges from \$1,519 to \$3,724 depending on the age of the policyholder. A family policy averages \$3,825 per year to \$7,170. The average deductible in the individual market is \$2,600 for a single and \$4,846 for a family.

*It's important to note that a comparison of average costs for more traditional plans versus HSA/HDHP plans reflects considerable savings for HSA/HDHP plans. The average premium for all employer-based plans was \$12,106 per family. This is almost \$4,000 more than the annual family premium for an HSA/HDHP plan. Larger groups would experience savings of approximately \$3,900 over typical large employer plans. This savings potential illustrates how employers and employees can implement these plans and still afford to contribute to the savings account (HSA) portion of the plan.*

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## **Personal Health Records Can Save Costs While Improving Quality of Care**

**Personal Health Records (PHRs) allow - even encourage - individuals to organize their health records to allow for easier access to important health information. While PHRs have been around for some time, they are expected to gain acceptance with new offerings by Google Health and Microsoft Health Vault. A number of insurance companies also have PHRs available for their subscribers.**

Several large employers have formed Dossia, a technological framework designed to support implementation of PHRs. Insurers are also adding PHRs to their menu of services. **In some cases, insurers will populate the PHR with claims data as a means to help make the information more meaningful and complete.**

Any parent who has ever tried to complete a school physical form will appreciate the idea of being able to easily access immunization dates and other health history. PHRs make accessing health information much easier.

If records are stored on a computer or in a computerized data base, security is a primary concern. Most firms are not subject to the HIPAA privacy laws as they were not considered when the HIPAA law was written. However, a number of firms have implemented their PHRs to be compliant with HIPAA requirements. Notably, Google and Microsoft have not made HIPAA compliance a priority.

Many of the PHRs require that you enter your information and then print it to take to a doctor. A few offer the ability to retrieve your records online. This feature can be especially useful for people who travel and may have an unexpected emergency requiring access to their health records.

A number of employers are considering offering their employees access to PHRs. They are responding to studies that have found that PHRs can reduce duplication of tests and other medical services. Also, by compiling drug and allergy history, doctors and pharmacists can look for adverse drug interactions that can have life-threatening implications. **A study by the consulting firm, Mercer estimates that using PHRs could reduce employer health costs by seven percent.**

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## **Options Abound for College Graduates Needing Health Insurance**

After the cap and gown are put away, graduates and parents should consider whether the graduate has health insurance coverage. This is particularly important as many employer-based plans end coverage when the student graduates.

If the student is one of the lucky ones with a job waiting, find out what the waiting period is for their health coverage to become effective. Then, the graduate can decide which options are most appropriate.

**Many students leaving a parent's plan will have COBRA or state continuation options available to them. While this can be an easy solution, it may not be the most cost effective way to retain coverage. Graduates typically have both youth and good health in their favor. Therefore, an individual policy may be the better - and more affordable option. And, when considering options, an HSA/HDHP should be among the considerations.**

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## **Notice Required for Automatic 401(k) Contributions**

Employers who have implemented a Qualified Automatic Contribution Arrangement (QACA) or Eligible Automatic Contribution Arrangement (EACA) must provide a notice to employee of their rights to elect not to have salary deferrals or to elect a different percentage to be deferred. The notice must be provided to each employee eligible to participate in the retirement plan or to new hires. The notice must be provided at least 30 days but not more than 90 days before the beginning of the plan year.

## Section 125 Flex Plan Document Deadline Nears

Regulations regarding Section 125 flexible spending account plans are likely to be effective in January, 2009. **Employers are required to write and maintain a plan document for Section 125 plans. Come January when pending rules are finalized the IRS will take steps to review whether plan documents have been properly completed and maintained. Employers could face fines and penalties if their plans are not in order. Plans that are deficient can also result in benefits paid through the Section 125 plan becoming taxable to employees.**

## Default Investment Alternatives – Clarified

The US Department of Labor offered added guidance regarding obligations employers have if they have automatic default investment alternatives for employee pension plans.

The notice assures employers that past contribution to “stable-value” funds for employees enrolled automatically are protected from fiduciary liability. Initial rules had used a definition of stable-value funds that exceeded the scope of most such funds.

**The new guidance defines stable-value funds as those that:**

- Are intended to preserve principal
- Provide a rate of return that is generally consistent with intermediate investment-grade bonds
- Backed by state or federally regulated institutions.

## Genetic Nondiscrimination Act Likely to Become Law

Congress recently passed the Genetic Information Nondiscrimination Act of 2008 (GINA). It is likely that President Bush will sign it into law.

While this is heralded by many as landmark legislation, employers will generally find that compliance with the law is simple. **The law essentially would prohibit group**

**health plans and employers from discriminating based on genetic information.** Similar prohibitions would apply to the individual insurance market.

**Group health plans would be barred from varying premiums or contributions based upon genetic information.** Similarly, plans may not require that an individual or family member undergo a genetic test.

**Employers would be prohibited from making employment decisions based on genetic information.**

## HSAs and HRAs Useful for Retiree Plans

As more and more employers revisit the affordability of providing retiree health coverage, some are looking to HSAs and HRAs as a viable alternative. Employers believe that the savings account features of the two types of plans offer an opportunity to grow funds for retirement benefits.

Chief among employer concerns for both active and retiree plans is that year-to-year growth is unpredictable and often outpaces a firm’s health cost projections. **Employers can have predictable costs if their exposure is limited to a defined contribution to an HSA or HRA.**

Employers are experimenting with different plans in their attempt to provide retiree coverage at predictable costs. Some employers are establishing plans that provide dollars into the savings account with vesting requirements to access them during retirement. Others are providing funds now with the expectation - or hope - that employees will be good stewards of the funds with an eye to retirement.

## Illinois’ 529 College Savings Plan Improved

A recent survey by Morningstar funds noted that Illinois’ Bright Start College Savings Program is now among the best of those that they’ve surveyed and ranked. Illinois recently switched program managers. They’ve also reinvigorated the mix of funds available through the program.

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**Employee Benefit Consultants—Insurance Brokers**

**2009 Average Medical Cost Trend  
Forecast - 9.6% Increase**

A recently published survey of national health insurers and more than 500 employers indicated that the average Medical Cost Trend increase for 2009 is forecasted to be 9.6%. Contact Tom Hutchinson at Mid American Group (630) 366-7434 for more details and to review a Benchmark Report for Benefit plans. The Report can be customized by Industry, Geographic location and Employee size.

Mid American Group Named as America's most productive insurance brokerage firm in 2006.

—*Crain's Business Insurance*

**Health Savings Accounts – continued from page 1**

Almost one-third (31%) of new health policies issued in the small group market are HSA/HDHP plans. The average annual premium for HSA/HDHP small group plans is \$3,189 for single and \$8,125 per family. Deductibles are slightly lower in the small group market than for individual plans. The average single deductible is \$2,244. The average family deductible is \$4,356.

**Large group plans are also turning to these plans. Enrollment in HSA/HDHP plans was up more than three-quarters of one million people from 2007 to 2008.** Annual deductibles in the large group market average \$2,046 per single and \$3,998 per family. Average premiums were \$3,185 per single and \$8,241 per family.

Critics have questioned whether people will have savings accounts that can actually grow or whether most of the monies would have to be spent on necessary medical care. Companies that responded on HSA

account balances reported the average balance at \$1,382. The average HSA account holder spent \$1,083 per calendar year.

The growth in popularity of HDHP/HSA plans is important for several reasons. Chief among these is that they provide an affordable coverage option. In fact, some studies have found that HDHP/HSA plans have proven attractive to the previously uninsured. **Another important feature is that giving consumers the option to save money tax-free in the HSA portion of the plan has been shown to increase consumer-behavior that holds down overall cost trends.** And, by holding down costs, increases in premiums on a year-to-year basis also tend to be more predictable and affordable. On the political front, growing popularity of these plans makes it more likely that Congress will not enact laws or regulations that impede these plans for fear that a large constituency will exact retribution in the voting booth.