

Analyze This



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Consumer-Driven Plan Options Offer Relief for Continuing '05 Health Cost Hikes

According to Kaiser's recent Annual Employer Health Benefits Survey, employer-based health premiums rose 11.2% in 2004 - marking the year as the fourth consecutive with double-digit growth in healthcare premiums. Although this hike falls shy of last year's 13.9% increase, it nevertheless has ominous implications for the need to find new and effective solutions to curb employers' health spending. In addition, Mercer Human Resource Consulting projects a 9.6% increase in total health costs per employee for 2005, a figure that dwarfs the general inflation rate by nearly four times and varies little in relation to employer size. The fact that healthcare costs continue to rise cannot be disputed; however, there are many consumer-driven plan options employers can take advantage of in order to engage their employees in reining in costs while maintaining

adequate health coverage. Consumer-Driven Health Plans typically fuse high deductibles with personal tax advantaged personal savings accounts and have lower premiums while stressing the increased accountability for one's healthcare. Flexible spending accounts (FSA), Health Savings Accounts (HSAs) and Health Reimbursement Accounts (HRAs) are examples of these, (we'll discuss them in greater detail in future editions). These types of accounts allow employees to set aside a portion of their pre-tax earnings to absorb out-of-pocket expenses. There are two types of FSAs, the healthcare reimbursement account and the dependent care reimbursement account which can subsidize out-of-pocket medical, dental, and vision care costs, and for work-related child/dependent care costs, respectively. When combined with a credit or debit card, FSAs are particularly effective for managing healthcare and dependent care

costs, as well as for simplifying the reimbursement process. With the new extension from the Government this last month these plans are proving more beneficial and valid alternatives to traditional health plan benefits.

HEALTHY KNOWLEDGE

In George Washington's day, there were no cameras. One's image was either sculpted or painted. Some paintings of George Washington showed him standing behind a desk with one arm behind his back while others showed both legs and both arms. Prices charged by painters were not based on how many people were to be painted, but by how many limbs were to be painted. (limbs being arms and legs). Therefore, painting them would cost the buyer more. Hence the expression, "Okay, but it'll cost you an arm and a leg."

Legislative Brief - FSA Deadline Changes

Treasury extends FSA deadline by 2 ½ months

The Treasury Department announced recently it would allow a 2½-month grace period for flexible spending accounts, which will give employees more time to spend money in the tax-advantaged accounts. Employers now must decide whether to adopt the extension beyond their current year-end date.

The Treasury announcement follows efforts by Senate Finance Committee Chairman Chuck Grassley (R-Iowa) to end the use-it-lose-it rule in FSAs, which requires employees to spend all the money they set aside each

plan year or forfeit the balance.

Abbott calls the Treasury decision a “compromise” that will have little impact on whether more employees choose FSAs and will not lower forfeiture rates, which are already very low. “FSAs have been around a long time. Employees know the rules,” he says.

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ANNOUNCEMENTS

Utah State: CHIP open

Enrollment(Salt Lake City, UT) – The Utah Department of Health (UDOH) will open the Children’s Health Insurance Program (CHIP) for enrollment beginning July 1, 2005. CHIP will remain open until further notice. For more information visit.

<http://health.utah.gov/pio/nr/2005/052605-CHIPOpenEnrollmentNR.pdf> or call: 1-877-KIDS-NOW

NAHU’s Education Foundation

Announces the production of a weekly radio program that will focus on health insurance issues. Topics will include:

- The Uninsured-Who are they & why are they?
- Health Care and Health Insurance
- Private Health Care vs. Government health coverage
- Consumer Driven Health Care
- Medical Liability / Tort Reform
- Long Term Care / Senior Issues

The show will be hosted by NAHU member Sharon Alt from Texas and can be heard over the Internet every Thursday at 4pm Eastern (2pm MST). As a member of NAHU FBA makes this program readily available to all of our clients, since the audio stream can be accessed 24/7 (think of it as TIVO for your radio). Simply visit <http://www.health.voiceamerica.com> and enter “Sharon Alt” in the search box.



Most companies will likely adopt the grace period in their FSAs, which workers use to pay for health expenses with pretax dollars, says Randall Abbott, a Boston-based senior consultant at Watson Wyatt. Employers may have higher FSA administration costs to adopt and communicate changes to workers, he says, but will make the changes because they enhance the benefit.