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BENEFIT SERVICES INCORPORATED

Benefit News

Is Consumer Directed Health Care the Solution for you?

In these days of increasing premiums, higher co-pays and decreasing services, the move to high deductible plans is fast becoming a serious consideration for many of our clients, if not in 2008, at least in the next few years.

Is consumer directed health care the right move for your firm? Will it put your employees in a position of having to choose between health care expenses and other necessities? Or will it serve to make everyone more cost savvy and efficient?

Now more than ever, we at BSI want to work closely with you to review the options that will be available to you at your renewal—in fact, long before your actual renewal. As your broker, we want to make sure that you have all the information you need to make the best decision for your company.

In reviewing your options, you will want to consider what makes the most sense for your company and your employees. What is most important to you in health coverage? How much involvement in their health care coverage do you want your employees to have? Would you be interested in implementing a plan in which your employees as consumers have incentive to contain medical costs?

Several options to consider are:

Promise to Pay (HRA) –Employer promises to pay certain amount

HRA (Health Reimbursement Account) -Employer makes set deposit to fund for each employee enrolled

HSA (Health Savings Account)-Both Employer and employee can contribute to this fund

See page 2 for more detailed information on these plans.

The local managed care carriers, Blue Cross Blue Shield, Harvard Pilgrim Health Care, Tufts Health Plan and Fallon Community Health Plan, have teamed up with vendors to handle the administration. This team approach allows for a direct feed of claim information from carrier to vendor. There are other vendors, in fact third party administrators, who offer similar services, but, because they do not have the same sort of relationship with the carriers, can only receive the claim information via paper reports which then must be manually input, allowing a higher possibility of human error and delay.

Coming in Spring of 2008

Informational Session on Consumer Directed Health Care

sponsored by Benefit Services Incorporated with a special guest speaker

HSA, HRA, FSA: WHAT ARE THE DIFFERENCES BETWEEN HEALTH CARE SPENDING ACCOUNTS?

	Flexible Spending Account (FSA)	Health Reimbursement Accounts (HRA)	Healthcare Savings Account (HSA)
Who is Eligible?	Employees whose employer offers an FSA	Employees whose employer offers an HRA	All taxpayers under age 65 covered by a High Deductible Health Plan (HDHP)
Purpose	Employee funded accounts that allow employees to pay for qualified health, dental and/or dependent care expenses and (with premium only plan) insurance premiums with pre-tax dollars	Employer funded accounts that reimburse employees for qualified medical expenses such as a large front-end deductible	Promote the use of High Deductible Health Plans by sheltering income used to pay health care costs. Can be used to pay for qualified expenses such as deductibles, COBRA premiums, or retiree health plan premiums
Tax Benefit	Employee contributions are made pre-tax and are exempt from income tax	Plan costs are tax deductions for employers. Reimbursement to employee is not treated as income	Tax-free contributions and withdrawals when used for health expenses. Non-health related withdrawals after age 65 are taxed, but not penalized
Who makes contributions?	Employee usually, but the employer can also fund	Employer	Can be made up of employee or employer money
Carry over unused balances?	No	Employers' Discretion. A pre-set amount can be carried over	Yes
Whose Money is it?	Employee money, but unused balances are forfeited to the plan. Employer can now amend the plan to have a 2 1/2 month carry-over provision.	Can be employee-owned or can revert back to the employer	Account is owned by the individual
Interest Bearing	No	No	Yes, interest accrued is free from federal income tax
Maximum Annual Contributions	$5,000 annually for dependent care. Employer's discretion for medical care.	Annual employer contributions may be as high as the full annual deductible amount	For 2008, limit is $2900 for an individual and $5800 for a family
Catch Up Provision for Employees 55+	Not Available	Not Available	The catch up provision is $900 in 2008.

Your Health Insurance Dollar at Work

Would you endorse a health plan for your retirees if:

- There were no cost or administrative responsibility on behalf of your company, ***and***
- You could provide an increasingly valuable benefit to active employees who are approaching Medicare eligibility and retirement?

Need more information?

Call Maureen at 781.237.3776

Imputed Income and Health Care Coverage for Dependents

The Commonwealth's Health Care Reform Act expanded coverage for unmarried dependents ages 19 – 26 effective January 1, 2007. Now unmarried dependents are eligible for coverage up to age 26 or two years after losing dependent status (whichever occurs first).

In order to be an actual IRS dependent the person must be claimed on the subscriber's federal income tax return (there are exceptions for separated or divorced parents and parents who file separate tax returns). The two year period for coverage after loss of IRS dependent status starts at the end of the calendar year in which the person was last claimed as a dependent (for example, a child last claimed as dependent for tax year 2005 will be eligible for coverage through December 31, 2007).

If a dependent is a non-IRS dependent, the employee is subject to state and federal income taxes on the value of the full cost of an individual premium for his or her health plan.

It is the obligation of the employer to report this taxable income on the employee's W-2.

Favorable tax treatment for most employee benefit plans: Employers are not taxed on funds used to purchase the plans, and the value of the coverage within IRS rules is not included as taxable income or compensation for employees. Failure for companies to comply with IRS rules on imputed income puts their favorable tax treatment of benefit plans at risk – for both the employer and for all employees enrolled in the plan.

If you have questions about the requirements mentioned in this article, we strongly suggest that you direct them to your tax advisor. BSI is not giving tax advice.

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The Lincoln Financial 401(k)

can be offered both Bundled or Unbundled with your choice of Administrator

Offering 60 funds options from the following fund families:

American Funds; Fidelity; Delaware Investments; Alliance Bernstein; MFS; BlackRock; Mondrian; American Century Investments; Wells Capital Management; T.Rowe Price; Neuberger/Berman; Cohen & Steers; Janus; Wilshire; Mellon Capital Management.

Harvard Pilgrim Health Care will be discontinuing its Point of Service (POS) benefit design at members' 2008 renewal.

In its stead, Harvard Pilgrim has created a new PPO plan that corresponds more closely to the new Massachusetts health care reform laws.

LONG TERM CARE INSURANCE: NOT JUST FOR THE ELDERLY

Long Term Care insurance is frequently viewed as coverage that is only needed by the elderly. And yet, more than half of all women and one third of all men who live to age 65 will spend some time in a nursing or rehabilitation facility. Often they need additional care when they return home.

Long term care costs are projected to quadruple over the next 30 years. These costs are not covered by medical or disability insurance; Medicare only pays 12% of nursing home costs. A person's life savings could be quickly wiped out, making him or her dependent upon family members or state agencies. If you are interested in discussing long term care coverage, please call us at 781.237.3776.

Tufts' hospital network now includes Exeter Hospital and Portsmouth Regional Hospital in New Hampshire!