

Benefit Insights

Growth in Health Care Spending Projected to Slow, But Still Exceed Inflation

Total health care spending is projected to reach 19.5 percent of the gross domestic product by the year 2017, up from the 16 percent it represented in 2006, according to health tracking trends published in Health Affairs. The report projects private health care spending will grow at an average rate of 6.7 percent from 2007-2017, growth that continues to outpace inflation, but which represents some relief for employers and other private sector payers, compared with the double-digit increases seen in recent years.



Other highlights from the report:

Prescription Drug Spending

Analysts project that drug spending will accelerate through 2017, reaching almost \$515.7 billion -- more than double the \$231.3 billion projected for 2007.

Hospital Spending

Hospital spending is projected to nearly double from the expected \$696.7 billion in 2007 to more than \$1.3 trillion by 2017.

Physician services

Over the next decade, growth in physician spending is expected to average 5.9 percent per year, down from 6.6 percent over the past eleven years.

Consumer out-of-pocket spending

Growth in out-of-pocket costs is expected to gradually accelerate to 6.0 percent and reach \$464.3 billion by 2017. The analysts expect that employers will shift more health care costs to their covered members through benefit reductions and increased cost sharing due in part to slower projected economic growth.

"National Health Expenditure Projections 2007-2017," authored by individuals with the Office of the Actuary, Centers for Medicare and Medicaid Services, can be viewed in its entirety on Health Affairs website, <http://www.healthaffairs.org/>.

We are pleased to present to you our quarterly agency newsletter. This newsletter is designed to give you timely and important information regarding employee benefits, government regulations, new products, and other areas of interest to employers and their employees. We value you, your employees, and your business and continue to strive to provide you with the very best products and service available.

Thank you again for your business



Intermountain Business Insurance
1124 W. South Jordan Pkwy. #C
South Jordan, UT 84095

Phone (801) 304-9949
Email: info@ibibenefits.com
Website: www.ibibenefits.com



IRS Notice Allows Transfers From IRAs to HSAs

Individuals will have the opportunity to transfer funds from an individual retirement account (IRA) to a health savings account (HSA) under the terms of an Internal Revenue Service (IRS) notice that implements a 2006 amendment to HSA legislation. Notice 2008-51 provides for a “qualified HSA funding distribution,” a one-time transfer from an individual’s IRA to an HSA. Such a distribution generally will be excluded from income and not subject to the 10% early distribution penalty that otherwise applies when IRA funds are withdrawn before age 59½.

The amount contributed to the HSA in a qualified HSA funding distribution cannot be deducted by the individual, but it does count toward the individual’s maximum HSA contribution for the year.

According to the notice, qualified HSA funding distributions can be made only from traditional IRAs and Roth IRAs, and not from ongoing SIMPLE IRAs or SEP IRAs. The latter two types of IRAs are considered to be “ongoing” if an employer contribution is made for the plan year ending with or within the IRA owner’s taxable year in which the qualified HSA funding distribution would have been made.

The notice limits the amount of the qualified HSA funding distribution, based on the individual’s age at the end of the taxable year and whether the individual has self-only or family high-deductible health plan (HDHP) coverage. For example, an individual under age 55 with self-only HDHP coverage would be allowed a maximum qualified HSA funding distribution of \$2,900 for 2008, while an individual over age 55 with family HDHP coverage would be allowed a maximum qualified HSA funding distribution of \$5,800, plus the \$900 catch-up contribution. As noted above, a qualified HSA funding distribution is a one-time opportunity, but the notice specifies that if an individual changes from self-only to family HDHP coverage in the course of a taxable year, a second qualified HSA funding distribution may be made during that year.

If an individual owns multiple IRAs and wants to transfer funds from more than one of the IRAs, he or she first must make an IRA-to-IRA transfer, and then make the qualified HSA funding distribution from a single IRA. The transfer from the IRA to the HSA must be a direct transfer, but the notice speci-

fies that a check made payable to the HSA trustee or custodian that is delivered by the IRA account holder is considered a direct transfer.

As noted above, qualified HSA funding distributions generally are excluded from income and not subject to the 10% early distribution penalty. However, in order for this general rule to apply, the individual making the qualified HSA funding distribution must remain an “eligible individual” for the



HSA for what the notice terms a “testing period.” This period begins with the month in which the qualified HSA funding distribution is contributed to the HSA, and ends on the last day of the 12th month following that month. If the individual ceases to be an eligible individual at any time during this period, regular taxes and the 10% penalty apply.

Notice 2008-51 specifies that employers are not responsible for reporting whether an employee remains an eligible individual during the testing period. Furthermore, IRA trustees and custodians can rely on reasonable representations by the IRA account holder in determining whether a requested distribution satisfies the requirements for a qualified HSA funding distribution.

To explain how qualified HSA funding distributions work in practice, the notice includes 10 examples.

Check Your Posted Employee Rights Notices for Compliance

Look on the walls of any business and you'll find one thing in common: Whether in the employee cafeteria or lunchroom, near the punch clock where workers begin and end their day, or in some other conspicuous place, employers have posted the various legal notices required by law that inform workers of their rights. The federal government requires this of most employers for a handful of employee rights, depending on the size of the business and whether it is a private or public enterprise; additional postings may be required in some circumstances, for example, if the business has federal contracts. State laws also may require separate additional postings.

As a business owner you're bound to be familiar with the posting requirements, but did you realize that in order to ensure your compliance, you should review these requirements from time to time? That's because changes to a law can require changes to the required notices. For example, increases in the minimum wage, either at the federal or state level, can mean that it's time to replace the Fair Labor Standards Act (FLSA) poster currently on your wall.

Here's a list of the required postings with a brief explanation of each:

- **“Equal Employment Opportunity Is the Law”**— Every employer covered by nondiscrimination and equal employment opportunity (EEO) laws must post this notice on its premises. The poster consolidates the EEO requirements under the Civil Rights Act of 1964, the Americans with Disabilities Act, the Age Discrimination in Employment Act, and the Equal Pay Act, effectively covering employee rights based on race/color/religion/sex/national origin, disability, age, and sex (wages). The notice must be posted prominently, both for employees and applicants for employment. The posting requirement applies to employers with 15 or more employees, with some additional requirements for federal contractors.
- **“Employee Rights Under the Fair Labor Standards Act”**— This poster sets out the minimum wage, and information on overtime pay, youth employment, and tip credit. Because the minimum wage has undergone some changes recently, this is one of the posters you should check for compliance.
- **“Job Safety and Health— It's the Law!”**—All employers must display this required posting from the Occupational Safety and Health Administration that guarantees employees a safe workplace and spells out their rights if they believe there are workplace hazards or health issues.
- **“Your Rights Under the Uniformed Services Employment and Reemployment Rights Act”**— All employers must post this notice, which describes the re-employment rights, nondiscrimination guarantees, and

health insurance protection for military service personnel and reservists.

- **“Notice—Employee Polygraph Protection Act”**— Most private employers must post this notice, which sets out restrictions on employer use of lie detector tests and employee rights under the limited circumstances in which a polygraph would be allowed.
- **“Your Rights Under the Family and Medical Leave Act of 1993”**— Employers with 50 or more employees must display this poster, which sets out reasons for taking FMLA leave, employee notice and medical certification



requirements, job and benefits protection guaranteed by the law, and enforcement. With the recent FMLA expansion that added leave events to care for an injured or ill service member and to tend to an exigency caused by the active duty or call to duty of a service member, this is another poster that you should check for compliance.

As noted above, additional postings may be required, particularly for federal contractors, or based on state-by-state law. Also, you may want to go beyond the legal requirements and also post notices of employee rights under other laws, such as those related to jury duty, COBRA, ERISA, etc.

Most of these posters are available free of charge from the government agency responsible for enforcing the applicable law. There are also vendors who publish these posters, and some make available a single poster that consolidates the basic required notices, so that you can meet your compliance requirement with a single posting.

Why Do Employees Overlook the Importance of Disability Insurance?

According to the Social Security Administration, we all have a one in three chance of becoming disabled at some point during our working careers. Yet, most workers seem to ignore this risk. A survey from The Hartford found that only about half of workers have any type of short-term disability (STD) or long-term disability (LTD) insurance coverage.

Are workers simply ignoring the risk of becoming disabled—and with it the loss of one of their most valuable assets, their earning power? Survey data (from The Hartford survey, unless otherwise noted) suggests that several reasons lie behind the failure to secure disability insurance coverage:

- **Denial**— One quarter of workers think their odds of winning the lottery are greater than their chances of becoming disabled.
- **More denial**— 42% of working adults say they would rely on savings to make ends meet during an extended illness or injury, yet the average American family has less than \$4,000 in savings (UnumProvident survey).
- **Disconnected logic**— While two-thirds of workers think that accidents or injuries are the top cause of STD claims, one in four cite their own good health to justify why they've failed to buy disability coverage.
- **Misunderstanding**— Almost two-thirds of Americans say their homes, savings, or car/boat/vehicle are their most valuable assets, over the value of the income that they earn from employment (UnumProvident survey).
- **Cost**— While 80% of workers say they can get disability coverage through their employment, most aren't doing so, with 44% saying they're having a hard time paying for their workplace-based benefits.

Employers shouldn't overlook the importance of communications in breaking through these barriers. Employees surveyed by The Hartford said they depend on information from their employers and insurance providers to make decisions about benefits—including disability—but 22% of those without disability insurance said they didn't have enough

knowledge to make the decision to purchase coverage.

Disability insurance options can easily get lost in the communications materials that employees receive during open enrollment, when the focus typically is on health insurance, particularly any health insurance cost and coverage changes. To help employees focus on the disability insurance options that are available to them, consider devoting some separate communications materials to disability insurance, and distributing these to employees beforehand. You can keep these



communications simple—perhaps a checklist of the most important things to know about disability and disability insurance. Include the odds of becoming disabled, even if healthy; graphic illustrations of how losing a regular paycheck can quickly deplete savings; basic information on how disability insurance works (including the salary replacement percentages available in your disability insurance offerings); and the low cost of coverage.

Reaching out to employees with information on disability insurance can emphasize to them the importance of this coverage, and increase the number of employees who choose to purchase this key form of salary protection.



Intermountain Business Insurance

1124 W. South Jordan Pkwy. #C
South Jordan, UT 84095

Phone (801) 304-9949

Email: info@ibibenefits.com

Website: www.ibibenefits.com