

# Benefit Insights

## ***Prescription Drug Use Continues Upward Trend***

Prescription drug use in the United States is on the rise, both for acute and chronic conditions, according to data from two pharmacy benefit managers. Express Scripts reports the number of people with at least one prescription increased from 67% to 74% between 2000 and 2006, while Medco Health Solutions estimates that more than half of the insured U.S. population took prescription medication in 2007 for a chronic health condition.



According to Express Scripts' Geographic Variation in Prescription Drug Utilization study, in addition to the increase in the number of Americans using prescribed medications, the intensity of use rose, too. In 2000, the number of prescriptions per person using a prescribed medication was 10.8,

and this increased to 14.3 by 2006. The drug therapy classes experiencing the most growth were antihyperlipidemics (for controlling cholesterol and triglyceride levels), antidiabetics (diabetes) and antihypertensives (blood pressure).

Medco's study found that 51% of insured U.S. adults and children were being treated with prescribed medication for a chronic condition in 2007. Additionally, this study reports that 20% of the population uses three or more prescription drug treatments for chronic conditions. The most widely used drugs were those prescribed to battle high blood pressure, high cholesterol and diabetes.

Both reports point to obesity as a key factor in explaining their findings. For example, the Express Scripts report, which examines geographic variations, found a high correlation between state level obesity rates and use of medications for diabetes and high blood pressure, and a medium correlation between obesity rates and use of medication for high cholesterol.

Other factors that could be contributing to increased prescription drug use, as suggested in the Express Scripts report, include greater compliance rates, more dual therapy, higher screening rates for certain conditions, earlier initiation of drug treatment, and growing willingness on the part of physicians to use drug therapy instead of other types of treatment. Additionally, due to various advances in medical care, many once-fatal conditions have evolved to become chronic conditions, treatable by maintenance medications. Add the growing number of drug therapies now available for conditions that previously went untreated (erectile dysfunction, sleeping disorders, a variety of mental health-related issues), along with direct-to-consumer advertising by drug makers, and this trend of increased prescription drug usage seems sure to continue.

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## **IRS Issues HSA FAQs on a Wide Range of Issues**

The Internal Revenue Service has issued a set of frequently asked questions, with answers, on health savings accounts (HSAs). The 42 FAQs included in Notice 2008-59 cover a wide range of topics, including who is eligible for an HSA, and issues related to high deductible health plans (HDHPs), HSA contributions and HSA distributions. This article summarizes some of the clarifications found in Notice 2008-59.

### **• Eligible individuals**

- If an employer pays for or reimburses all or a part of an individual's health expenses below the HDHP deductible (other than expenses for preventive care or other disregarded coverage), that individual will not be eligible to contribute to an HSA.
- An individual who is eligible for, but not enrolled in, Medicare Part D, is eligible for an HSA, but once that individual has enrolled in Medicare Part D, he or she ceases to be HSA-eligible.
- An individual can be covered under a health plan in addition to the HDHP, so long as that plan's deductible is at least the statutory minimum deductible. The example given is of an individual with an HDHP with a lifetime benefit maximum of \$1 million, who also is covered under a second health plan with a \$1 million deductible and a \$2 million lifetime benefit maximum.
- Individuals who receive free or reduced-price health care from an employer's onsite clinic can be HSA-eligible, so long as the clinic does not provide "significant benefits in the nature of medical care." In an example, an onsite clinic that provided physicals and immunizations, allergy injections, nonprescription pain relievers and treatment for work accidents was not considered to provide significant benefits. In contrast, a hospital that provided free medical care to uninsured employees, and that waived deductibles and copayments for insured employees, was considered to provide significant benefits, and its employees would not be HSA-eligible.

### **• High deductible health plans**

- To determine when an individual who switches from family HDHP to self-only HDHP coverage satisfies the self-only deductible, the plan may use any reasonable method to allocate the covered expenses incurred during the period of family coverage. Examples given of reasonable methods include considering only those expenses incurred by the individual and not those incurred by other family members, or allocating expenses on a per-capita basis according to the number of persons who had been covered under the family HDHP. Also, if the family deductible had been satisfied, the plan may treat the self-only deductible as satisfied.

- If a plan imposes a separate or higher deductible for specific benefits—such as for substance abuse—amounts paid toward satisfying that deductible are not treated as out-of-pocket expenses for purposes of satisfying the HDHP minimum annual deductible, so long as significant other benefits remain available under the plan in addition to the benefits that are subject to the separate deductible.

### **• HSA contributions**

- If two spouses are eligible for HSA coverage and one spouse has self-only HDHP coverage and the other spouse has family HDHP coverage, the maximum annual HSA contribution for the married couple is the statutory maximum for family coverage. The same applies if each spouse has family HDHP coverage that does not cover the other spouse. The spouses need to divide the contribution limit by agreement.
- An individual who ceases to be eligible to make HSA contributions during the year may still make contributions with respect to the months of the year when he or she was eligible, up to the time for filing his or her tax return.
- Employer HSA contributions, including salary reduction contributions, may be allocated to the prior year if made between January 1 and the date for filing returns.
- If an employer mistakenly makes HSA contributions to the account of an employee who was never an eligible individual, the HSA is considered to have never existed and the employer may correct the error. If amounts are not recovered by the end of the taxable year, they must be included as gross income on the employee's W-2 for the year in which the contributions were made.

### **• HSA distributions**

- An HSA may be administered through a debit card that is restricted to health care items, so long as HSA funds are also readily available through other means.
- An HSA account beneficiary can authorize someone else to withdraw funds from the HSA.
- Medicare Part D premiums are qualified medical expenses for account beneficiaries who have attained age 65. If the account beneficiary has not attained age 65, Medicare premiums for an age 65 or older spouse are not qualified medical expenses.

These are just a sampling of the FAQs from the array of guidance provided under Notice 2008-59. For further information on the notice and which aspects of it might be most relevant to your company and your health care plan, consult with your benefits professional.

## Employees' Financial Stress Can Hurt Your Bottom Line

Today's economic environment can be hard on the nerves—a volatile stock market, declining home values, rising gas and food prices, and, for many, job uncertainty. When employees start to feel over-pressured by financial issues, their health, and that of the companies they work for, is bound to suffer.

Research shows that an estimated one-quarter to one-third of U.S. workers feels financial stress. Workers' financial angst can surface in the workplace day-to-day in many ways—

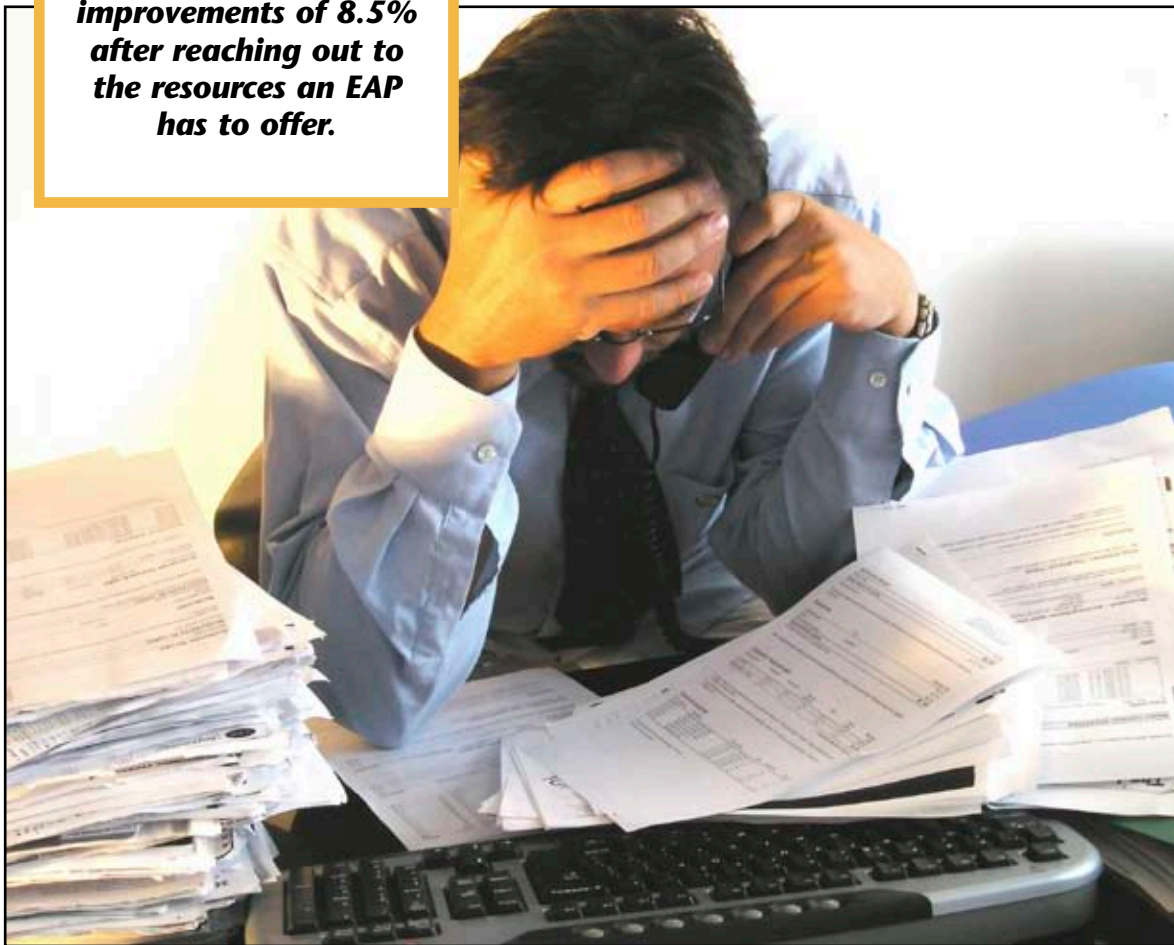
- Reduced productivity. As many as 80% of financially stressed workers spend time while at work worrying about their financial problems and dealing with these problems, instead of working. ("Financial Distress Among American Workers," a report from a group of financial experts and researchers)
- Health problems. According to this same study, as many as half of financially stressed workers report their health is directly and negatively impacted by these types of worries. This can result in added medical expenses for the company health plan.
- Increased absenteeism. Whether from time missed to deal with a financial issue or from sickness caused by or aggravated by financial stress, workers with money problems are likely to miss more days of work.
- Accidents and mistakes. Distractions are a key factor in causing workplace mishaps, and workers focused on their financial problems rather than the task at hand will make more mistakes which, depending on the nature of the business, may lead to accidents or injury.

An employee assistance program (EAP) can be an invaluable resource to employees struggling with financial stress of any kind—out-of-control credit card debt, looming college bills, rising adjustable mortgage rates, or the stress of living paycheck to paycheck, and worrying what will happen if an unexpected expense arises. EAPs provide referrals and/or

treatment, crisis counseling and other services to employees with a variety of problems—marital, mental health, financial, work-related, substance-related...and financial. Specifically, for financially stressed employees, an EAP could provide referrals to financial planners or credit counselors; talk an employee through a financial crisis; and provide tools and materials to help employees with budgeting, retirement planning, college planning, and the like. EAPs with a more comprehensive financial education and literacy component could be a resource for workshops and seminars, in addition to helping employees on an individual basis.

Employers have good reason to help employees manage stress, whatever the source. In a Blue Cross and Blue Shield of Minnesota study, EAP participants self-reported productivity improvements of 8.5% after reaching out to the resources an EAP has to offer. An EAP is an included benefit in many health plans

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today, and is also available through standalone vendors. If your company makes EAP resources available to employees, be sure you are communicating this to employees on a regular basis, so that the EAP has a high enough profile that employees will think to call when struggling with financial stress. If your company does not offer an EAP benefit, consider how adding one could help your employees, and your bottom line.

## ***DOL Web Site Helps Employers Determine Notice, Reporting and Recordkeeping Requirements***

Myriad federal laws apply to employment matters, and sometimes a company needs a legal adviser simply to determine whether it is subject to a particular rule or requirement. Now, the government is offering some assistance in taking this initial step toward compliance. The U.S. Department of Labor has launched a Web site, the FirstStep Employment Law Advisor, to help employers determine which major federal employment laws administered by the DOL apply to them.

To use the service, you answer a series of questions, including the nature of your business, number of employees, whether you employ any disabled or foreign workers, whether you have any union contracts, whether you offer retirement and health plans, whether you have federal contracts, and your location. The information the site generates will depend on which of its three features you have decided to use—

- FirstStep Employment Law Overview Advisor will provide you with a summary of the basic requirements of each law determined to apply to your business, along with related recordkeeping, reporting and notice requirements.
- FirstStep Recordkeeping, Reporting and Notices Advisor will give detailed explanations of these requirements for each applicable law.
- FirstStep Poster Advisor will provide links to legally required posters for the workplace, along with information on the laws establishing these poster requirements.

If applicable, the information provided will include links to published or online compliance assistance materials (such as guides and fact sheets), model notices required for employees (such as under COBRA), and forms for required filings (such as Form 5500). Contact information for departments within the DOL and other federal and state agencies are also provided.

If an employer already knows what federal employment laws apply, the service can be used to access basic compliance information on recordkeeping, reporting, and poster requirements.

As noted above, this service covers major federal employment laws administered by the DOL. It does not cover all laws administered by the DOL, nor does it cover federal laws administered by other agencies, or state or local laws (but



links are provided to some of these outside sources). Though the site focuses only on the major DOL-administered federal laws, it can be a good “first step” to legal compliance with federal employment laws.

Access FirstStep at [www.dol.gov/elaws/firststep](http://www.dol.gov/elaws/firststep). The service is free.



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