



The ViewsLetter

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Economic Woes Stress Your Workforce

Our country's economic struggles have dominated the media over the last month. Your employees may not understand the intricacies of the federal bailout legislation, but they may be starting to worry about how the downturn in the economy will affect them. In Michigan, the concern is very real. A large portion of business in our area is tied in one way or another to the auto industry. An organization does not have to be an auto supplier to be affected.



Employees are worried about their financial and job security. You may need to remind your employees of the various benefits available to them in these troubling times:

- **Employee Assistance Programs (EAPs):** An uncertain economy compounds the stress all employees tend to feel at various times of the year. Many employees will have difficulty dealing with the uncer-

tainty and are not sure what actions they can take to help them cope with the situation. If left untreated, employee stress can lead to depression. That depression, in turn, can affect health and job performance.

Most employers have a very helpful resource for struggling employees—the EAP. EAPs have numerous service models; some focus on mental health resources and others offer a variety of services to help employees in everyday life. Most employees

forget the EAP is there to serve them. Consider creating a promotional campaign to remind your employees of the important services the EAP provides. Make sure all employees know about the counseling available through the EAP – it can help employees whether they merely need someone to talk to during the tough times or they really need help managing their finances.

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About the ViewsLetter

We welcome you to the fourth quarterly issue in Volume Eleven of the McGrawWentworth ViewsLetter. It is our mission to be the leader in the employee group benefits brokerage and consulting industry to mid-sized organizations.

We have established the ViewsLetter as an integral part of our commitment to keep

you informed of benefit trends, legislative and marketplace developments that may affect your group benefit programs.

We welcome your comments and suggestions regarding the ViewsLetter. You can pass your comments directly to your McGrawWentworth Account Director or Account Manager, or you can reach us at www.mcgrawwentworth.com.

Economic Woes Stress Your Workforce, cont.

Your may also want to suggest a few “stress-busters.” All employees may not need EAP services, but they may need help with day-to-day stress. Each week offer a stress-busting tip by e-mail or posters in common areas, whichever works best for your employees. The tips can cover a number of subjects from financial ideas and home tips to stress relief. Look for practical tips to help employees. For example: “Struggling to put dinner on the table?” When you cook on the weekend, double your recipes. Instead of making one lasagna, make two and put one in the freezer for the night you run late at work. Or “Overwhelmed by All Your Work Tasks?” Divide and conquer—list the three most urgent things you must do each day and put the rest out of your sight. Focus only on those three most pressing concerns. If you complete those, then focus on the other items. Start every day with your top three. If you deal only with your three most pressing concerns, you

will be more productive because the sheer number of tasks will no longer be overwhelming. In many organizations, these tips will take on a life of their own. At that point solicit ideas for other stress busters. It will bring your employees together which also will help stress levels and employee engagement.

- **401(k) Plan:** The recent stock market losses have employees worried. Many HR professionals are taking calls from employees concerned about losses in their retirement plans. The closer employees are to retirement, the more likely they will be concerned about their 401(k) plans because employees tend to think of the 401(k) as a savings account rather than an investment account.

Some employees will decide to stop contributing to the 401(k); others may want to withdraw their balances to avoid future losses, in many cases incurring significant tax penalties. In these situations, employees must clearly understand the conse-

quences of their actions, which could include:

- Loss of company matching contribution.
- Limited ability to re-enroll in the 401(k).
- Potentially large tax penalties.

Many 401(k) vendors publish information to reassure employees about the current investment environment. There are plenty of historical examples of significant day and even weekly stock market losses. Along with all those loss stories are compelling recovery examples. The 401(k) plans were created to offer long-term savings for retirement. Indeed, over time, stock market investments have for the most part, yielded positive results. Your employees may decide to withdraw current 401(k) funds to stop future losses or they may decide to try to ride out the storm. Historically, it seems riding out the storm may be the wisest decision.

Make sure you inform your employees of the consequences of disenrolling from the 401(k) plan.

- **Medical Coverage:** A bad economy may be good news for your medical plan. People are seeing medical professionals less often as budgets get tighter. In tough times, employees tend to adopt some of the cost-cutting behaviors you have been preaching for the last five years. Now is a good time to remind employees of all the resources your medical plan offers to help them make the most cost-effective choice for care.

TREND TIDBITS

- § In 2009, health plan costs are expected to increase 6.8%, which is lower than the 7.5% increase in 2008.
- § Detroit’s expected cost increases are slightly lower than the national averages at 6.4% in 2009, up from 6.0% in 2008.
- § Increases in some cities are higher than expected with Cincinnati expecting an 11.1% increase, Orlando expecting a 9.2% increase and Minneapolis expecting a 9.1% increase.
- § Increases in other cities are much lower than expected with Austin expecting just a 1% increase, Houston only expecting a 2.6% and Chicago expecting a 3.1% increase.

Source: 2009 Hewitt Health Plan Cost Report

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Economic Woes Stress Your Workforce, cont.

Although your organization has explained these options in the past, you may now have a truly engaged and interested audience.

A number of topics may really help employees, including:

1. **Generic drugs:** Most health plans have seen an increase in the use of generic drugs over the past few years. When employees need a prescription, however, they often forget to ask the doctor whether a generic drug is available. Remind them to ask that important

question every time. Figure out the difference between your preferred brand name copay and your generic copay. For example, if the copay difference is \$20, call it the \$20 question, so employees equate the cost savings with asking their doctors about generic alternatives.

2. **Save a Copay, Call the Nurseline:** Most organizations offer their employees a 24-hour nurseline. This resource allows them to call a nurse when they are unsure whether they need to see a

doctor. Encourage employees to use this resource to save time and money. If the nurse can help you over the phone, you do not need to see the doctor and can avoid paying an office visit copay and wasting time in the waiting room. You may have publicized this service in the past, but now employees may be more interested in the free resource because budgets are tight.

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YOUR QUESTIONS

- Q.** We offer our employees a choice between a PPO plan and Blue Care Network's Healthy Blue Living HMO. In the BCN plan, employees willing to work on improving their health or, if a smoker, willing to enroll in a "Quit the Nic" program receive a higher level of benefits, called the "enhanced plan." Employees not willing to work on their health receive a lower level of benefits called the "standard plan." Our comptroller wants to add a smoker's surcharge to all our benefit plans. Can we charge smokers more for their health plan coverage?
- A.** Well, it depends. The Health Insurance Portability and Accountability Act prohibits employers from making employees pay higher contributions or offering reduced benefits because of a health factor. That would seem to mean that employers could not charge smoker surcharges. However, there is one noted exception for wellness plans that meet the conditions outlined in the regulations. For more details on what criteria a wellness plan would need to meet for the HIPAA exception, please read our *Benefit Advisor* at [http://www.mcwent.com/Benefit Advisor/2007/BA Issue 1.pdf](http://www.mcwent.com/Benefit%20Advisor/2007/BA%20Issue%201.pdf).

One of the HIPAA requirements is that the rewards for achieving certain health factors must not exceed 20% of the cost of employee-only coverage under the plan. If the wellness initiatives are extended to spouses and dependents, the reward cannot exceed 20% of the cost for the coverage category in which the employee and any eligible dependents are enrolled. For example, if the wellness initiatives are extended to employee, spouse and any dependents, and the employee is enrolled in family coverage, the reward cannot exceed 20% of the cost of family coverage. Rewards can take many forms including a contribution discount or a premium rebate, a waiver of a plan deductible, a lower coinsurance or copayment amount, the absence of a surcharge and so on.

This test combines all incentives that depend on achieving a health goal. Therefore, in your situation, you need to combine the value of the Health Blue Living plan incentive and the proposed smoker surcharge to determine whether your incentives exceed the 20%. For the purpose of plan design incentives, your organization will need to determine the actuarial value between the plan levels and quantify that result. The smoker surcharge will need to be added to those amounts (for single, two person and family) and then compared to the appropriate rate.

For the most part, BCN plan differentials are close to the allotted 20% and you should be wary of adding a surcharge on top of the plan differential. The surcharge can be added to the PPO plan.

A Dental Dilemma

3. **Get a Flu Shot:** If your organization offers flu shots on site as an employee benefit, try to schedule the shots at a convenient time for most employees to receive the vaccination. If your organization doesn't offer the shots on site, does your health plan cover them? If so, let your employees know where the shots are available near your office and remind them the medical plan will cover the shots.

Many organizations will be challenged again this year in managing health plan costs. Be mindful when making changes that increase cost-sharing that employees are struggling. Now more than ever, you may be able to influence employees' health care purchasing patterns. Don't give up on informing employees of the best ways to save money on health care!

The difficult economy may affect your organization in a number of ways. To the extent your organization and your employees can work together to weather the storm, everyone will be better off in the long run. Remember in tough times, your

employee benefit programs may make a real difference in helping employees cope. Make sure your employees are aware of all the programs available to them in these tough times. **MW**

A Dental Dilemma

Your organization may not be aware of a battle raging in the dental community over the safety of dental fillings containing mercury. Dentists have commonly used mercury amalgams for decades. However, for the last decade the concern about the potential health and environmental risks associated with the mercury fillings has grown.

The potential health risks include concerns that mercury fillings may have neurotoxic effects on the nervous systems of developing children and fetuses. The concern is primarily that the mercury in fillings may harm young children, pregnant women and anyone with a mercury sensitivity. In general, the limited amount of mercury in a filling is not believed to be harmful. In fact, the American Dental Association (ADA) and the Food and Drug Administration (FDA) have approved its use. However, in addition to pregnant women and young chil-

dren, some people do have health conditions that make them more sensitive to the mercury exposure. These people should seek alternatives to mercury fillings.

The potential environmental risks include concerns about mercury in our water supply. To protect the environment, the Clean Water Act of 1972 set limits on the amount of mercury allowed in waste water. As a result, many municipalities have passed ordinances limiting the amount of mercury dental offices can add to their waste water. Many dental offices have been compelled to buy special equipment to collect excess mercury so that it is not released into the waste water system.

In 2006, *Moms Against Mercury* filed a lawsuit against the FDA to force the government to formally evaluate the risks associated with mercury fillings and require dentists to follow guidelines for using these fillings. The FDA agreed to settle this lawsuit. The result is the FDA now has until July 2009 to determine how it will regulate mercury fillings and determine the warnings dentists need to give their patients.

Alternatives to mercury fillings do exist. One choice is composite restorations. This option is recommended only when the filling is less than one third the width of the tooth. These restorations are not too expensive and actually can be made to match the color of the filled tooth. When a restoration is needed for a larger area of the tooth, porcelain inlays and onlays are an option. These inlays or onlays are very strong and can restore teeth that in the past may have required a crown or a cap. Because they can also match the natural tooth color, they are cosmetically appealing as well.

DID YOU KNOW?

- 59% of adults report having a "serious" problem with one of seven major financial issues.
- 27% of adults say they are having a serious problem getting a job or a pay raise.
- 25% of adults cite paying for health care as a serious problem.
- 16% of adults cite credit card or personal debt as a serious problem.
- 43% of adults cite paying for gas as a serious problem.

Source: Kaiser Family Foundation Health Tracking Poll of 1,206 adults in June 2008

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A Dental Dilemma, cont.

The debate over mercury fillings has been going on for decades. Most dental insurance carriers cover the mercury fillings as well as the alternative options and allow patients to choose the best option with their dentist.

Why would a patient even consider a mercury filling? The mercury fillings tend to last longer than the composite alternative. From a patient's perspective, this could delay more seri-

ous dental work. Each time a tooth is filled, the area surrounding the cavity must be prepared for the filling. Preparing the tooth means some of the tooth's surface is ground away. After a filling is replaced two or three times, in some cases not enough of the tooth's surface remains. At that point, the dentist may recommend a crown.

For now the debate has quieted while the FDA evaluates the safety of mercury fillings. However in July 2009 expect to hear more from the FDA about the safety of mercury fillings. At that point, you may want to be prepared for your employees' questions on whether your plan covers mercury fillings or the alternatives.

MW

Technical Corner - Using Debit Cards?

Many organizations offer employees the option of paying for health Flexible Spending Account (FSA) expenses with a debit card. Often this convenience increases participation in the FSA program. The IRS has a number of rules that apply to using the debit card for health and dependent care FSAs. Briefly, the rules require:

- Participants to agree that they:
 - Will use the card only to pay for their eligible medical care expenses.
 - Will use the card only for expenses that are not reimbursable under any other plan.
 - Will not seek reimbursement from any other plan.
 - Will acquire and maintain appropriate proof the card was used for an eligible expense.
- The card can be used only on debit card machines that reflect certain healthcare-related merchant codes.

- Claims still need to be substantiated and employees need to prove the card was actually used for a qualifying medical expense.

The IRS has issued rules to determine when a debit card can be used and the claim is considered automatically adjudicated by virtue of the situation. For more detailed information on debit card usage, please see our Special Alert at http://www.mcwent.com/Special_Alert/2006/Special_Alert_Issue_5.pdf.

Initially, the cards were supposed to be used only at merchants with specific healthcare-related merchant category codes. However, the IRS had received significant push back from employers and providers. Debit cards are commonly used at pharmacies to pay for prescription drugs. Unfortunately, in many places, pharmacies are just a small part of a larger store. Pharmacies are found in grocery stores, retail stores, discount stores, warehouse clubs and so on. In 2006, the IRS set guidelines for using debit cards at stores that do not have specific healthcare-related merchant codes. If the merchant uses an Inventory Information Approval System (IIAS) to verify the employee is using the debit card only for eligible medical

care expenses, the employee can continue to use the debit card in this setting.

The IRS allowed a transition period so that merchants could develop the IIAS. During the transition period, anyone using the debit card at these stores needed to prove the claim was for a covered service. The transitional period expires on December 31, 2008. As of January 1, 2009, employees cannot use a debit card at these stores, unless:

- The store uses an IIAS that meets the IRS requirements.
- 90% of the store's gross receipts in the previous year consisted of items considered Section 213(d) medical expenses.

If your organization allows employees with FSAs to use a debit card to pay for eligible services, you should ask your debit card vendor to define the conditions for using debit cards at pharmacies located in retail stores.

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