

# UPDATE

## ISSUE- HEALTH SAVINGS ACCOUNTS

**D**id you get our previous Update covering the newest health insurance product – Health Savings Accounts? Remember, HSA plans are tax-free accounts that can be used to pay for routine medical expenses. They must be combined with a high deductible health insurance policy. Unused money in HSAs can be rolled over from year to year. And Employers can contribute to their employees' HSAs. Here is a follow-up on that information.

The Atlanta Business Chronicle has an article entitled, "HSAs double in six months, surpassing 1 million mark" in its May 13-19, 2005 edition. According to a survey conducted by America's Health Insurance Plans, more than one million Americans now have HSAs. According to the article, "Firms with fewer than 50 employees covered 147,000 people through HSA plans in March up from 79,000 in September."

According to the article, "Legislation pending in Congress could accelerate HSA growth by making the premiums for the high-deductible plans tax-deductible and providing tax credits to small businesses that offer the plans." HSAs may not be suitable for every company, but The Benefits Group will continue to explore all benefit plan options available to our clients.

## ANNUAL CONTEST



Our annual contest is underway! We are giving away four (4) tickets to a Braves baseball game. One of the attached Health and Fitness News publications contains the answer to this question – Why did the ancient Romans eat parsley? Call Kara by July 20th at 770-455-3446 Ext. 202. A drawing will be held and the winner will be notified after July 22nd.

## COBRA FINAL REGULATIONS, AGAIN

For those groups that must comply with COBRA regulations, the rules have changed once again. In 1999 Final COBRA Regs were released. Then in 2001 NEWER Final Regs were released. And now there are 2004 Final COBRA Regs. What's new about these last regulations? Here is a snap shot: 1) Two new notices, 2) Clarifies General Notice Content, 3) 90 Day delivery window, 4) Single Disclosure, 5) Method of Delivery, and 6) Effective date of changes.

### New Notices

In addition to the COBRA General Notice (once known as the Initial Notice) and the Election Notice, a COBRA Early Termination Notice and Unavailability Notice have been added. Basically, the **COBRA Early Termination Notice** must contain the reason of an early termination and the effective date. Reasons may be non-payment, participant gains new coverage, or group coverage is canceling. The **Unavailability Notice** would be used to notify a participant or beneficiary that he/she is not eligible for COBRA continuation. Reasons might be that the Employer was not notified of the following situations: a divorce in a timely manner, a child no longer a full time student, or a social security disability approval.

### General Notice

The General Notice is delivered to a newly eligible participant and spouse. The new regs simplified the Notice and removed some information from the previous version. To obtain a sample copy to go: [www.dol.gov/ebsa/](http://www.dol.gov/ebsa/). Under the People Are Asking heading click on COBRA Model Notices. Under the HIPAA Compliance Assistance Program (H-CAP) heading, click on New Health Laws Notice Guide. Under Final Regulations on COBRA Notice (5<sup>th</sup> bullet point), click on General Notice. Regulations and a sample of the Election Notice can be found here too.

**COBRA FINAL REGULATIONS, AGAIN – CONT.****90 Day Delivery Window**

The old regulations said that the General Notice was required upon election of coverage, but no later than 30 days. The new regulations have extended the time to 90 days. For better protection, it is suggested that employers continue to use the old 30 day rule as their guide.

**Single Disclosure**

It was clarified that a single General Notice addressed to the employee and spouse is sufficient. It is not necessary to send separate letters to the employee and the spouse and dependents. Dependents whose permanent address is different from the employee's, however, should be provided a separate notice.

**Method of Delivery**

The regulations have stated that the minimum communication method should be 1<sup>st</sup> Class Mail. We suggest the Certificate of Mail or Proof of Mail method because it provides a more cost effective, fail safe mailing method. The 2004 regulations provide that compliance notices can be provided in the Summary Plan Description (SPD), assuming the SPD is properly provided.

**Effective Date of Changes**

These new regulations will go into effect upon a group's anniversary date starting 11/26/04.

**HMO NEWS**

Profits made by Health Maintenance Organizations (HMO) in our state dropped in 2004 for all but one carrier doing business in the state of Georgia. This is according to an article entitled "Profits at most Georgia HMOs dropped in '04" in the March 11-17, 2005 Atlanta Business Chronicle. Reasons for the drop in profits are due to the following:

- 1) Flat or declining enrollments into the HMO Plan designs.
- 2) Rising health care costs.
- 3) Shift toward other product lines - (Health Savings Accounts (HSA) or Preferred Provider Organizations (PPO).
- 4) Price pressures from hospitals and pharmaceuticals.

Even though HMOs in Georgia are in a downward trend, experts think HMOs are here to stay. Kirkland McGhee, Executive Director of the Georgia Association of Health Plans says, "What we're going to see over time is some changing of the model. The face of the HMOs may change and how we access them may change, but they will still be there."

**CAFETERIA PLAN RULES CHANGE**

The U.S. Treasury Department and the Internal Revenue Service released Notice 2005-42 on May 17, 2005 modifying the "use-it-or-lose-it" rule for Cafeteria Plans. This notice extends the "grace period" during which claims incurred during a plan year can be reimbursed with money left over from the previous plan year. Instead of having to use the monies within a twelve month plan year, the rule will allow an additional two months access to monies not used in the previous plan year. Look for more info in future newsletters for details regarding this change.

**HEALTH AND FITNESS NEWS**

The Spring & Summer 2005 Health and Fitness News publications have been included with this newsletter for your reading enjoyment. This publication is loaded with informative articles on food, drugs, exercise, sleep and health. There should be something interesting in this newsletter for everyone. Enjoy!

***The Benefits Group, Inc.***

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