

# BENEFIT

## *Plan Developments*



A report covering plan design and legislative changes

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## New Legislation Makes HSAs More Attractive

Legislation creating new incentives for Americans to contribute to health savings accounts (HSAs) was signed into law by President Bush on December 20, 2006. The law, the Health Opportunity Patient Empowerment Act of 2006, is part of the Tax Relief and Health Care Act of 2006, which also includes extensions of tax breaks for college tuition, research and development, and energy efficiency investments. Despite these statutory enhancements, the issue of whether Americans will embrace consumer-driven health plans in significant numbers continues to be debated.

Prior to the enactment of the new law, individuals with a high-deductible health plan (HDHP) coupled with an HSA were permitted to make tax-deductible contributions to an HSA equal to the lesser of the amount of the HDHP deductible or an indexed statutory maximum amount, \$2,850 for self-only coverage and \$5,650 for

family coverage for tax year 2007. The new legislation sets the contribution limit at the indexed statutory maximum, regardless of the size of the plan's deductible.

In addition, the new law permits a one-time tax-free transfer of funds

held in a flexible spending account (FSA) or health reimbursement arrangement (HRA) to an HSA. Taxpayers are also permitted to make a one-time distribution from an individual retirement account (IRA) to an HSA.

The legislation also repeals the prorated contribution limits that applied to HSAs begun in the middle of a tax year, allowing taxpayers who start accounts during the year to make the full annual contribution.

In addition, the law repeals the requirement that employers make comparable contributions to the HSAs of all employees. Under the new law, employers are allowed to make larger contributions to the HSAs of lower-paid employees than to the accounts of highly compensated employees.

The number of employers offering HSA-eligible HDHPs to employees is likely to increase in 2007, according to a survey conducted by human resources consultancy Watson Wyatt. While

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## DeTrude & Company, Inc.

3850 Priority Way South Drive  
Suite 218

Indianapolis, IN 46240

Phone: (317) 573-3850

Fax: (317) 573-3854

detrude-benefits.com





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few of the companies surveyed indicated they would completely replace their current health care plans with HSA-eligible HDHPs, one-third of the employers said they plan to offer employees the HDHP option.

“The move to consumer-oriented health care programs will continue, and it will evolve to include more than just high-deductible health plans and health savings accounts,” said Ted Nussbaum, director of group and health care consulting at Watson Wyatt. “Employers will take these efforts to the next level by targeting strategies at specific segments of health care users and using data on provider quality to help employees effectively control health care costs.”

However, a survey on consumerism in health care conducted in September 2006 by the Employee Benefit Research Institute (EBRI) and the Commonwealth Fund found that enrollment in consumer-driven plans remains small, and satisfaction among HDHP participants is lower than among individuals with more comprehensive health insurance.

The second annual survey of a cross-section of Americans with different types of health insurance coverage showed that just 1% of privately insured Americans of working age were enrolled in HSA-qualified HDHPs in September 2006, while another 7% participated in HDHPs but had not signed up for an HSA. Researchers speculated that most enrollees in high-deductible plans do not have an HSA because they cannot afford to make contributions.

Results also revealed, however, that consumer-driven plan participants tend to be more cost conscious in their health care decisions than participants in traditional health plans. The survey showed that HDHP enrollees are significantly more likely than other insured respondents to consider costs when deciding whether to see a doctor or fill a prescription, and to check the price of a service prior to receiving care.

Dallas Salisbury, EBRI president and CEO, said, “It will be interesting to see if continually rising health care costs prompt more workers to conclude that the

tradeoff of lower premiums for higher deductibles, and potentially higher out-of-pocket costs, is worth it.”

Salisbury added, “Clearly, the choice becomes easier when some of the drawbacks of first-generation consumer-driven plans are removed, such as lack of protection for prevention and chronic care management within the deductible that may cause patients to delay or avoid getting needed care.”

## Employers Can Do More To Help Employees Quit Smoking

Employers must do more than simply ban smoking from the workplace if they want employees to quit the habit for good, the National Business Group on Health (NBGH) concluded in a recently released study of employers’ approaches to smoking cessation.

The NBGH’s survey of 508 benefits managers and 510 full-time employees who smoke found that smoking—along with high blood pressure and obesity—is among the top three employee health priorities for employers. Results further showed that 82% of the employers surveyed believe they should take steps to help employees quit smoking.

While the survey indicated that most employers believe establishing a smoke-free workplace is the best way to encourage employees to quit, 78% of smokers working for companies that do not allow them to light up in the workplace said this policy alone was not enough to motivate them to stop smoking. Around half of the employees surveyed reported having made between three and ten attempts to quit smoking. Most smoking employees, the survey found, would like their employers to offer access to smoking cessation programs.

“While employers recognize the value of a smoke-free workplace, many may not know about the benefits of a systematic approach to smoking cessation,” said Ron

Finch, vice president at the NBGH. “Benefit managers and health care practitioners treat smoking as an acute problem, instead of the chronic condition that it is. We need to change this perception. In this survey we heard from smokers that they want support through comprehensive smoking cessation benefits.”

When asked how frequently they take smoke breaks, nearly half of employee respondents said they take between three and six breaks a day, with more than two-thirds of those who take breaks reporting that these breaks last between five and fifteen minutes.

The NBGH study cited research from the Centers for Disease Control and Partnership for Prevention indicating that smoking cessation benefits, along with aspirin therapy and childhood immunizations, are among the most cost-effective benefits employers can provide. However, the study noted, the Partnership for Prevention has found that fewer than one-quarter of employers offer comprehensive smoking cessation programs.

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## Universal Health Care Plan Proposed In Senate

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Democratic Senator Ron Wyden of Oregon has unveiled an ambitious plan to provide universal health care coverage for all Americans by requiring individuals to sign up for private insurance equal in quality to the coverage currently available to U.S. Congress members and federal workers. The proposed legislation would abolish employer-sponsored health plans but require companies to contribute to their workers’ health insurance premiums, based on each employer’s ability to pay.

According to Wyden, the proposed Healthy Americans Act (HAA) would provide “universal coverage for no more money than our country spends today. Better care, financial health and security, no increase in costs.”

Endorsed by Andy Stern, president of the Service Employees International Union (SEIU), and Steve Burd, chairman and president of the Fortune 50 employer Safeway, HAA would establish a centrally financed system of private health insurance, covering all Americans except those who currently receive coverage through Medicare or the military. Individuals would choose from a selection of private health care plans offered through state-run purchasing agencies that receive partial financing from the federal government. Participants in HAA plans would pay premiums through their annual income tax filings, with premiums fully subsidized for those individuals with incomes below the federal poverty level and partially subsidized for people with incomes between 100% and 400% of the federal poverty level.

Under the proposed legislation, employers that sponsor health plans would terminate their existing coverage and pay out the amount saved as increased wages to individual employees. Workers would then use this sum to purchase insurance. Companies that do not currently provide health benefits would be required to make phased-in payments that reflect their relative ability to pay. Health insurance would no longer be tied to employment, and eligibility and rates would not be based on factors such as age, gender, occupation, or previous and existing conditions.

An analysis of the proposed legislation prepared for Sen. Wyden by health care consultancy the Lewin Group concluded the new federal program costs associated with HAA would amount to an estimated \$812.9 billion. Researchers noted, however, that these costs would be offset by premium payments, employer assessment revenues, Medicaid savings, reduced payments to hospitals, increased Social Security tax revenues, and the elimination of selected business tax credits. According to Wyden, HAA would contain costs by encouraging preventive care and eliminating waste, resulting in savings of \$1.48 trillion over 10 years.




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Wyden commented, “Fixing health care is not as complicated as one might think. Start by making care more affordable. That means eliminating inefficiency, beginning with when a person signs up for coverage. Get citizens good quality outpatient health care so they don’t go to hospital emergency rooms. Reward prevention—health care, not sick care. Beef up the quality of care by reducing medical errors in our hospitals.”

## Parents’ Concerns About After-School Care Lower Job Productivity

Working moms and dads are less productive on the job when they are worried about what their children are doing in the after-school hours, according to a report by nonprofit research and advisory organization Catalyst.

The study, conducted in cooperation with the Women’s Studies Research Center at Brandeis University and sponsored by Citigroup, Fannie Mae, and Pfizer corporations, was based on a survey of 1,755 employed parents, 44.7% of whom are fathers and 55.3% of whom are mothers.

Researchers estimated that, of the more than 52 million working parents in the United States, at least 2.5 million experience high levels of stress due to concerns about their children’s activities after school. This stress, according to the study, costs businesses between \$50 billion and \$300 billion a year in lost job productivity. The types of problems that lead to lower productivity range from minor disruptions to diminished overall job satisfaction. These con-

cerns were found to be especially acute for parents who have more responsibility for childcare in the household, who work longer hours, and whose children are older or spend more time unsupervised.

When asked how employers can help alleviate their concerns about their children, three-quarters of the working parents surveyed said they would like to have the flexibility to arrive at work later, leave work earlier, or take off part of a workday when necessary. Results also showed, however, that many of these parents are afraid that taking time off for family reasons and asking for flexible work arrangements could jeopardize their opportunities for advancement.

The report recommended that employers not only grant employees flexible working hours, but also focus more on goals and results when assessing an employee’s performance, rather than on time spent in the workplace. In addition, researchers called upon companies to invest in community after-school care programs, expand supports related to after-school care, actively communicate the availability of these supports to employees, and transform the workplace culture by better educating supervisors and managers about the needs of working parents.

Ilene H. Lang, president of Catalyst, said parental concern about after-school time “is an equal-opportunity issue, cutting across gender, race, and rank, from factory floor to executive suite.”

Lang called measures to reduce these concerns “a win-win proposition.” She added, “Businesses can increase productivity and retention in today’s round-the-clock work environment by cultivating an agile, results-focused workplace, where work and life responsibilities aren’t mutually exclusive.”



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