

Flex Plan News

Benefits News for Administrators

August 2009

Update on Health Care Reform & Impact On Employer Plans

As the health reform process continues in Washington and as Congress addresses the significant cost of financing the proposed legislation, employer plans continue to be potential targets. Although elimination or reduction of the employer tax exemption is no longer part of the current proposals, several other items could have a negative impact on employer benefit programs, including Health FSAs. Financing measures under consideration include:

- (1) implementation of an excise tax on benefits received by employees over a certain cap, which would reduce the tax savings of employer plans;
- (2) an annual cap on Health FSAs, possibly as low as \$1,500 - \$2,000; and
- (3) elimination of over-the-counter medications as eligible expenses for Health FSAs and Health Savings Accounts.

To read more about the current process, visit www.ProBenefits.com and the “News & Updates” section. We plan to host another webinar on the topic after Congress reconvenes in September. We will continue to do our best to keep you informed on the process and how it will affect you.

ProBenefits continues to remain active in lobbying efforts in North Carolina and Washington, DC. It is vitally important for as many employers and employees as possible to be heard on these issues. With any changes similar to the above, health costs for companies and employees will rise, resulting in reduced coverage and lower take-home pay. Please consider visiting or calling your representatives and expressing your concern, because the representatives need to hear about the potential negative impact of the current proposals. If you need sample letters or suggesting talking points, contact us. Also, we recommend that employees visit www.savemyflexplan.org, where more information is available along with instructions and ideas about how to be heard in this process.

ProBenefits Now Offers COBRA Administration

ProBenefits recently introduced a new COBRA administration service. This service is in addition to our existing FSA, HRA, and POP administration and is designed to provide another level of benefit plan compliance and support for employers. ProBenefits COBRA is a full-service product that includes administration of COBRA for all group health plans sponsored by the employer. The service features an automated web product, efficient employer reporting, handling of all notices to qualified beneficiaries, premium billing and collection, and dedicated client service and compliance assistance.

Our goal is to combine an automated COBRA service with the ProBenefits model of client service and compliance support. Jessi Lawson is our dedicated COBRA administrator and oversees the day-to-day administration for all COBRA clients. Our in-house benefits attorney, Jason Cogdill, provides compliance assistance for COBRA clients and plan advisors. We are excited about COBRA as our newest service, and we plan to work hard to provide the best full-service COBRA product available. For more information or to have ProBenefits administer COBRA for your group plans, discuss with your benefits advisor or contact us directly.

New Red Flag Rule Regarding Identity Theft

You may have heard or read about the new Federal Identity Theft Prevention Program Requirements (known as the “Red Flags Rule”). This rule was recently implemented (effective August 1) by the Federal Trade

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Commission and requires certain business and organizations to implement written identity theft prevention programs designed to detect the warning signs of identity theft and to reduce the risk of identity theft.

The Red Flags Rule has not gotten much attention in the benefits industry this year, but we are monitoring it on behalf of our clients. The rule is designed to apply to “financial institutions” and “creditors” with “covered accounts.” Broad definitions of those terms have raised questions about whether the Red Flags Rule applies to Health FSAs and other plans that use debit cards for reimbursement. However, to date there is no official guidance from the FTC, and the current position of ProBenefits and others in our industry is that the rule does not apply to flex cards absent direct guidance from the FTC saying otherwise. The popular interpretation is that the FTC will apply the rule only to employee-held accounts and the financial and credit institutions that hold them, and not employer-controlled accounts like FSAs and HRAs.

For employers with flex cards, there is nothing you need to do. If there is subsequent guidance from the FTC indicating that the cards are covered by the rule, we will implement a compliance action plan and share with you.

ProBenefits has significant privacy and confidentiality safeguards in place. For a copy of our privacy and confidentiality statement, visit www.ProBenefits.com/Privacy-Policy.html.

New Webinar Option for FSA Enrollment Meetings

ProBenefits now offers a new option for employee FSA meetings to educate employees and boost participation and tax savings. In addition to our ability to do in-person meetings, we offer live or recorded webinars that employees can access and utilize from their desk, home, or any internet connection. The webinar option will allow us to reach more groups and employees and add a new level of education of the significant benefits of FSA plans. For more information on an FSA group meeting, contact your ProBenefits administrator. Additional information on webinar options will also be provided in your plan renewal packets beginning in October.

Our research indicates that FSA reenrollment meetings can have a significant impact on increasing participation. Of course, increased participation is a “win-win” for employers, since with every additional participant there is an increase in employer tax savings in addition to the tax savings for the participant. We highly recommend on-site reenrollment meetings for groups with low overall participation (less than 20%) and groups in which the level of general education and awareness needs a boost.

***Your Question Answered:* “I know that COBRA continuation applies to our major medical plan. What other plans does COBRA apply to?”**

COBRA applies to any “group health plan” sponsored by an employer with 20 or more employees. Group health plans for which COBRA applies include (1) health insurance plans, (2) vision insurance plans, (3) dental plans, (4) cancer policies, (5) prescription drug plans, (6) Health FSAs, (7) HRAs, and (8) any other plans providing medical benefits (such as EAPs or wellness programs with medical care components). COBRA does not apply to HSAs, long-term care plans, AD&D plans, group term life plans, or indemnity plans.

NOTE: For employees eligible for the COBRA premium subsidy under ARRA, the subsidy applies to COBRA continuation under any of the eligible plans listed above.

ProBenefits offers full-service COBRA administration, including automated web reporting, handling of all COBRA notices for qualified beneficiaries, premium billing and collection, and customer and compliance support. If you would like a quote or to learn more about ProBenefits COBRA, contact us.

If you have any questions on any compliance topic, contact Jason Cogdill, ProBenefits attorney. Jason advises employers and plan advisors on a range of benefits topics and is available to you as a resource.

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