

Broker Update

Benefits Updates For Broker Clients

January 2009

Legal Update: Final Cafeteria Plan Regs & New COBRA Regs

Cafeteria Plan Final Regulations: Since the release of the proposed final cafeteria plan regulations in September 2007, we have provided periodic updates on the status of the final regulations. As of today, the final regulations have still not been released. Although there has been no formal IRS announcement, the regulations are expected within the first quarter of 2009, and we anticipate that the effective date of the final regulations will be 1/1/10. Until further word from the IRS, plans should rely on the proposed regulations, which ProBenefits is currently doing as part of our plan administration. We will provide details about the final regulations upon release. Until then, please contact ProBenefits attorney Jason Cogdill with any questions.

COBRA Regulations: According to the Department of Labor, new COBRA regulations are expected in 2009. The new regulations are expected to include (1) clarification on calculation and administration of COBRA for dependents of HRA participants (the “mushrooming effect”) as well as (2) clarification on calculation and administration of COBRA premiums for HRA plans, including deductible reimbursement plans. We will provide detailed updates as soon as the regulations are released.

HRA Plans: New CMS/MSP Reporting Requirements for 2009

New mandatory Medicare coordination reporting requirements (“MSP Reporting Rules”) for third-party administrators and group health insurers went into effect on January 1, 2009. In sum, these rules require quarterly reporting for all group health plans to verify health coverage of individuals and ensure compliance with the Medicare Secondary Payer rules. It had been our hope and anticipation that HRA plans would be exempted from these requirements (as Health FSAs are), but it was confirmed in late December that HRAs are not exempt and must comply with the requirements. Under the new rules, data must be reported for all “active covered individuals” of group health plans, which means that HRA plan data must be gathered for spouses and dependents of participants in addition to the data (participant-only) currently collected for plan administration.

The initial deadline is that required data must be reported to the Center for Medicare/Medicaid Services (“CMS”) by March 31st for all covered persons as of 1/1/09. ProBenefits will be contacting HRA plan sponsors soon with further information and to gather the necessary data and prepare the reports for the first quarter in compliance with the new rules. If you have any questions, please contact us.

Flex Card: IIAS Update For 2009

As we have previously reported, recent changes in the law and card technology have made the Flex Card more efficient and effective than ever. The Inventory Information Approval System (“IIAS”) continues to include additional retail locations where eligible expenses (including prescriptions and over-the-counter items) can be auto-adjudicated. When a participant swipes the Flex Card at a participating merchant, the IIAS system automatically verifies eligible items purchased, and no further documentation is needed from the participant. As of 1/1/09, over 1,000 national, regional, and local merchants are utilizing the IIAS system. For a complete list of merchants with IIAS, visit our website: www.ProBenefits.com/Debit/IIAS.html. *Note:* cards used at medical offices may still require documentation.

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Based on IRS Notice 2007-2, as of 1/1/09 IRS rules would have prevented cards from being used at retail locations without an IIAS system in place. Recently, the IRS issued Notice 2008-104 extending the deadline for drug stores and pharmacies to implement IIAS by 6/30/09 in order to be able to accept the cards. The vast majority of retail card swipes are already being auto-adjudicated with IIAS, but as of July 1st every retail Flex Card transaction should auto-adjudicate. This is good news, because increased auto-adjudication translates to fewer paper claims for participants and reduced “pay and chase” for employers.

ProBenefits regularly updates employer clients on Flex Card developments, so be assured that we are communicating with your clients that have plans with us.

2009 IRS Limits & Maximums for Welfare & Fringe Benefit Plans

Cafeteria Plans:

Dependent Care Assistance Plans (Dependent Care FSA maximum election):	\$5,000 per household
Health FSA plans – maximum plan election:	No statutory maximum
Compensation amount for determining Highly Compensated Employee:	\$105,000*
Compensation amount for determining Key Employee (<i>officers earning more than</i>):	\$150,000**
Medical mileage rate (reimbursement from Health FSA or qualifying deduction):	\$0.24 per mile

HSA Plans:

Minimum annual HDHP deductible for HSA eligibility – Single	\$1,150
Minimum annual HDHP deductible for HSA eligibility – Family	\$2,300
Annual HSA Contribution Limit – Single	\$3,000
Annual HSA Contribution Limit – Family	\$5,950
Annual HSA Contribution Limit – Age 55+ catch-up	\$1,000
Maximum annual out-of-pocket for HSA eligibility – Single	\$5,800
Maximum annual out-of-pocket for HSA eligibility – Family	\$11,600

Fringe Benefits:

Qualified Transportation benefits	
Monthly parking	\$230
Monthly transit/commuter vehicle	\$120
Adoption Assistance plan	\$12,150
Educational Assistance plan	\$5,250

* based on look-back year (2008). 2009 amount is \$110,000

** based on look-back year (2008). 2009 amount is \$160,000.

Seminar and Broker Visit Opportunities for 2009

ProBenefits frequently participates in broker-sponsored seminars geared toward agency education or broker business development. If you are interested, we are available to schedule seminars during 2009. Our primary speaker is benefits attorney Jason Cogdill, who has significant experience speaking on a wide range of benefits-related topics to various groups and organizations. We have a list of current seminar topics and will also customize presentations for specific needs. To schedule a seminar or for more information, please contact Jason at: toll-free (888) 722-8382, ext. 132; direct (336) 714-8012; or Jason@ProBenefits.com.

Thank You and Happy New Year!

From all of us at ProBenefits, we hope that you had a wonderful Christmas and holiday season. We are thankful to have great working relationships with many quality brokers, and we appreciate what you do for our company. We look forward to working with you as part of a great year in 2009.

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