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# Newsletter



## Health Savings Plans: The Wave of the Future

By Michael J. Coppola



**L**ook down the road of the future of health care and you will see major changes looming on the horizon.

In short, consumer driven health care is headed straight for us, and it's important that consumers understand what that entails for their future healthcare insurance. The reality is many small business owners simply can't absorb the cost of health care coverage for their employees. Small business owners (typically between 2-49 employees) are struggling with a double digit rise in health care cost annually, which is shrinking profit margins. Unfortunately, employers' hands are tied since they really can't negotiate rates with major insurance carriers because the Department of State Health Regulation sets the going rates.

The halcyon days of complete medical coverage or the \$10-\$20 co-pay are fading away. Consumer-driven health care is the best answer we have at the moment to control health costs and provide adequate coverage. In the long run, some consumers and employers can benefit from self-funded health care packages. The key is understanding what to look for and how these self-funded programs really work.

Although self-funded health savings plans (HSAs) are complex, here are some important components of HSAs to better understand how they work. First, be assured HSAs will provide the best medical care available like the more traditional health plan. The difference is consumers are funding a sort of "health" savings account. According to the IRS, employees can fund their accounts with pre-tax contributions either up to the deductible amount or maximum allowed. Typically, with HSA coverage, a family will have between a \$3,000-\$4,000 deductible and a single person between

\$1,500-\$2,000 before their insurance policy kicks in and covers 100 percent of the remaining medical expenses. Employees have the option to fund their "health" saving account in installments or pay it one lump sum when they need to cover any medical expenses. There is a 10% penalty if the funds are withdrawn for other than medical expenses.

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What is attractive for employees is the money they contribute to their HSAs always remains theirs, even if they leave a company and move to another job. They only need to dip into their HSAs when medical needs arise; otherwise the money remains in the account and accrues interest. However, only certain banks are set up to administer HSAs and interest rates will differ among banks. In essence, it's like opening a 401K plan and having the option to roll over your account to another self-funded health care plan with a different company.

It's a good bet some business owners will offer employees the option to retain the more traditional health plan with the caveat that employees contribute significantly more than in the past to fund coverage; or switch to the self-funded medical coverage option. Younger single workers, who statistically are healthier, can limit their funding, banking on less need for medical care. Families with younger children are more apt to visit doctors throughout their children's formative years and may want to bank more in their accounts.

Business owners should realize several advantages to the HSAs. First, it would allow employers to keep medical cost fixed and allow them to budget better. Many employers, who save money on health costs, are passing on some of that savings by contributing to their employees' HSAs to get them started. Employer contributions can cushion the transition to the HSA for employees, making it a more attractive option. Offering good medical coverage is another advantage for employees that will allow them to keep key workers.

While HSAs are an attractive alternative for future health care, they're not for everyone. Employers will only transition to the HSAs, if they can realize significant savings for their business. At the moment, the transition has been slow, but gradual with between 10-15 % of small business owners offering HSAs to their employees. The hope is the rates for HSAs will drop as more companies and employees jump on board.

Laws are changing on a routine basis regarding HSAs and so is the price structure, but the trend toward consumer driven health care is growing stronger. In a recent visit to Connecticut, President Bush spoke out in favor of HSAs as the way for business owners to keep costs under control while providing good medical coverage for employees. Since HSAs are the trend of future health care, both employers and employees need to educate themselves about how they work, and if they're a good fit for them. The best bet is to see a medical health care professional and get the complete picture.

*Michael J. Coppola is the Vice President of Group Benefit Administrators of Connecticut of North Haven, which has more than 100 years of experience in the health care field. GBAC offers everything employers need for health benefits. He can be reached at 203-239-3843, ext. 19 or michaelj@gbac.com.*

## Dear Readers:

**T**hank you for taking the time to read our latest newsletter. It has been approximately a year since our last publication and since then GBAC has made significant investments in improving customer service and enhancing its product offering to remain on the cutting edge of health



care insurance administration. We have taken on the motto, "managing employers' health benefits," since we feel that it best defines our mission day-in and day-out. Please read through this newsletter to learn about the new services and product offerings we have to offer. We are very proud of our accomplishments and all of your support along the way. Thank You.

*Joseph A. Bucci Jr., CPA  
Chief Financial Officer*

## "NEWS BRIEFS"

### GBAC Adds Sara Bimonte, Small Group Benefits Specialist to Its Staff



**S**ara Bimonte of Branford, a specialist in group benefits, recently joined Group Benefit Administrators of Connecticut as a

Senior Account Executive. Bimonte will be responsible for group benefits sales, specializing in the needs of small employers.

The former president of a local group benefits agency for three years, Ms. Bimonte joined GBAC, located in North Haven, because of its outstanding professional staff and value-added services, such as in-house COBRA Administration. "Our GBAC staff is very knowledgeable and professional. We offer value-added services which small employers who lack HR departments desire."

Bimonte enjoys the challenge of working with small employers, who are faced with the challenge of continuing to offer health insurance which has increased in cost at a significantly greater rate than the cost of their own products and/or services.

"My main focus is on educating employers on all of the options available, so they are best able to make informed decisions," Bimonte said. "I can help

with benefit package strategies to contain costs for employers while still giving employees choices to fit their own personal needs. It's a win-win for both the employer and their employees."

Joseph Bucci, CFO for GBAC, thought Bimonte was an ideal fit because of her extensive experience in group benefit sales. "We're lucky to have Sara join the GBAC staff," Bucci said. "She brings a wealth of experience and knowledge to GBAC. Her experience with small employers allows us to expand our already extensive services to them. Sara can offer strategies to clients to help them curb costs and choose policies to best suit their individual needs."

Bimonte currently serves as the co-chair for community relations for the New Haven Chapter of the National Association of Insurance and Financial Advisors (NAIFA). She also volunteers with her 15-year-old son, Joe, helping the homeless in New Haven through the Midnight Run with other members of the North Branford Congregational Church.

GBAC has over 100 years of combined experience in the employee benefit market. The firm has a portfolio of top rated companies with whom it is affiliated and is capable of bringing to clients a wide variety of employee benefit products and services. GBAC's portfolio includes all lines of group medical, dental, life, and disability products.

#### Check Out the New Website

GBAC launches new website with full-service Human Resource Information System (HRIS) integration. This interactive tool provides employers with hands-on management of employees' benefits with ease and convenience - please visit our new website at [www.gbac.com](http://www.gbac.com)

#### Limited Liability Group Products Can Help Curb Turnover

Struggling with high-turnover of part-time and/or seasonal help? GBAC has a Limited Liability Group product offering that may be of interest to you. Please contact your sales professional or the office at (800) 942-4003.

## GBAC Services

Managed Care Programs

Risk Management

Carrier/Vendor Analysis

Self-Funded Group Medical and Dental Plans

Re-Insurance Protection

Section 125 Cafeteria Plan Administration

Full COBRA Administration

ERISA Attorney (Compliance and Education)

Employee Assistance Programs (EAP)

Customized Human Resource Information System (HRIS)

Part-time/Seasonal Employee Programs

Consumer-Directed Healthcare (CDHC) Administration

Flexible Spending Accounts (FSA)

Health Reimbursement Arrangements (HRA)

Health Savings Accounts (HSA)

## Products

Group

Medical

Dental

Life Disability

Vision

Long Term Care

Individual

Medical

Dental

Disability

Medicare Programs

Short Term Care

Long Term Care

# GBAC Endorsed for Employee Benefits and Group Insurance by the Independent Connecticut Petroleum Association

**G**roup Benefit Administrators of Connecticut (GBAC) was recently endorsed by the Independent Connecticut Petroleum Association (ICPA) to offer creative health insurance solutions for its 484 members across the state.

GBAC, located in North Haven, offers an extensive group line of medical, dental, life and disability products. It also consults with clients regarding the development of managed care programs and strategies to support management's requirements.

Joseph A. Bucci Jr., CPA/Chief Financial Officer for GBAC, thought his firm was an ideal fit with ICPA since both organizations are leaders in their respective fields. He pointed out that GBAC brings a high level of expertise that will be able to provide ICPA members with the best health care insurance products at the lowest price.

"We're very happy to be working with ICPA," Bucci said. "GBAC is a pro-active health insurance agency, which makes us an ideal fit with ICPA. In the past, we

have worked with petroleum industry leaders and demonstrated what we can do. We offer our expertise and professional service model that will develop creative solutions for all ICPA member's needs."

ICPA board member, Andy Minicucci of Protech Services in Andover, CT, said ICPA selected GBAC because of its demonstrated track record with its clients over several years. One benefit ICPA offers members is significant savings and added value in purchasing critical needs, such as health care insurance services. "ICPA members are family-run small businesses selling heating oil, gasoline, diesel, propane, while also servicing consumers' heating and air-conditioning systems," said Minicucci. "They have borne the full brunt of rising health care costs, and the creative solutions GBAC can bring them will help these businesses immensely."

Bucci noted that GBAC would educate and consult with ICPA members one-on-one and through sponsored education programs regarding Consumer-Directed Healthcare programs. "We can offer

expertise and education that most current brokers are not able to," Bucci said. "That's the added value service model that we bring to our clients."

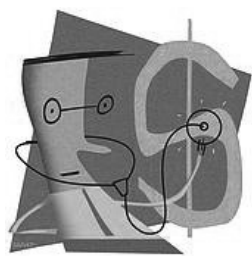
For small clients, GBAC will also service many human resource needs:  
Claims Administrator  
Benefit Planning Management  
Benefit Design  
Rate Negotiations  
Healthcare Monitoring  
COBRA Administration

GBAC has more than 100 years combined experience in the employee benefit market. The firm has a portfolio of top-rated companies to which it delivers a wide variety of employee benefits, products and services.

Since 1950, ICPA has been a thriving organization with more than 484 members whose priority is to strengthen and protect the future of the petroleum industry.

For more information about GBAC, visit [www.gbac.com](http://www.gbac.com). Visit ICPA's website, [www.icpa.org](http://www.icpa.org), for additional details.

## Consumer Directed Health Care. Are Consumers in Control?



**T**he IRS together with Group Medical Insurance Centers, has

changed the face of the healthcare ecart: The rising cost of healthcare has forced employers and insurance brokers to get "creative" and find solutions for employers to offer.

As a consumer directed health care provider I have seen a shift towards Health Savings Accounts (HSA) offerings and an increase in traditional Flexible Spending Accounts (FSA). The addition of flexible spending accounts to a companies benefit offering will allow employees to put aside pre-tax-dollars to use toward benefit costs that are both covered and not covered by their insurance, such as office co-pays and eyeglasses.

### The right fit

Every organization is different. Some have high personnel turnover, some

don't like to implement change annually upon renewal of their health insurance benefits. Regardless of an organization's benefits goals, there is a plan design that can fit into their methodology.

I have tracked organizations that implemented FSAs. Participation is well over the average of 20% of the employee population. Ninety percent of employees do not leave any money in their accounts at plan year end as part of the "use it or lose it" legislation. Additionally, debit card technology offers employees and their dependents the convenience of the MasterCard network and security to pay for their benefit purchases.

HRAs have hit the market place at a fast pace. More employers are implementing High Deductible Hospital Plans (HDHP) in place of traditional HMOs and POS plans to save a considerable amount on premiums. The employer then takes the premium savings and reimburses a portion of the high-deductible plan for the employee. This

employer reimbursement alleviates some of the burden of the high deductible. Whatever option an employer chooses has to be a "right fit" for the organization and must align with the goals of the company. Progressive Benefit Solutions, LLC has been providing service and consulting for over two years and can help any organization find the plan that fits.

The article was written by Melanie Testa, Director of Sales for Progressive Benefit Solutions, LLC. She is a Certified Payroll Professional, certified by the American Payroll Association and is Certified in Flexible Compensation, certified by the Employers Council on Flexible Compensation. Progressive Benefit Solutions, LLC has been administering consumer directed health care accounts such as FSAs, HSAs, HRAs, QTAs, and DCAs. They have over 200 clients and over 3,000 cards in circulation. Progressive Benefit Solutions, LLC works with Evolution Benefits, Avon, CT to provide debit card technology for their clients.

# COBRA "Bites"

August 2006

**GBAC's COBRA Solution**, we notify, track, and document all facets of compliance with this highly complex law. We carefully and constantly monitor COBRA and State Continuation regulations to ensure proper compliance for our employer-clients. We document everything and provide our clients with detailed reports to show that notices and election forms are provided within the regulated time lines. We administer COBRA's detailed requirements in a consistent manner designed to help protect our employer-clients interests while maintaining compliance. Here are some recent important developments, we think you should be aware of:

## **COBRA and Flexible Spending Accounts (FSA):**

If an Employer offers a Medical Flexible Spending Account (FSA), Qualified Beneficiaries (QBs) must be offered the right to continue benefits under the plan. Provided the QB has a positive account balance, the QB may continue to make after-tax payments towards their account (as well as submit eligible receipts) until the end of the FSA plan year. (IRS Revenue Ruling 2002-32, June 17, 2002)

## **State of Connecticut Public Act 03-77**

Public Act 03-77, An Act Concerning the Extension of Group Health Insurance Benefits for Age Sixty-Two and Over, became effective October 1, 2003. This state law applies to a group comprehensive health insurance plan and provides a right of continuation of health insurance for periods that go beyond those provided by COBRA to an individual whose employment is interrupted by eligibility for social security income. This extension right is available to any employee, without regard to age, who experiences a reduction in hours, leave of absence or termination of employment as a result of qualifying for social security. Under current federal COBRA, these employees are entitled to continuation of coverage at their own expense for 18 months. However, under Connecticut Public Act 03-77, if these employees are covered under a Connecticut-issued health insurance plan, they, and their dependents, are entitled to continued coverage until they are eligible for federal Medicare benefits.

While the title of the law indicates that the extension is targeted for individuals age 62 and over, as currently written, the law applies to a much broader

group: any employee who loses coverage due to one of the events described above and who is eligible for Social Security income, i.e., survivors, disability or retirement Social Security Income, regardless of age.

GBAC has incorporated language in our COBRA notices that addresses this Connecticut statute:

Special Connecticut Continuation Rights: If you are entitled to Social Security benefits at the time of the qualifying event, you may be entitled to special continuation periods under Connecticut Public Act 03-77. You should notify your plan administrator of your Social Security eligibility.

***"The ability of the COBRA Administrator to demonstrate that accurate and timely notice procedures and proper maintenance of records are followed is critical to proving compliance with COBRA regulations."***

## **The COBRA Election Period**

QBs have 60 days to decide whether to elect (but not pay for) COBRA. This Election Period is counted from the date the COBRA Election Notice is sent to the QBs or the date that the health coverage is lost, whichever is later. COBRA coverage will be retroactive to the original loss of coverage date.

COBRA regulations allow for QBs to change their minds as long as the election period has not expired. For example, QBs could elect coverage on day 10, change their minds on day 20, then change it again on day 30. The election, in effect, on day 60 of the election period is the binding election. In any case, COBRA would start retroactive to the date the QB lost the employer-sponsored coverage.

**The 45 Day Initial Payment Period**  
After an election of COBRA coverage, QBs has 45 days (measured from the date of the election) to pay the first premium for the coverage.

Employers should be aware that informed QBs can take advantage of COBRA's election period and payment rules to preserve their options without paying for coverage. In essence, the election and payment rules permit QBs to review their health claims during the election and payment periods. Unlike active employees, QBs can look back to see what their expenses actually were before making a decision to pay for coverage.

The Defense of Marriage Act & COBRA  
COBRA is a federal law. COBRA law

identifies a QB as an employee, spouse or dependent child. QBs have their own right to elect COBRA. The Defense of Marriage Act says for the purposes of all federal laws, a spouse is one of the opposite sex. A covered legal spouse is a QB under COBRA.

A Domestic Partner, whether same sex or opposite sex, does not meet the federal definition of a spouse. Domestic Partners are not QBs and therefore are not entitled to COBRA continuation. Neither does Connecticut State Continuation apply to a Domestic Partner. The Connecticut State Continuation provides continuation rights only to a spouse in the same manner as federal law.

However, for Civil Unions in Connecticut, the Connecticut State Continuation rights do apply. Thus, covered spouses of a Connecticut Civil Union are considered QBs and would have their right to continuation coverage.

## **Noncompliance Can Cost Penalty Fees**

COBRA Notice violations represent the majority of court cases litigated under COBRA. The ability of the COBRA Administrator to demonstrate that accurate and timely notice procedures and proper maintenance of records are followed is critical to proving compliance with COBRA regulations. Administrators that do not create and follow accurate notice procedures and cannot prove compliance risk steep statutory penalties, fines and reimbursement of medical expenses if litigated.

## **Internal Revenue Code Penalties:**

Plan is subject to a \$110 per day violation for each QB. This is a non-deductible tax; Maximum noncompliance period ends 6 months after maximum COBRA period; Noncompliance correction means the QB is placed in a financial position as good as he would have been if the violation had not occurred (i.e., the plan will be required to cover all claims).

## **ERISA Penalties**

Failure to provide compliant COBRA notices are liable up to \$110 per day until provided. This penalty is separate from any other judgments, costs or damages imposed by the courts against the employer; The plan could be subject to audit by the DOL; Individuals administering COBRA could be personally liable for any excise tax that is imposed for failure to comply.

