

2010

FIRST QUARTER

Benefits Bulletin

QUARTERLY NEWSLETTER OF EMPLOYER BENEFIT INFORMATION

legislative brief

MEDICAID AND THE CHILDREN'S HEALTH INSURANCE PROGRAM (CHIP) MODEL NOTICE RELEASED

In February, the Department of Labor published its Model Notice Regarding Premium Assistance under Medicaid & CHIP for employers to use to comply with the Children's Health Insurance Program Reauthorization Act, which requires employers providing group health insurance benefits **to alert ALL employees** about the availability of premium assistance through the State.

A copy of the model notice can be accessed through the following link: <http://www.dol.gov/ebsa/pdf/chipmodelnotice.pdf>

Distribution of these notices should be as follows:

- 1) For plans maintained on a calendar year, the notice will need to be distributed prior to January 1, 2011.
- 2) For plans with plan years that begin anytime between February 4, 2010 and May 1, 2010, the notice will need to be distributed by May 1, 2010.
- 3) For plans with an anniversary date of June 1, 2010 to December 1, 2010, the notice will need to be distributed by the anniversary date. For example, a June 1, 2010 renewal, will distribute the notice coinciding with the June 1 renewal information.

The notice will need to be distributed annually and can be combined with other materials, such as open enrollment packets. The notice can also be posted to an intranet site provided all employees have access to it and are notified that it is there.



UNITED STATES
DEPARTMENT OF LABOR



Health Care Reform Legislation

As you are aware, the President signed the Patient Protection and Affordable Care Act.

Please know that we, along with the entire LMC team, are diligently studying the process, the Act, and it's impact on your health plan, your organization, and your employees.

Although the majority of changes will not be implemented until 2014, there are some areas still being worked out that may take effect within the next six months, such as pre-existing conditions and annual/lifetime maximums. We will keep you aware and informed as details arise.

For more information about the Health Care Reform Legislation, please visit our website <http://www.lmcins.com/>.

We have posted a synopsis of this bill as prepared by the Independent Insurance Agents and Brokers of America.

American Recovery and Reinvestment Act (ARRA)

NOTICE REQUIREMENTS

ARRA, as amended by the Temporary Extension Act of 2010 (TEA), mandates that plans notify certain current and former

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participants and beneficiaries about the premium reduction.

The DOL has issued model notices to help plans comply with the notice requirements and will provide updated notices when the rules change. Each model notice is designed for a particular group of individuals and contains information to help satisfy ARRA's notice provisions.

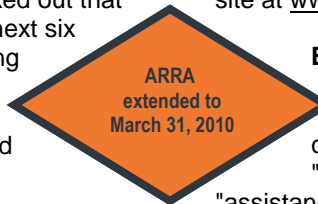
The notices are available on EBSA's Web site at www.dol.gov/cobra.

ELIGIBILITY

Through March 31, 2010 the premium reduction for COBRA continuation coverage is available to "assistance eligible individuals. An "assistance eligible individual" is the employee or a member of his/her family who elects COBRA coverage timely following an involuntary termination of employment that occurs at any point from:

- Sept. 1, 2008 through March 31, 2010; or
- March 2, 2010 through March 31, 2010 if:
 - The involuntary termination follows a qualifying event that was a reduction of hours; and
 - The reduction of hours occurred at any time from Sept. 1, 2008 through March 31, 2010

A reduction of hours is a qualifying event when the employee and his/her family lose coverage because the employee, though still employed, is no longer working enough hours to satisfy the group health plan's eligibility requirements.



New Health Advocate Program

PROVIDING EXPERT ADVICE, TROUBLESHOOTING, AND RESOLUTION FOR YOU AND YOUR EMPLOYEES



LMC is proud to offer their clients a new service to assist their employees in navigating through the healthcare system. All employees and their immediate family members have access to a unique new service offered by Health Advocate. This service is available to employees and their spouse, dependent(s), parents and in-laws.

Health Advocate does **not** replace the customer service line of your health plan, nor is it a nurse hot-line for emergencies. It is an organization of qualified individuals who will use their expertise in the health field and knowledge of providers across the country. It is a service to obtain confidential, unbiased, objective information and to help you make choices concerning your health situation. Too many times patients are uncertain that they are not getting all of the information or the correct information. Health Advocate is here to remove that uncertainty. Some examples of the reasons to call Health Advocate are:

- To identify and make appointments to see the best physician or hospital for an illness.
- For help understanding an illness when you have been unable to get the time with your provider to ask all your questions.
- For help with insurance claims and billing issues.
- For help with medical issues and healthcare needs that your parents or in-laws might have (they are also eligible for the service).
- Assistance with understanding any issues with your prescription drugs.

Health Advocate is designed to help handle healthcare and insurance related issues by cutting through the red tape and barriers that so often create frustration and problems. LMC's decision to offer Health Advocate clearly relates to our interest in making certain that your employees have the best possible healthcare. We believe that your company and its employees will greatly benefit from this valuable service.

Please contact your LMC representative for more information.



Strategic Benefit Planning BENEFITS AND INSURANCE ISSUES IMPORTANT TO YOU

Competitive employee benefits packages are essential for attracting and retaining quality employees, but continuing to offer them can be tough with the rising cost of health care squeezing an already tight budget. Cutting benefits may seem like a necessary reality for some companies, but could have serious long-term consequences. Retaining employees throughout these rocky economic times is vital so that your company remains competitive and positioned favorably in its industry when the economy rebounds. One remedy could be implementing a strategic benefit plan, which will help you find ways to contain or even cut costs while still offering competitive benefits.

What is a strategic benefit plan?

A strategic benefit plan is a three-to-five-year plan crafted by you and your LMC representative that outlines goals, strategies and action plans in regards to your employee benefits program. In creating the plan, you and your LMC representative will strategically analyze ways to contain costs through various plan improvements. This approach is a methodical and logical long-term approach to benefit planning, as opposed to making decisions year to year, and will provide a well-thought-out road map for your future benefits.

What are the benefits of implementing one?

At the company level, creating a strategic benefit plan will help greatly with internal budget planning and can also be incorporated into your corporate strategic plan. This will bring HR and employee benefits into larger strategic conversations and ensure that a competitive benefits package continues to be available.

Employees will also see the benefit from a strategic benefit plan in many ways. First of all, by finding ways to cut and contain costs for the company, the employee will likely reap some of the savings as well. In addition, this type of plan will provide assurance for employees worried about their benefits. Next to job security, employees worry most about their benefits and compensation, namely that they could be reduced or cut at any time. Studies have shown that workplace morale is strongly linked to the quality of employee benefits, so reassuring employees that their benefits will continue is a beneficial move for companies. The strategic benefits plan can include an employee communication initiative, which will keep employees informed and assured on the future status of their benefits package.

2010 Health Insurance Cost Predictions



These trends are forecasts for projected changes in health plans' per capita claims cost, as determined by insurance carriers, major insurance carriers (MCOs) and third-party administrators (TPAs).

The following factors can affect a trend: inflation, cost-shifting, fixed deductibles and copayments, utilization increases, use of more expensive treatment options, government-mandated benefits and technology changes. As a general rule, there is usually a high correlation between trend rates and actual cost increases as determined by carriers.

Mercer Health & Benefits reports that employers are expecting nearly a 9% increase in the cost of their group health care plans in 2010. Many survey respondents also stated that they are planning to cut their health care benefit budgets more than usual in 2010 due to the recession. Preliminary survey findings attributed the higher costs among recession-affected employers to an increase in stress-related illnesses among employees and layoffs.

PricewaterhouseCoopers (PwC) reported similar findings: that costs will rise in part because many are worried about losing their jobs, and because of this, are using their health care more frequently while they still have it. Not only are workers seeking medical care that they might have otherwise put off, but PwC also reports an increase in stress-related illness.

According to the Segal Group, Inc., medical plan projections for the majority of managed care plans are similar to those found in 2009 – ranging from 10.2% to 10.8%. Quite the opposite, high-deductible health plans (HDHPs) are projected to increase by just over one percentage point to 11.9% in 2010.



Segal also reported that medical plan cost trends this year will be more than four times greater than the annual increase in average hourly earnings. With obvious

pressure on plan sponsors, most are not waiting for federal health care reform and are accelerating their efforts to control health costs on their own. Attempting to curtail this increase, many plans have eliminated or greatly reduced coverage for brand-name drug classes while reducing copayments for primary care visits and increasing copayments for visits to specialists. An increasing number of plan sponsors are also monitoring wellness and disease management programs through incentive-based initiatives.



Survey Finds the Medication Compliance is Key Concern

BY: STEPHEN MILLER,
EDITOR FOR SHRM

More U.S. employers are taking steps to improve their employees' health by making sure that they take their medicines as prescribed, a

move that could stave off more serious and costly health consequences, according to findings by the National Pharmaceutical Council (NPC), a trade association. A NPC-sponsored survey targeted U.S. employee benefit directors, medical directors and other health management professionals with health management and pharmacy benefit decision-making authority in large, self-insured corporations.

The November 2009 report, **Employer Medication Compliance Initiatives**, found that 89 percent of surveyed employers acknowledge the importance of medication compliance to employee health. Only preventive care and lifestyle behaviors were rated more highly.

"It's well documented that people with chronic diseases who take their medications as prescribed are healthier and more productive," said NPC President Dan Leonard. "Employers are actively taking steps to encourage medication compliance to help improve the health and well-being of employees and their families."

Medication compliance has long been acknowledged as a serious problem for the American health care system, costing billions of dollars in productivity, additional doctor visits, preventable hospitalizations and nursing home admissions, and even premature death, according to Leonard.

EMPLOYER'S TOP PRIORITY MEDICATION COMPLIANCE INITIATIVES

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| Promote awareness and offer general education | 61% |
| Implement targeted education, focused on specific priority conditions | 61% |
| Have the health plan, pharmacy benefit manager, or disease management vendor identify people not complying with medicines | 32% |
| Focus on medication compliance as part of a disease management program | 32% |
| Lower out-of-pocket costs for medications by reducing co-payments or co-insurance (value-based insurance design) | 20% |
| Implement medication reminders (phone, e-mail, etc.) | 17% |
| Offer employee incentives to encourage and reward medication compliance | 3% |

Source: National Pharmaceutical Council and The Benfield Group.

Healthy Families Act

Employers should be aware of the Healthy Families Act of 2009 (HFA) that was introduced in the House of Representatives earlier last year. It seeks to guarantee full-time employees 56 hours of paid sick leave each year to address their own health needs and the health needs of their families. Part-time employees would receive a pro-rata amount of leave.

This federal legislation would apply to employers with 15 or more employees and would guarantee them one paid hour off for each 30 hours worked. Unused sick leave could be carried over from one year to the next. This leave would be in addition to any leave provided under the Family and Medical Leave Act (FMLA) or a state's workers' compensation law. Employers would have to amend their existing leave policies to make sure that they meet the requirements of the HFA.

While this legislation has a long way to go before enactment, and may face many changes along the way, employers should keep their eye on it.

Roth IRA Conversion Opportunity

As you may be aware starting in 2010, investors who own traditional IRAs will be able to convert them to Roth IRAs — regardless of their income level or tax filing status. Prior to 2010, if your modified adjusted gross income (MAGI) was more than \$100,000, the tax rules prevented you from converting your traditional IRA to a Roth IRA. Effective January 1, 2010, there is no earnings limit.

Additionally, investors who convert in 2010 have the option to delay their tax payment for a year and spread their payment over the 2011 and 2012 tax years.

Converting a traditional IRA to a Roth IRA may not be right for all investors, it may be worth considering if you:

- Can leave the money in the account for five years or more *and* at least until you reach age 59½
- Expect tax rates to rise in the future and, as a result, would rather pay taxes now
- Can afford to pay the resulting income taxes

Conversion is not the right solution for everyone as there are many tax rules to consider. To decide if it is right for you, please contact Dave Dawson of LMC Financial Services. dave.dawson@lmcfin.com or 800-677-1529 ext 184.

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Please contact your LMC representative for additional information regarding any of the articles included in this quarter's newsletter