

# BENEFIT

## *Plan Developments*

A monthly report covering plan design and legislative changes

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## Debit Cards Could Produce Savings For Employers

Using debit cards with **flexible spending accounts (FSA)** and **health reimbursement arrangements (HRA)** could become increasingly popular if they continue to demonstrate they can help to control costs and boost plan enrollments.

One example of such cost control is underway in the city of Provo, Utah. The city introduced the use of the cards this year in conjunction with an unavoidable need to reduce benefits.

Prior to this year, Provo city employees who selected a \$1,000 family deductible as their health plan feature could elect to receive \$100 a month in cash or voluntary benefits. With the introduction of the debit card this year, the city deposited \$1,020 into each employee's HRA. The city also set up a system where any funds deposited by employees into their FSAs would be

spent before those they had deposited in their HRAs.

The change apparently appealed to city employees. Provo's assistant director for

human resources, Gary Bushman, has said that there was an increase in FSA participation even though city money was redirected to the HRA.

Bushman also noted that city employees like the "instant gratification" of the new program—although they must still submit medical receipts, they no longer have to pay out money and wait to be reimbursed. Furthermore, Bushman said, city employees remain motivated to control their medical expenditures.

FSA debit cards are typically branded with a credit card issuer's name, as well as that of the employer. Increased enrollments in FSAs and HRAs for whatever reason will translate into FICA tax savings for the plan sponsor. According to Assistant Director Bushman, Provo's FICA savings offset both the cost of the debit cards and administration of the programs.

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Meanwhile, in Revenue Ruling 2003-43, the Internal Revenue Service (IRS) said Form 1099 reporting for debit card payments is required for the current calendar year. However, the IRS also announced that it was going to review whether it would waive that requirement with respect to FSAs and HRAs for future reporting purposes.

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## 529 College Savings Plans 'Mysterious'

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Despite the fact **Section 529 college savings plans** were introduced in 1996, an overall general understanding about them remains relatively low, according to the sixth annual "College Financial Preparedness Survey" conducted this summer by Harris Interactive.

The survey, conducted on behalf of AllianceBernstein Investment Research and Management, revealed that 64% of parents and 65% of grandparents were not at all familiar with 529 college savings plans. The lack of understanding points to the fact that the survey also found that only 14% of families are currently investing or planning to invest in a 529 plan (versus 12% in 2002).

Once pollsters explained the tax and other benefits of 529 plans, 68% of parents and 44% of grandparents said they would be interested in using one. Of all those considering making an investment in 529 plans, however, 68% expressed concern about the possible effects stock market volatility would have on their plans.

Of those responding to the survey, 81% said they would be interested in participating in a 529 plan offered by a company that would still be managing it when their child or grandchild graduated. Another

79% said that portfolio diversification would be important so as to guard against swings in the market. Meanwhile, 76% said they would be attracted to plans that systematically rebalanced investments to adjust for market conditions; and 76% said they favored age-based portfolios that grew more conservative as the time for college approached.

A total of 1,010 adults ages 18 and older were interviewed by Harris Interactive for the survey. Figures for age, sex, race/ethnicity, and education were weighted where necessary to align them with their actual proportions in the national population.

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## Employers Extend Health Benefits For Reservists

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A survey of 423 organizations throughout the country shows that employers are supporting military reservist employees beyond the legal obligations called for in the Veterans Reemployment Rights (VRR) law (Public Law 103-353).

Conducted by New York-based Buck Consultants, Inc., the survey (2003) revealed that 23% of employers are continuing full health care coverage to active reservists for an unlimited period of time. Another 43% were offering coverage for a limited period of time, but 28% of that sampling said they are extending coverage for six months, while another 25% of that particular group said they were extending coverage for 12 months.

VRR requires that employers continue to offer health care coverage—for employees called to active duty for up to 31 days—on the same basis as offered prior to their leaves.

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For military leaves exceeding 31 days, employers must extend COBRA-like coverage to active reservists and charge them a premium of 102% of the group rate.

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## Keep Health Costs In Check With Stress Management

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Companies can have healthier and happier employees if they strive to minimize job stress, according to the National Institute for Occupational Safety and Health (NIOSH, 1999).

In a study titled “Stress at Work,” NIOSH noted that health care expenditures are 50% higher for employees who report working under high levels of stress. Such employees are likely to suffer injuries and could potentially have physical problems exacerbated, according to the study.

The study said early warning signs of job stress include headache, sleep disturbances, difficulty in concentrating, short temper, upset stomach, job dissatisfaction, and low morale.

There is no standardized approach for developing a stress prevention program, according to the study. Instead, program design and solutions are influenced by the size and complexity of the company, available resources, and the unique stress problems that might be faced by an organization.

What are some factors that can contribute to job stress? According to NIOSH: a lack of participation by employees in decisions, coupled with poor internal communications, conflicting or uncertain job expectations; job insecurity; lack of opportunity for growth; and unpleasant or

dangerous work conditions, such as air pollution, crowding, or noise.

To combat such potential stress-inducing conditions, NIOSH recommends that employees be given opportunities to participate in making work-related decisions affecting their jobs, that internal communications be improved, and that employees be given clearly defined and applicable roles and responsibilities.

At a minimum, the study says that preparation for a stress prevention program should include four factors: building general awareness about job stress (causes, costs, and control); securing top management commitment and support for a program; incorporating employee input and involvement in all phases of the program; and establishing the technical capacity to conduct the program, such as specialized training for in-house staff or use of job stress consultants.

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## LTD Claims Drop With Easier Access To Mental Services

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Companies that offer employee health plans with high deductibles for mental health services, along with other financial barriers to services, have significantly more claims for long-term psychiatric disabilities than those who do not, according to a study (2003) conducted by researchers at John Hopkins’ Bloomberg School of Public Health.

“Our findings were the opposite of what one would expect,” commented Dr. David S. Salkever, PhD, professor of Health Policy and Management. “We tried to determine the relative importance of many

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NIOSH noted health care expenditures are 50% higher for stressed employees.

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factors affecting employers' experience with psychiatric long-term disability (LTD) claims: local economic conditions; policies determining long-term disability coverage; who was managing the disability program; and the fringe benefits package provided by the employer."

A total of 244 companies responded to the researchers conducting the survey. Among those companies, 118 employees had filed 407 claims for psychiatric disabilities. Of those claims, 39.07% were for "affective psychoses" (including major depression) and 37.59% were for neurotic disorders (anxiety and phobias). Of those filing claims, only 29.2% were male. Employees who worked in industries with high injury rates were significantly less likely to report that their LTD claims stemmed from mental disorders. The mean dollar payment for all claims was \$29,793.

The study also found that if a company offered fringe benefits that reduced the ultimate cost to the employee for taking LTD leave, employees were more likely to file a psychiatric LTD claim. In addition, the study found a tendency for increased claims in regions of the country where **Social Security Disability Insurance (SSDI)** benefits were more readily available.

In addition, the study examined the impact of management practices on the likelihood of employees returning to work after filing a psychiatric LTD claim. It found that companies that integrated internal management of health and disability benefits by the same office within the firm had better records of employees returning to work, while giving disability management responsibilities to front-line managers had poorer records.

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## Drug Overdose Excluded From Medical Coverage

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A health plan participant, who died as the result of a drug overdose, was not entitled to have his medical expenses paid because the plan's coverage excluded coverage for self-inflicted injuries.

That was the ruling of the U.S. District Court for the Western District of Michigan in the case of *Laurie A. Landis v. Healthcare Resources Group, LLC and Syndicate Systems, Inc.*

Laurie and her husband, Michael, were covered under a group health plan sponsored by Laurie's employers, Syndicate Systems. Healthcare Resources acted as the claims administrator. In 2001, Michael died after being rushed to an emergency room where he had been diagnosed with poisoning by tranquilizers and other opiates. Prior to his death, he was being treated for an opioid-type drug dependence and had been receiving methadone and counseling treatments.

Alleging a violation of the **Employee Retirement Income Security Act (ERISA)**, Laurie filed suit for medical payments.

The court, however, noted that Michael Landis had a long history of opioid-type dependence and, based upon his history, the defendants could reasonably conclude that he "intentionally ingested the drugs for a recreational . . . purpose. . . (and) he knew or should have known of the risks involved with taking controlled substances for an improper purpose." Furthermore, the court rejected an argument that the deceased's death certificate stated the death was "accidental," noting the evidence showed it was intentionally self-inflicted.

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A self-inflicted drug injury is not protected by ERISA.

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