

# EMPLOYEE BENEFIT ADVISOR

Quarterly Newsletter

October 2008

## In This Issue:

### **News & Views:**

*Health Care Costs to Double Inflation Rate, Page 1*  
*Benefit to Keep or Add During Tough Times, Page 1*  
*Did You Know?, Page 2*

### **Legislative Insight:**

*HEART Act of 2008, Page 2*  
*White Collar Exemption Rules, page 3*

### **RX Corner:**

*FDA Approves Generic for Risperdal, Page 3*  
*First-Time Generics, Page 4*  
*Leading Trends In Rx Plan Management, Page 4*

### **Blue Cross Updates & Changes:**

*4<sup>th</sup> Quarter 2008 Product Menu Changes, Page 4*

### **Product Information:**

*Group Legal Benefits, page 5*

### **Live Well, Work Well:**

*Influenza Information, page 6*

*As always we welcome your comments and suggestions regarding this issue of Employee Benefit Advisor. For more information on this publication or on articles or information contained within this publication, please contact your Sales Representative, Account Manager or visit the Mourad Agency web site at [www.aemourad.com](http://www.aemourad.com).*

© 2008 A.E. Mourad Agency, Inc.

## NEWS & VIEWS

### Health Care Costs to Double Inflation Rate

According to a recent Price Waterhouse Coopers study, health care costs will increase 9.9 percent in 2008 – more than double the annual inflation rate – and an additional 9.6 percent in 2009.

The study identified the hospital building boom and the increase in the expenses those with insurance are paying for those without insurance as factors driving the increase in costs.

Employers are responding by increasing wellness, prevention and disease management programs in an attempt to keep employees healthy and increase productivity.

---

### Benefits to Keep or Add During Tough Times

According to *Employee Benefit News*, there are five employee benefits that you should protect in an economic downturn:

- 1) Healthcare benefits are highly regarded by employees, and the loss of them may mean the loss of key talent.
- 2) Cutting wellness programs sends the wrong message, and employers lose a long-term cost savings strategy.
- 3) Discontinuing employee retreats and meetings will impact employee morale and motivation, and employers lose a chance to develop a sense of teamwork.
- 4) Employee assistance programs can help employees facing financial and other personal issues, and managers can focus on the task at hand instead of employee personal issues.
- 5) As employees are asked to do more with fewer resources, make sure that developmental opportunities are made available.

Consider adding telecommuting or expanded training, and pass on executive level perks (i.e., sporting event tickets) to lower-level employees. You might attract a talented individual looking for a new opportunity. Most importantly, reeducate your employees on the benefit package they currently have.

---

# EMPLOYEE BENEFIT ADVISOR

Quarterly Newsletter

October 2008

## Did You Know?

According to a recent survey conducted by the National Association of Insurance Commissioners, 22% of U.S. consumers have reduced the number of times they see the doctor as a result of today's economy, and 11% have cut back on the number of prescription drugs they take or the dosage of those medications.

Employers should stress to employees that it is important to continue to take responsibility for their health, so they benefit from both healthier lives and more affordable healthcare.

## LEGISLATIVE INSIGHT

### Legislative Brief

#### The Heroes Earnings Assistance and Relief Tax (HEART) Act of 2008

On June 17, 2008, President Bush signed the Heroes Earnings Assistance and Relief Tax Act of 2008 (the HEART Act), which provides tax benefits for service members and their families. This Legislative Brief summarizes the main provisions of the HEART Act.

#### Health FSA Distributions

Under the HEART Act, a cafeteria plan or health flexible spending arrangement (health FSA) may provide for qualified reservist distributions. If the plan so provides, a member of an Armed Forces reserve component who is ordered or called to active duty for a period of 180 days or longer may withdraw unused amounts in the FSA. The distribution will be tax free if it is made during the period beginning with the call to active duty and ending on the last day of the coverage period including the date of the call to active duty. This provision applies to distributions made **after June 17, 2008**.

#### Survivor Benefits

The HEART Act makes several changes that benefit survivors of service members:

- The Uniformed Services Employment and Reemployment Rights Act (USERRA) is modified to provide additional benefits to survivors of qualified retirement plan participants who die while performing qualified military service. Under the new rules, survivors are entitled to any additional benefits (aside from benefit accruals) that would have been provided if the participant had returned to work and then terminated employment on account of death, such as accelerated vesting and ancillary life insurance benefits.

- Subject to certain conditions, employers may credit any employee who is killed or becomes disabled in combat with benefit accruals as if the employee had returned to work as of the day before death or disability and then terminated employment on the date of death or disability. These rules apply to deaths and disabilities occurring **on or after January 1, 2007**.
- Recipients of military death benefit gratuities may roll over amounts received, tax free, to a Roth IRA or an Education Savings Account without being subject to contribution limits that would otherwise apply, as long as the rollover is made within one year after receipt. Generally, this provision is effective with respect to payments made on account of deaths occurring **on or after June 17, 2008**. Individuals who received payments on or after October 7, 2001 may also make rollover contributions by June 17, 2009.

#### Combat Pay

The HEART Act makes permanent the ability to include combat pay as earned income for purposes of the Earned Income Tax Credit (EITC). To qualify for the credit, low-income individuals or families must have "earned income," which typically includes taxable wages, salaries, tips and other employee compensation. The HEART Act enables individuals and families who have no earned income aside from non-taxable combat pay to qualify for the credit and applies to taxable years beginning **after December 31, 2007**.

#### Differential Pay

Under the HEART Act, differential pay that is paid by an employer to an employee who becomes active duty military is treated as wages for withholding and retirement plan purposes. For purposes of wage withholding, this rule applies to wages paid **after December 31, 2008**. For all other purposes, this provision is effective for years beginning **after December 31, 2008**. The HEART Act also provides a tax credit for small employers for differential pay paid between June 17, 2008 and January 1, 2010 to employees on active military duty.

#### Retirement Plan Withdrawals

The special rules allowing active duty reservists to make penalty-free withdrawals from certain retirement plans are made permanent by the HEART Act. Under these rules, reservists can avoid the ten percent penalty on early distributions if the distribution meets the requirements of a qualified reservist distribution:

- The distribution is from an IRA or is attributable to elective deferrals from certain types of plans;
- The individual is a member of a reserve component called to active duty for at least 180 days; and
- The distribution is made during the period beginning on the date of the call to duty and ending at the close of the active duty period.

# EMPLOYEE BENEFIT ADVISOR

Quarterly Newsletter

October 2008

In addition, an individual who receives a qualified reservist distribution can contribute the amount of the distribution to an IRA any time during the two-year period beginning on the day after the end of the active duty period. This rule previously applied to individuals called to active duty between September 11, 2001 and December 31, 2007. The HEART Act makes it permanent for individuals called to active duty **on or after December 31, 2007**.

### Economic Stimulus Payment

The HEART Act clarifies that active military personnel who file a joint tax return are eligible for the economic stimulus payment even if the spouse does not have a Social Security number. This provision permits service members who are married to foreign nationals to receive the stimulus payment.

### Legislative Brief

#### Fair Labor Standards Act: The White Collar Exemption Rules

The "white collar" exemption was strengthened in August 2004 with the adoption of final regulations under the Fair Labor Standards Act (FLSA). These regulations updated and implemented the exemption from federal minimum wage and overtime pay for executive, administrative, professional, outside sales and computer employees.



The FLSA was first enacted in 1938. It requires that most employees in the United States be paid at least the federal minimum wage for all hours worked and overtime pay at time and one-half the regular rate of pay for all hours worked over 40 hours in a workweek. To be considered exempt, employees must meet certain minimum tests related to their primary job duties and, in most cases, must be paid on a salary basis at not less than the minimum amounts specified in the regulations. The minimum salary level was last updated in 1975, over 30 years ago, while the job duty requirements in the regulations had not been changed since 1949, almost 60 years ago. Revisions to both the salary tests and the duties tests were intended to strengthen the FLSA overtime protections and to reflect federal case law developments prior the revision.

Most notably, the final regulations:

- explicitly spell out that "blue collar" workers are not subject to the overtime exemption,
- clarify that "first responders" are entitled to overtime,
- create a standard duties test for determining whether an employee meets a white-collar exemption,
- raise the minimum salary requirement for exempt employees,
- guarantee overtime for employees who earn less than \$455 per week (\$23,660 annually) without any consideration of their job duties,
- allow employers to deny overtime to "highly-compensated" employees who make over \$100,000 a year and perform at least one exempt job function,
- allow limited deductions from pay, such as allowing employers to suspend employees for misconduct in one or more full-day increments,
- permit employers to more easily fix improper deductions from an exempt employee's pay, and
- explain the educational requirements for certain employees to be classified as exempt.

The full text of the final regulations as well as a host of additional Department of Labor (DOL) information and fact sheets concerning the updated white collar exemption regulations can be viewed on the DOL's website at <http://www.dol.gov/esa/whd/regs/compliance/fairpay/main.htm>.

## RX CORNER

### FDA Approves First-Time Generic for Risperdal®

On June 30, 2008, the Food and Drug Administration (FDA) approved Teva's risperidone tablets\* 0.25 mg, 0.5 mg, 1 mg, 2 mg, 3 mg, and 4 mg, the generic equivalent to Janssen's Risperdal tablets. Teva has been awarded a 180-day period of marketing exclusivity for the tablet formulation and has launched their generic. Patriot Pharmaceuticals has also launched an authorized generic for Risperdal.

Risperdal® is used for the treatment of schizophrenia in adults and adolescents aged 13-17 years; the short-term treatment of acute manic or mixed episodes associated with Bipolar I Disorder either alone or in combination with lithium or valproate in adults, and alone in children and adolescents aged 0-17 years; and treatment of irritability associated with autistic disorder in children and adolescents aged 5-16 years. The labeled indications of

# EMPLOYEE BENEFIT ADVISOR

Quarterly Newsletter

October 2008

the generic risperidone product may differ from that of Risperdal because some uses of the drug are still protected by patents and exclusivity.

## First-Time Generics

Generic Name	Brand Name	Approval Date	Uses
Ropinirole Hydrochloride Tablets	Requip Tablets	5/5/08	Restless Leg Syndrome
Calcipotriene Topical	Dovonex Scalp Solution	5/6/08	Psoriasis
Acarbose Tablets	Precose Tablets	5/7/08	Type II Diabetes
Drospirenone and Ethinyl Estradiol	Yasmin Tablets	5/9/08	Birth Control
Fluoxetine Capsules	Sarafem Pulvules	6/20/08	Premenstrual Dysphoric Disorder
Cetirizine Hydrochloride Syrup	Zyrtec Syrup	5/27/08	Hayfever, allergies
Omeprazole Delayed Release Capsules	Prilosec Delayed Release Capsules	5/30/08	GERD, duodenal ulcers
Zalepon Capsules	Sonata Capsules	6/6/08	Insomnia
Prednisolone Sodium Phosphate Oral Solution	Orapred Oral Solution	6/9/08	Allergies, arthritis, asthma, certain blood disorders, skin conditions
Ciclopirox Gel	Loprox Gel	6/10/08	Athlete's foot, fungal infections
Torsemide Injection	Demadex Injection	6/10/08	Decrease body fluid
Dronabinol	Marinol Capsules	6/27/08	Nausea, vomiting, appetite loss
Risperidone Tablets	Risperdal Tablets	6/30/08	Depression

## Leading Trends in Rx Plan Management

In a recent independent national study of prescription benefit management following are the leading trends that have emerged going into 2008. The survey was completed by 200 individuals with pharmacy benefit decision-making responsibilities, such as benefits managers and benefits directors.

1) Seismic shift in benefit philosophy: Plan sponsors are far more concerned about balancing cost with care than they were just five years ago.

2) Cost control drives carve-out option: Cost containment is viewed as the top reason plan sponsors use a PBM over a health plan to manage their benefit.

3) Generic strategies yield greatest impact: Nearly 70% of plan sponsors believe that increasing the use of generics and plan-preferred drugs will have the most influence on controlling costs in the future.

4) Push for mail usage gains momentum: A majority of organizations plan to implement more strategies to boost mail order.

5) Ad blitz blamed for rising costs: Plan sponsors believe that direct-to-consumer advertising is the primary cause of rising pharmacy benefit costs.

6) Holistic healthcare taking hold: Plan sponsors are taking more comprehensive approaches to improve health outcomes and lower costs.

7) Plan sponsors strive to create behavior change: Nearly two-thirds of organizations now use disease and wellness management programs.

8) CDH revolution slows: There is minor intent to implement a CDH plan option over the next three years.

9) Plan sponsors hold the line on cost share: Fewer than half of organizations surveyed report definitive plans to increase employee cost share in the near term.

## BLUE CROSS UPDATES & CHANGES

### Fourth Quarter 2008 Product Menu Changes

Every quarter Blue Cross Blue Shield of Michigan makes changes to their standard product mix. Following is an overview of the new changes.

# EMPLOYEE BENEFIT ADVISOR

Quarterly Newsletter

October 2008

## BCBSM (PPO)

### **New Community Blue Optional Riders**

- Adding a \$40 Community Blue Office Visit Rider option (available on all plans)
- Adding \$100 and \$150 Emergency Room Rider options (available on all plans)
- Adding a rider to limit the number of Chiropractic visits to 12 per year from 24 per year.

### **New Community Blue 17 - Community Blue Plus**

The Blues are adding a new, lower-cost choice to its current Community Blue Plus<sup>SM</sup> plan. Community Blue Plus is an innovative plan that provides in one bundle medical PPO coverage, limited dental coverage and an annual vision exam. Services Include:

- An annual dental exam, X-rays and cleaning
- An annual vision exam, \$5 copay
- A \$1,000/\$2,000 in-network deductible
- A \$2,000/\$4,000 out-of-network deductible
- A 20-percent in-network coinsurance, 40 percent out of network
- A \$1,500/3,000 in-network out-of-pocket maximum
- A \$3,000/6,000 out-of-network coinsurance out-of-pocket max
- A \$30 office visit copay
- A \$100 emergency room copay
- A 12-visit spinal manipulation limit
- Options to increase copays for even greater group savings

### **Addition of a Mandatory Rider**

- Starting October 1, 2008 Blue Cross is adding a mandatory Chiropractic Rider which adds an In-Network office copay for chiropractic services that matches groups fixed office copay amount. The no-copay option will no longer be available.

## BCN

### **Three New Healthy Blue Living Options - Plans 4, 5, and 6 (HBL 4, HBL 5, and HBL 6)**

These three options sit between the benefit designs of HBL 1, HBL 2 and HBL 3. For instance, HBL 4 sits between HBL 1 and HBL 2, HBL 5 between HBL 2 and HBL 3 and HBL 6 after HBL 3. These plans are priced 5% apart current options.

The new HBL plan options provide for emergency room copays that run from \$75 for both the enhanced and standard levels of HBL 3 to \$75 and \$100 in HBL 5 and \$100 and \$150 under HBL 6.

In addition, the range of office visit copays is \$10 and \$20 under HBL 4, \$20 under HBL 5 and \$25 and \$30 under HBL 6.

The Blues have also added a new prescription drug option for Healthy *Blue* Living, one that allows a group to select a \$10/\$40 enhanced and \$15/\$50 for standard. The \$10/40 rider is one of BCN's most popular, so the Blues are adding another option groups can use with HBL.

If you have questions about the new product changes or would like to learn more about these changes please contact you're A.E. Mourad Agency, Inc. representative.

## PRODUCT INFORMATION

### Group Legal Benefits

According to *Employee Benefits News*, more than a quarter of working professionals needed legal assistance or advice during 2007. As a result, many of these employees had to take time away from work to deal with their legal woes or were distracted by these problems while on company time. To combat this problem, many organizations are now offering legal assistance to their employees as part of their Employee Assistance Program or as a separate nontraditional group legal benefit. Under these programs, employees have a fee deducted from their paycheck to have direct access to an employer-provided attorney.



#### Services Provided:

- Preparation of wills and trusts
- Real estate matters
- Debt matters
- Document preparation and review
- Traffic and juvenile matters
- Family law
- Bankruptcy and foreclosure assistance

#### Funding Group Legal Services

The financial support needed to fund a group legal benefit at your organization will depend on the following factors:

- Exact services offered
- Number of employees covered under the plan
- Marital status and ages of dependents covered
- Location of employees
- Coverage's elected for dependents

In addition to the different factors that contribute to varying costs, there are also various ways in which

# EMPLOYEE BENEFIT ADVISOR

Quarterly Newsletter

October 2008

this benefit can be funded. Select the one that is right for your employer group.

- Employers can partially or completely pay for the benefit for their employees
- Employees can make individual payments to receive the benefit
- Employers endorse the plan but employees pay the premiums individually and voluntarily

### Benefits of Legal Services

There are tremendous benefits to offering legal services to both employers and employees, including:

- Employees have access to prepaid attorneys (that they may not have been able to afford otherwise) to resolve problems and reduce the anxiety associated with legal trouble or concerns.
- The service reduces employee time away from work to deal with legal matters.
- It adds value to an employer benefits package without adding additional costs or administrative commitments.

especially in the very young and the very old, including bronchitis, viral or bacterial pneumonia, and even death. Most people who get influenza recover in one to two weeks.

### What is “stomach flu”?

Although nausea, vomiting, and diarrhea can sometimes accompany influenza infection, particularly in kids, these symptoms are rarely the primary ones. The term “stomach flu” is a misnomer that is sometimes used to describe gastrointestinal illnesses caused by organisms other than the influenza virus.



## LIVE WELL, WORK WELL

### Influenza Information

#### How many people get the flu each year?

Approximately 10 percent of the US population catches the influenza “bug” each year. In epidemic years, this percentage can rise to 25 to 30 percent. Sounds low, when you think about how many people call in sick with the flu, but remember: influenza can be difficult to differentiate from a nasty cold. People sometimes THINK they have the flu when they don’t. And, of course, sometimes they call in sick just for the heck of it.



#### What is the difference between Influenza and a cold?

Influenza, like the common cold, is a viral respiratory infection, and many of the symptoms – like runny nose, cough, and sore throat – are similar. However, influenza is much more severe, characterized by the sudden onset of fever, chills, muscle aches, headache, loss of appetite, and extreme fatigue. Flu can lead to serious complications,