

..... December 2009

2010 Outlook

Cost-shifting, HSAs Lead Experts' Benefits Predictions for New Year

As the calendar turns to 2010, industry experts see some emerging trends that could significantly change the landscape of employee benefits.

The top of the list, of course, is looming health care reform, which could drastically affect employer-sponsored benefits. Proposals that include a public plan, individual mandates and taxes on employers are making most small-business owners nervous, according to several recent industry surveys.

A poll of small businesses by Manta, a corporate information service, found that 77 percent of respondents were concerned or very concerned about the outcome of the health care debate. Another industry study found that two-thirds of employers expect to raise deductibles, change insurers or cut back coverage to avoid proposed taxes in health care reform legislation.

Even without the specter of health care reform, the continuing trend of rising costs will prompt employers to reexamine their benefits packages, according to a new Towers Perrin survey. The study predicts a 7 percent increase in health costs for employers in 2010, and the average per-employee cost will top \$10,000, with employers covering 78 percent of that total. Average employee premium contributions will rise 10 percent, the research predicts.

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Compliance

Subsidy's Future Clouds COBRA Administration

The federal COBRA subsidy is approaching its expiration date, and many employers are wrestling with compliance questions regarding the program's future.

Under the subsidy, the federal government contributes 65 percent of COBRA premiums for eligible employees who are involuntarily terminated between Sept. 1, 2008, and Dec. 31, 2009. Eligible employees can receive the subsidy for nine months or until they become eligible for other group health coverage.



However, the Department of Labor points out that some employees might miss out on the subsidy if they are laid off in December and

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Health & Safety

Employers Stick with Prevention as H1N1 Wanes

Infections from the H1N1 flu virus seem to be easing, but the worst likely isn't over, according to the Centers for Disease Control and Prevention (CDC).

"We won't be surprised if we see another uptick later [in 2009 or early 2010] when kids return to school from Christmas break," said CDC spokesman Tom Skinner.

Widespread infections were reported in 32 states as of Nov. 21, down from 43 states in the previous week.



So far, most companies haven't been affected by the pandemic, according to news reports and the CDC. However, many companies are preparing now, before a problem emerges.

Many employers have taken steps to help protect their workforce, such as stressing good hygiene, educating their employees about the H1N1 virus and telling workers to stay at home if they get sick.

Some companies with multiple locations, such as Discover Financial Services, have a plan in place that would switch workloads to different locales if the disease hits a particular office.

VitalSmarts, a consulting firm in Utah, has gone so far as to host a class for employees on properly cleaning under rings and fingernails to stave off the spread of the virus.

The national shortage of the H1N1 vaccine has prevented most companies from offering shots to their workers. However, several companies have obtained the vaccine because they host an on-site clinic, which provides basic medical services for their employees. ■

2010 Trends

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Many employers will cope with these increases by shifting more costs to employees and retirees, Towers Perrin found. Common actions could include changes in benefit design and increased copayments, the survey said.

Here are some other HR-related trends that industry insiders expect to appear in 2010:

HSAs

Large insurance companies are starting to pick plans with health savings accounts (HSAs) for their own employees -- a sign that HSAs are about to take off, according to Robert Hopper, a contributor to ProducersWEB.com. "Who knows more about insurance than insurance companies? And why are they switching totally to HSA-based plans? The answer is simple. Like all businesses they are looking for ways to control their health care costs while still attracting and retaining the best and brightest employees. They think HSAs are the solution."

IRS Audits

The IRS recently announced it plans to step up its payroll tax audits of companies. Attorneys at the law firm Pillsbury Winthrop Shaw Pittman LLP suggest employers take care to review their policies regarding payroll taxes, 409A nonqualified deferred compensation plans and internal reviews of qualified plans.

401(k) Match

Nearly a quarter of companies that have cut or discontinued their 401(k) match have reinstated it or plan to do so in 2010, according to a survey by Fidelity. However, some experts say some companies won't bring back the match to its original level. ■

Compliance

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their employer extends their benefits to the end of the month. Such a move would mean employees would not be eligible for COBRA until Jan. 1, 2010, one day past the deadline. The nine-month subsidy deadline already has arrived for employees who started receiving the subsidy at the beginning of the program on or around March 1.

Congress likely will extend the subsidy, many benefit analysts say. The details, such as the subsidy amount and deadlines on such an extension, remain uncertain, though. Some employers are taking a wait-and-see approach and not asking beneficiaries to pay the full premium yet. Their reasoning, according to experts, is the effort of obtaining money owed by former employees would be less than refunding the subsidy.

Regardless of how Congress extends the subsidy, experts don't anticipate as much confusion and stress for HR staffs this time around, thanks to established guidance from the IRS and more familiarity with the process.

..... **Bulletin Briefs**

◆ **MAMMOGRAM PLEDGE:** Many insurers say they will continue to cover annual mammograms despite new guidelines by a government task force that says women under 50 don't benefit from the exams. Kathleen Sebelius, the Health and Human Services secretary, said Medicare and Medicaid also would stick with its current coverage for mammograms.

◆ **IRS MILEAGE:** The IRS has issued the 2010 optional standard mileage rates for business, charitable, medical or moving purposes. Beginning Jan. 1, 2010, the standard rates for a car, van, pickup or panel truck will be:

- 50 cents per mile for business miles driven
- 16.5 cents per mile for medical or moving purposes
- 14 cents per mile in services of charities

◆ **UPDATED DOL GUIDE:** The U.S. Department of Labor (DOL) has created an updated version of its Employment Law Guide, which highlights the workplace laws the agency enforces. To view the DOL guide online, go to <http://www.dol.gov/compliance/guide/index.htm>.

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