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## Employer Surcharges for Unhealthy Habits

How much do cigarettes cost?

If you work for Tribune Co., owner of national newspapers, it's \$100. Specifically, a \$100 per month surcharge added to your health insurance premium. If your employer is Clarian Health, an Indianapolis-based hospital chain, that leaf will cost you \$5 per paycheck.

These are examples of employers who are pushing employees to clean up their act in order to control the escalating costs of health insurance. These and other penalties for conditions, such as high cholesterol, are being put in place by employers who sponsor wellness programs to help control costs. Conversely, these programs often include

incentives to employees who demonstrate an effort to maintain good health.

Such measures are often a case of tough love. For example, Tribune Co. offers a smoking-cessation program at no cost to employees. Upon completion, the \$100 surcharge is removed, and employees are reimbursed for all previous surcharges they have incurred.

The Equal Employment Opportunity Commission continues to monitor wellness programs for potential violations of the Americans with

Disabilities Act and other discriminatory practices. Overall, the response to wellness programs by governments, employers and employees has been favorable. ■



## Why Employees Don't Enroll in 401(k)s

Employers offering 401(k) plans are often stymied by the percentage of employees who choose to forego entering the plan. According to the Investment Company Institute, the top reasons for lack of participation are:

**#1 No extra money to save.**

**#2 Saving for retirement in some other way.** Employees say they will rely on other sources, including employment, for income during retirement.

**#3 Dislike plan features.** Employees claim that the plan offered by their employer does not meet their needs.

The most common dislike is the lack of flexibility inherent in the "one-size-fits-all" nature of the plan.

**#4 Confused about plan features.** Employees complain that they just don't get it. Lack of understanding of plan features, getting enrolled, and a general lack of foresight as to the long-term benefits of contributing to the plan tend to keep employees out.

Employers who address these reasons might be able to boost enrollment. For assistance, call our service team today. ■

## Critical Illness Insurance



Critical illness insurance is breaking ground in the U.S. This coverage provides cash payouts to policyholders upon the diagnosis of specific diseases and conditions. Similar to cancer insurance popular in the 1970s and '80s, cash payouts from critical illness coverage can be used for whatever the policyholder wishes, including medical costs not covered by health insurance.

The coverage can be sold as a separate policy to individuals, provided as group coverage by employers, or financed through payroll deductions at work. The coverage can also be sold as a rider to a long-term disability (LTD) policy, helping to close the gap between the diagnosis of illness, initiation of disability income payments and actual receipt of LTD payments.

Some life insurance providers offer critical illness insurance as a rider to a life insurance policy. Used in this method, the rider accelerates payment of one half or more of a death benefit when the illness is diagnosed.

Critical illness insurance offers employers a relatively inexpensive way to broaden employee benefits. For more information, call our service team today. ■

## New Job, Old 401(k)

Your new employees will likely be curious about how to handle their established 401(k)s. Here are the main options identified by a leading investment firm:

### 1. Keep their current 401(k)

#### *Advantages*

They will avoid current income taxes and penalties and can still roll over at a later date.

#### *Disadvantages*

They will remain subject to the rules and limitations of the previous employer's plan.

### 2. Roll over into your 401(k)

#### *Advantages*

They will avoid current income taxes and penalties and can still roll over elsewhere at a later date. They have access to your advisors.

#### *Disadvantages*

They will probably not be able to re-join the old plan if it turns out they prefer it.

### 3. Roll Over into an IRA

#### *Advantages*

They will avoid current income taxes and penalties. Their money will continue to grow tax-deferred. They will have a great deal of control over their investment choices. They have the option to roll assets back into a 401(k) or another IRA in the future.

#### *Disadvantages*

They may have limited protection from creditors. They cannot borrow against the assets and may have to pay an annual fee. They must consider complicated and potentially detrimental effects of rolling over company stock.

Your employee benefits staff has a unique opportunity to reach employees at a very personal level when they are new to your company. Exploit this chance to build lasting relationships and trust with employees. ■

## Warehouse Employee Health Data for Analysis

There's a term employers who provide group health insurance should know: "warehousing." Warehousing is the term used to describe the storing of health claims and other medical data that can be used for researching the causes of group health costs.

Employers can benefit greatly from medical data analysis. For example, FPL Group, parent company of Florida Power & Light, in partnership with a health data research group, used claims data to determine the cost of conditions associated with employees who failed to take prescribed medication. As a result of the analysis, the company introduced a program that cuts employee copayments for certain medications and offers financial incentives to encourage preventative care services.

While some data, such as visits to the ER and hospitalizations, are simple to



chart, other data, such as reasons for sick days, are difficult to quantify. Research and record retention can also be pricey, as can designing and implementing solutions. These expenses, however, can be outweighed by the long-term savings in group health costs warehousing can offer.

For more information about the benefits of warehousing, call our service team today. ■

## Discount Dental Plans for Groups

These plans are not insurance plans and do not pay dental service providers directly. They work with a set of providers who have contracted with the plan to offer discounts to members for dental care. Members show a membership card or other proof of plan participation when they go for dental service.

Some plans offer discounts for a wide array of procedures, including all the basics plus braces, dentures, oral surgery, implants, preventative treatments and more. Participating providers agree to charge a discounted fee to plan members. Some plans are regional,

while some are nationwide. Employees can choose plans that fit their individual needs.



Some plans, such as dentalplans.com, qualify under Section 125 Cafeteria Plans, which can help reduce payroll

taxes. Dental plans like these are available to groups of all sizes and can include retirees, part-timers and uninsured dependents of employees. Savings can run from 10%–50%, depending on the network selected, and management by the employer is advertised as almost effortless.

If you would like to provide some level of dental care to your employees but cannot afford a full-blown insurance plan, a dental discount plan might be a good way to go. You can find options for your employee groups on the Internet by searching for discount dental plans. ■

## Closing the Insurance Gap for Retirees

Employees approaching retirement age need to understand the gap, specifically, the three-year stretch between the age when they're first eligible for Social Security (62) and when they qualify for Medicare (65).

This gap poses a problem to the health coverage needs for employees. Since less than one third of large employers continue to provide health coverage to retired workers, most employees will likely have to fend for themselves.

Employers are in a unique position to help employees understand this gap and the options available.

**Individual Health Policy:** Due to the growing number of retirees, health providers have increased the

number of plans offered. However, individual plans are historically more expensive and offer less coverage than group plans. They are usually subject to strict underwriting guidelines.

**Most employees will have to fend for themselves in retirement.**

**COBRA:** COBRA allows former employees to continue their group coverages for up to 18 months, meaning employees who retire at 63-and-a-half can utilize COBRA until Medicare kicks in. It is expensive, however, and employees must

pay for the coverage themselves. The good news is that, because it is group coverage, the premium will likely be less than an individual policy and coverage will most probably be more extensive.

**Other Group Coverage:** Employers often have the option to allow retirees to continue coverage under their group plan. The retiree may have a spouse whose employer offers family coverage under their plan. Professional associations often offer group plans to their members. All of these options may be pricey but are likely cheaper and superior to an individual plan.

For more information on helping employees fill the gap, call our service team today. ■

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great service to all of  
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## Health Plan Audit

**E**mployers may be losing significant sums by inadvertently enrolling ineligible participants in offered health plans. Upon conducting audits on the enrollment of employee dependents, employers have found that 5 to 10% of enrollees are not actually eligible for coverage. "At a couple thousand dollars each, just for the medical plan, that is a lot of money," says Mark Rucci, senior vice president at Gallagher Benefit Services, Inc.

Examples of ineligible dependents include grown children and former spouses from unreported divorces.

Employers considering an audit should be aware of its complexity. Still, employers who feel ineligible participants may be contributing to already inflated health costs should consider contacting an audit professional. For more information, contact your benefits provider. ■

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