

..... JANUARY 2004

HSAs Offer Impressive List of Features

The Health Savings Accounts (HSAs) established by the updated Medicare legislation last month represent a significant improvement to the Archer Medical Savings Accounts (MSAs), according to the Bureau of National Affairs (BNA) Tax Management. HSAs are tax-deferred investment accounts used in conjunction with a qualified high deductible health plan (HDHP) and offer an impressive list of attractive features:

◆ *Funding flexibility*

Employer contributions, employee salary reductions, and tax-deductible employee contributions are all permissible.

◆ *No use-it-or-lose-it*

Participants may continue to accumulate funds and self-direct investment in a tax-exempt trust account.

◆ *Non-medical use*

Funds may be used for non-medical purposes without any effect on the tax-free status of amounts used for medical expenses. (Note that funds used for non-medical purposes may be subject to taxes and penalties.)

◆ *Pay premiums*

The account may be used to pay for certain health coverage premiums, in addition to out-of-pocket medical expenses.

◆ *Portability*

The account is portable for those changing jobs. (Continued on back)



The State of the Workplace

2004 Offers Unique Challenges

While 2004 offers hope for an economic recovery, the confusion caused by the current business environment isn't likely to disappear, according to *Workforce Week Management*. Today's organizations face far greater challenges than ever before:

- ◆ a tough, rapidly changing labor market;
- ◆ a dearth of talent;
- ◆ obstacles to keep existing employees productive;
- ◆ adequately training and developing workers;
- ◆ soaring healthcare costs, and,
- ◆ making human resources more strategic.



In addition, the growing use of temps, independent contractors, consultants, part-time employees, and outsourced labor are changing the way both employers and employees think about jobs, loyalty, and the pursuit of goals, putting greater pressure on human resources to manage diverse groups of workers—often with wildly divergent values and attitudes. (Continued on back)

A Peek into 'Benefits 2004'

Health Costs Continue to Dominate News

With employers' healthcare costs expected to continue their double-digit rate of increase in 2004, the more immediate problem for many Americans will be how to afford the drugs they need, according to KPMG. Prescription costs are expected to shoot up by almost 18% in 2004, according to a new survey by The Segal Company.



As federal regulators seek to convert more drugs to over-the-counter (OTC) status as a way to help reduce overall healthcare spending, Americans will also gain access to more OTC drugs. For example, cholesterol-lowering statins, emergency contraceptive pills, mental health medications for children, anti-angiogenesis agents to fight cancerous tumors, options for those who suffer seriously from loss of sleep or insomnia, and drugs to combat incontinence are currently under consideration. ■

HSA Features . . .

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- ◆ **No size limit**
The account is not limited to employees of small employers.
- ◆ **No claim forms!**
Participant self substantiation of expenses appears likely to be permitted. ■

2004 Challenges . . .

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The situation isn't likely to change anytime soon, according to Challenger, Gray & Christmas, a Chicago outplacement firm. Although the economy is expected to display a pulse in 2004, underlying fiscal trends remain painfully intact: baby boomers are aging, and there aren't enough young workers to plug into the labor force, especially engineers, computer programmers, and technical specialists; and the average employee tenure is now at an all-time low: 3.6 years.

A key issue for many HR departments will be finding ways to improve corporate productivity, with fewer dollars to carry out their responsibilities. According to Towers Perrin, other key areas of focus will include controlling healthcare costs, retaining key talent, expanding the use of technology, eliminating tactical work, and continuing to work towards a strategic partnership role with management.

The next frontier is to foster greater communication and trust. Remarkably, only about 50% of employees surveyed by Watson Wyatt say that they feel connected to their organization. Many have become disillusioned by ongoing layoffs, poor communication from the top, and a general lack of trust. ■

◆ **Clarification of Health Spending Account (HSA) limits**
The maximum HSA limits published last month in the *HRinsider* bulletin were base amounts and did not include the annual cost-of-living adjustment. For 2004, the annual limits on HSA contributions are \$2,600/individual and \$5,150/family, according to Fisher & Phillips.

◆ **Mental Health Parity to continue through 2004**
President Bush signed the mental health parity bill, thus extending the *1996 Mental Health Parity Act* through December 31, 2004. The Act prevents annual and lifetime limits on coverage of mental health benefits unless there are similar limits for medical and surgical coverage.

◆ **New OSHA logs effective January 1, 2004**
The revised OSHA 300 log forms, required for employers to track/ record injuries and illnesses, now include a hearing-loss column, as well as an on-job transfer or restriction column (formerly "days away from work"); more clear formulas for calculating incidence rates; and a more prominent column heading for "Classify the Case."

◆ **Form 5500 goes electronic**
Don't look for your Form 5500 booklet in the mail. Instead, look for a post card explaining how to access your Form 5500 electronically! Both DOL and EFAST are intensely interested in promoting electronic filings this year. According to the IRS, processing a paper filing takes three times as many resources as an electronic filing.

◆ **Employees struggle with elder care**
As more employees care for aging relatives, elder care has been called the "silent productivity killer," according to an AARP survey. A Metropolitan Life survey estimates that productivity losses due to elder care issues range from \$11 to \$29 billion annually. Employee expectations regarding elder care benefits have increased, and, as a result, most organizations expect costs for these benefits to increase in the next five years.



◆ **More employers allow new workers to join 401(k) plans**
According to Hewitt Associates, more companies are allowing new employees to enroll in a 401(k) plan immediately in order to attract better workers. As Americans are becoming increasingly dependent on their 401(k)s for retirement, many workers won't save anything if they don't have a 401(k). ■