

Promoting Wellness and Disease Management: Health Care Cost Containment From A Different Perspective

By Bobbi Butler and Jill W. Still

Is it time for employers to develop a different perspective about benefits programs, especially health benefits? The recently released *2007 MetLife Study of Employee Benefits Trends* notes that for the first time in five years, employee retention has edged out controlling health care costs as the #1 benefits issue for senior management. Employers have also determined that benefit satisfaction will play an integral role in competing for talent in an increasingly diverse and aging workforce. In fact, the MetLife study shows a very strong correlation between benefits satisfaction among employees and loyalty to their employer. However, employers must still face the reality that competing with their desire to provide a strong benefits program that attracts and retains the best workers is the increasing cost of providing these benefits, especially health benefits.

In recent years, employers have reacted to significantly higher health plan costs by shifting more of this cost to employees. Employers are now beginning to realize that while this strategy may help in the short term, employee satisfaction will begin to erode. They are looking for alternative ways to address health plan costs over the long-term and studies indicate that this can partially be achieved by promoting a healthier, happier workforce. Increasingly, employers are turning to initiatives such as health

promotion, wellness, disease management, and consumerism to control health plan costs and keep workers healthy and productive.

Employers are using wellness initiatives to keep employees healthy and help control costs.

In 2007, employers are still the main providers of health care coverage and most pay the majority of the premium cost for health coverage for their employees. Recently, the U.S. Chamber of Commerce and Partnership for Prevention published a guide for employers entitled, "Leading Practices for Employee Health Management." This report, developed through the "Leading by Example CEO Roundtable" initiative, highlights the efforts of a number of leading edge employers who believe keeping employees healthy is the key to maintaining control of health costs and increasing productivity. CEOs from organizations as diverse as grocery store chains to retirement communities discuss the value of wellness, prevention, and disease management in the long term effort to control health and productivity-related costs.

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Mission Statement

PEBA will strive to be recognized throughout the Delaware Valley as the premier organization in all areas related to employee benefits and compensation by providing opportunities for:

- education
- information
- professional development and exchange, and
- sharing professional expertise.

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peba news

Editor-in-Chief
Sharon E. Kazaras

Graphic Artist
Jill S. Anderson

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Update your contact information and add your initial membership date by logging on to www.peba.org.

See PEBA home page for \$9.00 parking near our office!



PEBA-Sponsored WorldatWork 2008 Compensation & Benefits Certification Courses

PEBA is pleased to provide new options for WorldatWork programs in 2008. In addition to our traditional offering of classes and tests, PEBA is now offering **testing only** at our conveniently located downtown site — PEBA, 1528 Walnut Street, Suite 420, in Philadelphia, from 7:30 AM to 12:00 PM.

Exam Only Sessions for 2008 - *New Option*

Friday, February 22	Deadline to sign up February 1
Friday, May 16	Deadline to sign up April 25
Friday, October 24	Deadline to sign up October 3
Friday, December 1	Deadline to sign up November 21

The tests will be held provided we have at least 5 tests scheduled.
Our maximum number of attendees is 10.

Dependent Eligibility Audits – Will They Aggravate Your Employees?

By Cheryl A. Griest

It's even making non-industry headlines. An October 2007 *Newsday* article quoted employers as saying "prove you're entitled" and stated it's a "hot topic in benefits" — employers demanding proof that family members qualify for insurance coverage.

But is it hot to you? Or "old news?" A recent PEBA Poll reported mixed results: 31% of employers strictly document all dependents, 50% do not, and 19% are considering it for 2008. Informal Google searches turn up thousands of hits for related phrases, since government agencies, insurance carriers, and educational institutions, among others, require proof of dependency as part of applications for certain benefits.

When and where would you implement this process? Clearly, it can be a valuable addition to your required enrollment documents and processes. Ensuring you are covering only eligible dependents within your plans' parameters is another way to equitably manage your expense. Required proof of dependency can work for:

- Medical, dental, vision, and hearing plans
- Dependent life, personal accident, and other voluntary benefits (even if 100% employee paid, you're protecting your risk and managing the volume.)
- Retirement plan benefits (for example, upon a Joint and Survivor benefit election)
- Company-specific benefits (for example, family memberships in an on-site gym)

Consider the company culture when deciding whether to mandate proof of dependency:

- Do you have a highly ethical culture?
- Do you completely trust or

cynically distrust your employees — and, more importantly, how do you manage that?

- Do you have long-term employees or high-turnover challenges?

Evaluate your communications strengths and weaknesses:

- Have you been consistently communicating not only the cost of benefits, but the "how's and why's" of rising healthcare costs?
- Do you share your company's philosophy on how to address dependent eligibility? Have you discussed it recently?
- When adding this process for the first time, many employees will see this as a violation of privacy, but you may also hear feedback from employees who say "good, that's only fair."

Examine your process controls:

- Do you have a fair, written audit policy in place?
- Which documents will you accept, who will have access to them, and how will they be stored?
- Will you make dependent documentation a condition of enrollment? For new hires or all employees? Just once or every year? Electronic or paper?

The most critical questions arise from "What If" scenarios. What is your company's philosophy — how will you respond and who will respond — to situations in which an employee was covering an ineligible dependent? Many employers permit a one-time "no questions asked" removal. But what have you said all along? If your plan document clearly defined dependents

and you find an employee violated that policy, what (if any) disciplinary action and restitution attempts will occur? The employee relations challenges must be considered before implementation. Your plan and enrollment documents should include the appropriate cautionary wording for misstatements of facts. Policies and Codes of Conduct relating to disciplinary actions, integrity of records, and fraud should also discuss misstatements of dependent eligibility. If any of your employees hold a current state insurance license, would you be required to terminate that employee if deemed he/she committed insurance fraud as part of covering an ineligible dependent?

Your plan documents and procedures should clearly define eligible dependents and include a list of permitted documentation for each category. A checklist may be helpful. Be sure your list is consistent with the rules; for example, don't accept a tax return showing a dependent grandchild if your plan doesn't cover grandchildren. If you cover domestic partners, be sure the plan wording and processes are consistent and equitable with those for other dependents and coordinated with any applicable state law documentation and relationship wording. For example, in New Jersey, it's best to define "civil union" in accordance with the state statute and accept documentation as offered by state regulations.

Finally, keep promoting the positive! Most employees will understand and appreciate the company's desire to offer healthcare, but only to those who are eligible.

Look for an article in a future issue about implementing a Dependent Eligibility Audit.

Cheryl A. Griest is Director of Benefits at AAA Mid-Atlantic.

Predictions For Human Capital Management In 2008 And Beyond

WorldatWork recently released eight key predictions that showcase the trends and events that will change the nature of human capital management in 2008 and beyond. The predictions are intended to compel organizations and total rewards professionals to position themselves to take advantage of the coming changes, and not be blindsided by them.

"In an environment where the global scope of opportunity and technology are all-pervasive influences, an organization's interaction with a rapidly changing labor force will result in dramatic transformations in workforce management, work design, outsourcing and training," said **Anne Ruddy**, CCP, president of *WorldatWork*.

An exhaustive literature review of futurist books and articles coupled with critical analysis by *WorldatWork* knowledge leaders formed the basis of the effort. Several themes surfaced consistently and are captured in a white paper available on www.futureoftotalrewards.org.

These changes will require human resource practitioners to re-think their approach to managing human capital. Total rewards professionals must examine these predictions for opportunities to contribute to the business goals and actively define their role for the future.

The Future of Attraction, Motivation and Retention Literature Review white paper offers eight predictions about the future of work and the implications on the total rewards and human resource professions. The authors note that "the future" might already be here for some progressive organizations.

Following are the eight predictions on the future of work:

1. The successful organization of the future will excel at acquiring, organizing, and strategically deploying global resources.

2. There will be increased global connectivity, integration, and interdependence in the economic, social, technological, cultural, and political spheres.
3. Technology will advance at an even more rapid pace than in previous decades.
4. There will be continuous, dramatic changes in the labor force.
5. Human capital will become an even greater source of value.
6. The way work is organized and performed will evolve and change continuously.
7. Outsourcing will increase.
8. Self-paced, self-directed individualized virtual learning will dominate business training.

"These predictions have wide-reaching implications for the professions involved in employee attraction and retention," said Ruddy. "An organization's ability to attract, motivate, and retain will emerge as the primary indicator of fiscal performance and survival."

The *WorldatWork* white paper covers several implications for human capital strategy, including:

Labor Force — Workers will value job enrichment, flexibility, and career development above job security and stability; employers will need to respond to this shift.

Work Design — Dramatic technological advances will mean that being "at work" will include telecommuting hubs, collaborating with global colleagues, and using virtual worlds. Being at work won't necessarily mean being at the office. Managers must learn to manage what they can't see.

Outsourcing — Organizations will look for ways to pull jobs apart to find pieces to outsource. Thought must be given to

the motivation of workers assigned "pieces" of the work.

Training — Digital communities will flourish, and experts will assert themselves through these communities. Training will be available in small, readily accessible, easy-to-use modules for use at any time.

"In the past, we've resorted to treating everyone the same in our discrimination-sensitive, politically correct environments," Ruddy said. "Given the increasingly diverse workforce, organizations will need to offer more variety in rewards as they try to access the best and the brightest in a seller's market."

WorldatWork has established a forum on www.futureoftotalrewards.org for members and non-members to participate in the discussion about important trends that affect attraction, motivation, and retention. The Web site will regularly feature cutting-edge ideas, findings, predictions, survey results, and suggestions about how work will be done in the future.

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Got Talent? PEBA Committees Welcome Volunteers!

By Arleen Barisa

Our committees are always looking for new members with fresh ideas. In addition, now you can become more involved in PEBA and earn SHRM's HRCI recertification credits at the same time! Committee members are eligible for three credits per year for up to three years.

Here are brief descriptions of each committee. Want more details? Visit www.peba.org/volunteer.htm.

Membership: Promote and increase PEBA membership; assure member satisfaction and identify member needs; develop ways to increase the value of PEBA membership.

Contact:
David Madans at madans@cbiz.com.

Program: Develop, plan and deliver PEBA's monthly programs on relevant and timely topics.

Contact:
Michael Rosenfeld at mrosenfeld@modelconsultinginc.com or
Patrick R. McCallister at pat.mccallister@wachovia.com

Forum: Plan the annual Forum — develop the theme and a list of session topics; identify and select speakers; choose a keynote; secure a facility; and produce marketing materials.

Contact:
Ron Seifert at ron_seifert@haygroup.com or
John W. Hoderny at jhoderny@cdtechno.com

International: This relatively new committee hopes to produce one or two international programs per year.

Contact:
Allen Koski at allen.koski@cigna.com.

Communications: Produce PEBA News, featuring timely articles on compensation and benefits. Develop comprehensive communication strategy and assess communication needs.

Contact:
Arleen Barisa at arleen.barisa@uphs.upenn.edu

Expert Knowledge: Develop ways for PEBA members to exchange ideas and seek the guidance of industry experts on various topics. Work with other committees to share feedback on current topics to develop relevant programming.

Contact:
Chris Marren at cmarren@elitegrp.com

Community Outreach & Networking:

Develop and plan activities to help PEBA members get to know one another and network by working on projects to benefit the community.

Contact:
Edward O'Malley at eomalley@yesinsure.com or
Mary Caulder at mmcaulder@healthpart.com

Surveys: Develop, distribute, and analyze industry and member surveys to enhance PEBA members' knowledge on various topics.

Contact:
Dennis M. Shrenk at shrenkd@mlhs.org

Marketing: Develop annual marketing plan to help PEBA attract and retain members; design and develop marketing and communications materials; work with other committees to develop marketing plans to support their needs.

Contact:
Martin Weitzman at weitzmanm@mlhs.org

Arleen Barisa is a Retirement Specialist at University of PA Health System

Final 403(b) Regulations Require Employer Action *(Continued From Page 5.)*

successor 401(k) plan. To take advantage of the plan termination ability, the plan document must permit plan termination.

Treatment of Controlled Groups: The final regulations impose new controlled group rules on tax-exempt entities. In general, control by one organization of 80% or more of the board members of another organization will cause the organizations to be treated as a single employer. The new controlled group rules have important implications beyond 403(b) plans for tax-exempt organizations, including nondiscrimination testing for welfare and

pension benefit plans, calculating plan limits, tracking eligibility and vesting service, and determining eligibility for distributions. The new controlled group rules do not apply to governmental entities or certain church plans.

Life Insurance: Effective September 24, 2007, employers may not use life insurance contracts to fund 403(b) plans.

Employers who offer 403(b) plans should begin to inventory their arrangements and determine the precise terms and conditions on which their plans are operated. In addition to outlining the general terms of the plan, the plan

document will need to allocate the responsibilities of the employer and the third parties that are selected to provide 403(b) contracts and custodial accounts. Employers may also need to adopt administrative guidelines to ensure that third-party service providers are fulfilling their administrative obligations. Employers should start considering these issues now in order to be in compliance with the final regulations beginning in 2009.

Amy Pocino Kelly, Esq., is a Partner at Morgan Lewis.

Medicare Medical Savings Accounts: Availability Expands in 2008

By Lee Barson

A new and innovative type of health plan is now available to Medicare beneficiaries in all 50 states. Instead of other Medicare plans, they now have the option to enroll in a Medicare Medical Savings Account (MSA) Plan as part of the Medicare Advantage Program.

This new type of plan provides an opportunity for Medicare beneficiaries to enroll in consumer directed health plans (CDHPs) similar to the non-Medicare plans with Health Savings Accounts (HSAs) offered today. Not only are Medicare MSA plans available to individual Medicare beneficiaries, but employers providing retiree medical coverage can offer them as well.

Background

Congress authorized Medicare MSA plans in 1997 and reconfirmed them in 2003. However, no health plans offered Medicare MSA plans as an option until Wellpoint and American Progressive in 2007. See the chart on the next page for what's available in 2008. To date, over 2,200 beneficiaries have enrolled in Medicare MSA plans.

Plan Features

All Medicare MSA plans combine a high-deductible Medicare Advantage plan with an MSA.

- **Premiums.** Health plans offering Medicare MSAs cannot charge a premium for plan benefits that are standard under Medicare. Plans may charge a premium for supplemental benefits, but these benefits must be optional.
- **Contributions.** The Centers for Medicare & Medicaid Services (CMS) makes an annual contribution into the MSA of each plan participant via the health plan selected by the participant. The contribution amount reflects the difference between CMS's predicted cost and the health insurer's

contracted cost. In 2007, these annual contributions ranged from \$1,000 to \$1,725. No contributions are permitted from any other source, including individual beneficiaries and employers who sponsor retiree medical plans.

- **Deductible.** The beneficiary must meet the deductible, ranging from \$2,750 to \$5,000 in 2008, before the plan pays for any Medicare Part A and Part B services.

Medicare MSAs combine high-deductible health plans with an MSA.

- **Cost Sharing.** Under MSA plans, once the deductible is met, the beneficiary cannot be subject to any cost sharing; that is, the health plan pays 100% of covered services.
- **Prescription Drug Coverage.** Because MSA plans do not include prescription drug coverage, beneficiaries can enroll in a separate Medicare Part D plan.

Medical Savings Account (MSA) Features

An MSA is a tax-favored, interest-bearing account owned by the individual beneficiary. Unlike Flexible Spending Accounts (FSAs), unused funds stay in the account from year to year. Like a Health Savings Account (HSA), an MSA is one of the few savings vehicles that are triple tax-free: MSA contributions are tax free to the beneficiary, earnings on contributions are tax-free, and distributions for qualified medical expenses are tax-free.

There are hundreds of qualified medical expenses, including many expenses not covered by Medicare Parts

A and B, such as over-the-counter medications, dental visits, and vision expenses. See IRS Publication 502 for a more complete list of qualified medical expenses (www.irs.gov/pub/irs-pdf/p502.pdf). Funds can also be used for prescription drug cost sharing like co-payments and deductibles, but not for Medicare Part D premiums.

Funds used for non-qualified expenses are treated as taxable income and may be subject to an additional penalty.

In addition to these tax-favored features, MSAs typically also include the following:

- **Security.** MSAs are often FDIC-insured checking accounts.
- **Access to funds.** Beneficiaries can pay for qualified medical expenses with a debit card and/or a check. Some accounts may include ATM access.
- **Statements.** Paper or electronic account statements are provided on a regular basis (typically monthly).
- **Tax Reporting.** Form 5498-SA notifies the IRS of MSA contributions made during the tax year, while Form 1099-SA notifies the IRS of MSA distributions. The beneficiary should also receive a copy of the appropriate tax form(s) and is required to complete Form 8853 when filing the federal tax return.

Since MSA features vary by plan, check with a specific carrier for more details.

Plan Administration

Those already covered by Medicare have the opportunity to enroll in MSA plans during their annual enrollment period—typically from mid-November through late-December. New Medicare beneficiaries can enroll in MSA plans when they reach age 65 or qualify for Medicare due to disability. Note that

Continued on Page 4.



Can You Top This?

This regular feature in your PEBA Newsletter is meant to add a lighter note and share some "war stories." These articles will show some of the more fun, or at least interesting, aspects of our jobs.

Regardless of your line of business, it's very likely you'll be asked to occasionally review important documents before widespread distribution. If so, please read the following story and use it as a word of warning.

For many years, I was part of a Health & Welfare outsourcing team specializing in personalized communications (worksheets, confirmation statements, etc.) for Annual Enrollment. As we generated test worksheets, we had a checklist of items to review including standard text content and formatting, variable text content and formatting, benefit costs and coverage amounts, page breaks, etc.

After thoroughly testing the worksheets for a client, we released them to be printed. By chance, as the worksheets were printing, an associate decided to dial the customer service number printed on the worksheet. Thank goodness he did, since there was a typo in the phone number! Of course, the mistyped phone number didn't lead innocently to another department at the client site. As the associate dialed the phone number, he heard "Hi. You've reached the hottest phone line in America."

In this case, I had the opportunity to yell "Stop the presses!!" and the worksheets were reprinted. Many others have not been as lucky.

Note that this story pre-dates the use of the Internet as part of the Annual Enrollment process. However, the same advice applies to checking web site addresses as well. For example, there's a big difference between www.peba.org and www.peba.com!

Can you top this PEBA member company's story? Please e-mail Arleen Barisa, PEBA Communications Committee Chair, at Arleen.Barisa@uphs.upenn.edu. We promise privacy and will work with you to remove all identifying information.

Medicare Medical Savings Accounts: Availability Expands in 2008

(Continued From Page 3.)

Unlike other Medicare Advantage plans, beneficiaries cannot disenroll from MSA plans from January to March unless they move out of area.

When a beneficiary enrolls in an MSA plan, the health plan submits the enrollment information to CMS for approval. In general, anyone enrolled in Medicare Part B is eligible to enroll in an MSA plan. There are some exceptions, the most common of which is a "dual eligible;" that is, an individual who is also eligible for Medicaid.

Once CMS approves an enrollment, the health plan establishes an MSA with a custodian. CMS then funds the account with an annual contribution at the beginning of the year (or when eligibility begins for mid-year enrollments). If a beneficiary disenrolls during the year, CMS is entitled to receive a portion of the current year's contribution from the health plan, based on the number of months the beneficiary is no longer in the MSA plan. The health plan may, in turn, attempt to collect the funds from the beneficiary.

2008 MSA Landscape

For 2008, the following four health plans are offering MSA plans throughout PA, NJ, and DE or in various counties in each state:

	PA	NJ	DE
Wellpoint	Save Well Plans offered in all counties	Save Well Plans offered in all counties	Save Well Plans offered in all counties
American Progressive	Mpower Health offered in all counties	No plans available	No plans available
Geisinger	Gold Reserve Plan offered in 16 Central PA counties including Berks and Lancaster	No plans available	No plans available
Coventry	Advantra Savings offered in the eight counties in and around Philadelphia in PA and NJ		No plans available

Conclusion

This new CDHP should interest individual Medicare beneficiaries, employers offering retiree medical benefits, and brokers and agents who sell Medicare plans.

Lee Barson, CEBS is a Director of the ACS/Mellon HSA and MSA Solutions

PEBA'S ANNUAL FORUM:

04/10/2008

Philadelphia Marriott-
12th and Market

PEBA is excited to announce that the annual Forum will be in downtown Philadelphia in 2008. Please join us and hundreds of your colleagues for a day of educational experiences and networking opportunities.

Save the Date

Thursday, April 10, 2008

FEATURING:
12 EDUCATIONAL SESSIONS!
A NEW LOCATION!

With Your Help, PEBA Continues to Grow

Have you told anyone about PEBA lately?

We welcome the following member companies who joined in recent months:

Grand View Hospital (Kathy Weaver, Benefits Manager)

Bucks County's first hospital, Grand View, has provided residents of Bucks and Montgomery counties with comprehensive health-care services for nearly a century, particularly in the areas of cardiology, surgery and orthopedics, cancer, and women's and children's health.

AllOne HMS (Angelo Devita, VP Sales & Client Engagement)

AllOne works with employers, health plans, government entities, and other health providers to identify, control, and manage the health risks of their employee or member populations.

Mosteller & Associates, Inc. (Karen DiGioia, Associate)

Mosteller & Associates provides a full range of human resource services to large and small organizations with an emphasis on compensation, benefits, training, and staffing.

Royalty Press Group (Paul Dewedoff, Director, Sales & Marketing)

For over a quarter of a century, Royalty Press Group has brought Fortune 500 companies' printing ideas to life. They are a full-service, multi-million dollar printing operation, able to meet any printing need.

Firsttrust Bank (Rhonda Watson, AVP, Human Resources)

With branches throughout the Delaware Valley, Lehigh Valley, and southern NJ, Firsttrust Bank is managed by the third generation of the Green family with the same high standards and personal service their founders insisted on in 1934.

eResearch Technology, Inc. (Joanne Tanhauser, Director, HR)

eResearchTechnology, Inc. (eRT) is a provider of technology-based products and services that enable pharmaceutical, biotechnological, medical device, and contract resource companies to collect, interpret, and distribute cardiac safety and clinical data more efficiently. A market leader in providing centralized electrocardiographic (diagnostic) services, they are also a leading provider of technology and services designed to streamline the clinical trial process by automation.

W.L. Gore and Associates (Terri Nicholaou Francino, Global Benefits Leader)

Known best for Gore-Tex fabrics, their enterprise is comprised of approximately 8,000 associates in more than 45 locations around the world, and their fluoropolymer products provide innovative solutions throughout industry, in next-generation electronics, for medical products, and with high-performance fabrics.

Chase Winters (Timothy Wujcik, Managing Partner)

Chase Winters, a retained executive search firm, helps clients identify, attract, and retain executive talent, and unequivocally guarantees the results of their efforts.

American Infrastructure (Rose Bryan, HR Generalist)

American Infrastructure is a heavy civil construction company and materials supplier in the mid-Atlantic region adjoining the metropolitan areas of Philadelphia, Baltimore, and Washington, DC.

Centurion Group LLC (James Hageney, Principal)

Comprised of qualified law enforcement, fire, communication, medical, and legal professionals, the Centurion Group provides premier safety and security solutions to organizations throughout the US.

Cambridge Search, LLC (Betsy Warner)

Cambridge Search places the best candidates into clients' employment opportunities. They recruit for both locally-based and national companies, including Microsoft, Intel, and Wells Fargo.

Auxilium Pharmaceuticals (Mari-Lou Biancarelli, Senior Manager, Employee Services)

Founded in 1999, Auxilium Pharmaceuticals develops and markets pharmaceutical products that focus on urology and sexual health.

Vane Brothers (Ramona Adkins, Senior HR Generalist)

Vane Brothers is a leader in the mid-Atlantic maritime services community, from safely transporting petroleum products to servicing lifeboats for the world's leading manufacturers.

AT&T, Inc. (Linda McKeegan, Lead Compensation Analyst)

AT&T, the world's largest communications holding company by revenue, is recognized as the leading worldwide provider of IP-based communications services to businesses and the leading US provider of wireless, high speed Internet access, local and long distance voice, and directory publishing and advertising services.

Elwyn (Daniel Tront, Corporate Director, HR)

A nationally recognized pioneer in developing programs for children and adults with disabilities and disadvantages, Elwyn has provided services to people with special needs for over 150 years.

Lord Consulting LLC (Georgina Lord, Compensation Consultant)

Lord Consulting is a recognized leader in the areas of quality systems implementation and improving business performance. They assist firms in achieving the Ford Q1 Award and ISO 9000/QS-9000 registration and have worked with clients to develop successful strategies in the areas of workflow management, visual workplace management, culture management, time and project management, continual improvement management, and the development of Business Operating Systems (BOS).

Gardner Whyte Group (Andrew Mocker)

Founded in 1992 and based in NJ, Gardner Whyte specializes in human resources, with a concentration in compensation and benefits. They cover financial services, mass media, telecommunications, and human resource consulting companies on a national scope.

Renée L. Rosenfeld, CEBS, SPHR, is Assistant VP for Human Resources at Holy Family University.

Rosemarie Greco: A Prescription For Pennsylvania?

By Susan DeMinico

PEBA's October 18th Evening Event featured Rosemarie Greco, Director of Health Care Reform for Pennsylvania, and honored Joseph Hessenthaler, Principal at Towers Perrin.

Ms. Greco shared her perceptions and realities on health care reform, challenging everyone to think how we, as business leaders, can make health care more affordable and accessible – a right and not a privilege – for all Pennsylvanians. Ms. Greco showed passion for her office when she spoke of the experiences that led her to this career after many years in the banking industry.

PEBA was also privileged to honor Joseph Hessenthaler for his contribution to the benefits and compensation community. Joe's commitment to his profession – through teaching, mentoring, and guiding so many – has truly been an inspiration.

The event, held at The Down Town Club in Philadelphia, ended with a networking reception, where PEBA members enjoyed an evening of great conversation and cocktails.

We are grateful to our sponsors who make it possible to bring special programs such as this to our members and their guests.

Platinum



Silver



Bronze



Morgan Lewis



We would also like to thank our hard-working committee members who made this evening possible:

Susan Bleiberg
Mercer Health and Benefits

Judith Mester
Deloitte

David Pierson
The Pierson Group

Michael Rosenfeld
Model Consulting Inc.

Pictured Right: R. Greco

Pictured Below: J. Hessenthaler



Pictured Above (L to R):
R. Kreckstein,
J. Gada,
B. Lizanich

Pictured Left (Bottom L to R):
T. Matson,
D. Krauss-Kelleher,
S. Uzdavinis

Photos by R. J. Corby

Final 403(b) Regulations Require Employer Action

By Amy Pocino Kelly, Esq.

Final regulations were issued under Section 403(b) of the Internal Revenue Code on July 26, 2007, providing the first comprehensive guidance on the maintenance and administration of 403(b) plans since 1964. In general, the regulations make changes to the rules for maintaining 403(b) plans that align more closely with the rules governing 401(k) plans and will result in 403(b) plans' requiring a much greater level of communication and coordination than in the past.

403(b) contracts and custodial accounts are available to employees of public schools and certain tax-exempt organizations. The final 403(b) regulations are generally effective for taxable years beginning after December 31, 2008, with delayed effective dates and transition rules in certain circumstances. This article highlights certain changes made by the final 403(b) regulations.

Written Plan Document. In perhaps the most dramatic change, the final regulations require that a 403(b) plan be maintained pursuant to a written plan document which satisfies Section 403(b) in both form and operation and contains all the terms and conditions for eligibility, benefits, and applicable limitations and form and time of distribution under the plan. Note that companion guidance issued by the DOL (in Field Assistance Bulletin 2007-02) confirmed that an employer can comply with the new requirements in the tax regulations and still qualify for the safe harbor for certain 403(b) programs funded solely with employee contributions that excludes those programs from ERISA. Whether and to what extent the safe harbor is satisfied requires consideration on a case by case basis.

Universal Availability. The final regulations require that if any particular employee of an employer offering a 403(b) plan is allowed to make elective deferrals under the plan, all employees

of the employer must be allowed to make elective deferrals under the plan, with certain exceptions, including non-resident aliens, employees eligible for section 457(b) deferrals, students, and employees who normally work fewer than 20 hours per week. Collectively-bargained employees are not among the exceptions, but transition rules permit additional exclusions for limited periods. Furthermore, an employee with a right to make elective deferrals must be provided with an "effective opportunity" to do so. To satisfy this requirement, employers are required to provide a notice to employees, at least annually, describing an employee's right to make or change elective deferrals.

Sponsors must update plan documents and revise administrative procedures in order to comply.

Roth Contributions: The final regulations contain rules for allowing participants to designate all or some of their elective deferrals as Roth contributions. To the extent Roth contributions are permitted, they must be kept in a separate account.

Catch-Up Contributions: Under the final regulations, a 403(b) plan can provide for the age 50 or older catch-up contribution permitted under Section 414(v) (up to \$5,000 in 2007 and 2008) and can also provide for the special catch-up contribution to participants who have at least 15 years of service. The final regulations confirm that where a participant is eligible for both types of catch-up contributions, catch-up amounts are counted toward the special 15 years of service catch-up contribution first.

Contract Exchanges/Transfers: The final regulations provide that participants may transfer assets out of their plan accounts on a tax-free basis to another investment provider (either within a 403(b) plan or between 403(b) plans) if (a) the plan permits the exchange, (b) the participant's accumulated benefit after the exchange is at least as great as such benefit before the exchange, (c) the new investment provider imposes distribution restrictions that are at least as stringent as those applicable prior to the exchange, and (d) the employer and new issuer enter into an agreement to provide to each certain information related to tax reporting and compliance requirements. The final regulations replace Revenue Ruling 90-24.

Distribution Restrictions: Amounts (other than elective deferrals and catch up contributions) deferred under non-grandfathered contracts are not permitted to be distributed to a participant until the earlier of a severance from employment or the occurrence of an event, such as after a fixed number of years, the attainment of a stated age under the plan, or disability. Elective deferrals and catch ups may be distributed only upon a participant's severance from employment or in the event of a "hardship."

Plan Termination: Like 401(k) plans, a 403(b) plan may now be terminated and assets may be distributed to participants with full rollover ability. In order for a Section 403(b) plan to be considered terminated, all accumulated benefits under the plan must be distributed to all participants and beneficiaries as soon as administratively practicable after termination of the plan, and the employer is generally precluded from making 403(b) contributions to a successor plan for 12 months. The regulations do not preclude having a

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Promoting Wellness and Disease Management: *Health Care Cost Containment From A Different Perspective* (Cont. From Page 1.)

Leading employers are not the only ones sounding the call to focus on wellness and health promotion. A recent poll conducted by the Kaiser Family Foundation found health care to be the second most mentioned issue that Americans would like to have addressed by both the upcoming presidential candidates and the federal government. Surprise! The presidential candidates (or those who want to get elected) generally agree that the next administration should reduce health care costs, deliver high-quality patient care, emphasize prevention, and provide health coverage for the estimated 45-47 million uninsured Americans (1 out of every 7 people). Proposed federal legislation also supports this. The Healthy Workforce Act (Senate Bill 1753) would provide a tax credit of up to \$200 per employee for the first 200 employees, and up to \$100 per employee thereafter, to businesses offering comprehensive wellness programs. The tax credit would be available to an eligible employer for up to 10 years.

Various state initiatives are already in place or are proposed. 21 states have Universal Health Coverage bills under consideration in 2007 and most contain wellness elements.

- Covering all uninsured kids is the goal of Illinois' All Kids program that began July 1, 2006. Pennsylvania expanded the State Children's Health Insurance Program. Both programs stress that early care leads to healthier kids.
- California's Governor's health care reform proposal focuses on creating a healthier California through three essential elements of reform:
 - a) Prevention, health promotion, and wellness
 - b) Coverage for all Californians
 - c) Affordability and cost containment

Terms such as wellness, health promotion, and disease management are often used interchangeably. What's the

difference? Wellness/health promotion programs focus on **preventing** illness or disease, and disease management programs focus on **controlling** the disease or chronic condition once it exists. Your current health insurance program probably already has some wellness and disease management elements in place, such as:

- Care management for high claimants
- Disease management targeting specific conditions such as diabetes or heart problems
- Wellness plans to encourage healthy lifestyles.

Over 44% of the US population has some form of chronic condition or disability. The top four are arthritis, asthma, heart disease, and diabetes, each of which can result in significant health plan cost and high absenteeism. Thus, these conditions are the focus of robust wellness and disease management programs.

Even the smallest employer can take advantage of vendor-provided or stand-alone wellness/health promotion and disease management programs. Here are some of the most common programs and percentages of employers offering them:

EAP	35%
Wellness Program	28%
Health Insurance Credits	17%
Targeted Intervention	17%
Healthcare Advocacy	15%
Onsite Clinic	14%
Financial Penalties	9%

Insurance companies and vendors also support long-term initiatives. Most fully insured health plans already have built-in wellness benefits/features. They typically include:

- Gym reimbursements/discount programs
- Smoking cessation
- Bike safety
- Weight control classes or discounts to Weight Watchers

- Discounts for vitamins
- Health risk assessments
- 24-hour nurse help line
- Online materials

These vendors often provide monthly or quarterly wellness publications to employees that reinforce the programs. The costs for these programs are built into fully insured premiums and are available as riders for self-funded health plans at a minimal cost. However, a downside to these arrangements is that there is little or no reporting available on usage and experience, making it difficult for employers to track success and ROI.

There are other choices. Multiple vendors offer stand-alone and/or integrated wellness and disease management programs. Stand-alone wellness programs generally feature preventive measures such as:

- Completing health risk assessments
- Smoking cessation
- Weight loss
- Screening tests

Some employers encourage employees to complete health risk assessments and comply with wellness initiatives through incentives such as lower employee premiums for health coverage.

Disease management programs use employer health/Rx plan claims data to help the employer understand the diseases prevalent in that population and target one or more of the diseases. Efforts can range from simple employee education to full-scale intervention programs with chronic condition coaches working with employees to monitor and control their condition(s).

How can an employer determine the right program or mix of programs for the company? The answer depends on several variables:

- Company size
- Company philosophy
- Availability of claims information
- Company expectations for return on investment and
- Level of senior management support.

In evaluating possible programs and vendors, employers need to determine what kind of claims information is available about their plans. While wellness programs can work with limited or no data, disease management programs need access to data to be able to quantify conditions and measure success. Employers with self-funded plans should ask health plan vendors if they are willing and able to send claims information to another vendor and the extra costs, if any. Employers should also determine what kinds of program results are expected and over what time frame they should be achieved. Wellness programs typically provide long-term results while disease management programs may have a more immediate impact in addition to long-term results.

How can an employer evaluate vendors to find the best match for both the company and its employees? Here are a few key questions to ask when evaluating a vendor:

- Do the vendor's programs target the employer's specific needs?
- How will the vendor receive information about the employer's program participants?
- Do the vendor's savings estimates seem realistic? (The return on reduction in health claims should not exceed 3 to 1 for a wellness program.) Some plans give an estimate on total returns. What is the basis for this estimate?
- Will the vendor provide references?
- What kind of guarantees is the vendor willing to make?
- How will the program's results be measured?

Through employer efforts and public policy, there is great promise that health promotion, wellness, and disease management can result in long-term improvements to the health care cost crisis and contribute to job satisfaction

and productivity. Employers have many choices, from the very simple to the very complex. The key to a successful program is determining what will work best for your company, employees, and senior management.

Bobbi Butler is Principal and Director of Group Benefits Consulting Practice at The Savitz Organization

Jill W. Still is Managing Consultant, Group Benefits Consulting Practice, at The Savitz Organization

Committee Spotlight: Raising PEBA's Value Through Marketing

By Martin Weitzman

The best kept secret has been revealed — PEBA is the region's highest-quality organization for Human Resource, Compensation, and Benefits professionals! For over a year, the Marketing Committee has been working to raise PEBA's perceived value in several ways.

A New Brochure

In 2007, the Committee created a new brochure and distributed it to former and prospective members. It listed the full year's program calendar and included a coupon for the recipient to attend one free program. This was a useful, concise piece to help executives plan for upcoming events and, while it was successful in enrolling additional PEBA members, the task of raising PEBA's perceived value remained a challenge.

Input From Members

PEBA's Marketing Committee, largely comprised of "vendors," provides the "best of the best" marketing services because marketing/sales/business development professionals apply their skills on PEBA's behalf. The Committee is skilled at producing brochures, newsletters, web content, and entire promotional campaigns, yet our conclusions would be skewed and "miss the mark" without input from Human Resource, Compensation, and Benefits professionals.

We're Collecting Information

With the help of the Executive Director, the Marketing Committee is now collecting information about the membership's impressions of PEBA. Tell us what you like, what you don't like,

and how you prefer to be informed about events and services. If you're interested, please feel free to join the Marketing Committee and gain some valuable professional experience in a casual environment. E-mail Susan DeMinico at DeMinico@PEBA.org

With your help and input, we will adjust our communications and website to meet your needs. Effective tools and a comprehensive strategy will continue to raise PEBA's value for our members.

Martin Weitzman is Director, Business Development, at FirstCALL EAP.