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## *The Benefits Brief…*

# Still Keeping Those New Year's Resolutions?

The New Year is one month old. Resolutions were made and, by now, a few have probably already been broken. Both employers and employees are breathing a sigh of relief because they don't have to think about benefits for another year. **The truth is, the beginning of a new year is a great time to think about benefits, and it is most certainly critical to do so.**

Many employers have their benefit enrollment meetings and election deadlines at the end of the year. This is a time when everyone is busy with the holidays, school functions and vacations. They simply don't take a lot of time to study benefit options. While participants typically can't make changes to most benefit elections now, they might be able to purchase additional voluntary products, make changes to their 401(k)s, health savings accounts and commuter benefit elections, as well as make an effort to learn more about their employer benefits.

Now that we've averted the fiscal cliff, many employees may want to increase their deferrals into important tax-advantaged plans. And the Affordable Care Act (ACA) made several changes to cafeteria plans and the way employers view and report on health insurance related items. There's also more to come in 2014. Employers have their hands full, so why not step up and simplify their lives?

**Flexible Spending Accounts (FSAs)**

Cafeteria plans, or flexible spending accounts (FSAs), can be set up any time during the year. Employers should be given the option to have a premium-only plan, particularly if they pay all or a portion of their insurance costs. Such a plan allows employees to save between 25 and 40 percent on the dollars they spend for most insurance products.

What if an employer already has a premium-only plan? They can generally amend their plan at any time to add an FSA (same as health care reimbursement, dependent care and adoption assistance accounts). With rising medical costs, there's no reason for employers to miss this important tool for containing costs. Employers can save up to 10 percent on every employee dollar redirected to FSAs.

Another employee perk would be to add the Internal Revenue Service (IRS) grace period to employer FSA plans. This means that employees will have an extra two and one-half months to spend any funds that may be left over in cafeteria plans at the end of the plan year.

Here's an example. At the end of the cafeteria plan year, a participant may not have incurred enough expenses to spend all the money he set aside. Without the grace period he would forfeit those funds to the plan at the end of the plan year. By instituting the grace period, a participant will have an additional two and one-half months to incur expenses and spend the money in their FSA. Although grace periods can't be retroactive, they can be put in place for the beginning of the subsequent year.

Giving away employer flex credits might

be something for the employer to consider. The new $2,500 limit for participant salary redirections in the 2013 plan year is an effective approach to boost participant pre-tax buying power. It's somewhat like a health reimbursement arrangement (HRA), with unused credits forfeiting back to the employer at the end of the plan year (under current law). As I've said before, health FSAs are the new HRAs.

Flex credits don't have to be a huge commitment for employers, just a little "seed money" to get a plan jump started. First, it gets employees interested in the plan and then they see how easy it is to participate and save money. Also, many will have additional expenses throughout the rest of the year, which makes them think about participating in plans the following year.

Employer flex credits can be delivered as a participant match or a flat dollar amount to all employees. It just can't be discriminatory. Plus, there's only one plan document with this approach.

One caveat: In order for the health FSA annual limit to exceed $2,500, employer flex credits must not be available in cash.

**Insurance Coverage**

Have your employer clients been thinking about offering a high-deductible insurance product but just haven't taken the time to check out all the options? Now is an opportune time for them to leisurely and diligently scrutinize the options available. Should they wait until the beginning of the next year? *Sure.* Should they implement mid-year? *That's always a possibility.* Why wait another year for employers and employees to start saving on premiums?

Extensive planning must be a part of any mid-year change of this nature in order to find a strategy that best fits each employer's objectives. Employees currently enrolled in a health FSA cannot change their current election because of the cost or coverage changes sustained with switching insurance plans. However, if employers currently don't offer a health FSA, then it's a no-brainer.

**Health Savings Accounts**

Employees might want to set up a health savings account (HSA) along with their qualifying high-deductible health care plan. The full amount of the IRS annual limitation can still be contributed into an HSA even if it is opened during the calendar year. Certain additional rules apply.

**Premium FSAs**

Individually owned policy premiums through cafeteria plans get their own flexible spending account separate from the health FSA because premiums cannot be reimbursed from the health FSA portion of a cafeteria plan. Employers can get ready for the 2014 insurance exchanges, although smaller employers may already be sending their employees to market with some employer dollars and instructions to get their own insurance plan.

**Parking and Transit Plans**

Employers should take the time to survey employees on their needs in this department. They can set up a plan mid-year so participants and employers start saving on taxes right away. The higher 2013 limit for transit plans of $240 per month means even more tax savings.

There is also a bicycle commuter benefit. An employer can make available up to $20 per month to employees who bike to work. Participants may use the funds to help purchase a new bike or make repairs.

**Wellness Programs**

And last, I can't pick up an insurance-related magazine or email without reading about wellness—wellness programs, the cost savings associated with wellness programs, or the pitfalls of wellness programs.

How about a resource center that includes a medical dictionary, disease treatments and symptoms, resources for healthy living and information on drugs and medicines? There's a slew of cool tools available for employees. My biggest problem every day? What's for dinner. I don't need an app, and I don't need a dozen cookbooks—I just go to the wellness center. It's the right amount of information at the right time for me, and it's always in the same place. No need to hunt down the recipe for that yummy low-fat meatloaf—it's on the wellness resource site.

**Be the Trusted Partner in 2014**

Insurance exchanges and more employee choice is headed our way. The good news? There are more consumer education tools available to help in making critical decisions for health insurance and health care expenses.

Gear up now to be the trusted partner employers are going to need for the ACA tsunami. Advocate education, education, education for employees making critical health care decisions.

Of course some things cannot be readily changed after the beginning of a new plan year—like elections to cafeteria plans. Participants would need a valid change in status to alter that benefit. But, as you can see, such is not true for *all* benefits.

So do your employer clients a favor and remind them that now is one of the best times to make a benefits New Year resolution.

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