



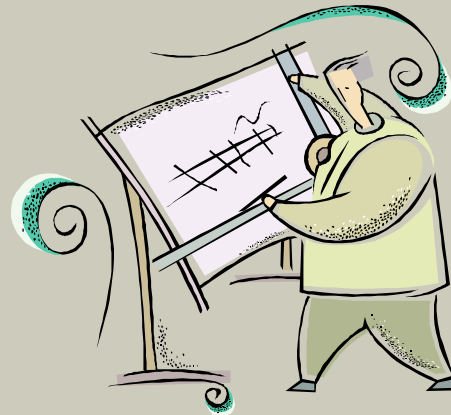
# THE STRATEGIC LINK™

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## Designing Wellness Programs Requires Planning

Absolute Advantage, Vol 4, 7

The design of a wellness program and effective incentives is a creative process that applies a number of foundational guidelines within a basic planning process.



The design of wellness incentives for a new wellness program should fit within the context of the following planning steps:

1. Mandate for action
2. Research and discovery
3. Needs assessment
4. Development of goals

5. Development of objectives
6. Identify program activities
7. Assess delivery options
8. Estimate likely effect
9. Plan evaluation
10. Draft program proposal

11. Refine draft plan
12. Present to decision-makers
13. Implement Program

Planning helps assure a smooth implementation and well-integrated effort resulting in maximum acceptance and effectiveness.

## IRS Ruling: Section 125 “Grace Period”

—www.dbsbenefits.com

You may be aware that recently, the Internal Revenue Service issued a notice that allows Section 125 Flexible Spending Account Plans to extend a two and one-half month “grace period” to Plan participants that did not

exhaust their accounts by the end of the Plan year. This notice said that a Plan sponsor could modify its Plan to allow participants to incur expenses and receive funds from their Medical Reimbursement Account and/or Dependent

Care Reimbursement account during the “grace period” after the end of the usual Plan year. This “grace period” would extend the “use it or lose” it provision of the Plan, thereby allowing more

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## Financial Incentives Touted as Health Care Cost Fix

— Employee Benefit News, September 2005

Businesses should invest more in financial incentives to urge workers to adopt healthier lifestyles, because medical cost containment depends on changing people's habits, experts told employers attending a recent International Foundation of Employee Benefit Plans conference in Washington, D.C. Promoting healthy habits and consumerism is the most effective way to lower medical

costs, asserts Lewis Devendorf, a principal at Mercer Human Resource Consulting.

"Individual behavior drives 50% of the health care spending in this country today," he says.

"There are ways to provide incentives that lead to better behavior that don't have to be punitive."

Financial incentives include straight bonuses, contributions to an employee's HSA or HRA,

or reductions in an employee's monthly contribution to the health premium. These incentives can be given in exchange for meeting specific goals, like taking a health risk assessment, entering a disease management program, exercising for a certain amount of time per week, participating in a smoking cessation program or not smoking.

## Client Spotlight: Centurion Data Systems

Excerpts from a recent Milwaukee business publication

Bill King has given up trying to predict how much his company's health insurance premiums will go up.

Years ago, premium increases for [Centurion Data Systems](#), Waukesha, regularly topped 15 percent. More recently, they have been into the single digits -- but only with plan design changes at the six-employee computer network management firm where King is vice president.

What will they be in 2006?

"After several years of increases, you almost kind of get numb to it," he said. "I try not to worry myself much whether it's going to be 10 percent or 20 percent."

Initial HMO rate increases nationally stood at 12.4 percent on average for 2006, the lowest rate of increase in more than five years, according to a study in June by human resources firm Hewitt Associates,

Lincolnshire, Ill. The study found rate increases were 13.7 percent for 2005.

Changing health plan designs and employer programs on wellness and disease management will hold those increases to around 9 percent, Hewitt said.

"It's getting better," said Scott Schultz, client relations manager for Burkwald & Associates, a Pewaukee insurance brokerage.

Efforts like wellness and disease management programs are key to keeping costs down, Schultz said.

Schultz had a brighter forecast for 2006 --that companies with fewer than 50 employees would be looking at percentage increases in the high single digits, with larger companies seeing gains in the mid-single digits on average, Schultz said. For King at Centurion Data Systems, memories are vivid of

15 percent to 20 percent increases in 2000, 2001 and 2002. Confronting those costs forced Centurion to scale back what King called top-of-the-line coverage from UnitedHealthcare and opt for a more affordable plan with [WPS Insurance](#) -- one with \$1,000 family deductible with 85 percent co-insurance. Centurion also dropped its vision plan two years ago. The changes were necessary to reduce health insurance premiums for its relatively young -- and healthy -- work force.

King hopes Centurion doesn't have to make similar changes for 2006, as Burkwald & Associates, its broker, begins shopping for rates this fall.

"I don't think we're going to see our costs remain the same," King said. "They are going to go up. It's just a matter of how much they go up."



*"A goal  
without a plan  
is just a  
wish."  
Antoine de  
Saint-  
Exupery*

## IRS Ruling: Section 125 “Grace Period”

*(Continued from page 1)*

access by participants to their accounts and thus reducing year end forfeitures.

There are few consequences that employers should consider before implementing this new option:

1. For medical reimbursement accounts that are exempt from the portability rules under HIPAA, adding this “grace period” could cause such plans to lose the exemption.
2. If the above referenced HIPAA exemption is lost, the special continuation of

coverage rules under COBRA for medical reimbursement accounts would also be lost, thereby requiring the Plan to offer full COBRA coverage to Plan participants.

3. Some Plan sponsors depend on year-end forfeitures to offset their Plan administrative costs. The “grace period” is certain to reduce those forfeitures.
4. The “grace period” could cause a dependent care reimbursement plan participant to exceed his/her statutory maximum for reimbursement in a given plan year.

5. Implementing the “grace period” option will require a Plan Amendment and thus additional administrative costs will likely be incurred.

6. If the “grace period” is extended, the ‘run-out period’ may be extended which could interfere with timeliness requirements of filing the 5500 form for those groups to which that applies.

We suggest that Plan sponsors carefully evaluate the liabilities of implementing the “grace period.”



*"It is a bad plan that admits of no modification."*

**Publius  
Syrus**

### Question of the Quarter:

Q. What are the significant upcoming deadlines that pertain to Medicare Part D?

A. Employers have until November 15, 2005 to send notice to all of their employees about their potential eligibility for Medicare Part D. Insurance companies are currently in

the process of notifying groups whether they have creditable coverage. Eligible individuals have until May of 2006 to enroll in Medicare Part D.

Burkwald and Associates will be sending clients further guidance on Medicare Part D in the next few weeks.

## The B&A Buzz...

### Wedding Bells

No, that's not a new employee at Burkwald and Associates, but rather a familiar face with a new name.

Courtney Schulteis, now Courtney Benson was

married on August 5, 2005 in downtown Milwaukee. She and her husband enjoyed the sandy beaches of Jamaica on their honeymoon and are happily adjusting to married life in their Oconomowoc home.



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*just good business.*

*“He who every morning plans the transaction of the day and follows out that plan, carries a thread that will guide him through the maze of the most busy life. But where no plan is laid, where the disposal of time is surrendered merely to the chance of incidence, chaos will soon reign.”*

**Victor Hugo**

**Check out our website  
at [www.burkwald.com](http://www.burkwald.com)**

They can predict the price of a Honda Accord within \$300. But the cost of a four-day hospital stay? The responses of 2,000 U.S. adults, aged 16 to 64<sup>1</sup>, missed the mark on that estimate by a whopping \$8,100. Perhaps that’s because more than two-thirds (67 percent) of those surveyed reportedly spend more than eight hours researching the purchase of an automobile, while fewer than four in 10 spend that amount of time investigating a doctor (38 percent) or a health plan (34 percent).

- ▀ **Health care costs** – Nine out of ten respondents (90 percent) believe the cost of health care is rising, and four out of five (80 percent) feel they cannot control the increase
- ▀ **Hospital selection** – When choosing a hospital, quality is more important than cost for many. Only 4 percent see cost as being the key factor, while two-thirds (65 percent) see quality as the primary consideration
- ▀ **Quality and cost** – Respondents noted that quality varies and is not necessarily correlated with cost. Three out of four (77 percent) say they try to get the highest quality of care, regardless of cost, yet 83 percent believe that less expensive medical treatments can be just as effective as more expensive options
- ▀ **Premium/deductible** – Respondents were evenly split between wanting a higher premium and a lower deductible (50 percent) versus a lower premium and a higher deductible (50 percent)
- ▀ **Health care savings** – Fifty-four percent say they are likely to set aside money in the next year for future health care needs, yet 39 percent say they have nothing saved at present

2005 National study conducted via telephone by Harris Interactive, a Rochester, N.Y.-based market research company.