



A Lesson in Economics

Employers Struggle to Digest Market Turmoil

AS THE SHOCKWAVE of the U.S. banking crisis ripples through domestic and foreign stock markets, many employers are already making moves to cope with a worsening economy.

Congress this month approved a \$700 billion bailout package for the failing U.S. investment banking industry. That move, however, did not immediately stop the financial bleeding in the stock markets.

The Dow Jones industrial average suffered an 18.2 percent drop in the week ending Oct. 10 – the largest loss in its 112-year history. Indexes around the globe also experienced record losses.

This historic financial crisis, along with rising unemployment and the looming specter of more housing foreclosures, has prompted many employers to change their benefits and compensation strategies at this year's re-enrollment period.

A recent study by Grant Thornton LLP found that more than half (55 percent) of CFOs and senior comptrollers name the cost of employee benefits as their top pricing pressure concern.

Energy costs (40 percent), raw materials (39 percent), and insurance (17 percent) rounded out the major price concerns, the survey said.

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Enhanced Labor Laws

Congress Passes Mental Health, ADA Amendments

PRESIDENT BUSH HAS SIGNED two major bills regarding labor laws in the past few weeks that will affect employee benefits and other HR-related employment issues.

An expansion of the Mental Health Parity Act, which was included in the recent financial bailout package (see story at left), was signed into law this month. The new law requires equal coverage of mental and physical illnesses for businesses with more than 50 employees.



Many plans provide less coverage for mental health care than for the

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Enrollment Excitement

Wellness, Value-Based Plans, Videos Top '09 Trends

IMPROVING PERSONAL HEALTH and controlling prescription drug costs are among the main trends emerging in this year's benefits enrollment period, according to a new analysis by Watson Wyatt Worldwide. Here are some trend highlights from the report:

Wellness: The analysis found that more employers continue to adopt wellness programs to help their employees live better, and an increasing number are requiring health-risk assessments as part of incentive plans.



Value-based drugs: The report found many employers are reducing copayments on certain drugs, such as antidiabetic agents and those that treat cardiovascular disease.

More clinics: Employers are offering greater access to onsite clinics, retail clinics and health coaches. Nearly 30 percent of surveyed businesses expect to open onsite clinics next year.

More HSAs: One-third of large employers expect to offer health savings accounts tied to high-deductible plans, according to the study.

A new trend in benefits communications also is popping up this year: "YouTube Benefits."

U.S. Internet users watched an astounding 11 billion videos online in the month of April alone, and more HR professionals are using benefits videos this year to boost their communications efforts, according to *Employee Benefit News*. ■

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According to a separate poll by American Express, health care benefits already have taken a hit.

The survey found that 54 percent of U.S. business owners offer health care coverage to employees, compared with 66 percent in spring 2008 and 71 percent in fall 2007.

Despite the drop, nearly two-thirds of employers said they still consider health care an important employee benefit, although that figure is down from 69 percent from last year.

Business owners are cutting back their own benefits, too. A study by ING DIRECT found that 53 percent of small-business owners now are saving less for retirement than they were a year ago, and 16 percent have made premature withdrawals or borrowed from their nest eggs.

The survey also found that 11 percent of employers are reducing or eliminating retirement matches for their employees.

Most of the business owners polled don't expect the economic uncertainty to clear up anytime soon.

Sixty-three percent of small-business employers said they are either very or extremely concerned about the future of the economy.

Job growth is also drying up. Two-thirds of companies are planning to delay any new hires but keep payroll numbers steady through 2008, according to a *USAToday-Careerbuilder.com* survey.

Of those polled, 10 percent expect to lay off workers by the end of the year. In the third quarter, 14 percent of polled businesses cut jobs.

Previous surveys indicate double-digit percentage employment cuts during the first half of 2008, as well.



Enhanced Labor Laws

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treatment of physical conditions, according to a report in *The New York Times*. Now, employers and plan sponsors will have to adjust their benefits package to comply with the new law.

The Congressional Budget Office expects the new law will increase premiums by only two-tenths of 1 percent. But the benefits for employees will be significant, according to Frank B. McArdle, a health policy expert at Hewitt Associates.

"A large majority of health plans currently have limits on hospital inpatient days and outpatient visits for mental health treatments, but not for other treatments," McArdle said. "They will have to change their plan designs."

Group plans must comply with the new requirements by Oct. 3, 2009, except for calendar-year plans, which must comply by Jan. 1, 2010.

Before ending its 2008 session, Congress also passed an amendment to the Americans with Disabilities Act (ADA).

The amendment expands the number of employees who could qualify as disabled under the ADA and requires judges to interpret ADA more broadly.

Proponents of the amendment, which included the U.S. Chamber of Commerce and the Bush administration, said the legislation would restore the ADA to its "original intent," according to a report in *Business Insurance*.

Visit <http://www.ada.gov/> for more information. ■

Bulletin Briefs

◆ **IRS GUIDANCE:** The Internal Revenue Service recently issued guidance regarding 409A and FSA requirements:

- The IRS has decided to extend its temporary halt on rulings on the tax consequences of 409A nonqualified deferred compensation arrangements.
- The Service also has issued new guidance regarding qualified reservist distributions (QRDs) from health flexible spending accounts (FSAs). The notice allows for distributions of unused amounts from FSAs to reservists called to active duty.

◆ **MEDICARE DEADLINE:** Plan sponsors of group health plans have until Nov. 15 to provide Medicare-eligible beneficiaries with a notice advising them whether or not the employer coverage for prescription drugs is actuarially equivalent (credible coverage) to the Medicare Part D drug coverage.

◆ **E-PRESCRIBING COST SAVER:** E-prescribing could reduce the nation's health care costs by \$29 billion annually, according to a new study by eHealth Initiative. While only a small number of physicians currently use an e-prescribing system, research shows it is a fast-growing trend. More than 35 million prescription transactions were sent electronically in 2007, a 170 percent increase from the previous year. ■

Voluntary Products to Complement Your Core Package

Find out how Gemini Group can help you implement a voluntary benefits package that will complement your company's core benefits. Three of the most important objectives for an employer in managing personnel issues are:

- Attracting and retaining loyal workers
- Providing employees choice and security in their benefits package
- Managing the organizations dollars

Voluntary benefits have proven to be important offerings that address each of the three objectives. Selecting the right benefits, communicating them properly and administering them efficiently is the Gemini advantage.

Gemini is licensed with over 20 of the largest voluntary companies in the country thus allowing us to pick the carrier and product to fit your company's needs. We seek to achieve the right balance that ultimately helps your organization better manage costs and attract and retain loyal workers. ■

Introducing Gemini HRS

A Full End to End Human Resource Management System a Mouse Click Away

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Employers can deliver company forms and documents, complete online performance reviews and manage employee recruiting online. Geminihrs.com allows employee self service so employees can update personal records, check leave balances and request time off from any computer. All changes flow seamlessly through the system, ending the need for multiple entries in multiple programs. HR is now seamless, consolidated and at your fingertips.

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- Personnel File Management
- Pre-populated Forms
- Job Applicant Tracking
- Performance Reviews
- Online Employee Scheduling
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- Employee Pictures

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- Open Enrollment Tracking
- COBRA Administration
- FSA/HRA/HSA Admin.
- Workers Compensation Claims

PAYROLL

- Complete Payroll Integration
- Time and Attendance Tracking
- Several Time Clock Options
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