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## Self-Insurance Market Heats Up, But Is It for You—and Your Employees?

The last several years have seen a steady movement toward encouraging employees to assume more of the responsibility for their own health care. Through higher deductibles and co-pays, through education and information, employees are beginning to be shoppers, rather than merely passive consumers, of health care.

While the final word has not been heard as to this strategy's ultimate impact on the cost of care, other results are clearer—and some are unexpected. Karin Landry of the Spring Consulting Group ([www.springgroup.com](http://www.springgroup.com)) says that in her capacity advising employers about their healthcare plans, she has seen an upswing in what can only be described as health plan empowerment. Not only are employees feeling empowered to accept or reject plans, options, and providers, she says, but employers are feeling a little more confident in their choices, too.

"I think that consumer-driven health plans and high deductible health plans, with employees assuming some level of risk, are leading employers to think that they might have more control over their healthcare spending," Landry says.

How so? The numbers suggest that more companies are taking on the risk of providing their employees with health insurance—without the security of purchasing a fully insured insurance product, says Landry.

In a self-insured health plan, the employer assumes the financial risk of providing health insurance to its employee group, paying claims out-of-pocket, rather than turning over

premiums to an insurance company, which then pays claims. According to the Employee Benefit Research Institute, roughly 50 million workers and their dependents participate in a self-funded group health plan sponsored by their employers.

If you are feeling empowered enough to look into the idea of self-funding, you need to first do your homework. "Companies need to be savvy consumers, just like their employees," Landry says. "If you move to a self-funded plan, make sure you're doing it with your eyes open." To that end, here are the top five things Landry wants you to know if you're considering self-funding:

### 1. Compare Apples to Apples

Landry says you'll have to do the math, but companies with as few as 100 employees can often save money through self-funding. "You need the services of either an actuary or another expert to analyze your specific situation. The trick is to make sure you're comparing apples to apples.

"Sometimes when a company switches from a fully insured plan to a self-funded plan, there is a little bit of a lag in terms of claims flowing in under the new plan. It happens when employees have to get used to a new carrier, new coverage, or changing their doctors. There can be 2 or 3 months' worth of lag.

"So, when people make the comparison, they look at that as a cash-flow savings, but they have to remember that it's a one-time savings. That 3 months' lag reappears on the back end; it catches up with you eventually."

*(continued on page 2)*

## Benefits Portals Save Businesses Time and Money

by Rick Merrell, Elite Group, LLC

The results of the *2005 Benefits Strategy and Technology Study* by *Employee Benefit News/Forrester Research* reveal that about a third of employers currently offer an employee benefits portal, and that another quarter of employers expect to do so over the next 2 years.

According to the study, 74 percent of employers ranked improving access to existing benefits as "very important," followed closely by the 63 percent of employers that prioritized reducing benefit costs via self service. Improving employee accountability for benefit choices is the third most popular motive for benefits portals.

Benefits portals are a growing trend, and for good reason. They save time and money for the employer by helping employees to be more self sufficient, and employees enjoy access to the information they need in a 24/7/365 environment.

As the name suggests, a benefits portal is a gateway that provides access to employee benefit information. With a portal, employees can get up-to-date information about their accounts, allowing them additional flexibility, valuable human resources time is freed up, and the organization saves money while providing increased service to employees.

Like many new processes, however, benefits portals have not always lived up to their reputation. Too many portals promised enhanced effectiveness and savings to companies by minimizing the time needed by HR professionals. However, once the novelty wore off, employees were back on the phone with HR for up-to-date information. In addition, some systems require significant technology changes on the part of the company, adding to costs and often causing frustration.

### Portal Technology

Today's Web-based technology, however, has changed all that, offering flexibility, speed, and ease of access, all at a reasonable cost with minimal training. Using a Web browser, employees can make changes and access information. And, the company's IT staff does not have to be involved, a key issue at many companies since most IT employees have a backlog of work.

Web-based technology facilitates the exchange of information between employer and employee as well as between employer and a third-party administrator, thus allowing the administrator to seamlessly perform many of the routine—and not-so-routine—benefit administration services. With this information, relevant and up-to-date reports can be provided to the HR department, or the HR department can design and produce their own reports on an *ad hoc* basis.

Employers also have the option to view information in real time (with appropriate security features in place), to require approvals on specific employee actions, or to establish certain procedures that employees must follow if they wish to access the system or make changes.

### Build or Buy

Using a third-party administrator to handle these services also offers a number of perhaps less-obvious advantages to organizations. It provides a mechanism for business continuity in the event of a disaster, with all information stored off-site but still readily available to the company.

Fire and other natural disasters come to mind, but it may be as simple, and frequent, as a turnover in personnel that requires a transition period. Privately held businesses are often

able to use portals as a tool for succession planning or other exit strategies since these tools provide a convenient source of information for corporate due diligence.

When researching benefit portal applications, there are a number of things to consider. First is ease of use: Web-based portals provide the simplicity that companies want and do not require extensive user training.

The ability to customize the application is another important consideration, allowing functions such as forms, worksheets, payroll information, benefits summaries, and more, to be created to meet specific needs. Many companies add value to their site by using it for job postings, for relaying company news relating to HR, and for disseminating internal information.

Bundled pricing can be easier for budget planning. Make sure to ask if the pricing includes training, and whether it is on- or off-site. Some administrators charge on a per-employee basis, and others base their fees on the services provided. It can be difficult to compare apples to apples in these cases, although the effort is worthwhile.

For companies of all sizes, benefits portals are here to stay, providing a convenient and accessible source of information for employers and employees alike.

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