



# *Benefits Briefing*

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## ***Editor's Note***

In an effort to keep you informed of regulation issues and new developments, we will be sending quarterly issues of our newsletter, Benefits Briefing. If there are HR contacts at your company who would benefit from this, please give us their names and email addresses, and we will add them to the distribution list.

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## **HSA Guidance**

## Treasury and IRS Issues HSA Guidance

On July 23, 2004 the Treasury Department and IRS issued comprehensive guidance on Health Savings Accounts (HSAs) in the form of Administrative, Procedural, and Miscellaneous Notice 2004-50. The guidance is a series of 88 Questions & Answers addressing a wide range of issues. Some of the highlights include:

- Although an employee may only contribute to an HSA on a month-to-month basis based upon the months actually covered under a Qualified High Deductible Health Plan, an employer may make accelerated contributions up to the maximum amount elected by the employee (Q&A-60). This could make the entire plan year election immediately available to the participant, similar to Health Care FSAs. However, an account beneficiary's interest in an HSA is nonforfeitable, and if the employee left employment prior to the end of the Plan Year the employer may not recoup from the employee or his HSA account any portion of the contribution made (Q&A-82). This would put the employer at risk for not only incurred claims prior to termination, but the entire accelerated contribution.
- The HSA trust or custodial agreement may not restrict distributions to only qualified medical expenses. Only the account beneficiary may determine how HSA distributions will be used (Q&A-79). The IRS has since indicated they will be coming out with Form 1099SA for trustees to report distributions from HSAs and Form 8889 for individuals to file with their tax returns to account for distributions. Employers will have to report payroll deducted HSA contributions in box 12w on employees W-2s.
- Participation in an Employee Assistance Program (EAP), disease management program, or wellness program will not make an individual ineligible to contribute to an HSA as long as the program does not provide significant benefits in the nature of medical care (Q&A-10).
- In Q&As-26 and 27, they have "muddied the waters" in interpreting what is preventative care and not subject to the HDHP deductibles. Preventative care generally does not include any service or benefit intended to treat existing illness, injury or condition. They site examples where removing polyps during a diagnostic colonoscopy is preventive care (Q&A-26) and where drugs or medications taken by a person who has developed risk factors for a disease that has not yet manifested itself or become clinically apparent, like taking statins for high cholesterol, as well as drugs or medications used as part of a weight loss or smoking cessation program (Q&A-27) are for preventative care and can be provided before the HDHP deductible is satisfied. Drugs and procedures intended to treat an existing illness, injury, or condition do not constitute preventative care and must be subject to the HDHP deductible. This should create some very interesting administrative problems.

For a copy of IRS Notice 2004-50: <http://www.treas.gov/press/releases/reports/hsanotice200450072304.pdf>

For a copy of the Treasury Department's news release: <http://www.treas.gov/press/releases/js1812.htm>

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## SPD Update Requirements for COBRA

### SPD's Need Updated to Include New COBRA Information

The Department of Labor issued final COBRA regulations on May 26, 2004. These new regulations include several updates that employers will need to make to their Summary Plan Descriptions (SPDs) regarding COBRA coverage. These changes include:

- Procedures for employees or Qualified Beneficiaries to notify the employer or Plan Administrator of the following Qualifying Events:
  - Divorce or Legal Separation
  - Child is no longer an eligible dependent
- Procedures for employees or Qualified Beneficiaries to notify the employer or Plan Administrator of the possibility of an extension of COBRA coverage due to a disability determination by the Social Security Administration
- Updates of the time frame to notify the Plan Administrator or Employer of a possible disability extension.

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## On-Line (Internet) Enrollment

On-line Enrollment is available for all Tri-Star clients. Our clients have been impressed with the ease and efficiency of on-line enrollment and we continue to do an increasing number.

Employees are given the web address to enroll, as well as their own password. After the employee has logged onto our site, they may modify address and dependent information, and change benefit elections as needed. The benefits link will show all the options available, "price tags" for each, and will allow the employee to make any changes to the benefits for the upcoming plan year. Beneficiary information, if applicable, will also be requested. After making any changes, the employee will have the opportunity to print a confirmation statement for their records showing their benefit options and per pay period costs.

After the enrollment process is closed, Tri-Star can produce HIPAA 834 files to communicate eligibility to multiple carriers. Customer data may also be provided to insurance carriers based on their specifications. These carrier interfaces eliminate the need to complete complex insurance company enrollment forms. We also have the ability to produce premium statements, carrier premium checks and/or customized reports.

Throughout the year, employees can check their elections, as well as their Flexible Spending Account balances, claims history, and status of pending claims. Contact Ken Dixon ([ken.dixon@tri-starsystems.com](mailto:ken.dixon@tri-starsystems.com)) for further information and a demo.

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