



Benefits Briefing

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Editor's Note

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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.

Pending Legislation Threatens Flex Plans

The Joint Tax Committee of Congress has issued a Social Security reform proposal calling for repealing the FICA exemption for salary reduction amounts under Cafeteria Plans. It would include amounts contributed for Health and Dependent Care flexible spending accounts as well as employee contributions for health insurance premiums.

The proposal would leave the contributions exempt from income taxes, but be treated similarly to 401(k) contributions, subject to Social Security and Medicare taxes. The committee estimates the change would raise \$164 billion over 10 years.

The Employers Council on Flexible Compensation (ECFC) is joining a broad based coalition to work against this proposal. For more information you may contact the ECFC at www.ecfc.org.

While this action would leave the income tax advantage for the employee/participant (the major benefit of the plan), it would take away the FICA portion which helps reduce the cost of administration to the employer.

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New HIPAA Regulations Issued

On December 30, 2004 the Departments of Treasury, Labor and Health and Human Services issued new final and proposed HIPAA portability regulations. The new regulations become effective on the first day of the plan year starting on or after July 1, 2005. Highlights include:

- The new regulations add content, delivery and timing requirements to the Initial Preexisting Condition Exclusion Notice and the Special Enrollment Notice. Sample language is included in the regulations.
- Plans are required to have written procedures for individuals to request a Certificate of Creditable Coverage.
- A Certificate of Creditable Coverage must be issued when an individual's coverage ends or upon request. A model certificate is included in the preamble of the regulations.
- The model certificate includes a newly mandated educational statement regarding HIPAA protections and explanation of the interaction between HIPAA portability regulations and FMLA.
- The regulations confirm that Health Savings Accounts (HSAs) and health Flexible Spending Accounts (FSAs) are generally exempt from HIPAA.

Copies of the regulations may be accessed at the following links.

<http://a257.g.akamaitech.net/7/257/2422/06jun20041800/edocket.access.gpo.gov/2004/pdf/04-28112.pdf>
<http://a257.g.akamaitech.net/7/257/2422/06jun20041800/edocket.access.gpo.gov/2004/pdf/04-28113.pdf>
<http://a257.g.akamaitech.net/7/257/2422/06jun20041800/edocket.access.gpo.gov/2004/pdf/04-28114.pdf>

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On-Line FSA Claims Filing A Hit

On January 1, 2005 Tri-Star introduced online claims filing for Health and Dependent Care Flexible Spending Accounts. After only 10 weeks, 22% of all claims are being filed by participants online. Participant feedback has been very positive.

Online filed claims are given priority in processing and generally are adjudicated within 2 business hours of receipt of faxed documentation. This allows participants to quickly check the claim status on line. The IRS requires that all claims be properly documented with EOBs and/or receipts, so after entering a claim online, the participant is instructed to print the automatically created FAX cover sheet and FAX it along with proper documentation to a special priority FAX number.

There is always a question of security when doing business online. This concern often keeps people from taking advantage of services that are more convenient and faster than the more traditional ways. With that in mind, we want to tell you about our security. Our online web server is protected by a VeriSign® SSL Certificate. All data transferring between the employee's computer and our secure web server is encrypted using 128 bit encryption. This encryption method "has never been broken" and in fact would be virtually impossible to break. So, participants in a plan administered by Tri-Star can be assured that their data is secure. You can get detailed information regarding the security product Tri-Star uses at www.verisign.com

Give the online services a try. We believe you will like it.

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IRS Publication Links

With tax season upon us we wanted to provide you with some handy links to IRS Publications that may help you and your employees. We hope they are helpful to you.

[IRS Publication 502 \(Health Care\)](#)

[IRS Publication 503 \(Dependent Care\)](#)

[IRS Publication 969 \(HSAs and Other Tax-Favored Health Plans\)](#)

[IRS Publication 968 \(Adoption\)](#)

[Other IRS Publications](#)

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Contact Us

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