

Contribution UPDATE

Here is the latest information regarding the Internal Revenue Service IRA/HSA contribution procedure as reported in the July edition of Wisconsin Bankers' Association Magazine:

On May 14, 2008 the IRS announced inflation adjusted changes related to Health Savings Account (HSA) contributions effective for the calendar year 2009. New limits are as follows:

For Single Coverage — \$3,000 (up from \$2900 for '08)

For Family Coverage — \$5,950 (up from \$5800 for '08)

Catch up contributions for those 55 and older will be \$1,000

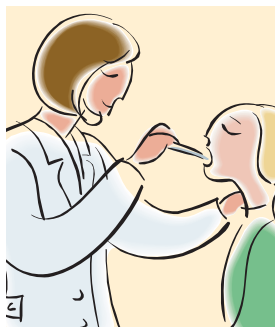
Also announced, an increase in the minimum deductible for health insurance plans linked to HSAs and an increase in the maximum out-of-pocket expenses employees can be required to pay. The minimum deductible for health plans linked to HSAs will increase to \$1,150 in 2009 for employees with single coverage. The minimum deductible for employees with family coverage will increase to \$2,300.

The maximum out-of-pocket expenses (including deductibles) an employee with single coverage can be required to pay will increase to \$5,800 in 2009, and the maximum out-of-pocket expenses for employees with family coverage will increase to \$11,600.

— Poels and Croucher for WBA, July 2008

What does this mean for your clients? Given the across the board changes, not much for those who were destined to use their HSA dollars by meeting deductibles due to illness or accident. The advantage of course, is having that much more tax free money to use in satisfying these costs. For those who do not meet deductibles, but do save the maximum, there is the modest increase in limits that will beef up their savings for the year. The long and short of it is that proactively making your clients aware of HSA contribution changes is key. You, their trusted agent, add serious value to the client relationship with this type of timely info. Please feel free to share this newsletter with your clients - they'll thank you!

Consumers and Health Care What do we want?



A number of recent articles note that the criteria consumers look at when deciding on health care coverage isn't surprising. Price, along with accessibility of providers rank right up there as very important; while having a vast array of detailed products to pore over doesn't make the list.

Why would this be? Aren't we as Americans all about choices? It would seem that all one has to do is walk down the breakfast cereal aisle of any supermarket to see we love having choices; but when it comes to health care plan design choices, we just aren't that way.

According to a recently published McKinsey Quarterly survey of 3,000 people, most folks don't see themselves as adequately prepared to make choices regarding choosing their health care coverage. In fact, the survey suggests that roughly 74% of those surveyed simply go with their current health insurer when it comes to changes in coverage, as opposed to shopping for alternatives.

When asked for specific reasons, they site confusing terminology and a lack of competent and readily available resources. Respondents maintained that they're not used to having to shop, and that they feel they need help from an expert to understand the complex choices presented.

So how does one reach these consumers who seem to (for good reason) take the path of least resistance? Data pulled from the McKinsey survey strongly suggests that the answer lies in providing a "one stop shop" for those who do look outside an employer sponsored plan, or between choices offered by their employer. Consider the following:

Currently 116 million consumers have a choice of health insurance, and this is expected to grow to 151 million by 2011. 41% of respondents say they changed or considered changing their coverage only in the face of significant life changing events such as a divorce, a death, or an employer / employment status change.

Given their current coverage, Seniors feel they are best prepared to handle a major health crisis, those in middle age feel the least prepared.

Respondents overall are more concerned about the cost of an injury or illness than the injury or illness itself.

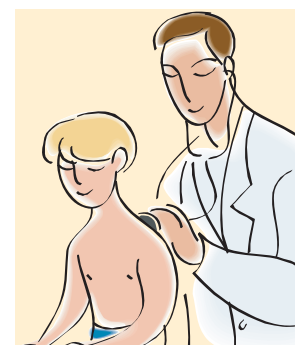
All age groups responded that they are more interested than ever in a range of additional financial products such as HSAs, and in some cases, annuities and long term care vehicles. They also maintained that they don't know where to get information regarding how to vet these products.

Capturing this business boils down to creating value for this emerging market, and in order to do this an agent needs to listen. The data suggests that what consumers are saying is:

Ask me what I want to achieve, and bring me a range of insurance and financial services.

Make choices understandable to me. Industry jargon won't work - take the time to define terms. Otherwise I'll tune out.

I trust you as a professional, and look to you as my guide. If you show me that you value my business by taking care of me and my family, I will be a loyal customer.



We are happy
to welcome
these
New Agents:

Bob Metzger - Sierra Financial

Eric Dalrymple - Vista Benefits

Meyer Abarbanel - Assurance Unlimited
Services, Inc

James Bellinger - Better Business
Planning, Inc.

John DeNeveu - Insurance Pros Agencies

Quotable Quotes:

"Workers are paying their health costs now, either directly through their share of premiums, deductibles, or copayments, or indirectly as compensations diverted to this benefit rather than to cash wages.

The invisibility of this part of workers' compensation packages and the hidden tax break they get to shield health insurance from income and payroll taxes cause many distortions in our health sector, including upward pressure on spending. If the tax break followed people directly, they would have more say over how this part of their pay package is being spent, and they would force the system to be more responsive to their demands for greater value and economy in their health spending and insurance coverage."

Grace-Marie Turner
President
Galen Institute,
a health and tax policy
research organization



And The Wellness Winner Is...

The statistic that pretty much sums up the reason for most workplace Wellness Initiatives is a staggering one; namely that preventable chronic diseases account for about \$1 trillion each year in medical costs, absenteeism, and lost productivity (HIU, July 2008).

Discussing lifestyle changes in conjunction with plan design changes, however, can cause agitation and even severe employee push-back -- whether the employees in question are salaried or hourly. Let's face it, asking a group of adults to think about their smoking habits or to consider adopting healthier ways of eating to encourage weight loss can be touchy territory at best. Attempting to link these behaviors to outcomes and encouraging folks to own the control they have over their own choices adds an extra level of complexity.

As an agent who sees the value in a CDHP with wellness coverage, what can you do to help your employer groups embrace a workable wellness program? You know the employees will eventually see the benefits in the form of premium and potential HSA savings, as well as feeling better physically. But getting started can be tough.

What are the keys you can provide to an HR team or an owner who may encounter substantial challenges in changing their workplace culture to include wellness? For the answer to these questions, I went to the source; namely HR Managers (including our own here at Blackhawk) and business owners who have tried different approaches to Wellness Initiatives. Some have seen great success while others, though successful, are yearning

for better and more resources. I hope that by listing their answers, we can assist you in providing more service to your own clients. As always, your feedback is appreciated!

We asked, "Please help us understand what your insurance agent's role is or was in helping you launch your wellness plan. If they provided little guidance or resources, what would you have liked to receive from them?"

Employer Groups Responded:

- Our agent didn't really give us much guidance in this area; we'd love some tools to engage employees - especially with weight loss.
- Our agent suggested we contact Health Solutions (an outsource group) for our Wellness program. We are very happy with their service! They provide the tools we need to inspire participation, then to measure results.
- We have found (interestingly enough) that cash does NOT always provide the incentive for folks to participate in a weight loss challenge; we need some ideas!
- Based on our agent's advice, we developed an internal team that encourages and supports employees' wellness goals. We meet every couple of months and do things like walking groups and healthy potlucks.
- Our agent talked about Wellness as part of our benefit design during enrollment with our group, but wasn't too specific regarding what influence it had on outcomes (cost savings over time, etc).

WHAT'S COMING UP IN THE NEXT ISSUE: Hot topics for the Fall Issue will be:

- Enrollment How-to's
- Tax Time Tips
- A Message from Rick
- Wellness Recipes

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