



Your Benefits Advantage

A Quarterly Newsletter Providing Valuable Benefits Information to Hanratty & Associates Clients
From Hanratty & Associates President, Timothy Hanratty

Hanratty & Associates, Inc. has implemented a number of positive changes in the last six months. We've enhanced our website to provide more information about our products, services, and consultants. To reflect our ongoing commitment and proven approach to serving you, Hanratty & Associates and our sister company, H&A Administrators, updated our logos to be representative of our focus on guidance, choices, and comprehensive services.

We've also updated our newsletter. This first issue of *Your Benefits Advantage* reviews our most recent seminar that focused on Medicare Part D notification and how to become better health care consumers. Those who couldn't make it to the seminar may access the presentations online from our website.

Other information in this issue includes:

■ An educational article in the Minnesota Association of School Business Officials (MASBO) September newsletter features the success the Orono, St. Louis Park, and Burnsville school districts have had using a consumer-directed health plan.

■ A benefits compliance notice

that was issued on September 7 regarding a new grace period for cafeteria plans. Our benefits lawyers HaynesHitesman bring this to you.

■ A priority for Hanratty & Associates is sharing how you can help employees become better health care consumers. In this issue, we've offered an article, "A Dozen Questions to Help You Understand Your Medicines."

■ Hanratty & Associates will be hosting a new seminar series beginning in December. Check out the topics and times to schedule them on your calendar.

■ Be sure to visit Hanratty & Associates at upcoming conferences for the League of Minnesota Cities and the Association of Minnesota Counties.

■ Scott Seiler, Hanratty's HR advisor, wrote an article outlining a brief summary of the Family Medical Leave Act, which is included in this issue of our newsletter. Scott is available to Hanratty clients to provide additional information about the FMLA as well as multiple of services related to other matters.

■ Always concerned about saving our clients money, we're introducing a new program called Employees 1st. This is available to help you and your employees save money on real estate and mortgage services.

We hope you enjoy this issue of *Your Benefits Advantage*. Thank you.



Timothy J. Hanratty, CLU
President,
Hanratty & Associates, Inc.

In This Issue

From President Timonty Hanratty
Page 1

September 14 Seminar Recap

School Districts Save Money
Page 2

Guidance on new Grace Period and DCAPs

Becoming Better Health Care Consumers
Page 3

Maternity-Paternity Leave --Who is Entitled?
Page 4

Introduce Employees to Better Mortgage Loan Choices
Page 5

Upcoming Events
Page 6

September 14 Seminar Provides Answers-- Medicare Part D, MN RxConnect, and Being Better Health Care Consumers

On September 14, 2005, Hanratty & Associates, Inc. hosted a day-long seminar covering Medicare Part D notification requirements for employees and how to help employees become better health care consumers. The Assistant Commissioner of Health Care of the Minnesota Department of Human Services, Brian Osberg, spoke about Minnesota RxConnect.

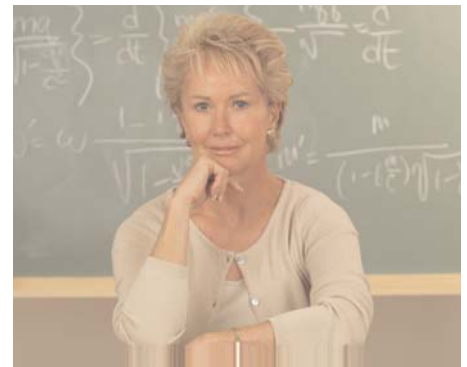
Darcy L. Hitesman, a benefits attorney with HaynesHitesman and a frequent lecturer at Hanratty seminars, introduced clients to their responsibilities regarding Medicare Part D notification, which has a November 15, 2005, deadline for employers. Medicare Part D refers to a voluntary outpatient prescription drug benefit available to Medicare participants beginning January 1, 2006. Medicare Part D will have three areas of impact: notification, coordination of benefits, and subsidy issues. Darcy focused on notification and coordination of benefits, which apply to all group health plans even if the employer does not provide retiree coverage. She covered the definition of "group health plan," how to determine if Rx coverage is "credible," what safe harbor is available, the mechanics of notification, consequences for employers and employees, and coordination of benefits.

Timothy Hanratty, president of Hanratty & Associates, discussed how employers can help their employees in becoming better health care consumers. In addition to confirming that the costs of health care continue to rise, Tim shared information from a recent Galen Institute report entitled "Consumerism in Health Care: Early Evidence is Positive," which highlights a number of studies that show companies and individuals who move to consumer-directed health plans experience lower costs while maintaining access to needed health care. Tim also covered information for employers to share with employees to help them become better consumers including understanding their plan, how to choose the right doctor, what questions to ask their doctor, what to look for when buying prescription drugs, understanding their EOB, and preventive care.

Brian Osberg, Assistant Commissioner of Health Care for the Minnesota Department of Human Services, talked about the state's first-in-the-nation prescription drug website, Minnesota RxConnect. The website offers helpful information regarding cost saving tips when purchasing prescription drugs, safety when purchasing prescription drugs, and access to safe online pharmacies in Canada and the United Kingdom--those that have been investigated by the Minnesota Department of Human Services.*

For our clients who were unable to attend the seminar, we have complimentary access to the presentations on our website. Please contact Bill Munsinger at 952.595.0774 to receive a password and access instructions. A Photo Gallery from the seminar can be viewed on our website at www.hanrattyassoc.com.

**The prescription medicine available through Minnesota RxConnect is not covered by most insurance companies.*



School Districts Save Money on Health Insurance-Even as Operating Budgets Shrink and Health Care Costs Continue to Grow

Hanratty & Associates President Timothy Hanratty wrote a recent article about the savings the school districts of Orono, St. Louis Park, and Burnsville have experienced on their consumer-directed health plans. For those clients participating in Select105™, Hanratty's consumer-directed health plan, you already know that early on Tim recognized that public and private organizations would ultimately need to reduce budgets while still wanting to provide valuable employee health care. That's why he developed one of the first consumer-directed health care plan designs in 1995. Read President Tim Hanratty's recent article, "School Districts are Saving Money on Health Insurance-Even as Operating Budgets Shrink and Health Care Costs Continue to Grow," published by the Minnesota Association of School Business Officials in its September 2005 newsletter. You can find it by going to our website at www.hanrattyassoc.com and linking to the article from What's New.

Guidance on New Grace Period and DCAPs

On September 7, 2005, the IRS issued Notice 2005-61 addressing one of several important issues created by the new claims grace period for cafeteria plans. Notice 2005-61 addresses the reporting requirements for dependent care assistance programs ("DCAPs") that have adopted grace periods.

Grace Periods. In Notice 2005-42, the IRS announced that cafeteria plans can reimburse participants for claims incurred during the 2½ months following the close of a plan year. The creation of this grace period raises a number of issues regarding how the grace period interacts with various other rules under the Internal Revenue Code. Some of those issues were identified in our Alert dated July 11, 2005.

DCAP Reporting. Sponsors of DCAPs are required to report the total amount of cash reimbursement

furnished to an employee during the calendar year on the employee's W-2. Because employers often do not know the amount of reimbursement furnished under the plan by the time the W-2 must be provided, in 1989 the

New grace period impacting cafeteria plans raises issues about how the grace period interacts with IRC rules.

IRS issued guidance indicating that the employer may report a reasonable estimate of the total amount. Generally, a reasonable estimate is the amount contributed to the plan by the employee through salary reduction, plus any employer matching contributions.

It was unclear how this reporting rule applied to plans that adopt the

new grace period. However, in Notice 2005-61, the IRS confirmed that even for those plans that adopt the new grace period, a reasonable estimate that may be reported on an employee's W-2 is the salary reduction amount elected by the employee for dependent care assistance during the calendar year (plus any employer matching contributions). This rule applies regardless of whether the employee has funds available at the end of the year to be used during the grace period.

If you have any questions regarding your reporting obligations with respect to a DCAP, please visit HaynesHitesman's website at www.hayneshitesman.com.

The benefits law firm of HaynesHitesman serves clients across the country in the areas of ERISA, HIPAA, health, COBRA, cafeteria, fringe benefits, HRAs, and VEBAs.



Becoming Better Health Care Consumers

A Dozen Questions to Help You Understand Your Medicines

Hanratty & Associates believes that your health care plans will be more successful the more involved your employees become in their own health care. With each issue of *Your Benefits Advantage*, we will highlight information we've found especially helpful and that you can pass along to your employees. This issue highlights "A Dozen Questions to Help You Understand Your Medicines," from U.S. Pharmacopeia - USP, which promotes public health and benefits including information to improve health and promote optimal healthcare delivery. USP suggests individuals print this information and take it with them on their next visit to their doctor or pharmacist.

A Dozen Questions to Help You Understand Your Medicines

1. What are the brand and generic names of the medicines?
2. What is the medicine supposed to do?
3. How should I use the medicine? by mouth? in the eye or ear? on the skin? by injection? other? how much? how often and what time? for how long? with meals or without food?
4. What should I do if I miss a dose?
5. When will the medicine begin to work?

continued on page 5

Maternity-Paternity Leave--Who is Entitled?

by Scott Seiler

Your employee is having a baby. They have pre-programmed their OB's pager number into their cell phone . . . The nursery is fully outfitted . . . All work responsibilities have been outlined and presentations made to their supervisor, team and temporary replacement . . . Deposits have been made at three day-care facilities just to make sure one will have an opening when their leave expires.

In sum, they are the most prepared working parent-to-be ever. Or are they? Many people believe they will receive 12 weeks maternity or paternity leave following the birth or adoption of a child. Others know they get at least 6 weeks. Truth is...it all depends.

Federal Law (FMLA) 50+ Employees

Employers with 50 or more employees (during 20 weeks of the current or prior calendar year) are regulated by a federal law commonly referred to as the Family Medical Leave Act (FMLA), which provides as follows:

Employees are only eligible if they:

- Have been employed by the company for at least one (non-consecutive) year; and
- Worked at least 1250 hours during the previous 12 months; and
- Work at a site within 75 miles of at least 49 other employees.

Eligible employees are entitled to:

- Receive 12 weeks leave following the birth, adoption or foster care of a child, which must conclude within the 12 month period

beginning with the date of birth (or on the date the baby comes home if later than date mother comes home) or placement; and

- Maintain their health insurance benefits as if they were still working (employer continues to pay its share of the premium during the leave); and

Maternity and paternity leave regulations can be used to an employer's benefit if the employer has created applicable policies and procedures, disseminated them to their employees and implemented the rules in a consistent basis.

- Return to their same or similar position at the conclusion of leave.

There are several other rules of which to be aware:

- Regulated employers must provide employees with notice of their FMLA rights; and
- Eligible employees must provide employers with notice of their intent to take FMLA leave; and
- Employers have rights to receive certification of the need for FMLA and demand proof of employees' fitness to return to work following completion of the leave;
- Employees and employers can set up payment systems for employee's to pay insurance premiums before, during or after their leave;
- Employers can force employees to use other accrued leave (PTO, sick, vacation, etc) and state statutory leave concurrently with their FMLA leave;
- Spouses who work at the same company may have to share the 12 weeks leave; and
- Employees do not have a statutory right to intermittent FMLA leave (although some companies allow it).

MN-21+ Employees- Parenting Leave

Minnesota companies with at least 21 employees are regulated by the Minnesota Parenting leave Act, which provides as follows:

Employees are eligible for Minnesota parenting leave only if they have been employed with the company

for 1 year (12 consecutive months) and have worked at least one-half time during the 12 months preceding their leave.

The benefits are much less grand than those provided under FMLA:

- Eligible employees receive up to six weeks leave following the birth or adoption (not foster care placement) of a child, which must begin within six weeks of the date of birth (or on the date the baby comes home if later than date mother comes home) or adoption placement; and
- Employers need not maintain insurance during the leave period, although COBRA or Minnesota Insurance Continuation rights apply; and
- Employees are entitled to return to the same or similar position following completion of leave.

Employees for these "middle-sized" companies also have a statutory right to use accrued and earned sick and PTO leave to care for a sick or injured child.

No Law for Companies with less than 21 Employees

Except for provisions prohibiting discrimination against the pregnant and disabled (which may or may not

apply depending if the post-birth medical issue is a disability), employees at small companies (fewer than 21 employees) are not statutorily entitled to receive any maternity or paternity leave. However, any adverse employment action against the pregnant or new-parent could fall under other regulations prohibiting discrimination. Act with care when dealing with pregnant and new parents.

Summation

This is a general summary of the applicable regulations. All the regulations can be used to an employer's benefit, but only if the employer has created applicable policies and procedures, disseminated them to their employees and implemented the rules in a consistent basis.

Contact Scott directly at 952.512.5089 or sseiler@hanrattyasoc.com.



Scott serves as Hanratty & Associates' in-house HR advisor and is available to assist you with your HR concerns.

continued from page 3

6. How will I know if the medicine is working and what should I do if it doesn't seem to work?
7. What tests, if any, will be needed once I start taking this medicine? When will my first test be?
8. What side effects should I watch for? How long will they last? What should I do if they occur? How can I lessen the side effects?
9. While using this medicine, should I avoid: driving, operating machines, lawn mowers, etc? drinking alcohol? eating certain foods? taking certain medicines (prescription, over-the-counter, and/or dietary supplements? Are there any other precautions?
10. How should I store the medicine? at room temperature? in the refrigerator? away from heat, sunlight, or humidity? can the medicine be put in another container?
11. Can I get a refill? When?
12. Are there special instructions about how to use the medicine?

General Information About Using Medicines

Before you use any new medicine, you should tell your doctor, pharmacist, or nurse if you: are pregnant or plan to become pregnant; are breast-feeding; have any allergies; are taking any other medicines, including over-the-counter medicines such as aspirin, cold medicines, if you are taking any vitamins, minerals, nutritional supplements, herbals, or alternative drugs; have any other medical problem.

Take your medicines exactly as you are told by your doctor, pharmacist, or nurse. It is also a good idea to carry with you a list of all the medications that you take, along with their directions.

Do not share your medicines with anyone, even if they have the same symptoms or condition that you have. It may hurt them. Do not leave your medicines where children or pets can get them. Discard unused and expired medicines. Know what to do if you think you have taken an overdose or if a child has taken a medicine by accident. Keep the telephone numbers of your doctor, pharmacist, nurse or poison control center (1-800-222-1222) handy so you can call them at once if needed.

Introduce Your Employees to Better Mortgage Loan Choices

According to a study conducted by the National Community Reinvestment Coalition and published in the Wall Street Journal, more than 50 million Americans overpaid for their mortgage. That's a strong motivating factor behind Employees 1st, a division of Lending Solutions.

Employees 1st offers home owners the information they need to make better loan choices as well as access to discounted real estate and mortgage services. You and your employees

who are home owners can appreciate the following through Employees 1st:

- Real estate and mortgage fees below industry standard
- Wholesale interest rates
- One-on-one consultation
- Free credit analysis
- Access to CreditXpert
- Exclusive home listings before MLS
- Free seminars to learn how to improve credit scores, increase 401(k)/403(b) contributions, refinance or purchase a home, and

increase cash flow.

Employees 1st is redefining the mortgage lending industry. Contact them to learn more; mention that you were referred by Hanratty & Associates. Visit their website at



www.employees1st.net or call 952.548.5200/1.800.963.4007.



Upcoming Hanratty & Associates Seminars

Hanratty & Associates seminars cover compliance issues, workplace issues, and health care coverage for employees. In the coming year, we're pleased to present the following seminar series to keep you informed. Throughout the year, any number of regulations or compliance issues may rise to the surface. Be assured that we will add seminars to this series based on your needs. Our goal is to provide the most valuable and latest information to our clients.

HIPAA Portability Rules

Speaker: Darcy L. Hitesman, Esq.

When: Wednesday, December 14, 2005

Current HR/Employment Issues

Speaker: Scott Seiler, Esq.

When: Tuesday, February 7, 2006

GASB 45 for the Public Sector

Speaker: Darcy L. Hitesman, Esq.

When: Wednesday, March 8, 2006

ERISA Reporting and Form 5500s:

How many plans do you have?

Speaker: Darcy L. Hitesman, Esq.

When: Wednesday, May 3, 2006

HIPAA Security

Speaker: Darcy L. Hitesman, Esq.

When: Wednesday, June 7, 2006

Fall Conferences

Hanratty & Associates has been and will be at the following conferences before the end of the year. Please stop by our booth!

League of Minnesota Cities 2005

Annual Conference, December 1-3

Mayo Civic Center, Rochester, MN

Association of Minnesota Counties

Charting the Course, December 5-6

RiverCentre, St. Paul, MN

Hanratty & Associates, Inc. is a benefits consulting and brokerage firm which has been at the forefront of employee benefits trends for over 30 years.

We provide guidance, choices, and services to our clients in the areas of:

Select105™

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Dental Plans

Short and Long Term Disability

Life Insurance

Long Term Care

Voluntary Benefits

Defined Benefit & Contribution Plans

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