

# Benefit Insights

## **POPs—Simple Plans with Big Savings Potential**

Ever-rising health care costs can have a severe, negative impact on a company's bottom line and on employees' pocketbooks. If you could find a simple and straightforward way for both your company and your employees to save a few dollars on the cost of health care—without changing carriers or plan design—chances are you'd want to learn more about it. That's exactly what Sec. 125 premium only plans (POPs) offer: a way for both a business and its employees to spend less on health care without giving up any of their current benefits or coverage.

A POP is a version of a Sec. 125 cafeteria plan. It allows employees to reduce their salary to pay for health care premiums with dollars that are not subject to taxes (federal income, FICA and, in most cases, state and any local income taxes). In doing this, a POP enables employees to get more mileage from the dollars they use to pay for their health care benefits. Because any pre-tax dollars are not subject to FICA taxes, an employer also realizes savings because

it does not pay its share of this tax on any premiums run through a POP.

Let's look at exactly what these savings can amount to, both for an employer and its employees. Suppose an employee's monthly contribution for employee-only coverage under the company health plan is \$200. If this employee is in the 20% tax bracket and lives in a state with a 3% income tax, along with the 7.65% FICA tax, the POP results in 30.65% tax savings on the \$2,400 annual contribution, or \$735.60 in annual savings.

An employee in the same tax situation whose contribution for family coverage is \$300 monthly will save \$1,103.40 annually. If the employer had 10 employees with employee-only coverage and 20 employees with family coverage, for a total annual employee pre-tax contribution of \$96,000, the employer would save its 7.65% FICA contribution on this amount, reducing its cost by \$7,344.

*continued on page 3*



### **Benefit Advisors Team**

Jason Beyrouly  
Fadd Beyrouly  
Grant Moore  
Mike Beyrouly  
Lance Barnwell

John Wallace  
Joanie Leaton  
Heather Schwartz  
Donna Boswell  
Diana Tran

### **Welcome to Our Newsletter!**

You're probably all looking forward to Spring as much as we are. We hope you'll enjoy our articles this quarter. Be sure to call us if you need a POP plan document or if you have questions on the new Standardized Form (HB 2002) you'll receive at your renewal.

**AKT Benefit Advisors Team**



1011 Commercial St. NE Phone: 503-588-0002  
Suite 135 Fax: 503-589-9399  
Salem, OR 97301

5665 SW Meadows Rd. Phone: 503-639-1087  
Suite 200 Fax: 503-624-1349  
Lake Oswego, OR 97035

Email: [jleaton@benefitadvisorsllc.com](mailto:jleaton@benefitadvisorsllc.com) • Website: [www.aktbenefitadvisors.com](http://www.aktbenefitadvisors.com)



## **Meet Mike Beyrouy**

Although he never thought he'd be working in the insurance and benefits field when he started college, today Mike Beyrouy says, "I love it!"

As one of AKT Benefit Advisors' representatives, Mike Beyrouy started out as a Biology Major and Psychology minor at Western Oregon. As member of the Oregon Army/National Guard, he was deployed just two classes short of graduation, spending nine months in Kuwait, three months in Iraq and providing relief for victims of Hurricane Katrina.

Mike's enlistment in the guard is up on April 12, at which time he plans to return to his civilian life with his wife Lacey of three years and his 21-month old daughter, Reese. "It (the



When he returned, he figured he would be counting fish for a living, but instead, found a job at a national insurance and financial services company. This experience changed his life's direction and Mike decided he had a lot to offer his customers. Later, he was recruited by none other than his brother, Jason, to join Benefit Advisors.

Mike believes his military experience has helped him give the best service and advice to his customers. "I learned to have more confidence and know that you can do anything if you put your mind to it. I had to have both management and delegation skills. I know the value of both discipline and work ethic," Mike said.

military) has been a huge part of our lives for the past nine years, he said. "I was out once a month, and most of the summer." He wants to spend more time with his family and pursuing professional development opportunities. Mike is studying to achieve his CEBS (Certified Employee Benefits Specialist) and also his Life Underwriter's Certificate.

Without a doubt, consulting on employee benefits is a career that is fulfilling and interesting for Mike. "If you like talking to people and you like helping businesses solve problems, it's a great deal. It's fun." Currently, he is the lead representative for the Physician's Choice Advantage Medicare Plan which is a plan through the Mid-Valley Independent Physicians Association (MVIPA) and is available to anyone who is Medicare Eligible. He added, "I am looking forward to using the coming years to build new relationships throughout the community."

## Highlights from Our Spring Seminar

In the ever changing world of employee benefits the AKT Benefit Advisors Spring Seminar focused on adapting to the changes instead of growing frustrated and tired in a chaotic environment. The seminar, Coaching, Leadership, and Strategies in Employee Benefits, was held at the Crowne Plaza in Lake Oswego on March 13th and featured three speakers.

**Martin Moll**, Director of AKT LLP's Healthcare Division, started the morning off and addressed specific issues that physician offices face in a constantly shifting environment. Moll gave "rules" or examples of ways to adapt to change as opposed to just acclimating to change. Cultivating leaders, managing organizational differences, becoming technologically savvy were just a few of the rules he recommended to businesses who intend to be a lasting business...while also adapting to generational issues. Moll also touched on the importance of working well with those who may be resistant to change and the importance of "winning over" the leader who may be the most powerful ally.

Our next speaker, **Jack Friedman**, CEO of Providence Health Plans, continued in the same theme as Moll. Highlighting undeniable issues facing the health marketplace he focused on the importance of accepting others' ideas that may not have been considered in the past. Some of the trends mentioned: the waning tolerance of major U.S. employers to bear the cost of health insurance for their employees and the under-reimbursement to providers by Medicare and Medicaid. Unimpressed with the upcoming presidential candidates' limited solutions, he explored options practiced in other countries -- particularly a government's financial support of medical students and

the focus on performance-based rewards for primary care. Overall his balanced view stressed the importance of finding solutions, and the acceptance that things must be done differently in the future in order to create a different result.

The energetic **Jennifer Powers**, our final speaker, dealt with the important topic of coaching and how having a purposeful conversation will produce different results. Powers



stressed the importance of preparation and intentionality while trying to help a person meet their goals and maximize their personal and professional potential. Her interactive presentation offered the attendees practical tools that gave them the confidence they needed to have these conversations, and the hope that they could be a catalyst of change in an employee's perspective or outlook in a situation. The session was motivational and very informative.

The seminar was a great success and well received by all who attended. For information about future seminars, please email [jleaton@benefitadvisorsllc.com](mailto:jleaton@benefitadvisorsllc.com) or

periodically visit our website: [www.aktbenefitadvisors.com](http://www.aktbenefitadvisors.com).

### **continued from page 1...POPs—Simple Plans with Big Savings Potential**

Though a POP is a very simple version of a Sec. 125 plan, it is subject to the compliance rules for cafeteria plans. This includes, in part, the requirement for a written plan document and nondiscrimination testing. Regulations for Sec. 125 plans provide a simplified safe harbor nondiscrimination test for POPs, which basically deems a plan as nondiscriminatory based on eligibility to participate. Under this safe harbor, if all employees are offered the opportunity to elect to salary reduce the same amount or same percentage of the premium for employee-only or family coverage, the plan will not be considered discriminatory, even if a disproportionate percentage of highly compensated or key employees actually elect salary reduction.

Any employer can implement a POP, though certain individuals are not considered "employees" under the Sec. 125 rules and could not participate in the plan. These include self-employed individuals, partners and more-than-2% shareholders of a Subchapter S corporation.

In addition to health insurance, POPs also could be used to pay premiums for dental, vision, any supplemental medical, and group term life insurance that does not exceed \$50,000 in face value. Long-term disability (LTD) insurance premiums can also be paid for with pre-tax dollars, but if they are, any disability benefits that are paid will be considered taxable income to the employee. For this reason, many employers choose to keep LTD on an after-tax basis, even if they run other types of premiums through a POP.

Plan documents and administrative services are readily available to quickly put in a POP. If your employees currently pay their health plan premiums with taxed dollars, look into the potential savings that a POP could bring to them and to your benefits budget.

If you are currently pre-taxing these premiums and don't have a written plan document in place, please call Joanie Leaton at 503-588-0002.

---

## House Bill 2002 (HB 2002) and What it Means to You

---

Oregon Governor Ted Kulongoski (D) signed House Bill 2002, and the Insurance Department has adopted rules to implement the new law which became effective for small groups (new or renewing) on or after April 1, 2008. The rules establish a three-year phase-in to help ease the impact of combining the two small group pools.

The requirements fundamentally alter the methods that health insurance plans use to determine premium rates for small employers.

This new law consolidates the 2-25 group market with the 26-50 group market. It creates new rating bands for health insurance premiums and identifies allowable rating factors that can be used in the new merged market.

These rating factors can now include:

- Ages of dependents of the enrolled employees.
- Level of contribution by a small employer and by employees.
- Employee participation.
- Tobacco use by enrolled employees and dependents.
- Level at which enrolled employees and dependents engage in health promotion, disease prevention or wellness programs.
- Extent to which there are periods of uninterrupted coverage with the incumbent carrier.

- Adjustment may also be made to reflect a small employer's expected claims experience.

Please note that not all carriers are using all or any of the above factors for rating purposes. However, if the factors are used (i.e., dependent ages or tobacco usage), they can affect final rates. This means rates may change if this type of information is not given prior to obtaining a quote.

Even with this merging and standardization, certain segments of the 2-50 employer market have and will likely continue to experience changes in their premium rates as the changes are implemented over the three-year phase-in period. Small employers will continue to face both premium increases - and decreases - in the near future due to these reforms.

Also as a result of HB 2002, you will be asked to complete a Standardized Group Profile Form. All carriers are required to have the form on file for all sized groups, and it will help them determine group size. When a group is determined to be a small group (2-50), the carrier cannot decline to quote.

Some carriers will require the form before they issue a renewal; others will require the form in order to issue a quote. The form can be confusing and we'd like to help you better understand it. We have developed a 1-sheet tip-page to assist you. Please call Heather Schwartz (503-588-0002) if you need that sheet. We will be in touch during your renewal and will be able to help you with this form during that time.



1011 Commercial St. NE Phone: 503-588-0002  
Suite 135 Fax: 503-589-9399  
Salem, OR 97301

5665 SW Meadows Rd. Phone: 503-639-1087  
Suite 200 Fax: 503-624-1349  
Lake Oswego, OR 97035

Email: [jleaton@benefitadvisorsllc.com](mailto:jleaton@benefitadvisorsllc.com) • Website: [www.aktbenefitadvisors.com](http://www.aktbenefitadvisors.com)

---

# Benefit Insights