



# Crossing the Bridge of Employer-Sponsorship to Employee-Ownership



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# Today's Agenda

## Certain Tax Rulings and Regulations That Impact Retirement and Health Benefit Plans:

- Offering Accident & Health Benefits Through Retirement Plans
- Requirements for a Health Account
- Employer Contributions
- Health Account Withdrawals
- Health Benefit Payments



# Why Care?

## Benefit Offerings Are Changing

- **Employers Moving to Defined Contribution**
- **Employers Wish to Simplify**
- **Aggregate Costs Matter**
- **Employees Want Choice**



# A&H Benefits in Retirement Plans

## **Profit sharing plans may offer other benefits**

- **Profit sharing plans may offer life, accident and health benefits**
- **Requires that other benefits be incidental to the retirement benefits offered**



# Health Account Requirements

- **Contribution limits apply**
- **Deferral period requirement**
- **Benefits must be nonforfeitable**



# Employer Contributions

- **Contributions tax deductible when made**
- **Plan participants avoid current taxation on employer contributions**



# Health Account Withdrawals

- **Withdrawals from a profit sharing plans considered a distribution**
- **With a few exceptions a distribution is not excludable from gross income**





# Health Benefit Payments

- **Direct benefits are taxable**
- **Where derived from taxed premiums benefits are excludable from gross income**



# Historical Recap

- **2002 –**  
**Rev Rul 2002-41 – Health Reimb. Arrangements (HRAs)**
- **2003 –**  
**Medicare Modernization Act – Health Savings Accounts**
- **2005 –**  
**Rev Rul 2005-55 – Contributions must be nonforfeitable**
- **2007 –**  
**Prop. IRS/Treas. Rule –26CFR1 [Reg-148393-06]**  
**Medical payments/prems taxable**
- **2009 – What's next ?**

# AURA Plan™

Navigator Benefit Solutions, LLC  
*Leading the Way to Better Benefits*



## *America's Universal Retirement Account™*

Combined 401k Plan w/ An Embedded  
Health Account

Health Account Established Primarily to Provide  
Retiree Health Care

Funds May Be Used Pre-retirement As Taxable  
Benefit for Health Care

*Patents Pending*

# Cost Driver: Demographic Changes

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Percentage of Firms Offering Health Benefits, by Firm Size, 1999–2008<sup>a</sup>

FIRM SIZE	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
3–9 Workers	56%	57%	58%	58%	55%	52%	47%	48%	45%	49%
All Small Firms (3–199 Workers)	65%	68%	68%	66%	65%	63%	59%	60%	59%	62%
All Large Firms (200 or More Workers)	99%	99%	99%	98%	98%	99%	98%	98%	99%	99%
ALL FIRMS	66%	69%	68%	66%	66%	63%	60%	61%	60%	63%

<sup>a</sup> Tests found no statistical difference from estimate for the previous year shown ( $p < .05$ ).

Note: As noted in the Survey Design and Methods section, estimates presented in this exhibit are based on the sample of both firms that completed the entire survey and those that answered just one question about whether they offer health benefits.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2008.

# AURA Plan™

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## America's Universal Retirement Account™

- **Small Employers**
  - Simplify employer benefit offerings and work effort
  - Make costs more predictable
  - Provide employer funds to purchase individual health insurance
  - Meet state health insurance mandates
  - Improve 401k participation
- **Large employers**
  - HRA funding mechanism
  - Reduce costs



# Navigator Benefit Solutions, LLC

## Offer actuarial services to employers, brokers, and insurance providers

### *Services Include:*

- Health Care Valuations (IBNR, SFAS 106, GAS 45)
- Insurance actuarial reviews, renewal rate reviews, trend analysis, employee contribution recommendations
- Self-insurance feasibility assessments
- Reinsurance reviews
- Continuing Education



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