



MIDWEST GROUP BENEFITS, INC.

“Specializing in employee benefits”

Greetings!

October 03, 2003

This is the fifth news update.

Advantages of Self-Funding – Part 2 of 4

Health insurance costs continue to increase on average in double-digit figures. Employers want to know that they are getting good value for the increasing dollars. Self-funded plans can provide two advantages. Good information and competitive bidding. Good reliable information was discussed in the last briefing. Competitive bidding is much more assured in self-funded plans. Why? Because we have a large number of carriers who bid on an identical set of benefits. Not so with fully insured plans. There you have to weigh the costs against the different benefits of each carrier. Clearly, self-funding gives you the advantage.

Over-the-Counter Drugs Now Reimbursable Through Flexible Spending Plans and HRA Plan

On September 3, 2003 the IRS issued Revenue Ruling 2003-102. The Ruling will allow employees and their dependents to be reimbursed with pre-tax dollars through a health reimbursement plan for non-prescription over-the-counter medications.

The expenditure for these medications must be for “Medical Care” as defined by the IRS, which states, **“medical care is for the diagnosis, cure, mitigation, treatment or prevention of disease, or for the purpose of affecting any structure, or function of the body.”**

Examples of reimbursable items are antacids, allergy medications, pain relievers and cold medications. However, items that are merely beneficial to an individual’s good health are **non-reimbursable** (i.e. dietary supplements, vitamins, toothpaste, toiletries or cosmetics).

Our current Flexible Benefit Plan and HRA Plan clients should have received a mailing regarding the administration of this latest IRS ruling.

Promote Retirement Savings in your 401(k) Plan!

If your employees make contributions into your 401(k) plan or into an IRA, they may be eligible for a tax credit, called the “saver’s credit”. In the case of pre-tax deferrals, this credit is in addition to the exclusion from income that ordinarily applies. The credit is equal to a percentage of the first \$2,000 of contributions made by the individual and is phased-out completely as the participant’s income exceeds a certain dollar amount.

Reminder: The Midwest Group Benefits, Inc. web page is available for your use and provides an abundance of useful information and tools. Go to www.midwestbenefits.com and you will find that we have developed a comprehensive page providing information about us and our services.

One of the most important functions of our web page are the Self Service Tools, which will provide you access to such information as medical claims, plan information, prescription drug information, flexible benefits, as well as pension and retirement plan information. All of the self-service tools can be found under the Client Access bar.

Check it out. It may assist you with questions and is available 24 hours a day, 7 days a week, 365 days a year.

Loren Kiel

Please visit our Website at www.midwestbenefits.com It’s loaded with valuable information!!

1111 Montgomery St., Suite A, P.O. Box 408, Decorah, IA 52101

Phone - (563) 382-9611

FAX - (563) 382-9613

Toll Free - (800) 344-3766

e-mail: mbi@midwestbenefits.com