

MAKING YOUR BENEFITS WORK FOR YOU

The Reimbursement Accounts—Worth The Effort

The Reimbursement Accounts are often neglected because they require a certain amount of planning and effort. You want to estimate your expenses so that your contribution amount will cover your eligible out-of-pocket health care or dependent day care expenses. Because your needs can change from year-to-year, A&B wants you to reenroll in the program each Open Enrollment period to ensure that the plan will meet your needs for the coming year. And, yes, you need to file a claim for reimbursement. But that little effort goes a long way toward saving money.

The Real Cost Of An Expense

Your paycheck reflects your pay after taxes have been deducted. This is referred to as “after-tax” pay or “after-tax” dollars. So, when we see something at the store that costs one dollar, we actually have to earn more than one dollar to have enough after-tax pay to buy that item. For example, let’s say you received lasik surgery for \$2,000 (\$1,000 per eye), which is not considered a covered expense under your medical plan. If you pay 15% in federal income taxes, **you would have to earn \$2,353 before taxes** to have \$2,000 after taxes to pay for the surgery (\$2,353 minus \$353 in federal income taxes).

If you paid for the surgery through your Health Care Reimbursement Account, **you would have to earn \$2,000 to pay for the procedure instead of \$2,353.**

Top Five Reasons To Use the Reimbursement Accounts

1. **Over-the-counter drugs are now eligible for reimbursement.** Effective immediately, over-the-counter (OTC) drugs qualify as health care expenses under flexible spending accounts. The OTC drug must be used to treat a specific condition. Eligible OTC drugs include pain relievers, antacids, allergy and cold medicines, and nicotine patches and gum. Still excluded are dietary supplements/vitamins, cosmetics, and toiletries such as toothpaste. An OTC drug does not qualify as an itemized medical expense for tax purposes.
2. **Reduce your taxes.** When you make contributions to a reimbursement account, you pay no taxes on the money you contribute. This means you lower your taxable income and pay less tax.
3. **All in the family.** You can reimburse yourself for health care expenses your spouse or children incur as long as those expenses aren’t covered by another plan. What’s more, if you have elderly dependent parents you claim on your tax return who need care during the day, you can pay for those expenses through your Dependent Care Reimbursement Account.
4. **It’s convenient.** Your contributions are made through payroll deduction, and you will receive quarterly statements showing you the amount you have contributed to date and your current year reimbursements.
5. **Health care reimbursement up front.** Unlike the dependent care reimbursement account, you may submit all of your eligible health care expenses and be reimbursed up to your entire annual election, even if you haven’t yet contributed the full amount. Your remaining contributions will continue to be deducted from your paycheck for the rest of the calendar year.

New for 2003!

Over-the-counter drugs are now eligible health care expenses.

Additional information about the Reimbursement Accounts and other A&B benefits will be sent to you in the next few weeks with your Open Enrollment materials.

Prescription For Savings

Prescription drug coverage is getting a lot of attention these days—from legislators, employers, and consumers. Like other employers, A&B is wrestling with the competing goals of offering excellent coverage at an affordable cost.

For the last four years, prescription drugs have been one of the fastest-growing components of health care inflation, largely due to direct-to-consumer marketing, rising prices, and more conditions that can be treated with medications than ever before.

Prescription Drug Cost Drivers¹

Direct-to-consumer marketing	When the FDA permitted direct-to-consumer advertising, prescription drug manufacturers didn't hesitate to bombard us with commercials—to the tune of \$2.38 billion in 2001. What's the bottom line? We're veering away from generics in favor of the latest—and more expensive—brand name drugs.
Rising prices	Like other commodities, prescription drugs are not immune to inflation, and costs continue to increase.
More conditions being treated with medications	There's no denying the important medical advances that prescription drug therapy has spurred. Fewer hospitalizations may be occurring, but the average number of prescriptions per person was 11.6 in 2002, as compared to 7.3 in 1992.

¹ Source: Kaiser Family Foundation, *Prescription Drug Trends*, May 2003.

Cost drivers being what they are, our behavior as health care consumers has a direct impact on overall prescription drug costs. Here are a few examples:

- **Generic vs. brand name**—generics have the same active ingredients as their brand name counterparts; however, patients ask for the more expensive brand name drugs because they have heard their names from television or radio ads. Try not to fall into this trap. Instead, keep your costs down by asking your doctor if a generic drug can treat your condition as effectively as a brand name drug.
- **Talking to your doctor**—as a result of aggressive marketing campaigns, doctors are under enormous pressure to prescribe brand name drugs to their patients who ask for them. Depending on the situation, a generic drug or even a non-medication therapy could be equally effective. With an average number of prescriptions running at 11.6 per person as noted above, it could be that we are too eager to accept a pill instead of an alternative form of treatment. Don't be afraid to explore all of the options with your doctor.
- **Mail order program**—a large number of individuals take ongoing prescription drugs to treat conditions such as diabetes, heart disease, high blood pressure, and arthritis. If you need a maintenance medication (including birth control medication), your best bet is the mail order program. You can fill your prescription over the phone, through the mail, or online. You'll get a 90-day supply and your medication will be sent to your home. One copayment, a three-month supply, and no trips to the pharmacist. Save yourself time and money by using the mail order program.

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