Approved: 2-25-09
Date

MINUTES OF THE HOUSE HEALTH AND HUMAN SERVICES COMMITTEE

The meeting was called to order by Chairman Brenda Landwehr at 1:30 p.m. on February 3, 2009, in Room 784 of the Docking State Office Building.

All members were present except Representatives: Mast and Siegfreid.

Committee staff present:
- Norm Furse, Office of the Revisor of Statutes
- Melissa Calderwood, Kansas Legislative Research Department
- Reed Holwegner, Kansas Legislative Research Department
- Janet Grace, Committee Assistant

Conferees appearing before the committee:
- Beverly Gossage, HSA Benefits Consulting
- Deborah Needleman, First Source Solution USA, Inc.
- Bill Goodlatte, Wendy's

Chairman Landwehr welcomed everyone to the committee meeting. The minutes from January 15, 20, 21, and 22 were presented for approval. Representative Crum made a motion to approve all minutes, seconded by Representative Ward. The minutes were approved.

Chairman Landwehr presented the committee with the rules for an electronic committee. Everything will be sent to them electronically. If they don't bring their computer, they will need to bring a hard copy of the information and/or ask a neighbor to share with them.

The conferees were presented with a list of rules for the Health and Human Services committee.

Beverly Gossage from HSA Benefits Consulting provided the committee information on Health Savings Accounts (HSAs) and **HB 818** in Missouri (Attachment 1). She started with a complete history of health insurance. Health insurance costs are escalating, 35% of medical expenses are unnecessary and 80% of medical treatments are due to poor health choices. The United States ranks the highest in the amount of prescriptions filled at over three billion per year. HSA is a health savings account which covers health expenses through their savings account with a qualified health plan. The traditional PPO has a copay, limited plan, medical services apply to a deductible, and prescription costs are through a different deductible. The copay does not apply to future costs. HSA's have true out of pocket maximum. It pays 100% for preventive care/wellness, vision, and dental plans. Beverly is a proponent of the mandate lite plans. The majority of the uninsured work for small businesses and 88% of Kansas and Missouri businesses have fewer than 25 employees. HSA's are a cost savings for small businesses and their employees.

Ms. Gossage believes Kansas should follow the Missouri **HB 818.**

Concern was expressed to Ms. Gossage about individual policies, costs, and small group markets. The insurance companies prefer group policies to keep costs down. The individual HSA's provide more cost sharing for the employer and employee. The employee can use their savings as they need to and will seek more preventive health care measures. The HSA's discourage unnecessary medical expenses.

Deborah Needleman, Firstsource Solutions USA, Inc., discussed how they implemented HSA's with PPOs into their company (Attachment 2). Firstsource Solutions asked their employees to put half of their savings from the healthcare into the HSA program. The company saw a reduction in Health Plan premiums. Ms. Needleman provided an excel sheet with the costs of their current health care plans. HSA has the lowest premium with the core plan with options to buy other benefits. Routine health care is 100% covered with an HSA to encourage preventative care and overall healthcare.

Bill Goodlatte, Wendy's LDF Food Group, provided a success story of implementing an HSA program with their employees. (Attachment 3) They looked at many plans and went with HSA's when their traditional plans were rising by double digits. Wendy's implemented HSA's exclusively. Their employees had a HSA with a higher deductible plan that was a total replacement to the traditional $2,500 deductible. Wendy's focused on wellness: annual physical exams, eye exams, dental exams, fitness discounts, flu shots, and health fairs. They wanted their employees healthy and solvent at the same time. Wendy's and its employees have saved money with this plan believes this is the program for them. They have a high turnover of employees and saved money with HSA's. Their employees have a substantial amount in their HSA. They have a healthier workforce, increased awareness about fitness, and less sick days. Many companies do not want to invest in a HSA because the employee takes it with them. Companies do not realize the long term savings and the benefits of an employee coming to work for them with a HSA already in place. Wendy's has not experienced an increase in health costs since moving from traditional programs to HSA's and it has been a huge cost savings and benefit to all parties.

The next meeting is scheduled for February 5, 2009.

The meeting was adjourned at 2:45 p.m.

HOUSE HEALTH & HUMAN SERVICES COMMITTEE

DATE: 2-3-09

NAME	REPRESENTING
BILL GOODLATTE	SHRM
Beverly Gossage	HSA Benefits Consulting
Deborah Needleman, SPHR	Firstsource Solutions & KS SHRM
Linda Frederick	SHRM
Janet Super	SHRM
Shirley Hemme	SHRM
Suzanne Cleveland	KHI
TERESA BENGTSON	SHRM
Chris Gigstad	Federico Consulting
Bill Sneed	UKHA
Cynthia Smith	SCL Health System
Matt Casey	GBA
Tammy Patterson	Washburn Univ. Grad.
[illegible]	KFMC
Jim Beckmann	KCAP
Dan Morin	KS Medical Society
[illegible]	KNEA
Kari Presley	Kearney & Associates
Chad Austin	KS Hosp Assoc

Joe Mosimann — Hein Law Firm

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HOUSE HEALTH & HUMAN SERVICES COMMITTEE

DATE: 2-3-09

NAME	REPRESENTING
Jeri Yanez	Center for Health and Wellness (KAMU)
[illegible]	BCBS

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SHOW-ME INSTITUTE
MARKET SOLUTIONS FOR MISSOURI

Free-Market Health Care Reform in Missouri: A Primer

By Beverly Gossage June 3, 2007

A long-awaited free-market step on the path to cover those without health insurance came out of Jefferson City on Friday. Gov. Matt Blunt signed HB 818, making Missouri the first state to permit pretax contributions from small business owners to their employees' individually selected policies. Unlike other health care reform "solutions" that require more government intervention and bureaucracy — third-party or one-payer systems, employer mandates, tax hikes, and cost shifting — this law offers a common sense approach to health care reform.

The media has focused on a controversial midwife provision that was inserted into the bill at the last minute. But the real news here is the bill's revolutionary approach to health insurance reform — and the fact that the bill won such overwhelming bipartisan support in both chambers of the Legislature. There's a lot to be excited about in HB 818, so here's a primer you won't find in the press.

The standard employer-based model for health insurance coverage leaves a remarkable number of people out. Nationwide, about 30 percent of workers in firms with fewer than 25 employees are uninsured, and 88 percent of Missouri businesses have fewer than 25 employees. Many small companies no longer offer group health insurance. According to a study by America's Health Insurance Plans (AHIP), only 42 percent of Missouri small businesses offer health insurance. These employers' reasons include: the hassle of selecting a plan each year; employer contribution and employee participation requirements; lack of retention among employees; and the high cost of group premiums. The uninsured mention affordability and portability as barriers to health insurance.

HB 818 addresses these concerns:

The annual insurance renewal hassle. Shopping to determine which single carrier's one or two plans (if any) an employer will offer each year to attempt to meet the needs of all employees is every small business owner's nightmare. Employers would generally rather run their companies than be in the health insurance business. Since employees under HB 818 are allowed to select their own individual plans, they can choose from a marketplace of carriers and plan designs for the one that best meets their personal preference. The employee becomes the consumer and purchaser of insurance; the employer merely contributes a defined amount. HB 818 also allows the employer to continue to offer a small group plan and contribute to employees' individual policies.

Employer contribution requirements. Most small group carriers require that the employer contribute at least 50 percent of the premium for the individual employee. Many employers would like to contribute to their employees' health insurance, but would like to have the flexibility to determine their contribution amount. By allowing a defined

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contribution, HB 818 gives employers this option. Business owners may discover that individual policies can be less expensive than group plans, so their contribution, even at 50 percent, may be less than it was with a group plan.

Lack of employee participation and small group participation requirements. Most small group carriers require that at least 50 percent of employees participate in a plan. Although part-time employees are not counted in this participation requirement, and are frequently left without coverage, small business owners have found it difficult to maintain this standard. Employers can now contribute to premiums without this constraint. Previously uninsured employees are more likely to purchase individual plans if their employers are picking up some of the cost and they can pay for it through pretax payroll deductions.

The retention and portability issue. Small business owners understand that in a global society, employees come and go. With each new hire and termination, group dynamics change and insurance premiums can be drastically affected, making it difficult to budget costs and meet participation requirements. When health insurance is employer-based, a constantly transitional workforce will have a high percentage of temporarily uninsured workers. The federal government reports that 45 percent of those without health insurance are uninsured for only six months or less. Portability is important in helping to cover this group, and most employees would rather keep their selected benefits when changing employers and have a consistent health plan.

HB 818 affects both issues by authorizing employees to plug their individual policies into their new employers' cafeteria plans, and permitting those new employers to contribute to the premiums. This is an easier transition for newly hired employees, often eliminating doctor and benefit changes, or a waiting period to access new health insurance. When employees are terminated, they take their plans with them — no need to offer state continuance or COBRA. Changing jobs or being terminated will not be a cause for panic about health insurance loss.

The affordability issue. One-size-fits-all small group health plans, with their accompanying mandates, are often more expensive than individual plans. According to the AHIP, last year in Missouri the average small group single employee premium was $292, and family rates averaged $765. By contrast, the average premium was $192 for an individual, $332 for a family. The Council on Affordable Health Insurance (CAHI) reports that young "invincibles," age 19 to 34, represent 56 percent of the uninsured. Their premiums can be especially inexpensive on an individual policy. For example, a 25-year-old healthy, nonsmoking male could have an individual policy with a premium as low as $65, which includes a free annual physical. This is about the cost of an average monthly cell phone bill.

Competition. There are 18 million individual policies nationwide, and Humana expects that number to grow by 5 to 8 percent over the next five years. Other carriers known for being large group providers, such as Coventry and United, recognize this trend and have entered the individual market in recent years. This makes the rates even more competitive. Many carriers already offer convenient "list bill" options, which permit employers to payroll-deduct premiums for individual policies and pay one check or bank draft for all the employees who have policies with that carrier.

Family Discounts. With small group plans, often husband and wife are on separate plans with different employers, and the children may have individual policies. The family can be with as many as three different carriers. With HB 818, if both spouses work for small employers, the family can have one policy purchased independently and each spouse's employer can contribute to the premium. Families can stay together on the same plan. This is nice for several reasons: rates are often lower, because most carriers give a discount if the family is on one policy; there are fewer benefit rules and health cards to keep straight; and doctors can be chosen from one network. Health savings account plans are also growing in popularity, and because they have one family deductible, having the family together is a plus.

Tax incentives. As the popularity of individual plans has increased, the injustice of insurance taxes has become more pronounced. Until now, premiums were only tax-advantaged if purchased through an employer group plan. However, HB 818 permits funneling individual premiums through the Cafeteria 125, making the employee's portion pretax. This equalizes the tax discrimination. Since the employer's portion of the premium is also pretax, this will give an incentive for both employers and employees to contribute to health insurance, covering more uninsured. HB 818 also allows self-employed business owners a state tax credit for personal health premiums, since these cannot be funneled through the Cafeteria plan.

HSAs and Consumerism. When given free choice of an individual plan, many employees choose health savings accounts and the qualified health plans that accompany them, because the premiums are usually 35 percent to 40 percent lower than traditional plans. Employers and employees may both contribute to the health savings account, providing more tax advantages for both parties. These funds grow with interest, and employees may use them to pay health care expenses for the entire family — even save it for retirement, if not used. HB 818 also adds an HSA plan to the state risk pool and Missouri state employees' health benefit package. This provision will give a tax-advantaged, affordable option with a defined out-of-pocket expense for those who do not qualify for an individual plan from a private carrier, and for those who work for the state. This option exposes employees to the actual cost of their health care.

Employees with individual policies, particularly HSA plans, are not insulated from the true cost of the premiums, as well as the cost of care. They recognize that this is their portable plan, not the employer's plan. They are aware that their lifestyles affect premiums. This realization can affect unhealthy, sedentary choices. For example, when told that his premium could be 30 percent lower if he was not a tobacco user, an individual said that was the incentive he needed to stop smoking. This self-ownership provides for more judicious utilization of insurance benefits, and promotes wellness.

HB 818's provisions allowing for small employer contributions to individual plans with pretax advantages can turn uninsured employees into insured consumers. This benefits all of Missouri.

Beverly Gossage is a consumer-based health care expert and research fellow with the Show-Me Institute, which sponsored Gossage's March 5 presentation to the Missouri Legislature on HSAs and free-market approaches to health insurance reform. HB 818 incorporates many of the ideas Gossage presented.

Rev. Rul. 61-146

SECTION 106. - CONTRIBUTIONS BY EMPLOYER TO ACCIDENT AND HEALTH PLANS

26 CFR 1.106-1: Contributions by employer to accident and health plans.

(Also Section 61; 1.61-1.)

1961-2 C.B. 25; 1961 IRB LEXIS 8; REV. RUL. 61-146

July, 1961

[*1]

Reimbursements by an employer to his employees for his share of premiums for hospital and medical insurance for them may be considered as contributions by the employer to accident or health plans for his employees so as to result in the exclusion of such payments from the gross income of the employees under section 106 of the Internal Revenue Code of 1954.

Revenue Ruling 57-33, C.B. 1957-1, 303, distinguished.

Advice has been requested whether amounts paid by an employer, under the circumstances below, as his share of premiums for hospital and medical insurance for his employees are excludable from the gross income of the employees under *section 106 of the Internal Revenue Code* of 1954.

In the instant case, the employer pays a share of the premiums for hospital and medical insurance for his employees. For those employees who are covered by a group policy through their employment, the employer pays his share of the premium directly to the insurance company. For those employees who are not covered by the employer's group policy but have other types of hospital and medical insurance for which they pay the premiums directly to the insurers, the employer pays a part of such premiums **[*2]** upon proof that the insurance is in force and is being paid for by the employees.

To facilitate payment of his share of the premiums paid directly by the employees to the insurers, the employer uses the following methods: (1) reimburses each employee directly once or twice a year for the employer's share of the insurance premiums upon proof of prior payment of the premiums by the employee; (2) issues to each employee a check payable to the particular employee's insurance company, the employee being obligated to turn over the check to the insurance company; or (3) issues a check as in method (2) except the check is made payable jointly to the insurance company and the employee.

Section 106 of the Code provides that gross income does not include 26 contributions by the employer to accident or health plans for compensation (through insurance or otherwise) to his employees for personal injuries or sickness.

Section 1.106-1 of the Income Tax Regulations provides that the employer may contribute to an accident or health plan either by paying the premium (or a portion of the premium) on a policy of accident or health insurance covering one or more of his employees, or by contributing **[*3]** to a separate trust or fund, which provides accident or health benefits directly or through insurance to one or more of his employees.

In this case it is clear that in method (2) the employer is actually paying accident or health insurance premiums directly to the insurer of the particular employee, utilizing the employee as his agent for the delivery of the checks to the insurer. Method (3) is not substantially different, inasmuch as the employee there is obligated to turn the checks over to the insurer and can in no event divert the payments to other uses. Although method (1) involves direct payment to the employee, in practical effect it does not differ from methods (2) or (3), since proof is required by the employer that hospital and medical insurance is in force for the employee and that premiums for the period involved have been paid by the employee and because the employer's payment is stated to be in reimbursement for the employer's share of the insurance premiums.

1-4

Under the circumstances of this case, it is held that the amounts paid by the employer under methods (2) or (3) above constitute payments of premium or portions of premiums on policies of accident or health **[*4]** insurance covering one or more employees within the meaning of section 1.106-1 of the regulations. Similarly, the payments under method (1) constitute employer payments of accident or health insurance premiums for employees if the payments are shown to be in reimbursement of premiums actually paid by the employees to the insurers. Accordingly, amounts paid as above are excludable from the gross income of the employees under section 106 of the Code.

Revenue Ruling 57-33, C.B. 1957-1, 303, holds that certain weekly payments made by employers direct to employees, pursuant to a union contract of employment, for the purpose of purchasing individual hospitalization and surgical insurance coverage, are "wages" for Federal employment tax purposes and are includible in the gross income of the employees.

Under the facts in that case, the employers had no accident or health plan of their own in effect and, with respect to the payments which they made direct to the employees, did not require an accounting either by the employees or the employees' union that the funds were expended in the acquisition of insurance coverage. *Revenue Ruling 57-33,* accordingly, is distinguishable from the instant **[*5]** case. 27

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HB818 and HSA Help Small Business Owner*

Former "health plan"

- 42 year old and (42) spouse $562 traditional individual policy (2 million lifetime coverage each)
    - *2 kids were on Medicaid —now uninsured due to slightly elevated income no longer qualifying for this at annual review*
- 25 yr old employee nephew $130 traditional individual policy
- 25 yr old employee $0 *uninsured* for 4 years
    - $692

New HSA qualified health plans

- 42 yr old/spouse /2 children $255 -Kids no longer on Medicaid (5 million coverage each)
- 25 yr old employee $67 -paid physical/discounts/HSA
- 25 yr old employee $67 -Now is Insured-paid physical/discounts/HSA
- Funds to HSA $30 mthly each $60 -Grows with interest, tax free
- Funds to owner HSA $200 -Flexibility(employer decides)

$649

- Employer jump started employees HSA with a full year's funds ($360 each)
- Paying less than before, everyone is insured with tax deductible premiums with tax free money in the bank to pay for expenses

Win Win Win

Win for employer. Win for employees. Win for the state.

*A small business owner in Kearney, Missouri, who owns a water delivery business.

Compiled by Beverly Gossage, a consumer-based health care expert and research fellow with the Show-Me Institute

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How Will HB818 Affect Your Business?

By Beverly Gossage

This summer Governor Blunt signed a groundbreaking new health insurance bill which has caught the eye of the nation and can impact your company. Most of the uninsured work for small companies and 58 percent of Missouri small businesses do not offer health insurance.

Employers cite these reasons:

- The hassle of selecting a plan each year
- Employer contribution and employee participation requirements
- The lack of retention among employees
- The high cost of group premiums

HB 818 addresses these concerns. Through this bill:

Your employees

- ✓ Will not be subject to a waiting period before applying for coverage
- ✓ Can do their own shopping for a personal plan
- ✓ Are free to select an HSA qualified plan
- ✓ Could have much lower health insurance premiums
- ✓ Could experience discounts when putting their family on one plan
- ✓ Can have convenience of payroll deducting their health insurance premiums
- ✓ Can save on taxes through a Cafeteria 125
- ✓ Are more likely to purchase health insurance
- ✓ Could be healthier, miss less work, and be more productive
- ✓ Could stay with your company longer

You

- ✓ Don't have to shop for a health insurance plan for your company
- ✓ Do not have to meet participation and contribution requirements
- ✓ Have the *option* of contributing to the premium
- ✓ May contribute to individual health savings accounts
- ✓ Will find it easier to budget health insurance expenses
- ✓ Could have the convenience of "list billing" individual policies
- ✓ Can save on taxes through a Cafeteria 125
- ✓ Could have more employees insured
- ✓ Could have healthier employees who miss less work and are more productive
- ✓ May experience higher employee retention and satisfaction levels
- ✓ May maintain your group plan (if you offer one) while contributing to individual plans

HB 818's provisions allowing for your contributions to individual plans with pretax advantages can turn uninsured employees into insured consumers.

For more information on how this bill can affect your business, contact the Show Me Institute who is sponsoring a statewide HB818 educational tour in cooperation with the Missouri Chamber of Commerce.

Beverly Gossage is a consumer-based health care expert and research fellow with the Show-Me Institute.

HSA
Benefits Consulting

Current language in MO HB818

- (c) An eligible employee may choose to retain their individually underwritten health benefit plan at the time such eligible employee is entitled to enroll in a small employer health benefit plan. If the eligible employee retains their individually underwritten health benefit plan, a small employer may provide a defined contribution through the establishment of a cafeteria 125 plan under section 379.953. Small employers shall establish an equal amount of defined contribution for all plans. If an eligible employee retains their individually underwritten health benefit plan under this subdivision, the provisions of sections 379.930 to 379.952, RSMo, shall not apply to the individually underwritten health benefit plan.

Here's how I am recommending that it be written.

- (c) Regardless if a small employer does or does not offer a group health benefit plan, a small employer, through the establishment of a Health Reimbursement Arrangement, may contribute to the premium of an eligible employee's individually underwritten health insurance plan. The employee's portion of the premium may be paid through a cafeteria 125. Small employers shall establish an equal amount of defined contribution or an equal percentage of premium for all eligible employees' plans. If an eligible employee retains his individually underwritten health insurance plan under this subdivision, the provisions of sections 379.930 to 379.952 RSMo, (laws regarding small group health benefit plans), shall not apply to the individually underwritten health insurance plan.

Beverly Gossage
Research Fellow for Show Me Institute
Health Board member of Flint Hills Public Policy
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February 3, 2009

Presentation to the House Health and Human Services Committee

By Deborah Needleman, SPHR
VP Organization Development
Firstsource Solutions USA, Inc.
620-223-8226
Deborah.needleman@na.firstsource.com

Educational presentation regarding successful implementation of an HSA health plan option at Firstsource

Talking Points:

1. Company Bio

2. Health plan design in 2004 - 2006

3. Implemented QHDP with HSA 1/1/2007
   - Includes well care

4. Employer contribution to HSA
   - $500 for Single Coverage
   - $1000 for EE plus 1 or more dependents

5. Education of employees
   - Do the numbers
   - Evaluate individual health care needs
   - Offer individual meetings

6. Reduction in Health Plan premiums
   - Cost share on premiums

7. My personal experience

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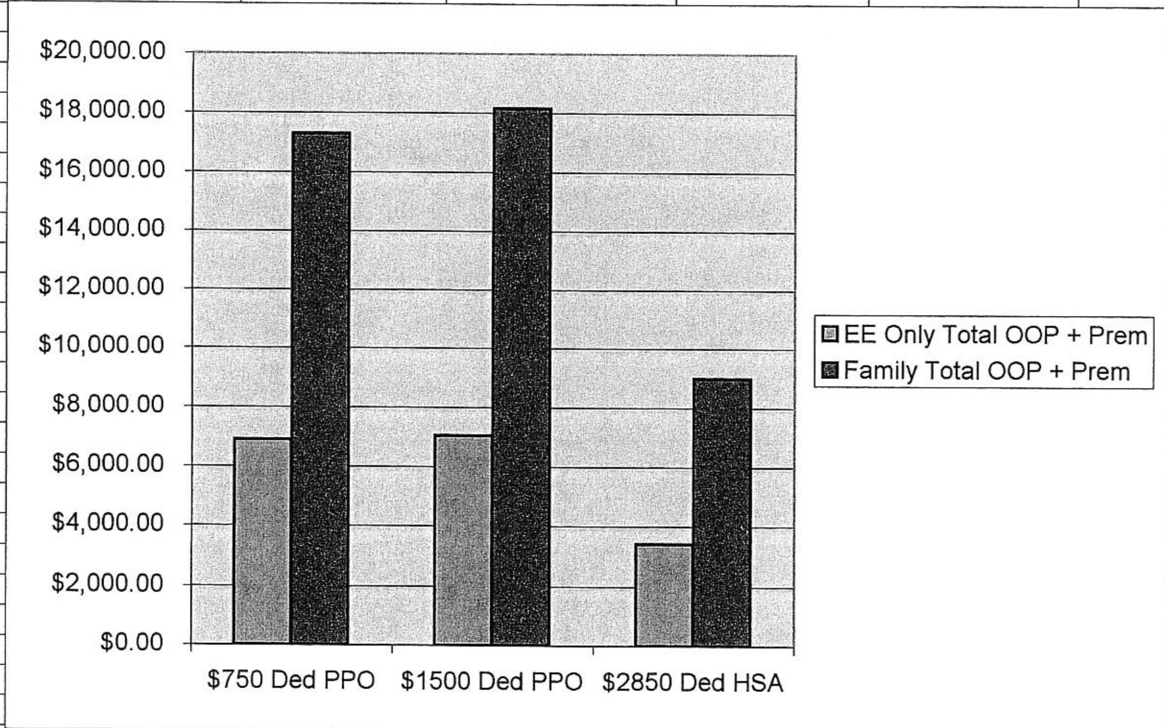
2009 Health Plan Coverage								
			Annual Employee Portion of Premium		EE Only	Family	Annual Total Premium	
Plan	EE Only Max OOP	Fam Max OOP	EE Only Prem Amt	Fam Prem Amt	Total OOP + Prem	Total OOP + Prem	EE Only	Family
$750 Ded PPO	$4750 + copays	$9500 + copays	$2,146.56	$7,781.52	$6,896.56	$17,281.52	$8,228.73	$15,562.92
$1500 Ded PPO	$6000 + copays	$12,000 + copays	$1,035.72	$6,156.60	$7,035.72	$18,156.60	$5,178.72	$15,015.96
$2850 Ded HSA	$2,850.00	$5,600.00	$564.24	$3,381.60	$3,414.24	$8,981.60	$3,761.52	$10,908.36
					ER HSA = $500	ER HSA = $1000		



3

Careers with LDF

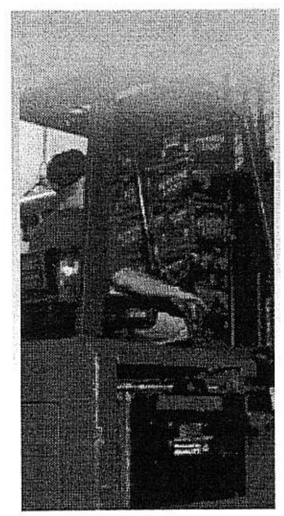
LDF Companies' Benefits

At LDF Food Group-Wendy's, it is our goal to provide our employees with a comprehensive benefits package*

- 401(k) Plan With Company Contribution
  – American Funds
- Medical Insurance
  – Harrington Health
- Dental Insurance
  – Harrington Health
- Prescription Drug Plan
  – Harrington Health
  – Innoviant
- Vision Care
  - Harrington Health
- Chiropractor Care
  - Harrington Health
- Well-Baby Care
  - Harrington Health
- Health Savings Accounts
  – Intrust Bank
  – IRS
- Wellness Programs
  - Harrington Health
- Fitness Assistance
- Life Insurance
  – Trustmark
- AD&D Insurance
  – Trustmark
  – Zurich
- Short Term Disability
  – Harrington Health
- Long Term Disability/Employee Assistance Programs
  – LTD
  – EAP
- Sick Pay
- Paid Holidays
- Paid Vacations
- Pay Cards
  - Comdata
  – Allpoint
- Direct Deposit

Other Links

Applying
Benefits
Snowfly Questionnaire
Snowfly Incentive
Training



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- Meal Discounts
- Adoption Assistance
- Educational Assistance
- Advancement Opportunities
- Pay For Performance
- Incentive Awards
- Uniforms
- Free Parking

*Not all employees are eligible for all benefits. All benefits are subject to the terms of specific insurance and LDF policies which are subject to change without notice.

LDF WILL HELP YOU SAVE FOR RETIREMENT

Did you know that in addition to giving you the opportunity to save pre-tax dollars, The LDF Companies adds 15% to your 401(k) account contributions? And that you can choose from 18 different investment options allowing your money to grow at an even faster rate? You can also check your 401(k) account balance, move money between funds and change your investment options as often as you like! To be eligible for the LDF 401(k) Plan, you must have been employed for at least one year, worked 1000 hours or more, and be 21 years of age or older.

Investment Options – Three investment options make it easier for you to create a diversified portfolio. Most people can easily identify themselves as **Conservative, Moderate or High Growth** when it comes to investing money. To allow you to get the maximum advantage of these tendencies, the LDF 401(k) Plan has three diversified portfolios that are pre-designed to fit these investing profiles. You can simply select one of these three options and your account will be allocated accordingly. In addition, **Target Date Retirement Funds** allow you to pick one fund that will automatically adjust its diversification to become more conservative as you near your retirement age. This is a great option for those who are not comfortable picking out their own investments. There are 9 Target Date Funds to choose from. The idea is to pick the fund that is closest to your expected retirement year. Target date Funds seek to help young investors stay ahead of inflation over time by using a higher percentage of equity investments. For those investors closer to retirement, the funds seek to protect their savings through more emphasis on income oriented investments. **Six Additional American Funds – American Balanced Fund, Bond Fund of America, Growth Fund of America, Investment Company of America, EuroPacific Growth Fund** and **Cash Management Trust** are available to you as investment options in the LDF 401(k) plan.

Automatic Enrollment – Without a doubt, the biggest obstacle most people face in accumulating funds for retirement is procrastination. We know we need to get started, but just don't get around to it. Automatic Enrollment has redefined procrastination to work in your favor! Every January and July, all eligible employees who are not yet participating in the LDF 401(k) Plan will be automatically enrolled at 2% of their pre-tax pay.

Automatic Increase – Effective each July the contributions for everyone who was enrolled automatically in prior years will automatically increase by 1% up to a maximum of 6% of their pre-tax pay. Of course, in both Automatic Enrollment and Automatic Increase, you will be able to select investment options, increase your contributions to as high as 20% or opt out of the LDF 401(k) Plan and/or automatic increase if you so choose.

It's Your Money – You are always 100% vested in your own contributions and can take that money as well as any investment earnings with you if you leave LDF for any reason. You can roll your money over into an Individual Retirement Account (IRA), another company's qualified 401(k) plan or take a cash pay out. In addition, you begin vesting in LDF's contributions after two years and are 100% vested after six years. You can also borrow from your LDF 401(k) account for any reason and pay yourself back through payroll deductions.

AUTOMATIC ENROLLMENT + AUTOMATIC INCREASES + PRE-TAX SAVINGS + 15% FROM LDF + 18 INVESTMENT EARNINGS OPPORTUNITIES = A GREAT DEAL!

Visit **www.americanfunds.com** or call 888-260-2580 for detailed information about the 18 investment options, to access your personal 401(k) account, learn about retirement planning and take advantage of a wealth of market and investment advice. You may also call Bob Crew (Wealth Dynamics) at (316) 927-2683 for information and investment advice.

REMEMBER ALL ELIGIBLE EMPLOYEES WHO ARE NOT ALREADY PARTICIPATING WILL BE AUTOMATICALLY ENROLLED IN THE LDF 401 (k) PLAN AT 2% OF PRE-TAX PAY EACH JANUARY AND JULY AND HAVE THEIR CONTRIBUTIONS INCREASED BY 1% EVERY JULY UP TO A MAXIMUM OF 6% OF PRE-TAX PAY.

WHAT A GREAT WAY FOR YOU TO SAVE TAX DEFERRED DOLLARS, GET AN ADDITIONAL 15% FROM LDF AND WATCH YOUR MONEY GROW!!!

IF YOU HAVE ANY QUESTIONS OR DO NOT WANT TO TAKE ADVANTAGE OF THIS GREAT PROGRAM, PLEASE CALL YOUR HUMAN RESOURCES REPRESENTATIVE AT 316-636-5575 OR TOLL FREE AT 866-602-0862.

HEALTH CARE

Harrington Health is the new name of our Health Care provider, but there are **no changes** in the plan, benefits, preferred provider organizations or the discounts on prescription drugs through network pharmacies. You can visit **www.harringtonhealth.com** to find summaries of the LDF medical, dental and disability plans, verify that your doctors are in the network, find new providers, review your claims, verify benefit enrollment information, request ID cards, download forms and access a wealth of general health care information. You can also call **Harrington Health at 800-235-7160**. Always remember to have your **Harrington Health ID card available** when visiting your providers.

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Full-Time Employees are also eligible to apply for Voluntary Long Term Disability Insurance. The LDF plan pays 60% of the employee's base annual compensation up to a maximum monthly benefit of $6,000 after 180 days of disability due to the same or a related sickness or injury, which must be accumulated within a 360 day period. Click **here** for a complete description of the LDF LTD plan.

LDF Long Term Disability Insurance also includes an Employee Assistance Program (EAP) for employees and their immediate family members in counseling for parenting and childcare, eldercare, relationships, work and career, financial, and legal concerns. Visit **www.eapadvantage.com** (password = connect) for a complete description of the LDF EAP plan.

WELCOME TO THE CONVENIENCE OF ELECTRONIC PAY

Now with the availability of both **DIRECT DEPOSIT** and **PayCards** for all employees, there is no need for you to have to wait around for checks to be handed out to get your pay.

Just talk to your General Manager or Administrative Assistant to get the information on how to sign up for all the conveniences of Direct Deposit and PayCards. To participate in Direct Deposit, you need to open a checking or savings account at any bank or credit union. But you don't even need a bank account to get a PayCard. With both Direct Deposit and the PayCard, your net pay is available to you by 8AM of payday, (except if your payday falls on a bank holiday).

No more special trips to pick up your pay check or to the bank or check cashing store-an especially nice feature if you are on a day off, on vacation, out of town, or just too busy to make unnecessary trips. No more standing in lines waiting to cash or deposit your pay check and no more check cashing fees.

So if you are not already participating, see your General Manager or Administrative Assistant and sign up today to take advantage of the convenience, reliability, security and flexibility of either Direct Deposit or the PayCard.

If you already have a PayCard, always check your balance to avoid an ATM decline/inquiry fee. You can call the toll free number on the back of your PayCard (800)-226-3931 anytime (24 hours a day) to check your balance or if you have any questions or difficulties regarding your account. You can also visit **www.cardholder.comdata.com** to review your account balance and activity.

Your LDF PayCard is accepted nationwide at all Maestro point-of-sale locations including chain stores like Albertsons, Dillons, KMart, Kroger, Quiktrip, Reasor's, Target, Walgreen's, Wal-Mart and any other grocery store, chain store, convenience store, drug store or gas station that is equipped with a PIN pad at their registers. Because it is a true debit card, you can receive cash back at the register as well.

Your LDF PayCard is also accepted nationwide at all Allpoint and Cirrus ATMs. To minimize ATM charges call (800) 226-3931 or visit **www.allpointnetwork.com** to find the closest Allpoint ATM.

REMEMBER YOUR FIRST TRANSACTION EACH PAYDAY IS FREE!

EDUCATIONAL ASSISTANCE

It is the policy of The LDF Companies to support management personnel in the maintenance and/or addition of job skills. LDF will utilize tuition reimbursement for advanced educational experiences as a means of increasing employee productivity, self-worth, and future potential with the company.

If the course is approved in advance by the employee's manager and the Human Resources Department, and bears some relationship to present or future work with the company, LDF will pay 50% of the tuition cost.

Eligible expenses for workshops, seminars, and special training programs will also be reimbursed if they have been approved by the employee's manager and Human Resources.

ADVANCEMENT OPPORTUNITIES

LDF believes that its greatest asset is its dedicated employees and strongly in promotion from within. When filling positions throughout the organization, we first consider candidates from among our current employees. Advancements are based strictly upon merit and demonstrated ability.

LDF provides on-the-job classroom training programs which provide for personal and professional growth. In addition, it is the policy of the Company to support management personnel in the maintenance and addition of job skills.

And LDF will provide tuition reimbursement for advanced education experiences as a means of increasing productivity and future potential with the company. Once the course of study is approved by Management and Human Resourcesm LDF will pay 50% of the tuition cost.

Requests to attend workshops, seminars, and special training programs can also be submitted to Management and Human Resources for pre-approval to attend and reimbursement for eligible expenses.

EMPLOYEE ADOPTION ASSISTANCE

The LDF Employee Adoption Assistance program provides both financial assistance and paid time off if you adopt a child. To be eligible you must have completed at least one year of service, participate in the LDF Group Insurance program for Management and Full-Time employees, and be activelyat work when the adoption takes place.

Once the adoption is final, you may be reimbursed for specific adoption related expenses such as licensed adoption agency fees and legal expenses. Eligible expenses will be covered up to a maximum of $4,000 per adopted child. The adoption of a "special needs" child allows for reimbursement up to $6,000 per adopted child.

LDF will allow the use of accumulated, unused sick leave, earned vacation, and holiday pay if an employee requests time off to adopt a child. Adoptive employees are also eligible for an unpaid leave in accordance with the Famiy Medical Leave Act (FMLA).