

## Consumer Spending Index Indicates Increase in Spending, Followed by Fall Slowdown

Growth in consumer spending will likely continue in the summer, followed by a slowdown in the fall, according to Deloitte Research's Leading Index of Consumer Spending. The expected decline in growth signifies the first deceleration in consumer spending since the spring 2003, and is largely a result of fewer tax reductions.

Highlights of the index, which tracks consumer cash flow as an indicator of future consumer spending, include:

- Sizeable tax refunds are driving strong consumer spending through May 2004. Total refunds are still expected to run up to 50 percent more than the prior year, but will be slow in coming. Tax refunds have lagged earlier this year due to increased complexity in recent tax changes. Consumer cash flow will begin to wane after May.
- Real home prices rose sharply in February, posting one of the largest single month increases in over a year. The rise in home prices creates a pool of future cash from which consumers can draw upon through the process of home mortgage refinancing.
- Real wages are up a very modest 0.2 percent from a year ago. Rising care costs continue to be a barrier to real wage increases. A further tightening of the labor market and relief from higher healthcare costs are necessary to produce an increase in real wages.
- Declines in unemployment claims continue to contribute to slowed consumer spending growth. Consistent with the 308,000 jobs created last month, fewer unemployment claims may indicate job creation and development of a more stable economy.

The index, comprising four components—tax burden, initial unemployment claims, real wages and real home prices—rose 4.89 percent in March, down slightly from a revised gain of 5.03 percent the previous month.

## Coalition Releases White Paper Outlining Credit Counseling Industry Reform Agenda

The Coalition for Responsible Credit Practices, a nationwide group of consumer credit counseling agencies and supporting businesses, recently released a policy white paper, "Building Full Faith in Credit Counseling: An Agenda for Industry Reform."

The paper examines some of the key issues facing the credit counseling industry and presents policies for reforming and improving industry practices. The white paper identifies several key industry challenges:

1. Consumers are poorly served in the current industry. People in serious financial trouble deserve unbiased, trustworthy, understandable and professional counseling and debt management assistance.
2. Consumers are being overburdened by too much unsecured and credit card debt; and their ability to get out from under that debt is increasingly being hindered by abusively high interest rates, excessively late fees and creditor imposed bias and obstacles in the credit counseling process.

The paper presents some basic proposals for industry reform:

- **Consistent National Standards.** National pro-consumer regulation, including industry best practices standards, is needed to preempt 50 ineffective and poorly enforced state laws.
- **More Consumer Choice, Competition and Professional Business.** More participation by professional, taxpaying businesses would improve the administration of funds for those enrolled in debt management. And, while tax-exempt entities are frequently exempted from basic regulatory scrutiny, professional businesses are usually already under regulatory review.
- **Industry Improvement.** "Best practice" standards for credit counseling agencies and businesses are recommended.
- **Full Disclosure of Creditor Affiliation and Actual Fees.** Laws should be enacted to require all credit counseling agencies to fully disclose the names of all creditors involved in the management, funding and governance of a credit counseling agency (CCA). CCAs should also be required to provide a clear statement of the real costs of service. That includes not only direct upfront and monthly fees, but also the hidden fees, such as the specific amount of the consumer's payment that is funneled back to the CCA as a creditor "contribution."
- **Creditor Responsibility.** CRCP recommends "best practice" standards to reign in aggressive marketing of debt to teens, seniors and other at-risk consumers, and to encourage creditors to take responsibility for those who have become buried in excessive debt by treating those who seek credit counseling fairly and respecting their choice of credit counseling providers.

## Reminder: Employer-Sponsored Group Health Plans

The HIPAA privacy regulations impose use and disclosure rules on “covered entities,” including group health plans sponsored by employers, such as medical, dental and vision plans as well as health flexible spending accounts and many employee assistance programs. For employers sponsoring small group health plans, the following information published by the Department of Health and Human Services may help you determine whether you need to take any final actions to make sure your group health plans are compliant with the HIPAA privacy requirements.

**Question:** As an employer, I sponsor a group health plan for my employees. Am I a covered entity under HIPAA?

**Answer:** Covered entities under HIPAA are healthcare clearinghouses, certain healthcare providers and health plans. A “group health plan” is one type of health plan and is a covered entity (except for self-administered plans with fewer than 50 participants). The group health plan is considered to be a separate legal

entity from the employer or other parties that sponsor the group health plan. Neither employers nor other group health plan sponsors are defined as covered entities under HIPAA.

Thus, the Privacy Rule does not directly regulate employers or other plan sponsors that are not HIPAA covered entities. However, the Privacy Rule does control the conditions under which the group health plan can share protected health information with the employer or plan sponsor when the information is necessary for the plan sponsor to perform certain administrative functions on behalf of the group health plan. *See 45 CFR 164.504(f)*. Among these conditions is receipt of a certification from the employer or plan sponsor that the health information will be protected as prescribed by the rule and will not be used for employment-related actions.

The covered group health plan must comply with Privacy Rule requirements, though these requirements will be limited when the group health plan is fully insured.

See the Answer to the frequently asked question (FAQ) “Is a fully insured health plan subject to all Privacy Rule requirements?” That question, hundreds of other FAQs and a wide range of other guidance and materials to assist covered entities in complying with HIPAA and the Privacy Rule are available at the Department of Health and Human Services Office for Civil Rights Web site, <http://www.hhs.gov/ocr/hipaa/>.

**Question:** I'm an employer that offers a fully insured group health plan for my employees. Is the fully insured group health plan subject to all of the Privacy Rule provisions?

**Answer:** The Privacy Rule recognizes that certain fully insured group health plans may not need to satisfy all of the requirements of the Privacy Rule since these responsibilities will be carried out by the health insurance issuer or HMO with which the group health plan has contracted for coverage of its members. In particular, a fully insured group health plan that does

not create or receive protected health information other than summary health information (*see definition at 45 CFR 164.504(a)*) and enrollment or disenrollment information is not required to have or provide a notice of privacy practices. *See 45 CFR 164.520(a)(2)*. Moreover, these group health plans are exempt from most of the administrative responsibilities under the Privacy Rule. *See 45 CFR 164.530(k)*. These health plans are still required, however, to refrain from intimidating or retaliatory acts (*45 CFR 164.530(g)*), and from requiring an individual to waive their privacy rights (*45 CFR 164.530(h)*). The documentation requirements at 45 CFR 164.530(j) apply to these group health plans only to the extent of amendments, if any, made to the plan documents for the sharing of information with the plan sponsor under 45 CFR 164.504(f). Additional information about the Privacy Rule, including guidance and technical assistance materials is available through the Department of Health and Human Services Office for Civil Rights Web site at: <http://www.hhs.gov/ocr/hipaa/>.

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## Survey Shows Consumers are Miserable Living on Credit

Americans think living on credit and carrying large debts are making their lives miserable, according to Consolidated Credit Counseling Services' latest survey. The survey of 5,000 participants of an online poll conducted by Consolidated Credit found that 63 percent say debts are making their home lives unhappy and 43 percent have a debt to income ratio of 50 percent or more.

Household debt grew 10.4 percent in 2003, the biggest increase since 1987. Net savings in the economy fell 38 percent to \$155.5 billion. “Our money mind set has changed. The old American values are fading away as the depression era generation ceases to exist,” said Howard Dvorkin, president of Consolidated Credit Counseling Services Inc.

The survey's other findings include:

- 58 percent state their credit cards are at or near their maximum credit limit.
- 62 percent don't have a savings account.
- 92 percent don't have a three-month emergency fund.
- 37 percent took cash advances from one card to make payments on another credit card.
- 59 percent only pay the minimum amount due on credit cards each month.

“In our instant society, people don't want to wait for anything, and credit enables that immediate indulgence. People need to realize that it will cost them. Pleasure now—pay later, a lot more later if you are not careful,” Dvorkin said.