5 Employee Benefits Trends to Help Navigate Health Care Reform

Presented by:
Ted Konstantopoulos
Vice President of Sales
Forest Financial Group, Inc.

FFG
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Today's Presenters

Leanna Sandner
Vice President

Leanna Sandner, brings with her 7 years of experience as an HR and payroll technology consultant. Leanna worked with her clients to efficiently manage the administration of the employee life cycle (hire to retire) by delivering customized, scalable solutions to streamline processes. At Forest Financial Group, Leanna manages the Mountain Region and focuses on business development, channel marketing, and technology coordination.

Leanna earned her Bachelor of Arts degree in Spanish Literature from the University of Colorado, Boulder, and her Masters of Business Administration at the University of Denver. Leanna is currently pursuing her Group Benefits Associate (GBA) designation. In her free time, she serves on the board of a local nonprofit and enjoys skiing, yoga, and cooking.

Ted Konstantopoulos
Vice President, Sales and Marketing

As Vice President of Sales, Ted oversees sales initiatives and new business development within Forest Financial Group. He is responsible for sales strategies, key account management, and management of the sales team. Ted works in collaboration with FFG's sales and client management teams to identify and develop marketing initiatives and new customer service opportunities.

Ted is a frequent speaker on the impact of Healthcare Reform to organizations and has led FFG's account team that was selected as a preferred Healthcare Reform Consultant of McDonald's Corporation.

About FFG

Year Founded: 1998

Headquarters: Lake Forest, Illinois

Regional Offices: California, Colorado, Florida, Indiana

Market Segments:

Large Market:	**>1,000 Employees**
Mid Market:	**100-1,000 Employees**
Small Market:	**2-99 Employees**

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Representative Clients

Dodgers
McDonald's
GUGGENHEIM
Jimmy John's Since 1983 Gourmet Sandwiches
MERGE Healthcare
Town of Merrillville Dec. 30 1971
Petit Ermitage
Tampa Bay Water Supplying Water To The Region
Grecian Delight
White Oak
senior Operations LLC
The Paulson Institute
MCHC Metropolitan Chicago Healthcare Council
BDT Capital Partners
Land O'Frost
Elgin The City in the Suburbs
United Hospital System
North Community Bank
Community Hospital of the Monterey Peninsula® Innovative healthcare with a human touch
Grant Thornton
ipg intertape polymer group™
Chicago Sun-Times
Covenant Security | Training | Assessments | Risk Management

Manufacturing, Banking, Professional Services, Hospitality, Education, Associations, Healthcare…

Public, Private, Not-for Profit, Institutions, Individuals…

Our Agenda Today…

Health Care Reform has created confusion

Today we will discuss 5 trends that are helping our clients:

- Prepare for change and evaluate their options
- Improve health and increase employee engagement
- Attract and retain top talent
- Maintain a competitive benefits package at the lowest cost possible

The Five Trends

ACA Compliance and Employer Mandate

Communication and Engagement

Voluntary Benefits

Proactive Wellness

Alternative Funding Strategies

ACA Compliance
And
The Employer Mandate

Regardless of your political opinions or personal preferences, ACA represents an extensive legislative change affecting all Americans and Employers.

Employers must prepare and cannot rely on legislative action to limit their liability under the law.


Let me know when ACA goes away.

Employer Impact

Compliance

- Preventive Care
- Dependent Eligibility
- W-2 Reporting
- FSA Limits
- Employee Notice of Exchange
- Automatic Enrollment
- Waiting Period Limits

Strategy

- Pay or Play
- Offer Minimum Value Plan
- Offer Affordable Coverage
- Employee Subsidy Eligibility
- Defined Contribution Model
- Avoid Penalties and Fees
- Manage Workforce FT vs. PT

Enacted Provisions

2013 ACA Checklist Item	2014 ACA Checklist Item
Limit FSA contributions to $2,500 per year	Essential Health Benefits (EHB)
W-2 Reporting for 2012 Tax Year	Medicare Tax
Women's Preventive Health	W-2 Reporting for 2013 Tax Year
Summary of Benefits and Coverage (SBC)	Women's Preventive Health
New Medicare Tax	Summary of Benefits and Coverage (SBC)
Employee Notice of the Exchange	Full Time Employee Hours
Increased Threshold for Medical Expense Deductions	Waiting Period Limit
	Individual Mandate/Requirement to Have Insurance
	Pre-Existing Condition Limitation Eliminated
	Coverage of Clinical Trials
	Increased Threshold for Medical Expense Deductions
	Dependent to Age 26
	Employer Wellness Program

Effective January 1, 2015 Employer Mandate

(a.k.a. Shared Responsibility)

Why the delay?...
“The administration is announcing that it will provide an additional year before the ACA mandatory employer and insurer reporting requirements begin. This is designed to meet two goals.

First, it will allow us to consider ways to simplify the new reporting requirements consistent with the law.

Second, it will provide time to adapt health coverage and reporting systems…”

Employer Mandate

Coming in 2015

Effective Jan. 1, 2015,

"LARGE EMPLOYERS" must offer an

"AFFORDABLE" health plan providing

"MINIMUM VALUE" to 70% of all

"FULL-TIME" employees or face a penalty.

The penalty tax is due if at least one full-time employee purchases health insurance through an Exchange and receives a premium tax credit or cost-sharing reduction subsidy.

Employer Mandate- Definitions

Large Employer:

Organizations with at least 100 full-time employees OR a combination of full-time and part-time employees that equal at least 100.

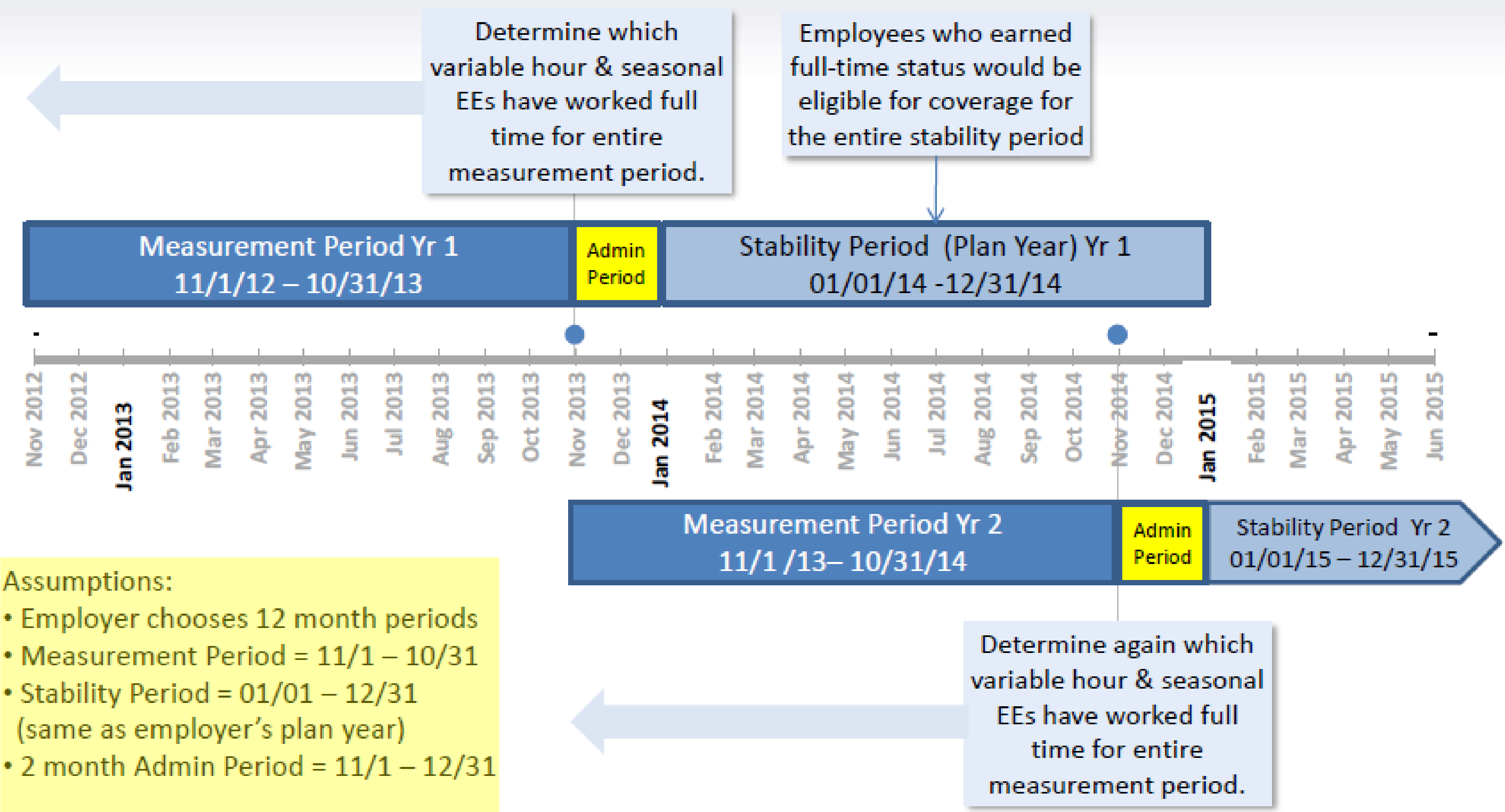
Coming in 2015

Full-Time Employee:

Someone who averages 30 or more per week .

- 130 hrs per month equivalent to 30 hrs per week
- Employers have option to use a "look-back" measurement period to determine full-time status for benefits purposes.
- This FTE definition is for purpose of ACA health insurance requirements only and does not change an employer's definition of full-time for other purposes: Retirement plans, wage and hour rules, etc.

Look-Back Period



Assumptions:
- Employer chooses 12 month periods
- Measurement Period = 11/1 – 10/31
- Stability Period = 01/01 – 12/31 (same as employer's plan year)
- 2 month Admin Period = 11/1 – 12/31

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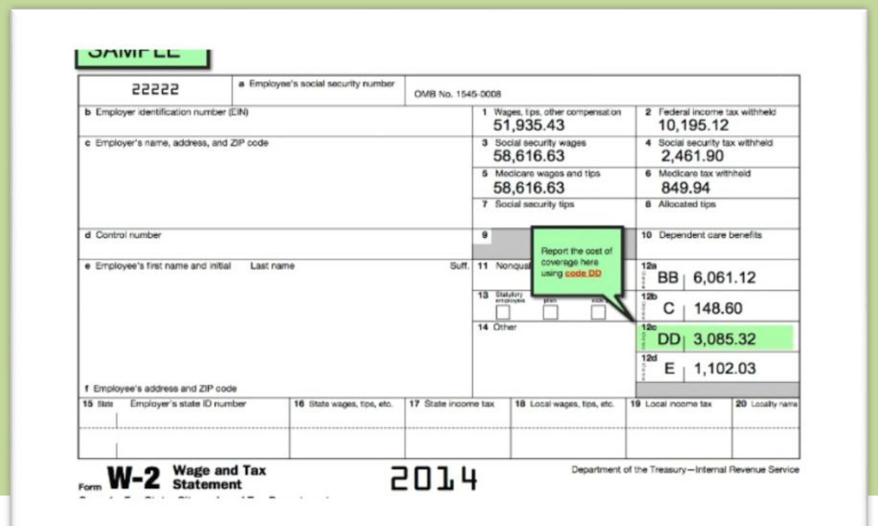
Allowances for Season workers

If an employer exceeds 100 full-time employees and equivalents for 4 or fewer months (each month does not need to be consecutive) and the only reason they exceeded that total was due to the employment of seasonal staff, then the employer is NOT a large employer.

Affordability

Cost of single coverage in the least expensive plan providing minimum essential coverage cannot exceed 9.5% of…

- Box 1 W-2 wages
- Employee's Rate x 130 hours per month
- Federal Poverty Level (Single)



22222
a Employee's social security number
OMB No. 1545-0008
b Employer identification number (EIN)
1 Wages, tips, other compensation 51,935.43
2 Federal income tax withheld 10,195.12
c Employer's name, address, and ZIP code
3 Social security wages 58,616.63
4 Social security tax withheld 2,461.90
5 Medicare wages and tips 58,616.63
6 Medicare tax withheld 849.94
7 Social security tips
8 Allocated tips
d Control number
9
10 Dependent care benefits
e Employee's first name and initial Last name Suff.
11 Nonqual
Report the cost of coverage here using code DD
12a BB 6,061.12
13 Statutory employee
12b C 148.60
14 Other
12c DD 3,085.32
12d E 1,102.03
f Employee's address and ZIP code
15 State Employer's state ID number
16 State wages, tips, etc.
17 State income tax
18 Local wages, tips, etc.
19 Local income tax
20 Locality name
Form W-2 Wage and Tax Statement
2014
Department of the Treasury—Internal Revenue Service

Minimum Value

A plan is considered being of minimum value if it covers at least 60% of the total allowed cost of benefits provided (including co-pays and deductibles).

- "Appropriate portion" of HRA and HSA amounts can be counted in calculating whether plan provides minimum value—awaiting further guidance.
- *The Department of Health and Human Services (HHS) has released a minimum value calculator to assist employers in determining their actuarial plan value:*

[www.cms.gov/.../mv-**calculator**-final-4-1.2013.xlsm](www.cms.gov/.../mv-calculator-final-4-1.2013.xlsm)

Employer Mandate – Penalties

Coming in 2015

Triggers (same for both scenarios):
One employee receives a subsidy with Exchange plan

1 Employer plan not offered to "substantially all" full-time employees

PENALTY

$2000 per employee
minus first 30 employees

2 Employer plan "unaffordable" and/or not "minimum value"

PENALTY

LESSER OF:

$2000 per employee
minus first 30 employees

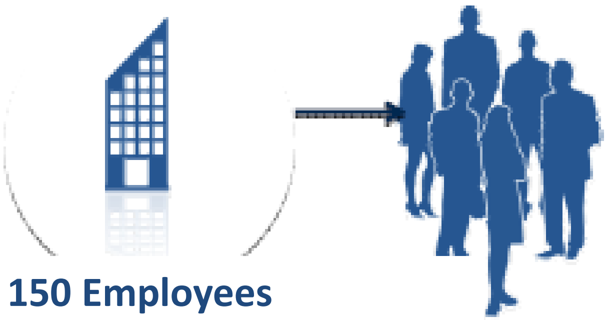
OR

$3000 for each employee certified for premium assistance

Penalty Example

EMPLOYER PENALTIES EXAMPLE 2

Coming in 2015



150 Employees
30 receive subsidy
coverage is unaffordable

Trigger
1 employee receives a subsidy

Penalty
Will be the lesser cost of:
- $2,000 / employee, minus the first 30; or
- $3,000 / employee who receives a subsidy

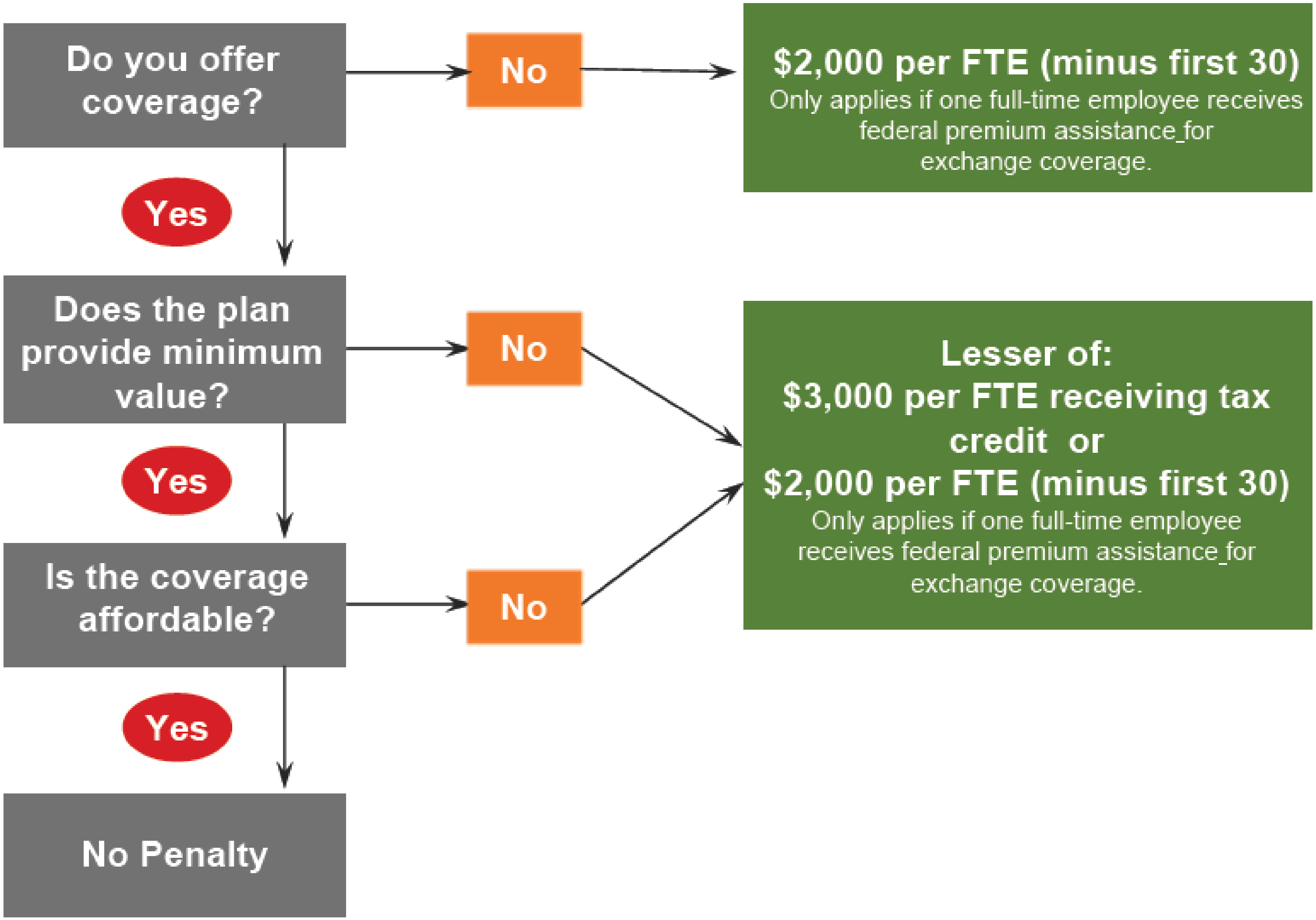
Penalty is the lesser of:

120 X **$2,000** = **$240,000**
150-30 employees — per employee

OR

30 X **$3,000** = **$90,000**
employees receiving subsidy — per employee

Employer Mandate Penalty Review



Employer Mandate Considerations

Planning for employer mandate:
Use the delay to GET AHEAD of the timeline

- Workforce management strategies with respect to 30 hour FT rules
- Evaluate plan cost and design: Affordable and Qualified?
- How many plans can I offer?
- Determine most cost effective strategies under new rules
- Consider tax consequences
- How am I going to communicate all of this to my employees, those eligible and non-eligible?

Employee Engagement & Communication

Communication and Engagement

Communication and Engagement

Communication

Educate Employees

Remain in Compliance

Promote Initiatives

Engagement

Benefits are a top line item for most organizations

Ensure employees:

- Understand the value of benefits
- Are enrolled in plans that meet their individual needs
- Are aware of benefit options

Promote self-service for benefit questions

Notice of Marketplace Options

Who gets the Notice

All Employees must be provided with Notice of Coverage Options.

- Full-Time
- Part-time

Employers do not need to provide separate notice to spouses, dependents, or others that may be eligible to receive coverage under the plan.

Deadline

- New employees hired after October 1, 2013 must be given the notice within 14 days of their date of hire.

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Summary of Benefits and Coverage

Applies to all group medical plans

Uniform design, language, and format:

- 4 pages, double-sided, 12 point font
- Includes a glossary of standard insurance terms
- Coverage examples describing a sample treatment plan for a medical condition (maternity care and managing diabetes) and the cost sharing provisions for that plan.
- Distributed via paper or **electronically**

Must be distributed to all **benefit eligible** employees at open enrollment

Communication and Engagement

The top ten communication tactics from employees who are engaged in benefits:

1. Post-enrollment confirmation of benefits elections — 58%
2. Personalized messages and materials reflecting individual needs and/or life stages — 53%
3. Employer benefits website — 53%
4. Enrollment opportunites throughout the year — 50%
5. One-on-one meetings — 49%
6. Online decision-support tools (calculators, FAQs, etc.) — 48%
7. Suggested benefit actions and options in response to a life event (new baby, new address, etc.) — 43%
8. Group meetings — 42%
9. Ongoing education about benefits after enrollment — 40%
10. Benefits fairs — 38%

Voluntary Benefits

Why Add Voluntary Insurance

- To help recruit and retain employees
- A wide array of benefits gives employees more control and more options
- Employees see advertising for certain benefits, get curious and inquire about them
- Supplemental insurance may improve employee morale
- Employees can receive tax benefits from it
- It can be offered with no additional costs for the employer

Why Employees Want Voluntary Insurance

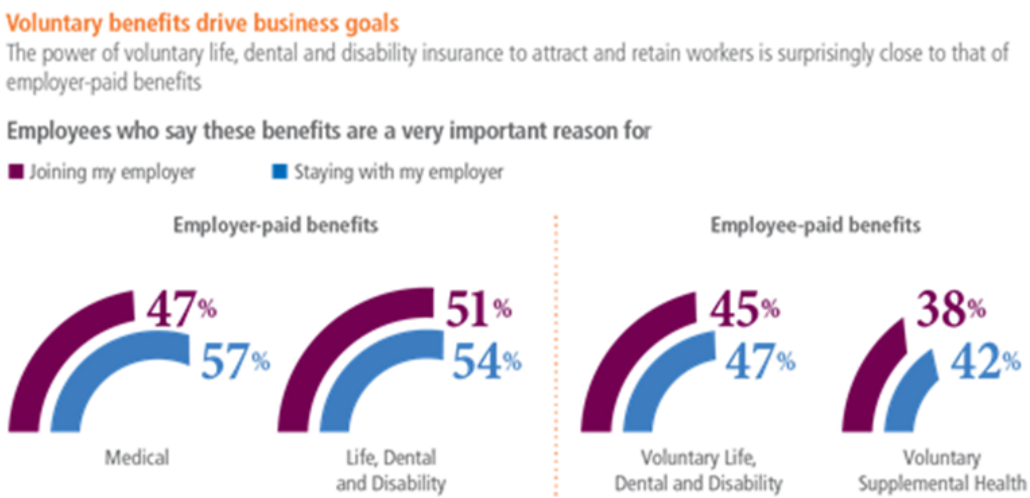
- Choices are important to employees due to the diversity of their needs; they are willing to pay more for choice.
- Employees often prefer to receive benefits through their employers; seeking out agents is less common than it once was.
- Many employees like having a face-to-face opportunity to have their questions answered immediately; open enrollment meetings provide this opportunity.

Top Voluntary Benefits

Top Voluntary Benefits

Don't undervalue Voluntary Benefits'* role in driving business goals.

- When employees are **satisfied with a range of employee benefits** offered they are nearly **TWICE as loyal** as those not satisfied.
- **65%** of employees say **Group Voluntary Life, Dental and Disability** benefits are important reasons for **staying** with their employer – and **62%** say they are important reasons for **joining** their employer.
- At the same time, **51%** of employees say they are **willing to bear more of their benefits costs** in order to have a choice of products that meet their needs.



* Voluntary benefits are benefits that employees may choose to purchase and pay all or a portion of the premium costs.

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Top Voluntary Benefits

Don't get stuck on the status quo.

- **62%** of employees are interested in having their employer provide a **wider array of voluntary benefits**.
- **77%** of employees value **benefits geared to individual circumstances**.
- Based on their needs, **employees** say they're **interested in their employers offering access** to the following voluntary benefits:

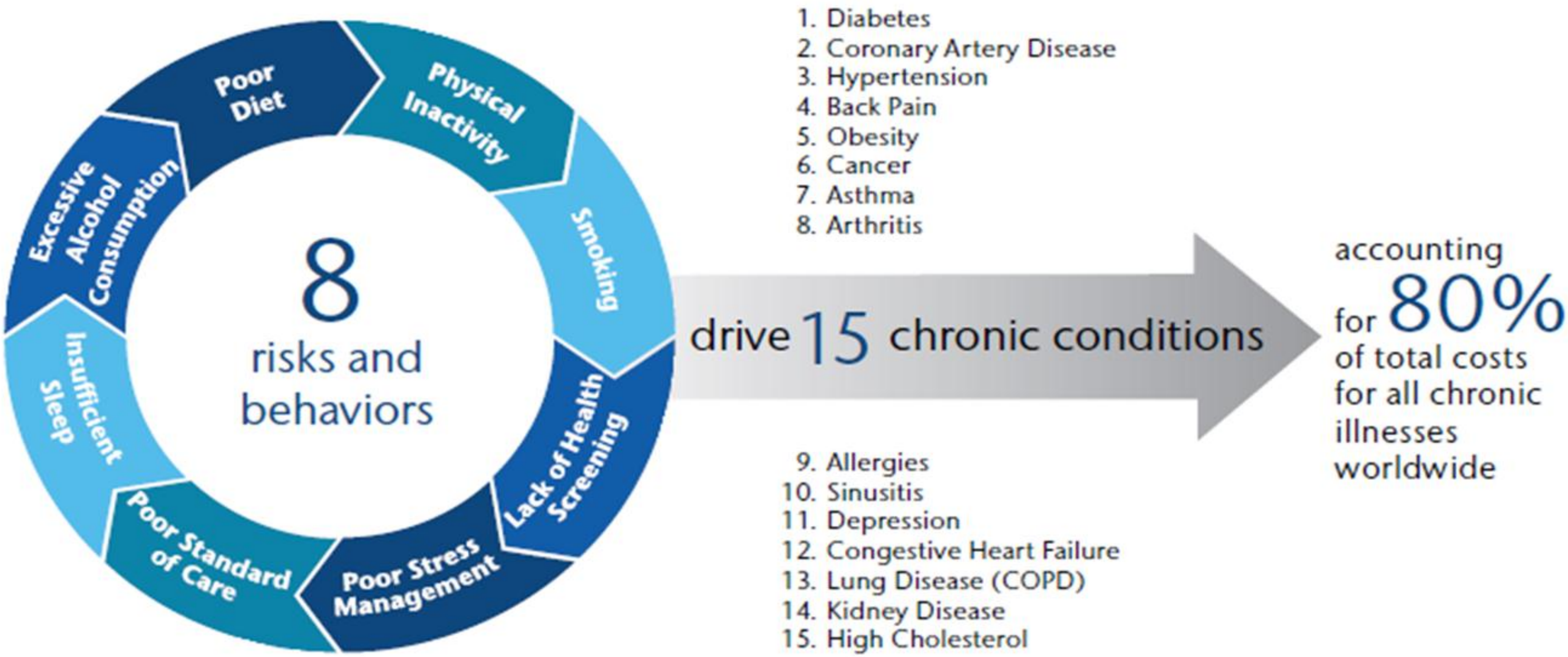
76% Dental Insurance	**56%** Accident Insurance
75% Prescription Drugs Discounts	**53%** Critical Illness Insurance
72% Vision Insurance	**53%** Hospital Indemnity Insurance

Employee Paid Benefits

1. Compliments existing benefits package
2. 100% Employee Paid
3. Tax advantages- save on FUTA and FICA
4. Improve employee satisfaction
5. Use as a communication platform

Proactive Wellness

Why Wellness?



Risks lead to expensive chronic diseases & issues that impact productivity, absenteeism, safety, morale

Why Wellness?

A simple equation:

Fewer Claims = Lower Health care costs.
Healthier Employees = Fewer Claims.

Healthier employees: We can help you achieve greater health and productivity in your workforce with a culture of health-consciousness and benefits satisfaction.

+

Higher levels of engagement: We can help you engage each of your employees, regardless of where they fall on the health care continuum.

+

Innovative, member-centered solutions: We can help your employees manage existing conditions and provide them with all the tools necessary to improve their health and reduce claims costs.

= ____

Lifelong health, lower medical costs, and higher productivity for your organization

Identify → Manage → Improve

Objectives of Wellness

Promote Healthy Lifestyles by Targeting Risks Associated with:

- Poor nutrition
- Excessive stress
- Other unhealthy habits
- Tobacco use
- Lack of physical activity

Wellness and ACA

ACA increases the maximum reward that can be provided under HIPAA's health factor–based wellness program from 20 to **30 percent**.

The reward under such a program can be up to 30 percent of the cost of employee coverage for all wellness programs or up to **50 percent** of cost of coverage if deemed appropriate for smoking cessation.

Wellness incentives do not count towards affordability.

Wellness Programs

Health Screenings:
- Blood pressure
- Breast cancer
- Skin cancer
- Diabetes
- Cholesterol

Disease Management Programs
- Back pain
- Asthma
- Diabetes
- Depression
- Cancer
- Obesity
- Hypertension

Physical Activities:
- On-site fitness center or exercise room
- Walking and/or running club
- Bike rack on premises
- Mind/body classes (yoga, tai chi)
- Team sports (volleyball, basketball, softball)
- Host an exercise equipment swap

Lifestyle Change or Behavior Change Programs
- Tobacco cessation
- Weight management
- Substance abuse
- Physical activity
- Stress management

Alternative Funding

Runaway Price Increases

Healthcare costs for have doubled since 2003

This is what groceries would cost today if their prices had increased at the same rate as health care costs have since the 1930s:

Understanding the options is crucial

Maintaining a competitive benefits package at the lowest cost requires employers to investigate every possible alternative to funding their benefits.

Effective methods include:

- Self-funding options
- Employee Benefits Captive
- Implementing a Health Reimbursement Account (HRA) strategy
- Offering a Health Savings Account (HSA) compatible plan
- Considering a defined contribution model

Types of Funding

Administrative Services Only (ASO)	Partial Self Funding	Fully insured Funding
• Employer is responsible for all claims incurred	• Employer shares in claims risk	• Insurance carrier assumes claims risk
• Claims cost are based on actual claims incurred by plan members	• Claims cost are based on actual claims incurred by plan members	• Claims cost do not fluctuate based on actual claims incurred by plan members
• Employer pays the insurance carrier a fixed fee to administer its claims	• Premium includes insurance (Specific and Aggregate Stop Loss) and administrative costs	• Fixed premium include reserves, fixed costs, claims and administrative fees

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Advantages of Self-Funding

Risk Retention

- Employer enjoys saving if the plan's claims are lower than expected

Claims Reporting

- Know what you are paying for
- Target specific areas of cost with wellness program

Flexibility

- Plan Design
- Not subject to all ACA provisions

ACA

- Avoid **Health Insurer Fee** which is only due for full-insured plans. Equates to 2%-5% of premium

Captive Cost Model

Objective:

Reduce spending on the three primary components of a self-funded plan

Self-Insured Claims

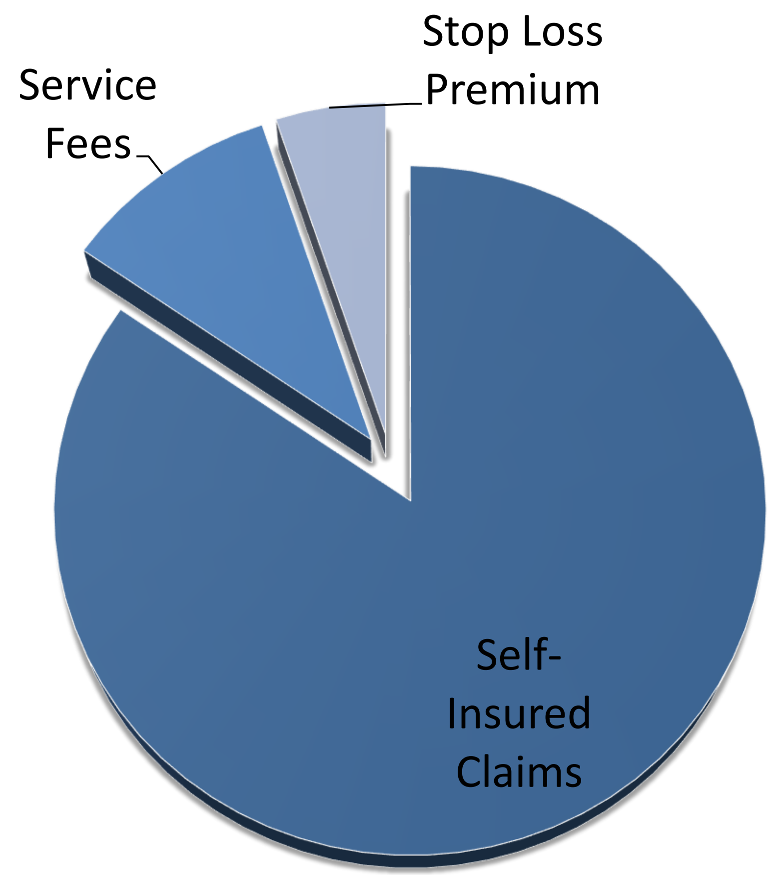
- Population management will reduce costs through implementation of disease management and wellness programs, financial incentives, etc.

Service Fees

- Group size will reduce per-unit costs and leverage negotiations with service providers and vendors

Stop loss Premium

- Larger retention in captive will reduce need for stop loss; any margins will be returned to members



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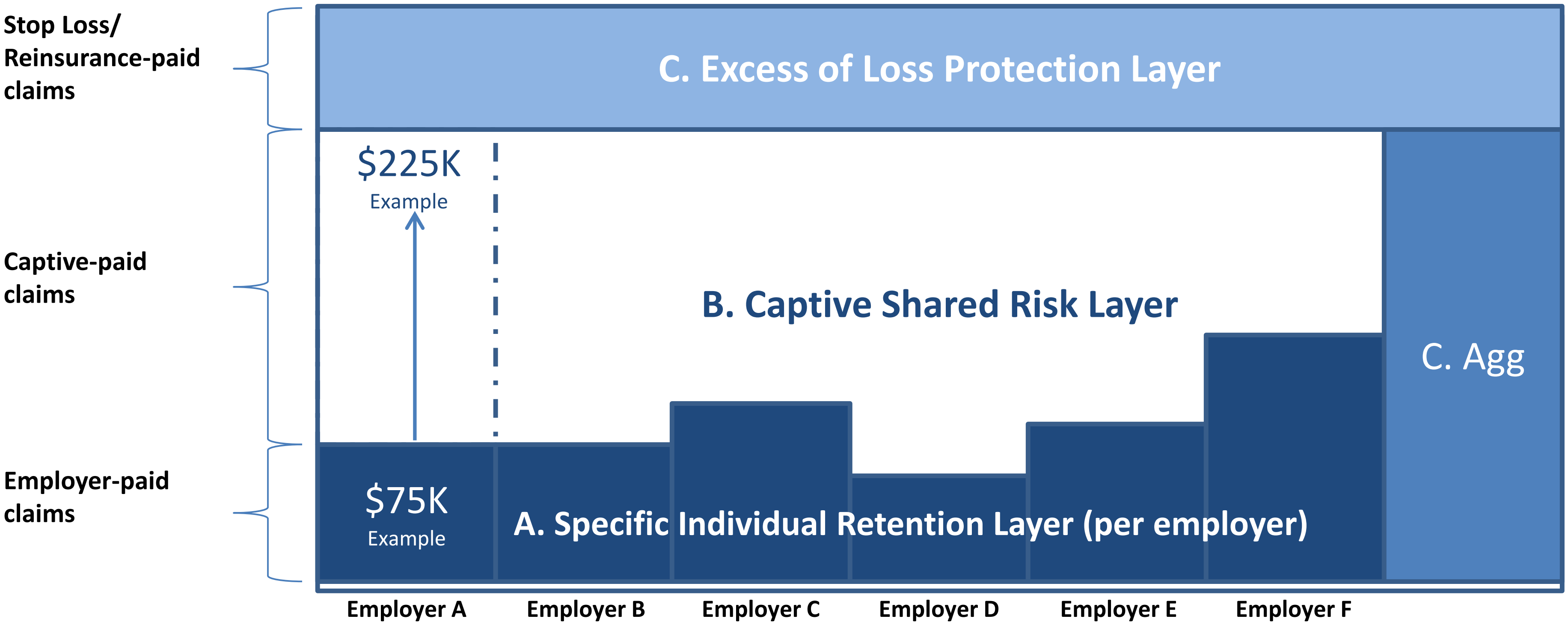
Captive Cost Model

- Each employer pays premium to the captive for their stop loss policy
- Example: Captive insures the layer between $75,000 per individual and $225,000 (B)
- Insurance Company limits the captive's exposure with excess-of-loss and aggregate reinsurance (C)
- Unused captive funds are returned to the employers or held for Capitalization



HSA Plans

What is HSA? – Good fit with highly engaged employees

HSA stands for Health Savings Account.

- It is funded by individuals using pre-tax income.
- available to those who are enrolled in high-deductible health plans.
- Distribution of funds from an HSA is not taxed if used for medical expenses.
- Funds are owned by the individual, are carried over from year to year.

HSAs Can Create a Healthier, More Healthcare Savvy Workplace Population.

HDHPs cost less, not only because of their higher deductible (hence lower premiums), but also because HDHPs and HSAs tend to change employee behaviors. According to a recent study, employees with an HSA were more value-conscious and were:

- 50% more likely to ask about costs
- 30% more likely to get an annual exam
- 25% more likely to engage in healthy behaviors
- 20% more likely to comply with treatment regimens and
- Three times more likely to choose a less expensive healthcare option.

HRA Plans

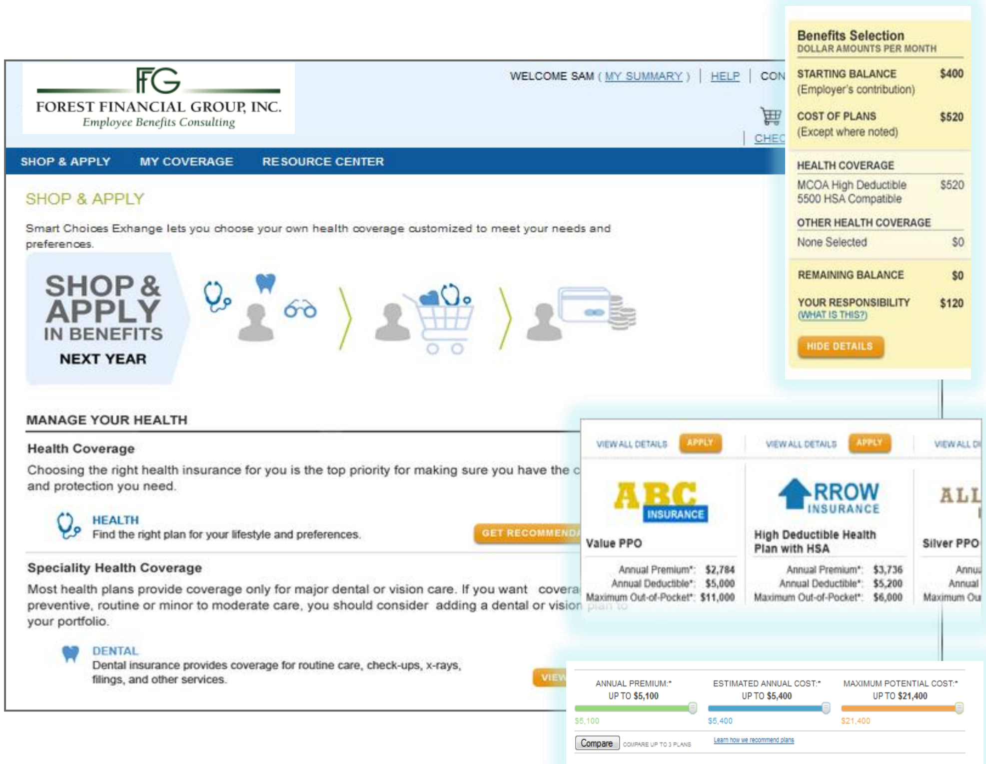
What is HRA? – Good fit with benefit rich organizations
HRA stands for Health Reimbursement Arrangement. In an HRA, the employer or health plan (not the individual member) contributes "credits" to the account.

Credits accumulated in the account are not considered taxable income for the member and are available for medical expenses. Like an HSA, funds (credits) roll over from year to year but are not owned by the individual and are forfeited when she changes plans or employers.

An HRA allows employers to:

- **Purchase Less Insurance from the carrier**
- **Know your "worst case scenario"**
- **NOT decrease coverage level of employee benefit plans**

Defined Contribution Approach



A solution for <u>all</u> your employees

Eligible Employees

Eligible Employees can choose from a menu of plan choices and shop with their employer contribution for a plan that meets their individual needs.

Non-Eligible Employees

Employees that are not benefit-eligible will receive direction to apply for a federal or state subsidy and link to enrollment in the appropriate exchange based on location.

Summary

Employers need to take advantage of the opportunities presented by the marketplace to achieve their corporate goals, maintain quality benefits, and remain in compliance.

2014 will challenge employers to leverage their broker and carrier partners to address the changes ahead.

- ***ACA Compliance***
- ***Communication and Engagement***
- ***Voluntary Benefits***
- ***Proactive Wellness***
- ***Alternative Funding Strategies***

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▶ Cost Containment ▶ HR Support ▶ Compliance ▶ Wellness ▶ Analytics

QUESTIONS?

Leanna Sandner
Regional Vice President
lms@ffginc.com
303-888-0832