5 Employee Benefits Trends to Help Navigate Health Care Reform

Presented by:
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Vice President of Sales
Forest Financial Group, Inc.
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.
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
- Merge Healthcare
- Town of Merriam
- Tampa Bay Water
- Petri Leasing
- White Oak
- Senior Operations LLC
- The Paulson Institute
- MCHC Metropolitan Chicago Healthcare Council
- BDT Capital Partners
- Land O’Frost
- Elgin Metropolitan Chicago Healthcare Council
- North Community Bank
- Community Hospital of the Monterey Peninsula
- Covenant
- Intertape Polymer Group
- CHICAGO SUN-TIMES
- Grant Thornton
- Manufacturing, Banking, Professional Services, Hospitality, Education, Associations, Healthcare...
- Public, Private, Not-for Profit, Institutions, Individuals...
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

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<tr>
<th>2013 ACA Checklist Item</th>
<th>2014 ACA Checklist Item</th>
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<td>Limit FSA contributions to $2,500 per year</td>
<td>Essential Health Benefits (EHB)</td>
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<td>W-2 Reporting for 2012 Tax Year</td>
<td>Medicare Tax</td>
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<td>Women's Preventive Health</td>
<td>W-2 Reporting for 2013 Tax Year</td>
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<tr>
<td>Summary of Benefits and Coverage (SBC)</td>
<td>Women's Preventive Health</td>
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<td>New Medicare Tax</td>
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<td>Employee Notice of the Exchange</td>
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<td>Coverage of Clinical Trials</td>
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<td>Increased Threshold for Medical Expense Deductions</td>
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<td>Dependent to Age 26</td>
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<td>Employer Wellness Program</td>
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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…”
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.
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.

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
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)

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
Employer Mandate – Penalties

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

Coming in 2015
EMPLOYER PENALTIES EXAMPLE 2

150 Employees
30 receive subsidy
coverage is unaffordable

Penalty is the lesser of:

120 × $2,000 = $240,000
150-30 employees per employee

30 × $3,000 = $90,000
employees receiving subsidy per employee

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

Coming in 2015
Employer Mandate Penalty Review

**Do you offer coverage?**
- Yes
- No → $2,000 per FTE (minus first 30)
  Only applies if one full-time employee receives federal premium assistance for exchange coverage.

**Does the plan provide minimum value?**
- Yes
- No → Lesser of:
  - $3,000 per FTE receiving tax credit
  - $2,000 per FTE (minus first 30)
  Only applies if one full-time employee receives federal premium assistance for exchange coverage.

**Is the coverage affordable?**
- Yes
- No

**No Penalty**
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**
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
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.
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
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 opportunities 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.
Voluntary benefits influence employee satisfaction

Employee satisfaction rate:

- 82% when offered voluntary benefits at work
- 52% no voluntary benefits at work

Source: Unham Buyers Study 2011
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 drive business goals
The power of voluntary life, dental and disability insurance to attract and retain workers is surprisingly close to that of employer-paid benefits

Employees who say these benefits are a very important reason for

- Joining my employer
- Staying with my employer

Employer-paid benefits
- Medical: 47% vs 57%
- Life, Dental and Disability: 51% vs 54%

Employee-paid benefits
- Voluntary Life, Dental and Disability: 45% vs 47%
- Voluntary Supplemental Health: 38% vs 42%

* Voluntary benefits are benefits that employees may choose to purchase and pay all or a portion of the premium costs.
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
- 75% Prescription Drugs Discounts
- 72% Vision Insurance
- 56% Accident Insurance
- 53% Critical Illness 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
Risks lead to expensive chronic diseases & issues that impact productivity, absenteeism, safety, morale
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
Promote Healthy Lifestyles by Targeting Risks Associated with:

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

- Apples: $6.99/pound
- Bananas: $9.17/pound
- Coffee: $36.67/pound
- Eggs: $45.83/dozen
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

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

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