Employee Benefits Report

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Bosses' Top Concern is the Employer Mandate

It's one of the top issues for employers this year. As President Donald Trump begins his term, an Aon survey found nearly half of employers view the employer mandate as the top healthcare concern of 2017.

A recent Aon survey found 48 percent of employers say the employer mandate is their primary healthcare concern this year. As President Donald Trump begins the debate with Congress over the nation's healthcare system, employers will be watching to see what happens to the employer mandate.

"Not surprisingly, there is heightened interest in the fate of the employer mandate, which currently places significant reporting obligations on employers, including how they report coverage, track service, and determine value and affordability," J.D. Piro, national practice leader of Aon's health and

continued on next page

Most Workers Get a 'C' in Employee Benefits IQ Quiz

At a time of unprecedented change in employee benefits programs, 51 percent of working Americans earned a grade of "C" or below in a true-false quiz measuring their understanding of workplace benefits.

Guardian's "Closing the Gap" survey found that while 80 percent of working Americans believe they understand their benefits very well, only 49 percent demonstrate they actually do.

The results revealed employees are better informed about medical insurance than supplemental health benefits, such as critical illness (57 percent didn't realize they could apply their benefit to a wide range of out-of-pocket costs) along with disability insurance (46 percent didn't understand that an elimination period is the time from the onset of disability until benefits begin.)

continued on next page

benefits legal practice, said in a statement. "But it's important to realize that in the short term, these mandates—and the Affordable Care Act (ACA) reporting obligations and penalties—remain in effect."

The employer mandate, as part of the ACA, requires that businesses with 50 or more full-time equivalent employees offer health insurance to at least 95 percent of their full-time employees and dependents up to age 26, or pay a penalty. If the employer does not offer specific coverage that meets minimum value and is "affordable," the employer will get more penalties if any full-time employee goes to the health insurance Marketplace and gets a premium tax credit.

The First 100 Days

The increased interest in the employer mandate stems from speculation over what Trump will do to repeal and replace Obamacare. At the time this issue was published, Trump had offered few details about the changes he'd like to make regarding Obamacare, but he has indicated that he wants to stay flexible and would like to retain provisions covering people with pre-existing conditions.

The employer mandate places significant reporting and disclosure obligations on employers, and they want to know whether it will be dropped, expanded or modified. Employers want to know how they report coverage, track service and determine value and affordability.

"(The employer mandate was) something employers had to get up to speed on and learn how to administer in a very short period of time," Piro told *Employee Benefits News*. "It was so complex that it was delayed for a year. It's not yet part of the framework, and people are still addressing how to comply with it."

In early January, Trump promised to offer a plan to repeal and replace the Affordable Care Act "essentially simultaneously." As this issue went into publication, Senate Republicans had just passed a budget resolution that would allow the repeal of the Affordable Care Act during the budget reconciliation process with only 51 votes in the Senate, without threat of a Democratic filibuster.

The Future of Obamacare

In an article for the Henry J. Kaiser Family Foundation, Drew Altman wrote that it's hard to predict how the debate over Obamacare will play out, but he believes it's likely that plans to repeal and replace Obamacare, convert Medicaid to a "block grant" program and transform Medicare into a premium support program will be whittled down or delayed as details of proposed changes, along with their consequences, become part of the debate.

"Republicans and the president-elect are on the hook for election promises to repeal the ACA or major parts of the law," Altman wrote. "If the GOP repeals the ACA but delays a replacement plan…the degree of political fallout is likely to depend a great deal on what happens in the non-group insurance market. (This includes people who buy their own coverage on the ACA exchanges and outside of them, all of whom are subject to the same premium increases.)

"If Republicans cannot make deals with insurers to keep the non-group market functioning for the roughly 19 million people who rely on it and the market becomes unstable or collapses, public reaction could affect the entire GOP health-care agenda. The chances of this happening stand to grow if Republicans move quickly to eliminate major provisions of Obamacare that directly affect marketplace stability, such as the individual mandate."

The report found most employers want to improve these grades. Among businesses surveyed, "helping employees make better benefit decisions" was the second most important benefits strategy behind "making plan design changes to reduce costs."

"Today, working Americans want greater access to insurance benefits via the workplace," Dave Mahder, a Guardian vice president, said in a statement. "An effective benefits enrollment experience adds significant value for working Americans, as well as their employers."

Other Aon Findings

The survey by Aon involved more than 800 employers. It was taken about a week after the 2016 presidential election and revealed other top areas of concern for employers, including:

- Prescription drug costs—17 percent
- Excise tax ("Cadillac tax")—15 percent
- Tax exclusion limitations on employer-sponsored health care—10 percent
- Paid leave laws—8 percent
- Employee wellness programs—2 percent

"While details remain to be seen regarding policy proposals to address prescription drug pricing, this is an area that employers will keep a close eye on as drug costs continue to increase," Piro said. "Employers will also be tracking the future fate of the excise tax to see how the 115th Congress handles this important matter."

For more information on employee medical benefits, please contact us. ■

3 Tips to Expand Voluntary Benefits and Save Money

At a time when employers are trying to solve talent gaps while juggling tight budgets, the popularity of voluntary benefits continues to gain traction—with voluntary benefits' sales increasing for the fifth straight year, according to LIMRA.

Voluntary life insurance sales grew 8 percent and supplemental health insurance sales grew 4 percent in 2015, according to LIMRA's U.S. Worksite Sales survey.

This is the largest increase in voluntary life insurance sales since 2010. The fastest-growing voluntary health lines were critical illness and accident insurance, both of which have experienced double-digit growth for five consecutive years. Two-thirds of the companies that participated in the survey reported overall increases in voluntary sales, with half up 12 percent or more.

Experts attributed these increases to rising employment growth, a belief among employers that voluntary benefits improve worker morale and satisfaction, the fact that most employees prefer to buy health and life insurance benefits at work, a preference among employees to want to purchase benefits via payroll deduction and a long-term trend of employers shifting more benefits costs to employees.

"The employees are recognizing that and are purchasing products like accident and critical illness insurance to close that gap and protect against potential out-of-pocket exposure," Randy Stram, the senior vice president of the group benefits business for MetLife, told *Employee Benefits Adviser*.

73 Percent of Workers like Custom Benefits

Meanwhile, another new LIMRA study found 73 percent of U.S. employees across all age groups would like the ability to customize their workplace benefits to suit their individual needs.

"Consistently, our surveys have shown recruiting and retaining the best employees is a top priority for employers," Michael Ericson, a LIMRA Secure Retirement Institute analyst, said in a statement. "With four generations in the workplace, designing an attractive benefits package for all employees is challenging. As a result, employers are considering offering their employees the ability to control how they allocate their allotted money across their benefits."

The growing popularity of voluntary benefits comes as many companies are discovering that voluntary products are a great way for businesses to drive employee satisfaction without increasing costs. These products can help expand employee benefit offerings while moving the costs away from the employer. And with cost-sharing becoming the standard, so is the expectation of more choices among employees at enrollment time.

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3 Tips for Offering Voluntary Benefits

MetLife's recent U.S. Employee Benefit Trends Study found the right number and mix of benefits can increase worker appreciation, especially when paired with effective communication and education.

Here are three tips on how to inspire employees to perceive the value of a voluntary benefit offering by making the connection between their needs and the solution provided by the benefit:

1. Offer a broad array of products to enable individuals to identify "benefits that work for me." Millennials are paying off student debt and beginning their careers, while baby boomers are nearing retirement. Generation X is under pressure to support school-aged children and care for older parents while saving money for their future.
2. Show how well you know your employees. Giving workers the option to pick and choose benefits that match their needs and lifestyles can make them feel valued.
3. Select voluntary benefits based on value, not price. It's important not to just focus on the product cost, but also value-adds in the service experience. It is important for employers to work with a provider that can offer multiple enrollment channels, flexible communications, and outstanding customer service to improve the ongoing benefit experience.

For more information on voluntary benefits, please contact us.

Government Cracks Down on Parity of Coverage Violators

Prior to leaving the White House, the Obama administration increased enforcement of laws requiring parity of coverage for mental health and substance abuse benefits.

In a White House task force report, officials said insurers need to make sure that insurance coverage for treatment for mental health and substance abuse disorders are comparable to—or at parity with—other conditions such as cancer and heart disease.

"Broadly, parity laws and regulations aim to eliminate restrictions health plans place on mental health and substance abuse coverage—like annual visit limits, higher copayments, separate deductibles for mental health and substance abuse disorders, and rules on how care is managed (such as pre-authorizations of medical necessity reviews)—if comparable restrictions are not placed on medical and surgical benefits," the authors wrote in the report.

While federal laws and rules requiring mental health parity have been adopted over the last two decades, the task force found compliance has been lagging. The task force called for more audits of health plans and warned insurers against placing stricter requirements on mental

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health and substance abuse services than on other types of medical care. Over the last five years, the Labor Department has conducted more than 1,500 investigations of potential parity violations and issued 171 citations for noncompliance by employer-sponsored health plans.

Most employer-based health plans, but not all, must offer parity in their coverage of mental health and substance use services. These include private employer plans with 51 or more workers and smaller employers that started offering benefits or made major changes to their health benefits after the Affordable Care Act went into effect in 2010.

The report comes amid a continuing public health crisis of untreated mental and substance abuse disorders in the United States. In 2015, one out of every five adults in America met the criteria for a mental illness or substance use disorder and only 39 percent of them received services, according to the Substance Abuse and Mental Health Services Administration.

"Half of us will be diagnosed with a mental illness during our lifetime," Paul Gionfriddo, president and CEO of Mental Health America, said in a statement. "Mental illnesses are as costly as cancers, and serious mental illnesses reduce life expectancy by more than twenty-five years. 57 percent of adults with mental illnesses say that they do not have access to mental health care. Mental illnesses are diseases of childhood, with half emerging by the age of fourteen. But only one child in every twenty-eight with a mental health condition receives compensatory education services to help them succeed in school despite that condition."

The task force report preceded U.S. Senate passage of the first major mental health legislation in a decade—the 21st Century Cures Act. Former President Obama signed it into law before he left office. The bill strengthens laws mandating parity for mental and physical health care.

"The 21st Century Cures Act marks a giant step forward in fixing our broken mental health system," U.S. Sen. Bill Cassidy, R-La., said in a statement. "It institutes comprehensive mental health care reform and makes resources available to the millions that have been previously denied treatment due to a lack of access."

The bill requires federal agencies to report on enforcement actions related to the mental health parity law and establishes an enforcement "action plan" informed by key stakeholders. It also requires the government to audit a health plan if it is found to have violated existing mental health parity laws.

"For too long, our behavioral health policy has been mired in post-crisis, deep-end, stage four thinking," Gionfriddo said. "We have spent far too much time and far too many resources dealing with mental illnesses in courtrooms, jails and prisons, maintaining a 21st century revolving door for routine hospitalization, frequent incarceration, and chronic homelessness. Meanwhile, we have spent far too little time investing in prevention, early identification and intervention, and integrated health and behavioral services that promote recovery and change the trajectories of lives for the better."

For more information on parity of coverage laws, please contact us.

more on next page

Balances in Health Savings Accounts Grow by a Third

Balances in Health Savings Accounts grew by more than a third in 2015, according to a new report by the Employee Benefit Research Institute.

At the end of 2015, the average HSA balance was $1,844, up from $1,332 at the beginning of the year. Average account balances increased with the age of the owner of the account. Account balances averaged $759 for owners under age 25 and $3,623 for owners ages 65 and older.

"Nearly 30 percent of employers offered an HSA-eligible health plan in 2015, and that percentage is expected to increase in the future both as a health plan option and as the only health plan option," Paul Fronstin, director of EBRI's Health Education and Research Program and author of the study, said in a statement.

A health savings account is a tax-exempt trust or custodial account that is funded with contributions and assets that an individual can use to pay for health care expenses. Individuals can contribute to an HSA only if they are enrolled in an HSA-eligible health plan. Contributions to the account are deductible from taxable income, an employer's contributions to the account are excludable from the employee's gross income, and distributions for qualified medical expenses from the HSA are excluded from taxable income to the employee. Tax-free distributions are also allowed for certain premium payments. Any interest or other capital earnings on assets in the account build up tax free.

The authors found enrollment in HSA-eligible health plans is now estimated to be between 20-22 million policyholders and their dependents.

The report found more than four in five HSAs (85 percent) were opened since the beginning of 2011. About 3 percent of HSAs had invested assets beyond cash. A total of 36 percent of HSAs with invested assets ended 2015 with a balance of $10,000 or more, whereas only 4 percent of HSAs without invested assets had such a balance.

Among HSAs with investments, accounts opened in 2015 ended the year with an average balance of $4,907 whereas those opened in 2005 had an average balance of $27,903 at the end of 2015. ■

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