



The Transformation of Employee Benefits: Trends, Tips & Traps

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ACA – Affordable Care Act

ALE – Applicable Large Employer (50+ FTEs)

EE – Employee

ER – Employer

FTE – Full Time Equivalent (30+ hrs. per week)

HHS – Health and Human Services a division of

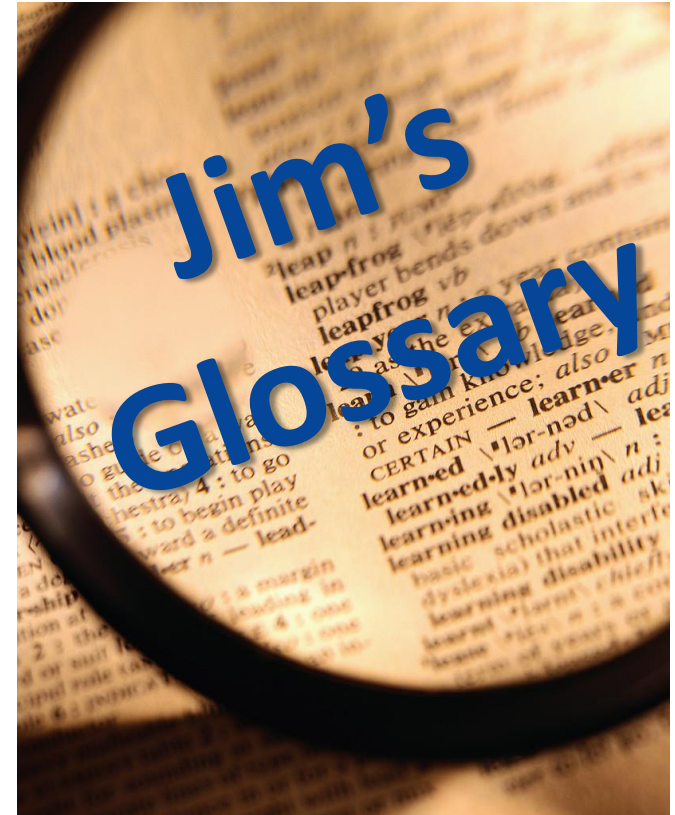
CMS – Center for Medicare & Medicaid Services

MV – Minimum Value requirements

OE – Open Enrollment

SG – Small Group Employer (<50 FTEs)

SHOP – Small Business Health Options Program



Have We
Gone Too
Far?

Have We
Not Gone
Far Enough?

TRENDS

- Federal/State Marketplace
- Federal/State SHOP Marketplace
- Private Exchanges
- Defined Contribution Model
- Subsidized Premium Model
- Spousal Surcharges for Available Coverage
- Eliminate Spousal Coverage
- Medical Opt Out Benefit
- Health Reimbursement Arrangements (HRA)
- Health Savings Accounts (HSA)
- Flexible Spending Accounts (FSA)



Federal/State Marketplace

TRICKS/ADVANTAGES

- ☐ Rates are based on only 3 criterion
 - ☐ County of residence
 - ☐ Tobacco Usage
 - ☐ Age
- ☐ Rate can be subsidized by tax credit for household income <400% of the federal poverty level
- ☐ Deductibles & OOP expenses can be subsidized for household income < 250% of the federal poverty level
- ☐ Advantage to younger people

TRAPS

- ☐ Tax credit and subsidies are not available to persons with coverage that meets the ACA affordability and minimum value (MV) tests
- ☐ ALEs will be penalized is employee if approved for tax credit/subsidies because of any or all of the following:
 - ☐ ER plan not affordable
 - ☐ ER plan does not meet MV
 - ☐ ER does not offer coverage

SHOP Marketplace

TRICKS/ADVANTAGES

- ☐ Major benefit of SHOP is for small employers that would qualify for tax credit.
 - ☐ Fewer than 25 FTEs
 - ☐ Average salaries below \$50k
- ☐ Eligible employers could qualify to a tax credit up to 50% of their premiums

TRAPS

- ☐ Difficult to navigate and set up
- ☐ All SHOP business must be managed thru CMS and not the selected carrier
- ☐ Participation throughout the US very low
- ☐ Applying for coverage thru SHOP is the only way to qualify and receive tax credits.

Private Exchanges

TRICKS/ADVANTAGES

- ☐ Similar to the Federal Marketplace
- ☐ Can show several (3-5) plan options
- ☐ Available to small and large employers
- ☐ Plans can be priced ahead of time
- ☐ Updated tool for employers to control premium costs
- ☐ A way for age-banded rates to be presented as composite rates for SGs

TRAPS

- ☐ Usually multiple plans must be from one carrier
- ☐ Plans not chosen at OE are not available to new employees until next OE
- ☐ Composite rates in Exchange are billed as appropriate age band for SGs

Defined Contribution Model

TRICKS/ADVANTAGES

- ☐ Employer determines maximum per employee amount for benefits
- ☐ Model excellent for Private Exchanges
- ☐ Avoids discrimination issues
- ☐ Easiest method for maintaining employer benefit costs

TRAPS

- ☐ Employer contributions cannot vary by employee class

Subsidized Premium Model

TRICKS

- ☐ For employers who choose not to offer group medical insurance
- ☐ Way to provide employees will dollars to purchase insurance on their own
- ☐ Employer determines specified amount per employee
- ☐ Amount is added to paycheck along with normal salary & taxed

TRAPS

- ☐ Cannot be used to “reimburse” individual premium
- ☐ Cannot be tax free contribution

Spousal Surcharge

TRICKS/ADVANTAGES

- ☐ Apply a surcharge to employee for covering a spouse who has coverage available through their employer
- ☐ Typically a fixed amount per pay or per month
- ☐ Designed to avoid dual coverage or one ER taking on all of the risk
- ☐ Particularly effective to SGs.

TRAPS

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Eliminate Spousal Coverage

TRICKS/ADVANTAGES

- ☐ Allows for federal tax credit/subsidy if person/family qualifies through the Marketplace.

TRAPS

- ☐ If a spouse of another employee does need coverage, even if 100% is paid by the employee, no coverage can be offered.

Health Reimbursement Arrangements (HRA)

TRICKS/ADVANTAGES

- ☐ IRS-approved plan allowing employers to self-fund any or all of a plan's deductible and co-insurance.
- ☐ Typically used on high-deductible plans that are not HSA compatible that substantially reduce premiums.
- ☐ ER determines how much and what to reimburse annually.
- ☐ Budgeted money not used returned to the ER.

TRAPS

- ☐ Hire a TPA to adjudicate claims. Performing these in house can lead to serious HIPAA and PHI issues if not handled correctly.
- ☐ If a provider submits claims late and it is after the annual run out period of the plan, no reimbursement can be made.
- ☐ COBRA participants can add to HRA expense with little or no recovery.
- ☐ EE cannot contribute to HRA.

Health Savings Accounts (HSA)

TRICKS/ADVANTAGES

- ☐ Tax-free account used to pay for out of pocket medical expenses.
- ☐ Contributions can be made by both the EE and ER.
- ☐ Balance can accumulate for years and used for medical expenses following retirement.
- ☐ Contributions made by the EE can be made tax free from payroll.

TRAPS

- ☐ Contributions can only be made when being covered on an HSA-compatible plan.
- ☐ If EE leaves the ER all remaining HSA funds are owned by the EE.
- ☐ Once ER contributions are deposited into EE account, ER has not recourse on usage.

Flexible Spending Accounts (FSA)

TRICKS/ADVANTAGES

- ☐ IRS-approved plan which allows EEs to contribute tax-free dollars to health expense reimbursement and/or dependent care reimbursement plan.
- ☐ Plan balances can be used for qualified out of pocket expenses.
- ☐ 100% of contributions committed to the medical expense reimbursement in a plan year must be fully accessible on day 1 of the plan year.

TRAPS

- ☐ Dependent care expenses may only be used once EE contributions are made to account.
- ☐ Any expense funds remaining in either account after the plan year's run out period are forfeited to the ER.
- ☐ ER have no recourse to an EE leaving its employment and has spent more than contributed to the plan.
- ☐ Medical care expenses account can be part of COBRA benefits.

Medical Opt-Out Options

TRICKS/ADVANTAGES

- ☐ ER provides EEs eligible for medical coverage cash in-lieu of enrolling in the plan.
- ☐ Meant as a reward for not costing the ER for an expensive benefit.
- ☐ Amounts are typically no higher than 50% of the one-person premium.
- ☐ So ERs will request proof of other coverage each year.

TRAPS

- ☐ Opt-out benefit must be added to pay and taxed as pay unless EE chooses to add it to FSA or 401(k).
- ☐ Amounts paid in an Opt-Out cash – in-lieu arrangement **MUST** be added to EE cost of coverage for ACA affordability testing in 2017.

QUESTIONS?