Employee Benefits Report

HB resources
Insurance Services
Solutions on Demand

1470 Civic Court
Suite 330
Concord, CA 94520

Phone: 925-671-0248
Fax: 925 671-0236
Email: Denise@hbrinsurance.com
Web: www.hbrinsurance.com

Cost Control November 2022 Volume 20 • Number 11

Rising Healthcare Costs Compel Employers to Prioritize Plan Affordability

As healthcare benefits costs continue to rise, 67% of U.S. employers are focused on cost control over the next three years. This is in response to an expected 6% increase in healthcare costs in 2023, compared to the average 5% increase this year.

According to the 2022 Best Practices in Health Care Survey by consultancy WTW, 54% of respondents expect their costs to be over budget this year. The survey was conducted among 445 U.S. employers employing 8.2 million workers.

As healthcare costs continue to rise, cost management and employee affordability become increasingly crucial for employers. The WTW survey found that 52% of employ-

continued on next page

New Legislation for Reducing Premature Retirement Savings Cashouts

U.S. Senators Tim Scott (R-S.C.) and Sherrod Brown (D-OH) have introduced the Advancing Auto Portability Act of 2022, which would make it easier for workers to keep their retirement savings with them when they switch jobs. The bill aims to encourage the adoption of auto portability programs.

Currently, when workers with less than $5,000 in retirement savings leave their job, they often cash out their retirement savings, which can lead to significant long term financial losses. According to Boston College's Center for Retirement Research, if a participant prematurely cashes out their 401(k), they can lose as much as 25% in potential savings for their retirement.

continued on next page

ers plan to implement new programs or switch vendors to reduce their total costs. However, 24% also intend to shift costs onto their employees through higher premium contributions.

Some of the strategies outlined by employers in the survey include:

Increasing Health Plan Budgets

More employers are choosing to increase their health plan budgets without cutting funds from other benefits or reducing employee pay. 20% have already taken this step, and an additional 30% plan to do so in the next two years. This trend may be attributed to a growing awareness of the importance of employee health and well-being, as well as increasing healthcare costs.

Providing Defined Contribution Plans

Employers are increasingly turning to defined contribution plans where each employee receives a specific amount based on their job tier within the company.

Currently, 41% of employers use this strategy, with an additional 11% planning to do so in the next two years. This approach offers both flexibility for the employer and potentially greater control for employees in managing their retirement savings. The amounts are invested in capital markets, and taxes are deferred until their withdrawal.

Evaluating Employee Contribution as a Percentage of Income

The use of employee health contributions as a factor in designing the benefits strategy is expected to increase dramatically in the next two years. Currently, 13% of employers consider this metric, but this number is predicted to jump to 32%.

This trend may be driven by a desire for cost-effectiveness and fairness in benefits allocation. Examining employee contributions as a percentage of income may allow for a more personalized approach.

Implementing Contribution Banding

Many employers are turning to contribution banding as a way to lower benefits costs for specific groups of employees or job classes. Approximately 28% of employers currently use this method, and an additional 13% are considering implementing it within the next two years.

Contribution banding involves structuring payroll contributions based on salary level or job classification rather than a set percentage across all employees. This strategy can help lower costs for certain employee groups and simplify benefits administration and communication for both HR and employees.

Offering Low-Deductible Plans

A low-deductible plan, with a deductible of $500 or less for single coverage through a preferred provider organization, was offered by 32% of surveyed organizations this year. Another 7% are considering offering such a plan in the next two years. This plan can provide employees more immediate and affordable access to healthcare services. As a result, it could improve overall employee health and reduce long-term healthcare costs for the company.

Battling Fraud, Waste, and Abuse

The WTW survey found that 27% of respondents currently have programs to combat fraud, waste, and abuse. Another 22% plan to implement such programs within the next two years. While sometimes expensive and time-consuming, these measures can help organizations detect and prevent financial wrongdoing and protect against related legal repercussions.

According to the Employee Benefit Research Institute, 31% of the 14.8 million people with 401(k) accounts who change jobs every year will cash out their accounts within one year of the change. However, it is estimated that increased adoption of auto portability would result in an additional $1.5 trillion in retirement savings over 40 years.

The Advancing Auto Portability Act of 2022 would incentivize employers who adopt auto portability with a tax credit of $500 if they offer this option to their employees. Employees should be notified 30 days prior to the transaction and be allowed to opt out.

The legislation also sets some ground rules for automatic portability providers, including:

- **Providing written acknowledgment that it is a fiduciary for the owner of the IRA**
- **Limiting fees so they do not "exceed reasonable compensation"**
- **Forbidding the marketing or selling of information related to the IRA**
- **Providing services on the same terms to all plans**
- **Keeping records for a minimum of six years and conducting annual compliance audits.**

Increasing Out-of-Pocket Costs

Currently, 23% of companies have increased out-of-pocket costs if less efficient services or locations are used, such as nonpreferred labs or expensive imaging facilities.

Currently, 23% of companies have increased out-of-pocket costs if less efficient services or locations are used, such as nonpreferred labs or expensive imaging facilities.

continued on next page

Alternatively, organizations require the use of high-quality, cost-effective medical centers of excellence. These centers would provide specialized care in specific areas, such as oncology or cardiology, while also managing costs and improving outcomes.

An additional 19% are considering implementing these measures in the next two years. These changes are aimed at reducing healthcare costs while maintaining quality care.

Offering Concierge Navigation

As more companies prioritize employee wellness and health benefits, many are opting for concierge navigation services. Currently, 21% of companies offer this option to employees, even if they had to move to a third-party administrator from a traditional full-service health plan. Another 25% intend to follow suit by 2024.

Concierge navigation includes personalized support for healthcare decision-making, referrals to specialists, scheduling appointments, and navigating insurance claims and coverage options.

Improving Voluntary Benefits

According to the survey, 35% of companies expanded or improved their offering of voluntary benefits, such as supplemental health insurance, for employees. Another 27% are considering doing so in the next two years.

Often offered in addition to a standard company health plan, these benefits can provide financial support in a catastrophic event. This can include coverage for additional hospital expenses or disability income replacement.

What to Consider When Choosing a Health Benefits Account

According to the Kaiser Family Foundation, approximately 156,199,800 Americans receive health coverage via employer-sponsored plans.

In other words, every year nearly half the U.S. population has to choose what it perceives to be the best plan for its needs. As a result, employees have to analyze not only which health plan to choose but what the accompanying type of benefit account should be, which can be quite daunting.

The three most common types of health benefit accounts are Health Savings Accounts (HSAs), Flexible Spending Accounts (FSAs), and Health Reimbursement Arrangements (HRAs). These accounts are designed to help employees cover a range of out-of-pocket medical expenses.

The three most common types of health benefit accounts are Health Savings Accounts (HSAs), Flexible Spending Accounts (FSAs), and Health Reimbursement Arrangements (HRAs). These accounts are designed to help employees cover a range of out-of-pocket medical expenses.

Flexible Spending Accounts

Flexible spending accounts allow employees to deposit pre-tax earnings into an account that can be used to pay for a host of out-of-pocket medical expenses, including co-pays, deductibles, and some prescription drugs. They can help employees save as much as 40% on their taxes, while employers benefit from savings of 7.65% from the matching FICA.

There are two types of Health FSAs, namely medical and limited purpose. Medical FSAs enable employees to cover out-of-pocket medical, dental, and vision expenses. Limited-purpose FSAs are only used to pay for dental and vision expenses that are not insurance-eligible and are usually offered as an additional option when an HSA is provided on a Qualified High Deductible Health Plans.

continued on next page

An FSA is "use it or lose it," meaning the funds in the account are forfeited if they are not used within the plan year. However, some employers offer a grace period of up to 2.5 months or allow employees to roll over up to $570 (2022 limit) of their funds into the next plan year.

Health FSAs limit contributions to $2,850, plus any rollover amounts.

Health Savings Accounts

Health Savings Accounts can be used to cover a range of medical expenses and are only available to employees enrolled in a qualified high-deductible health plan.

Unlike FSAs, HSAs are not "use it or lose it" accounts. Instead, the funds in the account can be carried over from year to year. In addition, the accounts' earnings are tax-free, and withdrawals for qualifying medical expenses are also tax-free.

Employees contribute to their HSA through pretax payroll deductions, which allows them to save on taxes. The annual contribution limit for HSAs is $3,650 for individuals and $7,300 for families. HSAs also allow individuals aged 55 or older to make an additional $1,000 "catch-up" contribution.

Health Reimbursement Arrangements

Health Reimbursement Arrangements are employer-funded accounts that reimburse employees for out-of-pocket medical expenses up to a specific amount every year. Like HSAs, the money in HRAs can be carried over from year to year, and these accounts are generally provided with high-deductible plans.

The main difference between an HSA and an HRA is that the latter is funded by the employer and subject to their rules, while the former may be funded by the employee and/or employer and is subject to IRS rules regarding the amount of contribution. Eligible medical expenses are determined by the IRS but may be restricted by the employer. Employers also determine if contributions are allowed to rollover to the next plan year or not.

HRAs are also available as Voluntary Employee Benefit Accounts (VEBA). With HRA VEBAs, employers place contributions into a trust account on behalf of their employees, and once deposited belong to employees. Unused funds stay in the employees' accounts and may be invested or earn interest, and may also rollover. The contributions are then used to reimburse employees for qualifying out-of-pocket medical expenses, ensuring employers can provide their employees with savings when needed.

Factors to Consider When Choosing a Health Benefit Account

If an employee opts for an FSA, they should consider how much they plan on contributing and be mindful of its "use it or lose it" nature. Employees also need to consider ease of access to the funds and whether their employer offers a grace period. It's crucial for employees to be aware of what is and is not eligible for reimbursement.

If an employee opts for an HSA, they need to enroll in a qualified high-deductible health plan, keeping in mind the plan's contribution limits and if they want a portable HSA.

If their employer offers an HRA, the employee will likely be enrolled in a high-deductible health plan, but HRAs are allowed for any health plans. Employers set the rules that govern these accounts and, as such, employees should understand how the account can be used, what it covers, and what happens to the money at the end of the year or if they leave their job.

Inflation Reduction Act (IRA): Healthcare Provisions Employers Should Know

President Joe Biden signed the Inflation Reduction Act (IRA) into law on August 16, following House and Senate passage.

The law's healthcare provisions and increase in IRS auditors could impact employer-sponsored health and retirement plans, so group health plan sponsors should keep an eye on the legislation's provisions, experts say.

Lowering Prescription Drug Prices

The bill aims to lower the price of a prescription medication under Medicare Part D while also capping insulin prices under Medicare Part B. Specifically, it enables the Centers for Medicare and Medicaid Services to negotiate better prices with pharmaceutical companies.

The concern is that cheaper drugs through Medicare could lead to increased medication prices for non-Medicare plans, as pharmaceutical companies would attempt to offset any potential loss of revenue by charging more for commercial market plans. As a result, those covered by employer-sponsored plans would face higher healthcare costs.

Considering the potential fallout of the legislation, experts encourage employer plan sponsors to start working with their service providers as soon as possible to devise an approach to ensure everyone is treated fairly.

continued on next page

HSA Protection and Broader Insulin Coverage

The IRA also includes a provision that would broaden insulin coverage and protect Health Savings Accounts (HSAs).

A person is only eligible for an HSA if they are covered by a high-deductible health plan (HDHP). For a plan to be considered an HDHP, it cannot offer coverage before the deductible is met, except for certain preventive care services for chronic conditions, including insulin for people diagnosed with diabetes.

The IRA expands on this by allowing HDHPs to provide coverage for certain insulin products before the deductible is met, regardless of whether the person has been diagnosed as a diabetic. These insulin products are defined as any type of insulin delivered via any system or device that is FDA-approved for the treatment of diabetes.

The provision goes into effect for plans that start on or after December 31, 2022.

Extension of Expanded Access to ACA Plan Subsidies

In 2021, the American Rescue Plan Act eliminated the rule by which a person buying health insurance on the Affordable Care Act (ACA) marketplace had to earn less than 400% of the federal poverty limit. As a result, those making 400% or more of the poverty limit received premium tax credits that reduced the cost of contributions, so they did not exceed 8.5% of the person's income.

This expanded access to subsidies was to last through 2022, but the IRA has extended it through 2025.

While there are advantages to the extension, employers may face increased scrutiny as a result. Employers who have 50 full-time employees or more are obligated to provide their employees with access to affordable coverage that complies with the ACA.

When an employee receives premium tax credits, the IRS receives the tax information, which is then cross-referenced with the 1095-C information. Based on this data, the IRS can determine whether the employer is meeting its shared-responsibility mandate. Therefore, experts expect penalties to increase and advise employers to check their ACA filings before reporting the data.

Experts also believe these higher subsidies will likely become permanent, making ACA marketplace plans more attractive for employers. As a result, employers could simply fund individual coverage health reimbursement arrangements (ICHRAs), allowing employees to purchase their own ACA plans. However, note that employees cannot get both an ACA Premium Tax Credit (subsidy) and ICHRA funds from their employer that provide "affordable" coverage.

Potential Increase in Retirement Plan Audits

The IRS budget received almost $80 billion in new funding, of which $46 billion was earmarked for enforcement. Experts aren't certain how much of that money will reach the tax-exempt and government entities division that oversees retirement plans. However, some believe it is very likely that at least part of that funding will trickle down and result in more retirement plan audits.

more on next page

Hearing Health Should Be Top Priority

Health benefits are a top priority for most employers, but hearing health is often overlooked.

According to Tuned, a hearing care benefits provider, approximately 50 million Americans need hearing care, with 30 million of them between 18 and 65 years old. In fact, 10% of millennials and 7% of Gen-Xers already have hearing problems, while 25% of employees suffer from tinnitus.

Despite this, most commercial health plans provide limited coverage for the most severe hearing conditions and no coverage for preventive measures or early intervention. In fact, of the 92% of workers Tuned surveyed who received health benefits from their employer, fewer than 30% had access to hearing care.

Remote Work Exacerbates the Problem

With more people than ever working remotely the hearing loss problem is likely to worsen before it gets better. That's because when people are working from home, they often use headphones or earbuds to block out ambient noise and stay focused.

This can lead to auditory fatigue, which is when the brain becomes overwhelmed by sound and has difficulty processing it. This often causes additional problems, including headaches, irritability, and difficulty concentrating. It can also cause changes in sleeping patterns and increase the risk of accidents.

According to Tuned's survey, 74% of the people surveyed said they felt auditory fatigue at the end of the day, and 61% admitted that they needed to take breaks from their work to relieve the symptoms.

How Employers Can Help

Hearing care should be a priority for employers for both moral and economic reasons. Providing employees with access to hearing care can help them stay healthy and productive while reducing healthcare costs.

There are several ways employers can help employees with hearing loss, including:

- Providing access to hearing care: This can be done through an employee assistance program or by partnering with a hearing healthcare provider.
- Implementing workplace and remote work policies that discourage the use of headphones and earbuds for extended periods. Employees should also have access to quiet spaces where they can take breaks from the noise.
- Educating employees to be aware of the dangers of auditory fatigue , how to prevent and where to go for help if they think they're experiencing symptoms.