Employee Benefits Report

HB Resources Insurance Services

Employee Benefit Planning

1470 Civic Court, Suite 330, Concord, CA 94520
Phone: 925-671-0248 • Fax: 925 671-0236
Email: denise@hbrinsurance.com • Web: www.hbrinsurance.com

Health Insurance October 2018 Volume 16 • Number 10

New Rule Increases Small Groups Insurance Buying Power

If you own a small company, you know the frustration of not having the same buying power as large groups when purchasing health benefit coverage.

According to the National Conference of State Legislatures, small businesses on average pay eight to 18 percent more than large companies for the same health insurance policy.

That may change with a new rule that gives small businesses more freedom to create Association Health Plans (AHPs). The Department of Labor (DOL) began phasing in the final AHP rule on Sept. 1, 2018.

continued on next page

Employer Mandate Stands for Now

Confused about whether as an employer you're still required to provide minimum essential care health benefits to your employees?

You're not alone.

With recent changes to the Affordable Care Act (ACA) — including the repeal of the individual mandate penalty for not having coverage (effective 2019) — many people are wondering what rules and regulations still apply.

The answer is that Applicable Large Employers (ALE) still must provide coverage — for now — or face paying a penalty. An ALE is any employer who has more than 50 full-time equivalent employees.

continued on next page

The Benefits

An AHP gives small businesses the ability to purchase insurance in the large group market with the same kind of leverage large companies have to negotiate prices and benefits. Companies with young, healthy employees will most likely will be able to get the lowest premiums. Young men in certain low-risk industries who are currently healthy will have the lowest premiums. Companies in some industries, such as engineering companies, could be about nine percent lower than what they could get on the individual or small-group market.

The reason rates are lower is that AHPs don't have to follow certain Affordable Care Act (ACA) rules and regulations, which gives the associations more flexibility when developing their plans. Certain core ACA services, such as mental health care and newborn care, could be left out of coverage as a way to lower costs.

Keep in mind that AHPs are regulated at both the federal and state level, so the availability of AHP plans will depend on your state's regulations.

Eligibility

To form an AHP, small employers must meet one of these requirements:

- Be in the same business, trade, industry or profession; OR
- Have a principal place of business within a region that does not exceed the boundaries of the same state or the same metropolitan area.

How AHPs work

Association Health Plans already in place can continue to operate under the final rule. What's different is that the Trump administration's new regulation loosens the rules, allowing more small businesses, including individuals who work for themselves, to join these plans. For example, associations now can be based on geography alone or the main purpose of an association health plan can be to just provide insurance.

The final rule does not subject AHPs to the Affordable Care Act's individual and small group market rules. But it does implement safeguards and monitoring procedures to enforce anti-discrimination protections for AHP enrollees. For instance, a business cannot be left out of an AHP if its employees have higher-than-expected care costs. AHPs also cannot discriminate based on an individual's health conditions or their part- or full-time employment status. However, states have been given discretion to limit AHP enrollment in relation to other non-health factors.

Some of the ACA rules and regulations still in place include:

- Requiring plans to cover preventive care without charging consumers out-of-pocket expenses.
- Allowing parents to keep their kids on their plan until they reach age 26.

Some differences include:

- Allowing an association plan to charge higher premiums to companies that employ workers in dangerous occupations.
- Allowing association plans to charge different rates based on gender, age and location.
- Not having to include the 10 "essential health benefits" that are required under the health law for plans in the individual and small-group market. For instance, an AHP might decide to exclude coverage for prescription drugs or rehab services.
- Requiring AHPs with 15 or more employees to offer maternity coverage, but smaller groups do not have to offer that benefit.

The House Ways and Means Committee proposed and advanced two bills that would make the employer mandate ineffective. If approved:

- **H.R. 4616 would suspend penalties for the employer mandate from 2015 through 2019 and postpone implementation of the tax on high-cost employer-sponsored health plans (the so-called Cadillac tax) until 2022.**
- **H.R. 6314 would allow ACA tax credits for plans in the individual market outside of the exchanges. It also would allow anyone to purchase a catastrophic plan — plans that are cheaper but cover fewer services that currently are only available for those under the age of 30.**

continued on next page

The Down Side

The DOL and the Congressional Budget Office estimate that as many as 400,000 individuals will decide to enroll in newly expanded AHPs. Observers are concerned that this will draw healthier individuals out of the ACA plan market, leaving less healthy individuals in the risk pools. This could destabilize the market and lead to higher premiums for individuals.

Other concerns are that to save money, employees in AHPs who don't get full health plan coverage may end up needing full health plan coverage. However, if an employer doesn't offer minimum essential coverage, and the company has more than 50 full-time equivalent employees — the employees can shop for subsidized health insurance on the marketplace, and the employer could face penalties.

While the intent of AHPs is to save money, some AHPs might face higher premiums if they are located in certain regions, have a majority of female employees or have seriously ill employees.

Your Options

Although only "bona fide" groups or associations can create an AHP, your broker can consult or help develop AHPs by providing claims administration, formulary guidance, and provider network design.

For more information, please contact us.

The New Frontier of Student Loan Repayment Benefits

Student loan debt is soaring. The Federal Reserve reports that more than 44 million people owe $1.5 trillion in student loans. Loan amounts average $37,172, although some go as high as $100,000 or more.

The Federal Reserve reports that 6.8 million of the student loan borrowers are between ages 40 and 49 and owe an average of $33,765 each. However, those over the age of 50 are the fastest-growing group who hold student debt in the United States. Many of these individuals are helping their children pay for college.

The problem probably won't go away soon. The Congressional Budget Office estimates that $1.27 trillion in new federal student loans will be added between 2018 and 2028.

Some employers are stepping up to assist employees in paying off the loans. One of the biggest reasons for this benefit is the escalating competition for talent. The unemployment rate is at a near-historic low, and companies are looking for ways to stand apart by offering benefits that go beyond the standard benefits. Even though some companies are offering benefits such as sign-on bonuses and flexible hours, representatives at Options Clearing Corporation, a Chicago-based equity derivatives clearinghouse, said student loan assistance is the most talked about benefit at job and recruiting fairs.

continued on next page

Employees report they are stressed about their loans and are anxious to pay off their debts. Human resource experts say that this anxiety can lead to reduced productivity and increased health challenges.

Another problem is that young employees often put off saving for retirement so they can pay off their student loans. Federal statistics show that the average monthly payment for borrowers ages 20 to 30 was $350, leaving little for retirement plans. Natixis Investment Managers reported that annual surveys of 401(k) plan participants indicate that student loan debt is hindering millennials' ability to save for retirement.

In spite of the growing number of employees who have student debt and the problems debt causes, the Society for Human Resource Management's 2018 Employee Benefits survey found that only four percent of U.S. companies offer student loan assistance, up from three percent in 2015.

Options

If you decide that student loan payoff assistance is a benefit your employees will appreciate, you should take a holistic approach. One popular option is a student loan repayment plan (SLRPs) mixed with debt education.

Using a third-party vendor, employers make monthly contributions directly to an employees' student loan servicers while employees continue to make regular payments. When the monthly contribution is applied directly to the principal, it can shave several years off the loan. For example, a $100 monthly contribution on a $26,500 student loan balance at four percent interest over 10 years can take three years off the loan. Fidelity Investments, for example, uses an SLRP for its employees that pays $2,000 per year with a $10,000 cap.

Fidelity also offers financial counseling and education for its employees — even those who don't have student loans. IonTuition, a student loan management and refinancing company, recommends that the foundation of any student loan benefit should be counseling and management resources. Borrowers often lack information about their repayment options, and financial counseling can help them better manage the debt.

Challenges

The student loan repayment benefit is still new, though, and some bugs must be addressed.

Many employers find student loan programs complicated and expensive. Rules vary among student loan companies and college students often have several loans from different companies. Also, unlike credit-card companies, which provide monthly statements and minimum-payment warnings, student-loan servicers don't have to tell borrowers how long it will take to repay their loans if they only contribute the minimum payment every month.

Another consideration: There is no financial benefit for employers. These payments are considered regular wages, so there's no tax benefit as there is with retirement plans, health insurance or tuition assistance. A U.S. House bill, introduced in February 2017, (H.R. 795), however, would give employers' student-loan payment more favorable tax consideration. Currently, the bill stalled in the House Ways and Means Committee.

To find out more about plans like this, please contact us. ■

ERISA Q&A: What You Need to Know

If you currently offer, or are planning to offer your employees retirement benefits, make sure you're familiar with ERISA rules and regulations.

As a plan sponsor, you must meet at least minimum ERISA standards. One way to ensure you are compliant is to work with a qualified benefits consultant who can analyze your retirement structure and determine if there are any compliance issues.

Unfamiliar with ERISA rules and regulations? Here is some basic information for you.

Q. What is ERISA?

A. ERISA stands for the Employee Retirement Income Security Act of 1974. Among other things, the law protects employers' voluntary private sector retirement plans. The law does this by setting a minimum standard of requirements the retirement and health benefit plans must

continued on next page

meet. ERISA protects both the interests of employees enrolled in benefit plans, as well as their beneficiaries.

Q. Which government entities oversee ERISA?

A. ERISA deals with both tax issues and workers' rights, therefore the U.S. Department of Labor and U.S. Treasury Department oversee the legal aspects of benefits plans.

Q. What does ERISA require from plan sponsors?

A. Plan sponsors who establish plans must meet certain ERISA minimum standards. Some of these standards include defining:

- Minimum standards for participation, vesting, benefit accrual and funding.
- Who is allowed to become a participant.
- How long a person may be required to work before becoming eligible to participate in a plan, to accumulate benefits, and to have a non-forfeitable right to those benefits.
- Funding rules that require plan sponsors to provide adequate funding for your plan.
- The right of participants to sue for benefits and breaches of fiduciary duty.
- Payment of certain benefits if a defined plan is terminated.
- Whether a participant's spouse has a right to a portion of their benefit in the event of their death.
- When employers must deposit withheld employee contributions into a 401(k) or other pension plan.

Q. What information must a plan sponsor provide participants?

A. Plan sponsors must offer participants certain documents. One document is the Summary Plan Description (SPD). An SPD outlines:

- Benefits recipients receive from the plan
- How this plan operates
- How benefits are calculated
- How participants can file claims for benefits
- When and how benefits are paid

Participants also should receive a Certificate of Insurance and be informed if the plan is changed using a revised SPD or by a separate document called a Summary of Material Modifications. In addition, the administrator must give participants a copy of the plan's summary annual report (SAR) each year.

Q. What information must plan sponsors provide the federal government?

A. You may need to file an annual report with the federal government.

Q. What does ERISA not tell plan sponsors to do?

A. ERISA does not tell employers what kind or how many benefits to provide.

Q. What are the employer's plan options?

A. There are defined benefit and defined contribution plans.

The employer funds a defined benefit which guarantees participants a specific monthly amount at retirement. The benefit can either be an exact dollar amount, or an amount based on a formula that takes into consideration an employee's age, salary and years they have been employed by the company.

A defined contribution plan doesn't guarantee participants a specific amount. Instead, the employee or employer or both make regular contributions to the plan. Employees choose how their contributions are invested and how much money they want to contribute each month. The amount they can take out each month at retirement is based on how much money is contributed, how the investments perform and the current interest rate. A 401(k) is an example of this type of plan.

If you have questions about ERISA, please contact us.

Getting the Most Out of an HSA

Employers are increasingly relying on high-deductible health benefit plans to reduce premium costs. And while premiums are lower with a high-deductible health plan than a traditional insurance plan, employees have to cover more of their health care costs before the insurance company pays its share.

To take the bite out and to help employees pay out-of-pocket costs, many employers add a tax-free Health Savings Account (HSA). Contributions to the plan can pay for qualified medical expenses.

HSAs are only offered with high-deductible health insurance plans offering a $1,350 minimum annual deductible for individuals or $2,700 for families with a maximum annual $6,650 ($6750 for 2019) deductible for individuals and $13,300 ($13,500 for 2019) for families. Participants cannot have other health insurance coverage or be enrolled in Medicare. They also cannot be covered by a flexible spending account (unless limited to dental and vision benefits) or health reimbursement arrangement.

Here's what your employees should know to get the most out of an HSA.

Tax Savings

HSAs have a threefold tax benefit: contributions are pre-tax; the HSA funds grow tax-free; and withdrawals are tax-free when used for qualified medical expenses.

Saving Limits

For 2018, individuals can save up to $3,450 in their HSA; families can save $6,900. Anyone 55 or older by the end of 2018 can save another $1,000. The money can pay for office visits, copays, deductibles

or medicine, as well as dental and vision expenses. Funds that aren't used can be rolled over for the next year. Participants keep their accounts even if they leave their company. They also can keep the account through their retirement, although they can't continue to contribute.

Research Necessary

It's essential HSA participants shop around for the best care and the best price because the cost of services can vary drastically. With research, employees can save thousands of dollars. It's also important to get second opinions after receiving a diagnosis and avoid duplicate tests.

For more tips on maximizing HSAs please contact us.