Employee Benefits Report

BPI
Bern & Pugh, Inc.
Insuring You!

1000 25th Street North
Great Falls, MT 59406
(406) 727-4969
(800) 406-4097
Fax (406) 727-4979
www.bphealthmt.com

Health Care July 2017 Volume 15 • Number 7

The American Health Care Act: A Bill in Transition

Wondering how the changes to the Affordable Care Act (ACA) will affect you? You'll have to be patient. The American Health Care Act (AHCA) bill is still in flux. Possible enhancements or repercussions are only educated guesses at this time.

The U.S. Senate is reviewing the bill that was narrowly passed by the House of Representatives in May. Observers expect it to be significantly rewritten in the Senate.

The rewrite is necessary because Republicans don't believe they have enough votes to pass the bill as is. Instead, they want to use the budget reconciliation process, which would allow the bill to pass with only 51 votes. However, only provisions that are related to taxes and spending can be included in the reconciliation bill.

continued on next page

Health savings accounts … BPI has them.

Health savings accounts (HSA), partnered with a qualified high deductible health plan, are quickly becoming the preferred method for employers, both large and small, to control costs while still providing employees with good comprehensive coverage.

Tax-free contributions to an employee's HSA may be made directly by an employer or by salary reduction through a Section 125 cafeteria plan. Deposits to an HSA outside the tax-free vehicles are still tax favored as an above the line tax deduction.

An employer sponsored Section 125 cafeteria plan provides employees with a convenient tool to encourage savings for expected and unexpected medical expenses. Unlike contributions to a flexible sav-

continued on next page

If the Senate version bears no resemblance to the House bill, many pundits expect that lawmakers from both chambers will iron out the differences between the bills. If the Senate approves the bill, it will go to President Trump to sign or veto.

History of the ACA

The ACA, also known as Obamacare, was implemented in 2010 to increase access to health care coverage for all Americans. Key provisions included:

- Implementing market reforms
- Establishing health insurance marketplaces
- Expanding Medicaid eligibility for low-income adults.

To meet those goals, the federal government mandated that:

- All individuals must purchase insurance or pay a fine
- Insurers offering health coverage must include 10 essential benefits
- Large employers must provide health insurance to full-time workers.

According to the Department of Health and Human Services, 20 million people were newly insured as a result of the ACA. The law, however, has many detractors. Opponents are concerned that the law could cost the government $1.34 trillion over the next decade, adding to a national debt that already is more than $19.8 trillion.

Health coverage costs also have risen because of ACA rules and regulations and rising healthcare and prescription drug costs, making coverage too expensive for many individuals.

Issues Addressed by the New Legislation

While the future of the ACA and the AHCA is uncertain, it's helpful to examine the differences between the two to get a glimpse of what we might expect the future of U.S. health care coverage to look like. The AHCA was designed to be more market friendly by cancelling many of the government mandates. Differences include:

- **Individual mandate –** The Republican plan eliminates the mandate that all Americans must have coverage or pay a penalty. The plan, however, permits insurers to increase premiums by as much as 30 percent for people who allow their coverage to lapse, plus states would be able to increase that amount. A new system of tax credits is being proposed to entice people to buy coverage on the open market.
- **Medicaid –** The Republican plan replaces the open-ended entitlement to health care with a per-capita amount or block grant based on how much each state currently spends.
- **Subsidies –** The ACA provides income-based subsidies for low income individuals who purchase coverage in the marketplace. The Republican plan offers credits based on age and income.

ings account (FSA) HSA contributions are not subject to the "use it or lose it" rules. Funds remain in the account until withdrawn to pay for qualified medical expenses that may include eye glasses, dental care and/or medical expenses not covered by the insurance (i.e. deductibles and coinsurance).

2017 deposit limits are $3,400 for individual coverage, $6,750 for family coverage and account holders age 55+ can deposit an additional $1,000 per year.

BPI offers HSA accounts. Account holders have access to funds via the Benny Card, online bill paying, and online or direct claim reimbursement requests. Investment opportunities are available to increase the account's growth potential. Interest is earned and used on a tax-free basis. Think of it…tax-free dollars going in, tax free growth and tax free coming out. For more information call Phyllis at 406.727.4887.

- **10 essential benefits –** The ACA requires insurers to offer a plan that features, at a minimum, 10 benefits the government deemed essential. The Republican plan allows states to establish their own essential benefits.
- **Pre-existing conditions –** Insurers would still have to offer coverage to all individuals, even those who had a serious illness before applying for coverage. However, each state can allow insurers to charge different amounts to customers who have pre-existing conditions.
- **Age 26 –** There would be no changes; young people up to age 26 can remain on

continued on next page

their parents' healthcare coverage.

- **HSAs –** A Health Savings Account allows individuals who have high deductible health benefit plans to save money tax free for health care expenses. The Republican plan increases the annual tax-free contribution limit.
- **Age band ratios –** Insurers are only able to charge older adults three times what they charge a younger person. The Republican plan changes that ratio to 5-to-1, which should put less of a financial burden on younger people.
- **Caps on lifetime coverage –** Under the ACA, policy limits were banned. The AHCA allows states to narrow the definition of what constitutes lifetime coverage.
- **Planned Parenthood –** Services provided by Planned Parenthood were allowed under ACA, but under the AHCA bill federal funding for the organization would be put on hold for a year.

Other Possible Changes

Republicans have listed other goals, if the bill passes the Senate and becomes law, including further easing regulations that cause economic burdens. Proponents also would allow people to buy health insurance across state lines.

Things can change rapidly in Washington but we'll try to keep you informed and up to date.

Voluntary Benefits: The Upside of Giving Employees a Choice

Many employers rely on a robust benefit package to attract and retain employees. The challenge is determining which benefits will appeal to a diverse employee base.

The best solution for many employers is customization. A benefits package that goes beyond the usual medical, dental and vision insurance can include a selection of voluntary benefits. According to findings in MetLife's 15th annual U.S. Employee Benefits Trends Study, gone are the days of "one-size-fits-all" benefits programs.

Voluntary benefits are products offered by employers to employees at group rates. Employees pay all or part of the costs. These optional products cover a wide range of interests and can include life and disability insurance, pet coverage or financial counseling.

A big advantage for employers is that it's relatively simple to offer voluntary benefit programs. Once an employer chooses a vendor, the vendor handles the rest, including claims, forms, insurance cards and customer service. Premiums are taken out of employees' paychecks on a pre-tax basis for most benefits.

The Society for Human Resource Management (SHRM) offers some cautions. It's important employers ensure the benefits offer a tangible value to employees. For instance, group home and auto insurance may sound like a good idea, but may not provide better prices than employee-purchased policies because the policies would still have to be underwritten.

The main advantage is that employees can choose the voluntary benefits that best fit their lifestyle at any particular time. Benefits appealing to single employees may not be optimal af-

continued on next page

ter they get married, have children or get close to retirement.

Almost three-fourths of the employees surveyed by MetLife said that being able to customize their benefits was an important consideration when deciding to take a job. Experts say this attitude is not surprising given the many personalized choices available today, from how our coffee is made to the vast number of apps we can select from for our smart phones.

So, what benefit options do employees want? The MetLife study showed that 36 percent of the employees were most interested in wellness benefits and financial planning.

Wellness Health Benefits

A well-run wellness program can improve employees' health and reduce health care costs. Doctors Richard Milani and Carl Lavie conducted a study showing that for every dollar invested in a wellness program, $6 were saved in health care costs.

Low-cost passes to a local gym can be a nice perk. However, experts caution that for wellness benefits to truly have a positive impact, they must be part of a comprehensive, accessible plan that is communicated clearly to all employees. Wellness plans also should focus on more than physical fitness and weight loss. Harvard Business Review reports that depression and stress can be major sources of lost job productivity and are worth addressing.

Financial Wellness

Employees who are worried about their financial situation are usually stressed out on the job as well.

According to SHRM's Financial Wellness in the Workplace Survey, 38 percent of human resource professionals say their employees have greater financial challenges now than in the early part of the 2007 recession. These HR professionals also felt that personal financial challenges affected seven out of 10 employees' job performance.

Employer-sponsored financial wellness benefits can include tools to help employees better handle their finances. Benefits include budgeting software, financial education programs and company-matched savings plans. Employers could also offer services to help employees save money, such as discount purchasing programs; access to a credit union; short-term loans; or financial assistance for college expenses.

Other Popular Benefits

Some voluntary plans focus on lifestyle choices. Employers can help employees balance work lives with personal lives through services such as onsite daycare, subsidized eldercare, legal support or adoption assistance.

We can help you evaluate your voluntary benefit options and show you how to set up a plan. It's easy. Just contact us. ■

It's the Law: Benefits You Must Provide Employees

Employers have a lot of options for increasing the appeal of their benefits plans. But there are also certain minimums to comply with — benefits required by law.

Here is a list of benefits required by either the federal government or by state governments.

Required

The federal government requires all employers to offer these benefits to their employees:

Social Security Taxes – Employers must pay Social Security taxes on each employee's earnings at the same rate paid by their employee. That rate in 2017 is 6.2 percent on taxable earnings up to $127,200 as of 2017 — which means your company must pay the Internal Revenue Service a total of 12.4 percent of payroll.

Medicare Tax – withholding of 1.45 percent paid by employers and employees. In addition employers must pay an additional 0.9 percent Medicare tax if the employee's compensation exceeds the threshold amount, which is $200,000 for someone filing single.

continued on next page

Workers' Compensation – In every state except Texas, where an opt-out with certain conditions is available, employers must purchase insurance to provide benefits to any employee who suffers a work-related injury or illness. The coverage is no-fault but employers are protected from lawsuits by injured employees. Each state has different laws regarding the rates paid to employees injured on the job.

Paid Leave for Service – You must allow your employees time off to serve on a jury or perform military service. The Fair Labor Standards Act does not require employers to pay employees for jury duty service, although some states do. You must rehire employees at a comparable level after they return from military service.

Check to see if your company must comply with the federal or state requirements for offering these benefits:

Unemployment Insurance – This insurance pays compensation to employees who lose their job through no fault of their own. Employers must pay both state and federal unemployment taxes if they pay wages totaling $1,500 or more in any quarter of a calendar year; or if they had at least one employee on any day of a week during 20 weeks in a calendar year (regardless if the weeks were consecutive). However, some state laws differ from the federal law. Register your business with your state's workforce agency to learn your state's requirements.

Disability Insurance – You must purchase partial wage replacement insurance for your employees for non-work related illness or injury if you operate in the following states and territories: California, Hawaii, New Jersey, New York, Puerto Rico and Rhode Island.

Family and Medical Leave – The Family Medical Leave Act provides eligible employees with 12 weeks of unpaid, job-protected time off during a 12 month period for maternity leave, adoption, foster care, care of an immediate family member, or an employee's illness. Several states and local jurisdictions require employers to provide leave under additional circumstances. Contact your state labor department to determine if you need to provide Family and Medical Leave. Usually, only companies employing 50 or more employees in 20 or more workweeks during the current or previous calendar year are subject to these regulations. However, some states have family leave laws for businesses with fewer than 50 employees.

COBRA Benefits – The Consolidated Omnibus Budget Reconciliation Act (COBRA) requires employers with 20 or more employees to allow their employees and the employees' family members to maintain their health insurance coverage at the employer's group rates for up to 18 months after leaving their job and longer in some cases.

Paid Leave for Service – You are not required by federal law to allow your employees time off to vote, but most states have regulations in place that make it easier for employees to vote during work hours.

For clarification about any benefits required by law, please contact us.

more on next page

Want an Edge Attracting and Keeping Millennials? Consider Offering Pet Insurance

The Nationwide insurance company estimates that 65 percent of Americans own at least one pet. Of those pet owners, the American Pet Products Association estimates 24 percent are millennials.

Many millennials, the generation born between 1981 and 2000, are waiting to get married and have children later in life. American Pet Products Association says that young people are using pets as practice families.

Because of this trend, some employers offer pet insurance as a creative way to keep their millennial workforce engaged. According to the Society for Human Resource Management (SHRM), nine percent of all organizations offered pet insurance in 2016, a five percent jump from 2011.

Scott Liles, president and chief pet insurance officer at Nationwide, said one of the reasons for the growth in popularity of pet insurance is that people develop close emotional bonds with their pets.

"Pets are treated less like work animals and more as a member of the family…hanging out in the den and often sleeping in the bedroom," Likes said.

Companies like Google and Amazon take pet ownership quite seriously, allowing employees to bring pets to work. They believe this is great for morale and makes employees feel more comfortable in their work environment.

Pet owners want to keep their pets healthy, and like humans, pets can come down with serious illnesses leading to big medical bills. A Healthy Paws Pet Insurance report found that pet owners often pay more for their pet's health care than their own.

Pet insurance is inexpensive and there are a variety of insurance plans available. Some plans only cover injuries; others can include wellness care, heredity and congenital conditions, and behavioral issues. Employers can pay 100 percent of the pet insurance premiums, or can pass along a discount to the employee.

Before choosing a plan for your employees, you should know what pets your employees have. Some policies only cover cats and dogs. Look for coverage that remains the same each year so employees know what to expect.

Pet insurance can show millennials that their employers share their values and want to help them take care of their pets. For more information on providing your employees with options for pet insurance, please contact us.