Employee Benefits Report

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How Elections Could Affect Employer Health Plans

Presumptive Republican presidential candidate Donald Trump has vowed to repeal the Affordable Care Act if elected. Democratic candidate Hillary Clinton would only make slight changes. As the presidential elections get closer, how could these scenarios play out?

What Repeal Would Mean

In January, Congress passed a bill for the first time that would repeal the Patient Protection and Affordable Care Act (the ACA or "Obamacare") without a replacement. President Obama vetoed the bill.

Although the ACA has many faults, repealing it would have consequences. A new report by the Washington-based Urban Institute found the number of uninsured people would rise by 24 million by 2021, an increase of 81 percent. Overall, 53 million Americans would be uninsured, compared to 30 million if the law was left intact.

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Fit Workers Mean Lower Health Costs

Nearly two-thirds of workers who go to the gym for fitness and weight-loss classes say their employer-sponsored wellness programs helped them reduce healthcare costs.

A survey by HealthMine, a Dallas-based healthcare technology company, found 62 percent of 750 wellness plan participants agreed the programs helped them reduce healthcare costs, while 38 percent said the programs helped them take fewer sick days.

"Healthier populations carry less risk, have fewer claims and lower premiums," HealthMine Chief Executive Officer and President Bryce Williams said in a statement. "...[W]ellness programs have the potential to improve health and lower costs

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The Committee for a Responsible Federal Budget found Trump's plan to repeal Obamacare would cost nearly $550 billion over the next decade and would nearly double the number of uninsured, causing nearly 21 million people to lose health insurance coverage.

The Urban Institute found repeal of the ACA would reduce federal government spending on healthcare for the nonelderly by $927 billion between 2017 and 2026. However, those savings would come at a steep cost. The authors found 81 percent of those losing coverage would be working families. About 66 percent would have a high school education or less and 40 percent would be young adults.

By 2021, there would be 15 million fewer people with Medicaid coverage. About 9 million people who would have received tax credits for private health coverage would no longer receive assistance.

What No Repeal Means

Critics of Obamacare say the ACA has caused health insurance premiums to skyrocket and resulted in millions of Americans losing their health plans.

"In short, Obamacare is wrecking the private health insurance market," wrote Jeffrey H. Anderson, a senior fellow at the Hudson Institute, in *The Weekly Standard.* "…Obamacare's proponents say the overhaul has greatly increased the number of people with health insurance coverage…. What they tend to omit is the fact that most of the 'newly insured'—about 60 percent—have merely been dumped into Medicaid. According to the Congressional Budget Office, Obamacare has added only 8 million people—just 2.5 percent of the U.S. population—to the private insurance rolls."

The U.S. Chamber of Commerce weighed in last year in an article titled, "How Obamacare Will Deliver Another Blow to Small Businesses in 2016," arguing thousands of small businesses face higher premiums and fewer choices under the ACA and will be "hit hard unless federal agencies or Congress step into the ring."

Republicans' Alternative

Republicans in the House of Representatives have formed a task force to do just that. In June, the House Republican Task Force on Health Care Reform released a 37-page proposal. This template for a future law will give consumers more choices at lower costs, pave the way for more cutting-edge cures and treatments, and strengthen Medicare, according to proponents. It retains some of the most popular features of Obamacare, but eliminates others:

Same

- Allows children to stay on their parents' coverage until age 26.
- Prohibits insurers from denying coverage to people with pre-existing conditions.

Different

- Expands consumers' ability to contribute to and use Health Savings Accounts (HSA).
- Limits premiums for older individuals to no more than five times those of a younger person. The ACA mandates a three-to-one ratio (older adults charged only three times more than younger adults). Republicans believe this drives away younger Americans, since it makes their premiums proportionately higher as compared to their claim costs.
- Allows consumers to buy health insurance across state lines.
- Allows employers to offer wellness programs tied to a financial reward or surcharge.
- Creates universal access programs funded by innovation grants to give financial support for those who cannot afford coverage.
- Gives states block grants to run Medicaid programs.
- Gradually increases the Medicare eligibility age from 65 to 67.
- Ensures taxpayer dollars are not used to for abortion services.

Similar

- Establishes a refundable tax credit for people who lack job-based coverage. Obamacare provides subsidies for people who do not qualify for Medicaid to buy insurance.
- Eliminates the "Cadillac Tax" but caps the tax deductibility of employer-based plans based on the value of the benefits. The Cadillac Tax

for the entire population, one person at a time. The benefits of successful wellness programs are cumulative."

The findings come on the heels of new federal Equal Employment Opportunity Commission rules that clarify employers' ability to reward wellness program participants. Employers can offer employees financial incentives worth up to 30 percent of individual health insurance premium costs, provided programs are voluntary and follow protections for employees against discrimination.

The survey further found that wellness programs can help detect chronic illnesses. Nearly half of those diagnosed with a chronic health condition say they uncovered their condition through their wellness program.

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is an excise tax designed to reduce excessive healthcare spending by discouraging employers from offering overly rich health plans. Beginning in 2018, plans that cost more than $10,200 for an individual or $27,500 for a family plan will be subject to the tax, which is 40 percent of the amount that exceeds those thresholds.

- Allows states that have already expanded Medicaid eligibility under the law to maintain the additional coverage, although it would prevent others from doing so.
- Protects employers' rights to self-funding their health coverage — a right they have now, although there has been some movement by the administration to impose more federal regulation.

We will keep you informed of political and legal developments that affect your employee health coverage. To discuss your organization's coverage needs or concerns, please contact us.

COBRA and the Affordable Care Act

By promising to extend health insurance coverage to all Americans, the Affordable Care Act has eliminated employers' need to offer COBRA continuation coverage. Or has it?

The Patient Protection and Affordable Care Act (PPACA) did not eliminate COBRA or change the COBRA rules. In fact, the notice health plans subject to COBRA must provide to new enrollees specifically mentions the Health Insurance Marketplace created by the Affordable Care Act.

COBRA, the Consolidated Omnibus Budget Reconciliation Act of 1986, allows workers and family members who would otherwise lose their health insurance benefits to temporarily continue health coverage at group rates. If you had 20 or more employees during the previous calendar year, COBRA applies to your health plans. Be sure to count part-time employees, with each part-timer counting as a fraction of a full-time employee according the portion of full-time-equivalent hours they worked.

If COBRA applies, here's what you need to know:

1. It affects any group plan that covers "medical care," regardless of whether it provides coverage through an insurance company, a health maintenance organization or self-insurance.
2. It applies to any group plan that covers medical services, including dental care, vision care and prescription drugs. It does not apply to plans that provide only disability or life insurance benefits.
3. It applies only to employees and dependents who lose coverage due to a "qualifying life event." This includes termination of employment (except for gross misconduct), reduction in work hours, death, divorce, legal separation or eligibility for Medicare, as well as a change in status of a covered dependent or spouse.

Being called up for active military duty also triggers COBRA eligibility when an employer doesn't voluntarily maintain a reservist's coverage.

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Employers subject to COBRA must:

1. Notify the health plan of these qualifying events: termination or reduction in hours of the covered employee's employment, death of the covered employee, a covered employee becoming entitled to Medicare or bankruptcy of a private-sector employer.
2. Offer COBRA beneficiaries the same coverage as they do to non-COBRA beneficiaries — usually the same plan in place immediately before the qualifying event. Any benefit changes for active employees will also apply to COBRA beneficiaries, who are entitled to the same coverage choices as all other employees, such as during periods of open enrollment.
3. Charge COBRA beneficiaries no more than the cost of coverage for active employees. However, they can add up to 2 percent to cover administrative costs.
4. Provide coverage for up to 18 months for job termination or a reduced work schedule. Certain qualifying events, or a second qualifying event during the initial coverage period, may extend coverage to a maximum of 36 months. Employers may also provide coverage beyond COBRA maximums.

Please note that USERRA, the Uniformed Services Employment and Reemployment Rights Act of 1994, applies to all employers. It extends the maximum COBRA coverage period for military personnel called to active duty from 18 months to 24 months.

Employees' Rights and Responsibilities

The covered employee or one of the qualified beneficiaries must notify the plan if the qualifying event is divorce, legal separation or a child's loss of dependent status under the plan. Within 14 days after receiving notice, the plan must provide the qualified beneficiary with an election notice, which describes rights to continuation coverage and how to make an election. Beneficiaries will have at least 60 days to elect coverage; if they fail to do so within that time period, the plan has no obligation to provide COBRA coverage.

Individuals and families who might qualify for health insurance tax credits might opt to buy coverage in the Health Insurance Marketplace instead. Being eligible for COBRA does not limit eligibility for coverage or a tax credit through the Marketplace.

COBRA-eligible employees and their dependents should be aware of changes the Affordable Care Act has made to insurance enrollment. Formerly, a person could buy individual market health coverage at any time. Now, individuals and families can buy coverage only during an open enrollment period.

If their COBRA coverage ends outside the open enrollment period, beneficiaries qualify for a special enrollment period. In the Marketplace, a *special enrollment period* of 60 days following certain life events (for example, marriage or birth of a child) will apply. Job-based plans generally allow special enrollment periods of 30 days.

If beneficiaries decide to end their COBRA coverage early, they must wait until the next open enrollment before they can buy a Marketplace plan. Open enrollment for 2017 coverage runs from November 1, 2016 to January 31, 2017.

For more information on complying with COBRA and other benefit rules and regulations, please contact us. ■

Most Workers Don't Plan to Retire at 65—or at Any Age

A report by the Transamerica Center for Retirement offers a 10-step plan for increasing retirement security among Americans at a time when most workers expect to retire after age 65, if at all.

Ah, retirement: The reward for a lifetime of hard work and savings. That's the American dream, but the reality is 58 percent of American workers now expect to retire after age 65 or not at all, a new Transamerica Center for Retirement Studies' report found. Many cite reasons related to income and benefits.

"Most plan to do so because they want or need the income (53 percent), yet many also cite reasons of enjoying what they do and wanting to stay involved (34 percent)," Catherine Collinson, president of the center and Transamerica Institute, testified recently before the U.S. Senate Special Committee on Aging.

These workers envision a phased transition into retirement including both work and leisure. Unfortunately, few employers have practices in place to support them. For example, only one in four employers offer pre-retirees the ability to shift from full-time to part-time work.

"In today's world, individuals are increasingly expected to self-fund a greater portion of their

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retirement income, but they need help in order to be successful," Collinson said.

Few Americans Happy with Retirement

The report comes as fewer American retirees say they are "very satisfied" with their retirements, while a growing number of retirees report that they are "not at all satisfied" with their retirements, according to the Employee Benefit Research Institute in Washington, D.C.

The Transamerica report, which offers a 10-step plan to close the gap between employers' retirement offerings and workers' needs, found 89 percent of workers value retirement benefits as an important workplace benefit, and 90 percent of workers offered 401(k) or similar plans are saving for retirement.

"As policymakers and industry seek to expand retirement plan coverage among American workers, it should be acknowledged that plan sponsorship rates are relatively high with room to grow and that part-time workers should be a special area of focus and attention," Collinson said in a statement.

Gap in Benefits for Part-Time Workers

According to the survey, 74 percent of companies offer a 401(k) or similar employee-funded plan. Despite the high percentage of employers that offer plans, the survey findings reveal a pervasive gap in plan coverage among part-time workers. Only 38 percent of employers that offer a plan extend eligibility to part-time workers.

"By addressing the coverage gap among part-time workers, policymakers can also help improve the retirement outlook of women and lower-income workers who are more likely than other demographic segments to work part-time," Collinson said.

Another key step for employers to increase retirement security among their workers involves automatic enrollment in 401(k) and similar plans.

"Automatic enrollment, which automati-

cally enrolls employees into the plan with the ability for them to opt out, is widely recognized as one of the most effective ways to increase plan participation rates; however, relatively few 401(k) plan sponsors offer it, despite its appeal to workers," Collinson said.

Further, automatic escalating is a retirement plan feature that increases a participant's contributions to the plan, typically by 1 percent a year or when they receive a pay increase. Only 28 percent of plan sponsors offer automatic escalation in contrast to the 67 percent of workers who find the idea appealing.

Another step employers can take is to help educate workers on how "leakage" from retirement accounts can severely inhibit their long-term savings. Among workers who are currently participating in a plan, 23 percent have taken a loan or early withdrawal from their 401(k) or IRA, with top-cited reasons indicating they may lack emergency savings or insurance coverage—or they are paying off consumer debt.

While access to funds through loans and hardship withdrawals can encourage plan participation, greater education is needed in simple and clear terms of the risks and negative consequences. Limiting the number of loans allowable by the plan can help, too.

Addressing Workers' Caregiver Responsibilities

Employers can tackle a hidden threat to retirement security by addressing the caregiver responsibilities of their workers.

Given increases in longevity and the high cost of assisted living and long-term care, many workers will be called upon to be an unpaid family caregiver for an aging parent or loved one at a time in which they are balancing their careers, raising children and saving for their own retirement. The resulting reduction of work hours or time off from the workforce for caregiving can negatively affect their future retirement security.

This offers employers a chance to help employees balance work with caregiving responsibilities. Just 58 percent of employers accommodate caregiving employees by offering flexible work schedules. For more suggestions on benefits that will increase your organization's ability to retain valued employees, please contact us.

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What's Hot in Insurance? Short-Term Care Policies

As more baby boomers retire, sales of short-term care insurance policies grow 20 percent.

With the wave of baby boomers entering their golden years, sales of short-term care insurance policies grew 20 percent last year, a report by the National Advisory Center for Short-Term Care Information found.

"Insurance agents are selling more short-term care insurance to seniors to fill gaps in Medicare and as a long-term care planning alternative when cost, age or health is an issue," said Jesse Slome, director of the National Advisory Center. The organization analyzed sales and claims data from seven leading short-term care insurance companies.

Last year, sales of short-term care insurance policies increased by 20 percent compared to the prior year.

Short-term care policies generally provide coverage for up to 360 days and can pay for home care assistance, assisted living and skilled nursing home care costs.

"These policies are ideal for individuals concerned about the cost of traditional long-term care insurance," Slome said. "It's a great option for people who waited too long to start the long-term care planning process."

Four in 10 long-term care insurance claims last one year or less.

"For many people, a year of short-term care insurance coverage is all they'll need," Slome said. "Plus, it can be easier to qualify to receive benefits, a definite advantage when care is ultimately needed."

The average annual cost for individuals purchasing short-term care insurance last year was $1,043, a 5 percent increase over 2014.

The National Advisory Center advocates for the importance of planning and supports insurance and financial professionals who market short-term care insurance products. To learn more call the center at 818-597-3205 or visit their website at www.shorttermcareinsurance.org.

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