Employee Benefits Report

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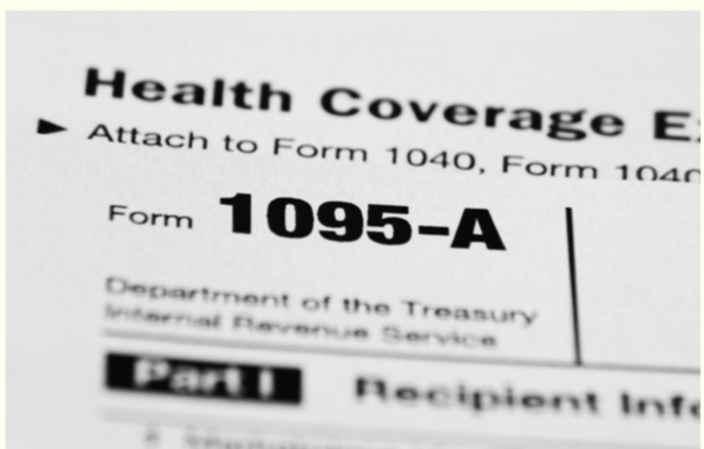
Tax Reform Proposal Would Undermine Health System

Various proposals in Congress would eliminate or cap the employer tax exclusion for health insurance. Now's the time to make your voice heard!

It's the largest subsidy in the tax code. Proposals in Congress that would eliminate or place a cap on the employer tax exclusion for employee health insurance would seriously harm the employer-sponsored health insurance system, the National Association of Health Underwriters (NAHU) contends. "Eliminating the exclusion would also eliminate most of the advantages of employer-sponsored insurance while capping it would degrade the benefit and serve as a tax increase for middle-class Americans," NAHU says.



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Texting Benefits Info to Millennials Works Magic

While Millennials are expected to comprise about 75 percent of the American workforce by 2025, many employers are not clearly communicating the importance of voluntary benefit packages to them.

"It's not enough to hand out printed materials with some basic online information," Tom Starner wrote in an *HRDive* article. "More employers are beginning to take advantage of more unusual channels such as text messages alongside direct e-mails and other, common media. The key is to go where the employees are—and often times, that means optimizing communication for mobile."

The Millennial generation—ages

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The employer-based health insurance system helps provide workers and their families with affordable coverage through group purchasing and economies of scale by spreading risk. More than 175 million Americans receive health insurance through the employer-based system.

Currently, premiums for employer-sponsored health insurance plans are excluded from federal income and payroll taxes. This tax exclusion saves employees more than $250 billion a year in federal taxes, and additional billions in state taxes. This reduces the average worker's cost of health coverage by about 30 percent.

"Eliminating the exclusion would eliminate most of the benefits of employer-sponsored insurance," NAHU says. "Employers and individuals would lose many group purchasing efficiencies, and there would no longer be a potent means for spreading risk among healthy and unhealthy individuals and maintaining stable coverage. Workers would be less likely to have their employer as an advocate in coverage disputes, and employers would be less likely to involve themselves in matters of quality assessment and innovation for their employees. Employers need a healthy workforce and the uncertainty of employee coverage could affect worker productivity."

Tax Exclusion = Incentive for Employers

The tax exclusion serves as an incentive for employers to offer insurance to their employees. Likewise, eliminating the exclusion would reduce this incentive because employers would face increased income taxes.

"The likely result would be less generous benefit plans," NAHU says. "Employers choosing to no longer sponsor insurance but instead to increase salaries to assist their employees in purchasing plans on the individual market would similarly face increased FICA matches and the employees would face increased taxes. Given these increased taxes, the remaining salary would be less than the amount of the plan, resulting in less-valuable coverage than the employee previously received.

"Alternatively, capping the exclusion for employees would degrade the benefit and serve as a tax increase for middle-class Americans. Similar to the Cadillac/excise tax, employers would be incentivized to not offer coverage to their employees who would fall below the value of the cap in order to avoid paying any increased taxes. This could result in a race to the bottom for employers to offer coverage that wouldn't meet the cap's thresholds. As healthcare costs continue to increase, employers may be forced to increasingly shift costs onto employees in the form of higher copayments and deductibles," says NAHU.

Cadillac Tax Battle Continues

The proposals to eliminate or cap the employer tax exclusion for employee health benefits come as the battle over the Cadillac tax continues on Capitol Hill. Authors of the Affordable Care Act created the so-called Cadillac tax to help pay for the Affordable Care Act's subsidies. This excise tax would affect the most expensive health insurance plans. However, with inflation, many plans, including some union plans, will fall under the tax's definition of "high-cost health plan" shortly.

"It's hard to find fans of the tax these days," Dan Diamond wrote in a *Politico* story. "Its implementation has been delayed until 2020, and Hillary Clinton has come out against it. Donald Trump, who favors repealing the whole [Patient Protection and Affordable Care Act] law, is also against it. If the Cadillac tax does get rolled back, that will re-open one of the [Affordable Care Act's] peskiest policy fights. As…[a recent] event pointed up, economists generally agree to curb the employer exclusion—somehow—but considerably disagree over the form that would take and the a deductibles and out-of-pocket expenses."

18-34—was the first generation raised using technology. They recently surpassed Baby Boomers as the nation's largest living generation, according to the Pew Research Center. Few of them know what life was like before the Internet. Consequently, 93 percent believe that up-to-date technology is one of the most important aspects in a workplace.

"Among other things, millennials expect a flexible work environment in a technology-enabled job that meets their professional and personal goals," Starner wrote. "(*Employee Benefit News*) explains that to meet those demands, some employers are turning to voluntary benefits, with offers such as pet insurance, extended leave, counseling services and financial education."

Arguments for Change

In his *Forbes* article, "Capping the Tax Exclusion Will Not Destroy Employer Health Insurance," Joseph Antos, the Wilson H. Taylor Scholar in healthcare and retirement policy at the American Enterprise Institute, wrote that the tax exclusion fuels the rapid growth of health spending and contributes to stagnating wage growth.

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"The exclusion can be restructured to promote better health insurance choices that lead to more efficient, higher value care," Antos wrote. "Such reforms can make the subsidy fairer without eliminating the financial incentive employers have to offer health coverage to their employees."

How to Get Involved

NAHU is concerned about any proposal that would cap or eliminate the exclusion and is urging insurance agents, brokers and employers to take action.

"We urge Congress to maintain the system that has worked for Americans for decades, and preserve employer-sponsored health coverage through the continuation of the employer exclusion," the NAHU says. "Over the coming weeks, as Congress discusses various healthcare reform proposals, we want to be sure that they hear directly from agents, brokers and employers about the value of the employer tax exclusion."

Employers will be most directly impacted by the elimination or cap of the employer tax exclusion. They can get involved by contacting their senators and representatives to ask them to oppose the elimination or cap of the employer tax exclusion of health insurance in any healthcare reform legislative proposals.

For more information on the benefits of group health coverage, please contact us.

Why Life Insurance Is a Smart Investment

It's considered the cornerstone of sound financial planning.

Despite recent reports about sharp increases in some life insurance premiums, financial experts say life insurance is a vital part of a family's financial stability and a smart investment.

Experts cite several reasons why people should buy life insurance:

- **Replaces income following a person's death.** For those who depend on someone else's income, life insurance replaces that income if that individual dies. This is especially important for parents with young children, but also for couples who would be financially devastated by the loss of income following their partner's death.
- **Pays funeral costs.** Life insurance pays for funeral and burial costs, probate and estate administration expenses, medical expenses not covered by health insurance and debts.
- **Funds an inheritance.** By purchasing a policy and designating beneficiaries, life insurance creates an inheritance that can be passed onto heirs.
- **Pays taxes.** Following someone's death, life insurance benefits can be used to pay estate taxes.
- **Funds donations to charity.** By designating a charity as the beneficiary, a life insurance policy can be used to make a large contribution to a charity.
- **Provides a source of savings.** A cash-value life insurance policy can create a type of savings plan that can be borrowed or withdrawn at the owner's request.

The Basics of Life Insurance

The most common type of life insurance policy is known as a term policy. These are relatively inexpensive compared to other types of life insurance. Term policies pay a set amount if the policy owner dies during the term—usually somewhere between 10-30 years. The other main types of policies are permanent insurance policies, including whole life or universal life insurance. These cash-value policies are more expensive, but offer a wide

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variety of benefits.

If life insurance is only needed for a specific period of time, or if the person has a limited budget, a term policy may be a good fit. However, if someone needs insurance for as long as they live and wants to accumulate savings, a universal or whole life policy would be a better choice.

The next step in buying life insurance is calculating how much is needed. A typical rule of thumb is to buy coverage worth 10 times the policyholder's salary. In general, to create an inheritance or make a charitable contribution, buy enough life insurance to accomplish those goals. For those with dependents, buy enough, when combined with other sources of income, to replace current income.

A few questions can help determine the amount: What financial resources will be available to survivors after the policyholder's death? This usually involves Social Security and other survivor benefits, assets and group life insurance. Also, what will be the financial needs of the survivors? Typically, this includes the funeral expenses, debts and income needs. Once you have these answers, subtract the survivor's financial resources from their financial needs to determine how large of a policy to buy.

It's also a good idea to find out if there are any "riders" on the policy. These policy additions can add valuable coverages or benefits to the base policy. The two main ones are waivers of premium and guaranteed insurability. The waiver of premium pays the premiums if the policyholder becomes disabled. The guaranteed insurability rider allows the policyholder to add to the death benefit without providing additional evidence of acceptable health.

As far as how often to pay a policy, it's better in most cases to pay annually because installment plans usually have hefty charges tacked onto them.

Finally, it's important to tell beneficiaries about the policy. Let them know the name of the company that issued it, where to locate a paper copy of the policy and any specifics about what the policyholder would like them to do with the death benefit. The documents should be stored where they are easily accessible to the beneficiaries.

Where to Buy Life Insurance

When it comes to buying life insurance, employer-sponsored plans have many advantages. First, a true group plan will provide a minimum level of coverage to any member of the group, regardless of their health. Employer-sponsored plans therefore can provide valuable coverage to some individuals who might not qualify for a plan on the individual market.

Second, employer-sponsored plans often allow participants to pay through payroll deduction. This form of payment offers convenience and allows for smaller payments, which can encourage plan participants to keep their coverage in force.

Life insurance is the most commonly offered—and one of the most desired—employee benefits. Today's life insurance programs offer a variety of features that weren't available just a decade or so ago, so if it's been a while since you've reviewed your life insurance benefits, please contact us for a review. ■

Asthma and Allergies: How Companies Can Breathe Easier

About one in four Americans suffers from asthma today. The Asthma and Allergy Foundation of America estimates the annual cost of asthma at about $56 billion. Direct costs, such as hospital stays, accounted for nearly $50.1 billion, while indirect costs, such as lost pay, accounted for $5.9 billion.

According to a CDC study, asthma has triggered:

- 1.8 million emergency room visits (2011)
- 1.3 million hospital outpatient visits with asthma as the primary diagnosis (2010)
- 10.5 million physician office visits (2012)
- 3,651 deaths (2014).

Asthma is a chronic disease that causes wheezing, breathlessness, chest tightness, and coughing at night or early in the morning. An asthma attack occurs when the body's airways constrict and allow less air to get in and out of the lungs. The body also produces extra mucus during an attack, which further hinders breathing.

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Treating Asthma

Although asthma is a chronic disease, sufferers can take steps to prevent or minimize the severity of asthma attacks. There's no single strategy to prevent asthma. But a good place to start is in getting the proper diagnosis.

Employer-sponsored wellness programs can help screen employees and their dependents for asthma. Once someone receives an asthma diagnosis, they should consult a medical professional who specializes in asthma to determine whether the asthma symptoms are an irritant reaction or the much more serious allergic reaction.

Disease management programs can help your plan participants with chronic conditions better manage their health. Disease management professionals educate employees and their dependents on dealing with their health conditions. They also define care protocols and evaluate and measure effectiveness of treatment. Some health plans include disease management services. But if your company self-insures, make sure to select a vendor that is accredited with an agency such as the NCQA (National Committee for Quality Assurance), URAC (Utilization Review Accreditation Commission) or the JCAHO (Joint Commission on Accreditation of Healthcare Organizations).

Preventing Asthma

From dust mites, mold spores, cockroaches and animal dander, to cotton fibers, acid anhydrides, formaldehyde and latex, the modern home and workplace are veritable minefield of substances that trigger asthma and allergies and associated medical claims.

You have no control over your employees' homes, but you can control allergens found in the workplace. According to the Asthma and Allergy Foundation of America (AAFA), more than 200 substances found in the workplace can cause asthma. Millions of workers are exposed to substances that can cause allergic reactions and other respiratory problems. Using proper management, many of these problems can be avoided or eliminated.

Some of the worst potential exposures to asthma triggers occur in general merchandise stores, food stores, the furniture and lumber industries, banking, schools, trucking, warehousing and metal industries. Some of these sectors have no obvious exposures to dangerous substances—asthma can easily be caused by something as innocuous as poor indoor environmental quality. That helps explain why computer operators and financial record processors had the highest prevalence of asthma in a CDC study.

To control exposure in your workplace, the following steps can help:

- Get workers to keep their work areas uncluttered and, if appropriate, have them dust and use HEPA-type tabletop air purifiers. Alternatively, if dust is a pervasive problem, hire a cleaning crew to regularly maintain your premises. Ensure they use nontoxic, non-irritating cleaners.
- Give workers exposed to dusty environments or particulates dust masks or even better, fully enclosed respirators.
- Check that the air exchange system in your building is functioning properly.
- If the source of the asthmatic reaction has been identified, move affected workers to different parts of the building, especially in severe cases where staying in contact with the substance can be life-threatening.

For more suggestions on preventing and managing the cost of chronic disease, please contact us.

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Sales of Long-Term Care Insurance Policies Rising

Although sales of traditional long-term care insurance have dropped 60 percent over the last decade, half of the insurance companies marketing the policies experienced increases sales in the first half of 2016 compared to the same time period last year.

"While the number of new policy sales declined just slightly for the industry as a whole, having half of the insurers who currently offer policies to new applicants see sales increases is a very positive thing," Jesse Slome, director of the American Association for Long-Term Care Insurance, said during a recent talk he gave before long-term care insurance professionals.

During the presentation, Slome said that markets evolve—noting that in 2000 less than 10,000 Americans purchased hybrid cars. "In 2015, over 500,000 hybrid cars were purchased," Slome said. "Likewise, different options for long-term care planning are seeing sales growth so one must look at the overall market." Some of the newer options available include life insurance policies and annuities with long-term care benefits.

About a dozen companies still market traditional long-term care insurance. "Companies see sales increases and some see decreases for a variety of reasons, but overall market stability is important," Slome said.

The national long-term care insurance expert also reported an increase in the number of consumers contacting the organization seeking information or pricing for long term care insurance. "That's a very positive sign and one that's most welcomed," Slome said.

To compare long-term care insurance costs, contact the American Association for Long-Term Care Insurance at 818-597-3205, or visit the organization's website at www.aaltci.org. Or contact us for more information—we can help you analyze your needs and recommend coverage, including long-term care hybrid options that involve life insurance or annuities. Each type of plan has its advantages and disadvantages; we can help you determine which type of plan makes most sense for your budget and personal situation. ■