Einstein
Advanced Health Insurance Solutions

NEWSALERT

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Employee Benefits

DOL Issues Final Rules for Association Health Plans

THE DEPARTMENT of Labor in June issued its final rules for expanding employers' access to association plans, a move that could result in some increases in premiums for other plans, including Affordable Care Act-compliant small group health plans.

The rule in its essence allows more small businesses and self-employed workers to band together to buy insurance. The final rule is part of the Trump administration's plan to encourage competition in the health insurance markets and lower the cost of coverage.

It does that by broadening the definition of an employer under the Employee Retirement Income Security Act (ERISA) to allow more groups to form association health plans and bypass ACA rules, like requiring plans to offer the 10 essential benefits. But what's not clear is how the marketplace will react and what kind of plans will ultimately be created to target this new potential market.

In announcing the final rules, Labor Secretary Alexander Acosta said that some 4 million people would likely gain coverage in the association plan market, most of them migrating from the small group and individual markets.

The figure also includes an estimate that 400,000 people who currently don't have coverage will end up securing coverage in association plans.

An insurance-industry-funded analysis of the final rule by Avalere Health, a health care consulting firm, has predicted that mostly healthy, young people are expected to gravitate to association plans, which would spark rising premiums in the ACA individual and small group markets. Avalere projected premiums would increase by as much as 4% between 2018 and 2022.

Under prior rules, association health plans had to comply with ERISA's large-employer insurance requirements. Many existing association plans have been required to comply with small group and individual insurance market regulations, including protections for people with pre-existing medical conditions and covering the ACA's 10 essential health benefits.

The specifics of the final rule

Here's what you need to know about the final rule:

- Association health plans cannot restrict membership based on health status or charge sicker individuals higher premiums.
- Plans may be formed by employers in the same trade, industry, line of business, or profession. They may also be formed based on a geographic test, such as a common state, city, county or same metropolitan area (even if the metropolitan area includes more than one state).

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Voluntary Benefits

Why Disability Insurance Is Vital for Your Employees

NEARLY 80% of Americans said that they had at least two types of insurance when it came to health, home and auto policies. But, only about 35% reported having disability insurance from an employer, according to a survey conducted by the Harris Poll for OneAmerica.

Of the 2,100 people surveyed who did not have disability insurance from an employer, more than 40% said that employers did not offer it. About 15% said that they did not have it because they could not afford the cost, and they felt that other living expenses were higher priorities.

Why disability insurance?

People are quick to insure their homes, cars and health but do not think about the possibility of a permanent or temporary disability. More than 25% of Americans will experience a disability before they turn 65, and many of these individuals will suffer from a permanent disability.

Government assistance for disabled individuals does not replace a previous salary before the disability happened. Most people have increasing medical costs in addition to their everyday living costs, and this puts a strain on themselves and their families.

The employer's role

Employers can play their part by offering disability insurance as part of their overall benefits package.

Some workers can be retrained for other positions if a partial disability prevents them from returning to a previous position. If workers know this and have income while they are recovering and getting therapy, they may be more likely to return to work if they are able.

By offering voluntary disability insurance a company can show that it cares about the well-being of its workers, which speaks volumes to top talent about the company's values.

Many don't enroll, education needed

The survey also found that only about 20% of workers who had an annual household income below $50,000 were offered disability coverage by an employer.

Nearly 35% of women who were between the ages of 18 and 34 did not accept an employer's disability coverage because they felt that they did not need it. But, most women did not realize that disability insurance could benefit them for issues during maternity leave.

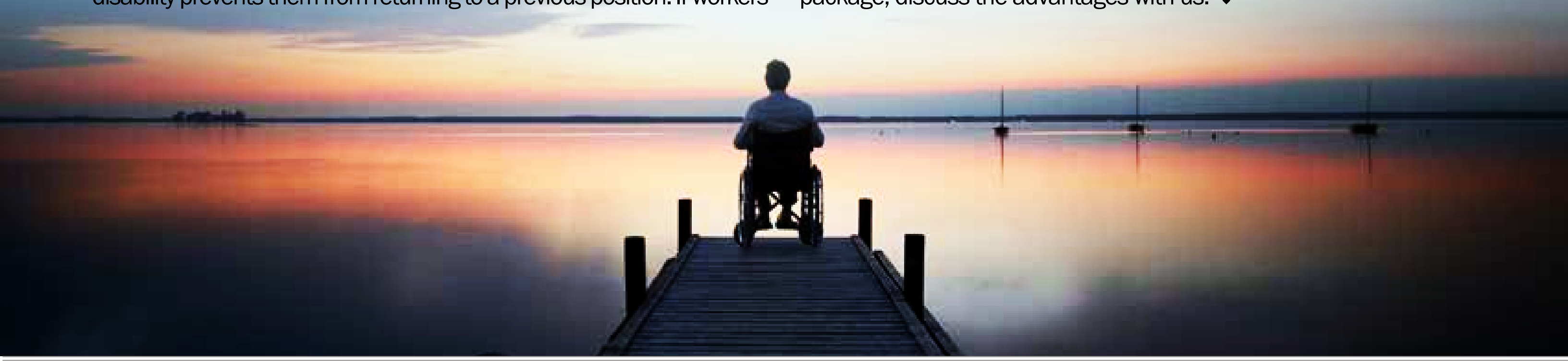
When a worker is injured and sustains a temporary or permanent disability, the insurance kicks in after several weeks to provide income replacement at a rate that is more sufficient than government benefits.

Sick time and paid time off do not usually suffice for an employee who needs a considerable amount of time off because of a disability.

But, most employees assume that any injury will heal within the time allowed by their paid time off and sick time.

Employees should check with their HR department about this important and affordable coverage.

For employers considering this coverage for an enhanced benefits package, discuss the advantages with us. ❖



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Sole Purpose of Association Cannot Be to Offer Coverage

- The primary purpose of the association may be to offer health coverage to its members. But, it also must have at least one substantial business purpose unrelated to providing health coverage or other employee benefits.
- A "substantial business purpose" is considered to exist if the group would be a viable entity in the absence of sponsoring an employee benefit plan.
- The association plan must limit enrollment to current employees (and their beneficiaries, such as spouses and children), or former employees of a current employer member who became eligible for coverage when they worked for the employer.
- The final rule reduces the requirement for working owners. To be eligible to participate they must work an average of 20 hours per week or 80 hours per month (the proposed rule had required an average of 30 hours per week or 120 hours per month).
- An association plan may not experience-rate each employer member based on the health status of its employees; however, it may charge different premiums as long as they are not based on health factors.

For example, employees of participating employers may be charged different premiums based on their industry subsector or occupation (e.g., cashiers, stockers, and sales associates) or full-time vs. part-time status. ❖

Medical Costs

Save For Retirement with … a Health Savings Account?

HEALTH SAVINGS accounts are a proven tool in reining in health care costs. But many Americans are also discovering their tremendous value as retirement savings vehicles, as well.

Here's why: When used properly, contributions to HSAs have the potential to combine tax-deductible contributions, tax deferral, and tax-free reimbursements for medical expenses in retirement (after age 65). In addition, taxpayers can access these funds tax-free for qualified medical expenses at any time.

HSA benefits

- No penalty for withdrawals prior to age 59½ if they are made to pay qualified medical expenses.
- Withdrawals to pay medical expenses are tax-free.
- All unused funds roll over each year and continue to accumulate.
- Portability – HSA funds go with you as you change employers.
- Can be used to pay long-term care insurance and Medicare premiums.
- Can be used for vision, dental and hearing treatments (even if your health insurance plan does not cover these services).

Note: Taxpayers should note that withdrawals from HSAs for purposes other than qualified health expenses are subject to income tax, plus a penalty of 20%. That is twice the penalty normally applied to early distributions from IRAs and 401(k)s.

Furthermore, while the 10% fee on early withdrawals from IRAs and 401(k)s goes away at age 59½, the 20% penalty on withdrawals from HSAs for non-qualified purposes remains in effect until age 65.

Eligibility

You can only contribute in a given year if you are in a high-deductible health plan. Typically, these plans will have lower premiums than other comparable health insurance plans, but higher deductibles than are normally found in employer plans. As of 2018, the minimum deductible for a self-only plan is $1,350, and $2,700 for family plans.

HSA contribution limits

As of 2018, single taxpayers can contribute a maximum $3,450 per year into an HSA, while those with family plans can contribute up to $6,850. Those aged 55 or older can contribute an extra $1,000 each. The maximum out-of-pocket costs for 2018 are $6,650 for self-only plans, and $13,300 for family plans.

You can reimburse yourself for documented medical expenses even decades after you incur them. If you can pay non-reimbursable, non-covered expenses out of pocket, rather than tapping your HSA, you can keep funds in your HSA and let them continue to accumulate tax-deferred. Once you reach age 65, all those funds become available to you with no penalty.

To execute this strategy, take the following steps:

1. Maximize your annual contributions to an HSA.
2. Pay all non-covered medical expenses out of pocket, rather than tapping your HSA. Let the HSA continue to accumulate, tax-deferred.
3. Save your receipts. ❖

Jim's example

Jim makes the maximum allowable contribution of $6,650 for 25 years (disregarding future contribution limit increases) – and leaves it there. All medical expenses are paid out of pocket.

Assuming $8,000 per year in medical expenses, on average, the total medical expenditure would be $200,000.

Meanwhile, Jim is able to achieve 7% annual returns on his contributions.

At the end of 25 years, he will have amassed $420,606.10 within his HSA – if he can just wait until age 65. If he saved his receipts, he can reimburse himself up to $200,000, tax-free, even before turning age 65. However, the longer he can allow his savings within the HSA to compound, the greater his income in retirement is likely to be.

Furthermore, with HSAs, there are no required minimum distributions. If you choose, you can allow your HSA to accumulate tax-deferred, indefinitely.

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ACA Compliance

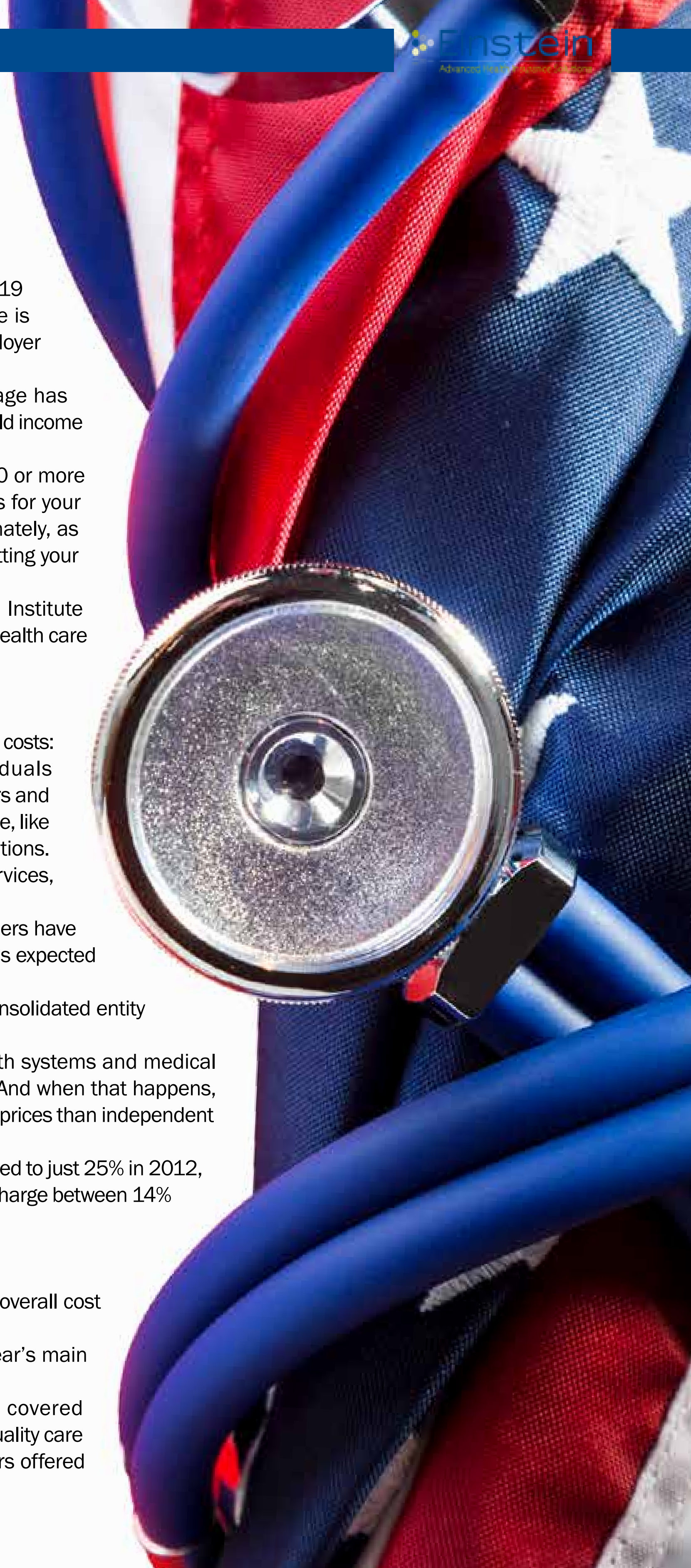
IRS Adjusts Premium 'Affordability' Levels

THE IRS has released the inflation-adjusted amounts for 2019 used to determine whether employer-sponsored coverage is "affordable" for purposes of the Affordable Care Act's employer shared responsibility provisions.

For plan years beginning in 2019, the affordability percentage has increased to 9.86% (from 9.56% in 2018) of an employee's household income or wages stated on their W-2 form.

If you are an applicable large employer under the ACA (with 50 or more full-time staff), you should examine the affordability percentages for your lower-waged employees so you don't run afoul of the law. Fortunately, as the percentage has increased, you'll have more flexibility when setting your employees' contribution rates.

A recent study by PricewaterhouseCooper's Health Research Institute found that employers and insurers are expecting a 6% increase in health care costs in 2019.



Trends affecting costs

The report said the following trends are the main factors affecting costs:

Abundance of treatment options – With covered individuals demanding more convenience in their treatment options, employers and health plans have responded by giving them more ways to obtain care, like retail clinics, urgent care clinics and electronic physician consultations. While the long-term goal is to reduce health care spending on services, currently the increased offerings have resulted in higher utilization.

Mergers by providers – Hospitals and other health care providers have been consolidating for the better part of a decade, and that trend is expected to continue in light of several recently announced mega-deals.

Prices tend to rise when two health systems merge and the consolidated entity gains market share and negotiating power.

Physician consolidation and employment – Hospitals, health systems and medical groups are hiring more and more doctors out of private practice. And when that happens, costs tend to go up since these organizations tend to charge higher prices than independent practitioners.

In 2016, 42% of physicians were employed by hospitals, compared to just 25% in 2012, according to the PwC report. Hospitals and medical groups tend to charge between 14% and 30% more than physicians in private practice.

Restraining factors

At the same time, there are some factors that are dampening overall cost increases:

- Expectations that next year's flu will be milder than this year's main virus.
- More employers are offering care advocates who help covered individuals navigate the insurance system to find the best quality care at the best price. According to the survey, 72% of employers offered health-advocacy services to their employees in 2018. ❖