Einstein
Advanced Health Insurance Solutions

NEWSALERT

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Employee Benefits

Many Workers Are Choosing the Wrong Health Plans

A RECENT STUDY has found that many people in employer-sponsored health plans are enrolling in plans that are costing them more than they ought to be paying.

Many employees choose pricey plans with low deductibles, which force them to spend more up front on premiums to save just a few hundred dollars on their deductible.

As a result, many workers spend hundreds, if not thousands of dollars more on their health care/health coverage than they need to.

A study by Benjamin Handel, a U.C. Berkeley economics professor, found that the majority of employees at a firm he studied were in the highest-premium, lowest-deductible plan ($250 a year) on offer. They spent about $4,500 a year on health care, compared to only $2,032 had they gone with the cheaper plan (which had a $500 annual deductible) and received the same care.

Additionally, the research paper "Choose to Lose: Health Plan Choices from a Menu with Dominated Options," published in the *Quarterly Journal of Economics*, found that more choices also didn't yield more savings for individuals in employer-sponsored plans.

The study examined the health plan choices that 23,894 employees at one large U.S. employer made. They were able to choose from 48 different combinations of deductibles, pharmaceutical copayments, co-insurance and maximum out-of-pocket expenses. All of the plans offered the same network of doctors and hospitals.

As a result, workers paid an extra $528 in premiums for the year to keep their deductible at $750 instead of $1,000. In other words, they paid $528 to save $250.

For nearly every plan with a deductible of $1,000 (the highest deductible available for those seeking single coverage), the additional premiums required to reduce the deductible, with all other plan attributes fixed, exceeded the maximum possible out-of-pocket savings.

The study also found that the lowest-paid workers were significantly more likely to choose the most expensive plans.

Both of the studies above looked at plan options with relatively low deductibles when compared with high-deductible health plans, which have become more popular with time.

"In other words, they paid $528 to save $250."

In 2018, the minimum deductible for an HDHP is $1,350 for an individual and $2,700 for a family. But, under current regulations, total out-of-pocket expenses are limited to $6,650 for an individual and $13,300 for a family with an HDHP.

While these plans have gotten a bad rap lately, a study published by the National Bureau of Economic Research found they are often cheaper for employees, as well.

The authors, both from the University of

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New Regulations

Bill Would Make 40 Hours a Week Full Time for ACA Purposes

HOUSE REPUBLICANS are taking another stab at and cutting around the edges of the Affordable Care Act with new legislation that would change the definition of "full-time" workers to individuals who work 40 hours a week, instead of the current 30 hours under the law.

The effort addresses one of the biggest points of contention among employers concerning the ACA, since employers with 50 or more full-time workers must offer them health plans that comply with the law.

The measure, HR 3798, is currently in play in the House of Representatives, although it has yet to be debated in committee.

The bill comes as another measure that would completely eliminate the mandate that all applicable large employers (those with 50 or more full-time employees or the equivalent in part-time workers' hours) provide health coverage that is affordable and covers the minimum essential benefits as prescribed by the ACA.

What would HR 3798 do?

Specifically, the bill would:

- Establish that "full-time employee" means someone who works 40 hours or more a week.
- Eliminate penalties for organizations that don't offer health insurance to staff who work less than 40 hours a week, but more than 30. This would greatly ease the reporting requirements on employers.
- Suspend the employer mandate for the years 2015 to 2018, in order to suspend any penalties that may have been imposed on employers during that period.
- Halt the IRS's current attempts to enforce the mandate and open the door for employers to obtain refunds from the IRS for any penalties already paid.
- Further delay implementation of the "Cadillac tax." This is a 40% excise levy that would be applied to premiums over and above a certain maximum premium threshold. The tax has already been delayed a number of times and is scheduled to take effect in 2022.
- Change ACA reporting requirements. Employers currently must provide IRS Form 1095-B for fully insured group plans to employees who receive ACA-compliant coverage. The bill would only require employers to provide the form to workers that ask for it. That said, employers would still be required to report to the IRS every year.

The outlook

The bill has yet to be debated in committee and with the legislative session drawing to a close in the coming months, it's unclear if this measure could be passed out of committee and then the House floor in time for it to be debated in the Senate.

It joins the ranks of a few measures that are once again taking aim at the ACA. ❖

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A Higher Deductible Can Often Be a Big Money Saver

Wisconsin-Madison, found in a study of 331 companies that at firms offering both a HDHP and a low-deductible plan, selecting the HDHP typically saves more than $500 a year.

Strategies

To help offset the cost of a HDHP, you can offer your staff health savings accounts (HSAs), which offer a tax-advantaged way to save for health care costs. While there are annual contribution limits, HSAs allow your employees to roll over their balance from year to year. The funds they contribute to their HSA are pre-tax, so the savings are significant.

The Wisconsin-Madison authors surmised that many people choose the costlier health plan for two reasons:

- **Inertia** – It's easier for consumers to stick with their old plan rather than crunch the numbers to see if a new plan may be more appropriate.
- **Deductible aversion** – When employees see a low-deductible plan they may associate it with better quality care, even though the network and coverage may be the same.

The best strategy to guide your staff to the plan that best suits them is to educate them.

You should have workshops for your staff prior to open enrollment, to help them understand why the higher-deductible plan may often be the best choice for them if they want to save money on their overall premium and out-of-pocket expenses.

Ideally, you could encourage them to set aside the same amount of money in their HSA that would be enough to cover their deductible. This way, your employees would not feel burdened by health expenses they may have to pay for during the year. ❖

Preparing for 2019

Getting a Head Start on Open Enrollment

AS OPEN ENROLLMENT is right around the corner, now is the time to gear up to maximize employee enrollment, help them make the best selections for their own personal circumstances, and stay compliant with relevant laws and regulations.

It's a lot to take in as uncertainty has been a constant during the last many years with the onset of the Affordable Care Act, and now that its future is hazy at best.

Still, since health coverage and other employee benefits are an important part of your compensation package – and your competitive edge for talent – it's important that you get it right.

Here are some pointers to make open enrollment fruitful for your staff and your organization.

Review what you did last year

Review the results of the previous year's open enrollment efforts to make sure the process and the perks remain relevant and useful to workers. How effective were various approaches and communication channels, and did people give any feedback about the process itself?

Start early with notifications

You should give your employees notice at least a month before open enrollment to let them know it's coming, as well as provide them with information on the various plans you are offering. Encourage them to read the information and come to your human resources point person with questions.

Help them sort through plans

You should be able to help them figure out which plan features fit their needs, and how much the plans will cost them out of their paycheck. Use technology to your advantage, particularly any registration portal that your plan provider offers. Provide a single landing page for all enrollment applications.

That said, you should hold meetings on the plans and also put notices in your employees' paycheck envelopes.

Plan materials

Communicate to your staff any changes to a health plan's benefits for the 2019 plan year through an updated summary plan description or a summary of material modifications.

Confirm that their open enrollment materials contain certain required participant notices, when applicable – such as the summary of benefits and coverage.

Check grandfathered status

A grandfathered plan is one that was in existence when the ACA was enacted on March 23, 2010 and is thus exempt from some of the law's requirements. If you make certain changes to your plan that go beyond permitted guidelines, the plan is no longer grandfathered.

If you have a grandfathered plan, talk to us to confirm whether it will maintain its grandfathered status for the 2019 plan year. If it is, you must notify your employees of the plan status. If it's not, you need to confirm with us that your plan comports with the ACA in terms of benefits offered.

ACA affordability standard

Under the ACA's employer shared responsibility rules, applicable large employers must offer "affordable" plans, based on a percentage of the employee's household income. For plan years that begin on or after Jan. 1, 2019, the affordability percentage is 9.86% of household income. At least one of your plans must meet this threshold.

Out-of-pocket maximum

The ACA's out-of-pocket maximum applies to all non-grandfathered group health plans. The limit for 2019 plans is $7,900 for self-only coverage and $15,800 for family coverage.

Make sure your plan is in line with these figures.

Other notices

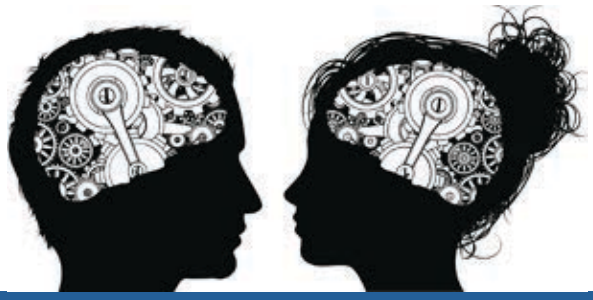
Consider also including the following notices:

- Initial COBRA notice.
- HIPAA notice. This may be included in the plan's summary plan description.
- Notice of HIPAA special enrollment rights.
- HIPAA privacy notice.
- Summary plan description.
- Medicare Part D notices.

Get spouses involved

Benefits enrollment is a family affair, so getting spouses involved is critical. You should encourage your employees to share the health plan information with their spouses so they can make informed decisions on their health insurance together.

Also encourage any spouses who have questions to schedule an appointment to get questions answered. ❖



Human Resources

Preventing Substance Abuse in the Workplace

DRUG AND alcohol use by employees on or off the job is a troublesome societal plague that has put many employers on the defensive.

Research by the U.S. Department of Labor shows that between 10% and 20% of the nation's workers who die on the job test positive for alcohol or other substances.

The same research shows that industries with the highest rates of drug use are the most physically dangerous and involve the operation of machinery, such as construction, mining, manufacturing and wholesale.

With this in mind, you need to know all of the tools available to you as an employer to ensure that you keep a strong drug- and alcohol-free workplace policy in place, while trying to minimize the effects of employees who are heavy users off the job.

An effective policy can reduce the risk of workplace injuries to an impaired employee as well as co-workers and anybody your company may come in contact with, particularly customers or vendors. The actions of one impaired person, or someone that uses heavily off the job, can have far-reaching effects and turn out to be a significant liability for your company.

Various Occupational Health and Safety Administrations (OSHAs) at both the federal and state level offer employers help in sorting out the complexities of putting together an effective drug- and alcohol-free workplace policy.

Federal OSHA outlines five components it considers necessary for a drug-free workplace: a policy, supervisor training, employee education, employee assistance and drug testing.

Drug testing, it says, "must be reasonable and take into consideration employee rights to privacy."

The federal agency has guidelines available to help resource-challenged small businesses formulate a policy aimed at a drug- and alcohol-free workplace. They include:

- **Drug-Free Workplace Advisor Program Builder.** For employers needing to develop a policy from scratch, this guides them through the various components of a comprehensive written drug-free workplace policy. It then generates a policy based on an employer's specific needs.
- **Substance Abuse Information Database (SAID).** This includes sample drug-free workplace policies, surveys, research reports, training and educational materials and regulatory information.
- **Resource directories.** These contain current lists of national, state and local resources, including summaries of state laws on workplace-related substance abuse, community organizations that help make businesses drug-free, and help lines for those who have a drug problem.
- **Training and educational materials.** These include presentations, articles, fact sheets and posters to help employers provide workplace drug and alcohol education.
- **Workplace frequently asked questions.** These are available free of charge.

More detailed information for each of the above guidelines is online at: *www.osha.gov/SLTC/substanceabuse/index.html*

Example from Down Under

One good approach to drug and alcohol policies comes from New Zealand. Its OSHA – in simple, practical language – advises employers in that country to:

- Formulate rules, agreed to by all parties, which apply the same for everyone: employees, contractors and employers.
- Write the policy clearly and make it available to all in the workplace.
- Describe steps needed to ensure a drug- and alcohol-free workplace.
- Enforce the rules "consistently and fairly."

Employee assistance programs

If you do not have one already, you should seriously consider instituting an employee assistance program (EAP).

The program should be free for employees to access and open to all staff.

It should provide quality education, counseling, direction, and referrals for rehabilitation services, and it must coordinate with local and available community resources.

Trained EAP providers can direct employees to get the help they need and advise them on their rights. They can also inform employees regarding available resources. ❖