Einstein
Advanced Health Insurance Solutions

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Health Insurance

Proposed Rule Would Let Employers Reimburse for Premiums

THE TRUMP administration is moving ahead with new regulations that would make it easier for employers to enter into health reimbursement arrangements (HRAs) with their employees, a practice that can be severely penalized under the Affordable Care Act.

Under the proposed regulations – issued by the departments of Labor, Treasury and Health and Human Services – employees would be allowed to shop and pay for their own coverage using tax-free HRAs that are set up by their employers.

Under the proposed rule, employers that offer traditional health insurance would be allowed to fund an HRA with up to $1,800 per year. The money in the HRA could be used to reimburse employees for certain medical expenses, as well as for premiums for health insurance policies or stand-alone dental benefits.

And offering HRAs used to help employees pay for individual health insurance premiums would count as an offer of coverage to satisfy the employer mandate under the ACA.

More options, lower costs

Administration officials said expanding HRAs would give employees more options in terms of health coverage, and it also would reduce costs and administrative burdens on employers.

If enacted, the new regulations would undo Obama administration guidance (as it was not actually written into the regulations) barring employers from paying into HRAs to help workers pay for health insurance premiums from policies they buy on the open market or on government-run exchanges.

Companies that were caught in such arrangements faced a hefty fine of up to $36,000 a year.

The employer mandate would stay intact but the proposed rule would allow an employer to satisfy the mandate by funding HRAs for its workers. Under the employer mandate, organizations with 50 or more full-time or full-time-equivalent employees are required to purchase "affordable" health coverage that covers at a minimum 10 essential benefits as outlined under the law.

HRAs must be affordable

The key is that the HRA must also be affordable under the proposed rules. That would depend in part on the amount the employer contributes to the HRA.

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Health Savings Accounts

Few Employees Get the Most out of HSAs

WHILE MANY health benefits advisers have been recommending that employees with health savings accounts use them as savings vehicles that can be tapped for future medical care, a new study finds that most people are spending the bulk of the funds.

The study by Willis Towers Watson found that 65% of workers were using their HSAs to pay for current medical expenses, and only 8% of them used them as savings vehicles for future medical expenses. The rest used their accounts only when necessary, and saved the remainder.

In short, many people are not taking full advantage of these plans. But all is not lost, with our help you can educate your staff who have HSAs on how to get the most out of them and also secure a more secure future for themselves when they will at some point need the money for medical procedures.

The study found that only 45% of employees surveyed had more than $5,000 stashed away in their HSA. So, in essence they are mostly being used as spending accounts.

Additionally, the study found that 45% of employees had chosen not to participate in their employer's HSA plan.

One issue that's confronting employees with HSA and 401(k) plans is deciding how much to allocate for each one. The study found that:

- 22% of financially adept employees followed the recommended strategy of maximizing their 401(k) contributions up to their company's match before contributing to their HSA.
- 25% contributed to their HSA before their 401(k) if the 401(k) didn't have a matching employer contribution, a strategy also recommended by financial experts.

Employees not optimizing their FSAs

Another area where a majority of employees fail to optimize their savings vehicles is flexible spending accounts. FSAs have a "use it or lose it" feature, meaning that most of the funds set aside have to be spent on medical expenses during the year, although a portion can be carried over to the next year.

Still, 32% said they had difficulties in spending all of the money in their FSA in any given year. On the flip side, 48% said they wished they had put more money into the account.

Both FSAs and HSAs are funded with pre-tax dollars from the employees' salaries.

The takeaway

Willis Towers Watson recommends that employers educate their staff on how to get the most mileage out of their HSAs and provide online tools to help them decide if they should use their HSAs to pay for medical expenses or pay them out of pocket.

These online tools for making "save versus spend" decisions will often be on the HSA account's portal or website. The tools may include retirement savings calculators and health care price transparency services.

The tools are most valuable as they can quickly help employees make sound and educated decisions. It's been found in previous studies that one-third of employees access their HSA portals on a regular basis:

- 38% view their account information on a monthly basis.
- 33% view their account information on a quarterly basis. ❖

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Funds Would Be Exempt from Federal Income, Payroll Taxes

The agencies proposing the new regulations said in an announcement that they would provide further guidance on the HRA-specific affordability test.

Funds going into HRAs would be exempt from federal income and payroll taxes. Additionally, employers would be able to deduct the amount they put into HRAs from their taxes.

The proposed rule would also require employers that offer HRAs to allow a worker to opt out and instead claim a federal premium tax credit to purchase coverage on the individual exchanges.

This is the early part of the rule-making. The proposed regulations will have to go out for public comment before final rules are written and implemented. ❖

Health Expenses

Help Your Employees Save on Their Pharmaceutical Costs

MOST EMPLOYERS are doing all they can to keep their employees' health insurance and health care outlays to a minimum.

And while most of those efforts are focused on the upfront cost of insurance, copays and deductibles, many employers fail to help their employees control the very costs they actually have the most control over – and one of those areas is medicine.

Helping your workers become wise consumers of health services can also cut your overall insurance costs, as well as help your employees conserve more of their own funds if they have high copays and deductibles.

The cost of drugs can vary greatly between pharmacies to a shocking degree. And while your employees may have low copays for some drugs, if they go to the most expensive option when the insurance is covering the tab, it basically adds to the cost drivers for your insurance plan.

Wild Price Differential

Consumer Reports magazine recently surveyed pharmacies to price out a basket of five popular generic prescription drugs, and here are the prices:

• Healthwarehouse.com	$66	• Kmart	$535
• Costco	$150	• Grocery stores	$565
• Various independents	$107	• Walgreens	$752
• Sam's Club	$153	• Rite Aid	$866
• Walmart	$518	• CVS/Target	$928

It also pays to shop around from store to store and ask for discounts.

"A Rite Aid store near our headquarters in Yonkers, N.Y., was able to get the price of atorvastatin, the generic version of Lipitor, down to just $18 from $300 through a combination of in-store and external discount programs," *Consumer Reports* states. "But at another Rite Aid, we were told the cost could only be lowered to $127."

Consumer Reports' recommendations

Use online discounts. There are a number of websites that can provide you with discount coupons or vouchers for drugs, including:

- GoodRx
- Blink Health
- WeRx.org

On these sites you enter the name of the drug, dosage and quantity and where you live, and it will provide coupons or vouchers and identify which pharmacies you can use them at.

Expand your shopping horizons. As you can see on the list on the left, prices vary tremendously. Combining shopping around with using coupons and your employees can save themselves and your health plan boat loads of money.

They should also check out their local warehouse discount store, as Costco's and Sam's Club's pharmacies were quite reasonable.

Finally, neighborhood pharmacies and grocery store pharmacies were also much cheaper than the large regional drugstore chains. "The absolute lowest prices we found in each city we called were almost always at these kinds of stores," *Consumer Reports* wrote.

Ask pharmacies if they will honor online coupons. Pharmacies will almost always honor them, *Consumer Reports* found. But the magazine's mystery shoppers had to be persistent in getting the pharmacies to use them, since they often run prescriptions through insurance automatically, even when paying the retail cash price and using discount coupons would cost less.

One last thing

Consumer Reports recommended that once someone settles on a pharmacy that consistently gives them good deals on pharmaceuticals, they should fill all of their prescriptions there.

That way, it's easier for them to spot "potentially dangerous interactions and other safety concerns."

But if your employees notice that their bills start rising noticeably, it may be time for them to start shopping around again. ❖

401(k) Plans

Administration Proposes Rules for Multiple Employer Plans

THE TRUMP administration has proposed new regulations that would make it easier for small businesses to band together to offer retirement plans to their employees.

With 401(k) plans out of reach for many small firms, the Department of Labor's proposed rules would allow businesses to form multiple employer plans even if the firms do not have an affiliation like belonging to the same ownership or membership in a trade group – the kind of arrangements allowed under current law.

The new regulations would allow multiple employer plans (MEPs) to be formed by groups of employers in a city, county, state or a multistate metropolitan area, or in a particular industry nationwide.

The proposed rule would also allow sole proprietors and their families to set up MEPs for themselves. Additionally, professional employer organizations, which are human resources companies that contractually assume certain employment responsibilities for client employers, could also sponsor plans.

The proposal is part of an effort by the administration to help close a retirement plan coverage gap that affects millions of employees.

The move follows an executive order that President Trump issued in July, ordering the DOL and the Department of Treasury to remove some of the barriers keeping small businesses from providing workers access to retirement plans.

The proposed regulations would seek to address a significant gap in the 401(k) landscape since about 90% of employees at large companies have access to retirement plans, while less than half of workers at smaller firms do.

"Many small businesses would like to offer retirement benefits to their employees, but are discouraged by the cost and complexity of running their own plans," Alexander Acosta, Secretary of Labor, said in a prepared statement. The proposal would give these employers "a simple and less burdensome way to offer valuable retirement benefits to their employees," he added.

Small employers that participate in a MEP can benefit by having lower fund fees, as well as lower administrative costs. And fiduciary responsibility can be transferred to the MEP sponsor, so that individual companies cannot be put on the hook for ERISA compliance.

There could be more rule-making on the horizon for MEPs. Insurers have been lobbying regulators and Congress to modify existing MEP requirements.

'One bad apple rule'

One of those requirements is the so-called "one bad apple rule." Some of the MEP requirements, such as nondiscrimination rules, are applied on an employer-by-employer basis rather than a plan basis. This means that just one non-compliant employer can jeopardize the tax status of the entire plan, putting all employers at risk.

Although not included in the DOL's proposal, the Treasury Department says the IRS intends to issue a notice of proposed rule-making to address the bad apple rule. There is also legislation in Congress that would help provide employers relief from the bad apple rule so that all employers in a MEP won't be penalized when one employer violates the qualification rules. ❖