Einstein
Advanced Health Insurance Solutions

NEWSALERT

April 2020 | Volume 4 | Issue 4

IRS Order

HDHPs Can Pay for COVID-19 Testing, Treatment

THE IRS in March issued emergency guidance that allows employers and insurers to waive the cost of coronavirus testing and treatment for workers who are enrolled in high-deductible health plans (HDHPs).

Major health insurance companies reported that employers had been asking if they could make the change to their high-deductible plans without breaching IRS regulations regarding such plans.

Employers were concerned that free testing would technically prevent organizations and employees from contributing to linked health savings accounts (HSAs) on a pre-tax basis.

Specifically, the new guidance states that HDHPs with attached HSAs will not lose their plan status if they provide medical care services and items related to coronavirus testing or treatment even before an enrollee has met their deductible.

While the regulation does not require HDHPs to cover the testing and treatment without any out-of-pocket expenses by the enrollee, the plans can do so – and without breaching the rules regarding these plans.

The new rule could also pave the way for non-HDHPs like PPOs and HMOs to also provide coronavirus testing without out-of-pocket costs for their participants.

While there is no rule preventing them from doing so now, many of the country's large PPOs and HMOs have been reluctant to start offering free testing until they know how HSA plans would be affected.

Typically, enrollees in HDHPs with an attached HSA are required to pay all of their medicinal costs up to their deductible before the insurer will pay.

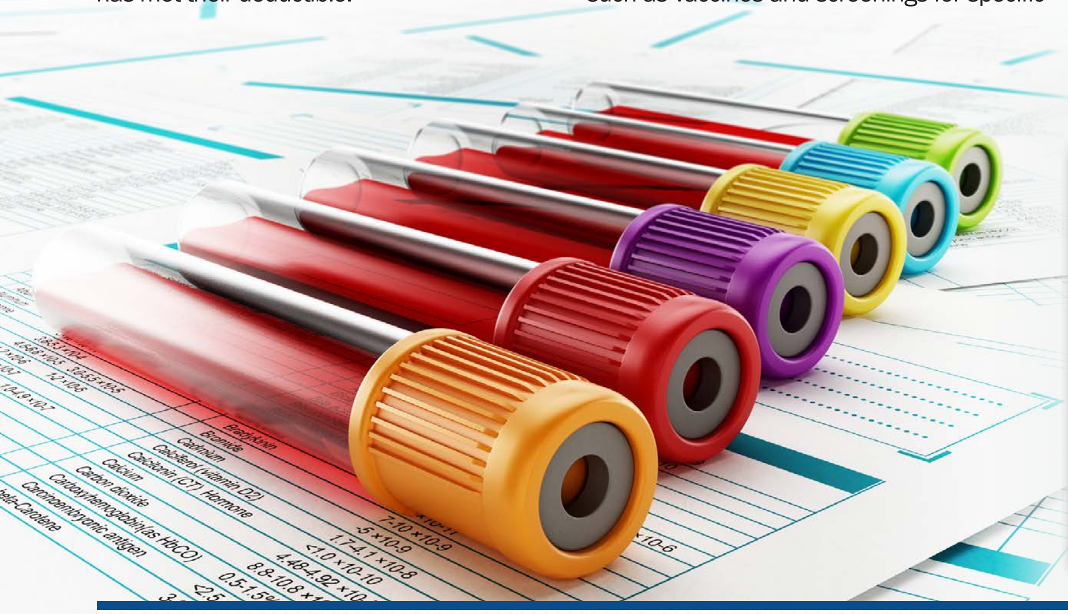
The Trump administration earlier issued another rule that allows HDHPs to foot the bill for certain preventative health services, such as vaccines and screenings for specific conditions like diabetes and high blood pressure, before the deductible is met.

In 2018, 23% of employees enrolled in employer-sponsored health insurance plans were enrolled in an HDHP with an HSA. The 2020 minimum annual deductible is $1,400 for self-only HDHP coverage, and $2,800 for family HDHP coverage.

The notice only applies to coronavirus and does not void any other requirements governing HDHPs and HSAs.

It states that "Individuals participating in HDHPs or any other type of health plan should consult their particular health plan regarding the health benefits for testing and treatment of COVID-19 provided by the plan, including the potential application of any deductible or cost sharing."

The decision came after the American Benefits Council, which includes many of the largest corporations in the country, sent a letter to the Treasury Department asking it to confirm that HDHPs could cover COVID-19 testing and treatment without enrollees first having to meet their deductibles. ❖



Einstein
Advanced Health Insurance Solutions

CONTACT US

Missouri: **1120 S. 6th Street (Suite 201)**
St. Louis MO 63104
Illinois: **280 North Main Street,**
Breese, IL 62230

Phone: 877.324.2114
Fax: 888.274.1538
Email: *info@ecgins.com*

New Coronavirus Legislation

Law Requires Paid Sick Leave, FMLA Benefits

LEGISLATION SIGNED into law by President Trump extends sick leave benefits for workers who are stricken by the coronavirus, as well as provide for additional weeks of time off under the Family Medical Leave Act so they can be guaranteed of being able to return to their jobs afterwards.

Employers need to pay extra attention to the added paid sick leave and FMLA provisions of this new law, the Families First Coronavirus Response Act, which only applies to employers with fewer than 500 employees.

Paid sick leave

Employees are entitled to two weeks (80 hours) of paid sick time for coronavirus-related issues.

Eligible workers must be paid their regular pay, up to $511 per day and $5,110 in total.

Those caring for someone subject to quarantine due to COVID-19, and parents of kids who can't go to school or daycare, will receive two-thirds of their regular pay, up to $200 daily with a $2,000 cap.

The emergency sick leave benefit can be used immediately, regardless of how long the worker has been employed with you.

The law does not require certification of an order by government or a health care provider. But employers can require reasonable notice procedures, such as not announcing in the middle of a shift that they take COVID-19 sick leave. They cannot require the employee to find a replacement worker to cover the shifts they will miss. Employers must post the law's requirements "in conspicuous places."

Employers are not allowed to discipline a worker who takes this sick or FMLA leave for coronavirus purposes. If an employer refuses to provide the leave, they can be subject to paying back pay and statutory damages.

Important: This law provides payroll tax credits to offset costs of providing paid leaves.

PAID SICK LEAVE RULES

Paid sick leave can be used when an employee can't work or telecommute if:

- They are subject to a government quarantine or isolation order related to COVID-19;
- They have been told by a health care provider to self-quarantine due to COVID-19;
- They have symptoms of COVID-19 and are seeking a medical diagnosis;
- They are caring for an individual subject to quarantine due to COVID-19;
- They need to care for a child whose school or daycare is closed due to coronavirus.

FMLA

The law provides for 10 additional weeks of FMLA leave, but only for those who must stay at home to care for a child whose school is closed or their childcare provider is unavailable due to COVID-19-related issues.

These 10 weeks will be paid at two-thirds the employee's regular rate of pay, up to $200 per day with a cap of $10,000. They will also receive 12 weeks of leave with job protection, though employers of health care or emergency care providers can exclude such employees.

The employee would likely use up their two weeks of paid sick leave before applying for FMLA benefits, which unlike traditional FMLA (which is unpaid), are paid leaves after the first 10 days under the new law.

Employees who have been working for more than 30 days are eligible, and the employer can require them to provide reasonable notice that they are taking leave.

A final word

This law only applies to employers with fewer than 500 workers, so it leaves uncovered those people who work for larger companies.

Also, employers need to make financial plans, as the credit cannot be claimed until after the employer pays their payroll taxes.

A bigger issue is that the law requires that workers be paid the sick leave even if they are not sick, but have been ordered to self-isolate. In states that have ordered workers to self-isolate, such as California, employers could be faced with an avalanche of paid sick leave claims all at once.

This law sunsets on Dec. 31, 2020. ❖

Cafeteria Plans

How Your Staff Can Save on Childcare, Health Services

ONE OF the most underused employee benefits available is the "cafeteria" plan – which can benefit both the employer and the employee.

These plans allow workers to withhold a portion of their pre-tax salary to cover certain medical or childcare expenses. Because these benefits are free from federal and state income taxes, the employee's taxable income is reduced, which increases their take-home pay.

This in turn can benefit you as an employer because those pre-tax benefits aren't subject to federal Social Security withholding taxes, which means you don't have to pay FICA or workers' compensation premiums on those dollars.

Essentially, what you are doing by offering a cafeteria plan (also known as a Section 125 plan under the Internal Revenue Service code) is using the tax code to your and your employees' advantage.

But utilizing the tax code for your business can be an incredible way to enhance your employee benefits package, while simultaneously boosting your margins. Cafeteria plans have three specific flexible benefits for your employees to choose from:

1. Pre-tax health insurance premium deductions

Premium-only plans allow your employees to elect to withhold part of their pre-tax salary to pay for their portion of the premium contribution to their employer-sponsored plans. The plan offers a simple way to reduce the cost of their benefits.

2. Flexible spending accounts

An FSA allows you to fund certain medical expenses on a pre-taxed basis through salary reductions to pay for out-of-pocket expenses that aren't covered by insurance (think: deductibles, copayments, prescriptions, over-the-counter drugs and orthodontia). Each paycheck, a certain amount is withheld pre-tax and put into an account. Employees pay for medical expenses up front out of pocket and then seek reimbursement from their FSA.

The average U.S. worker spends more than $1,000 every year on these types of benefits. And there's one more benefit: By participating in a FSA, your employees' taxable income is reduced, which increases the percentage of pay they take home.

3. Dependent care flexible spending accounts

The dependent care FSA is an attractive benefit for employees who have to pay for childcare or long-term care for their parents.

Many employees don't take advantage of this benefit and may be unaware of the significant tax savings. Employees may hold back as much as $5,000 annually of their pre-tax salary for dependent care expenses.

Qualified dependent care expenses include, but are not limited to:

- The care of a child under the age of 13,
- Long-term care for parents,
- Care for a disabled spouse or a dependent incapable of caring for her- or himself, and
- Summer day camps. ❖

WHAT YOU GET OUT OF IT

Every dollar that goes through a cafeteria plan reduces your payroll by the same amount. That means you don't have to pay FICA or workers' comp premiums on that part of your workers' salaries.

The savings can add up to as much as 20% of every dollar being passed through the plan.

It's also a great recruitment tool and an essential part of a larger employee benefits package.

Health Insurance

Outbreak Spurs Warnings of Large Rate Hikes for 2021

ONE OF the consequences of the coronavirus outbreak will likely be higher insurance rates coming into 2021, experts are warning.

Covered California, the state-run Affordable Care Act health insurance exchange, warned in late March that the spiraling costs of COVID-19 testing and treatment could result in massive premium increases of between 4% and 40% for public health care exchange policies as well as group health plan policies for the 2021 policy year, if there is no government intervention.

Many factors will come into play, such as costs of treatment, whether the financial stability of insurers is imperiled and if Congress steps up with new legislation to help the insurance industry cope with the surge in unexpected costs this year.

Expected costs

Covered California predicted that coronavirus treatment, testing and care costs for employer-sponsored health plans nationwide would be between $34 billion and $251 billion.

Estimated costs for COVID-19 treatment vary greatly depending on the severity of the case. Some people have life-threatening symptoms requiring hospitalization and ventilators to survive, others may require hospitalization and oxygen, while many people may have mild or no symptoms and can be treated on an outpatient basis and quarantined at home.

COVID-19 HOSPITALIZATION COSTS*

- $20,292 for patients with major complications or comorbidity issues (such as diabetes, heart disease or cancer).
- $13,767 for patients with complications or comorbidity.
- $9,763 for patients with no complications.

Source: Kaiser Family Foundation
** Averages for employer-sponsored health plans*

Many health insurers have agreed to eliminate copays and deductibles for COVID-19 screening and lab tests, but have not yet made the move to do the same for treatment or hospital stays.

Rate fallout

Probably the largest factor affecting rates for 2021 is whether the pandemic spills over into 2021 or it is brought under control.

Insurers are prohibited from raising rates astronomically, however, just to make up for excessive costs this year if they do not expect the same in 2021, unless their solvency is threatened.

But if they eat too much into their reserves because of COVID-19, they may have a legal obligation to increase rates so they can build those reserves back up for the next emergency.

Insurers moving to hike rates substantially may also see pushback from state regulators, who may argue the hikes are not justified by expected costs next year. That's because rates must be based on expected costs.

But if the outbreak is ongoing, expect rates to climb with amounts varying depending on if a treatment or vaccine is developed, as well as any government assistance that may be coming

Possible assistance

Congress is working on legislation that would offer reinsurance for health insurers that could provide financial support for group health plans, employees enrolled in those plans, as well as consumers who buy their insurance on exchanges.

Health insurance plans are also lobbying Congress to introduce legislation that would help stabilize the market going into 2021. This could include compensation to keep premiums from spiraling, providing support coverage for employees who lose their jobs and allowing them to enroll in the individual market during a special enrollment period.

In their most recent stimulus proposal, House Democrats included a program that would help health insurers cover extreme losses to avoid massive premium hikes.

The takeaway

For now, there is nothing you can do about your health insurance, and there are no moves you can really make at this time. It's still unclear what kind of assistance the insurance industry will receive and how long the outbreak will last. ❖