Einstein
Advanced Health Insurance Solutions

NEWSALERT

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Rescue Legislation

100% COBRA Subsidy in Effect Through Sept. 30

THE RECENTLY enacted American Rescue Plan Act of 2021 includes a 100% COBRA subsidy for up to six months through Sept. 30 for employees laid off during the COVID-19 pandemic.

Due to the short ramping up period, it's imperative that employers who have laid off workers, or who plan to, start preparing to notify them.

The Consolidated Omnibus Budget Reconciliation Act requires health plans sponsored by employers with 20 or more workers to offer employees and their families the opportunity for an extension of health coverage (called continuation coverage) after they have quit or been laid off for up to 18 months. The workers are usually responsible for the entire premium.

Who is eligible?

Eligible individuals include:

- Workers who were previously laid off or lost their benefits and became eligible for COBRA continuation coverage but chose not to purchase it, as long as they would still be eligible now. **Example:** A worker who was laid off in November 2020 but rejected the offer of COBRA coverage then.
- Individuals who previously elected COBRA continuation coverage, but later dropped it, as long as they would still be eligible now. **Example:** A worker was laid off in August 2020, elected and purchased COBRA coverage but dropped the coverage in January.
- Former staff who were involuntarily terminated or experienced a reduction in hours, and who timely elect COBRA continuation coverage after April 1.

Individuals are not eligible for a subsidy:

- If they voluntarily resigned from their job.
- They become eligible for other employer coverage or Medicare.
- They are beyond their maximum COBRA coverage period (which under federal law is 18 months).

What's covered

The subsidy applies to all health coverage that COBRA usually covers: health insurance as well as dental and vision coverage. Generally, the coverage employers offer Assistance Eligible Individuals should be the same coverage in effect prior to their COBRA-qualifying events.

Individuals who qualify for the COBRA subsidy are not required to pay a premium.

The group health plan will cover the cost of the coverage, which will be reimbursed (including any administrative fee) by the U.S. government via a payroll tax credit.

Notice requirements

When notifying newly eligible individuals, the information can be included with the COBRA election notice or a separate notice that would come along with the election packet.

See 'Urgently' on page 2

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Health Insurance

HDHPs Do Not Slow Down Health Care Spending Growth: Study

A NEW STUDY has found that high-deductible health plans have only a limited effect on the growth of health care spending for people who sign on for these plans.

The National Bureau of Economic Research examined HDHPs over a period of four years and found they failed to control health spending any more than traditional preferred provider organization plans (PPOs) and health maintenance organizations (HMOs). The only statistically significant impact on lower growth by HDHPs was on more expensive pharmaceuticals.

The news comes as HDHPs continue growing in use and popularity among employers and some of their workers. They are often paired with a health savings account that allows participants to set aside a portion of their wages before taxes in special accounts used to pay for health-related expenses, including deductibles.

When HDHPs first came on the scene they were touted as a potential cost-saver. The logic went that when the worker has more skin in the game and has to pay more for their medical care and medications, they will shop around for the lowest-cost service or drug.

Here are the main findings of the report:

- Covered workers who switched from low-deductible plans to high-deductible plans saw lower growth rates of spending, but for no more than a year.
- HDHPs seem to discourage the use of less cost-effective drugs. The report surmised that's because people with these plans will be more motivated to shop around for better prices, like from an online pharmacy.

Considerations

PPOs continue to be the most popular choice among employees and HDHPs continue growing as employers look to cut their and their employees' premium expenditures, according to a recent report by Benefitfocus, a benefits technology company. HDHPs currently account for about 30% of group health plans in play.

Also, some employees prefer having an HDHP as they can save money up front on the premium.

Over the past few years, employers have noticed that younger and healthier workers will gravitate towards HDHPs when offered them, as they will usually not need much health care and they are willing to trade a lower up-front premium for the small likelihood that they will need a significant amount of medical care, which they would have to pay for out of pocket.

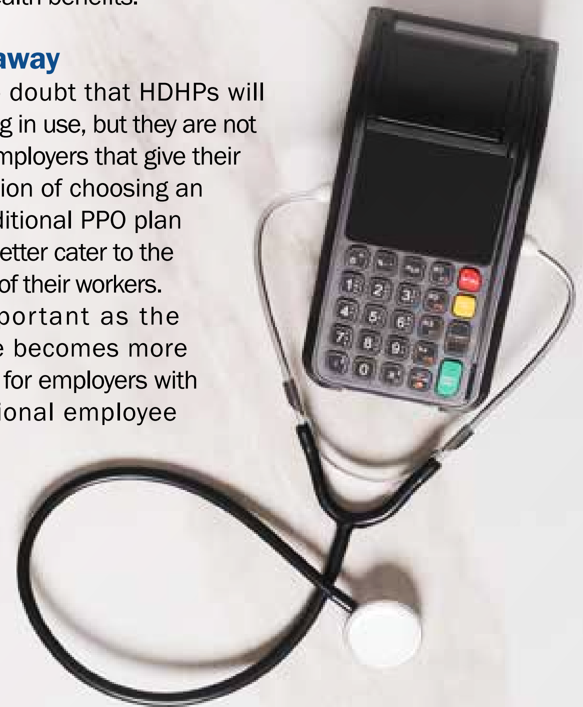
However, workers in their 40s and older are more apt to stick to their PPO or HMO plans, which have higher premiums but lower out-of-pocket maximums.

But the authors of the National Bureau of Economic Research report said that for some people with health problems, HDHPs "may have high adverse health consequences when patients delay, reduce, or forgo care to curb costs, even when costs are moderate compared to health benefits."

The takeaway

There is no doubt that HDHPs will continue growing in use, but they are not for everyone. Employers that give their workers an option of choosing an HDHP or a traditional PPO plan will be able to better cater to the different needs of their workers.

This is important as the U.S. workforce becomes more diversified, and for employers with multi-generational employee pools. ❖



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Urgently Identify Individuals Who May Be Eligible for Subsidy

THE NOTICES MUST INCLUDE:

- Notification of the availability of subsidies.
- A description of their right to the subsidy and conditions.
- The forms necessary to establish eligibility.
- A description of the special election period.
- A description of the qualified beneficiary's obligation to notify the plan when they are no longer eligible for coverage.
- Contact information of the plan administrator or contact.

Important: The Department of Labor is expected to provide model language for these notices by April 10.

What you should do

There are a number of steps employers need to take as the ramping up period is quite short. If your firm is large enough to be covered by COBRA, you should:

- Coordinate with your administrator to ensure that you agree about who should identify eligible individuals and who will be sending out notifications.
- If that is you, identify those individuals who may be eligible for the COBRA subsidy and who may be eligible to make a new election.
- Prepare notification documents.
- Notify all eligible individuals. ❖

Saving Advice

Put Money into HSA Instead of 401(k) after Employer Match

ONE OF the main recommendations for employees with 401(k) plans is that they should contribute at least enough to their plan every paycheck to ensure they receive the maximum they can in their employer's matching contributions.

But a new study by Willis Towers Watson recommends that younger, healthier workers should divert savings to their health savings account from their 401(k) after capping out employer matching, instead of continuing to put money into their retirement plan.

The report reasons that if they do this, they can get more bang for their buck when they use their HSAs to pay for future medical expenses.

That's because HSAs can be kept for life and the money they've accumulated in them can be used to pay for medical expenses whenever they need them, including in retirement.

And the moneys used in HSAs to pay for those expenses are not taxed when they are withdrawn, unlike 401(k)s, the funds of which are subject to federal income tax when withdrawn

The benefits of HSAs

With HSAs:

- Pretax contributions, gains from investment, and withdrawals used for qualified medical expenses are exempt from federal and most state taxes.
- Any unused balance is carried over to the next year.
- Funds never expire.
- Unused funds can be passed on to a beneficiary after death.
- After turning 65, account holders can withdraw money for any purpose. However, if those funds are not used for a bona fide medical expense, they are taxed as income.

No other retirement savings vehicle has the same tax advantages as an HSA, so a dollar saved in an HSA can be worth significantly more than an unmatched dollar saved in a 401(k), according to Willis Towers Watson. Some employers will match a portion of workers' HSA contributions or seed their accounts with money to encourage participation.

That said, HSAs won't outperform funds that are matched partly or fully by an employer, according to the report.

Willis Towers Watson said that those tax-free dollars and withdrawals can help pay for health care when we are likely to use it most: in retirement.

Men who retire at 65 with an average life expectancy of 85 would spend about $140,000 out of pocket for medical costs, and a woman who retires at the same age and lives to 87 would spend an average of $159,000, according to the research.

The HSA pitch

HSAs can only be used in conjunction with a high-deductible health plan.

When HSAs were first introduced, they did not have investment options for the money in the accounts, but as they have grown in popularity over the years, many HSAs now have evolved to essentially have the same investment choices as a 401(k).

HSAs have rules about how much of the balance can be invested. They will typically require that the first $1,000 in the account to be held in cash, and anything above that can be invested to help the funds grow over time.

In 2021, workers can contribute a maximum of $3,600 to their individual HSA account and $7,200 to a family coverage account.

If you are offering your workers high-deductible health plans with matching HSAs, and if you also provide a 401(k) and match part of the contributions, you may want to consider sharing this information with them to help them make informed choices on where to park their money for future use. ❖

Pandemic Relief

IRS Lets Employers Give Workers a Break on FSA Contributions

NEW GUIDANCE from the Internal Revenue Service allows employers to temporarily give their employees extra benefits leeway in making changes to their flexible spending accounts (FSAs) and health savings accounts (HSAs).

The guidance, in response to the COVID-19 pandemic, also allows employees to make changes to their health plans outside of the traditional open enrollment period.

The COVID-19 relief bill signed into law at the end of 2020 changed the tax law.

The law ordinarily requires employees to make irrevocable plan choices before the first day of the plan year; later changes are normally permitted only under certain circumstances, such as a change in employee status.

However, 2020 was an abnormal year. For example, stay-at-home orders left employees with unused money in their dependent care FSAs because they unexpectedly did not have to pay for child daycare.

The temporary changes

Recognizing the current extraordinary situation, the new guidance makes several temporary changes:

- Employers can permit employees to carry over unused funds from their 2020 FSAs to 2021, and from 2021 to 2022. Ordinarily, these accounts have a "use it or lose it" rule under which the employee forfeits unused funds at the end of the year.
- If an employee contributed $5,000 to a dependent care FSA in 2020 but used only $3,000 because he or she worked from home, they can now carry the remaining $2,000 forward for use in 2021.
- Alternatively, employers can extend the grace period for employees to spend unused FSA funds. Normally, employees have two and a half months from the end of the plan year to spend the money on qualifying expenses. The temporary rules permit employers to give them up to 12 months to do it.
- Employers can allow certain employees to use dependent care FSA funds for care of children up to age 14. The normal cut-off age is 13.
- Employers may allow employees to change their future contributions to 2021 FSAs mid-year, something that is ordinarily prohibited.
- Employers may also permit employees to make mid-year health plan changes. Employees who did not enroll in the employer's health plan during open enrollment will be able to do so.
- Employees can change available plans, or they can drop coverage entirely if they can show that they have replacement coverage such as through a spouse's employer.
- If an employee changes from a high-deductible health plan to one with copayments or lower deductibles (or vice versa), employers can also permit them to switch mid-year between contributing to an HSA or an FSA. By law, an HSA must be coupled with an HDHP.
- Lastly, they can allow employees who stop contributing to a health care FSA mid-year to receive reimbursements through the end of the plan year.

It is important to know that:

- The law does not require employers to make these changes.
- The changes expire for plan years starting in 2022 and later.

The pandemic has been difficult for employers and employees alike. These temporary changes will make it a little easier for both to cope. ❖

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