ECG NEWSALERT

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New Regulations

Time to Comply with Health Plan Transparency Rules

JULY 1 WAS the deadline for health plans to make public their in-network negotiated rates, out-of-network billed charges, and more.

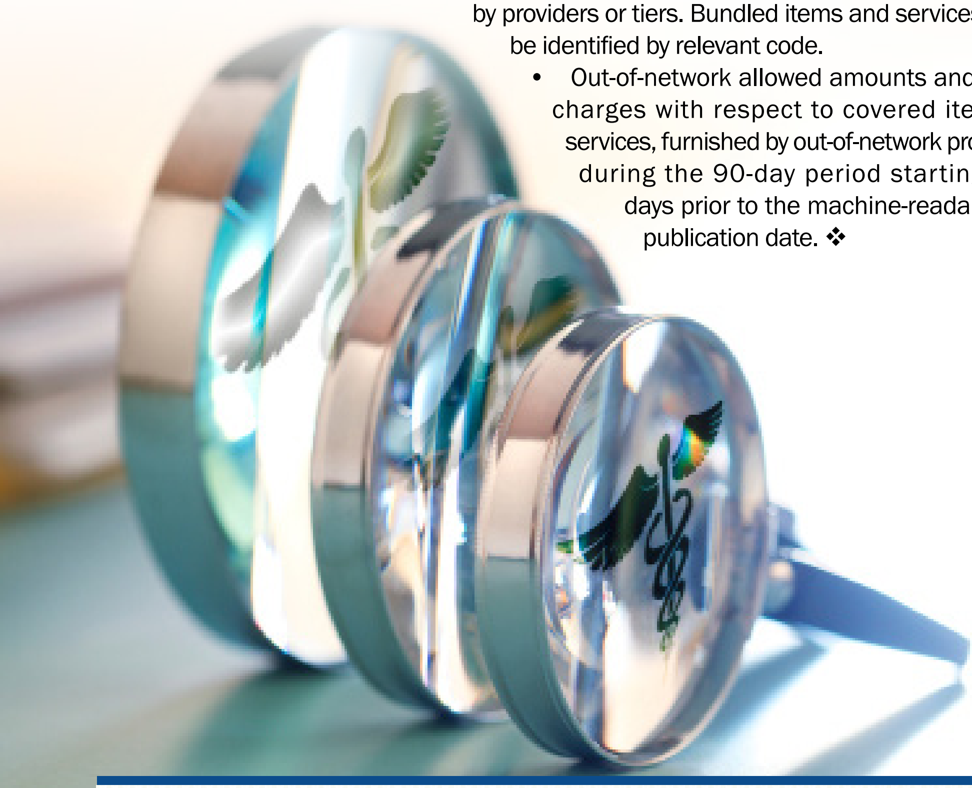
While health plans are now required to post this information, employers who sponsor group health insurance for their employees will need to take steps to ensure that their plans comply with the law, if they have not already done so.

The transparency rules taking effect were ushered in by the Consolidated Appropriations Act of 2021 and rulemaking from the 2020 Transparency in Coverage Rules by the Centers for Medicare and Medicaid Services.

The rules require that non-grandfathered insured and self-insured group health plans post machine-readable files on a public website no later than July 1, 2022. A public website, under the rules, is one that does not require a log-in or password to access.

The machine-readable files should include:

- In-network rates for each item or service provided by in-network providers, including any negotiated rates, fee schedule rates used to determine cost-sharing, or derived amounts – whichever rate is applicable to the plan.
- If a rate is percentage-based, include the calculated dollar amount, or the calculated dollar amount for each National Provider Identifier-identified provider if rates differ by providers or tiers. Bundled items and services must be identified by relevant code.
- Out-of-network allowed amounts and billed charges with respect to covered items or services, furnished by out-of-network providers during the 90-day period starting 180 days prior to the machine-readable file publication date. ❖



Compliance Steps for Employers

- Update the machine-readable files at least monthly. Confirm the date the insurers will make the files available each month.
- Check with your insurers if they will be hosting on their public-facing websites the machine-readable files or if they expect you to post them on your own site.
- Identify the plan or plans you sponsor and retrieve the links to the machine-readable files for each plan.
- Post the machine-readable files on your public-facing website if the insurance company is delegating this responsibility to you.
- Post a link on your website to the insurance carrier's website if the insurer plans to publish the machine-readable files on its website. However, if the group health plan contract states that the insurance company is fully responsible for posting these files, this may not be necessary.

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Training

The Importance of Educating Gen Z Workers on Benefits

IT ALWAYS takes more time than usual to onboard new hires to your employee benefits plans, particularly for those who are starting their first jobs.

Keep in mind that the ritual of choosing a benefits package is a brand-new experience for people who are new to the workforce, and you should prepare to educate new employees on how to effectively choose and use their new coverages, as well as all the details like premiums, deductibles and out-of-pocket expenses.

The importance of this can't be overstated. If they are not educated on their options and how health plans work, those new to employment can make poor decisions that could have serious financial repercussions. Indeed, a 2021 study found that 29% of Gen Z respondents are carrying medical debt.

If you can help them avoid amassing medical debt, and if they can get the most out of their benefits, you can increase worker satisfaction and retain key talent.

To help these new recruits get the most out of the benefits you offer, you can start by focusing on the following:

School them on health insurance

To many new Gen Z recruits, signing up for health insurance and actually using their benefits is a foreign concept. Many of them may have stayed on their parents' health plans and they may have no idea exactly how it works. Take the time to help your new hires understand the math behind choosing the right plan for them.

You'll need to set aside time to teach them about:

Their share of premiums – Explain to them that the payment of health insurance premiums is split between the employer and employee, and that their share of premium may vary depending on the health plan they choose.

Deductibles – Explain how deductibles work and that depending on their plan they may pay the full price for health care services until they've met their deductible. This is especially important if they are signing up for a high-deductible health plan (HDHP).

Copays – Every plan has a different copay that your employees are liable for. Typically, the higher the premium up front, the lower the copay. And some copays may only kick in after an employee has met their deductible.

In-network vs. out-of-network care – Most health plans have networks with which the insurer contracts to receive preferential rates that they negotiate with providers. It's important that health plan enrollees understand that if they seek care outside of the network, they may end up paying for the care themselves with no assistance from the insurance company (except in some circumstances).

Relate to them the high cost of going out of network and the importance of seeking care from in-network providers. Also teach them how to find in-network care and how to shop around for different treatments and procedures.

The freebies – Under the Affordable Care Act, health plans are required to cover a list of 10 essential services, particularly preventative procedures like colonoscopies.

Tax-advantaged accounts – If you offer health savings accounts (which must be tied to HDHPs), flexible spending accounts or health reimbursement accounts, it's important that you explain how they work, and how employees can fund these accounts with pre-tax dollars.

The various accounts have different rules for what services or medical costs can be reimbursed by these accounts.

Explain how and if they can carry over excess funds at the end of the year to the following year for FSAs and HRAs, and how HSAs can be kept for life – and that they can invest the funds in those accounts much like they would a 401(k) plan.

Continuing education

You can keep the benefits conversation going all year by having an open-door policy for your employees if they have questions or concerns about their benefits.

Most plans include a number of resources and websites where they can get a full picture of their benefits and how they work.

The takeaway

Educating your Gen Z employees about the benefits they receive from your organization, and helping them make the right decisions, will boost their overall job satisfaction.

The work you do will also show them their employer cares about their well-being, health and financial success. That builds loyalty and helps you retain key talent. ❖

Economic Fallout

Inflation Could Hit Group Health Insurance Premiums

THE HEALTH care sector is not immune to the effects of spiking inflation, and the increasing cost of care is likely to spill over into health insurance – but it's uncertain by how much.

Mid-year is the time that health insurers start setting their pricing for the upcoming year, and they are currently locked in what one trade publication calls "bloody" contract negotiations with doctors and medical networks to secure the highest prices they can for their services.

Hospitals and medical services facilities such as labs and imaging centers, like other employers, have to contend with the volatile job market and the spiking cost of supplies and machinery.

But the effects on health plans are still unclear as insurers can reduce the impact of higher costs by paring down networks and/or scaling back some benefits. This may be the case for smaller insurers that have less clout than their larger counterparts, but experts say that inflation will have a greater effect on rates than in recent years.

Add to the equation recent interest rate hikes by the Federal Reserve, which will increase health systems' borrowing costs and even impede funding for new capital projects.

When they negotiate network rates with insurers, providers take into account all of their own costs when tabulating their offers.

Using spiking inflation as leverage

The trade publication *Modern Healthcare* noted in a recent report that escalating costs have already influenced contract negotiations between medical providers and insurers.

According to *Modern Healthcare*, providers that are currently in negotiations "can use inflation as leverage, given that physician groups' and hospitals' daily operations are tied to the rising cost of gas, food and other goods."

It predicts also that providers will argue that more people will forgo or delay care as inflation eats into their expendable income, which in turn will increase the cost of care in the long run as those untreated issues develop into serious ailments.

Medical providers and insurers usually negotiate new contracts every three years, so those hospitals and doctors that renegotiated last year or in 2020 will have to absorb their higher costs. Inflation is already built into these contracts, which didn't anticipate the higher levels we've witnessed in 2021 and 2022.

That leaves them in a bind since insurers won't be willing to renegotiate contracts that include provisions offsetting higher-than-expected inflation.

It's due to these pre-negotiated contracts that employers didn't see a surge in their premiums coming into 2022. But that may change as new contracts come into effect.

While the industry was not terribly affected by inflation in 2021, recent data suggests it's starting to hit health care providers.

Hospitals' average labor expense per adjusted discharge in March 2022 rose 15% from the same month in 2021 and 32% from 2020, according to the Kaufman Hall "National Hospital Flash Report."

Meanwhile, providers are paying more for supplies and equipment, as well. Non-labor expense per adjusted discharge rose nearly 26% compared with February 2020.

How will my premiums be affected?

The big question of how much of these increased costs hospitals and other providers will be able to pass along to health insurers and patients remains. For certain, inflationary pressures will be a topic of discussion during contract negotiations for 2023.

While rates for group health plans are still being set, many carriers have already filed 2023 rates for plans they sell on Affordable Care Act marketplaces. Average rate hike filings for 2023 have been hovering around 7.5% in mid-2022. ❖

Illness or Injury: How You Can Protect Your Employees

ACCORDING TO a recent survey, four in 10 workers live paycheck to paycheck. This means that an unexpected illness or injury that takes someone off the job for more than a few days can have devastating consequences for many of your employees who depend on their wages to survive.

You as an employer can help by offering group disability insurance to your employees.

This insurance helps replace a portion of a worker's lost wages from not working due to an injury or illness.

Generally, the benefits are paid monthly for the duration of the illness or injury, and only cover a portion of lost wages.

Typically, disability insurance policies will replace between 50 and 65% of a worker's income.

There are two kinds of disability insurance policies – short-term disability insurance for events that disrupt income for less than 90 days, and long-term disability policies, which cover benefits for a longer period of time.

Advantages to the employer

- Reduced costs compared to offering individually underwritten policies to everyone.
- Tax-deductible premiums.
- Easy, streamlined administration.

Advantages to the employee

- Affordability. The employer subsidy makes it possible for workers to get coverage they would be unable to get on their own.
- Pre-existing conditions that would make it impossible for employees to get coverage as individuals, may be waived in a group plan.
- Streamlined application process – no medical exam required.
- No prior year tax returns or income verification are required. The employer reports income information to the disability insurance carrier.
- Some policies are portable. If an employee leaves the company, they can sometimes keep the policy, though they lose the employer subsidy. Portability is an important feature, because disability insurance can be difficult to qualify for on the individual market.

Disadvantages

All coverages have advantages and disadvantages. These are some of the disadvantages:

- Less flexibility. Managers and supervisors may have different needs and risk profiles compared to rank and file employees.
- Less coverage. Some workers may be able to get more robust plans on the individual market than carriers offer via group plans.
- Benefits are taxable to the recipient.
- More restrictive definitions. With disability insurance policies, the definition of the word "disability" in the contract itself is of paramount importance. For example, some policies, known as "own occ" policies, pay benefits if you cannot work in your own profession.

  Other policies will not pay benefits if the worker can work in any occupation. All things being equal, own-occ policies are preferable – but they tend to have higher premiums, and are less prevalent in the group disability insurance market. ❖