ECG

# NEWSALERT

August 2022 | Volume 6 | Issue 8

*Employer Poll*

## Alleviating Employee Insurance Burden a Top Priority

AS THE 2023 group health open enrollment season nears, more employers have heard concerns among their staff and are focusing on affordability and easier access to health care services, according to a new study.

Mercer's "Health & Benefit Strategies for 2023" study, which surveyed more than 700 employers, found that more than two-thirds of businesses are planning to improve their health benefit options to better compete for talent.

The survey found that 70% of all large employers were planning benefit enhancements for 2023. While small employers are somewhat less likely to be planning enhancements, still more than half (53%) say that they are.

One in five employers said they would put a special emphasis on improving benefits for low-wage and unskilled workers, while two-thirds said they planned to focus on all employees. The biggest concern among employers is the increasing costs that employees have to shoulder for their health benefits.

Employers are starting to realize that a high-deductible health plan with an attached health savings account is not a good fit for all of their employees. In fact, the high-deductibles have been blamed for saddling an increasing amount of U.S. workers with more medical debt. ❖

### Tackling affordability

- 41% of employers said they've added a low- or no-deductible plan option, while 11% said they are considering it.
- 11% said they offer at least one plan with no employee premium-sharing. Mercer found that these kinds of arrangements are more common among small employers. Another 11% said they are planning on adding a free option.
- 16% said they offer a narrow/high-performance network plan with low cost-sharing, and another 24% said they are planning on offering one for 2023.
- 17% said they offer salary-banded contributions (with lower-wage workers required to pay less for their share of premium than higher-wage staff). Another 15% said they plan to offer this type of arrangement for 2023. But Mercer warns: "While charging lower-paid employees less is the goal, charging some employees more could have a negative impact on hiring at those levels."

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*Ask a Benefits Nerd*

# Is There a Grace Period to Make Election Changes?

***Question: We have an employee who wants to make changes to her cafeteria plan elections, even though benefits are already effective. Is there a grace period that allows her to change her election?***

**Benefits Nerd:** Employers! Don't make this common cafeteria plan mistake!

Once cafeteria plan benefits become effective, the elections are "locked in."

Employees cannot change their minds and make changes to pre-tax cafeteria elections during the plan year, once benefits become effective – unless a special enrollment period as defined under IRC Section 125 applies, or the employer is correcting an administrative error.

**This is a common misconception:** Many group health insurance plan sponsors and administrators have the mistaken belief that the law allows employees enrolling in Section 125 cafeteria plans to change their elections, as long as they do so within 30 days of the plan becoming effective.

This is not correct. And this misconception can have serious consequences. It can even jeopardize the tax-favored status of the entire plan.

## The facts

While most insurance carriers and cafeteria plan benefit vendors allow for changes to employee pre-tax elections in cafeteria plans within 30 days, the IRS does not.

Once coverage becomes effective, the elections are irrevocable. Employees cannot change their minds during the plan year outside of a special enrollment period authorized under Section 125. Examples include a change in marital status, change in employment, reduction of work hours, enrollment in a qualified health plan, etc.

The IRS has issued informal guidance that employers can correct an administrative error without jeopardizing the plan's tax-favored status. But there must be "clear and convincing evidence" that the change in election is being made to correct an administrative error.

An employee changing their mind does not count.

## The consequences

If an employer makes a change to an employee's cafeteria plan election, there's no applicable special enrollment provision such as a change in marital status, and there's no clear and convincing evidence of an administrative error, the IRS may disallow the entire plan.

That means the tax benefits of your Section 125 cafeteria plan will disappear, resulting in income tax liability for the worker. ❖

*Employee Health*

# Diabetes Wellness Programs Can Boost Productivity, Reduce Costs

PHYSICIANS AND employee health experts are increasingly recommending that employers include diabetes screening, prevention and management in their company-sponsored wellness programs.

Diabetes – known as the "silent killer" – afflicts more than 29 million Americans, or 9% of the population.

Type 2 diabetes – or "adult-onset diabetes" – accounts for about 90% to 95% of all diagnosed cases of diabetes. Type 2 diabetes is associated with older age, obesity, family history of diabetes, history of gestational diabetes, impaired glucose metabolism, physical inactivity, and race/ethnicity.

The fallout from the disease has a significant impact on businesses as it can lead to stress, depression and a number of other health problems, including cancer, stroke and heart problems. That in turn leads to lost productivity for you as well as "presenteeism" – or the dilemma of a worker being at work but not being productive.

Medical costs and costs related to time away from work, disability and premature death that were attributable to diabetes totaled $245 billion in 2019, according to the U.S. Centers for Disease Control. Of that total, $69 billion was due to lost productivity.

With these statistics in mind, it's imperative that employers help their workers manage their diabetes. Helping them get diabetes under control or helping them avoid developing diabetes can keep your productivity strong, reduce your workers' comp claims and also chip away at your health insurance expenses thanks to lower premiums.

## Diabetes means decreased productivity

Of the roughly $69 billion that U.S. employers lost in 2019 from decreased productivity due to diabetes:

- $21.6 billion was from the inability to work as a result of diabetes.
- $20.8 billion was from presenteeism.
- $18.5 billion was from lost productive capacity due to early mortality.
- $5 billion was from missed workdays.
- $2.7 billion was from reduced productivity for those not in the labor force.

## Diabetes prevention & management

The Integrated Benefits Institute during its Annual Forum in February held a session highlighting what some employers are doing to educate their workers on how to manage diabetes:

- **The San Francisco Municipal Transportation Agency** has partnered with the American Diabetes Association to deliver educational seminars on diabetes to its workforce.

  The agency also offers as part of its diabetes program health risk and orthopedic assessments, glucose and cholesterol screenings, nutritional counseling, exercise classes and a walking club. (Since the transport agency's wellness plan provider initiated the diabetes program, its workers' comp claims have also fallen.)
- **Caterpillar, Inc.** found diabetes to be one of its primary cost drivers, so it now provides incentives for employee risk assessments and care management. For example, half of the employees in its diabetes management program reduced their A1C levels (a measure of diabetes control), while 96% reported measuring these levels regularly and 72% reported meeting recommended activity levels.
- **The City of Asheville, NC**, used local pharmacists to coach employees on how to manage diabetes. More than 50% of those in the program experienced improved A1C levels, and the number of employees with diabetes that achieved optimal levels increased.
- **Vanderbilt University** expanded a pilot program of intensive exercise and nutrition that helped employees with diabetes improve cholesterol and blood sugar. About 25% of the employees were able to stop taking all of their medications.
- **The Ohio Police and Fire Pension Fund** works with United Healthcare to offer its employees access to diabetes prevention and control programs. Employees voluntarily participate in worksite health screenings. Those who have pre-diabetes can attend YMCA-led diabetes prevention programs either at work or in the community.

If you would like to know more about educating your employees about diabetes and helping those with pre-diabetes or diabetes manage their condition, call us. ❖

*Voluntary Benefits*

# How Small Employers Are Enhancing Their Benefits

NOW MORE than ever, employers need to step up their employee benefits game beyond providing group health insurance.

Thanks to the Great Resignation, employees are demanding more from their current and prospective employers. Those that don't deliver lose employees or have trouble attracting new talent, as long-time colleagues head for the exits.

Good pay and a robust health insurance package still win the day, but employers are having to do more to sweeten the pot, according to a new survey by MetLife.

One of the biggest factors affecting American employees is stress and burnout and the survey reflected these sentiments, with respondents saying they all want more flexibility in their work.

By enhancing benefits packages with an emphasis on physical, mental, financial and social well-being, employers can channel these concerns into action. In so doing, they're more likely to promote resilience and productivity as the COVID-19 pandemic's challenges continue, MetLife says.

Seven in 10 employees surveyed told MetLife researchers that a flexible, customizable benefits package would increase their loyalty to their employer.

Furthermore, smaller employers are ramping up their benefits package to attract talent: Two-thirds of all employers nationwide with fewer than 100 employees are planning to add non-medical benefits to their compensation mix.

### 'Must-have' benefits

The popularity of medical insurance is well established. And under the Affordable Care Act, employers with more than 50 full-time equivalent workers don't have a choice: They must offer a qualified health plan to their employees working over 30 hours per week.

However, a number of other benefits are proving extremely popular – and many employees are considering these benefits "must haves," and moving them to the top of the list when they consider their employers' value proposition.

### Find out what they want

But just improving benefits or adding benefits without consulting staff can backfire. It's important employers understand their employees' needs before embarking on changes to their benefits.

MetLife also notes that employees are more concerned these days about having the right lifestyle fit at their employer, so businesses should take into account differences in their employees' lifestyles.

Employers are using a number of strategies to gather information on which benefits their employees will be more interested in, Here's what they are doing to get the answers they need (many employers use more than one):

- Employee surveys: 61%
- Analysis of needs based on worker demographics: 46%
- Input from employee resource groups: 35%
- Focus groups: 26%
- Other sources of information: 46%
- Nothing: 6% ❖

## Best Practices

The study's authors recommended employers consider:

- Having a spectrum of non-medical benefits that are relevant for employees in every age group that works for the employer.
- Recognizing the importance of supplemental benefits such as accident and critical illness insurance that provide vital "gap" coverage. If many employees are living paycheck to paycheck, this could be invaluable in the event of a crisis in their lives - for very little in premiums.
- Beefing up their communication and education efforts, both in person and via technology. To make things easier, they can partner with an enrollment communication firm.
- Integrating financial wellness into their employee wellness plan. Consider workshops, lunch & learns, brown-bag events and other forms of outreach.

## The Most Popular Offerings

- Prescription drug coverage
- 401(k)s or other retirement plans
- Dental insurance
- Life insurance
- Vision care
- Accident insurance
- Long-term and short-term disability insurance
- Accidental death & dismemberment insurance
- Defined benefit pension plans
- Critical illness insurance
- Hospital indemnity insurance
- Financial planning and education workshops
- Cancer insurance
- Pet insurance