Employee Benefits Report

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Caregiving: It's Not Just For Children Anymore

Millions of Baby Boomers are juggling eldercare along with childrearing and their jobs—and are stressed about it. That stress can affect their job performance and health (and your healthcare costs).

In a survey released by The Hartford Financial Services Group, Inc. and ComPsych Corporation, more than 80 percent of Baby Boomers said they feel moderate to high levels of stress related to the care or support they are giving to children, spouses and/or parents. The burden appears to be greater among younger Boomers, who might be the first generation that spends more time taking care of their elderly parents than their children.

Caregiving—and related stress—affects work productivity. Among those ages 45 to 54, 68 percent reported taking time off from work or leaving early in the prior six months because of caregiving duties. Half of these workers missed eight to 16 hours of work in the last six months due to their caregiving responsibilities. In addition, more than three-quarters of Baby Boomers reported taking up to 16 hours of paid vacation time to care for another person. This should concern employers, says Barbara Campbell, regional vice president in The Hartford's Group Benefits Division, because "… while many Baby Boomers are under pressure on all sides, they are using their paid time-off as an extension of their hectic lives rather than a vacation."

Employees who care for an older relative are also more likely to report health problems such as depression, diabetes, hypertension or heart disease. As a result, the MetLife study Working Caregivers and Employer Health Care Costs estimated that employees with eldercare responsibilities cost employers an average of 8 percent more per year in healthcare costs than employees without eldercare responsibilities. This equals an estimated $13.4 billion annually in additional costs for all U.S. employers.

According to the MetLife study, "Employed caregivers seem to be able to provide care to someone for 14 hours or less per week (considered a low level of caregiving) with little impact on their ability to stay on the job. However, providing 20 hours or more per week often

CAREGIVING—continued on Page 3

This Just In…

The healthcare reform law exempts existing group health plans from certain requirements if no material changes are made to the plan. In June, the IRS and the U.S. Departments of Health and Human Services and Labor released final interim rules that outlined requirements for maintaining grandfathered status.

Plans will lose their grandfathered status if they eliminate coverage for a specific condition, such as cystic fibrosis, or increase co-insurance requirements. They can, however, increase deductibles, co-payments and out-of-pocket limits, to a maximum percentage of the medical inflation rate since March 23, 2010 plus 15 percentage points. For copayments, the maximum increase is $5 or a percentage equal to medical inflation plus 15 percentage points, whichever is greater.

All group health plans, even grandfathered ones, must eliminate exclusions for pre-existing medical conditions and lifetime dollar limits. However, certain other requirements, such as full coverage of preventive services, will not apply to grandfathered plans. Grandfathered plans will also have longer to extend coverage to insureds' adult children.

Still, certain changes could be worth losing your plan's grandfathered status. We can help you evaluate the costs and benefits of keeping your plan as-is or making modifications.

How COBRA Audits Can Save You Money

A COBRA audit can help you trim your rolls of ineligible beneficiaries. Doing so can help you save money in three ways.

The health provisions of COBRA, the Consolidated Omnibus Budget Reconciliation Act, require most group health plans to offer continuation coverage to covered employees, former employees, spouses, former spouses, and dependent children who would otherwise lose coverage due to specific "life events," such as divorce or job termination.

COBRA generally applies to all employer group health plans maintained by employers that had the equivalent of at least 20 full-time employees on more than 50 percent of typical business days in the previous calendar year. COBRA also applies to plans sponsored by state and local governments, but not to plans sponsored by the federal government or by churches and certain church-related organizations.

When an eligible individual elects to continue group coverage through COBRA, the employer or plan sponsor can require beneficiaries to pay the full cost of coverage, plus 2 percent for administrative expenses. Despite this, keeping COBRA beneficiaries on your insurance rolls costs you money. How?

Administrative Costs

First, that extra 2 percent doesn't go far. Handling COBRA costs you staff time and money. One third-party administrator estimated that a staff person handling COBRA administration in-house spends at least one hour per month per COBRA beneficiary.

Compliance Costs

Second, there are the costs of noncompliance. The more beneficiaries on your plan, the more likely a mistake is to occur, which can lead to fines and even lawsuits.

COBRA gives employers specific duties, including informing the health plan within 30 days if a plan beneficiary has a "qualifying event" that will cause the loss of coverage. These qualifying events are:

- Termination or reduction in hours of employment of the covered employee;
- Death of the covered employee; or
- Covered employee's becoming entitled to Medicare.

The covered employee or qualified beneficiary must notify the plan administrator if the qualifying event is divorce, legal separation or the child's loss of dependent status under plan rules.

After receiving the qualifying event notice, the group plan then must provide the beneficiaries with a specific set of notices regarding their rights to continue group coverage through COBRA. If you have a fully insured plan, your insurer will handle these notices. However, if you fail to notify the insurer of the qualifying event, you could be liable for fines of up to $110 per day.

In addition, failure to comply with COBRA recordkeeping and reporting requirements can lead to IRS plan audits and fines of $100 per day, per participant. Failure to comply can also lead to civil lawsuits by former covered employees or qualified dependents who lack insurance coverage because they failed to receive proper notices or were wrongly denied their rights under COBRA.

Higher Claims

Finally, maintaining a lot of COBRA beneficiaries on your insurance rolls will likely boost your claims. Because COBRA coverage costs a lot, people who take it are likely to be older and less healthy on average than the rest of your group. Studies prove this translates into extra costs for plan sponsors—*Spencer's Benefit Reports* 2009 COBRA survey found claim costs for COBRA beneficiaries averaged 54 percent more than claims for active employees. Higher claims costs could boost your premiums in future years.

The COBRA premium subsidy included in the American Recovery and Reinvestment Act of 2009, which went into effect in February 2009, has increased take-up of COBRA. However, it's unclear whether the subsidy has encouraged more healthy individuals to continue their group coverage.

What to Look for in a COBRA Audit

An eligibility audit can help you weed out individuals who no longer qualify for coverage. COBRA coverage generally lasts a maximum of 18 months for employment termination or reduction of hours of work. If the covered employee becomes disabled

COBRA—continued on Page 3

CAREGIVING—continued from Page 1

results in major work adjustments, such as cutting back on hours or stopping work altogether, and the decline in annual income that goes with that work adjustment."

Employers can take the following action steps to minimize the effects on health and productivity of employees with more than low-level caretaking responsibilities:

1. If you don't already, consider offering flexible hours or telecommuting to employees whose work duties make this feasible.
2. If your company offers an employee assistance program (EAP), publicize it to employees. Some employees might think the EAP is only for those in crisis, not for those dealing with daily stress.
3. Offer caregivers information on local sources of assistance or respite care. Area Agencies on Aging, legal aid for elders and other social service agencies often provide lists of resources available.
4. Make sure employees know their rights under the Family and Medical Leave Act (FMLA). Generally, an employer who employed 50 or more employees in 20 or more workweeks in the current or preceding calendar year must grant eligible employees up to 12 workweeks of unpaid leave during any 12-month period to care for a spouse, child or *parent* (emphasis added) with a serious health condition. Note that the law does not apply to leaves required to care for grandparents or grandchildren.
5. Consider offering a dependent care flexible spending account (FSA). Although traditionally used for childcare, funds from an FSA can be used to care for adult dependents as well. An FSA allows employees to set aside pre-tax dollars to pay for dependent care or medical expenses. We can help you set up an FSA for your employees—please call us for more information.

Correction

In our July issue, we reported that group health plans must notify plan participants at least 60 days in advance of any "material modifications" in plan terms by November 1, 2010 for the plan year beginning January 1, 2011.

The healthcare reform bill, the Patient Protection and Affordable Care Act, did not specify a date for advance notice requirements to become effective. It does require plans to make summaries of coverage and benefits available to participants by March 23, 2012. As the notice requirement is a provision of this section, it's reasonable to assume that the deadline for the notice requirement will be same date (3/23/12). To date, the U.S. Department of Health and Human Services hasn't released any regulations for implementation of this requirement. We regret the error.

COBRA—continued from Page 2

while on COBRA, that individual and covered dependents may qualify for an additional 11 months of COBRA continuation coverage if certain requirements are met.

A covered employee's spouse who would lose coverage due to a divorce may elect continuation coverage under the plan for a maximum of 36 months.

Employers or their plan administrators can require COBRA beneficiaries to provide proof of eligibility. This might include copies of a marriage certificate, birth certificate or adoption final decree, affidavits of dependency, along with a copy of the top half of the first page of the employee's Form 1040 tax return, showing the spouse's or dependent's name. In the case of disability, the plan administrator can require certification from the insured's physician.

For more information on determining who is eligible for COBRA benefits, please contact us.

EDUCATION—continued from Page 4

Fiduciaries can take actions to limit their liability. These include documenting the processes used to carry out fiduciary responsibilities and giving participants control over investments in their accounts. U.S. Department of Labor regulations require ERISA plans to offer at least three different investment options so that employees can diversify investments within an investment category, such as through a mutual fund.

Fiduciaries must also ensure participants have enough information to make informed decisions about plan options. To meet this requirement, some employers rely upon the plan administrator. Others contract with outside education providers. If you choose this route, have an attorney specializing in benefits or labor law review any contracts to ensure you are not taking on any unwanted liability.

The Importance of Goals

An effective education program needs clearly articulated goals. What do you want your financial education program to accomplish? If you want to increase participation in the organization's 401(k) plan, your program should 1) help employees understand the importance of saving for retirement, 2) teach them how to set retirement savings goals, 3) educate them on how a 401(k) works, 4) provide information on the various funds available in your plan and how to determine which might best meet their financial goals, and 5) give them tools to track their progress.

Providing investment education and guidance can help create awareness of your organization's retirement plan and boost participation. This can help you avoid nondiscrimination problems, enhance the value of your plan as an employee retention tool and help employees save for a secure retirement. For more information, please contact us.

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Employees Need More Financial Education

The economic downturn might be affecting your bottom line in more ways than you think. A recent MetLife survey found that 25 percent of employees admitted they felt more distracted at work because of financial problems, while 52 percent of employees believe that absenteeism increases when employees are dealing with personal financial problems.

The Arguments for Financial Education

Statistics paint a pretty grim picture of the average American's financial portfolio. Even among those not facing foreclosure or underwater mortgages, the financial picture is not pretty. More than half (54 percent) of U.S. workers have less than $25,000 in savings and investments. And more than one-quarter (27 percent) have less than $1,000 in savings and investments, not including their primary home and the value of defined benefit pensions.

Employees' financial worries affect employers in other ways as well. Lack of retirement savings can force older employees to work beyond their desired retirement age, which can lead to a loss of motivation along with increased stress and stress-related health claims.

Despite the fact that 82 percent of companies with 10 or more employees now offer a 401(k) or similar plan, only 58 percent offered retirement investing education or guidance, according to the 11th Annual Transamerica Retirement Survey. Is it time for employers to do more in this area?

Avoiding Liability

Many employers hesitate to provide investment advice to employees because the Employee Retirement Income Security Act (ERISA) creates liability for plan fiduciaries. A fiduciary is an individual or an entity (such as a committee) who exercises discretion or control over the plan. ERISA requires fiduciaries to act solely in the interest of plan participants and beneficiaries, carry out their duties prudently, follow plan documents, diversify plan investments and pay only reasonable plan expenses. Fiduciaries who do not follow these standards can be personally liable for any losses due to the fiduciary's improper actions.

EDUCATION—continued on Page 3

COBRA Subsidy Details

The American Recovery and Reinvestment Act of 2009 (ARRA) and its extensions created a COBRA premium subsidy for certain individuals who qualify for COBRA due to involuntary job loss. To be eligible, termination of a covered employee's employment must have occurred between September 1, 2008 and May 31, 2010. (An involuntary termination on or after March 2, 2010 but by May 31, 2010 that followed a qualifying event that was a reduction of hours occurring any time from September 1, 2008 through May 31, 2010 is also a qualifying event.)

Eligible individuals pay 35 percent of premiums to the plan for health coverage that began on or after February 17, 2009. The subsidy lasts for up to 15 months. The employer pays the remaining 65 percent and can claim a payroll tax credit on IRS Form 941. Employers must maintain the following documentation to claim credits:

- **Receipt of the employee's 35 percent share of premium**
- **For insured plans, a copy of the invoice or statement from the insurance carrier and proof of timely payment of full payment of premium to the carrier**
- **Declaration of the former employee's involuntary termination.**

For information on some of the special circumstances that might apply, please see the U.S. Department of Labor's website at www.dol.gov/ebsa/faqs/faq-cobra-premiumreductionEE.html, or contact us for compliance assistance.