Employee Benefits Report

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Health Benefits Not Disappearing Despite ACA

Despite the coming of health insurance exchanges next year, both employers and employees value employer-provided health insurance.

Health Insurance: Employees Rank it #1

In most surveys, employees rank health insurance as the most important benefit. That's a good thing, because health insurance represents a sizeable investment for employers. Premiums for the average employer-sponsored individual-only policy reached an average of $5,615 in 2012, with employers paying an average of 83 percent of the cost, reported the Kaiser Family Foundation.

Interestingly, the least expensive age group to insure was the only group that didn't put employer-provided health insurance at the top of their wish list. New college graduates ranked employer-paid health insurance fourth in order of preference, after annual salary increases, 401(k) company matches and tuition reimbursement. This is a change from earlier surveys, where new college graduates

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This Just In…

Employers receive reprieve from health benefit exchange notice requirement. The Patient Protection and Affordable Care Act (ACA) required "large employers" by March 1, 2013 to notify new and existing employees in writing about their state's health benefit exchange and advance premium tax credits available through the exchange to help them purchase individual coverage.

On January 24, U.S. Department of Labor (DOL) issued guidance stating employers are not required to comply with the employee notification requirement until it issues rules. The ACA requires certain specific information to be included in the notice and charged the DOL with issuing regulations providing more specific guidance. As this newsletter went to press, the DOL had not yet issued rules.

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placed employer-paid medical insurance at the top of their list. Marilyn Mackes, executive director of the National Association of Colleges and Employers, which conducted the survey of college grads, attributes the change to the Affordable Care Act. “Graduates know that they can now stay on their parents’ coverage until they are 26 years old, making medical benefits somewhat less critical in their list of priorities,” she said.

Employers Not Giving Up Medical Benefits

As more details of health insurance exchanges under the Affordable Care Act come to light, many employers are deciding to stick with the status quo, at least for the near future. After the Supreme Court decided in July 2012 to uphold the Affordable Care Act, the National Business Group on Health (NBGH) and Towers Watson found 88 percent of employers planned to continue offering health insurance for employees working 30 or more hours per week. That represents an increase of 17 percent over 2011 survey results.

Employers also recognize the strong link between health insurance, employee health and productivity. Many studies have shown that individuals who lack health insurance are generally less healthy, since they may put off getting healthcare when they need it.

The Commonwealth Fund estimates that economic output lost due to health-related reasons costs U.S. employers $260 billion per year. In 2003, U.S. employers lost 407 million days of work due to employee absences due to illness. They lost another 478 million days because some 55 million workers were “unable to concentrate at work because of their own illness or that of a family member,” according to the Commonwealth Fund’s study “Health and Productivity among U.S. Workers.”

Health Benefits and Recruiting

As the economy heats up and employers look to recruit new employees, benefits could prove more important. Some 19 million American workers plan to find a new job in 2013, which will cost their employers an estimated $2 trillion in recruiting and retraining costs. *(Source: 2013 U.S. Employee Report, Cornerstone OnDemand)* Employees surveyed for the Cornerstone report said that the top two factors that would influence their decision to stay were “a good manager,” cited by 48 percent, and “feeling appreciated by employer,” cited by 46 percent.

The 10th Annual MetLife Survey of Employee Benefit Trends found a correlation between employees’ satisfaction with their benefits and their feelings of being appreciated by their employer. Employees who were very satisfied with their benefits were four times more likely to agree with the statement, “My employer has a very strong sense of loyalty to me” than those who reported being very dissatisfied with their benefits. Loyalty works the other way as well: 61 percent of employees who were very satisfied with their benefits also had a “very strong sense of loyalty” to their employer, compared to only 24 percent of employees who were very dissatisfied with their benefits.

Most employers would agree that health benefits were essential to rewarding and retaining employees. Employers surveyed by the International Foundation of Employee Benefit Plans opted to provide health benefits for the following reasons:

- To maintain/increase employee satisfaction and loyalty (40 percent)
- To retain current employees (24 percent)
- Part of a collective bargaining agreement (21 percent).

In fact, in the 2012 NBGH/Towers Watson survey, 77 percent of employers cited health benefits as essential to employee recruitment and retention. For the near future at least, it seems that employer-provided benefits will remain an important tool for employers who want to remain competitive.

In the meantime, DOL said it is considering “model, generic language” among alternative methods for employers to comply with the notice requirement, adding that forthcoming guidance will provide employers flexibility and adequate time to comply with the requirement. DOL added it expects the timing for distribution of notices will be the late summer or fall of 2013 to coordinate with the exchange open enrollment period beginning October 1, 2013.

Source: healthinsurancecrisis.net

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Changes to Come

That's not to say you shouldn't change your health benefits in response to the ACA. Many employers regard retiree benefits as of little value in their staffing strategies. Health insurance exchanges will make it easier for early retirees to find coverage on the individual market, making this an easier cut for budget-conscious employers. More than half of employers surveyed by the National Business Group on health plan to drop coverage for retirees (53 percent) and part-time employees (33 percent).

Many surveys have also found employers plan to fine-tune the design of their health plans in 2014 and beyond. Consumer-driven plans will likely increase in popularity. The NBGH reported that 61 percent of employers expect to offer these plans in 2013, versus 59 percent in 2012. Once exchanges are full in place, an overwhelming majority (80 percent) of employers expect to offer these plans in 2015.

Consumer-driven plans can help control healthcare cost inflation by giving employees more hands-on control of their healthcare spending and incentives for price-shopping. These health plans consist of a high-deductible health plan (HDHP) paired with a healthcare spending account—either a health savings account (HSA) or health reimbursement arrangement (HRA)—both of which have tax advantages for employers and employees.

We can help you review your benefit portfolio to ensure it aligns with company goals and budgets. For more information, please contact us. ■

Telecommuting Done Right

Employees want more flexibility in when and where they do their jobs. If you want a low- or no-cost benefit, consider offering flexible hours and/or telecommuting.

If numbers from a late 2012 survey conducted for CareerBuilder reflect your workplace, one-quarter of your employees will leave their jobs in 2013 or 2014. Not surprisingly, many employees said that increased salaries (70 percent) and better benefits (58 percent) would boost employee retention. However, if those fixes aren't in your budget, what can you do to enhance employee satisfaction and retention at low or no cost?

Telecommuting offers advantages for employees and employers alike. Eighty-six percent of telecommuters surveyed in May 2011 by Staples Advantage said they were more productive in their home office. Telecommuters also reported being:

- Happier and healthier —Telecommuters say their stress levels dropped 25 percent on average since working from home. Seventy-three percent even say

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they eat healthier when working from home.

- More loyal — Without the trek to the office, 76 percent of telecommuters are more willing to put in extra time on work and say they are more loyal to their company since telecommuting.
- Better balanced — More than 80 percent of telecommuters say they now maintain a better work/home life balance.

Telecommuting can also make it easier for employers to comply with labor laws. These include:

- Americans with Disabilities Act (ADA). The ADA requires employers with 15 or more employees to offer job accommodation for applicants and workers with disabilities when such accommodations would not impose "undue hardship." Often, telework can allow a worker with a temporary or permanent disability to work.
- Family and Medical Leave Act (FMLA), which applies to all private employers with 50 or more employees. FMLA allows certain employees to take up to 12 weeks of unpaid leave each year for certain family and medical reasons. Telecommuting arrangements could help some of these employees avoid having to take leave, or reduce the duration of leave.

In addition, telecommuting can allow certain workers with job-related injuries or illnesses to return to work earlier than they might be able to otherwise, reducing your workers' compensation costs and increasing the chances of a full recovery and return to work.

The Downside of Telecommuting

Several studies have found that telecommuting can blur the boundaries between work and home life. Researchers from The University of Texas at Austin found that telecommuters put in an average of seven extra hours of work per week. A study published in the *Monthly Labor Review* (June 2012) concluded, "...the ability of employees to work at home may actually allow employers to raise expectations for work availability during evenings and weekends and foster longer workdays and workweeks."

However, this problem may stem from how different researchers define "telecommuting." The studies cited above defined telecommuting as any work done regularly at home. Rather than working exclusively at home, many of the subjects the *Labor Review* studied worked at home in addition to working at the office. In other words, employees worked overtime because they chose to, or because they could be reached at home.

The following pointers can help make telecommuting positive for both your organization and your employees:

1. Keep expectations clear. Telecommuters should have detailed job descriptions and specific work goals.
2. Evaluate performance regularly.
3. Don't show favoritism when allowing employees to telecommute. Use objective criteria, such as job duties, to determine who can or cannot telecommute and when.
4. Consider overtime liability. If job duties cause an employee to be classified as nonexempt under the Fair Labor Standards Act (FLSA), you must pay him/her for all hours worked, including overtime for any hours over 40 in a single workweek. To avoid liability for back pay and fines, establish a mechanism to track their actual work hours.
5. Consider safety. Employers are liable for employees' work-related injuries, even if they occur in the employee's own home. Consider requiring telecommuters to log in and log out when they are working.

   You will also want to ensure that employees have a safe work set-up. If your employee works in another state, make sure you have the necessary workers' compensation coverage. Many employers also opt to carry employers liability insurance in addition to workers' compensation insurance to provide additional coverage for lawsuits filed by employees or their families for injuries.
6. Discuss potential tax issues with your accountant. An employee who works out of state might have to pay state income taxes to the employer's state, his/her state of residence or both, depending on state laws and the individual situation.

For more suggestions on how benefits can help your employees maintain work/life balance, please contact us. ■

Stacking Disability Plans for Maximum Benefit

Employers that offer sick leave and disability benefits should coordinate among their plans to eliminate any coverage gaps.

The Components

A coordinated sick leave and disability benefit program consists of three parts: paid sick leave, short-term disability insurance (STD) and long-term disability insurance.

- Sick leave benefits provide all or part of an employee's earnings if the employee is unable to work because of a non-work-related illness or injury. Sick leave typically is provided on a per-year basis, usually expressed in days, and is never insured. In place of sick leave, some employers offer a "leave bank" or specified number of paid days off per year that employees can use for any reason.
- Short-term disability (STD) insurance is the most commonly found type of group disability insurance. STD plans typically have a waiting period of 0 to 14 days before a covered individual will receive benefits, and they provide benefits for a maximum of six months to one year.
- Long-term disability (LTD) insurance usually begins paying benefits 30 to 180 days after the disability occurs. Many employers structure their plans to begin paying benefits, once the covered individual has exhausted sick leave and short-term disability benefits. Better plans pay benefits until the disabled individual returns to gainful employment or reaches age 65, whichever comes first. Many LTD plans also offer partial or residual disability benefits to help offset earnings lost while the employee transitions back to full-time work.

The most effective plan designs coordinate STD and LTD benefits, so that once the employee exhausts sick pay and STD benefits, LTD benefits begin immediately. Usually, group plans have very streamlined or no underwriting requirements so employees do not have to answer a lot of health questions. Your less-than-healthy employees will find it easier to obtain coverage through the group market than through individual policies. In addition, group coverage usually costs less than an individual policy.

Limits on coverage

Both STD and LTD policies replace only a portion of an insured's salary, typically 60 percent, up to the monthly maximum benefit. Most group policies have a maximum monthly benefit of $5,000, which does not include bonuses or dividends. In addition, most insurers will coordinate benefits from a group policy with benefits from any individual disability policies the employee might own, so he or she will not collect more than 80 percent of pre-disability pay.

Many group LTD policies use two different definitions of disability, depending on how long a claim lasts. These policies use a "modified own occupation" definition of disability during the first two years. This definition considers an insured disabled when "…unable to perform the material and substantial duties of your occupation, and [you] are not engaged in any other occupation…"

After two years, the definition of disability becomes more restrictive. Exact definitions vary, but most require the insured to be unable to perform any of the material and substantial duties of any occupation for which he or she is "reasonably qualified" by education, training or experience. If a policy does not provide partial or residual disability benefits, insureds must navigate changing disability definitions, accepting no work other than their own occupation during the first two years, and then taking any job for which they are qualified after that.

Group disability benefits can also have

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tax consequences. Under employer-paid plans, benefits received will be taxable income to the employee. Benefits from employee-paid (or voluntary) plans will be tax-free.

In short, group disability income coverage provides good, basic coverage for rank-and-file employees at a reasonable cost. However, some employees, particularly those with higher incomes, might want to supplement group coverage with an individual policy. In most cases, an insured can obtain higher maximum benefits and more liberal definitions of disability with an individual policy.

For more information on disability income coverage, including voluntary (employee-paid) plans, please contact us.

IRS Defines "Affordable" Health Premiums

In January, the IRS clarified how "affordability" would be determined for purposes of determining an individual's eligibility to receive subsidies for buying health coverage.

Starting in 2014, the Affordable Care Act (ACA) will require individuals to have health insurance coverage or pay a "shared responsibility" penalty. Individuals who cannot afford coverage qualify for a subsidy, in the form of a premium tax credit. An individual who may enroll in an eligible employer-sponsored plan may be eligible for a premium tax credit if the employer-sponsored coverage either is unaffordable or fails to provide minimum value.

Since the ACA already requires employers that provide health insurance coverage to offer that coverage to employees' dependent children (but not spouses), the question arose whether "affordability" would be based on the cost of individual coverage or family coverage.

Some legislators and consumer groups wanted the affordability standard to be based on the cost of family coverage. However, in January, the IRS determined the required contribution for "related individuals" eligible for coverage under an employee's plan would be the portion of annual premium the employee would pay for **self-only** coverage for or taxable years beginning before January 1, 2015. An employee might therefore be able to afford employer-sponsored coverage for himself/herself, but not dependents. However, those dependents would not be eligible for a subsidy.

Why employers should care: The ruling will make fewer individuals eligible for government subsidies for coverage. When even one employee of a "large employer" under the ACA receives a subsidy, the employer could be subject to the ACA's "pay or play" penalties.

Employers will not have to report whether their employees and/or dependents of employees have coverage. Starting in 2015, individuals filing a tax return for the previous tax year will indicate which members of their family (including themselves) are exempt from the requirement. For family members who are not exempt, the taxpayer will indicate whether they had insurance coverage.

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