

Employee Benefits Report



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Save Money with a COBRA Audit

Despite reports to the contrary, COBRA is alive and well...and costing you money. A COBRA audit can help you trim your rolls of ineligible beneficiaries.



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

COBRA generally applies

This Just In...

In January, the House of Representatives passed a bill that would exempt more small employers from having to provide health insurance to employees. When employers are counting employees to determine if the Affordable Care Act’s coverage mandate applies, H.R. 22 would exempt employees who get health benefits through the TriCare military benefits program or from the Veterans Administration. That would effectively reduce the number of small employers affected by the Act’s “employer mandate.”

The Act requires employers with 100 or more full-time equivalent employees to provide health insurance to at least 70 percent of full-time workers (95 percent in 2016) or pay a fine. That provision became effective this year after a

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to employers that had at least 20 full-time equivalent 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.

Anyone who does not qualify for Medicare can now buy individual coverage regardless of pre-existing health conditions, thanks to the Affordable Care Act. Despite the availability of individual coverage, the Affordable Care Act specifically protects COBRA rights.

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. Although COBRA coverage is often more expensive than individual plans on the insurance exchanges, people might opt to elect COBRA coverage when their employer-sponsored coverage ends for several reasons.

First, employer-sponsored plans frequently provide broader coverage and cover more services than an exchange plan. When doing an apples-to-apples comparison, the employer-sponsored plan might be a better value.

Second, exchange plans often have limited provider networks. A person who wants to use his/her existing providers might opt to stay on an employer-sponsored plan. And finally, people undergoing treatment when their coverage terminates might opt to stay on their existing plan to ensure continuity of coverage.

COBRA Beneficiaries Cost You

All these factors make COBRA beneficiaries the type of people who cost more to insure. And that's not good for your bottom line.

That extra 2 percent you get for administering COBRA plans doesn't go far. One third-party administrator estimated that a staff person handling COBRA administration in-house spends at least one hour per month per COBRA beneficiary.

The more beneficiaries on your plan, the more likely a mistake is to occur, which can lead to fines and even lawsuits. Group plans must provide beneficiaries with a specific set of notices regarding their rights to COBRA continuation coverage when they have a "qualifying event." If you have a fully insured plan, your insurer may 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.

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 maxi-

one-year delay.

Rep. Rodney Davis, R-Ill., who introduced the bill, said it could also boost hiring of veterans among small businesses. The bill passed unanimously in the House. A similar bill awaited action in the Senate as this issue went to press.

mum of 18 months for employment termination or reduction of hours of work. If the covered employee becomes disabled 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 or 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 beneficiaries qualifying for SSDI (Social Security Disability Insurance), the COBRA administrator must get a copy of the Notice of Award letter from Social Security within 60 days of the award.

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

High-Deductible Health Plans: Has Their Time Come?

Employers are increasingly turning to high-deductible health plans to control their benefit costs. In 2014, 20 percent of people covered by an employer-sponsored plan had an HDHP, and 27 percent of large employers offered this type of plan.

Plan Structure

Many plan sponsors offer high-deductible health plans (HDHPs) designed to work with a tax-advantaged health savings account. Although employers have higher out-of-pocket costs before their deductible kicks in, they can use the account to pay their routine medical expenses, including deductibles. The account can be a health savings account (HSA), health reimbursement arrangement (HRA) or flexible spending account (FSA). The account may be funded by the employer or the employee, depending on the type of account. The employer and/or employee can fund an HSA; the employee or employer funds a flexible savings account with salary deduction contributions or limited employer contributions; and the employer funds an HRA with no employee contributions. The HDHP then protects them from catastrophic medical costs.

Often called consumer-driven health plans (CDHPs), this plan design aims to give employees more incentive to control their healthcare costs. Consumer-driven plans have three payment tiers: the savings account, the employee's out-of-pocket payments and an insurance plan. The first tier, the savings account, will allow employees to pay for services using pretax dollars.



The second tier is the gap between the amount of money in the individual's pretax account and the policy deductible. The insured must pay whatever amount is not covered by the pretax account out-of-pocket. When out-of-pocket expenses exceed the annual deductible amount, the high-deductible health insurance plan, the third tier, kicks in.

Once this happens, a CDHP behaves like a

traditional health plan. After insureds reach the HDHP's annual out-of-pocket maximum, the plan will pay all covered health costs for the remainder of the year.

If you want to encourage employees to think twice about their healthcare spending, the type of tax-advantaged savings plan you select could make a difference. In plans that use HRAs or FSAs, unused funds disappear

every year, or offer only limited roll-overs. This encourages employees to see them as an evaporating asset they should spend, which drives up health-care costs. HSAs, on the other hand, allow all unused funds to roll over year to year. This could encourage employees to save their funds for future crises, rather than spending their accounts down.

HSAs also help employees create a lifelong healthcare fund. Individuals can take their accumulated HSA balances with them when they change employers or retire. This feature transforms health benefits from an annually evaporating asset into a lifelong savings plan for any qualified healthcare expense.

And perhaps most attractive, health savings accounts are triple tax advantaged — tax-free, or tax deductible, when contributed; tax-free as they grow (funds can be invested); and tax-free at withdrawal if spent on qualified medical expenses, whether one day after the money is deposited or 20 years later.

As individuals become more accustomed to self-directed plans for retirement savings and out-of-pocket expenses for traditional health plans continue to rise, employee resistance to CDHPs will likely continue to decrease.

For more information on using high-deductible health insurance in a consumer-driven plan design, please contact us. ■

Caregiving: It's Not Just For Children Anymore

A record 57 million Americans — or nearly one in five people in the U.S. — live in multigenerational households, according to the Pew Research Center. Some of this growth is due to adult children moving back home, but more and more elders are moving in with their children.



In 2012, 22.7 percent of adults ages 85 and older lived in a multi-generational household, reports Pew. As people live longer, experts expect this trend to continue.

Why should employers care? Caregiving — and the stresses it creates — 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."

Further, caregiving (and the stresses it creates) can also cause health problems. Employees who care for an older relative are more likely to report health problems like 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 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 employ-

ees 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 information to caregivers on the resources they can turn to for help. Your EAP or a local agency might offer this type of service; consider having a seminar for caregivers.
- 4** Make sure employees know their rights under the Family and Medical Leave Act (FMLA). FMLA rights apply to those who need time off to care for elderly dependents, not just children.
- 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. We can help you set up an FSA — please call us for more information ■

How to Select the Right TPA

Administering payroll, benefits, time and attendance cost mid-sized employers \$2,000 per employee annually, according to a 2011 PricewaterhouseCoopers study. Commissioned for payroll provider ADP, the study found that large employers typically paid a bit less, at \$1,400 per employee per year. It's no wonder that many employers turn to third-party administrators.

Some employers choose to outsource all or a portion of these functions. If you're interested in using a third-party administrator for your benefits program, the following suggestions can help you find a quality vendor and avoid compliance problems.

- 1 Make sure the company is licensed to work in your state. You can get this information through the secretary of state's office.
- 2 After you confirm licensing, check the company's customer list. Some third-party administrators specialize in large businesses, while others focus on small business, nonprofits, or companies that employ organized labor. You'll save time and money by confining your search to companies

that specialize in your type of organization.

- 3 Consider the services offered by the third-party administrator. Many offer unbundled, or cafeteria, plans that let you choose only the services you want. Unbundled services give you more flexibility, but TPAs often offer significant discounts if they can service your company in more ways than one.
- 4 If you want the TPA to provide retirement planning, ask for a proposal detailing the different types of plans that would be appropriate for your organization, and make sure it explains all of the details, both positive and negative, of each plan.

Your final decision will revolve around how much control you're willing to relinquish. Some employers do not want to be involved in any aspect of administering employee insurance and retirement plans. Others want more control. Third-party administrators are generally flexible in this area, but it is important that you and the administrator are on the same page before signing what will likely be a long-term contract.

For more information, please contact us. ■

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