Employee Benefits Report

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Understanding Consumer-Driven Health Plans

Insurers developed consumer-driven health plans (CDHPs) to help employers take control of their employee healthcare costs. What are the different CDHP types and what features do they offer?

What Is a "Consumer-Driven Health Plan"?

Consumer-driven health plans combine a high-deductible health insurance plan with some form of health savings account. These include HSAs, healthcare reimbursement arrangements (HRAs) and similar medical payment programs that cover initial healthcare expenses. The high-deductible health plan protects insureds from catastrophic

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This Just In

Three-quarters of employees say that it's important to understand their personal finances and have enough medical insurance. And while most have done a good job learning what they need to know, 38 percent admitted to knowing "little to nothing" about their employee benefits in the 2015 MassMutual Employee Benefits Security Study. These people cited "difficulty, time, and a lack of information about where to go and who to trust as the reasons for not knowing more," according to the study report.

That lack of financial knowledge affects productivity. Forty percent of all employees surveyed said their personal finances created a "distraction" at work. Millennials (people ages 18-34), Hispanics and

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claims. The high deductibles in these plans force insureds to pay for a greater share of healthcare expenses than under other types of insurance plans. However, plans include a tax-favored savings or spending account that insureds can use to pay at least some of their out-of-pocket expenses.

CDHPs rely on a simple idea: If people spend their own money, they will become more frugal consumers of healthcare. They will think twice before running to a specialist for a minor complaint and compare costs whenever possible. This concept is called "having some skin in the game." In theory, consumers will take their business to providers who give better care at lower cost. In this way, CDHPs will allow providers, instead of insurers, to set prices for their services and reap the benefits of innovation. And that, proponents argue, will significantly lower healthcare costs.

In reality, however, consumers often lack easy access to the cost and effectiveness data they need to make informed healthcare decisions. When employees have had a choice of health plans, traditionally the employees who opted for CDHPs tended to be more educated and have higher incomes, because these plans require employees to assume more financial risk than other types of plans.

As employers pass along more of their healthcare costs to employees, this could be changing. The Employee Benefit Research Institute (EBRI) recently released a survey that found the income differences between enrollees in CDHPs versus traditional health insurance plans has begun to narrow. In 2006, CDHP enrollees were more likely than traditional plan enrollees to have household income of $150,000 or more, but by 2010 this was no longer the case. In 2010, CDHP enrollees were more likely to have a household income of $50,000 to $100,000, but not more likely to have incomes of $100,000 or more.

Despite the narrowing of income differences, CDHP and high-deductible health plan enrollees have consistently reported higher education levels than traditional plan enrollees. In addition, they consistently have reported better health status and health behaviors (lower rates of smoking and obesity and higher rates of regular exercise) than individuals with traditional coverage.

What does this mean to employers? CDHPs appeal to those who are healthier because they know their out-of-pocket health expenses are unlikely to max out their account balances. The plans' tax advantages also mean more to higher income individuals. Finally, more educated individuals have greater resources to research and discuss prices with their healthcare providers.

If you offer a CDHP, consider the following actions to help your employees get the most out of their plan:

- Encourage your employees to take advantage of coverage for preventive care services. The law permits an HSA-qualified HDHP policy to cover certain preventive care services, such as prenatal care, immunizations and cancer screenings, before insureds meet their deductible. All plans that fall under the Affordable Care Act guidelines provide first-dollar preventive care for annual exams and a prescribed list of other services deemed "preventive."
- Implement disease management programs to help your employees control common chronic conditions. This might vary by employee population, but com-

parents are the groups most likely to say their finances create a distraction and who are most likely to spend more time on their personal finances and employer-sponsored benefits.

What can employers do? Seventy three percent of respondents would likely use an online tool to manage their retirement, healthcare and other types of insurance if it were available free, particularly if it were provided by a "trusted and respected financial services company." Targeting education to specific demographic groups could also help.

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mon—and costly—controllable conditions include asthma, high blood pressure and diabetes.

- Consider supplementing your health plan with wellness benefits.
- Offer free health information resources. Many insurers provide online health information or free health counseling services by trained nurses. If your insurer offers these services, make sure employees are aware of them.
- Educate your employees on how their plan works. Most insurers will offer enrollment materials. You can supplement these with information showing the tax advantages of various plans and how account balances can grow (for health savings accounts), as well as the costs involved.
- Consider supplementing your major medical plan with critical illness or hospital indemnity coverage. These coverages, available on an employer-paid or voluntary basis, pay benefits directly to insureds when they have a covered illness or hospital stay. Insureds can use these benefits to cover the high cost of deductibles.

For more information on CDHPs please contact us.

How to Avoid Common (and Costly) Immigration Mistakes

When it comes to complying with provisions of the Immigration Reform and Control Act (IRCA), you may find yourself forced into two roles seemingly at odds with each other — verifying the employment of every employee while at the same time avoiding discriminatory practices. To help you walk the tightrope, here are nine common IRCA mistakes and solutions to help you avoid them:

Mistake 1: Not requiring employees to complete Form I-9 at all. IRCA regulations require employers to have each new employee complete Form I-9 within his/her first three days of employment. **Solution:** Develop and maintain a workable I-9 compliance system.

Mistake 2: Not completing Section 1 of the Form I-9 on the first day. Although employees have three days to provide the required eligibility documents, they must complete the entire Section 1 of the Form I-9 on or before the first day of employment. **Solution:** Make completion of Section 1 of the Form I-9 every new employee's first action and create a system of accountability to ensure a consistent practice.

Mistake 3: Accepting receipts or copies instead of real, original documents. IRCA regulations require employers to review original documents as part of the I-9 process. Receipts are only acceptable as the replacement of a document granting

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work authorization if the original was lost, stolen or damaged. If a receipt is presented as a replacement document, the employee has 90 days to provide the original document. **Solution:** Require original documents and set up a tickler for follow up if there has been a replacement request.

Mistake 4: The employer tells the employee specifically which documents to show. Although it is sometimes tempting, an employer may not suggest which document(s) to bring or limit the list that is available on the Form I-9. Doing so may result in a claim of unfair immigration-related employment practices and fines for each employee hired during the period of time in question. **Solution:** Do not ask for a specific document; just provide the list on the back of the Form I-9.

Mistake 5: Keeping copies of verification documents for some but not all employees. Keeping only copies of verification documents (i.e., passports, driver's licenses, Social Security cards) for foreign-born employees or another select group of employees can result in an employee claiming Title VII nationality discrimination or a complaint with the Office of Special Counsel. **Solution:** Keep copies of verification documents for all employees or for none.

Mistake 6: Throwing away "old" Forms I-9 or making new ones at the wrong time. IRCA regulations require employers to keep Forms I-9 on file for all current employees. **Solution:** Never destroy Forms I-9 for current employees and keep terminated employees' Forms I-9 for one year after their last day of employment or three years after hire, whichever is longer.

Mistake 7: Employer does not reverify expiring immigration documents. IRCA requires employers to re-verify each employee's Form I-9 if he or she checks the fourth box in Section 1 (or third box in older versions of the form) indicating that he or she is an alien that is authorized to work until a given date. **Solution:** Set up a reminder or tickler system to remind the employer to re-verify when necessary.

Mistake 8: Employer re-verifies the Form I-9 when it is not necessary. Employers should not re-verify when an employee's List B document expires (driver's license or lawful permanent resident card). This can result in small fines or accusations of document abuse. **Solution:** Don't re-verify any employees who check the first three boxes in Section 1 of Form I-9.

Mistake 9: Employer demands Social Security card. Section 1 of the Form I-9 only asks for the Social Security number (not the actual card) and that box is only required for employers who are registered for the Federal Electronic Verification system ("E-Verify"). **Solution:** Ask for SSN only. ■

It's Time for a 401(k) Tune-Up

Give your 401(k) plan a little routine care and maintenance to avoid compliance problems!

A compliance review will help you catch any plan errors or overlooked updates that might affect the retirement income of one or more of your company's employees or subject your company to regulatory penalties. Here's a quick run-down of how to check under the hood of your organization's 401(k) plan:

- Laws related to retirement plans change quite frequently, and the IRS generally establishes firm deadlines for adopting these changes. Update your calendar tickler to remind you when amendments must be completed. Maintain regular contact with the company that sold you the plan to ensure you're getting the latest updates.
- Perform a review of compensation definitions and provide training for the person or people in charge of determining employee/participant compensation. This will help you make sure your plan's definitions of compensation are correct for deferrals and allocations.
- To ensure you make employer matching contributions correctly for all eligible employees, review your plan document to determine the correct matching contribution formula and compare that to what's being used. Ensure that your plan administrator has adequate and sufficient employment and payroll records to make the calculations.
- Initiate an independent review to determine if highly

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compensated and non-highly compensated employees are properly classified. This will help you satisfy the actual deferral percentage (ADP) and actual contribution percentage (ACP) nondiscrimination tests.

- Review payroll records to extract the total number of employees, birth dates, hire dates, hours worked and other pertinent information to ensure all eligible employees identified are given the opportunity to make an elective deferral. Also inspect W-2 and state unemployment tax documents to see if employee counts are accurate. If an employee was not provided the opportunity to make an elective deferral, make a qualified non-elective contribution (QNEC) to the plan on the employee's behalf.
- Provide your plan administrator with sufficient payroll information and inspect deferral amounts for plan participants to make sure elective deferral distributions do not exceed amounts allowed under IRC section 402(g) for the calendar year ($18,000 in 2015 and 2016, plus an additional $6,000 if the employee is age 50 or older).
- To ensure timely deposits of employee elective deferrals, coordinate closely with your payroll provider to determine the earliest date the deferral deposits can reasonably be segregated from general assets, then set up procedures to ensure deposits are made by that date.
- If your 401(k) plan is determined to be "top-heavy," make employer contributions of up to three percent on behalf of all non-key employees still employed on the last day of the plan year. A plan is top-heavy when, as of the last day of the preceding plan year, the aggregate value of the plan accounts of key employees exceeds 60 percent of the aggregate value of the plan accounts for all employees under the plan.
- Reacquaint yourself and plan administrators with hardship provisions designed to help employees who are facing immediate or heavy financial need. Share information between plan administrators and payroll offices regarding hardship distributions made from the plan.
- Ensure timely filing of Form 5500 *(Annual Return/ Report of Employee Benefit Plan)* ERISA, and Summary Annual Report (SAR) to all plan participants annually. Don't assume someone else is filing these forms. Each plan may have a number of individuals providing service to the plan, including your CPA, the TPA, benefits attorney, auditor, inside auditor, human resource employees, banker, and financial advisor. The plan administrator should have the responsibility for making certain the return is properly filed.

Finally, if you have any questions or concerns, opt for an independent review of your plan administration. Then develop communications protocols to make all relevant parties aware of changes on a timely and accurate basis.

For more information on 401(k) plan administration or setup, please contact us.

Legal Plans: What's the Verdict?

According to one source, Americans have a 10 percent chance of being sued in any year, and a 33 percent chance over their lifetime.

Although some employee assistance programs (EAPs) provide legal services, benefits are usually very limited. Group legal plans can fill this benefits gap. Before you offer a plan, though, here are a few facts to consider:

There are two types of legal plans: an access plan and a legal insurance plan. According to the American Prepaid Legal Services Institute's 2004 survey, most people enrolled in group legal service plans have an access plan, also known as a prepaid legal plan.

An access plan gives members access to an attorney from a preselected network, who will provide a specified number of hours of legal advice or consultations per year at no charge. Typical services might include a simple real estate contract review or simple will. When participants need more in-depth services, they pay the lawyer directly, but the plan typically guarantees a discount off the lawyer's usual hourly rates.

Legal insurance plans differ from access plans. A legal insurance plan is an insurance contract that works like an HMO, where the participant buys an insurance policy, pays monthly premiums and uses a "preferred provider" for services. And like most HMOs, as long as the service you require is covered and you use a network provider, you do not have to fill out claim forms and wait for reimbursement. If you use an out-of-network lawyer, your service will be reimbursed up to a certain (lower) amount.

Legal insurance policies are designed to meet the legal needs of most middleclass families. They cover simple family law matters, such as simple wills, uncontested divorces, uncontested adoptions, juvenile court proceedings, minor motor vehicle proceedings (such as speeding, reckless driving, etc.) and IRS audit protection and defense services. Some plans also offer an unlimited number of phone consultations, identity theft services and immigration services. For more information on legal access plans, legal insurance or other voluntary benefits, please call us.

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